

Consolidated Financial Results for the Six-month Period Ended September 30, 2022 [Japan GAAP]

Name of Company:	The Furukawa Battery Co., Ltd.
Stock Code:	6937
Stock Exchange Listing:	Tokyo Stock Exchange
URL:	https://www.furukawadenchi.co.jp
Representative Title:	President & CEO
Name:	Shinichi Ono
Contact Person Title:	Corporate Officer, General Manager of Finance & Accounting Department
Name:	Susumu Meida
Tel:	+81-45-336-5034
Scheduled date for filing of quarterly securities report:	November 10, 2022
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, 2022 (April 1, 2022 – September 30, 2022)

(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, 2022	29,830	11.3	(381)	–	(231)	–	(228)	–
Six months ended September 30, 2021	26,799	5.3	562	(33.8)	645	(25.5)	563	(16.6)

Note: Comprehensive income

Six months ended September 30, 2022:	1,340 million yen	[yoy 63.9 %]
Six months ended September 30, 2021:	817 million yen	[yoy 11.2 %]

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Six months ended September 30, 2022	(6.98)	–
Six months ended September 30, 2021	17.18	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	63,251	34,469	52.3
As of March 31, 2022	60,681	33,826	53.6

Reference: Equity

As of September 30, 2022:	33,107 million yen
As of March 31, 2022:	32,546 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, 2022	–	–	–	22.00	22.00
Fiscal year ending March 31, 2023	–	–	–	–	–
Fiscal year ending March 31, 2023 (forecast)	–	–	–	22.00	22.00

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

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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, 2023	70,000	11.5	2,400	(25.3)	2,400	(29.3)	1,950	(49.2)	59.49

Note: Revisions to the earnings forecasts most recently announced: None

Notes:

- (1) Changes in significant subsidiaries during the six-month period ended September 30, 2022 (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 Quarterly Consolidated Financial Statements)” on page 7 of the 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, 2022: 32,800,000 shares As of March 31, 2022: 32,800,000 shares
 - (b) Treasury shares
As of September 30, 2022: 22,134 shares As of March 31, 2022: 22,134 shares
 - (c) Average number of shares outstanding during the period (cumulative)
Six months ended September 30, 2022: 32,777,866 shares Six months ended September 30, 2021: 32,777,914 shares

* Quarterly financial results reports are exempt from 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, 2023” on page 2 of the 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 Tuesday, November 15, 2022.

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, 2022, the global economy experienced the normalization of economic activities, notably due to a settling down in the spread of COVID-19 infection, but the outlook is uncertain due to downside risks for economic conditions due to global monetary tightening.

In the Japanese economy as well, despite signs of recovery due to the loosening of restrictions on economic activity caused by the impact of COVID-19, the situation requires close attention to the risk that a downturn in the overseas economic conditions caused by global monetary tightening might suppress economic conditions in Japan.

(Operating Results)

The Group recorded net sales of 29,830 million yen for the six-month period ended September 30, 2022, an increase of 3,030 million yen year on year. Overseas sales were 11,975 million yen and accounted for 40.1% of total sales.

In terms of profit and loss, operating loss came to 381 million yen, deteriorating by 943 million yen year on year due to the impact of the rise in the price of lead, a major raw material, and energy costs. Ordinary loss came to 231 million yen, deteriorating by 877 million yen year on year due to the operating loss, despite an increase in foreign exchange gains and other income.

Loss attributable to owners of parent came to 228 million yen, decreasing by 791 million yen year on year.

(2) Explanation of Financial Position

Total assets were 63,251 million yen as of September 30, 2022, which is 2,569 million yen more than at the end of the previous fiscal year. Current assets increased by 1,093 million yen from the end of the previous fiscal year to 33,642 million yen, while non-current assets increased by 1,476 million yen from the end of the previous fiscal year to 29,609 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 1,040 million yen increase from the end of the previous fiscal year to 24,122 million yen in property, plant and equipment in non-current assets. The main factor leading to this increase was capital investment.

Investments and other assets increased by 156 million yen from the end of the previous fiscal year to 4,425 million yen.

Total liabilities as of September 30, 2022, increased by 1,926 million yen from the end of the previous fiscal year to 28,781 million yen. Current liabilities increased by 2,244 million yen from the end of the previous fiscal year to 18,695 million yen, and non-current liabilities decreased by 317 million yen from the end of the previous fiscal year to 10,086 million yen.

Interest-bearing debt, which is the sum of short-term borrowings and long-term borrowings, increased by 2,762 million yen from the end of the previous fiscal year to 7,838 million yen.

Equity as of September 30, 2022, increased by 560 million yen from the end of the previous fiscal year to 33,107 million yen, resulting in an increase in the equity ratio from 53.6% at the end of the previous fiscal year to 52.3%.

(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2023

There is no change to the consolidated earnings forecast that was announced on May 12, 2022.

Moreover, 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, 2023 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, 2022.

