

FURUKAWA BATTERY

# Report 2023







## Furukawa Battery will continue to create new value as a pioneer pursuing a vision for our changing times and society.

**Osamu Kuroda** President & CEO

### A fiscal year marked by ongoing efforts amid challenging circumstances

In the fiscal year ended March 31, 2023, while Furukawa Battery's sales grew by 10.8% from the previous year, operating profit declined by 40.9%. We recognize these results for the first year of Mid-term Management Plan 2025 are disappointing, and they have raised concerns as to whether we can achieve the goals of the Mid-term Management Plan.

In recent years, there has been scant reason for optimism regarding the business environment in which Furukawa Battery operates. COVID-19, rising energy costs spurred by global political instability, and other factors have had significant detrimental impact, chiefly on production activities. We have responded by making continuing improvements in various areas, including reductions in electricity consumption for manufacturing. The effects of shortages in resources, chips, and other aspects have forced redesigns and changes in materials. While these changes are not easy to make as they involve product safety and reliability, we must continue to make steady progress. Despite these efforts, we are being compelled to revise prices of certain products. We must seek to achieve appropriate pricing throughout the supply chain and therefore we believe it important to fully explain these trends to gain the understanding of our customers.

These efforts will take time to bear fruit. To respond to the external environmental conditions quickly and effectively, we plan to implement rapid improvements within the organization based on precise internal target-setting.

### Continuing to provide value in a changing society

As society strives to shift to renewable energy resources, the need to store electricity continues to grow. There is demand for power storage systems on various scales, from

large-scale facilities to small-scale ones, and even those for single-building use. The market continues to grow. In response, we plan to bring to market storage battery technologies we have accumulated over the years while ascertaining their strengths and weaknesses.

We believe putting the bipolar lead-acid batteries now under development to use in society will have a major impact, as safe, compact, recyclable batteries for storing electricity at low cost. In March 2023, we launched feasibility testing of a power storage system linking bipolar lead-acid batteries to solar power. Through this initiative, we plan to promote cocreation with our partners and develop solutions for using renewable energy.

In addition, in the field of lithium-ion batteries, there is a need to realize even higher energy densities. Amid growing expectations for use of drones in fields such as logistics, including home delivery, and infrastructure inspection, the need for more reliable products is growing. Through the development of high-precision battery charge measurement technologies, essential to efficient energy management in drones, and high-output, high-capacity battery packs, which affect drone ranges directly, we continue to explore ways to contribute to expanded use of drones in society. We will continue to take on challenges from an approach of introducing products to meet future market trends and swiftly improving them while reflecting trends in laws and regulations.

In November 2022, we began feasibility testing at the Imaichi Plant to build up knowledge on energy storage system (ESS). As demand for storage batteries for industrial applications is expected to grow overseas, we consider knowledge of ESSs to be an important driver of our business. This feasibility testing will provide a perspective on future market trends and, through taking stock of our internal technologies, we will identify the domains we should tackle aggressively. We will aim to advance preparations toward solutions based on not just our own strengths, but joint efforts with our partners.

## Achieving the targets of the Mid-term Management Plan

We plan to move forward on Mid-term Management Plan 2025 in line with the slogan, “Exciting Challenge 2025 — Tomorrow will not come if you adhere to yesterday’s mindset,” in line with the plan formulated in 2022. I consider the realization of this plan to be my most important responsibility.

The Mid-term Management Plan identifies four basic policies. Among these, improving the revenue earned from our core lead-acid battery business is an important theme. Even electric vehicles (EVs) use lead-acid batteries for applications such as system startup and interior power, although not for motive power. We are promoting efforts to secure an even higher market share of these batteries. At the same time, in some ways it is unclear how long use of lead-acid batteries will continue, and it is important to be aware of this risk. Accordingly, we face a pressing need for initiatives to address our basic policy: to develop new products including next-generation batteries and launch a new solution business. Internal discussions on how to allocate limited resources and in which fields to invest proactively are continuing. We also recognize, as important



future topics, the need to enhance our businesses by linking efforts related to profitability to a sustainability perspective and to increase corporate value by meeting a broad range of customer needs.

In the fiscal year ending March 31, 2024, the second year of the Mid-term Management Plan, a key issue in the Automotive Business will be expanding our share of the repairs market, both in Japan and internationally. I believe we can grow our sales volumes by identifying customer need through more active communication by sales and carrying out efficient production by manufacturing, based on highly precise information.

In the Industrial Business, we will focus on identifying clear ESS targets and concentrating on launching related sales activities. We need to ascertain the locations and scales of market needs and approach them thoroughly. Given the possibility of new market needs that we have yet to identify, it will be essential to improve the precision of sales.

## Reforming the organizational culture is a task that cannot be rushed

I have participated in the management of Furukawa Battery since April 2022. One thing I have noticed is the straightforwardness, receptivity to instruction, and responsiveness of its employees. While this attitude earns the trust of customers, it raises concerns about our capacity to think and work independently. As we have long-term relationships with many key customers, we have focused on meeting customer needs immediately. We have also confidently moved forward based on the following thinking: we can propose state-of-the-art products based on our own thinking and if we provide quality products, sales will follow. But as the business environment undergoes massive changes in the future, we will not be able to succeed simply by advancing development based on our own assumptions. I believe we must remain keenly aware of the need to look for answers from outside and to give concrete form to R&D and product development based on attentively gathering information on the real and potential needs of our customers.

In addition, to me, the company appears to have an inward-looking character. While this includes the aspect of

striving to effectively execute one’s own duties, it may also mean we take less interest in the work of neighboring sections or other employees, which in turn can raise barriers within the organization. Another issue is that we have not had much contact with other companies. This is true even in field sales. Changing this corporate culture will not be easy. Nevertheless, I will continue to remind all of us to transform our internal awareness a little at a time through internal briefings, intranet communiques, and other efforts.

## A company depends on each of its employees

My motto long has been: “Avoid selfishness.” I have seen numerous examples of conflicts arising when people working in a company put their own interests ahead of those of the organization. For this reason, I constantly remind myself to consider the interests of the company, the organization, and others first and my own interests last.

I like to see smiles on the faces of the people around me. This is heartwarming and uplifting. This is why I hope that employees will enjoy their work.

I believe that thinking positively stimulates the organization and has a positive effect on the physical and mental health of each individual. This, by extension, has positive effects on company business performance and growth. As employees build up successful experiences, each in their own ways, they share with each other the joys of work that goes well and the lessons to be gained from failure. We need to value these kinds of daily communication and engagement. While our serious organizational culture may prompt many to hesitate to take decisive action, I think continuing to bring up these subjects will help us develop a more forward-looking mindset as this outlook takes hold among our employees. We must strive to become an organization that generates positive spirals, in which employees tackle even daunting challenges and, even if such efforts fail, they discuss with each other on what they should do the next time.

