

FURUKAWA

FURUKAWA CO., LTD.

Financial Results Briefing for the Second Quarter Ended September 30, 2023,
Business Briefing

[Number of Speakers]

4

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Koichiro Konno

President & Representative Director
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Furukawa Rock Drill Co., Ltd.

Ryohei Akutagawa

Corporate Planning Department, Manager,
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Presentation

Akutagawa: First, President Nakatogawa will explain the Q2 financial results and the full-year forecast, and then Mr. Yamaguchi, President of Furukawa Rock Drill, will explain the business of the rock drill machinery segment.

Nakatogawa: I am Nakatogawa, President of FURUKAWA. Thank you for taking time out of your busy schedules today to join our financial results and business briefing.

Since our founding in 1875, we have undergone major transformations, and today our core business is machinery and materials. We are working to enhance our investor relations to better inform our investors. This briefing is streamed live online. Thank you very much for your cooperation.

Financial Results for the FY2023 Q2 & Financial Forecasts for the FY2023 (Consolidated)

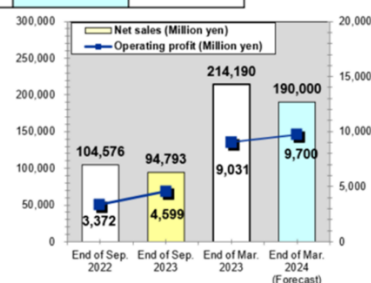


[Financial Results]

		End of Sep. 2022	End of Sep. 2023	Difference	End of Mar. 2023	End of Mar. 2024 (Forecast)	Difference
Net sales	Million yen	104,576	94,793	(-)9,783	214,190	190,000	(-)24,190
Operating profit	Million yen	3,372	4,599	1,227	9,031	9,700	668
Operating margin	%	3.2	4.9	1.6	4.2	5.1	0.9
Ordinary profit	Million yen	5,219	6,074	855	9,348	10,500	1,151
Profit attributable to owners of parent	Million yen	3,448	12,911	9,463	6,211	16,500	10,288

[Financial Positions]

		End of Mar. 2023	End of Sep. 2023	Difference
Total assets	Million yen	232,745	249,979	17,233
Net assets	Million yen	106,050	121,196	15,146
Equity-to-asset ratio	%	44.2	47.2	2.9
Net assets per share	Y en	2,700.87	3,170.97	470.10



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Here is a summary of the financial results for the second quarter of the fiscal year ending March 2024 and the forecast for the fiscal year ending March 2024.

As for YoY changes for the second quarter of the fiscal year ending March 2024, net sales decreased by JPY9.7 billion to JPY94.7 billion, operating profit increased by JPY1.2 billion to JPY4.5 billion, ordinary profit increased by JPY0.8 billion to JPY6 billion, and net profit attributable to owners of parent increased by JPY0.4 billion to JPY12.9 billion.

The financial situation is as shown here. The forecast for the fiscal year ending March 2024 has been revised from the forecast announced on May 29.

As for YoY changes, we forecast net sales of JPY190 billion, or down JPY24.1 billion, operating profit of JPY9.7 billion, or up JPY0.6 billion, ordinary profit of JPY10.5 billion, or up JPY1.1 billion, and net profit attributable to owners of parent of JPY16.5 billion, or up JPY10.2 billion.

Consolidated Income Statement



(Unit: Million yen)

	End of Sep. 2022	End of Sep. 2023	Difference
Net sales	104,576	94,793	(-)9,783
Cost of sales	91,343	80,184	(-)11,158
(Gross profit)	13,232	14,608	1,375
Selling, general and administrative expenses	9,860	10,008	147
Operating profit	3,372	4,599	1,227
Non-operating income	2,975	2,343	(-)632
Dividend income	501	580	79
Foreign exchange gains	2,142	1,080	(-)1,062
Other	331	682	350
Non-operating expenses	1,128	869	(-)259
Income expenses	248	245	(-)2
Administrative expenses of inactive mountain	401	400	(-)1
Other	479	223	(-)255
Ordinary profit	5,219	6,074	855
Extraordinary income	368	13,490	13,122
Gain on sales of non-current assets	5	13,423	13,417
Other	362	67	(-)295
Extraordinary losses	1,187	701	(-)486
Demolition expenses of a rental building	470	458	(-)12
Loss on liquidation of subsidiaries	348	200	(-)147
Other	368	42	(-)325
Profit before income taxes	4,399	18,863	14,463
Income taxes – current	1,380	3,300	1,920
Income taxes – deferred	(-)565	2,515	3,081
Profit	3,584	13,046	9,461
Profit attributable to non-controlling interests	136	134	(-)1
Profit attributable to owners of parent	3,448	12,911	9,463

Improvement in equity in earnings of affiliates, etc.

Transfer of a portion of co-ownership of the former Furukawa Osaka Building site and other land.

Demolition expenses of a Furukawa Osaka Building, Furukawa Hamadori Building, Yamayo Building

Loss on liquidation of two overseas subsidiaries in China and Panama in the Rock Drill segment.

Next is the income statement.

Net sales and operating profit will be explained in detail by segment later. Ordinary profit increased by JPY0.8 billion. While there was a decrease of JPY1 billion in foreign exchange gains, equity in earnings of affiliates improved from an increase of JPY1.2 billion in operating profit.

As you can see, we recorded extraordinary losses on the demolition of a building under lease and a loss on liquidation of a subsidiary. On the other hand, extraordinary gains were recorded, including a JPY13.4 billion gain on the sale of fixed assets due to the transfer of a portion of co-ownership of the former Furukawa Osaka Building site and other land. As a result, net profit attributable to owners of parent was JPY12.9 billion, a significant increase.

Consolidated Balance Sheet & Cash Flow

Consolidated Balance Sheet (Unit: Million yen)

	End of Mar. 2023	End of Sep. 2023	Difference
Assets			
Current assets	99,882	100,997	1,114
Non-current assets	132,862	148,982	16,119
Property, plant and equipment	90,981	90,054	(-926)
Intangible assets	317	352	35
Investments and other assets	41,563	58,574	17,010
Total assets	232,745	249,979	17,233

Increases in cash and deposits, and merchandise and finished goods, etc.

JPY2.1 billion decrease in land due to the transfer of the former Furukawa Osaka Building site and other land, etc.

JPY10.7 billion in long-term accounts receivable from the transfer of fixed assets at the former Furukawa Osaka Building site and a JPY6.2 billion increase in investment securities due to higher share prices of listed stocks

	End of Mar. 2023	End of Sep. 2023	Difference
Liabilities			
Current liabilities	63,111	59,900	(-3,211)
Non-current liabilities	63,583	68,881	5,298
Total liabilities	126,695	128,782	2,087

Interest-bearing debt (Unit: Million yen)

	End of Mar. 2023	End of Sep. 2023	Difference
Short-term	7,449	7,102	(-346)
Long-term	55,399	55,294	(-104)
Total	62,848	62,397	(-451)

	End of Mar. 2023	End of Sep. 2023	Difference
Net assets			
Shareholder's equity	83,971	93,364	9,392
Share capital	28,208	28,208	-
Capital surplus	2	2	-
Retained earnings	58,847	69,860	11,013
Treasury shares	(-3,086)	(-4,707)	(-1,621)
Accumulated other comprehensive income	18,974	24,565	5,590
Non-controlling interests	3,103	3,267	163
Total net assets	106,050	121,196	15,146
Total liabilities and net assets	232,745	249,979	17,233

Consolidated Cash Flow (Unit: Million yen)

	End of Sep. 2022	End of Sep. 2023	Difference
Cash flows from operating activities	(-)7,191	8,443	15,634
Cash flows from investing activities	(-)597	1,946	2,544
Cash flows from financing activities	11,706	(-)4,312	(-)16,018
Cash and cash equivalents	19,181	20,364	1,182

Next is the balance sheet.

In property, plant, and equipment, despite a JPY2.1 billion decrease in land due to the transfer of the former Furukawa Osaka Building site and other land, JPY10.7 billion in long-term accounts receivable from the transfer of fixed assets at the former Furukawa Osaka Building site and a JPY6.2 billion increase in investment securities due to higher share prices of listed subsidiary shares, were recorded under investments and other assets. As a result, total assets increased by JPY17.2 billion to JPY249.9 billion.

Net assets increased by JPY15.1 billion to JPY121.1 billion. During the period under review, the Company acquired treasury stock amounting to JPY1.6 billion, or approximately 920,000 shares. Interest-bearing debt decreased by JPY0.4 billion YoY to JPY62.3 billion.

Consolidated cash flow from operating activities was positive JPY8.4 billion due to JPY7.4 billion in income after adjustment for non-cash items. Financing cash flow was negative JPY4.3 billion due to dividend payments and share repurchases.

