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# Furukawa (5715)

## Machinery business set to strengthen on M&A integration

12 June 2026

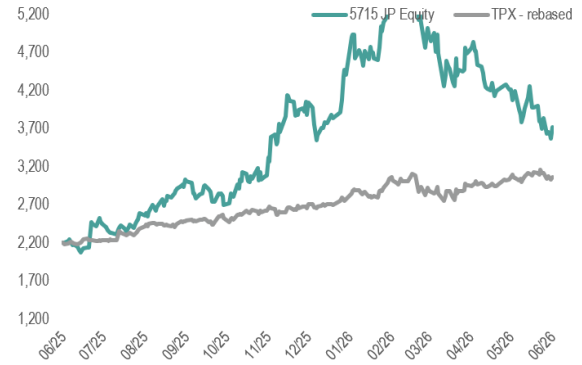
### Q4 FY3/26 results update

- Achieved the key metrics in the medium-term business plan but missed in the Machinery business** – Furukawa outpaced its three times-upwardly-revised guidance for FY3/26, hitting key metrics in the medium-term plan on the back of soaring commodity prices, namely copper and gold. However, the Machinery business underperformed, missing its OP target and mix ratio due to a thin order backlog in the Industrial Machinery segment and delays in passing on raw material costs to prices in the UNIC Machinery segment. Meanwhile, management has effectively managed leverage while enhancing shareholder returns. For FY3/27, the company guides for a recovery in the Machinery business alongside a contraction in Metals; however, we view management’s conservative outlook for the Metal segment as having potential upside.

### Back to core

- Inorganic expansion to accelerate growth** – We have upwardly revised our FY3/27–FY3/29 sales and OP forecasts to reflect a stronger outlook for the Machinery business. This upgrade is driven by the full consolidation of EarthTechnica (remaining 40% stake), while bottom-line growth will be further supported by an increased equity stake in Mitsui Miike Machinery (to 34.1% from 20.0%). Meanwhile, we anticipate a normalization of the Metal segment over the same period, leaving the core Machinery business as the primary driver of FCF.
- Valuations** – The shares are trading at our estimated PER FY3/27 of 15.2x, and dividend yield of 2.1%.

Share price: ¥3,725 Market cap: ¥121.2bn



Source: Bloomberg

Price Performance				
	YTD	1M	3M	12M
Abs (%)	-3.1	-11.6	-24.3	+69.3
Rel (%)	-14.9	-11.8	-28.8	+21.4

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

Stock data	
Price (¥)	3,725
Mkt cap (¥bn)	121.2
Mkt cap (\$m)	756.2
52-week range (¥)	2,065-7,140
Shares O/S (m)	32.5
Average daily value (\$m)	18.0
Free float (%)	68.6
Foreign shareholding (%)	17.6
Ticker	5715
Exchange	Tokyo Prime
Net Debt/Equity (x)	0.5
FFO leverage (x)	17.3
BBG BUY   HOLD   SELL	0   0   0

Source: Bloomberg

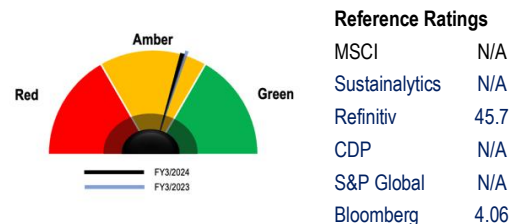
Year-end	3/25	3/26	3/27E	3/28E	3/29E
Sales (¥bn)	201.22	211.08	237.61	244.77	253.25
OP (¥bn)	9.76	11.30	9.29	12.29	12.89
NP (¥bn)	18.62	12.78	8.11	8.76	9.04
EPS (¥)	510.64	384.65	244.27	263.77	272.10
DPS (¥)	70.00	80.00	80.00	80.00	81.00
Sales growth YoY (%)	+6.9	+4.9	+12.6	+3.0	+3.5
OP growth YoY (%)	+14.5	+15.7	-17.8	+32.2	+4.9
NP growth YoY (%)	+15.7	-31.4	-36.5	+8.0	+3.2
EPS growth YoY (%)	+19.0	-24.7	-36.5	+8.0	+3.2
PER (x)	7.3	9.7	15.2	14.1	13.7
EV/EBITDA (x)	8.9	7.9	8.7	7.2	6.9
EV/Sales (x)	0.6	0.6	0.5	0.5	0.5
PBR (x)	0.9	0.8	0.8	0.7	0.7
ROE (%)	14.3	9.2	5.3	5.3	5.1
ROCE (%)	4.8	5.0	3.9	4.9	4.9
FCF yield (%)	(6.3)	(1.2)	(17.3)	(5.9)	(4.8)
Dividend yield (%)	1.9	2.1	2.1	2.1	2.2
Total shareholder yield (%)	4.7	8.8	2.1	2.1	2.2

Source: Company, Astris Advisory. Our FCF definition is cash flow from operating activities less expenditures for acquisitions of tangible and intangible fixed assets.

### Business Overview

Furukawa produces and sells machinery products for infrastructure and construction sites, electronic materials and chemical products for semiconductors and electronic devices and is the owner/operator of a commercial building in Tokyo.

