

# ADVANEX INC.

## Flash Report (Consolidated Basis)

Results for FY2023 first half (six months ended September 30, 2022)



November 11, 2022

2 Company name: ADVANEX INC.

Code number: 5998

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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

Stock listings: Tokyo Stock Exchange

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November 14, 2022

Yes

Yes

1. Performance (April 1, 2022 through September 30, 2022) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the six months ended September 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	%
Six months ended September 30, 2022	11,882	10.3	(186)	-	591	158.5	226	788.8
Six months ended September 30, 2021	10,769	28.0	171	-	228	-	25	-

[Note] Comprehensive income: Six months ended September 30, 2022 755 million yen  
Six months ended September 30, 2021 (64) million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Six months ended September 30, 2022	55.21	55.13
Six months ended September 30, 2021	6.22	6.21

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	28,479	7,636	26.8
As of March 31, 2022	25,208	6,922	27.4

[Reference] Total shareholder's equity: 7,627 million yen at September 30, 2022 6,913 million yen at March 31, 2022

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, 2021	--	--	--	10.00	10.00
Year ended March 31, 2022	--	--	--	--	--
Year ended March 31, 2022 (forecast)	--	--	--	10.00	10.00

[Note1] Revisions to the latest forecast of cash dividends: No

### 3. Forecast of consolidated results for FY2022 (April 1, 2022 through March 31, 2023)

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
Year ended March 31, 2023	24,000	10.5	400	169.8	300	(15.4)	120	-	29.21

[Note1] Revisions to the latest forecasts of consolidated results: No

### 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 September 30, 2022
    - 4,153,370 shares at March 31, 2022
  - b. Number of shares of treasury stock at end of period
    - 45,317 shares at September 30, 2022
    - 44,925 shares at March 31, 2022
  - c. Average number of shares issued and outstanding in each period:
    - 4,108,258 shares at September 30, 2022
    - 4,102,543 shares at September 30, 2021

### [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

In the second quarter of the fiscal year under review, despite the relaxation of action restrictions imposed by Corona, the global economy continued to face uncertainties, including the lock-down of China, which continues its zero corona policy, worldwide inflation, as well as the continuing shortage of semiconductors from the previous year and soaring energy and raw material costs, such as crude oil and natural gas. In the automotive industry, our main market, conditions remained challenging due to a series of downward revisions to production plans caused by a shortage of semiconductors and the zero corona policy in China, despite robust demand.

Under these circumstances, net sales in the second quarter of the current fiscal year increased 10.3% from the same quarter of the previous fiscal year to 11,882 million yen and an operating loss of 186 million yen (profit of 171 million yen in the same quarter of the previous fiscal year). Ordinary income increased 158.5% year on year to ¥591 million due to foreign exchange gains, and profit attributable to owners of parent increased 788.8% to ¥226 million.

Segment results are as follows.

#### [Japan]

Net sales decreased 2.1% from the same quarter of the previous year to 4,180 million yen due to a series of production adjustments for automobiles caused by the shortage of semiconductors and the zero corona policy in China. Segment loss was 14 million yen, compared with profit of 236 million yen for the same quarter of the previous fiscal year, due in part to the impact of soaring material costs.

#### [Americas]

Despite delays in the operation of the new Tennessee factory, net sales increased slightly year on year to ¥1,368 million, due in part to the start-up of production at a plant in Mexico and the impact of the weaker yen. Segment loss amounted to ¥546 million (compared with a loss of ¥340 million in the same quarter of the previous fiscal year), due in part to delays in the operation of a new Tennessee factory and the impact of soaring material costs.

#### [Europe]

Net sales increased 17.7% from the same quarter of the previous year to 1,210 million yen, due in part to a recovery in sales for medical and aircraft applications and the impact of the depreciation of the yen. Segment income decreased 25.6% to ¥40 million due to soaring materials and energy costs.

#### [Asia]

Net sales increased 24.7% from the same quarter of the previous year to ¥5,123 million, due in part to strong sales to the automotive, OA equipment and medical-related industries and the impact of the weaker yen. Segment profit increased 39.7% year on year to ¥309 million.

### (2) Explanation of Financial Position

#### ① Financial position

##### Assets

Total assets at the end of the second quarter under review increased ¥3,270 million from the end of the previous fiscal year, to ¥28,479 million.

Total current assets increased ¥2,392 million to ¥14,713 million. This was mainly due to increases of 891 million yen in cash and deposits, 1,265 million yen in notes and accounts receivable-trade, and 294 million yen in inventories. Total non-current assets increased ¥877 million to ¥13,765 million. This was mainly due to an increase in property, plant and equipment.

#### Liabilities

In the Liabilities section, total liabilities were 20,843 million yen, an increase of 2,557 million yen from the end of the previous fiscal year. This was mainly due to an increase in borrowings of ¥2,724 million.

#### Net assets

In net assets, total net assets were 7,636 million yen, an increase of 713 million yen from the end of the previous fiscal year. The main factors were increases of 185 million yen in total shareholders' equity and 556 million yen in foreign currency translation adjustments due to the occurrence of quarterly net income attributable to owners of the parent.

