

FURUKAWA



Financial Results of FY2023 Q2 Business Briefing – Rock Drill Segment – Presentation Material

November 27, 2023

 **FURUKAWA CO.,LTD.**

TSE Prime Market

Securities code: 5715

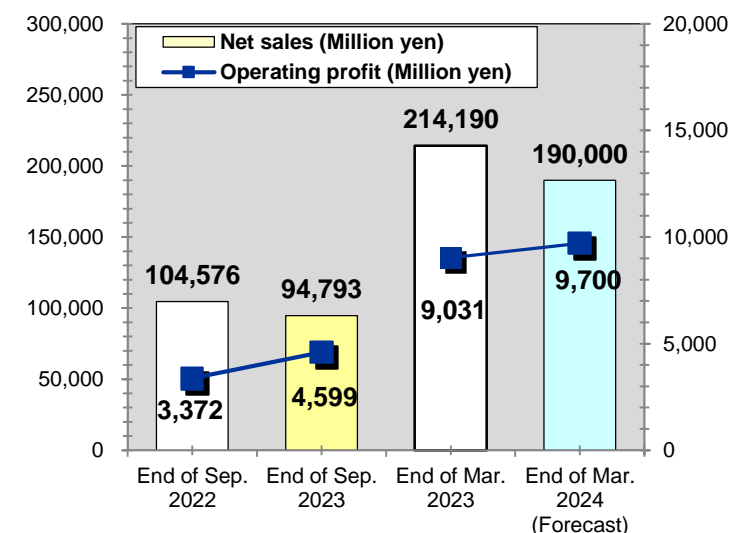
Financial Results for the FY2023 Q2 & Financial Forecasts for the FY2023 (Consolidated)

[Financial Results]

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

[Financial Positions]

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



Consolidated Income Statement

(Unit: Million yen)

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

Improvement in equity in earnings of affiliates, etc.

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

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

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

Consolidated Balance Sheet & Cash Flow

Consolidated Balance Sheet

(Unit: Million yen)

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

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

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

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

Liabilities			
Current liabilities	63,111	59,900	(-)3,211
Non-current liabilities	63,583	68,881	5,298
Total liabilities	126,695	128,782	2,087
Net assets			
Shareholder's equity	83,971	93,364	9,392
Share capital	28,208	28,208	—
Capital surplus	2	2	—
Retained earnings	58,847	69,860	11,013
Treasury shares	(-)3,086	(-)4,707	(-)1,621
Accumulated other comprehensive income	18,974	24,565	5,590
Non-controlling interests	3,103	3,267	163
Total net assets	106,050	121,196	15,146
Total liabilities and net assets	232,745	249,979	17,233

Interest-bearing debt

(Unit: Million yen)

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

Consolidated Cash Flow

(Unit: Million yen)

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

Financial Results by Segment (Consolidated)

(Unit: Million yen)

Net sales	End of Sep. 2022	End of Sep. 2023	Difference
Machinery	39,933	40,302	369
Industrial	7,862	6,054	(-)1,807
Rock Drill	18,003	19,961	1,957
UNIC	14,067	14,286	219
Materials	61,964	51,503	(-)10,461
Metals	53,903	43,359	(-)10,543
Electronics	3,600	3,540	(-)59
Chemicals	4,461	4,603	142
Real estate	1,067	903	(-)164
Other	1,610	2,083	473
Total	104,576	94,793	(-)9,783

Operating profit	End of Sep. 2022	End of Sep. 2023	Difference
Machinery	1,882	2,581	698
Industrial	13	(-)283	(-)296
Rock Drill	1,057	2,146	1,089
UNIC	811	717	(-)93
Materials	1,175	1,912	737
Metals	492	1,254	761
Electronics	321	274	(-)46
Chemicals	361	383	22
Real estate	424	226	(-)198
Other	(-)59	(-)86	(-)26
Adjustment	(-)50	(-)34	16
Total	3,372	4,599	1,227

End of Mar. 2024 (Forecast)	VS End of Mar. 2023 Difference
85,600	3,941
17,900	(-)43
38,700	2,947
29,000	1,038
98,300	(-)28,504
81,900	(-)29,524
7,300	373
9,100	645
1,900	(-)156
4,200	528
190,000	(-)24,190

End of Mar. 2024 (Forecast)	VS End of Mar. 2023 Difference
6,600	506
1,000	(-)515
4,100	1,069
1,500	(-)47
2,800	490
1,700	423
400	(-)100
700	167
500	(-)335
(-)100	33
(-)100	(-)26
9,700	668

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

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

*FY2023 Q3,Q4 (Forecast)

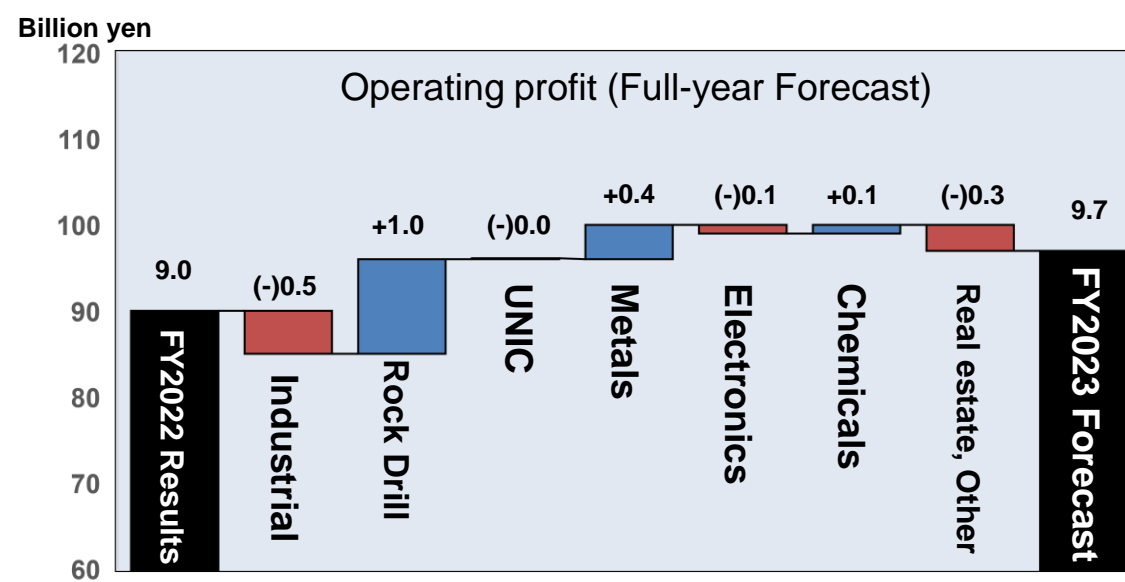
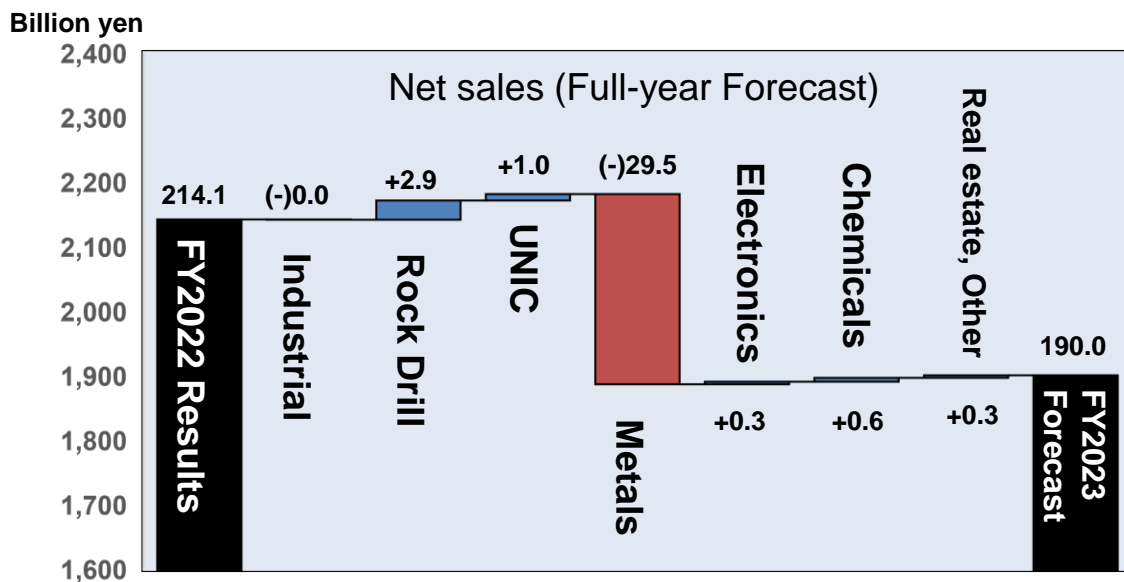
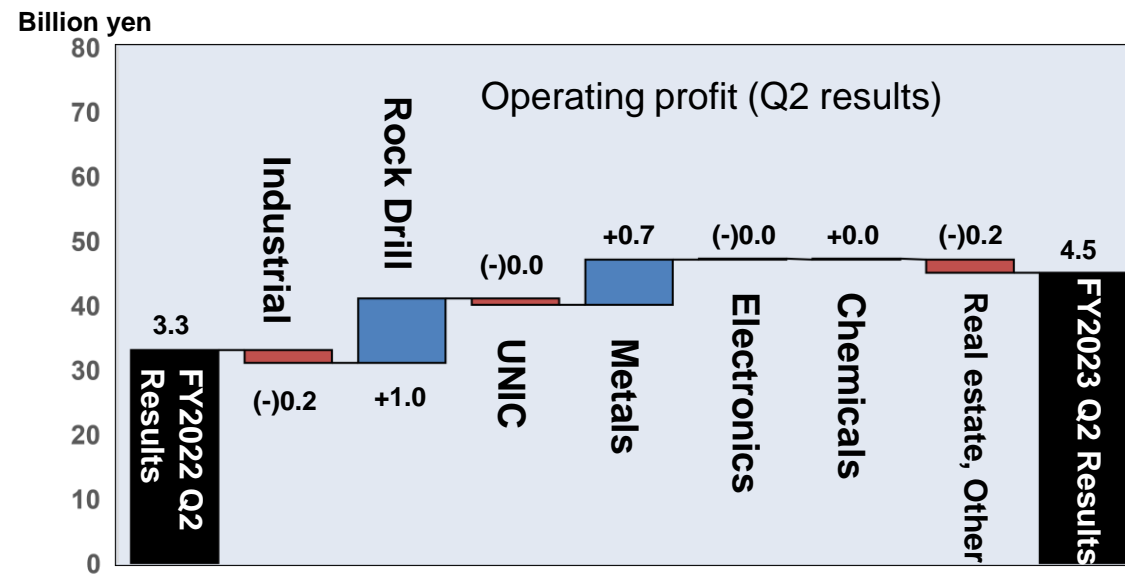
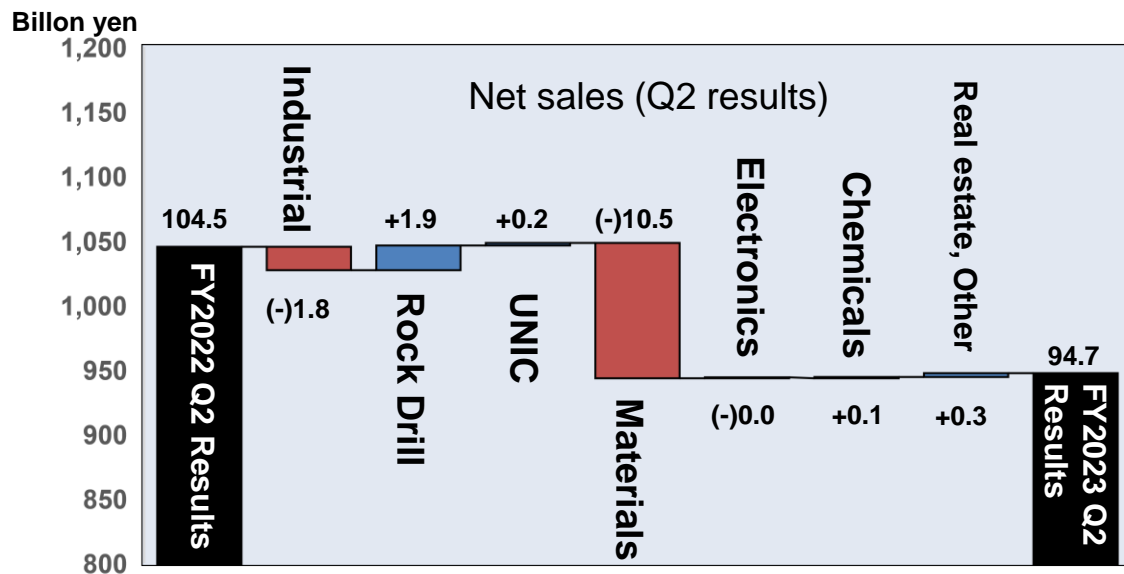
JPY rate per US\$: 145.0 ¥/\$

LME copper price: 8,000 \$/ton

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

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

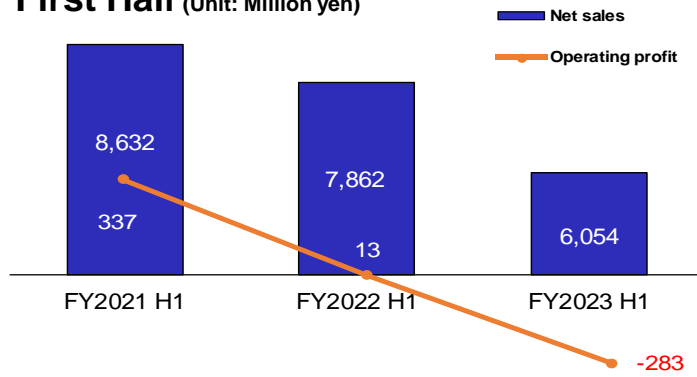
Change in Earnings by Segment (Consolidated) /YoY Comparison



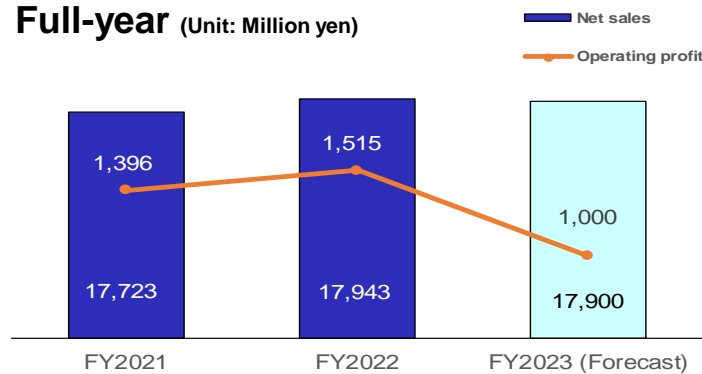
Results by Segment (Industrial Machinery Segment)



First Half (Unit: Million yen)



Full-year (Unit: Million yen)



- Main factor of first half results

[Net sales] (-)¥1.8 billion

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

[Operating profit] (-)¥0.2 billion

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

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

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

- Main factor of Full-year forecast

[Net sales] (-)¥0.0 billion

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

[Operating profit] (-)0.5 billion

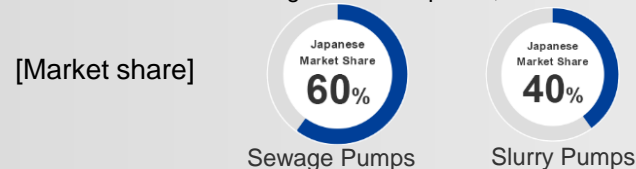
- Although operating profit is expected to increase mainly in bridges and large projects (belt conveyors), operating profit is projected to decrease in material machinery due to additional costs incurred as a result of delays in plant construction.

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

Pumps

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

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



Material machinery

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

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



Infrastructure division

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

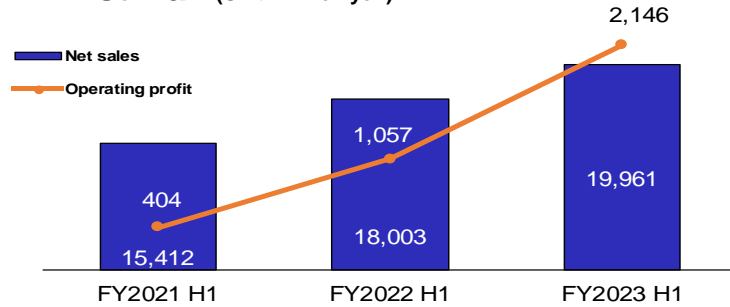
[Destinations] New construction of steel bridges, Construction of conveying earth and sand, etc.

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

Results by Segment (Rock Drill Segment)



First Half (Unit: Million yen)



- Main factor of first half results

[Net sales] Japan ¥6.6 billion +¥0.6 billion, Overseas ¥13.3 billion +¥1.2billion

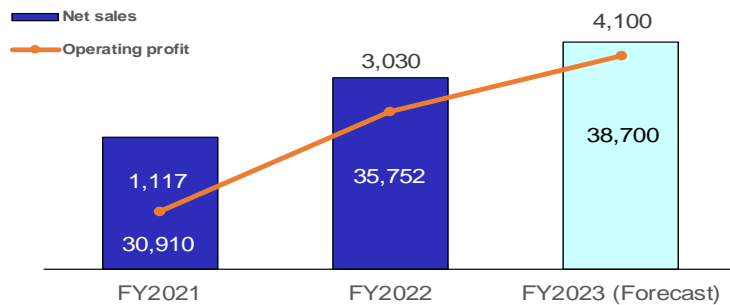
- Domestic sales increased due to an increase in shipments of hydraulic crawler drill units and an increase in orders in the maintenance business.

Overseas sales increased as a whole due to an increase in shipments, mainly in North America.

[Operating profit] +¥1.0 billion

- Operating profit increased mainly due to increased shipments overseas and the weaker yen.

Full-year (Unit: Million yen)



- Main factor of Full-year forecast

[Net sales] Japan ¥14.3 billion +¥0.1 billion, Overseas ¥24.4 billion +¥2.8 billion

- Domestic sales are expected to increase slightly. Overseas sales are expected to increase mainly due to increased shipments in North America and the weaker yen.

[Operating profit] +¥1.0 billion

- Operating profit is expected to increase mainly due to increased shipments overseas and the effect of the yen's depreciation.

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

Hydraulic breakers

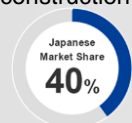
[Features]

Wide range of models from small to super large size.
High-quality and high-striking power.

[Destinations]

Strip mine such as quarries, etc.
Civil engineering work and at construction sites, etc.

[Market share]



Hydraulic breakers

Hydraulic crawler drills

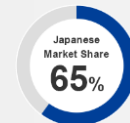
[Features]

Accurate and speedy drilling technology suitable for the rock conditions.

[Destinations]

Strip mine such as limestone mines, etc.
Infrastructure work in overseas, etc.

[Market share]



Hydraulic crawler drills

Tunnel drill jumbos

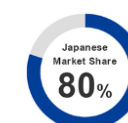
[Features]

Many proven results in mountain tunnel and large tunnel constructions.

[Destinations]

Mountain tunnel construction sites,
Dam headrace construction sites, etc.

