

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

October 30, 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/>
 Representative: Yoshihiro Uozumi, President
 Contact Person: Hideki Imai, Financing Division Assistant General Manager and Accounting Manager
 Tel: +81-(564) 31-2211

Scheduled date of filing of quarterly report: November 9, 2023
 Scheduled date of commencement of dividend payment: November 27, 2023
 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 2024 (April 1, 2023 – September 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 half ended								
September 2023	403,340	23.6	9,445	–	9,527	–	6,739	–
September 2022	326,457	23.8	(289)	–	(208)	–	(1,102)	–

Note: Comprehensive income: 2Q FY3/2024: 15,469 million yen [211.7%] 2Q FY3/2023: 4,963 million yen [103.8%]

	Earnings per share	Earnings per share fully diluted
First half ended	Yen	Yen
September 2023	75.34	–
September 2022	(12.33)	–

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
September 30, 2023	326,581	114,192	33.1
March 31, 2023	319,768	99,747	29.4

Reference: Shareholders' equity: As of September 30, 2023: 108,098 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	–	15.00			
FY2024 (estimated)			–	15.00	30.00

Note: Change in the estimation of dividend from the latest announcement: Yes

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	810,000	14.4	15,000	95.3	14,000	80.2	10,000	(5.4)	111.82

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 2Q FY3/24:	89,580,827 shares	End of FY3/23:	89,580,827 shares
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(b) Treasury shares

End of 2Q FY3/24:	114,110 shares	End of FY3/23:	154,055 shares
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(c) Average number of shares outstanding

1H FY3/24:	89,442,415 shares	1H FY3/23:	89,436,843 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 Half 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 half of the fiscal year under review, net sales increased 23.6% year on year, to 403.3 billion yen, operating profit came to 9.4 billion yen (compared to an operating loss of 0.2 billion yen in the same period of the previous fiscal year), ordinary profit was 9.5 billion yen (compared to an ordinary loss of 0.2 billion yen in the same period of the previous fiscal year) and profit attributable to owners of parent stood at 6.7 billion yen (compared with a loss attributable to owners of the parent of 1.1 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 186.3 billion yen, an increase of 34.3% from the same period of the previous fiscal year. Segment profit was 6.2 billion yen, a 40.2 times increase year on year.

2) North America

Net sales were 109.0 billion yen, an increase of 38.7% from the same period of the previous fiscal year. The segment profit was 0.5 billion yen (compared to a segment loss of 2.2 billion yen in the same period of the previous fiscal year).

3) Europe

Net sales were 35.7 billion yen, an increase of 10.9% from the same period of the previous fiscal year. Segment profit was 0.4 billion yen, a decrease of 23.8% year on year.

4) China

Net sales were 44.9 billion yen, a decrease of 6.4% from the same period of the previous fiscal year. Segment profit was 1.0 billion yen, an increase of 31.0% year on year.

5) Asia

Net sales were 31.4 billion yen, a decrease of 8.9% from the same period of the previous fiscal year. Segment profit was 1.0 billion yen, an increase of 149.1% year on year.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the fiscal year under review were 326.5 billion yen, an increase of 6.8 billion yen from the end of the previous fiscal year, mainly due to an increase in cash and deposits. Total liabilities amounted to 212.3 billion yen, a 7.6 billion yen decrease from the end of the previous fiscal year primarily due to a decrease in short-term borrowings. Net assets increased 14.4 billion yen from the end of the previous fiscal year to 114.1 billion yen due mainly to increases in retained earnings and 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 September 30, 2023
Assets		
Current assets		
Cash and deposits	10,335	18,360
Notes and accounts receivable - trade	100,906	97,879
Finished goods	7,095	6,869
Work in process	15,354	14,676
Raw materials and supplies	7,894	8,019
Other	10,605	10,061
Allowance for doubtful accounts	—	(181)
Total current assets	152,191	155,684
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	33,469	34,727
Machinery, equipment and vehicles, net	62,068	62,213
Tools, furniture and fixtures, net	14,188	13,007
Land	14,618	14,798
Leased assets, net	1,515	1,707
Construction in progress	13,375	10,973
Total property, plant and equipment	139,235	137,427
Intangible assets	1,660	1,620
Investments and other assets		
Investment securities	16,287	21,100
Long-term loans receivable	37	34
Retirement benefit asset	8,700	8,699
Deferred tax assets	1,226	1,585
Other	461	462
Allowance for doubtful accounts	(34)	(34)
Total investments and other assets	26,680	31,848
Total non-current assets	167,576	170,896
Total assets	319,768	326,581