Financial Results by Segment (Consolidated)



(Unit: Million yen)

Net sales	End of Sep. 2022	End of Sep. 2023	Difference	End of Mar. 2024 (Forecast)	VS End of Mar. 2023 Difference
Machinery	39,933	40,302	369	85,600	3,941
Industrial	7,862	6,054	(-1,807)	17,900	(-43)
Rock Drill	18,003	19,961	1,957	38,700	2,947
UNIC	14,067	14,286	219	29,000	1,038
Materials	61,964	51,503	(-10,461)	98,300	(-28,504)
Metals	53,903	43,359	(-10,543)	81,900	(-29,524)
Electronics	3,600	3,540	(-59)	7,300	373
Chemicals	4,461	4,603	142	9,100	645
Real estate	1,067	903	(-164)	1,900	(-156)
Other	1,610	2,083	473	4,200	528
Total	104,576	94,793	(-9,783)	190,000	(-24,190)

Operating profit	End of Sep. 2022	End of Sep. 2023	Difference	End of Mar. 2024 (Forecast)	VS End of Mar. 2023 Difference
Machinery	1,882	2,581	698	6,600	506
Industrial	13	(-283)	(-296)	1,000	(-515)
Rock Drill	1,057	2,146	1,089	4,100	1,069
UNIC	811	717	(-93)	1,500	(-47)
Materials	1,175	1,912	737	2,800	490
Metals	492	1,254	761	1,700	423
Electronics	321	274	(-46)	400	(-100)
Chemicals	361	383	22	700	167
Real estate	424	226	(-198)	500	(-335)
Other	(-59)	(-86)	(-26)	(-100)	33
Adjustment	(-50)	(-34)	16	(-100)	(-26)
Total	3,372	4,599	1,227	9,700	668

	End of Sep. 2023	VS End of Sep. 2022 Difference
JPY rate per US\$	141.0 ¥/\$	7.0 ¥/\$
LME copper price	8,417 \$/ton	(-217 \$/ton)

	FY2023 (Forecast)	VS FY2022 Difference
JPY rate per US\$	143.0 ¥/\$	7.5 ¥/\$
LME copper price	8,209 \$/ton	(-342 \$/ton)

*FY2023 Q3, Q4 (Forecast)

JPY rate per US\$: 145.0 ¥/\$

LME copper price: 8,000 \$/ton

Regard to exchange rate sensitivity, Operating income increase annually about ¥100 million due to ¥1 weak to US dollar.

- Increase about ¥60 million in Machinery business (mainly Rock Drill)
- Increase about ¥40 million in Metals segment

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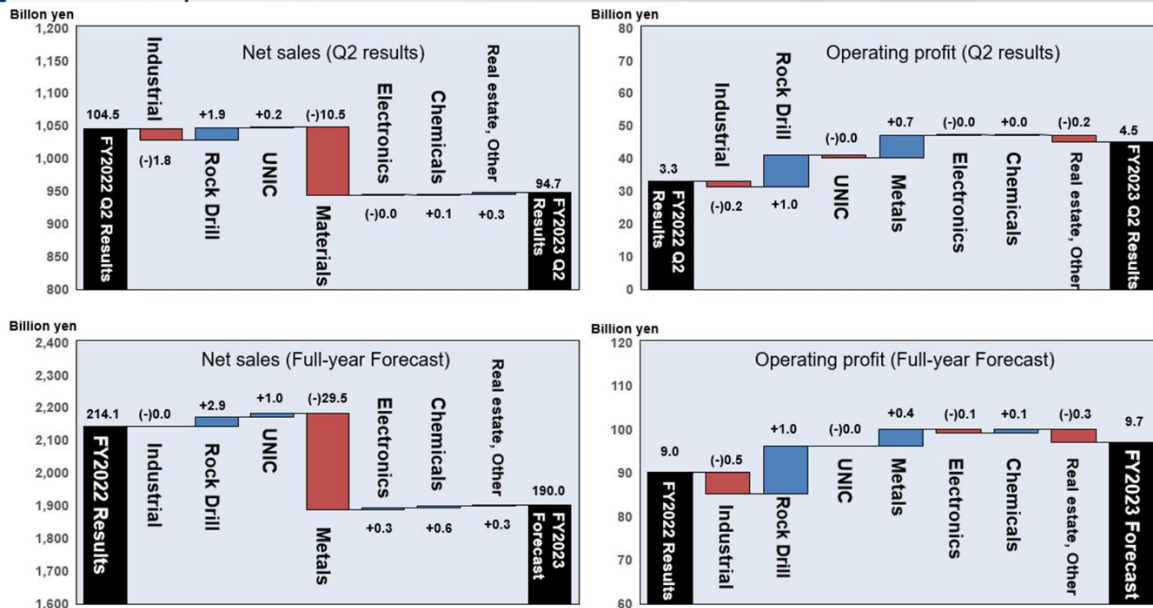
By segment, net sales in H1 increased in the rock drill machinery segment, the UNIC segment, and the chemicals segment, but decreased mainly in the metals segment, which terminated its entrusted smelting contract with Onahama Smelting and Refining Co., Ltd. at the end of March, leading to a decrease in sales volume. Consequently, net sales as a whole decreased. Net sales of the overall machinery business increased by JPY0.3 billion to JPY40.3 billion, and those of the overall materials business decreased by JPY10.4 billion to JPY51.5 billion.

Operating profit decreased in the industrial machinery, UNIC, and electronics segments, but increased mainly in the rock drill machinery and metals segments, resulting in an overall increase in operating profit. Operating profit of the overall machinery business increased by JPY0.6 billion to JPY2.5 billion, and that of the overall materials business increased by JPY0.7 billion to JPY1.9 billion.

Although net sales for the full year are expected to increase mainly in the rock drill machinery and UNIC segments, overall net sales for the full year are forecast to decrease due to lower sales volume in the metals segment.

Operating profit is expected to decrease in the industrial machinery, UNIC, and electronics segments, but is expected to increase mainly in the rock drill machinery and metals segments, with overall operating profit also expected to increase. The actual and assumed exchange rates and copper price and exchange rate sensitivity are shown in the table.

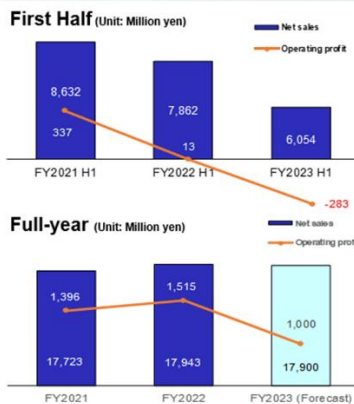
Change in Earnings by Segment (Consolidated) /YoY Comparison



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The graphs show changes in results by segment. The upper graph shows the increase or decrease of the H1 results from the same period of the previous fiscal year, and the lower graph shows the increase or decrease of the full-year forecast from the previous fiscal year.

Results by Segment (Industrial Machinery Segment)



- Main factor of first half results

[Net sales] (-)¥1.8 billion

- Net sales of the pump equipment and material machinery declined, and in the contractor business, while net sales of bridges were recorded in line with volume, a decline in construction of large projects (belt conveyors), resulted in a decline in net sales.

[Operating profit] (-)¥0.2 billion

- Loss was recorded in material machinery due to additional costs incurred as a result of plant construction delays.

	End of Sep. 2023	VS End of Sep. 2022
Order backlog	¥16.0 billion	¥3.2 billion

[Pump facilities]
Morigasaki Water Reclamation Center, Hyogo East Basin Sewage Sludge Treatment Plant, etc.
[Bridges]
Ofuna-Terada Elevated Bridge Part 1 on the National Route 20 Hachioji South Bypass, etc.
[Belt conveyors]
Concrete transport equipment for dam construction, earth and sand transport equipment for tunnel excavation, etc.

- Main factor of Full-year forecast

[Net sales] (-)¥0.0 billion

- Net sales is expected to increase in material machinery, bridges, and large projects. In pump equipment and environmental products (electric dust collectors), sales are expected to decline, and overall sales are projected to decrease.

[Operating profit] (-)¥0.5 billion

- Although operating profit is expected to increase mainly in bridges and large projects (belt conveyors), operating profit is projected to decrease in material machinery due to additional costs incurred as a result of delays in plant construction.

- Ref: Features, destinations, market share, etc. of the main products

Pumps

[Features] Pumps products superior in the durability and abrasion resistance which was amassed through mine development.

[Destinations] Shield tunnel construction sites, sewage treatment plants, etc.

[Market share]

Sewage Pumps	60%
Slurry Pumps	40%

Material machinery

[Features] Supports section plants including machine manufacturing and sales.

[Destinations] Quarries, limestone mines, steel works, etc.

[Market share]

Crushers	15%
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Infrastructure division

[Features] Comprehensive capability to undertake all the processes from the design of construction work to its execution.

