



Financial Results Summary for the Nine Months Ended December 31, 2021 [Japanese GAAP]
(Consolidated)

February 4, 2022

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 Securities Code: 5185 URL: <https://www.fukoku-rubber.co.jp/>
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Scheduled date for submission of quarterly report: February 10, 2022
 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 Nine Months Ended December 31, 2021 (From April 1, 2021, to December 31, 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	%
Nine months ended December 31, 2021	54,149	-	1,808	-	2,487	-	1,875	-
Nine months ended December 31, 2020	44,905	-20.2	-304	-	270	-69.4	8	-98.7

(Note) Comprehensive income: Nine months ended December 31, 2021 2,522 million yen [-%]
 Nine months ended December 31, 2020 -1,175 million yen [-%]

	Profit per share	Profit per share – diluted
	yen	yen
Nine months ended December 31, 2021	113.80	-
Nine months ended December 31, 2020	0.53	-

(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 of the fiscal year ending March 31, 2022. Since this change affects net sales figures, year-on-year changes in net sales for the nine months ended December 31, 2021, are not shown here.

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Nine months ended December 31, 2021	64,592	33,425	48.4
As of March 31, 2021	63,817	32,321	47.1

(Reference) Shareholders' equity: As of December 31, 2021 31,271 million yen
 As of March 31, 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
As of March 31, 2021	-	0.00	-	22.00	22.00
Fiscal year ending March 31, 2022	-	29.00	-		
Fiscal year ending March 31, 2022 (forecast)				20.00	49.00

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

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

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	71,800	-	2,200	-	2,900	-	2,250	-	139.79

(Note 1) Revision of the consolidated results forecast released most recently: Yes

(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 of the fiscal year ending March 31, 2022, the above consolidated results forecasts were prepared using the said accounting standard. Therefore, no year-on-year changes are stated.

* Notes

- (1) Changes in significant subsidiaries during the period
(Changes in specified subsidiaries resulting in changes in the scope of consolidation) : None
- (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)
- (ii) Number of treasury shares at the end of the period
- (iii) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)

As of December 31, 2021	17,609,130 shares	As of March 31, 2021	17,609,130 shares
As of December 31, 2021	1,513,521 shares	As of March 31, 2021	1,026,754 shares
As of December 31, 2021	16,480,114 shares	Nine months ended December 31, 2020	16,573,727 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 nine months ended December 31, 2021, the recovery of the global economy remained sluggish due to the impact of repeated surges of COVID-19 in various countries around the world.

Under these circumstances, while the Group saw a slowdown in orders from the second quarter and earlier, consolidated net sales increased 20.6% year-on-year to 54,149 million yen. Although manufacturing costs were pushed up by rising raw materials prices and surging transportation costs, as well as production adjustments due to shortages of semiconductors in automotive manufacturers and components manufacturers, which are the Group's main customers, operating profit totaled 188 million yen (compared to a loss of 304 million yen for the same period of the previous fiscal year), ordinary profit totaled 2,487 million yen (compared to 270 million yen for the same period of the previous fiscal year), and profit attributable to owners of parent totaled 1,875 million yen (compared to 8 million yen for the same period of the previous fiscal year). While net sales decreased 1,158 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 effect on profit/loss was insignificant.

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

Functional Parts Business

Net sales increased 21.5% year-on-year to 24,134 million yen despite a slight slowdown in orders from the second quarter and earlier. Segment income increased 76.9% year-on-year to 2,497 million yen despite the impact of rising raw materials prices and surging transportation costs. While net sales decreased 178 million yen due to the adoption of the Revenue Recognition Accounting Standard, etc., there is no effect on segment income.

Anti-Vibration Parts Business

Net sales increased 24.5% year-on-year to 20,937 million yen as orders remained steady. Segment income increased 74.8% year-on-year to 889 million yen although manufacturing costs were pushed up by a surge in costs of materials for metal parts. While net sales decreased 46 million yen due to the adoption of the Revenue Recognition Accounting Standard, etc., the effect on segment income was insignificant.

Metal Business

Net sales decreased 0.8% year-on-year to 3,983 million yen as orders fell slightly. Segment loss was 154 million yen (compared to a loss of 484 million yen for the same period of the previous fiscal year) due to a rise in costs for materials for metal parts. While net sales decreased 933 million yen due to the adoption of the Revenue Recognition Accounting Standard, etc., there is no effect on segment income.

