

# Consolidated Financial Results for the Six Months Ended September 30, 2009



October 28, 2009

Company name: STANLEY ELECTRIC CO., LTD.

Securities code: 6923

(URL: <http://www.stanley.co.jp/>)

Stock exchange listing: Tokyo Stock Exchange

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Scheduled date of filing of the quarterly financial report (Shihanki Houkokusho): November 13, 2009

Scheduled date of commencement of dividend payments: November 27, 2009

(Figures are rounded down to the nearest million yen.)

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

(1) Consolidated Results of Operations (cumulative) (Percentage figures indicate changes from the same period of the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ended September 30, 2009	108,892	(34.4)	7,371	(64.1)	7,855	(65.7)	3,988	(72.7)
September 30, 2008	166,071	-	20,519	-	22,927	-	14,588	-

	Net Income per Share (Basic)	Net Income per Share (Diluted)
	Yen	Yen
Six months ended September 30, 2009	22.84	-
September 30, 2008	81.75	-

## (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Millions of Yen	Millions of Yen	%	Yen
Six months ended September 30, 2009	280,610	193,287	64.7	1,042.88
Fiscal year ended March 31, 2009	273,102	194,692	66.9	1,045.56

(Reference) Equity: As of September 30, 2009: ¥181,515 million; As of March 31, 2009: ¥182, 811 million

## 2. Dividends

	Cash Dividends per Share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2009	-	18.00	-	12.00	30.00
Fiscal year ending March 31, 2010	-	12.00			
Fiscal year ending March 31, 2010 (Forecast)			-	13.00	25.00

Note: Revision to the dividend forecast: Yes

## 3. Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2010 (from April 1, 2009 to March 31, 2010)

(Percentage figures indicate changes from the same period of the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full fiscal year	242,000	(14.6)	23,500	0.5	24,500	(3.5)	16,000	31.9	91.78

Note: Revision to the consolidated business forecasts: No

#### 4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Adoption of simplified accounting methods and special accounting treatment for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies concerning preparation of quarterly consolidated financial statements (Changes in items that are listed as changes in important matters that form the basis for preparing quarterly consolidated financial statements)
  - 1) Changes in line with revision to accounting standards: No
  - 2) Other changes: Yes

(Change to the method of computing the depreciation of property, plant and equipment)

Previously the Company and its domestic consolidated subsidiaries used the declining-balance method to compute the depreciation of all property, plant and equipment other than buildings (excluding attached structures), molds and tools but not other tools, furniture and fixtures, and the Yamagata plant, but we changed to the straight-line method effective April 1, 2009.

We have undertaken gradual restructuring and made a plant and equipment investment at the Hatano Factory, which is Stanley Electric's main plant for motor vehicle headlamps in Japan, with the aim of making this plant a model plant where productivity can be pursued to its ultimate. We are implementing this restructuring in order to meet our customers' demand for quality, for example through improvements to the quality of the headlamps, by incorporating the know-how we cultivated in our "innovation-in-production" activities into the design stage of the buildings, developing the plant as a plant that pursues maximum investment efficiency, pushing production efficiency to the maximum, and taking exhaustive actions to control waste and dust in order to create a cleaner manufacturing environment.

Furthermore, based on the same policy as for the Hatano Factory, we have been making a series of plant and equipment investments in other production plants including the Hamamatsu Factory, the Okazaki Factory and the new Hiroshima plant, etc.

The culmination of these efforts, the second phase of construction of the new No. 1 Plant at Hatano Factory, was completed during the year under review, and the new plant also commenced operations. We took this opportunity to review the method of computing depreciation we had been using which was centered on plant and equipment investment in the production plants. As a result of this review, we judged that allocating the depreciation costs equally over the period that the property, plant and equipment can be used is appropriate for the purpose of matching costs and revenues, because the performance of the plant and equipment has improved, the risk of technological or economic obsolescence is small, and the costs of maintaining the plant and equipment, such as repairs, etc., are averaging out at about the same as conservation costs. Therefore, we changed the method of computing depreciation from the declining-balance method to the straight-line method.

We took the opportunity of the above change to change the method of computing depreciation to the straight-line method in our domestic consolidated subsidiaries. Accordingly, the Company and all its consolidated subsidiaries adopted the straight-line method for computing the depreciation of property, plant and equipment effective April 1, 2009.

The effect of this change was to increase operating income by ¥1,478 million, ordinary income and income before income taxes and minority interests by ¥1,533 million, respectively, for the six months ended September 30, 2009, compared to the results that would have been obtained under the former method.

The impact on the segment information is described in the sections about each segment.

