

Consolidated Financial Results for the Three-month Period Ended June 30, 2024 [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:	Osamu Kuroda
Contact Person	
Title:	General Manager of Finance & Accounting Department
Name:	Tsutomu Mikawa
Tel:	+81-45-336-5034
Scheduled date for commencement of dividend payment:	–
Supplementary documents for financial results:	None
Financial results briefing:	None

(Yen in millions, rounded down)

1. Consolidated financial results for the three months ended June 30, 2024 (April 1, 2024 – June 30, 2024)

(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, 2024	17,169	16.5	(246)	–	(129)	–	(270)	–
Three months ended June 30, 2023	14,736	5.1	(309)	–	(211)	–	429	–

Note: Comprehensive income

Three months ended June 30, 2024:	472 million yen [yoy (48.1)%]
Three months ended June 30, 2023:	911 million yen [yoy 28.3%]

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Three months ended June 30, 2024	(8.26)	–
Three months ended June 30, 2023	13.09	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	66,578	37,686	54.7
As of March 31, 2024	65,461	37,906	56.0

Reference: Equity

As of June 30, 2024:	36,428 million yen
As of March 31, 2024:	36,666 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, 2024	–	–	–	21.00	21.00
Fiscal year ending March 31, 2025	–	–	–	–	–
Fiscal year ending March 31, 2025 (forecast)	–	–	–	0.00	0.00

Notes: 1. Revisions to the dividends forecasts most recently announced: None

2. As stated in the “Notice Regarding Revisions to Year-End Dividend Forecast for the Fiscal Year Ending March 31, 2025 (No Dividend)” released on July 23, 2024, the Company will not pay a year-end dividend for the fiscal year ending March 31, 2025, given that a tender offer for the Company’s common shares by AP78 Co., Ltd. is scheduled to take place.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(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, 2025	80,000	6.0	4,000	23.7	4,100	20.0	3,100	20.4	94.58

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

Notes:

- (1) Significant changes in the scope of consolidation during the three-month period ended June 30, 2024:
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: 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 June 30, 2024: 32,800,000 shares As of March 31, 2024: 32,800,000 shares
 - (b) Treasury shares
As of June 30, 2024: 22,332 shares As of March 31, 2024: 22,332 shares
 - (c) Average number of shares outstanding during the period (cumulative)
Three months ended June 30, 2024: 32,777,668 shares Three months ended June 30, 2023: 32,777,792 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

* 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 the Fiscal Year Ending March 31, 2025” on page 2 of the 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 Three-month Period

(1) Explanation of Operating Results

(Business Environment)

During the three-month period ended June 30, 2024, the global economy experienced soaring energy costs due to the impact of the Russian-Ukrainian war, and instability in the global situation caused by the Israel-Hamas war.

Additionally, there was a slowdown in the real estate market in China and monetary tightening in Europe and North America. Thus, the global economic outlook is uncertain mainly due to the downside risks on economic activities from those factors.

In the Japanese economy, the economy showed a gradual recovery trend due to the effects of various policies amid an improved employment and income environment. On the other hand, the outlook continues to be uncertain due to the slowdown in the overseas economy becoming a downside risk for the domestic economy amid the continuing global monetary tightening and concerns for the future of the Chinese economy in addition to rising raw material prices and energy costs.

(Operating Results)

The Group recorded net sales of 17,169 million yen for the three-month period ended June 30, 2024, an increase of 2,433 million yen year on year. Overseas sales were 7,342 million yen and accounted for 42.8% of total sales.

In terms of profit and loss, operating loss came to 246 million yen (operating loss of 309 million yen in the same period of the previous fiscal year) due to soaring prices of materials such as lead, a major raw material, and expenses for product warranties. Ordinary loss came to 129 million yen (ordinary loss of 211 million yen in the same period of the previous fiscal year) due to the operating loss, despite an increase in foreign exchange gains and other income.

Loss attributable to owners of parent came to 270 million yen (compared with profit attributable to owners of parent of 429 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Total assets were 66,578 million yen as of June 30, 2024, which is 1,116 million yen more than at the end of the previous fiscal year. Current assets increased by 167 million yen from the end of the previous fiscal year to 36,954 million yen, while non-current assets increased by 949 million yen from the end of the previous fiscal year to 29,623 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 204 million yen increase from the end of the previous fiscal year to 24,891 million yen in property, plant and equipment in non-current assets. The main factor leading to the increase was foreign currency translation differences of non-current assets owned by overseas subsidiaries.

Investments and other assets increased by 719 million yen from the end of the previous fiscal year to 3,713 million yen.

