FURUKAWA BATTERY

Report 2021

FURUKAWA BATTERY

Contents

Editorial Policy

At Furukawa Battery, we promote business activities with an aim to support society and create the future with our power of storage, motive, and sustainability. This integrated report describes our management strategies, operating results, and other financial information combined with non-financial information including the environment surrounding the company and our engagement with society. The purpose of this report is to provide our stakeholders with a more in-depth understanding of Furukawa Battery.

Reporting Period

Fiscal year ended March 31, 2021
(April 1, 2020 to March 31, 2021)
* Includes some information from before and after this period.

Scope of This Report

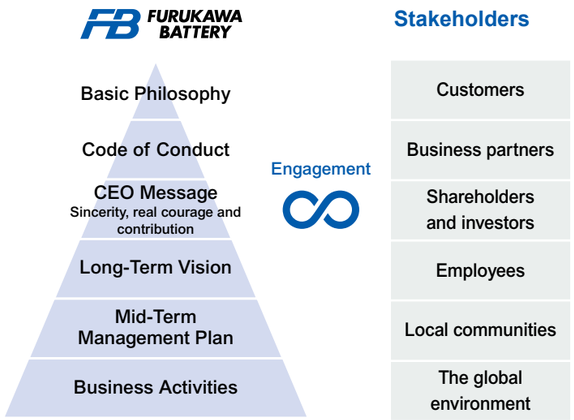
Furukawa Battery Co., Ltd. and its consolidated subsidiaries
* The scope is described separately when it is limited.

Corporate Philosophy

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.

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



WEB **Corporate Philosophy**
https://corp.furukawadenchi.co.jp/ja/company/philosophy.html

At a Glance

We began operations in 1914 and were spun off as an independent company in 1950. Since our beginnings, Furukawa Battery has engaged in the manufacturing of storage batteries and power supply units while continuing to evolve to respond to the needs and issues of the times. We work constantly to innovate, achieve sustainable growth, and contribute to society by fully leveraging our technological and research and development capabilities cultivated over many years and the trust we have built through the years.

Commencement of Operations/ Foundation

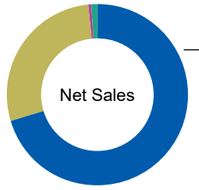
1914/1950

Technological capabilities and relationships of trust with customers cultivated over many years

Number of Employees[*1]

2,369

Net Sales[*2]



- Automotive Business 70.1%
- Industrial Business 28.1%
- Real Estate Business 0.6%
- Other 1.2%

59.9 billion yen

Ratio of Overseas Sales[*2]

33.4%

Operating Profit[*2]

4.3 billion yen

Record high

Equity Ratio[*1]

52.2%

Good financial foundation

Dividends[*2]

Increased for 7 consecutive fiscal years

Stable payment of dividends over the medium to long term

Recycling Rate (%)[*3,4]

97.0%

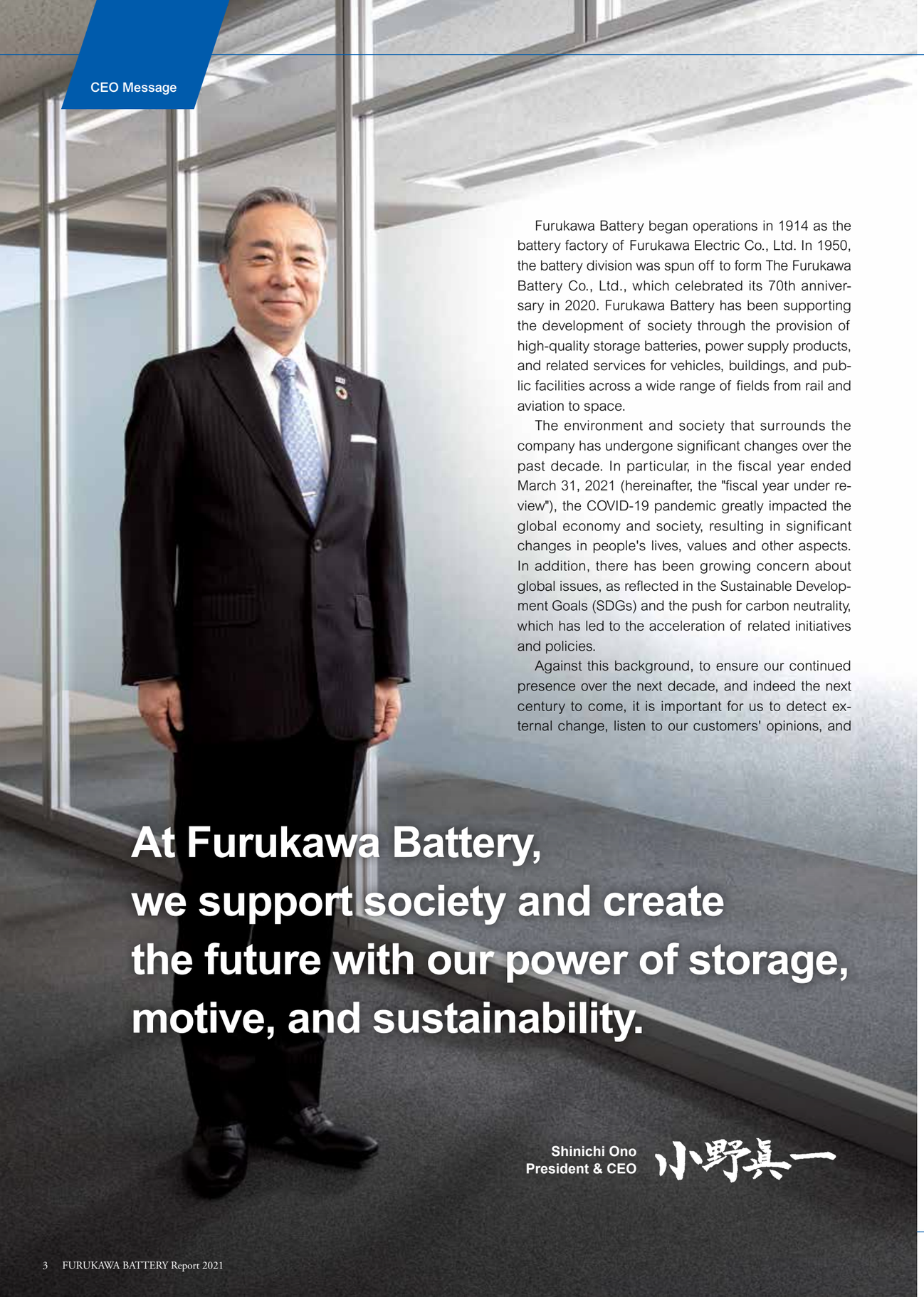
Rate of Return to Work from Childcare Leave[*4]

100%[*5]

Ratio of Independent Outside Directors[*6]

33.3%

*1 Figure as of March 31, 2021 *2 Results for the fiscal year ended March 31, 2021 *3 Ratio of recycled waste to all waste in the fiscal year ended March 31, 2021
*4 Furukawa Battery Co., Ltd. only *5 This means that all employees who took childcare leave returned to work after specific periods. *6 As of June 25, 2021



At Furukawa Battery, we support society and create the future with our power of storage, motive, and sustainability.

Shinichi Ono
President & CEO 小野真一

Furukawa Battery began operations in 1914 as the battery factory of Furukawa Electric Co., Ltd. In 1950, the battery division was spun off to form The Furukawa Battery Co., Ltd., which celebrated its 70th anniversary in 2020. Furukawa Battery has been supporting the development of society through the provision of high-quality storage batteries, power supply products, and related services for vehicles, buildings, and public facilities across a wide range of fields from rail and aviation to space.

The environment and society that surrounds the company has undergone significant changes over the past decade. In particular, in the fiscal year ended March 31, 2021 (hereinafter, the "fiscal year under review"), the COVID-19 pandemic greatly impacted the global economy and society, resulting in significant changes in people's lives, values and other aspects. In addition, there has been growing concern about global issues, as reflected in the Sustainable Development Goals (SDGs) and the push for carbon neutrality, which has led to the acceleration of related initiatives and policies.

Against this background, to ensure our continued presence over the next decade, and indeed the next century to come, it is important for us to detect external change, listen to our customers' opinions, and respond quickly. I also understand that we need to advance internal reform and increase our efforts to achieve a sustainable society and at the same time the growth of our business. We operate businesses that contribute to the solutions to social issues. These include solutions involving batteries for renewable energy storage, automotive lead-acid batteries that are appropriate for powering eco-friendly vehicles, and backup power supplies supporting buildings, railways, and other infrastructure in the event of a power outage. We are also proactively engaged in initiatives to reduce CO_2 emissions, including activities to conserve energy in the manufacturing process, the introduction of renewable energy generation systems in our plants, and creative measures we devise regarding distribution.

Each of our employees continues to move forward fully leveraging their strengths and characteristics while finding pleasure and pride in businesses that are useful for customers. This will result in harmony with the global environment, the achievement of the SDGs, and the creation of a better future where people are able to live with peace of mind. This is our vision at Furukawa Battery.

Target Values for the Fiscal Year Ending March 31, 2022 (FY2022)

(millions of yen)	FY2020 Results	FY2021 Results (a)	FY2022 Targets (b)	Change (b-a)	Percentage Change
Net Sales	64,486	59,958	**62,500**	+2,541	+4.2%
Operating Profit	3,293	4,397	**4,000**	-397	-9.0%
Ratio to Net Sales	5.1%	7.3%	**6.4%**		
Ordinary Profit	3,237	4,480	**4,000**	-480	-10.7%
Ratio to Net Sales	5.0%	7.5%	**6.4%**		
Profit Attributable to Owners of Parent	2,238	3,614	**3,450**	-164	-4.6%
Ratio to Net Sales	3.5%	6.0%	**5.5%**		
Dividend Per Share (yen)	13	22	**22**	±0	±0%

Including expenses related to new businesses and impact of the increase in the lead price

Exchange Rates
- FY2021 (As of the end of the fiscal year): 1 baht = 3.44 yen, 100 Indonesian Rupiah = 0.74 yen
- FY2022 (Expected): 1 baht = 3.40 yen, 100 Indonesian Rupiah = 0.72 yen

Quoted Lead Prices
- FY2021 (Average): 260,900 yen/t
- FY2022 (Expected): 265,000 yen/t

Advancing initiatives to achieve medium- to long-term growth even during the COVID-19 pandemic

During the fiscal year under review, our businesses were negatively impacted by the COVID-19 pandemic, including the reduction of new vehicle production, the extension of work in the industrial field, and the postponement or downsizing of the capital spending plans of our corporate customers and other parties. However, replacement demand for automotive lead-acid batteries has remained brisk in both Japan and Thailand. In this environment, we focused our efforts on online business talks, cost reduction activities, and other activities.

As a result, the consolidated net sales of the Group for the fiscal year under review decreased 7.0% year on year, to 59,958 million yen, falling short of the forecast. However, the Group posted a record-high operating profit of 4,397 million yen (up 33.5% year on year). Profit attributable to owners of parent was also a record high, reaching 3,614 million yen (up 61.5% year on year). Accordingly, we increased the amount

of annual dividends per share by 9 yen year on year, to 22 yen. The payout ratio also rose 1 percentage point, to 20%. In addition, we also proceeded with new initiatives as strategic moves to achieve medium- to long-term growth. They include the development of bipolar storage batteries and taking over the laminated lithium-ion battery business of Maxell, Ltd.

In the fiscal year ending March 31, 2022, the market outlook remains uncertain in some business fields while rebound growth of demand is expected in some businesses. Additionally, investments in new businesses will increase. Reflecting these factors, we forecast consolidated net sales to increase 4.2% year on year, to 62,500 million yen and operating profit to decrease 9.0% year on year, to 4,000 million yen. Profit attributable to owners of parent will also decrease year on year, to 3,400 million yen, but we will keep dividends per share at 22 yen, with a target payout ratio of 21%.

