Annual Report
(Integrated Report)
2022
Year ended March 31, 2022

FURUKAWA CO.,LTD.

Contributing to the Construction of Social Infrastructure

Editorial Policy

This "Annual Report (Integrated Report)" is a publication for the Furukawa Company Group's shareholders and other investors. It is an integrated report that includes financial information from the Group's "Annual Securities Report" and environmental, social, and governance (ESG)-related information from its "Corporate Governance Report" and "Sustainability Report." The intention of this Annual Report is to foster a more accurate understanding of the integrated thinking, strategies, and actions of the Group while covering the information necessary for shareholders and other investors.

In addition to these reports, we post news releases and financial results briefing materials on our corporate website in a timely and appropriate manner.

Furukawa Co., Ltd. website
Investor Relations

https://www.furukawakk.co.jp/en/ir/

Target Period: April 2021–March 2022
(Some activities before and after this period are also included.)

Annual Report (Integrated Report)

Annual Securities Report	Corporate Governance Report	Sustainability Report
(Financial information)	(ESG information)	(ESG information)

Statement about Changes to English Financial Statements

As a company listed on the Prime Market of the Tokyo Stock Exchange, since April 2022 we have been translating and publishing financial statements and other materials into English for timely disclosure. For financial statements and other information in this report, therefore, we use the English translation of our financial statements, which are based on Japanese generally accepted accounting principles (Japanese GAAP). Those financial statements (based on Japanese GAAP) have been properly audited by the firm that audited the Company's Annual Securities Report.

Forward-Looking Statements

This Annual Report (Integrated Report) contains information about the Furukawa Company Group's plans, strategies, and future prospects. Such information, which is based on information currently available and reflects determinations deemed rational by the Group at the present time, includes various risks and uncertainties. Actual results may differ significantly from forecasts contained herein due to these changing uncertain factors.

Contents

About the Furukawa Company Group

The key to the success of the Furukawa Company Group, which recently celebrated the 147th anniversary of its founding, began with the development of the Ashio Copper Mine by founder Ichibei Furukawa. Since then, we have moved in line with the times and developed and advanced our technologies, amassed through mine development, to build our two current business domains: the Machinery business and the Materials business. Today, we are increasing our focus on niche products that reflect our expertise and boast a high market share. We are also stepping up efforts to practice “marketing-based management”[*1] that incorporates CSV[*2] perspectives by deploying our unique technologies and past experience. In particular, our Machinery business, positioned as a core business, responds to market needs and contributes to the development of social infrastructure.

By continuing to offer products that are indispensable to society, we aim to resolve various social issues and help realize a sustainable society. We are working hard every day to achieve our Vision for 2025, entitled FURUKAWA Power & Passion 150[*3], as we approach fiscal 2026, the 150th anniversary of our founding.

Ashio Copper Mine (around 1920)

*1 “Marketing-based management”
This means incorporating marketing into the core of management to provide products and services recognized as valuable in changing markets, as well as to identify and resolve issues and problems faced by customers, with the aims of deepening ties with customers, achieving sustainable growth, and increasing corporate value.

*2 CSV (creating shared value)
This is a management framework that enables companies to co-create “social value” and “corporate value” by tackling social, environmental, and other issues.

*3 FURUKAWA Power & Passion 150
The “Power & Passion” symbol expresses the “power and speed” and the “passion and enthusiasm” aspects of our business approach. The perfect red circle conveys the connections and bonds we have with customers, and “150” represents the 150th anniversary of our founding in 2025, which is the year for achieving our vision.

FURUKAWA Power & Passion 150

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.

Action Guidelines

In order to live up to our Management Philosophy, we put our Action Guidelines of Innovation, Creativity and Harmony into practice, while always bearing in mind the three key words, Luck, Stolidity and Perseverance that best represents the spirit of our founder.

Innovation : We will work constantly at self-innovation by embracing a future-oriented mindset.
Creativity : We will seek to create reliable, appealing products that meet market needs.
Harmony : We will improve management transparency and contribute to the development of a society that is in harmony with the environment.

Financial / Non-Financial Performance

Fiscal year	2017/3	2018/3	2019/3	2020/3	2021/3	**2022/3**
Net sales (Millions of yen)	149,829	167,695	174,116	165,215	159,702	**199,097**
Operating profit (Millions of yen)	6,545	7,820	8,915	8,693	5,592	**7,734**
Profit attributable to owners of parent (Millions of yen)	4,254	4,774	4,654	4,431	7,468	**6,477**
Basic earnings per share (Yen)	105.29	118.16	116.23	112.23	190.73	**165.87**
Return on equity (ROE) (%)	5.9	5.9	5.7	5.8	8.9	**6.9**
Return on sales (%)	2.8	2.8	2.7	2.7	4.7	**3.3**
Total asset turnover (Times)	0.7	0.8	0.8	0.8	0.7	**0.9**
CO_2 emissions (Thousand t)	25	26	26	22	21	**22**
Total emissions including waste, etc. (t)	5,347	6,884	7,160	7,039	5,912	**6,347**
Number of employees (Persons)	2,616	2,690	2,757	2,755	2,752	**2,804**

The Furukawa Company Group's Value Creation Process

The Furukawa Company Group has a long history of 147 years. Since our beginning in mine development, we have undergone various transformations, diversified our operations, and overcome many difficulties. This history forms the foundation of today's Furukawa Company Group. Embracing the philosophy of Ichibei Furukawa, our founder, we have practiced marketing-based management that incorporates CSV*3 perspectives by developing mines and other technologies that support social infrastructure. As a result, we have continued to innovate products and services that are reliable and appealing and satisfy social and market needs. With a commitment to "category leadership and uniqueness," we aim to create "corporate value" by providing infrastructure, products, technologies, services, and the like that help resolve social issues. At the same time, we will continue fostering the creation of "social value" by improving social infrastructure and realizing a safe, environmentally friendly, and prosperous society.

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.

Strategy

Vision for 2025
Medium-Term Business Plan

ROE
ROA

CSR*1
ESG*2

Mining technologies

Exploitation technologies

Transport / Mineral processing technologies

Drilling technologies

Hydraulic control technologies

Slurry transportation technologies

Grinding technologies

Exhaust gas treatment technologies

Rock Drill Machinery

Manufacture and sale of hydraulic breakers, hydraulic crushers, hydraulic crawler drills, tunnel construction and mining machinery, etc.

UNIC Machinery

Manufacture and sale of UNIC cranes, mini-crawler cranes, ocean cranes, UNIC carriers, etc.

Industrial Machinery

Manufacture and sale of pumps, crushers, and other material machinery, bridges, belt conveyors and heat- and abrasion-resistant castings; various construction contracts

Machinery Business

"Corporate Value"

"Marketing-Based Management"

*1 CSR
The purpose of our CSR activities is to realize our Management Philosophy of "remaining a company that is indispensable to society." This means fulfilling our CSR to stakeholders—customers, business partners, employees, shareholders and other investors, local communities, and the global environment—by clarifying our responsibilities, considering and addressing goals and issues, and explaining the progress and outcomes of our initiatives.

*2 ESG
The Group recognizes ESG as one of the criteria for corporate investment and an important perspective for business operations. We strive to enhance corporate value by clarifying the relationship between ESG and our CSR priority issues, medium-term CSR targets, and relevant major SDGs by classifying them as CSR and ESG issues in the environmental (E), social (S), and governance (G) fields.

Seeking to realize our Management Philosophy, we are currently implementing our Vision for 2025 in the approach to our 150th anniversary in fiscal 2026. The vision is divided into three phases, each with its own medium-term business plan. In our business activities, which center on the Machinery business and the Materials business, we will bring together technologies cultivated over many years and new strategies while also taking return on equity (ROE), return on assets (ROA), business portfolio management, corporate social responsibility (CSR[*1]), ESG[*2], and enterprise risk management[*4] into account. We will also help achieve the Sustainable Development Goals (SDGs) and continue contributing to the realization of a sustainable society by resolving various social issues, including national resilience challenges, a declining workforce, and moves toward a decarbonized society. This is the Group's value creation process for realizing its Management Philosophy.

Smelting technologies

Flash smelting technologies

Sulfuric acid production technologies

Electric technologies

Metals

Sale of electrolytic copper, electrolytic gold, electrolytic silver, sulfuric acid, etc. (produced by smelting on consignment)

Chemicals

Manufacture and sale of sulfuric acid, polyferric sulfate aqueous solution, sulfate band, cuprous oxide, cupric oxide, etc.

Electronics

Manufacture and sale of high-purity metalic arsenide, crystal products, core coils, aluminum nitride, optical components, etc.

Materials Business

Creation through Business Activities

That Incorporates CSV[*3] Perspectives

Products / Technologies / Services

Business Portfolio Management

Enterprise Risk Management[*4]

"Category leadership and uniqueness"

"Social Value" Creation

- Establish social infrastructure
- Realize a prosperous society that is safe and environmentally friendly

Social Issues / Needs

*3 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 Enterprise Risk Management
One of the methods of risk management (crisis management). It refers to a system that attempts to manage all possible risks that may occur in corporate management on a enterprise basis

"Facing Difficult Social Issues…"

Minoru Nakatogawa, President and Representative Director, looks back on the first year of his appointment and discusses the strengths of the Furukawa Company Group since its founding and growth initiatives for the future.

President and Representative Director
Minoru Nakatogawa

Q1. Fiscal 2022 was your first year as President and the second year of Phase 2 of Vision for 2025. How do you evaluate the Group's performance?

My honest assessment is that we have recovered from declines in sales and profit caused by the COVID-19 pandemic and are finally back on the starting line of Phase 2.

I took office in the midst of the pandemic and was deeply engrossed in various challenges. In the past year as well, our operating environment has changed dramatically, and I have been thinking about the direction we should take while working to achieve the targets we have set for the year.

In the fiscal year under review, we faced various negative factors, including shortages of semiconductors and key components, rising raw material and energy costs, and higher freight rates due to lack of container transport capacity. However, I am happy to see that sales and profit increased beyond our initial forecast compared with the previous fiscal year, when we suffered a major setback due to the pandemic. This is because the Rock Drill Machinery segment, which had been struggling, returned to profitability, while the Electronics segment and Chemicals segment also posted their highest profit figures in the last 10 years.

While the Metals segment posted increases in sales and profit, this was mainly due to gains from rising copper prices, and issues remain with the loss-making structure of the contracted copper smelting business and the segment's structure, which is influenced by metal prices and exchange rate trends. Overall, our results were not satisfactory from the perspective of Vision for 2025, which positions the Machinery business as our core business. This was due in part to delays in crane installation caused by reduced truck production in the UNIC Machinery segment. Nevertheless, my honest assessment is that we have finally recovered from the pandemic and are back on the starting line of Phase 2.

Q2. Let's start with the Machinery business. What is the progress so far of Medium-Term Business Policy 2022 and Vision for 2025? What challenges remain and what are your strategies for overcoming those challenges?

Transformation of the Rock Drill Machinery segment, which had been a priority issue, is nearing completion, and inquiries for belt conveyors and other environmentally friendly products in the Industrial Machinery segment are increasing. However, we clearly recognize issues in the Machinery business, such as the need to build a structure that is less susceptible to truck production cutbacks in the UNIC Machinery segment.

Our challenge is to improve the growth and profitability of the Group's core Machinery business, and we must present a growth strategy to meet this challenge.

In the Industrial Machinery segment, inquiries about belt conveyors and section plant material machinery are increasing as the Group seeks to move away from being a mere equipment manufacturer. We expect orders to increase for belt conveyors, which play a role in addressing social issues, such as building national resilience in Japan and disaster prevention/ mitigation. They are also environmentally friendly and help reduce CO_2 emissions as an alternative to dump trucks. In material-related machines, we are aiming to boost orders for section plant construction projects centered on crushers, a strategic product.

The Rock Drill Machinery segment has finally returned to profitability after a series of losses. Although this is largely due to the weak yen and strong demand for construction equipment in North America, we are reforming our management and shifting from a “volume-oriented” to a “profit-oriented” mindset. We are well underway with structural reforms, such as clarification of strategies by product and region, as well as reorganization and consolidation of overseas subsidiaries, and the benefits of these reforms are becoming evident. In addition, we will strengthen our Life Cycle Support (LCS)[*1] capabilities. Our aim is to commercialize intangible services by making and implementing proposals that benefit customers and help them grow, while improving work efficiency and reducing use of consumables through more effective operational analysis. We will also reap the rewards of our stock business[*2] in the next fiscal year and beyond.

In the UNIC Machinery segment, we have completed capital investment in the Sakura Works, and productivity is improving. However, shipments of UNIC cranes have been stagnant due to reduced production of trucks stemming from difficulties in procuring semiconductors and other products. This was despite a solid backlog of orders. However, we expect conditions to gradually recover in the second half of the current fiscal year and beyond. Meanwhile, we anticipate increased demand for fully electric mini-crawler cranes thanks to the trend toward non-CO_2-emitting electrification, particularly in Europe. These machines are expected to play an active role at construction and other sites. In addition to emphasizing overseas sales, we will step up sales of products other than UNIC cranes and create a structure that is less susceptible to truck production and other external factors. In addition, we have suspended exports to Russia, where we have a sales subsidiary, and currently do not sell our products there, but the impact on our business performance is negligible.

*1 Life Cycle Support (LCS): 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).

*2 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. With relatively stable earnings, we have positioned our stock business as one of our “foundations for renewed growth” and are working to continuously expand and strengthen it.

Q3. Please also tell us about the Materials business.

In the Metals segment, we are on track in overhauling our contracted copper smelting business and are enjoying increased sales of aluminum nitride and cupric oxide. We will consider and make investments to increase production of both items to meet further demand growth. Meanwhile, we have an issue with commercializing and fostering our business in metallic copper powder, samples of which are currently being shipped.

In the Metals segment, we made good progress in overhauling the contracted copper smelting business, which was a priority issue, and we regard this as a major achievement. In that business, it is difficult to expect a significant improvement in profit due to procurement conditions (treatment/refining charges, or TC/RC). In recent years, investments in environmental responses and maintenance and renewal, as well as soaring electricity charges and other operating costs, have put pressure on the profits of smelting and refining companies. Apart from generating profit from rising metals prices, therefore, it is a loss making business. At the end of March 2023, we will terminate our copper smelting contract with Onahama Smelting & Refining Co., Ltd. This will enable us to greatly reduce unprofitable exports while fulfilling our responsibility to supply domestic consumers with production volumes that reflect domestic demand. Accordingly, we are confident of securing profitability from the next fiscal year onward, excluding price gains/losses due to metal price fluctuations.

In the Electronics segment, we are enjoying increased sales of aluminum nitride, an excellent heat-dissipating insulating material, thanks to growing demand for such materials due to advances in performance and integration of electronic devices in recent years. In the current fiscal year, we are making investments to increase production in anticipation of further growth in demand. We are also considering investments in secondary and tertiary facilities in the hope of tripling our current production volume in a few years, which will lead to stable growth of the Electronics segment.

The Chemicals segment benefited from strong demand for cupric oxide for plating used to make substrates, posting record-high operating profit as a result. Meanwhile, our cupric oxide production remains at full capacity, and we are considering investments to increase production in anticipation of future growth. Our challenge is to quickly commercialize metallic copper powder, samples of which are being shipped, for use in multilayer ceramic capacitors (MLCCs) that are in growing demand.

Our copper smelting contract with Onahama Smelting & Refining Co., Ltd. will be terminated.

Q4. The current fiscal period is the final year of Phase 2. What are your thoughts on the next medium-term business plan?

To realize Vision for 2025, we will focus on formulating our next medium-term business plan and presenting our capital policy by considering what we should do to increase future corporate value. Here, we will use a blank slate unconstrained by current strategies.

Due to COVID-19 and changes in global conditions, the assumptions made when formulating Vision for 2025 have changed significantly, requiring company management to give even greater consideration to global environmental issues. For the Furukawa Company Group, we need to rethink what sustainable growth means while coexisting with society and considering how we should increase corporate value for the future. While discussing our future vision with key members of each business segment, we will formulate our next medium-term business plan using a blank slate unconstrained by current strategies, in order to realize Vision for 2025.

We also believe we need to review our capital policy. We need to make investments aimed at future business development. We will also consider effective utilization of assets and actively invest in growing businesses while striving to reduce interest-bearing debt. In our next medium-term business plan, to be announced in May 2023, we intend to present our capital policy, including our capital structure.

Q5. You have been promoting ROE improvement and business portfolio management. What are your specific achievements and challenges to date, and what are your plans for the future?

We believe that improving profitability is the key to increasing ROE, and we will give top priority to improving the ROA of each segment by creating a cost reduction framework and promoting greater awareness than ever before. We will also continue promoting business portfolio management.

Although we are making Groupwide efforts to improve ROE, we are not satisfied with our result for the fiscal year under review, which was 6.9%. Except for the 8.9% figure posted in the previous fiscal year, which was boosted by extraordinary profit, our progress has been slow. Nevertheless, we have improved from the 5% range of Phase 1 and have finally reached the 6–7% range set as a performance indicator for that phase. We believe that the most important issue to

Medium-Term Business Plan, etc.

Time period		Phase 1	Phase 2	Phase 3
Time period		FY2018–2020	FY2021–2023	FY2024–2026
Positioning		Build foundations for renewed growth	Expedite growth and further improve profitability	Complete realization of Vision for 2025
Name		Medium-Term Business Plan 2019	Medium-Term Business Policy 2022	Medium-Term Business Plan 2025
Performance indicators	Operating profit	Approx. ¥8.5 billion [¥8.6 billion*]	We postponed announcement of Medium-Term Management Plan 2022 and instead decided to formulate/announce consolidated performance forecasts for each single fiscal year.	We will consider disclosing the plan when we announce our results for fiscal 2023.
	ROE	Approx. 6–7% [5.8%*]		

* Figures in brackets represent actual results for fiscal 2020.

improve Group ROE is to increase the profit margin, and we are promoting cost reduction efforts to achieve this goal. When developing a new screen product in the Industrial Machinery segment, for example, our sales and factory teams emphasized cost awareness from the design stage and worked together to bring costs down to the target level. These and other unprecedented efforts to improve profit margins are beginning to pay off, and we intend to roll out such good practices horizontally across the Group. Although conditions remain challenging due to recent sharp increases in raw material prices and difficulties in procuring parts, we will review our procurement practices and establish cost reduction mechanisms and systems.

Regarding business portfolio management, we are on track with plans to overhaul our contracted copper smelting business in the Metals segment, which has been a priority for some time, by withdrawing from a portion of that business. We also place top priority on improving profitability and efficiency, which are key to improving segment-specific ROA. As a result, the awareness among heads of each department is changing. We will continue reviewing and improving our businesses going forward.

Q6. Your Vision for 2025 is based on the concept of "category leadership and uniqueness." Could you tell us again about the strengths and uniqueness of the Furukawa Company Group?

Our spirit of challenge in addressing difficult social issues and the technologies we have evolved and developed from mining development represent the strengths and distinctiveness of the Group, which is based on the principle of "category leadership and uniqueness."

Our company began as a copper mine developer, but the major challenge in our nearly 150-year history was pollution caused by the Ashio Copper Mine. Ichibei Furukawa, the Company's founder, did not turn a blind eye to the situation but instead made a concerted effort to address it. It took many years to completely resolve the problem, but our engineers overcame many difficulties with their strong spirit of never giving up and finally established the world's first copper smelting process that did not generate any pollution. This spirit of directly confronting and earnestly addressing difficult social issues, as well as technologies we have evolved and developed from mining development, have been passed down through the generations during Japan's subsequent period of rapid economic growth to underpin the nation's social infrastructure, and have become the foundation of our Group today. Such spirit and technologies are unique strengths that other companies do not have.

Worker safety is always a concern at dangerous construction and civil engineering sites. Accordingly, there is a strong demand for automated and unmanned tunnel drill jumbos for use in tunnel projects, and we were among the first to develop and market such machines. Our long-distance belt conveyors, adopted for reconstruction work following the Great East Japan Earthquake to facilitate relocation to higher ground, have attracted attention as a method of conveying earth and

Vision for 2025
"FURUKAWA Power & Passion 150"

Become a corporate group that leverages its reputation for category leadership and uniqueness to deliver growth

We are targeting consolidated operating profit regularly in excess of ¥15 billion as we approach our 150th anniversary in fiscal 2026.

Strategies for Achieving Vision for 2025

1 Increase the value of the Furukawa brand through "marketing-based management" that incorporates CSV perspectives

We will incorporate marketing into the core of management to provide products and services recognized as valuable in changing markets, as well as to resolve issues and problems faced by customers, with the aims of increasing corporate value and achieving sustainable growth. We will also strive to achieve the Sustainable Development Goals (SDGs) and otherwise resolve various social issues, including such domestic issues as building national resilience and the declining working-age population, and thus help realize a sustainable society.

- Reinforce technological sales capabilities (proposals and solutions) reflecting customer needs
- Develop products, technologies, and services that meet market needs
- Achieve category-leading positions by concentrating on niche products that have competitive advantages and using a differentiation strategy
- Cultivate and create new markets and product categories; build a new business model
- Enhance our products, technologies, and services, which underpin our social infrastructure, to help resolve social issues

2 Sustainably expand the Machinery business

- Reinforce revenue bases in growing overseas markets mainly in businesses related to infrastructure and resource development
- Strengthen and enhance the stock business
- Maximize business opportunities by demonstrating comprehensive Group competencies and reinforcing engineering strengths

3 Strengthen and expand our human resource bases

- Build vibrant human resources and corporate culture for a new Furukawa
- Secure, utilize, and develop diverse human resources in Japan and overseas
- Put even more effort into training sales and marketing personnel

4 Actively promote investments to increase corporate value

- Make proactive capital investments necessary for growth
- Expand business through strategic M&As and alliances

5 Establish a robust corporate foundation

- Increase corporate value by improving profitability and capital efficiency, targeting ROE of more than 10%
- Establish a strong financial base
- Achieve balanced appropriations between investments for growth and return to shareholders
- Increase corporate value by emphasizing business practices that reflect CSR and ESG issues recognized and to be solved by the Group

sand more quickly and with reduced environmental impact. These machines have now become a major pillar of the Industrial Machinery segment. Over the years, we have developed a kind of resilience that we demonstrate when we encounter difficulties and predicaments, and it is the driving force behind our socially and environmentally conscious products, technologies, and services. By practicing "marketing-based management" that incorporates CSV perspectives, our spirit and technologies for resolving difficult social issues, which are based on the concept of "category leadership and uniqueness," are alive and well in the Group.


Long-distance belt conveyors adopted for relocation works to higher ground in Rikuzentakata City

Q7. Currently, the Group's price book value ratio (PBR) is well below 1.0. How do you perceive and respond to the market's evaluation of the Group?

Under our next medium-term business plan, which will clearly outline our growth strategy and capital policy, we will foster a better understanding of our growth potential and future prospects while proactively investing in human resources.

We take the market's evaluation of the Group very seriously and believe that the reason why the PBR has fallen well below 1.0 is that it is difficult to see the Group's future growth potential, and we have not properly communicated our true corporate value. Although our Vision for 2025 and other documents convey the Group's aspirations for the medium and long terms, it may be difficult to appreciate the effectiveness and specifics of this vision. I try to meet with shareholders and institutional investors on a regular basis, and my sense is that they understand the vision and strategy that the Group is pursuing. However, our low PBR means that we have not adequately demonstrated whether or not the Group will really change, how it will utilize its strengths, and the degree of progress it is currently making. Going forward, we will be more proactive in our efforts to promote understanding through communication with investors. To this end, we will focus on formulating our next medium-term business plan, which will outline our growth strategy and capital policy.

Here, the Group's indispensable human resources will be key to our progress. We intend to make appropriate investments in human capital by enhancing our education system to foster personnel development, actively recruiting diverse human resources from outside the Group, and supporting the advancement of women. We will also work to realize a rewarding company where all officers and employees can maximize their abilities.

By helping investors gain an understanding of these invisible elements of corporate value, we hope to ensure that we are evaluated appropriately.

Q8. You have updated your sustainability promotion framework. Please tell us about the background of this and your future sustainability initiatives.

With the establishment of our Sustainability Promotion Meeting, we will strengthen our pursuit of sustainability more than ever before and proactively disclose details of our initiatives.

To further strengthen our sustainability efforts, in December 2021 we reorganized our existing CSR Promotion Meeting and renamed it the Sustainability Promotion Meeting. As chair of this meeting, I endeavor to clarify our sustainability responsibilities to our stakeholders. After identifying key sustainability issues to be addressed, we will proactively work to resolve those issues. Recognizing the importance of enterprise risk management in the pursuit of sustainability, meanwhile, we established a new Risk Management Committee that will work in cooperation with the Sustainability Promotion Meeting.

We believe the most important theme for the Group at present is our commitment to decarbonization. We are currently engaged in verification with each department aimed at achieving the government's target of a 46% reduction in CO_2 emissions by 2030 (compared with 2013) and carbon neutrality by 2050. We aim to fully summarize our efforts to achieve the government target and disclose them by the end of the current fiscal year at the latest. Japan's Corporate Governance Code also requires companies to disclose risks and profit opportunities related to climate change based on the same framework as the Task Force on Climate-related Financial Disclosures (TCFD). We will also use our responses to the CDP to phase in disclosures in line with the TCFD framework.

Q9. Investors and others are demanding more active and functional boards of directors. Please give us your assessment of the current state of the Board of Directors and what challenges it faces in the future.

By having Outside Directors monitor management from an objective perspective, we will ensure that opinions and sensitivities of the public, including our stakeholders, are reflected in management decision-making.

The Company employs an Audit & Supervisory Board to supervise business execution and an executive officer system to undertake business execution. Currently, three of the nine directors are Outside Officers responsible for supervising management from an external perspective. The Board of Directors engages in active exchanges of opinions and discussions, including with Outside Directors. Based on annual surveys of directors and Audit & Supervisory Board Members, we are working to improve the effectiveness of Board meetings. Going forward, we will encourage outside directors to be more involved in formulating long-term visions and medium-term business plans, and to promote discussions from a variety of perspectives based on their experience and knowledge in their areas of expertise. We also hope to reflect the opinions and perceptions of the public at large, including stakeholders, in our management.

Q10. Your company has been in business for nearly 150 years. In conclusion, please tell us about your thoughts as President on what sustainability means to the Furukawa Company Group, cultivated since its foundation, and what is most important for the future.

Based on our Management Philosophy, we have remained a company that is needed by society, and we believe this has been supported by the "people power" of our predecessors. We believe that developing human resources capable of responding flexibly to any social issue in today's uncertain times will be the source of sustainable growth for the Furukawa Company Group.

"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 our Management Philosophy. We demonstrate this philosophy by continuously evolving and developing our mining development technologies, and we now offer products, technologies, and services that society needs, especially in the Machinery and Materials businesses.

In our nearly 150-year history, it has been our predecessors, the officers and employees of the Group, who have taken responsibility for addressing changing business conditions. In this sense, we can say that the Group has been supported by "people power." In recent years, technologies such as the Internet of Things (IoT) and artificial intelligence (AI) have brought about dramatic changes, and we believe it will become even more important to integrate these technologies into our manufacturing, product development, and service functions. "People power" will be key to connecting these technologies and functions, and the Group's officers and employees will provide this important link. We expect times to change at an accelerating pace in the future. This will highlight the increasing need to develop human resources who can anticipate such social changes and have flexible ideas for addressing them. By making larger investments in human capital than ever before, we intend to achieve sustainable growth.

In closing, I will confirm that we will continue listening closely to the voices of our stakeholders as we work together to improve the corporate value of the Group and remain a sustainable company in the years to come. We look forward to your ongoing understanding and support.

Strengthening our sustainability promotion framework to meet the carbon neutral challenge

The Furukawa Company Group has established a new sustainability promotion framework to accelerate its sustainability initiatives. In this section, Yoshiteru Matsuo, General Manager of the Sustainability Promotion Department, discusses the Group's basic approach to carbon neutrality and related initiatives.

General Manager
Sustainability Promotion Department
Yoshiteru Matsuo

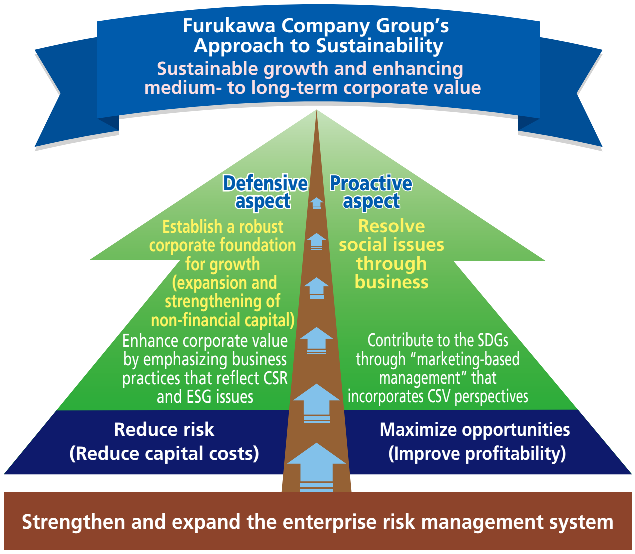
Q1. The Group established the new Sustainability Promotion Meeting in place of the CSR Promotion Meeting. What was the purpose of the change and what is the Group's definition of sustainability?

Since its establishment in 2013, the CSR Promotion Meeting has been planning, promoting, guiding, and disclosing the Group's CSR activities in response to requests for disclosure of such activities and related non-financial information. After eight years since its establishment, social background conditions have changed significantly. In December 2021, therefore, we replaced the CSR Promotion Meeting with the new Sustainability Promotion Meeting to accelerate sustainability activities based on our management strategy.

