



ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2016 third quarter(Nine months ended December 31, 2015)

February 5, 2016

Company name: ADVANEX INC.

Code number: 5998

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Supplementary explanation material for quarterly financial results

Holding of presentation meeting for quarterly financial results

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February 10, 2016

Yes

No

1. Performance (April 1, 2015 through December 31, 2015) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the Nine months ended December 31.).

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, 2015	14,517	(33.7)	492	(36.0)	491	(38.7)	337	(42.8)
Nine months ended December 31, 2014	21,904	7.3	769	17.4	801	14.0	589	(4.0)

[Note] Comprehensive income: Nine months ended December 31, 2015 167 million yen
 Nine months ended December 31, 2014 2,120 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Nine months ended December 31, 2015	82.42	81.81
Nine months ended December 31, 2014	142.46	141.59

(Note) Advanex Inc. conducted consolidation of common shares (consolidate 10 shares into 1 share) effective on October 1, 2015. The number of shares outstanding at the end of period, the number of shares of treasury stock at the end of period and the average number of share issued and outstanding in each period are calculated under the assumption that this share consolidation was conducted at the beginning of the previous fiscal year.

(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, 2015	17,256	6,987	40.3	1,701.57
As of March 31, 2015	16,554	7,032	42.3	1,692.93

[Reference] Total shareholder's equity: ¥ 6,950 million yen at December 31, 2015 ¥ 7,002 million yen at March 31, 2015

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, 2015	--	--	--	3.00	3.00
Year ended March 31, 2016	--	--	--		
Year ended March 31, 2016 (forecast)			--	35.00	35.00

[Note1] Revisions to the latest forecast of cash dividends: No

[Note2] ADVANEX INC. implemented a share consolidation with a ratio of ten shares to one share. Accordingly, the above dividend for FY2016(Forecast) is calculated in consideration of this share consolidation.

3. Forecast of consolidated results for FY2016 (April 1, 2015 through March 31, 2016)

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, 2016	19,200	(34.9)	600	(44.5)	600	(39.6)	480	(10.3)	117.16

[Note1] Revisions to the latest forecasts of consolidated results: Yes

[Note2] Advanex Inc. conducted consolidation of common shares (consolidate 10 shares into 1 share) effective on October 1, 2015. Net income per share is calculated under the assumption that this share consolidation was conducted at the beginning of the previous fiscal year.

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. Changes in accounting estimates: No
 - d. Restatement: No
- (4) Number of shares outstanding (Common stock)
 - a. Number of shares outstanding at end of period (Including treasury stock)
 - 4,153,370 shares at December 31, 2015
 - 4,153,370 shares at March 31, 2015
 - b. Number of shares of treasury stock at end of period
 - 68,691 shares at December 31, 2015
 - 16,816 shares at March 31, 2015
 - c. Average number of shares issued and outstanding in each period:
 - 4,097,028 shares at December 31, 2015
 - 4,141,466 shares at December 31, 2014

[Notes]

Advanex Inc. conducted consolidation of common shares (consolidate 10 shares into 1 share) effective on October 1, 2015. The number of shares outstanding at the end of period, the number of shares of treasury stock at the end of period and the average number of share issued and outstanding in each period are calculated under the assumption that this share consolidation was conducted at the beginning of the previous fiscal year

[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 third quarter (from April 1 to December 31, 2015) of the fiscal year under review, more signs of uncertainty were observed such as slowing down of emerging economies mainly in China, sharp drop of crude oil prices and higher geopolitical risks in the Middle East. Yet, overall economic situation was rather stable with favorable trend in the US and European economies. In Japan, economic recovery was slow which was influenced by decelerating growth in emerging economies. In such situation, the automotive industry, which is closely related to our business, showed solid performances in North America and Europe, while uncertainly still remains in Japan and Asia including China.

As a result, the consolidated net sales of Advanex group for the fiscal year under review decreased 33.7% year on year to ¥14,517 million. This change is mainly due to the exclusion of major part of plastic business from the scope of consolidation as the company sold all the shares of Daiichi Kasei Holdings Co., Ltd, on March 31, 2015. For the same reason, Operating income decreased 36.0% year on year to ¥492 million. Ordinary income dropped 38.7% to ¥491 million and Net income attributable to owners of the parent decreased 42.8% year on year to ¥337 million.

Results for each operating segment are as follows. With regards to the Plastic business, the company included this operating segment to the Precision spring segment from the first quarter of fiscal year under review, as the significance of Plastic business had declined after complete share disposal of Daiichi Kasei Holdings Co., Ltd, on March 31, 2015. Also, from the current quarter under review, the company implemented geographical segments as reporting segments reflecting the enhancement of region-based management system with overseas business of high importance. The comparisons of performance with the same period of the previous fiscal year have been calculated based on the reporting segments of the current fiscal year.