This idea is expressed in the phrase I communicated inside the organization when I took office as President: *Employees are the source of energy at Furukawa Battery.* Although we interact with a wide range of stakeholders, the employees ultimately make up the company. Furukawa

Battery would be nothing without its employees. I am confident that if each and every one of us demonstrates a little more power and extends a little more effort to work across sectional boundaries, the combined effects will lead to rapid growth.

In transforming the organizational culture, we must consider various systems, including those related to promotions and transfers. We will assuredly need to build systems in which our capable, diverse workforce can thrive while being evaluated as individuals. Another basic policy of the Mid-term Management Plan calls for us to build the capacity for innovation through human resource development for sustainable management. I believe this will play a key role in future growth. The systematic development of a diverse and distinctive group of leaders will also contribute to a management based on diverse perspectives for the future.

## Continuing to pioneer the way to a better future

COVID-19 has curtailed various activities over the past few years. Points of contact with customers were reduced, making it harder in various ways to ascertain their needs. Looking back, it may even be that the pandemic rendered us unable to sense how society perceives Furukawa Battery and what it expects from us.

From this point forward, I believe we must approach our work with an attitude that refuses to give in to COVID-19 or to use it as an excuse. Alongside an energetic approach to communicating externally, we should deepen our joint efforts with various external stakeholders and gather new information and knowledge. These efforts will help not only to improve the profitability of our existing storage battery businesses, but support the development of new products that will serve as pillars of our next-generation businesses.

We can take pride in our track record for delivering high-performance, high-quality products a cut above the competition. While valuing this heritage, we will continue to contribute to society by creating value through distinctive R&D and unique products, never losing sight of our status as pioneers. I encourage readers to look forward to seeing what Furukawa Battery can do as it takes on these challenges.



# Group Overview

\*1 Results for FY ended March 31, 2023  
 \*2 Total emissions for Furukawa Battery Co., Ltd., calculated using CO<sub>2</sub> emissions coefficients from power companies  
 \*3 As of March 31, 2023

Founded/Incorporated	Net Sales* <sup>1</sup>	Operating Profit* <sup>1</sup>	ROIC	CO <sub>2</sub> emissions* <sup>2</sup>	Consolidated employees* <sup>3</sup>
1914/1950	69.5 billion yen	1.9 billion yen	3.5%	38,918 t-CO <sub>2</sub>	2,391

## Furukawa Battery supports society

Furukawa Battery has set forth the following vision: "We support society and create the future with our power of storage, motive and sustainability." Our storage batteries and power supply units contribute to realizing a safe, comfortable, enriched society through use in various fields including electric power, telecommunications, railway transport, disaster prevention, renewable energy, and aerospace.

