FURUKAWA

FURUKAWA CO., LTD.

Financial Results Briefing for the Fiscal Year Ended March 2024

May 30, 2024

[Number of Speakers]	3	
	Minoru Nakatogawa	President and Representative Director
	Koichiro Konno	Director & Senior Executive Officer, General Manager, Corporate Planning Department
	Ryohei Akutagawa	Deputy General Manager, Corporate Planning Department, Manager, Public & Investor Relations Section

Presentation

Akutagawa: After explaining the financial results for the fiscal year ended March 2024 and the forecast for the current fiscal year, Mr. Nakatogawa, President and Representative Director, will explain the progress of the Medium-Term Business Plan 2025, followed by a Q&A period.

Nakatogawa: I am Nakatogawa, President of FURUKAWA CO., LTD. Thank you for taking time out of your busy schedule to attend our financial results briefing today.

We have undergone significant changes since our founding in 1875, and now our core business is machinery and materials, and we will celebrate our 150th anniversary in 2025. We will continue to enhance our IR activities so that our investors can better understand our company.

In the first half of today's presentation, I will explain the financial results for the previous fiscal year and the full-year forecast, and in the second half, I will explain the progress of the Medium-Term Business Plan 2025.

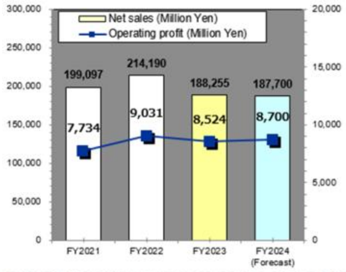
Financial Results for the FY2023 (Consolidated) & Financial Forecasts for the FY2024 (Consolidated)

[Financial Results]

		FY2021	FY2022	FY2023	VS FY2022 Difference	FY2024 (Forecast)	VS FY2023 Difference
Net sales	Million Yen	199,097	214,190	188,255	(-)25,934	187,700	(-)555
Operating profit	Million Yen	7,734	9,031	8,524	(-)507	8,700	175
Operating margin	%	3.9	4.2	4.5	0.3	4.6	0.1
Ordinary profit	Million Yen	8,996	9,348	10,384	1,036	8,000	(-)2,384
Profit attributable to owners of parent	Million Yen	6,477	6,211	16,097	9,885	14,000	(-)2,097
Annual dividends	Yen	50	50	55	5	60	5

[Financial Conditions]

		FY2022	FY2023	Difference
Total Assets	Million Yen	232,745	259,878	27,132
Net assets	Million Yen	106,050	133,272	27,222
Capital adequacy ratio	%	44.2	50.0	5.8
Net assets per share	Yen	2,700.87	3,493.08	792.21
ROE	%	6.2	13.8	7.6



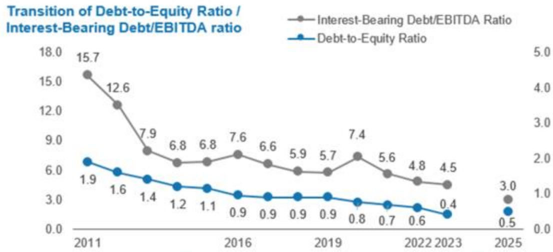
The YoY changes for the fiscal year ended March 2024 are as follows: Net sales decreased by JPY25.9 billion to JPY188.2 billion, operating profit decreased by JPY0.5 billion to JPY8.5 billion, ordinary profit increased by JPY1 billion to JPY10.3 billion, and profit attributable to owners of parent increased by JPY9.8 billion to JPY16 billion.

The financial positions are as shown. The forecast for the fiscal year ending March 2025 will be explained later.

Transition of the management indicators of Medium-Term Business Plan 2025

[Management Indicators]

		FY2021	FY2022	FY2023	FY2025 (Medium-Term Business Plan image)
Operating profit	Million Yen	7,734	9,031	8,524	Approx. ¥13,000 Million
ROE	%	6.9	6.2	13.8	Approx. 8%
Debt-to-equity ratio	Times	0.7	0.6	0.4	0.5x range
Interest-bearing debt/EBITDA ratio	Times	5.6	4.8	4.5	3x range
Consolidated total return on equity	%	2.4	2.8	3.1	3% or more
Strategic shareholdings ratio	%	38.0	35.1	40.8	Less than 20%by March 31, 2025
Annual dividends	Yen	50	50	55	¥50 or more per share
Share buyback	Million Yen	334	888	1,620	Approx. ¥1,500-2,000 Million



The progress of the management indicators adopted in our Medium-Term Business Plan 2025 is as shown here. ROE increased due to a significant increase in profit attributable to owners of parent, and the D/E ratio was 0.4x, exceeding the level we should have aimed for. Capital policy will be explained in the latter part of the presentation.

Consolidated Income Statement

(Unit: Million yen)

	FY2022	FY2023	Difference
Net sales	214,190	188,255	(-)25,934
Cost of sales	185,575	160,010	(-)25,565
(Gross profit)	28,615	28,245	(-)369
Selling, general and administrative expenses	19,583	19,721	137
Operating profit	9,031	8,524	(-)507
Non-operating income	3,146	3,655	509
Dividend income	847	991	143
Share of profit of entities accounted for using equity method	-	539	539
Foreign exchange gains	1,462	1,162	(-)300
Other	836	961	125
Non-operating expenses	2,829	1,795	(-)1,034
Interest expenses	501	510	9
Share of loss of entities accounted for using equity method	860	-	(-)860
Administrative expenses of inactive mountain	814	816	2
Other	654	467	(-)186
Ordinary profit	9,348	10,384	1,036
Extraordinary income	410	16,092	15,682
Gain on sales of non-current assets	47	13,433	13,385
Gain on sales of investment securities	362	2,659	2,296
Other	0	-	(-)0
Extraordinary losses	1,252	3,224	1,972
Demolition expenses of a rental building	470	458	(-)12
Loss on liquidation of investments and loans in affiliated companies	-	2,058	2,058
Other	781	708	(-)72
Profit before income taxes	8,506	23,252	14,745
Income taxes – current	2,811	5,378	2,566
Income taxes – deferred	(-)762	1,552	2,315
Profit	6,457	16,321	9,864
Profit attributable to non-controlling interests	245	224	(-)21
Profit attributable to owners of parent	6,211	16,097	9,885

- Equity in earnings of affiliates increased ¥1.4 billion from previous fiscal year.
- A loss in the FY2022 was due to deteriorating performance of Hibi Kyodo Smelting (as for regular biennial repair year) etc.

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

Gain on sales of investment securities resulting from selling a part of the strategic shareholdings

Loss on the transfer of Cariboo Copper shares
(* Owns a 25% interest in the Gibraltar Copper Mine)

Next is the income statement. Net sales and operating profit will be explained in detail by segment later.

Equity in earnings of affiliates was a loss in the fiscal year ended March 2023 due to deteriorating performance of Hibi Kyodo Smelting, which was in its regular biennial repair year, but recorded a profit in the fiscal year ended March 2024, and ordinary profit increased by JPY1 billion YoY to JPY10.3 billion.

Although a loss on the transfer of Cariboo Copper shares was recorded as an extraordinary loss, a gain on sales of fixed assets of JPY13.4 billion was recorded as an extraordinary gain, mainly due to the transfer of a portion of co-ownership of the former Furukawa Osaka Building site and other land, and a gain on sales of investment securities resulting from the sale of strategic shareholdings was also recorded, and profit attributable to owners of parent increased by JPY9.8 billion YoY to JPY16 billion, a significant increase.

Consolidated Balance Sheet / Consolidated Cash Flow

Consolidated Balance Sheet (Unit: Million yen)

	FY2022	FY2023	Difference
Assets			
Current assets	99,882	99,636	(-)246
Non-current assets	132,862	160,241	27,378
Property, plant and equipment	90,981	92,045	1,063
Intangible assets	317	342	25
Investments and other assets	41,563	67,853	26,289
Total assets	**232,745**	**259,878**	**27,132**
Liabilities			
Current liabilities	63,111	51,669	(-)11,442
Non-current liabilities	63,583	74,935	11,352
Total liabilities	**126,695**	**126,605**	**(-)89**
Net assets			
Shareholders' equity	83,971	96,549	12,577
Share capital	28,208	28,208	-
Capital surplus	2	2	-
Retained earnings	58,847	73,046	14,198
Treasury shares	(-)3,086	(-)4,707	(-)1,621
Accumulated other comprehensive income	18,974	33,358	14,383
Non-controlling interests	3,103	3,365	261
Total net assets	**106,050**	**133,272**	**27,222**
Total liabilities and net assets	**232,745**	**259,878**	**27,132**

- Increase in long-term accounts receivable, mainly due to the recording of proceeds from the transfer of a portion of co-ownership of the former Furukawa Osaka Building site and other land (up ¥12.5 billion)
- Increase in investment securities, reflecting a rise in the share price of listed stocks (up ¥12.6billion) etc.

The issuance of bonds for the first time in about 23 years to diversify funding sources.

Interest-Bearing Debt (Unit: Million yen)

	FY2022	FY2023	Difference
Short-term	7,449	493	(-)6,955
Long-term	55,399	52,895	(-)2,503
Bonds payable	-	5,000	5,000
Total	62,848	58,389	(-)4,459

Consolidated Cash Flow (Unit: Million yen)

	FY2022	FY2023	Difference
Cash flows from operating activities	6,148	10,492	4,344
Cash flows from investing activities	(-)1,617	1,915	3,533
Cash flows from financing activities	(-)5,934	(-)8,446	(-)2,512
Cash and cash equivalents	13,606	18,193	4,587

Next is the balance sheet. Fixed assets increased by JPY27.3 billion. This was due to a JPY12.6 billion increase in investment securities included in investments and other assets, reflecting a rise in the share price of listed stocks, and a JPY12.5 billion increase in long-term accounts receivable, mainly due to the recording of proceeds from the transfer of a portion of co-ownership of the former Furukawa Osaka Building site and other land in others. As a result, total assets increased by JPY27.1 billion to JPY259.8 billion.

Net assets increased by JPY27.2 billion to JPY133.2 billion.

Interest-bearing debt totaled JPY58.3 billion, a decrease of JPY4.4 billion, despite the issuance of bonds for the first time in about 23 years to diversify funding sources.

As for consolidated cash flow, cash flow from operating activities was positive JPY10.4 billion due to profit before income taxes, and cash flow from investing activities was positive JPY1.9 billion due to proceeds from sales of property, plant and equipment and proceeds from sales of investment securities, despite purchase of property, plant and equipment. Cash flow from financing activities was negative JPY8.4 billion due to repayment of borrowings and payment of dividends, although there were proceeds of JPY5 billion from the issuance of bonds.

