

# Results for the First Half of Fiscal Year Ended March 31, 2014



**November 20, 2013**



This datum is based on the data as of September 30, 2013. The opinion and forecast described here is based on our judgment at that time and may possibly be changed without notice.

# Subject

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1. Self-introduction
2. Operating Results for the First Half of Fiscal Year Ended March 31, 2014
3. Forecast for the Fiscal Year Ended March 31, 2014
4. Business Strategy

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# 1. Self-introduction

# Self-introduction

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## President & COO      Tsuneo Shibano

【Birth place】 Niigata Prefecture

【Birth date】 January 25th, 1960 (53 years old)

【Employment history】

1978    Joined Kato Spring Ltd. (Current Advanex Inc.)

2006    Factory manager at Kashiwazaki

2007    Corporate officer

(General manager of Production & Technology Div.)

2008    Chairman of subsidiaries in China (Dongguan,  
Hong Kong, and Dalian)

2009    Director (General manager of Overall Production Div.)

2013    President & COO



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## 2. Operating Results for the First Half of Fiscal Year

Ended March 31, 2014

## 2-1. Summary of Consolidated Financial Results for the Six Months Ended September/2013

(Million yen, %)

	FY2013 1H	FY2014 1H	Change		Original Forecast (as of 9th Aug)	vs. Original Forecast (Ratio)
			Amount	Ratio		
Net Sales	12,054	<b>13,358</b>	<b>1,304</b>	<b>10.8%</b>	<b>13,100</b>	<b>2.0%</b>
Operating Income	242	<b>338</b>	<b>96</b>	<b>39.9%</b>	<b>390</b>	<b>-13.3%</b>
(Margin)	2.0%	<b>2.5%</b>	<b>(0.5%)</b>	-	<b>3.0%</b>	-
Ordinary Income	95	<b>294</b>	<b>199</b>	<b>208.4%</b>	<b>350</b>	<b>-16.0%</b>
(Margin)	0.8%	<b>2.2%</b>	<b>(1.4%)</b>	-	<b>2.7%</b>	-
Net Income	127	<b>266</b>	<b>138</b>	<b>108.5%</b>	<b>240</b>	<b>10.8%</b>
(Margin)	1.1%	<b>2.0%</b>	<b>(0.9%)</b>	-	<b>1.8%</b>	

## 2-2. Highlight

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### ◆ Increase in sales and income

Consolidated sales and operating income increased year on year due to the increased sales to automotive markets and weaker yen. The ordinary income increased by 208.4% reflecting foreign exchange gains. The net income also increased by 108.5%.

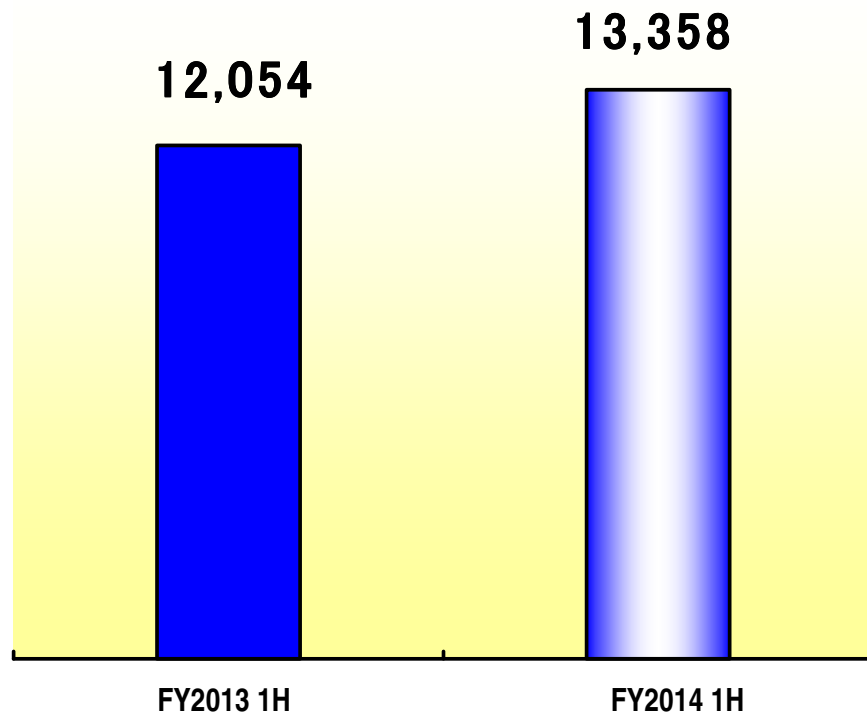
### ◆ Sales decreased in Japan, while increased in overseas

Sales decreased in Japan as we have downsized our Hinge business and our customers shifted their production to overseas in Plastic business. On the other hand, sales in overseas increased year on year because sales to automotive and AV equipment related markets increased in China and Asian countries and sales to medical equipment market went up as well in UK.

