



# Annual Report 2011

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## Message from the President

In FY2010, our sales increased and our profits also staged a significant recovery, reflecting a rebound in global demand for capital goods and strong growth in emerging markets, tempered by concerns about the strong yen. This fiscal year, in a difficult business environment, we are doing our utmost to further increase the efficiency of our operations and speed up the development of new technologies and products, to offer products that help resolve environmental issues combined with unbeatable services.

The year got off to a troubled start due to the Great East Japan Earthquake on March 11. During FY2011, production activity is expected to recover, driven by the rapid restoration of supply chains, and consumption is projected to improve on the strength of demand related to reconstruction and disaster prevention. The Group was also significantly affected by the earthquake, particularly at our branches and affiliates in the Tohoku region, our Iwaki Plant, and our plants in the Kanto Region. We quickly mobilized all employees at all sites to support the reconstruction effort both within the Group and within the community and we were able to restart all operations and sales activities by early April 2011.

In this environment, the Group has stepped up its efforts in the electricity storage business, for instance, developing batteries for environmentally friendly automobiles and smart grid technologies. In particular, the Group won a commission to develop complex electricity storage system technologies on behalf of Japan's Ministry of Economy Trade and Industry (METI). We will apply the findings and outcomes of this demonstration project to the practical application of electricity storage systems in the future. On the energy market, smart grids incorporating large amounts of new energies such as wind power and solar power are expected to be built worldwide in response to environmental issues, and demand for deep-cycle batteries used in these grids is anticipated. The Fukushima Daiichi Nuclear Power Station disaster prompted a review of natural energy sources previously labeled high cost, and expansion in sales of electricity storage systems for new applications is expected.

On the earnings front, we are now able to generate a profit continuously thanks to sales activities with greater emphasis on profitability, revision of selling prices, and company-wide activities to reduce use of raw materials, slash losses, increase productivity, and cut costs. We have also made progress on management targets including increasing the equity capital ratio and reducing interest-bearing debt.

Our operating income was 3,385 million yen and our ordinary income was 3,364 million yen, principally due



President and CEO

内海 勝彦

Katsuhiko Utsumi

to an improvement in profits from overseas subsidiaries and higher sales of batteries used for repairs, helping to offset the impact of the Great East Japan Earthquake. Major extraordinary gain and loss items included loss on abandonment of inventory, expenses incurred while operations were suspended, and plant restoration expenses in the aftermath of the Great East Japan Earthquake, resulting in a total extraordinary loss of 211 million yen.

We paid a dividend of ¥5 per share in 2009, and have continued to distribute profits to our shareholders.

The environment in which we operate is changing at a faster pace than we ever imagined, given the financial crisis as well as the unstable political situation in Africa and the Middle East. We have held extensive discussions on our medium-to long-term growth strategy, the company we aim to become and the position we aim to achieve by 2020, 10 years from now, and the steps we need to take to get there.

The key strands of our growth strategy are “Building our overseas operations” and “Creating new businesses.”

Our long-term vision is divided into two phases: the first five years are positioned as the period during which we prepare for growth, while the second five years are positioned as the period for growth. Based on the steps described in our long-term vision, we are currently in the process of formulating our next three year medium-term management plan starting in FY2011, which will shape the key measures and actions plans we need to execute.

The Group will continue to pursue comprehensive cost cutting while bolstering its structure so that it has the ability to translate a changing operating environment into new business opportunities. As we pursue these initiatives, we hope that we will be able to continue to count on the support and encouragement of our shareholders.

## Corporate Philosophy

### Guiding Principle

Drawing on many years of expertise in battery technology, the Furukawa Battery will contribute to the realization of a rich and sustainable society through continuous technological innovation.

### Management Principles

With an eye to the future of people and our planet, Furukawa Battery pledges to:

- Live up to the expectations and trust invested in us by society, with fairness and integrity.
- Apply the sum total of our expertise to satisfy our customers and grow with them.
- Continuously strive to achieve world-class technology innovation, and transform ourselves in every area of endeavor.
- Nurture human resources at every level, so that we can become a more diverse and creative organization.

### Furukawa Battery Credo

- Maintain high ethical standards, and value honesty and integrity above all.
- Continually improve, innovate, and lead, in every area of endeavor.
- Take a hands-on approach that addresses the reality of every situation - in the office, at the factory, and on site.
- Be proactive-take the initiative and work with others, persevering until a solution is found.
- Maintain open channels of communication between departments and divisions so that we can share ideas and help each other.



# History

Furukawa Electric Co., Ltd. established its battery factory in Amagasaki City, Hyogo Prefecture, and started production of lead-acid batteries.

1914

Spun off from Furukawa Electric Co., Ltd. and founded as The Furukawa Battery Co., Ltd.

1950

1937

Relocated the battery plant to Hodogaya-ku, Yokohama City for business expansion.



1970

Completed an automotive battery plant in Imaichi City (now Nikko City), Tochigi Prefecture.



1978

Completed an automotive battery plant in Iwaki City, Fukushima Prefecture.



1986

Completed FB Plant in Nikko City.



1989

Relocated its head office to the old Yokohama Plant site.



1992

Established Siam Furukawa Battery Co., Ltd. as a joint venture with The Siam Cement Public Company, Ltd. in Thailand.



Awarded ISO9001 certification.

1996

Awarded ISO14001 certification. (Iwaki and Imaichi Plants).

1999

Awarded ISO9001-2000 certification for all sites and all activities.

2001

2003

Successfully developed the world's first lithium-ion battery for space application, which was installed in the "Hayabusa" asteroid explore.



2002

Additionally acquired shares of Siam Furukawa Co., Ltd. to make it a subsidiary.