Financial Results by Segment (Consolidated)

(Unit: Million yen)

Net sales	FY2022	FY2023	Difference	FY2024 (Forecast)	VS FY2023 Difference
Machinery	81,658	82,085	427	87,700	5,614
Industrial	17,943	15,548	(-)2,394	19,100	3,551
Rock Drill	35,752	38,682	2,930	36,200	(-)2,482
UNIC	27,961	27,853	(-)108	32,400	4,546
Materials	126,804	100,388	(-)26,416	93,600	(-)6,788
Metals	111,424	84,712	(-)26,711	76,700	(-)8,012
Electronics	6,926	6,766	(-)159	7,700	933
Chemicals	8,454	8,908	454	9,200	291
Real Estate	2,056	1,873	(-)182	2,100	226
Other	3,671	3,908	237	4,300	391
Total	214,190	188,255	(-)25,934	187,700	(-)555

Operating profit	FY2022	FY2023	Difference	FY2024 (Forecast)	VS FY2023 Difference
Machinery	6,093	5,696	(-)397	7,400	1,703
Industrial	1,515	389	(-)1,125	1,900	1,510
Rock Drill	3,030	4,148	1,117	3,100	(-)1,048
UNIC	1,547	1,158	(-)389	2,400	1,241
Materials	2,309	2,765	456	1,000	(-)1,765
Metals	1,276	1,945	668	0	(-)1,945
Electronics	500	212	(-)288	400	187
Chemicals	532	608	75	600	(-)8
Real Estate	835	470	(-)365	600	129
Other	(-)133	(-)293	(-)160	(-)200	93
Adjustment	(-)73	(-)114	(-)41	(-)100	14
Total	9,031	8,524	(-)507	8,700	175

	FY2023	Comparison to the previous fiscal year
JPY rate per US$	144.6 ¥/$	9.1 ¥/$
LME copper price	8,362 &/ton	(-)189 &/ton

	FY2024 (Forecast)	Comparison to the previous fiscal year
JPY rate per US$	145.0 ¥/$	0.4 ¥/$
LME copper price	9,000 &/ton	638 &/ton

Regard to exchange rate sensitivity

Operating income increase annually about ¥100 million due to ¥1 week to US dollar.
- Increase about ¥60 million in Machinery business (mainly Rock Drill)
- Increase about ¥40 million in Metals segment

		FY2024 (Forecast)	Comparison to the previous fiscal year
Net sales	Million Yen	187,700	(-)555
Operating profit	Million Yen	8,700	175
Ordinary profit	Million Yen	8,000	(-)2,384
Profit attributable to owners of parent	Million Yen	14,000	(-)2,097

Extraordinary income
Expect gain on sale of investment securities resulting from the sale of strategic shareholdings

By segment, net sales increased in the rock drill machinery and the chemicals segment, but overall sales decreased as the metals segment, which terminated its entrusted smelting contract with Onahama Smelting and Refining at the end of March 2023, experienced a significant decline in sales due to a drop in production volume.

Net sales of the overall machinery business increased by JPY0.4 billion to JPY82 billion, and those of the overall materials business decreased by JPY26.4 billion to JPY100.3 billion.

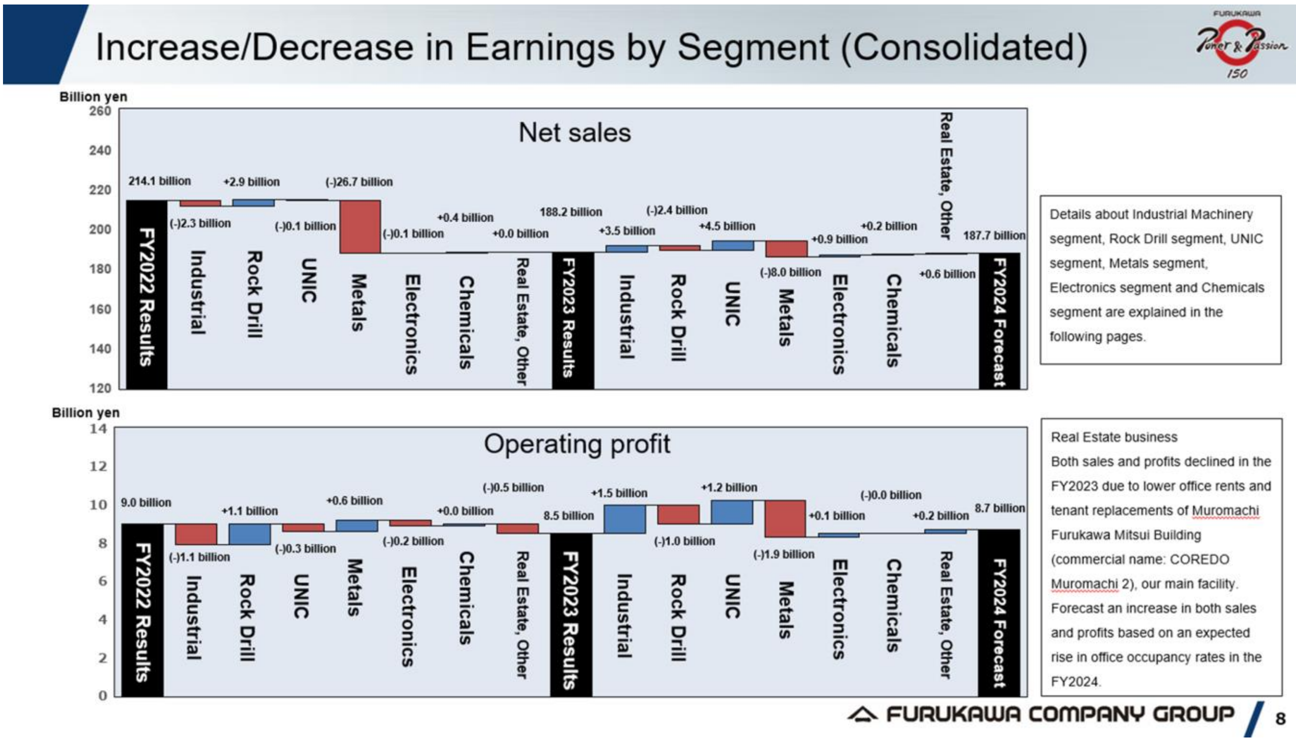
Operating profit increased in the rock drill machinery, metals, and chemicals segments, but decreased mainly in the industrial machinery, UNIC, and electronics segments, resulting in an overall decrease in operating profit. Operating profit of the overall machinery business decreased by JPY0.3 billion to JPY5.6 billion, and that of the overall materials business increased by JPY0.4 billion to JPY2.7 billion.

Although net sales are expected to increase mainly in the industrial machinery, UNIC, electronics, and chemicals segments, overall net sales for the full year are expected to decrease due to a lull in demand in the rock drill machinery segment, which was strong in the previous fiscal year, and a decline in sales in the metals segment due to lower production volume.

Operating profit is expected to decrease in the rock drill machinery and the metals segment but is expected to increase mainly in the industrial machinery, UNIC, and the electronics segments, and overall operating profit is also expected to increase.

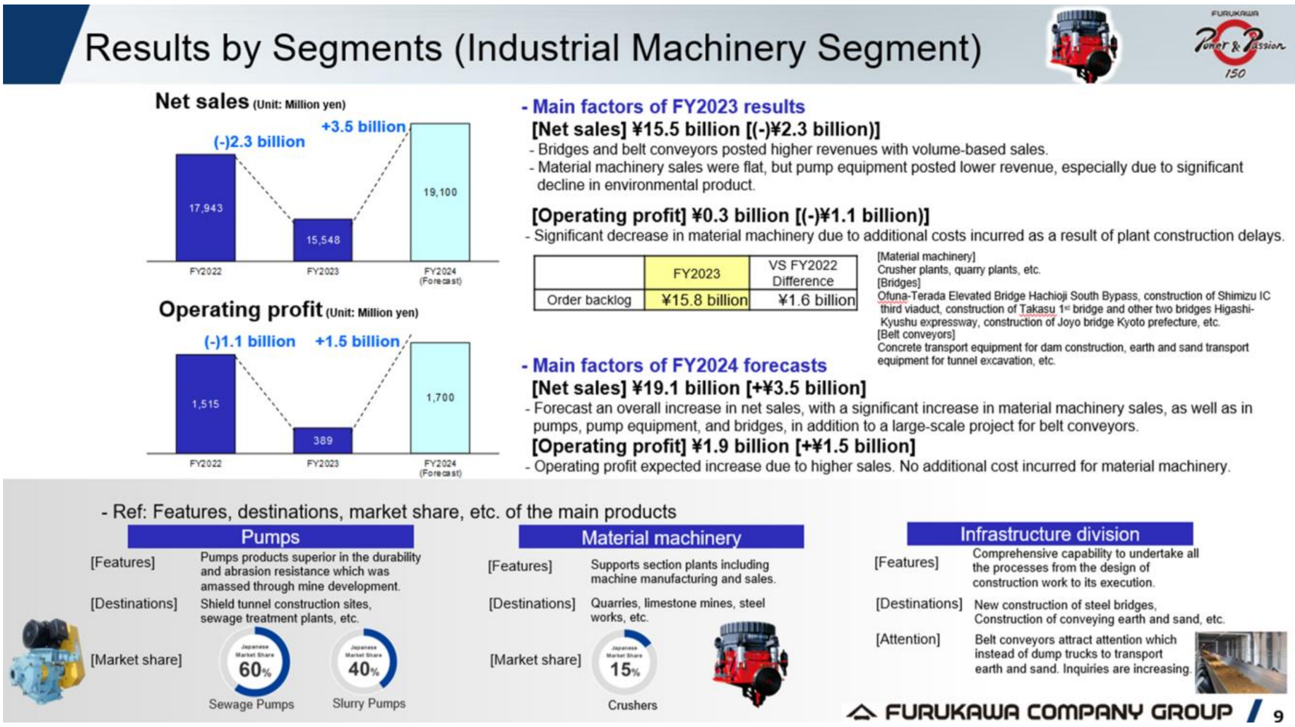
The actual and assumed exchange rates and copper price and exchange rate sensitivity are shown in the table.

In the current fiscal year, we expect another extraordinary gain on the sale of investment securities resulting from the sale of strategic shareholdings and forecast profit attributable to owners of parent of JPY14 billion.



The graphs show changes in results by segment. The upper graph shows YoY change in net sales, and the lower graph shows YoY change in operating profit.

Details of the machinery and materials businesses will be explained later. In the real estate business, both sales and profits declined in the fiscal year ended March 2024 due to lower office rents and tenant replacements, but for the fiscal year ending March 2025, we forecast an increase in both sales and profits based on an expected rise in office occupancy rates.



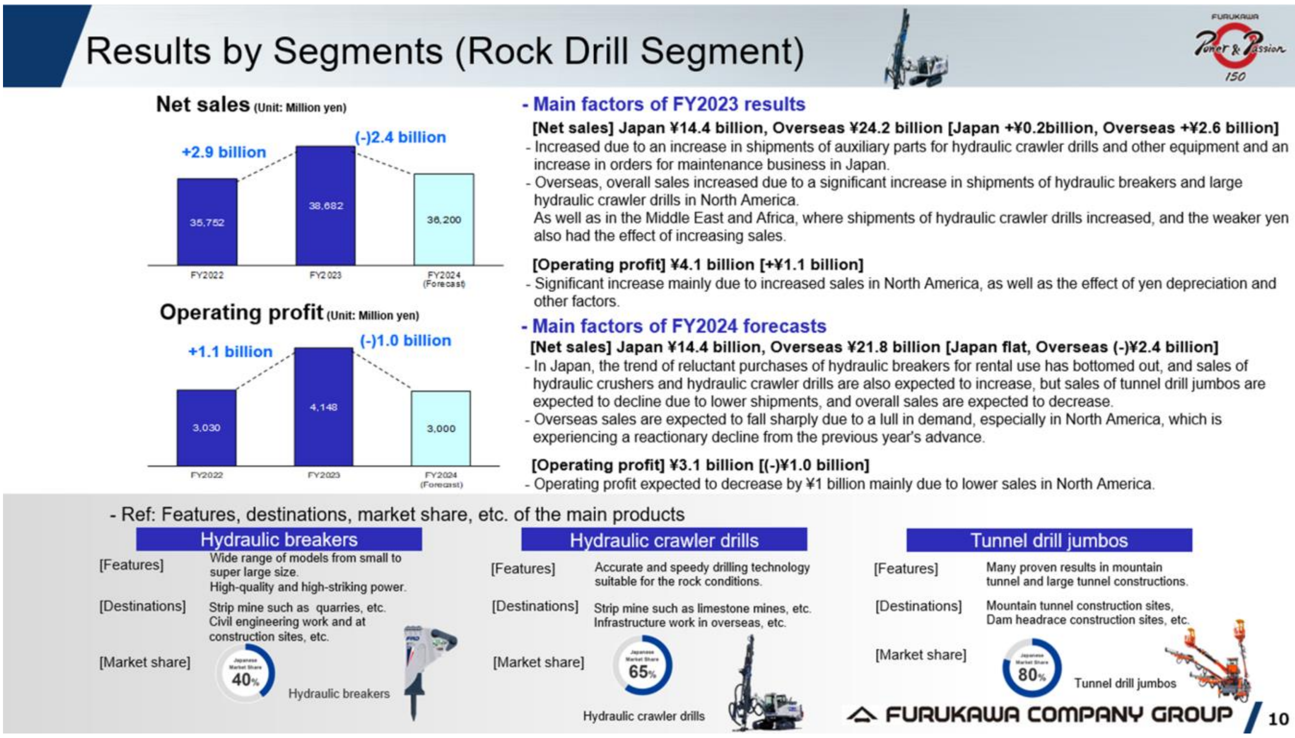
I will explain the details by segment. The bottom of the page is for reference, which describes the characteristics, destinations, market share, and others of the main products of each segment. Please take a look at it when you have time.

