

# Results for the First Half of Fiscal Year Ended March 31, 2013



**November 20, 2012**



This datum is based on the data as of March 31, 2012. The opinion and forecast described here is based on our judgment at that time and may possibly be changed without notice.

# Subject

---

1. Operating results for the First Half of Fiscal Year Ended March 31, 2013
2. Forecast for the Fiscal Year Ended March 31, 2013
3. Business Strategy

---

# 1. Operating Results for the First Half of Fiscal Year Ended March 31, 2013

# 1-1. Summary of Consolidated Financial Results for the Six Months Ended September/2012

(Million yen, %)

	FY2012 1H	FY2013 1H	Change		Original Forecast (as of 31st July)	Vs. Original Forecast (Ratio)
			Amount	Ratio		
Net Sales	13,096	12,054	-1,042	-8.0%	12,300	-2.0%
Operating Income	409	242	-167	-40.8%	260	-6.9%
(Margin)	3.1%	2.0%	(-1.1%)	-	2.1%	-
Ordinary Income	190	95	-95	-49.9%	100	-5.0%
(Margin)	1.5%	0.8%	(-0.7%)	-	0.8%	-
Net Income	17	127	110	614.5%	160	-20.6%
(Margin)	0.1%	1.1%	(1.0%)	-	1.3%	-

## 1-2 Highlight

---

### ◆ Decrease in consolidated sales, operating income and ordinary income

The main reasons for sales decrease were downsizing of Hinge business and drop of sales to OA equipment and PC related industries in Precision spring business. Though operating loss of hinge business decreased significantly year on year, operating income of Precision spring business declined. Operating income of Plastic business also declined due to the increase of labor costs in Japan and overseas.

### ◆ Increase in net income due to extraordinary income

¥167 million of insurance payment received for our Thai factory, which was suffered by the floods in October 2011, was recorded as extraordinary income in the first quarter. As the result, the net income increased ¥110 million year on year.

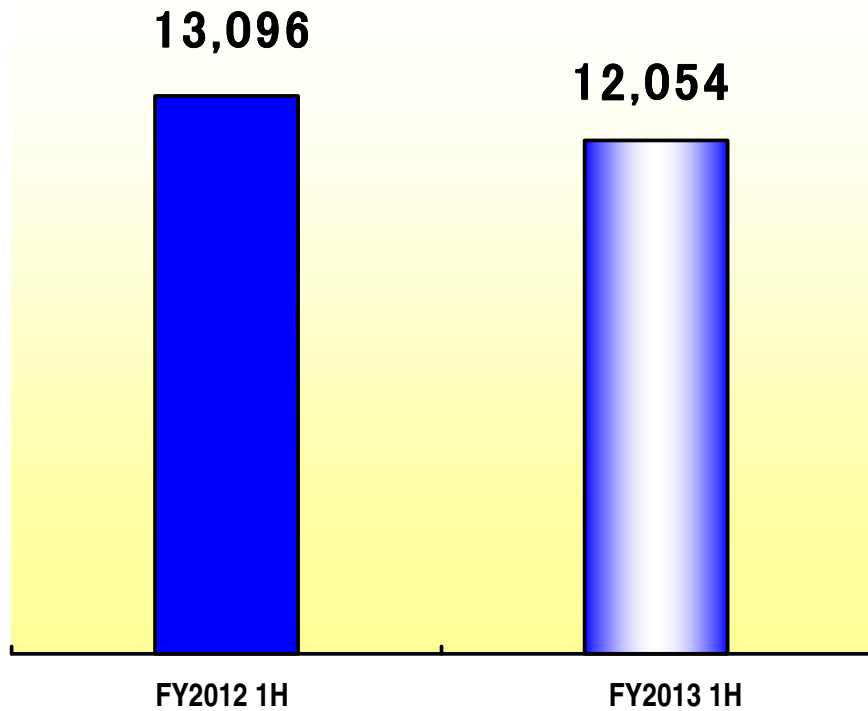
### ◆ Sales to automotive industry exceeded sales to OA equipment

Precision spring and Plastic sales to automotive industry increased both in Japan and overseas. Sales to automotive exceeded sales to OA equipment and automotive became the top market in our consolidated sales. (34%)

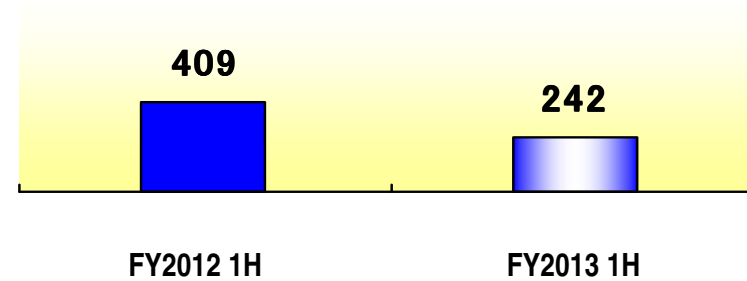
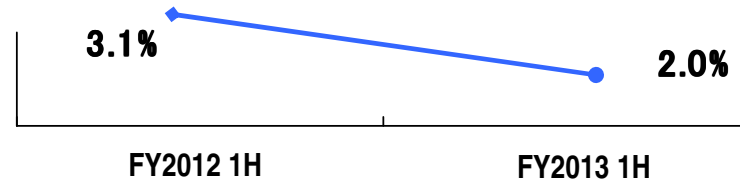
# 1-3. Trend of Sales and Income (Consolidated)

