

# Consolidated Financial Results for the Fiscal Year Ended March 2017 [Japan GAAP]

April 27, 2017

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 ordinary general shareholders meeting: June 16, 2017  
 Scheduled date of filing securities report: June 19, 2017  
 Scheduled date of commencement of dividend payment: June 1, 2017  
 Supplementary materials for financial results: Yes  
 Information meeting for financial results: Yes (Only for securities analysts/institutional investors)

(Yen in millions, rounded down)

## 1. Financial results for the current fiscal year (April 1, 2016 – March 31, 2017)

### (1) Result of Operations (Consolidated)

(Percentage figures represent year on year changes)

|        | Net sales   |       | Operating profit |        | Ordinary profit |        | Profit attributable to owners of parent |   |
|--------|-------------|-------|------------------|--------|-----------------|--------|---|---|
|        | Million yen | %     | Million yen      | %      | Million yen     | %      | Million yen                             | % |
| FY2017 | 412,383     | (5.8) | 8,976            | 187.6  | 7,542           | -      | 4,806                                   | - |
| FY2016 | 437,640     | 3.5   | 3,121            | (28.5) | 636             | (69.9) | (1,195)                                 | - |

Note: Comprehensive income: FY2017: 2,309 million yen (-%) FY2016: -8,863 million yen (-%)

|        | Earnings per share | Earnings per share fully diluted | Return on equity | Ratio of ordinary profit to total assets | Ratio of operating profit to net sales |
|--------|--------------------|----------------------------------|------------------|--|--|
|        | Yen                | Yen                              | %                | %  | %                                      |
| FY2017 | 65.76              | -                                | 10.0             | 3.2                                      | 2.2                                    |
| FY2016 | (17.09)            | -                                | (2.6)            | 0.3                                      | 0.7                                    |

Reference: Equity in earnings of affiliates FY2017: 461million yen FY2016: 222 million yen

Since the year on year change in ordinary profit for the fiscal year ended March 2017 exceeds 1,000%, it is stated as '-'.

### (2) Financial Position (Consolidated)

|                      | Total assets | Net assets  | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
|                      | Million yen  | Million yen | %            | Yen                  |
| As of March 31, 2017 | 242,311      | 67,029      | 22.4         | 607.17               |
| As of March 31, 2016 | 233,303      | 56,179      | 17.8         | 593.39               |

Reference: Shareholders' equity: As of Mar. 31, 2017: 54,329 million yen As of Mar. 31, 2016: 41,507 million yen

### (3) Cash flows (Consolidated)

|        | Net cash provided by (used in) operating activities | Net cash provided by (used in) investing activities | Net cash provided by (used in) financing activities | Cash and cash equivalents at end of period |
|--------|---|---|---|--|
|        | Million yen   | Million yen   | Million yen   | Million yen                                |
| FY2017 | 26,178  | (20,902)  | 3,262   | 20,581                                     |
| FY2016 | 22,751  | (20,333)  | (3,612)   | 13,121                                     |

## 2. Dividends

|                    | Dividend per share |           |           |           |       | Annual aggregate amount | Payout ratio (Consolidated) | Dividends/net assets (Consolidated) |
|--------------------|--------------------|-----------|-----------|-----------|-------|-------------------------|-----------------------------|-------------------------------------|
|                    | End of 1Q          | End of 2Q | End of 3Q | End of FY | Total |                         |                             |                                     |
| FY2016             | -                  | 0.00      | -         | 3.00      | 3.00  | 209                     | -                           | 0.5                                 |
| FY2017             | -                  | 0.00      | -         | 3.00      | 3.00  | 268                     | 4.6                         | 0.5                                 |
| FY2018 (estimated) | -                  | 0.00      | -         | 3.00      | 3.00  |                         | -                           |                                     |

### 3. Forecast for the fiscal year ending March 2018 (Consolidated, April 1, 2017 - March 31, 2018)

(Percentage figures represent year on year changes)

|            | Net sales   |       | Operating profit |        | Ordinary profit |        | Profit attributable to owners of parent |        | Earnings per share |
|------------|-------------|-------|------------------|--------|-----------------|--------|---|--------|--------------------|
|            | Million yen | %     | Million yen      | %      | Million yen     | %      | Million yen                             | %      | Yen                |
| First half | 200,000     | (0.7) | 2,000            | (24.3) | 1,000           | (26.1) | 500                                     | (57.0) | 5.59               |
| Full year  | 420,000     | 1.8   | 9,000            | 0.3    | 7,500           | (0.6)  | 6,000                                   | 24.8   | 67.05              |

#### \* Notes

##### (1) Changes in significant subsidiaries

(Changes in specific subsidiaries accompanied by changes in the scope of consolidation): Yes

Newly consolidated company: Futaba Industrial Gujarat Private Limited

Exclude: None

##### (2) 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 “3. Consolidated Financial Statement, (5) Note to the consolidated financial statements (Changes in accounting policies)” on page 12 for more details.

