

ADVANEX INC.
Flash Report (Consolidated Basis)



Results for FY2010 Second quarter(six months ended September 30, 2009)

November 10, 2009

Company name: ADVANEX INC.
Code number: 5998
Representative: Yuichi Kato, Chairman & CEO, President & COO
Inquiries: Toshiya Ono, CFO & Director
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Stock listings: Tokyo Stock Exchange
URL <http://www.advanex.co.jp>
Telephone: +81-3-3822-5860

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

1. Performance (April 1, 2009 through September 30, 2009)

(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, 2009	14,247	(35.8)	(368)	--	(580)	--	(548)	--
Six months ended September 30, 2008	22,201	--	179	--	277	--	(32)	--

	Net income per share	Net income per share after dilution
	Yen	Yen
Six months ended September 30, 2009	(13.80)	--
Six months ended September 30, 2008	(0.82)	--

(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, 2009	22,909	4,165	11.6	67.17
As of March 31, 2009	23,793	5,247	14.7	88.29

[Reference] Total shareholder's equity: ¥ 2,667 million yen at September 30, 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 FY2009 (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	30,500	(18.6)	150	--	(90)	--	(200)	--	(5.04)

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

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.)
[Note] For further details see page 4, "Qualitative Information and Financial Statements 4. Other".
- (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 year-end:
 - 40,155,637 shares at September 30, 2009
 - 40,155,637 shares at March 31, 2009
 - b. Number of shares of treasury stock at fiscal year-end:
 - 452,926 shares at September 30, 2009
 - 444,362 shares at March 31, 2009
 - c. Average number of shares issued and outstanding in each period:
 - 39,706,432 shares at September 30, 2009
 - 39,731,902 shares at September 30, 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.

Please refer to page 4 for more information on items mentioned in the business forecasts.

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Consolidated Business Results

During the second quarter (from April 1 to September 30, 2009) of the fiscal year under review, a recovery of overall production and export level materialized because of the economic turnaround overseas, notably in emerging economies. Also, advanced inventory adjustment allowed the economic trend to go upward.

In related manufacturing markets such as OA equipment, Precision component and Automobile, the production level plummeted in the first quarter (from April 1 to June 30, 2009) of the current fiscal year, compared to the same period of the last fiscal year. However, the production level finally started to pick up in the second quarter (from July 1 to September 30, 2009.)

As for the prospect of the economic situation, the full recovery is yet to be materialized with excessive employment, plant and equipment remaining to be addressed while weak consumer spending continues.

Under these circumstances, consolidated net sales of the ADVANEX group for the second quarter of the current fiscal year amounted to ¥14,247 million, or a 35.8% decline year on year, reflecting sales drop in every business segment, especially due to big sales drop in the first quarter. Operating loss worsened ¥547 million to a loss of ¥368 million, influenced by plummeted net sales and profits in precision component parts segment. Ordinary income also decreased ¥858 million to a loss of ¥580 million, due mainly to increased non-operating expenses including foreign exchange loss. As a result, a net loss amounted to ¥548 million, a drop of ¥515 million.

With regard to the consolidated business results of the second quarter (from July 1 to September 30, 2009) of the current fiscal year, the company successfully moved to the black in operating income and ordinary income thanks to the sales recovery in precision springs segment and reduction in fixed costs as a way to streamline our management.

Results by operating segments are as follows.

Precision springs

Net sales in this segment amounted to ¥5,925 million, a 38.1% decrease from the same period of the previous fiscal year, primarily because of the sluggish sales to OA equipment and automobile markets. Contrary to the decreased sales, earnings recovered by our management streamlining efforts to reduce costs, including fixed costs such as labor costs. However, due to declined earnings in Europe and the United States, operating income fell ¥77 million year on year to ¥47 million.

