

ADVANEX INC.

Flash Report (Consolidated Basis)

Results for FY2010 Third quarter(Nine months ended December 31, 2009)



February 8, 2010

Company name: ADVANEX INC.

Code number: 5998

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Stock listings: Tokyo Stock Exchange

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(Figures less than ¥1 million have been omitted.)

1. Performance (April 1, 2009 through December 31, 2009)

(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, 2009	21,869	(30.0)	(352)	--	(585)	--	(460)	--
Nine months ended December 31, 2008	31,252	--	(267)	--	(349)	--	(2,020)	--

	Net income per share	Net income per share after dilution
	Yen	Yen
Nine months ended December 31, 2009	(11.59)	--
Nine months ended December 31, 2008	(50.86)	--

(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, 2009	23,003	4,248	12.4	71.74
As of March 31, 2009	23,793	5,247	14.7	88.29

[Reference] Total shareholder's equity: ¥2,848 million yen at December 31, 2009 ¥ 3,506 million yen at March 31, 2009

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, 2009	--	--	--	0.00	0.00
Year ended March 31, 2010	--	--	--	--	--
Year ended March 31, 2010 (forecast)				0.00	0.00

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

3. Forecast of consolidated results for FY2010 (April 1, 2009 through March 31, 2010)

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
Annual	28,800	(23.2)	(450)	--	(700)	--	(500)	--	(12.59)

[Note] Revisions to the forecasts of consolidated results in the current quarter: none

4. Other

- (1) Significant changes in subsidiaries during the subject fiscal year: Yes
(Transfer of particular subsidiaries following a change in the scope of consolidation)
Additions: 0 Deletions: 3 (ACCURATE INC., IKKA Corporation Co., Ltd., KATO FASTENUNG SYSTEMS, INC.)
- (2) Simplified accounting procedures and accounting procedures specific to quarterly consolidated financial statements: Yes
[Note] For further details see page 4, "Qualitative Information and Financial Statements 4. Other".
- (3) Changes in accounting rules, procedures or method of presentation relating to the preparation of the consolidated financial statements (Matters included in changes to significant items that form the basis for preparation of the consolidated financial statements).
a. Changes in accordance with revisions to accounting standards: None
b. Other changes: None
- (4) Number of shares outstanding (Common stock)
 - a. Number of shares outstanding at fiscal term-end:
40,155,637 shares at December 31, 2009
40,155,637 shares at March 31, 2009
 - b. Number of shares of treasury stock at fiscal term-end:
453,530 shares at December 31, 2009
444,362 shares at March 31, 2009
 - c. Average number of shares issued for the nine months period:
39,705,188 shares for April 1, 2009 through December 31, 2009
39,728,436 shares for April 1, 2008 through December 31, 2008

[Notes]

The business forecasts presented in this report are based on information available to the management at the time of preparation, and are subject to a number of risks and uncertainties. Actual results may differ materially from those projected due to a wide range of factors.

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Consolidated Business Results

During the third quarter (from April 1 to December 31, 2009) of the fiscal year under review, Japanese economy has started to see recoveries in export and production due mainly to brisk situation in emerging economies and the government's stimulus efforts. Although the business sentiment has been better, it is likely to take a while before seeing a real economic recovery with decreased corporate capital investments and sluggish employment situation.

Under these circumstances, consolidated net sales of the ADVANEX group for the third quarter of the current fiscal year under review amounted to ¥21,869 million or a 30.0% decline year on year with decreased sales in all the business segments, in spite of the fact that sales to OA equipment and automotive markets had been recovering since the second quarter (July 1 to September 30, 2009) of the current fiscal year.

In terms of the earnings, although performances of precision springs and plastic businesses improved primarily due to the reduction in fixed costs as a way to streamline our management, the operating loss worsened ¥85 million year on year to a loss of ¥352 million. This largely reflects lower sales and profits of the precision component parts segment with its mainstay being the hinge units.

