

Consolidated Financial Results for the Six Months Ended September 30, 2017 [Japanese GAAP]



November 13, 2017

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, 2017

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, 2017 (April 1, 2017 to September 30, 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	%
Six months ended September 30, 2017	41,470	10.2	4,264	6.5	4,513	14.7	2,580	(1.7)
Six months ended September 30, 2016	37,619	13.2	4,003	9.6	3,933	4.8	2,625	4.6

(Note) Comprehensive income: Six months ended September 30, 2017: ¥3,447 million [37.3%]

Six months ended September 30, 2016: ¥2,511 million [(5.7)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2017	128.79	-
Six months ended September 30, 2016	131.04	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2017	80,868	44,933	55.5	2,240.88
As of March 31, 2017	74,218	42,160	56.8	2,103.63

(Reference) Equity: As of September 30, 2017: ¥44,900 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

(Notes) 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

(Notes) 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, 2017: 22,066,160 shares

March 31, 2017: 22,066,160 shares

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

September 30, 2017: 2,029,225 shares

March 31, 2017: 2,029,173 shares

3) Average number of shares during the period:

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

Six months ended September 30, 2016: 20,037,132 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.

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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, 2017, despite a continuing recovery trend such as an improvement in corporate revenue and the employment environment in the domestic economy, there was uncertainty over the future due to an unstable international situation.

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 leading to a rise in labor costs and increasing prices for food. However, net sales for all stores, including existing stores and new stores, were strong overall, demonstrating year on year growth for 12 consecutive months, owing to higher sales per customer in sectors such as fast-food. In the distribution industry, harsh conditions continued due partly to a decrease in consumption on the back of unfavorable weather, in addition to a deepening difficulty acquiring part-time personnel. Also, competition beyond business types continued to intensify as new store openings for supermarkets and convenience stores lost momentum, but new store openings for drug stores were solid.

Net sales of commercial refrigerators and freezers increased by 12.9% year on year. Sales of general purpose commercial refrigerators and freezers rose as the Company focused its energies on developing products that matched the needs of specific users and sales toward restaurants increased against a backdrop of demand from overseas 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.

Net sales of refrigerated and freezer showcases increased by 2.7% year on year. This was due to increased investment in remodeling to integrate convenience stores and new openings of drug stores, though convenience stores and supermarkets have been reluctant to open new stores. In addition, sales commenced for “Send-You Fresh,” a new-model high-freshness 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.

Net sales of large-scale food processing equipment increased by 61.7% year on year. This was due to firm sales of tunnel freezers owing to an increase in large-scale orders from food factories, growth in sales of tunnel freezers using natural refrigerant, and increased demand for capital expenditure to integrate and automate food factories.

Net sales of large-scale panel refrigerators decreased by 11.5% year on year. This was due to a significant year-on-year decline in net sales owing to fewer deliveries in the first quarter of the fiscal year under review, which was not offset by an increase in large-scale orders from supermarket processing centers and food factories in the second quarter of the fiscal year under review.

Net sales of small-scale panel refrigerators increased by 34.7% 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 14.5% year on year, due to an increase in extremely hot days with a dry rainy season and a rise in maintenance contracts with convenience stores.

At the manufacturing department, the Company undertook initiatives to improve productivity by renovating the production line at its Shiga and Okayama factories to meet rising demand. 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 price of raw materials and import products.

As a result, for the six months ended September 30, 2017, net sales increased by 10.2% year on year to ¥41,470 million. Operating profit increased by 6.5% year on year to ¥4,264 million, ordinary profit increased by 14.7% year on year to ¥4,513 million, and profit attributable to owners of parent decreased by 1.7% year on year to ¥2,580 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 ¥5,119 million to ¥58,648 million (¥53,529 million in the end of the previous fiscal year). This is mainly attributable to increases in cash and deposits and work in process.