##### (3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

|                |            |                |            |
|----------------|------------|----------------|------------|
| End of FY2017: | 89,580,827 | End of FY2016: | 70,049,627 |
| End of FY2017: | 100,342    | End of FY2016: | 99,478     |
| FY2017:        | 73,098,213 | FY2016:        | 69,951,124 |

(b) Treasury shares

(c) Average number of shares outstanding during the year

#### [Reference] Non-consolidated Financial Results

#### Non-consolidated financial results for the fiscal year ended March 2017 (April 1, 2016 – March 31, 2017)

##### (1) Result of operations (Non-consolidated)

(Percentage figures represent year on year changes)

|        | Net sales   |       | Operating profit |   | Ordinary profit |        | Profit      |   |
|--------|-------------|-------|------------------|---|-----------------|--------|-------------|---|
|        | Million yen | %     | Million yen      | % | Million yen     | %      | Million yen | % |
| FY2017 | 235,129     | (1.3) | 1,182            | - | 2,871           | 283.4  | 646         | - |
| FY2016 | 238,342     | (0.0) | (1,889)          | - | 749             | (83.8) | (3,488)     | - |

|        | Earnings per share | Earnings per share fully diluted |
|--------|--------------------|----------------------------------|
|        | Yen                | Yen                              |
| FY2017 | 8.85               | -                                |
| FY2016 | (49.87)            | -                                |

##### (2) Financial Position (Non-consolidated)

|                      | Total assets | Net assets  | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
|                      | Million yen  | Million yen | %            | Yen                  |
| As of March 31, 2017 | 154,830      | 38,033      | 24.6         | 425.04               |
| As of March 31, 2016 | 138,872      | 26,867      | 19.3         | 384.10               |

Reference: Shareholders' equity

As of March 31, 2017: 38,033 million yen

As of March 31, 2016: 26,867 million yen

\* This report is exempt from the audit procedure

\* 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.

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## 1. Results of Operations

### (1) Overview on consolidated business performance for the current fiscal year

In the global economy during the fiscal year under review, although the recovery trend in North America continues, we need to pay close attention to the impact of policy changes. Even the European economy achieved a gradual recovery, but we still need to pay attention to the growing uncertainty about the future given the departure of the UK from the EU ('Brexit'). In Asia, although the Chinese economy showed some measure of improvement, it is still unstable. Mainly in response to domestic demand, economies in emerging Asian countries such as India and Indonesia also showed signs of gradual recovery. In Japan, while the weakness of the domestic economy still remains evident, a gradual recovery trend continues due to a revival in personal consumption and other factors.

In the automobile industry, which is the main source of sales for the Futaba Group, demand in North America remained strong mainly for light trucks and demand in Europe was on the way to recovery from the European crisis, whilst provisional tax reduction measures and other factors drove expansion of demand in China. In Japan, although the sales volume for ordinary cars is flat, sales of light motor vehicles are not yet recovering from the effects of tax hikes and other factors. As a result, our performance in the domestic market still lacks strength overall.

In this environment, the Futaba Group has formulated a new five-year plan which stresses strict concentration on the fundamentals of 'safety, quality, and manufacturing', and on striving to secure profit by strengthening structural reforms and cost management.

Fiscal year sales were 412.3 billion yen, down 5.8% from one year earlier, operating profit was 8.9 billion yen, up 187.6% from one year earlier, ordinary profit was 7.5 billion yen, up 1,084.2% from one year earlier, and profit attributable to owners of parent of 4.8 billion yen compared with a net loss of 1.1 billion yen one year earlier.

Geographic segment performance was as follows.

#### 1) Japan

Sales decreased 1.3% to 236,822 million yen, down 3,102 million yen and there was an operating profit of 2,720 million yen compared with operating loss of 1,697 million yen one year earlier.

#### 2) North America

Sales decreased 9.6% to 100,409 million yen, down 10,604 million yen and operating profit was up 56.6% to 3,986 million yen.

#### 3) Europe

Sales decreased 17.0% to 23,547 million yen, down 4,819 million yen and there was an operating loss of 43 million yen compared with operating profit of 89 million yen one year earlier.

#### 4) Asia

Sales decreased 11.9% to 66,009 million yen, down 8,914 million yen and operating profit was up 7.3% to 2,385 million yen.

### (2) Analysis of financial condition

Total assets increased 9,000 million yen to 242,300 million yen at the end of March 2017 due to an increase in cash and deposits, and trade receivables, etc. Liabilities decreased 1,800 million yen to 175,200 million yen due to a decrease in lease obligations, etc. Net assets increased by 10,800 million yen to 67,000 million yen, due to increases in capital stock and capital surplus due to the issuance of shares, and recording of profit attributable to owners of parent and other factors.

(3) Cash flows

There was a net increase of 7,460 million yen in the cash and cash equivalents of the Group to 20,581 million yen due to the following cash flows.

(Operating activities)

Net cash provided by operating activities increased 3,427 million yen (15.1%) to 26,178 million yen mainly because of increase in profit before income taxes and notes and accounts payable.

(Investing activities)

Net cash used in investing activities increased 569 million yen (2.8%) to 20,902 million yen mainly because of increase in payments into time deposits and purchase of property, plant and equipment.

(Financing activities)

Net cash provided by financing activities was 3,262 million yen compared with a cash flow of 3,612 million yen used one year earlier mainly because of proceeds from share issuance, etc.

