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May 12, 2022

To whom it may concern:

Company name: FURUKAWA CO., LTD.
Name of representative: Minoru Nakatogawa, President and Representative Director
(Securities code: 5715; Prime Market of the Tokyo Stock Exchange)
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Notice Concerning Termination of Entrusted Smelting Agreement with Onahama Smelting and Refining Co., Ltd.

FURUKAWA CO., LTD. (the “Company”) hereby announces its decision, resolved at the Board of Directors meeting held today, to terminate the entrusted smelting agreement concluded between Furukawa Metals & Resources Co., Ltd. (2-6-4, Otemachi, Chiyoda-ku, Tokyo; President: Masanori Saito), a core operating company in the Furukawa Company Group, and the smelting entrusted party, Onahama Smelting and Refining Co., Ltd. to take effect on March 31, 2023. Details are provided below.

In conjunction with the termination of the aforementioned entrusted smelting agreement, the Company decided that all shares of Onahama Smelting and Refining Co., Ltd. owned by Furukawa Metals & Resources Co., Ltd. would be transferred to Mitsubishi Materials Corporation.

1. Reason for termination of agreement

The Company operates an entrusted copper smelting business at Furukawa Metals & Resources Co., Ltd. (hereinafter “Furukawa Metals & Resources”), a core operating company in its metals segment. The entrusted smelting business is subject to the effects of international market trends and copper concentrates treatment and refining charges, and revenue can fluctuate considerably. As it is of critical importance to keep a close eye on profitability and future prospects, the Company considered radical reform for the entrusted smelting business.

Of particular focus was the recent trends in the copper smelting business environment where copper concentrates treatment and refining charges (TC/RC) from mining companies, our source of revenue, continues to be disadvantageous to the smelting company due to mainly booming copper concentrates purchasing demand from China causing instability in the supply and demand balance, and where it is difficult to expect any considerably improvement to the TC/RC even in the future. At the same time, not only must smelting companies shoulder the increasing costs of capital expenditure for environmental response, maintenance and renewal investment for aging facilities, along with related depreciation, but also they are facing continuing high costs for the smelting process because of the soaring costs of operation including electricity and fuel oil costs. As a result, the smelting costs have continued to exceed the TC/RC.

Furukawa Metals & Resources has been working to reduce exports of unprofitable electrolytic copper and sulfuric acid as a response to the deficit structure of the entrusted smelting business under this business environment by incrementally reducing production. However, deeming it necessary to implement further radical action, the decision was made to terminate the entrusted smelting agreement with Onahama Smelting and Refining Co., Ltd., which is entrusted with approximately 34% of Furukawa Metals & Resources’ annual production volume for copper (approximately 24,000 tons).

2. Agreement termination date and entrusted copper production to be terminated

Termination date of entrusted smelting agreement:	March 31, 2023
Terminated entrusted copper production volume:	Approximately 24,000 tons per year
	* Approximately 34% of the (planned) fiscal 2023 copper production volume of Furukawa Metals & Resources of approximately 70,800 tons/year

3. Outline of counterparty of agreement to be terminated

Name:	Onahama Smelting and Refining Co., Ltd.	
Location:	2-2-2, Kanda-Tsukasamachi, Chiyoda-ku, Tokyo	
Title and name of the representative:	Takahiro Yamada, President	
Date of incorporation:	1963	
Share capital:	¥6,999 million	
Shareholder composition:	Mitsubishi Materials Corporation	55.714%
	DOWA METALS & MINING CO., LTD.	31.621%
	Furukawa Metals & Resources Co., Ltd.	12.665%

4. Future outlook

As a result of the termination of the entrusted smelting agreement with Onahama Smelting and Refining Co., Ltd., the fiscal 2024 copper production volume of Furukawa Metals & Resources is expected to be approximately 46,600 tons/year. That production is to be entrusted to only Hibi Kyodo Smelting Co., Ltd., an equity-method affiliate of the Company. By taking this action, it will be possible to considerably reduce the unprofitable exports as Furukawa Metals & Resources' domestic sales volume of electrolytic copper will be approximately 40,000 tons/year. Through the termination of this entrusted smelting agreement, the Company is confident that it can proceed with the radical reform of the entrusted smelting business, a critical management issue of the metals segment. The Company has deemed that it is possible to secure profitability from entrusted operations and from fiscal 2024 onwards, it will supply electrolytic copper on a stable basis mainly to customers inside Japan.

5. Impact on performance

Because the termination of the agreement will take effect on March 31, 2023, it will have no effect on the financial performance of the metals segment in the fiscal year ending March 31, 2023 (fiscal 2023). As for the effect on the financial performance of the metals segment in the fiscal year ending March 31, 2024 (fiscal 2024), under calculations based on the assumptions of a copper price of US\$9,400 per ton, and an exchange rate of ¥120/US\$, which are the conditions for fiscal 2023, the Company expects net sales will be reduced by approximately ¥40,000 million compared with ¥110,700 million forecasted for fiscal 2023. However, by reducing the unprofitable exports and improving profitability from entrusted operations, the Company expects operating profit to increase by approximately ¥400 million compared with the fiscal 2023 forecast of ¥0 million. Moreover, the Company expects adjustments to accounts receivable - trade and inventories will remove approximately ¥8,500 million from the balance sheet.