



ADVANEX INC.

Flash Report (Consolidated Basis)

Results for FY2022 first half (six months ended September 30, 2021)

November 11, 2021

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 12, 2021

Yes

Yes

1. Performance (April 1, 2021 through September 30, 2021) (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, 2021	10,769	28.0	171	-	228	-	25	-
Six months ended September 30, 2020	8,416	(19.6)	(296)	-	(266)	-	(422)	-

[Note] Comprehensive income: Six months ended September 30, 2021 (64)million yen
Six months ended September 30, 2020 (380)million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Six months ended September 30, 2021	6.22	6.21
Six months ended September 30, 2020	(103.17)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	24,074	6,207	25.7
As of March 31, 2021	23,730	6,323	26.5

[Reference] Total shareholder's equity: 6,198 million yen at September 30, 2021 6,299 million yen at March 31, 2021

2. Dividends

Record date	Dividends per share				
	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: Yes

3. Forecast of consolidated results for FY2022 (April 1, 2021 through March 31, 2022)

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, 2022	20,500	4.9	300	70.3	200	(44.3)	100	(84.2)	24.38

[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 September 30, 2021
 - 4,153,370 shares at March 31, 2021
 - b. Number of shares of treasury stock at end of period
 - 44,708 shares at September 30, 2021
 - 55,446 shares at March 31, 2021
 - c. Average number of shares issued and outstanding in each period:
 - 4,102,543 shares at September 30, 2021
 - 4,092,424 shares at September 30, 2020

[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, the global economy resumed economic activities in major European and U.S. countries and China due to the progress of vaccination. However, in ASEAN countries and emerging countries, vaccination did not proceed and economic activities were delayed to resume. In some developed countries, the outlook for the global economy is becoming increasingly uncertain due to the spread of infectious diseases caused by variant stocks. In addition, in the automotive industry, our main market, although demand is robust, delays in the supply of automotive parts from ASEAN countries and a worldwide shortage of raw materials such as semiconductors and resin materials resulted in a revision of production plans, which had a considerable impact on our business performance.

Under these circumstances, sales in the second quarter of the fiscal year under review increased by 28.0% from the same quarter of the previous fiscal year to 10,769 million, while operating margin was 171 million (a loss of 296 million in the same quarter of the previous fiscal year), ordinary margin was 228 million (a loss of 266 million in the same quarter of the previous fiscal year) and attributable to parent company owners was 25 million (a loss of 422 million in the same quarter of the previous fiscal year).

Segment results are as follows.

[Japan]

Overall demand recovered, including for automobiles and OA equipment. As a result, net sales increased 21.6% from the same quarter of the previous year to 4,269 million yen, and segment income was 236 million yen (compared with a loss of 181 million yen in the same quarter of the previous year).

[Americas]

Demand for automotive and medical applications recovered, and net sales increased 48.5% from the same quarter of the previous year to 1,362 million yen. However, segment loss was 340 million yen (loss of 163 million yen in the same quarter of the previous year) due to the recording of expenses associated with the relocation of the U.S. factory and the incurrence of project start-up costs at the Mexican factory.

[Europe]

Net sales increased 10.6% from the same quarter of the previous year to 1,028 million yen due to strong sales for medical applications and standardized products, but segment income decreased 22.0% to 54 million yen.

[Asia]

Demand recovered, mainly for automobiles, and net sales increased 34.3% from the same quarter of the previous year to ¥4.108 billion, and segment income was ¥221 million (compared to a loss of ¥37 million in the same quarter of the previous year).

(2) Explanation of Financial Position

① Financial position

Assets

Total assets at the end of the second quarter under review increased 343 million yen from the end of the previous fiscal year, to 24,074 million yen.

Total current assets increased by ¥63 million to ¥12.206 billion. The main factors were decreases of 493 million yen in cash and deposits and 93 million yen in notes and accounts receivable-trade, which were partly offset by an increase of 629 million yen in inventories. Total non-current assets increased ¥280 million to ¥11,867 million. This was mainly due to an increase in property, plant and equipment and investments and other assets.

Liabilities

In the Liabilities section, total liabilities were 17,867 million yen, an increase of 460 million yen from the end of the previous fiscal year. This was mainly due to an increase of 735 million yen in loans payable, despite a decrease of 196 million yen in notes and accounts payable-trade.

Net assets

In net assets, total net assets decreased 116 million yen from the end of the previous fiscal year to 6.207 billion yen. This was mainly due to a decrease of ¥91 million in foreign currency translation adjustments.

