

Consolidated Financial Results

for the Second Quarter of Fiscal Year Ending March 2019 [Japan GAAP]

October 30, 2018

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: Accounting Manager Name: Keiichi Toriyama
Tel:	+81-(564) 31-2211
Scheduled date of filing securities report:	November 9, 2018
Scheduled date of commencement of dividend payment:	-
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 first half of fiscal year ending March 2019 (April 1, 2018 – September 30, 2018)

(1) Result of Operations (Consolidated, year-to-date) (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	%
First half ended September 2018	219,655	4.4	1,666	(62.4)	1,596	(59.1)	526	(87.8)
First half ended September 2017	210,493	4.5	4,432	67.7	3,899	188.3	4,314	271.1

Note: Comprehensive income: 1H FY2019: 780 million yen (-85.5%) 1H FY2018: 5,378 million yen(-%)

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First half ended September 2018	5.89	-
First half ended September 2017	48.22	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2018	250,911	74,532	26.0
As of March 31, 2018	253,362	75,691	25.8

Reference: Shareholders' equity: As of September 30, 2018: 65,152 million yen As of March 31, 2018: 65,453 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
	Yen	Yen	Yen	Yen	Yen
FY2018	-	0.00	-	10.00	10.00
FY2019	-	0.00			
FY2019 (estimated)			-	10.00	10.00

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

3. Forecast for the fiscal year ending March 2019 (Consolidated, April 1, 2018 - March 31, 2019)

(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
Full year	455,000	3.3	9,400	(16.5)	9,100	(16.9)	7,100	(33.8)	79.35

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 company: None

Exclude: None

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: Yes

Note: Please see “1. Quarterly Consolidated Financial Statements and Important Notes, (3) Note to the quarterly consolidated financial statements” on page 6 for more details.

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

(a) Changes due to revision of accounting standards: None

(b) Changes other than in (a): Yes

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

Note: Please see “1. Quarterly Consolidated Financial Statements and Important Notes, (3) Note to the quarterly consolidated financial statements” on page 6 for more details.

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

End of 2Q FY3/19:	89,580,827	End of FY3/18:	89,580,827
End of 2Q FY3/19:	102,720	End of FY3/18:	102,037
1H FY3/19:	89,478,460	1H FY3/18:	89,480,038

(b) Treasury shares

(c) Average number of shares outstanding

* This report is exempt from the audit procedure by certified public accountants or accounting firms.

* 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.

Index for Supplementary Information

1. Quarterly Consolidated Financial Statements and Important Notes.....	2
(1) Quarterly consolidated balance sheet	2
(2) Quarterly Consolidated statements of income and comprehensive income.....	4
(3) Note to the quarterly consolidated financial statements	6
(Notes to ongoing concern assumptions)	6
(Notes on significant change in shareholders' equity)	6
(Application of accounting methods specifically for consolidated quarterly financial statements).....	6
(Change in accounting policies).....	6
(Additional Information).....	6
(Segment information)	7

1. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	13,922	9,628
Notes and accounts receivable - trade	69,859	65,836
Finished goods	3,195	3,626
Work in process	11,819	12,910
Raw materials and supplies	4,356	4,662
Other	8,908	8,210
Allowance for doubtful accounts	(20)	(19)
Total current assets	112,041	104,855
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,756	31,649
Machinery, equipment and vehicles, net	34,215	36,006
Tools, furniture and fixtures, net	8,824	11,075
Land	14,381	14,418
Leased assets, net	745	573
Construction in progress	25,271	26,013
Total property, plant and equipment	114,195	119,737
Intangible assets	663	842
Investments and other assets		
Investment securities	15,664	15,043
Long-term loans receivable	831	851
Net defined benefit asset	7,176	7,156
Deferred tax assets	2,538	2,269
Other	1,413	1,337
Allowance for doubtful accounts	(1,161)	(1,181)
Total investments and other assets	26,462	25,476
Total non-current assets	141,320	146,056
Total assets	253,362	250,911

(Million yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	51,082	46,872
Electronically recorded obligations - operating	7,905	4,086
Short-term loans payable	17,174	24,322
Current portion of long-term loans payable	12,342	12,295
Income taxes payable	435	539
Accrued consumption taxes	716	458
Provision for directors' bonuses	60	33
Accrued expenses	12,341	10,812
Other	9,959	8,907
Total current liabilities	112,018	108,328
Non-current liabilities		
Long-term loans payable	51,740	53,928
Deferred tax liabilities	4,360	4,234
Provision for directors' retirement benefits	66	77
Provision for product warranties	184	187
Net defined benefit liability	8,843	9,272
Other	457	350
Total non-current liabilities	65,652	68,050
Total liabilities	177,670	176,379
Net assets		
Shareholders' equity		
Capital stock	16,820	16,820
Capital surplus	13,370	13,421
Retained earnings	25,546	24,903
Treasury shares	(151)	(152)
Total shareholders' equity	55,585	54,992
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,818	6,284
Foreign currency translation adjustment	3,301	3,107
Remeasurements of defined benefit plans	748	767
Total accumulated other comprehensive income	9,868	10,160
Non-controlling interests	10,237	9,379
Total net assets	75,691	74,532
Total liabilities and net assets	253,362	250,911

