

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 2013 [Japan GAAP]

Name of Company:	Futaba Industrial Co. Ltd.
Stock Code:	7241
Stock Exchange Listing:	Tokyo Stock Exchange, First Section, Nagoya Stock Exchange, First section
URL:	http://www.futabasangyo.com
Representative: Title	President
Name	Yasuhiro Mishima
Contact Person: Title	Executive Director
Name	Yasuo Sasaki
Tel:	+81-(564) 31-2211
Scheduled date of filing of quarterly securities report:	November 14, 2012
Scheduled date of commencement of dividend payment:	-
Supplementary materials for quarterly financial results:	Yes
Information meeting for quarterly financial results:	Yes (Only for securities analysts/institutional investors)

(Yen in millions, rounded down)

1. Financial results for the first six months of the fiscal year ending March 2013 (April 1, 2012 – September 30, 2012)

(1) Results of operations (Consolidated, year-to-date)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2013 2Q	189,705	16.6	500	-	(572)	-	(1,745)	-
FY2012 2Q	162,749	(14.2)	(468)	-	(1,961)	-	(3,251)	-

Note: Comprehensive income: First half of FY2013: -2,409 million yen (-%), First half of FY2012: -3,886 million yen (-%)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
FY2013 2Q	(24.95)	-
FY2012 2Q	(46.48)	-

(2) Financial position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2012	210,076	45,987	15.8
As of March 31, 2012	221,798	48,397	16.2

Reference: Shareholders' equity As of September 30, 2012: 33,109 million yen As of March 31, 2012: 35,998 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY2012	-	0.00	-	0.00	0.00
FY2013	-	0.00			
FY2013 (est.)			-	-	-

Note: Change in the estimation of dividend from the latest announcement: None

Note: The dividend for the fiscal year ending in March 2013 is undecided.

3. Forecast for the fiscal year ending March 2013 (Consolidated, April 1, 2012 – March 31, 2013)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	356,800	(4.1)	100	(96.2)	(1,500)	-	(3,300)	-	(47.17)

Note: Change in the forecast from the latest announcement: Yes

* Notes

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: Yes

(3) Changes in accounting principles and estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: Yes

(b) Changes other than in (a): None

(c) Changes in accounting estimates: Yes

(d) Retrospective restatement: None

Note: Please see "2. Other Information" on page 3 for more details.

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)			
As of September 30, 2012:	70,049,627	As of March 31, 2012:	70,049,627
(b) Treasury stock			
As of September 30, 2012:	94,671	As of March 31, 2012:	94,219
(c) Average number of shares (quarterly consolidated cumulative period)			
Period ended September 30, 2012:	69,955,244	Period ended September 30, 2011:	69,956,278

* Information concerning quarterly review procedure

The financial statements for the period were under review at the time this Summary of Financial Results was released.

* The forward-looking statements contained in this report are based on information currently available to management.

As such, these estimates are subject to uncertainties. In addition, actual results may differ materially from those discussed in the forward-looking statement due to in changes in the economy, markets, stock prices and exchange rates. For information about the forecasts, please see "(3) Forecast for fiscal year ending March 2013" on page 2.

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1. Business Results

(1) Overview on consolidated business performance

In the first half of the current fiscal year, there were increasing signs of a slowdown of global economic growth along with financial instability in Europe. In addition, the pace of economic growth is declining in China, India and other emerging countries. The result was a challenging economic environment.

In Japan, there is consistent demand backed by earthquake reconstruction activity but the economy remains weak because of the yen's strength, concerns about slowing economic growth and other factors.

In the automobile industry, which is the main source of sales for the Futaba Group, there are signs of a recovery in North America but conditions in Europe remain lackluster. Furthermore, there are increasing concerns about the outlook for the industry in China. In Japan, automobile sales have been strong due in part to progress with reconstruction following the Great East Japan Earthquake and the benefits of the eco-car subsidy.

In this difficult environment, the Futaba Group has been taking many actions aimed at increasing earnings and making other improvements. Initiatives include a review of our manufacturing operations, measures to boost manufacturing efficiency and cut costs, a re-examination of the supply chain, and reductions in logistics expenses.

First half sales increased 16.6% from one year earlier to 189,705 million yen because of higher automobile output by many companies. Operating income was 500 million yen compared with a 468 million yen loss one year earlier, the ordinary loss decreased from 1,961 million yen one year earlier to 572 million yen, and the net loss decreased from 3,251 million yen one year earlier to 1,745 million yen.

Geographic segment performance was as follows.

