



ADVANEX INC.

Flash Report (Consolidated Basis)

Results for FY2014 Second quarter(six months ended September 30, 2013)

November 8, 2013

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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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 November 13, 2012
 Yes
 Yes

1. Performance (April 1, 2013 through September 30, 2013) (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, 2013	13,358	10.8	338	39.9	294	208.4	266	108.5
Six months ended September 30, 2012	12,054	(8.0)	242	(40.8)	95	(49.9)	127	614.5

[Note] Comprehensive income: Six months ended September 30, 2013 499 million yen
 Six months ended September 30, 2012 (168) million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Six months ended September 30, 2013	6.43	6.43
Six months ended September 30, 2012	3.08	--

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net Assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2013	20,024	4,515	22.5	108.80
As of March 31, 2013	18,469	4,072	22.0	97.75

[Reference] Total shareholder's equity: ¥ 4,512 million yen at September 30, 2013 ¥ 4,055 million yen at March 31, 2013

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, 2013	--	--	--	1.00	1.00
Year ended March 31, 2014	--	--	--		
Year ended March 31, 2014 (forecast)			--	1.50	1.50

[Note] Revisions to the forecast of cash dividends in the current quarter: 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
Year ended March 31, 2014	26,300	11.7	700	63.9	530	(2.3)	300	(37.2)	7.23

[Note] Revisions to the forecasts of consolidated results in the current quarter: 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.: Yes
 - c. Changes in accounting estimates: Yes
 - 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 September 30, 2013
 - 41,533,708 shares at March 31, 2013
 - b. Number of shares of treasury stock at end of period
 - 54,435 shares at September 30, 2013
 - 42,283 shares at March 31, 2013
 - c. Average number of shares issued and outstanding in each period:
 - 41,486,152 shares at September 30, 2013
 - 41,504,403 shares at September 30, 2012

[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 second quarter (from April 1 to September 30, 2013) of the fiscal year under review, economic stagnation in Europe and slowdown of emerging economies continued, while the US economy kept recovering. The Japanese economy is now on track to recovery as the business sentiment continues to improve mostly at export-oriented companies. This is mainly due to the weaker yen and an upswing in the US economy. In such situation, automotive industry, which is closely related to our business, saw robust results thanks to a sales growth to North America and the weaker yen. Furthermore, the demand of products such as laser printers in OA equipment industry gradually started to pick up. Under these circumstances, our sales to automotive and AV equipment related markets increased compared to the same period of the previous fiscal year, in addition to an increase in sales to OA equipment and medical equipment markets.

As a result, the consolidated net sales of Advanex group for the second quarter of current fiscal year under review increased 10.8% year on year to ¥13,358 million. The operating income rose 39.9% year on year to ¥338 million. The ordinary income increased 208.4% year on year to ¥294 million reflecting the foreign exchange gains from the weaker yen. The net income for the second quarter increased 108.5% year on year to ¥266 million.

Results by operating segments are as follows.

1. Precision springs

In Japan, sales to automotive market increased while in overseas markets, sales to both automotive and OA equipment markets grew in Asia including China. The sales to medical equipment market went up as well in the UK. As a result, net sales in this segment increased 15.9% year on year to ¥7,579 million and segment income also jumped 23.4% year on year to ¥229 million.

2. Plastics

In Japan, sales to OA equipment and automotive markets declined as our customers shifted their productions to overseas. In overseas markets, however, sales to AV equipment related markets went up in Malaysia in addition to increased automotive sales in China and Vietnam.

As a result, net sales increased 8.2% to ¥5,629 million and segment income also grew 131.6% year on year to ¥149 million compared with the same period of the previous fiscal year.

3. Hinges

The sales of hinge units dropped as the company proceeded with the plan to downsize its business to mobile phone handset market. As a result, net sales in this segment declined 52.0% year on year to ¥149 million and the segment loss amounted to ¥43 million, which was a loss of ¥8 million in the same period of the last fiscal year.

