



ADVANEX INC.

Flash Report (Consolidated Basis)

Results for FY2017 First quarter(three months ended June 30, 2016)

August 12, 2016

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 Filing date of quarterly securities report:
 Supplementary explanation material for quarterly financial results
 Holding of presentation meeting for quarterly financial results

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 August 12, 2016
 Yes
 No

1. Performance (April 1, 2016 through June 30, 2016) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the three months ended June 30.).

Percentages indicate year-on-year increase (decrease)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2016	4,368	(10.7)	9	(93.8)	(22)	-	(61)	-
Three months ended June 30, 2015	4,893	(29.3)	150	(33.4)	151	(12.2)	94	(14.5)

[Note] Comprehensive income: Three months ended June 30, 2016 (868) million yen
 Three months ended June 30, 2015 304 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Three months ended June 30, 2016	(15.09)	-
Three months ended June 30, 2015	22.92	22.78

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2016	16,673	5,570	33.1	1,352.61
As of March 31, 2016	17,024	6,578	38.4	1,600.38

[Reference] Total shareholder's equity: 5,523million yen at June 30, 2015 6,536 million yen at March 31, 2016

2. Dividends

	Dividends per share				
Record date	First quarter -end dividends	Second quarter -end dividends	Third quarter -end dividends	Year-end dividends	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	--	--	--	35.00	35.00
Year ended March 31, 2017	--	--	--	--	--
Year ended March 31, 2017 (forecast)	--	--	--	30.00	30.00

[Note1] Revisions to the latest forecast of cash dividends: Yes

3. Forecast of consolidated results for FY2017 (April 1, 2016 through March 31, 2017)

Percentages indicate year-on-year increase (decrease)

	Net sales		Operating income		Ordinary income		Net income (loss)		Net income (loss) per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months Ended September 30, 2016	8,700	(12.3)	30	(91.8)	0	-	(80)	-	(19.59)
Year ended March 31, 2017	17,700	(7.2)	450	(32.7)	400	(40.5)	220	(62.5)	53.87

[Note1] Revisions to the latest forecasts of consolidated results: Yes

4. Others

- (1) Significant changes in subsidiaries during the subject fiscal year: No
Additions: 0 Deletions: 0
- (2) Application of simplified accounting and specific accounting: No
- (3) Changes in accounting principles, procedures, presentations, etc.
 - a. Changes associated with revision of accounting standards, etc: No
 - b. Changes other than a.: No
 - c. Change in accounting estimate: No
 - d. Restatement: No
- (4) Number of shares outstanding (Common stock)
 - a. Number of shares outstanding at end of period (Including treasury stock)
 - 4,153,370 shares at June 30, 2016
 - 4,153,370 shares at March 31, 2016
 - b. Number of shares of treasury stock at end of period
 - 69,568 shares at June 30, 2016
 - 69,313 shares at March 31, 2016
 - c. Average number of shares issued and outstanding in each period:
 - 4,083,921 shares at June 30, 2016
 - 4,113,387 shares at June 30, 2016

[Notes]

1. Explanation for related to implementation of the quarterly review procedures
When disclosing this Brief Report of Financial Results, the review procedures for quarterly financial statements under the Financial Instruments and Exchange Law have not been brought to completion.
2. Explanation for appropriate use of financial forecasts and other special remarks
The above-mentioned forecasts are based on the information available as of the date when this information is disclosed, as well as on the assumptions as of the disclosing date of this information related with unpredictable parameters that are probable to affect our future business performances. Our actual performance is likely to differ greatly from these estimates depending on various factors in the future.

(Attachment)

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1 . Qualitative Information on Financial Results For This Quarter

(1) Explanation of Business Results

During the first quarter (from April 1 to June 30, 2016) of the fiscal year under review, a gradual economic recovery continued in the U.S. mainly reflecting the improvements of the employment environment and the consumer spending. In Europe, however, more signs of economic uncertainty were observed after the UK's decision to leave the European Union despite the current favorable economic situation in Europe. Also, the Chinese economy slowed and the affected South East Asian economies continued to face difficulties. In Japan, the economic situation was at a standstill due to the factors such as sluggish consumer spending and the stronger yen. In such situation, the automotive industry, which is closely related to our business, generally showed solid results mainly in the Europe.

As a result, the consolidated net sales of Advanex group for the first quarter of the fiscal year under review decreased 10.7% year on year to ¥4,368 million and the operating income decreased 93.8% year on year to ¥9 million. The operating loss amounted to ¥22 million yen reflecting the fluctuations in exchange rate. And the net loss attributable to owners of the parent for the first quarter amounted to ¥61 million.

Results for each operating segment are as follows.

