

# Consolidated Financial Results

## for the First Half of Fiscal Year Ending March 2021 [Japan GAAP]

October 28, 2020

Name of Company:	Futaba Industrial Co. Ltd.
Stock Code:	7241
Stock Exchange Listing:	Tokyo Stock Exchange, First Section, Nagoya Stock Exchange, First section
URL:	<a href="http://www.futabasangyo.com/en/index.html">http://www.futabasangyo.com/en/index.html</a>
Representative:	Title: President Name: Hiroyoshi Yoshiki
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Tel:	+81-(564) 31-2211
Scheduled date of filing securities report:	November 9, 2020
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 2021 (April 1, 2020 – September 30, 2020)

(1) Results 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 2020	186,463	(20.6)	(4,514)	-	(4,355)	-	(4,374)	-
First half ended September 2019	234,963	7.0	5,972	258.4	6,262	292.4	5,125	872.6

Note: Comprehensive income: 1H FY3/2021: (4,293) million yen [-%] 1H FY3/2020: 3,701 million yen [374.4%]

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First half ended September 2020	(48.86)	-
First half ended September 2019	57.27	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2020	249,093	70,776	25.1
As of March 31, 2020	253,517	76,488	26.6

Reference: Shareholders' equity: As of September 30, 2020: 62,462 million yen As of March 31, 2020: 67,479 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
FY3/2020	-	0.00	-	10.00	10.00
FY3/2021	-	0.00			
FY3/2021 (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 2021 (Consolidated, April 1, 2020 - March 31, 2021)

(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	443,000	(7.0)	2,300	(78.3)	2,200	(77.9)	500	(92.1)	5.59

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): None

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

End of 2Q FY3/21:	89,580,827	End of FY3/20:	89,580,827
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(b) Treasury shares

End of 2Q FY3/21:	13,183	End of FY3/20:	61,739
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(c) Average number of shares outstanding

1H FY3/21:	89,539,077	1H FY3/20:	89,494,978
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\* 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.

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## 1. Quarterly Consolidated Financial Statements and Important Notes

### (1) Quarterly consolidated balance sheet

(Million yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	9,376	5,117
Notes and accounts receivable - trade	69,129	66,717
Finished goods	4,456	4,500
Work in process	12,223	14,116
Raw materials and supplies	6,148	5,815
Other	6,835	6,283
Allowance for doubtful accounts	(41)	(37)
Total current assets	108,128	102,515
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,698	29,326
Machinery, equipment and vehicles, net	50,249	49,580
Tools, furniture and fixtures, net	10,640	10,395
Land	14,302	14,305
Leased assets, net	2,272	2,047
Construction in progress	16,054	17,492
Total property, plant and equipment	123,218	123,147
Intangible assets	948	937
Investments and other assets		
Investment securities	12,232	13,224
Long-term loans receivable	810	764
Retirement benefit asset	6,275	6,245
Deferred tax assets	1,905	2,293
Other	1,149	1,114
Allowance for doubtful accounts	(1,149)	(1,149)
Total investments and other assets	21,222	22,493
Total non-current assets	145,389	146,578
Total assets	253,517	249,093

(Million yen)

	As of March 31, 2020	As of September 30, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	51,459	53,653
Electronically recorded obligations - operating	4,243	3,361
Short-term borrowings	9,499	15,508
Current portion of long-term borrowings	13,442	20,233
Income taxes payable	742	263
Accrued consumption taxes	2,155	1,045
Provision for bonuses for directors (and other officers)	39	19
Accrued expenses	10,630	11,171
Other	9,735	5,845
<b>Total current liabilities</b>	<b>101,947</b>	<b>111,100</b>
<b>Non-current liabilities</b>		
Bonds payable	12,000	12,000
Long-term borrowings	45,534	37,252
Deferred tax liabilities	6,004	6,197
Provision for product warranties	191	184
Retirement benefit liability	9,728	10,026
Other	1,623	1,555
<b>Total non-current liabilities</b>	<b>75,081</b>	<b>67,216</b>
<b>Total liabilities</b>	<b>177,029</b>	<b>178,317</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	16,820	16,820
Capital surplus	13,377	13,334
Retained earnings	33,348	28,078
Treasury shares	(89)	(18)
<b>Total shareholders' equity</b>	<b>63,456</b>	<b>58,214</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,445	5,203
Foreign currency translation adjustment	(803)	(1,283)
Remeasurements of defined benefit plans	381	328
<b>Total accumulated other comprehensive income</b>	<b>4,023</b>	<b>4,247</b>
<b>Non-controlling interests</b>	<b>9,008</b>	<b>8,313</b>
<b>Total net assets</b>	<b>76,488</b>	<b>70,776</b>
<b>Total liabilities and net assets</b>	<b>253,517</b>	<b>249,093</b>