Before the beginning of the COVID-19 pandemic, we formulated a mid-term vision for the three-year period until the fiscal year ending March 31, 2022 (hereinafter, the "mid-term vision"). Aiming to improve our corporate value over the medium to long term, we set the following key initiatives under the mid-term vision: (1) the stable growth of overseas sites, (2) business creation through the development of new products including next-generation batteries, (3) improved revenue earned from our core lead-acid battery business, and (4) building the capacity for innovation through human resource development. While our targets for the final fiscal year of the mid-term vision were net sales of 70,800 million yen and operating profit of 4,600 million yen, we changed these targets to our performance forecasts for the fiscal year ending March 31, 2022. The targets of the mid-term vision will not be achieved, but we will work to achieve the operating profit target of the mid-term vision in real terms, excluding factors such as the increase in investments in new businesses. Regardless of the impact of the pandemic, we will firmly maintain the above key initiatives for achieving medium- to long-term growth. To steadily achieve them, we will advance specific measures including effective capital investment, R&D activities, the enhancement of training programs for the development of human resources, and the reform of our management style appropriate for new workstyles.

Accelerating ESG initiatives

I believe that to achieve the sustainable growth of our company, it is important that we continue creating and proposing new value before customer needs arise by quickly detecting change in society while attaching importance to the environment, society, and corporate governance (ESG).

Regarding our initiatives on the environment (E), we have made continued efforts to reduce standby power and to enable production with lower power consumption at our plants in Japan. As a result, we received the Ministry of Economy, Trade and Industry's highest S rating for six consecutive years in their classification of business operators under the Act on the Rational Use of Energy. We also continued to focus our efforts on the reduction of CO_2 emissions, a cause of climate change. We will continue to take initiatives, such as the improvement of the efficiency of manufacturing processes and the introduction of renewable energy generating systems to contribute to the creation of a decarbonized society. We will also advance initiatives to increase the environmental awareness of every one of our employees. I think we need to raise our employees' awareness in a way that leads them to associate their daily work with creation of environmental value, by, for example, providing all employees with training on the SDGs and adding CO_2 emission reduction effects to the criteria for selecting new replacement equipment, in addition to continuing existing initiatives such as the reduction of the electricity we consume internally, the segregation of waste, and the switch to LED lighting.

We advanced our initiatives for society (S) as new lifestyles were being established in response to the COVID-19 pandemic. With the safety of our employees and stakeholders as our top priority, we reformed workstyles, for example, enabling more employees to work from home, conducting business talks over the internet, enhancing remote internal communication, and providing more equipment for remote work, such as notebook PCs and small meeting rooms. In addition, we also accelerated activities to improve employee health and job satisfaction, including the formulation of the Health and Productivity Management Declaration and the introduction of a new personnel system that emphasizes the rewarding of employees for technical prowess, innovation, and taking on challenges. I believe that relationships of trust that motivate employees to contribute to the company with pride and a sense of ownership, will enable the company to be resilient and strong even amid this uncertainty. Effective June 25, 2021, we reclassified the Environmental Safety & Health Promotion Division, making it a higher-level organization. We have positioned the environment (E), safety (S), and health (H) as areas that we will prioritize. We will be truly committed to achievements in these areas.

Finally, I will explain our corporate governance (G) initiatives. In anticipation of tightening of the Corporate Governance Code and other changes, we have increased the percentage of outside directors on our Board of Directors to 33%. In addition, we have established the Nominating and Compensation Committee and the Conflict of Interest Management Committee, each consisting mainly of independent outside directors, to increase the transparency of our management. We have also begun to review our officer compensation system to ensure it functions as a sound incentive for responsible management. Moving forward, we are planning to consider non-monetary compensation, etc. through objective, transparent procedures. Several years ago, we began to proactively promote mid-career employees to core positions, with the goal of strengthening governance. I feel that this initiative has enabled the perspectives and values of the company to be diverse, reflecting the different experiences, skills, and attributes of our employees. I am sure that this diversity will be a strength as we work to achieve sustainable growth. We will continue to improve the internal environment and promote human resource development, so that we are able to continue to take advantage of our diversity.

To our stakeholders

While the new normal created by the COVID-19 pandemic has been established, our business environment still continues to change. I understand that it is time for us to find a path to the next phase of our growth by enabling our strengths to further evolve, including our technological prowess, R&D capabilities, and sales capabilities. We have begun to formulate a new mid-term management plan starting from the fiscal year ending March 31, 2023. I think that, in the new plan, it will be important to include the formulation of a growth strategy for our existing businesses, initiatives to put new businesses on a growth track, the provision of new products and technologies that cater to the needs of society, and the development of new markets. We will further improve the storage battery and power supply business that we have cultivated over many years, with a perspective of sustainability and diversity. Thus, we will create new value that is unique to us and fulfill the expectations of all of our stakeholders.

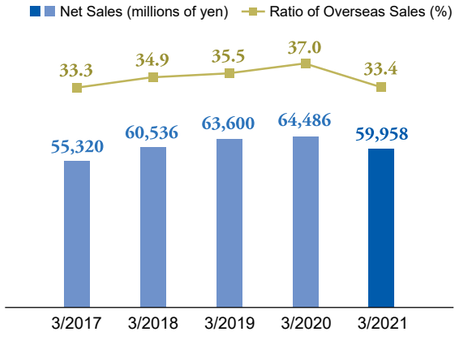
I sincerely appreciate your continued support.

Financial and Non-Financial Highlights

*1 Overall emissions of Furukawa Battery Co., Ltd. calculated using the CO_2 emission factor of each electric power provider
*2 Data range: Iwaki and Imaichi Plants of Furukawa Battery on a non-consolidated basis

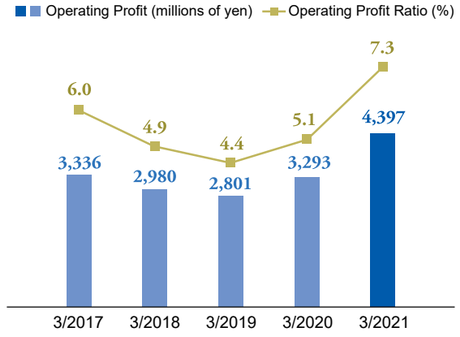
Net Sales / Ratio of Overseas Sales

59,958 million yen / 33.4%



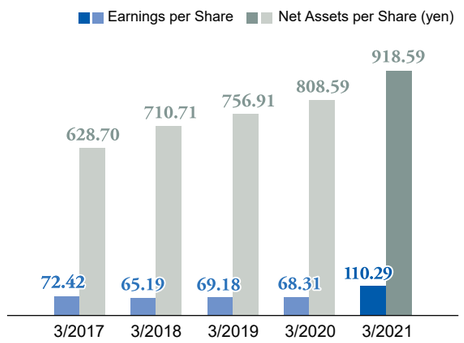
Operating Profit / Operating Profit Ratio

4,397 million yen / 7.3%



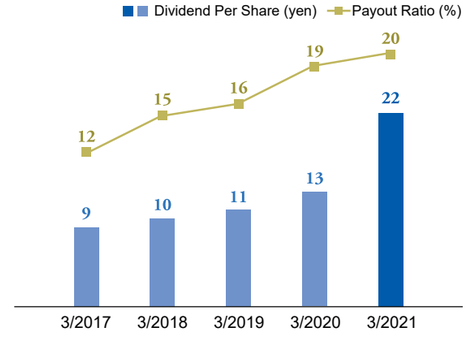
Earnings Per Share / Net Assets Per Share

110.29 yen / 918.59 yen



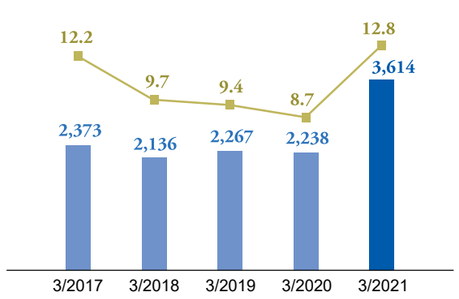
Dividends Per Share / Payout Ratio

22 yen / 20%



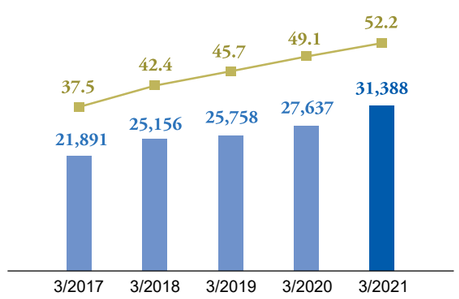
Profit Attributable to Owners of Parent / ROE

3,614 million yen / 12.8%



Net Assets / Equity Ratio

31,388 million yen / 52.2%



CO_2 Emissions*1

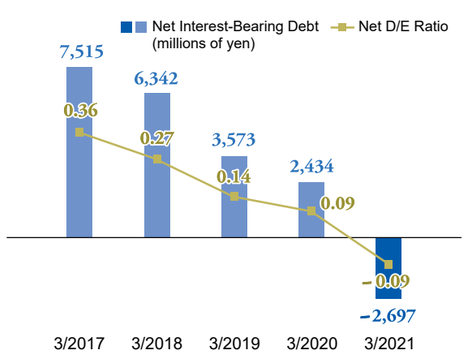
40,947 t-CO_2

CO_2 Emissions due to Product Transportation*2

3,476 t-CO_2

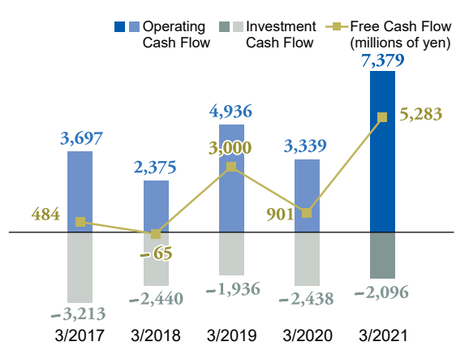
Net Interest-bearing Debt / Net D/E Ratio

-2,697 million yen / -0.09 times



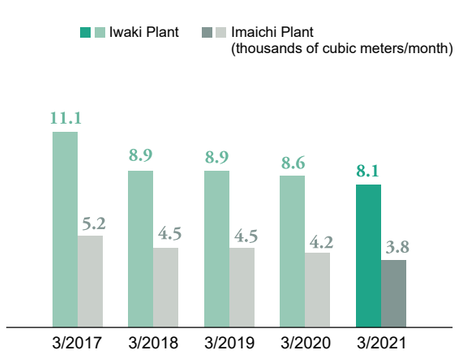
Free Cash Flow

5,283 million yen



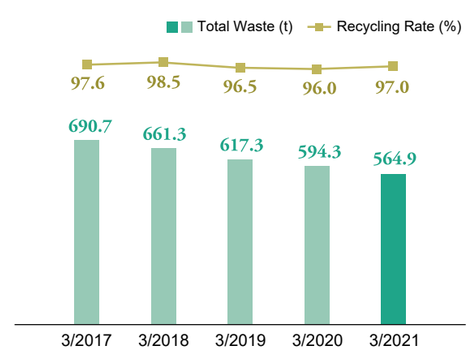
Wastewater*2

11.9 thousand cubic meters/month



Waste Emissions*2

564.9 t



Value Creation Process

As a company that supports society with the power of storage, motive, and sustainability, Furukawa Battery is working to create new value that helps resolve social issues making full use of its strengths in technology and R&D. We are also striving to strengthen our foundations for sustainability and continuing to create new value to contribute to the achievement of the SDGs.