At the same time, we established the "The Furukawa Company Group Basic Policy on Sustainability Initiatives." The policy is based on our belief that the Group's commitment to sustainability is one of its highest management priorities and will also help realize a sustainable society. It clearly states that the Group will achieve sustainable growth and increase its corporate value over the medium to long term by building a growth-oriented management foundation and resolving social issues through its business.

In addition, we have defined "defensive" sustainability and "proactive" sustainability as initiatives to realize our basic policy. "Defensive" sustainability means enhancing corporate value by strengthening and expanding our enterprise risk management system and engaging in business practices that consider the Group's CSR/ESG issues, in order to build a growth-oriented management foundation. "Proactive" sustainability means practicing "marketing-based management" that incorporates CSV perspectives to enhance the value of the Furukawa brand. It also means pursuing initiatives aimed at simultaneously creating both corporate value and social value by providing infrastructure development, products, technologies, and services that help resolve social issues.

The Group's concept of sustainability is to reduce risk and capital costs through "defensive" sustainability while maximizing business opportunities and improving profitability through "proactive" sustainability.



Furukawa Group's Sustainability Tree

Q2. Along with establishing the Sustainability Promotion Meeting, you also reviewed the Group's sustainability promotion framework. Please tell us about the main changes and your thoughts on them.

The Sustainability Promotion Meeting gathers once a year, in principle, and is chaired by the president & representative director with the Sustainability Promotion Department serving as the secretariat. It discusses various sustainability-related issues, including formulating basic policies and action plans for the Group's sustainability activities, developing a promotion framework, verifying and evaluating the status of activities, and implementing education and public relations measures. This will enable us to clarify our responsibilities to our stakeholders and identify priority issues to be addressed. We also have three committees and three dedicated departments that formulate and implement plans and measures to solve sustainability-related issues while working proactively in cooperation with the executive divisions to implement the PDCA cycle.

In addition, we are restructuring and expanding growth the Risk Management Committee to strengthen our system for dealing with increasingly diverse risks. With the Sustainability Promotion

Meeting and the Risk Management Committee functioning like two wheels on a cart, it is now possible for management to become more engaged in risk management than ever before. This structure will enable us to address a wide range of potential future sustainability-related risks in addition to conventional risks related to business and natural disasters.

Q3. Companies are being asked to achieve carbon neutrality by 2050. Please tell us about the Group's approach to carbon neutrality, its implementation process, and specific initiatives you are taking.

At its gathering in May 2022, the Sustainability Promotion Meeting confirmed the Group's basic approach toward carbon neutrality. It plans to complete its carbon neutrality roadmap by 2025, based on the government's targets of reducing CO_2 emissions by 46% (relative to the 2013 level) by 2030 and achieving carbon neutrality by 2050. Currently, we are working to reduce and rationalize power used by our plants and offices, which correspond to Scope 1 and Scope 2. For the shortfall not covered by our own reduction efforts, we will shift to solar power and electricity derived from renewable energy sources. Ultimately, we estimate that we can reduce CO_2 emissions by around 80%. The remaining 20% of non-electricity sources, which include LNG, city gas, and light kerosene, will be replaced by new technologies earmarked for future development, such as hydrogen power. This will offset the portion not covered by saving power and rationalization through power conversion and our own efforts. Based on our current analysis, we believe that if the abovementioned initiatives on electricity are implemented at the Sakura Plant of the UNIC Machinery segment and the Iwaki Plant of the Electronics segment, we can reduce Scope 1 and 2 CO_2 emissions by 46% or more by 2030 under the current conditions. In addition, we estimate that our forests, which we have owned from the time of our mining operations, absorb 7,000–8,000 tons of CO_2 per year. To include this into a strict CO_2 reduction plan, however, we will need to various issues, such as engaging in more rigorous forest management and obtaining certification for CO_2 absorption. Another issue is the calculation of Scope 3 emissions. Scope 3, which is divided into 15 categories with multiple different calculation methods, must be addressed. Due to the diversity of the Group's operations, we will analyze and evaluate each category to determine how best to calculate our Scope 3 emissions. We will work to resolve these issues by 2030 and contribute to carbon neutrality by 2050 through CO_2 absorption.

Q4. The recent revision of Japan's Corporate Governance Code requires disclosure of information based on recommendations of the TCFD or an equivalent framework. Please give us an overview of the framework adopted by the Group and what specific disclosure initiatives it is undertaking.

Regarding TCFD or equivalent disclosure, we will phase in our disclosure through the framework of the Carbon Disclosure Project (CDP), which has been adopted by more than 13,000 companies, representing 64% of the world's market capitalization. At the end of July 2022, we completed our responses to the first set of questions. At the end of November of each year, the CDP notifies each company about the results of its evaluations. We will analyze the evaluation results for our company and make improvements, then disclose our progress in our responses in the following year, as well as on our corporate website and through disclosure tools, etc. For items required by the TCFD, such as governance, strategy, risk management, and indicators/targets, we will disclose our responses to the CDP in the TCFD framework and update it every year.

Meanwhile, we have been selected for inclusion in the FTSE Blossom Japan Sector Relative Index, which Japan's Government Pension Investment Fund (GPIF) uses to make investment decisions. Our aim is to continue raising our ESG ranking and become a constituent of the FTSE Blossom Japan Index. We will enhance the quality of disclosure in our future sustainability reports by complying with FTSE survey criteria. In these ways, we will actively disclose our ESG-related information, including about efforts to become carbon neutral.

Q5. In conclusion, please tell us about the Group's future challenges, measures, and prospects for becoming carbon neutral.

Our difficult challenge is to understand Scope 3 emissions. In our case, many of our suppliers have very small operations, and it would be very difficult to calculate the emissions of all of them. Even if we adopt a simplified method of calculating CO_2 emissions based on the quantity of raw materials purchased, we will need to systemize our calculations because there are many types of raw materials and many custom-made products in our supply chain. We must discuss these issues in the future. Another challenge is the accuracy of emissions. The Scope 3 category covers a diverse range of CO_2 emission sources. The inaccuracy of calculations using simplified methods is also a problem to be addressed in the future. By 2025, we hope to have an accurate understanding of our Scope 3 CO_2 emissions and a roadmap to 2030 and 2050.

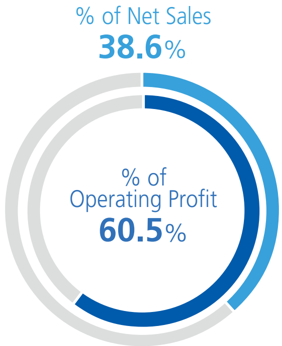
There was a time in the Group's history when developing copper mines was prioritized as a national policy, but due to pollution problems we faced a crisis and had to shut down our copper mining operations. Our predecessors confronted these challenges head-on, developed new pollution prevention and by-product recovery technologies, and worked together with the community and other stakeholders to find solutions. I believe this experience has given us good DNA to address environmental issues. Our campaign to achieve carbon neutrality and our efforts to address major social and environmental issues are one and the same. With our new sustainability promotion framework, we will be more steadfast than ever in our quest to become carbon neutral.

Machinery

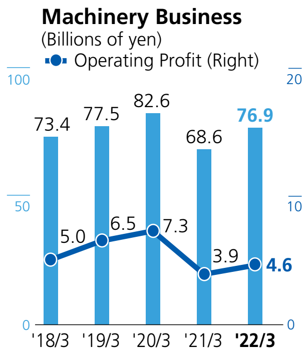
The Machinery business consists of three segments: Industrial Machinery (pumps, material machinery, infrastructure division, etc.), Rock Drill Machinery (hydraulic breakers, hydraulic crawler drills, tunnel drill jumbos, etc.), and UNIC Machinery (UNIC cranes, mini-crawler cranes, UNIC carriers, etc.).

In fiscal 2022, sales of the Machinery business—consisting of the Industrial Machinery, Rock Drill Machinery, and UNIC Machinery segments—totaled ¥76,938 million, up 12.1% from the previous fiscal year, while operating profit increased 17.9%, to ¥4,679 million. All three segments posted year-on-year sales increases, and the Rock Drill Machinery segment returned to profitability, but the Industrial Machinery and UNIC Machinery segments reported declines in operating profit. The Machinery business accounted for 38.6% of consolidated net sales (down 4.3 points year on year) and 60.5% of consolidated operating profit (down 10.5 points). Of total sales of the Machinery business, the Industrial Machinery segment accounted for 23.0% (down 1.3 points), the Rock Drill Machinery segment 40.2% (up 5.0 points), and the UNIC Machinery segment 36.8% (down 3.7 points).

In the Machinery business, we recognize that the Group has an even greater responsibility to fulfill, including disaster prevention and disaster mitigation measures in Japan, as well as infrastructure development to build national resilience. We also realize that we face social challenges as a Group. These include contributing to saving power and unmanned operation of construction sites to compensate for labor shortages due to expected future declines in the working-age population, as well as promoting energy conservation and reduction of CO_2 emissions. We will also work to reinforce our earnings base in growing overseas markets, particularly in infrastructure and resource-related development.



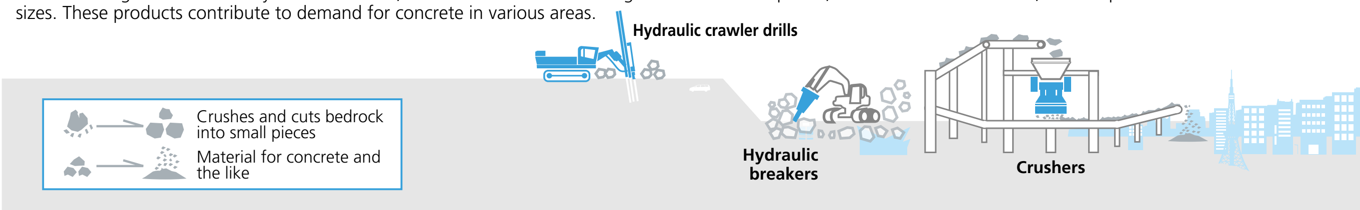
Note: Percentage figures are before internal adjustments.



Priority Fields of the Machinery Business

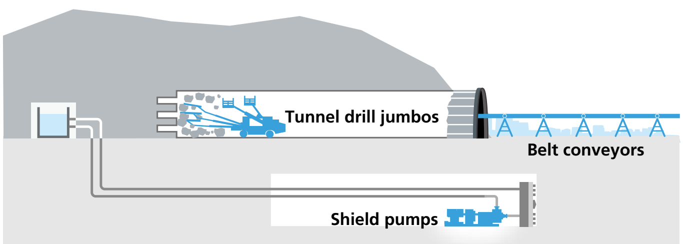
Concrete

To mine for gravel and limestone, which are raw materials for concrete, we supply hydraulic crawler drills that are used to drill holes in rock, in which gunpowder is inserted for blasting. We also have hydraulic breakers, which are used to break large rocks into small pieces, and crushers and screens, used at plants to achieve the desired rock sizes. These products contribute to demand for concrete in various areas.



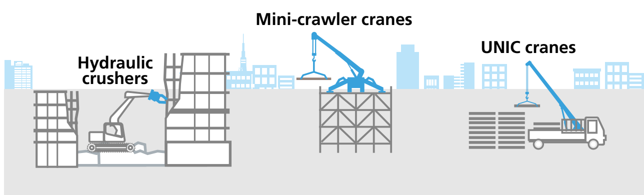
Tunnel projects

We develop and manufacture tunnel drill jumbos, which are used to create openings for loading gunpowder needed for rock blasting in mountain tunnel projects. We also develop and make belt conveyors for transporting large amounts of earth and sand, as well as shield pumps, which use water to pump excavated earth and sand in underground tunnel projects. Here, our drilling and wastewater treatment technologies, amassed through mine development, come to the fore.



Civil engineering and construction sites

A single UNIC crane can transport and unload building materials and the like. In addition to UNIC cranes, we offer mini-crawler cranes, which can operate independently in places inaccessible by truck, and hydraulic crushers that play a major role at demolition sites. Our construction machines feature exceptional functionality, operability, and safety and are also environmentally friendly.



Industrial Machinery

Sales in the Industrial Machinery segment increased 6.2% year on year, to ¥17,723 million, and operating profit declined 33.9%, to ¥1,396 million.

Future Measures

As our basic strategy to establish a solid growth trajectory, we will continue "Increasing our involvement in section plant construction projects and expanding our Infrastructure division, including large-scale projects for both the public and private sectors, in order to transition from a standalone machinery manufacturer, strengthen our engineering capabilities*1, and enhance our business foundation in the domestic market." With respect to strengthening our engineering capabilities, our proprietary belt conveyor transfer technology has been adopted in several large-scale projects. In material machinery, we attracted orders for crushers, screens, granulators, and some plant equipment through technical proposals for section plant construction projects, and posted steady profits as a result. In the infrastructure division, we will continue working to improve the accuracy and probability of winning orders by assuming unforeseen circumstances, effectively managing risks, and rigorously managing projects. We will also reinforce our earnings base by enhancing proposals for long-distance flat-belt conveyors, which deliver better efficiency and CO_2 emission reduction when transporting earth and sand, and for our new SICON® environmentally friendly enclosed hanging belt conveyors, as well as by capturing renewal demand for pumps and material machinery.

*1 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.

Furukawa Industrial Machinery Systems Co., Ltd.
President and Representative Director
Kazuyoshi Iwama

Main Achievements

- Received an order for our environmentally friendly SICON® enclosed hanging belt conveyors for the Shin-Kobotoke Tunnel on the Chuo Expressway
- Developed a high-efficiency screen to underpin our technical proposals for section plant construction projects
- Received an order for a large pump plant project in the fluid equipment business, having expanded our sales coverage to western Japan

Main Issues

- Accelerate sales of displacement pumps (single screw pumps) that underwent a model change
- Reinforce sales of steel structure products (steel segments) other than steel bridges
- Increase proposals for section plant construction

Main Products

Pumps

Our pumps have a history of more than 100 years since they were developed for wastewater treatment in mines. Our slurry pumps for transporting liquids containing solids and sewage pumps for sewage treatment are highly regarded for their excellent durability and wear resistance. They are used in granulation water equipment in steel works, corrosion-resistant and wear-resistant raw material transportation equipment in nonferrous smelters, drainage facilities at factories, and sewage treatment plants throughout Japan. They also pump earth and sand at underground shield tunnel construction sites.

Main Applications Drainage facilities of factories, sewage treatment plants, shield tunnel construction sites, etc.

Material machinery

With over 100 years of experience and a proven track record, our material machinery is used in quarries and mines where crushed stone and limestone—raw materials for concrete that are essential for infrastructure development—are mined, as well as in various plants in the iron, chemical, and nonferrous metal industries. With a lineup that includes crushers, grinding mills, briquetting machines, and screens, we not only make and sell machines but also designing, manufacturing, and conducting installation work for certain parts of plants, including handling of peripheral processes.

Main Applications Quarries, limestone mines, steel works, smelters, cement plants, etc.

Infrastructure division

In the infrastructure division, we have built a track record of delivering steel structures, such as road bridges and highway viaducts, mainly in the Tokyo Metropolitan Area. Our strength lies in our comprehensive capability to undertake all the process from the overall design of construction work to its execution and operation management. Recent years have seen an increase in construction projects using belt conveyors, which realize speedy, environmentally friendly, safe, and secure conveying of earth and sand in place of dump trucks. We have earned a high level of trust for our construction technology, which meets the requirements of river, mountain, urban, and other sites.

Main Applications New construction of steel bridges, construction of conveying earth and sand conveyance projects, disaster prevention and mitigation-related works, etc.

Rock Drill Machinery

Sales in the Rock Drill Machinery segment increased 28.0% year on year, to ¥30,910 million, and operating profit totaled ¥1,117 million, compared with an operating loss of ¥1,324 million in the previous fiscal year.

Furukawa Rock Drill Co., Ltd.
President and Representative Director
Masahiro Ogino

Future Measures

In the Rock Drill Machinery segment, our basic strategy is to strengthen our Life Cycle Support (LCS) capabilities in order to expand earnings in both the flow and stock businesses, reinforce the profit base of our drill products (blast hole drills and tunnel drill jumbos), and expand earnings by developing new markets and launching new products. In October 2021, we reorganized this segment, which posted an operating loss in the previous fiscal year, after reviewing its management structure. Measures underway include clarifying our strategies by product and by region and reorganizing and consolidating overseas sales subsidiaries accordingly.

In the flow business, our most urgent issue is to strengthen and rebuild our overseas marketing capabilities, and we will rigorously implement a policy of selection and concentration to achieve this. First, as priority regions we will focus on Europe and the United States (where the functions and performance of our original products are highly evaluated) for hydraulic breakers and North America (where large machines are mainstream) and Southeast Asia (where the quarry market is developing) for hydraulic crawler drills. Second, we will concentrate on sales of hydraulic crawler drills by selecting models based on their superior functions. Seeking to develop the Southeast Asian quarry market, we developed the AHD709, an attachment drill for use with hydraulic excavators, and launched it in Indonesia in January 2022. In many excavation sites, inexpensive pneumatic drills with significantly inferior drilling capacity are the mainstream. At such sites, combining a hydraulic excavator with the AHD709 attachment drill delivers high workability at an affordable price. In addition to Indonesia, we plan to market this product elsewhere in Southeast Asia to promote the use of hydraulic drills. Third, we will review our overseas structures and reorganize and consolidate overseas sales subsidiaries in line with our priority regions.

In the stock business, we will promote LCS to strengthen our hydraulic crawler drill business. In addition to improving the accuracy of replacement demand forecasts, we will provide various support programs that benefit our customers' businesses. These include maintenance programs, such as extended warranties and full maintenance packages, operating information analyzes to improve work efficiency, and customer support programs to propose reductions in consumables. Through such support programs, we will reinforce our stock business and expand sales of new machines and components.

With respect to tunnel drill jumbos, we will strengthen our lineup of machines that help enhance safety and efficiency at tunnel excavation sites. These include fully automatic drill jumbos and automatic rock bolters, which we developed jointly with the Technology Division. We will also continue addressing other issues at mountain tunnel construction sites, including increasing the use of ICT and making sites unmanned.

Main Achievements

- Developed an attachment drill for the Southeast Asian quarry market and launched it in Indonesia
- Rebuilt our lineup of hydraulic crawler drills, centralized production of mainstay models, and began developing machines with common parts to save costs
- Stepped up development of high-value-added products for tunnel excavation sites, such as fully automatic drill jumbos and automatic rock bolters
- Restructured our domestic organization to concentrate sales of hydraulic crushers on the demolition market in the Tokyo Metropolitan Area

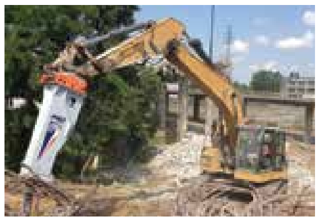
Main Issues

- Strengthen our overseas LCS service system (train drill technicians and provide dealer support)
- Devise ways to commercialize customer support services (leverage DX to promote shift from "product sales" to "service sales")
- Consolidate overseas sales companies (partially started)

Main Products

▸ Hydraulic breakers

Hydraulic breakers, which contribute to infrastructure development at quarries, civil engineering and construction sites, and the like, are attached to hydraulic excavators for excavating bedrock, breaking down rocks, crushing concrete structures, and so forth. In order to meet a variety of needs, we supply a wide range of products, ranging from small machines for basic demolition to super large breakers for bedrock excavation, as well as environmentally friendly ultralow-noise breakers. We supply hydraulic breakers with high quality and high impact force to customers all over the world.



Main Applications Strip mines such as quarries, civil engineering and construction sites, demolition sites, etc.

▸ Hydraulic crawler drills

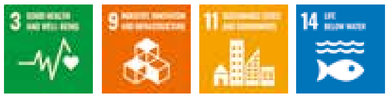
Hydraulic crawler drills are self-propelled machines for making downward holes in bedrock to load explosives for blasting. They are used at quarries, limestone mines, and other strip mines in Japan and overseas, as well as for road and building leveling work overseas, where bedrock excavation projects are common. In recent years, we have adopted an operational support system that utilizes IoT technology to prevent breakdowns before they occur. We are also working to improve customer drilling operations and operational efficiency.

Main Applications Strip mines such as quarries and limestone mine, infrastructure work in overseas, etc.

▸ Tunnel drill jumbos

This is machinery that drills hole into which explosives are inserted for blasting in mountain tunnel excavation sites. Our machines have been used in most mountain tunnels for roads and railroads in Japan and are still active in the construction of long tunnels for the Linear Chuo Shinkansen, the new Hokkaido Shinkansen, and other projects. In recent years, we have developed machines that automate the drilling process, which helps reduce the workload of workers and realize safe, accurate, and efficient construction.

Main Applications Mountain tunnel construction sites, dam headrace construction sites, etc.



UNIC Machinery

Sales in this segment increased 1.8% year on year, to ¥28,305 million, and operating profit declined 31.9%, to ¥2,165 million.

Furukawa UNIC Corporation
President and Representative Director
Kenji Yamakawa

Future Measures

In the UNIC Machinery segment, our basic strategy is to secure stable income from domestic sales and expand profit from overseas sales by promoting advanced functions and higher added value in order to strengthen our competitiveness, while advancing the stock business and reinforcing our overseas product, sales, service, and technological capabilities. In March 2022, we completed a capital investment program that started in April 2016 aimed at reinforcing the "mother factory" functions of our Sakura Works, which has a three-pronged production system (Japan, China, and Thailand). We are currently working to reform our hydraulic equipment manufacturing processes by consolidating processing machinery in a newly established hydraulic equipment factory to enhance production efficiency. We are also reforming our coating processes by installing cationic electrodeposition and other coating equipment to improve the quality of coating. In addition, we will double our crane-mounting capacity and reform our body mounting processes in order to reduce outsourcing costs and shorten delivery times to improve profitability.
In these ways, we are striving to maximize the benefits of our capital investments.

Seeking to further enhance competitiveness by increasing the functionality and added value of our UNIC cranes, in June 2021 we expanded the operating range of our "G-FORCE" series and also launched the "New G-FORCE" series of medium-sized truck-mounted cranes that offer the highest lifting performance in their class. In November 2021, we also began selling a new small truck-mounted model. We will continue working to strengthen our product competitiveness. Based on the concept of a "zero-emission crane," for example, in September 2021 we launched the URW295CB3RA, a maintenance-free, fully electric mini-crawler crane that can handle self-propelled operation in underground and indoor locations where exhaust gas regulations apply, as well as at sites where it is difficult to obtain an external power source. In overseas business development, we will work to increase profit from overseas sales by improving product competitiveness and stepping up support activities, such as sales and service technical guidance for overseas dealers. We will also work to raise the overseas sales ratio, which currently stands at around 20%, while improving profitability. In light of recent market conditions, the domestic business environment remains difficult due to delays in truck shipments and other factors, so we will closely monitor trends among users and dealers. Overseas, we will carefully address the impact of economic sanctions on Russia.

Main Achievements

- Launched a new model (minor change) in the "G-FORCE" series featuring improved lifting performance
- Unveiled a fully electric mini-crawler crane equipped with a maintenance-free AGM battery
- Introduced super-large UNIC cranes in China, where demand in high

Main Issues

- Develop flat-type model change machine for UNIC carriers
- Review overseas dealers in regions with weak sales capabilities; establish sales channel in unexplored regions
- Provide support for overseas dealers in technical and sales training, etc.
- Review overseas strategies, including in Russia where sales have been suspended
- Reduce production costs and optimize parts procurement amid soaring raw material prices

Main Products

UNIC cranes

These are saving power machines that enable a series of operations (hoisting, loading, transporting, and working) using a single truck. To meet customer needs, we have a wide range of models with various boom lengths and crane capacities that can be mounted on all types of trucks, from small to large. We also have machines with advanced features, including safety-oriented models, environmentally friendly models, and models with LCD radio controls to facilitate complex operations. We boast a domestic market share of 50%.

Main Applications Civil engineering and construction sites, material handling, rental companies, etc.

Mini-crawler cranes

These are self-propelled cranes with compact bodies that are effective in confined spaces, rough ground, and indoor work sites where trucks cannot enter. Our lineup ranges from a non-ride-on model that can be laid down on the back of small truck to a ride-on model with the world's largest maximum lifting capacity of 10 tons. Recently, we also developed a fully electric environmentally friendly model. Our machines are increasingly active both in Japan and overseas, especially in Europe and the United States.

Main Applications Narrow or rough ground, such as graveyards, indoor work sites, etc.

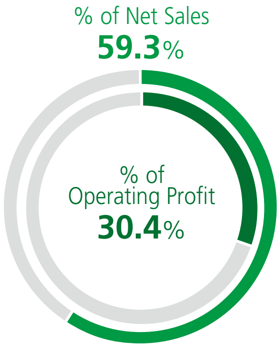
UNIC carriers

These are flat-type carriers that are mounted on trucks. To meet various applications, we have a wide range of models that includes a dedicated vehicle-mounted model for transporting sports cars, a heavy equipment carrier for transporting small excavators, and a model with a UNIC crane for loading and transporting broken-down vehicles that cannot be driven on their own. Production of our UNIC carriers is outsourced to Furukawa Industrial Machinery Systems Co., Ltd., a Group company.

Main Applications Car dealers, transportation companies, road construction companies, etc.

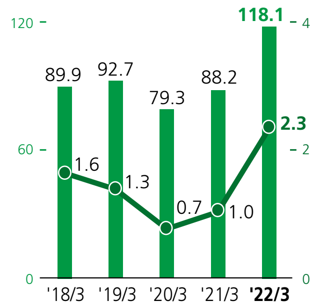
Materials Business

In the fiscal year under review, total sales of the Materials business (consisting of the Metals, Electronics, and Chemicals segments) increased 34.0% year on year, to ¥118,163 million, and operating profit jumped 125.7%, to ¥2,349 million. The Materials business accounted for 59.3% of net sales and 30.4% of operating profit.



Note: Percentage figures are before internal adjustments.

Materials Business
(Billions of yen)



Metals

Sales in the Metals segment increased 35.4%, to ¥102,995 million, while operating profit climbed 88.3%, to ¥940 million.

Furukawa Metals & Resources Co., Ltd.
President and Representative Director
Masanori Saito

Future Measures

In the Metals segment, profits fluctuate significantly due to the impact of international market trends and ore purchasing conditions, and determining the profitability and future potential of the contracted copper smelting business is a priority issue. As detailed in our news release on May 12, 2022, we decided to terminate our contracted copper smelting contract with Onahama Smelting & Refining Co., Ltd. This will enable us to strategically lower the scale of our operations and greatly reduce unprofitable exports and thus stabilize profits from our contracted operations.

Main Achievements

- Decided to terminate our copper smelting contract with Onahama Smelting & Refining, effective March 31, 2023, which will lead to drastic reductions of unprofitable exports thereafter

Main Issues

- Need to ensure supplies to some customers (for a certain period during/after fiscal 2024) after termination of copper smelting contract with Onahama Smelting & Refining
- Fluctuations in profitability due to international market trends and ore purchasing conditions (fluctuations will decrease in fiscal 2023 and beyond compared to fiscal 2022 due to lower production volume)

Electrolytic copper

Gibraltar Copper Mine in Canada

	Main Applications
Electrolytic copper:	Electric wires, copper elongation products, home appliances, communications equipment, automobiles, etc.

Electronics

In the Electronics segment, sales increased 26.7%, to ¥7,271 million, and operating profit surged 312.5%, to ¥666 million.

Furukawa Denshi Co., Ltd.
President and Representative Director
Hitoshi Iida

Future Measures

Our basic strategy going forward is to promote growth and new market launches of aluminum nitride and diffractive optical elements (DOEs), which are strategic products. In aluminum nitride, demand for heat-dissipating components is growing due to advances in integration, miniaturization, and thinning of electronic devices. Here, we will utilize our high-value-added firing

technology to target business expansion while developing aluminum nitride with high levels of thermal conductivity and toughness.
In DOEs, we will deploy our microfabrication technology to expand sales channels.

Main Achievements

- Decided to invest approximately ¥900 million to increase production of aluminum nitride, for which demand is strong, by the end of fiscal 2022
- Developed and launched a high-performance aluminum nitride with greater thermal conductivity than existing products.
- Increased sales of DOEs for laser processing

Main Issues

- Consider secondary and tertiary investments to increase production in anticipation of further growth in demand for aluminum nitride
- Develop DOEs for applications other than laser processing

High-purity metallic arsenide

Aluminum nitride

	Main Applications
High-purity metallic arsenic:	PCs, smartphones, infrared luminous parts, red LDs/LEDs, etc.
Aluminum nitride:	Semiconductor manufacturing equipment components, high-power LEDs, resin-based heat-dissipation sheets, etc.

Chemicals

Sales in the Chemicals segment increased 24.0%, to ¥7,896 million, and operating profit jumped 95.6%, to ¥743 million.

Furukawa Chemicals Co., Ltd.
President and Representative Director
Shin Imai

Future Measures

In the Chemicals segment, our basic strategy is to expand profit from existing products, such as sulfuric acid and cupric oxide, while commercializing and fostering newly developed products, such as metallic copper powder. In sulfuric acid, we will further differentiate ourselves through our high-quality offerings, for which demand is growing, especially for battery applications. We will also increase production of cupric oxide for plating, for which sales are growing for use in high-end PCs and servers. In metallic copper powder, we will enhance product quality, establish mass production and sales systems, and develop attractive product samples to expand sales channels.

