



ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2013 Second quarter (six months ended September 30, 2012)

November 9, 2012

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 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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 November 13, 2012
 Yes
 Yes

1. Performance (April 1, 2012 through September 30, 2012) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the six months ended September 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	%
Six months ended September 30, 2012	12,054	(8.0)	242	(40.8)	95	(49.9)	127	614.5
Six months ended September 30, 2011	13,096	(19.0)	409	4.1	190	(9.8)	17	(80.9)

[Note] Comprehensive income: Six months ended September 30, 2012 (168) million yen
 Six months ended September 30, 2011 (471) million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Six months ended September 30, 2012	3.08	--
Six months ended September 30, 2011	0.45	--

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net Assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2012	17,926	2,602	14.4	62.31
As of March 31, 2012	18,416	2,967	15.0	66.37

[Reference] Total shareholder's equity: ¥ 2,585 million yen at September 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	--	--	--	--	--
Year ended March 31, 2013	--	--	--	--	--
Year ended March 31, 2013 (forecast)	--	--	--	1.00	1.00

[Note] Revisions to the forecast of cash dividends in the current quarter: 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
Year ended March 31, 2013	23,400	(7.1)	400	(34.7)	180	(61.7)	140	(38.2)	3.37

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

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: 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 September 30, 2012
 - 41,533,708 shares at March 31, 2012
 - b. Number of shares of treasury stock at end of period
 - 37,079 shares at September 30, 2012
 - 22,946 shares at March 31, 2012
 - c. Average number of shares issued and outstanding in each period:
 - 41,504,403 shares at September 30, 2012
 - 39,683,871 shares at September 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)

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1 . Qualitative Information and Financial Statements

(1) Qualitative Information Regarding Consolidated Business Results

During the second quarter (from April 1 to September 30, 2012) of the fiscal year under review, domestic demand in Japan showed steady upturn with the demand fueled by reconstruction after the Great East Japan Earthquake. However, foreign demand slowed with protracted debt problems in Europe and this economic slowdown influenced emerging economies such as China. Under these circumstances, in industries closely related to our business, automotive industry saw production increase thanks to the government measures such as subsidies for eco-friendly car purchases, while OA equipment industry experienced decreasing demand mainly due to economic slowdown in Europe, the US and in Asia. Our Precision spring and Plastic sales to automotive industry increased year on year, whereas sales to OA equipment and PC related industries plunged significantly. As for the Hinge business, sales decreased year on year as a result of business downsizing, yet 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 second quarter of the current fiscal year under review decreased 8.0% year on year to ¥12,054 million. The operating income dropped 40.8% year on year to ¥242 million. The ordinary income decreased 49.9% year on year to ¥95 million. The net income increased by 7.1 times year on year to ¥127 million. This change reflects recorded an extraordinary income of insurance payment received for our Thai factory, which was suffered by the floods in October 2011, whereas an extraordinary loss from a loss on change in equity by the changed status of one of the subsidiaries was recorded in the same period of the last 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 decreased. In overseas markets, sales in Asia grew little due to declining sales to the OA and precision mechanical equipment industries. In addition, sales to medical equipment industry in the UK decreased. As a result, net sales of this segment decreased 6.2% year on year to ¥6,539 million while segment income decreased 68.6% to ¥186 million compared to the same period of the previous fiscal year.

2. Plastics

In domestic market, although sales to the OA equipment industry decreased, sales mainly to the automotive industry grew. In overseas markets, sales to the automotive industry increased in China and Vietnam. Yet, the earnings deteriorated in Japan and China reflecting increased labor costs such as bonuses and rise in wages. As a result, net sales of this segment increased 4.9% year on year to ¥5,202 million, while segment income decreased 53.5% to ¥64 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 of this segment dropped 73.1% year on year to ¥312 million, while segment loss amounted to ¥8 million, which was a loss of ¥331 million in the same period of the previous fiscal year.

(2) Qualitative Information Regarding Consolidated Financial Position

1) Assets, Liabilities and Net assets

Total assets at the end of the second quarter were ¥ 17,926 million, decreasing ¥490 million compared with the end of the previous fiscal year (March 31, 2012).