2007

Made Daiichi Giken Kogyo Co., Ltd. into a subsidiary.

2009

Made HD Holdings Co., Ltd. into a subsidiary.

"Hayabusa" returned to Earth after seven years.

2010

Provided the "Akatsuki" Venus climate orbiter with a lithium-ion battery.

## Five-Year Consolidated Financial Highlights

The Furukawa Battery Co., Ltd. and its consolidated subsidiaries

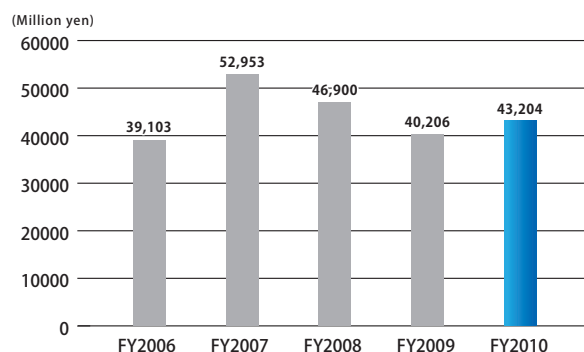
Fiscal years ended March 31

Unit: Million yen  
Unit: Thousand US Dollar

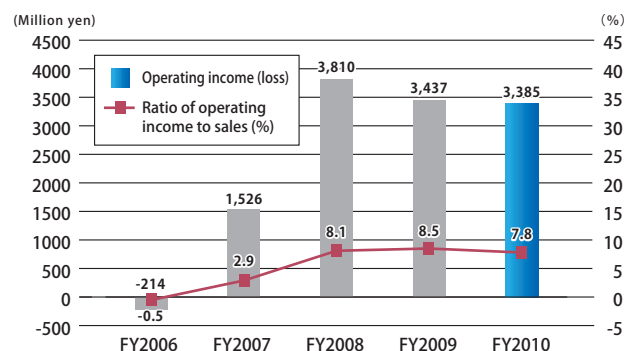
	FY2010	FY2009	FY2008	FY2007	FY2006	FY2010
Sales	43,204	40,206	46,900	52,953	39,103	480,044
Operating income	3,385	3,437	3,810	1,526	-214	37,611
Net income	1,843	2,054	2,296	729	-188	20,478
Per share of common stock (Unit: Yen and US Dollar)						
- Basic	56.23	62.66	70.05	22.26	(5.75)	0.625
- Cash dividends paid	5	6	5	0	0	0.056
Total assets	34,972	35,077	31,687	37,523	32,273	388,578
Equity capital	9,195	7,508	5,397	3,485	3,065	102,167

(Note) Figures in US Dollar are calculated through conversion at the rate of 90 yen per US dollar for the sake of convenience.

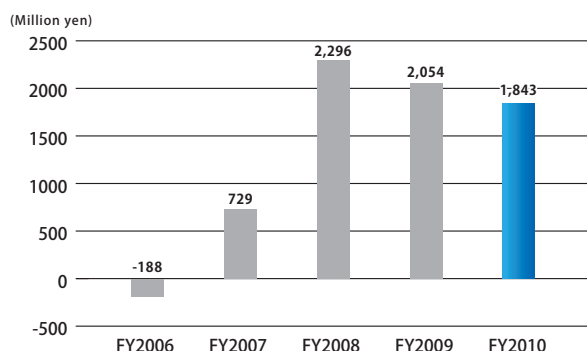
### Sales



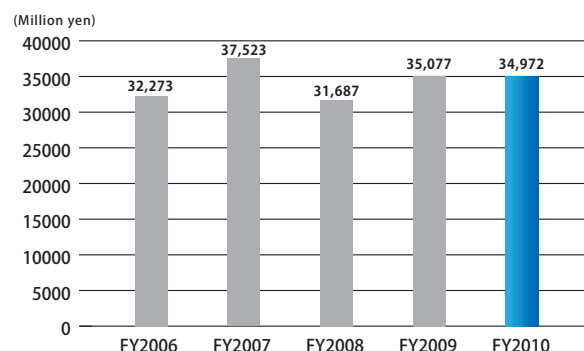
### Operating Income (Loss) / Ratio to Sales (%)



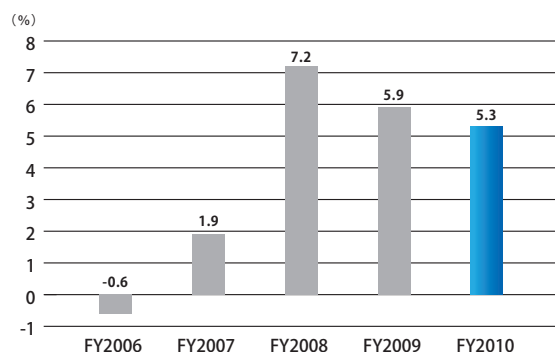
### Net Income (Loss)



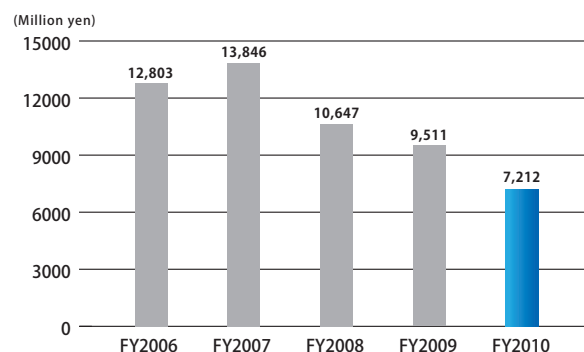
### Total Assets



### Return on Total Assets (ROA)



### Interest-Bearing Debt



## Business Overview

### Sales and Profit

During FY2010, the Japanese economy began to show some signs of a recovery, despite the uncertain outlook caused by a slowdown in exports due to the appreciation of the yen, and a slump in consumer spending in reaction to the rush demand. However, in the wake of the Great East Japan Earthquake that took place on March 11, 2011, economic activity declined sharply, and it has become difficult to accurately forecast the future outlook.

In this business environment, the Group has stepped up its efforts in the electricity storage business, for instance, developing batteries for environmentally friendly automobiles and smart grid technologies. In particular, the Group won a commission to develop complex electricity storage system technologies on behalf of the New Energy and Industrial Technology Organization (NEDO).

The Group recorded net sales of 43,204 million yen, an

increase of 2,997 million yen or 7.5% year on year. This increase principally reflected higher sales of batteries used for repairs, due to the unusually hot summer, and higher sales of overseas subsidiaries. Overseas sales amounted to 9,379 million yen, accounting for 21.7% of total sales.

Operating income was 3,385 million yen, compared with 3,437 million yen for the previous year, and ordinary income stood at 3,364 million yen, compared with 3,378 million yen for the previous fiscal year. These results mainly reflected positive factors such as an improvement in profits from overseas subsidiaries, higher sales of batteries used for repairs due to the unusually hot summer, as described above, and the effects of subsidies and tax credits for eco-friendly cars in the first half of the fiscal year, helping to offset the impact of the Great East Japan Earthquake.

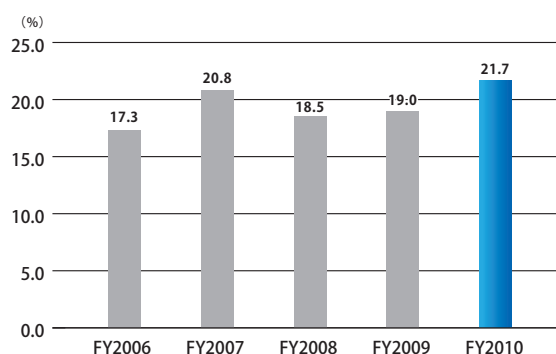
### Overseas Sales

Overseas sales increased by 1,737 million yen from the previous year, to 9,379 million yen.

Our overseas sales are generated mainly by lead-acid batteries for four-wheel vehicles and motorcycles for non-Japanese regions by our overseas subsidiary, Siam Furukawa, and by Furukawa Battery.

The ratio of overseas sales in FY2010 increased slightly to 21.7%, up from 19.0% in the previous year.

■ Ratio of Overseas Sales



## Corporate Governance

Furukawa Battery is aware of the critical importance of establishing corporate governance. We are committed to improving governance, based on management that respects the value of shareholders and other stakeholders and that contributes to society through production and sales of products that provide security and comfort.

### System of Corporate Governance

In June 2011, we introduced the executive officer system to improve the speed and efficiency of management. We separated the management oversight functions from the business execution functions, positioned the Board of Directors as the institution to make management decisions and supervise the execution of duties, separating these functions from the business execution functions.

The Company operates a system under which management decisions are made with sufficient deliberation at meetings of the Board of Directors, which are held regularly once a month and attended by seven directors including one outside director and four auditors including three outside auditors. It also operates a system under which an extraordinary meeting of the board of directors can be convened whenever necessary to deal with any issues.

To enhance the audit function, we have in place a system under which we appoint audit assistants to support the auditing duties of auditors.

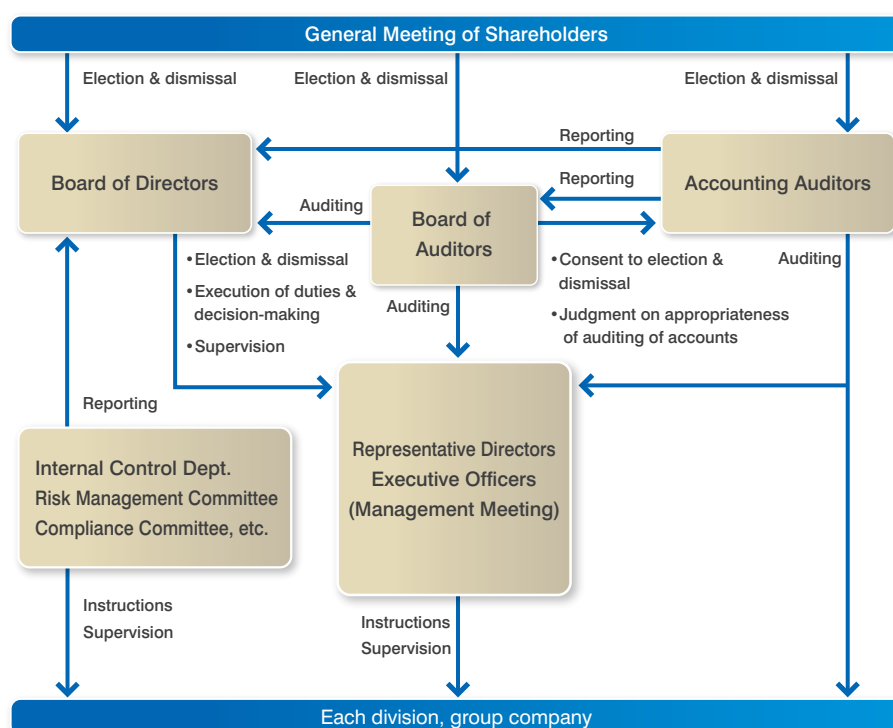
We hold management meetings and business liaison meetings attended by directors, executive officers and full-time auditors to improve the speed and efficiency of execution of duties.

### Internal Control

We established Internal Control Basic Rules for the purpose of pursuing efficiency and effectiveness in the business operation of the Furukawa Battery Group, compliance with relevant laws and ordinances, ensuring the reliability of financial reporting, seeking to preserve assets, and helping maintain and enhance corporate value. We also established institutions such as the Internal Control Dept., the Risk Management Committee and the Compliance Committee for the same purpose, and are working to put internal controls in place.

### Basic Policy on the Elimination of Antisocial Forces

Furukawa Electric Co., Ltd. has set forth the Furukawa Electric Group CSR Code of Conduct as a code of conduct for its group companies. This code clearly specifies that Group companies should adopt a resolute approach to antisocial forces. Furukawa Battery's Board of Directors determined that Furukawa Battery shall adopt a resolute approach to any antisocial forces that threaten the safety and order of society, and its Compliance Rules stipulate it as compliance conduct guidelines.





## Our CSR Activities

For the Furukawa Battery Group, the fulfillment of corporate social responsibility means “observing the importance of social rules and corporate ethics,” “reducing the environmental burden caused by business activities,” “ensuring product safety” and “ensuring the safety of employees and communities,” while providing products and services that contribute to advancing society and improving

people’s lives. We will enhance communications with our stakeholders and further improve and develop our CSR activities, aiming at the development of corporate activity where “Economic efficiency,” “Environmental activity,” and “Contribution to society” are in good balance.

We issue the CSR Report about our CSR activities mainly for environmental activities.

### Compliance

All officers and employees of Furukawa Battery are required to observe The “Furukawa Electric Group CSR Code of Conduct” as our Code of Conduct. We have established Compliance Rules for not only ensuring that our business operations comply with laws and regulations but also that we always act properly as members of society. These Rules establish the internal system for anonymous reporting, and

provide with an internal contact point to receive reports as well as with full-time auditors as a contact point to ensure anonymity.

The Compliance Committee, which consists of all the directors, allows auditors to observe its meetings and ask questions.

### Environmental Initiatives

Furukawa Battery’s plants are located in the beautiful natural environment of Fukushima Prefecture and Tochigi Prefecture. At these sites, not only do we observe environmental legislation and agreements with local government, we also pursue activities to preserve the environment, focusing on the activities shown on the right.

1

**Energy saving for preventing global warming**

2

**Effective use of resources, and encouragement of reduction in wastes and recycling for reducing environmental burdens**

3

**Pursuit of resource saving through effective use and recycling of lead, sulfuric acid and caustic soda, which are our main raw materials, for the protection of the environment**

4

**Development of products with fewer pollutants to reduce environmental burdens**

### Basic Policy on Social Contribution Activities

In line with the Furukawa Electric Group Basic Policy on Social Contribution Activities, we will continuously undertake social contribution activities focusing on nurturing future generations, promoting sport and culture, and living in harmony with the environment and local communities, in addition to our business-related activities, in order to maintain and strengthen community ties built over centuries and create a better tomorrow for future generations.

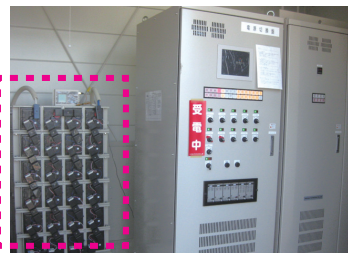
### Relationship with Society and Local Communities

We will build relationships in harmony, co-existence and co-prosperity with local communities by participating in community cleanups and local events, as well as by providing factory tours in individual business locations.

## Topics

### Launch of small-scale smart grid demonstration project

Large power plants were damaged in the Great East Japan Earthquake, increasing the need for alternative power sources including renewable energy. Furukawa Battery is taking part in a small-scale smart grid (NATUENE System) demonstration project conducted at the Toyohashi Plant of Sinfonia Technology Co., Ltd. and the test facility went into full-scale operation in April 2011.



Exterior view of 24 UB500s in line

The electricity storage system uses the UltraBattery (UB500) manufactured by Furukawa Battery and was put into operation for the purpose of achieving effective use of power, including the leveling of fluctuating loads and stable supply of renewable energy, storage of night-time power and emergency backup. We intend to gather data to evaluate the demonstration with the NATUENE system, hoping to contribute to the improvement of power problems.

NATUENE is the trademark of Sinfonia Technology Co., Ltd.



Exterior view of NATUENE System

### Lithium-ion batteries onboard “Hayabusa” asteroid explore

“Hayabusa” overcame numerous dangers to return to Earth after seven years in June 2010. “Hayabusa” was equipped with Furukawa Battery’s lithium-ion batteries, which were used for prolonged periods of time to power equipment during various operations including take-off, earth swing-by, and the collection of surface samples from asteroid Itokawa.

Our lithium-ion batteries performed reliably in extreme conditions including vibration during takeoff, impact, and the extreme cold and vacuum of space, helping “Hayabusa” successfully complete its mission.

The “Akatsuki” Venus probe, launched in May 2010, is also equipped with upgraded Furukawa Battery’s lithium-ion batteries and these have been confirmed to work as initially planned both during takeoff and upon entry into Venus orbit.



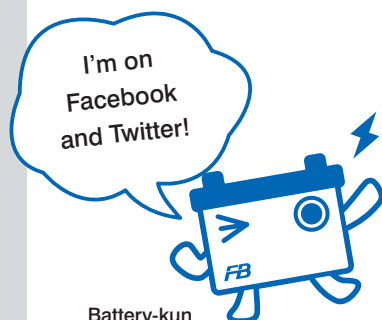
“Hayabusa” asteroid explore traveling toward asteroid Itokawa (image provided by Mr. Akihiro Ikeshita)



Lithium-ion batteries

### Communication of battery information by Battery-kun

We communicate information about batteries on social networking service (Twitter, Facebook) through Battery-kun, a cartoon character in the form of a car battery. Usually, we send the Battery-kun puppet on business trips around Japan to communicate information about batteries and event information. By using the Battery-kun character and social networks, we have narrowed the distance between us and our users, informing users about batteries and how to change them, product features and suchlike to raise awareness.



