



ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2013 First quarter(three months ended June 30, 2012)

August 10, 2012

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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August 13, 2012

Yes

No

1. Performance (April 1, 2012 through June 30, 2012) (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, 2012	6,211	(1.9)	187	62.1	110	--	228	--
Three months ended June 30, 2011	6,331	(20.6)	115	(46.4)	(1)	--	(145)	--

[Note] Comprehensive income: Three months ended June 30, 2012 (57) million yen
Three months ended June 30, 2011 (312) million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Three months ended June 30, 2012	5.49	--
Three months ended June 30, 2011	(3.67)	--

(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, 2012	19,229	2,714	14.0	64.98
As of March 31, 2012	18,416	2,967	15.0	66.37

Reference] Total shareholder's equity: 2,697 million yen at June 30, 2012 2,755 million yen at March 31, 2012

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, 2012	--	--	--	0.00	0.00
Year ended March 31, 2013	--	--	--	1.00	1.00
Year ended March 31, 2013 (forecast)	--	--	--	1.00	1.00

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

3. Forecast of consolidated results for FY2013 (April 1, 2012 through March 31, 2013)

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, 2012	12,300	(6.1)	260	(36.5)	100	(47.6)	160	793.1	3.85
Year ended March 31, 2013	25,000	(0.8)	650	6.0	350	(25.6)	300	32.5	7.23

[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: Yes
 - b. Changes other than a.: No
 - c. Change in accounting estimate: Yes
 - 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 June 30, 2012
 - 41,533,708 shares at March 31, 2012
 - b. Number of shares of treasury stock at end of period
 - 25,440 shares at June 30, 2012
 - 22,946 shares at March 31, 2012
 - c. Average number of shares issued and outstanding in each period:
 - 41,509,226 shares at June 30, 2012
 - 39,685,745 shares at June 30, 2011

[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)

Index

1. Qualitative Information and Financial Statements	
(1) Qualitative Information Regarding Consolidated Business Results.....	4
(2) Qualitative Information Regarding Consolidated Financial Position.....	5
(3) Qualitative Information Regarding Consolidated Business Forecasts.....	5
2. Other summary information	
(1) Change to major subsidiaries during the fiscal period under review.....	6
(2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements.....	6
(3) Changes in accounting policy, changes in accounting estimates, or restatement due to correction.....	6
3. Quarterly Consolidated Financial Statements	
(1) Quarterly Consolidated Balance Sheets.....	7, 8
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	9,10
(3) Notes on Going Concern Assumptions.....	11
(4) Segment Information.....	11,12
(5) Note for significant change in the amount of shareholder's equity... ..	13
(6) Major subsequent events.....	13

1. Qualitative Information and Financial Statements

(1) Qualitative Information Regarding Consolidated Business Results

During the first quarter (from April 1 to June 30, 2012) of the fiscal year under review, the world experienced economic slowdown, reflecting the debt problems in Europe and slower economic growth in the emerging countries. Yet, Japanese economy recovered moderately thanks to the demand fueled by reconstruction after the Great East Japan Earthquake as well as recovered private consumption. Under these circumstances, the OA equipment industry, which is closely related to our business, was affected by the slowdown in European market. On the other hand, sales of the automotive industry were brisk thanks to measures such as the government subsidies for eco-friendly car purchases. Thus, net sales to the OA equipment industry declined year on year, while net sales to the automotive industry increased in our Precision spring and Plastic businesses. As for the Hinge business, although net sales decreased year on year due to business downsizing, the earnings recovered significantly compared with the same period of the previous fiscal year.

As a result, the consolidated net sales of Advanex group for the first quarter of the current fiscal year under review decreased 1.9% year on year to ¥ 6,211 million. The operating income increased 62.1% year on year to ¥ 187 million. The ordinary income amounted to ¥110 million, which was a loss of ¥1 million in the same period of the previous fiscal year. In addition, an extraordinary income of ¥174 million was recorded primarily due to the insurance benefit the company received for the damages at our Thailand factory, which was caused by the floods in October last year. Thus, the net income for the first quarter under review amounted to ¥228 million, which was a loss of ¥145 million in the same period of the previous fiscal year.

Results for each operating segment are as follows.

1. Precision springs

In domestic market, sales to the automotive industry increased while sales of profitable products to the OA equipment and PC related industries declined. In overseas market, although sales of Tangless Coilthreads dropped in the UK, sales mainly to the automotive industry increased in the USA and Asia. As a result, net sales of this segment changed little year on year to ¥3,366 million while segment income decreased 42.8% to ¥144 million compared to the same period of the previous fiscal year.

2. Plastics

Despite a decrease in sales to the OA equipment industry, sales mainly to the automotive industry went up in domestic market. In overseas, sales to the automotive and audiovisual/consumer electronics industries grew in Vietnam and Malaysia. Yet, the earnings deteriorated in Japan and China due to increased labor costs such as bonuses and rise in wages. As a result, net sales of this segment increased 9.6% year on year to ¥2,649 million, while segment income decreased 52.0% to ¥42 million.

