



Financial Results Summary for the Three-Month Period Ended June 30, 2022 [Japanese GAAP] (Consolidated)

July 30, 2021

Listed company: Fukoku Co., Ltd. Exchange listed on: Tokyo Stock Exchange
 Code: 5185 URL: https://www.fukoku-rubber.co.jp/
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 Scheduled date for submission of quarterly report: August 6, 2021 Scheduled commencement date of dividends payment: -
 Preparation of supplementary materials for quarterly report : None
 Convening quarterly results briefing : None

(Amounts rounded down to the nearest millions of yen.)

1. Consolidated Financial Results for the Three-Month Period Ended June 30, 2022 (From April 1, 2021 to June 30, 2021)

(1) Consolidated Operating Results (cumulative) (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three-month period ended June 30, 2021	18,978	-	1,337	-	1,396	-	866	-
Three-month period ended June 30, 2020	15,884	-16.9	37	-92.3	113	-73.0	-23	-

(Note) Comprehensive income Three-month period ended June 30, 2021 1,903 million yen (-%)
 Three-month period ended June 30, 2020 -1,311 million yen (-%)

	Profit per share		Profit per share – diluted	
	yen		yen	
Three-month period ended June 30, 2021	52.24		-	
Three-month period ended June 30, 2020	-1.39		-	

(Note) The Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., at the beginning of the first quarter under review. Since this change affects net sales figures, year-on-year changes in net sales for the three-month period ended June 30, 2021, are not shown here.

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Three-month period ended June 30, 2021	64,635	33,802	48.8
Fiscal year ended March 2021	63,817	32,321	47.1

(Reference) Shareholders' equity Three-month period ended June 30, 2021 31,517 million yen
 Fiscal year ended March 2021 30,085 million yen

2. Dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 2021	-	0.00	-	22.00	22.00
Fiscal year ending March 2022	-				
Fiscal year ending March 2022 (forecast)		25.00	-	20.00	45.00

(Note) Revision of the dividends forecast released most recently : None

3. Forecast of Consolidated Results for the Fiscal Year Ending March 2022 (from April 1, 2021 to March 31, 2022)

(Percentages represent changes from the previous year for the full year, and on a year-on-year basis for quarterly results.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Q2 (cumulative)	37,000	-	1,850	-	2,000	-	1,350	-	81.41
Full year	73,000	-	3,720	-	3,900	-	2,450	-	147.75

(Note 1) Revision of the consolidated results forecast released most recently : None

(Note 2) Due to the adoption of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., beginning in the first quarter under review, the above consolidated results forecasts were prepared using the said accounting standard. Thus no year-on-year changes are stated.

* Notes

(1) Changes in significant subsidiaries during the period : None
(Changes in specified subsidiaries resulting in changes in the scope of consolidation)

(2) Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements : Yes

(Note) For details, please see "2. Quarterly Consolidated Financial Statements and Key Notes, (3) Notes to quarterly consolidated financial statements (Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements)" on Page 8 of the attachments.

(3) Change in accounting policies or estimates and retrospective restatements

- (i) Change in accounting policies in accordance with revision of accounting standards : Yes
- (ii) Change in accounting policies other than item i) above : None
- (iii) Change in accounting estimates : None
- (iv) Retrospective restatements : None

(4) Number of shares issued (common shares)

(i) Number of shares issued at the end of the period (including treasury shares)	Q1 of fiscal year ending March 2022	17,609,130 shares	Fiscal year ended March 2021	17,609,130 shares
(ii) Number of treasury shares at the end of the period	Q1 of fiscal year ending March 2022	1,026,802 shares	Fiscal year ended March 2021	1,026,754 shares
(iii) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)	Q1 of fiscal year ending March 2022	16,582,344 shares	Q1 of fiscal year ending March 2021	16,562,916 shares

* Quarterly financial results are not subject to quarterly reviews by a Certified Public Accountant or audit firm.

* Explanation of appropriate use of operating results forecasts and other special notes

Any statement on the future such as outlook for financial results included in this material is based on information the Company presently has and certain assumptions the Company considers reasonable, and the Company does not intend to be committed to its realization. In addition, actual financial results may significantly differ due to various factors. For assumptions for operating results forecasts and points to consider in utilizing them, please see "1. Qualitative Information on Quarterly Financial Results under Review, (3) Explanation of future forecast information such as consolidated financial results forecasts" on Page 3 of the attachments.

* This document is an English translation of a statement initially written in Japanese. The Original Japanese document should be considered as the primary version.

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1. Qualitative Information on Quarterly Financial Results under Review

(1) Explanation of operating results

During the three-month period under review, the global economy generally saw a quick recovery in demand despite regional differences in the spread of COVID-19 infections.