(2) Explanation of Financial Position

The total assets at the end of the second quarter amounted to ¥ 20,024 million, increasing ¥ 1,555 million compared with the end of the previous fiscal year (March 31, 2013). Major reasons are as follows.

In the assets section, the amount of current assets increased ¥1,490 million, reflecting a ¥469 million increase in the cash and time deposits and a ¥887 million increase in the trade notes and account receivable as a result of increased sales. In addition, the amounts of tangible fixed assets increased by ¥77 million, while the amount of intangible fixed assets decreased by ¥9 million.

On the liabilities side, the total liabilities amounted to ¥15,508 million, increased by ¥1,111 million from the end of the previous fiscal year. This change is mainly due to a ¥490 million and a ¥251 million increases in the trade notes and accounts payables and the borrowings respectively. In addition to this, this change also reflects a ¥272 million increase in other current liabilities as a result of the funds raised for our Chinese subsidiary which was established during the previous fiscal year. Our current ratio improved 30.4 point compared with the previous fiscal year end, as we refinanced ¥2,500 million from short-term to long-term borrowings during the second quarter.

In net assets, the total net assets amounted to ¥4,515 million, increasing ¥443 million from the end of the previous fiscal year. This change mainly reflects a ¥266 million net income recorded for this quarter and a ¥203 million improvement of the negative balance in foreign exchange adjustment as a result of the weaker yen.

The status of Cash flows

The amount of cash and cash equivalent as of the end of the second quarter of the current fiscal year amounted to ¥2,832 million, increasing ¥469 million compared with the status of the previous fiscal year end. The status of each cash flow and the main factors behind these changes are explained below.

1. Cash flows from operating activities

The fund increased by operating activities ¥745 million. (¥996 million increase in the same period of the last fiscal year) This mainly reflects an increase in net income before income taxes, fund reserved by depreciation and amortization and an increase in trade notes and accounts payable.

2. Cash flows from investing activities

The fund decreased ¥476 million by investing activities. (¥590 million decrease during the same period of the previous fiscal year) One of the main reasons for this change is the capital investment in Advanex, Daiichi Kasei and our Chinese subsidiary, which was established during the previous fiscal year.

3. Cash flows from financing activities

As a result of financing activities, the fund increased ¥146 million. (¥150 million decrease during the same period of the previous fiscal year) This change mainly reflects an increased amount of bank loans.

(3) Explanation of Consolidated Business Forecast and other Forecasts

Regarding the prospect of the consolidated business forecasts for the fiscal year ending March 31, 2014, the company has made no change to its forecasts released on August 9, 2013.

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 (Change of depreciation method)

The Company adopted a declining-balance method as the depreciation method for the tangible fixed assets held by the Company in the past, but it has been changed to a straight-line method from this quarter.

The affected amount by this change was small.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY2014 Second quarter (As of September 30,2013)	As of March 31, 2013
ASSETS		
Current assets:		
Cash and time deposits	2,894,259	2,424,724
Trade notes and accounts receivable	5,833,354	4,945,432
Finished goods	1,010,228	951,073
Work in process	658,641	617,516
Raw materials and stored items	1,077,202	958,440
Deferred income tax	7,696	153
Other current assets	326,026	413,703
Allowance for doubtful accounts	(24,482)	(18,636)
Total current assets	11,782,926	10,292,407
Fixed assets:		
Tangible fixed assets		
Buildings and structures, net	1,708,971	1,597,795
Machinery and equipment, net	2,383,617	2,245,924
Land	2,204,938	2,190,360
Other	712,641	898,202
Total tangible fixed assets	7,010,169	6,932,282
Total intangible fixed assets	195,720	204,882
Total investments and other assets	1,035,949	1,040,078
Total fixed assets	8,241,839	8,177,243
Total assets	20,024,766	18,469,651
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	3,954,393	3,463,918
Short-term borrowings	1,825,850	4,422,031
Long-term borrowings due within one year	1,779,189	1,290,787
Accrued income taxes	164,293	185,232
Allowance for bonus	197,872	136,440
Other	1,211,221	938,739
Total current liabilities	9,132,820	10,437,150
Long-term liabilities:		
Long-term borrowings	3,915,755	1,556,584
Deferred tax liabilities	349,024	345,901
Retirement allowance for employees	1,764,876	1,644,576
Reserves for environmental measures	4,506	4,506
Asset retirement obligations	38,655	38,522
Other	303,135	369,945
Total long-term liabilities	6,375,953	3,960,036
Total liabilities	15,508,773	14,397,187
NET ASSETS		
Shareholders' equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	3,907,544	3,682,130
Treasury stock	(5,880)	(4,624)
Total shareholders' equity	5,158,381	4,934,222
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	50,170	21,144
Foreign exchange adjustment	(695,762)	(899,543)
Total accumulated other comprehensive income	(645,592)	(878,398)
Warrants	3,203	16,640
Total net assets	4,515,992	4,072,464
Total liabilities and net assets	2,024,766	18,469,651