(2) Quarterly Consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

For the first half

(Million yen)

	First half ended Sep. 30, 2017 (Apr. 1, 2017 – Sep. 30, 2017)	First half ended Sep. 30, 2018 (Apr. 1, 2018 – Sep. 30, 2018)
Net sales	210,493	219,655
Cost of sales	195,973	206,935
Gross profit	14,520	12,720
Selling, general and administrative expenses		
Freightage and packing expenses	2,688	2,952
Salaries, allowances and bonuses	3,642	3,830
Retirement benefit expenses	73	68
Provision for directors' retirement benefits	9	11
Legal and employee benefits expenses	541	565
Taxes and dues	484	483
Depreciation	358	380
Other	2,289	2,762
Total selling, general and administrative expenses	10,087	11,054
Operating profit	4,432	1,666
Non-operating income		
Interest income	99	54
Dividend income	127	204
Gain on sales of scraps	98	151
Share of profit of entities accounted for using equity method	32	5
Foreign exchange gains	89	116
Miscellaneous income	320	219
Total non-operating income	769	752
Non-operating expenses		
Interest expenses	525	402
Loss on abandonment of non-current assets	442	163
Miscellaneous loss	334	256
Total non-operating expenses	1,302	822
Ordinary profit	3,899	1,596
Extraordinary income		
Gain on redemption of investment securities	1,149	-
Total extraordinary income	1,149	-
Profit before income taxes	5,048	1,596
Income taxes	394	759
Profit	4,654	836
Profit attributable to non-controlling interests	340	309
Profit attributable to owners of parent	4,314	526

Quarterly consolidated statement of comprehensive income
For the first half

(Million yen)

	First half ended Sep. 30, 2017 (Apr. 1, 2017 – Sep. 30, 2017)	First half ended Sep. 30, 2018 (Apr. 1, 2018 – Sep. 30, 2018)
Profit	4,654	836
Other comprehensive income		
Valuation difference on available-for-sale securities	(10)	465
Foreign currency translation adjustment	555	(178)
Remeasurements of defined benefit plans, net of tax	65	19
Share of other comprehensive income of entities accounted for using equity method	113	(362)
Total other comprehensive income	724	(56)
Comprehensive income	5,378	780
Comprehensive income attributable to owners of parent	5,132	818
Comprehensive income attributable to non-controlling interests	246	(38)

(3) Note to the quarterly consolidated financial statements

(Notes to ongoing concern assumptions)

None

(Notes on significant change in shareholders' equity)

None

(Application of accounting methods specifically for consolidated quarterly financial statements)

(Accounting for tax expense)

The Company and certain consolidated subsidiaries calculated tax expenses by multiplying profit before income taxes by an effective tax rate that was reasonably estimated by applying tax effect accounting to estimated profit before income taxes for the fiscal year including the first half.

Income taxes - deferred are reported under "Income taxes".

(Change in accounting policies)

(Change in tax expense calculation method)

In previous fiscal years, the Company and some consolidated subsidiaries in Japan calculated quarterly taxes by using the same method as the one used for taxes in fiscal year financial statements. As one measure for preparing the Futaba Group's quarterly financial statements more efficiently, beginning with the first quarter of the current fiscal year the tax calculation method has been changed to multiplying income before income taxes by a reasonable estimate of the effective tax rate for income before income taxes in the current fiscal year after the application of tax-effect accounting.

This change had only a negligible effect on earnings.

(Additional Information)

Partial revision of Accounting Standards for Tax Effect Accounting (Corporate Accounting Standard No. 28, February 16, 2018), etc., has been applied from the beginning of the first quarter of this fiscal year, and deferred tax assets are displayed in the categories of investments and other assets, and deferred tax liabilities are indicated in the categories of noncurrent liabilities.

