

ADVANEX INC.
Flash Report(Consolidated Basis) --Summary
Results for fiscal year ended March 31, 2018



May 9, 2018

Company name: ADVANEX INC.
 Code number: 5998
 Representative: Tsuneo Shibano, President & COO
 Inquiries: Toshiya Ohno, CFO & Executive Director
 Date of the General Meeting of the Shareholders: June 21, 2018
 Expected date of payment for dividends: June 22, 2018
 Filing date of securities report: June 22, 2018
 Supplementary explanation material for financial results
 Holding of presentation meeting for financial results

Stock listings: Tokyo Stock Exchange
 URL <http://www.advanex.co.jp>

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Yes

Yes

(Figures less than ¥1 million have been omitted.)

1. Performance

(1) Operating results

Years ended March 31

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	%
2018	20,294	13.6	259	5.0	237	(31.5)	49	(25.9)
2017	17,858	(6.4)	247	(63.0)	346	(48.4)	67	(88.6)

Note: Comprehensive income(millions of yen): Mar. 2018: 66 -% Mar.2017: (138) -%

	Net income per share	Net income per share after dilution	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
2018	12.21	12.10	0.8	1.2	1.3
2017	16.46	16.32	1.1	1.9	1.4

Reference : Gain (Loss) on investment by equity method: Year ended March 31, 2018:--- ¥(0) million

Year ended March 31, 2017: --- ¥(0) million

(2) Consolidated Financial position

At March 31

(Figures less than ¥1 million have been omitted.)

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2018	20,325	6,233	30.4	1,517.12
2017	18,747	6,298	33.3	1,531.55

(Reference) Total shareholders' equity: March 31, 2018: ¥6,186 million, March 31, 2017: ¥6,251 million

(3) Cash flows

Years ended March 31

(Figures less than ¥1 million have been omitted.)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2018	311	(1,496)	1,436	3,533
2017	773	(1,302)	1,266	3,261

2. Dividends

Years ended March 31

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
2017	---	---	---	30.00	30.00
2018	---	---	---	30.00	30.00
2019 (Forecast)	---	--	---	30.00	30.00

Record date	Total amount of dividends (for the entire fiscal year)	Payout ratio (consolidated)	Dividends-to-net assets ratio (consolidated)
	Millions of yen	%	%
2017	122	182.2	1.9
2018	122	245.7	2.0
2019 (Forecast)		76.5	

3. Forecasts for the Fiscal Year Ended March 31, 2019

Percentages indicate year-on-year increase (decrease).

Fiscal year	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
	20,800	2.5	350	34.9	320	34.8

Fiscal year	Net income (loss)		Net income (loss) per share
	Millions of yen	%	Yen
	160	221.2	39.22

4. Other

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): No
2. Changes in accounting principles, procedures, presentations, etc.
 - a. Changes associated with revision of accounting standards, etc: No
 - b. Changes other than a.: No
 - c. Changes in accounting estimates: No
 - d. Restatement: No
3. Number of shares outstanding (Common stock)

Number of shares outstanding at fiscal year-end(including treasury stock):

2018: 4,153,370 shares 2017: 4,153,370 shares

Number of shares of treasury stock at fiscal year-end:

2018: 75,501 shares 2017: 71,639 shares

Average Number of outstanding at term-end:

2018: 4,079,542 shares 2017: 4,082,782 shares

(Reference) FLASH REPORT (NON-CONSOLIDATED BASIS)

(1) Operating results

Years ended March 31

Percentages indicate year-on-year increase (decrease).

	Net sales		Operating income		Ordinary income (loss)		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2018	8,769	10.7	(76)	---	(39)	---	14	---
2017	7,921	(1.8)	(562)	---	(141)	---	(155)	---

	Net income per share	Net income per share after dilution
	Yen	Yen
2018	3.52	3.49
2017	(38.05)	---

(2) Financial position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2018	12,986	1,863	14.0	445.43
2017	11,438	2,004	17.1	479.67

(Reference) Total shareholders' equity: March 31, 2018 ¥1,816 million, March 31, 2017: ¥1,957 million

Notes

- Audit procedures for financial statements under the Financial Instruments and Exchange Law are not completed at the time of disclosure of this Brief Report of Financial Results.

