



ADVANEX INC.
Flash Report (Consolidated Basis)

Results for FY2015 First quarter(three months ended June 30, 2014)

August 8, 2014

Company name: ADVANEX INC.
Code number: 5998
Representative: Tsuneo Shibano, President & COO
Inquiries: Toshiya Ohno, Executive Director & CFO
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
August 12, 2014
Yes
No

1. Performance (April 1, 2014 through June 30, 2014) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the three months ended June 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 June 30, 2014	6,922	5.7	226	4.8	171	(25.6)	110	(41.9)
Three months ended June 30, 2013	6,550	5.5	215	15.0	231	109.7	189	(16.7)

[Note] Comprehensive income: Three months ended June 30, 2014 58 million yen
Three months ended June 30, 2013 419 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Three months ended June 30, 2014	2.66	--
Three months ended June 30, 2013	4.58	--

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2014	20,982	5,186	24.6	124.69
As of March 31, 2014	20,240	4,741	23.4	114.04

[Reference] Total shareholder's equity: 5,168 million yen at June 30, 2014 4,728 million yen at March 31, 2014

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, 2014	--	--	--	2.00	2.00
Year ended March 31, 2015	--	--	--	2.00	2.00
Year ended March 31, 2015 (forecast)	--	--	--	2.00	2.00

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

3. Forecast of consolidated results for FY2014 (April 1, 2013 through March 31, 2014)

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
Six months Ended September 30, 2014	13,500	1.1	300	(11.5)	250	(15.2)	440	64.9	10.61
Year ended March 31, 2015	28,000	3.3	1,000	21.9	980	19.4	940	37.7	22.67

[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: 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)
 - 41,533,708 shares at June 30, 2014
 - 41,533,708 shares at March 31, 2014
 - b. Number of shares of treasury stock at end of period
 - 85,015 shares at June 30, 2014
 - 73,738 shares at March 31, 2014
 - c. Average number of shares issued and outstanding in each period:
 - 41,456,476 shares at June 30, 2014
 - 41,490,020 shares at June 30, 2013

[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, 5
(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) Notes Concerning Quarterly Consolidated Financial Statements.....	10
(4) Segment Information, etc.....	10,11
4. Important subsequent event	
Stock transfer agreement.....	12,13,14

1 . Qualitative Information on Financial Results For This Quarter

(1)Explanation of Business Results

During the first quarter (from April 1 to June 30, 2014) of the fiscal year under review, economic recovery in the United States continued despite slow economic turnaround in emerging countries such as China. In Japan, the overall economy continued to show signs of recovery in spite of partial slowdown from dropped demand in reaction to hurried purchases of products by consumers prior to consumption tax hike. In such situation, automotive industry, which is closely related to our business, saw steady growth of demand in the North America and China, and overall domestic production of automobiles increased compared to the same period of previous fiscal year. Therefore, our sales to automotive market increased year on year accordingly.

As a result, the consolidated net sales of Advanex group for the first quarter of current fiscal year under review increased 5.7% year on year to ¥6,922 million. The operating income also grew 4.8% year on year to ¥226 million. The ordinary income decreased 25.6% year on year to ¥171 million due mainly to foreign exchange fluctuations. The net income for the first quarter decreased 41.9% to ¥110 million.

Results by operating segments are as follows.

With regards to the Hinge business, the company included this operating segment to the Precision spring segment from the first quarter of the fiscal year under review, as the significance of Hinge business is now declined. The comparison from the previous fiscal year is made based on the result of the Precision springs and Hinge operating segments aggregated.

[Precision springs]

In addition to increased automotive sales in Japan, the United States and China, etc., sales to medical equipment industry in the UK grew. As a result, net sales of this segment increased 8.0% year on year to ¥4,155 million and segment income increased ¥10.1% year on year to ¥155 million.

[Plastics]

Despite dropped sales to AV equipment market in Malaysia, automotive sales in Japan, china and Vietnam increased. As a result, net sales increased 2.3% year on year to ¥2,767 million and segment income amounted to ¥69 million, almost same level as that of the same period of previous fiscal year.

(2) Explanation of Financial Position

Total assets at the end of the first quarter amounted to ¥20,982 million, increasing ¥742 million compared with the end of previous fiscal year (March 31, 2014). Major reasons are as follows.

In assets section, the total amount of current assets increased ¥592 million to ¥12,363 million, reflecting ¥382 million increase in cash and time deposits, ¥117 million increase in inventory, and ¥120 million increase in other current assets. The total amount of fixed assets increased ¥149 million to ¥8,619 million. The amount of tangible fixed asset decreased ¥252 million due to partial fund transfer to real estate for investment, thus investment and other assets increased by ¥305 million.