(Segment information)

First half of the previous fiscal year (April 1, 2017 – September 30, 2017)

1. Reportable segment sales and profit or loss

(Million yen)

	Reportable segments					Adjustments (Notes)	Total (Note 2)
	Japan	North America	Europe	Asia	Total		
Net sales							
of which to outside customers	112,670	51,413	11,995	34,414	210,493	-	210,493
of which inter- segment and transfers	7,794	0	33	133	7,961	(7,961)	-
Total	120,464	51,413	12,029	34,547	218,455	(7,961)	210,493
Segment profit (loss)	2,047	1,290	(204)	1,369	4,504	(71)	4,432

Notes

1. The adjustment of segment profit (loss) of negative 71 million yen is for the elimination of intersegment transactions.
2. Segment profit (loss) is adjusted to match the operating profit (loss) in the statements of income

First half of the current fiscal year (April 1, 2018 – September 30, 2018)

1. Reportable segment sales and profit or loss

(Million yen)

	Reportable segments					Adjustments (Notes)	Total (Note 2)
	Japan	North America	Europe	Asia	Total		
Net sales							
of which to outside customers	116,976	52,410	13,015	37,252	219,655	-	219,655
of which inter- segment and transfers	10,041	112	47	54	10,255	(10,255)	-
Total	127,018	52,522	13,062	37,306	229,910	(10,255)	219,655
Segment profit (loss)	(513)	1,276	(544)	1,485	1,703	(37)	1,666

Notes

1. The adjustment of segment profit (loss) of negative 37 million yen is for the elimination of intersegment transactions.
2. Segment profit (loss) is adjusted to match the operating profit (loss) in the statements of income

Supplementary data for the first half of the fiscal year ending March 2019

Consolidated

1. Performance of the first half

(Million yen, rounded down)

	1H FY3/19 (Apr. 2018 - Sep. 2018)		1H FY3/18 (Apr. 2017 - Sep. 2017)		Change	
	% to sales		% to sales		Amount	%
Net sales	100.0	219,655	100.0	210,493	9,161	4.4
Operating profit	0.8	1,666	2.1	4,432	(2,766)	(62.4)
Ordinary profit	0.7	1,596	1.9	3,899	(2,303)	(59.1)
Profit (loss) attributable to owners of parent	0.2	526	2.0	4,314	(3,787)	(87.8)
Earnings per share (yen)		5.89		48.22		
Capital expenditures		16,027		11,782	4,245	36.0
Depreciation		11,689		10,381	1,308	12.6
Foreign exchange rate (USD/Yen)		110.3		111.1		
Number of consolidated companies		23		24		

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

(Billion yen)

Positive factors	Amount	Negative factors	Amount
Increase in profit by sales growth	0.4	Decrease in profit by change of product mix	2.5
Increase in sales of scraps	0.4	Increase in depreciation	1.3
Measures to further rationalize	0.3		
Total	1.1	Total	3.8
Net decrease in operating profit: 2.7			

3. Performance by geographical segment

(Million yen, rounded down)

		1H FY3/19 (Apr. 2018 - Sep. 2018)		1H FY3/18 (Apr. 2017 - Sep. 2017)		Change	
		Amount	Operating margin (%)	Amount	Operating margin (%)	Amount	%
Japan	Net sales	127,018		120,464		6,553	5.4
	Operating profit	(513)	(0.4)	2,047	1.7	(2,561)	-
North America	Net sales	52,522		51,413		1,108	2.2
	Operating profit	1,276	2.4	1,290	2.5	(14)	(1.1)
Europe	Net sales	13,062		12,029		1,033	8.6
	Operating profit	(544)	(4.2)	(204)	(1.7)	(340)	-
Asia	Net sales	37,306		34,547		2,759	8.0
	Operating profit	1,485	4.0	1,369	4.0	115	8.5
Eliminations	Net sales	(10,255)		(7,961)		(2,293)	
	Operating profit	(37)		(71)		34	
Total	Net sales	219,655		210,493		9,161	4.4
	Operating profit	1,666	0.8	4,432	2.1	(2,766)	(62.4)

4. Forecast for full year

(Million yen, rounded down)

	FY3/19 (Apr. 2018 - Mar. 2019)		Change vs. FY3/18 (Apr. 2017 - Mar. 2018)	
	% to sales	Amount	Amount	%
Net sales	100.0	455,000	14,553	3.3
Operating profit	2.1	9,400	(1,858)	(16.5)
Ordinary profit	2.0	9,100	(1,855)	(16.9)
Profit (loss) attributable to owners of parent	1.6	7,100	(3,621)	(33.8)
Earnings per share (yen)		79.35		
Capital expenditures		38,000	17,747	87.6
Depreciation		26,000	5,484	26.7
Foreign exchange rate (USD/Yen)		110.0		

Non-consolidated

1. Performance of the first half

(Million yen, rounded down)

	1H FY3/19 (Apr. 2018 - Sep. 2018)		1H FY3/18 (Apr. 2017 - Sep. 2017)		Change	
	% to sales	Amount	% to sales	Amount	Amount	%
Net sales	100.0	125,810	100.0	119,514	6,296	5.3
Operating profit (loss)	(0.5)	(576)	1.0	1,170	(1,746)	-
Ordinary profit	2.4	3,081	4.7	5,650	(2,568)	(45.5)
Profit	2.5	3,121	5.6	6,748	(3,626)	(53.7)
Capital expenditures		9,862		9,708	153	1.6
Depreciation		7,591		6,241	1,349	21.6