

# FURUKAWA

## FURUKAWA CO., LTD.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2025, Business Briefing

November 29, 2024

### [Number of Speakers]

4

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President and Representative Director  
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## Presentation

**Akutagawa:** First, Mr. Nakatogawa, our president and representative director, will explain our financial results and forecast for Q2 of the fiscal year ending March 2025, and then Mr. Iwama, President of Furukawa Industrial Machinery Systems, will explain the business of the industrial machinery segment.

**Nakatogawa:** My name is Nakatogawa and I am the president of FURUKAWA. Thank you for taking time out of your busy schedule today to attend our financial results briefing and business meeting.

Our core businesses are 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. We appreciate your continued support.

### Financial Results for the FY2024 Q2 (Consolidated)



		FY2023 Q2	FY2024 Q2	Difference
Net sales	Million yen	94,793	93,522	(1,270)
Operating profit	Million yen	4,599	3,489	(1,110)
Operating margin	%	4.9	3.7	(1.1)
Ordinary profit	Million yen	6,074	3,428	(2,645)
Profit attributable to owners of parent	Million yen	12,911	8,725	(4,185)

First, a summary of our financial results. With regard to the YoY changes for Q2 of the fiscal year ending March 2025, net sales decreased JPY1.2 billion to JPY93.5 billion, operating profit dropped JPY1.1 billion to JPY3.4 billion, ordinary profit declined JPY2.6 billion to JPY3.4 billion, and net profit attributable to owners of the parent slipped JPY4.1 billion to JPY8.7 billion.

## Financial Forecasts for the FY2024 (Consolidated)



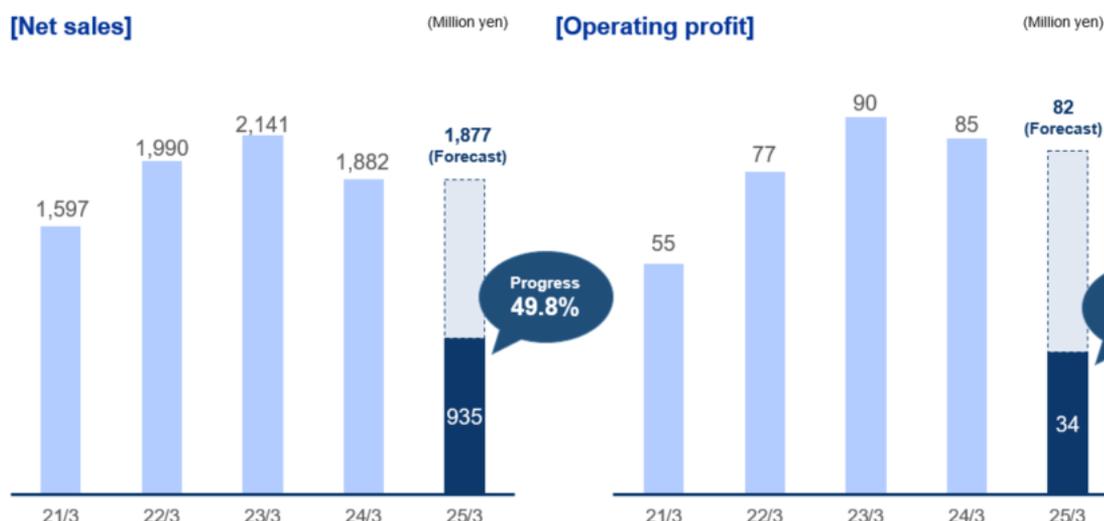
		FY2023	FY2024 (Forecast)	Difference
Net sales	Million yen	188,255	187,700	(555)
Operating profit	Million yen	8,524	8,200	(324)
Operating margin	%	4.5	4.4	(0.2)
Ordinary profit	Million yen	10,384	7,400	(2,984)
Profit attributable to owners of parent	Million yen	16,097	16,000	(97)
Annual dividend	Yen	55	60	5

\*FY2024 (Forecast) were announced on Nov. 11, 2024

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Here is a summary of this year's forecast. For the full year ending March 2025, we expect net sales to decrease JPY500 million to JPY187.7 billion, operating profit to decline JPY300 million to JPY8.2 billion, ordinary profit to drop JPY2.9 billion to JPY7.4 billion, and net profit attributable to owners of the parent to remain mostly unchanged at JPY16 billion.

## Trends in Consolidated Performance



\*25/3 were announced on Nov. 11, 2024

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The graph shows the changes in our sales and operating profit. For Q2 of the fiscal year ending March 2025, the progress rate against the full-year forecast is 49.8% for net sales and 42.5% for operating profit.

# Consolidated Income Statement



(Million yen)

	FY2023 Q2	FY2024 Q2	Difference
<b>Net sales</b>	<b>94,793</b>	<b>93,522</b>	<b>(1,270)</b>
<b>Operating profit</b>	<b>4,599</b>	<b>3,489</b>	<b>(1,110)</b>
Non-operating income	2,343	1,368	(975)
Non-operating expenses	869	1,429	560
<b>Ordinary profit</b>	<b>6,074</b>	<b>3,428</b>	<b>(2,645)</b>
Extraordinary income	13,490	8,278	(5,211)
Extraordinary losses	701	142	(558)
Profit before income taxes	18,863	11,564	(7,298)
Income taxes – current	3,300	3,027	(273)
Income taxes – deferred	2,515	△278	(2,794)
Profit	13,046	8,815	(4,230)
Profit attributable to non-controlling interests	134	89	(44)
<b>Profit attributable to owners of parent</b>	<b>12,911</b>	<b>8,725</b>	<b>(4,185)</b>

Recorded of a foreign exchange gain (¥1,080 million) in the previous fiscal year.  
Recording of foreign exchange loss (¥562 million) in the current fiscal year.

Recorded of gain on sales of non-current assets (¥13,423 million) in the previous fiscal year. (Transfer of a portion of co-ownership of the former Furukawa Osaka Building site and other land.)  
Recording gain on sales of investment securities, mainly from the partial sales of strategic shareholdings in current fiscal year (¥8,248 million).

Recorded demolition expenses of a Furukawa Osaka Building, Furukawa Hamadori Building and Yamayo Building (¥458 million), and recorded loss on liquidation of two overseas subsidiaries in China and Panama in the Rock Drill segment (¥200 million), etc.

The effective corporate tax rate after the application of tax-effect accounting for current fiscal year was 23.8%, a significant deviation from the effective statutory tax rate of 30.6%, mainly due to a review of our total income taxes associated with our plan to reduce strategic shareholdings.

This is our income statement. Net sales and operating profit will be discussed in detail by segment later. Ordinary profit decreased by JPY2.6 billion, mainly due to a JPY1.1 billion decline in operating profit and the recording of a JPY1 billion foreign exchange gains in non-operating income in the previous period and a JPY500 million foreign exchange loss in non-operating expenses in the current period.

In terms of extraordinary income, we recorded a gain on the sale of investment securities this fiscal year, mainly from the partial sale of strategic shareholdings. However, in the previous fiscal year, we posted a gain on the sale of fixed assets due to the transfer of a portion of co-ownership interest in the former Furukawa Osaka Building site and other lands, but also recorded extraordinary losses from the demolition expenses of a rental building and a loss on liquidation of subsidiaries. As a result, our profit before income taxes decreased by JPY7.2 billion.