## (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, 2019 (Apr. 1, 2019 – Sep. 30, 2019)	First half ended Sep. 30, 2020 (Apr. 1, 2020 – Sep. 30, 2020)
Net sales	234,963	186,463
Cost of sales	217,659	180,972
Gross profit	17,304	5,490
Selling, general and administrative expenses	11,331	10,005
Operating profit (loss)	5,972	(4,514)
Non-operating income		
Interest income	63	33
Dividend income	195	166
Gain on sales of scraps	108	97
Share of profit of entities accounted for using equity method	66	-
Foreign exchange gains	-	8
Subsidy income	438	-
Miscellaneous income	239	621
Total non-operating income	1,111	927
Non-operating expenses		
Interest expenses	430	411
Share of loss of entities accounted for using equity method	-	154
Loss on abandonment of non-current assets	78	136
Foreign exchange losses	227	-
Miscellaneous loss	84	66
Total non-operating expenses	822	768
Ordinary profit (loss)	6,262	(4,355)
Extraordinary income		
Gain on sales of investment securities	2	-
Total extraordinary income	2	-
Extraordinary losses		
Loss on valuation of investment securities	5	-
Total extraordinary losses	5	-
Profit (loss) before income taxes	6,260	(4,355)
Income taxes	873	(28)
Profit (loss)	5,386	(4,327)
Profit attributable to non-controlling interests	260	47
Profit (loss) attributable to owners of parent	5,125	(4,374)

Quarterly consolidated statement of comprehensive income  
For the first half

(Million yen)

	First half ended Sep. 30, 2019 (Apr. 1, 2019 – Sep. 30, 2019)	First half ended Sep. 30, 2020 (Apr. 1, 2020 – Sep. 30, 2020)
Profit (loss)	5,386	(4,327)
Other comprehensive income		
Valuation difference on available-for-sale securities	163	759
Foreign currency translation adjustment	(1,734)	(637)
Remeasurements of defined benefit plans, net of tax	(19)	(53)
Share of other comprehensive income of entities accounted for using equity method	(95)	(34)
Total other comprehensive income	(1,684)	33
Comprehensive income	3,701	(4,293)
Comprehensive income attributable to owners of parent	3,727	(4,150)
Comprehensive income attributable to non-controlling interests	(26)	(143)

(3) Note to the quarterly consolidated financial statements

(Notes to going concern assumptions)

None

(Notes on significant change in shareholders' equity)

None

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

(Calculation of tax expense)

The company and its certain subsidiaries calculate tax expenses by multiplying profit before income taxes by an effective tax rate that is 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".

(Supplementary information)

There are no significant changes to the assumptions concerning the effects of the COVID-19 pandemic that were explained in the supplementary information of the Securities Report for the fiscal year that ended on March 31, 2020.



