

Consolidated Financial Results for the Nine-month Period Ended December 31, 2018 [Japan GAAP]

Name of Company:	The Furukawa Battery Co., Ltd.
Stock Code:	6937
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
URL:	https://www.furukawadenchi.co.jp
Representative	
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Scheduled date for filing of quarterly securities report:	February 8, 2019
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, 2018 (April 1, 2018 – December 31, 2018)

(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, 2018	46,064	7.3	1,779	9.6	1,767	19.8	1,474	21.3
Nine months ended December 31, 2017	42,927	13.4	1,623	(10.2)	1,475	(5.5)	1,216	(4.2)

Notes: Comprehensive income

Nine months ended December 31, 2018:	664 million yen [yoy (60.3) %]
Nine months ended December 31, 2017:	1,674 million yen [yoy 351.9%]

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Nine months ended December 31, 2018	44.99	—
Nine months ended December 31, 2017	37.10	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2018	55,200	25,457	43.7
As of March 31, 2018	54,994	25,156	42.4

Reference: Equity

As of December 31, 2018:	24,140 million yen
As of March 31, 2018:	23,295 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, 2018	—	—	—	10.00	10.00
Fiscal year ending March 31, 2019	—	—	—	—	—
Fiscal year ending March 31, 2019 (forecast)	—	—	—	11.00	11.00

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

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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, 2019	64,000	5.7	3,200	7.4	3,000	6.7	2,200	3.0	67.12

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, 2018 (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, 2018: 32,800,000 shares As of March 31, 2018: 32,800,000 shares
 - (b) Treasury shares
As of December 31, 2018: 22,059 shares As of March 31, 2018: 22,055 shares
 - (c) Average number of shares outstanding during the period (cumulative)
Nine months ended December 31, 2018: 32,777,943 shares Nine months ended December 31, 2017: 32,778,273 shares

* Quarterly financial results reports are not required to be subjected to quarterly reviews conducted by certified public accountants or an audit corporation.

* 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, 2019” 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-month period ended December 31, 2018, the global economy recovered moderately despite concerns about such issues as the economic outlook in China and other emerging countries in Asia, and situations over trade issues.

Although there is concern about the future outlook of the Japanese economy due to the global economic situation, the Japanese economy also recovered moderately, supported by the effects of various policies, while corporate profits and the employment and income situation continued to improve.

Under such a business environment, the Furukawa Battery Group recorded consolidated sales of 46,064 million yen for the nine-month period ended December 31, 2018, an increase of 3,136 million yen (7.3%) year on year. Overseas sales were 17,003 million yen and accounted for 36.9% of total sales.

Operating profit increased by 155 million yen year on year to 1,779 million yen, mainly due to strong sales of automotive batteries, while ordinary profit increased by 291 million yen year on year to 1,767 million yen, mainly due to the increase in dividend income and the decrease in interest expenses.

Profit attributable to owners of parent came to 1,474 million yen, increasing 258 million yen year on year.

(2) Explanation of Financial Position

Total assets were 55,200 million yen as of December 31, 2018, which is 205 million yen more than at the end of the previous fiscal year. Current assets increased by 1,331 million yen from the end of the previous fiscal year to 25,824 million yen, while non-current assets decreased by 1,125 million yen to 29,376 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 964 million yen decrease in property, plant and equipment to 23,890 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 decreased by 132 million yen to 5,327 million yen.

Total liabilities as of December 31, 2018, decreased by 95 million yen to 29,742 million yen.

Current liabilities increased by 2,400 million yen to 16,598 million yen, and non-current liabilities decreased by 2,495 million yen to 13,143 million yen. This is mainly due to the transfer from long-term loans payable to current portion of long-term loans payable.

Interest-bearing debt, which is the sum of short-term loans payable and long-term loans payable, increased by 9 million yen to 10,546 million yen.

Equity increased by 844 million yen to 24,140 million yen, resulting in an increase in the equity ratio from 42.4% at the end of the previous fiscal year to 43.7% at the end of the nine-month period.

(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2019

There is no change to the consolidated forecast that was announced on May 9, 2018.

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

(Million yen)

	As of March 31, 2018	As of December 31, 2018
ASSETS		
Current assets		
Cash and deposits	4,194	4,369
Notes and accounts receivable - trade	11,658	11,159
Electronically recorded monetary claims - operating	711	706
Merchandise and finished goods	2,113	3,180
Work in process	3,634	4,394
Raw materials and supplies	1,424	1,250
Other	757	765
Allowance for doubtful accounts	(1)	(2)
Total current assets	24,493	25,824
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,553	6,372
Machinery, equipment and vehicles, net	8,601	7,871
Tools, furniture and fixtures, net	735	617
Land	7,546	7,437
Leased assets, net	702	660
Construction in progress	714	930
Total property, plant and equipment	24,854	23,890
Intangible assets		
Leased assets	8	8
Other	178	149
Total intangible assets	186	158
Investments and other assets		
Investment securities	3,907	3,616
Deferred tax assets	1,418	1,565
Other	155	167
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	5,460	5,327
Total non-current assets	30,501	29,376
Total assets	54,994	55,200

(Million yen)

	As of March 31, 2018	As of December 31, 2018
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	4,396	4,621
Electronically recorded obligations - operating	1,831	2,056
Short-term loans payable	4,077	6,354
Lease obligations	136	131
Income taxes payable	507	166
Accrued consumption taxes	304	273
Provision for bonuses	633	424
Provision for environmental measures	14	-
Notes payable - facilities	17	57
Electronically recorded obligations - facilities	103	229
Other	2,175	2,282
Total current liabilities	14,198	16,598
Non-current liabilities		
Long-term loans payable	6,459	4,192
Lease obligations	649	610
Deferred tax liabilities	771	762
Provision for environmental measures	14	13
Net defined benefit liability	7,049	6,949
Asset retirement obligations	9	9
Other	684	605
Total non-current liabilities	15,639	13,143
Total liabilities	29,837	29,742
NET ASSETS		
Shareholders' equity		
Capital stock	1,640	1,640
Capital surplus	630	653
Retained earnings	19,029	20,176
Treasury shares	(11)	(11)
Total shareholders' equity	21,288	22,458
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,396	1,138
Deferred gains or losses on hedges	(42)	(40)
Foreign currency translation adjustment	663	596
Remeasurements of defined benefit plans	(10)	(12)
Total accumulated other comprehensive income	2,007	1,681
Non-controlling interests	1,861	1,317
Total net assets	25,156	25,457
Total liabilities and net assets	54,994	55,200

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income (Cumulative))

(Million yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	42,927	46,064
Cost of sales	33,507	35,849
Gross profit	9,420	10,215
Selling, general and administrative expenses	7,796	8,436
Operating profit	1,623	1,779
Non-operating income		
Interest income	17	19
Dividend income	148	183
Foreign exchange gains	10	35
Subsidy income	65	–
Other	180	144
Total non-operating income	421	382
Non-operating expenses		
Interest expenses	401	312
Share of loss of entities accounted for using equity method	29	37
Foreign value-added tax, etc.	120	–
Other	18	43
Total non-operating expenses	569	393
Ordinary profit	1,475	1,767
Extraordinary income		
Gain on sales of non-current assets	–	0
Total extraordinary income	–	0
Extraordinary losses		
Loss on disposal of non-current assets	5	1
Total extraordinary losses	5	1
Profit before income taxes	1,470	1,766
Income taxes	581	601
Profit	888	1,164
Loss attributable to non-controlling interests	(327)	(310)
Profit attributable to owners of parent	1,216	1,474

(Consolidated Statements of Comprehensive Income (Cumulative))

(Million yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	888	1,164
Other comprehensive income		
Valuation difference on available-for-sale securities	573	(263)
Deferred gains or losses on hedges	(6)	2
Foreign currency translation adjustment	202	(239)
Remeasurements of defined benefit plans, net of tax	14	(2)
Share of other comprehensive income of entities accounted for using equity method	0	3
Total other comprehensive income	785	(499)
Comprehensive income	1,674	664
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,035	1,148
Comprehensive income attributable to non- controlling interests	(361)	(483)

(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.

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances)

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets are presented under "Investments and other assets" and deferred tax liabilities are presented under "Non-current liabilities."

3. Other

(Trend in Quarterly Consolidated Results)

Fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Million yen)

	Accounting period				Cumulative period		
	Q1	Q2	Q3	Q4	6 months (Apr-Sep)	9 months (Apr-Dec)	Full year
Net sales	13,320	14,862	17,881	–	28,182	46,064	–
Operating profit	52	261	1,464	–	314	1,779	–
Ordinary profit	78	233	1,455	–	312	1,767	–
Profit attributable to owners of parent	84	251	1,139	–	335	1,474	–

Fiscal year ended 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	17,609	26,247	42,927	60,536
Operating profit	192	226	1,204	1,357	419	1,623	2,980
Ordinary profit	179	37	1,259	1,335	216	1,475	2,810
Profit attributable to owners of parent	155	93	967	920	249	1,216	2,136

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