

# Consolidated Financial Results for the Six Months Ended September 30, 2018 [Japanese GAAP]



November 9, 2018

Company name: FUKUSHIMA INDUSTRIES CORP.

Stock exchange listing: Tokyo Stock Exchange

Code number: 6420

URL: <http://www.fukushima.co.jp/>

Representative: Yutaka Fukushima, President

Contact: Tatsuo Hino, Director and General Manager, Management Headquarters

Phone: +81-6-6477-2011

Scheduled date of filing quarterly securities report: November 13, 2018

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2018 (April 1, 2018 to September 30, 2018)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2018	42,659	2.9	4,664	9.4	4,980	10.4	3,377	30.9
September 30, 2017	41,470	10.2	4,264	6.5	4,513	14.7	2,580	(1.7)

(Note) Comprehensive income: Six months ended September 30, 2018: ¥3,171 million [(8.0)%]

Six months ended September 30, 2017: ¥3,447 million [37.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	168.55	-
September 30, 2017	128.79	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2018	84,273	51,270	60.8	2,557.49
As of March 31, 2018	83,677	48,901	58.4	2,438.94

(Reference) Equity: As of September 30, 2018: ¥51,243 million

As of March 31, 2018: ¥48,868 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, 2018	-	0.00	-	40.00	40.00
Fiscal year ending March 31, 2019	-	0.00			
Fiscal year ending March 31, 2019 (Forecast)			-	40.00	40.00

(Note) Revision to the forecast for dividends announced most recently: No

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	85,746	(0.6)	9,243	6.8	9,233	2.9	6,155	8.3	307.20

(Note) Revision to the financial results forecast announced most recently: No

#### \* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New: - (Company name: -)

Exclusion: - (Company name: -)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

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

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

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

September 30, 2018: 22,066,160 shares

March 31, 2018: 22,066,160 shares

2) Total number of treasury shares at the end of the period:

September 30, 2018: 2,029,563 shares

March 31, 2018: 2,029,421 shares

3) Average number of shares during the period:

Six months ended September 30, 2018: 20,036,674 shares

Six months ended September 30, 2017: 20,036,944 shares

\* These quarterly financial results are outside the scope of quarterly review conducted by certified public accountants and an audit corporation.

#### \* Explanation of the proper use of financial results forecast and other notes

Financial results forecasts and other forward-looking statements herein are based on information currently available and certain assumptions deemed reasonable as of the date of publication of this document. Actual results may differ significantly from these forecasts due to a wide range of factors.

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## 1. Qualitative Information on Quarterly Financial Results for the Period under Review

### (1) Explanation of Operating Results

During the six months ended September 30, 2018, the Japanese economy remained on a moderate recovery path as the government's economic and financial policies helped improve corporate revenue and the employment environment. Meanwhile, future prospects remained uncertain, as sustainability of the economic recovery showed a sign of slowdown due to cost increase owing to a rise in material and labor expenses.

In the business environment in which our Group operates, although a strong desire to restrain spending among consumers was ongoing in the restaurant industry, sales were solid in fast food and family restaurant businesses, due to higher spending per customer as a result of efforts such as price revision and promoting seasonal menus. In the distribution industry, sales of beverages, ice cream and other products for summer season grew in the convenience store industry due to extremely hot weather nationwide. Similarly, sales of food items were solid in the supermarket industry.

Net sales of commercial refrigerators and freezers decreased by 4.7% year on year. Although sales of new ice machines increased thanks to enhanced product lineup, sales of general purpose refrigerators and freezers for convenience stores decreased.

Net sales of refrigerated and freezer showcases increased by 2.6% year on year. This was due to continued vigorous new openings of drug stores, despite a decrease in new store openings of supermarkets as well as loss of demand for remodeling due to integration of convenience stores.

Net sales of large-scale food processing equipment increased by 9.4% year on year due to replacement and new introduction of tunnel freezers mainly for food manufacturers.

Net sales of large-scale panel refrigerators increased by 16.2% year on year as large-scale orders from low-temperature distribution centers and food factories continued to be favorable.