[Destinations] New construction of steel bridges, Construction of conveying earth and sand, etc.

[Attention] Belt conveyors attract attention which instead of dump trucks to transport earth and sand. Inquiries are increasing.

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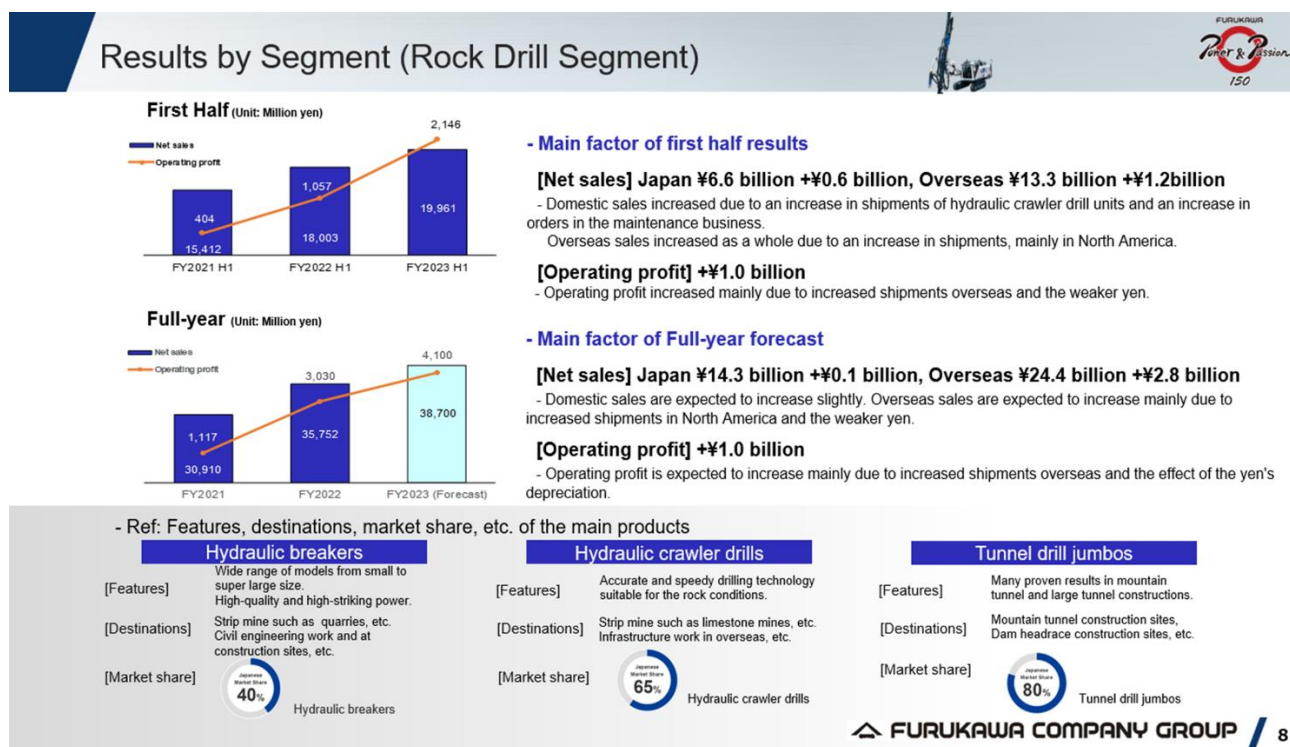
I will explain the details by segment. The gray area at the bottom of the page is for reference, which describes the characteristics, destinations, market share, and others of the main products of each segment. Please take a look at it when you have time.

This page is about the industrial machinery segment. As for the YoY changes in H1, net sales decreased by JPY1.8 billion. Net sales of the pump equipment and material machinery declined, and in the contractor business, while net sales of bridges were recorded in line with volume, a decline in construction of large projects, which relates to belt conveyors, resulted in a decline in net sales.

Operating profit decreased by JPY296 million, and a loss was recorded in material machinery due to additional costs incurred as a result of plant construction delays. Orders received totaled JPY16 billion, up JPY3.2 billion YoY, which includes orders for pump facilities at the Morigasaki Water Reclamation Center and the Hyogo East Basin Sewage Sludge Treatment Plant, for bridges for the Ofuna-Terada Elevated Bridge Part 1 on the National Route 20 Hachioji South Bypass, and for conveyor belts at concrete dam conveyor systems and sand conveyor systems for tunnel excavations.

As for the full-year forecast and its YoY changes, net sales is expected to increase in material machinery, bridges, and large projects. In pump equipment and environmental products, sales are expected to decline, and overall sales are projected to remain flat.

Although operating profit is expected to increase mainly in bridges and large projects, operating profit is projected to decrease by JPY0.5 billion in material machinery due to additional costs incurred as a result of delays in plant construction.

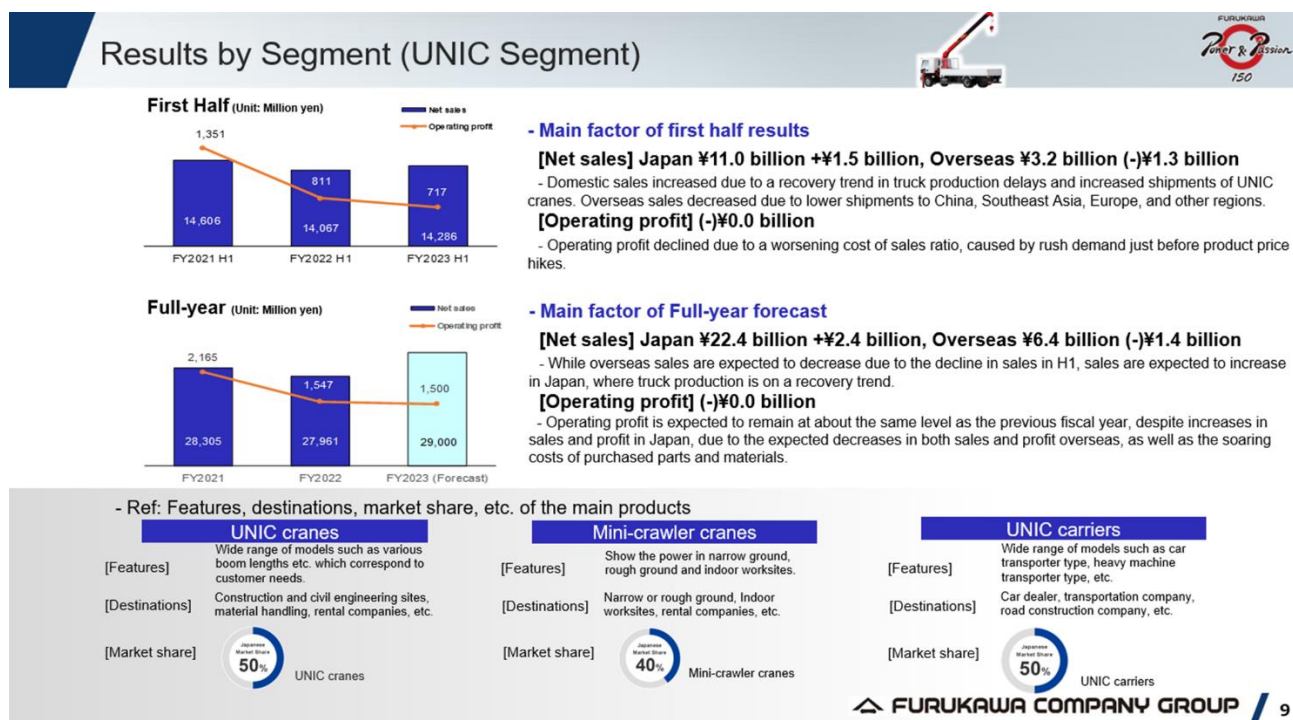


This is about the rock drill machinery segment.

As for the YoY changes in H1, net sales increased by JPY0.6 billion domestically and by JPY1.2 billion overseas. Domestic sales increased due to an increase in shipments of hydraulic crawler drill units and an increase in orders in the maintenance business. Overseas sales increased as a whole due to an increase in shipments, mainly in North America, as well as the effect of the weaker yen on sales. Operating profit increased by JPY1 billion, mainly due to increased shipments overseas and the weaker yen.

As for the YoY changes in the full-year forecast, net sales in Japan are expected to increase by JPY0.1 billion. Overseas sales are expected to increase by JPY2.8 billion, mainly due to increased shipments in North America

and the weaker yen. Operating profit is expected to increase by JPY1 billion, mainly due to increased shipments overseas and the effect of the yen's depreciation.



Next is the UNIC segment.

