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Medium Term Business Plan 2025: Complete Realization of Vision for 2025

At its meeting held today, the Board of Directors unveiled the Company's "Medium Term Business Plan 2025: Complete Realization of Vision for 2025" (hereinafter, "Medium Term Business Plan 2025"). The plan, covering the period from April 2023 to March 2026 (FY2023–2025), represents the final phase in the Company's quest to realize its Vision for 2025. Details are shown below.

1. Review of Medium Term Business Policy 2022

Under Vision for 2025, our aim is to build a robust earnings foundation base that is not overly dependent on the performance of the Metals segment and transform ourselves into a new Furukawa Company Group. Under Medium Term Management Plan 2019 (Phase 1), we positioned the Machinery business as our core business with the slogan, "Sustainably expand the Machinery business." We also made a major shift in our management direction aimed at business restructuring to build an optimal business portfolio.

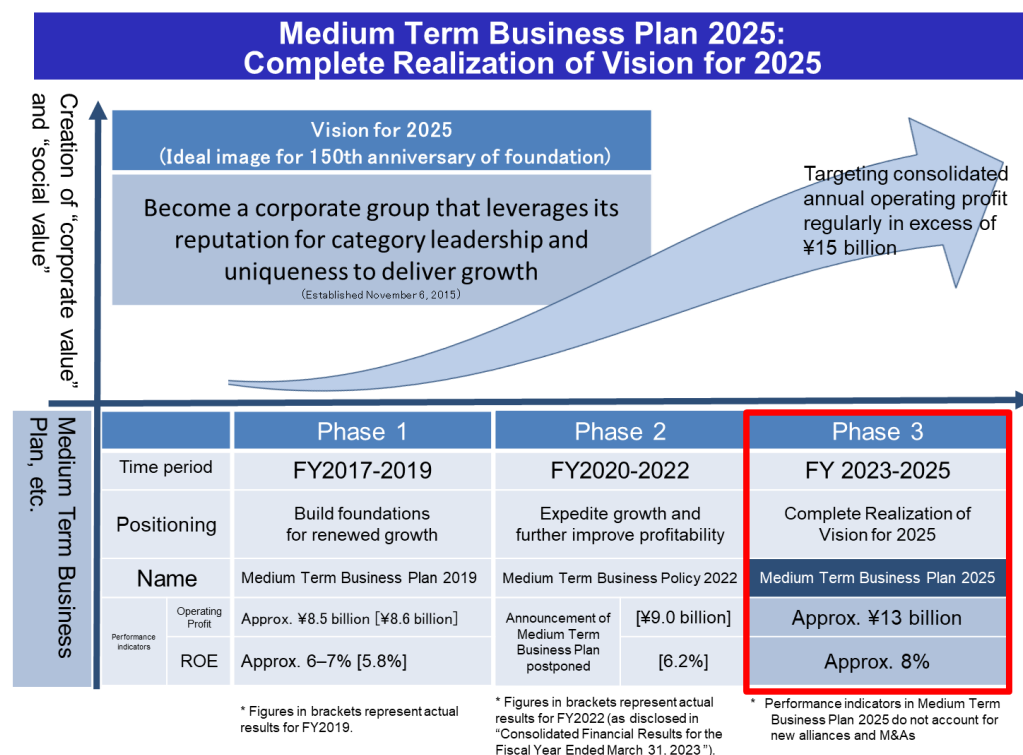
In Phase 2, we found it difficult to predict medium to long term business conditions due to high levels of uncertainty, with no indication about when the COVID-19 pandemic would subside. Accordingly, we decided it would be inappropriate to announce medium to long term performance indicators as commitments, so instead of announcing Medium Term Business Plan 2022 (Phase 2) we formulated and announced Medium Term Business Policy 2022.

Therefore, we leveraged Phase 2 as an opportunity to strongly reinforce our corporate structure and focus on a quick recovery of the Group's performance working on key priorities and we made significant progress in resolving key issues. In particular, the 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, meanwhile, we terminated our entrusted copper smelting contract with Onahama Smelting and Refining Co., Ltd. Furthermore, in the Real Estate business, we reached the final stage in considerations aimed at realizing the future vision for the former Furukawa Osaka Building site.

In Phase 2, consolidated operating income trended upward and recovered to its pre-COVID-19 level, amounting to ¥5.5 billion in FY2020, ¥7.7 billion in FY2021, and ¥9.0 billion in FY2022. On the other hand, return on equity (ROE^{*1}) reached 8.9% in FY2020, when we posted a ¥4 billion gain on sales of investment securities. (This was higher than the 8% ROE level recommended in the Ito Review.) However, it subsequently declined to 6.9% in FY2021 and 6.2% in FY2022 (as announced in Consolidated Financial Results for the Fiscal Year Ended March 31, 2023).

2. Positioning of Medium Term Business Plan 2025

The business environment surrounding the Furukawa Company Group has entered an era of so-called VUCA (volatility, uncertainty, complexity, and ambiguity), which in a nutshell makes it difficult to envisage the future. Under Medium Term Business Plan 2025, however, we will build on the foundation we established in Phase 2, when we reinforced our business structure and enhanced profitability. Accordingly, we have positioned the period of the plan as a period for “Complete Realization of Vision for 2025.” During the period, we will continue solidifying our foundation for the future beyond Vision for 2025.



3. Medium Term Business Plan 2025: Business Policy and Plan

(1) Expand and strengthen initiatives to realize management that is conscious of cost of capital and stock price

Since FY2017, the Furukawa Company Group has calculated the cost of capital on a consolidated basis and for each business segment. We also set return on invested capital (ROIC) as a hurdle rate for ensuring our “corporate value creation power^{*2}” and have been working to realize cost-conscious management by reviewing our business portfolio, capital investments, alliances involving equity participation, and M&A investment decisions.

However, we have not been able to achieve a corporate value creation power that meets market expectations. Accordingly, the price-to-book ratio (PBR), also known as the “value creation barometer,” has been below 1x for six consecutive years since FY2017, and swiftly getting PBR higher than 1x is a key management priority.