[Market share]

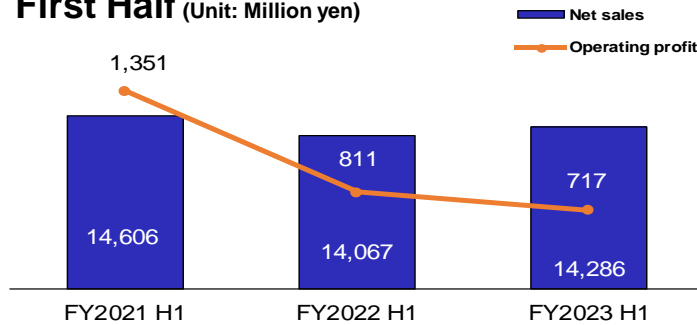


Tunnel drill jumbos

Results by Segment (UNIC Segment)



First Half (Unit: Million yen)



- Main factor of first half results

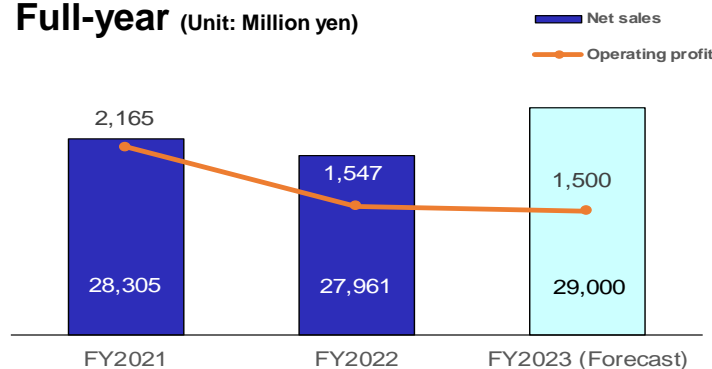
[Net sales] Japan ¥11.0 billion +¥1.5 billion, Overseas ¥3.2 billion (-)¥1.3 billion

- Domestic sales increased due to a recovery trend in truck production delays and increased shipments of UNIC cranes. Overseas sales decreased due to lower shipments to China, Southeast Asia, Europe, and other regions.

[Operating profit] (-)¥0.0 billion

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

Full-year (Unit: Million yen)



- Main factor of Full-year forecast

[Net sales] Japan ¥22.4 billion +¥2.4 billion, Overseas ¥6.4 billion (-)¥1.4 billion

- While overseas sales are expected to decrease due to the decline in sales in H1, sales are expected to increase in Japan, where truck production is on a recovery trend.

[Operating profit] (-)¥0.0 billion

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

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

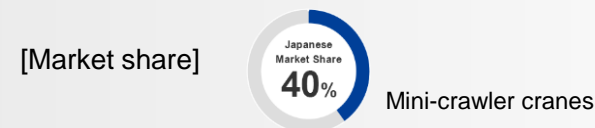
UNIC cranes

- [Features] Wide range of models such as various boom lengths etc. which correspond to customer needs.
- [Destinations] Construction and civil engineering sites, material handling, rental companies, etc.



Mini-crawler cranes

- [Features] Show the power in narrow ground, rough ground and indoor worksites.
- [Destinations] Narrow or rough ground, Indoor worksites, rental companies, etc.



UNIC carriers

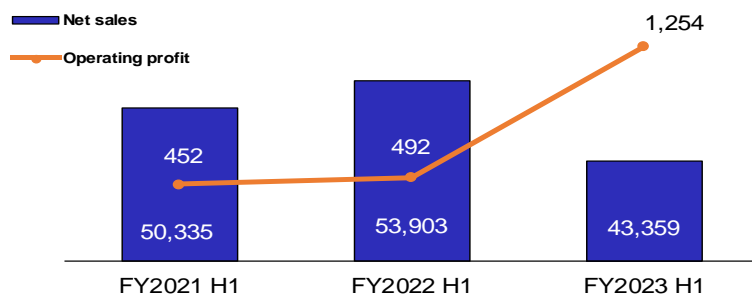
- [Features] Wide range of models such as car transporter type, heavy machine transporter type, etc.
- [Destinations] Car dealer, transportation company, road construction company, etc.



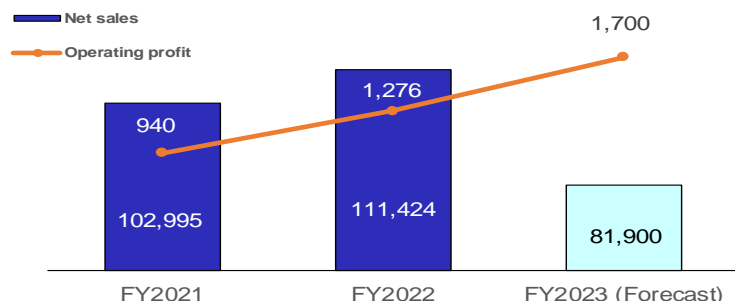
Results by Segment (Metals)



First Half (Unit: Million yen)



Full-year (Unit: Million yen)



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

Electrolytic copper

- [Features]** It has been responsible for supplying electrolytic copper since founding, and produce approx. 46,000 tons a year.
- [Destinations]** Electric wires, copper elongation products, home appliances, communication equipment, automobiles, etc.
- [FY2023]** Termination of entrusted copper smelting agreement with Onahama Smelting and Refining Co., Ltd. and clear outlook on fundamentally review entrusted smelting business. Drastically cut unprofitable export.

- Main factor of first half results

[Net sales] (-)¥10.5 billion

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

Copper (-)¥9.5 billion (volume (-)¥10.5 billion, unit price +¥0.9 billion)

Gold (-)¥0.6 billion (volume (-)¥1.8 billion, unit price +¥1.1 billion)

[Operating profit] +¥0.7 billion

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

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

Profit/loss from metal price fluctuations in the metals segment

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

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

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

- Main factor of Full-year forecast

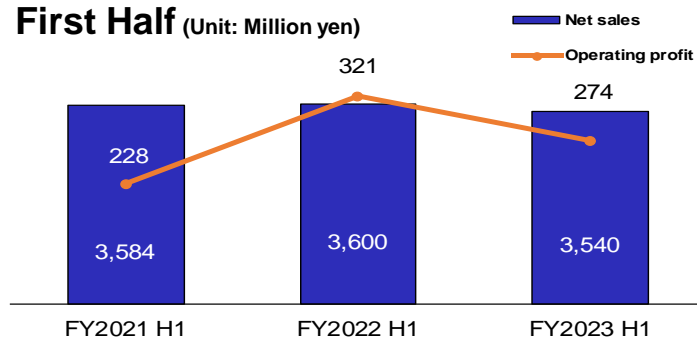
[Net sales] (-)¥29.5 billion

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

[Operating profit] +¥0.4 billion

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

Results by Segment (Electronics)



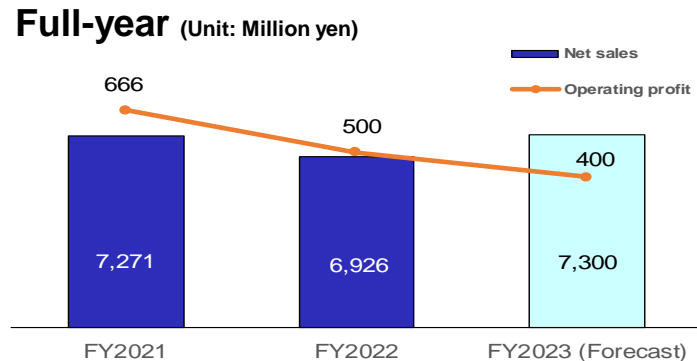
- Main factor of first half results

[Net sales] (-)¥0.0 billion

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

[Operating profit] (-)¥0.0 billion

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



- Main factor of Full-year forecast

[Net sales] +¥0.3 billion

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

[Operating profit] (-)¥0.1 billion

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

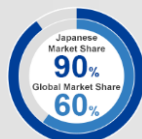
- Ref: Features, destinations, market share, etc. of the main products

High-purity metallic arsenic

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

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

[Market share]



High-purity metallic arsenic

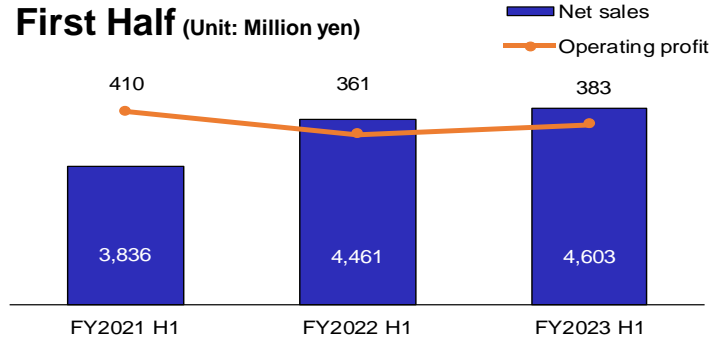
Aluminum nitride ceramics

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

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

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

Results by Segment (Chemicals)



- Main factor of first half results

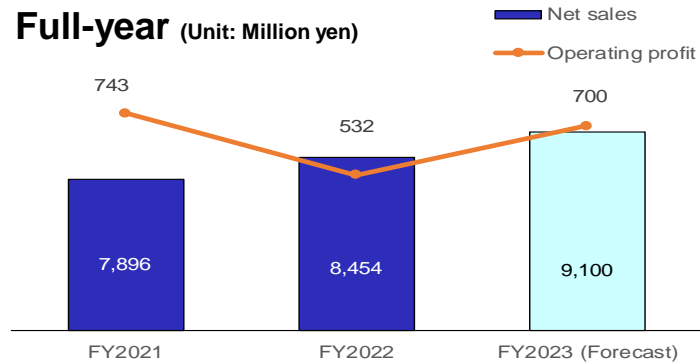
[Net sales] +¥0.1 billion

- Net sales of cupric oxide decreased due to lower demand for substrates, despite higher unit prices resulting from the higher copper price and price revisions.

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

[Operating profit] +¥0.0 billion

- Operating profit increased due to higher sales.



- Main factor of Full-year forecast

[Net sales] +¥0.6 billion

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

[Operating profit] +¥0.1 billion

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

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

Cuprous oxide

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

[Destinations] Ship-bottom paints manufacturer.



Cupric oxide

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

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

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

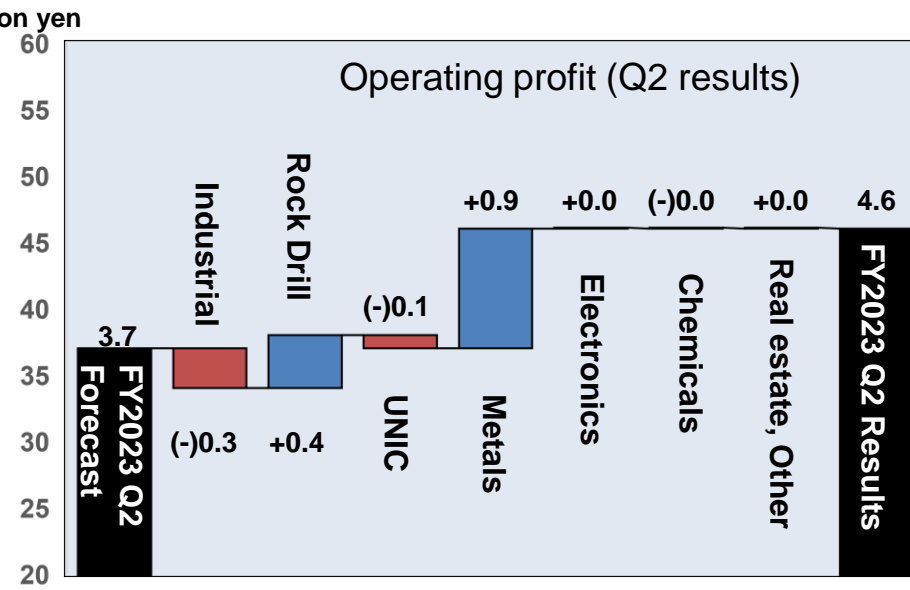
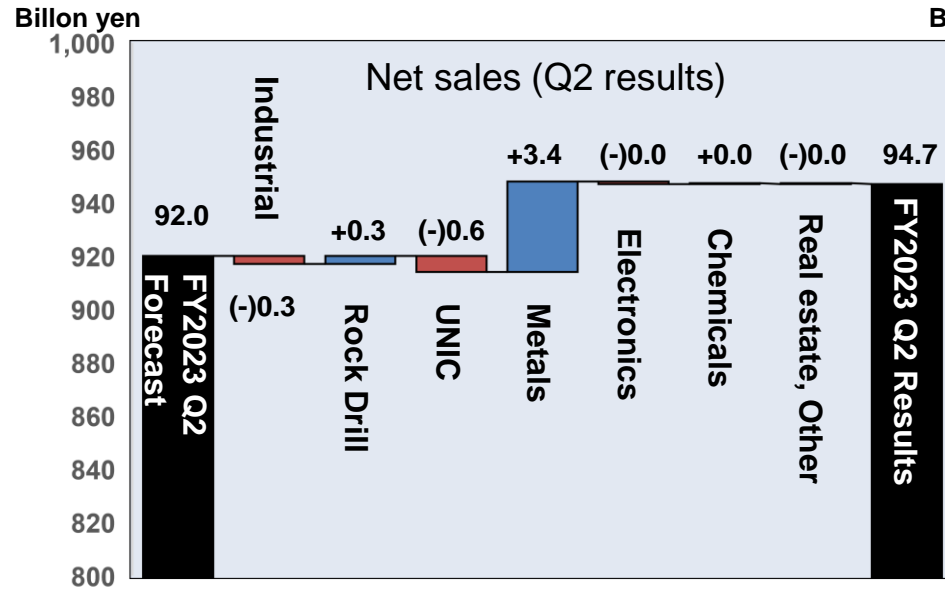
Sulfuric acid

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

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

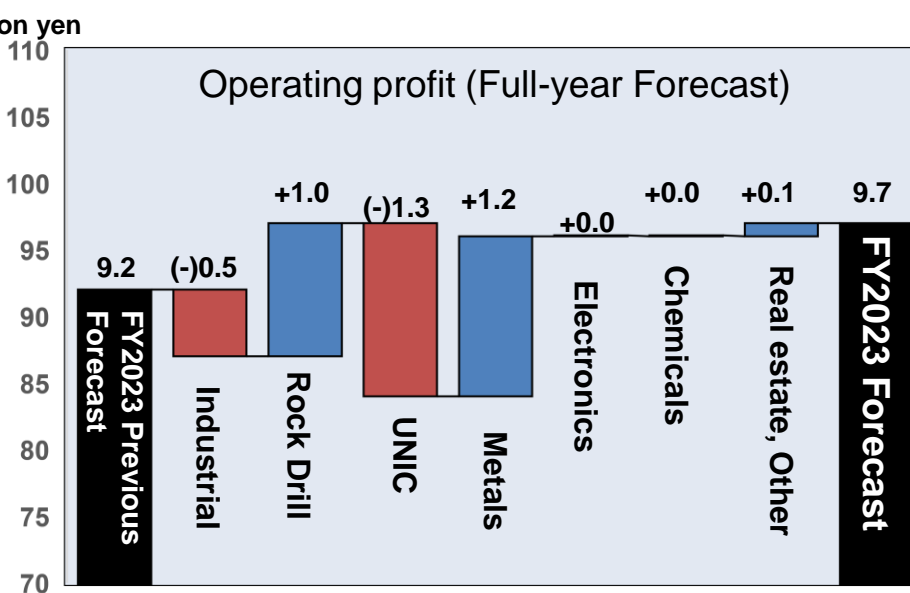
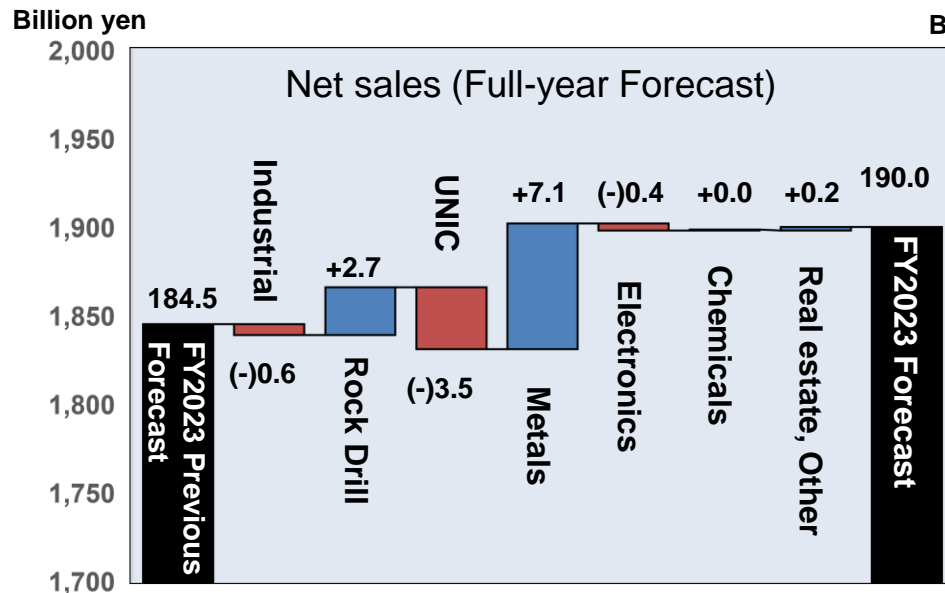
[Basic material] Demand is always stable as an indispensable basic material for each industry.

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



<Main factor of change in H1>
The Industrial machinery segment, which experienced a decrease in construction work for large-scale projects and additional costs incurred in plant construction, and the UNIC segment, where shipments of UNIC cranes were lower than expected due to delays in truck deliveries, posted declines in both sales and profit.
Both sales and profit increased in the Rock Drill machinery segment, which had a large proportion of overseas sales and benefited from the weaker yen, and in the Metals segment, which benefited from price gains due to metal price fluctuations and the weaker yen.

*Exchange rate assumptions
Previous forecast 135 ¥/\$ => Results 141 ¥/\$



<Main factor of change in Full-year forecast>
The Industrial machinery segment is expected to post lower sales and profit mainly due to the H1 results, and the UNIC segment is expected to record further declines in sales and profit due to lower-than-expected shipments of UNIC cranes and higher costs for purchased parts and materials.
The Rock Drill machinery segment is expected to increase sales and profit mainly due to the weaker yen, and the Metals segment is expected to increase sales and profit due to price gains from metal price fluctuations and the weaker yen in H1.

