



Furukawa (5715)

Course-correcting for growth

22 April 2025

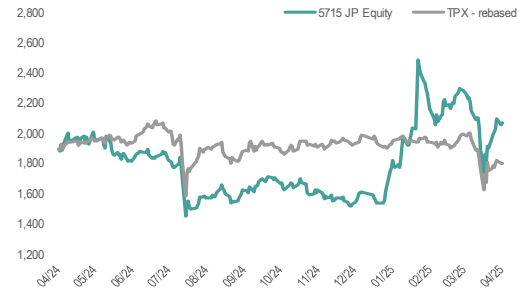
Initiating coverage

- Proven past and a bold future** – With a 150-year track record, Furukawa operates in Machinery and Materials production. Machinery focuses on heavy equipment for infrastructure, mining, and crushed stone, while electrolytic copper and byproducts have traditionally led Materials. The company is undergoing a strategic shift, prioritizing higher-margin Machinery growth while significantly reducing unprofitable electrolytic copper exports. With a high proportion of fixed assets, Furukawa faces challenges in improving efficiency and profitability, which has remained relatively low. To maximize shareholder value, the company must focus on strategic growth initiatives to enhance its profit mix and optimize its balance sheet.

Leveraging heritage for growth

- Strategic growth initiatives** – We expect Furukawa’s medium-term growth to be driven by the expansion of its belt conveyor business, which addresses labor shortages and climate challenges. The company is also developing IoT product lifecycle support and automation to generate recurring revenue and solve customers’ problems. Overseas growth will be fueled by rising rock drill demand in the US. Meanwhile, the company is shifting its Materials operations toward higher-margin products.
- ESG** – We score the company as ‘Amber’ under our Astris-Sustainability model scorecard, scoring highly under our ‘Environmental’ category.
- Valuations** – The shares are trading on our estimated PER FY3/26 of 10.5x, FCF yield of 7.5% and a net debt/equity ratio of 0.5x in FY3/24.

Share price: ¥2,071 Market cap: ¥75.5bn



Source: Bloomberg

Price Performance				
	YTD	1M	3M	12M
Abs (%)	+29.5	-9.0	+14.3	+9.9
Rel (%)	+42.5	+0.7	+23.6	+15.6

Company sector	
Non-ferrous metals (TOPIX)	
Machinery (GICS)	

Stock data	
Price (¥)	2,071
Mkt cap (¥bn)	75.5
Mkt cap (\$m)	537.6
52-week range (¥)	1,418-2,525
Shares O/S (m)	36.4
Average daily value (\$m)	2.6
Free float (%)	64.6
Foreign shareholding (%)	16.9
Ticker	5715
Exchange	Tokyo Prime
Net Debt/Equity (x)	0.5
FFO leverage (x)	3.9
BBG BUY HOLD SELL	0 0 0

Source: Bloomberg

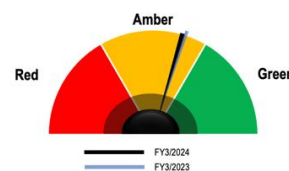
Year-end	3/23	3/24	3/25E	3/26E	3/27E
Sales (¥bn)	214.19	188.25	193.70	192.66	192.23
OP (¥bn)	9.03	8.52	8.47	8.96	9.83
NP (¥bn)	6.21	16.10	19.12	7.20	7.81
EPS (¥)	161.97	429.28	521.28	196.46	212.97
DPS (¥)	50.00	55.00	70.00	60.00	65.00
Sales growth YoY (%)	+7.6	-12.1	+2.9	-0.5	-0.2
OP growth YoY (%)	+16.8	-5.6	-0.6	+5.8	+9.6
NP growth YoY (%)	-4.1	+159.2	+18.8	-62.3	+8.4
EPS growth YoY (%)	-2.4	+165.0	+21.4	-62.3	+8.4
PER (x)	12.8	4.8	4.0	10.5	9.7
EV/EBITDA (x)	4.9	5.0	4.5	4.4	4.2
EV/Sales (x)	0.3	0.3	0.3	0.3	0.3
PBR (x)	0.7	0.6	0.5	0.5	0.4
ROE (%)	6.2	13.8	13.7	4.6	4.5
ROCE (%)	5.3	4.1	3.7	3.7	3.7
FCF yield (%)	3.7	5.4	1.3	7.5	8.2
Dividend yield (%)	2.4	2.7	3.4	2.9	3.1
Total shareholder yield (%)	3.6	4.8	5.4	16.1	3.1

Source: Company. Astris Advisory (estimates)

Business Overview

Furukawa produces and sells materials for semiconductors and electronics, heavy equipment for large infrastructure projects, and operates a commercial building in central Tokyo.

Astris-Sustainability ESG rating



Reference Ratings	
MSCI	N/A
Sustainalytics	N/A
Refinitiv	45.7
CDP	N/A
S&P Global	N/A
Bloomberg	4.06

Next events

Q4 FY3/25 results: May 2025.

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This report has been commissioned and paid for by the company

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Summary

Furukawa operates two
core businesses:
Machinery and Materials.

Furukawa is an industrial company operating two core businesses: Machinery and Materials. In Machinery, the company produces a wide range of heavy machinery used in infrastructure projects, and mining and crushed stone operations. These include sewage pumps, belt conveyors, and rock drills, commanding a high domestic share. Its Materials segment, which has a metals segment, has traditionally dominated sales.

Furukawa is undergoing a major transformation, aiming to accelerate growth in the Machinery business, whilst shrinking electrolytic copper production to significantly reduce unprofitable exports.

The company has disclosed a medium-term management plan for FY3/24 to FY3/26. As it enters the final year, the company has already met its leverage reduction goals and will outperform shareholder returns targets through an expanded buyback program. However, the macroeconomic environment has made meeting its earnings targets and valuations particularly challenging.

Astris Advisory estimates Furukawa will drive medium-term growth via the following:

- Developing the belt conveyor business, which addresses labor shortage and climate change challenges.
- IoT product lifecycle support and automation, which can generate recurring revenue and offer solutions to customers' problems.
- Overseas growth driven by rock drill demand in the US; and additionally, medium-to long-term growth via the formation of the crushed stone market in Southeast Asia.
- Concentrating its materials business operations on higher margin products.

The shares are trading at our estimated PER FY3/26 of 10.5x, FCF yield of 7.5%, and PBR of 0.5x.



Company description

Overview

Furukawa's roots lie in copper mining, expanding into chemical production making use of mining byproducts, and machinery

Founded in 1875, Furukawa's roots lie in the development of copper mining in Japan. By the end of the 19th century, its Ashio mine was the country's biggest copper producer. Through its experience in mine development, the company developed its current businesses of Machinery and Materials.

In Machinery, Furukawa leveraged its technology for maintaining imported rock drills to create Japan's first handheld rock drill in 1914. It developed pumps for draining mineral mud from mines, from which the company has developed its current market-leading slurry pumps. Japan's post-war infrastructure boom provided a tailwind for expansion across the Machinery business, including for industrial machinery, rock drills and UNIC products.

For Materials, Furukawa shifted from copper mining to smelting due to depleted domestic mines and intensifying global competition in the 1960s and 1970s. Smelting byproducts led to new chemical applications, including key products such as high-purity arsenic for semiconductors.

Celebrating its 150th anniversary in 2025, the company continues to transform, positioning higher-margin Machinery as its core business. It is promoting a strategy to create corporate value through solving social issues via its products, technologies and services via marketing management principles and CSV (Creating Shared Value). It aims to create "social value" through "social infrastructure development" and the "realization of a safe, environmentally friendly, and prosperous society."

While it appears difficult to meet key earnings targets set for the current medium-term plan (FY3/24-FY3/26), strategic growth initiatives are beginning to gain traction, chiefly expansion in belt conveyors, product lifecycle support for rock drill products and geographic market expansion to the US and Southeast Asia.

With a high proportion of fixed assets, the company is challenged to raise the efficiency of returns, and improve profitability. The company's strategic growth initiatives will need to drive sales mix improvement, and ongoing efforts over balance sheet optimization will be required to maximize shareholder value.

Timeline summary

Key dates	Details
1875	Founding of predecessor company to Furukawa Co., Ltd, starts copper mining operations at Kusakura Copper Mine in Niigata Prefecture
1877	Starts operations of the Ashio Copper Mine in Tochigi Prefecture
1884	Ashio mine becomes Japan's largest copper producer
1900	Enters machinery manufacturing business
1914	Manufactures first rock drill in Japan
1949	Lists on the Tokyo Stock Exchange 1st Section
1987	Acquires UNIC Corp.
2008	Merges with Furukawa Otsuka Co. Ltd.
2022	Transfers to the Prime section of the Tokyo Stock Exchange
2023	Ends entrusted smelting contract with Onahama Smelting & Refining Co., Ltd.
2025	Company's 150 th anniversary

Source: Company



Group companies

Furukawa has 31 subsidiaries, with six key companies outlined below.

Main Group Companies

Subsidiary	Group company status	Stake	Activities
Furukawa Industrial Machinery Systems Co., Ltd.	Consolidated	100%	Manufacture and sale of industrial machinery
Furukawa Rock Drill Co., Ltd.	Consolidated	100%	Manufacture and sale of rock drills
Furukawa UNIC Corp.	Consolidated	100%	Manufacture and sale of mounted cranes and carriers
Furukawa Metals & Resources Co., Ltd.	Consolidated	100%	Copper procurement, and manufacture and sale of copper, gold, and silver
Furukawa Denshi Co., Ltd.	Consolidated	100%	Production of high-purity metallic arsenic and other products
Furukawa Chemicals Co., Ltd.	Consolidated	100%	Manufacture and sale of sulfuric acid and its derivatives, and copper oxide

Source: Company



Business segment data

Furukawa has three businesses: **Machinery, Materials, and Real Estate**. Both the Machinery and Materials segments have diverse product lines.

Business segment

Segment	Key products
Machinery	
Industrial machinery	Slurry pumps, sewage treatment sludge pumps, crushers, belt conveyors
Rock drill machinery	Rock drills, hydraulic breakers, hydraulic crawler drills, tunnel drilling jumbos
UNIC machinery	UNIC cranes, mini-crawler cranes, UNIC carriers
Materials	
Metals	Electrolytic copper, gold and silver, and sulfuric acid
Electronics	High-purity metallic arsenic, discrete crystals, aluminum nitride ceramics, core/coils
Chemicals	Cuprous oxide, cupric oxide, sulfuric acid
Real estate	Lease of company-owned building: Muromachi Furukawa Mitsui Building
Other	Affiliate companies, including transportation and metal powder manufacturing: Furukawa Unrin Co., Ltd., Yamaishi Metals Co., Ltd. and Furukawa C&F Co., Ltd..

Source: Company

The company has a dominant domestic market share in most of its product lines, **demonstrating its competitive technology and innovation:**

- **Machinery**
 - Industrial machinery – 60% share of sludge pumps for sewage treatment
 - Rock drill machinery – 70% of hydraulic crawler drills, 80% for tunnel drill jumbos
 - UNIC machinery – 50% for UNIC cranes and carriers.
- **Materials**
 - Electronic materials – 90% for high-purity metallic arsenic (60% for overseas).

The real estate business operates rental properties in Tokyo and Osaka, which provides a stable source of cash flow. It is primarily utilized to pay the semi-permanent administrative historical obligations for inactive domestic mines of between ¥0.8bn-¥1.0bn annually, booked under non-operating expenses.

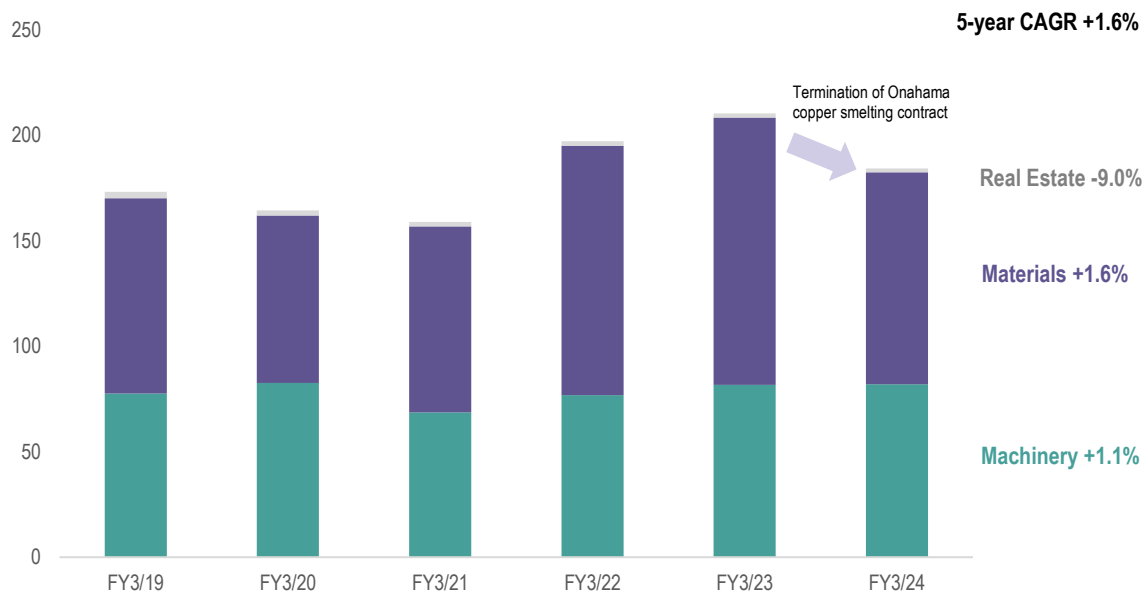


Recent trends in sales

Furukawa's 5-year (FY3/21-FY3/24) sales growth has been flattish at 1.6% CAGR, reflecting its strategic shift to reducing exposure to low-return Materials. The company ended its entrusted copper smelting contract with Onahama Smelting and Refining Co., Ltd. in March 2023, scaling back smelting production and significantly reducing unprofitable exports..

Five-year sales trend was flat

Annual sales trend (¥bn)



Source: Company

Machinery

The pandemic halted overseas infrastructure projects affecting the Rock Drill segment, machine utilization rates fell, and purchases suspended. The UNIC segment was hurt by postponed truck deliveries and as rental companies delayed investments.

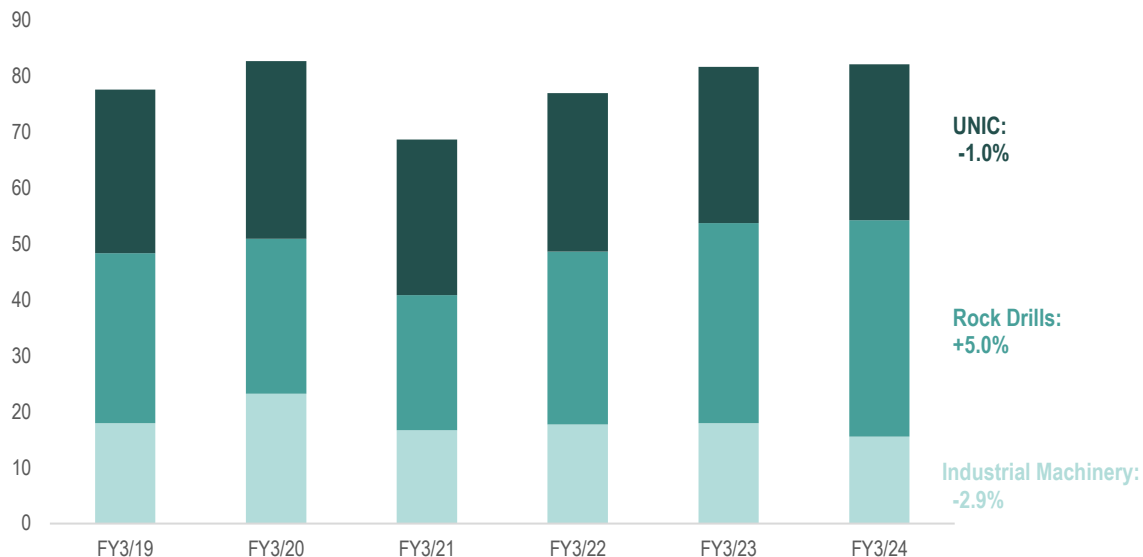
The Machinery business has since been recovering, driven by Rock Drills. In FY3/24, strong US demand and a weaker yen boosted sales, particularly for blast hole drill products such as hydraulic crawler drills.

Growth in the domestic-focused Industrial Machinery segment is driven by large infrastructure projects (such as bridges, tunnels and dams) and disaster prevention and mitigation projects. This is boosting demand for belt conveyors, which replace trucks for transporting sand and soil. There is limited potential for overseas expansion for industrial machinery due to intense competitive pricing pressure.



Key sales driver has been Rock Drills

Machinery annual sales trend (¥bn)



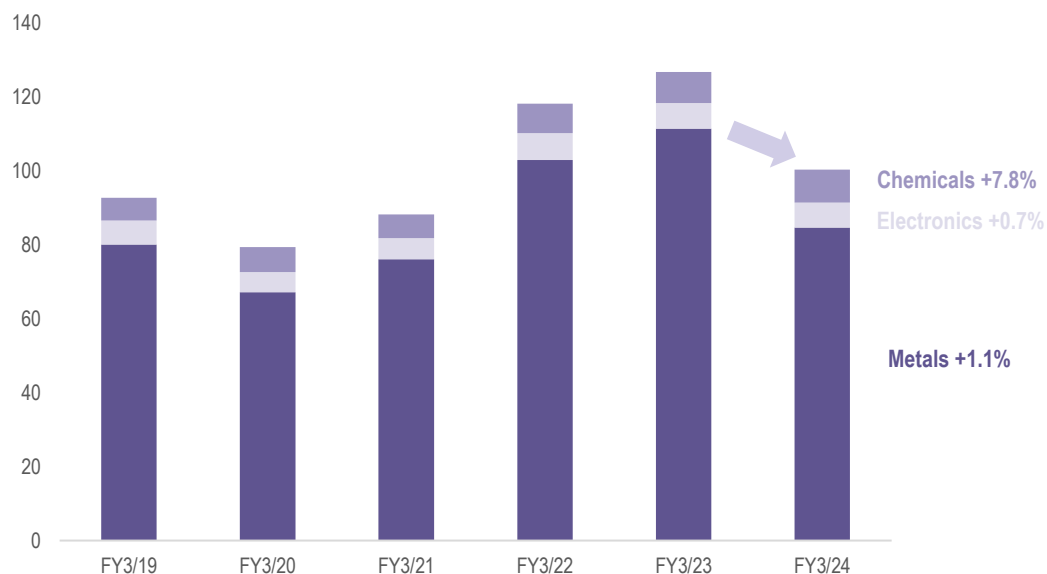
Source: Company

Materials

The Materials segment was impacted by falling copper prices in FY3/20 but recovered from FY3/21 until the entrusted smelting contract termination in FY3/24. The Chemicals business grew at a 5-year CAGR of 7.8%, supported by higher copper prices in FY3/23 and FY3/24 and rising demand for cuprous oxide used in ship-bottom paint.

Metals impacted overall trend

Materials annual sales trend (¥bn)



Source: Company



Recent trends in profitability

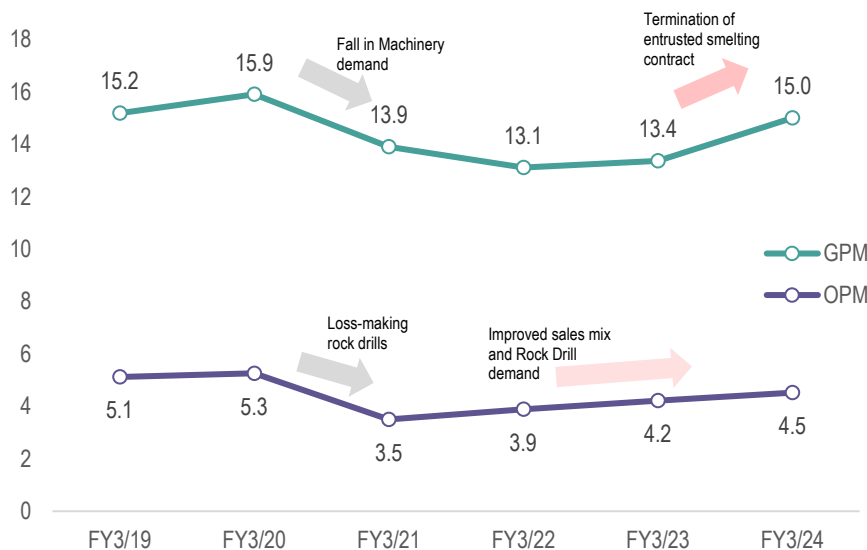
Profitability in Machinery is highly correlated with customers' capex trends and infrastructure investment, while Materials has been primarily influenced by copper prices. Recent levels of profitability bottomed in FY3/21, and have been on a gradual uptrend driven by the following:

- **Machinery** – Overseas demand for rock drill machinery such as hydraulic crawler drills and hydraulic breakers.
- **Materials** – Terminating the company's entrusted copper smelting contract in March 2023, improving the sales mix.
- **Cost reduction efforts** – Furukawa focuses on profitable growth in the US, Europe, and Southeast Asia, exiting China and Latin America due to lower profitability of rock drills. The company aims to streamline operations by centralizing production, enhancing quality, and reducing development lead times.

The Industrial Machinery segment has experienced a sharp drop in operating profit, due to costs associated with delays in material machinery plant construction, but a rebound has been underway in FY3/25.

Margins have been tracking upward

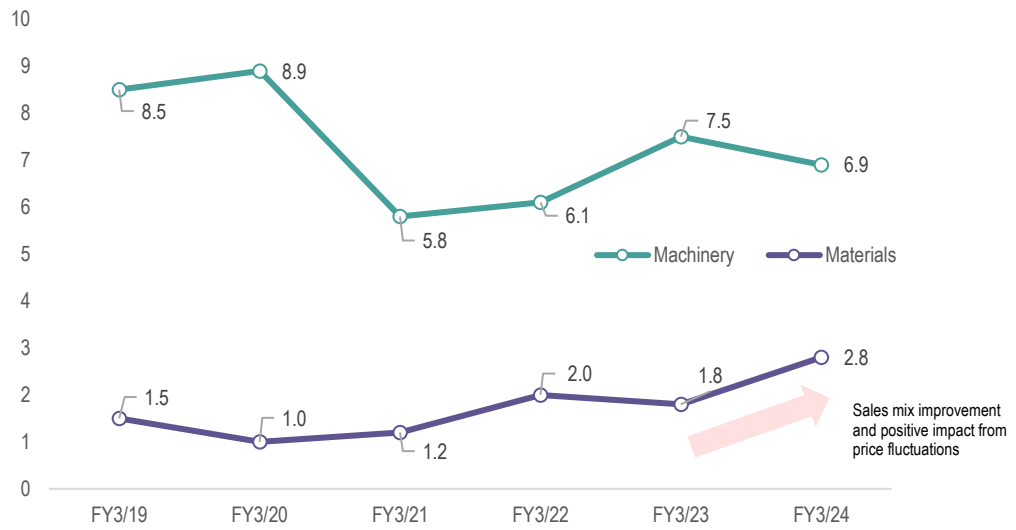
Profitability trend (%)