• The business forecasts presented in this report are based on information available to the management at the time of preparation, and are subject to a number of risks and uncertainties. Actual results may differ materially from those projected due to a wide range of factors.

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1. Overview of Business Performance and Financial Position

(1) Overview of Business Performance

During the fiscal year under review, US and European economies continued to be on a solid upturn reflecting expansion in employment and improved business performances. In addition, China and emerging markets such as those in the South East Asia experienced economic recoveries led by growing external demand. Although uncertainties remain from stronger yen, Japanese economy continued to be on a mild recovery primarily due to strong business performances and solid employment situation.

As a result, the consolidated net sales of Advanex group for the fiscal year under review increased 13.6% year on year to ¥20,294 million and operating income increased 5.0% year on year to ¥259 million. Ordinary income decreased 31.5% to ¥237 million and net income attributable to owners of the parent company decreased 25.9% to ¥49 million.

Results for each operating segment are as follows.

[Japan]

Due mainly to favorable sales to automotive market, net sales of this segment increased 3.7% year on year to ¥7,808 million and segment loss amounted to ¥87 million. (Loss of ¥572 million was recorded in the previous fiscal year)

[Americas]

While net sales of this segment increased 10.4% year on year to ¥2,193 million reflecting robust sales to automotive market, segment loss amounted to ¥369 million, (Loss of ¥161 million was recorded in the previous fiscal year) primarily due to increases in fixed costs as a result of upfront investments at Mexican factory*.

* Factory in Queretaro, Mexico, established in 2016.

[Europe]

As a result of strong sales to medical equipment market, net sales of this segment increased 8.5% year on year to ¥ 1,871 million. Yet, segment income decreased 4.1% year on year to ¥238 million due mainly to changes in cost covered by the headquarters.

[Asia]

Due to the inclusion of PT. Yamakou Indonesia in the scope of consolidation and robust sales to automotive and OA equipment markets, net sales of this segment increased 27.3% year on year to ¥8,421 million. Segment income decreased 32.4% year on year to ¥489 million, however, mainly due to factors such as increases in fixed costs and changes in cost covered by the headquarters.

(2) Overview of Financial Position

Total amount of assets on a consolidated basis at fiscal year-end increased ¥1,577 million year on year to ¥20,325 million. Major reasons for this change are as follows.

1. Assets

In assets section, the total amount of current assets increased ¥1,245 million to ¥12,203 million. This change is due mainly to a ¥439 million increase in cash and time deposits, a ¥365 million increase in trade notes and accounts receivable and a ¥296 million increase in inventory assets. The total amount of fixed assets increased ¥332 million to ¥8,122 million. This change mainly reflects a ¥620 million increase in tangible fixed assets while the amount of investments and other assets decreased ¥162 million.

2. Liabilities

On the liabilities side, the total liabilities amounted to ¥14,092 million, increasing ¥1,642 million from the end of previous fiscal year. This change is mainly owing to a ¥1,551 million increase in borrowings.

3. Net assets

In the net assets, the total net assets amounted to ¥6,233 million, decreasing ¥64 million from the previous fiscal year-end. This change is primarily due to a ¥81 million decrease in shareholder's equity which resulted from factors such as dividend payment, in spite of a ¥49 million net income attributable to the owner of the parent company recorded for fiscal year under review.

(3) The status of Cash flows

The amount of cash and cash equivalent as of the end of current fiscal year amounted to ¥3,533 million, a ¥271 million increase year on year. The status of various cash flows and the main factors behind changes are explained below.

1. Cash flow from operating activities

Net cash provided by operating activities increased ¥311 million. (¥773 million increase in the previous fiscal year) This change is mainly due to ¥267 million recorded as income before income taxes and minority interests in addition to a ¥939 million reserved from depreciation and amortization in spite of a ¥351 million decrease in notes and accounts receivable and a ¥310 million decrease in inventory assets.

