



# ADVANEX INC.

## Flash Report (Consolidated Basis)

Results for FY2012 First quarter(three months ended June 30, 2011)

August 9, 2011

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 12, 2011  
 yes  
 none

1. Performance (April 1, 2011 through September 30, 2011) (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, 2011	13,096	(19.0)	409	4.1	190	(9.8)	17	(80.9)
Six months ended September 30, 2010	16,159	13.4	393	--	211	--	93	--

[Note] Comprehensive income: Six months ended September 30, 2011 (471) million yen  
 Six months ended September 30, 2010 (676) million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Six months ended September 30, 2011	0.45	--
Six months ended September 30, 2010	2.36	--

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2011	18,104	2,208	11.1
As of March 31, 2011	20,758	3,160	11.8

[Reference] Total shareholder's equity: ¥ 2,013 million yen at September 30, 2011 ¥ 2,453 million yen at March 31, 2011

2. Dividends

	Dividends per share				
Record date	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, 2011	--	--	--	0.00	0.00
Year ended March 31, 2012	--	--	--	0.00	0.00
Year ended March 31, 2012 (forecast)	--	--	--	0.00	0.00

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

### 3. Forecast of consolidated results for FY2012 (April 1, 2011 through March 31, 2012)

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, 2012	25,000	(20.5)	700	26.7	360	10.2	50	--	1.26

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

### 4. Others

- (1) Significant changes in subsidiaries during the subject fiscal year: Yes  
Additions: 0 Deletions: 1 FUJI MICRO., CO.LTD.
- (2) Application of simplified accounting and specific accounting: None
- (3) Changes in accounting principles, procedures, presentations, etc.
  - a. Changes associated with revision of accounting standards, etc: None
  - b. Changes other than a.: None
  - c. Changes in accounting estimates: None
  - d. Restatement: None
- (4) Number of shares outstanding (Common stock)
  - a. Number of shares outstanding at end of period (Including treasury stock)
    - 40,155,637 shares at September 30, 2011
    - 40,155,637 shares at March 31, 2011
  - b. Number of shares of treasury stock at end of period
    - 475,340 shares at September 30, 2011
    - 469,718 shares at March 31, 2011
  - c. Average number of shares issued and outstanding in each period:
    - 39,683,871 shares at September 30, 2011
    - 39,696,610 shares at September 30, 2010

### [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.

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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, 2011) of the fiscal year under review, signs of economic slowdown were seen in Europe and the United States, impacted by Greece's default problem and others. Also, economy in China was also slowing due to factors such as inflation fear. In Japan, slowdown of corporate production activities after the earthquake started to ease then picked up during the second quarter of the fiscal year under review, as the nation's supply chain went back to normal. The recovery was rather slow primarily owing to factors such as rapid appreciation of the yen and uncertainty over the overseas economies. The OA equipment and automotive markets, which are both closely related to our business, have started to accelerate the production pace to cover the production cutback immediately after the earthquake since the beginning of the second quarter. Under such circumstances, both sales and earnings of overseas precision springs business declined compared to the same period of the previous fiscal year. On the other hand, earnings of domestic precision springs business and both domestic and overseas earnings of plastic business improved. Also, in hinge business, the amount of loss was reduced because of smaller sales of unprofitable products along with the downsizing of sales to mobile phone handset market and reduced fixed costs such as labor cost. Additionally, our Motor business subsidiary, Fuji Micro Co., shifted its status to a company accounted for under the equity method, which led the consolidated net sales to decrease significantly compared to 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 19.0% year on year to ¥13,096 million. The operating income increased 4.1% to ¥409 million thanks to improved gross margin rate and reductions in SGA costs. The ordinary income declined 9.8% to ¥190 million, primarily owing to the foreign exchange loss caused by the stronger yen. The net income for the second quarter decreased 80.9% to ¥17 million, because of factors such as recorded extraordinary loss from a loss on change in equity by the changed status of one of the subsidiaries.

Results by operating segments are as follows. As of the first quarter of the fiscal year under review, motor business segment is excluded.

