

# Results for the First Half of Fiscal Year Ended March 31, 2015



**November 21, 2014**



This datum is based on the data as of September 30, 2014. The opinion and forecast described here is based on our judgment at that time and may possibly be changed without notice.

# Subject

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1. Operating Results for the First Half of Fiscal Year Ended March 31, 2015
2. Forecast for the Fiscal Year Ended March 31, 2015
3. Business Strategy

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# 1. Operating Results for the First Half of Fiscal Year

Ended March 31, 2015

## 1-1. Highlight

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### ◆ Increased sales in China, Asia and Europe

Sales to automotive markets in China and Asia increased. Sales to medical equipment market went up as well in UK. Although the domestic operating income decreased, consolidated operating income and ordinary income increased year on year due to improved profitability in overseas.

### ◆ 19.4% increased net income year on year

¥154 million of extraordinary income was recorded because 49% of subsidiary company's stock were transferred to a company in Taiwan in July 2014. On the other hand, increased tax and increased interests of minority shareholders due to the sale of stock were recorded. As a result, net income increased 19.4% year on year.

## 1-2. Summary of Consolidated Financial Results for the Six Months Ended September/2014

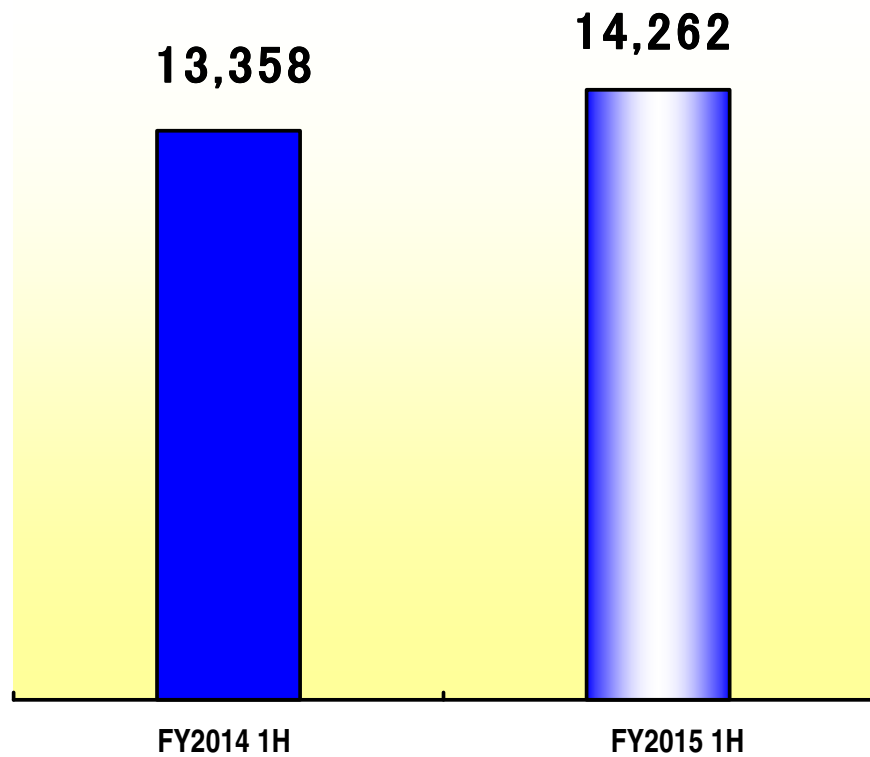
(Million yen, %)

	FY2014 1H	FY2015 1H	Change	
			Amount	Ratio
Net Sales	13,358	<b>14,262</b>	903	6.8%
Operating Income	338	<b>502</b>	163	48.3%
(Margin)	2.5%	<b>3.5%</b>	(1.0%)	-
Ordinary Income	294	<b>434</b>	139	47.3%
(Margin)	2.2%	<b>3.0%</b>	(0.8%)	-
Net Income	266	<b>318</b>	51	19.4%
(Margin)	2.0%	<b>2.2%</b>	(0.2%)	-

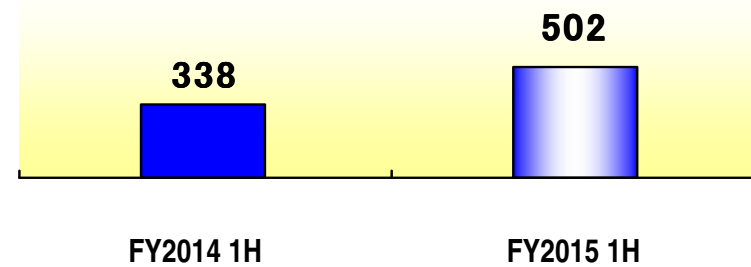
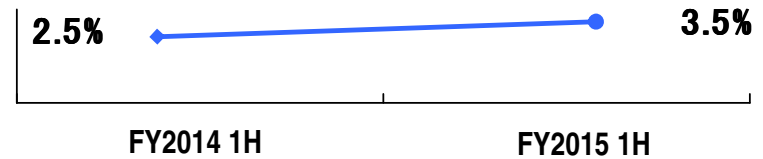
# 1-3. Comparison of Sales and Income (Consolidated)