### Astris-Sustainability ESG rating



### Next events

Q1 FY3/27 results: August 2026

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This report has been commissioned and paid for by the company

## FY3/26 results

### Beating guidance, firing on all cylinders

#### Key financials

(¥bn)	Q1-4 FY3/25	Q1-4 FY3/26	YoY (%)	FY3/26 Company Forecast (3rd revision)	Run rate versus Company Forecast (3rd revision)
<b>Sales</b>	<b>201.22</b>	<b>211.08</b>	<b>+4.9</b>	<b>206.20</b>	<b>102.4</b>
Gross profit/(loss)	29.56	32.20	+9.0		
Gross margins (%)	14.7	15.3			
SG&A expenses	19.79	20.91	+5.6		
<b>OP/(loss)</b>	<b>9.76</b>	<b>11.30</b>	<b>+15.7</b>	<b>9.00</b>	<b>125.5</b>
OP margins (%)	4.9	5.4			
<b>Recurring profit/(loss)</b>	<b>9.71</b>	<b>13.73</b>	<b>+41.5</b>	<b>10.90</b>	<b>126.0</b>
<b>Net income attributable to the parent</b>	<b>18.62</b>	<b>12.78</b>	<b>-31.4</b>	<b>11.00</b>	<b>116.2</b>

Source: Company

### Exceeded its three-times-upgraded FY3/26 guidance

#### Furukawa's company guidance

Year-end (¥bn)	FY3/26 Company Forecast (Old)	FY3/26 Company Forecast (1 <sup>st</sup> revision)	FY3/26 Company Forecast (2 <sup>nd</sup> revision)	FY3/26 Company Forecast (3 <sup>rd</sup> revision)	FY3/26 Results
<b>Sales</b>	<b>193.00</b>	<b>194.00</b>	<b>197.50</b>	<b>206.20</b>	<b>211.08</b>
<b>OP</b>	<b>7.00</b>	<b>7.70</b>	<b>8.00</b>	<b>9.00</b>	<b>11.30</b>
OPM (%)	3.6	4.0	4.1	4.4	5.4
<b>Recurring profit</b>	<b>7.00</b>	<b>8.20</b>	<b>9.40</b>	<b>10.90</b>	<b>13.73</b>
RP margin (%)	3.6	4.2	4.8	5.3	6.5
<b>Net profit</b>	<b>5.00</b>	<b>5.40</b>	<b>7.50</b>	<b>11.00</b>	<b>12.78</b>
Net profit margin (%)	2.6	2.8	3.8	5.3	6.1

Source: Company

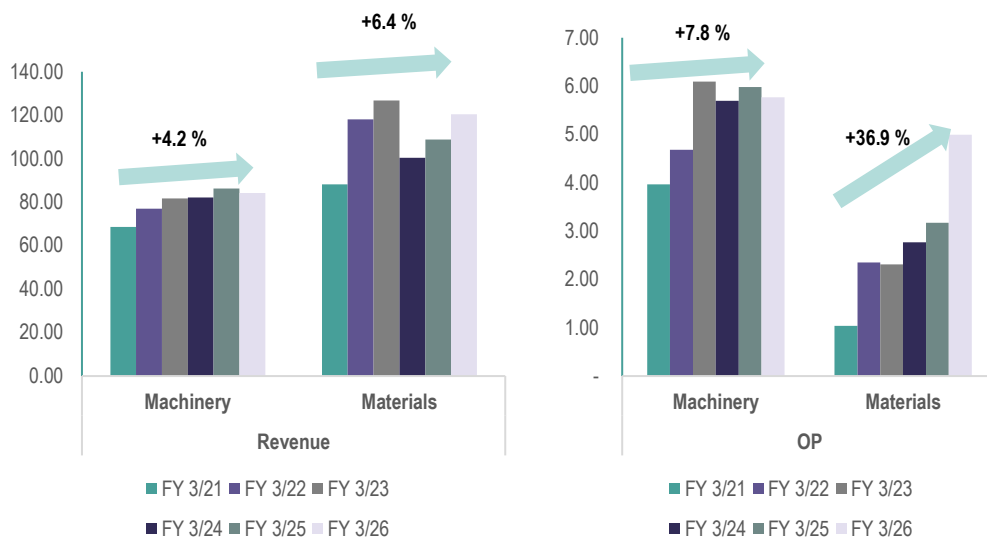
### Key highlights

The robust performance of FY3/26, which successfully beat its three times-raised guidance across key financial lines, was driven by a surge in gold prices, a byproduct of the company's core copper production.



## Faster growth in the Materials business was helped by high metal prices

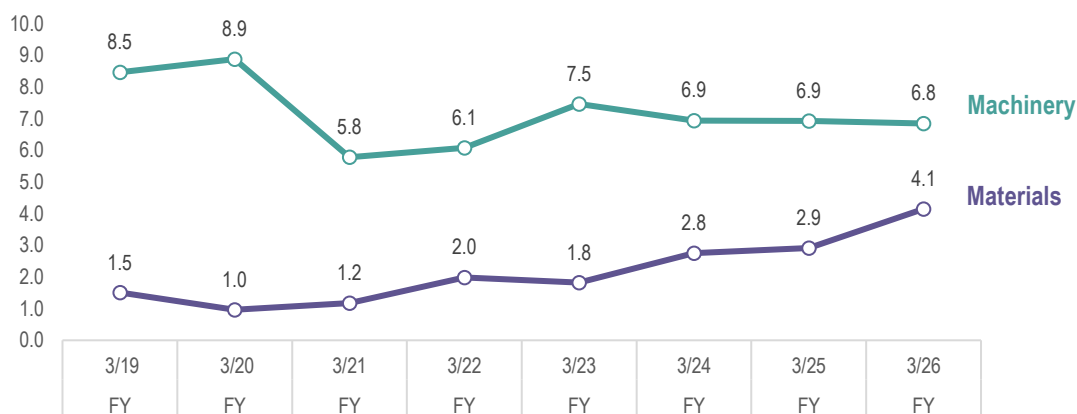
Sales and OP (¥bn), CAGR FY3/21-FY3/26



Source: Company, Astris Advisory

## Improved margin trend seen in the Materials business

Segment OP margin (%)

