

## Consolidated Financial Results for the Six-month Period Ended September 30, 2018 [Japan GAAP]

Name of Company:	The Furukawa Battery Co., Ltd.
Stock Code:	6937
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
URL:	<a href="https://www.furukawadenchi.co.jp">https://www.furukawadenchi.co.jp</a>
Representative Title:	President & CEO
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Scheduled date for filing of quarterly securities report:	November 9, 2018
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, 2018 (April 1, 2018 – September 30, 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	%
Six months ended September 30, 2018	28,182	7.4	314	(25.0)	312	44.0	335	34.7
Six months ended September 30, 2017	26,247	10.5	419	(47.5)	216	(65.2)	249	(51.7)

Notes: Comprehensive income

Six months ended September 30, 2018:	(326) million yen (yoy -%)
Six months ended September 30, 2017:	511 million yen (yoy -%)

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Six months ended September 30, 2018	10.23	—
Six months ended September 30, 2017	7.60	—

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2018	53,881	24,466	42.7
As of March 31, 2018	54,994	25,156	42.4

Reference: Equity

As of September 30, 2018:	23,027 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 six-month period ended September 30, 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 September 30, 2018: 32,800,000 shares As of March 31, 2018: 32,800,000 shares
  - (b) Treasury shares  
As of September 30, 2018: 22,059 shares As of March 31, 2018: 22,055 shares
  - (c) Average number of shares outstanding during the period (cumulative)  
Six months ended September 30, 2018: 32,777,944 shares Six months ended September 30, 2017: 32,778,413 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 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.

(Method of obtaining the supplementary documents for quarterly financial results)

The Company plans to hold a briefing for institutional investors and analysts on Friday, November 9, 2018. The documents 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

During the six-month period ended September 30, 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 mainly regarding the consecutive natural disasters that occurred this year, 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 28,182 million yen for the six-months period ended September 30, 2018, an increase of 1,935 million yen (+7.4%) year on year. Overseas sales were 10,799 million yen and accounted for 38.3% of total sales.

Operating profit decreased by 104 million yen year on year to 314 million yen due to factors such as an increase in distribution costs and an increase in the cost-to-sales ratio following changes to the product mix for the industrial sector. Ordinary profit increased by 95 million yen year on year to 312 million yen due to factors such as a decline in interest expenses.

Profit attributable to owners of parent came to 335 million yen, increasing 86 million yen year on year.

### (2) Explanation of Financial Position

Total assets were 53,881 million yen as of September 30, 2018, which is 1,113 million yen less than at the end of the previous fiscal year. Current assets decreased by 258 million yen from the end of the previous fiscal year to 24,234 million yen, while non-current assets decreased by 854 million yen to 29,646 million yen.

The main factor leading to the decrease in current assets was a decline in notes and accounts receivable - trade, etc.

There was a 1,089 million yen decrease in property, plant and equipment to 23,765 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 256 million yen to 5,716 million yen.

Total liabilities as of September 30, 2018, decreased by 422 million yen to 29,414 million yen. Current liabilities increased by 1,449 million yen to 15,647 million yen, and non-current liabilities decreased by 1,872 million yen to 13,767 million yen.

Interest-bearing debt, which is the sum of short-term loans payable and long-term loans payable, decreased by 41 million yen to 10,495 million yen.

Equity decreased by 267 million yen to 23,027 million yen, while the equity ratio increased from 42.4% at the end of the previous fiscal year to 42.7% at the end of the six-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 September 30, 2018
<b>ASSETS</b>		
Current assets		
Cash and deposits	4,194	4,456
Notes and accounts receivable - trade	11,658	10,062
Electronically recorded monetary claims - operating	711	560
Merchandise and finished goods	2,113	3,107
Work in process	3,634	4,139
Raw materials and supplies	1,424	1,134
Other	757	776
Allowance for doubtful accounts	(1)	(1)
<b>Total current assets</b>	<b>24,493</b>	<b>24,234</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,553	6,286
Machinery, equipment and vehicles, net	8,601	7,789
Tools, furniture and fixtures, net	735	652
Land	7,546	7,434
Leased assets, net	702	675
Construction in progress	714	928
<b>Total property, plant and equipment</b>	<b>24,854</b>	<b>23,765</b>
Intangible assets		
Leased assets	8	9
Other	178	155
<b>Total intangible assets</b>	<b>186</b>	<b>164</b>
Investments and other assets		
Investment securities	3,907	4,188
Deferred tax assets	1,418	1,395
Other	155	155
Allowance for doubtful accounts	(21)	(21)
<b>Total investments and other assets</b>	<b>5,460</b>	<b>5,716</b>
<b>Total non-current assets</b>	<b>30,501</b>	<b>29,646</b>
<b>Total assets</b>	<b>54,994</b>	<b>53,881</b>

(Million yen)

	As of March 31, 2018	As of September 30, 2018
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable - trade	4,396	4,627
Electronically recorded obligations - operating	1,831	1,642
Short-term loans payable	4,077	5,701
Lease obligations	136	132
Income taxes payable	507	284
Accrued consumption taxes	304	113
Provision for bonuses	633	757
Provision for environmental measures	14	7
Notes payable - facilities	17	14
Electronically recorded obligations - facilities	103	141
Other	2,175	2,226
Total current liabilities	14,198	15,647
Non-current liabilities		
Long-term loans payable	6,459	4,794
Lease obligations	649	625
Deferred tax liabilities	771	767
Provision for environmental measures	14	13
Net defined benefit liability	7,049	6,991
Asset retirement obligations	9	9
Other	684	564
Total non-current liabilities	15,639	13,767
Total liabilities	29,837	29,414
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	1,640	1,640
Capital surplus	630	653
Retained earnings	19,029	19,037
Treasury shares	(11)	(11)
Total shareholders' equity	21,288	21,319
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,396	1,533
Deferred gains or losses on hedges	(42)	(52)
Foreign currency translation adjustment	663	239
Remeasurements of defined benefit plans	(10)	(11)
Total accumulated other comprehensive income	2,007	1,708
Non-controlling interests	1,861	1,438
Total net assets	25,156	24,466
Total liabilities and net assets	54,994	53,881

## (2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income (Cumulative))

(Million yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	26,247	28,182
Cost of sales	20,713	22,484
Gross profit	5,533	5,698
Selling, general and administrative expenses	5,114	5,383
Operating profit	419	314
Non-operating income		
Interest income	12	12
Dividend income	68	126
Foreign exchange gains	1	27
Subsidy income	65	–
Other	95	101
Total non-operating income	243	266
Non-operating expenses		
Interest expenses	286	205
Share of loss of entities accounted for using equity method	21	26
Foreign value-added tax, etc.	120	–
Other	17	36
Total non-operating expenses	445	269
Ordinary profit	216	312
Extraordinary losses		
Loss on disposal of non-current assets	5	1
Total extraordinary losses	5	1
Profit before income taxes	211	311
Income taxes	222	188
Profit (loss)	(11)	122
Loss attributable to non-controlling interests	(260)	(213)
Profit attributable to owners of parent	249	335

## (Consolidated Statements of Comprehensive Income (Cumulative))

(Million yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit (loss)	(11)	122
Other comprehensive income		
Valuation difference on available-for-sale securities	482	134
Deferred gains or losses on hedges	10	(9)
Foreign currency translation adjustment	19	(577)
Remeasurements of defined benefit plans, net of tax	9	(1)
Share of other comprehensive income of entities accounted for using equity method	0	5
Total other comprehensive income	522	(449)
Comprehensive income	511	(326)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	808	36
Comprehensive income attributable to non- controlling interests	(297)	(363)



(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 income 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 income before income taxes in the six-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	–	–	28,182	–	–
Operating profit	52	261	–	–	314	–	–
Ordinary profit	78	233	–	–	312	–	–
Profit attributable to owners of parent	84	251	–	–	335	–	–

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