



## ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2017 third quarter(Nine months ended December 31, 2016)

February 10, 2017

Company name: ADVANEX INC.  
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

Stock listings: Tokyo Stock Exchange  
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February 10, 2017  
Yes  
No

1. Performance (April 1, 2016 through December 31, 2016) (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, 2016	13,248	(8.7)	168	(65.8)	236	(52.0)	81	(75.8)
Nine months ended December 31, 2015	14,517	(33.7)	492	(36.0)	491	(38.7)	337	(42.8)

[Note] Comprehensive income: Nine months ended December 31,2016 26 million yen  
Nine months ended December 31,2015 167 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Nine months ended December 31, 2016	19.97	19.80
Nine months ended December 31, 2015	82.42	81.81

(Note) Advanex Inc. conducted consolidation of common shares (consolidate 10 shares into 1 share) effective on October 1, 2015. Net income per share and Net income per share after dilution 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, 2016	17,831	6,463	36.0	1,571.97
As of March 31,2016	17,024	6,578	38.4	1,600.38

[Reference] Total shareholder's equity: ¥ 6,417 million yen at December 31, 2016 ¥ 6,536 million yen at March 31, 2016

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, 2016	--	--	--	35.00	35.00
Year ended March 31, 2017	--	--	--		
Year ended March 31, 2017 (forecast)			--	30.00	30.00

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

### 3. Forecast of consolidated results for FY2017 (April 1, 2016 through March 31, 2017)

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, 2017	17,700	(7.2)	450	(32.7)	400	(40.5)	220	(62.5)	53.88

[Note] Revisions to the latest forecasts of consolidated results: 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: No  
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, 2016  
4,153,370 shares at March 31, 2016  
b. Number of shares of treasury stock at end of period  
71,202 shares at December 31, 2016  
69,313 shares at March 31, 2016  
c. Average number of shares issued and outstanding in each period:  
4,083,070 shares at December 31, 2016  
4,097,028 shares at December 31, 2015

[Notes] Advanex Inc. conducted consolidation of common shares (consolidate 10 shares into 1 share) effective on October 1, 2015. Net income per share and Net income per share after dilution 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, 2016) of the fiscal year under review, it became certain that the US would have Trump administration thus expectations grew for a new fiscal stimulus package and tax reductions. But at the same time, it also caused concerns over emerging excessive protectionism. In Europe, even though the economic uncertainties remained unchanged due to the Brexit, the latest economic situation was rather stable. Sluggish economic growth continued in China and in the South East Asian economies, yet some signs of bottoming out were observed. The Japanese economy showed signs of recovery due to the factors such as global economic recovery and the weaker yen. In such situation, the automotive industry, which is closely related to our business, overall showed steady results mainly in Europe.

As a result, the consolidated net sales of Advanex group for the third quarter of the fiscal year under review decreased 8.7% year on year to ¥13,248 million and the operating income decreased 65.8% year on year to ¥168 million. The ordinary income decreased 52.0% year on year to ¥236 million and the net income attributable to owners of the parent decreased 75.8% year on year to ¥81 million.

Results for each operating segment are as follows.

#### [Japan]

Sales to the automotive market went robust, however, sales to OA equipment market decreased. In addition, an increase in fixed costs was recorded due to the launch of Saitama factory. As a result, the net sale of this segment decreased 1.8% year on year to ¥5,614 million and the segment loss amounted to ¥441 million.

#### [Americas]

Sales to the automotive and housing related markets decreased and there was an impact from the stronger yen. Also, the amount of fixed costs increased due to the launch of the second factory in Mexico. As a result, the net sale in this segment decreased 11.9% year on year to ¥1,414 million and the segment loss amounted to ¥96 million.

#### [Europe]

Sales to the aviation market went strong, however, the stronger yen impacted the performance. As a result, the net sales in this segment decreased 28.3% year on year to ¥1,260 million and the segment income decreased 39.2% year on year to ¥133 million.

#### [Asia]

While the net sales of this segment decreased 8.8% year on year to ¥4,958 million due to the stronger yen, the segment income increased 11.6% year on year to ¥562 million, mainly thanks to a significant earnings growth in Thailand and successful contribution from the measures taken to improve the profitability in China.

### (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 ¥17,831 million, increasing ¥806 million compared with the end of previous fiscal year (March 31, 2016). Major reasons are as follows.

In assets section, the total amount of current assets increased ¥629 million to ¥10,587 million. This change is mainly caused by a ¥230 million increase in cash and time deposits, a ¥244 million increase in trade notes and accounts receivable and a ¥185 million increase in inventories.