Precision component parts

In mainstay hinge units for mobile phone handsets, sales plunged due mainly to weaker domestic demand and a sharp drop of sales in high performance hinge units overseas, particularly in Europe and the United States. As a result, net sales plummeted 50.2 % year on year to ¥2,216 million, with an operating loss of ¥212 million, a ¥457 million decline from the same period of the previous fiscal year.

Motors

Net sales declined 27.6% year on year to ¥1,837 million due to plunged sales to the healthcare market. Accordingly, operating income fell ¥29 million from the same period of the last fiscal year to a loss of ¥38 million.

Plastics

Net sales in this segment amounted to ¥4,268 million, a 24.2% drop year on year. This is mainly due to decreased orders received from customers in OA equipment market, although sales to automobile market recovered in the second quarter of the fiscal year under review. In the face of the negative sales effect, operating loss recovered ¥14 million to a loss of ¥169 million as a fruit of our efforts to reduce fixed costs including labor costs, in addition to no more amortization of goodwill, which was recorded in the same period of the previous fiscal year.

Results by geographic segments are as follows.

Japan

Net sales in Japan fell 36.6% to ¥11,121 million mainly due to dropped sales of precision springs and plastics to OA equipment and automobile markets, as well as sluggish sales of high performance hinge units for mobile phone handsets. Furthermore, since the earnings of precision component parts segment significantly deteriorated compared to the same period of the last fiscal year, operating loss worsened ¥429 million to a loss of ¥563 million.

United States

Net sales in the United States amounted to ¥755 million, a 29.7% drop year on year, owing to stronger yen and dull sales of precision springs to automobile and aerospace markets in weak US economy. As a result, operating income fell ¥135 million year on year to a loss of ¥8 million.

Europe

Net sales in Europe decreased 45.7% year on year to ¥371 million, due to further appreciation of the yen and sluggish sales of precision springs in struggling UK economy. As a result, operating income went down ¥80 million

from the same period of the last fiscal year to ¥0 million.

Asia

Net sales in this region dropped 30.9% to ¥1,998 million. However, sales to OA equipment and automobile markets in the second quarter (from July 1 to September 30, 2009) bounced back in Singapore, Thailand and China. In addition, the effects of our cost cutting efforts led to an operating income of ¥162 million, a ¥41 million increase year on year.

2. Qualitative Information Regarding Consolidated Financial Position

Total assets at the end of the second quarter were ¥22,909 million, decreasing ¥883 million compared with the end of the previous fiscal year (March 31, 2009).

Major reasons are as follows.

In assets, in addition to a ¥464 million drop in the inventories, the tangible fixed assets declined ¥258 million due primarily to depreciation.

Liabilities increased ¥197 million from the end of the previous fiscal year to ¥1,843 million. Main reasons are as follows: a ¥817 million decline in other liabilities recorded by realization of accrued expenses for business streamlining efforts; a ¥318 million drop 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 ¥752 million increase of long-term borrowings; a ¥710 million increase of the trade notes and account payable as a result of a rise in sales.

Net assets declined ¥1,081 million from the end of the previous fiscal year to ¥4,165 million. This drop is mainly due to a net loss of ¥548 million for the second quarter (from April 1 to September 30, 2009) under review, as well as a ¥245 million decrease in foreign exchange adjustment in accordance with stronger yen, and etc.

As a result, the shareholder's equity ratio dropped 3.1 percentage points to 11.6%.

3. Qualitative Information Regarding Consolidated Business Forecasts

Taking into account the consolidated business performance of the second quarter of the current fiscal year, as well as subsidiaries' business trend in the future, the company revised its consolidated full year forecast from which was disclosed in the announcement on October 7, 2009. For further information, please refer to the statement of "Revisions to the FY2010 Business Forecast" announced today.

