



ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2015 Second quarter(six months ended September 30, 2014)

November 7, 2014

Company name: ADVANEX INC.

Stock listings: Tokyo Stock Exchange

Code number: 5998

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November 12, 2014

Supplementary explanation material for quarterly financial results

Yes

Holding of presentation meeting for quarterly financial results

Yes

1. Performance (April 1, 2014 through September 30, 2014) (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, 2014	14,262	6.8	502	48.3	434	47.3	318	19.4
Six months ended September 30, 2013	13,358	10.8	338	39.9	294	208.4	266	108.5

[Note] Comprehensive income: Six months ended September 30, 2014 1,083 million yen
Six months ended September 30, 2013 499 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Six months ended September 30, 2014	7.69	7.65
Six months ended September 30, 2013	6.43	6.43

(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, 2014	22,262	6,854	27.2	146.46
As of March 31, 2014	20,240	4,741	23.4	114.04

[Reference] Total shareholder's equity: ¥ 6,061 million yen at September 30, 2014 ¥ 4,728 million yen at March 31, 2014

2. Dividends

Record date	Dividends per share				Total
	First quarter -end dividends	Second quarter -end dividends	Third quarter -end dividends	Year-end dividends	
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	--	--	--	2.00	2.00
Year ended March 31, 2015	--	--	--		
Year ended March 31, 2015 (forecast)			--	2.00	2.00

[Note] Revisions to the forecast of cash dividends in the current quarter: No

3. Forecast of consolidated results for FY2015 (April 1, 2014 through March 31, 2015)

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, 2015	28,000	3.3	1,000	21.9	980	19.4	740	8.4	17.86

[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: 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)
 - 41,533,708 shares at September 30, 2014
 - 41,533,708 shares at March 31, 2014
 - b. Number of shares of treasury stock at end of period
 - 147,217 shares at September 30, 2014
 - 73,738 shares at March 31, 2014
 - c. Average number of shares issued and outstanding in each period:
 - 41,429,469 shares at September 30, 2014
 - 41,486,152 shares at September 30, 2013

[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, 2014) of the fiscal year under review, economic recovery in the United States continued steadily despite sluggish economic turnaround in emerging countries such as China. While in Japan, despite delayed recovery of consumer spending affected sluggish performance of non-manufacturing industries, manufacturing industries enjoyed improved business sentiment with growth in exports.

In such situation, automotive industry, which is closely related to our business, saw steady growth of demand in the North America and China, and overall domestic production of automobiles resulted in growth for the first time in two years. Accordingly, our sales to automotive market significantly increased compared with the same period of the previous fiscal year.

As a result, the consolidated net sales of Advanex group for the second quarter of current fiscal year under review increased 6.8% year on year to ¥14,262 million. The operating income also grew 48.3% year on year to ¥502 million. The ordinary income went up 47.3% year on year to ¥434 million. The net income for the second quarter increased 19.4% year on year to ¥318 million, due mainly to increased taxes as well as increased minority interests in subsidiaries resulted from a transfer of subsidiary shares.

Results by operating segments are as follows. With regards to the Hinge business, the company included this operating segment to the Precision spring segment from the first quarter of the fiscal year under review, as the significance of Hinge business had declined. The comparison from the previous fiscal year is made based on the result of the Precision springs and Hinge operating segments aggregated.

[Precision springs]

In addition to increased automotive sales in Japan, the United States and China, etc., sales to medical equipment market in the UK grew. As a result, net sales of this segment increased 10.0% year on year to ¥8,499 million and segment income increased 78.1% year on year to ¥332 million.

[Plastics]

Despite dropped sales to AV equipment market in Malaysia, automotive and OA equipment sales in China and Vietnam increased. As a result, net sales increased 2.4% year on year to ¥5,762 million and segment income increased 12.0% year on year to ¥167 million.

(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 ¥22,262 million, increasing ¥2,021 million compared with the end of previous fiscal year (March 31, 2014). Major reasons are as follows.

In assets section, the total amount of current assets increased ¥1,426 million to ¥13,197 million, reflecting ¥233 million increase in cash and time deposits, ¥466 million increase in inventory, and ¥633 million increase in trade notes and accounts receivable as a result of increased sales.

