



ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2018 first half (six months ended September 30, 2017)

November 10, 2017

Company name: ADVANEX INC.
 Code number: 5998
 Representative: Tsuneo Shibano, President & COO
 Inquiries: Toshiya Ohno, CFO & Executive Director
 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
 URL <http://www.advanex.co.jp>
 Telephone: +81-3-3822-5865
 November 10, 2017
 Yes
 Yes

1. Performance (April 1, 2017 through September 30, 2017) (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	%
Three months ended September 30, 2017	10,065	14.7	137	62.7	160	114.0	60	-
Three months ended September 30, 2016	8,772	(11.6)	84	(76.9)	74	(78.8)	(4)	-

[Note] Comprehensive income: Six months ended September 30, 2017 336 million yen
 Six months ended September 30, 2016 (943) million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Three months ended September 30, 2017	14.71	14.58
Three months ended September 30, 2016	(1.05)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	19,825	6,507	32.6
As of March 31, 2017	18,747	6,298	33.3

[Reference] Total shareholder's equity: 6,460 million yen at September 30, 2017 6,251 million yen at March 31, 2017

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, 2017	--	--	--	30.00	30.00
Year ended March 31, 2018	--	--	--	--	--
Year ended March 31, 2018 (forecast)	--	--	--	30.00	30.00

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

3. Forecast of consolidated results for FY2018 (April 1, 2017 through March 31, 2018)

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, 2018	20,000	12.0	400	61.8	380	9.7	240	257.1	58.80

[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, 2017
 - 4,153,370 shares at March 31, 2017
 - b. Number of shares of treasury stock at end of period
 - 74,245 shares at September 30, 2017
 - 71,639 shares at March 31, 2017
 - c. Average number of shares issued and outstanding in each period:
 - 4,080,692 shares at September 30, 2017
 - 4,083,382 shares at September 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)

Index

1. Qualitative Information and Financial Statements	
(1) Qualitative Information Regarding Consolidated Business Results.....	4
(2) Qualitative Information Regarding Consolidated Financial Position.....	4
(3) Explanation of Consolidated Business Forecast and other Forecasts.....	5
.	
2. Other summary information	
(1) Change to major subsidiaries during the fiscal period under review.....	5
(2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements.....	5
(3) Changes in accounting policy, changes in accounting estimates, or restatement due to correction.....	5
3. Quarterly Consolidated Financial Statements	
(1) Quarterly Consolidated Balance Sheets.....	6, 7
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	8, 9
(3) Consolidated cash flow	10,11
(4) Notes Concerning Quarterly Consolidated Financial Statements.....	12
(5) Segment Information, etc.....	12,13

1 . Qualitative Information on Financial Results For This Quarter

(1) Explanation of Business Results

During the first half (from April 1 to September 30, 2017) of the fiscal year under review, US economy continued to show gradual expansion with favorable employment situation and strong business performance. In Europe, the overall economy was on a solid upturn with monetary easing and with growth in export in the manufacturing industry. In Asia, the overall economy went strong thanks to thriving spending in the South East Asia while restrictions were seen on real estate investments and on environment in China. In Japan, the economy continued to show signs of recovery with strong business performances and favorable employment situation.

As a result, the consolidated net sales of Advanex group for the first half of the fiscal year under review increased 14.7% year on year to ¥10,065 million and operating income increased 62.7% year on year to ¥137 million. Ordinary income also increased 114.0% to ¥160 million yen and net income attributable to owners of the parent for the first half amounted to ¥60 million. (Loss of ¥4 million was recorded in the same period of previous fiscal year)

Results for each operating segment are as follows.

[Japan]

In spite of an increase in fixed costs related to the capital investments made in Saitama factory, sales to automotive market went robust. As a result, net sale of this segment increased 2.8% year on year to ¥3,852 million and segment loss amounted to ¥63 million. (Loss of ¥296 million was recorded in the same period of previous fiscal year)

[Americas]

Thanks to brisk sales to automotive market, net sales of this segment increased 22.6% year on year to ¥1,134 million. However, primarily due to increases in fixed costs in the second factory in Mexico and the second factory in the US, the segment loss amounted to ¥128 million. (Loss of ¥53 million was recorded in the same period of previous fiscal year)

[Europe]

Sales to medical equipment market went strong and there were favorable results from the measures taken to decrease the fixed costs. As a result, net sales in this segment increased 0.1% year on year to ¥ 876 million and segment income increased 37.5% year on year to ¥ 96 million.

[Asia]

Due to the inclusion of PT. Yamakou Indonesia in the scope of consolidation in addition to robust sales to automotive and OA equipment markets, net sales of this segment increased 30.4% year on year to ¥4,202 million. Segment income decreased 33.6% year on year to ¥236 million, however, mainly due to factors such as an increase in fixed costs, changes in cost covered by the headquarters and slow collection of income which came from selling the discarded materials.

