

Consolidated Financial Results for the Nine-month Period Ended December 31, 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
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Scheduled date for filing of quarterly securities report:	February 7, 2022
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, 2021 (April 1, 2021 – December 31, 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	%
Nine months ended December 31, 2021	43,155	3.2	1,455	(45.6)	1,580	(41.5)	1,299	(38.3)
Nine months ended December 31, 2020	41,812	(8.4)	2,674	54.3	2,701	53.5	2,105	52.6

Note: Comprehensive income

Nine months ended December 31, 2021:	1,171 million yen [yoy (35.2) %]
Nine months ended December 31, 2020:	1,809 million yen [yoy 134.3 %]

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Nine months ended December 31, 2021	39.65	–
Nine months ended December 31, 2020	64.23	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2021	57,865	31,743	52.7
As of March 31, 2021	57,686	31,388	52.2

Reference: Equity

As of December 31, 2021:	30,489 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	–	–	–	22.00	22.00
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	63,000	5.1	3,300	(25.0)	3,300	(26.3)	3,450	(4.6)	105.25

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, 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 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: 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 December 31, 2021: 32,800,000 shares As of March 31, 2021: 32,800,000 shares
 - (b) Treasury shares
As of December 31, 2021: 22,134 shares As of March 31, 2021: 22,086 shares
 - (c) Average number of shares outstanding during the period (cumulative)
Nine months ended December 31, 2021: 32,777,899 shares
Nine months ended December 31, 2020: 32,777,930 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, 2022” on page 3 of Attachment for details on the assumptions used and other related matters concerning the forecast of consolidated financial results.

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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, 2021, the global economy was expected to recover due to the gradual loosening of restrictions on economic activity caused by the impact of the novel coronavirus disease (COVID-19), but the outlook is uncertain due to the spread of new COVID-19 variants and other factors.

Despite signs of moderate recovery due to the loosening of restrictions on economic activity caused by the impact of COVID-19 in the Japanese economy as well, the outlook continues to be uncertain due to supply-side restrictions and rising raw material prices in addition to the spread of new COVID-19 variants and other factors.

(Operating Results)

The Group recorded net sales of 43,155 million yen for the nine-month period ended December 31, 2021, an increase of 1,343 million yen (3.2%) year on year. Overseas sales were 14,336 million yen and accounted for 33.2% of total sales.

In terms of profit and loss, although sales were strong in the domestic market and Thailand market, operating profit decreased by 1,218 million yen year on year to 1,455 million yen and ordinary profit decreased by 1,121 million yen year on year to 1,580 million yen due to the rise in the price of major raw materials, such as lead.

Profit attributable to owners of parent came to 1,299 million yen, decreasing 805 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 nine months of the current fiscal year decreased by 1,837 million yen, operating profit decreased by 111 million yen, and ordinary profit and profit before income taxes each decreased by 98 million yen. For details, please refer to “2. Consolidated Financial Statements and Related Notes (3) Notes on Consolidated Financial Statements (Changes in Accounting Policies).”

(2) Explanation of Financial Position

Total assets were 57,865 million yen as of December 31, 2021, which is 179 million yen more than at the end of the previous fiscal year. Current assets increased by 331 million yen from the end of the previous fiscal year to 29,354 million yen, while non-current assets decreased by 151 million yen from the end of the previous fiscal year to 28,511 million yen.

The main factors leading to the increase in current assets were increases in merchandise and finished goods and work in process.

There was a 564 million yen decrease in property, plant and equipment to 22,558 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 148 million yen from the end of the previous fiscal year to 5,355 million yen.

Total liabilities as of December 31, 2021, decreased by 175 million yen from the end of the previous fiscal year to 26,122 million yen.

Current liabilities increased by 692 million yen from the end of the previous fiscal year to 15,380 million yen, and non-current liabilities decreased by 867 million yen from the end of the previous fiscal year to 10,741 million yen.

Interest-bearing debt, which is the sum of short-term borrowings and long-term borrowings, decreased by 386 million yen from the end of the previous fiscal year to 5,692 million yen.

Equity as of December 31, 2021, increased by 380 million yen from the end of the previous fiscal year to 30,489 million yen, resulting in an increase in the equity ratio from 52.2% at the end of the previous fiscal year to 52.7%.

(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2022

There have been changes to the consolidated forecast for the fiscal year ending March 31, 2022 from the consolidated forecast that was announced on May 12, 2021 based on results, etc. in the nine-month period ended December 31, 2021.

For details, please refer to the “Notice Regarding Revisions to Consolidated Forecast for the Fiscal Year Ending March 31, 2022” announced on February 3, 2022 (Japanese only).