The effective corporate tax rate after the application of tax-effect accounting for this fiscal year was 23.8%, a significant deviation from the effective statutory tax rate of 30.6%, mainly due to a review of our total income taxes associated with our plan to reduce strategic shareholdings. As a result, our profit attributable to owners of the parent for the period was JPY8.7 billion, down JPY4.1 billion.

# Consolidated Balance Sheet



(Million yen)

	FY2023	FY2024 Q2	Difference	
<b>Assets</b>				
Current assets	99,636	113,566	13,929	→ Increase in merchandise and finished goods, raw materials and supplies, etc.
Non-current assets	160,241	143,829	(16,411)	
Property, plant and equipment	92,045	91,411	(633)	
Intangible assets	342	320	(21)	→ Decline in the share prices of listed stocks and a decrease in investment securities resulting from the sale of some strategic shareholdings.
Investment and other assets	67,853	52,097	(15,755)	
<b>Total assets</b>	<b>259,878</b>	<b>257,395</b>	<b>(2,482)</b>	
<b>Liabilities</b>				
Current liabilities	51,669	56,883	5,213	→ Increase in short-term borrowings, accounts payable, etc.
Non-current liabilities	74,935	70,469	(4,466)	→ Decrease in deferred tax liabilities, etc.
<b>Total liabilities</b>	<b>126,605</b>	<b>127,353</b>	<b>747</b>	
<b>Net assets</b>				
Shareholder's equity	96,549	101,771	5,222	
Share capital	28,208	28,208	-	
Capital surplus	2	10	8	
Retained earnings	73,046	79,740	6,694	
Treasury shares	(4,707)	(6,188)	(1,480)	
Accumulated other comprehensive income	33,358	24,758	(8,599)	→ decrease in valuation difference on available-for-sale securities owing to a reduction in strategic shareholdings.
Non-controlling interests	3,365	3,512	146	
<b>Total net assets</b>	<b>133,272</b>	<b>130,042</b>	<b>(3,230)</b>	
<b>Total liabilities and net assets</b>	<b>259,878</b>	<b>257,395</b>	<b>(2,482)</b>	

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This is our balance sheet. In terms of assets, our current assets grew JPY13.9 billion due to an increase in merchandise and finished goods, raw materials and supplies, among other things. However, with regard to our non-current assets, our investments and other assets dropped JPY15.7 billion due to such factors as a decline in the share prices of listed stocks and a decrease in investment securities resulting from the sale of some strategic shareholdings. As a result, our total assets shrank by JPY2.4 billion to JPY257.3 billion.

As for liabilities, total liabilities went up by JPY700 million to JPY127.3 billion as a result of a JPY5.2 billion rise in current liabilities due to increases in short-term borrowings, accounts payable, and so on despite a JPY4.4 billion decrease in non-current liabilities due to a decrease in deferred tax liabilities.

Net assets dropped JPY3.2 billion to JPY130 billion as a result of a JPY8.5 billion decrease in accumulated other comprehensive income due to a decline in valuation difference on available-for-sale securities owing to a reduction in strategic shareholdings.

## Interest-Bearing Debt & Consolidated Cash Flow

### [Interest-bearing debt]

(Million yen)

	FY2023	FY2024 Q2	Difference
Short-term	493	8,592	8,099
Long-term	52,895	51,150	(1,745)
Bonds payable	5,000	5,000	-
Total	58,389	64,743	6,354

Expected to decrease to around ¥57 billion in fiscal year ending March 2025.

### [Consolidated cash flow]

(Million yen)

	FY2023 Q2	FY2024 Q2	Difference
Cash flows from operating activities	8,443	(15,421)	(23,864)
Cash flows from investing activities	1,946	7,125	5,178
Cash flows from financing activities	(4,312)	2,629	6,942
Cash and cash equivalents	20,364	12,951	(7,412)

Outflows from changes in assets and liabilities related to operating activities [¥(18,259) million], income taxes paid [¥(3,241) million], etc.

Purchase of property, plant and equipment [¥(3,045) million], proceeds from sale of investment securities [¥10,155 million], etc.

Repayments of borrowings [¥(17,269) million] and cash dividends paid [¥(2,042) million], proceeds from borrowings [¥23,598 million], etc.

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Interest-bearing debt jumped JPY6.3 billion to JPY64.7 billion in total due mainly to an increase in short-term borrowings, but is expected to decrease to around JPY57 billion in fiscal year ending March 2025.

Consolidated cash flow was negative JPY15.4 billion owing to the posting of expenditures brought about by such factors the changes in assets and liabilities from operating activities, but it was only due to a temporary increase in inventories resulting from the procurement of copper ores in the metals segment.

Cash flow from investing activities was positive JPY7.1 billion due to proceeds from sale of investment securities, which offset the purchase of property, plant and equipment. Meanwhile cash flow from financing activities stood at positive JPY2.6 billion owing to proceeds from borrowings, which offset the repayment of borrowings and dividends paid.

As a result, cash and cash equivalents at end of the interim consolidated fiscal period decreased JPY7.4 billion from the end of the previous fiscal year to JPY12.9 billion.

## Financial Results by Segment (Consolidated)



(Million yen)

	Net sales			Operating profit		
	FY2023 Q2	FY2024 Q2	Difference	FY2023 Q2	FY2024 Q2	Difference
Machinery	40,302	41,768	1,465	2,581	2,187	(393)
Industrial	6,054	8,778	2,723	(283)	11	294
Rock Drill	19,961	18,425	(1,535)	2,146	1,539	(607)
UNIC	14,286	14,564	277	717	636	(81)
Materials	51,503	48,659	(2,843)	1,912	952	(960)
Metals	43,359	40,589	(2,769)	1,254	579	(674)
Electronics	3,540	3,154	(386)	274	(2)	(276)
Chemicals	4,603	4,915	312	383	374	(8)
Real Estate	903	1,027	124	226	360	134
Other	2,083	2,066	(16)	(86)	26	112
Adjustment				(34)	(38)	(3)
Total	94,793	93,522	(1,270)	4,599	3,489	(1,110)

JPY rate per US\$	141.0 ¥/\$	152.6 ¥/\$	11.6 ¥/\$
LME copper price	8,417 \$/ton	9,477 \$/ton	1,060 \$/ton

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By segment, revenue increased in the industrial machinery, UNIC, and chemicals segments but declined overall, mainly due to significant sales decreases in the rock drill machinery segment, which had performed well in the previous fiscal year, and in the metals segment, where sales volume of electrolytic gold declined.

The overall machinery business grew JPY1.4 billion to JPY41.7 billion, and the overall materials business shrank JPY2.8 billion to JPY48.6 billion.

Operating profit surged in the industrial machinery segment and real estate business, but was sluggish in the other segments, resulting in an overall decrease in operating profit. The machinery business as a whole decreased by JPY300 million to JPY2.1 billion, while the materials business as a whole declined by JPY900 million to JPY900 million. Foreign exchange rates and copper prices are shown in the table.

## Financial Forecasts by Segment (Consolidated)



(Million yen)

	Net sales			Operating profit		
	FY2023	FY2024 (Forecast)	Difference	FY2023	FY2024 (Forecast)	Difference
Machinery	82,085	83,500	1,414	5,696	5,700	3
Industrial	15,548	21,600	6,051	389	1,900	1,510
Rock Drill	38,682	32,900	(5,782)	4,148	2,300	(1,848)
UNIC	27,853	29,000	1,146	1,158	1,500	341
Materials	100,388	98,000	(2,388)	2,765	1,900	(865)
Metals	84,712	81,700	(3,012)	1,945	1,000	(945)
Electronics	6,766	6,800	33	212	300	87
Chemicals	8,908	9,500	591	608	600	(8)
Real Estate	1,873	2,100	226	470	700	229
Other	3,908	4,100	191	(293)	0	293
Adjustment				(114)	(100)	14
Total	188,255	187,700	(555)	8,524	8,200	(324)

JPY rate per US\$	144.6 ¥/\$	148.8 ¥/\$	4.2 ¥/\$
LME copper price	8,362 \$/ton	9,489 \$/ton	1,127 \$/ton

\*FY2024 (Forecast) were announced on Nov. 11, 2024

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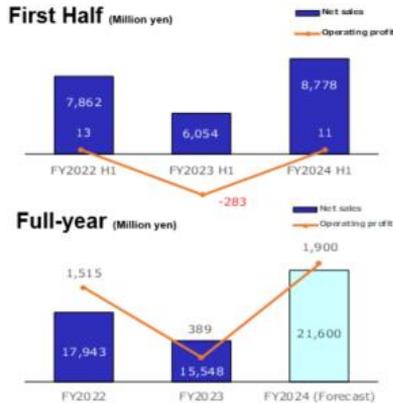
For the full fiscal year, although we expect to see increases in sales mainly in the industrial machinery, UNIC, and chemicals segments, we also project a decrease in sales overall due to a lull in demand in North America in the rock drill machinery segment, which was strong in the previous fiscal year, and a decline in sales volume of electrolytic copper and other products in the metals segment.

We forecast an increase of JPY1.4 billion to JPY83.5 billion for the machinery business as a whole, and a decrease of JPY2.3 billion to JPY98 billion for the materials business as a whole.

Operating profit is expected to rise mainly in the industrial machinery segment, the UNIC segment, and the real estate business, but is projected to dip in the rock drill machinery and metals segments, resulting in an overall decrease in operating profit for the Company. We forecast JPY5.7 billion for the machinery business as a whole, unchanged from the previous year, and JPY1.9 billion for the materials business as a whole, down JPY800 million.

The actual and assumed foreign exchange rates and copper prices are shown in the table.

# Results by Segment (Industrial Machinery Segment)



## - Main factor of first half results

**[Net sales] ¥8.7 billion [+¥2.7 billion]**

- Material machinery sales climbed thanks to the increased shipments of main units and volume of crushed stone plants, while in the contractor business, revenue increased due to the fluctuation in net sales in steel bridges in line with construction volume.

**[Operating profit] ¥0.0 billion [+¥0.2 billion]**

- Overall operating profit also rose thanks mainly to higher sales and profit from steel bridges. (Operating profit for the previous fiscal year was in the red due to additional costs incurred as a result of delays in plant construction for material machinery and other factors.)

	FY2024 Q2	VS FY2023 Q2
Order backlog	¥14.2 billion	¥(1.7) billion

[Pump facilities]  
Morigasaki Water Reclamation Center, Hyogo East Basin Sewage Sludge Treatment Plant, etc.  
[Bridges]  
Moka IC South Overpass (Tochigi pref.), Takanezawa Overpass (Tochigi pref.), etc.  
[Belt conveyors]  
Concrete transport equipment for dam construction, earth and sand transport equipment for tunnel excavation, etc.

## - Main factor of Full-year forecast

**[Net sales] ¥21.6 billion [+¥6.0 billion]**

- Expect an overall increase in net sales owing to the projected growth in sales of material machinery, steel bridges, pumps and pump equipment, and belt conveyors.

**[Operating profit] ¥1.9 billion [+¥1.5 billion]**

- Expect an overall increase in operating profit due to expected increase in sales and profits from material machinery, pump equipment, and belt conveyors. (In the previous fiscal year, additional costs were incurred due to delays in plant construction for material machinery.)

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

**Pumps**

[Features] Pumps products superior in the durability and abrasion resistance which was amassed through mine development.  
[Destinations] Shield tunnel construction sites, sewage treatment plants, etc.

[Market share]

Industrial Market Share	60%
Industrial Market Share	40%

Sewage Pumps      Slurry Pumps

**Material machinery**

[Features] Supports section plants including machine manufacturing and sales.  
[Destinations] Quarries, limestone mines, steel works, etc.

[Market share]

Industrial Market Share	15%
-------------------------	-----

Crushers

**Infrastructure division**

[Features] Comprehensive capability to undertake all the processes from the design of construction work to its execution.  
[Destinations] New construction of steel bridges, Construction of conveying earth and sand, etc.  
[Attention] Belt conveyors attract attention which instead of dump trucks to transport earth and sand. Inquiries are increasing.

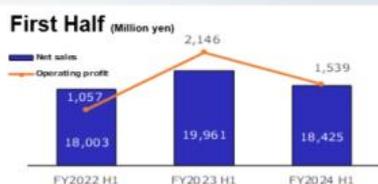
I will discuss the details by segment. For reference, we have described the characteristics, destinations, market share and other aspects of the main products of each segment at the bottom of the page. Please take a look at it when you have time.

This is the industrial machinery segment. As for the YoY changes in H1, net sales increased by JPY2.7 billion. Material machinery sales climbed thanks to the increased shipments of main units and volume of crushed stone plants, while in the contractor business, revenue increased due to the fluctuation in net sales in steel bridges in line with construction volume.

Operating profit increased JPY200 million, and overall operating profit also rose thanks mainly to higher sales and profit from steel bridges. Operating profit for the previous fiscal year was in the red due to additional costs incurred as a result of delays in plant construction for material machinery and other factors. Order backlog was JPY14.2 billion, down JPY1.7 billion YoY, with orders received for pump equipment, steel bridges, and belt conveyors as noted.

Regarding the YoY changes in our full-year forecast, we expect an overall increase of JPY6 billion in net sales owing to the projected growth in sales of material machinery, steel bridges, pumps and pump equipment, and belt conveyors. Operating profit is expected to rise by JPY1.5 billion to JPY1.9 billion overall, due to expected increases in sales and profits from material machinery, pump equipment, and belt conveyors.

## Results by Segment (Rock Drill Machinery Segment)



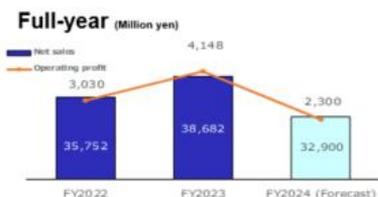
### - Main factor of first half results

**[Net sales] Japan ¥6.4 billion [¥(0.2) billion], Overseas ¥11.9 billion [¥(1.3) billion]**

- In Japan, sales declined due to lower shipments of tunnel drill jumbos, hydraulic crawler drills, hydraulic breakers, and other products.  
Overseas, sales dipped due to a lull in demand for hydraulic breakers in North America, despite the positive effect of the weaker yen on sales.

**[Operating profit] ¥1.5 billion [¥(0.6) billion]**

- Operating profit decreased mainly due to lower sales in North America.



### - Main factor of Full-year forecast

**[Net sales] Japan ¥13.6 billion [¥(0.9) billion], Overseas ¥19.3 billion [¥(4.9) billion]**

- In Japan, expect a decline in sales due to a projected decrease in shipments of tunnel drill jumbo units. Overseas sales are expected to decrease mainly due to the anticipated contraction in shipments of hydraulic breakers and hydraulic crawler drills in North America.

