

Consolidated Financial Results for the Six-month Period Ended September 30, 2017 [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 Title:	President & CEO
Name:	Shinichi Ono
Contact Person Title:	Director & Executive Corporate Officer
Name:	Shigeru Takaku
Tel:	+81-45- 336-5034
Scheduled date for filing of quarterly securities report:	November 10, 2017
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, 2017 (April 1, 2017 – September 30, 2017)

(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, 2017	26,247	10.5	419	(47.5)	216	(65.2)	249	(51.7)
Six months ended September 30, 2016	23,756	(4.5)	798	56.7	623	3.4	515	(0.1)

Notes: Comprehensive income

Six months ended September 30, 2017:	511 million yen (yoy –%)
Six months ended September 30, 2016:	(438) million yen (yoy –%)

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Six months ended September 30, 2017	7.60	—
Six months ended September 30, 2016	15.73	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2017	52,722	23,744	40.1
As of March 31, 2017	55,023	21,891	37.5

Reference: Equity

As of September 30, 2017:	21,120 million yen
As of March 31, 2017:	20,607 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, 2017	—	—	—	9.00	9.00
Fiscal year ending March 31, 2018	—	—	—	—	—
Fiscal year ending March 31, 2018 (forecast)	—	—	—	10.00	10.00

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

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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, 2018	62,000	12.1	4,000	19.9	3,600	24.5	2,700	13.7	82.37

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, 2017 (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, 2017: 32,800,000 shares As of March 31, 2017: 32,800,000 shares
 - (b) Treasury shares
As of September 30, 2017: 22,055 shares As of March 31, 2017: 21,412 shares
 - (c) Average number of shares outstanding during the period (cumulative)
Six months ended September 30, 2017: 32,778,413 shares Six months ended September 30, 2016: 32,779,589 shares

* Quarterly financial results reports are not required to be subjected to quarterly reviews.

* 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, 2018” 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 10, 2017. The documents to be distributed at this briefing to explain the quarterly financial results are scheduled to be posted on the Furukawa Battery website immediately after the briefing is held.

Index of the Attachment

1. Qualitative Information on Consolidated Financial Results for the Six-month Period.....	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	2
(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2018.....	2
2. Consolidated Financial Statements and Related Notes	3
(1) Consolidated Balance Sheets	3
(2) Consolidated Statements of Income and Comprehensive Income	5
(Consolidated Statements of Income (Cumulative))	5
(Consolidated Statements of Comprehensive Income (Cumulative))	6
(3) Notes on Consolidated Financial Statements	7
(Going Concern Assumptions)	7
(Material Changes in the Amount of Shareholders' Equity).....	7
(Application of Special Accounting for Preparing Consolidated Financial Statements).....	7
3. Other	8
(Trend in Quarterly Consolidated Results)	8

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, 2017, economic conditions continued on a moderate recovery track despite concerns in the global economy about such issues as the policy trends in the United States and slowing economic growth in China.

The Japanese economy continued on a moderate recovery track, as seen in developments such as a pickup in personal consumption and improvements in capital investment. On the other hand, due to concerns about factors such as rising personnel expenses caused by a tightening of the gap between labor supply and demand and persistently high prices for resources, the situation going forward remains uncertain.

Under such a business environment, the Furukawa Battery Group recorded consolidated sales of 26,247 million yen for the six-month period ended September 30, 2017, an increase of 2,490 million yen (+10.5%) year on year. Overseas sales were 9,831 million yen and accounted for 37.5% of total sales.

Operating profit decreased by 379 million yen year on year to 419 million yen mainly due to the effect of the rise in the price of lead, the primary raw material, and ordinary profit decreased by 406 million yen year on year to 216 million yen despite factors such as a decrease in interest expenses, which is the result of declines in interest-bearing debt, with the decrease in ordinary profit resulting from the denial of a refund for foreign value-added tax being recorded as a loss.

Profit attributable to owners of parent came to 249 million yen, decreasing 266 million yen year on year.

(2) Explanation of Financial Position

Total assets were 52,722 million yen as of September 30, 2017, which is 2,300 million yen less than at the end of the previous fiscal year. Current assets decreased by 2,634 million yen from the end of the previous fiscal year to 22,098 million yen, while non-current assets increased by 334 million yen to 30,624 million yen.

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

There was an 85 million yen decrease in property, plant and equipment to 24,855 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 457 million yen to 5,566 million yen.

Total liabilities as of September 30, 2017 decreased by 4,153 million yen to 28,978 million yen. Current liabilities decreased by 3,176 million yen to 13,662 million yen, and non-current liabilities decreased by 976 million yen to 15,315 million yen.

Interest-bearing debt, which is the sum of short-term loans payable and long-term loans payable, decreased by 3,285 million yen to 9,965 million yen.

Equity increased by 513 million yen to 21,120 million yen, resulting in an increase in the equity ratio from 37.5% at the end of the previous fiscal year to 40.1% at the end of the six-month period.