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 December 31, 2021
ASSETS		
Current assets		
Cash and deposits	5,852	4,411
Notes and accounts receivable - trade	12,080	10,720
Electronically recorded monetary claims - operating	1,049	1,204
Securities	2,923	3,134
Merchandise and finished goods	2,288	3,856
Work in process	2,862	3,215
Raw materials and supplies	1,285	1,690
Other	689	1,127
Allowance for doubtful accounts	(7)	(6)
Total current assets	29,023	29,354
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,038	6,976
Machinery, equipment and vehicles, net	7,244	6,377
Tools, furniture and fixtures, net	704	648
Land	7,256	7,512
Leased assets, net	521	457
Construction in progress	358	585
Total property, plant and equipment	23,123	22,558
Intangible assets		
Leased assets	11	8
Other	320	588
Total intangible assets	331	596
Investments and other assets		
Investment securities	3,130	3,369
Deferred tax assets	1,928	1,876
Other	171	131
Allowance for doubtful accounts	(22)	(22)
Total investments and other assets	5,207	5,355
Total non-current assets	28,662	28,511
Total assets	57,686	57,865

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	3,926	5,065
Electronically recorded obligations - operating	2,170	2,098
Short-term borrowings	3,410	3,951
Lease obligations	117	105
Income taxes payable	743	109
Accrued consumption taxes	478	238
Provision for bonuses	890	719
Provision for environmental measures	0	-
Notes payable - facilities	18	4
Electronically recorded obligations - facilities	327	307
Other	2,604	2,778
Total current liabilities	14,688	15,380
Non-current liabilities		
Long-term borrowings	2,668	1,740
Lease obligations	477	417
Deferred tax liabilities	793	793
Provision for environmental measures	1	1
Retirement benefit liability	7,036	7,123
Asset retirement obligations	54	54
Other	577	611
Total non-current liabilities	11,609	10,741
Total liabilities	26,297	26,122
NET ASSETS		
Shareholders' equity		
Share capital	1,640	1,640
Capital surplus	653	653
Retained earnings	26,036	26,520
Treasury shares	(11)	(11)
Total shareholders' equity	28,318	28,802
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,386	1,566
Deferred gains or losses on hedges	10	23
Foreign currency translation adjustment	398	106
Remeasurements of defined benefit plans	(4)	(9)
Total accumulated other comprehensive income	1,790	1,687
Non-controlling interests	1,279	1,253
Total net assets	31,388	31,743
Total liabilities and net assets	57,686	57,865

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income (Cumulative))

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	41,812	43,155
Cost of sales	30,630	34,393
Gross profit	11,181	8,762
Selling, general and administrative expenses	8,507	7,306
Operating profit	2,674	1,455
Non-operating income		
Interest income	9	9
Dividend income	99	80
Company house rent employee load money income	49	51
Share of profit of entities accounted for using equity method	1	21
Foreign exchange gains	25	18
Other	68	76
Total non-operating income	253	258
Non-operating expenses		
Interest expenses	201	128
Other	24	5
Total non-operating expenses	226	133
Ordinary profit	2,701	1,580
Extraordinary income		
Gain on sale of non-current assets	26	–
Gain on bargain purchase	–	96
Total extraordinary income	26	96
Extraordinary losses		
Loss on disposal of non-current assets	2	7
Total extraordinary losses	2	7
Profit before income taxes	2,726	1,669
Income taxes	714	478
Profit	2,011	1,191
Loss attributable to non-controlling interests	(93)	(108)
Profit attributable to owners of parent	2,105	1,299

(Consolidated Statements of Comprehensive Income (Cumulative))

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	2,011	1,191
Other comprehensive income		
Valuation difference on available-for-sale securities	607	179
Deferred gains or losses on hedges	93	12
Foreign currency translation adjustment	(932)	(219)
Remeasurements of defined benefit plans, net of tax	36	(3)
Share of other comprehensive income of entities accounted for using equity method	(6)	11
Total other comprehensive income	(202)	(19)
Comprehensive income	1,809	1,171
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,999	1,196
Comprehensive income attributable to non-controlling interests	(190)	(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 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.

(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 nine months of the current fiscal year decreased by 1,837 million yen, cost of sales decreased by 234 million yen, selling, general and administrative

expenses decreased by 1,491 million yen, operating profit decreased by 111 million yen, operating expenses decreased by 13 million yen, and ordinary profit and profit before income taxes each decreased by 98 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 nine 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	16,355	–	26,799	43,155	–
Operating profit	259	302	893	–	562	1,455	–
Ordinary profit	329	316	934	–	645	1,580	–
Profit attributable to owners of parent	355	207	736	–	563	1,299	–

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