FURUKAWA

Integrated Report 2023

FURUKAWA CO.,LTD.

FURUKAWA CO.,LTD.

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About the Furukawa Company Group Integrated Report 2023

Editorial Policy

In the fiscal year under review, the Furukawa Company Group is integrating its Annual Report and Sustainability Report (previously published separately) into a single report (Integrated Report). We have also improved the content of the report, which is designed to provide all stakeholders with easier-to-understand information about our medium- and long-term strategies for sustainable enhancement of corporate value, as well as our approach and policies toward sustainability. For non-financial information not included in this document (reports on activities related to sustainability, numerical data, etc.), please refer to the separate the Furukawa Company Group Sustainability Book 2023.

In addition to these reports, we post news releases and financial results briefing materials on our corporate website in a timely and appropriate manner.

We have created this report in coordination and collaboration with the departments concerned, and the edited result is published with the approval of the President & Representative Director, who is Chairman of the Sustainability Promotion Meeting.

Referenced Guidelines

- *The International Integrated Reporting* Framework, IFRS Foundation
- *Guidance for Corporate Value Creation,* Ministry of Economy, Trade and Industry (METI)
- *Sustainability Reporting Standards,* Global Reporting Initiative (GRI)
- *Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures,* TCFD
- *JIS Z 26000:2012 Guidance on Social Responsibility (ISO 26000:2010),* Japanese Standards Association

Target Period: April 2022–March 2023
(Some activities before and after this period are also included.)

Target Organizations

This report focuses on the activities of the Company and includes information on initiatives at Group companies and overseas.

[Environmental Data]
Manufacturing Division of Furukawa Industrial Machinery Systems Co. Ltd.; Takasaki Yoshii Works of Furukawa Rock Drill Co., Ltd.; Sakura Works of Furukawa UNIC Corporation; Iwaki Works, Semiconductor Material Production Section (Semiconductor Material Plant), and Optical Parts Works Production Section (Optical Parts Plant) of Furukawa Denshi Co., Ltd.; Osaka Works of Furukawa Chemicals Co., Ltd.; Ashio Office of Furukawa Co., Ltd.; Furukawa C&F Co., Ltd.; Ashio Rock Drill Co., Ltd.; and FRD Iwaki Co., Ltd.

Company Names

Furukawa Co., Ltd.: The operating holding company of the Group
Furukawa Company Group: 32 consolidated subsidiaries and five equity method affiliates
Core operating companies: Furukawa Industrial Machinery Systems Co., Ltd., Furukawa Rock Drill Co., Ltd., Furukawa UNIC Corporation, Furukawa Metals & Resources Co., Ltd., Furukawa Denshi Co., Ltd., and Furukawa Chemicals Co., Ltd.

Publication Period

September 2023

Information Disclosure System

Financial information	Non-financial information
• Corporate Website ("Investor Relations" Section) • Annual Securities Report • Financial Statements • Presentation Materials, etc.	• Corporate Website ("Sustainability" Section) • Corporate Governance Report • Sustainability Book

Integrated Report (this report)

Furukawa Co., Ltd., website
https://www.furukawakk.co.jp/en/

Change in Fiscal Year Notation
Starting with this year's Integrated Report, we have changed the English notation of "fiscal year" to match the Japanese-language report. Accordingly, the period from April 2022 to March 2023 is now referred to as "fiscal 2022." Similarly, the period from April 2021 to March 2022 is now referred to as "fiscal 2021." Please note that this differs from the fiscal year notation in the previous year's Annual Report.

Statement about Changes to English Financial Statements
As a company listed on the Prime Market of the Tokyo Stock Exchange, since April 2022 we have been translating and publishing financial statements and other materials into English for timely disclosure. For financial statements and other information in this report, therefore, we use the English translation of our financial statements, which are based on Japanese generally accepted accounting principles (Japanese GAAP). Those financial statements (based on Japanese GAAP) have been properly audited by the firm that audited the Company's Annual Securities Report.

Forward-Looking Statements
This Integrated Report contains information about the Furukawa Company Group's plans, strategies, and future prospects. Such information, which is based on information currently available and reflects determinations deemed rational by the Group at the present time, includes various risks and uncertainties. Actual results may differ significantly from forecasts contained herein due to these changing uncertain factors.

Management Philosophy and Vision

Management Philosophy

The Furukawa Company Group will remain indispensable to society by always embracing a spirit of challenge, advancing the technologies that have underpinned the foundation of society that originated in mining development.

Action Guidelines

In order to live up to our Management Philosophy, we put our Action Guidelines of Innovation, Creativity and Harmony into practice, always bearing in mind the three key words that best represents the spirit of our founder: Luck, Stolidity and Perseverance.

Innovation : We will work constantly at self-innovation by embracing a future-oriented mindset.

Creativity : We will seek to create reliable, appealing products that meet market needs.

Harmony : We will improve management transparency and contribute to the development of a society that is in harmony with the environment.

Vision for 2025 "FURUKAWA Power & Passion 150"

Become a corporate group that leverages its reputation for category leadership and uniqueness to deliver growth

Targeting consolidated annual operating profit regularly in excess of ¥15 billion as we approach our 150th anniversary in fiscal 2025

FURUKAWA Power & Passion 150

The "Power & Passion" symbol expresses the "power and speed" and the "passion and enthusiasm" aspects of our business approach. The perfect red circle conveys the connections and bonds we have with customers, and "150" represents the 150th anniversary of our founding in 2025, which is the year for achieving our vision.

Strategies for Achieving Vision for 2025

1 Increase the value of the Furukawa brand through "marketing-based management" that incorporates CSV perspectives

We will incorporate marketing into the core of management to provide products and services recognized as valuable in changing markets, as well as to resolve issues and problems faced by customers, with the aims of increasing corporate value and achieving sustainable growth. We will also strive to achieve the Sustainable Development Goals (SDGs) and otherwise resolve various social issues, including such domestic issues as building national resilience and the declining working-age population, and thus help realize a sustainable society.

- Reinforce technological sales capabilities (proposals and solutions) reflecting customer needs
- Develop products, technologies, and services that meet market needs
- Achieve category-leading positions by concentrating on niche products that have competitive advantages and using a differentiation strategy
- Cultivate and create new markets and product categories; build a new business model
- Enhance our products, technologies, and services, which underpin our social infrastructure, to help resolve social issues

2 Sustainably expand the Machinery business

- Reinforce revenue bases in growing overseas markets mainly in businesses related to infrastructure and resource development
- Strengthen and enhance stock business
- Maximize business opportunities by demonstrating comprehensive Group competencies and reinforcing engineering strengths

3 Strengthen and expand our human resource bases

- Build vibrant human resources and corporate culture for a new Furukawa
- Secure, utilize, and develop diverse human resources in Japan and overseas
- Put even more effort into training sales and marketing personnel

4 Actively promote investments to increase corporate value

- Make proactive capital investments necessary for growth
- Expand business through strategic M&As and alliances

5 Establish a robust corporate foundation

- Increase corporate value by improving profitability and capital efficiency, targeting ROE of more than 10%
- Establish a strong financial base
- Achieve balanced appropriations between investments for growth and return to shareholders
- Increase corporate value by emphasizing business practices that reflect CSR and ESG issues recognized and to be solved by the Group

About the Furukawa Company Group

The key to the success of the Furukawa Company Group, which recently celebrated the 148th anniversary of its founding, began with the development of the Ashio Copper Mine by founder Ichibei Furukawa. Since then, we have moved in line with the times and developed and advanced our technologies, amassed through mine development, to build our two current business domains: the Machinery business and the Materials business. Today, we are increasing our focus on niche products that reflect our expertise and boast a high market share. We are also stepping up efforts to practice "marketing-based management"*1 that incorporates CSV*2 perspectives by deploying our unique technologies and past experience. In particular, our Machinery business, positioned as a core business, responds to market needs and contributes to the development of social infrastructure.

By continuing to offer products that are indispensable to society, we aim to resolve various social issues and help realize a sustainable society. We are working hard every day to achieve our Vision for 2025, entitled FURUKAWA Power & Passion 150, as we approach fiscal 2025, the 150th anniversary of our founding.

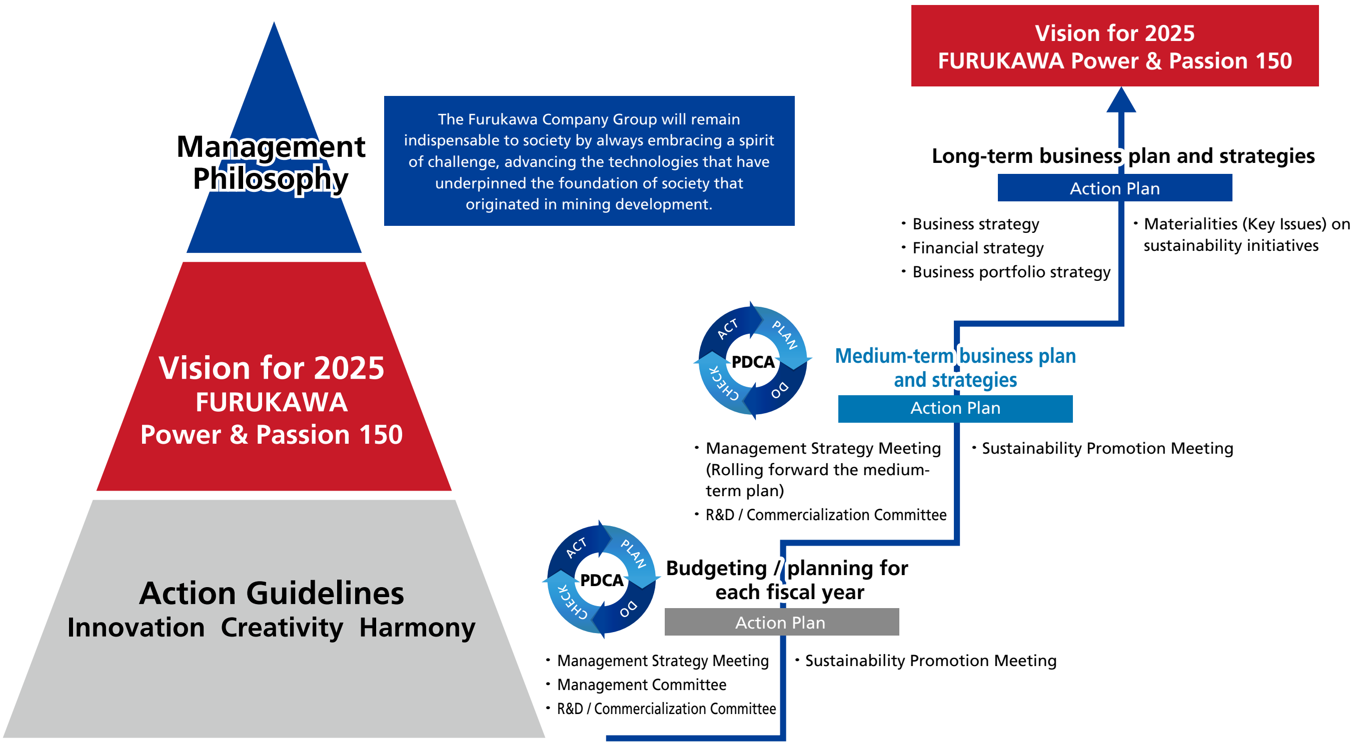

Founder Ichibei Furukawa


Ashio Copper Mine (around 1920)

*1 "Marketing-based management"
This 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 aims of deepening ties with customers, achieving sustainable growth, and increasing corporate value.

*2 CSV (creating shared value)
This is a management framework that enables companies to co-create "social value" and "corporate value" by tackling social, environmental, and other issues.

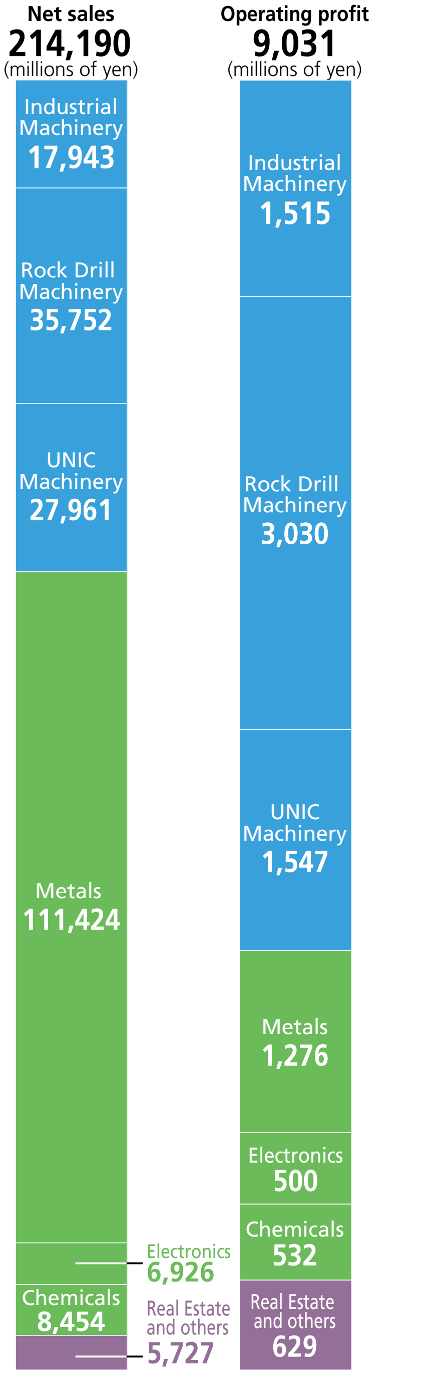
Positioning of Vision for 2025



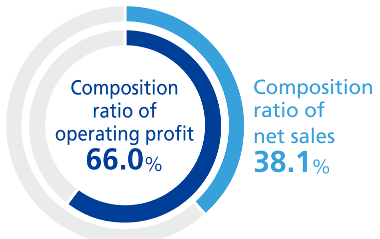
The Furukawa Company Group: Segment Overview

The Furukawa Company Group has adopted a group management structure in order to excel against global competition in a rapidly changing market. With Machinery (Industrial Machinery, Rock Drill Machinery, and UNIC Machinery segments) and Materials (Metals, Electronics, and Chemicals segments) as our core businesses, we are working to maximize our corporate value and thus remain a company that is indispensable to society.

Fiscal 2022 Results



Composition Ratio of Net Sales and Operating Profit of the Machinery Business



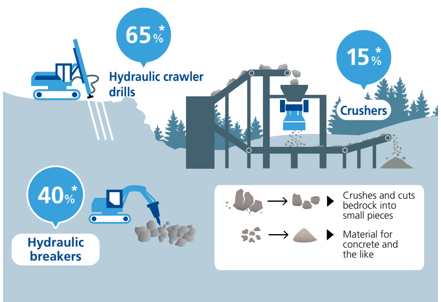
Note: "Composition ratio of operating profit" refers to the percentage of the total after deducting others and adjustments

	Segment		Strengths and Features
Machinery business	Industrial Machinery		• Support for section plant construction, including pumps and material machinery, in addition to selling individual products • Contractor business, undertaking orders ranging from design to construction (bridges, belt conveyors) • Majority of sales generated in Japan
Machinery business	Rock Drill Machinery		• High market share as the only comprehensive manufacturer of rock drill machinery in Japan • In-house production of core hydraulic equipment (high-precision machining and heat treatment) • Approx. 60% of sales generated from overseas
Machinery business	UNIC Machinery		• 50% share of domestic market for both truck-mounted cranes and UNIC carriers • In-house production of core hydraulic equipment (such as cylinders, valves, and other key components) • Approx. 80% of sales generated in Japan
Materials business	Metals		• Production of electrolytic copper through entrusted smelting • Electrolytic copper production: Approx. 46,000 tons per year
Materials business	Electronics		• High market share maintained for high-purity metallic arsenic both in Japan and overseas • Growing demand for aluminum nitride ceramics (heat-dissipating component)
Materials business	Chemicals		• Prividing sulfuric acid and its derivative products, which are essential basic materials for various industries • Prividing copper oxides for ship-bottom paints and copper plating
Real Estate and others	Real Estate and others		Ownership of Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2), containing offices, retail facilities, and a movie theater

FOCUS Priority Fields of the Machinery Business

Concrete

To mine for crushed stone and limestone, which are raw materials for concrete, we supply hydraulic crawler drills that are used to drill holes in rock, in which gunpowder is inserted for blasting. We also have hydraulic breakers, which are used to break large rocks into small pieces, and crushers and screens, used at plants to achieve the desired rock sizes. These products contribute to demand for concrete in various areas.



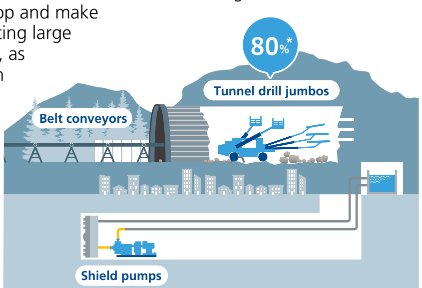
*Domestic market share

Below is an overview of our main products, covering strengths and features, main applications, and market share. In the Machinery business, positioned as our core business, we provide products, technologies, and services in the priority fields of concrete, tunnels projects, and civil engineering and construction sites in infrastructure projects that help resolve social issues, such as the need for disaster prevention and mitigation. In fiscal 2022, the Machinery business accounted for 38.1% of net sales and 66.0% of operating profit.

Main Products	Main Applications	Market Share (Company Estimate)
Pumps	Drainage facilities of factories, sewage treatment plants, shield tunnel construction sites, etc.	Sewage pumps for sewage treatment (Japan): 60% Slurry pumps (Japan): 40%
Material machinery	Quarries, limestone mines, steel works, smelters, cement plants, etc.	Crushers (Japan): 15%
Infrastructure business	New construction of steel bridges, construction of conveying earth and sand, disaster prevention and mitigation-related works, etc.	
Hydraulic breakers	Strip mines (quarries, etc.), civil engineering and construction sites, demolition sites, etc.	Japan: 40%
Hydraulic crawler drills	Strip mines (quarries, limestone mines, etc.), overseas infrastructure works, etc.	Japan: 65%
Tunnel drill jumbos	Mountain tunnel construction sites, dam headrace construction sites, etc.	Japan: 80%
UNIC cranes	Civil engineering and construction sites, material handling, rental companies, etc.	Japan: 50%
Mini-crawler cranes	Narrow or rough ground, indoor work sites, rental companies, etc.	Japan: 40%
UNIC carriers	Car dealers, transportation companies, road construction companies, etc.	Japan: 50%
Electrolytic copper	Electric wires, copper elongation products, home appliances, communications equipment, automobiles, etc.	
High-purity metallic arsenic	PCs, smartphones, infrared luminous parts, red LDs/LEDs, etc.	Japan: 90% Overseas: 60%
Aluminum nitride ceramics	Semiconductor manufacturing equipment components, high-power LDs/LEDs, resin-based heat-dissipation sheets, etc.	
Sulfuric acid and derivative products	Chemicals, electronic devices, steel, food processing, and other industries, as well as water and sewage, etc.	
Cuprous oxide/cupric oxide	Ship-bottom paints, printed circuit boards, etc.	Cuprous oxide (Japan): 45%
Muromachi Furukawa Mitsui Building		

Tunnel projects

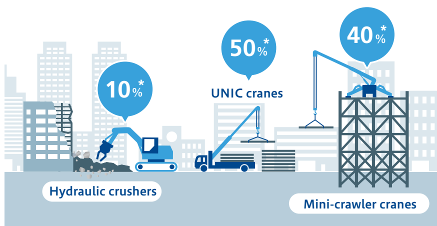
We develop and manufacture tunnel drill jumbos, which are used to create openings for loading gunpowder needed for rock blasting in mountain tunnel projects. We also develop and make belt conveyors for transporting large amounts of earth and sand, as well as shield pumps, which use water to pump excavated earth and sand in underground tunnel projects. Here, our drilling and wastewater treatment technologies, amassed through mine development, come to the fore.



*Domestic market share

Civil engineering and construction sites

A single UNIC crane can transport and unload building materials and the like. In addition to UNIC cranes, we offer mini-crawler cranes, which can operate independently in places inaccessible by truck, and hydraulic crushers that play a major role at demolition sites. Our construction machines feature exceptional functionality, operability, and safety and are also environmentally friendly.



*Domestic market share

The Furukawa Company Group's Value Creation Process

The Furukawa Company Group has a long history of 148 years. Since our beginning in mine development, we have undergone various transformations, diversified our operations, and overcome many difficulties. This history forms the foundation of today's Furukawa Company Group. Embracing the philosophy of Ichibei Furukawa, our founder, we have practiced "marketing-based management" that incorporates CSV[*3] perspectives by developing mines and other technologies that support social infrastructure. As a result, we have continued to innovate products and services that are reliable and appealing and satisfy social and market needs. With a commitment to "category leadership and uniqueness," we aim to create "corporate value" by providing infrastructure, products, technologies, services, and the like that help resolve social issues. At the same time, we will continue fostering the creation of "social value" by improving social infrastructure and realizing a safe, environmentally friendly, and prosperous society.

Management Philosophy

The Furukawa Company Group will remain indispensable to society by always embracing a spirit of challenge, advancing the technologies that have underpinned the foundation of society that originated in mining development.

Mining technologies

Exploitation technologies

Transport / Mineral processing technologies

Drilling technologies

Hydraulic control technologies

Slurry transportation technologies

Grinding technologies

Exhaust gas treatment technologies

Strategy

Vision for 2025
Medium-Term Business Plan

ROE
ROA

CSR[*1]
ESG[*2]

Rock Drill Machinery

Manufacture and sale of hydraulic breakers, hydraulic crushers, hydraulic crawler drills, tunnel construction and mining machinery, etc.

UNIC Machinery

Manufacture and sale of UNIC cranes, mini-crawler cranes, ocean cranes, UNIC carriers, etc.

Industrial Machinery

Manufacture and sale of pumps, crushers, and other material machinery, bridges and belt conveyors; various construction contracts

Machinery Business

"Corporate Value"

"Marketing-Based Management"

*1 CSR
The purpose of our CSR activities is to realize our Management Philosophy of "remaining a company that is indispensable to society." This means fulfilling our CSR to stakeholders—customers, business partners, employees, shareholders and other investors, local communities, and the global environment—by clarifying our responsibilities, considering and addressing goals and issues, and explaining the progress and outcomes of our initiatives.

*2 ESG
The Group recognizes ESG as one of the criteria for corporate investment and an important perspective for business operations. We strive to enhance corporate value by clarifying the relationship between Materialities (Key Issues), medium-term CSR targets, and relevant major SDGs by classifying them as CSR and ESG issues in the environmental (E), social (S), and governance (G) fields.

Seeking to realize our Management Philosophy, we are currently implementing our Vision for 2025 in the approach to our 150th anniversary in fiscal 2025. The vision is divided into three phases, each with its own medium-term business plan. In our business activities, which center on the Machinery business and the Materials business, we will bring together technologies cultivated over many years and new strategies while also taking return on equity (ROE), return on assets (ROA), business portfolio management, corporate social responsibility (CSR)*1, ESG*2, and enterprise risk management*4 into account. We will also help achieve the Sustainable Development Goals (SDGs) and continue contributing to the realization of a sustainable society by resolving various social issues, including national resilience challenges, a declining working age population, moves toward a decarbonized society, and disaster prevention and mitigation against climate change. This is the Group's value creation process for realizing its Management Philosophy.

Smelting technologies

Flash smelting technologies

Sulfuric acid production technologies

Electric technologies

Metals

Sale of electrolytic copper, electrolytic gold, electrolytic silver, sulfuric acid, etc. (produced by entrusted smelting agreement)

Chemicals

Manufacture and sale of sulfuric acid, polyferric sulfate aqueous solution, sulfate band, cuprous oxide, cupric oxide, etc.

Electronics

Manufacture and sale of high-purity metallic arsenide, crystal products, coils, aluminum nitride ceramics, optical components, etc.

Materials Business

Creation through Business Activities

Products / Technologies / Services

Business Portfolio Management

Enterprise Risk Management*4

"Category leadership and uniqueness"

"Social Value" Creation

- **Establish social infrastructure**
- **Realize a prosperous society that is safe and environmentally friendly**

Social Issues / Needs

That Incorporates CSV*3 Perspectives

*3 CSV
For the Furukawa Company Group, creating shared value (CSV) means creating "corporate value" by providing infrastructure, products, technologies, services, and the like that help resolve social issues. It also means fostering the creation of "social value" by improving social infrastructure and realizing a safe, environmentally friendly, and prosperous society.

*4 Enterprise Risk Management
One of the methods of risk management (crisis management). It refers to a system that attempts to manage all possible risks that may occur in corporate management on a enterprise basis

Complete Realization of our Vision for 2025

My mission is to achieve the targets set out in Medium-Term Business Plan 2025.

In 2015, we formulated our Vision for 2025, which depicted where we wanted to be 10 years into the future. Having completed the first two phases of the vision, we have now entered Phase 3 (the final phase). As president, my mission is to achieve the targets of Medium-Term Business Plan 2025 as the final step in realizing our Vision for 2025.

Minoru Nakatogawa
President & Representative Director

Review of Fiscal 2022

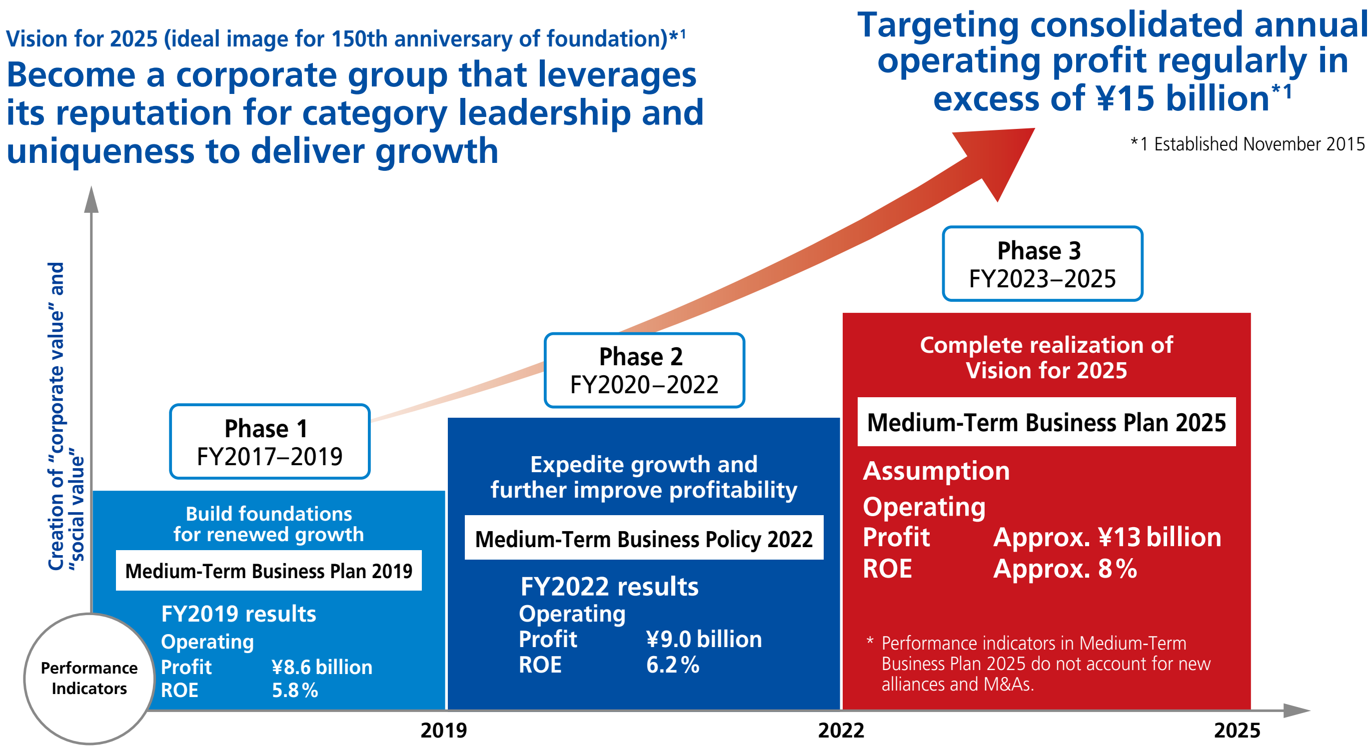
In fiscal 2022, the business environment recovered from the downturn caused by COVID-19. During the fiscal year, we began seeing the results of structural reforms in the Rock Drill Machinery segment undertaken over the past several years. Furthermore, exports of machinery products benefited from the weaker yen, and although the soaring cost of raw materials had an impact on production costs, we were able to pass on prices for some products, which also contributed to our business performance. As a result, consolidated net sales increased 7.6% year on year, to ¥214,190 million, and operating profit rose 16.8%, to ¥9,031 million. In the UNIC Machinery segment, we reported a decrease in sales mainly due to delays and cutbacks in truck production. In the UNIC Machinery segment, sales of UNIC cranes declined due to truck production delays in Japan, while in the Rock Drill Machinery segment we adopted a policy of selection and concentration targeting strategic markets. Alongside improvements in profitability, our asset efficiency (total asset turnover), which includes months of receivables turnover and months of inventory turnover, also improved, helping us break away from our long-standing performance slump. Moreover, the yen's depreciation has also had a positive impact on the Metals segment, and consolidated operating profit has recovered to the pre-pandemic level. Accordingly, we are solidly positioned at the starting line of the final phase of our Vision for 2025.

Final Year of Phase 2

Fiscal 2022 was also the final year of Phase 2 of Vision for 2025. Phase 1 (April 2017–March 2020) was positioned as a period to "Build foundations for renewed growth," with the aim of transforming ourselves into a new Furukawa Company Group. During Phase 1, we positioned the Machinery business as our core business and took a major step forward in business structural reforms by launching a business portfolio management system. In the final year of Phase 1, we were able to record progress and posted consolidated operating profit of ¥8.6 billion (compared with our target of around ¥8.5 billion) and ROE of 5.8% (compared with our target of around 6–7%).

In Phase 2 (April 2020–March 2023), however, the COVID-19 pandemic made the medium- to long-term business environment highly unstable and difficult to envision. Seeing this as a good opportunity to reinforce our structure in order to achieve a swift performance recovery, we focused on key priorities. In particular, the Rock Drill Machinery segment posted a V-shaped recovery, and in the Metals segment we undertook a drastic review of the entrusted smelting business and terminated our copper smelting contract with Onahama Smelting and Refining Co., Ltd. In the Real Estate business, we reached the final stage in plans to create a future vision for the site of the former Furukawa Osaka Building. In these and other ways, we made significant progress toward resolving priority issues through structural reforms.

Consolidated operating profit increased every year in Phase 2, from ¥5.5 billion in fiscal 2020 to ¥7.7 billion in fiscal 2021 and ¥9.0 billion in fiscal 2022, thus recovering to pre-pandemic levels. However, ROE started Phase 2 at 8.9% in fiscal 2020, when we posted a ¥4 billion gain on sales of investment securities, but slipped to 6.9% in fiscal 2021 and 6.2% in fiscal 2022, so it remains an issue for Phase 3.



Medium-Term Business Plan 2025

In May 2023, the Furukawa Company Group announced its Medium-Term Business Plan 2025. When formulating the plan, which represents Phase 3 of Vision for 2025, our biggest consideration was the significantly changing business environment. Many events have occurred since Vision for 2025 was originally formulated, including transformation of social life triggered by COVID-19, as well as Russia's invasion of Ukraine and escalating confrontation between the United States and China. Companies are also facing pressure to be environmentally, socially, and economically sustainable, with growing calls to achieve carbon neutrality due to the accelerating pace of global warming.

In the current climate, it is difficult to predict the future and corporate management are facing strong demands to be more socially conscious. With this in mind, we have positioned the three years of the plan as a period to achieve "Complete realization of our Vision for 2025" with the foundation of reinforced structure and improved earning capacity during Phase 2. This also reflects my very strong personal desire to realize Vision for 2025 at any cost. During the period, we will strive to create "social value" by building social infrastructure while realizing a safe, environmentally friendly, and prosperous society. At the same time, we will further refine our "marketing-based management" that incorporates CSV perspectives, which has been our management policy for a long time. In addition, we will lay the groundwork for formulating our next long-term vision, looking beyond 2025.

In fiscal 2025, the final year of Phase 3, we have set a consolidated operating profit target of approximately ¥13 billion and an ROE target of approximately 8%. We will also consider and execute new alliances and M&As and otherwise work to swiftly achieve annual operating profit that regularly exceeds ¥15 billion.

Mindful Approach to Cost of Capital and Stock Price

To achieve sustainable growth and enhance corporate value over the medium to long term, Medium-Term Business Plan 2025 sets forth the two objectives aimed at enhancing our corporate value creation power*: "Achieving ROE of approximately 8%" and "Diminishing cost of capital." Since becoming president in 2021, I have managed the Company with the stock price always in mind. However, our price book value ratio (PBR) is now below 1x, which means we have not been able to realize corporate value creation power that meets market expectations. Therefore, getting the PBR above 1x at an early stage is an important management priority. To this end, we will expand and strengthen specific initiatives to raise awareness of cost of capital and stock price and thus enhance our corporate value creation power. We will also strive

* "Corporate value creation power" is a term coined by the Company meaning return on invested capital (ROIC) minus weighted-average cost of capital (WACC).

Specific Initiatives for Improving Corporate Value Creation Power

Achieving ROE of approx. 8%

- **Achieve consolidated operating profit of approx. ¥13 billion in FY2025**
- **Improve capital efficiency**
  - Reduce strategic shareholdings
- **Streamline and optimize equity capital**
  - Shareholder returns

Diminishing cost of capital

- **Appropriately disclose effective information related to reducing non-financial risks and emphasizing active dialogue with investors**
  - Pursue initiatives for sustainability
  - Invest in non-financial capital (R&D, IP, human capital, DX)
- **Reduce financial risks**
  - Pursue optimal capital structure with rating strategy at the core

to achieve a PBR of more than 1x as soon as possible by further improving information disclosure and engaging in active dialogue with shareholders to narrow information gap and other investors so we can obtain an appropriate market evaluation.

With respect to achieving ROE of approximately 8%, we will sustainably expand the Machinery business, positioned as a core business, to a new level to raise earnings above current figures. In addition to strengthening the review of our business portfolio, we will visualize product portfolio strategies within each business segment to improve profitability and identify low profit products. By implementing these strategies, we aim to achieve consolidated operating profit of approximately ¥13 billion in fiscal 2025. Meanwhile, we will improve capital efficiency by reducing strategic shareholdings and streamlining and optimizing shareholders' equity through shareholder return measures. With regard to strategic shareholdings, each year we carefully examine the purpose of our holdings and sell shares deemed to be no longer necessary. Although we have continuously sold multiple stocks in recent years, we will continue disclosing the ratio of strategic shareholdings to consolidated net assets as an indicator of our progress in reducing such shareholdings.

With respect to diminishing cost of capital, in addition to sustainability initiatives we will invest in non-financial capital—R&D, intellectual property (IP), human capital, and digital transformation (DX)—disclose appropriate information that helps reduce non-financial risks, engage in active dialogue with shareholders and other investors, and appropriately manage financial risks by pursuing an optimal capital structure centered on our rating strategy.

Greater Focus on the Machinery Business

To concentrate management resources on our core Machinery business and increase returns, we plan to raise our focus on that business under Medium-Term Business Plan 2025. Demand for the offerings of the Group's Machinery business is increasing year by year. Accordingly, we will develop infrastructure that helps address social issues in such areas as preventing and mitigating disasters, which are increasing due to climate change. We will also provide products, technologies, services, and other solutions to ensure safe and secure workplaces for workers and help resolve labor shortages. These strategies, which help create social value, are the pillars of our business plan. Over the three-year period of the plan, we will make cumulative capital investment totaling ¥14 billion in the Machinery business, representing approximately 70% of total investments, to meet demand for automation, labor saving, and the like. The Machinery business accounted for 53% of consolidated operating profit in fiscal 2016 (before Phase 1) and 66% in fiscal 2022. We expect it to account for more than 80% in fiscal 2025, the final year of Phase 3. Over the nine-year period of our Vision for 2025, we anticipate that operating profit of the Machinery business will grow roughly threefold, to ¥10.7 billion. With this in mind, we will strengthen the Machinery business by renewing our focus and changing gears as necessary.

As part of our future initiatives, we have set growth strategies to focus on in each segment of the Machinery business. In the Industrial Machinery segment, we will focus on generating demand and promoting sales of our SICON® enclosed hanging belt conveyor, which is an environmentally friendly product that helps increase conveyance efficiency and reduce CO_2 emissions during earth and sand conveyance. We will also respond to increasing inquiries about the conveyance of earth and sand for new dam construction and renewal work, river flood control work, tunnel construction, and the like. Currently, we import the conveyor belts and other major components from our business partners, but we plan to further reduce costs through domestic procurement and production of components to improve profit margins.

The Rock Drill Machinery segment benefited from the yen's depreciation and a turnaround in business conditions in fiscal 2022. However, our ability to demonstrate our true capabilities will depend on our efforts in fiscal 2023 and beyond. To achieve stable profitability that is not affected by changing business environment, we must build an "FRD model" to achieve customer success to cover the overall life cycle of the products, with the aim of establishing product sales, parts sales, maintenance services, operational support programs, and trade-in resale processes.