#### 1. Precision springs

In spite of decreased sales to domestic OA equipment market after the earthquake, both sales and earnings increased due to a rise in sales of profitable products to tablet-shaped mobile terminals. On the other hand, earnings in overseas markets decreased because of declined sales of Tangless Coilthreads in Europe in addition to a drop in sales to the OA equipment, etc. in Asia. As a result, net sales in this segment decreased 1.5% year on year to ¥6,973 million and segment income dropped 22.1% to ¥593 million compared to the same period of the previous fiscal year.

#### 2. Plastics

Despite a decrease in domestic sales to automotive market due to the impact of the earthquake, earnings in this segment increased thanks to a rise in sales of profitable products to OA equipment market. Also, in overseas, earnings in China recovered significantly through efforts such as price rises and cost reductions. As a result, net sales decreased 10.1% year on year to ¥4,961 million, while segment income increased by ¥127million to ¥128 million.

#### 3. Hinges

Sales of hinge units decreased as a result of company's decision to downsize its business to mobile phone handset market in April. On the other hand, the amount of loss was reduced by rise in sale prices and reduction of fixed costs such as labor cost. As a result, net sales in this segment decreased 9.7% to ¥1,161 million and segment loss amounted to ¥331 million, improving ¥145 million from the same period of the last fiscal year.

### (2) Qualitative Information Regarding Consolidated Financial Position

#### 1. Assets, liabilities and net assets

Total assets at the end of the second quarter amounted to ¥ 18,104 million, decreasing ¥ 2,654 million compared with the end of the previous fiscal year (March 31, 2011). Major reasons are as follows.

In assets section, the amounts of current assets, tangible fixed assets and intangible fixed assets decreased by ¥2,442 million, ¥415 million and ¥19 million respectively. In addition, the amount of

investments and other assets increased ¥222 million.

On the liabilities side, the amounts of current liabilities and long-term liabilities declined by ¥1,193 million and ¥510 million respectively. These changes are mainly caused by the status shift of Fuji Micro Co., which had been one of the subsidiaries, to a company accounted for under the equity method as of the first quarter of FY2012.

In net assets, total net assets amounted to ¥2,208 million, decreasing ¥951 million from the end of the previous fiscal year. This change is due mainly to a ¥439 million decrease in foreign exchange adjustment reflecting ever stronger yen. Also, the amount of minority interests decreased ¥504 million, upon Fuji Micro's status change from a consolidated subsidiary to a company accounted for under the equity method.

## 2. Cash flow

Cash and cash equivalents at the end of the second quarter of the fiscal year under review amounted to ¥1,934 million, declining ¥529 million compared with the end of the previous fiscal year. The status of various cash flows and the main factors behind changes to cash flows are as follows.

### (Cash flows from operating activities)

Net cash provided by operating activities increased ¥492 million yen. This mainly reflects increased net income before income taxes and others, reserved fund as a result of depreciation and amortization and increased trade notes and accounts payable.

### (Cash flows from investing activities)

The fund decreased ¥551 million by investing activities. One of the main reasons for this change is capital investment at Advanex, and overseas subsidiaries of Daiichi Kasei.

### (Cash flows from financing activities)

As a result of financing activities, the fund decreased ¥30 million. This change mainly reflects the repayment of lease obligations.

## (3) Qualitative Information Regarding Consolidated Business Forecasts

Regarding the prospect for the consolidated business forecasts, there is no change to the forecasts released on November 2, 2011.

## 2. Other summary information

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

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.

### (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

None

### (4) Additional information

(Adoption of the Accounting Standard for Accounting Changes and Error Corrections and its Implementation Guidance)

As of the beginning of the current fiscal quarter, "The Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24, December 4, 2009) and "The Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009) are adopted for accounting changes and corrections of prior period errors.

