

Consolidated Financial Results for the Six-month Period Ended September 30, 2016 [Japan GAAP]

Name of Company:	The Furukawa Battery Co., Ltd.
Stock Code:	6937
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
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Scheduled date of filing of quarterly securities report:	November 11, 2016
Scheduled date of commencement of dividend payment:	-
Supplementary documents for quarterly financial results:	Yes
Quarterly financial results briefing:	Yes (for institutional investors and analysts)

(Yen in millions, rounded down)

1. Consolidated financial results for the six months ended September 30, 2016 (April 1, 2016 – September 30, 2016)

(1) Consolidated operating results

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2016	23,756	(4.5)	798	56.7	623	3.4	515	(0.1)
Six months ended September 30, 2015	24,881	11.8	509	343.9	602	129.9	516	218.9

Notes: Comprehensive income

Six months ended September 30, 2016: (438) million yen (yoy - %)
Six months ended September 30, 2015: 80 million yen (yoy (75.5) %)

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Six months ended September 30, 2016	15.73	-
Six months ended September 30, 2015	15.75	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2016	47,202	18,843	38.0
As of March 31, 2016	50,409	19,552	36.5

Reference: Equity

As of September 30, 2016: 17,928 million yen
As of March 31, 2016: 18,383 million yen

2. Dividends

	Annual dividends per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	-	-	-	8.00	8.00
Fiscal year ending March 31, 2017	-	-	-	-	-
Fiscal year ending March 31, 2017 (forecast)	-	-	-	9.00	9.00

Note: Revisions to the forecasts of dividends most recently announced: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(Percentage figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2017	59,000	9.0	3,300	12.7	3,100	7.0	2,200	(7.1)	67.11

Note: Revisions to the consolidated earnings forecasts most recently announced: None

Notes:

- (1) Changes in significant subsidiaries during the six month-period (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): Newly included: None Excluded: None
- (2) Use of accounting methods that are specific to the preparation of the quarterly consolidated financial statements: Yes
Note: For details, please refer to “2. Items Concerning Summary Information (Notes) (2) Application of Special Accounting for Preparing Consolidated Financial Statements” on page 3 of Attachment.
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements:
 - (a) Changes in accounting policies accompanying revisions in accounting standards: None
 - (b) Changes other than in (a): None
 - (c) Changes in accounting estimates: None
 - (d) Retrospective restatements: None
- (4) Number of shares outstanding (common stock)
 - (a) Shares outstanding (including treasury shares)
As of September 30, 2016: 32,800,000 shares As of March 31, 2016: 32,800,000 shares
 - (b) Treasury shares
As of September 30, 2016: 20,411 shares As of March 31, 2016: 20,411 shares
 - (c) Average number of shares outstanding during the period (cumulative)
Six months ended September 30, 2016: 32,779,589 shares Six months ended September 30, 2015: 32,780,003 shares

*Information concerning implementation status of the quarterly review procedure:

This quarterly earnings report is not subject to the quarterly review procedure prescribed by the Financial Instruments and Exchange Act. The quarterly review procedure for the quarterly financial statements that is prescribed by the Financial Instruments and Exchange Act had not been completed when this earnings report was released.

* Explanation of the proper use of these earnings forecasts and other matters:

(Disclaimer regarding forward-looking statements, etc.)

Forward-looking statements in these materials are based on information available to management at the time this report was prepared, and on assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. Please refer to “1. Qualitative Information on Consolidated Financial Results for the Six-month Period (3) Explanation of Forecast for the Fiscal Year Ending March 31, 2017” on page 2 of Attachment for details on the assumptions used and other related matters concerning the forecast of consolidated financial results.

(Method of obtaining the supplementary documents for quarterly financial results)

The Company plans to hold a briefing for institutional investors and analysts on Thursday, November 10, 2016. The documents distributed at this briefing to explain the financial results for the six-month period are scheduled to be posted on the Furukawa Battery website immediately after the briefing is held.

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1. Qualitative Information on Consolidated Financial Results for the Six-month Period

(1) Explanation of Operating Results

During the six months ended September 30, 2016, as the employment environment and employee income improve, the Japanese economy continued on a moderate recovery path due to the effect of various policies. However, fears of worsening corporate earnings are growing stronger as the appreciation of the yen from the beginning of 2016 took root and resulted in sluggish corporate exports and capital investment. In the world economy, there is still uncertainty surrounding the future due to issues such as the slowing of emerging economies including China and the United Kingdom leaving the EU.

Under this business environment, the Furukawa Battery Group recorded consolidated sales of 23,756 million yen for the six months ended September 30, 2016, a decrease of 1,124 million yen (-4.5%) year on year. Overseas sales were 8,257 million yen and accounted for 34.8% of total sales.

Operating income was 798 million yen and ordinary income was 623 million yen due to a decrease in the cost of sales stemming from a fall in the price of lead and strong sales of automobile batteries by the subsidiary in Thailand offsetting the decline in sales caused by impact of exchange rates and the fall in the price of lead.

After the deduction of taxes, profit attributable to owners of parent was 515 million yen.

(2) Explanation of Financial Position

Total assets were 47,202 million yen as of September 30, 2016, which is 3,206 million yen less than at the end of the previous fiscal year. Current assets decreased by 2,785 million yen to 18,888 million yen. Non-current assets decreased by 420 million yen to 28,313 million yen.

The main factors leading to the decrease in current assets were decreases in cash and deposits and notes and accounts receivable - trade.

There was a 1,236 million yen decrease in property, plant and equipment to 23,571 million yen. The main factor leading to the decrease was that the decline resulting from depreciation was greater than the increase in capital investment.