2. Cash flow from investing activities

Fund decreased ¥1,496 million by investing activities. (The fund decreased ¥1,302 million during the previous fiscal year) This change is primarily due to a ¥1,529 million payment for acquisition of tangible fixed assets.

3. Cash flow from financing activities

As a result of financing activities, fund increased ¥1,436 million. (¥1,266 million increase during the previous fiscal year) An increase in borrowing is the main reason for this change.

(4) Outlook for the coming fiscal year

The global economy is expected to grow going forward, yet uncertainties remain given the factors such as the impact of trade conflicts between US and China, in addition to the yen consistently being strong. Thus, the company continues to foresee the situation to be not quite optimistic.

2. Basic Rational Regarding Selection of Accounting Standards

Considering the comparability among group companies to be consolidated, the Advanex Group intends to apply the Japanese accounting standards for our consolidated financial reports for the meantime.

The company will further consider application of IFRS(International Financial Reporting Standards) taking into account the situation surrounding the application of IFRS among Japanese companies.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2018	As of March 31, 2017
ASSETS		
Current assets:		
Cash and time deposits	4,346,905	3,906,980
Trade notes and accounts receivable	4,826,490	4,460,515
Finished goods	1,238,800	1,018,881
Work in process	659,789	684,098
Raw materials and stored items	786,912	685,663
Deferred income tax	12,963	1,502
Other current assets	345,347	211,940
Allowance for doubtful accounts	(13,934)	(11,957)
Total current assets	12,203,275	10,957,625
Fixed assets:		
Tangible fixed assets		
Buildings and structures	6,978,901	6,835,588
Accumulated depreciation	(4,963,820)	(4,832,844)
Buildings and structures, net	2,015,080	2,002,744
Machinery and equipment	12,443,183	11,573,216
Accumulated depreciation	(9,317,455)	(8,905,173)
Machinery and equipment, net	3,125,728	2,668,042
Land	1,119,095	1,138,787
Leased assets	14,375	25,947
Accumulated depreciation	(6,527)	(14,197)
Leased assets, net	7,848	11,750
Others	2,388,807	2,053,945
Accumulated depreciation	(1,646,440)	(1,485,161)
Other, net	742,366	568,783
Total tangible fixed assets	7,010,118	6,390,107
Intangible fixed assets		
Software	102,517	137,879
Goodwill	106,060	196,690
Others	16,551	15,864
Total intangible fixed assets	225,129	350,434
Investments and other assets		
Investment in securities	221,779	350,446
Deferred income tax	230	169
Real estate for investment	450,033	459,164
Accumulated depreciation	(90,873)	(92,610)
Real estate for investment, net	359,160	366,553

	As of March 31, 2018	As of March 31, 2017
Others	309,979	336,499
Allowance for doubtful accounts	(3,878)	(3,878)
Total investments and other assets	887,271	1,049,791
Total fixed assets	8,122,519	7,790,333
Total assets	20,325,794	18,747,958
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	2,574,829	2,635,230
Short-term borrowings	2,624,429	1,372,842
Long-term borrowings due within one year	2,109,704	1,987,653
Lease obligations	1,634	3,885
Accrued income taxes	118,363	186,747
Allowance for bonus	229,306	140,071
Provision for product warranties	75,908	71,440
Other current liabilities	1,093,373	1,047,445
Total current liabilities	8,827,549	7,445,315
Long-term liabilities:		
Long-term borrowings	3,436,123	3,258,507
Lease obligations	5,614	7,075
Deferred tax liabilities	233,582	211,925
Provision for environmental measures	3,000	3,000
Asset retirement obligations	39,412	39,198
Liabilities for Retirement Benefits	1,435,779	1,377,513
Other long-term liabilities	111,289	107,209
Total long-term liabilities	5,264,802	5,004,429
Total liabilities	14,092,351	12,449,745
NET ASSETS		
Shareholders' equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	5,553,820	5,626,466
Treasury stock	(131,313)	(122,267)
Total shareholders' equity	6,679,224	6,760,916
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	79,392	103,725
Foreign exchange adjustment	(387,176)	(452,099)
Accumulated adjustment for Retirement Benefits	(184,829)	(161,161)
Total accumulated other comprehensive income	(492,613)	(509,534)
Subscription rights to shares	46,832	46,832
Total net assets	6,233,443	6,298,213