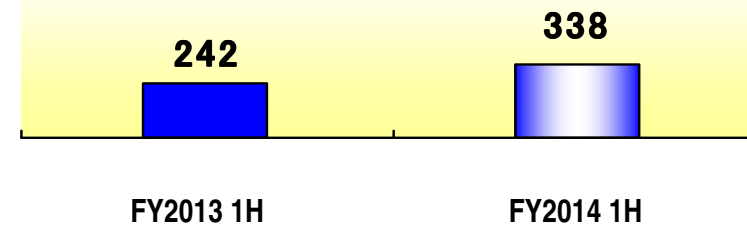
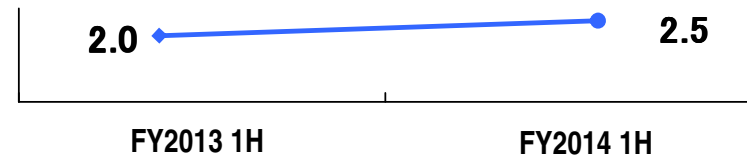
## 2-3. Trend of Sales and Income (Consolidated)

### Net Sales

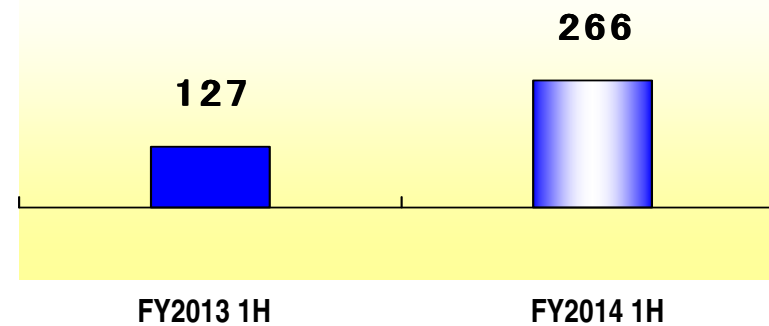
(Million yen)