Basic policy Practice "marketing-based management" that incorporates CSV perspectives

Machinery business, positioned as the core business

- **Establish social infrastructure**
  Develop infrastructure that helps address social issues in such areas as preventing and mitigating disasters, which are increasing due to climate change
- **Realize a prosperous society that is safe and environmentally friendly**
  Provide products, technologies, services, and other solutions to ensure safe and secure workplaces for workers and help resolve labor shortages

Fostering the creation of "social value"

Industrial Machinery segment | Rock Drill Machinery segment | UNIC Machinery segment

Devote 70% of cumulative capital investment to the Machinery business, with the aim of that business accounting for 50% or more of consolidated net sales and 80% or more of consolidated operating profit

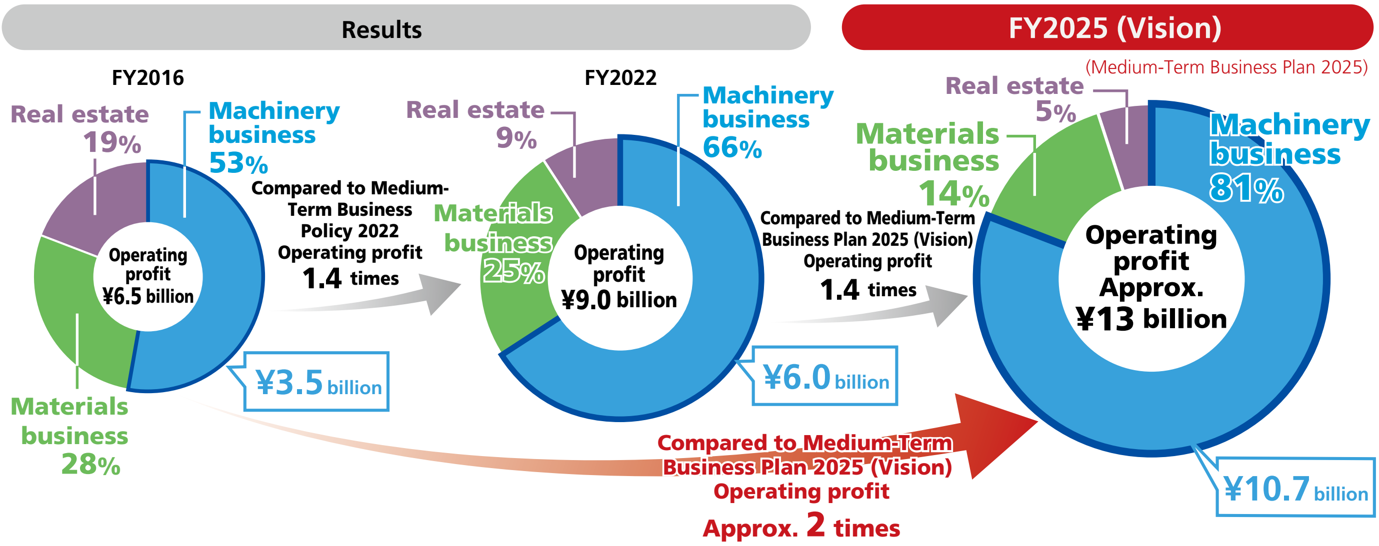
Step up efforts related to alliances and M&As to achieve discontinuous future growth

Regarding our support program for blast-hole drills, we have begun offering paid services to support customers' productivity improvement, based on data accumulated from our support program for hydraulic crawler drills.

The UNIC Machinery segment was affected by truck production delays in fiscal 2022, but we expect it to recover soon. Going forward, we will enhance competitiveness by increasing product functionality and added value and improving service systems for domestic business while strengthening the product, sales, and service technology capabilities of our overseas business, with the aims of securing stable earnings from domestic sales and expanding earnings from overseas sales.

Comparison of Operating Profit Composition Ratios

Note: "Composition ratio" refers to the percentage of the total after deducting others and adjustments.



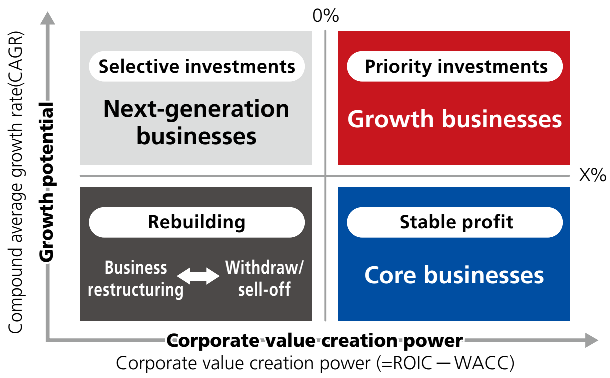
Review of Business Portfolio

The Group has seven business segments: three segments in the Machinery business, three segments in the Materials business, and the Real Estate business. In the Machinery business and Materials business, the core operating companies are responsible for overall management. We calculate cost of capital for each of the seven business segments and plot corporate value creation power, average annual growth rate of sales, and corporate value created/year on a bubble chart to accurately visualize our business portfolio. We then conduct a four-quadrant analysis based on growth potential and corporate value creation power and make rational business decisions that are not overly influenced by history or preconceptions. Going forward, we will visualize the product portfolio strategy within each business segment and work to improve profitability and identify low-profit products. including those considered for withdrawal.

Regrading reassessment of our business portfolio, in the Metals segment we conducted a fundamental review of our entrusted smelting business and subsequently terminated our copper smelting contract with Onahama Smelting and Refining Co., Ltd. on March 31, 2023. At the same time, Furukawa Metals & Resources Co., Ltd., transferred all its shares in Onahama Smelting and Refining to Mitsubishi Materials Corporation. In the Rock Drill Machinery segment, we are making smooth progress in liquidating our subsidiaries in Panama and China in order to strengthen and rebuild our overseas marketing capabilities. In the Real Estate business, we will work to create a future vision for the site of the former Furukawa Osaka Building with the aim of solidifying our earnings foundation for the future.

In Medium-Term Business Plan 2025, we will continue reviewing our business (product) portfolio, positioned as a priority issue.

Business Portfolio Analysis (Vision)



Allocation of Management Resources

In allocating management resources, we place top priority on making capital investments to strengthen our manufacturing capabilities. Of the ¥20 billion in cumulative capital investment earmarked for the three-year period, we plan to allocate ¥14 billion, or roughly 70%, to the Machinery business. The source of these funds will be consolidated operating cash flows, estimated to total around ¥40 billion over the three-year period. Of this amount, we will allocate ¥20 billion to capital investment, ¥10 billion to shareholder returns (including dividends and share buybacks), and ¥10 billion to reduction of interest-bearing debt.

In addition to capital investment, we believe investing in non-financial capital, such as R&D, IP, human capital, and DX, is necessary to achieve sustainable growth and increase corporate value over the medium to long term.

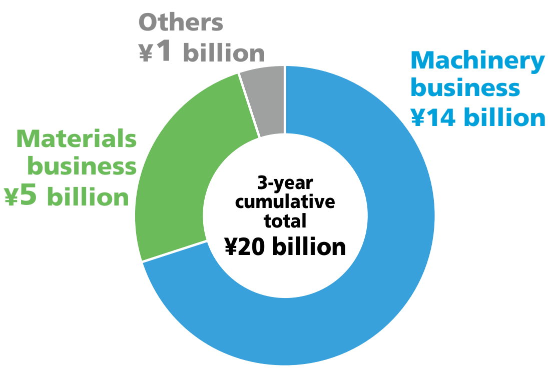
With respect to R&D investments, we will promote the commercialization and industrialization of development projects that help resolve social issues. At the same time, we will revitalize our on-site capabilities to improve productivity. In addition, we will develop automation technology aimed at labor saving, as well as machinery-related products and technologies that deliver higher efficiency and lighter weight and otherwise help reduce environmental impact. It is important to invest in IP. Accordingly, we regard IP activities as an important part of our management strategy and will develop systems that utilize IP information to secure a competitive advantage. We will also properly assess the value of our entire business, including IP, based on the technology rights of each operating company in the Group.

Meanwhile, investment in human capital is essential for the Group's existence. With this in mind, we will continue investing in hiring and developing diverse human resources who are willing to take on challenges and act autonomously. We will also reform workstyles and promote health management, including by providing a rewarding and comfortable work environment.

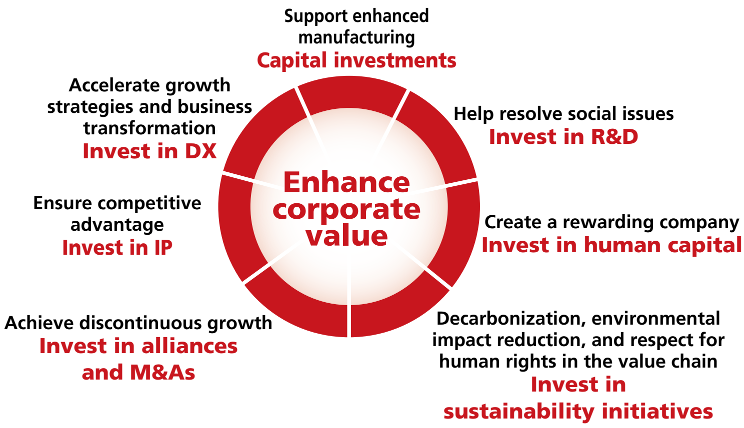
In these days of digitalization and advances in IT, investing in DX is an essential part of our overall investments as a corporation. In April 2023, therefore, we established the DX Promotion Committee and put in place a groupwide promotion system to formulate and promote DX strategies on a groupwide level. Going forward, we will accelerate the Group's growth strategy and operational reforms and promote DX investments that reflect market needs and support reliable and attractive manufacturing and value creation.

The basic resources for the above investments will be covered by retained earnings and continuous operating cash flows. Finally, we believe that investing in alliances and M&As is necessary to realize discontinuous growth. To fund these activities, we will take the most appropriate financing measures, with the option of using gain on the sales of assets, including strategic shareholdings as necessary.

Capital Investment Allocation (Vision)



Allocation of Management Resources



Proactive and Defensive Materialities

In November 2022, we announced 10 items of Materiality (Key Issues) related to sustainability that we should address. We also reviewed our existing CSR priority issues, identified "proactive" and "defensive" Materialities as our sustainability initiatives, and clarified them as important management strategies. We are currently spreading the word internally and externally about what this means and why it is necessary. To date, we have been practicing "marketing-based management" that incorporates CSV perspectives and providing infrastructure, products, technologies, and services that help resolve social issues, enabling us to create "corporate value" and "social value" at the same time. These efforts are positioned as "proactive" Materialities. On the other hand, we have positioned the enhancement of corporate value through business practices that take into consideration CSR and ESG issues as "defensive" Materialities.

Concrete examples of "proactive" Materialities include belt conveyors for infrastructure development and fully automated drill jumbos that enhance the safety and efficiency of workers. Supplying these products to society also helps us generate corporate value. We are also working to develop technologies that will help resolve social and customer issues from an environmental perspective. In addition to electrifying our products and making them more energy efficient, we help improve the work efficiency of our customers, which further reduces their CO_2 emissions and contributes to emission reductions across the entire value chain. For example, the Rock Drill Machinery segment provides Life Cycle Support (LCS) to its customers. This allows us to share product operational data, which facilitates new ideas and proposals for work efficiency and load reduction. We will extend this initiative to the Industrial Machinery segment, covering crushers, screens, and the like, to simultaneously improve work efficiency and reduce environmental impact. In recent years, we have also actively recommended products that contribute to semi-automation and labor saving to address manpower shortages at worksites.

Regarding "defensive" Materialities, we have set forth seven items, including climate change countermeasures and respect for human rights. To address climate change, in August 2023 we expressed our support for recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and decided to promote more active disclosure of information on the four core disclosure elements of the TCFD recommendations (Governance, Strategy, Risk Management, and Metrics and Targets). As a first step, we conducted scenario analyses of the Rock Drill Machinery segment and Metals segment to determine the impact of climate change on the Group's business and sales, and we plan to conduct scenario analyses of other segments in the future. Regarding respect for human rights, given the recent global emphasis on human rights, companies are facing strong pressure to address the issue across their entire supply chains. Through our Purchasing Department, we also conduct surveys of the status of initiatives at each of our suppliers to confirm their stance on human rights, elimination of child labor, anti-harassment measures, and other legal compliance issues, and we work to resolve any issues identified through follow-up activities.

Invigorating Human Resources Is the Key to Our Existence

We will soon celebrate the 150th anniversary of our founding. We have been able to survive for so long because of the indomitable and enterprising spirit of our founder, Ichibei Furukawa, inherent in our DNA, to boldly embrace the challenges of the changing times. I believe we should pass on this spirit through our Management Philosophy and Action Guidelines. Given our nearly 150-year history, however, we must acknowledge that some customs and mindsets remain entrenched. There is always a risk of falling into the status quo and constructionism, but in times of great change, diversity, and reformation we need to break away from old ways of thinking. With this in mind, we will determine things that need to be changed and boldly change them. In personnel evaluation, for example, we introduced a challenge point system in addition to the conventional evaluation items to evaluate how employees have tackled the challenges they have embraced. Meanwhile, the way people interact in the workplace is changing as workstyles diversify. Accordingly, we have introduced a one-on-one meeting program to help supervisors and subordinates deepen their understanding of each other's thinking and improve the development and motivation of subordinates. At present, the program is being implemented at the Group's head office but will be gradually expanded to other offices and locations.

To ensure that the Group's officers and employees work with a sense of purpose and vitality, it is important that each and every one of them fully understands the management approach and direction of Medium-Term Business Plan 2025 and takes them to heart. I often visit plants, branches, and offices to talk with employees on a face-to-face basis. My purpose is to deepen understanding of our Management Philosophy of "remaining a company that is indispensable to society," communicate my thoughts, and listen to opinions for reflection in management policies. My responsibility is to motivate and energize our employees. Ensuring that each and every employee is invigorated in their work is the key to the Group's existence, I believe.

Further Strengthening Our Governance Structure

Corporate governance is attracting growing concern among stakeholders in Japan and overseas and is also an extremely important part of corporate management. The roles of the Board of Directors are not limited to monitoring and supervising management, but also include formulation and promotion of business strategies. In formulating Medium-Term Business Plan 2025, we held three preliminary briefing sessions, where we exchanged opinions and deepened discussions on the appropriateness of the numerical targets and the process for achieving them, taking into account the advice of outside directors. The plan will now move into the implementation phase for all Group members, from executive officers to employees. From time to time, we will evaluate and supervise the implementation process through progress briefings with the heads of each business segment.

To evaluate the effectiveness of the Board of Directors, we conduct an annual questionnaire-based survey of directors and Audit & Supervisory Board members to assess the current status and identify issues, and we link the results of the surveys to initiatives for improvement. Compared with previous fiscal years, evaluations of "free and vigorous discussions" and "communication between internal and outside directors" have improved. Going forward, we will modify the steps we take in enhancing our governance structure in tandem with changing times and stakeholder expectations. In addition to enhancing the minimum governance structure required by the Corporate Governance Code, we will build an optimal corporate governance system for our Group, taking into consideration the wishes of our stakeholders.

To Our Stakeholders

The recently announced Medium-Term Business Plan 2025 is not merely an extension of the previous medium-term plan. It is positioned as a "must-win" plan aimed at realizing our Vision for 2025, and I consider it my mission as president to implement it successfully at all costs. To this end, the Group's officers and employees must work together to realize the plan. Throughout its nearly 150-year history, the Furukawa Company Group has overcome multiple crises and corrected its course to recover and achieve renewed growth. To nurture this "ability to overcome," my role is to make the Group a place where all employees feel energized and fulfilled and motivated to demonstrate their abilities.

In conclusion, we will continue engaging in dialogue with stakeholders, including shareholders and other investors, to ensure their understanding of Medium-Term Business Plan 2025. We will listen sincerely to comments and suggestions as we work together to enhance corporate value and remain a company that is indispensable to society. We look forward to your continued understanding and support of the Furukawa Company Group.

Message from the Director in Charge of Finance

From the perspectives of financial strategy and capital policy, we will work on the two key objectives of Medium-Term Business Plan 2025: "Achieving ROE of approximately 8%" and "Diminishing cost of capital."

Koichiro Konno
Director & Senior Executive Officer

Roles as Director in Charge of Finance

On June 29, 2023, I was appointed director in charge of the Corporate Planning Department, Accounting Department, Financial Department and Sustainability Promotion Department. Under Medium-Term Business Plan 2025, our two key objectives for realizing sustainable growth and medium-to long-term enhancement of corporate value are "Achieving ROE of approximately 8%" and "Diminishing cost of capital." One of my important responsibilities is to achieve these objectives by implementing financial strategies and capital policies. My other major roles are to explain the importance and necessity of adhering to numerical targets, both internally and externally, and to promote understanding and entrenchment of those targets. Our price book value ratio (PBR) at fiscal year-end was 0.5x. By achieving the two aforementioned objectives, we will get the PBR of 1x or higher.

Pursuing Optimal Capital Structure with Rating Strategy at Its Core and Reducing Non-Financial Risks

In Medium-Term Business Plan 2025, we have set two main numerical targets: Debt-to-equity (D/E) ratio in the 0.5x range and interest-bearing debt/EBITDA ratio in the 3x range. Our intent is to secure a level of financial soundness that will earn a credit rating of A– or higher (current rating is BBB+), enabling us to raise funds with more favorable conditions. Our business performance fluctuates due to changes in the external environment and the unique circumstances of the Group. To address this, we need to achieve financial soundness that permits us to raise funds under favorable conditions irrespective of circumstances. To this end, it is essential to implement our financial strategy and enhance our corporate value. To achieve financial soundness, we will steadily implement the growth strategies in our medium-term business plan and invest in non-financial capital, including R&D, IP, human capital, and DX, in an effort to reduce non-financial risks.

To diminish the cost of capital, I believe that sustainability initiatives, such as addressing climate change and respecting human rights, in addition to investing in non-financial capital, are important. Sustainability and finance are inseparable. Accordingly, my aim is to enhance corporate value through business practices that take CSR and ESG issues into consideration, complemented by appropriate information disclosure and dialogue with investors.

As we work to improve ROE, we expect financial leverage to decline temporarily. However, we will pursue an optimal capital structure by reducing total assets and streamlining and optimizing equity capital.

Approach to Allocating Operating Cash Flows

Over the three-year period of the plan, we estimate that we will generate cumulative operating cash flows of ¥40 billion. Of this amount, we will allocate ¥20 billion to capital investment, which we consider a top priority for achieving sustainable growth and enhancement of corporate value over the medium to long terms. Over the past six years, we engaged in a large-scale capital investment program targeting major plants. Now that the program has run its course, our main focus will be investments in expansion of plants to increase production, maintenance and renewal of facilities, and DX.

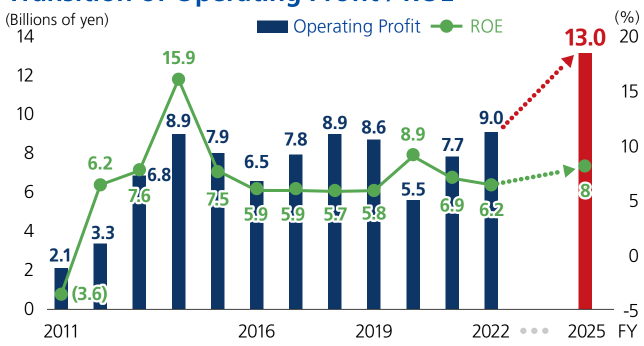
Of the aforementioned ¥20 billion in capital investment, we plan to allocate ¥14 billion, or approximately 70%, to the core Machinery business. We will also adopt a hurdle rate above the cost of capital to make investment decisions.

Our second priority is shareholder returns, to which we will allocate ¥10 billion. Here, we will consider increasing dividends and paying interim dividends, with ¥7 billion going to dividend payments and ¥3 billion to share buybacks. Our third priority is

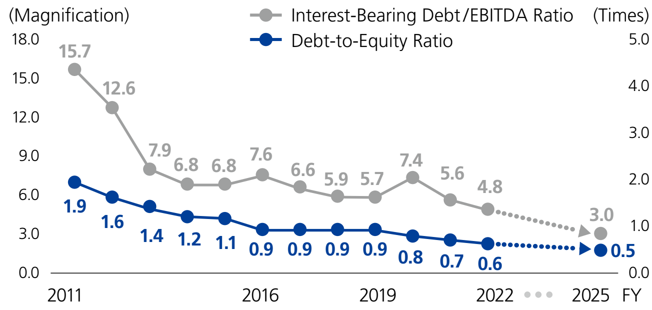
Summary of Earnings Plan and Capital Policy

Earnings plan	• Deploy a business portfolio management system that utilizes cost of capital to achieve sustainable growth and increase corporate value over the medium to long terms	**Operating profit: Approx. ¥13 billion** **ROE: Approx. 8%** * Underlying assumption of exchange rate: ¥135/$
Financial strategy	• Pursue optimal capital structure with rating strategy at its core • Raise ratings to A– or higher, from BBB+	**Debt-to-equity ratio: 0.5x range** **Interest-bearing debt/EBITDA ratio: 3x range**
Shareholder returns	• Annual dividends of ¥50.00 per share or higher, consider increasing annual dividends and paying interim dividends • Share buybacks (approximately ¥1 billion each fiscal year)	**Consolidated total return on equity: 3% or higher**
Reducing strategic shareholdings	• Conduct annual reviews of appropriateness of continued ownership based on comprehensive judgment of cost of capital and other factors • Continue to disclose the ratio of strategic shareholdings to consolidated net assets	**Strategic shareholdings ratio: 35.1%** (FY2022) * Includes shares deemed to be held

Transition of Operating Profit / ROE



Transition of Debt-to-Equity Ratio / Interest-Bearing Debt/EBITDA ratio



reduction of interest-bearing debt, with a ¥10 billion allocation. To this end, we aim to establish a solid financial base that enables us to raise funds without being influenced by financial conditions.

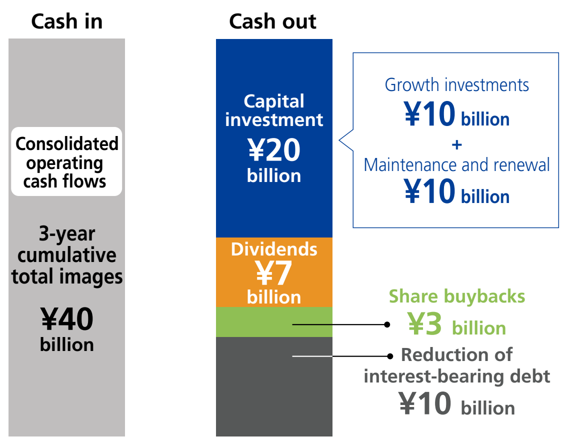
Ensuring Stable Shareholder Returns

Our policy is to provide stable and continuous shareholder returns, with priority on investments to achieve sustainable growth and enhance corporate value over the medium to long terms. In principle, we plan to pay annual dividends of ¥50.00 or higher per share and conduct share buybacks of approximately ¥1 billion per year. As a result, we are targeting a consolidated total return on equity of 3% or higher. The dividend payout ratio, which we previously used as a performance indicator, tended to be influenced by profit trends. Accordingly, we have adopted consolidated total return on equity as a new indicator, with the main objective of delivering stable shareholder returns through a combination of dividend payments and share buybacks based on shareholders' equity. We will continue paying stable dividends that are not affected by our business performance. We will also continue conducting share buybacks under a policy of repurchasing shares issued via past allocation of new shares to a third party. We will adopt a flexible approach to repurchased shares, with a view to canceling them in the interests of shareholder returns.

Ongoing Reduction of Strategic Shareholdings

With respect to reducing strategic shareholdings, each year we carefully examine the purpose of our holdings and whether the benefits and risks associated with each holding are commensurate with the cost of capital. We also examine the appropriateness of continuing to hold shares. We will strive continuously to reduce

Allocation of Operating Cash Flows



holdings of shares deemed to be no longer necessary by selling them as appropriate. We will also continue disclosing the ratio of strategic shareholdings to consolidated net assets as an indicator of our progress in reducing such shareholdings. The ratio on March 31, 2023, was 35.1%, down from 51.8% on March 31, 2018. We will continue working to reduce the ratio in a sequential and ongoing manner. Proceeds from the sale of strategic shareholdings will be used as flexible future capital to meet urgent capital needs, including investments in M&As and sustainability-related investments centered on decarbonization-related facilities.

Initiatives to Achieve ROE of 8%

To further enhance ROE, as director in charge of finance it is important to target improvements in efficiency and productivity, including by reducing inventories and increasing capacity utilization rates. The Rock Drill Machinery segment, which had been struggling over the past several years, delivered a V-shaped recovery in fiscal 2022. To achieve this, we launched a joint project with the Corporate Department to reduce the Rock Drill Machinery segment's inventories as a cross-divisional initiative. Through the project, we worked meticulously to identify and address various issues, ranging from inventory control to factory utilization rates, working capital, and borrowings. As a result, we reduced the segment's global bloated inventories from approximately ¥16 billion in fiscal 2020 to around ¥12 billion in fiscal 2021. Furthermore, we adopted a policy of selection and concentration that includes withdrawing from unprofitable markets, while executing various reforms, such as establishing a more appropriate production management system. These efforts led to a recovery of the Rock Drill Machinery segment, with the operating margin improving from 0.5% in fiscal 2019 to 8.5% in fiscal 2022, and total asset turnover improving from 0.8 times to 1.0 times. I believe that my role as director in charge of finance is to provide support and guidance to the business segments using my qualified judgments and strong execution capabilities in times of emergency.

During the period of Medium-Term Business Plan 2025, we expect our equity-to-asset ratio to increase as we pursue an optimal capital structure with rating strategy at its core, which will result in a decrease in financial leverage. To outweigh the impact of this decline, we will aim to achieve ROE of approximately 8% by further improving profitability and efficiency. We will also strive to achieve a PBR 1x or higher as soon as possible so we can obtain an appropriate market evaluation.

Close-up Human Resource Strategy

Creating a rewarding company where all employees can maximize their abilities and create new value

Human Resource Development Policy

For the Group to resolve social issues through its business activities and achieve sustainable growth and increase corporate value, it is essential to develop human resources with a variety of personalities. Commit to developing a diverse workforce capable of acting autonomously and willing to embrace the challenge of creating new value.

In-House Environmental Improvement Policy

The Group is committed to creating comfortable workplaces where diverse human resources can perform their duties safely and efficiently while maintaining a rewarding and healthy work environment.

Priority Issues for Attracting and Developing Human Resources

- **Introduce a talent management system**
  Improve employee motivation and work efficiency by ascertaining aptitude of employees and assigning them appropriately

- **Establish category-specific education policies**
  Emphasize specialized industry-specific training to improve employees’ capabilities

- **Actively promote job rotation**
  Encourage employee career development and diversification and target synergies with a talent management system

- **Provide training in specialized positions for young employees**
  Improve retention rates by increasing motivation and understanding of roles required now and in the future

Human Resources Required

Indicators / Targets		Latest Result	
Hire diverse human resources			
• Ratio of women among new graduates hired for general positions (Company-registered corporate planning staffs)	20%	Joined in fiscal 2023	13%
• Female manager ratio (consolidated)	3% or higher	As of March 31, 2023	3.33%
• Ratio of new hires in management/general positions who are experienced (Company-registered employees)	40% or higher	Joined in fiscal 2022	43.75%
• Ratio of employees with disabilities (among consolidated subsidiaries subject to employment ratio system for persons with disabilities)	Statutory employment rate reached	Fiscal 2022	2.49%
Develop human resources who are willing to take on challenges and act autonomously			
• Training hours per year (Company-registered employees)	1,500 hours	Fiscal 2022	843.6 hours
• Number of trainees per year (Company-registered employees)	3,600 persons	Fiscal 2022	2,506 persons
Improve work environment			
• Ratio of male employees taking childcare leave (Company-registered employees)	80%	Fiscal 2022	72.20%
• Ratio of employees returning to work after childcare leave (Company-registered employees)	100%	Fiscal 2022	87.50%
• Ratio of employees receiving health checkups (Company-registered employees)	100%	Fiscal 2022	99.96%
• Anomaly observation rate	Age 40 and over: Less than 50%	Fiscal 2021	61.20%
	Under age 40: Less than 30%	Fiscal 2021	45.40%
• Recognition as Health and Productivity Management Organization	Obtain “White 500” certification	2023	—

Close-up DX Strategy

Promote DX to support accelerating the Group's growth strategy and operational reforms that reflects market needs and supports reliable and attractive manufacturing and value creation

DX Promotion System

We established the DX Promotion Committee in April 2023 to formulate and promote DX strategies at the Groupwide level. The Committee establishes and promotes DX strategies from the perspectives of product, service, and operational reform.

Aim: Utilize digital technology to accelerate sustainable management

- **Engage in manufacturing (*monozukuri*) and servitization (*kotozukuri*) to resolve issues faced by customers, society, and the Group and help create value**
  - Improve and optimize technologies required to enhance productivity and improve and develop products
  - Improve services and create new business model
- **Promote operational reforms**

Automation | Productivity enhancement | Labor-saving efficiency enhancement | Optimization

Continuation and advancement of initiatives: "Marketing-based management" that incorporates CSV perspectives

Opportunities/risks surrounding our business environment for practicing sustainable management

Pursuit of improved productivity and efficiency | Frontline labor shortage | Workstyle reforms | Cost reduction | Safety and security | Transfer of technology and know-how | Harsh working conditions

Three Pillars of DX Promotion

Cross-organizational DX development and promotion

Common Challenges in DX Promotion

	Medium-Term Business Plan 2025: Measures	Expected Outcomes
Manufacturing (*monozukuri*)	**Launch Groupwide DX initiatives with view to building smart factories** **Utilize 3D data to improve productivity** • Target overall optimization of manufacturing processes from design to production • Aim for streamlined manufacturing	• Accelerated product development ⇒ Engineering DX • Improved labor productivity and reduced costs • Visualization of know-how of skilled workers and establishment of technology transfer
Servitization (*kotozukuri*)	**Utilize digital technology to create new business model** **Enhance value-added services** • Analyze machine operating data • Provide technical support and proposals	• Profits generated for customers (through increased productivity, optimization of maintenance operations, and predictive maintenance) and relationships of trust reinforced • New sources of revenue
Operational reform	**Make Groupwide business improvements and workstyle reforms** • Expand electronic circulation and workflow • Utilize digital platforms to improve operational efficiency and advance business	• Streamlined information management and decision-making and paperless operations • Efficient sales promotion, service improvement, and visualization of sales activities
	Develop and strengthen DX human resources • Use external training to develop IT human resources • Improve digital literacy of staff working on DX • Flexibly secure IT personnel from outside	• Effective digital technology use and enhanced business management capabilities due to improved IT/DX literacy of employees • Enhanced problem-solving capabilities through reinforcement of in-house ICT human resources • Steady promotion of DX through reinforcement of ICT human resources (who are in short supply)
	Infrastructure, security, governance • Build common information infrastructure for the Group • Prepare for cyberattacks and reinforce information security • Shift to cloud computing and/or environment for basic-operations systems	• Establish information infrastructure indispensable for promoting DX

Machinery

Industrial Machinery

Net sales			Operating profit			Operating margin		
FY2022 (Millions of yen)	FY2021 (Millions of yen)	Difference (Millions of yen)	FY2022 (Millions of yen)	FY2021 (Millions of yen)	Difference (Millions of yen)	FY2022	FY2021	Difference
17,943	17,723	220	1,515	1,396	118	8.4%	7.9%	0.6pt

Achievements and Future Challenges

In fiscal 2022, we posted year-on-year increases in orders, sales, and operating profit. This was due to receipt of orders for large projects, such as crushing plants and elevated bridges, as well as increased sales and profit from pumps and environmental products. Going forward, we will continue reinforcing our earnings base by expanding our stock business. Here, we will make full use of various strategic products, such as LK3 (new high-efficiency slurry pump), GEOPUS (crushers), and SICON® (enclosed hanging conveyors). While integrating our diverse product capabilities, we will also accelerate cross-functional activities and target business expansion by strengthening our engineering capabilities to develop infrastructure that helps resolve social issues, such as the SDGs and disaster prevention and mitigation, with the aim of transitioning from a standalone machinery manufacturer.

Furukawa Industrial Machinery Systems Co., Ltd.
President & Representative Director
Kazuyoshi Iwama

Medium-Term Business Plan 2025: Basic Strategies and Key Priorities

Basic strategies

- Further strengthen our engineering capabilities and promote cross-departmental initiatives and DX to move away from being a standalone machinery manufacturer
- Build a business foundation in the domestic market by pursuing the SDGs and working on infrastructure development projects that help resolve social issues (such as disaster prevention and mitigation)

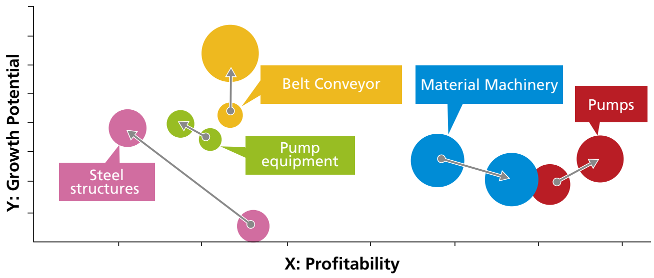
Key priorities

- Strengthen product competitiveness and promote proposal-based sales to win orders for section plant construction projects (pumps, material machinery)
- Establish earnings base through stock businesses (pumps, material machinery), including by utilizing customer information management to enhance services
- Generate demand and promote sales of SICON® enclosed hanging conveyors

Business (product) portfolio

* Comparison of FY2021 results and FY2025 image

- **Pumps**
  Increasing profit due to growth and improved profitability
- **Material Machinery**
  Improving profitability and higher profit despite lower growth
- **Belt Conveyor**
  Improving growth and higher profit despite flat profitability
- **Steel structures and Pump equipment**
  Increasing growth and higher profit (stemming from increased sales) despite declining profitability



	Pumps	Material machinery	Contractor business
Market environment	• Demand for renewal of aging facilities • Improving energy efficiency and longer service life	• Demand for renewal of aging facilities	• Increasing trend in construction for national land resilience, disaster prevention/mitigation measures, etc. • Growing awareness of belt conveyors as an alternative to dump trucks for transporting earth and sand, resulting in increased inquiries
Main measures	**Slurry pumps** • Targeting the nonferrous and chemicals industries (where we anticipate solid stock business earnings), we will introduce a strategic machine (new high-efficiency slurry pump (LK3)), aiming to replace other companies' pumps • Strengthen our sales structure in Chugoku and Shikoku regions **Pump equipment** • Further penetrate East Japan (where we have a good track record) and expand market share in West Japan	**West Japan** • Leverage our strategic machines (new screens, crushers (GEOPUS C3 and HPGR)) to tap new markets; expand market share and increase stock by encouraging customers to replace other companies' equipment with ours **Utilize IoT technology** • Utilize IoT technology to formulate sales proposals for section plants aimed at productivity improvement and rationalization, and promote servitization (*kotozukuri*)	**Belt conveyors** • Win orders for currently planned projects (new/renewal dam construction, river flood control, tunnel construction, etc.) and solicit increased inquiries • Emphasize features of SICON® (enclosed hanging conveyors) as a problem-solving method of transporting earth and sand; aim for domestic procurement and production of parts **Steel structures** • Stabilize business profit by attracting firm orders for steel bridges and increasing sales of steel segments
Expected outcomes	**Contribute to customers' energy savings through higher efficiency and lower running costs due to longer service life**	**Improved productivity of customers' operations and more stable and reliable operation of customers' production facilities**	**Safe and environmentally friendly method for transporting earth and sand**

Rock Drill Machinery

Net sales			Operating profit			Operating margin		
FY2022 (Millions of yen)	FY2021 (Millions of yen)	Difference (Millions of yen)	FY2022 (Millions of yen)	FY2021 (Millions of yen)	Difference (Millions of yen)	FY2022	FY2021	Difference
35,752	30,910	4,841	3,030	1,117	1,913	8.5%	3.6%	4.9pt

Achievements and Future Challenges

In fiscal 2022, we achieved the highest segment operating profit in the past decade, thanks to our selection and concentration sales strategy and cost reduction efforts, in addition to our ability to promptly pass on increased costs to our product prices. On the other hand, the global shortage of parts led to delays in shipments of some products, with a significant order backlog carried over to the next fiscal year. In fiscal 2023, political instability especially in Europe will cast a shadow over overseas markets. In response, we will implement optimal and specific strategies for each region. In North America, for example, we will increase sales of large blast hole drills and large hydraulic breakers, spearheaded by our new Western U.S. sales & service facility. In Europe, we will cultivate the market for hydraulic breakers, and in Southeast Asia, we will target the stone crusher market. In Japan, we will bolster sales of products that contribute to automation and labor saving while commercializing our customer support program.

