

Consolidated Financial Results for the Nine Months Ended December 31, 2017 [Japanese GAAP]



February 13, 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: February 13, 2018
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: No
 Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2017 (April 1, 2017 to December 31, 2017)

(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	%
Nine months ended December 31, 2017	65,264	11.0	6,800	9.8	7,180	10.9	4,300	(1.4)
December 31, 2016	58,803	13.5	6,194	6.2	6,472	8.6	4,362	10.3

(Note) Comprehensive income: Nine months ended December 31, 2017: ¥5,611 million [21.1%]
 Nine months ended December 31, 2016: ¥4,635 million [11.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2017	214.63	-
December 31, 2016	217.70	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2017	81,450	47,097	57.8	2,349.24
As of March 31, 2017	74,218	42,160	56.8	2,103.63

(Reference) Equity: As of December 31, 2017: ¥47,071 million
 As of March 31, 2017: ¥42,150 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, 2017	-	0.00	-	35.00	35.00
Fiscal year ending March 31, 2018	-	0.00	-		
Fiscal year ending March 31, 2018 (Forecast)				35.00	35.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% 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	83,117	3.5	8,314	(1.0)	8,768	0.4	5,285	(12.1)	263.76

(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):

December 31, 2017: 22,066,160 shares

March 31, 2017: 22,066,160 shares

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

December 31, 2017: 2,029,332 shares

March 31, 2017: 2,029,173 shares

3) Average number of shares during the period:

Nine months ended December 31, 2017: 20,036,930 shares

Nine months ended December 31, 2016: 20,037,102 shares

* These quarterly financial results are outside the scope of quarterly review.

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

The 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.

Table of Contents of Appendix

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Primary Notes.....	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
3. Others	8
Significant litigation matters, etc.....	8

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

(1) Explanation of Operating Results

During the nine months ended December 31, 2017, 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, bringing about an increase in the number of listed companies that reaped record profits.

In the business environment in which our Group operates, harsh conditions persist in the restaurant industry due to factors such as a serious personnel shortage and a rise in labor costs and food prices. However, the industry fared well overall as sales at all stores, including existing and new ones, went up year on year, with businesses that attune prices well to customer's desired value boosting sales. In the distribution industry, harsh conditions continued as food supermarkets reined in new openings due to higher construction costs and deepening difficulty in hiring part-time personnel. Also, strong low-price conscious among consumers stoked demand for discount shops and led to an increase in openings of drug stores that strengthen sales of low-price food products through low-cost operations. Amid a growing oligopoly in convenience store chains, competition became more intense as each company made moves such as expanding product lineup to meet diversified lifestyles of consumers.

Net sales of commercial refrigerators and freezers increased by 9.8% year on year. Sales of general purpose commercial refrigerators and freezers rose thanks to growing sales to restaurants supported by demand from inbound tourists. In addition, sales of ice machines increased as the product lineup expanded with the launch of half-cube ice machines, and sales of large-scale blast chillers that quickly cool foods intended for high-volume preparation increased for clients in the areas of catering centers, central kitchens, and food factories. Also, after a full model changeover, the Company launched a new small ice machine in November that realizes excellent water-saving function and further energy savings with the use of a newly developed aluminum cooler.

Net sales of refrigerated and freezer showcases increased by 3.9% year on year. This was due to increased investment in remodeling to integrate convenience stores and new openings of drug stores that strengthened sales of food products, though convenience stores and supermarkets have been reluctant to open new stores. In addition, the Company launched "Send-You Fresh," a new-model high-freshness keeping showcase that provides further energy savings and eliminates rising temperatures during store operation, owing to newly developed twin coolers and a new type of proprietary cooling control system, and undertook more projects in ESCO proposals for food supermarkets.

Net sales of large-scale food processing equipment increased by 41.5% year on year. This was due to increased demand for tunnel freezers used in the cooling process for frozen and chilled food, resulting from greater investments, mainly by food manufacturers, in cooling process automation.

Net sales of large-scale panel refrigerators increased by 12.1% year on year. This was due to an increase in large-scale orders from supermarket processing centers, food factories and low-temperature distribution centers.

Net sales of small-scale panel refrigerators increased by 17.9% year on year due to an increase in sales of small-scale prefabricated refrigerators for convenience stores and commercial kitchens.

Net sales from services increased by 13.9% year on year due to an increase in maintenance contracts with convenience stores.

At the manufacturing department, the Company refurbished the truck berths at its Okayama factory to increase distribution efficiency and undertook initiatives to improve productivity by renovating the production lines at its Shiga and Okayama factories. In addition, the Company undertook 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 a result, for the nine months ended December 31, 2017, net sales increased by 11.0% year on year to ¥65,264 million. Operating profit increased by 9.8% year on year to ¥6,800 million, ordinary profit increased by 10.9% year on year to ¥7,180 million, and profit attributable to owners of parent decreased by 1.4% year on year to ¥4,300 million.

(2) Explanation of Financial Position

(Current assets)

Current assets as of the end of the third quarter of the fiscal year under review increased by ¥4,905 million to ¥58,434 million (¥53,529 million at the end of the previous fiscal year). This is mainly attributable to an increase in cash and deposits.