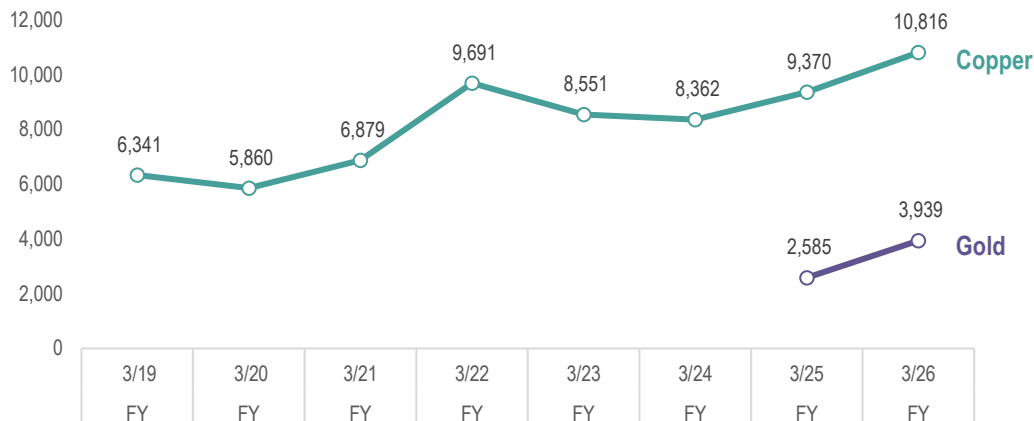


Source: Company, Astris Advisory



## Copper and gold prices were on a rising trend

Metal price (Copper: \$/tonne; Gold: \$/oz)



Source: Company, Astris Advisory

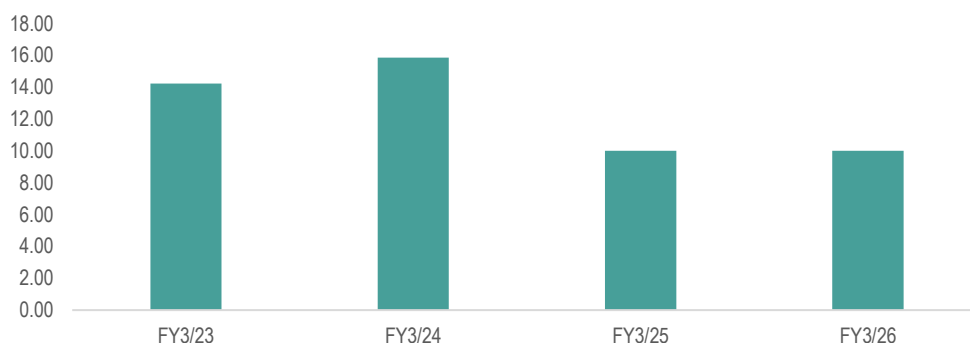
## Machinery business lagging

**In FY3/26, the Machinery business as a whole was forced into a decline in both sales and profits, with net sales decreasing by 2.4% YoY and OP declining by 3.5% YoY. The primary factor behind this was the sluggish performance of the Industrial Machinery segment. In this segment, net sales decreased due to lower sales from crushed stone plants and pump plants, combined with a decline in the volume of completed bridge-related projects.**

Furthermore, performance was heavily impacted by a low order backlog, caused by a stagnation in order-intake activities leading up to FY3/26, a result of having to concentrate human resources on post-project troubleshooting after recording losses in FY3/24 due to inadequate schedule and cost management on plant construction projects, as well as order delays for multiple belt conveyor projects. For the current fiscal year (FY3/27), net sales are forecast to increase, driven by an expected rise in the shipment volume of belt conveyors.

## Reduced year-end order backlog

Year-end order backlog of Industrial Machinery segment (¥bn)



Source: Company data



**The Rock Drill Machinery segment achieved an increase in both sales and profits for FY3/26, with net sales +4.1% and OP +2.0% YoY.** In the Japanese market, despite an increase in shipments of hydraulic crawler drills and tunnel drill jumbos, revenue declined due to lower maintenance business sales. On the other hand, the overseas market saw revenue growth, driven by increased shipments of hydraulic crawler drills to North America and Africa, where capital investment remained robust. Furthermore, the weakening of the yen provided a tailwind, boosting overseas sales and profits. Meanwhile, under the "Medium-Term Business Plan 2025," the softening of the housing and construction markets, fueled by prolonged high interest rates and inflation in the United States, took a toll, meaning the segment fell short of simultaneously achieving overseas volume growth and margin improvement. Regarding the outlook for FY3/27, the company anticipates a recovery in the domestic market alongside continued overseas demand. With the resolution of one-time factors like product defect countermeasure expenses, which had weighed on profits in the previous fiscal year, management expects double-digit or higher growth in OP.

**The UNIC Machinery segment**, where Japanese domestic sales account for approximately 80% of total revenue, has been struggling to grow in recent years due to stagnation in vehicle body rigging caused by domestic truck shortages. **For FY3/26, the segment was impacted by lower revenue resulting from sluggish domestic crane shipments. However, expanding overseas shipments, primarily to Asia, drove an improvement in OP.** As a result, the segment as a whole finished with higher sales and profits, with net sales up 1.6% and OP up 30.3% year-on-year. For FY3/27, management forecasts a substantial 33.5% increase in OP. This optimistic outlook is backed by a recovery in the domestic market as truck supplies rebound, the successful capture of overseas demand, and the positive effects of price pass-throughs implemented to counter soaring raw material costs, such as steel.

## Others

Effective April 1, 2026, EarthTechnica Co., Ltd., was newly consolidated as a subsidiary. The company is a comprehensive crushing machinery manufacturer boasting a top-tier market share in Japan. With crushing technology as its core competency, the company operates across a wide range of fields, from large-scale machinery for overseas mines to pulverizers for fine-particle applications such as pharmaceuticals, as well as recycling equipment. Moving forward, the newly established EarthTechnica segment is expected to serve as the fourth pillar of the core Machinery business, reliably capturing new growth opportunities.

Additionally, Mitsui Miike Machinery Co., Ltd., which became an equity-method affiliate, manufactures and sells industrial machinery and equipment, with a primary focus on material handling and transport machinery. By possessing products in both the Industrial Machinery and Rock Drill Machinery segments, it fills gaps within the Machinery business, creating continuity, and is expected to generate synergies in both sales and production. The company plans to strengthen its core Machinery business by pursuing synergies with these two companies and allocating management resources accordingly.