- (4) Number of shares issued and outstanding (common stock)
- 1) Number of shares issued and outstanding at the end of the period (including treasury stock)
 

Six months ended September 30, 2009:	188,240,256 shares
Fiscal year ended March 31, 2009:	188,240,256 shares
  - 2) Number of shares of treasury stock at the end of the period
 

Six months ended September 30, 2009:	14,188,700 shares
Fiscal year ended March 31, 2009:	13,394,106 shares
  - 3) Average number of shares during the period
 

Six months ended September 30, 2009:	174,581,875 shares
Six months ended September 30, 2008:	178,458,787 shares

\* Explanation for the appropriate use of performance forecasts and other special notes:

- (1) The policy of the Company and its group companies is based on strengthening their financial position and management foundation while maintaining stable dividend payments and returning part of its profit to shareholders in an adequate manner. Internal reserves are utilized for investments to increase corporate value with the medium- to long-term outlook in mind, including the development of new products and new businesses and the streamlining of management structures, and we are working hard to further strengthen our business fundamentals and corporate competitiveness.

Maintaining stable dividend payments and returning part of its profit to shareholders in an adequate manner represent the basis of Stanley Electric's basic dividend policy. Therefore, the Company plans to pay an interim dividend of ¥12 per share for the consolidated business year ending next March, as announced on April 28, 2009, as part of its efforts to boost the dividend propensity rate to 20% on a consolidated basis. At the current time, we are planning a year-end dividend of ¥13 per share, although some uncertainties will remain in the business climate in the second half of the year.

During the year under review, Stanley Electric implemented acquisition of treasury stocks worth ¥1,500 million. The acquisition is designed for the Company to return part of its profit to shareholders and implement flexible capital policy in response to changes in the business climate.

- (2) Note that Stanley Electric made these projections based on currently available information and they do not take into account risks in foreign exchange, etc. and other uncertainties. Actual business performance may differ dramatically from these projections as a result of various important factors.

## 5. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	As of September 30, 2009	As of March 31, 2009
<b>Assets</b>		
Current assets		
Cash and deposits	46,876	40,621
Notes and accounts receivable-trade	44,546	44,000
Short-term investment securities	10,070	6,611
Inventories	13,918	14,535
Deferred tax assets	2,679	2,266
Other	7,863	10,135
Allowance for doubtful accounts	(89)	(111)
Total current assets	125,866	118,059
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	41,604	37,345
Machinery, equipment and vehicles, net	33,186	34,597
Tools, furniture and fixtures, net	13,653	15,377
Land	13,227	11,278
Lease assets, net	149	152
Construction in progress	8,769	14,690
Total property, plant and equipment	110,590	113,442
Intangible assets		
Goodwill	56	75
Other	2,524	2,961
Total intangible assets	2,581	3,036
Investments and other assets		
Investment securities	36,466	31,287
Deferred tax assets	2,123	4,169
Other	2,983	3,107
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	41,572	38,563
Total noncurrent assets	154,744	155,042
Total assets	280,610	273,102

(Millions of Yen)

	As of September 30, 2009	As of March 31, 2009
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	28,980	28,592
Short-term loans payable	8,372	9,671
Lease obligations	45	42
Income taxes payable	1,481	1,228
Deferred tax liabilities	21	9
Provision for bonuses	3,138	3,247
Provision for directors' bonuses	83	142
Other	9,554	9,853
Total current liabilities	51,677	52,789
Noncurrent liabilities		
Bonds payable	10,000	–
Lease obligations	107	113
Deferred tax liabilities	448	437
Provision for retirement benefits	22,985	22,150
Provision for directors' retirement benefits	113	141
Other	1,990	2,778
Total noncurrent liabilities	35,645	25,621
Total liabilities	87,322	78,410
<b>Net assets</b>		
Shareholders' equity		
Capital stock	30,514	30,514
Capital surplus	29,825	29,825
Retained earnings	153,674	151,784
Treasury stock	(27,641)	(26,137)
Total shareholders' equity	186,372	185,986
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	11,301	8,828
Foreign currency translation adjustment	(16,158)	(12,003)
Total valuation and translation adjustments	(4,856)	(3,174)
Minority interests	11,772	11,880
Total net assets	193,287	194,692
Total liabilities and net assets	280,610	273,102

(2) Quarterly Consolidated Statements of Income  
Six-month period

(Millions of Yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net sales	166,071	108,892
Cost of sales	127,233	87,054
Gross profit	38,838	21,837
Selling, general and administrative expenses	18,318	14,465
Operating income	20,519	7,371
Non-operating income		
Interest income	421	213
Dividends income	630	171
Equity in earnings of affiliates	469	248
Royalty income	567	386
Foreign exchange gains	519	–
Miscellaneous income	324	307
Total non-operating income	2,932	1,327
Non-operating expenses		
Interest expenses	174	203
Dismantlement cost	127	–
Foreign exchange losses	–	297
Miscellaneous loss	223	341
Total non-operating expenses	525	843
Ordinary income	22,927	7,855
Extraordinary income		
Gain on sales of noncurrent assets	1,871	20
Total extraordinary income	1,871	20
Extraordinary loss		
Loss on retirement of noncurrent assets	398	341
Early extra retirement payments	270	–
Loss on liquidation of investment securities	122	–
Total extraordinary losses	790	341
Income before income taxes and minority interests	24,007	7,535
Income taxes	7,558	2,246
Minority interests in income	1,861	1,301
Net income	14,588	3,988