Total liabilities as of June 30, 2024, increased by 1,336 million yen from the end of the previous fiscal year to 28,891 million yen. Current liabilities increased by 1,648 million yen from the end of the previous fiscal year to 20,499 million yen, and non-current liabilities decreased by 311 million yen from the end of the previous fiscal year to 8,392 million yen.

Interest-bearing debt, which is the sum of short-term borrowings and long-term borrowings, increased by 672 million yen from the end of the previous fiscal year to 7,328 million yen.

Equity as of June 30, 2024, decreased by 238 million yen from the end of the previous fiscal year to 36,428 million yen, resulting in a decrease in the equity ratio from 56.0% at the end of the previous fiscal year to 54.7%.

(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2025

There is no change to the consolidated earnings forecast that was announced on May 13, 2024.

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

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	4,062	5,120
Securities	4,747	4,072
Notes and accounts receivable - trade	13,789	10,974
Electronically recorded monetary claims - operating	1,706	1,743
Merchandise and finished goods	3,802	4,892
Work in process	5,836	6,397
Raw materials and supplies	1,930	1,938
Other	926	1,827
Allowance for doubtful accounts	(15)	(12)
Total current assets	36,787	36,954
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,249	7,224
Machinery, equipment and vehicles, net	7,626	7,293
Tools, furniture and fixtures, net	787	729
Land	7,827	7,888
Leased assets, net	424	427
Construction in progress	770	1,327
Total property, plant and equipment	24,686	24,891
Intangible assets		
Leased assets	2	2
Other	991	1,016
Total intangible assets	994	1,018
Investments and other assets		
Investment securities	1,467	2,179
Deferred tax assets	1,423	1,431
Other	124	125
Allowance for doubtful accounts	(21)	(22)
Total investments and other assets	2,993	3,713
Total non-current assets	28,674	29,623
Total assets	65,461	66,578

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,725	5,802
Electronically recorded obligations - operating	1,848	1,856
Short-term borrowings	4,356	5,253
Lease liabilities	109	115
Income taxes payable	310	471
Accrued consumption taxes	474	103
Provision for bonuses	968	603
Provision for product warranties	186	135
Electronically recorded obligations - facilities	391	545
Other	4,478	5,611
Total current liabilities	18,850	20,499
Non-current liabilities		
Long-term borrowings	2,300	2,075
Lease liabilities	366	361
Deferred tax liabilities	799	801
Retirement benefit liability	2,609	2,572
Asset retirement obligations	207	207
Other	2,421	2,373
Total non-current liabilities	8,703	8,392
Total liabilities	27,554	28,891
Net assets		
Shareholders' equity		
Share capital	1,640	1,640
Capital surplus	653	653
Retained earnings	31,085	30,126
Treasury shares	(12)	(12)
Total shareholders' equity	33,367	32,408
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	580	1,058
Deferred gains or losses on hedges	9	111
Foreign currency translation adjustment	2,697	2,840
Remeasurements of defined benefit plans	10	9
Total accumulated other comprehensive income	3,298	4,019
Non-controlling interests	1,240	1,258
Total net assets	37,906	37,686
Total liabilities and net assets	65,461	66,578

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income (Cumulative))

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	14,736	17,169
Cost of sales	12,347	14,206
Gross profit	2,388	2,963
Selling, general and administrative expenses	2,698	3,210
Operating loss	(309)	(246)
Non-operating income		
Interest income	9	25
Dividend income	31	31
Share of profit of entities accounted for using equity method	7	9
Foreign exchange gains	42	57
Other	59	48
Total non-operating income	151	171
Non-operating expenses		
Interest expenses	54	53
Other	(0)	1
Total non-operating expenses	53	54
Ordinary loss	(211)	(129)
Extraordinary income		
Gain on sale of non-current assets	1	–
Gain on revision of retirement benefit plan	857	–
Total extraordinary income	858	–
Extraordinary losses		
Loss on disposal of non-current assets	6	2
Compensation for damage	–	210
Total extraordinary losses	6	213
Profit (loss) before income taxes	640	(343)
Income taxes	245	(40)
Profit (loss)	394	(303)
Loss attributable to non-controlling interests	(34)	(32)
Profit (loss) attributable to owners of parent	429	(270)

(Consolidated Statements of Comprehensive Income (Cumulative))

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit (loss)	394	(303)
Other comprehensive income		
Valuation difference on available-for-sale securities	42	480
Deferred gains or losses on hedges	22	101
Foreign currency translation adjustment	444	185
Remeasurements of defined benefit plans, net of tax	(3)	(1)
Share of other comprehensive income of entities accounted for using equity method	11	9
Total other comprehensive income	516	775
Comprehensive income	911	472
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	888	450
Comprehensive income attributable to non-controlling interests	23	22

(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 three-month period are calculated by multiplying profit (loss) 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 current fiscal year including the three-month period.