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

Medium-Term Business Plan 2025: Basic Strategy and Key Priorities

Basic strategy

Build an "FRD model" to achieve customer success throughout the product life cycle

Key priorities

- Establish FRD model in Japan
  Strengthen Life Cycle Support (LCS) business
  - Strengthen sales of parts and consumables
  - Commercialize support program for blast hole drills*
  - Establish trade-in resale business (tunnel drill jumbos, hydraulic crawler drills)

* Blast hole drills:General term for hydraulic/pneumatic crawler drills, down-the-hole drills, and attachment drills

- Emphasize centralized sales and production

Overseas: Cultivate North American market for large blast hole drills and step up development of attachment drills as frontline machines for developing the Southeast Asian quarry market (hydraulic machinery)

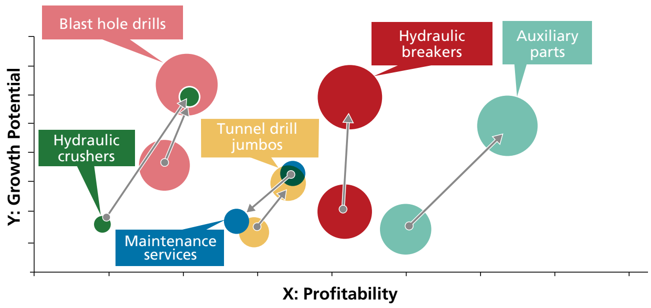
Japan: Strengthen sales in the quarry market and deepen our presence in the demolition equipment market through concentrated sales of small hydraulic crushers and concentrated rollout of demolition equipment in the Tokyo Metropolitan Area

Production: Reduce costs through centralized production, enhance quality (to minimize complaints), and shorten lead times

Business (product) portfolio

* Comparison of FY2021 results and FY2025 image

- **Blast hole drills, hydraulic breakers, hydraulic crushers, tunnel drill jumbos, auxiliary parts**
  Increase in profit due to higher growth and profitability
- **Maintenance services**
  Profit to remain mostly unchanged despite sluggish growth and profitability



	Japan	Overseas	Life Cycle Support(LCS)
Market environment	• Shortage of operators due to declining birth rate and aging population • Demolition machine market: Increasing need for large-sized, high-impact equipment • Tunnel projects: Strong demand for automated construction as a safety measure	• North America: Stimulus measures and infrastructure investments have led to strong demand for wide-area rentals • Europe: Prolonged invasion of Ukraine and inflation will slow growth, but urban development projects will continue to drive rental demand • Southeast Asia: Demand expected to shift from pneumatic to hydraulic machines as GDP grows in each nation	• Japan: Shortage of skilled workers has led to an increase in demand for services to improve the skills of workers • Demand for parts in regions where the Company's machines are operating
Main measures	**Hydraulic crawler drills** • Semi-automatic drilling function added **Hydraulic breakers, hydraulic crushers** • Cultivate the demolition equipment market in Tokyo Metropolitan Area (step up sales of large and super-large breakers) • Concentrate on sales of small hydraulic crushers (for road general contractors and aggregate recycling) **Tunnel-related products** • Step up sales of autonomous and labor-saving products (fully automatic drill jumbos, rock bolting machine (BOLTINGER), concrete spraying machines with erectors, etc.)	**Deeply penetrate market for large machines, which accounts for around 80% of North American market** • Concentrate on selling large blast hole drills • Establish base in western region to strengthen sales to explosive crusher contractors **Tap the breaker market in Europe** • Increase market share in the four countries driving European market (France, United Kingdom, Italy, and Germany) by strengthening and expanding our network of dealers for rental equipment **Develop the Southeast Asian quarry market** • Highlight the superiority of Furukawa-brand drifters by promoting attachment drills as frontline machines (Indonesia, Cambodia, etc.) • Launch small and medium-sized hydraulic crawler drills (currently under development) targeting Southeast Asian market (2025)	**Establish FRD model in Japan** **Strengthen sales of parts** • Review pricing of parts • Review overseas distributorship agreements • Improve sales skills in stock business **Strengthen maintenance service business** • Reconsider maintenance system for hydraulic breakers and hydraulic crushers • Reinforce preventive maintenance services for hydraulic crawler drills and propose maintenance services for specific purposes **Develop business model (for customer success)** • Hydraulic crawler drills: Leverage operational support systems to commercialize support programs (intangible services, subscription services)
Expected outcomes	**Achieve highly efficient and safe operation through automation and mechanization**	**Promote shift to hydraulic machines in the Southeast Asian quarry market**	**Ensure customer success by providing technologies and other solutions**

UNIC Machinery

Net sales			Operating profit			Operating margin		
FY2022 (Millions of yen)	FY2021 (Millions of yen)	Difference (Millions of yen)	FY2022 (Millions of yen)	FY2021 (Millions of yen)	Difference (Millions of yen)	FY2022	FY2021	Difference
27,961	28,305	(343)	1,547	2,165	(617)	5.5%	7.6%	(2.1)pt

Achievements and Future Challenges

In fiscal 2022, we focused on expanding sales in Japan of mini-crawler cranes, which do not need to be truck-mounted, as well as ocean cranes. Overseas, we developed dealer networks in Southeast Asia and the Middle East and otherwise worked to strengthen our sales and technical service capabilities. Going forward, we will expand sales channels for mini-crawler cranes in Japan by making proactive proposals for high-value-added products, such as battery-powered cranes, disassembly equipment, and seven-stage boom machines, while addressing untapped demand. Overseas, we will focus on increasing sales of large and super-large truck-mounted cranes in Southeast Asia, the Middle East, and Oceania. In addition, we will promote initiatives for decarbonization, including by addressing UNIC cranes for the electrification of trucks.

Furukawa UNIC Corporation
President & Representative Director
Kenji Yamakawa

Medium-Term Business Plan 2025: Basic Strategy and Key Priorities

Basic strategy

- Securing stable earnings from domestic sales and expanding earnings from overseas sales
  Japan: Enhance competitiveness by increasing product functionality and added value and improving service systems
  Overseas: Strengthen product, sales, and service technology capabilities

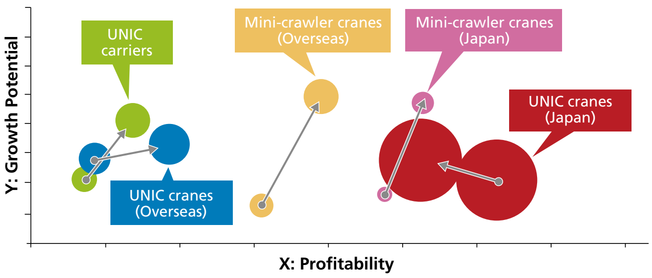
Key priorities

- Japan: Strengthen competitiveness by increasing the functionality and added value of UNIC cranes and UNIC carriers and expand sales of mini-crawler cranes and ocean cranes (cranes for ships), which do not depend on trucks
- Overseas: Develop mounted cranes (large models) and new mini-crawler cranes, expand sales network, and strengthen sales capabilities of dealers
- Reinforce product development system and promote R&D to address the electrification of trucks
- Promote further automation, quality improvement, and cost reductions at the Sakura Works
- Strengthen our service system

Business (product) portfolio

* Comparison of FY2021 results and FY2025 image

- **UNIC cranes (Japan and overseas)**
  Japan: Increase in growth and higher profit (stemming from increased sales) despite declining profitability
  Overseas: Increase in profit due to higher growth and profitability
- **Mini-crawler cranes (Japan and overseas)**
  Increase in profit due to higher growth and profitability both in Japan and overseas
- **UNIC carriers**
  Increase in profit due to higher growth and profitability



	Japan	Overseas
Market environment	• Recovery in truck production • Growing interest in decarbonization (adopting electrification trend) • Intensifying price competition between large suppliers • Existence of niche markets (e.g., narrow sites) • Concerns about labor shortages and shrinking market size due to declining birth rate and aging population	• Increasing demand due to infrastructure development • Growing rental market • Growing demand for labor-saving machinery • Multifunctioning of product • Uncertain economic conditions (geopolitical risks, inflation, etc.)
Main measures	**UNIC cranes, UNIC carriers** • Step up direct sales and expand sales of products unique to UNIC • Adapt to vehicle electrification trend **Mini-crawler cranes** • Increase sales of high-value-added products (battery-operated models, disassembled models, etc.) for rental market; narrow target customers (electric power companies, general contractors, etc.) to focus on and cultivate new markets **Ocean cranes** • Reinforce contacts with existing customers and develop new ones	**Southeast Asia, East Asia, Middle East, Oceania** • Increase sales of UNIC cranes (large and super-large machines) and develop dealer network **North America** • Increase sales of mini-crawler cranes for rental market **Europe** • Strengthen dealer salesforce to restore market share **Product development** • Expand lineup of large and super-large machines
Expected outcomes	**Ensure safe, efficient, and energy-saving operations at diverse sites**	**Build win–win relationships with dealers in each country to improve customer satisfaction**

Materials

Metals

Net sales			Operating profit			Operating margin		
FY2022 (Millions of yen)	FY2021 (Millions of yen)	Difference (Millions of yen)	FY2022 (Millions of yen)	FY2021 (Millions of yen)	Difference (Millions of yen)	FY2022	FY2021	Difference
111,424	102,995	8,429	1,276	940	336	1.1%	0.9%	0.2pt

Achievements and Future Challenges

In fiscal 2022, we terminated our entrusted copper smelting agreement with Onahama Smelting and Refining Co., Ltd., effective March 31, 2023, and we are now on track for a fundamental review of our entrusted smelting business, which has been a priority issue for some time. This business has been affected by market trends in metal prices and exchange rates, as well as ore-purchasing conditions. Accordingly, earnings have fluctuated wildly, making it difficult to determine profitability and future prospects. Having strategically downsized the business, we will post a year-on-year decline in segment sales. However, we are beginning to see improvements in profitability, including a significant reduction in unprofitable exports.

Furukawa Metals & Resources Co., Ltd.
President & Representative Director
Tomotoshi Miyamoto

Medium-Term Business Plan 2025: Basic Strategy and Key Priorities

Basic strategy

- Make efforts to optimize the entrusted smelting business

Key priorities

- Pursue profitability and stabilization of the entrusted smelting business
- Termination of entrusted copper smelting agreement with Onahama Smelting and Refining Co., Ltd. (March 31, 2023)
  - Strategically reduced scale of operations and drastically cut unprofitable exports
  - Obtained clear outlook on fundamental review of entrusted smelting business

Metals segment profit and loss infection	FY2022	FY2023 (Forecast)	VS FY2022 Difference
Net sales	¥111.4 billion	¥74.8 billion	¥(36.6) billion
Operating profit	¥1.2 billion	¥0.5 billion	¥(0.7) billion
[Operating profit excluding price effect]	[¥0.09 billion]	[¥0.5 billion])	[+¥0.41 billion]
Copper output	70,186 ton	48,592 ton	(21,594) ton
Assumption Copper price	8,551 $/mt	8,000$/mt	—
Exchange rate	135.5 yen/$	135.0 yen/$	—

* As of the financial results announcement for fiscal 2022, made on May 12, 2023

Electronics

Net sales			Operating profit			Operating margin		
FY2022 (Millions of yen)	FY2021 (Millions of yen)	Difference (Millions of yen)	FY2022 (Millions of yen)	FY2021 (Millions of yen)	Difference (Millions of yen)	FY2022	FY2021	Difference
6,926	7,271	(345)	500	666	(165)	7.2%	9.2%	(1.9)pt

Achievements and Future Challenges

In fiscal 2022, the semiconductor market deteriorated in the second half of the year, causing a decline in sales of high-purity metallic arsenic that could not be offset by other products, resulting in lower segment sales. In addition, increasing electricity charges had a significant impact on manufacturing costs and profitability. In response, we implemented price rebates and passed on increased costs to the prices of each product. Our challenge for the future is to grow the Electronics segment as a whole, with a particular focus on specific product groups, such as aluminum nitride ceramics and optical components, which are not significantly affected by semiconductor market conditions. We will also leverage the strengths of our segment to reinforce our capabilities in product development, manufacturing technology, and sales.

Furukawa Denshi Co., Ltd.
President & Representative Director
Kenichiro Tamari

Medium-Term Business Plan 2025: Basic Strategy and Key Priorities

Basic strategy

- Expand business in strategic products to increase earnings

Key priorities

- **Aluminum nitride ceramics:** Increase production capacity to reinforce sales
- **Optical products:** Develop and commercialize special optical material products; increase sales of diffractive optical elements (DOEs) for laser processing
- **High-purity metallic arsenic:** Establish stable supply system that reflects market needs as a category leader
- **Coils:** Develop products and expand sales in growth areas to bolster earnings

Market environment	• Growing demand for heat-dissipating materials for semiconductor manufacturing equipment, etc. • Growing market for high-quality laser processing • Semiconductor market recovering moderately (due to increased demand for 5G communications, sensors, etc.) despite deterioration in the short term
Main measures	**Aluminum nitride ceramics** • Swiftly commission facilities to achieve 1.6-fold increase in production capacity; consider investments for further production increases; develop distinctive products **Optical components** • DOEs: Aim for mass adoption of laser processing • Consolidate operations to stabilize profitability **High-purity metallic arsenic** • Maintain our facilities preventively and ensure stable procurement of raw materials
Expected outcome	**Contribute to enhanced functionality of electronic devices, etc.**

Chemicals

Net sales			Operating profit			Operating margin		
FY2022 (Millions of yen)	FY2021 (Millions of yen)	Difference (Millions of yen)	FY2022 (Millions of yen)	FY2021 (Millions of yen)	Difference (Millions of yen)	FY2022	FY2021	Difference
8,454	7,896	557	532	743	(210)	6.3%	9.4%	(3.1)pt

Achievements and Future Challenges

In fiscal 2022, sales of cuprous oxide increased on the back of a recovery in demand for ship-bottom paints, a major application for that product. On the other hand, segment operating profit declined due to weak demand for cupric oxide for electronic materials, the main application for that product, as well as delays in passing on increased costs of raw materials to our product prices. Among existing products, we will step up efforts to differentiate our sulfuric acid offerings and expand facilities to meet recovery in demand for cupric oxide, which will lead to increased earnings. Meanwhile, sales of metallic copper powder, a newly developed product, are far behind our targets due to sluggish demand for conductive applications, but we will continue expanding sales channels by developing new applications and other means.

Furukawa Chemicals Co., Ltd.
President & Representative Director
Shin Imai

Medium-Term Business Plan 2025: Basic Strategy and Key Priorities

Basic strategy

- Increase earnings from existing products and nurture and expand newly developed products

Key priorities

- **Existing products**
  - Sulfuric acid: Strengthen differentiation by emphasizing high-quality sulfuric acid
  - Cupric oxide: Capacity enhancement to increase sales
- **Newly developed products**
  - Metallic copper powder: Expand sales channels by developing new applications

Market environment

- Domestic market for chemical products generally shrinking due to population decline
- Growing demand for batteries and related electronic components due to shift to EVs and automation of automobiles, etc.
- Increasing demand for servers, etc., due to advances in networks stemming from ICT innovation

Main measures

Sulfuric acid
- Strengthen differentiation by emphasizing high-quality sulfuric acid for battery applications for which demand is growing

Cupric oxide
- Increase production capacity and expand sales to address rising demand for packaged substrates used in servers, etc.

Metallic copper powder
- Shorten the process from sample rollout to formal adoption and develop applications other than conductive applications (such as multilayer ceramic capacitors (MLCCs)) to expand sales channels

Expected outcome

Help realize an environmentally friendly and prosperous society

Real Estate

Net sales			Operating profit			Operating margin		
FY2022 (Millions of yen)	FY2021 (Millions of yen)	Difference (Millions of yen)	FY2022 (Millions of yen)	FY2021 (Millions of yen)	Difference (Millions of yen)	FY2022	FY2021	Difference
2,056	2,115	(58)	835	743	92	40.6%	35.1%	5.5pt

Medium-Term Business Plan 2025: Basic Strategy and Key Priority

Basic strategy

- Secure stable earnings from the Muromachi Furukawa Mitsui Building and effectively utilize other real estate holdings, including site of former Furukawa Osaka Building

Key priority

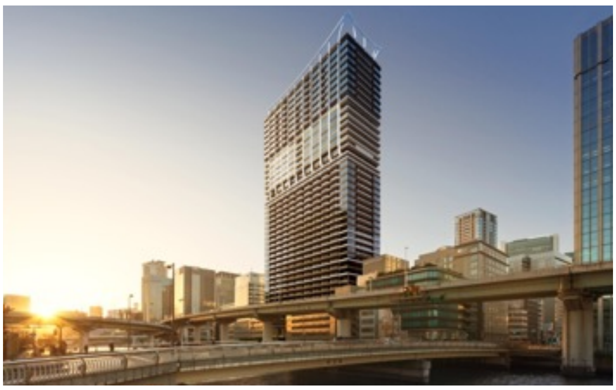
- Promote lease business using the site of the former Furukawa Osaka Building.

TOPICS

Plan for Site of the Former Furukawa Osaka Building

Promote lease business using the site of the former Furukawa Osaka Building

We have been considering our future plan for the site of the former Furukawa Osaka Building, which was a key priority in our effort to effectively utilize our real estate holdings. At its meeting held on May 29, 2023, the Board of Directors resolved to transfer co-ownership interest of the site of the former Furukawa Osaka Building and other land (transfer date: August 25, 2023). The Company plans to use the proceeds from the sales to lease a hotel and some residential units scheduled to be built on the site (scheduled for completion in the spring of 2027).



TOPICS Rock Drill Machinery

Evolving Products for Mountain Tunnel Construction
—Using automation and mechanization to improve site safety and workability and to save labor

Fully automatic drill jumbos: Solving problems at the cutting edge of tunnel construction

In Japan, which has many mountainous areas, tunnel drill jumbos made by the Rock Drill Machinery segment are used at construction sites for mountain tunnels, which function as social infrastructure connecting various regions in the nation. We have an 80% domestic market share[*1] for tunnel drill jumbos. This type of construction involves drilling holes in the hard bedrock that forms the tunnel cross section, then loading and detonating explosives. In recent years, cut-and-cover construction has presented issues, such as worker safety and labor shortage due to the aging of skilled workers. The need to pass on skills and know-how and improve productivity through enhanced efficiency and precision is also a challenge. In particular, the drilling process, which accounts for roughly 60% of all blasting operations, is complicated and relies on the intuition of experienced and skilled workers, leading to calls for greater automation and productivity improvement.

To resolve these issues, we developed the ROBOROCK® fully automatic drill jumbo. Its drilling process is fully automated and computer-controlled for optimal, highly accurate drilling. In addition to improving productivity, it enables labor savings at hazardous work sites and helps ensure worker safety. Its technology is registered in the New Technology Information System (NETIS), a database owned by the Ministry of Land, Infrastructure, Transport and Tourism, and thus scores additional points for construction performance evaluation and in the general evaluation bidding process.

High praise received for mountain tunnel construction-related machines products improved safety and ease of construction

In addition to fully automatic drill jumbos, we develop and provide tunnel construction-related products that improve the safety and workability of the construction process. These products are highly valued by customers and received many awards for their superior technology in fiscal 2022.

(1) BOLTINGER (rock bolting robot)

- 2022 Japan Construction Machinery and Construction Award[*2]
- 24th Infrastructure Technology Development Award[*3]
- Minister of Land, Infrastructure, Transport and Tourism Award[*4] at the 10th Robot Award

Rock bolting is a difficult process that is traditionally performed manually at high elevations and in close proximity to the rock face. Equipped with a six-meter joint bolt placing device, BOLTINGER (jointly developed with Taisei Corporation) is a rock bolting robot that completely mechanizes the rock bolting process, thus dramatically improving safety and workability and reducing labor.

(2) Tunnel drill jumbo using remote technology

- 2022 Japan Construction Machinery and Construction Award[*2]

Japan's first tunnel drill jumbo using remote technology (jointly developed with HAZAMA ANDO CORPORATION and MAC co., ltd.) enables unmanned construction in the face of a tunnel by remotely operating the drill from a central control room in the pit. Consolidating and analyzing construction data in the central control room also helps streamline blasting operations. Using remote technology to perform ICT-based construction has been highly evaluated for improving safety and workability.

(3) The robot for installing steel arch supports

- Minister of Land, Infrastructure, Transport and Tourism Award[*4] at the 10th Robot Award

The robot for installing steel arch supports (jointly developed with Maeda Corporation and Mac Co., Ltd.) has completely mechanized the dangerous and demanding work of steel support erection and concrete spraying at the face. It enables two people to perform work previously requiring six people, thereby improving productivity by reducing manpower and shortening the construction cycle while significantly reducing the risk of on-site accidents.

Contributing to infrastructure development with products that address social issues

In the Rock Drill Machinery segment, we will continue fostering the development of social infrastructure by providing products related to mountain tunnel construction that not only improve safety and manpower saving at construction sites through automation and mechanization but also resolve various social issues related to national land resilience, disaster prevention and mitigation, the SDGs, and Japan's declining workforce.

*1 Company research
*2 Awarded in June 2022 by the Japan Construction Machinery and Construction Association
*3 Awarded in August 2022 by the Japan Institute of Country-ology and Engineering
*4 Awarded in October 2022 by the Ministry of Economy, Trade and Industry (secretary); Japan Machinery Federation (secretary); Ministry of Internal Affairs and Communications; Ministry of Education, Culture, Sports, Science and Technology; Ministry of Health, Labour and Welfare; Ministry of Agriculture, Forestry and Fisheries; and Ministry of Land, Infrastructure, Transport and Tourism

Please take a look at the video below introducing our tunnel-related machines used at mountain tunnel construction sites.

https://www.youtube.com/watch?v=1tDy0vfI2So

Tunnel Drill Jumbo video

Sustainability in the Furukawa Company Group

Ideal Image for Sustainability 2025

In 2016, the Furukawa Company Group formulated “Ideal Image for CSR 2025” in order to think about what sort of CSR activities should be conducted once Vision for 2025 “FURUKAWA Power & Passion 150” has been achieved. In May 2023, we changed the name to “Ideal Image for Sustainability 2025.”

We are promoting activities to achieve the ideal image so we can remain a company that is indispensable to and trusted by society.

Ideal Image for Sustainability 2025 (revised in May 2023)

Promote environmental and safety activities

Reduce environmental impact, promote environmental protection and biodiversity preservation, publicly disclose results of environmental and safety activities, achieve zero workplace accidents and disasters, ensure stable maintenance and management of mine drainage treatment facilities and loading docks at suspended or abandoned mines, and conduct technology transfers

Improve the brand strengths of Furukawa products and achieve top ranking in product categories

Expand and strengthen human resources

Build a rewarding company by providing comfortable work environments in which individual employees can maximize their abilities and create new value

Leverage sustainability activities to pursue QCD* and sustainably make and sell products that are trusted by customers

Promote sustainability initiatives

Expand enterprise risk management system, promote sustainability and climate change-related disclosure,
manage Materialities (Key Issues) targets related to sustainability initiatives,
engage in environmental and human rights due diligence, and support measures for carbon neutrality

Ensure that all officers and employees are keenly aware of compliance as it applies to the international community

* QCD: Quality, cost, and delivery

Sustainability Promotion Framework

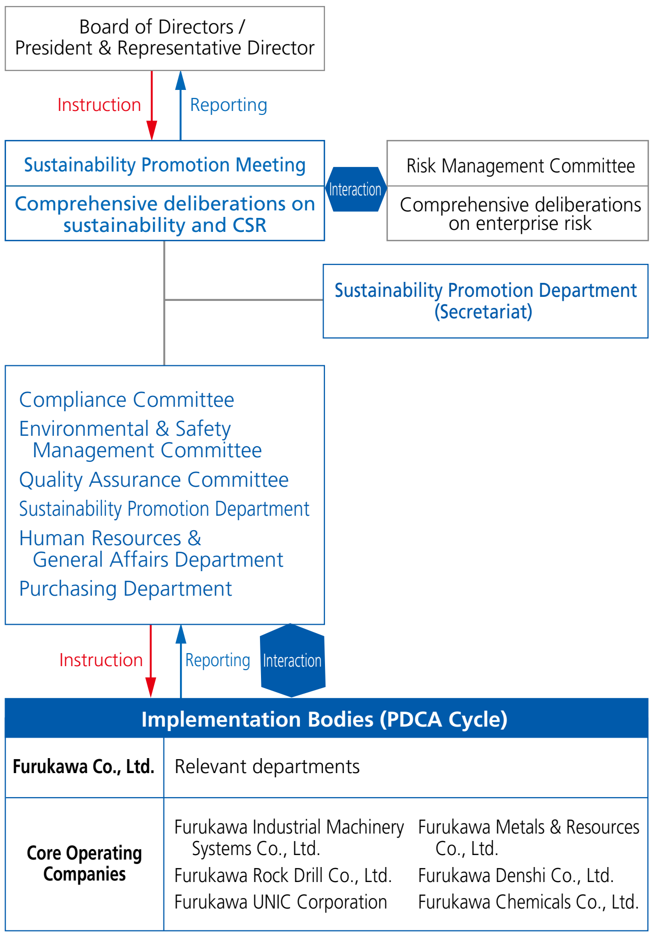
In December 2021, the Group reorganized its CSR Promotion Meeting, established in Furukawa Co., Ltd., to promote CSR initiatives, and renamed it the Sustainability Promotion Meeting to strengthen its sustainability initiatives. Since then, the Group has worked actively to resolve issues related to sustainability by clarifying its responsibilities to stakeholders and identifying priority issues that need to be addressed to realize “The Furukawa Company Group Basic Policy on Sustainability Initiatives.”

The Sustainability Promotion Meeting convenes annually, in principle, with the President & Representative Director serving as Chairperson and the Sustainability Promotion Department as Secretariat. The Meeting deliberates on a variety of sustainability and CSR issues, including formulation of basic policy and action plans for the Group’s sustainability and CSR activities, establishment of a promotion framework, verification and evaluation of the status of activities, and education and public information measures.

Other serving members of the Sustainability Promotion Meeting are the Company’s directors and the presidents of core operating companies, as well as the chairperson of the Compliance Committee, the Environmental & Safety Management Committee, and the Quality Assurance Committee, which are the Company's organizations, together with the heads of the Sustainability Promotion Department, Human Resources & General Affairs Department, and Purchasing Department. Based on deliberations and suggestions made at the Meeting, we will develop a PDCA cycle of planning, execution, evaluation, and improvement in cooperation with relevant Group companies and business divisions that serve as executive departments for sustainability and CSR activities.

In cooperation with the Risk Management Committee, which is engaged in Groupwide risk management, we will develop a system to reduce risks and maximize opportunities related to the Group’s business.

Sustainability Promotion Structure



Identification of Materialities (Key Issues)

To further endeavor to make its Management Philosophy a reality and resolve social issues, the Furukawa Company Group has reviewed the CSR priority issues identified in 2013, and at a meeting of the Board of Directors held in November 2022, resolved to identify 10 items of Materiality (Key Issues) based on "The Furukawa Company Group Basic Policy on Sustainability Initiatives" established in December 2021, as follows. We are also considering targets and other measures to address those items.

By steadily implementing the PDCA cycle in relation to any measures determined, we will work hard to "increase the value of the Furukawa brand through 'marketing-based management' that incorporates CSV perspectives" and "increase corporate value by emphasizing business practices that reflect CSR/ESG issues recognized and to be solved by the Group," as is clearly stated in Vision for 2025. In the process, we will aim to achieve sustainable growth for society and the Group and increase corporate value over the medium to long term.

1 Materialities (Key Issues) on Sustainability Initiatives

Proactive: CSV Issues **Materialities on resolving "social issues" through our business**		**Main Related SDGs**
• Provide environmentally friendly products, technologies, and services • Contribute to the resolution of customer issues • Contribute to the creation of a safe and comfortable society, including infrastructure development		
Defensive: CSR/ESG issues **Materialities on establishing a robust corporate foundation for growth**		**Main Related SDGs**
E (Environmental)	• Promote climate change countermeasures in business activities • Promote biodiversity preservation activities	
S (Social)	• Develop safe and rewarding work environments that take health into consideration • Recruit and develop diverse human resources • Promote management that respects human rights	
G (Governance)	• Develop an enterprise risk management system • Ensure thorough compliance	

2 Background

In 2013, when it launched a framework for promoting CSR, the Group identified CSR priority issues, established related targets, and worked to achieve those targets. In recent years, however, measures to address climate change and achieve the SDGs have come to be viewed as increasingly important. Accordingly, the Group decided to review its existing understanding of the issues and work harder to make its Management Philosophy a reality and resolve social issues. To this end, we formulated "The Furukawa Company Group Basic Policy on Sustainability Initiatives" on December 1, 2021, and reorganized our CSR promotion framework into a sustainability promotion framework. In addition, we reviewed our existing CSR priorities and identified sustainability-related Materialities that we should focus on as a matter of priority.

3 Process for Identifying Materialities

Step 1 Select social issues	Step 2 Understand importance	Step 3 Identify Materialities
• Identified issues that are important to the Group and various stakeholders from medium- to long-term perspectives [Reference] GRI Standards, ISO 26000, indicators and targets for the SDGs, trends at other companies, etc. • Selected 50 candidates for Materialities	• Conducted in-house surveys related to the 50 candidates selected and assessed importance in relation to issues • Aggregated and scored the results • Consolidated the 50 candidates into 10 items of Materiality (Key Issues), taking into consideration social demands	• Passed resolutions concerning the identification of Materialities at a meeting of the Management Council held in October 2022 and an extraordinary meeting of the Board of Directors held on November 11, 2022

Medium-Term Targets for Sustainability-Related Organizations (FY2023–2025)

Medium-Term Sustainability Targets

Organization	Medium-term targets (FY2023–2025)	Related SDGs
Environmental & Safety Management Committee	• Promote improved environmental performance (CO_2, water resources, waste, and chemical substances) to achieve Fourth Medium-Term Reduction Targets • Promote initiatives to achieve carbon neutrality • Promote biodiversity preservation activities (greening, maintenance of Company-owned forests, preservation of ecosystems, regeneration of flora and fauna, etc.) • Strengthen efforts to achieve accident- and disaster-free operations • Meticulously manage suspended or abandoned mines	3, 6, 7, 11, 12, 13, 15
Quality Assurance Committee	• [Groupwide] Step up activities to raise awareness about quality • [Operating companies in the Machinery business] Reduce number/cost of complaints • [Operating companies in the Machinery business] Establish and continuously improve the quality assurance system (pursue activities in line with quality roadmap) • [Operating companies in the Materials business] Strengthen quality assurance system (review existing methods and consider use of new ones)	4, 8, 9, 11, 12, 17
Human Resources & General Affairs Department	• Develop and retain talented human resources • Improve internal working environments • Promote diversity	3, 4, 5, 8, 10
Purchasing Department	• Procure materials and parts from suppliers in consideration of the SDGs • Continue evaluating suppliers, including from the perspective of their sustainability initiatives • Continue comprehensive supplier evaluation (QCD + CSR) • Continue Groupwide CSR procurement activities	8, 10, 12, 16, 17
Sustainability Promotion Department	• Expand and enhance enterprise risk management system • Disclose information on activities related to sustainability and climate change • Monitor and manage measures and targets for Materialities related to sustainability initiatives • Implement environmental and human rights due diligence measures • Promote GHG reduction plan related to carbon neutrality	3, 5, 8, 13, 16
Compliance Committee	• Step up measures to prevent compliance violations • Conduct compliance awareness surveys • Respond proactively to the Act on the Protection of Personal Information (including guidelines) and the Whistleblower Protection Law • Respond appropriately to subcontractors and other business partners • Establish a compliance system for overseas subsidiaries	8, 16

Relationships with Stakeholders

In the course of strengthening our sustainability initiatives and implementing our Management Philosophy, we have identified our stakeholders as follows: customers, business partners, shareholders and other investors, employees, local communities, and the global environment. Moreover, we aim to build relationships of trust and accordingly maximize corporate value by engaging in appropriate communications that involve clearly conveying our responsibilities to each group of stakeholders.

Stakeholder	Responsibilities	Opportunities and Means for Communication
Customers	We shall provide customers with safe, high-quality products and services in order to increase satisfaction levels.	Service activities, sales activities, websites, exhibitions, meetings to exchange views with distributors and agencies, etc.
Business partners	We shall build and maintain mutually beneficial relationships conducive to harmonious coexistence through stable procurement activities based on the principles of fairness and economic rationality.	Procurement activities and information exchanges, CSR promotion guideline surveys, technical guidance, production briefings, etc.
Shareholders and other investors	We shall work to maximize corporate value through communications focusing on timely and appropriate information disclosure and IR activities.	Results briefings, shareholders' meetings, IR meetings with institutional investors and analysts, factory tours, integrated reports and other such IR tools, information disclosure on the website, distribution of IR news, etc.
Employees	We shall create safe, healthy, and motivating workplaces in which our diversified human resources can excel while adopting appropriate evaluation standards and fair treatment.	Employment grade-specific training, personnel performance evaluation and target evaluation system, self-assessment system, discussions between management and labor unions, employee surveys, internal reporting system, etc.
Local communities	We shall build and maintain favorable relationships of trust by pursuing social contribution activities aimed at harmonious coexistence with local communities.	Contributions to local communities through business, participation in volunteer activities, etc.
Global environment	We shall protect biodiversity by developing environmentally friendly technologies and products while minimizing the environmental impact of our activities through savings of energy and resources and reduction of waste.	Cooperation with groups and NPOs that engage in tree planting activities, ecosystem restoration and recovery activities with local residents, disclosure of environmental and other data in sustainability reports, etc.

Resolving Social Issues through Business

The Group will generate “corporate value” by providing infrastructure, products, technologies, and services that help resolve social issues, while at the same time striving to create “social value.” Of the 17 SDGs, we are focusing particular attention on achieving Goal 11 (“Make cities and human settlements inclusive, safe, resilient and sustainable”) and Goal 9 (“Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”). We will also strive to create “social value” by building social infrastructure as stated in “The Furukawa Company Group’s Value Creation Process” (please see pages 7–8), while realizing a safe, environmentally friendly, and prosperous society.

Deploying “Marketing-Based Management” That Incorporates CSV Perspectives to Address the SDGs

The Furukawa Company Group practices “marketing-based management” that incorporates CSV perspectives and creates “social value” by improving social infrastructure and realizing a safe, environmentally friendly, and prosperous society. In these ways, we will help achieve the SDGs.

SDGs Contribution Targets by Segment

Segment	Main Products, Technologies, and Services			SDGs with High Contribution Levels (◎: Especially Important; ○: Important)						
				3	6	7	9	11	12	13
Industrial Machinery	 Pumps	 Belt conveyors	 Steel bridges and structures	○	◎	○	◎	◎	○	○
Rock Drill Machinery	 Tunnel drill jumbos	 Hydraulic crawler drills	 Hydraulic crushers			○	◎	◎	○	
UNIC Machinery	 UNIC cranes	 Mini-crawler cranes	 Ocean cranes			○	◎	◎		
Metals	 Electrolytic copper					○	◎	◎	○	
Electronics	 High-purity metallic arsenide	 Coils	 Aluminum nitride ceramics			○	◎	◎	○	
Chemicals	 Sulfuric acid	 Aluminum sulphate	 Cuprous oxide		◎	○	◎	◎		

Industrial Machinery

Our belt conveyors, featuring superior efficiency, safety, and environmental performance, contribute to the development of social infrastructure.

In the Industrial Machinery segment, we develop belt conveyors that help resolve social issues related to national land resilience, disaster prevention and mitigation, and the like. Here, we leverage our experience and conveyor-related technologies, cultivated through mine development, as well as our engineering capabilities in the steel structure business, to handle the design, construction, and installation of steel structures suited to each site in an integrated manner.

Compared with dump trucks, which are a common means of transporting earth and sand, belt conveyors are highly regarded because they enable reduced manpower, generate almost no CO_2 emissions, and allow earth and sand to be transported safely and reliably. As a result, they have been used more and more in recent years. With our SICON® enclosed hanging belt conveyor, earth, sand, and other materials are enclosed in bags and suspended like a monorail for transportation. It is used at sites that require consideration of the surrounding environment, such as residential areas and for transporting earth and sand on steep slopes (river flood-control projects, tunnel construction, dam construction, etc.) because it suppresses spills, dust, noise, and vibration, and its conveying line can easily be routed across a variety of terrains.

Please watch the video introducing the excellent characteristics of the Furukawa Company Group’s belt conveyors and examples of solutions to social issues in earth and sand conveying.

Belt Conveyor video

Our belt conveyors help resolve social issues

Message from Chairman of the Board of Directors

I was appointed President & Representative Director in June 2013 and Chairman & Representative Director in June 2021. During these period, I have also served as Chairman of the Board of Directors since June 2017.

In 2015, when the Furukawa Company Group celebrated its 140th anniversary, we established our new Management Philosophy and drew up our first long-term management vision (Vision for 2025), outlining what we want to be in 10 years when we celebrate our 150th anniversary. Backcasting from this, we introduced a framework for formulating medium-term business plans, with a roadmap every three years centered on action plans and PDCA progress management for each business and product. These initiatives align closely with the basic and supplementary principles set forth in "Responsibilities of the Board" in Japan's Corporate Governance Code, released in May 2015.

We have now completed Phase 1 (Medium-Term Business Plan 2019) and Phase 2 (Medium-Term Business Policy 2022) of Vision for 2025, and this year, fiscal 2023, marks the first year of Phase 3 (Medium-Term Business Plan 2025). Over the next three years, we will make significant progress in our core Machinery business and develop new products in our Materials business in order to achieve the goals of the new plan while keeping Vision for 2025 in mind. To this end, the Board of Directors will fulfill its oversight responsibility to ensure that we achieve the goals of our earnings plan and capital policy while implementing sustainability-related initiatives and a wide range of other non-financial measures.

As the decision-making and oversight body for matters related to the entire Group, the Board of Directors discusses medium- and long-term management strategies and other matters, works to accelerate decision-making, and ensures appropriate oversight. As Chairman of the Board of Directors, I oversee efforts to achieve sustainable growth and enhance medium- to long-term corporate value. Here, I leverage the insights of outside directors, who have objective and diverse viewpoints, to invigorate discussions.

