

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

February 1, 2022

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/>
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 Scheduled date of filing of quarterly report: February 9, 2022
 Scheduled date of commencement of dividend payment: –
 Supplementary materials for quarterly financial results: Yes
 Information meeting for quarterly financial results: None

(Yen in millions, rounded down)

1. Financial results for the first nine months of the fiscal year ending March 2022 (April 1, 2021 – December 31, 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 nine months ended								
December 31, 2021	408,146	26.1	2,236	77.9	3,192	111.0	(483)	–
December 31, 2020	323,619	(7.5)	1,257	(83.0)	1,513	(80.7)	348	(94.9)

Note: Comprehensive income: 3Q FY3/2022: 4,612 million yen (129.6%) 3Q FY3/2021: 2,009 million yen (-61.4%)

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First nine months ended		
December 31, 2021	(5.40)	–
December 31, 2020	3.89	–

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of			
December 31, 2021	296,200	81,185	25.6
March 31, 2021	290,194	87,216	26.8

Reference: Shareholders' equity As of December 31, 2021: 75,814 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	575,000	23.2	5,000	(35.7)	6,000	(24.6)	1,000	(75.6)	11.17

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 3Q FY3/22:	89,580,827	End of FY3/21:	89,580,827
(b) Treasury shares	End of 3Q FY3/22:	20,177	End of FY3/21:	13,927
(c) Average number of shares outstanding	First nine months FY3/22:	89,550,206	First nine months FY3/21:	89,548,538

* 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 Nine Months 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 nine months of the fiscal year under review, net sales increased 26.1% year on year to 408.1 billion yen, operating profit was 2.2 billion yen (up 77.9% year on year), ordinary profit was 3.1 billion yen (up 111.0% year on year), and the loss attributable to owners of parent was 0.4 billion yen (compared to profit attributable to owners of parent of 0.3 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 182.1 billion yen, an increase of 9.7% from the same period of the previous fiscal year. The segment loss was 0.8 billion yen (compared to a segment loss of 1.4 billion yen in the same period of the previous fiscal year).

2) North America

Net sales were 77.3 billion yen, an increase of 24.8% from the same period of the previous fiscal year. The segment loss was 1.1 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 30.6 billion yen, an increase of 34.0% from the same period of the previous fiscal year. Segment profit was 0.3 billion yen, a decrease of 11.2% year on year.

4) China

Net sales were 69.3 billion yen, an increase of 22.4% from the same period of the previous fiscal year. Segment profit increased 48.3% year on year to 2.8 billion yen.

5) Asia

Net sales were 58.6 billion yen, an increase of 92.1% from the same period of the previous fiscal year. Segment profit was 0.8 billion yen, an increase of 137.2% year on year.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the fiscal year under review were 296.2 billion yen, an increase of 6.0 billion yen compared to the end of the previous fiscal year, mainly due to an increase in property, plant and equipment. Total liabilities increased by 12.0 billion yen from the end of the previous fiscal year, to 215.0 billion yen, partly due to an increase in borrowings. Net assets decreased 6.0 billion yen from the end of the previous fiscal year to 81.1 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 December 31, 2021
Assets		
Current assets		
Cash and deposits	9,527	10,650
Notes and accounts receivable - trade	88,648	76,636
Finished goods	4,387	5,581
Work in process	18,011	19,370
Raw materials and supplies	6,493	7,638
Other	8,101	7,991
Allowance for doubtful accounts	(20)	—
Total current assets	135,150	127,868
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,490	32,545
Machinery, equipment and vehicles, net	49,299	57,262
Tools, furniture and fixtures, net	9,296	11,809
Land	14,425	14,464
Leased assets, net	1,982	1,317
Construction in progress	23,270	22,191
Total property, plant and equipment	128,765	139,589
Intangible assets	882	917
Investments and other assets		
Investment securities	15,316	17,885
Long-term loans receivable	786	744
Retirement benefit asset	8,517	8,491
Deferred tax assets	907	905
Other	1,059	964
Allowance for doubtful accounts	(1,189)	(1,167)
Total investments and other assets	25,396	27,824
Total non-current assets	155,044	168,332
Total assets	290,194	296,200

