



ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2011 First quarter(three months ended June 30, 2010)

August 6, 2010

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Supplementary explanation material for quarterly financial results
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Stock listings: Tokyo Stock Exchange
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August 12, 2010
yes
none

1. Performance (April 1, 2010 through June 30, 2010) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the three months ended June 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	%
Three months ended June 30, 2010	7,974	18.6	216	--	141	--	164	--
Three months ended June 30, 2009	6,726	(40.6)	(550)	--	(622)	--	(515)	--

	Net income per share	Net income per share after dilution
	Yen	Yen
Three months ended June 30, 2010	4.13	--
Three months ended June 30, 2009	(12.97)	--

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2010	22,653	4,129	12.8	73.04
As of March 31, 2010	22,414	4,312	13.3	75.08

[Reference] Total shareholder's equity: ¥ 2,899 million yen at June 30, 2010 ¥ 2,980 million yen at March 31, 2010

2. Dividends

	Dividends per share				
Record date	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, 2010	--	--	--	0.00	0.00
Year ended March 31, 2011	--	--	--	0.00	0.00
Year ended March 31, 2011 (forecast)	--	--	--	0.00	0.00

[Note] Revisions to the forecast of cash dividends in the current quarter: none

3. Forecast of consolidated results for FY2011 (April 1, 2010 through March 31, 2011)

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
Six months Ended September 30, 2010	15,800	10.9	370	--	210	--	270	--	6.80
Year ended March 31, 2011	31,000	4.9	860	--	520	--	420	--	10.58

[Note] Revisions to the forecasts of consolidated results in the current quarter: yes

4. Others (Please see "Other information" on page 5.)

- (1) Significant changes in subsidiaries during the subject fiscal year: None

Additions: 0 Deletions: 0

[Note] Changes in certain subsidiaries resulting in change in the scope of consolidation in this quarter

- (2) Application of simplified accounting and specific accounting: Yes

[Note] Application of simplified accounting and accounting peculiar to preparation of quarterly consolidated financial statements.

- (3) Changes in accounting principles, procedures, presentations, etc.

a. Changes associated with revision of accounting standards, etc: Yes

b. Changes other than a.: None

[Note] Changes in accounting principles, procedures presentations, etc. for preparation of quarterly consolidated financial statements to be stated in "Changes in significant matters that are fundamental to preparation of quarterly consolidated financial statements".

- (4) Number of shares outstanding (Common stock)

a. Number of shares outstanding at end of period (Including treasury stock)

40,155,637 shares at June 30, 2010

40,155,637 shares at March 31, 2010

b. Number of shares of treasury stock at fiscal year-end:

458,742 shares at June 30, 2010

456,894 shares at March 31, 2010

c. Average number of shares issued and outstanding in each period:

39,697,696 shares at June 30, 2010

39,708,358 shares at June 30, 2009

[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 in the end. Our actual performance is likely to differ greatly from these estimates depending on various factors in the future. As for the assumptions used for these forecasts and other related items, please refer to "Qualitative Information on Consolidated Earnings Forecasts" on page 4.

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1. Qualitative Information and Financial Statements

(1) Qualitative Information Regarding Consolidated Business Results

During the first quarter (from April 1 to June 30, 2010) of the fiscal year under review, Japanese economy had steadily shown recoveries coming from boosted production and import to emerging economies. Under these circumstances, the Advanex group recorded earnings recovery in Precision spring and Plastic businesses, mainly owing to larger sales to automotive and OA equipment markets both in Japan and overseas. Furthermore, earnings of Motor business improved by robust sales performance of newly launched products.

As a result, consolidated net sales of the Advanex group for the first quarter of the current fiscal year under review amounted to ¥ 7,974 million, up 18.6 % year on year. Also, thanks to increased net sales and profits together with cost reduction efforts, operating income amounted to ¥216 million, which was a loss of ¥550 million in the same period of the previous fiscal year. Ordinary income amounted to ¥141 million from a loss of ¥622 million in the same period of the previous fiscal year, and net income increased to ¥164 million from a loss of ¥515 million in the same period of the previous fiscal year.

Results by operating segments are as follows. As of the first quarter of the current fiscal year under review, the Precision component parts segment is renamed to Hinges segment.

1. Precision springs

Net sales of this segment outperformed the original plan both in domestic and overseas markets mainly due to demand recoveries in wire and flat springs to OA equipment and automotive markets. With recovered sales and fixed cost reduction efforts mainly in labor costs bearing fruit, the earnings of this segment improved significantly. As a result, net sales of this segment amounted to ¥3,507 million with operating income of ¥362 million.