The automotive industry, where the Group has major customers, saw orders, which had continued an upward trend since the second half of last year, pick up quickly in step with the recovery of automobile sales in the U.S. and China.

Working against this backdrop, the Group enjoyed a steady flow of orders, and consolidated net sales totaled 18,978 million yen (up from 15,884 million yen for the same period last year). The Company worked on various improvements, such as streamlining manufacturing processes and enhancing efficiency in indirect operations, since last fiscal year with an aim of lowering break-even sales. These efforts paid off with operating profit totaling 1,337 million yen (up from 37 million yen for the same period last year), ordinary profit totaling 1,396 million yen (up from 113 million yen for the same period last year), and profit attributable to owners of parent totaling 866 million yen (compared to a loss of 23 million yen for the same period last year). While net sales decreased 455 million yen due to the adoption of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc., the effects of this change on profit/loss were insignificant. While the Company expects to be affected by the global shortage of semiconductors, higher shipping costs due to container shortages, and rising material costs during the rest of the fiscal year, it will take optimal measures to minimize the impact.

The Group's business performance by segment is as follows.

Functional Parts Business

Net sales increased 37.1% year on year, totaling 8,782 million yen as orders quickly recovered in Japan and overseas. Segment income rose 309.4% year on year to hit 1,265 million yen as a result of structural reforms, including the streamlining of production and cost cutting, in addition to sales growth. While net sales fell 67 million yen due to the adoption of the Revenue Recognition Accounting Standard, etc., there was no effect on segment income.

Anti-Vibration Parts Business

Net sales rose 11.8% year on year to total 718 million yen as orders steadily recovered. Segment income was up 33.0% year on year to total 505 million yen thanks to increased sales as well as structural reforms focusing on streamlining production, cutting costs, etc. While net sales decreased 56 million yen due to the adoption of the Revenue Recognition Accounting Standard, etc., the effect on segment income was insignificant.

Metal Business

Net sales dropped 19.9% year on year to total 1,310 million yen. A segment loss of 13 million yen (which was 111 million yen for the same period last year) was posted because structural reforms were still running late. While net sales fell 332 million yen due to the adoption of the Revenue Recognition Accounting Standard, etc., it did not affect segment income.

Hose Business

Net sales rose 18.7% year on year to total 1,200 million yen as orders steadily recovered. Segment income increased 240.2% year on year to total 93 million yen due to increased net sales.

Industrial Equipment Business

Net sales increased 25.4% year on year to total 749 million yen as orders steadily recovered. Segment income was up 174.6% year on year to total 144 million yen thanks to increased sales as well as the positive effects of structural reforms.

(2) Explanation of financial position

Total assets as of the end of the first quarter under review were 64,635 million yen, up 817 million yen over the end of last fiscal year.

Current assets increased 468 million yen over the end of last fiscal year to total 36,687 million yen. This is due primarily to an increase in merchandise and finished goods as a result of the recovery in orders.

Non-current assets rose 349 million yen over the end of last fiscal year to total 27,948 million yen. This is primarily due to the acquisition of property, plant, and equipment as well as the effects of foreign currency translations.

Liabilities totaled 30,832 million yen, a decrease of 663 million yen compared to the end of last fiscal year. This decrease is primarily attributable to the repayment of short-term borrowings.

Net assets totaled 33,802 million yen, an increase of 1,481 million yen over the end of last fiscal year. This is primarily due to increases in retained earnings and foreign currency translation adjustments.

As a result, the shareholders' equity ratio came to 48.8%, up 1.7 percentage points over the end of last fiscal year.

(3) Explanation of future forecast information such as consolidated financial results forecasts

The Company has revised the forecast figures for consolidated results for the six-month period ending September 30, 2021, and the fiscal year ending March 31, 2022, as well as the dividends forecast, all of which were announced on May 14, 2021. For more information, see the notice dated July 28, 2021, regarding the revisions to the consolidated performance forecasts and dividends forecast.

The above forecasts represent the Company's best judgment based on information currently available. Actual results may vary from the above forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Previous fiscal year (March 31, 2021)	First quarter under review (June 30, 2021)
Assets		
Current assets		
Cash and deposits	8,992	8,967
Notes and accounts receivable - trade	18,713	18,627
Merchandise and finished goods	3,990	4,317
Work in process	1,060	1,192
Raw materials and supplies	2,200	2,276
Other	1,299	1,343
Allowance for doubtful accounts	-37	-38
Total current assets	36,218	36,687
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,235	7,393
Machinery, equipment and vehicles, net	10,040	10,015
Land	5,806	5,856
Other, net	2,101	2,171
Total property, plant and equipment	25,184	25,437
Intangible assets	784	840
Investments and other assets		
Investment securities	745	779
Other	898	905
Allowance for doubtful accounts	-13	-13
Total investments and other assets	1,629	1,670
Total non-current assets	27,599	27,948
Total assets	63,817	64,635