When formulating Medium-Term Business Plan 2025, the Board of Directors extensively discussed and incorporated new non-financial strategies, in addition to confirming business strategies. We spent significant time discussing sustainability and capital policy, including the reduction of strategic shareholdings. In evaluating the effectiveness of the Board of Directors, we reaffirmed the importance of more free, vigorous, and constructive discussion, including issues raised by outside directors, when addressing specific management strategies and plans. Going forward, we intend to further revitalize the Board.

We will also focus on strengthening our governance structure and enhancing the functions of the Board of Directors to create an environment for optimal risk–reward decision-making and improve the effectiveness of the Board. As Chairman of the Board of Directors, I will manage the Board with these intentions always in mind. I will also strive to realize Vision for 2025 and look beyond it to achieve sustainable growth and enhance medium- to long-term corporate value.

Last, I would like to address the reduction of strategic shareholdings, a key issue in the governance of the Company. We have a history of investing in affiliated companies and owning real estate and shares related to various businesses under prewar zaibatsu (conglomerate) management. We have also held a relatively large number of shares even after the postwar dissolution of the zaibatsu.

Following a 2018 revision of the Corporate Governance Code regarding the reduction of strategic shareholdings, the Board of Directors introduced a framework for verifying the appropriateness of maintaining holdings based on a comprehensive review of various factors, including the cost of capital, and has been working to reduce its strategic shareholdings since fiscal 2018. As a result, we sold shares in 16 companies over the past five years, reducing the ratio of strategic shareholdings to consolidated net assets from 51.8% on March 31, 2018, to 35.1%* on March 31, 2023. However, I acknowledge that is not sufficient. Going forward, the Board of Directors will continue to conduct annual reviews of the Company's strategic shareholdings and strive to reduce holdings of shares deemed to be no longer necessary by selling them. We will also continue disclosing the ratio of strategic shareholdings to consolidated net assets as an indicator of our progress in reducing such shareholdings.

* Includes 5.5% deemed to be held in retirement benefit trusts

As Chairman of the Board of Directors' I will continue working to improve the quality of the Board of Directors' meeting. To this end, I sincerely ask for the ongoing support from all stakeholders.

Naohisa Miyakawa
Chairman of the Board of Directors
Chairman &
Representative Director

Basic Approach

The Furukawa Company Group maintains fundamental policies regarding corporate governance with respect to heightening managerial transparency, building an effective managerial framework through ongoing efforts to transform its corporate structure, increasing its corporate value by generating consistent profits, and contributing to its shareholders and other stakeholders.

Overview of Corporate Governance System and Reasons for Its Adoption

Furukawa Co., Ltd. employs a company system with a Board of Directors and an Audit & Supervisory Board to supervise business execution. In addition, we have appointed Outside Directors to ensure the validity of decision-making and the objectivity and transparency of management. The Audit & Supervisory Board Members are managers of other companies and persons with knowledge of financial accounting, who use their specialized knowledge and experience to give advice to management and check the status of operations. We consider that management oversight is functioning effectively under the current system.

Directors and Board of Directors

The Board of Directors, chaired by Chairman & Representative Director Naohisa Miyakawa, holds regular meetings once a month, and extraordinary meetings as necessary and supervises the business execution of the entire Group as a supervising body.

The Board consists of nine members as of June 29, 2023, including three Outside Directors.

Nomination & Remuneration Committee

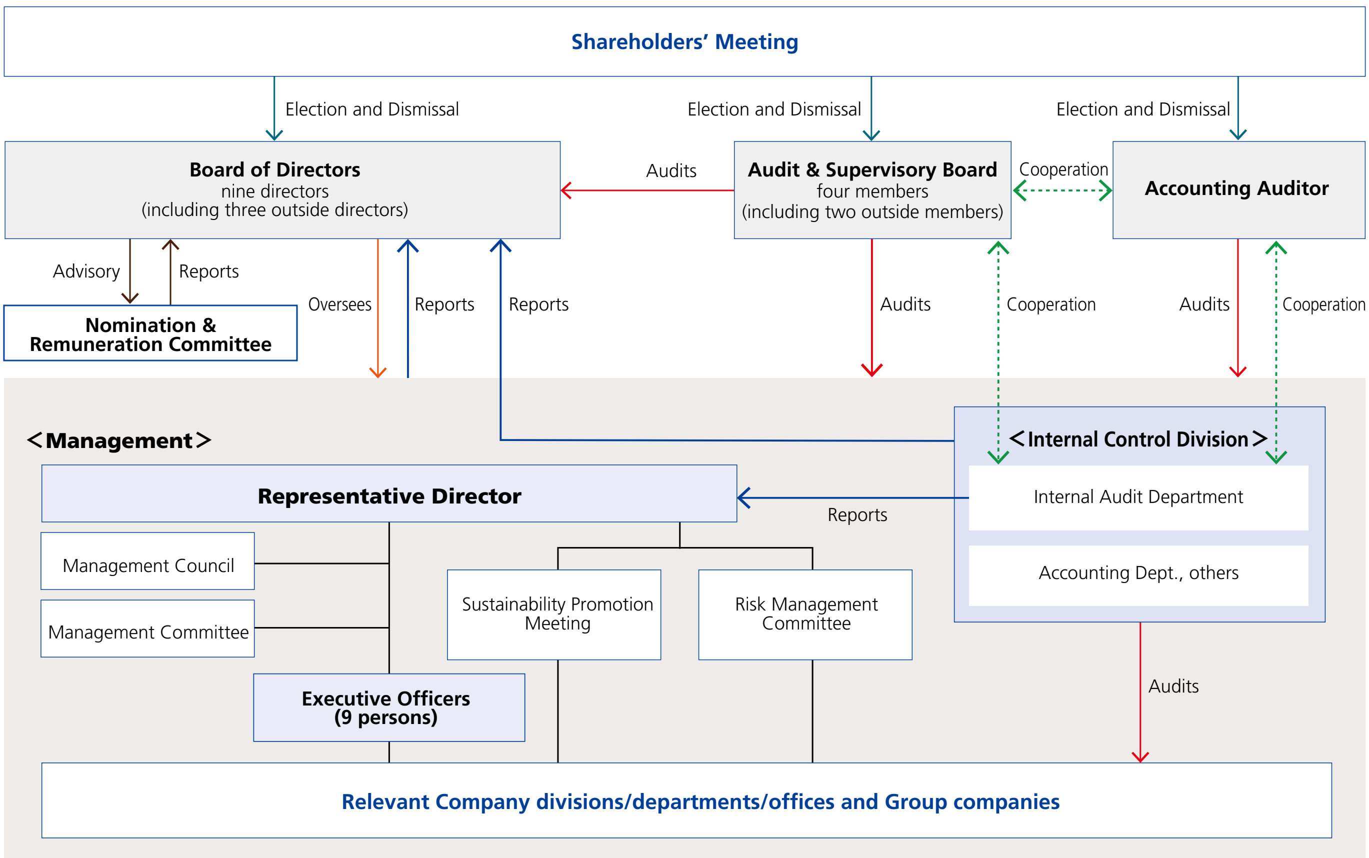
The Nomination & Remuneration Committee serves as an optional advisory body to the Board of Directors. It receives requests for advice from the Board of Directors regarding candidates for Directors and Audit & Supervisory Board Members, as well as selection and dismissal of Representative Directors and remuneration for Directors, then deliberates and reports as necessary.

The majority of the Committee's members are Outside Independent Directors, and the Committee is chaired by an Outside Independent Director, thereby ensuring independence.

The Committee met five times between April 2022 and March 2023. It consists of the following five members.

Title	Name	No. of meetings	No. of meetings attended	Attendance rate
Chairman (Outside Director)	Tatsuya Tejima	5	5	100%
Member (Outside Director)	Yoichi Mukae	5	5	100%
Member (Outside Director)	Kazumi Nishino	5	5	100%
Member (Chairman & Representative Director)	Naohisa Miyakawa	5	5	100%
Member (President & Representative Director)	Minoru Nakatogawa	5	5	100%

Corporate Governance System



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Executive Officer System

The Company employs an Executive Officer System, which facilitates quicker decision-making, and defined responsibilities in terms of keeping management supervisory functions separate from executive functions. Executive Officers perform their tasks according to business plans determined by the Board of Directors, and report the status of business execution as appropriate to the Board of Directors and the Management Committee. The Company has nine Executive Officers as of June 29, 2023, including four serving concurrently as Directors.

Management Council

The Management Council consists of all internal Directors of the Company and is chaired by Minoru Nakatogawa, President & Representative Director. The Council makes decisions on basic management policies, strategic planning, and important matters of the Furukawa Company Group. Internal Audit & Supervisory Board Members may attend Management Council meetings and express their opinions.

Important matters pertaining to each company in the Group are submitted to the Board of Directors after decisions of the respective Group companies have been made. Of the important matters submitted to the Management Council, those of managerial importance in terms of financial magnitude and content are also submitted to the Board of Directors for decision.

Management Committee

The Management Committee consists of internal Directors and internal Audit & Supervisory Board Members, as well as Executive Officers, general managers of business divisions, managers of departments not attached to business divisions (excluding general manager of the Secretary Department), and the presidents of core operating companies (Furukawa Industrial Machinery Systems Co., Ltd., Furukawa Rock Drill Co., Ltd., Furukawa UNIC Corporation, Furukawa Metals & Resources Co., Ltd., Furukawa Denshi Co., Ltd., and Furukawa Chemicals Co., Ltd.). The Committee is chaired by Minoru Nakatogawa, President & Representative Director, and meets monthly. The Management Committee reports on the execution of business by the Company and its core operating companies, examines them, and gives instructions.

Audit & Supervisory Board and Its Members

The Audit & Supervisory Board consists of four members (two full-time and two outside) as of June 29, 2023, and is chaired by Kazuo Inoue, a full-time member. It meets from time to time to make decisions on audit policies, business decisions, methods of investigating the status of assets, and other matters related to the execution of duties by Audit & Supervisory Board Members.

The Company has appointed one supplementary Audit & Supervisory Board Member (pursuant to Article 329, Paragraph 3 of the Companies Act) in case the number of members stipulated in laws and regulations falls short. The appointment of supplementary Audit & Supervisory Board Members shall be effective until the beginning of the Annual Shareholders' Meeting relating to the last fiscal year ending within four (4) years after the appointment's resolution. In the event that a supplementary member assumes office as an Audit & Supervisory Board Member, the term of office shall be until the expiration of the term of the retiring member.

In accordance with the audit policy determined by the Audit & Supervisory Board, Audit & Supervisory Board Members attend meetings of the Board of Directors, Management Council, and other important bodies. At those meetings, Audit & Supervisory Board Members audit the execution of duties by Directors by listening to business reports from Directors and others, and by investigating business offices and subsidiaries.

Status of Internal Audits and Audits by the Accounting Auditor and Audit & Supervisory Board Members

We established the Internal Audit Department as an internal auditing organization. As of June 29, 2023, the Department has five members including the Internal Audit Department Manager, who conduct audits of the status of management and business execution across all management activities of the Group. Through a system in which the Internal Audit Department reports regularly (once a year) to the Board of Directors, we ensure cooperation among Directors and Audit & Supervisory Board Members. Since Audit & Supervisory Board Members also attend the Board of Directors' meetings, in principle, the Department further ensures collaboration by separately reporting to Audit & Supervisory Board Members as necessary on matters that do not overlap in content but are not regularly reported to the Audit & Supervisory Board.

The Company has appointed Ernst & Young ShinNihon LLC as its accounting auditor. There is no conflict of interest between the Company and the accounting auditor or the managing partners of the accounting auditor who engage in audits of the Company. Audit & Supervisory Board Members work closely with the accounting auditor as part of the Company's audit policy. At the beginning of each fiscal year, the Company receives an explanation of the annual audit plan from the accounting auditor and prepares an audit plan for Audit & Supervisory Board Members. Audit & Supervisory Board Members also receive explanations of the audit results from the accounting auditor regarding the settlement of accounts for the fiscal year and request reports from time to time. In addition, they work closely with the Internal Audit Department, receiving reports on the results of internal audits. The Internal Audit Department and the accounting auditor also exchange opinions and information as needed.

Evaluating the Effectiveness of the Board of Directors

The Company evaluates the effectiveness of its Board of Directors annually and reports the results to the Board for discussion.

Evaluation Process	
Questionnaires sent to each Director and Audit & Supervisory Board Member (February–March 2023)	Each Director and Audit & Supervisory Board Member evaluates the following items: ● Matters related to the composition of the Board (such as size and diversity) ● Matters related to the operation of the Board (such as frequency of meetings and provision of information in advance) ● Matters related to discussions at Board meetings (such as content of agenda items) ● Matters related to the monitoring function of the Board ● Matters related to dialogue with shareholders and other investors, etc.
Opinion exchange by Outside Directors and Outside Audit & Supervisory Board Members (May 2023)	Discuss the effectiveness of the Board of Directors, referring also to the results of aforementioned questionnaires at meetings where only Outside Directors and Audit & Supervisory Board Members are invited to participate.
Discussion at Board of Directors' meeting (May 2023)	Based on the results of the aforementioned questionnaire and discussions in the exchange of opinions by Outside Directors and Outside Audit & Supervisory Board Members, the effectiveness of the Board of Directors in the previous fiscal year is evaluated. In addition, efforts aimed at further improving the effectiveness of the Board of Directors are also finalized.

Evaluation Results for Fiscal 2022
• While the overall average evaluation remained unchanged from the previous fiscal year, the evaluation of "free and vigorous discussion" and "communication between internal and outside officers" improved as a result of enhanced discussion and exchange of opinions in the process of formulating Medium-Term Business Plan 2025 and other areas. • The evaluation of "adequate supervision of the establishment and operation of an internal control system" and other items was somewhat low. The operational status of the internal control system should be subject to periodic summative evaluation and the results should be shared with the Board of Directors. • With respect to enhancing the provision of information to Outside Directors and Outside Audit & Supervisory Board Members, we have implemented several measures, such as providing explanations of the current status of Group companies. However, continued provision of information, including through site visits, is necessary to deepen understanding of the Company's business activities. • Evaluation of the status of dialogue with shareholders and other investors has been improved by enhancing regular feedback at Board of Directors' meetings.
Future Initiatives
• By providing an explanation of Medium-Term Business Plan 2025 that gives a more detailed picture, we will consider forums (not limited to the Board of Directors) to consider the plan from multiple angles and have a fulfilling exchange of opinions. • Aiming to enhance the supervision of the internal control system's operation, we will regularly report to the Board of Directors on cause analysis and countermeasures for problematic cases or serious compliance violations. • Business site inspections are an effective means of providing information to Outside Officers. Accordingly, we will consider once again holding Board meetings at such sites.

Independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company appoints Outside Directors and Outside Audit & Supervisory Board Members with abundant experience and expertise in various fields, as well as impartial perspectives. This is to ensure the appropriateness of the Company's management decisions and the effectiveness of oversight and audits of management.

As of June 29, 2023, the Company has three Outside Directors and two Outside Audit & Supervisory Board Members.

In addition, the Company stipulates that Outside Officers (Outside Directors and Outside Audit & Supervisory Board Members, including candidates) do not fall under the following criteria concerning independence. Outside Officers who meet such criteria are designated and registered as Independent Directors/Auditors under the rules of the Tokyo Stock Exchange. As of June 29, 2023, the Company has four Independent Officers.

Independence Standards for Outside Officers (Must not meet the following criteria)

(1) Executive Directors, and employees of the Furukawa Company Group
(2) Business partners of the Group (those who provide products or services mainly to the Group and whose transactions with the Group were equivalent to more than 2% of net sales of the business partners in the most recent fiscal year of such business partners) or executives of such business partners
(3) Main business partners of the Group (those who are provided products or services by the Group and whose transactions with the Group were equivalent to more than 2% of net sales of the Group in the most recent fiscal year of the Group) or executives of such business partners
(4) Executives of financial institutions that are major lenders to the Group (lenders whose loan amounts were equivalent to more than 2% of the Group's consolidated total assets at the most recent fiscal year-end)
(5) Individuals earning ¥10 million or more per year from the Group in monetary or other benefits as specialists (including consultants, accountants, and lawyers) excluding executive remuneration, or individuals employed by companies earning ¥100 million or more per year from the Group
(6) Individual shareholders who hold 10% or more of the Company's voting rights (or Executive Directors, Executive Officers, or employees of corporations that hold 10% or more of the Company's voting rights)
(7) Individuals who had fallen under (1) to (6) above in the past three-year period
(8) Relatives (second degree or closer) of persons who fall under (1) to (7) above

Remuneration for Directors and Audit & Supervisory Board Members

The Company has established the following policies for determining the content of remuneration for each individual director as follows.

(1) Basic policies

- The remuneration system for directors shall function soundly as an incentive for the sustainable enhancement of corporate value, and the amount of remuneration for each individual director (hereinafter, "individual remuneration") shall be determined appropriately according to the responsibilities of each position.
- Remuneration for Executive Directors shall consist of basic remuneration, additional remuneration for directors, additional remuneration for Representative Directors, and stock-based remuneration. Outside Directors who are responsible for supervisory functions shall be paid only a certain amount of basic remuneration in consideration of their duties, and all remuneration for directors shall be paid monthly in monetary form.

(2) Policies for determining individual remuneration

- Individual remuneration amounts shall be determined in accordance with the remuneration standards for directors, taking into consideration the position, responsibilities, trends at other companies, and salary levels of employees, as well as business performance and other factors.
- With respect to remuneration for Executive Directors, 10% of basic remuneration shall be performance-linked, and 90% (additional remuneration for directors, additional remuneration for Representative Directors, and stock acquisition type remuneration) shall be fixed.
- For stock-based remuneration, contributions to the Executive Shareholding Association are obligatory as a medium- to long-term incentive.

(3) Policies for determining the calculation method, etc., of performance-linked remuneration

- Regarding basic remuneration for Executive Directors, consolidated operating profit shall be used as a performance indicator in order to link remuneration to short-term business performance and raise awareness of the need to improve such performance each fiscal year.
- In principle, performance-linked remuneration for Executive Directors shall be a sum equal to the basic performance-linked remuneration amount multiplied by 0–2, depending on the degree of achievement of the performance index against

initially announced targets. However, if natural disasters or special circumstances have a significant impact on the achievement of performance indicators, the Nomination & Remuneration Committee may take such impact into consideration after deliberation.

(4) Policies for determining payment ratio for each type in individual remuneration
- Regarding remuneration of the Executive Directors, the basic remuneration, which is performance-linked, shall account for around 8% of the total, and the rest shall be fixed.
- Stock-based remuneration shall be around 10–15% of total remuneration for Executive Directors.

(5) Matters concerning the method of determining the content of individual remuneration
- The Nomination & Remuneration Committee, whose principal members are Outside Independent Directors, shall deliberate on individual remuneration in accordance with the policies described in (1) through (4) above.
- The President & Representative Director, who is in a position to oversee and control the overall performance of the Company, shall decide specific details of individual remuneration based on discretionary assignment from the Board of Directors and the deliberations by the Nomination & Remuneration Committee.

Remuneration for Audit & Supervisory Board Members is determined through consultation between such members. Total remuneration amounts (annual) for Directors and Audit & Supervisory Board Members are as follows.

Officer Type	Total Remuneration (Millions of yen)	Total Remuneration by Type (Millions of yen)			Number of Eligible Officers (Persons)
		Fixed	Performance-Linked Remuneration	Retirement Benefit	
Directors (Excluding Outside Directors)	185	162	22	—	6
Audit & Supervisory Board Members (Excluding Outside Members)	16	16	—	—	2
Outside Directors	28	28	—	—	3
Outside Audit & Supervisory Board Members	16	16	—	—	2
Total	**247**	**224**	**22**	**—**	**13**

Notes:
1. Furukawa Co., Ltd., resolved to abolish its retirement allowance system for Directors and Audit & Supervisory Board Members at the conclusion of the 140th Annual Shareholders' Meeting held on June 28, 2007.
2. The above figure for total fixed remuneration does not include payments (totaling ¥40 million) by four subsidiaries of the Company to three Directors concurrently serving as Directors or Audit & Supervisory Board Members of those subsidiaries. It also does not include payments (totaling ¥21 million) by six subsidiaries of the Company to two Audit & Supervisory Board Members concurrently serving as Directors or Audit & Supervisory Board Members of those subsidiaries.

Skills Required of Board of Directors

The following seven skills have been selected as those that the Board of Directors should possess in order to realize the Company's Management Philosophy and management strategies and plans.

(1) Corporate management
(2) Business strategy and marketing
(3) Technology development and IT
(4) Finance and accounting
(5) Legal affairs and risk management
(6) Personnel and human resource development
(7) International perspective

We have selected "(2) Business strategy and marketing" as a skill item because marketing, which forms the core of our management, goes beyond sales and marketing and goes hand in hand with business strategy. In the Machinery business, we selected "(7) International perspective" to reflect the Company's commitment to strengthen and rebuild its overseas marketing capabilities and enhance its product, sales, and service technology capabilities overseas. We believe that the other items—(1) Corporate management, (3) Technology development and IT, (4) Finance and accounting, (5) Legal affairs and risk management, and (6) Personnel and human resource development—are skills that board members of a manufacturing company should possess as a matter of course.

The Company's policy is to strike a balance between the expertise and experience of directors with respect to these skills, as well as diversity in terms of gender, work experience, and age, within the limits of the number of directors stipulated in the Articles of Incorporation.

Election/Dismissal and Nomination Policies and Procedures

Candidates for Directors and Audit & Supervisory Board Members shall have the character, insight, and ethics appropriate for the position and be capable of fulfilling the duties and responsibilities of the position. In addition, candidates for internal directors shall have sufficient experience and knowledge of the Company's operations and excellent management judgment, and candidates for Audit & Supervisory Board Members must understand the importance of auditing in corporate management, possess the required knowledge, and have a high level of normative awareness.

Nominations of candidates for directors are deliberated by the Nomination & Remuneration Committee and decided by the Board of Directors. Nominations of candidates for Audit & Supervisory Board Members are deliberated by the Nomination & Remuneration Committee and decided by the Board of Directors with the consent of the Audit & Supervisory Board.

The Board of Directors appoints senior management team members who are qualified from the perspective of realizing the Company's Management Philosophy, management strategy, and so forth. The Nomination & Remuneration Committee deliberates on whether or not to reappoint such members based on a review of their achievement status against management plans and performance indicators, including by division, and on whether to dismiss them if they engage in fraudulent activities and the like.

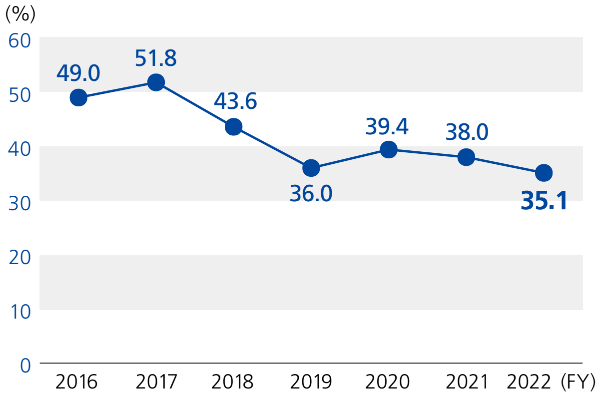
Strategic Shareholdings

The Furukawa Company Group owns strategic shareholdings for the purpose of improving corporate value over the medium and long terms by maintaining and strengthening relationships with important business partners.

Each year, the Board of Directors examines each stock of the Company's strategic shareholdings and verifies the purpose for which the stock is held and whether the benefits and risks associated with holding the stock are commensurate with the cost of capital. The Board of Directors also examines the appropriateness of continual ownership after comprehensive consideration of both qualitative and quantitative factors. We will endeavor to reduce the number of stocks that are no longer necessary to hold by selling them as appropriate.

In exercising voting rights for the Group's strategic shareholdings, we do not make uniform decisions on whether to approve or disapprove based on routine or short-term criteria. Rather, we exercise such rights after making appropriate judgments from a comprehensive perspective that fully respects the management policies and strategies of the issuing company. We also consider whether the shares will enhance the issuing company's value and shareholder returns over the medium and long terms, and whether they will not undermine the significance of the Group's shareholdings.

Strategic Shareholding Ratio



* Strategic shareholding ratio: Ratio of strategic shareholdings (including holdings deemed to be strategic) to consolidated net assets

Dialogue with Shareholders and Other Investors

We strive to disclose information to shareholders and other investors in a fair and timely manner and further enhance dialogue with them through proactive IR events, such as briefings and IR meetings. To promote a better understanding of the Company, we also make effective use of tools, such as videos, printed materials, and websites, and provide information in an easier-to-understand manner.

The following table shows the status of the Group's dialogue with shareholders and other investors in fiscal 2022.

1. Implementation status

- **For shareholders**

  Held Annual Shareholders' Meeting, sent shareholder newsletters, etc.

- **For institutional investors**

	FY2022 Results	Main Hosts	Participants
Results briefings	2 times	President & Representative Director, Director in charge of Corporate Planning Dept.	45 persons from 36 companies (Fund managers, analysts, etc.)
Individual IR meetings	17 times	Director in charge of Corporate Planning Dept., General Manager of Corporate Planning Dept., IR managers, etc.	26 persons from 17 companies (Fund managers, analysts, etc.)

- **Informative materials**

  Institutional disclosures: Financial statements, Annual Securities Report, and Corporate Governance Report

  Voluntary disclosures: News releases, Annual Report, Sustainability Report, financial results presentation materials, shareholder newsletters, and other materials (videos, brochures, etc.) to promote understanding of the Company

2. Main contents of dialogue

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

3. Feedback from shareholders and other investors

- Provide quarterly reports to directors on the status of individual IR meetings (main questions and answers, opinions, etc.). Provide report to directors on the status of briefing sessions, shareholder opinions, etc., as needed. Provide semiannual reports to the Board of Directors on the status of dialogue with shareholders and other investors.

For more information, please refer to our Corporate Governance Report.

Corporate Governance Report

Directors (As of June 29, 2023)

Naohisa Miyakawa
Chairman & Representative Director

April 1975: Joined the Company
June 2007: Executive Officer, General Manager, Human Resources & General Affairs Department, and General Manager, Secretary Department
June 2009: Executive Officer of the Company, President & Representative Director of Furukawa Denshi Co., Ltd.
June 2011: Director & Senior Executive Officer of the Company, President & Representative Director of Furukawa Denshi Co., Ltd.
June 2013: President & Representative Director
June 2021: Chairman & Representative Director (current position)

Holdings in the Company: 48,886 shares
Attendance at Board of Directors' meetings: 16/16 times (100%)

Minoru Nakatogawa
President & Representative Director

April 1983: Joined the Company
June 2017: Executive Officer of the Company, Deputy President & Director of Furukawa UNIC Corporation (In charge of Promotion of Mid-term Business Plan)
June 2018: Executive Officer of the Company, President & Representative Director of Furukawa UNIC Corporation
June 2019: Director & Senior Executive Officer of the Company, President & Representative Director of Furukawa UNIC Corporation
June 2020: Director & Managing Executive Officer of the Company, President & Representative Director of Furukawa UNIC Corporation
June 2021: President & Representative Director (current position)

Holdings in the Company: 17,232 shares
Attendance at Board of Directors' meetings: 16/16 times (100%)

Masahiro Ogino
Director, Deputy President & Executive Officer
Assistant to the President; in charge of Machinery Business (Industrial Machinery, Rock Drill Machinery, and UNIC Machinery Segments) and Purchasing Department

April 1982: Joined the Company
June 2015: Executive Officer of the Company, President & Representative Director of Furukawa Metals & Resources Co., Ltd.
June 2017: Director, Senior Executive Officer, and General Manager, Corporate Planning Department
June 2019: Director, Managing Executive Officer, and General Manager, Corporate Planning Department
June 2021: Senior Managing Director & Senior Managing Executive Officer of the Company, President & Representative Director of Furukawa Rock Drill Co., Ltd. (current position)
June 2023: Director, Deputy President & Executive Officer (current position)

Holdings in the Company: 16,316 shares
Attendance at Board of Directors' meetings: 16/16 times (100%)

Hiroyuki Sakai
Director & Managing Executive Officer
In charge of Metals Segment, Real Estate Business, Environmental & Safety Management Department, Human Resources & General Affairs Department, Legal Department, Information System Department, and Internal Audit Department

April 1982: Joined the Company
June 2017: Executive Officer and General Manager, Business Process Re-engineering Department
June 2019: Director & Senior Executive Officer and General Manager, Business Process Re-engineering Department
June 2021: Director & Senior Executive Officer and General Manager, Corporate Planning Department
June 2022: Managing Director (current position)
June 2023: Director & Managing Executive Officer (current position)

Holdings in the Company: 12,878 shares
Attendance at Board of Directors' meetings: 16/16 times (100%)

Tatsuki Nazuka
Director & Managing Executive Officer
In charge of Electronics Segment, Chemicals Segment, and Technology Division

April 1981: Joined the Company
June 2015: Executive Officer and Deputy General Manager, Development Division
June 2017: Executive Officer and General Manager, Development Division
October 2017: Executive Officer and General Manager, Technology Division
June 2019: Director & Senior Executive Officer and General Manager, Technology Division
June 2022: Director & Managing Executive Officer of the Company and General Manager, Technology Division
June 2023: Director & Managing Executive Officer (current position)

Holdings in the Company: 11,306 shares
Attendance at Board of Directors' meetings: 16/16 times (100%)

Koichiro Konno
Director & Senior Executive Officer
In charge of Corporate Planning Department, Sustainability Promotion Department, Accounting Department, and Financial Department

April 1985: Joined the Company
June 2021: Executive Officer and General Manager, Financial Department
June 2022: Executive Officer and General Manager, Corporate Planning Department
June 2023: Director & Senior Executive Officer, General Manager, Corporate Planning Department (current position)

Holdings in the Company: 1,719 shares
Attendance at Board of Directors' meetings: —

Tatsuya Tejima
Outside Director (Independent)

April 1969: Joined Toho Zinc Co., Ltd.
June 2003: Representative Director & Managing Director, & Managing Executive Officer of Toho Zinc Co., Ltd.
June 2005: Representative Director & Senior Managing Director, & Senior Managing Executive Officer of Toho Zinc Co., Ltd.
June 2006: Representative Director & COO of Toho Zinc Co., Ltd.
June 2008: Representative Director & President of Toho Zinc Co., Ltd.
June 2017: Advisor of Toho Zinc Co., Ltd. (current position), Director of the Company (current position)
June 2018: Outside Director, HANWA Co., Ltd. (current position)

Holdings in the Company: 7,786 shares
Attendance at Board of Directors' meetings: 16/16 times (100%)

Yoichi Mukae
Outside Director (Independent)

April 1975: Joined Ministry of International Trade and Industry
June 2004: Director-General for Commerce and Distribution Policy, Minister's Secretariat of Ministry of Economy, Trade and Industry
August 2006: Managing Director of The Shoko Chukin Bank, Ltd.
August 2008: Advisor of The Kansai Electric Power Company, Incorporated
June 2009: Managing Director of The Kansai Electric Power Company, Incorporated
June 2013: Director, Managing Executive Officer of The Kansai Electric Power Company, Incorporated
June 2015: President & Representative Director of The Kanden L&A Company, Limited, and President & Representative Director of KANDEN EL AUTO SYSTEM Co., Ltd.
June 2019: Director of the Company (current position)
June 2020: Advisor of The Kanden L&A Company, Limited, Representative Director of Research Institute of Economy, Trade and Industry (current position), and President of GS1 Japan (current position)

Holdings in the Company: 10,466 shares
Attendance at Board of Directors' meetings: 16/16 times (100%)

Kazumi Nishino
Outside Director (Independent)

April 1992: Joined Fuji Photo Film Co., Ltd. (retired in March 1996)
April 2006: Associate Professor, Department of Management of Science & Technology, Graduate School of Management of Science & Technology, Tokyo University of Science Graduate School
April 2017: Associate Professor, Graduate School of Commerce and Management of Hitotsubashi University
June 2019: Associate Professor, Graduate School of Business Administration, Hitotsubashi University, Outside Director, Orient Corporation (current position), and Director of the Company (current position)
December 2019: Outside Director, MiRTeL Co., Ltd.
April 2022: Professor, Graduate School of Business Administration, Hitotsubashi University (current position)
June 2022: Outside Director, Makino Milling Machine Co., Ltd. (current position)

Holdings in the Company: 6,945 shares
Attendance at Board of Directors' meetings: 15/16 times (93%)

Audit & Supervisory Board Members (As of June 29, 2023)

Kazuo Inoue
Audit & Supervisory Board Member (Full-Time)
April 1980: Joined the Company
June 2011: General Manager, Real Estate Division
June 2014: Executive Officer, General Manager, Corporate Planning Department
June 2016: Senior Executive Officer, General Manager, Corporate Planning Department
June 2017: Audit & Supervisory Board Member (Full-time) (current position)
Holdings in the Company: 7,058 shares
Attendance at Audit & Supervisory Board's meetings: 6/6 times (100%)

Akira Mikage
Audit & Supervisory Board Member (Full-Time)
April 1984: Joined the Company
June 2020: Executive Officer, General Manager, Accounting Department
June 2023: Audit & Supervisory Board Member (Full-time) (current position)
Holdings in the Company: 3,500 shares
Attendance at Audit & Supervisory Board's meetings: —

Masayuki Yamashita
Outside Audit & Supervisory Board Member
April 1980: Joined Asahi Mutual Life Insurance Company
April 2016: Representative Director & Senior Executive Officer, Asahi Mutual Life Insurance Company, Outside Director of Rasa Industries, Ltd. (June 2014)
June 2016: Audit & Supervisory Board Member of the Company (current position)
April 2018: Director, Asahi Mutual Life Insurance Company
June 2018: President & Representative Director, Info Techno Asahi Co., Ltd.
June 2019: Outside Director, Rasa Industries, Ltd. (Audit & Supervisory Committee)
Holdings in the Company: 0 shares
Attendance at Audit & Supervisory Board's meetings: 6/6 times (100%)

Masatoshi Yano
Outside Audit & Supervisory Board Member (Independent)
April 1980: Joined The Dai-Ichi Kangyo Bank, Ltd.
April 2007: Executive Officer, General Manager, Head Office of Mizuho Bank, Ltd.
April 2009: Managing Executive Officer of Mizuho Bank, Ltd.
April 2011: Deputy President of Mizuho Bank, Ltd.
June 2013: Representative Director & Deputy President of Chuo-Fudosan Co., Ltd.
June 2015: President & Representative Director of Chuo-Fudosan Co., Ltd.
June 2018: President & Representative Director of Seiwa Building Co., Ltd.
June 2019: Outside Audit & Supervisory Board Member of Seiko Holdings Corporation
June 2023: Outside Audit & Supervisory Board Member of Seiko Group Corporation (current position), Audit & Supervisory Board Member of the Company (current position)
Holdings in the Company: 0 shares
Attendance at Audit & Supervisory Board's meetings: —

Executive Officers (As of June 29, 2023)

Deputy President & Executive Officer	Masahiro Ogino	
Managing Executive Officer	Hiroyuki Sakai	
Managing Executive Officer	Tatsuki Nazuka	
Senior Executive Officer	Koichiro Konno	General Manager, Corporate Planning Department
Senior Executive Officer	Atsushi Takano	General Manager, Human Resources & General Affairs Department
Senior Executive Officer	Takeshi Miyajima	General Manager, Legal Department
Executive Officer	Kazuyoshi Iwama	President & Representative Director, Furukawa Industrial Machinery Systems Co., Ltd.
Executive Officer	Kenji Yamakawa	President & Representative Director, Furukawa UNIC Corporation
Executive Officer	Kenichi Kurita	President & Representative Director, Oita Mining Co., Ltd.

Directors' Expertise and Experience (Skills Matrix)

Name	Independence	Corporate Management	Business Strategy/ Marketing	Technology Development/IT	Finance/ Accounting	Legal Affairs/Risk Management	HR/ HR Development	Internationality
Naohisa Miyakawa		○	○				○	○
Minoru Nakatogawa		○	○			○	○	
Masahiro Ogino			○		○			
Hiroyuki Sakai				○	○			
Tatsuki Nazuka				○				
Koichiro Konno					○			
Tatsuya Tejima	★	○						○
Yoichi Mukae	★	○				○		
Kazumi Nishino	★		○	○				

Establishment of an Enterprise Risk Management System

Basic Approach to Risk Management

The Furukawa Company Group will strengthen and expand its enterprise risk management system to strengthen its management foundation with a view toward growth. We will also work to enhance corporate value by engaging in business practices that take into consideration the Group's CSR and ESG issues.

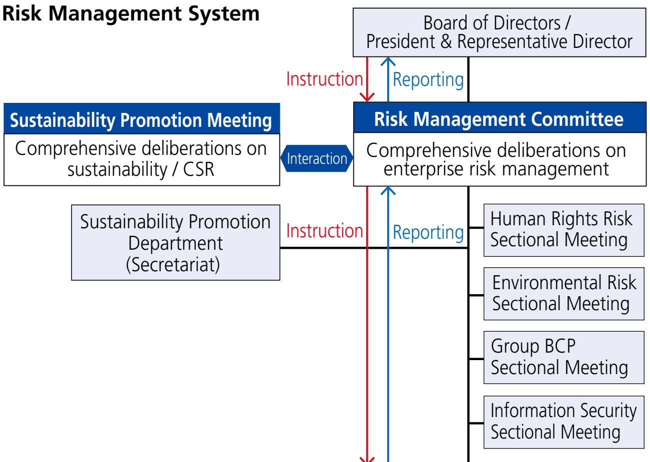
The Risk Management Committee established at Furukawa Co., Ltd., works to protect lives and property and minimize damage and loss when risks that could interfere with the Group's business activities materialize.