## Net Sales

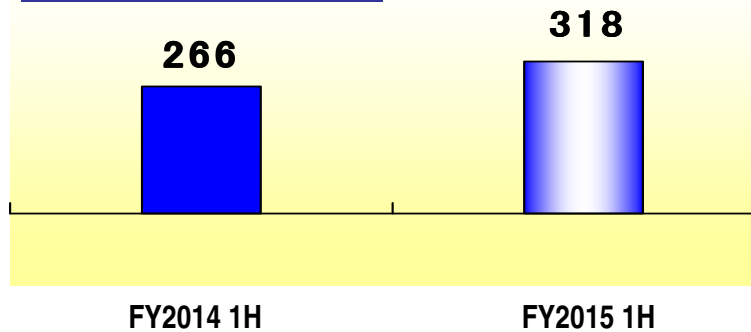
(Million yen)



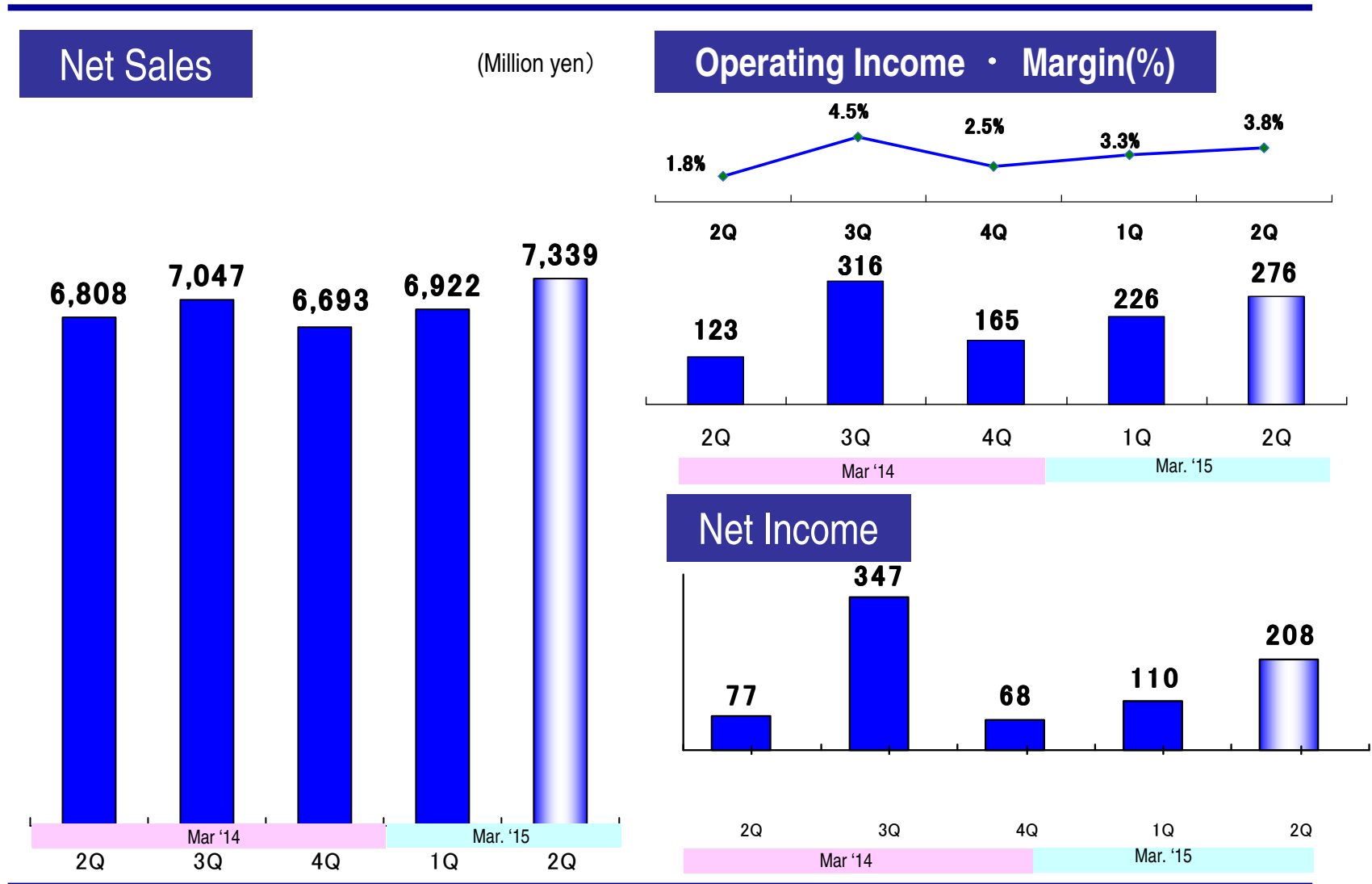
## Operating Income - Margin(%)