As a result, the equity ratio was 25.7% (26.5% 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 decreased by 530 million yen from the end of the previous fiscal year to 2,562 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 increased by 103 million yen (funds increased by 415 million yen in the same quarter of the previous year).

Major cash inflows included a ¥190 million increase in net cash provided by income before income taxes and minority interests for the quarter and a ¥618 million reserve for cash used in depreciation and amortization. The main cash outflow factor was a 617 million yen decrease in funds due to an increase in inventories.

Cash flows from investing activities

Funds decreased by 1,231 million yen due to investment activities (a decrease of 245 million yen in the same quarter of the previous year).

The main cash outflow factor was 1,075 million yen in capital expenditures by us and our group companies.

Cash flows from financing activities

Net cash provided by financing activities increased by ¥586 million, compared with a decrease of ¥357 million in the same period of the previous fiscal year.

The main cash inflow factor was an increase of 715 million yen 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 2022 from the forecast released on May 14, 2021.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2022 first half (As of September 30,2021)	FY2021 (As of March 31,2021)
ASSETS		
Current assets:		
Cash and time deposits	3,405,546	3,899,489
Trade notes and accounts receivable	4,627,105	4,720,132
Finished goods	1,560,667	1,250,147
Work in process	755,323	697,541
Raw materials and stored items	1,199,107	937,769
Other current assets	697,421	683,091
Allowance for doubtful accounts	(38,368)	(44,512)
Total current assets	12,206,805	12,143,659
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	3,769,015	3,851,288
Machinery and equipment	3,758,943	3,709,048
Land	1,002,493	997,270
Others	2,522,862	2,301,640
Total tangible noncurrent assets	11,053,314	10,859,246
Intangible noncurrent assets	76,069	62,311
Investments and other assets	738,547	665,601
Total noncurrent assets	11,867,930	11,587,159
Total assets	24,074,736	23,730,818

(Amount: thousands of yen)

	FY2022 first half (As of September 30,2021)	FY2021 (As of March 31,2021)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	3,091,040	3,287,463
Short-term borrowings	2,245,330	1,868,510
Long-term borrowings due within one year	3,160,955	2,905,859
Lease obligations	174,471	168,697
Income taxes payable	187,610	193,134
Allowance for bonus	172,204	151,075
Provision for product warranties	76,719	77,637
Other current liabilities	1,192,193	1,318,307
Total current liabilities	10,300,525	9,970,684
Noncurrent liabilities		
Long-term borrowings	5,066,371	4,963,115
Lease obligations	974,394	933,352
Deferred tax liabilities	272,721	254,450
Asset retirement obligations	51,626	52,275
Liabilities for retirement benefits	1,177,451	1,207,178
Other noncurrent liabilities	24,360	26,394
Total noncurrent liabilities	7,566,926	7,436,767
Total liabilities	17,867,452	17,407,451
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	250,000	250,000
Retained earnings	5,172,008	5,201,273
Treasury stock	(77,477)	(96,212)
Total shareholder' equity	6,344,530	6,355,060
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	(643)	5,091
Foreign exchange adjustment	(177,185)	(85,504)
cumulative amount for retirement benefits	31,989	24,483
Total accumulated other comprehensive income	(145,840)	(55,929)
Subscription rights to shares	8,594	24,235
Total net assets	6,207,284	6,323,366
Total liabilities and net assets	24,074,736	23,730,818

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2022 first half (April 1, 2021 through September 30, 2021)	FY2021 first half (April 1, 2020 through September 30, 2020)
NET sales	10,769,665	8,416,270
Cost of sales	8,370,280	6,681,204
Gross profit	2,399,384	1,735,066
Selling, general and administrative expenses	2,227,966	2,032,014
Operating income	171,418	(296,948)
Non-operating revenues		
Interest income	9,686	11,235
Dividends income	1	2
Rent income	36,331	31,505
Foreign exchange gains	134,522	27,618
Subsidy income	1,435	42,947
Others	16,292	38,560
Total non-operating revenues	198,268	151,869
Non-operating expenses		
Interest expenses	108,989	89,624
Others	32,031	32,038
Total non-operating expenses	141,021	121,662
Ordinary income(loss)	228,666	(266,742)
Extraordinary gain		
Gain on sales of noncurrent assets	1,208	1,495
Total extraordinary gain	1,208	1,495
Extraordinary loss		
Loss on sales of noncurrent assets	176	354
Loss on disposal of noncurrent assets	8,133	626
Loss on litigation	31,026	24,287
Loss on Covid-19 related	-	39,179
Others	-	-
Total extraordinary loss	39,336	64,448
Net Income (or loss) before income taxes	190,538	(329,695)
Corporate, inhabitant and enterprise taxes	155,466	91,398
Corporate tax adjustments	9,552	1,103
Total income taxes	165,019	92,502
Net income(loss)	25,519	(422,197)
Net income (loss) Attributable to Owners of the Parent	25,519	(422,197)