### Operating Income - Margin(%)

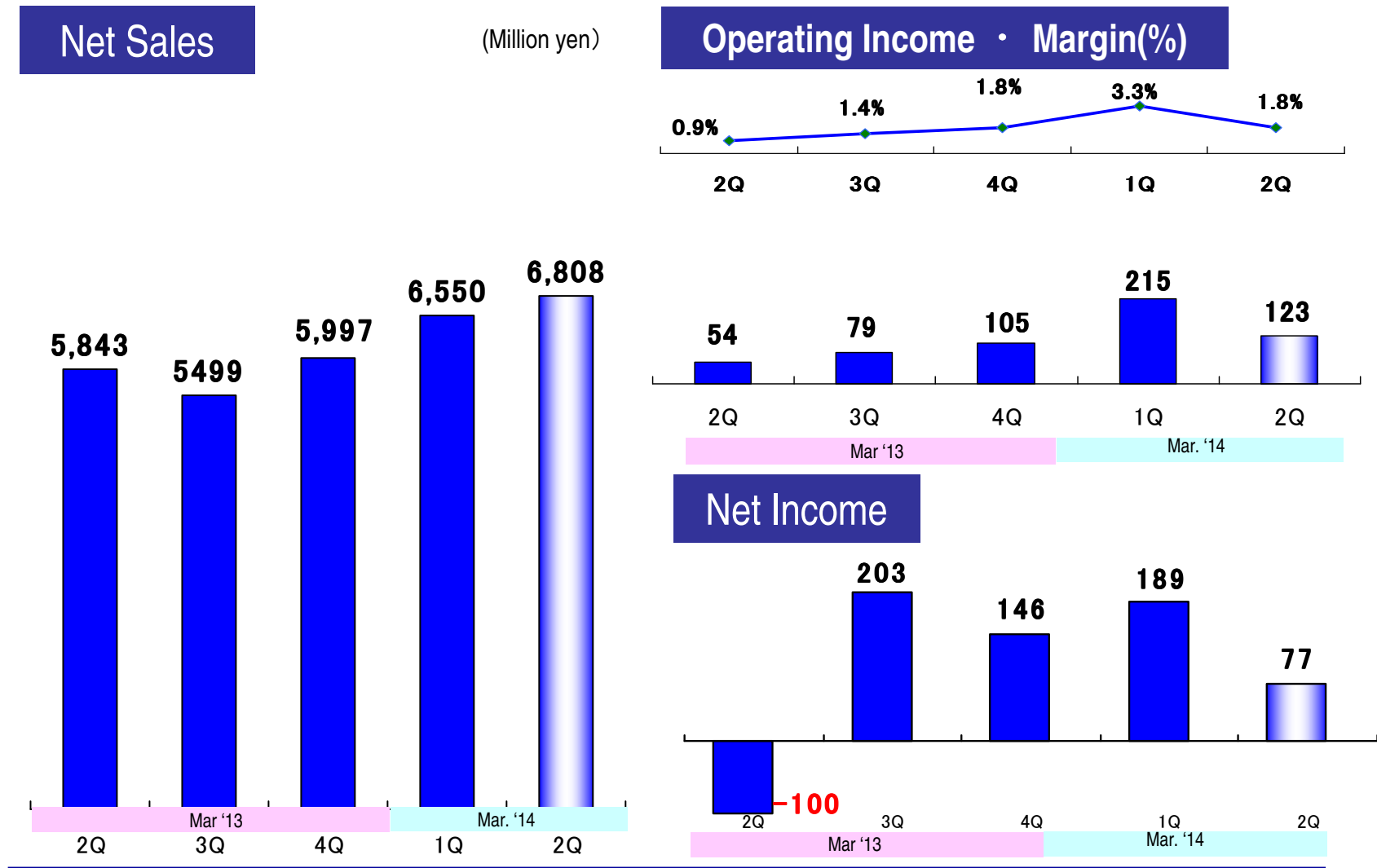


### Net Income



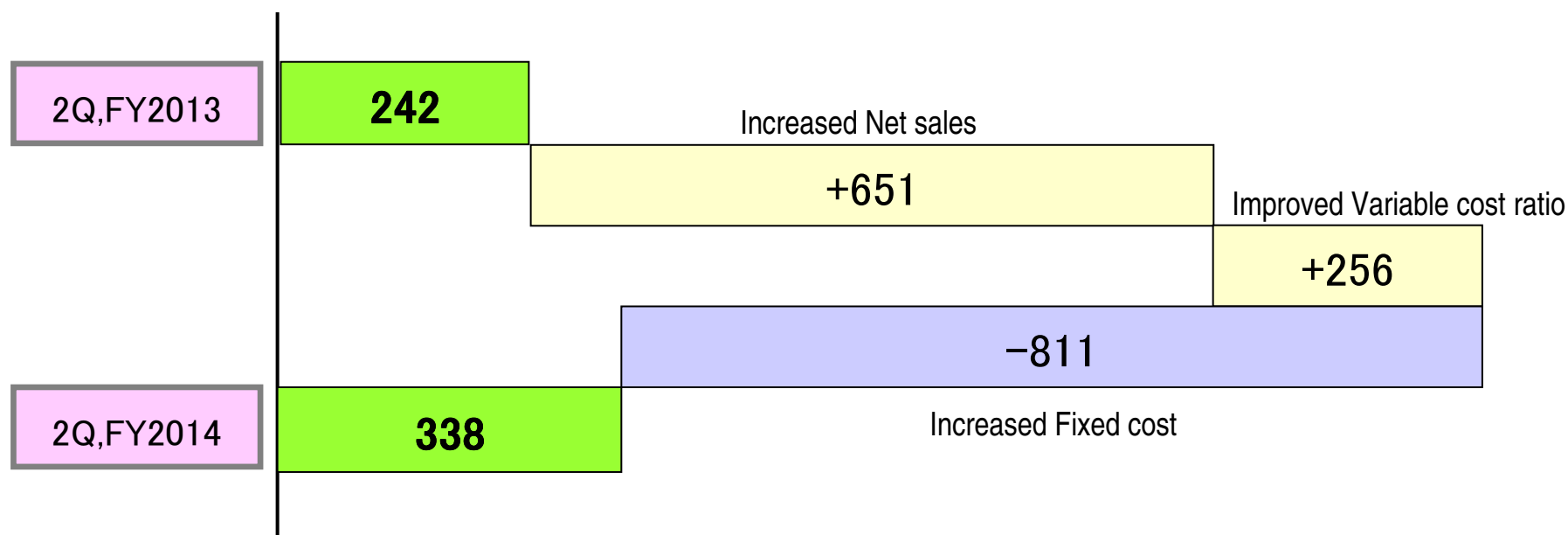


## 2-4. Quarterly Transition of Sales and Income (Consolidated)



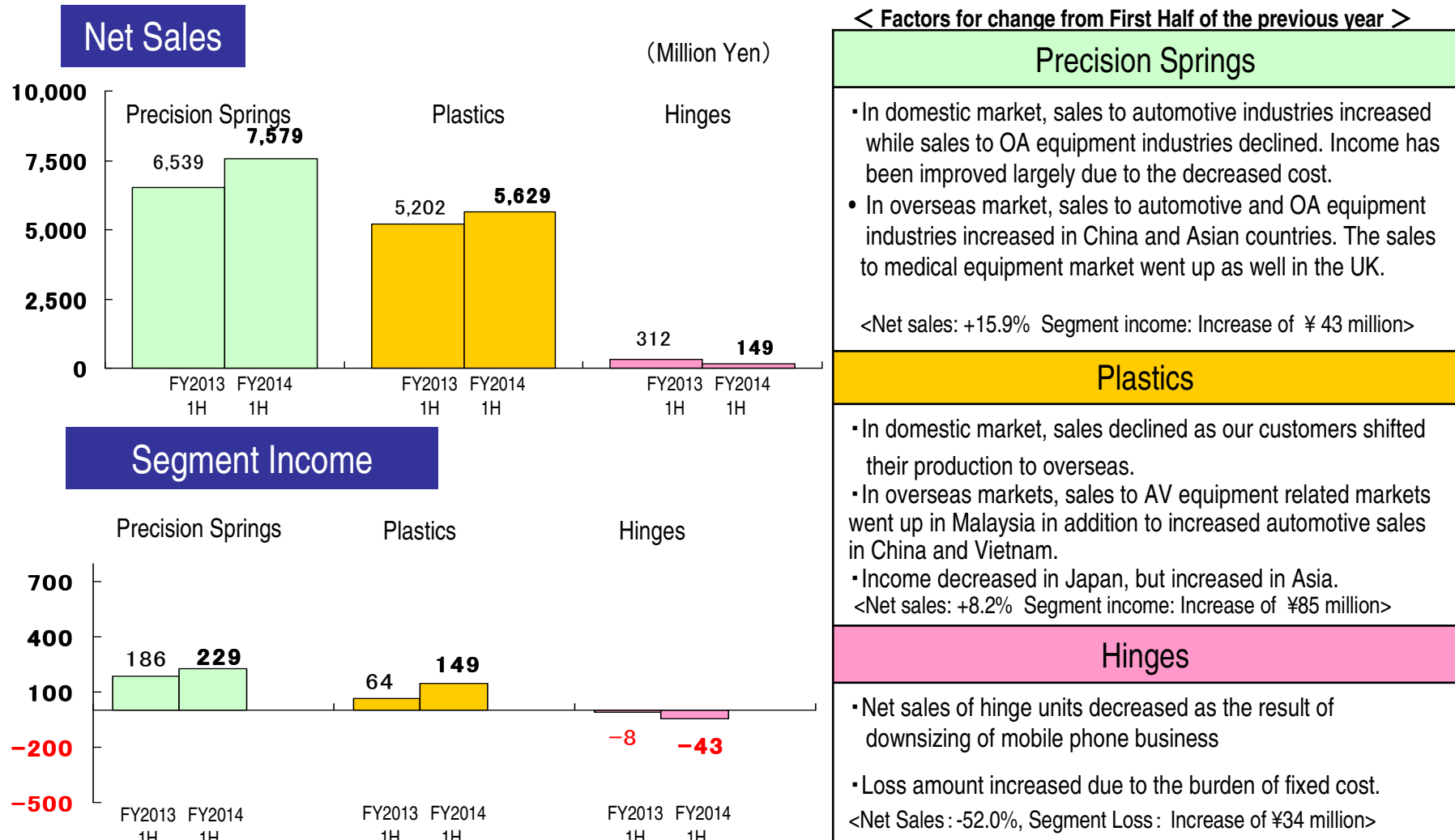
## 2-5. Analysis of Increase and Decrease of Operating Income

(Million yen )



Operating income increased 96 million yen year on year. Positive effects were caused by sales increase to automotive market and gains by weaker yen. Ratio of variable cost improved by increased percentage of profitable products for domestic spring business and cut of production cost. Negative effects were caused by increase of fixed cost by weaker yen, increase of depreciation in Thailand, and increased labor cost in China and Vietnam.

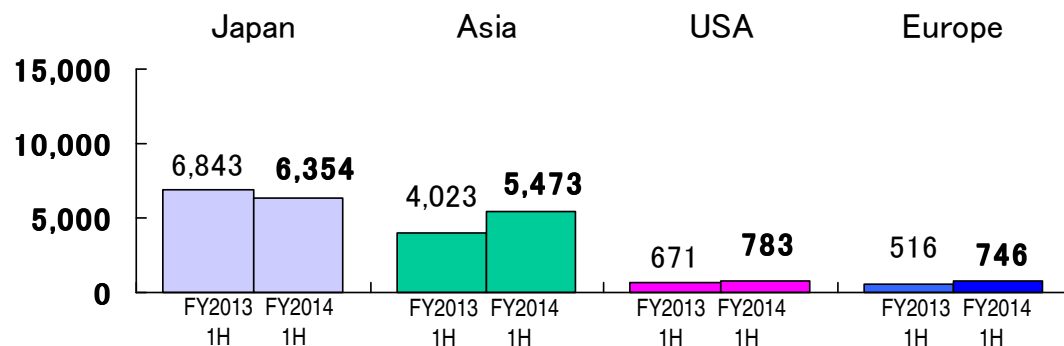
## 2-6. Net Sales and Income by Business Segment



