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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

October 30, 2024

Company name: FUTABA INDUSTRIAL CO., LTD.

Listing: Tokyo, Nagoya

Securities code: 7241

URL: <https://www.futabasangyo.com>

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President

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Scheduled date to file semi-annual securities report: November 11, 2024

Scheduled date to commence dividend payments: November 27, 2024

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes (for securities analysts and institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	349,312	(13.4)	5,446	(42.3)	3,565	(62.6)	1,588	(76.4)
September 30, 2023	403,340	23.6	9,445	-	9,527	-	6,739	-

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ (4,892) million [-%]
Six months ended September 30, 2023: ¥ 15,469 million [211.7%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	17.75	-
September 30, 2023	75.34	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	294,280	123,917	40.0
March 31, 2024	334,780	130,901	37.2

(Reference) Equity: As of September 30, 2024: ¥ 117,720 million
As of March 31, 2024: ¥ 124,378 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	15.00	-	20.00	35.00
Fiscal year ending March 31, 2025	-	17.00			
Fiscal year ending March 31, 2025 (Forecast)			-	18.00	35.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	690,000	(13.3)	13,000	(32.3)	11,000	(40.5)	6,000	(53.2)	67.07

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: - (Company name:)
Excluded: - (Company name:)

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: Yes

(Note) Please see “2. Semi-Annual Consolidated Financial Statements and Important Notes, (3) Notes to Semi-Annual Consolidated Financial Statements” on page 7 of the Supplementary Information for more details.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2024: 89,580,827 shares
March 31, 2024: 89,580,827 shares

2) Number of treasury shares at the end of the period:

September 30, 2024: 90,602 shares
March 31, 2024: 114,669 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 89,475,700 shares
Six months ended September 30, 2023: 89,442,415 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

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 six months ended

September 30, 2024 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 will continue to provide value and increase information transmission to shareholders, investors and all stakeholders, including customers, employees and local communities.

During the six months ended September 30, 2024 under review, net sales decreased 13.4% year on year, to ¥349.3 billion, operating profit decreased 42.3% year on year, to ¥5.4 billion, ordinary profit decreased 62.6% year on year, to ¥3.5 billion and profit attributable to owners of parent decreased 76.4% year on year, to ¥1.5 billion. These results chiefly reflected a decline in customers’ automobile production volume, mainly in the Japan segment.

Geographic segment performance was as follows.

1) Japan

Net sales were ¥158.7 billion, a decrease of 14.8% year on year. Segment profit was ¥2.3 billion, a decrease of 62.3% year on year.

2) North America

Net sales were ¥106.4 billion, a decrease of 2.4% year on year. Segment profit was ¥0.9 billion, an increase of 73.5% year on year.

3) Europe

Net sales were ¥30.0 billion, a decrease of 16.0% year on year. Segment profit was ¥0.5 billion, an increase of 34.2% year on year.

4) China

Net sales were ¥33.8 billion, a decrease of 24.7% year on year. Segment profit was ¥0.7 billion, a decrease of 22.9% year on year.

5) Asia

Net sales were ¥25.6 billion, a decrease of 18.5% year on year. Segment profit was ¥0.8 billion, a decrease of 22.4% year on year.

(2) Explanation of financial position

Total assets as of September 30, 2024 were ¥294.2 billion, a decrease of ¥40.4 billion from the end of the previous fiscal year, mainly due to a decrease in accounts receivable - trade. Total liabilities amounted to ¥170.3 billion, a decrease of ¥33.5 billion from the end of the previous fiscal year, mainly due to a decrease in accounts payable - trade. Net assets decreased ¥6.9 billion from the end of the previous fiscal year to ¥123.9 billion mainly due to a decrease in the valuation difference on available-for-sale securities.

Semi-annual Consolidated Financial Statements
Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	25,029	13,623
Notes and accounts receivable - trade	89,572	74,040
Finished goods	6,714	5,950
Work in process	15,024	16,887
Raw materials and supplies	7,370	7,170
Other	9,805	8,154
Allowance for doubtful accounts	-	(162)
Total current assets	153,518	125,664
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	35,748	34,352
Machinery, equipment and vehicles, net	59,911	52,786
Tools, furniture and fixtures, net	13,525	9,868
Land	14,853	14,806
Leased assets, net	2,403	2,479
Construction in progress	9,724	15,560
Total property, plant and equipment	136,167	129,853
Intangible assets	1,896	1,826
Investments and other assets		
Investment securities	26,619	20,489
Long-term loans receivable	33	31
Retirement benefit asset	14,592	14,680
Deferred tax assets	1,535	1,367
Other	424	376
Allowance for doubtful accounts	(8)	(8)
Total investments and other assets	43,197	36,937
Total non-current assets	181,262	168,616
Total assets	334,780	294,280