**Motorcycle lead-acid batteries**

**Automobiles and Motorcycles**  
 Contributing to safety and environmental performance

- Automotive lead-acid batteries
- Motorcycle lead-acid batteries

**Automotive lead-acid batteries**

**Lithium-ion batteries for space development**

**Artificial Satellites**  
 Contributing to scientific progress through quality resilient to extreme conditions

- Lithium-ion batteries for space development

**Lithium-ion batteries for robots**

**Drones, Robots and Industrial Equipment**  
 Contributing to longer safe ranges and stable operation

- Lithium-ion batteries for drones
- Lithium-ion batteries for robots

**Lithium-ion batteries for drones**

**Railway**  
 Contributing to eco-friendly transportation

- Alkaline storage batteries for railway equipment

**Alkaline storage batteries for railway equipment**

**Commercial buildings, etc.**  
 Contributing to emergency safety and security readiness

- UPS and DC power supply units
- For standby use

**Nickel-cadmium batteries**

**DC power supply units**

**Backup lead-acid batteries**

**Renewable Energy**  
 Contributing to more resilient environments and communities through electricity storage

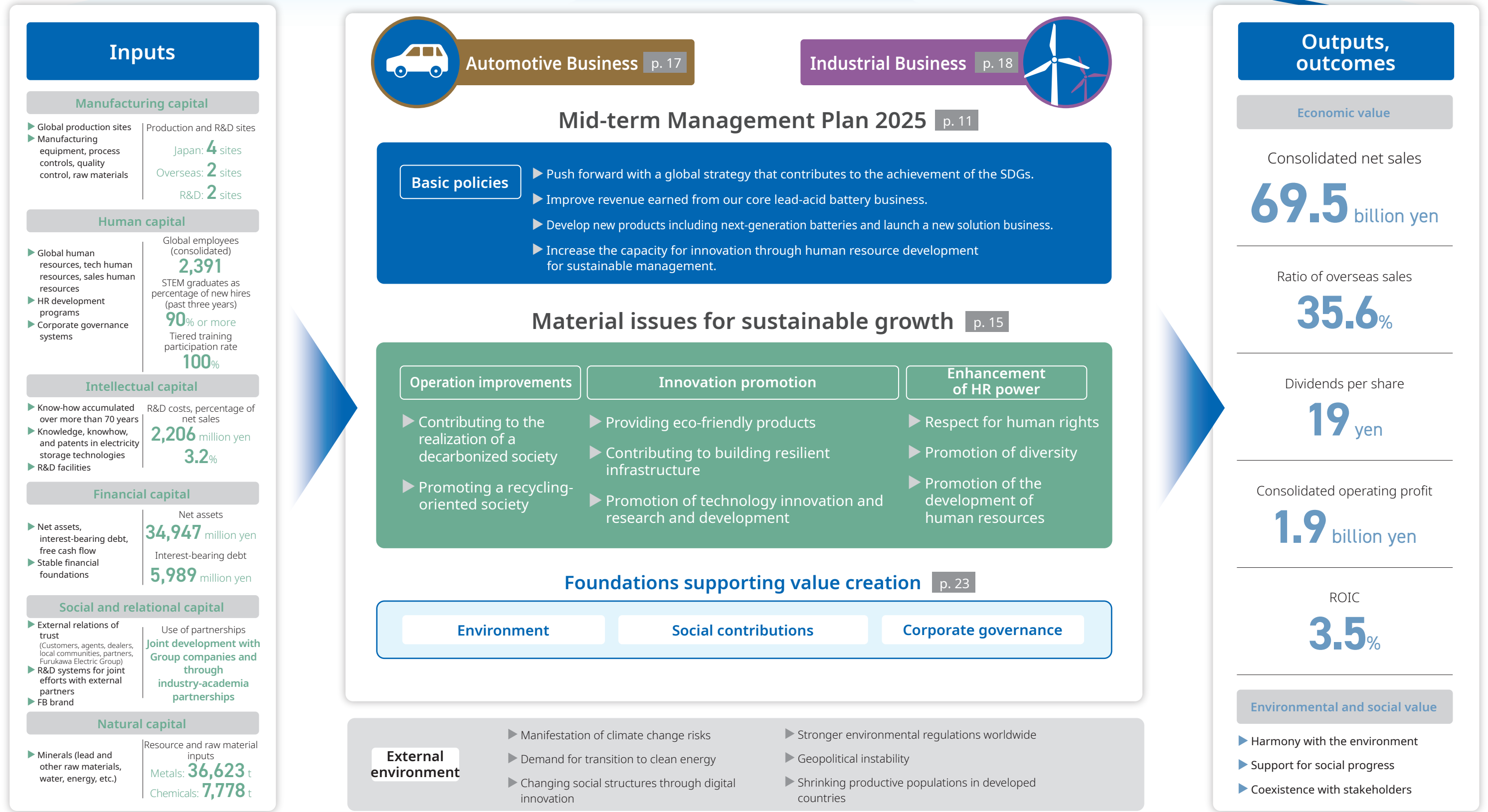
- Cycle-use lead-acid batteries

**Energy storage system (ESS)**

**Cycle-use lead-acid batteries**



We support society and create the future with our power of storage, motive and sustainability



# Mid-term Management Plan 2025

To achieve sustainable growth over the medium to long term by delivering solutions to increasingly complex and diverse social challenges, Furukawa Battery has formulated Mid-term Management Plan 2025 and established a slogan to express our strong determination to all our stakeholders. This slogan reflects our drive to remain far-sighted, keep our spirits high, and work together as a team to overcome the barriers to a brighter future. We will realize a sustainable society and increase our corporate value by remaining acutely sensitive to changes in the social and economic environment and striving to deliver solutions through our businesses.

## Vision

**We support society and create the future with our power of storage, motive and sustainability.**

## Basic Philosophy

To meet the expectations of our various stakeholders, including shareholders, employees, customers and local communities, at Furukawa Battery we are committed to continuous innovation supported by a core technological strength cultivated over many years. As we embrace our slogan of “always being the challenger” and corporate motto of fairness and strength, we contribute to the realization of a truly affluent and sustainable society as we strive for sustainable growth and enhanced corporate value over the medium and long terms.

## Code of Conduct

### We are the challenger.

Maintain high ethical standards, and value honesty and integrity above all.

Continually improve, innovate, and lead, in every area of endeavor.

Take a hands-on approach that addresses the reality of every situation—in the office, at the factory, and on site.

Be proactive—take the initiative and work with others, persevering until a solution is found.

Maintain open channels of communication between departments and divisions so that we can share ideas and help each other grow.

## Mid-Term Management Plan 2025 Slogan

**Exciting Challenge 2025**

**Tomorrow will not come if you adhere to yesterday's mindset.**







# Automotive Business

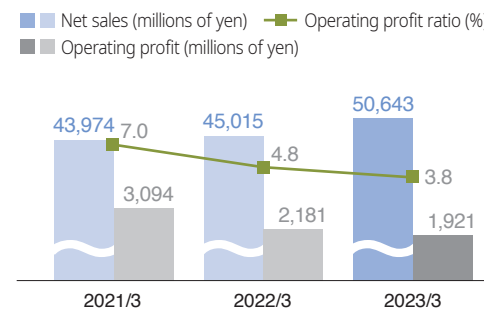
## Building strong business foundations by adapting to rapidly changing market conditions

**Hitoshi Taguchi**  
 Managing Director,  
 Executive Corporate  
 Officer, and Head of  
 the Automotive  
 Battery Group



### Review of FY2023

Sales volumes in the Automotive Business trended toward recovery last year but fell short of pre-COVID levels. Sales grew while profits declined due to soaring raw material costs and energy costs. By region, sales in Japan increased while profit declined; ongoing price revisions could not offset a significant impact of yen depreciation. Overseas, businesses in Thailand and Indonesia recorded growth in both sales and profits thanks to cost cutting and progress with price revisions.



#### Strengths and weaknesses

##### Strengths

- Recyclability of lead-acid batteries helps realize a sustainable society.
- Quality and technological capabilities accumulated by supplying batteries to Japanese automakers

##### Weaknesses

- Need to build global sales networks and brand power

#### External environment (opportunities and risks)

##### Opportunities

- Growing demand for lead-acid batteries due to global expansion of motorization
- Growth in lead-acid auxiliary batteries due to growing sales of eco-friendly vehicles

##### Risks

- Concerns about soaring raw material costs, energy costs, and changing sales networks due to geopolitical risks
- Replacement of lead-acid batteries with next-generation batteries due to environmental regulations in various countries

### Progress with business strategies

To improve the profitability of our core Automotive Business, we made comprehensive efforts to disseminate profit awareness throughout the business in FY2023. Even so, profitability remained an issue as profits decreased from the previous year. With the resolution of the chip shortage, we expect sales for new vehicle use to recover in FY2024. Nevertheless, business conditions are projected to be even more challenging this year due to the rising cost of raw materials, energy, and logistics. We will strive to revise prices and cut costs by improving productivity and in other ways to address this priority issue of improving profitability.

Moving forward toward the fiscal year ending March 31, 2026, with the share of the market corresponding to EVs expected to grow, we will make progress on growing sales of auxiliary batteries for use in EVs. For global sales networks, we will reconsider business development plans with an eye on geopolitical risks, including suspending exports to Russia, while growing sales centered on Thailand, Indonesia, and other Southeast Asian markets. We will seek both to grow our market presence and to increase profitability.



# Industrial Business

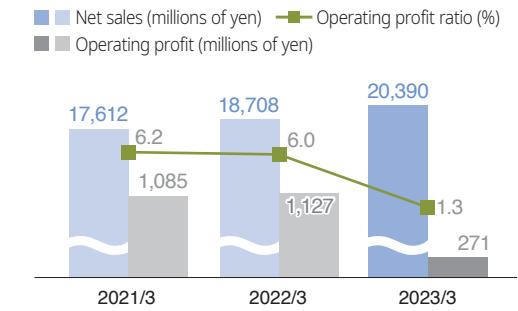
## Contributing to the environment and society by fusing the supply of products with the energy solutions business

**Toru Chiba**  
 Managing Director,  
 Executive Corporate  
 Officer, and Head of  
 the Industrial  
 Equipment Group



### Review of FY2023

Sales grew in the Industrial Business thanks to strong sales to data centers and the addition of the storage battery business. At the same time, profits fell due to a failure to fully reflect in selling prices the rising cost of raw materials, energy, and parts, alongside a worsening product mix.