In assets section, the amount of current assets decreased by ¥296 million mainly due to decreased trade notes and accounts receivable. The amounts of tangible fixed assets, intangible fixed assets and investments and other assets decreased by ¥144 million, ¥23 million and ¥25 million respectively.

For the liabilities section, the total amount decreased by ¥125 million. This change is due primarily to a ¥59 million decrease in trade notes and accounts payable and a ¥92 million decrease in borrowings as a result of repayment.

In net assets section, total net assets decreased ¥365 million from the end of the previous fiscal year. Although the company recorded the net income of ¥127 million yen, the total amount decreased mainly owing to a ¥286 million increase in negative foreign exchange adjustment reflecting the stronger yen and a ¥195 million decrease in minority interests as a result of additional acquisition of M. A. C. TECHNOLOGY (MALAYSIA) SDN. BHD. shares.

Based on the resolution passed at the ordinary general meeting of shareholders held on June 21, 2012, a reduction of capital stock was implemented on July 31, 2012. As a result, the amounts of capital stock and capital reserve decreased by ¥3,064 million, and other capital surplus, which includes the amount gained reflecting the decreased capital stock and the capital reserve, and special reserves were transferred to retained earnings brought forward.

The status of Cash flows

The amount of cash and cash equivalent as of the end of the second quarter of the current fiscal year amounted to ¥2,691 million increasing ¥157 million yen compared to the status of the previous fiscal year end. The status of each cash flow and the main factors behind these changes are as follows.

1. Cash flows from operating activities

Net cash provided by operating activities was ¥996 million. (¥492 million increase in the same period of the previous fiscal year) This mainly reflects increased net income before income taxes, fund reserved by depreciation and amortization, decreased trade notes and accounts receivable and increased trade notes and accounts receivable.

2. Cash flows from investing activities

The fund decreased ¥590 million by investing activities.(¥551 million decrease during the same period of the previous fiscal year) Some of the main reasons for this change are capital investment in Advanex and Daiichi Kasei both in and out of Japan including overseas subsidiaries, as well as additional share acquisition of M. A. C. TECHNOLOGY(MALAYSIA)SDN.BHD.

3. Cash flows from financing activities

As a result of financing activities, the fund decreased ¥150 million. (¥30 million decrease during the same period of the previous fiscal year) This change mainly reflects the repayment of interest-bearing debt.

(3) Qualitative Information Regarding Consolidated Business Forecasts

Regarding the prospect of the consolidated business forecasts for the fiscal year ending March 31, 2013, the company revised the forecast released on July 31, 2012. For more details, please refer to the "Revisions to the FY2013 Performance Forecast," which was released today.

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 (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) Consolidated Balance Sheets

(Thousands of yen)

	FY2013 Second quarter (As of September 30,2012)	As of March 31, 2012
ASSETS		
Current assets:		
Cash and time deposits	2,751,573	2,677,452
Trade notes and accounts receivable	5,157,724	5,430,587
Finished goods	757,034	735,737
Work in process	600,685	563,056
Raw materials and stored items	909,041	1,004,397
Deferred income tax	116	103
Other current assets	379,324	472,889
Allowance for doubtful accounts	(19,816)	(51,875)
Total current assets	10,535,684	10,832,349
Fixed assets:		
Tangible fixed assets		
Buildings and structures, net	1,516,394	1,647,761
Machinery and equipment, net	1,849,737	2,040,649
Land	2,140,743	2,157,700
Other	735,558	541,058
Total tangible fixed assets	6,242,433	6,387,169
Total intangible fixed assets	169,786	193,114
Total investments and other assets	978,700	1,004,134
Total fixed assets	7,390,921	7,584,418
Total assets	17,926,605	18,416,767
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	3,832,972	3,892,379
Short-term borrowings	4,649,974	4,859,002
Long-term borrowings due within one year	1,511,309	1,466,081
Accrued income taxes	173,519	140,535
Allowance for bonus	239,043	137,395
Other	815,800	965,667
Total current liabilities	11,222,619	11,461,060
Long-term liabilities:		
Long-term borrowings	1,816,366	1,744,864
Deferred tax liabilities	313,609	308,356
Retirement allowance for employees	1,565,543	1,491,161
Reserves for environmental measures	4,391	7,106
Asset retirement obligations	38,246	38,234
Other	363,370	398,490
Total long-term liabilities	4,101,527	3,988,212
Total liabilities	15,324,147	15,449,273
NET ASSETS		
Shareholders' equity		
Common stock	1,000,000	3,451,610
Capital surplus	256,430	2,551,467
Retained earnings	3,332,543	(1,541,812)
Treasury stock	(4,408)	(3,525)
Total shareholders' equity	4,584,564	4,457,740
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	(14,558)	(4,580)
Foreign exchange adjustment	(1,984,188)	(1,698,141)
Total accumulated other comprehensive income	(1,998,746)	(1,702,722)
Warrants	16,640	16,640
Minority interests	---	195,836
Total net assets	2,602,458	2,967,494
Total liabilities and net assets	17,926,605	18,416,767

