

Consolidated Financial Results for the Three-month Period Ended June 30, 2019 [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	
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Scheduled date for filing of quarterly securities report:	August 9, 2019
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, 2019 (April 1, 2019 – June 30, 2019)

(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, 2019	13,933	4.6	(40)	—	(54)	—	33	(60.4)
Three months ended June 30, 2018	13,320	4.8	52	(72.5)	78	(56.1)	84	(46.0)

Note: Comprehensive income

Three months ended June 30, 2019:	(92) million yen [yoy – %]
Three months ended June 30, 2018:	(343) million yen [yoy – %]

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Three months ended June 30, 2019	1.02	—
Three months ended June 30, 2018	2.57	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2019	53,437	25,302	46.0
As of March 31, 2019	54,266	25,758	45.7

Reference: Equity

As of June 30, 2019:	24,605 million yen
As of March 31, 2019:	24,809 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, 2019	—	—	—	11.00	11.00
Fiscal year ending March 31, 2020	—	—	—	—	—
Fiscal year ending March 31, 2020 (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, 2020 (April 1, 2019 – March 31, 2020)

(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, 2020	66,500	4.6	3,300	17.8	3,100	14.9	2,400	5.8	73.22

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, 2019 (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 June 30, 2019: 32,800,000 shares	As of March 31, 2019: 32,800,000 shares
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 - (b) Treasury shares

As of June 30, 2019: 22,059 shares	As of March 31, 2019: 22,059 shares
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 - (c) Average number of shares outstanding during the period (cumulative)

Three months ended June 30, 2019: 32,777,941 shares	Three months ended June 30, 2018: 32,777,945 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 Fiscal Year Ending March 31, 2020” on page 2 of Attachment for details on the assumptions used and other related matters concerning the forecast of consolidated financial results.

Index of the Attachment

1. Qualitative Information on Consolidated Financial Results for the Three-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, 2020.....	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 Three-month Period

(1) Explanation of Operating Results

(Business Environment)

During the three-month period ended June 30, 2019, 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.

The Japanese economy also recovered moderately, supported by high levels of corporate profits holding firm, despite the continuing weakness of exports and production.

(Operating Results)

The Furukawa Battery Group recorded consolidated sales of 13,933 million yen for the three-month period ended June 30, 2019, an increase of 613 million yen (4.6%) year on year. Overseas sales were 5,648 million yen and accounted for 40.5% of total sales.

In terms of profit/loss, the Group recorded an operating loss of 40 million yen, a deterioration of 93 million yen year on year, due to the recording of one-time expenses, etc. at the Indonesia subsidiary, despite favorable sales of industrial-use batteries. Ordinary loss was 54 million yen, a deterioration of 133 million yen year on year due to the decrease in dividend income, despite factors such as the elimination of share of loss of entities accounted for using equity method.

Profit attributable to owners of parent came to 33 million yen, decreasing 50 million yen year on year.

(2) Explanation of Financial Position

Total assets were 53,437 million yen as of June 30, 2019, which is 829 million yen less than at the end of the previous fiscal year. Current assets decreased by 1,477 million yen from the end of the previous fiscal year to 23,481 million yen, while non-current assets increased by 647 million yen to 29,955 million yen.

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

There was a 646 million yen increase in property, plant and equipment to 24,502 million yen. The main factor leading to the increase was an increase in construction in progress.

Investments and other assets increased by 4 million yen to 5,307 million yen.

Total liabilities as of June 30, 2019, decreased by 374 million yen to 28,134 million yen. Current liabilities increased by 293 million yen to 16,139 million yen, and non-current liabilities decreased by 668 million yen to 11,994 million yen.

Interest-bearing debt, which is the sum of short-term borrowings and long-term borrowings, increased by 627 million yen to 9,169 million yen.

Equity decreased by 204 million yen to 24,605 million yen, while the equity ratio increased from 45.7% at the end of the previous fiscal year to 46.0% at the end of the three-month period.

(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2020

There is no change to the consolidated forecast that was announced on May 14, 2019.

