



**Medium-Term Management Plan**  
**—Growing through Challenge—**  
**(April 1, 2008 to March 31, 2011)**

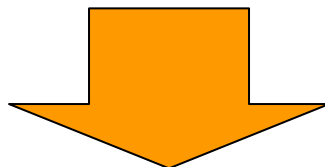
**March 24, 2008**

**FURUKAWA CO.,LTD.**

# Overview of the Current Medium-Term Management Plan (Fiscal 2006–2008)

## **Management Policies**

- 1. Develop innovative, high-value-added global products and services, and increase profits**
- 2. Strengthen financial position through the reduction of interest-bearing liabilities**
- 3. Maximize corporate value by reinforcing corporate governance and Group management**



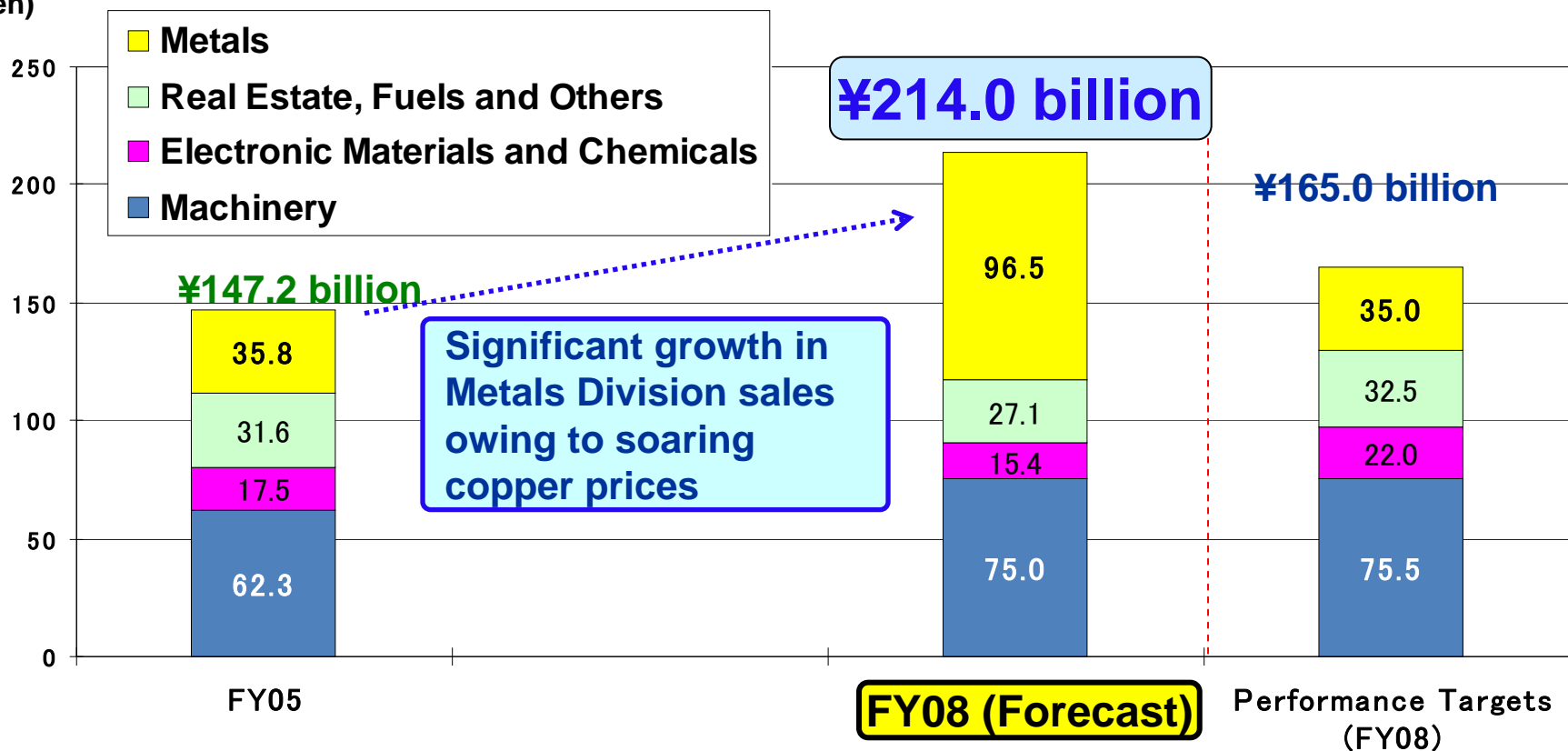
## **FY2008 Consolidated Performance Targets**

<b>Net Sales</b>	<b>¥165.0 billion</b>
<b>Operating income</b>	<b>¥10.5 billion</b>
<b>Interest-bearing liabilities</b>	<b>¥30.0 billion (reduction)</b>

