



ADVANEX INC.

Flash Report (Consolidated Basis)

Results for FY2016 Second quarter(six months ended September 30, 2015)

November 6, 2015

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 Code number: 5998
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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 11, 2015
 Yes
 Yes

1. Performance (April 1, 2015 through September 30, 2015) (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, 2015	9,924	(30.4)	366	(27.0)	353	(18.6)	237	25.5
Six months ended September 30, 2014	14,262	6.8	502	48.3	434	47.3	318	19.4

[Note] Comprehensive income: Six months ended September 30, 2015 84 million yen
 Six months ended September 30, 2014 1,083 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Six months ended September 30, 2015	5.79	5.75
Six months ended September 30, 2014	7.69	7.65

(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 September 30, 2015	16,677	6,901	41.2	168.08
As of March 31, 2015	16,554	7,032	42.3	169.29

[Reference] Total shareholder's equity: ¥ 6,869 million yen at September 30, 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	19,800	(32.9)	880	(18.6)	860	(13.4)	550	2.8	134.08

[Note1] Revisions to the latest forecasts of consolidated results: No

[Note2] Net income per share of the forecast for the fiscal year ending Mar 31, 2016 is calculated in consideration of share consolidation

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 September 30, 2015
 - 4,153,370 shares at March 31, 2015
 - b. Number of shares of treasury stock at end of period
 - 66,665 shares at September 30, 2015
 - 16,816 shares at March 31, 2015
 - c. Average number of shares issued and outstanding in each period:
 - 4,102,164 shares at September 30, 2015
 - 4,142,946 shares at September 30, 2014

[Notes]

[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, 2015) of the fiscal year under review, the European economy showed modest recovery and the possibility of interest rates hike in the US by the end of this year was pointed out now that the US economy is mildly expanding. In China, the situation became increasingly uncertain with more distinct economic slowdown. In Japan, concerns towards Chinese market strengthened, thus raising some fears over economic recovery. In such situation, the automotive industry, which is closely related to our business, saw strong demand in North America and Europe, while production volume in Japan and Asia including China decreased compared with the same period of previous fiscal year.

As a result, the consolidated net sales of Advanex group for the fiscal year under review decreased 30.4% year on year to ¥9,924 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 27.0% year on year to ¥366 million. Ordinary income dropped 18.6% to ¥353 million and Net income attributable to owners of the parent decreased 25.5% year on year to ¥237 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, worsened product mix and increased fixed costs, net sales of this segment decreased 40.0% year on year to ¥3,936million and segment loss amounted to ¥145 million.

[Americas]

In addition to bullish sales to automotive, sales to household appliance markets increased. As a result, net sales increased 29.4% year on year to ¥1,097 million and segment income increased 123.1% year on year to ¥52 million.

[Europe]

In addition to bullish sales to medical equipment, sales to aviation market also grew. As a result, net sales increased 34.0% year on year to ¥1,249 million and segment income grew 58.4% year on year to ¥147 million.

[Asia]

Net sales of this segment decreased 38.5% year on year to ¥3,641 million and segment income dropped 19.5% year on year to ¥322 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 second quarter amounted to ¥16,677 million, increasing ¥122 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 ¥315 million to ¥9,989 million. This change is mainly owing to a ¥205 million decrease in cash and time deposits, a ¥95 million decrease in trade notes and accounts receivable and a ¥65 million decrease in inventory (due to declined net sales).

The total amount of fixed assets increased ¥438 million to ¥6,688 million. This change reflects a ¥321 million increase in tangible fixed assets and a ¥52 million increase in intangible fixed assets due to increased capital investments.

On the liabilities side, the total liabilities amounted to ¥9,775 million, increasing ¥253 million from the end of previous fiscal year. This change is primarily due to a ¥91 million increase in trade notes and accounts payable and a ¥270 million increase in the borrowings.

In the net assets, the total net assets amounted to ¥6,901 million, decreasing ¥130 million from the end of previous fiscal year. This change is mainly due to a ¥237 million net income attributable to owners of the parent recorded in the second quarter of fiscal year under review, a ¥149 million decrease in foreign exchange adjustment which was affected by the stronger yen (and a ¥152 million decrease in accumulated other comprehensive income).

②The status of Cash flows

The amount of cash and cash equivalent as of the end of second quarter in the current fiscal year amounted to ¥3,210 million, a ¥197 million decrease compared with the status of the previous fiscal year end. The status of various cash flows and the main factors behind changes are explained below.

1. Cash flow from operating activities

Net cash provided by operating activities increased ¥761 million. (¥751 million increase in the same period of previous fiscal year) This change is primarily due to a ¥345 million recorded net income before income taxes and a ¥419 million reserved from depreciation and amortization.