	As of March 31, 2018	As of March 31, 2017
Total liabilities and net assets	20,325,794	18,747,958

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(Thousands of yen)

	Year ended March 31, 2018	Year ended March 31, 2017
Net sales	20,294,946	17,858,139
Cost of sales	15,435,655	13,392,066
Gross income	4,859,290	4,466,072
Selling, general and administrative expenses		
Delivery	548,937	347,020
Salary	1,893,839	1,772,261
Reserves for bonuses allowance	54,985	32,955
Retirement payments	50	1,416
Retirement benefit expenses	70,610	71,662
Depreciation and amortization	97,441	108,310
Others	1,933,934	1,885,236
Total selling, general and administrative expenses	4,599,799	4,218,862
Operating income	259,490	247,210
Non-operating income		
Interests	28,083	24,694
Dividends	6,719	6,009
Rental fees	52,849	69,905
Foreign exchange gains	—	5,010
Dividend income of insurance	7,553	7,076
Subsidy income	13,994	13,540
Subsidy income 2	8,683	28,980
Others	17,270	21,001
Total non-operating income	135,154	176,219
Non-operating expenses		
Interests	55,354	48,011
Foreign exchange losses	72,313	—
Provision of allowance for doubtful accounts	2,015	190
Compensation expenses	3,520	1,877
Rent cost of real estate	12,187	10,326
Others	11,928	16,664
Total non-operating expenses	157,320	77,070
Ordinary income or loss	237,324	346,358

	Year ended March 31, 2018	Year ended March 31, 2017
Extraordinary income		
Gain on sales of noncurrent assets	11,829	3,217
Reversal of provision for dissolution of benefit obligation relating to employee's pension fund	—	14,850
Gain on sales of securities	86,915	—
Total extraordinary income	98,744	18,067
Extraordinary loss		
Loss on sales of noncurrent assets	2,958	1,248
Loss on disposal of noncurrent assets	4,767	3,673
Provision for product warranties	—	73,062
Impairment loss	60,910	11,266
Total extraordinary loss	68,635	89,250
Income or Loss before income taxes and minority Interests	267,433	275,175
Income, local and enterprise taxes	207,020	206,903
Adjustment for income taxes	10,607	1,061
Total income taxes	217,627	207,964
Loss before minority interests	49,806	67,210
Net income or loss	49,806	67,210

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Year ended March 31, 2018	Year ended March 31, 2017
Loss before minority interests	49,806	67,210
Other comprehensive income		
Valuation difference on available-for-sale securities	(24,333)	(1,681)
Foreign currency translation adjustment	64,922	(307,903)
Remeasurements of defined benefit plans	(23,667)	103,792
Accumulated other comprehensive income	16,921	(205,793)
Comprehensive income	66,727	(138,582)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	66,727	(138,582)

