

FURUKAWA



# Medium Term Business Plan 2025

Complete Realization of Vision for 2025

Briefing for the medium term business plan

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May 30, 2023

\*May 13, 2024

Page 10: Revised the amount of share buybacks

Revised target for reduction of strategic shareholdings

\*February 9, 2024

Page 10: Added target for reduction of strategic shareholdings

 FURUKAWA CO.,LTD.

TSE Prime Market

Securities code: 5715



## Review of Medium Term Business Policy 2022

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



## 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



## Earning Plan / Capital Policy

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



## 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**

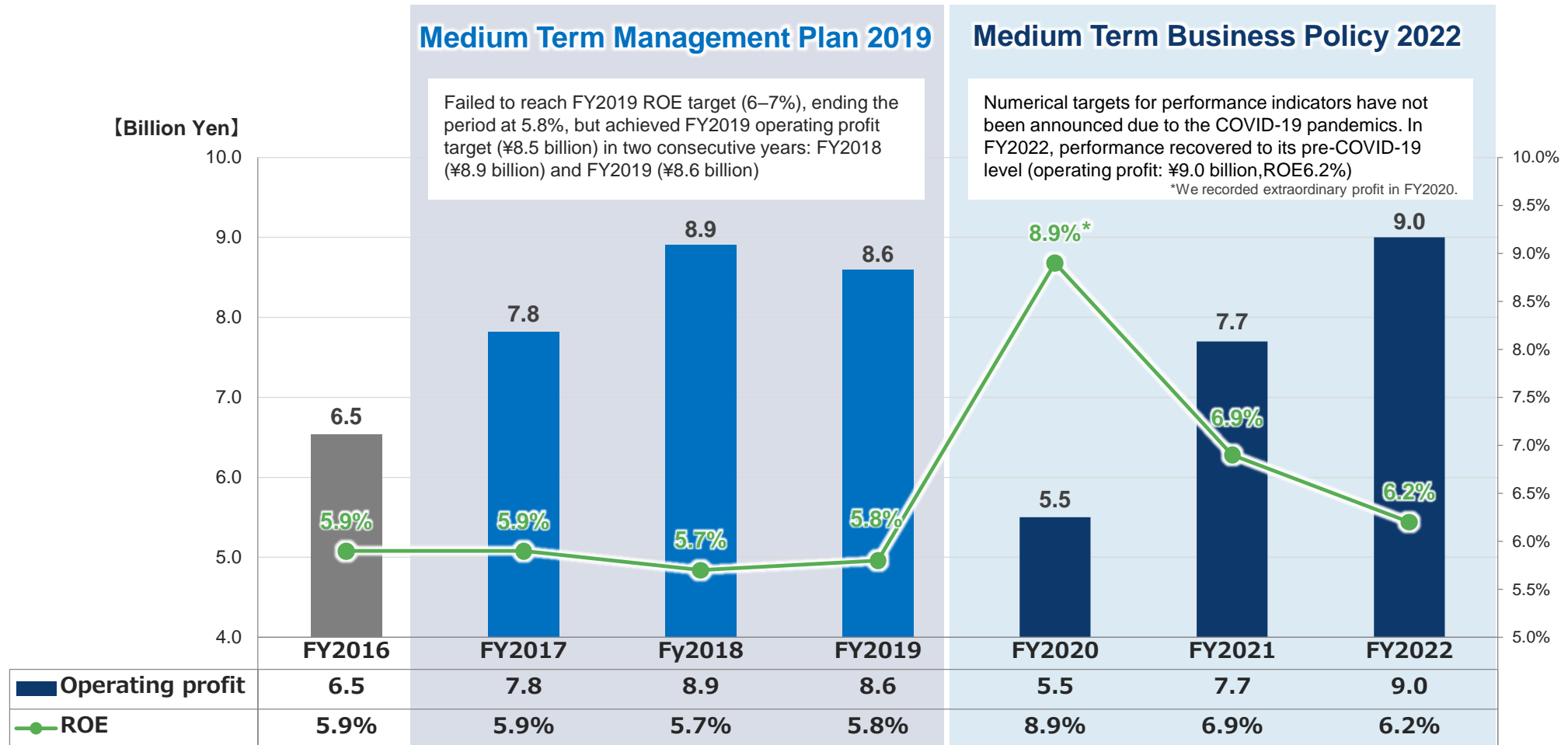


## Sustainability / Allocation of Management Resources

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

# (1) Review of Performance Indicators

- 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

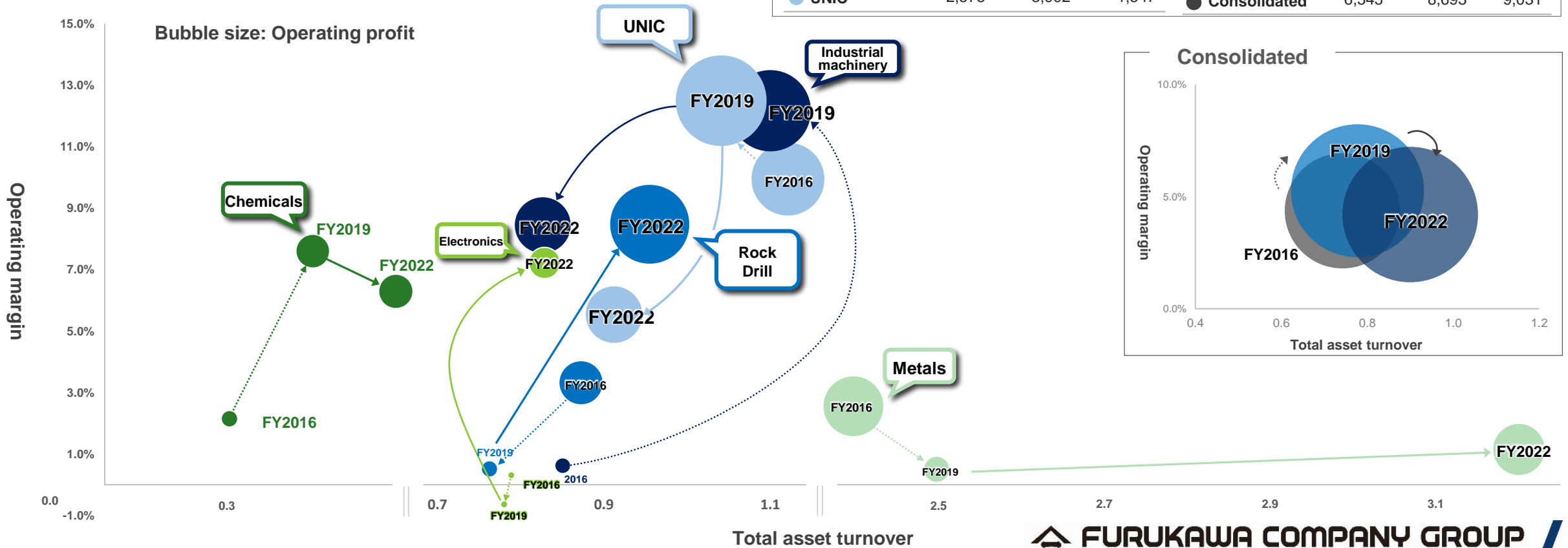
- Rock Drill Machinery segment strengthened and rebuilt its overseas marketing capabilities and achieved a V-shaped recovery in earnings as a result
- In the Metals segment, terminated our entrusted copper smelting contract with Onahama Smelting and Refining Co., Ltd. Proceed with the radical reform 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
● Metals	1,738	301	1,276
● Electronics	17	(-)35	500
● Chemicals	114	510	532
● Consolidated	6,545	8,693	9,031



