

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

February 2, 2023

Name of Company: Futaba Industrial Co., Ltd.
 Stock Exchange Listing: Tokyo Stock Exchange, Prime Market, Nagoya Stock Exchange, Premier Market
 Stock Code: 7241 URL: <https://www.futabasangyo.com/en/>
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 Scheduled date of filing of quarterly report: February 9, 2023
 Scheduled date of commencement of dividend payment: –
 Supplementary materials for quarterly financial results: Yes
 Information meeting for quarterly financial results: None

(Yen in millions, rounded down)

1. Financial results for the first nine months of the fiscal year ending March 2023 (April 1, 2022 – December 31, 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	%
Nine months ended								
December 2022	514,747	26.1	2,472	10.6	2,434	(23.7)	665	–
December 2021	408,146	26.1	2,236	77.9	3,192	111.0	(483)	–

Note: Comprehensive income: 3Q FY3/2023: 4,629 million yen [0.4%] 3Q FY3/2022: 4,612 million yen [129.6%]

	Earnings per share	
	Yen	Yen
Nine months ended		
December 2022	7.44	–
December 2021	(5.40)	–

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of			
December 31, 2022	315,670	92,921	27.6
March 31, 2022	309,487	90,014	27.2

Reference: Shareholders' equity As of December 31, 2022: 87,113 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	–	0.00	–		
FY2023 (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 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
Full year	700,000	22.4	6,000	(1.9)	6,400	(18.0)	5,200	57.2	58.07

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

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 3Q FY3/23:	89,580,827	End of FY3/22:	89,580,827
End of 3Q FY3/23:	153,810	End of FY3/22:	20,177
First nine months FY3/23:	89,433,600	First nine months FY3/22:	89,550,206

* 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 Nine Months 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 nine months of the fiscal year under review, net sales increased 26.1% year on year to 514.7 billion yen, operating profit was 2.4 billion yen (up 10.6% year on year), ordinary profit was 2.4 billion yen (down 23.7% year on year), and profit attributable to owners of parent was 0.6 billion yen (compared to the loss attributable to owners of parent of 0.4 billion yen in the same period of the previous fiscal year), mainly reflecting an increase in automobile production by customers, rises in the unit prices of parts supplied by customers and in materials quoted prices and the impact of exchange rates.

Geographic segment performance was as follows.

1) Japan

Net sales were 216.4 billion yen, an increase of 18.9% from the same period of the previous fiscal year. Segment profit was 0.7 billion yen, compared with a segment loss of 0.8 billion yen in the same period of the previous fiscal year.

2) North America

Net sales were 122.6 billion yen, an increase of 58.6% from the same period of the previous fiscal year. The segment loss was 2.2 billion yen (compared to a segment loss of 1.1 billion yen in the same period of the previous fiscal year).

3) Europe

Net sales were 52.4 billion yen, an increase of 71.2% from the same period of the previous fiscal year. Segment profit was 0.9 billion yen, an increase of 176.5% year on year.

4) China

Net sales were 79.1 billion yen, an increase of 14.1% from the same period of the previous fiscal year. Segment profit was 1.8 billion yen, a decrease of 36.5% year on year.

5) Asia

Net sales were 52.3 billion yen, a decrease of 10.9% from the same period of the previous fiscal year. Segment profit was 0.9 billion yen, an increase of 12.0% year on year.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the fiscal year under review were 315.6 billion yen, an increase of 6.1 billion yen compared to the end of the previous fiscal year, mainly due to an increase in cash and deposits. Total liabilities amounted to 222.7 billion yen, a 3.2 billion yen increase from the end of the previous fiscal year, mainly due to increases in notes and accounts payable - trade. Net assets increased 2.9 billion yen from the end of the previous fiscal year to 92.9 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 December 31, 2022
Assets		
Current assets		
Cash and deposits	6,734	14,277
Notes and accounts receivable - trade	89,219	83,555
Finished goods	6,166	7,094
Work in process	16,231	15,476
Raw materials and supplies	7,653	8,449
Other	9,360	12,686
Total current assets	135,367	141,539
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	33,578	34,460
Machinery, equipment and vehicles, net	60,445	63,707
Tools, furniture and fixtures, net	12,040	16,030
Land	14,537	14,581
Leased assets, net	1,357	1,250
Construction in progress	21,457	13,652
Total property, plant and equipment	143,416	143,683
Intangible assets	1,592	1,528
Investments and other assets		
Investment securities	17,387	17,132
Long-term loans receivable	789	36
Retirement benefit asset	10,068	10,044
Deferred tax assets	1,127	1,238
Other	955	501
Allowance for doubtful accounts	(1,217)	(34)
Total investments and other assets	29,111	28,919
Total non-current assets	174,120	174,130
Total assets	309,487	315,670

