



Financial Results Summary for the Six Months Ended September 30, 2022 [Japanese GAAP] (Consolidated)

October 31, 2022

Company Name: FUKOKU Co., Ltd.	Exchange listed on: Tokyo Stock Exchange
Securities Code: 5185	URL: https://www.fukoku-rubber.co.jp/
Representative: (Title) President & CEO	(Name) Takashi Ogawa
Contact: (Title) Corporate Officer and General Manager of Finance Department	(Name) Norio Nakatsugawa
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Scheduled date for submission of quarterly report:	November 10, 2022
Scheduled commencement date of dividends payment:	December 6, 2022
Preparation of supplementary materials for quarterly report:	Yes
Convening quarterly results briefing:	Yes (For institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)

(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	%
Six months ended September 30, 2022	38,971	6.3	817	-55.1	1,811	-14.8	1,470	-8.7
Six months ended September 30, 2021	36,650	-	1,820	-	2,125	-	1,611	-

(Note) Comprehensive income: Six months ended September 30, 2022 4,579 million yen [78.3%]
Six months ended September 30, 2021 2,568 million yen [- %]

	Profit per share	Profit per share – diluted
	yen	yen
Six months ended September 30, 2022	91.33	-
Six months ended September 30, 2021	97.12	-

(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 ended March 31, 2022. For this reason, year-on-year changes in net sales for the six months ended September 30, 2021, are not shown here.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Six months ended September 30, 2022	72,355	38,608	50.0
As of March 31, 2022	65,039	34,377	49.5

(Reference) Shareholders' equity: Six months ended September 30, 2022 36,208 million yen
As of March 31, 2022 32,224 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, 2022	-	29.00	-	20.00	49.00
Fiscal year ending March 31, 2023	-	27.00			
Fiscal year ending March 31, 2023 (forecast)			-	25.00	52.00

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

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2023 (from April 1, 2022, to March 31, 2023)

(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	77,000	7.7	3,700	111.5	3,800	50.6	2,700	29.5	167.75

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

* Notes

- (1) Changes in major subsidiaries during the period under review (Change in specific subsidiaries that will accompany a change in 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
- 1) Change in accounting policies in accordance with revision of accounting standards: : None
- 2) Change in accounting policies other than item 1) above : None
- 3) Change in accounting estimates : None
- 4) Retrospective restatements : None

(4) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares)	As of September 30, 2022	17,609,130 shares	As of March 31, 2022	17,609,130 shares
2) Number of treasury shares at the end of the period	As of September 30, 2022	1,499,923 shares	As of March 31, 2022	1,513,521 shares
3) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)	As of September 30, 2022	16,097,851 shares	As of September 30, 2021	16,589,034 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 forward-looking statements, such as the financial results outlook, included in this material are based on information the Company presently has and certain assumptions the Company considers reasonable, and they do not constitute a promise that the Company will achieve them. 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

The world situation during the six months ended September 30, 2022 became more unstable due to component supply shortages caused by disruption to supply chains as a result of the lockdown in Shanghai, China, which was carried out as a measure for preventing COVID-19 infections, surging resource prices caused by the prolonged Ukrainian conflict, which broke out in late February, and exchange rate fluctuation caused by currency measures against inflation in the United States. In Japan, automakers, which is the main industry with which the Company does business, are continuing to adjust production in response to supply shortages of semiconductors and other main components impacted by the lockdown in Shanghai. This situation will inevitably affect the Japanese economy.

Under these economic circumstances, the income of the Group has been significantly affected by the declining operation rate due to adjustments to production by automakers and rising raw material costs, transportation costs, and fuel costs as a result of surging resource prices, despite an increased gain on conversion to the Japanese yen due to the depreciation of the yen.

Against such a management environment backdrop, consolidated net sales for the six months ended September 30, 2022 increased 6.3% year-on-year to 38,971 million yen. Regarding income, operating profit decreased 55.1% year-on-year to 817 million yen due to the significant impact of rising raw material costs, transportation costs, and fuel costs, and ordinary profit decreased 14.8% year-on-year to 1,811 million yen as the decline in operating profit was not offset by gains on the sale of non-current assets owned by subsidiaries and temporary income from foreign exchange gains. Profit attributable to owners of the parent decreased 8.7% year-on-year to 1,470 million yen, despite a gain from termination of the retirement benefit plan due to the change to the Company's retirement benefit plan.

