May 14, 2010

Earnings Report for the Year Ended March 31, 2010

Company name:	**Futaba Industrial Co. Ltd.**
Listed on:	1st sections of TSE and NSE
Stock code:	7241
URL:	http://www.futabasangyo.com
Representative:	Yasuhiro Mishima, President
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Scheduled dates:

Ordinary general meeting of shareholders	June 25, 2010
Submission of financial statements:	June 28, 2010
Commencement of dividend payments:	–

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

1. Consolidated Financial Results for the Year Ended March 31, 2010 (April 1, 2009 – March 31, 2010)

(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	%
Year ended March 31, 2010	376,323	(2.5)	3,183	–	(399)	–	(565)	–
Year ended March 31, 2009	385,892	(13.8)	(13,585)	–	(18,587)	–	(38,054)	–

	Net income per share	Net income per share – diluted	Return on equity	Return on assets	Operating income to net sales
	yen	yen	%	%	%
Year ended March 31, 2010	(8.09)	–	(1.5)	(0.2)	0.8
Year ended March 31, 2009	(543.93)	–	(63.5)	(6.4)	(3.5)

For reference: Equity in income of non-consolidated subsidiaries and affiliates:
Year ended March 31, 2010: (223) million yen
Year ended March 31, 2009: (255) million yen

(2) Financial Condition

	Total assets	Net assets	Capital ratio	Net assets per share
	million yen	million yen	%	yen
March 31, 2010	257,205	50,459	14.8	544.42
March 31, 2009	257,525	46,375	14.3	524.81

For reference: Shareholders' capital:
March 31, 2010: 38,085 million yen
March 31, 2009: 36,715 million yen

(3) Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
	million yen	million yen	million yen	million yen
Year ended March 31, 2010	51,429	(20,281)	(23,956)	20,015
Year ended March 31, 2009	15,015	(50,251)	36,010	12,475

2. Dividends

Record date or period	Dividend per share					Total dividend paid (annual)	Payout ratio (consolidated)	Dividends / Net assets (consolidated)
	End Q1	End Q2	End Q3	Fiscal year end	Full year			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended March 31, 2009	–	15.00	–	0.00	15.00	1,049	–	1.7
Year ended March 31, 2010	–	0.00	–	0.00	0.00	–	–	–
Year ending March 31, 2011 (forecast)	–	0.00	–	–	–		–	

Note: Year-end dividend is yet to be determined.

3. Forecast of Consolidated Earnings for the Year ending March 31, 2011 (April 1, 2010 – March 31, 2011)

(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
Six months ending September 30, 2010	175,000	8.0	4,000	–	3,000	–	1,000	–	14.29
Full year	360,000	(4.3)	8,500	167.0	6,500	–	2,500	–	35.74

4. Other Information

1) Reclassification of material subsidiaries during the fiscal year (scope of consolidation): No

2) Changes in accounting principles, procedures, and/or methods of presentation used in the preparation of consolidated financial statements:
   (1) Changes in accord with revisions to accounting standards: Yes
   (2) Changes other than those applicable to (1) above: No

3) Number of shares issued (common stock)
   (1) Number of shares issued at end of period (treasury stock included):
   March 31, 2010: 70,049,627 shares
   March 31, 2009: 70,049,627 shares

(2) Number of shares held in treasury at end of period:
March 31, 2010: 92,336 shares
March 31, 2009: 90,202 shares

For reference:

1. Overview of Non-consolidated Financial Results (April 1, 2009 – March 31, 2010)

(1) Operating Results

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended March 31, 2010	266,761	(2.2)	(3,227)	–	(4,542)	–	(2,166)	–
Year ended March 31, 2009	272,745	(16.1)	(17,134)	–	(17,909)	–	(41,284)	–

	Net income per share	Net income per share – diluted
	yen	yen
Year ended March 31, 2010	(30.97)	–
Year ended March 31, 2009	(590.10)	–