2. Hinges

In mainstay hinge units for mobile phone handsets, overseas sales were sluggish and sales of hinge units for personal computers underperformed the original plan with some technical and qualitative difficulties. As a result, net sales of this segment amounted to ¥704 million with operating loss of ¥219 million.

3. Motors

Both sales and profits of this segment exceeded the original plan thanks to robust sales of home electrical appliance products. As a result, net sales in this segment amounted to ¥1,036 million with operating income of ¥31 million.

4. Plastics

Sales in domestic and Asian markets increased primarily owing to recovered demand to OA equipment market and sales hike of automotive related products such as gear injection mold products. In addition, earnings in this segment improved both by increased sales as well as positive contribution of fixed cost reduction efforts mainly in labor costs. As a result, net sales in this segment amounted to ¥2,727 million with operating income of ¥36 million.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets at the end of the first quarter were ¥22,653 million, increasing ¥239 million compared with the end of the previous fiscal year (March 31, 2010).

Major reasons are as follows.

In assets, both the amount of trade notes and accounts receivable and inventories increased by ¥489 million and ¥373 million respectively, following the increased sales. The amount of cash and time deposits, however, decreased by ¥402 million. In addition, the amount of tangible fixed assets decreased ¥201 million, mainly owing to depreciation.

Liabilities increased ¥422 million from the end of the previous fiscal year to ¥18,524 million. One of the main reasons is an ¥512 million increase in trade notes and accounts payable, coming from larger purchase which followed the sales increase.

Net assets declined ¥183 million from the end of the previous fiscal year to ¥4,129 million. This is mainly because of a ¥104 million decrease in minority interests despite the recorded net income of ¥164 million at the first quarter of the current fiscal year under review. In addition, a ¥224 million decrease in foreign exchange adjustment was recorded as a result of the stronger yen. Therefore, the shareholder's equity ratio dropped 0.5% percentage points from the end of the previous fiscal year to 12.8%.

(3) Qualitative Information Regarding Consolidated Earnings Forecasts

The consolidated earnings forecast for the first half (April 1, 2010 to September 30, 2010) has been revised mainly due to the unanticipated sales increase in precision spring and plastic businesses both in domestic and overseas

markets for automobile and OA appliances. As for the consolidated full year forecast, no revision has been made at the moment because of the uncertainties in our total business environment and management streamlining measures being discussed at one of the subsidiaries, Strawberry Corporation which specializes in hinge business. For more information, please refer to the "The Revision to the FY2011 Performance forecast" which was disclosed today.

2. Other information

- (1) Summary of changes in significant subsidiaries during the quarter
Not applicable

- (2) Summary of simplified accounting and specific accounting

Simplified accounting

1. Accounting method used to estimate bad debts for general credit
Since the loan loss ratio and other factors have not significantly changed from the end of the previous fiscal year, the company used reasonable references such as previous fiscal year's loan loss ratio in estimating bad debts for general credit.
2. Evaluation method used for inventory assets
The company has omitted a physical inventory check for some of the subsidiaries and has applied reasonable methods based on previous fiscal year's physical inventory amount in estimating the inventory amounts at the end of the quarterly accounting period. As to a write-down of inventory assets, the company has estimated and devalued the net sales prices only for its assets with clearly low profitability.
3. Calculation method used for income tax, deferred income tax assets and deferred tax liabilities
The Company calculates its income taxes and enterprise taxes based on taxable income, which adds important tax adjustments to Income before the income taxes and minority interests.

- (3) Summary of changes in accounting principles, procedures, presentations, etc

a. Application of Accounting Standard for Asset Retirement Obligations

Since this quarter, the Company has applied the Accounting Standard for Asset Retirement Obligations (Business Accounting Standards No. 18; March 31, 2008) and the Application Guideline for the Accounting Standard for Asset Retirement Obligations (Application Guidelines for Business Accounting Standards No. 21; March 31, 2008)

As a result, operating income declined by 616 thousand yen, ordinary income declined by 659 thousand yen, and quarterly income before income taxes and minority interests declined by 14,722 thousand yen. The variable amount of asset retirement obligations due to the application of this accounting standard is 9,090 thousand yen.

