

Consolidated Financial Results for the Six-month Period Ended September 30, 2020 [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
Name:	Shinichi Ono
Contact Person	
Title:	Corporate Officer, General Manager of Finance & Accounting Department
Name:	Susumu Meida
Tel:	+81-45-336-5034
Scheduled date for filing of quarterly securities report:	November 9, 2020
Scheduled date for commencement of dividend payment:	—
Supplementary documents for quarterly financial results:	Yes
Quarterly financial results briefing:	Yes (Financial results briefing via video streaming on the Company's website)

(Yen in millions, rounded down)

1. Consolidated financial results for the six months ended September 30, 2020 (April 1, 2020 – September 30, 2020)

(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, 2020	25,457	(13.3)	849	23.8	866	30.0	674	17.4
Six months ended September 30, 2019	29,367	4.2	686	118.4	666	113.6	575	71.5

Note: Comprehensive income

Six months ended September 30, 2020:	735 million yen [yoy 966.6 %]
Six months ended September 30, 2019:	68 million yen [yoy – %]

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Six months ended September 30, 2020	20.59	—
Six months ended September 30, 2019	17.54	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2020	53,181	27,945	50.4
As of March 31, 2020	54,035	27,637	49.1

Reference: Equity

As of September 30, 2020:	26,817 million yen
As of March 31, 2020:	26,504 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, 2020	—	—	—	13.00	13.00
Fiscal year ending March 31, 2021	—	—	—	—	—
Fiscal year ending March 31, 2021 (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, 2021 (April 1, 2020 – March 31, 2021)

(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, 2021	56,000	(13.2)	2,300	(30.2)	2,200	(32.0)	1,600	(28.5)	48.81

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, 2020 (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 8 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, 2020: 32,800,000 shares As of March 31, 2020: 32,800,000 shares
 - (b) Treasury shares
As of September 30, 2020: 22,086 shares As of March 31, 2020: 22,059 shares
 - (c) Average number of shares outstanding during the period (cumulative)
Six months ended September 30, 2020: 32,777,937 shares Six months ended September 30, 2019: 32,777,941 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, 2021” on page 3 of Attachment for details on the assumptions used and other related matters concerning the forecast of consolidated financial results.

(Obtaining the supplementary documents for quarterly financial results)

The Company plans to stream the financial results briefing via video for institutional investors and analysts on Tuesday, November 17, 2020.

The video and the supplementary documents for quarterly financial results will be posted on the Company’s website.

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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, 2020, the global economy has been in an extremely serious situation due to the impact of the global outbreak of the novel coronavirus disease (COVID-19), but there have been some signs of picking up.

Despite the continuation of this extremely serious situation due to the impact of COVID-19, the Japanese economy is expected to continue to pick up due to the effects of various policy measures and the improvement of the overseas economy.

The Furukawa Battery Group flexibly implemented measures to prevent the spread of infection, such as telework, and worked for the continuation of business, although there were signs of turmoil in the supply chains of various industries due to the spread of COVID-19.

(Operating Results)

The Group recorded consolidated sales of 25,457 million yen for the six-month period ended September 30, 2020, a decrease of 3,909 million yen year on year. Overseas sales were 9,147 million yen and accounted for 35.9% of total sales.

With regard to profit and loss, sales for replacement demand remained strong, despite sluggish sales to automobile manufacturers in the Japanese market and in the Thai market due to the stagnation of economic activity caused by COVID-19. Furthermore, profit improved at the Indonesia subsidiary due to the improvement of profitability and other factors, despite a decrease in sale amounts. As a result of the above, the Group overall recorded operating profit of 849 million yen, an increase of 163 million yen year on year. Ordinary profit increased by 199 million yen year on year to 866 million yen.

Profit attributable to owners of parent came to 674 million yen, increasing 99 million yen year on year.

(2) Explanation of Financial Position

Total assets were 53,181 million yen as of September 30, 2020, which is 853 million yen less than at the end of the previous fiscal year. Current assets decreased by 538 million yen from the end of the previous fiscal year to 24,600 million yen, while non-current assets decreased by 315 million yen to 28,581 million yen.

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

There was an 838 million yen decrease in property, plant and equipment to 23,614 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 436 million yen to 4,744 million yen.

Total liabilities as of September 30, 2020, decreased by 1,161 million yen to 25,236 million yen. Current liabilities decreased by 2,112 million yen to 12,742 million yen, and non-current liabilities increased by 951 million yen to 12,494 million yen.