(4) Outlook

The operating environment for the Futaba Group in the next fiscal year is still uncertain. However, the group plans to increase sales and return to profitability by reexamining manufacturing operations, making manufacturing activities more efficient, cutting the cost of sales, reexamining the supply chain, lowering logistics expenses, and taking other actions. As a result, in the fiscal year ending in March 2018, the group estimates a 1.8% increase in sales to 420,000 million yen, 0.3% increase in operating profit to 9,000 million yen, 0.6% decrease in ordinary profit to 7,500 million yen, and 24.8% increase in profit attributable to owners of parent to 6,000 million yen.

(5) Fundamental policy for allocation of earnings and dividends for the current fiscal year and next fiscal year

Increasing earnings for shareholders is one of the highest priorities of Futaba Industrial. For the distribution of earnings, with the maintenance of a stable dividend for our central policy, we are dedicated to meeting the expectations of shareholders by making distributions that take into account results of operations, the dividend payout ratio and other applicable factors. For retained earnings, we use funds to make investments for strengthening and upgrading our operations in order to support growth in the future, thereby generating profits for shareholders for many years.

Futaba plans to pay a year-end dividend of 3 yen per share for the fiscal year that ended in March 2017, same as the previous fiscal year.

For the next fiscal year Futaba plans to pay no interim dividend. The forecast for year-end dividend is 3 yen per share.

## 2. Basic Position concerning Selection of Accounting Standards

Company manuals, guidelines and other materials are being revised to prepare for transition to IFRS. The timing of adoption of the IFRS standard is currently under consideration.

### 3. Consolidated Financial Statements

#### (1) Consolidated balance sheet

(Million yen)

|  | As of March 31, 2016 | As of March 31, 2017 |
|--|----------------------|----------------------|
| <b>Assets</b>                              |                      |                      |
| <b>Current assets</b>                      |                      |                      |
| Cash and deposits                          | 16,894               | 24,768               |
| Notes and accounts receivable - trade      | 54,412               | 59,056               |
| Finished goods                             | 3,333                | 2,838                |
| Work in process                            | 9,308                | 10,912               |
| Raw materials and supplies                 | 4,003                | 3,719                |
| Deferred tax assets                        | 2                    | 1                    |
| Other                                      | 8,624                | 7,071                |
| Allowance for doubtful accounts            | (57)                 | (10)                 |
| <b>Total current assets</b>                | <b>96,521</b>        | <b>108,358</b>       |
| <b>Non-current assets</b>                  |                      |                      |
| <b>Property, plant and equipment</b>       |                      |                      |
| Buildings and structures                   | 68,245               | 67,250               |
| Accumulated depreciation                   | (36,713)             | (37,672)             |
| Buildings and structures, net              | 31,531               | 29,578               |
| Machinery, equipment and vehicles          | 213,739              | 203,142              |
| Accumulated depreciation                   | (166,987)            | (163,950)            |
| Machinery, equipment and vehicles, net     | 46,751               | 39,192               |
| Tools, furniture and fixtures              | 45,314               | 44,736               |
| Accumulated depreciation                   | (39,858)             | (35,427)             |
| Tools, furniture and fixtures, net         | 5,456                | 9,309                |
| Land                                       | 14,668               | 14,382               |
| Leased assets                              | 32,636               | 31,441               |
| Accumulated depreciation                   | (25,723)             | (29,408)             |
| Leased assets, net                         | 6,913                | 2,032                |
| Construction in progress                   | 8,414                | 14,975               |
| <b>Total property, plant and equipment</b> | <b>113,735</b>       | <b>109,469</b>       |
| <b>Intangible assets</b>                   |                      |                      |
| Software                                   | 750                  | 666                  |
| Other                                      | 41                   | 40                   |
| <b>Total intangible assets</b>             | <b>791</b>           | <b>707</b>           |
| <b>Investments and other assets</b>        |                      |                      |
| Investment securities                      | 14,463               | 15,671               |
| Long-term loans receivable                 | 1,962                | 1,936                |
| Net defined benefit asset                  | 5,874                | 6,346                |
| Deferred tax assets                        | 711                  | 768                  |
| Other                                      | 1,681                | 1,491                |
| Allowance for doubtful accounts            | (2,438)              | (2,438)              |
| <b>Total investments and other assets</b>  | <b>22,254</b>        | <b>23,775</b>        |
| <b>Total non-current assets</b>            | <b>136,781</b>       | <b>133,952</b>       |
| <b>Total assets</b>                        | <b>233,303</b>       | <b>242,311</b>       |

(Million yen)