Battery-kun



Video showing how to change batteries



Solar car report



Present campaign



Lots of engagements at events around Japan!

Facebook address <http://www.facebook.com/FurukawaBattery/>

# Financial Report

## Analysis on the financial position

### Overview of current consolidated fiscal year

Cash generated by business operations for the current consolidated fiscal year was 4,652 million yen due to depreciation expense of 1,661 million yen and an increase 1,087 million yen through the collection of trade accounts receivable, although we had current net income before adjustment of taxes, etc. of 3,155 million yen and a decrease of 1,208 million yen due to increase of inventories and repayment of trade account payable.

Cash used for investment activities was 1,717 million yen mainly due to the expenditure for acquisition of tangible

fixed assets of 1,716 million yen.

Cash used for financing activities was 2,583 million yen, principally attributable to the repayments of short-term debt of 1,205 million yen and expenditure due to redemption of bonds of 1,180 million yen.

As a result, cash and cash equivalents at the end of the current consolidated fiscal year increased by 354 million yen from the previous fiscal year to 2,974 million yen.

### Trends of cash flow indexes

	FY2006	FY2007	FY2008	FY2009	FY2010
Equity capital ratio (%)	9.5	9.3	17.0	21.4	26.3
Equity capital ratio based on current value (%)	21.1	36.1	84.0	66.0	47.3
Number of years for debt redemption (years)	7.7	8.8	2.2	2.8	1.6
Interest coverage ratio	6.2	4.4	14.9	15.6	24.4

\* Equity capital ratio: Equity capital / Total assets

Equity capital ratio based on current value: Value of shares / Total assets

Number of years for debt redemption: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payment

Note 1) All ratios were calculated using financial data on a consolidated basis.

Note 2) The value of the shares was calculated by multiplying the term-end share value by the total number of outstanding shares at the end of the term.

Note 3) The operating cash flow used here is the operating cash flow for business operations in the consolidated cash flow statement.

Note 4) Interest-bearing debt is the combined amount of corporate bonds and debts payable recorded in the consolidated balance sheet. The interest payment used here is the amount of interest paid in the consolidated cash flow statement.

### Basic policy on return of profits / dividends for current and next periods

Our basic policy is to return profits to shareholders by securing stable profitability and continuously paying dividends, as we are aware that return of profits is our important commitment to shareholders. To show our appreciation for the continued support of our shareholders,

we have decided to pay a year-end dividend of 5 yen per share for the current period. Although the business environment is likely to remain severe, our year-end dividend for the next period is expected to be 5 yen per share.

## Financial Report

## Consolidated Financial Statements

## Consolidated Balance Sheet

The Furukawa Battery Co., Ltd. and its consolidated subsidiaries  
At March 31, 2010, 2009 and 2008

Unit: Million yen

Assets	2010	2009	2008
<b>Current assets</b>			
Cash and deposits	2,974	2,634	2,829
Bill receivable and trade account receivable	9,512	10,616	9,792
Commodities and products	1,468	1,244	1,403
Products in process	2,047	1,658	2,019
Raw materials and stored goods	610	583	469
Deferred tax assets	272	283	296
Others	430	401	423
Bad debt reserve	(41)	(60)	(50)
<b>Total current assets</b>	<b>17,274</b>	<b>17,362</b>	<b>17,184</b>
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Buildings and structures	11,212	10,895	9,191
Cumulative amount of depreciation	(7,426)	(7,164)	(6,029)
Buildings and structures (net amount)	3,785	3,730	3,162
Machines, equipment and transport equipment	21,108	20,646	20,308
Cumulative amount of depreciation	(17,785)	(16,877)	(16,517)
Machines, equipment and transport equipment (net amount)	3,322	3,769	3,790
Tools, apparatus and fixtures	6,177	–	–
Cumulative amount of depreciation	(5,804)	–	–
Tools, apparatus and fixtures (net amount)	372	–	–
Machines, transport equipment, tools, apparatus and fixtures	–	6,045	5,962
Cumulative amount of depreciation	–	(5,660)	(5,483)
Machines, transport equipment, tools, apparatus and fixtures (net amount)	–	385	479
Land	6,023	5,862	2,878
Leased assets	297	200	75
Cumulative amount of depreciation	(86)	(38)	(9)
Leased assets (net amount)	210	161	65
Construction in process account	158	88	163
<b>Total tangible fixed assets</b>	<b>13,873</b>	<b>13,998</b>	<b>10,539</b>
<b>Intangible fixed assets</b>			
Goodwill	58	88	117
Leased assets	42	52	44
Others	51	46	45
<b>Total intangible fixed assets</b>	<b>152</b>	<b>187</b>	<b>207</b>
<b>Investments and other assets</b>			
Investment securities	1,430	1,471	1,594
Deferred tax assets	2,068	1,888	1,990
Others	281	292	244
Bad debt reserve	(109)	(123)	(74)
<b>Total investments and other assets</b>	<b>3,671</b>	<b>3,529</b>	<b>3,755</b>
<b>Total fixed assets</b>	<b>17,698</b>	<b>17,715</b>	<b>14,503</b>
<b>Total assets</b>	<b>34,972</b>	<b>35,077</b>	<b>31,687</b>

