

ANNUAL REPORT

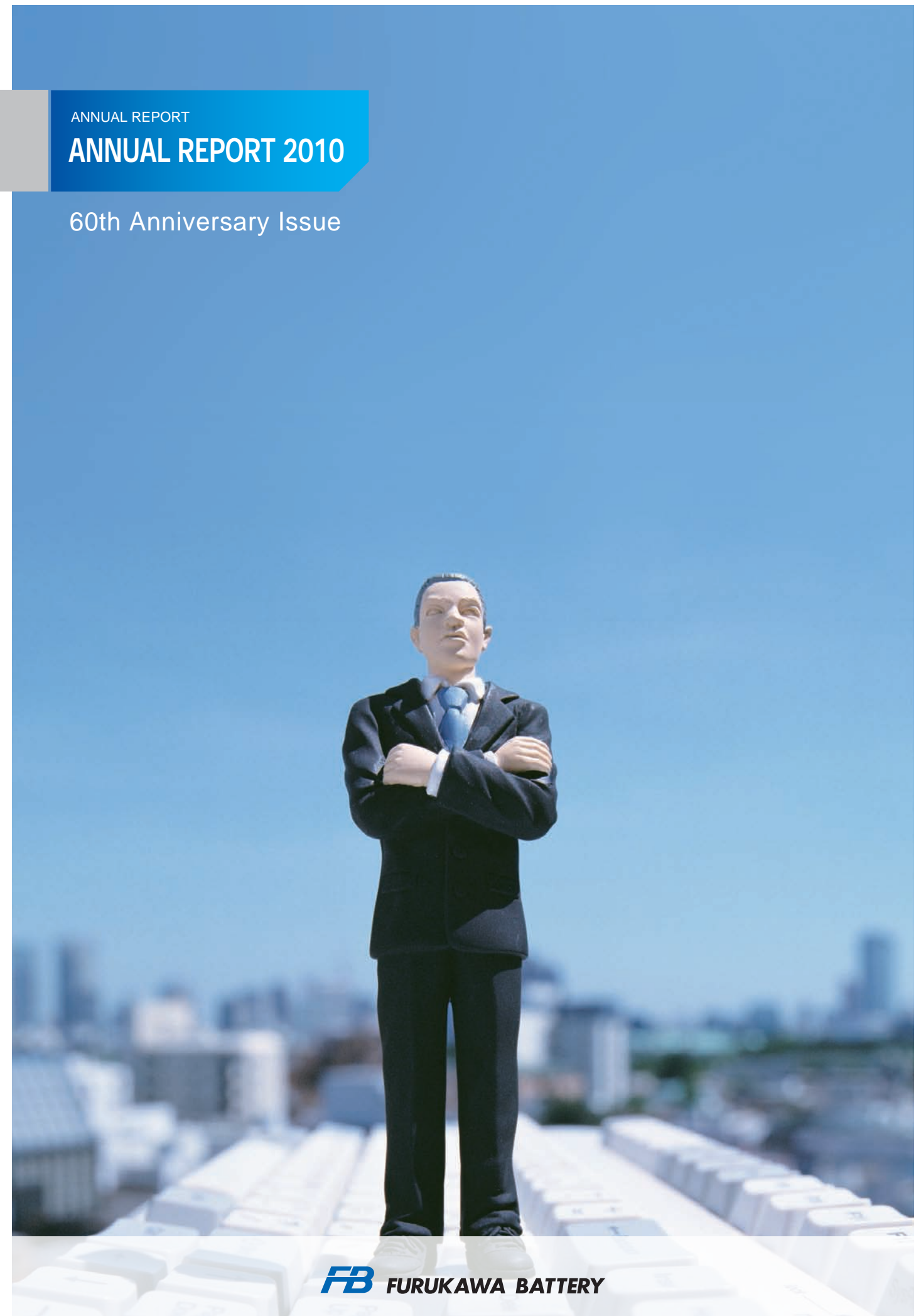
ANNUAL REPORT 2010

60th Anniversary Issue

FB FURUKAWA BATTERY

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FB FURUKAWA BATTERY

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Corporate Philosophy of Furukawa Battery Group

Guiding Principle

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

Management Principles

With an eye to the future of people and our planet, Furukawa Battery Group pledge 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 Group Credo

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



Feature

History of 60 Years

1914

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

1950

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

1961

Listed its stock on the second section of the Tokyo Stock Exchange.
Completed a sintered alkaline battery plant.

1972

Transferred to the first section of the Tokyo Stock Exchange.

1992

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

1993



Constructed a nickel metal-hydride battery plant in Iwaki Plant.

2005

Provided technical support for alkaline battery for advanced railroad system to Asian Tong Dai (Qingdao) Railway Equipment Co., Ltd.

2008

Started joint operation of the battery energy storage system for wind power generator to demonstrate the effective use of natural energy.
A hybrid electric vehicle with UltraBattery ran 100,000 miles.

1914 1950 1960 1970 1980 1990 2000 2010

1937

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

1952

Won the Deming Prize for statistical quality control in 1952.

1970

Completed an automotive battery plant in Imaichi City (now Nikko City), Tochigi Prefecture. (The photo is as of 2010)

1978

Completed an automotive battery plant in Iwaki City, Fukushima Prefecture. (The photo is as of 2010)

1989

Relocated its head office to the old Yokohama Plant site.

2002

Additionally acquired shares of Siam Furukawa Co., Ltd. to make it its subsidiary. Successfully developed C21, highly corrosion resistant lead alloy.

2003

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

2010

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







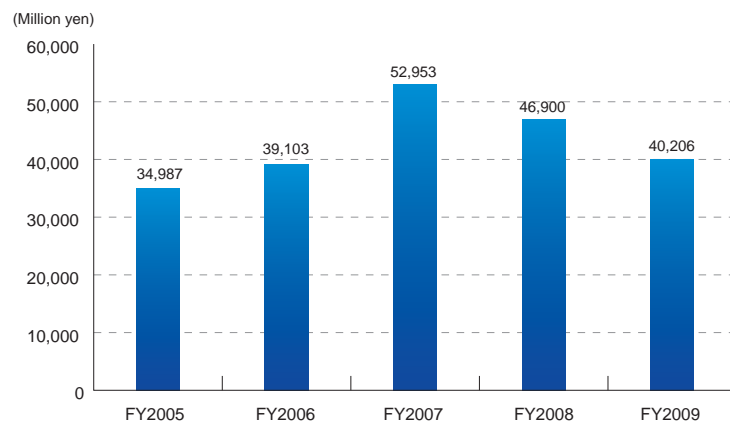

F U R U K A W A B A T T E R Y 6 0 t h A N N I V E R S A R Y

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

	Unit: Million Yen	Unit: Million Yen	Unit: Thousand US Dollar
	FY2009	FY2008	FY2009
Sales	40,206	46,900	402,060
Operating income	3,437	3,810	34,370
Net income	2,054	2,296	20,540
Per share of common stock (Unit: Yen and US Dollar)			
▪ Basic	62.66	70.05	0.627
▪ Cash dividends paid	6	5	0.060
Total assets	35,077	31,687	350,770
Equity capital	7,508	5,397	75,080

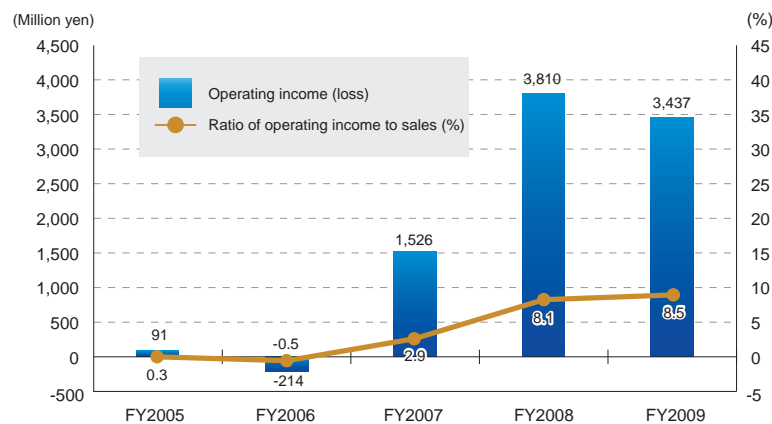
(Note) Figures in US Dollar are calculated through conversion at the rate of 100 yen per US dollar for the sake of convenience.