## Net Sales

(Million yen)

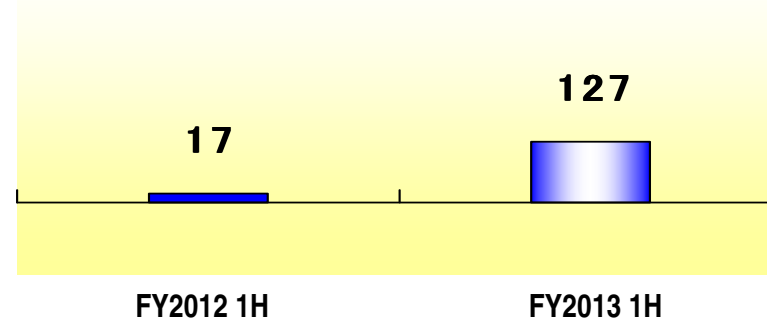


## Operating Income - Margin(%)

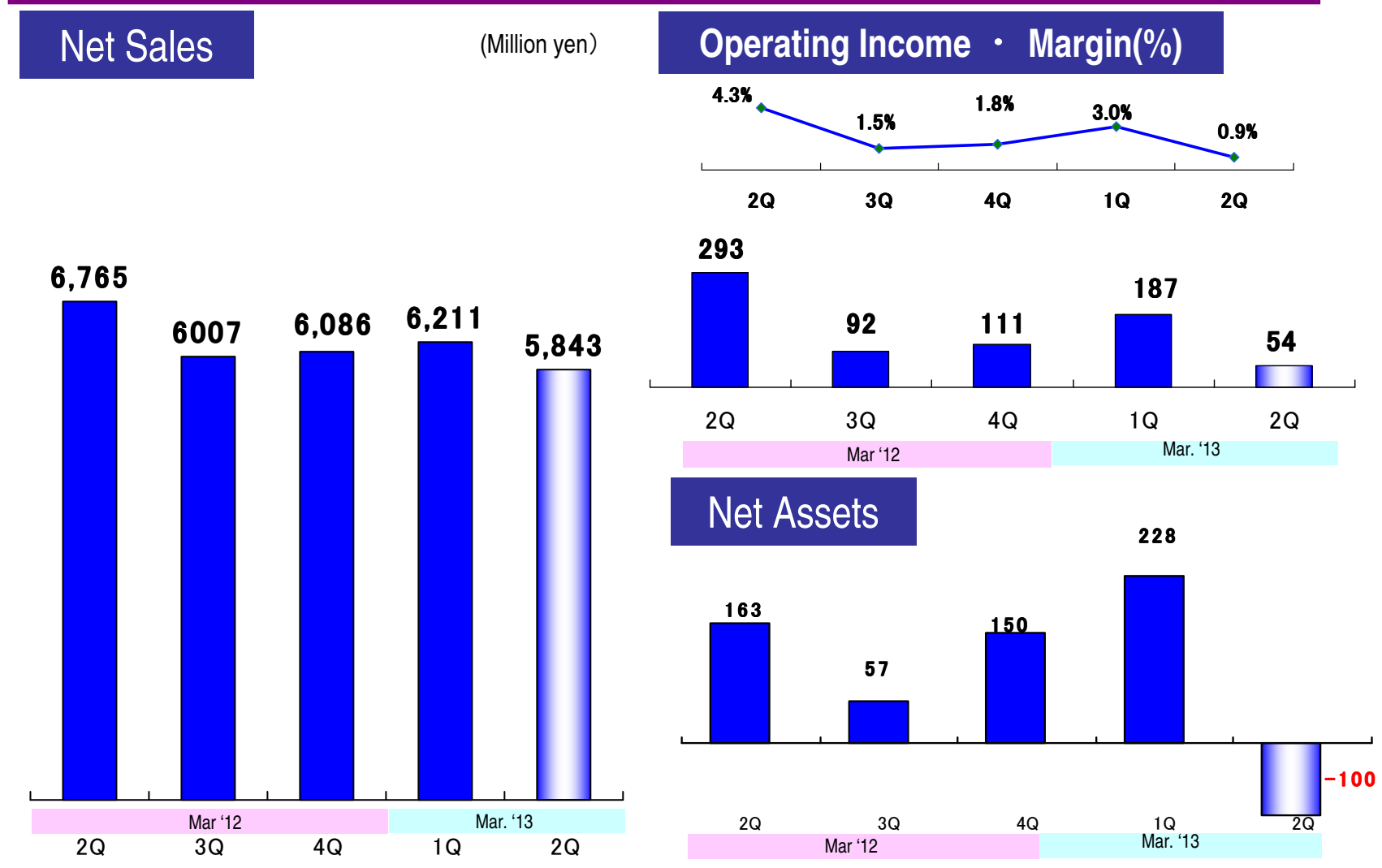


## Net Income

(Million yen)