#### Strengths and weaknesses

##### Strengths

- Comprehensive services including power supplies and installation
- Trusted quality and wide-ranging product lineup
- Stable portfolio based on extensive sales networks

##### Weaknesses

- Global expansion
- Price competitiveness vs. overseas manufacturers in Asia, China, and elsewhere

#### External environment (opportunities and risks)

##### Opportunities

- Growth of markets related to renewable energy
- Growth of disaster prevention and business continuity planning (BCP) measures amid efforts to achieve increased disaster resilience
- Growing use of Internet of things (IoT) and digital transformation (DX) technologies

##### Risks

- Replacement of lead-acid batteries with next-generation batteries
- Soaring raw material costs and parts shortages due to geopolitical risks
- Intensifying price competition due to entry of players from other industries and overseas manufacturers

### Progress with business strategies

Against a backdrop of efforts to achieve carbon neutrality, storage batteries are growing increasingly important in the renewable energy market. Business opportunities are growing, particularly for power grids, as the adoption of energy storage system (ESS) advances. In the fiscal year ended March 31, 2023, we began ESS feasibility testing at the Imaichi Plant and strove to grow the ESS business domain. Recent conditions for profitability, however, remain challenging. In the fiscal year ending March 31, 2024, we will strive to improve prices and the product mix while giving top priority to improving profits independent of market

conditions.

As the fiscal year ending March 31, 2026 approaches, we will seek to establish sustainable business foundations by making existing businesses more profitable and advancing into various new domains, including the supply of energy solutions. In addition, recognizing global business development as a growth driver in existing businesses, we will strengthen marketing from existing overseas sites and promote activities to contribute to growth over the medium to long term.

# Overseas Business



## Basic Approach

Growth in overseas markets, including new markets, is key to Furukawa Battery's medium- to long-term progress. We are striving to deliver products that will contribute solutions to society's challenges and establish sustainable business foundations by emphasizing the basic policy of Mid-term Management Plan 2025: *Push forward with a global strategy that contributes to the achievement of the SDGs.*

In new markets, we will prioritize the maintenance and enhancement of the competitive strengths of existing businesses in Thailand and Indonesia, aiming to grow alongside the progress in the markets we currently serve and neighboring markets. Given expectations for expansion of motorization and growth of renewable energy markets chiefly in emerging markets, we are promoting sales growth for automotive lead-acid batteries and lead-acid batteries for renewable energy use.

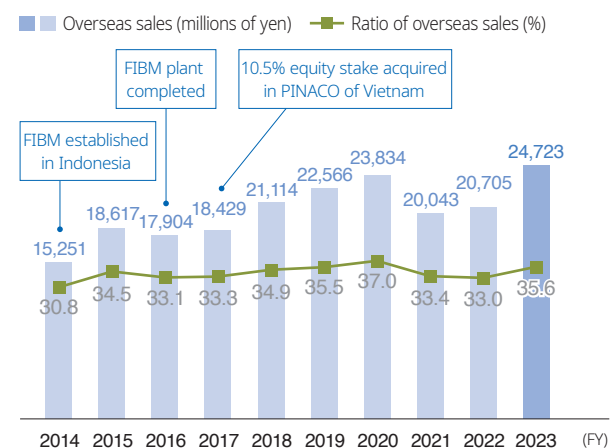
## Overseas business development strategy

With sales and production sites in Thailand and Indonesia, Furukawa Battery is growing its global business through alliances with partners in individual countries.

In FY2023, having established a section to promote global strategies in the Automotive Business, we have made progress in growing overseas market share through global market development strategies led by Japan. While we suspended exports to Russia due to the Ukrainian conflict, overseas sales reached a record high due to efforts to grow market share centered on Southeast Asia.

In the Automotive Business, as part of efforts to achieve medium- to long-term growth, we will proceed with activities to expand our presence in Southeast Asian markets. In new market development, we will strive to grow overseas markets by proceeding with marketing in stages

Trends in overseas sales



starting from exports and technological alliances.

In the Industrial Business, we are moving forward with overseas business development through efforts such as exporting storage batteries and power supply systems from Japan and making joint efforts with overseas partners. We also focus on strengthening partnerships with dealers and customers overseas, contributing to solutions to challenges in the markets where our products are used by offering value that includes maintenance advantages, long lifespans, and safety. In the future, in addition to building close ties with existing partners we will also develop structures for joint efforts with new partners in fields where growth is expected, to grow our Overseas Business and to contribute to medium- to long-term growth.

## SFC in Thailand

### Review of FY2023

While economic activity in the fiscal year ended March 31, 2023 showed signs of recovery since the onset COVID-19, various factors created challenging business conditions. These included the low value of the Thai baht on international currency markets and rising energy costs. Nevertheless, domestic and international sales activities achieved favorable results for automotive new vehicle and motorcycle applications. Efforts targeting profit, including cutting costs and reflecting higher raw material costs and energy costs in pricing, helped achieve growth in both sales and profits.

### Progress with growth strategies looking ahead to FY2026

SFC is striving to establish resilient business foundations looking ahead to 2025. In FY2023, SFC achieved growth in both sales and profits thanks to structural enhancements in its earnings capabilities despite the challenging profitability environment created by rising energy costs.

Reasons for concern in FY2024 include the reduced purchasing power of end users due to rising electricity rates and a potential slowdown in the repairs market. At the same

#### External environment (opportunities and risks)

##### Opportunities

- Expanding local production for local consumption through supply-chain restructuring
- Industrial reorganization in Thailand

##### Risks

- Replacement of lead-acid batteries with next-generation batteries
- Intensifying price competition in export markets due to the rise of Southeast Asian states

## FIBM in Indonesia

### Review of FY2023

While economic activities in the fiscal year ended March 31, 2023 showed signs of recovery from COVID-19, business conditions remained challenging due to soaring raw material costs. Despite such conditions, sales expansion activities succeeded in achieving favorable results in sales for automotive new vehicle applications and exports. In terms of profit, productivity and quality improvements and price revision efforts resulted in growth in both sales and profit.

### Progress with growth strategies looking ahead to FY2026

As 2025 approaches, FIBM is striving to build sales structures suited to emerging markets. In FY2023, it was able to realize growth in both sales and profits thanks to enhancement of production and sales structures through joint efforts with Japan and Thailand. This represents a step toward the targets of Mid-term Management Plan 2025. At the same time, FIBM faces some issues related to its market position, and we believe that it will need further productivity

#### External environment (opportunities and risks)

##### Opportunities

- The largest consumer market in the ASEAN region
- Expanding local production for local consumption through supply-chain restructuring

##### Risks

- Replacement of lead-acid batteries with next-generation batteries
- Intensifying price competition with other manufacturers, including those from South Korea and India, in Southeast Asian markets

improvements and market-share growth.

