

Translation

Member of Financial Accounting Standards Foundation (FASF)

August 1, 2016

Summary of Consolidated Financial Results for the First Quarter Ended June 30, 2016 [Japan GAAP]

| | |
|--|---|
| Name of Company: | The Furukawa Battery Co., Ltd. |
| Stock Code: | 6937 |
| Stock Exchange Listing: | Tokyo Stock Exchange, First Section |
| URL: | http://www.furukawadenchi.co.jp |
| Representative | |
| Title: | President & CEO |
| Name: | Katsutoshi Tokuyama |
| Contact Person | |
| Title: | Director & Executive Corporate Officer |
| Name: | Shigeru Takaku |
| Tel: | +81-(0) 45 (336) 5034 |
| Scheduled date of filing of quarterly securities report: | August 12, 2016 |
| Scheduled date of commencement of dividend payment: | - |
| Supplementary documents for quarterly financial results: | None |
| Quarterly financial results briefing: | None |

(Yen in millions, rounded down)

1. Financial results for the first quarter ended June 30, 2016 (April 1, 2016 – June 30, 2016)

(1) Result of operations (Consolidated) (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 | % |
| First quarter ended June 30, 2016 | 11,505 | (4.9) | 226 | (33.8) | 102 | (76.6) | 113 | (72.3) |
| First quarter ended June 30, 2015 | 12,103 | 17.8 | 341 | 571.1 | 436 | 339.9 | 408 | 638.9 |

Notes: Comprehensive income

First quarter ended June 30, 2016: (418) million yen (yoy (200.1) %)
First quarter ended June 30, 2015: 417 million yen (yoy 115.9 %)

| | Earnings per share (basic) | Earnings per share (diluted) |
|-----------------------------------|----------------------------|------------------------------|
| | Yen | Yen |
| First quarter ended June 30, 2016 | 3.45 | — |
| First quarter ended June 30, 2015 | 12.46 | — |

(2) Financial position (Consolidated)

| | Total assets | Net assets | Equity ratio |
|----------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of June 30, 2016 | 47,512 | 18,863 | 37.5 |
| As of March 31, 2016 | 50,409 | 19,552 | 36.5 |

Reference: Equity

As of June 30, 2016: 17,804 million yen
As of March 31, 2016: 18,383 million yen

2. Dividends

| | 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 for the fiscal year ending March 31, 2017 (Consolidated, 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 |
| First half | 26,000 | 4.5 | 600 | 17.8 | 400 | (33.6) | 250 | (51.6) | 7.63 |
| Full year | 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 (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 Quarterly Consolidated Financial Statements” on page 3 of Accompanying Materials Contents.
- (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 shares)
 - (a) Shares outstanding (including treasury shares)
As of June 30, 2016: 32,800,000 shares As of March 31, 2016: 32,800,000 shares
 - (b) Treasury shares
As of June 30, 2016: 20,411 shares As of March 31, 2016: 20,411 shares
 - (c) Average number of shares outstanding during the period (Cumulative)
First quarter ended June 30, 2016: 32,779,589 shares First quarter ended June 30, 2015: 32,780,207 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:

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 Regarding Results of Operations for the First Quarter (3) Explanation Regarding Forecast for the Fiscal Year Ending March 31, 2017” on page 2 of Accompanying Materials Contents for details on the assumptions used and other related matters concerning the forecast of consolidated financial results.

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1. Qualitative Information Regarding Results of Operations for the First Quarter

(1) Explanation Regarding Results of Operations

In the first quarter of the current fiscal year, 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 due to the impact of the appreciation of the yen and low stock prices from the beginning of 2016. In the world economy, emerging economies including China have shown weakness, and there is still uncertainty surrounding the future.

First quarter consolidated sales decreased by 597 million yen, or 4.9%, from one year earlier to 11,505 million yen. Overseas sales were 4,439 million yen and accounted for 38.6% of total sales.

Operating income was 226 million yen and ordinary income was 102 million yen due to a decrease in sales of industrial batteries overseas and the impact of foreign exchange rates despite strong sales of automobile batteries by the subsidiary in Thailand.

After the deduction of taxes, profit attributable to owners of parent was 113 million yen.

(2) Explanation Regarding Financial Position

Total assets were 47,512 million yen at the end of the first quarter, 2,896 million yen less than at the end of the previous fiscal year. Current assets decreased by 2,294 million yen to 19,379 million yen mainly because of a decrease in notes and accounts receivable - trade. Non-current assets decreased by 602 million yen to 28,132 million yen.

There was a 483 million yen decrease in property, plant and equipment to 24,324 million yen mainly because the decline resulting from depreciation was greater than the increase in capital investment.

Investments and other assets decreased by 92 million yen to 3,545 million yen.

Total liabilities decreased by 2,207 million yen to 28,648 million yen. Current liabilities decreased by 1,675 million yen to 13,470 million yen, and non-current liabilities decreased by 532 million yen to 15,178 million yen.

Interest-bearing debt, which is the sum of short-term loans payable and long-term loans payable, decreased by 945 million yen to 10,592 million yen.

Equity decreased by 579 million yen to 17,804 million yen, resulting in an increase in the equity ratio from 36.5% at the end of the previous fiscal year to 37.5% at the end of the first quarter.

