

# Consolidated Financial Results

## for the Second Quarter of Fiscal Year Ending March 2018 [Japan GAAP]

October 30, 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:	<a href="http://www.futabasangyo.com/en/index.html">http://www.futabasangyo.com/en/index.html</a>
Representative:	Title Name President Hiroyoshi Yoshiki
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Tel:	+81-(564) 31-2211
Scheduled date of filing securities report:	November 9, 2017
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 2018 (April 1, 2017 – September 30, 2017)

(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 2017	210,493	4.5	4,432	67.7	3,899	188.3	4,314	271.1
First half ended September 2016	201,482	(6.8)	2,643	-	1,352	-	1,162	-
Note: Comprehensive income:	1H FY2017: 5,378 million yen		(-%)		1H FY2016: -7,244 million yen		(-%)	

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First half ended September 2017	48.22	-
First half ended September 2016	16.62	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2017	243,425	69,673	24.2
As of March 31, 2017	242,311	67,029	22.4

Reference: Shareholders' equity: As of September 30, 2017: 59,019 million yen As of March 31, 2017: 54,329 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
FY2017	-	0.00	-	3.00	3.00
FY2018	-	0.00			
FY2018 (estimated)			-	10.00	10.00

Note: Change in the estimation of dividend from the latest announcement: Yes

### 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
Full year	425,000	3.1	11,700	30.3	10,500	39.2	9,500	97.6	106.17

Note: Change in the forecast from the latest announcement: None

\* **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 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 FY3/18:	89,580,827	End of FY3/17:	89,580,827
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(b) Treasury shares

End of 2Q FY3/18:	101,420	End of FY3/17:	100,342
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(c) Average number of shares outstanding

1H FY3/18:	89,480,038	1H FY3/17:	69,949,972
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\* 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. Quarterly Consolidated Financial Statements and Important Notes

## (1) Quarterly consolidated balance sheet

(Million yen)

	As of March 31, 2017	As of September 30, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	24,768	15,300
Notes and accounts receivable - trade	59,056	59,526
Finished goods	2,838	3,185
Work in process	10,912	14,378
Raw materials and supplies	3,719	4,010
Deferred tax assets	1	1
Other	7,071	7,211
Allowance for doubtful accounts	(10)	(10)
<b>Total current assets</b>	<b>108,358</b>	<b>103,605</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	29,578	31,021
Machinery, equipment and vehicles, net	39,192	38,646
Tools, furniture and fixtures, net	9,309	11,207
Land	14,382	14,432
Leased assets, net	2,032	1,419
Construction in progress	14,975	18,880
<b>Total property, plant and equipment</b>	<b>109,469</b>	<b>115,607</b>
Intangible assets	707	655
<b>Investments and other assets</b>		
Investment securities	15,671	15,415
Long-term loans receivable	1,936	2,594
Net defined benefit asset	6,346	6,398
Deferred tax assets	768	700
Other	1,491	2,009
Allowance for doubtful accounts	(2,438)	(3,562)
<b>Total investments and other assets</b>	<b>23,775</b>	<b>23,556</b>
<b>Total non-current assets</b>	<b>133,952</b>	<b>139,819</b>
<b>Total assets</b>	<b>242,311</b>	<b>243,425</b>

(Million yen)

	As of March 31, 2017	As of September 30, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	45,664	47,324
Electronically recorded obligations - operating	6,702	7,332
Short-term loans payable	20,623	20,487
Current portion of long-term loans payable	17,634	7,128
Lease obligations	1,667	152
Income taxes payable	650	457
Accrued consumption taxes	757	320
Provision for directors' bonuses	60	-
Accrued expenses	10,254	10,372
Other	9,788	10,417
<b>Total current liabilities</b>	<b>113,803</b>	<b>103,993</b>
<b>Non-current liabilities</b>		
Long-term loans payable	44,658	53,228
Lease obligations	88	87
Deferred tax liabilities	6,987	7,052
Provision for directors' retirement benefits	49	57
Provision for product warranties	213	213
Net defined benefit liability	9,126	8,798
Asset retirement obligations	189	189
Other	165	130
<b>Total non-current liabilities</b>	<b>61,478</b>	<b>69,758</b>
<b>Total liabilities</b>	<b>175,281</b>	<b>173,751</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	16,820	16,820
Capital surplus	13,543	13,370
Retained earnings	15,093	19,139
Treasury shares	(149)	(150)
<b>Total shareholders' equity</b>	<b>45,306</b>	<b>49,178</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	5,895	5,881
Foreign currency translation adjustment	3,278	4,043
Remeasurements of defined benefit plans	(150)	(84)
<b>Total accumulated other comprehensive income</b>	<b>9,022</b>	<b>9,840</b>
Non-controlling interests	12,699	10,653
<b>Total net assets</b>	<b>67,029</b>	<b>69,673</b>
<b>Total liabilities and net assets</b>	<b>242,311</b>	<b>243,425</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, 2016 (Apr. 1, 2016 – Sep. 30, 2016)	First half ended Sep. 30, 2017 (Apr. 1, 2017 – Sep. 30, 2017)
Net sales	201,482	210,493
Cost of sales	189,699	195,973
Gross profit	11,783	14,520
Selling, general and administrative expenses		
Freightage and packing expenses	2,415	2,688
Salaries, allowances and bonuses	3,198	3,642
Retirement benefit expenses	63	73
Provision for directors' retirement benefits	25	9
Legal and employee benefits expenses	331	541
Taxes and dues	442	484
Depreciation	387	358
Other	2,275	2,289
Total selling, general and administrative expenses	9,139	10,087
Operating profit	2,643	4,432
Non-operating income		
Interest income	83	99
Dividend income	122	127
Gain on sales of scraps	113	98
Share of profit of entities accounted for using equity method	61	32
Foreign exchange gains	-	89
Gain on valuation of derivatives	11	6
Miscellaneous income	325	314
Total non-operating income	717	769
Non-operating expenses		
Interest expenses	630	525
Loss on abandonment of non-current assets	228	442
Foreign exchange losses	629	-
Foreign withholding tax	298	118
Miscellaneous loss	221	216
Total non-operating expenses	2,008	1,302
Ordinary profit	1,352	3,899
Extraordinary income		
Gain on redemption of investment securities	-	1,149
Total extraordinary income	-	1,149
Profit before income taxes	1,352	5,048
Income taxes	(34)	394
Profit	1,386	4,654
Profit attributable to non-controlling interests	224	340
Profit attributable to owners of parent	1,162	4,314

Quarterly consolidated statement of comprehensive income  
For the first half

(Million yen)

	First half ended Sep. 30, 2016 (Apr. 1, 2016 – Sep. 30, 2016)	First half ended Sep. 30, 2017 (Apr. 1, 2017 – Sep. 30, 2017)
Profit	1,386	4,654
Other comprehensive income		
Valuation difference on available-for-sale securities	(226)	(10)
Foreign currency translation adjustment	(7,606)	555
Remeasurements of defined benefit plans, net of tax	70	65
Share of other comprehensive income of entities accounted for using equity method	(868)	113
Total other comprehensive income	(8,631)	724
Comprehensive income	(7,244)	5,378
Comprehensive income attributable to owners of parent	(5,261)	5,132
Comprehensive income attributable to non-controlling interests	(1,983)	246

(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)

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".

(Segment information)

First half of the previous fiscal year (April 1, 2016 – September 30, 2016)

1. Reportable segment sales and profit or loss

(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
Segment profit (loss)	(119)	1,793	10	872	2,557	86	2,643

Notes

1. The adjustment of profit (loss) of 86 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, 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



## Supplementary data for the first half of the fiscal year ending March 2018

Consolidated

### 1. Performance of the first half

(Million yen, rounded down)

	1H FY3/18 (Apr. 2017 - Sep. 2017)		1H FY3/17 (Apr. 2016 - Sep. 2016)		Change	
	% to sales		% to sales		Amount*	%
Net sales	100.0	210,493	100.0	201,482	9,010	4.5
Operating profit	2.1	4,432	1.3	2,643	1,789	67.7
Ordinary profit	1.9	3,899	0.7	1,352	2,546	188.3
Profit (loss) attributable to owners of parent	2.0	4,314	0.6	1,162	3,151	271.1
Earnings per share (yen)		48.22		16.62		
Capital expenditures		11,782		5,461	6,320	115.7
Depreciation		10,381		10,847	(466)	(4.3)
Foreign exchange rate (USD/Yen)		111.1		105.3		
Number of consolidated companies		24		23		

\* The net sales were up 6.3 billion 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	1.4	Decrease in profit by change of product mix	0.7
Increase in profit by sales growth	0.7	Increase in labor cost	0.6
Increase in sales of scraps	0.5		
Decrease in depreciation	0.4		
Total	3.0	Total	1.3
Net increase in operating profit: 1.7			

### 3. Performance by geographical segment

(Million yen, rounded down)

		1H FY3/18 (Apr. 2017 - Sep. 2017)		1H FY3/17 (Apr. 2016 - Sep. 2016)		Change	
		Amount	% to sales	Amount	% to sales	Amount	%
Japan	Net sales	120,464		114,074		6,389	5.6
	Operating profit	2,047	1.7	(119)	(0.1)	2,166	-
North America	Net sales	51,413		47,680		3,733	7.8
	Operating profit	1,290	2.5	1,793	3.8	(502)	(28.0)
Europe	Net sales	12,029		11,772		256	2.2
	Operating profit	(204)	(1.7)	10	0.1	(214)	-
Asia	Net sales	34,547		33,713		834	2.5
	Operating profit	1,369	4.0	872	2.6	497	56.9
Eliminations	Net sales	(7,961)		(5,758)		(2,203)	
	Operating profit	(71)		86		(157)	
Total	Net sales	210,493		201,482		9,010	4.5
	Operating profit	4,432	2.1	2,643	1.3	1,789	67.7

## 4. Forecast for full year

(Million yen, rounded down)

	FY3/18 (Apr. 2017 - Mar. 2018)		Change vs. FY3/17 (Apr. 2016 - Mar. 2017)	
	% to sales	Amount	Amount	%
Net sales	100.0	425,000	12,616	3.1
Operating profit	2.8	11,700	2,723	30.3
Ordinary profit	2.5	10,500	2,957	39.2
Profit attributable to owners of parent	2.2	9,500	4,693	97.6
Earnings per share (yen)		106.17		
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 of the first half

(Million yen, rounded down)

	1H FY3/18 (Apr. 2017 - Sep. 2017)		1H FY3/17 (Apr. 2016 - Sep. 2016)		Change	
	% to sales	Amount	% to sales	Amount	Amount	%
Net sales	100.0	119,514	100.0%	113,292	6,221	5.5
Operating profit (loss)	1.0	1,170	(0.6)	(660)	1,830	-
Ordinary profit	4.7	5,650	1.0	1,155	4,495	389.2
Profit	5.6	6,748	1.0	1,174	5,574	474.8
Capital expenditures		9,708		3,068	6,640	216.4
Depreciation		6,241		6,015	226	3.8