## (3) Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	24,007	7,535
Depreciation and amortization	12,395	10,557
Increase (decrease) in allowance for doubtful accounts	30	20
Increase (decrease) in provision for bonuses	126	(110)
Increase (decrease) in provision for retirement benefits	(97)	825
Interest and dividends income	(1,051)	(385)
Interest expenses	174	203
Equity in (earnings) losses of affiliates	(469)	(248)
Loss (gain) on sales and retirement of noncurrent assets	(1,473)	320
Loss on liquidation of investment securities	122	–
Decrease (increase) in notes and accounts receivable–trade	8,497	(1,678)
Decrease (increase) in inventories	(1,196)	173
Increase (decrease) in notes and accounts payable–trade	(8,459)	1,884
Other, net	(3,061)	948
Subtotal	29,546	20,047
Interest and dividends income received	1,283	761
Interest expenses paid	(201)	(115)
Income taxes (paid) refund	(7,377)	(614)
Net cash provided by (used in) operating activities	23,249	20,078
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(13,581)	(11,864)
Proceeds from sales of property, plant and equipment	2,306	296
Purchase of intangible assets	(341)	(257)
Purchase of investment securities	–	(1,314)
Proceeds from sales and redemption of short–term and long term investment securities	500	–
Other, net	195	346
Net cash provided by (used in) investing activities	(10,920)	(12,794)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short–term loans payable	801	(1,065)
Proceeds from issuance of bonds	–	10,000
Purchase of treasury stock	(4,949)	(1,504)
Cash dividends paid	(2,687)	(2,098)
Cash dividends paid to minority shareholders	(1,280)	(749)
Other, net	0	(55)
Net cash provided by (used in) financing activities	(8,115)	4,526
Effect of exchange rate change on cash and cash equivalents	610	(1,730)
Net increase (decrease) in cash and cash equivalents	4,824	10,081
Cash and cash equivalents at beginning of period	51,525	46,627
Cash and cash equivalents at end of period	56,349	56,708

#### (4) Review of Segment Operations

##### Business segment information

Six months ended September 30, 2008 (from April 1, 2008 to September 30, 2008)

(Millions of Yen)

	Automotive Equipment Business	Electronic Equipment Business	Other Business	Total	Elimination or Corporate	Consolidated Total
Sales						
(1) Sales to outside customers	121,724	44,204	142	166,071	—	166,071
(2) Intersegment sales or transfer	117	6,785	1,750	8,652	(8,652)	—
Total	121,842	50,989	1,892	174,724	(8,652)	166,071
Operating income	14,323	5,383	27	19,734	784	20,519

Notes:

1. Business segments are classified based on the type of business.
2. Major products in each business segment:
  - 1) Automotive Equipment Business: Automotive lighting products, motorcycle lighting products, automotive electronics products, and auto accessory and parts products
  - 2) Electronic Equipment Business: Electronic components products and applied electronic products
  - 3) Other Business: Other products

Six months ended September 30, 2009 (from April 1, 2009 to September 30, 2009)

(Millions of Yen)

	Automotive Equipment Business	Electronic Equipment Business	Other Business	Total	Elimination or Corporate	Consolidated Total
Sales						
(1) Sales to outside customers	79,941	28,768	181	108,892	—	108,892
(2) Intersegment sales or transfer	238	3,263	917	4,420	(4,420)	—
Total	80,180	32,032	1,099	113,312	(4,420)	108,892
Operating income	7,081	1,755	31	8,869	(1,497)	7,371

Notes:

1. Business segments are classified based on the type of business.
2. Major products in each business segment:
  - 1) Automotive Equipment Business: Automotive lighting products, motorcycle lighting products, automotive electronics products, and auto accessory and parts products
  - 2) Electronic Equipment Business: Electronic components products and applied electronic products
  - 3) Other Business: Other products
3. Changes in accounting methods

As described in “(3) Changes in accounting policies concerning preparation of quarterly consolidated financial statements in section 4. Others,” the Company changed the method of computing depreciation for certain property, plant and equipment from the declining-balance method to the straight-line method effective April 1, 2009. The effect of this change was to increase operating income for the six months ended September 30, 2009 by ¥836 million for the Automotive Equipment Business segment, ¥431 million for the Electronic Equipment Business segment and ¥3 million for the Other Business segment, compared to the results that would have been obtained under the former method.