(Non-current assets)

Non-current assets as of the end of the second quarter of the fiscal year under review increased by ¥1,530 million to ¥22,219 million (¥20,689 million in the end of the previous fiscal year). This is mainly attributable to an increase in investment securities 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 increased by ¥3,328 million to ¥32,738 million (¥29,409 million in 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 ¥548 million to ¥3,195 million (¥2,647 million in 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 second quarter of the fiscal year under review increased by ¥2,772 million to ¥44,933 million (¥42,160 million in 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 ¥3,495 million from the end of the previous fiscal year to ¥28,405 million as a result of the recording of profit before income taxes of ¥4,077 million, and using capital mainly in investing activities 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 increased by ¥3,939 million from the corresponding period of the previous fiscal year to ¥4,538 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 decreased by ¥7 million from the corresponding period of the previous fiscal year to ¥204 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 decreased by ¥1 million from the corresponding period of the previous fiscal year to ¥830 million. This is mainly attributable to cash dividends paid and repayments of long-term loans payable.

(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 September 30, 2017
Assets		
Current assets		
Cash and deposits	25,686,519	28,790,468
Notes and accounts receivable - trade	21,693,902	22,120,489
Merchandise and finished goods	2,148,030	2,263,923
Work in process	2,095,071	2,902,031
Raw materials and supplies	1,639,859	1,911,211
Other	1,323,030	1,828,034
Allowance for doubtful accounts	(1,057,134)	(1,167,606)
Total current assets	53,529,280	58,648,553
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,929,605	3,828,600
Land	5,136,219	5,138,518
Other, net	2,415,986	2,768,029
Total property, plant and equipment	11,481,811	11,735,147
Intangible assets	220,170	229,542
Investments and other assets		
Other	9,006,923	10,277,127
Allowance for doubtful accounts	(19,675)	(22,207)
Total investments and other assets	8,987,248	10,254,920
Total non-current assets	20,689,230	22,219,610
Total assets	74,218,510	80,868,163

(Thousand yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,268,999	21,852,711
Short-term loans payable	780,451	729,718
Income taxes payable	1,597,144	1,750,220
Provision for bonuses	1,757,386	1,776,312
Provision for product warranties	233,897	384,640
Provision for loss on construction contracts	-	75,332
Other	4,771,930	6,169,731
Total current liabilities	29,409,810	32,738,668
Non-current liabilities		
Long-term loans payable	244,725	127,791
Provision for directors' retirement benefits	732,171	745,500
Provision for contingent loss	-	408,383
Net defined benefit liability	263,607	123,768
Asset retirement obligations	100,473	100,995
Other	1,306,817	1,689,389
Total non-current liabilities	2,647,794	3,195,829
Total liabilities	32,057,605	35,934,497
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	38,140,091
Treasury shares	(3,212,194)	(3,212,407)
Total shareholders' equity	38,977,203	40,856,257
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,259,400	4,060,471
Foreign currency translation adjustment	68,104	63,345
Remeasurements of defined benefit plans	(154,306)	(79,620)
Total accumulated other comprehensive income	3,173,198	4,044,197
Non-controlling interests	10,503	33,211
Total net assets	42,160,905	44,933,665
Total liabilities and net assets	74,218,510	80,868,163

(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, 2016	For the six months ended September 30, 2017
Net sales	37,619,255	41,470,467
Cost of sales	27,717,075	30,751,808
Gross profit	9,902,180	10,718,659
Selling, general and administrative expenses	5,898,712	6,453,919
Operating profit	4,003,467	4,264,739
Non-operating income		
Interest income	2,329	4,448
Dividend income	49,530	56,138
House rent income	34,703	48,753
Insurance and dividend income	22,549	83,648
Foreign exchange gains	-	975
Other	86,838	86,715
Total non-operating income	195,951	280,680
Non-operating expenses		
Interest expenses	11,685	9,376
Foreign exchange losses	235,170	-
Compensation expenses	5,308	7,294
Other	13,357	15,748
Total non-operating expenses	265,521	32,418
Ordinary profit	3,933,896	4,513,000
Extraordinary losses		
Provision for contingent loss	-	408,383
Contingent loss expense	-	26,764
Total extraordinary losses	-	435,148
Profit before income taxes	3,933,896	4,077,852
Income taxes - current	1,414,691	1,653,282
Income taxes - deferred	(112,638)	(148,229)
Total income taxes	1,302,052	1,505,052
Profit	2,631,844	2,572,799
Profit (loss) attributable to non-controlling interests	6,264	(7,761)
Profit attributable to owners of parent	2,625,580	2,580,560

