

Summary of Consolidated Financial Results for the Second Quarter Ended September 30, 2014 [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	
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Scheduled date of filing of quarterly securities report:	November 13, 2014
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. Financial results for the second quarter ended September 30, 2014 (April 1, 2014 – September 30, 2014)

(1) Result of operations (Consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Second quarter ended September 30, 2014	22,247	3.1	114	(77.5)	262	(57.9)	161	(61.0)
Second quarter ended September 30, 2013	21,575	13.5	509	26.8	623	38.1	415	115.9

Notes: Comprehensive income

Second quarter ended September 30, 2014: 329 million yen (yoy (64.5) %)
 Second quarter ended September 30, 2013: 927 million yen (yoy 333.6%)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Second quarter ended September 30, 2014	4.94	—
Second quarter ended September 30, 2013	12.67	—

(2) Financial position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2014	44,572	15,898	32.5
As of March 31, 2014	41,597	15,034	35.0

Reference: Equity

As of September 30, 2014: 14,488 million yen
 As of March 31, 2014: 14,558 million yen

2. Dividends

	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, 2014	-	-	-	6.00	6.00
Fiscal year ending March 31, 2015	-	-	-	6.00	6.00
Fiscal year ending March 31, 2015 (forecast)	-	-	-	6.00	6.00

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

3. Forecast for the fiscal year ending March 31, 2015 (Consolidated, April 1, 2014 – March 31, 2015)

(Percentage figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	52,000	4.9	2,900	8.5	2,900	0.6	2,000	0.5	61.01

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

Notes:

- (1) Changes in significant subsidiaries (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 Quarterly Consolidated Financial Statements" on page 3 of Accompanying Materials Contents.
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements:
 - (a) Changes in accounting policies accompanying revisions in accounting standards: Yes
 - (b) Changes other than in (a): None
 - (c) Changes in accounting estimates: None
 - (d) Retrospective restatements: None

Note: For details, please refer to "2. Items Concerning Summary Information (Notes) (3) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement" on page 3 of Accompanying Materials Contents.
- (4) Number of shares outstanding (common stock)
 - (a) Shares outstanding (including treasury stock)
As of September 30, 2014: 32,800,000 shares As of March 31, 2014: 32,800,000 shares
 - (b) Treasury stock
As of September 30, 2014: 18,834 shares As of March 31, 2014: 16,769 shares
 - (c) Average number of shares outstanding during the period (Cumulative)
Second quarter ended September 30, 2014: 32,782,698 shares Second quarter ended September 30, 2013: 32,783,331 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:

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 Regarding Results of Operations for the Second quarter (3) Explanation Regarding Forecast for Fiscal Year Ending March 31, 2015" on page 2 of Accompanying Materials Contents for details on the assumptions used and other related matters concerning the forecast of consolidated financial results.

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1. Qualitative Information Regarding Results of Operations for the Second Quarter

(1) Explanation Regarding Results of Operations

In the second quarter of the current fiscal year, there was a reduction in demand due to the rebound after the rush demand that occurred in the lead up to the raising of the consumption tax rate, but the Japanese economy continued on a moderate recovery path due to the effects of the economic policies of the government and other factors. However, mining and manufacturing production stagnated for a number of reasons, including a drop in individual consumption caused by a decline in real incomes, and going forward the economic situation in Japan will remain uncertain due to the impact of the rise in import prices for fuel, raw materials, and other commodities caused by the weaker yen.

Second quarter consolidated sales increased 672 million yen, or 3.1%, from one year earlier to 22,247 million yen. Overseas sales were 7,757 million yen and were 34.9% of total sales.

Operating income was 114 million yen and ordinary income was 262 million yen, mainly due to the rise in the price of lead, our main raw material.

Furthermore, we recorded a loss on disposal of noncurrent assets of 10 million yen as an extraordinary loss so after the deduction of taxes, net income for the first two quarters was 161 million yen.