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 second 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 current fiscal period under review, 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 first half 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 will be forecast to bring operating gain in the full year 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 second quarter (As of September 30,2009)	FY2009 (As of March 31,2009)
ASSETS		
Current assets:		
Cash and time deposits	3,949,290	4,017,221
Trade notes and accounts receivable	6,673,166	6,221,305
Finished goods	815,410	1,032,884
Work in process	693,250	668,344
Raw materials and stored items	1,417,734	1,690,003
Deferred income tax	22,534	71,016
Other current assets	655,792	801,620
Allowance for doubtful accounts	(56,330)	(22,437)
Total current assets	14,170,849	14,479,958
Fixed assets:		
Tangible fixed assets		
Buildings and structures	2,164,011	2,035,458
Machinery and equipment	2,690,434	2,903,784
Land	2,407,205	2,431,309
Others	667,437	817,167
Total tangible fixed assets	7,929,087	8,187,719
Intangible fixed assets		
Goodwill	58,107	63,815
Others	278,660	157,106
Total intangible fixed assets	336,768	220,921
Total investments and other assets	472,835	904,826
Total fixed assets	8,738,692	9,313,468
Total assets	23,909,541	23,793,426

	FY2010 second quarter (As of September 30,2009)	FY2009 (As of March 31,2009)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	4,247,918	3,537,841
Short-term borrowings	3,727,695	3,455,202
Long-term borrowings due within one year	2,094,687	2,328,062
Accrued income taxes	78,958	90,796
Allowance for bonus	46,301	46,852
Other current liabilities	1,069,306	1,926,277
Total current liabilities	11,264,866	11,385,033
Long-term liabilities:		
Long-term borrowings	4,864,294	4,111,902
Deferred tax liabilities	312,436	328,040
Retirement allowance for employees	1,320,448	1,638,896
Retirement allowance for directors	53,575	62,255
Negative goodwill	188,090	244,336
Other long-term liabilities	739,844	775,692
Total long-term liabilities	7,478,690	7,161,123
Total liabilities	18,743,557	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	(1,792,033)	(1,158,543)
Treasury stock	(133,236)	(133,217)
Total shareholder' equity	4,097,928	4,732,137
Valuation and translation adjustments		
Valuation gain (loss) on other securities	8,710	(32,241)
Foreign exchange adjustment	(1,439,470)	(1,193,692)
Total valuation and translation adjustments	(1,430,759)	(1,225,934)
Warrants	18,292	12,587
Minority interests	1,480,522	1,728,479
Total net assets	4,165,984	5,247,269
Total liabilities and net assets	23,909,541	23,793,426

(2) CONSOLIDATED STATEMENT OF INCOME

(Amount: thousands of ye

	FY2010 second quarter (from April 1 to September 30,2009)	FY2009 second quarter (from April 1 to September 30,2009)
Net sales	14,247,163	22,201,001
Cost of sales	11,379,629	17,419,317
Gross profit	2,867,533	4,781,683
Selling, general and administrative expenses	3,235,643	4,601,926
Operating income	(368,109)	179,757
Non-operating revenues		
Interests	9,446	17,568
Foreign exchange gain	---	48,525
Amortization of negative goodwill	62,950	117,570
Others	78,600	84,831
Total non-operating revenues	150,997	268,496
Non-operating expenses		
Interests	140,658	104,698
Foreign exchange loss	195,943	---
Others	26,888	65,718
Total non-operating expenses	363,491	170,416
Ordinary income	(580,603)	277,837
Extraordinary gain		
Gain on sale of fixed assets	35,393	12,593
Others	10,775	---
Total extraordinary gain	46,168	12,593
Extraordinary loss		
Loss on disposal of fixed assets	3,027	17,485
Loss on sale of investment securities	14,877	---
Valuation losses on investment securities	---	2,444
Loss on prior-term adjustment	---	39,839
Loss on sales of stocks of subsidiaries and affiliates	35,177	---
Others	15,096	1,206
Total extraordinary loss	68,179	60,975
Net Income (or loss) before income taxes	(602,613)	229,455
Corporate, inhabitant and enterprise taxes	84,896	91,908
Corporate tax adjustments	(2,435)	50,452
Total income taxes	82,461	142,360
Minority interests (loss)	(136,974)	119,943
Net income (loss)	(548,100)	(32,847)