(2) Financial Condition

	Total assets	Net assets	Capital ratio	Net assets per share
	million yen	million yen	%	yen
March 31, 2010	170,385	30,286	17.8	432.93
March 31, 2009	158,311	30,617	19.3	437.65

Note: Shareholders' capital: March 31, 2010: 30,286 million yen
March 31, 2009: 30,617 million yen

2. Forecast of Non-consolidated Earnings for the Year ending March 31, 2011 (April 1, 2010 – March 31, 2011)

(Percentage figures represent changes versus the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Six months ending September 30, 2010	120,000	0.9	500	–	600	–	600	–	8.58
Full year	240,000	(10.0)	2,000	–	2,000	–	2,000	–	28.59

*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.

1. Operating Results and Financial Condition

(1) Analysis of operating results

Results for year ended March 31, 2010

The Japanese economy staged a moderate recovery in the fiscal year ended March 31, 2010, as a range of fiscal stimulus measures proved effective, but consumer spending failed to develop any significant upward momentum.

Our automaker customers saw an increase in domestic vehicle sales—particularly for the hybrid sector—as they benefited from tax cuts and subsidies aimed at fueling demand for environmentally friendly vehicles, but global demand has yet to show significant signs of improvement despite strong growth in China and other emerging economies.

Our Information and Environmental Equipment Parts segment saw a further decline in domestic production of copiers—the segment's main product line—as manufacturers continued to shift production to China. Overseas production also declined in response to weaker demand.

Faced with this contraction in domestic and overseas output levels among our major customers, we have been working to reduce our capital outlays and other fixed costs while reviewing our production systems and taking various steps to improve production efficiency and cut costs associated with production, logistics, and distribution.

As a result of these efforts, we booked consolidated sales of ¥376.3 billion for the fiscal year ended March 31, 2010, down just 2.5% from the previous fiscal year. Sales of automobile components and parts fell 0.7% to ¥366.8 billion, while sales of information and environmental equipment parts dropped 43.0% to ¥9.4 billion. Sales rose for North America and Asia, dropped off slightly for Japan, and fell away significantly for Europe, totaling ¥269.0 billion for Japan (down 2.4%), ¥44.7 billion for North America (up 7.1%), ¥27.7 billion for Europe (down 40.6%), and ¥49.3 billion for Asia (up 14.9%). Sales destined for overseas markets—which accounted for 33.6% of total sales—declined 7.5% versus the previous fiscal year to ¥126.3 billion, which was primarily due to the aforementioned decline in sales to the European region.

Our company-wide efforts to improve production efficiency and reduce costs enabled us to book an operating profit of ¥3.1 billion (versus a loss of ¥13.5

billion for the previous year) and an ordinary loss of ¥0.3 billion (down from ¥18.5 billion). Our net loss shrank from ¥38.0 billion to just ¥0.5 billion as tax refunds stemming from changes to the tax code helped to offset a ¥2.1 billion extraordinary loss reflecting transfers to a new allowance for product recalls.

Outlook for year ending March 31, 2011

We continue to face a highly uncertain operating environment as a consequence of an ongoing slump in production activity among our automaker customers, but we expect our efforts to further reduce production costs, capital outlays, logistics and distribution costs, and various other expenses will translate into consolidated sales of ¥360 billion (down 4.3% versus the fiscal year ended March 31, 2010), an operating profit of ¥8.5 billion (up 167.0%), an ordinary profit of ¥6.5 billion (up ¥6.8 billion), and a net profit of ¥2.5 billion (up ¥3.0 billion).

(2) Analysis of financial condition

Total consolidated assets as of March 31, 2010, were ¥257.2 billion, down 0.1% from March 31, 2009, as a decline in construction in progress (reflecting reduced capital spending) offset increases in cash and deposits and trade accounts receivable. Total liabilities declined 2.1% to ¥206.7 billion as repayments of long-term borrowings and redemptions of bonds with stock purchase warrants offset an increase in trade accounts payable and transfers to a new allowance for product recalls, while total shareholders' capital rose 3.7% to ¥38.0 billion due largely to an increase in net unrealized gains on other securities, as a result of which net assets (including minority interests) as of March 31, 2010 stood at ¥50.4 billion, up 8.8% from a year earlier.