**[Operating profit] ¥2.3 billion [¥(1.8) billion]**

- Operating profit is projected to decrease mainly due to the expected decline in sales and profits overseas.

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

**Hydraulic breakers**

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

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

[Market share] 40%  
Hydraulic breakers

**Hydraulic crawler drills**

[Features] Accurate and speedy drilling technology suitable for the rock conditions.

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

[Market share] 65%  
Hydraulic crawler drills

**Tunnel drill jumbos**

[Features] Many proven results in mountain tunnel and large tunnel constructions.

[Destinations] Mountain tunnel construction sites,  
Dam headrace construction sites, etc.

[Market share] 80%  
Tunnel drill jumbos

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This is the rock drill machinery segment. As for the YoY changes in H1, net sales decreased by JPY200 million in Japan and by JPY1.3 billion overseas. Domestic sales declined due to lower shipments of tunnel drill jumbos, hydraulic crawler drills, hydraulic breakers, and other products.

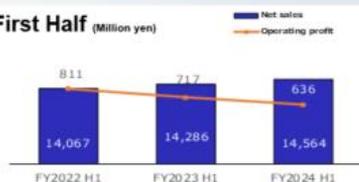
Overseas, sales dipped due to a lull in demand for hydraulic breakers in North America, despite the positive effect of the weaker yen on sales. Operating profit decreased by JPY600 million, mainly due to lower sales in North America.

As for the YoY changes in our full-year forecast, we expect net sales to go down by JPY900 million domestically and by JPY4.9 billion overseas. In Japan, we expect a decline in sales due to a projected decrease in shipments of tunnel drill jumbo units. Overseas sales are expected to decrease mainly due to the anticipated contraction in shipments of hydraulic breakers and hydraulic crawler drills in North America. The segment as a whole is forecasting a JPY5.7 billion drop in revenues. Operating profit is projected to decrease by JPY1.8 billion to JPY2.3 billion, mainly due to the expected decline in sales and profits overseas.

## Results by Segment (UNIC Machinery Segment)



### First Half (Million yen)



### - Main factor of first half results

**[Net sales] Japan ¥11.1 billion [+¥0.0 billion], Overseas ¥3.4 billion [+¥0.1 billion]**

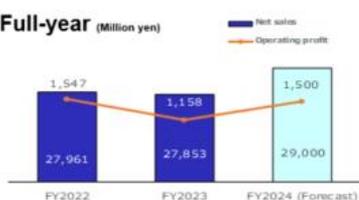
- In Japan, shipments of UNIC cranes were on par with the previous fiscal year, although the supply of trucks was unstable.

Overseas, sales climbed thanks to increased shipments of UNIC cranes to Asia and the Middle East, despite the drop in shipments of mini-crawler cranes to North America.

**[Operating profit] ¥0.6 billion [¥(0.0) billion]**

- Overseas, sales climbed thanks to increased shipments of UNIC cranes to Asia and the Middle East, despite the drop in shipments of mini-crawler cranes to North America.

### Full-year (Million yen)



### - Main factor of Full-year forecast

**[Net sales] Japan ¥22.7 billion [+¥1.2 billion], Overseas ¥6.3 billion [¥(0.0) billion]**

- Expects the situation in Japan in H1 to continue, but anticipates sales to increase due to a certain degree of recovery in the supply of trucks towards the end of the fiscal year.

Overseas, although shipments of UNIC cranes are expected to grow, shipments of mini-crawler cranes are projected to decrease, so we expect sales to remain unchanged from the previous year.

**[Operating profit] ¥1.5 billion [+¥0.3 billion]**

- Operating profit is projected to increase due to the expected increase in domestic sales and profit.

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

**UNIC cranes**

[Features] Wide range of models such as various boom lengths etc. which correspond to customer needs.

[Destinations] Construction and civil engineering sites, material handling, rental companies, etc.

[Market share] 50%

UNIC cranes

**Mini-crawler cranes**

[Features] Show the power in narrow ground, rough ground and indoor worksites.

[Destinations] Narrow or rough ground, indoor worksites, rental companies, etc.

[Market share] 40%

Mini-crawler cranes

**UNIC carriers**

[Features] Wide range of models such as car transporter type, heavy machine transporter type, etc.

[Destinations] Car dealer, transportation company, road construction company, etc.

[Market share] 50%

UNIC carriers

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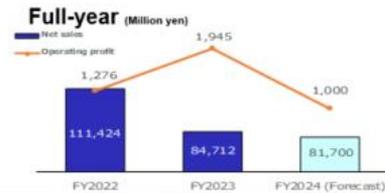
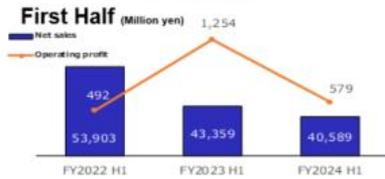
This is the UNIC segment. As for the YoY changes in H1, net sales remained flat in Japan and increased JPY100 million overseas. In Japan, shipments of UNIC cranes were on par with the previous fiscal year, although the supply of trucks was unstable.

Overseas, sales climbed thanks to increased shipments of UNIC cranes to Asia and the Middle East, despite the drop in shipments of mini-crawler cranes to North America. Overall, revenues increased by JPY200 million.

Operating profit decreased due to continued product shipments before price hikes in response to soaring raw material prices.

As for our full-year forecast, the Company expects the situation in Japan in H1 to continue, but anticipates sales to increase due to a certain degree of recovery in the supply of trucks towards the end of the fiscal year. Overseas, although shipments of UNIC cranes are expected to grow, shipments of mini-crawler cranes are projected to decrease, so we expect sales to remain unchanged from the previous year. Overall, we forecast an increase of JPY1.1 billion in revenues. Operating profit is projected at JPY1.5 billion, up JPY300 million, due to the expected increase in domestic sales and profit.

# Results by Segment (Metals Segment)



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

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

## - Main factor of first half results

### [Net sales] ¥40.5 billion [¥(2.7) billion]

- Electrolytic copper production dipped by 1,660 tons YoY to 23,300 tons, and although sales volume decreased, revenue still increased due to higher overseas market prices and a weaker yen. Revenue from electrolytic gold dropped due to lower sales volume, resulting in an overall dip in sales. Copper +¥1.9 billion [Volume ¥(4.1) billion, Unit price +¥6.0 billion] Gold ¥(4.6) billion [Volume ¥(5.7) billion, Unit price +¥1.1 billion]

### [Operating profit] ¥0.5 billion [¥(0.6) billion]

- Overall operating profit dropped due to a deterioration in the entrusted smelting contract balance caused by worsening ore purchase conditions, as well as the effects of metal price fluctuations, especially for gold.

Profit/loss from metal price fluctuations in the metals segment

	FY2024 Q2	VS FY2023 Q2
Operating profit	¥0.57 billion	¥(0.67) billion
Include price affect	¥0.31 billion	¥(0.56) billion
Copper	¥(0.01) billion	¥(0.13) billion
Gold	¥0.26 billion	¥(0.42) billion

	FY2024 Q2	VS FY2023 Q2
JPY rate per US\$	152.6 W/\$	11.6 W/\$
LME copper price	9,477 \$/ton	1,060 \$/ton

	FY2024 (Forecast)	VS FY2023 Difference
JPY rate per US\$	148.8 W/\$	4.2 W/\$
LME copper price	9,489 \$/ton	1,127 \$/ton

## - Main factor of Full-year forecast

### [Net sales] ¥81.7 billion [¥(3.0) billion]

- Net sales are expected to decline mainly due to contraction in sales volume of electrolytic copper and other products.