Under Medium Term Business Plan 2025, therefore, we will expand and strengthen specific initiatives to enhance our corporate value creation power with the aim of achieving “sustainable growth and medium to long term enhancement of corporate value^{*3}.” We will also strive to achieve a PBR of more than 1x as soon as possible by further improving information disclosure and engaging in active dialogue with investors so we can obtain an

appropriate market evaluation.

The following is a summary of specific initiatives that we will expand and strengthen to enhance our corporate value creation power.

Achieving ROE of approx. 8%	Increase profit through growth strategy
	<ul style="list-style-type: none"> ◆ Achieve consolidated operating profit of approx. ¥13 billion in FY2025 <ul style="list-style-type: none"> • Sustainably expand the Machinery business, positioned as a core business, to a new level • Review and strengthen our business portfolio and visualize our business (product) portfolio strategies within each business segment^{*4} to improve profitability and identify low-profit businesses (products)
	Improve capital efficiency
	◆ Reduce strategic shareholdings ^{*5}
	Streamline and optimize equity capital
Diminishing cost of capital ^{*7}	◆ Shareholder return <ul style="list-style-type: none"> • Consider increasing dividends and paying interim dividends, aiming for annual dividends of at least ¥50 per share in principle and a consolidated ratio of total return on equity^{*6} of 3% or higher • Aim for share buybacks of approximately ¥1 billion each fiscal year
	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 ^{*8} <ul style="list-style-type: none"> • Achieve financial soundness worthy of rating upgrade to A- or higher - Debt-to-equity ratio^{*9}: 0.5x range - Interest-bearing debt/EBITDA ratio^{*11}: 3x range 	

(2) Growth strategy (concentrate management resources on Machinery business to increase returns)

Basic policies
<ul style="list-style-type: none"> ◆ The Group's basic policy is to practice "marketing-based management^{*10}" that incorporates CSV perspectives. Accordingly, our business plan focuses on strategies that help us create "social value" by improving social infrastructure and realizing a safe, environmentally friendly, and prosperous society. ◆ In the Machinery business, positioned as the core business, we will develop infrastructure that helps address social issues in such areas as preventing and mitigating disasters, which are increasing due to climate change. We will also provide products, technologies, services, and other solutions to ensure safe and secure workplaces for workers and help resolve labor shortages.

Business plan for the Machinery business (center of our growth strategy)	
<p>◆ In the Industrial Machinery segment, we will target increased sales of material machinery, including pumps and crushers, as well as belt conveyors and other equipment for large-scale domestic infrastructure projects, such as bridges.</p> <p>◆ In the Rock Drill Machinery segment, we will build an “FRD model” to achieve customer success*11 throughout the product life cycle. In the UNIC Machinery segment, we will expand earnings through overseas sales while securing stable earnings in Japan.</p> <p>◆ We will devote 70% of cumulative capital investment to the Machinery business, with the aim of that business accounting for 50% or more of consolidated net sales and 80% or more of consolidated operating profit in FY2025. To achieve discontinuous future growth, we will step up efforts related to alliances and M&As.</p>	

(3) Earnings plan

Basic policy	
<p>◆ Step up efforts to improve ROE</p> <p>We will 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. In addition, by deploying a business portfolio management system that utilizes cost of capital, we will optimize overall allocation of management resources to achieve sustainable growth and increase corporate value over the medium to long terms.</p>	

PERFORMANCE INDICATORS for FY2025*12	
Consolidated operating profit	Approx. ¥13 billion
Return on equity (ROE)	Approx. 8%

(4) Capital policy

Policies on financial strategy	
<p>◆ We will continue seeking to establish a robust financial base enabling us to raise the necessary funds regardless of financial conditions.</p> <p>◆ Pursue optimal capital structure with rating strategy at its core</p> <p>In FY2025, the final year of Vision for 2025, we envisage a level of financial soundness that will prompt Japanese rating agencies to raise their ratings to A- or higher, from the current BBB+. To this end, we will continue striving to improve our financial soundness.</p>	

Image of financial soundness in FY2025	
Debt-to-equity ratio	0.5x range
Interest-bearing debt/EBITDA ratio	3x range

Shareholder return policies	
<p>• Policy on dividends</p> <p>We will consider increasing annual dividends and paying interim dividends, prioritizing investments to achieve sustainable growth and enhance corporate value over the medium to long terms. In principle, we aim to pay annual dividends of ¥50.00 per share or higher with a consolidated total return on capital of at least 3%.</p> <p>• Policy on share buybacks/cancellations</p> <p>We will consider share buybacks and cancellations from time to time, taking into account trends in stock prices, capital efficiency, cash flows, and other factors. We will aim for share buybacks of approximately ¥1 billion each fiscal year.</p>	

Policies on reducing strategic shareholdings
<ul style="list-style-type: none"> • With regard to strategic shareholdings, each year we carefully examine the purpose of our holdings and whether the benefits and risks associated with each holding are commensurate with the cost of capital. At the same time, the Board of Directors examines the appropriateness of continuing to hold shares after a comprehensive review that includes both qualitative and quantitative aspects. • We will strive to reduce holdings of shares deemed to be no longer necessary by selling them as appropriate. • We will continue disclosing the ratio of strategic shareholdings to consolidated net assets as an indicator of our progress in reducing such shareholdings.

(5) Sustainability initiatives

Under the basic policy shown below, we have established a set of medium term sustainability goals (FY2023–2025) and will develop a plan–do–check–act (PDCA) cycle to achieve those goals.

Basic policy
<ul style="list-style-type: none"> ◆ 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.

Efforts to realize our basic policy
<ul style="list-style-type: none"> • Proactive sustainability: Resolve social issues through business In addition to enhancing the value of the Furukawa brand through “marketing-based management” that incorporates CSV perspectives, 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. • Defensive sustainability: Establish a robust corporate foundation for growth In order to establish a robust corporate foundation for growth, 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.