On the liabilities side, total liabilities amounted to ¥15,796 million, increasing ¥297 million from the end of previous fiscal year. This change is mainly due to ¥413 million decrease in the borrowings related to

retirement benefits and ¥281 million increase in trade notes and accounts payable due to increased purchasing and ¥352 million increase in borrowings.

In the net assets, total net assets amounted to ¥5,186 million, increasing ¥444 million from the end of previous fiscal year. This change mainly reflects a ¥110 million of net income occurred in the first quarter under review and a ¥466 million recorded as retained earnings as a result of calculation method change for retirement benefit accounting.

(3) Explanation of Consolidated Business Forecast and other Forecasts

Regarding the prospect of the consolidated business forecasts for the fiscal year ending March 31, 2015, the company has no change from the forecasts released on July 1, 2014.

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 estimates, or restatement due to correction

Changes in accounting policy

(Adjustment for changes of accounting standard for Retirement benefit)

The provisions of the main clause of paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and the provisions of the main clause of paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) have been applied from the first quarter of FY2015. The calculation method for liabilities concerning retirement benefits and service costs was revised, and the method of attributing expected benefit to periods was changed from a straight-line basis to a benefit formula basis. The method for determining the discount rate has also been changed to a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

The Accounting Standard for Retirement Benefits, etc. was adopted in accordance with the transitional treatment stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits. At the beginning of the current period under review, the effects of the change in the calculation method for liabilities concerning retirement benefits and service costs were reflected in the retained earnings.

As a result, liabilities for Retirement benefit at the beginning of the first quarter of FY2015 decreased by 466 million yen, and retained earnings increased by 466 million yen. In addition, the impact on operating income, ordinary income and net income before taxes for the current period under review is minimal.

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2015 first quarter (As of June 30,2014)	FY2014 (As of March 31,2014)
ASSETS		
Current assets:		
Cash and time deposits	3,190,878	2,808,309
Trade notes and accounts receivable	5,761,660	5,784,683
Finished goods	1,093,562	1,147,877
Work in process	787,281	655,105
Raw materials and stored items	1,053,194	1,013,705
Deferred income tax	6,785	9,669
Other current assets	482,332	361,565
Allowance for doubtful accounts	(12,417)	(10,121)
Total current assets	12,363,279	11,770,794
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	1,671,876	1,709,867
Machinery and equipment	2,513,132	2,521,924
Land	1,948,935	2,226,123
Others	845,823	774,636
Total tangible noncurrent assets	6,979,768	7,232,551
Intangible noncurrent assets	288,335	191,840
Investments and other assets	1,351,250	1,045,386
Total noncurrent assets	8,619,354	8,469,778
Total assets	20,982,633	20,240,572

(Amount: thousands of yen)

	FY2015 first quarter (As of June 30,2014)	FY2014 (As of March 31,2014)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	4,061,316	3,779,697
Short-term borrowings	1,741,383	1,833,555
Long-term borrowings due within one year	1,679,403	1,610,633
Accrued income taxes	204,791	201,464
Allowance for bonus	278,674	183,369
Other current liabilities	1,253,690	1,283,889
Total current liabilities	9,219,259	8,892,609
Noncurrent liabilities		
Long-term borrowings	3,829,685	3,453,594
Deferred tax liabilities	360,332	357,814
Provision for retirement benefits	1,425	—
Provision for environmental measures	4,506	4,506
Liabilities for retirement benefits	2,015,758	2,429,515
Asset retirement obligations	38,789	38,773
Other noncurrent liabilities	326,834	322,671
Total noncurrent liabilities	6,577,331	6,606,875
Total liabilities	15,796,590	15,499,484
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	4,816,795	4,323,114
Treasury stock	(10,158)	(8,278)
Total shareholder' equity	6,063,354	5,571,553
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	63,848	58,418
Foreign exchange adjustment	(427,204)	(353,561)
cumulative amount for retirement benefits	(531,578)	(548,138)
Total accumulated other comprehensive income	(894,934)	(843,281)
Subscription rights to shares	17,622	12,815
Total net assets	5,186,042	4,741,088
Total liabilities and net assets	20,982,633	20,240,572

