



Financial Results Summary for the Six Months Ended September 30, 2023 [Japanese GAAP] (Consolidated)

October 31, 2023

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)	Ikuo Oshiro
Contact:	(Title) General Manager of Finance Department	(Name)	Yukio Yamazaki

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Scheduled date for submission of quarterly report:	November 10, 2023
Scheduled commencement date of dividends payment:	December 6, 2023
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, 2023 (From April 1, 2023 to September 30, 2023)

(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, 2023	42,950	10.2	1,059	29.6	1,390	-23.2	1,047	-28.7
Six months ended September 30, 2022	38,971	6.3	817	-55.1	1,811	-14.8	1,470	-8.7

(Note) Comprehensive income: Six months ended September 30, 2023 2,897 million yen [-36.7%]
Six months ended September 30, 2022 4,579 million yen [78.3%]

	Profit per share	Profit per share – diluted
	yen	yen
Six months ended September 30, 2023	65.03	-
Six months ended September 30, 2022	91.33	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Six months ended September 30, 2023	74,859	40,421	50.8
As of March 31, 2023	71,530	37,952	49.8

(Reference) Shareholders' equity: Six months ended September 30, 2023 38,044 million yen
As of March 31, 2023 35,619 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, 2023	-	27.00	-	23.00	50.00
Fiscal year ending March 31, 2024	-	27.50	-	-	-
Fiscal year ending March 31, 2024 (forecast)	-	-	-	27.50	55.00

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

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2024 (from April 1, 2023, to March 31, 2024)

(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	88,000	6.9	3,900	94.0	4,000	27.4	2,900	35.8	180.02

(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, 2023	17,609,130 shares	As of March 31, 2023	17,609,130 shares
2) Number of treasury shares at the end of the period	As of September 30, 2023	1,493,432 shares	As of March 31, 2023	1,500,004 shares
3) Average number of shares issued during the period (cumulative from the beginning of the fiscal year)	As of September 30, 2023	16,110,049 shares	As of September 30, 2022	16,097,851 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

During the six months ended September 30, 2023, expectations for recovery in Japan's economy have emerged as COVID-19 was reclassified to Category 5, restrictions on activity and overseas travel were relaxed, and economic activity began to return to normal. However, prospects remain uncertain due to prolonged geopolitical instability, ongoing price escalation due to soaring resource prices, and fluctuations in the financial capital markets.

Demand in the automobile industry remains at high levels and supply shortages of semiconductors are being overcome.

Under these economic circumstances, the income of the Group has been significantly affected by a declining operation rate due to adjustments to production by automakers, the slowing Chinese economy, and rising raw material 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.

Regarding financial results for the six months ended September 30, 2023, consolidated net sales increased 10.2% year on year to 42,950 million yen due to the impact of foreign exchange rates despite an income decrease resulting from adjustments to production by automakers. Operating profit was up 29.6% year on year to total 1,059 million yen due to streamlining efforts, cost pass-throughs, etc., which absorbed the impact of rising raw material and fuel costs. Ordinary profit decreased 23.2% year on year, amounting to 1,390 million yen, since one-time income that included a gain on sales of non-current assets owned by subsidiaries was posted in the same period last year. Likewise, since one-time income, such as earnings from the termination of the retirement benefit plan due to the change in our company's retirement benefit plan, was posted in the same period last year, profit attributable to owners of the parent decreased 28.7% to total 1,047 million yen.

If the one-time income is not factored in, ordinary profit and net profit attributable to owners of the parent is higher than in the same period last year.

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

Functional Parts Business

Net sales increased 8.2% year on year to reach 17,443 million yen due to the impact of foreign currency translation despite a decline in the operation rate as a result of production adjustments by automakers. Segment income increased 20.8% year on year to total 1,516 million yen due to the effect of streamlining efforts and the passing of the rising cost of materials onto selling prices.

Anti-vibration Parts Business

Net sales increased 13.4% year on year to reach 18,272 million yen due to growing demand in Southeast Asia and in the United States and the effect of currency translation. Segment income was up 22.0% year on year to total 836 million yen due to the effect of streamlining efforts and the passing of the rising cost of materials for metal parts onto selling prices.

Metal Business

Net sales increased 13.7% year on year to 3,495 million yen due to steady orders for construction machinery. Segment income (which was a loss of 21 million yen for the same period last year) came to 33 million yen due to the effect of streamlining efforts and the passing of the rising cost of materials for metal parts onto selling prices.

Hose Business

Net sales climbed 9.9% year on year to total 2,633 million yen due to strong orders. Segment income fell by 94.3% year on year to three million yen due primarily to the recognition of additional product warranty costs in North America.

Industrial Equipment Business

Net sales fell 3.3% year on year to 1,533 million yen due primarily to declining demand for OA products in China and Southeast Asia, despite domestic steady orders for medical products. Segment income fell 10.7% year on year to 249 million yen despite streamlining efforts.

(2) Explanation of financial position

Total assets as of September 30, 2023 were 74,859 million yen, an increase of 3,329 million yen from the end of the previous fiscal year.

Current assets increased 2,391 million yen from the end of the previous fiscal year to 44,920 million yen. This is due primarily to an increase in notes and accounts receivable - trade as a result of the effects of foreign currency translations.

Non-current assets rose 937 million yen over the end of last fiscal year to total 29,939 million yen. This is due primarily to the effects of foreign currency translations, the acquisition of property, plant, and equipment, and an increase in intangible assets such as software.

Liabilities totaled 34,437 million yen, an increase of 859 million yen from the end of the previous fiscal year, due primarily to inclusion of the unsettled amount of electronically recorded obligations - operating in the closing balance as of September 30, 2023, which was a bank holiday.