The total amount of fixed assets increased ¥177 million to ¥7,243 million. This change is owing to a ¥160 million increase in tangible fixed assets and a ¥25 million increase in

investments and other assets.

On the liabilities side, the total liabilities amounted to ¥11,367 million, increasing ¥921 million from the end of previous fiscal year. This change reflects a ¥837 million increase in borrowings.

In the net assets, the total net assets amounted to ¥6,463 million, decreasing ¥114 million from the end of previous fiscal year. This change was due to a ¥61 million decrease in retained earnings as a result of a ¥142 million dividend payment in spite of a ¥81 million net income attributable to owners of the parent recorded in the third quarter of fiscal year under review. Also, one of the other main reasons behind this change was a ¥111 million decrease in foreign exchange adjustment which resulted from the stronger yen against some foreign currencies.

(3) Explanation of Consolidated Business Forecast and other Forecasts

Regarding the prospect of the consolidated business forecasts for the fiscal year ending March 31, 2017, the company has no changes from the forecasts released on Aug 12, 2016.

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)

	FY2017 third quarter (As of December 31,2016)	FY2016 (As of March 31,2016)
<b>ASSETS</b>		
Current assets:		
Cash and time deposits	3,696,432	3,465,434
Trade notes and accounts receivable	4,341,147	4,096,757
Finished goods	1,083,857	1,045,537
Work in process	591,041	443,607
Raw materials and stored items	540,587	540,485
Deferred income tax	1,732	1,585
Other current assets	348,462	383,912
Allowance for doubtful accounts	(16,121)	(19,577)
Total current assets	10,587,138	9,957,742
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	1,990,879	2,085,755
Machinery and equipment	2,473,826	2,218,894
Land	987,447	982,722
Others	514,634	518,968
Total tangible noncurrent assets	5,966,788	5,806,340
Intangible noncurrent assets	256,712	265,587
Investments and other assets	1,020,478	994,598
Total noncurrent assets	7,243,979	7,065,526
Total assets	17,831,118	17,024,268

(Amount: thousands of yen)

	FY2017 third quarter (As of December 31,2016)	FY2016 (As of March 31,2016)
<b>LIABILITIES</b>		
Current liabilities:		
Trade notes and accounts payable	2,475,092	2,421,123
Short-term borrowings	986,136	702,817
Long-term borrowings due within one year	1,856,620	1,477,247
Accrued income taxes	126,319	78,892
Allowance for bonus	61,667	127,836
Provision for loss on disaster	—	2,000
Other current liabilities	1,081,237	1,042,680
Total current liabilities	6,583,247	5,852,597
Noncurrent liabilities		
Long-term borrowings	3,084,807	2,910,258
Deferred tax liabilities	185,152	190,416
Provision for environmental measures	3,000	3,000
Liabilities for retirement benefits	1,341,882	1,325,440
Asset retirement obligations	39,201	39,138
Other noncurrent liabilities	129,957	125,232
Total noncurrent liabilities	4,784,002	4,593,485
Total liabilities	11,367,250	10,446,083
<b>NET ASSETS</b>		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	5,640,812	5,702,235
Treasury stock	(121,480)	(119,180)
Total shareholder' equity	6,776,049	6,839,772
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	91,954	105,407
Foreign exchange adjustment	(255,527)	(144,195)
cumulative amount for retirement benefits	(195,440)	(264,953)
Total accumulated other comprehensive income	(359,013)	(303,741)
Subscription rights to shares	46,832	42,154
Total net assets	6,463,867	6,578,185
Total liabilities and net assets	17,831,118	17,024,268



## (2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2017 third quarter (April 1, 2016 through December 31, 2016)	FY2016 third quarter (April 1, 2015 through December 31, 2015)
NET sales	13,248,071	14,517,298
Cost of sales	9,931,422	10,603,457
Gross profit	3,316,649	3,913,840
Selling, general and administrative expenses	3,148,208	3,431,557
Operating income	168,441	492,283
Non-operating revenues		
Interest income	17,031	12,993
Dividends income	6,004	4,521
Rent income	56,843	60,742
Foreign exchange gains	8,537	—
Others	35,987	32,658
Total non-operating revenues	124,404	110,915
Non-operating expenses		
Interest expenses	35,284	40,185
Foreign exchange losses	—	39,629
Others	21,553	31,515
Total non-operating expenses	56,838	111,330
Ordinary income(loss)	236,007	491,869
Extraordinary gain		
Gain on sales of noncurrent assets	2,280	3,850
Total extraordinary gain	2,280	3,850
Extraordinary loss		
Loss on sales of noncurrent assets	1,246	824
Loss on disposal of noncurrent assets	1,207	3,851
Loss on sales of investment securities	—	8
Provision for loss on liquidation of subsidiaries and associated	—	7,420
Restructuring loss		
Total extraordinary loss	2,453	12,103
Net Income (or loss) before income taxes	235,834	483,616
Corporate, inhabitant and enterprise taxes	150,643	136,320
Corporate tax adjustments	3,633	9,623
Total income taxes	154,277	145,943
Net income(loss)	81,556	337,672
Net income (loss) Attributable to Owners of the Parent	81,556	337,672