Ordinary income also decreased ¥236 million year on year to a loss of ¥585 million, due mainly to lower non-operating revenues posted. However, less goodwill and impaired assets contributed to reduced amount of extraordinary losses compared to the same period of the previous fiscal year. As a result, a net loss amounted to ¥460 million, an improvement of ¥1,560 million year on year.

Results by operating segments are as follows.

1. Precision springs

Net sales in this segment amounted to ¥9,223 million, down 30.1% from the same period of the previous fiscal year, reflecting sharp sales drop in OA equipment and automotive markets. However, the earnings of this segment have been improving since the second quarter, thanks to reduced fixed costs such as labor costs and our efforts to bring down the costs. As a result, operating income increased ¥346 million year on year to ¥311 million.

2. Precision component parts

In mainstay hinge units for mobile phone handsets, sales of high performance models declined both in domestic and overseas markets. The hinge units for personal computers, another mainstay, underperformed the original plan due mainly to delayed mass production at our new Chinese factory. As a result, net sales plunged 49.7 % from the same period last year to ¥3,097 million, with an operating loss of ¥497 million, a ¥671 million decrease year on year.

3. Motors

Net sales in this segment decreased 24.9% from the same period of the previous fiscal year to ¥2,837 million mainly owing to lower sales to the healthcare market. Although we had a better product mix with fewer products with low profitability, in addition to the efforts to reduce the fixed costs, an operating loss worsened ¥37 million year on year to a loss of ¥37 million.

4. Plastics

Net sales in this segment amounted to ¥6,710 million, a 17.2% decline from the same period of the last fiscal year. This is mainly due to plunged sales to OA equipment market, in spite of the fact that the sales to automotive market started to recover. Although the group suffered from a decrease in net sales, thanks to less amortization of goodwill recorded and a positive impact of less fixed costs such as labor costs as a result of our streamlining efforts, operating loss improved ¥274 million year on year to a loss of ¥133 million.

Results by geographic segments are as follows.

1. Japan

Net sales in Japan decreased 31.3% to ¥17,179 million due to dropped sales of precision springs and plastics to OA equipment and automotive markets, as well as sluggish sales of high performance hinge units for mobile phone handsets. In spite of the fact that the earnings of the precision springs segment improved as a result of our efforts to bring down the fixed costs, the earnings of the precision component parts segment significantly worsened following the sales decline of its mainstay, the hinge units. As a result, an operating loss increased ¥66 million year on year to a loss of ¥635 million.

2. United States

Net sales in the United States amounted to ¥966 million, down 32.6% from the same period of the last fiscal year,

due mainly to stronger yen and dull sales of precision springs to automotive and aerospace markets in struggling US economy. Also, ADVANEX Inc. sold the shares of a sales subsidiary in the United State in September 2009. As a result, operating income decreased ¥128 million year on year to a loss of ¥35 million.

3. Europe

Net sales in Europe decreased 29.5% year on year to ¥628 million, owing to further appreciation of the yen and sluggish sales of the precision springs in weak UK economy. As a result, operating income dropped ¥68 million from the same period of the previous fiscal year to a loss of ¥9 million.

4. Asia

Net sales in this region amounted to ¥3,094 million, a decline of 20.9% year on year. However, sales to OA equipment and automotive markets in the second quarter (from July 1 to September 30, 2009) bounced back in Singapore, Thailand and China, as well as visible effects of our cost cutting efforts resulted to an operating income of ¥287 million, an ¥136 million increase year on year.

2. Qualitative Information Regarding Consolidated Financial Position

Total assets at the end of the third quarter were ¥23,003 million, decreasing ¥790 million compared with the end of the previous fiscal year (March 31, 2009).

Major reasons are as follows.

In assets, inventories decreased ¥314 million, and tangible fixed assets decreased ¥388 million due to depreciation.

Liabilities increased ¥208 million from the end of the previous fiscal year to ¥18,754 million. Main reasons are as follows: a ¥857 million decline in other liabilities recorded by realization of accrued expenses as a part of business streamlining efforts; a ¥292 million decrease in the retirement allowance for employees, as a result of early retirements at the Fukushima factory and voluntary retirements at other offices and factories; a ¥1,168 million increase of the trade notes and account payable as a result of an improved sales performance; increased short and long-term borrowings.