■ Sales



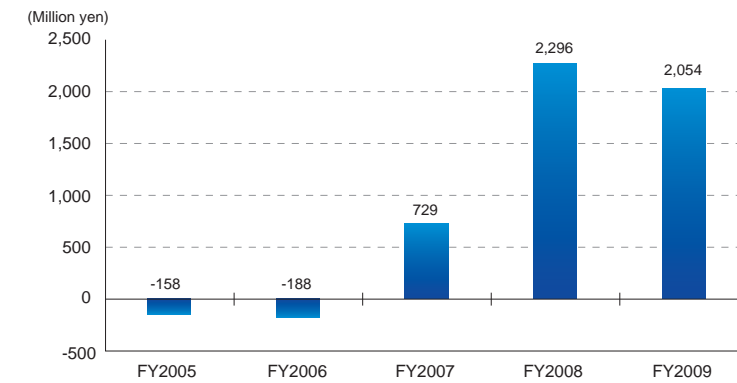
	(Million yen)
■ FY2005	34,987
■ FY2006	39,103
■ FY2007	52,953
■ FY2008	46,900
■ FY2009	40,206

■ Operating income (loss) / Ratio to sales (%)



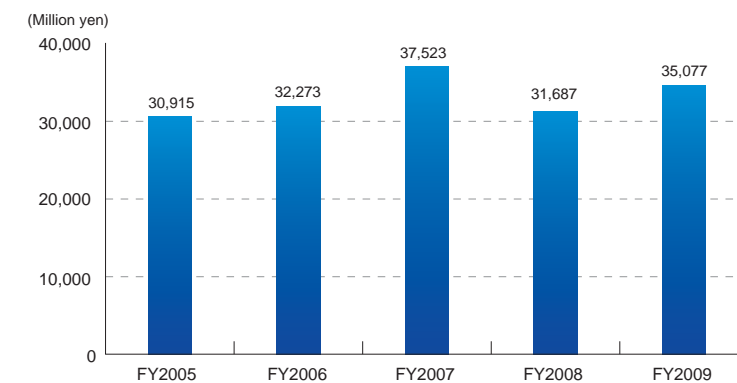
	Operating income (loss)	Ratio of operating income to sales (%)
■ FY2005	91	0.3
■ FY2006	-214	-0.5
■ FY2007	1,526	2.9
■ FY2008	3,810	8.1
■ FY2009	3,437	8.5

■ Net income (loss)



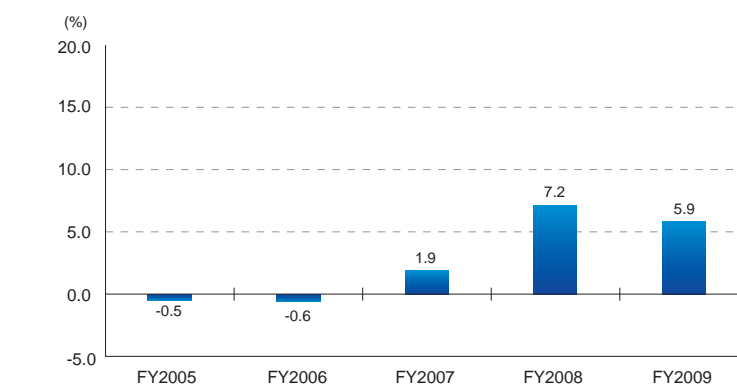
	(Million yen)
■ FY2005	-158
■ FY2006	-188
■ FY2007	729
■ FY2008	2,296
■ FY2009	2,054

■ Total assets



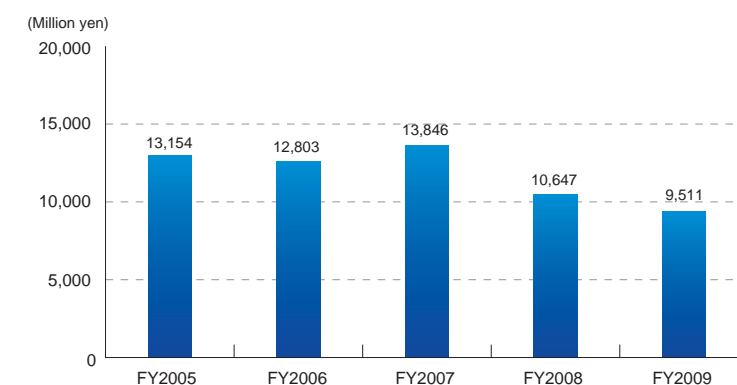
	(Million yen)
■ FY2005	30,915
■ FY2006	32,273
■ FY2007	37,523
■ FY2008	31,687
■ FY2009	35,077

■ Return on total assets (ROA)

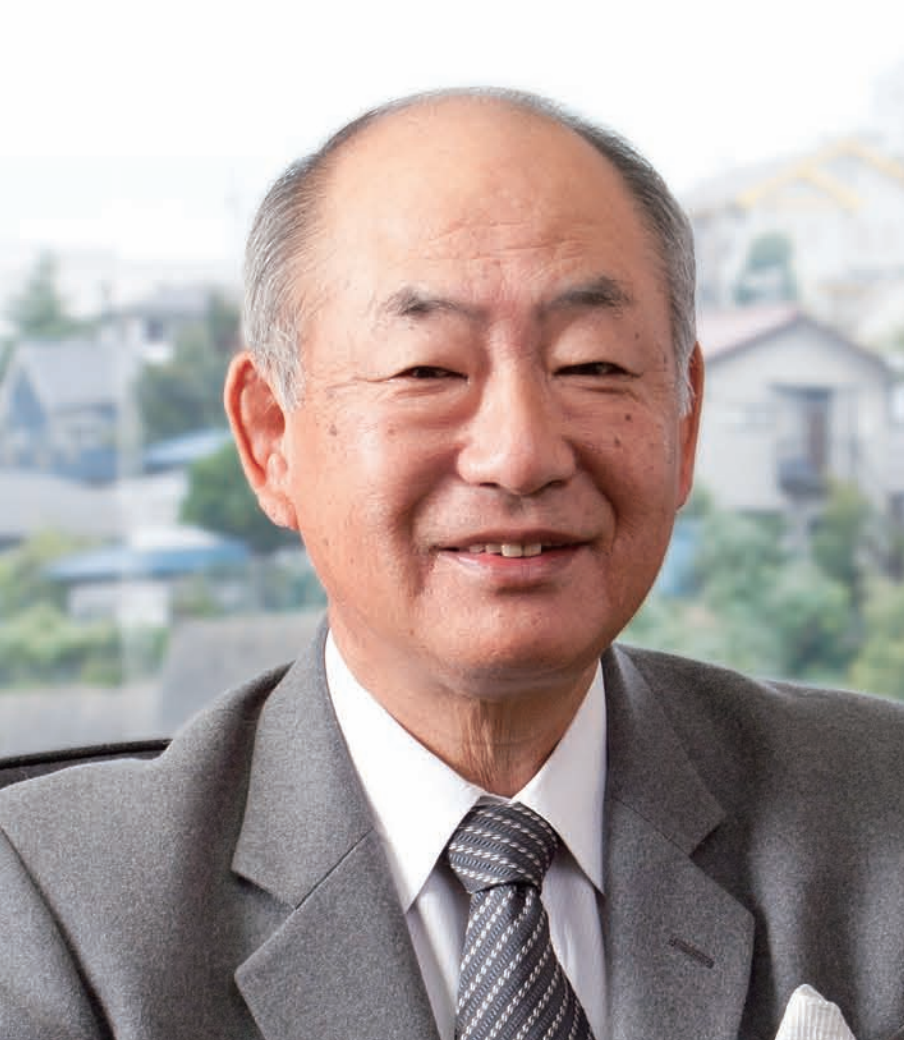


	(%)
■ FY2005	-0.5
■ FY2006	-0.6
■ FY2007	1.9
■ FY2008	7.2
■ FY2009	5.9

■ Interest-bearing debt



	(Million yen)
■ FY2005	13,154
■ FY2006	12,803
■ FY2007	13,846
■ FY2008	10,647
■ FY2009	9,511



Interview

with the President

In the severe business environment, Furukawa Battery will continue to make its maximum effort to further increase the efficiency of the corporate activity, accelerate the development of new technologies and products, and provide products and services that contribute to resolving environmental issues.