Source: Company

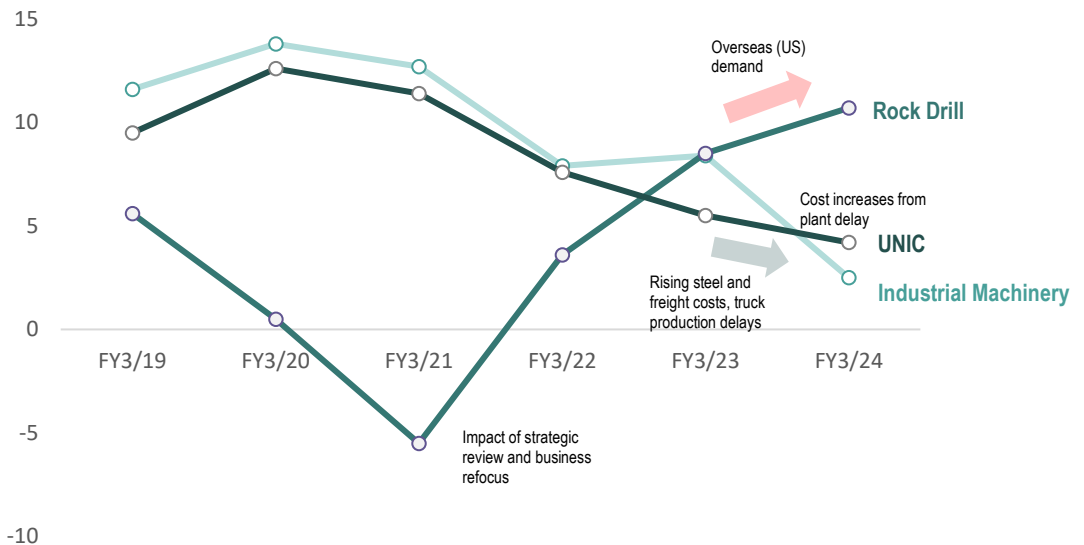


Margin trend by business (%)



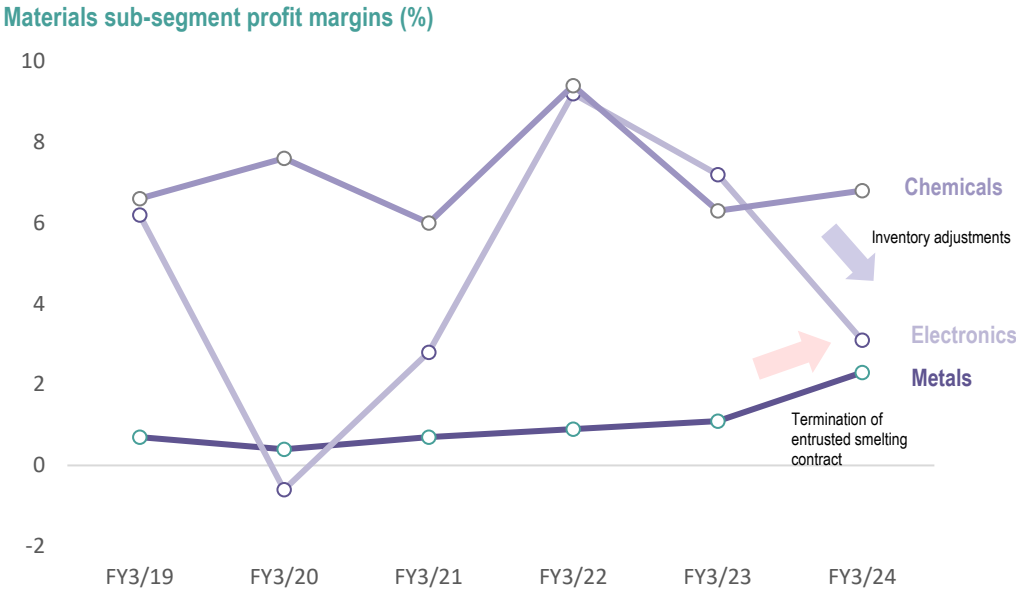
Source: Company

Machinery business segmental profit margins (%)



Source: Company





Legacy issues

Background

The company has an obligation to undertake pollution control measures for three inactive mines where it still retains mining rights:

- Ashio Mine in Tochigi Prefecture.
- Jimori Mine in Wakayama Prefecture.
- Ani Mine in Akita Prefecture.

These legally-binding obligations include treating runoff from tunnels, decommissioned waste disposal sites and in-use tailings dams (a facility for the final disposal of mining waste). The company is obligated to take measures as long as mine run-off continues to be discharged from suspended or abandoned mines. The measures are to preserve the tailings dam after its end of use and restore the area in the event of a disaster.

Financial impact

The financial implications are an expected annual cost of ¥0.8bn to ¥1.0bn (in non-operating costs), using cash flow generated from its real estate business. In FY3/24, these expenses totaled ¥0.82bn.

These obligations mean that the real estate business is used as an anchor asset in preparation for future costs. This results in a heavier asset base and a decline in asset turnover.



Our commentary on key potential growth drivers

The company has identified three strategic growth drivers: **belt conveyors, product lifecycle support, and overseas market expansion.**

Belt conveyors

Addressing carbon emissions and labor shortages

Furukawa provides **belt conveyors as a cost-effective, eco-friendly alternative to dump trucks for transporting sand and soil in long-term infrastructure projects.** It has a track record with such projects, including dam and river flood control construction, tunnel construction and more, contributing to disaster prevention and mitigation, and national resilience projects. Unlike trucks, conveyors shorten construction time, reduce carbon dioxide emissions, avoid traffic congestion, prevent environmental degradation related to vibration and dust, and provide a solution to road safety and driver shortages.

Furukawa has long offered belt conveyor systems and **is the only Japanese company to offer the SICON® Enclosed Hanging Conveyor**, which provides key advantages: full enclosure to prevent spillage, dust and reduce noise; lower energy consumption as it distributes power along the route, and multidirectional movement. This allows for seamless navigation of complex terrain, eliminating transfer parts and reducing maintenance costs.

Furukawa has been receiving increased inquiries for its belt conveyors. By Q2 FY3/25, it received 16 new inquiries worth ¥30bn including for dams and tunnels, of which just over ¥10bn has been converted into orders.

Our impressions

While company targets are unavailable, several factors support optimism. Japan's labor shortage, especially in trucking (projected 36% shortfall by 2030 per Nomura Research Institute), is worsening due to new overtime laws, causing construction delays. Belt conveyors help mitigate this issue while supporting Japan's 2050 carbon neutrality goal by reducing truck usage.

Despite low economic growth, high public fixed capital stock, and budget constraints limiting infrastructure spending; disaster mitigation, resilience projects, and infrastructure renewal are expected to continue. Demand for the SICON® belt conveyor could drive cross-selling opportunities for slurry pumps and cone crushers.



Product lifecycle support and automation

Improving maintenance and productivity, addressing labor shortages

Furukawa's machines have 10 to 20-year lifecycles and endure extreme wear and tear, creating opportunities for IoT-driven maintenance and productivity services. The company aims to provide inspection and monitoring services to detect breakdowns early, prevent downtime and improve efficiency of products at its Industrial Machinery and Rock Drill segments.

Furukawa's Rock Drill segment launched two data analysis services in 2023, which utilize IoT for blasthole drills, helping customers enhance productivity. This foundation is expected to support future recurring revenue growth.

Automation and IoT are complementary, generating valuable data for new services. Furukawa is pursuing automatization across its Machinery Business, including a fully automated drill jumbo for tunnel excavation, a fully-automatic BOLTINGER rock bolting machine, a concrete sprayer, and a hydraulic crawler drill with semi-automatic drilling functions.

Our impressions

Expansion into IoT lifecycle services and automation aligns with its long product lifecycles and high-risk environments. **For customers, preventative maintenance and improved safety boosts machine utilization rates and reduces downtime, while for Furukawa, this creates new revenue streams.**

The company is also standardizing rock drill machine parts to improve efficiency. While no sales data is available for automated machinery or IoT services, industry leaders like Caterpillar (\$24bn in Q4 FY12/24 services revenue) highlight the potential for such offerings, especially with AI-driven advancements.

Japan's construction workforce has declined by 20% over the past decade, due to labor shortages and overtime rules, making technology adoption in the industry essential. Furukawa is well-positioned to address operator shortages and improve site safety by reducing worker exposure to hazardous operations.



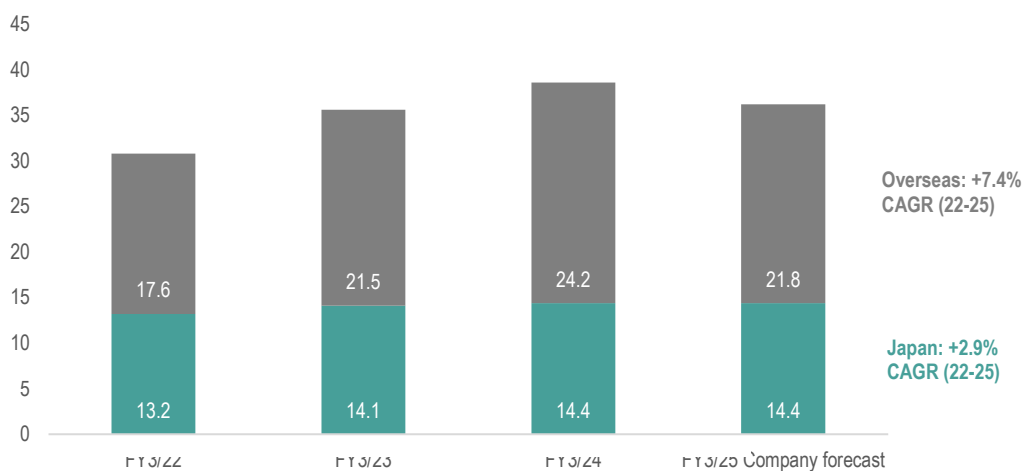
Overseas market expansion

US and Southeast Asia potential

Rock drill machinery generates around 63% of sales overseas. US demand has been driving growth, thanks partly to stimulus measures aiding demand for large blast hole drills. FY3/25 faced difficult comps but is expected to resume its growth trend in FY3/26, aided by business expansion centred on its new West Coast base.

Rising overseas rock drill sales

Annual sales trend (¥bn)



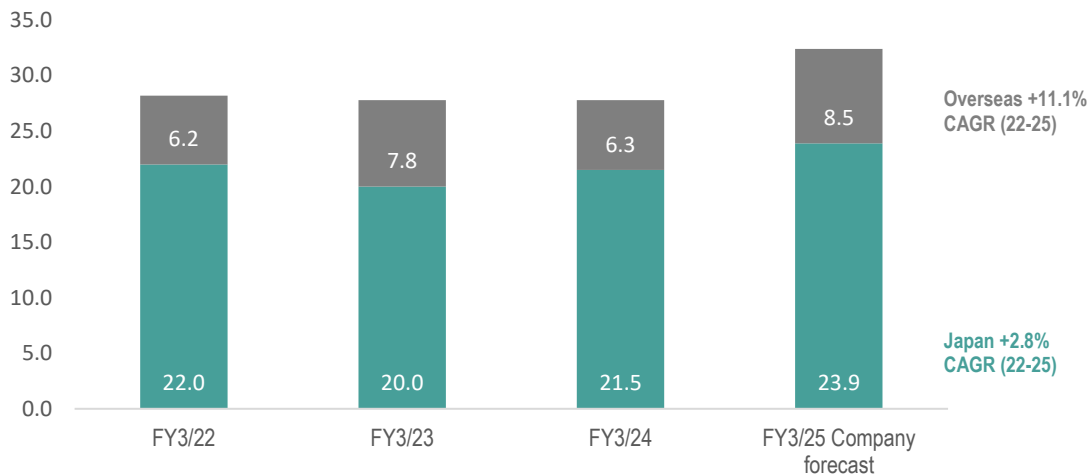
Source: Company

The UNIC Machinery segment's overseas sales make up 23% of segment sales, with demand impacted by load regulation differences between Japan, the US, and Europe. To drive US demand, Furukawa focuses on larger mini crawler cranes, which are remote-controlled, not truck-mounted, and designed for confined spaces like warehouses and factories.



UNIC overseas three-year sales CAGR rose 11.1%

Annual sales trend (¥bn)



Source: Company

Furukawa sees growth potential in Southeast Asia for the Rock Drills and UNIC segments. With a 700 million population and projected 5.1% annual GDP growth over the next decade (faster than China, according to DBS Bank), the region also faces a \$3 trillion infrastructure investment gap.

The scale of Furukawa's business is currently limited in the region. But it aims to develop attachment drills for hydraulic excavators, promote the shift from pneumatic to hydraulic drills amid development of the crushed stone market and infrastructure investment. It also anticipates sales to increase through adding large truck-mounted cranes to its product lineup. Over time, customers are likely to shift to more durable machines that also improve productivity, while rising labor costs could further boost demand for more efficient products.