(Segment information)

First half of the previous fiscal year (April 1, 2019 – September 30, 2019)

1. Reportable segment sales and profit or loss

(Million yen)

	Reportable segments						Adjustments (Note 1)	Total (Note 2)
	Japan	North America	Europe	China	Asia	Total		
Net sales of which to outside customers	124,632	51,849	14,595	29,836	14,049	234,963	-	234,963
of which inter- segment and transfers	8,990	285	5	101	1	9,383	(9,383)	-
Total	133,623	52,134	14,601	29,937	14,050	244,347	(9,383)	234,963
Segment profit (loss)	3,169	1,628	301	1,037	65	6,202	(229)	5,972

Notes 1. The adjustment of segment profit (loss) of negative 229 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, 2020 – September 30, 2020)

1. Reportable segment sales and profit or loss

(Million yen)

	Reportable segments						Adjustments (Note 1)	Total (Note 2)
	Japan	North America	Europe	China	Asia	Total		
Net sales of which to outside customers	88,839	37,643	12,072	33,765	14,141	186,463	-	186,463
of which inter- segment and transfers	6,826	1	-	84	1	6,914	(6,914)	-
Total	95,666	37,645	12,072	33,850	14,142	193,378	(6,914)	186,463
Segment profit (loss)	(4,202)	(1,264)	33	470	113	(4,848)	333	(4,514)

Notes 1. The adjustment of segment profit (loss) of 333 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

2. Changes to reportable segment

Beginning with the first quarter of the current fiscal year, the previous Asia segment has been divided into the China and Asia segments because of the increasing significance of the volume of business in China and in other Asian countries. Segment information for the first half of the previous fiscal year has been restated based on these new segments.

### Supplementary data for the first half of the fiscal year ending March 2021

Consolidated

#### 1. Performance of the first half

(Million yen, rounded down)

	1H FY3/21 (Apr. 2020 - Sep. 2020)		1H FY3/20 (Apr. 2019 - Sep. 2019)		Change	
	% to sales		% to sales		Amount	%
Net sales	100.0	186,463	100.0	234,963	(48,500)	(20.6)
Operating profit	(2.4)	(4,514)	2.5	5,972	(10,487)	-
Ordinary profit	(2.3)	(4,355)	2.7	6,262	(10,618)	-
Profit attributable to owners of parent	(2.3)	(4,374)	2.2	5,125	(9,500)	-
Earnings per share (yen)		(48.86)		57.27		
Capital expenditures		11,065		9,821	1,243	12.7
Depreciation		12,034		11,489	545	4.7
Foreign exchange rate (USD/Yen)		106.9		108.6		
Number of consolidated companies		23		23		

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

(Billion yen)

Positive factors	Amount	Negative factors	Amount
Measures to further rationalize	0.6	Decrease in profit due to lower sales of parts business	7.5
		Change in product mix	1.5
		Change in selling price	1.0
		Increase in depreciation	0.5
		Decrease in profit of other than parts business	0.5
Total	0.6	Total	11.0

Net decrease in operating profit: 10.4

#### 3. Performance by geographical segment

(Million yen, rounded down)

	1H FY3/21 (Apr. 2020 - Sep. 2020)		1H FY3/20 (Apr. 2019 - Sep. 2019)		Change	
	Amount	Operating margin (%)	Amount	Operating margin (%)	Amount	%
Japan	Net sales	95,666	133,623		(37,956)	(28.4)
	Operating profit	(4,202)	3,169	2.4	(7,371)	-
North America	Net sales	37,645	52,134		(14,489)	(27.8)
	Operating profit	(1,264)	1,628	3.1	(2,892)	-
Europe	Net sales	12,072	14,601		(2,528)	(17.3)
	Operating profit	33	301	2.1	(267)	(88.8)
China	Net sales	33,850	29,937		3,913	13.1
	Operating profit	470	1,037	3.5	(566)	(54.6)
Asia	Net sales	14,142	14,050		92	0.7
	Operating profit	113	65	0.5	48	73.1
Eliminations	Net sales	(6,914)	(9,383)		2,469	
	Operating profit	333	(229)		563	
Total	Net sales	186,463	234,963		(48,500)	(20.6)
	Operating profit	(4,514)	5,972	2.5	(10,487)	-

Note: Beginning with the first quarter of the current fiscal year, the previous Asia segment has been divided into the China and Asia (other Asian countries) segments.

## 4. Break down of the first half performance

(Million yen, rounded down)

	1Q FY3/21 (Apr. 2020 - Jun. 2020)		2Q FY3/21 (Jul. 2020 - Sep. 2020)		1H FY3/21 (Apr. 2020 - Sep. 2020)	
	% to sales	Amount	% to sales	Amount	% to sales	Amount
Net sales	100.0	64,037	100.0	122,426	100.0	186,463
Operating profit	(9.8)	(6,258)	1.4	1,743	(2.4)	(4,514)
Ordinary profit	(9.8)	(6,304)	1.6	1,948	(2.3)	(4,355)
Profit attributable to owners of parent	(8.9)	(5,681)	1.1	1,306	(2.3)	(4,374)
Earnings per share (yen)		(63.47)		14.59		(48.86)

## 5. Break down of the factors for increase/decrease in operating profit (year-on-year comparison)

(Billion yen)

Positive factors	1Q	2Q	1H	Negative factors	1Q	2Q	1H
Measures to further rationalize	0.1	0.5	0.6	Decrease in profit due to lower sales of parts business	7.8	(0.3)	7.5
				Change in product mix	0.5	1.0	1.5
				Change in selling price	0.6	0.4	1.0
				Increase in depreciation	0.3	0.2	0.5
				Decrease in profit of other than parts business	0.4	0.1	0.5
Total	0.1	0.5	0.6	Total	9.6	1.4	11.0
Net decrease in operating profit: 10.4							

## 6. Break down of the performance by geographical segment

(Million yen, rounded down)

		1Q FY3/21 (Apr. 2020 - Jun. 2020)		2Q FY3/21 (Jul. 2020 - Sep. 2020)		1H FY3/21 (Apr. 2020 - Sep. 2020)	
		Amount	Operating margin (%)	Amount	Operating margin (%)	Amount	Operating margin (%)
Japan	Net sales	38,089		57,577		95,666	
	Operating profit	(4,469)	(11.7)	266	0.5	(4,202)	(4.4)
North America	Net sales	9,882		27,762		37,645	
	Operating profit	(1,369)	(13.9)	105	0.4	(1,264)	(3.4)
Europe	Net sales	4,846		7,226		12,072	
	Operating profit	(73)	(1.5)	106	1.5	33	0.3
China	Net sales	11,683		22,167		33,850	
	Operating profit	(682)	(5.8)	1,153	5.2	470	1.4
Asia	Net sales	1,938		12,203		14,142	
	Operating profit	(140)	(7.3)	254	2.1	113	0.8
Eliminations	Net sales	(2,403)		(4,511)		(6,914)	
	Operating profit	477		(143)		333	
Total	Net sales	64,037		122,426		186,463	
	Operating profit	(6,258)	(9.8)	1,743	1.4	(4,514)	(2.4)

Note: Beginning with the first quarter of the current fiscal year, the previous Asia segment has been divided into the China and Asia (other Asian countries) segments.

## 7. Forecast for full year

(Million yen, rounded down)

	FY3/21 (Apr. 2020 - Mar. 2021)		Change vs. FY3/20	
	% to sales	Amount	Amount	%
Net sales	100.0	443,000	(33,165)	(7.0)
Operating profit	0.5	2,300	(8,321)	(78.3)
Ordinary profit	0.5	2,200	(7,768)	(77.9)
Profit attributable to owners of parent	0.1	500	(5,857)	(92.1)
Earnings per share (yen)		5.59		
Capital expenditures		26,000	(1,385)	(5.1)
Depreciation		24,000	(497)	(2.0)
Foreign exchange rate (USD/Yen)		105.0		

## Non-consolidated

## 1. Performance of the first half

(Million yen, rounded down)

	1H FY3/21 (Apr. 2020 - Sep. 2020)		1H FY3/20 (Apr. 2019 - Sep. 2019)		Change	
	% to sales	Amount	% to sales	Amount	Amount	%
Net sales	100.0	95,159	100.0	132,871	(37,712)	(28.4)
Operating profit	(4.3)	(4,133)	2.0	2,666	(6,800)	-
Ordinary profit	(2.2)	(2,135)	3.6	4,844	(6,979)	-
Profit	(2.3)	(2,236)	3.2	4,308	(6,544)	-
Capital expenditures		6,008		4,791	1,217	25.4
Depreciation		6,864		7,347	(482)	(6.6)