(Million yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	67,544	67,015
Electronically recorded obligations - operating	4,064	3,402
Short-term borrowings	13,637	18,467
Current portion of long-term borrowings	14,411	25,139
Income taxes payable	1,117	751
Accrued consumption taxes	2,565	887
Provision for bonuses for directors (and other officers)	39	24
Accrued expenses	11,368	9,994
Other	11,485	13,748
Total current liabilities	126,235	139,431
Non-current liabilities		
Bonds payable	12,000	12,000
Long-term borrowings	46,087	44,179
Deferred tax liabilities	7,818	8,758
Provision for product warranties	218	219
Retirement benefit liability	9,078	9,420
Other	1,539	1,005
Total non-current liabilities	76,742	75,583
Total liabilities	202,978	215,014
Net assets		
Shareholders' equity		
Share capital	16,820	16,820
Capital surplus	13,334	9,183
Retained earnings	36,549	35,170
Treasury shares	(19)	(14)
Total shareholders' equity	66,684	61,159
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,771	7,676
Foreign currency translation adjustment	1,587	4,594
Remeasurements of defined benefit plans	2,597	2,384
Total accumulated other comprehensive income	10,956	14,655
Non-controlling interests	9,574	5,370
Total net assets	87,216	81,185
Total liabilities and net assets	290,194	296,200

(2) Quarterly Consolidated Statement of Income and Comprehensive Income
Quarterly consolidated statement of income
For the first nine months

(Million yen)

	First nine months ended Dec. 31, 2020 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months ended Dec. 31, 2021 (Apr. 1, 2021 – Dec. 31, 2021)
Net sales	323,619	408,146
Cost of sales	306,784	388,902
Gross profit	16,835	19,243
Selling, general and administrative expenses	15,577	17,006
Operating profit	1,257	2,236
Non-operating income		
Interest income	43	58
Dividend income	285	312
Gain on sales of scraps	167	425
Share of profit of entities accounted for using equity method	–	592
Foreign exchange gains	255	312
Miscellaneous income	752	542
Total non-operating income	1,503	2,244
Non-operating expenses		
Interest expenses	600	598
Share of loss of entities accounted for using equity method	207	–
Loss on abandonment of non-current assets	276	523
Miscellaneous loss	163	166
Total non-operating expenses	1,248	1,289
Ordinary profit	1,513	3,192
Extraordinary income		
Gain on liquidation of subsidiaries and associates	–	11
Gain on sales of investment securities	–	99
Total extraordinary income	–	110
Extraordinary losses		
Investments in capital of subsidiaries and associates	–	1,122
Loss on valuation of investment securities	–	7
Total extraordinary losses	–	1,129
Profit before income taxes	1,513	2,172
Income taxes	703	1,907
Profit	809	265
Profit attributable to non-controlling interests	460	748
Profit (loss) attributable to owners of parent	348	(483)

Quarterly consolidated statement of comprehensive income
For the first nine months

(Million yen)

	First nine months ended Dec. 31, 2020 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months ended Dec. 31, 2021 (Apr. 1, 2021 – Dec. 31, 2021)
Profit	809	265
Other comprehensive income		
Valuation difference on available-for-sale securities	1,607	905
Foreign currency translation adjustment	(261)	2,959
Remeasurements of defined benefit plans, net of tax	(80)	(213)
Share of other comprehensive income of entities accounted for using equity method	(65)	695
Total other comprehensive income	1,200	4,346
Comprehensive income	2,009	4,612
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,631	3,215
Comprehensive income attributable to non- controlling interests	377	1,397

(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.

In addition, although not categorized as a change in a specified subsidiary, Futaba Changzhou Engineering & Marketing Co., Ltd. was excluded from the scope of consolidation from the third quarter of the fiscal year under review as a result of the completion of the liquidation of Futaba Changzhou Engineering & Marketing Co., Ltd., during the third 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 nine months 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)

Nine months ended December 31, 2020 (April 1, 2020 to December 31, 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	151,780	61,940	22,860	56,493	30,545	323,619	–	323,619
Of which inter- segment and transfers	14,301	1	–	153	1	14,457	(14,457)	–
Total	166,081	61,942	22,860	56,646	30,547	338,077	(14,457)	323,619
Segment profit (loss)	(1,408)	(105)	382	1,925	341	1,135	121	1,257

Notes: 1. The segment profit adjustment of 121 million yen is for the elimination of intersegment transactions.

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

Nine months ended December 31, 2021 (April 1, 2021 to December 31, 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	172,305	77,334	30,636	69,186	58,683	408,146	–	408,146
Of which inter- segment and transfers	9,805	–	–	142	3	9,951	(9,951)	–
Total	182,110	77,334	30,636	69,328	58,686	418,097	(9,951)	408,146
Segment profit (loss)	(855)	(1,144)	339	2,856	810	2,005	230	2,236

Notes: 1. The segment profit adjustment of 230 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 nine months of the fiscal year ending March 2022

Consolidated

1. Financial results for the first nine months under review

(Million yen, rounded down)

	The first nine months under review (From April 2021 to December 2021)		The previous first nine months (From April 2020 to December 2020)		Change	Change (%)
Net sales	(100.0%)	408,146	(100.0%)	323,619	84,526	26.1%
Operating profit	(0.5%)	2,236	(0.4%)	1,257	979	77.9%
Ordinary profit	(0.8%)	3,192	(0.5%)	1,513	1,679	111.0%
Profit attributable to owners of parent	(-0.1%)	-483	(0.1%)	348	-831	-
Earnings per share		-5.40 yen		3.89 yen		
Capital expenditures		28,520		16,261	12,259	75.4%
Depreciation		17,806		17,898	-91	-0.5%
Foreign exchange rate (USD/Yen)		111.1 yen		106.1 yen		
Number of consolidated companies		21		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	3.0	Decrease in profit outside the Automotive Parts Business	2.4
Changes in product mix, etc.	1.4	Price fluctuations	2.1
Rationalization enhancement	1.0		
Decrease in depreciation	0.1		
Total	5.5	Total	4.5
Net balance		Increase in operating profit 1.0	

3. Financial results by segment

(Million yen, rounded down)

		The first nine months under review (From April 2021 to December 2021)		The previous first nine months (From April 2020 to December 2020)		Change	Change (%)
			Profit margin		Profit margin		
Japan	Net sales	182,110		166,081		16,029	9.7%
	Operating profit	-855	-0.5%	-1,408	-0.8%	552	-
North America	Net sales	77,334		61,942		15,392	24.8%
	Operating profit	-1,144	-1.5%	-105	-0.2%	-1,039	-
Europe	Net sales	30,636		22,860		7,776	34.0%
	Operating profit	339	1.1%	382	1.7%	-42	-11.2%
China	Net sales	69,328		56,646		12,682	22.4%
	Operating profit	2,856	4.1%	1,925	3.4%	930	48.3%
Asia	Net sales	58,686		30,547		28,139	92.1%
	Operating profit	810	1.4%	341	1.1%	468	137.2%
Elimination	Net sales	-9,951		-14,457		4,506	
	Operating profit	230		121		108	
Total	Net sales	408,146		323,619		84,526	26.1%
	Operating profit	2,236	0.5%	1,257	0.4%	979	77.9%

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

(Million yen, rounded down)

