



ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2019 first half (six months ended September 30, 2018)

November 12, 2018

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, 2018 through September 30, 2018) (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, 2018	10,488	4.2	2	(97.9)	93	(41.6)	(43)	-
Six months ended September 30, 2017	10,065	14.7	137	62.7	160	114.0	60	-

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

Six months ended September 30, 2017 336 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Six months ended September 30, 2018	(10.77)	-
Six months ended September 30, 2017	14.71	14.58

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	21,476	6,269	29.1
As of March 31, 2018	20,315	6,233	30.5

[Reference] Total shareholder's equity: 6,244 million yen at September 30, 2018 6,186 million yen at March 31, 2018

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, 2018	--	--	--	30.00	30.00
Year ended March 31, 2019	--	--	--	--	--
Year ended March 31, 2019 (forecast)	--	--	--	30.00	30.00

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

3. Forecast of consolidated results for FY2019 (April 1, 2018 through March 31, 2019)

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, 2019	21,200	4.5	100	(61.5)	180	(24.2)	30	(39.8)	7.34

[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, 2018
 - 4,153,370 shares at March 31, 2018
 - b. Number of shares of treasury stock at end of period
 - 58,700, shares at September 30, 2018
 - 75,501 shares at March 31, 2018
 - c. Average number of shares issued and outstanding in each period:
 - 4,085,128 shares at September 30, 2018
 - 4,080,692 shares at September 30, 2017

[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 economic environment continued to expand in the U.S. and Europe due to solid corporate performance and other factors. On the other hand, China has begun to be adversely affected by the intensifying trade friction, and uncertainty about the future is growing. Japan was on a recovery track against the background of generally firm global economies.

In the first half of the current consolidated fiscal year, net sales increased 4.2% year-on-year to ¥10,488 million, and operating income declined 97.9% to ¥2 million. Ordinary income decreased 41.6% year-on-year to ¥93 million, and net loss attributable to the owners of the parent company was ¥43 million (compared to ¥60 million in the same quarter of the previous year).

Segment results are as follows.

[Japan]

Sales rose 5.3% year-on-year to ¥4,055 million, mainly due to favorable sales to automobiles. However, the segment loss was ¥107 million, compared with a loss of ¥63 million in the same quarter of the previous year, due mainly to higher material costs.

[Americas]

Sales rose 6.4% year-on-year to ¥1,206 million, mainly due to strong sales in the medical sector. However, the segment loss was ¥205 million, compared with a loss of ¥128 million in the same period a year earlier. This was attributable to higher start-up costs at the Mexican plant and soaring material costs.

[Europe]

Sales rose 16.5% year-on-year to ¥1,021 million, mainly due to favorable sales to automobiles and aviation. However, segment income declined 19.8% to ¥77 million, mainly due to expenses for opening new factories in the Czech Republic and soaring material costs.

[Asia]

Despite the impact of the U.S.-China trade friction and the weakening of the Indonesian rupiah, sales rose slightly year-on-year to 4,204 million yen, and segment income rose 4.2% year-on-year to 246 million yen.

(2) Explanation of Financial Position

The Status of assets, liabilities, and net assets

Total assets at the end of the second quarter of the current fiscal year were 21,476 million yen, an increase of 1,161 million yen from the end of the previous fiscal year. Current assets increased 102 million yen to 12,292 million yen. Cash and deposits decreased by ¥441 million, but notes and accounts receivable increased by ¥142 million, while inventories increased by ¥295 million and other current assets increased by ¥107 million. Fixed assets totaled ¥9,183 million, an increase of ¥1,058 million. This is attributable to an increase of ¥1,133 million in property, plant and equipment.

Total liabilities amounted to 15,206 million yen, an increase of 1,124 million yen from the end of the previous fiscal year. The main reasons are an increase of ¥413 million in notes and accounts

payable and an increase of ¥798 million in loans payable. Net assets totaled 6,269 million yen, an increase of 36 million yen from the end of the previous fiscal year. The main reason for this was a ¥145 million decrease in total shareholders' equity due to the payment of dividends, etc., but an ¥133 million increase in foreign currency translation adjustments due to the depreciation of the yen.

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)

	FY2019 first half (As of September 30,2018)	FY2018 (As of March 31,2018)
ASSETS		
Current assets:		
Cash and time deposits	3,905,301	4,346,905
Trade notes and accounts receivable	4,969,253	4,826,490
Finished goods	1,272,409	1,238,800
Work in process	759,491	659,789
Raw materials and stored items	949,139	786,912
Other current assets	452,487	345,347
Allowance for doubtful accounts	(15,195)	(13,934)
Total current assets	12,292,886	12,190,312
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	1,965,566	2,015,080
Machinery and equipment	3,541,749	3,125,728
Land	1,324,518	1,119,095
Others	1,311,297	750,214
Total tangible noncurrent assets	8,143,131	7,010,118
Intangible noncurrent assets	189,254	225,129
Investments and other assets	851,161	889,848
Total noncurrent assets	8,9183,547	8,125,096
Total assets	21,476,434	20,315,408

(Amount: thousands of yen)