President and CEO

内海 勝彦

Katsuhiko Utsumi

Q1 Congratulations to Furukawa Battery on its 60th anniversary.

A1 I appreciate our customers who have been in collaboration with us in a long period.

Looking back at our history of battery production, we started in 1914 from the production of lead-acid batteries in Hyogo Prefecture after a series of studies on lead, with which Furukawa Electric worked for wire covering. In 1937, the relocation to Yokohama was carried out for business expansion. The battery division of Furukawa Electric was spun off and reborn as Furukawa Battery in 1950 during the chaotic period after the World War II.

We have kept the business running for six decades, during which we saw changing of demand along with the transition of society from motorized and electrified, and to advanced information and telecommunications one. We would not be here without support from our customers and the technologies created from the hard work of our predecessors. During these years, things have not always gone smoothly and the predecessors overcame many difficulties with patience and creativity. I appreciate their efforts and carry on the tradition to make efforts for further development.

Q2 Tell us about the results of the previous fiscal year and the plan for the current fiscal year.

A2 We have successfully achieved certain results in the severe environment and we will keep the momentum.

In the previous fiscal year, the Japanese economy saw an increase in export mainly to Asia and a recovery in import largely from Asia and the United States. With the increase

in export, mining and manufacturing production recovered as well. In addition, business earnings improved in some areas including the manufacturing industry, which began to increase profit.

However, the autonomy of the economy is weak as there are some concerns about a downward trend in the overseas economy, such as continuing credit crunch in the United States and Europe, and as a result, the future is still unclear due to the persistent deflation and the continuing high rate of unemployment.

In this severe business environment, the Furukawa Battery Group's net sales fell by 6,693 million yen from the previous fiscal year to 40,206 million yen. On the other hand, in terms of income/loss, the Group achieved certain results as a result of its efforts in improving the profitability of its subsidiaries, pursuing cost reduction by the enhanced yield rate and increased productivity and minimizing expenses, although operating income slightly decreased from the previous year to 3,437 million yen from 3,810 million yen.

We anticipate that the Group will remain in a difficult business environment because the impact of the global financial crisis is expected to continue in the future, although, in the automobile industry, sales increase is expected in some models such as eco-cars. In these circumstances, to strive to raise performance, the Group will continue to streamline its overall management to promote sales expansion and increase order intakes, as well as ensuring further cost savings.

We estimate our consolidated financial results for the next fiscal year as follows: sales will be 42,000 million yen, operating income 2,500 million yen, and net income 1,500 million yen.

Q3

Tell us about the progress in the medium-term management plan.

A3

We are gaining a foothold and link it to the next term for further growth.

The current fiscal year of 2010 is the last year in the "Three-year Medium-term Management Plan for FY2008 to 2010".

Putting it briefly, the current medium-term management plan is pursued under the slogan of "Let's become an ordinary company." In other words, it is to "make profits from corporate activities, pay taxes, give dividends to shareholders, give back to employees, and make investments for the future."

We are facing difficult circumstances including significant changes in the price of lead as a raw material and economic recession during the period of this medium-term management plan. To cope with these difficulties and achieve results, it is necessary to thoroughly review and improve the procedures in every aspect of the fundamental business activities: the way we sell (sales), the way we produce (production), the way we buy (purchase), the way we store (inventory), and the way we transport (logistics).

To achieve this, we have made efforts for reform to truly efficient and rational mechanism and system by promoting activities for overall corporate efficiency and establishing the Management Structure Reinforcement Committee.

Our company-wide activities, including profitability-oriented sales operations, product price revision, reduction in losses and raw materials to be used, improved productivity, and cost cutting, have allowed us to constantly make certain profits since FY2007. Some other improvements such as increasing equity capital ratio and decreasing interest-bearing debts are also ongoing as business objectives.

We had long been suspended dividend payments since FY1990, but in 2009, we paid a dividend of ¥5 per share as we secured certain level of profit in two consecutive years, FY2007 and FY2008. Now we are in the year of 2010, our 60th anniversary in business, and pleased to announce that we decided to pay a dividend of ¥6 per share including the commemorative dividend.

In FY 2010, as the last fiscal year of the medium-term management plan, we are committed to fast but steadily achieve budgets and implement priority measures indicated by individual departments to developmentally link to the next medium-term management plan.

Q4

How about growth strategies in the future?

A4

We will keep on challenging ourselves to continue to be a "small but excellent company."

Given that many conflicting elements and factors of uncertainty and instability in social and economic conditions in and outside Japan in the global financial market turmoil, it is difficult for us to have a clear vision for the future. However, we set up a task force last year for growth strategies from a medium- and long-term perspective, which we believe is required as a manufacturer. A long term vision has been created by this

task force through wide-ranging discussions on how and where the company should be in 2020, 10 years from now, and on what measures we should have now for that.

The gist of the growth strategies is "Reinforcing overseas expansion" and "Creating new businesses."

Demand for batteries is rapidly increasing in foreign, mainly Asian, developing countries. In order to take this opportunity, strengthening Siam Furukawa in Thailand as an overseas base is now under review. We are currently deploying technical support to foreign manufacturers in India and planning to expand the licensing business to those in other countries. In addition, we are seeking further development from the licensing business to the operation in overseas locations and expecting to significantly expand overseas sales, which remain about 20% at present.

It is essential for growth to create new businesses. Various actions are taken to realize a low-carbon society to address global warming, which is highly publicized as a crisis. As batteries are considered as one of key devices to support eco-cars such as idling stop, hybrid and electric vehicles, stabilization and efficiency in natural energy systems such as wind / solar power generation, and stabilization of the smart grid electricity network, it is a significant business opportunity for us as a battery manufacturer.

Furukawa Battery has developed "UltraBattery", a battery in which the capacitor to provide higher charging efficiency is incorporated, and the lithium-ion battery to simultaneously secure a high level of safety and performance. These batteries are now in a preparation stage for commercialization. We will establish an energy management system centering on these new batteries, and make efforts to develop it as a new business.

The long-term vision is divided into two five-year periods: First Phase and Second Phase. The First Phase is a preparation period for growth while the Second Phase is a growth period. Based on the basic measures stated in the long-term vision, we will develop and pursue priority measures and action plans in the next three-year medium-term management plan starting in FY2011, which is now in the process of preparation.



Sales and Profit

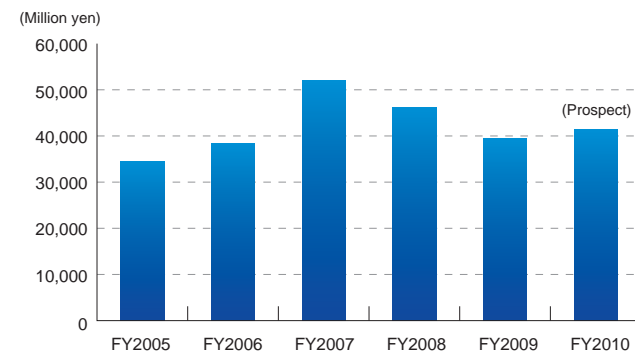
During FY2009, we saw severe economic conditions including the global recession, Lehman Shock, Dubai crisis, bankruptcy of General Motors in June, and significant production cutback in automobile manufacturers. It was a tough year although there were some recoveries in the second half of the year such as increase in export mainly to Asia and business earnings having partly turned around.

In this business environment our sales decreased by 6,693 million yen or 14.3% from the previous year to 40,206 million yen.