(2) Consolidated Statements of Income

(Thousands of yen)

	FY2013 Second quarter (As of September 30,2012)	FY2012 Second quarter (As of September 30,2011)
NET sales	12,054,278	13,096,967
Cost of sales	9,553,454	10,256,941
Gross profit	2,500,824	2,840,026
Selling, general and administrative expenses	2,258,538	2,430,866
Operating income	242,285	409,159
Non-operating revenues		
Interests	4,723	2,957
Rent income	45,213	43,467
Equity in earnings of affiliates	13,836	11,182
Others	58,545	61,786
Total non-operating revenues	122,318	119,393
Non-operating expenses		
Interests	121,332	126,011
Foreign exchange losses	85,143	183,937
Others	62,564	27,686
Total non-operating expenses	269,040	337,636
Ordinary income(loss)	95,564	190,917
Extraordinary gain		
Gain on sale of fixed assets	5,390	804
Gain on liquidation of subsidiary	---	15,515
Insurance income	165,100	---
Gain on negative goodwill	5,627	—
Others	1,026	8,006
Total extraordinary gain	177,145	24,326
Extraordinary loss		
Loss on sales of noncurrent assets	902	---
Loss on disposal of noncurrent assets	75	374
Loss on valuation of investment securities	17,188	8,243
Impairment loss	45,898	---
Loss on change in equity	---	85,375
Loss on litigation	—	32,321
Others	—	242
Total extraordinary loss	64,065	126,556
Net Income before income taxes	208,643	88,686
Corporate, inhabitant and enterprise taxes	79,588	77,354

	FY2013 Second quarter (As of September 30,2012)	FY2012 Second quarter (As of September 30,2011)
Corporate tax adjustments	1,061	1,335
Total income taxes	80,649	78,690
Income (or loss) before minority interests	127,994	9,996
Minority interests (loss)	---	(7,918)
Net income	127,994	17,914

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY2013 Second quarter (As of September 30,2012)	FY2012 Second quarter (As of September 30,2011)
Income before minority interests	127,994	9,996
Other comprehensive income		
Valuation gain(loss) on other securities	(9,125)	(16,683)
Foreign currency translation adjustment	(286,046)	(464,889)
Consolidated equity for equity method affiliate	(852)	102
Accumulated other comprehensive income	(296,024)	(481,470)
Quarterly comprehensive income	(168,029)	(471,474)
Comprehensive income attributable to owners of the parent	(168,029)	(437,927)
Comprehensive income attributable to minority interests	---	(33,547)

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY2012 second quarter (April 1, 2012 through September 30, 2012)	FY2011 second quarter (April 1, 2011 through September 30, 2011)
Cash flows from operating activities		
Gain (Loss) before income taxes and minority interests	208,643	88,686
Depreciation and amortization	425,073	498,542
Impairment loss	45,898	---
Increase (decrease) in allowance for doubtful accounts	(11,274)	(16,550)
Increase (decrease) in allowance for bonuses	103,728	49,567
Increase (decrease) in retirement benefits	74,569	50,994
Interest and dividends receivable	(6,138)	(4,069)
Interest payable	121,332	126,011
(Gain) loss on differences of foreign exchange	6,928	(5,668)
(Gain) loss on sale of fixed assets	(4,487)	(804)
(Gain) loss on disposal of fixed assets	75	374
Loss (gain) on valuation of investment securities	17,188	8,243
Insurance income	(165,100)	---
Gain on negative goodwill	(5,627)	---
Decrease (increase) in notes and accounts receivable	127,963	(214,404)
Decrease (increase) in inventories	(36,895)	(2,753)
Increase (decrease) in notes and accounts payable	72,820	68,537
Others	(51,784)	24,454
Subtotal	922,914	671,160
Proceeds from interest and dividend receivable	6,138	2,679
Payment of interests	(110,869)	(134,492)
Payment of income taxes	(33,351)	(88,308)
Others	211,575	41,655
Net cash provided by operating activities	966,405	492,694

