

Consolidated Financial Results for the Three-month Period Ended June 30, 2018 [Japan GAAP]

Name of Company:	The Furukawa Battery Co., Ltd.
Stock Code:	6937
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
URL:	http://www.furukawadenchi.co.jp
Representative Title:	President & CEO
Name:	Shinichi Ono
Contact Person Title:	Director & Executive Corporate Officer
Name:	Shigeru Takaku
Tel:	+81-45- 336-5034
Scheduled date for filing of quarterly securities report:	August 10, 2018
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 three months ended June 30, 2018 (April 1, 2018 – June 30, 2018)

(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, 2018	13,320	4.8	52	(72.5)	78	(56.1)	84	(46.0)
Three months ended June 30, 2017	12,712	10.5	192	(15.1)	179	75.6	155	37.6

Notes: Comprehensive income

Three months ended June 30, 2018:	(343) million yen (yoy -%)
Three months ended June 30, 2017:	347 million yen (yoy -%)

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
Three months ended June 30, 2018	2.57	—
Three months ended June 30, 2017	4.75	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2018	53,354	24,449	42.9
As of March 31, 2018	54,994	25,156	42.4

Reference: Equity

As of June 30, 2018:	22,878 million yen
As of March 31, 2018:	23,295 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, 2018	—	—	—	10.00	10.00
Fiscal year ending March 31, 2019	—	—	—	—	—
Fiscal year ending March 31, 2019 (forecast)	—	—	—	11.00	11.00

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

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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
Six months ending September 30, 2018	29,000	10.5	400	(4.5)	250	15.4	200	(19.7)	6.10
Fiscal year ending March 31, 2019	64,000	5.7	3,200	7.4	3,000	6.7	2,200	3.0	67.12

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

Notes:

- (1) Changes in significant subsidiaries during the three-month period ended June 30, 2018 (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: 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 June 30, 2018: 32,800,000 shares As of March 31, 2018: 32,800,000 shares
 - (b) Treasury shares
As of June 30, 2018: 22,055 shares As of March 31, 2018: 22,055 shares
 - (c) Average number of shares outstanding during the period (cumulative)
Three months ended June 30, 2018: 32,777,945 shares Three months ended June 30, 2017: 32,778,588 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 Three-month Period (3) Explanation of Forecast for Fiscal Year Ending March 31, 2019” on page 2 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 Three-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, 2019.....	2
2. Consolidated Financial Statements and Related Notes	3
(1) Consolidated Balance Sheets	3
(2) Consolidated Statements of Income and Comprehensive Income	5
(Consolidated Statements of Income (Cumulative))	5
(Consolidated Statements of Comprehensive Income (Cumulative))	6
(3) Notes on Consolidated Financial Statements	7
(Going Concern Assumptions)	7
(Material Changes in the Amount of Shareholders' Equity).....	7
(Application of Special Accounting for Preparing Consolidated Financial Statements)	7
(Additional Information)	7
3. Other	8
(Trend in Quarterly Consolidated Results).....	8

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

(1) Explanation of Operating Results

During the three-month period ended June 30, 2018, the global economy recovered moderately despite concerns about such issues as the economic outlook in China and other emerging countries in Asia, and situations over trade issues.

The Japanese economy also recovered moderately, supported by the effects of the policies, while corporate profits, employment and income situation continued to improve.

Under such a business environment, the Furukawa Battery Group recorded consolidated sales of 13,320 million yen for the three-months period ended June 30, 2018, an increase of 607 million yen (+4.8%) year on year. Overseas sales were 5,444 million yen and accounted for 40.9% of total sales.

Operating profit decreased by 139 million yen year on year to 52 million yen due to factors such as the decline in sales of industrial-use batteries, despite steady sales automobile batteries. Ordinary profit decreased by 100 million yen year on year to 78 million yen due to the decrease in operating profit, despite factors such as a decline in interest expenses.

Profit attributable to owners of parent came to 84 million yen, decreasing 71 million yen year on year.

(2) Explanation of Financial Position

Total assets were 53,354 million yen as of June 30, 2018, which is 1,639 million yen less than at the end of the previous fiscal year. Current assets decreased by 794 million yen from the end of the previous fiscal year to 23,698 million yen, while non-current assets decreased by 845 million yen to 29,655 million yen.

The main factor leading to the decrease in current assets was a decline in notes and accounts receivable - trade.

There was an 822 million yen decrease in property, plant and equipment to 24,032 million yen. The main factor leading to the decrease was that the decline resulting from depreciation was greater than the increase in capital investment.

Investments and other assets decreased by 10 million yen to 5,450 million yen.

Total liabilities as of June 30, 2018, decreased by 933 million yen to 28,904 million yen. Current liabilities increased by 87 million yen to 14,285 million yen, and non-current liabilities decreased by 1,020 million yen to 14,619 million yen.

Interest-bearing debt, which is the sum of short-term loans payable and long-term loans payable, decreased by 191 million yen to 10,346 million yen.

Equity decreased by 417 million yen to 22,878 million yen, while the equity ratio increased from 42.4% at the end of the previous fiscal year to 42.9% at the end of the three-month period.

(3) Explanation of Forecast for the Fiscal Year Ending March 31, 2019

There is no change to the consolidated forecast that was announced on May 9, 2018.