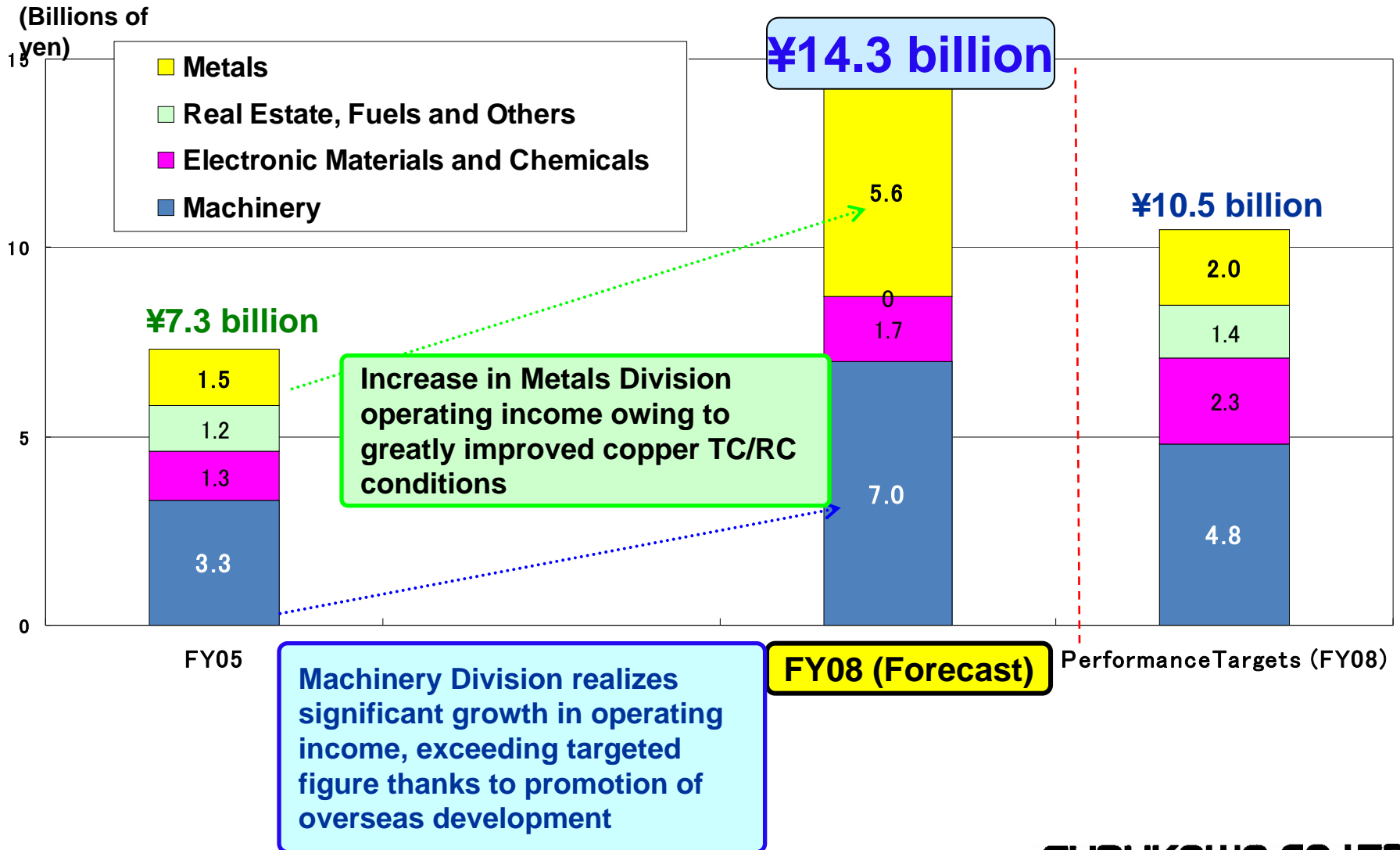
FY2008: April 1, 2007 to March 31, 2008

# Net Sales (Consolidated)

(Billions of yen)