Regarding financial performance for FY3/26, recurring profit increased by 41.5% year-on-year. This was significantly bolstered by ¥2.2bn recorded under non-operating income and expenses, which included negative goodwill resulting from Mitsui Miike Machinery becoming an equity-method affiliate.



Meanwhile, in the Electronics segment (part of the Materials business), OP expanded substantially. This growth was driven by a recovery in demand for semiconductor manufacturing equipment, rising prices for high-purity metallic arsenic, and robust demand for aluminum nitride ceramics. Concurrently, the Chemicals segment successfully stimulated demand for copper oxide used in cutting-edge package substrates, capitalizing on the rapidly expanding deployment demand for AI servers. Although there was some weakness in cuprous oxide for ship paints due to a decline in shipment volumes, the segment fully offset this impact through appropriate price revisions, thereby maintaining solid profitability.



# Review of the progress of the “Medium-Term Business Plan 2025” (FY3/24 – FY3/26)

## “FURUKAWA Power & Passion 150”

### Quantifiable evaluation

Key metrics	Goal	Result	Achievement rating
OP	¥13.0bn	¥11.2bn	×
ROE	8.0%	9.2%	○
Ratio in OP (Machinery business)	Above 80%	Around 50%	×
Debt equity ratio	0.5-0.6x	0.4x	○
Interest-bearing debt/EBITDA	3x-4x	3.5x	○
Total shareholder return ratio	>3%	7.7%	○
Cross-shareholding/Net asset	<20%	25.8%	△
Share buyback	¥1.50-2.00bn	¥8.07bn	○

Source: Company data

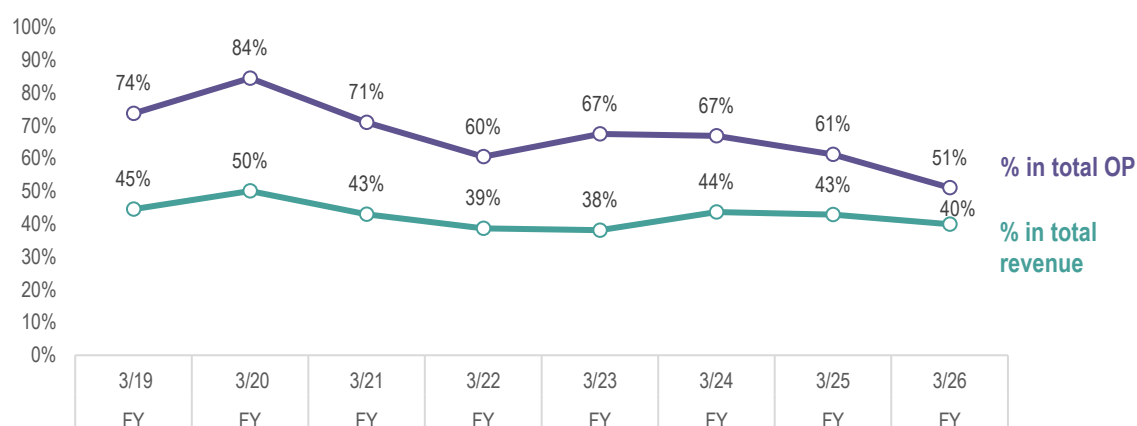
### Portfolio reconstruction tracking behind schedule

Furukawa successfully met its targets for ROE, leverage management, and shareholder returns, underscoring a heightened commitment to capital discipline and financial health, priorities expected to be further reinforced in the upcoming medium-term business plan.

Conversely, the core OP and the portfolio mix underperformed. This shortfall was primarily driven by inadequate management capabilities for large-scale projects, sluggish order-taking activities, delayed price pass-through of soaring raw material costs, and headwinds from a shifting external environment, particularly in the Machinery business.

Although the Machinery business maintained an upward growth trajectory, its contribution to total group OP declined from 84% in FY3/20 to 51% in FY3/26. This relative decline stems from the segment's slower-than-anticipated growth, which was further eclipsed by stronger earnings momentum in the Materials segment.

### Machinery business's ratio in total revenue and OP



Source: Company data, Astris Advisory

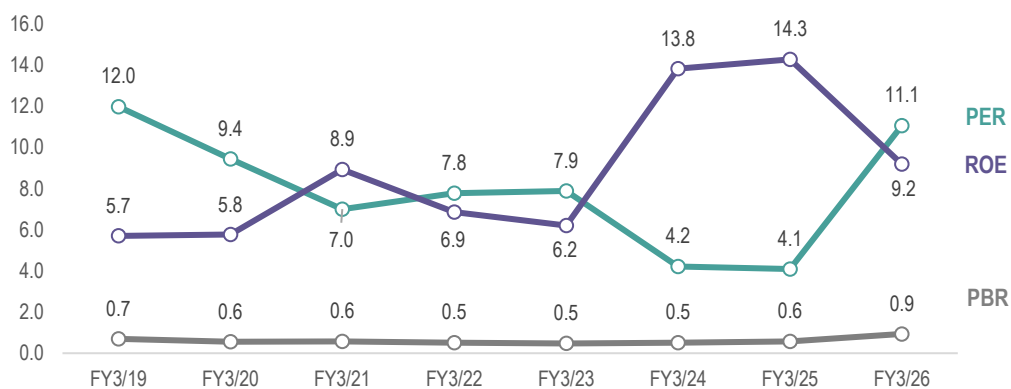


## Enhance corporate value

Furukawa’s ROE normalized to a healthy 9.2% in FY3/26 after hitting peaks in the prior two years, while its PER rebounded sharply to 11.1x, demonstrating renewed market confidence. Concurrently, PBR reached a multi-year high of 0.9x, reflecting the stock’s steady re-rating. These valuation expansions reflect Furukawa’s aggressive stance to enhance capital efficiency and optimize its balance sheet through accelerated strategic-shareholding reductions. Critically, this asset-reduction strategy directly funded a strong step-up in shareholder returns in FY3/26, anchored by an ¥8.07bn share buyback that lifted the total shareholder return ratio to 8.8% and supported a robust ROE of 9.2%.

## Improvement seen in ROE

PBR (x), ROE (%) and PER (x)



Source: Bloomberg, Astris Advisory  
 Note\*: PBR = PER × ROE



## FY3/27 guidance

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Company forecasts indicate the following:

- **Machinery Business** – The company expects a full-scale earnings recovery driven by substantial top- and bottom-line growth in the Machinery business for FY3/27, forecasting total segment sales of ¥109.9bn (+30.4% YoY) and an OP of ¥7.7bn (+33.4% YoY). The primary growth driver will be the newly established EarthTechnica segment, which is expected to contribute an incremental ¥21.2bn in sales and ¥1.0bn in OP. Backed by medium-to-long-term growth in the recycling equipment sector and a high market share in the stable crushing and grinding equipment sectors, this segment should provide highly defensive earnings and contribute to portfolio stabilization. Existing segments are also generally projected to rebound. The Industrial Machinery segment forecasts sales of ¥18.9bn (+3.5% YoY) and OP of ¥1.8bn (+9.4% YoY), supported by the delivery of belt conveyor and other projects. In the Rock Drill Machinery segment, where overseas momentum remains strong, the company plans for double-digit profit growth, targeting sales of ¥38.6bn (+6.0% YoY) and OP of ¥3.2bn (+12.2% YoY). This will be driven by expanding shipments of hydraulic breakers and hydraulic crawler drills to North America, alongside the elimination of one-off expenses related to product defect countermeasures. Furthermore, the UNIC Machinery segment, which has long struggled due to truck shortages, is expected to post a significant profit increase, with sales of ¥31.2bn (+5.5% YoY) and OP of ¥1.7bn (+33.5% YoY). This turnaround will be fueled by the resolution of outfitting delays as domestic chassis supply recovers, as well as capturing overseas demand, primarily in Southeast Asia.
- **Materials Business** – The company highlights an operational divergence within the Materials business. In the Metals segment, despite steady year-on-year refined copper production, lower underlying unit prices are expected to depress revenue. Furthermore, while higher selling premiums will provide a lift to tolling profits, the ongoing compression of Treatment and Refining Charges (TC/RCs) remains a persistent headwind for OP. In contrast, the Electronics segment is set to experience a robust expansion, fueled by rising shipment volumes of aluminum nitride ceramics for the semiconductor manufacturing equipment market. This momentum is mirrored in the Chemicals segment, where the company is actively executing a sales expansion strategy for copper oxide, specifically targeting the booming AI server supply chain.
- Effective from FY3/27, the company has changed its allocation method for corporate expenses to more accurately reflect the performance of each segment.



## Looking at the Machinery business to recover

### Subsegment breakdown

Machinery Business	Q1-4 FY3/25	Q1-4 FY3/26	YoY (%)	FY3/27 Guidance	YoY (%)
<b>Industrial Machinery</b>					
Sales	22.21	18.27	-17.8	18.90	+3.5
OP	2.21	1.65	-25.4	1.80	+9.4
OP margin (%)	9.9	9.0		9.5	
<b>Rock Drill Machinery</b>					
Sales	35.00	36.42	+4.1	38.60	+6.0
OP	2.80	2.85	+2.0	3.20	+12.2
OP margin (%)	8.0	7.8		8.3	
<b>UNIC Machinery</b>					
Sales	29.08	29.56	+1.6	31.20	+5.5
OP	0.98	1.27	+30.3	1.70	+33.5
OP margin (%)	3.4	4.3		5.4	
<b>EarthTechnica</b>					
Sales	-	-		21.20	-
OP	-	-		1.00	-
OP margin (%)	-	-		4.7	-
<b>Sales</b>	<b>86.30</b>	<b>84.26</b>	<b>-2.4</b>	<b>109.90</b>	<b>+30.4</b>
<b>OP</b>	<b>5.98</b>	<b>5.77</b>	<b>-3.5</b>	<b>7.70</b>	<b>+33.4</b>
<b>OPM (%)</b>	<b>6.9</b>	<b>6.8</b>		<b>7.0</b>	

Source: Company

## Metals are expected to decline

### Subsegment breakdown

Materials Business	Q1-4 FY3/25	Q1-4 FY3/26	YoY (%)	FY3/27 Guidance	YoY (%)
<b>Metals</b>					
Sales	92.38	103.07	+11.6	101.20	-1.8
OP	2.42	3.79	+56.7	0.40	-89.4
OP margin (%)	2.6	3.7		0.4	
<b>Electronics</b>					
Sales	6.55	6.95	+6.2	7.90	+13.6
OP	0.13	0.37	+192.0	0.80	+119.2
OP margin (%)	1.9	5.2		10.1	
<b>Chemicals</b>					
Sales	9.83	10.36	+5.4	10.40	+0.4
OP	0.63	0.84	+33.9	0.80	-0.4
OP margin (%)	6.4	8.1		7.7	
<b>Materials total</b>					
<b>Sales</b>	<b>108.76</b>	<b>120.38</b>	<b>+10.7</b>	<b>119.50</b>	<b>-0.7</b>
<b>OP</b>	<b>3.17</b>	<b>4.99</b>	<b>+57.6</b>	<b>2.00</b>	<b>-60.0</b>
<b>OP margin (%)</b>	<b>2.9</b>	<b>4.1</b>		<b>1.7</b>	

### Metals prices and currency fluctuations

(¥bn)	Q1-4 FY3/25	Q1-4 FY3/26	YoY (%)	FY3/27 Guidance	YoY (%)
Copper (\$/t)	9,370	10,816	+15.4	10,000	-7.5
Gold (\$/oz)	2,585	3,939	+52.4	4,000	+1.5
Yen/US dollar	152.6	150.8		155.0	

Source: Company

## Outlook on Copper and Gold Prices

### Metals prices and currency fluctuations

(¥bn)		2027	2028	2029
Copper (\$/t)	BBG	13,519	13,618	13,609
	Astris	11,000	13,000	13,000
	<b>Average</b>	<b>12,260</b>	<b>13,309</b>	<b>13,305</b>
Gold (\$/t oz) - BBG		4,700	4,891	5,118

Source: Bloomberg estimates, as of 2 June 2026

By blending Bloomberg consensus with forecasts from our internal commodity analyst, Ian Roper, our copper and gold price assumptions sit comfortably above Furukawa's FY3/27 guidance. Based on our sensitivity analysis, which indicates a ¥0.75mn impact on OP for every \$1/oz movement in gold, we project an additional ¥0.52bn to gold-driven OP relative to the company's conservative baseline.