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2017 third quarter (April 1, 2016 through December 31, 2016)	FY2016 third quarter (April 1, 2015 through December 31, 2015)
Income (or loss) before minority interests	81,556	337,672
Other comprehensive income		
Valuation gain(loss) on other securities	(13,453)	14,395
Foreign currency translation adjustment	(111,331)	(204,023)
Remeasurements of defined benefit plans	69,512	19,359
Share of other comprehensive income of entities accounted for using equity method	—	
Total other comprehensive income	(55,272)	(170,268)
Comprehensive income	26,284	167,404
Comprehensive income attributable to owners of the parent	26,284	167,404
Comprehensive income attributable to non- controlling interests	—	

(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 FY2017 third quarter (April 1, 2016 through December 31, 2016)

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	5,614,891	1,414,312	1,260,255	4,958,611	13,248,071
(2) Intra-group Net sales and transfers	281,404	-	34,654	128,258	444,318
Total sales	5,896,296	1,414,312	1,294,910	5,086,870	13,692,390
Operating income (loss)	(441,458)	(96,602)	133,757	566,828	162,525

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	162,525
Elimination of inter-segment transactions	5,916
Consolidated Quarterly Operating Income	168,441

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

II FY2016 third quarter (April 1, 2015 through December 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	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

(Significant subsequent event)

We reached a resolution on the acquisition of all of the shares of Pt. Yamakou Indonesia (headquartered in West Java, Indonesia; hereinafter, "Yamakou"), which manufactures and sells metal pressing and insert molding parts on December 19, 2016, made a share transfer agreement on December 20, 2016, and acquired their shares on January 12, 2017.

## 1. Overview of the consolidation

### (1) Outline of the consolidated company

- ① Name : PT. Yamakou Indonesia
- ② Main business: Manufacturing and selling precision metal pressing and insert molding parts
- ③ Capital : 33,358 million IDR

### (2) Reasons for consolidation

With our core business being the manufacture and sales of precision springs and other metal processing parts, the Company has strived to achieve business expansion by focusing on the automotive components sector in recent years. We have developed the Mid-Term Management Plan "Breakthrough to 2020". To realize this, we consider the expansion of global business to be one of the priority measures to take.

On the other hand, Yamakou has its main business in the manufacture and sales of precision metal pressing and insert molding parts, targeting many Japanese automotive parts manufacturing customers, primarily in Indonesia.

We acquired 14.00% of the share of Yamakou on January 2016, as we announced on 23rd December 2015. This time we will acquire 78.21% of shares and Advanex(Singapore) Pte. Ltd., that is our wholly own subsidiary, will acquire 7.79% of shares to make Yamakou become our wholly own subsidiary.

The acquisition of a stake in Yamakou will allow us to gain the Group's first manufacturing base in Indonesia and move into the development of sales channels to reach new customers. In addition, we will also provide assistance with its technical development and production to stabilize its business foundations and improve its production efficiency, which we hope will ultimately enhance our credibility with the market and customers and lead to increased orders.

### (3) Date of consolidation

January 12, 2017

### (4) Method of the consolidation

Cash acquisition of share

### (5) Company name after acquisition

No change

### (6) Acquired percentage of voting right

100%(Our company 92.21% Advanex(Singapore)Pte.Ltd. 7.79%)

### (7) Main reason that we made the decision to acquire the company

By means of our company and Advanex (Singapore)Pte.Ltd. that is our consolidated company acquired by cash acquisition of share.

## 2. In the calculation of the acquisition cost

	Acquisition cost
Our company	¥461 million (January, 2016:¥70 million)(January, 2017:¥391 million)
Advanex(Singapore) Pte. Ltd.	¥38 million (January, 2017)
Due diligence cost etc.	¥5 million
Total	¥505 million

## 3. Amount of goodwill, cause of the cost, manner of depreciation and period.

Not decided by now