Social Issues

- Actualization of climate change risks
- Shift to clean energy
- Changes in social structure attributed to the digital revolution
- Strengthened environmental regulations around the world
- Uncertainty of the international situation
- Declining working-age population in developed countries

Helping resolve social issues through new value

Input

Financial capital

- Stable financial foundatio

Manufactured capital

- Global production system

Intellectual capital

- R&D expenses: 1.7 billion yen (Percentage of net sales: 3%)

Human capital

- Consolidated number of employees: 2,369

Social and relationship capital

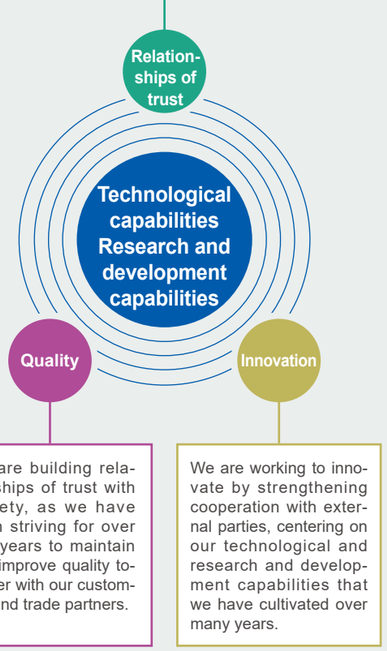
- Long-term relationship of trust with customers
- Relationships with local communities cultivated through social contribution activities

Natural capital

- Contribution to reduction of environmental impact and to environmental protection, which is made through business

Our Strengths and Businesses

We have a broad, global customer base that has a high regard for our technological capabilities and quality.



We are building relationships of trust with society, as we have been striving for over 100 years to maintain and improve quality together with our customers and trade partners.

We are working to innovate by strengthening cooperation with external parties, centering on our technological and research and development capabilities that we have cultivated over many years.

Automotive Business

Industrial Business

New Businesses

Photo provided by: Nileworks Inc.

Foundations of Sustainability

- Human Resource Development
- Business Management System (ISO9001 / ISO14001)
- Corporate Governance
- Compliance

New Value Creation

Economic Value

Consolidated net sales
59.9 billion yen

Profit attributable to owners of parent
3.6 billion yen

Dividends per share
22 yen
(Increased for seven consecutive fiscal years)

Ratio of overseas sales
33.4%

Evaluation under the system for classifying business operators defined in the Act on Rational Use of Energy*
Class S
(Highest class for six consecutive years)

* A system implemented by the Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry to encourage business operators to objectively understand their own energy-saving initiatives

Social Value

Harmony with the Environment

- Automotive lead-acid batteries support eco-friendly vehicles, thus contributing to the reduction of greenhouse gas emissions.
- Cycle-use lead-acid batteries support the expansion of renewable energy.
- There is an established system for recycling lead, which contributes to realization of a recycling-based society.
- Storage batteries are essential for a decarbonized society. They are also effective in addressing climate change.

Supporting the Development of Society

- Storage batteries for use as backup power supplies support social infrastructure in the event of a power outage, thus improving sustainability and reliability.
- We provide cycle-use lead-acid batteries to emerging countries, helping them promote their use of renewable energy and the revitalization of local economies.

Coexistence with Stakeholders

- We improve occupational health and safety to enable diverse human resources to work and develop with a sense of security.
- We strengthen our partnerships with local communities through regional sports development and social contribution activities.

Photo provided by: Nileworks Inc.

Striding toward New Value Creation

Striding toward
New Value
Creation

At Furukawa Battery, we have established the direction of our vision as follows with the goals of contributing to society through our businesses and becoming an entity that stands out in the world: (1) the stable growth of overseas sites, (2) business creation through the development of new products including next-generation batteries, (3) improved revenue earned from our core lead-acid battery business, and (4) building the capacity for innovation through human resource development. This direction of our vision will guide us in the development of a long-term perspective encompassing the next mid-term management plan and the 10 to 20 years ahead. It will also be a compass guiding us into the future, ensuring our achievement of sustainable growth.

To achieve sustainable growth, companies must continue to create and provide the new value needed by society. We will continue to work to create new value through our effective capital investments, R&D activities, and the development of human resources.

Special Feature 1:

Achieving Inorganic Growth

— Taking over Maxell, Ltd.'s laminated lithium-ion battery business —

Basic Approach

At Furukawa Battery, the medium- to long-term direction of our vision includes business creation through the development of new products including next-generation batteries. We believe that the growth of our existing businesses (organic growth) and also our growth through M&A, partnerships with players in different industries, and similar initiatives (inorganic growth) are essential for our achievement of sustainable growth based mainly on the technological and R&D capabilities we have cultivated over many years.

Taking over the Laminated Lithium-Ion Battery Business

In the fiscal year ended March 31, 2021, we signed a basic agreement which would transfer Maxell, Ltd.'s laminated lithium-ion battery business to Furukawa Battery via a corporate split (simple absorption-type corporate split). We signed this agreement in October 2020 and completed the take over of the business on April 1, 2021. We will expand this business by integrating the transferred business's technologies for the mass production of lithium-ion batteries, product expertise, and other resources into our business, and through full-scale roll outs of lithium-ion batteries in industrial and niche domains.

Purposes for taking over the business

- Expanding lithium-ion battery technologies and product applications
- Increasing competitiveness by integrating the two companies' technological and R&D capabilities

Moving forward, we will focus our efforts on the post-merger integration (PMI) of the newly acquired business into our existing technological and R&D capabilities as quickly as possible, to increase sales and improve profitability.

Toyama Works (acquired on April 1, 2021)

Opening ceremony (April 1, 2021)

Interview

Hoping to develop the lithium-ion battery business into one of our future key businesses

Tomohiko Sakamoto
Head, Li-ion Battery Business Division

Furukawa Battery's lithium-ion business unit has been mobilizing its high-level technological capabilities, R&D capabilities, and capability to ensure high quality to focus its efforts mainly on sending lithium-ion batteries for satellites into space. The expertise we have cultivated in this business is a valuable asset. We will proactively integrate Maxell's lithium-ion battery technologies, quality management expertise, trade areas, production facilities and other resources into the assets that we already possess. I am feeling great pleasure about this. As the head of the lithium-ion business unit, I will focus my efforts on mass production of lithium-ion batteries while also promoting the continued active participation of our human resources. In addition, I have a constant desire to pursue synergy. For example, looking at marketing, I am thinking about providing products that we are able to ensure differentiation, not only in the drone market where Maxell had been providing batteries, but also in markets highly connected to our existing markets and new markets with growing demand.

The fiscal year ending March 31, 2022 is the initial year of this business and will be a year with many challenges. I will take the lead in the strengthening of the business, keeping in mind the greater goal of developing the lithium-ion battery business into one of Furukawa Battery's future key businesses.

Taking on the Challenge of Outer Space

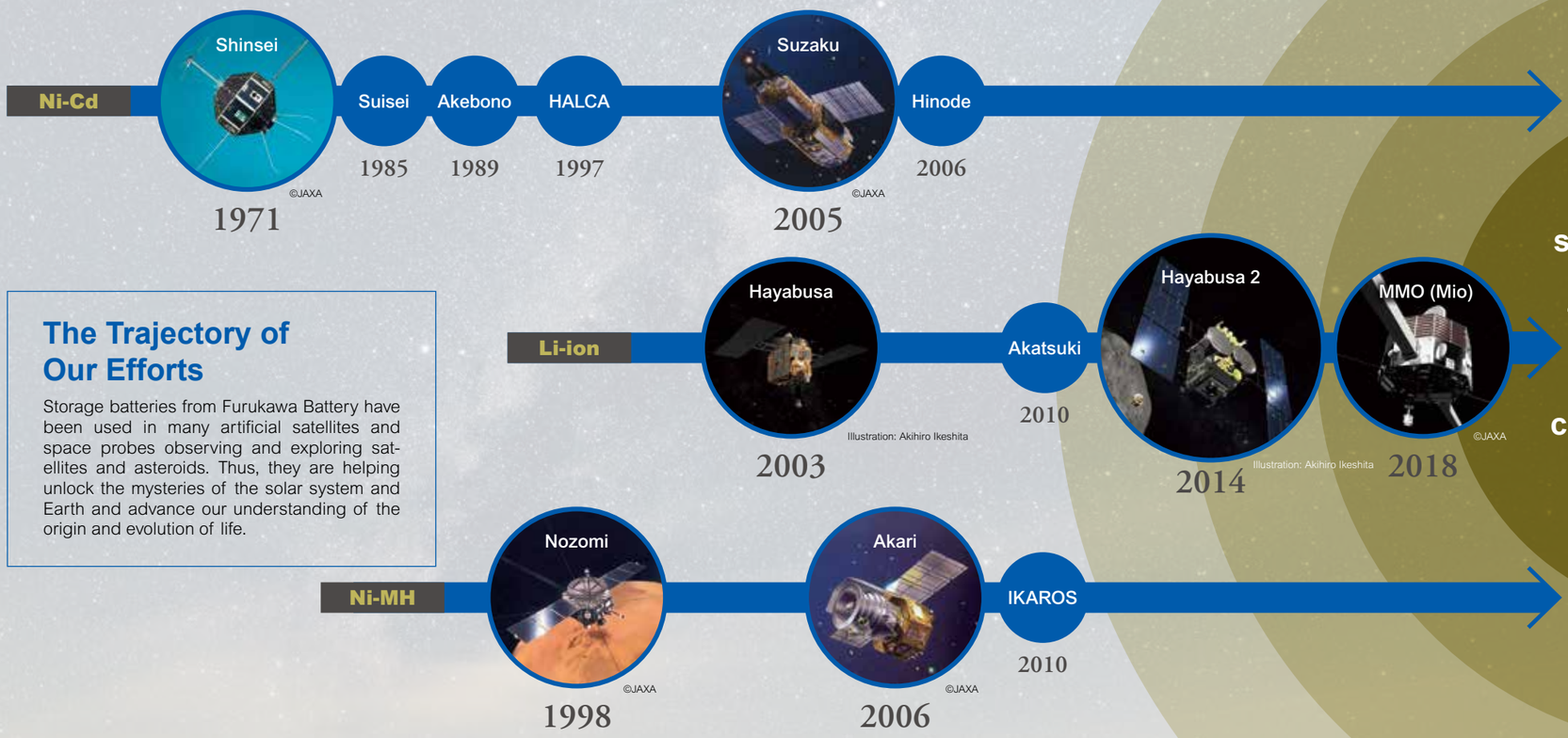
Supporting Japan's Space Development and Utilization with Storage Battery Technologies

At Furukawa Battery, we began to take on the challenge of space in the 1970s, when we successfully developed nickel-cadmium batteries (Ni-Cd) and nickel-hydrogen storage batteries (Ni-MH) capable of enduring the environment of space. Since the 2000s, we have focused on developing and supplying lithium-ion batteries (Li-ion) for use in space. Our batteries have been used in the asteroid explorers Hayabusa and Hayabusa 2, and other vehicles.

We will continue to pursue the technological advancement and expand applications of lithium-ion batteries, utilizing our technological capabilities, capability of ensuring high quality and expertise we have honed in the extreme environment of outer space.

The Trajectory of Our Efforts

Storage batteries from Furukawa Battery have been used in many artificial satellites and space probes observing and exploring satellites and asteroids. Thus, they are helping unlock the mysteries of the solar system and Earth and advance our understanding of the origin and evolution of life.



Achieving sustainable growth by leveraging the technological capabilities and the ability to consistently deliver high quality that we have honed.

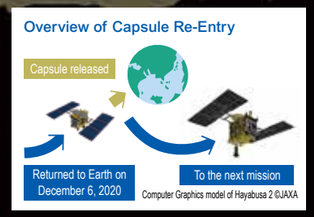
The successful re-entry of asteroid explorer Hayabusa 2's sample-return capsule

— Equipped with a lithium-ion battery from Furukawa Battery —

©JAXA

On December 6, 2020, the asteroid explorer Hayabusa 2, which is equipped with a lithium-ion battery from Furukawa Battery, successfully returned its sample-return capsule to Earth containing a sample from the asteroid Ryugu.

A feature of the lithium-ion battery used in the Hayabusa 2 is its long life enabled by the technologies we have cultivated through the development of battery cells for the Venus climate orbiter Akatsuki, and the superior airtightness and vibration tolerance that were features of our battery used in the first Hayabusa. Our lithium-ion battery supplied power to Hayabusa 2 as it unfolded its solar-array paddle after launch and during the Earth swing-by maneuver, thus contributing to the fulfillment of a number of objectives.



Our battery also supported Hayabusa 2 during the re-entry of its sample-return capsule. To release the capsule for its return to Earth, Hayabusa 2 had to remain tilted at a specific angle for tens of minutes. During this maneuver the solar-array paddle, the main power supply of the probe, were not exposed to sufficient sunlight and could not generate enough electricity for the mission equipment. During this time, our lithium-ion battery supplied power to the probe, ensuring the equipment could continue operating.