**Management Philosophy**

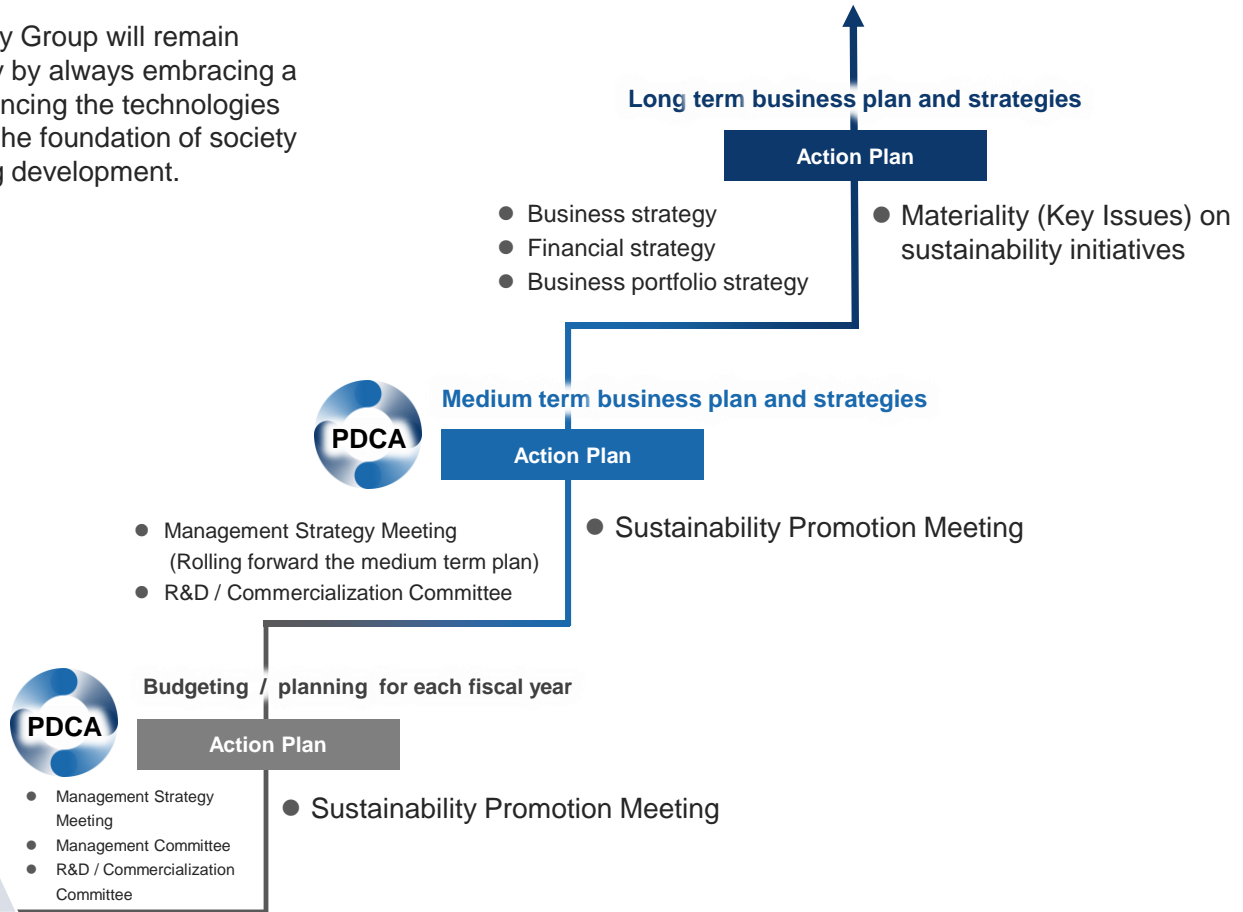
The Furukawa Company Group will remain indispensable to society by always embracing a spirit of challenge, advancing the technologies that have underpinned the foundation of society that originated in mining development.

Vision for 2025

**FURUKAWA Power & Passion 150**

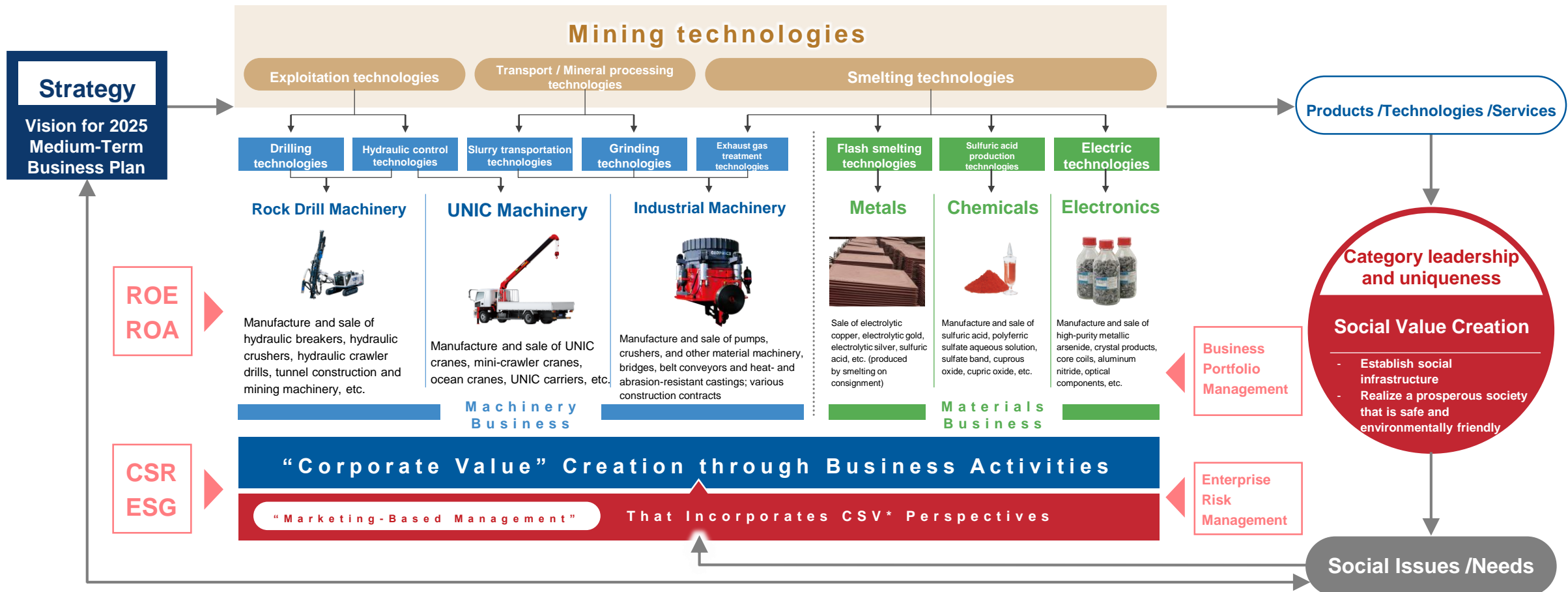
**Action guidelines**  
Innovation Creativity Harmony

**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.

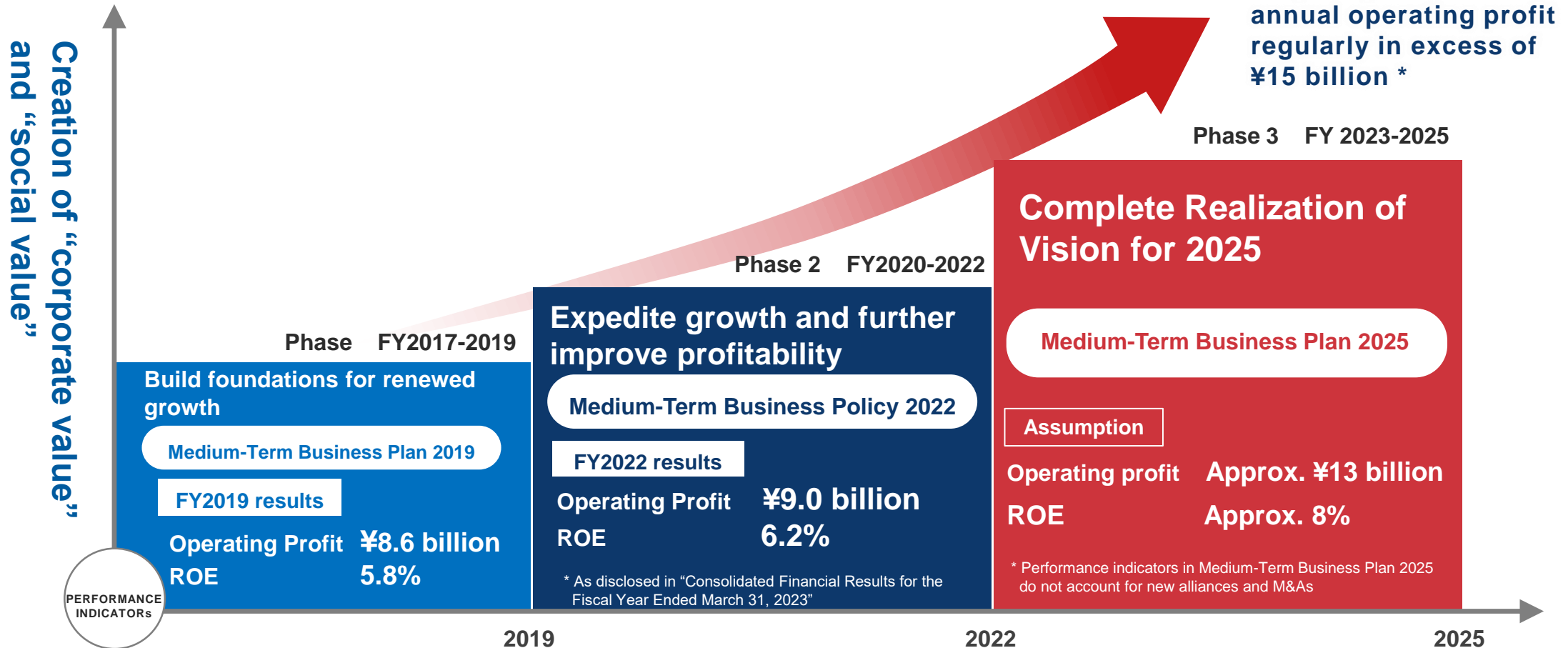
# (3) Complete Realization of Vision for 2025

Vision for 2025(Ideal image for 150th anniversary of our founding)\*

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

- Leverage our unrivalled, distinctive technological capabilities to deliver growth in areas where we can demonstrate our Group strengths
- Differentiate ourselves by practicing “marketing-based management” that incorporates CSV perspectives
- Maintain and enhance our earnings base
- Increase our value as a company needed by society