(3) Explanation Regarding 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 First Quarter Ended June 30, 2016

Not applicable

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

First quarter income taxes are calculated by multiplying first quarter income before income taxes by a reasonable estimate of the effective tax rate, after application of tax effect accounting, for estimated income before income taxes in the first quarter 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 this first quarter ended June 30, 2016.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | Fiscal year ended March 31, 2016 (As of March 31, 2016) | First quarter ended June 30, 2016 (As of June 30, 2016) |
|--|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 3,387 | 3,188 |
| Notes and accounts receivable - trade | 11,220 | 8,347 |
| Merchandise and finished goods | 1,900 | 2,343 |
| Work in process | 2,704 | 3,143 |
| Raw materials and supplies | 1,185 | 1,007 |
| Deferred tax assets | 264 | 289 |
| Other | 1,020 | 1,066 |
| Allowance for doubtful accounts | (8) | (7) |
| Total current assets | 21,674 | 19,379 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,614 | 6,438 |
| Machinery, equipment and vehicles, net | 9,132 | 8,721 |
| Tools, furniture and fixtures, net | 470 | 430 |
| Land | 7,387 | 7,332 |
| Leased assets, net | 777 | 752 |
| Construction in progress | 425 | 648 |
| Total property, plant and equipment | 24,807 | 24,324 |
| Intangible assets | | |
| Goodwill | 46 | 36 |
| Leased assets | 4 | 4 |
| Other | 237 | 221 |
| Total intangible assets | 288 | 262 |
| Investments and other assets | | |
| Investment securities | 2,089 | 1,910 |
| Deferred tax assets | 1,364 | 1,453 |
| Other | 199 | 197 |
| Allowance for doubtful accounts | (15) | (15) |
| Total investments and other assets | 3,638 | 3,545 |
| Total non-current assets | 28,734 | 28,132 |
| Total assets | 50,409 | 47,512 |

(Million yen)

| | Fiscal year ended March 31, 2016 (As of March 31, 2016) | First quarter ended June 30, 2016 (As of June 30, 2016) |
|---|---|---|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 5,996 | 5,333 |
| Short-term loans payable | 5,250 | 4,774 |
| Lease obligations | 136 | 129 |
| Income taxes payable | 506 | 325 |
| Accrued consumption taxes | 426 | 112 |
| Provision for bonuses | 591 | 285 |
| Provision for directors' bonuses | 2 | — |
| Notes payable - facilities | 142 | 128 |
| Other | 2,093 | 2,381 |
| Total current liabilities | 15,145 | 13,470 |
| Non-current liabilities | | |
| Long-term loans payable | 6,286 | 5,817 |
| Lease obligations | 720 | 699 |
| Deferred tax liabilities | 766 | 764 |
| Provision for environmental measures | 9 | 9 |
| Net defined benefit liability | 7,281 | 7,254 |
| Negative goodwill | 64 | 48 |
| Asset retirement obligations | 9 | 9 |
| Other | 571 | 573 |
| Total non-current liabilities | 15,710 | 15,178 |
| Total liabilities | 30,856 | 28,648 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 1,640 | 1,640 |
| Capital surplus | 422 | 422 |
| Retained earnings | 15,076 | 14,927 |
| Treasury shares | (10) | (10) |
| Total shareholders' equity | 17,128 | 16,978 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 823 | 706 |
| Deferred gains or losses on hedges | (18) | (36) |
| Foreign currency translation adjustment | 489 | 194 |
| Remeasurements of defined benefit plans | (40) | (40) |
| Total accumulated other comprehensive income | 1,255 | 825 |
| Non-controlling interests | 1,169 | 1,059 |
| Total net assets | 19,552 | 18,863 |
| Total liabilities and net assets | 50,409 | 47,512 |

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

| | (Million yen) | |
|---|--|--|
| | First quarter ended June 30, 2015 (From April 1, 2015 to June 30, 2015) | First quarter ended June 30, 2016 (From April 1, 2016 to June 30, 2016) |
| Net sales | 12,103 | 11,505 |
| Cost of sales | 9,264 | 9,005 |
| Gross profit | 2,839 | 2,500 |
| Selling, general and administrative expenses | 2,497 | 2,273 |
| Operating income | 341 | 226 |
| Non-operating income | | |
| Interest income | 1 | 3 |
| Dividends income | 55 | 54 |
| Amortization of negative goodwill | 16 | 16 |
| Foreign exchange gains | 10 | — |
| Other | 52 | 32 |
| Total non-operating income | 136 | 106 |
| Non-operating expenses | | |
| Interest expenses | 20 | 176 |
| Foreign exchange losses | — | 14 |
| Share of loss of entities accounted for using equity method | 0 | 9 |
| Other | 20 | 28 |
| Total non-operating expenses | 41 | 230 |
| Ordinary income | 436 | 102 |
| Extraordinary loss | | |
| Loss on disposal of non-current assets | 0 | 1 |
| Total extraordinary losses | 0 | 1 |
| Profit before income taxes | 435 | 101 |
| Total income taxes | 31 | 66 |
| Profit | 404 | 34 |
| Loss attributable to non-controlling interests | (3) | (78) |
| Profit attributable to owners of parent | 408 | 113 |

(Quarterly Consolidated Statements of Comprehensive Income (Cumulative))

(Million yen)

| | First quarter ended June 30, 2015 (From April 1, 2015 to June 30, 2015) | First quarter ended June 30, 2016 (From April 1, 2016 to June 30, 2016) |
|--|--|--|
| Profit | 404 | 34 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 64 | (118) |
| Deferred gains or losses on hedges | (2) | (17) |
| Foreign currency translation adjustment | (62) | (315) |
| Remeasurements of defined benefit plans, net of tax | 16 | 0 |
| Share of other comprehensive income of entities accounted for using equity method | (2) | (0) |
| Total other comprehensive income | 13 | (452) |
| Comprehensive income | 417 | (418) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 471 | (316) |
| Comprehensive income attributable to non-controlling interests | (53) | (101) |

(3) Notes on Quarterly Consolidated Financial Statements

(Notes Concerning Premise of Ongoing Concern)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable