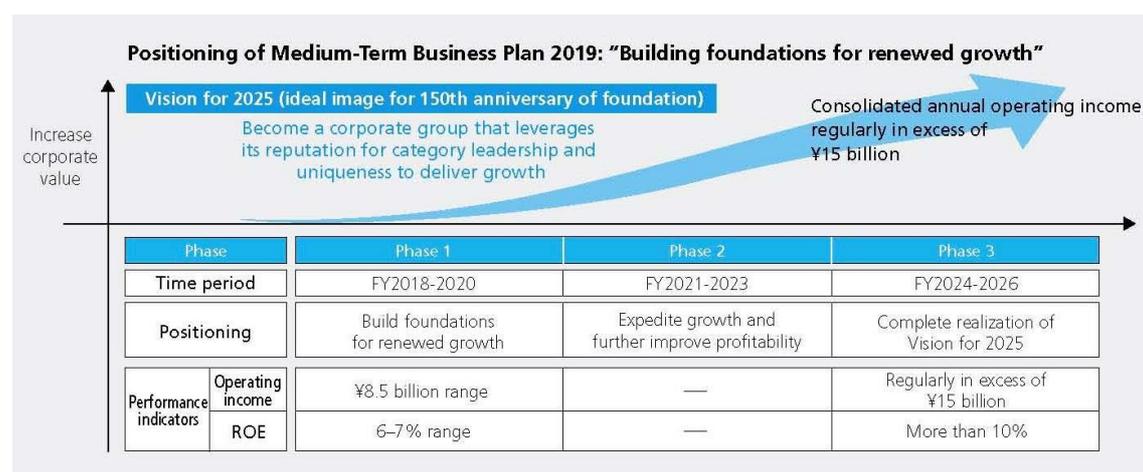


## Medium-Term Business Plan 2019: Building Foundations for Renewed Growth

The Furukawa Group has formulated a new medium-term business plan, entitled “Medium-Term Business Plan 2019,” covering the three-year period from April 2017 through March 2020. The slogan of this plan is “Building Foundations for Renewed Growth.”

### 1. Positioning

The new plan represents Phase 1 of the Group’s Vision for 2025, called “FURUKAWA Power & Passion 150,” and is positioned as a period for “Building Foundations for Renewed Growth.”



### 2. Performance Indicators (Consolidated)

Fiscal 2020, ending March 31, 2020, will be the final year of Medium-Term Business Plan 2019, aimed at realizing the Group’s Vision for 2025, “FURUKAWA Power & Passion 150.” The Group has set the following performance indicators as milestones.

	FY2017 results	FY2020 milestones
Operating income	¥6.5 billion	¥8.5 billion range
ROE	5.9%	6–7% range

#### Underlying assumptions

	FY2017 results	FY2020 assumptions
Exchange rate (¥/USD)	108.4	110
Exchange rate (¥/EUR)	118.8	115
LME copper price (USD/t)	5,154	6,000

### 3. Business Policies

#### (1) Groupwide strategy

Under Medium-Term Business Plan 2019, the Group will broadly implement “Marketing-based management”<sup>\*1</sup> with the aim of improving the value of the Furukawa brand.

Meanwhile, we will work to continuously expand the Machinery business, earmarked as our core business. We will also work to strengthen and expand our human resource foundation, actively promote investments to increase corporate value, and establish a robust corporate foundation.

#### (2) Fundamental strategies by segment

##### (a) Machinery Business

Over the period of Medium-Term Business Plan 2019, we anticipate a steady shift toward domestic demand associated with the Linear Chuo Shinkansen Line, new Shinkansen lines, the Building National Resilience Plan, regional rejuvenation initiatives, the 2020 Summer Olympics and Paralympics in Tokyo, and other projects. In addition to steadily addressing such demand, we will build a foundation for renewed growth based on the fundamental strategies of each business segment.

##### [Industrial Machinery]

We will increase our involvement in section plant<sup>\*2</sup> construction projects and large-scale projects and otherwise expand our contractor businesses<sup>\*3</sup> with the aim of transitioning from a standalone machinery manufacturer. To achieve this, we will strengthen our engineering capabilities<sup>\*4</sup> and enhance our business foundation in the domestic market.

