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## Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]

November 13, 2023

Company name: FUKUSHIMA GALILEI CO. LTD.

Stock exchange listing: Tokyo

Code number: 6420

URL: <https://www.galilei.co.jp>

Representative: Go Fukushima      President

Contact: Tatsuo Hino      Director & Senior Executive Officer General Manager of Administration Headquarters

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Scheduled date of filing quarterly securities report: November 13, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: No

Schedule of quarterly financial results briefing session: Yes

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

### 1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	53,536	10.5	6,634	47.3	7,477	34.2	5,303	36.5
September 30, 2022	48,469	3.1	4,503	(20.8)	5,573	(10.3)	3,884	(10.7)

(Note) Comprehensive income: Six months ended September 30, 2023:      ¥      5,990 million [      54.4%]  
Six months ended September 30, 2022:      ¥      3,878 million [      (11.0)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	264.38	-
September 30, 2022	193.79	-

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2023	118,919	83,714	70.3	4,196.22
March 31, 2023	112,997	79,907	70.7	3,979.14

(Reference) Equity: As of September 30, 2023:      ¥      83,612 million  
As of March 31, 2023:      ¥      79,834 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, 2023	0.00	0.00	0.00	73.00	73.00
Fiscal year ending March 31, 2024	-	0.00			
Fiscal year ending March 31, 2024 (Forecast)			-	73.00	73.00

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

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending March 31, 2024 :

Commemorative dividend	- yen
Special dividend	- yen

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	107,824	2.7	12,317	7.2	13,378	8.8	9,389	8.5	471.18

(Note) Revision to the financial results forecast announced most recently: Yes

\* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2023

(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: Yes

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, 2023: 22,066,160 shares

March 31, 2023: 22,066,160 shares

2) Number of treasury shares at the end of the period:

September 30, 2023: 2,140,533 shares

March 31, 2023: 2,003,002 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2023: 20,058,380 shares

Six months ended September 30, 2022: 20,041,903 shares

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

### (1) Explanation of Operating Results

During the six months ended September 30, 2023, the Japanese economy saw the further normalization of socioeconomic activities, such as the downgrading of coronavirus disease 2019 (“COVID-19”) to Class 5 Infectious Disease in May 2023, and the recovery of consumer spending and demand from inbound tourists. However, future prospects of the economy remained uncertain due to rising consumer prices caused by soaring energy and raw materials costs, tightening monetary policy of countries around the world, and concerns about the future of the Chinese economy.

In the business environment in which our Group operates, consumer demand for food services as well as demand from inbound tourists in the restaurant industry continued to recover as a result of an increase in mobility following the downgrading of COVID-19 to Class 5 Infectious Disease, despite the impacts of soaring energy and raw materials costs and labor shortages. In the distribution industry, demand for cooking and eating at home remained solid as an increasing consumer trend to restrain spending continue due to rising household electricity and gas prices. However, future prospects of the industry remained uncertain as businesses continued to be cautious about making capital investment decisions due to higher energy costs for their restaurants and stores and raw materials costs. In the food manufacturing industry, there was demand for automation and manpower saving to deal with labor shortages. However, future prospects of the industry remained uncertain as businesses, especially food manufacturers, were cautious about making capital investment decisions due to higher energy costs and building materials costs. In the low temperature logistics industry, there was continued demand for reorganizing and building logistics centers in order to comply with the restrictions on the upper limit of working hours for truck drivers, commonly known as the “2024 logistics problem.”

Net sales of commercial refrigerators and freezers increased by 0.6% year on year to ¥12,537 million. Although sales of blast chillers and refrigerated and freezer lockers declined after demand for in-store prepared foods and takeouts calmed down, sales of all-purpose refrigerators and freezers to restaurants and hotels rose in line with the demand recovery in the restaurant industry.

Net sales of medical science products decreased by 2.2% year on year to ¥637 million mainly due to a decline in sales to hospitals and clinics despite an increase in sales of medical cool boxes to dispensing pharmacies and drug stores.

Net sales of refrigerated and freezer showcases increased by 28.4% year on year to ¥21,948 million mainly due to an increase in sales to supermarkets and drug stores resulting from strong demand for store renovation in the distribution industry and strong sales of showcases with natural refrigerants to convenience stores.

Net sales of large-scale food processing equipment decreased by 24.0% year on year to ¥2,462 million as businesses, especially food manufacturers, remained cautious about making capital investment decisions due to the impacts of soaring energy and raw materials costs. It was also because of far more inquiries made in the fourth quarter of the previous year and the limited number of inquiries made in the second quarter of this year.

Net sales of large-scale panel refrigerators decreased by 2.4% year on year to ¥6,164 million. Although demand for low temperature logistics centers remained strong against the backdrop of the 2024 logistics problem, capital investment by convenience store suppliers and food factories slowed down.

