



# ADVANEX INC.

## Flash Report (Consolidated Basis)

Results for FY2015 Third quarter(Nine months ended December 31, 2014)

February 6, 2015

Company name: Advanex Inc.  
 Code number: 5998  
 Representative: Tsuneo Shibano, President & COO  
 Inquiries: Toshiya Ohno, Executive Director & CFO  
 Filing date of quarterly securities report:  
 Supplementary explanation material for quarterly financial results  
 Holding of presentation meeting for quarterly financial results

Stock listings: Tokyo Stock Exchange  
 URL <http://www.advanex.co.jp>  
 Telephone: +81-3-3822-5865  
 February 12, 2014  
 Yes  
 No

1. Performance (April 1, 2014 through December 31, 2014) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the nine months ended December 31, 2014)

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, 2014	21,904	7.3	769	15.0	801	14.0	589	(4.0)
Nine months ended December 31, 2013	20,406	16.3	655	103.5	703	117.3	614	85.1

[Note] Comprehensive income: Nine months ended December 31, 2014 2,120 million yen  
 Nine months ended December 31, 2013 1,376 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Nine months ended December 31, 2014	14.25	14.16
Nine months ended December 31, 2013	14.81	14.77

(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, 2014	23,793	7,894	29.3	168.59
As of March 31, 2014	20,240	4,741	23.4	114.04

[Reference] Total shareholder's equity: ¥ 6,975 million yen at December 31, 2014  
 ¥ 4,728 million yen at March 31, 2014

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, 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	17.87

[Note] Revisions to the forecasts of consolidated results in the current quarter: No

### 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 December 31, 2014
    - 41,533,708 shares at March 31, 2014
  - b. Number of shares of treasury stock at end of period
    - 158,654 shares at December 31, 2014
    - 73,738 shares at March 31, 2014
  - c. Average number of shares issued and outstanding in each period:
    - 41,414,668 shares at December 31, 2014
    - 41,481,570 shares at December 31, 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.

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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, 2014) of the fiscal year under review, economic recovery in the United States and reviving European economy illustrated better situation despite sluggish economic turnaround in emerging countries such as China. In Japan, although economic recovery was slow after consumption tax hike, the business sentiment improved thanks to strong demand in the United States among exporting industries.

In such situation, automotive industry, which is closely related to our business, enjoyed soaring demand in the North America and China while demand in the domestic market remained sluggish. Our sales to automotive market grew compared with the same period of the previous fiscal year.

As a result, the consolidated net sales of Advanex group for the third quarter of current fiscal year under review increased 7.3% year on year to ¥21,904 million. The operating income also grew 17.4% year on year to ¥769 million. The ordinary income increased 14.0% year on year to ¥801 million. The net income for the third quarter decreased 4.0% year on year to ¥589 million, due mainly to increased taxes as well as increased minority interests in income 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 Japan, although overall sales increased as a result of acquisition of Funabashi Electrics Co., Ltd., earnings deteriorated due to increased costs such as selling, general and administrative expenses. While in overseas markets, earnings increased thanks to increased automotive sales in markets such as the United States and China, as well as better sales to medical equipment market in the UK. As a result, net sales of this segment increased 12.0% year on year to ¥13,036 million and segment income increased 58.2% year on year to ¥544 million.

#### [Plastics]

Despite increased automotive sales in China and Vietnam, sales to AV equipment market in Malaysia significantly decreased. As a result, net sales increased 1.2% year on year to ¥8,868 million and segment income decreased 28.5% year on year to ¥219 million.

### (2) Explanation of Financial Position

#### The Status of assets, liabilities, and net assets

Total assets at the end of the third quarter amounted to ¥23,793 million, increasing ¥3,552 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 ¥2,597 million to ¥14,368 million. This change is due to a ¥1,069 million increase in cash and time deposits, a ¥655 million increase in inventory and a ¥768 million increase in trade notes and accounts receivable as a result of increased sales. The total amount of fixed assets increased ¥954 million to ¥9,424 million. Due to increased capital investments, the amount of tangible fixed assets increased ¥532 million and the amount of intangible fixed assets increased ¥171 million. In addition, the amount of investment and other assets increased ¥250 million.

On the liabilities side, the total liabilities amounted to ¥15,899 million, increasing ¥399 million from the end of previous fiscal year. This change mainly reflects a ¥397 million increase in trade notes and accounts payable.

In the net assets, the total net assets amounted to ¥7,894 million, increasing ¥3,152 million from the end of previous fiscal year. This change is primarily due to a ¥589 million net income recorded in the third quarter under review, a ¥1,028 million increase in foreign exchange adjustment which was affected by the weaker yen, and a ¥892 million increase in minority interests due to partial stock transfer of Daiichi Kasei Holdings Co., Ltd.

### (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 has no changes from the forecasts released on November 7, 2014.