Furukawa Company Group's Approach to Sustainability



Initiatives to address "Materiality (Key Issues)" ^{*13}	
Proactive: CSV issues Materiality (Key Issues) on resolving "social issues" through business	Main related SDGs
<ul style="list-style-type: none"> 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 	
Defensive: CSR/ESG issues Materiality (Key Issues) on establishing a robust corporate foundation for growth	Main related SDGs
E (Environment)	<ul style="list-style-type: none"> Promotion of climate change countermeasures in our business activities Promotion of biodiversity preservation activities <div style="text-align: center;"> </div>
S (Social)	<ul style="list-style-type: none"> 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 <div style="text-align: center;"> </div>
G (Governance)	<ul style="list-style-type: none"> Development of an enterprise risk management system Thorough compliance <div style="text-align: center;"> </div>

Addressing decarbonization
<ul style="list-style-type: none"> • We will revise our current CO₂ reduction plan to include CO₂ reduction measures at each production site. • We will implement a carbon-neutral declaration that includes the use of electricity derived from renewable energy sources. To achieve the declaration's goals, we will work to complete a roadmap by FY2025.

Climate-related disclosure
<ul style="list-style-type: none"> • To make disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we will first initiate scenario analyses in the Metals segment and Rock Drill Machinery segment, which have the largest sales, and express our support for the TCFD's recommendations. • Then, we will enhance disclosure of climate-related information in other segments as well.

Inclusion in SRI/ESG indexes and improving our external ESG-related evaluations* ¹⁴
<ul style="list-style-type: none"> • We regard inclusion in SRI/ESG indexes and external evaluations as important ways to monitor the progress of the Group's ESG-related initiatives. With this in mind, we will make ongoing improvements by stepping up ESG-related initiatives through our business and other means while appropriately disclosing information and pursuing active dialogue with investors. <p>We will also enhance our disclosure content to earn inclusion in the FTSE Blossom Japan Index, which has stricter selection criteria than the FTSE Blossom Japan Sector Relative Index.</p>

(6) Review of business portfolio

Basic policies
<ul style="list-style-type: none"> ◆ We will calculate cost of capital for each of our seven business segments and plot three factors—X axis: corporate value creation power; Y axis: compound annual growth rate (CAGR) of sales; and bubble size: corporate value created/year*¹⁵—on a bubble chart to accurately visualize our business portfolio. We will then conduct a four-quadrant analysis based on growth potential and corporate value creation power and make rational business decisions that are not overly influenced by history or preconceptions. ◆ Furthermore, we will visualize the business (product) portfolio strategy within each business segment and work to improve profitability and identify low-profit businesses (products).

Status of review

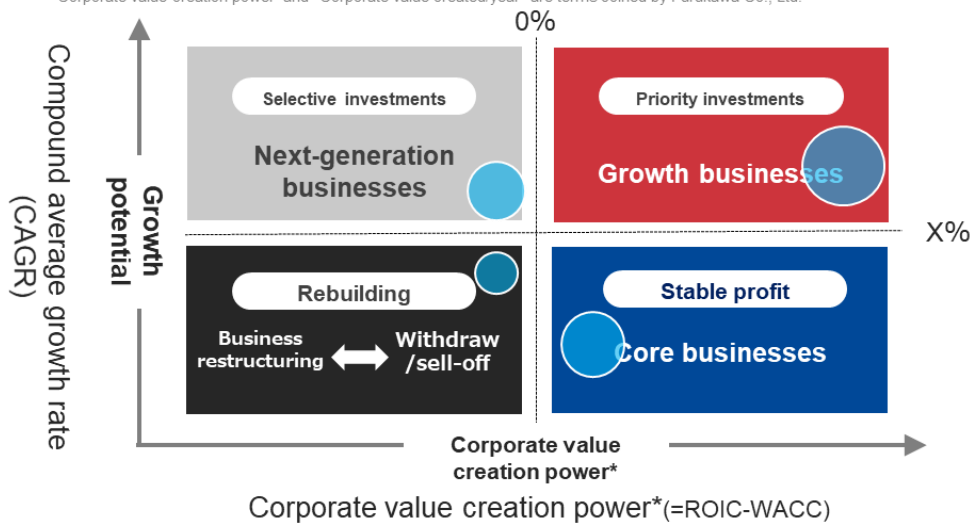
- In the Metals segment, we conducted a fundamental review of our entrusted copper smelting business and subsequently terminated our entrusted smelting contract with Onahama Smelting and Refining Co., Ltd., on March 31, 2023. At the same time, Furukawa Metals & Resources Co., Ltd., transferred all its shares in Onahama Smelting and Refining to Mitsubishi Materials Corporation.
- In the Rock Drill Machinery segment, we are making smooth progress in liquidating our subsidiaries in Panama and China in order to strengthen and rebuild our overseas marketing capabilities.
- In the Real Estate business, we will work to determine a future vision for the site of the former Furukawa Osaka Building with the aim of solidifying our earnings foundation for the future.
- On October 3, 2022, we transferred our casting business from Furukawa Castec Co., Ltd., to Furukawa C&F Co., Ltd., through an incorporation-type demerger. Our aim here was to improve the profitability of the casting business and enhance casting technology, quality, productivity, and morale. Furthermore, supervision of the casting business was shifted from Furukawa Industrial Machinery Systems Co., Ltd., to Furukawa Co., Ltd.

[Business Portfolio Analysis]

(Bubbles below are only for reference.)