Hayabusa 2 has now changed course toward another asteroid. Our lithium-ion battery will continue to serve as its second power supply and help Hayabusa 2 succeed in its next mission.

Research and Development Technology and Innovation

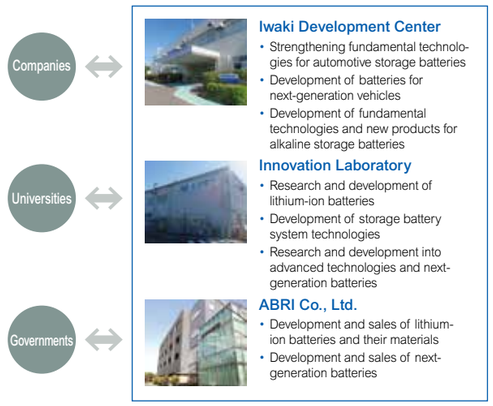
R&D and Technology Development

Basic Approach

At Furukawa Battery, we believe that research and development is the foundation of providing society with products and services that enrich people's lives and create a safe and secure world. Therefore, our goal is to quickly develop and commercialize products employing unique technologies that are able to resolve social issues to yield specific results. To that end, we are working to strengthen coordination in our development efforts at Furukawa Battery and throughout the Furukawa Electric Group. We are also focused on initiatives that go beyond the scope of our existing businesses, such as joint research with universities and companies from other industries. We are committed to maximizing the value we provide to society by anticipating the needs to propose new outside-the-box applications.

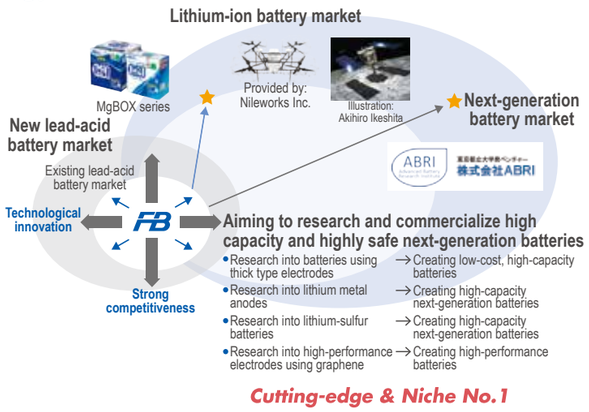
R&D Structure

At Furukawa Battery, we have positioned the Iwaki Plant as our main development base. Our R&D division and technology division are working together, focusing their efforts on the development of fundamental technologies and products for the automotive and industrial batteries and equipment that support our business, the development of new products which will form the core of our business in the future, and research and development regarding next-generation batteries, among other activities. In addition, at ABRI Co., Ltd., which we founded in 2017 in partnership with Tokyo Metropolitan University, we are working on the research and development of leading-edge technologies aimed at the creation of large-capacity next-generation batteries, including lithium-sulfur batteries. This is a part of our efforts to create new value through industry-academia cooperation.



Core Technologies and R&D Strategy

At Furukawa Battery, we have developed core technologies in secondary battery materials, production, and evaluation and strive to achieve innovation in technologies and processes to achieve the sustained and stable growth of our flagship businesses in lead-acid batteries, alkaline storage batteries, and power supply equipment, among other products. We have also designated next-generation lead-acid batteries, lithium-ion batteries, and other next-generation batteries as key areas of focus for growth in the medium to long term. With this in mind, we work to strengthen our in-house development capabilities while also promoting collaborative creation with other companies from different industries.



Technology Development for Tackling Social Issues

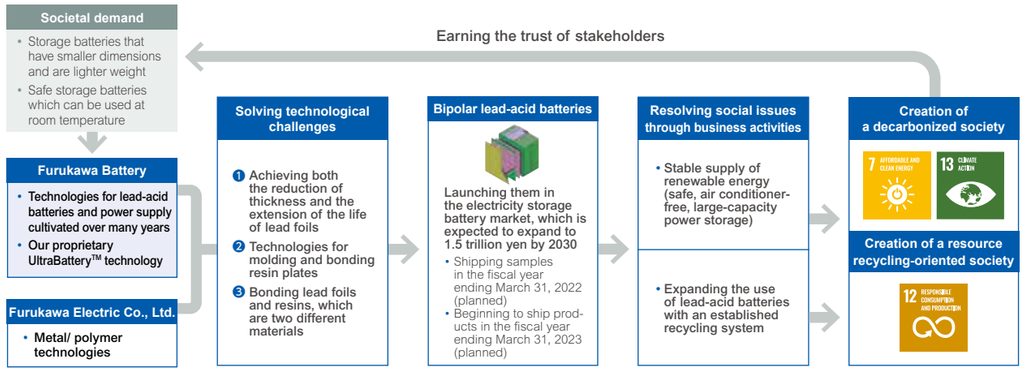
At Furukawa Battery, we continue to increase the added value that we provide to society through our businesses and contribute to the resolution of environmental and social issues through our constant quest for new technologies.

The likely winner in the utilization of renewable energy: Bipolar lead-acid batteries

We face numerous social issues, from the frequent natural disasters brought about by global warming to the depletion of fossil fuels. At Furukawa Battery, we possess storage battery and power supply technologies that we have continued to refine. We believe we can harness these technological capabilities as a core tool in helping to solve these issues.

The bipolar lead-acid battery, which we are developing through the integration of technology with Furukawa Electric Co., Ltd., represents a new lead-acid battery for electricity storage that caters to an era in which renewable energy will be introduced in large quantities. Solar and wind power do not produce CO_2 emissions during generation, which is a feature that makes them environmentally friendly. In addition to this great advantage, however, they also have a disadvantage: the difficulty of balancing the supply of power with demand. However, because our bipolar lead-acid batteries allow storage battery capacity to be increased up to the megawatt level by combining multiple cells, they offer proper support to renewable energy generating systems subject to many variable factors. Another great feature of our bipolar lead-acid batteries is they permit the reduction of total costs by 50% or more compared with lithium-ion batteries for electricity storage. This is enabled by their ability to operate without air conditioning, which eliminates the cost of controlling temperature using air conditioners, in addition to being less than half the unit cost per power consumed of lithium-ion batteries. The batteries also have a great competitive advantage and high reliability in terms of ignition and fire safety. There is also an established system for recycling the lead that is a raw material for the batteries. Therefore, we believe that our bipolar lead-acid batteries are an effective means of aiding the achievement of the SDGs.

Resolving Social Issues Using Bipolar Lead-Acid Batteries



Partially edited excerpt from the ESG briefing materials of Furukawa Electric Co., Ltd.

Interview

Working so that Furukawa Battery's core technologies lead the way to new businesses that will be a pillar of its medium- to long-term growth

At Furukawa Battery, our medium- to long-term key initiatives include business creation through the development of new products including next-generation batteries. The duty of the technology development division is to further strengthen our core technologies in secondary battery materials, production, and evaluation so that they lead to new businesses catering to the needs of society 10 and 20 years from now. Specifically, as a measure related to decarbonization and climate change that will be inevitable hereafter, we will roll out excellent technologies and products created through our development capabilities into relevant markets, etc. to enable them to develop into businesses which will be a pillar of our medium- to long-term growth. And we will continue to hone our development capabilities to continue delivering the value needed by society.

Toshiro Yamamoto
Senior Corporate Officer, Head of Battery Technology & Innovation Headquarters

Automotive Business

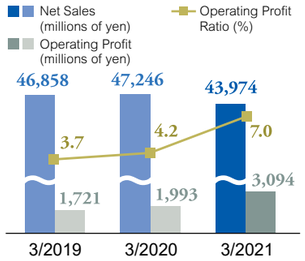
We strive to be an automotive battery manufacturer that exists in harmony with the environment and society and exerts a global presence.

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

FY2021 Performance Summary

- Net sales decreased due to a reduction in the sales volume of batteries intended for automakers in Japan and Thailand.
- Batteries for the meeting of replacement demand remained strong. In addition, profitability improved in Indonesia, resulting in an increase in profit.

During FY2021 (fiscal year ended March 31, 2021), we strived to steadily expand sales by seeing battery replacements at the onset of cold weather and at car inspections as business opportunities in Japan. In addition, SFC in Thailand enjoyed strong replacement demand due mainly to its continuous promotional activities. FIBM in Indonesia focused its efforts on the improvement of its production technologies and quality and cost reduction activities.



Opportunities and Threats

Opportunities

- Increase of demand in emerging countries attributed to expansion of motorization
- Increasing momentum toward the achievement of carbon neutrality
- Expansion of eco-friendly vehicles such as EVs and HEVs (hybrid vehicles)
- Increase in vehicles with new technologies
- Advance of industry reorganization
- Changes in sales operations (changes operations during and after the COVID-19 pandemic)

Threats

- Decline in demand resulting from changes to the world situation
- Intensifying price competition and fall in market prices
- Strengthened law regulations regarding lead in Europe and elsewhere
- Shift from lead-acid batteries to next-generation batteries

FY2022 Policy for Achieving Medium- to Long-Term Growth

The use of next-generation eco-friendly vehicles is expected to expand in developed countries, reflecting the global trend toward the achievement of carbon neutrality. Additionally, motorization will expand in emerging countries, where demand for the lead-acid batteries used to start engines and for auxiliary systems is expected to remain strong. Under these circumstances, we will regard the following as our tasks and focus our efforts on them: building production systems that are appropriate for developed countries and emerging countries; developing new products offering competitive quality, cost, and functionality in each market; and enhancing marketing capabilities to enable the FB brand to expand globally. To achieve carbon neutrality and help create a decarbonized society, we will invest in environmentally friendly facilities and strive to reduce CO_2 emissions from the entire supply chain, and lead these activities to our sustainable, medium- to long-term growth.

Industrial Business

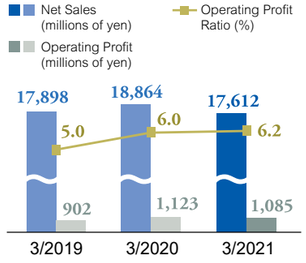
We contribute to the realization of a sustainable, safe, secure and comfortable society leveraging the technological capabilities that we have continued to hone.

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

FY2021 Performance Summary

- Both sales and profit decreased due in part to the postponement or downsizing of capital spending plans and the extension of work by corporate customers and other parties due to the COVID-19 pandemic.

Both sales and profit decreased year on year although we strived to reduce costs and took other measures. This resulted from postponement and downsizing of projects, which mainly reflects a decline in capital spending by private enterprises during the COVID-19 pandemic. On the other hand, demand did not decline and has remained strong for some infrastructure, such as large-scale data centers.



Opportunities and Threats

Opportunities

- Increasing momentum toward the achievement of carbon neutrality
- Expansion of markets related to renewable energy
- Expansion of needs related to disaster control and BCP
- Advance of industry reorganization
- Changes in sales operations (changes in operations during and after the COVID-19 pandemic)

Threats

- Decline in demand resulting from changes to the world situation
- Intensifying price competition and fall in market prices attributed to entry of players from other industries and overseas manufacturers
- Strengthened law regulations regarding lead in Europe and elsewhere
- Shift from lead-acid batteries to next-generation batteries

FY2022 Policy for Achieving Medium- to Long-Term Growth

In FY2022, due to COVID-19, the future remains uncertain for a part of our existing businesses, including backup storage batteries and backup power supplies. However, a rebound from the previous fiscal year is expected. Accordingly, we will make sure to benefit from demand for replacement, installation, maintenance, and inspection services. At the same time, in light of the accelerated introduction of renewable energy toward the achievement of carbon neutrality, we will work together with Furukawa Electric Co., Ltd. to promote bipolar storage batteries, which are lead-acid batteries for electricity storage, and expanding sales of long-life, cycle-use lead-acid batteries. Further, we plan to expand the laminated lithium-ion battery business that we took over on April 1, 2021 to industrial and niche domains including drones. We will continue to leverage our proprietary technologies to roll out products and services that we are able to differentiate in domains where demand will increase to achieve medium- and long-term growth.

Overseas Growth

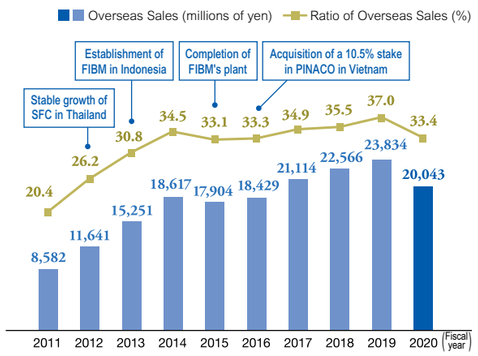
Basic Approach

For Furukawa Battery to develop in the medium to long term, growth in overseas markets including new markets will hold an important key. Therefore, we attach importance to the stable growth of overseas sites. At present, we are focusing our efforts preferentially on the maintenance and improvement of the competitiveness of our existing bases in Thailand and Indonesia.

Regarding new markets, we will look ahead to the next market and the next base to advance overseas expansion with the goal of continuing to grow in step with the development of the regions we enter. Focusing on emerging markets in Asia and other regions in particular, we are pushing forward initiatives in domains that are expected to continue growing and where we are able to leverage our technological capabilities and customer bases, including the automotive lead-acid batteries, alkaline storage batteries for railway equipment, and renewable energy domains.

Moving forward, we will continue to enhance our global presence by providing technological support and strengthening our ties with our capital partners. At the same time, we will strive to expand our businesses with a strong will to create a future for us through overseas growth.

Change in Overseas Sales



System for Advancing Overseas Growth

At Furukawa Battery, we have built a system for advancing initiatives to achieve the stable growth of our overseas bases and transforming into a battery manufacturer that exerts a global presence.

At present, we operate the automotive business and industrial business overseas. SFC in Thailand and FIBM in Indonesia, our overseas bases for the automotive business, our mainstay business, have both production and sales functionality for automotive lead-acid batteries. They export the products globally in addition to producing and selling them locally. In April 2019, FIBM in Indonesia became affiliated with the Automotive Battery Group as a part of a reorganization with the goal of medium- to long-term growth. Thus, we have established a system which enables a more flexible deployment of the expertise in production and sales that the Furukawa Battery Group has accumulated and the allocation of human resources and other resources. This has made it possible to make decisions for globally optimized production and sales from a group-wide perspective, and we were able to improve the profitability of FIBM.

In the industrial business, we are advancing overseas expansion by exporting storage batteries and power supply systems from Japan to other countries and forming alliances with local storage battery manufacturers. We are also focusing our efforts on the strengthening of partnerships with local agents and customers. We help solve the issues faced by destination regions by providing value, including the superior maintainability, long life, and safety of our products. In October 2020, we established the Global Business Development Dept. under the Industrial Equipment Group, where we create optimal solutions and accumulate expertise in new markets and apply them horizontally to other markets. Through these efforts, we are strengthening initiatives in domains including the renewable energy and railway equipment domains which are expanding globally.

A Project Advancing Overseas Growth

Our alkaline storage batteries used by the Sentosa Express monorail line in Singapore

Alkaline storage batteries for railway equipment from Furukawa Battery demonstrate durability under harsh conditions of use, and long lifespans. We have built a track record and earned trust in this field over many years. Our products have been chosen by many railway business operators in Japan and also multiple overseas operators. Our alkaline storage batteries were chosen for use in the Sentosa Express in Singapore when it began operating in 2007 and when vehicles were added in 2014. It is now time to replace the storage batteries of four of the trains. The company has decided to use our alkaline storage batteries again, as they have highly evaluated the reliability and other advantages the batteries have demonstrated through their stable operation.

Alkaline storage batteries from Furukawa Battery being installed in Sentosa Express vehicles

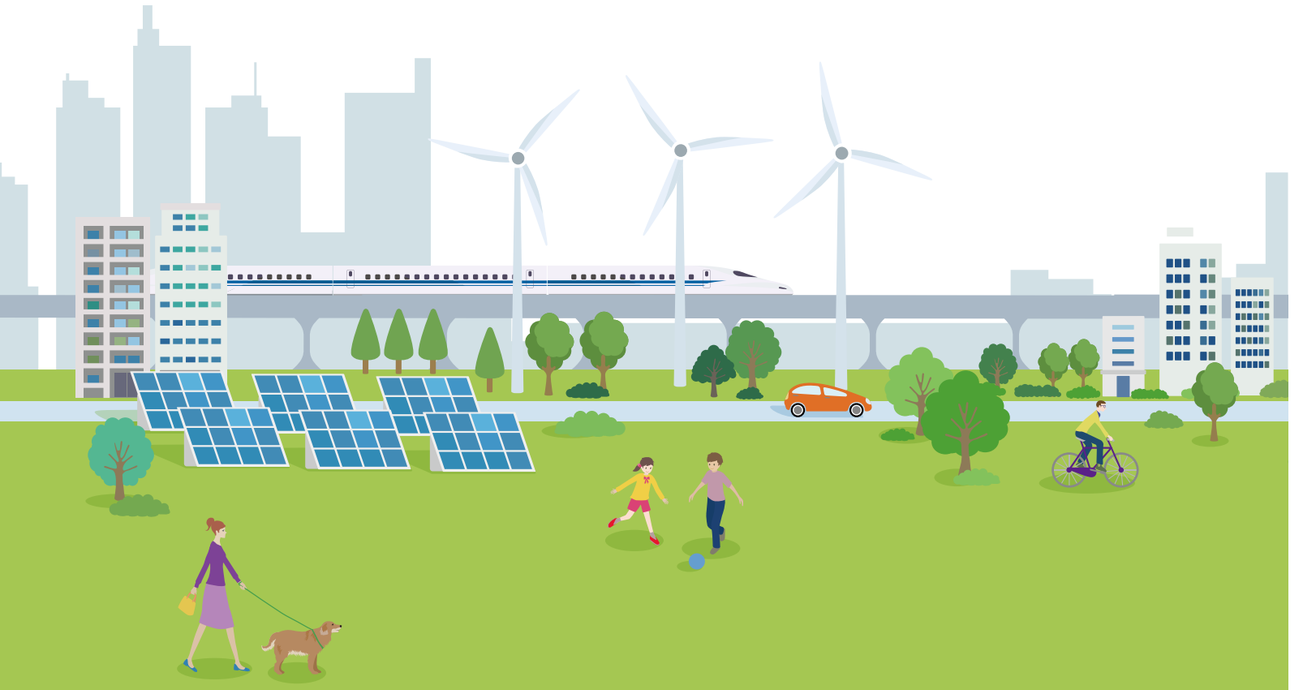
The Sentosa Express

Sentosa island is off the southern coast of Singapore's main island. It is a well-known resort area. Large-scale redevelopment of the island began in the 2000s in line with Singaporean government policy. The Sentosa Express is a straddle beam monorail line constructed as a part of the redevelopment project to improve access to Sentosa island. This monorail line features compact, lightweight vehicles and their design that is appropriate for a resort island, among other advantages. It has been operating smoothly since it came into service in 2007.

Furukawa Battery's contributions

When it was time to replace the batteries, Furukawa Battery delivered compact, lightweight alkaline storage batteries with improved maintainability. These batteries are used as power supplies for starting the vehicles every morning and as a backup power supply for in-vehicle lighting, ventilation, communication, and other purposes in the event of a power outage. Monorail vehicles need to house their main equipment in a limited space while securing the required functionality and reliability. In addition, they are subject to weight limitations because they run on elevated tracks. We produce alkaline storage batteries for railway equipment that leverage our technologies to enable products to be compact and light weight, features we have cultivated in the field of alkaline storage batteries for aircraft. By providing the storage batteries, we have improved the value of the Sentosa Express, a safe, comfortable public transportation service. Further, those storage batteries feature low maintenance load, which is beneficial for work sites experiencing a labor shortage and for reducing running costs.

Railways have long attracted attention as a transportation option with low environmental impact. In recent years, they have also played a role as a sustainable, resilient transportation and distribution network essential for economic growth and development. We will also contribute to the resolution of environmental, economic, and social issues by maintaining a stable supply of alkaline storage batteries that feature excellent durability, long life spans and superior maintainability to the railway market.



Foundations of Sustainability

E S G

Foundations of Sustainability

We provide clean energy to help build a sustainable society where people are able to live with peace of mind.

For more than 100 years since our foundation, Furukawa Battery have been serving people by working on energy through the storage battery and power supply businesses with the goal of making society better. We have also continued to take on challenges to expand the possibilities to regions, countries, the global environment, and outer space.

While decarbonization and renewable energy currently attract attention globally, we expand the solutions based on our power of storage, motive, and sustainability that we provide to continue our evolution into a company that continues to fulfill stakeholders' expectations.

We will continue to base our management on ESG principles, work in harmony with our stakeholders, and co-create value with them with the goal of building a sustainable society. In these ways, we will continue to strive to create a bright future through our businesses.

Environment

Environment

Basic Approach and System

At Furukawa Battery, we strive to help protect the global environment to enable our businesses themselves to reduce environmental impact through the provision of eco-friendly products, etc. We have established The Furukawa Battery Co., Ltd. Environmental Policy, and under it we work to reduce CO_2 emissions and conserve resources throughout the entire life cycle of products. This policy clearly states our commitment to complying with laws, protecting biodiversity, ensuring the thorough management of chemicals and other materials, providing environmental training to employees and affiliate companies, and other initiatives.

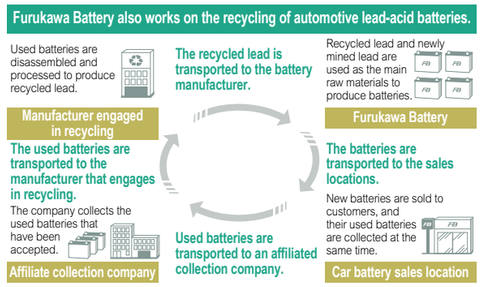
WEB **Environmental Policy**
https://corp.furukawadenchi.co.jp/en/csr/eco/guideline.html

We also believe that cross-sectoral initiatives are important for the continuing creation of environmental value through our business activities. We have established the Environmental Management Committee, which includes the Corporate Officer in charge of the environment, the general manager of the Environmental Promotion Dept., plant general managers, and the heads of major divisions. Thus, we work on environmental protection, energy conservation, and other activities in a company-wide manner. In the fiscal year ended March 31, 2021, we increased our energy conservation initiatives, including the reduction of standby power at each plant. We also committed ourselves to new activities such as Cool Choice, an initiative promoted by the Ministry of the Environment.

Organizational Structure of the Environmental Management Committee

Initiatives Contributing to the Creation of a Recycling-Oriented Society

At Furukawa Battery, we have endeavored to reduce environmental impact and CO_2 emissions by expanding eco-friendly products, such as energy storage systems to be combined with lead-acid batteries for eco-friendly vehicles or renewable energy. We also focus on recovering resources from used products (recycling) as a certified wide-area disposal company to promote the effective utilization of precious resources, thus helping to prevent environmental pollution and recycle domestic resources.



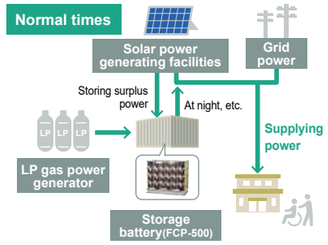
Certified as an S-class Excellent Business Operator for Six Consecutive Years

At Furukawa Battery, we conserve energy in our own business activities in our efforts to reduce environmental impact and CO_2 emissions. For six consecutive years since FY2016 (for the FY2015 results) we have been evaluated as a S-class business operator in the classification of business operators under the Act on the Rational Use of Energy (reported in FY2021/ for FY2020 results). Under this evaluation system, the Ministry of Economy, Trade and Industry classifies all business operators that submit regular reports in accordance with the Act on the Rational Use of Energy. They are classified as class S, A, B, and C, with S being most excellent, and the S-class certified businesses are announced. We have been S-class certified because we have sought to reduce standby power at our plants and have built up initiatives and creative measures to enable production with low power consumption. These activities have enabled us to meet "a goal to strive for: reducing the five-year average specific energy consumption of the entire company by at least 1% per year," a criterion for S-class certification.