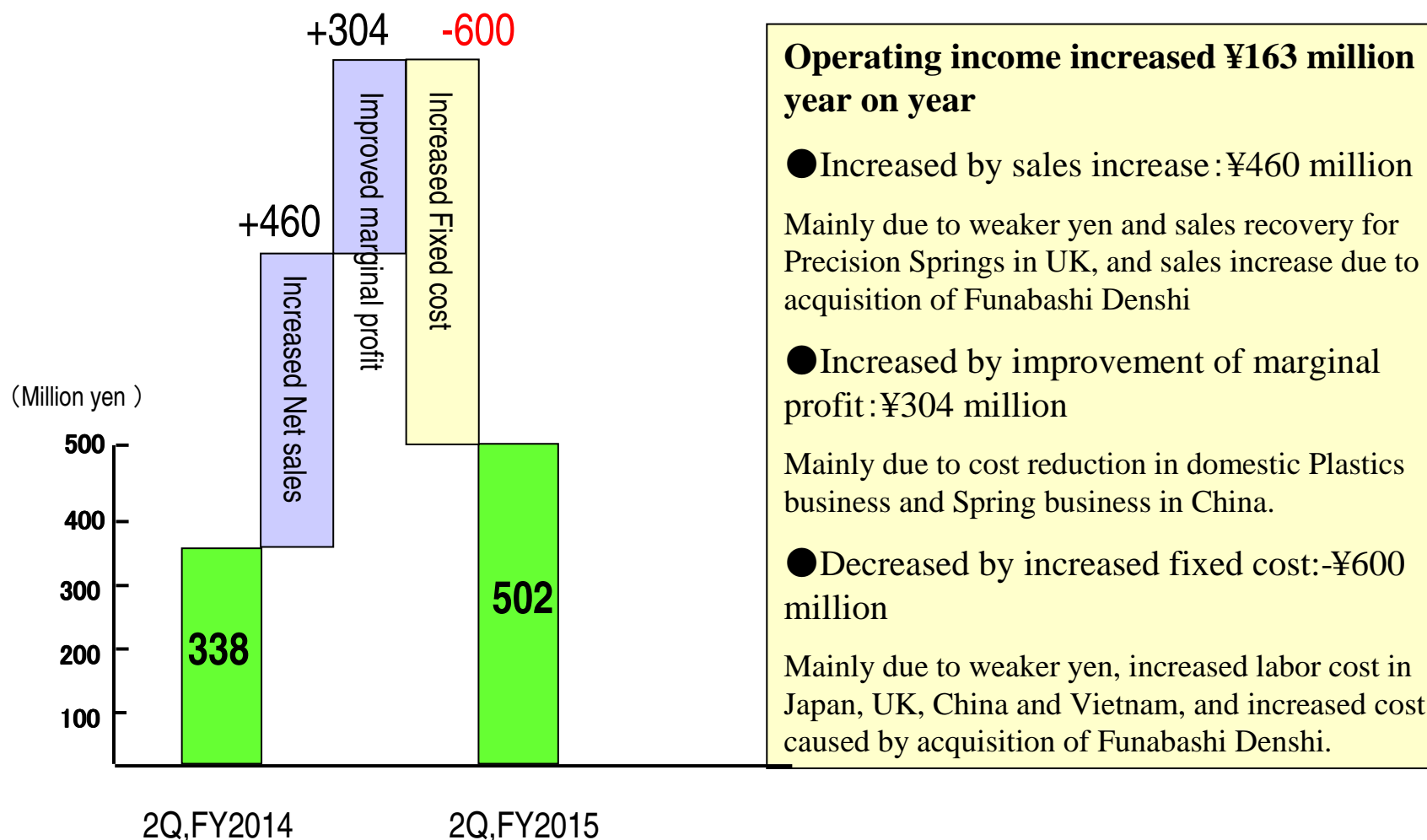
## Net Income



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



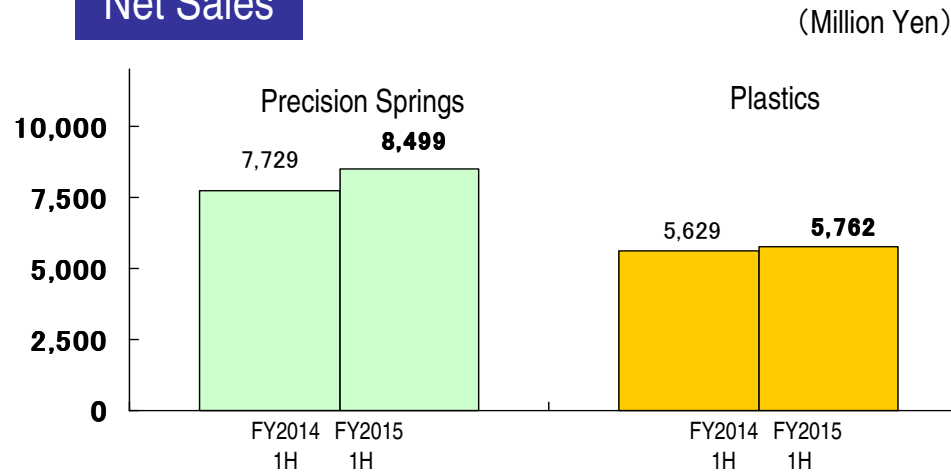
## 1-5. Analysis of Increase and Decrease of Operating Income





