

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2023 [Japan GAAP]

July 28, 2022

Name of Company: Futaba Industrial Co., Ltd.
 Stock Exchange Listing: Tokyo Stock Exchange, Prime Market, Nagoya Stock Exchange, Premier Market
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 Scheduled date of filing of quarterly report: August 9, 2022
 Scheduled date of commencement of dividend payment: –
 Supplementary materials for quarterly financial results: Yes
 Information meeting for quarterly financial results: No

(Yen in millions, rounded down)

1. Financial results for the first quarter of the fiscal year ending March 2023 (April 1, 2022 – June 30, 2022)

(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 quarter ended								
June 2022	153,488	12.1	(2,009)	–	(1,625)	–	(1,747)	–
June 2021	136,928	113.8	3,206	–	3,600	–	1,576	–

Note: Comprehensive income: 1Q FY3/2023: 2,243 million yen [-47.6%] 1Q FY3/2022: 4,282 million yen [-%]

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First quarter ended		
June 2022	(19.54)	–
June 2021	17.61	17.60

Note: Earnings per share fully diluted for the first quarter ended June 2022 is omitted due to the recording of a net loss per share, despite the presence of potentially dilutive securities.

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	321,234	91,292	26.5
As of March 31, 2022	309,487	90,014	27.2

Reference: Shareholders' equity: As of June 30, 2022: 85,121 million yen As of March 31, 2022: 84,219 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
FY2022	–	0.00	–	10.00	10.00
FY2023	–				
FY2023 (estimated)		0.00	–	10.00	10.00

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

3. Forecast for the fiscal year ending March 2023 (Consolidated, April 1, 2022 - March 31, 2023)

(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	330,000	25.2	(1,000)	–	(600)	–	(1,100)	–	(12.28)
Full year	700,000	22.4	7,000	14.5	7,400	(5.2)	4,400	33.0	49.13

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): No

Newly consolidated company: None

Excluded: None

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

Note: Please see “2. Quarterly Consolidated Financial Statements and Important Notes, (3) Notes to the Quarterly Consolidated Financial Statements” on page 7 of the Supplementary Information 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)

(b) Treasury shares

(c) Average number of shares outstanding

End of 1Q FY3/23:	89,580,827	End of FY3/22:	89,580,827
End of 1Q FY3/23:	208,152	End of FY3/22:	20,177
1Q FY3/23:	89,458,250	1Q FY3/22:	89,536,914

* 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. Qualitative Information on Consolidated Financial Results for the First Quarter under Review

(1) Explanation of the Results of Operations

The Group has aspired to become a strong and sustainable global company based on the following three pillars: strong measures to be a trusted and successful company, to be a true global company, and for a sustainable corporate foundation.

The Group has established “strengthening earnings capacity and working to increase free cash flow (FCF)” as medium-term management targets from FY2022 to FY2024. By further strengthening earnings capacity mainly through improvements in production efficiency and working to achieve robust increases in FCF, the Group will secure returns to shareholders and allocate funds for the repayment of interest-bearing debt and investment for future growth.

The Group has been emphasizing three value propositions of environment, reassurance and enriched lifestyles. The environment represents exhaust system parts that reduce negative impacts on the natural environment. Reassurance represents body/interior parts that protect people from danger and provide them with peace of mind. Enriched lifestyles represents products and services that increase quality of life. The Group will continue to provide value and increase information transmission to shareholders, investors and all stakeholders, including customers, employees and local communities.

In the first quarter of the fiscal year under review, net sales increased 12.1% from the same period of the previous fiscal year to 153.4 billion yen, mainly reflecting increases in the unit prices of parts supplied by customers and in materials quoted prices, as well as the effects of exchange rates. On the profit side, the Group posted an operating loss of 2.0 billion yen (compared to an operating profit of 3.2 billion yen in the same period of the previous fiscal year), an ordinary loss of 1.6 billion yen (compared to an operating profit of 3.6 billion yen a year ago), and a loss attributable to owners of parent of 1.7 billion yen (compared with a profit attributable to owners of the parent of 1.5 billion yen a year ago). These results principally reflected the impacts of a suspension in customer operations caused by insufficient supplies of parts, an increase in depreciation associated with the launch of new vehicle model and surges in the cost of materials, logistics costs and labor costs.

Geographic segment performance was as follows.