In FY2024, while continuing efforts to revise selling prices to reflect rising raw material costs, it will promote sales activities in the repairs market, in light of an anticipated post-COVID recovery in demand.

FIBM will emphasize enhancement of its marketing power with the aims of growing market share and increasing profitability in preparation for future growth.





# R&D and Technology Development

## Basic approach

Furukawa Battery identifies promotion of R&D and technology development, which support creation of value, as a material issue (materiality) of management. We believe that research and development serve as the foundations of providing society with products and services that will enrich people's lives and help to realize a safe and secure society. We aim to generate practical results through product and business development based on proprietary technologies that can contribute to solutions to society's challenges,

conducted with a sense of urgency. To do so, in addition to enhancing collaborative development at Furukawa Battery and within the Furukawa Electric Group, we are focusing on efforts that extend above and beyond existing business frameworks, such as joint research with universities and companies from other industries. We are committed to maximizing the value we deliver to society through means such as proposing new applications based on thinking outside the box.

## R&D structure

Furukawa Battery's Iwaki Plant serves as our main R&D facility. Our R&D and technology sections work together to develop fundamental technologies and products in the fields of automotive and industrial batteries and equipment, the linchpins that support our businesses; new products to serve as the cores of our future businesses; and R&D on next-generation batteries.

To promote R&D to meet customer needs, we are sharing and discussing various initiatives in companywide R&D presentation meetings.

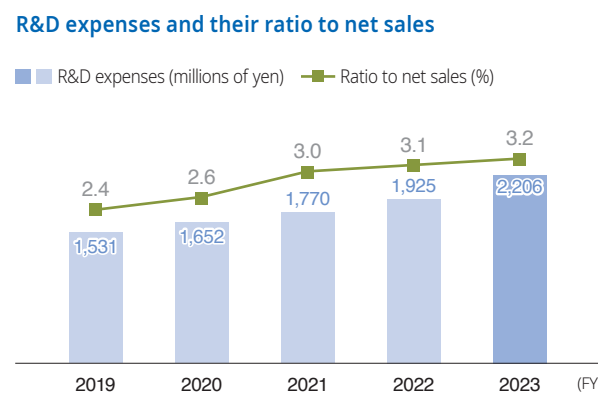
We also undertake efforts to protect intellectual property rights and avoid infringements of the rights of others at each development phase.



## Investment in R&D

Furukawa Battery continually invests in R&D to achieve continuing improvements and innovations in existing technologies and to develop next-generation batteries. In this way, it seeks to deliver the value demanded by our customers and by society. In line with business growth since FY2019, we have accelerated investment in R&D in preparation for future growth, and invested a record amount in R&D in FY2023.

From this point forward, we will strive to carry out R&D that will contribute to both business growth and solutions to society's challenges, through development of bipolar lead-acid batteries and next-generation batteries while also leveraging our partnerships.



## R&D and technology development to take on social challenges

Today's society faces numerous challenges, including the growing prevalence of natural disasters and fossil fuel depletion. Harnessing its electricity storage technologies accumulated to date as a core tool, Furukawa Battery will

continue to take on the challenges of new technologies, in order to increase the added value that it delivers to society through its businesses and to contribute to solutions to environmental and social challenges.

### Case studies on R&D to devise solutions to social challenges

#### Energy storage system (ESS)

Growing demand to expand use of renewable energy to help realize a zero-carbon society has generated a pressing need for the efficient storage and supply of electricity generated from renewables.

Our Mid-term Management Plan 2025 identifies taking on the challenges of the decarbonization solutions business as a priority measure. In FY2023, we began the trial operation of a test system combined with solar power generation at the Imaichi Plant. We will seek to commercialize this technology in FY2025 after using this test system to learn about system operation to balance CO<sub>2</sub> emissions reductions through in-house power consumption and business continuity planning (BCP).



Exterior view of the ESS test system

#### Bipolar lead-acid batteries

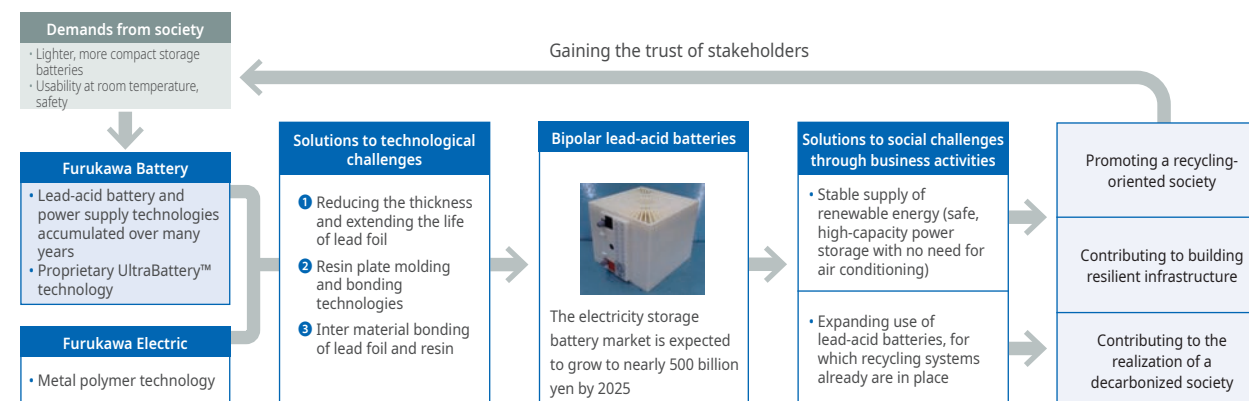
Leveraging our years of experience with storage-battery technologies and Furukawa Electric's metal polymer technologies, we are pursuing the joint development of next-generation bipolar lead-acid batteries with Furukawa Electric Co., Ltd.

Bipolar lead-acid batteries are batteries for electricity that offer advantages in the aspects of safety, size, maintenance, cost, and recyclability. They can contribute to the stable supply of renewable electricity.

In FY2023, we shipped our first sample to a local government. In FY2024 we began performance testing in joint efforts with a partner firm.

Aiming for net sales of 3 billion yen in FY2026, we will strive toward swift product development centered on the electricity storage field in renewable energy markets, which are expected to grow in the future. Through this product, we will contribute to realizing a carbon-zero society.

### Solutions to social challenges based on bipolar lead-acid batteries



Source: Excerpted from ESG briefing materials of Furukawa Electric Co., Ltd., with some edits





**Tatsuro Sato**  
Director (Part-time Outside  
Director)

**Naoya Eguchi**  
Director (Part-time Outside  
Director)

**Somuku Iimura**  
Director (Part-time Outside  
Director)

Three outside directors talked about the current state of Furukawa Battery's governance and reforms needed to achieve future business growth.