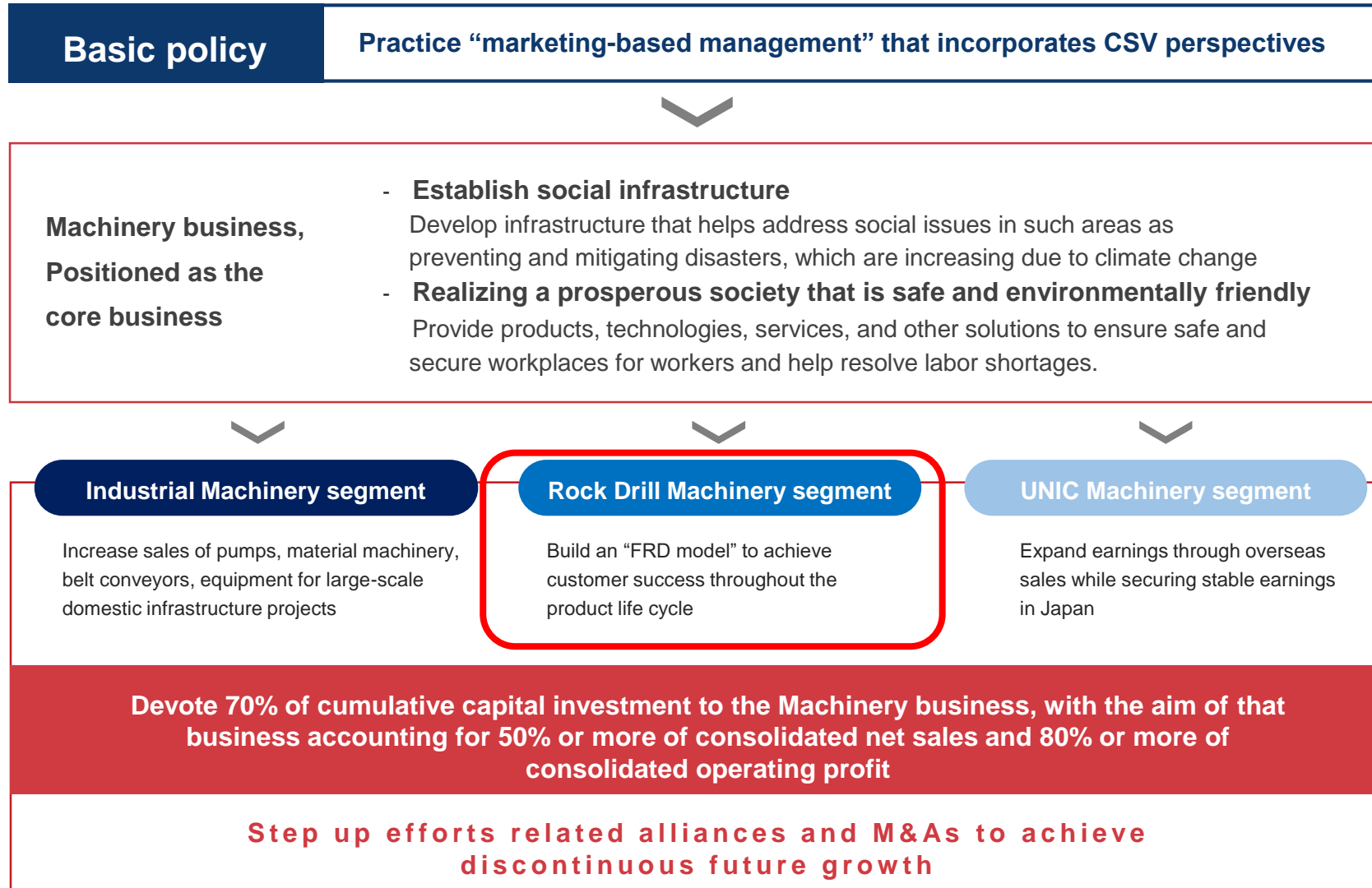
*Exchange rate assumptions
Previous forecast 135 ¥/\$ => Forecast 143 ¥/\$

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

Main contents of dialogue with institutional investors

Theme	Matters of Interest	
Management strategy	Business strategy (mainly in the core Machinery business)	> Rock Drill segment is explained on page 21 and beyond
	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	> Explained on page 15
	Reduction of strategic shareholdings	> Explained on page 16

- Concentrate management resources on Machinery business to increase returns



Fostering the creation of “social value”

Disclosure Based on TCFD Recommendations

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

As the first phase, we conducted analysis for the Rock Drill machinery and Metals segments (Disclosed in August 2023)

=>In H2, we will begin analyzing scenarios for the UNIC and Chemicals segments (Plan to disclose in 2024). Subsequently, the analysis will be initiated for the Industrial machinery and Electronics segments.

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

*Further information on disclosures based on TCFD recommendations, please see pages 39 & 40 of the Integrated Report 2023

<https://www.furukawakk.co.jp/en/ir/library/pdf/20231211.pdf>

Reduction of strategic shareholdings

Policy to reduce

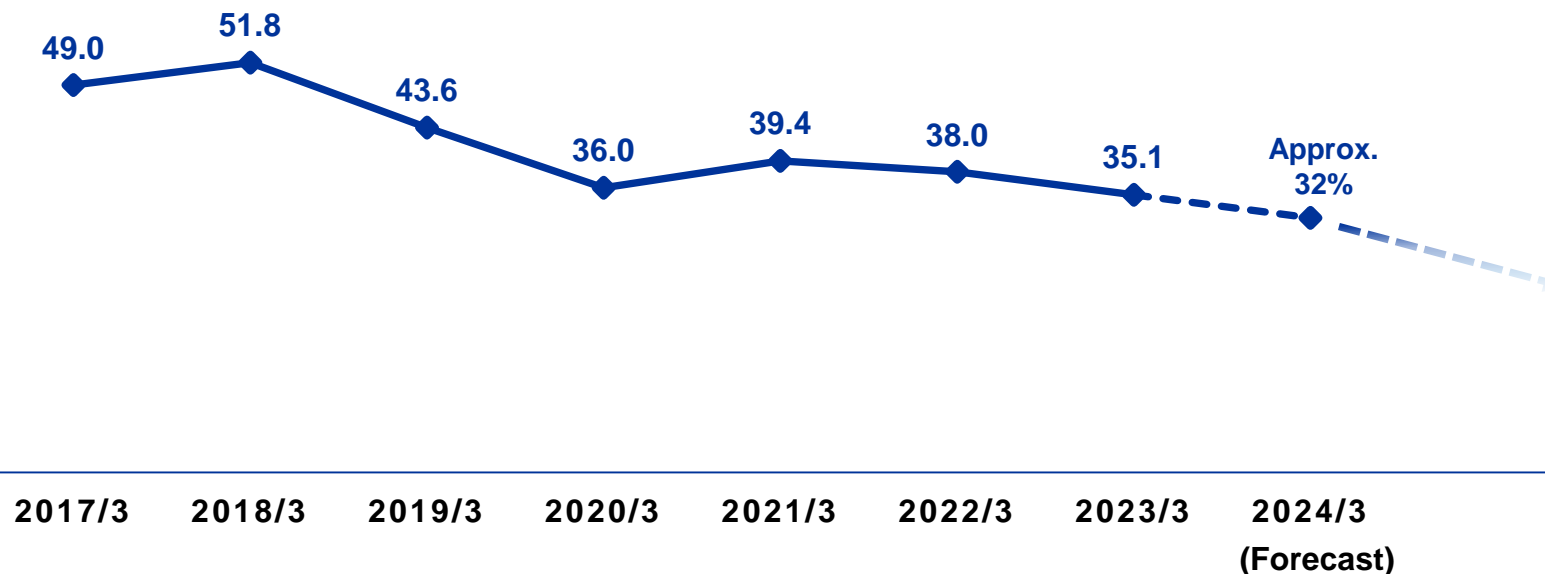
- Conduct annual reviews of appropriateness of continued ownership based on comprehensive judgment of cost of capital and other factors
- Continue disclose the ratio of strategic shareholdings to consolidated net assets

FY 2023 Plan

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

[Strategic Shareholding Ratio*]

*Ratio of strategic shareholdings (including holdings deemed to be strategic) to consolidated net assets



[Capital Investment (Consolidated)]

(Unit: Million yen)

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

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

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

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

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

[Depreciation and Amortization (Consolidated)]

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

Research and development expenses	1,336	712	1,384	713	1,400
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[Metal Products, Foreign Exchange Rate (Consolidated)]

		FY2021	FY2022		FY2023	
			(Q2)	(Full-year)	(Q2)	(Q3,Q4 Forecast)
Overseas market price of copper (Average)	¢/pound	439.6	391.6	340.2	381.8	362.9
	\$/ton	9,691	8,634	7,500	8,417	8,000
JPY rate per US\$ (Average)		112.38	133.97	140.00	141.00	145.00

Production and marketing of Furukawa Metals & Resources Co., Ltd.	FY2021	FY2022		FY2023	
		(Q2)	(Full-year)	(Q2)	(Q3,Q4 Forecast)
Copper production (t)	71,149	34,785	70,146	24,961	48,262
Copper sales volume (t)	77,402	35,517	75,866	26,475	53,809

<About copper production>

- Production volume is expected to decrease from FY2023 due to terminated entrusted smelting contract with Onahama Smelting and Refining Co., Ltd. on March 31, 2023.
Going forward, it will be produced only by Hibi Kyodo Smelting Co., Ltd., which is another contractor.

[Employee (Consolidated)]

	End of Mar. 2022	End of Mar. 2023	End of Sep. 2023	VS End of Mar. 2023
Number of consolidated employee (Persons)	2,804	2,831	2,856	25

Reference Materials

[Consolidated Financial Results]

(Unit: Million yen)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023(Forecast)
Net sales	161,857	142,925	165,638	157,566	165,539	163,026	172,544	161,799	149,829	167,695	174,116	165,215	159,702	199,097	214,190	190,000
Operating profit	2,303	1,597	2,821	2,154	3,363	6,886	8,925	7,988	6,545	7,820	8,915	8,693	5,592	7,734	9,031	9,700
Ordinary profit	993	111	1,231	1,268	2,763	6,150	6,603	6,227	7,202	8,105	8,235	8,135	6,773	8,996	9,348	10,500
Profit attributable to owners of parent	(-)5,917	585	563	(-)1,659	2,976	3,976	9,793	5,056	4,254	4,774	4,654	4,431	7,468	6,477	6,211	16,500

Segment Performance

[Net sales]

(Unit: Million yen)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023(Forecast)
Machinery	62,639	44,313	47,025	53,198	56,852	71,111	75,990	72,232	66,803	73,453	77,580	82,691	68,635	76,938	81,658	85,600
Industrial	15,836	12,783	10,655	12,949	12,894	18,527	16,712	14,926	14,041	15,871	17,971	23,237	16,682	17,723	17,943	17,900
Rock Drill	29,427	20,386	23,880	24,143	23,305	26,842	30,910	30,076	26,979	30,199	30,372	27,663	24,149	30,910	35,752	38,700
UNIC	17,375	11,142	12,490	16,105	20,651	25,741	28,367	27,229	25,782	27,381	29,237	31,791	27,804	28,305	27,961	29,000
Materials	80,175	82,128	92,203	77,917	88,026	90,162	93,270	85,644	78,968	89,987	92,722	79,366	88,203	118,163	126,804	98,300
Metals	68,786	71,132	79,979	68,114	77,944	78,684	81,513	74,192	67,853	77,334	80,067	67,149	76,094	102,995	111,424	81,900
Electronics	5,568	5,969	7,147	4,615	4,987	5,381	5,743	5,477	5,816	6,307	6,527	5,506	5,741	7,271	6,926	7,300
Chemicals	5,820	5,025	5,076	5,187	5,093	6,096	6,013	5,973	5,298	6,344	6,127	6,710	6,367	7,896	8,454	9,100
Real Estate	2,386	2,043	1,577	1,233	1,058	1,013	2,535	3,045	3,074	3,338	2,999	2,386	2,107	2,115	2,056	1,900
Other	1,204	854	785	766	753	739	747	876	983	916	814	771	755	1,879	3,671	4,200
Paints (*1)	—	3,692	15,040	14,874	15,078	—	—	—	—	—	—	—	—	—	—	—
Fuels (*2)	15,452	9,893	9,004	9,576	3,770	—	—	—	—	—	—	—	—	—	—	—
Total	161,857	142,925	165,638	157,566	165,539	163,026	172,544	161,799	149,829	167,695	174,116	165,215	159,702	199,097	214,190	190,000

[Operating profit]

(Unit: Million yen)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023(Forecast)
Machinery	1,733	(-)3,022	(-)566	1,970	2,923	5,333	6,551	5,882	3,580	5,083	6,567	7,343	3,968	4,679	6,093	6,600
Industrial	767	433	(-)29	708	778	1,851	1,711	1,037	104	1,005	2,088	3,208	2,113	1,396	1,515	1,000
Rock Drill	255	(-)2,584	(-)350	333	(-)67	341	1,225	2,217	897	1,782	1,689	142	(-)1,324	1,117	3,030	4,100
UNIC	710	(-)870	(-)186	928	2,212	3,141	3,614	2,627	2,578	2,295	2,789	3,992	3,180	2,165	1,547	1,500
Materials	229	3,985	3,044	325	324	1,695	1,770	983	1,870	1,648	1,396	776	1,040	2,349	2,309	2,800
Metals	23	3,224	1,494	308	282	1,503	1,449	1,154	1,738	867	581	301	499	940	1,276	1,700
Electronics	4	657	1,279	(-)234	(-)262	(-)123	52	(-)368	17	330	407	(-)35	161	666	500	400
Chemicals	201	104	269	251	304	315	267	197	114	451	406	510	380	743	532	700
Real Estate	706	1,128	635	356	219	(-)43	776	1,276	1,265	1,339	1,163	735	736	743	835	500
Other	(-)304	(-)376	(-)92	(-)93	(-)63	(-)60	(-)130	(-)72	(-)126	(-)196	(-)147	(-)94	(-)82	17	(-)133	(-)100
Paints (*1)	—	(-)19	(-)93	(-)329	65	—	—	—	—	—	—	—	—	—	—	—
Fuels (*2)	202	(-)29	(-)56	(-)13	(-)28	—	—	—	—	—	—	—	—	—	—	—
Adjustment	(-)264	(-)69	(-)49	(-)60	(-)78	(-)39	(-)42	(-)80	(-)44	(-)55	(-)64	(-)68	(-)71	(-)54	(-)73	(-)100
Total	2,303	1,597	2,821	2,154	3,363	6,886	8,925	7,988	6,545	7,820	8,915	8,693	5,592	7,734	9,031	9,700

*1 Withdrew from the Paints business by transferring shares of Tohpe Corporation in March 2013.

*2 Withdrew from the Fuels business by transferring shares of Furukawa Commerce Co., Ltd. in October 2012.

Notice: By applying "Accounting standards for disclosure of segment information, etc." (FY2012), we replace and display the figure for FY2011.

LME copper price (US\$/ton)	5,864	6,101	8,139	8,485	7,855	7,104	6,554	5,215	5,154	6,444	6,341	5,860	6,879	9,691	8,551	8,209
JPY rat per US\$	100.54	92.85	85.71	79.07	83.10	100.24	109.93	120.13	108.42	110.85	110.91	108.74	106.06	112.38	135.47	143.00

FURUKAWA



Business Briefing

– Rock Drill Segment –





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 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 secondary hydraulic crushers and concentrated rollout of demolition machines in the Tokyo Metropolitan Area

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



Hydraulic breakers



Hydraulic crawler drills



Tunnel drill jumbos

Rock Drill Machinery: Business (product) portfolio

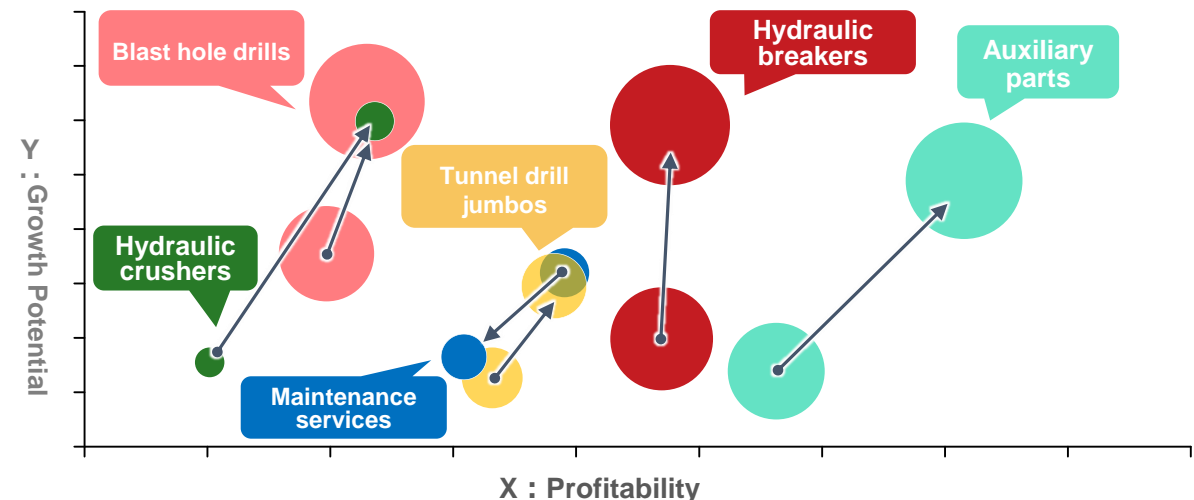
* Comparison of FY2021 results and FY2025 image

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





Market environment

Main measures

Expected outcomes

Japan

- Shortage of operators due to declining birth rate and aging population
- Demolition equipment market: Increasing need for large-sized, high-impact equipment
- Tunnel projects: Strong demand for automated construction as a safety measure

- 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 secondary 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.)

Achieve highly efficient and safe operation through automation and mechanization

Overseas

- 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

- 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 blasting contractor
- 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)

Promote shift to hydraulic machines in the Southeast Asian quarry market

Life Cycle Support (LCS)

- 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

- 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)

Ensure customer success by providing technologies and other solutions



Main Products

Hydraulic breakers

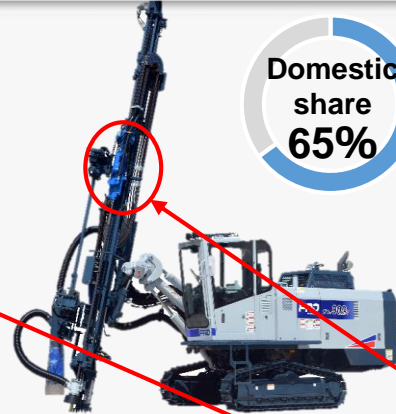
Domestic share
40%



Civil engineering and construction sites and demolition sites

Hydraulic crawler Drill

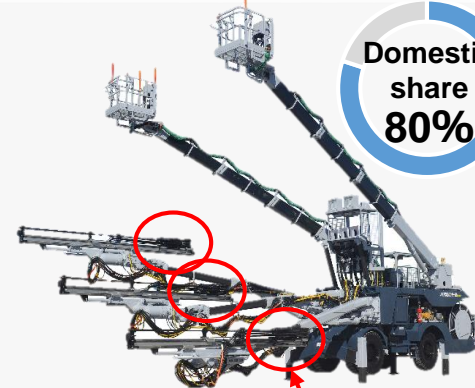
Domestic share
65%



Limestone mines and quarries, civil engineering and construction sites

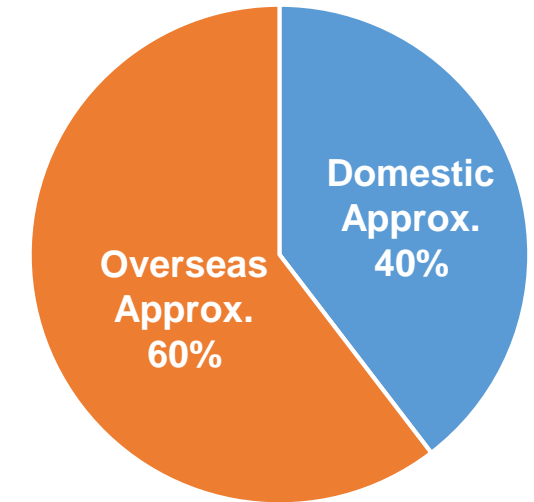
Tunnel drill jumbos

Domestic share
80%



Mountain tunnel construction sites

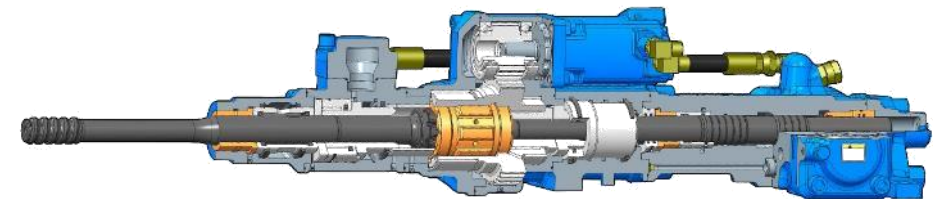
Percentage of segment sales (FY2022)



Core competence “Drifter (Rock Drill)”

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

Drifter (Rock Drill)





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

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

Before
Medium-Term
Business Plan
2019

Regional strategy

- Despite the largest overseas market for blast hole drill is the North America, sales development in the past was omnidirectional
- Sales activities for the hydraulic breakers, our main products in Europe, were dependent on dealers

Product strategy

- Blast hole drills were mainly developed for the Europe
=> **Mismatch with main market North America**
- Blast hole drill models are standardized for various needs
=> **Bloated product range**

Business portfolio

- Setting up bases for global expansion
=> **Expansion into less effective countries**

Medium-Term
Business
Policy 2022
measures

North America: Concentrated sales of large blast hole drills

- Create a centralized production system by focusing on North America

Europe: Concentrated sales of hydraulic breakers

- Strengthen sales in the key markets of France, Italy and Germany

Development of blast hole drills products matched to the North American market

- De-Europeanised specifications, change to make it easier to sell in the USA
- Basic design for transport posture for blasting contractor

Narrow down the product lineup of blast hole drills

- Narrow down from 31 to 14 models
- Cost reductions and improved production efficiency through narrowing down

Implement cost increases to be passed on to the selling price

- Timely implementation of price transfer
- Centralized management of variable costs and selling prices

Liquidation of unprofitable sites

- Withdrawal of sales companies in Latin America
- Withdrawal of sales companies in Shanghai, China
- Downsizing of sales companies in India



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

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

<Concentrated sales> Large blast hole drills for North America

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



Hydraulic crawler drill
HCR L110-E5

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



New base in Nevada, USA.