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

## Net Sales



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

#### Precision Springs

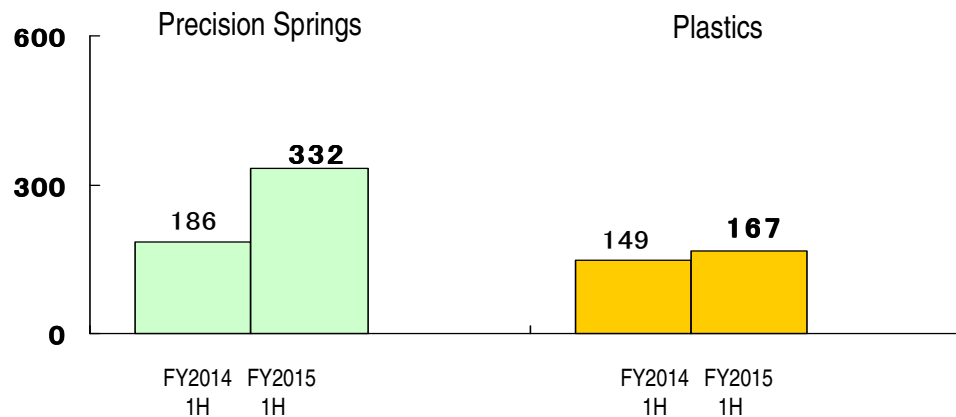
- In domestic market, sales increased by the buy-out of Funabashi Electric. Income decreased by the loss generated at Funabashi.
- In overseas, sales to automotive and OA equipment market increased in China and Asian countries. The sales to medical equipment market went up as well in UK.

<Net sales: +10.0% Operating income: Increase of ¥145 million>

#### Plastics

- In domestic market, sales increased slightly.
  - In overseas market, sales to automotive and OA equipment increased in China and Vietnam while sales to AV equipment decreased in Malaysia..
  - Income increased by cost reduction in Japan.
- <Net sales: +2.4% Operating income: Increase of ¥18 million>

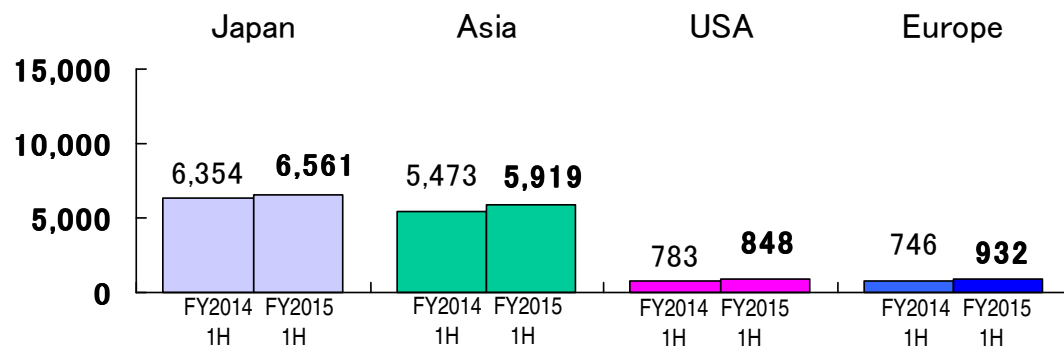
## Operating Income



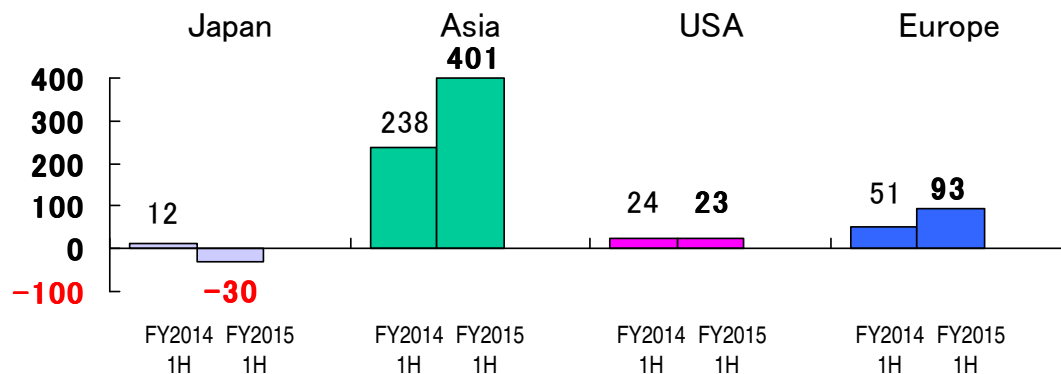
# 1-7. Net Sales and Operating Income by Geographical Segment

## Net Sales

(Million Yen)



## Operating Income



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

### Japan

- Sales increased by the buy-out of Funabashi Electric.
- Precision Springs posted a loss by the operating loss generated at Funabashi.

