

# Consolidated Financial Results for the Nine Months Ended December 31, 2009



January 29, 2010

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): February 12, 2010

Scheduled date of commencement of dividend payments: -

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

## 1. Consolidated Financial Results for the Nine Months Ended December 31, 2009 (from April 1, 2009 to December 31, 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	%
Nine months ended December 31, 2009	173,113	(27.1)	15,742	(40.5)	16,623	(40.2)	9,082	(44.0)
December 31, 2008	237,512	-	26,474	-	27,806	-	16,220	-

	Net Income per Share (Basic)	Net Income per Share (Diluted)
	Yen	Yen
Nine months ended December 31, 2009	52.07	-
December 31, 2008	91.34	-

## (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Millions of Yen	Millions of Yen	%	Yen
Nine months ended December 31, 2009	292,045	200,321	64.1	1,076.33
Fiscal year ended March 31, 2009	273,102	194,692	66.9	1,045.56

(Reference) Equity: As of December 31, 2009: ¥187,336 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: No

## 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

The Company's newly established subsidiary Stanley Electric do Brasil Ltda. has been included in the scope of consolidation from the third quarter of the year under review. This company is not classified as a specified subsidiary.

- (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 included in 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 particularly 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 ¥2,279 million, ordinary income and income before income taxes and minority interests by ¥2,381 million, respectively, for the nine months ended December 31, 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)
    - Nine months ended December 31, 2009: 182,240,000 shares
    - Fiscal year ended March 31, 2009: 188,240,256 shares
  - 2) Number of shares of treasury stock at the end of the period
    - Nine months ended December 31, 2009: 8,189,346 shares
    - Fiscal year ended March 31, 2009: 13,394,106 shares
  - 3) Average number of shares during the period
    - Nine months ended December 31, 2009: 174,422,616 shares
    - Nine months ended December 31, 2008: 177,574,331 shares

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

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 December 31, 2009	As of March 31, 2009
<b>Assets</b>		
Current assets		
Cash and deposits	50,566	40,621
Notes and accounts receivable-trade	49,229	44,000
Short-term investment securities	9,814	6,611
Inventories	14,695	14,535
Deferred tax assets	1,824	2,266
Other	8,677	10,135
Allowance for doubtful accounts	(91)	(111)
Total current assets	134,717	118,059
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	41,438	37,345
Machinery, equipment and vehicles, net	32,896	34,597
Tools, furniture and fixtures, net	13,593	15,377
Land	13,302	11,278
Lease assets, net	181	152
Construction in progress	8,558	14,690
Total property, plant and equipment	109,970	113,442
Intangible assets		
Goodwill	47	75
Other	2,818	2,961
Total intangible assets	2,866	3,036
Investments and other assets		
Investment securities	38,992	31,287
Deferred tax assets	2,146	4,169
Other	3,362	3,107
Allowance for doubtful accounts	(9)	(0)
Total investments and other assets	44,491	38,563
Total noncurrent assets	157,328	155,042
Total assets	292,045	273,102

(Millions of Yen)

	As of December 31, 2009	As of March 31, 2009
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	33,892	28,592
Short-term loans payable	6,557	9,671
Lease obligations	55	42
Income taxes payable	1,396	1,228
Deferred tax liabilities	21	9
Provision for bonuses	1,237	3,247
Provision for directors' bonuses	113	142
Other	10,864	9,853
Total current liabilities	54,138	52,789
Noncurrent liabilities		
Bonds payable	10,000	–
Lease obligations	130	113
Deferred tax liabilities	1,326	437
Provision for retirement benefits	23,465	22,150
Provision for directors' retirement benefits	117	141
Other	2,545	2,778
Total noncurrent liabilities	37,585	25,621
Total liabilities	91,723	78,410
<b>Net assets</b>		
Shareholders' equity		
Capital stock	30,514	30,514
Capital surplus	29,825	29,825
Retained earnings	144,990	151,784
Treasury stock	(15,953)	(26,137)
Total shareholders' equity	189,376	185,986
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12,592	8,828
Foreign currency translation adjustment	(14,632)	(12,003)
Total valuation and translation adjustments	(2,040)	(3,174)
Minority interests	12,985	11,880
Total net assets	200,321	194,692
Total liabilities and net assets	292,045	273,102

