

Consolidated Financial Results

for the Second Quarter of Fiscal Year Ending March 2020 [Japan GAAP]

October 30, 2019

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 Name President Hiroyoshi Yoshiki
Contact Person:	Title Name Accounting Manager Keiichi Toriyama
Tel:	+81-(564) 31-2211
Scheduled date of filing securities report:	November 11, 2019
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 2020 (April 1, 2019 – September 30, 2019)

(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 2019	234,963	7.0	5,972	258.4	6,262	292.4	5,125	872.6
First half ended September 2018	219,655	4.4	1,666	(62.4)	1,596	(59.1)	526	(87.8)

Note: Comprehensive income: 1H FY3/2020: 3,701 million yen (374.4%) 1H FY3/2019: 780 million yen (-85.5%)

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First half ended September 2019	57.27	-
First half ended September 2018	5.89	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2019	247,624	77,275	27.7
As of March 31, 2019	249,061	75,211	26.4

Reference: Shareholders' equity: As of September 30, 2019: 68,613 million yen As of March 31, 2019: 65,756 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
FY3/2019	-	0.00	-	10.00	10.00
FY3/2020	-	0.00			
FY3/2020 (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 2020 (Consolidated, April 1, 2019 - March 31, 2020)

(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	470,000	1.8	9,500	39.8	9,500	47.3	7,300	108.0	81.58

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 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: Yes

(b) Changes other than in (a): None

(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 FY3/20:	89,580,827	End of FY3/19:	89,580,827
End of 2Q FY3/20:	61,060	End of FY3/19:	103,205
1H FY3/20:	89,494,978	1H FY3/19:	89,478,460

(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.

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1. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	8,062	5,564
Notes and accounts receivable - trade	67,731	65,517
Finished goods	4,029	4,067
Work in process	11,551	12,560
Raw materials and supplies	5,041	5,547
Other	7,558	6,672
Allowance for doubtful accounts	(61)	(55)
Total current assets	103,912	99,874
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,454	30,424
Machinery, equipment and vehicles, net	44,989	45,218
Tools, furniture and fixtures, net	13,676	10,972
Land	14,382	14,297
Leased assets, net	105	2,080
Construction in progress	16,048	20,184
Total property, plant and equipment	120,657	123,177
Intangible assets	946	855
Investments and other assets		
Investment securities	13,533	13,900
Long-term loans receivable	852	865
Net defined benefit asset	6,737	6,713
Deferred tax assets	2,186	1,982
Other	1,414	1,442
Allowance for doubtful accounts	(1,179)	(1,187)
Total investments and other assets	23,544	23,716
Total non-current assets	145,149	147,749
Total assets	249,061	247,624

(Million yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,535	47,800
Electronically recorded obligations - operating	4,324	4,331
Short-term loans payable	13,903	11,907
Current portion of long-term loans payable	9,675	8,580
Income taxes payable	436	759
Accrued consumption taxes	1,069	862
Provision for directors' bonuses	67	42
Accrued expenses	11,859	11,014
Other	7,293	9,390
Total current liabilities	98,165	94,688
Non-current liabilities		
Bonds payable	12,000	12,000
Long-term loans payable	49,253	47,645
Deferred tax liabilities	4,666	4,584
Provision for directors' retirement benefits	82	-
Provision for product warranties	174	179
Net defined benefit liability	9,219	9,429
Other	288	1,821
Total non-current liabilities	75,684	75,660
Total liabilities	173,850	170,349
Net assets		
Shareholders' equity		
Capital stock	16,820	16,820
Capital surplus	13,416	13,377
Retained earnings	27,886	32,116
Treasury shares	(152)	(89)
Total shareholders' equity	57,970	62,224
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,168	5,332
Foreign currency translation adjustment	1,909	367
Remeasurements of defined benefit plans	708	689
Total accumulated other comprehensive income	7,786	6,388
Non-controlling interests	9,454	8,661
Total net assets	75,211	77,275
Total liabilities and net assets	249,061	247,624

(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, 2018 (Apr. 1, 2018 – Sep. 30, 2018)	First half ended Sep. 30, 2019 (Apr. 1, 2019 – Sep. 30, 2019)
Net sales	219,655	234,963
Cost of sales	206,935	217,659
Gross profit	12,720	17,304
Selling, general and administrative expenses	11,054	11,331
Operating profit	1,666	5,972
Non-operating income		
Interest income	54	63
Dividend income	204	195
Gain on sales of scraps	151	108
Share of profit of entities accounted for using equity method	5	66
Foreign exchange gains	116	-
Subsidy income	-	438
Miscellaneous income	219	239
Total non-operating income	752	1,111
Non-operating expenses		
Interest expenses	402	430
Loss on abandonment of non-current assets	163	78
Foreign exchange losses	-	227
Miscellaneous loss	256	84
Total non-operating expenses	822	822
Ordinary profit	1,596	6,262
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 before income taxes	1,596	6,260
Income taxes	759	873
Profit	836	5,386
Profit attributable to non-controlling interests	309	260
Profit attributable to owners of parent	526	5,125

Quarterly consolidated statement of comprehensive income
For the first half

(Million yen)

	First half ended Sep. 30, 2018 (Apr. 1, 2018 – Sep. 30, 2018)	First half ended Sep. 30, 2019 (Apr. 1, 2019 – Sep. 30, 2019)
Profit	836	5,386
Other comprehensive income		
Valuation difference on available-for-sale securities	465	163
Foreign currency translation adjustment	(178)	(1,734)
Remeasurements of defined benefit plans, net of tax	19	(19)
Share of other comprehensive income of entities accounted for using equity method	(362)	(95)
Total other comprehensive income	(56)	(1,684)
Comprehensive income	780	3,701
Comprehensive income attributable to owners of parent	818	3,727
Comprehensive income attributable to non-controlling interests	(38)	(26)

(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)

(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".