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

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



(7) Allocation of management resources

Basic policies	
<p>◆ We will provide stable and continuous returns to shareholders, prioritizing the following investments to achieve sustainable growth and enhance corporate value over the medium and long terms.</p> <ul style="list-style-type: none">• Make capital investments to support enhanced manufacturing• Invest in R&D to help resolve social issues• Invest in intellectual property to ensure competitive advantage• Invest in human capital to create a rewarding company• Invest in DX to accelerate growth strategies and business transformation• Invest in alliances and M&As to achieve discontinuous future growth• Invest in sustainability initiatives, such as decarbonization, environmental impact reduction, and respect for human rights in the value chain <p>◆ The funds for these investments—targeting sustainable growth and improved corporate value over the medium and long terms—will come from retained earnings and continuous cash flows. Regarding funds for investments in alliances and M&As targeting discontinuous growth, we will use the most appropriate means of financing, including asset sales (such as sales of strategic shareholdings) and other options as necessary.</p>	

1) Allocation of operating cash flows

Basic policy	
<p>◆ While aiming to establish a robust financial base, we will make capital investments to achieve sustainable growth and enhance corporate value over the medium to long terms. We will also endeavor to allocate operating cash flows in consideration of shareholder returns.</p>	

Consolidated operating cash flows (3-year cumulative total)		¥40 billion
Allocation image	Capital investments	¥20 billion
	Growth investments	¥10 billion
	Maintenance and renewal	¥10 billion
	Dividends	¥7 billion
	Share buybacks	¥3 billion
	Reduction of interest-bearing debt	¥10 billion

2) Capital investments

Basic policy	
<p>◆ Capital investment plan to support enhanced manufacturing Our capital investments will center on the Machinery business, which is positioned as our core business.</p>	

Capital investments (3-year cumulative total)		¥20 billion
Allocation image	Machinery business	¥14 billion
	Materials business	¥5 billion
	Other	¥1 billion

3) R&D investments

Basic policy
<ul style="list-style-type: none"> ◆ We will promote the commercialization and industrialization of development projects that help resolve social issues. At the same time, we will revitalize our on-site capabilities to improve productivity, which is indispensable as a manufacturer.

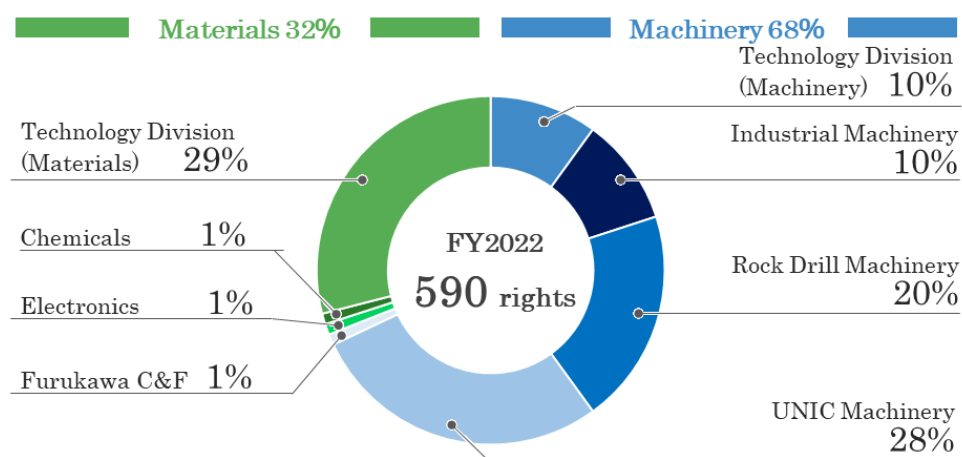
Key priorities
<ul style="list-style-type: none"> • Develop automation technology aimed at labor savings • Develop materials and mass production technology for solid electrolytes used in all-solid-state batteries • Develop machinery-related products and technologies that deliver higher efficiency and 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

4) Investment in intellectual property

Basic policies
<ul style="list-style-type: none"> ◆ We regard intellectual property (IP) activities as an important part of our management strategy and will develop systems that utilize IP information to secure a competitive advantage. ◆ We will properly assess the value of our entire business, including IP, based on the technology rights of each operating company in the Group.

Key priorities
<ul style="list-style-type: none"> • Revitalize IP activities (discovery, acquisition, maintenance, and utilization of rights) to enable us to visibly evaluate our technological capabilities, which are the source of competitiveness as a manufacturer • 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*16
<p>The diagram illustrates a three-stage process flow:</p> <ul style="list-style-type: none"> FY2022: Surveys/Research (Upskill) FY2023: Establish projects to promote (Foster common understanding) FY2025: Start Operation (Top-down)

<Reference: Breakdown of Intellectual Property Rights Held (Domestic)>



5) Investment in human capital

Basic strategy for investment in human capital
◆ 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. To this end, we are committed 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 (Ratios calculated for Company-registered employees, except where noted)		Indicator/target	Latest result	Applicable period
◆ Hire diverse human resources				
Ratio of women among new graduates hired for general positions (Company-registered employees hired in Japan)		20%	13.00%	Join in FY2023
Female manager ratio (consolidated)		3%	3.33%	March 31, 2023
Ratio of new hires in management/general positions who are experienced		40%	43.75%	Joined in FY2022
Ratio of employees with disabilities (among consolidated subsidiaries subject to employment ratio system for persons with disabilities)		Adoption of statutory employment rate	2.49%	FY2022
◆ Develop human resources who are willing to take on challenges and act autonomously				
Training hours per year		1,500 hours	843.6 hours	FY2022
Number of trainees per year		3,600 persons	2,506 persons	FY2022

In-house environmental improvement policy

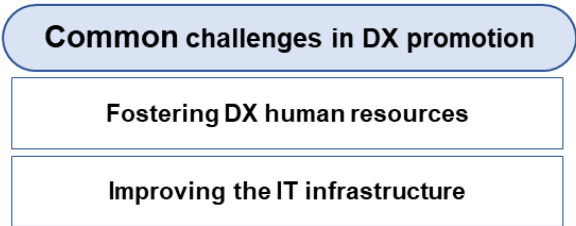
• The Group is committed to creating comfortable workplaces where diverse human resources can perform their duties safely and efficiently while maintaining a rewarding and healthy work environment.