\*Established November, 2015



## (4) Promote Cost of Capital and Stock Price Conscious Management

- 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:

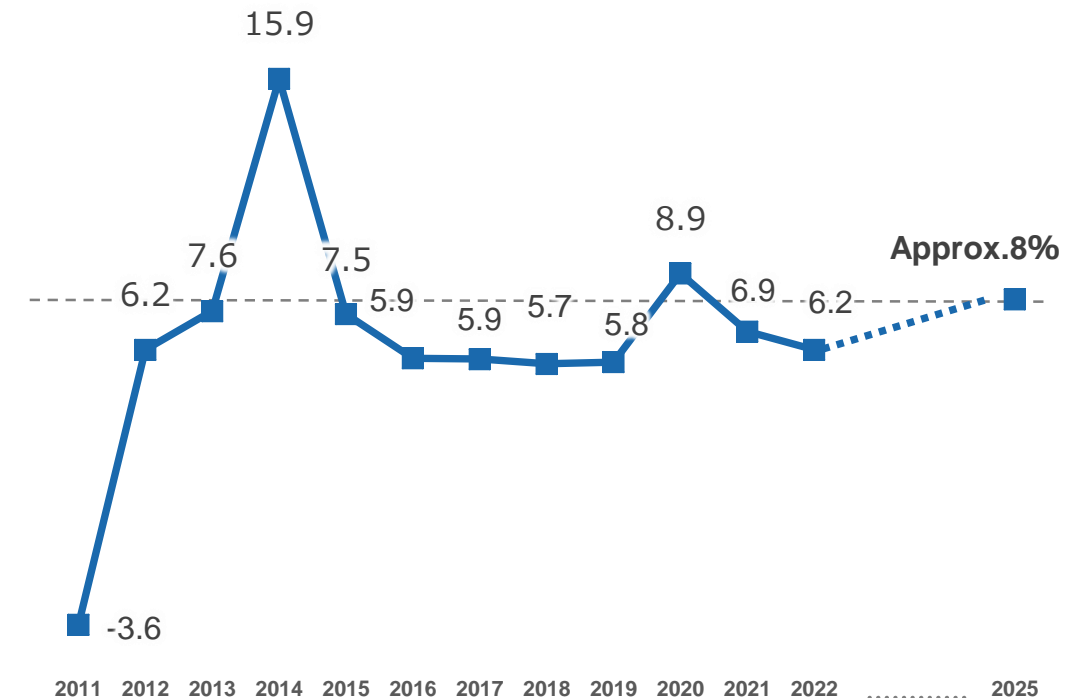
#### Achieving ROE of approx. 8%

- 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





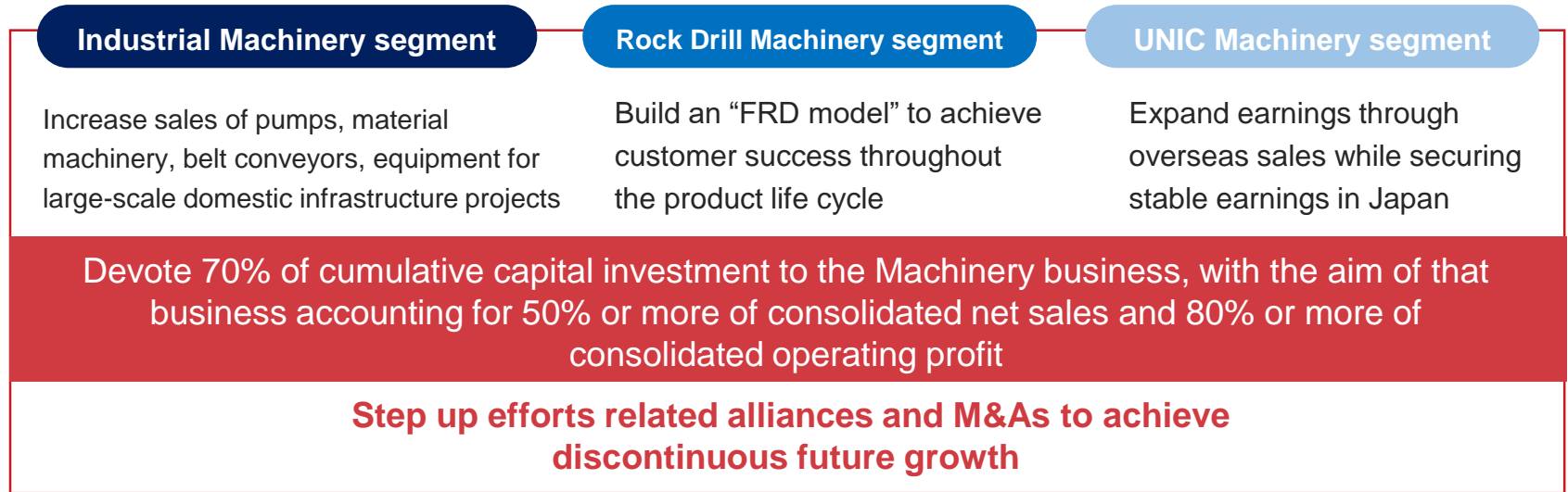
## ■ Concentrate management resources on Machinery business to increase returns

**Basic policies** 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”



# (1) Summary of Earnings plan / Capital policy

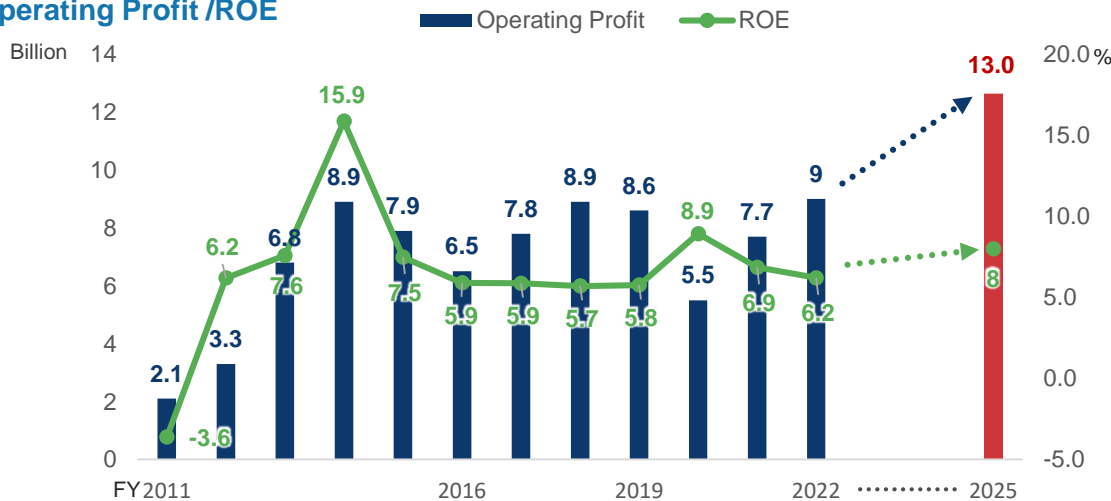
\*Added/Revised blue underlines



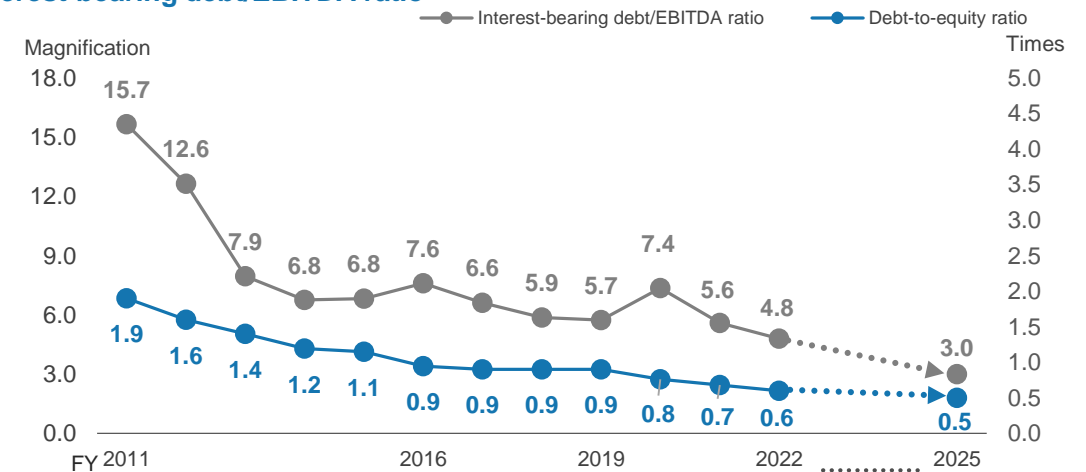
- Make individual investment decisions with attention to profitability, taking into account risks associated with the investment and cost of capital, while stepping up efforts to improve efficiency and profitability
- Seeking to establish a robust financial base enabling us to raise the necessary funds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

