

ADVANEX INC.

Flash Report (Consolidated Basis)

Results for FY2010 First quarter(three months ended June 30, 2009)



August 7, 2009

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 June 30, 2009)

(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, 2009	6,726	(40.6)	(550)	--	(622)	--	(515)	--
Three months ended June 30, 2008	11,315	--	147	--	275	--	63	--

	Net income per share	Net income per share after dilution
	Yen	Yen
Three months ended June 30, 2009	(12.59)	--
Three months ended June 30, 2008	1.59	--

(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, 2009	23,051	4,729	13.5	78.16
As of March 31, 2009	23,793	5,247	14.7	88.29

[Reference] Total shareholder's equity: ¥ 3,103 million yen at June 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 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
Six months Ended September 30, 2009	12,500	(43.7)	(540)	--	(610)	--	(600)	--	(15.11)
Annual	26,700	(28.8)	50	--	(90)	--	(270)	--	(6.80)

[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: 2 (ACCURATE INC., IKKA Corporation)

[Note] For further details see page 5, "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 5, "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 June 30, 2009

40,155,637 shares at March 31, 2009

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

450,210 shares at June 30, 2009

444,362 shares at March 31, 2009

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

39,708,358 shares at June 30, 2009

39,738,432 shares at June 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 first quarter (from April 1 to June 30, 2009) of the fiscal year under review, overall economic situation remained harsh, despite the fact that sharp economic downturn, which began in October last year started to slow down, owing mainly to improved exports and the inventory adjustments coming to an end, thus showing some signs of economic recovery. In related markets such as OA equipment, precision component, and automobile, production level lowered remarkably compared to the same period of the previous fiscal year. However, the production level is much better from that of the last quarter (January 1 to March 31, 2009) and we began to see some promising signs.

Under these circumstances, consolidated net sales of ADVANEX group for the first period of the fiscal year under review decreased in every business segment to ¥6,726 million, a 40.6% drop year on year. As a result of significant sales drop, operating income fell ¥698 million to a loss of ¥550 million year on year. Also, ordinary income declined ¥897 million to a loss of ¥622 million, compared to the same period last year, and net income for the period under review dropped ¥578 million to a loss of ¥515 million. However, overall business performance for the period under review improved in both sales and profits, compared to the last fiscal period (January 1 to March 31, 2009).

Results by operating segments are as follows.

1. Precision springs
Net sales decreased 42.7% from the same period of the previous fiscal year to ¥2,802 million due to lower sales to OA equipment and automotive markets. Accordingly, operating income plunged ¥200 million year on year to a loss of ¥137 million.
2. Precision component parts
In mainstay hinge units for mobile handsets, sales dropped because of domestic conservative buying and sluggish sales of high performance hinge units in U.S.A. and Europe. As a result, net sales of this segment decreased 56.7% year on year to ¥1,005 million, and operating loss amounted to ¥215 million, a ¥409 million decline from the same period of the last fiscal year.
3. Motors
Net sales went down 33.4% to ¥855 million owing to a decline in sales to healthcare market. Operating income fell ¥81 million year on year to a loss of ¥60 million.
4. Plastics
Net sales in this segment decreased 26.8 % year on year to ¥2,062 million. This mirrors decreased sales to OA equipment and automotive markets. Despite this sales decline, no amortization of goodwill, which was recorded the same period of the previous fiscal year, and efforts to reduce fixed costs including labor cost, kept operating loss to ¥137 million, a ¥11 million drop year on year.

Results by geographic segments are as follows.

1. Japan
Sales decreased 41.8% year on year to ¥5,193 million. This drop is due mainly to plunged sales of precision springs and precision component parts to OA equipment and automotive markets, and sluggish sales of high performance hinge units for mobile phone handsets. In addition, profitability of precision component parts business with its mainstay, hinge units, plummeted year on year. As a result, operating loss amounted ¥593 million, a ¥586 million increase compared to the same period of the last fiscal year.
2. United States
Sales in this region declined 31.6% year on year to ¥414 million, due to a decrease in sales to automotive and aerospace markets. Operating income decreased ¥87 million to a loss of ¥4 million.
3. Europe
Sales went down 50.3% to ¥181 million due to dull sales to automotive and medical equipment markets. Operating income declined to a loss of ¥3 million, a ¥56 million down from the same period of last fiscal year.
4. Asia
Sales decreased 34.0% year on year to ¥937 million primarily due to decline in sales of precision springs to HDD, OA equipment and precision component markets in Singapore and China. However, by the efforts to cut costs including labor cost, in addition to the closure and liquidation of ADVANEX ENGINEERING CENTRE (ASIA) PTE. LTD.), operating income decreased only ¥6 million year on year to ¥42 million.