Main Achievements

- Increase in sales of high-quality sulfuric acid, mainly for battery applications
- Growth in sales of cupric oxide for plating in high-end PCs and servers

Main Issues

- Significant delays in sales of metallic copper powder, for which samples are being developed, due to the COVID-19 pandemic
- Delays in reflecting raw material prices, which are surging, in our product prices

Sulfuric acid production plant

Cupric oxide

	Main Applications
Sulfuric acid and derivatives:	Chemicals, electronic devices, steel, food processing, and other industries, as well as water and sewage, etc.
Cuprous/cupric oxide:	Ship-bottom paints, printed circuit boards, etc.

Real Estate

Sales in the Real Estate business edged up 0.4%, to ¥2,115 million, and operating profit increased 0.9%, to ¥743 million

Future Measures

Looking ahead, our basic strategy is to continue making effective use of real estate owned by the Group, including the Furukawa Osaka Building, while securing stable profit from the Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2). Another challenge is to decide our future plan for the site of the Furukawa Osaka Building, which closed at the end of December 2019. (Demolition of that building began in fiscal 2021.)

Muromachi Furukawa Mitsui Building
(commercial name: COREDO Muromachi 2)

Structural Reform of Metals Segment

Fundamental overhaul of contracted copper smelting business with the termination of smelting contract with Onahama Smelting and Refining Co., Ltd.

Site of Onahama Smelting & Refining

Termination of copper smelting contract with Onahama Smelting and Refining Co., Ltd.

In May 2022, the Company decided to terminate the copper smelting contract between Furukawa Metals & Resources Co., Ltd., which handles the Group's Metals segment, and Onahama Smelting and Refining Co., Ltd., effective March 31, 2023. It was a management decision to fundamentally review the contracted copper smelting business of the Metals segment, which has been a priority issue, and improve the segment's profit structure following continuous operating losses in real terms (excluding metal price fluctuations), with the ultimate aim of making the business profitable. As a result, the Group's annual copper production will decrease by approximately 34% (around 24,000 tons). Despite the decline in sales, we expect segment operating profit to improve due to a significant reduction in unprofitable exports, allowing the segment to return profitability.

Profit structure deteriorating year by year

The revenue source for a smelting company is the treatment and refining charges (TC/RCs) it receives from the mining company based on ore purchasing conditions. Furukawa Metals & Resources Co., Ltd. pays smelting fees to two contractors: Onahama Smelting and Refining Co., Ltd. and Hibi Kyodo Smelting Co., Ltd. If the TC/RCs are attractive, the difference between it and the contracted smelting cost will result in a profit. In recent years, however, the supply–demand balance has been consistently unfavorable to smelters due to strong demand from China, which has grown rapidly, as well as the slow increase in copper concentrate supply relative to the speed of smelting capacity expansion. Moreover, TC/RCs (Cart 1-❶) are unlikely to improve significantly in the future, as domestic smelters are making significant investments in environmental measures and maintenance and renewal of aging facilities, while their electricity, fuel, and other operating costs are soaring. Accordingly, contracted smelting costs and SG&A expenses remain consistently high (Chart 1-❷).

The result has been a normalized "reverse spread" situation, where contracted smelting costs exceed TC/RCs, causing operating profit in real terms (excluding metal price fluctuations) to remain negative. (Table 1)

Securing profitability in the Metals segment

As our founding business, the Metals segment has been the cornerstone of the Group's development. As mentioned above, however, it has been in a constant deficit structure. Accordingly, we decided to undertake a fundamental review to improve the segment's profit structure and return it to profitability. With our decision, we will reduce unprofitable exports and focus on domestic sales, thereby securing segment operating profit and reducing the volatility range of earnings due to price fluctuations.

For the Metals segment, our fiscal 2023 forecasts (as of May 12, 2022) are sales of ¥110.7 billion and operating profit of ¥0 billion (assuming a copper price of US$9,400/ton and an exchange rate of ¥120/US$) (as of May 12, 2022). After terminating the contract with Onahama Smelting & Refining Co., Ltd., however, we estimate segment sales of ¥70.7 billion and operating profit of ¥0.4 billion. This means the segment will be profitable in real terms (excluding metal price fluctuations). Furthermore, the segment's operating margin and ROA (return on assets) are also expected to improve.

Going forward, we will fulfill our responsibility to supply existing domestic customers by continuing our contract with Hibi Kyodo Smelting Co., Ltd.

Chart 1: Profit Structure of Contracted Copper Smelting Business

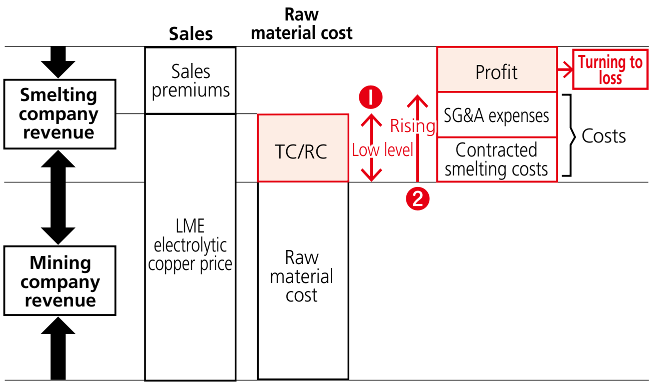


Table 1: Operating Profit, etc., in the Metals Business

(Hundred millions of yen)

	FY2019	FY2020	FY2021	FY2022
Operating profit	5.8	3.0	4.9	9.4
(Portion affected by copper price)	2.6	5.0	15.1	15.1
Operating proit(loss) based on actual performance	3.1	(1.9)	(10.1)	(5.7)
Copper price (US$/mt)	6,341	5,860	6,879	9,691
Exchange rate (¥/US$)	110.9	108.7	106.1	112.4

The Furukawa Company Group's ESG Activities

Since its founding in 1875, the Furukawa Company Group has worked diligently to resolve a number of issues, including the emergence of pollution at the Ashio Copper Mine. The experiences and efforts of our early pioneers have paved the way for our approach to ESG and the Sustainable Development Goals (SDGs) today. Promoting an integrated thinking that combines our business and sustainability activities ensures that we carry on the DNA cultivated by our pioneers. At the same time, it enables us to realize a sustainable society and continue advancing as a company.

Remaining a Company That Is Indispensable to Society

Under its long-term Vision for 2025, the Group is working to increase the value of the Furukawa brand through "marketing-based management" that incorporates CSV perspectives."
The vision also clarifies our commitment to "increase corporate value by emphasizing business practices that reflect CSR and ESG issues recognized and to be solved by the Group." By promoting an integrated thinking that combines our business and sustainability activities, we will work to create social value and corporate value by helping resolve various social issues faced by stakeholders. These include achieving the SDGs, the need to build national resilience in Japan, and a declining working-age population.

Framework for Promoting Sustainability

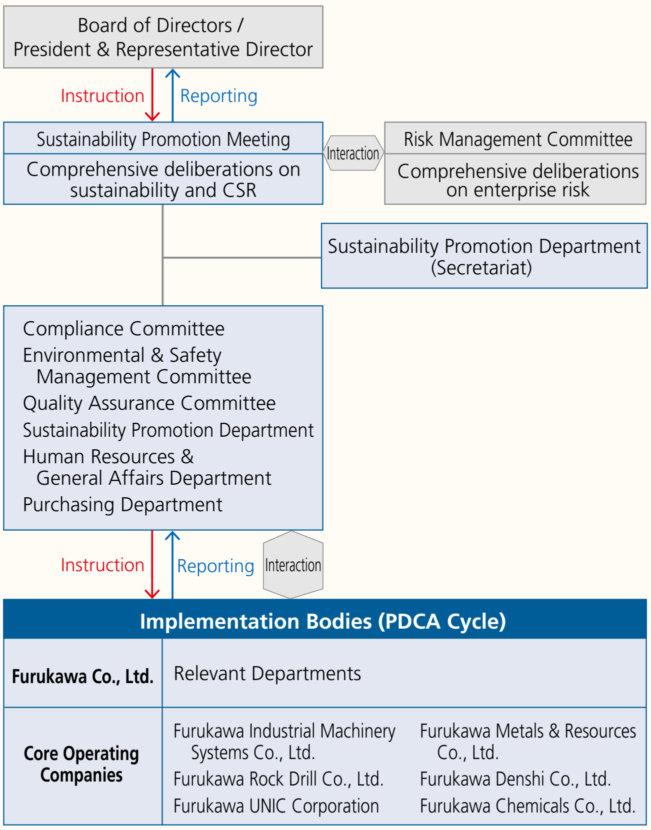
In December 2021, the Group reorganized its CSR Promotion Meeting, which had been established in Furukawa Co., Ltd., in order to vigorously promote CSR initiatives, into the Sustainability Promotion Meeting to strengthen its sustainability initiatives.
By implementing this reorganization, the Group is actively working to resolve issues related to sustainability by clarifying its responsibilities to its stakeholders and identifying priority issues that need to be addressed to realize "The Furukawa Company Group Basic Policy on Sustainability Initiatives."

The Sustainability Promotion Meeting convenes annually as a rule with the President & Representative Director as the Chairperson and the Sustainability Promotion Department as its Secretariat. The meeting deliberates on a variety of sustainability and CSR issues, including formulation of basic policy and action plans for the Group's sustainability and CSR activities, establishment of promotion framework, verification and evaluation of the status of activities, education and public information measures, and so on.

Other serving members of the Sustainability Promotion Meeting are the Company's directors and the president of each core operating company as well as the chairperson of the Compliance Committee, the Environmental & Safety Management Committee, and the Quality Assurance Committee, which are the Company's organizations, together with the heads of the Company's Sustainability Promotion Department, Human Resources & General Affairs Department, and Purchasing Department. The members consider the substance of deliberations and matters raised during the meeting and take steps to coordinate with the Group companies and departments that are the implementation bodies for sustainability and CSR activities, implementing the PDCA cycles of planning, execution, evaluation, and improvement.

They also coordinate with the new Risk Management Committee, which is the organization that engages in the enterprise risk management system. This committee replaces the previous Risk Management Committee, which was disbanded in December 2021. We will continue to improve these frameworks for reducing risk and maximizing opportunity in Group businesses.

Sustainability Promotion Structure



Relationships with Stakeholders

In the course of strengthening our sustainability initiatives and implementing our Management Philosophy, we have identified our stakeholders as follows: customers, business partners, shareholders and investors, employees, local communities, and the global environment. Moreover, we aim to build relationships of trust and accordingly maximize our corporate value by engaging in appropriate communications that involve clearly conveying our responsibilities to each group of stakeholders.

Stakeholders	Responsibilities
Customers	We shall provide customers with safe, high-quality products and services in order to increase satisfaction levels.
Business partners	We shall build and maintain mutually beneficial relationships conducive to harmonious coexistence through stable procurement activities based on the principles of fairness and economic rationality.
Shareholders and investors	We shall work to maximize corporate value through communications focusing on timely and appropriate information disclosure and IR activities.
Employees	We shall create safe, healthy, and motivating workplaces in which our diversified human resources can excel while adopting appropriate evaluation standards and fair incentives.
Local communities	We shall build and maintain favorable relationships of trust by pursuing social contribution activities aimed at harmonious coexistence with local communities.
Global environment	We shall protect biodiversity by developing environmentally friendly technologies and products while minimizing the environmental impact of our activities through savings of energy and resources and reduction of waste.

CSR/ESG Issues

One policy as part of our Vision for 2025 states our commitment to "increase corporate value by emphasizing business practices that reflect CSR and ESG issues recognized and to be solved by the Group" as a core foundation of management. We also clarified the relationship between ESG, CSR priority issues, medium-term CSR goals (fiscal 2021–2023), and relevant major SDGs.

Identifying CSR Priority Issues

The Group has identified priority issues and is strengthening its CSR activities to ensure that its business operations contribute to society. To identify CSR priority issues, we selected important CSR-related issues from the perspectives of both stakeholders and the Group, then analyzed and evaluated the importance of those issues and finalized the Group's CSR priority issues.

Establishing a Robust Management Foundation: Increase corporate value by emphasizing business practices that reflect CSR and ESG issues recognized and to be solved by the Group

In order to pursue its business activities and fulfill its corporate social responsibility, the Group has identified CSR priority issues, formulated medium-term CSR goals to resolve these issues, and is stepping up CSR-related efforts through the PDCA cycle. Through these initiatives, we aim to help accomplish the SDGs, which were unanimously adopted by the United Nations for achievement around the world by 2030.

Steps to Identify CSR Priority Issues

1. Extract issues
2. Evaluate importance to stakeholders and the Group
3. Analyze the importance of issues
4. Decide and approve priority issues

CSR Priority Issues and Medium-Term CSR Goals Classified by ESG Section

ESG Section	CSR Priority Issues	Medium–Term CSR Goals (FY2021–2023)	Major Related SDGs
E (Environment)	Promote environmental protection activities	• Promote continuous improvements in environmental performance (CO_2, water resources, waste, chemical substances) • Strengthen management of progress toward the Fourth Medium-Term Reduction Targets • Promote activities for achievement of carbon neutrality • Strengthen efforts to achieve zero accidents/disasters • Promote biodiversity protection activities (ecosystem conservation, restoration of flora and fauna, etc.)	3, 6, 7, 11, 12, 13, 15
S (Society)	Offer products and services that satisfy customers	• Strengthen management of changes aimed at improving product quality • Strengthen education and information management to raise awareness about quality • Strengthen quality assurance management • Review and improve product safety evaluation system	4, 8, 9, 11, 12, 14, 17
	Build fair and impartial business relationships and relationships of reciprocal trust with business partners	• Build CSR-oriented procurement system • Strengthen supplier management • Strengthen internal CSR activities	8, 10, 12, 16, 17
	Promote social contribution activities	• Promote social contribution activities aimed at coexistence with local communities • Maintain and build good relationships of trust with local communities	9, 11, 12
	Realize comfortable working environments for employees and give them fair evaluation and treatment	• Develop talented human resources • Promote health management • Promote diversity • Improve working environments	3, 4, 5, 8, 10
G (Governance)	Build a meticulous group governance system	• Establish enterprise risk management system	3, 11, 13
	Communicate with shareholders and other investors	• Ensure timely and appropriate information disclosure • Increase corporate value through communication via IR • Strengthen the IR system	17
	Strengthen compliance	• Strengthen awareness-raising education to entrench compliance • Thoroughly disseminate the Charter of Corporate Conduct and the Code of Conduct for Officers and Employees • Develop and expand various guidelines and manuals • Entrench timely and appropriate reporting of compliance violations	8, 16

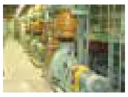
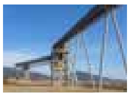
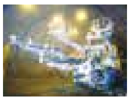
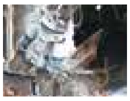
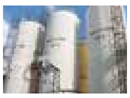
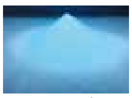
"Marketing-Based Management" That Incorporates CSV Perspectives

The Group will generate "corporate value" by providing infrastructure, products, technologies, and services that help resolve social issues, while at the same time striving to create "social value." Of the 17 SDGs, we are focusing particular attention on achieving Goal 11 ("Make cities and human settlements inclusive, safe, resilient and sustainable") and Goal 9 ("Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation"). We will also strive to create "social value" by building social infrastructure as stated in "The Furukawa Company Group's Value Creation Process" (please see pages 2–3), while realizing a safe, environmentally friendly, and prosperous society.

Deploying "Marketing-Based Management" That Incorporates CSV Perspectives to Address the SDGs

The Furukawa Company Group practices "marketing-based management" that incorporates CSV perspectives and creates "social value" by improving social infrastructure and realizing a safe, environmentally friendly, and prosperous society. In these ways, we will help achieve the SDGs.

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	○	○	◎		◎	◎			

Example of "Marketing-Based Management" That Incorporates CSV Perspectives

Contributing to the development of social infrastructure with belt conveyors that excel in efficiency and environmental performance

In Japan, there is a growing need to address various social issues, such as disaster prevention and mitigation, national resilience, the environment, and a shrinking workforce. In our Industrial Machinery segment, we are developing belt conveyors to help resolve those social issues. Generally, dump trucks are used to transport earth and sand, but in recent years more and more contractors are instead using belt conveyors to shorten the construction period and to protect the surrounding environment. A good example of this is a relocation project undertaken as part of the Great East Japan Earthquake reconstruction initiative. If a 10-ton dump truck were used to transport earth and sand, this project would have taken nine years, but using belt conveyors shortened that time to around three years. Compared with dump trucks, moreover, belt conveyors emit almost no CO_2. Accordingly, they are recognized as an efficient and environmentally friendly way to transport earth and sand.

In another project, the construction of a regulating pond for river flood control, SICON® enclosed hanging belt conveyors, which transport earth and sand in sealed bags, was used to minimize spills, dust, noise, and vibration. The conveyor also demonstrated excellent environmental and safety characteristics, which is important because the project was located adjacent to a residential area.

https://www.furukawakk.co.jp/kiaikinniku/movie/belt_conveyor/

Belt conveyors help resolve social issues

Corporate Governance

The Group maintains fundamental policies regarding corporate governance with respect to heightening managerial transparency, building an effective managerial framework through ongoing efforts to transform its corporate structure, increasing its corporate value by generating consistent profits, and contributing to its shareholders and other stakeholders. Under these policies, each of the Group's operating companies assumes clear asset and profitability management responsibilities while maintaining unity as a Group. We aim to promote agile management and provide products and services that satisfy our customers and maximize the corporate value of the entire Group.

Overview of Corporate Governance System and Reasons for Its Adoption

The Company employs a company system with a Board of Directors and an Audit & Supervisory Board to supervise business execution. In addition, we have appointed Outside Directors to ensure the validity of decision-making and the objectivity and transparency of management. The Audit & Supervisory Board Members are managers of other companies and persons with knowledge of financial accounting, who use their specialized knowledge and experience to give advice to management and check the status of operations. We consider that management oversight is functioning effectively under the current system.

Directors and Board of Directors

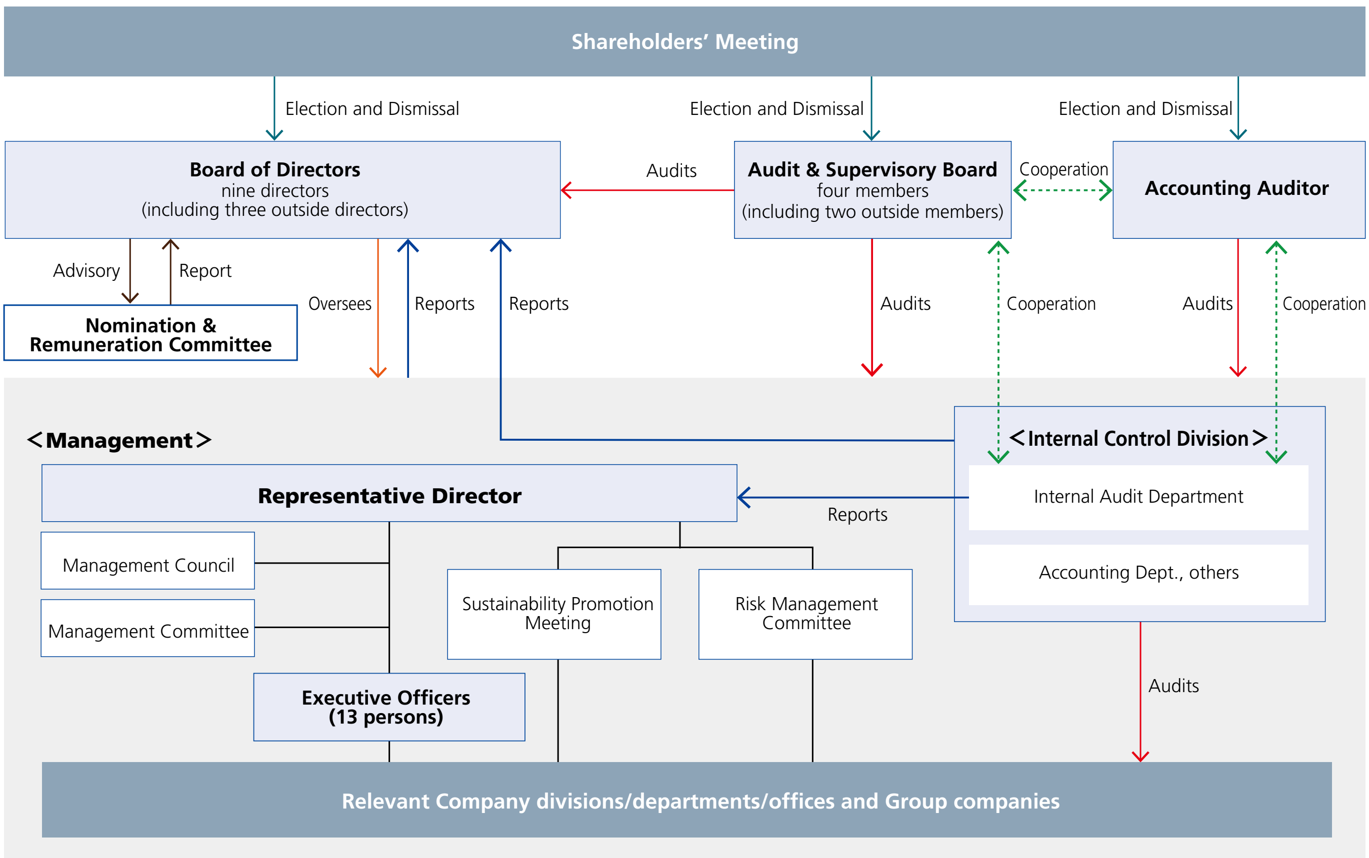
The Board of Directors, chaired by Chairperson and Representative Director Naohisa Miyakawa, holds regular meetings once a month, and extraordinary meetings as necessary and supervises the business execution of the entire Group as a supervising body. The Board consists of nine members as of June 29, 2022, including three Outside Directors.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee serves as an optional advisory body to the Board of Directors. It receives requests for advice from the Board of Directors regarding candidates for Directors and Audit & Supervisory Board Members, as well as selection and dismissal of Representative Directors and Executive Directors and remuneration for Directors, then deliberates and reports as necessary. The majority of the Committee's members are Outside Independent Directors, and the Committee is chaired by an Outside Independent Director, thereby ensuring independence. The Committee met four times between October 2021 and May 2022. It consists of the following five members.

Chairman: Tatsuya Tejima, Outside Director (attended all four meetings)
Member: Yoichi Mukae, Outside Director (attended all four meetings)
Member: Kazumi Nishino, Outside Director (attended all four meetings)
Member: Naohisa Miyakawa, Chairperson and Representative Director (attended all four meetings)
Member: Minoru Nakatogawa, President and Representative Director (attended all four meetings)

Corporate Governance System



Executive Officer System

The Company employs an Executive Officer System, which facilitates quicker decision-making, and defined responsibilities in terms of keeping management supervisory functions separate from executive functions. Executive Officers perform their tasks according to business plans determined by the Board of Directors, and report the status of business execution as appropriate to the Board of Directors and the Management Committee. The Company has 13 Executive Officers as of June 29, 2022, including two serving concurrently as Directors.

Management Council

The Management Council consists of all full-time directors of the Company and is chaired by Minoru Nakatogawa, President and Representative Director. The Council makes decisions on basic management policies, strategic planning, and important matters of the Group. Full-time Audit & Supervisory Board Members may attend Management Council meetings and express their opinions. Important matters pertaining to each company in the Group are submitted to the Board of Directors after decisions of the respective Group companies have been made. Of the important matters submitted to the Management Council, those of managerial importance in terms of magnitude and content are also submitted to the Board of Directors for decision.

Management Committee

The Management Committee consists of internal directors and internal Audit & Supervisory Board Members, as well as executive officers, general managers of business divisions, managers of departments not attached to business divisions (excluding general manager of the Secretary Department), and the presidents of core Group operating companies (Furukawa Industrial Machinery Systems Co., Ltd., Furukawa Rock Drill Co., Ltd., Furukawa UNIC Corporation, Furukawa Metals & Resources Co., Ltd., Furukawa Denshi Co., Ltd., and Furukawa Chemicals Co., Ltd.). The Committee is chaired by Minoru Nakatogawa, President and Representative Director, and meets monthly. The Management Committee reports on the execution of business by the Company and its core operating companies, examines them, and gives instructions.

Audit & Supervisory Board and Its Members

The Audit & Supervisory Board consists of four members (two full-time and two outside) as of June 29, 2022 and is chaired by Minoru Iwata, a full-time member. It meets from time to time to make decisions on audit policies, business decisions, methods of investigating the status of assets, and other matters related to the execution of duties by Audit & Supervisory Board Members. The Company has appointed one supplementary Audit & Supervisory Board Member (pursuant to Article 329, Paragraph 3 of the Companies Act) in case the number of members stipulated in laws and regulations falls short. The appointment of supplementary Audit & Supervisory Board Members shall be effective until the beginning of the Ordinary Shareholders' Meeting relating to the last fiscal year ending within four (4) years after the appointment's resolution. In the event that a supplementary member assumes office as an Audit & Supervisory Board Member, the term of office shall be until the expiration of the term of the retiring member.

Status of Internal Audits and Audits by the Accounting Auditor and Audit & Supervisory Board Members

We established the Internal Audit Department as an internal auditing organization. The Department has five members and conducts audits on the status of management and business execution in the Group's overall operating activities. In accordance with the audit policy determined by the Audit & Supervisory Board, members of that board attend meetings of the Board of Directors, Management Council, Management Committee, and other important bodies. At those meetings, Audit & Supervisory Board Members audit the execution of duties by directors by listening to business reports from directors and others, and by investigating business offices and subsidiaries. The Company has appointed Ernst & Young ShinNihon LLC as its accounting auditor. There is no conflict of interest between the Company and the accounting auditor or the managing partners of the accounting auditor who engage in audits of the Company. Audit & Supervisory Board Members work closely with the accounting auditor as part of the Company's audit policy. At the beginning of each fiscal year, the Company receives an explanation of the annual audit plan from the accounting auditor and prepares an audit plan for Audit & Supervisory Board Members. Audit & Supervisory Board Members also receive explanations of the audit results from the accounting auditor regarding the settlement of accounts for the fiscal year and request reports from time to time. In addition, they work closely with the Internal Audit Department, receiving reports on the results of internal audits. The Internal Audit Department and the accounting auditor also exchange opinions and information as needed.

Evaluating the Effectiveness of the Board of Directors

To analyze and evaluate the effectiveness of the Board of Directors, the Company conducts questionnaire-based surveys of Directors and Audit & Supervisory Board Members and exchanges opinions with Outside Officers. The results of these activities are reported to the Board of Directors, which analyzes the current situation and discusses future initiatives.

The Board of Directors met to analyze and evaluate responses to the questionnaire regarding the Board of Directors conducted in fiscal 2022 and confirmed the following three points.

(1) While the overall average of evaluations remained unchanged from the previous fiscal year, items assessing the effective functioning of the Board of Directors showed year-on-year improvement.
(2) The tendency to spend time on individual agenda items is changing to requests for opportunities for a more free and vigorous exchange of opinions.
(3) Factory inspections by Outside Officers could not be carried out due to the COVID-19 pandemic (as in the previous fiscal year), which is an ongoing issue.

In addition, we recognized the need to address the following four issues in order to make further improvements.

(1) In order to exchange opinions freely and usefully regarding the major direction of management, the Company shall increase opportunities to explain and report on the current situation and issues of the Group more than before.
(2) The Company shall provide various data, including earnings data, in a form that executives can access at any time to enhance the provision of information when considering matters to be discussed at Board of Directors' meetings.
(3) The Company shall ensure appropriate and effective reporting of the "Status of Dialogue with Shareholders (Investors)" to further invigorate the Board of Directors through discussions based on diverse opinions, including those from the perspective of shareholders (investors).
(4) The Company shall continue conducting factory tours for Outside Officers and explain the current status of Group companies to further expand information-sharing on the business of each Group company.

In addition to these efforts, we will strive to further improve the effectiveness of the Board of Directors by enhancing the quality of discussions at Board meetings through timely information-sharing and enhancement of meeting materials.

Independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company appoints Outside Directors and Outside Audit & Supervisory Board Members with abundant experience and expertise in various fields, as well as impartial perspectives. This is to ensure the appropriateness of the Company's management decisions and the effectiveness of oversight and audits of management.

As of June 29, 2022, the Company has three Outside Directors and two Outside Audit & Supervisory Board Members.

In addition, the Company stipulates that Outside Officers (Outside Directors and Outside Audit & Supervisory Board Members, including candidates) do not fall under the following criteria concerning independence. Outside Officers who meet such criteria are designated and registered as Independent Directors/Auditors under the rules of the Tokyo Stock Exchange. As of June 29, 2022, the Company has four Independent Officers.

Independence Standards for Outside Officers
(Must not meet the following criteria)

(1) Executive Directors, and employees of the Group
(2) Business partners of the Group (those who provide products or services mainly to the Group and whose transactions with the Group were equivalent to more than 2% of net sales of the business partners in the most recent fiscal year of such business partners) or executives of such business partners
(3) Main business partners of the Group (those who are provided products or services by the Group and whose transactions with the Group were equivalent to more than 2% of net sales of the Group in the most recent fiscal year of the Group) or executives of such business partners
(4) Executives of financial institutions that are major lenders to the Group (lenders whose loan amounts were equivalent to more than 2% of the Group's consolidated total assets at the most recent fiscal year-end)
(5) Individuals earning ¥10 million or more per year from the Group in monetary or other benefits as specialists (including consultants, accountants, and lawyers) excluding executive remuneration, or individuals employed by companies earning ¥100 million or more per year from the Group
(6) Individual shareholders who hold 10% or more of the Company's voting rights (or Executive Directors, Executive Officers, or employees of corporations that hold 10% or more of the Company's voting rights)
(7) Individuals who had fallen under (1) to (6) above in the past three-year period
(8) Relatives (second degree or closer) of persons who fall under (1) to (7) above

Remuneration for Directors and Audit & Supervisory Board Members

The Company has established the following policies for determining the content of remuneration for each individual director as follows.