## Furukawa Battery from an outsider's perspective

**Eguchi:** My career at an electronics manufacturer included roles in corporate management and overseeing R&D. So at Furukawa Battery I have offered my opinions on prospects for the industry and the company based on an awareness of megatrends.

**Iimura:** My specialty is the law, but I also look at Furukawa Battery in light of my experience in managing an office with about 2,000 staff members. I believe it's natural that responses to the Corporate Governance Code and compliance will vary from company to company. I try to offer candid, forthright opinions befitting my position as an outside director.

**Sato:** I've commented on what the company should do and presented ideas based on my experience in fields such as marketing, internal and external communications, and organizational cultural reforms. I offer explicit opinions based on an awareness of needs such as for transformation from existing businesses to new ones.

**Eguchi:** I believe Furukawa Battery has strengths based on

its solid technologies developed to date. At the same time, it seems to trend toward a conservative and self-reliant approach. It's important these days to adopt an approach of growing by joining hands with various external parties.

**Iimura:** Its employees seem to be very honest and to take the approach of trying to do the best they can, demonstrating pride in their ability to develop and produce batteries. I'm impressed by the awareness I've seen of attempting to change what needs to be changed, particularly among younger employees.

**Sato:** This year, after COVID-19, I got to tour the Iwaki Plant for the first time. Seeing the plant's workers in person was really helpful. I got to see things like their vitality and technical strengths and the condition of equipment that cannot be understood from documents alone.

## To enable more in-depth discussions with an eye to the future

**Eguchi:** The discussions at the board of directors appear to be free and open. Participants provide appropriate answers

to our questions. But time is limited. On certain topics, I think taking the time to engage in more in-depth discussions would prove helpful.

**Sato:** I try to communicate my ideas and other contributions in the process of discussions. I never get the impression my input is unwelcome. But, perhaps in executive committee meetings and in similar settings, I think discussions may tend to focus on individual agenda items. Discussions of things like the company's strengths and weaknesses and the medium- and long-term vision still seem inadequate.

**Iimura:** It's true we may need different approaches to discussions depending on themes. As outside directors, we can offer opinions on major themes, such as the future vision, based on our wide-ranging experience. Ideally, decisions would reflect this input. Some companies have set up venues for discussions outside of the board. I think Furukawa Battery might want to consider its own way of adopting such an approach.

**Sato:** Another issue I've noticed is insufficient comparisons to the industry and competitors. Of course it's important to hang on one's own technologies, but there's the risk that failure to use benchmarks could result in the company being left behind.

**Eguchi:** In not a few cases, I think people make decisions based on drawing a line from their own successful experiences. Perhaps because they're so busy from day to day, they lack the time to observe trends at other companies or in the world at large, even as the industry is facing dramatic changes.

**Iimura:** I appreciate the way the company is working very hard at present to increase profits. But in the future, it will need to grow its markets, grow its market share, or enter new areas. For this reason, too, benchmarking is important.

## Aiming to be a company where every individual can thrive and take on challenges

**Iimura:** I think that one important management task is to consider the interests of others and build a bright future for the next generation. This ensures the sustainability of the organization. Management should take an active role in promoting succession programs essential for company survival. It's also vital to be able to secure capable human resources and provide sufficient training opportunities. Thinking about future overseas business development in particular, it's likely to be increasingly important not just to provide international experience to domestic human

resources, but to harness the outstanding human resources available at overseas sites.

**Eguchi:** As attention focuses on the battery industry today, the industry faces challenging conditions. Competition for human resources will be unavoidable. I think it will be essential to clarify the company's course of action and develop strategies on what kinds of human resources to secure and develop. To date, Furukawa Battery has maintained a strong awareness of the need to value people. Dramatic changes in HR systems could create imbalances. But as people ponder the world and the future, they're likely to develop an appropriate sense of urgency. I think this can serve as a major source of energy to move the company forward.

**Sato:** The slogan of the Mid-term Management Plan 2025 states: *Tomorrow will not come if you adhere to yesterday's mindset.* This slogan expresses the attitude of effecting change with a sense of urgency. At the same time, it's inward-looking. Isn't there a need to think about our purpose: what value we can deliver to society and what storage batteries can contribute to society? We might be able to generate more vitality if the company's purpose overlaps with those of individual employees.

**Iimura:** The Mid-term Management Plan 2025 is well organized and presented. But in certain aspects I have some hesitation to say that I'm totally convinced and still wonder if it is truly achievable. It seems to lack clear statements of practical and reasonable goals and means. I think it needs to be updated to communicate specifically and urgently what should be done in the remaining period of the plan.

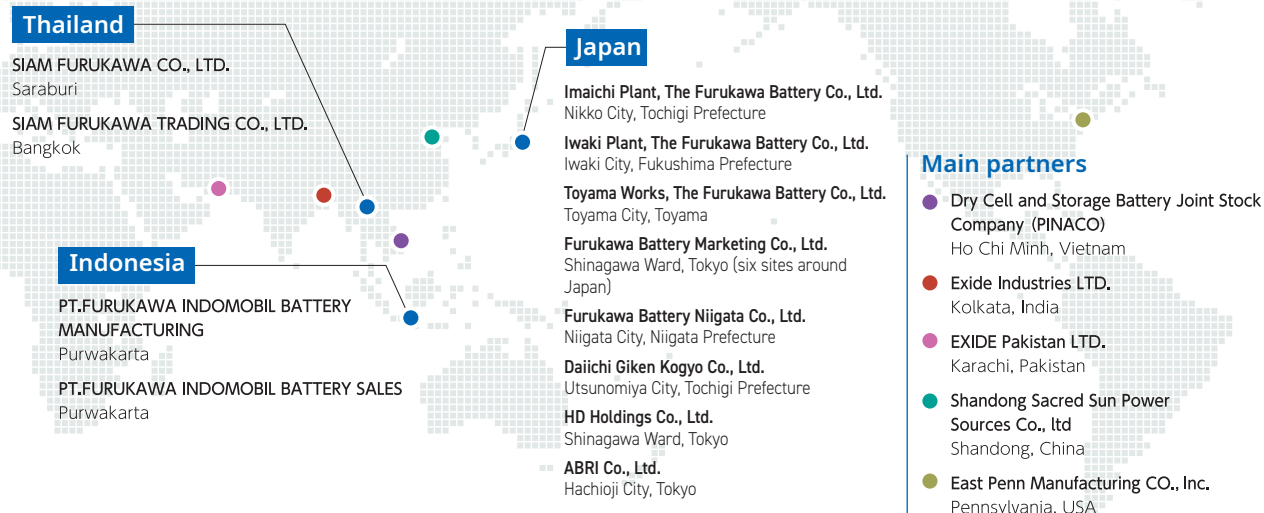
**Sato:** On the subject of communication, I think there's a need to enhance our communication of the possibilities and attractions of storage batteries. Communication from the perspective of the world in which we live, describing the kinds of solutions that rapid progress in storage batteries might make possible, may both improve the company's name recognition and have a positive impact on new business development and hiring.

