

Consolidated Financial Results for the Nine-month Period Ended December 31, 2020 [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
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Scheduled date for filing of quarterly securities report:	February 5, 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 nine months ended December 31, 2020 (April 1, 2020 – December 31, 2020)

(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	%
Nine months ended December 31, 2020	41,812	(8.4)	2,674	54.3	2,701	53.5	2,105	52.6
Nine months ended December 31, 2019	45,669	(0.9)	1,732	(2.6)	1,760	(0.4)	1,379	(6.5)

Note: Comprehensive income

Nine months ended December 31, 2020:	1,809 million yen [yoy 134.3 %]
Nine months ended December 31, 2019:	772 million yen [yoy 16.2 %]

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Nine months ended December 31, 2020	64.23	—
Nine months ended December 31, 2019	42.09	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2020	54,941	29,022	50.9
As of March 31, 2020	54,035	27,637	49.1

Reference: Equity

As of December 31, 2020:	27,955 million yen
As of March 31, 2020:	26,504 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, 2020	—	—	—	13.00	13.00
Fiscal year ending March 31, 2021	—	—	—	—	—
Fiscal year ending March 31, 2021 (forecast)	—	—	—	15.00	15.00

Note: Revisions to the forecasts of dividends most recently announced: Yes

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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, 2021	60,800	(5.7)	3,800	15.4	3,800	17.4	2,900	29.5	88.47

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

Notes:

- (1) Changes in significant subsidiaries during the nine-month period ended December 31, 2020 (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: 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 December 31, 2020: 32,800,000 shares As of March 31, 2020: 32,800,000 shares
 - (b) Treasury shares
As of December 31, 2020: 22,086 shares As of March 31, 2020: 22,059 shares
 - (c) Average number of shares outstanding during the period (cumulative)
Nine months ended December 31, 2020: 32,777,930 shares
Nine months ended December 31, 2019: 32,777,941 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 Nine-month Period (3) Explanation of Forecast for the Fiscal Year Ending March 31, 2021” on page 3 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 Nine-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, 2021.....	3
2. Consolidated Financial Statements and Related Notes	4
(1) Consolidated Balance Sheets	4
(2) Consolidated Statements of Income and Comprehensive Income	6
(Consolidated Statements of Income (Cumulative))	6
(Consolidated Statements of Comprehensive Income (Cumulative))	7
(3) Notes on Consolidated Financial Statements	8
(Going Concern Assumptions)	8
(Material Changes in the Amount of Shareholders' Equity).....	8
(Application of Special Accounting for Preparing Consolidated Financial Statements).....	8
(Additional Information).....	8
3. Other	9
(Trend in Quarterly Consolidated Results).....	9

1. Qualitative Information on Consolidated Financial Results for the Nine-month Period

(1) Explanation of Operating Results

(Business Environment)

During the nine-month period ended December 31, 2020, the global economy has been in an extremely serious situation due to the impact of the global outbreak of the novel coronavirus disease (COVID-19), but there have been some signs of picking up.

Despite the continuation of this extremely serious situation due to the impact of COVID-19, the Japanese economy is expected to continue to pick up due to the effects of various policy measures and the improvement of the overseas economy.

The Furukawa Battery Group flexibly implemented measures to prevent the spread of infection, such as telework, and worked for the continuation of business, although there were signs of turmoil in the supply chains of various industries due to the spread of COVID-19.

(Operating Results)

The Group recorded consolidated sales of 41,812 million yen for the nine-month period ended December 31, 2020, a decrease of 3,857 million yen (8.4%) year on year. Overseas sales were 13,852 million yen and accounted for 33.13% of total sales.

With regard to profit and loss, sales for replacement demand remained strong, despite sluggish sales to automobile manufacturers in the Japanese market and in the Thai market due to the stagnation of economic activity caused by COVID-19. Furthermore, profit improved at the Indonesia subsidiary due to the improvement of profitability and other factors, despite a decrease in sale amounts. As a result of the above, operating profit increased by 941 million yen year on year to 2,674 million yen, and ordinary profit increased by 941 million yen year on year to 2,701 million yen.

Profit attributable to owners of parent came to 2,105 million yen, increasing 725 million yen year on year.

(2) Explanation of Financial Position

Total assets were 54,941 million yen as of December 31, 2020, which is 905 million yen more than at the end of the previous fiscal year. Current assets increased by 1,855 million yen from the end of the previous fiscal year to 26,994 million yen, while non-current assets decreased by 949 million yen to 27,946 million yen.

The main factor leading to the increase in current assets was an increase in cash and deposits.

There was a 1,579 million yen decrease in property, plant and equipment to 22,874 million yen. The main factors leading to the decrease were that the decline resulting from depreciation, etc. was greater than the increase in capital investment, and foreign currency translation differences of non-current assets owned by overseas subsidiaries.

Investments and other assets increased by 475 million yen to 4,782 million yen.

Total liabilities as of December 31, 2020, decreased by 479 million yen to 25,919 million yen.

Current liabilities decreased by 1,008 million yen to 13,846 million yen, and non-current liabilities increased by 528 million yen to 12,072 million yen.

Interest-bearing debt, which is the sum of short-term borrowings and long-term borrowings, decreased by 159 million yen to 6,569 million yen.

Equity increased by 1,451 million yen to 27,955 million yen, resulting in an increase in the equity ratio from 49.1% at the end of the previous fiscal year to 50.9% at the end of the nine-month period.

(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2021

There have been changes to the consolidated forecast for the fiscal year ending March 31, 2021 from the consolidated forecast that was announced on August 6, 2020 based on results, etc. in the nine-month period ended December 31, 2020.

For details, please refer to the “Notice Regarding Revisions to Full-Year Financial Results Forecast and Dividends Forecast” announced on February 4, 2021 (Japanese only).

Regarding the spread of COVID-19, the timing of the settlement of COVID-19, etc., no changes have been made to the assumptions (This situation will continue in the fiscal year ending March 31, 2021 and fixed 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 August 6, 2020.

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

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
ASSETS		
Current assets		
Cash and deposits	2,662	4,405
Notes and accounts receivable - trade	12,255	11,242
Electronically recorded monetary claims - operating	1,080	927
Securities	1,632	2,337
Merchandise and finished goods	2,540	2,804
Work in process	2,856	3,294
Raw materials and supplies	1,363	1,206
Other	761	782
Allowance for doubtful accounts	(13)	(6)
Total current assets	25,139	26,994
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,044	6,900
Machinery, equipment and vehicles, net	8,211	7,120
Tools, furniture and fixtures, net	648	596
Land	7,372	7,214
Leased assets, net	623	542
Construction in progress	553	500
Total property, plant and equipment	24,453	22,874
Intangible assets		
Leased assets	10	12
Other	124	277
Total intangible assets	135	289
Investments and other assets		
Investment securities	2,137	2,823
Deferred tax assets	2,026	1,810
Other	166	172
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	4,307	4,782
Total non-current assets	28,896	27,946
Total assets	54,035	54,941

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	3,698	4,238
Electronically recorded obligations - operating	2,360	2,225
Short-term borrowings	4,261	3,400
Lease obligations	135	122
Income taxes payable	520	300
Accrued consumption taxes	430	308
Provision for bonuses	672	454
Provision for environmental measures	2	–
Notes payable - facilities	17	13
Electronically recorded obligations - facilities	243	347
Other	2,510	2,435
Total current liabilities	14,854	13,846
Non-current liabilities		
Long-term borrowings	2,467	3,169
Lease obligations	568	498
Deferred tax liabilities	795	797
Provision for environmental measures	2	2
Retirement benefit liability	7,021	6,979
Asset retirement obligations	53	53
Other	634	571
Total non-current liabilities	11,543	12,072
Total liabilities	26,398	25,919
NET ASSETS		
Shareholders' equity		
Share capital	1,640	1,640
Capital surplus	653	532
Retained earnings	22,847	24,527
Treasury shares	(11)	(11)
Total shareholders' equity	25,130	26,687
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	578	1,176
Deferred gains or losses on hedges	(71)	22
Foreign currency translation adjustment	949	116
Remeasurements of defined benefit plans	(82)	(47)
Total accumulated other comprehensive income	1,373	1,268
Non-controlling interests	1,133	1,066
Total net assets	27,637	29,022
Total liabilities and net assets	54,035	54,941

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income (Cumulative))

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	45,669	41,812
Cost of sales	35,147	30,630
Gross profit	10,522	11,181
Selling, general and administrative expenses	8,789	8,507
Operating profit	1,732	2,674
Non-operating income		
Interest income	20	9
Dividend income	125	99
Share of profit of entities accounted for using equity method	2	1
Foreign exchange gains	7	25
Gain on sales of investment securities	33	–
Other	142	117
Total non-operating income	332	253
Non-operating expenses		
Interest expenses	286	201
Other	18	24
Total non-operating expenses	305	226
Ordinary profit	1,760	2,701
Extraordinary income		
Gain on sales of non-current assets	0	26
Total extraordinary income	0	26
Extraordinary losses		
Impairment loss	121	–
Loss on disaster	54	–
Loss on disposal of non-current assets	3	2
Total extraordinary losses	179	2
Profit before income taxes	1,580	2,726
Income taxes	654	714
Profit	926	2,011
Loss attributable to non-controlling interests	(453)	(93)
Profit attributable to owners of parent	1,379	2,105

(Consolidated Statements of Comprehensive Income (Cumulative))

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit	926	2,011
Other comprehensive income		
Valuation difference on available-for-sale securities	(283)	607
Deferred gains or losses on hedges	(1)	93
Foreign currency translation adjustment	239	(932)
Remeasurements of defined benefit plans, net of tax	(107)	36
Share of other comprehensive income of entities accounted for using equity method	(0)	(6)
Total other comprehensive income	(153)	(202)
Comprehensive income	772	1,809
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,241	1,999
Comprehensive income attributable to non-controlling interests	(469)	(190)

(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 nine-month period are calculated by multiplying profit before income taxes for the nine-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 nine-month period of the current fiscal year.

Deferred taxes are included in income taxes.

(Additional Information)

It is difficult to read the outlook due to uncertainty regarding the spread of COVID-19 and the timing of the settlement of COVID-19. However, the Group made accounting estimates such as the recoverability of deferred tax assets based on information available at the time of preparation of the quarterly consolidated financial statements, and under the assumption that the impact will continue at least through the current fiscal year. There are no significant changes to these estimates from the details presented in annual securities report from the previous fiscal year.

Although these estimates are the best current estimates, there may be deviation between the above estimates and subsequent results in the event that there occur changes to the timing of the settlement of COVID-19 and the impact on the economic environment.

3. Other

(Trend in Quarterly Consolidated Results)

Fiscal year ending 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	–	25,457	41,812	–
Operating profit	282	566	1,824	–	849	2,674	–
Ordinary profit	353	513	1,834	–	866	2,701	–
Profit attributable to owners of parent	281	393	1,430	–	674	2,105	–

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

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