Net assets declined ¥998 million from the end of the previous fiscal year to ¥4,248 million. This decrease is primarily due to a recorded net loss of ¥460 million for the third quarter (from April 1 to December 31, 2009) under review, as well as a ¥349 million decline in minority interests and a ¥149 million decline in foreign exchange adjustment reflecting the stronger yen.

As a result, the shareholder's equity ratio dropped 2.3 percentage points to 12.4%.

3. Qualitative Information Regarding Consolidated Business Forecasts

As for the consolidated full year forecast ending March 31, 2010, there is no change from the announcement disclosed on January 29, 2010.

4. Others

- (1) Significant changes in subsidiaries during the fiscal period under review (transfer of specified subsidiaries following a change in the scope of consolidation)

Accurate Inc., one of the group's subsidiaries is excluded from the consolidated scope during the third quarter of the current fiscal year, following the sales of all the shares that Advanex Inc. held, which took place on April 10, 2009. In addition, IKKA Corporation Co., a consolidated subsidiary and IKKA Corporation, a non-consolidated limited private company were both absorbed by another subsidiary of Advanex group, Daiichi Kasei Co., Ltd. Moreover, KATO FASTENING SYSTEMS, INC. is excluded from the scope of consolidation, as a result of the sales of all of its shares that Advanex Inc. held, which took place on September 11, 2009. As for the cumulative results of the second quarter of the current fiscal year, the business performance of KATO FASTENING SYSTEMS, INC. is included in the scope of the consolidation.

- (2) Application of simplified accounting procedures and accounting particular to preparation of quarterly consolidated financial statements

Application of simplified accounting procedures

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) Change in accounting principals, procedures, presentations, etc. associated with the preparation of quarterly consolidated financial statements

None

- (4) Key events regarding going concern assumption

Under the circumstance of US triggered global financial crisis and economic down turn, which led to production adjustments in manufacturing especially in OA equipment, precision component, and automotive industries, Advanex group acknowledged that key events such as substantial sales drop, continuation of operating loss and net loss recording, which threaten our going concern assumption, did take place during the fiscal year ended March 31, 2009. Considering the continuation of operating loss in the third quarter of the fiscal year, the company acknowledges that key events, which threaten our going concern assumption, will continually exist during the fiscal year ending March 31, 2010.

In response to this harsh business conditions, the company is currently undertaking management streamlining to improve its earnings, which has realized operating gain in the second quarter and in the third quarter for the fiscal year ending 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 in the fiscal year ending March 31, 2010.

5. CONSOLIDATED FINANCIAL STATEMENTS

(1) CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2010 third quarter (As of December 31,2009)	FY2009 (As of March 31,2009)
ASSETS		
Current assets:		
Cash and time deposits	3,733,950	4,017,221
Trade notes and accounts receivable	7,051,775	6,221,305
Finished goods	881,302	1,032,884
Work in process	663,620	668,344
Raw materials and stored items	1,531,737	1,690,003
Deferred income tax	22,979	71,016
Other current assets	600,529	801,620
Allowance for doubtful accounts	(52,050)	(22,437)
Total current assets	14,433,845	14,479,958
Fixed assets:		
Tangible fixed assets		
Buildings and structures	2,132,987	2,035,458
Machinery and equipment	2,587,696	2,903,784
Land	2,413,704	2,431,309
Others	664,956	817,167
Total tangible fixed assets	7,799,345	8,187,719
Intangible fixed assets		
Goodwill	52,661	63,815
Others	269,067	157,106
Total intangible fixed assets	321,728	220,921
Total investments and other assets	448,181	904,826
Total fixed assets	8,569,255	9,313,468
Total assets	23,003,101	23,793,426