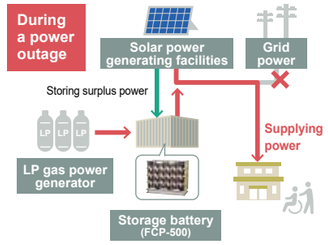
A Project Contributing to Environmental Protection

Provision of lead-acid batteries for a Sustainable Energy Solution from Ecolomy Inc.
— Supporting the introduction of renewable energy in Fukushima —

How the Sustainable Energy Solution Works



Energy-saving operation with a combination of solar power generation + storage battery



An LP gas power generator is activated as supplement to continue the long-term stable supply of power.

Background

While efforts to expand renewable energy are currently accelerating toward the realization of a decarbonized society, society's attention is drawn to power storage systems that adjust power supply and demand. However, the power storage system options that are appropriate for and available to small- and medium-sized facilities have been limited when compared with large systems. This had made it difficult to maximize the stable use of renewable energy.

In addition, locally based power storage systems are more important than ever because they are also an emergency power supply during natural disasters, which are occurring more frequently.

Furukawa Battery's Contributions

We provided the FCP-500 cycle-use lead-acid batteries for the Sustainable Energy Solution developed by Ecolomy Inc. This solution consists of solar panels, lead-acid batteries, and an inverter that changes the direct current from the batteries into alternate current. In January 2020, the first Sustainable Energy Solution was installed in Tomioka-machi, Futaba-gun, Fukushima Prefecture. In the event of a power outage, when the supply of power from the grid has been stopped, the Sustainable Energy Solution supplies solar-generated power to small- and medium-sized facilities, such as welfare facilities or local government facilities, as an independent off-grid power supply system (as illustrated above).

Achievements

We provide our storage battery and power supply technologies and engage in local partnerships to support the expansion of the Sustainable Energy Solution, with the goal of contributing to the further use of renewable energy and environmental protection in Fukushima and creating jobs for local residents. In addition, we will also help improve disaster resilience and help the local community to be safe and secure.

Quality

Quality We aim to be number one in the industry for providing the technologies that customers expect along with trusted quality and service that provides satisfaction.

Basic Approach

Quality at Furukawa Battery applies not only to the products themselves, but to every stage, every category, and every level of our corporate activities, from research and development to service and administrative operations. We continually iterate on a PDCA-based management cycle that is factually based, so as to maintain and improve the quality of our products, services, and business operations. Moreover, we recognize that building trust from society by guaranteeing quality in a comprehensive fashion is essential to achieving our basic principles and goals.

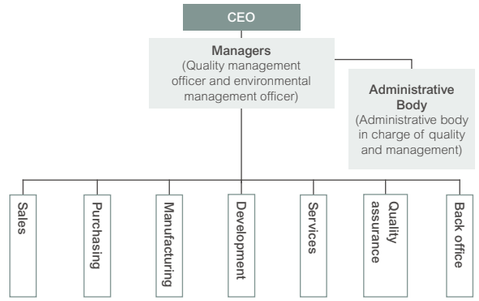
Business Management System

At Furukawa Battery, we obtained the ISO 9001 certification for quality management systems (QMS) in 1995. Then, in 1999, the Iwaki and Imaichi Plants each obtained the ISO 14001 certification for environmental management systems (EMS). In February 2017, the certification was extended to the head office and nationwide branch offices, with the certification now covering the entire company to realize higher-level activities.

We initially operated our ISO 9001 (QMS) and ISO 14001 (EMS) separately. In April 2016, however, we established a policy unifying our environmental and quality initiatives with management and continuously working to improve customer satisfaction as well as preserve the global environment and build a sustainable society. Accordingly, we built and began operating a Business Management System that integrates our QMS and EMS.

We have added environmental aspects to our focus on quality that we have embraced since our founding, and apply these initiatives to the business procedures

Structure for Promoting the Business Management System



of each division and organization based on the Business Management System. Moving forward, we will continue to cultivate an awareness of the PDCA cycle in all our business operations including back-office functions, and build upon ongoing and proactive improvements through reciprocal checks by way of internal audits, management reviews and other activities.

Global Quality Improvement Activities

The Furukawa Battery Group's efforts are focused on quality initiatives in other countries in addition to Japan. Our Thailand-based subsidiary SFC, which we established in 1992, obtained the TS 16949* certification in 2001. Further, our Indonesia-based subsidiary FIBM, which we established in 2013, obtained ISO 9001 certification in 2019 and globally operates a quality management system. Moving forward, we will work to have FIBM obtain ISO 14001 certification and continue to engage in group-wide efforts to improve customer satisfaction as well as protect the global environment and build a sustainable society.

The Furukawa Battery Group ensures dialogue and the proactive sharing of information among its top management and the managers of each base regarding quality management and quality assurance. The goal of these actions is to improve the entire Furukawa Battery Group's capabilities to ensure high quality, including our overseas subsidiaries. We regard the pursuit of quality and reliability as the foundation of the Group and take on challenges to innovate and improve in all business activities, to remain a corporate group capable of appropriately addressing customers' quality needs.

* TS 16949: An international standard for quality management systems in the automotive industry

Human Resources

Human Resources

We strive to respect diversity and become a company where motivated human resources can flourish on the global stage.

Basic Approach

At Furukawa Battery, we protect the safety and health of every employee and attach importance to maximizing the capabilities of each individual and maintaining and increasing their motivation to take on challenges, so that we are able to support society and create the future with our power of storage, motive, and sustainability and able to continue to create corporate value. Human resources are the foundation for our growth. Operating under the premise that safety is the first priority, we position human resource development as our most important task and focus our efforts particularly on the development of the human resources that support our global expansion, the enhancement of succession planning, and responses to the diversification of human resources and workstyles.

Respect for Human Rights

As a member of the Furukawa Electric Group, Furukawa Battery takes human rights initiatives in accordance with the Furukawa Electric Group CSR Code of Conduct. In addition, we fully understand that, in the expansion of our businesses globally, we must respect the human rights of all the people who are influenced by our business activities. Therefore, we educate officers and employees through training programs, awareness-raising activities and other initiatives so that their respect for human rights will be effectively reflected in their daily operations.

Items Related to Human Rights Set Forth in the Furukawa Electric Group CSR Code of Conduct

1	Respect human rights/ Prohibit discrimination
2	Prohibit harassment
3	Prohibit child labor and forced labor
4	Respect the basic rights of employees
5	Promotion of diversity and inclusion (securing and acceptance of diversity)

Respect for Diversity

At Furukawa Battery, we believe that respect for diversity and the effective application of diverse values in the management of business will lead to the stable global expansion and sustainable growth of the company. We have established programs to create a workplace environment which enables all well-motivated employees to balance work and their personal lives, regardless of gender, presence or absence of disabilities, or other attributes. For example, to promote the active participation of women, we have meticulously designed programs to enable women to continue their careers, which often become sidetracked due to childbirth, childcare, and other life events. This has resulted in achievements such as 100% of the women taking childcare leave returning to work from childcare leave and our being one of the first companies to have men take childcare leave. In October 2016, we acquired Kurumin Mark certification from the Minister of Health, Labour and Welfare as a company supporting childcare. In addition, for employees who need cancer treatment, we have established a unique leave of absence program and work arrangements to help them continue working while undergoing treatment at the same time. In recognition of these programs, we were certified as a company promoting balance between treatment and work (platinum certification) under a Kanagawa prefectural government certification program.

Occupational Health and Safety

Furukawa Battery establishes a corporate health and safety activity policy on a yearly basis and pursues company-wide initiatives to firmly establish a culture that places the highest priority on safety, and develop a safety, secure and comfortable workplace. In FY2021, we focused on building mechanisms to ensure safety, improving the safety levels of individuals through communication, enhancing the work environments at our operating sites, and maintaining the physical and mental health of employees.

Initiatives to Deepen Mutual Trust Between Labor and Management

Communication between labor and management is crucial to achieve smooth management and business development while improving working conditions at the same time.

Furukawa Battery provides the following opportunities for dialogue between labor and management in an effort to deepen mutual trust.

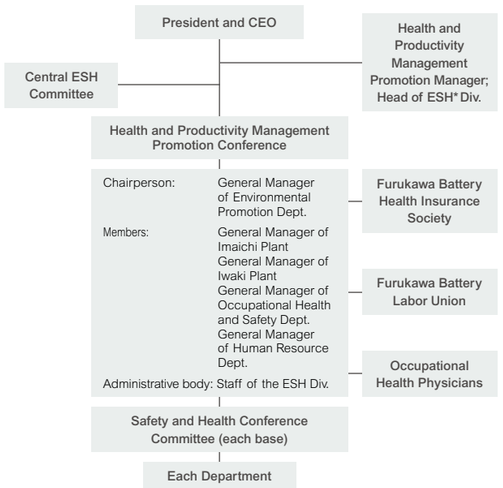
- Central management briefings: explanations about business plans and financial results (twice a year)
- Divisional labor-management meetings: briefings on monthly results held at the divisional level (once a month)
- Labor-management subcommittee meetings: discussions to achieve a comfortable working environment (once a month)
- Labor-management health and safety patrols: workplace patrols conducted by top labor and management representatives, and reviews of health and safety activities (twice a year)

A labor-management health and safety patrol underway

Health and Productivity Management

At Furukawa Battery, we aim to achieve health and productivity management® based on the idea that the health of employees is the foundation of Furukawa Battery. To this end, we have been giving employees access to regular health checkups and stress checks, taking measures to prevent long working hours, restricting smoking during working hours, and engaging in dialogue with occupational health physicians. In November 2020, we announced the Furukawa Battery Health and Productivity Management Declaration, expressing our determination to more powerfully promote health and productivity management and strategically approach the promotion of employee health. At the same time, we established a health and productivity management promotion system, under which we are accelerating company-wide efforts to promote employees' health by expanding our existing occupational health and safety activities.

Health and Productivity Management Promotion System



* ESH: Environment (E), Safety (S) and Health (H)

Furukawa Battery Health and Productivity Management Declaration

Furukawa Battery Co., Ltd. has made "the health of our employees is an important foundation" a management issue and has been working on it as part of our health and safety management. Going forward, we will strengthen industrial health by promoting activities that are conscious of health management.

We recognize that the mental and physical health of each and every employee is fundamental to fulfill our guiding principle, "We are the challenger." We will make safety and health our first priority in all areas and strive to become a company in which everyone can continue to work with enthusiasm and take on challenges.

The term "health and productivity management" is a registered trademark of the Workshop for the Management of Health on Company and Employee.

Contribution to Society

Contribution to Society

We will continue to contribute to society by identifying the social issues and expectations that Furukawa Battery should address through dialogue with stakeholders and taking initiatives to respond in a group-wide manner.

Basic Approach

As a member of the Furukawa Electric Group, Furukawa Battery carries out CSR activities in accordance with the Furukawa Electric Group Basic Policy on CSR. The CSR Code of Conduct of the Furukawa Electric Group defines fundamental rules of behavior for the Group's executives and employees to follow in conducting corporate activities from the perspective of corporate social responsibility. Keeping this Code of Conduct in mind, we strive to ensure each one of us takes the initiative in the implementation of CSR based on the idea that CSR initiatives and corporate activities are integral parts of each other.

Moving forward, we will promote ESG management by clarifying our intent to help resolve the environmental and social issues that are summarized by the Sustainable Development Goals (SDGs). As a first step, we will accelerate new initiatives such as the identification of material CSR issues, the expansion of business activities that focus on climate change, and the disclosure of environmental information related to the above.

Furukawa Electric Group Basic Policy on CSR (Revised March 2011)

Based on the Furukawa Electric Group Corporate Philosophy,

- We will operate our businesses in harmony with society and the environment and endeavor to create social value through technological innovation, complying with laws, social norms, and ethics as a member of the international community.
- We will strive to maintain and build sound and friendly relationships with all of our stakeholders and contribute to the sustainable development of society.

