

# ADVANEX INC.

## Flash Report (Consolidated Basis)



**Results for FY2018 third quarter(Nine months ended December 31, 2017)**

February 9, 2018

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

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 February 9, 2018  
 Yes  
 No

1. Performance (April 1, 2017 through December 31, 2017) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the Nine months ended December 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	%
Nine months ended December 31, 2017	15,151	14.4	199	18.5	245	4.2	103	26.9
Nine months ended December 31, 2016	13,248	(8.7)	168	(65.8)	236	(52.0)	81	(75.8)

[Note] Comprehensive income: Nine months ended December 31, 2017 498 million yen  
 Nine months ended December 31, 2016 26 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Nine months ended December 31, 2017	25.37	25.15
Nine months ended December 31, 2016	19.97	19.80

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2017	20,299	6,666	32.6
As of March 31, 2017	18,747	6,298	33.3

[Reference] Total shareholder's equity: ¥ 6,619 million yen at December 31, 2017 ¥ 6,251 million yen at March 31, 2016

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

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

### 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	58.82

[Note] 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. Changes in accounting estimates: 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 December 31, 2017  
4,153,370 shares at March 31, 2017
  - b. Number of shares of treasury stock at end of period  
75,195 shares at December 31, 2017  
71,639 shares at March 31, 2017
  - c. Average number of shares issued and outstanding in each period:  
4,080,017 shares at December 31, 2017  
4,083,070 shares at December 31, 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)

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## 1 . Qualitative Information on Financial Results For This Quarter

### (1) Explanation of Business Results

During the third quarter (from April 1 to December 31, 2017) of the fiscal year under review, US and European economies continued to be on a solid upturn reflecting employment expansion and improved business performances. In addition, China and emerging markets such as those in the South East Asia experienced economic recoveries thanks to growing external demand. The Japanese economy continued to be on a mild recovery led by strong business performances and solid employment situation.

As a result, the consolidated net sales of Advanex group for the third quarter of the fiscal year under review increased 14.4% year on year to ¥15,151 million and operating income increased 18.5% year on year to ¥199 million. Ordinary income increased 4.2% to ¥245 million and net income attributable to owners of the parent for the third quarter increased 26.9% to ¥103 million.

Results for each operating segment are as follows.

#### [Japan]

Reflecting favorable sales to automotive market, net sales of this segment increased 3.8% year on year to ¥5,829 million and segment loss amounted to ¥75 million. (Loss of ¥441 million was recorded in the same period of previous fiscal year)

#### [Americas]

Thanks to robust sales to automotive market, net sales of this segment increased 16.3% year on year to ¥1,645 million. Yet, primarily due to increases in fixed costs as a result of upfront investments at Mexican factory\*, the segment loss amounted to ¥261 million. (Loss of ¥96 million was recorded in the same period of previous fiscal year)

\* Factory in Queretaro, Mexico, established in 2016.

#### [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 8.7% year on year to ¥ 1,369 million and segment income increased 25.1% year on year to ¥167 million.

#### [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 27.2% year on year to ¥6,307 million. Segment income decreased 33.5% year on year to ¥376 million, however, mainly due to factors such as an increase in fixed costs and changes in cost covered by the headquarters.

### (2) Explanation of Financial Position

#### ① The Status of assets, liabilities, and net assets

Total assets at the end of the third quarter amounted to ¥20,299 million, increasing ¥1,551 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 ¥850 million to ¥11,808 million. This change is due mainly to a ¥279 million increase in trade notes and accounts receivable and a ¥437 million increase in inventory assets. The total amount of fixed assets increased ¥700 million to ¥8,491 million. This change mainly reflects a ¥692 million increase in tangible fixed assets and a ¥63 million increase in investments and other assets.

On the liabilities side, the total liabilities amounted to ¥13,633 million, increasing ¥1,183 million from the end of previous fiscal year. This change is mainly due to a ¥1,007 million increase in borrowings.

In the net assets, the total net assets amounted to ¥6,666 million, increasing ¥368 million from the end of previous fiscal year. This change is primarily due to a ¥318 million increase in foreign

exchange adjustments reflecting cheaper yen against some currencies in addition to a ¥62 million increase in valuation gain on other securities.

(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. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

### (1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2018 third quarter (As of December 31,2017)	FY2017 (As of March 31,2017)
ASSETS		
Current assets:		
Cash and time deposits	3,544,242	3,906,980
Trade notes and accounts receivable	4,740,333	4,460,515
Securities	418,418	—
Finished goods	1,309,584	1,018,881
Work in process	701,458	684,098
Raw materials and stored items	815,211	685,663
Deferred income tax	2,508	1,502
Other current assets	289,571	211,940
Allowance for doubtful accounts	(13,041)	(11,957)
Total current assets	11,808,287	10,957,625
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	1,914,847	2,002,744
Machinery and equipment	3,038,048	2,668,042
Land	1,139,200	1,138,787
Others	990,325	580,533
Total tangible noncurrent assets	7,082,422	6,390,107
Intangible noncurrent assets	295,176	350,434
Investments and other assets	1,113,704	1,049,791
Total noncurrent assets	8,491,304	7,790,333
Total assets	20,299,592	18,747,958

(Amount: thousands of yen)

	FY2018 third quarter (As of December 31,2017)	FY2017 (As of March 31,2017)
<b>LIABILITIES</b>		
Current liabilities:		
Trade notes and accounts payable	2,756,490	2,635,230
Short-term borrowings	1,857,272	1,372,842
Long-term borrowings due within one year	2,208,176	1,987,653
Accrued income taxes	96,017	186,747
Allowance for bonus	120,238	140,071
Provision for product warranties	77,494	71,440
Other current liabilities	1,145,038	1,051,330
Total current liabilities	8,260,728	7,445,315
Noncurrent liabilities		
Long-term borrowings	3,560,880	3,258,507
Deferred tax liabilities	240,600	211,925
Provision for environmental measures	3,000	3,000
Liabilities for retirement benefits	1,407,075	1,377,513
Asset retirement obligations	39,406	39,198
Other noncurrent liabilities	121,496	114,284
Total noncurrent liabilities	5,372,459	5,004,429
Total liabilities	13,633,188	12,449,745
<b>NET ASSETS</b>		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	5,607,538	5,626,466
Treasury stock	(130,035)	(122,267)
Total shareholder' equity	6,734,219	6,760,916
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	166,414	103,725
Foreign exchange adjustment	(133,657)	(452,099)
cumulative amount for retirement benefits	(147,404)	(161,161)
Total accumulated other comprehensive income	(114,647)	(509,534)
Subscription rights to shares	46,832	46,832
Total net assets	6,666,403	6,298,213
Total liabilities and net assets	20,299,592	18,747,958

## (2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2018 third quarter (April 1, 2017 through December 31, 2017)	FY2017 third quarter (April 1, 2016 through December 31, 2016)
NET sales	15,151,522	13,248,071
Cost of sales	11,572,830	9,931,422
Gross profit	3,578,692	3,316,649
Selling, general and administrative expenses	3,379,070	3,148,208
Operating income	199,622	168,441
Non-operating revenues	—	—
Interest income	19,988	17,031
Dividends income	5,962	6,004
Rent income	39,638	56,843
Foreign exchange gains	—	8,537
Others	51,374	35,987
Total non-operating revenues	116,965	124,404
Non-operating expenses	—	—
Interest expenses	38,274	35,284
Foreign exchange losses	12,812	—
Others	19,514	21,553
Total non-operating expenses	70,601	56,838
Ordinary income(loss)	245,986	236,007
Extraordinary gain	—	—
Gain on sales of noncurrent assets	7,973	2,280
Total extraordinary gain	7,973	2,280
Extraordinary loss	—	—
Loss on sales of noncurrent assets	2,945	1,246
Loss on disposal of noncurrent assets	287	1,207
Total extraordinary loss	3,233	2,453
Net Income (or loss) before income taxes	250,726	235,834
Corporate, inhabitant and enterprise taxes	141,268	150,643
Corporate tax adjustments	5,934	3,633
Total income taxes	147,202	154,277
Net income(loss)	103,523	81,556
Net income (loss) Attributable to Owners of the Parent	103,523	81,556



# QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2018 third quarter (April 1, 2017 through December 31, 2017)	FY2017 third quarter (April 1, 2016 through December 31, 2016)
Income (or loss) before minority interests	103,523	81,556
Other comprehensive income		
Valuation gain(loss) on other securities	62,688	(13,453)
Foreign currency translation adjustment	318,441	(111,331)
Remeasurements of defined benefit plans	13,756	69,512
Share of other comprehensive income of entities accounted for using equity method	—	
Total other comprehensive income	394,887	(55,272)
Comprehensive income	498,410	26,284
Comprehensive income attributable to owners of the parent	498,410	26,284

(3) 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 third quarter (April 1, 2017 through December 31, 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	5,829,351	1,645,488	1,369,374	6,307,307	15,151,522
(2) Intra-group Net sales and transfers	677,949	292	47,272	146,730	872,245
Total sales	6,507,301	1,645,781	1,416,646	6,454,038	16,023,768
Operating income (loss)	(75,863)	(261,022)	167,336	376,775	207,226

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	207,226
Elimination of inter-segment transactions	(7,604)
Consolidated Quarterly Operating Income	199,622

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

II FY2017 third quarter (April 1, 2016 through December 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	5,614,891	1,414,312	1,260,255	4,958,611	13,248,071
(2) Intra-group Net sales and transfers	281,404	—	34,654	128,258	444,318
Total sales	5,896,296	1,414,312	1,294,910	5,086,870	13,692,390
Operating income (loss)	(441,458)	(96,602)	133,757	566,828	162,525

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	162,525
Elimination of inter-segment transactions	5,916
Consolidated Quarterly Operating Income	168,441

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

Not applicable