

# Consolidated Financial Results for the Six Months Ended September 30, 2019 [Japanese GAAP]



November 8, 2019

Company name: FUKUSHIMA INDUSTRIES CORP.

Stock exchange listing: Tokyo Stock Exchange

Code number: 6420

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Scheduled date of filing quarterly securities report: November 13, 2019

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, 2019 (April 1, 2019 to September 30, 2019)

(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, 2019	42,982	0.8	4,526	(3.0)	4,703	(5.5)	3,355	(0.6)
September 30, 2018	42,659	2.9	4,664	9.4	4,980	10.4	3,377	30.9

(Note) Comprehensive income: Six months ended September 30, 2019: ¥3,111 million [(1.9)%]

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2019	167.49	-
September 30, 2018	168.55	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2019	86,586	56,037	64.7	2,794.20
As of March 31, 2019	86,622	53,887	62.1	2,686.64

(Reference) Equity: As of September 30, 2019: ¥55,986 million

As of March 31, 2019: ¥53,831 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2019	Yen -	Yen 0.00	Yen -	Yen 48.00	Yen 48.00
Fiscal year ending March 31, 2020	-	0.00			
Fiscal year ending March 31, 2020 (Forecast)			-	48.00	48.00

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

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% 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	89,125	3.0	9,325	(0.9)	9,573	(1.1)	6,371	(3.7)	317.99

(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, 2019: 22,066,160 shares

March 31, 2019: 22,066,160 shares

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

September 30, 2019: 2,029,631 shares

March 31, 2019: 2,029,601 shares

3) Average number of shares during the period:

Six months ended September 30, 2019: 20,036,532 shares

Six months ended September 30, 2018: 20,036,674 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, 2019, the Japanese economy remained on a moderate recovery path thanks to such factors as improvements in the employment and income environments. However, future prospects of overseas economy remained uncertain due to trade friction caused by the trade policies of the U.S. and other countries around the world, and slowdown of the Chinese economy.

In the business environment in which our Group operates, harsh conditions persist in the restaurant industry due mainly to a rise in labor costs and soaring food prices, although sales remained solid in the fast food and family restaurant businesses, owing to higher spending per customer as a result of price revisions and the introduction of limited time offers. In the distribution industry, the business environment continued to be harsh for reasons including serious personnel shortage and rising material prices, while a persistent consumer trend to restrain spending continued, despite contributions from brisk sales of delicatessen and fresh foods as well as price increases on processed foods.

Net sales of commercial refrigerators and freezers increased by 7.4% year on year to ¥12,698 million mainly due to continued robust sales of ice machines with large-scale model changes that further enhanced the product lineup, blast chillers that rapidly cool cooked foods, and hygienic defrosters that can thaw foods in a fixed timeframe with less degradation in quality. Sales for restaurants increased owing to inbound demand and rush of demand before the consumption tax hike. In addition, sales of low temperature incubators and medical cool boxes increased.

Net sales of refrigerated and freezer showcases increased by 9.2% year on year to ¥15,337 million mainly due to continued robust investment by food supermarkets in new store openings and remodeling, despite a decrease in the number of remodeling projects by convenience stores and sluggish growth of sales to drug stores. In addition, overseas sales for showcases increased.

Net sales of large-scale food processing equipment decreased by 46.9% year on year to ¥2,224 million. Although inquiries remained high for the replacement and new introduction of tunnel freezers mainly for food manufacturers, deliveries are concentrated from the third quarter onwards.

Net sales of large-scale panel refrigerators decreased by 3.6% year on year to ¥5,265 million. Although sales to supermarket processing centers and other distribution-related facilities remained robust, sales fell short of the significant growth in the previous year due to decreased sales for low-temperature distribution centers.

Net sales of small-scale panel refrigerators increased by 2.9% year on year to ¥2,744 million mainly due to solid sales to supermarkets and commercial kitchens, despite a decrease in orders for panel refrigerators used in back rooms of convenience stores, etc.

Net sales from services increased by 5.4% year on year to ¥4,712 million mainly due to an increase in maintenance contracts with convenience stores, etc., and a rush of demand before the consumption tax hike.

