

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 2017 [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/en/index.html
Representative: Title	President
Name	Hiroyoshi Yoshiki
Contact Person: Title	Senior Executive Officer, Accounting Manager
Name	Shinichi Ogiso
Tel:	+81-(564) 31-2211
Scheduled date of filing of quarterly securities report:	November 9, 2016
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 2017 (April 1, 2016 ó September 30, 2016)

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

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit (loss) attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2017 2Q	201,482	(6.8)	2,643	-	1,352	-	1,162	-
FY2016 2Q	216,097	4.9	(870)	-	(2,887)	-	(3,399)	-

Note: Comprehensive income: First half of FY2017: -7,244 million yen (-%), First half of FY2016: -3,874 million yen (-%)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
FY2017 2Q	16.62	-
FY2016 2Q	(48.60)	-

(2) Financial position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2016	212,584	47,336	16.9
As of March 31, 2016	233,303	56,179	17.8

Reference: Shareholders' equity As of September 30, 2016: 35,891 million yen As of March 31, 2016: 41,507 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY2016	-	0.00	-	3.00	3.00
FY2017	-	0.00			
FY2017 (est.)			-	3.00	3.00

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

3. Forecast for the fiscal year ending March 2017 (Consolidated, April 1, 2016 ó March 31, 2017)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit (loss) attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	400,000	(8.6)	4,500	44.1	2,400	276.8	1,500	-	21.44

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
 Newly consolidated companies: - Exclude:-
- (2) Use of accounting methods specific to preparation of the quarterly consolidated financial statements: Yes
 Note: Please see 2. Other Information, (2) Use of accounting methods specific to preparation of the quarterly consolidated financial statements on page 3 for more details.
- (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: None
 (d) Retrospective restatement: None
 Note: Please see 2. Other Information, (3) Changes in accounting principles and estimates, and retrospective restatement on page 3 for more details.

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)			
As of September 30, 2016:	70,049,627	As of March 31, 2016:	70,049,627
(b) Treasury stock			
As of September 30, 2016:	99,869	As of March 31, 2016:	99,478
(c) Average number of shares (quarterly consolidated cumulative period)			
Period ended September 30, 2016:	69,949,972	Period ended September 30, 2015:	69,951,642

* Information concerning quarterly review procedure

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

* Cautionary statement regarding forecasts of operating results and special notes

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 1. Business Results, (3) Forecast for fiscal year ending March 2017 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 U.S. economy continued to recover. But, the growth rate slowed fueling concerns over possible economic slowdown going forward. The European economy also continues to recover gradually. However, Brexit, a referendum whereby British citizens voted to exit the European Union, needs note as it has led to an increased sense of uncertainty. In Asia, the pace of economic growth continued to decline in China but economies in Indonesia and other Asian countries seem to be recovering led by internal demand.

In Japan, although there were signs of weakness, the economy recovered slowly, supported by an upswing in personal consumption and other factors.

In the automobile industry, which is the main source of sales for the Futaba Group, sales growth slowed in North America. The outlook for the European market is uncertain. In China, there was a rush in demand ahead of the expiration of the temporary tax breaks. However, overall demand in China is on the decline. In Japan, ordinary automobile sales were flat and sales of light motor vehicles have yet to recover from the tax hike on this type of vehicles. Thus, the outlook for recovery remained uncertain.

In this difficult environment, the Futaba Group has drawn up a five-year plan with focus on basics of safety, quality and manufacturing in addition to structural reforms and reinforcing cost management aimed at increasing earnings.

First half sales decreased 6.8% from one year earlier to 201,482 million yen. There was an operating income of 2,643 million yen compared with an operating loss of 870 million yen one year earlier, an ordinary income of 1,352 million yen compared with an ordinary loss of 2,887 million yen one year earlier, and a profit attributable to owners of parent of 1,162 million yen compared with a 3,399 million yen loss one year earlier.

Geographic segment performance was as follows.