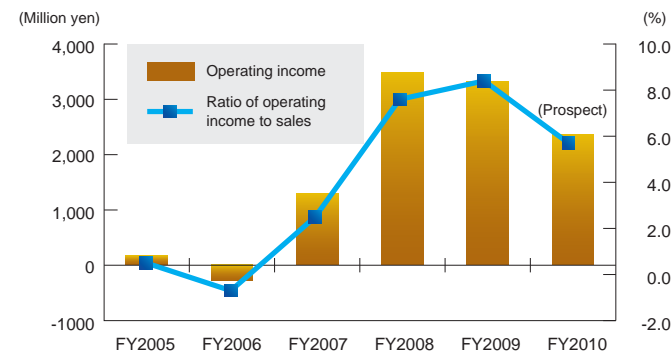
The fall of sales was primarily attributable to the significant decrease of automotive batteries incorporated in new vehicles caused by the production cutback by automobile manufacturers and to the decrease in the quantity of industrial lead-acid batteries due to cuts in capital spending and the like.

In terms of income/loss, operating income was 3,437 million yen, a decrease of 373 million yen or 9.8% year-on-year while income/loss before income taxes was 3,378 million yen, a decrease of ¥164 million or 4.6% year-on-year. We successfully minimized the amounts of loss as a result of the efforts to improve the profitability in our subsidiaries, enhance the yield ratio and productivity and minimize costs such as repair expense.

Consolidated Sales



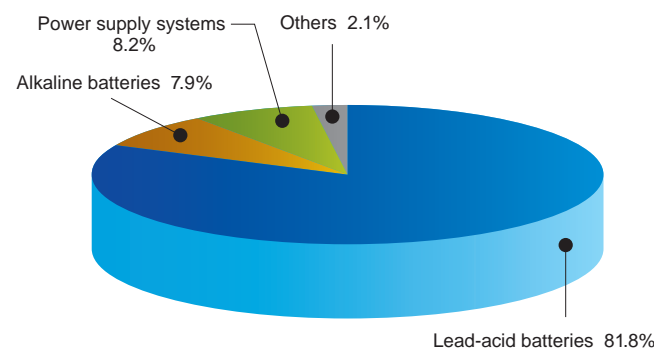
Operating Income and Ratio of Operating Income to Sales



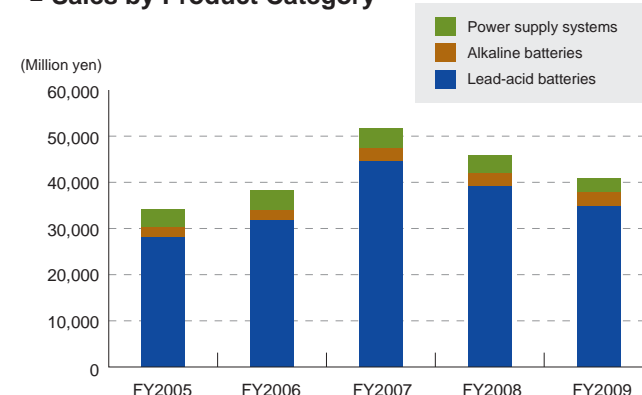
Overview by Product Category

- Sales by product category in FY2009 were 32,898 million yen (81.8%) in lead-acid batteries, 3,180 million yen (7.9%) in alkaline batteries, 3,293 million yen (8.2%) in power supply systems, and 834 million yen (2.1%) in others. The lead-acid batteries remained dominant in sales while the alkaline batteries increased its share.

Breakdown of Consolidated Sales

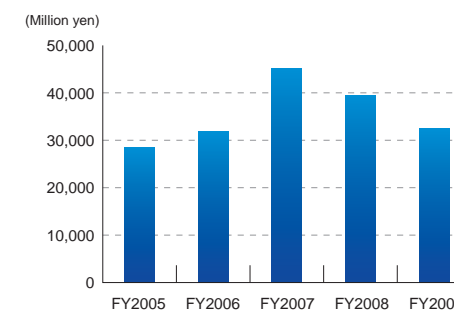


Sales by Product Category

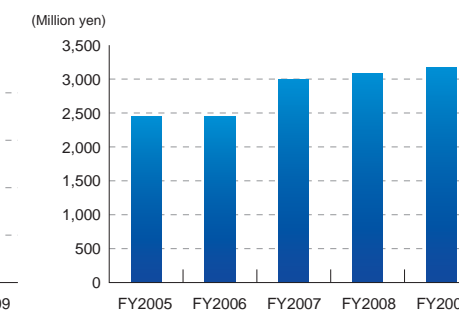


- Sales from lead-acid batteries decreased in both automotive use and industrial use, and dropped by 6,955 million yen or 17.5% from the previous year to 32,898 million yen. This was mainly because of the significant decrease in the sales volume of batteries to be incorporated in new four-wheel vehicles and motorcycles, which were subject to the major production cutback by automobile manufacturers, although batteries for replace remained roughly unchanged from the previous year. In addition, those for industrial use decreased its sales led by the fall of the number of shipments, due to the reduced new capital spending and replacement when the outlook for economic recovery was uncertain.
- Sales from alkaline batteries increased by 91 million yen or 3.0% from the previous year to 3,180 million yen. This was brought by the favorable sales of the large batteries including for rollingstock in addition to the steady results in the small nickel-cadmium batteries for security systems.
- Sales from power supply systems decreased by 103 million yen or 3.0% from the previous year to 3,293 million yen. As the power supply systems are bundled with industrial lead-acid batteries, the decrease in this product category was, as with the lead-acid batteries, because the number of shipments fell due to the reduced new capital spending and replacement.

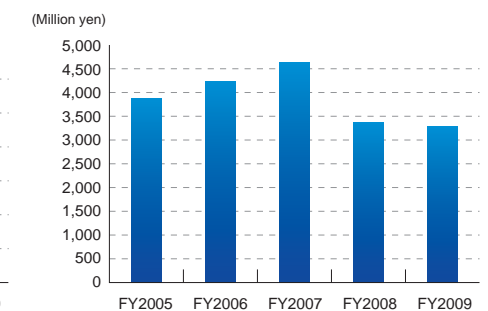
Sales of lead-acid batteries



Sales of alkaline batteries



Sales of power supply systems



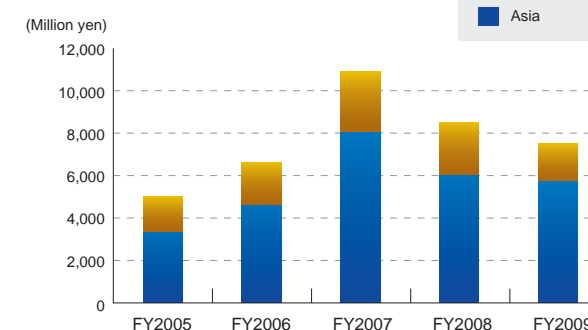
Overseas Sales

Overseas sales decreased by 1,036 million yen or 11.9% from the previous year to 7,642 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 us Furukawa Battery. The drop in overseas sales was, as with the fall in domestic sales of lead-acid batteries, because sales of automotive lead-acid batteries decreased due to the global recession.

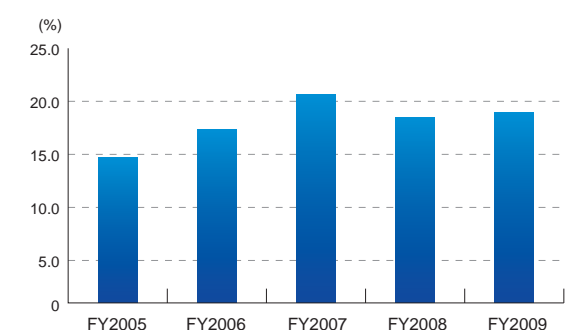
The share of Asia increased in overseas sales for FY2009 as Asia accounted for 76.2% (70.3% in FY2008) and Other areas accounted for 23.8% (29.7% in FY2008).

The ratio of overseas sales slightly increased to 19.0% from 18.5% in the previous year.

Overseas Sales



Ratio of Overseas Sales



Basic policies

The Furukawa Battery Group is aware that the establishment of corporate governance is an important issue to pursue its guiding principle, “contribution to society through production and sales,” and “management to respect the value of stakeholders including stockholders.”