(2) Consolidated Statements of Income

(Thousands of yen)

	FY2014 Second quarter (April 1, 2013 through September 30,2013)	FY2013 Second quarter (April 1, 2012 through September 30,2012)
NET sales	13,358,994	12,054,278
Cost of sales	10,540,937	9,553,454
Gross profit	2,818,057	2,500,824
Selling, general and administrative expenses	2,479,214	2,258,538
Operating income	338,843	242,285
Non-operating revenues		
Interests	4,557	4,723
Rent income	54,631	45,213
Equity in earnings of affiliates	---	13,836
Foreign exchange gains	72,337	---
Others	17,475	58,545
Total non-operating revenues	149,001	122,318
Non-operating expenses		
Interests	99,832	121,332
Equity in losses of affiliates	37,415	---
Foreign exchange losses	---	85,143
Others	55,862	62,564
Total non-operating expenses	193,110	269,040
Ordinary income(loss)	294,733	95,564
Extraordinary gain		
Gain on sale of fixed assets	2,234	5,390
Gain on sales of investment securities	---	1,026
Insurance income	---	165,100
Gain on negative goodwill	---	5,627
Gain on reversal of subscription rights to shares	16,640	---
Total extraordinary gain	18,874	177,145
Extraordinary loss		
Loss on sales of noncurrent assets	---	902
Impairment loss	---	45,898
Loss on disposal of noncurrent assets	6,812	75
Loss on valuation of investment securities	---	17,188
Total extraordinary loss	6,812	64,065
Net Income before income taxes	306,795	208,643
Corporate, inhabitant and enterprise taxes	61,810	79,588
Corporate tax adjustments	(21,922)	1,061

	FY2014 Second quarter (April 1, 2013 through September 30,2013)	FY2013 Second quarter (April 1, 2012 through September 30,2012)
Total income taxes	39,888	80,649
Minority interests (loss)	266,907	127,994
Net income	266,907	127,994

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY2014 Second quarter (April 1, 2013 through September 30,2013)	FY2013 Second quarter (April 1, 2012 through September 30,2012)
Income before minority interests	266,907	127,994
Other comprehensive income		
Valuation gain(loss) on other securities	29,104	(9,125)
Foreign currency translation adjustment	203,780	(286,046)
Consolidated equity for equity method affiliate	10	(852)
Accumulated other comprehensive income	232,805	(296,024)
Quarterly comprehensive income	499,713	(168,029)
Comprehensive income attributable to owners of the parent	499,713	(168,029)