<Net Sales : +3.3%, Operating Income : Decrease of ¥42 million>

### Overseas

- In Europe, income increased due to increased sales to medical equipment market.
- Sales to automotive and OA equipment market increased in Asia in Precision Springs and Plastics. The income increased in China and Vietnam.

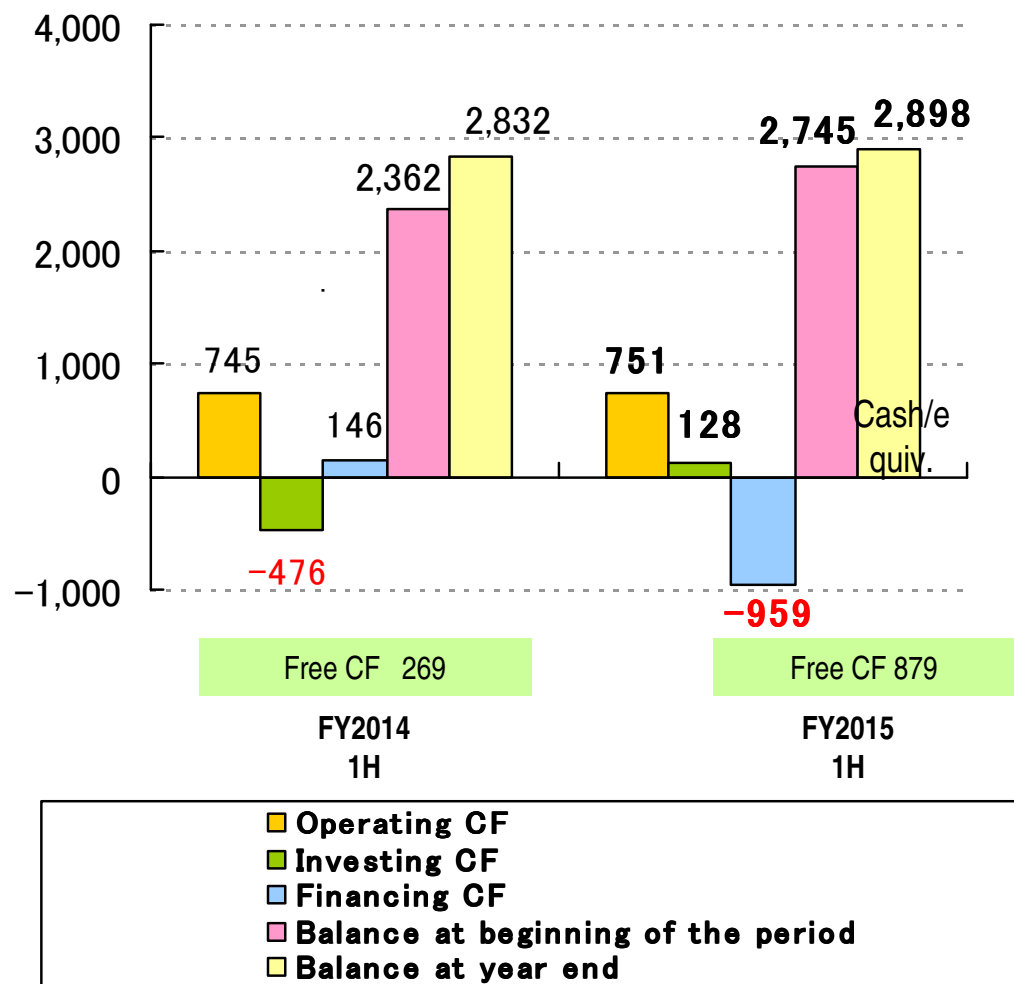
<Net Sales : +10.0%, Operating Income : Increase of ¥204 million>

## 1-8. Net Sales by Market

(Million Yen)

	Mar/2014		Mar/2015		Change	
	1H	%	1H	%	Amount	%
Automotive	4,804	36.0%	<b>5,390</b>	<b>37.8%</b>	586	12.2%
OA equipment	3,577	26.8%	<b>3,712</b>	<b>26.0%</b>	135	3.8%
Household equipment	874	6.5%	<b>926</b>	<b>6.5%</b>	52	5.9%
AV/ Home appliance	1,086	8.1%	<b>866</b>	<b>6.1%</b>	<b>-220</b>	<b>-20.3%</b>
Precision Components	708	5.3%	<b>820</b>	<b>5.7%</b>	112	15.8%
Medical and Healthcare equipment	552	4.1%	<b>655</b>	<b>4.6%</b>	103	18.7%
PC and PC related	380	2.8%	<b>383</b>	<b>2.7%</b>	3	0.8%
Mobile phone and related	250	1.9%	<b>327</b>	<b>2.3%</b>	77	30.8%
Others	1,129	8.5%	<b>1,183</b>	<b>8.3%</b>	54	4.8%
Total	13,358	100.0%	<b>14,262</b>	<b>100.0%</b>	904	6.8 %