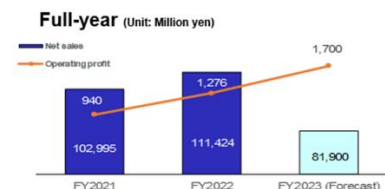
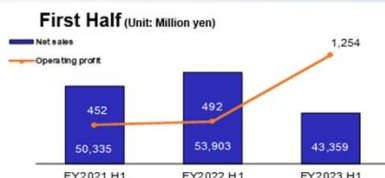
As for the YoY changes in H1, net sales increased by JPY1.5 billion domestically and decreased by JPY1.3 billion overseas. Domestic sales increased due to a recovery trend in truck production delays and increased shipments of UNIC cranes. Overseas sales decreased due to lower shipments to China, Southeast Asia, Europe, and other regions. Net sales increased in total.

Operating profit declined slightly due to a worsening cost of sales ratio, caused by rush demand just before product price hikes.

As for the YoY changes in the full-year forecast, we expect net sales to decrease by JPY1.4 billion in overseas markets due to the decline in sales in H1, but to increase by JPY2.4 billion in Japan, where truck production is on a recovery trend. Overall, we expect an increase in net sales.

Operating profit is expected to remain at about the same level as the previous fiscal year, despite increases in sales and profit in Japan, due to the expected decreases in both sales and profit overseas, as well as the soaring costs of purchased parts and materials.

Results by Segment (Metals)



- Ref. Features, destinations, market share, etc. of the main products

Electrolytic copper

[Features] It has been responsible for supplying electrolytic copper since founding, and produce approx. 46,000 tons a year.

[Destinations] Electric wires, copper elongation products, home appliances, communication equipment, automobiles, etc.

[FY2023] Termination of entrusted copper smelting agreement with Onahama Smelting and Refining Co., Ltd. and clear outlook on fundamentally review entrusted smelting business. Drastically cut unprofitable export.

- Main factor of first half results

[Net sales] (-)¥10.5 billion

- Net sales decreased, which was caused by a decline in sales volume due to the termination of the entrusted smelting contract with Onahama Smelting and Refining Co., Ltd. (At the end of March 2023).

Copper (-)¥9.5 billion (volume (-)¥10.5 billion, unit price +¥0.9 billion)
Gold (-)¥0.6 billion (volume (-)¥1.8 billion, unit price +¥1.1 billion)

[Operating profit] +¥0.7 billion

- Balance of entrusted smelting improved as unprofitable exports were significantly reduced due to lower production volume.

Both copper and gold profits increased due to marginal gains from the effects of metal price fluctuations. (The table shown below)

Profit/loss from metal price fluctuations in the metals segment

	End of Sep. 2023	VS End of Sep. 2022
Operating profit	¥1.25 billion	¥760 million
Include price affect	¥870 million	¥340 million
Copper	(¥120 million)	(¥240 million)
Gold	(¥680 million)	(¥60 million)

	FY2023 Q2	VS FY2022 Q2
JPY rate per US\$	141.0 ¥/\$	7.0 ¥/\$
LME copper price	8,417 \$/ton	(-)217 \$/ton

	FY2023 (Forecast)	VS FY2022 Difference
JPY rate per US\$	143.0 ¥/\$	7.5 ¥/\$
LME copper price	8,209 \$/ton	(-)342 \$/ton

- Main factor of Full-year forecast

[Net sales] (-)¥29.5 billion

- Net sales are expected to decrease mainly due to a decrease in electrolytic copper sales volume (approx. 20,000 tons), as a result of the termination of the smelting contract with Onahama Smelting and Refining Co., Ltd..

[Operating profit] +¥0.4 billion

- Operating profit is expected to increase due to improved profit/loss on consignment, although price gains from metal price fluctuations are not expected in H2.

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Next is the metals segment.

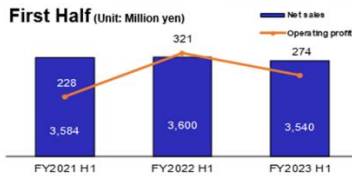
As for the YoY changes in H1, net sales decreased by JPY10.5 billion, which was caused by a decline in sales volume due to the termination of the entrusted smelting contract with Onahama Smelting and Refining at the end of March 2023.

Operating profit increased by JPY0.7 billion, and the balance of entrusted smelting improved as unprofitable exports were significantly reduced due to lower production volume. As shown in the table below, both copper and gold profits increased due to marginal gains from the effects of metal price fluctuations.

Regarding the YoY change in the full-year forecast, net sales are expected to decrease by JPY29.5 billion, mainly due to a decrease in electrolytic copper sales volume by approximately 20,000 tons, as a result of the termination of the smelting contract with Onahama Smelting and Refining.

Operating profit is expected to increase by JPY0.4 billion due to improved profit/loss on consignment, although price gains from metal price fluctuations are not expected in H2.

Results by Segment (Electronics)



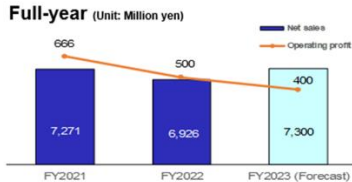
- Main factor of first half results

[Net sales] (-)¥0.0 billion

- Net sales of high-purity metallic arsenic declined because the market for compound semiconductors is still in the inventory adjustment period. Net sales of aluminum nitride ceramics decreased due to sluggish demand for parts for semiconductor manufacturing equipment. Coil sales increased due to a recovery in automobile production and price pass-through to higher costs.

[Operating profit] (-)¥0.0 billion

- Operating profit decreased mainly due to lower sales of high-purity metallic arsenic and aluminum nitride ceramics.



- Main factor of Full-year forecast

[Net sales] +¥0.3 billion

- Net sales of aluminum nitride ceramics expected to decrease due to continued sluggish demand for parts for semiconductor manufacturing equipment, but net sales of high-purity metallic arsenic and coils expected to increase due to a recovery in demand for compound semiconductor products and a recovery trend in the automobile market, respectively. Overall, we expect net sales to increase.

[Operating profit] (-)¥0.1 billion

- Operating profit is expected to decrease mainly due to a decrease in profit from aluminum nitride ceramics, of which sales volume is expected to decline, despite an expected increase in profit from coils due to higher sales.

- Ref: Features, destinations, market share, etc. of the main products

High-purity metallic arsenic

[Features] We have been mass-producing the world's purest high-purity metal arsenide at 99.999995% (7N5). We also boast the global top share.

[Destinations] PC, smartphones, infrared luminous parts, red LD and LEDs, etc.

[Market share]



High-purity metallic arsenic

Aluminum nitride ceramics

[Features] The heat-dissipating materials, high thermal conductivity, insulation, heat uniformity, corrosion resistance, was made by our proprietary technologies such as molding, sintering and processing.

[Destinations] Semiconductor manufacturing equipment components, high-power LEDs, resin-based heat-dissipation sheets, etc.

[Full production] Awareness as an excellent heat-dissipating materials is spreading, and full production continues due to growing demand. We invested in increased production.

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Next is the electronics segment.

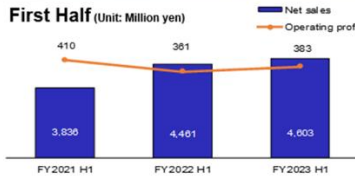
Net sales of high-purity metallic arsenic declined because the market for compound semiconductors is still in the inventory adjustment period. Net sales of aluminum nitride ceramics decreased due to sluggish demand for parts for semiconductor manufacturing equipment. Coil sales increased due to a recovery in automobile production and price pass-through to higher costs. Overall, net sales remained almost flat YoY.

Operating profit decreased mainly due to lower sales of high-purity metallic arsenic and aluminum nitride ceramics.

As for the YoY changes in the full-year forecast, we expect aluminum nitride ceramics to decrease due to continued sluggish demand for parts for semiconductor manufacturing equipment, but we expect high-purity metallic arsenic and coils to increase due to a recovery in demand for compound semiconductor products and a recovery trend in the automobile market, respectively. Overall, we expect net sales to increase by JPY0.3 billion.

Operating profit is expected to decrease by JPY0.1 billion for the full year, mainly due to a decrease in profit from aluminum nitride ceramics, of which sales volume is expected to decline, despite an expected increase in profit from coils due to higher sales.

Results by Segment (Chemicals)



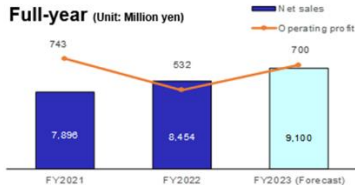
- Main factor of first half results

[Net sales] +¥0.1 billion

- Net sales of cupric oxide decreased due to lower demand for substrates, despite higher unit prices resulting from the higher copper price and price revisions.
 - Net sales of cuprous oxide increased due to a recovery in demand for ship-bottom paints and higher sales unit prices resulting from the copper price hike and price revisions.

[Operating profit] +¥0.0 billion

- Operating profit increased due to higher sales.