### OP estimates based on a gold sale price of US\$4,700

	FY3/25	FY3/26	FY3/27 Astris Advisory
Electrolytic copper production volume (tonnes)	45,775	44,482	44,682
YoY (%)	-5.2	-2.8	+0.4
<b>OP estimate for copper (¥bn)</b>	<b>0.38</b>	<b>0.46</b>	<b>-0.05</b>
Average gold sale price (US\$)	2,585	3,939	<b>4,700</b>
YoY (%)	+30.0	+52.4	+19.3
<b>OP estimate for gold (¥bn)</b>	<b>1.74</b>	<b>2.76</b>	<b>0.62</b>
OP sensitivity due to price fluctuations		¥0.75mn /Gold price (US\$)	
Other	0.30	0.57	0.40
<b>OP (¥bn) (copper + gold)</b>	<b>2.42</b>	<b>3.79</b>	<b>0.97</b>
YoY (%)	+24.3		-74.4

Source: Company, London Gold PM Fix, Astris Advisory

### Sensitivity analysis table: Change in average gold price during the period and estimated gold OP

Gold price (US\$)	Estimated gold OP (¥bn)
4,000	0.05
4,250	0.23
4,500	0.42
<b>4,700</b>	<b>0.57</b>
4,900	0.72
5,100	0.87
5,300	1.03

Source: Astris Advisory

Note: Considering gold volume is constant when estimating the sensitivity of OP to unit price fluctuations.



## Astris earnings estimates and key assumptions

We have revised our estimates for FY3/27 – FY3/29, though we expect to make further revisions once Furukawa has announced targets for its next MTMP.

### Astris Advisory earnings estimates

Year-end	FY3/26	FY3/27	FY3/27E	FY3/27E	FY3/28E	FY3/28E	FY3/29E
		CE	(old)	(new)	(old)	(new)	(new)
<b>Sales (¥bn)</b>	<b>211.08</b>	<b>235.70</b>	<b>200.92</b>	<b>237.61</b>	<b>203.95</b>	<b>244.77</b>	<b>253.25</b>
YoY (%)	+4.9	+11.7	+0.5	+12.6	+1.5	+3.0	+3.5
<b>OP (¥bn)</b>	<b>11.30</b>	<b>9.00</b>	<b>7.09</b>	<b>9.29</b>	<b>10.07</b>	<b>12.29</b>	<b>12.89</b>
OPM (%)	5.4	3.8	3.5	3.9	4.9	5.0	5.1
<b>EBITDA (¥bn)</b>	<b>16.44</b>	<b>-</b>	<b>11.92</b>	<b>15.00</b>	<b>14.97</b>	<b>18.16</b>	<b>18.96</b>
EBITDA margins (%)	7.8	-	5.9	6.3	7.3	7.4	7.5
<b>FCF (¥bn)</b>	<b>(1.46)</b>	<b>-</b>	<b>4.95</b>	<b>(20.99)</b>	<b>3.97</b>	<b>(7.12)</b>	<b>(5.83)</b>
FCF margin (%)	(0.7)	-	2.5	(8.8)	1.9	(2.9)	(2.3)
FCF conversion (%)	N/A	-	63.5	N/A	36.9	N/A	N/A
<b>FCF yield (%)</b>	<b>(1.1)</b>	<b>-</b>	<b>2.8</b>	<b>(16.0)</b>	<b>2.3</b>	<b>(5.4)</b>	<b>(4.4)</b>
<b>DPS (¥)</b>	<b>80.0</b>	<b>80.0</b>	<b>75.0</b>	<b>80.0</b>	<b>80.0</b>	<b>80.0</b>	<b>80.0</b>
Dividend yield (%)	2.0		1.6	2.1	1.7	2.1	2.2
Dividend payout ratio (%)	20.8		51.5	32.8	40.0	30.3	29.8
Total shareholder yield (%)	8.1		1.6	2.1	1.7	2.1	2.2

Source: Astris Advisory

The core assumptions of our estimates are as follows:

- Sales growth** – In the Machinery business, consolidated sales growth is expected to accelerate from FY3/27 onward. This is primarily driven by the consolidation of EarthTechnica as a subsidiary, a company that operates in the growth market of recycling machinery and boasts a high market share in the crushing and grinding equipment sectors. The existing Machinery business is also highly likely to trend toward a general recovery, further accelerating OP growth. This will be supported by the recovery of the Industrial Machinery and UNIC Machinery segments, in addition to the continued momentum in the Rock Drill Machinery segment. At the same time, an increase in the share of profit of entities accounted for using the equity method, following the transition of Mitsui Miike Machinery into an equity-method affiliate, is projected to lift net income (in FY3/26, ¥2.2bn was recorded under non-operating income, including negative goodwill). Meanwhile, steady structural growth in the Electronic and Chemical Products segments is expected to cushion the impact of a cyclical downturn in the Metals segment, which is forecast to pull back from the high levels seen in FY3/26.
- Profitability** – We project continued earnings growth in the Machinery Business, driven by a recovery in order backlogs across the existing Industrial Machinery,

Rock Drill Machinery, and UNIC Machinery segments. Furthermore, the newly consolidated EarthTechnica and Mitsui Miike Machinery are well-positioned to contribute to earnings by leveraging their strong market leadership. Profitability is expected to be further enhanced by expanding recurring revenue streams via data-driven product lifecycle management.