This page is about the industrial machinery segment. For the fiscal year ended March 2024, net sales were down JPY2.3 billion. Material machinery sales were on a par with the previous year, while in the contractor business, bridges and belt conveyors posted higher revenues with volume-based sales, but pump equipment posted lower revenues, especially due to a significant decline in environmental product.

Operating profit was down JPY1.1 billion, with a significant decrease in material machinery due to additional costs incurred as a result of plant construction delays. The order backlog was JPY15.8 billion, up JPY1.6 billion YoY, with orders received in material machinery, bridges, and belt conveyors as noted.

For the fiscal year ending March 2025, we forecast an overall increase in net sales of JPY3.5 billion, with a significant increase in material machinery sales, as well as in pumps, pump equipment, and bridges, in addition to a large-scale project for belt conveyors.

Operating profit is expected to increase by JPY1.5 billion due to the increase in sales, with no additional cost incurred for material machinery, which was the case in the previous year.

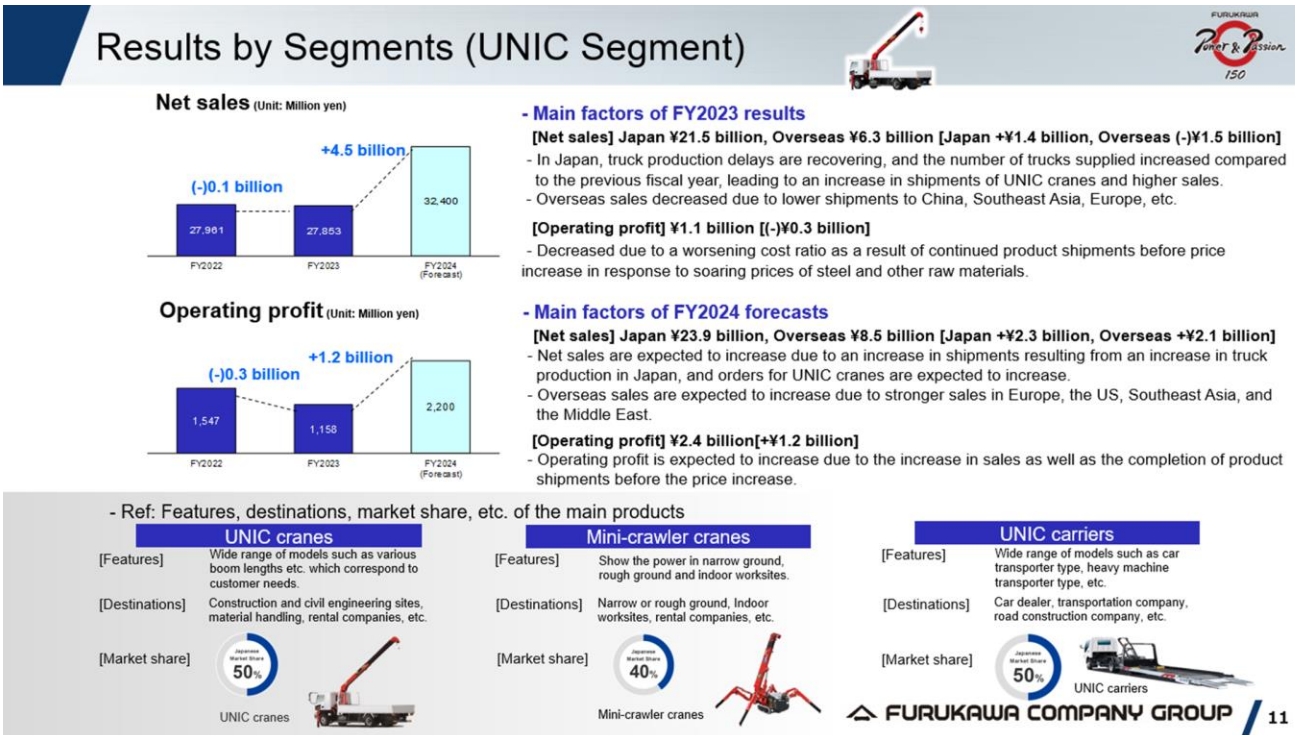


This is about the rock drill machinery segment. For the fiscal year ended March 2024, net sales increased by JPY0.2 billion in Japan and JPY2.6 billion overseas. Domestic sales increased due to an increase in shipments of auxiliary parts for hydraulic crawler drills and other equipment and an increase in orders for maintenance business. Overseas, overall sales increased due to a significant increase in shipments of hydraulic breakers and large hydraulic crawler drills, especially in North America, where hydraulic crawler drill sales reached a record high, as well as in the Middle East and Africa, where shipments of hydraulic crawler drills increased, and the weaker yen also had the effect of increasing sales.

Operating profit increased by JPY1.1 billion, a significant increase due mainly to increased sales in North America, as well as the effect of yen depreciation and other factors.

For the fiscal year ending March 2025, we expect net sales to be flat in Japan and down JPY2.4 billion overseas. In Japan, the trend of reluctant purchases of hydraulic breakers for rental use has bottomed out, and sales of hydraulic crushers and hydraulic crawler drills are also expected to increase, but sales of tunnel drill jumbos are expected to decline due to lower shipments, and overall sales are expected to be flat from the previous year.

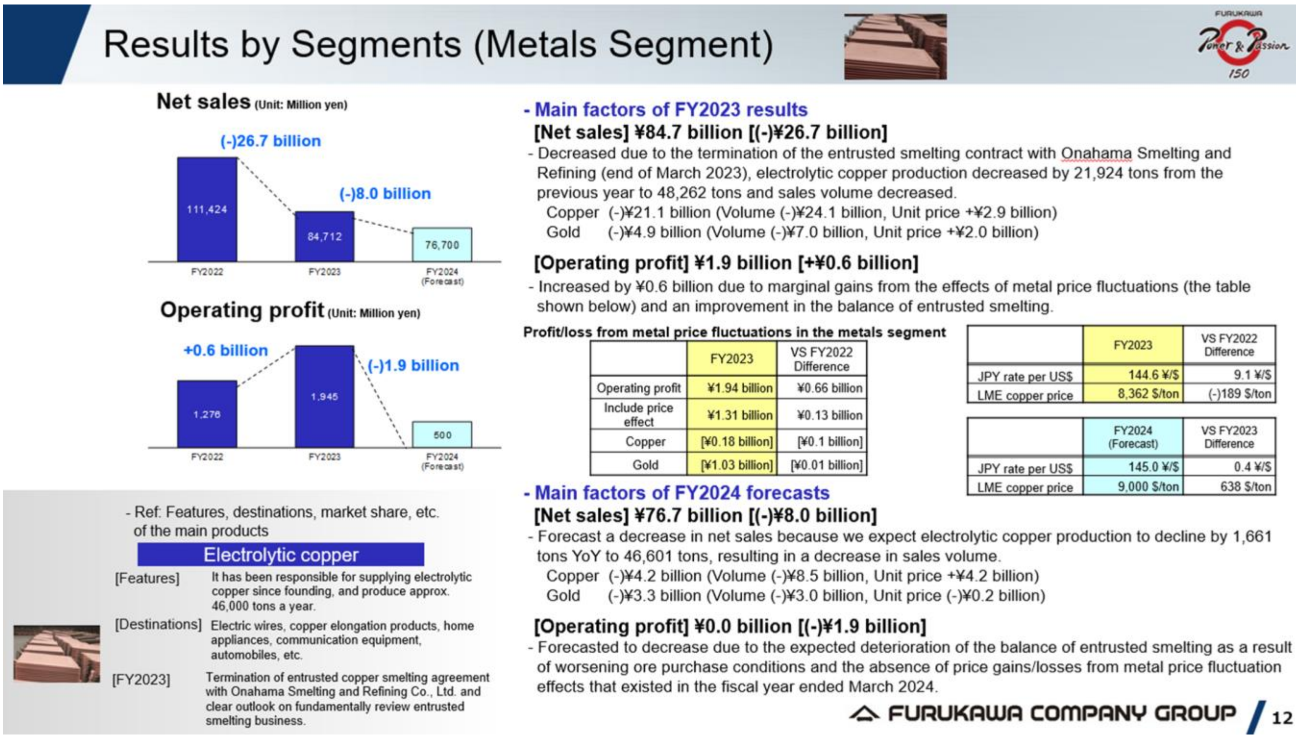
Overseas sales are expected to fall sharply due to a lull in demand, especially in North America, which is experiencing a reactionary decline from the previous year's advance, and overall segment sales are forecasted to decline by JPY2.4 billion. Operating profit is expected to decrease by JPY1 billion mainly due to lower sales in North America.



Next is the UNIC segment. For the fiscal year ended March 2024, net sales were up JPY1.4 billion in Japan and down JPY1.5 billion overseas. In Japan, truck production delays are recovering, and the number of trucks supplied increased compared to the previous fiscal year, leading to an increase in shipments of UNIC cranes and higher sales. Overseas sales decreased due to lower shipments to China, Southeast Asia, Europe, etc. Overall, sales decreased by JPY100 million.

Operating profit decreased due to a worsening cost ratio as a result of continued product shipments before price hikes in response to soaring prices of steel and other raw materials.