Cash and cash equivalents increased ¥7.5 billion over the fiscal year to ¥20.0 billion. Contributions to cash flow were as follows.

Cash flows from operating activities

Operating activities provided net cash of ¥51.4 billion, up ¥36.4 billion (242.5%) versus the previous fiscal year as a consequence of income tax refunds and an increase in trade accounts payable.

Cash flows from investing activities

Investing activities used net cash of ¥20.2 billion, down ¥29.9 billion (59.6%) versus the previous fiscal year. This significant year-over-year decline reflected cuts to capital spending stemming from a review of our production systems.

Cash flows from financing activities

Financing activities used net cash of ¥23.9 billion after providing net cash of ¥36.0 billion in the previous fiscal year. Repayments of interest-bearing debt and redemptions of bonds with stock purchase warrants were the key factors.

The following table shows various cash flow indicators for the past five fiscal years.

For reference: Cash flow indicators

	Fiscal year ended March 31,				
	2006	2007	2008	2009	2010
Capital ratio (%)	45.1	32.6	25.8	14.3	14.8
Capital ratio based on market capitalization (%)	67.0	63.3	48.8	7.7	22.1
Debt repayment period (years)	3.20	3.60	2.80	9.19	2.19
Interest coverage ratio (times)	27.0	14.6	12.8	4.9	18.5

Capital ratio: Shareholders' capital / Net assets

Capital ratio based on market capitalization: Market capitalization / Net assets

Debt repayment period: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

Note: All figures are based on consolidated accounting data.

For “operating cash flow” we use “cash flow from operating activities.” For “interest-bearing debt” we use the sum of all balance-sheet liabilities on which interest is payable. For “interest payments” we use “interest expenses” as shown in our consolidated statements of income.

(3) Dividends

Enhancing shareholder returns is a key management priority for Futaba Industrial. We strive to meet shareholder expectations regarding the return of profits based on a policy of paying stable, sustainable dividends commensurate with our earnings performance and payout ratio. To ensure shareholder returns into the future, we intend to use internally retained earnings to further strengthen our operational foundation and invest in business expansion. Accordingly, given our earnings performance for the period, we do not plan to pay a year-end dividend for the fiscal year ended March 31, 2010 considering earnings performance of the period.

We will spare no effort to resume dividend payments in the fiscal year ending March 31, 2011. However, given the tough and uncertain business conditions that we face, and Futaba Industrial's negative retained earnings, we have yet to decide on a fiscal year-end dividend. We do not plan to pay an interim dividend.

(4) Business and other risks

The Futaba group faces a number of potential risks that may influence its earnings performance and financial condition.

Forward-looking statements below reflects the Futaba group’s judgment as of March 31, 2010.

1) Risk associated with a major customers

Sales by our Automotive Parts Business account for the vast majority of the Futaba group’s total sales and rely heavily on sales to Toyota Motor Corporation. As such, the group’s earnings may be significantly affected by developments in the automotive industry as a whole and by changes to Toyota’s production levels and purchasing policies in particular.

2) Procurement risk

Changes in the supply/demand balance for key production inputs may also affect the group’s earnings performance despite our best efforts to secure stable supplies of sufficiently high-quality, low-cost materials.

3) Risk associated with overseas business operations

Our overseas expansion efforts may also impact on the group’s business results by exposing the Futaba group to the possibility of unexpected changes in laws, regulations, and/or tax regimes, social disruption, and other country- or region-specific circumstances, with exchange rate and interest rate fluctuations also a potential concern.

4) Reputation risk

Reputation risk must also be taken into consideration. For example, while we make every effort to ensure that our products are of sufficiently high quality, we cannot entirely rule out the possibility that a product recall or significant defect could do substantial damage to our earnings results.