Interest-bearing debt, which is the sum of short-term borrowings and long-term borrowings, increased by 675 million yen to 7,405 million yen.

Equity increased by 313 million yen to 26,817 million yen, resulting in an increase in the equity ratio from 49.1% at the end of the previous fiscal year to 50.4% at the end of the six-month period.

(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2021

There is no change to the consolidated forecast that was announced on August 6, 2020.

Regarding the spread of COVID-19, the timing of the settlement of COVID-19, etc., no changes have been made to the assumptions (This situation will continue in the fiscal year ending March 31, 2021 and fixed limits will be set regarding economic activity as there is no uniform opinion regarding the spread of COVID-19, the timing of the settlement of COVID-19, etc.) announced on August 6, 2020.

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

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
ASSETS		
Current assets		
Cash and deposits	2,662	4,482
Notes and accounts receivable - trade	12,255	9,048
Electronically recorded monetary claims - operating	1,080	808
Securities	1,632	2,024
Merchandise and finished goods	2,540	2,974
Work in process	2,856	3,198
Raw materials and supplies	1,363	1,279
Other	761	790
Allowance for doubtful accounts	(13)	(5)
Total current assets	25,139	24,600
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,044	7,099
Machinery, equipment and vehicles, net	8,211	7,598
Tools, furniture and fixtures, net	648	599
Land	7,372	7,314
Leased assets, net	623	566
Construction in progress	553	435
Total property, plant and equipment	24,453	23,614
Intangible assets		
Leased assets	10	13
Other	124	208
Total intangible assets	135	222
Investments and other assets		
Investment securities	2,137	2,747
Deferred tax assets	2,026	1,855
Other	166	164
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	4,307	4,744
Total non-current assets	28,896	28,581
Total assets	54,035	53,181

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	3,698	3,281
Electronically recorded obligations - operating	2,360	1,640
Short-term borrowings	4,261	3,890
Lease obligations	135	126
Income taxes payable	520	443
Accrued consumption taxes	430	159
Provision for bonuses	672	809
Provision for environmental measures	2	–
Notes payable - facilities	17	21
Electronically recorded obligations - facilities	243	308
Other	2,510	2,061
Total current liabilities	14,854	12,742
Non-current liabilities		
Long-term borrowings	2,467	3,514
Lease obligations	568	520
Deferred tax liabilities	795	801
Provision for environmental measures	2	2
Retirement benefit liability	7,021	7,012
Asset retirement obligations	53	53
Other	634	590
Total non-current liabilities	11,543	12,494
Total liabilities	26,398	25,236
NET ASSETS		
Shareholders' equity		
Share capital	1,640	1,640
Capital surplus	653	532
Retained earnings	22,847	23,096
Treasury shares	(11)	(11)
Total shareholders' equity	25,130	25,257
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	578	1,045
Deferred gains or losses on hedges	(71)	12
Foreign currency translation adjustment	949	560
Remeasurements of defined benefit plans	(82)	(58)
Total accumulated other comprehensive income	1,373	1,560
Non-controlling interests	1,133	1,127
Total net assets	27,637	27,945
Total liabilities and net assets	54,035	53,181

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income (Cumulative))

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	29,367	25,457
Cost of sales	22,986	19,082
Gross profit	6,381	6,375
Selling, general and administrative expenses	5,694	5,526
Operating profit	686	849
Non-operating income		
Interest income	14	7
Dividend income	68	62
Share of profit of entities accounted for using equity method	–	3
Foreign exchange gains	–	10
Gain on sales of investment securities	33	–
Other	95	91
Total non-operating income	212	175
Non-operating expenses		
Interest expenses	208	147
Share of loss of entities accounted for using equity method	0	–
Foreign exchange losses	9	–
Other	13	10
Total non-operating expenses	231	158
Ordinary profit	666	866
Extraordinary losses		
Impairment loss	121	–
Loss on disposal of non-current assets	0	0
Total extraordinary losses	122	0
Profit before income taxes	544	865
Income taxes	354	291
Profit	189	574
Loss attributable to non-controlling interests	(385)	(100)
Profit attributable to owners of parent	575	674

(Consolidated Statements of Comprehensive Income (Cumulative))

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	189	574
Other comprehensive income		
Valuation difference on available-for-sale securities	(296)	481
Deferred gains or losses on hedges	29	83
Foreign currency translation adjustment	219	(426)
Remeasurements of defined benefit plans, net of tax	(72)	25
Share of other comprehensive income of entities accounted for using equity method	–	(2)
Total other comprehensive income	(120)	161
Comprehensive income	68	735
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	449	861
Comprehensive income attributable to non-controlling interests	(380)	(125)

(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.