(Non-current assets)

Non-current assets as of the end of the third quarter of the fiscal year under review increased by ¥2,327 million to ¥23,016 million (¥20,689 million at the end of the previous fiscal year). This is mainly attributable to an increase in investment securities.

(Current liabilities)

Current liabilities as of the end of the third quarter of the fiscal year under review increased by ¥1,676 million to ¥31,086 million (¥29,409 million at the end of the previous fiscal year). This is mainly attributable to an increase in notes and accounts payable - trade.

(Non-current liabilities)

Non-current liabilities as of the end of the third quarter of the fiscal year under review increased by ¥618 million to ¥3,266 million (¥2,647 million at the end of the previous fiscal year). This is mainly attributable to the recording of provision for contingent loss.

(Net assets)

Net assets as of the end of the third quarter of the fiscal year under review increased by ¥4,936 million to ¥47,097 million (¥42,160 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.

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

For the financial results forecasts for the fiscal year ending March 31, 2018, no revisions have been made to the projected figures announced on November 10, 2017.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	25,686,519	29,389,248
Notes and accounts receivable - trade	21,693,902	21,992,086
Merchandise and finished goods	2,148,030	2,064,809
Work in process	2,095,071	2,896,646
Raw materials and supplies	1,639,859	1,924,366
Other	1,323,030	1,423,991
Allowance for doubtful accounts	(1,057,134)	(1,256,505)
Total current assets	53,529,280	58,434,642
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,929,605	3,784,543
Land	5,136,219	5,142,656
Other, net	2,415,986	2,908,251
Total property, plant and equipment	11,481,811	11,835,451
Intangible assets	220,170	253,023
Investments and other assets		
Investment securities	6,795,112	8,587,679
Other	2,211,810	2,362,872
Allowance for doubtful accounts	(19,675)	(22,770)
Total investments and other assets	8,987,248	10,927,781
Total non-current assets	20,689,230	23,016,256
Total assets	74,218,510	81,450,899

(Thousand yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,268,999	21,916,651
Short-term loans payable	780,451	717,485
Income taxes payable	1,597,144	1,156,711
Provision for bonuses	1,757,386	1,261,785
Provision for product warranties	233,897	404,048
Provision for loss on construction contracts	-	87,510
Other	4,771,930	5,542,460
Total current liabilities	29,409,810	31,086,653
Non-current liabilities		
Long-term loans payable	244,725	69,459
Provision for directors' retirement benefits	732,171	758,340
Provision for contingent loss	-	408,383
Net defined benefit liability	263,607	44,599
Asset retirement obligations	100,473	101,256
Other	1,306,817	1,884,568
Total non-current liabilities	2,647,794	3,266,607
Total liabilities	32,057,605	34,353,261
Net assets		
Shareholders' equity		
Capital stock	2,760,192	2,760,192
Capital surplus	3,168,379	3,168,379
Retained earnings	36,260,825	39,860,014
Treasury shares	(3,212,194)	(3,212,962)
Total shareholders' equity	38,977,203	42,575,624
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,259,400	4,488,707
Foreign currency translation adjustment	68,104	49,238
Remeasurements of defined benefit plans	(154,306)	(42,276)
Total accumulated other comprehensive income	3,173,198	4,495,670
Non-controlling interests	10,503	26,343
Total net assets	42,160,905	47,097,638
Total liabilities and net assets	74,218,510	81,450,899

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2016	For the nine months ended December 31, 2017
Net sales	58,803,749	65,264,155
Cost of sales	43,580,061	48,675,069
Gross profit	15,223,688	16,589,085
Selling, general and administrative expenses	9,029,436	9,788,911
Operating profit	6,194,252	6,800,174
Non-operating income		
Interest income	4,335	6,608
Dividend income	64,512	73,587
House rent income	72,077	71,384
Insurance and dividend income	29,573	89,348
Foreign exchange gains	35,639	55,818
Other	129,426	138,088
Total non-operating income	335,565	434,836
Non-operating expenses		
Interest expenses	17,006	15,184
Compensation expenses	15,446	13,222
Other	25,192	25,905
Total non-operating expenses	57,644	54,311
Ordinary profit	6,472,172	7,180,699
Extraordinary losses		
Provision for contingent loss	-	408,383
Contingent loss expense	-	26,764
Total extraordinary losses	-	435,148
Profit before income taxes	6,472,172	6,745,550
Income taxes - current	2,026,893	2,491,935
Income taxes - deferred	80,219	(36,812)
Total income taxes	2,107,112	2,455,122
Profit	4,365,059	4,290,428
Profit (loss) attributable to non-controlling interests	3,030	(10,055)
Profit attributable to owners of parent	4,362,029	4,300,483

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2016	For the nine months ended December 31, 2017
Profit	4,365,059	4,290,428
Other comprehensive income		
Valuation difference on available-for-sale securities	143,257	1,229,307
Foreign currency translation adjustment	(205,482)	(20,116)
Remeasurements of defined benefit plans, net of tax	332,912	112,030
Total other comprehensive income	270,687	1,321,220
Comprehensive income	4,635,747	5,611,649
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,632,432	5,622,955
Comprehensive income attributable to non-controlling interests	3,315	(11,305)

3. Others

Significant litigation matters, etc.

As of the reporting date, the following lawsuits 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.