



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

July 29, 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 (TEL) 048-615-4400
 Scheduled date for submission of quarterly report: As of August 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 Three-Month Period Ended June 30, 2022 (From April 1, 2022 to June 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	%
Three months ended June 30, 2022	19,389	2.2	447	-66.6	1,080	-22.6	861	-0.6
Three months ended June 30, 2021	18,978	-	1,337	-	1,396	-	866	-

(Note) Comprehensive income: Three months ended June 30, 2022 2,405 million yen (26.3%)
 Three months ended June 30, 2021 1,903 million yen (-%)

	Profit per share	Profit per share – diluted
Three months ended June 30, 2022	yen 53.51	yen -
Three months ended June 30, 2021	52.24	-

(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 three months ended June 30, 2021, are not shown here.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
Three months ended June 30, 2022	million yen 67,714	million yen 36,451	%
As of March 31, 2022	65,039	34,377	49.5

(Reference) Shareholders' equity: Three months ended June 30, 2022 34,146 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
As of March 31, 2022	yen -	yen 29.00	yen -	yen 20.00	yen 49.00
Fiscal year ending March 31, 2023	-	-	-	-	-
Fiscal year ending March 31, 2023 (forecast)	-	25.00	-	25.00	50.00

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

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
- (i) Change in accounting policies in accordance with revision of accounting standards : None
 - (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)	As of June 30, 2022	17,609,130 shares	As of March 31, 2022	17,609,130 shares
(ii) Number of treasury shares at the end of the period	As of June 30, 2022	1,513,541 shares	As of March 31, 2022	1,513,521 shares
(iii) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)	As of June 30, 2022	16,095,595 shares	As of June 30, 2021	16,582,344 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, the actual financial results may differ significantly 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 economic situation during the three months ended June 30, 2022, has remained on a slow recovery trend since COVID-19 countermeasures of major economies have shifted to aiming at both epidemic prevention and economic recovery. As Russia began invading Ukraine in late February, however, the outlook for the economic environment has become uncertain. During the period under review, while production adjustments by automakers in response to insufficient semiconductor supply had only a minor impact, there has been increasing an impact of surging raw material costs, transportation costs, and fuel costs. Japan has also been significantly affected by production adjustments by automakers in response to the lockdown in Shanghai that started in April.

Under this management environment, consolidated net sales increased 2.2% year-on-year to 19,389 million yen. As for gains and losses, operating profit decreased 66.6% year-on-year to 447 million yen due to the significant impact of increases in raw material costs, transportation costs, and fuel costs, and ordinary profit decreased 22.6% year-on-year to 1,080 million yen, as temporary income from the gain on sale of non-current assets owned by subsidiaries and the foreign exchange gain was not able to recover the decrease in the operating profit. The profit attributable to owners of parent decreased 0.6% year-on-year to 861 million yen despite of the gain on termination of retirement benefit plan due to change in the retirement benefit plan of the Company.

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

Functional Parts Business

Due to production adjustment by automakers in response to insufficient semiconductor supply, net sales decreased year-on-year by 10.1% to 7,893 million yen. Segment income decreased 41.2% year-on-year to 744 million yen due to the significant impact of rising raw materials prices and surging transportation costs.

Anti-Vibration Parts Business

Net sales increased 13.7% year-on-year to 8,080 million yen due to steady orders for construction machinery. Segment income decreased 44.9% year-on-year to 278 million yen due to surging costs for materials for metal parts.

Metal Business

Net sales increased 20.3% year-on-year to total 1,576 million yen. Segment loss was 2 million yen (compared to a loss of 13 million yen for the same period of the previous fiscal year), despite an improving trend due to the effect of efforts for streamlining and the effect of reflecting costs for materials for metal parts in selling prices.

Hose Business

Net sales increased 3.3% year-on-year to 1,239 million yen as orders remained steady. Segment income decreased 62.7% year-on-year to 34 million yen due to surging raw material prices.

Industrial Equipment Business

Net sales increased 0.1% year-on-year to 750 million yen as orders remained steady. Segment income decreased 20.5% year-on-year to 114 million yen due to surging raw material prices.

(2) Explanation of financial position

Total assets as of June 30, 2022, were 67,714 million yen, an increase of 2,675 million yen from the end of the previous fiscal year.

Current assets increased 1,500 million yen from the end of the previous fiscal year to 39,244 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 1,174 million yen over the end of last fiscal year to total 28,469 million yen. This is due primarily to the effects of foreign currency translations and the acquisition of property, plant, and equipment.

Liabilities increased 600 million yen from the end of the previous fiscal year to 31,263 million yen. This is due primarily to an increase in notes and accounts payable - trade and electronically recorded obligations - operating.