(2) Explanation Regarding Financial Position

Total assets were 44,572 million yen at the end of the second quarter, 2,975 million yen more than at the end of the previous fiscal year. Current assets decreased 16 million yen to 17,699 million yen mainly because of a decrease in notes and accounts receivable-trade. Noncurrent assets increased 2,991 million yen to 26,872 million yen.

There was a 3,413 million yen increase in property, plant and equipment to 22,300 million yen mainly because capital investment was higher than the decline resulting from depreciation and we converted the subsidiary in Indonesia into a consolidated subsidiary.

Investments and other assets decreased 422 million yen to 4,283 million yen.

Total liabilities increased 2,111 million yen to 28,673 million yen. Current liabilities increased 1,935 million yen to 16,517 million yen and noncurrent liabilities increased 175 million yen to 12,156 million yen.

Interest-bearing debt, which is the sum of short-term loans payable, long-term loans payable and bonds payable, increased 1,385 million yen to 9,968 million yen.

Equity decreased 70 million yen to 14,488 million yen, resulting in a decrease in the equity ratio from 35.0% at the end of the previous fiscal year to 32.5% at the end of the second quarter.

(3) Explanation Regarding Forecast for Fiscal Year Ending March 31, 2015

There is no change to the consolidated forecast that was announced on May 9, 2014.

2. Items Concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Second Quarter Ended September 30, 2014

Not applicable

Note that in the cumulative second quarter under review, we changed the scope of the consolidation and the scope of application of the equity method, although these changes are not classified as changes in specified subsidiaries.

(Change in scope of consolidation or the scope of application of the equity method)

(i) Significant changes in the scope of the consolidation

The significance of PT. Furukawa Indomobil Battery Manufacturing, which was a non-consolidated subsidiary in the previous fiscal year, has increased, and thus we included it in the scope of the consolidation from the first quarter of the current fiscal year.

(ii) Significant changes in the scope of application of the equity method

The significance of PT. Furukawa Indomobil Battery Sales, which was an affiliate to which the equity method was not applied in the previous fiscal year, has increased, and thus we included it in the scope of application of the equity method from the first quarter of the current fiscal year.

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

Second quarter income taxes are calculated by multiplying second quarter income before income taxes by a reasonable estimate of the effective tax rate, after application of tax effect accounting, for estimated income before income taxes in the current fiscal year, including the second quarter. Deferred taxes are included in income taxes.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

Change in accounting policy

(Application of the Accounting Standard for Retirement Benefits, etc.)

We have applied the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 May 17, 2012, hereinafter referred to as the “Retirement Benefits Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 May 17, 2012, hereinafter referred to as the “Retirement Benefits Guidance”) from first quarter ended June 30, 2014 with regard to the provisions stipulated in the main text of the Retirement Benefits Accounting Standard, Paragraph 35 and the main text of the Retirement Benefits Guidance, Paragraph 67, revised the method of calculating retirement benefit obligations and business expenses, changed the period attribution method for the expected retirement benefits from the straight line standard to the benefit formula standard, and changed the method of deciding the discount rate to a method using a simple weighted average discount rate that reflects the expected period of payment of retirement benefits and the amount for each expected period of payment.

Regarding application of the Retirement Benefits Accounting Standard, etc., in accordance with the transitional treatment stipulated in the Retirement Benefits Accounting Standard, Paragraph 37, at the beginning of the cumulative second quarter ended September 30, 2014, we adjusted the effect resulting from changing the method of calculating the retirement benefit obligations and business expenses in the retained earnings.

