

Consolidated Financial Results for the Three Months Ended June 30, 2019 [Japanese GAAP]



August 8, 2019

Company name: FUKUSHIMA INDUSTRIES CORP.
 Stock exchange listing: Tokyo Stock Exchange
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 Scheduled date of filing quarterly securities report: August 9, 2019
 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 Three Months Ended June 30, 2019 (April 1, 2019 to June 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 | % |
| Three months ended June 30, 2019 | 20,390 | 0.9 | 1,726 | (15.1) | 1,860 | (16.8) | 1,256 | (16.4) |
| June 30, 2018 | 20,200 | 7.0 | 2,033 | 58.0 | 2,237 | 56.7 | 1,503 | 173.1 |

(Note) Comprehensive income: Three months ended June 30, 2019: ¥885 million [(28.9)%]

Three months ended June 30, 2018: ¥1,245 million [45.0%]

| | Basic earnings per share | Diluted earnings per share |
|----------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Three months ended June 30, 2019 | 62.70 | - |
| June 30, 2018 | 75.02 | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of June 30, 2019 | 84,872 | 53,811 | 63.3 | 2,683.26 |
| As of March 31, 2019 | 86,622 | 53,887 | 62.1 | 2,686.64 |

(Reference) Equity: As of June 30, 2019: ¥53,763 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 | - | | | | |
| Fiscal year ending March 31, 2020 (Forecast) | | 0.00 | - | 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 |
| First half | 42,663 | 0.0 | 4,556 | (2.3) | 4,669 | (6.2) | 3,063 | (9.3) | 152.90 |
| 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):

June 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:

June 30, 2019: 2,029,631 shares

March 31, 2019: 2,029,601 shares

3) Average number of shares during the period:

Three months ended June 30, 2019: 20,036,535 shares

Three months ended June 30, 2018: 20,036,739 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 three months ended June 30, 2019 (from April 1, 2019 to June 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 remained uncertain due in part to concerns over the U.S.-China trade friction and the slowing 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 1.4% year on year to ¥5,722 million mainly due to robust sales of ice machines with enhanced 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.

Net sales of refrigerated and freezer showcases increased by 6.9% year on year to ¥8,099 million mainly due to 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.

Net sales of large-scale food processing equipment decreased by 33.8% year on year to ¥974 million. Although inquiries for the replacement and new introduction of tunnel freezers mainly for food manufacturers remained favorable, deliveries were concentrated from the third quarter onwards.

Net sales of large-scale panel refrigerators decreased by 0.5% year on year to ¥2,158 million. Although sales to food factories and supermarket processing centers remained robust, sales fell slightly short of the significant growth seen in the previous year.

Net sales of small-scale panel refrigerators increased by 1.2% year on year to ¥1,314 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 4.1% year on year to ¥2,122 million mainly due to a higher maintenance demand triggered by increased numbers of drug stores, etc. and an increase in sales mainly attributable to maintenance contracts with convenience stores, etc.

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 the production processes, etc. 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 three months ended June 30, 2019, net sales increased by 0.9% year on year to ¥20,390 million. Due to a downturn in sales of large-scale food processing equipment year on year and a reduction in direct demand for large-scale panel refrigerators, operating profit decreased by 15.1% year on year to ¥1,726 million, ordinary profit decreased by 16.8% year on year to ¥1,860 million, and profit attributable to owners of parent decreased by 16.4% year on year to ¥1,256 million.

(2) Explanation of Financial Position

(Current assets)

Current assets as of the end of the first quarter of the fiscal year under review decreased by ¥1,616 million to ¥58,806 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 first quarter of the fiscal year under review decreased by ¥133 million to ¥26,066 million (¥26,200 million at the end of the previous fiscal year). This is mainly attributable to a decrease in investment securities under investments and other assets.

(Current liabilities)

Current liabilities as of the end of the first quarter of the fiscal year under review decreased by ¥1,412 million to ¥29,675 million (¥31,088 million at the end of the previous fiscal year). This is mainly attributable to a decrease in income taxes payable.

(Non-current liabilities)

Non-current liabilities as of the end of the first quarter of the fiscal year under review decreased by ¥261 million to ¥1,385 million (¥1,646 million at the end of the previous fiscal year). This is mainly attributable to a decrease in deferred tax liabilities.

(Net assets)

Net assets as of the end of the first quarter of the fiscal year under review decreased by ¥76 million to ¥53,811 million (¥53,887 million at the end of the previous fiscal year). This is mainly attributable to a decrease in valuation difference on available-for-sale securities.

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

For the financial results forecasts for the six months ending September 30, 2019 and 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 and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