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

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

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





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

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

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

Hydraulic crawler drills/ Added semi-automatic drilling function

- Provides products that allows even inexperienced drillers to drill



Hydraulic crawler drill
HCR1000-DVI ADVANCE

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

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



Fully automatic drill jumbo “ROBOROCK”
J32RX-Hi



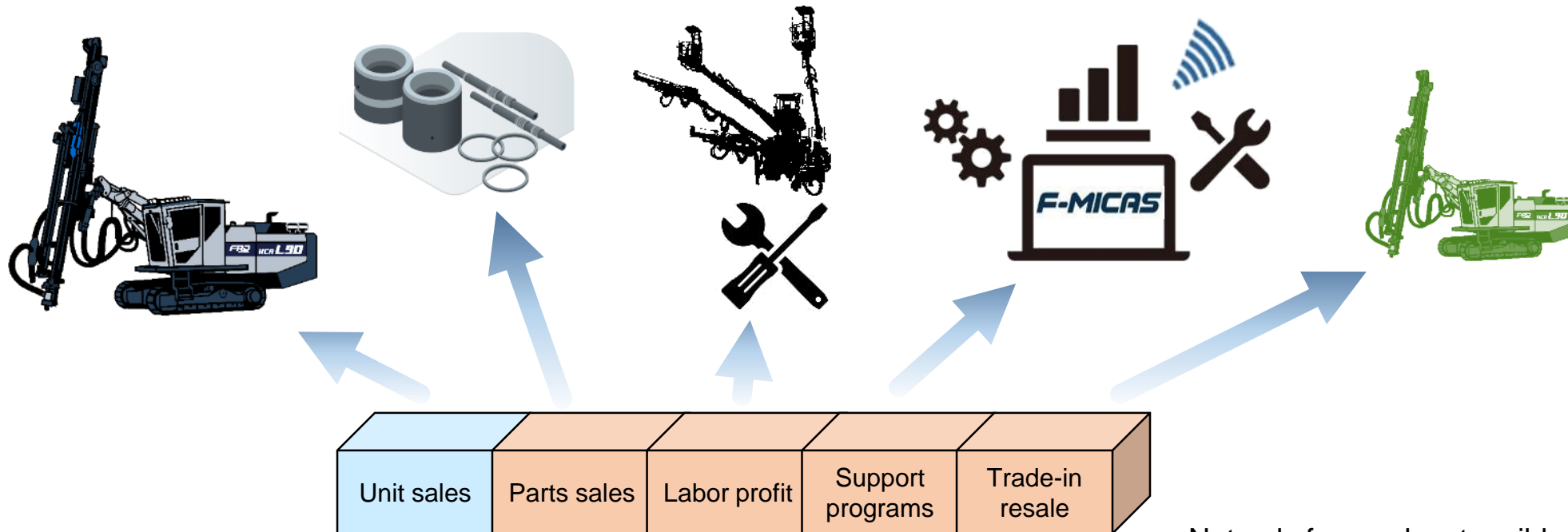
Rock bolting robot “BOLTINGER”
B22RL



Establish FRD Model

FRD Model: “Business model that achieves **customer success** throughout the lifecycle”

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



FRD Model

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



FRD Model

"FD-CARE", Support program for blast hole drills

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

FD-CARE Report Delivery

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

FD-CARE Drill Operation

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

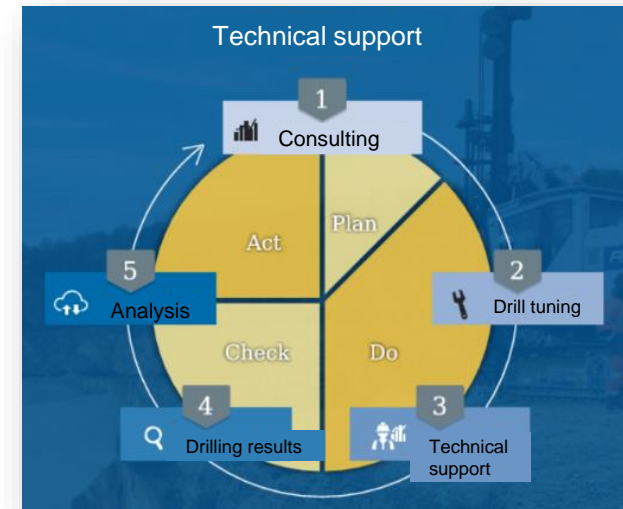
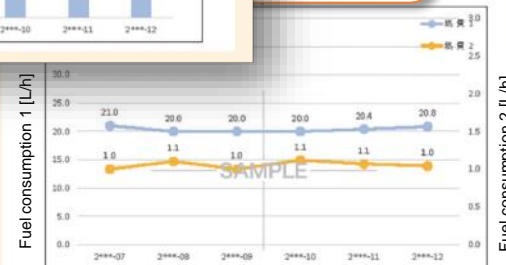


Machine operation information

Visualize the efficiency of machine operations

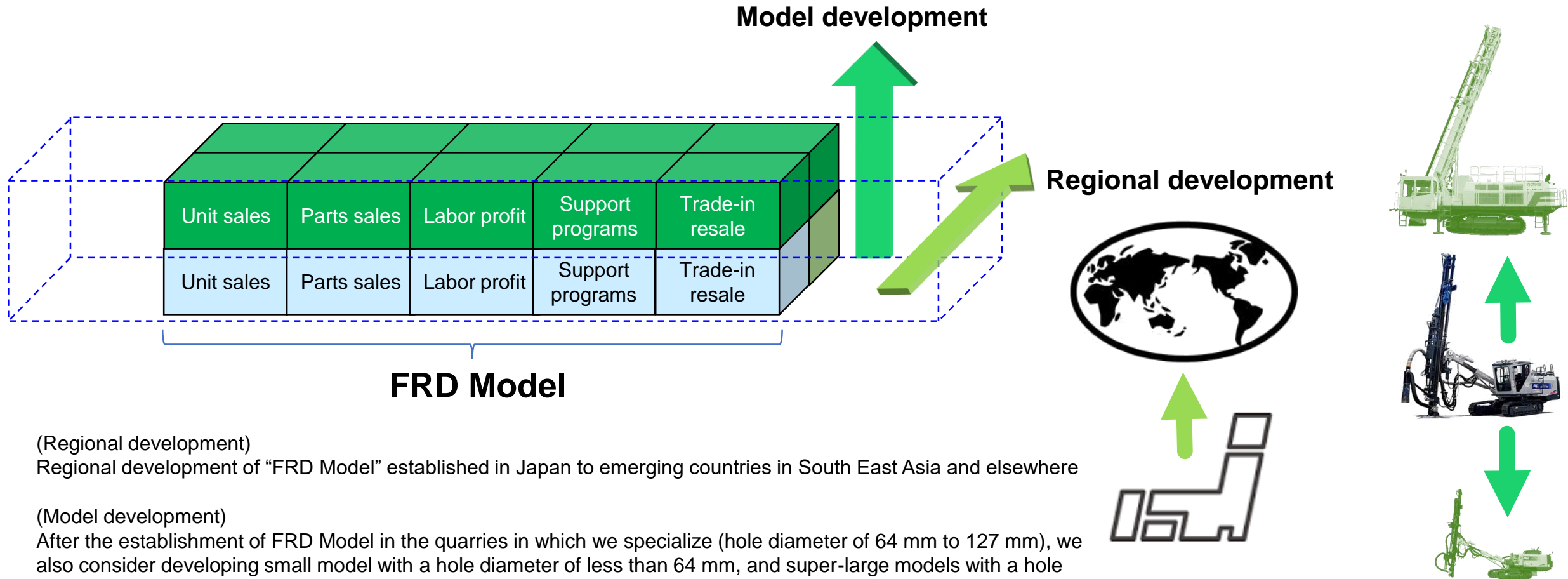


cost analysis





Development of FRD Model
- Regional/Model development



(Regional development)

Regional development of “FRD Model” established in Japan to emerging countries in South East Asia and elsewhere

(Model development)

After the establishment of FRD Model in the quarries in which we specialize (hole diameter of 64 mm to 127 mm), we also consider developing small model with a hole diameter of less than 64 mm, and super-large models with a hole diameter of more than 127 mm



Development of FRD Model

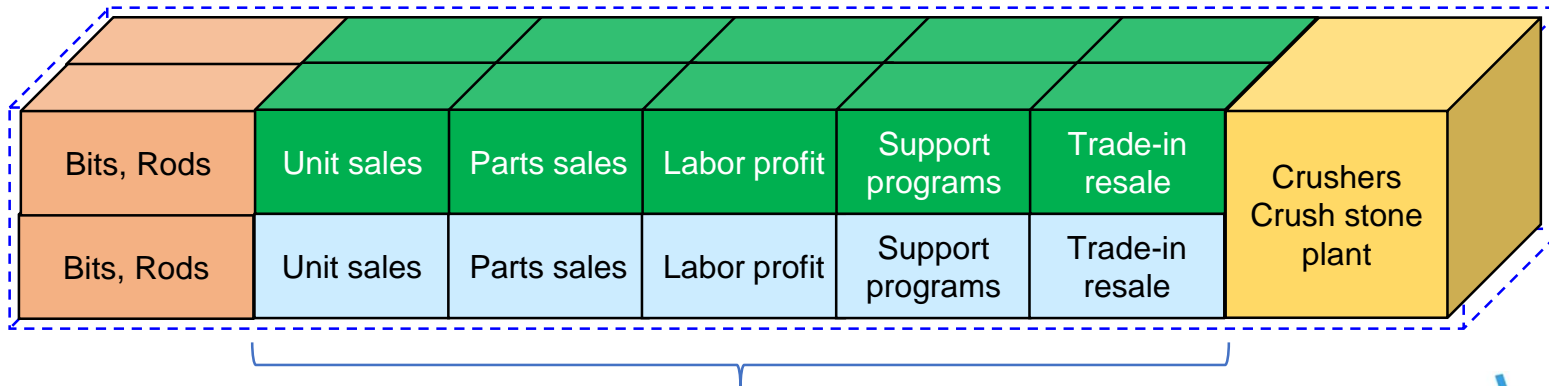
- Upstream/Downstream development



Drill bits

Upstream development

Downstream development



Industrial Machinery segment
Crushers
Cone Crusher
GEOPUS C3 GP3-200

FRD Model

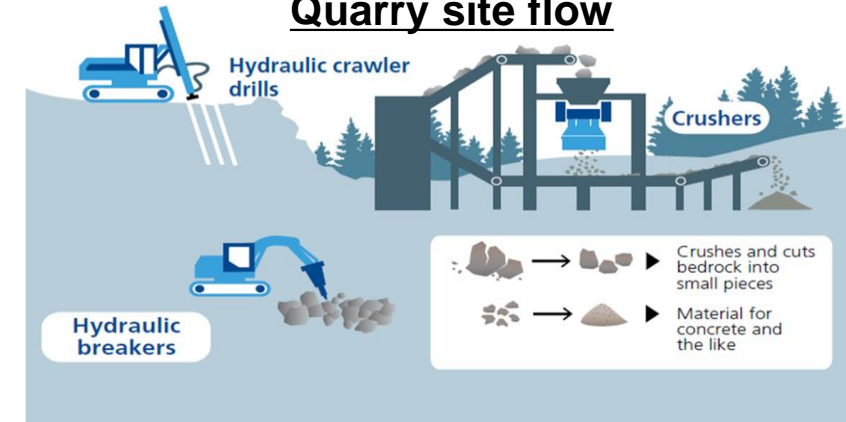
(Upstream development)

Consider aggressive sales of drill accessories (bits, rods)

(Downstream development)

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

Quarry site flow



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

Cautionary Notes Regarding Forward-Looking Statements

This document contains forward-looking statements including forecasts, expectations, assumptions, plans, acknowledgements and evaluations regarding the Company and the Group. These statements are based on the information the Company has obtained as of the publication date and on assumptions the Company believes are reasonable. The forward-looking statements in this document and their implications may differ materially from actual results because the assumptions of the Company and the conclusions that it has reached are subjective in nature and the business environment and business activities are subject to latent risks and uncertainties. Latent risks and uncertainties that may affect the Company's forward-looking statements are explained in, but not limited to, the Company's Annual Securities Reports and the "Business Risks" section of the Company's corporate website.

Therefore, the Company does not promise or warrant the attainment of performance indicators, forecasts, or future operating results described herein. Furthermore, the Company does not undertake any obligation to update any statements in this document after its publication, irrespective of new information, future events or otherwise.

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Thank you for your understanding and continued support.



 **FURUKAWA CO.,LTD.**

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Medium-Term Business Plan 2025

Complete Realization of Vision for 2025

Briefing for the medium-term business plan

May 30, 2023

1



Review of Medium-Term Business Policy 2022

- (1) Review of Performance Indicators
- (2) Performance Highlight

2



Theme & Positioning of Medium-Term Business Plan

- (1) Management Philosophy of the Furukawa Company Group
- (2) The Value Creation Process of the Furukawa Company Group
- (3) Complete Realization of Vision for 2025
- (4) Promote Cost of Capital and Stock Price Conscious Management
- (5) Growth Strategy

3



Earning Plan / Capital Policy

- (1) Summary of Earnings plan / Capital policy
- (2) Review of Business Portfolio
- (3) Earnings Plan

4



Strategies and Key Priorities Issues by Segment

- (1) **Machinery** Industrial Machinery / Rock Drill Machinery / UNIC Machinery
- (2) **Materials** Electronics / Chemicals / Metals
- (3) **Real estate business**

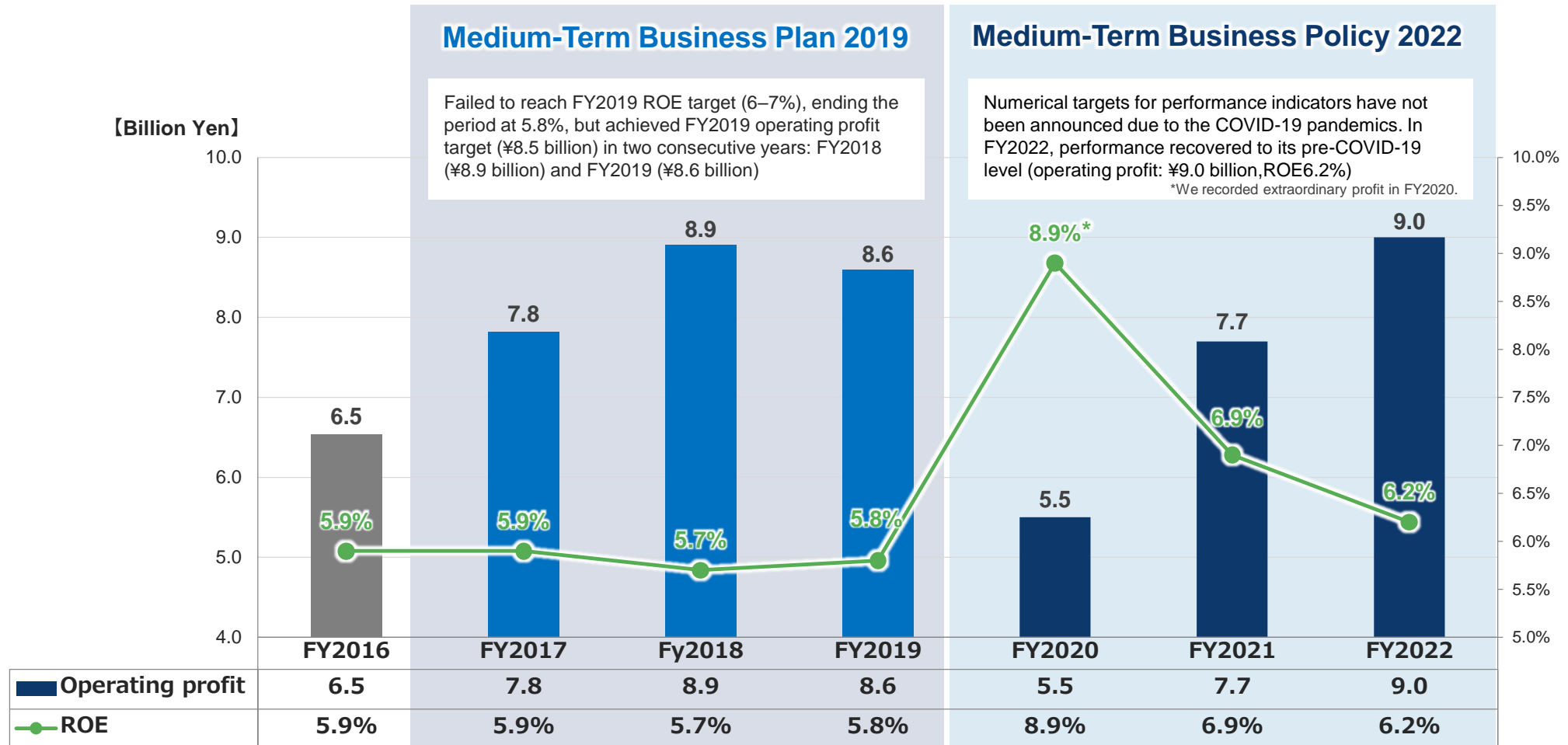
5



Sustainability / Allocation of Management Resources

- (1) Sustainability Initiatives
- (2) Allocation of Management Resources, etc.

- Established a robust earnings foundation with the Machinery business as the core business
Performance recovered to pre-COVID-19 levels despite previous deterioration due to the pandemic



General note: In this document, we describe “FY202x” as the year starting April 1, 202x, and ending March 31 in the following year.

