

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2024 [Japan GAAP]

July 27, 2023

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, 2023
 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 2024 (April 1, 2023 – June 30, 2023)

(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 2023	204,673	33.3	4,729	–	4,865	–	3,074	–
June 2022	153,488	12.1	(2,009)	–	(1,625)	–	(1,747)	–

Note: Comprehensive income: 1Q FY2024: 8,722 million yen [288.8%] 1Q FY2023: 2,243 million yen [-47.6%]

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First quarter ended		
June 2023	34.38	34.38
June 2022	(19.54)	–

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, 2023	334,076	107,785	30.4
As of March 31, 2023	319,768	99,747	29.4

Reference: Shareholders' equity: As of June 30, 2023: 101,528 million yen As of March 31, 2023: 94,071 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
FY2023	–	0.00	–	15.00	15.00
FY2024	–				
FY2024 (estimated)		9.00	–	9.00	18.00

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

3. Forecast for the fiscal year ending March 2024 (Consolidated, April 1, 2023 – March 31, 2024)

(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	770,000	8.7	11,000	43.2	10,000	28.7	7,000	(33.8)	78.27

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)

End of 1Q FY2024:	89,580,827 shares	End of FY2023:	89,580,827 shares
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(b) Treasury shares

End of 1Q FY2024:	154,161 shares	End of FY2023:	154,055 shares
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(c) Average number of shares outstanding

1Q FY2024:	89,426,761 shares	1Q FY2023:	89,458,250 shares
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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. 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 represent 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.

During the first quarter of the fiscal year under review, net sales increased 33.3% year on year, to 204.6 billion yen, operating profit came to 4.7 billion yen (compared to an operating loss of 2.0 billion yen in the same period of the previous fiscal year), ordinary profit was 4.8 billion yen (compared to an ordinary loss of 1.6 billion yen in the same period of the previous fiscal year) and profit attributable to owners of parent stood at 3.0 billion yen (compared with a loss attributable to owners of the parent of 1.7 billion yen in the same period of the previous year), reflecting a recovery in customer operations, which had been stagnant due to the impact of parts shortages.

Geographic segment performance was as follows.

1) Japan

Net sales were 92.3 billion yen, an increase of 40.9% from the same period of the previous fiscal year. The segment profit was 2.7 billion yen (compared to a segment loss of 0.5 billion yen in the same period of the previous fiscal year).

2) North America

Net sales were 54.9 billion yen, an increase of 56.8% from the same period of the previous fiscal year. The segment profit was 0.3 billion yen (compared to a segment loss of 1.9 billion yen in the same period of the previous fiscal year).

3) Europe

Net sales were 21.0 billion yen, an increase of 31.6% from the same period of the previous fiscal year. Segment profit was 0.4 billion yen, an increase of 697.5% year on year.

4) China

Net sales were 23.1 billion yen, a decrease of 4.8% from the same period of the previous fiscal year. Segment profit was 0.6 billion yen, an increase of 138.0% year on year.

5) Asia

Net sales were 15.3 billion yen, a decrease of 0.4% from the same period of the previous fiscal year. Segment profit was 0.4 billion yen, an increase of 191.6% year on year.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the fiscal year under review were 334.0 billion yen, an increase of 14.3 billion yen from the end of the previous fiscal year, mainly due to an increase in cash and deposits. Total liabilities amounted to 226.2 billion yen, a 6.2 billion yen increase from the end of the previous fiscal year, mainly due to increases in notes and accounts payable - trade. Net assets increased 8.0 billion yen from the end of the previous fiscal year to 107.7 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, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	10,335	21,848
Notes and accounts receivable - trade	100,906	101,367
Finished goods	7,095	6,993
Work in process	15,354	13,826
Raw materials and supplies	7,894	8,325
Other	10,605	10,840
Allowance for doubtful accounts	—	(145)
Total current assets	152,191	163,054
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	33,469	34,550
Machinery, equipment and vehicles, net	62,068	63,532
Tools, furniture and fixtures, net	14,188	13,534
Land	14,618	14,778
Leased assets, net	1,515	1,621
Construction in progress	13,375	12,100
Total property, plant and equipment	139,235	140,117
Intangible assets	1,660	1,617
Investments and other assets		
Investment securities	16,287	18,674
Long-term loans receivable	37	38
Retirement benefit asset	8,700	8,699
Deferred tax assets	1,226	1,442
Other	461	464
Allowance for doubtful accounts	(34)	(34)
Total investments and other assets	26,680	29,286
Total non-current assets	167,576	171,021
Total assets	319,768	334,076

