

## Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 2014 [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:	<a href="http://www.futabasangyo.com">http://www.futabasangyo.com</a>
Representative: Title	President
Name	Yasuhiro Mishima
Contact Person: Title	Director and Senior Managing Executive Officer
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Tel:	+81-(564) 31-2211
Scheduled date of filing of quarterly securities report:	November 11, 2013
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 2014 (April 1, 2013 – September 30, 2013)

## (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	%
FY2014 2Q	193,832	2.2	470	(5.9)	67	-	(635)	-
FY2013 2Q	189,705	16.6	500	-	(572)	-	(1,745)	-

Note: Comprehensive income: First half of FY2014: 6,628 million yen (-%), First half of FY2013: -2,409 million yen (-%)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
FY2014 2Q	(9.09)	-
FY2013 2Q	(24.95)	-

## (2) Financial position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2013	236,659	56,257	17.9
As of March 31, 2013	226,567	50,944	16.6

Reference: Shareholders' equity As of September 30, 2013: 42,446 million yen As of March 31, 2013: 37,682 million yen

## 2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY2013	-	0.00	-	0.00	0.00
FY2014	-	0.00			
FY2014 (est.)			-	-	-

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

Note: The dividend for the fiscal year ending in March 2014 is undecided.

## 3. Forecast for the fiscal year ending March 2014 (Consolidated, April 1, 2013 – March 31, 2014)

(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	385,000	5.4	1,500	-	300	-	100	-	1.43

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  
Note: Please see “2. Other Information” on page 2 for more details.
- (3) Changes in accounting principles and estimates, and retrospective restatement
- (a) Changes due to revision of accounting standards: None
  - (b) Changes other than in (a): None
  - (c) Changes in accounting estimates: None
  - (d) Retrospective restatement: None

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)			
As of September 30, 2013:	70,049,627	As of March 31, 2013:	70,049,627
(b) Treasury stock			
As of September 30, 2013:	95,670	As of March 31, 2013:	95,211
(c) Average number of shares (quarterly consolidated cumulative period)			
Period ended September 30, 2013:	69,954,085	Period ended September 30, 2012:	69,955,244

- \* 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 2014” on page 2.

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## 1. Business Results

### (1) Overview on consolidated business performance

In the first half of the fiscal year, the global economy remained sluggish despite the slow U.S. economic recovery because of renewed financial instability in Europe and other events. In addition, economic growth slowed in China and there are also declining growth rates in India and other emerging countries. As a result, the overall economic picture was challenging.

In Japan, there are expectations for the economy to stage a recovery. This outlook is backed by the improvement in the export environment due to the weaker yen and by expectations for the benefits of Abenomics, including bold fiscal and monetary initiatives and a new strategy for growth. Nevertheless, the outlook for the Japanese economy is still uncertain because the upcoming direction of the global economy remains unclear.

In the automobile industry, which is the main source of sales for the Futaba Group, sales continue to recover in North America but are still lackluster in Europe. In China, tension between Japan and China caused sales of Japanese cars to weaken slightly. In Japan, automobile sales were somewhat sluggish in part because of lower sales following the end 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 2.2% from one year earlier to 193,832 million yen. Operating income decreased 5.9% to 470 million yen, ordinary income improved to 67 million yen from a loss of 572 million yen, and the net loss decreased from 1,745 million yen to 635 million yen.

Geographic segment performance was as follows.

#### 1) Japan

Sales decreased 6.4% to 120,783 million yen because of lower automobile sales following the end of the eco-car subsidy. Operating income was up 173.1% to 1,278 million yen.

#### 2) North America

Sales increased 32.2% to 36,454 million yen and there was an operating loss of 693 million yen compared with a 1,068 million yen loss one year earlier.

#### 3) Europe

Sales increased 13.1% to 11,642 million yen and there was an operating loss of 403 million yen compared with a 364 million yen loss one year earlier.

#### 4) Asia

Sales increased 13.0% to 33,266 million yen and operating income was down 74.2% to 333 million yen.

### (2) Overview of financial condition

Total assets were 236,659 million yen at the end of the first half, 10,092 million yen higher than at the end of the previous fiscal year. This was attributable mainly to increases in notes and accounts receivable-trade, property, plant and equipment, and investment securities. Total liabilities increased 4,778 million yen to 180,401 million yen mainly because of increases in notes and accounts payable-trade and accrued expenses. Net assets increased 5,313 million yen to 56,257 million yen mainly because of an increase in the foreign currency translation adjustment.