# 1-9. Consolidated Cash Flows



## < Status of CF for 1H of Mar '15 >

<b>Operating CF</b>
The fund increased 751 million yen due to increased net income and fund reserve reflecting depreciation and amortization, etc.
<b>Investing CF</b>
The fund increased 128 million yen by income of 980 million yen brought by sales of subsidiary shares which offset capital investment in Japan and overseas.
<b>Financing CF</b>
The fund decreased 959 million yen by repayment of bank loan.

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## 2. Forecast for the Fiscal Year Ended March 31, 2015

## 2-1. Forecast for FY ended March 2015 (Consolidated)

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### ■ Retained forecast for Sales, Operating income and Ordinary income

Business environment in 2<sup>nd</sup> half of the FY is unpredictable due to the slowness of economic recovery caused by increased consumption tax.

### ■ Decreased forecast for Net income

Extraordinary income (Gain on the sale of subsidiary company's stock) recorded in the 1<sup>st</sup> half was smaller than the original forecast. Therefore forecast for the full FY was revised. These forecasts assume an exchange rate of ¥108 to the US dollar. (Change of ¥1 to the dollar will bring about ¥30 million of exchange gain or loss.)

### ■ Retained forecast for ¥2 of dividend per share

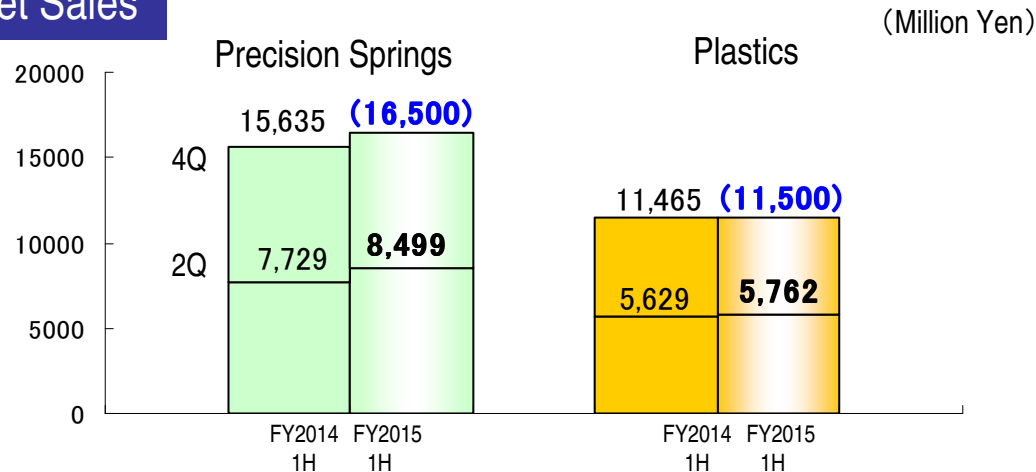
## 2. Forecast for FY ended March 2015 (Consolidated)

(Million yen)

	FY Ended March 2014	Forecast for FY Ended March 2015	Y to Y Change	Previous Forecast (as of July 1st)	Vs. Previous Forecast
Net Sales	27,100	28,000	3.3%	28,000	-
Operating Income	820	1,000	21.9%	1,000	-
Operating Income ratio	3.0%	3.6%	-	3.6%	-
Ordinary Income	820	980	19.4%	980	-
Net Income	682	740	8.4%	940	-21.3%

## 2-3. Forecast for Net Sales and Operating Income by Business Segment

### Net Sales



< Factors for change from the previous year >

#### Precision Springs

- Sales will be increased due to acquisition of Funabashi Denshi.

- Sales will be increased in UK and China.

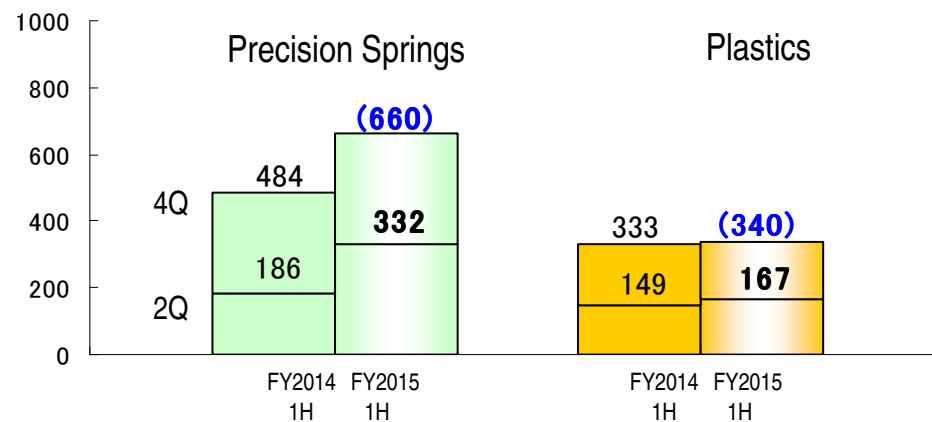
< Net sales +5.5%、Operating income +36.4% >