2. Qualitative Information Regarding Consolidated Financial Position

Total assets at the end of the first quarter were ¥23,051 million, decreasing ¥742 million compared with the end of the previous fiscal year (March 31, 2009). Major reasons are as follows.

In assets, trade notes and accounts receivable and inventory assets decreased ¥258 million and ¥295 million respectively, mainly owing to plunged sales. Tangible fixed assets decreased ¥190 million due primarily to depreciation.

Liabilities decreased ¥268 million by the liquidation of accrued expenses, which were declared as the restructuring efforts.

Total net assets declined ¥517 million to ¥4,729 million compared with the end of the last fiscal year.

This is largely owing to the net loss of ¥515 million in the fiscal period under review.

As a result, the shareholder's equity ratio (excluding minority interests) was 13.5%, a 1.2% drop from that of the end of last fiscal year (March 31, 2009).

3. Qualitative Information Regarding Consolidated Business Forecasts

Regarding the prospect for the remaining year, there is no change to semi-annual (April 1, 2009 to September 30, 2009) and annual (April 1, 2009 to March 31, 2010) forecasts released on June 17, 2009. This is because the performance recorded in the first quarter under review were fairly on its track, and cost cutting efforts based on management streamlining plan is steadily going well. Therefore, the company is not in a position to make any adjustments to its forecasts.

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)

From this fiscal period under review, Accurate Inc. is excluded from the scope of consolidation, as a result of sales of all Accurate Inc.'s 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.

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

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 acknowledges that key events such as substantial sales drop in the second half of the fiscal year, 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.

In response to this harsh business conditions, the company is currently undertaking management streamlining to improve its earnings, which is forecasted to bring our business results back into the black in the second quarter of 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 first quarter (As of June 30,2009)	FY2009 (As of March 31,2009)
ASSETS		
Current assets:		
Cash and time deposits	4,102,713	4,017,221
Trade notes and accounts receivable	5,963,075	6,221,305
Finished goods	860,584	1,032,884
Work in process	631,809	668,344
Raw materials and stored items	1,603,812	1,690,003
Deferred income tax	21,218	71,016
Other current assets	789,046	801,620
Allowance for doubtful accounts	(54,564)	(22,437)
Total current assets	13,917,697	14,479,958
Fixed assets:		
Tangible fixed assets		
Buildings and structures	2,035,271	2,035,458
Machinery and equipment	2,787,071	2,903,784
Land	2,425,656	2,431,309
Others	749,668	817,167
Total tangible fixed assets	7,997,668	8,187,719
Intangible fixed assets		
Goodwill	57,609	63,815
Others	150,740	157,106
Total intangible fixed assets	208,349	220,921
Total investments and other assets	927,434	904,826
Total fixed assets	9,133,453	9,313,468
Total assets	23,051,150	23,793,426

(Amount: thousands of yen)

	FY2010 first quarter (As of June 30,2009)	FY2009 (As of March 31,2009)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	3,555,293	3,537,841
Short-term borrowings	3,860,038	3,455,202
Long-term borrowings due within one year	1,970,171	2,328,062
Accrued income taxes	72,860	90,796
Allowance for bonus	48,772	46,852
Other current liabilities	1,580,564	1,926,777
Total current liabilities	11,087,701	11,385,033
Long-term liabilities:		
Long-term borrowings	4,260,776	4,111,902
Deferred tax liabilities	315,767	328,040
Retirement allowance for employees	1,595,151	1,638,896
Retirement allowance for directors	53,575	62,255
Negative goodwill	212,861	244,336
Other long-term liabilities	795,847	775,692
Total long-term liabilities	7,233,979	7,161,123
Total liabilities	18,321,680	18,546,157
NET ASSETS		
Shareholder's equity		
Common stock	3,451,610	3,451,610
Capital surplus	2,571,772	2,572,288
Retained earnings	(1,654,202)	(1,158,543)
Treasury stock	(133,199)	(133,217)
Total shareholder' equity	4,235,981	4,732,137
Valuation and translation adjustments		
Valuation gain (loss) on other securities	(7,456)	(32,241)
Foreign exchange adjustment	(1,124,863)	(1,193,692)
Total valuation and translation adjustments	(1,132,320)	(1,225,934)
Warrants	16,218	12,587
Minority interests	1,609,589	1,728,479
Total net assets	4,729,470	5,247,269
Total liabilities and net assets	23,051,150	23,793,426

