

November 11, 2009

Earnings Report for the Six Months Ended September 30, 2009

Company name: **Futaba Industrial Co. Ltd.**
 Listed on: 1st sections of TSE and NSE
 Stock code: 7241
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Scheduled dates:
 Submission of quarterly securities filing: November 11, 2009
 Commencement of dividend payments: –

(Amounts in millions are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2009 (April 1, 2009 – September 30, 2009)

(1) Operating Results

(Percentage figures represent changes versus the year-ago period)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended September 30, 2009	162,096	(27.0)	(2,471)	–	(4,370)	–	121	–
Six months ended September 30, 2008	221,921	1.7	(624)	–	(2,285)	–	(8,447)	–

	Net income per share	Net income per share – diluted
	yen	yen
Six months ended September 30, 2009	1.73	–
Six months ended September 30, 2008	(120.74)	–

(2) Financial Condition

	Total assets	Net assets	Ratio of net assets to total assets	Net assets per share
	million yen	million yen	%	yen
September 30, 2009	258,437	49,839	14.9	551.57
March 31, 2009	257,525	46,375	14.3	524.81

For reference: Shareholders' capital:
 September 30, 2009: 38,586 million yen
 March 31, 2009: 36,715 million yen

2. Dividends

Record date or period	Dividend per share				
	End Q1	End Q2	End Q3	Fiscal year end	Full year
Year ended March 31, 2009	yen –	yen 15.00	yen –	yen 0.00	yen 15.00
Year ending March 31, 2010	–	0.00			
Year ending March 31, 2010 (forecast)			–	0.00	0.00

Note: Revision of dividend forecast during the six months ended September 30, 2009: None

3. Forecast of Consolidated Earnings for the Year ending March 31, 2010 (April 1, 2009 – March 31, 2010)

(Percentage figures represent changes versus the year-ago period)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	350,000	(9.3)	(1,500)	–	(4,500)	–	(1,000)	–	(14.29)

Note: Revision of earnings forecast during the six months ended September 30, 2009: Yes

4. Other Information

- 1) Reclassification of material subsidiaries during the fiscal year (scope of consolidation): No
- 2) Use of simplified accounting and/or accounting procedures specific to the preparation of quarterly consolidated financial statements: Yes
Note: For details, see “4. Other information” on page 5 in the “Qualitative Information and Financial Statements” section.
- 3) Changes in accounting principles, procedures, and/or methods of presentation used in the preparation of quarterly consolidated financial statements:
 - (1) Changes in accord with revisions to accounting standards: No
 - (2) Changes other than those applicable to (1) above: No
- 4) Number of shares issued (common stock)
 - (1) Number of shares issued at end of period (treasury stock included):

September 30, 2009:	70,049,627 shares
March 31, 2009:	70,049,627 shares
 - (2) Number of shares held in treasury at end of period:

September 30, 2009:	91,271 shares
March 31, 2009:	90,202 shares
 - (3) Average number of outstanding shares:

Six months ended September 30, 2009:	69,958,727 shares
Six months ended September 30, 2008:	69,962,540 shares

***Appropriate Use of Financial Forecasts and Other Important Matters**

These materials contain various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based on information available at the time of preparation. Actual results may differ from those expressed or implied by forward-looking statements due to a range of factors.

Review of Operating Results and Financial Statements

1. Consolidated operating results

In the six months ended September 30, 2009, the Japanese economic slowdown eased off as stimulus measures began to take effect, but personal spending remained subdued.

Sales in the automobile industry, our primary source of customers, were positively affected by measures taken by various countries to drive vehicle sales—e.g., tax breaks on eco-cars in Japan—but were down overall versus last fiscal year's first half.

In this environment, the Futaba group worked in unison to cut costs, reduce overheads, and boost operational efficiency. Nevertheless, our consolidated sales in the six months ended September 30, 2009, were down 27.0% versus last fiscal year's first half to ¥162.0 billion. The Automobile Parts Business's sales fell 26.0% to ¥157.6 billion, while the Information and Environmental Equipment Parts Business's sales dropped 49.3% to ¥4.4 billion. We booked sales of ¥119.9 billion in Japan (down 24.8%), ¥17.6 billion in North America (down 32.5%), ¥12.5 billion in Europe (down 52.9%), and ¥19.0 billion in Asia (down 9.7%). Sales destined for overseas markets declined 33.3% to ¥51.3 billion, accounting for 31.7% of total sales.