In order to achieve these goals, it is essential to have in place an internal control system, and we believe that our Board of Directors is responsible for constantly reviewing and improving the system.

Organization

Furukawa Battery takes the form of a Company with Auditors in terms of its management organization. We value the function of our auditors and the Board of Auditors, which is institutionally independent from the Board of Directors.

We also enhance the monitoring and supervision of operations and ensure prompt decision-making by improving the operation of the Board of Directors.

Strengthening Internal Control

Furukawa Battery has developed and built its internal control system from the following five viewpoints and has Internal Control Dept. in place and operational.

1

Efficiency in carrying out duties

We ensure efficiency in the performance of duties by holding meetings for job reporting and for department heads in addition to those for the Board of Directors and Board of Managing Directors, and by having built an information sharing system using a corporate network.

2

Compliance system

We have established compliance rules to serve as a code of conduct as a member of society.

3

Risk management system

We have established risk management rules and risk response manual to implement the risk management by the Risk Management Committee formed under the Board of Directors.

4

Information management system

We have established internal information management rules to define the matters to which officers and employees should adhere.

5

Group company management

We have established standards for affiliates management to ensure efficiency in the management of the Furukawa Battery Group, compliance with laws and regulations, financial reliability, and safeguarding of assets.

For Furukawa Battery, 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 three balances of “Economic efficiency”, “Environmental activity”, and “Contribution to society”.

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 Corporate Behavior Charter” 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 to ensure compliance.

Environmental Initiatives

Furukawa Battery has conducted production activities in our already-existing production bases, Iwaki Plant and Imaichi Plant, which are compliant with the environmental laws and regulations as well as agreements with local governments. Furthermore, we have established Environmental Promotion Department to make company-wide thorough environmental initiatives, promoting environmental protection activities focusing on the items as follows.

We will also promote the development of the products using less environmental pollutants to reduce burdens on the environment.

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	Promotion of resource saving for environmental protection by effectively using principal raw materials: lead, cadmium, sulfuric acid and sodium hydroxide

Basic Policy on Social Contribution Activities

In line with the Furukawa Electric Group Basic Policy on Social Contribution Activities, we will perform, in addition to the social contribution through its main business, steady and continuous activities for social contribution centering on “fostering of the next generation,” “promotion of sports and culture,” and “co-existence with local communities” to inherit and develop the social ties originated in the previous century and to make the next century better before passing on to 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.

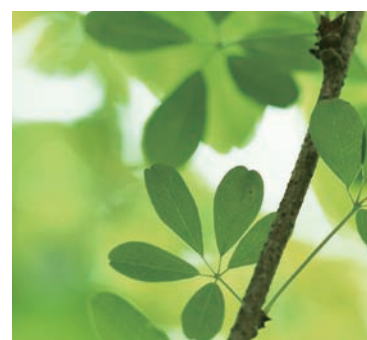




Global Environmental Issues and Battery Development

Urgent Issues of the 21st Century

The challenges of the 21st century include global environmental and energy issues. The industrial growth and modernized life have rapidly increased energy consumption. As the major energy source, we rely on fossil fuels, which are considered a cause of extreme weather and global warming because they emit carbon dioxide (CO₂) as a greenhouse gas adversely affecting the environment. There is a pressing need for reduction of CO₂ and promotion of a low-carbon society. At the same time, there is another important issue, to secure energy sources as the increased population and automobiles are accelerating the depletion of oil resources.



Addressing the Challenges

The said issues are addressed by various approaches: securing alternative energy sources to oil and coal by reducing the dependence on oil, utilizing inexhaustible non-CO₂-emitting natural energy, promoting energy saving, using (regenerating) the energy which would otherwise be abandoned, and streamlining the generation, transmission and use of electric power.

More specifically, what attracts attention is the utilization of natural energy such as wind and solar power generation, introduction of eco-cars such as hybrid and electric vehicles using regenerated energy, and next-generation electricity network (smart grid) for the efficient generation, transmission and use of electric power.

Expectation for Batteries

The storage battery is an electric product enabling repetitive and efficient storage and release of electricity, and its combined characteristics of safety, worth as a resource, and recyclability serve as an important promising technology in introducing eco-cars, utilizing natural energy, and building the smart grid.

Our Efforts

Commercialization of batteries dedicated for solar power generation

Since the development of a storage battery for the verification test on the solar power generation system of New Energy and Industrial Technology Development Organization (NEDO) in 1982, we have commercialized and supplied storage batteries for solar power generation systems.



SLM series: Valve-regulated type lead-acid batteries

Independent type solar power generation system

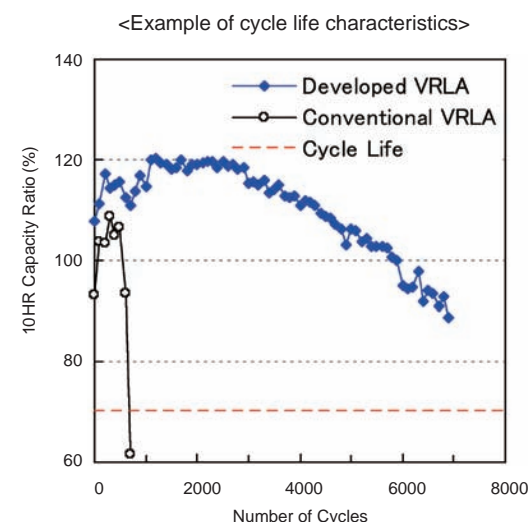
In order to effectively use natural energy, which significantly varies in input depending on weather conditions, we have developed storage batteries optimized for the purpose of stable power supply by them, and accumulated application technologies for them.

To supply power to electric equipment in mountains where no commercial power supply is available or in parks whose landscape count, we have installed a number of solar power generation systems.



Storage batteries for electric power storage systems

The former major application of industrial lead-acid batteries was for a backup purpose at the time of power failure. However, we have focused on the fact that “the battery is an electric product enabling repetitive and efficient storage and release of electricity” and have worked on the development long-life and high-performance lead-acid batteries for electric power storage systems which “store and release electricity”. Our optimization of the charging and installation methods, in addition to the technology components of battery such as positive and negative electrodes and separator, successfully developed long-life valve-regulated type lead-acid batteries.

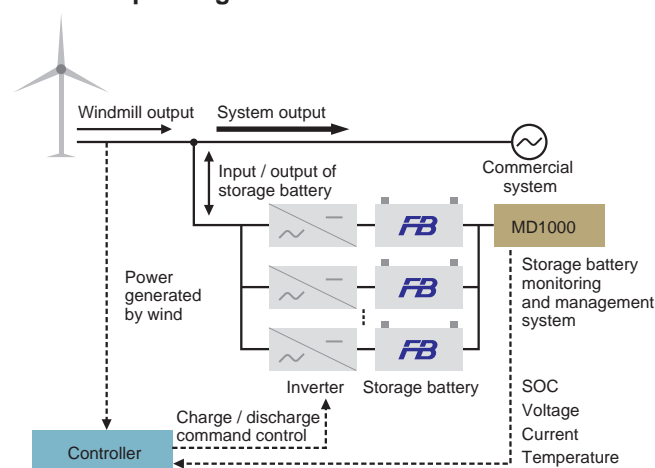


Combination with wind power generation

We are now conducting a verification test on a battery energy storage system for wind power generator in cooperation with Hitachi Industrial Equipment Systems Co., Ltd. by using the long-life valve-regulated type lead-acid batteries we developed. The aim is to establish a system and technology for more stable power generation, reduction of the impact on the power grid and efficient operation and management of generated energy.