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	86,135	67,540
Electronically recorded obligations - operating	3,790	3,582
Short-term borrowings	1,105	-
Current portion of long-term borrowings	11,773	10,176
Income taxes payable	2,639	3,191
Accrued consumption taxes	2,498	1,208
Provision for bonuses for directors (and other officers)	32	15
Accrued expenses	15,576	14,034
Other	14,376	8,582
Total current liabilities	137,926	108,331
Non-current liabilities		
Bonds payable	6,000	6,000
Long-term borrowings	41,137	38,903
Deferred tax liabilities	10,191	8,133
Provision for product warranties	388	413
Provision for decommissioning and removal	933	933
Retirement benefit liability	5,057	5,265
Other	2,243	2,382
Total non-current liabilities	65,951	62,031
Total liabilities	203,878	170,363
Net assets		
Shareholders' equity		
Share capital	16,820	16,820
Capital surplus	9,186	9,197
Retained earnings	58,893	58,692
Treasury shares	(46)	(37)
Total shareholders' equity	84,853	84,672
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,712	10,036
Foreign currency translation adjustment	16,094	14,777
Remeasurements of defined benefit plans	8,718	8,233
Total accumulated other comprehensive income	39,525	33,047
Non-controlling interests	6,523	6,197
Total net assets	130,901	123,917
Total liabilities and net assets	334,780	294,280

Semi-annual Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	403,340	349,312
Cost of sales	380,306	328,907
Gross profit	23,034	20,405
Selling, general and administrative expenses	13,588	14,958
Operating profit	9,445	5,446
Non-operating income		
Interest income	254	278
Dividend income	254	317
Gain on sale of scraps	170	147
Share of profit of entities accounted for using equity method	-	59
Foreign exchange gains	536	-
Gain on valuation of derivatives	-	690
Miscellaneous income	428	300
Total non-operating income	1,643	1,794
Non-operating expenses		
Interest expenses	595	419
Loss on abandonment of non-current assets	150	330
Share of loss of entities accounted for using equity method	137	-
Foreign exchange losses	-	2,273
Loss on valuation of derivatives	380	-
Business structure improvement expenses	-	563
Miscellaneous losses	296	87
Total non-operating expenses	1,560	3,674
Ordinary profit	9,527	3,565
Extraordinary income		
Gain on sale of investment securities	-	783
Gain on liquidation of subsidiaries and associates	-	9
Total extraordinary income	-	793
Profit before income taxes	9,527	4,359
Income taxes	2,525	2,553
Profit	7,002	1,805
Profit attributable to non-controlling interests	263	216
Profit attributable to owners of parent	6,739	1,588

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	7,002	1,805
Other comprehensive income		
Valuation difference on available-for-sale securities	3,401	(4,675)
Foreign currency translation adjustment	4,930	(1,999)
Remeasurements of defined benefit plans, net of tax	(171)	(485)
Share of other comprehensive income of entities accounted for using equity method	308	462
Total other comprehensive income	8,467	(6,697)
Comprehensive income	15,469	(4,892)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,777	(4,889)
Comprehensive income attributable to non-controlling interests	692	(3)

(3) Notes to semi-annual consolidated financial statements

(Notes to going concern assumptions)

None

(Notes to significant changes in shareholders' equity)

None

(Changes in the consolidation scope or application of the equity method)

(Changes in the consolidation scope)

As of the current interim consolidated accounting period, the substantial liquidation process of Futaba Technology Co., Ltd., which was a consolidated subsidiary of the Company, has been completed. Therefore, it has been excluded from the scope of consolidation.

(Application of specific accounting for preparing the semi-annual 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 half 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)

For the six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

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

(Millions of yen)

	Reportable segments						Adjustments (Note 1)	Total (Note 2)
	Japan	North America	Europe	China	Asia	Total		
Net sales								
Of which to outside customers	182,080	109,081	35,775	44,961	31,440	403,340	—	403,340
Of which inter-segment and transfers	4,300	0	0	4	1	4,307	(4,307)	—
Total	186,381	109,082	35,776	44,966	31,441	407,647	(4,307)	403,340
Segment profit	6,265	525	431	1,027	1,045	9,293	151	9,445

Notes: 1. The segment profit adjustment of ¥151 million is for the elimination of intersegment transactions.

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

For the six months ended September 30, 2024 (April 1, 2024 to September 30, 2024)

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

(Millions of yen)

	Reportable segments						Adjustments (Note 1)	Total (Note 2)
	Japan	North America	Europe	China	Asia	Total		
Net sales								
Of which to outside customers	153,343	106,476	30,044	33,836	25,612	349,312	—	349,312
Of which inter- segment and transfers	5,420	21	1	7	1	5,452	(5,452)	—
Total	158,763	106,497	30,045	33,843	25,614	354,764	(5,452)	349,312
Segment profit	2,364	911	578	792	810	5,457	(11)	5,446

Notes: 1. The segment profit adjustment of negative ¥11 million is for the elimination of intersegment transactions.

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

(Significant subsequent event)

The company decided to consolidate its production facilities in the Tianjin area of China during the board meeting held on October 30, 2024.

1. Reason for consolidating the production facilities

In the Tianjin area of China, there are two production facilities: Tianjin Shuang Shye Mechanical Industrial Co., Ltd. (located in Xiqing District, Tianjin, hereafter referred to as "Tianjin Shuang Shye") and Tianjin Futaba Shye Chan Mechanical Co., Ltd. (located in TEDA, hereafter referred to as "Tianjin Futaba"). To respond to market trends in China, the company has decided to halt production at Tianjin Shuang Shye and consolidate our production operations at Tianjin Futaba.

The company will transfer production from Tianjin Shuang Shye to Tianjin Futaba and consolidate our management resources to optimize the production facilities in the Tianjin area of China.

2. Overview of the subsidiary for production consolidation

(1) Production termination base

1. Name: Tianjin Shuang Shye Mechanical Industrial Co., Ltd.
2. Location: Xiqing District, Tianjin, China
3. Business description: Manufacturing and sales of vehicle parts, including automotive components.

(2) Production consolidation subsidiary

1. Name: Tianjin Futaba Shye Chan Mechanical Co., Ltd.
2. Location: TEDA, China
3. Business description: Manufacturing and sales of vehicle parts, including automotive components.

3. Schedule for production consolidation

October 30, 2024: Board of Directors Resolution Date
End of August 2025: Termination of production at Tianjin Shuang Shye
(The subsequent procedures will be carried out in accordance with local laws and regulations.)

4. Status of the subsidiaries

(1) Tianjin Shuang Shye

Total assets: ¥1,235 million
Total liabilities: ¥1,131 million

(2) Tianjin Futaba

Total assets: ¥12,814 million
Total liabilities: ¥3,212 million

5. Impact on profit and loss due to production consolidation

It is expected that a special loss of approximately ¥1.3 billion will be recorded in the consolidated financial statements for the fiscal year ending in March 2025.

Supplementary data for FY2024 (2024.4 – 2024.9)

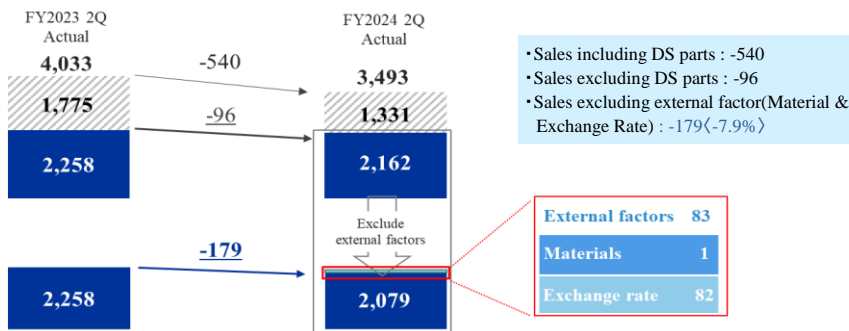
1. Consolidated financial results

(Million yen)

	FY2024 (2024.4 - 2024.9)		FY2023 (2023.4 - 2023.9)		Change		Full-year forecast (2024.4 - 2025.3)		Change	
		% of total		% of total	Amount	%		%	Amount	%
Net sales [Incl.DS]	349,312		403,340		(54,027)	(13.4%)	690,000		(105,802)	(13.3%)
[Excl.DS]	216,214	100.0%	225,850	100.0%	(9,636)	(4.3%)	425,000	100.0%	(24,664)	(5.5%)
Operating profit	5,446	2.5%	9,445	4.2%	(3,999)	(42.3%)	13,000	3.1%	(6,213)	(32.3%)
Ordinary profit	3,565	1.6%	9,527	4.2%	(5,961)	(62.6%)	11,000	2.6%	(7,489)	(40.5%)
Profit attributable to owners of parent	1,588	0.7%	6,739	3.0%	(5,150)	(76.4%)	6,000	1.4%	(6,831)	(53.2%)
Earnings per share	17.75		75.34				67.07			
Capital expenditures	10,897		7,028		3,869	55.1%	29,000		9,785	50.9%
Depreciation	13,822		15,197		(1,374)	(9.0%)	26,000		(4,653)	(15.2%)
Foreign exchange rate (USD/Yen)	152.6yen		141.0yen				145.0yen			
Number of consolidated companies	20		21				20			