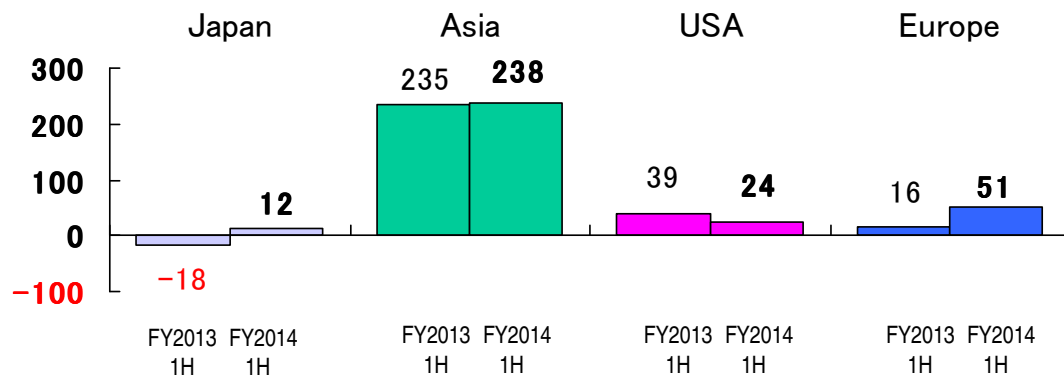
## 2-7. Net Sales and Income by Geographical Segment

### Net Sales

(Million Yen)



### Segment Income



< Factors for change from First Half of the previous year >

### Japan

- Sales dropped due to the decreased sales in Plastics. Sales in Precision Springs have remained the same.
- Precision Springs have become profitable due to the decreased cost. It covered the loss in Plastics.

<Net Sales : -7.1%, Segment Income : Improvement of ¥30 million>

### Overseas

- In Europe, income increased due to the increased sales to medical equipment market.
- Sales to automotive market increased in Asia for Precision Springs and Plastics. Income has remained the same due to the increased cost caused by production launch in Changzhou factory and increased fixed cost in Thailand factory.

<Net Sales : +34.4%, Segment Income : Increase of ¥23 million>

## 2-8. Net Sales by Market

(Million Yen)

	Mar/2013		Mar/2014		Change	
	1H	%	1H	%	Amount	%
Automotive	4,121	34.2%	4,804	36.0%	684	16.6%
OA equipment	3,477	28.8%	3,577	26.8%	101	2.9%
AV/ Home appliance	687	5.7%	1,086	8.1%	399	58.1%
Household equipment	778	6.5%	874	6.5%	97	12.4%
Precision Components	612	5.1%	708	5.3%	97	15.6%
Medical and Healthcare equipment	352	2.9%	552	4.1%	200	56.7%
PC and PC related	440	3.6%	380	2.8%	-60	-13.6%
Mobile phone and related	358	3.0%	250	1.9%	-108	-30.2%
Others	1,231	10.2%	1,129	8.5%	-102	-8.3%
Total	12,054	100.0%	13,358	100.0%	1,304	10.8 %

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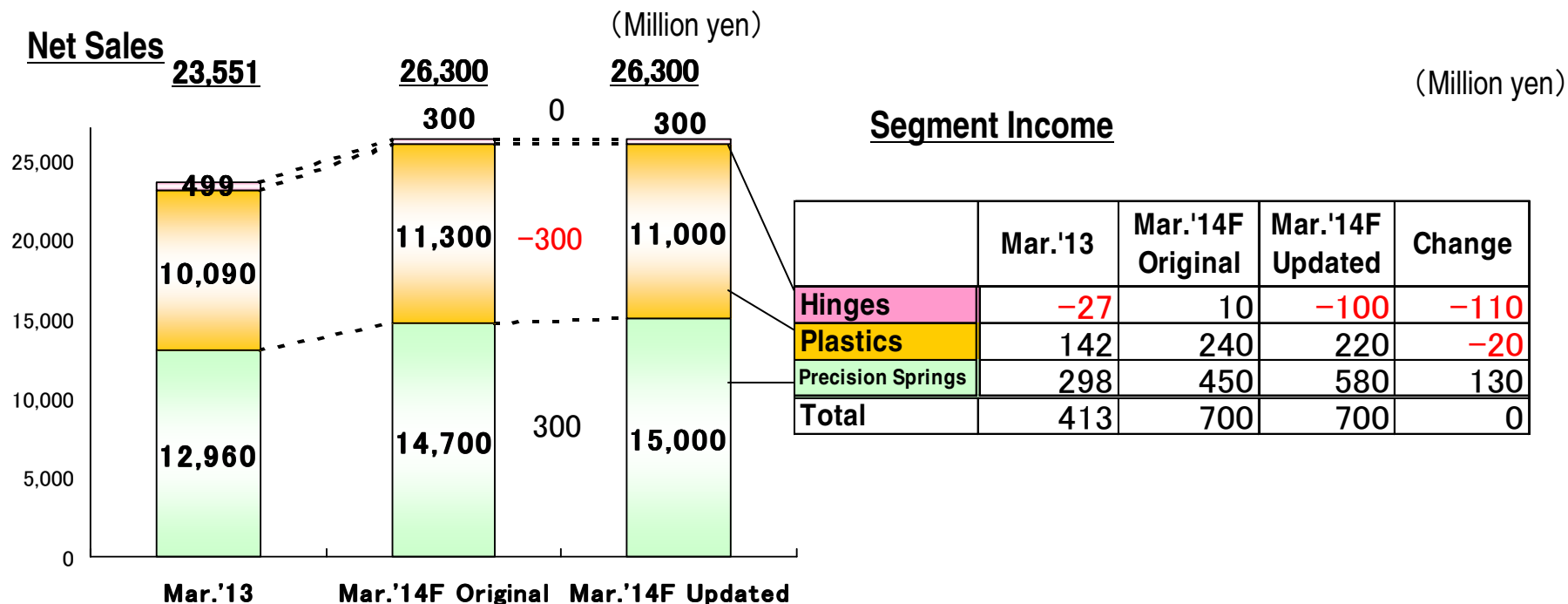
### 3. Forecast for the Fiscal Year Ended March 31, 2014

