

Consolidated Financial Results for the First Half of the Fiscal Year Ending March 2022 [Japan GAAP]

October 28, 2021

Name of Company: Futaba Industrial Co., Ltd.
 Stock Exchange Listing: Tokyo Stock Exchange, First Section, Nagoya Stock Exchange, First Section
 Stock Code: 7241 URL: <https://www.futabasangyo.com/en/>
 Representative: Hiroyoshi Yoshiki, President
 Contact Person: Keiichi Toriyama, Accounting Manager Tel: +81-(564) 31-2211
 Scheduled date of filing of quarterly report: November 9, 2021
 Scheduled date of commencement of dividend payment: –
 Supplementary materials for quarterly financial results: Yes
 Information meeting for quarterly financial results: Yes (for securities analysts and institutional investors)

(Yen in millions, rounded down)

1. Financial results for the first half of the fiscal year ending March 2022 (April 1, 2021 - September 30, 2021)

(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 half ended								
September 2021	263,631	41.4	1,297	–	1,672	–	(1,359)	–
September 2020	186,463	(20.6)	(4,514)	–	(4,355)	–	(4,374)	–

Note: Comprehensive income: 2Q FY3/2022: 2,435 million yen [–%] 2Q FY3/2021: (4,293) million yen [–%]

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First half ended		
September 2021	(15.19)	–
September 2020	(48.86)	–

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of			
September 30, 2021	272,745	79,358	27.1
March 31, 2021	290,194	87,216	26.8

Reference: Shareholders' equity As of September 30, 2021: 73,896 million yen As of March 31, 2021: 77,641 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
FY2021	–	0.00	–	10.00	10.00
FY2022	–	0.00			
FY2022 (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 2022 (Consolidated, April 1, 2021 - March 31, 2022)

(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	597,000	27.9	8,000	2.8	8,200	3.0	3,300	(19.4)	36.85

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): Yes

Newly consolidated company: None

Excluded: FUTABA METAL PRODUCTS (SHEN ZHEN) CO., LTD.

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.

(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: Yes

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

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

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.

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

End of 2Q FY3/22:	89,580,827	End of FY3/21:	89,580,827
End of 2Q FY3/22:	19,856	End of FY3/21:	13,927
1H FY3/22:	89,544,932	1H FY3/21:	89,539,077

(b) Treasury shares

(c) Average number of shares outstanding

* This report is exempt from the audit procedure by certified public accountants or accounting firms.

* Cautionary statement regarding forecasts of operating results and special notes

The forward-looking statements contained in this report are based on information currently available to management. As such, these estimates are subject to uncertainties. In addition, actual results may differ materially from those discussed in the forward-looking statement due to in changes in the economy, markets, stock prices and exchange rates.

Index for Supplementary Information

1. Qualitative Information on Consolidated Financial Results for the First Half under Review	2
(1) Explanation of the Results of Operations	2
(2) Explanation of Financial Position	2
2. Quarterly Consolidated Financial Statements and Important Notes	3
(1) Quarterly Consolidated Balance Sheet	3
(2) Quarterly Consolidated Statement of Income and Comprehensive Income	5
(3) Notes to the Quarterly Consolidated Financial Statements	7
(Notes to going concern assumptions)	7
(Notes to significant changes in shareholders' equity).....	7
(Changes in significant subsidiaries during the period under review).....	7
(Application of special accounting for preparing the quarterly consolidated financial statements)	7
(Changes in accounting policies)	7
(Segment information)	8

1. Qualitative Information on Consolidated Financial Results for the First Half under Review

(1) Explanation of the Results of Operations

The Group has formulated a mid-term management policy for fiscal 2021 to 2023, under which it aspires 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.

In the first half of the fiscal year under review, net sales increased 41.4% year on year to 263.6 billion yen, operating profit was 1.2 billion yen (compared to an operating loss of 4.5 billion yen in the same period of the previous fiscal year), ordinary profit was 1.6 billion yen (compared to an ordinary loss of 4.3 billion yen in the same period of the previous fiscal year), and the loss attributable to owners of parent was 1.3 billion yen (compared to a loss attributable to owners of the parent of 4.3 billion yen in the same period of the previous fiscal year), reflecting a recovery in customer operations, which had decreased in the previous fiscal year due to the COVID-19 pandemic.

Geographic segment performance was as follows.

1) Japan

Net sales were 118.5 billion yen, an increase of 24.0% from the same period of the previous fiscal year. The segment loss was 1.1 billion yen (compared to a segment loss of 4.2 billion yen in the same period of the previous fiscal year).

2) North America

Net sales were 49.6 billion yen, an increase of 31.8% from the same period of the previous fiscal year. The segment loss was 0.1 billion yen (compared to a segment loss of 1.2 billion yen in the same period of the previous fiscal year).