	FY2012 second quarter (April 1, 2012 through September 30, 2012)	FY2011 second quarter (April 1, 2011 through September 30, 2011)
Cash flows from investing activities		
Payments on purchase of tangible fixed assets	(473,390)	(458,270)
Proceeds from sales of tangible fixed assets	11,281	3,151
Payments on purchase of intangible fixed assets	(5,954)	(8,335)
Proceeds from sales of intangible fixed assets	1,154	—
Payments on purchase of investment securities	(10,472)	(10,729)
Purchase of stocks of subsidiaries and affiliates	(189,889)	---
Others	(77,035)	(77,402)
Net cash used in investing activities	(590,235)	(551,585)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(214,125)	1,144,375
Proceeds from long-term borrowings	813,527	999,518
Repayments on long-term borrowings	(668,073)	(2,114,758)
Dividends paid to minority shareholders	---	(19)
Decrease (increase) in treasury stock	(883)	27
Others	(80,815)	(60,026)
Net cash used in financing activities	(150,369)	(30,882)
Effect of exchange rate changes on cash and cash equivalents	(98,216)	(174,880)
Net increase (decrease) in cash and cash equivalents	157,583	(264,654)
Cash and cash equivalents at the beginning of quarter	2,534,107	2,464,296
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	---	(265,188)
Cash and cash equivalents at the end of quarter	2,691,691	1,934,454

(4) Notes on Going Concern Assumptions
Not applicable

(5) Segment Information

I FY2013 second quarter (April 1, 2012 through September 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	6,539,777	5,202,275	312,226	12,054,278
(2) Intra-group Net sales and transfers	41,223	10,211	—	51,435
Total sales	6,581,000	5,121,487	312,226	12,105,714
Operating income (loss)	186,314	64,591	(8,492)	242,413

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	242,413
Elimination of Intersegment Transaction	(127)
Consolidated Quarterly Operating Income	242,285

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

In "Hinges" segment, impairment loss is appropriated for extraordinary loss, as the book value of assets to be sold was reduced to the selling value. The amount of impairment loss concerned during the second quarter of the fiscal year is ¥45,898 thousand.

II FY2012 second quarter (April 1, 2011 through September 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	6,973,552	4,961,581	1,161,833	13,096,967
(4) Intra-group Net sales and transfers	39,263	458	—	39,721
Total sales	7,012,815	4,962,040	1,161,833	13,136,689
Operating income (loss)	593,882	139,052	(331,194)	401,740

2. Information related to assets by reporting segments

Fuji Micro Co., our consolidated motor business subsidiary changed its status to a company accounted for under the equity method when it sold its treasury stock on April 28, 2011. Advanex currently holds 28.24 % of Fuji Micro's voting shares.

As a result, assets of Motor segment decreased by ¥1,988,356 thousand. .

3. 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	401,740
Adjustment Amount of unrealized Income	7,040
Adjustment Amount of Others	378
Consolidated Quarterly Operating Income	409,159

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

Not applicable

(6) Notes for significant change in the amount of shareholder's equity

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. 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. Pursuant to Article 452 of the Companies Act, the total amount of other capital surplus were transferred to retained earnings brought forward to cover the deficit. As the result, stated capital decreased by ¥2,451,610 thousand and capital reserve decreased by ¥612,902 thousand, which brought stated capital after reduction to be ¥1,000,000 thousand as of September 30, 2012.

(7) Major subsequent events

Not applicable