### (3) Forecast for Fiscal Year Ending March 2014

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

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

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

(Million yen)

	As of March 31, 2013	As of September 30, 2013
<b>ASSETS</b>		
Current assets		
Cash and deposits	17,888	16,111
Notes and accounts receivable-trade	46,318	50,299
Merchandise and furnished goods	4,014	4,082
Work in process	10,478	9,666
Raw materials and supplies	3,916	3,660
Deferred tax assets	4	3
Others	7,629	8,901
Allowance for doubtful accounts	(24)	(21)
Total current assets	90,225	92,704
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	29,397	30,877
Machinery, equipment and vehicles, net	44,784	48,161
Tools, furniture and fixtures, net	3,836	4,264
Land	14,434	14,673
Lease assets, net	4,644	4,323
Construction in progress	10,233	9,433
Total property, plant and equipment	107,331	111,734
Intangible assets	1,119	972
Investments and other assets		
Investment securities	22,156	25,221
Long-term loans receivable	2,005	2,013
Deferred tax assets	555	774
Others	5,618	5,681
Allowance for doubtful accounts	(2,444)	(2,444)
Total investments and other assets	27,891	31,247
Total noncurrent assets	136,342	143,954
Total assets	226,567	236,659

(Million yen)

	As of March 31, 2013	As of September 30, 2013
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	45,802	48,420
Short-term loans payable	41,825	43,875
Current portion of long-term loans payable	8,315	9,775
Lease obligations	4,047	3,738
Income taxes payable	267	423
Accrued consumption taxes	722	299
Provision for loss on products recall	27	-
Accrued expenses	7,908	8,944
Others	6,160	6,605
Total current liabilities	115,077	122,082
Noncurrent liabilities		
Long-term loans payable	40,702	37,335
Lease obligations	1,272	1,065
Deferred tax liabilities	8,147	9,232
Provision for retirement benefits	9,507	9,807
Provision for directors' retirement benefits	88	75
Provision for product warranties	344	344
Asset retirement obligations	189	189
Others	292	269
Total Noncurrent liabilities	60,545	58,319
Total liabilities	175,623	180,401
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	11,820	11,820
Capital surplus	10,413	8,616
Retained earnings	8,110	9,271
Treasury stock	(147)	(147)
Total shareholders' equity	30,196	29,560
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	8,588	10,410
Foreign currency translation adjustment	(1,102)	2,474
Total accumulated other comprehensive income	7,486	12,885
Minority interests	13,261	13,811
Total net assets	50,944	56,257
Total liabilities and net assets	226,567	236,659

## (2) Quarterly consolidated statements of income and comprehensive income

## Quarterly consolidated statements of income

(Million yen)

	First six months ended September 2012 (Apr. 1, 2012 – Sep. 30, 2012)	First six months ended September 2013 (Apr. 1, 2013 – Sep. 30, 2013)
Net sales	189,705	193,832
Cost of sales	180,621	184,543
Gross profit	9,083	9,289
Selling, general and administrative expenses		
Freightage and packing expenses	3,218	3,067
Salaries, allowances and bonuses	2,293	2,720
Retirement benefit expenses	88	83
Provision for directors' retirement benefits	12	12
Legal and employee benefits expenses	304	322
Taxes and dues	297	286
Depreciation	394	338
Others	1,974	1,986
Total selling, general and administrative expenses	8,583	8,818
Operating income	500	470
Non-operating income		
Interest income	151	189
Dividends income	169	230
Gain on sales of scraps	141	152
Gain on valuation of derivatives	10	35
Miscellaneous income	249	311
Total non-operating income	722	918
Non-operating expenses		
Interest expenses	693	607
Equity in losses of affiliates	51	41
Foreign exchange losses	381	129
Miscellaneous loss	668	543
Total non-operating expenses	1,795	1,321
Ordinary income (loss)	(572)	67
Extraordinary loss		
Loss on valuation of investment securities	373	-
Total extraordinary loss	373	-
Income (loss) before income taxes	(946)	67
Income taxes	467	462
Income (loss) before minority interests	(1,413)	(394)
Minority interests in income	331	241
Net income (loss)	(1,745)	(635)

Quarterly consolidated statements of comprehensive income

(Million yen)

	First six months ended September 2012 (Apr. 1, 2012 – Sep. 30, 2012)	First six months ended September 2013 (Apr. 1, 2013 – Sep. 30, 2013)
Income (loss) before minority interests	(1,413)	(394)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,236)	1,819
Foreign currency translation adjustment	129	4,783
Share of other comprehensive income of associates accounted for using equity method	110	419
Total other comprehensive income	(996)	7,023
Comprehensive income	(2,409)	6,628
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(2,888)	4,763
Comprehensive income attributable to minority interests	478	1,865



(3) Notes on consolidated financial statements

Notes to ongoing concern assumptions: None

Note concerning significant changes in equity

The Futaba Industrial Board of Directors approved a resolution on May 23, 2013 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	1,797 million yen
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(2) Surplus item increased and amount

Other capital surplus	1,797 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	1,797 million yen
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(2) Surplus item increased and amount

Retained earnings carried forward	1,797 million yen
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4. Date of effectiveness of capital reserve reduction and surplus

(1) Board of Directors resolution	May 23, 2013
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(2) Date of effectiveness	May 23, 2013
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Segment information

For the first six month ended September 2012 (Apr. 1, 2012 – Sep. 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 in the quarterly statement of income.

