

# FURUKAWA

## FURUKAWA CO., LTD.

Medium Term Business Plan Announcement, Financial Results Briefing for the Fiscal Year Ended March 2023

May 30, 2023

**[Number of Speakers]**

3

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# Presentation

**Nakatogawa:** My name is Nakatogawa from FURUKAWA CO., LTD. Thank you very much for taking time out of your busy schedule today to attend our mid-term business plan and financial results presentation.

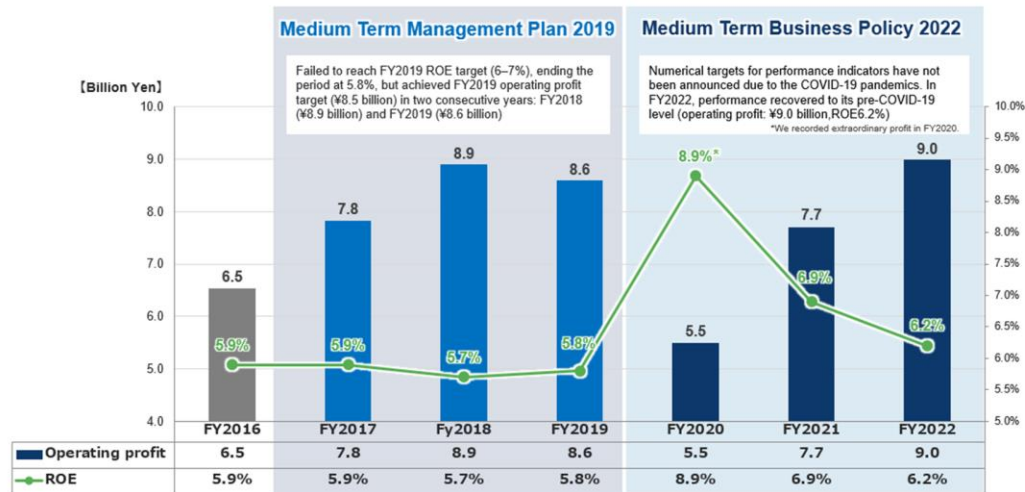
Since our founding in 1875, we have undergone significant changes, and today, our core business is machinery and materials. We are working to enhance our investor relations, IR, activities so that investors can better understand our company. This briefing is now streamed live online, and it has been so since May 2022. Thank you.

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 2

Today, as you have just seen, I will explain in the order of one to five, focusing on the mid-term business plan. Please refer to the financial results briefing material for the financial results of the fiscal year ended March 31, 2023.

- Established a robust earnings foundation with the Machinery business as the core business  
Performance recovered to pre-COVID-19 levels despite previous deterioration due to the pandemic



General note: In this document, we describe "FY202x" as the year starting April 1, 202x, and ending March 31 in the following year.

First, we will review the mid-term business policy 2022.

We did not announce numerical targets for the second phase of Vision for 2025, from FY2020 to FY2022, due to the high degree of uncertainty in the medium to long term business environment and the difficulty of making such assumptions. Therefore, we decided to view the second phase as a good opportunity to focus on a quick recovery of our group's performance, and we promoted the strengthening of our structure and tackled priority issues, including the machinery business, which we positioned as our core business.

In the final year of the second phase, FY2022, operating profit was JPY9 billion, and ROE was 6.2%, both recovering to the levels before the COVID-19 disaster.

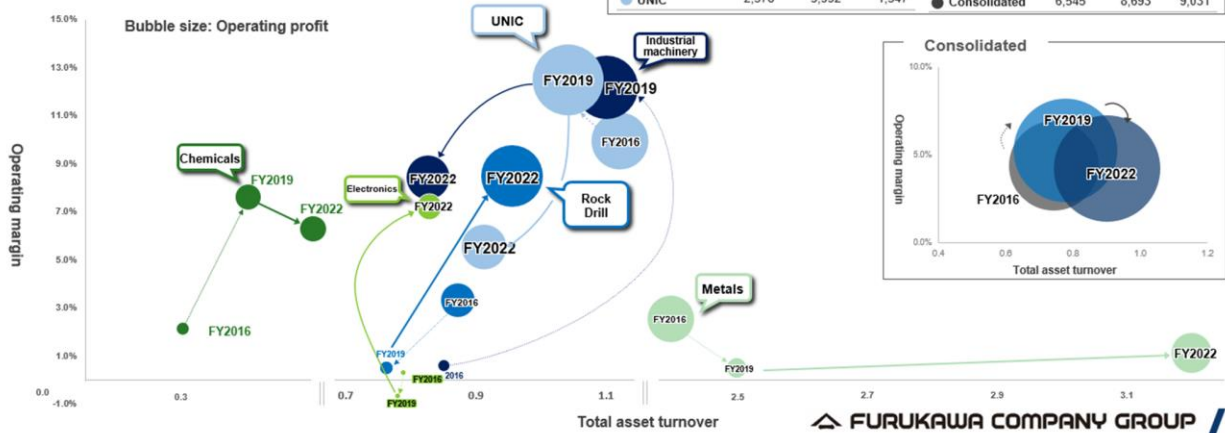
# 1 (2) Performance Highlight



- Rock Drill Machinery segment strengthened and rebuilt its overseas marketing capabilities and achieved a V-shaped recovery in earnings as a result
- In the Metals segment, terminated our entrusted copper smelting contract with Onahama Smelting and Refining Co., Ltd. Proceed with the radical reform of the entrusted smelting business

## Compared to results for FY2016, FY2019, FY2022

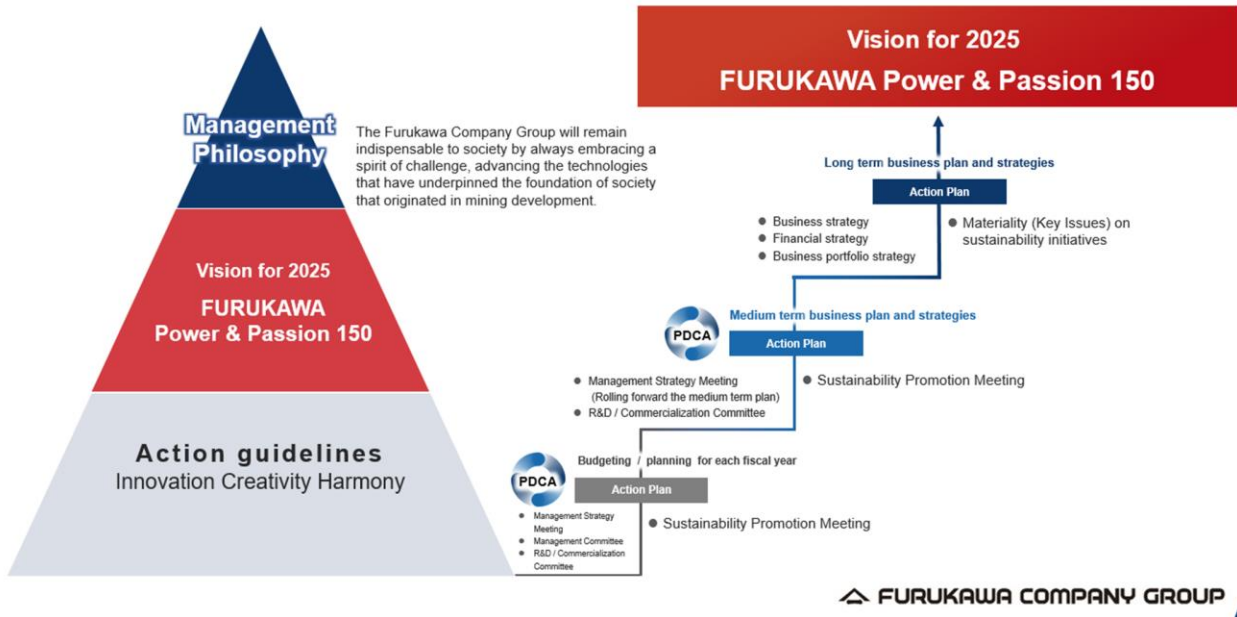
ROA(Operating Profit), Total Asset Turnover, Operating margin, Operating profit



The bubble chart here shows a comparison of performance in FY2016, the base year when Vision for 2025 was developed, FY2019, the final year of the first phase, and FY2022, the final year of the second phase.

In the core machinery business, the industrial machinery segment and UNIC segment saw lower profits from FY2019. However, the rock drill segment achieved a V-shaped recovery in business performance by strengthening and restructuring its overseas marketing capabilities, resulting in a significant increase in profit.

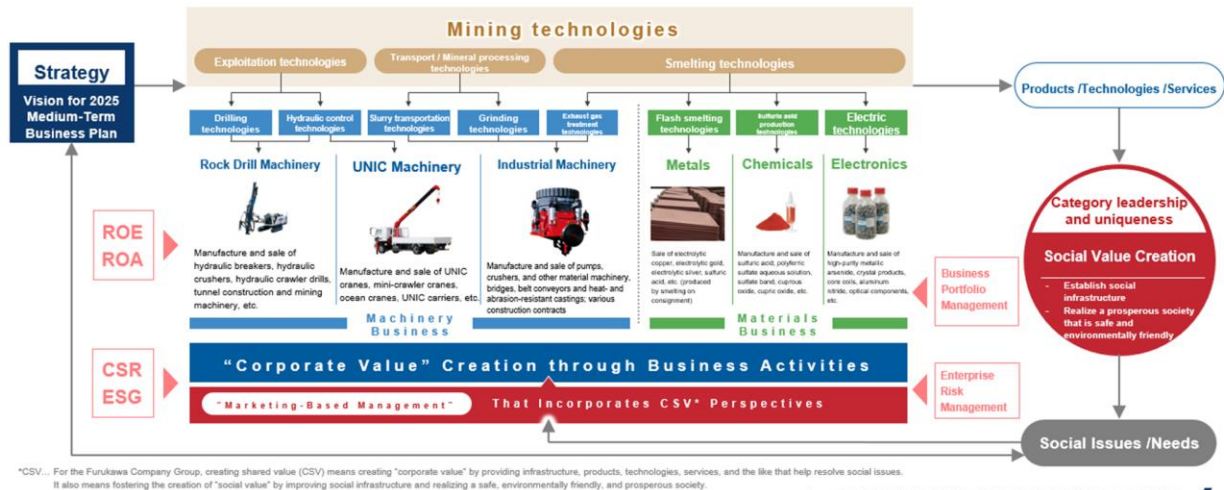
The metals segment terminated its entrusted smelting contract with Onahama Smelting and Refining Co., Ltd. The Company has reached a point of drastic review and change of its entrusted copper smelting business.



This is the management philosophy system of our group and the roadmap for realizing it. Please take a look at it later.

## Management Philosophy

The Furukawa Company Group will remain indispensable to society by always embracing a spirit of challenge, advancing the technologies that have underpinned the foundation of society that originated in mining development.



This is the Group's value-creation process. Based on its management philosophy, the Group has evolved and developed its copper mine development technology into a variety of technologies, with machinery and materials at the core of its business.

Among these, we have positioned the machinery business as our core business, and through marketing management that incorporates a CSV perspective, we aim to create corporate value and social value and continue to be a company that is needed by society.