(1) Basic policies

- The remuneration system for directors shall function soundly as an incentive for the sustainable enhancement of corporate value, and the amount of remuneration for each individual director (hereinafter, "individual remuneration") shall be determined appropriately according to the responsibilities of each position.
- Remuneration for Executive Directors shall consist of basic remuneration, additional remuneration for directors, additional remuneration for Representative Directors, and stock-based remuneration. Outside Directors who are responsible for supervisory functions shall be paid only a certain amount of basic remuneration in consideration of their duties, and all remuneration for directors shall be paid monthly in monetary form.

(2) Policies for determining individual remuneration

- Individual remuneration amounts shall be determined in accordance with the remuneration standards for directors, taking into consideration the position, responsibilities, trends at other companies, and salary levels of employees, as well as business performance and other factors.
- With respect to remuneration for Executive Directors, 10% of basic remuneration shall be performance-linked, and 90% (additional remuneration for directors, additional remuneration for Representative Directors, and stock acquisition type remuneration) shall be fixed.
- For stock-based remuneration, contributions to the Executive Shareholding Association are obligatory as a medium- to long-term incentive.

(3) Policies for determining the calculation method, etc., of performance-linked remuneration

- Regarding basic remuneration for Executive Directors, consolidated operating profit shall be used as a performance indicator in order to link remuneration to short-term business performance and raise awareness of the need to improve such performance each fiscal year.
- In principle, performance-linked remuneration for Executive Directors shall be a sum equal to the basic performance-linked remuneration amount multiplied by 0–2, depending on the degree of achievement of the performance index against initially announced targets. However, if natural disasters or special circumstances have a significant impact on the achievement of performance indicators, the Nomination & Remuneration Committee may take such impact into consideration after deliberation.

(4) Policies for determining payment ratio for each type in individual remuneration

- Regarding remuneration of the Executive Directors, the basic remuneration, which is performance-linked, shall account for around 8% of the total, and the rest shall be fixed.
- Stock-based remuneration shall be around 10–15% of total remuneration for Executive Directors.

(5) Matters concerning the method of determining the content of individual remuneration

- The Nomination & Remuneration Committee, whose principal members are Outside Independent Directors, shall deliberate on individual remuneration in accordance with the policies described in (1) through (4) above.
- The President and Representative Director, who is in a position to oversee and control the overall performance of the Company, shall decide specific details of individual remuneration based on discretionary assignment from the Board of Directors and the deliberations by the Nomination & Remuneration Committee.

Remuneration for Audit & Supervisory Board Members is determined through consultation between such members.

Officer type	Total remuneration (Millions of yen)	Total remuneration by type (Millions of yen)			Number of eligible officers (Persons)
		Fixed	Performance-linked remuneration	Retirement benefit	
Directors (Excluding Outside Directors)	150	140	10	—	6
Audit & Supervisory Board Members (Excluding Outside Members)	16	16	—	—	2
Outside Directors	28	28	—	—	3
Outside Audit & Supervisory Board Members	16	16	—	—	2
Total	**212**	**202**	**10**	**—**	**13**

Notes:
1. The Company resolved to abolish its retirement allowance system for Directors and Audit & Supervisory Board Members at the conclusion of the 140th Annual Shareholders' Meeting held on June 28, 2007.
2. The above figure for total fixed remuneration does not include payments (totaling ¥39 million) by four subsidiaries of the Company to four Directors concurrently serving as Directors or Audit & Supervisory Board Members of those subsidiaries. It also does not include payments (totaling ¥21 million) by six subsidiaries of the Company to two Audit & Supervisory Board Members concurrently serving as Directors or Audit & Supervisory Board Members of those subsidiaries.

Skills Required of Board of Directors

The following seven skills have been selected as those that the Board of Directors should possess in order to realize the Company's Management Philosophy and management strategies and plans.

(1) Corporate management, (2) Business strategy and marketing, (3) Technology development and IT, (4) Finance and accounting, (5) Legal affairs and risk management, (6) Personnel and human resource development, and (7) International perspective

We have selected "(2) Business strategy and marketing" as a skill item because marketing, which forms the core of our management, goes beyond sales and marketing and goes hand in hand with business strategy. In the Machinery business, we selected "(7) International perspective" to reflect the Company's commitment to strengthen and rebuild its overseas marketing capabilities and enhance its product, sales, and service technology capabilities overseas. We believe that the other items—(1) Corporate management, (3) Technology development and IT, (4) Finance and accounting, (5) Legal affairs and risk management, and (6) Personnel and human resource development—are skills that board members of a manufacturing company should possess as a matter of course.

The Company's policy is to strike a balance between the expertise and experience of directors with respect to these skills, as well as diversity in terms of gender, work experience, and age, within the limits of the number of Directors stipulated in the Articles of Incorporation.

Election/Dismissal and Nomination Policies and Procedures

Candidates for Directors and Audit & Supervisory Board Members shall have the character, insight, and ethics appropriate for the position and be capable of fulfilling the duties and responsibilities of the position. In addition, candidates for full-time Directors shall have sufficient experience and knowledge of the Company's operations and excellent management judgment, and candidates for Audit & Supervisory Board Members must understand the importance of auditing in corporate management, possess the required knowledge, and have a high level of normative awareness.

Nominations of candidates for directors are deliberated by the Nomination & Remuneration Committee and decided by the Board of Directors. Nominations of candidates for Audit & Supervisory Board Members are deliberated by the Nomination & Remuneration Committee and decided by the Board of Directors with the consent of the Audit & Supervisory Board. The Board of Directors appoints senior management team members who are qualified from the perspective of realizing the Company's Management Philosophy, management strategy, and so forth. The Nomination & Remuneration Committee deliberates on whether or not to reappoint such members based on a review of their achievement status against management plans and performance indicators, including by division, and on whether to dismiss them if they engage in fraudulent activities and the like.

Strategic Shareholdings

The Company owns strategic shareholdings for the purpose of improving corporate value over the medium and long terms by maintaining and strengthening relationships with important business partners. Each year, the Board of Directors examines each stock of the Company's strategic shareholdings and verifies the purpose for which the stock is held and whether the benefits and risks associated with holding the stock are commensurate with the cost of capital. The Board of Directors also examines the appropriateness of continual ownership after comprehensive consideration of both qualitative and quantitative factors. We will endeavor to reduce the number of stocks that are no longer necessary to hold by selling them as appropriate. In exercising voting rights for the Group's strategic shareholdings, we do not make uniform decisions on whether to approve or disapprove based on routine or short-term criteria. Rather, we exercise such rights after making appropriate judgments from a comprehensive perspective that fully respects the management policies and strategies of the issuing company. We also consider whether the shares will enhance the issuing company's value and shareholder returns over the medium and long terms, and whether they will not undermine the significance of the Group's shareholdings.

* For more information, please refer to our "Corporate Governance Report."

Directors

(As of June 29, 2022)

Naohisa Miyakawa

Chairman and Representative Director

April 1975: Joined the Company
June 2007: Executive Officer, General Manager, Human Resources & General Affairs Department, and General Manager, Secretary Department
June 2009: Executive Officer of the Company, President & Representative Director of Furukawa Denshi Co., Ltd.
June 2011: Director and Senior Executive Officer of the Company, President & Representative Director of Furukawa Denshi Co., Ltd.
June 2013: President & Representative Director
June 2021: Chairman and Representative Director (current position)

Holdings in the Company: 43,288 shares
Attendance at Board of Directors' meetings: 16/16 times

Reason for Appointment

Naohisa Miyakawa served as President and Representative Director of the Company for eight years from June 2013. During that time, he demonstrated strong leadership, including by formulating FURUKAWA Power & Passion 150 (Vision for 2025) and promoting management reforms. Even after assuming the position of Chairman and Representative Director, he has continued utilizing his abundant experience and insight to manage the Company. We have elected him to continue as a Director, judging that it is necessary to utilize his abundant experience and insight to improve corporate value and achieve sustainable growth.

Minoru Nakatogawa

President and Representative Director

April 1983: Joined the Company
June 2017: Executive Officer of the Company, Executive Vice President & Director of Furukawa UNIC Corporation (In charge of Promotion of Mid-term Business Plan)
June 2018: Executive Officer of the Company, President & Representative Director of Furukawa UNIC Corporation
June 2019: Director and Senior Executive Officer of the Company, President & Representative Director of Furukawa UNIC Corporation
June 2020: Director and Managing Executive Officer of the Company, President & Representative Director of Furukawa UNIC Corporation
June 2021: President and Representative Director (current position)

Holdings in the Company: 11,636 shares
Attendance at Board of Directors' meetings: 16/16 times

Reason for Appointment

Minoru Nakatogawa has held important positions in the Company and Group companies after serving in the Legal Department and the Public Relations/IR Department for many years. After serving as President and Representative Director of Furukawa UNIC Corporation, he was appointed President and Representative Director of the Company in June 2021. He has since demonstrated strong leadership in managing a Group company and driving the Group's management. We have elected him to continue as a Director, judging that it is necessary to utilize his abundant experience and leadership in the Company's management in order to achieve FURUKAWA Power & Passion 150 (Vision for 2025).

Masahiro Ogino

Senior Managing Director and Senior Managing Executive Officer
Assistant to the President; in charge of Rock Drills Segment

April 1982: Joined the Company
June 2015: Executive Officer of the Company, President & Representative Director of Furukawa Metals & Resources Co., Ltd.
June 2017: Director, Senior Executive Officer, and General Manager, Corporate Planning Department
June 2019: Director, Managing Executive Officer, and General Manager, Corporate Planning Department
June 2021: Senior Managing Director and Senior Managing Executive Officer of the Company (current position), President & Representative Director of Furukawa Rock Drill Co., Ltd. (current position)

Holdings in the Company: 11,650 shares
Attendance at Board of Directors' meetings: 16/16 times

Reason for Appointment

Masahiro Ogino has extensive experience and a proven track record in the Materials business. As General Manager of the Corporate Planning Department, he has also been involved in formulating management strategies for the entire Group and helped reinforce its management structure. Since June 2021, he has led the Group's Rock Drill segment, demonstrating leadership as President & Representative Director of Furukawa Rock Drill Co., Ltd. We have elected him to continue as a Director, judging that it is necessary to utilize his abundant experience and execution capability in the Company's management in order to improve corporate value and achieve sustainable growth.

Kiyohito Mitsumura

Managing Director
Assistant to the President; in charge of Industrial Machinery Segment, UNIC Machinery Segment, Metals Segment, Environmental & Safety Management Department, and Purchasing Department

April 1980: Joined the Company
June 2012: Executive Officer and General Manager, Corporate Planning Department
Sep. 2013: Executive Officer, General Manager, Corporate Planning Department, and General Manager, CSR Promotion Department
April 2014: Executive Officer and General Manager, Corporate Planning Department
June 2014: Senior Executive Officer of the Company, President & Representative Director of Furukawa Rock Drill Co., Ltd.
June 2015: Director and Senior Executive Officer of the Company President & Representative Director of Furukawa Rock Drill Co., Ltd.
June 2018: Managing Director (current position) and Managing Executive Officer of the Company President & Representative Director of Furukawa Rock Drill Co., Ltd.

Holdings in the Company: 16,633 shares
Attendance at Board of Directors' meetings: 16/16 times

Reason for Appointment

Kiyohito Mitsumura has extensive experience and knowledge of the Company's administrative divisions and overseas business. He has also contributed to the enhancement of corporate value for many years as Director in charge of the Machinery business, which the Company positions as its core business. We have elected him to continue as a Director, judging that it is necessary to utilize his abundant experience and execution capability in the Company's management in order to improve corporate value and achieve sustainable growth.

Hiroyuki Sakai

Managing Director
In charge of Real Estate Business and Corporate Department[*1]

April 1982: Joined the Company
June 2017: Executive Officer and General Manager, Business Process Re-engineering Department
June 2019: Director & Senior Executive Officer and General Manager, Business Process Re-engineering Department
June 2021: Director & Senior Executive Officer and General Manager, Corporate Planning Department
June 2022: Managing Director (current position)

Holdings in the Company: 9,630 shares
Attendance at Board of Directors' meetings: 16/16 times

*1 Corporate Planning Department, Sustainability Promotion Department, Accounting Department, Financial Department, Human Resources & General Affairs Department, Legal Department, Information System Department, and Internal Audit Department

Reason for Appointment

Hiroyuki Sakai has a wide range of experience and knowledge in accounting, finance, and administration, having held key positions in the Company and other Group companies. As the person in charge of the Business Process Re-engineering Department, he has promoted standardization, streamlining, and productivity improvements in the Group's operations and helped re-engineer its business processes. He has also spearheaded the Company's real estate business and addressed a wide range of management issues. We have elected him to continue as a Director, judging that it is necessary to utilize his wide-ranging knowledge and experience in the Company's management in order to improve corporate value and achieve sustainable growth.

Tatsuki Nazuka

Director and Managing Executive Officer
In charge of Electronics Segment, Chemicals Segment, and Technology Division

April 1981: Joined the Company
June 2015: Executive Officer and Deputy General Manager, Development Division
June 2017: Executive Officer and General Manager, Development Division
Oct. 2017: Executive Officer and General Manager, Technology Division
June 2019: Director & Senior Executive Officer and General Manager, Technology Division
June 2022: Director and Managing Executive Officer of the Company (current position) and General Manager, Technology Division (current position)

Holdings in the Company: 9,438 shares
Attendance at Board of Directors' meetings: 16/16 times

Reason for Appointment

Tatsuki Nazuka has been working in the Technology Division for many years and has professional knowledge and experience in technological and product development. As General Manager of that division, he promoted the Group's technology strategy and technology development. At the same time, he has contributed to the enhancement of corporate value as Director in charge of the Materials business. We have elected him to continue as a Director, judging that it is necessary to utilize his specialized knowledge and experience in the Company's management in order to improve corporate value and achieve sustainable growth.

Tatsuya Tejima
Outside Independent Director

April 1969: Joined Toho Zinc Co., Ltd.
June 2003: Representative Director and Managing Director, and Managing Executive Officer of Toho Zinc Co., Ltd.
June 2005: Representative Director and Senior Managing Director, and Senior Managing Executive Officer of Toho Zinc Co., Ltd.
June 2006: Representative Director and COO of Toho Zinc Co., Ltd.
June 2008: Representative Director and President of Toho Zinc Co., Ltd.
June 2017: Advisor of Toho Zinc Co., Ltd. (current position), Director of the Company (current position)
June 2018: Outside Director, HANWA Co., Ltd. (current position)

Holdings in the Company: 3,120 shares
Attendance at Board of Directors' meetings: 16/16 times

Reason for Appointment

Tatsuya Tejima has been involved in corporate management for many years and has overseas business experience. He also has a proven track record and broad knowledge as a manager. Based on these, he has provided advice on the Company's management and appropriately supervised business execution from an objective perspective independent of management. We have elected him to continue as an Outside Director, confident that he can continue providing useful advice and appropriate supervision of the Company's management.

Kazumi Nishino
Outside Independent Director

April 1992: Joined Fuji Photo Film Co., Ltd. (retired in March 1996)
April 2006: Associate Professor, Department of Management of Science & Technology, Graduate School of Management of Science & Technology, Tokyo University of Science Graduate School
April 2017: Associate Professor, Graduate School of Commerce and Management of Hitotsubashi University
June 2019: Associate Professor, Graduate School of Business Administration, Hitotsubashi University, Outside Director, Orient Corporation (current position), and Director of the Company (current position)
December 2019: Outside Director, MiRTeL Co., Ltd.
April 2022: Professor, Graduate School of Business Administration, Hitotsubashi University (current position)
June 2022: Outside Director, Makino Milling Machine Co., Ltd. (current position)

Holdings in the Company: 5,079 shares
Attendance at Board of Directors' meetings: 16/16 times

Reason for Appointment

Kazumi Nishino specializes in business strategy theory as a Professor at Hitotsubashi University Graduate School of Business Administration and has specialized knowledge and a practical research track record on business model analysis, logic of new business creation, and product development management. Based on these, she has provided advice on the Company's management and appropriately supervised business execution from an objective, professional, and diverse perspective that is independent of the management team. We have elected her to continue as an Outside Director, confident that she can continue providing useful advice and appropriate supervision of the Company's management.

Yoichi Mukae
Outside Independent Director

April 1975: Joined Ministry of International Trade and Industry
June 2004: Director-General for Commerce and Distribution Policy, Minister's Secretariat of Ministry of Economy, Trade and Industry
August 2006: Managing Director of The Shoko Chukin Bank, Ltd.
August 2008: Advisor of The Kansai Electric Power Company, Incorporated
June 2009: Managing Director of The Kansai Electric Power Company, Incorporated
June 2013: Director, Managing Executive Officer of The Kansai Electric Power Company, Incorporated
June 2015: President & Representative Director of The Kanden L&A Company, Limited, and President & Representative Director of KANDEN EL AUTO SYSTEM Co., Ltd.
June 2019: Director of the Company (current position)
June 2020: Advisor of The Kanden L&A Company, Limited, Representative Director of Research Institute of Economy, Trade and Industry (current position), and President of GS1 Japan (current position)

Holdings in the Company: 7,667 shares
Attendance at Board of Directors' meetings: 16/16 times

Reason for Appointment

Yoichi Mukae has a wide range of experience and knowledge, having held important positions at the Ministry of Economy, Trade and Industry for many years and engaged in the management of private companies after retiring from the Ministry. In addition, he has high levels of character and insight and has provided advice on the Company's management and appropriately supervised business execution from an objective perspective that is independent of the management team. We have elected him to continue as an Outside Director, confident that he can continue providing useful advice and appropriate supervision of the Company's management.

Directors' Expertise and Experience (Skills Matrix)

Name	Independent	Corporate Management	Business Strategy/ Marketing	Technology Development/IT	Finance/ Accounting	Legal Affairs/Risk Management	Personnel/HR Development	International Perspective
Naohisa Miyakawa		○	○				○	○
Minoru Nakatogawa		○	○			○	○	
Masahiro Ogino			○		○			
Kiyohito Mitsumura			○		○			○
Hiroyuki Sakai				○	○			
Tatsuki Nazuka				○				
Tatsuya Tejima	★	○						○
Yoichi Mukae	★	○				○		
Kazumi Nishino	★		○	○				

Audit & Supervisory Board Members

(As of June 29, 2022)

Minoru Iwata

Audit & Supervisory Board Member (Full-Time)

April 1979: Joined the Company
June 2011: Executive Officer and General Manager, Accounting Department
June 2013: Director, Senior Executive Officer, and General Manager, Accounting Department
June 2015: Director
June 2016: Managing Director
June 2019: Audit & Supervisory Board Member (Full-time) (current position)

Holdings in the Company: 9,700 shares
Attendance at Board of Directors' meetings: 7/7 times

Reason for Appointment

Minoru Iwata has considerable knowledge of finance and accounting and a wealth of experience in overall management, having been involved in the Accounting Department for many years since joining the Company and in the management of the Company as a Director since 2013. We have elected him as an Audit & Supervisory Board Member, judging that he is capable of conducting objective and appropriate audits.

Kazuo Inoue

Audit & Supervisory Board Member (Full-Time)

April 1980: Joined the Company
June 2011: General Manager, Real Estate Division
June 2014: Executive Officer, General Manager, Corporate Planning Department
June 2016: Senior Executive Officer and General Manager, Corporate Planning Department
June 2017: Audit & Supervisory Board Member (Full-time) (current position)

Holdings in the Company: 5,100 shares
Attendance at Board of Directors' meetings: 7/7 times

Reason for Appointment

Kazuo Inoue has been working in the Accounting Department for many years, and has also served as Director of a Group company and Executive Officer of the Company. Accordingly, he has considerable knowledge of finance and accounting and a wealth of experience in overall management. We have elected him as an Audit & Supervisory Board Member, judging that he is capable of conducting objective and appropriate audits.

Tetsuro Ueno

Outside Audit & Supervisory Board Member

April 1976: Joined The Dai-Ichi Kangyo Bank, Ltd.
April 2009: Deputy President (Representative Director) and Deputy President & Executive Officer of Mizuho Bank, Ltd.
April 2011: Advisor of Mizuho Bank, Ltd.
June 2011: Deputy Chairperson and Executive Officer of Chuo-fudosan Co., Ltd.
June 2012: Representative Director and President of Seiwa Sogo Tatemono Co., Ltd.
June 2013: Audit & Supervisory Board Member of Chuo-fudosan Co., Ltd.
June 2015: Audit & Supervisory Board Member of the Company (current position)
June 2018: Special Advisor of Seiwa Sogo Tatemono Co., Ltd.
June 2021: Advisor of Seiwa Sogo Tatemono Co., Ltd. (current position)

Holdings in the Company: 1,500 shares
Attendance at Board of Directors' meetings: 7/7 times

Reason for Appointment

Tetsuro Ueno has been engaged in corporate management for many years, and has extensive experience and a wide range of knowledge as a manager. Based on these, he has conducted effective audits from a standpoint that is independent of the Company's management. We have elected him as an Outside Audit & Supervisory Board Member, judging that he is capable of conducting objective and appropriate audits.

Masayuki Yamashita

Outside Audit & Supervisory Board Member

April 1980: Joined Asahi Mutual Life Insurance Company
April 2016: Representative Director and Senior Executive Officer, Asahi Mutual Life Insurance Company, Outside Director of Rasa Industries, Ltd. (June 2014)
June 2016: Audit & Supervisory Board Member of the Company (current position)
April 2018: Director, Asahi Mutual Life Insurance Company
June 2018: President & Representative Director, Info Techno Asahi Co., Ltd.
June 2019: Outside Director, Rasa Industries, Ltd. (Audit & Supervisory Committee)

Holdings in the Company: 0 shares
Attendance at Board of Directors' meetings: 7/7 times

Reason for Appointment

Masayuki Yamashita has a wealth of experience at financial institutions and a proven track record as an Outside Audit & Supervisory Board Member at other companies. We have elected him as an Outside Audit & Supervisory Board Member, confident that he can utilize his experience to enhance the Company's auditing system.

Executive Officers

(As of June 29, 2022)

Senior Managing Executive Officer	Masahiro Ogino	President & Representative Director, Furukawa Rock Drill Co., Ltd.
Managing Executive Officer	Tatsuki Nazuka	General Manager, Technology Division
Managing Executive Officer	Katsuhira Kawashita	Chairman & Representative Director, Furukawa Industrial Machinery Systems Co., Ltd.
Senior Executive Officer	Osamu Miyazaki	General Manager, Corporate Strategy, Corporate Planning Department
Senior Executive Officer	Atsushi Takano	General Manager, Human Resources & General Affairs Department
Senior Executive Officer	Takeshi Miyajima	General Manager, Legal Department
Executive Officer	Kazuyoshi Iwama	President & Representative Director, Furukawa Industrial Machinery Systems Co., Ltd.
Executive Officer	Kenji Yamakawa	President & Representative Director, Furukawa UNIC Corporation
Executive Officer	Tatsuyuki Muramatsu	Vice President & Representative Director, Furukawa UNIC Corporation
Executive Officer	Masanori Saito	President & Representative Director, Furukawa Metals & Resources Co., Ltd.
Executive Officer	Kenichi Kurita	President & Representative Director, Oita Mining Co., Ltd.
Executive Officer	Hitoshi Iida	President & Representative Director, Furukawa Denshi Co., Ltd.
Executive Officer	Masayuki Kunou	General Manager, Environmental & Safety Management Department

Message from an Outside Independent Director

Outside Independent Director
Yoichi Mukae

I have been involved in the management of Furukawa Company as an Outside Independent Director for more than three years, focusing on corporate governance and compliance. My impression of the Company is that it is a very solid and stable, albeit unspectacular, organization. Recently, there's a lot of talk about corporate scandals, but from my experience in the management of various companies, I believe there is little reason to be concerned or worried about with respect to governance and compliance at the Company.

Role as Outside Independent Director

I believe that Outside Directors have three main roles: monitor and supervise management, provide advice and approval on business strategies and other matters, and reflect the opinions of shareholders and other stakeholders. The most important of these is the monitoring and supervision of management. When making high-level management decisions, monitoring and supervision by outsiders are essential to verify whether governance and compliance are sufficiently ensured. My major role as an Outside Director is to monitor and supervise the Company's management from an external perspective. In terms of advice and approval of business strategies, I leave short-term business planning and execution to internal directors and executive officers, given that we have adopted an Executive Officer system. However, I am prepared to provide opinions and advice on approach and direction in the formulation of medium- to long-term management strategies and other matters. As for reflecting the opinions of shareholders and other stakeholders, it is often said that "what appears to be common sense to a company is often irrational to the outside public." Since this can happen at any company, I always try to speak from the perspective of "outside common sense," so we do not descend into such a situation. Shareholders expect us to improve our business performance and increase our corporate value. In terms of responsibility to shareholders, I will fulfill my role as an Outside Director to ensure the Company's sustainable growth and performance, as well as commensurate shareholder returns.

My Skills

This year, we began disclosing a skills matrix for directors. In my case, my key skills are "Corporate management" and "Legal affairs and risk management." For corporate management, I try to verify measures and initiatives based on my experience and knowledge of corporate management in various companies in the past. For legal affairs and risk management, I draw on my experience in conducting legal checks over many years. Looking at the operation and proceedings of the Board of Directors' meetings, I rate the Company as being very attentive and well-run. I believe that the steadfastness that has been handed down over our nearly 150-year history is firmly entrenched in the Company.

Sustainability Initiatives

I recognize that the public's interest in sustainability is growing daily. The Company had a very difficult experience in the past with environmental problems at the Ashio Copper Mine. Upon reflection, I believe it has taken a positive approach to environmental considerations and countermeasures. We should also adapt our CO_2 emission reduction and carbon neutrality measures to the demands of the times. It is important to implement these measures in a steady and methodical manner from a long-term perspective.

Relationships with Internal Directors

I believe that maintaining an appropriate level of tension and fostering a sense of trust between inside and outside directors is necessary for the Company's governance to be sound. Apart from meetings of the Board of Directors, meetings between Representative Directors and Outside Directors are held several times a year. At those meetings, I try to give frank opinions and suggestions while maintaining a good sense of urgency.

At the same time, I communicate with internal directors through site visits and discussions at meetings to foster a sense of trust. If, as an Outside Director, I can verify the Company's general direction and strategy, I leave business execution to internal directors and executive officers, without interfering in small details. In the process, I have confirmed the Company's corporate management is sound and smooth.

Management Issues and Future Aspirations

Currently, the Group's business portfolio consists of six segments under two business divisions: Machinery and Materials. In the long run, our challenge is to be selective and focused, so it will be difficult to achieve significant growth in all six segments. By concentrating management resources in businesses with significant future growth potential, the Group can achieve even greater growth, I believe. Going forward, our management challenges will be to identify and cultivate the seeds of growth and formulate a sound growth strategy accordingly.

As I mentioned earlier, my major role as an Outside Director is to monitor and supervise management. While fulfilling my duty of care as a director, I intend to demonstrate my sensitivity to the atmosphere and environment before problems occur, then act to solve those problems in advance. This presupposes that the entire Group is open and transparent, with no congestion of information. I would also like to serve as an intermediary to ensure that the intentions of shareholders and other stakeholders align with the Group's direction and timeline as much as possible. Ultimately, I want to contribute to the growth of the Group in any way possible and thus help increase its corporate value.

August 2022

Risk Management

The Furukawa Company Group will strengthen and expand the enterprise risk management systems in order to improve the management foundation with a view to growth. We will also take steps to improve corporate value by business operation practices that show consideration for the Group's CSR and ESG issues. When risks emerge that appear capable of interfering with the Group's business activities, the new Risk Management Committee established at Furukawa Co., Ltd., takes measures to protect the Group's life and property and to minimize its damage and losses.

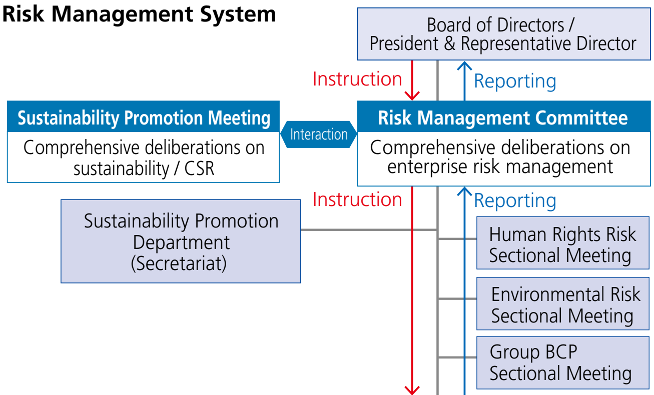
Risk Management System

The former Risk Management Committee that up to now had dealt with accidents, natural disasters, epidemics, and other such risks has been abolished, and a new Risk Management Committee has been established to manage all the risks surrounding the Group.

The new Risk Management Committee evaluates risks in every Group company and department and conducts examination and evaluation of measures to address risks. As a result, when a risk is judged to pose a danger of seriously affecting Group management, the Committee promotes effective management of that risk by reporting its evaluation results and the pros and cons of response measures to the Board of Directors.

The Committee also has the Human Rights Risk Sectional Meeting, Environmental Risk Sectional Meeting, and Group business continuity plans (BCP) Sectional Meeting under it. These address issues relating to human rights, issues relating to carbon neutrality and other matters concerning climate change, and issues relating to business continuity when crises occur, and take measures to resolve them.