(Additional Information)

It is difficult to read the outlook due to uncertainty regarding the spread of COVID-19 and the timing of the settlement of COVID-19. However, the Group made accounting estimates such as the recoverability of deferred tax assets based on information available at the time of preparation of the quarterly consolidated financial statements, and under the assumption that the impact will continue at least through the current fiscal year. There are no significant changes to these estimates from the details presented in annual securities report from the previous fiscal year.

Although these estimates are the best current estimates, there may be deviation between the above estimates and subsequent results in the event that there occur changes to the timing of the settlement of COVID-19 and the impact on the economic environment.

(Important Subsequent Events)

(Succession of business through a company split)

At the meeting of the Board of Directors held on October 27, 2020, the Company resolved to conclude a basic agreement (hereinafter, the “Basic Agreement”) regarding the succession of the laminated lithium-ion battery business (hereinafter, the “Business”), which is a part of the businesses conducted by Maxell, Ltd. (hereinafter, “Maxell”), to the Company through a company split (simplified absorption-type company split) (hereinafter, the “Company Split”).

1. Purpose of the Company Split

As part of measures to expand into new business domains, the Company will succeed the Business from Maxell for the following purposes, and will work to further improve the corporate value of the Company.

- Promote the technological development and expansion of applications of the Company’s lithium-ion batteries
- Strengthen competitiveness by merging the technical and R&D capabilities cultivated by both companies

2. Overview of the Company Split

(1) Schedule of the Company Split

Date resolved by the Board of Directors (the Company)	: October 27, 2020
Date resolved by the Board of Directors (Maxell)	: October 29, 2020
Date of conclusion of the Basic Agreement	: October 29, 2020
Date of conclusion of the agreement related to the absorption-type company split	: November 30, 2020 (planned)
Effective date	: April 1, 2021 (planned)

The Company and Maxell plan to carry out the Company Split without going through the procedure for approval from each company’s general meeting of shareholders as the simplified absorption-type company split as provided for in Article 796, paragraph (2) of the Companies Act for the Company and Article 784, paragraph (2) of the Companies Act for Maxell.

(2) Type of the Company Split

An absorption-type company split where Maxell is the splitting company and the Company is the succeeding company (simplified absorption-type company split).

(3) Details of allotments pertaining to the Company Split

The Company plans to grant the amount calculated by the Company based on the assessment of corporate value by the externally outsourced financial advisor.

3. Reasoning behind the calculation of the details of allotments pertaining to the Company Split

The money to be granted by the Company for the Company Split has been decided upon negotiations with Maxell based on the result of calculations of the value of the business by the Company and a third party after considering the assets, liabilities and net assets to be succeeded in addition to the trend of operating results (revenue, expenses, profit and cash flows) of the Business and other factors. The impact on consolidated results is currently negligible.

4. Overview of the business segment subject to succession

(1) Details of the business segment subject to succession

Business related to the laminated lithium-ion battery conducted by the Energy Division of Maxell

(2) Operating results of the business segment subject to succession

Fiscal year: Fiscal year ended March 31, 2020

Net sales: 137 million yen

5. Status after the Company Split

There is no change to the Company's name, head office location, name and position of representatives, business details, share capital or fiscal year-end as a result of the Company Split.

3. Other

(Trend in Quarterly Consolidated Results)

Fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Accounting period				Cumulative period		
	Q1	Q2	Q3	Q4	6 months (Apr-Sep)	9 months (Apr-Dec)	Full year
Net sales	12,314	13,143	-	-	25,457	-	-
Operating profit	282	566	-	-	849	-	-
Ordinary profit	353	513	-	-	866	-	-
Profit attributable to owners of parent	281	393	-	-	674	-	-

Fiscal year ended 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	16,301	18,817	29,367	45,669	64,486
Operating profit (loss)	(40)	727	1,046	1,560	686	1,732	3,293
Ordinary profit (loss)	(54)	721	1,093	1,476	666	1,760	3,237
Profit attributable to owners of parent	33	541	804	859	575	1,379	2,238

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