[Japan]

The sales to the automotive market went strong, however, the sales to OA equipment market decreased. In addition, an increase in fixed costs was recorded due to the launch of Saitama factory which started operation in January 2016. As a result, the net sale of this segment decreased 6.9% year on year to ¥1,839 million and the segment loss of ¥166 million was recorded.

[Americas]

The sales to the housing related market went strong, while the sales to automotive and household appliance markets decreased. Also, due to the factors such as the effect from the stronger yen and an increase in fixed costs reflecting the launch of the second factory in Mexico, the net sale in this segment decreased 16.5 % year on year to ¥461 million and the segment loss amounted to ¥23 million.

[Europe]

The sales to the aviation market were robust, however, the sales to the medical equipment market dropped. Also due to the effect from stronger yen, the net sales in this segment decreased 30.9% year on year to ¥449 million and the segment income dropped 69.7% year on year to ¥25 million.

[Asia]

While the net sales of this segment decreased 5.5% year on year to ¥1,617 million reflecting the stronger yen, the segment income increased 71.8% year on year to ¥167 million, primarily reflecting a drastic growth in the earnings in Thailand and the successful contribution from the measures taken to improve the profitability in China.

(2) Explanation of Financial Position

The Status of assets, liabilities, and net assets

Total assets at the end of the first quarter amounted to ¥16,673 million, decreasing ¥351 million compared with the end of previous fiscal year (March 31, 2016). Major reasons are as follows.

In assets section, the total amount of current assets increased ¥36 million to ¥9,994 million. This change is due mainly to a ¥24 million decrease in trade notes and accounts receivable, a ¥39 million decrease in inventory assets and a ¥45 million increase in cash and time deposits, a ¥50 million increase in other current assets. The total amount of fixed assets decreased ¥387 million to ¥6,678 million. This change reflects a ¥307 million decrease in tangible fixed assets and a ¥64 million decrease in investment and other assets.

On the liabilities side, the total liabilities amounted to ¥11,102 million, increasing ¥656 million from the end of previous fiscal year. This change is primarily due to a ¥609 million increase in the borrowings.

In the net assets, the total net assets amounted to ¥5,570 million, decreasing ¥1,007 million from the end of previous fiscal year. This change is mainly due to a ¥61 million decrease net income attributable to owners of the parent recorded in the first quarter of fiscal year under review, a ¥786 million decrease in foreign exchange adjustment which was affected by the strong yen, a ¥142 decrease reflecting dividends paid.

(3) Explanation of Consolidated Business Forecast and other Forecasts

Regarding the prospect of the consolidated business forecasts for the fiscal year ending March 31, 2017, the company made revisions to its consolidated performance forecast released on May 11, 2016. For more details, please refer to “Revisions to the FY2017 Performance Forecast”, which was released today.

2. Other summary information

(1) Change to major subsidiaries during the fiscal period under review

None

(2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements

None

(3) Changes in accounting policy, changes in accounting estimated, and restatements.

(Adoption of accounting standard for Business Combinations)

None

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2017 first quarter (As of June 30,2016)	FY2016 (As of March 31,2016)
ASSETS		
Current assets:		
Cash and time deposits	3,510,827	3,465,434
Trade notes and accounts receivable	4,072,634	4,096,757
Finished goods	984,586	1,045,537
Work in process	483,206	443,607
Raw materials and stored items	522,188	540,485
Deferred income tax	1,428	1,585
Other current assets	434,181	383,912
Allowance for doubtful accounts	(14,660)	(19,577)
Total current assets	9,994,392	9,957,742
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	1,986,069	2,085,755
Machinery and equipment	2,038,000	2,218,894
Land	947,587	982,722
Others	526,870	518,968
Total tangible noncurrent assets	5,498,528	5,806,340
Intangible noncurrent assets	250,060	265,587
Investments and other assets	930,165	994,598
Total noncurrent assets	6,678,754	7,066,526
Total assets	16,673,147	17,024,268

(Amount: thousands of yen)

	FY2017 first quarter (As of June 30,2016)	FY2016 (As of March 31,2016)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	2,418,790	2,421,123
Short-term borrowings	653,732	702,817
Long-term borrowings due within one year	1,649,992	1,477,247
Accrued income taxes	60,011	78,892
Allowance for bonus	207,363	127,836
Provision for loss on disaster	1,481	2,000
Other current liabilities	1,064,140	1,042,680
Total current liabilities	6,055,511	5,852,597
Noncurrent liabilities		
Long-term borrowings	3,396,575	2,910,258
Deferred tax liabilities	159,931	190,416
Provision for environmental measures	3,000	3,000
Liabilities for retirement benefits	1,323,855	1,325,440
Asset retirement obligations	39,013	39,138
Other noncurrent liabilities	124,617	125,232
Total noncurrent liabilities	5,046,992	4,593,485
Total liabilities	11,102,504	10,446,083
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	5,497,670	5,702,235
Treasury stock	(119,501)	(119,180)
Total shareholder' equity	6,634,886	6,839,772
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	61,581	105,407
Foreign exchange adjustment	(930,807)	(144,195)
cumulative amount for retirement benefits	(241,849)	(264,953)
Total accumulated other comprehensive income	(1,111,075)	(303,741)
Subscription rights to shares	46,832	42,154
Total net assets	5,570,642	6,578,185
Total liabilities and net assets	16,673,147	17,024,268