|   | As of March 31, 2016 | As of March 31, 2017 |
|---|----------------------|----------------------|
| <b>Liabilities</b>                                    |                      |                      |
| <b>Current liabilities</b>                            |                      |                      |
| Electronically recorded obligations - operating       | 6,356                | 6,702                |
| Notes and accounts payable - trade                    | 45,742               | 45,664               |
| Short-term loans payable                              | 18,187               | 20,623               |
| Current portion of long-term loans payable            | 14,429               | 17,634               |
| Lease obligations                                     | 5,823                | 1,667                |
| Income taxes payable                                  | 461                  | 650                  |
| Accrued consumption taxes                             | 646                  | 757                  |
| Provision for directors' bonuses                      | -                    | 60                   |
| Accrued expenses                                      | 9,716                | 10,254               |
| Other   | 6,638                | 9,788                |
| <b>Total current liabilities</b>                      | <b>108,003</b>       | <b>113,803</b>       |
| <b>Non-current liabilities</b>                        |                      |                      |
| Long-term loans payable                               | 49,489               | 44,658               |
| Lease obligations                                     | 2,797                | 88                   |
| Deferred tax liabilities                              | 7,124                | 6,987                |
| Provision for directors' retirement benefits          | 87                   | 49                   |
| Provision for product warranties                      | 238                  | 213                  |
| Net defined benefit liability                         | 8,943                | 9,126                |
| Asset retirement obligations                          | 189                  | 189                  |
| Other   | 249                  | 165                  |
| <b>Total non-current liabilities</b>                  | <b>69,120</b>        | <b>61,478</b>        |
| <b>Total liabilities</b>                              | <b>177,123</b>       | <b>175,281</b>       |
| <b>Net assets</b>                                     |                      |                      |
| <b>Shareholders' equity</b>                           |                      |                      |
| Capital stock   | 11,820               | 16,820               |
| Capital surplus                                       | 8,616                | 13,543               |
| Retained earnings                                     | 10,496               | 15,093               |
| Treasury shares                                       | (149)                | (149)                |
| <b>Total shareholders' equity</b>                     | <b>30,783</b>        | <b>45,306</b>        |
| <b>Accumulated other comprehensive income</b>         |                      |                      |
| Valuation difference on available-for-sale securities | 5,168                | 5,895                |
| Foreign currency translation adjustment               | 6,117                | 3,278                |
| Remeasurements of defined benefit plans               | (562)                | (150)                |
| <b>Total accumulated other comprehensive income</b>   | <b>10,723</b>        | <b>9,022</b>         |
| <b>Non-controlling interests</b>                      | <b>14,672</b>        | <b>12,699</b>        |
| <b>Total net assets</b>                               | <b>56,179</b>        | <b>67,029</b>        |
| <b>Total liabilities and net assets</b>               | <b>233,303</b>       | <b>242,311</b>       |

## (2) Consolidated statements of income and comprehensive income

## Consolidated statement of income

(Million yen)

|  | Fiscal year ended March 31, 2016<br>(Apr. 1, 2015 – Mar. 31, 2016) | Fiscal year ended March 31, 2017<br>(Apr. 1, 2016 – Mar. 31, 2017) |
|--|--|--|
| Net sales  | 437,640  | 412,383  |
| Cost of sales  | 415,262  | 383,938  |
| Gross profit   | 22,378   | 28,445   |
| Selling, general and administrative expenses                   |  |  |
| Freightage and packing expenses                                | 5,497  | 5,280  |
| Salaries, allowances and bonuses                               | 6,734  | 6,694  |
| Retirement benefit expenses                                    | 113  | 166  |
| Provision for directors' bonuses                               | -  | 60   |
| Provision for directors' retirement benefits                   | 24   | 51   |
| Legal and employee benefits expenses                           | 750  | 967  |
| Taxes and dues   | 742  | 1,009  |
| Depreciation   | 824  | 708  |
| Provision for product warranties                               | (37)   | (25)   |
| Other  | 4,606  | 4,554  |
| Total selling, general and administrative expenses             | 19,256   | 19,468   |
| Operating profit   | 3,121  | 8,976  |
| Non-operating income   |  |  |
| Interest income  | 285  | 202  |
| Dividend income  | 290  | 228  |
| Gain on sales of scraps  | 177  | 201  |
| Share of profit of entities accounted for using equity method  | 222  | 461  |
| Gain on valuation of derivatives                               | 30   | 23   |
| Miscellaneous income   | 671  | 774  |
| Total non-operating income                                     | 1,679  | 1,892  |
| Non-operating expenses   |  |  |
| Interest expenses  | 1,516  | 1,218  |
| Loss on abandonment of non-current assets                      | 767  | 777  |
| Foreign exchange losses  | 714  | 356  |
| Foreign withholding tax  | 543  | 469  |
| Miscellaneous loss   | 622  | 503  |
| Total non-operating expenses                                   | 4,164  | 3,326  |
| Ordinary profit  | 636  | 7,542  |
| Extraordinary income   |  |  |
| Gain on contribution of securities to retirement benefit trust | 956  | -  |
| Total extraordinary income                                     | 956  | -  |
| Extraordinary losses   |  |  |
| Loss on valuation of investment securities                     | -  | 230  |
| Impairment loss  | 1,060  | 1,693  |
| Total extraordinary losses                                     | 1,060  | 1,923  |
| Profit before income taxes                                     | 533  | 5,619  |
| Income taxes - current   | 723  | 914  |
| Income taxes - deferred  | 358  | (553)  |
| Total income taxes   | 1,081  | 361  |
| Profit (loss)  | (548)  | 5,257  |
| Profit attributable to non-controlling interests               | 647  | 450  |
| Profit (loss) attributable to owners of parent                 | (1,195)  | 4,806  |