- Main factor of Full-year forecast

[Net sales] +¥0.6 billion

- Net sales expected to increase mainly due to an increase in sales volume, higher copper prices, and price revisions for cuprous oxide and cupric oxide.

[Operating profit] +¥0.1 billion

- Operating profit is expected to increase due to an increase in sales.

- Ref: Features, destinations, market share, etc. of the main products

Cuprous oxide

[Features] Antifoulant for ship-bottom paints to prevent barnacle build-up.

[Destinations] Ship-bottom paints manufacturer.

[Market share] 45%
Cuprous oxide

Cupric oxide

[Features] High precision plating raw materials used for oxidation catalysts or printed circuit boards such as PC, etc.

[Destinations] Packaged boards (for PC and server processors), etc.

[Full production] Expected increased demand for package boards due to the miniaturization and high performance of electronic materials. Plan to increase the production capacity of our existing facilities.

Sulfuric acid

[Features] Uses the sulfur roasting method to produce sulfuric acid with very little impurity, and can be used as a food additive.

[Destinations] Manufacturer such as chemicals, electronic devices, steel, food processing, etc.

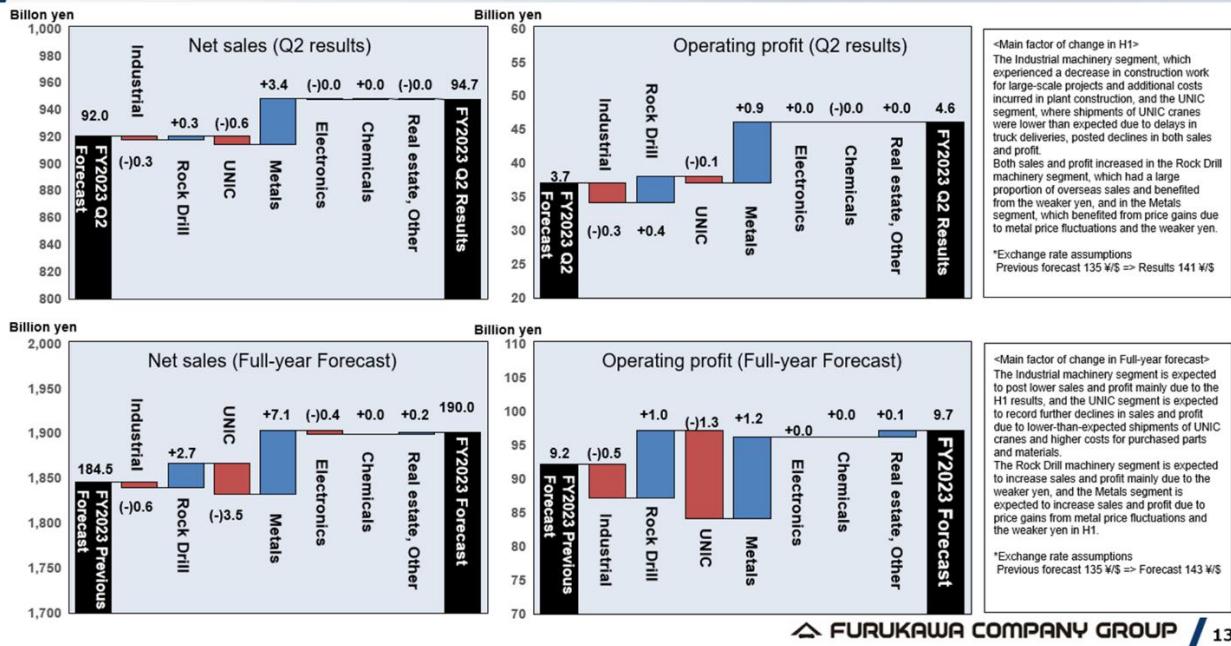
[Basic material] Demand is always stable as an indispensable basic material for each industry.

Next is the chemicals segment.

Net sales of cupric oxide increased, and despite higher unit prices due to price revisions reflecting the higher copper price, sales decreased due to the lower demand for substrates. Net sales of cuprous oxide increased due to a recovery in demand for ship-bottom paints and higher sales unit prices resulting from the copper price hike and price revisions. Overall, net sales increased by JPY0.1 billion in H1 YoY. Operating profit increased slightly, due to higher sales.

Regarding the YoY changes in the full-year forecast, we expect an overall increase of JPY0.6 billion in net sales, mainly due to an increase in sales volume, higher copper prices, and price revisions for cuprous oxide and cupric oxide. Operating profit is expected to increase by JPY0.1 billion due to an increase in sales.

Change in Earnings by Segment (Consolidated) /Compared to Previous Forecast



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Next is the changes in results by segment with respect to net sales against the previous forecast, which was announced on May 12. I will briefly explain only the main factors for the increase or decrease in the H1 results and full-year forecasts.

In H1, the industrial machinery segment, which experienced a decrease in construction work for large-scale projects and additional costs incurred in plant construction, and the UNIC segment, where shipments of UNIC cranes were lower than expected due to delays in truck deliveries, posted declines in both sales and profit.

Both sales and profit increased in the rock drill machinery segment, which had a large proportion of overseas sales and benefited from the weaker yen, and in the metals segment, which benefited from price gains due to metal price fluctuations and the weaker yen.

For the full-year forecast, the industrial machinery segment is expected to post lower sales and profit mainly due to the H1 results, and the UNIC segment is expected to record further declines in sales and profit due to lower-than-expected shipments of UNIC cranes and higher costs for purchased parts and materials.

The rock drill machinery segment is expected to increase sales and profit mainly due to the weaker yen, and the metals segment is expected to increase sales and profit due to price gains from metal price fluctuations and the weaker yen in H1.

- Outlined items in which institutional investors have shown a great interest at individual IR meetings
- In this instance, three items indicated in the red box are explained

Main contents of dialogue with institutional investors	
Theme	Matters of Interest
Management strategy	Business strategy (mainly in the core Machinery business)
	Future of Metals segment and Real Estate business
	Overview of business portfolio management
	Allocation of management resources
Shareholder returns	Dividend policy, share buybacks, etc.
Business results	Business performance and outlook
	Impact of and response to rising prices of steel and other raw materials
ESG	Climate change and decarbonization initiatives
	Reduction of strategic shareholdings

Rock Drill segment is explained on page 21 and beyond

Explained on page 15

Explained on page 16

Now, here we have outlined items in which institutional investors have shown a great interest at individual IR meetings these days, as dialogues with shareholders and investors are essential. In this instance, I will now explain our business strategy, climate change and decarbonization initiatives, and reduction of strategic shareholdings, which we have indicated in the red box.

- Concentrate management resources on Machinery business to increase returns



Regarding business strategy, we are currently concentrating management resources on the machinery business, which is positioned as our core business, to improve returns. And the rock drill machinery segment, in particular, will be elaborated, which has achieved a V-shaped recovery in performance, at the business briefing to follow.

Disclosure Based on TCFD Recommendations

- Expressed endorsement of the TCFD recommendations in August 2023
Disclosed “Governance”, “Strategy”, “Risk Management” and “Metrics and Targets”
- Scenario analysis will be conducted sequentially by segment, as the risks and opportunities associated with climate change are different for each segment

As the first phase, we conducted analysis for the Rock Drill machinery and Metals segments (Disclosed in August 2023)
=>In H2, we will begin analyzing scenarios for the UNIC and Chemicals segments (Plan to disclose in 2024). Subsequently, the analysis will be initiated for the Industrial machinery and Electronics segments.

G overnance	<ul style="list-style-type: none"> - Recognize the risks and opportunities associated with climate change as an important management issue - Responses to various issues are deliberated by the Sustainability Promotion Council and reported to the Board of Directors
S trategy	<ul style="list-style-type: none"> - Established 1.5-degree Celsius and 4-degree Celsius scenarios, assessed the significance of climate change-related risks and opportunities that could affect our business as of 2030 and 2050 - Disclosed measures (strategies) that can mitigate risks and maximize opportunities
R isk M anagement	<ul style="list-style-type: none"> - Risk Management Committee evaluates risks and considers countermeasures, and reports the results to the Board of Directors (Held twice a year in principle)
M etrics and T argets	<ul style="list-style-type: none"> - Vital to continuously identify risks and opportunities and address climate change - Plan to develop a roadmap toward carbon neutrality by FY2025 - Strive to provide products, technologies, and services that are highly effective in reducing greenhouse gas emissions and to reduce greenhouse gas emissions associated with our business activities

*Further information on disclosures based on TCFD recommendations, please see pages 39 & 40 of the Integrated Report 2023
<https://www.furukawakkk.co.jp/en/ir/library/pdf/20231211.pdf>

First, I will talk about our initiatives for climate change and decarbonization.