# Operating Income (Consolidated)

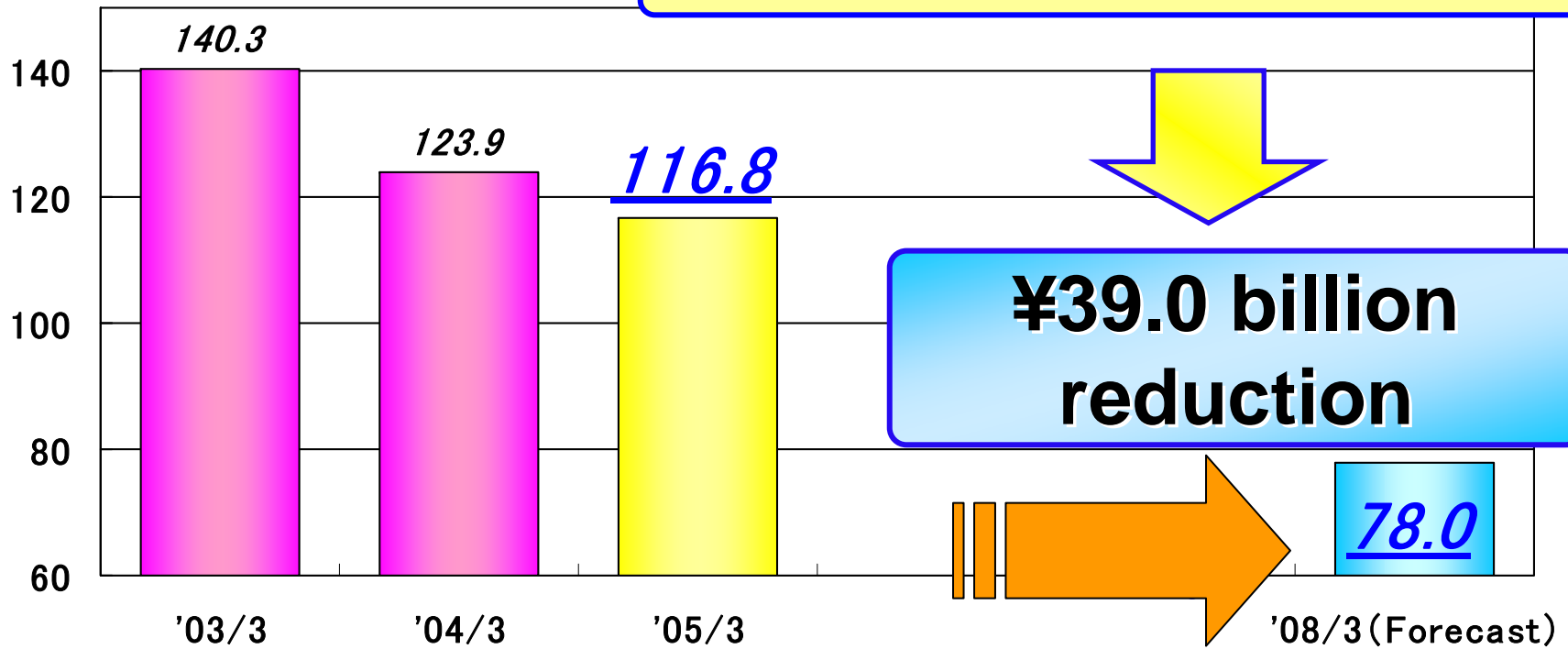


# Interest-Bearing Liabilities (Consolidated)

\*Interest-bearing liabilities: corporate bonds and debt

(Billions of yen)

(Target) Reduce interest-bearing liabilities by ¥30.0 billion ⇒ FY08 Target ¥86.8 billion





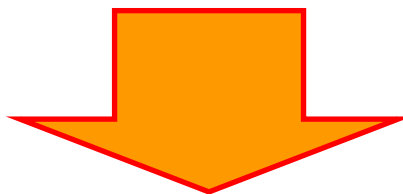
# Medium-Term Management Plan (Fiscal 2009 – 2011)

**—Growing through Challenge—**

## Basic Policies

1. Promote further overseas development and strengthen technical capabilities of Machinery Division
2. Promote development activities aiming for new product commercialization

# Fiscal 2011 Consolidated Performance Targets



<b>Net sales</b>	<b>¥230.0 billion</b>
<b>Operating income</b>	<b>¥15.0 billion</b>
<b>Net income</b>	<b>¥8.0 billion</b>

Based on the following assumptions in fiscal 2011:

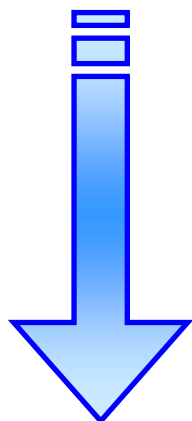
- Copper prices: \$6,500/t (FY08 forecast: \$7,409/t)
- Exchange rate: ¥105/\$ (FY08 forecast: ¥116/\$), ¥155/€(FY08 forecast: ¥161/€)

**Capital Investment (Plan) 3-year total ¥18.0 billion**

## Medium-Term Management Plan

### Operating Income Fluctuation Factors

**FY08 Consolidated operating income (Forecast) ¥14.3 billion**



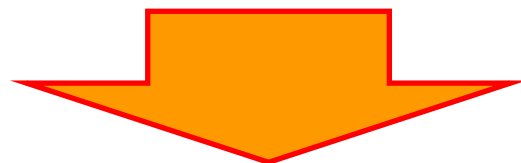
#### **Fluctuation Factors**

**Machinery Division: increase in income owing to growth in sales on the back of expansion of overseas development in the rock drill and UNIC businesses**  
**+ ¥3.5 billion**

**Electronic Materials Division: increase in income owing to growth in sales accompanied by new product launch including GaN substrates** + ¥0.6 billion

**Metals Division: worsening copper TC/RC conditions owing to elimination of profit on a sliding-scale system**  
**- ¥4.1 billion**

**FY11 Consolidated operating income (Plan) ¥15.0 billion**



**In the Machinery Division, establish a revenue base capable of reliably achieving at least ¥10.0 billion in operating income.**



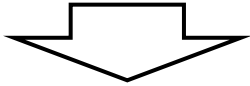
## Priority Measures

- 1. Initiate full-fledged *monozukuri* activities**
- 2. Promote Machinery Division overseas development**
- 3. Develop and launch new products such as next-generation semiconductor materials**
- 4. Implement full-scale structural development efforts for future growth**

# (1) Full-Fledged *Monozukuri* Initiatives

Improve productivity, reduce costs, pursue enhanced quality and increase production through investment in equipment and facilities

Introduction of the Toyota Production System to bring about innovation in manufacturing system and implement effective capital investment



Work to increase production along with dramatic improvements in productivity, cost reductions and quality achievements