Risk Management System

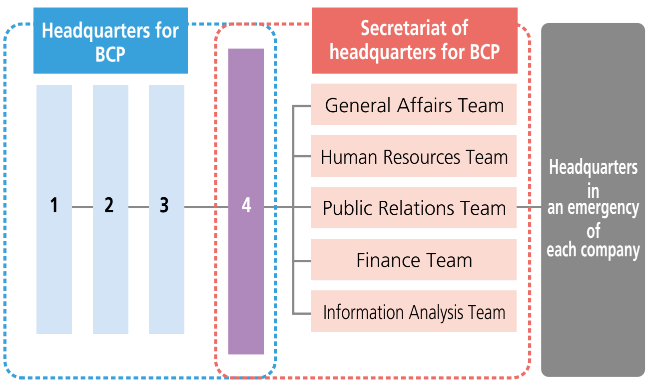


Implementation Bodies (PDCA Cycle)		
Furukawa Co., Ltd.	Relevant Departments	
Core Operating Companies	Furukawa Industrial Machinery Systems Co., Ltd. Furukawa Rock Drill Co., Ltd. Furukawa UNIC Corporation	Furukawa Metals & Resources Co., Ltd. Furukawa Denshi Co., Ltd. Furukawa Chemicals Co., Ltd.

Business Continuity Management (BCM) Operation

Going forward, we will concentrate on BCM operation and on confirming and reviewing Group companies' BCPs, centering this work mainly within the Group BCP Sectional Meeting.

Group BCP Structure



1. Director-generals of headquarters for BCP
2. Vice Director-generals of headquarters for BCP
3. Committee members of headquarters for BCP
4. Secretariat of headquarters for BCP

Quality Assurance

Quality Assurance

Quality assurance in the Furukawa Company Group is based on the Quality Assurance Basic Policy and the Quality Assurance Action Guidelines. These set our basic policy as gaining the trust of our customers, providing products and services of quality that satisfies them, and contributing to society.

In addition, the Quality Assurance Committee guarantees the safety and security of all the products and services produced by the Group and pursues a variety of initiatives to satisfy our customers. Our aim is for overseas procurement, production at overseas works, and also export products, to provide assurance of the same "Japanese quality" that we take pride in as Japanese manufacturers.

Quality Assurance Management System

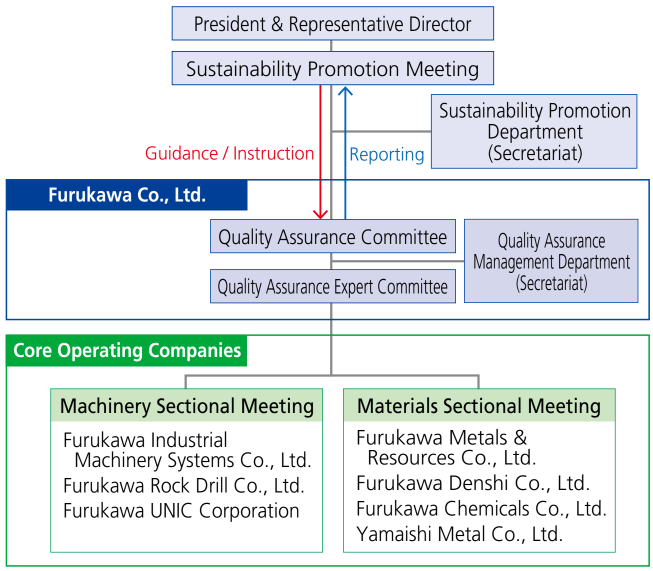
The organization that engages in comprehensive deliberations on important matters relevant to quality assurance in the Group is the Quality Assurance Committee, which was established at the headquarters of Furukawa Co., Ltd. In addition, the Quality Assurance Management Department has been established in the Company's Technology Division to manage the Group's quality assurance system and promote activities for quality assurance and product safety. Each organization takes steps for coordination while engaging the entire Group in our ongoing effort to provide manufacturing and service that will satisfy our customers and gain their trust.

Quality Assurance Committee

Top managers from the production departments of the core operating companies comprise the Quality Assurance Committee. This body has organized the Quality Assurance Expert Committee that brings together those responsible for quality assurance in the core operating companies and elsewhere. It also has organized sectional meetings with the Expert Committee members pursuing activities separately in the Machinery and Materials segments. Seeking to achieve solutions to the key issues defined each fiscal year, we are sharing information on measures to analyze and reduce complaints at each site and seeking horizontal deployment of methods. We are also promoting compliance with laws and regulations relating to manufacturing, quality assurance, and product safety, and promoting the manufacture of products that customers can use safely and with a sense of security.

Based on the understanding that product safety is included in quality assurance, we are also continuously promoting risk assessment and other such activities to heighten product safety levels.

Quality Assurance Management System



Compliance

In addition to complying with laws and regulations, the Group believes it has a corporate obligation to take serious and responsible action in terms of social and ethical aspects. To fulfill this obligation, we established the Furukawa Company Group's Charter of Corporate Conduct and the Furukawa Company Group's Code of Conduct for Officers and Employees, and are taking steps to foster comprehensive awareness to enable all Group officers and employees to engage in operations in awareness of the importance of compliance.

Compliance System

The Group's chief executive for compliance is the Company's President. Personnel responsible for compliance are also present in every company department and in the Group companies as well. There is also a Compliance Committee that promotes Group compliance activities, deliberating on important matters relating to compliance, developing the compliance system, and taking steps to strengthen awareness. Content deliberated in the Committee is additionally reported to the Sustainability Promotion Meeting as required, and steps are taken to share information related to compliance with the Group as a whole.

Internal Reporting System

The Group has adopted an internal reporting system to facilitate early detection and correction of compliance violations. This has involved developing a framework that enables an extensive range of reporting and inquiries by establishing points of contact for reporting and consultation requests inside and outside (law office) the Group. When reports and requests for consultation are received, the Compliance Committee investigates and takes measures as necessary. Personal information about whistleblowers who make reports and information that may lead to identification of whistleblowers who make reports are held under strict control at the Internal Reporting Desk. In addition, it is forbidden for Group officers and employees to seek out whistleblowers or, taking the fact of having made an internal report as the reason, to treat the whistleblowers in a disadvantageous manner. We also facilitate awareness of the internal reporting system by posting such content to our in-house portal site and distributing brochures to Group officers and employees.

Compliance Education

We are engaged in fostering a corporate climate that places value on compliance. This includes publication of the Compliance News as provision of information regarding compliance to all Group officers and employees. On occasion, top management also explains the importance of compliance and the priority assigned to it. In light of the impact of COVID-19, trainings on specific topics were conducted in fiscal 2021 using online systems such as web conferencing systems and video streaming.

Basic Policy and Guidelines for Preventing Bribery and Corruption

The Group enacted the Basic Policy for Preventing Bribery and Corruption and the Basic Guidelines for Preventing Bribery and Corruption in January 2021. This explicitly stated externally the Group's stance regarding prevention of bribery and corruption. It also clarified specific procedures for preventing bribery and corruption in business activities. We are following up with comprehensive compliance with this policy and guidelines and taking steps for the prevention of bribery and corruption.

Compliance throughout the Supply Chain

Effectively maintaining compliance in the Group requires compliance with laws and regulations by all elements of the supply chain, including business partners. With this in mind, the Group distributes its "Sustainability Promotion Guidelines" to business partners to ensure thorough compliance with human rights, labor, laws and regulations, and corporate ethics.

Human rights and labor

(1) Respect human rights.
(2) Have no involvement with child labor, forced labor, or unlawfully cheap labor, whether directly or indirectly.
(3) Achieve a work environment with no discrimination or harassment of any sort committed against employees.
(4) Comply with labor laws and provide positive working conditions.

Legal compliance and corporate ethics

(1) Comply with Japanese and overseas laws and social norms.
(2) Do not provide or receive benefits in contravention of laws or commercial practices.
(3) Do not commit acts that hinder fair and free competition.
(4) Do not maintain any relationships with antisocial forces.
(5) Do not infringe on the intellectual property rights of third parties.
(6) Establish structures for the prevention, quick discovery, and handling of improper conduct.
(7) Do not use minerals unearthed in conflict-affected areas and materials produced in production processes that infringe on human rights or damage the environment as raw materials.

The Furukawa Company Group Sustainability Promotion Guidelines (excerpt)

The Furukawa Company Group's Charter of Corporate Conduct

1. **Providing high-quality products and services**
   The Group shall pursue technology development that helps to realize a sustainable society, and it shall provide products and services that satisfy customers.
2. **Harmony with the global environment**
   The Group shall work on reducing environmental risks and pursue corporate activities that are in harmony with the global environment.
3. **Ensuring compliance**
   The Group shall engage in its corporate activities in a fair manner based on the ethical values expected of corporations and business persons as members of society.
4. **Highly transparent corporate activities**
   The Group shall appropriately disclose its corporate information and engage in constructive dialogue with a wide range of stakeholders to build trust.
5. **Respect for human rights**
   The Group shall respect the human rights of all individuals.
6. **Enhancement of work environment**
   The Group shall establish a work environment that takes into consideration the health and safety of individuals and realize workstyles that respect the diverse values of officers and employees.
7. **Participation in and contribution to society**
   The Group shall actively participate in society and contribute to its development.

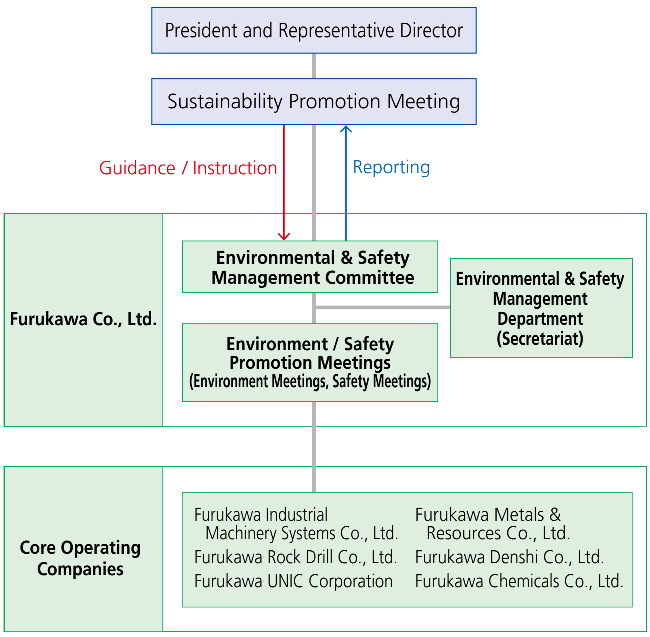
Environmental Initiatives

The Furukawa Company Group is seeking to contribute to the realization of a sustainable society by acting in accordance with the Charter of Corporate Conduct and the Basic Environmental Management Principle to engage in business activities that are considerate of decarbonization and other environmental concerns. We will tie this initiative in with new business opportunities. Regarding measures to counter global warming, we will promote activities in line with our Fourth Medium-Term Reduction Targets, which are based on the Vision for 2025 and cover the 10 years from fiscal 2020. We have also begun initiatives toward realization of carbon neutrality. In implementing environmental conservation activities, we take preventive measures, take steps to increase our resilience against natural disasters, and engage in other such actions to improve and reinforce our capabilities for dealing with risk. In addition to promoting initiatives to reduce the negative impact that our business activities have on the ecosystem, we are also engaging in continuous greening activities, sound development of mountains and forests, and so on. We are committed to pursuing the systematic promotion of activities to protect and restore the natural environment and ecosystems.

Environmental & Safety Management Committee

The key matters relating to the Group's protection of the environment and management of occupational safety and health is drafted and deliberated in the Environmental & Safety Management Committee, whose members include top management from each of our production centers. The Committee session held in April 2022 was convened on the web, following the practice of the previous fiscal year, as a measure against the spread of COVID-19. At the opening of the session, the president spoke about promoting business activities that are considerate of the environment and pursuing active initiatives for realizing carbon neutrality. He also observed that the number of accidents and disasters in fiscal 2022 had increased over the previous fiscal year. In this light, he gave instructions to promote initiatives to eradicate accidents and disasters. There was then a report on key environmental and safety activities in fiscal 2022, followed by discussion of the status of progress toward the Fourth Medium-Term Reduction Targets, future trends, the circumstances of accident and disaster occurrence, and prevention of recurrence. In order to reduce accidents and disasters in fiscal 2023, it was decided to concentrate measures on the three points of training to improve hazards sensitivity, making use of near-miss reports, and strengthening inspection rounds (workplace patrols). There was also a briefing by the Environmental & Safety Management Department about the initiation of specific measures toward realizing carbon neutrality, with the Sustainability Promotion Department as the department in charge and the Environmental & Safety Management Department as the implementing force.

Environment and Safety Promotion System

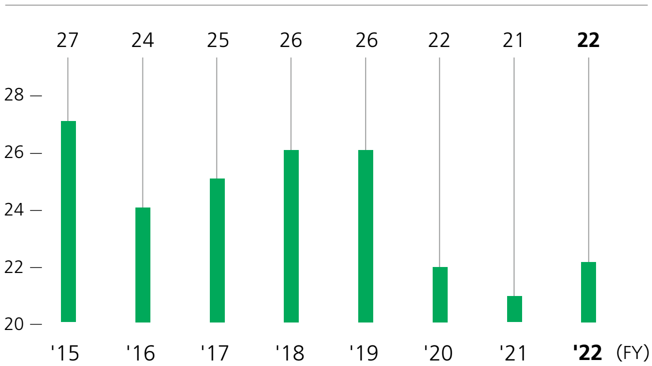


Awareness of Climate Changes

Due to factors including the consumption of energy by human beings since the Industrial Revolution, the concentration of greenhouse gases in the atmosphere has risen and global warming is progressing rapidly. The Group recognizes the risks and opportunities due to climate change as an important management issue, and we have been taking measures to reduce emissions of CO_2 and other greenhouse gases. In addition, we are presently going forward with preparations to disclose information based on recommendations of the TCFD or an equivalent framework.

The physical risks accompanying climate change are predicted to grow greater. In light of the government targets for a "46% reduction in CO_2 emissions by 2030 relative to the 2013 level" and "achievement of carbon neutrality by 2050," it appears that the risks and opportunities involved in the coming transition to a low-carbon economy will grow even greater. In order for the Group to realize sustainable growth even amid changes like these, we consider it necessary to grasp the risks and opportunities and go on strengthening our initiatives addressing climate change. To that end, we are scheduled to create a roadmap of how the Group will proceed toward carbon neutrality until 2025. As we proceed toward realization of a carbon-free society, we consider it the social mission of the Group to make every effort to provide products, technology, and services that are highly effective in reducing emissions of greenhouse gases, and to reduce the emissions of greenhouse gases that are associated with our business activities.

Furukawa Company Group's CO_2 Emissions (1,000 tons)



Initiative to Realize Carbon Neutrality

The Group has been taking steps toward the achievement of carbon neutrality since fiscal 2022.

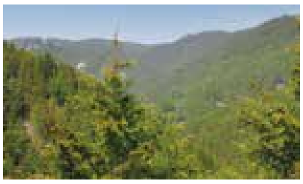
Specifically, the plan for Group production centers to follow in moving toward achievement of the abovementioned government targets call for us to introduce equipment and devices for the purpose of decarbonization, propose optimal production processes, study the future schedule for moving toward decarbonization, and implement practical CO_2 reduction measures.

Continuous Mountain and Forest Management (Regarding Company-Owned Mountain Forestland)

Mountain forestland owned by the Company, totaling approximately 2,200 hectares nationwide, contributes to CO_2 absorption, protection of biodiversity, securing water resources, and so on.

We carry out mountain and forest management in collaboration with local forestry cooperatives, systematically thinning, clearing undergrowth, trimming branches, and so on, for the sound development of the mountain forestland. At the Kune Forest in Tenryu Ward, Hamamatsu City, Shizuoka Prefecture, the FSC*1 has awarded us Forest Management (FM) certification*2.

We have also collaborated with the local forestry cooperative on the Onuma Mountain Forest in Toyone-mura, Kitashitara-gun, Aichi Prefecture. Based on site surveys conducted over three years, we reorganized the forestry sections within this forestland. New management plans were formulated that have scheduled the thinning and other activities in the Onuma Mountain Forest for the 55-year period from fiscal 2022 to fiscal 2076, during which we will continue to implement sound mountain and forest development.


Onuma Forest (Aichi Prefecture)

*1 FSC: The Forest Stewardship Council (FSC) operates an international system for certifying appropriate forestry management.
*2 Forest Management (FM) certification is one of the FSC certifications.

Approach and Initiatives for Management of Chemical Substances

The Environmental and Safety Activity Targets created annually by the Group includes targets for reduction in the amount of harmful chemical substances handled. The aim for fiscal 2022 was a 1% reduction year on year, but with production increases the result was a 6.5% increase. In fiscal 2023, we are aiming to achieve reductions by improving coating efficiency and promoting the use of alternative substances that are not covered by the PRTR*3.

Group companies Furukawa Denshi Co., Ltd., and Furukawa Chemicals Co., Ltd., use large amounts of poisonous materials as raw material for products. According to chemical substance control regulations, appropriate protective equipment is to be worn when handling these materials, they are to be stored under lock and key, transfers in and out are to be logged, and so on. We are making every effort to give employees comprehensive training in these matters so that we prevent accidents involving chemical substances and operate in safety.

*3 PRTR: Pollutant Release and Transfer Register

Consideration in the Procurement of Copper Ore

As raw material for the copper ingots that are the main product of Furukawa Metals & Resources Co., Ltd., as well as for the gold and silver bullion that are its by-products, that company procures copper concentrate from mines in Chile, Peru, Canada, the United States, Australia, Indonesia, Papua New Guinea, and other places.

The company ascertains the actual circumstances at these supplier mines with regard to environmental protection, human rights, employment and labor problems, and so on, and notes if sustainable development and appropriate mine operation are being carried out, thereby contributing to mitigation of environmental impact on a global scale.

Regarding conflict minerals, the company also has the policy of not procuring minerals produced in areas where procurement would risk furthering conflict by serving as a source of funds for armed groups and human rights violations.

The Fourth Medium-Term Reduction Targets and Results of the Third Year

The Fourth Medium-Term Reduction Targets, which cover fiscal 2020 to fiscal 2029, deal with the predicted upcoming increases in environmental performance figures (CO_2 emissions, volume of water resources used, and total emissions volume, including waste and so on) due to the production plan based on the Vision for 2025. Following discussions with each core operating company, targets were set that reduce environmental performance in CO_2 emissions by 2%, in water resources used by 2%, and in total emissions volume, including waste and so on, by 3%, respectively, relative to fiscal 2029.

The third-year results with respect to the Fourth Medium-Term Reduction Targets showed that reduction targets were achieved for CO_2 emissions volume and total emissions volume, including waste and so on. However, some sites did not achieve the initial target values for water resources used, and as a result we also fell short on the overall target.

As fiscal 2023 brings the fourth year of the Fourth Medium-Term Reduction Targets, we will work to gain a precise grasp of the status of progress at each site and carry on with measures to achieve our reduction targets.

Approach to Biodiversity

Based on the Biodiversity Action Guidelines created in 2012, the Group has been promoting activities for the preservation and restoration of biodiversity. These include continuous greening activities and sound development of mountains and forests.

Rather than using introduced species, we select native species of local origin for our greening activities. In the Matsuki Valley (Ashio-machi, Nikko City, Tochigi Prefecture), the formerly abundant nature is coming back. The ecological pyramid with birds of prey at the top, is being reshaped. The Ashio area, which includes the Matsuki Valley, is inhabited by large wild animals, such as Asian black bears, and species designated as special natural monuments, including the serow, sika deer, Japanese macaque, foxes, and others.

Going forward, we will carry on with greening efforts not only in the Ashio area but at Company-owned properties throughout Japan, furthering activities for the restoration and recovery of abundant ecosystems.

COLUMN

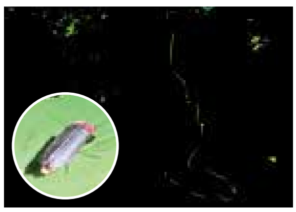
Firefly Rehabilitation Project at the Sites of the Former Kune Mine and Ashio Copper Mine

Fireflies are organisms that reflect that state of the environment, with their presence considered a sign of a healthy water environment. Out of a desire to restore an environment that provides those fireflies with a sustainable habitat that can be passed on to the next generation, our Environmental & Safety Management Department has engaged in a continuing rehabilitation project for the *genji-botaru* firefly (*Luciola cruciata*) at the site of the former Kune Mine (in Tenryu Ward, Hamamatsu City, Shizuoka Prefecture), where these fireflies are said to have swarmed. As a result, it has become possible to view the fireflies in flight every year from late June to early July.

In fiscal 2022, a firefly rehabilitation project was started on Company-owned property at the site of the former Ashio Copper Mine (in Ashio-machi, Nikko City, Tochigi Prefecture). Utilizing the concept of the biotope (a biological habitat), the channel revetments have been protected with gabions and planted with Japanese alder and willow trees that thrive near water, to recreate an environment favored by fireflies.

In fiscal 2023, a newly created firefly pond was stocked with Semisulcospira freshwater snails to serve as a food source. Once it was confirmed that the water snails had established themselves, the pond was stocked with approximately 400 larvae of *genji-botaru* firefly (*Luciola cruciata*) and *heike-botaru* firefly (*Aquatica lateralis*). In late June, fireflies were seen there, and visitors happily watched them flying about.

We will continue engaging in biological and botanical restoration activities in consideration of biodiversity.


Light-trails of fireflies swarming around the biotope
(On Company-owned property, Ashio-machi, Nikko City)

Social Initiatives

In order to realize its Management Philosophy, which is to remain indispensable to society, the Furukawa Company Group will fulfill its responsibilities to all stakeholders through ongoing efforts to help create "social value," specifically by developing social infrastructure and realizing a safe, environmentally friendly, and prosperous society. We believe that contributing to society is the cornerstone of our social initiatives. With efforts to realize a sustainable society drawing broad attention, we will look at all points of contact between our corporate activities and society, identify various social issues ranging from global-scale issues to issues rooted in each region, and engage in activities that help resolve those issues.

Realizing Rewarding Work Environments

The Group employs talented individuals who will proactively take on all challenges, while striving to recognize the diverse values of individuals, accordingly creating a rewarding corporate culture wherein human rights violations and discrimination do not occur and where individuals are evaluated fairly.

Issues and Considerations for Realizing Rewarding Work Environments

Developing human resources and using them properly	Developing diverse human resources in response to factors such as their length of service, position, job description, and abilities; putting the most capable employees in the right positions regardless of what track they are on; establishing challenging individual targets; and proper evaluations
Workstyle reforms to increase productivity	Improving working environments, such as automate and computerize operations, shorten meetings, effectively manage meetings; aptly applying various working conditions (flextime systems, teleworking, adopt discretionary work systems); and reform of mindsets toward improving operational efficiency
Establishing healthy workplaces	Reducing annual total working hours, raising the percentage of paid annual leave taken, improving the percentage of scheduled medical examinations received, and actively implementing health promotion activities

Diversity and Inclusion

The Group does not engage in any discrimination regarding human rights, beliefs, gender, disabilities, and so on in employment, and we endeavor to provide equal opportunities for all. Because Group businesses extend into a variety of fields, we are taking measures to stabilize our employment by formulating staffing and personnel plans with a clear view to business expansion and productivity increases, including in Group companies.

Empowering the Female Workforce

The Company is continuing to actively hire and involve women. We created the Action Plan for Promoting Support for Female Employees on April 1, 2016, and are gradually upgrading various systems that are designed to support active participation by women. We are also upgrading systems for the support of employees raising children by classifying a portion of childcare leave as paid leave.

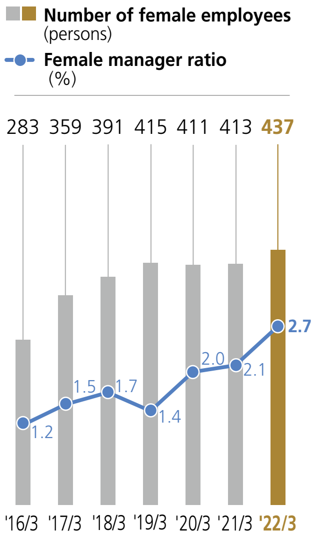
Action Plan for Promoting Support for Female Employees
(Planned period: April 1, 2021 to March 31, 2026)

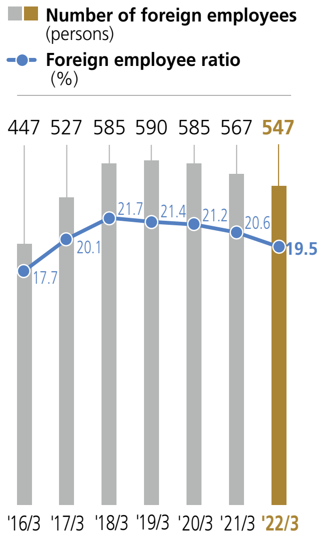
Target No. 1	Ensure that women account for at least 20% of all new graduate recruits
Target No. 2	Appoint at least 10 female managers
Target No. 3	The rate of resignation for personal reasons within five years of joining the Company among women in planning group positions 10% or below
Target No. 4	Encourage employees to take paid annual leave at an average rate of 12 days per person per year

* This applies to employees of Furukawa Co., Ltd.

Support for Employees Raising Children

As part of measures to support rearing of the next generation, we have formulated and implemented the General Business Owner Action Plan. At the same time, we are promoting improvement of the workplace environment to make it easier for people to take part in childcare and home care.





Hiring People with Disabilities

The Furukawa Company Group promotes hiring people with disabilities in various workplaces and for various types of work, thereby promoting their independence and participation in society.

Hiring Foreign Nationals

Given its active pursuit of overseas expansion, the Furukawa Company Group does not base its recruiting decisions on nationality. Moreover, we strive to deepen partnerships that transcend nationality as we promote a spirit of mutual respect for individual differences.

Extending the Mandatory Retirement Age

The mandatory retirement age was raised from 60 years to 65 years on April 1, 2020, in order to stabilize the employment of elderly people and expand their opportunities for work.
Going forward, we anticipate that these people, by passing on the technical know-how they have acquired over many years, will proactively participate in cultivating mid-level and younger employees as well as in other ways.

Respect for Human Rights

Basic Approach

In the Furukawa Company Group's Charter of Corporate Conduct and the Furukawa Company Group's Code of Conduct for Officers and Employees, the Group states that the human rights of all people are to be respected, that child labor and forced labor are forbidden, and that discriminatory treatment, behavior, and speech are not to be engaged in with regard to nationality, race, gender, age, faith, religion, social status, disability, and so on.

Training on Human Rights

We have established a code of behavior calling for our officers and employees to respect basic human rights and refrain from using discriminatory language, and accordingly have all of our new employees take part in human rights training. Additionally, employees who take part in our employment grade specific training undergo in-house training pertaining to workplace harassment and other efforts to create pleasant work environments and learn from case studies of specific developments that lead to respect for human rights.

Basic Approach to Human Resource Management

Premised on its fundamental policy of "what supports limitless development of a company is people," the Furukawa Company Group employs talented individuals who will actively take on all challenges, while striving to recognize the diverse values of individuals and accordingly creating a rewarding corporate culture absent of human rights violations and discrimination, where individuals are evaluated fairly.

Human Resource Development

The Group is aiming to optimize its business framework and heighten its corporate value by developing professional human resources through human resource cultivation systems of all kinds and by building a workplace environment where they can exercise their capabilities to the fullest.

Personnel Evaluation System

Based on the system of assigning grades by function that is used in the Group, grades are set according to the magnitude of the role the employee is expected to fulfill. By assessing personnel results and behavioral characteristics in accordance with the personnel evaluation system, we are endeavoring to provide employee guidance and cultivation, develop their capabilities, and optimize their assignments. At the same time, this serves to provide fair and equitable treatment in terms of wages, bonuses, retirement benefits, and so on, and in establishing an environment wherein motivated employees can participate proactively with a sense of security.

Communication to Facilitate Training of Subordinates

Interviews are conducted between immediate supervisors and their subordinates on a twice-yearly basis, in addition to the daily communication that takes place between managers and their employees. In the interviews, managers provide feedback to employees regarding their work, achievements, points for reflection, and findings of performance evaluations, as well as advice based on their self-reports, and confirm and share the goals they have set. Meanwhile, supervisors also provide their assessments with respect to the self-analysis. The process of undergoing straightforward performance assessments by their supervisors enables employees to scrutinize themselves on a regular basis, and thereby helps fuel their motivation for proactive career development.

Supply Chain Management

Basic Approach

The Basic Procurement Policies of the Furukawa Company Group have the four pillars of the principles of fairness and impartiality, mutual prosperity, compliance and confidentiality, and promotion of procurement activities that are considerate of CSR. In accordance with these policies, and on the assumption of cooperative relationships with suppliers, CSR Promotion Guidelines have been formulated that call for respect for human rights and the environment.

Promoting CSR Activities in the Supply Chain

The Group's Procurement departments consider it essential to have cooperative relationships not only within the Group but with suppliers and others throughout the supply chain. In fiscal 2016, therefore, we began providing suppliers, including new suppliers, with an explanation of the purpose of the Group's CSR procurement and giving them the supplier CSR survey to complete. In fiscal 2020, we visited three suppliers and exchanged views in order to promote understanding of our CSR activities.

Considering the points for reflection yielded by the initial survey, a second round of supplier CSR surveys has been conducted from fiscal 2022. In order to promote these CSR activities that extend to the supply chain, and to maintain and improve them, we have been moving through the PDCA cycle for the process from conducting supplier CSR surveys to following up on them. Starting in fiscal 2023, we will be promoting procurement activities with awareness of sustainability in addition to CSR activities.