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

(Million yen)

	As of March 31, 2019	As of June 30, 2019
ASSETS		
Current assets		
Cash and deposits	2,617	3,529
Notes and accounts receivable - trade	11,317	9,175
Electronically recorded monetary claims - operating	800	826
Securities	2,351	802
Merchandise and finished goods	2,612	3,550
Work in process	3,314	3,306
Raw materials and supplies	1,263	1,136
Other	684	1,156
Allowance for doubtful accounts	(2)	(1)
Total current assets	24,959	23,481
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,517	6,677
Machinery, equipment and vehicles, net	7,657	7,549
Tools, furniture and fixtures, net	661	624
Land	7,442	7,464
Leased assets, net	643	639
Construction in progress	932	1,546
Total property, plant and equipment	23,855	24,502
Intangible assets		
Leased assets	11	14
Other	138	131
Total intangible assets	149	145
Investments and other assets		
Investment securities	3,515	3,497
Deferred tax assets	1,642	1,668
Other	166	164
Allowance for doubtful accounts	(21)	(23)
Total investments and other assets	5,302	5,307
Total non-current assets	29,307	29,955
Total assets	54,266	53,437

(Million yen)

	As of March 31, 2019	As of June 30, 2019
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	4,488	3,995
Electronically recorded obligations - operating	2,240	2,162
Short-term borrowings	4,753	5,914
Lease obligations	129	130
Income taxes payable	540	315
Accrued consumption taxes	344	89
Provision for bonuses	649	305
Provision for environmental measures	4	3
Notes payable - facilities	27	21
Electronically recorded obligations - facilities	208	373
Other	2,459	2,828
Total current liabilities	15,845	16,139
Non-current liabilities		
Long-term borrowings	3,788	3,254
Lease obligations	598	596
Deferred tax liabilities	756	757
Provision for environmental measures	9	9
Retirement benefit liability	6,888	6,813
Asset retirement obligations	9	10
Other	612	553
Total non-current liabilities	12,663	11,994
Total liabilities	28,508	28,134
NET ASSETS		
Shareholders' equity		
Share capital	1,640	1,640
Capital surplus	653	653
Retained earnings	20,969	20,642
Treasury shares	(11)	(11)
Total shareholders' equity	23,251	22,924
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,112	1,057
Deferred gains or losses on hedges	(9)	(19)
Foreign currency translation adjustment	418	617
Remeasurements of defined benefit plans	36	25
Total accumulated other comprehensive income	1,558	1,680
Non-controlling interests	948	697
Total net assets	25,758	25,302
Total liabilities and net assets	54,266	53,437

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income (Cumulative))

(Million yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	13,320	13,933
Cost of sales	10,663	11,136
Gross profit	2,656	2,797
Selling, general and administrative expenses	2,603	2,838
Operating profit (loss)	52	(40)
Non-operating income		
Interest income	5	9
Dividend income	125	67
Share of profit of entities accounted for using equity method	–	0
Foreign exchange gains	11	–
Other	36	33
Total non-operating income	178	110
Non-operating expenses		
Interest expenses	102	109
Share of loss of entities accounted for using equity method	25	–
Foreign exchange losses	–	7
Other	24	7
Total non-operating expenses	152	124
Ordinary profit (loss)	78	(54)
Extraordinary losses		
Loss on disposal of non-current assets	0	0
Total extraordinary losses	0	0
Profit (loss) before income taxes	78	(55)
Income taxes	96	170
Loss	(18)	(225)
Loss attributable to non-controlling interests	(102)	(258)
Profit attributable to owners of parent	84	33

(Consolidated Statements of Comprehensive Income (Cumulative))

(Million yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Loss	(18)	(225)
Other comprehensive income		
Valuation difference on available-for-sale securities	6	(57)
Deferred gains or losses on hedges	40	(9)
Foreign currency translation adjustment	(376)	209
Remeasurements of defined benefit plans, net of tax	(0)	(11)
Share of other comprehensive income of entities accounted for using equity method	4	0
Total other comprehensive income	(325)	132
Comprehensive income	(343)	(92)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(113)	156
Comprehensive income attributable to non-controlling interests	(230)	(248)

(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.

3. Other

(Trend in Quarterly Consolidated Results)

Fiscal year ending 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	-	-	-	-	-	-
Operating loss	(40)	-	-	-	-	-	-
Ordinary loss	(54)	-	-	-	-	-	-
Profit attributable to owners of parent	33	-	-	-	-	-	-

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

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