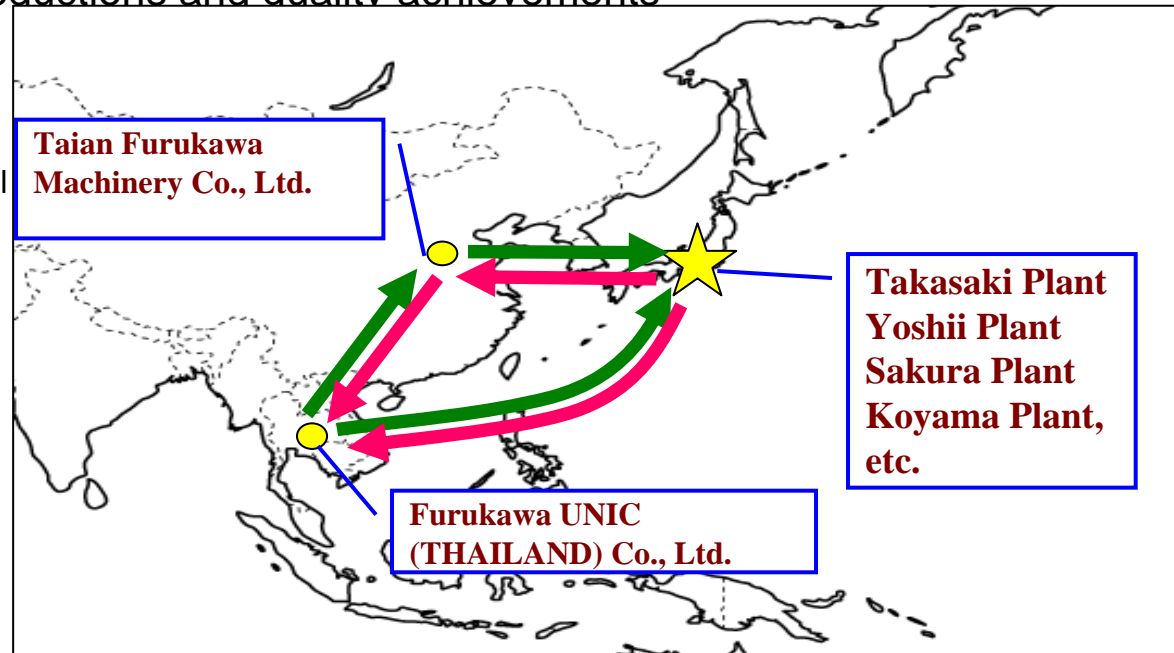
Furukawa Rock Drill Co., Ltd., Takasaki Plant

## Overseas Subsidiary Plant Activities

Achieve cost reductions by building an optimal production and procurement structure



FURUKAWA UNIC (THAILAND)



## Expanding Our Lineup of Environmentally Conscious and High-Value Added Products



**A noise-reduced rock drill**

**Reduces sound pressure by 30%**



**Controls heat generation with mutual friction grinding mechanism reducing substance alteration**

**Winner of 2007 New Machinery Promotion Award granted by the Japan Society for the Promotion of Machine Industry**

**Pneumatic micro-powder producing equipment**

**Ultra-low-noise hydraulic pressure breaker**



**U-can ECO**  
ECONOMY AND ECOLOGY

**Fuel-efficient, low-noise, U-can ECO crane (U-can ECO )**

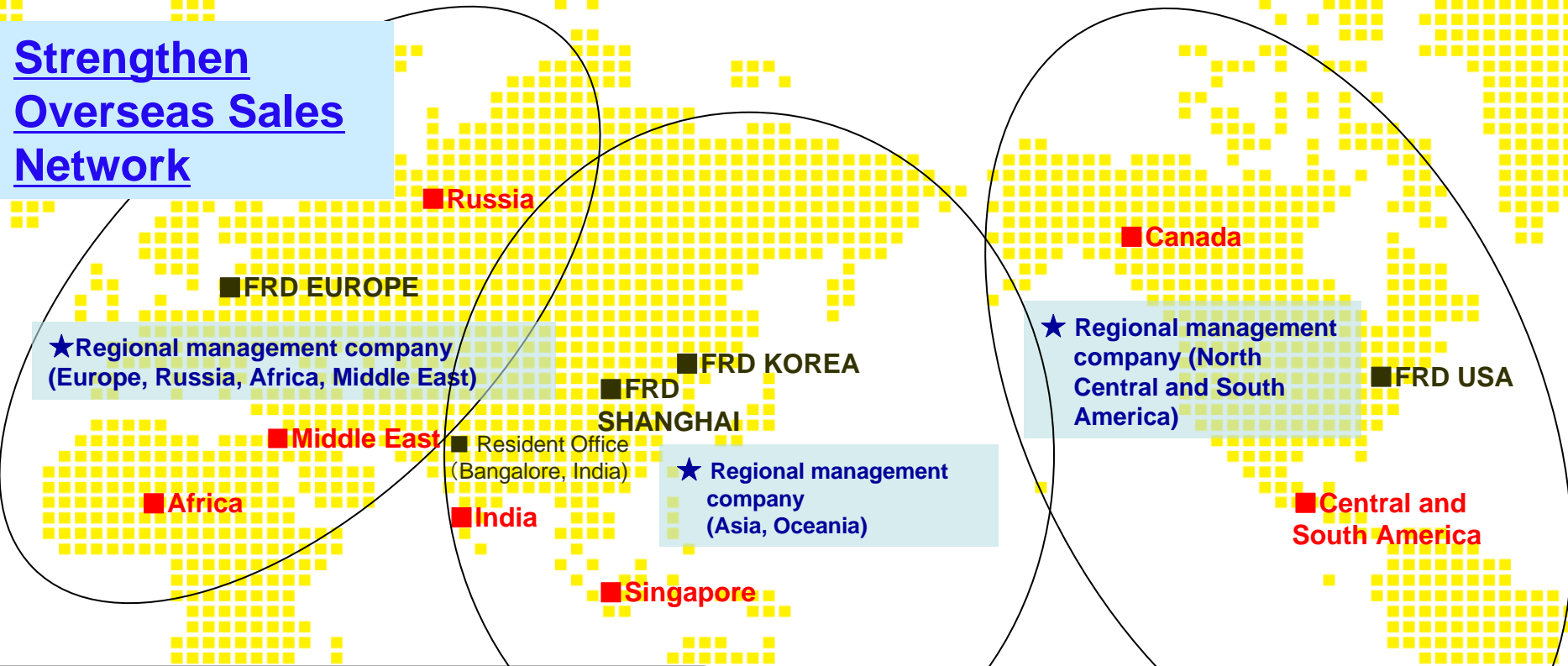
**Fuel-efficient, low-noise, truck-mounted crane, realizing maximum fuel-reduction ratio of 40%**