Increasing market share in western Japan

Furukawa is expanding domestically in its Industrial Machinery segment, focusing on Material Machinery (crushers, screens) and pumps. It has 20% of the eastern Japan crusher market and aims to grow its western Japan share from 10% to 15%. The company targets replacement demand to attract new clients while retaining existing ones. In its strategic GEOPUS crusher product series, Furukawa plans to offer a full-lineup of products used for crushed stone and crushed sand flows, aiding productivity and quality improvements. For pumps, it plans to launch new high-efficiency slurry pump (LK3), with demand coming from customers in the chemicals and non-ferrous metal industries.

Our impressions

Rock drills are key to growth as a high-return business. Domestic growth exists, particularly in construction and civil engineering, and demolition. But overseas expansion offers greater potential. Southeast Asia presents an opportunity, but it may take time as local firms initially opt for cheaper alternatives. We believe the US remains the main growth driver in the medium term.



Medium-term plan

The company has disclosed a medium-term management plan for FY3/24 to FY3/26. The main targets are:

- **Shareholder returns** – Implement a share buyback program totaling ¥13bn over three years and a total dividend payout of ¥7bn.

Achievement potential – High: It has increased its buyback program to ¥13bn from an original ¥3bn. It has maintained dividends above ¥50 a share to reach its payout target, with FY3/25 dividends forecast for ¥70, including a ¥10 commemorative dividend.

- **Leverage** – Reduce debt-to-equity ratio to around 0.5x (0.6x in FY3/2023), interest-bearing debt/EBITDA ratio to around 3x (4.8x in FY3/2023), interest-bearing debt by ¥10bn.

Achievement potential – High: In FY3/24 the company's debt-to-equity ratio dropped further than the goal to 0.4x. The interest-bearing debt/EBITDA ratio stood at 4.5x. Achievement will depend mostly on its ability to increase EBITDA.

- **Earnings** – Machinery segment to generate at least 50% of total sales (38.1% in FY3/2023) and more than 80% of OP (67.5% in FY3/2023). OP target of ¥13bn (3-year CAGR of +13%) and OPM of 6.9%.

Achievement potential – Challenging: A difficult macroeconomic environment, including high steel prices and shipping costs, sluggish auto production, and a delayed recovery in the semiconductor market, means significant efforts are required in FY3/26 to meet OP and OPM goals.

- **Valuations** – PBR of 1.0x or higher.

Achievement potential – Challenging: Furukawa made efforts to improve profitability by focusing on its Machinery business and reducing costs by ending one of two smelting contracts, along with other measures. However, a difficult economic environment is hindering earnings growth. We expect the company to seek out further ways to reduce costs.

- **Profitability** – Improve ROE to around 8.0% (vs 6.2% in FY3/2023).

Achievement potential—Challenging: Gains from the sale of assets and cross-shareholdings have bolstered net income, boosting ROE to an estimated 14.4% for FY3/25. However, this is unlikely to be a sustainable trend.



Management Philosophy

Innovation, creativity, and harmony

Furukawa's management philosophy is to always be indispensable to society through continuously developing technologies whose foundations lay in the company's mining roots. To carry out this management philosophy, the company has action guidelines rooted in the three concepts of innovation, creativity, and harmony, whilst always keeping in mind the three words that best represent the founder: luck, stolidity, and perseverance.



Business model

Key concepts and unique selling points

Typically, Furukawa and large infrastructure and mining machinery makers receive orders from customers, with two main sources of demand: new and replacement. Some companies also offer rental services and trade-in services. A key element is parts replacement and maintenance. Other key factors are as follows:

- **R&D** – Having identified customer needs through coordination with marketing and sales departments and client feedback, Furukawa’s materials and machine technology departments collaborate in areas including - strategy, advanced technology, IP, and quality assurance – to develop new products.
- **Supply chain** – Furukawa’s procurement division establishes the sourcing of raw materials and necessary components, ensuring high standards are met.
- **Testing** – The products are tested and issued with necessary certifications and documentation.
- **Manufacturing** – The company manufactures the material or equipment at group company factories.
- **Quality and safety inspection** – The product passes through quality and safety inspections.

Furukawa’s model has the following focus:

- **Marketing-based management**— The company places marketing at the core of management decisions, adopting a business model that produces products meeting customers’ needs.
- **Focusing on profitability over sales** – Furukawa is streamlining low or unprofitable business lines to improve efficiency and earnings.
- **Unique products** – the company has highly specialized products including:
 - SICON® Enclosed Belt Conveyor System, which reduces spills, dust, and noise on site.
 - UNIC radio-controlled cranes.
 - Rock drill products with fully-automated and semi-automated functions, enabling high accuracy drilling.
 - Material machinery with improved crushing efficiency
 - Top 90% domestic share in high-purity metallic arsenic, which is the raw material used in gallium arsenide semiconductors.

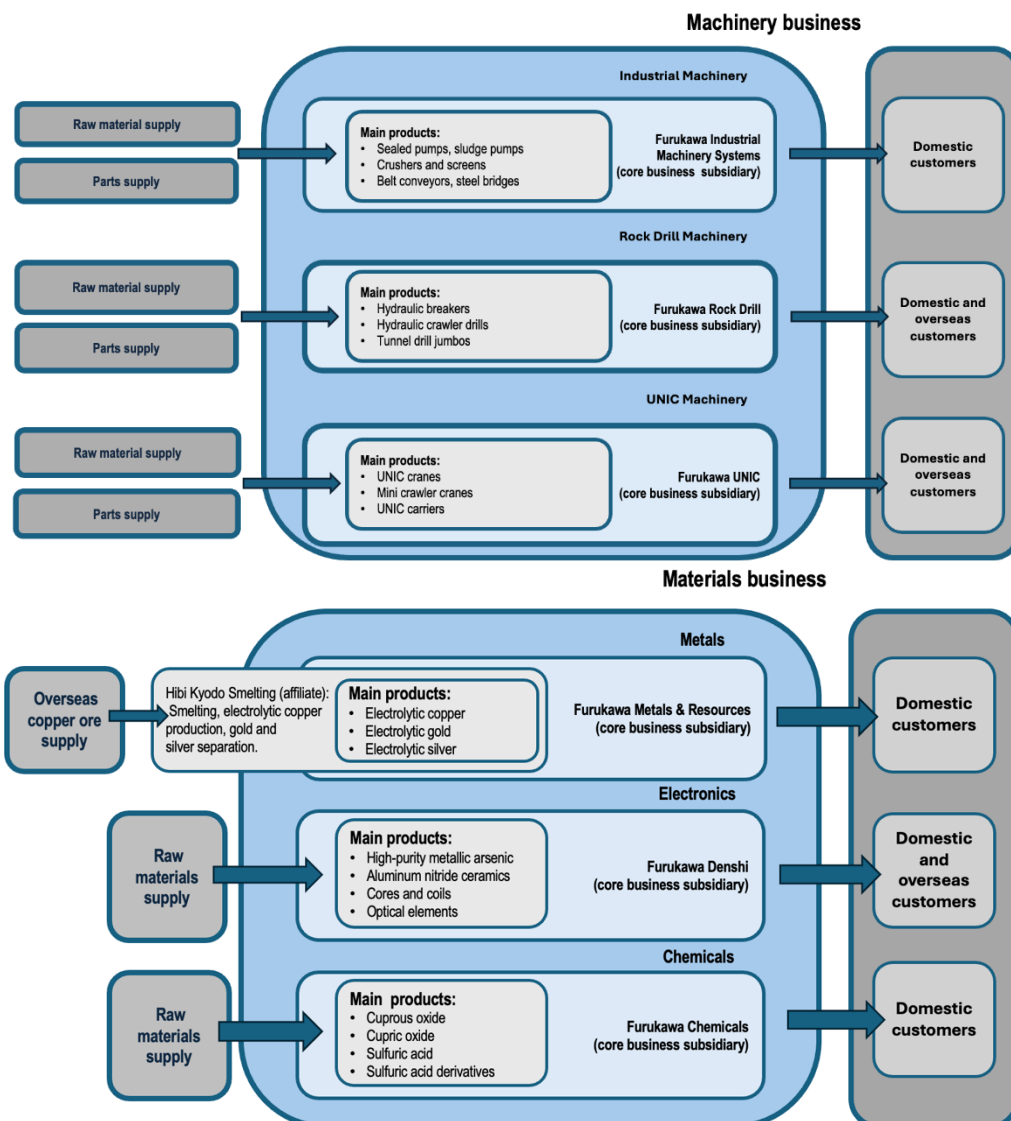


Route to market

Furukawa has sales and marketing teams promoting its products. Its machines are sold through dealers and directly, while its materials products are sold directly to the end users, such as semiconductor manufacturers, shipbuilders, food producers, and more.

Workflow

High-level workflow overview



Source: Based on company data



Competitive advantages

We believe Furukawa has the following competitive advantages:

Furukawa has several competitive advantages, including IP and unique products

- **Longevity:** Furukawa's longevity means that it has established particularly strong customer ties in Japan that have facilitated its strong market share in various products.
- **Intellectual property:** Furukawa has set basic policies and priorities included in its medium-term management plan. At the end of FY3/23, the company held 590 patents.
- **Responding to market changes:** The company develops belt conveyors that contribute to national resilience and disaster prevention and mitigation, provides products that contribute to reducing carbon dioxide emissions, and develops semi- and fully automatic rock drills, responding to the domestic shortage of machine operators and to reduce exposure to dangerous working conditions.

ROIC

We believe ROIC is a key indicator of a company's ability to generate value. Furukawa's ROIC has averaged 3.8% for the last 10 years but has been on a downward trend over the past five years, falling from 5.7% in FY3/19 to 1.6% in FY3/24. The company's 10-year average is slightly above the 3.2% average of its domestic peer group and lower than the 11.9% of its overseas peer group.

Furukawa has not disclosed a target for ROIC. However, we believe ROIC should improve over the medium term as the company focuses on profitability and further optimizes its balance sheet.



Peer group analysis

We have selected the following peers to assess Furukawa’s returns and valuations:

- **Domestic companies**—Given that Furukawa’s core businesses are machinery and materials production, we have selected companies that are also involved in either one or both of these businesses.
- **Overseas companies**—Similar to the domestic peer group, we have chosen companies that are involved in either one or both of Furukawa’s main businesses identified above.

This customized and limited peer group may make meaningful comparisons difficult. However, we aim to gain insight into key metrics to assess performance and valuations.

We view both the construction and infrastructure equipment and materials production industries as globally competitive and operating in broader markets that play an important role in finding solutions to climate change. The former is relatively capital-intensive, and innovation is important to establish a competitive advantage.

Domestic companies

Company	Description
Mitsui Mining and Smelting	Engineered and electronic materials, nonferrous metal smelting, and minerals resource development
Mitsubishi Materials Corp.	Electronic, metals and vehicle parts production, and recycling technology
Sumitomo Metal Mining.	Mining, smelting and refining of non-ferrous metals, and advanced materials production
Dowa Holdings.	Environmental management and recycling, nonferrous metals, electronic materials, metal processing
Bando Chemical Industries	Industrial products, auto parts, and advanced elastomer products production
Kobe Steel	Steel and aluminum, and advanced materials production
Kubota .	Agricultural and construction machinery production
Komatsu	Industrial and mining machinery production
Hitachi Construction Machinery	General construction machinery, and infrastructure and mining machinery production

Source: Companies’ websites

Overseas companies

Company	Description
Caterpillar Inc.	General construction and mining machinery production
Sandvik AB	Mining and infrastructure machinery, and parts production
Epiroc AB	General construction, mining and excavation machinery production
Aurubis AG	Nonferrous metal processing and recycling
Shanghai GenTech Co., Ltd.	High purity electronic materials production
Atlas Copco AB	Production of pneumatic, vacuum, and energy solutions, dewatering and industrial pumps, and industrial power tools
HD Hyundai Construction Equipment Co.Ltd.	General construction and infrastructure machinery production

Source: Companies’ websites.



These are our core findings:

- **Profitability** – Furukawa’s current and historic operating margins are lower than both domestic and overseas peer groups. Furukawa’s level is closer to peers from the materials and smelting sectors, while industrial equipment makers have higher margins. We believe this indicates the following:
 - Furukawa’s refocusing of its investments its Machinery business from Materials should improve the sales mix and future profitability. In particular, margins are on a path to improvement despite a decline in sales from the downsizing of its Metals segment.
 - One reason equipment makers enjoy higher margins is after sales services, such as maintenance, which generates recurring revenue. This is an area that Furukawa has highlighted as important to expand through IoT.

Furukawa’s LTM ROE of 13.5% compares favorably with its domestic peer average of 10.2%. However, this is due to one-time extraordinary gains, and the underlying is mid- to low single-digit ROE.

- **Valuations**—Furukawa’s shares trade at a major discount on most valuation metrics. This is partly explained by the relatively low level of profitability, which indicates inefficient use of capital and unsustainable shareholder returns. As low ROE has persisted, this indicates Furukawa has been facing structural challenges, chiefly in its Materials business, which has been partly addressed.
- **5-year track record** – Furukawa’s track record indicates a mixed performance due to external market challenges and its efforts to refocus on the higher-margin Machinery business.



Peer analysis of key profitability and valuation metrics

Ticker	Company	Mkt Cap US\$ (m)	Profitability				Valuation					
			OPM LTM (%)	OPM 10-yr average (%)	ROE LTM (%)	ROIC 10-yr average (%)	EV/EBITDA 12M Fwd (x)	EV/Sales 12M Fwd (x)	Div yield 12M Fwd (%)	FCF yield 12M Fwd (%)	PER 12M Fwd (x)	PBR (x)
5851 JP	Furukawa	502	4.3	4.6	13.5	3.8	4.4	0.3	2.9	13.4	10.6	0.5
<i>Domestic companies</i>												
5706 JP	Mitsui Mining and Smelting	1,695	9.1	6.0	16.4	3.1	5.1	0.6	3.9	17.2	8.0	0.7
5711 JP	Mitsubishi Materials	2,145	1.9	3.3	7.1	2.1	11.0	0.5	3.9	-7.2	12.4	0.5
5713 JP	Sumitomo Metal Mining	6,337	7.3	10.6	3.4	-8.9	10.7	1.0	3.9	6.8	13.8	0.5
5714 JP	Dowa Holdings	1,974	4.8	6.6	8.7	6.3	5.5	0.5	2.9	25.9	11.2	0.7
5195 JP	Bando Chemical Industries	529	7.0	6.3	7.4	4.4	3.9	0.6	5.4	12.1	9.1	0.8
5406 JP	Kobe Steel	4,941	7.2	3.5	10.8	2.4	6.4	0.6	4.6	13.6	6.0	0.6
6326 JP	Kubota	14,595	11.8	10.9	11.2	6.4	9.4	1.4	3.1	7.6	10.1	0.8
6301 JP	Komatsu	28,992	15.7	11.9	13.5	7.5	6.8	1.4	4.2	5.6	10.9	1.2
6305 JP	Hitachi Construction Machinery	5,682	11.5	7.9	12.9	5.7	6.3	1.0	4.5	14.8	9.8	1.0
Average			8.5	7.5	10.2	3.2	7.2	0.8	4.0	10.7	10.1	0.8
<i>Overseas Companies</i>												
CAT US	Caterpillar	161,449	21.1	13.1	62.2	8.6	11.8	2.7	1.7	5.0	17.2	9.1
SAND SS	Sandvik	29,030	16.3	16.7	14.6	11.6	10.4	2.6	13.9	6.9	16.5	2.9
EPIA SS	Epiroc	24,121	20.3	20.4	23.6	20.5	15.2	3.8	2.0	7.5	25.1	5.6
NDA GY	Aurubis	4,498	1.9	2.8	6.2	8.2	6.8	0.2	10.5	-11.1	17.2	0.8
688596 CH	Shanghai GenTech	1,624	8.8	8.2	12.4	9.9	13.5	1.7	1.2	-2.5	15.1	2.8
ATCOA SS	Atlas Copco AB	85,032	21.9	20.7	32.0	20.7	17.4	4.7	1.7	4.0	28.6	7.4
267270 KS	HD Hyundai Construction Equipment	974	5.3	3.0	4.7	4.0	8.2	0.6	1.1	21.5	11.5	0.8
Average			13.7	12.1	22.2	11.9	11.9	2.2	4.6	4.5	17.1	4.2

Source: FactSet, Bloomberg, Astris Advisory

Notes: If the 10-year average is unavailable we have chosen the longest track record available. Outlying numbers are excluded. If no 12M Fwd is available, we have chosen the closest period possible.



Peer analysis of track record – growth (5-year CAGR)

Stock	Name	Growth 5-year CAGR (%)						Change over the last 5 years			
		Sales	EBIT	Net Income	EPS	BPS	Total assets growth	Chg. in GPM	Chg. in FCF margin	Chg. in ROE	Chg. in ROA
5715 JP	Furukawa	1.57	-0.90	28.17	29.86	12.04	3.83	-0.08	-2.00	8.12	4.41
<i>Domestic</i>											
5706 JP	Mitsui Mining and Smelting	5.38	11.73	40.83	40.81	10.35	4.13	-0.30	5.89	7.00	3.18
5711 JP	Mitsubishi Materials	-1.52	-8.78	87.11	87.23	0.67	2.26	-2.00	-4.87	4.58	1.40
5713 JP	Sumitomo Metal Mining	9.64	4.95	-2.58	-2.58	11.25	10.99	-2.58	-1.23	-3.00	-1.74
5714 JP	Dowa Holdings	9.63	9.95	13.20	13.07	9.34	5.05	-1.03	8.33	1.46	1.17
5195 JP	Bando Chemical Industries	2.80	4.15	2.52	3.66	6.29	4.14	-0.56	6.41	-0.62	-0.25
5406 JP	Kobe Steel	5.22	28.16	24.97	22.83	5.56	4.13	3.48	7.65	6.27	2.26
6326 JP	Kubota	10.30	11.65	11.46	12.40	11.23	13.10	0.51	-7.59	1.24	-0.13
6301 JP	Komatsu	7.28	8.89	8.92	8.88	10.76	9.15	0.57	5.60	-0.63	0.16
6305 JP	Hitachi Construction Machinery	6.34	7.54	8.93	6.36	9.43	9.52	2.11	6.97	0.11	-0.03
Average		6.12	8.69	21.71	21.41	8.32	6.94	0.02	3.02	1.82	0.67
CAT US	Caterpillar	4.15	9.79	10.95	14.42	9.86	2.19	5.10	7.95	14.13	4.29
SAND SS	Sandvik	4.80	5.29	2.96	3.83	8.56	8.16	-1.40	0.04	-6.64	-3.03
EPIA SS	Epiroc AB	9.53	11.03	11.67	11.66	14.26	12.78	0.63	0.82	-8.21	-2.13
NDA GY	Aurubis	10.36	-32.70	-11.62	-12.94	11.24	9.96	-2.93	-0.71	-7.29	-3.87
688596 CH	Shanghai GenTech	33.13	37.65	46.23	44.42	42.58	38.96	0.78	-15.57	0.34	1.26
ATCOA SS	Atlas Copco	12.61	13.01	11.43	7.83	16.51	13.01	1.06	-1.58	1.00	1.51
267270 KS	HD Hyundai Construction Equipment	3.41	4.41	9.16	10.81	6.25	1.07	1.84	9.33	1.70	0.77
Average		11.14	6.92	11.54	11.43	15.61	12.30	0.73	0.04	-0.71	-0.17

Source: FactSet, Bloomberg



SOTP valuation

We have conducted a simple sum-of-the-parts (SOTP) valuation exercise:

- To value the two business segments separately (Machinery and Materials), using an appropriate EV/EBITDA multiple on our estimate FY3/26 segmental EBITDA.
- To estimate the market value of the real estate asset, and the contingent liability from the inactive mines.

SOTP analysis

Business segment	Astris estimate FY3/26 EBITDA (¥bn)	Assigned EV/EBITDA multiple (x)	Implied EV (¥bn)	Note
Machinery	9.8	8.0	78.4	
Materials	4.9	4.5	22.1	
Real Estate			12.0	NOI assumed ¥0.6bn, cap rate 5.0%
Investment securities			30.5	Balance from Q3 FY3/25
Net debt			(43.7)	Balance from Q3 FY3/25
Non-controlling interests			(2.7)	Balance from Q3 FY3/25
Our estimates of contingent liabilities			(10.5)	¥0.9bn non-operating expense, cost of capital 7%, over 25 years
Implied equity valuation			86.1	
Implied value per share (¥)			2,348	
Current share price (¥)			2,071	
Implied upside (%)			+13.3	

Source: Company, Astris Advisory

The conclusions from this exercise are as follows:

- There is potential that the Machinery segment is being significantly undervalued.
- There is notable value derived from large assets – real estate and investment securities.
- The Materials business does not contribute significantly to the equity value.



Balance sheet

Key metrics indicate that Furukawa is a liquid and well-capitalized business, in line with its domestic peers. This may indicate why management focused on improving net income margin and asset turnover to drive ROE improvement rather than increasing leverage.

Although the asset turnover of 0.8x is in line with peers, given the investment securities and tangible assets on the balance sheet, there is scope for improvement.

Liquidity, leverage, and capital efficiency

Company	Liquidity		Leverage					Efficiency		
	Current ratio (x)	Quick ratio (x)	Net debt to equity (x)	Net debt to EBITDA (x)	Interest cover (x)	Total debt to capital (%)	Equity ratio (%)	Asset turnover (x)	Inventory turnover (x)	Cash cycle (days)
Furukawa	1.8	0.9	0.4	4.0	24.2	33.1	48.5	0.8	3.4	115.4
<i>Domestic Companies</i>										
Mitsui Mining and Smelting	1.8	0.9	0.5	1.6	36.7	40.2	45.4	1.0	3.2	140.4
Mitsubishi Materials	1.3	0.8	0.8	6.6	9.0	47.8	30.3	0.8	3.5	191.5
Sumitomo Metal Mining	1.8	0.8	0.2	2.7	7.6	25.1	57.8	0.5	2.4	154.4
Dowa Holdings	1.8	0.8	0.2	1.2	104.1	25.1	57.2	1.1	3.4	120.4
Bando Chemical Industries	2.1	1.5	-0.1	-0.8	36.9	5.6	70.0	0.9	4.1	99.9
Kobe Steel	1.5	0.7	0.6	2.2	21.0	44.9	37.3	0.9	3.0	101.0
Kubota	1.7	1.3	0.8	4.1	69.1	47.3	41.4	0.6	3.3	219.8
Komatsu	2.0	1.1	0.3	1.3	13.4	32.2	52.3	0.7	2.0	252.0
Hitachi Construction Machinery	1.5	0.7	0.7	2.3	15.2	46.3	42.3	0.8	1.9	182.3
Simple average	1.7	1.0	0.4	2.4	34.8	34.9	48.2	0.8	3.0	162.4
<i>Overseas Companies</i>										
Caterpillar	1.3	0.8	1.9	2.0	34.3	68.5	20.6	0.8	2.7	168.9
Sandvik	1.6	0.8	0.6	1.8	9.0	38.5	48.4	0.7	2.2	199.8
Epiroc	2.0	1.0	0.4	1.0	13.3	37.4	46.5	0.9	2.2	197.6
Aurubis	2.1	0.4	0.0	-0.1	16.0	6.0	56.5	2.3	4.8	54.7
Shanghai GenTech	1.3	0.6	0.2	1.1	20.6	32.1	34.1	0.5	1.1	409.7
Atlas Copco	1.5	1.0	0.2	0.4	85.8	25.9	49.5	0.9	3.5	126.7
HD Hyundai Construction Equipment	1.8	0.9	0.2	1.4	5.6	31.6	48.0	1.1	2.8	148.1
Simple average	1.7	0.8	0.5	1.1	26.4	34.3	43.4	1.0	2.7	186.5

Source: Refinitiv, FactSet

Investment securities

The company has been selling down its investment securities since FY3/24. The Board of Directors considers the benefits and risks of these holdings, both qualitatively and quantitatively, to assess the suitability of maintaining such holdings.