## Geographical segment information

Six months ended September 30, 2008 (from April 1, 2008 to September 30, 2008)

(Millions of Yen)

	Japan	North America	Asia-Pacific	China	Other Regions	Total	Elimination or Corporate	Consolidated Total
Sales								
(1) Sales to outside customers	90,580	24,044	20,052	21,518	9,875	166,071	—	166,071
(2) Intersegment sales or transfer	18,386	26	7,476	7,366	149	33,406	(33,406)	—
Total	108,967	24,070	27,529	28,884	10,024	199,477	(33,406)	166,071
Operating income	8,660	1,603	3,522	4,131	1,241	19,159	1,359	20,519

Notes:

- Countries and regions are segmented based on their geographical proximity.
- Major countries and regions which belong to segments other than Japan:
  - North America: United States of America
  - Asia-Pacific: the Kingdom of Thailand, Taiwan, the Socialist Republic of Vietnam, the Republic of Indonesia, the Republic of India, Hong Kong, and the Republic of Korea
  - China: People's Republic of China
  - Other Regions: the United Kingdom, the French Republic, the Republic of Hungary, and the Federal Republic of Germany

Six months ended September 30, 2009 (from April 1, 2009 to September 30, 2009)

(Millions of Yen)

	Japan	North America	Asia-Pacific	China	Other Regions	Total	Elimination or Corporate	Consolidated Total
Sales								
(1) Sales to outside customers	55,775	14,963	14,984	19,501	3,667	108,892	—	108,892
(2) Intersegment sales or transfer	10,792	2	3,987	3,945	132	18,860	(18,860)	—
Total	66,567	14,965	18,971	23,447	3,799	127,752	(18,860)	108,892
Operating income (loss)	188	(201)	2,219	4,133	(88)	6,251	1,120	7,371

Notes:

- Countries and regions are segmented based on their geographical proximity.
- Major countries and regions which belong to segments other than Japan:
  - North America: United States of America
  - Asia-Pacific: the Kingdom of Thailand, Hong Kong, the Socialist Republic of Vietnam, the Republic of India, the Republic of Indonesia, Taiwan, and the Republic of Korea
  - China: People's Republic of China
  - Other Regions: the French Republic, the Federal Republic of Germany, the United Kingdom, and the Republic of Hungary
- Changes in accounting methods
 

As described in “(3) Changes in accounting policies concerning preparation of quarterly consolidated financial statements in section 4. Others,” the Company changed the method of computing depreciation for certain property, plant and equipment from the declining-balance method to the straight-line method effective April 1, 2009. The effect of this change was to increase operating income for the six months ended September 30, 2009 by ¥1,451 million in Japan and ¥26 million in Asia-Pacific, compared to the results that would have been obtained under the former method.

## Overseas sales

Six months ended September 30, 2008 (from April 1, 2008 to September 30, 2008)

(Millions of Yen)

	North America	Asia-Pacific	China	Other Regions	Total
I. Overseas net sales	24,146	20,037	24,348	7,716	76,247
II. Consolidated net sales					166,071
III. Overseas net sales as a percent of consolidated net sales	14.5%	12.1%	14.7%	4.6%	45.9%

Notes:

- Countries and regions are segmented based on their geographical proximity.
- Major countries and regions which belong to segments:
  - North America: United States of America
  - Asia-Pacific: the Kingdom of Thailand, Taiwan, the Socialist Republic of Vietnam, the Republic of Indonesia, the Republic of India, the Republic of Korea, and Hong Kong
  - China: People's Republic of China
  - Other Regions: the United Kingdom, the French Republic, the Republic of Hungary, and the Federal Republic of Germany
- Overseas net sales indicate the sales of the Company and its consolidated subsidiaries in countries or regions excluding Japan.

Six months ended September 30, 2009 (from April 1, 2009 to September 30, 2009)

(Millions of Yen)

	North America	Asia-Pacific	China	Other Regions	Total
I. Overseas net sales	14,981	14,921	21,387	2,705	53,995
II. Consolidated net sales					108,892
III. Overseas net sales as a percent of consolidated net sales	13.8%	13.7%	19.6%	2.5%	49.6%

Notes:

- Countries and regions are segmented based on their geographical proximity.
- Major countries and regions which belong to segments:
  - North America: United States of America
  - Asia-Pacific: the Kingdom of Thailand, Hong Kong, the Socialist Republic of Vietnam, the Republic of India, the Republic of Indonesia, Taiwan, and the Republic of Korea
  - China: People's Republic of China
  - Other Regions: the French Republic, the Federal Republic of Germany, the United Kingdom, and the Republic of Hungary
- Overseas net sales indicate the sales of the Company and its consolidated subsidiaries in countries or regions excluding Japan.