**2007 Energy-Conservation Award Winner**

## (2) Promote Machinery Division Overseas Development

### Development Machinery (Rock Drills)

**Strengthen  
Overseas Sales  
Network**



★ Regional management company  
(Europe, Russia, Africa, Middle East)

★ Regional management company (North Central and South America)

★ Regional management company (Asia, Oceania)

**Upgrade Regional Bases  
→ Create Area Management Frameworks**

**Develop and Train Distributors**

- Current sales bases
- Sales bases scheduled for expansion
- ★ New area management companies scheduled for establishment

# Development Machinery (Rock Drills)

## Sales expansion in stable and fast-growing markets and development in new markets

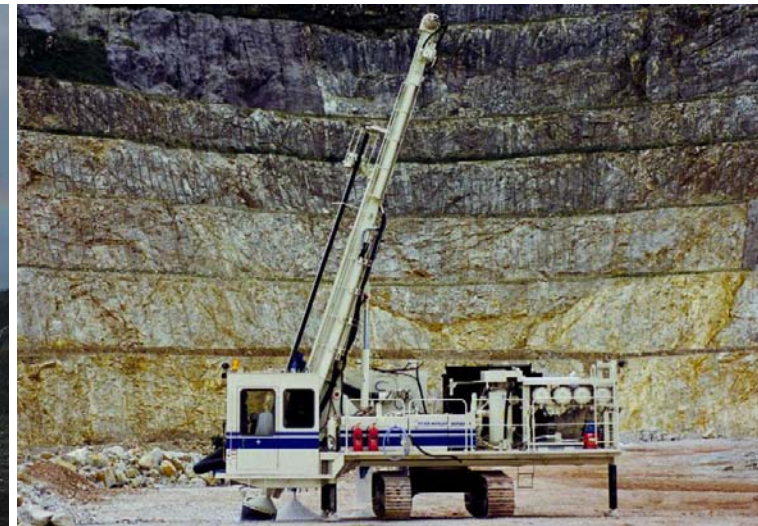
**Stable markets: The U.S.A., Europe, South Korea, Thailand, Malaysia**  
**Fast-growing markets: Middle East, China, Turkey, South Africa, Indonesia**  
**New markets: India, Russia, Vietnam, Australia, Brazil, Argentina, etc.**



Hydraulic pressure breaker



Hydraulic pressure rock drills



Down the hole drills

**Global share of breakers and rock drills:  
FY08 (outlook) 30% → FY13 (target) 40%**

## Strengthen and expand five core overseas sales bases

Five global pillars: North America, Europe, Asia and Oceania, Russia and CIS countries, Middle East

### Increase recognition of UNIC cranes in overseas markets

Strengthen sales promotion activities and aim to raise recognition in overseas regions where swing-boom type cranes are mainstream



Bauma China Expo



CONEXPO (U.S.A.)

Overseas sales ratio

FY08 (Outlook) 20% → FY11 40%

## Strengthen and expand five core overseas sales bases



UNIC Crane (Truck-mounting type)



Mini crawler crane (Stand-alone type)

# Industrial Machinery

Utilize overseas development capabilities within the Group while developing business in major Asian markets focusing on slurry pumps, crushers, and briquetting machines (granulators)