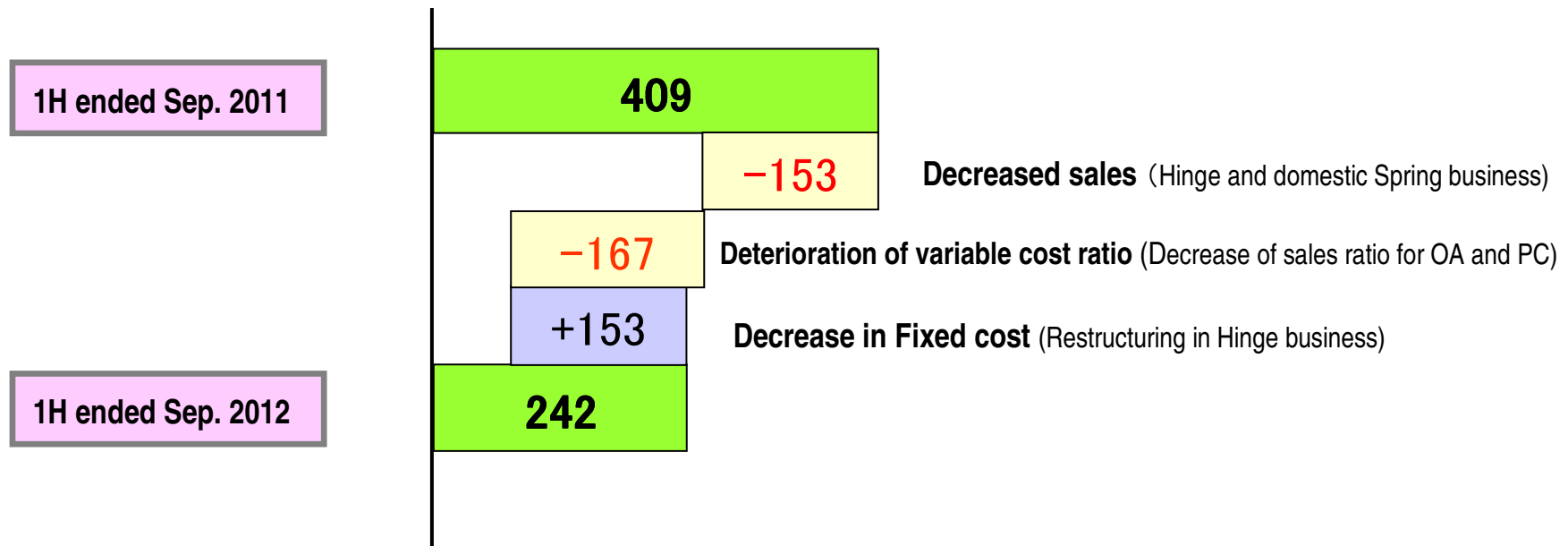


# 1-4. Quarterly Transition of Sales and Income (Consolidated)



# 1-5 Analysis of Increase and Decrease of Operating Income (Consolidated)

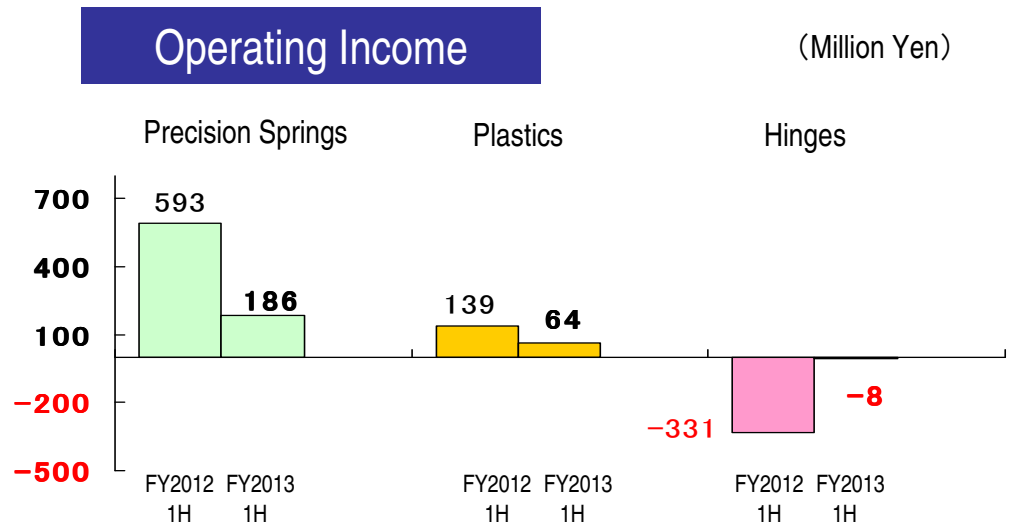
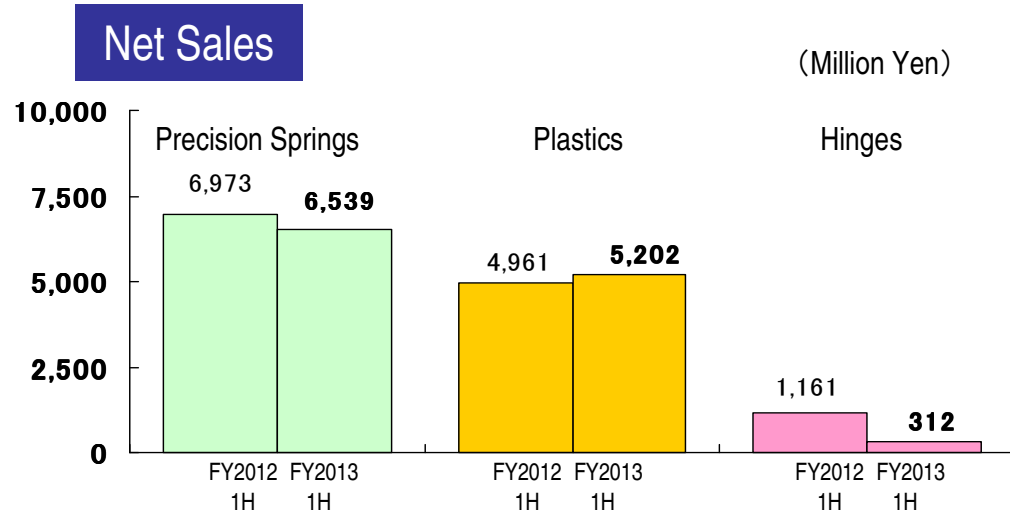
(Million yen )