1) Japan

Sales increased 16.3% to 129,051 million yen because of higher production by automakers in Japan due in part to progress with reconstruction following the Great East Japan Earthquake and the benefits of the eco-car subsidy. Operating income was 468 million yen compared with a 1,801 million yen loss one year earlier.

2) North America

Sales increased 61.3% to 27,578 million yen and there was an operating loss of 1,068 million yen compared with a 1,077 million yen loss one year earlier.

3) Europe

Sales decreased 17.0% to 10,294 million yen and there was an operating loss of 364 million yen compared with operating income of 111 million yen one year earlier.

4) Asia

Sales increased 10.5% to 29,449 million yen and operating income was down 40.7% to 1,289 million yen.

(2) Overview of financial condition

Total assets were 210,076 million yen at the end of the first half, down 11,722 million yen from the end of the previous fiscal year. There was an increase in cash and deposits but decreases in notes and accounts receivable-trade, property, plant and equipment, and investment securities. Total liabilities decreased 9,312 million yen to 164,089 million yen. There were increases in the current portion of long-term loans payable and long-term loans payable but a decrease in notes and accounts payable-trade. Net assets decreased 2,410 million yen to 45,987 million yen because of the first half net loss and a decrease in valuation difference on available-for-sale securities.

(3) Forecast for Fiscal Year Ending March 2013

Based on information that is currently available, and taking into consideration the worsening operating environment, the fiscal year consolidated forecast has been revised. Please refer to the forecast revision that was announced today for more information.

2. Other Information

(1) Use of accounting methods specific to preparation of the quarterly consolidated financial statements

(Calculation of taxes)

Some consolidated subsidiaries calculate tax expenses by multiplying income before income taxes by a reasonable estimate of the effective tax rate that was obtained by applying tax effect accounting to estimated income before income taxes for the fiscal year, including the fiscal year's first half.

"Income taxes" include income taxes-deferred

(2) Changes in accounting policies, changes in accounting estimates, and restatements to correct errors

(Changes in accounting policies for items that are difficult to categorize as changes in accounting estimates)

In accordance with revisions to the Corporation Tax Act, starting with the first quarter of the current fiscal year, Futaba Industrial and its consolidated subsidiaries in Japan are calculating depreciation for property, plant and equipment (except dies) that was acquired on or after April 1, 2012 by using the method based on the revised Corporation Tax Act.

Compared with the previous method, this change resulted in an increase of 150 million yen in operating income, ordinary income and income before income taxes for the first half of the fiscal year.

3. Quarterly Consolidated Financial Statements
 (1) Quarterly consolidated balance sheets

(Million yen)

	As of March 31, 2012	As of September 30, 2012
ASSETS		
Current assets		
Cash and deposits	16,613	18,003
Notes and accounts receivable-trade	49,860	42,838
Merchandise and furnished goods	3,923	3,872
Work in process	7,651	9,093
Raw materials and supplies	3,787	3,401
Deferred tax assets	6	3
Others	10,145	7,575
Allowance for doubtful accounts	(87)	(74)
Total current assets	91,900	84,713
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	28,103	27,465
Machinery, equipment and vehicles, net	46,235	42,428
Tools, furniture and fixtures, net	3,818	3,915
Land	15,040	14,989
Lease assets, net	4,206	4,966
Construction in progress	8,289	9,552
Total property, plant and equipment	105,692	103,317
Intangible assets	1,096	1,218
Investments and other assets		
Investment securities	18,207	15,907
Long-term loans receivable	2,028	2,016
Deferred tax assets	663	619
Others	4,914	4,728
Allowance for doubtful accounts	(2,706)	(2,444)
Total investments and other assets	23,108	20,827
Total noncurrent assets	129,897	125,363
Total assets	221,798	210,076

(Million yen)

	As of March 31, 2012	As of September 30, 2012
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	55,247	46,213
Short-term loans payable	36,969	32,927
Current portion of long-term loans payable	25,940	11,321
Lease obligations	4,022	4,178
Income taxes payable	1,013	418
Accrued consumption taxes	639	598
Provision for loss on products recall	130	64
Accrued expenses	7,316	7,061
Others	4,610	4,429
Total current liabilities	135,890	107,212
Noncurrent liabilities		
Long-term loans payable	18,912	38,321
Lease obligations	1,226	1,555
Deferred tax liabilities	7,230	6,637
Provision for retirement benefits	8,997	9,274
Provision for directors' retirement benefits	82	76
Provision for product warranties	383	383
Asset retirement obligations	189	189
Others	489	437
Total Noncurrent liabilities	37,511	56,876
Total liabilities	173,401	164,089
NET ASSETS		
Shareholders' equity		
Capital stock	11,820	11,820
Capital surplus	12,382	10,413
Retained earnings	10,181	10,405
Treasury stock	(147)	△147
Total shareholders' equity	34,237	32,492
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	6,410	5,173
Foreign currency translation adjustment	(4,650)	(4,556)
Total accumulated other comprehensive income	1,760	617
Minority interests	12,399	12,877
Total net assets	48,397	45,987
Total liabilities and net assets	221,798	210,076