Net sales of small-scale panel refrigerators increased by 13.4% year on year to ¥3,283 million mainly due to an increase in sales to supermarkets, hotels, and convenience stores.

Net sales from services increased by 12.0% year on year to ¥6,501 million mainly due to an increase in maintenance contracts with supermarkets and convenience stores for refrigerated and freezer showcases and an increase in sales of maintenance services for refrigerators and freezers and tunnel freezers in line with the demand recovery in the restaurant industry.

At the manufacturing department, raw materials costs continued to soar and the Company undertook initiatives to further improve productivity and consider using alternative materials in order to reduce the effects of foreign exchange rates when purchasing components from abroad. In March 2023, SHOKEN GALILEI's new head office and factory building was built to improve its production system and allow SHOKEN GALILEI to receive more orders. In June 2023, a new building was added to FUKUSHIMA GALILEI's Okayama Factory to improve its productivity in the manufacture of high value added products.

The GALILEI Group developed its sustainable vision, “Dramatic Future 2050” in 2021, and the Group is committed to achieving net zero greenhouse gas emissions throughout its food supply chain from production to consumption by 2050.

Furthermore, as an environmentally advanced company, we offer value by promoting strategic actions to switch to green refrigerants, develop and provide products with high environmental performance, and prevent refrigerant gas leaks, and by striving to reduce CO2 emissions throughout our value chain. An example of our efforts includes the product redesigning of commercial upright refrigerators and freezers and compact ice cube machines to change their refrigerant specifications to CFC-free refrigerants R1234yf (GWP:1). We have also strategically switched to lower GWP refrigerants for other products, such as “NOBRAC,” a large condensing unit using natural refrigerants and reach-in showcases with an additional model that uses a CFC-free refrigerant.

As a result, for the six months ended September 30, 2023, net sales increased by 10.5% year on year to ¥53,536 million, operating profit increased by 47.3% year on year to ¥ 6,634 million, ordinary profit increased by 34.2% year on year to ¥7,477 million, and profit attributable to owners of parent increased by 36.5% year on year to ¥5,303 million.

## (2) Explanation of Financial Position

### (Current assets)

Current assets as of the end of the second quarter of the fiscal year under review increased by ¥4,080 million to ¥84,642 million (¥80,561 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 second quarter of the fiscal year under review increased by ¥1,841 million to ¥34,276 million (¥32,435 million at the end of the previous fiscal year). This is mainly attributable to an increase in buildings and structures.

### (Current liabilities)

Current liabilities as of the end of the second quarter of the fiscal year under review increased by ¥2,098 million to ¥33,570 million (¥31,471 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 second quarter of the fiscal year under review increased by ¥16 million to ¥1,634 million (¥1,618 million at the end of the previous fiscal year). This is mainly attributable to an increase in deferred tax liabilities.

### (Net assets)

Net assets as of the end of the second quarter of the fiscal year under review increased by ¥3,817 million to ¥83,714 million (¥79,907 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 increased by ¥3,095 million from the end of the previous fiscal year to ¥49,277 million as a result of the recording of profit before income taxes of ¥7,574 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 increased by ¥6,001 million from the corresponding period of the previous fiscal year to ¥7,066 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 ¥416 million from the corresponding period of the previous fiscal year to ¥1,719 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 increased by ¥1,056 million from the corresponding period of the previous fiscal year to ¥2,293 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, 2024, please refer to the “Notice Regarding Revision of Consolidated Financial Results Forecast” announced on November 13, 2023.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	46,392	49,481
Notes and accounts receivable - trade, and contract assets	19,653	18,730
Electronically recorded monetary claims - operating	5,380	5,950
Merchandise and finished goods	3,072	3,277
Work in process	1,396	1,970
Raw materials and supplies	4,068	4,197
Other	759	1,185
Allowance for doubtful accounts	(162)	(151)
<b>Total current assets</b>	<b>80,561</b>	<b>84,642</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,156	9,140
Machinery, equipment and vehicles, net	1,352	1,371
Land	7,047	7,401
Other, net	1,469	812
<b>Total property, plant and equipment</b>	<b>18,025</b>	<b>18,725</b>
Intangible assets	649	606
Investments and other assets		
Investment securities	9,118	9,708
Deferred tax assets	188	130
Retirement benefit asset	255	242
Other	4,311	4,986
Allowance for doubtful accounts	(113)	(124)
<b>Total investments and other assets</b>	<b>13,760</b>	<b>14,944</b>
<b>Total non-current assets</b>	<b>32,435</b>	<b>34,276</b>
<b>Total assets</b>	<b>112,997</b>	<b>118,919</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	20,760	23,029
Income taxes payable	2,644	2,428
Provision for bonuses	2,231	2,586
Provision for product warranties	468	412
Provision for loss on construction contracts	36	36
Other	5,329	5,075
<b>Total current liabilities</b>	<b>31,471</b>	<b>33,570</b>
Non-current liabilities		
Deferred tax liabilities	121	144
Provision for retirement benefits for directors (and other officers)	24	20
Long-term accounts payable - other	1,244	1,244
Retirement benefit liability	127	126
Asset retirement obligations	86	86
Other	13	12
<b>Total non-current liabilities</b>	<b>1,618</b>	<b>1,634</b>
<b>Total liabilities</b>	<b>33,089</b>	<b>35,204</b>

