



# 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  
Representative: Yuichi Kato, Chairman & CEO, President & COO  
Inquiries: Toshiya Ono, Director & CFO  
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  
URL <http://www.advanex.co.jp>  
Telephone: +81-3-3822-5865  
August 12, 2011  
yes  
none

## 1. Performance (April 1, 2011 through June 30, 2011) (Figures less than ¥1 million have been omitted.)

### (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, 2011	6,331	(20.6)	115	(46.4)	(1)	--	(145)	--
Three months ended June 30, 2010	7,974	18.6	216	--	141	--	164	--

[Note] Comprehensive income: Three months ended June 30,2011 (312)million yen  
Three months ended June 30,2010 (185)million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Three months ended June 30, 2011	(3.67)	--
Three months ended June 30, 2010	4.13	--

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2011	18,725	2,371	11.5
As of March 31,2011	20,758	3,160	11.8

[Reference] Total shareholder's equity: ¥2,152 million yen at June 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
Six months Ended September 30, 2011	12,500	(22.6)	150	(61.8)	50	(76.3)	(150)	--	(3.78)
Year ended March 31, 2012	26,000	(17.4)	850	53.8	590	80.5	330	--	8.32

[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., 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
- (4) Number of shares outstanding (Common stock)
  - a. Number of shares outstanding at end of period (Including treasury stock)  
40,155,637 shares at June 30, 2012  
40,155,637 shares at March 31, 2012
  - b. Number of shares of treasury stock at fiscal year-end:  
470,759 shares at June 30, 2012  
469,718 shares at March 31, 2012
  - c. Average number of shares issued and outstanding in each period:  
39,685,745 shares at June 30, 2012  
39,697,696 shares at June 30, 2011

### [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 first quarter (from April 1 to June 30, 2011) of the fiscal year under review, production activities in Japan slowed due to the aftermath of the Great East Japan Earthquake. In the OA equipment and automotive markets, which are closely related to our business, our customers were forced to reduce their production volume mainly because of weaker demand affected by the earthquake and disruption to the supply chain.

Under these circumstances, net sales of our group decreased both in the precision spring and plastic businesses in and out of Japan, due to sluggish sales to the OA equipment and automotive markets. Also, net sales of the hinge business declined reflecting the decision to downsize its hinge sales to mobile phone handset market. Additionally, our Motor business subsidiary, Fuji Micro Co., shifted its status to a company accounted for under the equity method as of this fiscal period under review, 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 first quarter of the current fiscal year under review decreased 20.6% year on year to ¥ 6,331 million. The operating income decreased 46.4% year on year to ¥ 115 million. The ordinary loss amounted to ¥1 million, which was an income of ¥141 million in the same period of the previous fiscal year, reflecting factors such as the foreign exchange loss. The net loss for the first quarter under review amounted to ¥145 million, which was an income of ¥164 million in the same period of the previous fiscal year. This is because of the extraordinary loss recorded, namely a loss on change in equity, by the change of the status of the motor business subsidiary.

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

Sales to the OA equipment and automotive markets were sluggish affected by the earthquake both in Japan and overseas. Ratio of profitable parts such as parts for tablet-shaped mobile terminals increased in our product mix and contributed to higher earnings in Japan. In overseas markets, however, decreased sales and increased labor costs led to a decline in earnings. As a result, net sales in this segment decreased 4.7% year on year to ¥3,343 million and segment income dropped 30.5% to ¥252 million compared to the same period of the previous fiscal year.

#### 2. Plastics

Despite a decrease of domestic sales to OA equipment and automotive markets due to the impact of the earthquake, earnings in this segment remained at the same level thanks to better product mix with more profitable products. Also, earnings in China improved owing to successful measures such as increase in product price and cost reduction. As a result, net sales decreased 11.4% year on year to ¥2,417 million, while segment income increased 141.6% to ¥89 million.

#### 3. Hinges

Net sales in hinge business dropped after the decision to downsize hinge sales to mobile phone handset market was made in April. In addition, the continuation of partial production of unprofitable products led to a greater loss. As a result, net sales in this segment decreased 19.0% year on year to ¥570 million, and segment loss amounted to ¥230 million, deteriorating ¥11 million from the same period of the previous fiscal year.