- **FCF generation** – FCF generation is expected to remain under pressure over the next few years. While a moderation within the Metals segment will likely act as a drag on cash generation, the Machinery Business concurrently requires elevated capital expenditure for both asset maintenance and structural growth initiatives.



## 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.

Historically, the Materials Business, which includes the Metals segment, has accounted for the vast majority of the company's sales. Currently, the company is advancing a business portfolio reform; while accelerating growth in the Machinery business, it has been conducting a radical review of the Metals segment to drastically reduce unprofitable exports of refined copper. Furthermore, the company is focusing its investments on the Machinery business as a core growth area, as demonstrated by transitioning Mitsui Miike Machinery into an equity-method affiliate and consolidating EarthTechnica as a subsidiary.

The company has completed its medium-term management plan for FY3/24 to FY3/26. It met its leverage-reduction goals and outperformed its shareholder-return targets through an expanded buyback program. However, the macroeconomic environment has made meeting its earnings targets and valuations particularly challenging.

The company plans to release its next Medium-Term Business Plan (FY3/28–FY3/30) in late February 2027.

**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.
- The consolidated subsidiary, EarthTechnica, is expected to become the 'Fourth pillar' of the Machinery business by reliably capturing growth opportunities in the recycling machinery market.
- IoT product lifecycle support and automation, which can generate recurring revenue and offer solutions to customers' problems.
- Overseas growth driven by rock drill machinery 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 FY3/27 of 15.2x, dividend yield of 2.1%, and PBR of 0.8x.



## JGAAP Financial Summary

Income statement (¥bn)	FY 3/25	FY 3/26	FY 3/27E	FY 3/28E	FY 3/29E
<b>Sales</b>	<b>201.22</b>	<b>211.08</b>	<b>237.61</b>	<b>244.77</b>	<b>253.25</b>
COGS	171.66	178.88	201.96	207.81	212.48
<b>Gross profit</b>	<b>29.56</b>	<b>32.20</b>	<b>35.64</b>	<b>36.96</b>	<b>40.77</b>
Gross profit margin (%)	14.7	15.3	15.0	15.1	16.1
<b>Operating profit</b>	<b>9.76</b>	<b>11.30</b>	<b>9.29</b>	<b>12.29</b>	<b>12.89</b>
OP margin (%)	4.9	5.4	3.9	5.0	5.1
Non-operating income	2.30	4.98	7.00	3.00	3.00
Non-operating expense	(2.36)	(2.55)	(4.00)	(2.30)	(2.30)
<b>Recurring profit</b>	<b>9.71</b>	<b>13.73</b>	<b>12.29</b>	<b>12.99</b>	<b>13.59</b>
Extraordinary gains	17.54	7.26	-	-	-
Extraordinary losses	(2.03)	(2.39)	-	-	-
<b>Pre-tax profit</b>	<b>25.21</b>	<b>18.60</b>	<b>12.29</b>	<b>12.99</b>	<b>13.59</b>
Tax	(6.45)	(5.67)	(3.69)	(4.03)	(4.35)
Effective tax rate (%)	66.4	41.3	30.0	31.0	32.0
<b>Net income</b>	<b>18.76</b>	<b>12.93</b>	<b>8.61</b>	<b>8.96</b>	<b>9.24</b>
Non-controlling NI	0.14	0.15	0.49	0.20	0.20
<b>Parent attributable NI</b>	<b>18.62</b>	<b>12.78</b>	<b>8.11</b>	<b>8.76</b>	<b>9.04</b>

Sales growth YoY (%)	+6.9	+4.9	+12.6	+3.0	+3.5
OP growth YoY (%)	+14.5	+15.7	-17.8	+32.2	+4.9
Pre-tax profit YoY (%)	+8.4	-26.2	-33.9	+5.7	+4.6
NI growth YoY (%)	+15.7	-31.4	-36.5	+8.0	+3.2

Balance sheet (¥bn)	FY 3/25	FY 3/26	FY 3/27E	FY 3/28E	FY 3/29E
<b>Cash &amp; equivalents</b>	<b>24.85</b>	<b>21.05</b>	<b>13.98</b>	<b>17.13</b>	<b>23.37</b>
Inventory	50.80	52.44	69.65	71.75	74.24
Accounts receivables	33.60	24.70	27.80	28.64	29.63
Other	7.51	17.09	19.23	19.81	20.50
<b>Current assets</b>	<b>116.76</b>	<b>115.27</b>	<b>130.67</b>	<b>137.34</b>	<b>147.75</b>
Tangible assets	94.80	95.99	105.35	108.58	113.19
Goodwill	-	-	-	-	-
Intangible assets	0.33	0.36	0.36	0.36	0.36
LT Investments	19.90	41.05	41.05	41.05	41.05
Other	25.32	19.71	19.71	19.71	19.71
<b>Fixed assets</b>	<b>140.35</b>	<b>157.11</b>	<b>166.47</b>	<b>169.70</b>	<b>174.31</b>
<b>Total assets</b>	<b>257.11</b>	<b>272.38</b>	<b>297.14</b>	<b>307.04</b>	<b>322.05</b>
Short term borrowing	4.61	11.34	11.34	11.34	11.34
Trade payables	21.28	17.64	20.41	21.01	21.48
Other	27.23	18.07	26.88	24.59	26.71
<b>Current liabilities</b>	<b>53.11</b>	<b>47.04</b>	<b>58.64</b>	<b>56.93</b>	<b>59.53</b>
Long term borrowing	51.73	46.31	46.31	46.31	46.31
Other LT liabilities	18.69	28.82	28.82	28.82	28.82
<b>Long term liabilities</b>	<b>70.42</b>	<b>75.13</b>	<b>75.13</b>	<b>75.13</b>	<b>75.13</b>
<b>Shareholder's equity</b>	<b>130.81</b>	<b>147.23</b>	<b>160.03</b>	<b>171.53</b>	<b>183.83</b>
Share acquisitions rights	-	-	-	-	-
Non-controlling interests	2.76	2.97	3.34	3.44	3.56
<b>Total net assets</b>	<b>133.57</b>	<b>150.20</b>	<b>163.37</b>	<b>174.97</b>	<b>187.39</b>
<b>Total liabilities &amp; net assets</b>	<b>257.11</b>	<b>272.38</b>	<b>297.14</b>	<b>307.04</b>	<b>322.05</b>