The Furukawa Electric Group CSR Code of Conduct (Items only) (Revised April 2019)

1	Human rights	7	Relations with customers, partners, and society
2	Labor practices	8	Management and preservation of Company assets
3	Environment	9	Disclosure of information
4	Products and services	10	Duties and obligations of senior management and employees
5	International businesses and transactions		
6	Fair competition		

WEB **The Furukawa Electric Group CSR Code of Conduct**
https://furukawaelectric.disclosure.site/en/themes/123

Initiatives to Contribute to Society in Ways Unique to Furukawa Battery

Initiatives to resolve the issues faced by local communities

- Initiatives in Thailand

At SFC in Thailand, we focus our efforts on business management with an awareness of our fulfilling our corporate social responsibilities while providing products, etc. that make society more prosperous. In the fiscal year ended March 31, 2021, we donated rice to visually challenged people whose income decreased due to the COVID-19 pandemic. We also distributed goods in the area where the company is located. In addition, in the area where our plant is located, we contributed in various ways to the local community. For example, our employees supported the rebuilding of older homes.


SFC employees distributing daily necessities


Support for the rebuilding of an older home

- Initiatives in Indonesia

At FIBM in Indonesia, we carried out activities including the donation of books to a school in the vicinity and a donation to a local festival.


An FIBM employee donating books to a school

Provision of information about the challenges we take on to achieve SDGs

In light of the growing emphasis on ESG and the SDGs, we have created a dedicated section on our official website, SDGs he-no Chousen (the challenges we take on to achieve SDGs). We created this section to provide information about the initiatives that we are proactively engaged in at Furukawa Battery to help achieve the SDGs through our business. In addition, in the fiscal year ended March 31, 2021, we applied to participate in the Kanagawa SDGs Partner program. We were officially recognized as a partner in May 2021. Moving forward, we will work to promote the SDGs and collaborate with diverse stakeholders as a Kanagawa SDGs Partner. In addition, we will link the SDGs to our mid-term and long-term management plans and our future direction, with the goal of further integrating the promotion of the SDGs into the management of our business.

WEB **SDGs he-no Chousen (Japanese only)**
https://corp.furukawadenchi.co.jp/ja/csr/sdgs.html

Corporate Governance

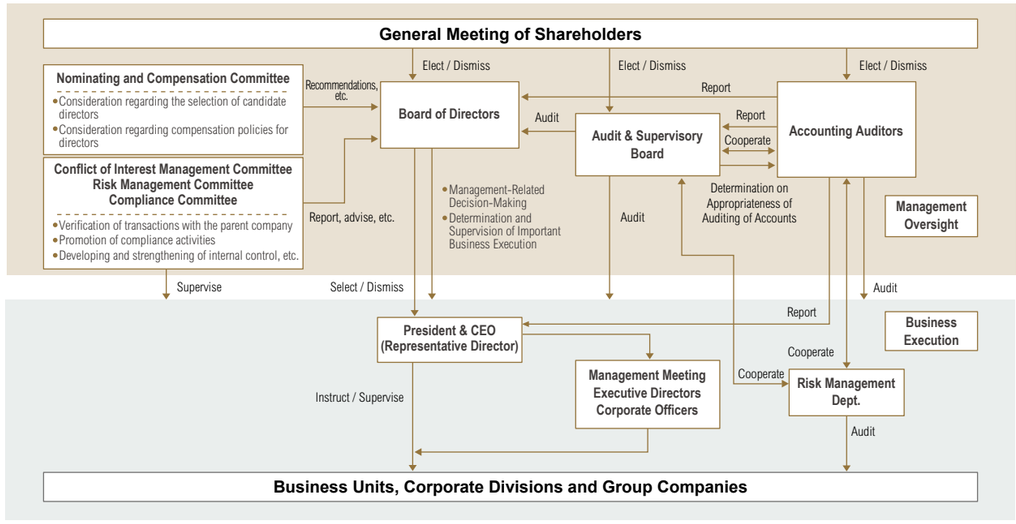
Corporate Governance (As of June 25, 2021)

Basic Approach

Furukawa Battery improves corporate value while ensuring sustained company growth and fulfilling its social responsibilities through communication with stakeholders, including shareholders, customers, employees, business partners, local communities and government.

Additionally, by splitting management oversight functions from business execution functions, we have positioned the Board of Directors as the body responsible for making management decisions and supervising business execution. This has allowed us to strike a balance between management oversight and business execution to achieve our management vision and midterm management plans, while creating a system of corporate governance that ensures transparency and fairness in company decision-making.

Corporate Governance System



Establishment of the Conflict of Interest Management Committee and the Nominating and Compensation Committee

In March 2020, Furukawa Battery established two non-statutory bodies, the Conflict of Interest Management Committee and the Nominating and Compensation Committee. The company has thus established a more effective corporate governance system, bearing in mind protection of the interests of minority shareholders.

Roles of the Conflict of Interest Management Committee

The committee verifies matters such as the reasonableness of transactions with the parent company, and if it determines that the interests of minority shareholders have been prejudiced, it takes steps such as recommending corrective action to the Board of Directors.

Roles of the Nominating and Compensation Committee

The Nominating and Compensation Committee meets before the nomination and compensation of executive management and candidate directors are discussed by the Board of Directors. Regarding nomination and compensation, this committee considers personnel selection, compensation policies, and other matters which are optimal for improving the corporate value of Furukawa Battery while also considering the protection of the interests of minority shareholders. The committee also makes recommendations, etc. to the Board of Directors.

Approach to the Appointment of Directors and Audit & Supervisory Board Members

Furukawa Battery appoints its directors and Audit & Supervisory Board members by comprehensively considering the personality, insight, ability, experience, achievements, and other elements of each candidate in light of the evaluation of the company's business performance and similar information, so that appropriate human resources are nominated to assume the posts. Candidate directors are appointed by the Board of Directors after full discussion by the Nominating and Compensation Committee. Achievements regarding systematically implemented human resource development measures are also taken into consideration in making appointment decisions. Candidate outside directors appointed by the company are expected to contribute frankly, actively, and constructively to the company's management decision making, supervision of the execution of its businesses, and other operations from an independent standpoint. Candidates for Audit & Supervisory Board members appointed by the company have sufficient knowledge and experience to fairly audit the directors' execution of their duties. Candidates for outside Audit & Supervisory Board members appointed by the company have the ability to appropriately provide advice and suggestions and appropriately audit the company's business activities from an independent standpoint, in addition to the above knowledge and experience.

Compensation of Directors and Audit & Supervisory Board Members

At Furukawa Battery, the compensation, etc. of its directors is designed under the basic conditions that the compensation contributes to improvement of the company's business performance and corporate value, that the level of compensation enables the company to secure diverse and excellent human resources, and that it is determined through a highly transparent process.

Amount of Compensation for the Fiscal Year Ended March 31, 2021

Position	Total compensation (millions of yen)	Total compensation by type (millions of yen)			Number of applicable persons
		Basic compensation	Performance-linked compensation	Non-monetary compensation	
Directors (Outside directors)	136 (13)	50 (13)	86 (–)	–	15 (4)
Audit & Supervisory Board members (Outside members)	24 (9)	24 (9)	–	–	7 (4)

Note 1: The company has not introduced a non-monetary compensation system.
Note 2: The above figures include six directors and four Audit & Supervisory Board members who resigned at the end of the Annual General Meeting of Shareholders that was held on June 25, 2020.
Note 3: Outside directors only receive fixed compensation in the interests of maintaining their independence.
Note 4: Audit & Supervisory Board members only receive fixed compensation because their duty is to audit directors' execution of duties.

Fixed compensation

Fixed monetary compensation includes compensation received as director, compensation received as representative director, and compensation received as corporate officer. Of the above, the amount of the compensation received as corporate officer is determined based on the position and duties and by evaluating performance in the previous fiscal year and other factors.

Performance-linked compensation

The amount of performance-linked compensation is determined based on the duties of the executive directors in each position and other criteria. In principle, the higher one's position as a corporate officer is, the more closely linked to performance indicators their compensation is. The performance indicators are consolidated operating profit and profit attributable to owners of parent, to secure the company's profitability and stable dividend resources. The amount of performance-linked compensation was previously determined based on a score calculated by combining the consolidated operating profit (less than 2 billion yen/ 2 billion yen or more and less than 3 billion yen/ 3 billion yen or more) and the profit attributable to owners of parent (less than 1 billion yen/ 1 billion yen or more and less than 2 billion yen/ 2 billion yen or more). The method has been changed to enable compensation to be a more sound incentive regarding management responsibility. Since June 25, 2021, the amount of performance-linked compensation has been determined based on a score calculated by combining the level of achievement of the targeted consolidated operating profit (lower than 100%/ 100% or higher and lower than 105%/ 105% or higher) and the targeted profit attributable to owners of parent (lower than 100%/ 100% or higher and lower than 105%/ 105% or higher).

Non-monetary compensation (stock compensation)

The company has not introduced a stock compensation plan as a medium-to long-term incentive plan. However, the introduction of a plan is being considered as part of the overhaul of its director compensation plan.

Composition of compensation of individual directors

At present, directors of the company receive fixed compensation and performance-linked compensation. As part of the overhaul of the director compensation plan, however, the company is considering the introduction of a system under which the higher one's position as a corporate officer is, the higher the ratio of performance-linked compensation and stock compensation to their overall compensation is.

Expertise and Activities of outside Directors and outside Audit & Supervisory Board Members

Outside directors and outside Audit & Supervisory Board members have a wealth of experience, extensive track record, and broad knowledge as managers of operating companies, or a high level of expertise and a wealth of knowledge and experience in fields such as law, finance, accounting, and university education. The Board of Directors respects its outside directors' opinions provided from diverse perspectives based on each director's experience in its efforts to encourage uninhibited, constructive discussion.

Position	Name	Independent officer	Attendance rate (Fiscal year ended March 31, 2021)				Field of expertise
			Board of Directors	Audit & Supervisory Board	Conflict of Interest Management Committee	Nominating and Compensation Committee	
Outside Director	**Naoya Eguchi** (Took office in June 2017)	Yes	17/17 (100%)	–	2 /2 (100%)	4 /4 (100%)	Mr. Eguchi has a wealth of experience and an extensive track record in the field of advanced technologies and the technology development sector and broad knowledge as a business manager in the manufacturing industry.
	Somuku Iimura (Took office in June 2020)	Yes	12/13 (92%)	–	–	1 /1 (100%)	Mr. Iimura has a wealth of experience and broad knowledge, which he has acquired from a fair, neutral perspective as a lawyer.
	Tatsuro Sato (Took office in June 2020)	Yes	12/13 (92%)	–	1 /1 (100%)	2 /2 (100%)	Mr. Sato has a wealth of experience and broad knowledge in the advertising industry and the field of university education. He has also been engaged in a wide range of activities, including writing, lecturing, training, planning, and consulting.
Outside Audit & Supervisory Board Member	**Yukinobu Ogawa** (Took office in June 2020)	Yes	13 /13 (100%)	9 /9 (100%)	–	–	Mr. Ogawa has a wealth of experience and broad knowledge about audit services as an auditor from an audit firm. He also has knowledge about finance and accounting as a certified public accountant.
	Makiko Kigawa (Took office in June 2020)	Yes	13 /13 (100%)	9 /9 (100%)	–	–	Ms. Kigawa has a wealth of experience and broad knowledge on audit services as an auditor at Shueisha Inc. and its group companies.

Note: Mr. Somuku Iimura joined the Conflict of Interest Management Committee and the Nominating and Compensation Committee in December 2020.

Compliance and Risk Management

At Furukawa Battery, we do not only view compliance as having all officers and employees comply with various laws, regulations and rules; to us, it also means to always act with social and moral obligations at the forefront and to deal with all people in a fair and sincere way.

To achieve sustainable growth, it is essential that we determine and mitigate risks with the right degree of sensitivity even as society is in a perpetual state of change. Every year, we identify risks in a company-wide manner, understand and assess the risks in our business activities, and update our risk handling manual, which details methods for handling risks, measures for preventing their occurrence or recurrence, the divisions in charge of managing them, and other information. Matters to be addressed intensively are selected when we update this manual. In the fiscal year ended March 31, 2021, we mainly emphasized the risks presented by the COVID-19 pandemic, natural disaster risks, and risks related to occupational health and safety and human resource management. We proactively implemented measures to address them.

