

Consolidated Financial Results for the Six-month Period Ended September 30, 2019 [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	
Title:	President & CEO
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Scheduled date for filing of quarterly securities report:	November 11, 2019
Scheduled date for 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, 2019 (April 1, 2019 – September 30, 2019)

(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	%
Six months ended September 30, 2019	29,367	4.2	686	118.4	666	113.6	575	71.5
Six months ended September 30, 2018	28,182	7.4	314	(25.0)	312	44.0	335	34.7

Note: Comprehensive income

Six months ended September 30, 2019:	68 million yen [yoy – %]
Six months ended September 30, 2018:	(326) million yen [yoy – %]

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Six months ended September 30, 2019	17.54	—
Six months ended September 30, 2018	10.23	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2019	52,131	26,165	47.8
As of March 31, 2019	54,266	25,758	45.7

Reference: Equity

As of September 30, 2019:	24,898 million yen
As of March 31, 2019:	24,809 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, 2019	—	—	—	11.00	11.00
Fiscal year ending March 31, 2020	—	—	—	—	—
Fiscal year ending March 31, 2020 (forecast)	—	—	—	13.00	13.00

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

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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, 2020	66,500	4.6	3,300	17.8	3,100	14.9	2,400	5.8	73.22

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

Notes:

- (1) Changes in significant subsidiaries during the six-month period ended September 30, 2019 (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 September 30, 2019: 32,800,000 shares As of March 31, 2019: 32,800,000 shares
 - (b) Treasury shares
As of September 30, 2019: 22,059 shares As of March 31, 2019: 22,059 shares
 - (c) Average number of shares outstanding during the period (cumulative)
Six months ended September 30, 2019: 32,777,941 shares Six months ended September 30, 2018: 32,777,944 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 Six-month Period (3) Explanation of Forecast for the Fiscal Year Ending March 31, 2020” 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 Wednesday, November 13, 2019. The documents to be distributed at this briefing to explain the quarterly financial results are scheduled to be posted on the Furukawa Battery website at the same time that 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

(Business Environment)

During the six-month period ended September 30, 2019, 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.

The Japanese economy also recovered moderately, supported by high levels of corporate profits holding firm, despite the continuing weakness of exports and production.

(Operating Results)

The Furukawa Battery Group recorded consolidated sales of 29,367 million yen for the six-month period ended September 30, 2019, an increase of 1,184 million yen (4.2%) year on year. Overseas sales were 11,234 million yen and accounted for 38.3% of total sales.

Operating profit increased by 372 million yen year on year to 686 million yen mainly due to favorable sales of industrial-use batteries. Ordinary profit increased by 354 million yen year on year to 666 million yen.

Profit attributable to owners of parent came to 575 million yen, increasing 239 million yen year on year despite recording an impairment loss of 121 million yen related to land the Company owns.

(2) Explanation of Financial Position

Total assets were 52,131 million yen as of September 30, 2019, which is 2,135 million yen less than at the end of the previous fiscal year. Current assets decreased by 2,446 million yen from the end of the previous fiscal year to 22,512 million yen, while non-current assets increased by 311 million yen to 29,619 million yen.

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

There was a 603 million yen increase in property, plant and equipment to 24,459 million yen. The main factor leading to the increase was an increase in construction in progress.

Investments and other assets decreased by 278 million yen to 5,024 million yen.

Total liabilities as of September 30, 2019, decreased by 2,542 million yen to 25,965 million yen. Current liabilities decreased by 1,892 million yen to 13,953 million yen, and non-current liabilities decreased by 650 million yen to 12,012 million yen.

Interest-bearing debt, which is the sum of short-term borrowings and long-term borrowings, decreased by 1,423 million yen to 7,118 million yen.

Equity increased by 88 million yen to 24,898 million yen, resulting in an increase in the equity ratio from 45.7% at the end of the previous fiscal year to 47.8% at the end of the six-month period.

(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2020

There is no change to the consolidated forecast that was announced on May 14, 2019.