Risk Management System

To manage all risks surrounding the Group, the Risk Management Committee evaluates the risks of each Group company and division, as well as examines and assesses measures to deal with those risks. When a risk is judged to pose a danger of seriously affecting Group management, the Committee works to effectively manage that risk by reporting its evaluation results and the pros and cons of countermeasures to the Board of Directors.

Under the Risk Management Committee are four subordinate organizations: Human Rights Risk Sectional Meeting, Environmental Risk Sectional Meeting, Group BCP Sectional Meeting, and Information Security Sectional Meeting. These work to resolve various issues related to such matters as human rights, climate change (including carbon neutrality), business continuity (when crises occur), and information security.

Risk Management System



Implementation Bodies (PDCA Cycle)		
Furukawa Co., Ltd.	Relevant Departments	
Core Operating Companies	Furukawa Industrial Machinery Systems Co., Ltd. Furukawa Rock Drill Co., Ltd. Furukawa UNIC Corporation	Furukawa Metals & Resources Co., Ltd. Furukawa Denshi Co., Ltd. Furukawa Chemicals Co., Ltd.

System for Supervision of Human Rights and Labor Issues by the Board of Directors

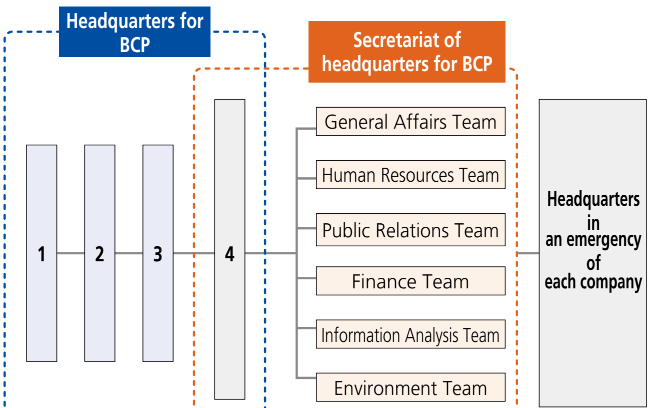
The Group is committed to "respect for human rights" and "enhancement of the work environment" as stipulated in the Furukawa Company Group's Charter of Corporate Conduct and the Furukawa Company Group's Code of Conduct for Officers and Employees (both approved by the Board of Directors). Accordingly, we are working to ensure that all Group officers and employees are fully aware of these standards.

In the event of compliance violations concerning human rights and labor issues, including legal and harassment, the Compliance Committee conducts an investigation and takes necessary measures. The results of these are reported to the Board of Directors through the Legal Department, which serves as the secretariat of the Compliance Committee.

Business Continuity Management (BCM)

Going forward, the Group BCP Sectional Meeting will focus on verifying and reviewing the business continuity plans (BCPs) of each Group company and ensuring effective BCM outcomes.

Group BCP Structure



1. Director-generals of headquarters for BCP
2. Vice Director-generals of headquarters for BCP
3. Committee members of headquarters for BCP
4. Chief Secretariat of headquarters for BCP

Message from Chairman of the Risk Management Committee

Director & Senior Executive Officer
General Manager, Corporate Planning Department
Chairman, Risk Management Committee
Koichiro Konno

Managing increasingly diverse and complex risks to help strengthen our management foundation

The purpose of the Risk Management Committee is to engage in comprehensive deliberations on important matters related to enterprise risk management.

To further enhance risk management, in fiscal 2022 we established the Human Rights Risk Sectional Meeting, Environmental Risk Sectional Meeting, Group BCP Sectional Meeting, and Information Security Sectional Meeting as subordinate organizations under the Committee. In addition to its traditional response to the risk of natural disasters, the Committee will report to the Board of Directors on matters that may have a significant impact on the Group's management, including human rights risk, environmental risk, and information security risk, as well as measures to address such risks.

Ensuring Effective Compliance

Basic Approach

In addition to complying with laws and regulations, the Furukawa Company Group believes it has a corporate obligation to take serious and responsible action in terms of social and ethical aspects.

To fulfill this obligation, we established the Furukawa Company Group's Charter of Corporate Conduct and the Furukawa Company Group's Code of Conduct for Officers and Employees and are taking steps to foster comprehensive awareness to enable all Group officers and employees to engage in operations in awareness of the importance of compliance.

Compliance System

The Group's chief executive for compliance is the President of Furukawa Co., Ltd. Personnel responsible for compliance are also present in every Company department and in Group companies as well. We also have a Compliance Committee that promotes Group compliance activities, deliberates on important matters relating to compliance, enhances the compliance system, and takes steps to strengthen awareness about compliance. Details of matters deliberated by the Committee are additionally reported to the Sustainability Promotion Meeting as required, and steps are taken to share information related to compliance with the Group as a whole.

In addition, compliance violation cases are reported to the Board of Directors on a regular basis.

Internal Reporting System

The Group has adopted an internal reporting system to facilitate early detection and correction of compliance violations. This has involved developing a framework that enables an extensive range of reporting and inquiries by establishing points of contact for reporting and consultation requests inside and outside (law office) the Group. When reports and requests for consultation are received, the Compliance Committee investigates and takes measures as necessary. Personal information about whistleblowers who make reports and information that may lead to identification of whistleblowers who make reports are held under strict control at the Internal Reporting Desk. In addition, it is forbidden for Group officers and employees to seek out whistleblowers or, taking the fact of having made an internal report as the reason, to treat the whistleblowers in a disadvantageous manner. We also facilitate awareness of the internal reporting system by posting such content to our in-house portal site and distributing brochures to Group officers and employees.

Compliance Education

We publish Compliance News to provide information on compliance to all officers and employees of the Group. Our top management also explains the importance and priority of compliance from time to time. In these and other ways, we work to foster a corporate climate that emphasizes compliance.

In light of the impact of COVID-19, in fiscal 2022 we used online systems, such as web conferencing systems and video streaming, but also conducted itemized training in person.

Training in Fiscal 2022

Training Type	No. of Participants (No. of Training Courses)
Compliance training for new employees	47 persons (2 times)
Compliance training by job level (Grade 6)	25 persons (1 time)
Training on preparation of contract documents	Approx. 200 persons (1 time)
Compliance training for Managers	39 persons (1 time)
Training on the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors	21 persons (1 time)
Compliance training based on results of compliance awareness survey	90 persons (2 times)

Basic Policy and Guidelines for Preventing Bribery and Corruption

The Group enacted its Basic Policy for Preventing Bribery and Corruption and the Basic Guidelines for Preventing Bribery and Corruption and reported to the Board of Directors in January 2021. This explicitly states externally the Group's stance regarding prevention of bribery and corruption. It also clarifies specific procedures for preventing bribery and corruption in business activities. We are following up with comprehensive compliance with this policy and guidelines and taking steps to prevent bribery and corruption.

Charter of Corporate Conduct/Code of Conduct for Officers and Employees/Basic Policy and Guidelines for Preventing Bribery and Corruption

Message from Chairman of the Compliance Committee

Senior Executive Officer
General Manager, Legal Department
Chairman, Compliance Committee
Takeshi Miyajima

By raising awareness of compliance among officers and employees, we will help strengthen our management foundation and enhance corporate value.

The Compliance Committee is an organization that deliberates important compliance-related matters and promotes compliance activities within the Group. In fiscal 2022, the Committee analyzed and disclosed the results of the compliance awareness survey conducted in the previous fiscal year and focused on issues and problems that need to be addressed. The Committee also revised its Compliance Manual, took measures to disseminate information on the internal reporting system (by distributing leaflets and posters, etc.), modified regulations on preventing insider trading, and conducted compliance-related training for directors and officers. To improve its ability to prevent compliance violations, we will create compliance training videos, revise and expand various manuals, and share information on cases of violations. To strengthen the Group's foundation management and help enhance corporate value, we will continue striving to ensure that all executives and employees have a high level of compliance awareness that is acceptable in the international community.

Promoting Climate Change Action in Our Business Activities

Disclosure Based on TCFD Recommendations

At its meeting held on August 9, 2023, the Board of Directors of the Furukawa Company Group resolved to express its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and announced its intention to disclose information based on the said recommendations. Going forward, we will work to enhance the quality and quantity of information on the four core disclosure elements of the TCFD recommendations (Governance, Strategy, Risk Management, and Metrics and Targets).

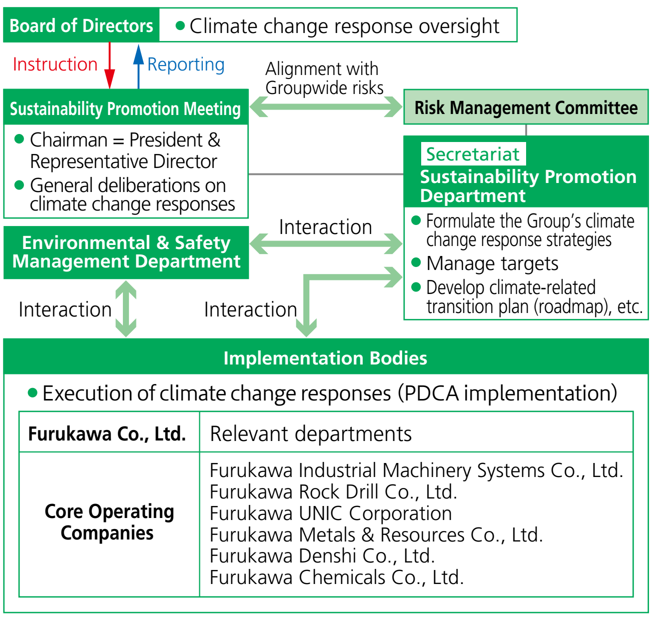
Governance

The Furukawa Company Group recognizes that risks and opportunities associated with climate change represent an important management issue and is working to reduce greenhouse gas (GHG) emissions among other things. The Sustainability Promotion Meeting, chaired by the President & Representative Director, deliberates on how to address issues related to climate change and reports details of its deliberations to the Board of Directors.

The Sustainability Promotion Meeting discusses various matters related to climate change. These include formulation of basic policies and action plans for the Group's climate change responses, development of a promotion framework, verification and evaluation of the status of activities, and education and public relations measures. In addition to Company directors and the presidents of each core operating company, the Meeting includes the chairman of the Environmental & Safety Management Committee (general manager of the Environmental & Safety Management Department) and the general manager of the Sustainability Promotion Department. The Sustainability Promotion Department and the Environmental & Safety Management Department formulate the Group's climate change response strategies, manage targets, and develop a climate-related transition plan (roadmap) based on deliberations and suggestions made by the Meeting. Those departments also work together with the implementation bodies (Group companies and the Company's relevant departments) to develop a PDCA cycle of planning, execution, evaluation, and improvement.

Implementation of climate change responses by the Group companies and the Company's relevant departments are subject to institutional decisions by the Company's Management Council, Board of Directors, and others according to the level of importance. The director in charge of the Sustainability Promotion Department reports on the progress and results of climate change responses to the Board of Directors from time to time, thereby providing proper oversight by the Board.

Governance Structure for Climate Change Responses



Organizations and Meeting Bodies and Their Roles
Board of Directors
• Request/instruct the Sustainability Promotion Meeting on climate-related matters and deliberate on matters reported and/or proposed by the Meeting • Oversee the resolution and execution of important matters related to climate change
Sustainability Promotion Meeting
• Discuss and formulate basic policies and action plans for the Group's climate change responses, development of a promotion system, verification and evaluation of the status of activities, and education and public relations measures • Meet once a year, in principle, and otherwise as needed
Sustainability Promotion Department **Environmental & Safety Management Department**
• Formulate the Group's climate change response strategies, manage targets, develop climate-related transition plan (roadmap), etc. • Oversee the PDCA cycle in collaboration with the implementation bodies for climate change responses
Relevant departments of Furukawa Co., Ltd. **Core operating companies**
• Serve as implementation bodies to deploy PDCA cycle for climate change responses

Strategy

The Group operates numerous businesses and recognizes that the risks and opportunities associated with climate change vary from business to business. With this in mind, we decided to conduct a sequential scenario analysis of each business segment from two perspectives: the impact of climate change and the scale of business sales. As a first step, we conducted scenario analyses of the Rock Drill Machinery segment and Metals segment from February to June 2023.

For the scenario analyses, we set 1.5°C and 4°C scenarios based on scientific evidence from the International Energy Agency (IEA) and other sources. We then evaluated the significance of climate-related risks and opportunities that could affect our business in 2030 and 2050.

We plan to conduct scenario analyses of other segments as well while continuously reviewing the analyses of segments already covered. We will also disclose information about risks and opportunities we have identified in a timely and appropriate manner.

Set Scenarios	Worldview
1.5°C Scenario Emergence of transition risks and opportunities ⇒ 2030 assumption	• There is a risk of cost increases due to the Japanese government's push to introduce GHG emission regulations and a carbon tax. • With attention focused on products with low environmental impact, we see opportunities for increased revenues from sales of materials for EVs and renewable energy facilities, as well as products with high energy-saving performances.
4°C Scenario Emergence of physical risks and opportunities ⇒ 2050 assumption	• Extreme weather conditions will cause increases in natural disasters and rising temperatures, leading to the risk of damage to business sites and system facilities, as well as the risk of increased costs, such as higher raw material prices, due to difficulties in procuring materials. • Given progress in technological countermeasures and investments to address extreme weather events, we see opportunities for increased revenues from related products, technologies, and services.

Scope of this year's analysis: Rock Drill Machinery segment (Furukawa Rock Drill Co., Ltd.); Metals segment (Furukawa Metals & Resources Co., Ltd.)

* Combined sales of above two segments as percentage of consolidated net sales: 68.7% (FY2022)

(1) Lists of risks and opportunities

Among identified risks and opportunities, those deemed to have a “medium” or greater impact on our business are listed below.

<Degree of impact>

Large: Major impact on the Furukawa Company Group Medium: Limited impact on the Furukawa Company Group

Small: Minimal impact on the Furukawa Company Group

■ **List of Risks**

Type of Risk			Risk Description	Qualitative Evaluation 1.5°C	Qualitative Evaluation 4°C	Countermeasures
Risk	Transition risk	Government policies/regulations	Introduction of a carbon tax will increase transportation and other fuel procurement costs, as well as production costs and operational costs (GHG response costs related to electricity and delivery).	Large	Small	**Switch to renewable energy, save energy, and reduce the environmental impact of our products** ● Utilize renewable energy sources, such as solar power ● Improve energy efficiency by introducing LED lighting and energy-saving equipment, reviewing manufacturing processes, and strengthening GHG emission controls at production facilities ● Reduce environmental impact of our products by using recyclable materials and extending product life ● Increase use of environmentally friendly vehicles, such as EVs ● Reduce GHG emissions through purchase of non-fossil certificates, etc.
Risk	Transition risk	Technology	Failure to meet needs of the market, which favors products with low environmental impact, will result in lower sales.	Medium	Small	**Shift to products with low environmental impact** ● Collaborate with suppliers to manufacture and develop products with low environmental impact
Risk	Transition risk	Market	Expanding the share of renewable energy in the power supply mix of electric utilities will raise the price of electricity and increase operating costs.	Medium	Small	**Promote renewable energy power sources to reduce electricity costs, use more renewable energy sources, conserve energy, and reduce environmental impact of our products** ● Promote renewable energy sources with zero CO_2 emission factors to reduce electricity costs ● Improve energy efficiency by introducing LED lighting and energy-saving equipment, reviewing manufacturing processes, and strengthening GHG emission controls at production facilities
Risk	Physical risk	Acute	Extreme weather events (such as flooding) may cause offices and factories to shut down, resulting in decreased sales and/or increased restoration costs.	Small	Large	**Minimize damage and ensure proper management when disaster strikes** ● Secure multiple means of transportation ● Diversify suppliers and work to minimize damage in the event of extreme weather conditions ● Reinforce flood countermeasures at factories ● Conduct regular water risk assessments at suppliers and sites and perform rigorous risk management in the event of flooding or inundation ● Implement a BCP as a support and reporting protocol in the event of damage

■ **List of Opportunities**

Type of Opportunity		Opportunity Description	Qualitative Evaluation 1.5°C	Qualitative Evaluation 4°C	Countermeasures
Opportunity	Market	Rising demand for machines that contribute to decarbonization will help bolster sales.	Large	Small	● Make capital investments to meet demand
Opportunity	Market	Reconstruction projects after disasters caused by extreme weather events will generate demand for our products.	Small	Large	● Make capital investments and develop products to meet demand
Opportunity	Technology	Sales of products that contribute to energy conservation will increase.	Large	Small	● Collaborate with suppliers to expand lineup of energy-saving products

(2) Risks/opportunities and financial impacts based on relevant scenarios and strategies, and resilience against them

In this scenario analysis, we collected data necessary to calculate parameters and financial impacts and also performed a simplified calculation of the potential risks and opportunities. In the next fiscal year and beyond, we will conduct scenario analyses of segments other than those covered this fiscal year. We will also calculate the financial impact of risks and opportunities that may affect the Group and reflect such calculations in our business strategies.

Risk Management

Assessment of climate-related risks and consideration of countermeasures are conducted by the Risk Management Committee, which comprehensively deliberates important matters related to Groupwide risk management. The Committee is chaired by the director in charge of sustainability of the Company, and the Sustainability Promotion Department serves as its secretariat. The Committee meets twice a year in principle. Its members are selected from every Company department and core operating companies. Together with the secretariat, the members assess climate-related risks affecting the Group, consider and formulate countermeasures, and report the results to the Board of Directors, thereby proper oversight is provided by the Board.

Metrics and Targets

While the physical risks associated with climate change are expected to increase, the government’s stated goals of “reducing GHG emissions by 46% from the fiscal 2013 level by fiscal 2030” and “achieving carbon neutrality by 2050” indicate that risks and opportunities related to the transition to a low-carbon economy will increase in the future. To achieve sustainable growth amid these changes, it is essential that the Group continues to identify risks and opportunities and step up efforts to address initiatives on climate change. With this in mind, we plan to develop a roadmap outlining the Group’s responses toward carbon neutrality by fiscal 2025. Committed to helping realize a decarbonized society, we will strive to provide products, technologies, and services that are highly effective in reducing GHG emissions and reduce emissions associated with our business activities.

Biodiversity Protection Activities

Approach to Biodiversity

Based on the Biodiversity Action Guidelines established in 2012, the Group has been engaging in activities aimed at preserving and restoring biodiversity. These include continuous greening activities and sound development of mountains and forests.

Rather than using introduced species, we select native species of local origin for our greening activities.

In the Matsuki Valley (Ashio-machi, Nikko City, Tochigi Prefecture), the formerly abundant nature is coming back. In the Ashio area, which includes the Matsuki Valley, investigations have revealed that the ecological pyramid is being reshaped, with birds of prey at the top, followed by mammals (such as Asian black bears and Japanese serows), birds, amphibians, and reptiles.

Going forward, we will carry on with greening efforts not only in the Ashio area but also at Company-owned properties throughout Japan, furthering activities for the restoration and recovery of abundant ecosystems.

In addition, we will continue investigating the operations of each of the Group site to identify which risks exist from the perspective of biodiversity conservation, and will discuss ways to reduce those risks with each site.

Japanese serow and Asian black bear
(Ashio-machi, Nikko City, Tochigi Prefecture)

Biodiversity Action Guidelines

Biodiversity Protection Activities

Continuous Mountain and Forest Management (Company-Owned Mountain Forestland)

Mountain forestland owned by the Company, totaling approximately 2,200 hectares nationwide, contributes to CO_2 absorption, protection of biodiversity, securing water resources, and so on.

We carry out mountain and forest management in collaboration with local forest owners' cooperatives, systematically thinning, clearing undergrowth, trimming branches, and so on, for the sound development of the mountain forestland. We are also engaged in discussions with the local forest owners' cooperative on the Onuma Mountain Forest (Toyone-mura, Kitashitara-gun, Aichi Prefecture) related to logging and new planting.

In the Onuma Mountain Forest, there is an enormous Japanese horse chestnut tree (root circumference 15.3 m; diameter at breast height 7.48 m; diameter at eye level 7.45 m; height 32.5 m; branch length 46 m; estimated age several centuries) that we have been carefully safeguarding for many years. In April 2008, the tree was designated a natural monument of Toyone-mura, Aichi Prefecture, and in July 2022, it was newly selected to be a designated cultural property (natural monument) of Aichi Prefecture.

At the Kune Mountain Forest (Tenryu-ku, Hamamatsu City, Shizuoka Prefecture), we have a forest management contract with the local forest owners' cooperative to maintain and manage the forest.

Japanese horse chestnut tree

Preventing Pollution

Approach to Management of Chemical Substances

Chemical substances are indispensable in our daily lives, but they also have safety implications that represent a social issue. With this in mind, the Furukawa Company Group is taking steps to properly manage the risk of volatile organic compounds (VOCs) and other chemical substances and reduce emissions in light of global laws and regulations and trends.

Details of these activities are explained in our Sustainability Book.

Furukawa Company Group Sustainability Book

Message from Chairman of the Environmental & Safety Management Committee

Corporate Officer
General Manager, Environmental & Safety Management Department
Chairman, Environmental & Safety Management Committee
Masayuki Kunou

We will accelerate planned and ongoing efforts by visualizing the results of environmental protection activities.

To help realize a sustainable society, the Group is systematically and continuously promoting environmental protection activities to address challenges to the global environment and biodiversity. To this end, we are introducing production machinery and equipment with high energy-saving performances while emphasizing safe and efficient operations. In fiscal 2022, in addition to the annual Environmental and Safety Audits and the Environment/Safety Promotion Meetings, we held a meeting in September 2022 to discuss ways to achieve carbon neutrality. The Meeting was attended by plant managers and general managers of the production divisions of core operating companies. As part of our efforts to achieve carbon neutrality, we have finished gathering information on estimated reductions in power generation and CO_2 emissions resulting from the installation of solar panels at each production site. Based on our findings, we will take concrete actions, such as determining the order in which sites will be equipped with solar power generation facilities. In response to the recent spate of natural disasters, each production site is once again identifying its specific risks. Meanwhile, we are systematically implementing start-up work at suspended or abandoned mines to strengthen their resilience in the event of a disaster. As part of our biodiversity preservation activities, we are discussing with local forest owners' cooperatives about future forest management plans, including logging and new planting in the forests we own. In July 2022, an enormous Japanese horse chestnut tree in our Onuma Mountain Forest (Toyone-mura, Kitashitara-gun, Aichi Prefecture), already designated as a cultural property by Toyone-mura in 2008, was newly designated a cultural property (natural monument) of Aichi Prefecture. The Company will continue its efforts to maintain and manage forests.

Respect for Human Rights

Basic Approach

In the Furukawa Company Group's Charter of Corporate Conduct and the Furukawa Company Group's Code of Conduct for Officers and Employees, the Group states its commitment to respecting the human rights of all people, forbidding child labor and forced labor, and rejecting discriminatory treatment, behavior, and speech with regard to nationality, race, gender, age, faith, religion, social status, disability, and so on. In these ways, we emphasize business activities that respect human rights.

Furukawa Company Group's Charter of Corporate Conduct

Furukawa Company Group's Code of Conduct for Officers and Employees

Preventing Human Rights Violations

The Group strives to create a corporate culture that recognizes the diverse values of individuals, is free from human rights violations and discrimination, is subject to fair evaluation, and is a rewarding place to work. Accordingly, we prohibit all forms of harassment and discrimination. Moreover, we resolutely take action against harassment and discrimination based on our internal rules.

Preventing child labor and forced labor

The Furukawa Company Group's Code of Conduct for Officers and Employees includes a policy of rejecting child labor or forced labor and requiring its business partners to refrain from such practices. When hiring, we ask applicants to submit documents required by employment regulations and thoroughly check applicants' age and other relevant information.

Reducing excessive working hours

The Group is working to reduce overtime and optimize working hours to ensure the sound mental and physical health of its employees and help them achieve a good work–life balance.

- Promoting use of paid annual leave
  We encourage employees to take annual paid leave by setting incentive days and planned exercises. We also have a system allowing employees to save and accumulate expired annual paid leave that can be used if employees require long-term medical treatment due to personal injury or illness.

- Understanding overtime information
  We use our Companywide work system to properly monitor employee working hours. Employees who exceed a certain number of hours are subject to corrective measures, including reviews of their work by department managers, with the aims of reducing long working hours and equalizing workloads.

Preventing harassment (harassment training for management-level employees)

Our "Policy on Measures to Prevent and Eliminate Harassment in the Workplace" includes (1) definition of harassment, (2) scope of application, (3) responsibilities of superiors, (4) cooperation of employees, (5) consultation and complaint handling contact point, (6) prohibition of prejudicial treatment, (7) confidentiality obligation, and (8) disciplinary actions. We are also working to prevent harassment by having management-level employees become more aware of the issue through harassment training.

Human Rights Training

The Furukawa Company Group's Code of Conduct for Officers and Employees emphasizes respect for basic human rights and rejection of discriminatory language and behavior. All new employees participate in human rights training when they join the Company. In addition, employees participating in grade-specific training take in-house training courses on harassment in the workplace to learn about specific examples that help create a comfortable work environment and respect for human rights. In these ways, we are working to instill the Code of Conduct throughout the Group.

Human rights training session

Future Initiatives

To strengthen the Group's commitment to the material issue of respecting human rights and to address the issue together with stakeholders, we will start building a human rights due diligence protocol. We also established the Human Rights Risk Sectional Meeting under the Risk Management Committee to formulate human rights policies that reflect international norms. Furthermore, if the Group is found to have caused or to have been involved in an event that negatively impacts human rights, we will work to remedy the situation through appropriate procedures.

Safe and Rewarding Work Environments that Consider Employees' Health

Health Declaration

The Furukawa Company Group issued a Health Declaration dated January 1, 2021, and we have further strengthened our efforts to promote health management.

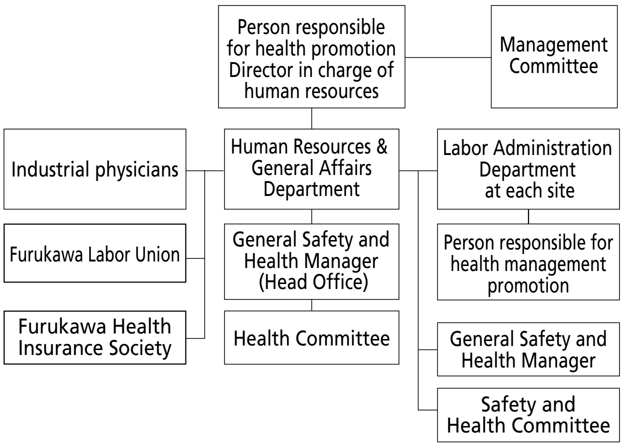
> **Furukawa Company Group Health Declaration**
>
> Furukawa Company Group was the first in Japan to adopt the principle of SAFETY FIRST as "Anzen Sen'ichi."
> As a pioneer of the industrial safety movement, we have been engaging in efforts to maintain and improve employee safety and health. The spirit lives on in our Management Philosophy of "remaining indispensable to society by always embracing the spirit of challenge, advancing the technologies that have underpinned the foundation of society that originated in mining development."
>
> We consider the creation of a workplace environment that makes work satisfying and where every employee can take on the challenge every day of vibrantly realizing their capabilities and creating new value in good mental and physical health, to be an essential management issue. Going forward, we are committed to even more proactive efforts in promoting measures to maintain and improve the health of our employees.

Health Management Promotion Framework

The director of the Group in charge of human resources also has responsibility for health promotion and takes the lead in drafting and implementing various plans centered mainly in the Human Resources & General Affairs Department. The person responsible for health promotion also presents periodic reports on the status of employee health to the Management Committee and makes decisions on policy relating to matters such as the implementation of health management promotion.

The Human Resources & General Affairs Department coordinates health checkup data from the Health Insurance Society and the employee database to identify health issues, and plans and drafts appropriate measures while incorporating guidance from industrial physicians as well as opinions and requests from the labor union. Implementation of measures takes place through those in charge of health management promotion in each department, who communicate the measures to the employees. After implementation, information is shared with the Safety and Health Committee in each department, with its effectiveness also verified and used as feedback in review of the measures taken.

■ Health Management Promotion Framework Chart



Employee Health Management

In the Group's health management divisions, employee health is managed by periodic health checkups, special health examinations for employees with designated duties, and so on. They also provide health guidance based on health checkup results and give support for promoting employee health. We are also taking steps to arrange separate in-house smoking areas based on the intent of the Health Promotion Act, and we are making every effort to prevent secondhand smoking.

Systems and Measures

The Furukawa Company Group recognizes the following as management risks: the presence of employees with anomalies revealed through periodic health checkups, the occurrence of employees leaving the workplace due to injury or illness, and the presence of employees whose ability to perform their duties is impaired due to working while suffering from an injury or illness. With this in mind, we are working to achieve a 100% participation rate for regular health checkups, improve the rate of retests and the percentage of employees participating in health programs, raise awareness about stress in the workplace, and reduce smoking.

Realizing a Rewarding Workplace

Basic Approach

The Group employs talented individuals who will proactively take on all challenges, while striving to recognize the diverse values of individuals, accordingly creating a rewarding corporate culture wherein human rights violations and discrimination do not occur and where individuals are evaluated fairly.

Realizing Rewarding Work Environments

■ Issues and Considerations for Realizing Rewarding Work Environments

Developing human resources and using them properly	Develop diverse human resources based on length of service, position, job description, ability, etc.; optimally deploy capable human resources regardless of length of service or job group to ensure that the right person is in the right position; set challenging personal goals and evaluate personnel appropriately
Workstyle reforms to increase productivity	Improve work environments through automation and systemization; shorten and streamline meetings; implement various workstyles, such as flextime, teleworking, and staggered work hours; raise awareness to improve operational efficiency
Establishing healthy workplaces	Reduce annual total working hours, improve the percentage of paid annual leave taken, improve the percentage of scheduled medical examinations received and actively implement health promotion activities

Occupational Safety and Health Approach and Promotion Framework

The Group strives to prevent industrial accidents and create a safe and healthy work environment (including by maintaining sound mental and physical health) in accordance with its "Basic Principles of Occupational Safety and Health" and its "Occupational Safety and Health Policies."

The Sustainability Promotion Meeting (chaired by the President & Representative Director), which is held annually, and the Environmental & Safety Management Committee (chaired by the General Manager, Environmental & Safety Management Department) hear reports and engage in deliberation on the results of the previous fiscal year's occupational safety and health activities, this fiscal year's Occupational Safety and Health Activity Targets, and other such matters.

Basic Principles of Occupational Safety and Health & Occupational Safety and Health Policies

Efforts to Prevent Industrial Accidents

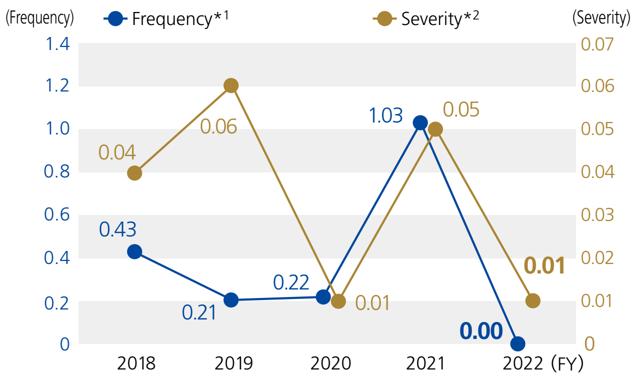
To prevent industrial accidents, the Group regularly holds Safety and Health Committee meetings and carries out safety patrols at each plant and business location. We also provide systematic education and training (including risk sensitivity improvement training) to all employees, including managers and supervisors.

In fiscal 2022, the severity of industrial accidents decreased compared with the previous fiscal year, but the number of occurrences (including injuries that did not result in lost time) remained unchanged. In light of this, we are stepping up efforts to prevent industrial accidents.

For some time now, when a work-related accident occurs, we conduct on-site consultations with our Environmental & Safety Management Department and related parties, then carefully examine the details of corrective measures. In fiscal 2022, we started analyzing the causes of previous industrial accidents that occurred in the Group, taking into account the operating patterns of each plant and business location. We will use the information from these analyses to develop preventive measures at each plant and business location.

In the past five years (fiscal 2018–2022), there have been no fatal industrial accidents involving employees of the Group or its on-site subcontractors.

■ Occupational Safety Record of the Furukawa Company Group: Frequency*1 and Severity*2 of Accidents



*1 Accident frequency refers to the rate of occupational accidents with casualties per one million total working hours.

*2 Accident severity refers to the number of working days lost per 1,000 total work hours.

■ Number of Incidents Requiring Leave of Absence in the Furukawa Company Group*3

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of absences	2	1	1	5	0

*3 Frequency and severity are calculated on the basis of incidents requiring leaves of absence of at least four days.

Furukawa Company Group Sustainability Book

Safety Guidance at Overseas Business Locations

We check and provide guidance to personnel at the Group's overseas business locations on the status of regular legally mandated inspections of facilities, acquisition of official certifications necessary for operations, status of work instruction manuals, results of work environment measurements, status of safety education and emergency communication system, and details of operations of the Safety and Health Committee. In addition to ensuring compliance with local laws and regulations, we provide guidance and advice on how to improve work environments and management standards so employees can work safely and comfortably. Here, we take into account local climate and customs.

In the event of an accident or disaster, we take corrective and preventive measures after thorough discussions with on-site persons in charge regarding the cause of the accident or disaster and measures to prevent recurrence.

The following business locations have acquired ISO 45001 certification, the international standard for occupational health and safety management systems.

■ ISO 45001 Certification Acquisition Status

Company Name	Acquisition Date	Certification Organization
Taian Furukawa UNIC Crane Co., Ltd.	April 29, 2021	China United Certification Center (Beijing) Co., Ltd.
FURUKAWA UNIC (THAILAND) CO., LTD.	January 25, 2023	Perry Johnson Registrars, Inc.

Health and Safety Risk Assessments

When refurbishing facilities, installing new equipment, or reviewing work procedures at each plant or business location, the Group conducts risk assessments to eliminate hazardous sources and reduce industrial health and safety risks. At overseas business locations, we have established a health and safety management system based on local laws and regulations and conduct risk assessments similar to those in Japan to prevent accidents and disasters.

Basic Approach to Human Resource Management

Premised on its fundamental policy of “what supports limitless development of a company is people,” the Furukawa Company Group employs talented individuals who will actively take on all challenges, while striving to recognize the diverse values of individuals and accordingly creating a rewarding corporate culture absent of human rights violations and discrimination, where individuals are evaluated fairly.

Human Resource Development

The Group is aiming to optimize its business framework and heighten its corporate value by developing professional human resources through human resource cultivation systems of all kinds and by building a workplace environment where they can exercise their capabilities to the fullest.

Relationships with Employees

List of Education and Training Activities

<table>
<tr><th></th><th>Newly Hired Employees</th><th>Grades 1-4
(General Employees))</th><th>Grades 5-9
(Managerial Employees)</th></tr>
<tr><td rowspan="4">Employment Grade-Specific Training</td><td>Introductory training for newly hired employees</td><td></td><td>Grade 5 training</td></tr>
<tr><td colspan="2">Follow-up training</td><td>Grade 6 training</td></tr>
<tr><td></td><td>Fifth-year training for corporate planning staff</td><td>Grade 8 training</td></tr>
<tr><td></td><td>Grade 4 training</td><td>Training to cultivate next-generation executives</td></tr>
<tr><td rowspan="5">Special Training</td><td>Pre-hiring training
Safety and health training</td><td>Mental health training</td><td>Diversity training</td></tr>
<tr><td>Conversational English education
Human rights training</td><td></td><td>Life plan training</td></tr>
<tr><td></td><td></td><td>Line care training</td></tr>
<tr><td colspan="3">Compliance training</td></tr>
<tr><td colspan="3">TOEIC testing</td></tr>
<tr><td rowspan="4">Training by Specialty / Function</td><td colspan="2">Engineer training</td><td></td></tr>
<tr><td></td><td>Job-specific training</td><td></td></tr>
<tr><td></td><td colspan="2">Participation in specialized subject seminars (including those furthering acquisition of public qualifications)</td></tr>
<tr><td></td><td colspan="2">Dispatch to outside educational and research institutions and academic societies</td></tr>
<tr><td rowspan="2">Workplace Education</td><td colspan="2">Health and safety education</td><td></td></tr>
<tr><td colspan="2">OJT</td><td></td></tr>
<tr><td rowspan="3">Language Training</td><td></td><td colspan="2">Language training for employees dispatched overseas</td></tr>
<tr><td colspan="3">Language training (foreign language training at sites)</td></tr>
<tr><td></td><td>Short-term overseas language training</td><td></td></tr>
<tr><td rowspan="3">Self-Development</td><td colspan="3">Correspondence courses of all types</td></tr>
<tr><td colspan="3">Introduction of instructional materials, publications, etc.</td></tr>
<tr><td colspan="3">Training in the form of open applications (e-learning)</td></tr>
<tr><td rowspan="4">HR System and Measures</td><td>Coaching system</td><td></td><td>Personnel evaluator training</td></tr>
<tr><td colspan="2">Self-assessment and interviews based on personnel evaluation system</td><td></td></tr>
<tr><td></td><td></td><td>Interviews relating to goal management</td></tr>
<tr><td></td><td colspan="2">Rotation and secondment to affiliates in Japan and overseas</td></tr>
</table>

Communication to Facilitate Training of Subordinates

Interviews are conducted between immediate supervisors and their subordinates on a twice-yearly basis, in addition to the daily communication that takes place between managers and their employees. In the interviews, managers provide feedback to employees regarding their work, achievements, points for reflection, and findings of performance evaluations, as well as advice based on their self-reports, and confirm and share the goals they have set. Meanwhile, supervisors also provide their assessments with respect to the self-analysis. The process of undergoing straightforward performance assessments by their supervisors enables employees to scrutinize themselves on a regular basis, thereby helping fuel their motivation for proactive career development. While diverse workstyles, such as flextime, shorter/staggered work hours, hot-desking, and teleworking, are becoming more common, it is difficult to communicate with subordinates, understand what they are thinking, and what problems and concerns they have. For this reason, we also conduct one-on-one meetings at the head office.