For the first six month ended September 2013 (Apr. 1, 2013 – Sep. 30, 2013)

(Million yen)

	Reportable segments					Adjustments (Note 1)	Total (Note 2)
	Japan	North America	Europe	Asia	Total		
Net sales							
of which to outside customers	112,619	36,454	11,636	33,121	193,832	-	193,832
of which inter-segment and transfers	8,164	0	5	145	8,314	(8,314)	-
Total	120,783	36,454	11,642	33,266	202,147	(8,314)	193,832
Operating income (loss)	1,278	(693)	(403)	333	514	(43)	470

Note 1: Adjustments of -43 million yen are due to the elimination of inter-segment transactions.

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

## Supplementary data for the first six months of the fiscal year ending March 2014

Consolidated

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

(Million yen, rounded down)

	FY3/14 (First half)		FY3/13 (First half)		Change		Forecast full year FY3/14		Change vs. FY3/13	
	% to sales	Amount	% to sales	Amount	Amount	%	% to sales	Amount	Amount	%
Net sales	100.0	193,832	100.0	189,705	4,126	2.2	100.0	385,000	19,753	5.4
Operating income	0.2	470	0.3	500	(29)	(5.9)	0.4	1,500	1,860	-
Ordinary income (loss)	0.0	67	(0.3)	(572)	640	-	0.1	300	1,436	-
Net income (loss)	(0.3)	(635)	(0.9)	(1,745)	1,109	-	0.0	100	4,140	-
Net income per share (yen)	(9.09)		(24.95)				1.43			
Capital expenditures	11,260		7,617		3,642	47.8	21,000		4,332	26.0
Depreciation	9,941		10,080		(139)	(1.4)	21,000		906	4.5

### 2. Reasons for increase/decrease in operating income

(Year-on-year comparison)

(100 million yen)

Positive factors	Amount	Negative factors	Amount
Change in product mix etc.	19	Decrease in sales	27
Decrease of expenses	9	Increase in labor cost	7
Decrease in depreciation	9	Decrease in gain on sales of scraps	2
		Fluctuation in exchange rates	1
<b>Total</b>	<b>37</b>	<b>Total</b>	<b>37</b>
Net increase (decrease) in operating income		-0 (from 5 to 4)	

### 3. Performance by geographical segment

(Million yen, rounded down)

		FY3/14 (First half) (Apr. 1, 2013 – Sep. 30, 2013)		FY3/13 (First half) (Apr. 1, 2012 – Sep. 30, 2012)		Change	
		Amount	% to sales	Amount	% to sales	Amount	%
Japan	Net sales	120,783		129,051		(8,268)	(6.4%)
	Operating income	1,278	1.1%	468	0.4%	810	173.1%
North America	Net sales	36,454		27,578		8,876	32.2%
	Operating income	(693)	(1.9%)	(1,068)	(3.9%)	374	-
Europe	Net sales	11,642		10,294		1,348	13.1%
	Operating income	(403)	(3.5%)	(364)	(3.5%)	(39)	-
Asia	Net sales	33,266		29,449		3,816	13.0%
	Operating income	333	1.0%	1,289	4.4%	(956)	(74.2%)
Eliminations	Net sales	(8,314)		(6,668)		(1,645)	
	Operating income	(43)		174		(218)	
Total	Net sales	193,832		189,705		4,126	2.2%
	Operating income	470	0.2%	500	0.3%	(29)	(5.9%)

Non-consolidated

### 1. Performance in the first six months

(Million yen, rounded down)

	FY3/14 (First half) (Apr. 1, 2013 – Sep. 30, 2013)		FY3/13 (First half) (Apr. 1, 2012 – Sep. 30, 2012)		Change	
	% to sales	Amount	% to sales	Amount	Amount	%
Net sales	100.0%	119,776	100.0%	128,001	(8,224)	(6.4%)
Operating income	1.0%	1,183	0.5%	641	541	84.4%
Ordinary income	3.1%	3,708	0.1%	149	3,558	2,373.6%
Net income (loss)	3.0%	3,627	(0.2%)	(271)	3,898	-
Capital expenditures	4,535		5,628		(1,092)	(19.4%)
Depreciation	5,321		5,869		(548)	(9.3%)