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

6) Investment in DX

Basic policy
<p>◆ We will 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.</p>

Key priorities
<ul style="list-style-type: none"> • Establish a Groupwide DX promotion system spearheaded by the DX Promotion Committee (Established in April 2023) • Promote DX based on the three pillars of manufacturing (Monozukuri), servitization (Kotozukuri), and operational reforms



7) Investment in alliances and M&As

Basic policy
◆ We will consider and enter alliances and M&As with peripheral companies that fill the gaps in our business and create continuity in our existing Machinery business (complementing Industrial Machinery segments ,the Rock Drill Machinery segment and UNIC Machinery segment), as well as with companies that will form the fourth pillar of our Machinery business.

Key priorities
<ul style="list-style-type: none"> • Continue pursuing sustainable expansion in our core Machinery business and step up efforts targeting alliances and M&As to realize discontinuous future growth • Continue seeking synergies from recent M&A (acquisition of shares in Yamaishi Metal Co., Ltd., making it a subsidiary) and promoting sales through alliance (aimed at generating demand for SICON® enclosed hanging belt conveyors for urban and other civil engineering projects)

(8) Basic strategies and key priorities issues by segment

1) Machinery business

[Industrial Machinery]

Basic strategy
◆ Further strengthen our engineering capabilities*17 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)

Key priorities
<ul style="list-style-type: none"> • Strengthen product competitiveness and promote proposal-based sales to win orders for section plant*18 construction projects (pumps, material machinery) • Establish earnings base through stock businesses*19 (pumps, material machinery), including by utilizing customer information management to enhance services • Generate demand and promote sales of SICON® enclosed hanging belt conveyors

[Rock Drill Machinery]

Basic strategy
◆ Build a FRD model enabling customers to achieve success throughout the product lifecycle

Key priorities
<ul style="list-style-type: none"> • Establish FRD model in Japan <ul style="list-style-type: none"> Strengthen Life Cycle Support*20 business <ul style="list-style-type: none"> - Strengthen sales of parts and consumables - Commercialize support program for blast hole drills*21 - Establish trade-in resale business (tunnel drill jumbos, crawler drills) • Emphasize centralized sales and production <ul style="list-style-type: none"> - Overseas: Cultivate North American market for large blast hole drills and step up development of attachment drills*22 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

[UNIC Machinery]

Basic strategy
<ul style="list-style-type: none"> ◆ Enhance competitiveness by increasing product functionality and added value and improving service systems for domestic business while strengthening product, sales, and service technology capabilities for overseas business, with the aims of securing stable earnings from domestic sales and expanding earnings from overseas sales

Key priorities
<ul style="list-style-type: none"> • 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

2) Materials business

[Metals]

Basic strategy
<ul style="list-style-type: none"> ◆ Make efforts to optimize the entrusted smelting business

Key priority
<ul style="list-style-type: none"> • Pursue profitability and stabilization of the entrusted smelting business

[Electronics]

Basic strategy
<ul style="list-style-type: none"> ◆ Expand business in strategic products to increase earnings

Key priorities
<ul style="list-style-type: none"> • Aluminum nitride ceramics*23: 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

[Chemicals]

Basic strategy
◆ Increase earnings from existing products and nurture and expand newly developed products

Key priorities
<ul style="list-style-type: none">• Existing products<ul style="list-style-type: none">- Sulfuric acid: Strengthen differentiation by emphasizing high-quality sulfuric acid- Cupric oxide: Capacity enhancement to increase sales• Newly developed products<ul style="list-style-type: none">- Metallic copper powder: Expand sales channels by developing new applications

3) Real estate business

Basic strategy
◆ Stabilize earnings from Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2) and effectively utilize other real estate holdings, including site of former Furukawa Osaka Building

Key priority
• Determine and promote future vision for former Furukawa Osaka Building site

<Reference>

Segment performance

[Net sales]

(¥ millions, rounded down)

	FY2022 results**	FY2025 scenario	Difference
Machinery Business	81,658	100,500	18,842
Industrial Machinery	17,943	24,000	6,057
Rock Drill Machinery	35,752	39,000	3,248
UNIC Machinery	27,961	37,500	9,539
Materials Business	126,804	82,000	△44,804
Metals	111,424	63,500	△47,924
Electronics	6,926	9,000	2,074
Chemicals	8,454	9,500	1,046
Real Estate	2,056	2,000	△56
Other	3,671	4,500	829
Total	214,190	189,000	△25,190

[Operating profit]

(¥ millions, rounded down)

	FY2022 results**	FY2025 scenario	Difference
Machinery Business	6,093	10,700	4,607
Industrial Machinery	1,515	3,000	1,485
Rock Drill Machinery	3,030	3,700	670
UNIC Machinery	1,547	4,000	2,453
Materials Business	2,309	1,900	△409
Metals	1,276	500	△776
Electronics	500	700	200
Chemicals	532	700	168
Real Estate	835	600	△235
Other, Adjustment	△206	△200	6
Total	9,031	13,000	3,969

[Underlying assumption]