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

(Millions of Yen)

	Nine months ended December 31, 2008	Nine months ended December 31, 2009
Net sales	237,512	173,113
Cost of sales	184,523	135,533
Gross profit	52,989	37,579
Selling, general and administrative expenses	26,514	21,836
Operating income	26,474	15,742
Non-operating income		
Interest income	570	309
Dividends income	681	215
Equity in earnings of affiliates	459	477
Royalty income	779	581
Miscellaneous income	480	386
Total non-operating income	2,971	1,970
Non-operating expenses		
Interest expenses	264	287
Dismantlement cost	127	—
Foreign exchange losses	770	339
Miscellaneous loss	478	462
Total non-operating expenses	1,640	1,089
Ordinary income	27,806	16,623
Extraordinary income		
Gain on sales of noncurrent assets	1,873	208
Gain on sales of subsidiaries and affiliates' stocks	—	22
Total extraordinary income	1,873	230
Extraordinary loss		
Loss on retirement of noncurrent assets	800	435
Loss on valuation of investment securities	995	—
Early extra retirement payments	260	—
Loss on liquidation of investment securities	122	—
Total extraordinary losses	2,178	435
Income before income taxes and minority interests	27,500	16,419
Income taxes	8,982	5,085
Minority interests in income	2,297	2,250
Net income	16,220	9,082

## (3) Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	Nine months ended December 31, 2008	Nine months ended December 31, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	27,500	16,419
Depreciation and amortization	18,786	15,544
Increase (decrease) in allowance for doubtful accounts	32	20
Increase (decrease) in provision for bonuses	(2,338)	(2,011)
Increase (decrease) in provision for retirement benefits	(46)	1,299
Interest and dividends income	(1,252)	(525)
Interest expenses	264	287
Equity in (earnings) losses of affiliates	(459)	(477)
Loss (gain) on sales and retirement of noncurrent assets	(1,072)	227
Loss (gain) on valuation of investment securities	995	—
Loss on liquidation of investment securities	122	—
Loss (gain) on sales of stocks of subsidiaries and affiliates	—	(22)
Decrease (increase) in notes and accounts receivable—trade	15,159	(5,936)
Decrease (increase) in inventories	(973)	(473)
Increase (decrease) in notes and accounts payable—trade	(8,061)	6,195
Other, net	33	1,864
Subtotal	48,688	32,411
Interest and dividends income received	1,595	1,045
Interest expenses paid	(341)	(230)
Income taxes (paid) refund	(13,450)	(2,508)
Net cash provided by (used in) operating activities	36,492	30,718
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(20,867)	(15,521)
Proceeds from sales of property, plant and equipment	3,038	563
Purchase of intangible assets	(510)	(835)
Purchase of investment securities	(2,342)	(1,376)
Proceeds from sales and redemption of short-term and long term investment securities	2,500	0
Other, net	236	180
Net cash provided by (used in) investing activities	(17,945)	(16,989)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	2,013	(2,920)
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	(10,000)	—
Purchase of treasury stock	(7,487)	(1,506)
Cash dividends paid	(5,794)	(4,128)
Cash dividends paid to minority shareholders	(1,028)	(749)
Other, net	12	(55)
Net cash provided by (used in) financing activities	(22,285)	639
Effect of exchange rate change on cash and cash equivalents	(4,387)	(944)
Net increase (decrease) in cash and cash equivalents	(8,126)	13,423
Cash and cash equivalents at beginning of period	51,525	46,627
Cash and cash equivalents at end of period	43,399	60,051

#### (4) Review of Segment Operations

##### Business segment information

Nine months ended December 31, 2008 (from April 1, 2008 to December 31, 2008)

(Millions of Yen)

