



ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2012 Third quarter(Nine months ended December 31, 2011)

February 9, 2012

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Code number: 5998
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Supplementary explanation material for quarterly financial results
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Stock listings: Tokyo Stock Exchange
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February 14, 2012
yes
none

1. Performance (April 1, 2011 through December 31, 2011) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the nine months ended December 31, 2011)

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, 2011	19,104	(19.8)	501	24.5	276	88.5	75	(8.5)
Nine months ended December 31, 2010	23,810	8.9	402	--	146	--	82	--

[Note] Comprehensive income: Nine months ended December 31, 2011 (357) million yen
Nine months ended December 31, 2010 (965) million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Nine months ended December 31, 2011	1.89	--
Nine months ended December 31, 2010	2.08	--

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2011	17,640	2,436	12.7
As of March 31, 2011	20,758	3,160	11.8

[Reference] Total shareholder's equity: ¥ 2,241 million yen at December 31, 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	--	--	--		
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	--	1.20

[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)
 - 41,533,708 shares at December 31, 2011
 - 40,155,637 shares at March 31, 2011
 - b. Number of shares of treasury stock at end of period
 - 15,106 shares at December 31, 2011
 - 469,718 shares at March 31, 2011
 - c. Average number of shares issued and outstanding in each period:
 - 40,050,748 shares at December 31, 2011
 - 39,695,226 shares at December 31, 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 third quarter (from April 1 to December 31, 2011) of the fiscal year under review, domestic production activities that once slowed due to the Great East Japan Earthquake started to pick up as domestic supply chain recovered during the second quarter of the current fiscal year. However, the overall domestic economy came to a standstill, primarily due to the impact from the floods in Thailand which occurred in October, and the sluggish export caused by the appreciation of yen. The OA equipment and automotive markets, which are closely related to our business, had started to accelerate the production pace during the second quarter in order to make up for the production cutback immediately after the earthquake, however, during the third quarter, production was hindered due to the floods in Thailand and stronger yen. Under such circumstances, for the third quarter of the fiscal year under review, both sales and earnings in overseas precision spring business dropped due to factors such as the flood damage at our Thai factory and the economic slowdown arose from the European debt crisis. Although both sales and earnings of the precision spring business decreased year on year for the third quarter, in plastics business, profitability improved both in and out of Japan, despite the fact that sales fell compared with the same period of the previous fiscal year. Also, in hinge business, the amount of loss improved significantly primarily owing to smaller sales of unprofitable products as a result of business downsizing and reduced fixed costs such as labor cost. Furthermore, our motor business subsidiary, Fuji Micro Co., changed its status to a company accounted for under the equity method, which led the consolidated net sales to decline significantly year on year.

As a result, the consolidated net sales of Advanex group for the third quarter of the current fiscal year under review decreased 19.8% year on year to ¥19,104 million. Meanwhile, the operating income increased 24.5% year on year to ¥501 million, reflecting the improved profitability in plastic business and much smaller operating loss recorded in hinge business. The ordinary income increased 88.5% year on year to ¥276 million. The net income decreased 8.5% year on year to ¥75 million, due to recorded extraordinary loss from a loss on change in equity by the changed status of one of the subsidiaries and a goodwill impairment caused by Strawberry Corporation's share exchange.

Results by operating segments are as follows. Motor business segment is excluded in the fiscal year under review.

1. Precision springs

Although sales to domestic OA equipment market decreased mainly due to the effect of the earthquake, domestic earnings increased year on year, reflecting growing sales of profitable products to tablet-shaped mobile terminals mostly in the first half of the fiscal year. On the other hand, earnings in overseas market plummeted significantly mainly because of dropped sales caused by the impact of the Japanese earthquake in Asia, the flood damage at our Thai factory, and a drop in sales of Tangless Coilthreads in Europe. As a result, net sales in this segment declined 4.2% year on year to ¥9,988 million and segment income decreased 31.0% to ¥690 million year on year.

2. Plastics

Domestic sales to automotive market dropped temporarily due to factors such as the earthquake, however the business recorded solid performance domestically. Although sales to OA equipment decreased, orders for highly profitable trial products and assembly equipments increased and contributed to better earnings year on year. In addition, earnings overseas improved due mainly to better earnings in China through efforts such as price rises and cost reductions, and growing sales to automotive market in Vietnam. As a result, net sales decreased 6.3% year on year to ¥7,606 million, while segment income increased 390.7% to ¥220 million compared to the same period of the previous fiscal year.

3. Hinges

Sales of hinge units decreased as a result of company's decision to downsize the business to mobile phone handset market in April. At the same time, the amount of loss was reduced by a rise in sale prices and reduction of fixed costs such as labor cost. As a result, net sales in this segment decreased 20.4% to ¥1,509 million and segment loss amounted to ¥426 million, improving ¥336 million year on year.

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets at the end of the third quarter were ¥ 17,640 million, decreasing ¥ 3,118 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 ¥2,843 million, ¥401 million and ¥27 million respectively. In addition, the amount of investments and other assets increased ¥153 million. On the liabilities side, the amounts of current liabilities and long-term liabilities decreased by ¥1,501 million and ¥893 million respectively. These changes are due primarily to the status change of Fuji Micro Co., from a consolidated subsidiary to a company accounted for under the equity method as of the first quarter of current fiscal period under review.

In net assets section, total net assets amounted to ¥2,436 million, a ¥ 723 million decrease from the end of the previous fiscal year. This change is due mainly to a decrease in foreign exchange adjustment by ¥381 million reflecting the appreciation of the yen during the third quarter of the fiscal year under review, and a dropped amount of minority interest by ¥504 million, upon Fuji Micro's status shift to a company accounted for under the equity method.

(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.

(Retirement allowance for employees)

Advanex changed a part of its employee pension program from tax-qualified pension program to defined contribution pension program as of November 1, 2011. Along with this program change, the company recorded ¥72,285 thousand of extraordinary income as the reversal of reserve for retirement allowance for employees.

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 Corporation posted ¥424 million operating loss and ¥498 million net loss for the third quarter of the current fiscal year, thus putting the company in the state of asset deficiency by ¥874 million. Under such circumstances, Advanex group acknowledges this as a key event which threatens and raises doubts over the going concern assumption.

In order to tackle this situation, Advanex acquired all of Strawberry Corporation's shares on November 1, 2011 and made Strawberry Corporation its wholly-owned subsidiary. At the same time, Advanex established the structure to enable speedy decision-making to improve its consolidated business performance by reducing the amount of loss recorded in Hinge business.

In Hinge business for mobile phone handsets, proactive measures such as downsizing including pull-out from the market, price increase for unprofitable products, cost reduction by making the most of the resources in the group, change in the form of corporation from a big company to a small company by capital reduction and fixed cost cuts have been implemented. Also, the group already transferred the hinge business for laptop PC to a third party as of February 1, 2012. Thus, the company assumes that the future impact of loss from Hinge business to the group's consolidated business performance to be minor. Therefore, the company will fully support Strawberry Corporation's business plan for the financial year ending March 31, 2013, including financial support necessary for Strawberry Corporation to maintain its corporate status. In addition, the group already gained support from financial institutions in terms of its funding plan. 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 third quarter (As of December 31,2011)	FY2011 (As of March 31,2011)
ASSETS		
Current assets:		
Cash and time deposits	2,198,223	2,497,971
Trade notes and accounts receivable	5,197,786	6,419,646
Finished goods	824,944	968,935
Work in process	542,244	779,733
Raw materials and stored items	1,086,150	1,759,523
Deferred income tax	133	182
Other current assets	437,860	710,124
Allowance for doubtful accounts	(40,134)	(45,215)
Total current assets	10,247,218	13,090,901
Fixed assets:		
Tangible fixed assets		
Buildings and structures	1,576,338	1,800,453
Machinery and equipment	1,982,787	2,227,896
Land	2,137,995	2,119,503
Others	521,632	472,152
Total tangible fixed assets	6,218,754	6,620,006
Intangible fixed assets		
Others	194,146	221,326
Total investments and other assets	980,255	826,688
Total fixed assets	7,393,155	7,668,022
Total assets	17,640,374	20,758,923