[Japan]

Mainly due to the exclusion of major part of Plastic business from the scope of consolidation, decreased sales to OA equipment and increased fixed costs, net sales of this segment decreased 42.7% year on year to ¥5,715million and segment loss amounted to ¥268 million.

[Americas]

In addition to bullish sales to automotive, sales to household appliance markets increased. As a result, net sales increased 25.0% year on year to ¥1,605 million and segment income increased 81.1% year on year to ¥47 million.

[Europe]

In addition to bullish sales to medical equipment, sales to aviation market also grew. As a result, net sales increased 17.5% year on year to ¥1,715 million and segment income grew 25.3% year on year to ¥219 million.

[Asia]

Net sales of this segment decreased 40.6% year on year to ¥5,438 million and segment income dropped 16.0% year on year to ¥504 million, mainly resulted from the exclusion of major part of plastic business from the scope of consolidation.

(2) Explanation of Financial Position

① The Status of assets, liabilities, and net assets

Total assets at the end of the third quarter amounted to ¥17,256 million, increasing ¥701 million compared with the end of previous fiscal year (March 31, 2015). Major reasons are as follows.

In assets section, the total amount of current assets decreased ¥264 million to 10,040 million. This change is mainly owing to a ¥58 million decrease in cash and time deposits, a ¥233 million decrease in trade notes and accounts receivable and a ¥34 million decrease in inventory (due to declined net sales).

The total amount of fixed assets increased ¥966 million to ¥7,216 million. This change reflects a ¥811 million increase in tangible fixed assets and a ¥38 million increase in intangible fixed assets due to

increased capital investments.

On the liabilities side, the total liabilities amounted to ¥10,268 million, increasing ¥746 million from the end of previous fiscal year. This change is primarily due to a ¥169 million decrease in trade notes and accounts payable and a ¥1,069 million increase in the borrowings.

In the net assets, the total net assets amounted to ¥6,987 million, decreasing ¥44 million from the end of previous fiscal year. This change is mainly due to a ¥337 million net income attributable to owners of the parent recorded in the s third quarter of fiscal year under review, a ¥204 million decrease in foreign exchange adjustment which was affected by the stronger yen and a ¥93 million decrease due to acquisition of treasury stock..

(3) Explanation of Consolidated Business Forecast and other Forecasts

Regarding the prospect of the consolidated business forecasts for the fiscal year ending March 31, 2016, the company made revisions to its consolidated performance forecast released on May 12, 2015. For more details, please refer to "Revisions to the FY2016 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 estimated, and restatements.

(Adoption of accounting standard for Business Combinations)

Revised Accounting Standard for Business Combinations (ASBJ Statement No.21, September 13, 2013), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), Revised Accounting Standard for Business Divestitures (ASBJ No. 7, September 13, 2013) have been applied effective from the first quarter of the fiscal year ending March 31, 2016. To reflect these changes in presentation, adjustments have been made to the consolidated financial statements for the last fiscal year's first nine month period and the previous fiscal year presented herein.

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2016 third quarter (As of December 31,2015)	FY2015 (As of March 31,2015)
ASSETS		
Current assets:		
Cash and time deposits	3,427,062	3,485,433
Trade notes and accounts receivable	4,241,289	4,474,470
Finished goods	1,039,841	1,062,636
Work in process	449,232	429,068
Raw materials and stored items	635,444	667,793
Deferred income tax	—	3,618
Other current assets	259,100	194,548
Allowance for doubtful accounts	(11,869)	(12,751)
Total current assets	10,040,101	10,304,818
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	1,022,953	1,105,555
Machinery and equipment	2,093,178	2,104,815
Land	1,032,430	1,015,779
Others	1,811,478	922,225
Total tangible noncurrent assets	5,960,040	5,148,376
Intangible noncurrent assets	276,937	238,265
Investments and other assets	979,023	863,299
Total noncurrent assets	7,216,002	6,249,941
Total assets	17,256,103	16,554,760

(Amount: thousands of yen)

	FY2016 third quarter (As of December 31,2015)	FY2015 (As of March 31,2015)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	2,345,097	2,514,598
Short-term borrowings	1,269,979	641,629
Long-term borrowings due within one year	1,253,318	1,041,421
Accrued income taxes	122,933	135,626
Allowance for bonus	83,185	143,069
Provision for loss on disaster	104,506	105,000
Other current liabilities	1,037,546	1,038,467
Total current liabilities	6,216,567	5,619,813
Noncurrent liabilities		
Long-term borrowings	2,485,636	2,255,918
Deferred tax liabilities	197,114	158,395
Provision for environmental measures	3,000	3,000
Liabilities for retirement benefits	1,200,044	1,255,778
Asset retirement obligations	39,181	39,145
Other noncurrent liabilities	126,734	189,953
Total noncurrent liabilities	4,051,710	3,902,191
Total liabilities	10,268,277	9,522,004
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,811
Retained earnings	5,452,665	5,241,616
Treasury stock	(118,155)	(24,941)
Total shareholder' equity	6,591,226	6,473,486
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	140,210	125,814
Foreign exchange adjustment	366,357	570,381
cumulative amount for retirement benefits	(147,446)	(166,805)
Total accumulated other comprehensive income	359,121	529,389
Subscription rights to shares	37,477	29,879
Total net assets	6,987,825	7,032,755
Total liabilities and net assets	17,256,103	16,554,760