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

Total assets at the end of the first quarter were ¥ 18,725 million, decreasing ¥ 2,033 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 ¥2,043 million, ¥268 million and ¥7 million respectively. Also, the amount of investments and other assets increased ¥286 million.

On the liabilities side, the amounts of current liabilities and long-term liabilities declined by ¥1,034 million and ¥210 million respectively. These change are due to the status shift of Fuji Micro Co., to a company accounted for under the equity method as of the fiscal period under review.

In net assets, total net assets amounted to ¥2,371 million, a ¥ 788 million drop from the end of the previous fiscal year. This change is due mainly to a net loss of ¥145 million recorded at the end of the fiscal period under review and a decrease in foreign exchange adjustment by ¥153 million, reflecting appreciation of the yen. In addition, the amount of minority interests decreased ¥484 million, upon Fuji Micro's status change from a consolidated subsidiary 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 May 13, 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, thus putting the company in the state of asset deficiency by ¥371 million. Strawberry is currently striving to improve its profitability by mostly downsizing unprofitable sales to mobile phone handset market. Yet, Strawberry is expecting ¥470 million net loss for FY2012 and 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. The group has decided to support Strawberry financially when implementing business streamlining measures including downsizing its mobile phone handset business. By reducing the amount of losses posted in Hinge business, the group will try to improve its consolidated business performance. 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 first quarter (As of June 30,2011)	FY2011 (As of March 31,2011)
<b>ASSETS</b>		
Current assets:		
Cash and time deposits	2,073,458	2,497,971
Trade notes and accounts receivable	5,988,410	6,419,646
Finished goods	876,517	968,935
Work in process	575,952	779,733
Raw materials and stored items	1,100,084	1,759,523
Deferred income tax	215	182
Other current assets	476,082	710,124
Allowance for doubtful accounts	(43,495)	(45,215)
Total current assets	11,047,225	13,090,901
Fixed assets:		
Tangible fixed assets		
Buildings and structures	1,675,958	1,800,453
Machinery and equipment	2,037,368	2,227,896
Land	2,152,921	2,119,503
Others	485,126	472,152
Total tangible fixed assets	6,351,375	6,620,006
Intangible fixed assets		
Others	213,785	221,326
Total intangible fixed assets	213,785	221,326
Total investments and other assets	1,113,138	826,688
Total fixed assets	7,678,299	7,668,022
Total assets	18,725,525	20,758,923



(Amount: thousands of yen)

	FY2012 first quarter (As of June 30,2011)	FY2011 (As of March 31,2011)
<b>LIABILITIES</b>		
Current liabilities:		
Trade notes and accounts payable	4,389,186	4,597,170
Short-term borrowings	3,438,287	3,957,030
Long-term borrowings due within one year	2,421,856	2,399,215
Accrued income taxes	175,196	279,630
Allowance for bonus	173,814	113,468
Other current liabilities	884,736	1,171,475
Total current liabilities	11,483,078	12,517,991
Long-term liabilities:		
Long-term borrowings	2,591,820	2,700,975
Deferred tax liabilities	331,668	335,795
Retirement allowance for employees	1,487,822	1,495,361
Retirement allowance for directors	—	53,575
Provision for environmental measures	7,106	7,106
Asset retirement obligations	39,215	39,206
Other long-term liabilities	412,982	448,262
Total long-term liabilities	4,870,616	5,080,646
Total liabilities	16,353,694	17,598,637
<b>NET ASSETS</b>		
Shareholder's equity		
Common stock	3,451,610	3,451,610
Capital surplus	2,571,040	2,571,319
Retained earnings	(1,913,980)	(1,768,202)
Treasury stock	(134,272)	(134,463)
Total shareholder' equity	3,974,397	4,120,263
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	(1,940)	389
Foreign exchange adjustment	(1,820,104)	(1,667,000)
Total accumulated other comprehensive income	(1,822,045)	(1,666,610)
Warrants	20,771	23,721
Minority interests	1,98,706	682,910
Total net assets	2,371,830	3,160,285
Total liabilities and net assets	18,725,525	20,758,923

