

Consolidated Financial Results for the Six-month Period Ended September 30, 2021 [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:	November 12, 2021
Scheduled date for commencement of dividend payment:	—
Supplementary documents for quarterly financial results:	Yes
Quarterly financial results briefing:	Yes (Financial results briefing via video streaming on the Company's website)

(Yen in millions, rounded down)

1. Consolidated financial results for the six months ended September 30, 2021 (April 1, 2021 – September 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	%
Six months ended September 30, 2021	26,799	5.3	562	(33.8)	645	(25.5)	563	(16.6)
Six months ended September 30, 2020	25,457	(13.3)	849	23.8	866	30.0	674	17.4

Note: Comprehensive income

Six months ended September 30, 2021:	817 million yen [yoy 11.2 %]
Six months ended September 30, 2020:	735 million yen [yoy 966.6 %]

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Six months ended September 30, 2021	17.18	—
Six months ended September 30, 2020	20.59	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021	56,421	31,389	53.4
As of March 31, 2021	57,686	31,388	52.2

Reference: Equity

As of September 30, 2021:	30,135 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 six-month period ended September 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 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: Yes
 - (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, 2021: 32,800,000 shares As of March 31, 2021: 32,800,000 shares
 - (b) Treasury shares
As of September 30, 2021: 22,086 shares As of March 31, 2021: 22,086 shares
 - (c) Average number of shares outstanding during the period (cumulative)
Six months ended September 30, 2021: 32,777,914 shares Six months ended September 30, 2020: 32,777,937 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 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.

(Obtaining the supplementary documents for quarterly financial results)

The Company plans to stream the financial results briefing via video for institutional investors and analysts on Monday, November 15, 2021.

The video and the supplementary documents for quarterly financial results will be posted on the Company’s website.

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

(1) Explanation of Operating Results

(Business Environment)

During the six-month period ended September 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 26,799 million yen for the six-month period ended September 30, 2021, an increase of 1,342 million yen year on year. Overseas sales were 9,667 million yen and accounted for 36.1% of total sales.

In terms of profit and loss, although sales were strong in the domestic market and Thailand market, profit deteriorated due to the rise in the price of lead, a major raw material. As a result of the above, the Group overall recorded operating profit of 562 million yen, a decrease of 287 million yen year on year. Ordinary profit decreased by 221 million yen year on year to 645 million yen.

Profit attributable to owners of parent came to 563 million yen, decreasing 111 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 six months of the current fiscal year decreased by 1,285 million yen, operating profit decreased by 60 million yen, and ordinary profit and profit before income taxes each decreased by 53 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 56,421 million yen as of September 30, 2021, which is 1,264 million yen less than at the end of the previous fiscal year. Current assets decreased by 1,396 million yen from the end of the previous fiscal year to 27,627 million yen, while non-current assets increased by 131 million yen from the end of the previous fiscal year to 28,794 million yen.

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

There was a 236 million yen decrease in property, plant and equipment to 22,886 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 209 million yen from the end of the previous fiscal year to 5,416 million yen.

Total liabilities as of September 30, 2021, decreased by 1,265 million yen from the end of the previous fiscal year to 25,032 million yen. Current liabilities decreased by 587 million yen from the end of the previous fiscal year to 14,101 million yen, and non-current liabilities decreased by 677 million yen from the end of the previous fiscal year to 10,931 million yen.

Interest-bearing debt, which is the sum of short-term borrowings and long-term borrowings, decreased by 598 million yen from the end of the previous fiscal year to 5,480 million yen.

Equity as of September 30, 2021, increased by 26 million yen from the end of the previous fiscal year to 30,135 million yen, resulting in an increase in the equity ratio from 52.2% at the end of the previous fiscal year to 53.4%.