Consolidated statement of comprehensive income

(Million yen)

|   | Fiscal year ended March 31, 2016<br>(Apr. 1, 2015 – Mar. 31, 2016) | Fiscal year ended March 31, 2017<br>(Apr. 1, 2016 – Mar. 31, 2017) |
|---|--|--|
| Profit (loss)   | (548)  | 5,257  |
| Other comprehensive income  |  |  |
| Valuation difference on available-for-sale securities                             | (2,733)  | 729  |
| Foreign currency translation adjustment   | (2,813)  | (3,869)  |
| Remeasurements of defined benefit plans   | (2,549)  | 412  |
| Share of other comprehensive income of entities accounted for using equity method | (217)  | (219)  |
| Total other comprehensive income  | (8,315)  | (2,948)  |
| Comprehensive income  | (8,863)  | 2,309  |
| Comprehensive income attributable to owners of parent                             | (8,708)  | 3,105  |
| Comprehensive income attributable to non-controlling interests                    | (155)  | (796)  |

## (3) Consolidated statement of changes in equity

Fiscal year ended March 2016 (Apr. 1, 2015 – Mar. 31, 2016)

(Million yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | 11,820               | 8,616           | 11,902            | (148)           | 32,190                     |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Issuance of new shares                               |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (209)             |                 | (209)                      |
| Profit (loss) attributable to owners of parent       |                      |                 | (1,195)           |                 | (1,195)                    |
| Disposal of treasury shares                          |                      | (0)             |                   | 0               | 0                          |
| Purchase of treasury shares                          |                      |                 |                   | (0)             | (0)                        |
| Capital increase of consolidated subsidiaries        |                      |                 |                   |                 |                            |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | -                    | (0)             | (1,405)           | (0)             | (1,406)                    |
| Balance at end of current period                     | 11,820               | 8,616           | 10,496            | (149)           | 30,783                     |

|  | Accumulated other comprehensive income                |   |   |  | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of current period               | 7,904   | 8,344                                   | 1,987                                   | 18,236                                       | 16,487                    | 66,914           |
| Changes of items during period                       |   |   |   |  |                           |                  |
| Issuance of new shares                               |   |   |   |  |                           | -                |
| Dividends of surplus                                 |   |   |   |  |                           | (209)            |
| Profit (loss) attributable to owners of parent       |   |   |   |  |                           | (1,195)          |
| Disposal of treasury shares                          |   |   |   |  |                           | 0                |
| Purchase of treasury shares                          |   |   |   |  |                           | (0)              |
| Capital increase of consolidated subsidiaries        |   |   |   |  |                           | -                |
| Net changes of items other than shareholders' equity | (2,735)   | (2,226)                                 | (2,549)                                 | (7,512)                                      | (1,815)                   | (9,328)          |
| Total changes of items during period                 | (2,735)   | (2,226)                                 | (2,549)                                 | (7,512)                                      | (1,815)                   | (10,734)         |
| Balance at end of current period                     | 5,168   | 6,117                                   | (562)                                   | 10,723                                       | 14,672                    | 56,179           |

Fiscal year ended March 2017 (Apr. 1, 2016 – Mar. 31, 2017)

(Million yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | 11,820               | 8,616           | 10,496            | (149)           | 30,783                     |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Issuance of new shares                               | 4,999                | 4,999           |                   |                 | 9,999                      |
| Dividends of surplus                                 |                      |                 | (209)             |                 | (209)                      |
| Profit (loss) attributable to owners of parent       |                      |                 | 4,806             |                 | 4,806                      |
| Purchase of treasury shares                          |                      |                 |                   | (0)             | (0)                        |
| Capital increase of consolidated subsidiaries        |                      | (73)            |                   |                 | (73)                       |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | 4,999                | 4,926           | 4,596             | (0)             | 14,523                     |
| Balance at end of current period                     | 16,820               | 13,543          | 15,093            | (149)           | 45,306                     |

|  | Accumulated other comprehensive income                |   |   |  | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of current period               | 5,168   | 6,117                                   | (562)                                   | 10,723                                       | 14,672                    | 56,179           |
| Changes of items during period                       |   |   |   |  |                           |                  |
| Issuance of new shares                               |   |   |   |  |                           | 9,999            |
| Dividends of surplus                                 |   |   |   |  |                           | (209)            |
| Profit (loss) attributable to owners of parent       |   |   |   |  |                           | 4,806            |
| Purchase of treasury shares                          |   |   |   |  |                           | (0)              |
| Capital increase of consolidated subsidiaries        |   |   |   |  |                           | (73)             |
| Net changes of items other than shareholders' equity | 726   | (2,839)                                 | 412                                     | (1,700)                                      | (1,972)                   | (3,673)          |
| Total changes of items during period                 | 726   | (2,839)                                 | 412                                     | (1,700)                                      | (1,972)                   | 10,849           |
| Balance at end of current period                     | 5,895   | 3,278                                   | (150)                                   | 9,022  | 12,699                    | 67,029           |

## (4) Consolidated statement of cash flows

(Million yen)