In August 2023, the Company expressed its endorsement of the TCFD recommendations and made disclosures based on the four elements required by the TCFD recommendations: governance, strategy, risk management, and metrics and targets. Scenario analysis will be conducted sequentially by segment, as the risks and opportunities associated with climate change are different for each segment.

As the first phase, we conducted analysis for the rock drill machinery and metals segments. In H2, we will begin analyzing scenarios for the UNIC and chemicals segments, and plan to disclose them in 2024. Subsequently, the analysis will be initiated for the industrial machinery and electronics segments.

Regarding governance, we recognize the risks and opportunities associated with climate change as an important management issue. Responses to various issues are deliberated by the Sustainability Promotion Council and reported to the Board of Directors.

For strategy, we have established 1.5-degree Celsius and 4-degree Celsius scenarios, assessed the significance of climate change-related risks and opportunities that could affect our business as of 2030 for transition risks and 2050 for physical risks, and disclosed measures that can mitigate risks and maximize opportunities.

With regard to risk management, the Risk Management Committee evaluates risks and considers countermeasures twice a year in principle, and reports the results to the Board of Directors.

Regarding metrics and targets, it is vital to continuously identify risks and opportunities and address climate change, and we plan to develop a roadmap toward carbon neutrality by FY2025. We will also strive to provide products, technologies, and services that are highly effective in reducing greenhouse gas emissions and to reduce greenhouse gas emissions associated with our business activities. Please take a look at the details later in the Integrated Report 2023.

Reduction of strategic shareholdings



Policy to reduce

- Conduct annual reviews of appropriateness of continued ownership based on comprehensive judgment of cost of capital and other factors
- Continue disclose the ratio of strategic shareholdings to consolidated net assets

FY 2023 Plan

- Plan to sell eight brands (about ¥3.0 billion scale)
- The ratio is expected to decrease to about 32% at the end of March 2024 (Including deemed holdings)

[Strategic Shareholding Ratio^A] ^ARatio of strategic shareholdings (including holdings deemed to be strategic) to consolidated net assets



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Next, I would like to talk about the reduction of strategic shareholdings. As stated in the Medium-Term Business Plan 2025 announced in May of this year, as part of our policy to reduce strategic shareholdings, we will annually review the appropriateness of continuing to hold these shares based on a comprehensive assessment that includes the cost of capital, and we will continue to disclose the ratio of strategic shareholdings to consolidated net assets.

For the current fiscal year, we plan to sell eight brands, amounting to about JPY3 billion, and expect to reduce our strategic shareholding ratio, including deemed holdings, to about 32% at the end of March 2024. We will continue to reduce our strategic shareholdings.

[Capital Investment (Consolidated)]

(Unit: Million yen)

Capital Investment	FY2021	FY2022		FY2023	
		(Q2)	(Full-year)	(Q2)	(Annual forecast)
Machinery	2,669		2,125		4,800
Industrial	1,703		912		2,700
Rock Drill	247		708		1,200
UNIC	718		504		900
Materials	696		1,571		2,400
Other	1,413		489		2,400
Total	4,778	918	4,187	3,111	9,600

Increase due to construction of a new office building at Oyama Works, etc.

Increase due to the establishment of new medical waste disposal facilities (Expansion of incinerator, total approx. ¥2.8 billion from FY2022 to FY2023) at Gunma Kankyo Recycle Center Co., Ltd., etc.

Increase due to the establishment of aluminum nitride ceramics production equipment (Total approx. ¥1 billion) in the Electronics segment, etc. Renewal of sulfuric acid manufacturing equipment in the Chemicals segment, etc.

Acquisition of a rental building in Osaka in the Real Estate business (Approx. ¥1.4 billion)

[Depreciation and Amortization (Consolidated)]

Depreciation and amortization	4,003	2,047	4,111	2,165	4,300
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[Research and Development Expenses (Consolidated)]

Research and development expenses	1,336	712	1,384	713	1,400
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Pages 18 through 20 are for reference only, so please take a look at them later. Just to give you the main points, the status of capital investment is as described on page 18, and we plan to make capital investments totaling JPY9.6 billion.

In the industrial machinery segment, we are planning to increase the number of incinerators at the Gunma Kankyo Recycle Center, which treats medical waste, over the next three years. In the materials business, we plan the construction of a new aluminum nitride ceramics production facility in the electronics segment, and the renewal of sulfuric acid production facilities in the chemicals segment. We also plan the acquisition of a rental building in Osaka, using proceeds from the sale of the former Furukawa Osaka Building site and other land in the real estate segment.

That is all from me.



Business Briefing – Rock Drill Segment –



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Akutagawa: Next, Mr. Yamaguchi, President of Furukawa Rock Drill, will explain the business of the rock drill machinery segment.

Yamaguchi: I am Yamaguchi from Furukawa Rock Drill. Thank you very much for your valuable time today. I will now explain our business.

Since we have already announced items up to page 23 at the briefing for the Medium-Term Business Plan 2025, today I will give an overview of our business, review the implementation of the Medium-Term Business Policy 2022, and discuss our basic policy of “Selection and Concentration”.

Next, I will talk about current activities for the Medium-Term Business Plan 2025, including regional strategies and customer success.

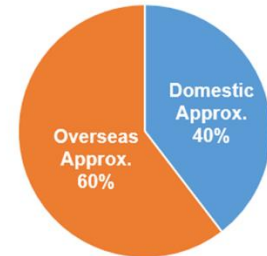
Finally, I will explain the FRD model, which will be the core of our future efforts. FRD, by the way, is the commonly called name for Furukawa Rock Drill, which is also used in the logo.



Main Products

Hydraulic breakers	Hydraulic crawler Drill	Tunnel drill jumbos
<p>Domestic share 40%</p>	<p>Domestic share 65%</p>	<p>Domestic share 80%</p>
Civil engineering and construction sites and demolition sites	Limestone mines and quarries, civil engineering and construction sites	Mountain tunnel construction sites

Percentage of segment sales (FY2022)



Core competence "Drifter (Rock Drill)"

Since the successful development of "Ashio-type Sanban rock drill", the first rock drill for practical use in Japan in 1914, we have evolved and applied this drifter technology to our current product line (breakers, crushers, crawler drills, drill jumbos, etc.). In short, our strength is "drifter (rock drill)" technology.

Drifter (Rock Drill)



The core competence of the rock drill business is the technology of hydraulic equipment "Drifter (rock drill)", which is the heart of our products. Since 1914, when we succeeded in developing the first rock drill for practical use in Japan, the Ashio-type Sanban rock drill, we have evolved and applied this drifter technology to our current product line.

Hydraulic breakers are attachment products for hydraulic excavators and are mainly used at civil engineering and construction sites and demolition sites. Hydraulic crawler drills are used to drill holes for loading explosives for blasting, and are used in lime mines and quarries, as well as in civil engineering and construction sites overseas.

Tunnel drill jumbos are also machines that drill holes to load explosives, and are mainly used at tunneling sites in Japan. Our business consists of flow businesses for these key products and stock businesses that support the product life cycle. For reference, overseas sales accounted for 60% of total sales in the last fiscal year.



Review of the Medium-Term Business Policy 2022: Main Measures to Restore Performance

- Selection and Concentration: Strategy to maximize strength (Concentrated production of models in which we excel, and concentrated sales in regions where we excel.)

<p>Before Medium-Term Business Plan 2019</p>	<p>Regional strategy</p> <ul style="list-style-type: none"> - Despite the largest overseas market for blast hole drill is the North America, sales development in the past was omnidirectional - Sales activities for the hydraulic breakers, our main products in Europe, were dependent on dealers 	<p>Product strategy</p> <ul style="list-style-type: none"> - Blast hole drills were mainly developed for the Europe =>Mismatch with main market North America - Blast hole drill models are standardized for various needs => Bloated product range 	<p>Business portfolio</p> <ul style="list-style-type: none"> - Setting up bases for global expansion =>Expansion into less effective countries
<p>Medium-Term Business Policy 2022 measures</p>	<p>North America: Concentrated sales of large blast hole drills</p> <ul style="list-style-type: none"> - Create a centralized production system by focusing on North America <p>Europe: Concentrated sales of hydraulic breakers</p> <ul style="list-style-type: none"> - Strengthen sales in the key markets of France, Italy and Germany 	<p>Development of blast hole drills products matched to the North American market</p> <ul style="list-style-type: none"> - De-Europeanised specifications, change to make it easier to sell in the USA - Basic design for transport posture for blasting contractor <p>Narrow down the product lineup of blast hole drills</p> <ul style="list-style-type: none"> - Narrow down from 31 to 14 models - Cost reductions and improved production efficiency through narrowing down <p>Implement cost increases to be passed on to the selling price</p> <ul style="list-style-type: none"> - Timely implementation of price transfer - Centralized management of variable costs and selling prices 	<p>Liquidation of unprofitable sites</p> <ul style="list-style-type: none"> - Withdrawal of sales companies in Latin America - Withdrawal of sales companies in Shanghai, China - Downsizing of sales companies in India

Looking back on the Medium-Term Business Policy 2022, we have been working on a strategy to maximize the use of limited management resources under the slogan of "Selection and Concentration," and we have been improving our corporate structure.