### 3. Key events regarding going concern assumption

Our Hinge business subsidiary, Strawberry Corporation recorded ¥956 million operating loss and ¥1,772 million net loss for the previous fiscal year. In addition, Strawberry posted ¥330 million operating loss and ¥394 million net loss for the second quarter of the current fiscal year, thus putting the company in the state of asset deficiency by ¥770million. Strawberry has been taking every measure to improve its profitability, for example by downsizing sales of unprofitable hinges to mobile phone handset market. However, because of its responsibility as a supplier and upon receiving requests from customers to extend the production period of the unprofitable products, the downsizing is expected to be delayed compared with the initial plan. Furthermore, Strawberry failed to win new business from laptop computer market. As a result, although net sales recorded more than initially forecasted, the amount of loss continued to increase. With regard to the funding to continue its operation, Strawberry is currently given a debt repayment moratorium from the financial institutions and any new borrowings are done through Advanex, while pledging Strawberry's trade notes and accounts payable as collateral. Under such circumstances, Strawberry acknowledges this as key event which threatens and raises doubts over the going concern assumption.

Advanex and the group as a whole also acknowledge this as key event which raises doubts over the going concern assumption.

However, through the share exchange conducted on November 1, 2011, Advanex made Strawberry Corporation its wholly-owned subsidiary. Advanex and the group will strive to improve its consolidated business performance while fully supporting Strawberry financially and take appropriate measures to reduce the amount of losses posted in Hinge business. In addition, the group gained support from financial institutions in terms of its funding plan including the support plan to Strawberry.

Hence, the group understands that there is no major uncertainties lie ahead to continue its operation.

#### 4. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

##### (1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2012 Second quarter (As of September 30,2011)	FY2011 (As of March 31,2011)
<b>ASSETS</b>		
Current assets:		
Cash and time deposits	2,005,162	2,497,971
Trade notes and accounts receivable	5,864,378	6,419,646
Finished goods	751,467	968,935
Work in process	573,449	779,733
Raw materials and stored items	996,560	1,759,523
Deferred income tax	331	182
Other current assets	498,150	710,124
Allowance for doubtful accounts	(41,323)	(45,215)
Total current assets	10,648,177	13,090,901
Fixed assets:		
Tangible fixed assets		
Buildings and structures	1,601,030	1,800,453
Machinery and equipment	1,952,015	2,227,896
Land	2,134,201	2,119,503
Others	517,163	472,152
Total tangible fixed assets	6,204,411	6,620,006
Intangible fixed assets		
Others	202,182	221,326
Total investments and other assets	1,049,471	826,688
Total fixed assets	7,456,065	7,668,022
Total assets	18,104,243	20,758,923



(Amount: thousands of yen)

	FY2012 Second quarter (As of September 30,2011)	FY2011 (As of March 31,2011)
<b>LIABILITIES</b>		
Current liabilities:		
Trade notes and accounts payable	4,217,972	4,597,170
Short-term borrowings	4,488,134	3,957,030
Long-term borrowings due within one year	1,498,074	2,399,215
Accrued income taxes	166,539	279,630
Allowance for bonus	145,088	113,468
Other current liabilities	809,079	1,171,475
Total current liabilities	11,324,890	12,517,991
Long-term liabilities:		
Long-term borrowings	2,268,877	2,700,975
Deferred tax liabilities	326,806	335,795
Retirement allowance for employees	1,518,577	1,495,361
Retirement allowance for directors	—	53,575
Provision for environmental measures	7,106	7,106
Asset retirement obligations	39,189	39,206
Other long-term liabilities	410,002	448,262
Total long-term liabilities	4,570,560	5,080,646
Total liabilities	15,895,450	17,598,637
<b>NET ASSETS</b>		
Shareholder's equity		
Common stock	3,451,610	3,451,610
Capital surplus	2,570,870	2,571,319
Retained earnings	(1,750,288)	(1,768,202)
Treasury stock	(134,436)	(134,463)
Total shareholder' equity	4,137,755	4,120,263
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	(17,850)	389
Foreign exchange adjustment	(2,106,260)	(1,667,000)
Total accumulated other comprehensive income	(2,124,110)	(1,666,610)
Warrants	16,640	23,721
Minority interests	178,507	682,910
Total net assets	2,208,792	3,160,285
Total liabilities and net assets	18,104,243	20,758,923