Operating income decreased ¥167 million year one year. It was affected by decrease of domestic sales for Spring business in addition to ¥838 million of decreased sales for Hinge due to downsizing of business. Also variable cost ratio deteriorated, because sales of profitable products to OA equipment and PC related industries decreased. On the other hand, fixed cost decreased because of the restructuring in Hinge business while personnel cost increased for Plastic business both in Japan and overseas.



# 1-6. Net Sales and Operating Income by Business Segment



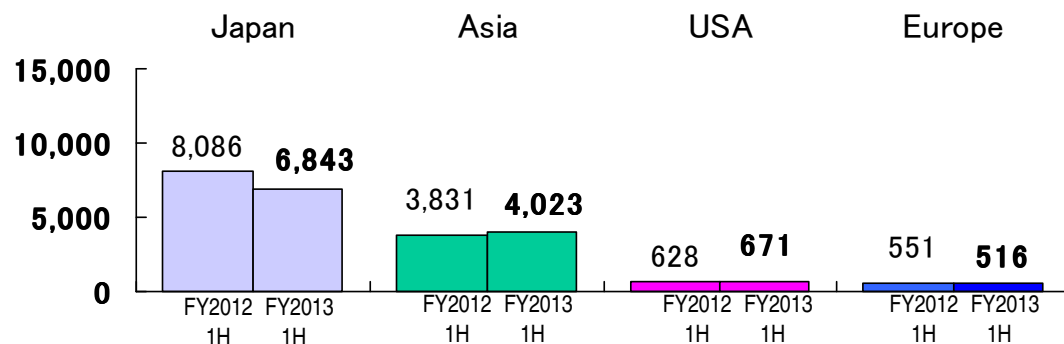
< Factors for change from First Half of the previous year >

<p align="center"><b>Precision Springs</b></p> <ul style="list-style-type: none"> <li>• In domestic market, sales to the automotive industry increased while sales of profitable products to the OA equipment and PC related industries declined.</li> <li>• In overseas market, sales in Asia grew slowly and sales and profits in UK declined.</li> <li>• Earnings declined due to the decreased income in Japan and UK.</li> </ul> <p>&lt;Net sales: -6.2% Operating income: decrease of ¥ 407 million&gt;</p>
<p align="center"><b>Plastics</b></p> <ul style="list-style-type: none"> <li>• In domestic market, though sales to the OA equipment decreased, sales to the automotive industry increased.</li> <li>• In overseas, sales to the automotive industry went up in China and Vietnam.</li> <li>• The earnings decreased in Japan and China due to increased labor costs such as bonuses and rise in wages.</li> </ul> <p>&lt;Net sales: +4.9% Operating income: decrease of ¥74 million&gt;</p>
<p align="center"><b>Hinges</b></p> <ul style="list-style-type: none"> <li>• Net sales of hinge units decreased as a result of downsizing of mobile phone business and the disposal of PC related business.</li> <li>• The earnings improved by taking measures such as raising product prices and reducing fixed costs such as labor costs.</li> </ul> <p>&lt;Net Sales: -73.1%, Operating Loss: decrease of ¥322 million&gt;</p>