Deferred taxes are included in income taxes.

(Changes in Accounting Policies)

(Application of "Accounting Standard for Current Income Taxes," etc.)

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the beginning of the three-month period ended June 30, 2024.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Guidance of 2022"). This change in accounting policy has no impact on the quarterly consolidated financial statements.

In addition, for revisions related to the review of the treatment in consolidated financial statements when a gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated companies is deferred for tax purposes, the Company has applied the Revised Guidance of 2022 from the beginning of the three-month period ended June 30, 2024. The change in the accounting policy has been applied retrospectively. Therefore, the new accounting policy was reflected in the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year. This change in accounting policy has no impact on the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year.

(Quarterly Consolidated Balance Sheets)

Contingent liabilities

The Company has experienced defects in some lots of products (FLH1220SL small lead-acid storage batteries for industrial use) shipped from June 2023 to April 2024, and there is a possibility that our customers will incur expenses to deal with the defects, but the Company has not recorded such expenses because it is difficult to reasonably estimate such impact based on information available at this point in time.

(Quarterly Consolidated Statements of Cash Flows)

Quarterly consolidated statements of cash flows have not been prepared for the three-month period ended June 30, 2024. Depreciation and amortization (including amortization related to intangible assets excluding goodwill) for the three-month period ended June 30, 2024 are as follows.

(Million yen)

	Three-month period ended June 30, 2023	Three-month period ended June 30, 2024
Depreciation and amortization	747	801

(Segment Information)

[Segment information]

I. Three-month period ended June 30, 2023

1. Net sales and profit (loss) for each reportable segment and the information on disaggregation of revenue

(Million yen)

	Reportable segments					Other (note)	Total
	Automobile	Industrial	Lithium	Real estate	Total		
Net sales							
Japan	4,838	3,453	4	–	8,297	4	8,302
Thailand	4,783	2	–	–	4,786	–	4,786
Other Asian regions	1,105	281	–	–	1,386	–	1,386
Other	117	74	–	–	191	–	191
Revenue from contracts with customers	10,845	3,811	4	–	14,662	4	14,667
Other revenue	–	–	–	69	69	–	69
Sales to external customers	10,845	3,811	4	69	14,731	4	14,736
Intersegment internal sales and transfers	568	23	–	5	597	83	680
Total	11,414	3,835	4	74	15,328	88	15,417
Segment profit (loss)	108	(354)	(75)	20	(301)	(7)	(309)

Note: The “Other” category is a business segment that is not included in the reportable segments and includes insurance and other activities.

2. Differences between total amount of profit or loss of the reportable segments and amounts in quarterly consolidated financial statements, and major components of these differences (adjustments for differences)

(Million yen)

Profit	Amount
Total of reportable segments	(301)
Loss of “Other” category	(7)
Operating loss in quarterly consolidated statements of income	(309)

II. Three-month period ended June 30, 2024

1. Net sales and profit (loss) for each reportable segment and the information on disaggregation of revenue

(Million yen)

	Reportable segments					Other (note)	Total
	Automobile	Industrial	Lithium	Real estate	Total		
Net sales							
Japan	5,402	4,353	2	–	9,758	3	9,762
Thailand	5,251	–	–	–	5,251	–	5,251
Other Asian regions	1,451	445	–	–	1,897	–	1,897
Other	35	158	–	–	193	–	193
Revenue from contracts with customers	12,141	4,956	2	–	17,100	3	17,104
Other revenue	–	–	–	65	65	–	65
Sales to external customers	12,141	4,956	2	65	17,166	3	17,169
Intersegment internal sales and transfers	442	36	–	5	484	90	574
Total	12,584	4,993	2	70	17,650	93	17,744
Segment profit (loss)	284	(463)	(87)	15	(250)	4	(246)

Note: The “Other” category is a business segment that is not included in the reportable segments and includes insurance and other activities.

2. Differences between total amount of profit or loss of the reportable segments and amounts in quarterly consolidated financial statements, and major components of these differences (adjustments for differences)

(Million yen)

Profit	Amount
Total of reportable segments	(250)
Profit of “Other” category	4
Operating loss in quarterly consolidated statements of income	(246)

(Important Subsequent Events)

(Regarding the tender offer for the Company's shares by AP78 Co., Ltd.)