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY2014 second quarter (April 1, 2013 through September 30, 2013)	FY2013 second quarter (April 1, 2012 through September 30, 2012)
Cash flows from operating activities		
Gain (Loss) before income taxes and minority interests	306,795	208,643
Depreciation and amortization	536,354	425,073
Impairment loss	---	45,898
Increase (decrease) in allowance for doubtful accounts	4,808	(11,274)
Increase (decrease) in allowance for bonuses	60,943	103,728
Increase (decrease) in retirement benefits	120,745	74,569
Interest and dividends receivable	(6,474)	(6,138)
Interest payable	99,832	121,332
(Gain) loss on differences of foreign exchange	(63,961)	6,928
(Gain) loss on sale of fixed assets	(2,234)	(4,487)
(Gain) loss on disposal of fixed assets	6,812	75
Loss (gain) on valuation of investment securities	---	17,188
Insurance income	---	(165,100)
Gain on negative goodwill	---	(5,627)
Decrease (increase) in notes and accounts receivable	(602,462)	127,963
Decrease (increase) in inventories	(146,748)	(36,895)
Increase (decrease) in notes and accounts payable	432,420	72,820
Others	145,354	(51,784)
Subtotal	892,186	922,914
Proceeds from interest and dividend receivable	9,005	6,138
Payment of interests	(119,480)	(110,869)
Payment of income taxes	(93,648)	(33,351)
Others	57,597	211,575
Net cash provided by operating activities	745,660	966,405

	FY2014 second quarter (April 1, 2013 through September 30, 2013)	FY2013 second quarter (April 1, 2012 through September 30, 2012)
Cash flows from investing activities		
Payments on purchase of tangible fixed assets	(500,660)	(473,390)
Proceeds from sales of tangible fixed assets	27,705	11,281
Payments on purchase of intangible fixed assets	(8,026)	(5,954)
Proceeds from sales of intangible fixed assets	14,331	1,154
Payments on purchase of investment securities	(10,262)	(10,472)
Purchase of stocks of subsidiaries and affiliates	---	(189,889)
Others	(40)	(77,035)
Net cash used in investing activities	(476,952)	(590,235)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,601,684)	(214,125)
Proceeds from long-term borrowings	3,963,751	813,527
Repayments on long-term borrowings	(1,125,981)	(668,073)
Decrease (increase) in treasury stock	(1,255)	(883)
Others	(87,880)	(80,815)
Net cash used in financing activities	146,949	(150,369)
Effect of exchange rate changes on cash and cash equivalents	53,687	(98,216)
Net increase (decrease) in cash and cash equivalents	469,345	157,583
Cash and cash equivalents at the beginning of quarter	2,362,834	2,534,107
Cash and cash equivalents at the end of quarter	2,832,180	2,691,691

(4) Notes on Going Concern Assumptions
Not applicable

Segment Information

I FY2014 second quarter (April 1, 2013 through September 30, 2013)

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

	Precision springs	Plastics	Hinge	Total
Net sales				
(1) Net sales to third parties	7,579,357	5,629,883	149,753	13,358,994
(2) Intra-group Net sales and transfers	41,674	4,809	—	46,483
Total sales	7,621,031	5,634,693	149,753	13,405,478
Operating income (loss)	229,964	149,591	(43,249)	336,306

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	336,306
Elimination of Intersegment Transaction	2,537
Consolidated Quarterly Operating Income	338,843

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

4. Information related to assets by reporting segments

The Company adopted a declining-balance method as the depreciation method for the tangible fixed assets held by the Company in the past, but it has been changed to a straight-line method from this quarter.

The affected amount by this change was small.

II FY2013 second quarter (April 1, 2012 through September 30, 2012)

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

	Precision springs	Plastics	Hinge	Total
Net sales				
(3) Net sales to third parties	6,539,777	5,202,275	312,226	12,054,278
(4) Intra-group Net sales and transfers	41,223	10,211	—	51,435
Total sales	6,581,000	5,121,487	312,226	12,105,714
Operating income (loss)	186,314	64,591	(8,492)	242,413

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	242,413
Elimination of Intersegment Transaction	(127)
Consolidated Quarterly Operating Income	242,285

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

In “Hinges” segment, impairment loss is appropriated for extraordinary loss, as the book value of assets to be sold was reduced to the selling value. The amount of impairment loss concerned during the second quarter of the fiscal year is ¥45,898 thousand.