	FY2019 first half (As of September 30,2018)	FY2018 (As of March 31,2018)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	2,988,039	2,574,829
Short-term borrowings	2,461,001	2,624,429
Long-term borrowings due within one year	2,269,260	2,109,704
Accrued income taxes	118,205	118,363
Allowance for bonus	226,485	229,306
Provision for loss on disaster	75,750	75,908
Other current liabilities	1,167,457	1,091,700
Total current liabilities	9,306,200	8,824,241
Noncurrent liabilities		
Long-term borrowings	3,423,945	3,436,123
Deferred tax liabilities	250,071	226,503
Provision for environmental measures		3,000
Liabilities for retirement benefits	1,367,023	1,435,779
Asset retirement obligations	39,454	39,412
Other noncurrent liabilities	5,190	116,904
Total noncurrent liabilities	5,900,686	5,257,723
Total liabilities	15,206,886	14,081,965
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	5,379,438	5,553,820
Treasury stock	(102,361)	(131,313)
Total shareholder' equity	6,533,793	6,679,224
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	111,782	79,392
Foreign exchange adjustment	(253,541)	(387,176)
cumulative amount for retirement benefits	(147,891)	(184,829)
Total accumulated other comprehensive income	(289,650)	(492,829)
Subscription rights to shares	25,404	46,832
Total net assets	6,269,547	6,233,443
Total liabilities and net assets	21,476,434	20,315,408

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2019 first half (April 1, 2018 through September 30, 2018)	FY2018 first half (April 1, 2017 through September 30, 2017)
NET sales	10,488,087	10,065,789
Cost of sales	8,053,051	7,714,022
Gross profit	2,432,178	2,351,766
Selling, general and administrative expenses	2,432,178	2,214,058
Operating income	2,857	137,708
Non-operating revenues		
Interest income	10,489	13,782
Dividends income	2,104	4,431
Rent income	26,503	26,226
Foreign exchange gains	47,024	
Insurance return	35,430	
Others	18,181	31,406
Total non-operating revenues	139,733	75,846
Non-operating expenses		
Interest expenses	31,151	25,026
Foreign exchange losses		15,628
Others	17,770	12,630
Total non-operating expenses	48,921	53,285
Ordinary income(loss)	93,669	160,269
Extraordinary gain		
Gain on sales of noncurrent assets	4,214	7,086
Total extraordinary gain	4,214	7,086
Extraordinary loss		
Loss on sales of noncurrent assets	998	1,568
Loss on disposal of noncurrent assets	114	1,164
Settlement package	28,067	
Others	4	
Total extraordinary loss	29,215	2,733
Net Income (or loss) before income taxes	68,669	164,623
Corporate, inhabitant and enterprise taxes	110,139	106,270
Corporate tax adjustments	2,511	(1,673)
Total income taxes	112,651	104,597
Net income(loss)	(43,982)	60,025
Net income (loss) Attributable to Owners of the Parent	(43,982)	60,025

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2019 first half (April 1, 2018 through September 30, 2018)	FY2018 first half (April 1, 2017 through September 30, 2017)
Income (or loss) before minority interests	(43,982)	60,025
Other comprehensive income		
Valuation gain(loss) on other securities	32,389	36,345
Foreign currency translation adjustment	133,635	234,146
Remeasurements of defined benefit plans	36,937	6,196
Total other comprehensive income	202,962	276,688
Comprehensive income	158,980	336,714
Comprehensive income attributable to owners of the parent	158,980	336,714

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY2019 first half (April 1, 2018 through September 30, 2018)	FY2018 first half (April 1, 2017 through September 30, 2017)
Cash flows from operating activities		
Gain (Loss) before income taxes and minority interests	68,669	164,623
Depreciation and amortization	492,504	461,394
Impairment loss	1,601	(883)
Increase (decrease) in allowance for doubtful accounts	(2,101)	77,321
Increase (decrease) in retirement benefits	(26,434)	20,275
Interest payable	(12,593)	(17,892)
(Gain) loss on differences of foreign exchange	31,151	25,026
Rent income	(26,503)	(26,226)
Gain on maturity of insurance contract	(35,430)	(5,582)
(Gain) loss on sale of fixed assets	(31,797)	2,875
(Gain) loss on disposal of fixed assets	(3,216)	(5,517)
Loss (gain) on valuation of investment securities	144	1,164
Gain on negative goodwill	(397,610)	(277,458)
Decrease (increase) in inventories	(264,440)	(287,079)
Increase (decrease) in notes and accounts payable	671,470	52,591
Others	(14,351)	(98,730)
Subtotal	451,061	85,901
Proceeds from interest and dividend receivable	12,368	20,767
Payment of interests	(28,429)	(27,536)
Proceeds from rent income	26,503	26,226
Proceeds from insurance income	35,430	5,582
Payment of income taxes	(133,881)	(153,016)
Others	730	767
Net cash provided by operating activities	363,783	(41,307)

	FY2019 first half (April 1, 2018 through September 30, 2018)	FY2018 first half (April 1, 2017 through September 30, 2017)
Cash flows from investing activities		
Payments on purchase of tangible fixed assets	(1,527,217)	(712,925)
Proceeds from sales of tangible fixed assets	16,484	12,635
Payments on purchase of intangible fixed assets	(8,745)	(1,723)
Proceeds from sales of intangible fixed assets	4,438	2,411
Payments on purchase of investment securities	(3,300)	(8,584)
Payments into time deposits	(353,128)	(882)
Proceeds from withdrawal of time deposits	254,000	206,127
Others	(2,522)	17,731
Net cash used in investing activities	(1,619,991)	(485,211)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(122,921)	271,697
Proceeds from long-term borrowings	2,256,027	1,550,000
Repayments on long-term borrowings	(1,339,231)	(1,130,434)
Decrease (increase) in treasury stock	(2,363)	(4,785)
Cash dividends paid	(122,483)	(126,003)
Others	(828)	(995)
Net cash used in financing activities	668,197	559,479
Effect of exchange rate changes on cash and cash equivalents	18,618	91,640
Net increase (decrease) in cash and cash equivalents	(569,392)	124,601
Cash and cash equivalents at the beginning of quarter	3,533,199	3,261,773
Cash and cash equivalents at the end of quarter	2,963,807	3,386,375

(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 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

II 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