#### Plastics

- Sales in both Japan and overseas is leveling off. (Mainly due to sales decrease in Malaysia)

< Net sales +0.3%、Operating income +2.1% >

### Operating Income





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## 3. Business Strategy

## 3-1. Status of Business Progress

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### Target for this FY

- 1) Enhancement on Precision Springs Business in Asia
- 2) A turn to profitability in Changzhou factory in China
- 3) Reconsideration of factory establishment plan in overseas
- 4) New establishment of domestic factory for automotive products
- 5) Expansion of business domain in metal processing field

### Progress in the 1<sup>st</sup> half of the FY

- 1) Increased sales in Precision Springs in Asia  
Net Sales +10.2% (Year on year, including China)
  - 2) Turn to profitability in the 2 half will be expected.
  - 3) Focus on Vietnam and India in Asia.  
The 2<sup>nd</sup> Sales office will be opened in India. (In Delhi in December)
  - 4) Establishment of Saitama Factory has been decided.  
(Construction will be started within this year.)
  - 5) Integration of business with Funabashi Denshi is in progress.
- Others
- 49% of Stock of Daiichi Kasei HLD were sold . (In July)

## 3-2. Grand Opening of Changzhou Factory

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**Advanex (Changzhou) Inc., which is our subsidiary company in Changzhou China and started its operation in July 2013, held a Grand Opening Ceremony on 10th November. About 100 guests (Local government, customers, suppliers and so on) were invited. It was broadcasted in local TV news.**



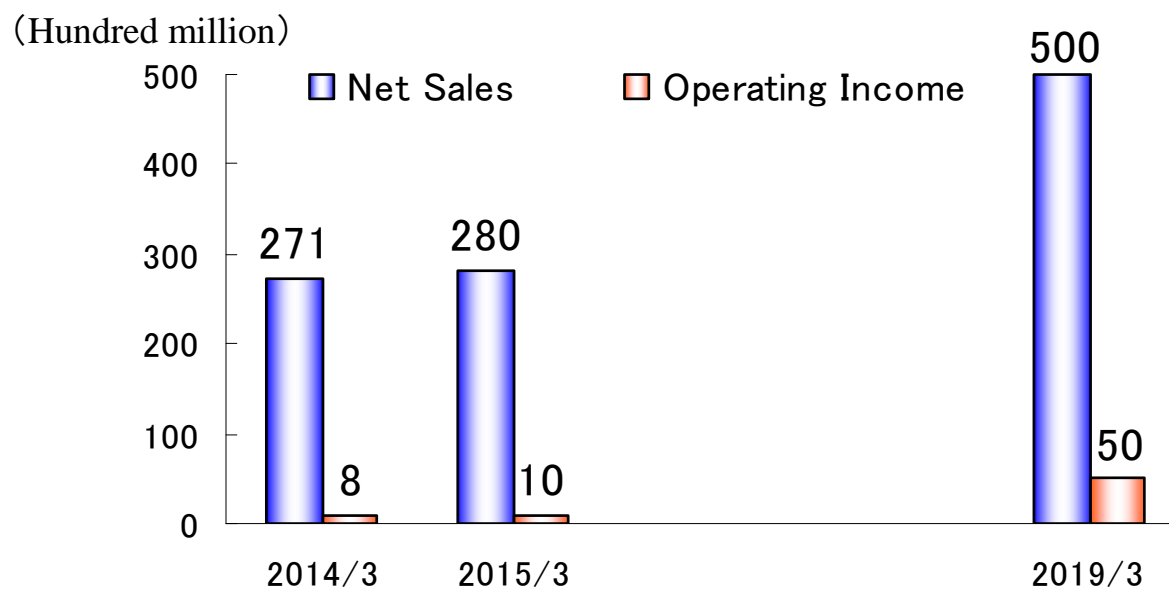
### 3-3 Medium Term Business Target

**Medium term targets : in 5 years (FY2019)**

**Consolidated Net sales: ¥50 billion**

**Operating income: ¥5 billion**

**( Growth rate of sales: 10%/year, Operating income margin: 10% )**



## 3-4. Key Business Plans Precision Springs ( 1 )

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### ① Promotion of Global Business Development

Aim : Expansion of sales to Japanese, European and American components makers in Growing Markets

Plan : Asia; Reinforcement of Vietnam production (Expansion of Hanoi, Establishment of factory in Ho Chi Minh.)  
Expansion in India ( 3 Sales Offices, New Factory in future) New sales office in Chungking in China (March 2015)  
Europe; New entries to Central Europe ( Germany or Czech )  
US; Business development in Central and South America (Establishment of 2<sup>nd</sup> factory in Mexico)



## 3-4. Key Business Plans Precision Springs (2)

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### ② Sales expansion in automotive market

Aim : To seek the growth opportunity in the market which occupies the great portion of spring demands.