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

■ Sales(Excl. DS) // DS Amount Unit:100 million yen



-Meaning of the term "DS Parts"
Direct Supply Parts.
It is the parts supplied by customers.
The selling price including DS parts includes values of parts supplied by customers. **No Profit Impact**

-Meaning of the term "Material Impact"
Due to changes in market, Unit purchase prices of materials and material cost in sales prices fluctuate by the same amount. **No Profit Impact**

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

(100 Million yen)

Factors for profit increase	Amount	Factors for profit decrease	Amount
Kaizen	26	Decrease in profit due to lower sales in Parts Business	-50
Price pass-through	13	Increase in labor costs and other expenses	-23
Decrease in depreciation	13	Sales price revision	-10
		Decrease in profit outside Parts Business	-9
Total	52	Total	-92
Net Balance	Decrease in operating profit		-40

3. Financial results by segment

(Million yen)

	FY2024 (2024.4 - 2024.9)		FY2023 (2023.4 - 2023.9)		Change		Full-year forecast (2024.4 - 2025.3)		Change	
		Profit margin		Profit margin	Amount	%		Profit margin	Amount	%
Japan	Net sales [Excl.DS]	103,847		114,777	(10,929)	(9.5%)	217,000		(8,558)	(3.8%)
	Operating profit	2,364	2.3%	6,265	5.5%	(3,900)	(62.3%)	6,900	3.2%	(2,900)
North America	Net sales [Excl.DS]	62,386		54,275	8,110	14.9%	119,000		7,808	7.0%
	Operating profit	911	1.5%	525	1.0%	386	73.5%	2,800	2.4%	(689)
Europe	Net sales [Excl.DS]	18,623		18,297	326	1.8%	36,000		(5,219)	(12.7%)
	Operating profit	578	3.1%	431	2.4%	147	34.2%	1,200	3.3%	(875)
China	Net sales [Excl.DS]	27,329		34,197	(6,868)	(20.1%)	47,000		(17,177)	(26.8%)
	Operating profit	792	2.9%	1,027	3.0%	(234)	(22.9%)	800	1.7%	(1,416)
Asia	Net sales [Excl.DS]	9,480		8,611	869	10.1%	18,000		1,313	7.9%
	Operating profit	810	8.6%	1,045	12.1%	(234)	(22.4%)	1,300	7.2%	(137)
Elimination	Net sales	(5,452)		(4,307)	(1,144)		(12,000)		(2,831)	
	Operating profit	(11)		151	(163)		0		(193)	
Total	Net sales [Excl.DS]	216,214		225,850	(9,636)	(4.3%)	425,000		(24,664)	(5.5%)
	Operating profit	5,446	2.5%	9,445	4.2%	(3,999)	(42.3%)	13,000	3.1%	(6,213)

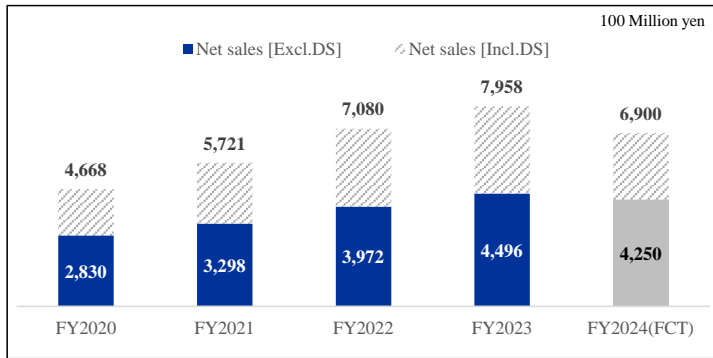
Supplementary data for FY2024 (2024.4 – 2024.9)