The total amount of fixed assets increased ¥595 million to ¥9,064 million. The amount of tangible fixed asset increased ¥216 million and the amount of intangible fixed assets increased ¥111 million mainly due to increased capital investments.

On the liabilities side, total liabilities amounted to ¥15,407 million, decreasing ¥91 million from the end of previous fiscal year. This change reflects a ¥563 million increase in trade notes and accounts payable as well as ¥445 million decrease in the borrowings and ¥ 373 million decrease in liabilities for retirement benefits.

In the net assets, total net assets amounted to ¥6,854 million, increasing ¥2,113 million from the end of previous fiscal year. This change is primarily due to ¥318 million net income recorded in the second quarter under review, ¥416 million decrease in foreign exchange adjustment which was affected by the weaker yen, and ¥771 million increase in minority interests due to partial stock transfer of Daiichi Kasei Holdings Co., Ltd.

②The status of Cash flows

The amount of cash and cash equivalent as of the end of the second quarter of the current fiscal year amounted to ¥2,898 million, increasing ¥152 million 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 ¥751 million. (¥745 million increase in the same period of the previous fiscal year) This change is primarily due to increased net income before income taxes recorded for the quarter under review and the fund reserved from depreciation and amortization.

2. Cash flow from investing activities

Fund increased ¥128 million by investing activities. (¥476 million decrease in the same period of the previous fiscal year) This change reflects decreased fund as a result of the capital investments made for Advanex and Daiichi Kasei Co., Ltd., and increased fund by partial transfer of the shares of Daiichi Kasei Holdings Co., Ltd.

3. Cash flow from financing activities

As a result of financing activities, the fund decreased ¥959 million. (¥146 million increase in the same period of the previous fiscal year) Repayment of interest-bearing debts is the primary reason for this change.

(3) Explanation of Consolidated Business Forecast and other Forecasts

Regarding the prospect of the consolidated business forecasts for the fiscal year ending March 31, 2015, the company made revisions to its consolidated performance forecast released on July 1, 2014. For more details, please refer to “Notice of differences between Performance Forecasts and Actual Results for the Second Quarter in FY2015 and Revisions to the FY2015 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 (Adjustment for changes of accounting standard for Retirement benefit)

The provisions of the main clause of paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and the provisions of the main clause of paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) have been applied from the first quarter of FY2015. The calculation method for liabilities concerning retirement benefits and service costs was revised, and the method of attributing expected benefit to periods was changed from a straight-line basis to a benefit formula basis. The method for determining the discount rate has also been changed to a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

The Accounting Standard for Retirement Benefits, etc. was adopted in accordance with the transitional treatment stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits. At the beginning of the current period under review, the effects of the change in the calculation method for liabilities concerning retirement benefits and service costs were reflected in the retained earnings.

As a result, liabilities for Retirement benefit at the beginning of the second quarter of FY2015 decreased by 466 million yen, and retained earnings increased by 466 million yen. In addition, the impact on operating income, ordinary income and net income before taxes for the current period under review is minimal.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY2015 Second quarter (As of September 30,2014)	As of March 31, 2014
ASSETS		
Current assets:		
Cash and time deposits	3,042,118	2,808,309
Trade notes and accounts receivable	6,418,647	5,784,683
Finished goods	1,224,714	1,147,877
Work in process	813,532	655,105
Raw materials and stored items	1,245,337	1,013,705
Deferred income tax	8,306	9,669
Other current assets	456,829	361,565
Allowance for doubtful accounts	(12,308)	(10,121)
Total current assets	13,197,176	11,770,794
Fixed assets:		
Tangible fixed assets		
Buildings and structures, net	1,703,748	1,709,867
Machinery and equipment, net	2,650,938	2,521,924
Land	1,976,255	2,226,123
Other	1,118,599	774,636
Total tangible fixed assets	7,449,541	7,232,551
Total intangible fixed assets	303,716	191,840
Total investments and other assets	1,311,592	1,045,386
Total fixed assets	9,064,850	8,469,778
Total assets	22,262,027	20,240,572
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	4,342,764	3,779,697
Short-term borrowings	834,091	1,833,555
Long-term borrowings due within one year	1,730,735	1,610,633
Accrued income taxes	262,960	201,464
Allowance for bonus	223,894	183,369
Other	1,335,937	1,283,889
Total current liabilities	8,730,383	8,892,609
Long-term liabilities:		
Long-term borrowings	3,887,096	3,453,594
Deferred tax liabilities	350,573	357,814
Retirement allowance for employees	1,425	---
Reserves for environmental measures	4,506	4,506
Liabilities of Retirement benefit	2,056,067	2,429,515
Asset retirement obligations	38,938	38,773
Other	338,723	322,671
Total long-term liabilities	6,677,330	6,606,875
Total liabilities	15,407,714	15,499,484
NET ASSETS		
Shareholders' equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,811	256,717
Retained earnings	5,025,195	4,323,114
Treasury stock	(21,178)	(8,278)
Total shareholders' equity	6,260,828	5,571,553
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	86,547	58,418
Foreign exchange adjustment	62,525	(353,561)
Accumulated for accrued benefit	(348,400)	(548,138)
Total accumulated other comprehensive income	(199,327)	(843,281)
Subscription rights to shares	20,975	12,815
Minority interests	771,837	—
Total net assets	6,854,313	4,741,088
Total liabilities and net assets	22,262,027	20,240,572