5) Risk associated with employees' retirement benefits

Our reserves for employees' retirement benefits are based on various actuarial assumptions and assumed rates of return, and it is possible that these reserves may ultimately prove insufficient if our assumptions turn out to have been incorrect or partially flawed.

6) Market risk

Foreign exchange fluctuations may impact the group's earnings performance, because overseas sales account for more than 30 percent of the group's total sales. The group borrows to expand its business and capacity, so interest rate fluctuations also may affect the group's earnings results.

7) Risk associated with impairment losses

The group has considerable holdings of fixed assets that it uses in production operations, and the group faces the risk of being unable to recover capital invested in these assets due to factors including the deterioration of business profitability. The group books impairment losses on these fixed assets based on reasonable standards. Additional write-downs on assets in the future due to the deterioration of business profitability may affect the group's earnings.

8) Natural disaster risk

Our business performance could be significantly impacted by an earthquake in the Tokai region or other natural disaster, depending on its scale.

9) Risk associated with notes payable

Futaba obtained a judgment of nullification from the Okazaki Summary Court dated October 19, 2009, in respect of the 5 bills issued to improperly provide financial support to Business Design Laboratory Co., Ltd., and the 45 blank bill forms that were removed from company premises at that time. Futaba believes that the future risk of incurring losses has been adequately reduced by the court’s judgment.

10) Material information on officers and employees

Futaba filed a lawsuit on October 19, 2009, against three former directors and a former employee of Futaba Industrial for compensation in the sum of 1,717 million yen in relation to the financial support improperly provided to Business Design Laboratory Co., Ltd. The court’s decision is still pending.

We recognize that the above summary of business-related risks is by no means exhaustive, and we will continue to make every effort to mitigate risk factors wherever possible while also striving to minimize their potential impact.

(5) Matters of material relevance to the going-concern assumption

Futaba Industrial posted back-to-back operating losses on a non-consolidated basis, which is of material relevance to the going-concern assumption. We expect to be able to resolve this issue soon by improving our earnings performance in line with our medium-term business plan. Additionally, our ability to finance our operations is not a concern because our major lenders have expressed their intention to provide ongoing support in response to our financing requirements. We therefore do not believe that there exists any material doubt about the assumption that Futaba Industrial will continue as a going concern.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2009	As of March 31, 2010
Assets		
Current assets		
Cash and deposits	12,479	20,146
Trade notes and accounts receivable	42,861	52,900
Merchandise	3,288	3,994
Work in process	11,868	7,704
Raw materials and supplies	3,320	3,114
Deferred-tax assets	7	73
Other	9,848	9,147
Allowance for doubtful accounts	(31)	(154)
Total current assets	83,642	96,926
Fixed assets		
Property, plant and equipment		
Buildings and structures	53,521	57,563
Accumulated depreciation	(23,878)	(25,605)
Buildings and structures, net	29,642	31,957
Machinery, equipment and vehicles	180,143	188,081
Accumulated depreciation	(112,426)	(118,712)
Machinery, equipment and vehicles, net	67,717	69,368
Tools, furniture and fixtures	110,393	110,751
Accumulated depreciation	(93,990)	(98,295)
Tools, furniture and fixtures, net	16,403	12,455
Land	14,789	14,847
Lease assets	471	630
Accumulated depreciation	(51)	(216)
Lease assets, net	419	414
Construction in progress	22,615	6,586
Total property, plant and equipment	151,588	135,630
Intangible fixed assets		
Memberships (sports facilities, resort facilities)	10	9
Other	500	538
Total intangible fixed assets	511	548
Investments and other assets		
Investment securities	17,114	19,370
Long-term loans	435	2,161
Deferred-tax assets	778	864
Other	3,516	4,249
Allowance for doubtful accounts	(63)	(2,545)
Total investments and other assets	21,782	24,100
Total fixed assets	173,882	160,279
Total assets	257,525	257,205