|  | Fiscal year ended March 31, 2016<br>(Apr. 1, 2015 – Mar. 31, 2016) | Fiscal year ended March 31, 2017<br>(Apr. 1, 2016 – Mar. 31, 2017) |
|--|--|--|
| Cash flows from operating activities                                 |  |  |
| Profit before income taxes   | 533  | 5,619  |
| Depreciation   | 24,152   | 21,073   |
| Impairment loss  | 1,060  | 1,693  |
| Increase (decrease) in allowance for doubtful accounts               | (6)  | (46)   |
| Increase (decrease) in provision for directors' bonuses              | -  | 60   |
| Increase (decrease) in provision for directors' retirement benefits  | -  | (37)   |
| Increase (decrease) in provision for product warranties              | (37)   | (25)   |
| Interest and dividend income   | (576)  | (431)  |
| Interest expenses  | 1,516  | 1,218  |
| Share of (profit) loss of entities accounted for using equity method | (222)  | (461)  |
| Loss (gain) on sales of property, plant and equipment                | (80)   | 56   |
| Loss on retirement of property, plant and equipment                  | 767  | 777  |
| Loss (gain) on valuation of investment securities                    | -  | 232  |
| Decrease (increase) in notes and accounts receivable - trade         | 525  | (6,002)  |
| Decrease (increase) in inventories                                   | 537  | (1,168)  |
| Increase (decrease) in notes and accounts payable - trade            | (1,870)  | 1,248  |
| Increase (decrease) in accrued consumption taxes                     | 188  | 110  |
| Other  | (2,988)  | 3,406  |
| Subtotal   | 23,500   | 27,323   |
| Interest and dividend income received                                | 1,273  | 630  |
| Interest expenses paid   | (1,527)  | (1,227)  |
| Income taxes (paid) refund   | (495)  | (548)  |
| Net cash provided by (used in) operating activities                  | 22,751   | 26,178   |
| Cash flows from investing activities                                 |  |  |
| Payments into time deposits  | (7,401)  | (7,713)  |
| Proceeds from withdrawal of time deposits                            | 7,690  | 6,976  |
| Purchase of securities   | (480)  | -  |
| Purchase of property, plant and equipment                            | (19,804)   | (21,128)   |
| Proceeds from sales of property, plant and equipment                 | 167  | 731  |
| Proceeds from sales and redemption of investment securities          | 3  | 12   |
| Payments of loans receivable   | (64)   | (50)   |
| Collection of loans receivable                                       | 77   | 76   |
| Other  | (521)  | 193  |
| Net cash provided by (used in) investing activities                  | (20,333)   | (20,902)   |

(Million yen)

|  | Fiscal year ended March 31, 2016<br>(Apr. 1, 2015 – Mar. 31, 2016) | Fiscal year ended March 31, 2017<br>(Apr. 1, 2016 – Mar. 31, 2017) |
|--|--|--|
| Cash flows from financing activities                         |  |  |
| Net increase (decrease) in short-term loans payable          | (8,550)  | 3,103  |
| Proceeds from long-term loans payable                        | 19,646   | 13,270   |
| Repayments of long-term loans payable                        | (15,898)   | (14,416)   |
| Proceeds from sales and leasebacks                           | 8,861  | -  |
| Repayments of lease obligations                              | (5,346)  | (6,864)  |
| Purchase of treasury shares                                  | 0  | 0  |
| Proceeds from sales of treasury shares                       | 0  | -  |
| Proceeds from issuance of common shares                      | -  | 9,999  |
| Cash dividends paid  | (208)  | (209)  |
| Dividends paid to non-controlling interests                  | (2,115)  | (1,760)  |
| Proceeds from share issuance to non-controlling shareholders | -  | 139  |
| Net cash provided by (used in) financing activities          | (3,612)  | 3,262  |
| Effect of exchange rate change on cash and cash equivalents  | (261)  | (1,078)  |
| Net increase (decrease) in cash and cash equivalents         | (1,455)  | 7,460  |
| Cash and cash equivalents at beginning of period             | 14,576   | 13,121   |
| Cash and cash equivalents at end of period                   | 13,121   | 20,581   |

(5) Note to the consolidated financial statements

(Notes to ongoing concern assumptions)

None

(Changes in accounting policies)

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 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.

This change had only a negligible effect on operating profit, ordinary profit and profit before income taxes in the current fiscal year.

(Segment information)

1. Overview of reportable segment information

The reportable segments are the constituent units of Futaba for which separate financial information can be obtained and for which the Board of Directors performs periodic examinations to determine the allocation of resources and to assess results of operations.

Futaba is engaged primarily in the manufacture and sale of parts for automobiles and other motor vehicles. Futaba and subsidiaries perform operations in Japan and subsidiaries in North America, Europe and Asia perform operations outside Japan. Each overseas subsidiary is managed separately and conducts operations for products based on a comprehensive strategy for its respective region.

Consequently, Futaba consists of geographic segments that include manufacturing and sales operations. There are four reportable segments: Japan, North America, Europe and Asia. Each reportable segment is engaged in the manufacture and sale of parts for automobiles and other motor vehicles.

2. Method for determining sales, earnings or losses, assets and other items for reportable segments

The accounting method for reportable segments is generally the same as the method listed in "Significant accounting policies for preparation of the consolidated financial statements." Intersegment revenue and transfers are based on prevailing market prices.