##### [Rock Drill Machinery]

By strengthening our life cycle support (LCS)<sup>\*5</sup> capabilities, we will increase income from both our flow business and stock business<sup>\*6</sup> and reinforce the income foundation for our drill product lineup (blast hole drills<sup>\*7</sup> and drill jumbos). To achieve this, we will upgrade our domestic service support system and establish overseas sales channels.

##### [UNIC Machinery]

Seeking to ensure stable income from domestic sales and expand income from our stock business and overseas sales, we will distinguish our UNIC crane lineup by promoting advanced functions and higher added value, in order to strengthen our competitiveness. At the same time, we will promote our second-hand business, reestablish our overseas sales network, and enhance our sales capabilities.

##### (b) Materials Business

##### [Metals]

We will work to establish an optimal production and sales system with an emphasis on profitability, in order to improve our earnings foundation.

##### [Electronic Materials]

We will shift our focus from mature products to strategic products in an effort to

restore Electronic Materials as a strong business segment.

[Chemicals]

We will work to expand income from existing products and swiftly commercialize and foster newly developed products with the aims of transforming existing businesses and securing steady income from new businesses.

(c) Real Estate

We will strive to secure stable income from the Muromachi Furukawa Mitsui Building[ (commercial name: COREDO Muromachi 2)] and effectively utilize income from other properties owned by the Group with the aim of reinforcing our income foundation.

(3) Product development system

We will improve the efficiency and speed of product development based on flexible concepts that transcend the fields of machinery and materials. Meanwhile, seeking to energize development of new products, our various business divisions and Development Division will unite to promote product development.

In the Machinery business, earmarked as a core business, we will deploy visual and auditory sensing technologies, as well as artificial intelligence (AI) and communication network technologies, for the practical application of machinery products that can work autonomously, such as automated equipment and robots.

(4) Strengthen and expand our human resource foundation

We will step up personnel development efforts while promoting workstyle reforms and diversity in order to strengthen and expand our human resource foundation.

(5) Actively promote investments to increase corporate value

(a) Capital investment plan to support stronger manufacturing capabilities

Over the period of Medium-Term Business Plan 2019, we plan to make cumulative capital investments of around ¥16 billion, which will be allocated mainly to our core Machinery business.

(b) M&As and alliances

We will consider mergers and acquisitions (M&As) and alliances with peripheral business companies that can complement and create continuity with our existing Machinery business. We will also look at companies that can help us create a completely different segment to serve as the fourth pillar of the Machinery business.

(6) Establish a robust corporate foundation

(a) Strengthen and entrench efforts to increase ROE

We will step up and entrench efforts to improve efficiency and profitability, targeting ROE of 6–7% range by fiscal 2020.

(b) Allocation of operating cash flows

We will actively promote investments to increase corporate value while establishing a solid financial base. At the same time, we will allocate operating cash flows with due consideration to shareholder return.

In the three-year period from fiscal 2018 through fiscal 2020, we forecast cumulative consolidated net cash provided by operating activities of approximately ¥25 billion, which will be allocated as follows.

Net cash provided by operating activities (3-year cumulative)		¥25 billion
Allocation scenario	Interest-bearing debt <sup>*8</sup> reduction	¥3 billion
	Capital investment	¥16 billion
	Dividends	¥6 billion

(c) Capital strategies

[Dividends]

Our policy is to return profits to shareholders in the form of dividends appropriated from retained earnings. Specific dividend amounts are based on consolidated profits/losses. With the exception of special profit/loss circumstances, we endeavor in principle to pay annual cash dividends of ¥5.00 per share with a consolidated payout ratio of 30% or higher. In this way, we strive for stable, continuous shareholder returns.

[Treasury stock purchase and cancellation]

With respect to purchase and cancellation of treasury stock, our policy is to properly consider all relevant factors, including share price movements, capital efficiency, and cash flows.

(7) System to implement Medium-Term Business Plan 2019

In order to implement Medium-Term Business Plan 2019, we will establish business execution and responsibility frameworks and set up a new Business Process Re-engineering Department. Our aim is to standardize and enhance administrative efficiency, increase productivity, and reconstruct our business processes.

In addition, we will establish dedicated teams to spearhead overseas strategies for our core Machinery business, as well as our stock business and M&As opportunities.

Notes

\*1 Marketing-based management

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

\*2 Section plant

Part of the processing stage of the overall plant.