2. Cash flow from investing activities

Fund decreased ¥931 million by investing activities. (¥128 million increase during the same period of previous fiscal year) The primary reason for this change is ¥797 million capital investments in Advanex Inc. and the group companies.

3. Cash flow from financing activities

As a result of financing activities, the fund increased ¥27 million. (¥959 million decrease during the same period of previous fiscal year) The main inflow is borrowings of ¥272 million and main outflows are a ¥99 million treasury stock acquisition and a ¥122 million dividend payments.

(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 has no changes from the forecasts released on May 12, 2015.

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. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2016 Second quarter (As of September 30,2015)	FY2015 (As of March 31,2015)
ASSETS		
Current assets:		
Cash and time deposits	3,279,493	3,485,433
Trade notes and accounts receivable	4,378,891	4,474,470
Finished goods	1,022,597	1,062,636
Work in process	448,309	429,068
Raw materials and stored items	623,220	667,793
Deferred income tax	1,462	3,618
Other current assets	248,811	194,548
Allowance for doubtful accounts	(13,410)	(12,751)
Total current assets	9,989,375	10,304,818
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	1,043,640	1,105,555
Machinery and equipment	2,103,312	2,104,815
Land	1,031,509	1,015,779
Others	1,291,508	922,225
Total tangible noncurrent assets	5,469,971	5,148,376
Intangible noncurrent assets	290,466	238,265
Investments and other assets	927,736	863,299
Total noncurrent assets	6,688,174	6,249,941
Total assets	16,677,549	16,554,760

(Amount: thousands of yen)

	FY2016 first quarter (As of September 31,2015)	FY2015 (As of March 31,2015)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	2,606,217	2,514,598
Short-term borrowings	724,559	641,629
Long-term borrowings due within one year	1,098,632	1,041,421
Accrued income taxes	170,540	135,626
Allowance for bonus	234,601	143,069
Provision for loss on disaster	104,506	105,000
Other current liabilities	905,735	1,038,467
Total current liabilities	5,844,793	5,619,813
Noncurrent liabilities		
Long-term borrowings	2,386,241	2,255,918
Deferred tax liabilities	178,164	158,395
Provision for environmental measures	3,000	3,000
Liabilities for retirement benefits	1,197,428	1,255,778
Asset retirement obligations	39,192	39,145
Other noncurrent liabilities	126,908	189,953
Total noncurrent liabilities	3,930,935	3,902,191
Total liabilities	9,775,729	9,522,004
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,811
Retained earnings	5,352,430	5,241,616
Treasury stock	(116,818)	(24,941)
Total shareholder' equity	6,492,329	6,473,486
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	104,160	125,814
Foreign exchange adjustment	421,106	570,371
cumulative amount for retirement benefits	(148,575)	(166,805)
Total accumulated other comprehensive income	376,691	529,389
Subscription rights to shares	32,800	29,879
Total net assets	6,901,820	7,032,755
Total liabilities and net assets	16,677,549	16,554,760

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2016 first quarter (April 1, 2015 through September 30, 2015)	FY2015 first quarter (April 1, 2014 through September 30, 2014)
NET sales	9,924,554	14,262,066
Cost of sales	7,269,986	11,039,221
Gross profit	2,654,568	3,222,844
Selling, general and administrative expenses	2,287,714	2,720,280
Operating income	366,854	502,564
Non-operating revenues		
Interest income	8,053	8,680
Dividends income	2,859	2,051
Rent income	42,639	62,392
Foreign exchange gains	—	91,919
Others	13,170	39,350
Total non-operating revenues	66,722	204,394
Non-operating expenses		
Interest expenses	27,274	81,589
Share of loss of entities accounted for using equity method	—	126,401
Foreign exchange losses	31,779	—
Others	21,194	64,853
Total non-operating expenses	80,248	272,844
Ordinary income(loss)	353,327	434,114
Extraordinary gain		
Gain on sales of noncurrent assets	216	619
Gain on sales of shares of subsidiaries and associates	—	154,623
Total extraordinary gain	216	155,242
Extraordinary loss		
Loss on sales of noncurrent assets	372	1,534
Loss on disposal of noncurrent assets	218	3,015
Loss on sales of investment securities	8	—
Provision for loss on liquidation of subsidiaries and associated	7,464	—
Restructuring loss	—	37,050
Total extraordinary loss	8,063	41,600
Net Income (or loss) before income taxes	345,479	547,757
Corporate, inhabitant and enterprise taxes	100,611	164,120
Corporate tax adjustments	7,425	(263)
Total income taxes	108,036	163,857
Net income(loss)	237,442	383,899
Net income (loss) Attributable to Non-controlling interests	—	65,239
Net income (loss) Attributable to Owners of the Parent	237,442	318,660