Myanmar

Taiwan

Thailand

Vietnam

Malaysia

Singapore

Indonesia



Slurry Pump



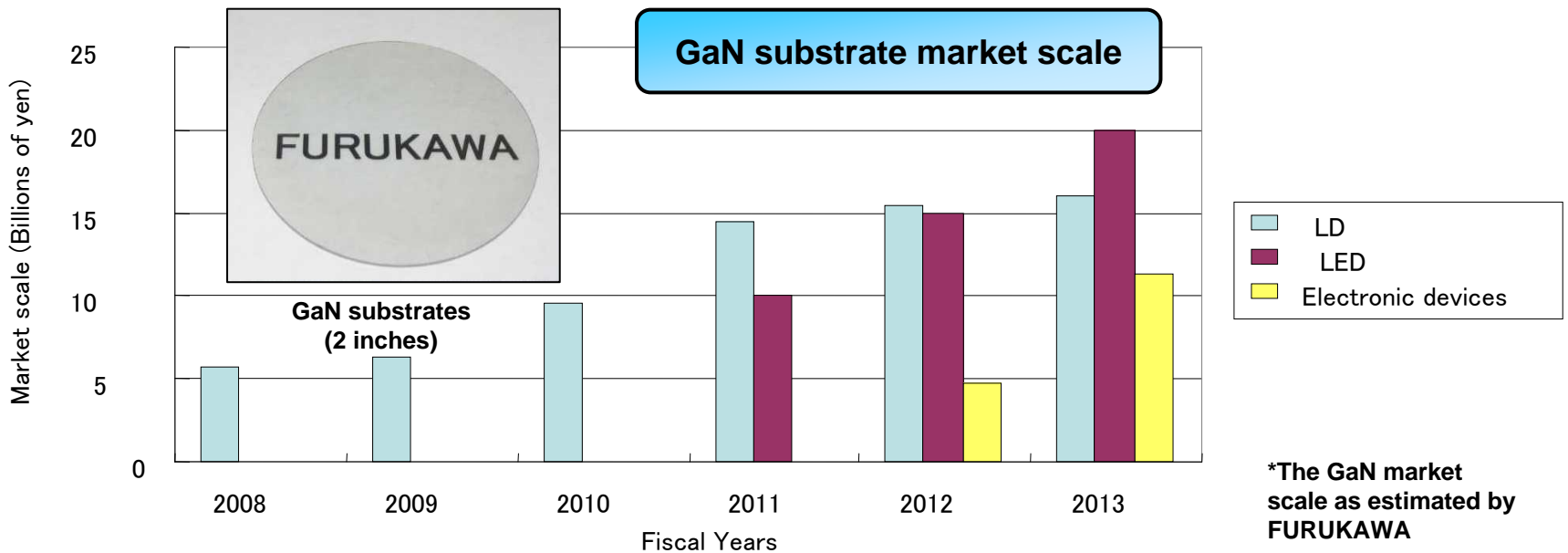
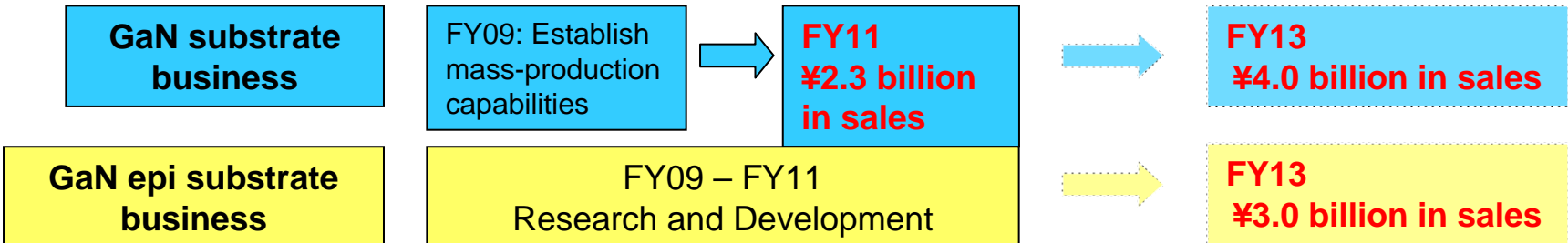
Briquetting Machine

### (3) Develop and Launch New Products Such as Next-Generation Semiconductor Materials

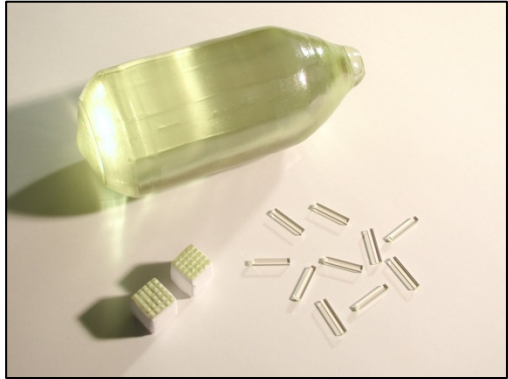
#### GaN (Gallium nitride) Products

Volume production and introduction of GaN substrates that use blue-violet laser diodes and white light emitting diodes

Development of GaN epi substrate for electronic devices



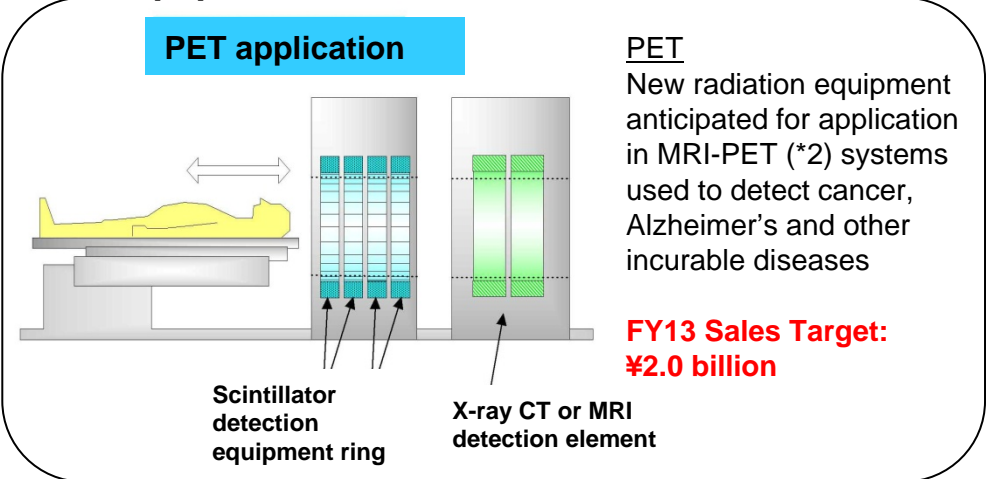
# <LuAG (Lutetium Aluminum Garnet) crystals>



**LuAG crystals**

**New scintillator (\*1) crystal developments to realize next-generation PET and breast cancer detection equipment as well as resource (oil) exploration equipment**

Application Fields



**Resource (oil) exploration**  
LuAG: high-luminescence capabilities even at 150–180°C at 3,000–5,000m underground during excavation