3) Europe

Net sales were 18.0 billion yen, an increase of 49.2% from the same period of the previous fiscal year. Segment profit increased 94.1% year on year to 0.0 billion yen.

4) China

Net sales were 45.3 billion yen, an increase of 34.1% from the same period of the previous fiscal year. Segment profit was 1.8 billion yen, an increase of 285.0% year on year.

5) Asia

Net sales were 38.0 billion yen, an increase of 169.2% from the same period last year. Segment profit was 0.4 billion yen, an increase of 333.7% year on year.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the fiscal year under review were 272.7 billion yen, a decrease of 17.4 billion yen compared to the end of the previous fiscal year mainly due to a decrease in accounts receivable - trade. Total liabilities amounted to 193.3 billion yen, a 9.5 billion yen decrease from the end of the previous fiscal year primarily due to a decrease in accounts payable - trade. Net assets decreased 7.8 billion yen from the end of the previous fiscal year to 79.3 billion yen due mainly to a decrease in capital surplus.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	9,527	10,692
Notes and accounts receivable - trade	88,648	58,991
Finished goods	4,387	5,161
Work in process	18,011	19,899
Raw materials and supplies	6,493	6,679
Other	8,101	7,235
Allowance for doubtful accounts	(20)	—
Total current assets	135,150	108,660
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,490	32,240
Machinery, equipment and vehicles, net	49,299	52,392
Tools, furniture and fixtures, net	9,296	10,066
Land	14,425	14,421
Leased assets, net	1,982	1,335
Construction in progress	23,270	25,439
Total property, plant and equipment	128,765	135,895
Intangible assets	882	957
Investments and other assets		
Investment securities	15,316	17,279
Long-term loans receivable	786	723
Retirement benefit asset	8,517	8,472
Deferred tax assets	907	878
Other	1,059	1,018
Allowance for doubtful accounts	(1,189)	(1,141)
Total investments and other assets	25,396	27,231
Total non-current assets	155,044	164,084
Total assets	290,194	272,745

(Million yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	67,544	49,706
Electronically recorded obligations - operating	4,064	4,200
Short-term borrowings	13,637	11,293
Current portion of long-term borrowings	14,411	22,203
Income taxes payable	1,117	544
Accrued consumption taxes	2,565	1,210
Provision for bonuses for directors (and other officers)	39	16
Accrued expenses	11,368	10,694
Other	11,485	13,869
Total current liabilities	126,235	113,739
Non-current liabilities		
Bonds payable	12,000	12,000
Long-term borrowings	46,087	48,393
Deferred tax liabilities	7,818	8,751
Provision for product warranties	218	216
Retirement benefit liability	9,078	9,250
Other	1,539	1,034
Total non-current liabilities	76,742	79,646
Total liabilities	202,978	193,386
Net assets		
Shareholders' equity		
Share capital	16,820	16,820
Capital surplus	13,334	9,183
Retained earnings	36,549	34,293
Treasury shares	(19)	(14)
Total shareholders' equity	66,684	60,283
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,771	7,600
Foreign currency translation adjustment	1,587	3,557
Remeasurements of defined benefit plans	2,597	2,455
Total accumulated other comprehensive income	10,956	13,613
Non-controlling interests	9,574	5,462
Total net assets	87,216	79,358
Total liabilities and net assets	290,194	272,745

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

Quarterly consolidated statement of income
For the first half

(Million yen)

	First half ended Sep. 30, 2020 (Apr. 1, 2020 – Sep. 30, 2020)	First half ended Sep. 30, 2021 (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	186,463	263,631
Cost of sales	180,972	251,114
Gross profit	5,490	12,517
Selling, general and administrative expenses	10,005	11,219
Operating profit (loss)	(4,514)	1,297
Non-operating income		
Interest income	33	34
Dividend income	166	163
Gain on sales of scraps	97	299
Share of profit of entities accounted for using equity method	–	274
Foreign exchange gains	8	207
Miscellaneous income	621	355
Total non-operating income	927	1,334
Non-operating expenses		
Interest expenses	411	378
Share of loss of entities accounted for using equity method	154	–
Loss on abandonment of non-current assets	136	440
Miscellaneous loss	66	140
Total non-operating expenses	768	959
Ordinary profit (loss)	(4,355)	1,672
Extraordinary income		
Gain on sales of investment securities	–	99
Total extraordinary income	–	99
Extraordinary losses		
Investments in capital of subsidiaries and associates	–	1,124
Loss on valuation of investment securities	–	7
Total extraordinary losses	–	1,132
Profit (loss) before income taxes	(4,355)	639
Income taxes	(28)	1,424
Loss	(4,327)	(785)
Profit attributable to non-controlling interests	47	574
Loss attributable to owners of parent	(4,374)	(1,359)

