



ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2020 first half (six months ended September 30, 2019)

November 11, 2019

Company name: ADVANEX INC.

Stock listings: Tokyo Stock Exchange

Code number: 5998

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Supplementary explanation material for quarterly financial results

Yes

Holding of presentation meeting for quarterly financial results

Yes

1. Performance (April 1, 2019 through September 30, 2019) (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, 2019	10,473	(0.1)	150	-	47	(49.1)	(117)	-
Six months ended September 30, 2018	10,488	4.2	2	(97.9)	93	(41.6)	(43)	-

[Note] Comprehensive income: Six months ended September 30, 2019 (480) million yen
Six months ended September 30, 2018 158 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Six months ended September 30, 2019	(28.77)	-
Six months ended September 30, 2018	(10.77)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2019	23,435	5,480	23.2
As of March 31, 2019	22,705	6,079	26.6

[Reference] Total shareholder's equity: 5,447 million yen at September 30, 2019 6,048 million yen at March 31, 2019

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, 2019	--	--	--	30.00	30.00
Year ended March 31, 2020	--	--	--	--	--
Year ended March 31, 2020 (forecast)	--	--	--	30.00	30.00

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

3. Forecast of consolidated results for FY2020 (April 1, 2019 through March 31, 2020)

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, 2020	21,900	4.4	330	396.1	260	274.1	50	-	12.21

[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: Yes
 - 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, 2019
 - 4,153,370 shares at March 31, 2019
 - b. Number of shares of treasury stock at end of period
 - 60,434 shares at September 30, 2019
 - 59,414 shares at March 31, 2019
 - c. Average number of shares issued and outstanding in each period:
 - 4,093,554 shares at September 30, 2019
 - 4,085,128 shares at September 30, 2018

[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 first half of the current consolidated fiscal year, the U.S. business environment was favorable due to favorable consumer spending and other factors, but concerns over trade friction between the U.S. and China heightened. The Chinese economy continued to decelerate due to the trade friction, while the economies of Europe and Japan were sluggish in exports due to the impact of the Chinese economy. As a result, the outlook for the Chinese economy became increasingly uncertain. In the areas we are involved with, the automotive market continues to decelerate due to the impact of this trade friction.

Consolidated net sales for the six months ended September 30, 2019 decreased 0.1% year on year to ¥10,473 million, and operating income was ¥150 million (compared with operating income of ¥2 million in the same period of the previous fiscal year). Ordinary income decreased 49.1% year on year to ¥47 million, and the loss attributable to owners of parent was ¥117 million (compared with a loss of ¥43 million in the same period of the previous fiscal year).

Segment results are as follows.

[Japan]

Net sales increased 4.8% year on year to ¥4,250 million due to strong sales for automobiles amid a sluggish market environment. The segment loss amounted to ¥36 million (compared with a loss of ¥107 million in the same period of the previous fiscal year) due to a reduction in the segment loss.

[Americas]

Net sales decreased 2.2% year on year to ¥1,179 million due to sluggish sales for automobiles and the impact of exchange rates. Segment loss amounted to ¥132 million (compared with a loss of ¥205 million in the same period of the previous fiscal year), due to a reduction in losses resulting from operations of production lines for automobiles at the Mexican factory.

[Europe]

Net sales decreased 0.7% year on year to ¥1,013 million due in part to the impact of exchange rates, despite favorable sales for aircraft. Segment profit decreased 38.3% to ¥47 million due to higher start-up costs at the Czech factory.

[Asia]

Net sales decreased 4.2% year on year to ¥4,028 million due to sluggish business in China caused by trade friction between the United States and China. Segment income increased 14.9% to ¥283 million due to improved profitability at the Indonesian factory, despite higher costs for the start-up of the factory in India.

(2) Explanation of Financial Position

①The Status of assets, liabilities, and net assets

Total assets at the end of the second quarter under review increased ¥730 million from the end of the previous fiscal year to ¥23,435 million.

Current assets totaled 11.6 billion yen, a decrease of 350 million yen. This was mainly due to decreases of 415 million yen in cash and deposits and 343 million yen in notes and accounts receivable-trade, despite increases of 205 million yen in inventories and 204 million yen in other current assets. Total fixed assets increased ¥1,081 million to ¥11,835 million. This was mainly due to an increase of 1,085 million yen in property, plant and equipment.

In Liabilities, total liabilities increased 1,329 million yen from the end of the previous fiscal year to 17,955 million yen.

This was mainly due to increases of 131 million yen in notes and accounts payable-trade, 675 million yen in loans payable and 537 million yen in other non-current liabilities.

Net assets decreased ¥599 million from the end of the previous fiscal year to ¥5,480 million. This was mainly attributable to a decrease of 239 million yen in total shareholders' equity due to dividend payments and loss attributable to owners of parent, and a decrease of 355 million yen in foreign currency translation adjustments due to the appreciation of the yen.

② Analysis of Cash Flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year decreased by 270 million yen from the end of the previous fiscal year, but increased by 12 million yen due to the change in the fiscal year-end of consolidated subsidiaries. As a result, cash and cash equivalents totaled 2,606 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 ¥529 million (compared with net cash provided by operating activities of ¥363 million in the same period of the previous fiscal year).

Major cash inflows included an increase of 218 million yen due to a decrease in notes and accounts receivable-trade, an increase of 202 million yen due to an increase in notes and accounts payable-trade, and retained earnings of 610 million yen due to depreciation. The main cash outflow factor was a 301 million yen decrease in cash due to an increase in inventories.

(Cash flows from investing activities)

Net cash used in investing activities was ¥1,255 million (compared with net cash used of ¥1,619 million in the same period of the previous fiscal year). Major outflows included capital expenditures of ¥1,326 million by the Company and its group companies.

(Cash flows from financing activities)

Net cash provided by financing activities increased by 547 million yen (compared with net cash provided by financing activities of 668 million yen in the same period of the previous fiscal year). Major cash inflows included an increase of 691 million yen in interest-bearing debt, and cash outflows included cash dividends paid of 122 million 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, 2020, the company has no changes from the forecasts released on May 9, 2019.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2020 first half (As of September 30,2019)	FY2019 (As of March 31,2019)
ASSETS		
Current assets:		
Cash and time deposits	3,311,901	3,727,597
Trade notes and accounts receivable	4,172,843	4,516,777
Finished goods	1,484,454	1,434,438
Work in process	905,254	754,427
Raw materials and stored items	1,006,594	1,001,821
Other current assets	728,852	524,044
Allowance for doubtful accounts	(9,015)	(7,227)
Total current assets	11,600,885	11,951,879
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	4,222,617	2,304,758
Machinery and equipment	3,762,006	3,683,892
Land	1,307,554	1,319,953
Others	1,823,521	2,721,190
Total tangible noncurrent assets	11,115,699	10,029,795
Intangible noncurrent assets	90,329	93,671
Investments and other assets	628,986	630,262
Total noncurrent assets	11,835,015	10,753,729
Total assets	23,435,900	22,705,609

(Amount: thousands of yen)

	FY2020 first half (As of September 30,2019)	FY2019 (As of March 31,2019)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	3,193,572	3,062,337
Short-term borrowings	2,818,492	2,412,329
Long-term borrowings due within one year	3,103,446	2,529,712
Accrued income taxes	91,761	114,480
Allowance for bonus	212,364	211,929
Provision for loss on disaster	67,671	73,939
Other current liabilities	1,572,516	1,557,933
Total current liabilities	11,059,824	9,962,662
Noncurrent liabilities		
Long-term borrowings	4,756,123	5,060,024
Deferred tax liabilities	179,964	180,706
Liabilities for retirement benefits	1,303,940	1,304,990
Asset retirement obligations	51,958	51,787
Other noncurrent liabilities	603,634	65,803
Total noncurrent liabilities	6,895,619	6,663,312
Total liabilities	17,955,444	16,625,974
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	5,078,077	5,315,979
Treasury stock	(105,270)	(103,558)
Total shareholder' equity	6,229,524	6,469,138
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	(4,723)	(829)
Foreign exchange adjustment	(700,391)	(344,670)
cumulative amount for retirement benefits	(77,313)	(74,712)
Total accumulated other comprehensive income	(782,428)	(420,211)
Subscription rights to shares	33,360	30,708
Total net assets	5,480,456	6,079,634
Total liabilities and net assets	23,435,900	22,705,609

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2020 first half (April 1, 2018 through September 30, 2018)	FY2019 first half (April 1, 2017 through September 30, 2017)
NET sales	10,473,361	10,488,087
Cost of sales	8,005,218	8,053,051
Gross profit	2,468,143	2,432,178
Selling, general and administrative expenses	2,317,659	2,432,178
Operating income	150,483	2,857
Non-operating revenues		
Interest income	11,516	10,489
Dividends income	1,846	2,104
Rent income	25,919	26,503
Foreign exchange gains	-	47,024
Insurance return		
Others	21,817	53,611
Total non-operating revenues	61,098	139,733
Non-operating expenses		
Interest expenses	68,290	31,151
Foreign exchange losses	76,636	
Others	18,999	17,770
Total non-operating expenses	163,926	48,921
Ordinary income(loss)	47,655	93,669
Extraordinary gain		
Gain on sales of noncurrent assets	2,718	4,214
Total extraordinary gain	2,718	4,214
Extraordinary loss		
Loss on sales of noncurrent assets	493	998
Loss on disposal of noncurrent assets	476	114
Settlement package	-	28,067
Loss on litigation	51,118	-
Special retirement expense	47,894	-
Others	-	4
Total extraordinary loss	99,983	29,215
Net Income (or loss) before income taxes	(49,608)	68,669
Corporate, inhabitant and enterprise taxes	68,477	110,139
Corporate tax adjustments	(298)	2,511
Total income taxes	68,179	112,651
Net income(loss)	(117,788)	(43,982)
Net income (loss) Attributable to Owners of the Parent	(117,788)	(43,982)

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2020 first half (April 1, 2019 through September 30, 2019)	FY2019 first half (April 1, 2018 through September 30, 2018)
Income (or loss) before minority interests	(117,788)	(43,982)
Other comprehensive income		
Valuation gain(loss) on other securities	(3,894)	32,389
Foreign currency translation adjustment	(355,720)	133,635
Remeasurements of defined benefit plans	(2,601)	36,937
Total other comprehensive income	(362,216)	202,962
Comprehensive income	(480,004)	158,980
Comprehensive income attributable to owners of the parent	(480,004)	158,980

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY2020 first half (April 1, 2019 through September 30, 2019)	FY2019 first half (April 1, 2018 through September 30, 2018)
Cash flows from operating activities		
Gain (Loss) before income taxes and minority interests	(49,608)	68,669
Depreciation and amortization	610,155	492,504
Impairment loss	2,063	1,601
Increase (decrease) in allowance for doubtful accounts	3,547	(2,101)
Increase (decrease) in retirement benefits	(3,147)	(26,434)
Interest payable	(13,362)	(12,593)
(Gain) loss on differences of foreign exchange	68,290	31,151
Rent income	(25,919)	(26,503)
Gain on maturity of insurance contract	(2,481)	(35,430)
(Gain) loss on sale of fixed assets	61,213	(31,797)
(Gain) loss on disposal of fixed assets	(2,225)	(3,216)
Loss (gain) on valuation of investment securities	476	144
Gain on negative goodwill	218,693	(397,610)
Decrease (increase) in inventories	(301,584)	(264,440)
Increase (decrease) in notes and accounts payable	202,174	671,470
Others	(149,054)	(14,351)
Subtotal	619,233	451,061
Proceeds from interest and dividend receivable	13,391	12,368
Payment of interests	(38,848)	(28,429)
Proceeds from rent income	25,919	26,503
Proceeds from insurance income	2,481	35,430
Payment of income taxes	(92,946)	(133,881)
Others	-	730
Net cash provided by operating activities	529,229	363,783

	FY2020 first half (April 1, 2019 through September 30, 2019)	FY2019 first half (April 1, 2018 through September 30, 2018)
Cash flows from investing activities		
Payments on purchase of tangible fixed assets	(1,326,694)	(1,527,217)
Proceeds from sales of tangible fixed assets	3,544	16,484
Payments on purchase of intangible fixed assets	(3,888)	(8,745)
Proceeds from sales of intangible fixed assets	1,396	4,438
Payments on purchase of investment securities	(300)	(3,300)
Payments into time deposits	(192,538)	(353,128)
Proceeds from withdrawal of time deposits	324,780	254,000
Others	(61,899)	(2,522)
Net cash used in investing activities	(1,255,601)	(1,619,991)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	418,154	(122,921)
Proceeds from long-term borrowings	1,707,800	2,256,027
Repayments on long-term borrowings	(1,434,380)	(1,339,231)
Decrease (increase) in treasury stock	(1,712)	(2,363)
Cash dividends paid	(122,867)	(122,483)
Others	(19,433)	(828)
Net cash used in financing activities	547,560	668,197
Effect of exchange rate changes on cash and cash equivalents	(91,925)	18,618
Net increase (decrease) in cash and cash equivalents	(270,736)	(569,392)
Cash and cash equivalents at the beginning of quarter	2,864,283	3,533,199
Change in cash and cash equivalents due to change in accounting period of consolidated subsidiaries	12,738	-
Cash and cash equivalents at the end of quarter	2,606,285	2,963,807

(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 FY2020 first half (April 1, 2019 through September 30, 2019)

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	4,250,877	1,179,604	1,013,905	4,028,972	10,473,361
(2) Intra-group Net sales and transfers	650,822	216	48,869	146,767	846,676
Total sales	4,901,700	1,179,821	1,062,774	4,175,740	11,320,037
Operating income (loss)	(36,556)	(132,090)	47,782	283,436	162,571

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	162,571
Elimination of inter-segment transactions	(12,088)
Consolidated Quarterly Operating Income	150,483

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

II FY2019 first half (April 1, 2018 through September 30, 2018)

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	4,055,853	1,206,690	1,021,348	4,204,195	10,488,087
(2) Intra-group Net sales and transfers	450,588	-	44,303	142,102	636,994
Total sales	4,506,442	1,206,690	1,065,651	4,346,297	11,125,081
Operating income (loss)	(107,310)	(205,796)	77,390	246,781	11,063

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	11,063
Elimination of inter-segment transactions	(8,206)
Consolidated Quarterly Operating Income	2,857

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

Not applicable