<b>Earnings plan</b>	<ul style="list-style-type: none"> <li>- 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</li> </ul>	<p>➤ <b>Operating Profit Approx. ¥13 billion</b> <b>ROE Approx. 8%</b></p> <p>- Underlying assumption of exchange rate: ¥135/\$</p>
<b>Financial strategy</b>	<ul style="list-style-type: none"> <li>- Pursue optimal capital structure with rating strategy at its core</li> <li>- Raise ratings to A- or higher, from BBB+</li> </ul>	<p>➤ <b>Debt-to-equity ratio: 0.5x range</b> <b>Interest-bearing debt/EBITDA ratio: 3x range</b></p>
<b>Shareholder return</b>	<ul style="list-style-type: none"> <li>- Annual dividends of ¥50.00 per share or higher, consider increasing annual dividends and paying interim dividends</li> <li>- Share buybacks (approx. ¥1 billion -&gt; approx. ¥1.5 to 2 billion each fiscal year) Increase from approx. ¥3 billion to approx. ¥5 billion in total for three years</li> </ul>	<p>➤ <b>Consolidated total return on equity of 3% or higher</b></p>
<b>Reducing strategic shareholdings</b>	<ul style="list-style-type: none"> <li>- Conduct annual reviews of appropriateness of continued ownership based on comprehensive judgment of cost of capital and other factors</li> <li>- Continue disclose the ratio of strategic shareholdings to consolidated net assets</li> </ul>	<p>➤ <b>Strategic shareholdings ratio 35.1% (FY2022)</b> <b>Reduction target: Less than 20% at end of FY2024</b></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

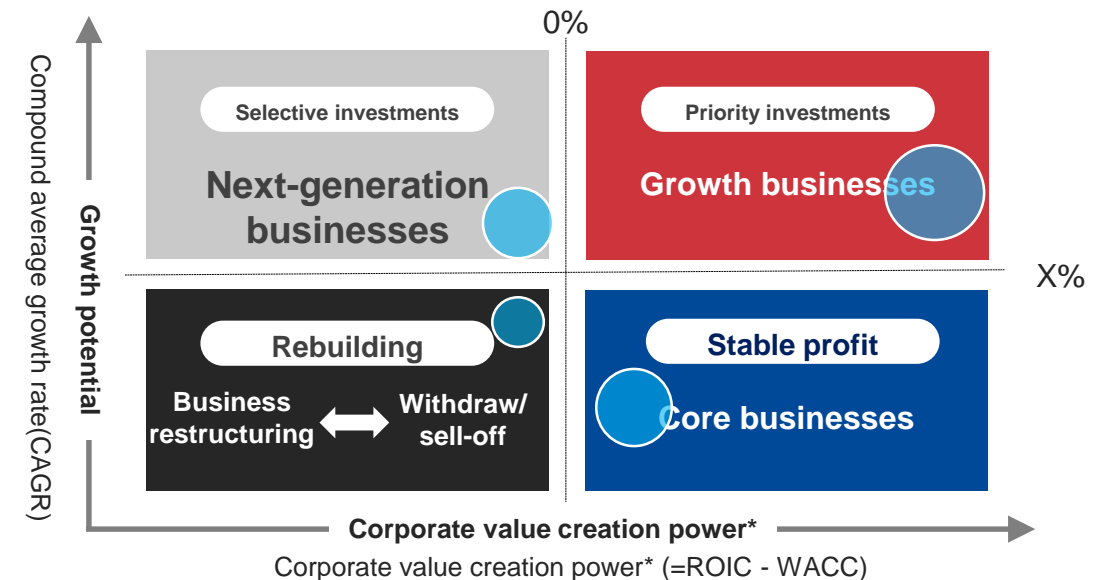
**Real Estate business** Solidifying earnings foundation

- 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.

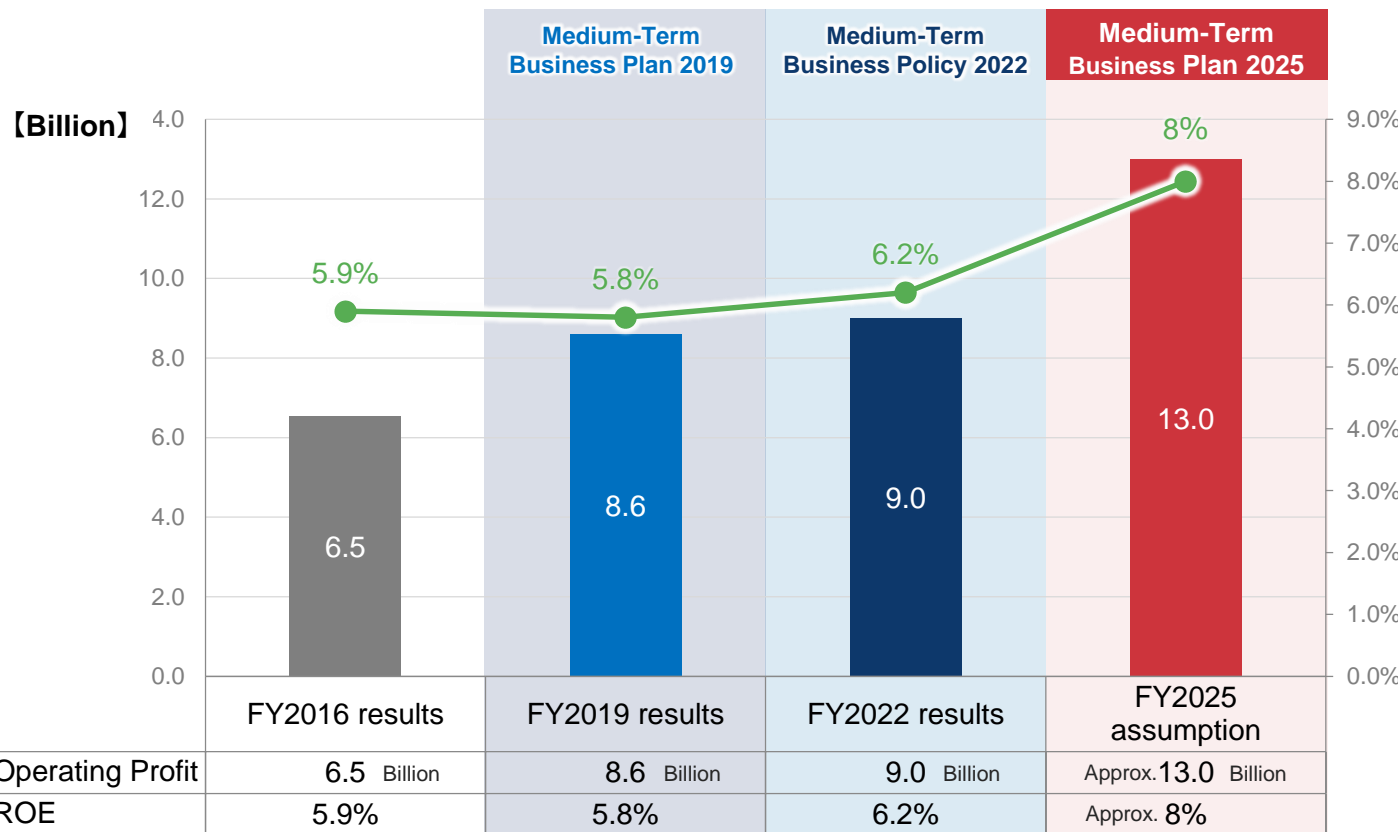
## [Business Portfolio Analysis]

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



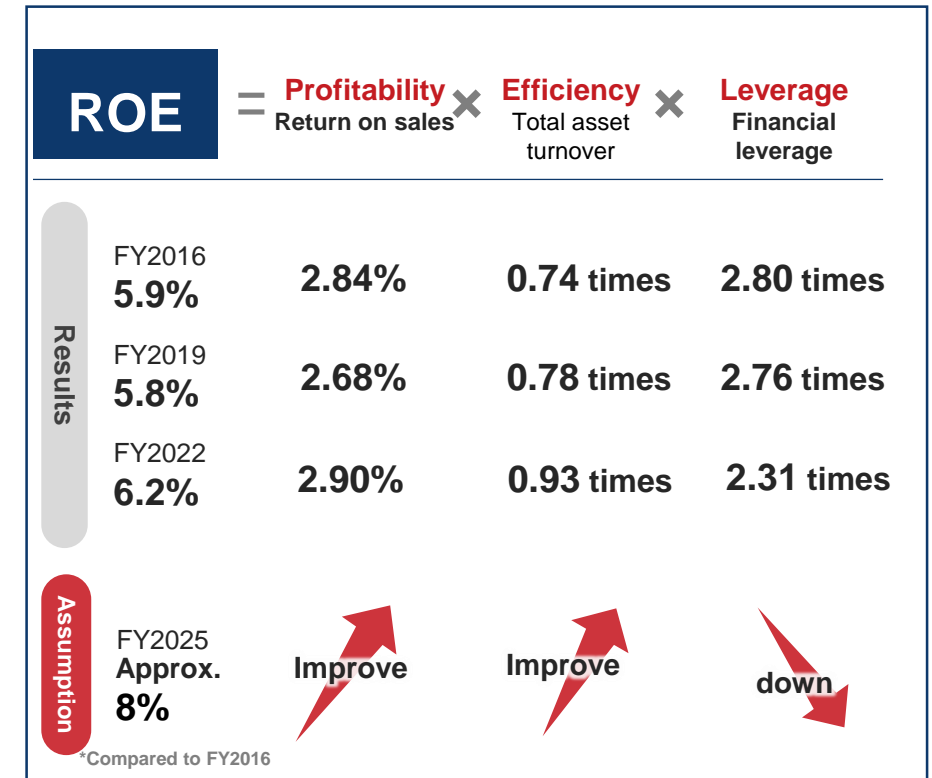
# (3) Earnings Plan

- 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

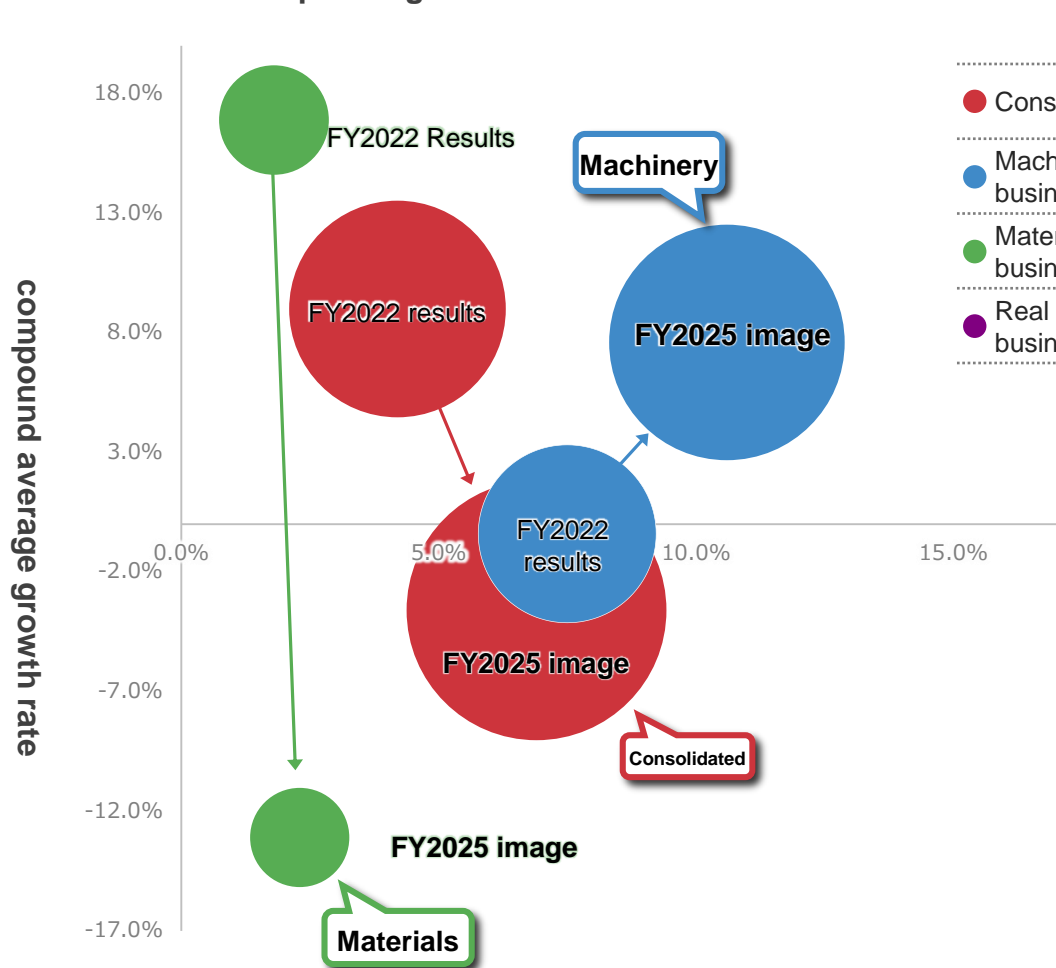
FY2022 Results: Exchange rate (¥/USD) 135.5

FY2025 assumption: Exchange rate (¥/USD) 135.0

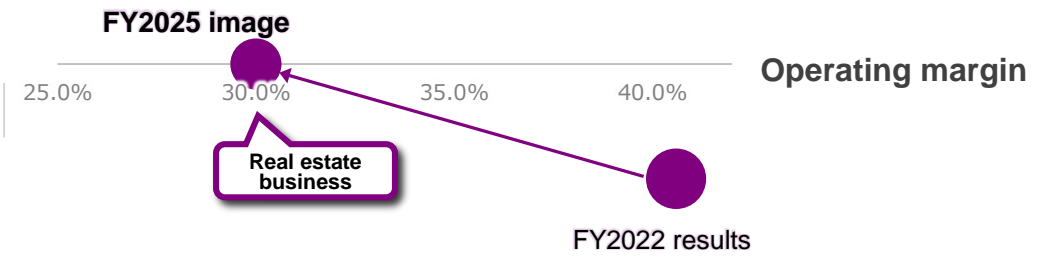
# (3) Earnings Plan

- 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

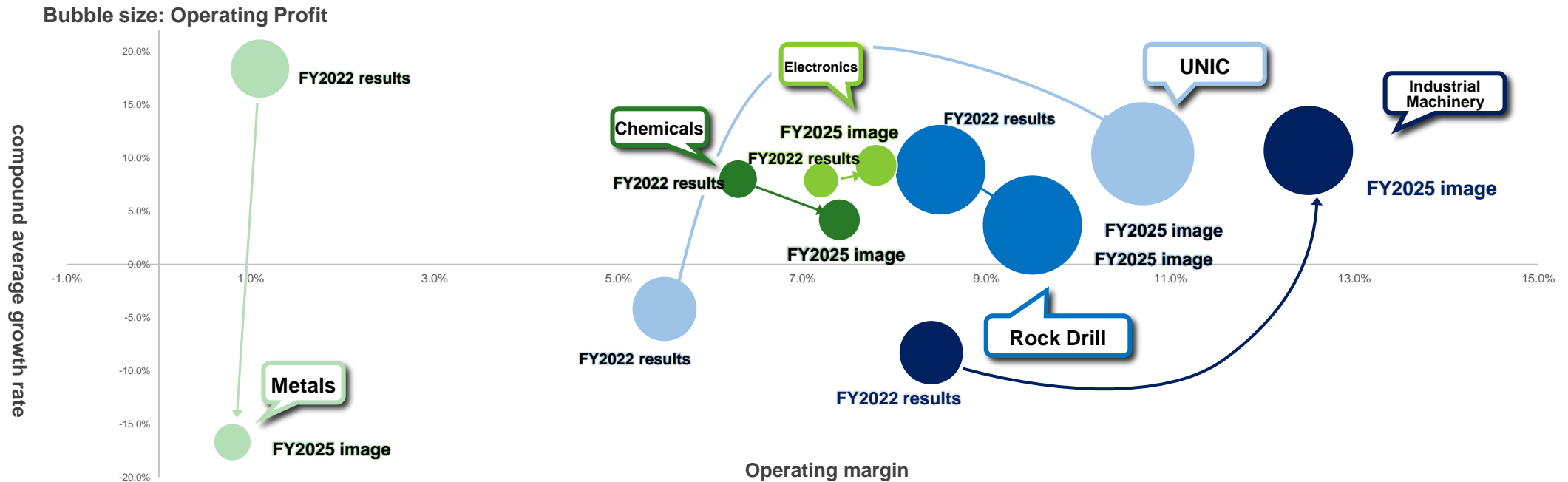


		Operating margin	Compound average growth rate	Operating Profit (million yen)	Sales (million yen)
● Consolidated	FY2022 results	4.2%	9.0%	9,031	214,190
	FY2025 image	6.9%	-3.6%	13,000	189,000
● Machinery business	FY2022 results	7.5%	-0.4%	6,093	81,658
	FY2025 image	10.6%	7.6%	10,700	100,500
● Materials 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

- 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)

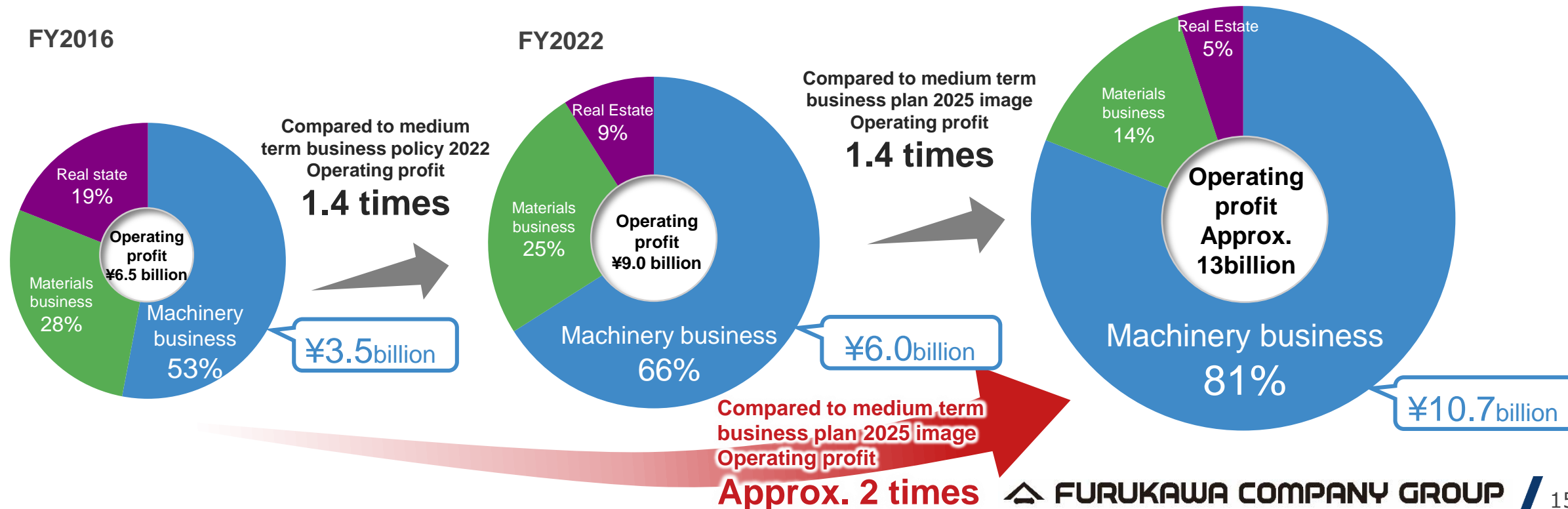
### Comparison of operating profit composition ratios