Quarterly consolidated statement of comprehensive income
For the first half

(Million yen)

	First half ended Sep. 30, 2020 (Apr. 1, 2020 – Sep. 30, 2020)	First half ended Sep. 30, 2021 (Apr. 1, 2021 – Sep. 30, 2021)
Loss	(4,327)	(785)
Other comprehensive income		
Valuation difference on available-for-sale securities	759	829
Foreign currency translation adjustment	(637)	1,909
Remeasurements of defined benefit plans, net of tax	(53)	(142)
Share of other comprehensive income of entities accounted for using equity method	(34)	624
Total other comprehensive income	33	3,220
Comprehensive income	(4,293)	2,435
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,150)	1,296
Comprehensive income attributable to non- controlling interests	(143)	1,138

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes to going concern assumptions)

None

(Notes to significant changes in shareholders' equity)

None

(Changes in significant subsidiaries during the period under review)

During the first quarter of the fiscal year under review, the Company sold all of its capital contribution in Futaba Metal Products (Shenzhen) Co., Ltd., then a specified subsidiary of the Company, such that it was no longer a specified subsidiary of the Company. Futaba Metal Products (Shenzhen) Co., Ltd. has therefore been excluded from the scope of consolidation since the first quarter of the fiscal year under review.

(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 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.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the first quarter of the fiscal year under review and recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. The Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition for the application of the Standard. The cumulative effect of applying the new accounting principles retrospectively prior to the beginning of the fiscal year under review is added to or subtracted from retained earnings at the beginning of the fiscal year under review, and the new accounting principles have been applied from the balance at the beginning of the fiscal year under review.

The impact of this change on the quarterly consolidated financial statements is immaterial.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. since the beginning of the fiscal year under review and will apply the new accounting principles set forth in the Accounting Standard for Fair Value Measurement, etc. over future years by following the transitional treatment specified in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

This change has no impact on the quarterly consolidated financial statements.

(Segment information)

First half ended September 30, 2020 (April 1, 2020 to September 30, 2020)

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	88,839	37,643	12,072	33,765	14,141	186,463	–	186,463
Of which inter- segment and transfers	6,826	1	–	84	1	6,914	(6,914)	–
Total	95,666	37,645	12,072	33,850	14,142	193,378	(6,914)	186,463
Segment profit (loss)	(4,202)	(1,264)	33	470	113	(4,848)	333	(4,514)

Notes: 1. The segment loss adjustment of 333 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 half ended September 30, 2021 (April 1, 2021 to September 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	112,596	49,621	18,017	45,320	38,076	263,631	–	263,631
Of which inter- segment and transfers	5,990	–	–	56	1	6,048	(6,048)	–
Total	118,586	49,621	18,017	45,377	38,078	269,680	(6,048)	263,631
Segment profit (loss)	(1,149)	(110)	65	1,812	493	1,112	185	1,297

Notes: 1. The segment profit adjustment of 185 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 half of the fiscal year ending March 2022

Consolidated

1. Financial results for the first half under review

(Million yen, rounded down)

	The first half under review		The previous first half		Change	Change (%)
	(From April 2021 to September 2021)		(From April 2020 to September 2020)			
Net sales	(100.0%)	263,631	(100.0%)	186,463	77,168	41.4%
Operating profit	(0.5%)	1,297	(-2.4%)	-4,514	5,812	-
Ordinary profit	(0.6%)	1,672	(-2.3%)	-4,355	6,028	-
Profit attributable to owners of parent	(-0.5%)	-1,359	(-2.3%)	-4,374	3,015	-
Earnings per share		-15.19 yen		-48.86 yen		
Capital expenditures		16,393		11,065	5,327	48.1%
Depreciation		11,330		12,034	-704	-5.9%
Foreign exchange rate (USD/Yen)		109.8 yen		106.9 yen		
Number of consolidated companies		22		23		

(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	6.1	Decrease in profit outside the Automotive Parts Business	1.5
Changes in product mix, etc.	1.3	Price fluctuations	1.4
Decrease in depreciation	0.7		
Rationalization enhancement	0.6		
Total	8.7	Total	2.9
Net balance		Increase in operating profit 5.8	

3. Financial results by segment

(Million yen, rounded down)