(2) Performance Highlight

- Rock Drill Machinery segment strengthened and rebuilt its overseas marketing capabilities and achieved a V-shaped recovery in earnings as a result
- In the Metals segment, terminated our entrusted copper smelting contract with Onahama Smelting and Refining Co., Ltd. Proceed with the radical reform of the entrusted smelting business

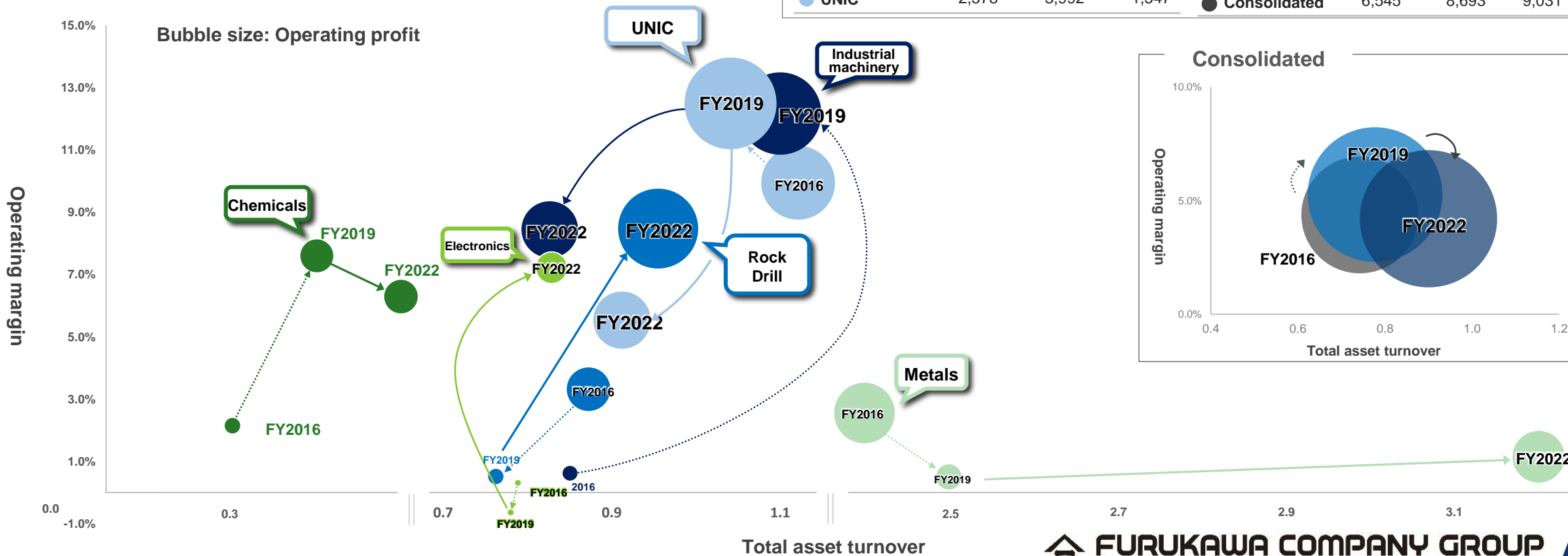
Compared to results for FY2016, FY2019, FY2022

ROA(Operating Profit), Total Asset Turnover, Operating margin, Operating profit

Operating profit (Unit: Million yen)

	FY2016	FY2019	FY2022
● Industrial	104	3,208	1,515
● Rock Drill	897	142	3,030
● UNIC	2,578	3,992	1,547

	FY2016	FY2019	FY2022
● Metals	1,738	301	1,276
● Electronics	17	(-)35	500
● Chemicals	114	510	532
● Consolidated	6,545	8,693	9,031



Management Philosophy

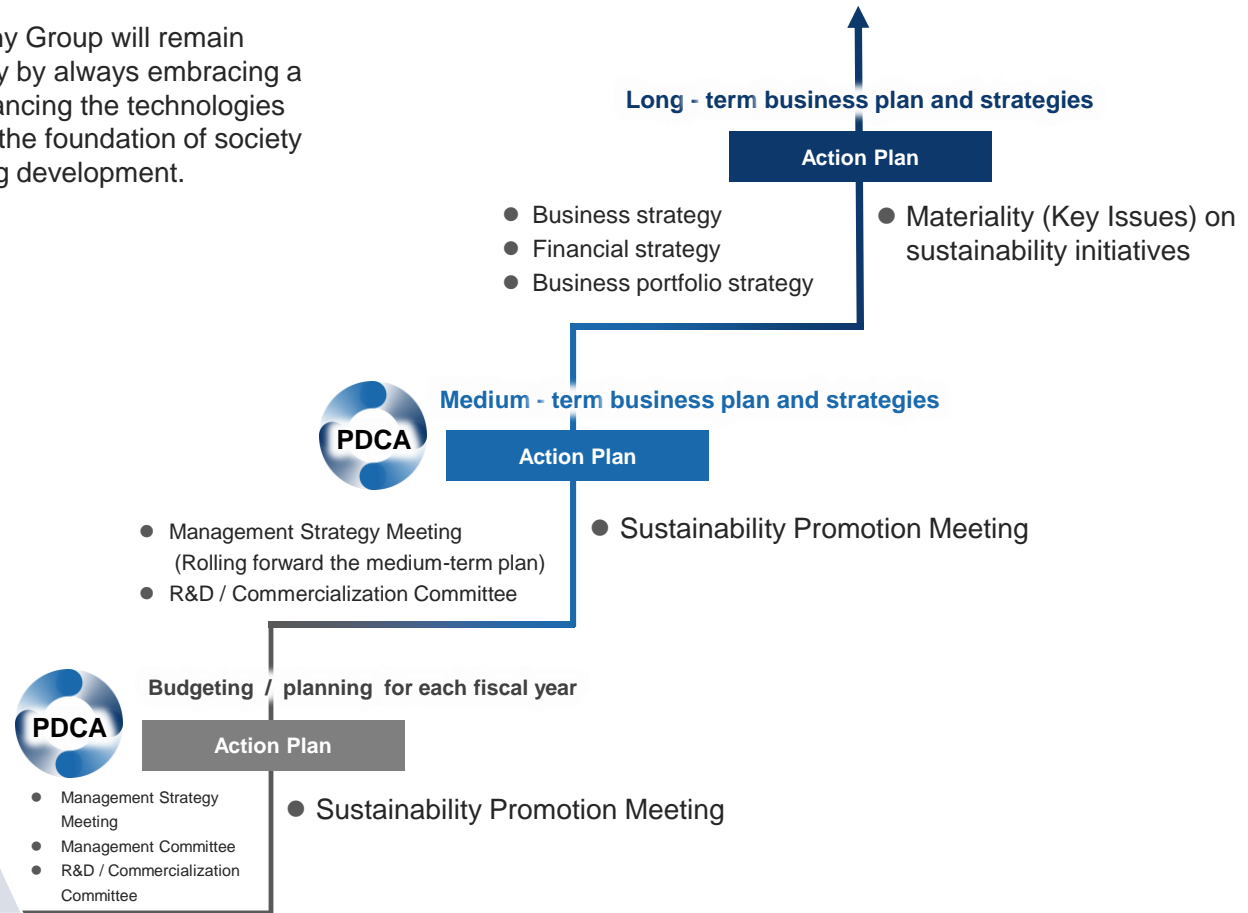
The Furukawa Company Group will remain indispensable to society by always embracing a spirit of challenge, advancing the technologies that have underpinned the foundation of society that originated in mining development.

Vision for 2025

FURUKAWA Power & Passion 150

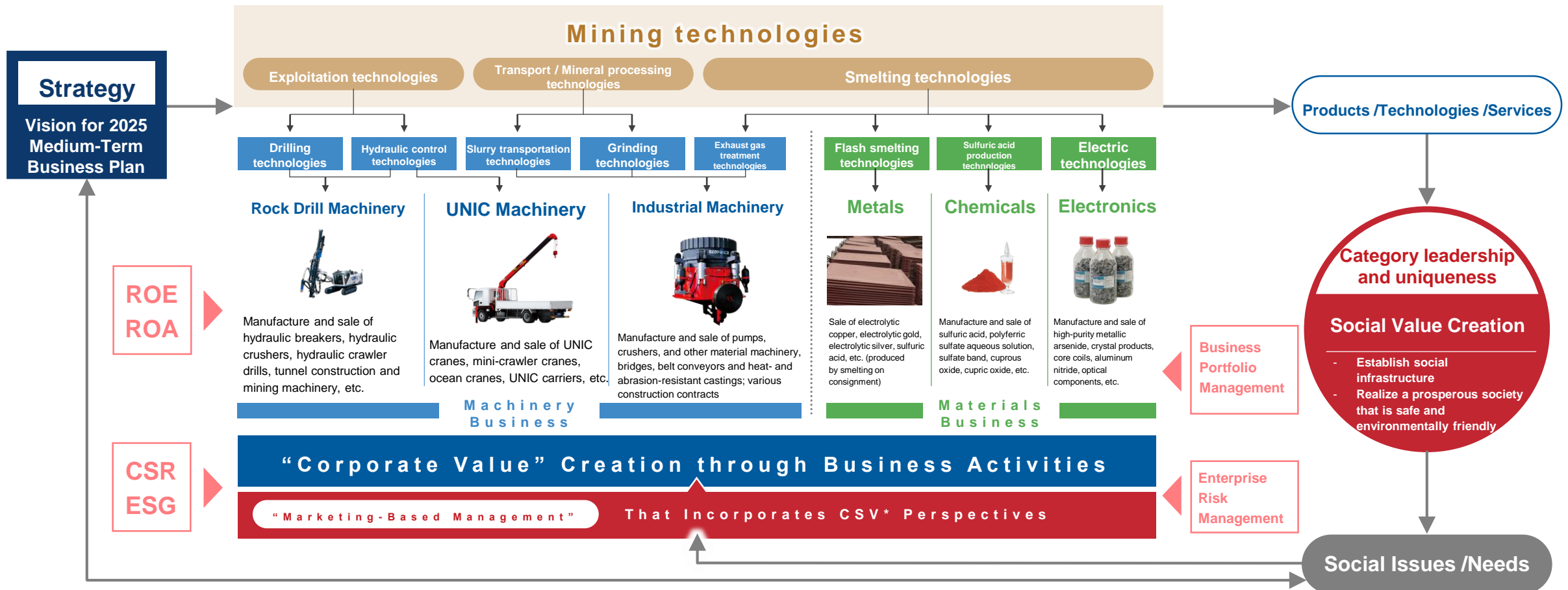
Action guidelines
Innovation Creativity Harmony

Vision for 2025
FURUKAWA Power & Passion 150



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.



*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.

- Swiftly achieve a PBR of 1x or higher by delivering sustainable growth and medium to long term enhancement of corporate value
- Take concrete measures to achieve ROE of approximately 8% and diminish the cost of capital
- Appropriately disclose information and pursuing active dialogue with investors

Specific initiatives to expand and to strengthen our corporate value creation power:

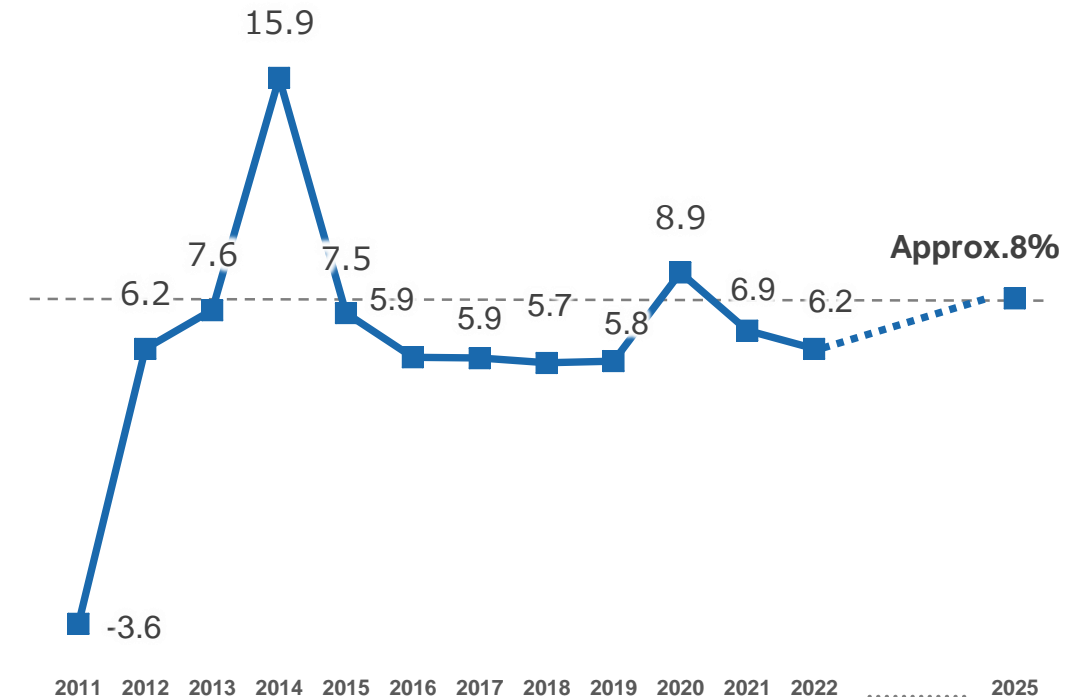
Achieving ROE of approx. 8%

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

Diminishing cost of capital

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

Transition of ROE



■ Concentrate management resources on Machinery business to increase returns

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
- **Realizing 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
Increase sales of pumps, material machinery, belt conveyors, equipment for large-scale domestic infrastructure projects	Build an “FRD model” to achieve customer success throughout the product life cycle	Expand earnings through overseas sales while securing stable earnings in Japan

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

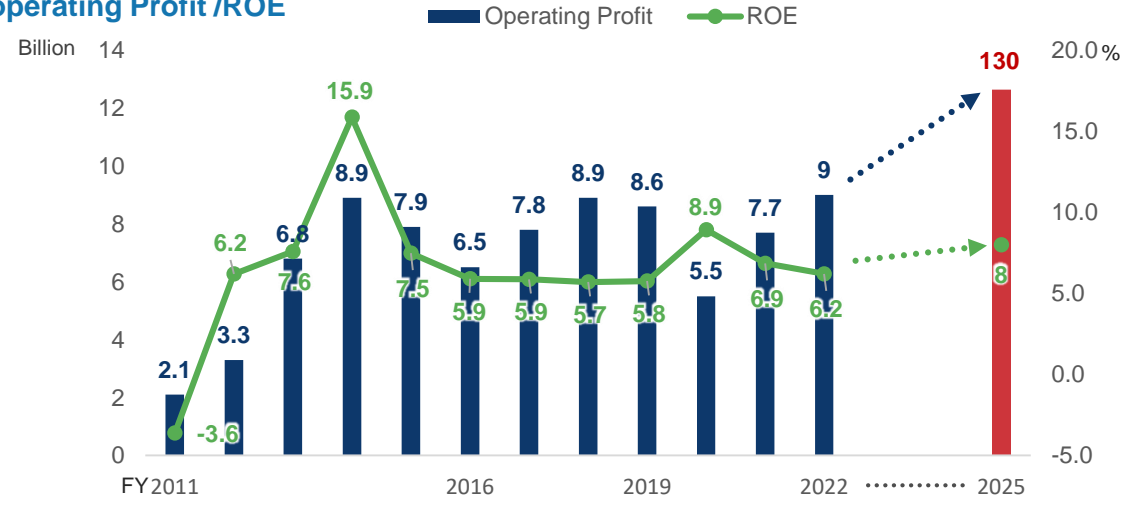
Step up efforts related alliances and M&As to achieve discontinuous future growth

(1) Summary of Earnings plan / Capital policy

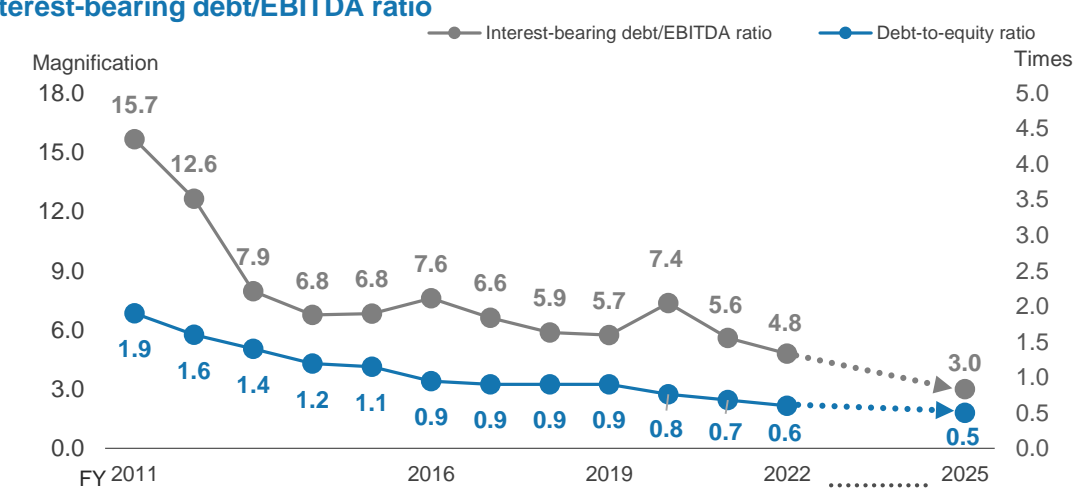
- Make individual investment decisions with attention to profitability, taking into account risks associated with the investment and cost of capital, while stepping up efforts to improve efficiency and profitability
- Seeking to establish a robust financial base enabling us to raise the necessary funds regardless of financial conditions
- Expansion of shareholder returns (consider increasing annual dividends and paying interim dividends, share buybacks)

Earnings plan	<ul style="list-style-type: none"> - By deploying a business portfolio management system that utilizes cost of capital, to achieve sustainable growth and increase corporate value over the medium to long terms 	➤	<p>Operating Profit Approx. ¥13 billion - Underlying assumption of ROE Approx. 8% <small>- Underlying assumption of exchange rate: ¥135/\$</small></p>
Financial strategy	<ul style="list-style-type: none"> - Pursue optimal capital structure with rating strategy at its core - Raise ratings to A- or higher, from BBB+ 	➤	<p>Debt-to-equity ratio: 0.5x range Interest-bearing debt/EBITDA ratio: 3x range</p>
Shareholder return	<ul style="list-style-type: none"> - 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) 	➤	<p>Consolidated total return on equity of 3% or higher</p>
Reducing strategic shareholdings	<ul style="list-style-type: none"> - Conduct annual reviews of appropriateness of continued ownership based on comprehensive judgment of cost of capital and other factors - Continue disclose the ratio of strategic shareholdings to consolidated net assets 	➤	<p>Strategic shareholdings ratio 35.1% (FY2022)</p>

Transition of operating Profit /ROE



Transition of Debt-to-equity ratio / Interest-bearing debt/EBITDA ratio



Basic strategy for investment

- Diversify visualize and identify our business portfolio, and make rational business decisions that are not overly influenced by history

- Plot three factors—“corporate value creation power*”, “compound annual growth rate (CAGR)”, “Corporate value created/year*” for each segment on a bubble chart to accurately visualize our business portfolio
- Conduct a four-quadrant analysis based on growth potential and corporate value creation power

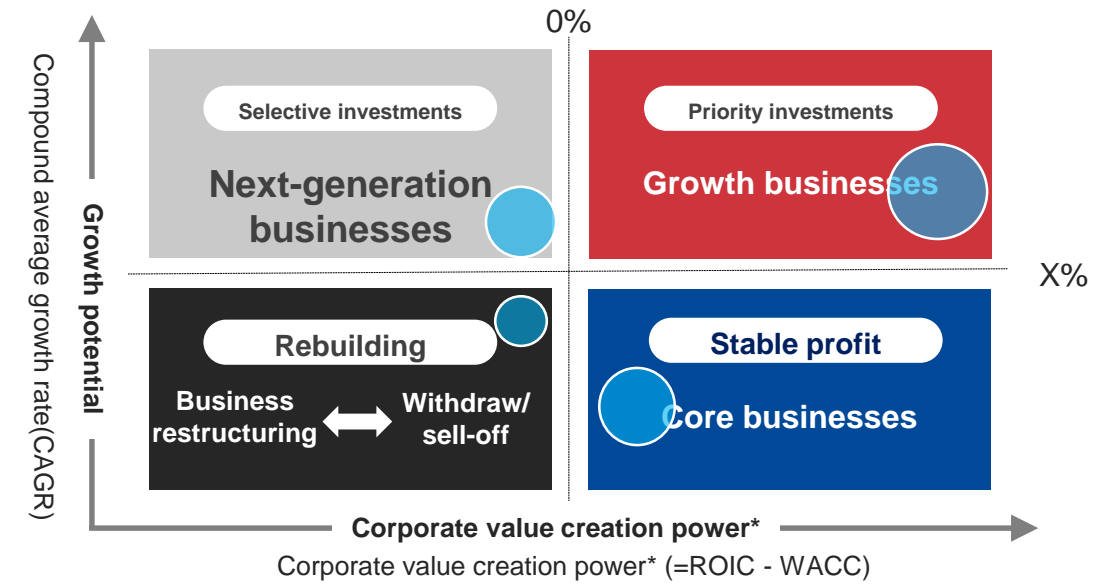
Status of review

- Materials** Conducted a fundamental review of our entrusted copper smelting business
 - Metal segment**
 - Terminated our entrusted copper smelting contract with Onahama Smelting and Refining Co., Ltd. on March 31, 2023
 - Furukawa Metals & Resources Co., Ltd., transferred all its shares in Onahama Smelting and Refining to Mitsubishi Materials Corporation
- Machinery** Strengthen and rebuild our overseas marketing capabilities
 - Rock Drill segment**
 - Liquidating our overseas subsidiaries in Panama and China
- Real Estate business** Solidifying earnings foundation
 - Use site of former Furukawa Osaka Building to promote lease business

* “Corporate value creation power” and “Corporate value created/year” are terms coined by Furukawa Co., Ltd.