(2) Explanation of Financial Position

The Status of assets, liabilities, and net assets

Total assets at the end of the first half amounted to ¥19,825 million, increasing ¥1,077 million compared with the end of previous fiscal year (March 31, 2017). Major reasons are as follows.

In assets section, the total amount of current assets increased ¥697 million to ¥11,655 million. This change is due mainly to a ¥500 million decrease in cash and time deposits, a ¥346 million increase in trade notes and accounts receivable, a ¥425 million increase in investment securities, a ¥328 million increase in inventory assets and a ¥91 million increase in other current assets reflecting an increase in net sales. The total amount of fixed assets increased ¥379 million to ¥8,169 million. This change mainly reflects a ¥394 million increase in tangible fixed assets.

On the liabilities side, the total liabilities amounted to ¥13,317 million, increasing ¥867 million from the end of previous fiscal year. This change is mainly due to a ¥695 million increase in borrowings.

In the net assets, the total net assets amounted to ¥6,507 million, increasing ¥209 million from the end of previous fiscal year. This change is primarily due to a ¥234 million increase in foreign exchange adjustments reflecting the cheaper yen.

(3) Explanation of Consolidated Business Forecast and other Forecasts

Regarding the prospect of the consolidated business forecasts for the fiscal year ending March 31, 2018, the company has no changes from the forecasts released on May 11, 2017

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)

	FY2018 first half (As of September 30,2017)	FY2017 (As of March 31,2017)
ASSETS		
Current assets:		
Cash and time deposits	3,406,840	3,906,980
Trade notes and accounts receivable	4,806,699	4,460,515
Securities	425,187	—
Finished goods	1,193,882	1,018,881
Work in process	730,922	684,098
Raw materials and stored items	792,817	685,663
Deferred income tax	6,470	1,502
Other current assets	303,114	211,940
Allowance for doubtful accounts	(10,758)	(11,957)
Total current assets	11,655,175	10,957,625
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	1,948,127	2,002,744
Machinery and equipment	2,940,812	2,668,042
Land	1,138,252	1,138,787
Others	757,396	580,533
Total tangible noncurrent assets	6,784,588	6,390,107
Intangible noncurrent assets	309,428	350,434
Investments and other assets	1,075,897	1,049,791
Total noncurrent assets	8,169,913	7,790,333
Total assets	19,825,089	18,747,958

(Amount: thousands of yen)

	FY2018 first half (As of September 30,2017)	FY2017 (As of March 31,2017)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	2,715,251	2,635,230
Short-term borrowings	1,651,570	1,372,842
Long-term borrowings due within one year	2,230,815	1,987,653
Accrued income taxes	153,654	186,747
Allowance for bonus	220,031	140,071
Provision for loss on disaster	77,198	71,440
Other current liabilities	1,065,345	1,051,330
Total current liabilities	8,113,868	7,445,315
Noncurrent liabilities		
Long-term borrowings	3,432,602	3,258,507
Deferred tax liabilities	224,123	211,925
Provision for environmental measures	3,000	3,000
Liabilities for retirement benefits	1,391,011	1,377,513
Asset retirement obligations	39,337	39,198
Other noncurrent liabilities	113,455	114,284
Total noncurrent liabilities	5,203,530	5,004,429
Total liabilities	13,317,398	12,449,745
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	5,564,040	5,626,466
Treasury stock	(127,052)	(122,267)
Total shareholder' equity	6,693,704	6,760,916
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	140,071	103,725
Foreign exchange adjustment	(217,953)	(452,099)
cumulative amount for retirement benefits	(154,964)	(161,161)
Total accumulated other comprehensive income	(232,846)	(509,534)
Subscription rights to shares	46,832	46,832
Total net assets	6,507,690	6,298,213
Total liabilities and net assets	19,825,089	18,747,958

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2018 first half (April 1, 2017 through September 30, 2017)	FY2017 first half (April 1, 2016 through September 30, 2016)
NET sales	10,065,789	8,772,448
Cost of sales	7,714,022	6,585,007
Gross profit	2,351,766	2,187,441
Selling, general and administrative expenses	2,214,058	2,102,777
Operating income	137,708	84,663
Non-operating revenues		
Interest income	13,782	10,558
Dividends income	4,431	4,095
Rent income	26,226	37,752
Others	31,406	14,865
Total non-operating revenues	75,846	67,271
Non-operating expenses		
Interest expenses	25,026	23,800
Foreign exchange losses	15,628	39,073
Others	12,630	14,153
Total non-operating expenses	53,285	77,027
Ordinary income(loss)	160,269	74,907
Extraordinary gain		
Gain on sales of noncurrent assets	7,086	1,854
Total extraordinary gain	1,854	1,854
Extraordinary loss		
Loss on sales of noncurrent assets	1,568	371
Loss on disposal of noncurrent assets	1,164	381
Loss on sales of investment securities		
Provision for loss on liquidation of subsidiaries and associated		
Restructuring loss		
Total extraordinary loss	2,733	752
Net Income (or loss) before income taxes	164,623	76,009
Corporate, inhabitant and enterprise taxes	106,270	85,336
Corporate tax adjustments	(1,673)	(5,045)
Total income taxes	104,597	80,291
Net income(loss)	60,025	(4,282)
Net income (loss) Attributable to Owners of the Parent	60,025	(4,282)

