

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

October 27, 2022

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: November 9, 2022
 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 2023 (April 1, 2022 – September 30, 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	%
First half ended								
September 2022	326,457	23.8	(289)	–	(208)	–	(1,102)	–
September 2021	263,631	41.4	1,297	–	1,672	–	(1,359)	–

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

2Q FY3/2022: 2,435 million yen [–%]

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First half ended		
September 2022	(12.33)	–
September 2021	(15.19)	–

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of			
September 30, 2022	325,998	93,256	26.8
March 31, 2022	309,487	90,014	27.2

Reference: Shareholders' equity

As of September 30, 2022: 87,444 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	7,000	14.5	7,400	(5.2)	6,000	81.4	67.00

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 2Q FY3/23:	89,580,827	End of FY3/22:	89,580,827
End of 2Q FY3/23:	153,640	End of FY3/22:	20,177
1H FY3/23:	89,436,843	1H FY3/22:	89,544,932

* 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 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 half of the fiscal year under review, net sales increased 23.8% from the same period of the previous fiscal year to 326.4 billion yen, mainly reflecting increases in the unit prices of parts supplied by customers and in materials quoted prices, as well as the effects of exchange rates. On the profit side, the Group posted an operating loss of 0.2 billion yen (compared to an operating profit of 1.2 billion yen in the same period of the previous fiscal year), an ordinary loss of 0.2 billion yen (compared to an operating profit of 1.6 billion yen a year ago), and a loss attributable to owners of parent of 1.1 billion yen (compared with a loss attributable to owners of the parent of 1.3 billion yen a year ago). These results principally reflected the impacts of an increase in depreciation associated with the launch of new vehicle model and surges in the cost of materials, labor costs and logistics costs.

Geographic segment performance was as follows.

1) Japan

Net sales were 138.8 billion yen, an increase of 17.1% from the same period of the previous fiscal year. Segment profit was 0.1 billion yen, compared with a segment loss of 1.1 billion yen in the same period of the previous fiscal year.

2) North America

Net sales were 78.6 billion yen, an increase of 58.5% from the same period of the previous fiscal year. The segment loss was 2.2 billion yen (compared to a segment loss of 0.1 billion yen in the same period of the previous fiscal year).

3) Europe

Net sales were 32.2 billion yen, an increase of 79.1% from the same period of the previous fiscal year. Segment profit was 0.5 billion yen, an increase of 760.8% year on year.

4) China

Net sales were 48.0 billion yen, an increase of 5.8% from the same period of the previous fiscal year. Segment profit was 0.7 billion yen, a decrease of 56.8% year on year.

5) Asia

Net sales were 34.5 billion yen, a decrease of 9.4% from the same period of the previous fiscal year. Segment profit was 0.4 billion yen, a decrease of 15.0% year on year.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the fiscal year under review were 325.9 billion yen, an increase of 16.5 billion yen compared to the end of the previous fiscal year, mainly due to an increase in property, plant and equipment. Total liabilities amounted to 232.7 billion yen, a 13.2 billion yen increase from the end of the previous fiscal year, mainly due to increases in notes and accounts payable - trade. Net assets increased 3.2 billion yen from the end of the previous fiscal year to 93.2 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 September 30, 2022
Assets		
Current assets		
Cash and deposits	6,734	8,705
Notes and accounts receivable - trade	89,219	90,753
Finished goods	6,166	6,947
Work in process	16,231	20,746
Raw materials and supplies	7,653	8,425
Other	9,360	9,485
Total current assets	135,367	145,063
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	33,578	36,306
Machinery, equipment and vehicles, net	60,445	64,450
Tools, furniture and fixtures, net	12,040	15,961
Land	14,537	14,654
Leased assets, net	1,357	1,405
Construction in progress	21,457	17,879
Total property, plant and equipment	143,416	150,657
Intangible assets	1,592	1,567
Investments and other assets		
Investment securities	17,387	16,835
Long-term loans receivable	789	804
Retirement benefit asset	10,068	10,054
Deferred tax assets	1,127	1,304
Other	955	953
Allowance for doubtful accounts	(1,217)	(1,243)
Total investments and other assets	29,111	28,709
Total non-current assets	174,120	180,934
Total assets	309,487	325,998

(Million yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	73,832	87,172
Electronically recorded obligations - operating	4,150	4,097
Short-term borrowings	16,335	21,133
Current portion of long-term borrowings	25,920	13,337
Income taxes payable	773	825
Accrued consumption taxes	1,831	1,375
Provision for bonuses for directors (and other officers)	33	16
Accrued expenses	11,904	12,879
Other	10,284	10,582
Total current liabilities	145,067	151,421
Non-current liabilities		
Bonds payable	12,000	12,000
Long-term borrowings	43,022	50,534
Deferred tax liabilities	9,246	8,543
Provision for product warranties	225	240
Retirement benefit liability	8,645	8,789
Other	1,267	1,213
Total non-current liabilities	74,406	81,320
Total liabilities	219,473	232,742
Net assets		
Shareholders' equity		
Share capital	16,820	16,820
Capital surplus	9,183	9,182
Retained earnings	38,961	36,963
Treasury shares	(14)	(62)
Total shareholders' equity	64,950	62,903
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,982	6,893
Foreign currency translation adjustment	7,300	13,892
Remeasurements of defined benefit plans	3,986	3,754
Total accumulated other comprehensive income	19,269	24,540
Non-controlling interests	5,794	5,812
Total net assets	90,014	93,256
Total liabilities and net assets	309,487	325,998