Source: Company, Astris Advisory (estimates)

Cash flow statement (¥bn)	FY 3/25	FY 3/26	FY 3/27E	FY 3/28E	FY 3/29E
<b>Profit before tax</b>	<b>25.21</b>	<b>18.60</b>	<b>12.29</b>	<b>12.99</b>	<b>13.59</b>
Depreciation/amortization	4.84	5.14	5.70	5.87	6.08
Changes in working capital	(5.74)	(6.64)	(6.38)	(5.22)	(1.57)
Other non-cash items	(18.84)	(7.92)	(7.92)	(7.92)	(7.92)
Tax paid	(5.46)	(5.78)	(3.69)	(4.03)	(4.35)
<b>Cash from Operating Activities</b>	<b>0.01</b>	<b>3.41</b>	<b>0.01</b>	<b>1.69</b>	<b>5.82</b>
Capex	(7.66)	(4.87)	(21.00)	(8.81)	(11.65)
Subsidiaries/associates related	(0.83)	(2.20)	-	-	-
Other investing cash flow	23.59	9.19	16.39	12.79	14.59
<b>Cash from Investing Activities</b>	<b>15.10</b>	<b>2.12</b>	<b>(4.61)</b>	<b>3.97</b>	<b>2.94</b>
Total cash dividends paid	(3.13)	(2.40)	(2.66)	(2.66)	(2.69)
Debt issuance/(retirement)	(2.64)	0.82	-	-	-
Equity financing	(3.44)	(8.07)	-	-	-
Other	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)
<b>Cash from Financing Activities</b>	<b>(9.23)</b>	<b>(9.66)</b>	<b>(2.67)</b>	<b>(2.67)</b>	<b>(2.70)</b>
FX impact	0.33	0.09	0.21	0.15	0.18
<b>Net cash flow</b>	<b>6.20</b>	<b>(4.04)</b>	<b>(7.06)</b>	<b>3.15</b>	<b>6.24</b>

<b>Free cash flow</b>	<b>(7.66)</b>	<b>(1.46)</b>	<b>(20.99)</b>	<b>(7.12)</b>	<b>(5.83)</b>
<b>EBITDA</b>	<b>14.60</b>	<b>16.44</b>	<b>15.00</b>	<b>18.16</b>	<b>18.96</b>
EBITDA margins (%)	7.3	7.8	6.3	7.4	7.5
Free cash flow margin (%)	-3.8	-0.7	-8.8	-2.9	-2.3
Free cash flow conversion (%)	N/A	N/A	N/A	N/A	N/A
Capex/sales (%)	3.8	2.3	8.8	3.6	4.6
Capex/depreciation (%)	158.5	94.7	368.3	150.0	191.7
CFO margin (%)	0.0	1.6	0.0	0.7	2.3

Key metrics	FY 3/25	FY 3/26	FY 3/27E	FY 3/28E	FY 3/29E
<b>Profitability</b>					
Gross margin (%)	14.7	15.3	15.0	15.1	16.1
Operating margin (%)	4.9	5.4	3.9	5.0	5.1
Net margin (%)	9.3	6.1	3.4	3.6	3.6
ROA (%)	7.2	4.8	2.8	2.9	2.9
ROE (%)	14.3	9.2	5.3	5.3	5.1
ROCE (%)	4.8	5.0	3.9	4.9	4.9
ROIC (%)	1.7	3.4	3.1	3.8	3.7
<b>Liquidity</b>					
Current ratio (x)	2.2	2.5	2.2	2.4	2.5
Quick ratio (x)	1.2	1.3	1.0	1.2	1.2
<b>Leverage</b>					
Debt/Equity ratio (x)	0.4	0.4	0.4	0.3	0.3
Net Debt/Equity ratio (x)	0.2	0.2	0.3	0.2	0.2
Equity ratio (x)	0.5	0.5	0.5	0.6	0.6
Interest cover (x)	18.1	20.2	13.4	16.4	9.7
Net Debt/EBITDA (x)	2.2	2.2	2.9	2.2	1.8
<b>Valuation</b>					
EPS reported (¥)	510.64	384.65	244.3	263.8	272.1
PER (x)	7.3	9.7	15.2	14.1	13.7
Diluted PER (x)	7.3	9.7	15.3	14.2	13.7
DPS (¥)	70.0	80.0	80.0	80.0	81.0
Dividend payout ratio (%)	13.7	20.8	32.8	30.3	29.8
Dividend yield (%)	1.9	2.1	2.1	2.1	2.2
Total shareholder yield (%)	4.7	8.8	2.1	2.1	2.2
<b>Free cash flow yield (%)</b>	<b>(6.3)</b>	<b>(1.2)</b>	<b>(17.3)</b>	<b>(5.9)</b>	<b>(4.8)</b>
Diluted free cash flow yield (%)	(6.3)	(1.2)	(17.3)	(5.9)	(4.8)
<b>PBR (x)</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>
EV/sales (x)	0.6	0.6	0.5	0.5	0.5
EV/EBITDA (x)	8.9	7.9	8.7	7.2	6.9
EV/EBIT (x)	13.3	11.5	14.0	10.6	10.1
EV/FCF (x)	N/A	N/A	N/A	N/A	N/A



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