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Profit	2,631,844	2,572,799
Other comprehensive income		
Valuation difference on available-for-sale securities	(145,795)	801,071
Foreign currency translation adjustment	(196,465)	(1,436)
Remeasurements of defined benefit plans, net of tax	221,941	74,686
Total other comprehensive income	(120,319)	874,321
Comprehensive income	2,511,525	3,447,121
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,505,287	3,451,559
Comprehensive income attributable to non-controlling interests	6,238	(4,438)

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	3,933,896	4,077,852
Depreciation	394,854	401,688
Increase (decrease) in allowance for doubtful accounts	24,031	130,317
Increase (decrease) in provision for bonuses	175,187	18,919
Increase (decrease) in provision for product warranties	(15,843)	150,742
Increase (decrease) in provision for loss on construction contracts	-	75,332
Increase (decrease) in net defined benefit liability	137,630	(31,596)
Increase (decrease) in provision for directors' retirement benefits	(48,191)	13,329
Increase (decrease) in provision for contingent loss	-	408,383
Interest and dividend income	(51,860)	(60,587)
Interest expenses	11,685	9,376
Foreign exchange losses (gains)	160,305	(3,681)
Loss (gain) on valuation of investment securities	-	624
Loss (gain) on sales of property, plant and equipment	(286)	(132)
Loss on retirement of property, plant and equipment	353	227
Decrease (increase) in notes and accounts receivable - trade	(295,152)	669,576
Decrease (increase) in inventories	(1,265,038)	(1,201,859)
Decrease (increase) in other current assets	(364,684)	(154,400)
Decrease (increase) in other non-current assets	(98,749)	(104,350)
Increase (decrease) in notes and accounts payable - trade	(584,374)	1,432,361
Increase (decrease) in other current liabilities	(79,806)	210,770
Other, net	903	1,060
Subtotal	2,034,862	6,043,954
Interest and dividend income received	52,153	60,664
Interest expenses paid	(10,556)	(8,104)
Income taxes paid	(1,477,342)	(1,557,710)
Net cash provided by (used in) operating activities	599,117	4,538,803

(Thousand yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Cash flows from investing activities		
Payments into time deposits	(496,672)	(430,228)
Proceeds from withdrawal of time deposits	1,060,208	820,422
Purchase of property, plant and equipment	(738,301)	(542,250)
Proceeds from sales of property, plant and equipment	750	132
Purchase of intangible assets	(11,800)	(33,136)
Purchase of investment securities	(23,555)	(24,310)
Purchase of memberships	(8,000)	-
Proceeds from share of profits on investments in capital	5,340	5,340
Net cash provided by (used in) investing activities	(212,030)	(204,031)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	30,920	-
Repayments of long-term loans payable	(262,784)	(159,851)
Proceeds from share issuance to non-controlling shareholders	-	27,146
Purchase of treasury shares	(190)	(212)
Repayments of finance lease obligations	(1,451)	(960)
Cash dividends paid	(597,964)	(696,325)
Net cash provided by (used in) financing activities	(831,470)	(830,203)
Effect of exchange rate change on cash and cash equivalents	(301,907)	(9,325)
Net increase (decrease) in cash and cash equivalents	(746,291)	3,495,242
Cash and cash equivalents at beginning of period	20,381,498	24,910,742
Cash and cash equivalents at end of period	19,635,207	28,405,984

3. Others

Significant litigation matters, etc.

On August 10, 2017, Daiichi-tec Co., Ltd. filed a litigation claim against the Company, seeking payment for contracts regarding specific construction work of a joint venture comprised of four companies including the Company. However, the Company asserts that there is no basis for any such claim, and the litigation is currently pending in the Osaka District Court (the amount of claim: ¥740 million).

Additionally, on August 15, 2017, Newwell Co., Ltd. filed a litigation claim against a joint venture comprised of four companies including the Company as a defendant, seeking payment for sales charges. However, the Company asserts that the goods covered under the sales charges are not within the scope of those managed by the Company, and the litigation is currently pending in the Tokyo District Court (the amount of claim: ¥243 million).