\*3 Contractor businesses

Civil engineering and construction-related businesses that handle construction, operational management, and the like, by contract agreements and other contracts.

\*4 Engineering capabilities

The ability to deploy experiences, technologies, and knowledge derived from sales

activities as tools to deliver optimal proposals to customers which are considered a total balance of factors, including function, cost, usage environment, and safety.

**\*5 Life cycle support (LCS)**

Support to provide optimal management services aimed at minimizing machinery holding and operating costs as much as possible across the total life cycle of machinery (selection and delivery, operation and maintenance, large-scale repair and regeneration, disposal and replacement).

**\*6 Stock business**

Business targeting the after-sales market (including sales of maintenance parts, provision of maintenance services, trade-in and sales of used products) and the rental market, as opposed to the “flow business” (product sales), which is easily impacted by economic factors. We will continuously expand and reinforce our stock business, earmarked as one of “Foundations for Renewed Growth,” because it generates relatively stable income.

**\*7 Blast hole drill**

A machine that drills holes for blasting purposes and is used for relatively large-scale blasting associated with mines, crushed stones, civil engineering work, and the like. Used within the Group, it is a generic term that covers crawler drills, down-the-hole drills, and rotary drills used on the surface.

**\*8 Interest-bearing debt**

Refers only to borrowings and does not include lease obligations.

[Reference]

Performance by segment

Sales

(¥ millions, rounded down)

	FY2017 results	FY2020 scenario	Difference
Machinery Business	66,803	84,100	+17,297
(Industrial Machinery)	(14,041)	(20,000)	(+5,959)
(Rock Drill Machinery)	(26,979)	(33,500)	(+6,521)
(UNIC Machinery)	(25,782)	(30,600)	(+4,818)
Materials Business	78,968	79,600	+632
(Metals)	(67,853)	(67,200)	(−653)
(Electronic Materials)	(5,816)	(6,400)	(+584)
(Chemicals)	(5,298)	(6,000)	(+702)
Real Estate	3,074	2,500	−574
Others	983	1,400	+417
Total	149,829	167,600	+17,771

## Operating income

(¥ millions, rounded down)

	FY2017 results	FY2020 scenario	Difference
Machinery Business	3,580	6,250	+2,670
(Industrial Machinery)	(104)	(1,250)	(+1,146)
(Rock Drill Machinery)	(897)	(1,600)	(+703)
(UNIC Machinery)	(2,578)	(3,400)	(+822)
Materials Business	1,870	1,400	-470
(Metals)	(1,738)	(700)	(-1,038)
(Electronic Materials)	(17)	(300)	(+283)
(Chemicals)	(114)	(400)	(+286)
Real Estate	1,265	1,000	-265
Others	-126	-40	+86
Subtotal	6,590	8,610	+2,020
Adjustments	-44	-110	-66
Total	6,545	8,500	+1,955

## Underlying assumptions

	FY2017 results	FY2020 assumptions
Exchange rate (¥/USD)	108.4	110
Exchange rate (¥/EUR)	118.8	115
LME copper price (USD/t)	5,154	6,000

## Cautionary Notes Regarding Forward-Looking Statements

Statements about future predictions contained in this document are based on various factors—including forecasts, expectations, assumptions, plans, acknowledgments, and evaluations—that derive from information currently at hand. Actual business conditions and activities involve various latent risks and uncertainties and can be affected by them. Accordingly, forward-looking statements and suggestions based thereon may differ significantly from actual outcomes.

Latent risks and uncertainties that can potentially affect future forecasts are described in the Company's Annual Report and in the Business Risks section of the Company's corporate website. However, such risks and uncertainties are not limited to those described therein.

Consequently, the Company cannot promise or guarantee the achievement of key performance indicators [KPIs] or forecasts, nor of future results, as described in this document.

Irrespective of actual results, moreover, the Company is not obligated to update the content of this document after its release date, and does not have a policy to do so.

The purpose of preparing this document is to help shareholders, other investors, and the like obtain a better understanding of the Company's management policies and information, not to solicit any equity investments, including the purchase or sale of the Company's shares.

Investors are asked to take responsibility for final investment decisions in light of the aforementioned points.

Please take responsibility when using this document. The Company bears no responsibility for erroneous or defective information contained in this document, nor of changes in [key performance indicators/KPIs] or forecasts, nor of any other losses caused as a result of using this document.