At a meeting of the Board of Directors held on July 23, 2024, the Company resolved to provide an opinion regarding a tender offer (the "Tender Offer") for the Company's common shares (the "Company's Shares") by AP78 Co., Ltd. (the "Tender Offeror") to the effect that expressed its opinion in support of the Tender Offer and recommended that the shareholders of the Company tender their shares in the Tender Offer, if the Tender Offer is commenced.

According to the Tender Offeror, because the Tender Offer is expected to require a certain period of time to complete the procedures and responses required under domestic and foreign (Japanese and Thai) competition laws, the Tender Offeror plans to commence the Tender Offer promptly if certain preconditions, such as the completion of such procedures and responses, are satisfied or waived by the Tender Offeror (the Tender Offeror may, at its discretion, waive all or part of certain preconditions).

The above resolution of the Board of Directors was made on the assumption that the Tender Offeror intends to make the Company a wholly owned subsidiary through the Tender Offer and a series of subsequent procedures, and that the Company's Shares are scheduled to be delisted.

For details, please refer to the "Notice Regarding Expression of Opinion in Support of Scheduled Commencement of Tender Offer for the Company's Shares by AP78 Co., Ltd. and Recommendation to Tender" announced on July 23, 2024.

1. Outline of the Tender Offeror

(i) Name	AP78 Co., Ltd.
(ii) Address	17F Toranomon Towers Office 4-1-28 Toranomon, Minato-ku, Tokyo
(iii) Name and title of representative	Toru Indo, Representative Director
(iv) Business outline	Management consulting; acquisition, holdings, management, operation, and trading of securities; and all incidental or related businesses
(v) Capital	250 thousand yen
(vi) Establishment	February 2, 2024
(vii) Major shareholders and shareholding ratio (As of July 23, 2024)	Sustainable Battery Holdings, Inc. 100.00%.
(viii) Relationship between the Company and the Tender Offeror	
Capital relationship	N/A
Personnel relationship	N/A
Business relationship	N/A
Status of related party	N/A

2. Outline of the Tender Offer

(1) Period of purchase, etc.

According to the Tender Offeror, because the Tender Offer is expected to require a certain period of time to complete the procedures and responses required under domestic and foreign (Japanese and Thai) competition laws, the Tender

Offeror plans to commence the Tender Offer promptly if certain preconditions, such as the completion of such procedures and responses, are satisfied or waived by the Tender Offeror (the Tender Offeror may, at its discretion, waive all or part of certain preconditions). According to the Tender Offeror, it is aiming to commence the Tender Offer by late March 2025. However, since it is difficult to accurately predict the time required for procedures, etc. at domestic and overseas competition authorities, the Tender Offeror will promptly announce the schedule of the Tender Offer as soon as it is determined. In the event of any change in the expected timing of the commencement of the Tender Offer, the Tender Offeror will promptly announce such change.

(2) Price of purchase, etc.

1,400 yen per share of the Company

(3) Number of share certificates, etc. to be purchased

Type of share certificates, etc.	(Shares)	
	Minimum number of shares to be purchased	Maximum number of shares to be purchased
Common shares	3,070,600	-
Total	3,070,600	-

3. Other

(Trend in Quarterly Consolidated Results)

Fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Million yen)

	Accounting period				Cumulative period		
	Q1	Q2	Q3	Q4	6 months (Apr-Sep)	9 months (Apr-Dec)	Full year
Net sales	17,169	–	–	–	–	–	–
Operating loss	(246)	–	–	–	–	–	–
Ordinary loss	(129)	–	–	–	–	–	–
Loss attributable to owners of parent	(270)	–	–	–	–	–	–

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Million yen)

	Accounting period				Cumulative period		
	Q1	Q2	Q3	Q4	6 months (Apr-Sep)	9 months (Apr-Dec)	Full year
Net sales	14,736	17,694	20,889	22,135	32,430	53,319	75,455
Operating profit (loss)	(309)	352	1,015	2,175	42	1,058	3,233
Ordinary profit (loss)	(211)	375	1,013	2,239	164	1,177	3,417
Profit attributable to owners of parent	429	165	666	1,313	594	1,261	2,574

Fiscal year ended 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	18,394	21,313	29,830	48,224	69,538
Operating profit (loss)	(174)	(206)	513	1,767	(381)	132	1,900
Ordinary profit (loss)	(89)	(141)	550	1,875	(231)	318	2,193
Profit (loss) attributable to owners of parent	(127)	(101)	(338)	1,365	(228)	(567)	797

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