(Change in accounting policies)

(Application of the International Financial Reporting Standard 16 (IFRS 16) "leases")

Futaba subsidiaries applying International Financial Reporting Standards have adopted IFRS 16 "leases" effective from the first quarter of the current consolidated reporting period. This standard requires a lessee to carry in principle all leases as assets and liabilities on the balance sheet. The subsidiaries applied IFRS16 retroactively following transitional measures and recognized the cumulative effect as of the date of initial application as transitional measure. By applying IFRS16, Property, plant and equipment increased 1,980 million yen, Other under Current liabilities increased 522 million yen and Other under Non-current liabilities were up 1,458 million yen as of the end of the second quarter of the current fiscal year. The impact of this change on the first half profit and loss is insignificant.

(Segment information)

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

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	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

First half of the current 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	Asia	Total		
Net sales							
of which to outside customers	124,632	51,849	14,595	43,885	234,963	-	234,963
of which inter-segment and transfers	8,990	285	5	102	9,383	(9,383)	-
Total	133,623	52,134	14,601	43,988	244,347	(9,383)	234,963
Segment profit (loss)	3,169	1,628	301	1,103	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

Supplementary data for the first half of the fiscal year ending March 2020

Consolidated

1. Performance of the first half

(Million yen, rounded down)

	1H FY3/20 (Apr. 2019 - Sep. 2019)		1H FY3/19 (Apr. 2018 - Sep. 2018)		Change	
	% to sales		% to sales		Amount	%
Net sales	100.0	234,963	100.0	219,655	15,308	7.0
Operating profit	2.5	5,972	0.8	1,666	4,306	258.4
Ordinary profit	2.7	6,262	0.7	1,596	4,666	292.4
Profit (loss) attributable to owners of parent	2.2	5,125	0.2	526	4,598	872.6
Earnings per share (yen)		57.27		5.89		
Capital expenditures		9,821		16,027	(6,205)	(38.7)
Depreciation		11,489		11,689	(200)	(1.7)
Foreign exchange rate (USD/Yen)		108.6		110.3		
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
Increase in profit by sales growth of parts division	17	Change in selling price	11
Change in product mix	15		
Increase in profit of other than parts division	10		
Measures to further rationalize	10		
Decrease in depreciation	2		
Total	54	Total	11
Net increase in operating profit: 43			

3. Performance by geographical segment

(Million yen, rounded down)

		1H FY3/20 (Apr. 2019 - Sep. 2019)		1H FY3/19 (Apr. 2018 - Sep. 2018)		Change	
		Amount	Operating margin (%)	Amount	Operating margin (%)	Amount	%
Japan	Net sales	133,623		127,018		6,604	5.2
	Operating profit	3,169	2.4	(513)	(0.4)	3,683	-
North America	Net sales	52,134		52,522		(387)	(0.7)
	Operating profit	1,628	3.1	1,276	2.4	352	27.6
Europe	Net sales	14,601		13,062		1,538	11.8
	Operating profit	301	2.1	(544)	(4.2)	845	-
Asia	Net sales	43,988		37,306		6,681	17.9
	Operating profit	1,103	2.5	1,485	4.0	(382)	(25.7)
Eliminations	Net sales	(9,383)		(10,255)		871	
	Operating profit	(229)		(37)		(192)	
Total	Net sales	234,963		219,655		15,308	7.0
	Operating profit	5,972	2.5	1,666	0.8	4,306	258.4

4. Forecast for full year

(Million yen, rounded down)

	FY3/20 (Apr. 2019 - Mar. 2020)		Change vs. FY3/19	
	% to sales	Amount	Amount	%
Net sales	100.0	470,000	8,294	1.8
Operating profit	2.0	9,500	2,702	39.8
Ordinary profit	2.0	9,500	3,050	47.3
Profit attributable to owners of parent	1.6	7,300	3,790	108.0
Earnings per share (yen)		81.58		
Capital expenditures		32,000	(9,347)	(22.6)
Depreciation		24,000	921	4.0
Foreign exchange rate (USD/Yen)		105.0		

Non-consolidated

1. Performance of the first half

(Million yen, rounded down)

	1H FY3/20 (Apr. 2019 - Sep. 2019)		1H FY3/19 (Apr. 2018 - Sep. 2018)		Change	
	% to sales	Amount	% to sales	Amount	Amount	%
Net sales	100.0	132,871	100.0	125,810	7,060	5.6
Operating profit (loss)	2.0	2,666	(0.5)	(576)	3,242	-
Ordinary profit	3.6	4,844	2.4	3,081	1,762	57.2
Profit	3.2	4,308	2.5	3,121	1,186	38.0
Capital expenditures		4,791		9,862	(5,071)	(51.4)
Depreciation		7,347		7,591	(243)	(3.2)