**FY13 Sales Target: ¥0.7 billion**

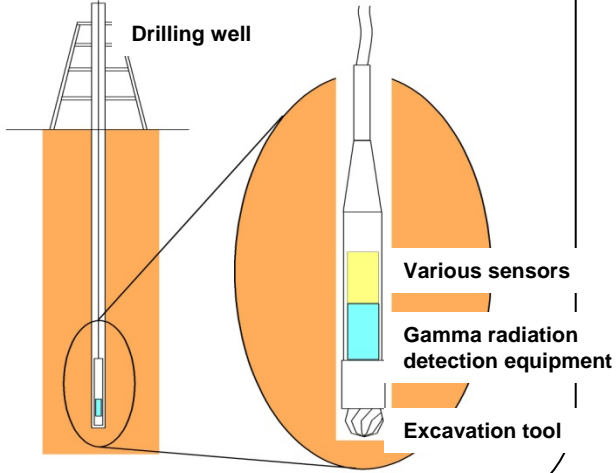


Diagram of oil exploration

(\*1) Light-emitting material that uses incoming radiation energy  
 (\*2) Magnetic Resonance Imaging—Positron Emission Tomography  
 (\*3) Positron Emission Mammography

## **(4) Implement Full-Scale Structural Development Efforts for Future Growth**

**Reestablish R&D structure including establishment of the Nitride Business Office, and strengthen development capabilities and accelerate efforts to commercialize developments, aiming to launch strategic next-generation products**

**Establish optimal groupwide manufacturing structure by reviewing vertical production structure and building coordinated systems leveraging each plant's field of expertise**

**Effective training and posting of technicians, research technicians and other personnel dispatched overseas**

**Strengthen overall corporate risk management along with efforts to further upgrade internal control systems and operations**

## Medium-Term Management Plan: Capital Investment Plan

FY09–11 (3 years) Total Investment (Plan) ¥18.0 billion  
< FY 06–08 (3 years) result ¥12.0 billion >

FY09–11 (3 years) Depreciation expense ¥10.7 billion

### Major investments

Rock drills: Equipment to increase production and install heat treatment equipment—¥5.0 billion

UNIC: Equipment to increase production, establish paint factory, new technical training and research center—¥3.0 billion

Electronic materials: GaN substrate mass production equipment, establish a facility for GaN epi substrate development—¥2.4 billion

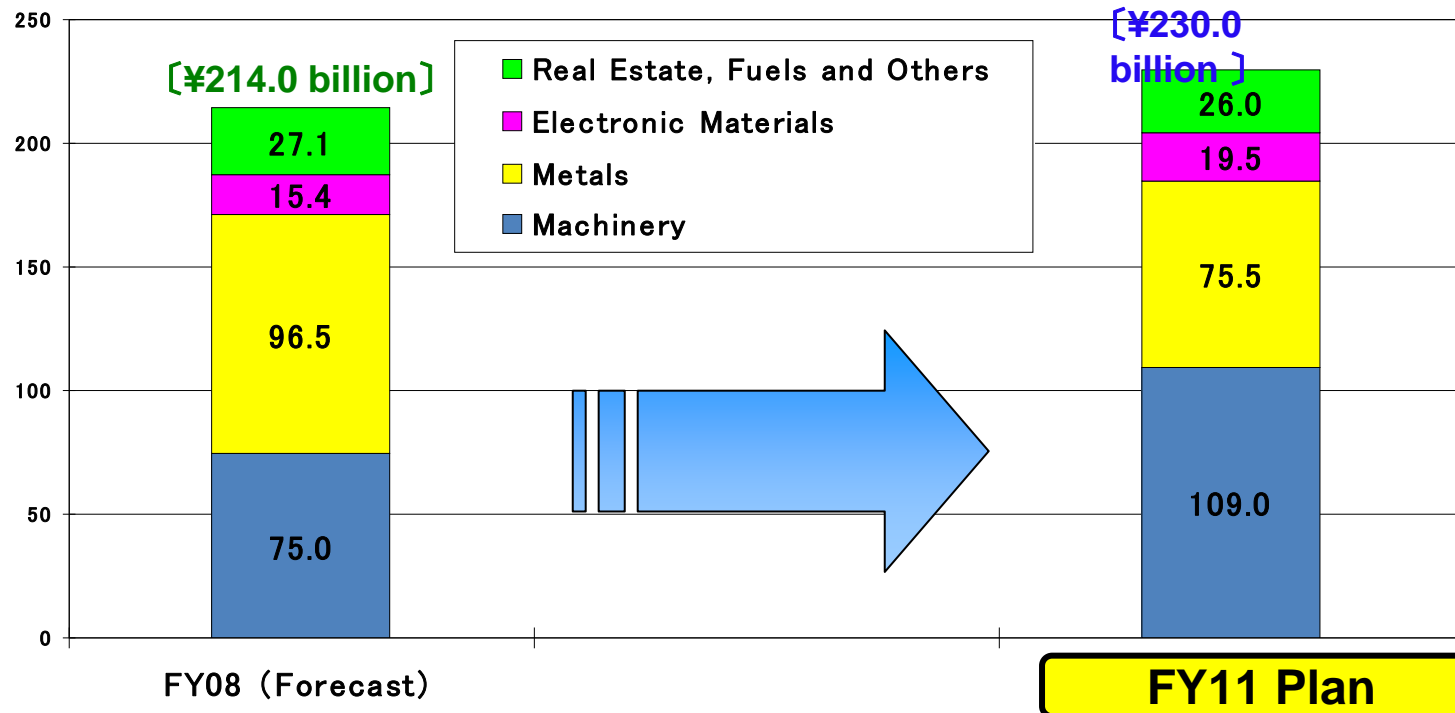


Heat treatment equipment  
(Rock drill)