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

(Million yen)

	As of March 31, 2019	As of September 30, 2019
ASSETS		
Current assets		
Cash and deposits	2,617	2,371
Notes and accounts receivable - trade	11,317	9,611
Electronically recorded monetary claims - operating	800	694
Securities	2,351	1,014
Merchandise and finished goods	2,612	3,551
Work in process	3,314	3,251
Raw materials and supplies	1,263	1,112
Other	684	908
Allowance for doubtful accounts	(2)	(3)
Total current assets	24,959	22,512
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,517	6,587
Machinery, equipment and vehicles, net	7,657	7,345
Tools, furniture and fixtures, net	661	566
Land	7,442	7,330
Leased assets, net	643	652
Construction in progress	932	1,976
Total property, plant and equipment	23,855	24,459
Intangible assets		
Leased assets	11	13
Other	138	122
Total intangible assets	149	135
Investments and other assets		
Investment securities	3,515	3,190
Deferred tax assets	1,642	1,692
Other	166	165
Allowance for doubtful accounts	(21)	(23)
Total investments and other assets	5,302	5,024
Total non-current assets	29,307	29,619
Total assets	54,266	52,131

(Million yen)

	As of March 31, 2019	As of September 30, 2019
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	4,488	3,765
Electronically recorded obligations - operating	2,240	2,037
Short-term borrowings	4,753	4,136
Lease obligations	129	135
Income taxes payable	540	421
Accrued consumption taxes	344	120
Provision for bonuses	649	801
Provision for environmental measures	4	3
Notes payable - facilities	27	22
Electronically recorded obligations - facilities	208	253
Other	2,459	2,255
Total current liabilities	15,845	13,953
Non-current liabilities		
Long-term borrowings	3,788	2,982
Lease obligations	598	602
Deferred tax liabilities	756	755
Provision for environmental measures	9	9
Retirement benefit liability	6,888	7,020
Asset retirement obligations	9	10
Other	612	632
Total non-current liabilities	12,663	12,012
Total liabilities	28,508	25,965
NET ASSETS		
Shareholders' equity		
Share capital	1,640	1,640
Capital surplus	653	653
Retained earnings	20,969	21,184
Treasury shares	(11)	(11)
Total shareholders' equity	23,251	23,466
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,112	819
Deferred gains or losses on hedges	(9)	19
Foreign currency translation adjustment	418	629
Remeasurements of defined benefit plans	36	(36)
Total accumulated other comprehensive income	1,558	1,432
Non-controlling interests	948	1,267
Total net assets	25,758	26,165
Total liabilities and net assets	54,266	52,131

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income (Cumulative))

(Million yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	28,182	29,367
Cost of sales	22,484	22,986
Gross profit	5,698	6,381
Selling, general and administrative expenses	5,383	5,694
Operating profit	314	686
Non-operating income		
Interest income	12	14
Dividend income	126	68
Foreign exchange gains	27	–
Gain on sales of investment securities	–	33
Other	101	95
Total non-operating income	266	212
Non-operating expenses		
Interest expenses	205	208
Share of loss of entities accounted for using equity method	26	0
Foreign exchange losses	–	9
Other	36	13
Total non-operating expenses	269	231
Ordinary profit	312	666
Extraordinary losses		
Impairment loss	–	121
Loss on disposal of non-current assets	1	0
Total extraordinary losses	1	122
Profit before income taxes	311	544
Income taxes	188	354
Profit	122	189
Loss attributable to non-controlling interests	(213)	(385)
Profit attributable to owners of parent	335	575

(Consolidated Statements of Comprehensive Income (Cumulative))

(Million yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	122	189
Other comprehensive income		
Valuation difference on available-for-sale securities	134	(296)
Deferred gains or losses on hedges	(9)	29
Foreign currency translation adjustment	(577)	219
Remeasurements of defined benefit plans, net of tax	(1)	(72)
Share of other comprehensive income of entities accounted for using equity method	5	–
Total other comprehensive income	(449)	(120)
Comprehensive income	(326)	68
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	36	449
Comprehensive income attributable to non-controlling interests	(363)	(380)

(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 six-month period are calculated by multiplying profit 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 profit before income taxes in the six-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, 2020 (from April 1, 2019 to March 31, 2020)

(Million yen)

	Accounting period				Cumulative period		
	Q1	Q2	Q3	Q4	6 months (Apr-Sep)	9 months (Apr-Dec)	Full year
Net sales	13,933	15,434	–	–	29,367	–	–
Operating profit (loss)	(40)	727	–	–	686	–	–
Ordinary profit (loss)	(54)	721	–	–	666	–	–
Profit attributable to owners of parent	33	541	–	–	575	–	–

Fiscal year ended 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	17,536	28,182	46,064	63,600
Operating profit	52	261	1,464	1,022	314	1,779	2,801
Ordinary profit	78	233	1,455	931	312	1,767	2,698
Profit attributable to owners of parent	84	251	1,139	792	335	1,474	2,267

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