



ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2014 Third quarter(Nine months ended December 31, 2013)

February 7, 2014

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Supplementary explanation material for quarterly financial results
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Stock listings: Tokyo Stock Exchange
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February 14, 2014
Yes
No

1. Performance (April 1, 2013 through December 31, 2013) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the nine months ended December 31, 2013)

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, 2013	20,406	16.3	655	103.5	703	117.3	614	85.1
Nine months ended December 31, 2012	17,554	(8.1)	321	(35.8)	323	17.3	331	339.6

[Note] Comprehensive income: Nine months ended December 31, 2013 1,376 million yen
Nine months ended December 31, 2012 664 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Nine months ended December 31, 2013	14.81	14.77
Nine months ended December 31, 2012	8.00	--

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net Assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2013	20,919	5,396	25.8	129.95
As of March 31, 2013	18,469	4,072	22.0	97.75

[Reference] Total shareholder's equity: ¥ 5,388 million yen at December 31, 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	26,700	13.4	700	63.9	570	5.1	400	(16.3)	9.64

[Note] Revisions to the forecasts of consolidated results in the current quarter: 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.: 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 December 31, 2013
41,533,708 shares at March 31, 2013
 - b. Number of shares of treasury stock at end of period
69,812 shares at December 31, 2013
42,283 shares at March 31, 2013
 - c. Average number of shares issued and outstanding in each period:
41,481,570 shares at December 31, 2013
41,501,481 shares at December 31, 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.

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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, 2013) of the fiscal year under review, the US economy remained solid while China and other emerging markets in Asia saw slowdown in their economic growth. In Europe, although risks in the creditworthiness of some countries remain, the overall economy has started to recover since last summer. In Japan, earnings of export-oriented companies kept recovering due primarily to the weaker yen resulting from the Bank of Japan's monetary easing measures in addition to recovering economy in the United States. Also, the business sentiment in small and medium-sized nonmanufacturing enterprises gradually picked up.

In such situation, automotive industry, which is closely related to our business, increased exports from Japan and productions overseas were ramped up reflecting recovered demand in China and grown sales to North America. Furthermore, the demand in OA equipment industry gradually started to recover. Under these circumstances, our sales to automotive and OA equipment related markets went strong compared to the same period of the previous fiscal year, in addition to increases in sales to AV equipment, medical equipment and housing related markets.

As a result, the consolidated net sales of Advanex group for the third quarter of current fiscal year under review increased 16.3% year on year to ¥20,406 million. The operating income rose 103.5% year on year to ¥655 million. The ordinary income increased 117.3% year on year to ¥703 million reflecting the foreign exchange gains from the weaker yen. The net income for the third quarter increased 85.1% year on year to ¥614 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 China and Asia. Moreover, sales to medical equipment market increased in the UK. As a result, net sales in this segment increased 18.8% year on year to ¥11,450 million and segment income also rose 84.1% year on year to ¥422 million.

2. Plastics

In Japan, sales to OA equipment market and others decreased as our customers shifted their productions to overseas. In overseas markets, on the other hand, sales to AV equipment related markets went up in Malaysia and automotive sales significantly increased in China and Vietnam. As a result, net sales increased 16.8% to ¥8,765 million and segment income also increased 157.9% to ¥307 million compared with the same period of the previous fiscal year.

3. Hinges

The sales of hinge units declined as the company proceeded with the plan to downsize its business to mobile phone handset market. As a result, net sales in this segment decreased 53.4% year on year to ¥191 million and the segment loss amounted to ¥78 million, which was a loss of ¥33 million in the same period of the previous fiscal year.

(2) Explanation of Financial Position

The total assets at the end of the third quarter amounted to ¥ 20,919 million, increasing ¥ 2,449 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 ¥2,002 million, mainly due to a ¥610 million increase in the cash and time deposits and a ¥1,093 million increase in trade notes and accounts receivable reflecting increased sales. Also, the amounts of tangible fixed assets increased by ¥417 million and the amount of investments and other assets increased by ¥29 million.

On the liabilities side, the total liabilities amounted to ¥15,522 million, increased by ¥1,125 million from the end of the previous fiscal year. This change mainly reflects a ¥356 million and a ¥176 million increases in the trade notes and accounts payable and the borrowings respectively. In addition, this change is also owing to a ¥558 million increase in other current liabilities as a result of the funds raised for the operation of our Chinese subsidiary established during the previous fiscal year.

In net assets, the total net assets amounted to ¥5,396 million, increasing ¥1,323 million from the end of the previous fiscal year. This change is mainly due to a ¥614 million net income recorded for this quarter and a ¥715 million improvement of the negative balance in foreign exchange adjustment as a result of the weaker yen.

(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 revised the forecasts released on August 9, 2013. For more details, please refer to the "Revisions to the FY2014 Performance Forecast" which was released today.

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 first quarter.

The affected amount by this change was small.

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2014 third quarter (As of December 31,2013)	FY2013 (As of March 31,2013)
ASSETS		
Current assets:		
Cash and time deposits	3,035,455	2,424,724
Trade notes and accounts receivable	6,038,980	4,945,432
Finished goods	1,147,200	951,073
Work in process	639,743	617,516
Raw materials and stored items	1,022,410	958,440
Deferred income tax	11,374	153
Other current assets	413,690	413,703
Allowance for doubtful accounts	△13,930	△18,636
Total current assets	12,294,924	10,292,407
Fixed assets:		
Tangible fixed assets		
Buildings and structures	1,772,410	1,597,795
Machinery and equipment	2,536,736	2,245,924
Land	2,234,574	2,190,360
Others	805,839	898,202
Total tangible fixed assets	7,349,561	6,932,282
Intangible fixed assets	204,780	204,882
Others	1,069,776	1,040,078
Total fixed assets	8,624,117	8,177,243
Total assets	20,919,042	18,469,651

(Amount: thousands of yen)

	FY2014 third quarter (As of December 31,2013)	FY2013 (As of March 31,2013)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	3,820,004	3,463,918
Short-term borrowings	1,880,493	4,422,031
Long-term borrowings due within one year	1,782,877	1,290,787
Accrued income taxes	173,678	185,232
Allowance for bonus	54,893	136,440
Other current liabilities	1,497,565	938,739
Total current liabilities	9,209,512	10,437,150
Fixed liabilities:		
Long-term borrowings	3,782,270	1,556,584
Deferred tax liabilities	370,550	345,901
Retirement allowance for employees	1,831,420	1,644,576
Provision for environmental measures	4,506	4,506
Asset retirement obligations	38,797	38,522
Other fixed liabilities	285,936	369,945
Total fixed liabilities	6,313,482	3,960,036
Total liabilities	15,522,995	14,397,187
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	4,255,004	3,682,130
Treasury stock	△7,720	△4,624
Total shareholder' equity	5,504,001	4,934,222
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	67,738	21,144
Foreign exchange adjustment	△183,701	△899,543
Total accumulated other comprehensive income	△115,963	△878,398
Issuance of subscription rights to shares	8,009	16,640
Total net assets	5,396,047	4,072,464
Total liabilities and net assets	20,919,042	18,469,651

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2014 Third quarter (April 1, 2013 through December 31, 2013)	FY2013 Third quarter (April 1, 2012 through December 31, 2012)
NET sales	20,406,684	17,554,035
Cost of sales	16,028,761	13,949,437
Gross profit	4,377,923	3,604,597
Selling, general and administrative expenses	3,722,731	3,282,640
Operating income	655,192	321,957
Non-operating revenues		
Interests	9,237	9,730
Rent income	84,084	69,407
Equity in earnings of affiliates	---	15,264
Foreign exchange gains	192,954	82,086
Others	39,633	75,716
Total non-operating revenues	325,910	252,206
Non-operating expenses		
Interests	141,774	180,262
Foreign exchange losses	68,209	—
Others	67,521	70,097
Total non-operating expenses	277,505	250,359
Ordinary income(loss)	703,597	323,803
Extraordinary gain		
Gain on sales of noncurrent assets	4,683	8,952
Insurance income	10,727	168,350
Gain on negative goodwill	—	5,627
Gain on reversal of subscription rights to shares	16,640	—
Others	---	1,039
Total extraordinary gain	32,051	183,969
Extraordinary loss		
Loss on sales of noncurrent assets	---	914
Impairment loss	---	45,898
Loss on disposal of noncurrent assets	7,180	354
Gain on reversal of loss on valuation of investment securities	—	17,188
Loss on disaster	1,995	---
Farewell Ceremony	27,152	—
Total extraordinary loss	36,328	64,355
Net Income (or loss) before income taxes	699,319	443,418
Corporate, inhabitant and enterprise taxes	107,463	107,286
Corporate tax adjustments	△22,510	4,220
Total income taxes	84,952	111,507
Income (or loss) before minority interests	614,367	331,911
Net income (loss)	614,367	331,911

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2014 Third quarter (April 1, 2013 through December 31, 2013)	FY2013 Third quarter (April 1, 2012 through December 31, 2012)
Income (or loss) before minority interests	614,367	331,911
Other comprehensive income		
Valuation gain(loss) on other securities	46,462	8,641
Foreign currency translation adjustment	691,876	323,262
Consolidated equity for equity method affiliate	24,095	367
Total other comprehensive income	762,435	332,270
Accumulated other comprehensive income	1,376,802	664,181
Quarterly comprehensive income		
Comprehensive income attributable to owners of the parent	1,376,802	664,181

(3) Notes on Going Concern Assumptions
Not applicable

(4) SEGMENT INFORMATION

I FY2014 third quarter (April 1, 2013 through December 31, 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	11,450,002	8,765,173	191,509	20,406,684
(2) Intra-group Net sales and transfers	65,095	5,863	—	70,959
Total sales	11,515,097	8,771,037	191,509	20,477,643
Operating income (loss)	422,386	307,664	△78,133	651,916

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	651,916
Elimination of Intersegment Transaction	3,275
Consolidated Quarterly Operating Income	655,192

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 third quarter (April 1, 2012 through December 31, 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	9,641,263	7,501,903	410,869	17,554,035
(4) Intra-group Net sales and transfers	68,957	10,111	—	79,069
Total sales	9,710,220	7,512,015	410,869	17,633,105
Operating income (loss)	229,469	119,317	△33,975	314,811

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	314,811
Elimination of Intersegment Transaction	7,146
Consolidated Quarterly Operating Income	321,957

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 third quarter of the fiscal year is ¥45,898 thousand.

In “Plastics” segment, gain of negative goodwill is recorded upon our additional acquisition of M.A.C. TECHNOLOGY (MALAYSIA) SDN. BHD. Shares and its realization of our wholly owned subsidiary. The amount of gain of negative goodwill concerned during the third quarter of the fiscal year is ¥5,627 thousand.