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Year ended March 31, 2018	Year ended March 31, 2017
Cash flows from operating activities		
Income(Loss) before income taxes and minority interests	267,433	275,175
Depreciation and amortization	939,392	799,625
Impairment loss	60,910	11,266
Amortization of goodwill	35,964	10,151
Increase (decrease) in allowance for doubtful accounts	2,314	(5,880)
Increase (decrease) in allowance for bonuses	86,866	12,168
Increase (decrease) in liabilities for Retirement Benefits	35,119	90,231
Interest and dividends receivable	(34,802)	(30,704)
Rental fees receivable	(52,849)	(69,905)
Interest payable	55,354	48,011
Loss on sales of trade notes	2	13
(Gain) loss on differences of foreign exchange	49,252	968
(Gain) loss on sale of fixed assets	(8,870)	(1,968)
(Gain) loss on disposal of fixed assets	4,767	3,673
Loss (gain) on sales of short-term and long-term investment securities	(86,915)	—
Decrease (increase) in notes and accounts receivable-trade	(351,714)	(270,483)
Decrease (increase) in inventories	(310,428)	(200,730)
Increase (decrease) in notes and accounts payable	(50,801)	119,641
Increase (decrease) in provision for loss on disaster	—	(2,000)
Provision for product warranties	—	73,062
Increase (decrease) in accrued consumption taxes	(109,329)	90,746
Others	22,402	(44,003)
Subtotal	554,069	909,060
Proceeds from interest and dividend receivable	37,332	30,041
Proceeds from rental fees	52,849	69,905
Other proceeds	9,086	8,719
Payment of interests	(63,167)	(49,752)
Payments of sales of trade notes	(2)	(13)
Payment of income taxes	(278,724)	(194,285)
Net cash provided by operating activities	311,442	773,676

(Thousands of yen)

	Year ended March 31, 2018	Year ended March 31, 2017
Cash flows from investing activities		
Payments on purchase of tangible fixed assets	(1,529,338)	(1,128,026)
Proceeds from sales of tangible fixed assets	15,319	4,990
Payments on purchase of intangible fixed assets	(9,145)	(12,828)
Payments on purchase of investment securities	(12,300)	(22,485)
Proceeds from sales of securities	208,195	—
Purchase of shares of subsidiaries and associates	—	(242,871)
Payments for transfer of business	—	(45,920)
Payments on paying in time deposits	(204,468)	(190,595)
Proceeds from withdrawal of time deposits	22,162	333,993
Other expenses	(4,194)	(5,342)
Others incomes	17,404	6,931
Net cash used in investing activities	(1,496,364)	(1,302,153)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,182,850	670,351
Proceeds from long-term borrowings	2,716,541	2,519,875
Repayments on long-term borrowings	(2,323,639)	(1,775,953)
Purchase of treasury stocks	(9,046)	(3,187)
Cash dividends paid	(126,281)	(142,403)
Proceeds from disposal of treasury shares	—	100
Others	(4,063)	(2,626)
Net cash used in financing activities	1,436,360	1,266,157
Effect of exchange rate changes on cash and cash equivalents	19,988	(145,904)
Net increase (decrease) in cash and cash equivalents	271,426	591,775
Cash and cash equivalents at the beginning of year	3,261,773	2,669,998
Cash and cash equivalents at the end of year	3,533,199	3,261,773

(4) Segment Information

1. Information related to sales and profit or loss amounts by reporting segment

Year ended March 31, 2018

(Thousands of yen)

	Japan	Americas	Europe	Ajia	Total
Net sales:					
Net sales to third parties	7,808,984	2,193,395	1,871,137	8,421,427	20,294,946
Intra-group net sales and transfers	963,886	—	72,999	217,698	1,254,585
Total sales	8,772,871	2,193,395	1,944,137	8,639,125	21,549,531
Segment income (loss)	(87,273)	(369,609)	238,123	489,721	270,962
Segment assets	12,914,249	2,217,450	2,173,767	8,050,780	25,356,247
Segment liability	11,370,672	1,733,658	488,271	2,188,731	15,781,334
Others					
Depreciation	344,961	102,496	96,268	397,050	940,777
amortization of goodwill	10,151	1,553	—	24,259	35,964
Net increase in tangible and intangible fixed assets	654,332	240,424	186,477	487,119	1,568,353

Year ended March 31, 2017

(Thousands of yen)