Investments and other assets increased by 870 million yen to 4,508 million yen.

Total liabilities at the end of the second quarter decreased by 2,497 million yen to 28,359 million yen.

Current liabilities decreased by 989 million yen to 14,155 million yen, and non-current liabilities decreased by 1,507 million yen to 14,203 million yen.

Interest-bearing debt, which is the sum of short-term loans payable and long-term loans payable, decreased by 1,037 million yen to 10,499 million yen.

Equity decreased by 454 million yen to 17,928 million yen, resulting in an increase in the equity ratio from 36.5% at the end of the previous fiscal year to 38.0% at the end of the period.

(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2017

There is no change to the consolidated forecast that was announced on May 11, 2016.

2. Items Concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Six Months Ended September 30, 2016

Not applicable

(2) Application of Special Accounting for Preparing Consolidated Financial Statements

Income taxes for the six-month period are calculated by multiplying income before income taxes for the six-month period by a reasonable estimate of the effective tax rate, after application of tax effect accounting, for estimated income before income taxes in the six-month period of the current fiscal year. Deferred taxes are included in income taxes.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

Not applicable

(4) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

We have applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (The Accounting Standards Board of Japan (ASBJ) Guidance No.26 issued on March 28, 2016) from the three months ended June 30, 2016.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of September 30, 2016
ASSETS		
Current assets		
Cash and deposits	3,387	2,859
Notes and accounts receivable - trade	11,220	8,599
Merchandise and finished goods	1,900	2,300
Work in process	2,704	3,001
Raw materials and supplies	1,185	1,086
Deferred tax assets	264	264
Other	1,020	785
Allowance for doubtful accounts	(8)	(7)
Total current assets	21,674	18,888
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,614	6,353
Machinery, equipment and vehicles, net	9,132	8,112
Tools, furniture and fixtures, net	470	430
Land	7,387	7,226
Leased assets, net	777	734
Construction in progress	425	714
Total property, plant and equipment	24,807	23,571
Intangible assets		
Goodwill	46	27
Leased assets	4	3
Other	237	203
Total intangible assets	288	234
Investments and other assets		
Investment securities	2,089	3,003
Deferred tax assets	1,364	1,322
Other	199	199
Allowance for doubtful accounts	(15)	(15)
Total investments and other assets	3,638	4,508
Total non-current assets	28,734	28,313
Total assets	50,409	47,202

(Million yen)

	As of March 31, 2016	As of September 30, 2016
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	5,996	4,969
Short-term loans payable	5,250	5,527
Lease obligations	136	126
Income taxes payable	506	354
Accrued consumption taxes	426	143
Provision for bonuses	591	721
Provision for directors' bonuses	2	-
Notes payable - facilities	142	281
Other	2,093	2,030
Total current liabilities	15,145	14,155
Non-current liabilities		
Long-term loans payable	6,286	4,972
Lease obligations	720	683
Deferred tax liabilities	766	767
Provision for environmental measures	9	9
Net defined benefit liability	7,281	7,143
Negative goodwill	64	32
Asset retirement obligations	9	9
Other	571	585
Total non-current liabilities	15,710	14,203
Total liabilities	30,856	28,359
NET ASSETS		
Shareholders' equity		
Capital stock	1,640	1,640
Capital surplus	422	422
Retained earnings	15,076	15,329
Treasury shares	(10)	(10)
Total shareholders' equity	17,128	17,381
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	823	842
Deferred gains or losses on hedges	(18)	44
Foreign currency translation adjustment	489	(317)
Remeasurements of defined benefit plans	(40)	(22)
Total accumulated other comprehensive income	1,255	547
Non-controlling interests	1,169	914
Total net assets	19,552	18,843
Total liabilities and net assets	50,409	47,202

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income (Cumulative))

(Million yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	24,881	23,756
Cost of sales	19,411	18,351
Gross profit	5,469	5,404
Selling, general and administrative expenses	4,960	4,605
Operating income	509	798
Non-operating income		
Interest income	3	7
Dividend income	55	54
Amortization of negative goodwill	32	32
Foreign exchange gains	11	-
Other	81	116
Total non-operating income	184	211
Non-operating expenses		
Interest expenses	39	327
Share of loss of entities accounted for using equity method	3	27
Foreign exchange losses	-	7
Other	48	23
Total non-operating expenses	91	386
Ordinary income	602	623
Extraordinary income		
Gain on sales of non-current assets	1	-
Subsidy income	235	-
Total extraordinary income	237	-
Extraordinary losses		
Loss on disposal of non-current assets	1	3
Loss on reduction of non-current assets	235	-
Total extraordinary losses	237	3
Profit before income taxes	602	619
Income taxes	184	286
Profit	418	333
Loss attributable to non-controlling interests	(97)	(181)
Profit attributable to owners of parent	516	515

(Consolidated Statements of Comprehensive Income (Cumulative))

(Million yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit	418	333
Other comprehensive income		
Valuation difference on available-for-sale securities	(149)	18
Deferred gains or losses on hedges	(31)	62
Foreign currency translation adjustment	(185)	(869)
Remeasurements of defined benefit plans, net of tax	31	17
Share of other comprehensive income of entities accounted for using equity method	(2)	(2)
Total other comprehensive income	(338)	(772)
Comprehensive income	80	(438)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	230	(191)
Comprehensive income attributable to non-controlling interests	(149)	(246)

(3) Notes to Consolidated Financial Statements

(Going Concern Assumptions)

Not applicable

(Material Changes in the Amount of Shareholders' Equity)

Not applicable