Net assets totaled 36,451 million yen, an increase of 2,074 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 50.4%, up 0.9 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 the production adjustment by automakers and the increase in raw material prices and transportation costs in response to Russia's invasion of Ukraine and the lockdown in Shanghai, China. 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)	First quarter under review (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	9,301	8,364
Notes and accounts receivable - trade	17,394	18,921
Merchandise and finished goods	5,256	5,501
Work in process	1,236	1,318
Raw materials and supplies	3,112	3,134
Other	1,495	2,059
Allowance for doubtful accounts	-51	-54
Total current assets	37,744	39,244
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,848	8,184
Machinery, equipment and vehicles, net	9,640	9,779
Land	5,844	5,942
Other, net	1,419	1,897
Total property, plant and equipment	24,753	25,803
Intangible assets	878	976
Investments and other assets		
Investment securities	734	763
Other	928	926
Total investments and other assets	1,662	1,690
Total non-current assets	27,294	28,469
Total assets	65,039	67,714

(Million yen)

	Previous fiscal year (As of March 31, 2022)	First quarter under review (As of June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,741	5,005
Electronically recorded obligations - operating	4,589	4,807
Short-term borrowings	7,786	7,959
Income taxes payable	297	266
Provision for bonuses	934	476
Other	4,441	6,118
Total current liabilities	22,792	24,634
Non-current liabilities		
Long-term borrowings	3,143	2,685
Retirement benefit liabilities	2,540	1,303
Provision for retirement benefits for directors (and other officers)	146	156
Other	2,039	2,483
Total non-current liabilities	7,870	6,628
Total liabilities	30,662	31,263
Net assets		
Shareholders' equity		
Share capital	1,395	1,395
Capital surplus	1,572	1,572
Retained earnings	29,554	30,093
Treasury shares	-1,416	-1,416
Total shareholders' equity	31,106	31,645
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	93	93
Deferred gains or losses on hedges	-1	2
Foreign currency translation adjustment	1,025	2,403
Total accumulated other comprehensive income	1,117	2,500
Non-controlling interests	2,152	2,305
Total net assets	34,377	36,451
Total liabilities and net assets	65,039	67,714

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

(Quarterly consolidated statement of income)

(Three months ended June 30, 2022)

(Million yen)

	Three-month period in the previous fiscal year (From April 1, 2021 to June 30, 2021)	Three-month period under review (From April 1, 2022 to June 30, 2022)
Net sales	18,978	19,389
Cost of sales	15,266	16,260
Gross profit	3,712	3,128
Selling, general and administrative expenses	2,374	2,680
Operating profit	1,337	447
Non-operating income		
Interest income	6	9
Dividend income	2	2
Share of profit of entities accounted for using equity method	0	-
Foreign exchange gains	31	210
Gain on sale of non-current assets	7	429
Other	48	30
Total non-operating income	96	681
Non-operating expenses		
Interest expenses	24	24
Share of loss of entities accounted for using equity method	-	0
Loss on retirement of non-current assets	4	18
Other	8	6
Total non-operating expenses	37	49
Ordinary profit	1,396	1,080
Extraordinary income		
Gain on sale of investment securities	-	2
Gain on termination of retirement benefit plan	-	554
Total extraordinary income	-	557
Profit before income taxes	1,396	1,637
Income taxes - current	219	312
Income taxes - deferred	282	423
Total income taxes	502	736
Profit	894	900
Profit attributable to non-controlling interests	27	39
Profit attributable to owners of parent	866	861

(Quarterly consolidated statement of comprehensive income)

(Three months ended June 30, 2022)

(Million yen)

	Three-month period in the previous fiscal year (From April 1, 2021 to June 30, 2021)	Three-month period under review (From April 1, 2022 to June 30, 2022)
Profit	894	900
Other comprehensive income		
Valuation difference on available-for-sale securities	5	-0
Deferred gains or losses on hedges	-15	3
Foreign currency translation adjustment	994	1,469
Share of other comprehensive income of entities accounted for using equity method	24	31
Total other comprehensive income	1,009	1,504
Comprehensive income	1,903	2,405
Profit attributable to		
Comprehensive income attributable to owners of parent	1,796	2,243
Comprehensive income attributable to non-controlling interests	107	161

(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.

(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 the Accounting Procedures for Shifting between Different Retirement Benefit Programs (ASBJ Implementation Guidelines No. 1, December 16, 2016) for the accounting procedures for the shift of the pension program. For this reason, the gain on termination of retirement benefit plan of 554 million yen was posted as the extraordinary income for the three months ended June 30, 2022.

(Segment information)

Segment information

I. Three months ended June 30, 2021 (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 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. Three months ended June 30, 2022 (from April 1, 2022, to June 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	7,767	8,079	1,576	1,214	750	19,389	-	19,389
Intersegment sales or transfer	125	1	0	24	-	151	-151	-
Total	7,893	8,080	1,576	1,239	750	19,540	-151	19,389
Segment income (loss)	744	278	-2	34	114	1,170	-723	447

(Notes) 1. The adjustment of -723 million yen for segment income (loss) includes an inter-segment elimination of 7 million yen and corporate expenses that are not allocated to any reportable segments totaling -730 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.