Unit: Million yen

Liabilities	2010	2009	2008
<b>Current liabilities</b>			
Bills payable and trade account payable	7,193	7,813	6,606
Short-term debt	2,827	3,896	5,772
Bonds to be redeemed within one year	1,680	1,180	1,240
Lease liabilities	83	62	29
Income taxes payable	868	340	1,270
Unpaid consumption taxes	128	119	344
Bonus reserve	458	450	460
Directors' bonus reserve	3	19	–
Provision for loss on disaster	68	–	–
Others	1,581	1,625	1,464
<b>Total current liabilities</b>	<b>14,893</b>	<b>15,507</b>	<b>17,188</b>
<b>Fixed liabilities</b>			
Bonds	1,500	3,180	2,460
Long-term debts	1,205	1,255	1,175
Lease liabilities	184	165	87
Deferred tax liabilities	1,085	1,057	0
Retirement benefit reserve	5,414	5,005	5,173
Officers' retirement allowance reserve	–	99	88
Environmental expenditure reserve	18	18	18
Negative goodwill	388	453	–
Asset retirement obligations	8	–	–
Others	577	374	20
<b>Total fixed liabilities</b>	<b>10,381</b>	<b>11,607</b>	<b>9,022</b>
<b>Total liabilities</b>	<b>25,275</b>	<b>27,114</b>	<b>26,211</b>
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Capital stock	1,640	1,640	1,640
Capital surplus	422	422	422
Earned surplus	6,917	5,270	3,379
Treasury stock	(6)	(5)	(4)
<b>Total shareholders' equity</b>	<b>8,973</b>	<b>7,327</b>	<b>5,437</b>
<b>Accumulated other comprehensive income</b>			
Valuation gains and losses on other securities	330	355	216
Deferred hedge gains and losses	63	(30)	(55)
Translation adjustment account	(171)	(144)	(200)
<b>Total accumulated other comprehensive income</b>	<b>222</b>	<b>180</b>	<b>(39)</b>
Minority interests	501	454	78
<b>Total net assets</b>	<b>9,697</b>	<b>7,962</b>	<b>5,475</b>
<b>Total liabilities and net assets</b>	<b>34,972</b>	<b>35,077</b>	<b>31,687</b>



## Financial Report

### Consolidated Income Statement

The Furukawa Battery Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2010, 2009 and 2008

Unit: Million yen

	2010	2009	2008
Sales	43,204	40,206	46,900
Cost of sales	31,719	29,213	34,747
Gross profit on sales	11,485	10,993	12,152
<b>Selling, general and administrative expenses</b>			
Selling expenses	1,972	1,961	2,712
General and administrative expenses	6,126	5,594	5,629
Total selling, general and administrative expenses	8,099	7,555	8,342
Operating income	3,385	3,437	3,810
<b>Non-operating income</b>			
Interests received	2	2	2
Dividends received	34	34	21
Amortization of negative goodwill	64	64	–
Equity in earnings of affiliates	–	–	39
House rents borne by employees	32	31	29
Policyholders' dividends	–	5	15
Gain on sale of scraps	–	–	11
Exchange gains	–	19	–
Insurance income	–	19	–
Others	70	40	58
Total non-operating income	205	218	178
<b>Non-operating expense</b>			
Interests paid	189	217	326
Bond issuance cost	–	31	–
Exchange losses	3	–	50
Others	32	28	68
Total non-operating expense	226	276	445
Income before income taxes	3,364	3,378	3,542
<b>Extraordinary gain</b>			
Gain on sales of fixed assets	–	0	0
Gain on sales of investment securities	–	0	–
Amount of reimbursement from bad debt reserve	34	6	8
Others	–	0	2
Total extraordinary gain	34	7	11
<b>Extraordinary loss</b>			
Impairment loss	–	41	–
Loss on disposal of fixed assets	18	30	31
Valuation loss on investment securities	–	2	49
Sale loss on investment securities	–	0	–
Valuation loss on golf club memberships	6	–	3
Loss on adjustment for changes of accounting standards for asset retirement obligations	7	–	–
Loss on disaster	211	–	–
Total extraordinary loss	243	74	83
Current net income before adjustment of taxes	3,155	3,311	3,470
Corporation tax, inhabitant tax and enterprise tax	1,439	1,144	1,421
Amount of adjustment of corporation tax	(190)	67	(275)
Total corporation taxes	1,249	1,212	1,145
Net income before minority interests	1,906	–	–
Minority interests	62	44	28
Current net income	1,843	2,054	2,296

## Consolidated Statement of Comprehensive Income

The Furukawa Battery Co., Ltd. and its consolidated subsidiaries  
For the year ended March 31, 2010

Unit: Million yen

	2010	2009	2008
Net income before minority interests	1,906	–	–
<b>Other comprehensive income</b>			
Valuation gains and losses on other securities	(24)	–	–
Deferred hedge gains and losses	94	–	–
Translation adjustment account	(28)	–	–
<b>Total other comprehensive income</b>	<b>41</b>	<b>–</b>	<b>–</b>
<b>Comprehensive income</b>	<b>1,947</b>	<b>–</b>	<b>–</b>
Attributable to: Shareholders of the parent company	1,885	–	–
Minority interests	61	–	–

## Consolidated Statements of Changes in Net Assets (1)

The Furukawa Battery Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2010, 2009 and 2008