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2018 first half (April 1, 2017 through September 30, 2017)	FY2017 first half (April 1, 2016 through September 30, 2016)
Income (or loss) before minority interests	60,025	(4,282)
Other comprehensive income		
Valuation gain(loss) on other securities	36,345	(36,014)
Foreign currency translation adjustment	234,146	(954,027)
Remeasurements of defined benefit plans	6,196	50,488
Total other comprehensive income	276,688	(939,552)
Comprehensive income	336,714	(943,835)
Comprehensive income attributable to owners of the parent	336,714	(943,835)

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY2018 first half (April 1, 2017 through September 30, 2017)	FY2017 first half (April 1, 2016 through September 30, 2016)
Cash flows from operating activities		
Gain (Loss) before income taxes and minority interests	164,623	76,009
Depreciation and amortization	461,394	378,529
Impairment loss	(883)	(86)
Increase (decrease) in allowance for doubtful accounts	77,321	32,901
Increase (decrease) in retirement benefits	20,275	57,959
Interest payable	(17,892)	(14,653)
(Gain) loss on differences of foreign exchange	25,026	23,800
(Gain) loss on sale of fixed assets	2,875	17,251
(Gain) loss on disposal of fixed assets	(5,517)	(1,483)
Loss (gain) on valuation of investment securities	1,164	381
Gain on negative goodwill	(277,458)	(250,145)
Decrease (increase) in inventories	(287,079)	(113,337)
Increase (decrease) in notes and accounts payable	52,591	(1,539)
Others	(130,538)	47,737
Subtotal	85,901	253,324
Proceeds from interest and dividend receivable	20,767	15,206
Payment of interests	(27,536)	(26,035)
Payment of income taxes	(153,016)	(57,826)
Others	32,576	40,431
Net cash provided by operating activities	(41,307)	225,099

	FY2018 first half (April 1, 2017 through September 30, 2017)	FY2017 first half (April 1, 2016 through September 30, 2016)
Cash flows from investing activities		
Payments on purchase of tangible fixed assets	(712,925)	(543,487)
Proceeds from sales of tangible fixed assets	12,635	28,747
Payments on purchase of intangible fixed assets	(1,723)	(6,034)
Proceeds from sales of intangible fixed assets	2,411	2,413
Payments on purchase of investment securities	(8,584)	(10,127)
Payments into time deposits	(882)	(174,880)
Proceeds from withdrawal of time deposits	206,127	—
Others	17,731	(558)
Net cash used in investing activities	(485,211)	(703,927)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	271,687	189,646
Proceeds from long-term borrowings	1,550,000	1,250,000
Repayments on long-term borrowings	(1,130,434)	(795,351)
Decrease (increase) in treasury stock	(4,785)	(1,829)
Cash dividends paid	(126,003)	(141,923)
Others	(995)	(2,122)
Net cash used in financing activities	559,479	498,420
Effect of exchange rate changes on cash and cash equivalents	91,640	(328,212)
Net increase (decrease) in cash and cash equivalents	124,601	(308,619)
Cash and cash equivalents at the beginning of quarter	3,261,773	2,669,998
Cash and cash equivalents at the end of quarter	3,386,375	2,361,378

(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 FY2018 first half (April 1, 2017 through September 30, 2017)

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	3,852,032	1,134,263	876,902	4,202,590	10,065,789
(2) Intra-group Net sales and transfers	409,788	292	35,960	94,718	540,759
Total sales	4,261,821	1,134,555	912,862	4,297,309	10,606,548
Operating income (loss)	(63,582)	(128,808)	96,467	236,822	140,899

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	140,899
Elimination of inter-segment transactions	(3,191)
Consolidated Quarterly Operating Income	137,708

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

II FY2017 first half (April 1, 2016 through September 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	3,747,208	925,478	875,967	3,223,793	8,772,448
(2) Intra-group Net sales and transfers	187,779	79	28,838	90,907	307,605
Total sales	3,934,988	925,558	904,806	3,314,701	9,080,053
Operating income (loss)	(296,532)	(53,904)	70,154	356,513	76,231

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	76,231
Elimination of inter-segment transactions	8,432
Consolidated Quarterly Operating Income	84,663

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

Not applicable