Strengthening Relations with Major Suppliers: Fostering Partnerships

The Group considers suppliers to be important partners in aiming for mutual development.

In fiscal 2022, in order to further strengthen our partnerships even during the COVID-19 pandemic, we took steps to engage in communication with suppliers inside and outside the country using web conferencing. Work on deepening mutual understanding by means of CSR initiatives is continuing in fiscal 2023, and we hope to foster further relationships of trust.

Work–Life Balance

Creating Comfortable Workplace Environments

We promote activities to help employees maintain their health and achieve a good work–life balance by reducing overtime and improving the rate at which they take paid annual leave.

	Target	FY2022 Results
Overtime hours (monthly average)	15.5 hours	18.8 hours
Percentage of paid annual leave taken	60%	66.5%
Total actual working hours	2,000 or less	1,985.6 hours
Percentage of employees receiving regular health checks	100%	100%

Fiscal 2022 activities

- Set annual leave encouragement days and encouraged employees with low uptake rates (less than 5 days/year) to take their leave
- Imposed strict controls on working hours and provided improvement guidance to those who work long hours
- Reduced number of face-to-face meetings and encouraged web conferencing
- Promoted the principle of going straight to, and returning straight home from, outside client meetings and business trips

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Selected as a 2022 Health & Productivity Stock Selection

Furukawa Co., Ltd., has been selected for the 2022 Health & Productivity Stock Selection jointly conducted by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) as a company with particularly outstanding healthy management initiatives that strategically implement employee health management from a management perspective among companies listed on the TSE.

健康経営銘柄 2022
Health and Productivity

Consolidated 11-Year Data

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31

Financial Data

	2012/3	2013/3	2014/3	2015/3	2016/3
For the year: (Millions of yen)					
Net sales	¥157,566	¥165,539	¥163,026	¥172,544	¥161,799
Cost of sales	138,097	144,224	139,777	146,657	136,447
Gross profit	19,469	21,315	23,249	25,886	25,352
Selling, general and administrative (SG&A) expenses	17,314	17,952	16,362	16,961	17,363
Operating profit	2,154	3,363	6,886	8,925	7,988
Ordinary profit	1,268	2,763	6,150	6,603	6,227
Profit (loss) before income taxes	(2,662)	5,432	7,091	6,160	6,631
Profit (loss) attributable to owners of parent	(1,659)	2,976	3,976	9,793	5,056
Cash flows from operating activities	4,978	5,491	1,982	10,241	7,652
Cash flows from investing activities	(3,152)	(2,252)	(3,129)	(10,892)	(2,855)
Cash flows from financing activities	(3,782)	251	(4,562)	3,318	(8,166)
Capital investment	3,588	2,926	11,430	2,557	2,869
Depreciation	3,328	3,014	2,828	3,223	3,190
Research and development expenses	2,621	2,558	2,538	2,227	2,680
At year-end: (Millions of yen)					
Total assets	¥193,971	¥186,076	¥199,408	¥207,317	¥195,650
Current assets	81,498	79,507	76,839	80,564	76,314
Current liabilities	74,807	74,439	73,976	63,870	59,749
Net assets	47,668	51,507	56,313	70,581	68,262
Interest-bearing debt	85,795	80,634	77,219	82,053	76,241
Equity	46,022	50,110	54,694	68,783	66,459

For the year: (Millions of yen)	2012/3	2013/3	2014/3	2015/3	2016/3
Segment performance					
Net sales of Machinery	¥ 53,198	¥ 56,852	¥ 71,111	¥ 75,990	¥ 72,232
Industrial	12,949	12,894	18,527	16,712	14,926
Rock Drill	24,143	23,305	26,842	30,910	30,076
UNIC	16,105	20,651	25,741	28,367	27,229
Net sales of Materials	77,917	88,026	90,162	93,270	85,644
Metals	68,114	77,944	78,684	81,513	74,192
Electronics	4,615	4,987	5,381	5,743	5,477
Chemicals	5,187	5,093	6,096	6,013	5,973
Net sales of Real Estate	1,233	1,058	1,013	2,535	3,045
Operating profit (loss) of Machinery	1,970	2,923	5,333	6,551	5,882
Industrial	708	778	1,851	1,711	1,037
Rock Drill	333	(67)	341	1,225	2,217
UNIC	928	2,212	3,141	3,614	2,627
Operating profit (loss) of Materials	325	324	1,695	1,770	983
Metals	308	282	1,503	1,449	1,154
Electronics	(234)	(262)	(123)	52	(368)
Chemicals	251	304	315	267	197
Operating profit (loss) of Real Estate	356	219	(43)	776	1,276

Financial Data

	2017/3	2018/3	2019/3	2020/3	2021/3	**2022/3**
For the year: (Millions of yen)						
Net sales	¥149,829	¥167,695	¥174,116	¥165,215	¥159,702	**¥199,097**
Cost of sales	126,207	142,426	147,674	138,940	137,508	**172,995**
Gross profit	23,622	25,268	26,441	26,275	22,194	**26,101**
Selling, general and administrative (SG&A) expenses	17,076	17,447	17,526	17,582	16,601	**18,366**
Operating profit	6,545	7,820	8,915	8,693	5,592	**7,734**
Ordinary profit	7,202	8,105	8,235	8,135	6,773	**8,996**
Profit (loss) before income taxes	6,711	6,594	7,003	7,280	9,907	**9,137**
Profit (loss) attributable to owners of parent	4,254	4,774	4,654	4,431	7,468	**6,477**
Cash flows from operating activities	9,818	5,351	11,785	8,400	6,042	**8,768**
Cash flows from investing activities	(3,585)	(5,855)	(3,386)	(5,073)	2,245	**(5,857)**
Cash flows from financing activities	(5,030)	(2,529)	(4,205)	(4,843)	(3,123)	**(6,568)**
Capital investment	5,424	5,021	5,442	5,938	4,144	**4,778**
Depreciation	3,137	3,260	3,473	3,589	3,879	**4,003**
Research and development expenses	2,464	2,292	1,504	1,177	1,164	**1,336**
At year-end: (Millions of yen)						
Total assets	¥208,034	¥222,211	¥215,368	¥209,697	¥218,275	**¥229,727**
Current assets	79,578	87,845	87,441	85,725	88,625	**96,238**
Current liabilities	59,790	79,322	60,376	52,555	47,839	**59,859**
Net assets	79,584	87,086	80,447	77,966	94,364	**100,075**
Interest-bearing debt	73,507	73,311	72,597	70,412	69,683	**65,671**
Equity	77,658	85,011	78,216	75,543	91,770	**97,253**

For the year: (Millions of yen)	2017/3	2018/3	2019/3	2020/3	2021/3	**2022/3**
Segment performance						
Net sales of Machinery	¥ 66,803	¥ 73,453	¥ 77,580	¥ 82,691	¥ 68,635	**¥ 76,938**
Industrial	14,041	15,871	17,971	23,237	16,682	**17,723**
Rock Drill	26,979	30,199	30,372	27,663	24,149	**30,910**
UNIC	25,782	27,381	29,237	31,791	27,804	**28,305**
Net sales of Materials	78,968	89,987	92,722	79,366	88,203	**118,163**
Metals	67,853	77,334	80,067	67,149	76,094	**102,995**
Electronics	5,816	6,307	6,527	5,506	5,741	**7,271**
Chemicals	5,298	6,344	6,127	6,710	6,367	**7,896**
Net sales of Real Estate	3,074	3,338	2,999	2,386	2,107	**2,115**
Operating profit (loss) of Machinery	3,580	5,083	6,567	7,343	3,968	**4,679**
Industrial	104	1,005	2,088	3,208	2,113	**1,396**
Rock Drill	897	1,782	1,689	142	(1,324)	**1,117**
UNIC	2,578	2,295	2,789	3,992	3,180	**2,165**
Operating profit (loss) of Materials	1,870	1,648	1,396	776	1,040	**2,349**
Metals	1,738	867	581	301	499	**940**
Electronics	17	330	407	(35)	161	**666**
Chemicals	114	451	406	510	380	**743**
Operating profit of Real Estate	1,265	1,339	1,163	735	736	**743**

Consolidated 11-Year Data

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31

Financial Analysis Data

	2012/3	2013/3	2014/3	2015/3	2016/3
Per share amounts:* (Yen)					
Basic earnings	¥ (41.07)	¥ 73.65	¥ 98.40	¥ 242.34	¥ 125.13
Cash dividends	0.00	20.00	30.00	50.00	50.00
Net assets	1,138.75	1,239.94	1,353.41	1,702.21	1,644.81
Profitability: (%)					
Cost of sales margin	87.6	87.1	85.7	85.0	84.3
Gross margin	12.4	12.9	14.3	15.0	15.7
SG&A expense margin	11.0	10.8	10.0	9.8	10.7
Operating margin	1.4	2.0	4.2	5.2	4.9
Ordinary margin	0.8	1.7	3.8	3.8	3.8
Return on sales	(1.1)	1.8	2.4	5.7	3.1
Efficiency and soundness:					
Return on equity (ROE) (%) (Note 1)	(3.6)	6.2	7.6	15.9	7.5
Return on assets (ROA) (%) (Note 2)	(0.9)	1.6	2.1	4.8	2.5
Debt-to-equity (D/E) ratio (Times) (Note 3)	1.9	1.6	1.4	1.2	1.1
Equity-to-asset ratio (%) (Note 4)	23.7	26.9	27.4	33.2	34.0
Total asset turnover (Times) (Note 5)	0.8	0.9	0.8	0.8	0.8
Investment indicators:					
Dividend payout ratio (%) (Note 6)	—	27.2	30.5	20.6	40.0
Dividends on equity (DOE) ratio (%) (Note 7)	—	1.6	2.2	3.2	2.9
Price book value ratio (PBR) (Times) (Note 8)	0.7	0.9	1.4	1.2	1.0
Stock price at fiscal year-end (Yen)	800	1,090	1,860	2,120	1,660
Market capitalization (Millions of yen)	32,356	44,085	75,228	85,744	67,139

ESG Data

	2012/3	2013/3	2014/3	2015/3	2016/3
CO_2 emissions (Thousand t)	20	24	23	27	24
Drain volume (Thousand m^3)	468	448	429	455	471
Total emissions including waste, etc. (t)	6,395	6,389	7,746	6,266	6,832
Valuables	2,301	2,567	3,003	3,168	3,374
Waste	4,094	3,822	4,743	3,098	3,458
Energy (Thousand GJ)	497	461	454	474	429
Water resources (Thousand m^3)	652	641	633	651	666
Number of directors (Persons)	8	8	8	7	8
Number of outside directors (Persons)	1	1	1	1	2
Number of employees (Persons)	2,752	2,342	2,413	2,456	2,521
Number of female employees (Persons)*	—	—	—	—	283
Total actual working hours (Hours)	2,044	2,030	2,075	2,136	2,105
Overtime hours (monthly average) (Hours)	20.75	19.00	25.50	26.27	23.80

Other Data

	2012/3	2013/3	2014/3	2015/3	2016/3
LME copper price (average; US$/ton)	8,485	7,855	7,104	6,554	5,215
JPY rate per US$ (average for fiscal year)	79.07	83.10	100.24	109.93	120.13
Copper production volume (Tons)	76,896	90,387	87,767	90,447	86,466
Copper sales volume (Tons)	82,597	96,789	94,966	96,675	94,327

Notes: 1. Return on equity (ROE) = Profit (loss) attributable to owners of parent / Average equity × 100
2. Return on assets (ROA) = Profit (loss) attributable to owners of parent / Average total assets × 100
3. Debt-to-equity (D/E) ratio = Interest-bearing debt (fiscal year-end) / Equity (fiscal year-end)
4. Equity-to-asset ratio = Equity (fiscal year-end) / Total assets (fiscal year-end) × 100
5. Total asset turnover = Net sales / Average total assets × 100
6. Dividend payout ratio = Total cash dividends / Profit (loss) attributable to owners of parent × 100
7. Dividends on equity (DOE) ratio = Total cash dividends / Average net assets × 100
8. Price book value ratio (PBR) = Stock price (fiscal year-end) / Net assets per share

Financial Analysis Data

	2017/3	2018/3	2019/3	2020/3	2021/3	**2022/3**
Per share amounts:* (Yen)						
Basic earnings	¥ 105.29	¥ 118.16	¥ 116.23	¥ 112.23	¥ 190.73	**¥ 165.87**
Cash dividends	50.00	50.00	50.00	50.00	50.00	**50.00**
Net assets	1,922.04	2,104.07	1,978.09	1,926.32	2,348.53	**2,505.01**
Profitability: (%)						
Cost of sales margin	84.2	84.9	84.8	84.1	86.1	**86.9**
Gross margin	15.8	15.1	15.2	15.9	13.9	**13.1**
SG&A expense margin	11.4	10.4	10.1	10.6	10.4	**9.2**
Operating margin	4.4	4.7	5.1	5.3	3.5	**3.9**
Ordinary margin	4.8	4.8	4.7	4.9	4.2	**4.5**
Return on sales	2.8	2.8	2.7	2.7	4.7	**3.3**
Efficiency and soundness:						
Return on equity (ROE) (%) (Note 1)	5.9	5.9	5.7	5.8	8.9	**6.9**
Return on assets (ROA) (%) (Note 2)	2.1	2.2	2.1	2.1	3.5	**2.9**
Debt-to-equity (D/E) ratio (Times) (Note 3)	0.9	0.9	0.9	0.9	0.8	**0.7**
Equity-to-asset ratio (%) (Note 4)	37.3	38.3	36.3	36.0	42.0	**42.3**
Total asset turnover (Times) (Note 5)	0.7	0.8	0.8	0.8	0.7	**0.9**
Investment indicators:						
Dividend payout ratio (%) (Note 6)	47.5	42.3	43.0	44.6	26.2	**30.1**
Dividends on equity (DOE) ratio (%) (Note 7)	2.7	2.4	2.4	2.5	2.3	**2.0**
Price book value ratio (PBR) (Times) (Note 8)	1.1	0.9	0.7	0.6	0.6	**0.5**
Stock price at fiscal year-end (Yen)	2,050	1,985	1,393	1,060	1,336	**1,289**
Market capitalization (Millions of yen)	82,913	80,284	56,340	42,872	52,205	**50,043**

ESG Data

	2017/3	2018/3	2019/3	2020/3	2021/3	**2022/3**
CO_2 emissions (Thousand t)	25	26	26	22	21	**22**
Drain volume (Thousand m^3)	465	410	477	477	474	**417**
Total emissions including waste, etc. (t)	5,347	6,884	7,160	7,039	5,912	**6,347**
Valuables	2,489	2,928	3,357	3,203	2,456	**3,045**
Waste	2,858	3,956	3,803	3,836	3,456	**3,302**
Energy (Thousand GJ)	458	483	511	438	427	**472**
Water resources (Thousand m^3)	671	623	692	680	671	**618**
Number of directors (Persons)	9	9	9	9	9	**9**
Number of outside directors (Persons)	3	3	3	3	3	**3**
Number of employees (Persons)	2,616	2,690	2,757	2,755	2,752	**2,804**
Number of female employees (Persons)*	359	391	415	411	413	**437**
Total actual working hours (Hours)	2,064	2,138	2,117	2,083	1,952	**1,986**
Overtime hours (monthly average) (Hours)	20.65	26.85	25.40	22.36	15.22	**18.8**

Other Data

	2017/3	2018/3	2019/3	2020/3	2021/3	**2022/3**
LME copper price (average; US$/ton)	5,154	6,444	6,341	5,860	6,879	**9,691**
JPY rate per US$ (average for fiscal year)	108.42	110.85	110.91	108.74	106.06	**112.38**
Copper production volume (Tons)	84,062	88,004	81,346	77,068	74,386	**71,149**
Copper sales volume (Tons)	91,294	90,103	85,146	83,863	81,998	**77,402**

* • The Company conducted a 1-for-10 stock consolidation of shares of common stock, effective October 1, 2017. In the above table, per-share figures for the fiscal 2017 and prior years have been recalculated based on the number of shares outstanding after the stock consolidation.

• For number of female employees, only figures for fiscal 2016 and later are shown because numbers of male and female employees were not counted in some categories before then.

Management's Analysis of Operating Results, Financial Position, and Cash Flows

Statement about Changes to English Financial Statements

As a company listed on the Prime Market of the Tokyo Stock Exchange, since April 2022 we have been translating and publishing financial statements and other materials into English for timely disclosure. For financial statements and other information in this report, therefore, we use the English translation of our financial statements, which are based on Japanese generally accepted accounting principles (Japanese GAAP). Those financial statements (based on Japanese GAAP) have been properly audited by the firm that audited the Company's Annual Securities Report.

Operating Results

In fiscal 2022, ended March 31, 2022, consolidated net sales amounted to ¥199,097 million, up ¥39,394 million from fiscal 2021, and operating profit totaled ¥7,734 million, up ¥2,142 million. As a result, the operating margin increased 0.4 point, to 3.9%. The Industrial Machinery and UNIC Machinery segments both reported higher sales and lower profit, but the Rock Drill Machinery segment, which posted an operating loss in the previous fiscal year, reported increased sales and a return to profitability, resulting in higher sales and profit for the Machinery business as a whole. In the Materials business, the Metals, Electronics, and Chemicals segments all posted increases in both sales and profit. Sales and profit in the Real Estate business were mostly unchanged year on year.

Non-operating income increased ¥295 million, to ¥3,044 million, mainly due to a gain on the sale of scintillator crystal manufacturing equipment (part of "Gain on sales of waste goods"). Non-operating expenses rose ¥213 million, to ¥1,782 million, mainly due to expenses associated with the head office relocation. As a result, ordinary profit increased ¥2,223 million (32.8%), to ¥8,996 million.

Among extraordinary items, we reported an ¥833 million gain on bargain purchases (negative goodwill) resulting from the acquisition of shares in Yamaishi Metal Co., Ltd., which became a subsidiary on October 1, 2021. However, total extraordinary income declined ¥2,991 million (72.9%), to ¥1,113 million. This was because in the previous fiscal year we posted a ¥4,078 million gain on sales of investment securities due to the sale of strategic shareholdings in two companies. Total extraordinary losses were ¥972 million, mostly unchanged from ¥971 million in the previous fiscal year. This was despite expenses of ¥668 million (¥730 million in the previous fiscal year) corresponding to the progress of demolition work on the Furukawa Osaka Building.

As a result, profit before income taxes decreased ¥769 million (7.8%), to ¥9,137 million.

Total income taxes (including enterprise tax, inhabitants' tax, and business tax) increased ¥213 million, to ¥2,450 million. The effective tax rate was 26.8%, up 4.2 points from the previous fiscal year, when there was an adjustment (–5.5 points) due to a decrease in the valuation allowance associated with the sale of strategic shareholdings. This was despite an adjustment (–2.9 points) in the fiscal year under review due to a gain on bargain purchases (negative goodwill). Profit attributable to non-controlling interests increased ¥6 million, to ¥208 million. As a result of the above, profit attributable to owners of parent decreased ¥990 million (13.3%), to ¥6,477 million.

Return on equity (ROE) declined 2.1 points, to 6.9%. Basic earning per share was down 13.0%, to ¥165.87.

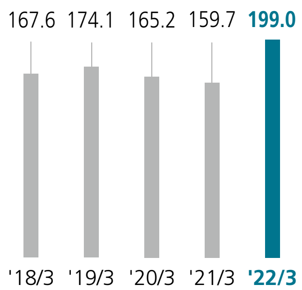
Industrial Machinery

Sales in the Industrial Machinery segment amounted to ¥17,723 million, up ¥1,041 million year on year, and operating profit was ¥1,396 million, down ¥717 million. During the year, we received orders related to the construction of the upper part of the No. 3 elevated bridge on the Tokai-Kanjo Expressway Daian No. 2 (Inabe, Mie Prefecture), the replacement construction of a pedestrian bridge in front of Kameido Station (Koto, Tokyo), and for a SICON® enclosed hanging belt conveyor for construction of the Shin-Kobotoke Tunnel on the Chuo Expressway. As a result, total orders remained mostly unchanged year on year. Due to a decline in materials machinery and project orders, however, the year-end order balance was lower than the previous fiscal year-end. For the year, we booked sales from large-scale projects, including cargo handling equipment for the Port of Onahama international bulk terminal and a SICON® enclosed hanging belt conveyor for the construction of the No. 1 Tokyo Metropolitan Area Tunnel of the Chuo Shinkansen (Kita-Shinagawa Construction Zone, Tokyo), while sales in the contractor business, covering bridges and other projects, increased year on year. However, profit from materials machinery declined due to lower sales of parts, overhaul services, and the like.

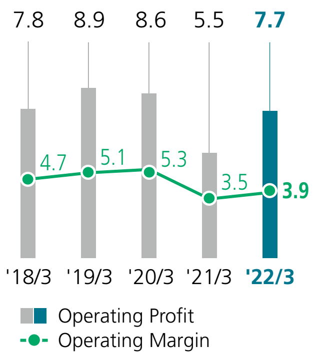
Rock Drill Machinery

Sales in the Rock Drill Machinery segment amounted to ¥30,910 million, up ¥6,761 million, and operating profit was ¥1,117 million, compared with an operating loss of ¥1,324 million in the previous fiscal year. That loss was due to the impact of the COVID-19 pandemic. In the fiscal year under review, however, we

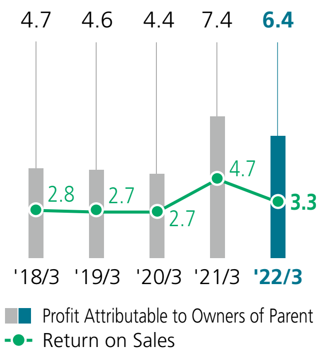
Net Sales (Billions of yen)



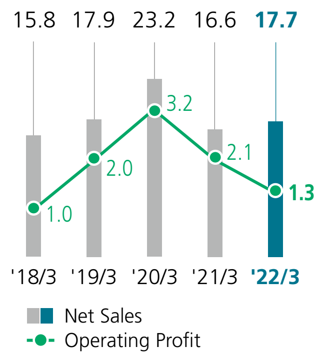
Operating Profit (Billions of yen)
Operating Margin (%)



Profit Attributable to Owners of Parent (Billions of yen)
Return on Sales (%)



Industrial Machinery
Net Sales (Billions of yen)
Operating Profit (Billions of yen)



posted year-on-year sales increases both in Japan and overseas, leading to a significant improvement in earnings, and we returned to profitability as a result. The yen's depreciation also had a particularly positive effect on overseas sales. Moreover, we reported sales growth in all product categories. Specifically, sales of hydraulic crawler drills increased in North America, the Middle East, Africa, and Southeast Asia. This was especially so in North America as demand for construction machinery is strong. We also reported increased sales of hydraulic breakers in Europe and North America and auxiliary parts in Japan and North America.

UNIC Machinery

Sales in the UNIC Machinery segment amounted to ¥28,305 million, up ¥500 million, and operating profit was ¥2,165 million, down ¥1,014 million. In Japan, a recovery in investment sentiment, which had been restrained in the previous fiscal year, resulted in increased sales to wide-area rental and commercial companies until the second quarter. From the latter half of the second quarter, however, sales declined due mainly to delays in truck production caused by difficulties in procuring overseas parts and delays in crane installation stemming from production cutbacks. In addition, the cost of sales ratio worsened due to hikes in prices of steel and other raw materials, resulting in a decrease in domestic operating profit. Overseas, we posted sales growth in China thanks to increased shipments of UNIC cranes. However, sales in North America declined due to a decrease in shipments of mini-crawler cranes as a shortage of building construction materials led to sluggish market recovery. With the added impact of rising ocean freight prices, overseas operating profit remained mostly unchanged year on year.

Metals

Sales in the Metals segment amounted to ¥102,995 million, up ¥26,900 million, and operating profit was ¥940 million, up ¥441 million. The overseas market price of electrolytic copper started the year at US$8,768/ton, then made steady progress in the mid to late of US$9,000/ton range due to economic recovery in various European countries and projected demand for electric vehicles (EVs) and renewable energy. Russia's invasion of Ukraine pushed the price higher, to an all-time record of US$10,730/ton on March 7, 2022, before ending the fiscal year at US$10,337/ton. The domestic market price of electrolytic copper started the year at ¥1.02 million/ton and ended at ¥1.33 million/ton. The Company's volume sales of electrolytic copper declined to 77,402 tons (down 4,596 tons year on year), due to the gradual reduction of production volume following a review of the contracted smelting ratio, but segment sales increased thanks to higher overseas electrolytic copper market prices. Due to improved profitability of the contracted smelting business stemming from reduced copper production, as well as marginal gains due to higher copper prices, segment operating profit also increased.

Electronics

Sales in the Electronics segment amounted to ¥7,271 million, up ¥1,530 million, and operating profit was ¥666 million, up ¥504 million. We posted an increase in sales of crystal products due to higher demand for their use in discrete semiconductors. We also reported growth in sales of coils owing to steady demand from the automobile sector. This was despite the impact of automobile production cutbacks due to a shortage of semiconductors and other factors from the second quarter. Sales of high-purity metallic arsenic, both in Japan and overseas, benefited from stable demand for compound semiconductors, a major application for that material, while demand for aluminum nitride for use in thermal management components and semiconductor manufacturing equipment increased, leading to higher overall segment sales.

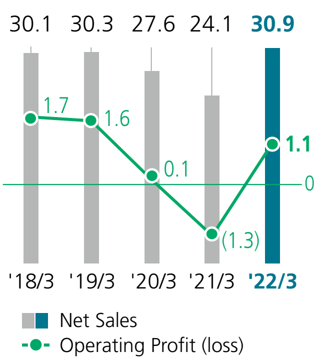
Chemicals

Sales in the Chemicals segment amounted to ¥7,896 million, up ¥1,529 million, and operating profit was ¥743 million, up ¥363 million. Sales of cupric oxide increased due to higher unit prices, mainly reflecting higher copper prices and strong demand for the use of that material in circuit boards. Sales of cuprous oxide increased owing to higher unit prices stemming from higher copper prices. This was despite a decline in demand for ship-bottom paints as disruption in ship operations caused by COVID-19 led to lower demand for vessel repairs.

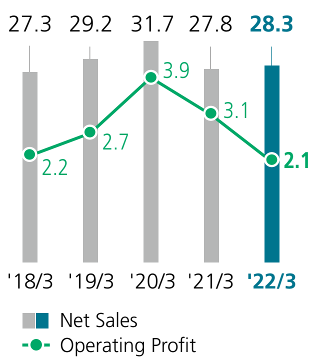
Real Estate

Sales in the Real Estate segment amounted to ¥2,115 million, up ¥7 million, and operating profit was ¥743 million, up ¥6 million. Our main facility, the Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2), was affected by the COVID-19 pandemic. For example, the national government declared its third state of emergency in April 2021, and we closed the entire building due to a request from the Tokyo Metropolitan Government for emergency measures. It reopened with shortened operating hours in May. In July, the national government declared its fourth state of emergency (shifting from the reissue of priority measures, such as epidemic prevention), which was rescinded at

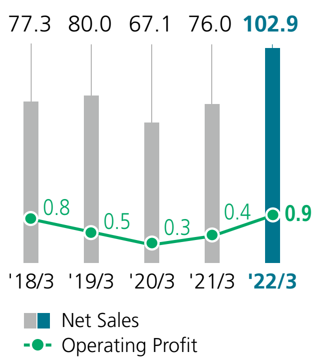
Rock Drill Machinery
Net Sales (Billions of yen)
Operating Profit (loss) (Billions of yen)



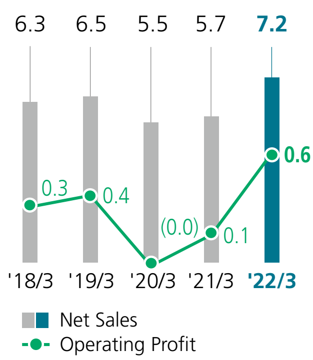
UNIC Machinery
Net Sales (Billions of yen)
Operating Profit (Billions of yen)



Metals
Net Sales (Billions of yen)
Operating Profit (Billions of yen)



Electronics
Net Sales (Billions of yen)
Operating Profit (Billions of yen)



the end of September. Then another pre-emergency status was declared at the start of 2022. In short, our business was impacted by COVID-19 throughout the fiscal year. In response, the Company implemented some rent reductions and exemptions for commercial tenants, resulting in a decrease in revenue. On the other hand, overall rental revenues remained mostly unchanged year on year, thanks mainly to an increase in the number of office tenants.

Others

This segment covers metal powder, transportation, and other businesses. For the fiscal year under review, segment sales totaled ¥1,879 million, up ¥1,123 million, and operating profit was ¥17 million, compared with an operating loss of ¥82 million in the previous fiscal year.

Financial Position

As of March 31, 2022, total assets amounted to ¥229,727 million, up ¥11,452 million from a year earlier. Current assets increased ¥7,612 million (8.6%), to ¥96,238 million. This was mainly due to an ¥11,418 million (30.5%) rise in inventories stemming from an increase in the volume of raw materials handled by the Metals segment, as well as higher metal prices. By contrast, there was a ¥3,279 million (18.5%) decrease in cash and cash equivalents. Total non-current assets increased ¥3,839 million (3.0%), to ¥133,489 million. Main factors were a ¥1,159 million (1.3%) increase in property, plant and equipment associated with the construction of a new office building at the Oyama Works (Industrial Machinery segment), as well as a ¥1,410 million (4.1%) rise in investment securities resulting mainly from a ¥1,187 million increase in the market valuation of listed shareholdings.