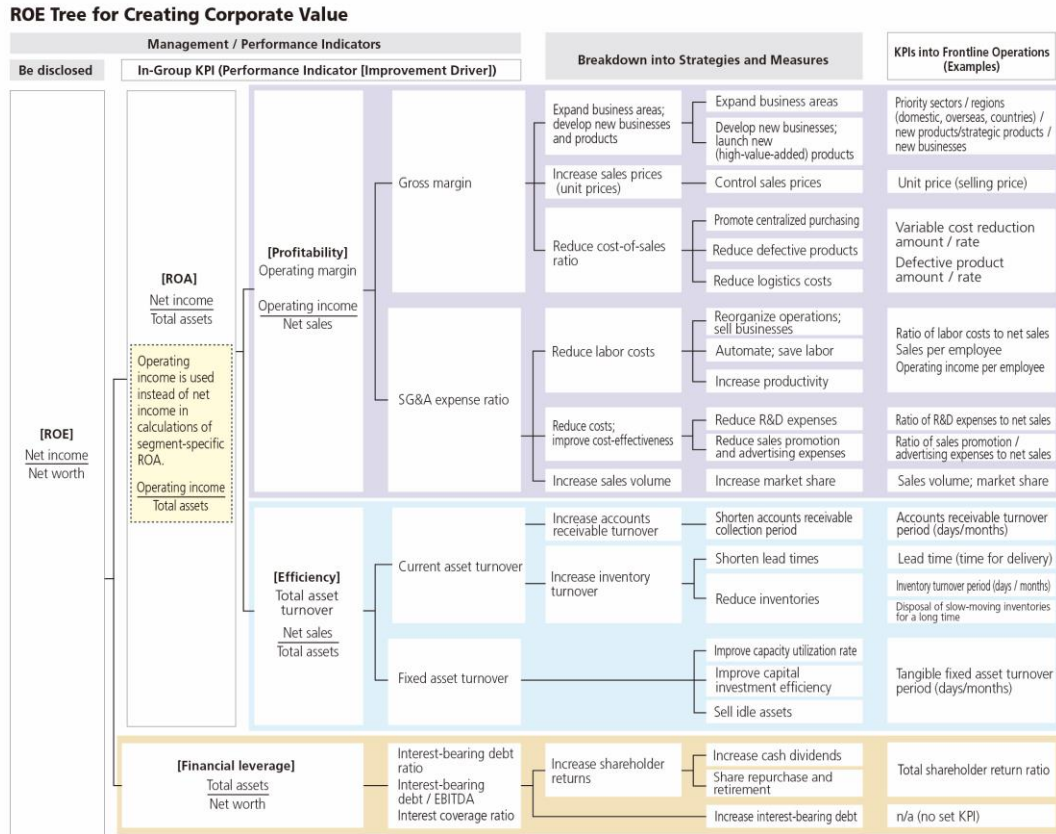
	FY2022 results**	FY2025 assumptions
Exchange rate (¥/USD)	135.5	135

* Figures in brackets represent actual results for FY2022 (as disclosed in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023”).

<Note>

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

*1. The Furukawa Company Group utilizes “ROE Tree for Corporate Value Creation” (see below) to improve ROE.



*2. “Corporate value creation power” is a term coined by the Company meaning ROIC - WACC.

*3. The process for achieving sustainable growth and increasing corporate value over the medium to long terms is shown below.

[The value creation process of the Furukawa Company Group]

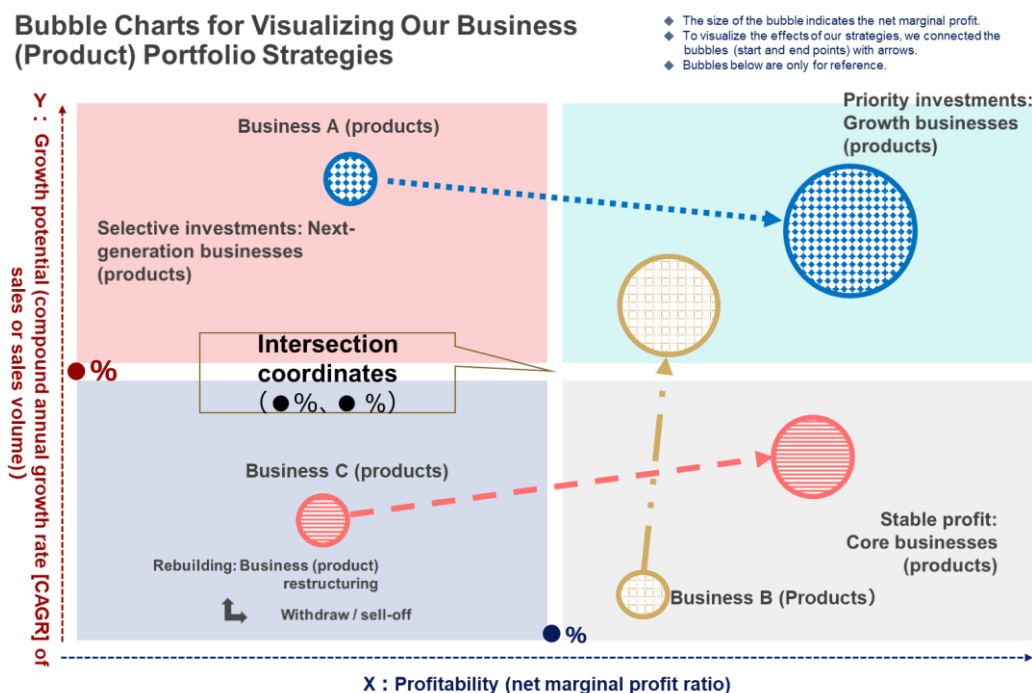
Management Philosophy / The Furukawa Company Group will remain indispensable to society by always embracing a spirit of challenge, advancing the technologies that have underpinned the foundation of society that originated in mining development.



*CSV For the Furukawa Company Group, creating shared value (CSV) means creating “corporate value” by providing infrastructure, products, technologies, services, and the like that help resolve social issues. It also means fostering the creation of “social value” by improving social infrastructure and realizing a safe, environmentally friendly, and prosperous society.

*4. Visualization of business (product) portfolio strategies within each segment

To examine business (product) portfolio strategies within each business segment, we use a four-quadrant analysis with bubble charts for visualization. Profitability is based on the “net marginal profit ratio” before allocation of fixed costs by business (product).



*5. Strategic shareholdings = Total amount of investment shares (in the Consolidated Balance Sheets) held for purposes other than pure investment (includes unlisted shares, but excludes shares in nonconsolidated subsidiaries and affiliates) + Shares deemed to be held for such purposes

*6. Ratio of total return on consolidated equity (%) = [(Total dividends paid + Total share buybacks) / Total average Consolidated shareholders' equity] x 100

*7. Diminishing cost of capital: It is generally considered that “the cost of capital, one of the components of WACC, will diminish through stabilization of the β value and adjustment of individual market risk premiums as the risks faced by companies decrease and expectations for the future increase.”







*8. Pursue optimal capital structure with rating strategy at the core: This initiative is designed to enable us to utilize interest-bearing debt to the extent that it does not carry excessive financial risk. By improving our ability to explain how we use the Consolidated Balance Sheets to investors and gaining market confidence accordingly, we can expect the cost of capital to decrease.

