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Company name	Futaba Industrial Co., Ltd.
Representative	Itsuo Kozuka, President
Stock code	7241
Exchange listings	Tokyo and Nagoya First Sections
Contact	Masumi Ishikawa, Managing Director
Telephone	+81 564-31-2211

## **Futaba Industrial Reports on the Removal of Its Stock from the Under Investigation Section and the Removal of its Convertible Bonds from the Awaiting Confirmation Section of the TSE and NSE Watch Lists, Assignment of its Stock to the Securities on Alert list, and Request for an Improvement Report**

Futaba Industrial Co., Ltd., announced that it was notified today by the Tokyo Stock Exchange (TSE) and the Nagoya Stock Exchange (NSE) that its stock has been removed from the Under Investigation (*shinsa-chu*) section, and that its convertible bonds have been removed from the Awaiting Confirmation (*kakunin-chu*) section, of the Tokyo Stock Exchange's (TSE) and the Nagoya Stock Exchange's (NSE) Securities under Supervision lists, effective March 19, 2009.

Futaba Industrial was notified by the TSE that its stock will be placed on the TSE's Securities on Alert list, effective March 20, 2009, and was requested to submit an improvement report.

### **1. Removal of stock from the Under Investigation section and convertible bonds from the Awaiting Confirmation section of the TSE and NSE Securities under Supervision lists**

On October 15, 2008, Futaba Industrial released a press release titled "Notice of Possible Restatement of Prior Years' Financial Results." Subsequently, the TSE and NSE concluded that there was significant basis for deeming the restatement of its earnings reports a material restatement, and that, depending on future developments and investigations following the submission of a correction report, Futaba Industrial might fall under Article 605, Paragraph 1-14, of the Enforcement Rules for the Securities Listing Regulations, which provides for cases in which a listed company is deemed to fall under Rule 601, Paragraph 11-a, of the Securities Listing Regulations. To warn investors, Futaba Industrial's stock was duly placed on the Under Investigation

(*shinsa-chu*) section and its convertible bonds were placed on the Awaiting Confirmation (*kakunin-chu*) section of the TSE and NSE Securities under Supervision lists.

After this, in a press release dated December 10, 2008, titled “Overview of Futaba Industrial’s Restatement Past Years’ Financial Results and Details on Revised First-half Earnings Forecast and Postponement of First-half Results Announcement,” Futaba Industrial disclosed a summary of the magnitude of the impact of the restatement of prior years’ financial results, and on December 25, 2008, it submitted a report on the restatement of prior years’ securities filings. Also, in press releases dated March 10, 2009, titled “Summary of Investigation Report by Internal Investigation Committee” and “Summary of Investigation Report by External Investigation Committee,” Futaba Industrial disclosed plans for preventive measures, along with the results of the investigations conducted by the Internal Investigation Committee and the External Investigation Committee. Today, Futaba Industrial was notified by the TSE and NSE that they concluded, as a result of their investigations, that its stock and convertible bonds do not fall under the delisting criteria. Accordingly, it was decided that its stock be removed from the Under Investigation (*shinsa-chu*) section and its convertible bonds be removed from Awaiting Confirmation (*kakunin-chu*) section of the TSE and the NSE Securities under Supervision lists.

## **2. Stock Placed on the Securities on Alert list**

As mentioned above, Futaba Industrial’s stock was removed from the Under Investigation (*shinsa-chu*) section and its convertible bonds were removed from the Awaiting Confirmation (*kakunin-chu*) section. However, it came to light that the division that manufactures dies and other equipment and the accounting department did not exchange necessary information with each other in a usable way and that more stringent accounting rules would be required in some accounting processes. Based on these factors, the TSE concluded that there was a strong need for improvements to Futaba Industrial's internal control systems and placed its stock on the Securities on Alert list, pursuant to Rule 501, Paragraph 1, of the Securities Listing Regulations.

## **3. Request for the submission of an improvement report**

On December 25, 2008, Futaba Industrial disclosed restated financial results for prior years. However, the restatement constituted an inappropriate disclosure due to significant deficiencies in Futaba Industrial's systems for ensuring appropriate

disclosure. Accordingly, the TSE and NSE concluded that there was a strong need for improvements to Futaba Industrial's disclosure system and requested that Futaba Industrial submit a report describing the background to the incident and improvement measures, pursuant to Rule 502, Paragraph 1, of the Securities Listing Regulations.

Futaba Industrial is acutely aware that it damaged market trust by restating prior years' financial results and caused deep concern among its stakeholders. To restore stakeholder trust, the Futaba Industrial Group is working to prevent a recurrence of such incidents, and its directors are united in working to further strengthen corporate governance. Futaba Industrial has already implemented preventive measures, and is further strengthening those measures based on recommendations from the Internal Investigation Committee and the External Investigation Committee. Futaba Industrial has requested that the External Investigation Committee follow up on these initiatives through June 2009.

We sincerely apologize to our shareholders and other stakeholders for any concern arising from these events.