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	96,153	94,833
Electronically recorded obligations - operating	5,699	6,767
Current portion of bonds payable	6,000	6,000
Short-term borrowings	9,464	1,857
Current portion of long-term borrowings	7,581	6,945
Income taxes payable	984	1,837
Accrued consumption taxes	1,393	2,046
Provision for bonuses for directors (and other officers)	33	11
Accrued expenses	12,909	13,552
Other	7,567	5,826
Total current liabilities	147,787	139,679
Non-current liabilities		
Bonds payable	6,000	6,000
Long-term borrowings	51,818	50,169
Deferred tax liabilities	3,117	4,993
Provision for product warranties	274	308
Retirement benefit liability	9,619	9,791
Other	1,403	1,446
Total non-current liabilities	72,233	72,709
Total liabilities	220,021	212,388
Net assets		
Shareholders' equity		
Share capital	16,820	16,820
Capital surplus	9,182	9,186
Retained earnings	48,641	54,143
Treasury shares	(62)	(46)
Total shareholders' equity	74,581	80,103
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,500	10,901
Foreign currency translation adjustment	9,802	15,078
Remeasurements of defined benefit plans	2,187	2,015
Total accumulated other comprehensive income	19,489	27,995
Non-controlling interests	5,675	6,093
Total net assets	99,747	114,192
Total liabilities and net assets	319,768	326,581

(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, 2022 (Apr. 1, 2022 – Sep. 30, 2022)	First half ended Sep. 30, 2023 (Apr. 1, 2023 – Sep. 30, 2023)
Net sales	326,457	403,340
Cost of sales	314,235	380,306
Gross profit	12,222	23,034
Selling, general and administrative expenses	12,512	13,588
Operating profit (loss)	(289)	9,445
Non-operating income		
Interest income	62	254
Dividend income	214	254
Gain on sales of scraps	221	170
Share of profit of entities accounted for using equity method	169	–
Foreign exchange gains	–	536
Miscellaneous income	462	428
Total non-operating income	1,131	1,643
Non-operating expenses		
Interest expenses	546	595
Share of loss of entities accounted for using equity method	–	137
Loss on abandonment of non-current assets	78	150
Foreign exchange losses	294	–
Loss on valuation of derivatives	–	380
Miscellaneous loss	131	296
Total non-operating expenses	1,050	1,560
Ordinary profit (loss)	(208)	9,527
Profit (loss) before income taxes	(208)	9,527
Income taxes	741	2,525
Profit (loss)	(949)	7,002
Profit attributable to non-controlling interests	152	263
Profit (loss) attributable to owners of parent	(1,102)	6,739

Quarterly consolidated statement of comprehensive income
For the first half

(Million yen)

	First half ended Sep. 30, 2022 (Apr. 1, 2022 – Sep. 30, 2022)	First half ended Sep. 30, 2023 (Apr. 1, 2023 – Sep. 30, 2023)
Profit (loss)	(949)	7,002
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,088)	3,401
Foreign currency translation adjustment	6,501	4,930
Remeasurements of defined benefit plans, net of tax	(231)	(171)
Share of other comprehensive income of entities accounted for using equity method	731	308
Total other comprehensive income	5,912	8,467
Comprehensive income	4,963	15,469
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,168	14,777
Comprehensive income attributable to non- controlling interests	794	692

(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 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.

(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.

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 half of the fiscal year under review.

(Segment information)

First half ended September 30, 2022 (April 1, 2022 to September 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	133,048	78,657	32,270	47,974	34,507	326,457	–	326,457
Of which inter- segment and transfers	5,770	15	–	56	1	5,843	(5,843)	–
Total	138,819	78,672	32,270	48,030	34,508	332,301	(5,843)	326,457
Segment profit (loss)	152	(2,265)	565	784	419	(344)	54	(289)

Notes: 1. The segment loss adjustment of 54 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, 2023 (April 1, 2023 to September 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	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 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 2024

1. Consolidated financial results

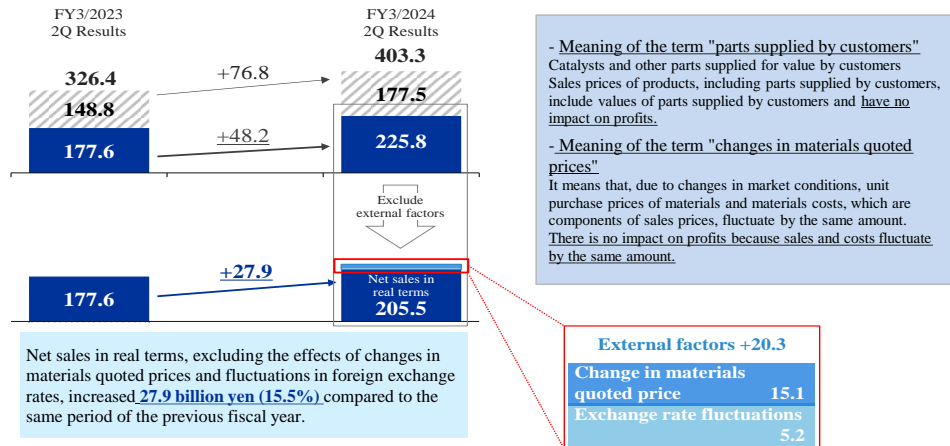
(Million yen, rounded down)