	First Quarter		Second Quarter		Third Quarter		First nine months	
	(From April 2021 to June 2021)		(From July 2021 to September 2021)		(From October 2021 to December 2021)		(From April 2021 to December 2021)	
Net sales	(100.0%)	136,928	(100.0%)	126,702	(100.0%)	144,514	(100.0%)	408,146
Operating profit	(2.3%)	3,206	(-1.5%)	-1,908	(0.6%)	938	(0.5%)	2,236
Ordinary profit	(2.6%)	3,600	(-1.5%)	-1,927	(1.1%)	1,520	(0.8%)	3,192
Profit attributable to owners of parent	(1.2%)	1,576	(-2.3%)	-2,936	(0.6%)	876	(-0.1%)	-483

(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	Third Quarter	Total	Factors for profit decrease	First Quarter	Second Quarter	Third Quarter	Total
	Increase in profit due to higher sales in the Automotive Parts Business	8.6	-2.5	-3.1		3.0	Decrease in profit outside the Automotive Parts Business	0.8	0.7
Changes in product mix, etc.	1.4	-0.1	0.1	1.4	Price fluctuations	0.7	0.7	0.7	2.1
Rationalization enhancement	0.4	0.2	0.4	1.0					
Decrease in depreciation	0.5	0.2	-0.6	0.1					
Total				5.5	Total				4.5
Net balance				Increase in operating profit	1.0				

6. Financial results by segment on a quarterly basis

(Million yen, rounded down)

		First Quarter		Second Quarter		Third Quarter		First nine months	
		(From April 2021 to June 2021)	Profit margin	(From July 2021 to September 2021)	Profit margin	(From October 2021 to December 2021)	Profit margin	(From April 2021 to December 2021)	Profit margin
Japan	Net sales	62,238		56,347		63,524		182,110	
	Operating profit	765	1.2%	-1,915	-3.4%	293	0.5%	-855	-0.5%
North America	Net sales	26,752		22,868		27,713		77,334	
	Operating profit	689	2.6%	-799	-3.5%	-1,034	-3.7%	-1,144	-1.5%
Europe	Net sales	12,626		5,391		12,619		30,636	
	Operating profit	527	4.2%	-461	-8.6%	273	2.2%	339	1.1%
China	Net sales	21,941		23,436		23,951		69,328	
	Operating profit	890	4.1%	922	3.9%	1,044	4.4%	2,856	4.1%
Asia	Net sales	16,549		21,529		20,608		58,686	
	Operating profit	332	2.0%	160	0.7%	316	1.5%	810	1.4%
Elimination	Net sales	-3,179		-2,869		-3,902		-9,951	
	Operating profit	1		184		45		230	
Total	Net sales	136,928		126,702		144,514		408,146	
	Operating profit	3,206	2.3%	-1,908	-1.5%	938	0.6%	2,236	0.5%

7. Consolidated full-year financial results forecast

(Million yen, rounded down)

	FY3/2022 (From April 2021 to March 2022)	Results as compared to the previous year	
		Change	Change (%)
Net sales	(100.0%) 575,000	108,190	23.2%
Operating profit	(0.9%) 5,000	-2,780	-35.7%
Ordinary profit	(1.0%) 6,000	-1,962	-24.6%
Profit attributable to owners of parent	(0.2%) 1,000	-3,095	-75.6%
Earnings per share	11.17 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 nine months under review

(Million yen, rounded down)

	The first nine months under review		The previous first nine months		Change	Change (%)
	(From April 2021 to December 2021)		(From April 2020 to December 2020)			
Net sales	(100.0%)	180,645	(100.0%)	165,181	15,464	9.4%
Operating profit	(-0.6%)	-1,116	(-1.2%)	-2,025	909	-
Ordinary profit	(2.6%)	4,618	(0.0%)	21	4,597	-
Profit	(1.8%)	3,211	(-0.1%)	-83	3,295	-
Capital expenditures		11,519		8,940	2,579	28.8%
Depreciation		9,376		10,077	-700	-7.0%

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

(Note) Because the percentage change in ordinary profit exceeded 1000%, it is shown as "-."