Unit: Million yen

Shareholders' equity	2010	2009	2008
<b>Capital stock</b>			
Balance at the end of previous fiscal year	1,640	1,640	1,640
Changes during current fiscal year			–
Total changes during current fiscal year	–	–	–
<b>Balance at the end of current fiscal year</b>	<b>1,640</b>	<b>1,640</b>	<b>1,640</b>
<b>Capital surplus</b>			
Balance at the end of previous fiscal year	422	422	422
Changes during current fiscal year			–
Total changes during current fiscal year	–	–	–
<b>Balance at the end of current fiscal year</b>	<b>422</b>	<b>422</b>	<b>422</b>
<b>Earned surplus</b>			
Balance at the end of previous fiscal year	5,270	3,379	1,083
Changes during current fiscal year			
Dividends from surplus	(196)	(163)	–
Net income	1,843	2,054	2,296
Total changes during current fiscal year	1,646	1,890	2,296
<b>Balance at the end of current fiscal year</b>	<b>6,917</b>	<b>5,270</b>	<b>3,379</b>
<b>Treasury stock</b>			
Balance at the end of previous fiscal year	(5)	(4)	(2)
Changes during current fiscal year			
Purchase of treasury stock	(0)	(0)	(2)
Total changes during current fiscal year	(0)	(0)	(2)
<b>Balance at the end of current fiscal year</b>	<b>(6)</b>	<b>(5)</b>	<b>(4)</b>
<b>Total shareholders' equity</b>			
Balance at the end of previous fiscal year	7,327	5,437	3,143
Changes during current fiscal year			
Dividends from surplus	(196)	(163)	–
Net income	1,843	2,054	2,296
Purchase of treasury stock	(0)	(0)	(2)
Total changes during current fiscal year	1,645	1,889	2,294
<b>Balance at the end of current fiscal year</b>	<b>8,973</b>	<b>7,327</b>	<b>5,437</b>

## Financial Report

### Consolidated Statements of Changes in Net Assets (2)

The Furukawa Battery Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2010, 2009 and 2008

Unit: Million yen

Accumulated other comprehensive income	2010	2009	2008
<b>Valuation gains and losses on other securities</b>			
Balance at the end of previous fiscal year	355	216	487
Changes during current fiscal year			
Net changes other than shareholders' equity during current fiscal year	(25)	139	(271)
Total changes during current fiscal year	(25)	139	(271)
Balance at the end of current fiscal year	330	355	216
<b>Deferred hedge gains and losses</b>			
Balance at the end of previous fiscal year	(30)	(55)	(208)
Changes during current fiscal year			
Net changes other than shareholders' equity during current fiscal year	94	24	153
Total changes during current fiscal year	94	24	153
Balance at the end of current fiscal year	63	(30)	(55)
<b>Translation adjustment account</b>			
Balance at the end of previous fiscal year	(144)	(200)	63
Changes during current fiscal year			
Net changes other than shareholders' equity during current fiscal year	(27)	56	(264)
Total changes during current fiscal year	(27)	56	(264)
Balance at the end of current fiscal year	(171)	(144)	(200)
<b>Total accumulated other comprehensive income</b>			
Balance at the end of previous fiscal year	180	(39)	342
Changes during current fiscal year			
Net changes other than shareholders' equity during current fiscal year	41	220	(381)
Total changes during current fiscal year	41	220	(381)
Balance at the end of current fiscal year	222	180	(39)
<b>Minority interests</b>			
Balance at the end of previous fiscal year	454	78	65
Changes during current fiscal year			
Net changes other than shareholders' equity during current fiscal year	47	376	12
Total changes during current fiscal year	47	376	12
Balance at the end of current fiscal year	501	454	78
<b>Total net assets</b>			
Balance at the end of previous fiscal year	7,962	5,475	3,550
Changes during current fiscal year			
Dividends from surplus	(196)	(163)	–
Net income	1,843	2,054	2,296
Purchase of treasury stock	(0)	(0)	(2)
Net changes other than shareholders' equity during current fiscal year	88	596	(368)
Total changes during current fiscal year	1,734	2,486	1,925
Balance at the end of current fiscal year	9,697	7,962	5,475

## Consolidated Cash Flow Statement (1)

The Furukawa Battery Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2010, 2009 and 2008

Unit: Million yen

Cash flow for business operations	2010	2009	2008
Current net income before adjustment of taxes	3,155	3,311	3,470
Depreciation expense	1,661	1,640	1,555
Impairment loss	–	41	–
Amortization of goodwill	(35)	(35)	29
Increase (decrease) in bad debt reserve	(33)	59	(11)
Interests and dividends received	(37)	(36)	(24)
Interests paid	189	217	326
Equity in losses (earnings) of affiliates	–	–	(39)
Bond issuance cost	–	31	–
Retirement loss on tangible fixed assets	18	30	31
Sale loss (gain) on tangible fixed assets	–	(0)	(0)
Valuation loss (gain) on investment securities	–	2	49
Sale loss (gain) on investment securities	–	(0)	(0)
Valuation loss on golf club memberships	6	–	3
Loss on adjustment for changes of accounting standards for asset retirement obligations	7	–	–
Amount of decrease (increase) in trade account receivable	1,087	(768)	3,703
Amount of decrease (increase) in inventories	(655)	434	960
Amount of increase (decrease) in trade account payable	(552)	1,099	(4,941)
Amount of increase (decrease) in bonus reserve	8	(10)	8
Amount of increase (decrease) in directors' bonus reserve	(16)	15	–
Amount of increase (decrease) in retirement benefit reserve	409	(171)	343
Amount of increase (decrease) in officers' retirement allowance reserve	(99)	11	24
Amount of increase (decrease) in provision for loss on disaster	68	–	–
Amount of increase (decrease) in unpaid consumption taxes	14	(221)	87
Others	510	(17)	83
<b>Subtotal</b>	<b>5,707</b>	<b>5,633</b>	<b>5,661</b>
Amount of interests and dividends received	37	36	39
Amount of interests paid	(190)	(214)	(322)
Amount of payment of corporation taxes	(902)	(2,105)	(560)
<b>Cash flow for business operations</b>	<b>4,652</b>	<b>3,350</b>	<b>4,817</b>