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2022 first half (April 1, 2021 through September 30, 2021)	FY2021 first half (April 1, 2020 through September 30, 2020)
Income (or loss) before minority interests	25,519	(422,197)
Other comprehensive income		
Valuation gain(loss) on other securities	(5,735)	325
Foreign currency translation adjustment	(91,681)	23,504
Remeasurements of defined benefit plans	7,505	18,353
Total other comprehensive income	(89,910)	42,184
Comprehensive income	(64,391)	(380,013)
Comprehensive income attributable to owners of the parent	(64,391)	(380,013)

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY2022 first half (April 1, 2021 through September 30, 2021)	FY2021 first half (April 1, 2020 through September 30, 2020)
Cash flows from operating activities		
Gain (Loss) before income taxes and minority interests	190,538	(329,695)
Depreciation and amortization	618,905	605,278
Impairment loss	(9,846)	3,540
Increase (decrease) in allowance for doubtful accounts	22,087	(71,880)
Increase (decrease) in retirement benefits	(19,516)	8,100
Interest and dividend income	(9,687)	(11,237)
Interest payable	108,989	89,624
(Gain) loss on differences of foreign exchange	(105,048)	24,684
(Gain) loss on sale of fixed assets	(1,032)	(1,140)
(Gain) loss on disposal of fixed assets	8,133	626
Decrease (increase) in notes and accounts receivable	103,993	373,027
Decrease (increase) in inventories	(617,489)	23,579
Increase (decrease) in notes and accounts payable	258,591	(442,667)
Others	(236,258)	332,395
Subtotal	312,361	604,235
Proceeds from interest and dividend receivable	8,240	35,946
Payment of interests	(63,487)	(106,493)
Payment of income taxes	(153,581)	(118,164)
Others	-	-
Net cash provided by operating activities	103,533	415,524

	FY2022 first half (April 1, 2021 through September 30, 2021)	FY2021 first half (April 1, 2020 through September 30, 2020)
Cash flows from investing activities		

Payments on purchase of tangible fixed assets	(1,075,515)	(378,671)
Proceeds from sales of tangible fixed assets	2,068	3,977
Payments on purchase of intangible fixed assets	(21,973)	(1,162)
Proceeds from sales of intangible fixed assets	331	597
Payments on purchase of investment securities	(73,285)	(900)
Payments into time deposits	(255,600)	(147,657)
Proceeds from withdrawal of time deposits	213,646	271,447
Others	(20,862)	6,550
Net cash used in investing activities	(1,231,190)	(245,818)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	368,920	(67,194)
Proceeds from long-term borrowings	1,900,000	1,340,926
Repayments on long-term borrowings	(1,553,656)	(1,547,811)
Decrease (increase) in treasury stock	(347)	(186)
Cash dividends paid	(42,211)	(42,176)
Others	(85,882)	(40,965)
Net cash used in financing activities	586,822	(357,407)
Effect of exchange rate changes on cash and cash equivalents	9,853	(16,659)
Net increase (decrease) in cash and cash equivalents	(530,980)	(204,361)
Cash and cash equivalents at the beginning of quarter	3,093,069	1,971,289
Change in cash and cash equivalents due to change in accounting period of consolidated subsidiaries	-	-
Cash and cash equivalents at the end of quarter	2,562,089	1,766,928

(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 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

II FY2021 first half (April 1, 2020 through September 30, 2020)

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	3,510,327	917,553	930,129	3,058,258	8,416,270
(2) Intra-group Net sales and transfers	269,228	509	50,785	124,279	444,803
Total sales	3,779,556	918,063	980,915	3,182,538	8,861,073
Operating income (loss)	(181,383)	(163,698)	69,516	(37,298)	(312,863)

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	(312,863)
Elimination of inter-segment transactions	15,914
Consolidated Quarterly Operating Income	(296,948)

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

Not applicable