3. Reportable segment sales, earnings or loss, assets and other information

Fiscal year ended March 31, 2016

(Million yen)

|  | Reportable segments |                  |        |        |         | Adjustments<br>(Notes) | Total   |
|--|---------------------|------------------|--------|--------|---------|------------------------|---------|
|  | Japan               | North<br>America | Europe | Asia   | Total   |                        |         |
| Net sales                                |                     |                  |        |        |         |                        |         |
| of which to outside<br>customers         | 223,714             | 110,997          | 28,293 | 74,635 | 437,640 | -                      | 437,640 |
| of which inter-<br>segment and transfers | 16,209              | 15               | 72     | 288    | 16,586  | (16,586)               | -       |
| Total                                    | 239,924             | 111,013          | 28,366 | 74,923 | 454,227 | (16,586)               | 437,640 |
| Segment profit (loss)                    | (1,697)             | 2,545            | 89     | 2,223  | 3,161   | (39)                   | 3,121   |
| Segment asset                            | 132,337             | 51,581           | 19,710 | 57,055 | 260,685 | (27,381)               | 233,303 |
| Other                                    |                     |                  |        |        |         |                        |         |
| Depreciation                             | 13,369              | 3,476            | 1,573  | 5,833  | 24,253  | (100)                  | 24,152  |

Notes

1. Adjustments are as follows.

(1) The segment earnings adjustment of negative 39 million yen is for the elimination of intersegment transactions.

(2) The segment assets adjustment of negative 27,381 million yen includes a 10,030 million yen addition for corporate assets and a 37,411 million yen deduction for netting out amounts receivable and payable. Corporate assets are primarily funds (cash, deposits and investment securities) at the parent company.

2. Segment operating profit (loss) is adjusted to match the operating profit (loss) in the statements of income

Fiscal year ended March 31, 2017

(Million yen)

|  | Reportable segments |                  |        |        |         | Adjustments<br>(Notes) | Total   |
|--|---------------------|------------------|--------|--------|---------|------------------------|---------|
|  | Japan               | North<br>America | Europe | Asia   | Total   |                        |         |
| Net sales                                |                     |                  |        |        |         |                        |         |
| of which to outside<br>customers         | 222,819             | 100,401          | 23,475 | 65,687 | 412,383 | -                      | 412,383 |
| of which inter-<br>segment and transfers | 14,002              | 8                | 72     | 322    | 14,405  | (14,405)               | -       |
| Total                                    | 236,822             | 100,409          | 23,547 | 66,009 | 426,788 | (14,405)               | 412,383 |
| Segment profit (loss)                    | 2,720               | 3,986            | (43)   | 2,385  | 9,048   | (71)                   | 8,976   |
| Segment asset                            | 141,954             | 53,354           | 18,864 | 49,013 | 263,187 | (20,875)               | 242,311 |
| Other                                    |                     |                  |        |        |         |                        |         |
| Depreciation                             | 12,735              | 2,998            | 1,219  | 4,203  | 21,156  | (83)                   | 21,073  |

Notes

1. Adjustments are as follows.

(1) The segment earnings adjustment of negative 71 million yen is for the elimination of intersegment transactions.

(2) The segment assets adjustment of negative 20,875 million yen includes a 16,854 million yen addition for corporate assets and a 37,730 million yen deduction for netting out amounts receivable and payable. Corporate assets are primarily funds (cash, deposits and investment securities) at the parent company.

2. Segment operating profit (loss) is adjusted to match the operating profit (loss) in the statements of income

(Per-share information)

(Yen)

|                         | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 |
|-------------------------|----------------------------------|----------------------------------|
| Net assets per share    | 593.39                           | 607.17                           |
| Profit (loss) per share | (17.09)                          | 65.76                            |

Notes:

1. Diluted profit per share is not shown because there were no common stock equivalents.
2. The basis for computing the profit (loss) per share is as follows.

|   | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 |
|---|----------------------------------|----------------------------------|
| Profit (loss) attributable to owners of parent (million yen)                                  | (1,195)                          | 4,806                            |
| Net income not available to common shareholders (million yen)                                 | -                                | -                                |
| Profit (loss) attributable to owners of parent available to common shareholders (million yen) | (1,195)                          | 4,806                            |
| Average number of shares outstanding during the year (1,000 shares)                           | 69,951                           | 73,098                           |

3. The basis for calculating net assets per share is as follows.

|   | As of March 31, 2016 | As of March 31, 2017 |
|---|----------------------|----------------------|
| Net assets (million yen)  | 56,179               | 67,029               |
| Deduction from net assets (million yen)   | 14,672               | 12,699               |
| Of which amount for minority interests (million yen)                              | 14,672               | 12,699               |
| Net assets for common stock at end of period (million yen)                        | 41,507               | 54,329               |
| Common stock at end of period for calculating net assets per share (1,000 shares) | 69,950               | 89,480               |

(Subsequent events)

None

#### 4. Changes in Directors

##### 1. Changes in directors

###### (1) Director to be promoted

Representative Director Senior Managing  
Executive Officer

Tomohiro Takahashi

Current: Director Managing Executive  
Officer

Representative Director Senior Managing  
Executive Officer

Fumio Ohashi

Current: Director Managing Executive  
Officer

##### 2. Changes in Audit & Supervisory Board Members

###### (1) Candidates for election as new audit & supervisory board members

Audit & Supervisory Board Member (full time)

Akira Nakashima

Current: Director of Toyota Production  
Engineering

To be appointed as a Member of Audit &  
Supervisory Board (June 7, 2017)

###### (2) Audit & supervisory board member to resign

Umenobu Sugiki

Current: Audit & Supervisory Board  
Member (full time)