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

(Million yen)

	As of March 31, 2018	As of June 30, 2018
ASSETS		
Current assets		
Cash and deposits	4,194	4,538
Notes and accounts receivable - trade	11,658	9,169
Electronically recorded monetary claims - operating	711	663
Merchandise and finished goods	2,113	2,926
Work in process	3,634	4,001
Raw materials and supplies	1,424	1,253
Other	757	1,146
Allowance for doubtful accounts	(1)	(1)
Total current assets	24,493	23,698
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,553	6,373
Machinery, equipment and vehicles, net	8,601	8,051
Tools, furniture and fixtures, net	735	693
Land	7,546	7,455
Leased assets, net	702	694
Construction in progress	714	762
Total property, plant and equipment	24,854	24,032
Intangible assets		
Leased assets	8	7
Other	178	165
Total intangible assets	186	173
Investments and other assets		
Investment securities	3,907	3,896
Deferred tax assets	1,418	1,420
Other	155	154
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	5,460	5,450
Total non-current assets	30,501	29,655
Total assets	54,994	53,354

(Million yen)

	As of March 31, 2018	As of June 30, 2018
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	4,396	4,518
Electronically recorded obligations - operating	1,831	1,548
Short-term loans payable	4,077	4,809
Lease obligations	136	136
Income taxes payable	507	265
Accrued consumption taxes	304	90
Provision for bonuses	633	278
Provision for environmental measures	14	15
Notes payable - facilities	17	14
Electronically recorded obligations - facilities	103	194
Other	2,175	2,414
Total current liabilities	14,198	14,285
Non-current liabilities		
Long-term loans payable	6,459	5,536
Lease obligations	649	641
Deferred tax liabilities	771	770
Provision for environmental measures	14	13
Net defined benefit liability	7,049	6,999
Asset retirement obligations	9	9
Other	684	646
Total non-current liabilities	15,639	14,619
Total liabilities	29,837	28,904
NET ASSETS		
Shareholders' equity		
Capital stock	1,640	1,640
Capital surplus	630	653
Retained earnings	19,029	18,786
Treasury shares	(11)	(11)
Total shareholders' equity	21,288	21,068
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,396	1,404
Deferred gains or losses on hedges	(42)	(2)
Foreign currency translation adjustment	663	417
Remeasurements of defined benefit plans	(10)	(10)
Total accumulated other comprehensive income	2,007	1,809
Non-controlling interests	1,861	1,571
Total net assets	25,156	24,449
Total liabilities and net assets	54,994	53,354

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income (Cumulative))

(Million yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	12,712	13,320
Cost of sales	10,007	10,663
Gross profit	2,705	2,656
Selling, general and administrative expenses	2,513	2,603
Operating profit	192	52
Non-operating income		
Interest income	4	5
Dividend income	67	125
Foreign exchange gains	4	11
Subsidy income	65	–
Other	27	36
Total non-operating income	169	178
Non-operating expenses		
Interest expenses	162	102
Share of loss of entities accounted for using equity method	10	25
Other	8	24
Total non-operating expenses	181	152
Ordinary profit	179	78
Extraordinary losses		
Loss on disposal of non-current assets	5	0
Total extraordinary losses	5	0
Profit before income taxes	174	78
Income taxes	136	96
Profit (loss)	37	(18)
Loss attributable to non-controlling interests	(117)	(102)
Profit attributable to owners of parent	155	84

(Consolidated Statements of Comprehensive Income (Cumulative))

(Million yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit (loss)	37	(18)
Other comprehensive income		
Valuation difference on available-for-sale securities	378	6
Deferred gains or losses on hedges	(21)	40
Foreign currency translation adjustment	(52)	(376)
Remeasurements of defined benefit plans, net of tax	4	(0)
Share of other comprehensive income of entities accounted for using equity method	0	4
Total other comprehensive income	309	(325)
Comprehensive income	347	(343)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	509	(113)
Comprehensive income attributable to non- controlling interests	(161)	(230)

(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 three-month period are calculated by multiplying income 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 income before income taxes in the three-month period of the current fiscal year. Deferred taxes are included in income taxes.

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances)

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets are presented under "Investments and other assets" and deferred tax liabilities are presented under "Non-current liabilities."

3. Other

(Trend in Quarterly Consolidated Results)

Fiscal year ending 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	-	-	-	-	-	-
Operating profit	52	-	-	-	-	-	-
Ordinary profit	78	-	-	-	-	-	-
Profit attributable to owners of parent	84	-	-	-	-	-	-

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

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Million yen)

	Accounting period				Cumulative period		
	Q1	Q2	Q3	Q4	6 months (Apr-Sep)	9 months (Apr-Dec)	Full year
Net sales	11,505	12,250	14,104	17,459	23,756	37,861	55,320
Operating profit	226	572	1,009	1,528	798	1,808	3,336
Ordinary profit	102	521	938	1,330	623	1,561	2,892
Profit attributable to owners of parent	113	402	754	1,103	515	1,269	2,373

Fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Million yen)

	Accounting period				Cumulative period		
	Q1	Q2	Q3	Q4	6 months (Apr-Sep)	9 months (Apr-Dec)	Full year
Net sales	12,103	12,778	13,352	15,873	24,881	38,233	54,106
Operating profit	341	167	1,035	1,383	509	1,545	2,928
Ordinary profit	436	166	1,024	1,271	602	1,626	2,898
Profit attributable to owners of parent	408	107	793	1,057	516	1,310	2,367