Response to COVID-19

Furukawa Battery has been implementing the initiatives at right since the beginning of the COVID-19 pandemic, to ensure the safety of our stakeholders and the continuity of our business.

- Working from home and staggering commuting times at back-office sections at business locations all over Japan
- Holding events, etc. online
- Postponing business trips and visits and holding conference calls and web conferences as alternatives
- Ensuring employees wash hands, gargle, wear masks, disinfect facilities with alcohol, and avoid the 3Cs (closed spaces, crowded places, and close-contact settings)

Initial response to the COVID-19 pandemic

2020

Jan. 27
- Began to send internal warnings (urging employees to wash hands, wear masks, etc.)
- Began to refrain from business trips to some areas

Feb. 20
- Cancelled booths at trade fairs
- Switched some briefings to web conferences

Feb. 27
- Introduced staggered commuting
- Cancelled/ postponed events

Mar. 2
- Introduced a special leave of absence program for employees with children whose schools were shut down
- Cancelled/ postponed events
- Began to refrain from visiting customers

Apr. 7 Declaration of a state of emergency

- Recommended work from home (back-office sections)
- Prohibited travels between business locations (switched to online meetings)

May 31
- Distributed masks to employees

Nov.
- Installed panels for protection from airborne droplets at business locations all over Japan

Management Team

Management Team (As of June 25, 2021)

Members of the Board of Directors

Shinichi Ono
President & CEO

Toru Chiba
Managing DirectorExecutive Corporate Officer

Hitoshi Taguchi
Managing DirectorExecutive Corporate Officer

Tetsuya Kawai
Director Senior Corporate Officer

Nobuaki Shimizu
Director Senior Corporate Officer

Naoya Eguchi
Outside and Independent Director

Somuku Iimura
Outside and Independent Director

Tatsuro Sato
Outside and Independent Director

Akifumi Nakajima
Director

Audit & Supervisory Board Members

Syunji Ishizaki
Full-Time Audit & Supervisory Board Member

Yukinobu Ogawa
Outside and Independent Audit & Supervisory Board Member

Makiko Kigawa
Outside and Independent Audit & Supervisory Board Member

The Company notified the Tokyo Stock Exchange of its three independent Directors and two independent A&SBMs. Independent Directors include: Mr. Naoya Eguchi, Mr. Somuku Iimura and Mr. Tatsuro Sato. Independent A&SBMs include: Mr. Yukinobu Ogawa and Ms. Makiko Kigawa.

Corporate Officers

Executive Corporate Officers	**Koichiro Yamamoto**	Head of Environmental Safety & Health Promotion Division and Chairman of the Board, Siam Furukawa Co., Ltd.
	Takatoshi Kamimura	Chief Product Officer (CPO)
Senior Corporate Officer	**Shinichiro Ota**	Chief Global Officer (CGO)
	Toshiro Yamamoto	Head of Battery Technology & Innovation Headquarters
Corporate Officers	**Fumihiro Niitsuma**	Deputy Head of Environmental Safety & Health Promotion Division and General Manager of Iwaki Plant
	Susumu Meida	General Manager of Finance & Accounting Dept., Corporate Management Division
	Takeshi Kawana	General Manager of Sales & Marketing Division, Industrial Equipment Group
	Toshiya Hikami	Head of Research & Development Division and General Manager of LM Development Dept.
	Takeshi Hisa	General Manager of Production Division, Automotive Battery Group
	Takamitsu Suzuki	General Manager of Production Division, Industrial Equipment Group
	Tomoki Hiruta	President, PT. FURUKAWA INDOMOBIL BATTERY MANUFACTURING

Members of Organizations

◎: Chairperson ○: Member/observer

Position	Name	Board of Directors	Management Meeting	Audit & Supervisory Board	Compliance Committee Risk Management Committee	Conflict of Interest Management Committee Nominating and Compensation Committee
President & CEO	Shinichi Ono	◎	◎	-	◎	○
Managing Director Executive Corporate Officer	Toru Chiba	○	○	-	○	-
Managing Director Executive Corporate Officer	Hitoshi Taguchi	○	○	-	○	-
Director Senior Corporate Officer	Tetsuya Kawai	○	○	-	○	-
Director Senior Corporate Officer	Nobuaki Shimizu	○	○	-	○	-
Outside Director	Naoya Eguchi	○	-	-	-	◎
Outside Director	Somuku Iimura	○	-	-	-	○
Outside Director	Tatsuro Sato	○	-	-	-	○
Director	Akifumi Nakajima	○	-	-	-	-
Audit & Supervisory Board Member	Shunji Ishizaki	○	○	◎	○	-
Outside Audit & Supervisory Board Member	Yukinobu Ogawa	○	-	○	-	-
Outside Audit & Supervisory Board Member	Makiko Kigawa	○	-	○	-	-
Executive Corporate Officer	Koichiro Yamamoto	-	○	-	○	-
Executive Corporate Officer	Takatoshi Kamimura	-	○	-	○	-
Senior Corporate Officer	Shinichiro Ota	-	○	-	○	-
Senior Corporate Officer	Toshiro Yamamoto	-	○	-	○	-
Corporate Officer	Fumihiro Niitsuma	-	○	-	○	-
Corporate Officer	Susumu Meida	-	○	-	○	-
Corporate Officer	Takeshi Kawana	-	○	-	○	-
Corporate Officer	Toshiya Hikami	-	○	-	○	-
Corporate Officer	Takeshi Hisa	-	○	-	○	-
Corporate Officer	Takamitsu Suzuki	-	○	-	○	-
Corporate Officer	Tomoki Hiruta	-	○	-	○	-

*The Compliance Committee is aimed at fulfilling social responsibilities, maintaining and improving social trust, and improving corporate value. The Risk Management Committee is aimed at understanding and managing risks in business activities.

Corporate Information

Main Group Companies and Production Sites

Thailand

SIAM FURUKAWA CO., LTD.
Saraburi

SIAM FURUKAWA TRADING CO., LTD.
Bangkok

Indonesia

PT.FURUKAWA INDOMOBIL BATTERY MANUFACTURING
Purwakarta

PT.FURUKAWA INDOMOBIL BATTERY SALES
Purwakarta

Japan

Imaichi Plant,
The Furukawa Battery Co., Ltd.
Nikko City, Tochigi Prefecture

Iwaki Plant,
The Furukawa Battery Co., Ltd.
Iwaki City, Fukushima Prefecture

Furukawa Battery Marketing Co., Ltd.
Shinagawa Ward, Tokyo (six sites around Japan)

Furukawa Battery Niigata Co., Ltd.
Niigata City, Niigata Prefecture

FB Package Co., Ltd.
Iwaki City, Fukushima Prefecture

Daiichi Giken Kogyo Co., Ltd.
Utsunomiya City, Tochigi Prefecture

HD Holdings Co., Ltd.
Shinagawa Ward, Tokyo

ABRI Co., Ltd.
Hachioji City, Tokyo

Main partners

- **Dry Cell and Storage Battery Joint Stock Company (PINACO)**
  Ho Chi Minh, Vietnam
- **Exide Industries Limited**
  Kolkata, India
- **EXIDE Pakistan Limited**
  Karachi, Pakistan
- **Shandong Sacred Sun Power Sources Co., ltd**
  Shandong, China
- **East Penn Manufacturing Company, Inc.**
  Pennsylvania, USA

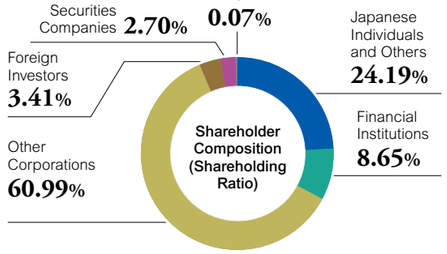
Company Profile (as of March 31, 2021)

Corporate Name:	The Furukawa Battery Co., Ltd.
Established:	September 1, 1950
Capital:	¥1,640 million
Number of Employees:	Consolidated: 2,369 Non-consolidated: 979
Fiscal Year:	From April 1 to March 31
Head Office:	2-4-1, Hoshikawa, Hodogaya-ku, Yokohama city, Kanagawa, 240-0006, Japan Telephone: +81-45-336-5034
Stock Exchange Listing:	Tokyo Stock Exchange
Securities Identification Code:	6937
Transfer Agent for Common Stock:	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo, Japan

Stock Information (as of March 31, 2021)

Total Number of Authorized Shares:	80,000,000
Total Number of Shares Issued:	32,800,000
Number of Shareholders:	11,359

Share Distribution by Shareholder



Major Shareholders

Name of Shareholders	Number of Shares Held (Hundreds of shares)	Shareholding Ratio (%)
Furukawa Electric Co., Ltd.	187,812	57.30
Furukawa Battery Trading-Partner Shareholding Association	5,319	1.62
The Master Trust Bank of Japan, Ltd. (Account in Trust)	4,958	1.51
Asahi Mutual Life Insurance Company	3,520	1.07
Akio Yoneda	2,460	0.75
Sompo Japan Insurance Inc.	2,370	0.72
The Toho Bank, Ltd.	2,300	0.70
Tokyo Marine & Nichido Fire Insurance Co., Ltd.	2,200	0.67
Fuji Electric Co., Ltd.	2,200	0.67
Custody Bank of Japan, Ltd. (Trust account 5)	2,195	0.67

Note: Shareholding ratio is calculated excluding treasury stock (22,086 shares).

The details of this report are also available from the Furukawa Battery website.

Website: https://www.furukawadenchi.co.jp/english/index.htm
Investor Relations: https://corp.furukawadenchi.co.jp/en/ir.html
Sustainability: https://corp.furukawadenchi.co.jp/en/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

1914 Furukawa Electric Co., Ltd. establishes battery factory in Amagasaki City, Hyogo Prefecture

1950 Spun off from Furukawa Electric Co., Ltd. Founded as The Furukawa Battery Co., Ltd.

1952 Obtains permission to display the Japan Industrial Standards mark for automotive storage batteries

1955 Commercializes storage batteries for aircraft

1961 Establishes a capital alliance with Honda Denki Co., Ltd.
Begins sales of pocket-type alkaline storage batteries

1970 Constructs automotive lead-acid battery plant in Imaichi City (now Nikko City)

1978 Constructs automotive lead-acid battery plant in Iwaki City

1992 Establishes Siam Furukawa Co., Ltd. (SFC) through a merger with Thailand-based Siam Cement

1995 Obtains ISO 9001 certification

1999 Obtains ISO 14001 certification

2003 Successfully develops the world's first lithium-ion battery for use in space, which was installed in the Hayabusa asteroid exploration craft

Illustration: Akihiro Ikeshita

2006 Develops UltraBattery, representing a significantly improved performance in lead-acid battery

2012 Releases ECHNO HV and IS lead-acid batteries for use in hybrid and idling stop

2013 Merges with Indonesia's Indomobil Group and established PT. Furukawa Indomobil Battery Manufacturing (FIBM)

Augments equipment at automotive lead-acid battery plant in Iwaki

2014 Develops MgBOX magnesium-air battery for emergency use

Lithium-ion batteries equipped in the Hayabusa 2 asteroid probe

2016 Acquires 10.5% of issued shares of Vietnam-based storage battery manufacturer Dry Cell and Storage Battery Joint Stock Company

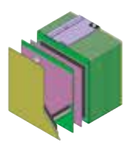
2017 Establishes the next-generation lithium-ion battery development company ABRI Co., Ltd. in partnership with Tokyo Metropolitan University

2018 Awarded Excellence Prize at "New Tohoku" Restoration Business Contest 2018

2019 Hayabusa 2 probe equipped with lithium-ion batteries manufactured by Furukawa Battery successfully touches down on the Ryugu asteroid

Illustration: Akihiro Ikeshita

2020 Develops a bipolar storage battery that satisfies performance, safety and cost-effectiveness requirements



2021 Takes over Maxell, Ltd.'s laminated lithium-ion battery business


FURUKAWA BATTERY