1) Japan

Net sales were 65.5 billion yen, an increase of 5.3% from the same period of the previous fiscal year. The segment loss was 0.5 billion yen (compared to a segment profit of 0.7 billion yen in the same period of the previous fiscal year).

2) North America

Net sales were 35.0 billion yen, an increase of 31.0% from the same period of the previous fiscal year. The segment loss was 1.9 billion yen (compared to a segment profit of 0.6 billion yen in the same period of the previous fiscal year).

3) Europe

Net sales were 15.9 billion yen, an increase of 26.6% from the same period of the previous fiscal year. Segment profit was 0 billion yen, a decrease of 88.9% year on year.

4) China

Net sales were 24.2 billion yen, an increase of 10.7% from the same period of the previous fiscal year. Segment profit was 0.2 billion yen, a decrease of 71.2% year on year.

5) Asia

Net sales were 15.3 billion yen, a decrease of 6.9% from the same period of the previous fiscal year. Segment profit was 0.1 billion yen, a decrease of 49.9% year on year.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the fiscal year under review were 321.2 billion yen, an increase of 11.7 billion yen compared to the end of the previous fiscal year, mainly due to an increase in property, plant and equipment. Total liabilities amounted to 229.9 billion yen, a 10.4 billion yen increase from the end of the previous fiscal year, mainly due to increases in notes and accounts payable - trade. Net assets increased 1.2 billion yen from the end of the previous fiscal year to 91.2 billion yen due mainly to an increase in foreign currency translation adjustment.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	6,734	10,298
Notes and accounts receivable - trade	89,219	86,817
Finished goods	6,166	6,560
Work in process	16,231	19,749
Raw materials and supplies	7,653	8,117
Other	9,360	9,319
Total current assets	135,367	140,864
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	33,578	36,094
Machinery, equipment and vehicles, net	60,445	63,048
Tools, furniture and fixtures, net	12,040	12,446
Land	14,537	14,638
Leased assets, net	1,357	1,391
Construction in progress	21,457	21,996
Total property, plant and equipment	143,416	149,614
Intangible assets	1,592	1,528
Investments and other assets		
Investment securities	17,387	17,194
Long-term loans receivable	789	819
Retirement benefit asset	10,068	10,061
Deferred tax assets	1,127	1,442
Other	955	961
Allowance for doubtful accounts	(1,217)	(1,251)
Total investments and other assets	29,111	29,227
Total non-current assets	174,120	180,370
Total assets	309,487	321,234

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	73,832	80,728
Electronically recorded obligations - operating	4,150	4,239
Short-term borrowings	16,335	16,839
Current portion of long-term borrowings	25,920	26,867
Income taxes payable	773	527
Accrued consumption taxes	1,831	1,406
Provision for bonuses for directors (and other officers)	33	8
Accrued expenses	11,904	13,729
Other	10,284	11,111
Total current liabilities	145,067	155,458
Non-current liabilities		
Bonds payable	12,000	12,000
Long-term borrowings	43,022	43,086
Deferred tax liabilities	9,246	9,117
Provision for product warranties	225	242
Retirement benefit liability	8,645	8,770
Other	1,267	1,267
Total non-current liabilities	74,406	74,483
Total liabilities	219,473	229,942
Net assets		
Shareholders' equity		
Share capital	16,820	16,820
Capital surplus	9,183	9,183
Retained earnings	38,961	36,317
Treasury shares	(14)	(84)
Total shareholders' equity	64,950	62,237
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,982	7,554
Foreign currency translation adjustment	7,300	11,460
Remeasurements of defined benefit plans	3,986	3,870
Total accumulated other comprehensive income	19,269	22,884
Non-controlling interests	5,794	6,170
Total net assets	90,014	91,292
Total liabilities and net assets	309,487	321,234

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

Quarterly consolidated statement of income

For the first quarter

(Million yen)