Furthermore, a part of overseas factories and etc. lease building and land, and have liabilities for recovery on leaving based on real estate leasing contract, however, asset retirement obligations cannot be quoted rationally because the leasing period is not clear and there is no plan to move. Accordingly asset retirement obligations corresponding to this liability are not added in.

b. Changes in presentation method

The Group applies the "Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statement" (Cabinet Office Ordinance No. 5, March 24, 2009) based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of December 26, 2008) from this first quarter. As a result, "Loss before minority interests" is presented on the consolidated financial statements for the first quarter of the fiscal year ending March 31, 2011.

- (4) Key events regarding going concern assumption

Advanex group acknowledges that key events such as 3 Fiscal Years continuation of operating loss and net loss recording, which threaten our going concern assumption, did take place during the fiscal year ended March 31, 2010. In response to this harsh business conditions, the company has already been undertaking management streamlining to improve its earnings, which brought our operating income back into the black continuously since the second quarter of the fiscal year ended March 31, 2010. In addition, the company gained support from financial institutions in terms of its funding plan. Hence, the company understands that there is no longer major uncertainties lie ahead to continue its operation.

5. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2011 first quarter (As of June 30,2010)	FY2010 (As of March 31,2010)
ASSETS		
Current assets:		
Cash and time deposits	3,041,014	3,443,381
Trade notes and accounts receivable	7,397,091	6,907,522
Finished goods	826,849	820,564
Work in process	652,148	610,681
Raw materials and stored items	1,883,484	1,557,651
Deferred income tax	201	211
Other current assets	689,571	684,482
Allowance for doubtful accounts	(42,315)	(44,325)
Total current assets	14,448,043	13,980,169
Fixed assets:		
Tangible fixed assets		
Buildings and structures	1,997,212	2,071,970
Machinery and equipment	2,387,535	2,506,700
Land	2,134,192	2,147,510
Others	660,048	654,534
Total tangible fixed assets	7,178,987	7,380,716
Intangible fixed assets		
Goodwill	40,250	46,455
Others	245,163	258,213
Total intangible fixed assets	285,413	304,669
Total investments and other assets	741,045	748,780
Total fixed assets	8,205,447	8,434,165
Total assets	22,653,490	22,414,335

(Amount: thousands of yen)

	FY2011 first quarter (As of June 30,2010)	FY2010 (As of March 31,2010)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	4,733,315	4,220,675
Short-term borrowings	4,018,166	4,232,775
Long-term borrowings due within one year	1,366,564	1,329,973
Accrued income taxes	122,501	101,803
Allowance for bonus	127,228	54,463
Other current liabilities	1,321,843	1,273,295
Total current liabilities	11,689,619	11,212,988
Long-term liabilities:		
Long-term borrowings	4,352,825	4,365,990
Deferred tax liabilities	314,296	319,476
Retirement allowance for employees	1,411,200	1,389,384
Retirement allowance for directors	53,575	53,575
Provision for environmental measures	7,106	
Negative goodwill	94,425	125,900
Asset retirement obligations	9,132	
Other long-term liabilities	592,157	634,583
Total long-term liabilities	6,834,719	6,888,909
Total liabilities	18,524,339	18,101,898
NET ASSETS		
Shareholder's equity		
Common stock	3,451,610	3,451,610
Capital surplus	2,571,426	2,571,588
Retained earnings	(1,451,312)	(1,615,313)
Treasury stock	(133,522)	(133,503)
Total shareholder' equity	4,438,202	4,274,381
Valuation and translation adjustments		
Valuation gain (loss) on other securities	(3,517)	16,703
Foreign exchange adjustment	(1,535,283)	(1,310,629)
Total valuation and translation adjustments	(1,538,801)	(1,293,926)
Warrants	24,606	22,531
Minority interests	1,205,143	1,309,450
Total net assets	4,129,151	4,312,436
Total liabilities and net assets	22,653,490	22,414,335

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2011 first quarter (April 1, 2010 through June 30, 2010)	FY2010 first quarter (April 1, 2009 through June 30, 2009)
NET sales	7,974,794	6,726,336
Cost of sales	6,315,912	5,598,446
Gross profit	1,658,881	1,127,890
Selling, general and administrative expenses	1,442,808	1,678,740
Operating income(loss)	216,073	(550,850)
Non-operating revenues		
Interests	1,890	6,201
Amortization of negative goodwill	31,475	31,475
Others	49,267	45,871
Total non-operating revenues	82,632	83,548
Non-operating expenses		
Interests	71,094	65,008
Foreign exchange losses	63,816	70,344
Others	21,837	19,742
Total non-operating expenses	156,748	155,095
Ordinary income(loss)	141,957	(622,397)
Extraordinary gain		
Gain on sale of fixed assets	4,829	34,079
Others	1,729	9,791
Total extraordinary gain	6,559	43,870
Extraordinary loss		
Loss on disposal of fixed assets	189	2,212
Special severance benefit		3,733
Provision for environmental measures	7,106	
Loss on adjustment for changes of accounting standard for asset retirement obligations	14,062	
Others	12,832	547
Total extraordinary loss	34,191	6,494
Net Income (or loss) before income taxes	114,325	(585,021)
Corporate, inhabitant and enterprise taxes	48,675	27,748
Corporate tax adjustments	125	(6)
Total income taxes	48,800	27,741
Income (or loss) before minority interests	65,524	
Minority interests (loss)	(98,476)	(97,760)
Net income (loss)	164,001	(515,002)