### [Operating profit] ¥1.0 billion [¥(0.9) billion]

- Operating profit is expected to decrease due to a deterioration in the entrusted smelting contract balance caused by worsening ore purchasing conditions and the absence of expected price differential gains owing to the impact of metal price fluctuations in H2.

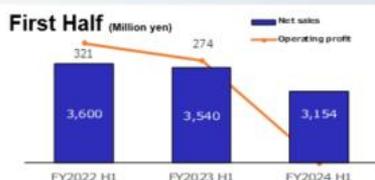
FURUKAWA COMPANY GROUP 13

This is the metals segment. As for the YoY changes in H1, net sales decreased by JPY2.7 billion. Electrolytic copper production dipped by 1,660 tons YoY to 23,300 tons, and although sales volume decreased, revenue still increased due to higher overseas market prices and a weaker yen. However, revenue from electrolytic gold dropped due to lower sales volume, resulting in an overall dip in sales.

Operating profit decreased by JPY600 million, and overall operating profit dropped due to a deterioration in the entrusted smelting contract balance caused by worsening ore purchase conditions, as well as the effects of metal price fluctuations, especially for gold.

Regarding the YoY changes in our full-year forecast, net sales are expected to decline mainly due to contraction in sales volume of electrolytic copper and other products. We forecast operating profit to decrease due to a deterioration in the entrusted smelting contract balance caused by worsening ore purchasing conditions and the absence of expected price differential gains owing to the impact of metal price fluctuations in H2.

## Results by Segment (Electronics Segment)



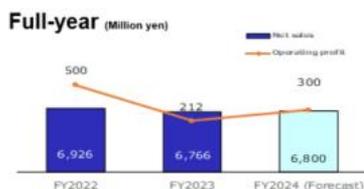
### - Main factor of first half results

**[Net sales] ¥3.1 billion [¥(0.3) billion]**

- Sales of aluminum nitride ceramics increased due to a recovery in demand for parts for semiconductor manufacturing equipment.
- Sales of high-purity metallic arsenic decreased due to lower exports, crystal products were affected by prolonged inventory adjustments by users, and coil sales went down due to the suspension of shipment by some automobile manufacturers.

**[Operating profit] ¥(0.0) billion [¥(0.2) billion]**

- Operating profit posted a loss owing to such factors as lower sales of high-purity metallic arsenic, crystal products, and coils.



### - Main factor of Full-year forecast

**[Net sales] ¥6.8 billion [+¥0.0 billion]**

- Expect sales of aluminum nitride ceramics to increase thanks to the continued recovery in the demand for parts for semiconductor manufacturing equipment, but also project sales to remain mostly unchanged from the previous year due to the expected declines in shipments of high-purity metallic arsenic, crystal products, and coils.

**[Operating profit] ¥0.3 billion [+¥0.0 billion]**

- Operating profit to increase overall due to project reduced revenues and profits from high-purity metallic arsenic, crystal products, and coils, also expect increased revenues and profits from aluminum nitride ceramics and other products.

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

#### High-purity metallic arsenic

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

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

[Market share]



High-purity metallic arsenic

#### Aluminum nitride ceramics

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

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

[Full production] Awareness as an excellent heat-dissipating materials is spreading. Capital investment has been implemented to increase production to meet future demand growth.

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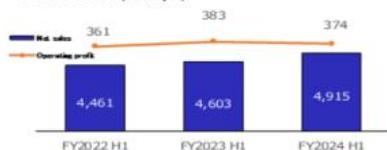
This is the electronics segment. With regard to the YoY changes in H1, net sales were down JPY300 million. Although sales of aluminum nitride ceramics increased due to a recovery in demand for parts for semiconductor manufacturing equipment, sales of high-purity metallic arsenic decreased due to lower exports, crystal products were affected by prolonged inventory adjustments by users, and coil sales went down due to the suspension of shipment by some automobile manufacturers. Operating profit posted a loss of JPY200 million owing to such factors as lower sales of high-purity metallic arsenic, crystal products, and coils.

As for the YoY changes in our full-year forecast, we expect sales of aluminum nitride ceramics to increase thanks to the continued recovery in the demand for parts for semiconductor manufacturing equipment, but also project sales to remain mostly unchanged from the previous year due to the expected declines in shipments of high-purity metallic arsenic, crystal products, and coils. In terms of operating profit, although we project reduced revenues and profits from high-purity metallic arsenic, crystal products, and coils, we also expect increased revenues and profits from aluminum nitride ceramics and other products, so we anticipate the operating profit to increase slightly to JPY300 million overall.

# Results by Segment (Chemicals Segment)



## First Half (Million yen)



### - Main factor of first half results

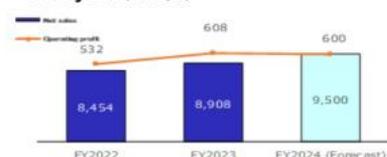
**[Net sales] ¥4.9 billion [+¥0.3 billion]**

- Although demand for cupric oxide for packaging substrates decreased, sales of cupric oxide increased due to the rise in copper prices and changes in the sales mix. Cuprous oxide sales jumped due to the strong demand for ship bottom paints, and the rise in copper prices and price revisions led to an increase in sales.

**[Operating profit] ¥0.3 billion [¥(0.0) billion]**

- Operating profit was almost unchanged from the previous year due to higher costs of raw materials for cuprous oxide and cupric oxide, despite the rise in cuprous oxide sales and profits.

## Full-year (Million yen)



### - Main factor of Full-year forecast

**[Net sales] ¥9.5 billion [+¥0.5 billion]**

- Expect a surge in revenue due to the increased sales volume and higher sales unit price of cuprous oxide and cupric oxide, resulting in an overall increase in net sales.

**[Operating profit] ¥0.6 billion [¥(0.0) billion]**

- Operating profit is expected unchanged from the previous year, due to the expected impact of the higher costs of raw materials for cuprous oxide and cupric oxide.

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

### Cuprous oxide

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

[Destinations] Ship-bottom paints manufacturer.



### Cupric oxide

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

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

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

### Sulfuric acid

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

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

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

This is the chemicals segment. In terms of YoY changes in H1, sales increased by JPY300 million. Demand for cupric oxide for packaging substrates decreased, but copper prices rose and sales prices increased due to changes in the sales mix. Cuprous oxide sales jumped due to the strong demand for ship bottom paints, and the rise in copper prices and price revisions led to an increase in sales. With these, overall sales surged. Operating profit was almost unchanged from the previous year due to higher costs of raw materials for cuprous oxide and cupric oxide, despite the rise in cuprous oxide sales and profits.

Regarding the YoY changes in our full-year forecast, we expect a surge in revenue due to the increased sales volume and higher sales unit price of cuprous oxide and cupric oxide, resulting in an overall increase of JPY500 million in net sales. Operating profit is expected to be JPY600 million, almost unchanged from the previous year, due to the expected impact of the higher costs of raw materials for cuprous oxide and cupric oxide.