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	2,760	2,760
Capital surplus	3,222	3,299
Retained earnings	72,318	76,156
Treasury shares	(3,172)	(3,972)
Total shareholders' equity	75,127	78,243
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,536	5,012
Foreign currency translation adjustment	123	333
Remeasurements of defined benefit plans	47	23
Total accumulated other comprehensive income	4,706	5,369
Non-controlling interests	73	101
Total net assets	79,907	83,714
Total liabilities and net assets	112,997	118,919

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

## Quarterly Consolidated Statements of Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	48,469	53,536
Cost of sales	36,273	38,584
Gross profit	12,196	14,951
Selling, general and administrative expenses	7,693	8,317
Operating profit	4,503	6,634
Non-operating income		
Interest income	19	49
Dividend income	64	63
Rental income from buildings	52	52
Purchase discounts	18	18
Foreign exchange gains	786	581
Gain on sale of investment securities	-	33
Reversal of allowance for doubtful accounts	31	-
Other	185	136
Total non-operating income	1,157	935
Non-operating expenses		
Provision of allowance for doubtful accounts	-	36
Compensation expenses	21	11
Settlement payments	22	-
Other	43	44
Total non-operating expenses	87	92
Ordinary profit	5,573	7,477
Extraordinary income		
Gain on sale of non-current assets	-	97
Total extraordinary income	-	97
Profit before income taxes	5,573	7,574
Income taxes - current	1,833	2,334
Income taxes - deferred	(145)	(80)
Total income taxes	1,687	2,254
Profit	3,885	5,320
Profit attributable to non-controlling interests	1	17
Profit attributable to owners of parent	3,884	5,303

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	3,885	5,320
Other comprehensive income		
Valuation difference on available-for-sale securities	(155)	476
Foreign currency translation adjustment	166	217
Remeasurements of defined benefit plans, net of tax	(18)	(23)
Total other comprehensive income	(6)	669
Comprehensive income	3,878	5,990
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,869	5,965
Comprehensive income attributable to non-controlling interests	9	24



## (3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,573	7,574
Depreciation	610	624
Increase (decrease) in allowance for doubtful accounts	(921)	(1)
Increase (decrease) in provision for bonuses	225	354
Increase (decrease) in provision for product warranties	23	(56)
Increase (decrease) in provision for loss on construction contracts	(29)	-
Decrease (increase) in retirement benefit asset	42	13
Increase (decrease) in retirement benefit liability	143	(1)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(1,249)	(4)
Increase (decrease) in long-term accounts payable - other	1,244	-
Interest and dividend income	(83)	(112)
Foreign exchange losses (gains)	(425)	(9)
Loss (gain) on sale of investment securities	-	(33)
Loss (gain) on sale of property, plant and equipment	(21)	(96)
Decrease (increase) in trade receivables and contract assets	1,734	1,023
Decrease (increase) in inventories	(2,434)	(829)
Increase (decrease) in trade payables	(2,131)	2,026
Increase (decrease) in accrued consumption taxes	163	(783)
Other, net	(16)	(148)
Subtotal	2,447	9,538
Interest and dividends received	83	111
Proceeds from compensation for expropriation	103	-
Income taxes paid	(1,570)	(2,583)
Net cash provided by (used in) operating activities	1,064	7,066
<b>Cash flows from investing activities</b>		
Payments into time deposits	(212)	(851)
Proceeds from withdrawal of time deposits	6	205
Purchase of property, plant and equipment	(843)	(1,429)
Proceeds from sale of property, plant and equipment	-	280
Purchase of intangible assets	(191)	(49)
Purchase of investment securities	(66)	(46)
Proceeds from sale of investment securities	-	180
Loan advances	(3)	(10)
Other, net	8	1
Net cash provided by (used in) investing activities	(1,303)	(1,719)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from financing activities		
Proceeds from share issuance to non-controlling shareholders	-	4
Purchase of treasury shares	-	(836)
Dividends paid	(1,236)	(1,460)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(1,237)	(2,293)
Effect of exchange rate change on cash and cash equivalents	421	42
Net increase (decrease) in cash and cash equivalents	(1,053)	3,095
Cash and cash equivalents at beginning of period	43,954	46,182
Cash and cash equivalents at end of period	42,900	49,277

**(4) Notes to Quarterly Consolidated Financial Statements**

(Notes to the going concern assumption)

Not applicable.

(Notes to significant changes to shareholders' equity, if any)

Not applicable.