(3) Notes on Going Concern Assumptions

Not applicable

(4) SEGMENT INFORMATION

Business Segments

FY2010 first quarter (April 1, 2009 through June 30, 2009)

	Precision springs	Precision component parts	Motors	Plastics	Total	Eliminations	Consolidated
Amount: thousands of yen							
Net sales							
(1) Net sales to third parties	2,802,738	1,005,569	855,579	2,062,449	6,726,336	--	6,726,336
(2) Intra-group Net sales and transfers	20,415	--	--	--	20,415	(20,415)	--
Total sales	2,823,153	1,005,569	855,579	2,062,449	6,746,752	(20,415)	6,726,336
Operating income (loss)	(137,308)	(215,864)	(60,950)	(137,819)	(551,942)	1,092	(550,850)

Geographic Segments

FY2010 first quarter (April 1, 2009 through June 30, 2009)

	Japan	United States	Europe	Asia	Total	Eliminations	Consolidated
Amount: thousands of yen							
Net sales							
(1) Net sales to third parties	5,193,159	414,042	181,256	937,878	6,726,336	--	6,726,336
(2) Intra-group Net sales and transfers	29,376	1,978	49,117	5,791	86,264	(86,264)	--
Total sales	5,222,536	416,021	230,374	943,669	6,812,601	(86,264)	6,726,336
Operating income (loss)	(593,747)	(4,812)	(3,677)	42,217	(560,019)	9,169	(550,850)

Overseas Sales

FY2010 first quarter (April 1, 2009 through June 30, 2009)

	United States	Europe	Asia	Total
Overseas sales (Thousands of yen)	502,618	172,300	2,256,069	2,930,987
Consolidated net sales (Thousands of yen)	--	--	--	6,726,336
Overseas sales to consolidated net sales ratio (%)	7.5	2.6	33.5	43.6

[Segment Information]

(Additional information)

Since this quarter, the Company has applied the Accounting Standard for Disclosures about Segment Information, Etc. (Business Accounting Standards No. 17 March 27 2009) and the Application Guideline for the Accounting Standard for Disclosures about Segment Information, Etc. (Application Guidelines for Business Accounting Standards No. 20 March 21, 2008)

1. Summary of reporting segments

Our reporting segments are segments for which separated financial information is available and subject to periodical reviews in order for the Management Meeting to determine the distribution of management resources and evaluate performance.

The Company formulates comprehensive domestic and overseas strategies per kinds of products in headquarters to deploy its business activities. Thus, the Company consists of segments by business on the basis of products dealt in, and "Precision Springs", "Hinges", "Motors" and "Plastics" are reporting segments.

2. Information related to sales and profit or loss amounts by reporting segment

The current first quarter (April 1, 2010 to June 30, 2010)

	Precision springs	Hinges	Motors	Plastics	Total
Amount: thousands of yen					
Net sales					
Net sales to third parties	3,507,379	704,052	1,036,147	2,727,214	7,974,794
Intra-group Net sales and transfers	31,467	--	--	--	31,467
Total sales	3,538,846	704,052	1,036,147	2,727,214	8,006,261
Segment income (loss)	362,886	(219,051)	31,452	36,928	212,215

3. Reconciliation of Reported Consolidated Quarterly Net Sales and Operating Income with Operating Income or Loss of Reporting Segments

Amount: thousands of yen	
Reconciliation of Operating Income	Amount
Total of Reporting Segments	212,215
Elimination of Intersegment Transactions	(4,999)
Amortization of goodwill	5,596
Corporate Expenses *	1,141
Adjustment Amount of Unrealized Profit	2,117
Consolidated Quarterly Operating Income	216,073

*Corporate Expenses include administrative expenses that, on the whole, cannot be attributed to any reporting segment.

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

(5) Notes for Significant Change in the Amount of Shareholder's equity
Not applicable