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

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	6,911	5,720
Notes and accounts receivable - trade	12,309	9,169
Electronically recorded monetary claims - operating	1,353	1,290
Securities	3,257	3,849
Merchandise and finished goods	2,883	4,734
Work in process	3,160	5,731
Raw materials and supplies	1,606	1,889
Other	1,072	1,263
Allowance for doubtful accounts	(7)	(7)
Total current assets	32,548	33,642
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,316	7,521
Machinery, equipment and vehicles, net	6,555	7,026
Tools, furniture and fixtures, net	810	707
Land	7,603	7,804
Leased assets, net	441	437
Construction in progress	354	624
Total property, plant and equipment	23,081	24,122
Intangible assets		
Leased assets	7	5
Other	775	1,056
Total intangible assets	782	1,061
Investments and other assets		
Investment securities	1,787	1,850
Deferred tax assets	2,369	2,463
Other	135	133
Allowance for doubtful accounts	(22)	(22)
Total investments and other assets	4,268	4,425
Total non-current assets	28,133	29,609
Total assets	60,681	63,251

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,252	5,437
Electronically recorded obligations - operating	2,199	1,532
Short-term borrowings	3,641	6,897
Lease liabilities	102	105
Income taxes payable	747	161
Accrued consumption taxes	302	24
Provision for bonuses	909	1,122
Provision for environmental measures	1	-
Provision for loss on litigation	-	9
Notes payable - facilities	1	21
Electronically recorded obligations - facilities	303	359
Other	2,987	3,023
Total current liabilities	16,451	18,695
Non-current liabilities		
Long-term borrowings	1,434	941
Lease liabilities	400	390
Deferred tax liabilities	797	796
Retirement benefit liability	7,175	7,221
Asset retirement obligations	73	203
Other	523	533
Total non-current liabilities	10,404	10,086
Total liabilities	26,855	28,781
Net assets		
Shareholders' equity		
Share capital	1,640	1,640
Capital surplus	653	653
Retained earnings	29,057	28,132
Treasury shares	(11)	(11)
Total shareholders' equity	31,339	30,414
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	672	694
Deferred gains or losses on hedges	87	13
Foreign currency translation adjustment	484	1,979
Remeasurements of defined benefit plans	(37)	6
Total accumulated other comprehensive income	1,207	2,693
Non-controlling interests	1,279	1,361
Total net assets	33,826	34,469
Total liabilities and net assets	60,681	63,251

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income (Cumulative))

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	26,799	29,830
Cost of sales	21,449	25,068
Gross profit	5,350	4,761
Selling, general and administrative expenses	4,788	5,142
Operating profit (loss)	562	(381)
Non-operating income		
Interest income	6	8
Dividend income	62	48
Share of profit of entities accounted for using equity method	10	20
Foreign exchange gains	9	47
Other	85	127
Total non-operating income	175	251
Non-operating expenses		
Interest expenses	89	86
Other	2	15
Total non-operating expenses	91	102
Ordinary profit (loss)	645	(231)
Extraordinary income		
Gain on sale of investment securities	–	1
Gain on bargain purchase	96	–
Total extraordinary income	96	1
Extraordinary losses		
Loss on disposal of non-current assets	7	6
Total extraordinary losses	7	6
Profit (loss) before income taxes	734	(236)
Income taxes	247	77
Profit (loss)	487	(314)
Loss attributable to non-controlling interests	(75)	(85)
Profit (loss) attributable to owners of parent	563	(228)

(Consolidated Statements of Comprehensive Income (Cumulative))

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit (loss)	487	(314)
Other comprehensive income		
Valuation difference on available-for-sale securities	246	20
Deferred gains or losses on hedges	(14)	(73)
Foreign currency translation adjustment	97	1,643
Remeasurements of defined benefit plans, net of tax	(2)	43
Share of other comprehensive income of entities accounted for using equity method	3	20
Total other comprehensive income	330	1,654
Comprehensive income	817	1,340
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	843	1,256
Comprehensive income attributable to non-controlling interests	(25)	83

(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 Quarterly Consolidated Financial Statements)

Income taxes for the six-month period are calculated by multiplying profit (loss) 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 current fiscal year including the six-month period. Deferred taxes are included in income taxes.

3. Other

(Trend in Quarterly Consolidated Results)

Fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Accounting period				Cumulative period		
	Q1	Q2	Q3	Q4	6 months (Apr-Sep)	9 months (Apr-Dec)	Full year
Net sales	14,027	15,802	–	–	29,830	–	–
Operating profit (loss)	(174)	(206)	–	–	(381)	–	–
Ordinary profit (loss)	(89)	(141)	–	–	(231)	–	–
Profit (loss) attributable to owners of parent	(127)	(101)	–	–	(228)	–	–

Fiscal year ended 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	19,629	26,799	43,155	62,785
Operating profit	259	302	893	1,757	562	1,455	3,212
Ordinary profit	329	316	934	1,814	645	1,580	3,394
Profit attributable to owners of parent	355	207	736	2,537	563	1,299	3,837

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