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2016 third quarter (April 1, 2015 through December 31, 2015)	FY2015 third quarter (April 1, 2014 through December 31, 2014)
NET sales	14,517,298	21,904,814
Cost of sales	10,603,457	16,986,441
Gross profit	3,913,840	4,918,373
Selling, general and administrative expenses	3,421,557	4,148,923
Operating income	492,283	769,450
Non-operating revenues		
Interest income	12,993	14,369
Dividends income	4,521	3,275
Rent income	60,742	95,367
Foreign exchange gains	—	236,671
Others	32,658	84,226
Total non-operating revenues	110,915	433,911
Non-operating expenses		
Interest expenses	40,185	116,548
Share of loss of entities accounted for using equity method	—	172,173
Foreign exchange losses	39,629	—
Others	31,515	112,748
Total non-operating expenses	111,330	401,470
Ordinary income(loss)	491,869	801,890
Extraordinary gain		
Gain on sales of noncurrent assets	3,850	973
Gain on sales of shares of subsidiaries and associates	—	154,623
Others	—	20
Total extraordinary gain	3,850	155,617
Extraordinary loss		
Loss on sales of noncurrent assets	824	1,585
Loss on disposal of noncurrent assets	3,851	3,570
Loss on sales of investment securities	8	—
Provision for loss on liquidation of subsidiaries and associated	7,420	182
Restructuring loss	—	37,050
Total extraordinary loss	12,103	42,388
Net Income (or loss) before income taxes	483,616	915,119
Corporate, inhabitant and enterprise taxes	136,320	184,390
Corporate tax adjustments	9,623	7,972
Total income taxes	145,943	192,362
Net income(loss)	337,672	722,756
Net income (loss) Attributable to Non-controlling interests	—	132,769
Net income (loss) Attributable to Owners of the Parent	337,672	589,987

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2016 third quarter (April 1, 2015 through December 31, 2015)	FY2015 third quarter (April 1, 2014 through December 31, 2014)
Income (or loss) before minority interests	337,672	722,756
Other comprehensive income		
Valuation gain(loss) on other securities	14,395	42,586
Foreign currency translation adjustment	(204,023)	1,109,136
Remeasurements of defined benefit plans	19,359	22,316
Share of other comprehensive income of entities accounted for using equity method	—	16,812
Total other comprehensive income	(170,268)	1,397,851
Comprehensive income	167,404	2,120,608
Comprehensive income attributable to owners of the parent	167,404	1,878,563
Comprehensive income attributable to non- controlling interests	—	242,044

(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

Segment Information etc.
【Segment Information】

I FY2016 third quarter (April 1, 2015 through December 31, 2015)

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

	Japan	Americas	Europe	Asia	Total
Net sales					
(1) Net sales to third parties	5,715,633	1,605,457	1,757,482	5,438,724	14,517,298
(2) Intra-group Net sales and transfers	401,668	—	37,483	147,671	586,822
Total sales	6,117,302	1,605,457	1,794,965	5,586,395	15,104,121
Operating income (loss)	(268,618)	47,723	219,946	504,298	503,350

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	503,350
Elimination of inter-segment transactions	(11,067)
Consolidated Quarterly Operating Income	492,283

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 the fiscal year under review, Advanex has made changes to its reporting segments. Until the end of the previous fiscal year, we reported our performance with Precision spring and Plastic business segments. However, the importance of Plastic business declined since we disposed all the holding shares of Daiichi Kasei Holdings Co., Ltd, which engaged in Plastic business, on March 31, 2015.

As a result, the company enhanced region-based management system with overseas business of high importance and set the new reporting segments as “Japan,” “Americas,” “Europe” and “Asia.” Segment information for the third quarter of previous fiscal year is disclosed using the new classification for reporting segments implemented in the third quarter of fiscal year under review.

II FY2015 third quarter (April 1, 2014 through December 31, 2014)

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

(Amount: thousands of yen)

	Japan	Americas	Europe	Asia	Total
Net sales					
(1) Net sales to third parties	9,966,573	1,284,861	1,495,271	9,158,108	21,904,814
(2) Intra-group Net sales and transfers	743,320	—	26,731	617,170	1,387,222
Total sales	10,709,893	1,284,861	1,522,003	9,775,278	23,292,037
Operating income (loss)	(50,662)	26,351	175,585	600,695	751,970

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	751,970
Elimination of inter-segment transactions	17,479
Consolidated Quarterly Operating Income	769,450

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

Not applicable