## (2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2012 first quarter (April 1, 2011 through June 30, 2011)	FY2011 first quarter (April 1, 2010 through June 30, 2010)
NET sales	6,331,116	7,974,794
Cost of sales	4,988,689	6,315,912
Gross profit	1,342,426	1,658,881
Selling, general and administrative expenses	1,226,621	1,442,808
Operating income	115,805	216,073
Non-operating revenues		
Interests	1,480	1,890
Rent income	22,326	14,987
Amortization of negative goodwill	—	31,475
Others	39,952	34,280
Total non-operating revenues	63,763	82,632
Non-operating expenses		
Interests	62,220	71,094
Foreign exchange losses	82,578	63,816
Others	36,048	21,837
Total non-operating expenses	180,848	156,748
Ordinary income(loss)	(1,279)	141,957
Extraordinary gain		
Gain on sale of fixed assets	1,815	4,829
Gain on liquidation of subsidiary	15,900	—
Others	3,410	1,729
Total extraordinary gain	21,126	6,559
Extraordinary loss		
Loss on disposal of fixed assets	153	189
Loss on change in equity	85,375	—
Loss on litigation	32,192	—
Provision for environmental measures	—	7,106
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	14,062
Others	6,815	12,832
Total extraordinary loss	124,537	34,191
Net Income (or loss) before income taxes	(104,689)	114,325
Corporate, inhabitant and enterprise taxes	45,327	48,675
Corporate tax adjustments	3,050	125
Total income taxes	48,377	48,800
Income (or loss) before minority interests	(153,067)	65,524
Minority interests (loss)	(7,289)	(98,476)
Net income (loss)	(145,777)	164,001

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2012 first quarter (April 1, 2011 through June 30, 2011)	FY2011 first quarter (April 1, 2010 through June 30, 2010)
Income (or loss) before minority interests	(153,067)	65,524
Other comprehensive income		
Valuation gain(loss) on other securities	(774)	(20,228)
Foreign currency translation adjustment	(158,425)	(230,475)
Consolidated equity for equity method affiliate	(290)	—
Accumulated other comprehensive income	(159,489)	(250,704)
Quarterly comprehensive income	(312,557)	(185,179)
Comprehensive income attributable to owners of the parent	(299,238)	(80,873)
Comprehensive income attributable to minority interests	(13,319)	(104,306)

(3) Notes on Going Concern Assumptions  
Not applicable

(4) SEGMENT INFORMATION

I FY2012 first quarter (April 1, 2011 through June 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	3,343,404	2,417,321	570,390	6,331,116
(2) Intra-group Net sales and transfers	21,087	458	--	21,545
Total sales	3,364,491	2,417,779	570,390	6,352,661
Operating income (loss)	252,294	89,210	(230,112)	111,392

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	111,392
Adjustment Amount of Others	4,412
Consolidated Quarterly Operating Income	115,805

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

II FY2011 first quarter (April 1, 2010 through June 30, 2010)

1, Information related to sales and income or loss amounts by reporting segments

(Amount: thousands of yen)

	Precision springs	Plastics	Motors	Hinge	Total
Net sales					
(3) Net sales to third parties	3,507,379	2,727,214	1,036,147	704,052	7,974,794
(4) Intra-group Net sales and transfers	31,467	--	--	--	31,467
Total sales	3,538,846	2,727,214	1,036,147	704,052	8,006,261
Operating income (loss)	362,886	36,928	31,452	(219,051)	212,215

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	212,215
Adjustment Amount of Others	3,857
Consolidated Quarterly Operating Income	216,073

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

As is listed in Notification with respect to the Execution of an Agreement Regarding a Share Exchange through which Strawberry Corporation will become a Wholly-Owned Subsidiary of Advanex Inc. , Advanex Inc. resolved at the Board of Directors held today to conduct a share exchange through which Strawberry become a wholly-owned subsidiary of Advanex Inc. ,and entered into an agreement concerning the Share Exchange. Please refer to the press release disclosed for details.