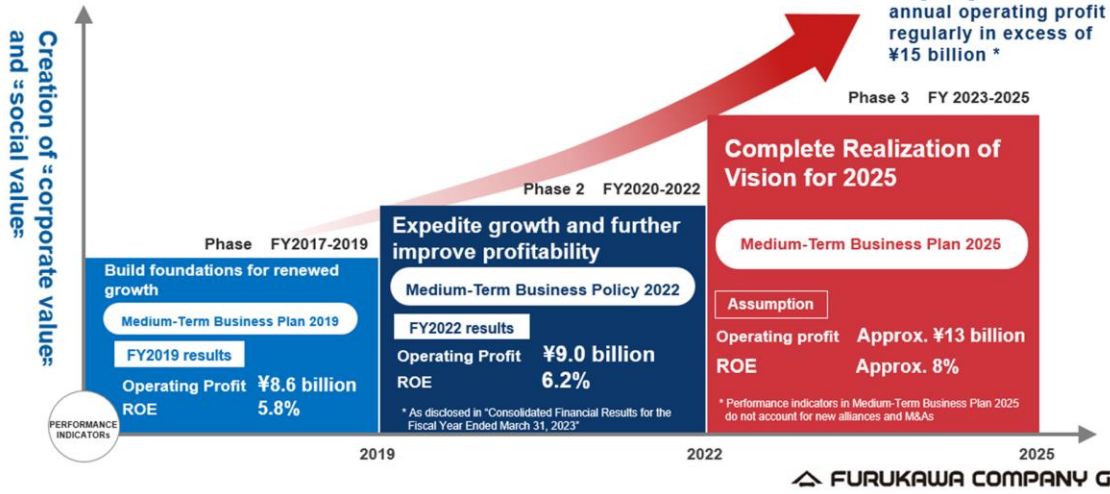
## 2 (3) Complete Realization of Vision for 2025



Vision for 2025 (Ideal image for 150th anniversary of our founding)\*  
 Become a corporate group that leverages its reputation for category leadership and uniqueness deliver growth

- Leverage our unrivalled, distinctive technological capabilities to deliver growth in areas where we can demonstrate our Group strengths
- Differentiate ourselves by practicing "marketing-based management" that incorporates CSV perspectives
- Maintain and enhance our earnings base
- Increase our value as a company needed by society

\*Established November, 2015



Vision for 2025 divides the phase into three periods by backcasting, and we have been working to realize this vision. The third phase of our mid-term business plan 2025 is positioned as a period for finalizing the realization of Vision for 2025, and we will solidify the foundation for the future beyond Vision for 2025. We aim to achieve operating profit of approximately JPY13 billion and ROE of approximately 8% as management indices.

- Swiftly achieve a P/B of 1x or higher by delivering sustainable growth and medium to long term enhancement of corporate value
- Take concrete measures to achieve ROE of approximately 8% and diminish the cost of capital
- Appropriately disclose information and pursuing active dialogue with investors

### Specific initiatives to expand and to strengthen our corporate value creation power:

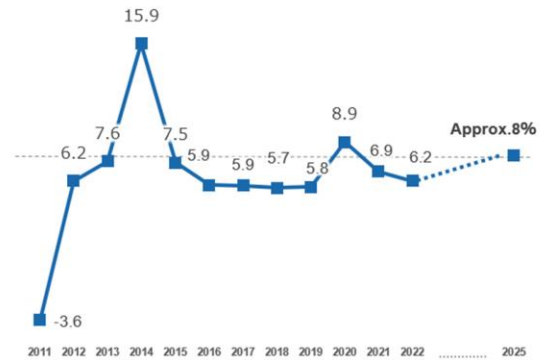
#### Achieving ROE of approx. 8%

- Achieve consolidated operating profit of approx. ¥13 billion in FY2025
- Improve capital efficiency
  - Reduce strategic shareholdings
- Streamline and optimize equity capital
  - Shareholder return

#### Diminishing cost of capital

- Appropriately disclose effective information related to reduce non-financial risks and emphasize active dialogue with investors
  - Pursue initiatives for sustainability
  - Invest in non-financial capital (R&D, intellectual property, human capital, DX)
- Reduce financial risks
  - Pursue optimal capital structure with rating strategy at the core

Transition of ROE



Under the mid-term business plan 2025, we will strengthen and expand our efforts to achieve cost of capital and stock price conscious management. Since our P/B ratio is less than 1x, we will improve our ability to create corporate value in order to achieve sustainable growth and increase corporate value over the medium to long term under the mid-term business plan 2025. To this end, we will work to achieve a ROE of around 8% and a diminishing cost of capital. At the same time, we will strive to achieve a P/B ratio of over 1x as soon as possible by further enhancing appropriate information disclosure and active dialogue with investors, and by gaining a sufficient reputation from the market.

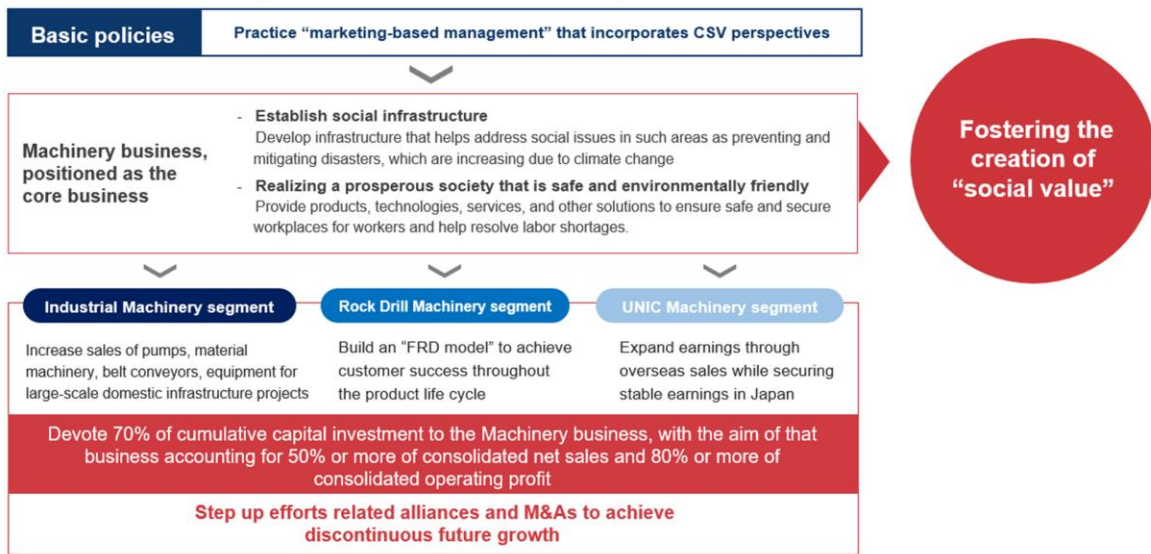
Regarding the goal of achieving ROE of around 8%, there is a growth strategy to promote sustainable expansion of the machinery business and improvement of profitability in the business and product portfolios within each business segment, as well as identification of low-profit businesses and products. Through these measures, we aim to achieve consolidated operating profit of approximately JPY13 billion in FY2025, as well as to improve capital efficiency by reducing strategic shareholdings, and to streamline and optimize equity capital through shareholder return measures.

For reduction of capital costs, with regard to sustainability initiatives and investments in non-financial capital, the Company will disclose appropriate information on the reduction of non-financial risks and engage in active dialogue with investors. At the same time, we will seek to reduce financial risk through the pursuit of an optimal capital structure centered on our rating strategy.



## 2 (5) Growth Strategy

### ■ Concentrate management resources on Machinery business to increase returns



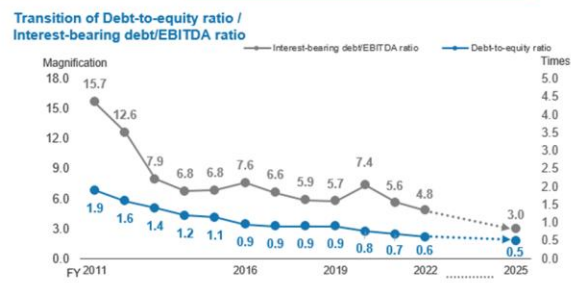
As a growth strategy, we will concentrate management resources on the machinery business, which is positioned as our core business, to improve returns.

The Group's basic policy is to implement marketing management that incorporates a CSV perspective. The Group's strategy is centered on contributing to the creation of social value through the development of social infrastructure and the realization of a safe, environmentally friendly, and prosperous society.

The growth strategies for the machinery business and each segment are as described. As we will explain in more detail later, we aim to invest 70% of our accumulated capital expenditures in the machinery business, with the machinery business accounting for more than 50% of consolidated net sales and more than 80% of consolidated operating profit in FY2025.

- Make individual investment decisions with attention to profitability, taking into account risks associated with the investment and cost of capital, while stepping up efforts to improve efficiency and profitability
- Seeking to establish a robust financial base enabling us to raise the necessary funds regardless of financial conditions
- Expansion of shareholder returns (consider increasing annual dividends and paying interim dividends, share buybacks)

<b>Earnings plan</b>	- By deploying a business portfolio management system that utilizes cost of capital, to achieve sustainable growth and increase corporate value over the medium to long terms	>	<b>Operating Profit Approx. ¥13 billion</b> ROE Approx. 8% <small>Underlying assumption of exchange rate: ¥135/\$</small>
<b>Financial strategy</b>	- Pursue optimal capital structure with rating strategy at its core - Raise ratings to A- or higher, from BBB+	>	<b>Debt-to-equity ratio: 0.5x range</b> <b>Interest-bearing debt/EBITDA ratio: 3x range</b>
<b>Shareholder return</b>	- Annual dividends of ¥50.00 per share or higher, consider increasing annual dividends and paying interim dividends - Share buybacks (approximately ¥1 billion each fiscal year)	>	<b>Consolidated total return on equity of 3% or higher</b>
<b>Reducing strategic shareholdings</b>	- Conduct annual reviews of appropriateness of continued ownership based on comprehensive judgment of cost of capital and other factors - Continue disclose the ratio of strategic shareholdings to consolidated net assets	>	<b>Strategic shareholdings ratio 35.1% (FY2022)</b>



Next is a summary of the earnings plan and capital policy. The revenue plan will be discussed in more detail later.

Regarding capital policy, we will aim to establish a solid financial base that will enable us to raise funds without being influenced by financial conditions. We will strive to improve our financial soundness, envisioning a D/E ratio of 0.5x level, interest-bearing debt to EBITDA ratio of 3x level, and a financial level that would allow Japanese rating agencies to raise their issuer ratings from the current BBB-plus to A-minus or higher in FY2025.

With respect to shareholder returns, we will consider increasing dividends and paying interim dividends, and in principle, aim for an annual dividend of JPY50 per share or higher with a consolidated total return on capital at least 3%.

The Company will consider share buybacks and cancellations as appropriate, taking into account trends in stock prices, capital efficiency, cash flows, and other factors, with a target annual share buybacks amount of approximately JPY1 billion.

With regard to strategic shareholdings, each year, we review the appropriateness of continuing to hold shares based on a comprehensive assessment of the cost of capital and other factors. We will continue to disclose the ratio of strategic shareholdings to consolidated net assets as an indicator of progress in reducing such shareholdings.