Total liabilities at fiscal year-end amounted to ¥129,652 million, up ¥5,741 million (4.6%) from a year earlier. Current liabilities rose ¥12,020 million (25.1%), to ¥59,859 million. Main factors were a ¥9,594 million (33.1%) increase in payables (notes and accounts payable–trade, electronically recorded obligations–operating, and accounts payable–other) and a ¥2,928 million (27.7%) increase in short-term borrowings (including current portion of long-term debt). Non-current liabilities decreased ¥6,278 million (8.3%), to ¥69,793 million, mainly due to a ¥6,940 million (11.7%) decline in long-term borrowings.

Net assets increased ¥5,710 million (6.1%), to ¥100,075 million. This was mainly due to a ¥4,196 million (5.5%) increase in total shareholders' equity, stemming from ¥6,477 million in profit attributable to owners of parent and ¥1,953 million in cash dividends paid. Other factors included an increase in valuation difference on available-for-sale securities due to a rise in the market value of listed shareholdings, an increase in foreign currency translation adjustment due to the yen's depreciation during the fiscal year, an increase in remeasurements of defined benefit plans due to amortization of unrecognized actuarial gains/losses and other factors, and a ¥1,286 million (8.4%) increase in total accumulated other comprehensive income.

As a cash flow measure to address the impact of COVID-19, we raised ¥10 billion in working capital in May 2020. After repayments, the balance as of March 31, 2021 was ¥2 billion, which we fully repaid in the fiscal year under review. As a result, equity at fiscal year-end amounted to ¥97,253 million, and the equity-to-asset ratio was 42.3%, up 0.3 point from a year earlier. The debt-to-equity (D/E) ratio improved 0.1 point, to 0.7 times.

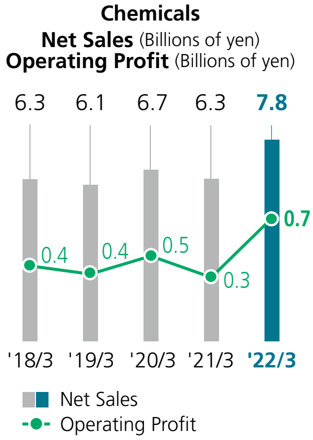
R&D and Capital Investment

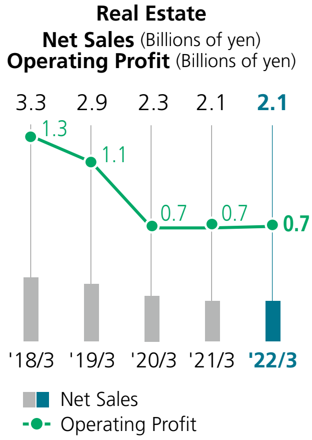
The Furukawa Company Group actively engages in R&D on high-value-added products and new materials that meet wide-ranging market needs. In the fiscal year under review, total research and development expenses amounted to ¥1,336 million, up 14.8% from the previous fiscal year. Of this total, ¥25 million was allocated to the Industrial Machinery segment, ¥55 million to the Rock Drill Machinery segment, ¥240 million to the UNIC Machinery segment, ¥8 million to the Metals segment, ¥114 million to the Electronics segment, and ¥197 million to the Chemicals segment. We also spent ¥693 million on corporate research aimed at developing basic technologies for each segment and creating new businesses. This was allocated to all of the business segments.

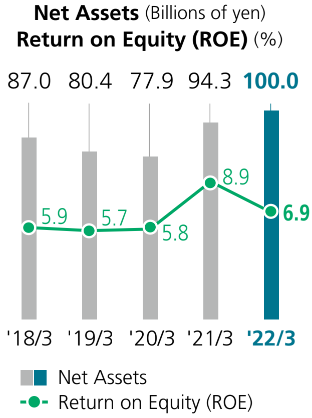
In fiscal 2022, capital investment (including purchase of intangible fixed assets) increased 15.1%, to ¥4,778 million. Of this total, ¥1,703 million was allocated to the Industrial Machinery segment, ¥247 million to the Rock Drill Machinery segment, ¥718 million to the UNIC Machinery segment, ¥325 million to the Metals segment, ¥265 million to the Electronics segment, and ¥105 million to the Chemicals segment, aimed primarily at improvements in production efficiency. In addition, ¥595 million was allocated to the Real Estate segment to acquire land for business use, and ¥817 million went to the Others segment, mainly for relocations associated with the consolidation of the Group's head office functions and for measures to prevent pollution at suspended mines. Funds for these expenditures are sourced from internal funds and borrowings. Depreciation increased 3.2%, to ¥4,003 million.

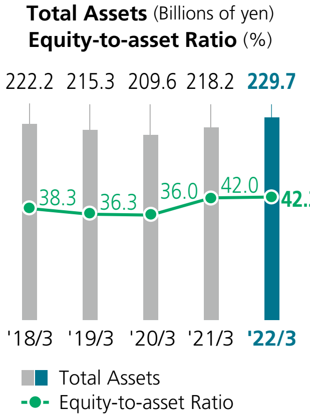
Cash Flows

In the fiscal year under review, net cash provided by operating activities amounted to ¥8,768 million, up ¥2,726 million from the previous fiscal year. This was mainly due to an increase in adjusted









income from non-cash profit/loss items and the like resulting from the increase in operating profit.

Net cash used in investing activities totaled ¥5,857 million, compared with net cash provided by investing activities of ¥2,245 million in the previous fiscal year (overall year-on-year decrease of ¥8,102 million). This was mainly due to ¥5,572 million in purchases of property, plant and equipment and intangible assets (up ¥2,099 million year on year) and ¥107 million in proceeds from sales of investment securities (down ¥5,444 million). The increase in purchases of property, plant and equipment and intangible assets was mainly due to a ¥1,883 million increase in outlays for construction of a new office building at the Oyama Works (Industrial Machinery segment). The Company annually examines the appropriateness of continuing to hold strategic shareholdings and sells them as necessary to make effective use of assets and improve financial soundness. In the previous fiscal year, the Company sold investment securities in order to secure liquidity on hand to immediately address emergency demand for funds arising from the COVID-19 pandemic. By comparison, proceeds from sales of investment securities in the fiscal year under review declined.

Net cash used in financing activities was ¥6,568 million, up ¥3,445 million from the previous fiscal year. The main factor was a net decrease in interest-bearing debt (borrowings, net of repayments) of ¥4,025 million (up ¥3,283 million from the previous fiscal year). Of this net decrease, ¥2,000 million was due to repayment of working capital procured from financial institutions to improve our cash position in light of the pandemic. (All of the ¥10 billion raised in May 2020 has now been repaid.)

As a result, the year-end balance of cash and cash equivalents totaled ¥14,468 million, down ¥3,279 million from a year earlier.

Consolidated Operating Cash Flow Allocation and Capital Strategy

As stated in our news release on May 13, 2021, we decided to postpone the announcement of Medium-Term Business Plan 2022. For this reason, we have not disclosed our consolidated cash flow allocation plan for the Group for the period from April 2020 to March 2023, which is Phase 2 of Vision for 2025. Nevertheless, we will continue to “actively promote investments that contribute to increased corporate value” while aiming to establish a robust financial foundation. At the same time, we will endeavor to make optimal allocations of cash flows in consideration of shareholder returns.

A summary of consolidated cash flow allocations for Phase 1 (April 2017 to March 2020) and Phase 2 (April 2020 to March 2023, including forecasts) is shown in the table on the next page.

In our cash flow allocation (forecast) for fiscal 2023, we define cash flow from operating activities as operating profit after tax plus depreciation (based on our fiscal 2023 forecast).

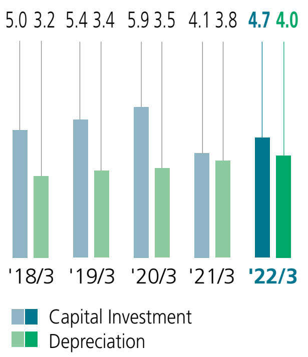
As for capital investment, our cumulative three-year allocation in Phase 1 totaled ¥16,403 million (capital investment and other payments of ¥16,394 million). In fiscal 2021, the allocation was ¥4,144 million (capital investment and other payments of ¥3,473 million) and in fiscal 2022 it was ¥4,778 million (capital investment and other payments of ¥5,572 million). All of these allocations centered on the core Machinery business.

As of March 31, 2022, we plan to make capital investment of ¥8.3 billion in fiscal 2023 and beyond. Of this amount, in fiscal 2023 we have earmarked ¥2.8 billion to the Machinery business, including for a medical waste treatment facility at Gunma Kankyo Recycle Center Co., Ltd., and ¥1.6 billion to the Materials business, including for aluminum nitride production equipment, as well as ¥4.7 billion for the Group as a whole. Going forward, we will continue allocating capital investment that helps us enhance our manufacturing capabilities, mainly in the Machinery business, in order to “actively promote investments that contribute to increased corporate value.”

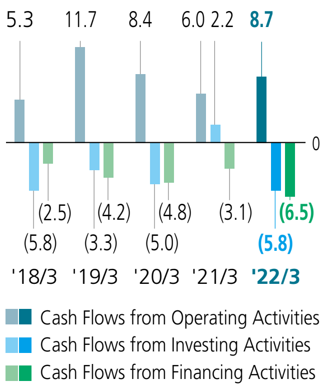
We also reduced interest-bearing debt (borrowings), from ¥73,507 million on March 31, 2017 to ¥65,671 million on March 31, 2022 (¥3,094 million reduction in Phase 1, ¥729 million in fiscal 2021, and ¥4,011 million in fiscal 2022). In addition, we plan to reduce interest-bearing debt by a further ¥4,000 million in fiscal 2023. Going forward, we will continue placing top priority on improving efficiency and profitability without excessive reliance on financial leverage, while endeavoring to improve financial soundness in order to achieve the financial targets set for fiscal 2026, the final year of Vision for 2025, as set forth in Medium-Term Business Policy 2022, announced in May 2020.

The Furukawa Company Group places great importance on improving returns of profits to all shareholders. Our basic policy is to appropriate profits after comprehensive consideration of various factors, including retained earnings required to finance capital investment and research and development expenses necessary to bolster earnings, as well as future business development and other factors. We strive to return profits to shareholders in a stable and ongoing manner. In principle, we aim to pay annual dividends from retained earnings of ¥50.00 per share or higher for a consolidated payout ratio of 30% or higher, based on consolidated earnings (excluding extraordinary income/loss situations). In the three-year period of Phase 1, we made cumulative appropriations from retained earnings of ¥5,958 million, for a consolidated dividend payout ratio of 43.3%. In fiscal 2021, we made a total of ¥1,953 million in appropriations from retained

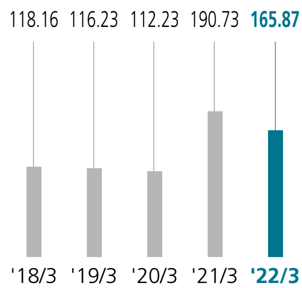
Capital Investment (Billions of yen)
Depreciation (Billions of yen)



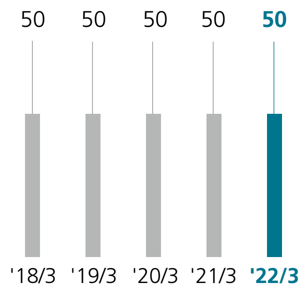
Cash Flows (Billions of yen)



Basic Earnings per Share (Yen)



Cash Dividends per Share (Yen)



earnings (¥50.00 per share), following by ¥1,941 million in fiscal 2022 (¥50.00 per share). In fiscal 2021, the consolidated dividend payout ratio fell to 26.2%. This was due in part to an increase in basic earnings per share stemming from the sale of strategic shareholdings, as well as the posting of a gain on sales of investment securities (reported as extraordinary income) to secure liquidity on hand to immediately meet emergency demand for funds to address COVID-19.

As announced in our news release on May 12, 2022, we plan to pay annual dividends of ¥50.00 in fiscal 2023, for a consolidated dividend payout ratio of 41.3%.

With respect to treasury stock, over the three-year period of Phase 1, we purchased a total of 1,186,300 shares, for a total purchase price of ¥1,628 million. In November 2020, we purchased 140,500 shares, for a total price of ¥164 million, and in March 2022 we purchased 251,700 shares, for a total price of ¥334 million. We will continue contemplating the purchase and cancellation of treasury stock as appropriate, taking into consideration stock price trends, capital efficiency, cash flows, and other factors.

Analysis of Performance Indicators

Our Vision for 2025, FURUKAWA Power & Passion 150, will end in fiscal 2026 when we mark the 150th anniversary of the Company's founding. Under the Vision, we are targeting consolidated annual operating profit regularly in excess of ¥15 billion and double-digit ROE. As Phase 1 of the Vision, we formulated Medium-Term Business Plan 2019 (covering the three-year period from fiscal 2018 to fiscal 2020), with targets of operating profit in the ¥8.5 billion range and ROE in the 6–7% range. We achieved our targets for consolidated operating profit for two consecutive fiscal years (¥8.9 billion in fiscal 2019 and ¥8.6 billion in fiscal 2020), but ROE remained in the low 5% range for all three years, falling short of our target.

As stated in our news release on May 13, 2021, we decided to postpone the announcement of Medium-Term Business Plan 2022. For this reason, we have not disclosed our targets for fiscal 2023, the final year of Phase 2 of Vision for 2025. However, we decided to announce our single-year consolidated performance forecasts for fiscal 2022 and fiscal 2023 at the respective financial results briefings (fiscal 2021 held in May 2021 and fiscal 2022 in May 2022). In fiscal 2022, we reported operating profit of ¥7,734 million. Compared with fiscal 2017 (benchmark year for comparison purposes), operating profit of the Machinery business in fiscal 2022 increased 31%, operating profit of the Materials business increased 26%, and operating profit of the Real Estate segment declined 41%. Of total consolidated operating profit, the Machinery business, positioned as a core business, accounted for 60% (53% in fiscal 2017 and 69% in fiscal 2021), the Materials business accounted for 30% (28% in fiscal 2017 and 18% in fiscal 2021), and the Real Estate business accounted for 10% (19% in fiscal 2017 and 13% in fiscal 2021).

We are also stepping up efforts to increase ROE. Among the components of ROE, we are placing top priority on improving profitability and efficiency. In addition to accurately monitoring cost of capital, we practice business portfolio management that takes cost of capital into account when allocating management resources, including capital investment. In these ways, we will work to establish an optimal business portfolio and pursue overall optimization of management resource allocation. In fiscal 2020 (final year of Phase 1), ROE was 5.8% (5.9% in fiscal 2018 and 5.7% in fiscal 2019). This was because, compared with fiscal 2017 (benchmark year), we reported a decline in profitability in fiscal 2020, due mainly to deterioration in the return on sales

Consolidated Cash Flow Allocation

(Millions of yen, rounded down)

	FY2018–2020 cumulative	FY2021	FY2022	FY2023 (prediction)	FY2021–2023 cumulative (prediction)
Cash flows from operating activities	25,537	6,042	8,768	8,956	23,767
Payments for capital investment, etc.	(16,394)	(3,473)	(5,572)	(4,700)	(13,746)
Payments/collections of other investments	2,078	5,718	(284)		5,434
Cash flows from investing activities	(14,315)	2,245	(5,857)	(4,700)	(8,311)
Free cash flow	11,221	8,287	2,911	4,256	15,456
Interest-bearing debt	(3,058)	(741)	(4,025)	(4,000)	(8,767)
Cash dividends	(6,017)	(1,961)	(1,953)	(1,941)	(5,855)
Share buybacks	(1,631)	(165)	(334)		(500)
Others	(870)	(254)	(255)		(510)
Cash flows from financing activities	(11,577)	(3,123)	(6,568)	(5,941)	(15,633)

Financial Indicators

		FY2017 (base year for comparisons)	FY2020	FY2021	FY2022	FY2026 (Image)
Financial indicator	Debt-to-equity (D/E) ratio*1	0.9 times	0.9 times	0.8 times	0.7 times	0.6–0.7 times range
	Interest-bearing debt to EBITDA ratio*2	7.6 times	5.7 times	7.4 times	5.6 times	4–5 times
	Issuer credit rating	BBB (JCR)	BBB (JCR)	BBB (JCR)	BBB (JCR)	BBB+ or higher (Japanese rating agency)

*1 Debt-to-equity (D/E) ratio = Interest-bearing debt (fiscal year-end) ÷ Equity (fiscal year-end)
*2 Interest-bearing debt to EBITDA ratio = Interest-bearing debt (fiscal year-end) ÷ [Operating profit + Depreciation]

caused by a ¥1,029 million loss on valuation of investment securities (reported as an extraordinary loss). In fiscal 2021, consolidated net sales declined ¥5,513 million year on year, mainly due to lower sales in the Machinery business stemming from the spread of COVID-19. However, we posted a ¥4,078 million gain on sales of investment securities (reported as extraordinary income), leading to improved profitability and an ROE of 8.9%. In fiscal 2022, consolidated net sales jumped ¥39,394 million year on year, thanks mainly to a significant increase in sales of the Metals segment stemming from higher overseas market prices for electrolytic copper. Thanks also to a major improvement in operating profit in the Rock Drill Machinery segment, we posted increases in both operating profit and ordinary profit. However, we reported a year-on-year decline in extraordinary income compared with fiscal 2021, when we posted a gain on sales of investment securities. This negatively affected the return on sales and led to a decline in profitability, resulting in ROE of 6.9%.

Segment Analysis

In order to strengthen and instill efforts to improve ROE, we have set return on assets (ROA) as a performance and management indicator for each segment, and we are working to improve profitability (operating margin) and efficiency (total asset turnover), which are components of ROA. Our ROA results by segment in fiscal 2017 (benchmark year), fiscal 2020 (final year of Phase 1), fiscal 2021, and fiscal 2022 are shown in the table pages 46 to 47.

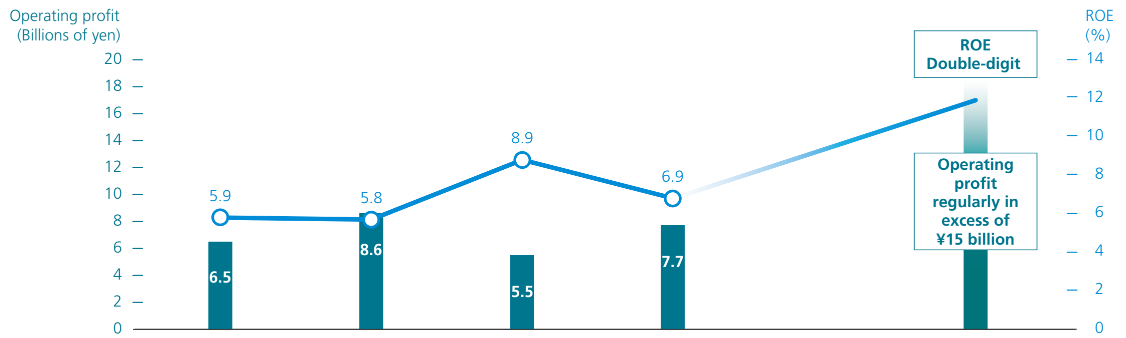
Industrial Machinery

In Phase 1, the Industrial Machinery segment strengthened its engineering capabilities, which enabled it to expand its contractor business. In material machinery, we attracted orders for crushers, screens, briquetting machines, and certain types of plant equipment for a section plant construction project as a result of our technical proposals, which greatly contributed to business performance improvement. As a result, segment ROA improved 12.9 points, from 0.5% in fiscal 2017 to 13.4% in fiscal 2020 (final year of Phase I), but fell to 8.8% in fiscal 2021, mainly due to lower profit from large-scale projects, the majority of which were completed in the previous fiscal year. In fiscal 2022, profitability (operating margin) deteriorated to 6.0%, mainly due to lower profits from material machinery parts and overhaul services. This was despite increased sales from large-scale projects and the contractor business, including construction of bridges. Meanwhile, the Industrial Machinery segment is receiving increasing inquiries about belt conveyors as an earth conveying method that addresses social issues. Accordingly, we are stepping up information gathering with the aim of encouraging the adoption of our belt conveyors in new dam construction and rehabilitation work for national land resilience and disaster prevention/mitigation, as well as in river flood control work. In material machinery, we are aiming to win orders for section plant construction projects centered on the "GEOPUS C3" (cone crusher), which is a strategic machine. Over the two-year period from April 2022 to March 2024, we will invest approximately ¥2.6 billion to reinforce the earnings base of the Industrial Machinery segment, which is now generating steady profits. This will include expansion of a medical waste treatment facility at Gunma Kankyo Recycle Center Co., Ltd.

Rock Drill Machinery

In Phase 1, the Rock Drill Machinery segment enjoyed steady domestic shipments of hydraulic breakers and hydraulic crawler drills on the back of solid demand for tunnel drill jumbos and

Performance Indicators



Performance indicators		FY2017 (base year for comparisons)	FY2020	FY2021	FY2022	FY2026 (Image)
	Operating profit	¥6.5 billion	¥8.6 billion	¥5.5 billion	¥7.7 billion	Regularly in excess of ¥15 billion
	ROE	5.9%	5.8%	8.9%	6.9%	ROE Double-digit

ROE Breakdown Analysis

ROE	=	Profitability Return on sales	×	Efficiency Total asset turnover	×	Leverage Financial leverage
FY2017 (results) : 5.9%		**2.84%**		**0.74 times**		**2.80 times**
FY2020 (results) : 5.8%		**2.68%**		**0.78 times**		**2.76 times**
FY2021 (results) : 8.9%		**4.68%**		**0.75 times**		**2.56 times**
FY2022 (results) : 6.9%		**3.25%**		**0.89 times**		**2.37 times**
Initiatives to Improve ROE		**Profitability: Improved**		**Efficiency: Improved**		**Leverage: Down**

urban redevelopment and construction investments, as well as improved profitability (operating margin) overseas due largely to strong shipments of hydraulic crawler drills, mainly in Europe and the United States. As a result, segment ROA moved from 2.9% in fiscal 2017 to 5.7% in fiscal 2018 and 5.0% in fiscal 2019. In fiscal 2020 (final year of Phase 1), however, ROA fell to 0.4% (2.5 points below the fiscal 2017 benchmark figure). This was due to deterioration in profitability (operating margin) stemming from increased costs associated with making our hydraulic crawler drills compliant with exhaust emission regulations in developed countries, as well as increased depreciation and other expenses resulting from capital investments in the Takasaki Yoshii Works that began in fiscal 2018. Efficiency (total asset turnover) also deteriorated due to increased investments in inventories and fixed assets. In fiscal 2021, the segment posted an operating loss due to the spread of COVID-19, resulting in segment ROA of –3.8%. In fiscal 2022, the segment posted a significant improvement in performance, returning to profitability on the back of increases in both domestic and overseas sales. In addition to this improved profitability (operating margin), we posted enhanced efficiency (total asset turnover), mainly due to an improvement in inventory turnover as a result of an enhanced receivables turnover and efforts to optimize inventory levels. This resulted in segment ROA of 3.2%. Going forward, we will clarify our product- and region-specific strategies and reorganize and consolidate overseas subsidiaries accordingly. Through these and other structural reforms, we will continue our transformation from a "volume-oriented" to a "profit-oriented" organization.

UNIC Machinery

In Phase 1, the UNIC Machinery segment reported an increase in total assets associated with a capital investment program the Sakura Works started in fiscal 2017, as well as higher production costs due to rising steel prices, increased depreciation, and other factors. In Japan, we undertook a full model change of our "G-FORCE" series of UNIC cranes, releasing new models featuring improved levels of operability and safety. Overseas, we reorganized our sales network and strengthened our sales capabilities while expanding and reinforcing our production bases for machines destined for export. We also began to reap the benefits of capital investments in the Sakura Works, which are now contributing to improved production efficiency and profitability (operating margin). As a result, segment ROA improved 1.8 points, from 11.2% in fiscal 2017 (benchmark year) to 13.0% in fiscal 2020 (final year of Phase 1). In fiscal 2021, there was a significant fall in domestic shipments compared with the previous fiscal year, when there was a rush in demand and increased shipments ahead of a partial revision of mobile crane structural standards. Overseas shipments also declined, mainly to regions highly affected by the spread of COVID-19, leading to a year-on-year decline in segment sales. As a result, both efficiency (asset turnover) and profitability (operating margin) declined and segment ROA in fiscal 2021 was 10.4%. In fiscal 2022, profitability (operating margin) declined to 7.2% due to lower sales in Japan, stemming mainly from truck production delays caused by overseas parts supply difficulties and delays in crane installations due to production cutbacks. The cost of sales ratio also deteriorated due to price hikes of steel and other raw materials. In the UNIC Machinery segment, the fixed asset turnover ratio is deteriorating due to increased depreciation costs associated with capital investments in the Sakura Works. Our challenge going forward, therefore, is to maximize the benefits of our capital investments while improving profitability (operating margin).

Metals

In Phase 1, ROA of the Metals segment declined 5.1 points, from 6.2% in fiscal 2017 (benchmark year) to 1.1% in fiscal 2020 (final year of Phase 1). This was due to deteriorating profitability

Consolidated ROA

Consolidated	ROA (Operating Profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2017 (base year for comparisons)	3.2%	0.7	4.4%	6,545
FY2020 (base final year for Phase 1)	4.1%	0.8	5.3%	8,693

	ROA (Operating Profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2021	2.6%	0.8	3.5%	5,592
FY2022	3.5%	0.9	3.9%	7,734

ROA Transition by Segment

Industrial Machinery	ROA (Operating Profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2017 (base year for comparisons)	0.5%	0.9	0.6%	104
FY2020 (base final year for Phase 1)	13.4%	1.1	12.2%	3,208

	ROA (Operating Profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2021	8.8%	0.8	10.7%	2,113
FY2022	6.0%	0.9	6.8%	1,396

Rock Drill Machinery	ROA (Operating Profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2017 (base year for comparisons)	2.9%	0.9	3.3%	897
FY2020 (base final year for Phase 1)	0.4%	0.8	0.5%	142

	ROA (Operating Profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2021	(3.8%)	0.7	(5.5%)	(1,324)
FY2022	3.2%	0.9	3.6%	1,117

UNIC Machinery	ROA (Operating Profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2017 (base year for comparisons)	11.2%	1.1	9.9%	2,578
FY2020 (base final year for Phase 1)	13.0%	1.0	12.5%	3,992

	ROA (Operating Profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2021	10.4%	0.9	11.4%	3,180
FY2022	7.2%	0.9	7.6%	2,165

(operating margin), which declined from 2.6% in fiscal 2017 to 1.1% in fiscal 2018, 0.7% in fiscal 2019, and 0.5% in fiscal 2020. In fiscal 2021, however, a significant rise in metal prices compensated for a decline in profits from contracted copper smelting, leading to year-on-year improvements in efficiency (asset turnover) and profitability (operating margin), resulting in segment ROA of 1.7%. In fiscal 2022, the segment reported increases in both sales and operating profit thanks to higher metal prices, as well as improved profitability of the contracted copper smelting business due to lower copper production. As a result, both efficiency (asset turnover ratio) and profitability (operating margin) improved, resulting in segment ROA of 2.8%. Profit in this segment fluctuates significantly, because raw copper ore and bullion products are affected by international market trends—including supply–demand balance, speculative transactions, and geopolitical and economic conditions—while smelting profitability is impacted by copper concentrate purchasing conditions. In particular, the recent copper smelting business environment has been characterized by worsening ore purchasing conditions due to an unstable supply–demand balance against a backdrop of strong purchasing demand, mainly from China. In addition, smelters are increasing their investments in environmental measures, as well as in maintenance and renewal of aging facilities, and therefore face significant depreciation expenses and soaring operating costs. As a result, smelting costs remain high, and achieving profitability in this business is becoming more difficult every year. Under such conditions, we decided to undertake a fundamental review of the contracted copper smelting business as a priority issue, as it is difficult to recognize its business viability. As announced in our news release on May 12, 2022, we decided to terminate our contracted copper smelting agreement with Onahama Smelting and Refining Co., Ltd., to which we consign approximately 34% (around 24,000 tons) of our annual copper production. The termination takes effect on March 31, 2023. As a result, we expect our annual copper production to decline to around 46,600 tons, with Hibi Kyodo Smelting Co., Ltd., an equity-method affiliate, remaining as our sole contracted smelting operation. Since our domestic sales volume of electrolytic copper is roughly 40,000 tons per year, we believe we can now significantly reduce exports, which are unprofitable. This will pave the way for a drastic review aimed at securing the profitability of the contracted copper smelting business, a priority issue for the Metals segment, and also help improve segment ROA.