At the manufacturing department, the Company undertook initiatives to improve production efficiency by introducing the automation of a single operation and the image recognition system to monitor the quality in production processes, as well as increasing automatic conveyors at its Shiga and Okayama factories. 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, 2019, net sales increased by 0.8% year on year to ¥42,982 million. However, due to a downturn in sales of large-scale food processing equipment year on year, operating profit decreased by 3.0% year on year to ¥4,526 million, ordinary profit decreased by 5.5% year on year to ¥4,703 million, and profit attributable to owners of parent decreased by 0.6% year on year to ¥3,355 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 ¥2,012 million to ¥58,409 million (¥60,422 million at the end of the previous fiscal year). This is mainly attributable to a decrease in cash and deposits.

### (Non-current assets)

Non-current assets as of the end of the second quarter of the fiscal year under review increased by ¥1,975 million to ¥28,176 million (¥26,200 million at the end of the previous fiscal year). This is mainly attributable to an increase in construction in progress included in “other.”

### (Current liabilities)

Current liabilities as of the end of the second quarter of the fiscal year under review decreased by ¥1,902 million to ¥29,186 million (¥31,088 million at the end of the previous fiscal year). This is mainly attributable to a decrease in notes and accounts payable - trade.

### (Non-current liabilities)

Non-current liabilities as of the end of the second quarter of the fiscal year under review decreased by ¥284 million to ¥1,362 million (¥1,646 million at the end of the previous fiscal year). This is mainly attributable to a decrease in provision for contingent loss.

### (Net assets)

Net assets as of the end of the second quarter of the fiscal year under review increased by ¥2,149 million to ¥56,037 million (¥53,887 million at the end of the previous fiscal year). This is mainly attributable to an increase in retained earnings on account of posting 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 decreased by ¥2,910 million from the end of the previous fiscal year to ¥30,759 million as a result of the recording of profit before income taxes of ¥4,703 million, and using capital mainly in investing 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 ¥980 million from the corresponding period of the previous fiscal year to ¥2,048 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 ¥2,292 million from the corresponding period of the previous fiscal year to ¥3,917 million. This is mainly attributable to the purchase of property, plant and equipment.

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

Capital used in financing activities decreased by ¥232 million from the corresponding period of the previous fiscal year to ¥961 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, 2020, no revisions have been made to the projected figures announced on May 14, 2019.

2. Quarterly Consolidated Financial Statements  
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2019	As of September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	34,283	31,117
Notes and accounts receivable - trade	19,913	21,005
Merchandise and finished goods	2,239	2,150
Work in process	2,166	2,557
Raw materials and supplies	2,038	1,862
Other	946	842
Allowance for doubtful accounts	(1,166)	(1,126)
Total current assets	60,422	58,409
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,358	4,703
Land	5,294	5,673
Other, net	5,246	6,575
Total property, plant and equipment	14,899	16,952
Intangible assets	421	416
Investments and other assets		
Investment securities	7,948	7,567
Other	2,941	3,250
Allowance for doubtful accounts	(9)	(11)
Total investments and other assets	10,879	10,807
Total non-current assets	26,200	28,176
Total assets	86,622	86,586
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	20,996	19,886
Short-term borrowings	185	166
Income taxes payable	1,641	1,480
Provision for bonuses	1,724	1,784
Provision for product warranties	370	364
Provision for loss on construction contracts	187	87
Other	5,981	5,416
Total current liabilities	31,088	29,186
Non-current liabilities		
Deferred tax liabilities	304	210
Provision for retirement benefits for directors (and other officers)	921	944
Provision for contingent loss	250	22
Retirement benefit liability	39	52
Asset retirement obligations	119	120
Other	11	11
Total non-current liabilities	1,646	1,362
Total liabilities	32,735	30,548

(Million yen)

	As of March 31, 2019	As of September 30, 2019
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,760	2,760
Capital surplus	3,168	3,168
Retained earnings	47,057	49,451
Treasury shares	(3,214)	(3,214)
Total shareholders' equity	49,771	52,165
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,058	3,782
Foreign currency translation adjustment	65	70
Remeasurements of defined benefit plans	(64)	(32)
Total accumulated other comprehensive income	4,059	3,820
Non-controlling interests	56	51
Total net assets	53,887	56,037
Total liabilities and net assets	86,622	86,586