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	96,153	104,320
Electronically recorded obligations - operating	5,699	6,537
Current portion of bonds payable	6,000	6,000
Short-term borrowings	9,464	3,706
Current portion of long-term borrowings	7,581	7,779
Income taxes payable	984	1,264
Accrued consumption taxes	1,393	1,863
Provision for bonuses for directors (and other officers)	33	7
Accrued expenses	12,909	14,780
Other	7,567	6,278
Total current liabilities	147,787	152,537
Non-current liabilities		
Bonds payable	6,000	6,000
Long-term borrowings	51,818	51,759
Deferred tax liabilities	3,117	4,605
Provision for product warranties	274	307
Retirement benefit liability	9,619	9,689
Other	1,403	1,391
Total non-current liabilities	72,233	73,753
Total liabilities	220,021	226,291
Net assets		
Shareholders' equity		
Share capital	16,820	16,820
Capital surplus	9,182	9,182
Retained earnings	48,641	50,478
Treasury shares	(62)	(62)
Total shareholders' equity	74,581	76,418
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,500	9,163
Foreign currency translation adjustment	9,802	13,845
Remeasurements of defined benefit plans	2,187	2,101
Total accumulated other comprehensive income	19,489	25,109
Non-controlling interests	5,675	6,256
Total net assets	99,747	107,785
Total liabilities and net assets	319,768	334,076

(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, 2022 (Apr. 1, 2022 – Jun. 30, 2022)	First quarter ended Jun. 30, 2023 (Apr. 1, 2023 – Jun. 30, 2023)
Net sales	153,488	204,673
Cost of sales	149,425	193,183
Gross profit	4,062	11,490
Selling, general and administrative expenses	6,071	6,760
Operating profit (loss)	(2,009)	4,729
Non-operating income		
Interest income	18	104
Dividend income	186	215
Gain on sales of scraps	116	70
Share of profit of entities accounted for using equity method	165	18
Foreign exchange gains	–	261
Miscellaneous income	268	109
Total non-operating income	756	779
Non-operating expenses		
Interest expenses	243	320
Loss on abandonment of non-current assets	52	119
Foreign exchange losses	22	–
Miscellaneous loss	54	203
Total non-operating expenses	372	642
Ordinary profit (loss)	(1,625)	4,865
Profit (loss) before income taxes	(1,625)	4,865
Income taxes	115	1,611
Profit (loss)	(1,740)	3,254
Profit attributable to non-controlling interests	7	179
Profit (loss) attributable to owners of parent	(1,747)	3,074

Quarterly consolidated statement of comprehensive income
For the first quarter

(Million yen)

	First quarter ended Jun. 30, 2022 (Apr. 1, 2022 – Jun. 30, 2022)	First quarter ended Jun. 30, 2023 (Apr. 1, 2023 – Jun. 30, 2023)
Profit (loss)	(1,740)	3,254
Other comprehensive income		
Valuation difference on available-for-sale securities	(427)	1,662
Foreign currency translation adjustment	4,278	3,851
Remeasurements of defined benefit plans, net of tax	(115)	(85)
Share of other comprehensive income of entities accounted for using equity method	249	40
Total other comprehensive income	3,983	5,468
Comprehensive income	2,243	8,722
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,867	8,227
Comprehensive income attributable to non- controlling interests	375	495

(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.

(Additional information)

(Change of matters related to the fiscal years of consolidated subsidiaries)

The Company's seven overseas consolidated subsidiaries in China previously had their fiscal year end on December 31 and made the necessary adjustments to their financial statements as of December 31 to reflect any material transactions occurring between December 31 and the consolidated fiscal year end. However, to disclose consolidated quarterly financial statements more properly, the consolidated subsidiaries adopted a method of making a provisional settlement of accounts, starting from the first quarter of the fiscal year under review.