		The first half under review		The previous first half		Change	Change (%)
		(From April 2021 to September 2021)	Profit margin	(From April 2020 to September 2020)	Profit margin		
Japan	Net sales	118,586		95,666		22,919	24.0%
	Operating profit	-1,149	-1.0%	-4,202	-4.4%	3,052	-
North America	Net sales	49,621		37,645		11,975	31.8%
	Operating profit	-110	-0.2%	-1,264	-3.4%	1,154	-
Europe	Net sales	18,017		12,072		5,944	49.2%
	Operating profit	65	0.4%	33	0.3%	31	94.1%
China	Net sales	45,377		33,850		11,526	34.1%
	Operating profit	1,812	4.0%	470	1.4%	1,341	285.0%
Asia	Net sales	38,078		14,142		23,936	169.2%
	Operating profit	493	1.3%	113	0.8%	379	333.7%
Elimination	Net sales	-6,048		-6,914		865	
	Operating profit	185		333		-147	
Total	Net sales	263,631		186,463		77,168	41.4%
	Operating profit	1,297	0.5%	-4,514	-2.4%	5,812	-

4. Financial results for the first half under review on a quarterly basis

(Million yen, rounded down)

	First Quarter (From April 2021 to June 2021)		Second Quarter (From July 2021 to September 2021)		First Half (From April 2021 to September 2021)	
Net sales	(100.0%)	136,928	(100.0%)	126,702	(100.0%)	263,631
Operating profit	(2.3%)	3,206	(-1.5%)	-1,908	(0.5%)	1,297
Ordinary profit	(2.6%)	3,600	(-1.5%)	-1,927	(0.6%)	1,672
Profit attributable to owners of parent	(1.2%)	1,576	(-2.3%)	-2,936	(-0.5%)	-1,359
Earnings per share		17.61 yen		-32.79 yen		-15.19 yen

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

5. Factors for increase/decrease in operating profit (year-on-year comparison) on a quarterly basis

(Billion yen)

Factors for profit increase	First Quarter	Second Quarter	First Half	Factors for profit decrease	First Quarter	Second Quarter	First Half
	Increase in profit due to higher sales in the Automotive Parts Business	8.6	-2.5		6.1	Decrease in profit outside the Automotive Parts Business	0.8
Changes in product mix, etc.	1.4	-0.1	1.3	Price fluctuations	0.7	0.7	1.4
Decrease in depreciation	0.5	0.2	0.7				
Rationalization enhancement	0.4	0.2	0.6				
Total	10.9	-2.2	8.7	Total	1.5	1.4	2.9
Net balance	Increase in operating profit			5.8			

6. Financial results by segment on a quarterly basis

(Million yen, rounded down)

		First Quarter (From April 2021 to June 2021)		Second Quarter (From July 2021 to September 2021)		First Half (From April 2021 to September 2021)	
			Profit margin		Profit margin		Profit margin
Japan	Net sales	62,238		56,347		118,586	
	Operating profit	765	1.2%	-1,915	-3.4%	-1,149	-1.0%
North America	Net sales	26,752		22,868		49,621	
	Operating profit	689	2.6%	-799	-3.5%	-110	-0.2%
Europe	Net sales	12,626		5,391		18,017	
	Operating profit	527	4.2%	-461	-8.6%	65	0.4%
China	Net sales	21,941		23,436		45,377	
	Operating profit	890	4.1%	922	3.9%	1,812	4.0%
Asia	Net sales	16,549		21,529		38,078	
	Operating profit	332	2.0%	160	0.7%	493	1.3%
Elimination	Net sales	-3,179		-2,869		-6,048	
	Operating profit	1		184		185	
Total	Net sales	136,928		126,702		263,631	
	Operating profit	3,206	2.3%	-1,908	-1.5%	1,297	0.5%

7. Consolidated full-year financial results forecast

(Million yen, rounded down)

	FY2022 (From April 2021 to March 2022)	Results as compared to the previous year	
		Change	Change (%)
Net sales	(100.0%) 597,000	130,190	27.9%
Operating profit	(1.3%) 8,000	219	2.8%
Ordinary profit	(1.4%) 8,200	237	3.0%
Profit attributable to owners of parent	(0.6%) 3,300	-795	-19.4%
Earnings per share	36.85 yen		
Capital expenditures	40,000	20,529	105.4%
Depreciation	24,000	227	1.0%
Foreign exchange rate (USD/Yen)	110.0 yen		

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

Non-consolidated
1. Financial results for the first half under review

(Million yen, rounded down)

	The first half under review (From April 2021 to September 2021)		The previous first half (From April 2020 to September 2020)		Change	Change (%)
Net sales	(100.0%)	117,611	(100.0%)	95,159	22,452	23.6%
Operating profit	(-1.2%)	-1,407	(-4.3%)	-4,133	2,726	-
Ordinary profit	(1.9%)	2,190	(-2.2%)	-2,135	4,325	-
Profit	(0.7%)	878	(-2.3%)	-2,236	3,114	-
Capital expenditures		7,709		6,008	1,701	28.3%
Depreciation		5,982		6,864	-882	-12.9%

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