(3) GOING CONCERN ASSUMPTION

None

(4) SEGMENT INFORMATION

Business Segments

FY2010 second quarter (April 1, 2009 through September 30, 2009)

	Precision springs	Precision component parts	Motors	Plastics	Total	Eliminations	Consolidated
	Amount: thousands of yen						
Net sales							
(1) Net sales to third parties	5,925,014	2,216,261	1,837,736	4,268,150	14,247,163	--	14,247,163
(2) Intra-group Net sales and transfers	47,669	--	--	--	47,669	(47,669)	--
Total sales	5,972,683	2,216,261	1,837,736	4,268,150	14,294,832	(47,669)	14,247,163
Operating income (loss)	47,918	(212,975)	(38,323)	(169,815)	(373,195)	5,086	(368,109)

Business Segments

FY2009 second quarter (April 1, 2008 through September 30, 2008)

	Precision springs	Precision component parts	Motors	Plastics	Total	Eliminations	Consolidated
	Amount: thousands of yen						
Net sales							
(3) Net sales to third parties	9,577,424	4,452,059	2,537,968	5,633,549	22,201,001	--	22,201,001
(4) Intra-group Net sales and transfers	135,627	--	--	--	135,627	(135,627)	--
Total sales	9,713,051	4,452,059	2,537,968	5,633,549	22,336,629	(135,627)	22,201,001
Operating income (loss)	125,895	244,837	(9,090)	(183,952)	177,690	2,067	179,757

[Notes]

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

Geographic Segments

FY2010 second quarter (April 1, 2009 through September 30, 2009)

	Japan	United States	Europe	Asia	Total	Eliminations	Consolidated
Amount: thousands of yen							
Net sales							
(1) Net sales to third parties	11,121,185	755,313	371,696	1,998,967	14,247,163	--	14,247,163
(2) Intra-group Net sales and transfers	58,954	4,231	101,463	10,523	175,173	(175,173)	--
Total sales	11,180,139	759,545	473,160	2,009,490	14,422,336	(175,173)	14,247,163
Operating income (loss)	(563,630)	(8,526)	842	162,619	(408,694)	40,585	(368,109)

Geographic Segments

FY2009 second quarter (April 1, 2008 through September 30, 2008)

	Japan	United States	Europe	Asia	Total	Eliminations	Consolidated
Amount: thousands of yen							
Net sales							
(3) Net sales to third parties	17,547,348	1,074,271	685,106	2,894,274	22,201,001	--	22,201,001
(4) Intra-group Net sales and transfers	149,766	9,274	234,163	42,433	435,638	(435,638)	--
Total sales	17,697,115	1,083,545	919,270	2,936,707	22,636,639	(435,638)	22,201,001
Operating income (loss)	(133,785)	127,115	81,122	121,141	195,593	(15,836)	179,757

[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
 - (2) Asia: Singapore, Malaysia, Thailand, China, Vietnam

Overseas Sales

FY2010 second quarter (April 1, 2009 through September 30, 2009)

	United States	Europe	Asia	Total
Overseas sales (Thousands of yen)	945,841	355,481	4,771,470	6,072,793
Consolidated net sales (Thousands of yen)	--	--	--	14,247,163
Overseas sales to consolidated net sales ratio (%)	6.6	2.5	33.5	42.6

Overseas Sales

FY2009 second quarter (April 1, 2008 through September 30, 2008)

	United States	Europe	Asia	Total
Overseas sales (Thousands of yen)	1,540,585	771,274	7,692,907	10,004,767
Consolidated net sales (Thousands of yen)	--	--	--	22,201,001
Overseas sales to consolidated net sales ratio (%)	6.9	3.5	34.7	45.1

[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, Czech Republic, 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