■ Configuration of the battery energy storage system for wind power generator



Introduction of eco-cars

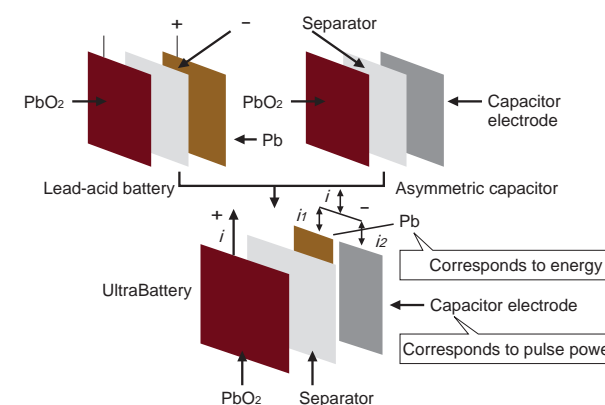


Most of the recent vehicles are equipped with a charge control system, which is designed to improve fuel economy and reduce emissions by increasing the power supply from the battery to make up the decrease in the alternator voltage caused by voltage drop in power generation in order to ease the engine's burden when the vehicle is gathering speed or idling.(fuel cost reduction), and by raising the alternator voltage in power generation to charge the battery when the vehicle is reducing speed or when the accelerator is released.

With the characteristic of repetitive charge and discharge, this system requires the battery to have high-level cycle durability in charging and discharging as well as good charge acceptability. Furukawa Battery's automotive batteries have better charge acceptability thanks to improved plates and can create eco-friendly vehicles. In addition, we contribute to environmental protection through reduction in weight, improved durability and recycled materials used in batteries and packages.

UltraBattery

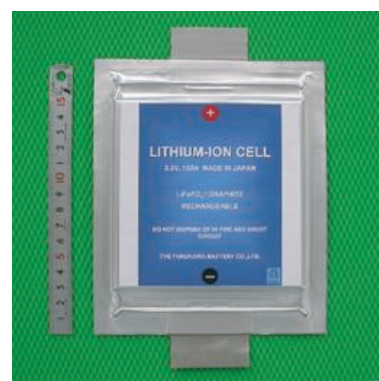
We have developed “UltraBattery,” a hybrid type lead-acid battery with an asymmetric capacitor incorporated, at the plate level, in the negative electrode. Its excellent charge acceptability can significantly increase the cycle life in a partial state of charge (PSOC) condition, unlike the conventional lead-acid battery products. With the suitability for quick charge and discharge, UltraBattery is suitable for the regenerative deceleration system of vehicles and wind power generation system, which significantly varies in output, and is expected to serve as a storage battery applied to the eco-car and smart grid.



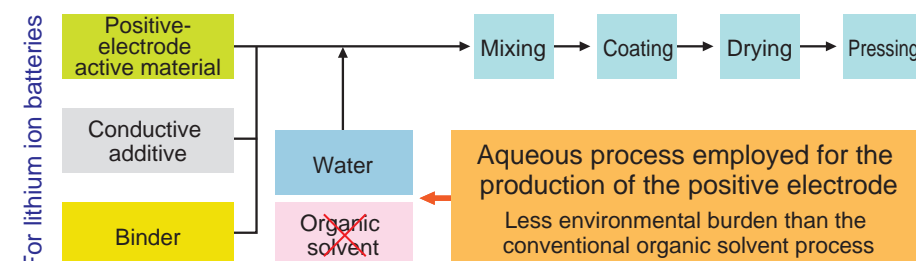
Highly safe lithium ion batteries

Lithium ion batteries have become widespread for portable equipment thanks to their small size and lightness. However, they show poor stability or, in some cases, may catch fire or burst, under high temperature due to their materials used.

We have pursued the development of the lithium ion batteries to be supplied for industrial use. Since the top priority is to secure safety in making them larger in size and capacity, iron phosphate is used as the battery material because it shows excellent stability under high temperature, and we have established an electrode production technology using aqueous paste, free from organic solvents, whose emission to the environment need to be reduced. As environmentally-conscious lithium ion batteries with high performance in charging and discharging as well as high-level cycle durability, we will offer them for various applications and devices including eco-friendly systems and equipment.



■ FB's development of new electrode production technology



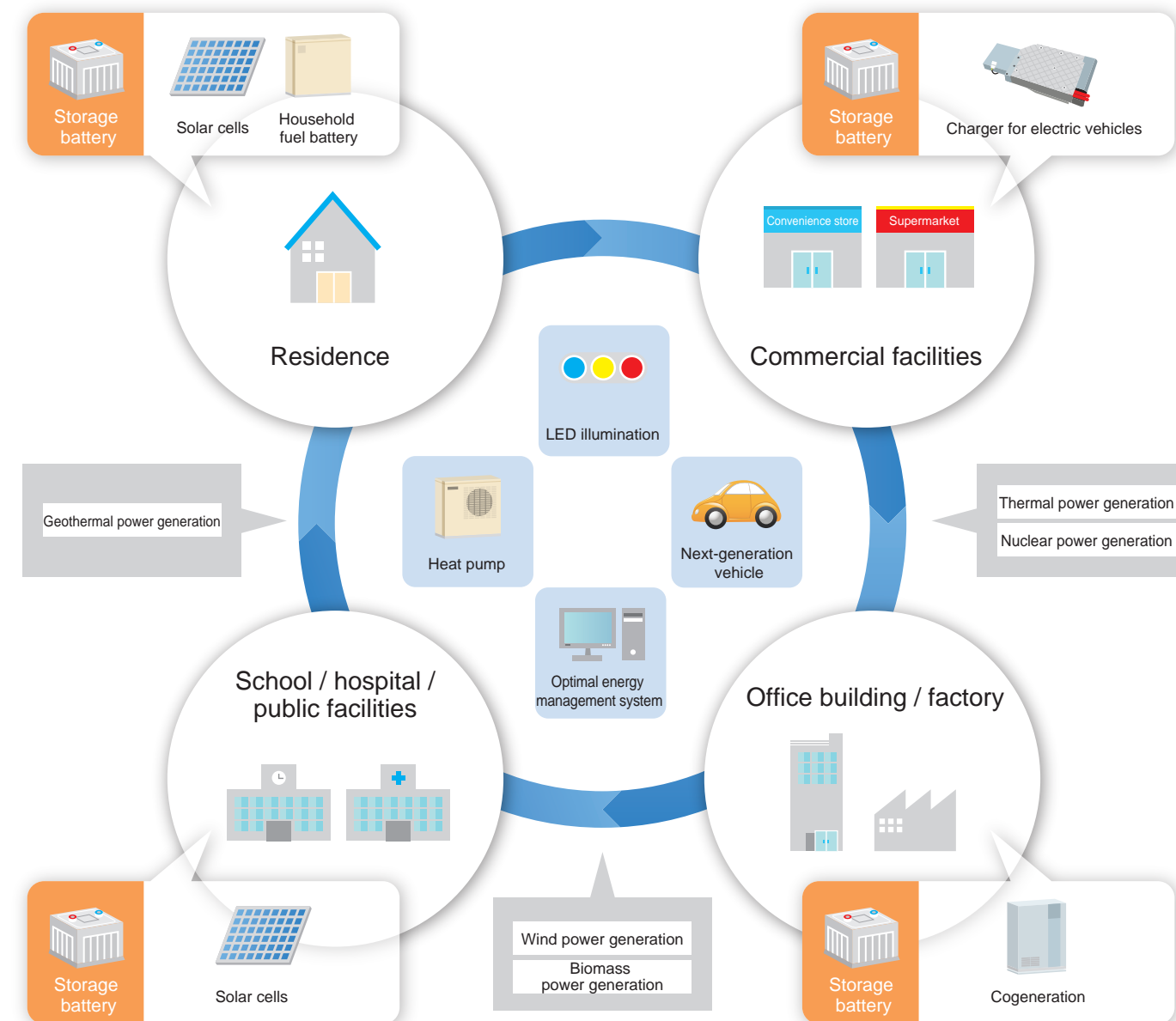
Participation in the planning for next-generation electricity network (smart grid) and its verification tests

The smart grid is characterized as an electricity network covering the power plant, networks for power transmission and transformation, and individual end-users, such as businesses and private families, to address global environmental and energy issues by optimizing the energy efficiency in power supply through the active utilization of communications / IT technology. It is expected as a new business opportunity in addition to the environmental and energy aspects.