## 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 third 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) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2015 third quarter (As of December 31,2014)	FY2014 (As of March 31,2014)
<b>ASSETS</b>		
Current assets:		
Cash and time deposits	3,877,751	2,808,309
Trade notes and accounts receivable	6,552,711	5,784,683
Finished goods	1,495,096	1,147,877
Work in process	702,452	655,105
Raw materials and stored items	1,275,040	1,013,705
Deferred income tax	8,566	9,669
Other current assets	468,428	361,565
Allowance for doubtful accounts	(11,389)	(10,121)
Total current assets	14,368,658	11,770,794
Fixed assets:		
Tangible fixed assets		
Buildings and structures	1,741,870	1,709,867
Machinery and equipment	2,830,985	2,521,924
Land	2,013,847	2,226,123
Others	1,178,194	774,636
Total tangible fixed assets	7,764,898	7,232,551
Intangible fixed assets	363,198	191,840
Others	1,296,276	1,045,386
Total fixed assets	9,424,374	8,469,778
Total assets	23,793,032	20,240,572

(Amount: thousands of yen)

	FY2015 third quarter (As of December 31,2014)	FY2014 (As of March 31,2014)
<b>LIABILITIES</b>		
Current liabilities:		
Trade notes and accounts payable	4,177,534	3,779,697
Short-term borrowings	907,274	1,833,555
Long-term borrowings due within one year	1,921,322	1,610,633
Accrued income taxes	189,165	201,464
Allowance for bonus	73,713	183,369
Other current liabilities	1,749,799	1,283,889
Total current liabilities	9,018,810	8,892,609
Fixed liabilities:		
Long-term borrowings	4,040,923	3,453,594
Deferred tax liabilities	403,986	357,814
Retirement allowance for employees	1,425	—
Provision for environmental measures	4,506	4,506
Net defined benefit liability	2,081,607	2,429,515
Asset retirement obligations	39,105	38,773
Other fixed liabilities	308,663	322,671
Total fixed liabilities	6,880,218	6,606,875
Total liabilities	15,899,029	15,499,484
<b>NET ASSETS</b>		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,811	256,717
Retained earnings	5,296,522	4,323,114
Treasury stock	(23,199)	(8,278)
Total shareholder' equity	6,530,135	5,571,553
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	97,939	58,418
Foreign exchange adjustment	674,902	(353,561)
Remeasurements of defined benefit plans	(327,547)	(548,138)
Total accumulated other comprehensive income	445,294	(843,281)
Issuance of subscription rights to shares	26,005	12,815
Minority interests	892,568	—
Total net assets	7,894,003	4,741,088
Total liabilities and net assets	23,793,032	20,240,572

## (2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2015 Third quarter (April 1, 2014 through December 31, 2014)	FY2014 Third quarter (April 1, 2013 through December 31, 2013)
NET sales	21,904,814	20,406,684
Cost of sales	16,986,441	16,028,761
Gross profit	4,918,373	4,377,923
Selling, general and administrative expenses	4,148,923	3,722,731
Operating income	769,450	655,192
Non-operating revenues		
Interests	14,369	9,237
Rent income	95,367	84,084
Foreign exchange gains	236,671	192,954
Others	87,502	39,633
Total non-operating revenues	433,911	325,910
Non-operating expenses		
Interests	116,548	141,774
Equity in loss of affiliates	172,173	68,209
Others	112,748	67,521
Total non-operating expenses	401,470	277,505
Ordinary income(loss)	801,890	703,597
Extraordinary gain		
Gain on sales of noncurrent assets	973	4,683
Gain on sales of subsidiaries and affiliates' stocks	154,623	—
Gain on reversal of subscription rights to shares	—	16,640
Others	20	10,727
Total extraordinary gain	155,617	32,051
Extraordinary loss		
Loss on sales of noncurrent assets	1,585	—
Loss on abandonment of noncurrent assets	3,570	7,180
Restructuring loss	37,050	—
Other	182	29,148
Total extraordinary loss	42,388	36,328
Net Income (or loss) before income taxes	915,119	699,319
Corporate, inhabitant and enterprise taxes	184,390	107,463
Corporate tax adjustments	7,972	(22,510)
Total income taxes	192,362	84,952
Income (or loss) before minority interests	722,756	614,367
Minority interests in income	132,769	—
Net income (loss)	589,987	614,367



QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2015 Third quarter (April 1, 2014 through December 31, 2014)	FY2014 Third quarter (April 1, 2013 through December 31, 2013)
Income (or loss) before minority interests	722,756	614,367
Other comprehensive income		
Valuation gain(loss) on other securities	42,586	46,462
Foreign currency translation adjustment	1,109,136	691,876
Remeasurements of defined benefit plans	229,316	—
Share of other comprehensive income of associates accounted for using equity method	16,812	24,095
Total other comprehensive income	1,397,851	762,435
Quarterly comprehensive income	2,120,608	1,376,802
Comprehensive income attributable to owners of the parent	1,878,563	1,376,802
Comprehensive income attributable to minority interests	242,044	—

(3) Notes on Going Concern Assumptions  
Not applicable

(4) SEGMENT INFORMATION

I 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)

	Precision springs	Plastics	Total
Net sales			
(1) Net sales to third parties	13,036,267	8,868,547	21,904,814
(2) Intra-group Net sales and transfers	55,484	27,330	82,815
Total sales	13,091,752	8,895,878	21,987,630
Operating income (loss)	544,652	219,887	764,540

2, Reconciliation of Reported Consolidated Quarterly Net Sales and Operating Income with Operating Income or Loss of Reporting Segments

Reconciliation of Operating Income	Amount
Reporting Segments	764,540
Elimination of Intersegment Transaction	4,909
Consolidated Quarterly Operating Income	769,450

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 third quarter (April 1, 2013 through December 31, 2013)

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

	Precision springs	Plastics	Total
Net sales			
(3) Net sales to third parties	11,641,511	8,765,173	20,406,684
(4) Intra-group Net sales and transfers	65,095	5,863	70,959
Total sales	11,706,606	8,771,037	20,477,643
Operating income (loss)	344,252	307,664	651,916

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	651,916
Elimination of Intersegment Transaction	3,275
Consolidated Quarterly Operating Income	655,192

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