As a result, the equity ratio was 26.8% (27.4% at the end of the previous fiscal year).

#### ② Analysis of Cash Flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year increased by 568 million yen from the end of the previous fiscal year to 3,111 million yen. Cash flows for each category and factors affecting cash flows are as follows.

##### Cash flows from operating activities

Net cash provided by operating activities decreased by 1,195 million yen (an increase of 103 million yen in the same quarter of the previous year).

Major cash inflows included a 489 million yen increase in net cash provided by income before income taxes and minority interests for the quarter and a 720 million yen reserve for cash used in depreciation and amortization. Major outflows included a 598 million yen decrease in funds due to foreign exchange gains, a 956 million yen decrease in funds due to an increase in notes and accounts receivable-trade, and a 333 million yen decrease in funds due to a decrease in notes and accounts payable-trade.

##### Cash flows from investing activities

Net cash used in investing activities decreased by 997 million yen (compared with net cash used of 1,231 million yen in the same quarter of the previous year).

This was mainly due to capital expenditures of 734 million yen by us and our group companies.

##### Cash flows from financing activities

Net cash provided by financing activities increased ¥2,546 million (net cash provided of ¥586 million in the same quarter of the previous fiscal year).

The main cash inflow factor was an increase of ¥2,704 million in interest-bearing debt.

#### (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

We have not changed the forecast for the fiscal year ending March 2023 from the forecast released on May 13, 2022.

## 2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

### (1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2023 first half (As of September 30,2022)	FY2022 (As of March 31,2022)
<b>ASSETS</b>		
Current assets:		
Cash and time deposits	4,066,564	3,175,062
Trade notes and accounts receivable	5,626,135	4,360,590
Finished goods	1,370,930	1,462,752
Work in process	910,523	835,012
Raw materials and stored items	2,004,405	1,693,896
Other current assets	765,193	824,332
Allowance for doubtful accounts	(30,314)	(31,090)
Total current assets	14,713,437	12,320,556
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	4,499,081	4,359,678
Machinery and equipment	4,580,410	4,252,836
Land	1,677,874	1,428,985
Others	2,096,888	1,914,852
Total tangible noncurrent assets	12,854,254	11,956,352
Intangible noncurrent assets	119,371	107,426
Investments and other assets	792,113	823,983
Total noncurrent assets	13,765,738	12,887,763
Total assets	28,479,176	25,208,319

(Amount: thousands of yen)

	FY2023 first half (As of September 30,2022)	FY2022 (As of March 31,2022)
<b>LIABILITIES</b>		
Current liabilities:		
Trade notes and accounts payable	3,445,783	3,660,399
Short-term borrowings	4,343,293	1,442,302
Long-term borrowings due within one year	3,391,891	3,124,881
Lease obligations	250,815	216,004
Income taxes payable	213,556	160,618
Allowance for bonus	262,726	283,980
Other current liabilities	1,366,225	1,470,269
Total current liabilities	13,274,291	10,358,456
Noncurrent liabilities		
Long-term borrowings	4,955,361	5,398,400
Lease obligations	1,062,886	1,012,725
Deferred tax liabilities	269,542	251,339
Asset retirement obligations	54,908	54,244
Liabilities for retirement benefits	1,141,175	1,159,114
Other noncurrent liabilities	84,956	51,700
Total noncurrent liabilities	7,568,829	7,927,524
Total liabilities	20,843,121	18,285,981
<b>NET ASSETS</b>		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	250,000	250,000
Retained earnings	5,250,067	5,064,348
Treasury stock	(78,289)	(77,765)
Total shareholder' equity	6,421,777	6,236,582
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	(9,705)	25,720
Foreign exchange adjustment	1,188,553	632,086
cumulative amount for retirement benefits	26,834	19,354
Total accumulated other comprehensive income	(145,840)	677,161
Subscription rights to shares	8,594	8,594
Total net assets	7,636,054	6,922,338
Total liabilities and net assets	28,479,176	25,208,319

## (2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2023 first half (April 1, 2022 through September 30, 2022)	FY2022 first half (April 1, 2021 through September 30, 2021)
NET sales	11,882,760	10,769,665
Cost of sales	9,539,101	8,370,280
Gross profit	2,343,658	2,399,384
Selling, general and administrative expenses	2,530,583	2,227,966
Operating income	(186,925)	171,418
Non-operating revenues		
Interest income	11,863	9,686
Dividends income	1	1
Rent income	52,654	36,331
Foreign exchange gains	604,577	134,522
Subsidy income	35,904	1,435
forgiveness of debts	185,709	-
Others	28,078	16,292
Total non-operating revenues	918,789	198,268
Non-operating expenses		
Interest expenses	117,486	108,989
Others	23,337	32,031
Total non-operating expenses	140,824	141,021
Ordinary income(loss)	591,039	228,666
Extraordinary gain		
Gain on sales of noncurrent assets	4,740	1,208
Total extraordinary gain	4,740	1,208
Extraordinary loss		
Loss on sales of noncurrent assets	906	176
Loss on disposal of noncurrent assets	717	8,133
Loss on litigation	-	31,026
Loss on business restructuring	60,440	-
Loss on Covid-19 related	44,480	-
Total extraordinary loss	106,544	39,336
Net Income (or loss) before income taxes	489,235	190,538
Corporate, inhabitant and enterprise taxes	236,048	155,466
Corporate tax adjustments	26,382	9,552
Total income taxes	262,430	165,019
Net income(loss)	226,804	25,519
Net income (loss) Attributable to Owners of the Parent	226,804	25,519



QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2023 first half (April 1, 2022 through September 30, 2022)	FY2022 first half (April 1, 2021 through September 30, 2021)
Income (or loss) before minority interests	226,804	25,519
Other comprehensive income		
Valuation gain(loss) on other securities	(35,426)	(5,735)
Foreign currency translation adjustment	556,466	(91,681)
Remeasurements of defined benefit plans	7,480	7,505
Total other comprehensive income	528,521	(89,910)
Comprehensive income	755,325	(64,391)
Comprehensive income attributable to owners of the parent	755,325	(64,391)

### (3) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY2023 first half (April 1, 2022 through September 30, 2022)	FY2022 first half (April 1, 2021 through September 30, 2021)
Cash flows from operating activities		
Gain (Loss) before income taxes and minority interests	489,235	190,538
Depreciation and amortization	720,687	618,905
Impairment loss	(3,786)	(9,846)
Increase (decrease) in allowance for doubtful accounts	(31,725)	22,087
Increase (decrease) in retirement benefits	(25,835)	(19,516)
Interest and dividend income	(11,864)	(9,687)
Interest payable	117,486	108,989
(Gain) loss on differences of foreign exchange	(598,752)	(105,048)
(Gain) loss on sale of fixed assets	(3,833)	(1,032)
(Gain) loss on disposal of fixed assets	717	8,133
Decrease (increase) in notes and accounts receivable	956,233	103,993
Decrease (increase) in inventories	(23,352)	(617,489)
Increase (decrease) in notes and accounts payable	(333,682)	258,591
Others	(219,922)	(236,258)
Subtotal	(880,861)	312,361
Proceeds from interest and dividend receivable	11,938	8,240
Payment of interests	(152,700)	(63,487)
Payment of income taxes	(174,033)	(153,581)
Others	-	-
Net cash provided by operating activities	(1,195,656)	103,533

	FY2023 first half (April 1, 2022 through September 30, 2022)	FY2022 first half (April 1, 2021 through September 30, 2021)
Cash flows from investing activities		
Payments on purchase of tangible fixed assets	(734,117)	(1,075,515)
Proceeds from sales of tangible fixed assets	6,211	2,068
Payments on purchase of intangible fixed assets	(15,883)	(21,973)
Proceeds from sales of intangible fixed assets	300	331
Payments on purchase of investment securities	(300)	(73,285)
Payments into time deposits	(333,340)	(255,600)
Proceeds from withdrawal of time deposits	79,280	213,646
Others	779	(20,862)
Net cash used in investing activities	(997,069)	(1,231,190)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,884,401	368,920
Proceeds from long-term borrowings	1,549,871	1,900,000
Repayments on long-term borrowings	(1,730,104)	(1,553,656)
Decrease (increase) in treasury stock	(524)	(347)
Cash dividends paid	(48,660)	(42,211)
Others	(108,631)	(85,882)
Net cash used in financing activities	2,546,352	586,822
Effect of exchange rate changes on cash and cash equivalents	214,793	9,853
Net increase (decrease) in cash and cash equivalents	(568,419)	(530,980)
Cash and cash equivalents at the beginning of quarter	2,543,000	3,093,069
Change in cash and cash equivalents due to change in accounting period of consolidated subsidiaries	-	-
Cash and cash equivalents at the end of quarter	3,111,420	2,562,089

(4) 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

Segment Information etc.  
**【Segment Information】**

I FY2023 first half (April 1, 2022 through September 30, 2022)

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	4,180,549	1,368,574	1,210,636	5,123,000	11,882,760
(2) Intra-group Net sales and transfers	572,961	-	136,602	103,051	812,615
Total sales	4,753,510	1,368,574	1,347,239	5,226,051	12,695,375
Operating income (loss)	(14,649)	(546,970)	40,316	309,757	(211,547)

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	(211,547)
Elimination of inter-segment transactions	24,621
Consolidated Quarterly Operating Income	(186,925)

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

## II FY2022 first half (April 1, 2021 through September 30, 2021)

### 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	4,269,617	1,362,537	1,028,789	4,108,720	10,769,665
(2) Intra-group Net sales and transfers	482,583	6,059	13,252	61,715	563,611
Total sales	4,752,200	1,368,597	1,042,042	4,170,435	11,333,276
Operating income (loss)	236,980	(340,344)	54,204	221,769	172,610

### 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	172,610
Elimination of inter-segment transactions	(1,191)
Consolidated Quarterly Operating Income	171,418

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

Not applicable