Net assets totaled 40,421 million yen, an increase of 2,469 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 50.8%, up 1.0 percentage point from the end of the previous fiscal year.

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

Future economic prospects remain uncertain due to the ongoing Ukrainian conflict, the expanding Middle East crisis, other geopolitical uncertainties, exchange rate fluctuations due to worldwide tight money policies, and a pronounced tendency toward higher prices due to soaring resource prices.

Working against this backdrop, Fukoku Group aims to stay on track with its New Medium Term Management Plan 2026, which was announced on June 28, 2023, through groupwide efforts designed to strengthen existing businesses and expand growth businesses as well as new businesses. In addition to these strategies, the Group will also work on reinforcing its business foundation with a focus on ESG, with the aim of maximizing profitability.

There have been no changes made to the full year consolidated financial results forecasts for the fiscal year ending March 31, 2024 announced on May 15, 2023.

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, 2023	Second quarter under review As of September 30, 2023
Assets		
Current assets		
Cash and deposits	9,972	11,314
Notes and accounts receivable - trade	19,731	20,791
Merchandise and finished goods	5,858	5,850
Work in process	1,322	1,422
Raw materials and supplies	3,872	3,847
Other	1,802	1,728
Allowance for doubtful accounts	-31	-33
Total current assets	42,528	44,920
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,278	8,661
Machinery, equipment and vehicles, net	9,615	9,704
Land	5,996	6,141
Other, net	2,005	1,996
Total property, plant and equipment	25,896	26,505
Intangible assets	1,406	1,630
Investments and other assets		
Investment securities	824	922
Other	874	881
Total investments and other assets	1,699	1,804
Total non-current assets	29,001	29,939
Total assets	71,530	74,859

(Million yen)

	Previous fiscal year As of March 31, 2023	Second quarter under review As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,459	5,098
Electronically recorded obligations - operating	5,330	6,092
Short-term borrowings	9,800	10,333
Income taxes payable	383	388
Provision for bonuses	753	803
Other	4,618	4,889
Total current liabilities	26,345	27,606
Non-current liabilities		
Long-term borrowings	3,178	2,655
Retirement benefit liabilities	1,314	1,470
Provision for retirement benefits for directors (and other officers)	173	184
Other	2,565	2,520
Total non-current liabilities	7,232	6,831
Total liabilities	33,577	34,437
Net assets		
Shareholders' equity		
Share capital	1,395	1,395
Capital surplus	1,573	1,575
Retained earnings	30,969	31,646
Treasury shares	-1,403	-1,397
Total shareholders' equity	32,534	33,220
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	108	160
Deferred gains or losses on hedges	-7	-42
Foreign currency translation adjustment	2,983	4,705
Total accumulated other comprehensive income	3,084	4,824
Non-controlling interests	2,333	2,377
Total net assets	37,952	40,421
Total liabilities and net assets	71,530	74,859

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
(Quarterly consolidated statement of income)
(Six months ended September 30, 2023)

	(Million yen)	
	Six-month period in the previous fiscal year (From April 1, 2022 to September 30, 2022)	Six-month period under review (From April 1, 2023 to September 30, 2023)
Net sales	38,971	42,950
Cost of sales	32,918	36,304
Gross profit	6,052	6,645
Selling, general and administrative expenses	5,235	5,585
Operating profit	817	1,059
Non-operating income		
Interest income	20	37
Dividend income	3	3
Share of profit of entities accounted for using equity method	5	18
Foreign exchange gains	410	385
Gain on sale of non-current assets	458	17
Other	250	119
Total non-operating income	1,150	582
Non-operating expenses		
Interest expenses	52	120
Loss on retirement of non-current assets	76	74
Other	27	56
Total non-operating expenses	156	251
Ordinary profit	1,811	1,390
Extraordinary income		
Gain on sale of investment securities	2	-
Gain on termination of retirement benefit plan	554	-
Total extraordinary income	557	-
Extraordinary losses		
Loss on litigation	10	-
Total extraordinary losses	10	-
Profit before income taxes	2,358	1,390
Income taxes - current	448	447
Income taxes - deferred	387	-75
Total income taxes	835	371
Profit	1,522	1,018
Profit or loss attributable to non-controlling interests	52	-29
Profit attributable to owners of parent	1,470	1,047

(Quarterly consolidated statement of comprehensive income)

(Six months ended September 30, 2023)

	(Million yen)	
	Six-month period in the previous fiscal year (From April 1, 2022 to September 30, 2022)	Six-month period under review (From April 1, 2023 to September 30, 2023)
Profit	1,522	1,018
Other comprehensive income		
Valuation difference on available-for-sale securities	-1	52
Deferred gains or losses on hedges	-13	-39
Foreign currency translation adjustment	3,010	1,839
Share of other comprehensive income of entities accounted for using equity method	61	26
Total other comprehensive income	3,056	1,878
Comprehensive income	4,579	2,897
Profit attributable to		
Comprehensive income attributable to owners of parent	4,293	2,787
Comprehensive income attributable to non-controlling interests	285	109

(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.

(Segment information)

Segment information

I. Six months ended September 30, 2021 (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.

II. Six months ended September 30, 2023 (from April 1, 2023, to September 30, 2023)

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	17,073	18,269	3,495	2,578	1,533	42,950	-	42,950
Intersegment sales or transfer	370	3	0	55	-	429	-429	-
Total	17,443	18,272	3,495	2,633	1,533	43,379	-429	42,950
Segment income	1,516	836	33	3	249	2,639	-1,580	1,059

(Notes) 1. The adjustment of -1,580 million yen for segment income includes an inter-segment elimination of 1 million yen and corporate expenses that are not allocated to any reportable segments totaling -1,578 million yen. Corporate expenses are primarily general and administrative expenses that are not attributable to any reporting segments.

2. Segment income 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.