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2016 first quarter (April 1, 2015 through September 30, 2015)	FY2015 first quarter (April 1, 2014 through September 30, 2014)
Income (or loss) before minority interests	237,442	383,899
Other comprehensive income		
Valuation gain(loss) on other securities	(21,653)	30,715
Foreign currency translation adjustment	(149,275)	458,662
Remeasurements of defined benefit plans	18,230	204,267
Share of other comprehensive income of entities accounted for using equity method	—	6,382
Total other comprehensive income	(152,698)	700,027
Comprehensive income	84,744	1,083,926
Comprehensive income attributable to owners of the parent	84,744	962,613
Comprehensive income attributable to non- controlling interests	—	121,313

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY2016 second quarter (April 1, 2015 through September 30, 2015)	FY2015 second quarter (April 1, 2014 through September 30, 2014)
Cash flows from operating activities		
Gain (Loss) before income taxes and minority interests	345,479	547,757
Depreciation and amortization	419,075	580,624
Impairment loss	(968)	1,431
Increase (decrease) in allowance for doubtful accounts	95,094	36,529
Increase (decrease) in allowance for bonuses	—	—
Increase (decrease) in retirement benefits	(36,652)	112,194
Interest and dividends receivable	—	(2,304)
Interest payable	(10,912)	(10,731)
(Gain) loss on differences of foreign exchange	27,274	81,589
(Gain) loss on sale of fixed assets	311	(69,161)
(Gain) loss on disposal of fixed assets	156	915
Loss (gain) on valuation of investment securities	218	3,015
Insurance income	—	(154,623)
Loss (gain) on sales and valuation of investment securities	8	—
Gain on negative goodwill	18,536	(302,575)
Decrease (increase) in inventories	43,704	(320,188)
Increase (decrease) in notes and accounts payable	123,595	129,662
Others	(211,651)	269,283
Subtotal	813,270	903,419
Proceeds from interest and dividend receivable	11,056	9,618
Payment of interests	(28,195)	(68,902)
Payment of income taxes	(77,784)	(151,819)
Others	43,581	58,780
Net cash provided by operating activities	761,927	751,096

	FY2016 second quarter (April 1, 2015 through September 30, 2015)	FY2015 second quarter (April 1, 2014 through September 30, 2014)
Cash flows from investing activities		
Payments on purchase of tangible fixed assets	(797,724)	(751,449)
Proceeds from sales of tangible fixed assets	1,517	6,263
Payments on purchase of intangible fixed assets	(74,288)	(26,812)
Proceeds from sales of intangible fixed assets	267	1,604
Payments on purchase of investment securities	(48,207)	(10,368)
Purchase of stocks of subsidiaries and affiliates	—	(11,520)
Proceeds from sales of stocks of subsidiaries and affiliates	—	980,000
Others	(13,082)	(59,489)
Net cash used in investing activities	(931,518)	128,228
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(23,435)	(1,037,808)
Proceeds from long-term borrowings	800,000	763,698
Repayments on long-term borrowings	(503,802)	(583,869)
Decrease (increase) in treasury stock	(99,955)	(12,899)
Cash dividends paid	(122,390)	
Others	(22,463)	(88,390)
Net cash used in financing activities	27,952	(959,269)
Effect of exchange rate changes on cash and cash equivalents	(55,481)	131,333
Net increase (decrease) in cash and cash equivalents	(197,121)	51,388
Cash and cash equivalents at the beginning of quarter	3,407,654	2,745,610
Increase in cash and cash equivalents from newly consolidated subsidiary	—	101,459
Cash and cash equivalents at the end of quarter	3,210,533	2,898,458

(4) 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 second quarter (April 1, 2015 through September 30, 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	3,936,198	1,097,030	1,249,441	3,641,884	9,924,554
(2) Intra-group Net sales and transfers	243,322	—	22,019	90,700	356,041
Total sales	4,179,521	1,097,030	1,271,460	3,732,584	10,280,596
Operating income (loss)	(145,545)	52,048	147,852	322,785	377,141

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	377,141
Elimination of inter-segment transactions	(10,287)
Consolidated Quarterly Operating Income	366,854

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 second quarter of previous fiscal year is disclosed using the new classification for reporting segments implemented in the first quarter of fiscal year under review.

II FY2015 second quarter (April 1, 2014 through September 30, 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	6,561,833	848,040	932,493	5,919,698	14,262,066
(2) Intra-group Net sales and transfers	462,008	—	20,112	404,980	887,102
Total sales	7,023,842	848,040	952,606	6,324,679	15,149,169
Operating income (loss)	(30,365)	23,327	93,337	401,217	487,516

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	487,516
Elimination of inter-segment transactions	15,047
Consolidated Quarterly Operating Income	502,564

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

Not applicable