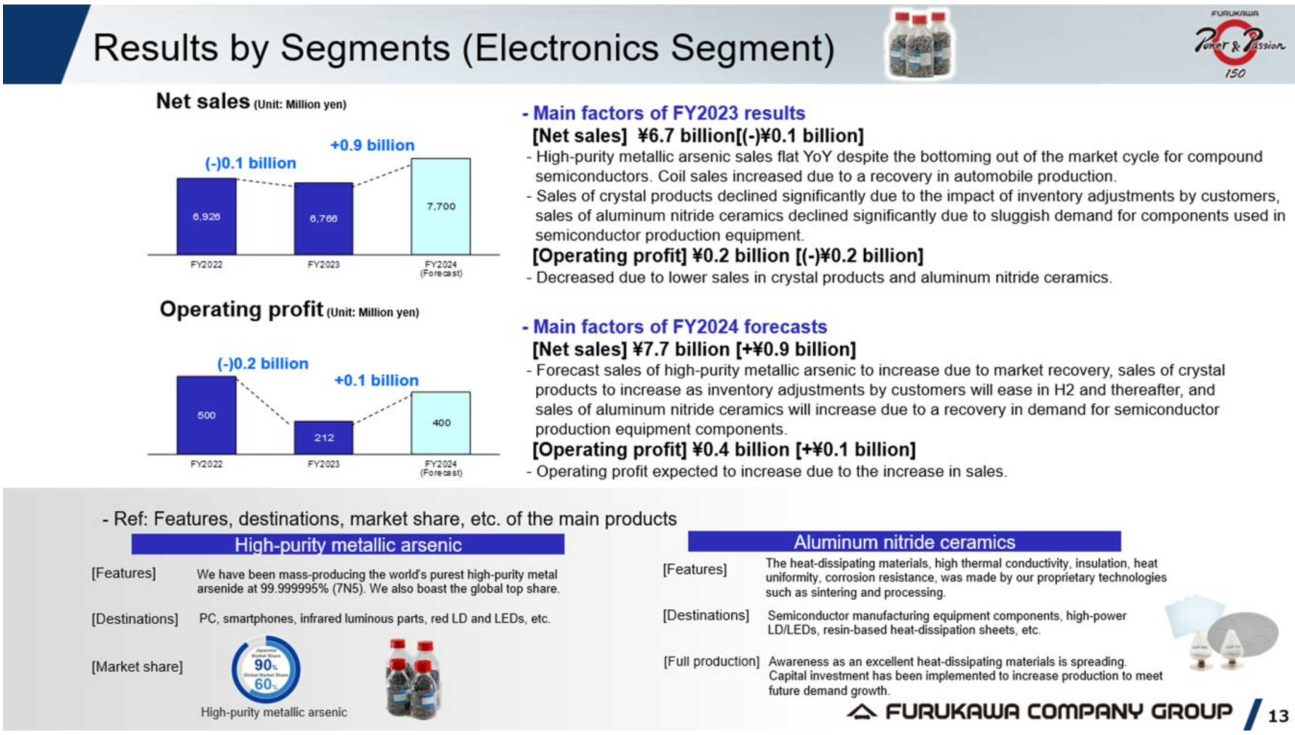
For the fiscal year ending March 2025, net sales are expected to increase due to an increase in shipments resulting from an increase in truck production in Japan, and orders for UNIC cranes are expected to increase. Overseas sales are expected to increase due to stronger sales in Europe, the US, Southeast Asia, and the Middle East. Overall, we expect an increase in revenues. Operating profit is expected to increase due to the increase in sales as well as the completion of product shipments before the price increase.



Next is the metals segment. For the fiscal year ended March 2024, net sales decreased by JPY26.7 billion. Due to the termination of the entrusted smelting contract with Onahama Smelting and Refining at the end of March 2023, electrolytic copper production decreased by 21,924 tons from the previous year to 48,262 tons and sales volume decreased, resulting in a decrease in sales.

Operating profit increased by JPY0.6 billion due to marginal gains from the effects of metal price fluctuations and an improvement in the balance of entrusted smelting.

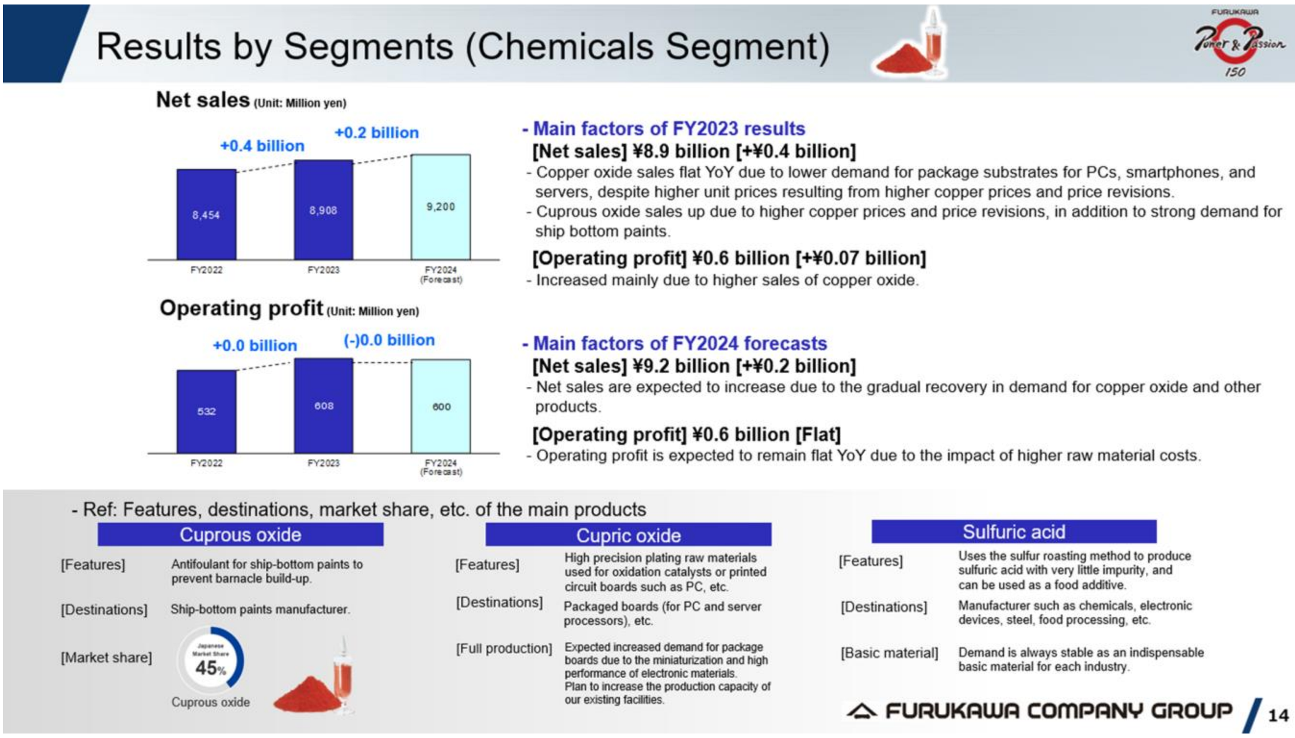
For the fiscal year ending March 2025, we forecast a decrease in net sales because we expect electrolytic copper production to decline by 1,661 tons YoY to 46,601 tons, resulting in a decrease in sales volume. Operating profit is forecasted to decrease due to the expected deterioration of the balance of entrusted smelting as a result of worsening ore purchase conditions and the absence of price gains/losses from metal price fluctuation effects that existed in the fiscal year ended March 2024.



Next is the electronics segment. For the fiscal year ended March 2024, net sales were down JPY100 million, with high-purity metallic arsenic sales flat YoY despite the bottoming out of the market cycle for compound semiconductors, and coil sales increased due to a recovery in automobile production. Sales of crystal products declined significantly due to the impact of inventory adjustments by customers, while sales of aluminum nitride ceramics declined significantly due to sluggish demand for components used in semiconductor production equipment. Operating profit decreased due to lower sales in crystal products and aluminum nitride ceramics.

For the fiscal year ending March 2025, we expect sales of high-purity metallic arsenic to increase due to market recovery, sales of crystal products to increase as inventory adjustments by customers will ease in H2 and thereafter, and sales of aluminum nitride ceramics will increase due to a recovery in demand for semiconductor production equipment components, resulting in an overall sales increase of JPY900 million.

Operating profit is expected to increase by JPY100 million due to the increase in revenue.



Next is the chemicals segment. For the fiscal year ended March 2024, net sales were up JPY0.4 billion, with copper oxide sales flat YoY due to lower demand for package substrates for PCs, smartphones, and servers, despite higher unit prices resulting from higher copper prices and price revisions, and cuprous oxide sales up due to higher copper prices and price revisions, in addition to strong demand for ship bottom paints, and overall sales increased. Operating profit increased mainly due to higher sales of copper oxide.

For the fiscal year ending March 2025, we forecast an overall increase of JPY200 million in net sales, with sales expected to increase due to the gradual recovery in demand for copper oxide and other products. Operating profit is expected to remain flat YoY due to the impact of higher raw material costs.

State of Capital Investment, Depreciation and Amortization, Research and Development Expenses (Consolidated)

[State of Capital Investment (Consolidated)]

(Unit: Million yen)

Capital Investment	FY2021	FY2022	FY2023	FY2024 (Forecast)
Machinery	2,669	2,125	4,430	3,600
Industrial	1,703	912	2,547	1,000
Rock Drill	247	708	1,025	900
UNIC	718	504	857	1,700
Materials	696	1,571	1,581	1,900
Other	1,413	489	2,001	3,000
Total	4,778	4,187	8,013	8,500

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.

Construction of the (crane) mounting factory in Nagano Prefecture, etc. (Approx.¥0.4 billion)

Increase due to the establishment of aluminum nitride ceramics production equipment (Total approx. ¥1 billion in the FY2022) in the Electronics segment, etc.

Renewal of facilities at Oita Mining and others in the Metals 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.¥1.2 billion in the FY2023, approx. ¥2.0 billion in the FY2024)

[State of Depreciation and Amortization (Consolidated)]

	FY2021	FY2022	FY2023	FY2024 (Forecast)
Depreciation and amortization	4,003	4,114	4,387	4,500

[State of Research and Development Expenses (Consolidated)]

	FY2021	FY2022	FY2023	FY2024 (Forecast)
Research and development expenses	1,336	1,508	1,314	1,400

Next, the status of capital investment, depreciation, and R&D expenses is as described. In the industrial machinery segment, the Gunma Kankyo Recycle Center, which treats medical waste, underwent an incinerator expansion totaling approximately JPY2.8 billion from FY2022 to FY2023. The construction of the expansion has been completed and commercial operation started in April 2024.

In the fiscal year ending March 2025, the Company plans to invest a total of JPY8.5 billion in facilities, including the construction of the installation plant in Nagano Prefecture and others in the UNIC segment, the renewal of facilities at Oita Mining in the metals segment and sulfuric acid manufacturing facilities in the chemicals segment in the materials business, and the acquisition of a rental building in Osaka in the real estate business in others.

References

[State of Metal Products, Foreign Exchange Rate (Consolidated)]

		FY2021	FY2022	FY2023	FY2024 (Forecast)
Overseas market price of copper (Average)	¢/pound	439.6	387.9	379.3	408.2
	$/ton	9,691	8,551	8,362	9,000
JPY rate per US$ (Average)		112.38	135.47	144.62	145.00

Production and marketing of Furukawa Metals & Resources Co., Ltd.	FY2021	FY2022	FY2023	FY2024 (Forecast)
Copper production (t)	71,149	70,186	48,262	46,601
Copper sale volume (t)	77,402	74,070	53,505	46,525

<About copper production>
- Production volume is expected to decrease due to terminated entrusted smelting contract with Onahama Smelting and Refining Co., Ltd. on March 31, 2023.
  It will be produced only by Hibi Kyodo Smelting Co., Ltd., which is another contractor.