**Eguchi:** Expectations are high that Furukawa Battery will play a critical role in the international community's efforts to achieve carbon neutrality. For this reason as well, I feel the company should promote a clear shared understanding of the company vision and continually strive—while leveraging the potential it has today—to take on the challenge of manufacturing products that drive progress toward the vision.



## Corporate Information

### Main Group Companies and Production Sites



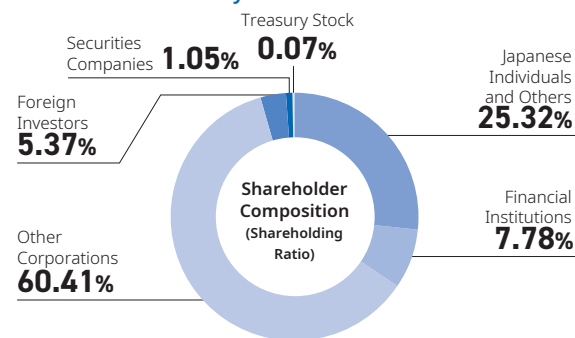
### Company Profile (as of March 31, 2023)

<b>Corporate Name:</b>	The Furukawa Battery Co., Ltd.
<b>Established:</b>	September 1, 1950
<b>Capital:</b>	¥1,640 million
<b>Number of Employees:</b>	Consolidated: 2,391 Non-consolidated: 1,068
<b>Fiscal Year:</b>	From April 1 to March 31
<b>Head Office:</b>	2-4-1, Hoshikawa, Hodogaya-ku, Yokohama city, Kanagawa, 240-0006, Japan Telephone: +81-45-336-5034
<b>Stock Exchange Listing:</b>	Tokyo Stock Exchange Prime Market
<b>Securities Identification Code:</b>	6937
<b>Transfer Agent for Common Stock:</b>	Mizuho Trust & Banking Co., Ltd. 1-3-3 Marunouchi, Chiyoda-ku, Tokyo

### Stock Information (as of March 31, 2023)

<b>Total Number of Authorized Shares:</b>	80,000,000
<b>Total Number of Shares Issued:</b>	32,800,000
<b>Number of Shareholders:</b>	9,452

#### Share Distribution by Shareholder



### Major Shareholders (as of March 31, 2023)

Name of Shareholders	Number of Shares Held (Hundreds of shares)	Shareholding Ratio (%)
Furukawa Electric Co., Ltd.	187,812	57.30
The Master Trust Bank of Japan, Ltd. (Account in Trust)	15,707	4.79
Ryuhei Tanaka	10,000	3.05
Furukawa Battery Trading-Partner Shareholding Association	5,307	1.62
MSIP CLIENT SECURITIES	3,777	1.15
Asahi Mutual Life Insurance Company	3,520	1.07
Custody Bank of Japan, Ltd. (Account in Trust)	2,990	0.91
Kyojun Yonehara	2,080	0.63
Ikuo Hayashida	2,020	0.62
GOLDMAN SACHS INTERNATIONAL	2,007	0.61

Note: Shareholding ratio is calculated excluding treasury stock (22,208 shares).

The details of this report are also available from the [Furukawa Battery website](https://www.furukawadenchi.co.jp/).

- Website: <https://www.furukawadenchi.co.jp/>
- Investor Relations: <https://corp.furukawadenchi.co.jp/ja/ir.html>
- Sustainability: <https://corp.furukawadenchi.co.jp/ja/csr.html>

**Disclaimer**  
Mentions of forward-looking information including future plans, forecasts and strategies of Furukawa Battery and the Furukawa Battery Group are based on certain assumptions deemed reasonable by Furukawa Battery in light of currently available information, and results including actual business performance may vary significantly from expectations. These forward-looking statements incorporate various risks and uncertainties, including but not limited to the key aspects described below.

- Impact due to exchange rate fluctuations
- Changes to pricing of the raw materials used in major products
- Overseas political and social risks
- Deteriorating business performance, etc. on the part of business partners
- Impact from large-scale disasters including earthquakes, typhoons, floods and other natural disasters, and infectious diseases

## Our History

<b>1914</b>	Furukawa Electric Co., Ltd. establishes battery factory in Amagasaki City, Hyogo Prefecture	
<b>1950</b>	Spun off from Furukawa Electric Co., Ltd. Founded as The Furukawa Battery Co., Ltd.	
<b>1952</b>	Obtains permission to display the Japan Industrial Standards mark for automotive storage batteries	
<b>1955</b>	Commercializes storage batteries for aircraft	
<b>1960</b>	Establishes a capital alliance with Honda Denki Co., Ltd. Begins sales of pocket-type alkaline storage batteries	
<b>1970</b>	Constructs automotive lead-acid battery plant in Imaichi City (now Nikko City), Tochigi Prefecture	
<b>1978</b>	Constructs automotive lead-acid battery plant in Iwaki City, Fukushima Prefecture	
<b>1992</b>	Establishes Siam Furukawa Co., Ltd. (SFC) through a merger with Thailand based Siam Cement	
<b>1995</b>	Obtains ISO 9001 certification	
<b>1999</b>	Obtains ISO 14001 certification	
<b>2003</b>	Successfully develops the world's first lithium-ion battery for use in space, which is installed in the Hayabusa asteroid exploration craft	 <small>Illustration: Akihiro Ikeshita</small>
<b>2006</b>	Develops UltraBattery, representing a significantly improved performance in lead-acid battery	
<b>2012</b>	Releases ECHNO HV and IS lead-acid batteries for use in hybrid and idling stop	
<b>2013</b>	Merges with Indonesia's Indomobil Group and established PT. Furukawa Indomobil Battery Manufacturing (FIBM) and a sales company	
	Augments equipment at automotive lead-acid battery plant in Iwaki City, Fukushima Prefecture	
<b>2014</b>	Develop MgBOX magnesium-air battery for emergency use	
	Lithium-ion batteries equipped in the Hayabusa 2 asteroid probe	
<b>2016</b>	Acquires 10.5% of issued shares of Vietnam-based storage battery manufacturer Dry Cell and Storage Battery Joint Stock Company	
<b>2017</b>	Establishes the next-generation lithium-ion battery development company ABRI Co., Ltd. in partnership with Tokyo Metropolitan University	
<b>2018</b>	Awarded Excellence Prize at "New Tohoku" Restoration Business Contest 2018	
<b>2019</b>	Hayabusa 2 probe equipped with lithium-ion batteries manufactured by Furukawa Battery successfully touches down on the Ryugu asteroid	 <small>Illustration: Akihiro Ikeshita</small>
<b>2020</b>	Develops a bipolar lead-acid battery that satisfies performance, safety and cost-effectiveness requirements	
<b>2021</b>	Takes over Maxell, Ltd.'s laminated lithium-ion battery business	
<b>2022</b>	Absorbed FB Package Co., Ltd.	



