

Consolidated Financial Results for the Three Months Ended June 30, 2017 [Japanese GAAP]



August 14, 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: August 14, 2017

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, 2017 (April 1, 2017 to June 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	%
Three months ended June 30, 2017	18,877	2.8	1,287	(30.3)	1,427	(17.9)	550	(65.8)
June 30, 2016	18,354	16.1	1,845	15.2	1,738	2.4	1,610	41.8

(Note) Comprehensive income: Three months ended June 30, 2017: ¥859 million [(31.1)%]

Three months ended June 30, 2016: ¥1,246 million [3.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2017	27.47	-
June 30, 2016	80.39	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2017	76,346	42,318	55.4
As of March 31, 2017	74,218	42,160	56.8

(Reference) Equity: As of June 30, 2017: ¥42,312 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	-				
Fiscal year ending March 31, 2018 (Forecast)		0.00	-	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
First half	37,841	0.6	3,500	(12.6)	3,454	(12.2)	1,788	(31.9)	89.28
Full year	79,488	(1.0)	7,890	(6.0)	8,140	(6.8)	4,872	(19.0)	243.17

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

* 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: -)

Notes on changes in significant subsidiaries during the period

(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, 2017: 22,066,160 shares

March 31, 2017: 22,066,160 shares

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

June 30, 2017: 2,029,225 shares

March 31, 2017: 2,029,173 shares

3) Average number of shares during the period:

Three months ended June 30, 2017: 20,036,952 shares

Three months ended June 30, 2016: 20,037,159 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 three months ended June 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 concerns about the impact of the U.S. economy on the Japanese economy.

In the business environment in which our Group operates, the restaurant industry has been generally solid as fast-food outlets remained strong and izakayas (Japanese-style bars), which had been weak, saw signs of recovery though a severe environment continued due to rising food and labor costs. In the distribution industry, amid an ongoing strong desire to restrain spending, more companies have focused on store renovation, for example, by offering more prepared food items targeting elderly people or single-person households. Also, competition beyond business types has intensified as shown by some drug stores providing food products and some convenience stores selling medicines and entering into partnerships with supermarket chains.

Net sales of commercial refrigerators and freezers increased by 10.6% year on year. Sales of general purpose commercial refrigerators and freezers rose after the Company focused its energies on developing products that matched the needs of specific users. In addition, sales of ice machines increased as the product lineup expanded with the launch of half-cube ice machines. Furthermore, in addition to introducing more small-scale bakery systems for restaurants, sales of small-scale dough conditioners increased.

Net sales of refrigerated and freezer showcases increased by 0.6% year on year. This was due to increased investment in the remodeling of supermarkets and drug stores, though convenience stores and supermarkets have been reluctant to open new stores in a sluggish market due to a declining birth rate and an aging population.

Net sales of large-scale food processing equipment increased by 45.2% year on year. This was due to firm sales of tunnel freezers owing to increased demand for capital expenditure to integrate, consolidate, increase the efficiency of and automate food factories.

Net sales of large-scale panel refrigerators decreased by 41.3% year on year, in reaction to a significant increase of sales in the previous year, though the Company still received many inquiries associated with investment to consolidate and streamline operations because of personnel shortages.

Net sales of small-scale panel refrigerators increased by 14.2% 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 14.7% 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 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 three months ended June 30, 2017, net sales increased by 2.8% year on year to ¥18,877 million.

Further, operating profit decreased by 30.3% year on year to ¥1,287 million, ordinary profit decreased by 17.9% year on year to ¥1,427 million, and profit attributable to owners of parent decreased by 65.8% year on year to ¥550 million, as ¥477 million was included in the cost of sales and ¥409 million was included in extraordinary losses as provision for contingent loss due to improper cost calculation and order placement, etc. discovered in our Group.

(2) Explanation of Financial Position

(Current assets)

Current assets as of the end of the first quarter of the fiscal year under review increased by ¥1,876 million to ¥55,405 million (¥53,529 million in the end of the previous fiscal year). This is mainly attributable to the increase in work in process in inventory.

(Non-current assets)

Non-current assets as of the end of the first quarter of the fiscal year under review increased by ¥251 million to ¥20,940 million (¥20,689 million in the end of the previous fiscal year). This is mainly attributable to the increase in investment securities included in “Other” under investments and other assets.

(Current liabilities)

Current liabilities as of the end of the first quarter of the fiscal year under review increased by ¥1,537 million to ¥30,946 million (¥29,409 million in the end of the previous fiscal year). This is mainly attributable to the increase in provision for bonuses.