Personnel Evaluation System

Based on the system of assigning grades by function that is used in the Group, grades are set according to the magnitude of the role the employee is expected to fulfill. By assessing personnel results and behavioral characteristics in accordance with the personnel evaluation system, we are endeavoring to provide employee guidance and cultivation, develop their capabilities, and optimize their assignments. At the same time, this serves to provide fair and equitable treatment in terms of wages, bonuses, retirement benefits, and so on, and in establishing an environment wherein motivated employees can participate proactively with a sense of security.

Diversity and Inclusion

The Group does not engage in any discrimination regarding human rights, beliefs, gender, disabilities, and so on in employment, and we endeavor to provide equal opportunities for all. Because Group businesses extend into a variety of fields, we are taking measures to stabilize our employment by formulating staffing and personnel plans with a clear view to business expansion and productivity increases, including in Group companies.

Empowering Female Employees

In our ongoing effort to actively recruit and involve women, on April 1, 2021, we formulated our Action Plan for Promoting Support for Female Employees, and are stepping up support for the advancement of women.

■ Action Plan for Promoting Support for Female Employees
(Planned period: April 1, 2021 to March 31, 2026)

Target 1	Ensure that women account for at least 20% of all new graduate recruits
Target 2	Appoint at least 10 female managers
Target 3	Reduce the turnover rate of female employees in planning positions for personal reasons to 10% or less during the first five years of employment
Target 4	Encourage use of annual paid leave (target: 12 days/year)

Support for Employees Raising Children

As part of measures to support rearing of the next generation, we have formulated and implemented a General Business Owner Action Plan. At the same time, we are promoting improvement of the workplace environment to make it easier for people to take part in childcare and home care.

Hiring People with Disabilities

The Furukawa Company Group promotes hiring people with disabilities in various workplaces and for various types of work, thereby promoting their independence and participation in society.

Hiring Foreign Nationals

Given its active pursuit of overseas expansion, the Group does not base its recruiting decisions on nationality. Moreover, we strive to deepen partnerships that transcend nationality as we promote a spirit of mutual respect for individual differences.

Hiring Elderly Employees

The mandatory retirement age was raised from 60 years to 65 years on April 1, 2020, in order to stabilize the employment of elderly people and expand their opportunities for work.
Going forward, we anticipate that these people, by passing on the technical know-how they have acquired over many years, will proactively participate in cultivating mid-level and younger employees as well as in other ways.

Implementing Engagement Surveys

We are implementing organizational diagnostic surveys of the Group as a whole and of each workplace systematically composed to cover morale, corporate climate, and so on. We are collecting and evaluating information on the degree of penetration by the Management Philosophy and vision, on employee awareness, and on on-site views, and putting it to practical use in planning and drafting policies of every kind.

Relationships with Employees

Message from General Manager of the Human Resources & General Affairs Department

Senior Executive Officer
General Manager, Human Resources & General Affairs Department
Atsushi Takano

Provide rewarding work environments where employees are evaluated and treated fairly

One of our policies for realizing Vision for 2025 is to "Strengthen and expand our human resource bases." With this in mind, we aim to create rewarding work environments where employees can maximize their abilities and create new value. To resolve social problems through its business activities, achieve sustainable growth, and increase corporate value, the Group must develop human resources with various personalities regardless of nationality, race, gender, age, creed, religion, or physical ability. Accordingly, our human resource development policy is to foster diverse human resources who can act autonomously with a spirit of embracing challenges and creating new value. At the same time, our in-house environmental development policy is to create comfortable work environments where diverse personnel can perform their duties safely and efficiently while maintaining their health and fulfilling their duties.

Quality Assurance

Basic Approach

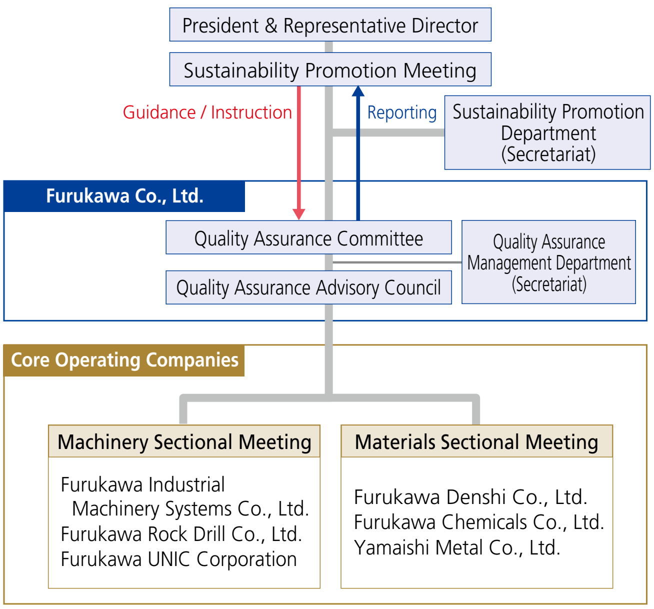
Quality assurance in the Furukawa Company Group is based on the Quality Assurance Basic Policy and the Quality Assurance Action Guidelines. These set our basic policy as gaining the trust of our customers, providing products and services of quality that satisfy them, and contributing to society.

Quality Assurance Framework

The organization that engages in comprehensive deliberations on important matters relevant to quality assurance in the Group is the Quality Assurance Committee, which was established at the headquarters of Furukawa Co., Ltd. In addition, the Quality Assurance Management Department has been established in the company's Technology Division to manage the Group's quality assurance framework and promote activities for quality assurance and product safety. Each organization takes steps for coordination while engaging the entire Group in our ongoing effort to provide manufacturing and service that will satisfy our customers and gain their trust.

Quality Assurance Basic Policy & Quality Assurance Action Guidelines

Quality Assurance Management System



Quality Assurance Committee

Top managers from the production departments of the core operating companies consist of the Quality Assurance Committee. This body has organized the Quality Assurance Advisory Council that brings together those responsible for quality assurance in the core operating companies and elsewhere. It also has organized sectional meetings with the Advisory Council members pursuing activities separately in the Machinery and Materials segments. Seeking to achieve solutions to the key issues defined each fiscal year, we are sharing information on measures to analyze and reduce complaints at each site and seeking horizontal deployment of methods. We are also promoting compliance with laws and regulations relating to manufacturing, quality assurance, and product safety, and promoting the manufacture of products that customers can use in safety and with a sense of security. Based on the understanding that product safety is included in quality assurance, we are also continuously promoting risk assessment and other such activities to heighten product safety levels.

Strengthen Quality Assurance Framework

Activity Report of Machinery Sectional Meeting

The Machinery Sectional Meeting shares information among the three machinery-related core operating companies and promotes comprehensive activities to provide products that meet customer requirements and reduce claims. The products of each operating company are diverse, even though they have similar mechanical structures. To take advantage of this diversity and reflect it in our products, we share information and engage in continuous group-wide activities to build the best quality assurance system for each company and ensure effective and efficient processes.

Under the leadership of the Quality Assurance Management Department of the Technology Division of Furukawa Co., Ltd., in fiscal 2022 we conducted a survey of the current status of the quality assurance systems of the three machinery-related core operating companies and identified 10 common themes that require focused attention. We also formulated the Quality Roadmap for Machinery Business Companies (fiscal 2023–2025), which defines our efforts to address these 10 themes, and started implementing the plan in the current fiscal year. Each company is responsible for the specific themes of the roadmap. Through mutual verification and synergistic operation of information and systems, we are working to create a virtuous cycle of Groupwide quality improvements.

The 10 themes are (1) engage in quality awareness activities for all officers and employees, (2) unify the quality management education system, (3) review the database of defect-related information and promote its utilization, (4) enhance communication (ensure timely delivery of necessary information to appropriate departments by appropriate means), (5) ensure proper design verification and validation, (6) establish a method for evaluating customer satisfaction, (7) ensure stable quality of outsourced parts, (8) identify and improve necessary quality-related competencies, (9) enhance responses to risks and opportunities, and (10) conduct regular quality audits across the board.

In addition, using digital technology at manufacturing sites is essential to achieve continuous quality improvement given the constraints of labor shortages and increasing product complexity. We believe that collecting and integrating quality-related data with emphasis on validity, efficiency, and convenience will greatly enhance our ability to address customer needs, pass on knowledge, and utilize data for processes. In parallel with the quality roadmap, therefore, we will promote the use of digital technology to ensure more reliable quality assurance.

Activity Report of Materials Sectional Meeting

The Materials Sectional Meeting consists of representatives of core operating companies whose materials are widely used in electronic devices and other products. It has embraced a customer-oriented approach and set a goal of "zero complaints" and is working to improve its quality assurance system, including for products procured overseas.

The Sectional Meeting is working to raise the Group's overall level of quality assurance by sharing the activities of materials-related core operating companies. The common challenge is reducing in-process defects. In response, we exchange information on the root-cause investigation process, recurrence prevention measures, and verification results regarding defects at the operating companies, and each company uses this information as a reference for future activities. Even during the COVID-19 pandemic, when people's movements were restricted, we made efforts to maintain and strengthen the quality assurance systems of overseas plants by conducting remote audits using webcams and other means. The core operating companies also use SDS[*1] and other risk assessment tools to provide information related to risk. We view the release of defective products as a major risk and strive to prevent such release by emphasizing change-point control and highly reliable design and inspection automation.

With the goal of "zero complaints," in fiscal 2023 we will continue striving to further improve our quality assurance system. Here, we will deploy FMEA*2 to focus on highly reliable design, prevent the release of defective products, and otherwise improve our quality assurance system, including for items procured overseas. Our aim is to further raise the level of each company in the Materials Sectional Meeting.

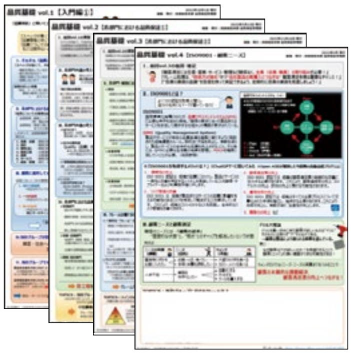
*1 SDS: Safety Data Sheet
*2 Failure Mode and Effects Analysis (FMEA): Systematic method of analysis to prevent problems by predicting their causes at the design and process planning stages.

Claim Responding Flow

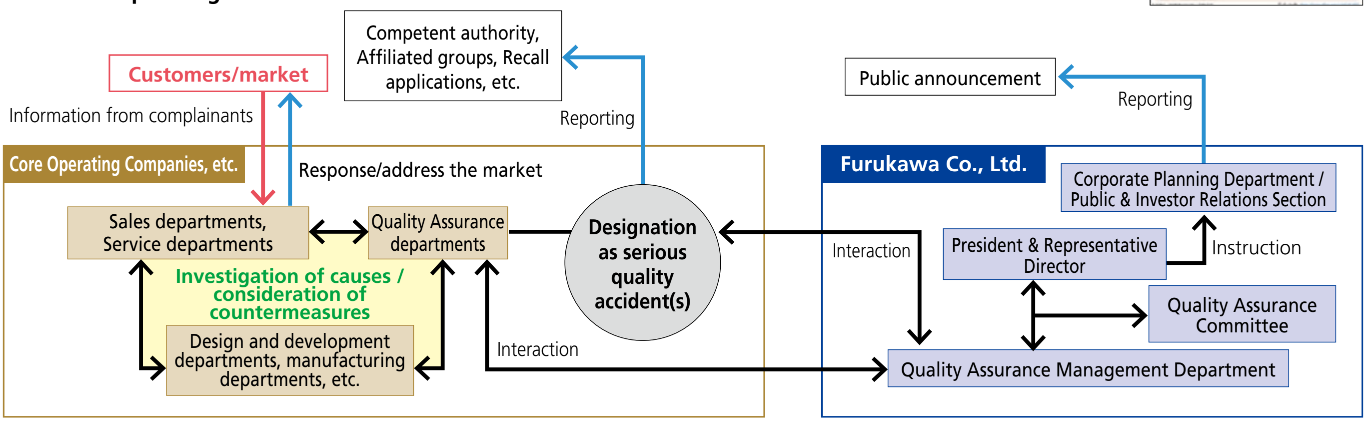
When complaints are made, the Quality Assurance Departments of core operating companies take the lead in immediately checking the facts, and analyzing and verifying the causes. When problems with quality are deemed to be particularly serious, the departments make reports to the competent authorities according to laws and regulations, disclose information to customers through websites and other means, and promptly report the circumstances to management; accordingly, the Group comes together and takes swift, proper measures under the system in place.

Cultivation of Human Resources that Support Quality Assurance

The Quality Assurance Management Department of the Technology Division of Furukawa Co., Ltd., provides basic quality-related education to all officers and employees. Starting with the definition of "quality," we post information summarizing the fundamentals of quality on the Group's portal site and on bulletin boards at each plant. By increasing opportunities for officers and employees to think about quality, we aim to increase their awareness about the Group's quality assurance policy and the importance of quality assurance in their daily work. When we post information, we also conduct surveys to help us identify the level of understanding in each operating department, occupational category, and position, as well as issues, demands, and other matters relating to quality assurance in each operation. We actively use these findings to enhance future training content and the quality assurance systems in each operating department.



■ **Claim Responding Flow**



Message from Chairman of the Quality Assurance Committee

Corporate Officer
General Manager, Technology Division
General Manager, Technological Strategy Department
Chairman, Quality Assurance Committee
Tsutomu Kaneko

Pursuing maximum quality assurance in all departments to impress customers who use our products

The Quality Assurance Committee engages in various initiatives to ensure the safety and reliability of all the Group's products and the satisfaction of its customers. To this end, it is strengthening cooperation among the quality assurance departments of core operating companies to develop, manufacture, and deliver high-quality products. It also works to enhance quality assurance in cooperation with all departments, including procurement, service, and sales.

In fiscal 2022, with the aim of eliminating in-process defects, we enhanced product knowledge, technology, and basic quality education, continued change-point control activities, and conducted internal quality patrols at each business location. We also initiated reciprocating quality patrols between business locations. Going forward, each operating company will not only obtain quality management system certification suited to its own operations but also improve the on-site capabilities of each employee. To this end, they will engage in various improvement activities and work constantly to raise awareness about quality from the customer's perspective. Our aim is for all departments to pursue "product quality that impresses customers."

Innovation Management

R&D Strategies

Basic Policy for R&D Activities

The Furukawa Company Group established the Technology Division within the head office of Furukawa Co., Ltd. The purpose of the division is to strengthen the Group's comprehensive technological capabilities by leading the development of advanced technologies and conducting basic research to support product development at core operating companies. The basic policies of the Technology Division are to promote the commercialization and industrialization of product development projects hat help resolve social issues and also support the development of on-site capabilities to improve productivity. We have product development and production capabilities that are essential for our growth as a manufacturer. To utilize these as part of the comprehensive strengths of the entire Group, the Technology Division takes the lead in formulating Groupwide technological strategies, evaluating and managing development themes, and developing advanced technologies.

In our Machinery business, we have developed control, information, and communication technologies earmarked for deployment in advanced fields, such as IoT and AI. In addition to using these technologies in our products, we will apply them to our production facilities, production management systems, and service operations. In our Materials business, meanwhile, we are focusing on developing battery materials that contribute to carbon neutrality (an area expected to accelerate in the future), as well as metal materials that will benefit our Machinery business.

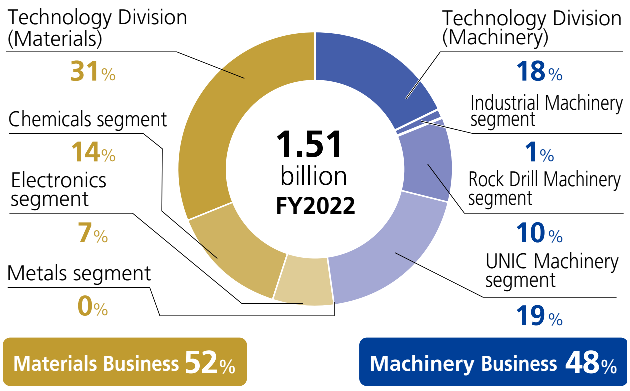
Priority issues

- Promoting the development of automation technology aiming for labor saving
- Development of solid electrolyte materials for solid-state batteries and its mass production technology
- Development of machinery products and technologies that contribute to reducing environmental impact through their higher efficiency and lighter weight
- Effectively utilizing digital technologies
- Strengthen training of next-generation engineers through full-scale operation of engineer human resource development program

Status of Research and Development Investment

Research and development expenses in fiscal 2022 totaled ¥1.51 billion. The core operating companies and the Technology Division promoted the development of new products and new technologies for the resolution of social issues, including contributions toward labor saving and carbon neutrality.

■ Research and Development Expenses and Ratios by Operating Companies

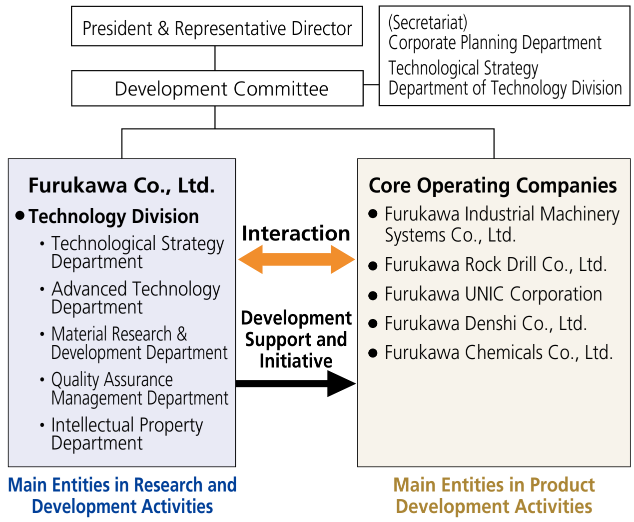


R&D System

The Company has established the Development Committee to deliberate on new technology and new product development in the Group. The Committee is chaired by the President & Representative Director, and the Technological Strategy Department of the Technology Division serve as the secretariat. Meeting twice per year as a rule, various issues are deliberated, including the selection of research and development and product development themes, confirmation of the status of progress on research.

The Technology Division stands at the center of the development frameworks that function to strengthen the Group's comprehensive technological capabilities.It proceeds with research and development while coordinating closely with the Group companies that are the main entities in product development in fields ranging from materials to machinery and equipment.

■ Development Framework Chart



Intellectual Property Strategies

Basic Policy for Intellectual Property Activities

The Group considers intellectual property (IP) activities as an important part of its management strategy and has established a system to utilize IP-related information to secure a competitive advantage. Based on the rights to the Group's technology, we will appropriately assess the value of our entire business, including our IP assets.

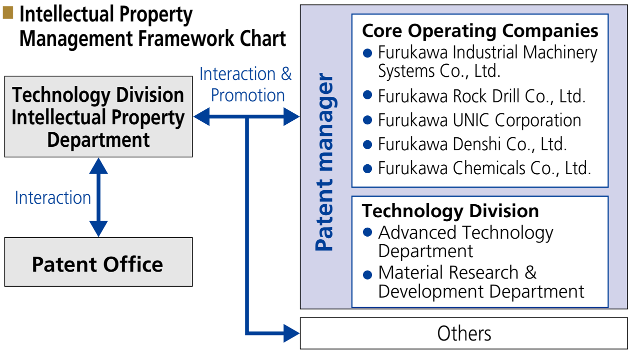
Priority issues

- Engage in activities related to IP rights (discovery, rights acquisition, maintenance, utilization) to visualize evaluation of technological capabilities
- Assess the value of rights held to ensure their effective utilization
- Collect and analyze patent information to formulate a corporate strategy

Intellectual Property Management Framework

The Intellectual Property Department, located within the Technology Division, is the core organization that manages the IP of the Group. Each research center and business location of the Company and its core operating companies also has a patent manager who serves as a coordinator between inventors and the Intellectual Property Department. In addition, the Intellectual Property Department and patent management staff of relevant business departments work closely together to promote IP activities as a group.

■ Intellectual Property Management Framework Chart

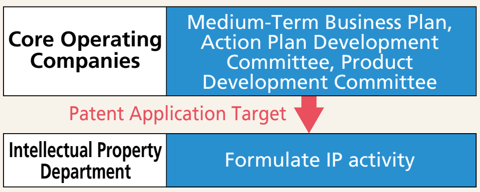


Intellectual Property Strategy

Current Situation

The Intellectual Property Department supports the acquisition of rights on the basis of business strategies formulated by the core operating companies.

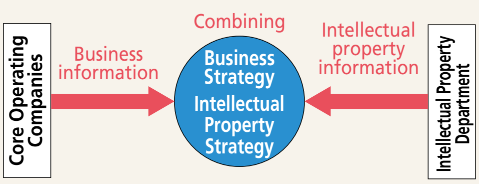
In the core operating companies, patent application targets are determined in development plans formulated on the basis of medium-term business plans and action plans. The Intellectual Property Department seeks to achieve these patent application targets by prioritizing the placement of human capital in key fields while broadly supporting the Group as a whole.



The Ideal State

We seek to unify business strategy and intellectual property strategy by incorporating intellectual property information as an important element in the formulation of business strategy. The core operating companies and the Intellectual Property Department also treat business analysis and intellectual property analysis as an inseparable whole, and share the results of analysis with each other.

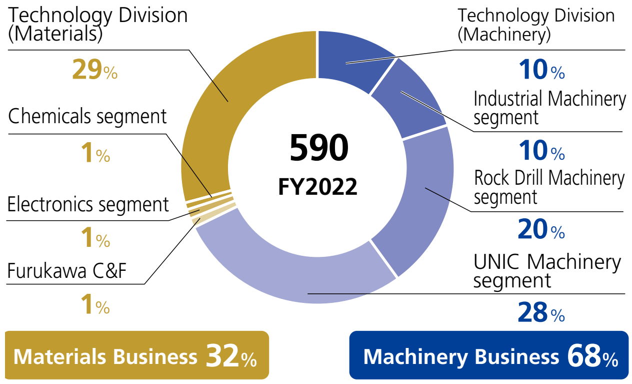
In other words, from the current state, in which intellectual property strategy is led by the core operating companies, we will transition toward a strategy that combines business strategy and intellectual property strategy through the cooperative efforts of the core operating companies and the Intellectual Property Department.



Intellectual Property Portfolio

In fiscal 2022, we owned 590 intellectual properties in Japan. In the Machinery business, the core operating companies are the main actors in development, and they own the intellectual property relating to products. In the Materials business, a larger percentage is owned by the Technology Division, which is the division for basic research oriented toward commercialization of new material development with an eye to the future.

■ Number of Domestic Intellectual Properties Owned by Operating Companies



Effective Deployment of IP Landscaping

In the process of adopting IP landscaping, we have positioned the two-year period beginning in April 2023 as a phase for fostering common understanding, with the aim of launching a promotion project. One specific initiative is the introduction of IP training for internal use. This training is intended not only for R&D departments but also for the sales and manufacturing departments. In addition to improving the IP literacy of employees, it will lay the groundwork for the future integration of business and IP strategies.

■ Introduction Flow of IP Landscape

IP landscaping: This entails performing analyses that incorporate IP information into management and business information when defining a company's management and business strategies. The results of such analyses (overview of current situation, future prospects, etc.) are shared with executives and business managers, who provide feedback that is used in discussions and consultations for planning and consideration.

(Source: Japan Patent Office website)

Supply Chain Management

Basic Approach

The Basic Procurement Policies of the Furukawa Company Group have the four pillars of the principles of fairness and impartiality, mutual prosperity, compliance and confidentiality, and promotion of procurement activities that are considerate of CSR. In accordance with these policies, and on the assumption of cooperative relationships with suppliers, CSR Promotion Guidelines have been formulated that call for respect for human rights and the environment.

Basic Procurement Policies

CSR Promotion Guidelines

Promoting CSR Activities in the Supply Chain

The Group's procurement departments consider it essential to have cooperative relationships not only within the Group but also with suppliers and others throughout the supply chain. In fiscal 2016, therefore, we began providing suppliers, including new suppliers, with an explanation of the purpose of the Group's CSR procurement and giving them the supplier CSR survey to complete. In fiscal 2019, we visited three suppliers and exchanged views in order to promote understanding of our CSR activities.

Considering the points for reflection yielded by the initial survey, a second round of supplier CSR surveys has been conducted from fiscal 2021. In order to promote these CSR activities that extend to the supply chain, and to maintain and improve them, we have been moving through the PDCA cycle for the process from conducting supplier CSR surveys to following up on them.

Going forward, we will further enhance the content of the questionnaire related to human rights and the environment to make our activities more SDGs-conscious.

Purchasing Strategy Conferences

Our Purchasing Department holds Purchasing Strategy Conferences twice a year, which consist of responsible personnel from Purchasing Departments of Machinery segment core operating companies.

At these conferences, each operating company's progress toward annual targets is checked and exchanges of views are held for the resolution of issues, with the overall purpose of promoting procurement activities based on the Furukawa Company Group Basic Procurement Policies.

For fiscal 2022, the core issue for the Purchasing Departments in Vision for 2025 was the fostering of partnerships. Toward that end, steps were taken to strengthen supplier management, conduct specific examinations relating to CSR procurement in the Purchasing Departments, and engage in exchanges of views.

Regular monthly meetings are also held separately at each operating company to provide occasions for more specific examination of initiatives in accordance with the policies of the Purchasing Strategy Conference. In addition, meetings are held on individual projects as the occasion arises and activities more closely tailored to circumstances are carried out.

Supplier Risk Evaluation

In fiscal 2022, we conducted our second supplier CSR survey, this time targeting 40 major Group 2[*1] suppliers (survey of 101 Group 1[*2] suppliers was conducted in fiscal 2021), and achieved a 100% response rate.

We also analyzed and evaluated the results of the survey of 101 Group 1 suppliers conducted in fiscal 2021 by tabulating the scores allocated according to the importance of each question. As a result, we identified, visited, and exchanged opinions with two suppliers that were considered high risk.

In fiscal 2023, we will conduct follow-up monitoring activities (including on-site inspections and guidance on risk reduction) based on the risk evaluation of Group 2 suppliers.

*1 Group 2: Furukawa Chemicals Co., Ltd.; Furukawa C&F Co., Ltd.; Ashio Rock Drill Co., Ltd.; FRD Iwaki Co., Ltd.
*2 Group 1: Furukawa Industrial Machinery Systems Co., Ltd.; Furukawa Rock Drill Co., Ltd.; Furukawa UNIC Corporation; Furukawa Denshi Co., Ltd.

Questions on the Supplier CSR Survey (Human Rights, Environment, etc.)

[Survey questions about respecting human rights and preventing human rights violations]

(1) Prohibition of child labor, forced labor, unfairly low wages, etc.
(2) Creating work environments free of discrimination and harassment of employees
(3) Compliance with labor laws and regulations, improving work environments

[Survey questions about environmental conservation]

(1) Compliance with international standards, laws, regulations, agreements, etc., related to environmental conservation
(2) Energy-saving considerations, using resources effectively, reducing waste
(3) Proper control of chemical substances in products and chemical substances discharged into the external environment during manufacturing processes

Report of Supplier CSR Survey

	FY2016–2018	FY2019	FY2020	FY2021	FY2022
Number of suppliers to which the survey was administered	1st round 154 major suppliers (out of roughly 1,000)	100% collected	—	2nd round 101 major suppliers (out of roughly 1,000 of Group 1) 100% collected and analyzed	2nd round 40 major suppliers (out of roughly 650 of Group 2) 100% collected and analyzed
Number of suppliers followed up	—	3 companies (no problems)	None	None	Follow-up on 2 suppliers of Group 1 (no problems) Follow-up on Group 2, to be conducted in FY2023

Training Personnel Responsible for Procurement

Our Purchasing Department is constantly striving to strengthen the procurement system by holding seminars for the department members.

Themes of training include human rights, the environment, quality, and more, and the information is shared on a regular basis.

Providing Technical Guidance to Suppliers

In order to continue to maintain trust in the Group's products, we must maintain trust not only in the Company itself but also in the level of procured goods. Therefore, it is vital to survey, instruct, and manage suppliers—our partners—as to the quality of their products in addition to human rights, environmental issues, safety, and other aspects. Our Purchasing Department is cooperating with core operating companies in the Machinery segment (Furukawa Industrial Machinery Systems Co., Ltd., Furukawa Rock Drill Co., Ltd., Furukawa UNIC Corporation) to offer guidance and recommendations support to suppliers as necessary.

In fiscal 2022, as the impact of COVID-19 began to dissipate, we resumed monitoring and providing guidance to our domestic suppliers in the usual manner. We also resumed visits of overseas suppliers to confirm and provide guidance on manufacturing processes, parts management, quality inspection systems, environmental and safety measures, and technical matters, which had previously been conducted through web conferences.

Giving guidance to a supplier

Strengthening Relations with Major Suppliers: Fostering Partnerships

The Group considers suppliers to be important partners in aiming for mutual development.

In fiscal 2022, as the pandemic subsided, we resumed visits to domestic and overseas suppliers to communicate with them.

In fiscal 2023, we will continue deepening mutual understanding through CSR initiatives and while fostering closer relationships of trust.

FRD production briefing

Consideration in the Procurement of Copper Ore

As raw material for the copper ingots that are the main product of Furukawa Metals & Resources Co., Ltd., as well as for the gold and silver bullion that are its by-products, that company procures copper concentrate from mines in Chile, Peru, Canada, the United States, Australia, Indonesia, Papua New Guinea, and other places.

The Company ascertains the actual circumstances at these supplier mines with regard to environmental protection, human rights, employment and labor problems, and so on, and notes if sustainable development and appropriate mine operation are being carried out, thereby contributing to mitigation of environmental impact on a global scale.

Regarding conflict minerals, the Company also has the policy of not procuring minerals produced in areas where procurement would risk furthering conflict by serving as a source of funds for armed groups and human rights violations.

Gibraltar Copper Mine

Message from General Manager of the Purchasing Department

Further deepening partnerships with suppliers to encourage sustainability-driven procurement activities

Associate Officer
General Manager,
Purchasing Department
Naoki Ikeda

In fiscal 2022, we conducted our second CSR survey (our first was in fiscal 2021), targeting roughly 40 suppliers of Furukawa Chemicals Co., Ltd. (a core operating company) and its three affiliates. As a result, we confirmed that everyone understands our guidelines as they did in the previous fiscal year.

We have now conducted CSR surveys of approximately 140 companies, including those surveyed in fiscal 2021. During the year, we also visited some of the suppliers who responded to the CSR survey as planned, exchanged opinions, and otherwise engaged in close communication. We would like to thank all of our suppliers for their cooperation.

As part of our sustainability-oriented procurement activities, in fiscal 2023 we plan to conduct a survey on the purchasing status of SDGs-conscious parts at our three machinery-related core operating companies. We will continue deepening partnerships with our suppliers to achieve mutual prosperity and contribute to society throughout our supply chain.

Financial Information

Consolidated 11-Year Data

Financial Data

	2013/3	2014/3	2015/3	2016/3	2017/3
For the year: (Millions of yen)					
Net sales	¥165,539	¥163,026	¥172,544	¥161,799	¥149,829
Cost of sales	144,224	139,777	146,657	136,447	126,207
Gross profit	21,315	23,249	25,886	25,352	23,622
Selling, general and administrative (SG&A) expenses	17,952	16,362	16,961	17,363	17,076
Operating profit	3,363	6,886	8,925	7,988	6,545
Ordinary profit	2,763	6,150	6,603	6,227	7,202
Profit before income taxes	5,432	7,091	6,160	6,631	6,711
Profit attributable to owners of parent	2,976	3,976	9,793	5,056	4,254
Cash flows from operating activities	5,491	1,982	10,241	7,652	9,818
Cash flows from investing activities	(2,252)	(3,129)	(10,892)	(2,855)	(3,585)
Cash flows from financing activities	251	(4,562)	3,318	(8,166)	(5,030)
Capital investment	2,926	11,430	2,557	2,869	5,424
Depreciation	3,014	2,828	3,223	3,190	3,137
Research and development expenses	2,558	2,538	2,227	2,680	2,464
At year-end: (Millions of yen)					
Total assets	¥186,076	¥199,408	¥207,317	¥195,650	¥208,034
Current assets	79,507	76,839	80,564	76,314	79,578
Current liabilities	74,439	73,976	63,870	59,749	59,790
Net assets	51,507	56,313	70,581	68,262	79,584
Interest-bearing debt	80,634	77,219	82,053	76,241	73,507
Equity	50,110	54,694	68,783	66,459	77,658

For the year: (Millions of yen)	2013/3	2014/3	2015/3	2016/3	2017/3
Segment performance					
Net sales of Machinery	¥ 56,852	¥ 71,111	¥ 75,990	¥ 72,232	¥ 66,803
Industrial	12,894	18,527	16,712	14,926	14,041
Rock Drill	23,305	26,842	30,910	30,076	26,979
UNIC	20,651	25,741	28,367	27,229	25,782
Net sales of Materials	88,026	90,162	93,270	85,644	78,968
Metals	77,944	78,684	81,513	74,192	67,853
Electronics	4,987	5,381	5,743	5,477	5,816
Chemicals	5,093	6,096	6,013	5,973	5,298
Net sales of Real Estate	1,058	1,013	2,535	3,045	3,074
Operating profit (loss) of Machinery	2,923	5,333	6,551	5,882	3,580
Industrial	778	1,851	1,711	1,037	104
Rock Drill	(67)	341	1,225	2,217	897
UNIC	2,212	3,141	3,614	2,627	2,578
Operating profit (loss) of Materials	324	1,695	1,770	983	1,870
Metals	282	1,503	1,449	1,154	1,738
Electronics	(262)	(123)	52	(368)	17
Chemicals	304	315	267	197	114
Operating profit (loss) of Real Estate	219	(43)	776	1,276	1,265

Financial Data

	2018/3	2019/3	2020/3	2021/3	2022/3	**2023/3**
For the year: (Millions of yen)						
Net sales	¥167,695	¥174,116	¥165,215	¥159,702	¥199,097	**¥214,190**
Cost of sales	142,426	147,674	138,940	137,508	172,995	**185,575**
Gross profit	25,268	26,441	26,275	22,194	26,101	**28,615**
Selling, general and administrative (SG&A) expenses	17,447	17,526	17,582	16,601	18,366	**19,583**
Operating profit	7,820	8,915	8,693	5,592	7,734	**9,031**
Ordinary profit	8,105	8,235	8,135	6,773	8,996	**9,348**
Profit before income taxes	6,594	7,003	7,280	9,907	9,137	**8,506**
Profit attributable to owners of parent	4,774	4,654	4,431	7,468	6,477	**6,211**
Cash flows from operating activities	5,351	11,785	8,400	6,042	8,768	**6,148**
Cash flows from investing activities	(5,855)	(3,386)	(5,073)	2,245	(5,857)	**(1,617)**
Cash flows from financing activities	(2,529)	(4,205)	(4,843)	(3,123)	(6,568)	**(5,934)**
Capital investment	5,021	5,442	5,938	4,144	4,778	**4,187**
Depreciation	3,260	3,473	3,589	3,879	4,003	**4,114**
Research and development expenses	2,292	1,504	1,177	1,164	1,336	**1,508**
At year-end: (Millions of yen)						
Total assets	¥222,211	¥215,368	¥209,697	¥218,275	¥229,727	**¥232,745**
Current assets	87,845	87,441	85,725	88,625	96,238	**99,882**
Current liabilities	79,322	60,376	52,555	47,839	59,859	**63,111**
Net assets	87,086	80,447	77,966	94,364	100,075	**106,050**
Interest-bearing debt	73,311	72,597	70,412	69,683	65,671	**62,848**
Equity	85,011	78,216	75,543	91,770	97,253	**102,946**

For the year: (Millions of yen)	2018/3	2019/3	2020/3	2021/3	2022/3	**2022/3**
Segment performance						
Net sales of Machinery	¥ 73,453	¥ 77,580	¥ 82,691	¥ 68,635	¥ 76,938	**¥ 81,658**
Industrial	15,871	17,971	23,237	16,682	17,723	**17,943**
Rock Drill	30,199	30,372	27,663	24,149	30,910	**35,752**
UNIC	27,381	29,237	31,791	27,804	28,305	**27,961**
Net sales of Materials	89,987	92,722	79,366	88,203	118,163	**126,804**
Metals	77,334	80,067	67,149	76,094	102,995	**111,424**
Electronics	6,307	6,527	5,506	5,741	7,271	**6,926**
Chemicals	6,344	6,127	6,710	6,367	7,896	**8,454**
Net sales of Real Estate	3,338	2,999	2,386	2,107	2,115	**2,056**
Operating profit (loss) of Machinery	5,083	6,567	7,343	3,968	4,679	**6,093**
Industrial	1,005	2,088	3,208	2,113	1,396	**1,515**
Rock Drill	1,782	1,689	142	(1,324)	1,117	**3,030**
UNIC	2,295	2,789	3,992	3,180	2,165	**1,547**
Operating profit (loss) of Materials	1,648	1,396	776	1,040	2,349	**2,309**
Metals	867	581	301	499	940	**1,276**
Electronics	330	407	(35)	161	666	**500**
Chemicals	451	406	510	380	743	**532**
Operating profit of Real Estate	1,339	1,163	735	736	743	**835**