1) Japan

Sales decreased 4.5% to 114,074 million yen and there was an operating loss of 119 million yen compared with an operating loss of 2,118 million yen one year earlier.

2) North America

Sales decreased 15.3% to 47,680 million yen and operating income was up 143.5 % to 1,793 million yen.

3) Europe

Sales decreased 12.8% to 11,772 million yen and there was an operating income of 10 million yen compared with an operating loss of 296 million yen one year earlier.

4) Asia

Sales decreased 7.2% to 33,713 million yen and operating income was up 0.3% to 872 million yen.

(2) Overview of financial condition

Total assets were 212,584 million yen at the end of the first half, 20,719 million yen lower than at the end of the previous fiscal year. This was attributable mainly to decrease in notes and accounts receivable-trade and property, plant and equipment.

Total liabilities decreased 11,875 million yen to 165,248 million yen mainly because of decreases in interest-bearing liabilities and notes and accounts payable-trade.

Net assets decreased 8,843 million yen to 47,336 million yen mainly because of decreases in valuation differences on available-for-sale securities and foreign currency translation adjustment.

(3) Forecast for Fiscal Year Ending March 2017

The consolidated forecast for the fiscal year ending March 2017 that was announced on April 27, 2016 has been revised.

2. Other Information

(1) Changes in significant subsidiaries

None

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

In association with amendments to Japan's Corporate Income Tax Act, the Company is applying Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (ASBJ PITF No. 32, June 17, 2016) beginning with the first quarter of the current fiscal year. As a result, the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

These changes had negligible effect on the financial statements for the first half of the current fiscal year.

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

(Million yen)

	As of March 31, 2016	As of September 30, 2016
ASSETS		
Current assets		
Cash and deposits	16,894	14,212
Notes and accounts receivable-trade	54,412	48,360
Merchandise and furnished goods	3,333	2,988
Work in process	9,308	9,344
Raw materials and supplies	4,003	3,357
Deferred tax assets	2	1
Others	8,624	6,937
Allowance for doubtful accounts	(57)	(12)
Total current assets	96,521	85,190
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	31,531	28,389
Machinery, equipment and vehicles, net	46,751	39,413
Tools, furniture and fixtures, net	5,456	5,096
Land	14,668	14,438
Lease assets, net	6,913	4,752
Construction in progress	8,414	13,429
Total property, plant and equipment	113,735	105,519
Intangible assets	791	703
Investments and other assets		
Investment securities	14,463	13,558
Long-term loans receivable	1,962	1,944
Net defined benefit asset	5,874	6,089
Deferred tax assets	711	566
Others	1,681	1,450
Allowance for doubtful accounts	(2,438)	(2,438)
Total investments and other assets	22,254	21,171
Total noncurrent assets	136,781	127,394
Total assets	233,303	212,584

(Million yen)

	As of March 31, 2016	As of September 30, 2016
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	45,742	41,896
Electronically recorded obligations-operating	6,356	7,013
Short-term loans payable	18,187	16,814
Current portion of long-term loans payable	14,429	18,245
Lease obligations	5,823	4,020
Income taxes payable	461	306
Accrued consumption taxes	646	304
Accrued expenses	9,716	9,067
Others	6,638	6,037
Total current liabilities	108,003	103,706
Noncurrent liabilities		
Long-term loans payable	49,489	44,118
Lease obligations	2,797	1,126
Deferred tax liabilities	7,124	6,604
Provision for directors' retirement benefits	87	39
Provision for product warranties	238	238
Net defined benefit liability	8,943	8,991
Asset retirement obligations	189	189
Others	249	232
Total Noncurrent liabilities	69,120	61,541
Total liabilities	177,123	165,248
NET ASSETS		
Shareholders' equity		
Capital stock	11,820	11,820
Capital surplus	8,616	8,471
Retained earnings	10,496	11,449
Treasury stock	(149)	(149)
Total shareholders' equity	30,783	31,591
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	5,168	4,943
Foreign currency translation adjustment	6,117	(151)
Remeasurements of defined benefit plans	(562)	(492)
Total accumulated other comprehensive income	10,723	4,299
Non-controlling interests	14,672	11,445
Total net assets	56,179	47,336
Total liabilities and net assets	233,303	212,584