**Basic strategy  
for investment**

- Diversify visualize and identify our business portfolio, and make rational business decisions that are not overly influenced by history

- Plot three factors—"corporate value creation power"<sup>\*\*</sup>, "compound annual growth rate (CAGR)", "Corporate value created/year"<sup>\*\*</sup> for each segment on a bubble chart to accurately visualize our business portfolio
- Conduct a four-quadrant analysis based on growth potential and corporate value creation power

**Status of review**

Conducted a fundamental review of our entrusted copper smelting business

**Materials**

- Terminated our entrusted copper smelting contract with Onahama Smelting and Refining Co., Ltd. on March 31, 2023
- Furukawa Metals & Resources Co., Ltd., transferred all its shares in Onahama Smelting and Refining to Mitsubishi Materials Corporation

Strengthen and rebuild our overseas marketing capabilities

**Machinery**

- Liquidating our overseas subsidiaries in Panama and China

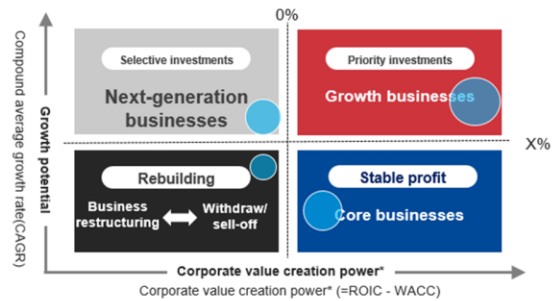
Solidifying earnings foundation

- Use site of former Furukawa Osaka Building to promote lease business

<sup>\*\*</sup>"Corporate value creation power" and "Corporate value created/year" are terms coined by Furukawa Co., Ltd.

**[Business Portfolio Analysis]**

Bubble size: Corporate value created/year\* (= Corporate value creation power x Invested capital)



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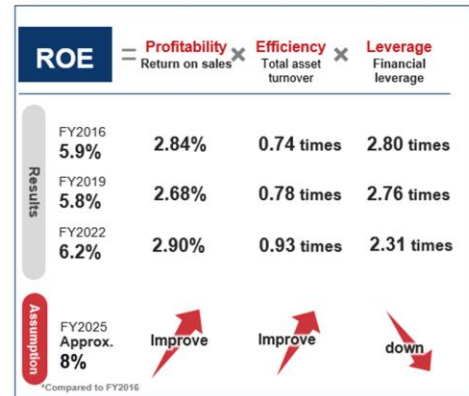
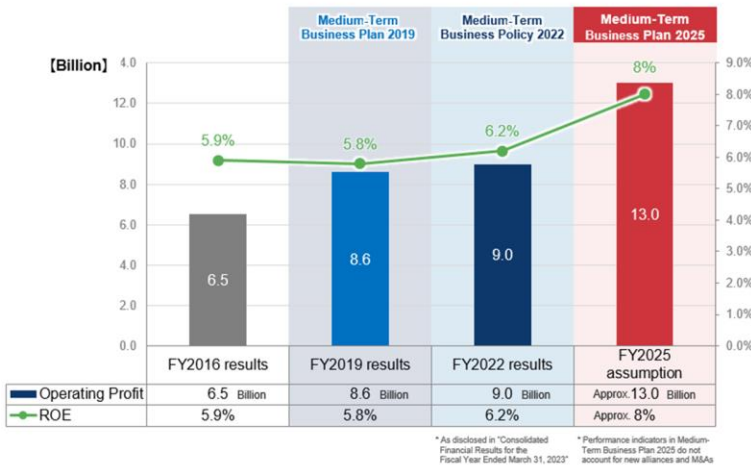
Our basic policy for reviewing our business portfolio is to visualize and identify our business portfolio from multiple perspectives and implement rational business decisions. The business portfolio is visualized and identified by using a bubble chart to project the corporate value creation power, the compound annual growth rate of sales, and the corporate value created in a year as three management evaluation indicators for each business segment. At the same time, we will conduct a four-quadrant analysis based on growth potential and corporate value creation power to make rational business decisions.

The status of the review is as stated. The implementation of a fundamental review of the entrusted copper smelting business in the metals segment is one of the results of the priority issues addressed in the mid-term business policy 2022 as part of the business structure reform to build a solid earnings base that is not overly dependent on the performance of the metals segment.

### 3 (3) Earnings Plan



- Make individual investment decisions with attention to profitability, taking into account risks associated with the investment and cost of capital
- Stepping up efforts to improve efficiency and profitability
- Optimize overall allocation of management resources to achieve sustainable growth and increase corporate value over the medium to long terms by deploying a business portfolio management system that utilizes cost of capital



\*Underlying assumption  
 FY2022 Results: Exchange rate (¥/USD) 135.5  
 FY2025 assumption: Exchange rate (¥/USD) 135.0

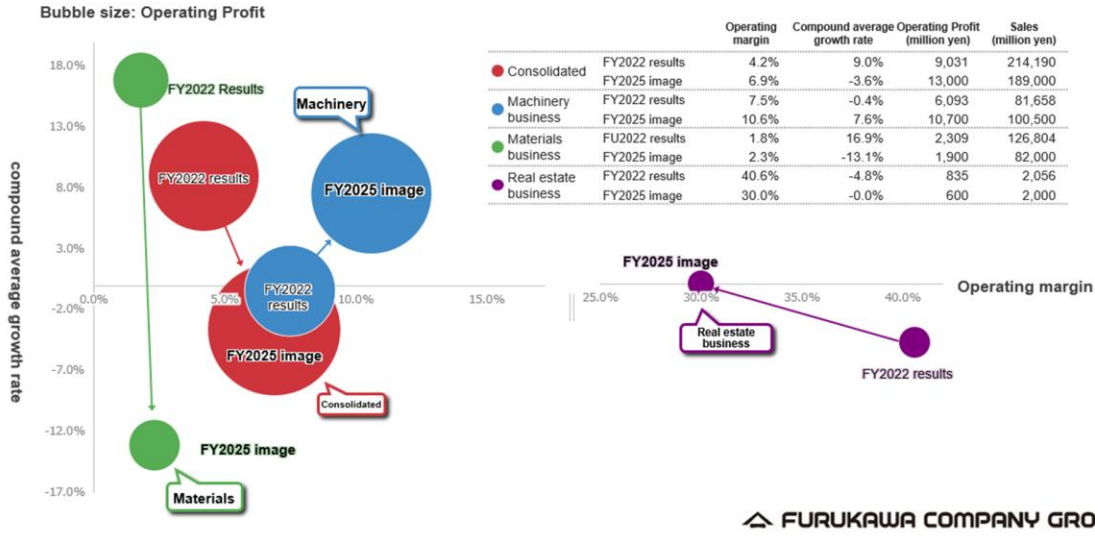
With a basic policy of strengthening efforts to improve ROE, we will make individual investment decisions, paying attention to profitability in light of investment risk and cost of capital, while strengthening efforts to improve efficiency and profitability.

In addition, by operating a business portfolio management system that utilizes the cost of capital, we will pursue overall optimization of management resource allocation to achieve sustainable growth and enhance corporate value over the medium to long term.

The target consolidated operating profit for FY2025 is about JPY13 billion, and ROE is to be about 8% by improving profitability and efficiency, although leverage will decrease due to reduction of interest-bearing debt.

### 3 (3) Earnings Plan

- Consolidated performance (FY2025 image):  
Although the compound average growth rate for net sales is expected to decline due to falling sales in the Metals segment, increased sales and profit in the Machinery business is projected to drive up the operating margin

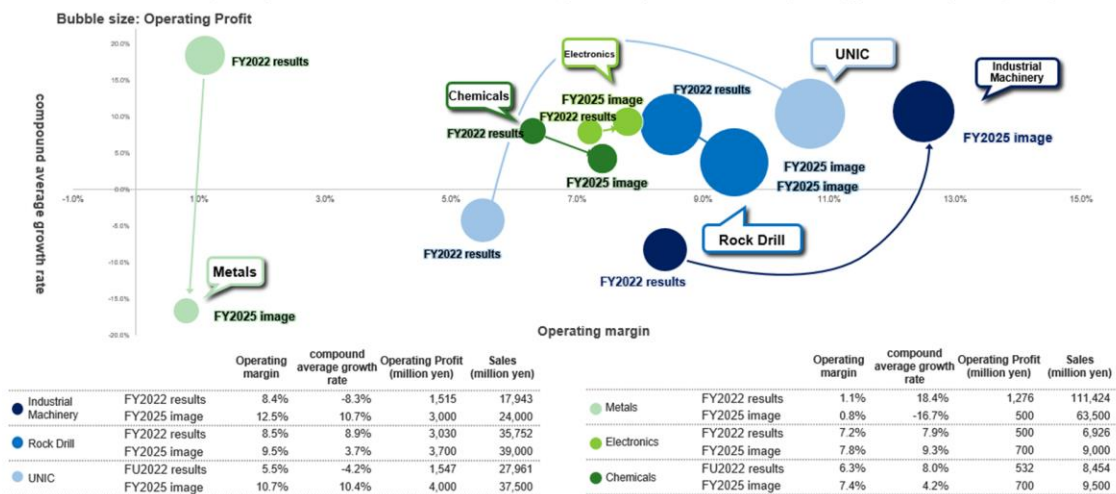


The bubble chart shows a performance comparison of the FY2025 project image with the FY2022 actuals.

For the earnings picture for FY2025, on a consolidated basis, although the average annual growth rate of net sales will decline due to lower sales in the metals segment, operating profit is expected to increase due to higher sales and profit in the machinery business.

### 3 (3) Earnings Plan

- In the core Machinery business, we expect the Industrial Machinery and UNIC Machinery segments to post increases in growth rate, operating profit, and operating margin
- In the Rock Drill Machinery segment, we will maintain high profitability and post increases in operating profit and operating margin despite a declining growth rate
- In the Materials business, we expect the Electronics and Chemicals segments to post increases in operating profit and operating margin



The bubble chart here shows the breakdown by segment.

In the machinery business, which is positioned as our core business, the industrial machinery segment and UNIC segment are expected to increase in terms of growth rate, operating margin, and operating profit, while the rock drill segment is expected to maintain high profitability and increase operating margin and operating profit, although the growth rate will be lower.

In the materials business, operating margin and operating profit are expected to increase in the electronics segment and the chemical segment.

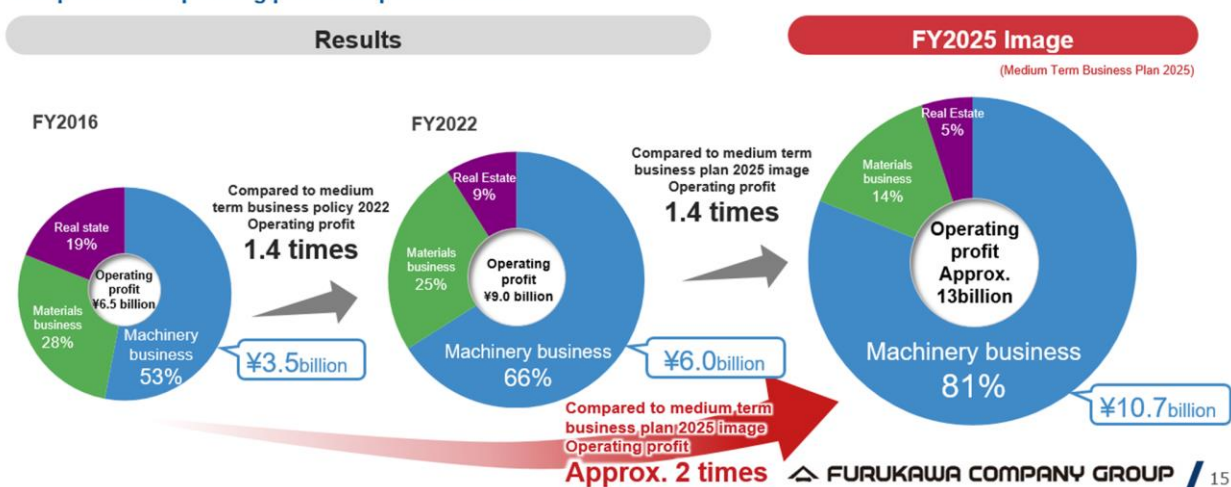
### 3 (3) Earnings Plan



- Composition ratio of operating profit: Ratio of the core Machinery business is forecast to increase from 66% (¥6.0 billion) in FY2022 (final year of Phase 2) to 81% (¥10.7 billion) in FY2025
- Operating profit is forecast to approximately double for the Group as a whole and triple for the Machinery business compared with FY2016 (base year)

#### Comparison of operating profit composition ratios

Note: "Composition ratio" refers to the percentage of the total after deducting others and adjustments.