(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, 2021 (Apr. 1, 2021 – Sep. 30, 2021)	First half ended Sep. 30, 2022 (Apr. 1, 2022 – Sep. 30, 2022)
Net sales	263,631	326,457
Cost of sales	251,114	314,235
Gross profit	12,517	12,222
Selling, general and administrative expenses	11,219	12,512
Operating profit (loss)	1,297	(289)
Non-operating income		
Interest income	34	62
Dividend income	163	214
Gain on sales of scraps	299	221
Share of profit of entities accounted for using equity method	274	169
Foreign exchange gains	207	–
Miscellaneous income	355	462
Total non-operating income	1,334	1,131
Non-operating expenses		
Interest expenses	378	546
Loss on abandonment of non-current assets	440	78
Foreign exchange losses	–	294
Miscellaneous loss	140	131
Total non-operating expenses	959	1,050
Ordinary profit (loss)	1,672	(208)
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	639	(208)
Income taxes	1,424	741
Loss	(785)	(949)
Profit attributable to non-controlling interests	574	152
Loss attributable to owners of parent	(1,359)	(1,102)

Quarterly consolidated statement of comprehensive income
For the first half

(Million yen)

	First half ended Sep. 30, 2021 (Apr. 1, 2021 – Sep. 30, 2021)	First half ended Sep. 30, 2022 (Apr. 1, 2022 – Sep. 30, 2022)
Loss	(785)	(949)
Other comprehensive income		
Valuation difference on available-for-sale securities	829	(1,088)
Foreign currency translation adjustment	1,909	6,501
Remeasurements of defined benefit plans, net of tax	(142)	(231)
Share of other comprehensive income of entities accounted for using equity method	624	731
Total other comprehensive income	3,220	5,912
Comprehensive income	2,435	4,963
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,296	4,168
Comprehensive income attributable to non- controlling interests	1,138	794

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes to going concern assumptions)

None

(Changes in significant subsidiaries during the period under review)

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.

(Segment information)

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.

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.

(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 agreed on a share transfer with the company on October 6. 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 transferred in December 2022.

The Company expects to record an extraordinary income of around 1.7 billion yen in relation to this transfer of shares in the consolidated financial statements for the fiscal year ending March 31, 2023. This extraordinary income has been factored into the forecast for the fiscal year ending March 2023, published on October 27, 2022. Extraordinary income may change due to exchange rate fluctuations, among other factors.

Supplementary data for the first half of the fiscal year ending March 2023

Consolidated

1. Financial results for the first half under review

(Million yen, rounded down)

	The first half under review (From April 2022 to September 2022)		The previous first half (From April 2021 to September 2021)		Change	Change (%)
Net sales	(100.0%)	326,457	(100.0%)	263,631	62,825	23.8%
Operating profit	(-0.1%)	-289	(0.5%)	1,297	-1,587	-
Ordinary profit	(-0.1%)	-208	(0.6%)	1,672	-1,880	-
Profit attributable to owners of parent	(-0.3%)	-1,102	(-0.5%)	-1,359	257	-
Earnings per share (yen)		-12.33 yen		-15.19 yen		
Capital expenditures		16,141		16,393	-251	-1.5%
Depreciation		13,752		11,330	2,421	21.4%
Foreign exchange rate (USD/Yen)		134.0 yen		109.8 yen		
Number of consolidated companies		21		22		

(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
Changes in product mix, etc.	2.3	Increase in depreciation	2.4
Rationalization enhancement	1.0	Surges in materials costs, labor costs and logistics costs	1.7
Increase in profit outside the Automotive Parts Business	0.5	Price fluctuations	1.2
		Profit decrease due to sales decline in Automotive Part Business	0.1
Total	3.8	Total	5.4
Net balance		Decrease in operating profit -1.6	

3. Financial results by segment

(Million yen, rounded down)

		The first half under review (From April 2022 to September 2022)		The previous first half (From April 2021 to September 2021)		Change	Change (%)
			Profit margin		Profit margin		
Japan	Net sales	138,819		118,586		20,232	17.1%
	Operating profit	152	0.1%	-1,149	-1.0%	1,301	-
North America	Net sales	78,672		49,621		29,051	58.5%
	Operating profit	-2,265	-2.9%	-110	-0.2%	-2,155	-
Europe	Net sales	32,270		18,017		14,252	79.1%
	Operating profit	565	1.8%	65	0.4%	499	760.8%
China	Net sales	48,030		45,377		2,653	5.8%
	Operating profit	784	1.6%	1,812	4.0%	-1,028	-56.8%
Asia	Net sales	34,508		38,078		-3,570	-9.4%
	Operating profit	419	1.2%	493	1.3%	-74	-15.0%
Elimination	Net sales	-5,843		-6,048		205	
	Operating profit	54		185		-130	
Total	Net sales	326,457		263,631		62,825	23.8%
	Operating profit	-289	-0.1%	1,297	0.5%	-1,587	-