*9. Interest-bearing debt used in this calculation does not include lease obligations.

*10. “Marketing-based management” that incorporates CSV perspectives: Creating shared value (CSV) is a management framework that enables companies to co-create social value and corporate value by tackling social, environmental, and other issues.

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.

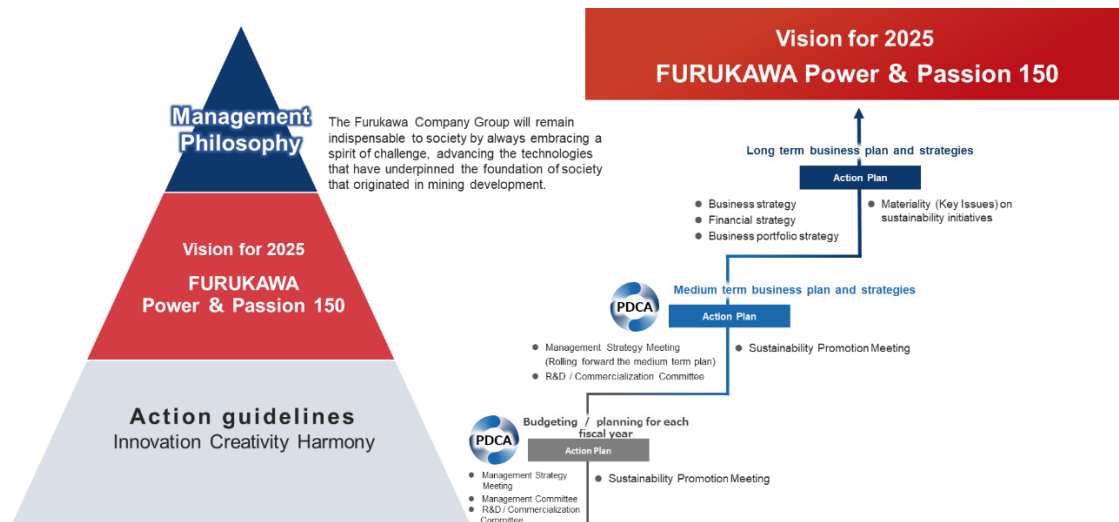
SDG Contribution Targets by Segment

Segment	Main Products, Technologies, and Services	SDGs with High Contribution Levels (◎: Especially Important; ○: Important)								
		2	3	6	7	9	11	12	13	14
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	○	○	◎		◎	◎			

*11. Customer success: As the term implies, this is the concept of helping customers succeed through products and services. Under this concept, a company proactively thinks about the future of its customers and provides relevant advice and support, including identifying customer issues and proposing plans that can be fulfilled by using the company’s products and services.


*12. PERFORMANCE INDICATORS for FY2025: Among PERFORMANCE INDICATORS for FY2025, those for consolidated operating profit and ROE do not account for alliances and M&As. The assumed exchange rate for the PERFORMANCE INDICATORS is ¥135/US\$1.

*13. Materiality (Key Issues): In addition to identifying new Materiality (Key Issues) related to sustainability initiatives, we have outlined our philosophy system and the roadmap for its realization (see below) and positioned Materiality (Key Issues) related to sustainability initiatives as an important part of our management strategy.



*14. Inclusion in SRI/ESG indexes and our external ESG-related evaluations

SRI/ESG indexes that include the Company's stock
<p>FTSE Blossom Japan Sector Relative Index (Furukawa Co., Ltd., selected for inclusion on March 31, 2022)</p> <p>The FTSE Blossom Japan Sector Relative Index, created by global index provider FTSE Russell, reflects the performances of Japanese companies that have shown relatively high levels of ESG responses in their respective sectors. It is designed to be sector-neutral. The FTSE Blossom Japan Sector Relative Index is widely used to create and evaluate sustainable investment funds and other financial products.</p>

External evaluation	Future response
 <p>Health and Productivity Management Organization</p> <p>Under the Certified Health & Productivity Management Outstanding Organizations Recognition Program, operated by the Ministry of Economy, Trade and Industry (METI), Furukawa Co., Ltd., was certified as a Health & Productivity Management Outstanding Organization (large enterprise category) in 2019, 2020, 2021, and 2023.</p> <p>In 2017 and 2022, the Company was given a White 500 crown (given to the top 500 corporations in the large enterprise category), but unfortunately was not selected in 2023.</p>	<p>We aim to reacquire our White 500 crown (given to the top 500 corporations in the large enterprise category).</p>

	External evaluation	Future response
	<p>Health & Productivity Stock Selection</p> <p>The Company was selected for the 2022 Health & Productivity Stock Selection as a publicly listed company that strategically handles employee health management from a management perspective. Unfortunately, we were not selected in 2023.</p>	<p>We will strive to be reincluded in the Health & Productivity Stock Selection.</p>
	<p>Kurumin</p> <p>Based on the Act on Advancement of Measures to Support Raising Next-Generation Children, Furukawa Co., Ltd., has received “Kurumin” certification as a company that supports child-rearing on two occasions (FY2017 and FY2022).</p>	<p>We will aim for our third “Kurumin” certification as a company that supports child-rearing.</p>
	<p>Nikkei “SDGs Management” Survey</p> <p>In the 4th Nikkei “SDGs Management” survey (November 2022), which rates companies’ efforts to achieve the United Nations Sustainable Development Goals (SDGs), we received 3.0 stars for the fourth consecutive year.</p>	<p>We will aim to continuously receive 3.0 stars or higher in the Nikkei “SDGs Management” survey.</p>
	<p>Nikkei “Smart Work Management” Survey</p> <p>We received 2.0 stars in the 6th Nikkei “Smart Work Management” survey (November 2022), which selects leading companies that strive to revolutionize productivity through work-style reform.</p>	<p>We will aim to achieve 3.0 stars or higher, which will allow us to use the star certification logo.</p>
	<p>CDP Climate Change 2022</p> <p>Score: D (information disclosure level)</p>	<p>We will aim to increase our score by stepping up efforts to reduce greenhouse gas emissions and mitigate climate change risks.</p>

*15. Corporate value created/year = Corporate value creation power x Invested capital
“Corporate value created/year” is a term coined by the Company. It refers to the total corporate value created in a year from invested capital.