The pie chart here shows the operating profit composition ratio by business segment.

The machinery business is expected to expand from 66% or JPY6 billion in FY2022, the final year of the second phase, to 81% or JPY10.7 billion in FY2025.

Operating profit is expected to be approximately doubled on a consolidated basis compared to the base year, FY2016. The machinery business is expected to expand approximately threefold.


**Basic strategy for investment**

- Further strengthen our engineering capabilities and promote cross-departmental initiatives and DX to move away from being a standalone equipment manufacturer
- Build a business foundation in the domestic market by pursuing the United Nations Sustainable Development Goals (SDGs) and working on infrastructure development projects that help resolve social issues (such as disaster prevention/mitigation)



Slurry Pumps (LK3)



Crushers



SICON® Enclosed Hanging Conveyor

**Key priorities**

- Strengthen product competitiveness and promote proposal-based sales to win orders for section plant construction projects (pumps, material machinery)
- Establish earnings base through stock businesses (pumps, material machinery), including by utilizing customer information management to enhance services
- Generate demand and promote sales of SICON® enclosed hanging conveyors

**Industrial Machinery: Business (product) portfolio**
**Pumps**

Increasing profit due to growth and improved profitability

**Material Machinery**

Improving profitability and higher profit despite lower growth

**Belt Conveyor**

Improving growth and higher profit despite flat profitability

**steel structures and Pump equipment**

Increasing growth and higher profit (stemming from increased sales) despite declining profitability



\* Comparison of FY2021 results and FY2025 image

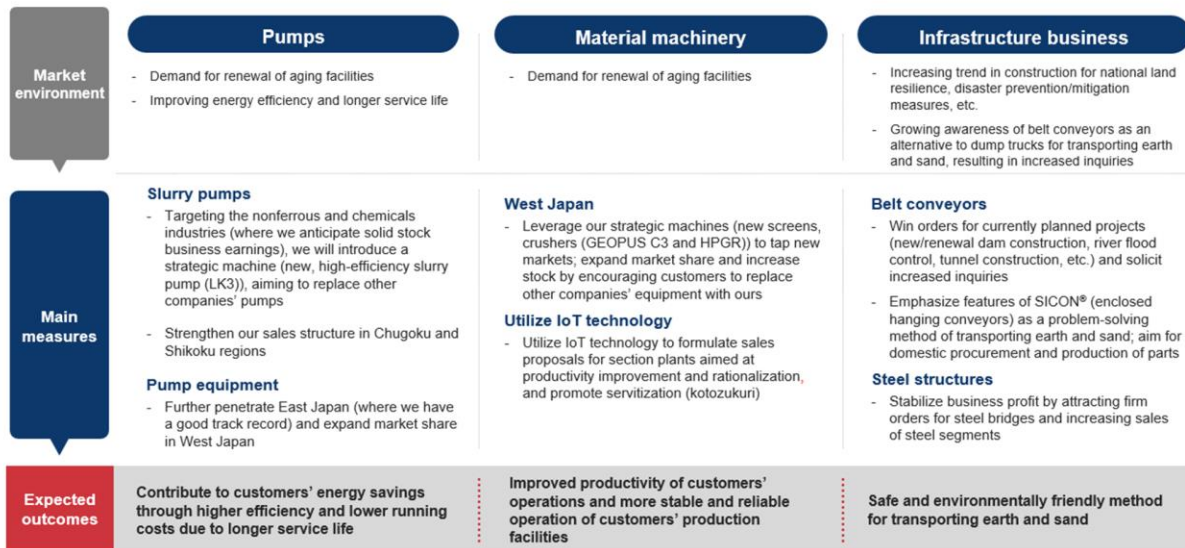
We will now explain our business strategies for each segment. First is the machinery business.

The industrial machinery segment will further strengthen its engineering capabilities and promote cross-departmental initiatives and DX. It aims to break away from being a mere machinery manufacturer and build a business foundation in the domestic market by pursuing SDGs and working on infrastructure development projects that contributes to solving social issues such as disaster prevention and disaster prevention/mitigation.

As priority issues, pumps and material machinery will work to improve its earnings base through stock business by strengthening product competitiveness, promoting proposal-based sales to win orders for section plant construction projects, and utilizing customer information management to enhance services. We will also work to create demand and promote sales of enclosed hanging conveyors, SICON.

This bubble chart on the lower right visualizes how the FY2025 image will change compared to the FY2021 actuals for each business. Profitability is on the X-axis, growth is on the Y-axis, and the size of the bubble indicates the size of profit.

Pumps will increase due to higher growth and profitability. Material machinery will increase due to higher profitability despite lower growth. Profitability of belt conveyors will remain flat, but growth and profits to be increased. Although the profitability of steel structures and pumping facilities will decline, the growth potential will improve, resulting in an increase in both sales and profit.



This section describes the market environment, main measures, and intended results of the business and products shown in the bubble chart.

In pumps, market needs for renewal of aging facilities, energy conservation, and longer service life are expected. As for slurry pumps, we will introduce a new high-efficiency slurry pump, a strategic machine, targeting the nonferrous and chemical industries, where stock business earnings are expected. We will promote the reinforcement of the sales structure in the Chugoku and Shikoku regions with the aim of replacing other companies.

In addition to further capturing the eastern Japan area, where we have a proven track record in pump facilities, we will work to expand our market share in the western Japan area. As an outcome we aim to achieve, we will contribute to our customers' energy savings through higher efficiency and lower running costs through longer service life.

In the material machinery business, based on the market environment of aging and renewal demand, the Company will strive to expand its market share and increase its stock by cultivating new customers in the western Japan area by utilizing new screens and crushers, which are strategic machines, and by replacing them with machines from other companies.

We will also use IoT technology to promote section plant project proposal sales for the purpose of productivity improvement and rationalization, as well as enhance services focusing on value creation and satisfaction the product brings to the customer. The results we aim to achieve will contribute to our customers' productivity improvement and stable operation of their production facilities.

The market environment for the contractor business is characterized by an increasing trend toward construction for national land resilience and disaster prevention/mitigation measures. We expect growth in the future, as belt conveyors are gaining recognition as an alternative to dump trucks for transporting earth and sand, and inquiries are on the rise.

In the belt conveyor business, the Company will work to acquire orders and further inquiries for projects currently in the planning stage, such as new dam construction and renewal, river flood control, and tunnel




construction. At the same time, we will promote our enclosed hanging conveyor, SICON, as a problem-solving method for the transportation of earth and sand and aim to procure and produce parts domestically.


In steel structures, we will stabilize business earnings through stable orders for steel bridges and sales expansion in the steel segment. As a desired outcome, the belt conveyor will contribute to the realization of safe and environmentally friendly transportation of earth and sand.

4

(1) Machinery



## Rock Drill Machinery



Basic strategy for investment

- Build an “FRD model” to achieve customer success throughout the product life cycle

Key priorities

- Establish FRD model in Japan
- Strengthen Life Cycle Support business
- Strengthen sales of parts and consumables
- Commercialize support program for blast hole drills\*
- Establish trade-in resale business (tunnel drill jumbos, hydraulic crawler drills)


\*Blast hole drills: General term for hydraulic/pneumatic crawler drills, down-the-hole drills, and attachment drills

- Emphasize centralized sales and production


Overseas: Cultivate North American market for large blast hole drills and step up development of attachment drills as frontline machines for developing the Southeast Asian quarry market (hydraulic machinery)

Japan: Strengthen sales in the quarry market and deepen our presence in the demolition equipment market through concentrated sales of small hydraulic crushers and concentrated rollout of demolition equipment in the Tokyo Metropolitan Area


Production: Reduce costs through centralized production, enhance quality (to minimize complaints), and shorten lead times



Hydraulic breakers



Hydraulic crawler drills



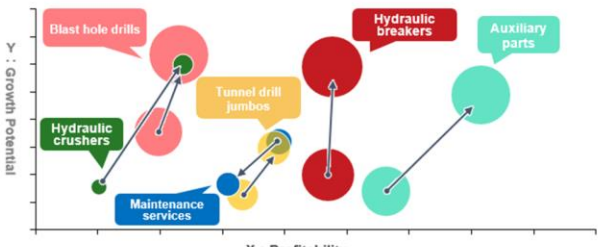
Tunnel drill jumbos

Rock Drill Machinery: Business (product) portfolio

\* Comparison of FY2021 results and FY2025 image

**Blast hole drills, hydraulic breakers, hydraulic crushers, tunnel drill jumbos, auxiliary parts**  
Increase in profit due to higher growth and profitability

**Maintenance services**  
Profit to remain mostly unchanged despite sluggish growth and profitability



Y : Growth Potential  
X : Profitability

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Next, the rock drill machinery segment's basic strategy is to build a business model that achieves customer success throughout the product lifecycle, the FRD model.

A key issue is the establishment of an FRD model in Japan. In strengthening the life cycle support business, it is to strengthen sales of parts and consumables. Commercialization of a support program for blast hole drills and establishment of a trade-in resale business for tunnel drill jumbos and hydraulic crawler drills will be pursued.

We will also strive to reduce costs and strengthen competitiveness through centralized sales and production. Overseas, we will cultivate the North American market for large blast hole drills and strengthen the development of hydraulic attachment drills as frontline machines for the creation of the Southeast Asian quarry market. In Japan, we will strengthen sales in the quarry market, concentrate on sales of hydraulic crushers and demolition equipment in the Tokyo metropolitan area to cultivate the demolition equipment market. In terms of production, we will work to reduce costs, enhance quality, and shorten lead times through concentrated production.

Please see the bubble chart at the bottom right. Compared to FY2021 results, blast hole drills, hydraulic breakers, hydraulic crushers, tunnel drill jumbos, and auxiliary parts will increase profits due to improved growth and profitability. Growth and profitability of maintenance services are expected to benefit from the business strategy in FY2025 and beyond.