# Key Financial Data

Key consolidated financial indicators (fiscal year ended March 31, 2013 through fiscal year ended March 31, 2023)

(Unit: millions of yen)

Fiscal year end	2013/03	2014/03	2015/03	2016/03	2017/03	2018/03	2019/03	2020/03	2021/03	2022/03	2023/03
<b>Profit</b>											
Net Sales	44,380	49,556	53,903	54,106	55,320	60,536	63,600	64,486	59,958	62,785	69,538
Operating Profit	2,731	2,673	2,441	2,928	3,336	2,980	2,801	3,293	4,397	3,212	1,900
Ordinary Profit	2,870	2,882	2,702	2,898	2,892	2,810	2,698	3,237	4,480	3,394	2,193
Profit Attributable to Owners of Parent	1,847	1,990	1,756	2,367	2,373	2,136	2,267	2,238	3,614	3,837	797

<b>Capital and Assets</b>											
Net Assets	12,820	15,034	18,620	19,552	21,891	25,156	25,758	27,637	31,388	33,826	34,947
Net Assets per Share (yen)	377.03	444.08	521.28	560.81	628.70	710.71	756.91	808.59	918.59	992.95	1,028.38
Total Assets	35,057	41,597	50,879	50,409	55,023	54,994	54,266	54,035	57,686	60,681	63,278
Equity Ratio	35.3%	35.0%	33.6%	36.5%	37.5%	42.4%	45.7%	49.1%	52.2%	53.6%	53.3%

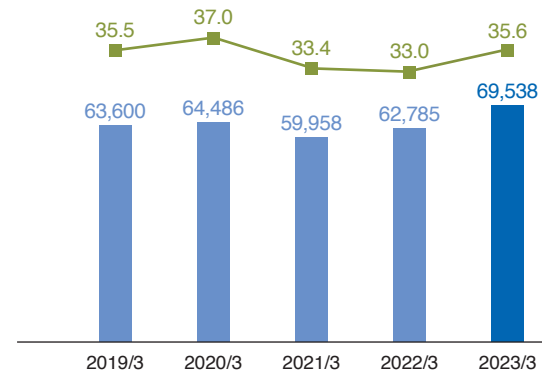
<b>Investment</b>											
Capital Expenditures	1,896	5,533	8,805	3,661	2,660	2,375	2,054	3,022	2,059	2,375	3,414
Depreciation	1,705	1,620	1,789	2,015	2,363	2,543	2,587	2,716	2,736	2,747	2,884
Research and Development Expenses	1,518	1,504	1,401	1,417	1,463	1,507	1,531	1,652	1,770	1,925	2,206

<b>Financial Indicators</b>											
Return on Assets (ROA)	7.8%	6.4%	4.8%	5.8%	6.1%	5.4%	5.2%	6.1%	7.6%	5.3%	3.0%
Return on Equity (ROE)	16.4%	14.8%	11.1%	13.4%	12.2%	9.7%	9.4%	8.7%	12.8%	12.3%	2.4%

Net sales / ratio of overseas sales

**69,538 million yen / 35.6%**

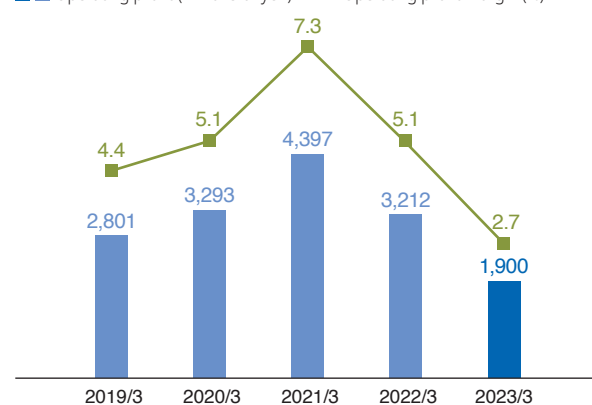
■ Net sales (millions of yen) ■ Ratio of overseas sales (%)



Operating profit / operating profit margin

**1,900 million yen / 2.7%**

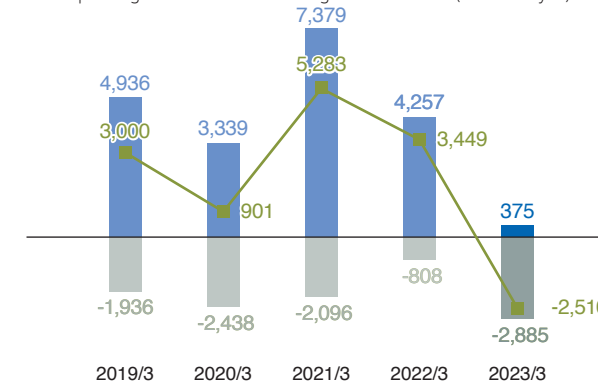
■ Operating profit (millions of yen) ■ Operating profit margin (%)



Free cash flow

**-2,510 million yen**

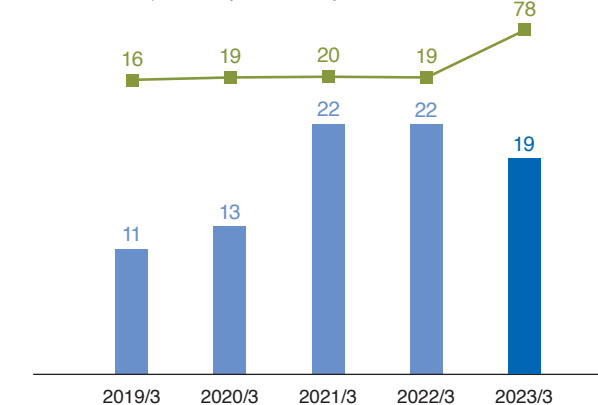
■ Cash flow from operating activities ■ Cash flow from investing activities ■ Free cash flow (millions of yen)



Dividends per share / payout ratio

**19 yen / 78%**

■ Dividends per share (yen) ■ Payout ratio (%)





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