Electronics

In Phase 1, this segment benefited from healthy demand for compound semiconductors—the main application for high-purity metallic arsenic, which is positioned as a mature product—as well as steady demand for crystal products used in individual semiconductor devices. These resulted in improved profitability (operating margin), with ROA of 4.5% in fiscal 2018 and 5.7% in fiscal 2019. Due to subsequent deterioration of the semiconductor market, however, sales and profit of mature products declined, and this segment posted an operating loss in fiscal 2020 (final year of Phase 1), with ROA falling to –0.5%, down 0.7 point from fiscal 2017 (benchmark year). In fiscal 2021, we benefited from a recovery in demand for coils and crystal products from the second quarter. Sales of high-purity metallic arsenic were boosted by stable demand for compound semiconductors, while demand for aluminum nitride for use in thermal management components and semiconductor manufacturing equipment components increased, leading to higher overall segment revenue. As a result, the segment returned to profitability, offsetting the previous fiscal year's operating loss, and posted a year-on-year improvement in profitability (operating margin), resulting in segment ROA of 2.3%. In fiscal 2022, we again achieved improvements in both profitability (operating margin) and efficiency (asset turnover ratio) thanks to year-on-year increases in segment sales

Metals	**ROA** (Operating Profit)	**Total Asset Turnover** (Times)	**Operating Margin**	**Operating Profit** (Millions of yen)
FY2017 (base year for comparisons)	6.2%	2.4	2.6%	1,738
FY2020 (base final year for Phase 1)	1.1%	2.5	0.5%	301
FY2021	1.7%	2.6	0.7%	499
FY2022	2.8%	3.1	0.9%	940

Electronics	**ROA** (Operating Profit)	**Total Asset Turnover** (Times)	**Operating Margin**	**Operating Profit** (Millions of yen)
FY2017 (base year for comparisons)	0.2%	0.8	0.3%	17
FY2020 (base final year for Phase 1)	(0.5%)	0.8	(0.6%)	(35)
FY2021	2.3%	0.8	2.8%	161
FY2022	9.0%	1.0	9.2%	666

Chemicals	**ROA** (Operating Profit)	**Total Asset Turnover** (Times)	**Operating Margin**	**Operating Profit** (Millions of yen)
FY2017 (base year for comparisons)	0.7%	0.3	2.1%	114
FY2020 (base final year for Phase 1)	3.1%	0.4	7.6%	510
FY2021	2.3%	0.4	5.9%	380
FY2022	4.4%	0.5	9.4%	743

Real Estate	**ROA** (Operating Profit)	**Total Asset Turnover** (Times)	**Operating Margin**	**Operating Profit** (Millions of yen)
FY2017 (base year for comparisons)	4.0%	0.1	39.4%	1,265
FY2020 (base final year for Phase 1)	2.7%	0.1	30.7%	735
FY2021	2.8%	0.1	34.7%	736
FY2022	2.8%	0.1	34.9%	743

and operating profit, resulting in segment ROA of 9.0%. In fiscal 2023, we plan to invest approximately ¥900 million to increase aluminum nitride production to meet growing demand for heat-dissipating components due to advances in sophistication, integration, miniaturization, and thinning of electronic devices. In the process, we will reinforce the earnings foundation of this segment.

Chemicals

In Phase 1, growth in sales of both existing products (such as sulfuric acid, cuprous oxide, and cupric oxide) and high-value-added sulfuric acid contributed to increased earnings in this segment. As a result, profitability (operating margin) showed overall improvement, from 2.1% in fiscal 2017 to 7.1% in fiscal 2018, 6.6% in fiscal 2019, and 7.6% in fiscal 2020 (final year of Phase 1). As a result, segment ROA rose 2.4 points, from 0.7% in fiscal 2017 (benchmark year) to 3.1% in fiscal 2020. In fiscal 2021, sales of cupric oxide increased due to strong demand for its use in circuit boards. However, sales of cuprous oxide decreased due to weak overall demand for marine vessel paints, while the impact of COVID-19 and inventory adjustments by customers led to a decline in sales of sulfuric acid. As a result, profitability (operating margin) deteriorated, resulting in segment ROA of 2.3%. In fiscal 2022, we again achieved improved profitability (operating margin) thanks to continued strong demand for cupric oxide for use in circuit boards, as well as higher unit sales prices, mainly driven by rising copper prices, resulting in increased segment sales and operating profit and ROA of 4.4%. Going forward, we will consider investments to increase production capacity for cupric oxide. We will also work to increase earnings from existing products, strengthen the differentiation and development of high-quality sulfuric acid, and commercialize and cultivate our metallic copper powder products.

Real Estate

In Phase 1, we closed the Furukawa Osaka Building in December 2019. Until then, rental income decreased as tenants moved out. However, the Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2), which is our main facility, continued operating smoothly, but rental income declined due to a decrease in floor space occupied by large tenants from the fourth quarter of fiscal 2019. As a result, profitability (operating margin) showed overall decline, from 39.4% in fiscal 2017 to 39.9% in fiscal 2018, 38.5% in fiscal 2019, and 30.7% in fiscal 2020 (final year of Phase 1). As a result, segment ROA in fiscal 2020 was 2.7%. In fiscal 2021 and 2022, the national government declared states of emergency and the Tokyo Metropolitan Government requested emergency and other priority measures to prevent the spread of COVID-19. In response, we reduced or exempted rents for some commercial tenants of the Muromachi Furukawa Mitsui Building, which was affected by temporary closures and a decrease in visitors over the two-year period. However, we benefited from new tenants moving in following a reduction in the number of large office tenants. As a result, segment ROA in fiscal 2022 improved slightly, to 2.8%. Seeking to effectively utilize our business resources, we will work to enhance efficiency (total asset turnover) by selling idle assets and assets that are no longer expected to contribute to earnings. In addition to securing stable earnings from the Muromachi Furukawa Mitsui Building, we are in the final stages of determining the future concept of the Furukawa Osaka Building, which we began demolishing in fiscal 2021, and we will strive to shape that concept as a priority issue.

Business Risks

(1) Foreign Exchange Fluctuations

The Furukawa Company Group engages in production, procurement, and sales activities in Japan and overseas, and therefore is at risk of foreign exchange fluctuations in connection with its export business, the import of raw materials, primarily copper ore, and smelting and processing income. While the Group utilizes foreign exchange contracts and other methods to mitigate this risk, its operating results and financial position may be adversely affected by significant movements in exchange rates.

(2) Fluctuations in Nonferrous Metals Markets

International prices of electrolytic copper, a mainstay product of the Group, and other nonferrous metals are decided by the London Metals Exchange (LME) in U.S. dollars to reflect international market conditions. Such prices fluctuate according to the international supply–demand balance, speculative transactions, international political and economic circumstances, and the like. Accordingly, the Group utilizes forward delivery transactions and other hedging techniques to minimize the impact of fluctuating LME prices. However, significant movements in such prices may affect the Group's operating results and financial position.

The Group also invests in overseas copper mines to procure copper concentrate. Any fluctuations in LME prices may impact the business performance of those mines, which may affect the Group's operating results and financial position.

(3) Interest Rates

The Group's fiscal year-end balance of interest-bearing debt was ¥65,671 million, equivalent to 28.6% of total assets. Any increase in debt-related costs arising from changes in interest rates may adversely affect the Group's operating results and financial position. Although funding costs may increase if market interest rates rise, the Group has prepared for sudden changes in interest rates by utilizing an optimal combination of borrowing arrangements, including fixed-rate instruments.

(4) Investment Securities and Land

Historically, the Furukawa Company Group has maintained holdings of investment securities, which are subject to market valuations, as well as land. As of March 31, 2022, the carrying value of such securities as stated in the consolidated balance sheets was ¥30,316 million, while land stood at ¥54,170 million. Accordingly, the Group's operating results and financial position are at risk of impairment losses, losses from devaluation, and losses on sales if securities and land prices decline significantly.

Regarding securities, every year the Board of Directors comprehensively considers the benefits and risks associated with individual holdings, both qualitatively and quantitatively, in order to verify the suitability of maintaining such holdings. Securities judged to be unsuitable as a result of such verification are sold.

As for other fixed assets held by the Group, a significant deterioration of business conditions could result in a decline in profitability, while falling market prices could lead to impairment losses. Any of these factors may adversely affect the Group's operating results and financial position.

(5) Fluctuations in Demand

The Furukawa Company Group's products are sold both in Japan and overseas. Therefore, any major fluctuations in demand in its major markets—such as Japan, North America, Europe, and Asia—may adversely affect the Group's operating results and financial position.

Due to the nature of its products, moreover, sales from domestic public works projects account for a high proportion of net sales. Therefore, any major fluctuations in public investments may adversely affect the Group's operating results and financial position.

(6) Country Risk

The Furukawa Company Group conducts its production, procurement, and sales activities on a global basis in order to expand its sales network, strengthen cost-competitiveness, and reduce currency risk. Any number of local events could hamper the Group's smooth business operations. These include local political unrest, sharp economic slowdown, deterioration of public security, trade sanctions, cultural and legal differences, special labor–management relations, and terrorism. Such events could affect the Group's operating results and financial position.

The invasion of Ukraine by Russia may cause a decline in sales due to suspension of shipments of products to Russia, an increase in costs due to higher prices for steel and other raw materials and fuel, and a decrease in production due to delays in the procurement of raw materials. Any of these factors could affect the Group's operating results and financial position.

(7) Natural Disasters, Infectious Diseases, and Other Force Majeure

The occurrence of natural disasters (such as earthquakes, tsunamis, floods, and typhoons) and accidents (such as large-scale fires) could cause substantial damage to the Group's production facilities and procurement sources and a breakdown of its distribution network. Also, the worldwide spread of infectious diseases, such as COVID-19, could render inoperable the Group's business operations and owned facilities, as well as the operations of its suppliers. Either of these events may prevent the Group from supplying products in a reliable manner, which could affect its operating results and financial position.

It remains uncertain when the COVID-19 pandemic, which emerged in early 2020, will be contained. The Group takes measures to prevent infections among its employees, including hygiene management and telecommuting. However, new outbreaks due to virus mutations or other factors may cause a decrease in sales due to shutdown of operations or stagnation of supply chains stemming from employee infections, or suspension or reduction of customers' business operations. Any of these factors could affect the Group's operating results and financial position.

(8) Product Quality

The Group manufactures products in accordance with globally recognized quality control standards and strives constantly to establish, maintain, and improve its quality assurance system. However, there is no guarantee that all products will be defect-free in the future. To mitigate such risk, we take out product liability insurance, recall insurance, and the like. However, in the event that a product defect leads to major liability claims or recalls that exceed our expectations, public trust in the Group and its products may be lost, which could affect its operating results and financial position.

(9) New Product Development

The Group actively engages in new product development with the aim of bringing to market products incorporating new technologies and functions that meet customer needs. In some of our businesses, however, there are products that are in mature stages of their life cycles. Such products may be subject to reduced profit margins because they are difficult to differentiate from the competition. If the Group is unable to develop or market new products that will become future pillars of such businesses, its operating results and financial position could be affected as a result.

(10) Human Resources

To achieve future growth, the Group hires talented people—both new graduates and mid-career professionals—and provides training to enhance their competitive strengths. If the Group is unable to attract sufficient human resources required for its business, however, its operating results and financial position could be affected as a result.

(11) Environmental Protection

The Furukawa Company Group places the highest importance on environmental protection, environmental safety, and prevention of pollution at its various business sites, both in Japan and overseas, respecting all laws and regulations. Furthermore, in Japan the Group takes all necessary measures to ensure proper environmental management of suspended and closed mines, including prevention of water pollution from such mines, as well as managing the safety of tailing dams. Due to changes in relevant regulations, however, legislation may be tightened and unexpected situations may arise at each business site, which could increase the cost of responding and thus affect the Group's operating results and financial position.

(12) Official Regulations

The Furukawa Company Group engages in business in Japan and overseas and thus is subject to legal regulations of various nations, including rules related to licensing, taxation, the environment, labor, antitrust, and export controls. The Group takes care to faithfully comply with such official regulations. Due to changes in laws and regulations, however, existing legislation may be tightened or new legislation enacted, which could increase the cost of responding and impact business continuity, and thus affect the Group's operating results and financial position.

The invasion of Ukraine by Russia may lead to a decrease in sales due to export restrictions on products destined for Russia, which may affect the Group's operating results and financial position.

(13) Retirement Benefit Obligation

The employees of the Furukawa Company Group are covered by a defined benefit corporate pension plan and a non-contributory funded employee pension plan. Liability for retirement benefits is provided at an amount calculated based on the retirement benefit obligation and the fair value of pension plan assets at the balance sheet date as of March 31, 2022. In calculating retirement benefit obligation, the Group adopts assumptions in connection with the discount rate and expected rate of return on plan assets, as well as other assumptions. However, the Group's operating results and financial position are at risk in the event that the actual discount rate and expected rate of return on plan assets differ materially from the assumptions, as well as in the event of a change in the assumptions on which retirement benefit obligation are made.

Forward-looking statements in the above section are based on judgments of the Group as of June 29, 2022.

Consolidated Financial Statements

Consolidated balance sheets

Furukawa Co., Ltd. and consolidated subsidiaries
As of March 31, 2022 and 2021

(Millions of yen)

	FY2021 (As of March 31, 2021)	**FY2022 (As of March 31, 2022)**
Assets		
Current assets		
Cash and deposits	¥ 17,748	**¥ 14,469**
Notes and accounts receivable—trade	28,030	**—**
Notes and accounts receivable—trade, and contract assets	—	**28,344**
Merchandise and finished goods	15,990	**17,205**
Work in process	9,839	**10,813**
Raw materials and supplies	11,589	**20,818**
Other	5,568	**4,635**
Allowance for doubtful accounts	(141)	**(48)**
Total current assets	88,625	**96,238**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,540	**24,051**
Machinery, equipment and vehicles, net	9,042	**8,789**
Land	53,436	**54,170**
Leased assets, net	537	**429**
Construction in progress	1,271	**517**
Other, net	2,988	**3,018**
Total property, plant and equipment	89,817	**90,976**
Intangible assets	341	**376**
Investments and other assets		
Investment securities	34,449	**35,860**
Long-term loans receivable	4,086	**4,495**
Deferred tax assets	—	**351**
Retirement benefit asset	194	**403**
Other	1,334	**1,746**
Allowance for doubtful accounts	(573)	**(720)**
Total investments and other assets	39,490	**42,136**
Total non-current assets	129,649	**133,489**
Total assets	¥218,275	**¥229,727**

(Millions of yen)

	FY2021 (As of March 31, 2021)	**FY2022 (As of March 31, 2022)**
Liabilities		
Current liabilities		
Notes and accounts payable—trade	¥ 11,638	**¥ 15,916**
Electronically recorded obligations—operating	6,863	**9,381**
Short-term borrowings	10,575	**13,504**
Lease liabilities	219	**188**
Accounts payable—other	10,511	**13,310**
Income taxes payable	1,054	**1,491**
Provision for bonuses	110	**138**
Provision for environmental measures	7	**3**
Other	6,859	**5,924**
Total current liabilities	47,839	**59,859**
Non-current liabilities		
Long-term borrowings	59,107	**52,166**
Lease liabilities	393	**302**
Deferred tax liabilities	9,761	**10,501**
Deferred tax liabilities for land revaluation	1,402	**1,399**
Retirement benefit liability	2,709	**2,543**
Provision for environmental measures	86	**58**
Other provisions	16	**16**
Asset retirement obligations	234	**239**
Other	2,360	**2,565**
Total non-current liabilities	76,071	**69,793**
Total liabilities	123,910	**129,652**
Net assets		
Shareholders' equity		
Share capital	28,208	**28,208**
Capital surplus	2	**2**
Retained earnings	50,025	**54,557**
Treasury shares	(1,862)	**(2,197)**
Total shareholders' equity	76,373	**80,570**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,303	**11,832**
Deferred gains or losses on hedges	351	**(292)**
Revaluation reserve for land	2,609	**2,602**
Foreign currency translation adjustment	(826)	**35**
Remeasurements of defined benefit plans	1,959	**2,506**
Total accumulated other comprehensive income	15,396	**16,683**
Non-controlling interests	2,594	**2,821**
Total net assets	94,364	**100,075**
Total liabilities and net assets	¥218,275	**¥229,727**

Consolidated statement of income and consolidated statement of comprehensive income

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2022 and 2021

Consolidated statement of income

(Millions of yen)

	FY2021 (Fiscal year ended March 31, 2021)	**FY2022 (Fiscal year ended March 31, 2022)**
Net sales	¥159,702	**¥199,097**
Cost of sales	137,508	**172,995**
Gross profit	22,194	**26,101**
Selling, general and administrative expenses		
Freight and incidental costs	2,114	**2,465**
Salaries, allowances and bonuses	7,309	**7,557**
Provision for bonuses	35	**108**
Provision for retirement benefits	508	**629**
Provision of allowance for doubtful accounts	4	**16**
Research and development expenses	732	**1,053**
Other	5,896	**6,535**
Total selling, general and administrative expenses	16,601	**18,366**
Operating profit	5,592	**7,734**
Non-operating income		
Dividend income	749	**752**
Share of profit of entities accounted for using equity method	355	**370**
Foreign exchange gains	702	**677**
Gain on sales of waste goods	65	**497**
Other	876	**746**
Total non-operating income	2,749	**3,044**
Non-operating expenses		
Interest expenses	456	**427**
Administrative expenses of inactive mountain	769	**812**
Other	342	**543**
Total non-operating expenses	1,568	**1,782**
Ordinary profit	6,773	**8,996**
Extraordinary income		
Gain on bargain purchase	—	**833**
Other	4,105	**280**
Total extraordinary income	4,105	**1,113**
Extraordinary losses		
Loss on sale and retirement of non-current assets	151	**157**
Demolition expenses of a rental building	730	**668**
Other	89	**146**
Total extraordinary losses	971	**972**
Profit before income taxes	9,907	**9,137**
Income taxes—current	2,172	**2,715**
Income taxes—deferred	65	**(264)**
Total income taxes	2,237	**2,450**
Profit	7,670	**6,686**
Profit attributable to non-controlling interests	201	**208**
Profit attributable to owners of parent	¥ 7,468	**¥ 6,477**

Consolidated statement of comprehensive income

(Millions of yen)

	FY2021 (Fiscal year ended March 31, 2021)	**FY2022 (Fiscal year ended March 31, 2022)**
Profit	¥ 7,670	**¥6,686**
Other comprehensive income		
Valuation difference on available-for-sale securities	5,941	**527**
Deferred gains or losses on hedges	641	**(483)**
Foreign currency translation adjustment	(434)	**723**
Remeasurements of defined benefit plans, net of tax	4,756	**547**
Share of other comprehensive income of entities accounted for using equity method	(31)	**20**
Total other comprehensive income	10,873	**1,335**
Comprehensive income	18,543	**8,021**
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,350	**7,771**
Comprehensive income attributable to non-controlling interests	193	**250**

Consolidated statement of cash flows

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2022 and 2021

(Millions of yen)

	FY2021 (Fiscal year ended March 31, 2021)	**FY2022 (Fiscal year ended March 31, 2022)**
Cash flows from operating activities		
Profit before income taxes	¥ 9,907	**¥ 9,137**
Depreciation	3,879	**4,003**
Share of loss (profit) of entities accounted for using equity method	(355)	**(370)**
Gain on bargain purchase	—	**(833)**
Increase (decrease) in retirement benefit liability	184	**433**
Interest and dividend income	(929)	**(878)**
Interest expenses	456	**427**
Foreign exchange losses (gains)	(432)	**(421)**
Decrease (increase) in trade receivables	2,550	**345**
Decrease (increase) in inventories	645	**(10,328)**
Increase (decrease) in trade payables	(1,259)	**5,955**
Increase (decrease) in accounts payable—other	(2,560)	**3,700**
Other, net	(5,386)	**(467)**
Subtotal	6,699	**10,703**
Interest and dividends received	1,004	**885**
Interest paid	(462)	**(429)**
Income taxes paid	(1,863)	**(2,484)**
Other, net	664	**94**
Net cash provided by (used in) operating activities	6,042	**8,768**
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,403)	**(5,507)**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	**(352)**
Other, net	5,648	**3**
Net cash provided by (used in) investing activities	2,245	**(5,857)**
Cash flows from financing activities		
Proceeds from short-term borrowings	10,330	**15,957**
Repayments of short-term borrowings	(10,465)	**(16,062)**
Proceeds from long-term borrowings	10,426	**220**
Repayments of long-term borrowings	(11,034)	**(4,140)**
Repayments of finance lease liabilities	(232)	**(232)**
Purchase of treasury shares	(165)	**(334)**
Dividends paid	(1,961)	**(1,953)**
Other, net	(22)	**(22)**
Net cash provided by (used in) financing activities	(3,123)	**(6,568)**
Effect of exchange rate change on cash and cash equivalents	(63)	**377**
Net increase (decrease) in cash and cash equivalents	5,101	**(3,279)**
Cash and cash equivalents at beginning of period	12,646	**17,748**
Cash and cash equivalents at end of period	¥17,748	**¥14,468**

Consolidated statement of changes in equity

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2022 and 2021

Fiscal year ended March 31, 2021 (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥28,208	¥—	¥44,507	¥(1,697)	¥71,018
Changes during period					
Dividends of surplus			(1,960)		(1,960)
Profit attributable to owners of parent			7,468		7,468
Purchase of treasury shares				(165)	(165)
Reversal of revaluation reserve for land			10		10
Merger of consolidated subsidiaries		2			2
Net changes in items other than shareholders' equity					
Total changes during period	—	2	5,518	(165)	5,355
Balance at end of period	¥28,208	¥ 2	¥50,025	¥(1,862)	¥76,373

Fiscal year ended March 31, 2021 (Millions of yen)

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of period	¥ 5,363	¥(322)	¥2,620	¥(339)	¥(2,797)	¥ 4,525	¥2,423	¥77,966
Changes during period								
Dividends of surplus								(1,960)
Profit attributable to owners of parent								7,468
Purchase of treasury shares								(165)
Reversal of revaluation reserve for land								10
Merger of consolidated subsidiaries								2
Net changes in items other than shareholders' equity	5,939	673	(10)	(487)	4,756	10,871	171	11,042
Total changes during period	5,939	673	(10)	(487)	4,756	10,871	171	16,397
Balance at end of period	¥11,303	¥ 351	¥2,609	¥(826)	¥1,959	¥15,396	¥2,594	¥94,364

Fiscal year ended March 31, 2022 (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥28,208	¥ 2	¥50,025	¥(1,862)	¥76,373
Changes during period					
Dividends of surplus			**(1,953)**		**(1,953)**
Profit attributable to owners of parent			**6,477**		**6,477**
Purchase of treasury shares				**(334)**	**(334)**
Reversal of revaluation reserve for land			**7**		**7**
Net changes in items other than shareholders' equity					
Total changes during period	—	—	**4,531**	**(334)**	**4,196**
Balance at end of period	**¥28,208**	**¥ 2**	**¥54,557**	**¥(2,197)**	**¥80,570**

Fiscal year ended March 31, 2022 (Millions of yen)

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of period	¥11,303	¥ 351	¥2,609	¥(826)	¥1,959	¥15,396	¥2,594	¥ 94,364
Changes during period								
Dividends of surplus								**(1,953)**
Profit attributable to owners of parent								**6,477**
Purchase of treasury shares								**(334)**
Reversal of revaluation reserve for land								**7**
Net changes in items other than shareholders' equity	**528**	**(644)**	**(7)**	**862**	**547**	**1,286**	**227**	**1,513**
Total changes during period	**528**	**(644)**	**(7)**	**862**	**547**	**1,286**	**227**	**5,710**
Balance at end of period	**¥11,832**	**¥(292)**	**¥2,602**	**¥ 35**	**¥2,506**	**¥16,683**	**¥2,821**	**¥100,075**

Corporate Data

Corporate Data (As of March 31, 2022)

Company Name:	Furukawa Co., Ltd.
Head Office:	2-6-4 Otemachi, Chiyoda-ku, Tokyo 100-8370, Japan (Tokiwabashi Tower)
Tel:	+81-3-6636-9501
Date of Foundation:	August 1875
Date of Establishment:	April 1918
Stock Exchange Listing:	Tokyo Stock Exchange: Prime Market
Securities Code Number:	5715
Employees:	2,804 (Consolidated)

Stock Data (As of March 31, 2022)

Number of Shares Authorized:	80,000,000 shares
Number of Shares Outstanding:	40,445,568 shares
Number of Shareholders:	19,670
Stock Transfer Agent:	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-0004 Japan

Principal Shareholders

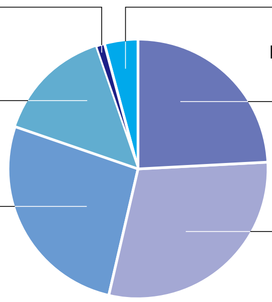
(As of March 31, 2022)

	Number of Shares (Thousands)	Percentage of Total Shares (%)
The Master Trust Bank of Japan, Ltd. (trust account)	4,953	12.75
Asahi Mutual Life Insurance Co.	2,373	6.11
Seiwa Building Co., Ltd.	1,935	4.98
Custody Bank of Japan, Ltd. (trust account)	1,793	4.62
The Yokohama Rubber Co., Ltd.	1,341	3.45
Kawashima Co., Ltd.	1,101	2.83
Furukawa Electric Co., Ltd.	877	2.26
Fuji Electric Co., Ltd.	862	2.22
Chuo-Nittochi Co., Ltd.	687	1.77
ADEKA Corporation	663	1.70

Notes: 1. The above excludes the Company's holdings of treasury stock, totaling 1,621,936 shares.
2. The Company's holdings of treasury stock, totaling 1,621,936 shares, are excluded from shareholding ratio calculations.

Composition of Shareholders

(As of March 31, 2022)



* For information on Directors and Audit & Supervisory Board Members, please see pages 26–28.

Complete upgrade of our corporate website showing the uniqueness of the Furukawa Company Group

The upgrade includes enhanced content, easy-to-understand navigation, and multi-device compatibility, as well as better text readability, information clarity, and design quality. We have also introduced a new page on sustainability and a revamped corporate brochure. Please take a look.

https://www.furukawakk.co.jp/en/

Included in FTSE Blossom Japan Sector Relative Index

In April 2022, Furukawa Co., Ltd. was selected for the first time as a constituent of the FTSE Blossom Japan Sector Relative Index, which reflects the performance of Japanese companies that excel in addressing ESG issues. Going forward, we will further strengthen our ESG initiatives and actively disclose information to earn inclusion in the FTSE Blossom Japan Index, which has stricter selection criteria.

FTSE Blossom Japan Sector Relative Index

Corporate History

1875 Began the operation of the Kusakura Copper Mine in Niigata (Company foundation).

1877 Began the operation of the Ashio Copper Mine in Tochigi.

The key to the success of the Furukawa Company Group began with the development of the Ashio Copper Mine.

1900 Set up a machinery works at the Ashio Copper Mine and entered into the machinery business.

1914 Manufactured the first rock drill in Japan.

The first domestic rock drill was developed (for the Ashio Copper Mine).

1918 Spun off mining business from Furukawa General Partnership and established Furukawa Mining Co., Ltd.

1944 Bought Osaka Smelter of Toa Chemical Smelting Co., Ltd., and established it as Osaka Cementation and Refining. Entered into the chemical business.

Built the Oyama Works of the Machinery Division of the Ashio Copper Mine in Tochigi.

At the Oyama Works, pumps and mining machinery for copper mines were manufactured, not only for internal use but also to sell externally.

1950 Built the Takasaki Works of the Rock Drill Division in Gunma.

At the Takasaki Works, rock drills were mass produced, and we established the position of a leading rock drill manufacturer.

1951 Began manufacturing of titanium dioxide and cuprous oxide at Osaka Cementation and Refining.

1962 Completed the Furukawa / Outokumpu flash smelting plant at Ashio Smelting and Refining.

Completed research and development of high-purity (99.999%) metallic arsenic and commenced with sales of it.

Arsenic is one of the by-products generated during the smelting stage of copper concentrates.

1987 Bought UNIC Corporation.

"UNIC" has become a synonym for truck-mounted cranes in Japan.

1989 The Japanese name changed from Furukawa Kogyo Kabushiki Kaisha to Furukawa Kikai Kinzoku Kabushiki Kaisha.

1990 Bought an American breaker sales and manufacturing company.

1997 Established a manufacturer of UNIC products / components in Thailand.

This is an affiliate company for the UNIC business established in Rayong, Thailand, which manufactures truck-mounted cranes and other products.

1998 Established a sales company of rock drill products in Holland.

This is an affiliate company for the construction and mining machinery business established in Utrecht, Holland, which distributes rock drill products.

2003 Established a joint company for the manufacturing and distribution of UNIC cranes in China.

2005 Spun off the Machinery business, Metals business, and Electronic Materials and Chemicals business and shifted to a group management structure as the Furukawa Company Group to enhance management.

2006 Established a rock drills sales company in China.

This is an affiliate company for the UNIC business established in Taian, Shandong, China, which manufactures and distributes truck-mounted cranes and other products.

2007 Formed a capital and business alliance for the GaN semiconductor epi-wafer business with POWDEC K.K.

2008 Furukawa Industrial Machinery Systems Co., Ltd. merged with Furukawa Otsuka Iron Works Co., Ltd.

2009 Made Tohpe Corporation, which manufactures and distributes paints and chemicals, into a consolidated subsidiary.

2010 Acquired interest in Canadian copper mine.

Acquired interest in Gibraltar Copper Mine (Canada)

2011 Established a sales company of rock drill products in India.

2012 Established a sales company of rock drill products in Panama.

Established sales company for UNIC products in Russia.

With the sale of all of its shares in Furukawa Commerce Co., Ltd., the Group has withdrawn from the fuels business.

2013 The Group exited the paints business with the sale of all of its shares in Tohpe Corporation.

Muromachi Furukawa Mitsui Building, consists of a commercial facility (COREDO Muromachi 2), offices, and rental accommodation.

2014 Completed Muromachi Furukawa Mitsui Building in Nihonbashi, Tokyo.

Established a coil processing company in the Philippines.

Established the Tsukuba Development Center, which integrates a technology research operation.

An affiliated company for the electronic materials business makes coils in Bulacan Province, Philippines.

2015 Renewed Management Philosophy and established Vision for 2025.

2018 Established sales company for rock drills and other products in Malaysia.

2021 Consolidated head office functions and relocated to Tokiwabashi Tower in Otemachi, Tokyo.

Acquired Yamaishi Metal Co., Ltd., a manufacturer of metal powder.

Tokiwabashi Tower (in Tokyo Torch redevelopment district)

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