	Japan	Overseas	Life Cycle Support (LCS)
<b>Market environment</b>	<ul style="list-style-type: none"> <li>- Shortage of operators due to declining birth rate and aging population</li> <li>- Demolition machine market: Increasing need for large-sized, high-impact equipment</li> <li>- Tunnel projects: Strong demand for automated construction as a safety measure</li> </ul>	<ul style="list-style-type: none"> <li>- North America: Stimulus measures and infrastructure investments have led to strong demand for wide-area rentals</li> <li>- Europe: Prolonged invasion of Ukraine and inflation will slow growth, but urban development projects will continue to drive rental demand</li> <li>- Southeast Asia: Demand expected to shift from pneumatic to hydraulic machines as GDP grows in each nation</li> </ul>	<ul style="list-style-type: none"> <li>- Japan: Shortage of skilled workers has led to an increase in demand for services to improve the skills of workers</li> <li>- Demand for parts in regions where the Company's machines are operating</li> </ul>
<b>Main measures</b>	<p><b>Hydraulic crawler drills</b></p> <ul style="list-style-type: none"> <li>- Semi-automatic drilling function added</li> </ul> <p><b>Hydraulic breakers, hydraulic crushers</b></p> <ul style="list-style-type: none"> <li>- Cultivate the demolition equipment market in Tokyo Metropolitan Area (step up sales of large and super-large breakers)</li> <li>- Concentrate on sales of small hydraulic crushers (for road general contractors and aggregate recycling)</li> </ul> <p><b>Tunnel-related products</b></p> <ul style="list-style-type: none"> <li>- Step up sales of autonomous and labor-saving products (fully automatic drill jumbos, rock bolting machine (BOLTINGER), concrete spraying machines with erectors, etc.)</li> </ul>	<p><b>Deeply penetrate market for large machines, which accounts for around 80% of North American market</b></p> <ul style="list-style-type: none"> <li>- Concentrate on selling large blast hole drills</li> <li>- Establish base in western region to strengthen sales to explosive crusher contactors</li> </ul> <p><b>Tap the breaker market in Europe</b></p> <ul style="list-style-type: none"> <li>- Increase market share in the four countries driving European market (France, United Kingdom, Italy, and Germany) by strengthening and expanding our network of dealers for rental equipment</li> </ul> <p><b>Develop the Southeast Asian quarry market</b></p> <ul style="list-style-type: none"> <li>- Highlight the superiority of Furukawa-brand drillers by promoting attachment drills as frontline machines (Indonesia, Cambodia, etc.)</li> <li>- Launch small and medium-sized hydraulic crawler drills (currently under development) targeting Southeast Asian market (2025)</li> </ul>	<p><b>Establish FRD model in Japan</b></p> <p><b>Strengthen sales of parts</b></p> <ul style="list-style-type: none"> <li>- Review pricing of parts</li> <li>- Review overseas distributorship agreements</li> <li>- Improve sales skills in stock business</li> </ul> <p><b>Strengthen maintenance service business</b></p> <ul style="list-style-type: none"> <li>- Reconsider maintenance system for hydraulic breakers and hydraulic crushers</li> <li>- Reinforce preventive maintenance services for hydraulic crawler drills and propose maintenance services for specific purposes</li> </ul> <p><b>Develop business model (for customer success)</b></p> <ul style="list-style-type: none"> <li>- Hydraulic crawler drills: Leverage operational support systems to commercialize support programs (intangible services, subscription services)</li> </ul>
<b>Expected outcomes</b>	Achieve highly efficient and safe operation through automation and mechanization	Promote shift to hydraulic machines in the Southeast Asian quarry market	Ensure customer success by providing technologies and other solutions

In the domestic market, we are working to develop the demolition market in the Tokyo metropolitan area by adding semi-automatic drilling functions to our hydraulic crawler drills and strengthening sales of large and super-large hydraulic breakers, against a backdrop of a shortage of operators due to the falling birthrate and aging population, the increasing size of demolition equipment, and safety measures for tunnel construction. In the area of hydraulic crushers, we will concentrate on sales of small-size crushers for recycling aggregates to road construction companies.

In tunnel-related products, we will strengthen sales of unmanned and labor-saving products such as fully automatic drill jumbos and rock bolt installation machines. By automating and mechanizing our products, we will contribute to the realization of highly efficient and safe operations for our customers.

In overseas markets, demand is strong in North America due to economic stimulus measures and infrastructure investment, while demand for urban development continues in Europe despite a slowdown in growth. Southeast Asia is expected to shift drilling products to hydraulic in line with GDP expansion.

Against the backdrop of such a market environment, our main measures in North America include concentrated sales of large blast hole drills and strengthening sales by establishing a base in the western region to deepen the market for large models, which accounts for about 80% of the market.

In Europe, we will strive to expand our market share by strengthening and expanding our dealer network in the four market-leading countries of France, the UK, Italy, and Germany.

In Southeast Asia, the Company will promote the superiority of its hydraulic attachment drill, which will be the first machine to replace pneumatic machines, and will launch a small to medium sized hydraulic crawler drill under development in 2025 which will create a way to the quarry market and shift it to hydraulic in Southeast Asia.

In LCS, life cycle support, the Company aims to establish an FRD model in Japan in order to capture the increasing demand for services that will improve the skills of workers and the demand for parts in the regions where its products operate.

In addition, as measures to strengthen parts sales, we will review parts prices and overseas distributor contracts, and improve stock business sales skills.

In the maintenance service business, we will reconsider the maintenance system for hydraulic breakers and hydraulic crushers, and we will promote maintenance proposals by purpose for strengthening preventive maintenance of hydraulic crawler drills, proposals that meet customer objectives such as safety, quick response, and investment extension.

We will also work to develop business models such as commercialization of hydraulic crawler drill support programs, intangible services, and subscriptions. We will contribute to the realization of customer success through these and other technical proposals.

**4 (1) Machinery**  **UNIC Machinery** 

**Basic strategy for investment**

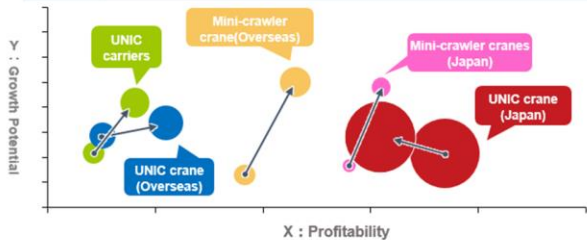
- Securing stable earnings from domestic sales and expanding earnings from overseas sales
- Japan: Enhance competitiveness by increasing product functionality and added value and improving service systems
- Overseas: Strengthening product, sales, and service technology capabilities



- Key priorities**
- Japan: Strengthen competitiveness by increasing the functionality and added value of UNIC cranes and UNIC carriers and expand sales of mini-crawler cranes and ocean cranes (cranes for ships), which do not depend on trucks
  - Overseas: Develop mounted cranes (large models) and new mini-crawler cranes, expand sales network, and strengthen sales capabilities of dealers
  - Reinforce product development system and promote R&D to address the electrification of trucks
  - Promote further automation, quality improvement, and cost reductions at the Sakura Works
  - Strengthen our service system

**UNIC Machinery: Business (product) portfolio** \* Comparison of FY2021 results and FY2025 image

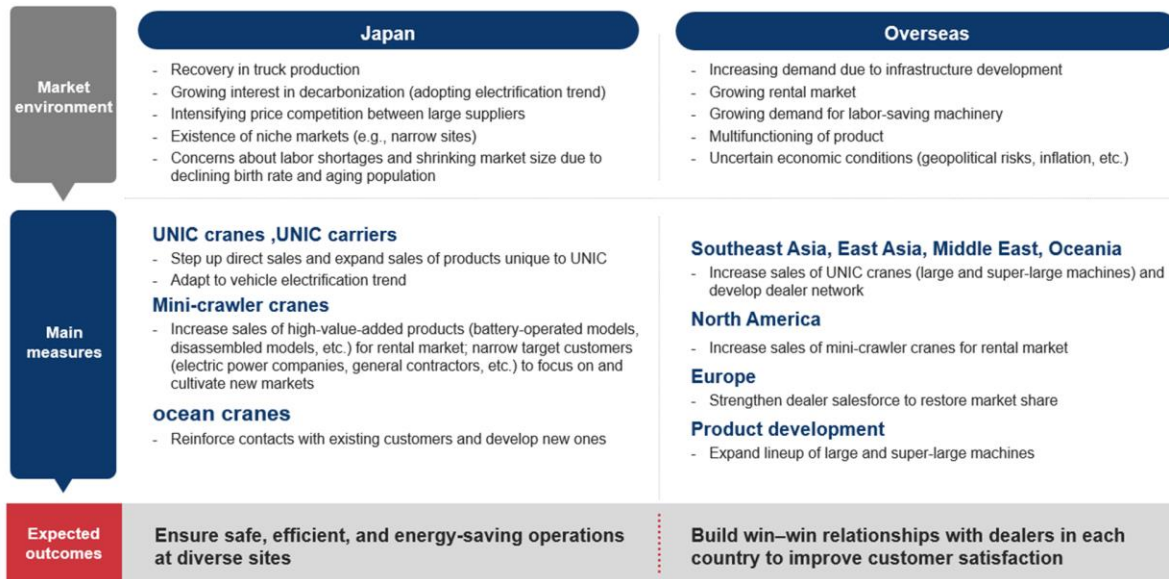
<p><b>UNIC cranes (Japan and overseas)</b></p> <p>Japan: Increase in growth and higher profit (stemming from increased sales) despite declining profitability</p> <p>Overseas: Increase in profit due to higher growth and profitability</p>	<p><b>Mini-crawler cranes(Japan and overseas)</b></p> <p>Increase in profit due to higher growth and profitability both in Japan and overseas</p> <p><b>UNIC carriers</b></p> <p>Increase in profit due to higher growth and profitability</p>
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Next, the UNIC segment aims to secure stable earnings from domestic sales and increase earnings from overseas sales, and to strengthen competitiveness by increasing product efficiency, adding value, and improving the service system. Our basic policy is to work to strengthen our product, sales, and service technology capabilities overseas.

In Japan, our priority issues are to enhance competitiveness by increasing the functionality and added value of our UNIC cranes and UNIC carriers, and to expand sales of mini-crawler cranes and other products that do not depend on trucks. Overseas, we will work on the development of large UNIC cranes and new mini-crawler cranes, expand our sales network, and strengthen the sales capabilities of our dealers. In addition, we will strengthen the development system to respond to the electrification of trucks and promote research and development. We will also promote further automation, improve quality, reduce costs, and strengthen our service system at the Sakura Works.

Please see the bubble chart at the bottom right. Compared to FY2021 results, profitability of UNIC cranes will decline in Japan, but growth potential will improve, and profits will increase due to higher sales. Overseas, both growth and profitability are expected to improve, and profits are expected to increase. Mini-crawler cranes and UNIC carriers are expected to increase profit by improving growth and profitability.



In the domestic market environment, although truck production is expected to recover in the near term, there are concerns about intensifying price competition, labor shortages due to the declining birthrate and aging population and shrinking market size as a result of growing interest in decarbonization, including electrification-ready products.

As measures against this, we will strengthen direct sales of UNIC cranes and UNIC carriers, expand sales of UNIC-only products, and respond to the shift to electrification of vehicles. In mini-crawler cranes, we will expand sales of high value-added products such as battery type and disassembled type, as well as develop new markets by focusing on target customers. In ocean cranes, marine cranes, we will strengthen our contacts with existing customers and promote new development. Through these measures, we will contribute to the realization of safe, efficient, and energy-efficient work at diverse sites.

The overseas market environment is characterized by increased demand for infrastructure development, growth in the rental market, increased demand for labor-saving machinery and multifunctional product specifications, and uncertain economic conditions. Major measures by region include expanding sales of large and super-large UNIC cranes in Southeast Asia, East Asia, the Middle East, and Oceania, and developing a network of dealers. In North America, sales of mini-crawler cranes for rental use will be increased. In Europe, we will strive to expand our market share by strengthening the sales force of our dealers.

In product development, we will continue to expand our lineup of large and super-large machines. We will build win-win relationships with dealers in each country and contribute to the improvement of customer satisfaction.