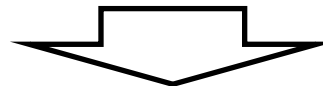


# Segment Sales Plan

(Billions of yen)



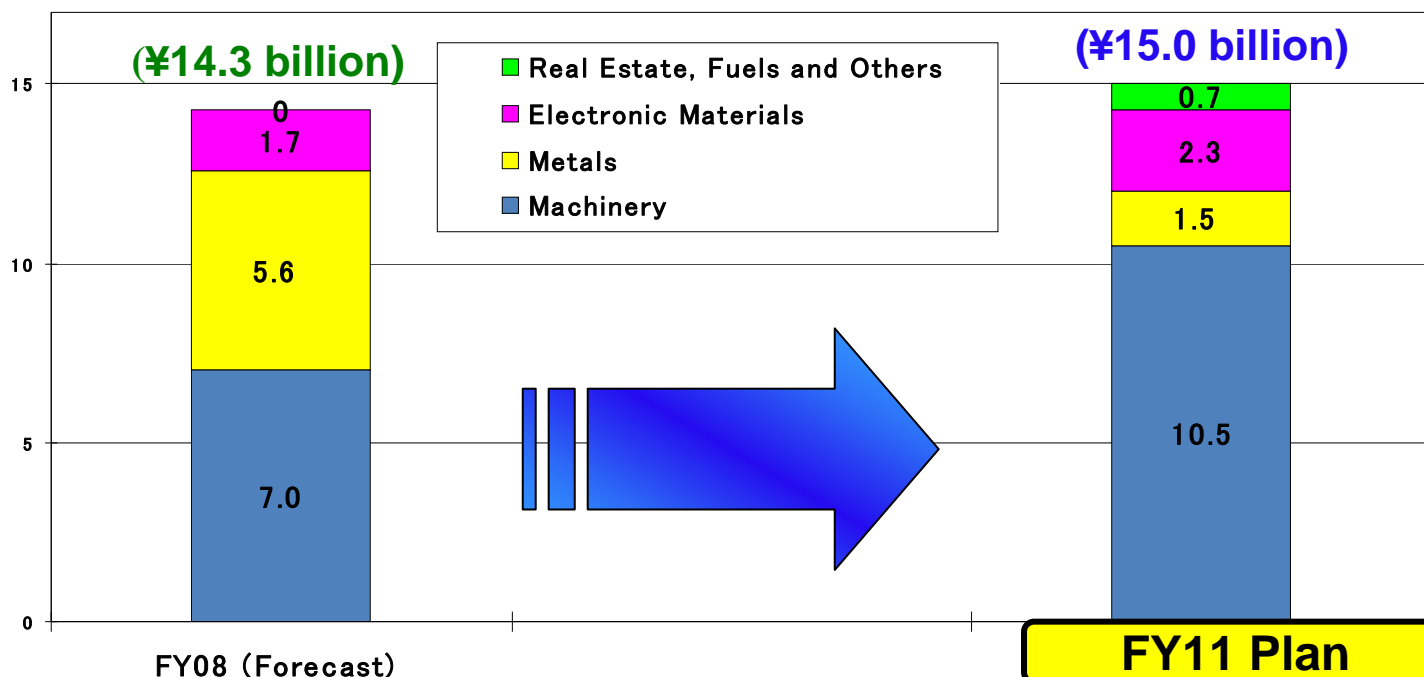
	Industrial Machinery	Rock Drills	UNIC	Metals	Electric Materials	Chemicals	Real Estate	Fuels and Others
<b>FY2008 (Forecast)</b>	16.5	37.1	21.4	96.5	9.0	6.4	2.7	24.4



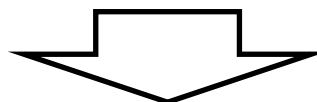
	Industrial Machinery	Rock Drills	UNIC	Metals	Electronic Materials	Chemicals	Real Estate	Fuels and Others
<b>FY2011(Plan)</b>	19.0	55.0	35.0	75.5	12.5	7.0	2.7	23.3

# Segment Operating Income Plan

(Billions of yen)



	Industrial Machinery	Rock Drills	UNIC	Metals	Electronic Materials	Chemicals	Real Estate	Fuels and Others
<b>FY2008 (Forecast)</b>	<b>0.8</b>	<b>3.9</b>	<b>2.3</b>	<b>5.6</b>	<b>1.2</b>	<b>0.5</b>	<b>0.7</b>	<b>(0.7)</b>



	Industrial Machinery	Rock Drills	UNIC	Metals	Electronic Materials	Chemicals	Real Estate	Fuels and Others
<b>FY2011(Plan)</b>	<b>1.4</b>	<b>5.8</b>	<b>3.3</b>	<b>1.5</b>	<b>1.8</b>	<b>0.5</b>	<b>0.7</b>	<b>0</b>



# 古河機械金属株式会社

**Note: This presentation contains forward-looking statements related to the outlook for future results. They are forecasts based on information currently available to the Company and subject to the impact from economic conditions, industry trends, exchange rates and other factors. As such, actual results may differ materially from those projected.**