[State of Employee (Consolidated)]

	End of Mar. 2022	End of Mar. 2023	End of Mar. 2024	VS End of Mar. 2023
Number of consolidated employee (Persons)	2,804	2,831	2,855	24

References

[Consolidated Financial Results]

(Unit: Million yen)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024(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	188,255	187,700
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	8,524	8,700
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	10,384	8,000
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	16,097	14,000

Segment Performance

[Net sales]

(Unit: Million yen)

		FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024(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	82,085	87,700
	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	15,548	19,100
	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	38,682	36,200
	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	27,853	32,400
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	100,388	93,600
	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	84,712	76,700
	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	6,766	7,700
	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	8,908	9,200
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	1,873	2,100
Other		1,204	854	785	766	753	739	747	876	983	916	814	771	755	1,879	3,671	3,908	4,300
	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	188,255	187,700

[Operating profit]

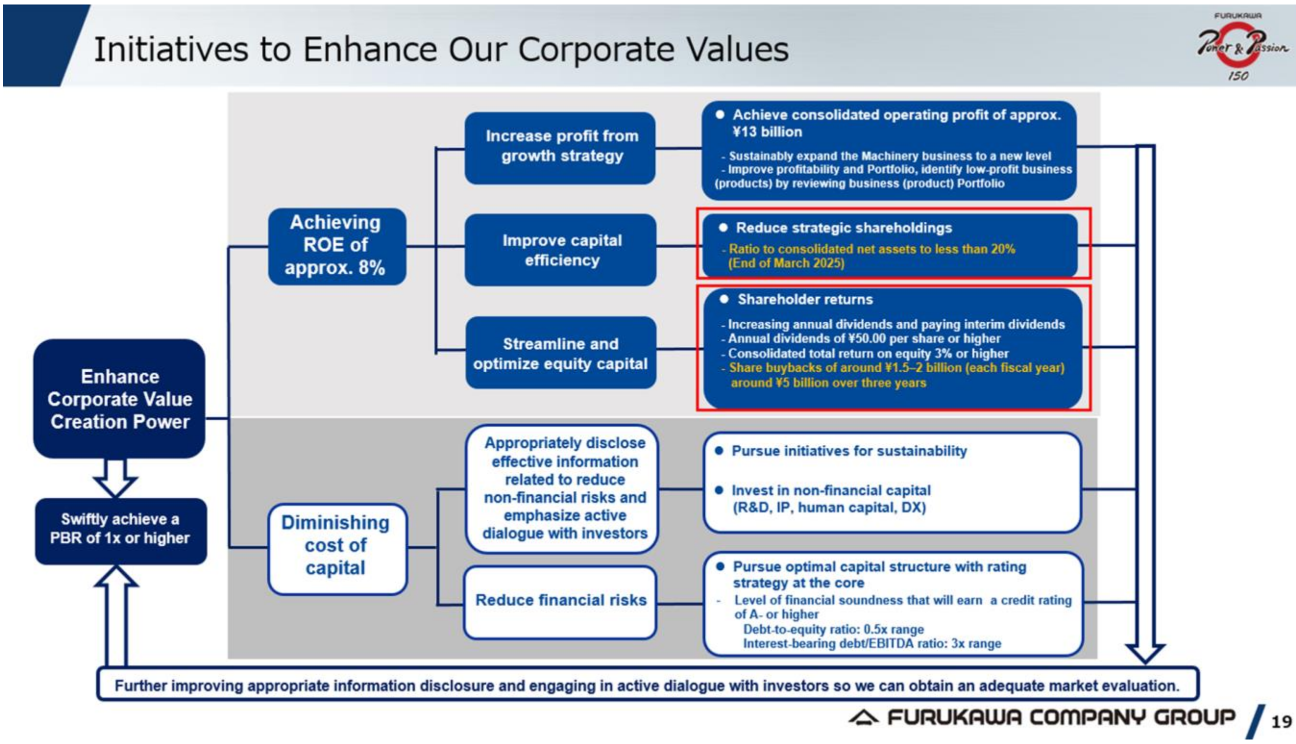
(Unit: Million yen)

		FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024(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	5,696	7,400
	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	389	1,900
	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	4,148	3,100
	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	1,158	2,400
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	2,765	1,000
	Metals	23	3,224	1,494	308	282	1,503	1,449	1,154	1,738	867	581	301	499	940	1,276	1,945	0
	Electronics	4	657	1,279	(-)234	(-)262	(-)123	52	(-)388	17	330	407	(-)35	161	666	500	212	400
	Chemicals	201	104	269	251	304	315	267	197	114	451	406	510	380	743	532	608	600
Real Estate		706	1,128	635	356	219	(-)43	776	1,276	1,265	1,339	1,163	735	736	743	835	470	600
Other		(-)304	(-)376	(-)92	(-)93	(-)63	(-)60	(-)130	(-)72	(-)126	(-)196	(-)147	(-)94	(-)82	17	(-)133	(-)293	(-)200
	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	(-)114	(-)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	8,524	8,700

*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.

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024(Forecast)
LME copper price (US$/ton)	5,864	6,101	8,139	8,485	7,855	7,104	6,554	5,215	5,154	6,444	6,341	5,860	6,879	9,691	8,551	8,362	9,000
JPY rat per US$	100.54	92.85	85.71	79.07	83.10	100.24	109.93	120.13	108.42	110.85	110.91	108.74	108.06	112.38	135.47	144.62	145.00

Pages 16 through 17 are for reference information, which we hope you will review later.



I will continue with an explanation of the progress of the Medium-Term Business Plan 2025.

The two pillars of our efforts to increase corporate value are the achievement of an ROE of around 8% and the reduction of the cost of capital, as announced in our Medium-Term Business Plan 2025.

The red boxed areas indicate items where we have made further progress in our efforts.

Achieving ROE of Approx. 8% - Reduce Strategic Shareholdings -

- Policies on reducing strategic shareholdings* (Medium-Term Business Plan 2025)

We closely examine each individual holding to determine its purpose and whether the benefits and risks associated with holding it are commensurate with the cost of capital. At the same time, we are working to reduce the amount of holdings by making comprehensive and careful examinations, including qualitative and quantitative judgments, and selling shares deemed no longer necessary.

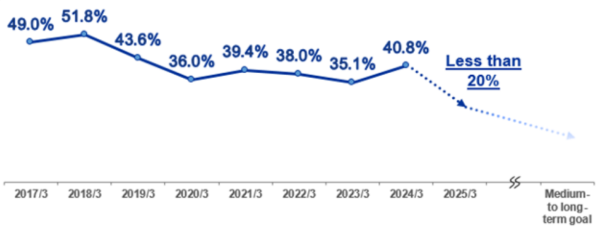
[Establishment of Target for Reducing ratio of Strategic Shareholdings to consolidated net assets]

Feb. 2024 — **Set and announced the new reduction targets [Reducing the ratio to less than 20% by March 31, 2026]**

May 2024 — **Reduction target was revised one year ahead of schedule. [Reduce the ratio to less than 20% by March 31, 2025]**

* Strategic shareholdings
Total amount of investment shares (in the Consolidated Balance Sheets) held for purposes other than pure investment (includes unlisted shares, but excludes shares in nonconsolidated subsidiaries and affiliates) + Shares deemed to be held for such purposes

Strategic shareholdings reduction timeline



- At the time of the announcement in February 2024, we expected the ratio of strategic shareholdings to consolidated net assets to decline from 35.1% on March 31, 2023, to around 32% by March 31, 2024. Although some of the shares were sold, due to rising prices of listed shares, however, the ratio rose to 40.8% on March 31, 2024.
- In fiscal 2024, we plan to sell strategic shareholdings worth approximately ¥15 billion*, which will bring the ratio down to less than 20% by March 31, 2025.

*Estimated amount calculated from the price of strategic shareholdings as of March 31, 2024.

- Plan to utilize funds generated by the reduction of strategic shareholdings

[Increase the amount share buybacks]
In May 2024, increased the target amount of share repurchases over three years from around ¥3 billion to around ¥5 billion. (Increase from around ¥1.0 billion to ¥1.5-2 billion each fiscal year.)

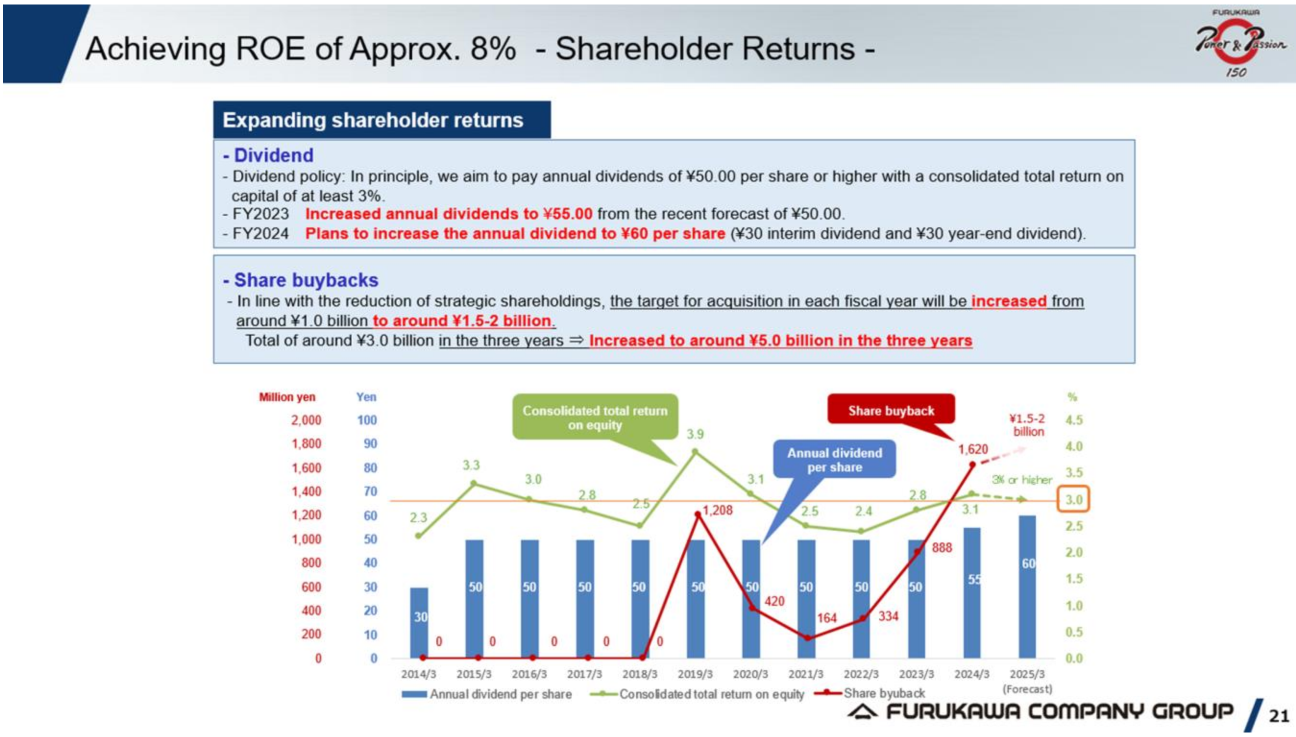
[Plans for growth investments such as M&A and environmental investments]
In addition to growth investments such as M&A, we plan to use the funds for environmental investments related to carbon neutrality and environmental preservation.
*Our roadmap toward carbon neutrality will be developed and announced by the end of FY2024 (one year ahead of schedule).

This section explains the reduction of strategic shareholdings. In February and May of this year, we set and announced specific targets related to the policy of reducing strategic shareholdings in the Medium-Term Business Plan 2025 of last May. We will reduce our strategic shareholding (including shares deemed to be held) as a percentage of consolidated net assets to less than 20% by the end of March 2025.

Although the Company's strategic shareholdings have been sold and reduced each year, they rose to 40.8% at the end of March 2024 due to the rise in the share prices of listed stocks toward the end of the fiscal year.

The plan for FY2024 is to sell approximately JPY15 billion, and the strategic shareholdings will be reduced to less than 20% by the end of March 2025. The amount of approximately JPY15 billion is an estimated amount calculated based on the stock price of the relevant securities at the end of March 2024, and includes uncertainties due to future stock price fluctuations and other factors.

As for the use of funds generated by the reduction of strategic shareholdings, we are to increase the target amount of share repurchases over three years from about JPY3 billion to about JPY5 billion under the Medium-Term Business Plan 2025. Moreover, in addition to growth investments such as M&A, we plan to use the funds for environmental investments related to carbon neutrality and environmental preservation. The roadmap toward carbon neutrality will be developed and announced by the end of FY2024, one year ahead of schedule.