**Basic strategy for investment** - Expand business in strategic products to increase earnings

**Key priorities**

- Aluminum nitride ceramics: Increase production capacity to reinforce sales
- Optical products: Develop and commercialize special optical material products; increase sales of diffractive optical elements (DOEs) for laser processing
- High-purity metallic arsenic: Establish stable supply system that reflects market needs as a category leader
- Coils: Develop products and expand sales in growth areas to bolster earnings



Aluminum nitride ceramics



Laser head equipped with DOEs



High-purity metallic arsenic

**Market environment**

- Growing demand for heat-dissipating materials for semiconductor manufacturing equipment, etc.
- Growing market for high-quality laser processing
- Semiconductor market recovering moderately (due to increased demand for 5G communications, sensors, etc.) despite deterioration in the short term

**Main measures**

**Aluminum nitride ceramics**

- Swiftly commission facilities to achieve 1.6-fold increase in production capacity; consider investments for further production increases; develop distinctive products

**Optical components**

- DOEs: Aim for mass adoption of laser processing
- Consolidate operations to stabilize profitability

**High-purity metallic arsenic**

- Maintain our facilities preventively and ensure stable procurement of raw materials

**Expected outcomes** - Contribute to enhanced functionality of electronic devices, etc.

Next is the materials business. The basic strategy of the electronics segment is to increase earnings through business expansion of strategic products.

The key issues are to strengthen sales of aluminum nitride ceramics by increasing production capacity, and to develop and commercialize special optical material products and expand sales of diffractive optical elements (DOEs) for laser processing in the optical components business. In high-purity metallic arsenic, we will establish a stable supply system to respond to the market as a category leader. For coil, we are working to expand earnings by developing and expanding sales in growth areas.

The market environment in the electronics segment is expected to see growing demand for heat-dissipating materials for semiconductor manufacturing equipment and other applications, as well as expansion in the market for high-quality laser processing. Our analysis shows that the semiconductor market will deteriorate in the short term but will recover gradually due to increased demand for 5G communications, sensors, and other products.

As key priorities, we will implement measures such as the early start-up of facilities with a 1.6-fold increase in production capacity for aluminum nitride ceramics, consideration of further investment to increase production, and development of differentiated products. In optical components, DOE aims to adopt mass production for laser processing and to stabilize earnings by consolidating bases. In high-purity metallic arsenic, we will respond to the recovery in demand through preventive maintenance of facilities and efforts to secure stable raw materials. Through these efforts, we will contribute to the enhancement of the functionality of our customers' electronic devices.



**Basic strategy for investment**

- Increase earnings from existing products and nurture and expand newly developed products

**Key priorities**

**Existing products**

- Sulfuric acid: Strengthen differentiation by emphasizing high-quality sulfuric acid
- Cupric oxide: Capacity enhancement to increase sales

**Newly developed products**

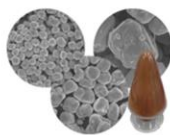
- Metallic copper powder: Expand sales channels by developing new applications



Cupric oxide



Manufacturing plant of sulfuric acid



Metallic copper powder

**Market environment**

- Domestic market for chemical products generally shrinking due to population decline
- Growing demand for batteries and related electronic components due to shift to EVs and automation of automobiles, etc.
- Increasing demand for servers, etc., due to advances in networks stemming from ICT innovation

**Main measures**

**Sulfuric acid**

- Strengthen differentiation by emphasizing high-quality sulfuric acid for battery applications for which demand is growing

**Cupric oxide**

- Increase production capacity and expand sales to address rising demand for packaged substrates used in servers, etc.

**Metallic copper powder**

- Shorten the process from sample rollout to formal adoption and develop applications other than conductive applications (such as multilayer ceramic capacitors (MLCCs)) to expand sales channels

**Expected outcomes**

Help realize an environmentally friendly and prosperous society

In the chemicals segment, the basic strategy is to expand earnings from existing products and foster and expand newly developed products.

In the market environment, the domestic chemical products market is shrinking in general due to the declining population, but demand for batteries and related electronic components is growing along with the shift to EVs and automation of automobiles, etc. Our analysis shows that demand for servers and other equipment will grow as ICT innovation leads to further networking.

Under such circumstances, we will strengthen promotion of our differentiation of high-quality sulfuric acid for battery applications, for which demand is growing. In cupric oxide, we will increase the capacity of production facilities and expand sales in response to rising demand for package substrates used in servers and other products. In the area of metallic copper powder, we aim to expand sales channels for newly developed products, moving on from the development of samples to full-scale adoption as soon as possible, as well as for applications other than electrical conductivity, such as multilayer ceramic capacitors, MLCCs.

Through these measures, we will contribute to the realization of an environmentally friendly and prosperous society.



## Metals

## Basic strategy for investment

- Make efforts to optimize the entrusted smelting business

## Key priorities

- Pursue profitability and stabilization of the entrusted smelting business
- Termination of entrusted copper smelting agreement with Onahama Smelting and Refining Co., Ltd. (March 31, 2023)
  - Strategically reduced scale of operations and drastically cut unprofitable exports
  - Obtained clear outlook on fundamental review of entrusted smelting business

Metals segment profit and loss infection	FY2022	FY2023(Forecast)	VS FY2022 difference
Net sales	¥111.4 billion	¥74.8 billion	(-)¥36.6 billion
Operating profit	¥1.2 billion	¥0.5 billion	(-)¥0.7 billion
(Operating profit exclude price effect)	(¥0.09 billion)	(¥0.5 billion)	(+)¥0.41 billion
Copper output	70,186 ton	48,592 ton	(-)21,594 ton
Assumption			
Copper price	8,551 \$/mt	8,000 \$/mt	-
Exchange rate	135.5 yen/\$	135.0 yen/\$	-



## Real estate business

## Basic strategy for investment

- Stabilize earnings from Muromachi Furukawa Mitsui Building and effectively utilize other real estate holdings, including site of former Furukawa Osaka Building

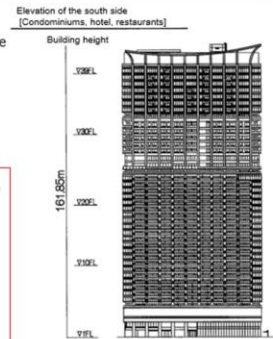
## Key priorities

- Promote lease business using site of former Furukawa Osaka Building
- Sell our interest in the site
- Partial sale of the Company's interest in the site
- Lease business planned
- Plan to use proceeds from the sale to lease a hotel and some residential units scheduled to be built on the site

## Overview of planned building project

Location	2-4-1 Dajimachan, Kitaku, Osaka City and other land
Site area	Approx. 5,755 m <sup>2</sup>
Site area	Approx. 5,755 m <sup>2</sup>
Main uses	Construction of condominiums, hotel, restaurants, and offices
No. of floors	40 above grounds; 1 basement level
Scheduled completion	May 31, 2027

Note: Information shown in the architectural plan and the elevation is based on current plans and may be subject to change in the future.



FURUKAWA COMPANY GROUP 24

In the metals segment, the basic strategy is to optimize the entrusted copper smelting business. We will focus on appealing for profitability and stabilization of the entrusted copper smelting business.

The Company terminated its entrusted smelting contract with Onahama Smelting and Refining Co., Ltd. on March 31, 2023. By strategically reducing the size of its operations and drastically cutting unprofitable exports, the Company has reached a point of drastic review and change of its entrusted copper smelting business.

The table below shows the performance impact between the fiscal year ended March 31, 2023, and the current year's forecast. With the termination of the aforementioned entrusted smelting contract, production volume is expected to decrease significantly, resulting in a JPY36.6 billion decrease in net sales. Operating profit for the fiscal year ended March 31, 2023, was JPY1.2 billion due to an increase in profit from metal price margin, but operating profit based on actual performance, excluding metal price fluctuations, was JPY90 million. For the current fiscal year, we are forecasting JPY0.5 billion, and a comparison of operating profit excluding the variable portion will show an improvement in profit of approximately JPY0.4 billion.

Finally, we will discuss the real estate business. Our basic strategy is to effectively utilize the real estate we own, including securing stable earnings from the Muromachi Furukawa Mitsui Building, COREDO Muromachi 2, and utilization of the former site of the Furukawa Osaka Building.

As we disclosed yesterday, the company decided to sell a part of our property in the site of the Furukawa Osaka Building, and use the proceeds from the sale to lease a hotel and some residences to be built on the site.

## 5 (1) Sustainability Initiatives



### Basic policies

The Furukawa Company Group has positioned efforts toward sustainability as one of its most important management issues. In addition to contributing to help realize a sustainable society, the Group is committed to achieving sustainable growth and enhancing medium to long term corporate value by establishing a robust corporate foundation for growth and resolving social issues through its business.

### Furukawa Company Group's Approach to Sustainability

#### Proactive sustainability

The Group will create corporate value and contribute to the creation of social value by developing infrastructure and providing products, technologies, and services that help to resolve social issues

#### Materiality (Key Issues)

##### CSV issues

- Providing environmentally friendly products, technologies, and services
- Contributing to the resolution of customer issues
- Contributing to the creation of a safe and comfortable society, including infrastructure development

← Sustainable growth and enhancing medium to long term corporate value →



#### Defensive sustainability

The Group will strengthen and expand its enterprise risk management system and enhance corporate value by emphasizing business practices that reflect CSR/ESG issues recognized and to be solved by the Group.

#### Materiality (Key Issues)

##### CSR/ESG issues

- E Environment**
  - Promotion of climate change countermeasures in our business activities
  - Promotion of biodiversity preservation activities
- S Social**
  - Development of a safe and rewarding work environment that takes health into consideration
  - Recruitment and development of diverse human resources
  - Promotion of management that respects human rights
- G Governance**
  - Development of an enterprise risk management system
  - Thorough compliance

Next, I would like to discuss our sustainability initiatives. In accordance with the stated basic policy, we will formulate mid-term sustainability targets and develop a PDCA cycle.

In order to realize our basic policy, we have identified 10 items of materiality (key issues), categorized into proactive and defensive sustainability. Please see the material for details.

## 5 (1) Sustainability Initiatives



### "Marketing-based management" that incorporates CSV perspectives

The Group will help achieve the United Nations Sustainable Development Goals (SDGs) by practicing "marketing-based management" that incorporates CSV perspectives and creating "social value" by improving social infrastructure and realizing a safe, environmentally friendly, and prosperous society.

#### [SDG Contribution Targets by Segment]

Segment	Main Products, Technologies, and Services	SDGs with High Contribution Levels (⊙: Especially Important; ○: Important)									
		1	2	3	4	5	6	7	8	9	10
Industrial Machinery	Pumps, Belt conveyors, Steel bridges and steel structures	○	⊙			⊙	⊙			○	⊙
Rock Drill Machinery	Tunnel drill jumbos, Hydraulic crawler drills, Hydraulic crushers	○				⊙	⊙	○			
UNIC Machinery	UNIC cranes, Mini-crawler cranes, Ocean cranes	○				⊙	⊙				⊙
Metals	Electrolytic copper				○	⊙	⊙				
Electronics	High-purity metallic arsenide, Coils, Optical components (lenses)	○				⊙	⊙				
Chemicals	Sulfuric acid, Aluminum sulphate, Ferrous sulfate	○	⊙			⊙	⊙				

This section summarizes the SDG contribution targets by segment.



The Group will implement marketing-based management that incorporates a CSV perspective and contribute to the achievement of 11 and 9 of the 17 SDGs, in particular, “sustainable cities and communities” and “industry, innovation and infrastructure”.