	First quarter ended Jun. 30, 2021 (Apr. 1, 2021 – Jun. 30, 2021)	First quarter ended Jun. 30, 2022 (Apr. 1, 2022 – Jun. 30, 2022)
Net sales	136,928	153,488
Cost of sales	128,159	149,425
Gross profit	8,769	4,062
Selling, general and administrative expenses	5,562	6,071
Operating profit (loss)	3,206	(2,009)
Non-operating income		
Interest income	19	18
Dividend income	161	186
Gain on sales of scraps	126	116
Share of profit of entities accounted for using equity method	62	165
Foreign exchange gains	247	–
Miscellaneous income	200	268
Total non-operating income	817	756
Non-operating expenses		
Interest expenses	199	243
Loss on abandonment of non-current assets	99	52
Foreign exchange losses	–	22
Miscellaneous loss	125	54
Total non-operating expenses	424	372
Ordinary profit (loss)	3,600	(1,625)
Extraordinary losses		
Investments in capital of subsidiaries and associates	1,126	–
Loss on valuation of investment securities	7	–
Total extraordinary losses	1,133	–
Profit (loss) before income taxes	2,466	(1,625)
Income taxes	515	115
Profit (loss)	1,951	(1,740)
Profit attributable to non-controlling interests	374	7
Profit (loss) attributable to owners of parent	1,576	(1,747)

Quarterly consolidated statement of comprehensive income
For the first quarter

(Million yen)

	First quarter ended Jun. 30, 2021 (Apr. 1, 2021 – Jun. 30, 2021)	First quarter ended Jun. 30, 2022 (Apr. 1, 2022 – Jun. 30, 2022)
Profit (loss)	1,951	(1,740)
Other comprehensive income		
Valuation difference on available-for-sale securities	625	(427)
Foreign currency translation adjustment	1,587	4,278
Remeasurements of defined benefit plans, net of tax	(71)	(115)
Share of other comprehensive income of entities accounted for using equity method	188	249
Total other comprehensive income	2,331	3,983
Comprehensive income	4,282	2,243
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,482	1,867
Comprehensive income attributable to non- controlling interests	799	375

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes to going concern assumptions)

None

(Notes to significant changes in shareholders' equity)

None

(Application of special accounting for preparing the quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses for the Company and some of its consolidated subsidiaries are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, including the first quarter under review, and multiplying profit before income taxes by the estimated effective tax rate.

Income taxes-deferred is included in "Income taxes" in the consolidated statements of income.

(Segment information)

First quarter ended June 30, 2021 (April 1, 2021 to June 30, 2021)

1. Information related to net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segments						Adjustments (Note 1)	Total (Note 2)
	Japan	North America	Europe	China	Asia	Total		
Net sales								
Of which to outside customers	59,088	26,752	12,626	21,912	16,548	136,928	–	136,928
Of which inter- segment and transfers	3,150	–	–	28	0	3,179	(3,179)	–
Total	62,238	26,752	12,626	21,941	16,549	140,107	(3,179)	136,928
Segment profit	765	689	527	890	332	3,205	1	3,206

Notes: 1. The segment profit adjustment of 1 million yen is for the elimination of intersegment transactions.

2. Segment profit is adjusted to the operating profit in quarterly consolidated statements of income.

First quarter ended June 30, 2022 (April 1, 2022 to June 30, 2022)

1. Information related to net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segments						Adjustments (Note 1)	Total (Note 2)
	Japan	North America	Europe	China	Asia	Total		
Net sales								
Of which to outside customers	62,814	35,028	15,989	24,257	15,397	153,488	–	153,488
Of which inter- segment and transfers	2,706	13	–	26	1	2,748	(2,748)	–
Total	65,521	35,042	15,989	24,283	15,399	156,236	(2,748)	153,488
Segment profit (loss)	(587)	(1,966)	58	256	166	(2,071)	62	(2,009)

Notes: 1. The segment loss adjustment of 62 million yen is for the elimination of intersegment transactions.

2. Segment loss is adjusted to the operating loss in quarterly consolidated statements of income.

Supplementary data for the first quarter of the fiscal year ending March 2023

Consolidated

1. Financial results for the first quarter under rev

(Million yen, rounded down)

	The first quarter under review (From April 2022 to June 2022)		The previous first quarter (From April 2021 to June 2021)		Change	Change (%)
Net sales	(100.0%)	153,488	(100.0%)	136,928	16,559	12.1%
Operating profit	(-1.3%)	-2,009	(2.3%)	3,206	-5,216	-
Ordinary profit	(-1.1%)	-1,625	(2.6%)	3,600	-5,225	-
Profit attributable to owners of parent	(-1.1%)	-1,747	(1.2%)	1,576	-3,324	-
Earnings per share (yen)		-19.54 yen		17.61 yen		
Capital expenditures		6,411		5,116	1,295	25.3%
Depreciation		6,544		5,536	1,007	18.2%
Foreign exchange rate (USD/Yen)		129.6 yen		109.5 yen		
Number of consolidated companies		21		22		

(Note) Figures in parentheses indicate the net sales ratio.