## (2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2012 Second quarter (April 1, 2011 through September 30, 2011)	FY2011 Second quarter (April 1, 2010 through September 30, 2010)
NET sales	13,096,967	16,159,801
Cost of sales	10,256,941	12,890,251
Gross profit	2,840,026	3,269,550
Selling, general and administrative expenses	2,430,866	2,876,398
Operating income	409,159	393,152
Non-operating revenues		
Interests	2,957	3,168
Rent income	43,467	35,811
Amortization of negative goodwill	—	62,950
Others	72,969	45,338
Total non-operating revenues	119,393	147,269
Non-operating expenses		
Interests	126,011	140,572
Foreign exchange losses	183,937	136,201
Others	27,686	51,906
Total non-operating expenses	337,636	328,680
Ordinary income(loss)	190,917	211,741
Extraordinary gain		
Gain on sale of fixed assets	804	5,267
Gain on liquidation of subsidiary	15,515	—
Gain on prior period adjustment	—	4,525
Others	8,006	694
Total extraordinary gain	24,326	10,487
Extraordinary loss		
Loss on disposal of fixed assets	374	1,299
Loss on change in equity	85,375	—
Loss on litigation	32,321	—
Business structure improvement expense	—	327,062
Provision for environmental measures	—	7,106
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	14,042
Others	8,485	14,585
Total extraordinary loss	126,556	364,095
Net Income (or loss) before income taxes	88,686	(141,866)
Corporate, inhabitant and enterprise taxes	77,354	133,523
Corporate tax adjustments	1,335	2,168
Total income taxes	78,690	135,691
Income (or loss) before minority interests	9,996	(277,558)
Minority interests (loss)	(7,918)	(371,358)
Net income (loss)	17,914	93,800

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2012 Second quarter (April 1, 2011 through September 30, 2011)	FY2011 Second quarter (April 1, 2010 through June 30, 2010)
Income (or loss) before minority interests	9,996	(277,558)
Other comprehensive income		
Valuation gain(loss) on other securities	(16,683)	(21,775)
Foreign currency translation adjustment	(464,889)	(378,438)
Consolidated equity for equity method affiliate	102	—
Accumulated other comprehensive income	(481,470)	(400,213)
Quarterly comprehensive income	(471,474)	(677,772)
Comprehensive income attributable to owners of the parent	(437,927)	(293,976)
Comprehensive income attributable to minority interests	(33,547)	(383,795)

### (3) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands of yen)

	FY2012 second quarter (April 1, 2011 through September 30, 2011)	FY2011 second quarter (April 1, 2010 through September 30, 2010)
Cash flows from operating activities		
Gain (Loss) before income taxes and minority interests	88,686	(141,866)
Depreciation and amortization	498,542	551,969
Amortization of goodwill	—	(50,538)
Increase (decrease) in allowance for bonuses	49,567	67,504
Increase (decrease) in retirement benefits	50,994	38,918
Increase (decrease) in allowance for doubtful accounts	(16,550)	(5,157)
Interest and dividends receivable	(4,069)	(4,984)
Interest payable	126,011	140,572
(Gain) loss on differences of foreign exchange	(5,668)	14,721
(Gain) loss on sale of fixed assets	(804)	(4,503)
(Gain) loss on disposal of fixed assets	374	1,299
Decrease (increase) in notes and accounts receivable	(214,404)	(544,999)
Decrease (increase) in inventories	(2,753)	(457,755)
Increase (decrease) in notes and accounts payable	68,537	898,020
Others	74,353	126,477
Subtotal	712,816	629,677
Proceeds from interest and dividend receivable	2,679	2,549
Payment of interests	(134,492)	(144,918)
Payment of income taxes	(88,308)	(67,738)
Net cash provided by operating activities	492,694	419,569

