



Financial Results Summary for the Six-Month Period Ended September 30, 2021 [Japanese GAAP] (Consolidated)

October 29, 2021

Company Name: Fukoku Co., Ltd. Exchange listed on: Tokyo Stock Exchange
 Securities Code: 5185 URL: <https://www.fukoku-rubber.co.jp/>
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Scheduled date for submission of quarterly report: November 12, 2021
 Scheduled commencement date of dividends payment: December 6, 2021
 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-Month Period Ended September 30, 2021 (From April 1, 2021 to September 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	%
Six-month period ended September 30, 2021	36,650	-	1,820	-	2,125	-	1,611	-
Six-month period ended September 30, 2020	28,408	-25.3	-899	-	-525	-	-451	-

(Note) Comprehensive income: Six-month period ended September 30, 2021 2,568 million yen (-%)
 Six-month period ended September 30, 2020 -1,434 million yen (-%)

	Profit per share	Profit per share – diluted
	yen	yen
Six-month period ended September 30, 2021	97.12	-
Six-month period ended September 30, 2020	-27.27	-

(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 2022. Since this change affects net sales figures, year-on-year changes in net sales for the six-month period ended September 30, 2021, are not shown here.

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Six-month period ended September 30, 2021	64,586	34,446	49.9
Fiscal year ended March 2021	63,817	32,321	47.1

(Reference) Shareholders' equity: Six-month period ended September 30, 2021 32,217 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	-	29.00			
Fiscal year ending March 2022 (forecast)			-	20.00	49.00

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

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

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

* Notes

- (1) Changes in major subsidiaries during the period under review : None
 (Change in specific subsidiaries that will accompany a change in 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)	Q2 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	Q2 of fiscal year ending March 2022	1,013,432 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)	Q2 of fiscal year ending March 2022	16,589,034 shares	Q2 of fiscal year ended March 2021	16,569,402 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 six month period under review, the global economy saw signs of the spread of COVID-19 infections settling down to a certain degree, but with the period under review nearing the end, the automotive industry, where the Group has major customers, effected production adjustments in the face of supply chain disruptions due to the impact of COVID-19 infections and shortages of semiconductors. Moreover, surges in raw material prices and transportation costs pushed up manufacturing costs.

Working against this backdrop, the Group saw the strong flow of orders that took place in 1Q lose momentum slightly, and consolidated net sales increased 29.0% year on year to 36,650 million yen. The Company doubled down on various improvements, such as streamlining manufacturing processes and enhancing efficiency in indirect operations. As a result, operating profit totaled 1,820 million yen (up from a loss of 899 million yen for the same period last year), ordinary profit totaled 2,125 million yen (up from a loss of 525 million yen for the same period last year), and profit attributable to owners of parent totaled 1,611 million yen (compared to a loss of 451 million yen for the same period last year). While net sales decreased 868 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.

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

Functional Parts Business

Net sales increased 36.7% year on year, totaling 16,531 million yen as orders remained firm in general in Japan and overseas. Segment income rose 388.7% year on year to 1,996 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 124 million yen due to the adoption of the Revenue Recognition Accounting Standard, etc., it did not affect segment income.

Anti-Vibration Parts Business

Net sales rose 29.3% year on year to total 13,937 million yen as orders steadily recovered. Segment income was up 783.6% year on year to total 821 million yen thanks to increased sales as well as structural reforms focusing on streamlining production, cutting costs, etc. While net sales decreased 87 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 2.8% year on year to total 2,682 million yen. A segment loss of 43 million yen (which was a loss of 226 million yen for the same period last year) was posted due to a rise in materials for metal parts and a delay in structural reforms. While net sales fell 657 million yen due to the adoption of the Revenue Recognition Accounting Standard, etc., it did not affect segment income.

Hose Business

Net sales increased 38.4% year on year to total 2,350 million yen as orders steadily recovered. Segment income surged from a loss of 51 million for the same period of the previous year to total 102 million yen due to increased net sales.

Industrial Equipment Business

Net sales increased 10.8% year on year to total 1,474 million yen as orders steadily recovered. Segment income increased 191.9% year on year to total 286 million yen due to increased net sales.

(2) Explanation of financial position

Total assets as of the end of the second quarter under review were 64,586 million yen, up 768 million yen over the end of last fiscal year. Current assets increased 749 million yen over the end of last fiscal year to total 36,968 million yen. This increase is primarily attributable to increases in cash and deposits.

Non-current assets rose 18 million yen over the end of last fiscal year to total 27,617 million yen.

Liabilities totaled 30,139 million yen, a decrease of 1,356 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 34,446 million yen, an increase of 2,125 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 49.9%, up 2.8 percentage points over the end of last fiscal year.

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

The Company is determined to step up measures, including streamlining and enhancing efficiency, to lower the breakeven point in an all-out effort to secure profits, although there are concerns over the future such as production adjustments by automobile manufacturers that are our customers due to shortages of semiconductors and surges in raw material prices and transportation costs. Therefore, the forecast figures for the consolidated results for the fiscal year ending March 2022, announced on July 28, 2021, will remain unchanged.

Regarding the dividend forecast for the fiscal year ending March 2022, the actual results exceeded the earnings forecast in the six-month period under review, so the Company increased 4 yen per share from the latest dividend forecast at the end of the second quarter to 29 yen per share and kept the year-end dividend unchanged at 20 yen per share for a total of 49 yen per share for the fiscal year ending March 2022. For more information, see the notice dated October 29, 2021, regarding the dividends forecast (interim dividend).

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)	Second quarter under review (September 30, 2021)
Assets		
Current assets		
Cash and deposits	8,992	9,743
Notes and accounts receivable - trade	18,713	17,426
Merchandise and finished goods	3,990	4,723
Work in process	1,060	1,210
Raw materials and supplies	2,200	2,556
Other	1,299	1,347
Allowance for doubtful accounts	-37	-38
Total current assets	36,218	36,968
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,235	7,880
Machinery, equipment and vehicles, net	10,040	9,936
Land	5,806	5,838
Other, net	2,101	1,462
Total property, plant and equipment	25,184	25,117
Intangible assets	784	788
Investments and other assets		
Investment securities	745	758
Other	898	967
Allowance for doubtful accounts	-13	-13
Total investments and other assets	1,629	1,712
Total non-current assets	27,599	27,617
Total assets	63,817	64,586

(Million yen)

	Previous fiscal year (March 31, 2021)	Second quarter under review (September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,460	4,463
Electronically recorded obligations - operating	4,733	4,959
Short-term borrowings	8,751	7,991
Income taxes payable	209	364
Provision for bonuses	798	920
Other	4,317	4,301
Total current liabilities	23,270	23,002
Non-current liabilities		
Long-term borrowings	3,338	2,489
Retirement benefit liability	2,296	2,363
Provision for retirement benefits for directors (and other officers)	144	140
Other	2,446	2,143
Total non-current liabilities	8,225	7,137
Total liabilities	31,496	30,139
Net assets		
Shareholders' equity		
Share capital	1,395	1,395
Capital surplus	1,571	1,572
Retained earnings	28,315	29,561
Treasury shares	-933	-921
Total shareholders' equity	30,348	31,608
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	109	98
Deferred gains or losses on hedges	1	-18
Foreign currency translation adjustment	-374	528
Total accumulated other comprehensive income	-262	608
Non-controlling interests	2,235	2,229
Total net assets	32,321	34,446
Total liabilities and net assets	63,817	64,586

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

(Million yen)

	Six-month period in the previous fiscal year (From April 1, 2020 to September 30, 2020)	Six-month period under review (From April 1, 2021 to September 30, 2021)
Net sales	28,408	36,650
Cost of sales	25,134	30,110
Gross profit	3,274	6,539
Selling, general and administrative expenses	4,174	4,719
Operating profit (loss)	-899	1,820
Non-operating income		
Interest income	25	12
Dividend income	71	3
Share of profit of entities accounted for using equity method	0	3
Foreign exchange gains	-	98
Subsidies for employment adjustment	321	2
Gain on sale of non-current assets	4	201
Other	110	94
Total non-operating income	534	415
Non-operating expenses		
Interest expenses	62	51
Foreign exchange losses	56	-
Loss on sale of non-current assets	-	33
Loss on retirement of non-current assets	36	19
Other	6	5
Total non-operating expenses	160	110
Ordinary profit (loss)	-525	2,125
Extraordinary income		
Gain on sale of investment securities	-	8
Total extraordinary income	-	8
Extraordinary losses		
Loss on valuation of investment securities	16	-
Total extraordinary losses	16	-
Profit (loss) before income taxes	-542	2,134
Income taxes - current	194	502
Income taxes - deferred	-194	0
Total income taxes	-0	502
Profit (loss)	-541	1,631
Profit (loss) attributable to non-controlling interests	-89	20
Profit (loss) attributable to owners of parent	-451	1,611

(Quarterly consolidated statement of comprehensive income)
(Six-month period)

(Million yen)

	Six-month period in the previous fiscal year (From April 1, 2020 to September 30, 2020)	Six-month period under review (From April 1, 2021 to September 30, 2021)
Profit (loss)	-541	1,631
Other comprehensive income		
Valuation difference on available-for-sale securities	6	-11
Deferred gains or losses on hedges	-0	-22
Foreign currency translation adjustment	-887	938
Share of other comprehensive income of entities accounted for using equity method	-10	31
Total other comprehensive income	-892	936
Comprehensive income	-1,434	2,568
Profit attributable to		
Comprehensive income attributable to owners of parent	-1,241	2,482
Comprehensive income attributable to non-controlling interests	-192	85

(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)

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.

(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 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 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 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 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 2022.

As a result, net sales and cost of sales for the six-month period under review decreased 868 million yen and 867 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 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)

(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. Six-month period in the previous fiscal year (from April 1, 2020 to September 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	11,890	10,774	2,755	1,657	1,331	28,408	-	28,408
Intersegment sales or transfer	203	0	3	40	-	247	-247	-
Total	12,094	10,775	2,758	1,697	1,331	28,656	-247	28,408
Segment income (loss)	408	92	-226	-51	98	321	-1,221	-899

(Notes) 1. The adjustment of -1,221 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 -1,224 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. Six-month period under review (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 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 of the fiscal year ending March 2022 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 124 million yen, 87 million yen, and 657 million yen respectively for the six-month period under review, 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.