## 5 (1) Sustainability Initiatives



- Formulate roadmap toward carbon neutrality and conduct scenario analysis in line with TCFD recommendations aimed at addressing the CSR/ESG issue of “Promotion of climate change countermeasures in our business activities”
- Promote initiatives to address the CSV issue of “Provision of environmentally friendly products, technologies, and services”
- Enhance disclosure of information related to these initiatives

### Addressing decarbonization

#### CO<sub>2</sub> reduction plan

- CO<sub>2</sub> reduction measures at each production site

#### Implement a carbon-neutral declaration

- Work to complete a roadmap by FY2025
- Use of electricity derived from renewable energy sources, etc.

### Climate-related disclosure

#### Express our support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations

- Initiate scenario analyses in the Metals segment and Rock Drill Machinery segment
- Promote disclosure of relevant information

### External evaluations

- Inclusion in SRI/ESG indexes
- Improving our external ESG-related evaluations

To promote materiality of CSR/ESG issues, and climate change countermeasures in our business activities, we will develop a roadmap toward carbon neutrality and conduct scenario analysis in line with TCFD recommendations. Furthermore, we will promote efforts toward this with regard to the materiality of CSV issues and the provision of environmentally friendly products, technologies, and services.

Regarding the enhancement of information disclosure, we will work to enhance appropriate information disclosure and the content of disclosure, which would lead to the improvement of ratings by external organizations as well as inclusion in the SRI/ESG index component issues.

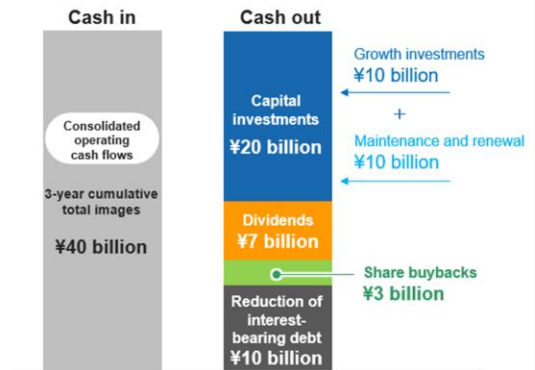
Basic policies

- Prioritizing investments to achieve sustainable growth and enhance corporate value over the medium and long terms
- Provide stable and continuous returns to shareholders
- Investment come from retained earnings and cash flows
- Invest in alliances and M&As through optimal financing (including sale of strategic shareholdings)



Allocation of operating cash flows

- While aiming to establish a robust financial base, we will make capital investments to enhance corporate value over the medium to long terms
- Endeavor to allocate operating cash flows in consideration of shareholder returns



Next, I will explain the allocation of management resources, etc.

As a basic policy, we will prioritize the seven investments shown in the diagram as investments to achieve sustainable growth and medium to long term improvement in corporate value, and then execute stable and continuous shareholder returns. The basic policy is to fund these resources through retained earnings and continuously generated cash flow. For investments in alliances and M&A to achieve discontinuous growth, we will use the most appropriate financing, including sales of assets such as sales of strategic shareholdings, as necessary.

Regarding the allocation of operating cash flow, we will establish a solid financial base and increase corporate value over the medium to long term through allocations that take into consideration capital investment and shareholder returns. The distribution image for the three-year cumulative total of consolidated operating cash flow of JPY40 billion is JPY20 billion for capital investment, JPY10 billion for dividends and share buybacks, and JPY10 billion for reduction of interest-bearing debt.

## 5 (2) Allocation of Management Resources

Capital investments

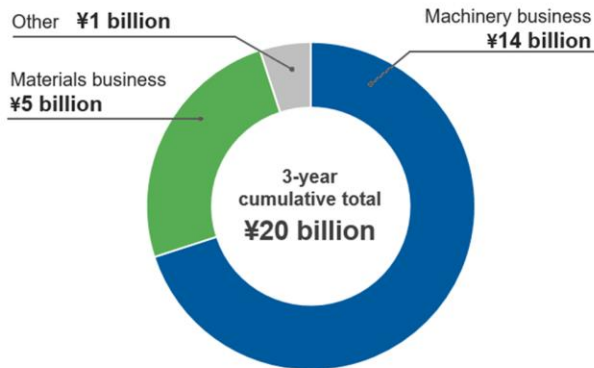
Invest in R&D



### Capital investments

- Capital investment plan to support enhanced manufacturing  
Our capital investments will center on the Machinery business, which is positioned as our core business

#### Capital investments allocation image



### Invest in R&D

- Promote the commercialization and industrialization of development projects that help resolve social issues
- Revitalize our on-site capabilities to improve productivity

#### Key priorities

- Develop automation technology aimed at labor savings
- Develop materials and mass production technology for solid electrolytes used in all-solid-state batteries
- Develop machinery-related products and technologies that deliver higher efficiency and lighter weight and otherwise help reduce environmental impact
- Effectively utilize DX
- Fully deploy our Engineer HR Development Program to step up development of engineers who will lead the next generation

With regard to capital investment, we will invest mainly in the machinery business, which is positioned as our core business, as part of our capital investment plan to support the strengthening of our manufacturing capabilities. Of the cumulative total of JPY20 billion over the three-year period, 70% or JPY14 billion will be invested in the machinery business.

With regard to R&D investment, we will promote commercialization of development themes that contribute to solving social issues, as well as revitalize our on-site capabilities to improve productivity. Priority issues are as listed here.

## 5 (2) Allocation of Management Resources

Investment in intellectual property



### Investment in intellectual property

- Develop systems that utilize IP information to secure a competitive advantage
- Properly assess the value of our entire business, including IP, based on the technology rights of each operating

### Key priorities

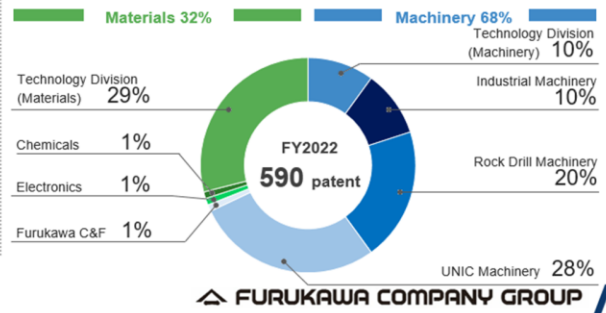
- Revitalize IP activities (discovery, acquisition, maintenance, and utilization of rights) to enable us to visibly evaluate our technological capabilities
- Assess the value of the industrial property rights we hold in order to utilize them effectively
- Collect and analyze patent information and formulate corporate strategies accordingly

### Effectively operate within the IP landscape\*



\*When determining their management and business strategies, companies conduct analyses that incorporate IP information into their management and business information. The results (overview of the current situation, future prospects, etc.) are shared with top executive and business managers, who obtain feedback and hold discussions and consultations for planning and consideration.

### Breakdown of Intellectual Property Rights Held (Domestic) by segment



Regarding investment in intellectual property, a system for utilizing intellectual property information to ensure competitive advantage will be developed. At the same time, we will properly evaluate the value of the entire business, including intellectual property utilization, based on the technology rights of each operating company in the Group. Specific priority issues are listed below.

Effective operation of the IP landscape will also be pursued so that it can begin in FY2025. As of the end of FY2022, the Group held 590 domestic intellectual properties, 68% of which were in the field of machinery.

## Investment in human capital

## Basic policies

- Create a rewarding company where all employees can maximize their abilities and create new value

## Human resource development policy

For the Group to resolve social issues through its business activities and achieve sustainable growth and increase corporate value, it is essential to develop human resources with a variety of personalities.

Commit to developing a diverse workforce capable of acting autonomously and willing to embrace the challenge of creating new value.

## Indicators/targets related to HR development policy

## Hire diverse human resources

	Indicator/target	Latest result
Ratio of women among new graduates hired for general positions*1	20%	13.00% (Applicable period: Join in FY2023)
Female manager ratio*2	3%	3.33% (Applicable period: March 31, 2023)
Ratio of new hires in management/general positions who are experienced*1	40%	43.75% (Applicable period: Joined in FY2022)
Ratio of employees with subsidiaries*3	Adoption of statutory employment rate	2.49% (Applicable period: FY2022)

## Develop human resources who are willing to take on challenges and act autonomously

	Indicator/target	Latest result
Training hours per year*1	1,500 hours	843.6 hours (Applicable period: FY2022)
Number of trainees per year*1	3,600 persons	2,506 persons (Applicable period: FY2022)

\*1 Applicable: Company-registered employees

\*2 Applicable: Consolidated

\*3 Among consolidated subsidiaries subject to employment ratio system for persons with disabilities

Regarding investment in human capital, our basic strategy is to create a rewarding company where all employees can maximize their abilities and create new value.

In order for our group to resolve social issues through our business activities and to achieve sustainable growth and increase corporate value, it is essential to develop human resources with a variety of personalities. In our human resource development policy, we will strive to develop diverse human resources who can act autonomously and willing to take on challenges, aiming to create new value. Indicators and targets are as described.

**In-house environmental improvement policy**

The Group is committed to creating comfortable workplaces where diverse human resources can perform their duties safely and efficiently while maintaining a rewarding and healthy work environment

**Indicators/targets related to internal environment improvement policy**

	Indicator/target	Latest result
Ratio of male employees taking childcare leave*	80%	72.20% (Applicable period: FY2022)
Ratio of employees returning to work after childcare leave*	100%	87.50% (Applicable period: FY2022)
Ratio of employees receiving health checkups*	100%	99.96% (Applicable period: FY2022)
Anomaly observation rate*	Age 40 and over: Less than 50%	61.20% (Applicable period: FY2021)
	Under age 40: Less than 30%	45.40% (Applicable period: FY2021)
Recognition as Health and Productivity Management Organization**	Obtain "White 500" certification	× (Year 2023)

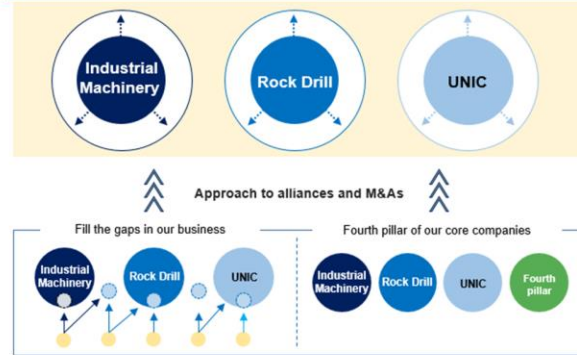
\*Applicable: Company-registered employees

**Investment in alliances and M&As**

- Consider alliances and M&As with peripheral companies that fill the gaps in our business and create continuity, as well as with companies that will form the fourth pillar of our core Machinery business

**Key priorities**

- Consider and enter alliances and M&As to achieve sustainable expansion and growth
- Pursue synergies in PMI

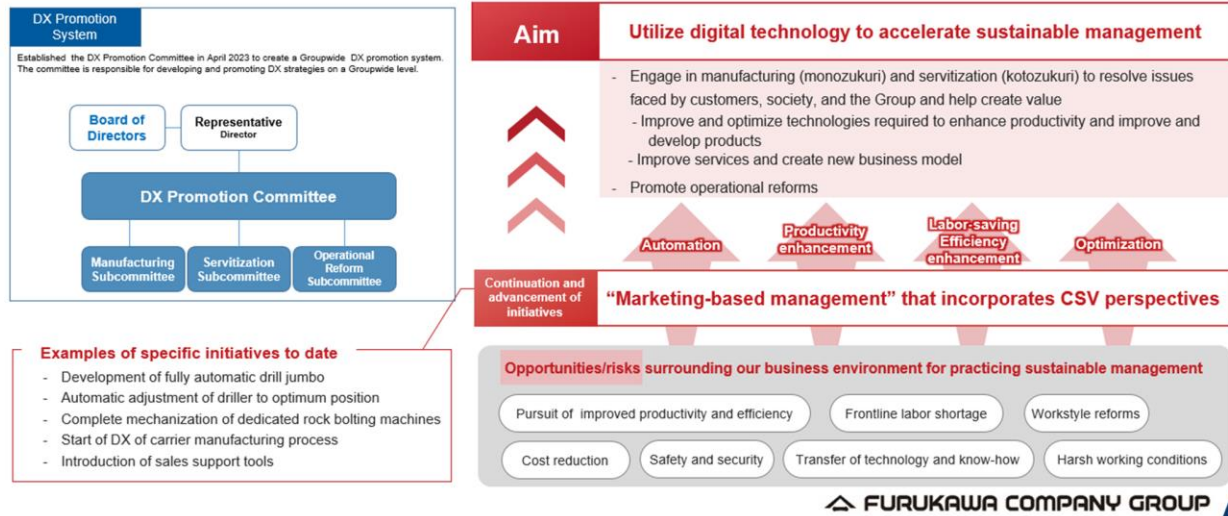


In terms of our in-house environment improvement policy, we are committed to creating a comfortable work environment in which our diverse human resources can perform their duties in a rewarding, healthy, safe, and efficient manner. Indicators and targets are as described.