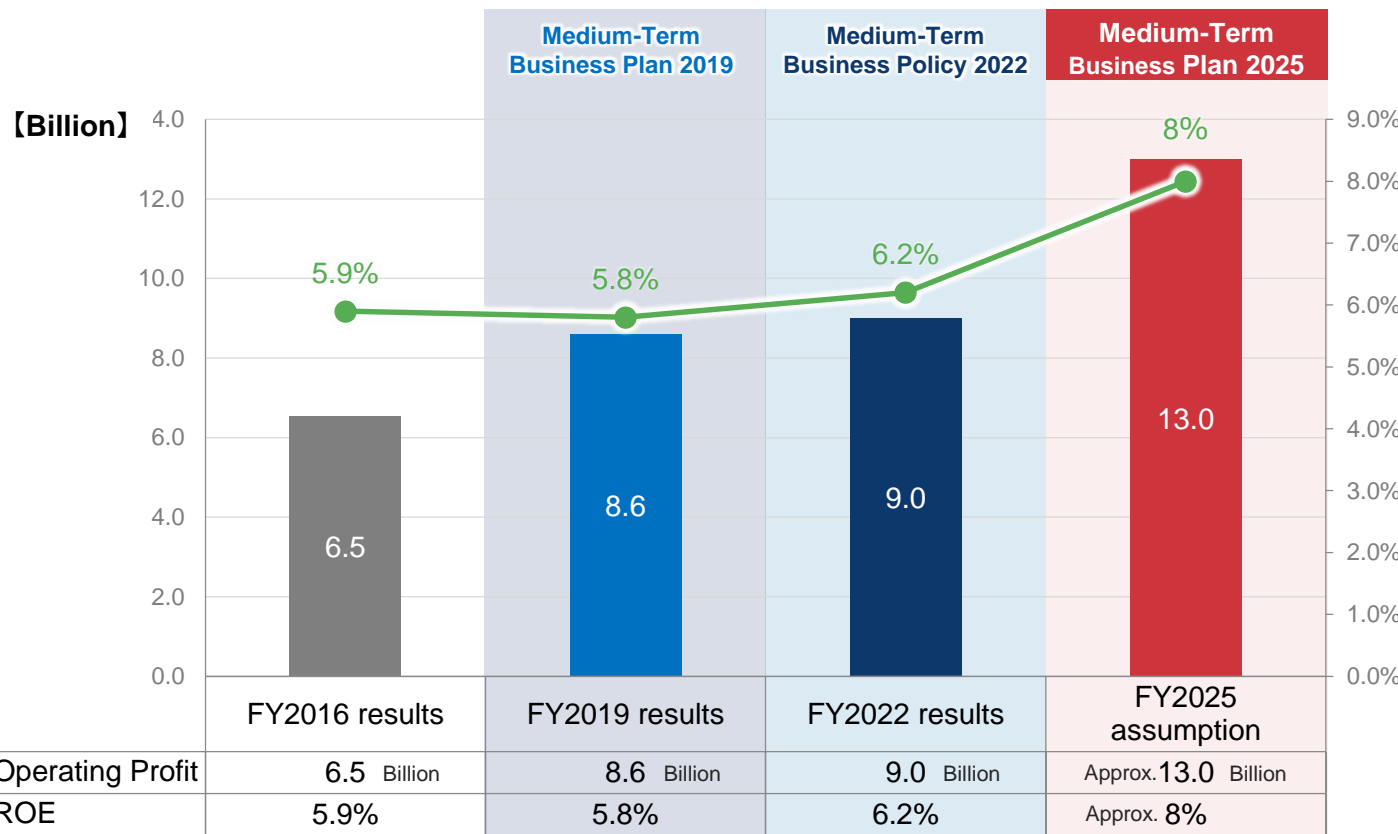
[Business Portfolio Analysis]

Bubble size: Corporate value created/year* (= Corporate value creation power x Invested capital)

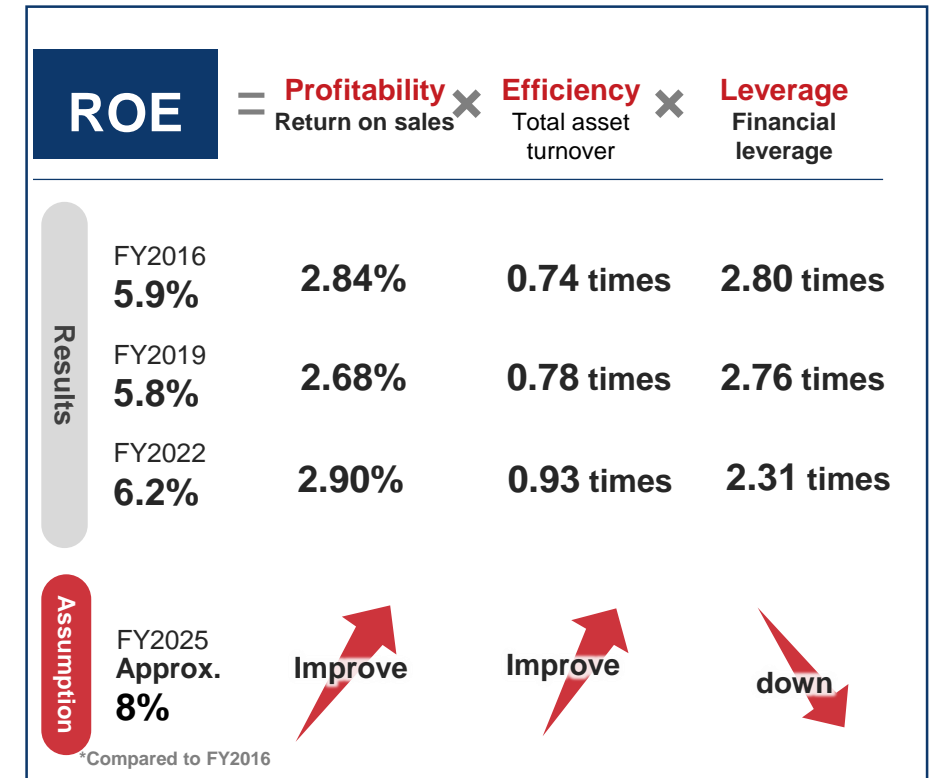


(3) Earnings Plan

- Make individual investment decisions with attention to profitability, taking into account risks associated with the investment and cost of capital
- Stepping up efforts to improve efficiency and profitability
- Optimize overall allocation of management resources to achieve sustainable growth and increase corporate value over the medium to long terms by deploying a business portfolio management system that utilizes cost of capital



* As disclosed in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023”
* Performance indicators in Medium-Term Business Plan 2025 do not account for new alliances and M&As

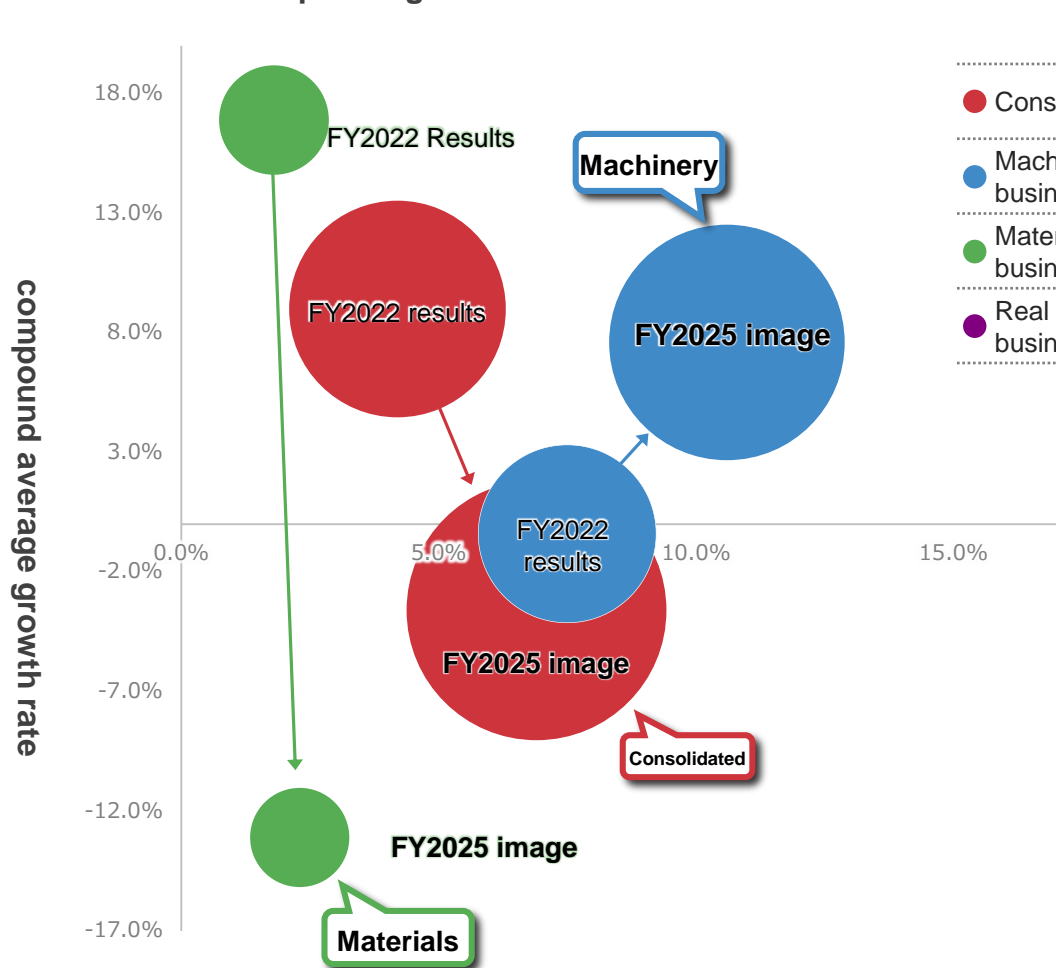


*Underlying assumption
FY2022 Results: Exchange rate (¥/USD) 135.5
FY2025 assumption: Exchange rate (¥/USD) 135.0

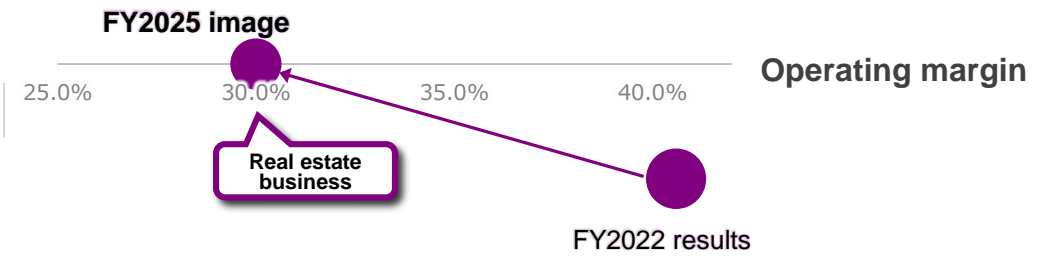
(3) Earnings Plan

- Consolidated performance (FY2025 image):
Although the compound average growth rate for net sales is expected to decline due to falling sales in the Metals segment, increased sales and profit in the Machinery business is projected to drive up the operating margin

Bubble size: Operating Profit

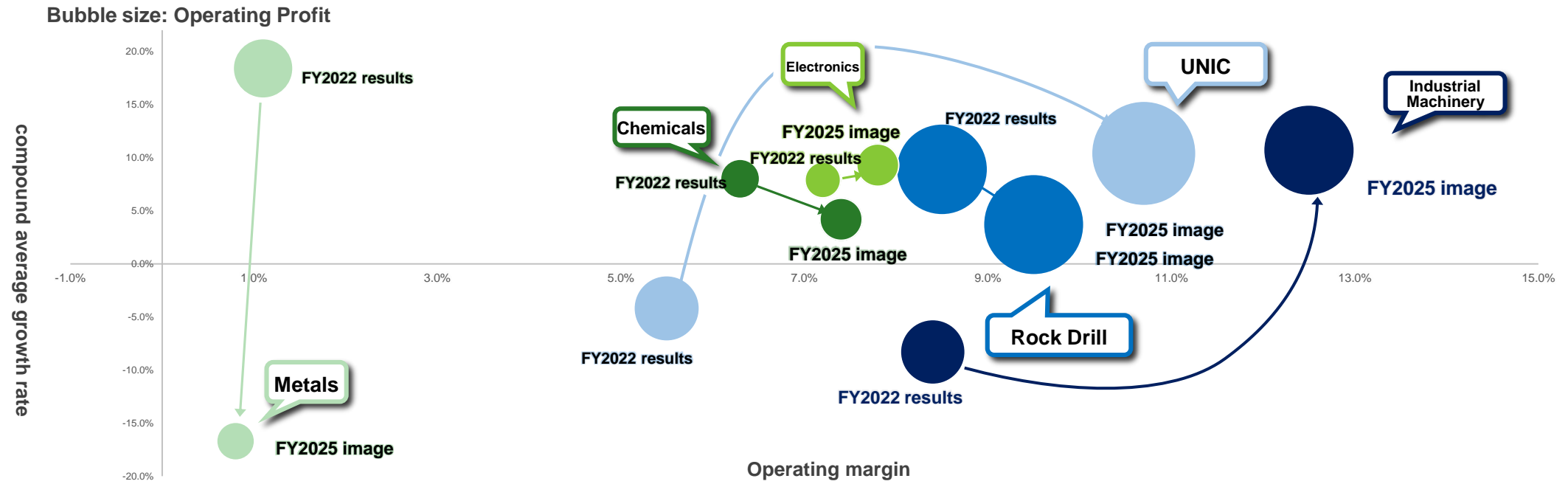


		Operating margin	Compound average growth rate	Operating Profit (million yen)	Sales (million yen)
● Consolidated	FY2022 results	4.2%	9.0%	9,031	214,190
	FY2025 image	6.9%	-3.6%	13,000	189,000
● Machinery business	FY2022 results	7.5%	-0.4%	6,093	81,658
	FY2025 image	10.6%	7.6%	10,700	100,500
● Materials business	FY2022 results	1.8%	16.9%	2,309	126,804
	FY2025 image	2.3%	-13.1%	1,900	82,000
● Real estate business	FY2022 results	40.6%	-4.8%	835	2,056
	FY2025 image	30.0%	-0.0%	600	2,000



(3) Earnings Plan

- In the core Machinery business, we expect the Industrial Machinery and UNIC Machinery segments to post increases in growth rate, operating profit, and operating margin
- In the Rock Drill Machinery segment, we will maintain high profitability and post increases in operating profit and operating margin despite a declining growth rate
- In the Materials business, we expect the Electronics and Chemicals segments to post increases in operating profit and operating margin



		Operating margin	compound average growth rate	Operating Profit (million yen)	Sales (million yen)
Industrial Machinery	FY2022 results	8.4%	-8.3%	1,515	17,943
	FY2025 image	12.5%	10.7%	3,000	24,000
Rock Drill	FY2022 results	8.5%	8.9%	3,030	35,752
	FY2025 image	9.5%	3.7%	3,700	39,000
UNIC	FU2022 results	5.5%	-4.2%	1,547	27,961
	FY2025 image	10.7%	10.4%	4,000	37,500

		Operating margin	compound average growth rate	Operating Profit (million yen)	Sales (million yen)
Metals	FY2022 results	1.1%	18.4%	1,276	111,424
	FY2025 image	0.8%	-16.7%	500	63,500
Electronics	FY2022 results	7.2%	7.9%	500	6,926
	FY2025 image	7.8%	9.3%	700	9,000
Chemicals	FU2022 results	6.3%	8.0%	532	8,454
	FY2025 image	7.4%	4.2%	700	9,500

3 (3) Earnings Plan

- Composition ratio of operating profit: Ratio of the core Machinery business is forecast to increase from 66% (¥6.0 billion) in FY2022 (final year of Phase 2) to 81% (¥10.7 billion) in FY2025
- Operating profit is forecast to approximately double for the Group as a whole and triple for the Machinery business compared with FY2016 (base year)

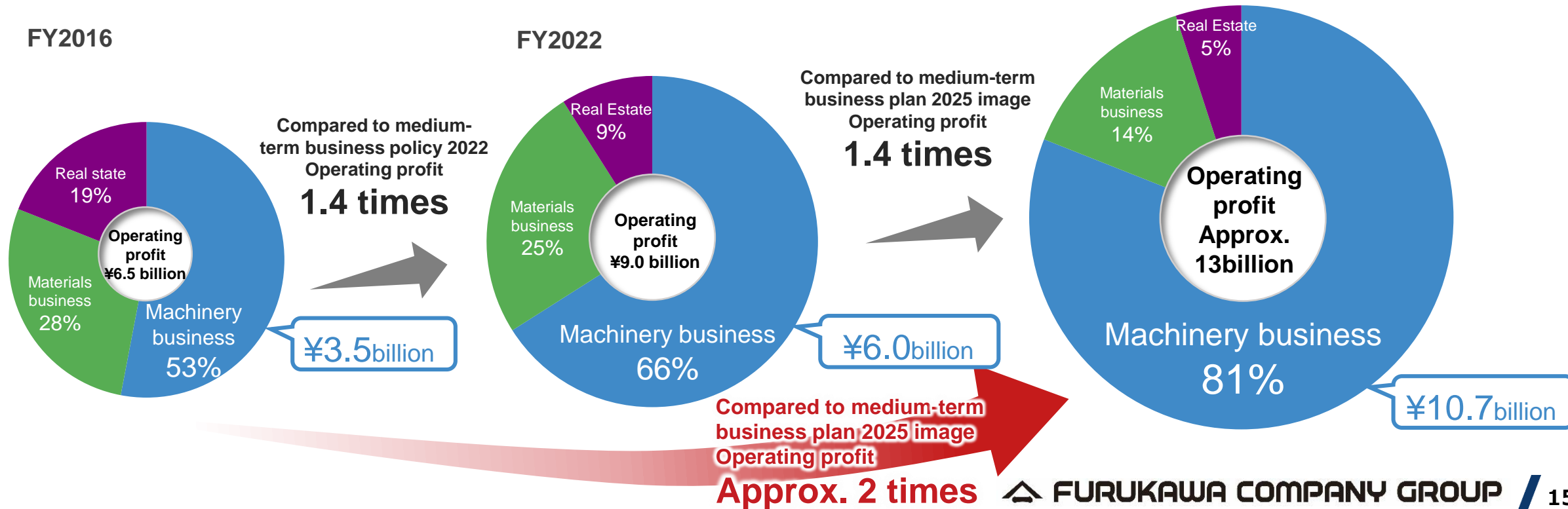
Comparison of operating profit composition ratios

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

Results

FY2025 Image

(Medium-Term Business Plan 2025)





Basic strategy for investment

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



Slurry Pumps (LK3)



Crushers



SICON® Enclosed Hanging Conveyor

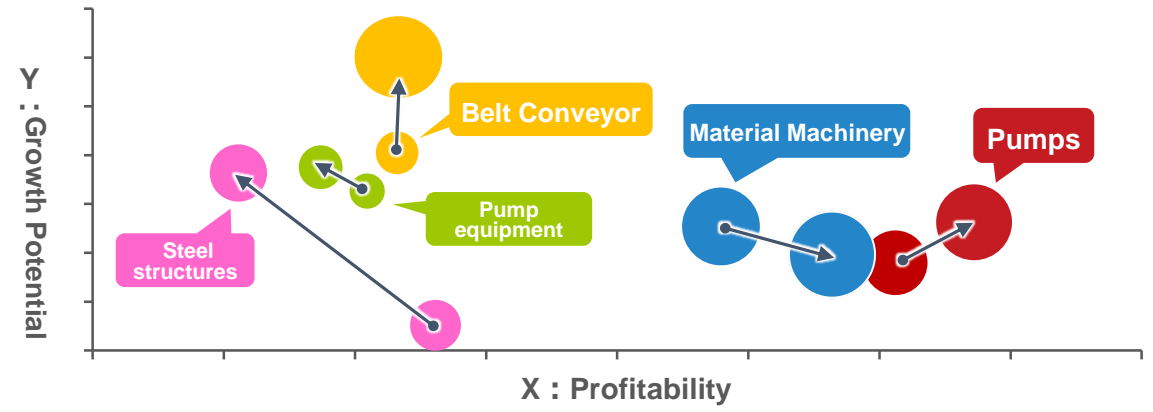
Key priorities

- 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

Industrial Machinery: Business (product) portfolio

* Comparison of FY2021 results and FY2025 image

<p>Pumps Increasing profit due to growth and improved profitability</p>	<p>Belt Conveyor Improving growth and higher profit despite flat profitability</p>
<p>Material Machinery Improving profitability and higher profit despite lower growth</p>	<p>steel structures and Pump equipment Increasing growth and higher profit (stemming from increased sales) despite declining profitability</p>