*16. 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.

*17. Engineering capabilities: The ability, as part of the sales process, to use experience, technology, and knowledge as tools in order to make optimal proposals to customers based on consideration of a comprehensive balance of all factors, including functions, costs, operating environment, and safety.

*18. Section plant: Part (section) of an entire facility (plant) devoted to a specific function (such as conveying or processing).

*19. Stock business: Refers to after-market business (sales of spare parts, maintenance services, used product trade-ins and sales, etc.) and rental business, as opposed to flow business (product sales), which is more susceptible to economic fluctuations. We are working to continuously expand and strengthen our stock business, which generates relatively stable earnings.

*20. Life Cycle Support: Providing and supporting optimal management services to reduce the cost of machinery ownership and operating costs as much as possible throughout its entire life cycle (machine selection and delivery, operation and maintenance, major repairs and reconditioning, and disposal and replacement).

*21. Blast hole drill: A machine that drills holes for blasting and is used for relatively large-scale blasting in mines, quarries, civil engineering works, and the like. We refer to crawler drills, down-the-hole drills, and rotary drills used on the ground surface as “blast hole drills.”

*22. Attachment drill: Drill attached to the tip of a hydraulic excavator arm and operated using the excavator’s hydraulic pressure. The combination of a hydraulic excavator (with wide drilling range thanks to long reach and swivel function) and our HD709 attachment drill (high-performance hydraulic drifter with damper) promises a significant improvement in productivity compared with pneumatic drills. By marketing this attachment drill at a relatively low price, we plan to create future customers for hydraulic crawler drills in the Southeast Asian quarry market.

*23. Aluminum nitride ceramics: This is an abbreviation of aluminum nitride (AlN) ceramics, the commercial name of a product handled by Furukawa Denshi Co., Ltd.

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[Cautionary Notes regarding Forward-Looking Statements]

This document contains forward-looking statements including forecasts, expectations, assumptions, plans, acknowledgements and evaluations regarding the Company and the Group. These statements are based on the information the Company has obtained as of the publication date and on assumptions the Company believes are reasonable. The forward-looking statements in this document and their implications may differ materially from actual results because the assumptions of the Company and the conclusions that it has reached are subjective in nature and the business environment and business activities are subject to latent risks and uncertainties. Latent risks and uncertainties that may affect the Company's forward-looking statements are explained in, but not limited to, the Company's Annual Securities Reports and the "Business Risks" section of the Company's corporate website.

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Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

February 9, 2024

To whom it may concern:

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Notice Concerning Establishment of Target for Reducing Strategic Shareholdings

At the meeting held today (February 9, 2024), the Board of Directors of Furukawa Co., Ltd., resolved to set a target for reducing the Company's strategic shareholdings*.

Under Medium-Term Business Plan 2025, announced in May 2023, the Furukawa Company Group is expanding and strengthening efforts to realize management that is conscious of cost of capital and stock price. As part of these efforts, we established our policies on reducing strategic shareholdings. Specifically, we examine the purpose of our holdings, whether the benefits and risks associated with each holding are commensurate with the cost of capital. At the same time, we conduct a comprehensive review that includes both qualitative and quantitative aspects, and strive to reduce holdings by selling of shares deemed to be no longer necessary by selling them as appropriate.

By setting a reduction target for strategic shareholdings, we will further accelerate the reduction of such shareholdings and improve capital efficiency. At the same time, we will strive to achieve sustainable growth and increase corporate value over the mid-to long-term.

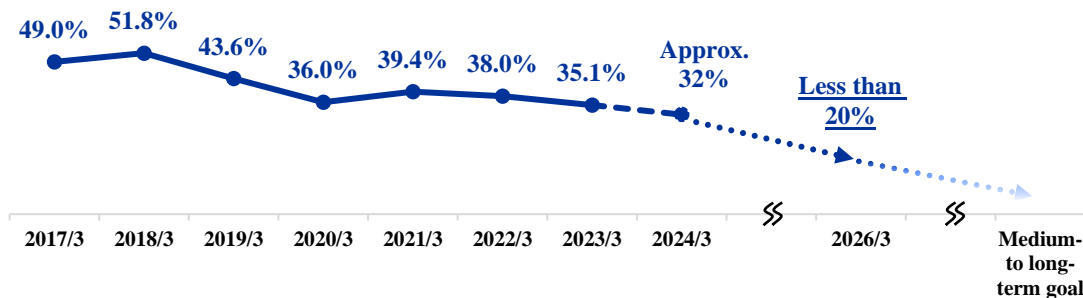
1. Reduction Target

Ratio of strategic shareholdings to consolidated net assets: Reduce the ratio to less than 20% by March 31, 2026

2. Use of Funds Generated by Reduction

To increase corporate value over the medium to long term while being conscious of capital efficiency, the Company will use funds generated by strategic shareholding reduction for investments in discontinuous growth, which include M&As, investments in non-financial capital (R&D, intellectual property, human capital, and digital transformation), as well as shareholder returns (dividend payments and share buybacks).

3. Reduction of Strategic Shareholdings



The ratio of strategic shareholdings to consolidated net assets was 51.8% on March 31, 2018, and 35.1% on March 31, 2023. In fiscal 2023, we plan to sell shareholdings in eight companies (¥3 billion total value), which we expect will reduce the ratio to approx. 32% by March 31, 2024. Thereafter, we will strive to reduce the ratio to less than 20% by March 31, 2026.

*Strategic shareholdings

Total amount of investment shares (in the Consolidated Balance Sheets) held for purposes other than pure investment (includes unlisted shares, but excludes shares in nonconsolidated subsidiaries and affiliates) + Shares deemed to be held for such purposes