(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 September 30, 2021
ASSETS		
Current assets		
Cash and deposits	5,852	4,895
Notes and accounts receivable - trade	12,080	8,810
Electronically recorded monetary claims - operating	1,049	1,070
Securities	2,923	3,267
Merchandise and finished goods	2,288	3,997
Work in process	2,862	3,323
Raw materials and supplies	1,285	1,420
Other	689	847
Allowance for doubtful accounts	(7)	(6)
Total current assets	29,023	27,627
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,038	7,041
Machinery, equipment and vehicles, net	7,244	6,695
Tools, furniture and fixtures, net	704	664
Land	7,256	7,497
Leased assets, net	521	480
Construction in progress	358	507
Total property, plant and equipment	23,123	22,886
Intangible assets		
Leased assets	11	9
Other	320	480
Total intangible assets	331	490
Investments and other assets		
Investment securities	3,130	3,428
Deferred tax assets	1,928	1,876
Other	171	135
Allowance for doubtful accounts	(22)	(22)
Total investments and other assets	5,207	5,416
Total non-current assets	28,662	28,794
Total assets	57,686	56,421

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	3,926	4,099
Electronically recorded obligations - operating	2,170	2,065
Short-term borrowings	3,410	3,513
Lease obligations	117	108
Income taxes payable	743	319
Accrued consumption taxes	478	76
Provision for bonuses	890	1,087
Provision for environmental measures	0	-
Notes payable - facilities	18	7
Electronically recorded obligations - facilities	327	278
Other	2,604	2,544
Total current liabilities	14,688	14,101
Non-current liabilities		
Long-term borrowings	2,668	1,967
Lease obligations	477	438
Deferred tax liabilities	793	793
Provision for environmental measures	1	1
Retirement benefit liability	7,036	7,067
Asset retirement obligations	54	54
Other	577	609
Total non-current liabilities	11,609	10,931
Total liabilities	26,297	25,032
NET ASSETS		
Shareholders' equity		
Share capital	1,640	1,640
Capital surplus	653	653
Retained earnings	26,036	25,782
Treasury shares	(11)	(11)
Total shareholders' equity	28,318	28,064
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,386	1,633
Deferred gains or losses on hedges	10	(4)
Foreign currency translation adjustment	398	449
Remeasurements of defined benefit plans	(4)	(7)
Total accumulated other comprehensive income	1,790	2,070
Non-controlling interests	1,279	1,253
Total net assets	31,388	31,389
Total liabilities and net assets	57,686	56,421

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income (Cumulative))

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	25,457	26,799
Cost of sales	19,082	21,449
Gross profit	6,375	5,350
Selling, general and administrative expenses	5,526	4,788
Operating profit	849	562
Non-operating income		
Interest income	7	6
Dividend income	62	62
Share of profit of entities accounted for using equity method	3	10
Foreign exchange gains	10	9
Other	91	85
Total non-operating income	175	175
Non-operating expenses		
Interest expenses	147	89
Other	10	2
Total non-operating expenses	158	91
Ordinary profit	866	645
Extraordinary income		
Gain on bargain purchase	–	96
Total extraordinary income	–	96
Extraordinary losses		
Loss on disposal of non-current assets	0	7
Total extraordinary losses	0	7
Profit before income taxes	865	734
Income taxes	291	247
Profit	574	487
Loss attributable to non-controlling interests	(100)	(75)
Profit attributable to owners of parent	674	563

(Consolidated Statements of Comprehensive Income (Cumulative))

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	574	487
Other comprehensive income		
Valuation difference on available-for-sale securities	481	246
Deferred gains or losses on hedges	83	(14)
Foreign currency translation adjustment	(426)	97
Remeasurements of defined benefit plans, net of tax	25	(2)
Share of other comprehensive income of entities accounted for using equity method	(2)	3
Total other comprehensive income	161	330
Comprehensive income	735	817
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	861	843
Comprehensive income attributable to non- controlling interests	(125)	(25)

(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 profit 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 profit before income taxes in the six-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 six months of the current fiscal year decreased by 1,285 million yen, cost of sales decreased by 156 million yen, selling, general and administrative expenses decreased

by 1,067 million yen, operating profit decreased by 60 million yen, operating expenses decreased by 7 million yen, and ordinary profit and profit before income taxes each decreased by 53 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 six months 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	13,764	–	–	26,799	–	–
Operating profit	259	302	–	–	562	–	–
Ordinary profit	329	316	–	–	645	–	–
Profit attributable to owners of parent	355	207	–	–	563	–	–

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