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

(Billion yen)

Factors for profit increase	Amount	Factors for profit decrease	Amount
Rationalization enhancement	0.4	Profit decrease due to sales decline in the Automotive Part Business	1.7
Increase in profit outside the Automotive Parts Business	0.2	Changes in product mix, etc.	1.4
		Surges in materials costs and logistics costs	1.1
		Increase in depreciation	1.0
		Price fluctuations	0.6
Total	0.6	Total	5.8
Net balance		Decrease in operating profit	
			-5.2

3. Financial results by segment

(Million yen, rounded down)

		The first quarter under review (From April 2022 to June 2022)		The previous first quarter (From April 2021 to June 2021)		Change	Change (%)
			Profit margin		Profit margin		
Japan	Net sales	65,521		62,238		3,282	5.3%
	Operating profit	-587	-0.9%	765	1.2%	-1,353	-
North America	Net sales	35,042		26,752		8,290	31.0%
	Operating profit	-1,966	-5.6%	689	2.6%	-2,655	-
Europe	Net sales	15,989		12,626		3,363	26.6%
	Operating profit	58	0.4%	527	4.2%	-468	-88.9%
China	Net sales	24,283		21,941		2,342	10.7%
	Operating profit	256	1.1%	890	4.1%	-633	-71.2%
Asia	Net sales	15,399		16,549		-1,150	-6.9%
	Operating profit	166	1.1%	332	2.0%	-166	-49.9%
Elimination	Net sales	-2,748		-3,179		430	
	Operating profit	62		1		61	
Total	Net sales	153,488		136,928		16,559	12.1%
	Operating profit	-2,009	-1.3%	3,206	2.3%	-5,216	-

4. Consolidated financial results forecast for full-year

(Million yen, rounded down)

	FY2023 (From April 2022 to March 2023)	Results as compared to the previous year	
		Change	Change (%)
Net sales	(100.0%) 700,000	127,881	22.4%
Operating profit	(1.0%) 7,000	884	14.5%
Ordinary profit	(1.1%) 7,400	-407	-5.2%
Profit attributable to owners of parent	(0.6%) 4,400	1,092	33.0%
Earnings per share (yen)	49.13 yen		
Capital expenditures	33,000	-4,010	-10.8%
Depreciation	29,000	4,521	18.5%
Foreign exchange rate (USD/Yen)	130.0 yen		

(Note) Figures in parentheses indicate the net sales ratio.

Non-consolidated

1. Financial results for the first quarter under review

(Million yen, rounded down)

	The first quarter under review (From April 2022 to June 2022)		The previous first quarter (From April 2021 to June 2021)		Change	Change (%)
Net sales	(100.0%)	65,205	(100.0%)	61,732	3,472	5.6%
Operating profit	(-0.8%)	-548	(0.7%)	446	-995	-
Ordinary profit	(0.6%)	397	(3.4%)	2,085	-1,687	-80.9%
Profit	(0.6%)	378	(1.1%)	700	-322	-46.0%
Capital expenditures		3,923		4,077	-153	-3.8%
Depreciation		3,270		2,873	397	13.8%

(Note) Figures in parentheses indicate the net sales ratio.

Supplementary data for the first quarter of the fiscal year ending March 2023 (excluding parts supplied by customers)

Consolidated

1. Financial results for the first quarter under review

(Million yen, rounded down)

	The first quarter under review (From April 2022 to June 2022)		The previous first quarter (From April 2021 to June 2021)		Change	Change (%)
Net sales (excluding parts supplied by customers)	(100.0%)	83,252	(100.0%)	80,832	* 2,420	3.0%
Operating profit	(-2.4%)	-2,009	(4.0%)	3,206	-5,216	-
Ordinary profit	(-2.0%)	-1,625	(4.5%)	3,600	-5,225	-
Profit attributable to owners of parent	(-2.1%)	-1,747	(2.0%)	1,576	-3,324	-
Earnings per share (yen)		-19.54 yen		17.61 yen		
Capital expenditures		6,411		5,116	1,295	25.3%
Depreciation		6,544		5,536	1,007	18.2%
Foreign exchange rate (USD/Yen)		129.6 yen		109.5 yen		
Number of consolidated companies		21		22		

(Note) Figures in parentheses indicate the net sales ratio.