# 1-7. Net Sales and Operating Income by Geographical Segment

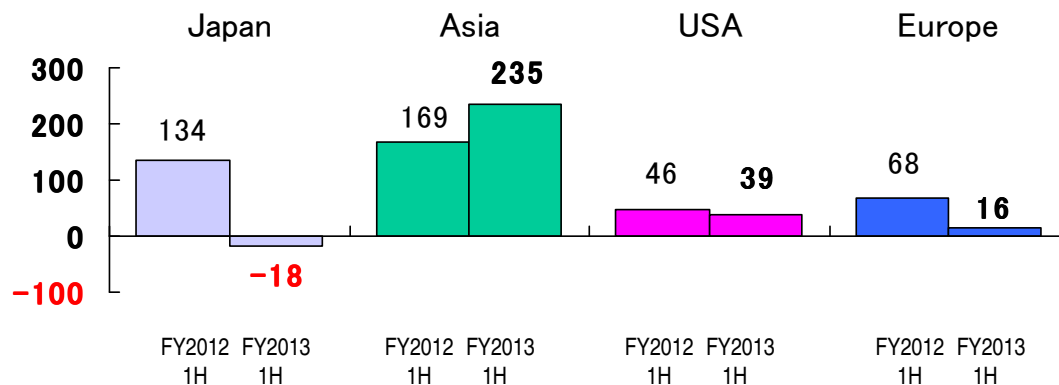
## Net Sales

(Million Yen)



## Operating Income

(Million Yen)



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

### Japan

- The decrease in sales was caused by decline in Hinge business and sales drop to OA equipment and PC related industries in Precision Springs.
- The loss decreased in Hinges, while the domestic earnings in Precision Springs deteriorated. Income also decreased in Plastics.

<Net Sales : -15.4%, Operating Income : decrease of ¥153 million>

### Overseas

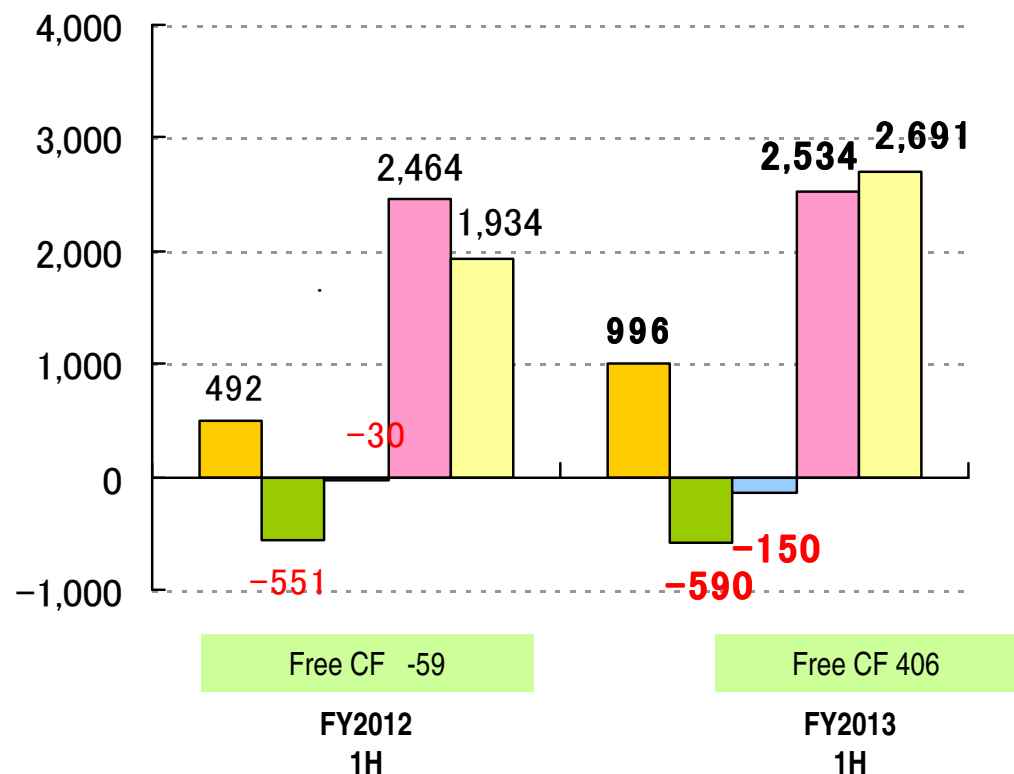
- In Europe, income decreased due to the declined sales to medical equipment industry.
- Sales and income in Precision Springs grew slowly in Asia, while income increased in Plastics due to increased sales to automotive industry.

<Net Sales : +4.0%, Operating Income : increase of ¥7 million>

## 1-8. Net Sales by Market

( Million yen)	Mar/2012		Mar/2013		Change	
	1H	%	1H	%	Amount	%
OA equipment	3,857	29.5%	3,477	28.8%	-380	-9.9%
Automotive	3,005	22.9%	4,121	34.2%	1,115	37.1%
PC and PC related	1,108	8.5%	440	3.6%	-668	-60.3%
Mobile phone and related	813	6.2%	377	3.1%	-436	-53.6%
AV/ Home appliance	764	5.8%	666	5.5%	-98	-12.8%
Precision Components	887	6.8%	612	5.1%	-275	-31.0%
Medical and Healthcare equipment	409	3.1%	352	2.9%	-57	-13.9%
Household equipment	901	6.9%	778	6.5%	-123	-13.7%
Others	1,352	10.3%	1,231	10.2%	-121	-8.9%
Total	13,096	100.0%	12,054	100.0%	-1,042	- 8.0 %

# 1-9 Consolidated Cash Flows



<span style="color: yellow;">■</span> Operating CF
<span style="color: green;">■</span> Investing CF
<span style="color: blue;">■</span> Financing CF
<span style="color: pink;">■</span> Balance at beginning of the period
<span style="color: lightyellow;">■</span> Balance at year end

## < Status of CF for 1H of Mar '13 >

**Cash increased ¥157million compared to previous year end**

### Operating CF

Net cash increased ¥996 million due to increased net income and fund reserve reflecting depreciation and amortization, etc..