As of Q3 FY3/25, there was a balance of ¥30.46bn in investment securities (FY3/24 ¥47.38bn), comprised of the following:

Investment securities held (priced 28 February 2025)

Ticker	Name	Value (¥m)	Position (%)
5101.T	Yokohama Rubber Co Ltd	6,875.32	1.71
5801.T	Furukawa Electric Co Ltd	4,795.19	1.33
5831.T	Shizuoka Financial Group	1,904.76	1.32
	Inc		
7167.T	Mebuki Financial Group	1,554.67	3.04
	Inc		
4205.T	Zeon Corp	1,508.58	1.14
4401.T	Adeka Corp	864.35	0.27
8411.T	Mizuho Financial Group	792.00	0.26
	Inc		
5076.T	Infroneer Holdings Inc	765.21	0.53
4047.T	Kanto Denka Kogyo Co Ltd	645.12	0.64
	Ltd		
8125.T	Wakita & Co Ltd	477.90	0.30
9304.T	Shibusawa Logistics Corp	431.44	0.14
8334.T	Gunma Bank Ltd	426.81	0.49
8802.T	Mitsubishi Estate Co Ltd	425.41	0.15
8078.T	Hanwa Co Ltd	415.10	0.07
7377.T	DN Holdings Co Ltd	313.44	0.19
8309.T	Sumitomo Mitsui Trust	263.71	0.08
	Group Inc		
8331.T	Chiba Bank Ltd	258.61	0.21
4997.T	Nihon Nohyaku Co Ltd	246.92	0.30
3302.T	Teikoku Sen-I Co Ltd	117.30	0.05
9678.T	Kanamoto Co Ltd	83.87	0.03
5805.T	SWCC Corp	42.78	0.01

Source: Refinitiv

Land & buildings

The Real Estate business generates sales predominantly from commercial tenants leasing units at its Muromachi Furukawa Mitsui Building in central Tokyo, and the cash flow is used to cover its disused mine obligations.

The company has been active in transferring ownership of land and buildings; in FY3/24 it transferred a portion of the former Furukawa Osaka Building site and other land as a co-ownership interest, recording a ¥13.43bn extraordinary gain.

Despite such efforts, in Q3 FY3/25, the net value of buildings, structures and land totalled ¥76.33bn (FY3/24 ¥75.13bn), making up 58% of total net assets. This may indicate that the company owns excess assets that are not critical to operations. If these assets do not generate sufficient earnings, they will continue to negatively impact ROE and ROA. However, the ownership of real estate is essential to fulfill its obligations to manage disused mines.

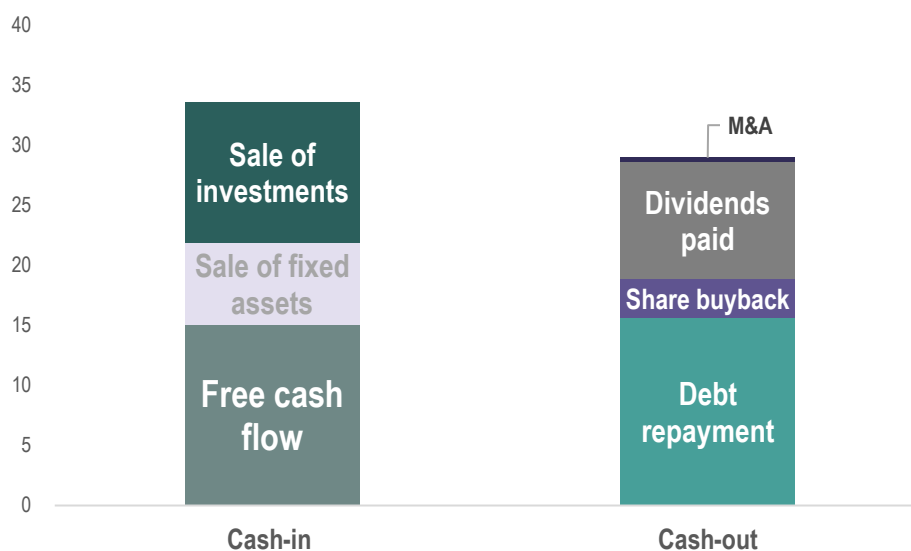
Capital allocation

Over the last five years, Furukawa has generated positive free cash flow. It has also sold fixed assets and cross-shareholdings. However, it appears to be under-allocating available cash.

Capital has been deployed primarily for debt repayment, followed by dividends. The company appears to be prioritizing strengthening its financial flexibility, followed by shareholder returns. M&A has not been a major avenue of utilizing its capital. In recent years, the company has only made a few acquisitions. It acquired Yamaishi Metal in October 2021, to gain access to metal powder technology. In March, it made Mitsui Miike Machinery Co., Ltd. into an affiliate. It is likely to consider future M&A opportunities.

Capital allocation lower than cash generated

5-year cumulative capital generation and allocation (FY3/19 – FY3/24) (¥bn)



Source: Company

Note: FCF definition is cash flow from operating activities less expenditures for acquisitions of tangible and intangible fixed assets



Recent results

Q1-3 FY3/25 results

Sales growth with slight decline in margins

Key financials

(¥bn)	Q1-3 FY3/24	Q1-3 FY3/25	Growth YoY (%)	FY3/25 forecast (revised Feb 2025)	Growth YoY (%)
Sales	142.03	146.20	+2.9	198.90	+5.7
Gross profit/(loss)	21.64	21.14	-2.3		
Gross margins (%)	15.2	14.5			
Operating profit/(loss)	6.67	6.44	-3.5	8.70	+2.1
Operating margins (%)	4.7	4.4		4.4	
Recurring profit	8.21	6.38	-22.3	7.90	-23.9
Net income attributable to the parent	14.76	13.65	-7.5	18.00	+11.8

Source: Company

Machinery Business

Machinery Business	Q1-3 FY3/24	Q1-3 FY3/25	Growth YoY (%)
Industrial Machinery Segment			
Sales	10.02	14.88	+48.6
Operating profit	(0.29)	0.57	N/A
Operating margin (%)	-2.9	3.8	
Rock Drills Machinery Segment			
Sales	30.00	26.13	-12.9
Operating profit	3.26	2.22	-31.9
Operating margin (%)	10.9	8.5	
UNIC Machinery Segment			
Sales	20.99	21.88	+4.3
Operating profit	0.96	0.88	-8.3
Operating margin (%)	4.6	4.0	
Machinery total			
Sales	61.00	62.89	+3.1
Operating profit	3.93	3.67	-6.7
OPM (%)	6.4	5.8	

Source: Company

In the industrial Machinery segment, material and bridge-related machinery drove growth. Overall, however, the segment was held back by slower sales overseas in the Rock Drills segment.

Materials Business

Materials Business	Q1-3 FY3/24	Q1-3 FY3/25	Growth YoY (%)
Metals			
Sales	64.50	66.50	+3.1
Operating profit	1.85	1.72	-7.0
Operating margin (%)	2.9	2.6	
Electronics			
Sales	5.26	4.79	-9.0
Operating profit	0.26	0.04	-84.5
Operating margin (%)	5.0	0.9	
Chemicals			
Sales	6.86	7.37	+7.5
Operating profit	0.51	0.48	-5.0
Operating margin (%)	7.4	6.5	
Materials total			
Sales	76.62	78.66	+2.7
Operating profit	2.62	2.24	-14.4
Operating margin	3.4	2.8	

Source: Company

In Materials, sales were driven higher, with a weaker yen augmenting sales of electrolytic copper in the Metals segment, offsetting a decline in volume. Operating profit fell due to the impact of copper prices on raw material costs. The Electronics segment saw OP decline due to a fall in exports of high-purity arsenic (we estimate high margins of 20%), a decline in crystal products amid inventory adjustments, and coils due to slower auto production.

Second revision to FY3/25 guidance

OP revised back to initial guidance, raising sales and net income

Key financials

(¥bn)	FY3/24 Results	FY3/25 Initial forecast (May 2024)	FY3/25 Previous forecast (Nov 2024)	FY3/25 New forecast (Feb 2025)	Growth YoY (%)
Sales	188.26	187.70	187.70	198.90	+5.7
Gross profit/(loss)	28.25				
Gross margins (%)	15.0				
OP/(loss)	8.52	8.70	8.20	8.70	+2.1
OPM (%)	4.5	4.6	4.4	4.4	
Recurring profit	10.38	8.00	7.40	7.90	-23.9
Net income attributable to the parent	16.10	14.00	16.00	18.00	+11.8

Source: Company

- **Sales and OP**—Upwardly revised due to stronger hydraulic crawler drill (Machinery business) shipments to North America expected in Q4 FY3/25. The weaker Japanese currency is helping lift copper sales in Materials despite the volume decline.
- **Net income** – Raising its net income for a second time as it expects to add a further ¥4bn in gains from selling off securities.

Shareholder returns

In February 2025, Furukawa announced a buyback program of up to ¥10 billion or 7 million shares (19.3% of outstanding shares). This increases its total planned buybacks under the FY3/24–FY3/26 medium-term management plan to ¥13 billion, a major increase from the initial ¥3 billion. The company had repurchased ¥3.13 billion as of the end of Q3 FY3/25, with the remaining nearly ¥10 billion scheduled to be bought within a year.

In its medium-term plan, the company aims to pay an annual dividend of at least ¥50 a share to achieve a total dividend payout of ¥7bn over the three-year plan. The company paid an annual dividend of ¥55 in FY3/24 and is planning on raising it to ¥70 for FY3/25, with ¥10 of that representing a 150-year commemorative dividend.



Astris earnings estimates and key assumptions

Astris' key earnings forecasts are as follows:

Astris Advisory earnings estimates

Year-end	FY3/25 guidance	FY3/25E	FY3/26E	FY3/27E
Sales	198.90	193.70	192.66	192.23
Growth YoY (%)	+5.7	+2.9	-0.5	-0.2
OP (¥bn)	8.70	8.47	8.96	9.83
OPM (%)	4.4	4.4	4.7	5.1
EBITDA (¥bn)	-	14.28	14.74	15.60
EBITDA margins (%)	-	7.4	7.7	8.1
FCF (¥bn)	-	0.97	5.68	6.21
FCF margin (%)	-	0.5	2.9	3.2
FCF conversion (%)	-	3.7	53.4	54.1
FCF yield (%)	-	1.3	7.5	8.2
DPS (¥)	70.0	70.0	60.0	65.0
Dividend yield (%)	-	3.4	2.9	3.1
Dividend payout ratio (%)	-	13.4	30.5	30.5
Total shareholder yield (%)	-	5.4	16.1	3.1
Total payout ratio (%)	-	21.3	169.3	30.5

Source: Astris Advisory

The core assumptions of our estimates are as follows:

- **Sales growth** – We estimate limited sales growth, as the company focuses on improving profitability by improving the sales mix toward Machinery. For FY3/25, we are more conservative than guidance due to a strengthening yen and slower demand for UNIC products.
- **OPM** – Our expectations over OPM expansion are one of steady progress as opposed to a marked transition. Despite its high domestic market share and competitive positioning overseas, the company does not have significant pricing power. Improvements in the sales mix will take time to execute. Moreover, metal price fluctuations in the Metals Segment can have a significant impact on performance.
- **FCF generation** – The company has a sustained track record of generating positive free cash flow, although the conversion rate can be volatile. We estimate a conversion rate of approximately 50% for FY3/26 and FY3/27.
- **Meeting FY3/26 medium-term targets** – It is highly unlikely that Furukawa will meet its medium-term plan OP target of ¥13bn (3-year CAGR of +13%)



Company information

Management (13 members. 15% female ratio. 39% outside directors/auditors). As of June 2024.

