

Consolidated Financial Results for the Three-month Period Ended June 30, 2021 [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:	August 6, 2021
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 three months ended June 30, 2021 (April 1, 2021 – June 30, 2021)

(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	%
Three months ended June 30, 2021	13,035	5.9	259	(8.1)	329	(6.9)	355	26.4
Three months ended June 30, 2020	12,314	(11.6)	282	–	353	–	281	744.0

Note: Comprehensive income

Three months ended June 30, 2021:	851 million yen [yoy – %]
Three months ended June 30, 2020:	(440) million yen [yoy – %]

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Three months ended June 30, 2021	10.84	–
Three months ended June 30, 2020	8.58	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2021	57,467	31,422	52.5
As of March 31, 2021	57,686	31,388	52.2

Reference: Equity

As of June 30, 2021:	30,141 million yen
As of March 31, 2021:	30,109 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, 2021	–	–	–	22.00	22.00
Fiscal year ending March 31, 2022	–	–	–	–	–
Fiscal year ending March 31, 2022 (forecast)	–	–	–	22.00	22.00

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

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(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, 2022	62,500	4.2	4,000	(9.0)	4,000	(10.7)	3,450	(4.6)	105.25

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

Notes:

- (1) Changes in significant subsidiaries during the three-month period ended June 30, 2021 (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: 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. Consolidated Financial Statements and Related Notes (3) Notes on Consolidated Financial Statements (Changes in Accounting Policies)” on page 8 of Attachment.
- (4) Number of shares outstanding (common stock)
 - (a) Shares outstanding (including treasury shares)

As of June 30, 2021: 32,800,000 shares	As of March 31, 2021: 32,800,000 shares
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 - (b) Treasury shares

As of June 30, 2021: 22,086 shares	As of March 31, 2021: 22,086 shares
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 - (c) Average number of shares outstanding during the period (cumulative)

Three months ended June 30, 2021: 32,777,914 shares	Three months ended June 30, 2020: 32,777,941 shares
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* 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 Three-month Period (3) Explanation of Forecast for the Fiscal Year Ending March 31, 2022” 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 Three-month Period

(1) Explanation of Operating Results

(Business Environment)

During the three-month period ended June 30, 2021, the global economy remained in a serious situation due to the impact of the global outbreak of the novel coronavirus disease (COVID-19).

Despite the situation remaining serious due to the impact of COVID-19 for the Japanese economy as well, it is expected to pick up due to the effects of various policy measures, etc.

(Operating Results)

The Group recorded net sales of 13,035 million yen for the three-month period ended June 30, 2021, an increase of 721 million yen year on year. Overseas sales were 4,913 million yen and accounted for 37.7% of total sales.

In terms of profit and loss, operating profit decreased by 22 million yen year on year to 259 million yen due to the impact of the rise in the price of lead, a major raw material. Ordinary profit decreased by 24 million yen year on year to 329 million yen due to a decrease in income such as dividend income, despite a decrease in expenses such as interest expenses.

Profit attributable to owners of parent came to 355 million yen, increasing 74 million yen year on year.

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations have been applied from the beginning of the first quarter of the current fiscal year, and compared with the previous method, net sales for the first quarter of the current fiscal year decreased by 745 million yen, operating profit decreased by 46 million yen, and ordinary profit and profit before income taxes each decreased by 43 million yen. For details, please refer to “2. Consolidated Financial Statements and Related Notes (3) Notes to Consolidated Financial Statements (Changes in Accounting Policies).”

(2) Explanation of Financial Position

Total assets were 57,467 million yen as of June 30, 2021, which is 218 million yen less than at the end of the previous fiscal year. Current assets decreased by 599 million yen from the end of the previous fiscal year to 28,424 million yen, while non-current assets increased by 380 million yen from the end of the previous fiscal year to 29,043 million yen.

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

There was a 158 million yen increase in property, plant and equipment to 23,282 million yen. The main factor leading to the increase was foreign currency translation differences of non-current assets owned by overseas subsidiaries.

Investments and other assets increased by 147 million yen from the end of the previous fiscal year to 5,354 million yen.

Total liabilities as of June 30, 2021, decreased by 252 million yen from the end of the previous fiscal year to 26,044 million yen. Current liabilities increased by 93 million yen from the end of the previous fiscal year to 14,782 million yen, and non-current liabilities decreased by 346 million yen from the end of the previous fiscal year to 11,262 million yen.

Interest-bearing debt, which is the sum of short-term borrowings and long-term borrowings, decreased by 189 million yen from the end of the previous fiscal year to 5,889 million yen.

Equity as of June 30, 2021, increased by 32 million yen from the end of the previous fiscal year to 30,141 million yen, resulting in an increase in the equity ratio from 52.2% at the end of the previous fiscal year to 52.5%.

(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2022

There is no change to the consolidated forecast that was announced on May 12, 2021. Regarding the spread of COVID-19 and the timing of the settlement of COVID-19, etc., no changes have been made to the assumptions (that this situation will continue in the fiscal year ending March 31, 2022 and certain 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 May 12, 2021.

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

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
ASSETS		
Current assets		
Cash and deposits	5,852	5,647
Securities	2,923	3,362
Notes and accounts receivable - trade	12,080	8,860
Electronically recorded monetary claims - operating	1,049	1,100
Merchandise and finished goods	2,288	3,394
Work in process	2,862	3,183
Raw materials and supplies	1,285	1,400
Other	689	1,481
Allowance for doubtful accounts	(7)	(6)
Total current assets	29,023	28,424
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,038	7,053
Machinery, equipment and vehicles, net	7,244	7,081
Tools, furniture and fixtures, net	704	665
Land	7,256	7,500
Leased assets, net	521	497
Construction in progress	358	483
Total property, plant and equipment	23,123	23,282
Intangible assets		
Leased assets	11	10
Other	320	395
Total intangible assets	331	406
Investments and other assets		
Investment securities	3,130	3,295
Deferred tax assets	1,928	1,909
Other	171	171
Allowance for doubtful accounts	(22)	(22)
Total investments and other assets	5,207	5,354
Total non-current assets	28,662	29,043
Total assets	57,686	57,467

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	3,926	4,262
Electronically recorded obligations - operating	2,170	1,888
Short-term borrowings	3,410	3,546
Lease obligations	117	112
Income taxes payable	743	373
Accrued consumption taxes	478	110
Provision for bonuses	890	542
Provision for environmental measures	0	0
Notes payable - facilities	18	10
Electronically recorded obligations - facilities	327	489
Other	2,604	3,446
Total current liabilities	14,688	14,782
Non-current liabilities		
Long-term borrowings	2,668	2,343
Lease obligations	477	455
Deferred tax liabilities	793	793
Provision for environmental measures	1	1
Retirement benefit liability	7,036	7,008
Asset retirement obligations	54	54
Other	577	606
Total non-current liabilities	11,609	11,262
Total liabilities	26,297	26,044
NET ASSETS		
Shareholders' equity		
Share capital	1,640	1,640
Capital surplus	653	653
Retained earnings	26,036	25,574
Treasury shares	(11)	(11)
Total shareholders' equity	28,318	27,856
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,386	1,542
Deferred gains or losses on hedges	10	22
Foreign currency translation adjustment	398	725
Remeasurements of defined benefit plans	(4)	(5)
Total accumulated other comprehensive income	1,790	2,285
Non-controlling interests	1,279	1,281
Total net assets	31,388	31,422
Total liabilities and net assets	57,686	57,467

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income (Cumulative))

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	12,314	13,035
Cost of sales	9,240	10,387
Gross profit	3,073	2,647
Selling, general and administrative expenses	2,791	2,388
Operating profit	282	259
Non-operating income		
Interest income	4	2
Dividend income	61	50
Share of profit of entities accounted for using equity method	6	6
Foreign exchange gains	22	3
Other	49	54
Total non-operating income	144	118
Non-operating expenses		
Interest expenses	67	46
Other	5	2
Total non-operating expenses	73	48
Ordinary profit	353	329
Extraordinary income		
Gain on bargain purchase	–	96
Total extraordinary income	–	96
Extraordinary losses		
Loss on disposal of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	353	425
Income taxes	109	114
Profit	243	310
Loss attributable to non-controlling interests	(37)	(44)
Profit attributable to owners of parent	281	355

(Consolidated Statements of Comprehensive Income (Cumulative))

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	243	310
Other comprehensive income		
Valuation difference on available-for-sale securities	293	153
Deferred gains or losses on hedges	79	12
Foreign currency translation adjustment	(1,058)	373
Remeasurements of defined benefit plans, net of tax	12	(1)
Share of other comprehensive income of entities accounted for using equity method	(11)	3
Total other comprehensive income	(684)	541
Comprehensive income	(440)	851
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(246)	849
Comprehensive income attributable to non-controlling interests	(194)	1

(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 three-month period are calculated by multiplying profit before income taxes for the three-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 three-month period of the current fiscal year. Deferred taxes are included in income taxes.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations have been applied from the beginning of the first quarter of the current fiscal year, and revenue has been recognized at the amount expected to be received upon exchange of promised goods or services at time the control of said goods or services is transferred to the customer. The main changes are as follows.

- The Company previously recognized revenue from product sales transactions, etc., based on the total amount of consideration received from the customer, but has changed to a method of recognizing revenue on a net basis for transactions in which the provision of the product to the customer is deemed to be an agent.
- The Company previously recognized revenue for some transactions when the shipment of individual products or the provision of services was completed, using the individual product shipment or the completion of services as the unit of accounting. However, the Company has changed to a method of recognizing revenue when control of all products and services included in a contract, etc. is transferred to the customer.
- The Company previously accounted for sales rebates and other consideration paid to customers as selling, general and administrative expenses or other items, but has changed to a method of reducing the amount of such consideration from the transaction price.

For the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, the Company has followed the transitional treatment prescribed in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or deducted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance. However, the Company has applied the method prescribed in paragraph 86 of the Accounting Standard for Revenue Recognition and has not applied the new accounting policy retrospectively to contracts for which nearly all the revenue amounts had been recognized in accordance with the previous treatment in periods prior to the beginning of the first quarter of the current fiscal year.

As a result, compared with the previous method, net sales for the first quarter of the current fiscal year decreased by 745 million yen, cost of sales decreased by 116 million yen, selling, general and administrative expenses decreased

by 581 million yen, operating profit decreased by 46 million yen, operating expenses decreased by 3 million yen, and ordinary profit and profit before income taxes each decreased by 43 million yen. In addition, due to the transitional treatment prescribed in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, the opening balance of retained earnings at the beginning of the current fiscal year decreased by 133 million yen.

(Application of Accounting Standard for Fair Value Measurement and Its Implementation Guidance)

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and its implementation guidance are applied from the first quarter of the current fiscal year. New accounting policy is applied prospectively in accordance with the transitional treatments set forth in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the consolidated financial statements for the first quarter of the current fiscal year.

3. Other

(Trend in Quarterly Consolidated Results)

Fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Accounting period				Cumulative period		
	Q1	Q2	Q3	Q4	6 months (Apr-Sep)	9 months (Apr-Dec)	Full year
Net sales	13,035	-	-	-	-	-	-
Operating profit	259	-	-	-	-	-	-
Ordinary profit	329	-	-	-	-	-	-
Profit attributable to owners of parent	355	-	-	-	-	-	-

Fiscal year ended 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	16,354	18,146	25,457	41,812	59,958
Operating profit	282	566	1,824	1,723	849	2,674	4,397
Ordinary profit	353	513	1,834	1,778	866	2,701	4,480
Profit attributable to owners of parent	281	393	1,430	1,509	674	2,105	3,614

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