(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2018

There is no change to the consolidated forecast that was announced on May 10, 2017.

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

(Million yen)

	As of March 31, 2017	As of September 30, 2017
ASSETS		
Current assets		
Cash and deposits	5,735	3,048
Notes and accounts receivable - trade	11,524	9,454
Merchandise and finished goods	2,066	3,447
Work in process	2,808	3,656
Raw materials and supplies	1,453	1,412
Deferred tax assets	262	300
Other	890	785
Allowance for doubtful accounts	(7)	(7)
Total current assets	24,733	22,098
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,632	6,514
Machinery, equipment and vehicles, net	8,460	8,708
Tools, furniture and fixtures, net	559	496
Land	7,462	7,517
Leased assets, net	748	736
Construction in progress	1,077	881
Total property, plant and equipment	24,940	24,855
Intangible assets		
Goodwill	15	-
Leased assets	10	9
Other	214	193
Total intangible assets	240	202
Investments and other assets		
Investment securities	3,417	4,135
Deferred tax assets	1,472	1,250
Other	234	195
Allowance for doubtful accounts	(15)	(15)
Total investments and other assets	5,108	5,566
Total non-current assets	30,290	30,624
Total assets	55,023	52,722

(Million yen)

	As of March 31, 2017	As of September 30, 2017
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	5,196	4,423
Electronically recorded obligations - operating	1,009	1,603
Short-term loans payable	6,363	3,942
Lease obligations	135	139
Income taxes payable	782	339
Accrued consumption taxes	277	69
Provision for bonuses	602	758
Provision for directors' bonuses	2	-
Notes payable - facilities	208	339
Other	2,261	2,048
Total current liabilities	16,839	13,662
Non-current liabilities		
Long-term loans payable	6,887	6,022
Lease obligations	696	684
Deferred tax liabilities	772	772
Provision for environmental measures	89	76
Net defined benefit liability	7,241	7,036
Asset retirement obligations	9	9
Other	596	712
Total non-current liabilities	16,292	15,315
Total liabilities	33,131	28,978
NET ASSETS		
Shareholders' equity		
Capital stock	1,640	1,640
Capital surplus	422	422
Retained earnings	17,187	17,141
Treasury shares	(11)	(11)
Total shareholders' equity	19,238	19,192
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,083	1,562
Deferred gains or losses on hedges	40	51
Foreign currency translation adjustment	277	338
Remeasurements of defined benefit plans	(33)	(23)
Total accumulated other comprehensive income	1,369	1,928
Non-controlling interests	1,283	2,623
Total net assets	21,891	23,744
Total liabilities and net assets	55,023	52,722

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income (Cumulative))

(Million yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	23,756	26,247
Cost of sales	18,351	20,713
Gross profit	5,404	5,533
Selling, general and administrative expenses	4,605	5,114
Operating profit	798	419
Non-operating income		
Interest income	7	12
Dividend income	54	68
Amortization of negative goodwill	32	–
Foreign exchange gains	–	1
Subsidy income	34	65
Other	81	95
Total non-operating income	211	243
Non-operating expenses		
Interest expenses	327	286
Share of loss of entities accounted for using equity method	27	21
Foreign exchange losses	7	–
Foreign value-added tax, etc.	–	120
Other	23	17
Total non-operating expenses	386	445
Ordinary profit	623	216
Extraordinary losses		
Loss on disposal of non-current assets	3	5
Total extraordinary losses	3	5
Profit before income taxes	619	211
Income taxes	286	222
Profit (loss)	333	(11)
Loss attributable to non-controlling interests	(181)	(260)
Profit attributable to owners of parent	515	249

(Consolidated Statements of Comprehensive Income (Cumulative))

(Million yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit (loss)	333	(11)
Other comprehensive income		
Valuation difference on available-for-sale securities	18	482
Deferred gains or losses on hedges	62	10
Foreign currency translation adjustment	(869)	19
Remeasurements of defined benefit plans, net of tax	17	9
Share of other comprehensive income of entities accounted for using equity method	(2)	0
Total other comprehensive income	(772)	522
Comprehensive income	(438)	511
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(191)	808
Comprehensive income attributable to non- controlling interests	(246)	(297)

(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.

3. Other

(Trend in Quarterly Consolidated Results)

Fiscal year ending 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	–	–	26,247	–	–
Operating profit	192	226	–	–	419	–	–
Ordinary profit	179	37	–	–	216	–	–
Profit attributable to owners of parent	155	93	–	–	249	–	–

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

Fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Million yen)

	Accounting period				Cumulative period		
	Q1	Q2	Q3	Q4	6 months (Apr-Sep)	9 months (Apr-Dec)	Full year
Net sales	10,272	11,974	15,107	16,548	22,247	37,355	53,903
Operating profit	50	63	849	1,477	114	964	2,441
Ordinary profit	99	163	901	1,538	262	1,163	2,702
Profit attributable to owners of parent	55	106	650	944	161	812	1,756