Following the above adoption, profitability in a three-month period from January 1, 2023 to March 31, 2023 has been reflected through the adjustment of retained earnings for the first quarter of the fiscal year under review.

(Segment information)

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.

First quarter ended June 30, 2023 (April 1, 2023 to June 30, 2023)

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	90,196	54,963	21,046	23,127	15,338	204,673	–	204,673
Of which inter- segment and transfers	2,135	0	0	1	0	2,138	(2,138)	–
Total	92,332	54,964	21,047	23,128	15,339	206,811	(2,138)	204,673
Segment profit	2,706	323	467	611	485	4,594	134	4,729

Notes: 1. The segment profit adjustment of 134 million yen is for the elimination of intersegment transactions.

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

Supplementary data for the first quarter of the fiscal year ending March 2024

Consolidated

1. Financial results for the first quarter under rev

(Million yen, rounded down)

	The first quarter under review (From April 2023 to June 2023)		The previous first quarter (From April 2022 to June 2022)		Change	Change (%)
Net sales	(100.0%)	204,673	(100.0%)	153,488	51,185	33.3%
Operating profit	(2.3%)	4,729	(-1.3%)	-2,009	6,738	-
Ordinary profit	(2.4%)	4,865	(-1.1%)	-1,625	6,491	-
Profit attributable to owners of parent	(1.5%)	3,074	(-1.1%)	-1,747	4,822	-
Earnings per share		34.38 yen		-19.54 yen		
Capital expenditures (Completion basis)		3,379		6,950	-3,571	-51.4%
Depreciation		7,433		6,544	889	13.6%
Foreign exchange rate (USD/Yen)		137.4 yen		129.6 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 increase	Amount	Factors for profit decrease	Amount
Increase in profit due to higher sales in the Automotive Parts Business	4.7	Increase in depreciation	0.9
Changes in product mix, etc.	1.4	Price fluctuations	0.5
Rationalization enhancement	1.1		
Increase in profit outside the Automotive Parts Business	0.9		
Total	8.1	Total	1.4
Net balance		Increase in operating profit 6.7	

3. Financial results by segment

(Million yen, rounded down)

		The first quarter under review (From April 2023 to June 2023)		The previous first quarter (From April 2022 to June 2022)		Change	Change (%)
			Profit margin		Profit margin		
Japan	Net sales	92,332		65,521		26,811	40.9%
	Operating profit	2,706	2.9%	-587	-0.9%	3,293	-
North America	Net sales	54,964		35,042		19,921	56.8%
	Operating profit	323	0.6%	-1,966	-5.6%	2,290	-
Europe	Net sales	21,047		15,989		5,057	31.6%
	Operating profit	467	2.2%	58	0.4%	408	697.5%
China	Net sales	23,128		24,283		-1,155	-4.8%
	Operating profit	611	2.6%	256	1.1%	354	138.0%
Asia	Net sales	15,339		15,399		-59	-0.4%
	Operating profit	485	3.2%	166	1.1%	319	191.6%
Elimination	Net sales	-2,138		-2,748		610	
	Operating profit	134		62		72	
Total	Net sales	204,673		153,488		51,185	33.3%
	Operating profit	4,729	2.3%	-2,009	-1.3%	6,738	-

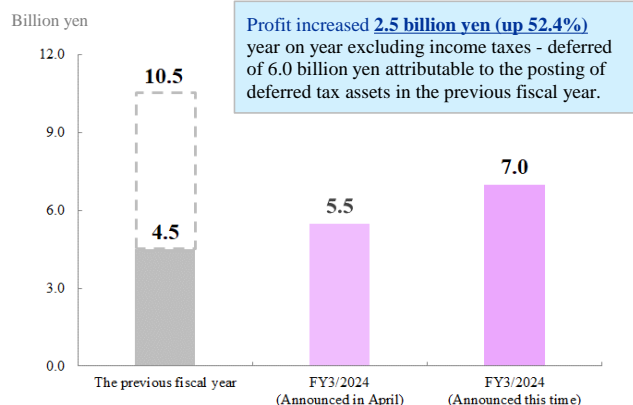
4. Consolidated full-year financial results forecast

(Million yen, rounded down)