(2) Quarterly consolidated statements of income

(Million yen)

	First six months ended September 2011 (Apr. 1, 2011 – September 30, 2011)	First six months ended September 2012 (Apr. 1, 2012 – September 30, 2012)
Net sales	162,749	189,705
Cost of sales	155,347	180,621
Gross profit	7,402	9,083
Selling, general and administrative expenses		
Freightage and packing expenses	2,768	3,218
Salaries, allowances and bonuses	2,261	2,293
Retirement benefit expenses	100	88
Provision for directors' bonuses	15	-
Provision for directors' retirement benefits	15	12
Legal and employee benefits expenses	309	304
Taxes and dues	217	297
Depreciation	301	394
Others	1,882	1,974
Total selling, general and administrative expenses	7,870	8,583
Operating income (loss)	(468)	500
Non-operating income		
Interest income	113	151
Dividends income	178	169
Gain on sales of scraps	143	141
Equity in earnings of affiliates	419	-
Gain on valuation of derivatives	26	10
Miscellaneous income	498	249
Total non-operating income	1,379	722
Non-operating expenses		
Interest expenses	826	693
Equity in losses of affiliates	-	51
Foreign exchange losses	1,419	381
Miscellaneous loss	627	668
Total non-operating expenses	2,872	1,795
Ordinary income (loss)	(1,961)	(572)
Extraordinary loss		
Loss on valuation of investment securities	-	373
Total extraordinary loss	-	373
Income (loss) before income taxes	(1,961)	(946)
Income taxes	795	467
Income (loss) before minority interests	(2,757)	(1,413)
Minority interests in income	494	331
Net income (loss)	(3,251)	(1,745)

Quarterly consolidated statements of comprehensive income

(Million yen)

	First six months ended September 2011 (Apr. 1, 2011 – September 30, 2011)	First six months ended September 2012 (Apr. 1, 2012 – September 30, 2012)
Income (loss) before minority interests	(2,757)	(1,413)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,481)	(1,236)
Foreign currency translation adjustment	276	129
Share of other comprehensive income of associates accounted for using equity method	75	110
Total other comprehensive income	(1,129)	(996)
Comprehensive income	(3,886)	(2,409)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(4,488)	(2,888)
Comprehensive income attributable to minority interests	602	478

(3) Notes to ongoing concern assumptions: None

(4) Segment information

For the first six month ended September 2011 (Apr. 1, 2011 – September 30, 2011)

(Million yen)

	Reportable segments					Adjustments (Note 1)	Total (Note 2)
	Japan	North America	Europe	Asia	Total		
Net sales							
of which to outside customers	106,704	17,102	12,408	26,534	162,749	-	162,749
of which inter-segment and transfers	4,276	0	0	123	4,400	(4,400)	-
Total	110,981	17,102	12,408	26,658	167,150	(4,400)	162,749
Operating income (loss)	(1,801)	(1,077)	111	2,173	(593)	124	(468)

Note 1: Adjustments of 124 million yen are due to the elimination of inter-segment transactions.

Note 2: Segment operating income (loss) is adjusted to match the operating income (loss) in the quarterly statement of income.

For the first six month ended September 2012 (Apr. 1, 2012 – September 30, 2012)

(Million yen)

	Reportable segments					Adjustments (Note 1)	Total (Note 2)
	Japan	North America	Europe	Asia	Total		
Net sales							
of which to outside customers	122,502	27,578	10,294	29,330	189,705	-	189,705
of which inter-segment and transfers	6,549	-	0	119	6,668	(6,668)	-
Total	129,051	27,578	10,294	29,449	196,374	(6,668)	189,705
Operating income (loss)	468	(1,068)	(364)	1,289	325	174	500

Note 1: Adjustments of 174 million yen are due to the elimination of inter-segment transactions.

Note 2: Segment operating income (loss) is adjusted to match the operating income (loss) in the quarterly statement of income.