(2) Consolidated Statements of Income

(Thousands of yen)

	FY2015 Second quarter (April 1, 2014 through September 30,2014)	FY2014 Second quarter (April 1, 2013 through September 30,2013)
NET sales	14,262,066	13,358,994
Cost of sales	11,039,221	10,540,937
Gross profit	3,222,844	2,818,057
Selling, general and administrative expenses	2,720,280	2,479,214
Operating income	502,564	338,843
Non-operating revenues		
Interests	8,680	4,557
Rent income	62,392	54,631
Foreign exchange gains	91,919	72,337
Others	41,402	17,475
Total non-operating revenues	204,394	149,001
Non-operating expenses		
Interests	81,589	99,832
Equity in losses of affiliates	126,401	37,415
Others	64,853	55,862
Total non-operating expenses	272,844	193,110
Ordinary income(loss)	434,114	294,733
Extraordinary gain		
Gain on sales of noncurrent assets	619	2,234
Gain on sales of subsidiaries and affiliates' stocks	154,623	---
Gain on reversal of subscription rights to shares	---	16,640
Total extraordinary gain	155,242	18,874
Extraordinary loss		
Loss on sales of noncurrent assets	1,534	---
Impairment loss	3,015	6,812
Loss on disposal of noncurrent assets	37,050	---
Total extraordinary loss	41,600	6,812
Income (loss) before income taxes	547,757	306,795
Income taxes-current	164,120	61,810
Income taxes-deferred	(263)	(21,922)
Total income taxes	163,857	39,888
Income before minority interests	383,899	266,907
Minority interests in income	65,239	---
Net income	318,660	266,907

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY2015 Second quarter (April 1, 2014 through September 30,2014)	FY2014 Second quarter (April 1, 2013 through September 30,2013)
Income before minority interests	383,899	266,907
Other comprehensive income		
Valuation gain(loss) on other securities	30,715	29,104
Foreign currency translation adjustment	458,662	203,780
Accrued benefit	204,267	---
Share of other comprehensive income of associates accounted for using equity method	6,382	10
Total other comprehensive income	700,027	232,805
Quarterly comprehensive income	1,083,926	499,713
Comprehensive income attributable to owners of the parent	962,613	499,713
Comprehensive income attributable to minority interests	121,313	---