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	73,832	81,892
Electronically recorded obligations - operating	4,150	5,334
Short-term borrowings	16,335	25,794
Current portion of long-term borrowings	25,920	7,818
Income taxes payable	773	578
Accrued consumption taxes	1,831	1,321
Provision for bonuses for directors (and other officers)	33	25
Accrued expenses	11,904	10,918
Other	10,284	6,526
Total current liabilities	145,067	140,208
Non-current liabilities		
Bonds payable	12,000	12,000
Long-term borrowings	43,022	51,652
Deferred tax liabilities	9,246	8,679
Provision for product warranties	225	238
Retirement benefit liability	8,645	8,792
Other	1,267	1,178
Total non-current liabilities	74,406	82,540
Total liabilities	219,473	222,749
Net assets		
Shareholders' equity		
Share capital	16,820	16,820
Capital surplus	9,183	9,182
Retained earnings	38,961	38,730
Treasury shares	(14)	(62)
Total shareholders' equity	64,950	64,671
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,982	6,923
Foreign currency translation adjustment	7,300	11,880
Remeasurements of defined benefit plans	3,986	3,638
Total accumulated other comprehensive income	19,269	22,442
Non-controlling interests	5,794	5,808
Total net assets	90,014	92,921
Total liabilities and net assets	309,487	315,670

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

Quarterly consolidated statement of income
For the first nine months

(Million yen)

	First nine months ended Dec. 31, 2021 (April 1, 2021 to December 31, 2021)	First nine months ended Dec. 31, 2022 (April 1, 2022 to December 31, 2022)
Net sales	408,146	514,747
Cost of sales	388,902	493,110
Gross profit	19,243	21,636
Selling, general and administrative expenses	17,006	19,163
Operating profit	2,236	2,472
Non-operating income		
Interest income	58	102
Dividend income	312	377
Gain on sales of scraps	425	341
Share of profit of entities accounted for using equity method	592	238
Foreign exchange gains	312	—
Miscellaneous income	542	641
Total non-operating income	2,244	1,701
Non-operating expenses		
Interest expenses	598	963
Loss on abandonment of non-current assets	523	186
Foreign exchange losses	—	392
Miscellaneous loss	166	196
Total non-operating expenses	1,289	1,739
Ordinary profit	3,192	2,434
Extraordinary income		
Gain on liquidation of subsidiaries and associates	11	—
Gain on sales of investment securities	99	—
Total extraordinary income	110	—
Extraordinary losses		
Investments in capital of subsidiaries and associates	1,122	—
Loss on valuation of investment securities	7	—
Total extraordinary losses	1,129	—
Profit before income taxes	2,172	2,434
Income taxes	1,907	1,397
Profit	265	1,036
Profit attributable to non-controlling interests	748	370
Profit (loss) attributable to owners of parent	(483)	665

Quarterly consolidated statement of comprehensive income
For the first nine months

(Million yen)

	First nine months ended Dec. 31, 2021 (April 1, 2021 to December 31, 2021)	First nine months ended Dec. 31, 2022 (April 1, 2022 to December 31, 2022)
Profit	265	1,036
Other comprehensive income		
Valuation difference on available-for-sale securities	905	(1,059)
Foreign currency translation adjustment	2,959	4,033
Remeasurements of defined benefit plans, net of tax	(213)	(347)
Share of other comprehensive income of entities accounted for using equity method	695	966
Total other comprehensive income	4,346	3,593
Comprehensive income	4,612	4,629
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,215	3,838
Comprehensive income attributable to non- controlling interests	1,397	791

(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 nine months 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)

Nine months ended December 31, 2021 (April 1, 2021 to December 31, 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	172,305	77,334	30,636	69,186	58,683	408,146	–	408,146
Of which inter- segment and transfers	9,805	–	–	142	3	9,951	(9,951)	–
Total	182,110	77,334	30,636	69,328	58,686	418,097	(9,951)	408,146
Segment profit (loss)	(855)	(1,144)	339	2,856	810	2,005	230	2,236

Notes: 1. The segment profit adjustment of 230 million yen is for the elimination of intersegment transactions.