	Japan	Americas	Europe	Ajia	Total
Net sales:					
Net sales to third parties	7,531,912	1,987,586	1,725,087	6,613,553	17,858,139
Intra-group net sales and transfers	389,091	—	58,037	168,870	615,999
Total sales	7,921,004	1,987,586	1,783,124	6,782,423	18,474,139
Segment income (loss)	(572,588)	(161,326)	248,269	724,017	238,371
Segment assets	11,462,934	1,778,221	1,836,385	7,364,275	22,441,816
Segment liability	9,699,064	886,304	437,851	1,913,530	12,936,751
Others					
Depreciation	295,407	70,144	109,041	325,080	799,673
Amortization of goodwill	10,151	—	—	—	10,151
Net increase in tangible and intangible fixed assets	458,695	206,462	98,570	348,073	1,111,802

4. Non-Consolidated Financial Statements

(1) Condensed Non-Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2018	As of March 31, 2017
ASSETS		
Current assets		
Cash and deposits	546,698	543,836
Notes receivable-trade	119,547	130,959
Accounts receivable-trade	2,740,077	2,388,059
Merchandise and finished goods	349,031	244,988
Work in process	212,913	298,004
Raw materials and supplies	198,878	170,001
Prepaid expenses	46,158	44,558
Accounts receivable-other	37,186	28,699
Current portion of long-term loans receivable from subsidiaries and affiliates	881,200	200,000
Current portion of long-term loans receivable	72,243	76,289
other assets	9,225	4,016
Allowance for doubtful accounts	(110)	(100)
Total Current assets	5,213,051	4,129,312
Noncurrent assets		
Property, plant and equipment		
Buildings	5,128,047	4,974,086
Accumulated depreciation	(3,701,528)	(3,627,102)
Buildings, net	1,426,519	1,346,984
Structures	129,771	129,771
Accumulated depreciation	(83,072)	(76,779)
Structures, net	46,698	52,991
Machinery and equipment	4,599,419	4,452,061
Accumulated depreciation	(3,876,480)	(3,832,587)
Machinery and equipment, net	722,939	619,473
Vehicles	11,891	23,406
Accumulated depreciation	(10,860)	(16,888)
Vehicles, net	1,031	6,517
Tools, furniture and fixtures	781,882	701,979
Accumulated depreciation	(641,047)	(545,484)
Tools, furniture and fixtures, net	140,835	156,495
Land	598,606	598,606
Lease assets	11,068	11,068
Accumulated depreciation	(4,808)	(3,366)
Lease assets, net	6,259	7,701

Construction in progress	301,593	149,017
Total Property, plant and equipment	3,244,482	2,937,787
Intangible assets		
Software	76,353	109,893
Telephone subscription right	12,757	12,757
Total Intangible assets	89,110	122,651
Investments and other assets		
Investment securities	221,779	350,446
Stocks of subsidiaries and affiliates	2,690,350	2,689,470
Investments in capital	785	785
Investments in capital of subsidiaries and affiliates	646,684	646,684
Claims provable in bankruptcy, claims provable in rehabilitation and other	245	245
Long-term loans receivable from subsidiaries and affiliates	628,720	286,289
Long-term prepaid expenses	2,423	7,132
Real estate for investment	286,999	286,999
Insurance funds	91,973	91,973
Lease and guarantee deposits	61,196	78,173
Other	11	38
Allowance for doubtful accounts	(191,142)	(189,136)
Total Investments and other assets	4,440,026	4,249,101
Total Noncurrent assets	7,773,619	7,309,540
Total Net assets	12,986,670	11,438,852
Liabilities		
Current liabilities		
Notes payable-trade	175,921	109,538
Accounts payable-trade	1,513,335	1,564,934
Short-term loans payable	2,181,200	950,000
Current portion of long-term loans payable	2,079,362	1,941,704
Accounts payable-other	75,803	102,117
Lease obligations	1,130	1,466
Accrued expenses	306,457	223,808
Income taxes payable	29,283	30,160
Deposits received	6,918	7,646
Provision for bonuses	107,461	71,112
Notes payable-facilities	16,501	1,310
Other	31,244	106,875