| | As of March 31, 2019 | As of June 30, 2019 |
|--|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 34,283,964 | 31,612,988 |
| Notes and accounts receivable - trade | 19,913,769 | 20,586,614 |
| Merchandise and finished goods | 2,239,132 | 2,198,940 |
| Work in process | 2,166,701 | 2,578,583 |
| Raw materials and supplies | 2,038,882 | 1,963,739 |
| Other | 946,431 | 984,307 |
| Allowance for doubtful accounts | (1,166,604) | (1,119,168) |
| Total current assets | 60,422,276 | 58,806,005 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 4,358,043 | 4,654,668 |
| Land | 5,294,684 | 5,456,094 |
| Other, net | 5,246,508 | 5,145,572 |
| Total property, plant and equipment | 14,899,236 | 15,256,336 |
| Intangible assets | 421,664 | 419,332 |
| Investments and other assets | | |
| Investment securities | 7,948,318 | 7,401,378 |
| Other | 2,941,051 | 2,999,906 |
| Allowance for doubtful accounts | (9,617) | (9,989) |
| Total investments and other assets | 10,879,752 | 10,391,295 |
| Total non-current assets | 26,200,654 | 26,066,964 |
| Total assets | 86,622,930 | 84,872,970 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 20,996,646 | 20,276,690 |
| Short-term borrowings | 185,746 | 214,274 |
| Income taxes payable | 1,641,449 | 809,500 |
| Provision for bonuses | 1,724,973 | 2,484,986 |
| Provision for product warranties | 370,998 | 376,896 |
| Provision for loss on construction contracts | 187,553 | 163,909 |
| Other | 5,981,117 | 5,349,736 |
| Total current liabilities | 31,088,484 | 29,675,993 |
| Non-current liabilities | | |
| Deferred tax liabilities | 304,977 | 26,988 |
| Provision for retirement benefits for directors (and other officers) | 921,938 | 930,498 |
| Provision for contingent loss | 250,166 | 248,166 |
| Retirement benefit liability | 39,016 | 47,905 |
| Asset retirement obligations | 119,652 | 119,946 |
| Other | 11,147 | 12,063 |
| Total non-current liabilities | 1,646,899 | 1,385,569 |
| Total liabilities | 32,735,384 | 31,061,563 |

(Thousand yen)

| | As of March 31, 2019 | As of June 30, 2019 |
|---|----------------------|---------------------|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,760,192 | 2,760,192 |
| Capital surplus | 3,168,379 | 3,168,379 |
| Retained earnings | 47,057,197 | 47,351,671 |
| Treasury shares | (3,214,328) | (3,214,328) |
| Total shareholders' equity | 49,771,440 | 50,065,914 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4,058,247 | 3,685,000 |
| Foreign currency translation adjustment | 65,665 | 60,555 |
| Remeasurements of defined benefit plans | (64,331) | (48,248) |
| Total accumulated other comprehensive income | 4,059,581 | 3,697,306 |
| Non-controlling interests | 56,524 | 48,185 |
| Total net assets | 53,887,546 | 53,811,406 |
| Total liabilities and net assets | 86,622,930 | 84,872,970 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended June 30

(Thousand yen)

| | For the three months ended June 30, 2018 | For the three months ended June 30, 2019 |
|--|---|---|
| Net sales | 20,200,960 | 20,390,493 |
| Cost of sales | 14,859,198 | 15,365,701 |
| Gross profit | 5,341,762 | 5,024,792 |
| Selling, general and administrative expenses | 3,308,749 | 3,298,522 |
| Operating profit | 2,033,013 | 1,726,269 |
| Non-operating income | | |
| Interest income | 2,210 | 3,142 |
| Dividend income | 34,830 | 34,961 |
| Rental income from buildings | 24,094 | 25,727 |
| Insurance claim and dividend income | 1,433 | 6,047 |
| Foreign exchange gains | 86,824 | - |
| Reversal of allowance for doubtful accounts | 50 | 66,981 |
| Other | 68,716 | 104,112 |
| Total non-operating income | 218,161 | 240,972 |
| Non-operating expenses | | |
| Interest expenses | 4,106 | 40 |
| Compensation expenses | 2,162 | 5,496 |
| Foreign exchange losses | - | 70,379 |
| Other | 7,244 | 30,436 |
| Total non-operating expenses | 13,513 | 106,352 |
| Ordinary profit | 2,237,660 | 1,860,889 |
| Profit before income taxes | 2,237,660 | 1,860,889 |
| Income taxes - current | 914,897 | 724,064 |
| Income taxes - deferred | (176,066) | (115,529) |
| Total income taxes | 738,831 | 608,534 |
| Profit | 1,498,829 | 1,252,354 |
| Loss attributable to non-controlling interests | (4,313) | (3,873) |
| Profit attributable to owners of parent | 1,503,143 | 1,256,228 |

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Thousand yen)

| | For the three months ended June 30, 2018 | For the three months ended June 30, 2019 |
|--|---|---|
| Profit | 1,498,829 | 1,252,354 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (216,632) | (373,247) |
| Foreign currency translation adjustment | (42,559) | (9,575) |
| Remeasurements of defined benefit plans, net of tax | 6,203 | 16,082 |
| Total other comprehensive income | (252,988) | (366,739) |
| Comprehensive income | 1,245,841 | 885,615 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,247,170 | 893,953 |
| Comprehensive income attributable to non-controlling interests | (1,328) | (8,338) |

3. Others

Significant litigation matters, etc.

As of the reporting date, the following lawsuit 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 in the Osaka District Court. |

As of the reporting date, the following lawsuits, etc. against the Company or a joint venture comprised of four companies including the Company have been settled.

| Settlement Date | Plaintiff | Settlement Overview |
|-----------------|--------------------|---|
| July 22, 2019 | Newwell Co., Ltd. | A lawsuit filed against a joint venture comprised of four companies including the Company, with the plaintiff seeking payment for sales charges. The Company asserted that the goods covered under the sales charges were not within the scope of those managed by the Company, and the case was disputed at the Tokyo District Court. However, a settlement was reached upon acceptance of the settlement terms proposed by the Court. |
| July 17, 2019 | Nakariki Co., Ltd. | A lawsuit filed against the Company, with the plaintiff seeking payment for specific construction work. The Company asserted that there was no basis for any such claim, and the case was disputed at the Tokyo District Court. However, a settlement was reached upon acceptance of the settlement terms proposed by the Court. |