We booked an operating loss of ¥2.4 billion (operating loss of ¥600 million last fiscal first half) and an ordinary loss of ¥4.3 billion (ordinary loss of ¥2.2 billion last fiscal first half), but with tax refunds resulting from income tax corrections, we ended with net profit of ¥100 million (net loss of ¥8.4 billion last fiscal first half). By segment, Automobile Parts generated an operating loss of ¥2.5 billion (operating loss of ¥900 million last fiscal first half), and Information and Environmental Equipment Parts generated an operating loss of ¥30 million (down 89.3% versus last fiscal first half). By region, we booked an operating loss of ¥3.6 billion for Japan (operating loss of ¥4.8 billion last fiscal first half), ¥700 million for North America (operating income of ¥600 million last fiscal first half), and ¥500 million for Europe (operating income of ¥1.0 billion last fiscal first half), while we booked operating income of ¥2.4 billion for Asia (down 1.2% versus last fiscal first half).

2. Consolidated financial condition

Total consolidated assets as of September 30, 2009, were ¥258.4 billion, up ¥900 million from March 31, 2009 (last fiscal year-end), due to an increase in accounts receivable and other factors. Total liabilities as of September 30, 2009, were ¥208.5 billion, down ¥2.5 billion from March 31, 2009, due to the repayment of long-term borrowings, redemption of convertible bonds, and other factors. Net assets as of September 30, 2009, were ¥49.8

billion, up ¥3.4 billion from March 31, 2009, due to increases in unrealized gains on securities, foreign currency translation adjustments, and minority interests.

3. Consolidated earnings forecast

In light of recent performance trends and other factors, we have revised our sales plans and are taking various measures to strengthen the company. We have revised our consolidated earnings forecast accordingly. We now forecast consolidated sales of ¥350.0 (down ¥35.8 billion, or 9.3%, versus last fiscal year), an operating loss of ¥1.5 billion (operating loss of ¥13.5 billion last fiscal year), an ordinary loss of ¥4.5 billion (ordinary loss of ¥18.5 billion last fiscal year), and a net loss of ¥1.0 billion (net loss of ¥38.0 billion last fiscal year).

4. Other information

- 1) Reclassification of material subsidiaries during the fiscal year (scope of consolidation)

Not applicable

- 2) Use of simplified accounting and/or accounting procedures specific to the preparation of quarterly consolidated financial statements

Simplified account procedures

- (1) Calculation of fixed-asset depreciation charges

For fixed assets depreciated with the diminishing-balance method, depreciation for the fiscal first half was calculated by prorating annual depreciation.

- (2) Calculation of income taxes, deferred-tax assets, and deferred-tax liabilities

Income tax payments are calculated with a method that limits deductible and taxable items and tax-credit items to those that are material. To assess deferred-tax assets' collectability, the earnings forecasts, etc., used in the previous fiscal year were used as no substantial changes in the operating environment and status of temporary differences were deemed to have taken place since the end of the preceding fiscal year (March 31, 2009).

- (3) Reserve for employees' retirement benefits

Employees' retirement benefit expenses, actuarial differences recognized, and amortization of past service liabilities for the fiscal first half were calculated by prorating the respective annual amounts for the fiscal year.

Accounting procedures specific to the preparation of quarterly consolidated financial statements

Calculation of tax expense

To calculate tax expenses, certain consolidated subsidiaries first rationally estimated the effective tax rate after application of tax-effect accounting to pretax net income for the current fiscal year (ending March 31, 2010), which includes the six months under review, and multiplied pretax net income for the six months ended September 30, 2009, by said estimated effective tax rate. Income tax adjustments are included in the "Income taxes" account item on the income statement.

- 3) Changes in accounting principles, procedures, and/or methods of presentation used in the preparation of quarterly consolidated financial statements

Not applicable

- 4) Matters of material relevance to the going-concern assumption

For the following reasons, the Futaba Group believes that there is no material about the assumption that it will continue as a going concern.