As a result of this, the net defined benefit liability at the beginning of the cumulative second quarter ended September 30, 2014 increased 338 million yen and the retained earnings declined 218 million yen. Note that the impact of this change on operating income, ordinary income and income before income taxes in the second quarter under review is minor.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	Fiscal year ended March 31, 2014 (As of March 31, 2014)	Second quarter ended September 30, 2014 (As of September 30, 2014)
ASSETS		
Current assets		
Cash and deposits	2,097	2,853
Notes and accounts receivable-trade	10,396	8,256
Merchandise and finished goods	1,498	2,173
Work in process	2,358	2,606
Raw materials and supplies	651	749
Deferred tax assets	247	320
Other	475	748
Allowance for doubtful accounts	(8)	(8)
Total current assets	17,716	17,699
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,607	3,567
Machinery, equipment and vehicles, net	3,946	3,990
Tools, furniture and fixtures, net	456	397
Land	6,053	7,269
Lease assets, net	267	222
Construction in progress	4,554	6,852
Total property, plant and equipment	18,886	22,300
Intangible assets		
Goodwill	103	86
Lease assets	16	11
Other	168	191
Total intangible assets	288	289
Investments and other assets		
Investment securities	2,750	2,377
Deferred tax assets	1,820	1,762
Other	153	158
Allowance for doubtful accounts	(18)	(15)
Total investments and other assets	4,706	4,283
Total noncurrent assets	23,880	26,872
Total assets	41,597	44,572

(Million yen)

	Fiscal year ended March 31, 2014 (As of March 31, 2014)	Second quarter ended September 30, 2014 (As of September 30, 2014)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	5,654	5,384
Short-term loans payable	4,978	6,692
Current portion of bonds	100	-
Lease obligations	118	106
Income taxes payable	325	205
Accrued consumption taxes	92	29
Deferred tax liabilities	2	-
Provision for bonuses	559	624
Provision for directors' bonuses	2	-
Notes payable-facilities	347	728
Other	2,400	2,746
Total current liabilities	14,582	16,517
Noncurrent liabilities		
Long-term loans payable	3,505	3,276
Lease obligations	182	142
Deferred tax liabilities	937	938
Net defined benefit liability	6,628	7,025
Provision for environmental measures	18	18
Negative goodwill	194	161
Asset retirement obligations	8	8
Other	505	582
Total noncurrent liabilities	11,980	12,156
Total liabilities	26,562	28,673
NET ASSETS		
Shareholders' equity		
Capital stock	1,640	1,640
Capital surplus	422	422
Retained earnings	11,596	11,343
Treasury stock	(6)	(9)
Total shareholders' equity	13,651	13,396
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	713	949
Deferred gains or losses on hedges	(2)	8
Foreign currency translation adjustment	402	236
Remeasurements of defined benefit plans	(205)	(102)
Total accumulated other comprehensive income	907	1,092
Minority interests	476	1,410
Total net assets	15,034	15,898
Total liabilities and net assets	41,597	44,572

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

(Million yen)

	Second quarter ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	Second quarter ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Net sales	21,575	22,247
Cost of sales	16,636	17,779
Gross profit	4,938	4,468
Selling, general and administrative expenses	4,429	4,353
Operating income	509	114
Non-operating income		
Interest income	5	5
Dividends income	47	53
Amortization of negative goodwill	32	32
Foreign exchange gains	19	46
Other	73	80
Total non-operating income	178	217
Non-operating expenses		
Interest expenses	46	47
Share of loss of entities accounted for using equity method	-	4
Other	18	17
Total non-operating expenses	64	70
Ordinary income	623	262
Extraordinary loss		
Loss on disposal of noncurrent assets	2	10
Total extraordinary losses	2	10
Income before income taxes	621	252
Total income taxes	195	62
Income before minority interests	425	189
Minority interests in income	10	28
Net income	415	161

(Quarterly Consolidated Statements of Comprehensive Income (Cumulative))

(Million yen)

	Second quarter ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	Second quarter ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Income before minority interests	425	189
Other comprehensive income		
Valuation difference on available-for-sale securities	135	240
Deferred gains or losses on hedges	(22)	11
Foreign currency translation adjustment	387	(214)
Remeasurements of defined benefit plans, net of tax	-	102
Share of other comprehensive income of entities accounted for using equity method	-	(1)
Total other comprehensive income	501	139
Comprehensive income	927	329
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	917	347
Comprehensive income attributable to minority interests	9	(17)

(3) Notes on Quarterly Consolidated Financial Statements

(Note Concerning Premise of Ongoing Concern)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable