

Consolidated Financial Results for the Nine-month Period Ended December 31, 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
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Scheduled date of filing of quarterly securities report:	February 13, 2017
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. Consolidated financial results for the nine months ended December 31, 2016 (April 1, 2016 – December 31, 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	%
Nine months ended December 31, 2016	37,861	(1.0)	1,808	17.0	1,561	(4.0)	1,269	(3.1)
Nine months ended December 31, 2015	38,233	2.4	1,545	60.2	1,626	39.8	1,310	61.2

Notes: Comprehensive income

Nine months ended December 31, 2016:	370 million yen (yoy 50.8%)
Nine months ended December 31, 2015:	245 million yen (yoy (84.6) %)

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Nine months ended December 31, 2016	38.74	-
Nine months ended December 31, 2015	39.97	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2016	50,585	19,651	37.3
As of March 31, 2016	50,409	19,552	36.5

Reference: Equity

As of December 31, 2016:	18,851 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 nine-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 December 31, 2016: 32,800,000 shares As of March 31, 2016: 32,800,000 shares
 - (b) Treasury shares
As of December 31, 2016: 21,412 shares As of March 31, 2016: 20,411 shares
 - (c) Average number of shares outstanding during the period (cumulative)
Nine months ended December 31, 2016: 32,779,468 shares
Nine months ended December 31, 2015: 32,779,885 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 Nine-month Period (3) Explanation of Forecast for 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.

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

(1) Explanation of Operating Results

During the nine months ended December 31, 2016, as the employment environment and employee income improved, the Japanese economy continued on a moderate recovery path due to the effect of various policies. In the world economy, there is an increasing uncertainty surrounding the future due to issues such as an economic slowdown in emerging countries including China and the United Kingdom's decision to leave the EU, in addition to the direction of the United States policies after the inauguration of the new president.

Under such a business environment, the Furukawa Battery Group recorded consolidated sales of 37,861 million yen for the nine months ended December 31, 2016, a decrease of 372 million yen (-1.0%) year on year. Overseas sales were 12,256 million yen and accounted for 32.4% of total sales.

Operating income was 1,808 million yen due to strong sales of automobile batteries by the subsidiary in Thailand offsetting the impact of exchange rates, while ordinary income was 1,561 million yen due to an increase in interest expenses resulting from an increase in interest-bearing debt.

After the deduction of taxes, profit attributable to owners of parent was 1,269 million yen.

(2) Explanation of Financial Position

Total assets were 50,585 million as of December 31, 2016, which is 176 million yen more than at the end of the previous fiscal year. Current assets increased by 344 million yen to 22,019 million yen. Non-current assets decreased by 168 million yen to 28,566 million yen.

The main factors leading to the increase in current assets were increases in cash and deposits and inventories.

There was a 1,208 million yen decrease in property, plant and equipment to 23,599 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 1,102 million yen to 4,740 million yen.

Total liabilities as of December 31, 2016 increased by 78 million yen to 30,934 million yen.

Current liabilities increased by 1,273 million yen to 16,419 million yen, and non-current liabilities decreased by 1,195 million yen to 14,515 million yen.

Interest-bearing debt, which is the sum of short-term loans payable and long-term loans payable, increased by 654 million yen to 12,191 million yen.

Equity increased by 468 million yen to 18,851 million yen, resulting in an increase in the equity ratio from 36.5% at the end of the previous fiscal year to 37.3% at the end of the nine-month 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 Nine Months Ended December 31, 2016

Not applicable

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

Income taxes for the nine-month period are calculated by multiplying income before income taxes for the nine-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 nine-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 December 31, 2016
ASSETS		
Current assets		
Cash and deposits	3,387	4,285
Notes and accounts receivable - trade	11,220	9,860
Merchandise and finished goods	1,900	2,376
Work in process	2,704	3,184
Raw materials and supplies	1,185	1,145
Deferred tax assets	264	264
Other	1,020	909
Allowance for doubtful accounts	(8)	(7)
Total current assets	21,674	22,019
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,614	6,242
Machinery, equipment and vehicles, net	9,132	7,894
Tools, furniture and fixtures, net	470	413
Land	7,387	7,210
Leased assets, net	777	731
Construction in progress	425	1,107
Total property, plant and equipment	24,807	23,599
Intangible assets		
Goodwill	46	20
Leased assets	4	8
Other	237	197
Total intangible assets	288	226
Investments and other assets		
Investment securities	2,089	3,321
Deferred tax assets	1,364	1,234
Other	199	200
Allowance for doubtful accounts	(15)	(15)
Total investments and other assets	3,638	4,740
Total non-current assets	28,734	28,566
Total assets	50,409	50,585

(Million yen)

	As of March 31, 2016	As of December 31, 2016
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	5,996	5,858
Short-term loans payable	5,250	6,960
Lease obligations	136	127
Income taxes payable	506	279
Accrued consumption taxes	426	222
Provision for bonuses	591	394
Provision for directors' bonuses	2	–
Notes payable - facilities	142	282
Other	2,093	2,293
Total current liabilities	15,145	16,419
Non-current liabilities		
Long-term loans payable	6,286	5,231
Lease obligations	720	687
Deferred tax liabilities	766	778
Provision for environmental measures	9	9
Net defined benefit liability	7,281	7,185
Negative goodwill	64	16
Asset retirement obligations	9	9
Other	571	597
Total non-current liabilities	15,710	14,515
Total liabilities	30,856	30,934
NET ASSETS		
Shareholders' equity		
Capital stock	1,640	1,640
Capital surplus	422	422
Retained earnings	15,076	16,084
Treasury shares	(10)	(11)
Total shareholders' equity	17,128	18,134
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	823	1,058
Deferred gains or losses on hedges	(18)	40
Foreign currency translation adjustment	489	(360)
Remeasurements of defined benefit plans	(40)	(21)
Total accumulated other comprehensive income	1,255	717
Non-controlling interests	1,169	799
Total net assets	19,552	19,651
Total liabilities and net assets	50,409	50,585

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

(Million yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	38,233	37,861
Cost of sales	29,403	28,950
Gross profit	8,830	8,910
Selling, general and administrative expenses	7,284	7,102
Operating income	1,545	1,808
Non-operating income		
Interest income	4	10
Dividend income	73	72
Amortization of negative goodwill	48	48
Foreign exchange gains	—	15
Other	134	168
Total non-operating income	261	314
Non-operating expenses		
Interest expenses	101	498
Share of loss of entities accounted for using equity method	15	34
Other	64	28
Total non-operating expenses	180	561
Ordinary income	1,626	1,561
Extraordinary income		
Gain on sales of non-current assets	1	0
Subsidy income	235	—
Total extraordinary income	236	0
Extraordinary losses		
Loss on disposal of non-current assets	3	5
Loss on reduction of non-current assets	235	—
Total extraordinary losses	238	5
Profit before income taxes	1,624	1,556
Income taxes	501	582
Profit	1,123	974
Loss attributable to non-controlling interests	(186)	(295)
Profit attributable to owners of parent	1,310	1,269

(Consolidated Statements of Comprehensive Income (Cumulative))

(Million yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Profit	1,123	974
Other comprehensive income		
Valuation difference on available-for-sale securities	(57)	240
Deferred gains or losses on hedges	32	58
Foreign currency translation adjustment	(892)	(919)
Remeasurements of defined benefit plans, net of tax	46	18
Share of other comprehensive income of entities accounted for using equity method	(7)	(2)
Total other comprehensive income	(878)	(603)
Comprehensive income	245	370
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	588	731
Comprehensive income attributable to non-controlling interests	(342)	(361)

(3) Notes to Consolidated Financial Statements

(Going Concern Assumptions)

Not applicable

(Material Changes in the Amount of Shareholders' Equity)

Not applicable