### Investing CF

The fund decreased ¥590 million by capital investment to machines and dies in Japan and Thailand, and additional share acquisition of subsidiary company in Malaysia.

### Financing CF

The fund decreased ¥150 million by repayment of interest-bearing debt.

---

## 2. Forecast for the Fiscal Year Ended March 31, 2013

## 2-1 Forecast for FY ended March 2013 (Consolidated)

(Million yen)	FY Ended March 2011	Forecast for FY Ended March 2012	Y to Y Change	Previous Forecast (as of July 31)	Vs. Previous Forecast
Net Sales	25,191	23,400	-7.1%	25,000	- 6.4%
Operating Income	612	400	-34.7%	650	- 38.5%
Operating Income ratio	2.4%	1.7%	-	2.6%	-
Ordinary Income	470	180	-61.7%	350	- 48.6%
Net Income	226	140	-38.2%	300	- 53.3%

## 2-2 Revision of Forecast for FY ended March 2013

---

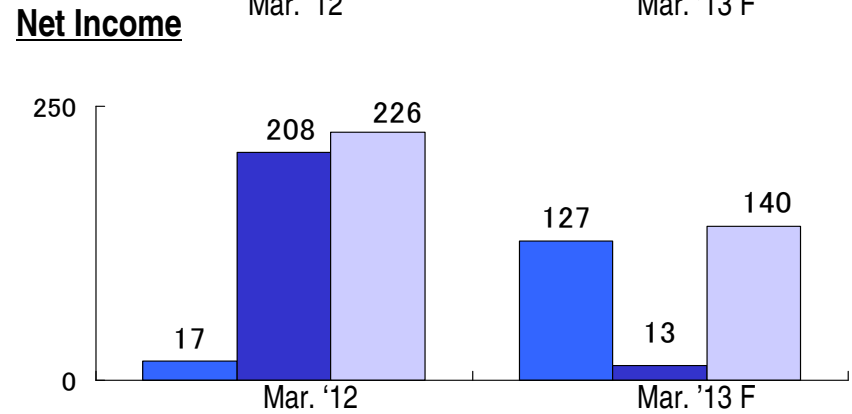
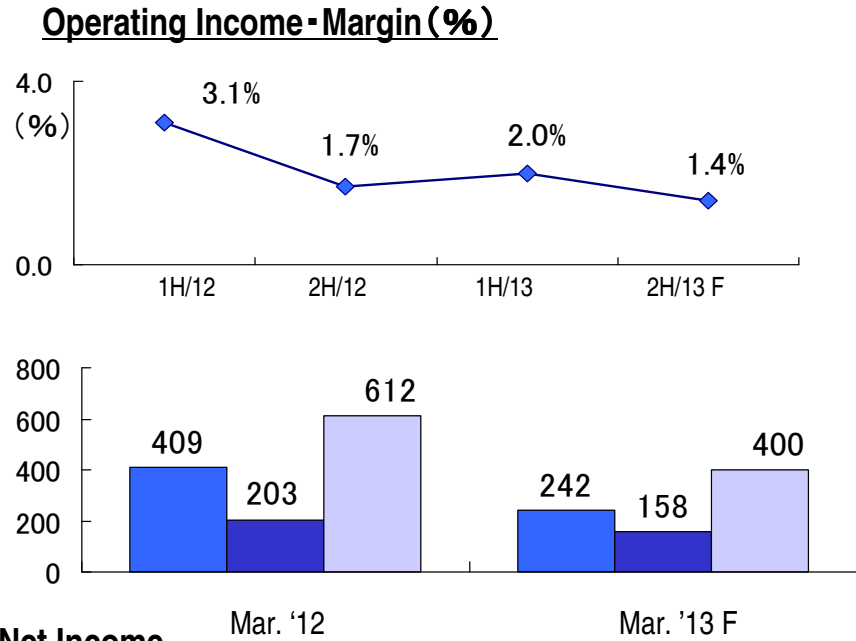
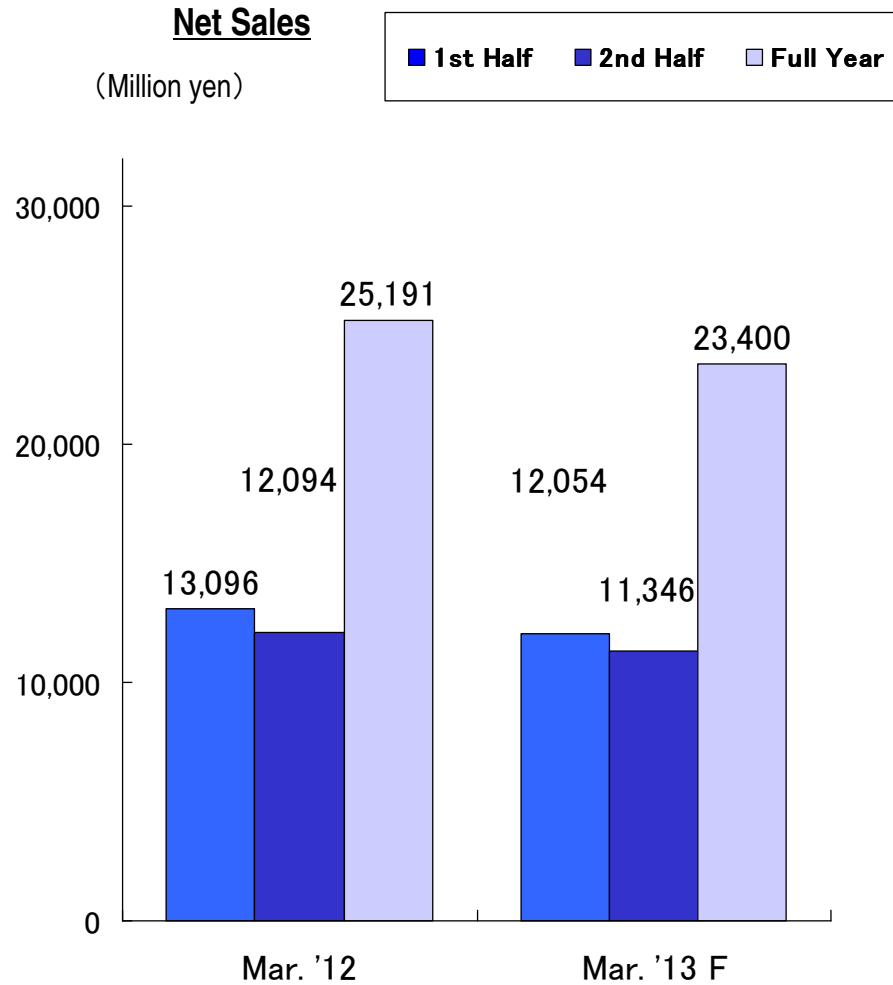
### ◆ Forecast decreased in net sales and income for the full year