Market environment

Pumps

- Demand for renewal of aging facilities
- Improving energy efficiency and longer service life

Material machinery

- Demand for renewal of aging facilities

Infrastructure business

- 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



Basic strategy for investment

- Build an “FRD model” to achieve customer success throughout the product life cycle

Key priorities

- Establish FRD model in Japan
Strengthen Life Cycle Support 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 secondary hydraulic crushers and concentrated rollout of demolition machines in the Tokyo Metropolitan Area
- Production: Reduce costs through centralized production, enhance quality (to minimize complaints), and shorten lead times



Hydraulic breakers



Hydraulic crawler drills



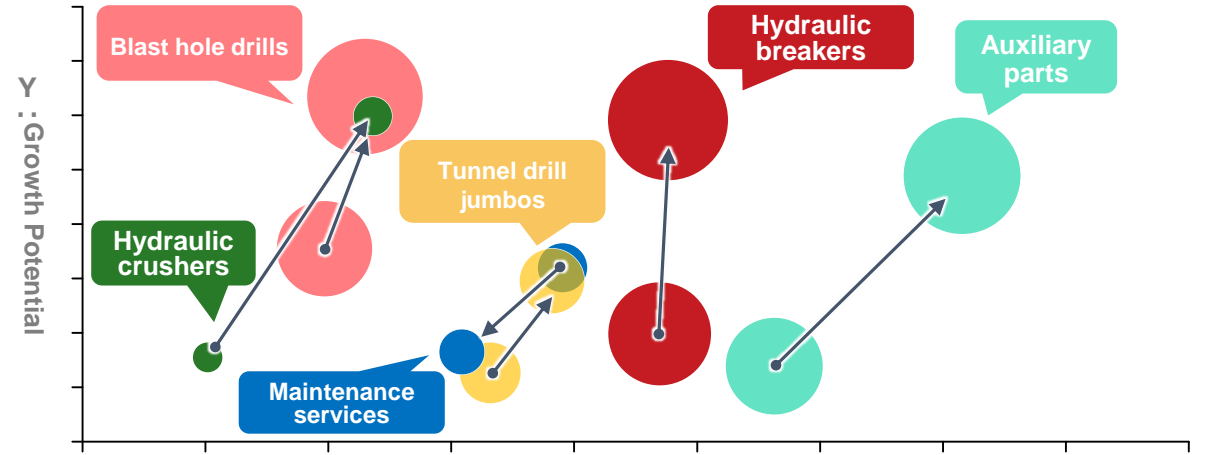
Tunnel drill jumbos

Rock Drill Machinery: 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





Market environment

Japan

- 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

Overseas

- 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

Life Cycle Support (LCS)

- 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 secondary 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 blasting contactors

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



Basic strategy for investment

- 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: Strengthening product, sales, and service technology capabilities



UNIC crane



Mini-crawler cranes



UNIC carriers

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

UNIC Machinery: 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

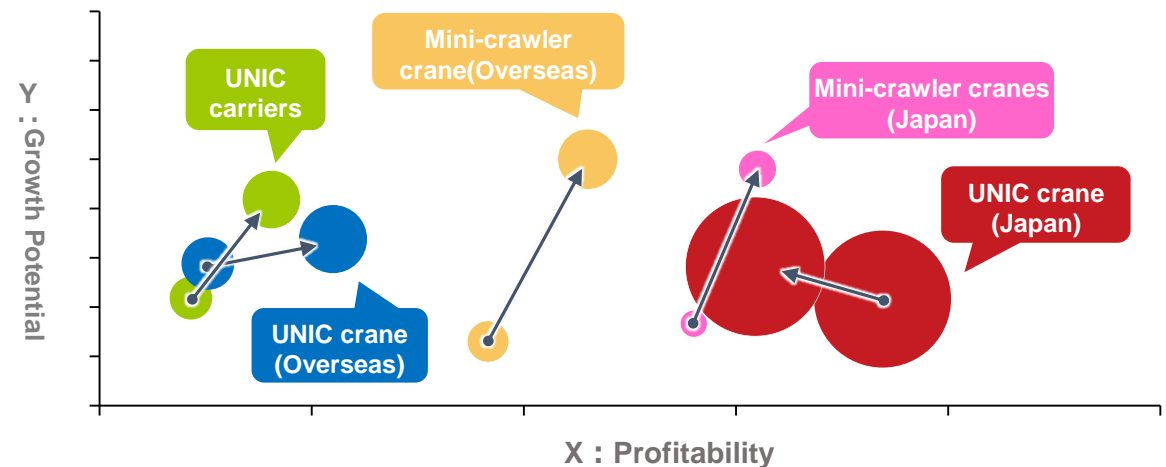
Overseas: Increase in profit due to higher growth and profitability

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





Market environment

Japan

- 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

Overseas

- 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



Basic strategy for investment

- 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 outcomes

Contribute to enhanced functionality of electronic devices, etc.



Aluminum nitride ceramics



Laser head equipped
with DOEs



High-purity metallic arsenic


**Basic strategy
for investment**

- 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

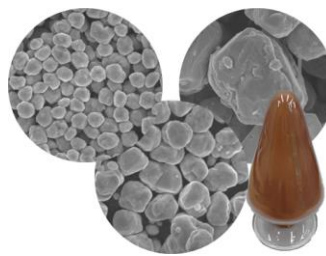
- Increase production capacity and expand sales to address rising demand for packaged substrates used in servers, etc.

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



Cupric oxide

Manufacturing plant of
sulfuric acid

Metallic copper powder

**Expected
outcomes**

Help realize an environmentally friendly and prosperous society



Metals

Basic strategy
for investment

- 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 exclude 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/\$	-



Real estate business

Basic strategy
for investment

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

Key priorities

- Promote lease business using site of former Furukawa Osaka Building

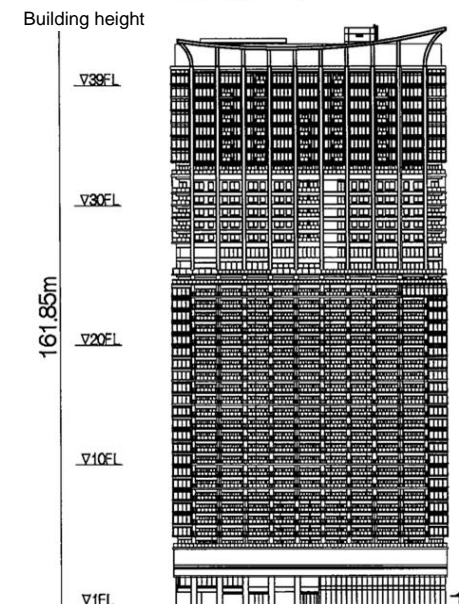
- Sell our interest in the site
 - Partial sale of the Company's interest in the site
- Lease business planned
 - Plan to use proceeds from the sale to lease a hotel and some residential units scheduled to be built on the site

Overview of planned building project

Location	2-4-1 Dojimahama, Kita-ku, Osaka City and other land
Site area	Approx. 5,755 m ²
Site area	Approx. 5,755 m ²
Main uses	Construction of condominiums, hotel, restaurants, and offices
No. of floors	40 above grounds; 1 basement level
Scheduled completion	May 31, 2027

Note: Information shown in the architectural plan and the elevation is based on current plans and may be subject to change in the future.

Elevation of the south side
[Condominiums, hotel, restaurants]



5 (1) Sustainability Initiatives

Basic policies

- The Furukawa Company Group has positioned efforts toward sustainability as one of its most important management issues. In addition to contributing to help realize a sustainable society, the Group is committed to achieving sustainable growth and enhancing medium to long term corporate value by establishing a robust corporate foundation for growth and resolving social issues through its business.

Furukawa Company Group’s Approach to Sustainability

Proactive sustainability

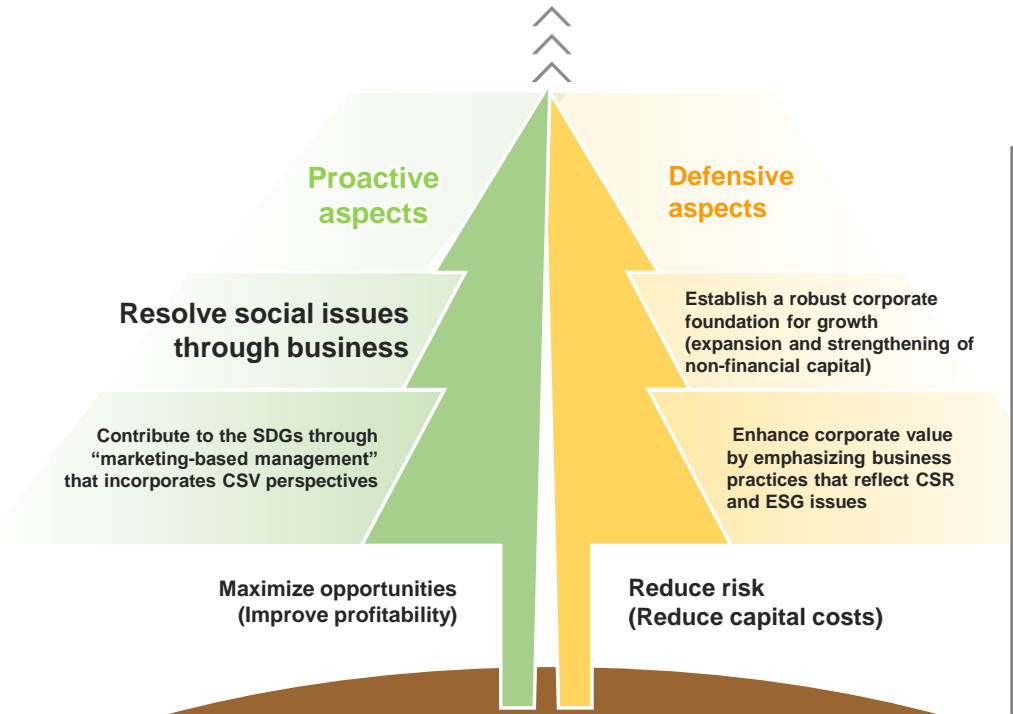
The Group will create corporate value and contribute to the creation of social value by developing infrastructure and providing products, technologies, and services that help to resolve social issues

Materiality (Key Issues)

CSV issues

- Providing environmentally friendly products, technologies, and services
- Contributing to the resolution of customer issues
- Contributing to the creation of a safe and comfortable society, including infrastructure development

←← Sustainable growth and enhancing medium to long term corporate value →→



Defensive sustainability

The Group will strengthen and expand its enterprise risk management system and enhance corporate value by emphasizing business practices that reflect CSR/ESG issues recognized and to be solved by the Group.

Materiality (Key Issues)

CSR/ESG issues

E Environment

- Promotion of climate change countermeasures in our business activities
- Promotion of biodiversity preservation activities

S Social

- Development of a safe and rewarding work environment that takes health into consideration
- Recruitment and development of diverse human resources
- Promotion of management that respects human rights

G Governance

- Development of an enterprise risk management system
- Thorough compliance
















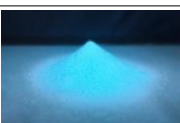
Strengthen and expand Groupwide risk management system

5 (1) Sustainability Initiatives

“Marketing-based management” that incorporates CSV perspectives

The Group will help achieve the United Nations Sustainable Development Goals (SDGs) by practicing “marketing-based management” that incorporates CSV perspectives and creating “social value” by improving social infrastructure and realizing a safe, environmentally friendly, and prosperous society.

[SDG 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	14
● Industrial Machinery	 Pumps  Belt conveyors  Steel bridges and steel 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  Optical components (lenses)	○			◎	◎			
● Chemicals	 Sulfuric acid  Aluminum sulphate  Ferrous sulfate	○	◎		◎	◎			

- Formulate roadmap toward carbon neutrality and conduct scenario analysis in line with TCFD recommendations aimed at addressing the CSR/ESG issue of “Promotion of climate change countermeasures in our business activities”
- Promote initiatives to address the CSV issue of “Provision of environmentally friendly products, technologies, and services”
- Enhance disclosure of information related to these initiatives

Addressing decarbonization

CO₂ reduction plan

- CO₂ reduction measures at each production site

Implement a carbon-neutral declaration

- Work to complete a roadmap by FY2025
- Use of electricity derived from renewable energy sources, etc.

Climate-related disclosure

Express our support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations

- Initiate scenario analyses in the Metals segment and Rock Drill Machinery segment
- Promote disclosure of relevant information

External evaluations

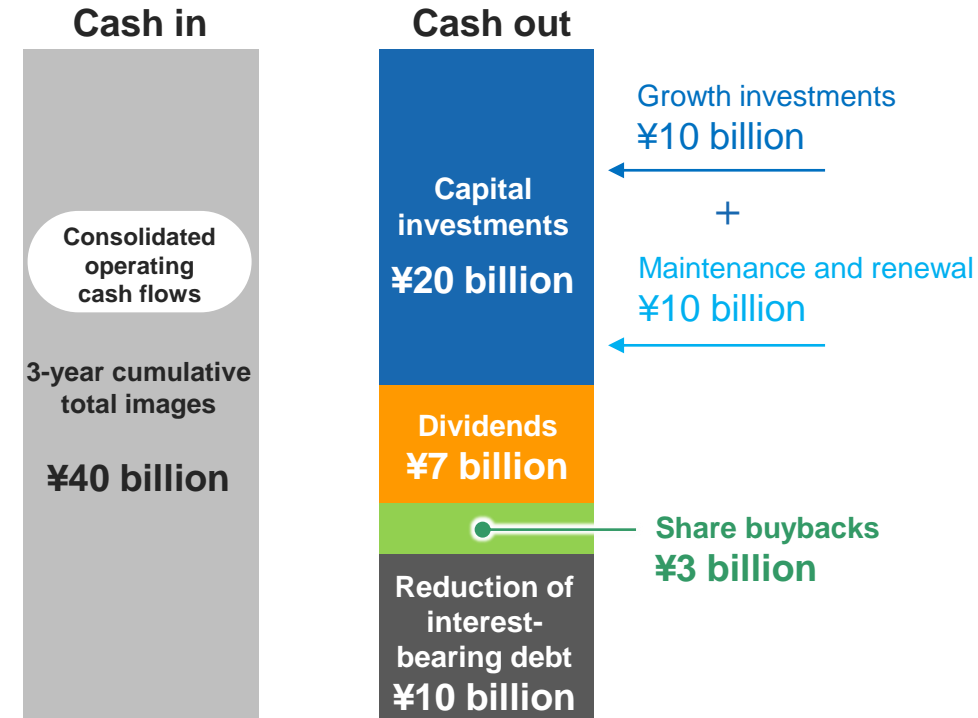
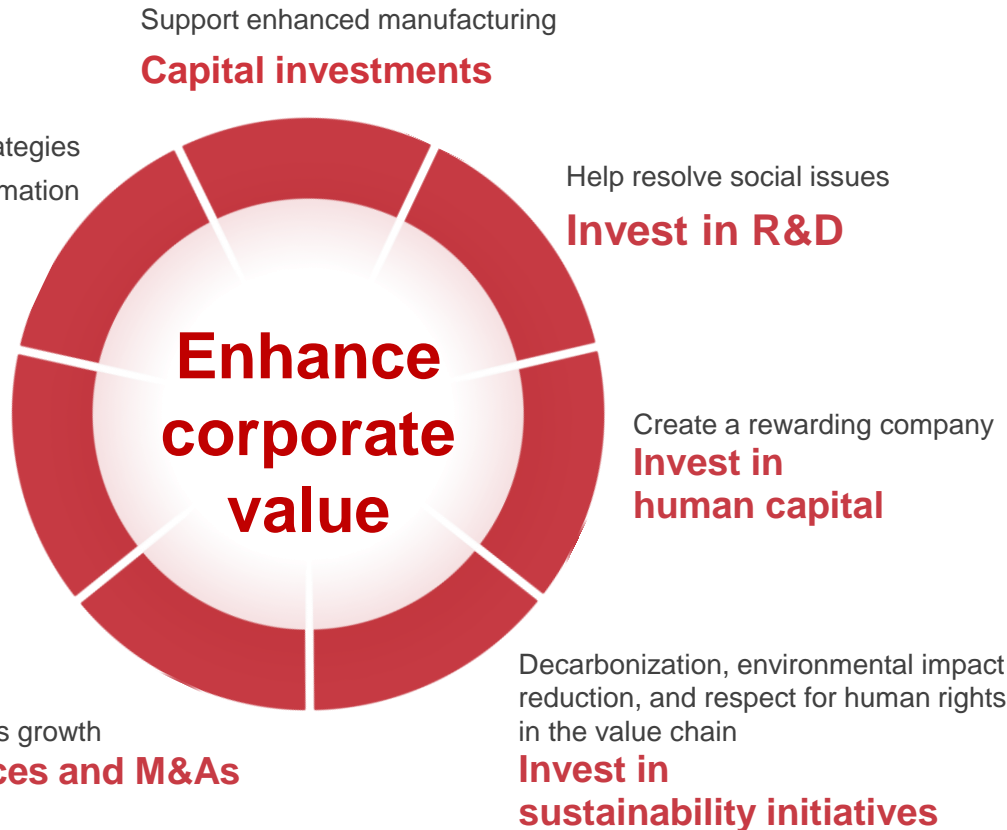
- Inclusion in SRI/ESG indexes
- Improving our external ESG-related evaluations

Basic policies

- Prioritizing investments to achieve sustainable growth and enhance corporate value over the medium and long terms
- Provide stable and continuous returns to shareholders
- Investment come from retained earnings and cash flows
- Invest in alliances and M&As through optimal financing (including sale of strategic shareholdings)

Allocation of operating cash flows

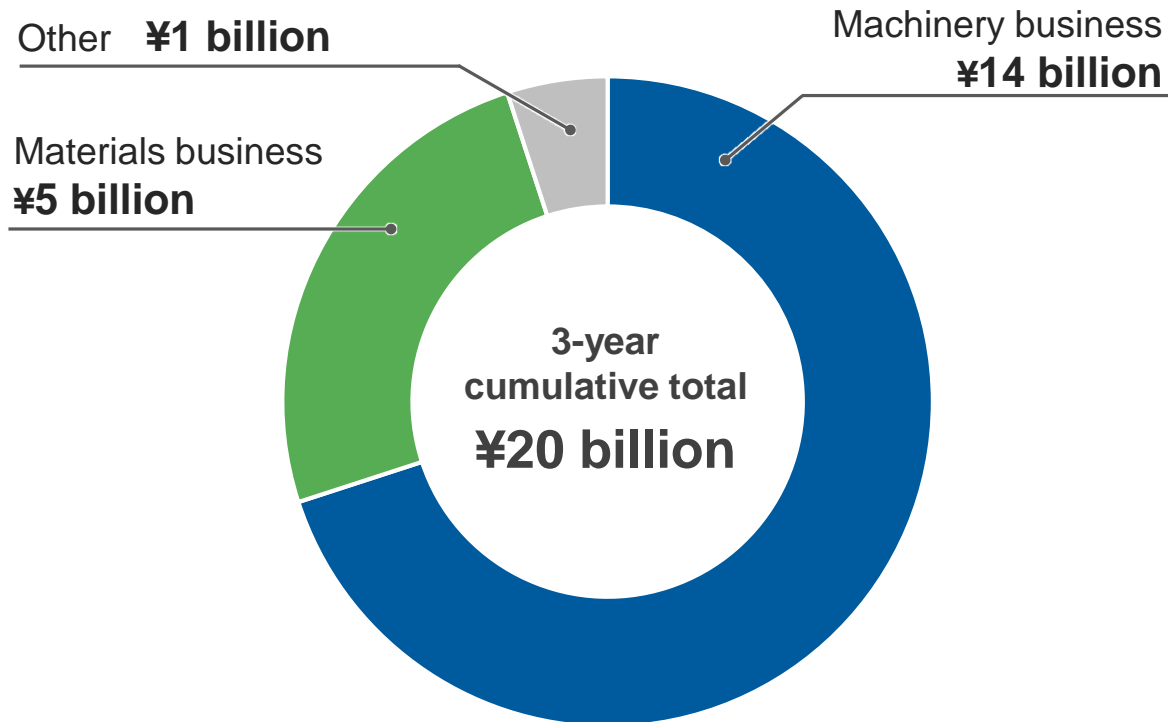
- While aiming to establish a robust financial base, we will make capital investments to enhance corporate value over the medium to long terms
- Endeavor to allocate operating cash flows in consideration of shareholder returns