(Million yen)

	Previous fiscal year (March 31, 2021)	First quarter under review (June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,460	4,705
Electronically recorded obligations - operating	4,733	4,969
Short-term borrowings	8,751	8,180
Income taxes payable	209	196
Provision for bonuses	798	537
Other	4,317	4,102
Total current liabilities	23,270	22,692
Non-current liabilities		
Long-term borrowings	3,338	2,886
Retirement benefit liability	2,296	2,370
Provision for retirement benefits for directors (and other officers)	144	137
Other	2,446	2,746
Total non-current liabilities	8,225	8,140
Total liabilities	31,496	30,832
Net assets		
Shareholders' equity		
Share capital	1,395	1,395
Capital surplus	1,571	1,571
Retained earnings	28,315	28,817
Treasury shares	-933	-933
Total shareholders' equity	30,348	30,850
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	109	115
Deferred gains or losses on hedges	1	-15
Foreign currency translation adjustment	-374	566
Total accumulated other comprehensive income	-262	666
Non-controlling interests	2,235	2,285
Total net assets	32,321	33,802
Total liabilities and net assets	63,817	64,635

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
(Quarterly consolidated statement of income)
(Three-month period)

(Million yen)

	Three-month period in the previous fiscal year (From April 1, 2020 to June 30, 2020)	Three-month period under review (From April 1, 2021 to June 30, 2021)
Net sales	15,884	18,978
Cost of sales	13,624	15,266
Gross profit	2,260	3,712
Selling, general and administrative expenses	2,223	2,374
Operating profit	37	1,337
Non-operating income		
Interest income	15	6
Dividend income	3	2
Share of profit of entities accounted for using equity method	-	0
Foreign exchange gains	-	31
Subsidies for employment adjustment	101	2
Other	26	53
Total non-operating income	146	96
Non-operating expenses		
Interest expenses	34	24
Share of loss of entities accounted for using equity method	1	-
Foreign exchange losses	13	-
Other	20	12
Total non-operating expenses	70	37
Ordinary profit	113	1,396
Extraordinary losses		
Loss on valuation of investment securities	0	-
Total extraordinary losses	0	-
Profit before income taxes	113	1,396
Income taxes - current	226	219
Income taxes - deferred	-156	282
Total income taxes	69	502
Profit	43	894
Profit attributable to non-controlling interests	66	27
Profit (loss) attributable to owners of parent	-23	866

(Quarterly consolidated statement of comprehensive income)

(Three-month period)

(Million yen)

	Three-month period in the previous fiscal year (From April 1, 2020 to June 30, 2020)	Three-month period under review (From April 1, 2021 to June 30, 2021)
Profit	43	894
Other comprehensive income		
Valuation difference on available-for-sale securities	6	5
Deferred gains or losses on hedges	-24	-15
Foreign currency translation adjustment	-1,328	994
Share of other comprehensive income of entities accounted for using equity method	-8	24
Total other comprehensive income	-1,355	1,009
Comprehensive income	-1,311	1,903
Profit attributable to		
Comprehensive income attributable to owners of parent	-1,193	1,796
Comprehensive income attributable to non-controlling interests	-117	107

(3) Notes to quarterly consolidated financial statements

(Notes to assumptions for ongoing concerns)

Not applicable.

(Notes when there is a significant change in the amount of shareholders' equity)

Not applicable.

(Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements)

(Calculation of tax expenses)

With respect to tax expenses incurred by some consolidated subsidiaries, the Company reasonably estimated the effective tax rate after applying tax effect accounting to profit before income taxes in the fiscal year, including the first quarter under review, and calculated them by multiplying this estimated effective tax rate by profit before income taxes.

(Change in accounting policies)

(Adoption of Accounting Standard for Revenue Recognition)

The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc., at the beginning of the first quarter under review. Under this standard, revenue is recognized when control of promised goods or services is transferred to the customer, in the amount expected to be received in exchange for the goods or services.

In addition, the Company applies the alternative practice provided in Paragraph 98 of the Guidance on Accounting Standard for Revenue Recognition and recognizes revenue upon shipment of goods or products sold in Japan, if the period from shipment to transfer of control of the goods or products to the customer is of normal length.

The major change is that in the case of transactions, where the Company processes raw materials bought from a customer and then sells them back to that customer, the Company now recognizes the net amount of payment received from the customer minus the purchase price of raw materials as revenue, whereas previously the Company would recognize the total amount of payment including the purchase price of raw materials as revenue.

In addition, for transactions in which the Company's role in selling products to customers falls under the category of agent, the Company previously recognized revenue based on the total amount of payment received from the customer, but has changed to a method of recognizing revenue based on the net amount of such total payment minus the amount paid to third parties.