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2017 first quarter (April 1, 2016 through June 30, 2016)	FY2015 first quarter (April 1, 2015 through June 30, 2015)
NET sales	4,368,823	4,893,097
Cost of sales	3,277,194	3,608,203
Gross profit	1,091,629	1,284,894
Selling, general and administrative expenses	1,082,259	1,134,300
Operating income	9,369	150,593
Non-operating revenues		
Interest income	5,608	2,692
Dividends income	3,096	1,794
Rent income	19,309	21,843
Others	3,881	3,791
Total non-operating revenues	31,895	30,122
Non-operating expenses		
Interest expenses	12,073	12,722
Foreign exchange losses	46,348	9,556
Provision of allowance for doubtful accounts	5,059	7,386
Others	63,480	29,665
Total non-operating expenses	(22,216)	151,051
Ordinary income(loss)		
Extraordinary gain		
Gain on sales of noncurrent assets	117	—
Total extraordinary gain	117	—
Extraordinary loss		
Loss on sales of noncurrent assets	—	375
Loss on disposal of noncurrent assets	—	167
Loss on sales of investment securities	—	8
Total extraordinary loss	—	551
Net Income (or loss) before income taxes	(22,099)	150,499
Corporate, inhabitant and enterprise taxes	44,468	52,344
Corporate tax adjustments	(4,944)	3,888
Total income taxes	39,523	56,232
Net income(loss)	(61,622)	94,267
Net income (loss) Attributable to Owners of the Parent	(61,622)	94,267

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2017 first quarter (April 1, 2016 through June 30, 2016)	FY2015 first quarter (April 1, 2015 through June 30, 2015)
Income (or loss) before minority interests	(61,622)	94,267
Other comprehensive income		
Valuation gain(loss) on other securities	(43,825)	9,790
Foreign currency translation adjustment	(786,611)	182,190
Consolidated equity for equity method affiliate	23,104	18,653
Accumulated other comprehensive income		
Quarterly comprehensive income	(807,333)	210,634
Comprehensive income	(868,956)	304,902
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(868,956)	304,902

(3) Notes Concerning Quarterly Consolidated Financial Statements
 (Notes on Going Concern Assumptions)
 Not applicable

(Notes Concerning Significant Changes in the Amount of Shareholders' Equity)
 Not applicable

(4)Segment Information etc.
 【Segment Information】

I FY2017 first quarter (April 1, 2016 through June 30, 2016)

1, Information related to sales and income or loss amounts by reporting segments

(Amount: thousands of yen)

	Japan	Americas	Europe	Asia	Total
Net sales					
(1) Net sales to third parties	1,839,472	461,809	449,804	1,617,736	4,368,823
(2) Intra-group Net sales and transfers	87,255	—	17,410	44,695	149,361
Total sales	1,926,727	461,809	467,215	1,662,432	4,518,184
Operating income (loss)	(166,305)	(23,199)	25,843	167,229	3,567

2, Reconciliation of Reported Consolidated Quarterly Net Sales and Operating Income with Operating Income or Loss of Reporting Segments

Reconciliation of Operating Income	Amount
Total of Reporting Segments	3,567
Elimination of inter-segment transactions	5,802
Consolidated Quarterly Operating Income	9,369

3, Information related to impairment loss of fixed assets or goodwill, etc. by reporting segment
 Not applicable

II FY2016 first quarter (April 1, 2015 through June 30, 2015)

1, Information related to sales and income or loss amounts by reporting segments

(Amount: thousands of yen)

	Japan	Americas	Europe	Asia	Total
Net sales					
(1) Net sales to third parties	1,976,368	553,329	650,670	1,712,730	4,893,097
(2) Intra-group Net sales and transfers	133,520	—	8,789	34,847	177,157
Total sales	2,109,888	553,329	659,460	1,747,577	5,070,255
Operating income (loss)	(57,726)	38,020	85,293	97,343	162,929

2, Reconciliation of Reported Consolidated Quarterly Net Sales and Operating Income with Operating Income or Loss of Reporting Segments

Reconciliation of Operating Income	Amount
Total of Reporting Segments	162,929
Elimination of inter-segment transactions	(12,336)
Consolidated Quarterly Operating Income	150,593

3, Information related to impairment loss of fixed assets or goodwill, etc. by reporting segment

Not applicable