	FY2010 third quarter (April 1, 2009 through December 31, 2009)	FY2009 (As of March 31, 2009)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	4,706,067	3,537,841
Short-term borrowings	3,917,844	3,455,202
Long-term borrowings due within one year	1,719,203	2,328,062
Accrued income taxes	73,515	90,796
Allowance for bonus	28,103	46,852
Other current liabilities	1,068,587	1,926,277
Total current liabilities	11,513,321	11,385,033
Long-term liabilities:		
Long-term borrowings	4,693,077	4,111,902
Deferred tax liabilities	313,093	328,040
Retirement allowance for employees	1,346,488	1,638,896
Retirement allowance for directors	53,575	62,255
Negative goodwill	157,375	244,336
Other long-term liabilities	677,863	775,692
Total long-term liabilities	7,241,473	7,161,123
Total liabilities	18,754,795	18,546,157
NET ASSETS		
Shareholder's equity		
Common stock	3,451,610	3,451,610
Capital surplus	2,571,588	2,572,288
Retained earnings	(1,704,477)	(1,158,543)
Treasury stock	(133,278)	(133,217)
Total shareholder' equity	4,185,442	4,732,137
Valuation and translation adjustments		
Valuation gain (loss) on other securities	5,753	(32,241)
Foreign exchange adjustment	(1,342,777)	(1,193,692)
Total valuation and translation adjustments	(1,337,024)	(1,225,934)
Warrants	20,594	12,587
Minority interests	1,379,293	1,728,479
Total net assets	4,248,305	5,247,269
Total liabilities and net assets	23,003,101	23,793,426

(2) CONSOLIDATED STATEMENT OF INCOME

(Amount: thousands of yen)

	FY2010 third quarter (April 1, 2009 through December 31, 2009)	FY2009 third quarter (April 1, 2008 through December 31, 2008)
Net sales	21,869,342	31,252,449
Cost of sales	17,404,666	24,726,601
Gross profit	4,464,675	6,525,848
Selling, general and administrative expenses	4,817,283	6,792,983
Operating income (loss)	(352,608)	(267,135)
Non-operating revenues		
Interests	9,354	22,024
Amortization of negative goodwill	94,425	165,702
Others	106,159	141,429
Total non-operating revenues	209,939	329,155
Non-operating expenses		
Interests	206,638	166,605
Foreign exchange loss	201,524	159,857
Others	34,923	84,965
Total non-operating expenses	443,086	411,429
Ordinary income (loss)	(585,755)	(349,409)
Extraordinary gain		
Gain on sale of fixed assets	43,138	13,296
Others	12,343	---
Total extraordinary gain	55,482	13,296
Extraordinary loss		
Loss on disposal of fixed assets	3,178	17,872
Loss on sale of investment securities	15,223	---
Valuation losses on investment securities	---	36,913
Impairment loss	3,005	1,430,610
Loss on prior-term adjustment	1,047	39,839
Loss on sales of stocks of subsidiaries and affiliates	35,177	---
Others	11,878	375
Total extraordinary loss	69,511	1,525,612
Net Income (or loss) before income taxes	(599,784)	(1,861,725)
Corporate, inhabitant and enterprise taxes	109,626	86,471
Corporate tax adjustments	(3,348)	(27,604)
Total income taxes	106,277	58,867
Minority interests (loss)	(245,518)	100,223
Net income (loss)	(460,543)	(2,020,816)

(3) Going Concern Assumption
None

(4) SEGMENT INFORMATION

Business Segments

FY2010 third quarter (April 1, 2009 through December 31, 2009)

	Precision springs	Precision component parts	Motors	Plastics	Total	Eliminations	Consolidated
Amount: thousands of yen							
Net sales							
(1) Net sales to third parties	9,223,819	3,097,963	2,837,245	6,710,313	21,869,342	--	21,869,342
(2) Intra-group Net sales and transfers	80,525	--	--	--	80,525	(80,525)	--
Total sales	9,304,345	3,097,963	2,837,245	6,710,313	21,949,868	(80,525)	21,869,342
Operating income (loss)	(311,136)	(497,896)	(37,961)	(133,761)	(358,483)	5,874	(352,608)