Liabilities		
Current liabilities		
Trade notes and accounts payable	33,465	55,451
Short-term borrowings	73,467	62,938
Current portion of long-term borrowings	4,044	13,984
Current portion of convertible bonds	14,722	-
Lease obligations	102	162
Income taxes payable	500	995
Deferred tax liabilities	297	-
Reserve for directors' bonuses	1	-
Consumption tax payable	313	1,311
Accrued expenses	7,559	7,211
Allowance for loss on recalls	-	2,120
Other	13,510	7,250
Total current liabilities	147,985	151,425
Fixed liabilities		
Long-term borrowings	45,762	37,530
Lease obligations	337	272
Deferred tax liabilities	7,499	8,302
Reserve for employees' retirement benefits	8,100	8,390
Reserve for directors' retirement benefits	116	62
Equity in losses of non-consolidated subsidiaries and affiliates	843	-
Other	503	760
Total fixed liabilities	63,163	55,319
Total liabilities	211,149	206,745
Net assets		
Shareholders' capital		
Common stock	11,820	11,820
Additional paid-in capital	13,321	13,321
Retained earnings	9,376	8,810
Treasury stock	(145)	(146)
Total shareholders' capital	34,372	33,805
Valuation and translation adjustments		
Net unrealized gains (losses) on other securities	4,377	6,230
Foreign currency translation adjustment	(2,034)	(1,949)
Total valuation and translation adjustments	2,342	4,280
Minority interests	9,660	12,373
Total net assets	46,375	50,459
Total liabilities and net assets	257,525	257,205

(2) Consolidated Statements of Income

	Millions of yen	
	Year ended March 31, 2009	Year ended March 31, 2010
Net sales	385,892	376,323
Cost of sales	380,586	356,419
Gross profit	5,305	19,903
Selling, general and administrative expenses		
Freightage and packing expenses	8,315	6,858
Salaries and bonuses	4,185	3,731
Retirement benefit expenses	189	209
Provision for directors' retirement benefits	12	31
Statutory welfare and employee benefits expenses	639	573
Taxes and dues	532	471
Depreciation and amortization	521	422
Other	4,495	4,421
Total selling, general and administrative expenses	18,890	16,719
Operating income (loss)	(13,585)	3,183
Non-operating income		
Interest	220	108
Dividend income	450	222
Gain on sale of scrap materials	947	802
Amortization of negative goodwill	91	-
Valuation gains on derivative instruments	-	388
Miscellaneous income	370	588
Total non-operating income	2,080	2,111
Non-operating expenses		
Interest expense	3,066	2,771
Loss on disposal of fixed assets	448	240
Valuation losses on derivative instruments	172	-
Equity in loss of non-consolidated subsidiaries and affiliates	255	223
Foreign exchange loss	2,304	1,315
Valuation loss on investment securities	329	-
Syndicate loan commission	-	274
Miscellaneous losses	505	868
Total non-operating expenses	7,082	5,694
Ordinary income (loss)	(18,587)	(399)
Extraordinary gains		
Reversal of allowance for doubtful accounts	2	-
Subsidy for attracting enterprises	74	-
Gain on cancellation of derivative instruments	200	-
Reversal of reserve for directors' retirement benefits	143	85
Gain on sale of investment securities	-	843
Compensation received	-	448
Other	-	88
Total extraordinary gains	419	1,465
Extraordinary losses		
Valuation loss on investment securities	262	156
Impairment loss	17,205	807
Loss on removal of fixed assets	608	-
Loss on disposal of fixed assets	-	496
Provision for loss on recalls	-	2,120
Other	235	326
Total extraordinary losses	18,313	3,907
Income (loss) before income taxes and minority interests	(36,480)	(2,841)
Income taxes, inhabitants tax, and enterprise taxes	1,273	1,723
Income tax-correction	-	(5,281)
Income tax adjustments	(1,294)	(960)
Total tax	(20)	(4,518)
Minority interests in equity of consolidated subsidiaries	1,594	2,243
Net income (loss)	(38,054)	(565)