In terms of regional strategy, taking the blast hole business as an example, sales development in the past was omnidirectional, but in the last fiscal year, we concentrated our target on North America, which accounts for 55% of overseas sales and is expected to experience even stronger demand.

In terms of product strategy, the product lineup had previously been bloated with many models for various regions, but by focusing on North America, we were able to narrow down the product lineup and link it to the production system to create a centralized production system, which also improved productivity and reduced costs.

In the business portfolio, we also changed the all-around business base setting and proceeded to downsize unprofitable divisions, and completed the termination of operations in Latin America and China. While promoting these activities, we also implemented timely price pass-throughs, and the effects of the yen's depreciation helped us to achieve a recovery in business performance.



Initiatives Toward Medium-Term Business Plan 2025 - Main Measures in Overseas: Regional Strategies -

- Large blast hole drills; Shift sales policy from omnidirectional to a North American focus
- Creation of a third market following North America and Europe – Southeast Asia –

<Concentrated sales> Large blast hole drills for North America

- Concentrated sales of hydraulic crawler drills and large blast hole drills to the North American market, where demand is strong due to economic stimulus measures and infrastructure investment.



Hydraulic crawler drill
HCR L110-E5

- Establish base in western region to strengthen sales to blasting contractors
- Strengthen stock business



New base in Nevada, USA.

<Create market> Quarry market in Southeast Asia/ Pneumatic to hydraulic induction

- Targeted Southeast Asian quarry market where investment for infrastructure is expected, to introduce a hydraulic excavator-mounted attachment drill (equipped hydraulic drifter) that guides the market from pneumatic to hydraulic pressure crawler drills.

- Mainly selling to Indonesian quarry market and other countries in Southeast Asia



These are future overseas initiatives for the Medium-Term Business Plan 2025.

First, in North America, we will strengthen sales of large blast hole drills to explosive crusher contractors, using our western North American base, which began operations in June of this year, as a foothold. In particular, the overseas stock business diverged significantly from the initial targets of the 2025 Vision, forcing us to reconsider our strategy. This is because our initial strategy was to leave the management of the western region to the dealers. Therefore, we will aim to achieve our initial goal by directly controlling the operations of the western region at this new location.

We have also targeted Southeast Asia on the right as a third market, and have introduced, starting with Indonesia, an attachment drill that guides the market from pneumatic to hydraulic pressure, with the aim of creating hydraulic crawler drills demand in a quarry market.

Attachment drills use hydraulic drifter equipped with hydraulic crawler drills, and as a drill product that offers high drilling performance at a lower selling price than hydraulic crawler drills, sales are steadily increasing in many countries. Southeast Asia is expected to potentially be 5.5 times the size of Japan's market due to the development of infrastructure. In the future, we will expand throughout Southeast Asia while assessing the characteristics of quarries.



Initiatives Toward Medium-Term Business Plan 2025 - Main Measures in Japan: Initiatives to Achieve Customer Success* -

- Solving issues such as elimination of hazardous work, manpower shortage, transfer of skills and know-how, labor savings, and efficiency improvement

* The concept of "benefiting our profit" through "Achieving customers' success". Actively engaging with customers on a regular basis and understanding where their business is going, its direction and goals. Supporting the customer's business with the products and services provided

Hydraulic crawler drills/ Added semi-automatic drilling function

- Provides products that allows even inexperienced drillers to drill



Hydraulic crawler drill
HCR1000-DVI ADVANCE

Tunnel drill jumbos/ Fully automatic drill jumbo, Rock bolting robot

- Provides products of automated drilling and mechanizes rock bolt placement for mountain tunnel construction sites



Fully automatic drill jumbo "ROBOROCK"
J32RX-Hi

Rock bolting robot "BOLTINGER"
B22RL

The keyword for domestic efforts is customer success. Customer success is about achieving customers' success that will result in our own profit. To do so, it is necessary to be actively involved from a customer's perspective and understand the issues on a regular basis. Currently, elimination of hazardous work, manpower shortage, transfer of skills and know-how, labor savings, and efficiency improvement are common issues for all customers. We will continuously offer products that solve these issues from a customer's perspective to achieve customer success.

To make this possible, in the area of blast hole drills on the left side, we developed a crawler drill with a semi-automatic drilling function that allows even inexperienced drillers to drill, and began marketing it this year. We have received very high evaluations, including immediate re-ordering.

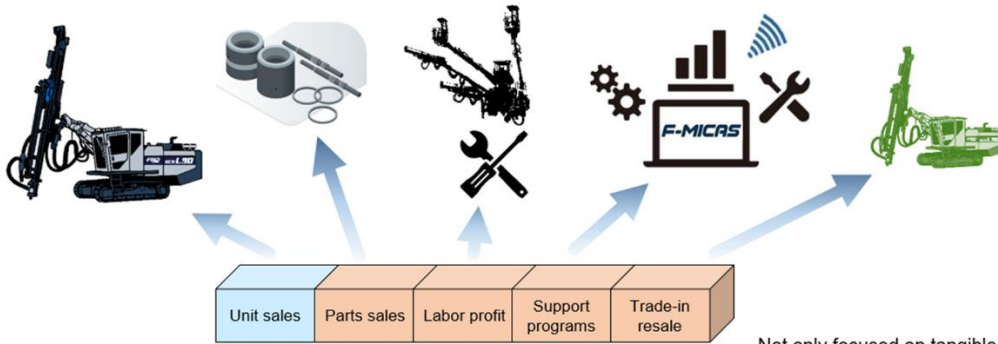
The tunnel drill jumbos on the right-hand side offer ROBOROCK, which automates drilling, and BOLTINGER, which mechanizes rock bolt placement for mountain tunnel construction sites, thereby improving safety and reducing manpower in cutting-edge projects with a high risk of accidents, and enabling high workability that is not affected by operator skill.

These initiatives will help us to maintain and improve our market share, which will lead to the strengthening of our stock business, such as parts sales and maintenance services.



Establish FRD Model

FRD Model: “Business model that achieves customer success throughout the lifecycle”
 Concept: Business model to maximize **FRD’s core competence, i.e. hydraulic drifter**, and FRD’s strength in the drilling market to support customer businesses throughout the lifecycle and generate profit



FRD Model

Not only focused on tangible and intangible stock businesses, such as service parts, maintenance, service programs, rentals, and trade-ins, etc., but also develop both flow and stock businesses

I will then explain the FRD model, which is the pillar of our strategy going forward.

The FRD model is a business model that achieves customer success throughout the lifecycle. The basic concept is to maximize FRD's core competence, or hydraulic drifter, and FRD's strength in the drilling market to support customer businesses throughout the lifecycle and generate profits.

Customer success mainly involves tangible and intangible stock businesses, such as service parts, maintenance, service programs, rentals, and trade-ins. However, from the perspective of achieving customer success, we also include product development, such as the addition of semi-automatic drilling capabilities to our hydraulic crawler drills, which I mentioned earlier.

The product life cycle represents the flow of phases, from unit sales to parts sales, labor profit, support programs, and trade-in resale. The FRD model is to provide products, parts, and services that achieve customer success in each phase, and we plan to have this model established in Japan in FY2025.



FRD Model

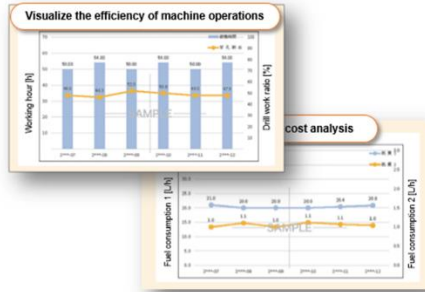
“FD-CARE”, Support program for blast hole drills

- Supports customer productivity improvement (**customer success**) through DX based on various digital data obtained from F-MICAS, an operational support system for blast hole drills



FD-CARE Report Delivery

Program that analyzes and reports on data collected by F-MICAS and distributes reports



FD-CARE Drill Operation

Consulting and technical support based on measured data will help to find and solve problems in drilling operations and improve drilling and work efficiency. It also helps customers reduce CO₂ emissions.



Let me now describe the support program initiatives that are at the core of the FRD model.