(Amount: thousands of yen)

	FY2012 Third quarter (As of December 31,2011)	FY2011 (As of March 31,2011)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	3,991,528	4,597,170
Short-term borrowings	4,544,083	3,957,030
Long-term borrowings due within one year	1,438,360	2,399,215
Accrued income taxes	118,749	279,630
Allowance for bonus	42,249	113,468
Other current liabilities	881,364	1,171,475
Total current liabilities	11,016,335	12,517,991
Long-term liabilities:		
Long-term borrowings	1,973,538	2,700,975
Deferred tax liabilities	299,207	335,795
Retirement allowance for employees	1,457,965	1,495,361
Retirement allowance for directors	—	53,575
Provision for environmental measures	7,106	7,106
Asset retirement obligations	39,275	39,206
Other long-term liabilities	410,160	448,626
Total long-term liabilities	4,187,252	5,080,646
Total liabilities	15,203,588	17,598,637
NET ASSETS		
Shareholder's equity		
Common stock	3,451,610	3,451,610
Capital surplus	2,551,506	2,571,319
Retained earnings	(1,692,691)	(1,768,202)
Treasury stock	(2,966)	(134,463)
Total shareholder' equity	4,307,458	4,120,263
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	(17,545)	389
Foreign exchange adjustment	(2,048,466)	(1,667,000)
Total accumulated other comprehensive income	(2,066,011)	(1,666,610)
Warrants	16,640	23,721
Minority interests	178,699	682,910
Total net assets	2,436,786	3,160,285
Total liabilities and net assets	17,640,374	20,758,923

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2012 Third quarter (April 1, 2011 through December 31, 2011)	FY2011 Third quarter (April 1, 2010 through December 31, 2010)
NET sales	19,104,908	23,810,878
Cost of sales	15,031,667	19,150,468
Gross profit	4,073,241	4,660,410
Selling, general and administrative expenses	3,571,772	4,257,703
Operating income	501,468	402,707
Non-operating revenues		
Interests	5,877	5,597
Rent income	65,387	55,708
Amortization of negative goodwill	—	94,425
Others	129,983	51,351
Total non-operating revenues	201,248	207,082
Non-operating expenses		
Interests	192,070	208,733
Foreign exchange losses	164,489	169,087
Others	70,019	85,487
Total non-operating expenses	426,579	463,308
Ordinary income(loss)	276,137	146,481
Extraordinary gain		
Gain on sale of fixed assets	2,089	5,193
Gain on liquidation of subsidiary	15,406	—
Gain on prior period adjustment	—	4,950
Reversal of reserves for retirement allowance	72,285	—
Others	8,197	144
Total extraordinary gain	97,979	10,288
Extraordinary loss		
Loss on disposal of fixed assets	3,288	1,344
Loss on change in equity	85,375	—
Loss on litigation	32,321	—
Business structure improvement expense	—	356,933
Provision for environmental measures	—	7,106
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	14,030
Asset-impairment losses	112,481	—
Others	8,534	17,817
Total extraordinary loss	242,000	397,233
Net Income (or loss) before income taxes	132,116	(240,462)
Corporate, inhabitant and enterprise taxes	85,772	191,710
Corporate tax adjustments	(17,958)	2,334
Total income taxes	67,814	194,045
Income (or loss) before minority interests	64,302	(434,507)
Minority interests (loss)	(11,208)	(517,046)
Net income (loss)	75,510	82,539

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2012 Third quarter (April 1, 2011 through December 31, 2011)	FY2011 Third quarter (April 1, 2010 through December 31, 2010)
Income (or loss) before minority interests	64,302	(434,507)
Other comprehensive income		
Valuation gain(loss) on other securities	(18,277)	(10,031)
Foreign currency translation adjustment	(403,670)	(520,603)
Consolidated equity for equity method affiliate	(270)	—
Accumulated other comprehensive income	(422,217)	(530,634)
Quarterly comprehensive income	(357,915)	(965,142)
Comprehensive income attributable to owners of the parent	(324,502)	(429,239)
Comprehensive income attributable to minority interests	(33,413)	(535,902)