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY2015 second quarter (April 1, 2014 through September 30, 2014)	FY2014 second quarter (April 1, 2013 through September 30, 2013)
Cash flows from operating activities		
Gain (Loss) before income taxes and minority interests	547,757	306,795
Depreciation and amortization	580,624	536,354
Impairment loss	1,431	4,808
Increase (decrease) in allowance for doubtful accounts	36,529	60,943
Increase (decrease) in allowance for bonuses	—	120,745
Increase (decrease) in retirement benefits	112,194	---
Interest and dividends receivable	(2,304)	---
Interest payable	(10,731)	(6,474)
(Gain) loss on differences of foreign exchange	81,589	99,832
(Gain) loss on sale of fixed assets	(69,161)	(63,961)
(Gain) loss on disposal of fixed assets	915	(2,234)
Loss (gain) on valuation of investment securities	3,015	6,812
Insurance income	(154,623)	---
Gain on negative goodwill	(302,575)	(602,462)
Decrease (increase) in inventories	(320,188)	(146,748)
Increase (decrease) in notes and accounts payable	129,662	432,420
Others	269,283	145,354
Subtotal	903,419	892,186
Proceeds from interest and dividend receivable	9,618	9,005
Payment of interests	(68,902)	(119,480)
Payment of income taxes	(151,819)	(93,648)
Others	58,780	57,597
Net cash provided by operating activities	751,096	745,660

	FY2015 second quarter (April 1, 2014 through September 30, 2014)	FY2014 second quarter (April 1, 2013 through September 30, 2013)
Cash flows from investing activities		
Payments on purchase of tangible fixed assets	(751,449)	(500,660)
Proceeds from sales of tangible fixed assets	6,263	27,705
Payments on purchase of intangible fixed assets	(26,812)	(8,026)
Proceeds from sales of intangible fixed assets	1,604	14,331
Payments on purchase of investment securities	(10,368)	(10,262)
Proceeds from sales of stocks of subsidiaries and affiliates	980,000	---
Purchase of stocks of subsidiaries and affiliates	(11,520)	---
Others	(59,489)	(40)
Net cash used in investing activities	128,228	(476,952)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,037,808)	(2,601,684)
Proceeds from long-term borrowings	763,698	3,963,751
Repayments on long-term borrowings	(583,869)	(1,125,981)
Decrease (increase) in treasury stock	(12,899)	(1,255)
Others	(88,390)	(87,880)
Net cash used in financing activities	(959,269)	146,949
Effect of exchange rate changes on cash and cash equivalents	131,333	53,687
Net increase (decrease) in cash and cash equivalents	51,388	469,345
Cash and cash equivalents at the beginning of quarter	2,745,610	2,362,834
Increase in cash and cash equivalents from newly consolidated subsidiary	101,459	---
Cash and cash equivalents at the end of quarter	2,898,458	2,832,180

(4) Notes on Going Concern Assumptions
Not applicable

Segment Information

I 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)

	Precision springs	Plastics	Total
Net sales			
Net sales to third parties	8,499,709	5,762,357	14,262,066
Intra-group Net sales and transfers	36,307	21,611	57,919
Total sales	8,536,017	5,783,969	14,319,986
Operating income (loss)	332,580	167,612	500,193

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	500,193
Elimination of Intersegment Transaction	2,371
Consolidated Quarterly Operating Income	502,564

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

From the first quarter of fiscal year under review, Advanex changed its reporting segments in its financial statements. Until the previous fiscal year, the company reported on "Precision Springs," "Plastics," and "Hinges" segments. Due to near completion of business downsizing of our Hinge business, mainly operated by one of our subsidiaries, Advanex Motion Design Inc., and now the company finds marginal importance in the Hinge business. Thus, the company included Hinge business to its Precision spring segment.

Hence, the operating segment information for the same period of previous fiscal year is stated according to new segmentation of our operation.

In addition, as stated in the changes in accounting policy, the company changed its calculation methods for projected benefit obligation and work expenditure from the first quarter of fiscal year under review. Therefore, the calculation method for projected benefit obligation and work expenditure of operating segments are changed accordingly.

The effects these changes have on segment earnings are negligible.

II FY2014 second quarter (April 1, 2013 through September 30, 2013)

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

	Precision springs	Plastics	Total
Net sales			
Net sales to third parties	7,729,111	5,629,883	13,358,994
Intra-group Net sales and transfers	41,674	4,809	46,483
Total sales	7,770,785	5,634,693	13,405,478
Operating income (loss)	186,714	149,591	336,306

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	336,306
Elimination of Intersegment Transaction	2,537
Consolidated Quarterly Operating Income	338,843

3. Information related to impairment loss of fixed assets or goodwill, etc. by reporting segment
Not applicable