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

Functional Parts Business

Net sales decreased 2.5% year-on-year to 16,122 million yen due to production adjustment by automakers in response to supply chain disruptions. Segment income decreased 37.1% year-on-year to 1,255 million yen due to the significant impact of rising raw materials prices and surging transportation costs.

Anti-vibration Parts Business

Net sales increased 15.6% year-on-year to 16,117 million yen due to steady orders for construction machinery and the launch of new products for electric vehicles. Segment income decreased 16.5% year-on-year to 685 million yen due to the significant impact of surging costs for materials for metal parts.

Metal Business

Net sales increased 14.6% year-on-year to 3,073 million yen. Segment loss was 21 million yen (43 million yen for the same period of the previous fiscal year), despite improvement from the effect of streamlining efforts and selling prices that reflected rising costs for materials for metal parts.

Hose Business

Net sales increased 2.0% year-on-year to 2,396 million yen. Segment income decreased 42.8% year-on-year to 58 million yen due to rising raw material prices.

Industrial Equipment Business

Net sales increased 7.5% year-on-year to 1,585 million yen as orders remained steady. Segment income decreased 2.7% year-on-year to 278 million yen due to rising raw material prices.

(2) Explanation of financial position

Total assets as of September 30, 2022, were 72,355 million yen, an increase of 7,315 million yen from the end of the previous fiscal year.

Current assets increased 5,212 million yen from the end of the previous fiscal year to 42,957 million yen. This is due primarily to an increase in notes and accounts receivable - trade as a result of the recovery in orders.

Non-current assets rose 2,103 million yen over the end of last fiscal year to total 29,398 million yen. This is due primarily to the effects of foreign currency translations and the acquisition of property, plant, and equipment.

Liabilities totaled 33,746 million yen, an increase of 3,084 million yen from the end of the previous fiscal year. This is mainly due to an increase in short-term borrowing.

Net assets totaled 38,608 million yen, an increase of 4,231 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 50.0%, up 0.5 percentage points from the end of the previous fiscal year.

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

The forecast of consolidated results for the fiscal year ending March 31, 2023, has become increasingly uncertain due to production adjustment by automakers and increases in raw material prices and transportation costs in response to Russia's invasion of Ukraine and the impact of the lockdown in Shanghai, China, on supply chains. However, the figures released on May 13, 2022, are unchanged, as we will make a Company-wide effort for further streamlining and efficiency improvement to lower the break-even point and for reflecting the increase in raw material prices in selling prices.

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, 2022	Second quarter under review As of September 30, 2022
Assets		
Current assets		
Cash and deposits	9,301	10,429
Notes and accounts receivable - trade	17,394	19,237
Merchandise and finished goods	5,256	6,162
Work in process	1,236	1,334
Raw materials and supplies	3,112	3,533
Other	1,495	2,317
Allowance for doubtful accounts	-51	-58
Total current assets	37,744	42,957
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,848	8,474
Machinery, equipment and vehicles, net	9,640	9,854
Land	5,844	6,030
Other, net	1,419	2,221
Total property, plant and equipment	24,753	26,581
Intangible assets	878	1,103
Investments and other assets		
Investment securities	734	797
Other	928	915
Total investments and other assets	1,662	1,713
Total non-current assets	27,294	29,398
Total assets	65,039	72,355

(Million yen)

	Previous fiscal year As of March 31, 2022	Second quarter under review As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,741	5,470
Electronically recorded obligations - operating	4,589	4,819
Short-term borrowings	7,786	10,471
Income taxes payable	297	342
Provision for bonuses	934	763
Other	4,441	5,088
Total current liabilities	22,792	26,956
Non-current liabilities		
Long-term borrowings	3,143	2,889
Retirement benefit liabilities	2,540	1,334
Provision for retirement benefits for directors (and other officers)	146	168
Other	2,039	2,398
Total non-current liabilities	7,870	6,790
Total liabilities	30,662	33,746
Net assets		
Shareholders' equity		
Share capital	1,395	1,395
Capital surplus	1,572	1,573
Retained earnings	29,554	30,702
Treasury shares	-1,416	-1,403
Total shareholders' equity	31,106	32,267
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	93	92
Deferred gains or losses on hedges	-1	-14
Foreign currency translation adjustment	1,025	3,863
Total accumulated other comprehensive income	1,117	3,940
Non-controlling interests	2,152	2,399
Total net assets	34,377	38,608
Total liabilities and net assets	65,039	72,355