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2015 first quarter (April 1, 2014 through June 30, 2014)	FY2014 first quarter (April 1, 2013 through June 30, 2013)
NET sales	6,922,547	6,550,877
Cost of sales	5,355,346	5,127,886
Gross profit	1,567,200	1,422,991
Selling, general and administrative expenses	1,341,007	1,207,212
Operating income	226,192	215,778
Non-operating revenues		
Interest income	4,545	2,321
Rent income	31,007	25,554
Equity in earnings of affiliates	—	6,077
Others	16,883	90,129
Total non-operating revenues	52,437	124,082
Non-operating expenses		
Interest expenses	37,725	49,655
Equity in losses of affiliates	26,877	—
Foreign exchange losses	24,524	—
Provision of allowance for doubtful accounts	17,521	58,977
Others	106,648	108,632
Total non-operating expenses	171,981	231,228
Ordinary income(loss)		
Extraordinary gain	448	1,108
Gain on sales of noncurrent assets	19	—
Others	467	1,108
Total extraordinary gain		
Extraordinary loss	1,339	—
Loss on sales of noncurrent assets	5	7,619
Loss on disposal of noncurrent assets	0	—
Total extraordinary loss	1,345	7,619
Net Income (or loss) before income taxes	171,102	224,717
Corporate, inhabitant and enterprise taxes	66,216	43,199
Corporate tax adjustments	(5,373)	(8,371)
Total income taxes	60,842	34,827
Income (or loss) before minority interests	110,260	189,889
Net income (loss)	110,260	189,889

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2015 first quarter (April 1, 2014 through June 30, 2014)	FY2014 first quarter (April 1, 2013 through June 30, 2013)
Income (or loss) before minority interests	110,260	189,889
Other comprehensive income		
Valuation gain(loss) on other securities	5,458	17,603
Foreign currency translation adjustment	(71,787)	213,047
Consolidated equity for equity method affiliate	16,560	—
Accumulated other comprehensive income	(1,884)	(651)
Quarterly comprehensive income	(51,652)	229,999
Comprehensive income	58,607	419,889
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	58,607	419,889

(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

(4)Segment Information etc.
 【Segment Information】

I FY2015 first quarter (April 1, 2014 through June 30, 2014)

1, Information related to sales and income or loss amounts by reporting segments (Amount: thousands of yen)

	Precision springs	Plastics	Total
Net sales			
(1) Net sales to third parties	4,155,372	2,767,174	6,922,547
(2) Intra-group Net sales and transfers	19,793	3,145	22,939
Total sales	4,175,165	2,770,320	6,945,486
Operating income (loss)	155,178	69,721	224,899

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	224,899
Elimination of inter-segment transactions	1,293
Consolidated Quarterly Operating Income	226,192

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

4, Changes in Reporting Segments

From the first quarter of fiscal year under review, Advanex changed its reporting segments in its financial statements. Until the previous fiscal year, the company reported on "Precision Springs," "Plastics," and "Hinges" segments. Due to near completion of business downsizing of our Hinge business, mainly operated by one of our subsidiaries, Advanex Motion Design Inc., and now the company finds marginal importance in the Hinge business. Thus, the company included Hinge business to its Precision spring segment.

Hence, the operating segment information for the same period of previous fiscal year is stated according to new segmentation of our operation.

In addition, as stated in the changes in accounting policy, the company changed its calculation methods for projected benefit obligation and work expenditure from the first quarter of fiscal year under review. Therefore, the calculation method for projected benefit obligation and work expenditure of operating segments are changed accordingly.

The effects these changes have on segment earnings are negligible.

II FY2014 first quarter (April 1, 2013 through June 30, 2013)

1, Information related to sales and income or loss amounts by reporting segments

(Amount: thousands of yen)

	Precision springs	Plastics	Total
Net sales			
(3) Net sales to third parties	3,846,943	2,703,933	6,550,877
(4) Intra-group Net sales and transfers	20,626	3,458	24,084
Total sales	3,867,569	2,707,391	6,574,961
Operating income (loss)	140,979	73,236	214,216

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	214,216
Elimination of inter-segment transactions	1,561
Consolidated Quarterly Operating Income	215,778

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

Not applicable

4. Important subsequent event)

(Stock transfer agreement.)

At an extraordinary meeting of the Board of Directors held on July 1, 2014, Advanex Inc. resolved to transfer 49% of its stock in Daiichi Kasei Holdings Co., Ltd., a wholly owned subsidiary of the Company, to four group companies of Abico Group of Taiwan: ABICO FS Co., LTD., JABON INTERNATIONAL CO., LTD., AVY HIGH TECH LIMITED, and ABILITY I VENTURE CAPITAL CORPORATION. On July 1, the Company concluded a stock transfer agreement.

1. Purpose of the stock transfer

Advanex engages primarily in the precision springs business and the plastics business. In recent years, in the plastics business, an area in which the Daiichi Kasei Group is involved, sales have been declining in Japan and rising in Asia. In this environment, Advanex will have Abico Group participate in the management of the Daiichi Kasei Group and will combine the Daiichi Kasei Group's plastic molding technology with Abico Group's electronic equipment and office automation equipment production and sales business to further expand its plastics business and accelerate its expansion in China and Southeast Asia.

Moreover, to strengthen its core precision springs business, Advanex will appropriate funds from the stock transfer for investment in a domestic plant specializing in auto parts that it plans to build and for the expansion of its production system in Asia. It will also develop cooperative relations with Abico Group in the precision springs business in Asia to expand its scope of business.