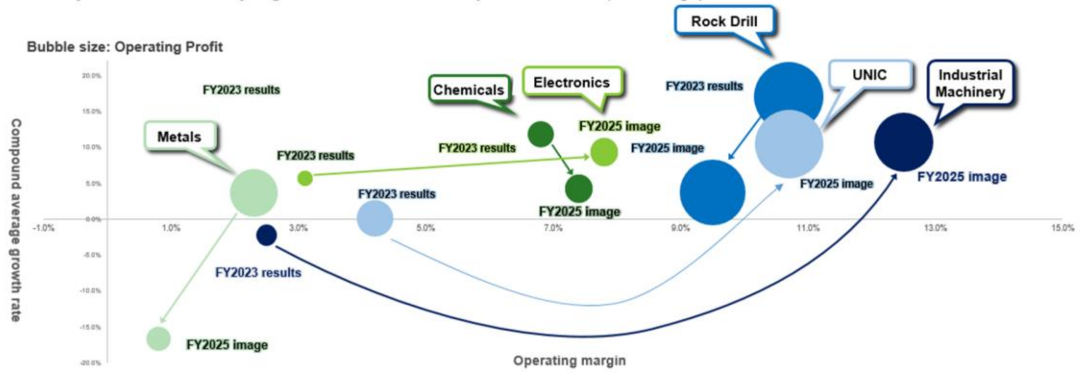


This is about shareholder returns. In principle, we follow the stated dividend policy, but for the fiscal year ended March 2024, we have increased the year-end dividend by JPY5 from the previous forecast to JPY55. For the fiscal year ending March 2025, we plan to increase the annual dividend by another JPY5 to JPY60, consisting of an interim dividend of JPY30 and a year-end dividend of JPY30. This is the first time in 16 years that the Company will pay an interim dividend.

As explained earlier, the Company intends to change the target amount of share repurchases from approximately JPY1 billion to JPY1.5 billion to JPY2 billion per fiscal year, and to increase the total amount of share repurchases from approximately JPY3 billion to approximately JPY5 billion over the three years of the Medium-Term Business Plan 2025.

Earnings Plan (Comparison to FY2023 Results and FY2025 Image)

- Rock Drill machinery segment achieved the goals of the Medium-Term Business Plan 2025 ahead of schedule due to strong performance in North America and the impact of the yen's depreciation.
- Industrial machinery and UNIC machinery segments saw a decrease in profits in FY2023, and the gap with the Medium-Term Business Plan 2025 is widening.



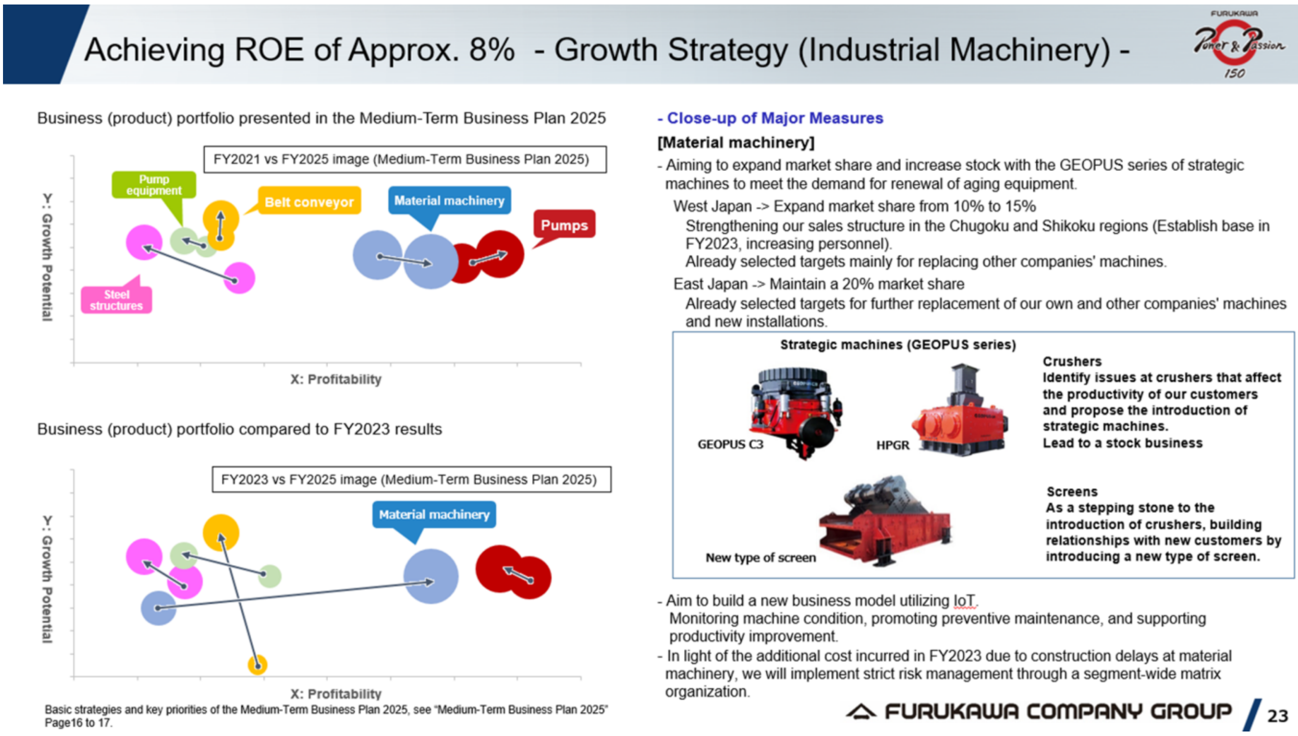
		Operating margin	Compound average growth rate	Operating profit (Million yen)	Sales (Million yen)
Industrial Machinery	FY2023 results	2.5%	-2.3%	389	15,548
	FY2025 image	12.5%	10.7%	3,000	24,000
Rock Drill	FY2023 results	10.7%	17.0%	4,148	38,682
	FY2025 image	9.5%	3.7%	3,700	39,000
UNIC	FY2023 results	4.2%	0.1%	1,158	27,853
	FY2025 image	10.7%	10.4%	4,000	37,500

		Operating margin	Compound average growth rate	Operating profit (Million yen)	Sales (Million yen)
Metals	FY2023 results	2.3%	3.6%	1,945	84,712
	FY2025 image	0.8%	-16.7%	500	63,500
Electronics	FY2023 results	3.1%	5.6%	212	6,766
	FY2025 image	7.8%	9.3%	700	9,000
Chemicals	FY2023 results	6.8%	11.8%	608	8,908
	FY2025 image	7.4%	4.2%	700	9,500

[Exchange assumptions] FY2023 results: 144.6 ¥/$, FY2025 image : 135.0 ¥/$

This is a bubble chart of the earnings plan. We compared the FY2023 results with the FY2025 image, the final year of the Medium-Term Business Plan 2025. In terms of FY2023 results, the rock drill machinery segment achieved the goals of the Medium-Term Business Plan 2025 ahead of schedule due to strong performance in North America and the impact of the yen's depreciation. The industrial machinery and UNIC segments saw a decrease in profits in FY2023, and the gap with the Medium-Term Business Plan 2025 is widening.

Progress in the machinery business, which we have positioned as our core business, will be explained on the next and subsequent pages.



The upper left corner of this page shows the bubble chart presented in the Medium-Term Business Plan 2025, comparing the FY2021 results to the FY2025 image by product. The size of the bubbles represents the image of the amount of operating profit.

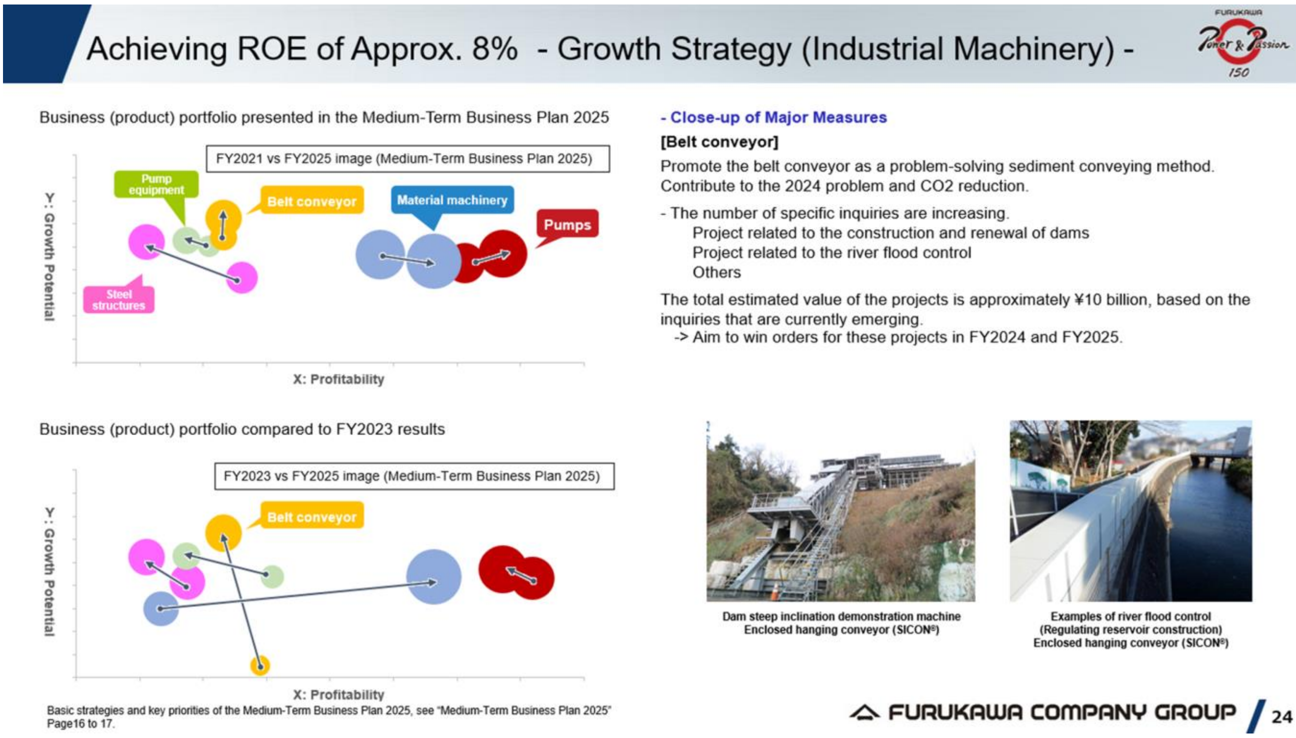
Below left is a bubble chart compared to actual results for FY2023. Of these, in terms of products with large bubbles and large discrepancies between the FY2023 results and the FY2025 image, I will explain the main measures.

First is the industrial machinery segment. As for material machinery, we are aiming to expand market share and increase stock with the GEOPUS series of strategic machines to meet the demand for renewal of aging equipment. Specifically, in crushers, we identify issues at crushers that affect the productivity of our customers and propose the introduction of strategic machines. As a stepping stone to the introduction of crushers, the Company is also building relationships with new customers by introducing a new type of screen.

By region, we have established a base in FY2023 to expand our market share from 10% to 15% in West Japan, where we have a low market share, and we are strengthening our sales structure in the Chugoku and Shikoku regions by increasing personnel, and we have selected targets mainly for replacing other companies' machines. In East Japan, where we have a proven track record, we maintain a 20% market share and have already selected targets for further replacement of our own and other companies' machines and new installations.