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statements of income

(Million yen)

	First six months ended September 2015 (Apr. 1, 2015 to Sep. 30, 2015)	First six months ended September 2016 (Apr. 1, 2016 to Sep. 30, 2016)
Net sales	216,097	201,482
Cost of sales	207,477	189,699
Gross profit	8,620	11,783
Selling, general and administrative expenses		
Freightage and packing expenses	2,683	2,415
Salaries, allowances and bonuses	3,401	3,198
Retirement benefit expenses	35	63
Provision for directors' retirement benefits	12	25
Legal and employee benefits expenses	358	331
Taxes and dues	346	442
Depreciation	439	387
Others	2,212	2,275
Total selling, general and administrative expenses	9,490	9,139
Operating income (loss)	(870)	2,643
Non-operating income		
Interest income	136	83
Dividends income	161	122
Gain on sales of scraps	95	113
Equity in gains of affiliates	-	61
Gain on valuation of derivatives	17	11
Miscellaneous income	226	325
Total non-operating income	637	717
Non-operating expenses		
Interest expenses	780	630
Equity in losses of affiliates	197	-
Foreign exchange losses	831	629
Foreign withholding tax	382	298
Miscellaneous loss	463	450
Total non-operating expenses	2,654	2,008
Ordinary income (loss)	(2,887)	1,352
Income (loss) before income taxes	(2,887)	1,352
Income taxes	460	(34)
Net income (loss)	(3,347)	1,386
Profit (loss) attributable to non-controlling interests	51	224
Profit (loss) attributable to owners of parent	(3,399)	1,162

Quarterly consolidated statements of comprehensive income

(Million yen)

	First six months ended September 2015 (Apr. 1, 2015 to Sep. 30, 2015)	First six months ended September 2016 (Apr. 1, 2016 to Sep. 30, 2016)
Net income (loss)	(3,347)	1,386
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,316)	(226)
Foreign currency translation adjustment	634	(7,606)
Remeasurements of defined benefit plans before tax	(57)	70
Share of other comprehensive income of associates accounted for using equity method	213	(868)
Total other comprehensive income	(526)	(8,631)
Comprehensive income	(3,874)	(7,244)
Comprehensive income attributable to owners of the parent	(4,149)	(5,261)
Comprehensive income attributable to non-controlling interests	274	(1,983)

(3) Notes to the consolidated financial statements

(Note to ongoing concern assumptions)

None

(Note concerning significant changes in equity)

None

Segment information

For the first six month ended September 2015 (Apr. 1, 2015 ó Sep. 30, 2015)

(Million yen)

	Reportable segments					Adjustments (Note 1)	Total (Note 2)
	Japan	North America	Europe	Asia	Total		
Net sales							
of which to outside customers	110,145	56,317	13,466	36,168	216,097	-	216,097
of which inter-segment and transfers	9,305	-	27	175	9,508	(9,508)	-
Total	119,450	56,317	13,494	36,343	225,606	(9,508)	216,097
Operating income (loss)	(2,118)	736	(296)	870	(808)	(61)	(870)

Note 1: Adjustments of -61million 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 statements of income.

For the first six month ended September 2016 (Apr. 1, 2016 ó Sep. 30, 2016)

(Million yen)

	Reportable segments					Adjustments (Note 1)	Total (Note 2)
	Japan	North America	Europe	Asia	Total		
Net sales							
of which to outside customers	108,457	47,679	11,741	33,603	201,482	-	201,482
of which inter-segment and transfers	5,616	0	31	109	5,758	(5,758)	-
Total	114,074	47,680	11,772	33,713	207,240	(5,758)	201,482
Operating income (loss)	(119)	1,793	10	872	2,557	86	2,643

Note 1: Adjustments of 86 million yen are due to the elimination of inter-segment transactions.