The repayment and refinancing of syndicated loans in relation to which Futaba Group subsidiaries were in breach of financial covenants at the end of last fiscal year meant that as of the six months to September 30, 2009, and thereafter, the Futaba Group was no longer in breach of those financial covenants. A new syndicated loan was used to finance the redemption of convertible bonds that matured on September 30, 2009. Further, Futaba's major lenders have expressed their intention to provide ongoing support in relation to the company's financing needs. Finally, Futaba's new management team has laid out a medium-term management plan in line with which the company expects to rapidly achieve an earnings recovery to recoup its recent consecutive operating losses as quickly as possible.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

		Millions of yen	
		As of September 30, 2009	As of March 31, 2009
Assets			
Current assets			
Cash and deposits		11,100	12,479
Trade notes and accounts receivable		49,928	42,861
Merchandise		3,629	3,288
Work in process		12,600	11,868
Raw materials and supplies		3,325	3,320
Deferred-tax assets		5	7
Other		8,614	9,848
Allowance for doubtful accounts		(20)	(31)
	Total current assets	89,184	83,642
Fixed assets			
Property, plant and equipment			
Buildings and structures, net		32,805	29,642
Machinery, equipment and vehicles, net		72,479	67,717
Tools, furniture and fixtures, net		16,989	16,403
Land		14,901	14,789
Lease assets, net		402	419
Construction in progress		8,058	22,615
	Total property, plant and equipment	145,639	151,588
Intangible fixed assets			
		451	511
Investments and other assets			
Investment securities		18,407	17,114
Deferred-tax assets		913	778
Other		6,454	3,952
Allowance for doubtful accounts		(2,613)	(63)
	Total investments and other assets	23,162	21,782
	Total fixed assets	169,252	173,882
Total assets		258,437	257,525

Liabilities		
Current liabilities		
Trade notes and accounts payable	50,030	33,465
Short-term borrowings	70,367	73,467
Current portion of long-term borrowings	3,803	4,044
Current portion of convertible bonds	–	14,722
Income taxes payable	523	500
Reserve for directors' bonuses	1	1
Other	17,450	21,783
Total current liabilities	142,177	147,985
Fixed liabilities		
Long-term borrowings	49,142	45,762
Deferred tax liabilities	7,932	7,499
Reserve for employees' retirement benefits	8,280	8,100
Reserve for directors' retirement benefits	47	116
Equity in losses of non-consolidated subsidiaries and affiliates	–	843
Other	1,018	841
Total fixed liabilities	66,420	63,163
Total liabilities	208,597	211,149
Net assets		
Shareholders' capital		
Common stock	11,820	11,820
Additional paid-in capital	13,321	13,321
Retained earnings	9,497	9,376
Treasury stock	(145)	(145)
Total shareholders' capital	34,493	34,372
Valuation and translation adjustments		
Net unrealized gains (losses) on other securities	5,492	4,377
Foreign currency translation adjustment	(1,399)	(2,034)
Total valuation and translation adjustments	4,093	2,342
Minority interests	11,252	9,660
Total net assets	49,839	46,375
Total liabilities and net assets	258,437	257,525

(2) Consolidated Statements of Income

	Millions of yen	
	Six months ended September 30, 2008	Six months ended September 30, 2009
Net sales	221,921	162,096
Cost of sales	212,656	156,040
Gross profit	9,265	6,055
Selling, general and administrative expenses	9,889	8,527
Operating income (loss)	(624)	(2,471)
Non-operating income		
Interest	150	47
Dividend income	255	94
Gain on sale of scrap materials	479	329
Valuation losses on derivative instruments	134	282
Equity in gain of non-consolidated subsidiaries and affiliates	-	3
Other	247	456
Total non-operating income	1,267	1,214
Non-operating expenses		
Interest expense	1,469	1,440
Foreign exchange loss	472	1,110
Equity in loss of non-consolidated subsidiaries and affiliates	434	-
Other	551	563
Total non-operating expenses	2,928	3,114
Ordinary income (loss)	(2,285)	(4,370)
Extraordinary gains		
Reversal of allowance for doubtful accounts	0	-
Gain on sale of investment securities	-	843
Reversal of reserve for directors' retirement benefits	-	85
Other	-	8
Total extraordinary gains	0	937
Extraordinary losses		
Impairment loss	4,004	676
Valuation loss on investment securities	-	134
Loss on disposal of fixed assets	-	496
Other	-	237
Total extraordinary losses	4,004	1,545
Income (loss) before income taxes and minority interests	(6,288)	(4,979)
Income taxes	896	(5,850)
Minority interests in equity of consolidated subsidiaries	1,262	750
Net income (loss)	(8,447)	121