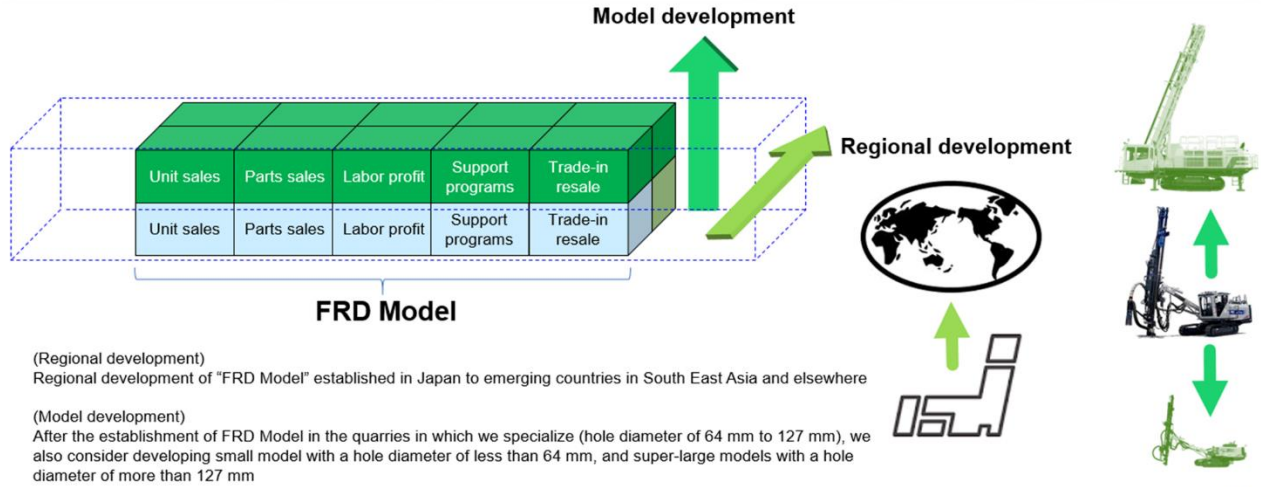
FD-CARE, a support program for blast hole drills, supports customer productivity improvement and customer success through DX based on various digital data obtained from F-MICAS, an operational support system for blast hole drills.

We have already developed two programs. One is FD-CARE Report Delivery, a program that analyzes and reports on data collected by F-MICAS and distributes monthly reports. The other is FD-CARE Drill Operation, a program in which professionals who know the site and the drill well go to the site to provide support based on the FD-CARE Report. Consulting and technical support based on measured data will help to find and solve problems in drilling operations and improve drilling and work efficiency. It also helps customers reduce CO₂ emissions.



Development of FRD Model

- Regional/Model development



The FRD model to be built by 2025 will be enlarged in the future with regional and model expansions.

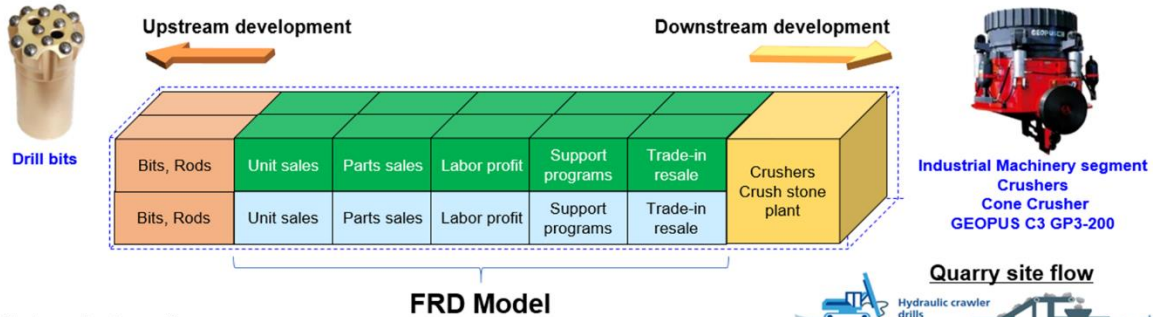
As for the regional expansion, we will leverage our accumulated know-how and consider expansion into emerging markets in Southeast Asia and other regions.

As for the model expansion, we have focused on products for quarries with a hole diameter of 64 mm to 127 mm. In the future, we will consider developing small models for the civil engineering market with a hole diameter of less than 64 mm, and super-large models for large-scale mines with a hole diameter of more than 127 mm.



Development of FRD Model

- Upstream/Downstream development



(Upstream development)
Consider aggressive sales of drill accessories (bits, rods)

(Downstream development)
By leveraging the strengths of the FURUKAWA Company Group, which has a Rock Drill Machinery segment and an Industrial Machinery segment, we will support the optimal operation of the quarrying industry by comprehensively providing our hydraulic crawler drills and downstream products, such as crushers from our Industrial Machinery segment. (Only one foreign competitor)

Through the development of this model, we will sustainably grow the rock drill business

Further development of the FRD model will involve upstream and downstream deployments. For upstream deployment, we will consider aggressive sales of drill accessories, such as bits and rods that are indispensable for drill products.

In addition, by leveraging the strengths of the FURUKAWA Company Group, which has a rock drill machinery segment and an industrial machinery segment, we will support the optimal operation of the quarrying industry by comprehensively providing our hydraulic crawler drills and downstream products, such as crushers from our industrial machinery segment. Through the development of this model, we will sustainably grow the rock drill business.

This concludes the business description of the rock drill machinery segment.

Thank you for your attention.

Question & Answer

Shibata [Q]: I am Shibata from SBI SECURITIES. First, I would like you to give me some additional information on each segment. Page five shows a series of figures by segment, and there are some segments where the difference between H1 and H2 is large.

How do you expect the trend from H1 to H2? I will appreciate it if you explain it only for the noticeable items.

Second, I saw the investment trends on page 18, and you have been selling and doing various things in your real estate business. I had thought you might be streamlining the business, or you might not be putting much money into the real estate business, but you have actually put some money into the real estate business. How is your real estate business positioned within your company?

Lastly, as the third question, you explained the rock drill machinery segment at the business briefing. I know that there are multiple approaches to this question, but I would like to ask, for example, if the figures in the medium-term business plan include their contributions, and how their measures will have an effect.

Nakatogawa [A]: I will now explain the first and second questions from the President's point of view.

As you pointed out on page five, there is a large difference between H1 and H2. As I mentioned in my explanation, in the industrial machinery segment, there was an unexpected increase in cost of sales in the material machinery, resulting in a negative JPY0.5 billion in H1.

The industrial machinery segment receives orders and then installs equipment, so we can roughly expect sales in H2. We expect to be able to achieve these figures, because we have orders that have already been received and will be completed in H2, or sales will increase based on the percentage-of-completion method.

As for UNIC segment, Isuzu Motors Limited and other truck manufacturers have announced that shipments have been quite strong. However, as for our UNIC cranes, once the chassis is produced, the body is made, then the crane is installed, and so on. This requires a lot of time and effort. At the same time, body manufacturers have been very busy and have not been able to deliver their products, so our forecast is a little weak.

As for the metals segment, as I explained, we do not expect any profit from the price difference and exchange rate in H2. Therefore, these figures are a little weak, but in a sense, they can be seen as the effect of eliminating entrusted smelting of Onahama Smelting and Refining.

Furthermore, we are well aware that there are many opinions about our real estate business. The land we invested in this time is in Dojimahama, a prime location in Osaka, where we originally owned a tenant building, but it had deteriorated. We have then decided to demolish the building and construct a complex of condominiums and a hotel.

We consider the real estate business to be an important asset, and we also consider it to be a stable source of profit, since we are able to record a profit that can be calculated reliably every fiscal year. That is why we made this investment this time.

Also, Yamaguchi will tell you about the efforts of the rock drill segment to achieve the medium-term business plan.

Yamaguchi [A]: In the rock drill machinery segment, we have just introduced several measures, some of which are expected to yield immediate benefits, and some of which are future plans for 2025 and beyond.

In terms of the immediate benefits, our most immediate expectation is to shift our regional strategy to North America and concentrate on sales there. Although there are various policy uncertainties, the market in North America has been very steady, and we believe that the establishment of the western base will allow us to have more detailed control over North America, including dealers, which we have not been able to directly involve until now.

This will also allow us to get directly into the customers' business, learn more about the sites, and link this to the stock business, or to expand sales of large machinery. Furthermore, we believe that by understanding the area, we will be able to expand sales of large breakers that have never been sold before.

In Southeast Asia, our attachment drills have been selling well, and we are very grateful for the favorable reception we have received, but in the future, we would like to develop new hydraulic crawler drills in a timely manner for customers who have become familiar with Furukawa's rock drills, and we would like to link this to replacement demand. As such, we expect immediate benefits, but unfortunately, we are not yet in a position to mention the specific figures.

In addition, the FRD model, which I explained in the latter half of my presentation, is seen as Furukawa Rock Drill's sales strategy to achieve customer success in the future. We have high expectations for the future, including upstream and downstream deployments, as well as new proposals for the entire quarrying industry in cooperation with the industrial machinery segment.