### 3-1. Forecast for FY ended March 2014 (Consolidated)

(Million yen)

	FY Ended March 2013	Forecast for FY Ended March 2014	Y to Y Change	Previous Forecast (as of Aug 9th)	Vs. Previous Forecast
Net Sales	23,551	26,300	11.7%	26,300	-
Operating Income	426	700	63.9%	700	-
Operating Income ratio	1.8%	2.7%	-	2.7%	-
Ordinary Income	542	530	-2.3%	530	-
Net Income	478	300	-37.2%	300	-

## 3-2. Revision of Segment Forecast



### <Reasons for the change>

Net sales to automotive market will continue to increase in Precision Springs for the second half of fiscal year ended Mar. 2014. In Plastics, sales will continue to decrease in Japan while sales in overseas will continue to be in favorable condition. Hinges will keep the same performance in second half with the first half.



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## 4. Business Strategy

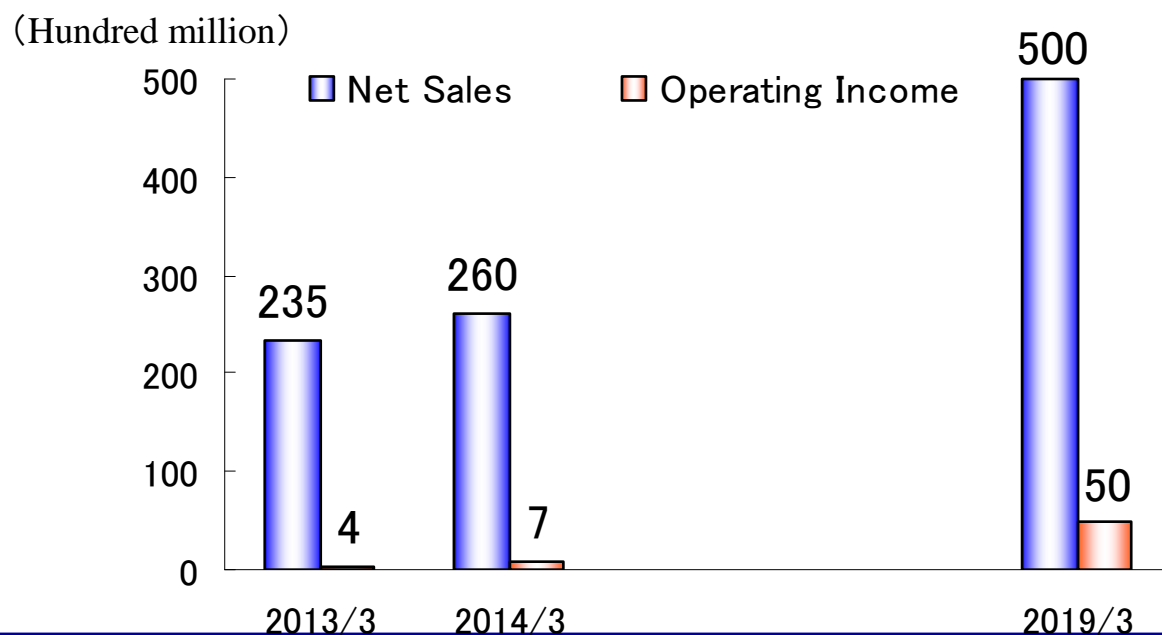
## 4-1 Medium Term Business Target

**Medium term targets : in 5 years (FY2019)**

**Consolidated Net sales: ¥50 billion**

**Operating income: ¥5 billion**

**( Growth rate of sales: 10%/year, Operating income margin: 10% )**



## 4-2 Medium Term Business Plans

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### 1) Precision Spring Business

#### ① Sales expansion in automotive market

Aim : To seek the growth opportunity in the market which occupies the great portion of spring demands.

To start a business with European and American car components makers.