(3) Notes on the going-concern assumption

Not applicable

Additional information

In November 2007, loans were improperly extended to Business Design Laboratory Co., Ltd., a Futaba subsidiary at the time. Five bills were issued (total face value of ¥1,500 million), and at the same time 45 unused bill forms were improperly removed. Futaba filed a public peremptory notice with the Okazaki Summary Court with a deadline for statements of intent to dispute of October 16, 2009, and consequently the bills were nullified on October 19, 2009. Futaba believes that the future risk of incurring losses has been adequately reduced by the court's judgment.

(4) Segment Information

Business segment information

Three months ended September 30, 2008 (July 1, 2008 – September 30, 2008)

Millions of yen

	Automobile Parts	Information and Environmental Equipment Parts	Total sales	Eliminations/corporate	Consolidated total
Operating revenues					
(1) External sales	105,889	4,337	110,227	–	110,227
(2) Intersegment sales/transfers	–	–	–	(–)	–
Total	105,889	4,337	110,227	(–)	110,227
Operating income (loss)	(3,150)	229	(2,921)	(–)	(2,921)

Notes:

1. Business segmentation is based on similarities in product usage, sales market, etc.
2. Major products by industry segment
 - (1) Automobile Parts Business: Mufflers, exhaust manifolds, and suspension parts
 - (2) Information and Environmental Equipment Parts Business: Precision components, including copiers and laser printers

Three months ended September 30, 2009 (July 1, 2009 – September 30, 2009)

Millions of yen

	Automobile Parts	Information and Environmental Equipment Parts	Total sales	Eliminations/ corporate	Consolidated total
Operating revenues					
(1) External sales	87,869	2,343	90,213	–	90,213
(2) Intersegment sales/transfers	–	–	–	(–)	–
Total	87,869	2,343	90,213	(–)	90,213
Operating income (loss)	99	(7)	92	(–)	92

Notes:

1. Business segmentation is based on similarities in product usage, sales market, etc.
2. Major products by industry segment
 - (1) Automobile Parts Business: Mufflers, exhaust manifolds, and suspension parts
 - (2) Information and Environmental Equipment Parts Business: Precision components, including copiers and laser printers

Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)

Millions of yen

	Automobile Parts	Information and Environmental Equipment Parts	Total sales	Eliminations/ corporate	Consolidated total
Operating revenues					
(1) External sales	213,217	8,703	221,921	–	221,921
(2) Intersegment sales/transfers	–	–	–	(–)	–
Total	213,217	8,703	221,921	(–)	221,921
Operating income (loss)	(999)	375	(624)	(–)	(624)

Notes:

1. Business segmentation is based on similarities in product usage, sales market, etc.
2. Major products by industry segment
 - (1) Automobile Parts Business: Mufflers, exhaust manifolds, and suspension parts
 - (2) Information and Environmental Equipment Parts Business: Precision components, including copiers and laser printers

Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)

Millions of yen

	Automobile Parts	Information and Environmental Equipment Parts	Total sales	Eliminations/corporate	Consolidated total
Operating revenues					
(1) External sales	157,684	4,412	162,096	–	162,096
(2) Intersegment sales/transfers	–	–	–	(–)	–
Total	157,684	4,412	162,096	(–)	162,096
Operating income (loss)	(2,511)	39	(2,471)	(–)	(2,471)

Notes:

1. Business segmentation is based on similarities in product usage, sales market, etc.
2. Major products by industry segment
 - (1) Automobile Parts Business: Mufflers, exhaust manifolds, and suspension parts
 - (2) Information and Environmental Equipment Parts Business: Precision components, including copiers and laser printers

Geographical segment information

Three months ended September 30, 2008 (July 1, 2008 – September 30, 2008)

Millions of yen

	Japan	North America	Europe	Asia	Total	Eliminations/corporate	Consolidated total
Operating revenues							
(1) External sales	74,178	11,480	13,395	11,173	110,227	–	110,227
(2) Intersegment sales/transfers	5,522	0	0	182	5,705	(5,705)	–
Total	79,700	11,480	13,395	11,355	115,932	(5,705)	110,227
Operating income (loss)	(4,549)	(3)	370	1,256	(2,925)	4	(2,921)