(Non-current liabilities)

Non-current liabilities as of the end of the first quarter of the fiscal year under review increased by ¥432 million to ¥3,080 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 first quarter of the fiscal year under review increased by ¥157 million to ¥42,318 million (¥42,160 million in the end of the previous fiscal year). This is mainly attributable to the increase 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, 2017 and the fiscal year ending March 31, 2018, please refer to “Notice on Revision of the Financial Results Forecasts” announced on August 14, 2017.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	25,686,519	25,912,145
Notes and accounts receivable – trade	21,693,902	20,909,148
Merchandise and finished goods	2,148,030	2,127,422
Work in process	2,095,071	3,869,854
Raw materials and supplies	1,639,859	1,908,778
Other	1,323,030	1,717,419
Allowance for doubtful accounts	(1,057,134)	(1,039,064)
Total current assets	53,529,280	55,405,703
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,929,605	3,878,831
Land	5,136,219	5,137,139
Other, net	2,415,986	2,437,826
Total property, plant and equipment	11,481,811	11,453,797
Intangible assets	220,170	228,399
Investments and other assets		
Other	9,006,923	9,280,047
Allowance for doubtful accounts	(19,675)	(21,596)
Total investments and other assets	8,987,248	9,258,451
Total non-current assets	20,689,230	20,940,648
Total assets	74,218,510	76,346,352

(Thousand yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable – trade	20,268,999	20,753,652
Short-term loans payable	780,451	736,250
Income taxes payable	1,597,144	919,613
Provision for bonuses	1,757,386	2,553,547
Provision for product warranties	233,897	303,134
Provision for loss on construction contracts	-	75,332
Other	4,771,930	5,605,443
Total current liabilities	29,409,810	30,946,974
Non-current liabilities		
Long-term loans payable	244,725	186,123
Provision for directors' retirement benefits	732,171	732,661
Provision for contingent loss	-	409,270
Net defined benefit liability	263,607	200,443
Asset retirement obligations	100,473	100,734
Other	1,306,817	1,451,513
Total non-current liabilities	2,647,794	3,080,746
Total liabilities	32,057,605	34,027,721
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	36,109,957
Treasury shares	(3,212,194)	(3,212,407)
Total shareholders' equity	38,977,203	38,826,122
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,259,400	3,537,031
Foreign currency translation adjustment	68,104	66,077
Remeasurements of defined benefit plans	(154,306)	(116,963)
Total accumulated other comprehensive income	3,173,198	3,486,145
Non-controlling interests	10,503	6,362
Total net assets	42,160,905	42,318,631
Total liabilities and net assets	74,218,510	76,346,352

(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, 2016	For the three months ended June 30, 2017
Net sales	18,354,665	18,877,680
Cost of sales	13,580,996	14,394,633
Gross profit	4,773,668	4,483,047
Selling, general and administrative expenses	2,928,343	3,195,980
Operating profit	1,845,325	1,287,066
Non-operating income		
Interest income	1,171	2,102
Dividend income	28,617	33,968
House rent income	16,643	23,855
Insurance and dividend income	6,374	32,400
Foreign exchange gains	-	3,986
Other	44,794	53,180
Total non-operating income	97,600	149,493
Non-operating expenses		
Interest expenses	6,576	3,987
Foreign exchange losses	189,225	-
Compensation expenses	1,334	1,241
Other	7,013	3,722
Total non-operating expenses	204,149	8,952
Ordinary profit	1,738,776	1,427,607
Extraordinary losses		
Provision for contingent loss	-	409,270
Total extraordinary losses	-	409,270
Profit before income taxes	1,738,776	1,018,336
Income taxes – current	789,190	859,810
Income taxes – deferred	(685,803)	(383,135)
Total income taxes	103,387	476,674
Profit	1,635,388	541,661
Profit (loss) attributable to non-controlling interests	24,683	(8,764)
Profit attributable to owners of parent	1,610,705	550,426

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Thousand yen)

	For the three months ended June 30, 2016	For the three months ended June 30, 2017
Profit	1,635,388	541,661
Other comprehensive income		
Valuation difference on available-for-sale securities	(430,280)	277,630
Foreign currency translation adjustment	(69,608)	2,597
Remeasurements of defined benefit plans, net of tax	110,970	37,343
Total other comprehensive income	(388,918)	317,571
Comprehensive income	1,246,470	859,233
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,234,740	863,374
Comprehensive income attributable to non-controlling interests	11,729	(4,140)

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Three months ended June 30, 2017

There is no relevant information.

(Notes in the case of significant changes in shareholders' equity)

Three months ended June 30, 2017

There is no relevant information.

(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)

Three months ended June 30, 2017

There is no relevant information.

(Changes in accounting policies)

Three months ended June 30, 2017

There is no relevant information.

(Changes in accounting estimates)

Three months ended June 30, 2017

There is no relevant information.

(Retrospective restatement)

Three months ended June 30, 2017

There is no relevant information.

(Additional information)

The Company recognizes a possibility of obligation to pay to a contractor resulting from improper order placement by its employees. Although the Company has determined that it does not have such a payment obligation, regarding the possible obligation of which can be reasonably estimated, the Company included ¥409,270 thousand as provision for contingent loss under non-current liabilities in the quarterly consolidated balance sheets for the three months ended June 30, 2017, with ¥409,270 thousand as provision for contingent loss under extraordinary losses in the quarterly consolidated statements of income.

3. Others

Material Events Regarding Going Concern Assumption

There is no relevant information.