Plan : To establish the exclusive factory for automotive products in Japan. (Now Preparing )

Main products : Fastening products for automobile (Insert Collar)

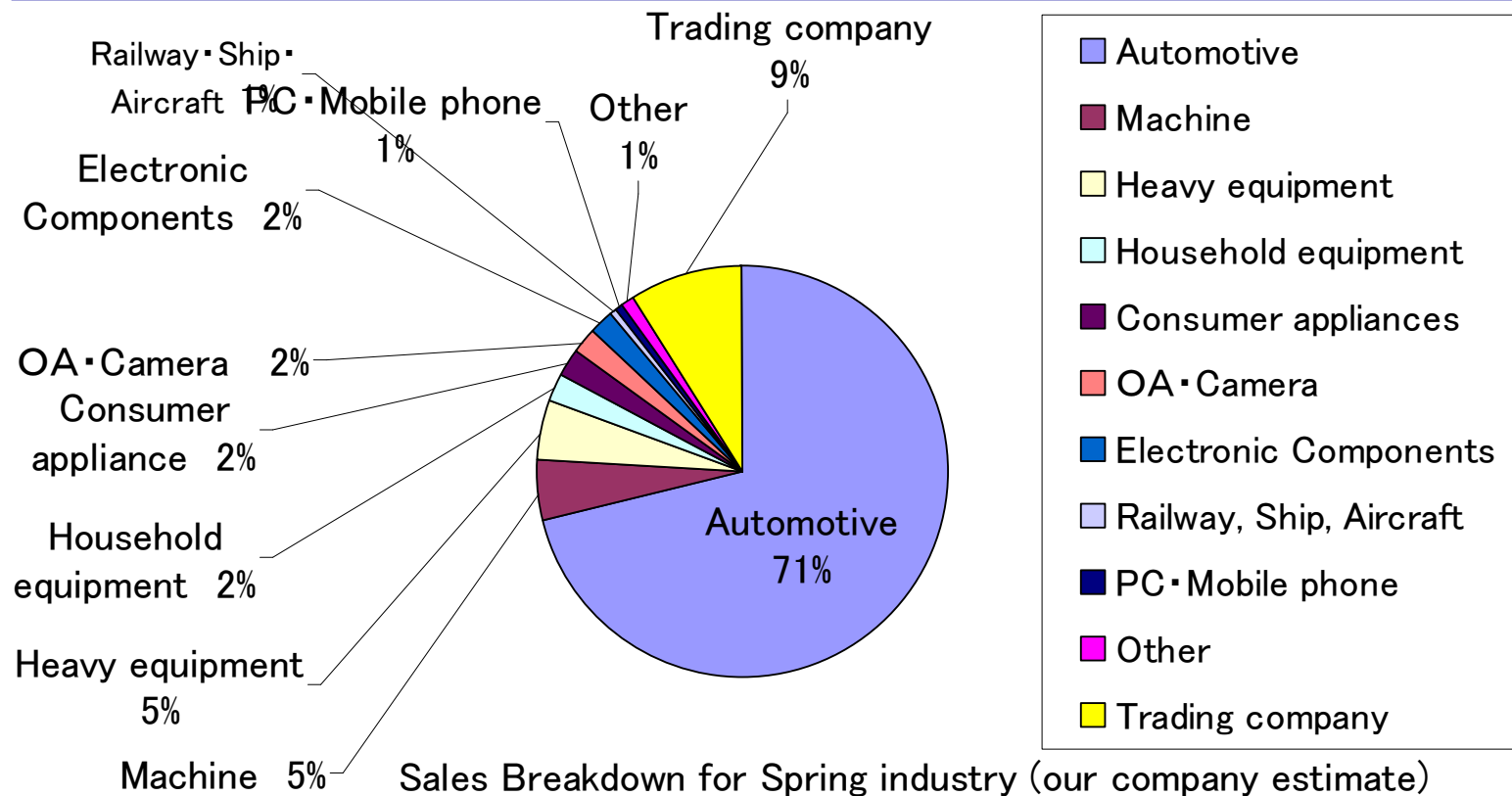


Insert Collar

#### Subjects to challenge

- Expand the technical domain: Both end grinding, shot peening, Austemper, enlargement of wire diameter, etc.
- Enhance network: To promote good relationship with customers and outsourcing contractors
- Increase of new order received: To increase the receiving order ratio by decreasing tooling cost, etc.

## (Reference) Composition of sales for spring market in Japan



**Net sales of domestic spring market was JPY833,200 million (FY2011)**

**Out of the total, our share was about 1%**

## 4-2 Medium Term Business Plans

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### ② Sales expansion in overseas market

Aim : Expansion of sales to Japanese, European and American components makers in Asia

Plan : Establishment of sales office and new factory (next year or after) in Asian developing countries

Main products : Fastening products for automobile (Insert Collar)

They are sold only in Japan so far. High demand in overseas market is expected.



## 4-2 Medium Term Business Plans

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### ③ Enhancement of standard products business

Aim : Acquisition of new customers and expansion of deal for constant receiving orders on customized products.