	FY3/2024 (From April 2023 to March 2024)	Results as compared to the previous year	
		Change	Change (%)
Net sales	(100.0%) 770,000	61,927	8.7%
Operating profit	(1.4%) 11,000	3,318	43.2%
Ordinary profit	(1.3%) 10,000	2,231	28.7%
Profit attributable to owners of parent	(0.9%) 7,000	* -3,576	-33.8%
Earnings per share	78.27 yen		
Capital expenditures (Inspection basis)	27,000	2,198	8.9%
Depreciation	30,000	327	1.1%
Foreign exchange rate (USD/Yen)	130.0 yen		

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

* Supplementary explanation of profit for FY3/2024



Supplementary data for the first quarter of the fiscal year ending March 2024 (excluding parts supplied by customers)

Consolidated

1. Financial results for the first quarter under rev

(Million yen, rounded down)

	The first quarter under review (From April 2023 to June 2023)		The previous first quarter (From April 2022 to June 2022)		Change	Change (%)
Net sales (excluding parts supplied by customers)	(100.0%)	114,722	(100.0%)	83,252	* 31,469	37.8%
Operating profit	(4.1%)	4,729	(-2.4%)	-2,009	6,738	-
Ordinary profit	(4.2%)	4,865	(-2.0%)	-1,625	6,491	-
Profit attributable to owners of parent	(2.7%)	3,074	(-2.1%)	-1,747	4,822	-
Earnings per share		34.38 yen		-19.54 yen		
Capital expenditures (Completion basis)		3,379		6,950	-3,571	-51.4%
Depreciation		7,433		6,544	889	13.6%
Foreign exchange rate (USD/Yen)		137.4 yen		129.6 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 19.6 billion yen compared to the same period of the previous fiscal year (up 23.6%).

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

(Billion yen)

Factors for profit increase	Amount	Factors for profit decrease	Amount
Increase in profit due to higher sales in the Automotive Parts Business	4.7	Increase in depreciation	0.9
Changes in product mix, etc.	1.4	Price fluctuations	0.5
Rationalization enhancement	1.1		
Increase in profit outside the Automotive Parts Business	0.9		
Total	8.1	Total	1.4
Net balance		Increase in operating profit	
		6.7	

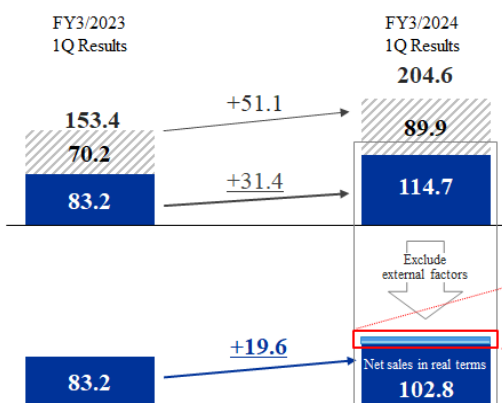
3. Financial results by segment

(Million yen, rounded down)

		The first quarter under review (From April 2023 to June 2023)		The previous first quarter (From April 2022 to June 2022)		Change	Change (%)
			Profit margin		Profit margin		
Japan	Net sales	56,866		40,980		15,886	38.8%
	Operating profit	2,706	4.8%	-587	-1.4%	3,293	-
North America	Net sales	27,536		16,689		10,846	65.0%
	Operating profit	323	1.2%	-1,966	-11.8%	2,290	-
Europe	Net sales	10,666		7,518		3,148	41.9%
	Operating profit	467	4.4%	58	0.8%	408	697.5%
China	Net sales	17,355		17,181		173	1.0%
	Operating profit	611	3.5%	256	1.5%	354	138.0%
Asia	Net sales	4,435		3,631		803	22.1%
	Operating profit	485	11.0%	166	4.6%	319	191.6%
Elimination	Net sales	-2,138		-2,748		610	
	Operating profit	134		62		72	
Total	Net sales	114,722		83,252		31,469	37.8%
	Operating profit	4,729	4.1%	-2,009	-2.4%	6,738	-

* 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



Net sales in real terms, excluding the effects of changes in materials quoted prices and fluctuations in foreign exchange rates, increased **19.6 billion yen (23.6%)** compared to the same period of the previous fiscal year.

- **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.