Hose Business

Net sales increased 34.9% year-on-year to 3,331 million yen as orders steadily recovered. Segment income was 128 million yen (compared to a loss of 106 million yen for the same period of the previous fiscal year) due to increased net sales.

Industrial Equipment Business

Net sales increased 5.1% year-on-year to 2,238 million yen as orders remained steady. Segment income increased 93.8% year-on-year to 416 million yen due to increased net sales.

(2) Explanation of financial position

Total assets as of December 31, 2021, were 64,592 million yen, an increase of 774 million yen from the end of the previous fiscal year.

Current assets increased 1,321 million yen from the end of the previous fiscal year to 37,540 million yen. This increase is primarily attributable to increases in cash and deposits.

Non-current assets decreased 546 million yen from the end of the previous fiscal year to 27,052 million yen. This is primarily attributable to the decrease due to the reduced acquisition of machinery, equipment and others.

Liabilities totaled 31,167 million yen, a decrease of 328 million yen from the end of the previous fiscal year. This is primarily attributable to the decrease in borrowings.

Net assets totaled 33,425 million yen, an increase of 1,103 million yen from the end of the previous 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 48.4%, up 1.3 percentage points from the end of the previous fiscal year.

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

The Company revised the full-year consolidated financial results forecasts for the fiscal year ending March 31, 2022, announced on July 28, 2021. For more information, see the notice dated February 4, 2022, regarding the revisions to the consolidated financial results forecasts.

Regarding the dividend forecast for the fiscal year ending March 31, 2022, the Company will keep the year-end dividend unchanged at 20 yen per share.

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 As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	8,992	9,858
Notes and accounts receivable - trade	18,713	17,492
Merchandise and finished goods	3,990	4,674
Work in process	1,060	1,192
Raw materials and supplies	2,200	2,913
Other	1,299	1,444
Allowance for doubtful accounts	-37	-37
Total current assets	36,218	37,540
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,235	7,698
Machinery, equipment and vehicles, net	10,040	9,519
Land	5,806	5,799
Other, net	2,101	1,513
Total property, plant and equipment	25,184	24,530
Intangible assets	784	831
Investments and other assets		
Investment securities	745	746
Other	898	957
Allowance for doubtful accounts	-13	-13
Total investments and other assets	1,629	1,690
Total non-current assets	27,599	27,052
Total assets	63,817	64,592

(Million yen)

	Previous fiscal year As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,460	4,246
Electronically recorded obligations - operating	4,733	5,325
Short-term borrowings	8,751	8,920
Income taxes payable	209	224
Provision for bonuses	798	562
Other	4,317	4,984
Total current liabilities	23,270	24,264
Non-current liabilities		
Long-term borrowings	3,338	2,102
Retirement benefit liability	2,296	2,357
Provision for retirement benefits for directors (and other officers)	144	137
Other	2,446	2,304
Total non-current liabilities	8,225	6,903
Total liabilities	31,496	31,167
Net assets		
Shareholders' equity		
Share capital	1,395	1,395
Capital surplus	1,571	1,572
Retained earnings	28,315	29,344
Treasury shares	-933	-1,416
Total shareholders' equity	30,348	30,897
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	109	87
Deferred gains or losses on hedges	1	-28
Foreign currency translation adjustment	-374	315
Total accumulated other comprehensive income	-262	374
Non-controlling interests	2,235	2,153
Total net assets	32,321	33,425
Total liabilities and net assets	63,817	64,592

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
 (Quarterly consolidated statement of income)
 (Nine months ended December 31, 2021)

	(Million yen)	
	Nine months ended December 31, 2020 (from April 1, 2020, to December 31, 2020)	Nine months ended December 31, 2021 (from April 1, 2021, to December 31, 2021)
Net sales	44,905	54,149
Cost of sales	38,886	45,161
Gross profit	6,018	8,987
Selling, general and administrative expenses	6,323	7,179
Operating profit (loss)	-304	1,808
Non-operating income		
Interest income	31	18
Dividend income	74	6
Share of profit of entities accounted for using equity method	6	4
Foreign exchange gains	-	176
Gain on sale of non-current assets	27	258
Subsidies for employment adjustment	428	199
Other	192	161
Total non-operating income	760	826
Non-operating expenses		
Interest expenses	85	75
Foreign exchange losses	46	-
Loss on sale of non-current assets	-	33
Loss on retirement of non-current assets	44	30
Other	7	7
Total non-operating expenses	185	146
Ordinary profit	270	2,487
Extraordinary income		
Gain on sale of investment securities	-	31
Total extraordinary income	-	31
Extraordinary losses		
Loss on valuation of investment securities	16	-
Total extraordinary losses	16	-
Profit before income taxes	254	2,518
Income taxes - current	332	499
Income taxes - deferred	30	162
Total income taxes	363	661
Profit (loss)	-109	1,857
Loss attributable to non-controlling interests	-117	-17
Profit attributable to owners of parent	8	1,875