Chairman and Representative Director	Naohisa Miyakawa
Shareholding (no of shares)	53,101
Career history	
April 1975	Joins the Company
June 2007	Executive Officer, General Manager of the Human Resources & General Affairs Department, and Head of the Secretariat's office
June 2009	Executive Officer of the Company, President & Representative Director of Furukawa Denshi Co., Ltd.
June 2011	Director & Senior Executive Officer of the Company, President & Representative Director of Furukawa Denshi Co., Ltd.
June 2013	President & Representative Director of the Company
June 2021	Chairman & Representative Director of the Company (current position)
November 2022	Representative Director of General Incorporated Association Ichibei Furukawa Memorial Center (current position)
President and Representative Director	Minoru Nakatogawa
Shareholding (no of shares)	21,449
Career history	
April 1983	Joins the Company
June 2017	Executive Officer of the Company, Deputy President & Director of Furukawa UNIC Corp. (Head of Medium-Term Business Plan Promotion)
June 2018	Executive Officer of the Company, President & Representative Director of Furukawa UNIC Corp.
June 2019	Director & Senior Executive Officer of the Company, President & Representative Director of Furukawa UNIC Corp.
June 2020	Director & Managing Executive Officer of the Company, President & Representative Director of Furukawa UNIC Corp.
June 2021	President & Representative Director of the Company (current position)
Director and Deputy President	Masahiro Ogino
Shareholding (no of shares)	19,829
Career history	
April 1982	Joins the Company
June 2013	President & Representative Director of Furukawa Metals & Resources Co., Ltd.
June 2015	Executive Officer of the Company, President & Representative Director of Furukawa Metals & Resources Co., Ltd.
June 2017	Director and Senior Executive Officer of the Company, and General Manager of the Corporate Planning Department
June 2019	Director and Managing Executive Officer of the Company, and General Manager of the Corporate Planning Department
June 2021	Senior Managing Director and Senior Managing Executive Officer of the Company, President & Representative Director of Furukawa Rock Drill Co., Ltd.
June 2023	Director and Deputy President & Executive Officer of the Company (current position)

Executive Director	Hiroyuki Sakai
Shareholding (no of shares)	15,689
Career history	
April 1982	Joins the Company
June 2017	Executive Officer and General Manager of the Company, Head of the Business Process Re-engineering Department
June 2019	Director and Senior Executive Officer of the Company, Head of the Business Process Re-engineering Department
June 2021	Director and Senior Executive Officer of the Company, General Manager of the Real Estate Division, General Manager of the Corporate Planning Department, Head of the Business Process Re-engineering Department
July 2021	Director and Senior Executive Officer of the Company, General Manager of the Corporate Planning Department
June 2022	Managing Director of the Company
June 2023	Director & Managing Executive Officer (current position)
Director	Tatsuki Nazuka
Shareholding (no of shares)	12,712
Career history	
April 1981	Joins the Company
June 2015	Executive Officer of the Company, Deputy General Manager of the Development Division, Director of Tsukuba Development Center
June 2017	Executive Officer of the Company, General Manager of the Development Division, Director of Tsukuba Development Center
October 2017	Executive Officer of the Company, General Manager of the Technology Division,
July 2018	Executive Officer of the Company, General Manager of the Technology Division, Chief of the Technology Strategy Division
June 2019	Director and Senior Executive Officer of the Company, General Manager of the Technology Division, Chief of the N Project, President & Representative Director, Furukawa Syntech Co., Ltd.
April 2020	Director and Senior Executive Officer of the Company, General Manager of the Technology Division
June 2022	Director and Managing Executive Officer of the Company, General Manager of the Technology Division
June 2023	Director and Managing Executive Officer of the Company (current position)
Director	Kouichirou Konno
Shareholding (no of shares)	2,676
Career history	
April 1985	Joins the Company
June 2021	Executive Officer of the Company, General Manager of the Financial Department
June 2022	Executive Officer of the Company, General Manager of the Corporate Planning Department
June 2023	Director and Senior Executive Officer of the Company, General Manager of the Corporate Planning Department (current position)
Outside Director	Yoichi Mukae
Shareholding	12,574
Career History	
April 1975	Joins the Ministry of International Trade and Industry
June 2004	Director-General for Commerce and Distribution Policy, Minister's Secretariat of MITI
August 2006	Managing Director of The Shoko Chukin Bank, Ltd.
August 2008	Advisor of The Kansai Electric Power Company, Inc. (KEPCO)
June 2009	Managing Director of KEPCO
June 2013	Director and Managing Executive Officer of KEPCO
June 2015	President & Representative Director of The Kanden L&A Co., Ltd. and President & Representative Director of KANDEN EL AUTO SYSTEM Co., Ltd.
June 2019	President & Representative Director of The Kanden L&A Co., Ltd., President & Representative Director of KANDEN EL AUTO SYSTEM Co., Ltd., Outside Director of Furukawa Co., Ltd. (the Company) (current position)

June 2020	Advisor to Kanden L&A Company Ltd., Representative Director of the Research Institute of Economy, Trade and Industry (RIETI), and Chairman of GS1 Japan (current position)
June 2021	Representative Director of RIETI

Outside Director	Kazumi Nishino
Shareholding (no of shares)	8,352
Career history	
April 1992	Joins Fuji Photo Film Co., Ltd.
April 2006	Associate Professor of the Department of Management of Science & Technology, Graduate School of Management of Science & Technology, Tokyo University of Science Graduate School
April 2017	Associate Professor of the Graduate School of Commerce and Management, Hitotsubashi University
June 2019	Associate Professor, Graduate School of Business Administration, Hitotsubashi University, Outside Director of Orient Corporation (current position), and Director of Furukawa Co., Ltd. (current position)
December 2019	Outside Director of MiRTeL Co., Ltd.
April 2022	Professor of the Graduate School of Business Administration, Hitotsubashi University (current position)
June 2022	Outside Director, Makino Milling Machine Co., Ltd.

Outside Director	Hiroaki Nakamura
Shareholding (no of shares)	-
Career History	
April 1979	Joins Tokyo Rope Mfg. Co., Ltd.
July 2006	President of Tokyo Rope Vietnam Co., Ltd.
April 2011	Executive Officer of Tokyo Rope
June 2012	Director and Executive Officer of Tokyo Rope
June 2014	Representative Director, President, and Executive Officer of Tokyo Rope
June 2018	Deputy Chairman of the Board of Tokyo Rope
June 2019	Full-Time Corporate Auditor of Tokyo Rope
June 2024	Outside Director of the Company (current position)

Full-time auditor	Kazuo Inoue
Shareholding (no of shares)	7,762
Career History	
April 1980	Joins the Company
June 2011	General Manager of the Real Estate Division at the Company
June 2014	Executive Officer of the Company, General Manager of the Corporate Planning Department
June 2016	Senior Executive Officer of the Company, General Manager of the Corporate Planning Department
June 2017	Audit & Supervisory Board Member (Full-time) (current position)

Full-time Auditor	Akira Mikage
Shareholding (no of shares)	4,088
Career History	
April 1984	Joins the Company
June 2020	Executive Officer of the Company, General Manager of the Accounting Department
June 2023	Audit & Supervisory Board Member (Full-time) (current position)

Outside Auditor	Masatoshi Yano
Shareholding	-
Career History	
April 1980	Joins The Dai-ichi Kangyo Bank, Ltd.
April 2007	Executive Officer, General Manager of the Head Office of Mizuho Bank, Ltd.
April 2009	Managing Executive Officer of Mizuho Bank, Ltd.
April 2011	Vice President of Mizuho Bank, Ltd.
June 2013	Representative Director & Vice President of Chuo-Fudosan Co., Ltd.
June 2015	President & Representative Director of Chuo-Fudosan Co., Ltd.
June 2018	President & Representative Director of Seiwa Building Co., Ltd.
June 2019	President & Representative Director of Seiwa Building, Outside Audit & Supervisory Board Member of Seiko Holdings Corp.
June 2023	Special Advisor to Seiwa Building (current position), Outside Audit & Supervisory Board Member of Seiko Group Corporation (current position), Audit & Supervisory Board Member of the Company (current position)
Outside Auditor	Ikuyo Yonemura
Shareholding	
Career History	
April 1989	Joins FUJI Research Institute Co., Ltd.
October 1995	Joins Deloitte Touche Tohmatsu LLC
April 1999	Registered as Certified Public Accountant
August 2022	Founded Yonemura Certified Public Accountant Office (current Director)
December 2022	Outside Director and Audit & Supervisory Board Member of UniFa Co., Ltd. (current position)
June 2023	Outside Audit & Supervisory Board Member of Tribeck Inc. (current position)
September 2023	Inspector General of the Japan Society for the Promotion of Science (current position)
June 2024	Audit & Supervisory Board Member of the Company (current position).

Source: Company



Contact details

Address

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Japan

IR Contact:

Tel: +81 (0)3-6636-9501

Source: Company

Shareholder details (as of March 2024)

Major shareholders	Stake (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	10.73
Asahi Mutual Life Insurance Co.	6.38
Custody Bank of Japan, Ltd. (Trust Account)	6.31
Seiwa Building Co., Ltd.	5.20
Kawashima Co., Ltd.	5.00
SANKO Co., Ltd.	2.93
Furukawa Electric Co., Ltd.	2.36
Akanekai, Company Employee Stock Holding Association	1.99
Chuo-Nittochi Co., Ltd.	1.84
ADEKA CORP.	1.78

Source: Company. Calculations exclude 3,255,730 treasury shares.



Astris Quant Sheet

Share price chart and factor analysis (from June 2014)



Source: FactSet

Factors	2 Year Corr	5 Year Corr	10 Year Corr
Momentum: 12 Month - 1 Month Performance	0.16	0.08	0.13
Quality: Free Cash Flow Yield	0.36	0.18	-0.08
Growth: Operating Profit Growth	0.16	0.00	0.18
Value: Book to Market	-0.18	-0.15	0.08

Source: FactSet

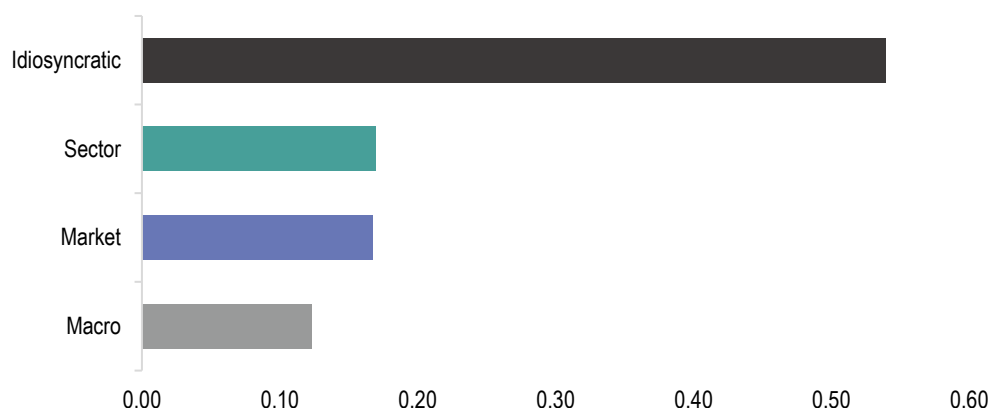
Furukawa exhibits weak correlations with the Momentum factor across all time frames. Over the short term, the stock shows a significant correlation with the Quality factor, but this falls to negligible levels over the long term.

Calculation method and definition of factors in the time series

Universe	TOPIX500
Factor return calculation	Quartile Range Analysis: Calculate the element return by subtracting the average performance of the lower quartile from the average performance of the upper quartile for each element forecasted for one month. This analysis is repeated monthly without considering transaction costs.
Factor	
Momentum	
1-month return	
12-month return	Subtracting the most recent 1 month
Quality	
FCF yield (estimate)	
Growth	
Operating profit growth (estimate)	
Value	
Book-to-Market ratio (actual)	

Source: FactSet

Drivers of stock price performance and multiple regression analysis (since June 2014)



Source: FactSet

Furukawa's share price is driven in equal measure by the Sector and Market factors, which together account for over one-third of price changes. The Macro factor is significant as well, accounting for 12% of movements.

Calculation method for multiple regression analysis

Multiple regression analysis

Perform regression analysis including all drivers, and conduct individual regression analysis by excluding one driver at a time. To quantify the specific impact of each driver, calculate the partial coefficient of determination (partial R-squared value) using the formula: $(\text{Residual Sum of Squares from regression analysis including all drivers} - \text{Residual Sum of Squares from regression analysis excluding one driver}) / \text{Residual Sum of Squares from regression analysis excluding one driver}$.