3. Hinges

Net sales of hinge units decreased as a result of downsizing of mobile phone business and the disposal of PC related business. Nevertheless, the earnings improved significantly by taking measures such as raising product prices and reducing fixed costs such as labor costs. As a result, net sales in this segment decreased 65.8% year on year to ¥195 million, while segment income amounted to ¥2 million, which was a loss of ¥230 million in the same period of the previous fiscal year.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets at the end of the first quarter were ¥ 19,229 million, increasing ¥812 million compared with the end of the previous fiscal year (March 31, 2012).

In assets section, the amount of current assets increased by ¥973 million due to larger amounts in cash and time deposits as well as trade notes and accounts receivable. On the other hand, the amounts of tangible fixed assets, intangible fixed assets and investments and other assets decreased by ¥137 million, ¥12 million and ¥11 million respectively.

For the liabilities section, the amounts of current liabilities and long-term liabilities increased by ¥682 million and ¥383 million respectively. The primary factor for these changes is the increased amount of borrowings.

In net assets, total net assets amounted to ¥2,714 million, which is a ¥253 million drop from the end of the previous fiscal year. This change is mainly due to a ¥267 million increase in negative foreign exchange adjustment reflecting the stronger yen during the first quarter of this fiscal year as well as a ¥195 million decrease in minority interests as a result of additional acquisition of M. A. C. TECHNOLOGY(MALAYSIA) SDN. BHD. shares.

(3) Qualitative Information Regarding Consolidated Business Forecasts

Regarding the prospect of the consolidated business forecasts for the fiscal year ending March 31, 2013, there is no change to the forecasts released on July 31, 2012.

2. Other summary information

- (1) Change to major subsidiaries during the fiscal period under review

None

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- (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 (Change of depreciation method)

As a result of the revision of the Corporation Tax Law, regarding the tangible fixed assets acquired on or after April 1, 2012, the Company and its domestic consolidated subsidiaries adopt the depreciation method based on the Corporation Tax Law after the revision from the current first quarter

The affected amount by this change was small.

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2013 first quarter (As of June 30,2012)	FY2012 (As of March 31,2012)
ASSETS		
Current assets:		
Cash and time deposits	3,402,959	2,677,452
Trade notes and accounts receivable	5,679,593	5,430,587
Finished goods	768,914	735,737
Work in process	556,857	563,056
Raw materials and stored items	868,019	1,004,397
Deferred income tax	209	103
Other current assets	573,779	472,889
Allowance for doubtful accounts	(44,458)	(51,875)
Total current assets	11,805,875	10,832,349
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	1,581,806	1,647,761
Machinery and equipment	1,931,633	2,040,649
Land	2,143,918	2,157,700
Others	592,364	541,058
Total tangible noncurrent assets	6,249,722	6,387,169
Intangible noncurrent assets	180,504	193,114
Investments and other assets	993,079	1,004,134
Total noncurrent assets	7,423,306	7,584,418
Total assets	19,229,181	18,416,767

(Amount: thousands of yen)

	FY2013 first quarter (As of June 30,2012)	FY2012 (As of March 31,2012)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	4,148,611	3,892,379
Short-term borrowings	4,931,784	4,859,002
Long-term borrowings due within one year	1,566,344	1,466,081
Accrued income taxes	155,122	140,535
Allowance for bonus	224,884	137,395
Other current liabilities	1,116,749	965,667
Total current liabilities	12,143,497	11,461,060
Noncurrent liabilities		
Long-term borrowings	2,105,775	1,744,864
Deferred tax liabilities	306,010	308,356
Retirement allowance for employees	1,529,134	1,491,161
Provision for environmental measures	7,106	7,106
Asset retirement obligations	38,229	38,234
Other noncurrent liabilities	385,408	398,490
Total noncurrent liabilities	4,371,664	3,988,212
Total liabilities	16,515,161	15,449,273
NET ASSETS		
Shareholder's equity		
Common stock	3,451,610	3,451,610
Capital surplus	2,551,467	2,551,467
Retained earnings	(1,313,796)	(1,541,812)
Treasury stock	(3,735)	(3,525)
Total shareholder' equity	4,685,546	4,457,740
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	(22,937)	(4,580)
Foreign exchange adjustment	(1,965,229)	(1,698,141)
Total accumulated other comprehensive income	(1,988,166)	(1,702,722)
Warrants	16,640	16,640
Minority interests	---	195,836
Total net assets	2,714,019	2,967,494
Total liabilities and net assets	19,229,181	18,416,767