* Net sales in real terms, excluding fluctuations in materials quoted prices and foreign exchange, decreased 8.4 billion yen compared to the same period of the previous fiscal year (down 10.5%).

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

(Billion yen)

Factors for profit increase	Amount	Factors for profit decrease	Amount
Rationalization enhancement	0.4	Profit decrease due to sales decline in the Automotive Part Business	1.7
Increase in profit outside the Automotive Parts Business	0.2	Changes in product mix, etc.	1.4
		Surges in materials costs and logistics costs	1.1
		Increase in depreciation	1.0
		Price fluctuations	0.6
Total	0.6	Total	5.8
Net balance		Decrease in operating profit -5.2	

3. Financial results by segment

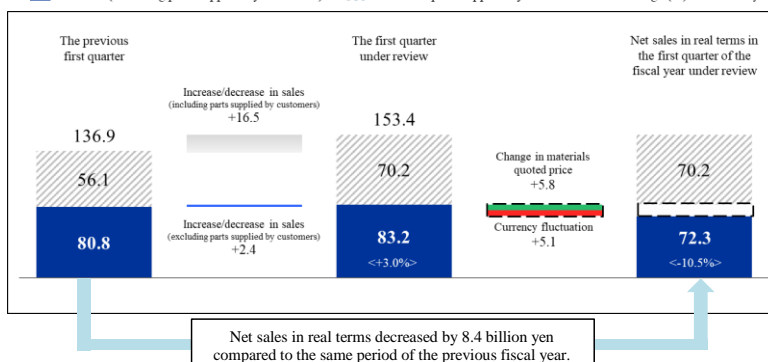
(Net sales in real terms)

(Million yen, rounded down)

		The first quarter under review (a) (From April 2022 to June 2022)		The previous first quarter (b) (From April 2021 to June 2021)		The first quarter under review (c) (From April 2022 to June 2022)		
		Change (a)-(b)	Change (%)	Change (c)-(b)	Change (%)			
Japan	Net sales (excluding parts supplied by customers)	40,980	42,739	-1,759	-4.1%	36,126	-6,613	-15.5%
	Operating profit	-587	765	-1,353	-			
North America	Net sales (excluding parts supplied by customers)	16,689	15,827	862	5.4%	14,299	-1,528	-9.7%
	Operating profit	-1,966	689	-2,655	-			
Europe	Net sales (excluding parts supplied by customers)	7,518	7,018	499	7.1%	7,156	138	2.0%
	Operating profit	58	527	-468	-88.9%			
China	Net sales (excluding parts supplied by customers)	17,181	15,901	1,280	8.1%	14,367	-1,534	-9.6%
	Operating profit	256	890	-633	-71.2%			
Asia	Net sales (excluding parts supplied by customers)	3,631	2,523	1,107	43.9%	3,157	634	25.1%
	Operating profit	166	332	-166	-49.9%			
Elimination	Net sales (excluding parts supplied by customers)	-2,748	-3,179	430		-2,748	430	
	Operating profit	62	1	61				
Total	Net sales (excluding parts supplied by customers)	83,252	80,832	2,420	3.0%	72,357	-8,475	-10.5%
	Operating profit	-2,009	3,206	-5,216	-			

* Supplementary explanations regarding year-on-year change in net sales

■ Net sales (excluding parts supplied by customers) ▨ Amount of parts supplied by customers <> Change (%) Billion yen



- Meaning of the term "parts supplied by customers"

Catalysts and other parts supplied for value by customers
Sales prices of products, including parts supplied by customers, include values of parts supplied by customers and have no impact on profits.

- Meaning of the term "changes in materials quoted prices"

It means that, due to changes in market conditions, unit purchase prices of materials and materials costs, which are components of sales prices, fluctuate by the same amount.

There is no impact on profits because sales and costs fluctuate by the same amount.

- Meaning of the term "foreign exchange fluctuation"

It means that, when converting the financial figures of overseas subsidiaries into yen equivalent, differences arise in foreign exchange rates, sales, etc. between the previous fiscal year and the fiscal year under review.