2. Outline of the subsidiary that will transfer part of its stock

(1) Name	Daiichi Kasei Holdings Co., Ltd.
(2) Location	154 Shimokoyama, Shimotsuke, Tochigi
(3) Title and name of representative	Representative Director, Masami Obara
(4) Business	Production and sale of precision injection-molded products made of plastic, ceramic, and plastic and ceramic composites, design, production, and sale of precision molds for injection molding, and design, production, and sale of precision assemblies and unit products, including electronic components, especially plastic components, rubber parts, and pressed parts
(5) Capital	100 million yen
(6) Established	August 11, 1989
(7) Net assets	1,583 million yen
(8) Total assets	7,220 million yen
(9) Major shareholder (holding)	Advanex Inc. (100.0%)

3. Outline of four companies to which shares will be transferred

1. Name	ABICO FS Co.,LTD.
2. Location	13F-1, No.27 Lane169, Kang-Ning St.,His-Chih Dist.,New Taipei City 221, Taiwan, R.O.C.
3. Title and name of representative	HU, Shiang Chi
4. Business	Electronic components, record discs, parts of office automation equipment
5. Capital	408 million Taiwan dollars (1,383 million yen)
6. Established	June 29, 1993
7. Net assets and total assets in the latest fiscal year	Net assets: 618 million Taiwan dollars (2,095 million yen) Total assets: 1,490 million Taiwan dollars (5,051 million yen)
8. Major shareholder (shareholding)	Ability Investment Co., Ltd. 8.08%
9. Relationship with Advanex	None

Taiwan dollars are translated into yen using an exchange rate of 3.39 yen to the Taiwan dollar (the rate at the end

of May 2014).

1. Name	JABON INTERNATIONAL CO., LTD.
2. Location	104-89 7F, No.178, Sec.2, Nanjing E. Rd., Zhongshan Dist., Taipei City104, Taiwan, R.O.C.
3. Title and name of representative	HU, Shiang Chi
4. Business	Powder metallurgy, the assembly of gear boxes, electronic components
5. Capital	519 million Taiwan dollars (1,759 million yen)
6. Established	December 9, 1976
7. Net assets and total assets in the latest fiscal year	Net assets: 894 million Taiwan dollars (3,031 million yen) Total assets: 1,897 million Taiwan dollars (6,431 million yen)
8. Major shareholder (shareholding)	AVY Precision Technology INC. 21.88% Ability Investment Co., Ltd. 6.00%
9. Relationship with Advanex	None

Taiwan dollars are translated into yen using an exchange rate of 3.39 yen to the Taiwan dollar (the rate at the end of May 2014).

1. Name	AVY HIGH TECH LIMITED
2. Location	P.O.Box 217, Apia, Samoa
3. Title and name of representative	TONG, Chun Yi
4. Business	Investment holding company
5. Capital	6.776 million US dollars (689 million yen)
6. Established	October 26, 2007
7. Net assets and total assets in the latest fiscal year	Net assets: 14.355 million US dollars (1,459 million yen) Total assets: 23.661 million US dollars (2,405 million yen)
8. Major shareholder (shareholding)	AVY Precision Technology INC. 100%
9. Relationship with Advanex	None

US dollars are translated into yen using an exchange rate of 101.66 yen to the U.S. dollar (the rate at the end of May 2014).

1. Name	ABILITY I VENTURE CAPITAL CORPORATION
2. Location	10F, No.101, Fu-Hsing North Road, Taipei, Taiwan, R.O.C.
3. Title and name of representative	TONG, Ching-His
4. Business	Venture capital
5. Capital	1 billion Taiwan dollars (3,390 million yen)
6. Established	October 13, 2011
7. Net assets and total assets in the latest fiscal year	Net assets: 1,078 million Taiwan dollars (3,654 million yen) Total assets: 1,079 million Taiwan dollars (3,658 million yen)
8. Major shareholder (shareholding)	AVY Precision Technology INC. 28%
9. Relationship with Advanex	None

Taiwan dollars are translated into yen using an exchange rate of 3.39 yen to the Taiwan dollar (the rate at the end of May 2014).

4. Number of shares to be transferred and number of shares held before and after the transfer

1. Number of shares held before the transfer	44,590 (Holding: 100.0%)
2. Number of shares to be transferred	21,849.1
(Breakdown)	
ABICO FS Co.,LTD.	6,688.5
JABON INTERNATIONAL CO.,LTD.	8,918

AVY HIGH TECH LIMITED	4,459
ABILITY I VENTURE CAPITAL CORPORATION	1,783.6
3. Number of shares held after the transfer	22,740.9 (Holding: 51.0%)

5. Schedule

July 1, 2014 Resolution at an extraordinary meeting of the Board of Directors, conclusion of a transfer agreement

July 31, 2014 Delivery of shares