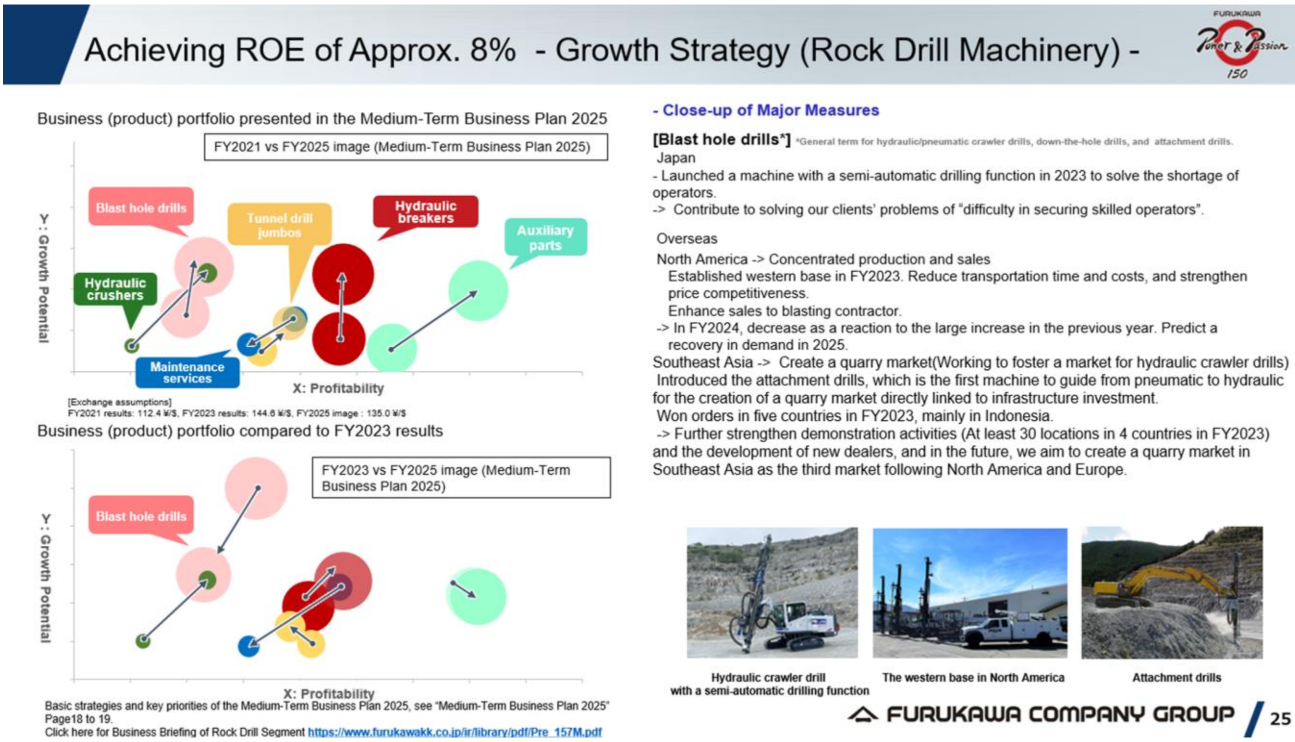
For the future, we aim to build a new business model utilizing IoT technology, such as monitoring machine condition, promoting preventive maintenance, and supporting productivity improvement.

In light of the additional cost incurred in FY2023 due to construction delays at material machinery, the Company will implement strict risk management through a segment-wide matrix organization.



Next is the belt conveyor. We will promote the belt conveyor as a problem-solving sediment conveying method that can contribute to the 2024 problem and CO2 reduction.

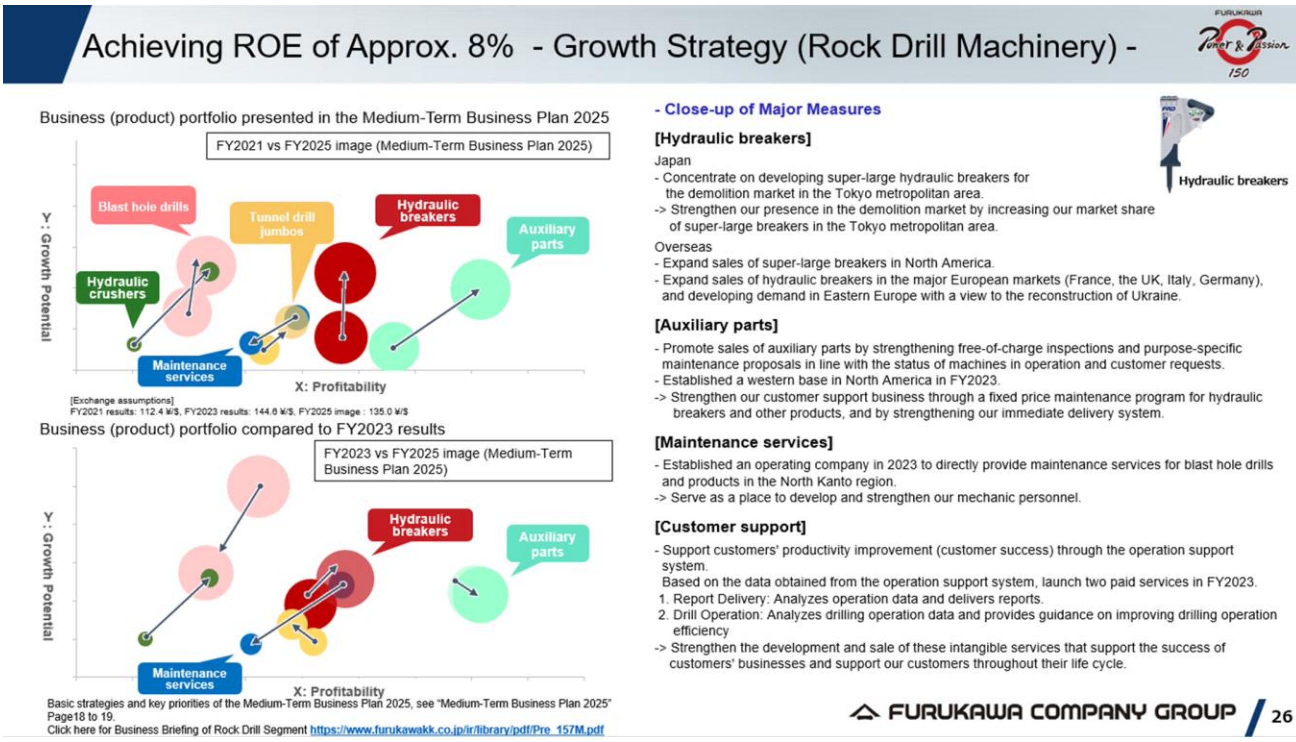
Inquiries for projects related to the construction and renewal of dams and river flood control are increasing. The total estimated value of the project is approximately JPY10 billion, based on the specific inquiries that are currently emerging, and we aim to win orders for these projects in FY2024 and FY2025.



Next is the rock drill machinery segment. Regarding blast hole drills, we launched a machine with a semi-automatic drilling function in 2023 to solve the shortage of operators accompanying the shortage of labor in Japan. We will contribute to solving our clients' problem of difficulty in securing skilled operators.

Overseas, we will continue concentrated production and sales in North America. The western base was established in FY2023 to reduce transportation time and costs, strengthen price competitiveness, and also, to enhance sales to explosion crushers. In FY2024, we expect a lull in demand as a reaction to the large increase in the previous year, but we anticipate a recovery in demand in 2025.

In Southeast Asia, we are working to foster a market for hydraulic crawler drills to create a market for crushed stone. Specifically, we introduced the attachment drills, which is the first machine to guide from pneumatic to hydraulic for the creation of a crushed stone market directly linked to infrastructure investment, and won orders in five countries in FY2023, mainly in Indonesia. We will further strengthen demonstration activities and the development of new dealers, and in the future, we aim to create a crushed stone market in Southeast Asia as the third market following North America and Europe.



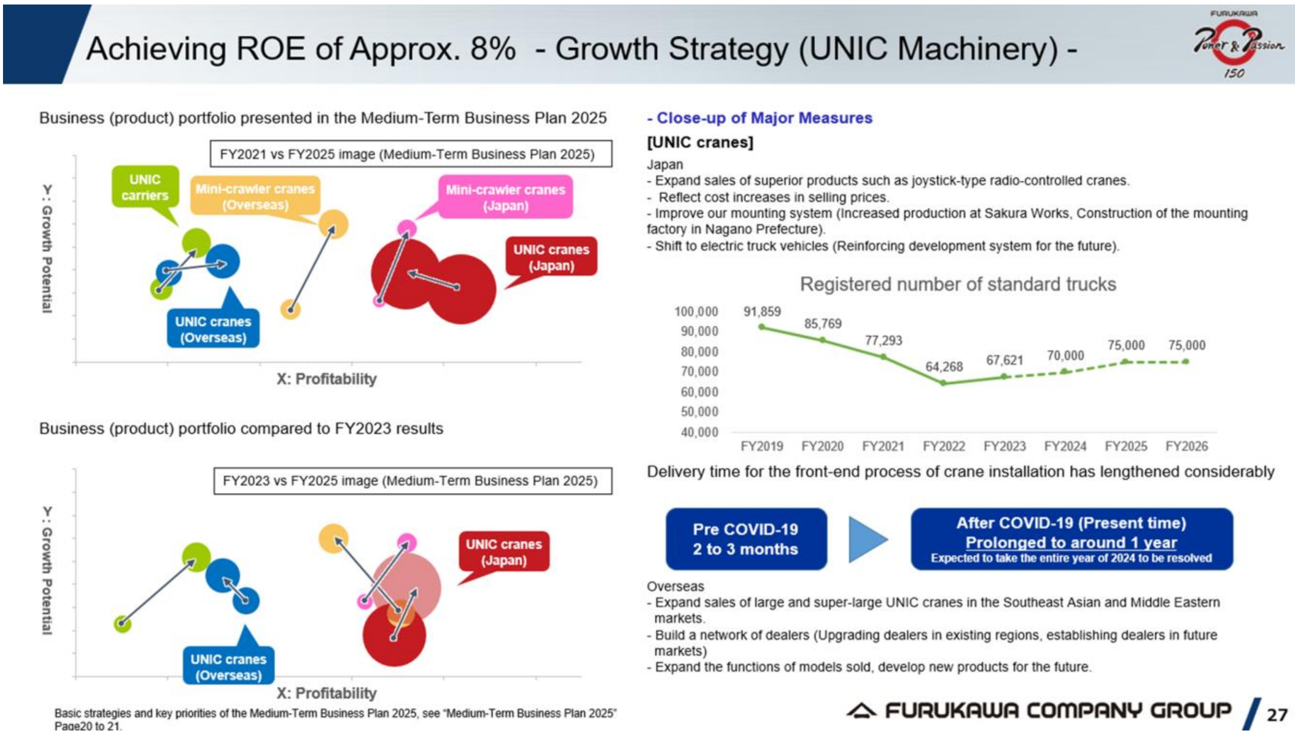
In the area of hydraulic breakers, in Japan, we are concentrating on developing super-large hydraulic breakers for the demolition market in the Tokyo metropolitan area, and we will strengthen our presence in the demolition market by increasing our market share of super-large breakers in the Tokyo metropolitan area.

Overseas, in addition to expanding sales of super-large breakers in North America, we will expand sales of hydraulic breakers in the major European markets of France, the UK, Italy, and Germany, and develop demand in Eastern Europe with a view to the reconstruction of Ukraine.

For auxiliary parts, we will promote sales of auxiliary parts by strengthening free-of-charge inspections and purpose-specific maintenance proposals in line with the status of machines in operation and customer requests. In addition, we have established a western base in North America in FY2023 and will strengthen our customer support business through a fixed price maintenance program for hydraulic breakers and other products, and by strengthening our immediate delivery system.

As for maintenance services, we have established an operating company in 2023 to directly provide maintenance services for blast hole drills and products in the North Kanto region. It will also serve as a place to develop and strengthen our mechanic personnel.