To start a business with European and American car components makers.

Plan : To establish the exclusive factory for automotive products in Japan.

Main products : Fastening products for automobile (Insert Collar)



### Outline of a New Factory

- Location: City of Honjo in Saitama Prefecture
- Site area : about 12,000m<sup>2</sup> Floor area: 5,000m<sup>2</sup>
- Amount of investment : 1.3 billion yen
- Number of employee: 30
- Schedule of completion : end of 2015
- Forecast of Output : 30 billion yen after few years



Design of a new factory

## 3-4. Key Business Plans Precision Springs (3)

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### ③ Enhancement of standard products business

Aim: Acquisition of new customers and expansion of deal for constant receiving orders on customized products.

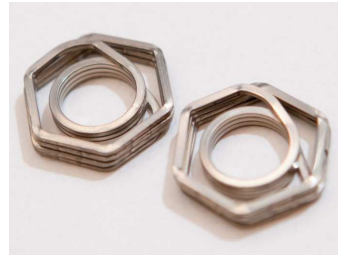
Plan: Start of sales through web site (April, 2014, Rakuten Online Shopping)  
Sales through trading company, promotion of export

Main Products: Fastening products (Tangless Coil-thread, TAMONT, etc.),  
Damper, Push-up unit

Tangless Coil-thread



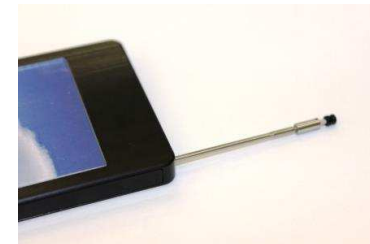
TAMONT



Damper



Push-up unit



## 3-4. Key Business Plans Precision Springs (4)

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### ④ Expansion of business domain

■ Market domain: Medical, household appliances, infrastructure, FA, etc.

■ Engineering domain: Deep drawing, Both end grinding, Austemper, Plate processing, etc.

#### Acquisition of Funabashi Electronics (April in 2014)

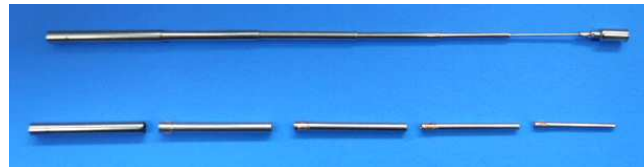
**Aim :** Acquired the company, which has superior engineering for precision deep drawing in metal press process field. By acquiring this engineering domain, which we did not have, we have covered all metal processing field. Deep drawing will be transferred to our new Saitama Factory to develop products for automotive market.



Checker pin for semiconductor substrate

#### Products by deep drawing

One-segment antenna for smart phone



Connector



## 3-5. Key Business Plans Plastics ( 1 )

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### ① Business Alliance with Foreign Capital

**Aim : Business expansion in China and South East Asia**

**Plan : 49% of stocks of our subsidiary company, which runs Plastic business was transferred to ABICO Group of Taiwan in July , 2014. The alliance with ABICO Group's electronic equipment and OA equipment will strengthen the production capacity and marketing power of our plastic business.**



**ABICO Group was founded in 1965 in Taiwan. It has 15 production bases in Taiwan and overseas and sales bases in over 20 countries. The number of employees is more than 15,000.**

**(As of July 31, 2014)**

## 3-5. Key Business Plans Plastics (2)

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### ② Expansion of profit base in overseas

**Aim : Mass production in overseas to deal with customer's shift of production and expand profit in overseas**

**Plan : Expansion of global sales to our main Japanese customers and new Chinese customers**

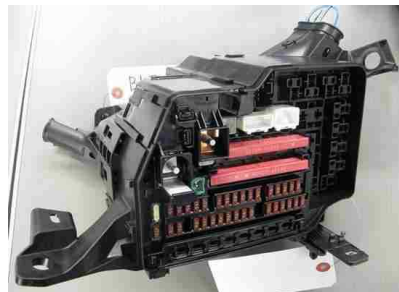
**Development in Japan and mass production in overseas**

Vietnam (Automotive components maker)

China (Automotive components maker, OA equipment maker)

(Streamlining will be planned at Malaysian Factory due to drop of AV sales)

Vietnam



Relay-box for autos

China



Gear injection for power steering

## 3-5. Key Business Plans Plastics (3)

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### ③ Enhancement of development of high value added products

**Aim : To secure profit in Japan under the situation where mass production is transferred to overseas**

**Plan : Focus on automotive and household appliances market**

- High performance gear units (a rudder angle sensor for automobile)
- Light axis unit for automobile
- Multi function unit for toilet seat
- Automatic door unit for refrigerator
- Ceramic connector for optical communication



Multi function unit for toilet seat



Ceramic connector



ADVANCEX

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