Plan : Introduction of sales framework by area (April, 2013)

Direct sales through web site (January, 2014)

Global sales in Asia, Europe and USA

Main Products : Fastening products (Tangless Coilthread, TAMONT, etc.),  
Damper, Push-up unit

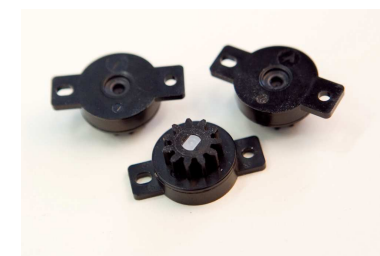
Tangless Coilthread



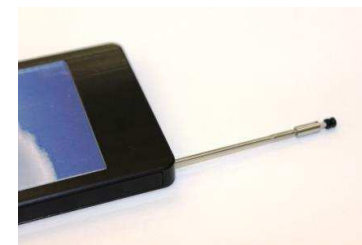
TAMONT



Damper



Push-up unit



## 4-2 Medium Term Business Plans

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### 2) Plastic Business

#### ① Expansion of profit base in overseas

Aim : Mass production in overseas to deal with customer's shift of production and expand profit in overseas

Plan : Expansion of global sales to our main Japanese customers

Malaysia (AV home electric maker)

Vietnam (Automotive components maker)

China (Automotive components maker, OA equipment maker)

Blue-Ray Player



Relay-box for autos



## 4-2 Medium Term Business Plans

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### ② Enhancement of development of high value added products

**Aim : To secure profit in Japan under the situation where mass production is transferred to overseas**

**Plan : Focus on automotive and household appliances market**

- High performance gear units (a rudder angle sensor for automobile)
- Ceramic connector for optical communication (To be exported to China)
- Multi function unit for toilet seat
- New products for a smart meter (To enter new market)



Ferule



Multi function unit for toilet seat



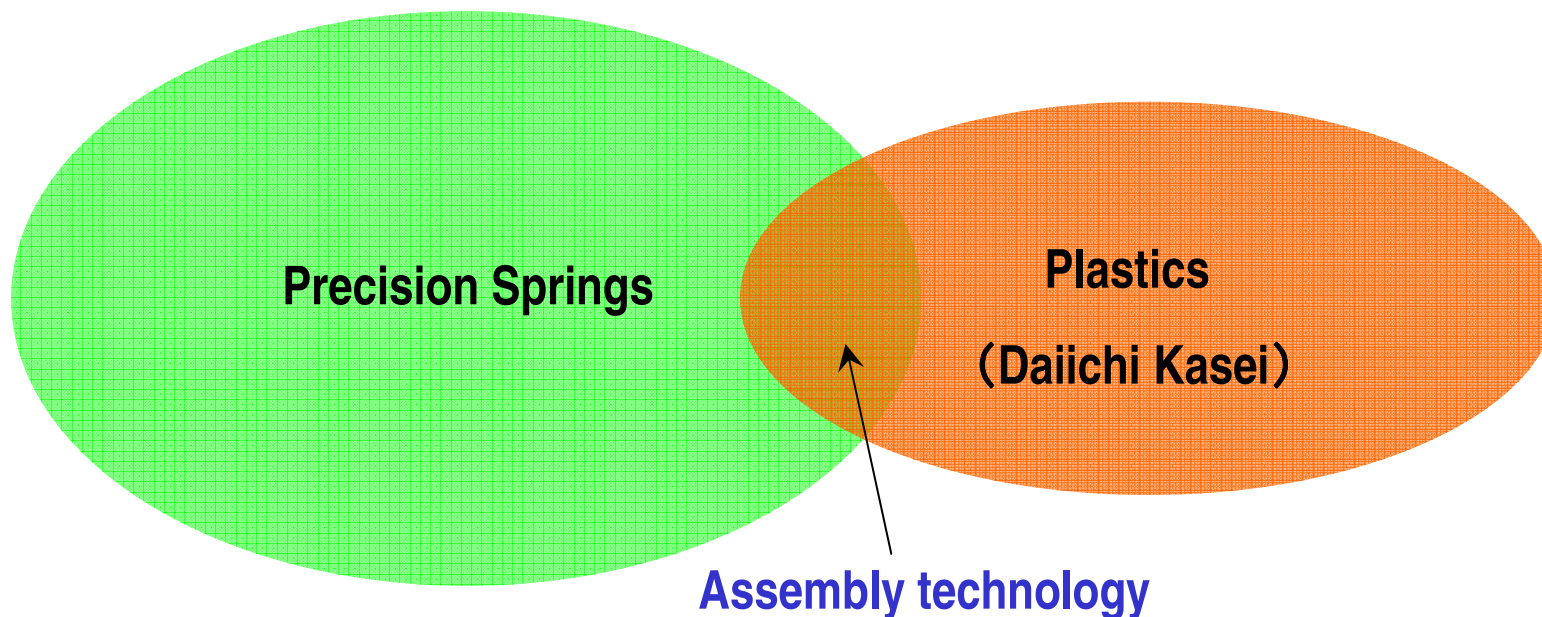
## 4-2 Medium Term Business Plans

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### ③ Closer ties with spring business

Aim: Sales enhancement to automotive components maker and integration of assembly technology in the group

Plan: Integration of development division for insert molding (in April )  
Start of joint sales of gear unit (in October)





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