(3) Consolidated Statements of Changes in Shareholders' Capital

	Millions of yen	
	Year ended March 31, 2009	Year ended March 31, 2010
Shareholders' capital		
Common stock		
Balance at end of previous year	11,820	11,820
Balance at end of year	11,820	11,820
Additional paid-in capital		
Balance at end of previous year	13,321	13,321
Changes during the period		
Disposal of treasury stock	(0)	(0)
Total changes during the period	(0)	(0)
Balance at end of year	13,321	13,321
Retained earnings		
Balance at end of previous year	48,304	9,376
Increase (decrease) in retained earnings due to changes in accounting policies applied to overseas subsidiaries	(767)	-
Changes during the period		
Cash dividends	(2,098)	-
Net income (loss)	(38,054)	(565)
Effects of changes in scope of equity method's application	1,992	0
Total changes during the period	(38,161)	(565)
Balance at end of year	9,376	8,810
Treasury stock		
Balance at end of previous year	(139)	(145)
Changes during the period		
Disposal of treasury stock	4	0
Purchase of treasury stock	(10)	(1)
Total changes during the period	(5)	(0)
Balance at end of year	(145)	(146)
Total shareholders' capital		
Balance at end of previous year	73,307	34,372
Increase (decrease) in retained earnings due to changes in accounting policies applied to overseas subsidiaries	(767)	-
Changes during the period		
Cash dividends	(2,098)	-
Net income (loss)	(38,054)	(565)
Effects of changes in scope of equity method's application	1,992	0
Disposal of treasury stock	4	0
Purchase of treasury stock	(10)	(1)
Total changes during the period	(38,166)	(566)
Balance at end of year	34,372	33,805
Valuation and translation adjustments		
Net unrealized gain (loss) on other securities		
Balance at end of previous year	7,935	4,377
Changes during the period		
Net change in items other than shareholders' capital during the period	(3,558)	1,852
Total changes during the period	(3,558)	1,852
Balance at end of year	4,377	6,230
Foreign currency translation adjustments		
Balance at end of previous year	1,963	(2,034)
Changes during the period		

Net change in items other than shareholders' capital during the period	(3,997)	84
Total changes during the period	(3,997)	84
Balance at end of year	(2,034)	(1,949)
Total valuation and translation adjustments		
Balance at end of previous year	9,899	2,342
Changes during the period		
Net change in items other than shareholders' capital during the period	(7,556)	1,937
Total changes during the period	(7,556)	1,937
Balance at end of year	2,342	4,280
Minority interests		
Balance at end of previous year	11,013	9,660
Changes during the period		
Net change in items other than shareholders' capital during the period	(1,352)	2,713
Total changes during the period	(1,352)	2,713
Balance at end of year	9,660	12,373
Total net assets		
Balance at end of previous year	94,219	46,375
Increase (decrease) in retained earnings due to changes in accounting policies applied to overseas subsidiaries	(767)	-
Changes during the period		
Cash dividends	(2,098)	-
Net income (loss)	(38,054)	(565)
Effects of changes in scope of equity method's application	1,992	0
Disposal of treasury stock	4	0
Purchase of treasury stock	(10)	(1)
Net change in items other than shareholders' capital during the period	(8,909)	4,650
Total changes during the period	(47,076)	4,083
Balance at end of year	46,375	50,459