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

#### Pumps

Increasing profit due to growth and improved profitability

#### Material Machinery

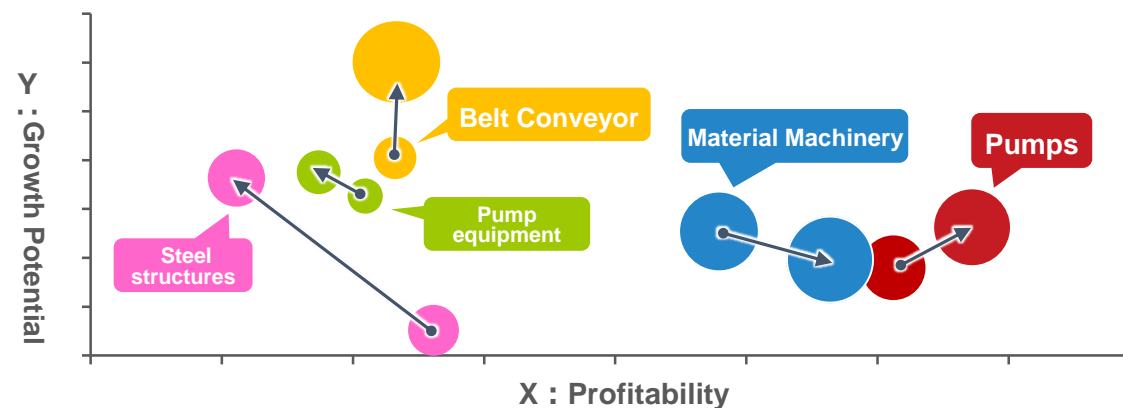
Improving profitability and higher profit despite lower growth

#### Belt Conveyor

Improving growth and higher profit despite flat profitability

#### steel structures and Pump equipment

Increasing growth and higher profit (stemming from increased sales) despite declining profitability







## 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 small hydraulic crushers and concentrated rollout of demolition equipment in the Tokyo Metropolitan Area
- Production: Reduce costs through centralized production, enhance quality (to minimize complaints), and shorten lead times



Hydraulic breakers



Hydraulic crawler drills



Tunnel drill jumbos

### Rock Drill Machinery: Business (product) portfolio

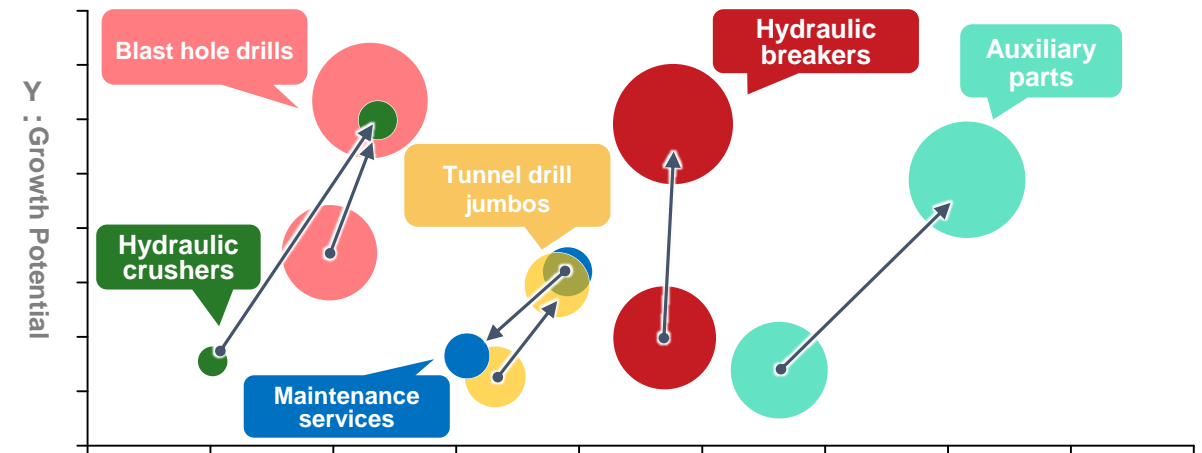
\* Comparison of FY2021 results and FY2025 image

#### 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 small hydraulic crushers (for road general contractors and aggregate recycling)

## Tunnel-related products

- Step up sales of autonomous and labor-saving products (fully automatic drill jumbos, rock bolting machine (BOLTINGER), concrete spraying machines with erectors, etc.)

## Deeply penetrate market for large machines, which accounts for around 80% of North American market

- Concentrate on selling large blast hole drills
- Establish base in western region to strengthen sales to explosive crusher 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

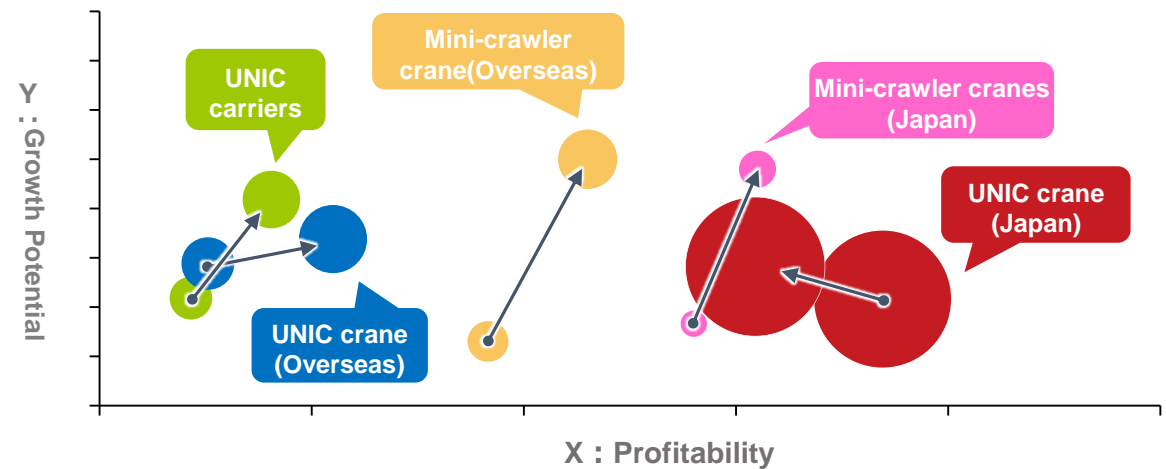
**Key priorities**

- 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

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

### Expected outcomes

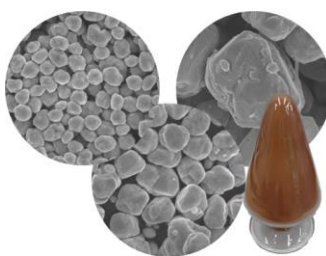
Help realize an environmentally friendly and prosperous society



Cupric oxide



Manufacturing plant of sulfuric acid



Metallic copper powder



## 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

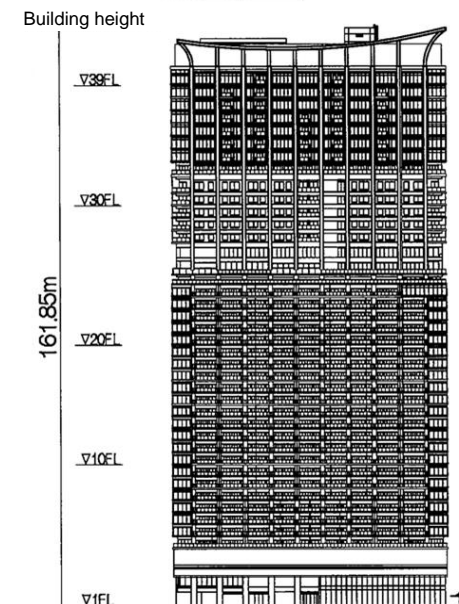
- Sell our interest in the site
  - Partial sale of the Company's interest in the site
- Lease business planned
  - Plan to use proceeds from the sale to lease a hotel and some residential units scheduled to be built on the site