(3) Notes on Going Concern Assumptions
Not applicable

(4) SEGMENT INFORMATION

I FY2012 third quarter (April 1, 2011 through December 31, 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	9,988,767	7,606,439	1,509,702	19,104,908
(2) Intra-group Net sales and transfers	98,668	1,183	—	99,852
Total sales	10,087,436	7,607,622	1,509,702	19,204,760
Operating income (loss)	690,163	220,148	(426,270)	484,041

2, Information related to assets by reporting segments

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

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

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	484,041
Elimination of Intersegment Transaction	17,270
Adjustment Amount of Others	156
Consolidated Quarterly Operating Income	501,468

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

	Precision springs	Plastics	Hinge	Total
Impairment loss	—	—	112,481	112,481

- Impairment loss for goodwill was caused by a share exchange with Strawberry Corporation.

II FY2011 third quarter (April 1, 2010 through December 31, 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	10,422,907	8,119,560	1,896,436	3,371,974	23,810,878
(4) Intra-group Net sales and transfers	97,489	2,119	—	—	99,608
Total sales	10,520,396	8,121,680	1,896,436	3,371,974	23,910,487
Operating income (loss)	999,573	44,867	(763,095)	113,105	394,450

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	394,450
Adjustment Amount of unrealized Income	125
Adjustment Amount of Others	8,131
Consolidated Quarterly Operating Income	402,707

3, Information related to impairment loss of fixed assets or goodwill, etc. by reporting segment
Not applicable

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

- (6) Major subsequent events
(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. and started the operation on November 1, 2011. Majority of the facilities and loss of inventory in the flood-affected factory are covered by insurance policies, however, at the moment, the impact of overall damage resulting from the flood is yet to be clearly defined.

(Major company split)

Our consolidated subsidiary, Strawberry Corporation ("Strawberry Corporation") resolved at its Board of Directors meeting held on December 16, 2011 that by way of company split (absorption-type company split), its design, development, manufacturing and sales of PC hinge unit business ("PC business") are succeeded by Strawberry Shikata Co.,Ltd. ("Strawberry Shikata") effective February 1, 2012 ("The company split") and concluded an absorption-type company split agreement with Strawberry Shikata. The company split was executed on February 1, 2012.

In addition, Strawberry Corporation has changed its company name to "Advanex Motion Design Inc." on February 1, 2012.

[Purpose of The Company Split]

Strawberry Corporation has been engaging mainly in hinge business for mobile phone handsets and PCs as a member of Advanex group. Due to the deterioration of its business performance since last year given ever changing market condition and harsher price competition, Strawberry Corporation implemented extensive corporate streamlining measures to reform its business structure in an effort to improve its profitability. As a part of this approach, Advanex Inc. decided to acquire 100% of Strawberry Corporation's voting rights by way of share exchange on August 9, 2011 to allow acceleration of decision-making process and implementation of decided measures to overcome one of the most important business challenges, making hinge business profitable again. As of November 1, 2011, Strawberry Corporation became a wholly-owned subsidiary of Advanex Inc.

In these circumstances, it was initially planned to make PC business profitable again while continuing the business operation. Due to continuation of sluggish sales affected by changes in management environment and the flood in Thailand, however, we found it was unlikely that we would bring the business back to profitability in a short period of time, given its current sales volume. Therefore, we made a decision to transfer the PC business to Strawberry Shikata.

Shikata Co. Ltd., which is a company practically succeeds Strawberry Corporation's PC business, engages in hinge business as a group since when it established a subsidiary specializes in hinge business for laptop PC and TV in November 2003. By succeeding the PC business through The company split, Shikata group can expect further expansion of its business operation and strengthening of its business base by for example gaining new customers and enhancing its technological capabilities.

As for Strawberry Corporation, its hinge business for mobile phone handsets is to be downsized to improve the profitability, and at the same time, it will continue to strive to enter into new business fields with economic viability.