	The first half under review (From April 2023 to September 2023)		The previous first half (From April 2022 to September 2022)		Change	Change (%)	Full- year forecast (From April 2023 to March 2024)		Change	Change (%)
		% of total		% of total				% of total		
Net sales (including parts supplied by customers)	403,340		326,457		76,882	23.6%	810,000		101,927	14.4%
(excluding parts supplied by customers)	225,850	(100.0%)	177,643	(100.0%)	48,206	27.1%	455,000	(100.0%)	57,774	14.6%
Operating profit	9,445	(4.2%)	-289	(-0.2%)	9,734	-	15,000	(3.3%)	7,318	97.4%
Ordinary profit	9,527	(4.2%)	-208	(-0.1%)	9,736	-	14,000	(3.1%)	6,231	81.8%
Profit attributable to owners of parent	6,739	(3.0%)	-1,102	(-0.6%)	7,841	-	10,000	(2.2%)	-576	-4.8%
Earnings per share	75.34 yen		-12.33 yen				111.82 yen			
Capital expenditures (Inspection basis)	7,028		12,564		-5,535	-44.1%	27,000		2,198	8.9%
Depreciation	15,197		13,752		1,445	10.5%	30,000		327	1.1%
Foreign exchange rate (USD/Yen)	141.0 yen		134.0 yen				140.0 yen			
Number of consolidated companies	21		21				21			

(Note) Figures in parentheses indicate the net sales ratio excluding parts supplied by customers.

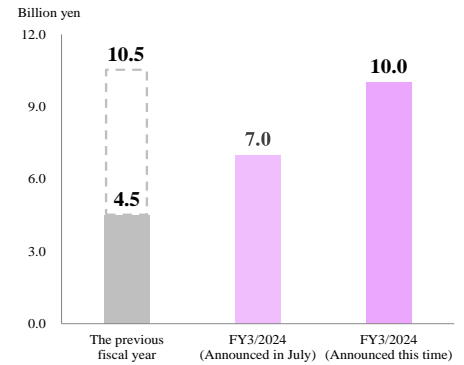
* Supplementary explanations regarding year-on-year change in net sales

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



* Supplementary explanation of profit for FY3/2024

Profit increased 5.5 billion yen (up 122.2%) year on year excluding income taxes - deferred of 6.0 billion yen attributable to the posting of deferred tax assets in the previous fiscal year.



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		7.6	Increase in depreciation		1.4
Rationalization enhancement		2.7	Price fluctuations		0.9
Changes in product mix, etc.		1.9	Impact of inflation		0.4
Increase in profit outside the Automotive Parts Business		0.2			
Total		12.4	Total		2.7
Net balance		Decrease in operating profit		9.7	

3. Financial results by segment (excluding parts supplied by customers)

(Million yen, rounded down)

	The first half under review (From April 2023 to September 2023)		The previous first half (From April 2022 to September 2022)		Change	Change (%)	Full- year forecast (From April 2023 to March 2024)		Change	Change (%)
		Profit margin		Profit margin				Profit margin		
Japan	Net sales (excluding parts supplied by customers)	114,777		85,995	28,781	33.5%	232,500		40,727	21.3%
	Operating profit	6,265	5.5%	152	0.2%	6,113	-	9,500	4.1%	6,443
North America	Net sales (excluding parts supplied by customers)	54,275		39,898	14,377	36.0%	111,000		16,999	18.1%
	Operating profit	525	1.0%	-2,265	-5.7%	2,791	-	1,600	1.4%	2,339
Europe	Net sales (excluding parts supplied by customers)	18,297		15,355	2,941	19.2%	40,000		6,736	20.5%
	Operating profit	431	2.4%	565	3.7%	-134	-23.8%	1,500	3.8%	524
China	Net sales (excluding parts supplied by customers)	34,197		34,027	169	0.5%	63,500		-9,140	-12.5%
	Operating profit	1,027	3.0%	784	2.3%	243	31.0%	700	1.1%	-1,926
Asia	Net sales (excluding parts supplied by customers)	8,611		8,210	401	4.9%	17,000		791	4.9%
	Operating profit	1,045	12.1%	419	5.1%	625	149.1%	1,700	10.0%	197
Elimination	Net sales	-4,307		-5,843	1,535		-9,000		1,659	
	Operating profit	151		54	96		0		-259	
Total	Net sales (excluding parts supplied by customers)	225,850		177,643	48,206	27.1%	455,000		57,774	14.6%
	Operating profit	9,445	4.2%	-289	-0.2%	9,734	-	15,000	3.3%	7,318