### Overview of planned building project

Location	2-4-1 Dojimahama, Kita-ku, Osaka City and other land
Site area	Approx. 5,755 m <sup>2</sup>
Site area	Approx. 5,755 m <sup>2</sup>
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]





## 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

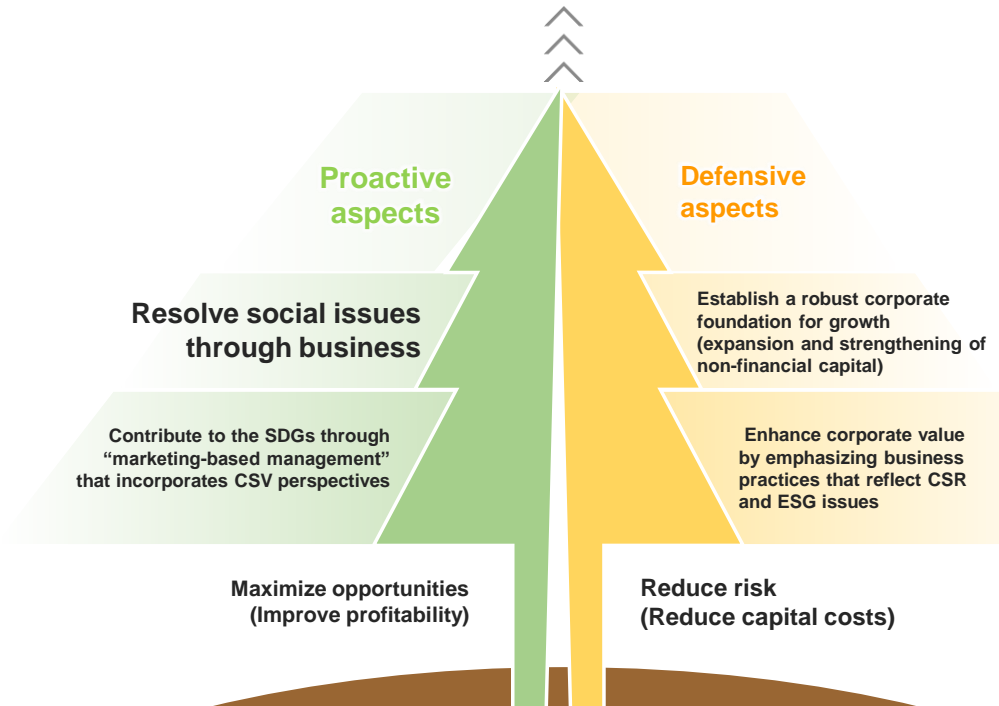
The Group will create corporate value and contribute to the creation of social value by developing infrastructure and providing products, technologies, and services that help to resolve social issues

#### 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
















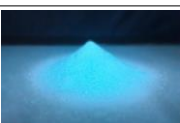
Strengthen and expand Groupwide risk management system

# 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

#### CO<sub>2</sub> reduction plan

- CO<sub>2</sub> 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

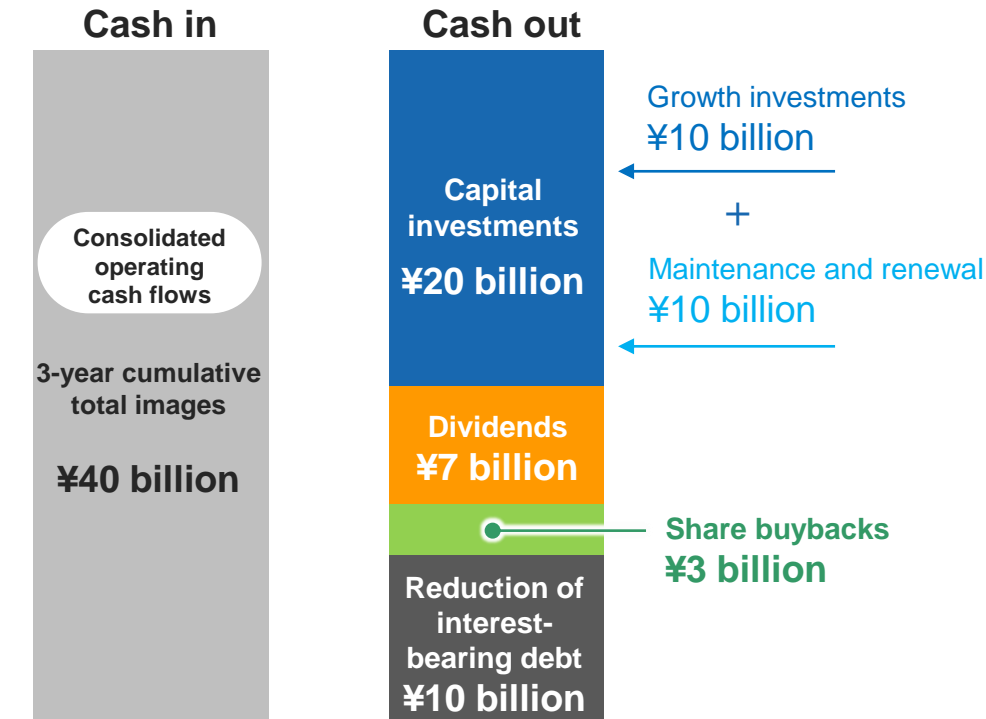
- Inclusion in SRI/ESG indexes
- Improving our external ESG-related evaluations

## 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

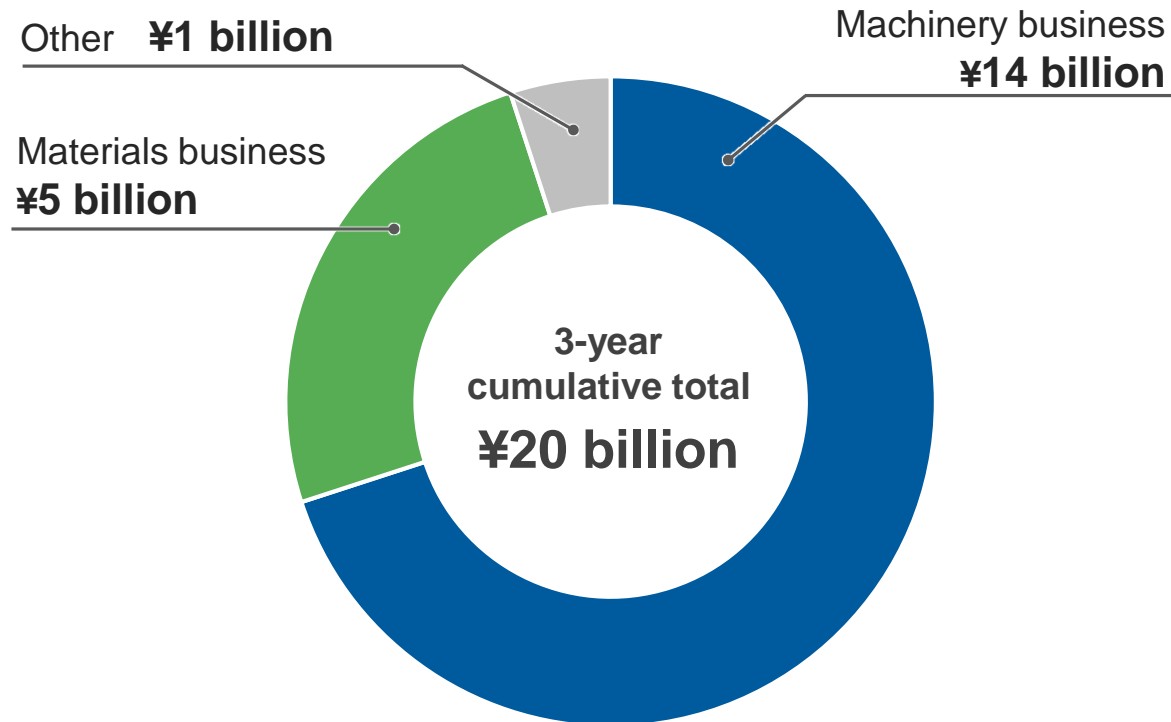
- While aiming to establish a robust financial base, we will make capital investments to enhance corporate value over the medium to long terms
- Endeavor to allocate operating cash flows in consideration of shareholder returns