Capital investments

- Capital investment plan to support enhanced manufacturing
Our capital investments will center on the Machinery business, which is positioned as our core business

Capital investments allocation image



Invest in R&D

- Promote the commercialization and industrialization of development projects that help resolve social issues
- Revitalize our on-site capabilities to improve productivity

Key priorities

- Develop automation technology aimed at labor savings
- Develop materials and mass production technology for solid electrolytes used in all-solid-state batteries
- Develop machinery-related products and technologies that deliver higher efficiency and lighter weight and otherwise help reduce environmental impact
- Effectively utilize DX
- Fully deploy our Engineer HR Development Program to step up development of engineers who will lead the next generation

Investment in intellectual property

- Develop systems that utilize IP information to secure a competitive advantage
- Properly assess the value of our entire business, including IP, based on the technology rights of each operating

Key priorities

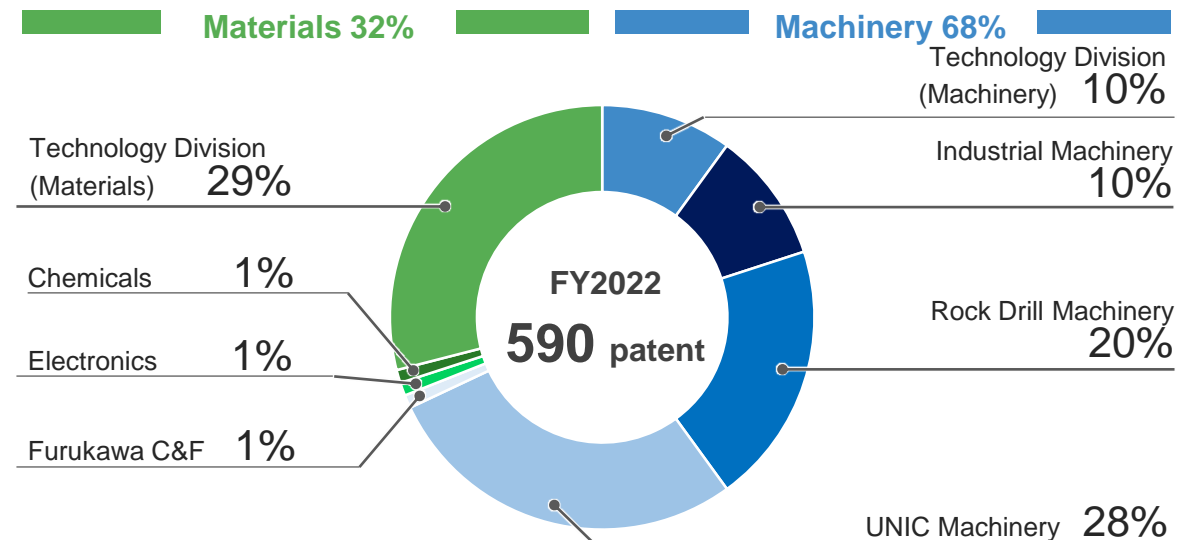
- Revitalize IP activities (discovery, acquisition, maintenance, and utilization of rights) to enable us to visibly evaluate our technological capabilities
- Assess the value of the industrial property rights we hold in order to utilize them effectively
- Collect and analyze patent information and formulate corporate strategies accordingly

Effectively operate within the IP landscape*



*When determining their management and business strategies, companies conduct analyses that incorporate IP information into their management and business information. The results (overview of the current situation, future prospects, etc.) are shared with top executive and business managers, who obtain feedback and hold discussions and consultations for planning and consideration.

Breakdown of Intellectual Property Rights Held (Domestic) by segment



Investment in human capital

Basic policies

- Create 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.

Indicators/targets related to HR development policy

Hire diverse human resources

Ratio of women among new graduates hired for general positions*1

Indicator/target

20%

Latest result

13.00%

(Applicable period: Join in FY2023)

Female manager ratio*2

3%

3.33%

(Applicable period: March 31, 2023)

Ratio of new hires in management/general positions who are experienced*1

40%

43.75%

(Applicable period: Joined in FY2022)

Ratio of employees with subsidiaries*3

Adoption of statutory employment rate

2.49%

(Applicable period: FY2022)

Develop human resources who are willing to take on challenges and act autonomously

Training hours per year*1

Indicator/target

1,500 hours

Latest result

843.6 hours

(Applicable period: FY2022)

Number of trainees per year*1

3,600 persons

2,506 persons

(Applicable period: FY2022)

*1 Applicable: Company-registered employees

*2 Applicable: Consolidated

*3 Among consolidated subsidiaries subject to employment ratio system for persons with disabilities

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

Indicators/targets related to internal environment improvement policy

	Indicator/target	Latest result
Ratio of male employees taking childcare leave*	80%	72.20% (Applicable period: FY2022)
Ratio of employees returning to work after childcare leave*	100%	87.50% (Applicable period: FY2022)
Ratio of employees receiving health checkups*	100%	99.96% (Applicable period: FY2022)
Anomaly observation rate*	Age 40 and over: Less than 50%	61.20% (Applicable period: FY2021)
	Under age 40: Less than 30%	45.40% (Applicable period: FY2021)
Recognition as Health and Productivity Management Organization※	Obtain “White 500” certification	× (Year 2023)

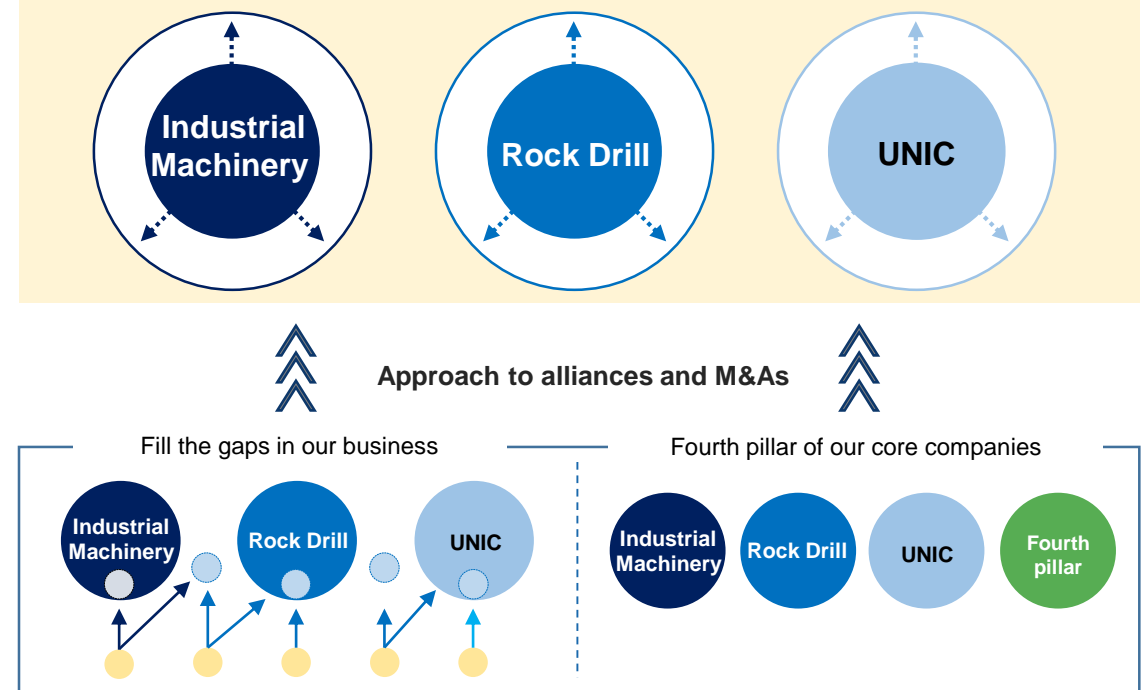
*Applicable: Company-registered employees

Investment in alliances and M&As

- Consider alliances and M&As with peripheral companies that fill the gaps in our business and create continuity, as well as with companies that will form the fourth pillar of our core Machinery business

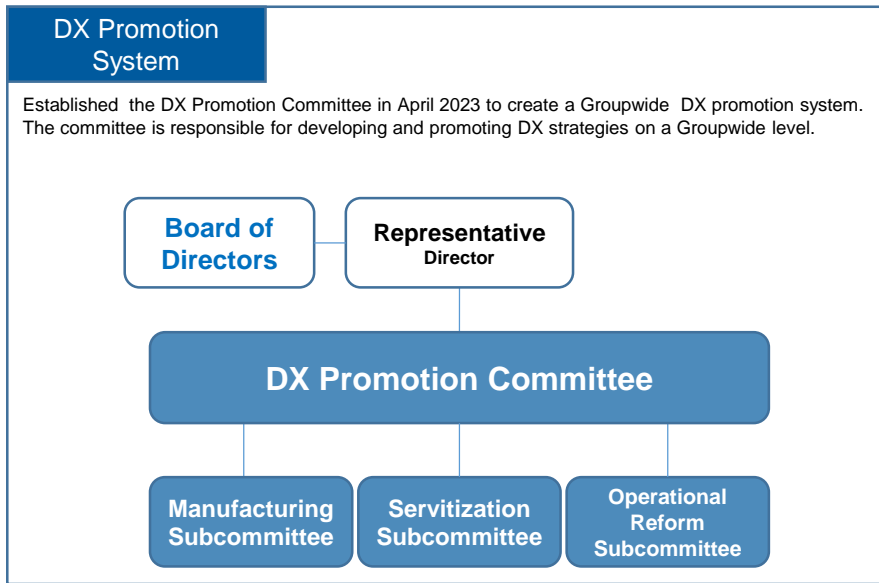
Key priorities

- Consider and enter alliances and M&As to achieve sustainable expansion and growth
- Pursue synergies in PMI

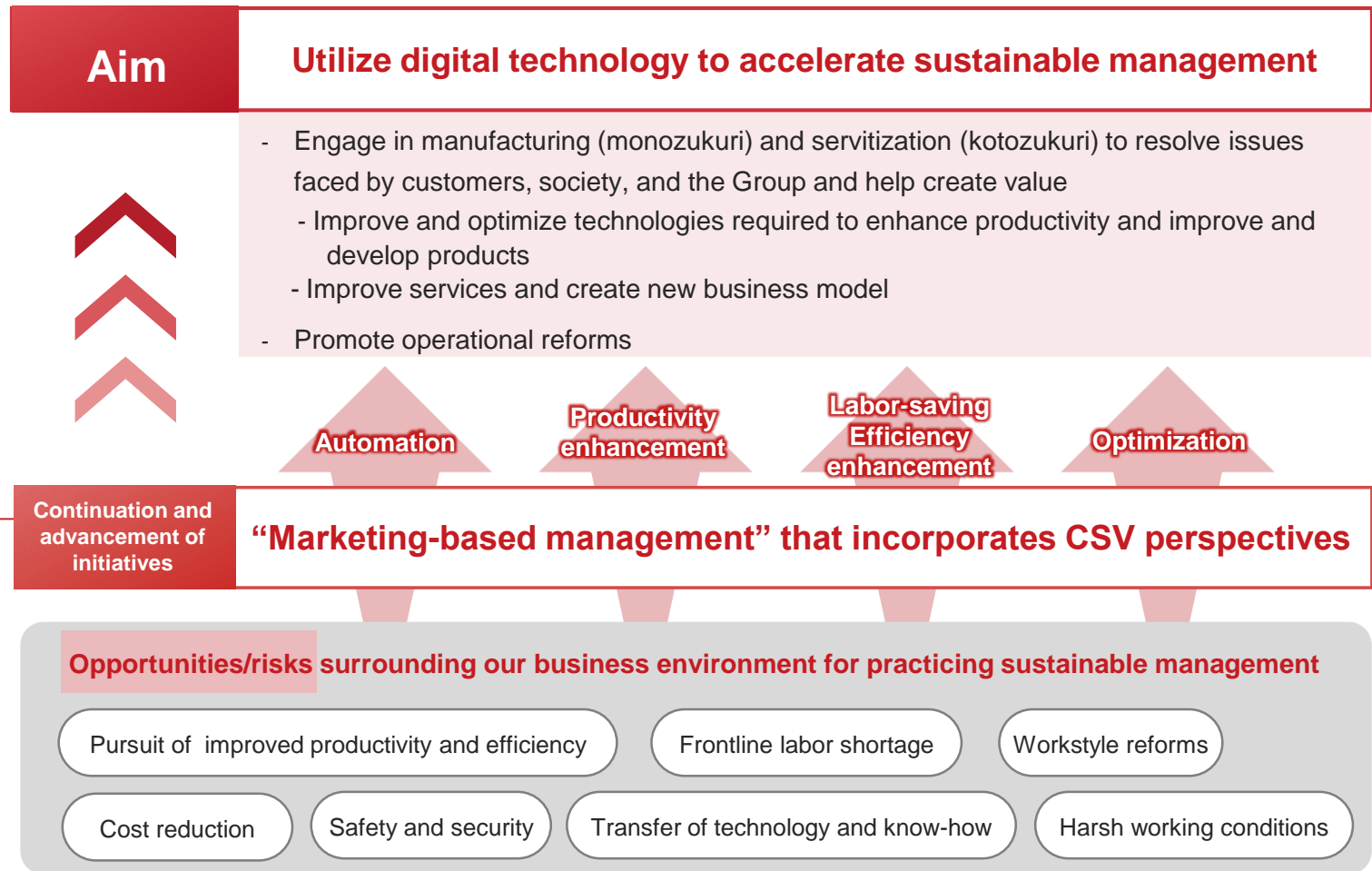


Investment in DX

- 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

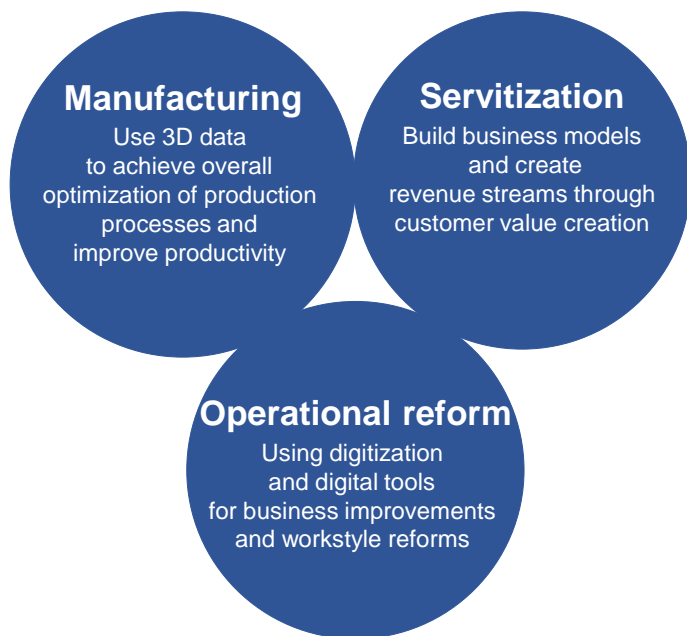


- Examples of specific initiatives to date**
- Development of fully automatic drill jumbo
 - Automatic adjustment of driller to optimum position
 - Complete mechanization of dedicated rock bolting machines
 - Start of DX of carrier manufacturing process
 - Introduction of sales support tools



Three Pillars of DX Promotion

Cross-organizational DX development and promotion



Common challenges in DX promotion

Fostering DX human resources

Improving the IT infrastructure

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)

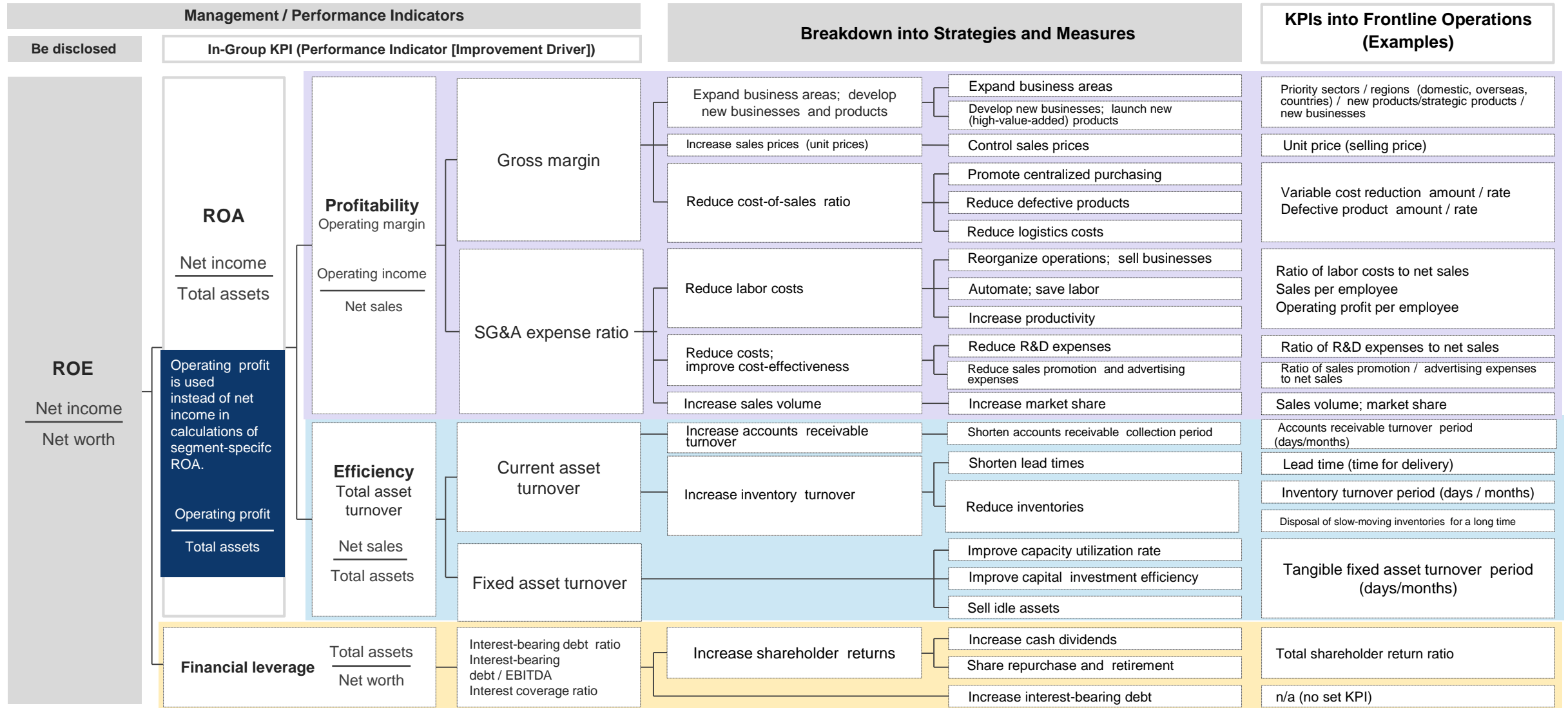
Infrastructure, security, governance

- 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

ROE Tree for Creating Corporate Value



Operating profit is used instead of net income in calculations of segment-specific ROA.