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

Nine months ended December 31, 2022 (April 1, 2022 to December 31, 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	208,344	122,620	52,460	79,023	52,297	514,747	–	514,747
Of which inter- segment and transfers	8,141	18	–	103	2	8,265	(8,265)	–
Total	216,486	122,638	52,460	79,127	52,300	523,013	(8,265)	514,747
Segment profit (loss)	791	(2,244)	937	1,814	907	2,206	266	2,472

Notes: 1. The segment profit adjustment of 266 million yen is for the elimination of intersegment transactions.

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

(Significant subsequent events)

At a meeting held on September 28, 2022, the Company's Board of Directors decided to transfer part of the shares it held in Shye Shyang Mechanical Industrial Co., Ltd., an entity accounted for using the equity method, to the company and entered into a transfer agreement with the company on November 10. Considering Group management efficiency, the Company aims to achieve sustainable growth as a company by focusing its resources on areas where growth is expected. The shares will be delivered in February 2023.

The Company expects to record an extraordinary income of around 1.6 billion yen in relation to this transfer of shares in the consolidated financial statements for the fiscal year ending March 31, 2023. Extraordinary income may change due to exchange rate fluctuations, among other factors.

Supplementary data for the first nine months of the fiscal year ending March 2023

Consolidated

1. Financial results for the first nine months under review

(Million yen, rounded down)

	The first nine months under review (From April 2022 to December 2022)		The previous first nine months (From April 2021 to December 2021)		Change	Change (%)
Net sales	(100.0%)	514,747	(100.0%)	408,146	106,600	26.1%
Operating profit	(0.5%)	2,472	(0.5%)	2,236	236	10.6%
Ordinary profit	(0.5%)	2,434	(0.8%)	3,192	-758	-23.7%
Profit attributable to owners of parent	(0.1%)	665	(-0.1%)	-483	1,148	-
Earnings per share		7.44 yen		-5.40 yen		
Capital expenditures		25,227		28,520	-3,293	-11.5%
Depreciation		21,527		17,806	3,720	20.9%
Foreign exchange rate (USD/Yen)		136.5 yen		111.1 yen		
Number of consolidated companies		21		21		

(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 decrease	Amount	Factors for profit decrease	Amount
Changes in product mix, etc.	2.6	Increase in depreciation	3.7
Increase in profit due to higher sales in the Automotive Parts Business	1.6	Price fluctuations	1.7
Rationalization enhancement	1.5	Surges in materials costs, labor costs and logistics costs	1.4
Increase in profit outside the Automotive Parts Business	1.3		
Total	7.0	Total	6.8
Net balance		Increase in operating profit 0.2	

3. Financial results by segment

(Million yen, rounded down)

		The first nine months under review (From April 2022 to December 2022)		The previous first nine months (From April 2021 to December 2021)		Change	Change (%)
			Profit margin		Profit margin		
Japan	Net sales	216,486		182,110		34,375	18.9%
	Operating profit	791	0.4%	-855	-0.5%	1,647	-
North America	Net sales	122,638		77,334		45,303	58.6%
	Operating profit	-2,244	-1.8%	-1,144	-1.5%	-1,099	-
Europe	Net sales	52,460		30,636		21,823	71.2%
	Operating profit	937	1.8%	339	1.1%	598	176.5%
China	Net sales	79,127		69,328		9,798	14.1%
	Operating profit	1,814	2.3%	2,856	4.1%	-1,042	-36.5%
Asia	Net sales	52,300		58,686		-6,386	-10.9%
	Operating profit	907	1.7%	810	1.4%	97	12.0%
Elimination	Net sales	-8,265		-9,951		1,685	
	Operating profit	266		230		35	
Total	Net sales	514,747		408,146		106,600	26.1%
	Operating profit	2,472	0.5%	2,236	0.5%	236	10.6%

4. Consolidated full-year financial results forecast

(Million yen, rounded down)

	FY3/2023 (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	(0.9%)	6,000	-115	-1.9%
Ordinary profit	(0.9%)	6,400	-1,407	-18.0%
Profit attributable to owners of parent	(0.7%)	5,200	1,892	57.2%
Earnings per share		58.07 yen		
Capital expenditures		36,000	-1,010	-2.7%
Depreciation		29,000	4,521	18.5%
Foreign exchange rate (USD/Yen)		135.0 yen		

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

Non-consolidated

1. Financial results for the first nine months under review

(Million yen, rounded down)

	The first nine months under review (From April 2022 to December 2022)		The previous first nine months (From April 2021 to December 2021)		Change	Change (%)
Net sales	(100.0%)	215,758	(100.0%)	180,645	35,112	19.4%
Operating profit	(-0.3%)	-596	(-0.6%)	-1,116	519	-
Ordinary profit	(2.1%)	4,572	(2.6%)	4,618	-45	-1.0%
Profit	(2.0%)	4,223	(1.8%)	3,211	1,011	31.5%
Capital expenditures		13,704		11,519	2,184	19.0%
Depreciation		10,840		9,376	1,463	15.6%

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

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

Consolidated

1. Financial results for the first nine months under review

(Million yen, rounded down)

	The first nine months under review (From April 2022 to December 2022)		The previous first nine months (From April 2021 to December 2021)		Change	Change (%)
Net sales (excluding parts supplied by customers)	(100.0%)	287,188	(100.0%)	228,454	* 58,733	25.7%
Operating profit	(0.9%)	2,472	(1.0%)	2,236	236	10.6%
Ordinary profit	(0.8%)	2,434	(1.4%)	3,192	-758	-23.7%
Profit attributable to owners of parent	(0.2%)	665	(-0.2%)	-483	1,148	-
Earnings per share		7.44 yen		-5.40 yen		
Capital expenditures		25,227		28,520	-3,293	-11.5%
Depreciation		21,527		17,806	3,720	20.9%
Foreign exchange rate (USD/Yen)		136.5 yen		111.1 yen		
Number of consolidated companies		21		21		

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

* Net sales in real terms, excluding fluctuations in materials quoted prices and foreign exchange, increased 7.0 billion yen compared to the same period of the previous fiscal year (up 3.0%).

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

(Billion yen)

Factors for profit decrease	Amount	Factors for profit decrease	Amount
Changes in product mix, etc.	2.6	Increase in depreciation	3.7
Increase in profit due to higher sales in the Automotive Parts Business	1.6	Price fluctuations	1.7
Rationalization enhancement	1.5	Surges in materials costs, labor costs and logistics costs	1.4
Increase in profit outside the Automotive Parts Business	1.3		
Total	7.0	Total	6.8
Net balance		Increase in operating profit	
			0.2

3. Financial results by segment

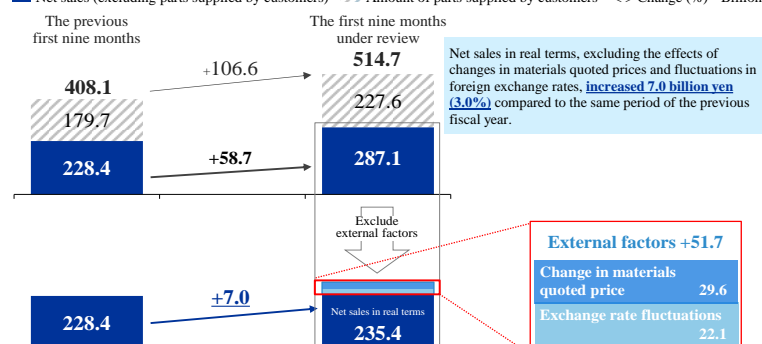
(Net sales in real terms)

(Million yen, rounded down)

		The first nine months under review (a)		The previous first nine months (b)		Change (a)-(b)	Change (%)	The first nine months under review (c)		Change (c)-(b)	Change (%)
		(From April 2022 to December 2022)	(From April 2022 to December 2022)	(From April 2021 to December 2021)	(From April 2021 to December 2021)			(From April 2022 to December 2022)	(From April 2022 to December 2022)		
Japan	Net sales (excluding parts supplied by customers)	135,132	117,064	18,067	15.4%	114,732	-2,322	-2.0%			
	Operating profit	791	-855	1,647	-						
North America	Net sales (excluding parts supplied by customers)	66,819	46,434	20,384	43.9%	51,519	5,085	11.0%			
	Operating profit	-2,244	-1,144	-1,099	-						
Europe	Net sales (excluding parts supplied by customers)	25,371	16,683	8,687	52.1%	20,271	3,588	21.5%			
	Operating profit	937	339	598	176.5%						
China	Net sales (excluding parts supplied by customers)	55,932	49,021	6,911	14.1%	46,432	-2,589	-5.3%			
	Operating profit	1,814	2,856	-1,042	-36.5%						
Asia	Net sales (excluding parts supplied by customers)	12,198	9,202	2,996	32.6%	10,798	1,596	17.3%			
	Operating profit	907	810	97	12.0%						
Elimination	Net sales (excluding parts supplied by customers)	-8,265	-9,951	1,685		-8,265	1,685				
	Operating profit	266	230	35							
Total	Net sales (excluding parts supplied by customers)	287,188	228,454	58,733	25.7%	235,488	7,034	3.0%			
	Operating profit	2,472	2,236	236	10.6%						

* 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.