As well as the downturn in the global economy and slower economic growth in the emerging countries, a decline of automobile production and sales affected by the strained relations between Japan and China will have an impact on our consolidated operating results for the third quarter and onward. The consolidated 2<sup>nd</sup> half performance will be expected to be lower than the 1<sup>st</sup> half as net sales to the OA equipment industry and automobile industry will decline in Japan and Asia for Precision spring and Plastic businesses. Though cost cuts will be carried out in Plastics, the performance for the full FY 2013 will be expected to be lower than the previous forecast.

### ◆ No change for the dividend forecast

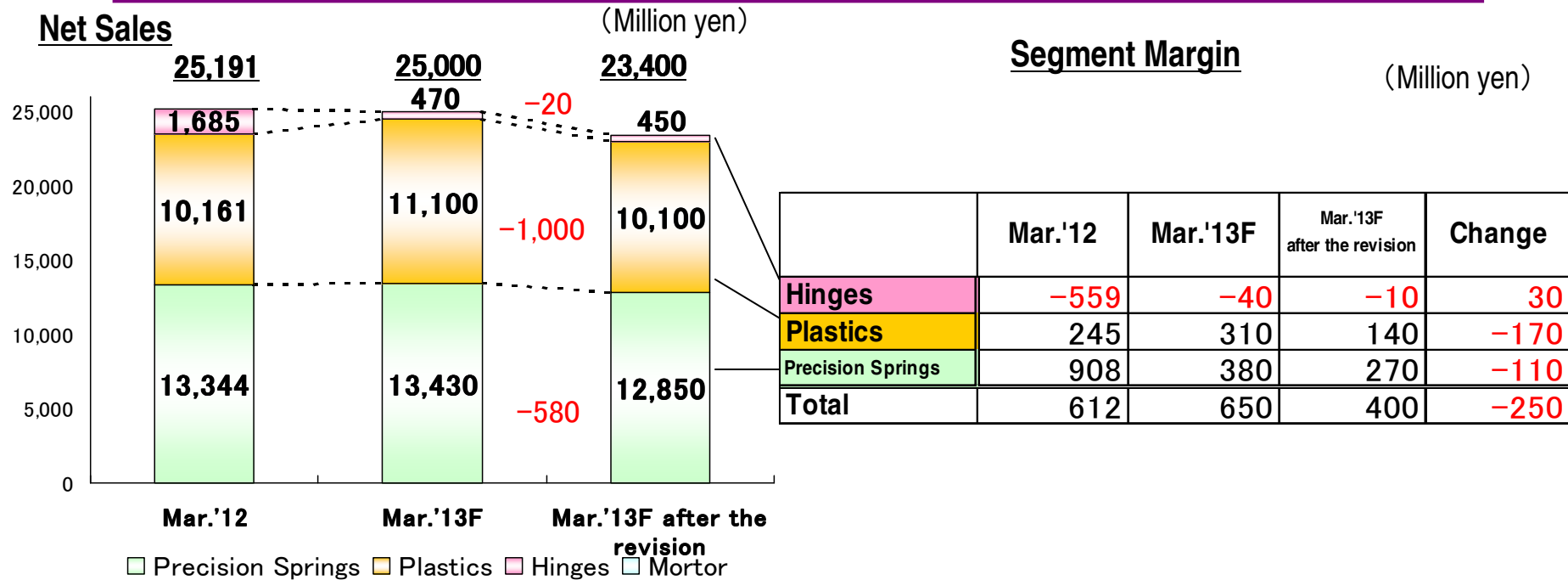
Forecast to pay the year-end dividend of 1 yen per share will remain the same.