## Financial Report

### Consolidated Cash Flow Statement (2)

The Furukawa Battery Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2010, 2009 and 2008

Unit: Million yen

Cash flow for investment activities	2010	2009	2008
Proceeds from withdrawal of time deposits	15	—	—
Expenditure for acquisition of tangible fixed assets	(1,716)	(1,100)	(1,047)
Income from sale of tangible fixed assets	0	0	0
Expenditure for acquisition of intangible fixed assets	(9)	(5)	(60)
Expenditure for acquisition of investment securities	(4)	(3)	(3)
Income from sale of investment securities	—	7	0
Expenditure for acquisition of investments in subsidiaries due to new consolidation	—	(394)	—
Others	(2)	(46)	54
<b>Cash flow for investment activities</b>	<b>(1,717)</b>	<b>(1,543)</b>	<b>(1,057)</b>
Cash flow for financing activities			
Amount of net increase (decrease) in short-term debts	(1,205)	(2,507)	(4,110)
Income from long-term debts	700	600	—
Expenditure for repayment of long-term debts	(610)	(506)	(698)
Income due to issue of bonds	—	1,968	2,160
Expenditure due to redemption of bonds	(1,180)	(1,340)	—
Expenditure for repayment of lease liabilities	(74)	(44)	(18)
Dividends paid	(196)	(163)	—
Dividends paid to minority shareholders	(14)	(23)	—
Others	(0)	(0)	(2)
<b>Cash flow for financing activities</b>	<b>(2,583)</b>	<b>(2,017)</b>	<b>(2,669)</b>
Translation gain or loss on cash and cash equivalent	2	0	(20)
<b>Amount of increase (decrease) in cash and cash equivalent</b>	<b>354</b>	<b>(210)</b>	<b>1,069</b>
<b>Opening balance of cash and cash equivalent</b>	<b>2,619</b>	<b>2,829</b>	<b>1,759</b>
<b>Closing balance of cash and cash equivalent</b>	<b>2,974</b>	<b>2,619</b>	<b>2,829</b>



## Corporate Information

Trade Name	The Furukawa Battery Co., Ltd.
Founded on	September 1, 1950
Head Office	2-4-1 Hoshikawa, Hodogaya-Ku, Yokohama City, Kanagawa Prefecture, 240-0006 Japan Phone: +81-45-336-5034 URL: <a href="http://www.furukawadenchi.co.jp/english/">http://www.furukawadenchi.co.jp/english/</a>
Capital	1.64 billion yen (as of March 31, 2011)
Plants	Imaichi Plant, Iwaki Plant, FB Plant
Branches	Tokyo Office, Kansai Branch (Osaka), Chubu Branch (Nagoya), Tohoku Branch (Sendai), Kyushu Branch (Fukuoka), Hokkaido Branch (Sapporo), Chugoku Branch (Hiroshima), Shikoku Branch (Takamatsu), Hokuriku Branch (Kanazawa)
Group Companies	<p><b>Sales of Automotive Batteries</b></p> <p>Northern Japan Furukawa Battery Sales Co., Ltd. Eastern Japan Furukawa Battery Sales Co., Ltd. Central Japan Furukawa Battery Sales Co., Ltd. Western Japan Furukawa Battery Sales Co., Ltd. Kyushu Furukawa Battery Sales Co., Ltd. Niigata Furukawa Battery Co., Ltd.</p> <p><b>Construction and Maintenance of Industrial Equipment</b></p> <p>Furukawa Battery Service Co., Ltd.</p> <p><b>Manufacture and Sales of Alkaline Batteries for Industrial Use</b></p> <p>Honda Denki Co., Ltd.</p> <p><b>Overseas Manufacture and Sales of Automotive Batteries</b></p> <p>Siam Furukawa Co., Ltd. (Thailand) Siam Furukawa Trading Co., Ltd. (Thailand)</p> <p><b>Others</b></p> <p>Asahi Kaihatsu Co., Ltd.      Daiichi Giken Kogyo Co., Ltd. FB Package Co., Ltd.      FB Finance Co., Ltd.</p>

## Our Shares

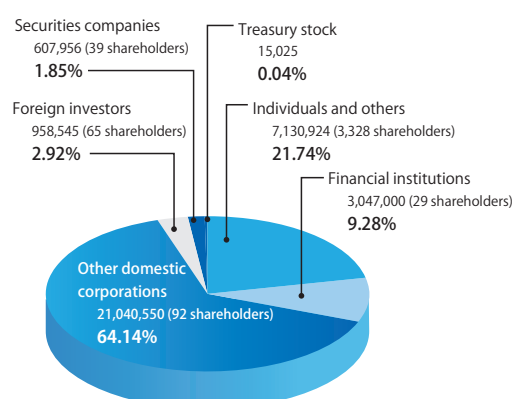
Shares outstanding (common shares)	Total number of shares authorized: 80,000,000
	Number of treasury stock at the end of the term: 32,800,000 (as of March 31, 2011)
Number of shareholders	3,554

### Major shareholders (as of March 31, 2011)

Name	Investment Status	
	No. of shares (Thousand shares)	Shareholding ratio (%)
Furukawa Electric Co., Ltd.	18,781	57.29
Furukawa Battery's client stock ownership	557	1.70
Toyota Motor Corporation	550	1.68
Asahi Mutual Life Insurance Co.	440	1.34
Japan Trustee Services Bank, Ltd. (Trust Account)	405	1.24

Note: The shareholding ratio is calculated by excluding the number of treasury stock.

### Distribution of shares (as of March 31, 2011)





The Furukawa Battery Co., Ltd.

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