Notes:

1. Geographic segmentation is by geographic proximity
2. Major countries or regions in each segment other than Japan:
 - (1) North America: United States of America, Canada
 - (2) Europe: United Kingdom, Czech Republic
 - (3) Asia: China, India

Three months ended September 30, 2009 (July 1, 2009 – September 30, 2009)

Millions of yen

	Japan	North America	Europe	Asia	Total	Eliminations/ corporate	Consolidated total
Operating revenues							
(1) External sales	62,070	9,638	6,517	11,986	90,213	–	90,213
(2) Intersegment sales/transfers	2,944	0	0	52	2,996	(2,996)	–
Total	65,015	9,638	6,517	12,039	93,210	(2,996)	90,213
Operating income (loss)	(1,273)	(291)	(112)	1,839	162	(69)	92

Notes:

1. Geographic segmentation is by geographic proximity
2. Major countries or regions in each segment other than Japan:
 - (1) North America: United States of America, Canada
 - (2) Europe: United Kingdom, Czech Republic
 - (3) Asia: China, India

Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)

Millions of yen

	Japan	North America	Europe	Asia	Total	Eliminations/ corporate	Consolidated total
Operating revenues							
(1) External sales	148,340	26,099	26,696	20,784	221,921	–	221,921
(2) Intersegment sales/transfers	11,173	0	1	319	11,494	(11,494)	–
Total	159,513	26,100	26,697	21,104	223,416	(11,494)	221,921
Operating income (loss)	(4,870)	602	1,082	2,492	(693)	68	(624)

Notes:

1. Geographic segmentation is by geographic proximity
2. Major countries or regions in each segment other than Japan:
 - (1) North America: United States of America, Canada
 - (2) Europe: United Kingdom, Czech Republic
 - (3) Asia: China, India

Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)

Millions of yen

	Japan	North America	Europe	Asia	Total	Eliminations/ corporate	Consolidated total
Operating revenues							
(1) External sales	112,947	17,610	12,579	18,958	162,096	–	162,096
(2) Intersegment sales/transfers	6,981	0	1	102	7,086	(7,086)	–
Total	119,929	17,610	12,581	19,061	169,182	(7,086)	162,096
Operating income (loss)	(3,648)	(748)	(560)	2,461	(2,496)	24	(2,471)

Notes:

1. Geographic segmentation is by geographic proximity
2. Major countries or regions in each segment other than Japan:
 - (1) North America: United States of America, Canada
 - (2) Europe: United Kingdom, Czech Republic
 - (3) Asia: China, India

2. Overseas sales

Three months ended September 30, 2008 (July 1, 2008 – September 30, 2008)

	North America	Europe	Asia	Other areas	Total
I. Overseas sales (million yen)	12,224	13,457	11,743	242	37,667
II. Consolidated net sales (million yen)	–	–	–	–	110,227
III. Ratio of overseas sales to consolidated sales (%)	11.1	12.2	10.7	0.2	34.2

Three months ended September 30, 2009 (July 1, 2009 – September 30, 2009)

	North America	Europe	Asia	Other areas	Total
I. Overseas sales (million yen)	10,161	6,577	12,680	236	29,655
II. Consolidated net sales (million yen)	–	–	–	–	90,213
III. Ratio of overseas sales to consolidated sales (%)	11.3	7.3	14.1	0.2	32.9

Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)

	North America	Europe	Asia	Other areas	Total
I. Overseas sales (million yen)	27,762	26,959	21,762	535	77,020
II. Consolidated net sales (million yen)	–	–	–	–	221,921
III. Ratio of overseas sales to consolidated sales (%)	12.5	12.2	9.8	0.2	34.7

Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)

	North America	Europe	Asia	Other areas	Total
I. Overseas sales (million yen)	18,305	12,651	20,016	396	51,370
II. Consolidated net sales (million yen)	–	–	–	–	162,096
III. Ratio of overseas sales to consolidated sales (%)	11.3	7.8	12.4	0.2	31.7

Notes:

1. Classification method of geographic segment: by geographic proximity

2. Major countries or regions in each segment other than Japan:

(1) North America: the United States of America and Canada

(2) Europe: the United Kingdom, Czech Republic and Hungary

(3) Asia: China and India

(4) Other areas: Australia

(5) Significant Changes in Shareholders' Equity

Not applicable