	FY2012 second quarter (April 1, 2011 through September 30, 2011)	FY2011 second quarter (April 1, 2010 through September 30, 2010)
Cash flows from investing activities		
Payments on purchase of tangible fixed assets	(458,270)	(491,706)
Proceeds from sales of tangible fixed assets	3,151	3,048
Payments on purchase of intangible fixed assets	(8,335)	(24,333)
Proceeds from sales of intangible fixed assets	—	1,093
Payments on purchase of investment securities	(10,729)	(11,869)
Others	(77,402)	(29,306)
Net cash used in investing activities	(551,585)	(553,074)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,144,375	(81,899)
Proceeds from long-term borrowings	999,518	525,411
Repayments on long-term borrowings	(2,114,758)	(672,983)
Dividends paid	—	(1,173)
Dividends paid to minority shareholders	(19)	(244)
Decrease (increase) in treasury stock	27	(128)
Others	(60,026)	(33,334)
Net cash used in financing activities	(30,882)	(264,352)
Effect of exchange rate changes on cash and cash equivalents	(174,880)	(126,788)
Net increase (decrease) in cash and cash equivalents	(264,654)	(524,645)
Cash and cash equivalents at the beginning of quarter	2,464,296	3,165,679
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(265,188)	—
Cash and cash equivalents at the end of quarter	1,934,454	2,641,034

(4) Notes on Going Concern Assumptions  
Not applicable

(5) SEGMENT INFORMATION

I 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				
(1) Net sales to third parties	6,973,552	4,961,581	1,161,833	13,096,967
(2) 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.

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
Elimination of Intersegment Transaction	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

II FY2011 second quarter (April 1, 2010 through September 30, 2010)

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

	Precision springs	Plastics	Hinge	Motors	Total
Net sales					
(3) Net sales to third parties	7,082,269	5,515,955	1,286,808	2,274,768	16,159,801
(4) Intra-group Net sales and transfers	66,929	2,066	—	—	68,995
Total sales	7,149,199	5,518,021	1,286,808	2,274,768	16,228,797
Operating income (loss)	762,203	12,017	(476,625)	89,268	386,862

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	386,862
Adjustment Amount of unrealized Income	(52)
Adjustment Amount of Others	6,341
Consolidated Quarterly Operating Income	393,152

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

In “Hinges” segment, impairment loss is appropriated since a part of assets of Guangzhou Strawberry Corporation is going to be retired. The amount of impairment loss concerned during the second quarter of the fiscal year is ¥33,860 thousand and is appropriated for extraordinary loss as business structure improvement expenses from the management rationalization.

- (6) Notes for Significant Change in the Amount of Shareholder's equity  
Not applicable

- (7) Major subsequent events

(Share exchange between Advanex Inc. and Strawberry Corporation)

Advanex Inc. resolved at the Board of Directors held on August 9, 2011 to conduct a share exchange through which Strawberry Corporation become a wholly-owned subsidiary of Advanex Inc. and entered into an agreement concerning the Share Exchange. Advanex Inc. conducted a share exchange on November 1, 2011, and made Strawberry Corporation its wholly-owned subsidiary. For this share exchange, Advanex Inc. issued 1,378,071 of new shares. On November 1, 2011, total number of shares issued is 41,533,708, which include 10,000 of treasury stocks.

Through this share exchange, goodwill of ¥112,481 thousand was recorded. Advanex Inc. will record an extraordinary loss for the third quarter of fiscal year ended March 31, 2012, as the whole amount was booked as an impairment loss.

(Change to employee pension benefit system)

The Advanex plans to change its employee pension program from current tax-qualified pension program to defined contribution pension program as of November 1, 2011. At the time of program shift, we plan to adopt accounting standard in accordance with "Accounting Standard for Transfer between Retirement Benefit Plan." (ASBJ Guidance No. 1) The impact on the earnings of FY2012 from this change is currently in assessment.

(Flood damage in Thailand)

Caused by the major flood took place in Thailand, our subsidiary, ADVANEX (THAILAND) LTD. suffered submersion damage. However, we have immediately launched the second factory in Amata Nakorn Industrial Estate in Chonburi Province. All of the wire spring manufacturing machines and a part of forming machines were transferred to this factory, and the operation started on November 1, 2011. At the moment, the impact on production and sales activities from the flood still remains uncertain.