## 2-3 Transition of Sales and Income (Consolidated)





## 2-4 Revision of Segment Forecast



### <Reason for the revision>

Net sales to the OA equipment industry and automobile industry will decline in Japan and Asia both for Precision spring and Plastic businesses. Sales for the second half of fiscal year ending Mar. 2013 will be expected to be lower than sales for the first half, which is the opposite of original forecast.

---

## 3. Business Strategy

## 3-1 Business Strategy ( 1 )

---

### Precision Springs

- Key areas are OA equipment, Automobile, Medical service
- Develop M&A in overseas and Japan
- Increase domestic sales by expanding areas, utilizing WEB, and strengthening proposal-based sales
- Expand Asian production (establishment of new factory in China and India) and construct organizational framework
- Strengthen group network management
- Develop the strategy of “World No. 1 Products” (Strengthen the development and sales of high value-added original products)

## 3-2 Organizational Reform (As of Oct.1<sup>st</sup>, 2012)

---

### 1) Structure reform of Sales

Divide Sales Division into “Domestic Sales Division” and “Global Business Division”

#### Global Business Division

- In addition to sales, Engineering and Quality Control members are assigned
- Support Japanese customers to relocate their production to overseas and develop their business.
- Provide the same product quality, proposal and service in overseas as in Japan
- Support sales growth at our subsidiaries in Asia

#### Domestic Sales Division

- Focus on sales expansion in Japan
- Enhance sales by expanding areas, proposal-based sales, and WEB utilization,

### 2) Structure reform of Product Development

Establish **Development & Marketing Department** as an independent department from other divisions

- Unify marketing function and product development function
- Develop original products based on the market needs

### 3-3 Strategic products developed in-house

---



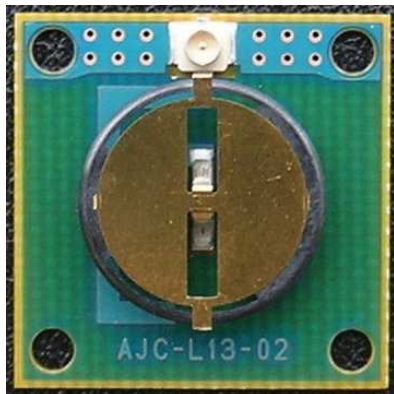
Coil-thread (Right: Tangless)



Insert Collar



Damper



Transfer-Jet Coupler



TAMONT (Parts for preventing slack of nut)



Logo of World No. 1  
used at factories

## 3-4 Establishment of New Subsidiary in China

---

### Outline of Changzhou factory

**Place:** Changzou, Jiangsu, China (190km away from Shanghai and 90km away from Suzhou)

**Purpose of establishment:** Since most customers of our Shanghai factory have transferred their business outside Shanghai, we decided to establish a new subsidiary in Changzhou, which is near Suzhou and Wuxi in Jiangsu where many of our customers have their factories, as our fourth factory in China. It is planning sales expansion to automobile market in addition to OA equipment. It aims to be the biggest factory within our group by increasing sales to European and US parts manufacturers.

**Investment:** US\$2.5 million (about 200 million yen, wholly invested by Singapore subsidiary)

**Schedule:** Establishment in Dec., 2012, Start of mass production in Apr., 2013.



Signing ceremony on 27<sup>th</sup> Sep.



External appearance of new factory. (Leasing 1F)

## 3-5 Business Strategy (2)

---

### Plastics

- Sales increase to automobile and household appliances
- Strengthen proposal-based sales
- Expand global sales (Malaysia, China and Vietnam) and improve their profitability
- Enhance development and sales of high value-added products (ceramic, insert molding, etc.)

### Action Measures

- Made subsidiary in Malaysia a wholly-owned company in May (Acquisition of 30% shares from a local company)
  - To develop ASEAN market and strengthen cost management
- Structure reform of sales in Oct, 2012
  - Unified sales dept. and cost design dept. to increase receiving order
  - Established Global Project Team
    - (Sales person team up with an engineer to develop new customers in Japan and overseas.)
- Established Ceramic Business Division in Oct, 2012 (To enhance sales of high value added products.)



ADVANCEX

---

(CONTACT)

ADVANCEX INC.

Corporate Communication Dept.

TEL: 81-3 - 3822 - 5865 FAX: 81-3 - 3822 - 5873

URL: <http://www.advandex.co.jp>