Total current liabilities	6,524,619	5,110,673
Noncurrent liabilities		
Long-term loans payable	3,300,512	3,035,074
Provision for retirement benefits	1,109,481	1,102,600
Long-term accounts payable-other	107,209	107,209
Lease obligations	5,235	6,458
Deferred tax liabilities	35,527	31,361
Provision for environmental measures	3,000	3,000
Asset retirement obligations	37,866	37,767
Others	—	—
Total noncurrent liabilities	4,598,830	4,323,470
Total liabilities	11,123,449	9,434,144
Net assets		
Shareholders' equity		
Capital stock	1,000,000	1,000,000
Capital surplus		
Legal capital surplus	250,000	250,000
Total capital surplus	250,000	250,000
Retained earnings		
Other retained earnings		
Retained earnings brought forward	618,309	726,417
Total retained earnings	618,309	726,417
Treasury stock	(131,313)	(122,267)
Total shareholders' equity	1,736,996	1,854,150
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	79,392	103,725
Total Valuation and translation adjustments	79,392	103,725
Subscription rights to shares	46,832	46,832
Total net assets	1,863,220	2,004,708
Total liabilities and net assets	12,986,670	11,438,852

(2) Condensed Non-Consolidated Statements of Income

(Thousands of yen)

	Year ended March 31, 2018	Year ended March 31, 2017
Net sales	8,769,432	7,921,004
Cost of sales		
Beginning finished goods	244,988	288,587
Cost of products manufactured	6,783,235	6,288,812
Total	7,028,223	6,577,400
Ending finished goods	349,031	244,988
Cost of finished goods sold	6,679,191	6,332,411
Total cost of sales	6,679,191	6,332,411
Gross profit	2,090,241	1,588,592
Selling, general and administrative expenses		
Commission fee	126,020	134,644
Shipment expenses	430,577	402,752
Advertising expenses	14,816	14,013
Promotion expenses	15,622	15,537
Entertainment expenses	21,424	27,866
Directors' compensations	193,893	191,068
Employees' salaries and allowances	603,057	605,417
Provision for bonuses	34,249	21,204
Provision for retirement benefits	51,508	70,666
Legal welfare expenses	126,684	128,594
Welfare expenses	20,032	23,255
Other salaries	20,122	19,063
Traveling and transportation expenses	93,507	96,676
Communication expenses	27,226	26,809
Insurance expenses	23,692	25,263
Rent expenses	84,509	86,283
Office supplies expenses	16,798	14,972
Repair expenses	16,106	19,858
Taxes and dues	48,425	32,972
Education and training expenses	3,833	4,904
Research and development expenses	91,761	73,495
Depreciation	39,979	42,653
Miscellaneous expenses	63,091	73,433
Total selling, general and administrative expenses	2,166,943	2,151,406
Operating income (loss)	(76,702)	(562,814)
Non-operating income		

Interest income	13,133	7,373
Dividends income	53,161	401,091
Rent income	9,029	9,073
Miscellaneous income	32,528	53,097
Total non-operating income	107,852	470,635
Non-operating expenses		
Depreciation	6,095	6,095
Interest expenses	36,853	32,837
Foreign exchange losses	21,017	177
Compensation expenses	3,520	1,877
Provision of allowance for doubtful accounts	2,015	1,358
Miscellaneous loss	936	7,228
Total non-operating expenses	70,439	49,398
Ordinary income	(39,290)	(141,577)
Extraordinary income		
Gain on sales of noncurrent assets	—	43
Reversal of provision for dissolution of benefit obligation relating to employee's pension fund	—	14,850
Gain on sales of investment securities	86,915	
Total extraordinary income	86,915	14,893
Extraordinary loss		
Loss on sales and retirement of non-current assets	1,314	686
Loss on disposal of non-current assets	2,639	2,425
Impairment loss	—	11,266
Total extraordinary loss	3,953	14,378
Income before income taxes	43,672	(141,062)
Income taxes-current	29,490	14,462
Income taxes-deferred	(163)	(162)
Total income taxes	29,327	14,300
Net income	14,344	(155,363)