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

(Quarterly consolidated statement of income)

(Six months ended September 30, 2022)

(Million yen)

	Six-month period in the previous fiscal year (From April 1, 2021 to September 30, 2021)	Six-month period under review (From April 1, 2022 to September 30, 2022)
Net sales	36,650	38,971
Cost of sales	30,110	32,918
Gross profit	6,539	6,052
Selling, general and administrative expenses	4,719	5,235
Operating profit	1,820	817
Non-operating income		
Interest income	12	20
Dividend income	3	3
Share of profit of entities accounted for using equity method	3	5
Foreign exchange gains	98	410
Gain on sale of non-current assets	201	458
Subsidies for employment adjustment	2	170
Other	94	80
Total non-operating income	415	1,150
Non-operating expenses		
Interest expenses	51	52
Loss on retirement of non-current assets	19	76
Other	39	27
Total non-operating expenses	110	156
Ordinary profit	2,125	1,811
Extraordinary income		
Gain on sale of investment securities	8	2
Gain on termination of retirement benefit plan	-	554
Total extraordinary income	8	557
Extraordinary losses		
Loss on litigation	-	10
Total extraordinary losses	-	10
Profit before income taxes	2,134	2,358
Income taxes - current	502	448
Income taxes - deferred	0	387
Total income taxes	502	835
Profit	1,631	1,522
Profit attributable to non-controlling interests	20	52
Profit attributable to owners of parent	1,611	1,470

(Quarterly consolidated statement of comprehensive income)

(Six months ended September 30, 2022)

(Million yen)

	Six-month period in the previous fiscal year (From April 1, 2021 to September 30, 2021)	Six-month period under review (From April 1, 2022 to September 30, 2022)
Profit	1,631	1,522
Other comprehensive income		
Valuation difference on available-for-sale securities	-11	-1
Deferred gains or losses on hedges	-22	-13
Foreign currency translation adjustment	938	3,010
Share of other comprehensive income of entities accounted for using equity method	31	61
Total other comprehensive income	936	3,056
Comprehensive income	2,568	4,579
Profit attributable to		
Comprehensive income attributable to owners of parent	2,482	4,293
Comprehensive income attributable to non-controlling interests	85	285

(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 second quarter under review, and calculated them by multiplying this estimated effective tax rate by profit before income taxes.

(Additional information)

(Shift of the retirement benefit plan)

On April 1, 2022, the Company completely shifted its defined-benefit corporate pension program to a defined-contribution corporate pension program. The Company adopted Accounting Procedures for Shifting between Different Retirement Benefit Programs (ASBJ Implementation Guidelines No. 1, amended on December 16, 2016) for the accounting procedures for the shift of the pension program. For this reason, a gain on termination of the retirement benefit plan of 554 million yen was posted as extraordinary income for the six months ended September 30, 2022.

(Segment information)

Segment information

I. Six months ended September 30, 2021 (from April 1, 2021, to September 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	16,258	13,935	2,682	2,299	1,474	36,650	-	36,650
Intersegment sales or transfer	272	2	0	50	-	326	-326	-
Total	16,531	13,937	2,682	2,350	1,474	36,976	-326	36,650
Segment income (loss)	1,996	821	-43	102	286	3,162	-1,342	1,820

(Notes) 1. The adjustment of -1,342 million yen for segment income (loss) includes an inter-segment elimination of 2 million yen and corporate expenses that are not allocated to any reportable segments totaling -1,344 million yen. Corporate expenses are primarily general and administrative expenses that are not attributable to any reporting 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. Six months ended September 30, 2022 (from April 1, 2022, to September 30, 2022)

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	15,847	16,115	3,073	2,350	1,585	38,971	-	38,971
Intersegment sales or transfer	275	2	0	46	-	324	-324	-
Total	16,122	16,117	3,073	2,396	1,585	39,295	-324	38,971
Segment income (loss)	1,255	685	-21	58	278	2,257	-1,440	817

(Notes) 1. The adjustment of -1,440 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 -1,441 million yen. Corporate expenses are primarily general and administrative expenses that are not attributable to any reporting 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.