##### 3. Effective date

June 16, 2017

## Supplementary data for the fiscal year ended March 2017

Consolidated

### 1. Performance in the fiscal year

(Million yen, rounded down)

|  | FY3/17     |         | FY3/16     |         | Change*  | Change (%) |
|--|------------|---------|------------|---------|----------|------------|
|  | % to sales |         | % to sales |         |          |            |
| Net sales                                      | 100.0%     | 412,383 | 100.0%     | 437,640 | (25,257) | (5.8)%     |
| Operating profit                               | 2.2%       | 8,976   | 0.7%       | 3,121   | 5,855    | 187.6%     |
| Ordinary profit                                | 1.8%       | 7,542   | 0.1%       | 636     | 6,905    | 1,084.2%   |
| Profit (loss) attributable to owners of parent | 1.2%       | 4,806   | (0.3)%     | (1,195) | 6,002    | -          |
| Earnings per share (yen)                       |            | 65.76   |            | 17.09   |          |            |
| Capital expenditures                           |            | 16,330  |            | 26,514  | (10,184) | (38.4)%    |
| Depreciation                                   |            | 21,073  |            | 24,152  | (3,078)  | (12.7)%    |
| Foreign exchange rate (USD/Yen)                |            | 108.4   |            | 120.1   |          |            |
| Number of consolidated companies               |            | 24      |            | 23      |          |            |

\* The net sales were up 400 million yen if exclude the effect of exchange rate.

### 2. Factors for increase/decrease in operating profit (year-on-year comparison)

(Billion yen)

| Positive factors   | Amount | Negative factors        | Amount |
|--|--------|-------------------------|--------|
| Measures to further rationalize and change in product mix etc. | 5.6    | Increase in labor cost  | 1.3    |
| Decrease in depreciation.                                      | 1.8    | Effect of exchange rate | 0.8    |
| Increase in gain on sales of scraps                            | 0.4    |                         |        |
| Increase in sales  | 0.1    |                         |        |
| Total  | 7.9    | Total                   | 2.1    |
| Net increase in ordinary profit: 5.8                           |        |                         |        |

### 3. Performance by geographical segment

(Million yen, rounded down)

|               |                  | FY3/17   |            | FY3/16   |            | Change   | Change (%) |
|---------------|------------------|----------|------------|----------|------------|----------|------------|
|               |                  | Amount   | % to sales | Amount   | % to sales |          |            |
| Japan         | Net sales        | 236,822  |            | 239,924  |            | (3,102)  | (1.3)%     |
|               | Operating profit | 2,720    | 1.1%       | (1,697)  | (0.7)%     | 4,417    | -          |
| North America | Net sales        | 100,409  |            | 111,013  |            | (10,603) | (9.6)%     |
|               | Operating profit | 3,986    | 4.0%       | 2,545    | 2.3%       | 1,440    | 56.6%      |
| Europe        | Net sales        | 23,547   |            | 28,366   |            | (4,819)  | (17.0)%    |
|               | Operating profit | (43)     | (0.2)%     | 89       | 0.3%       | (133)    | -          |
| Asia          | Net sales        | 66,009   |            | 74,923   |            | (8,914)  | (11.9)%    |
|               | Operating profit | 2,385    | 3.6%       | 2,223    | 3.0%       | 161      | 7.3%       |
| Eliminations  | Net sales        | (14,405) |            | (16,586) |            | 2,181    |            |
|               | Operating profit | (71)     |            | (39)     |            | (31)     |            |
| Total         | Net sales        | 412,383  |            | 437,640  |            | (25,257) | (5.8)%     |
|               | Operating profit | 8,976    | 2.2%       | 3,121    | 0.7%       | 5,855    | 187.6%     |

## 4. Forecast

(Million yen, rounded down)

|  | FY3/18     |         | Vs. FY3/17 |        |
|--|------------|---------|------------|--------|
|  | % to sales | Amount  | Amount     | %      |
| Net sales                                      | 100.0%     | 420,000 | 7,616      | 1.8%   |
| Operating profit                               | 2.1%       | 9,000   | 23         | 0.3%   |
| Ordinary profit                                | 1.8%       | 7,500   | (42)       | (0.6)% |
| Profit (loss) attributable to owners of parent | 1.4%       | 6,000   | 1,193      | 24.8%  |
| Earnings per share (yen)                       |            | 82.08   |            |        |
| Capital expenditures                           |            | 24,000  | 7,669      | 47.0%  |
| Depreciation                                   |            | 21,000  | (73)       | (0.4)% |
| Foreign exchange rate (USD/Yen)                |            | 110.0   |            |        |

## Non-consolidated

## 1. Performance in the fiscal year

(Million yen, rounded down)

|                      | FY3/17     |         | FY3/16     |         | Change  | Change (%) |
|----------------------|------------|---------|------------|---------|---------|------------|
|                      | % to sales | Amount  | % to sales | Amount  |         |            |
| Net sales            | 100.0%     | 235,129 | 100.0%     | 238,342 | (3,212) | (1.3)%     |
| Operating profit     | 0.5%       | 1,182   | (0.8)%     | (1,889) | 3,072   | -          |
| Ordinary profit      | 1.2%       | 2,871   | 0.3%       | 749     | 2,122   | 283.4%     |
| Profit               | 0.3%       | 646     | (1.5)%     | (3,488) | 4,135   |            |
| Capital expenditures |            | 11,527  |            | 17,164  | (5,636) | (32.8)%    |
| Depreciation         |            | 11,904  |            | 12,235  | (331)   | (2.7)%     |