(2) CONSOLIDATED STATEMENT OF INCOME

(Amount: thousands of yen)

	FY2010 first quarter (April 1, 2009 through June 30, 2009)	FY2009 first quarter (April 1, 2008 through June 30, 2008)
NET sales	6,726,336	11,315,293
Cost of sales	5,598,446	8,818,836
Gross profit	1,127,890	2,496,456
Selling, general and administrative expenses	1,678,740	2,349,162
Operating income(loss)	(550,850)	147,294
Non-operating revenues		
Interests	6,201	9,683
Foreign exchange gain	--	94,836
Amortization of negative goodwill	31,475	66,204
Others	45,871	35,380
Total non-operating revenues	83,548	206,104
Non-operating expenses		
Interests	65,008	49,910
Foreign exchange losses	70,344	--
Others	19,742	27,988
Total non-operating expenses	155,095	77,898
Ordinary income(loss)	(622,397)	275,499
Extraordinary gain		
Gain on sale of fixed assets	34,079	2,889
Others	9,791	32
Total extraordinary gain	43,870	2,922
Extraordinary loss		
Valuation losses on investment securities	--	1,239
Loss on disposal of fixed assets	2,212	--
Special severance benefit	3,733	--
Others	547	2,687
Total extraordinary loss	6,494	3,927
Net Income (or loss) before income taxes	(585,021)	274,494
Corporate, inhabitant and enterprise taxes	27,748	68,111
Corporate tax adjustments	(6)	45,567
Total income taxes	27,741	113,678
Minority interests(loss)	(97,760)	97,554
Net income(loss)	(515,002)	63,262

(3) Going Concern Assumption

None

(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)

FY2009 first quarter (April 1, 2008 through June 30, 2008)

	Precision springs	Precision component parts	Motors	Plastics	Total	Eliminations	Consolidated
Amount: thousands of yen							
Net sales							
(3) Net sales to third parties	4,893,695	2,319,773	1,283,815	2,818,008	11,315,293	--	11,315,293
(4) Intra-group Net sales and transfers	74,522	--	--	--	74,522	(74,522)	--
Total sales	4,968,217	2,319,773	1,283,815	2,818,008	11,389,815	(74,522)	11,315,293
Operating income (loss)	62,788	193,259	20,348	(126,414)	149,982	(2,688)	147,294

[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 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)

FY2009 first quarter (April 1, 2008 through June 30, 2008)

	Japan	United States	Europe	Asia	Total	Eliminations	Consolidated
	Amount: thousands of yen						
Net sales							
(3) Net sales to third parties	8,924,509	604,961	364,877	1,420,944	11,315,293	--	11,315,293
(4) Intra-group Net sales and transfers	79,722	5,039	141,548	26,747	253,058	(253,058)	--
Total sales	9,004,232	610,000	506,425	1,447,692	11,568,351	(253,058)	11,315,293
Operating income (loss)	(6,768)	82,725	53,075	48,563	177,595	(30,301)	147,294

[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

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

Overseas Sales

FY2009 first quarter (April 1, 2008 through June 30, 2008)

	United States	Europe	Asia	Total
Overseas sales (Thousands of yen)	851,859	429,437	3,774,372	5,055,669
Consolidated net sales (Thousands of yen)	--	--	--	11,315,293
Overseas sales to consolidated net sales ratio (%)	7.5	3.8	33.4	44.7

[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 Shareholder' Equity

None