4.Sales by Customer

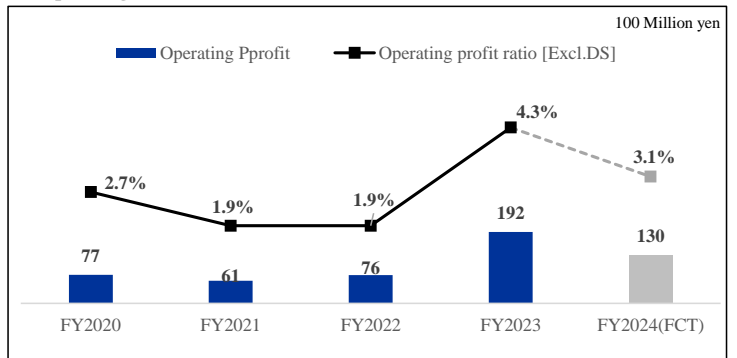
	[Incl.DS]					[Excl.DS]						
	FY2024		FY2023		Change		FY2024		FY2023		Change	
	(2024.4 - 2024.9)		(2023.4 - 2023.9)		Amount	%	(2024.4 - 2024.9)		(2023.4 - 2023.9)		Amount	%
Toyota Group	2,882	82.5%	3,281	81.3%	(398)	(12.1%)	1,834	84.8%	1,904	84.3%	(70)	(3.7%)
Suzuki	280	8.0%	356	8.8%	(75)	(21.1%)	110	5.1%	110	4.9%	0	0.1%
Mitsubishi Motors	89	2.6%	115	2.9%	(26)	(22.7%)	52	2.4%	52	2.3%	(0)	(0.3%)
Nissan Group	42	1.2%	41	1.0%	0	0.9%	31	1.5%	31	1.4%	0	2.0%
Honda Motor	41	1.2%	44	1.1%	(2)	(6.4%)	32	1.5%	31	1.4%	0	2.0%
Other	156	4.5%	194	4.9%	(37)	(19.4%)	100	4.7%	127	5.7%	(27)	(21.4%)
Total	3,493	100.0%	4,033	100.0%	(540)	(13.4%)	2,162	100.0%	2,258	100.0%	(96)	(4.3%)

5.Trends in Financial Results

(1)Sales

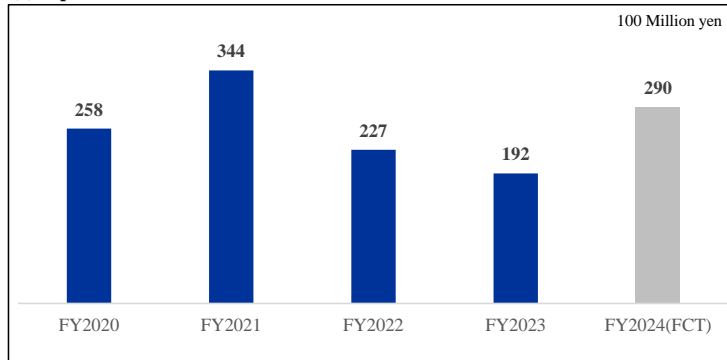


(2)Operating Profit

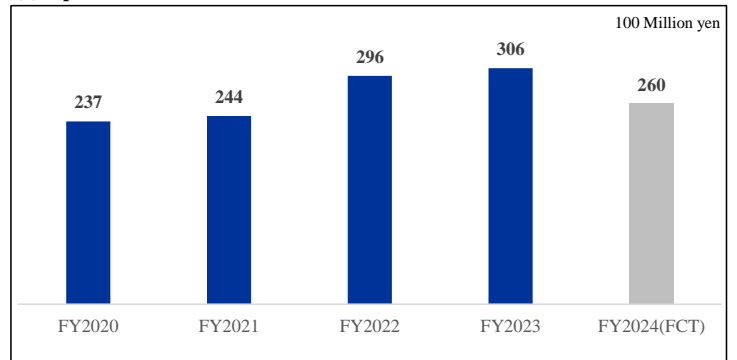


6.Trends in Financial Indicators

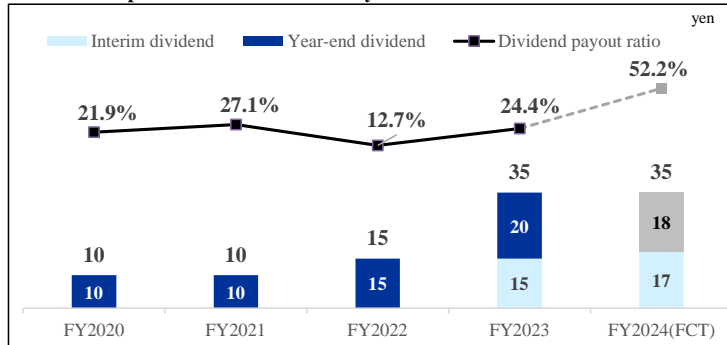
(1)Capital Investment



(2)Depreciation



(3)Dividend per Share and Dividend Payout Ratio



(4)Profit attributable to owners of parent and ROE