Note 2: Segment operating income is adjusted to match the operating income in the quarterly statements of income.

Supplementary data for the first six months of the fiscal year ending March 2017

Consolidated

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

(Million yen, rounded down)

	FY3/17 (First half)		FY3/16 (First half)		Change		Forecast full year FY3/17		Change vs. FY3/16	
	% to sales	Amount	% to sales	Amount	Amount	%	% to sales	Amount	Amount	%
Net sales	100.0%	201,482	100.0%	216,097	(14,614)	(6.8%)	100.0%	400,000	(37,640)	(8.6%)
Operating income (loss)	1.3%	2,643	(0.4%)	(870)	3,513	-	1.1%	4,500	1,378	44.1%
Ordinary income (loss)	0.7%	1,352	(1.3%)	(2,887)	4,240	-	0.6%	2,400	1,763	276.8%
Profit (loss) attributable to owners of parent	0.6%	1,162	(1.6%)	(3,399)	4,561	-	0.4%	1,500	2,695	-
Net income per share(yen)		16.62		(48.60)				21.44		
Capital expenditures		5,461		15,124	(9,662)	(63.9%)		21,000	(5,514)	(20.8%)
Depreciation		10,847		12,222	(1,375)	(11.3%)		22,000	(2,152)	(8.9%)
Foreign exchange rate (USD/JPY)		105.3 yen		121.8 yen				105.0 yen		

* Actual sales, adjusted for fluctuation in the foreign exchange rate, increased 0.1 billion yen compared with same period a year earlier.

2. Reasons for increase/decrease in operating income

(Year-on-year comparison)

(100 million yen)

Positive factors	Amount	Negative factors	Amount
Measures to further rationalize and change in product mix etc.	36	Increase in labor cost	6
Decrease in depreciation	7	Decrease in gain on sales of scraps	4
Increase in sales	2		
Total	45	Total	10
Net increase (decrease) in operating income		35	

3. Performance by geographical segment

(Million yen, rounded down)

		FY3/17 (First half) (Apr. 1, 2016 ó Sep. 30, 2016)		FY3/16 (First half) (Apr. 1, 2015 – Sep. 30, 2015)		Change	
		Amount	% to sales	Amount	% to sales	Amount	%
Japan	Net sales	114,074		119,450		(5,376)	(4.5%)
	Operating income	(119)	(0.1%)	(2,118)	(1.8%)	1,999	-
North America	Net sales	47,680		56,317		(8,637)	(15.3%)
	Operating income	1,793	3.8%	736	1.3%	1,056	143.5%
Europe	Net sales	11,772		13,494		(1,721)	(12.8%)
	Operating income	10	0.1%	(296)	(2.2%)	306	-
Asia	Net sales	33,713		36,343		(2,630)	(7.2%)
	Operating income	872	2.6%	870	2.4%	2	0.3%
Eliminations	Net sales	(5,758)		(9,508)		3,750	
	Operating income	86		(61)		147	
Total	Net sales	201,482		216,097		(14,614)	(6.8%)
	Operating income	2,643	1.3%	(870)	(0.4%)	3,513	-

Non-consolidated

1. Performance in the first six months

(Million yen, rounded down)

	FY3/17 (First half)		FY3/16 (First half)		Change	
	(Apr. 1, 2016 ó Sep. 30, 2016)		(Apr. 1, 2015 ó Sep. 30, 2015)			
	% to sales	Amount	% to sales	Amount	Amount	%
Net sales	100.0%	113,292	100.0%	118,144	(4,851)	(4.1%)
Operating income (loss)	(0.6%)	(660)	(1.6%)	(1,831)	1,171	-
Ordinary income	1.0%	1,155	0.3%	354	800	225.4%
Net income	1.0%	1,174	0.2%	206	967	469.0%
Capital expenditures		3,068		8,467	(5,399)	(63.8%)
Depreciation		6,015		6,150	(135)	(2.2%)