

Consolidated Financial Results for the Nine-month Period Ended December 31, 2017 [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 for filing of quarterly securities report:	February 9, 2018
Scheduled date for 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, 2017 (April 1, 2017 – December 31, 2017)

(1) Consolidated operating results (Percentage figures 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	%
Nine months ended December 31, 2017	42,927	13.4	1,623	(10.2)	1,475	(5.5)	1,216	(4.2)
Nine months ended December 31, 2016	37,861	(1.0)	1,808	17.0	1,561	(4.0)	1,269	(3.1)

Notes: Comprehensive income

Nine months ended December 31, 2017:	1,674 million yen (yoy 351.9%)
Nine months ended December 31, 2016:	370 million yen (yoy 50.8%)

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Nine months ended December 31, 2017	37.10	—
Nine months ended December 31, 2016	38.74	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2017	55,675	24,907	40.1
As of March 31, 2017	55,023	21,891	37.5

Reference: Equity

As of December 31, 2017:	22,348 million yen
As of March 31, 2017:	20,607 million yen

2. Dividends

	Annual dividends per share				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2017	—	—	—	9.00	9.00
Fiscal year ending March 31, 2018	—	—	—	—	—
Fiscal year ending March 31, 2018 (forecast)	—	—	—	10.00	10.00

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

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2018	62,000	12.1	4,000	19.9	3,600	24.5	2,700	13.7	82.37

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

Notes:

- (1) Changes in significant subsidiaries during the nine-month period ended December 31, 2017 (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. Consolidated Financial Statements and Related Notes (3) Notes on Consolidated Financial Statements (Application of Special Accounting for Preparing Consolidated Financial Statements)” on page 7 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, 2017: 32,800,000 shares As of March 31, 2017: 32,800,000 shares
 - (b) Treasury shares
As of December 31, 2017: 22,055 shares As of March 31, 2017: 21,412 shares
 - (c) Average number of shares outstanding during the period (cumulative)
Nine months ended December 31, 2017: 32,778,273 shares Nine months ended December 31, 2016: 32,779,468 shares

* Quarterly financial results reports are not required to be subjected to quarterly reviews.

* Appropriate use of performance forecasts and other special items:
(Disclaimer on 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, 2018” on page 2 of Attachment for details on the assumptions used and other related matters concerning the forecast of consolidated financial results.

Index of the Attachment

1. Qualitative Information on Consolidated Financial Results for the Nine-month Period	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	2
(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2018.....	2
2. Consolidated Financial Statements and Related Notes	3
(1) Consolidated Balance Sheets	3
(2) Consolidated Statements of Income and Comprehensive Income	5
(Consolidated Statements of Income (Cumulative))	5
(Consolidated Statements of Comprehensive Income (Cumulative))	6
(3) Notes on Consolidated Financial Statements	7
(Going Concern Assumptions)	7
(Material Changes in the Amount of Shareholders' Equity).....	7
(Application of Special Accounting for Preparing Consolidated Financial Statements).....	7
3. Other	8
(Trend in Quarterly Consolidated Results).....	8

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

(1) Explanation of Operating Results

During the nine-month period ended December 31, 2017, economic conditions continued on a moderate recovery track despite concerns in the global economy about such issues as the policy trends in the United States and slowing economic growth in China.

The Japanese economy continued on a moderate recovery track, as seen in developments such as improvements in personal consumption and an increase in capital investment. On the other hand, due to concerns about factors such as rising personnel expenses caused by a tightening of the gap between labor supply and demand and persistently high prices for resources, the situation going forward remains uncertain.

Under such a business environment, the Furukawa Battery Group recorded consolidated sales of 42,927 million yen for the nine-month period ended December 31, 2017, an increase of 5,066 million yen (+13.4%) year on year. Overseas sales were 15,190 million yen and accounted for 35.4% of total sales.

Operating profit decreased by 184 million yen year on year to 1,623 million yen mainly due to the effect of the rise in the price of lead, the primary raw material, while ordinary profit decreased by 86 million yen year on year to 1,475 million yen mainly due to the decrease in interest expenses, which is the result of declines in interest-bearing debt, despite an increase in dividend income.

Profit attributable to owners of parent came to 1,216 million yen, decreasing 53 million yen year on year.

(2) Explanation of Financial Position

Total assets were 55,675 million yen as of December 31, 2017, which is 652 million yen more than at the end of the previous fiscal year. Current assets increased by 278 million yen from the end of the previous fiscal year to 25,011 million yen, while non-current assets increased by 374 million yen to 30,664 million yen.

The main factors leading to the increase in current assets were increases in merchandise and finished goods and work in process.

There was a 144 million yen decrease in property, plant and equipment to 24,796 million yen. The main factor leading to the decrease was that the decline resulting from depreciation, etc. was greater than the increase in capital investment.

Investments and other assets increased by 564 million yen to 5,673 million yen.

Total liabilities as of December 31, 2017 decreased by 2,363 million yen to 30,768 million yen.

Current liabilities decreased by 1,014 million yen to 15,824 million yen, and non-current liabilities decreased by 1,348 million yen to 14,943 million yen.

Interest-bearing debt, which is the sum of short-term loans payable and long-term loans payable, decreased by 1,607 million yen to 11,643 million yen.

Equity increased by 1,740 million yen to 22,348 million yen, resulting in an increase in the equity ratio from 37.5% at the end of the previous fiscal year to 40.1% at the end of the nine-month period.

(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2018

There is no change to the consolidated forecast that was announced on May 10, 2017.

2. Consolidated Financial Statements and Related Notes
(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2017	As of December 31, 2017
ASSETS		
Current assets		
Cash and deposits	5,735	4,042
Notes and accounts receivable - trade	11,524	11,504
Merchandise and finished goods	2,066	3,023
Work in process	2,808	3,903
Raw materials and supplies	1,453	1,487
Deferred tax assets	262	284
Other	890	773
Allowance for doubtful accounts	(7)	(7)
Total current assets	24,733	25,011
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,632	6,511
Machinery, equipment and vehicles, net	8,460	8,547
Tools, furniture and fixtures, net	559	493
Land	7,462	7,529
Leased assets, net	748	723
Construction in progress	1,077	990
Total property, plant and equipment	24,940	24,796
Intangible assets		
Goodwill	15	-
Leased assets	10	8
Other	214	185
Total intangible assets	240	193
Investments and other assets		
Investment securities	3,417	4,272
Deferred tax assets	1,472	1,214
Other	234	201
Allowance for doubtful accounts	(15)	(15)
Total investments and other assets	5,108	5,673
Total non-current assets	30,290	30,664
Total assets	55,023	55,675

(Million yen)

	As of March 31, 2017	As of December 31, 2017
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	5,196	4,516
Electronically recorded obligations - operating	1,009	1,894
Short-term loans payable	6,363	5,928
Lease obligations	135	137
Income taxes payable	782	154
Accrued consumption taxes	277	246
Provision for bonuses	602	407
Provision for directors' bonuses	2	-
Provision for environmental measures	-	28
Notes payable - facilities	208	360
Other	2,261	2,148
Total current liabilities	16,839	15,824
Non-current liabilities		
Long-term loans payable	6,887	5,714
Lease obligations	696	671
Deferred tax liabilities	772	776
Provision for environmental measures	89	47
Net defined benefit liability	7,241	7,050
Asset retirement obligations	9	9
Other	596	673
Total non-current liabilities	16,292	14,943
Total liabilities	33,131	30,768
NET ASSETS		
Shareholders' equity		
Capital stock	1,640	1,640
Capital surplus	422	422
Retained earnings	17,187	18,109
Treasury shares	(11)	(11)
Total shareholders' equity	19,238	20,159
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,083	1,651
Deferred gains or losses on hedges	40	34
Foreign currency translation adjustment	277	521
Remeasurements of defined benefit plans	(33)	(18)
Total accumulated other comprehensive income	1,369	2,188
Non-controlling interests	1,283	2,558
Total net assets	21,891	24,907
Total liabilities and net assets	55,023	55,675

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income (Cumulative))

(Million yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	37,861	42,927
Cost of sales	28,950	33,507
Gross profit	8,910	9,420
Selling, general and administrative expenses	7,102	7,796
Operating profit	1,808	1,623
Non-operating income		
Interest income	10	17
Dividend income	72	148
Amortization of negative goodwill	48	-
Foreign exchange gains	15	10
Subsidy income	34	65
Other	133	180
Total non-operating income	314	421
Non-operating expenses		
Interest expenses	498	401
Share of loss of entities accounted for using equity method	34	29
Foreign value-added tax, etc.	-	120
Other	28	18
Total non-operating expenses	561	569
Ordinary profit	1,561	1,475
Extraordinary income		
Gain on sales of non-current assets	0	-
Total extraordinary income	0	-
Extraordinary losses		
Loss on disposal of non-current assets	5	5
Total extraordinary losses	5	5
Profit before income taxes	1,556	1,470
Income taxes	582	581
Profit	974	888
Loss attributable to non-controlling interests	(295)	(327)
Profit attributable to owners of parent	1,269	1,216

(Consolidated Statements of Comprehensive Income (Cumulative))

(Million yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	974	888
Other comprehensive income		
Valuation difference on available-for-sale securities	240	573
Deferred gains or losses on hedges	58	(6)
Foreign currency translation adjustment	(919)	202
Remeasurements of defined benefit plans, net of tax	18	14
Share of other comprehensive income of entities accounted for using equity method	(2)	0
Total other comprehensive income	(603)	785
Comprehensive income	370	1,674
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	731	2,035
Comprehensive income attributable to non- controlling interests	(361)	(361)

(3) Notes on Consolidated Financial Statements

(Going Concern Assumptions)

Not applicable.

(Material Changes in the Amount of Shareholders' Equity)

Not applicable.

(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. Other

(Trend in Quarterly Consolidated Results)

Fiscal year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Million yen)

	Accounting period				Cumulative period		
	Q1	Q2	Q3	Q4	6 months (Apr-Sep)	9 months (Apr-Dec)	Full year
Net sales	12,712	13,534	16,680	–	26,247	42,927	–
Operating profit	192	226	1,204	–	419	1,623	–
Ordinary profit	179	37	1,259	–	216	1,475	–
Profit attributable to owners of parent	155	93	967	–	249	1,216	–

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Million yen)

	Accounting period				Cumulative period		
	Q1	Q2	Q3	Q4	6 months (Apr-Sep)	9 months (Apr-Dec)	Full year
Net sales	11,505	12,250	14,104	17,459	23,756	37,861	55,320
Operating profit	226	572	1,009	1,528	798	1,808	3,336
Ordinary profit	102	521	938	1,330	623	1,561	2,892
Profit attributable to owners of parent	113	402	754	1,103	515	1,269	2,373

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Million yen)

	Accounting period				Cumulative period		
	Q1	Q2	Q3	Q4	6 months (Apr-Sep)	9 months (Apr-Dec)	Full year
Net sales	12,103	12,778	13,352	15,873	24,881	38,233	54,106
Operating profit	341	167	1,035	1,383	509	1,545	2,928
Ordinary profit	436	166	1,024	1,271	602	1,626	2,898
Profit attributable to owners of parent	408	107	793	1,057	516	1,310	2,367

Fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Million yen)

	Accounting period				Cumulative period		
	Q1	Q2	Q3	Q4	6 months (Apr-Sep)	9 months (Apr-Dec)	Full year
Net sales	10,272	11,974	15,107	16,548	22,247	37,355	53,903
Operating profit	50	63	849	1,477	114	964	2,441
Ordinary profit	99	163	901	1,538	262	1,163	2,702
Profit attributable to owners of parent	55	106	650	944	161	812	1,756