Net sales of small-scale panel refrigerators decreased by 1.6% year on year as orders for panel refrigerators used in back rooms of convenience stores decreased.

Net sales from services increased by 8.0% year on year mainly due to a higher maintenance demand during the extremely hot summer and an increase in maintenance contacts with convenience stores, etc.

At the manufacturing department, the Company undertook initiatives to improve productivity by streamlining the inspection process and renovating the production lines at its Shiga and Okayama factories. In addition, the refurbishment of the truck berths at its Okayama factory implemented in June led to higher distribution efficiency. With regard to panel manufacturing facility, the Company made capital investment in response to demand for panels, and its production volume has been greatly enhanced since June. In addition, the Company continued to undertake initiatives to reduce fixed costs and purchasing costs in order to offset higher costs, such as a sharp increase in the prices of raw materials and import products, as well as transportation costs.

As a result, for the six months ended September 30, 2018, net sales increased by 2.9% year on year to ¥42,659 million. Operating profit increased by 9.4% year on year to ¥4,664 million, ordinary profit increased by 10.4% year on year to ¥4,980 million, and profit attributable to owners of parent increased by 30.9% year on year to ¥3,377 million.

### (2) Explanation of Financial Position

#### (Current assets)

Current assets as of the end of the second quarter of the fiscal year under review decreased by ¥244 million to ¥59,728 million (¥59,972 million at the end of the previous fiscal year). This is mainly attributable to a decrease in notes and accounts receivable - trade.

#### (Non-current assets)

Non-current assets as of the end of the second quarter of the fiscal year under review increased by ¥840

million to ¥24,544 million (¥23,704 million at the end of the previous fiscal year). This is mainly attributable to increases in land and long-term time deposits included in “other” under investments and other assets.

(Current liabilities)

Current liabilities as of the end of the second quarter of the fiscal year under review decreased by ¥1,643 million to ¥31,058 million (¥32,701 million at the end of the previous fiscal year). This is mainly attributable to a decrease in advances received included in “other” under current liabilities.

(Non-current liabilities)

Non-current liabilities as of the end of the second quarter of the fiscal year under review decreased by ¥130 million to ¥1,944 million (¥2,074 million at the end of the previous fiscal year). This is mainly attributable to a decrease in deferred tax liabilities included in “other” under non-current liabilities.

(Net assets)

Net assets as of the end of the second quarter of the fiscal year under review increased by ¥2,369 million to ¥51,270 million (¥48,901 million at the end of the previous fiscal year). This is mainly attributable to an increase in retained earnings due to the recording of profit attributable to owners of parent.

(Analysis of cash flows)

Cash and cash equivalents (hereinafter referred to as “capital”) as of the end of the second quarter of the fiscal year under review increased by ¥263 million from the end of the previous fiscal year to ¥31,745 million as a result of the recording of profit before income taxes of ¥4,980 million, and using capital mainly in investing and financing activities.

The conditions of each cash flow and factors thereof are as follows.

(Net cash provided by (used in) operating activities)

Capital provided by operating activities decreased by ¥1,510 million from the corresponding period of the previous fiscal year to ¥3,028 million. This is mainly attributable to the recording of profit before income taxes.

(Net cash provided by (used in) investing activities)

Capital used in investing activities increased by ¥1,421 million from the corresponding period of the previous fiscal year to ¥1,625 million. This is mainly attributable to purchase of property, plant and equipment.

(Net cash provided by (used in) financing activities)

Capital used in financing activities increased by ¥363 million from the corresponding period of the previous fiscal year to ¥1,193 million. This is mainly attributable to cash dividends paid.

### (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

For the financial results forecasts for the fiscal year ending March 31, 2019, no revisions have been made to the projected figures announced on May 28, 2018.