(4) Consolidated Cash Flow Statements

	Millions of yen	
	Year ended March 31, 2009	Year ended March 31, 2010
Cash flows from operating activities		
Loss before income taxes and minority interests	(36,480)	(2,841)
Depreciation and amortization	34,626	30,414
Impairment loss	17,205	807
Increase (decrease) in allowance for doubtful accounts	39	174
Increase (decrease) in reserve for directors' bonuses	(98)	(1)
Increase (decrease) in reserve for employees' retirement benefits	92	235
Increase (decrease) in reserve for directors' retirement benefits	(141)	(53)
Increase (decrease) in allowance for recalls	-	2,120
Interest and dividend income	(670)	(331)
Interest expense	3,066	2,771
Equity in (gain) loss of non-consolidated subsidiaries and affiliates	255	223
(Gain) loss on sale of property, plant and equipment	4	46
Loss on disposal of property, plant and equipment	1,078	737
(Gain) loss on sale of marketable securities and investment securities	63	(840)
Valuation (gain) loss on investment securities	592	73
(Increase) decrease in trade accounts receivable	22,232	(9,452)
(Increase) decrease in inventories	9,119	3,703
Increase (decrease) in trade accounts payable	(30,107)	20,517
Increase (decrease) in consumption tax payable	(299)	1,095
Other	5,328	(3,654)
Subtotal	25,907	45,747
Interest and dividend income received	689	332
Interest expense paid	(3,090)	(2,782)
Income taxes (paid) or refunded	(8,491)	8,131
Net cash provided by operating activities	15,015	51,429
Cash flows from investing activities		
Increase in time deposits	–	(128)
Proceeds from withdrawal of time deposits	133	-
Acquisition of property, plant and equipment	(50,187)	(20,693)
Proceeds from sale of property, plant and equipment	126	49
Proceeds from sale/redemption of investment securities	1,736	601
Issuance of loans receivable	(1,465)	(76)
Collection of loans	155	131
Other	(751)	(165)
Net cash used in investing activities	(50,251)	(20,281)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	42,667	(11,177)
Proceeds from long-term borrowings	8,794	14,909
Repayment of long-term borrowings	(3,315)	(13,043)
Redemption of bonds	(10,000)	(14,722)
Payments for stock repurchases	(10)	(1)
Proceeds from disposition of treasury stock	4	0
Dividends paid	(2,098)	-
Cash dividends paid to minority shareholders	(1)	(539)
Proceeds from stock issued to minority shareholders	–	744
Other	(30)	(127)
Net cash provided by (used in) financing activities	36,010	(23,956)
Effect of foreign exchange rate changes on cash and cash equivalents	(2,080)	347
Increase (decrease) in cash and cash equivalents	(1,305)	7,539
Cash and cash equivalents at beginning of period	13,781	12,475
Cash and cash equivalents at end of period	12,475	20,015

(5) Notes on the going-concern assumption

April 1, 2008 – March 31, 2009

Our restatement of past earnings announced on June 16, 2009 resulted in Futaba Industrial booking consolidated net losses of ¥13,096 million for the year ended March 31, 2006, ¥33,827 million for the year ended March 31, 2007, ¥13,061 million for the year ended March 31, 2008, and ¥38,054 million for the year ended March 31, 2009. These losses put Futaba in breach of the operating loss covenant for syndicated loans with outstanding principal totaling ¥10,000 million as of March 31, 2009, while net asset covenants have been breached in relation to syndicated loans extended to consolidated subsidiaries Futaba Imari Corp. (outstanding principal of ¥9,900 million as of March 31, 2009) and Futaba Hiraizumi Corp. (outstanding principal of ¥2,220 million as of March 31, 2009).

These breaches have cast material doubt over the going-concern assumption.

We are currently engaged in negotiations with a view to refinancing the syndicated loans for which covenants have been breached, and our major lenders have expressed their intention to provide support in this regard as well as ongoing support in relation to the refinancing of existing bank borrowings and an upcoming convertible bond redemption.

We are working to rectify the situation that resulted in Futaba having to restate its earnings for previous fiscal years by bolstering our accounting and management frameworks with the help of consultants and accounting experts provided by Toyota Motor Corporation while taking additional action to bolster our internal auditing systems and other internal controls. We are also striving to improve our earnings performance as rapidly as possible based on a medium-term business plan outlining detailed strategies for reducing costs of materials, personnel expenses, and various other expenses, boosting sales of existing products, and developing and promoting attractive new products.

However, there is still material uncertainty as to whether the targets outlined in this plan can be achieved.

Our consolidated financial statements are premised on the assumption that Futaba Corporation and its subsidiaries will be able to continue as going concerns, and therefore do not reflect the potential impact of the aforementioned doubts and uncertainty.

April 1, 2009 – March 31, 2010

Not applicable