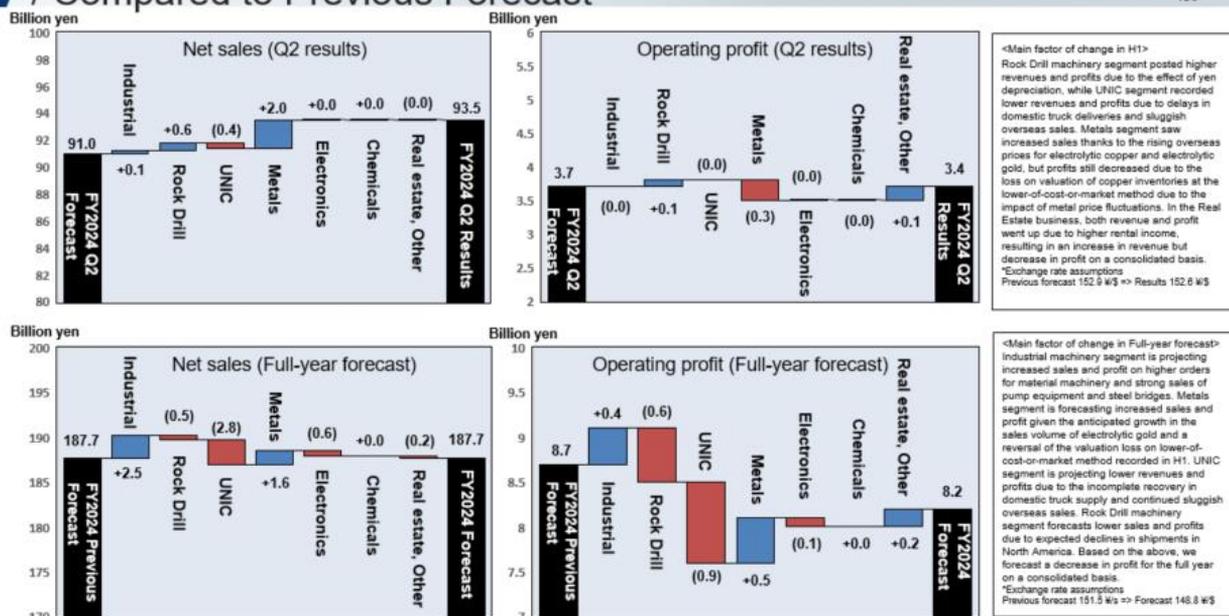
# Financial Forecast / Compared to Previous Forecast



		Previous forecast (Announced on Aug. 7, 2024)	Revised forecast (Announced on Nov. 11, 2024)	Difference
Net sales	Million yen	187,700	187,700	-
Operating profit	Million yen	8,700	8,200	(500)
Operating margin	%	4.6	4.4	(0.3)
Ordinary profit	Million yen	8,000	7,400	(600)
Profit attributable to owner of parent	Million yen	14,000	16,000	2,000
JPY rate per US\$	¥/\$	151.5	148.8	(2.7)
LME copper price	\$/ton	9,188	9,489	301

Next is a comparison with our previous forecast for the full year, which was announced on August 7. Although operating profit and ordinary profit are expected to decrease, net profit attributable to owners of the parent is projected to increase as a result of a review of our total income taxes associated with our plan to reduce strategic shareholdings.

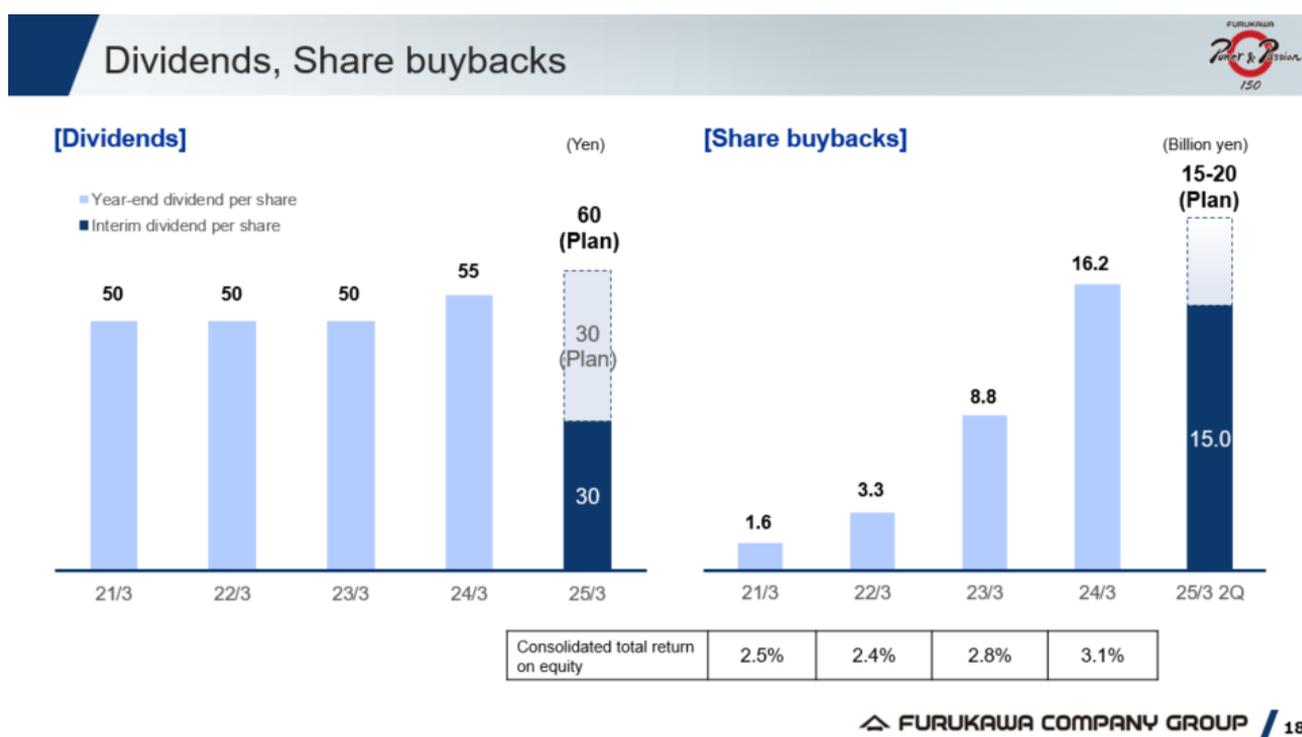
## Change in Earnings by Segment (Consolidated) / Compared to Previous Forecast



These are the changes in net sales and operating profit by segment compared to the previous forecast. I will briefly explain, point by point, the main factors of increase or decrease in the H1 and full-year forecasts.

In H1, the rock drill machinery segment posted higher revenues and profits due to the effect of yen depreciation, while the UNIC segment recorded lower revenues and profits due to delays in domestic truck deliveries and sluggish overseas sales. The metals segment saw increased sales thanks to the rising overseas prices for electrolytic copper and electrolytic gold, but profits still decreased due to the loss on valuation of copper inventories at the lower-of-cost-or-market method due to the impact of metal price fluctuations. In the real estate business, both revenue and profit went up due to higher rental income, resulting in an increase in revenue but decrease in profit on a consolidated basis.