Business Segments

FY2009 third quarter (April 1, 2008 through December 31, 2008)

	Precision springs	Precision component parts	Motors	Plastics	Total	Eliminations	Consolidated
Amount: thousands of yen							
Net sales							
(3) Net sales to third parties	13,202,031	6,163,813	3,779,011	8,107,593	31,252,449	--	31,252,449
(4) Intra-group Net sales and transfers	184,385	--	--	--	184,385	(184,385)	--
Total sales	13,386,416	6,163,813	3,779,011	8,107,593	31,436,834	(184,385)	31,252,449
Operating income (loss)	(35,542)	173,855	(172)	(408,404)	(270,263)	3,127	(267,135)

[Notes]

- Business segments are categorized by product type.
- Major products in each segment
 - Precision springs: Extension, compression, and torsion springs; wire forming; flat springs; others
 - Precision component parts: Insert molding, high-performance hinge units; others
 - Motors: DC motors, coreless motors, geared motors; others
 - Plastics: Plastic Injection Molder; others

Geographic Segments

FY2010 third quarter (April 1, 2009 through December 31, 2009)

	Japan	United States	Europe	Asia	Total	Eliminations	Consolidated
Amount: thousands of yen							
Net sales							
(1) Net sales to third parties	17,179,094	966,760	628,667	3,094,819	21,869,342	--	21,869,342
(2) Intra-group Net sales and transfers	96,700	5,610	102,597	22,801	227,710	(227,710)	--
Total sales	17,275,795	972,370	731,264	3,117,621	22,097,052	(227,710)	21,869,342
Operating income (loss)	(635,963)	(35,086)	(9,090)	287,718	(392,422)	39,814	(352,608)

Geographic Segments

FY2009 third quarter (April 1, 2008 through December 31, 2008)

	Japan	United States	Europe	Asia	Total	Eliminations	Consolidated
Amount: thousands of yen							
Net sales							
(3) Net sales to third parties	25,015,103	1,435,378	891,822	3,910,145	31,252,449	--	31,252,449
(4) Intra-group Net sales and transfers	184,325	12,364	298,429	56,026	551,145	(551,145)	--
Total sales	25,199,428	1,447,742	1,190,251	3,966,172	31,803,594	(551,145)	31,252,449
Operating income (loss)	(569,030)	93,880	58,935	150,998	(265,214)	(1,920)	(267,135)

[Notes]

- National or regional segments are determined by geographic proximity.
- Countries or regions in geographic segments other than Japan and the United States are as follows.
 - Europe: United Kingdom
 - Asia: Singapore, Malaysia, Thailand, China, Vietnam

Overseas Sales

FY2009 third quarter (April 1, 2009 through December 31, 2009)

	United States	Europe	Asia	Total
Overseas sales (Thousands of yen)	1,303,007	540,979	7,742,578	9,586,565
Consolidated net sales (Thousands of yen)	--	--	--	21,869,342
Overseas sales to consolidated net sales ratio (%)	6.0	2.5	35.4	43.8

Overseas Sales

FY2008 third quarter (April 1, 2008 through December 31, 2008)

	United States	Europe	Asia	Total
Overseas sales (Thousands of yen)	2,105,122	1,001,125	10,207,442	13,313,691
Consolidated net sales (Thousands of yen)	--	--	--	31,252,449
Overseas sales to consolidated net sales ratio (%)	6.7	3.2	32.7	42.6

[Notes]

1. National or regional segments are determined by geographic proximity.
2. Countries or regions in geographic segments other than Japan and the United States are as follows.
 - (1) Europe: United Kingdom, Finland, France, etc.
 - (2) Asia: Singapore, Malaysia, Thailand, China, Korea, Vietnam, etc.
3. Overseas sales are sales in countries or regions outside Japan by Advanex Inc. and its consolidated subsidiaries.

(5) SIGNIFICANT CHANGES IN SHAREHOLDERS' EQUITY

None