(Quarterly consolidated statement of comprehensive income)
(Nine months ended December 31, 2021)

(Million yen)

	Nine months ended December 31, 2020 (from April 1, 2020, to December 31, 2020)	Nine months ended December 31, 2021 (from April 1, 2021, to December 31, 2021)
Profit (loss)	-109	1,857
Other comprehensive income		
Valuation difference on available-for-sale securities	13	-21
Deferred gains or losses on hedges	-5	-30
Foreign currency translation adjustment	-1,070	680
Share of other comprehensive income of entities accounted for using equity method	-3	36
Total other comprehensive income	-1,066	664
Comprehensive income	-1,175	2,522
Profit attributable to		
Comprehensive income attributable to owners of parent	-925	2,512
Comprehensive income attributable to non-controlling interests	-250	9

(3) Notes to quarterly consolidated financial statements

(Notes to assumptions for on going concerns)

Not applicable.

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

Based on the resolution of the Board of Directors meeting held on October 29, 2021, the Company repurchased 500,000 shares through the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) on November 1, 2021. As a result, there was an increase of 482 million yen in treasury shares during the nine months ended December 31, 2021, raising the balance of treasury shares to 1,416 million yen as of December 31, 2021.

(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 third 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 of the fiscal year ending March 31, 2022. 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.

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 of the fiscal year ending March 31, 2022, 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 of the fiscal year ending March 31, 2022. 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 of the fiscal year ending March 31, 2022, 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 of the fiscal year ending March 31, 2022.

As a result, net sales and cost of sales for the nine months ended December 31, 2021, decreased 1,158 million yen and 1,158 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 of the fiscal year ending March 31, 2022. 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)

The Company makes estimates and judgments regarding impairment of non-current assets and recoverability of deferred tax assets in consideration of deterioration of profitability due to decreased orders affected by COVID-19 in Japan and abroad. While the Company assumed that the impact would continue throughout the fiscal year under review, it currently makes accounting estimates on the assumption that the impact will continue in the next fiscal year. In the future, actual figures may differ from these estimates and assumptions.

(Segment information)

Segment information

I. Nine months ended December 31, 2020 (from April 1, 2020, to December 31, 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	19,537	16,816	4,011	2,409	2,129	44,905	-	44,905
Intersegment sales or transfer	331	0	3	60	-	396	-396	-
Total	19,868	16,817	4,015	2,470	2,129	45,301	-396	44,905
Segment income (loss)	1,411	509	-484	-106	214	1,544	-1,849	-304

(Notes) 1. The adjustment of -1,849 million yen for segment income (loss) includes an inter-segment elimination of 1 million yen and corporate expenses that are not allocated to any reportable segments totaling -1,851 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 loss 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. Nine months ended December 31, 2021 (from April 1, 2021, to December 31, 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	23,738	20,933	3,982	3,256	2,238	54,149	-	54,149
Intersegment sales or transfer	395	4	0	75	-	476	-476	-
Total	24,134	20,937	3,983	3,331	2,238	54,625	-476	54,149
Segment income (loss)	2,497	889	-154	128	416	3,777	-1,968	1,808

(Notes) 1. The adjustment of -1,968 million yen for segment income (loss) includes an inter-segment elimination of 9 million yen and corporate expenses that are not allocated to any reportable segments totaling -1,978 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. Matters related to 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 of the fiscal year ending March 31, 2022, and changed its accounting method for revenue recognition. Accordingly, the method of accounting for profit or loss in the business segments has also changed.

As a result of these changes, net sales for the metal business, functional parts, and anti-vibration parts segments have declined by 933 million yen, 178 million yen, and 46 million yen respectively for the nine months ended December 31, 2021, 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.