Consolidated 11-Year Data

Financial Analysis Data

	2013/3	2014/3	2015/3	2016/3	2017/3
Per share amounts: (Yen) (Note 1)					
Basic earnings	¥ 73.65	¥ 98.40	¥ 242.34	¥ 125.13	¥ 105.29
Cash dividends	20.00	30.00	50.00	50.00	50.00
Net assets	1,239.94	1,353.41	1,702.21	1,644.81	1,922.04
Profitability: (%)					
Cost of sales margin	87.1	85.7	85.0	84.3	84.2
Gross margin	12.9	14.3	15.0	15.7	15.8
SG&A expense margin	10.8	10.0	9.8	10.7	11.4
Operating margin	2.0	4.2	5.2	4.9	4.4
Ordinary margin	1.7	3.8	3.8	3.8	4.8
Return on sales	1.8	2.4	5.7	3.1	2.8
Efficiency and soundness:					
Return on equity (ROE) (%) (Note 2)	6.2	7.6	15.9	7.5	5.9
Return on assets (ROA) (%) (Note 3)	1.6	2.1	4.8	2.5	2.1
Debt-to-equity (D/E) ratio (Times) (Note 4)	1.6	1.4	1.2	1.1	0.9
Interest-bearing debt/EBITDA ratio (Times) (Note 5)	12.6	7.9	6.8	6.8	7.6
Equity-to-asset ratio (%) (Note 6)	26.9	27.4	33.2	34.0	37.3
Total asset turnover (Times) (Note 7)	0.9	0.8	0.8	0.8	0.7
Investment indicators:					
Dividend payout ratio (%) (Note 8)	27.2	30.5	20.6	40.0	47.5
Consolidated total return on equity (%) (Note 9)	1.7	2.3	3.3	3.0	2.8
Strategic shareholdings ratio (%) (Note 10)	45.2	52.5	49.7	42.4	49.0
Price book value ratio (PBR) (Times) (Note 11)	0.9	1.4	1.2	1.0	1.1
Stock price at fiscal year-end (Yen)	1,090	1,860	2,120	1,660	2,050
Market capitalization (Millions of yen)	44,085	75,228	85,744	67,139	82,913

ESG Data

	2013/3	2014/3	2015/3	2016/3	2017/3
CO^2 emissions (Thousand t) (Note 12)	24	23	27	24	25
Drain volume (Thousand m^3)	448	429	455	471	465
Total emissions including waste, etc. (t)	6,389	7,746	6,266	6,832	5,347
Valuables	2,567	3,003	3,168	3,374	2,489
Waste	3,822	4,743	3,098	3,458	2,858
Energy (Thousand GJ)	461	454	474	429	458
Water resources (Thousand m^3)	641	633	651	666	671
Number of directors (Persons)	8	8	7	8	9
Number of outside directors (Persons)	1	1	1	2	3
Number of employees (Persons)	2,342	2,413	2,456	2,521	2,616
Number of female employees (Persons) (Note 13)	—	—	—	283	359
Total actual working hours (Hours)	2,030	2,075	2,136	2,105	2,064
Overtime hours (monthly average) (Hours)	19.00	25.50	26.27	23.80	20.65

Other Data

	2013/3	2014/3	2015/3	2016/3	2017/3
LME copper price (average; US$/ton)	7,855	7,104	6,554	5,215	5,154
JPY rate per US$ (average for fiscal year)	83.10	100.24	109.93	120.13	108.42
Copper production volume (Tons)	90,387	87,767	90,447	86,466	84,062
Copper sales volume (Tons)	96,789	94,966	96,675	94,327	91,294

Notes: 1. The Company conducted a 1-for-10 stock consolidation of shares of common stock, effective October 1, 2017. In the above table, per-share figures for fiscal 2017 and prior years have been recalculated based on the number of shares outstanding after the stock consolidation.
2. Return on equity (ROE) = (Profit attributable to owners of parent / Average equity) × 100
3. Return on assets (ROA) = (Profit attributable to owners of parent / Average total assets) × 100
4. Debt-to-equity (D/E) ratio = Interest-bearing debt (fiscal year-end) / Equity (fiscal year-end)
5. Interest-bearing debt/EBITDA ratio = Interest-bearing debt (fiscal year-end) / (Operating profit + Depreciation)

Financial Analysis Data

	2018/3	2019/3	2020/3	2021/3	2022/3	**2023/3**
Per share amounts: (Yen) (Note 1)						
Basic earnings	¥ 118.16	¥ 116.23	¥ 112.23	¥ 190.73	¥ 165.87	**¥ 161.97**
Cash dividends	50.00	50.00	50.00	50.00	50.00	**50.00**
Net assets	2,104.07	1,978.09	1,926.32	2,348.53	2,505.01	**2,700.87**
Profitability: (%)						
Cost of sales margin	84.9	84.8	84.1	86.1	86.9	**86.6**
Gross margin	15.1	15.2	15.9	13.9	13.1	**13.4**
SG&A expense margin	10.4	10.1	10.6	10.4	9.2	**9.1**
Operating margin	4.7	5.1	5.3	3.5	3.9	**4.2**
Ordinary margin	4.8	4.7	4.9	4.2	4.5	**4.4**
Return on sales	2.8	2.7	2.7	4.7	3.3	**2.9**
Efficiency and soundness:						
Return on equity (ROE) (%) (Note 2)	5.9	5.7	5.8	8.9	6.9	**6.2**
Return on assets (ROA) (%) (Note 3)	2.2	2.1	2.1	3.5	2.9	**2.7**
Debt-to-equity (D/E) ratio (Times) (Note 4)	0.9	0.9	0.9	0.8	0.7	**0.6**
Interest-bearing debt/EBITDA ratio (Times) (Note 5)	6.6	5.9	5.7	7.4	5.6	**4.8**
Equity-to-asset ratio (%) (Note 6)	38.3	36.3	36.0	42.0	42.3	**44.2**
Total asset turnover (Times) (Note 7)	0.8	0.8	0.8	0.7	0.9	**0.9**
Investment indicators:						
Dividend payout ratio (%) (Note 8)	42.3	43.0	44.6	26.2	30.1	**30.9**
Consolidated total return on equity (%) (Note 9)	2.5	3.9	3.1	2.5	2.4	**2.8**
Strategic shareholdings ratio (%) (Note 10)	51.8	43.6	36.0	39.4	38.0	**35.1**
Price book value ratio (PBR) (Times) (Note 11)	0.9	0.7	0.6	0.6	0.5	**0.5**
Stock price at fiscal year-end (Yen)	1,985	1,393	1,060	1,336	1,289	**1,277**
Market capitalization (Millions of yen)	80,284	56,340	42,872	52,205	50,043	**48,674**

ESG Data

	2018/3	2019/3	2020/3	2021/3	2022/3	**2023/3**
CO_2 emissions (Thousand t) (Note 12)	26	26	22	21	22	**20**
Drain volume (Thousand m^3)	410	477	477	474	417	**361**
Total emissions including waste, etc. (t)	6,884	7,160	7,039	5,912	6,347	**6,459**
Valuables	2,928	3,357	3,203	2,456	3,045	**3,046**
Waste	3,956	3,803	3,836	3,456	3,302	**3,413**
Energy (Thousand GJ)	483	511	438	427	472	**410**
Water resources (Thousand m^3)	623	692	680	671	618	**568**
Number of directors (Persons)	9	9	9	9	9	**9**
Number of outside directors (Persons)	3	3	3	3	3	**3**
Number of employees (Persons)	2,690	2,757	2,755	2,752	2,804	**2,831**
Number of female employees (Persons) (Note 13)	391	415	411	413	437	**462**
Total actual working hours (Hours)	2,138	2,117	2,083	1,952	1,986	**1,943**
Overtime hours (monthly average) (Hours)	26.85	25.40	22.36	15.22	18.80	**16.64**

Other Data

	2018/3	2019/3	2020/3	2021/3	2022/3	**2023/3**
LME copper price (average; US$/ton)	6,444	6,341	5,860	6,879	9,691	**8,551**
JPY rate per US$ (average for fiscal year)	110.85	110.91	108.74	106.06	112.38	**135.47**
Copper production volume (Tons)	88,004	81,346	77,068	74,386	71,149	**70,186**
Copper sales volume (Tons)	90,103	85,146	83,863	81,998	77,402	**74,070**

6. Equity-to-asset ratio = [Equity (fiscal year-end) / Total assets (fiscal year-end)] × 100
7. Total asset turnover = Net sales / Average total assets
8. Dividend payout ratio = (Total cash dividends / Profit attributable to owners of parent) × 100
9. Consolidated total return on equity = [(Total cash dividends + Total amount of treasury stock acquisition) / Average consolidated equity] × 100
10. Ratio of strategic shareholdings shares (including deemed shares) to consolidated net assets
11. Price book value ratio (PBR) = Stock price (fiscal year-end) / Net assets per share
12. Not including Scope 3
13. For number of female employees, only figures for fiscal 2015 and later are shown because numbers of male and female employees were not counted in some categories before then.

Financial Information

Management's Analysis of Operating Results, Financial Position, and Cash Flows

Accounting Principles and Change in Fiscal Year Notation

As a company listed on the Prime Market of the Tokyo Stock Exchange, since April 2022 we have been translating and publishing financial statements and other materials into English for timely disclosure. For financial statements and other information in this report, therefore, we use the English translation of our financial statements, which are based on Japanese generally accepted accounting principles (Japanese GAAP). Those financial statements (based on Japanese GAAP) have been properly audited by the firm that audited the Company's Annual Securities Report.

Starting with this year's Integrated Report, we have changed the English notation of "fiscal year" to match the Japanese-language report. Accordingly, the period from April 2022 to March 2023 is now referred to as "fiscal 2022." Similarly, the period from April 2021 to March 2022 is now referred to as "fiscal 2021." Please note that this differs from the fiscal year notation in the previous year's Annual Report.

Operating Results

In fiscal 2022, ended March 31, 2023, consolidated net sales amounted to ¥214,190 million, up ¥15,093 million (7.6%) year on year, and operating profit totaled ¥9,031 million, up ¥1,297 million (16.8%). As a result, the operating margin increased 0.3 point, to 4.2%. In the Machinery business, the Industrial Machinery and Rock Drill Machinery segments reported increases in both sales and profit, but the UNIC Machinery segment posted decreases in sales and profit, resulting in higher sales and profit for the Machinery business as a whole. In the Materials business, the Metals segment reported increases in sales and profit, the Electronics segment posted decreases in sales and profit, and the Chemicals segment recorded higher sales and lower profit, resulting in higher sales and lower profit for the Materials business as a whole. The Real Estate business reported lower sales and higher profit.

Non-operating income increased ¥101 million year on year, to ¥3,146 million, due to foreign exchange gains of ¥1,462 million (up ¥785 million). Non-operating expenses rose ¥1,047 million, to ¥2,829 million, mainly due to share of loss of entities accounted for using equity method of ¥860 million (share of profit of entities accounted for using equity method of ¥370 million in the previous fiscal year). As a result, ordinary profit increased ¥351 million (3.9%), to ¥9,348 million.

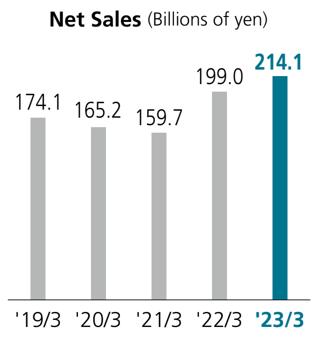
Despite a ¥362 million gain on sales of investment securities (up ¥269 million year on year) and other items, extraordinary income declined ¥703 million (63.1%) year on year, to ¥410 million. This was due to a gain on bargain purchase of ¥833 million in the previous fiscal year associated with the acquisition of shares in Yamaishi Metal Co., Ltd. on October 1, 2021. Extraordinary losses rose ¥279 million (28.7%), to ¥1,252 million, due to a ¥324 million loss on liquidation of subsidiaries (in Panama and China) in the Rock Drill Machinery segment (reported as a loss on liquidation of subsidiaries), as well as a ¥470 million loss corresponding to progress of demolition work on the Furukawa Osaka Building (¥668 million loss in the previous fiscal year). As a result, profit before income taxes decreased ¥630 million (6.9%), to ¥8,506 million.

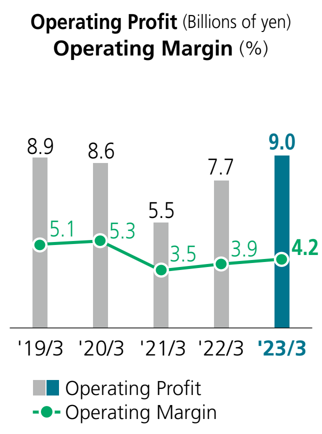
Total income taxes (including enterprise tax, inhabitants' tax, and business tax) decreased ¥401 million, to ¥2,049 million. The effective tax rate was 24.1%, down 2.7 points from the previous fiscal year, mainly due to adjustments from retained earnings of subsidiaries (–7.8%). Profit attributable to non-controlling interests increased ¥36 million, to ¥245 million. As a result of the above, profit attributable to owners of parent declined ¥266 million (4.1%), to ¥6,211 million.

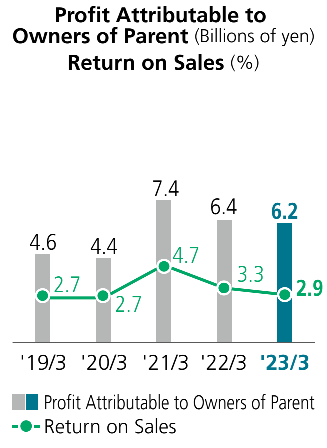
Return on equity (ROE) declined 0.7 point, to 6.2%. Basic earnings per share was down 2.4%, to ¥161.97.

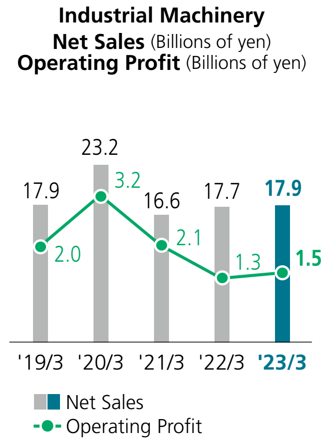
Industrial Machinery

Sales in the Industrial Machinery segment amounted to ¥17,943 million, an increase of ¥220 million year on year, and operating profit was ¥1,515 million, an increase of ¥118 million. The order backlog at year-end was higher than a year earlier due to orders received related to highway bridges and stone crushing plants, etc. Sales of pump plants, environmental products, and bridge structures increased, while those of material machinery decreased. Regarding large-scale projects, we recorded sales corresponding to progress, including of SICON® enclosed hanging conveyors for









the construction of the Shin-Kobotoke Tunnel on the Chuo Expressway, but overall sales declined due to the postponement of various projects.

Rock Drill Machinery

Sales in the Rock Drill Machinery segment amounted to ¥35,752 million, an increase of ¥4,841 million, and operating profit was ¥3,030 million, an increase of ¥1,913 million. In Japan, both sales and profit increased thanks to various factors. These included growth in shipments of large models of hydraulic breakers, a shift to highly functional models of tunnel drill jumbos, an increase in shipments of ancillary parts, and an increase in the number of custom-ordered machines serviced. Overseas, we reported higher sales and profit, mainly due to increased shipments of hydraulic breakers, hydraulic crawler drills, and ancillary parts to North America, as well as the positive impact of the weak yen on revenue.

UNIC Machinery

Sales in the UNIC Machinery segment amounted to ¥27,961 million, a decrease of ¥343 million, and operating profit was ¥1,547 million, a decrease of ¥617 million. In Japan, we reported a decrease in sales mainly due to delays in crane installations stemming from delays and cutbacks in truck production. We also posted a decrease in profit due to a deteriorating cost rate caused by price hikes of steel and other raw materials. Overseas, we recorded increases in both sales and profit thanks to higher shipments of mini-crawler cranes in Europe and the United States and UNIC cranes in Southeast Asia, Oceania, and the Middle East.

Machinery Business Total

Total sales of the Machinery business—consisting of the Industrial Machinery, Rock Drill Machinery, and UNIC Machinery segments—amounted to ¥81,658 million, an increase of ¥4,719 million year on year, and operating profit was ¥6,093 million, an increase of ¥1,414 million.

Metals

Sales in the Metals segment amounted to ¥111,424 million, an increase of ¥8,429 million, and operating profit was ¥1,276 million, an increase of ¥336 million. The overseas market price of electrolytic copper started at US$10,247/ton but declined to US$7,000/ton on July 15 due to accelerated monetary tightening measures by major central banks and China's zero-COVID policy. Subsequently, the price temporarily recovered to the US$9,400/ton range in January 2023, supported by expectations of a recovery in demand in China and a slowdown in interest rate hikes in the United States, but ended the fiscal year at US$8,935/ton. Despite a decline in the sales volume of electrolytic copper, we achieved an increase in sales that was helped by a rise in the sales volume of electrolytic gold coupled with the weaker yen.

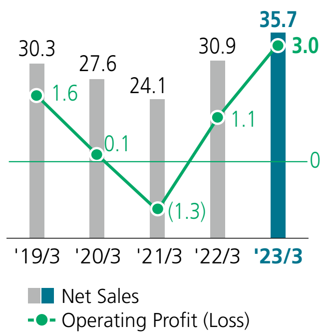
Electronics

Sales in the Electronics segment amounted to ¥6,926 million, a decrease of ¥345 million, and operating profit was ¥500 million, a decrease of ¥165 million. Sales of high-purity metallic arsenic decreased as the market for compound semiconductors, a major application for that material, entered an inventory adjustment phase both in Japan and overseas. Sales of aluminum nitride ceramics increased due to firm demand for their application in thermal management components and semiconductor manufacturing equipment components. We posted a decline in sales of coils due to cutbacks in automobile production stemming from a shortage of semiconductors and other factors.

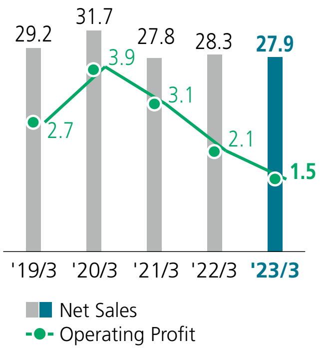
Chemicals

Sales in the Chemicals segment amounted to ¥8,454 million, an increase of ¥557 million, while operating profit was ¥532 million, a decrease of ¥210 million. Sales of cupric oxide decreased year on year due to a decline in demand related to PCs and lower sales volumes. This was despite higher unit prices stemming mainly from rising copper prices. Meanwhile, sales of cuprous oxide increased on the back of a recovery in demand for ship-bottom paints, a major application for that product, as well as higher unit prices, mainly due to increasing copper prices. On the other hand, segment operating profit declined due to higher manufacturing costs caused by soaring raw material costs and other factors.

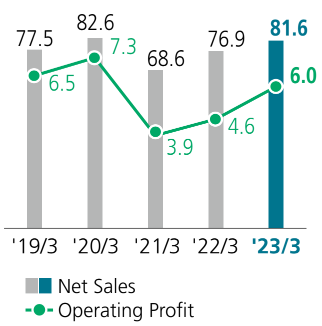
Rock Drill Machinery
Net Sales (Billions of yen)
Operating Profit (Loss) (Billions of yen)



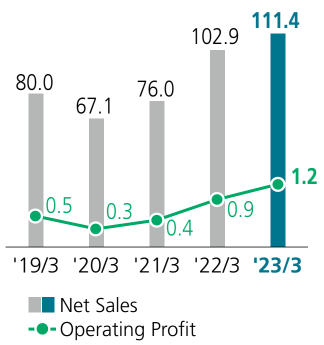
UNIC Machinery
Net Sales (Billions of yen)
Operating Profit (Billions of yen)



Machinery Business
Net Sales (Billions of yen)
Operating Profit (Billions of yen)



Metals
Net Sales (Billions of yen)
Operating Profit (Billions of yen)



Materials Business Total

Total sales of the Materials business—consisting of the Metals, Electronics, and Chemicals segments—amounted to ¥126,804 million, an increase of ¥8,640 million year on year, and operating profit was ¥2,309 million, a decrease of ¥40 million.

Real Estate

Sales in the Real Estate business amounted to ¥2,056 million, a decrease of ¥58 million, and operating profit was ¥835 million, an increase of ¥92 million. Revenue from the Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2), our main facility, increased thanks to the lifting of behavioral restrictions and the elimination of partial exemptions for rent payments given to commercial tenants, although the commercial facility market did not recover to pre-COVID-19 levels. On the other hand, overall rental revenues declined mainly due to a decrease in business office rent revenues.

Others

This segment covers metal powder, casting, transportation, and other businesses. We posted sales of ¥3,671 million, an increase of ¥1,791 million year on year, and an operating loss of ¥133 million, compared with operating profit of ¥17 million in the previous fiscal year.

Financial Position

As of March 31, 2023, total assets amounted to ¥232,745 million, up ¥3,017 million (1.3%) from a year earlier. Current assets increased ¥3,644 million (3.8%), to ¥99,882 million. This was mainly due to a ¥7,158 million (25.3%) increase in notes and accounts receivable–trade, and contract assets. By contrast, there was a ¥2,335 million (4.8%) decrease in inventories due to lower raw material volumes in the Metals segment. Non-current assets edged down ¥626 million (0.5%), to ¥132,862 million. This was due to a ¥1,149 million (3.2%) decrease in investment securities stemming mainly from the sale of such securities.

Total liabilities at fiscal year-end amounted to ¥126,695 million, down ¥2,957 million (2.3%) from a year earlier. Current liabilities increased ¥3,252 million (5.4%), to ¥63,111 million. This was due to a ¥3,103 million (23.0%) increase in short-term borrowings (including current portion of long-term debt), which offset a ¥2,159 million (5.6%) decrease in payables (notes and accounts payable–trade, electronically recorded obligations–operating, and accounts payable–other). Non-current liabilities declined ¥6,209 million (8.9%), to ¥63,583 million, due mainly to a ¥5,926 million (11.4%) decrease in long-term borrowings.

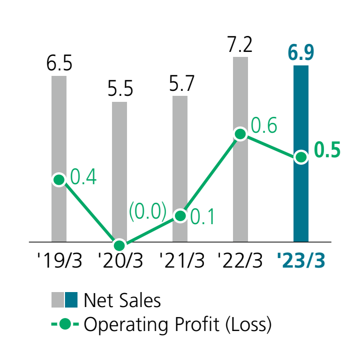
Net assets increased ¥5,975 million (6.0%) year on year, to ¥106,050 million. This was mainly due to a ¥3,401 million (4.2%) increase in total shareholders' equity, stemming from ¥6,211 million in profit attributable to owners of parent and ¥1,941 million in dividends paid. Other factors included a ¥2,291 million (13.7%) increase in total accumulated other comprehensive income, mainly due to an increase in foreign currency translation adjustment stemming from the yen's depreciation.

R&D and Capital Investment

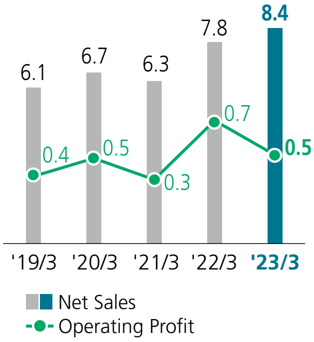
The Furukawa Company Group actively engages in R&D on high-value-added products and new materials that meet wide-ranging market needs. In the fiscal year under review, total research and development expenses amounted to ¥1,508 million, up 12.9% from the previous fiscal year. Of this total, ¥21 million was allocated to the Industrial Machinery segment, ¥143 million to the Rock Drill Machinery segment, ¥290 million to the UNIC Machinery segment, ¥104 million to the Electronics segment, ¥208 million to the Chemicals segment, and ¥10 million to Others. We also spent ¥728 million on corporate research aimed at developing basic technologies for each segment and creating new businesses. This was allocated to all of the business segments.

In fiscal 2022, we made capital investment (including purchase of intangible fixed assets) totaling ¥4,187 million, down 12.4% year on year. Of this total, ¥912 million was allocated to the

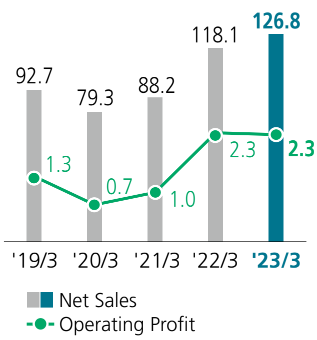
Electronics
Net Sales (Billions of yen)
Operating Profit (Loss) (Billions of yen)



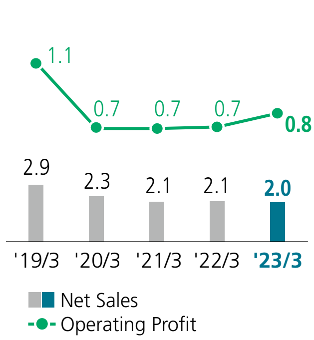
Chemicals
Net Sales (Billions of yen)
Operating Profit (Billions of yen)



Material Business
Net Sales (Billions of yen)
Operating Profit (Billions of yen)



Real Estate
Net Sales (Billions of yen)
Operating Profit (Billions of yen)



Industrial Machinery segment, ¥708 million to the Rock Drill Machinery segment, ¥504 million to the UNIC Machinery segment, ¥208 million to the Metals segment, ¥1,125 million to the Electronics segment, and ¥237 million to the Chemicals segment, aimed primarily at improvements in production efficiency. In addition, ¥3 million was allocated to maintenance of buildings owned by the Real Estate business and ¥486 million went to Others segment, mainly for measures to prevent pollution at suspended mines. Funds for these expenditures are sourced from internal funds and borrowings. Depreciation increased 2.8% year on year, to ¥4,114 million.

Cash Flows

In the fiscal year under review, net cash provided by operating activities amounted to ¥6,148 million, down ¥2,620 million from the previous fiscal year. This was mainly due to an increase in expenditures resulting from changes in assets and liabilities related to operating activities, including a decrease in notes and accounts payable–trade, as well as an increase in income taxes paid. By contrast, there was increase in adjusted income from non-cash profit/loss items.

Net cash used in investing activities totaled ¥1,617 million, down ¥4,239 million. This was mainly due to ¥3,413 million in purchases of property, plant and equipment and intangible assets (down ¥2,158 million year on year) and ¥1,380 million in proceeds from sale of investment securities (up ¥1,273 million). The decrease in purchases of property, plant and equipment and intangible assets was mainly due to a ¥1,132 million decrease in expenditures by the Industrial Machinery segment, which in the previous fiscal year included the construction of a new office building at the Oyama Works. The increase in proceeds from sales of investment securities stemmed from the Company's review of strategic shareholdings. The Company annually examines the appropriateness of continuing to hold such shareholdings and sells them as necessary to make effective use of assets and improve financial soundness.

Net cash used in financing activities was ¥5,934 million, down ¥633 million. The main factor was a net decrease in interest-bearing debt (borrowings, net of repayments) of ¥2,869 million (down ¥1,155 million).

As a result, the year-end balance of cash and cash equivalents totaled ¥13,606 million, down ¥862 million from a year earlier.

Consolidated Operating Cash Flow Allocation and Capital Strategy

Our Medium-Term Business Plan 2025 (April 1, 2023–March 31, 2026) represents the final phase for realizing Vision for 2025. Under the plan, our basic policy for allocating management resources is to prioritize investments targeting sustainable growth and medium- to long-term improvements in corporate value, and then to deliver stable and continuous shareholder returns.

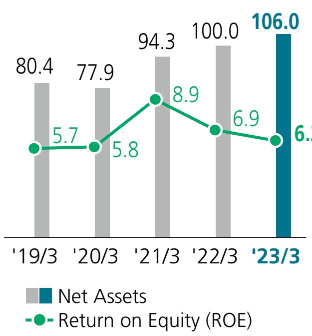
As for allocated consolidated cash flows, we will strive to establish a solid financial base while giving due consideration to shareholder returns. At the same time, we will make capital investments to achieve sustainable growth and enhance corporate value over the medium to long term.

A summary of consolidated cash flow allocations for each phase of Vision for 2025 is shown on the next page.

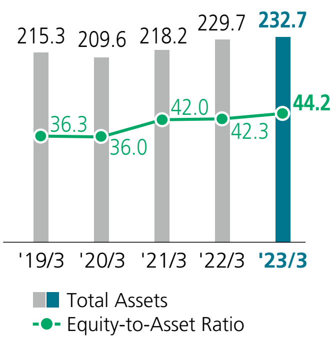
With respect to allocating funds to capital investments, the accumulated amount of actual capital investments in Phase 1 was ¥16,403 million (capital investments and other payments were ¥16,394 million) and Phase 2 was ¥13,110 million (capital investments and other payments were ¥12,459 million). We expect to make cumulative capital investments of ¥20 billion in Phase 3, of which ¥14 billion (or 70%) will go to our core Machinery business. We will continue making capital investments to strengthen our manufacturing capabilities.

Regarding the reduction of interest-bearing debt (borrowings), the balance of interest-bearing debt (borrowings) as of March 31, 2017, was ¥73,507 million. Since then, we reduced the balance by ¥3,094 million in Phase 1 and ¥7,564 million in Phase 2. (The increase/decrease in interest-bearing debt in "Summary of

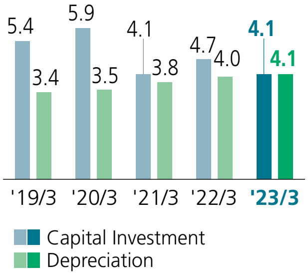
Net Assets (Billions of yen)
Return on Equity (ROE) (%)



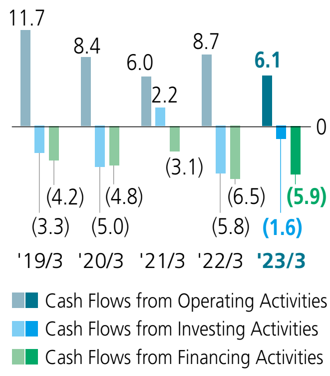
Total Assets (Billions of yen)
Equity-to-Asset Ratio (%)



Capital Investment (Billions of yen)
Depreciation (Billions of yen)



Cash Flows (Billions of yen)



Consolidated Cash Flow Allocation" does not include the increase/decrease due to foreign exchange translation differences.) The balance of interest-bearing debt (borrowings) as of March 31, 2023, was ¥62,848 million. In Phase 3, we plan to reduce interest-bearing debt by ¥10 billion. To realize this, we will continue working to establish a solid financial base that will enable us to raise funds without being influenced by financial conditions. In fiscal 2025, the final year of Vision for 2025, we envisage a level of financial soundness that will prompt Japanese rating agencies to raise their ratings to A– or higher, from the current BBB+. To this end, we will continue striving to improve our financial soundness.

With respect to dividends, we will strive to provide stable and continuous returns to shareholders by prioritizing investments to achieve sustainable growth and enhance corporate value over the medium to long term. At the same time, we will consider increasing dividends and paying interim dividends, aiming for annual dividends of at least ¥50 per share in principle and a consolidated total return on equity of 3% or higher. In Phase 1, cumulative appropriations of retained earnings totaled ¥5,958 million, and the average consolidated total return on equity was 3.2%. In Phase 2, cumulative appropriations of retained earnings totaled ¥5,800 million, and the average consolidated total return on equity was 2.6%.

Regarding share buybacks/cancellations, we will consider share buybacks and cancellations from time to time, taking into account trends in stock prices, capital efficiency, cash flows, and other factors. We will aim for share buybacks of approximately ¥1 billion each fiscal year. In Phase 1, we bought back 1,186,300 shares at a total cost of ¥1,628 million, and in Phase 2 we bought back 1,099,400 shares at a cost of ¥1,387 million. (The number of shares bought back in "Summary of Consolidated Cash Flow Allocation" includes shares bought due to requests for the purchase of odd-lot shares.)

With respect to reducing strategic shareholdings, each year we carefully examine the purpose of our holdings and whether the benefits and risks associated with each holding are commensurate with the cost of capital. We also examine the appropriateness of continuing to hold shares after a comprehensive review that includes both qualitative and quantitative aspects. We will strive to reduce holdings of shares deemed to be no longer necessary by selling them as appropriate. We will also continue disclosing the ratio of strategic shareholdings to consolidated net assets as an indicator of our progress in reducing such shareholdings. As of March 31, 2023, the ratio was 35.1%.

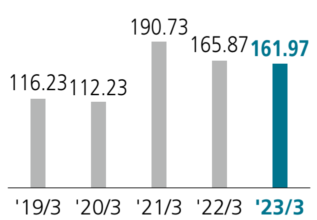
Analysis of Performance Indicators

Our Vision for 2025, FURUKAWA Power & Passion 150, will end in fiscal 2025 when we mark the 150th anniversary of the Company's founding. Under Vision for 2025, we are targeting consolidated annual operating profit regularly in excess of ¥15 billion and double-digit ROE. Under Medium-Term Business Plan 2025 (April 1, 2023–March 31, 2026), which covers the final phase of Vision for 2025, we have set the following performance targets for fiscal 2025, the final year of the plan: consolidated annual operating profit of approximately ¥13 billion and ROE of 8%.

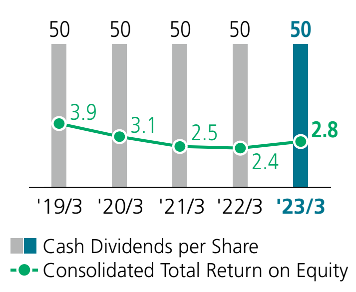
As a growth strategy to achieve these targets, we will review and strengthen our business portfolio and visualize our business (product) portfolio strategies within each business segment to improve profitability and identify low profit businesses (products). We will concentrate our management resources to sustainably grow our core Machinery business to a new level.

We will also strengthen efforts to improve ROE. Here, we will make individual investment decisions with attention to profitability, taking into account risks associated with the investment and cost of capital, while stepping up efforts to improve efficiency and profitability. In addition, by deploying a business portfolio management system that utilizes cost of capital, we will optimize overall allocation of management resources to achieve sustainable growth and increase corporate value over the medium to long terms.

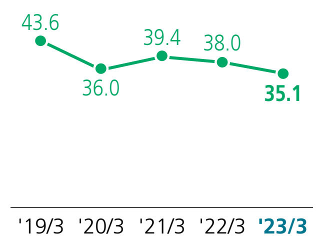
Basic Earnings per Share (Yen)



Cash Dividends per Share (Yen)
Consolidated Total Return on Equity (%)



Strategic Shareholdings Ratio (%)



Consolidated Cash Flow Allocation

(Millions of yen, rounded down)

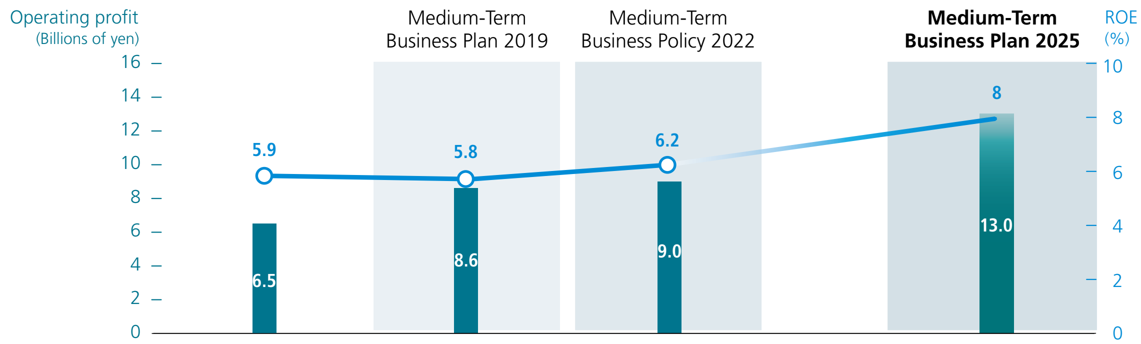
	Phase 1 FY2017–2019 cumulative	Phase 2 FY2020–2022 cumulative	Phase 3 FY2023–2025 cumulative (Image)
Cash flows from operating activities	25,537	20,959	40,000
Payments for capital investment, etc.	(16,394)	(12,459)	(20,000)
Payments/collections of other investments	2,078	7,230	
Cash flows from investing activities	(14,315)	(5,229)	(20,000)
Free cash flow	11,221	15,729	20,000
Interest-bearing debt	(3,058)	(7,636)	(10,000)
Cash dividends	(6,017)	(5,856)	(7,000)
Share buybacks	(1,631)	(1,388)	(3,000)
Others	(870)	(744)	
Cash flows from financing activities	(11,577)	(15,626)	(20,000)

Financial Indicators

		FY2016 (Base year for comparisons)	FY2019	FY2022	FY2025 (Image)
Financial indicators	Debt-to-equity (D/E) ratio*1	0.9 times	0.9 times	0.6 times	0.5x range
	Interest-bearing debt/ EBITDA ratio*2	7.6 times	5.7 times	4.8 times	3x range
	Issuer credit rating	BBB (JCR)	BBB (JCR)	BBB+ (JCR)	A– or higher (Japanese rating agency)

*1 Debt-to-equity (D/E) ratio = Interest-bearing debt (fiscal year-end) / Equity (fiscal year-end)
*2 Interest-bearing debt/EBITDA ratio = Interest-bearing debt (fiscal year-end) / (Operating profit + Depreciation)

Performance Indicators



		FY2016 (Results)	FY2019 (Results)	FY2022 (Results)	FY2025 (Targets)
Performance indicators	Operating profit	¥6.5 billion	¥8.6 billion	¥9.0 billion	Approx. ¥13 billion
	ROE	5.9%	5.8%	6.2%	Approx. 8%

* Performance indicators in Medium-Term Business Plan 2025 do not account for new alliances and M&As.