(5) Note Concerning Significant Changes in Equity

The Futaba Industrial Board of Directors approved a resolution on May 24, 2012 concerning a reduction in the capital reserve and an appropriation of retained earnings as stipulated in the Articles of Incorporation based on the provisions of Article 459, Paragraph 1 of the Company Law.

1. Purpose of reduction in capital reserve and appropriation of retained earnings

The capital reserve was reduced and retained earnings appropriated for the purpose of offsetting a retained loss carried forward.

2. Summary of reduction in capital reserve

In accordance with Article 448, Paragraph 1 of the Company Law, the capital surplus was reduced and transferred to the other capital surplus.

(1) Reserve item reduced and amount

Capital reserve	1,969 million yen
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(2) Surplus item increased and amount

Other capital surplus	1,969 million yen
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3. Summary of appropriation of surplus

In accordance with Article 452 of the Company Law, the above transfer to the other capital surplus was then transferred to retained earnings carried forward to offset a loss.

(1) Surplus item reduced and amount

Other capital surplus	1,969 million yen
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(2) Surplus item increased and amount

Retained earnings carried forward	1,969 million yen
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4. Date of effectiveness of capital reserve reduction and surplus

(1) Board of Directors resolution	May 24, 2012
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(2) Date of effectiveness	May 24, 2012
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Supplementary data for the first six months of the fiscal year ending March 2013

Consolidated

1. Performance in the first six months and fiscal year outlook

(Million yen, rounded down)

	FY3/13 (First half)		FY3/12 (First half)		Change		Forecast full year FY3/13		Change vs. FY3/12	
	% to sales		% to sales		Amount	%	% to sales		Amount	%
Net sales	100.0	189,705	100.0	162,749	26,955	16.6	100.0	356,800	(15,283)	(4.1)
Operating income (loss)	0.3	500	(0.3)	(468)	969	-	0.0	100	(2,530)	(96.2)
Ordinary income (loss)	(0.3)	(572)	(1.2)	(1,961)	1,389	-	(0.4)	(1,500)	(1,835)	-
Net income (loss)	(0.9)	(1,745)	(2.0)	(3,251)	1,506	-	(0.9)	(3,300)	1,221	-
Net income (loss) per share (yen)		(24.95)		(46.48)				(47.17)		
Capital expenditures		7,617		5,561	2,056	37.0		25,000	11,619	86.8
Depreciation		10,080		11,229	(1,148)	(10.2)		20,000	(1,891)	(8.6)

2. Reasons for increase/decrease in operating income

(Year-on-year comparison)

(100 million yen)

Positive factors	Amount	Negative factors	Amount
Increase in sales	14	Change in product mix etc.	(19)
Decrease in depreciation	11	Decrease in gain on sales of scraps	(2)
Decrease in labor cost	8	Increase of expenses, and other factors	(3)
Total	33	Total	(24)
Net increase (decrease) in ordinary income		9 (from -4 to 5)	

3. Performance by geographical segment

(Million yen, rounded down)

		FY3/13 (First half)		FY3/12 (First half)		Change	
		Amount	%	Amount	%	Amount	%
Net sales	Japan	129,051	68.0%	110,981	68.2%	18,070	16.3%
	North America	27,578	14.5%	17,102	10.5%	10,476	61.3%
	Europe	10,294	5.5%	12,408	7.6%	(2,114)	(17.0%)
	Asia	29,449	15.5%	26,658	16.4%	2,791	10.5%
	Eliminations	(6,668)	(3.5%)	(4,400)	(2.7%)	(2,268)	-
Total		189,705	100.0%	162,749	100.0%	26,955	16.6%
Operating income (loss)	Japan	468	93.6%	(1,801)	-	2,269	-
	North America	(1,068)	(213.5%)	(1,077)	-	9	-
	Europe	(364)	(72.8%)	111	-	(475)	-
	Asia	1,289	257.8%	2,173	-	(884)	(40.7%)
	Eliminations	174	34.9%	124	-	50	40.3%
Total		500	100.0%	(468)	-	969	-

Non-consolidated

1. Performance in the first six months

(Million yen, rounded down)

	FY3/13 (First half)		FY3/12 (First half)		Change	
	% to sales		% to sales		Amount	%
Net sales	100.0	128,001	100.0	109,810	18,190	16.6
Operating income (loss)	0.5	641	(1.2)	(1,355)	1,997	-
Ordinary income (loss)	0.1	149	(1.7)	(1,903)	2,053	-
Net income (loss)	(0.2)	(271)	(1.8)	(1,933)	1,662	-
Capital expenditures		5,628		3,423	2,204	64.4
Depreciation		5,869		6,527	(657)	(10.1)