Source: FactSet

Multiple regression analysis results

Factors	2 Year Corr	5 Year Corr	10 Year Corr
Market			
Topix 1st Section	-0.07	0.37	0.50
Topix Nonferrous Metals	-0.18	0.41	0.51
Topix Small Cap Index	-0.06	0.42	0.50
Macro			
10Y JGB	0.27	-0.12	-0.05
CPI Nationwide	0.53	0.31	0.16
JPYUSD	-0.32	-0.25	-0.33
JPYCN	-0.23	-0.26	-0.35
Industrial Production	0.46	0.19	0.15
JP Core Machine Tool Orders	-0.04	-0.06	-0.21
Eco Watchers Outlook	-0.18	0.14	0.14
CRB US All Commodities	0.02	0.18	0.10

Source: FactSet

Furukawa has consistently high correlation among all equity indices over 10 years. However, the stock exhibits a negative or near-zero correlation with all indices over the near term. Of the macro factors, FX shows a significant negative correlation across all time frames, due to metals price swings. Industrial Production has a strong short-term correlation over the 2-year horizon but a low correlation over longer periods.



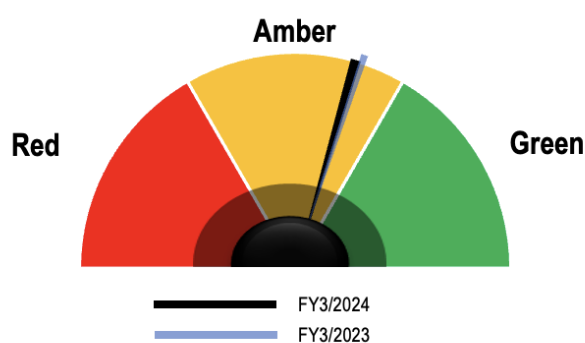
Astris-Sustainability ESG assessment

Ratings and scorecard

Our in-house Astris-Sustainability ESG model rates Furukawa with a combined score of **58.2%**, placing it in our assessment’s ‘Amber’ rating for FY3/24.

Our in-house methodology* takes what we have selected as core measurable ESG factors, ranking its performance versus its domestic GICS Machinery with a market capitalization of ¥50bn to ¥150bn (a total of 44 companies).

Astris-Sustainability ESG model rating for Furukawa



Source: Astris Advisory (*Note – for details of our in-house rating system please contact Astris Corporate Advisory)

ESG scorecards

	FY3/23	FY3/24
Environmental (9 factors from a selected peer group)		
Astris Environmental score	76.48	76.75
Social (9 factors from a selected peer group)		
Astris Social score	78.40	78.40
Governance (29 factors from a selected peer group)		
Astris Governance score	49.52	46.92
TOTAL SCORE (Out of a total of 47 factors)	59.80	58.20

Source: Company, FactSet, Astris Corporate Advisory

Our methodology has highlighted the following key topics:

Environmental

Furukawa published its first environmental report in 2003 and has an Environmental & Safety Management Committee comprising top management from each production center. It aims to produce environmentally friendly products, technologies, and services. The company is in the middle of its fourth medium-term reduction target plan (FY3/20-FY3/29). Targets include:

- Publish sustainability roadmap by FY3/26 (achieved in FY3/24)
- Reducing Scope 1 and 2 CO₂ emissions (26,037 t-CO₂ in FY3/24)



- Reducing water consumption by -2% vs BAU by FY3/29 (reduced by -12.7% in FY3/24).
- Reduce waste generation by -3% vs BAU by FY3/29 (reduced by -17.4% in FY3/24)
- Reduce use of hazardous chemicals (reduced by -13% in FY3/23)
- Reduce GHG emissions by 46% by 2030 (baseline FY3/2012)
- Reach carbon neutrality by 2050.

Furukawa has acquired ISO 14001 certification, the international environmental management system standard, at seven domestic companies (including its R&D division) and two overseas companies.

Social

The company has outlined initiatives that include:

- Creating value through addressing social issues via the products the company manufactures. It is paying particular attention to SDG 11: “make cities and human settlements inclusive, safe, resilient and sustainable”, and SDG 9: “build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
- Achieving accident- and disaster-free operations
- Increasing female manager ratio to 3% (achieved 3.7% in FY3/24)

Governance

The corporate governance system at Furukawa is organized in the following manner:

- **Board of Directors** – currently comprised of 9 board members led by Chairman and Representative Director Naohisa Miyakawa, and President and Representative Director Minoru Nakatogawa. There are 3 outside directors. 16 board meetings were held in FY3/24.
- **Audit committee**—Furukawa operates under an Audit and Supervisory Committee company structure. The committee comprises four members, two of whom are external.
- **Director compensation** – Compensation for directors combines a basic salary combined with additional remuneration for directors and representative directors, and restricted stock-based remuneration.

Controversies

We note we have been unable to find major controversies that may have significant financial or reputational repercussions for the company and its shareholders.



Areas of discussion

Highlighting key topics for investors

We believe the following will be key areas for discussion with investors:

- Are there opportunities to sell the inactive mines or will they on Furukawa's balance sheet in perpetuity?
- To what extent can the growth of the product lifecycle support business help expand margins over the long term?
- What measures are being taken to shorten production lead times and when will this impact margins?
- Measures are being taken to improve profitability and raise the PBR over 1x, but are further measures being considered to expedite reaching the goal?



JGAAP Financial Summary

Income statement (¥bn)	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Sales	214.19	188.25	193.70	192.66	192.23
COGS	185.58	160.01	165.61	164.72	164.35
Gross profit	28.62	28.25	28.09	27.94	27.87
Gross profit margin (%)	13.4	15.0	14.5	14.5	14.5
Operating profit	9.03	8.52	8.47	8.96	9.83
OP margin (%)	4.2	4.5	4.4	4.7	5.1
Non-operating income	3.15	3.66	3.66	3.66	3.66
Non-operating expense	(2.83)	(1.80)	(2.00)	(2.00)	(2.00)
Recurring profit	9.35	10.38	10.12	10.62	11.48
Extraordinary gains	0.41	16.09	16.31	-	-
Extraordinary losses	(1.25)	(3.22)	-	-	-
Pre-tax profit	8.51	23.25	26.43	10.62	11.48
Tax	(2.05)	(6.93)	(7.09)	(3.19)	(3.45)
Effective tax rate (%)	21.9	66.7	70.0	30.0	30.0
Net income	6.46	16.32	19.35	7.43	8.04
Non-controlling NI	0.25	0.22	0.23	0.23	0.23
Parent attributable NI	6.21	16.10	19.12	7.20	7.81

Sales growth YoY (%)	+7.6	-12.1	+2.9	-0.5	-0.2
OP growth YoY (%)	+16.8	-5.6	-0.6	+5.8	+9.6
Pre-tax profit YoY (%)	-6.9	+173.4	+13.7	-59.8	+8.1
NI growth YoY (%)	-4.1	+159.2	+18.8	-62.3	+8.4

Balance sheet (¥bn)	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Cash & equivalents	13.61	18.51	32.46	38.71	57.45
Inventory	46.50	47.41	48.78	48.52	48.41
Accounts receivables	35.46	30.36	31.24	31.07	31.00
Other	4.32	3.35	3.45	3.43	3.42
Current assets	99.88	99.64	115.93	121.73	140.28
Tangible assets	90.98	92.05	95.05	97.74	100.44
Goodwill	-	-	-	-	-
Intangible assets	0.32	0.34	3.34	6.04	8.73
LT Investments	34.71	47.38	47.38	47.38	47.38
Other	6.85	20.47	20.47	20.47	20.47
Fixed assets	132.86	160.24	166.25	171.64	177.02
Total assets	232.75	259.88	282.18	293.37	317.31
Short term borrowing	16.79	6.81	6.81	6.81	6.81
Trade payables	23.64	25.40	26.96	26.81	26.75
Other	22.68	19.46	20.70	20.56	20.53
Current liabilities	63.11	51.67	54.46	54.18	54.09
Long term borrowing	46.24	51.83	51.83	51.83	51.83
Other LT liabilities	17.34	23.10	23.10	23.10	23.10
Long term liabilities	63.58	74.94	74.94	74.94	74.94
Shareholder's equity	102.95	129.91	149.32	160.81	184.84
Share acquisitions rights	-	-	-	-	-
Non-controlling interests	3.10	3.37	3.46	3.44	3.44
Total net assets	106.05	133.27	152.78	164.25	188.28
Total liabilities & net assets	232.75	259.88	282.18	293.37	317.31

Source: Company, Astris Advisory (estimates)

Cash flow statement (¥bn)	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Profit before tax	8.51	23.25	26.43	10.62	11.48
Depreciation/amortization	4.11	4.39	5.81	5.78	5.77
Changes in working capital	(6.84)	3.91	0.45	0.17	0.09
Other non-cash items	3.77	(17.85)	(16.31)	-	-
Tax paid	(3.40)	(3.21)	(7.09)	(3.19)	(3.45)
Cash from Operating Activities	6.15	10.49	9.30	13.38	13.90
Capex	(3.36)	(6.41)	(8.33)	(7.71)	(7.69)
Acquisitions/increased stakes	-	0.43	-	-	-
Other investing cash flow	1.74	7.89	16.50	12.20	14.35
Cash from Investing Activities	(1.62)	1.92	8.17	4.49	6.66
Total cash dividends paid	(1.94)	(1.90)	(2.57)	(2.20)	(2.38)
Debt issuance/(retirement)	(3.08)	(4.89)	-	-	-
Equity financing	(0.89)	(1.62)	(1.51)	(10.00)	-
Other	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Cash from Financing Activities	(5.93)	(8.45)	(4.10)	(12.23)	(2.41)
FX impact	0.54	0.63	0.58	0.60	0.59
Net cash flow	(0.86)	4.59	13.95	6.25	18.74

Free cash flow	2.79	4.09	0.97	5.68	6.21
EBITDA	13.15	12.91	14.28	14.74	15.60
EBITDA margins (%)	6.1	6.9	7.4	7.7	8.1
Free cash flow margin (%)	1.3	2.2	0.5	2.9	3.2
Free cash flow conversion (%)	32.8	17.6	3.7	53.4	54.1
Capex/sales (%)	1.6	3.4	4.3	4.0	4.0
Capex/depreciation (%)	81.7	146.0	143.3	133.3	133.3
CFO margin (%)	2.9	5.6	4.8	6.9	7.2

Key metrics	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Profitability					
Gross margin (%)	13.4	15.0	14.5	14.5	14.5
Operating margin (%)	4.2	4.5	4.4	4.7	5.1
Net margin (%)	2.9	8.6	9.9	3.7	4.1
ROA (%)	2.7	6.5	7.1	2.5	2.6
ROE (%)	6.2	13.8	13.7	4.6	4.5
ROCE (%)	5.3	4.1	3.7	3.7	3.7
ROIC (%)	4.3	1.6	1.3	2.9	3.0
Liquidity					
Current ratio (x)	1.6	1.9	2.1	2.2	2.6
Quick ratio (x)	0.8	1.0	1.2	1.4	1.7
Leverage					
Debt/Equity ratio (x)	0.6	0.5	0.4	0.4	0.3
Net Debt/Equity ratio (x)	0.5	0.3	0.2	0.1	0.0
Equity ratio (x)	0.4	0.5	0.5	0.5	0.6
Interest cover (x)	18.0	16.7	14.4	15.3	16.8
Net Debt/EBITDA (x)	3.8	3.1	1.8	1.4	0.1
Valuation					
EPS reported (¥)	162.0	429.3	521.3	196.5	213.0
PER (x)	12.8	4.8	4.0	10.6	9.7
Diluted PER (x)	50.0	55.0	70.0	60.0	65.0
DPS (¥)	30.9	12.8	13.4	30.5	30.5
Dividend payout ratio (%)	2.4	2.7	3.4	2.9	3.1
Dividend yield (%)	3.6	4.8	5.4	16.1	3.1
Total shareholder yield (%)	3.7	5.4	1.3	7.5	8.2
Free cash flow yield (%)	3.7	5.4	1.3	7.5	8.2
Diluted free cash flow yield (%)	0.7	0.6	0.5	0.5	0.4
PBR (x)	0.3	0.3	0.3	0.3	0.3
EV/sales (x)	4.9	5.0	4.5	4.4	4.2
EV/EBITDA (x)	7.2	7.6	7.7	7.2	6.6
EV/EBIT (x)	23.3	15.9	67.1	11.4	10.4
EV/FCF (x)	12.8	4.8	4.0	10.6	9.7



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