	Automotive Equipment Business	Electronic Equipment Business	Other Business	Total	Elimination or Corporate	Consolidated Total
Sales						
(1) Sales to outside customers	175,150	62,151	210	237,512	—	237,512
(2) Intersegment sales or transfer	128	10,117	2,578	12,824	(12,824)	—
Total	175,278	72,268	2,789	250,336	(12,824)	237,512
Operating income	18,901	6,258	37	25,196	1,277	26,474

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

Nine months ended December 31, 2009 (from April 1, 2009 to December 31, 2009)

(Millions of Yen)

	Automotive Equipment Business	Electronic Equipment Business	Other Business	Total	Elimination or Corporate	Consolidated Total
Sales						
(1) Sales to outside customers	128,446	44,332	334	173,113	—	173,113
(2) Intersegment sales or transfer	432	5,354	1,509	7,297	(7,297)	—
Total	128,879	49,687	1,844	180,411	(7,297)	173,113
Operating income	13,937	3,277	66	17,281	(1,538)	15,742

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 nine months ended December 31, 2009 by ¥1,312 million for the Automotive Equipment Business segment, ¥646 million for the Electronic Equipment Business segment and ¥5 million for the Other Business segment, compared to the results that would have been obtained under the former method.

## Geographical segment information

Nine months ended December 31, 2008 (from April 1, 2008 to December 31, 2008)

(Millions of Yen)

	Japan	North America	Asia-Pacific	China	Other Regions	Total	Elimination or Corporate	Consolidated Total
Sales								
(1) Sales to outside customers	132,665	33,430	27,169	31,043	13,202	237,512	—	237,512
(2) Intersegment sales or transfer	24,605	38	10,227	10,257	178	45,306	(45,306)	—
Total	157,271	33,468	37,397	41,300	13,381	282,819	(45,306)	237,512
Operating income	10,669	1,900	4,152	5,843	1,549	24,116	2,358	26,474

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

Nine months ended December 31, 2009 (from April 1, 2009 to December 31, 2009)

(Millions of Yen)

	Japan	The Americas	Asia-Pacific	China	Other Regions	Total	Elimination or Corporate	Consolidated Total
Sales								
(1) Sales to outside customers	88,769	23,645	23,763	30,931	6,002	173,113	—	173,113
(2) Intersegment sales or transfer	18,036	4	6,682	6,537	217	31,477	(31,477)	—
Total	106,806	23,650	30,445	37,469	6,219	204,591	(31,477)	173,113
Operating income (loss)	3,418	131	3,984	6,576	(146)	13,963	1,779	15,742

Notes:

- Countries and regions are segmented based on their geographical proximity.
- Major countries and regions which belong to segments other than Japan:
  - The Americas: United States of America and Brazil
  - 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

The Company established a new subsidiary in October 2009 in Brazil and included the figures for the new subsidiary in the former “North America” category. Therefore, the Company has changed the name of the segment category from “North America” to “The Americas” beginning from the nine months ended December 31, 2009.
- 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 nine months ended December 31, 2009 by ¥2,247 million in Japan and ¥31 million in Asia-Pacific, compared to the results that would have been obtained under the former method.

## Overseas sales

Nine months ended December 31, 2008 (from April 1, 2008 to December 31, 2008)

(Millions of Yen)

	North America	Asia-Pacific	China	Other Regions	Total
I. Overseas net sales	33,581	27,802	35,014	10,119	106,518
II. Consolidated net sales					237,512
III. Overseas net sales as a percent of consolidated net sales	14.1%	11.7%	14.7%	4.3%	44.8%

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.

Nine months ended December 31, 2009 (from April 1, 2009 to December 31, 2009)

(Millions of Yen)

	The Americas	Asia-Pacific	China	Other Regions	Total
I. Overseas net sales	23,775	23,559	34,101	4,351	85,786
II. Consolidated net sales					173,113
III. Overseas net sales as a percent of consolidated net sales	13.7%	13.6%	19.7%	2.5%	49.6%

Notes:

- Countries and regions are segmented based on their geographical proximity.
- Major countries and regions which belong to segments:
  - The Americas: United States of America and Brazil
  - 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.