4. Consolidated financial results forecast for full-year

(Million yen, rounded down)

	FY2023 (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	(1.0%) 7,000	884	14.5%
Ordinary profit	(1.1%) 7,400	-407	-5.2%
Profit attributable to owners of parent	(0.9%) 6,000	2,692	81.4%
Earnings per share	67.00 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 half under review

(Million yen, rounded down)

	The first half under review (From April 2022 to September 2022)		The previous first half (From April 2021 to September 2021)		Change	Change (%)
Net sales	(100.0%)	138,266	(100.0%)	117,611	20,654	17.6%
Operating profit	(-0.2%)	-341	(-1.2%)	-1,407	1,066	-
Ordinary profit	(3.4%)	4,754	(1.9%)	2,190	2,564	117.1%
Profit	(3.2%)	4,379	(0.7%)	878	3,500	398.5%
Capital expenditures		10,482		7,709	2,773	36.0%
Depreciation		6,921		5,982	939	15.7%

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

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

Consolidated

1. Financial results for the first half under review

(Million yen, rounded down)

	The first half under review (From April 2022 to September 2022)		The previous first half (From April 2021 to September 2021)		Change	Change (%)
Net sales (excluding parts supplied by customers)	(100.0%)	177,643	(100.0%)	151,535	* 26,108	17.2%
Operating profit	(-0.2%)	-289	(0.9%)	1,297	-1,587	-
Ordinary profit	(-0.1%)	-208	(1.1%)	1,672	-1,880	-
Profit attributable to owners of parent	(-0.6%)	-1,102	(-0.9%)	-1,359	257	-
Earnings per share (yen)		-12.33 yen		-15.19 yen		
Capital expenditures		16,141		16,393	-251	-1.5%
Depreciation		13,752		11,330	2,421	21.4%
Foreign exchange rate (USD/Yen)		134.0 yen		109.8 yen		
Number of consolidated companies		21		22		

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

* Net sales in real terms, excluding fluctuations in materials quoted prices and foreign exchange, decreased 2.9 billion yen compared to the same period of the previous fiscal year (down 1.9%).

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

(Billion yen)

Factors for profit increase		Amount	Factors for profit decrease		Amount
Changes in product mix, etc.		2.3	Increase in depreciation		2.4
Rationalization enhancement		1.0	Surges in materials costs, labor costs and logistics costs		1.7
Increase in profit outside the Automotive Parts Business		0.5	Price fluctuations		1.2
			Profit decrease due to sales decline in the Automotive Part Business		0.1
Total		3.8	Total		5.4
Net balance		Decrease in operating profit	-1.6		

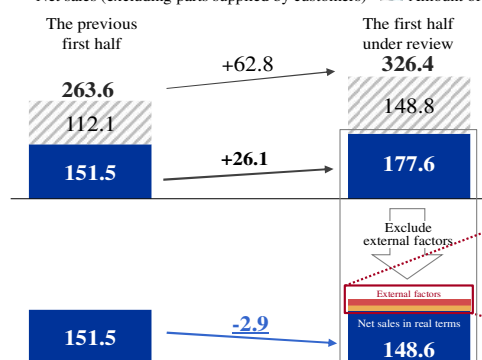
3. Financial results by segment

(Net sales in real terms)
(Million yen, rounded down)

		The first half under review (a) (From April 2022 to September 2022)	The previous first half (b) (From April 2021 to September 2021)	Change (a)-(b)	Change (%)	The first half under review (c) (From April 2022 to September 2022)	Change (c)-(b)	Change (%)
Japan	Net sales (excluding parts supplied by customers)	85,995	79,658	6,336	8.0%	74,795	-4,863	-6.1%
	Operating profit	152	-1,149	1,301	-			
North America	Net sales (excluding parts supplied by customers)	39,898	29,250	10,647	36.4%	32,198	2,947	10.1%
	Operating profit	-2,265	-110	-2,155	-			
Europe	Net sales (excluding parts supplied by customers)	15,355	9,672	5,682	58.8%	12,455	2,782	28.8%
	Operating profit	565	65	499	760.8%			
China	Net sales (excluding parts supplied by customers)	34,027	32,138	1,889	5.9%	28,027	-4,111	-12.8%
	Operating profit	784	1,812	-1,028	-56.8%			
Asia	Net sales (excluding parts supplied by customers)	8,210	6,863	1,346	19.6%	7,010	147	2.1%
	Operating profit	419	493	-74	-15.0%			
Elimination	Net sales (excluding parts supplied by customers)	-5,843	-6,048	205		-5,843	205	
	Operating profit	54	185	-130				
Total	Net sales (excluding parts supplied by customers)	177,643	151,535	26,108	17.2%	148,643	-2,892	-1.9%
	Operating profit	-289	1,297	-1,587	-			

* 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, **decreased 2.9 billion yen (1.9%)** 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.