## 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

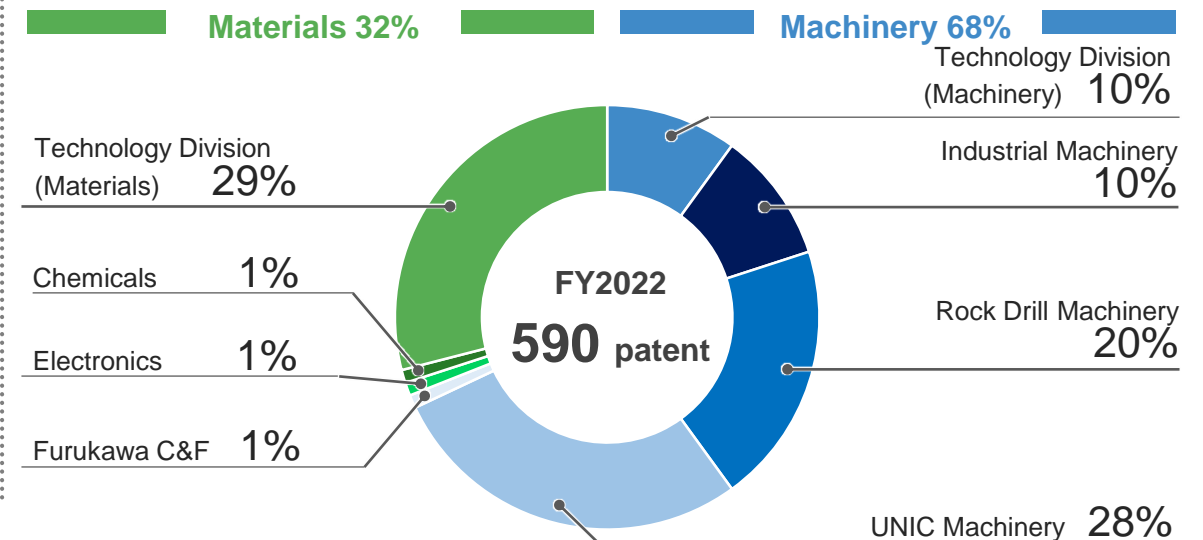
- Revitalize IP activities (discovery, acquisition, maintenance, and utilization of rights) to enable us to visibly evaluate our technological capabilities
- Assess the value of the industrial property rights we hold in order to utilize them effectively
- Collect and analyze patent information and formulate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

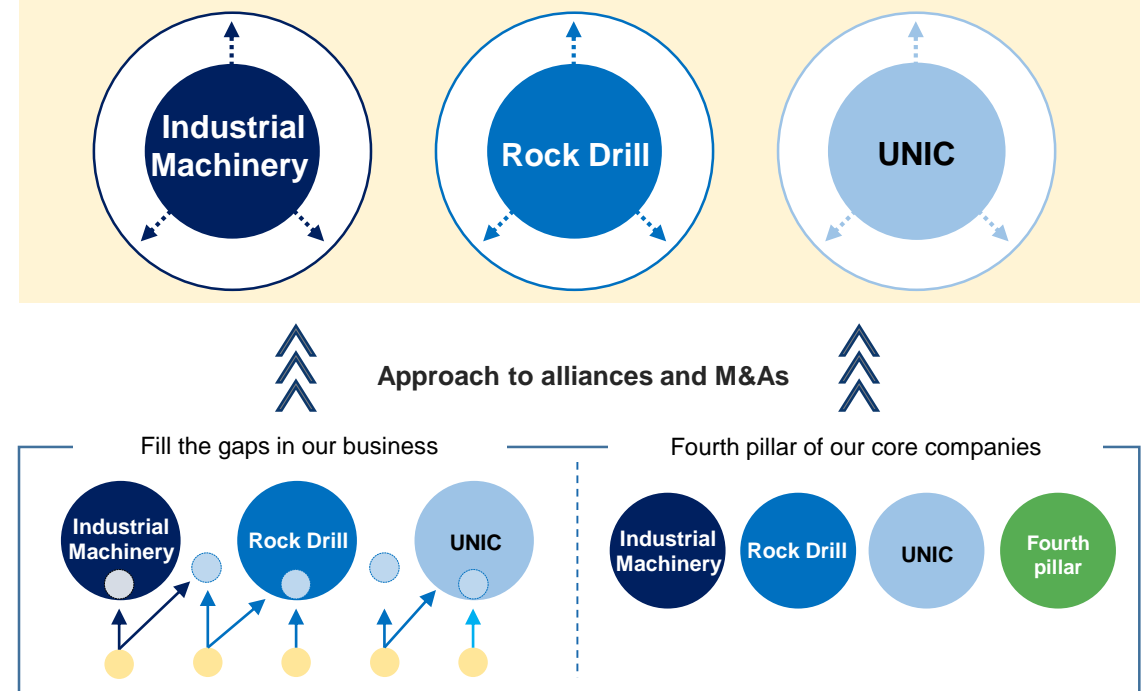
\*Applicable: Company-registered employees

**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



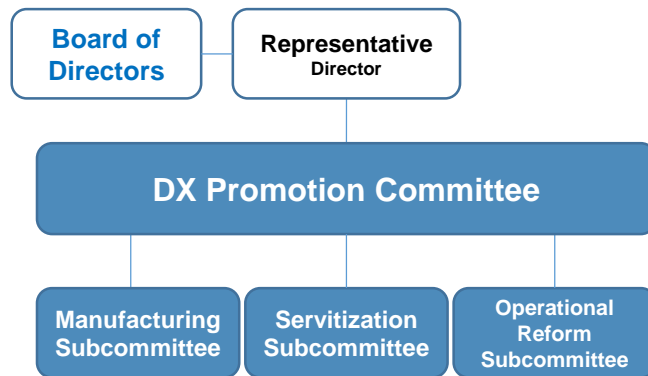


## Investment in DX

- 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

### DX Promotion System

Established the DX Promotion Committee in April 2023 to create a Groupwide DX promotion system. The committee is responsible for developing and promoting DX strategies on a Groupwide level.



### Aim

**Utilize digital technology to accelerate sustainable management**

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



Automation

Productivity enhancement

Labor-saving Efficiency enhancement

Optimization

Continuation and advancement of initiatives

**“Marketing-based management” that incorporates CSV perspectives**

**Opportunities/risks surrounding our business environment for practicing sustainable management**

Pursuit of improved productivity and efficiency

Frontline labor shortage

Workstyle reforms

Cost reduction

Safety and security

Transfer of technology and know-how

Harsh working conditions

### 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)

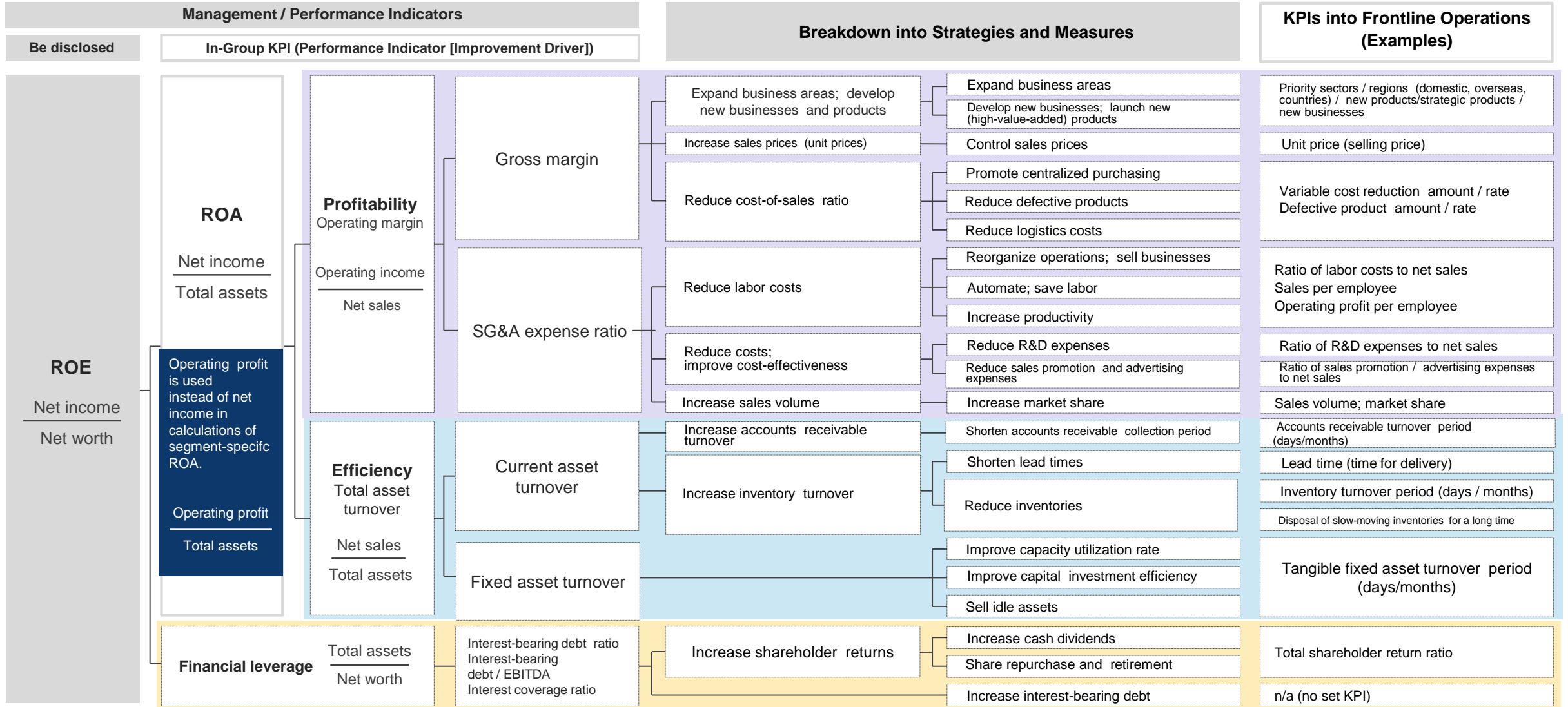
**Infrastructure, security, governance**

- 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.

# 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.

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