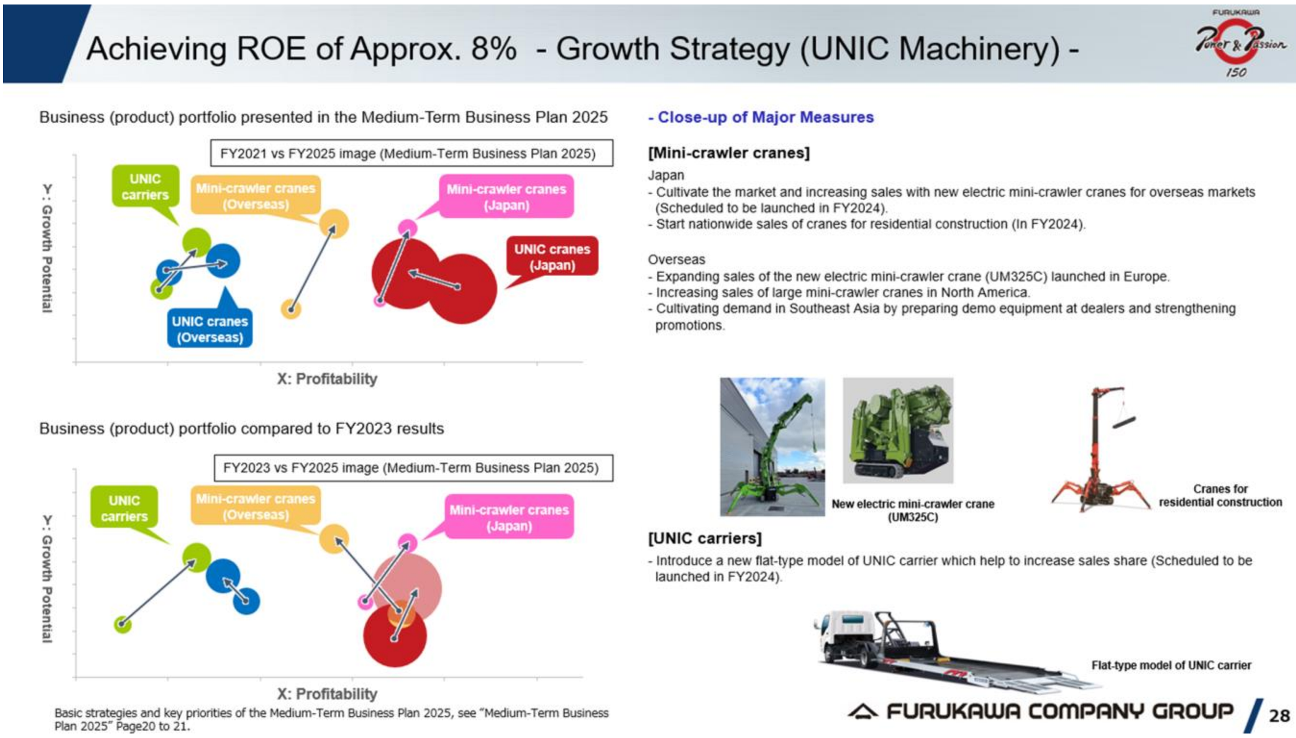
In addition, to support customers' productivity improvement (customer success) through the operation support system, we will launch two paid services in FY2023: Report Delivery, which analyzes operation data based on the data obtained from the operation support system and delivers reports; and Drill Operation, which analyzes drilling operation data and provides guidance on improving drilling operation efficiency. We will strengthen the development and sale of these intangible services that support the success of customers' businesses and support our customers throughout their life cycle.



Finally, this is the UNIC segment. With regard to UNIC cranes, we are working to expand sales in Japan of superior products such as joystick-type radio-controlled cranes, to reflect cost increases in selling prices, to improve our mounting system, and to respond to the future shift to electric truck vehicles, strengthening our development system.

Truck production fell due to the COVID-19 pandemic and parts shortages, but as you can see, regular truck registrations are recovering. However, the delivery time for the front-end process of crane installation, truck production, and body machining has lengthened considerably, from two to three months before COVID-19 to around one year now, which has affected crane mounting. It is expected to take the entire year of 2024 for this to be resolved, and we will continue to closely monitor the situation.

Overseas, in addition to expanding sales of large and super-large UNIC cranes in the Southeast Asian and Middle Eastern markets, we will build a network of dealers by upgrading dealers in existing regions and establishing dealers in future markets and expand the functions of models sold and develop new products for the future.



As for mini-crawler cranes, in Japan, we will cultivate the market and increase sales with new electric mini-crawler cranes for overseas markets, which are scheduled to be launched in FY2024, and also start nationwide sales of cranes for residential construction in FY2024.

Overseas, we are expanding sales of the new electric mini-crawler crane (UM325C) launched in Europe, increasing sales of large mini-crawler cranes in North America, and cultivating demand in Southeast Asia by preparing demo equipment at dealers and strengthening promotions.

We plan to introduce a new flat-type model of UNIC carrier in FY2024, which will help us to increase our sales share. That is all for the explanation.

Through a growth strategy to take our core machinery business to a new stage of sustained expansion, we will increase profits, improve capital efficiency by reducing strategic shareholdings, and streamline and optimize shareholders' equity by increasing shareholder returns. Thus, we will continue to aim to achieve ROE of around 8% and also work to reduce the cost of capital.

In addition, we will strive for appropriate information disclosure and active dialogue with investors to obtain sufficient evaluation from the market to enhance our corporate value and achieve a P/B ratio of over 1x as soon as possible.

I would like to ask all of our shareholders and investors for their continued support of FURUKAWA CO., LTD.

Question & Answer

Shibata [Q]: This is Shibata from SBI SECURITIES.

First, overall, I am aware that external factors and internal human resources, as well as other factors, have led to an irreversible increase in costs recently. Could you explain how to cover cost increases through price pass-on or improvement of the mix, and what you would do to counteract the cost increase including specific examples?

The second is about the metals segment, which I believe has changed the stage since the entrusted contract with Onahama Smelting and Refining was terminated. However, the current situation in spot TC/RC is quite bad. Could you explain how you are looking at the metals segment from the viewpoint of business continuity, etc.?

As for the third question, could you give us some more background on the segments whose profits have moved more strongly this fiscal year than last? The first is rock drill machinery segment, and the second is industrial machinery segment. Could you tell us a little more, for example, with rock drill machinery segment, is North America getting worse off all at once?

Nakatogawa [A]: First, how do we respond to the irreversible increase in costs? We purchase raw materials and parts from our suppliers, and we have to proceed with our business based on the idea that the prices of these items will never go down again. So, one of the issues is how to absorb such costs.

As a matter of fact, yesterday, there was a debriefing on product development, where we discussed how to design for higher productivity, how to reduce costs by making parts, simply put, lighter, etc. There are many measures to be taken, and first they must be done from the development stage. And I think that what has gone up is naturally going to be passed on.

Specifically, the good performance of rock drill machinery segment last year was due in large part to the fact that price pass-through proceeded smoothly. Conversely, as for UNIC, although prices were raised to pass on cost prices, orders (before the price increase) were concentrated. In addition, truck deliveries were poor, and it was difficult to clear the backlog of orders, which had a negative impact.

We will raise the prices of each product this year as necessary. Specifically, for UNIC products, we have already issued a notice that the prices will be raised during H1, and we would like to reflect this in the cost price increases.

Second, regarding metals segment, the situation for TC/RC is not good. This is one of the reasons why we have set a very tight budget for this fiscal year. However, since we have integrated our (entrusted smelting) operations with Hibi Kyodo Smelting, we have been able to procure and sell products quite efficiently, including raw materials. We would like to continue to further increase our profits in this area for the time being, after clearly assessing the situation.

For exporting of electrolytic copper and sulfuric acid, which are surplus to domestic demand, was not very profitable, so we reduced the amount of exports to zero or considerably less. So, I think we can say that the profitability of this aspect has also improved.

As for the performance of this fiscal year, first I would like to talk about rock drill machinery segment. As I explained earlier, North America was the driving force behind the growth in the last fiscal year. Looking at the current situation in North America, our view is that the situation is relatively steady. There has been no decline.

However, since there was a considerable volume of shipments in FY2022 and FY2023, we are taking a firm view that the market will inevitably take a step back or wait and see. Of course, there is also the uncertain factor of the presidential election.

However, this is a one-time event in FY2024, and we will continue to implement various measures in FY2024 and FY2025, including measures for the western base, etc., so we believe that we will be able to expand the business.

In the industrial machinery segment, there was an unexpectedly large additional cost, resulting in a large negative balance, and the results did not reach the initial plan. In addition to the elimination of this factor, as I mentioned earlier, material machinery projects have been coming out a lot, and we are expecting conveyors and bridges to bear fruit here as well.

In the previous fiscal year, the order scheduled for February or March, was extended into the next fiscal year, etc., and some of the sales associated with the percentage-of-progress method were not recorded, and we expect those to be positive again this fiscal year.

Shibata [Q]: As for the smelting of the metals segment, even if TC/RC did not go up at all, and even if the deficit were to continue for a long time in the future, would you take a wait-and-see approach? Or, if it becomes too difficult to continue the business, is there an option to cut out the business, which would be difficult because there are probably some customers?

Nakatogawa [A]: Of course, as the management of the Company, if it is not viable as a business, it is only natural to consider whether or not to cut it out as a business.

However, although TC/RC this year is considerably worse than last year, we are still managing to make a profit even under the current circumstances. If the situation changes in the future, we will naturally have to make a business decision as to whether or not to continue the business.

Shibata [Q]: In industrial machinery segment, looking at the status of orders from customers in material machinery and bridges, is it safe to say that there is a high degree of certainty that you will be able to receive orders for these items this fiscal year?

Nakatogawa [A]: Though some of them are inevitably long-term projects, orders are also increasing, and we believe that industrial machinery's figure is highly reliable.

Ozaki [Q]: This is Ozaki from Daiwa Securities.

On page 19, you have indicated a tree of initiatives to enhance corporate value. Could you tell us how you, as President, are currently evaluating the progress of these initiatives, and what your perception of future challenges is?

In particular, I have the impression that the increase in profits from the growth strategy has not reached the target. What is your current assessment of each of these measures?

The second point, is that the machinery business is not growing profitably. Could you tell us what the challenges are in terms of external factors, then demand factors, competition factors, and internal factors including your company's costs? I would appreciate a general comment on the background of this slight delay in profits growth in the machinery business.

Nakatogawa [A]: First, I would like to talk about initiatives to enhance corporate value. In order to achieve ROE of around 8%, the main issue will be how to achieve the growth strategy.

However, operating profit was JPY8.5 billion in the previous fiscal year, and the budget for this fiscal year is only a slight addition to that amount, which I think is very insufficient. Therefore, we believe that there are still many things in our future strategy that are insufficient, or that we need to make changes. This is the Medium-Term Business Plan 2025, but we would like to consider the situation, including the possibility of updating or changing the current plan, based on our understanding of the current situation.

We regret that we may have been too late in our decision to reduce our strategic shareholdings. However, we would like to bring the rate down to less than 20% by end of March 2025, and continue to reduce it beyond FY2025.

Then the machinery business. The achievement of the final goal of this Medium-Term Business Plan, depends on how we can grow the machinery business. As you say, the figures (the previous year's financial results and this fiscal year forecasts) are not as expected.

The biggest factor, after all, is the inability to make profits and revenues that exceed the considerable costs involved. Both industrial machinery segment and UNIC machinery segment still have a cost structure, and each business segment continues to work on cost reduction and price pass-on.

As for rock drill machinery segment, as I mentioned earlier, we are working to further expand our business in new markets and in North America, and we are determined to achieve the goals of the Medium-Term Business Plan.

However, the current situation is quite difficult, and we would like to take another look at our future growth strategy and carefully refine it.