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2013 first quarter (April 1, 2012 through June 30, 2012)	FY2012 first quarter (April 1, 2011 through June 30, 2011)
NET sales	6,211,006	6,331,116
Cost of sales	4,878,938	4,988,689
Gross profit	1,332,067	1,342,426
Selling, general and administrative expenses	1,144,387	1,226,621
Operating income	187,680	115,805
Non-operating revenues		
Interests	2,396	1,480
Rent income	22,177	22,326
Equity in earnings of affiliates	13,442	8,716
Others	26,115	31,236
Total non-operating revenues	64,131	63,763
Non-operating expenses		
Interests	59,331	62,220
Foreign exchange losses	54,287	82,578
Others	27,931	36,048
Total non-operating expenses	141,549	180,848
Ordinary income(loss)	110,262	(1,279)
Extraordinary gain		
Gain on sales of noncurrent assets	2,181	1,815
Insurance income	167,050	---
Gain on liquidation of subsidiaries	---	15,900
Gain on negative goodwill	5,627	---
Others	104	3,410
Total extraordinary gain	174,964	21,126
Extraordinary loss		
Loss on sales of noncurrent assets	913	---
Loss on disposal of noncurrent assets	63	153
Loss on change in equity	---	85,375
Loss on litigation	---	32,192
Others	---	6,815
Total extraordinary loss	977	124,537
Net Income (or loss) before income taxes	284,248	(104,689)
Corporate, inhabitant and enterprise taxes	56,110	45,327
Corporate tax adjustments	122	3,050
Total income taxes	56,232	48,377
Income (or loss) before minority interests	228,016	(153,067)
Minority interests (loss)	---	(7,289)
Net income (loss)	228,016	(145,777)

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2013 first quarter (April 1, 2012 through June 30, 2012)	FY2012 first quarter (April 1, 2011 through June 30, 2011)
Income (or loss) before minority interests	228,016	(153,067)
Other comprehensive income		
Valuation gain(loss) on other securities	(17,421)	(774)
Foreign currency translation adjustment	(267,087)	(158,425)
Consolidated equity for equity method affiliate	(935)	(290)
Accumulated other comprehensive income	(285,443)	(159,489)
Quarterly comprehensive income	(57,427)	(312,557)
Comprehensive income attributable to owners of the parent	(57,427)	(299,238)
Comprehensive income attributable to minority interests	--	(13,319)

(3) Notes on Going Concern Assumptions
Not applicable

(4) Segment Information

I FY2013 first quarter (April 1, 2012 through June 30, 2012)

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

	Precision springs	Plastics	Hinge	Total
Net sales				
(1) Net sales to third parties	3,366,489	2,649,303	195,214	6,211,006
(2) Intra-group Net sales and transfers	21,565	9,822	---	31,387
Total sales	3,388,054	2,659,125	195,214	6,242,394
Operating income (loss)	144,436	42,835	2,712	189,984

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	189,984
Elimination of inter-segment transactions	(2,304)
Consolidated Quarterly Operating Income	187,680

3, Information related to impairment loss of fixed assets or goodwill, etc. by reporting segment

Gain on negative goodwill of ¥5,627 million was recorded in Plastics business segment during this first quarter as a result of additional acquisition of M. A. C. TECHNOLOGY(MALAYSIA) SDN. BHD. shares.

II FY2012 first quarter (April 1, 2011 through June 30, 2011)

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

	Precision springs	Plastics	Hinge	Total
Net sales				
(3) Net sales to third parties	3,343,404	2,417,321	570,390	6,331,116
(4) Intra-group Net sales and transfers	21,087	458	--	21,545
Total sales	3,364,491	2,417,779	570,390	6,352,661
Operating income (loss)	252,294	89,210	(230,112)	111,392

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	111,392
Elimination of inter-segment transactions	3,711
Adjustment Amount	701
Consolidated Quarterly Operating Income	115,805

3, 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

(6) Major subsequent events

(The reduction of stated capital, capital reserve and appropriation of surplus)

The reduction of company's stated capital, capital reserve and appropriation of surplus to cover the deficit was resolved at our 64th regular general meeting held on June 21, 2012, which became effective on July 31, 2012.

1. Purpose for the reduction of stated capital and capital reserve and appropriation of surplus

The purpose is to enable the company to pay dividends and acquire treasury stock by covering the deficit brought forward as well as to ensure the flexibility and mobility for the future capital policy by establishing healthy financial standing.

2. Details of reduction of stated capital and capital reserve

Pursuant to the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, the company reduced capital stock and capital reserve. The reduced amount was transferred to other capital surplus. The number of shares issued remains unchanged.

Amount of stated capital reduced : ¥2,451,610 thousand

Amount of other capital surplus increased : ¥2,451,610 thousand

Amount of stated capital after reduction : ¥1,000,000 thousand

Amount of capital reserve : ¥612,902 thousand

Amount of other capital surplus increased : ¥612,902 thousand

Amount of capital reserve after reduction : ¥250,000 thousand

3. Details of appropriation of surplus

Pursuant to Article 452 of the Companies Act, the total amount of other capital surplus of ¥4,746,361 thousand after above transfer and special reserve of ¥200,000 thousand were transferred respectively to retained earnings brought forward to cover the deficit.

4. Schedule

- | | |
|--|------------------------------|
| (1) Date of resolution at the board of directors' meeting: | May 11 th , 2012 |
| (2) Date of resolution at the shareholders' meeting: | June 21 st , 2012 |
| (3) Final due date for creditors to make objection: | July 25 th , 2012 |
| (4) Effective date: | July 31 st , 2012 |