As a battery manufacturer, Furukawa Battery sees the smart grid as a significant opportunity for growth because the use of storage batteries is expected in various scenes of the smart grid, and wishes to contribute to the establishment of the smart grid by using an energy system centering on the storage batteries for electric power storage systems, UltraBattery, and highly safe lithium ion batteries.

In order to contribute to practical applications of the smart grid, we will promote the development and commercialization by utilizing the data and know-how obtained from our active participation in verification tests for practical applications of the smart grid: the "Japan-U.S. Collaborative Experiment for the Next-generation Electric Network" in Albuquerque, New Mexico, the United States, and the "Development of the Power Storage Complex System" in Kita-kyushu City and Keihanna District, both of which were publicly solicited by NEDO; and the micro-grid verification test driven by Shimizu Corporation.

Secondary battery as part of the "energy society system of the future"



Storage battery for smart grid

Analysis on the financial position

Overview of current consolidated fiscal year

Cash generated by business operations for the current consolidated fiscal year was 3,350 million yen due to the amount of increase in trade account receivable of 768 million yen and amount of payment of corporation tax, etc. of 2,105 million yen, although we had the current net income before adjustment of taxes, etc. of 3,311 million yen, depreciation expense of 1,640 million yen, and amount of increase in trade account payable of 1,099 million yen.

Cash used for investment activities was 1,543 million yen mainly due to the expenditure for acquisition of tangible fixed assets of 1,100 million yen.

Cash used for financing activities was 2,017 million yen, principally attributable to the repayments of short-term debt of 2,507 million yen and expenditure due to redemption of bonds of 1,340 million yen, although we had the income due to issue of bonds of 1,968 million yen.

As a result, cash and cash equivalents at the end of the current consolidated fiscal year decreased by 210 million yen from the previous fiscal year to 2,619 million yen.

Trends of cash flow indexes

	FY2005	FY2006	FY2007	FY2008	FY2009
Equity capital ratio (%)	10.1	9.5	9.3	17.0	21.4
Equity capital ratio based on current value (%)	30.3	21.1	36.1	84.0	66.0
Number of years for debt redemption (years)	11.1	7.7	8.8	2.2	2.8
Interest coverage ratio	7.4	6.2	4.4	14.9	15.6

* 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.

We celebrated our 60th anniversary in business September, 2010, and in order to show our appreciation to the support by our shareholders, we decided to pay the year-end dividend of 6 yen per share for the current period, comprised of the ordinary dividend of 5 yen and the commemorative dividend of 1 yen. The year-end dividend for the next period is expected to be 5 yen per share.

Consolidated Financial Statements Consolidated Balance Sheet (1)

Unit: Million Yen

Assets	Previous consolidated fiscal year FY2008 (March 31, 2009)	Current consolidated fiscal year FY2009 (March 31, 2010)
Current assets		
Cash and deposits	2,829	2,634
Bill receivable and trade account receivable	9,792	10,616
Commodities and products	1,403	1,244
Products in process	2,019	1,658
Raw materials and stored goods	469	583
Deferred tax assets	296	283
Others	423	401
Bad debt reserve	(50)	(60)
Total current assets	17,184	17,362
Fixed assets		
Tangible fixed assets		
Buildings and structures	9,191	10,895
Cumulative amount of depreciation	(6,029)	(7,164)
Buildings and structures (net amount)	3,162	3,730
Machines, equipment and transport equipment	20,308	20,646
Cumulative amount of depreciation	(16,517)	(16,877)
Machines, equipment and transport equipment (net amount)	3,790	3,769
Machines, transport equipment, tools, apparatus and fixtures	5,962	6,045
Cumulative amount of depreciation	(5,483)	(5,660)
Machines, transport equipment, tools, apparatus and fixtures (net amount)	479	385
Land	2,878	5,862
Leased assets	75	200
Cumulative amount of depreciation	(9)	(38)
Leased assets (net amount)	65	161
Construction in process account	163	88
Total tangible fixed assets	10,539	13,998
Intangible fixed assets		
Goodwill	117	88
Leased assets	44	52
Others	45	46
Total intangible fixed assets	207	187
Investments and other assets		
Investment securities	1,594	1,471
Others	244	292
Deferred tax assets	1,990	1,888
Bad debt reserve	(74)	(123)
Total investments and other assets	3,755	3,529
Total fixed assets	14,503	17,715
Total assets	31,687	35,077

Consolidated Financial Statements Consolidated Balance Sheet (2)

Unit: Million Yen

Liabilities	Previous consolidated fiscal year FY2008 (March 31, 2009)	Current consolidated fiscal year FY2009 (March 31, 2010)
Current liabilities		
Bills payable and trade account payable	6,606	7,813
Short-term debt	5,772	3,896
Bonds to be redeemed within one year	1,240	1,180
Lease liabilities	29	62
Income taxes payable	1,270	340
Unpaid consumption taxes.	344	119
Bonus reserve	460	450
Directors bonus reserve	—	19
Others	1,464	1,625
Total current liabilities	17,188	15,507
Fixed liabilities		
Bonds	2,460	3,180
Long-term debts	1,175	1,255
Lease liabilities	87	165
Deferred tax liabilities	0	1,057
Retirement benefit reserve	5,173	5,005
Officers retirement allowance reserve	88	99
Environmental expenditure reserve	18	18
Negative goodwill	—	453
Others	20	374
Total fixed liabilities	9,022	11,607
Total liabilities	26,211	27,114
Net assets		
Shareholders' equity		
Capital stock	1,640	1,640
Capital surplus	422	422
Earned surplus	3,379	5,270
Treasury stocks	(4)	(5)
Total shareholders' equity	5,437	7,327
Valuation and translation gains and losses		
Valuation gains and losses on other securities	216	355
Deferred hedge gains and losses	(55)	(30)
Translation adjustment account	(200)	(144)
Total valuation and translation gains and losses	(39)	180
Minority interests	78	454
Total net assets	5,475	7,962
Total liabilities and net assets	31,687	35,077

Consolidated Financial Statements Consolidated Income Statement

Unit: Million Yen

	Previous consolidated fiscal year FY2008 (April 1, 2008 to March 31, 2009)	Current consolidated fiscal year FY2009 (April 1, 2009 to March 31, 2010)
Sales	46,900	40,206
Cost of sales	34,747	29,213
Gross profit on sales	12,152	10,993
Selling, general and administrative expenses		
Selling expenses	2,712	1,961
General and administrative expenses	5,629	5,594
Total selling, general and administrative expenses	8,342	7,555
Operating income	3,810	3,437
Non-operating income		
Interests received	2	2
Dividends received	21	34
Amortization of negative goodwill	—	64
Equity in earnings of affiliates	39	—
House rents borne by employees	29	31
Policyholder's dividends	15	5
Gain on sale of scraps	11	—
Exchange gains	—	19
Insurance income	—	19
Others	58	40
Total non-operating income	178	218
Non-operating expense		
Interests paid	326	217
Bond issuance cost	—	31
Exchange losses	50	—
Others	68	28
Total non-operating expense	445	276
Income before income taxes	3,542	3,378
Extraordinary gain		
Gain on sales of fixed assets	0	0
Amount of reimbursement from bad debt reserve	8	6
Others	2	0
Total extraordinary gain	11	7
Extraordinary loss		
Impairment loss	—	41
Loss on disposal of fixed assets	31	30
Valuation loss on investment securities	49	2
Sale loss on investment securities	—	0
Valuation loss on golf club memberships	3	—
Total extraordinary loss	83	74
Current net income before adjustment of taxes	3,470	3,311
Corporation tax, inhabitant tax and enterprise tax	1,421	1,144
Amount of adjustment of corporation tax	(275)	67
Total corporation taxes	1,145	1,212
Minority interest	28	44
Current net income	2,296	2,054

Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets

Unit: Million Yen

Shareholders' equity

	Previous consolidated fiscal year FY2008 (April 1, 2008 to March 31, 2009)	Current consolidated fiscal year FY2009 (April 1, 2009 to March 31, 2010)
Capital stock		
Balance at the end of previous fiscal year	1,640	1,640
Changes during current fiscal year	—	—
Total changes during current fiscal year	—	—
Balance at the end of current fiscal year	1,640	1,640
Capital surplus		
Balance at the end of previous fiscal year	422	422
Changes during current fiscal year	—	—
Total changes during current fiscal year	—	—
Balance at the end of current fiscal year	422	422
Earned surplus		
Balance at the end of previous fiscal year	1,083	3,379
Changes during current fiscal year		
Dividends from surplus	—	(163)
Net income	2,296	2,054
Total changes during current fiscal year	2,296	1,890
Balance at the end of current fiscal year	3,379	5,270
Treasury stocks		
Balance at the end of previous fiscal year	(2)	(4)
Changes during current fiscal year		
Purchase of treasury stocks	(2)	(0)
Total changes during current fiscal year	(2)	(0)
Balance at the end of current fiscal year	(4)	(5)
Total shareholders' equity		
Balance at the end of previous fiscal year	3,143	5,437
Changes during current fiscal year		
Dividends from surplus	—	(163)
Net income	2,296	2,054
Purchase of treasury stocks	(2)	(0)
Total changes during current fiscal year	2,294	1,889
Balance at the end of current fiscal year	5,437	7,327
Valuation and translation gains and losses		
Valuation gains and losses on other securities		
Balance at the end of previous fiscal year	487	216
Changes during current fiscal year		
Net changes other than shareholders' equity during current fiscal year	(271)	139
Total changes during current fiscal year	(271)	139
Balance at the end of current fiscal year	216	355

Unit: Million Yen

	Previous consolidated fiscal year FY2008 (April 1, 2008 to March 31, 2009)	Current consolidated fiscal year FY2009 (April 1, 2009 to March 31, 2010)
Deferred hedge gains and losses		
Balance at the end of previous fiscal year	(208)	(55)
Changes during current fiscal year		
Net changes other than shareholders' equity during current fiscal year	153	24
Total changes during current fiscal year	153	24
Balance at the end of current fiscal year	(55)	(30)
Translation adjustment account		
Balance at the end of previous fiscal year	63	(200)
Changes during current fiscal year		
Net changes other than shareholders' equity during current fiscal year	(264)	56
Total changes during current fiscal year	(264)	56
Balance at the end of current fiscal year	(200)	(144)
Total valuation and translation gains and losses		
Balance at the end of previous fiscal year	342	(39)
Changes during current fiscal year		
Net changes other than shareholders' equity during current fiscal year	(381)	220
Total changes during current fiscal year	(381)	220
Balance at the end of current fiscal year	(39)	180
Minority interest		
Balance at the end of previous fiscal year	65	78
Changes during current fiscal year		
Net changes other than shareholders' equity during current fiscal year	12	376
Total changes during current fiscal year	12	376
Balance at the end of current fiscal year	78	454
Total net assets		
Balance at the end of previous fiscal year	3,550	5,475
Changes during current fiscal year		
Dividends from surplus	—	(163)
Net income	2,296	2,054
Purchase of treasury stocks	(2)	(0)
Net changes other than shareholders' equity during current fiscal year	(368)	596
Total changes during current fiscal year	1,925	2,486
Balance at the end of current fiscal year	5,475	7,962

Consolidated Financial Statements | Consolidated cash flow statement

Unit: Million Yen

	Previous consolidated fiscal year FY2008 (April 1, 2008 to March 31, 2009)	Current consolidated fiscal year FY2009 (April 1, 2009 to March 31, 2010)
Cash flow for business operations		
Current net income before adjustment of taxes	3,470	3,311
Depreciation expense	1,555	1,640
Impairment loss	—	41
Amortization of goodwill	29	(35)
Increase (decrease) in bad debt reserve	(11)	59
Interests and dividends received	(24)	(36)
Interests paid	326	217
Equity in losses (earnings) of affiliates	(39)	—
Bond issuance cost	—	31
Retirement loss on tangible fixed assets	31	30
Sale loss (gain) on tangible fixed assets	(0)	(0)
Valuation loss (gain) of investment securities	49	2
Sale loss (gain) on investment securities	(0)	(0)
Valuation loss on golf club memberships	3	—
Amount of decrease (increase) in trade account receivable	3,703	(768)
Amount of decrease (increase) in inventories	960	434
Amount of increase (decrease) in trade account payable	(4,941)	1,099
Amount of increase (decrease) in bonus reserve	8	(10)
Amount of increase (decrease) in directors bonus reserve	—	15
Amount of increase (decrease) in retirement benefit reserve	343	(171)
Amount of increase (decrease) in officers retirement allowance reserve	24	11
Amount of increase (decrease) in unpaid consumption taxes	87	(221)
Others	83	(17)
Subtotal	5,661	5,633
Amount of interests and dividends received	39	36
Amount of interests paid	(322)	(214)
Amount of payment of corporation taxes	(560)	(2,105)
Cash flow for business operations	4,817	3,350
Cash flow for investment activities		
Expenditure for acquisition of tangible fixed assets	(1,047)	(1,100)
Income from sale of tangible fixed assets	0	0
Expenditure for acquisition of intangible fixed assets	(60)	(5)
Expenditure for acquisition of investment securities	(3)	(3)
Income from sale of investment securities	0	7
Expenditure for acquisition of investments in subsidiaries due to new consolidation	—	(394)
Others	54	(46)
Cash flow for investment activities	(1,057)	(1,543)
Cash flow for financing activities		
Amount of net increase (decrease) in short-term debts	(4,110)	(2,507)
Income from long-term debts	—	600
Expenditure for repayment of long-term debts	(698)	(506)
Income due to issue of bonds	2,160	1,968
Expenditure due to redemption of bonds	—	(1,340)
Expenditure for repayment of lease liabilities	(18)	(44)
Dividends paid	—	(163)
Dividends paid to minority shareholders	—	(23)
Others	(2)	(0)
Cash flow for financing activities	(2,669)	(2,017)
Translation gain or loss on cash and cash equivalent	(20)	0
Amount of increase (decrease) in cash and cash equivalent	1,069	(210)
Opening balance of cash and cash equivalent	1,759	2,829
Closing balance of cash and cash equivalent	2,829	2,619

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	http://www.furukawadenchi.co.jp/
Capital	1.64 billion yen (as of March 31, 2010)
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	<ul style="list-style-type: none"> • Sales of Automotive Batteries <ul style="list-style-type: none"> 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. • Construction and Maintenance of Industrial Equipment <ul style="list-style-type: none"> Furukawa Battery Service Co., Ltd. • Manufacture and Sales of Alkaline Batteries for Industrial Use <ul style="list-style-type: none"> HD Holdings Co., Ltd. • Overseas Manufacture and Sales of Automotive Batteries <ul style="list-style-type: none"> Siam Furukawa Co., Ltd. (Thailand) Siam Furukawa Trading Co., Ltd. • Others <ul style="list-style-type: none"> Asahi Kaihatsu Co., Ltd. Daiichi Giken Kogyo Co., Ltd. FB Package Co., Ltd. FB Finance Co., Ltd.

Our Shares

Shares outstanding (common shares)	Total number of shares authorized: 80,000,000 (as of March 31, 2010) Number of own shares at the end of the term: 32,800,000 (as of March 31, 2010)
Distribution of shares by shareholder type	As of March 31, 2010
Number of shareholders	3,422

■ Major shareholders (as of March 31, 2010)

Name	No. of shares	Share holding ratio (%)
Furukawa Electric Co., Ltd.	18,751,200	57.17
Japan Trustee Services Bank, Ltd. (Trust Account)	760,000	2.31
Furukawa Battery's client stock ownership	590,000	1.81
Toyota Motor Corporation	550,000	1.67
Asahi Mutual Life Insurance Co.	440,000	1.34
The Master Trust Bank of Japan, Ltd. (Trust Account)	424,000	2.31
Sompo Japan Insurance Inc.	421,000	1.28
Hino Motors, Ltd.	330,000	1.00
Trust & Custody Services Bank, Ltd.	260,000	0.79
Japan Trustee Services Bank, Ltd. (Trust Account 9)	255,000	0.77

■ Distribution of shares