Regarding investment in alliances and M&A, we will consider and execute alliances and M&A with peripheral companies that will fill in the gaps and create continuity in the machinery business, which is positioned as our core business, and with companies that will become our fourth pillar of our Machinery business.

## Investment in DX

- Promote DX to support accelerating the Group's growth strategy and operational reforms that reflects market needs and supports reliable and attractive manufacturing and value creation



Next is about investment in DX. We will promote DX to support accelerating the Group's growth strategy and operational reforms as our basic policy, which is to respond to market needs and support reliable and attractive manufacturing of products and value creation of services.

In April 2023, we established the DX Promotion Committee and put in place a group-wide promotion system responsible for formulating and promoting DX strategies at the Company-wide level. In order to accelerate efforts toward sustainable management, it is essential to expand the use of digital technology.

Under the leadership of the DX Promotion Committee, we will promote manufacturing, services and business reforms that will lead to solutions and value creation for our customers, society, and our group, and we will work on the use of digital technology to accelerate sustainable management.

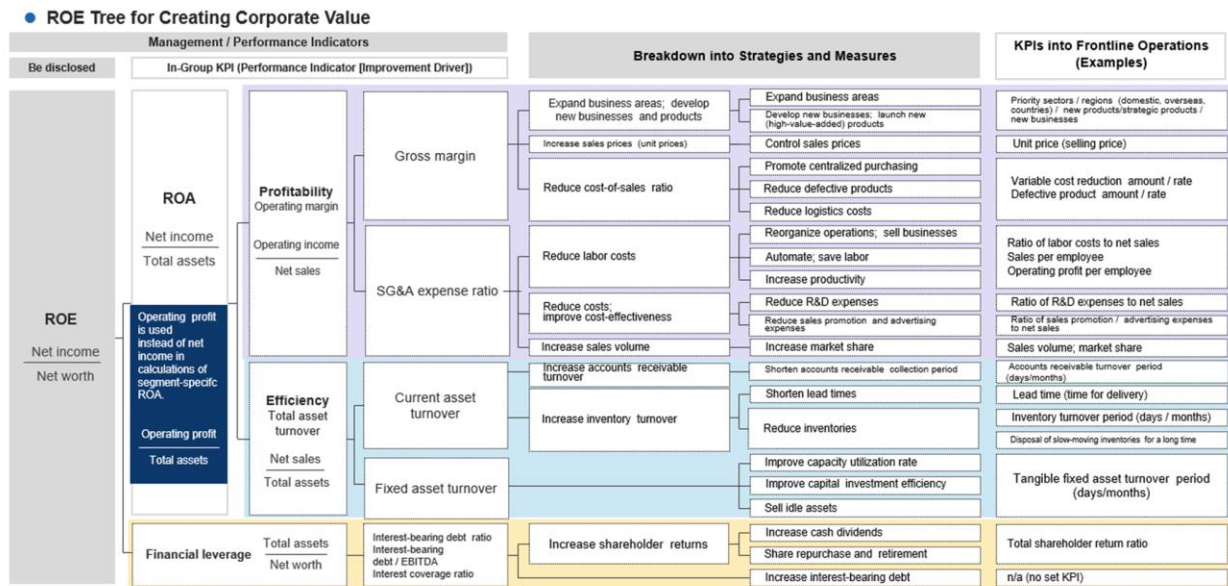


Medium-Term Business Plan 2025: Measures		Expected outcomes
<b>Manufacturing (monozukuri)</b>	<b>Launch Groupwide DX initiatives with view to building smart factories</b> Utilize 3D data to improve productivity - Target overall optimization of manufacturing processes from design to production - Aim for streamlined manufacturing	<ul style="list-style-type: none"> <li>- Accelerated product development → Engineering DX</li> <li>- Improved labor productivity and reduced costs</li> <li>- Visualization of know-how of skilled workers and establishment of technology transfer</li> </ul>
<b>Servitization (kozukuri)</b>	<b>Utilize digital technology to create new business model</b> Enhance value-added services - Analyze machine operating data, provide technical support and proposals	<ul style="list-style-type: none"> <li>- Profits generated for customers (through increased productivity, optimization of maintenance operations, and predictive maintenance) and relationships of trust reinforced</li> <li>- New sources of revenue</li> </ul>
<b>Operational reform</b>	<b>Make Groupwide business improvements and workstyle reforms</b> - Expand electronic circulation and workflow - Utilize digital platforms to improve operational efficiency and advance business	<ul style="list-style-type: none"> <li>- Streamlined information management and decision-making and paperless operations</li> <li>- Efficient sales promotion, service improvement, and visualization of sales activities</li> </ul>
<b>Develop and strengthen DX human resources</b> - Use external training to develop IT human resources - Improve digital literacy of staff working on DX - Flexibly secure IT personnel from outside		<ul style="list-style-type: none"> <li>- Effective digital technology use and enhanced business management capabilities due to improved IT/DX literacy of employees</li> <li>- Enhanced problem-solving capabilities through reinforcement of in-house ICT human resources</li> <li>- Steady promotion of DX through reinforcement of ICT human resources (who are in short supply)</li> </ul>
<b>Infrastructure, security, governance</b> - Build common information infrastructure for the Group - Prepare for cyberattacks and reinforce information security - Shift to cloud computing and/or environment for basic-operations systems		<ul style="list-style-type: none"> <li>- Establish information infrastructure indispensable for promoting DX</li> </ul>

As pillars for promoting DX, we have established three subcommittees: manufacturing, servitization, and operational reform. We will promote cross-organizational DX deployment, as well as the development of DX human resources and IT infrastructure, which are common issues.

The measures in the mid-term business plan 2025 and their intended effects are described below.

References



Page 35 describes our ROE tree for our corporate value creation for your reference.

This is the end of the presentation of the mid-term business plan 2025.



## Financial Results for the FY2022 (Consolidated) & Financial Forecasts for the FY2023 (Consolidated)



### 【Financial Results】

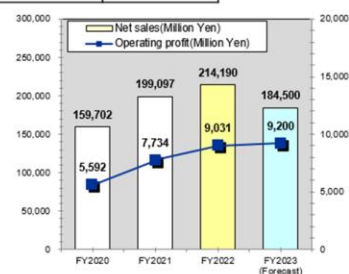
		FY2020	FY2021	FY2022	VS FY2021 Difference	FY2023 (Forecast)	VS FY2022 Difference
Net sales	Million Yen	159,702	199,097	214,190	15,093	184,500	(-)29,690
Operating profit	Million Yen	5,592	7,734	9,031	1,297	9,200	168
Operating margin	%	3.5	3.9	4.2	0.3	5.0	0.8
Ordinary profit	Million Yen	6,773	8,996	9,348	351	9,200	(-)148
Profit attributable to owners of parent	Million Yen	7,468	6,477	6,211	(-)266	15,300	9,088
Annual dividends	Y e n	50	50	50	—	50	—

\*FY2023 (forecast) figure disclosed on May 12, 2023 was revised by the disclosure "Notice Concerning Revisions to Financial Results Forecasts for the Fiscal Year Ending March 31, 2023." on May 29, 2023.

### 【Financial Conditions】

		FY2021	FY2022	Difference
Total assets	Million Yen	229,727	232,745	3,017
Net assets	Million Yen	100,075	106,050	5,975
Capital adequacy Ratio	%	42.3	44.2	1.9
Net assets Per share	Y e n	2,505.01	2,700.87	195.86
R O E	%	6.9	6.2	(-)0.7

General note: In this document, we describe "FY2022" as the year starting April 1, 2022, and ending March 31 in the following year.



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The presentation of the financial results is provided in the attached document.

To put it briefly, we forecast a slight increase in consolidated operating profit to JPY9.2 billion for the current fiscal year, as we expect a recovery in performance and a significant increase in profits in the UNIC segment, while profits in the metals segment are expected to decline.

In addition, we expect to record an extraordinary profit of approximately JPY13 billion from the transfer of non-current assets announced yesterday, resulting in a significant increase in profit attributable to owners of parent to JPY15.3 billion. The strategy for the real estate business, which will be funded by the proceeds from the transfer, is as explained in the previous slide, but due to confidentiality obligations, I will refrain from explaining the details of the plan today.

I would like to ask all of our shareholders and investors for their continued support of FURUKAWA CO., LTD. That's all from me.

## Question & Answer

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**Shibata [Q]:** I am Shibata from the Tokai Tokyo Research Institute. As the Company develops the vision for growth focusing on machinery, it was a little unclear to me, about the part on page 32 of the document about alliances and M&A that says filling in the gap.

Can you tell us what you mean by the gap?

Also, I wonder if you could tell us whether this fourth business could be materials.

**Nakatogawa [A]:** In our machinery business, we have industrial machinery, rock drill, and UNIC, and for example, rock drill segment has breakers, crushers, crawler drills, and jumbos. In places that they are used, for example, in mines and quarries, crushers of the industrial machinery segment are also used to crush stones.

There are products in each of those places, but what connects them, or lies between them, or lies upstream or downstream to them are called gaps. In other words, something that will provide continuity and bring more profits. We think that such a business would be a big plus, and we call it a gap.

And for the fourth pillar is, of course, our core business is machinery, so that main target is machinery. However, we would not exclude materials including electronics to consider investing in, if there is some to become another major pillar of our business.

**Shibata [Q]:** I would like to ask about this capital cost reduction. Perhaps one way to think about it is to terminate the metal's recent entrusted smelting contract. However, I am aware that the Company would like to reduce volatility in such areas.

Is there room for another change in the future in metals, in view of further capital cost reduction? Or is it more like, we'll see how things go from here on out once the structural reforms are done? I wonder if you could provide a supplementary explanation linking this volatility in the metals segment to the cost of capital.

**Nakatogawa [A]:** As for the metals segment, as you can see in this material, we can expect considerable improvement. It is certainly a volatile business, but we believe that we are seeing light now and have reached to a certain point.

However, as I presented, we use a bubble chart to evaluate the cost of capital each fiscal term. Therefore, depending on the product, not only metals but also other products and businesses, if it is only costing money, we stop it, or if it should cost more, we invest more.

We think we are done with metals for now. We will review and evaluate the business along with the mid-term business plan 2025.