With regard to full-year forecast, the industrial machinery segment is projecting increased sales and profit on higher orders for material machinery and strong sales of pump equipment and steel bridges. The metals segment is forecasting increased sales and profit given the anticipated growth in the sales volume of electrolytic gold and a reversal of the valuation loss on lower-of-cost-or-market method recorded in H1. The UNIC segment is projecting lower revenues and profits due to the incomplete recovery in domestic truck supply and continued sluggish overseas sales. The rock drill machinery segment forecasts lower sales and profits due to expected declines in shipments in North America. Based on the above, we forecast a decrease in profit for the full year on a consolidated basis.



These are the dividends from surplus and share buybacks. Along with the payment of dividends from surplus funds, we also promote share buybacks as a part of our efforts to shareholder returns, and have adopted a basic policy of returning at least 3% of consolidated total return on equity.

The Company plans to pay an interim dividend of JPY30 and a year-end dividend of JPY30, for a total annual dividend of JPY60 for the current fiscal year.

Regarding the share buybacks, as a way to utilize funds generated by the reduction of strategic shareholdings, we have announced that we will increase the three-year target on the amount of share buybacks, which was set in our Medium-Term Business Plan 2025, from approximately JPY3 billion to JPY5 billion. In H1, we have already repurchased JPY1.5 billion in shares.

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

Main contents of dialogue with institutional investors		
Theme	Matters of interest	
Management strategy	Business strategy (mainly in the core Machinery business)	> Industrial Machinery segment is explained on page 28 and beyond
	Action to Implement management that is Conscious of Cost of Capital and Stock Price	
	Future of Metals segment and Real Estate business	> Real Estate business is explained on page 20
	Overview of business portfolio management	
Shareholder returns	Allocation of management resources	> Explained on page 23
	Dividend policy, share buybacks, etc.	
Business results	Business performance and outlook	
	Progress of Medium-Term Business Plan	
ESG	Reduction of strategic shareholdings	> Explained on page 24
	Initiatives for human capital	
	Climate change and decarbonization initiatives	

From this point on, I will be focusing on the issues that are of interest to institutional investors at individual IR meetings.

The main content of the dialogue is as described, but I will explain the four items highlighted in red: business strategy, real estate business, allocation of management resources, and reduction of strategic shareholdings. Regarding our business strategy, we are currently positioning our machinery business as our core business, and we will be discussing the industrial machinery segment at the business meeting that follows.

## Role of Real Estate Business



### - Our approach to the Real Estate business

- The real estate business is positioned as a business that provides stable cash flow over the long term, as it leases real estate with low business fluctuation risk for the purpose of effectively utilizing our company's own real estate.
- The Tokyo and Osaka properties we own are located in popular areas, so they have low risk of price declines and vacancy, and are highly liquid and convertible into cash. Their locations on the east and west of Japan also help to diversify risk from earthquakes.
- Due to our company's historical background, we have a semi-permanent obligation, which is that we are required to pay the administrative expenses of inactive mountain. We believe that the real estate business is necessary as a long-term stable source of cash flow for this purpose.

The Real Estate segment assets at FY2022

Tokyo	Osaka	Other	Total	Operating profit (5-year average)
Approx. ¥20.0 billion	Approx. ¥4.0 billion	Approx. ¥2.5 billion	¥26.6 billion	Approx. ¥0.7 billion

(The major leased property is only in Tokyo)

The Real Estate segment assets projected for FY2026 (After Osaka project goes into operation)

Tokyo	Osaka	Other	Total	Projected operating profit
Approx. ¥19.5 billion	Approx. ¥14.0 billion	Approx. ¥2.5 billion	Approx. ¥36.0 billion	Approx. ¥1.1 to ¥1.2 billion

- We plan to sell a portion of our interest in a site in Osaka in the fiscal year ended March 2024, and use the proceeds from the sale to lease a hotel (Scheduled for completion in May 2027) and some residences to be built on the site.

Record the proceeds from the sale as an asset under long-term accounts receivable.

\* The projected operating profit includes Tokyo (Muromachi Furukawa Mitsui Building) and the Osaka project after it goes into operation in fiscal year 2027.



Muromachi Furukawa Mitsui Building  
(COREDO Muromachi 2)



Exterior image of Dojima 2-chome,  
Kita-ku, Osaka

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First, let me explain the role of the real estate business and our company's philosophy. The real estate business is positioned as a business that provides stable cash flow over the long term, as it leases real estate with low business fluctuation risk for the purpose of effectively utilizing our company's own real estate.

The Tokyo and Osaka properties we own are located in popular areas, so they have low risk of price declines and vacancy, and are highly liquid and convertible into cash. Their locations on the east and west of Japan also help to diversify risk from earthquakes.

On the other hand, due to our company's historical background, we have a semi-permanent obligation, which is that we are required to pay the administrative expenses of inactive mountain. We believe that the real estate business is necessary as a long-term stable source of cash flow for this purpose.

We have organized the real estate segment assets and the operating profit derived from them. As shown in the table, the assets of the real estate segment totaled JPY26.6 billion in the fiscal year ended March 2023, and the operating profit derived from those averaged about JPY700 million per year over the five-year period.

The only major leased property is the Muromachi Furukawa Mitsui Building in Muromachi, Tokyo. We estimate that real estate segment's assets in the fiscal year ending March 2027, when the Osaka project goes into operation, will total about JPY36 billion, comprising about JPY19.5 billion in Tokyo, about JPY14 billion in Osaka, and about JPY2.5 billion in other areas. The operating profit derived from these assets is expected to range between JPY1.1 billion and JPY1.2 billion annually.

The real estate segment business for the fiscal year ended March 2024 stood at JPY 34.8 billion, an increase from the fiscal year ended March 2023. This is because we plan to sell a portion of our interest in a site in Osaka in the fiscal year ended March 2024, and use the proceeds from the sale to lease a hotel and some residences to be built on the site, and record the proceeds from the sale as an asset under long-term accounts receivable.

# Role of Real Estate Business



## - Obligation to management of suspended or abandoned mine

The main mines where the Group has mining rights and is required to take pollution control measures

<b>Ashio Mine (Tochigi Pref.)</b>	<b>Imori Mine (Wakayama Pref.)</b>	<b>Ani Mine (Akita Pref.)</b>
---------------------------------------	--	-----------------------------------

Specific measures for mine pollution prevention implemented by our Company and the legal basis

Legal basis	Content of the measures
Act on Special Measures for Pollution Caused by the Metal Mining Industry, etc.	Mine run-off treatment from mines or end-of-life piles
Mine Safety Act	Construction work related to in-use tailings dam and mine run-off treatment

- As long as mine run-off continues to be discharged from the suspended or abandoned mines, our company is obligated to take permanent pollution prevention measures (mine run-off treatment) under both the Mine Safety Act and the Act on Special Measures for Pollution Caused by the Metal Mining Industry, etc.
- We are also obligated to preserve the tailings dam after their end of use and to restore the area after a disaster.

In addition to these basic laws, we have entered into pollution prevention agreements with neighboring municipalities, and we have been managing suspended or abandoned mine and other aspects to standards stricter than those set by the national government. (Permissible limits of substances in mine run-off, water quality measurement, etc.)

\* A tailings dam is a facility for the final disposal of mining waste, including waste rock that does not contain valuable materials extracted from the interior of formerly operational mines, waste generated during the smelting process at concentrators and smelters, and neutralization sludge generated from mine run-off treatment. There are 13 tailings dams within the Ashio Mine, and they are inspected and managed daily to ensure that no abnormalities occur due to rain, earthquakes, or other factors.