2. Quarterly Consolidated Financial Statements and Primary Notes  
(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2018	As of September 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	31,870,525	32,366,513
Notes and accounts receivable - trade	22,040,842	20,116,677
Merchandise and finished goods	2,172,702	2,165,813
Work in process	2,248,959	3,594,160
Raw materials and supplies	1,909,033	1,961,466
Other	1,026,115	657,066
Allowance for doubtful accounts	(1,295,261)	(1,132,956)
Total current assets	59,972,918	59,728,741
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,802,974	3,954,771
Land	5,008,260	5,248,255
Other, net	3,154,530	3,294,182
Total property, plant and equipment	11,965,765	12,497,209
Intangible assets	273,105	350,960
Investments and other assets		
Investment securities	9,059,098	8,844,441
Other	2,418,163	2,863,366
Allowance for doubtful accounts	(11,765)	(11,179)
Total investments and other assets	11,465,496	11,696,628
Total non-current assets	23,704,367	24,544,798
Total assets	83,677,286	84,273,540

(Thousand yen)

	As of March 31, 2018	As of September 30, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	21,476,888	21,824,496
Short-term loans payable	711,215	324,185
Income taxes payable	2,082,013	1,767,208
Provision for bonuses	1,436,049	1,671,449
Provision for product warranties	369,167	396,313
Provision for loss on construction contracts	534,234	167,910
Other	6,092,170	4,907,006
Total current liabilities	32,701,738	31,058,569
Non-current liabilities		
Provision for directors' retirement benefits	820,766	847,918
Provision for contingent loss	288,383	273,805
Net defined benefit liability	16,808	-
Asset retirement obligations	101,516	102,048
Other	846,963	720,420
Total non-current liabilities	2,074,439	1,944,192
Total liabilities	34,776,178	33,002,762
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,760,192	2,760,192
Capital surplus	3,168,379	3,168,379
Retained earnings	41,242,790	43,818,471
Treasury shares	(3,213,394)	(3,214,112)
Total shareholders' equity	43,957,968	46,532,930
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,870,266	4,691,158
Foreign currency translation adjustment	65,057	31,746
Remeasurements of defined benefit plans	(24,814)	(12,407)
Total accumulated other comprehensive income	4,910,509	4,710,497
Non-controlling interests	32,630	27,349
Total net assets	48,901,107	51,270,777
Total liabilities and net assets	83,677,286	84,273,540

## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

## Quarterly Consolidated Statements of Income

Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Net sales	41,470,467	42,659,793
Cost of sales	30,751,808	31,378,131
Gross profit	10,718,659	11,281,662
Selling, general and administrative expenses	6,453,919	6,616,886
Operating profit	4,264,739	4,664,775
Non-operating income		
Interest income	4,448	5,045
Dividend income	56,138	56,957
House rent income	48,753	46,946
Insurance and dividend income	83,648	8,381
Foreign exchange gains	975	146,673
Other	86,715	83,871
Total non-operating income	280,680	347,875
Non-operating expenses		
Interest expenses	9,376	7,251
Compensation expenses	7,294	10,508
Other	15,748	14,722
Total non-operating expenses	32,418	32,483
Ordinary profit	4,513,000	4,980,167
Extraordinary losses		
Provision for contingent loss	408,383	-
Contingent loss expense	26,764	-
Total extraordinary losses	435,148	-
Profit before income taxes	4,077,852	4,980,167
Income taxes - current	1,653,282	1,689,627
Income taxes - deferred	(148,229)	(74,994)
Total income taxes	1,505,052	1,614,632
Profit	2,572,799	3,365,535
Loss attributable to non-controlling interests	(7,761)	(11,615)
Profit attributable to owners of parent	2,580,560	3,377,150



Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Profit	2,572,799	3,365,535
Other comprehensive income		
Valuation difference on available-for-sale securities	801,071	(179,108)
Foreign currency translation adjustment	(1,436)	(26,976)
Remeasurements of defined benefit plans, net of tax	74,686	12,407
Total other comprehensive income	874,321	(193,677)
Comprehensive income	3,447,121	3,171,857
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,451,559	3,177,138
Comprehensive income attributable to non-controlling interests	(4,438)	(5,280)

## (3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,077,852	4,980,167
Depreciation	401,688	441,023
Increase (decrease) in allowance for doubtful accounts	130,317	(120,678)
Increase (decrease) in provision for bonuses	18,919	235,481
Increase (decrease) in provision for product warranties	150,742	27,145
Increase (decrease) in provision for loss on construction contracts	75,332	(366,324)
Increase (decrease) in net defined benefit liability	(31,596)	(34,099)
Increase (decrease) in provision for directors' retirement benefits	13,329	27,151
Increase (decrease) in provision for contingent loss	408,383	(14,578)
Interest and dividend income	(60,587)	(62,003)
Interest expenses	9,376	7,251
Foreign exchange losses (gains)	(3,681)	(43,216)
Loss (gain) on valuation of investment securities	624	-
Loss (gain) on operation of investments in capital	-	(1,839)
Loss (gain) on sales of property, plant and equipment	(132)	956
Loss on retirement of property, plant and equipment	227	458
Decrease (increase) in notes and accounts receivable - trade	669,576	658,479
Decrease (increase) in inventories	(1,201,859)	(1,417,460)
Decrease (increase) in other current assets	(154,400)	303,021
Decrease (increase) in other non-current assets	(104,350)	(147,178)
Increase (decrease) in notes and accounts payable - trade	1,432,361	579,484
Increase (decrease) in other current liabilities	210,770	(90,562)
Other, net	1,060	930
Subtotal	6,043,954	4,963,609
Interest and dividend income received	60,664	61,906
Interest expenses paid	(8,104)	(7,461)
Income taxes paid	(1,557,710)	(1,989,555)
Net cash provided by (used in) operating activities	4,538,803	3,028,498

(Thousand yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
<b>Cash flows from investing activities</b>		
Payments into time deposits	(430,228)	(752,289)
Proceeds from withdrawal of time deposits	820,422	232,722
Purchase of property, plant and equipment	(542,250)	(984,426)
Proceeds from sales of property, plant and equipment	132	716
Purchase of intangible assets	(33,136)	(117,244)
Purchase of investment securities	(24,310)	(34,793)
Proceeds from sales of investments in capital	-	29,894
Proceeds from share of profits on investments in capital	5,340	-
Net cash provided by (used in) investing activities	(204,031)	(1,625,421)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	-	(275,668)
Repayments of long-term loans payable	(159,851)	(116,934)
Proceeds from share issuance to non-controlling shareholders	27,146	-
Purchase of treasury shares	(212)	(718)
Repayments of finance lease obligations	(960)	(707)
Cash dividends paid	(696,325)	(799,483)
Net cash provided by (used in) financing activities	(830,203)	(1,193,511)
Effect of exchange rate change on cash and cash equivalents	(9,325)	54,355
Net increase (decrease) in cash and cash equivalents	3,495,242	263,920
Cash and cash equivalents at beginning of period	24,910,742	31,481,413
Cash and cash equivalents at end of period	28,405,984	31,745,334

### 3. Others

#### Significant litigation matters, etc.

The following lawsuits, etc. against the Company or a joint venture comprised of four companies including the Company are pending in the Osaka District Court or the Tokyo District Court.

Lawsuit Filing Date	Plaintiff	Claimed Amount	Lawsuit Overview
August 10, 2017	Daiichi-tec Co., Ltd.	¥740 million	A lawsuit filed against the Company, with the plaintiff seeking payment for contracts regarding specific construction work of a joint venture comprised of four companies including the Company. The Company asserts that there is no basis for any such claim, and the case is currently pending in the Osaka District Court.
August 15, 2017	Newwell Co., Ltd.	¥243 million	A lawsuit filed against a joint venture comprised of four companies including the Company, with the plaintiff seeking payment for sales charges. The Company asserts that the goods covered under the sales charges are not within the scope of those managed by the Company, and the case is currently pending in the Tokyo District Court.
November 1, 2017	Nakariki Co., Ltd.	¥171 million	A lawsuit filed against the Company, with the plaintiff seeking payment for specific construction work. The Company asserts that there is no basis for any such claim, and the case is currently pending in the Tokyo District Court.