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Net sales	42,659	42,982
Cost of sales	31,378	31,730
Gross profit	11,281	11,252
Selling, general and administrative expenses	6,616	6,726
Operating profit	4,664	4,526
Non-operating income		
Interest income	5	6
Dividend income	56	58
Rental income from buildings	46	53
Insurance claim and dividend income	8	45
Foreign exchange gains	146	-
Other	83	179
Total non-operating income	347	343
Non-operating expenses		
Interest expenses	7	4
Compensation expenses	10	5
Foreign exchange losses	-	102
Other	14	53
Total non-operating expenses	32	166
Ordinary profit	4,980	4,703
Profit before income taxes	4,980	4,703
Income taxes - current	1,689	1,331
Income taxes - deferred	(74)	29
Total income taxes	1,614	1,361
Profit	3,365	3,342
Loss attributable to non-controlling interests	(11)	(13)
Profit attributable to owners of parent	3,377	3,355



Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2018	For the six months ended September, 2019
Profit	3,365	3,342
Other comprehensive income		
Valuation difference on available-for-sale securities	(179)	(275)
Foreign currency translation adjustment	(26)	13
Remeasurements of defined benefit plans, net of tax	12	32
Total other comprehensive income	(193)	(230)
Comprehensive income	3,171	3,111
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,177	3,116
Comprehensive income attributable to non-controlling interests	(5)	(5)

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	4,980	4,703
Depreciation	441	493
Increase (decrease) in allowance for doubtful accounts	(120)	(9)
Increase (decrease) in provision for bonuses	235	59
Increase (decrease) in provision for product warranties	27	(6)
Increase (decrease) in provision for loss on construction contracts	(366)	(82)
Increase (decrease) in retirement benefit liability	(34)	59
Increase (decrease) in provision for retirement benefits for directors (and other officers)	27	22
Increase (decrease) in provision for contingent loss	(14)	(227)
Interest and dividend income	(62)	(65)
Interest expenses	7	4
Foreign exchange losses (gains)	(43)	79
Loss (gain) on valuation of investment securities	-	18
Loss (gain) on sales of investment securities	-	(23)
Loss (gain) on investments in capital	(1)	-
Loss (gain) on sales of property, plant and equipment	0	(0)
Loss on retirement of property, plant and equipment	0	0
Decrease (increase) in trade receivables	658	81
Decrease (increase) in inventories	(1,417)	(152)
Decrease (increase) in other current assets	303	165
Decrease (increase) in other non-current assets	(147)	(124)
Increase (decrease) in trade payables	579	(1,161)
Increase (decrease) in other current liabilities	(90)	(396)
Other, net	0	0
Subtotal	4,963	3,439
Interest and dividends received	61	68
Interest paid	(7)	(1)
Income taxes paid	(1,989)	(1,458)
Net cash provided by (used in) operating activities	3,028	2,048

(Million yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
<b>Cash flows from investing activities</b>		
Payments into time deposits	(752)	(1,526)
Proceeds from withdrawal of time deposits	232	1,567
Purchase of property, plant and equipment	(984)	(3,767)
Proceeds from sales of property, plant and equipment	0	0
Purchase of intangible assets	(117)	(157)
Purchase of investment securities	(34)	(35)
Proceeds from sales of investment securities	-	28
Loan advances	-	(27)
Proceeds from sales of investments in capital	29	-
<b>Net cash provided by (used in) investing activities</b>	<b>(1,625)</b>	<b>(3,917)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(275)	-
Repayments of long-term borrowings	(116)	-
Purchase of treasury shares	(0)	(0)
Repayments of finance lease obligations	(0)	(0)
Dividends paid	(799)	(960)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,193)</b>	<b>(961)</b>
Effect of exchange rate change on cash and cash equivalents	54	(79)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>263</b>	<b>(2,910)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>31,481</b>	<b>33,669</b>
<b>Cash and cash equivalents at end of period</b>	<b>31,745</b>	<b>30,759</b>

### 3. Others

Significant litigation matters, etc.

As of the reporting date, the following lawsuit, etc. against the Company is pending in the Osaka 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.

On October 17, 2019, a lawsuit was filed against the Company by NIHON DENKI KIKI CO., LTD. designating a joint venture comprised of four companies including the Company as a defendant seeking payment (claimed amount: ¥388 million) for contracts. As of the filing date, its complaint is under investigation.