The Company has applied the Revenue Recognition Accounting Standard, etc., in accordance with the transitional treatment provided in the proviso of Paragraph 84 of the Guidance on Accounting Standard for Revenue Recognition. After the cumulative effects of retrospectively applying the new accounting policy prior to the beginning of the first quarter under review were added to or subtracted from the beginning balance of retained earnings, the Company began using the new accounting policy starting with the beginning balance of the current fiscal year. However, while the Company applied the policy set forth in Paragraph 86 of the Revenue Recognition Accounting Standard, it did not apply the new accounting policy retrospectively to contracts in which almost all of the revenue amounts were recognized using the previous accounting practice prior to the beginning of the first quarter under review. Using the method specified in the additional provision (1) of Paragraph 86 of the Revenue Recognition Accounting Standard, the Company accounted for contract changes made prior to the beginning of the first quarter under review based on the contract terms after reflecting all contract changes, and added or subtracted the cumulative effects of such changes on retained earnings at the beginning of the first quarter under review.

As a result, net sales and cost of sales for the first quarter under review decreased 455 million yen and 454 million yen respectively. The effects on operating profit, ordinary profit, and profit before income taxes were insignificant. The effects on the beginning balance of retained earnings were also insignificant.

In accordance with the transitional treatment specified in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the prior year's consolidated financial statements have not been reclassified to conform to the new presentation.

(Adoption of Accounting Standard for Fair Value Measurement)

The Company adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019); hereinafter the "Fair Value Measurement Accounting Standard"), etc., at the beginning of the first quarter under review. In accordance with the transitional treatment specified in Paragraph 19 of the Fair Value Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company applies the new accounting policies set forth in the Fair Value Accounting Standard prospectively. The adoption of the new accounting standard had no effect on quarterly consolidated financial statements.

(Additional information)

(Accounting estimates on the impact of COVID-19)

There have been no significant changes to the assumptions and accounting estimates regarding the impact of COVID-19 described under "Critical Accounting Estimates" in the annual securities report for the previous fiscal year.

(Segment information)

Segment information

I. Three-month period in the previous fiscal year (from April 1, 2020 to June 30, 2020)

1. Information on net sales, income or loss by reporting segment

(Million yen)

	Reporting segment					Total	Adjustments (Note) 1	Quarterly consolidated statement of income amounts (Note) 2
	Functional Parts	Anti- Vibration Parts	Metal	Hose	Industrial Equipment			
Net sales								
Sales to external customers	6,305	6,357	1,635	988	597	15,884	-	15,884
Intersegment sales or transfer	102	0	1	21	-	126	-126	-
Total	6,408	6,357	1,636	1,010	597	16,011	-126	15,884
Segment income (loss)	309	380	-111	27	52	657	-620	37

(Notes) 1. The adjustment of -620 million yen for segment income (loss) includes an inter-segment elimination of 3 million yen and corporate expenses that are not allocated to any reportable segments totaling -624 million yen. Corporate expenses are primarily general and administrative expenses that are not attributable to any reportable segments.

2. Segment income (loss) is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

2. Information on impairment loss on non-current assets and goodwill and other by reporting segment

Not applicable.

II. Three-month period under review (from April 1, 2021 to June 30, 2021)

1. Information on net sales, income or loss by reporting segment

(Million yen)

	Reporting segment					Total	Adjustments (Note) 1	Quarterly consolidated statement of income amounts (Note) 2
	Functional Parts	Anti- Vibration Parts	Metal	Hose	Industrial Equipment			
Net sales								
Sales to external customers	8,635	7,107	1,310	1,175	749	18,978	-	18,978
Intersegment sales or transfer	147	1	0	24	-	173	-173	-
Total	8,782	7,108	1,310	1,200	749	19,152	-173	18,978
Segment income (loss)	1,265	505	-13	93	144	1,996	-658	1,337

(Notes) 1. The adjustment of -658 million yen for segment income (loss) includes an inter-segment elimination of -3 million yen and corporate expenses that are not allocated to any reportable segments totaling -655 million yen. Corporate expenses are primarily general and administrative expenses that are not attributable to any reportable segments.

2. Segment income (loss) is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

2. Information on changes to reporting segments, etc.

As described in "Changes in Accounting Policies," the Company adopted the Revenue Recognition Accounting Standard, etc., at the beginning of the first quarter under review and changed its accounting method for revenue recognition. Accordingly, the method of accounting for profit or loss in the business segments has also been changed.

As a result of these changes, net sales for the functional parts, anti-vibration parts, and metal business segments have declined by 67 million yen, 56 million yen, and 332 million yen respectively compared to the figures otherwise calculated by the accounting method used prior to the changes. The effects of these changes on operating profit were insignificant.

3. Information on impairment loss on non-current assets and goodwill and other by reporting segment

Not applicable.