ROE Breakdown Analysis

ROE	=	Profitability Return on sales	×	Efficiency Total asset turnover	×	Leverage Financial leverage
FY2016 (results) : 5.9%		2.84%		0.74 times		2.80 times
FY2019 (results) : 5.8%		2.68%		0.78 times		2.76 times
FY2022 (results) : 6.2%		2.90%		0.93 times		2.31 times
FY2025 (targets) : Approx. 8%		Improved		Improved		Down

* Comparison with FY2016

Segment Analysis

In order to strengthen and instill efforts to improve ROE, we have set return on assets (ROA) as a performance and management indicator for each segment, and we are working to improve profitability (operating margin) and efficiency (total asset turnover), which are components of ROA. Our ROA results by segment in fiscal 2016 (benchmark year), fiscal 2019 (final year of Phase 1), and fiscal 2022 (final year of Phase 2) are shown on pages 63 to 64.

Industrial Machinery

Compared with 0.5% in fiscal 2016 (benchmark year), ROA of the Industrial Machinery segment improved 12.9 points to 13.4% in fiscal 2019 (final year of Phase 1) and 5.5 points to 6.0% in fiscal 2022 (final year of Phase 2). As a result of our efforts to strengthen our engineering capabilities and move away from being a mere equipment manufacturer, we expanded our contractor business and attracted orders through technical proposals for section plant construction projects related to material machinery. As a result, our business performance and profitability (operating margin) improved significantly. In fiscal 2019, profitability (operating margin) was high, at 12.2%, due to sales corresponding to the volume of several large projects and remained stable in Phase 2 (10.7% in fiscal 2020, 6.8% in fiscal 2021, and 7.3% in fiscal 2022).

Rock Drill Machinery

Compared with 2.9% in fiscal 2016 (benchmark year), ROA of the Rock Drill Machinery segment declined 2.5 points to 0.4% in fiscal 2019 (final year of Phase 1) and increased 5.2 points to 8.1% in fiscal 2022 (final year of Phase 2). In Phase 1, ROA improved in fiscal 2017 and fiscal 2018, mainly due to strong shipments both in Japan and overseas and improved profitability (operating margin). In fiscal 2019, however, profitability (operating margin) deteriorated due to higher costs associated with compliance with emission regulations in developed countries for hydraulic crawler drills, as well as higher depreciation and other expenses from capital investments. Efficiency (total asset turnover) also deteriorated due to increased investments in inventories and fixed assets. In Phase 2, we recorded an operating loss in fiscal 2020 due to the significant impact of COVID-19, but profitability (operating margin) improved in fiscal 2021 and fiscal 2022 due to increased revenue both in Japan and overseas. Efficiency (total asset turnover) also improved, mainly due to an improved receivables turnover ratio and an improved inventory turnover ratio resulting from efforts to optimize inventory levels.

UNIC Machinery

Compared with 11.2% in fiscal 2016 (benchmark year), ROA of the UNIC Machinery segment improved 1.8 points to 13.0% in fiscal 2019 (final year of Phase 1) and declined 6.2 points to 5.0% in fiscal 2022 (final year of Phase 2). In Phase 1, we posted improved profitability (operating margin) in Japan due to steady sales of the G-FORCE series of UNIC cranes, which underwent a full model change with significant improvements in operability and safety, as well as overseas, where we reorganized our sales network and strengthened our sales capabilities while expanding and reinforcing our production bases for machines destined for

Consolidated ROA

Consolidated	ROA (Operating profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2016 (base year for comparisons)	3.2%	0.7	4.4%	6,545
FY2019 (base final year for Phase 1)	4.1%	0.8	5.3%	8,693
FY2022 (base final year for Phase 2)	3.9%	0.9	4.2%	9,031

ROA Transition by Segment

Industrial Machinery	ROA (Operating profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2016 (base year for comparisons)	0.5%	0.9	0.6%	104
FY2019 (base final year for Phase 1)	13.4%	1.1	12.2%	3,208
FY2022 (base final year for Phase 2)	6.0%	0.8	7.3%	1,515

Rock Drill Machinery	ROA (Operating profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2016 (base year for comparisons)	2.9%	0.9	3.3%	897
FY2019 (base final year for Phase 1)	0.4%	0.8	0.5%	142
FY2022 (base final year for Phase 2)	8.1%	1.0	8.5%	3,030

UNIC Machinery	ROA (Operating profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2016 (base year for comparisons)	11.2%	1.1	9.9%	2,578
FY2019 (base final year for Phase 1)	13.0%	1.0	12.5%	3,992
FY2022 (base final year for Phase 2)	5.0%	0.9	5.5%	1,547

export. We also reaped the benefits of capital investments in the Sakura Works, which began in fiscal 2016. In Phase 2, profitability (operating margin) has deteriorated in Japan since fiscal 2021, due to declining segment revenue caused mainly by delays in truck production as a result of difficulties in procuring overseas parts and delays in crane installation stemming from production cutbacks. In addition, the cost of sales ratio worsened due to hikes in prices of steel and other raw materials. In the UNIC Machinery segment, the fixed asset turnover ratio is deteriorating due to increased depreciation costs associated with capital investments in the Sakura Works. Our challenge going forward, therefore, is to maximize the benefits of our capital investments while improving profitability (operating margin).

Metals

Compared with 6.2% in fiscal 2016 (benchmark year), ROA of the Metals segment declined 5.1 points to 1.1% in fiscal 2019 (final year of Phase 1). This was due to deteriorating profitability (operating margin). In Phase 2, both efficiency (total asset turnover) and profitability (operating margin) improved due to increased revenues and profits from higher metal prices, as well as improved profits from contracted copper smelting due to a reduction in copper production. As a result, ROA in fiscal 2022 (final year of Phase 2) was 3.7%. Profit in this segment fluctuates significantly, because raw copper ore and bullion products are affected by international market trends—including supply–demand balance, speculative transactions, and geopolitical and economic conditions—while smelting profitability is impacted by copper concentrate purchasing conditions. In particular, the recent copper smelting business environment has been characterized by worsening ore purchasing conditions due to an unstable supply–demand balance against a backdrop of strong purchasing demand, mainly from China. In addition, smelters are increasing their investments in environmental measures, as well as in maintenance and renewal of aging facilities, and therefore face significant depreciation expenses and soaring operating costs. As a result, smelting costs remain high, and achieving profitability in this business is becoming more difficult every year. Under such conditions, we concluded that the business viability of our contracted copper smelting business was poor and terminated our agreement with Onahama Smelting and Refining Co., Ltd., on March 31, 2023. This will enable a significant reduction in unprofitable exports and pave the way for a drastic review aimed at securing the profitability of the contracted copper smelting business, a priority issue for the Metals segment, and also help improve segment ROA.

Electronics

Compared with 0.2% in fiscal 2016 (benchmark year), ROA of the Electronics segment declined 0.7 point to –0.5% in fiscal 2019 (final year of Phase 1) and increased 5.8 points to 6.0% in fiscal 2022 (final year of Phase 2). In Phase 1, ROA increased in fiscal 2017 and fiscal 2018, mainly due to improved profitability (operating margin) of high-purity metallic arsenic, a mature product, stemming from healthy demand for compound semiconductors, a main application for that product. In fiscal 2019 (final year of Phase 1), we recorded an operating loss due to lower sales and profits of mature products caused by the deteriorating semiconductor market conditions. In Phase 2, both efficiency

Metals	ROA (Operating profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2016 (base year for comparisons)	6.2%	2.4	2.6%	1,738
FY2019 (base final year for Phase 1)	1.1%	2.5	0.5%	301
FY2022 (base final year for Phase 2)	3.7%	3.2	1.1%	1,276

Electronics	ROA (Operating profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2016 (base year for comparisons)	0.2%	0.8	0.3%	17
FY2019 (base final year for Phase 1)	(0.5%)	0.8	(0.6%)	(35)
FY2022 (base final year for Phase 2)	6.0%	0.8	7.2%	500

Chemicals	ROA (Operating profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2016 (base year for comparisons)	0.7%	0.3	2.1%	114
FY2019 (base final year for Phase 1)	3.1%	0.4	7.6%	510
FY2022 (base final year for Phase 2)	3.1%	0.5	6.3%	532

Real Estate	ROA (Operating profit)	Total Asset Turnover (Times)	Operating Margin	Operating Profit (Millions of yen)
FY2016 (base year for comparisons)	4.0%	0.1	39.4%	1,265
FY2019 (base final year for Phase 1)	2.7%	0.1	30.7%	735
FY2022 (base final year for Phase 2)	3.1%	0.1	40.4%	835

(total asset turnover) and profitability (operating margin) improved for several reasons. These included stable and firm demand for high-purity metallic arsenic for compound semiconductors and other applications, as well as increased sales of aluminum nitride ceramics, a strategic product, on the back of higher demand for use in heat-resistant components and semiconductor manufacturing equipment. In the Electronics segment, we will make capital investments to increase aluminum nitride production to meet growing demand for heat-dissipating components due to advances in sophistication, integration, miniaturization, and thinning of electronic devices. In the process, we will reinforce the earnings foundation of this segment.

Chemicals

Compared with 0.7% in fiscal 2016 (benchmark year), ROA of the Chemicals segment increased 2.4 points to 3.1% in fiscal 2019 (final year of Phase 1). This was due to improved profitability (operating margin) stemming from increased sales of existing products (such as sulfuric acid, cuprous oxide, and cupric oxide) and high-value-added sulfuric acid, which stabilized earnings. In Phase 2, sales of cupric oxide increased due to strong demand for its use in circuit boards, as well higher unit selling prices stemming mainly from rising copper prices. This led to increases in both efficiency (total asset turnover) and profitability (operating margin), the latter reaching 3.1%. Going forward, we will invest to expand production facilities for cupric oxide. At the same time, we will work to increase earnings from existing products, strengthen the differentiation and development of high-quality sulfuric acid, and commercialize and cultivate our metallic copper powder products.

Real Estate

Compared with 4.0% in fiscal 2016 (benchmark year), ROA in the Real Estate business declined 1.3 points to 2.7% in fiscal 2019 (final year of Phase 1) and increased 0.9 point to 3.1% in fiscal 2022 (final year of Phase 2). In Phase 1, we maintained ROA at around 4% in fiscal 2017 and fiscal 2018 due to the steady operation of the Muromachi Furukawa Mitsui Building (commercial facility name: COREDO Muromachi 2), our main building. In fiscal 2019, however, profitability (operating margin) deteriorated due to a decrease in rental income from the Furukawa Osaka Building, which closed in December 2019 due to the exit of tenants, as well as a decrease in rental income from the Muromachi Furukawa Mitsui Building due to a reduction in the number of large office tenants. In Phase 2, we made partial rent reductions and exemptions in fiscal 2020 and fiscal 2021 for commercial tenants of the Muromachi Furukawa Mitsui Building who were affected by a temporary closure and decline in visitors due to COVID-19. Although we removed the exemptions in fiscal 2022, overall rental income declined due to lower office rents. Seeking to effectively utilize our business resources, we will work to enhance efficiency (total asset turnover) by selling idle assets and assets that are no longer expected to contribute to earnings.

Business Risks

(1) Foreign Exchange Fluctuations

The Furukawa Company Group engages in production, procurement, and sales activities in Japan and overseas, and therefore is at risk of foreign exchange fluctuations in connection with its export business, the import of raw materials, primarily copper ore, and smelting and processing income. While the Group utilizes foreign exchange contracts and other methods to mitigate this risk, its operating results and financial position may be adversely affected by significant movements in exchange rates.

(2) Fluctuations in Nonferrous Metals Markets

International prices of electrolytic copper, a mainstay product of the Group, and other nonferrous metals are decided by the London Metals Exchange (LME) in U.S. dollars to reflect international market conditions. Such prices fluctuate according to the international supply–demand balance, speculative transactions, international political and economic circumstances, and the like. Accordingly, the Group utilizes forward delivery transactions and other hedging techniques to minimize the impact of fluctuating LME prices. However, significant movements in such prices may affect the Group’s operating results and financial position.

The Group also invests in overseas copper mines to procure copper concentrate. Any fluctuations in LME prices may impact the business performance of those mines, which may affect the Group’s operating results and financial position.

(3) Interest Rates

The Group’s fiscal year-end balance of interest-bearing debt was ¥62,848 million, equivalent to 27.0% of total assets. Any increase in debt-related costs arising from changes in interest rates may adversely affect the Group’s operating results and financial position.

Although funding costs may increase if market interest rates rise, the Group has prepared for sudden changes in interest rates by utilizing an optimal combination of borrowing arrangements, including fixed-rate instruments.

(4) Investment Securities and Land

Historically, the Furukawa Company Group has maintained holdings of investment securities, which are subject to market valuations, as well as land. As of March 31, 2023, the carrying value of such securities as stated in the consolidated balance sheets was ¥30,653 million, while land stood at ¥53,910 million. Accordingly, the Group’s operating results and financial position are at risk of impairment losses, losses from devaluation, and losses on sales of securities and land prices decline significantly.

Regarding securities, every year the Board of Directors comprehensively considers the benefits and risks associated with individual holdings, both qualitatively and quantitatively, in order to verify the suitability of maintaining such holdings. Securities judged to be unsuitable as a result of such verification are sold.

As for other fixed assets held by the Group, a significant deterioration of business conditions could result in a decline in profitability, while falling market prices could lead to impairment losses. Any of these factors may adversely affect the Group’s operating results and financial position.

(5) Fluctuations in Demand

The Furukawa Company Group’s products are sold both in Japan and overseas. Therefore, any major fluctuations in demand in its major markets—such as Japan, North America, Europe, and Asia—may adversely affect the Group’s operating results and financial position.

Due to the nature of its products, moreover, sales from domestic public works projects account for a high proportion of net sales. Therefore, any major fluctuations in public investments may adversely affect the Group's operating results and financial position.

(6) Country Risk

The Furukawa Company Group conducts its production, procurement, and sales activities on a global basis in order to expand its sales network, strengthen cost-competitiveness, and reduce currency risk. Any number of local events could hamper the Group's smooth business operations. These include local political unrest, sharp economic slowdown, deterioration of public security, trade sanctions, cultural and legal differences, special labor–management relations, and terrorism. Such events could affect the Group's operating results and financial position.

The invasion of Ukraine by Russia may cause a decline in sales due to suspension of shipments of products to Russia, an increase in costs due to higher prices for steel and other raw materials and fuel, and delays in marine transportation. Any of these factors could affect the Group's operating results and financial position.

(7) Natural Disasters, Infectious Diseases, and Other Force Majeure

The occurrence of natural disasters (such as earthquakes, tsunamis, floods, and typhoons) and accidents (such as large-scale fires) could cause substantial damage to the Group's production facilities and procurement sources and a breakdown of its distribution network. Also, the worldwide spread of infectious diseases, such as COVID-19, could render inoperable the Group's business operations and owned facilities, as well as the operations of its suppliers. Either of these events may prevent the Group from supplying products in a reliable manner, which could affect its operating results and financial position.

(8) Product Quality

The Group manufactures products in accordance with globally recognized quality control standards and strives constantly to establish, maintain, and improve its quality assurance system. However, there is no guarantee that all products will be defect-free in the future. To mitigate such risk, we take out product liability insurance, recall insurance, and the like. However, in the event that a product defect leads to major liability claims or recalls that exceed our expectations, public trust in the Group and its products may be lost, which could affect its operating results and financial position.

(9) New Product Development

The Group actively engages in new product development with the aim of bringing to market products incorporating new technologies and functions that meet customer needs. In some of our businesses, however, there are products that are in mature stages of their life cycles. Such products may be subject to reduced profit margins because they are difficult to differentiate from the competition. If the Group is unable to develop or market new products that will become future pillars of such businesses, its operating results and financial position could be affected as a result.

(10) Human Resources

To achieve future growth, the Group hires talented people—both new graduates and mid-career professionals—and provides training to enhance their competitive strengths. If the Group is unable to attract sufficient human resources required for its business, however, its operating results and financial position could be affected as a result.

(11) Environmental Protection

The Furukawa Company Group places the highest importance on environmental protection, environmental safety, and prevention of pollution at its various business sites, both in Japan and overseas, respecting all laws and regulations. Furthermore, in Japan the Group takes all necessary measures to ensure proper environmental management of suspended and abandoned mines, including prevention of water pollution from such mines, as well as managing the safety of tailing dams. Due to changes in relevant regulations, however, legislation may be tightened and unexpected situations may arise at each business site, which could increase the cost of responding and thus affect the Group's operating results and financial position.

(12) Official Regulations

The Furukawa Company Group engages in business in Japan and overseas and thus is subject to legal regulations of various nations, including rules related to licensing, taxation, the environment, labor, antitrust, and export controls. The Group takes care to faithfully comply with such official regulations. Due to changes in laws and regulations, however, existing legislation may be tightened, or new legislation enacted, which could increase the cost of responding and impact business continuity, and thus affect the Group's operating results and financial position.

(13) Retirement Benefit Obligation

The employees of the Furukawa Company Group are covered by a defined benefit corporate pension plan and a non-contributory funded employee pension plan. Liability for retirement benefits is provided at an amount calculated based on the retirement benefit obligation and the fair value of pension plan assets at the balance sheet date as of March 31, 2023. In calculating retirement benefit obligation, the Group adopts assumptions in connection with the discount rate and expected rate of return on plan assets, as well as other assumptions. However, the Group's operating results and financial position are at risk in the event that the actual discount rate and expected rate of return on plan assets differ materially from the assumptions, as well as in the event of a change in the assumptions on which retirement benefit obligation are made.

Forward-looking statements in the above section are based on judgments of the Group as of June 29, 2023.

Consolidated Financial Statements

Consolidated balance sheets

(Millions of yen)

	FY2021 (As of March 31, 2022)	**FY2022 (As of March 31, 2023)**
Assets		
Current assets		
Cash and deposits	¥ 14,469	**¥ 13,606**
Notes and accounts receivable—trade, and contract assets	28,344	**35,502**
Merchandise and finished goods	17,205	**18,705**
Work in process	10,813	**12,213**
Raw materials and supplies	20,818	**15,584**
Other	4,635	**4,318**
Allowance for doubtful accounts	(48)	**(47)**
Total current assets	96,238	**99,882**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,051	**23,435**
Machinery, equipment and vehicles, net	8,789	**9,384**
Land	54,170	**53,910**
Leased assets, net	429	**463**
Construction in progress	517	**900**
Other, net	3,018	**2,888**
Total property, plant and equipment	90,976	**90,981**
Intangible assets	376	**317**
Investments and other assets		
Investment securities	35,860	**34,711**
Long-term loans receivable	4,495	**4,573**
Deferred tax assets	351	**749**
Retirement benefit asset	403	**351**
Other	1,746	**1,947**
Allowance for doubtful accounts	(720)	**(769)**
Total investments and other assets	42,136	**41,563**
Total non-current assets	133,489	**132,862**
Total assets	¥229,727	**¥232,745**

(Millions of yen)

	FY2021 (As of March 31, 2022)	**FY2022 (As of March 31, 2023)**
Liabilities		
Current liabilities		
Notes and accounts payable—trade	¥ 15,916	**¥ 14,397**
Electronically recorded obligations—operating	9,381	**9,244**
Short-term borrowings	13,504	**16,607**
Lease liabilities	188	**186**
Accounts payable—other	13,310	**12,806**
Income taxes payable	1,491	**1,711**
Provision for bonuses	138	**137**
Provision for loss on construction contracts	—	**6**
Provision for environmental measures	3	**58**
Other	5,924	**7,954**
Total current liabilities	59,859	**63,111**
Non-current liabilities		
Long-term borrowings	52,166	**46,240**
Lease liabilities	302	**387**
Deferred tax liabilities	10,501	**10,141**
Deferred tax liabilities for revaluation	1,399	**1,367**
Retirement benefit liability	2,543	**2,481**
Provision for environmental measures	58	**—**
Other provisions	16	**97**
Asset retirement obligations	239	**228**
Other	2,565	**2,638**
Total non-current liabilities	69,793	**63,583**
Total liabilities	129,652	**126,695**
Net assets		
Shareholders' equity		
Share capital	28,208	**28,208**
Capital surplus	2	**2**
Retained earnings	54,557	**58,847**
Treasury shares	(2,197)	**(3,086)**
Total shareholders' equity	80,570	**83,971**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,832	**12,320**
Deferred gains or losses on hedges	(292)	**(77)**
Revaluation reserve for land	2,602	**2,582**
Foreign currency translation adjustment	35	**1,564**
Remeasurements of defined benefit plans	2,506	**2,584**
Total accumulated other comprehensive income	16,683	**18,974**
Non-controlling interests	2,821	**3,103**
Total net assets	100,075	**106,050**
Total liabilities and net assets	¥229,727	**¥232,745**

Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Millions of yen)

	FY2021 (Fiscal year ended March 31, 2022)	**FY2022 (Fiscal year ended March 31, 2023)**
Net sales	¥199,097	**¥214,190**
Cost of sales	172,995	**185,575**
Gross profit	26,101	**28,615**
Selling, general and administrative expenses		
Freight and incidental costs	2,465	**3,005**
Salaries, allowances and bonuses	7,557	**7,910**
Provision for bonuses	108	**78**
Provision for retirement benefits	629	**525**
Provision of allowance for doubtful accounts	16	**10**
Research and development expenses	1,053	**1,055**
Other	6,535	**6,998**
Total selling, general and administrative expenses	18,366	**19,583**
Operating profit	7,734	**9,031**
Non-operating income		
Dividend income	752	**847**
Share of profit of entities accounted for using equity method	370	**—**
Foreign exchange gains	677	**1,462**
Other	1,244	**836**
Total non-operating income	3,044	**3,146**
Non-operating expenses		
Interest expenses	427	**501**
Share of loss of entities accounted for using equity method	—	**860**
Administrative expenses of inactive mountain	812	**814**
Other	543	**654**
Total non-operating expenses	1,782	**2,829**
Ordinary profit	8,996	**9,348**
Extraordinary income		
Gain on sales of non-current assets	76	**47**
Gain on sales of investment securities	92	**362**
Gain on bargain purchase	833	**—**
Other	111	**0**
Total extraordinary income	1,113	**410**
Extraordinary losses		
Loss on sale and retirement of non-current assets	157	**302**
Impairment loss	11	**133**
Loss on liquidation of subsidiaries	—	**324**
Demolition expenses of a rental building	668	**470**
Other	135	**19**
Total extraordinary losses	972	**1,252**
Profit before income taxes	9,137	**8,506**
Income taxes—current	2,715	**2,811**
Income taxes—deferred	(264)	**(762)**
Total income taxes	2,450	**2,049**
Profit	6,686	**6,457**
Profit attributable to non-controlling interests	208	**245**
Profit attributable to owners of parent	¥ 6,477	**¥ 6,211**

Consolidated statement of comprehensive income

(Millions of yen)

	FY2021 (Fiscal year ended March 31, 2022)	**FY2022 (Fiscal year ended March 31, 2023)**
Profit	¥6,686	**¥6,457**
Other comprehensive income		
Valuation difference on available-for-sale securities	527	**491**
Deferred gains or losses on hedges	(483)	**106**
Foreign currency translation adjustment	723	**1,413**
Remeasurements of defined benefit plans, net of tax	547	**77**
Share of other comprehensive income of entities accounted for using equity method	20	**282**
Total other comprehensive income	1,335	**2,373**
Comprehensive income	8,021	**8,830**
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,771	**8,522**
Comprehensive income attributable to non-controlling interests	250	**308**

Consolidated statement of cash flows

(Millions of yen)

	FY2021 (Fiscal year ended March 31, 2022)	**FY2022 (Fiscal year ended March 31, 2023)**
Cash flows from operating activities		
Profit before income taxes	¥ 9,137	**¥ 8,506**
Depreciation	4,003	**4,114**
Loss (gain) on sale of property, plant and equipment	81	**255**
Loss (gain) on sales of investment securities	(92)	**(362)**
Share of loss (profit) of entities accounted for using equity method	(370)	**860**
Loss (gain) on bargain purchase	(833)	**—**
Increase (decrease) in retirement benefit liability	433	**226**
Interest and dividend income	(878)	**(1,110)**
Interest expenses	427	**501**
Decrease (increase) in trade receivables	345	**(6,798)**
Decrease (increase) in inventories	(10,328)	**3,219**
Increase (decrease) in trade payables	5,955	**(2,143)**
Increase (decrease) in accounts payable—other	3,700	**(1,119)**
Other, net	(877)	**2,743**
Subtotal	10,703	**8,892**
Interest and dividends received	885	**1,073**
Interest paid	(429)	**(494)**
Income taxes paid	(2,484)	**(3,400)**
Other, net	94	**76**
Net cash provided by (used in) operating activities	8,768	**6,148**
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,507)	**(3,361)**
Proceeds from sale of property, plant and equipment	91	**239**
Payments for retirement of property, plant and equipment	(123)	**(261)**
Proceeds from sale of investment securities	107	**1,380**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(352)	**—**
Proceeds from a partial refund of consideration for acquisition from the seller by adjusting the consideration of share of subsidiaries	—	**420**
Other, net	(71)	**(34)**
Net cash provided by (used in) investing activities	(5,857)	**(1,617)**
Cash flows from financing activities		
Proceeds from short-term borrowings	15,957	**57,408**
Repayments of short-term borrowings	(16,062)	**(58,300)**
Proceeds from long-term borrowings	220	**3,200**
Repayments of long-term borrowings	(4,140)	**(5,176)**
Repayments of finance lease liabilities	(232)	**(208)**
Purchase of treasury shares	(334)	**(888)**
Dividends paid	(1,953)	**(1,942)**
Other, net	(22)	**(25)**
Net cash provided by (used in) financing activities	(6,568)	**(5,934)**
Effect of exchange rate change on cash and cash equivalents	377	**541**
Net increase (decrease) in cash and cash equivalents	(3,279)	**(862)**
Cash and cash equivalents at beginning of period	17,748	**14,468**
Cash and cash equivalents at end of period	¥ 14,468	**¥ 13,606**

Consolidated statement of changes in equity

Fiscal year ended March 31, 2022 (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥28,208	¥ 2	¥50,025	¥(1,862)	¥76,373
Changes during period					
Dividends of surplus			(1,953)		(1,953)
Profit attributable to owners of parent			6,477		6,477
Purchase of treasury shares				(334)	(334)
Reversal of revaluation reserve for land			7		7
Net changes in items other than shareholders' equity					
Total changes during period	—	—	4,531	(334)	4,196
Balance at end of period	¥28,208	¥ 2	¥54,557	¥(2,197)	¥80,570

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of period	¥11,303	¥ 351	¥2,609	¥(826)	¥1,959	¥15,396	¥2,594	¥ 94,364
Changes during period								
Dividends of surplus								(1,953)
Profit attributable to owners of parent								6,477
Purchase of treasury shares								(334)
Reversal of revaluation reserve for land								7
Net changes in items other than shareholders' equity	528	(644)	(7)	862	547	1,286	227	1,513
Total changes during period	528	(644)	(7)	862	547	1,286	227	5,710
Balance at end of period	¥11,832	¥(292)	¥2,602	¥ 35	¥2,506	¥16,683	¥2,821	¥100,075

Fiscal year ended March 31, 2023 (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥28,208	¥ 2	¥54,557	¥(2,197)	¥80,570
Changes during period					
Dividends of surplus			**(1,941)**		**(1,941)**
Profit attributable to owners of parent			**6,211**		**6,211**
Purchase of treasury shares				**(888)**	**(888)**
Reversal of revaluation reserve for land			**19**		**19**
Net changes in items other than shareholders' equity					
Total changes during period	**—**	**—**	**4,290**	**(888)**	**3,401**
Balance at end of period	**¥28,208**	**¥ 2**	**¥58,847**	**¥(3,086)**	**¥83,971**

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of period	¥11,832	¥(292)	¥2,602	¥ 35	¥2,506	¥16,683	¥2,821	¥100,075
Changes during period								
Dividends of surplus								**(1,941)**
Profit attributable to owners of parent								**6,211**
Purchase of treasury shares								**(888)**
Reversal of revaluation reserve for land								**19**
Net changes in items other than shareholders' equity	**487**	**215**	**(19)**	**1,529**	**77**	**2,291**	**282**	**2,573**
Total changes during period	**487**	**215**	**(19)**	**1,529**	**77**	**2,291**	**282**	**5,975**
Balance at end of period	**¥12,320**	**¥ (77)**	**¥2,582**	**¥1,564**	**¥2,584**	**¥18,974**	**¥3,103**	**¥106,050**

Corporate Data

Corporate Data (As of March 31, 2023)

Company Name:	Furukawa Co., Ltd.
Head Office:	2-6-4 Otemachi, Chiyoda-ku, Tokyo 100-8370, Japan (Tokiwabashi Tower)
Tel:	+81-3-6636-9501
Date of Foundation:	August 1875
Date of Establishment:	April 1918
Stock Exchange Listing:	Tokyo Stock Exchange: Prime Market
Securities Code Number:	5715
Employees:	2,831 (Consolidated)

Stock Data (As of March 31, 2023)

Number of Shares Authorized:	80,000,000 shares
Number of Shares Outstanding:	40,445,568 shares
Number of Shareholders:	19,001
Stock Transfer Agent:	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan

Principal Shareholders

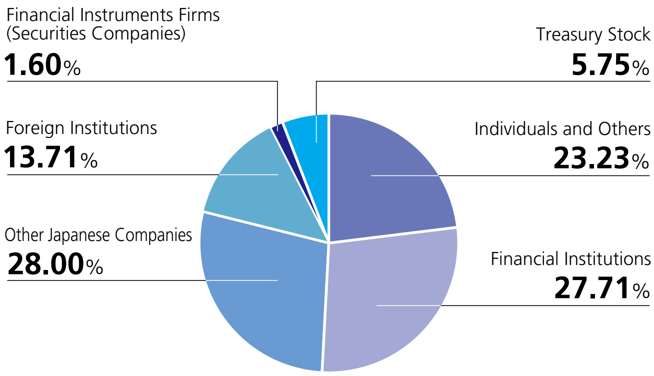
(As of March 31, 2023)

	Number of Shares (Thousands)	Percentage of Total Shares (%)
The Master Trust Bank of Japan, Ltd. (trust account)	4,459	11.70
Asahi Mutual Life Insurance Co.	2,373	6.22
Seiwa Building Co., Ltd.	1,935	5.07
Kawashima Co., Ltd.	1,860	4.87
Custody Bank of Japan, Ltd. (trust account)	1,654	4.33
The Yokohama Rubber Co., Ltd.	1,341	3.51
SANKO Co., ltd.	1,000	2.62
Furukawa Electric Co., Ltd.	877	2.30
Akanekai, the Company's Employee Stock Holding Association	710	1.86
Chuo-Nittochi Co., Ltd.	687	1.80

Notes: 1. The above excludes the Company's holdings of treasury stock, totaling 2,329,563 shares.
2. The Company's holdings of treasury stock, totaling 2,329,563 shares, are excluded from shareholding ratio calculations.

Composition of Shareholders

(As of March 31, 2023)

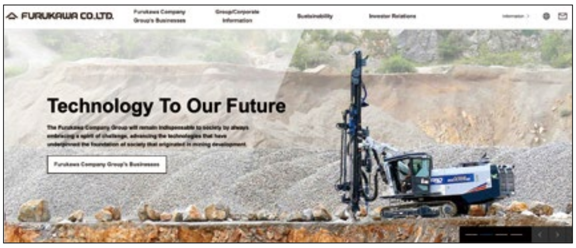


* For information on Directors and Audit & Supervisory Board Members, please see pages 35–36.

For the latest IR information and video of our presentations, please visit our corporate website.

The Investor Relations section of our website provides the latest IR news, IR materials, management policies, and other information. Within that section, the IR Library contains archived materials, such as the Integrated Report, Annual Securities Report, and presentation materials, as well as videos of financial results briefings and medium-term business plan briefings for the most recent one-year, including Q&A sessions.

- IR News (financial results, timely disclosures, etc.)
- Management Policies (Management Plan, Corporate Governance, etc.)
- Consolidated Financial Highlights (Consolidated Statements of Profit, Segment Performance, etc.)
- Shareholder Information (Composition of Shareholders, Dividend Policy, etc.)
- IR Library (Presentation Materials, Integrated Report, Annual Securities Report, etc.)



Information for Shareholders and Other Investors

Videos introducing products of the Furukawa Company Group that help resolve social issues

The features and strengths of Group products that help resolve social issues are introduced in these videos (on YouTube). The Belt Conveyor video introduces the excellent characteristics of our belt conveyors, which improve efficiency (through labor savings, shorter construction periods, and the like), as well as environmentally friendly, safe, and secure conveyance. The Tunnel Drill Jumbo video introduces various products that have improved worker safety and productivity at mountain tunnel construction sites, along with third-party evaluations. Please take a look.

【Belt Conveyor video】

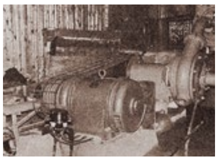
【Tunnel Drill Jumbo video】

Corporate History

1875	Began the operation of the Kusakura Copper Mine in Niigata (Company foundation).
1877	Began the operation of the Ashio Copper Mine in Tochigi.
1900	Set up a machinery works at the Ashio Copper Mine and entered into the machinery business.
1914	Manufactured the first rock drill in Japan.
1918	Spun off mining business from Furukawa General Partnership and established Furukawa Mining Co., Ltd.
1944	Bought Osaka Smelter of Toa Chemical Smelting Co., Ltd., and established it as Osaka Cementation and Refining. Entered into the chemical business. Built the Oyama Works of the Machinery Division of the Ashio Copper Mine in Tochigi.
1950	Built the Takasaki Works of the Rock Drill Division in Gunma.
1951	Began manufacturing of titanium dioxide and cuprous oxide at Osaka Cementation and Refining.
1962	Completed the Furukawa / Outokumpu flash smelting plant at Ashio Smelting and Refining. Completed research and development of high-purity (99.999%) metallic arsenic and commenced with sales of it.
1987	Bought UNIC Corporation.
1989	The Japanese name changed from Furukawa Kogyo Kabushiki Kaisha to Furukawa Kikai Kinzoku Kabushiki Kaisha.
1990	Bought an American breaker sales and manufacturing company.
1997	Established a manufacturer of UNIC products / components in Thailand.
1998	Established a sales company of rock drill products in Holland.


The key to the success of the Furukawa Company Group began with the development of the Ashio Copper Mine.


The first domestic rock drill was developed (for the Ashio Copper Mine).


At the Oyama Works, pumps and mining machinery for copper mines were manufactured, not only for internal use but also to sell externally.


At the Takasaki Works, rock drills were mass produced, and we established the position of a leading rock drill manufacturer.


Arsenic is one of the by-products generated during the smelting stage of copper concentrates.


"UNIC" has become a synonym for truck-mounted cranes in Japan.


This is an affiliate company for the UNIC business established in Rayong, Thailand, which manufactures truck-mounted cranes and other products.


This is an affiliate company for the construction and mining machinery business established in Utrecht, Holland, which distributes rock drill products.

2003	Established a joint company for the manufacturing and distribution of UNIC cranes in China.
2005	Spun off the Machinery business, Metals business, and Electronic Materials and Chemicals business and shifted to a group management structure as the Furukawa Company Group to enhance management.
2007	Formed a capital and business alliance for the GaN semiconductor epi-wafer business with POWDEC K.K.
2008	Furukawa Industrial Machinery Systems Co., Ltd., merged with Furukawa Otsuka Iron Works Co., Ltd.
2009	Made Tohpe Corporation, which manufactures and distributes paints and chemicals, into a consolidated subsidiary.
2010	Acquired interest in Canadian copper mine.
2011	Established a sales company of rock drill products in India.
2012	Established sales company for UNIC products in Russia. With the sale of all of its shares in Furukawa Commerce Co., Ltd., the Group has withdrawn from the fuels business.
2013	The Group exited the paints business with the sale of all of its shares in Tohpe Corporation.
2014	Completed Muromachi Furukawa Mitsui Building in Nihonbashi, Tokyo. Established a coil processing company in the Philippines. Established the Tsukuba Development Center, which integrates a technology research operation.
2015	Renewed Management Philosophy and established Vision for 2025.
2018	Established sales company for rock drills and other products in Malaysia.
2021	Consolidated head office functions and relocated to Tokiwabashi Tower in Otemachi, Tokyo. Acquired Yamaishi Metal Co., Ltd., a manufacturer of metal powder.
2023	The termination of entrusted smelting contract with Onahama Smelting and Refining Co., Ltd.


This is an affiliate company for the UNIC business established in Taian, Shandong, China, which manufactures and distributes truck-mounted cranes and other products.


Muromachi Furukawa Mitsui Building, consists of a commercial facility (COREDO Muromachi 2), offices, and rental accommodation.


An affiliated company for the electronic materials business makes coils in Bulacan Province, Philippines.


Tokiwabashi Tower (in Tokyo Torch redevelopment district)

FURUKAWA CO.,LTD.

2-6-4 Otemachi, Chiyoda-ku, Tokyo 100-8370, Japan
(Tokiwabashi Tower)

https://www.furukawakk.co.jp