Sunokobashi tailing dam (in use)



Ani mine Ushigoya tailing dam (end of use)



Nakasai water purification plant

Next, I would like to explain our obligation to management of suspended or abandoned mine, which I mentioned earlier. The main mines where the Group has mining rights and is required to take pollution control measures are the Ashio Mine in Tochigi Prefecture, the Imori Mine in Wakayama Prefecture, and the Ani Mine in Akita Prefecture.

Pollution control measures are mandated by national law. Specifically, the Act on Special Measures for Pollution Caused by the Metal Mining Industry mandates the treatment of mine drainage water from mines or end-of-life piles, while the Mine Safety Act mandates construction work related to in-use tailings dam and the treatment of mine drainage water.

A tailings dam is a facility for the final disposal of mining waste, such as discarded rocks from mines, waste from ore dressing plants and smelters, and neutralized waste generated from mine wastewater treatment. The Ashio Mine has 13 tailings dam, which are inspected and managed daily for any abnormalities caused by rain, earthquakes, and other factors. In addition, we operate and manage a water purification plant that treats mine wastewater from suspended or abandoned mines.

As long as mine wastewater continues to be discharged from the suspended or abandoned mines, our company is obligated to take permanent pollution prevention measures under both the Mine Safety Act and the Act on Special Measures for Pollution Caused by the Metal Mining Industry. We are also obligated to preserve the tailings dam after their end of use and to restore the area after a disaster.

In addition to these basic laws, we have entered into pollution prevention agreements with neighboring municipalities, and we have been managing water quality and other aspects to standards stricter than those set by the national government. We see the management of suspended or abandoned mines as our destiny as a former mining company and something that must be accomplished.

## Role of Real Estate Business

### - Capital expenditures related to the management of suspended or abandoned mines (Actual)

The capital expenditures from 2007 to the present amount to approx. **¥5.1 billion**. Additionally, approx. ¥0.3 billion is spent annually on maintenance and management costs, including equipment repairs, disaster recovery work, and the cost of chemicals such as lime.

Tailing dam	Mine run-off treatment	Interior of mine	Heavy machinery and communication
Approx. ¥3.0 billion	Approx. ¥1.6 billion	Approx. ¥0.3 billion	Approx. ¥0.2 billion

**Non-operation expenses on the P&L  
(Administrative expenses of inactive mountain)**

**Recorded as expenses of  
approx. ¥0.8 billion in FY2023**

### - Capital investments that we need to consider in the future

<In recent years>

- Due in part to the effects of the 2011 Great East Japan Earthquake, companies owning inactive mines conducted stability assessments and reinforcement work on tailings dams, as well as planned maintenance work.
- Due in part to the effects of typhoons and other factors in 2019, the Ministry of Economy, Trade and Industry provided guidance to strengthen resilience at mines nationwide. (The following three point.)
- Strengthen facilities to ensure that mine run-off treatment is not disrupted even if infrastructure (electricity, logistics, etc.) is interrupted for three days
- Enhance backup facilities
- Increase mine wastewater treatment capacity

=>Continued investment in facilities is necessary to properly manage inactive mines in the future.

**Expected non-operation expenses on the P&L in the future  
(Administrative expenses of inactive mountain)**

**Estimated annual expenses of  
approx. ¥0.8 to ¥1.0 billion**

- To fulfill our semi-permanent responsibilities, it is essential to secure cash flow resources that prioritize long-term stability. = There is a need for Real Estate business.

- Managing inactive mines is our social responsibility, and to prepare for future liabilities, we need to secure assets of a certain scale. The anchor asset for this purpose is the real estate business.

- Separately from investments in strengthening the profitability of core businesses (machinery and materials), M&A, and new businesses, we will firmly address the management of inactive mines using resources from the Real Estate business.

Next, I will discuss capital expenditures related to the management of suspended or abandoned mines. In order to implement the aforementioned measures, we have spent a total of approximately JPY5.1 billion in capital investment over the last 17 years, as shown in the table. In addition, running costs amount to approximately JPY300 million per year.

These costs are recorded as administrative expenses of inactive mountain under non-operating expenses in our income statement, amounting to approximately JPY800 million for the fiscal year ended March 2024.

I will now discuss the capital investments that we need to consider in the future. In recent years, due in part to the effects of the Great East Japan Earthquake that occurred in 2011, we have been implementing planned facility construction in addition to stability assessment and reinforcement work at the tailing dams.

In addition, due to typhoons in 2019 and other factors, the Ministry of Economy, Trade and Industry (METI) has issued guidance to mines nationwide to strengthen their resilience by upgrading their equipment so that mine wastewater treatment will not be affected even if infrastructure is disrupted for three days, improving backup equipment, and increasing mine wastewater treatment capacity.

Based on these, we believe that capital investment will be necessary to properly manage suspended or abandoned mines in the future, and we estimate that administrative expenses of inactive mountain will range from JPY800 million to JPY1 billion each year. The management of suspended or abandoned mines is a social responsibility that we must fulfill, and we need to secure a certain size of assets for future burdens. The real estate business is an anchor asset for this purpose.

We intend to separate the management of suspended or abandoned mines from investments in improving the profitability of core operating companies, M&A, new businesses and so on, and to deal with the management of suspended or abandoned mines with the financial resources of the real estate business.

# Allocation of management resources



## - Strengthening financial structure due to past financial difficulties

- We reduced the interest-bearing debt, which had increased to over ¥160 billion, to approx. ¥58 billion over a period of more than 20 years. Even in the face of weak performance, we were still able to generate funds from our balance sheet to make capital investments and shareholder returns.
- Under our Medium-Term Business Plan 2025, we set targets for interest-bearing debt/EBITDA ratio in the 3 times range, and debt-to-equity ratio in the 0.5 times range. In order to enable secure financing through favorable means, the Company aims to raise its credit rating, which had deteriorated to BB+ as of 2003, to A- (It has been raised to BBB+ in October 2022)

Consolidated Interest-Bearing Debt

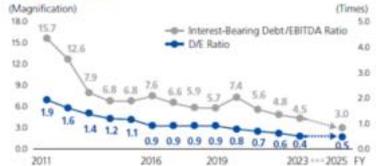


**FY2023 achievements** Interest-bearing debt/EBITDA ratio: 4.5 times (Target not met, but achievable)  
Debt-to-equity ratio: 0.4 times (Target achieved)

## - Transitioning from Financial Strengthening to Strategic Capital Deployment

- The equity-to-asset ratio has reached 50%, marking the end of the traditional financial strengthening phase.
- => **Moving into a phase where we can allocate funds flexibly and with a focus on investment**
- In addition to capital investment for growth strategies, we are considering prioritizing funds for M&A and shareholder returns (dividends, share buybacks, and cancellations).
- => **Investing in core businesses to enhance capital efficiency and strengthening shareholder returns**

Transition of D/E Ratio / Interest-Bearing Debt/EBITDA ratio



ROE	=	Profitability Return on sales	×	Efficiency Total asset turnover	×	Leverage Financial leverage
FY2016 (results)	:	5.9%		0.74 times		2.80 times
FY2019 (results)	:	5.8%		0.78 times		2.76 times
FY2022 (results)	:	6.2%		0.93 times		2.31 times
FY2023 (results)	:	13.8%		0.76 times		2.12 times
FY2025 (targets)	:	Approx. 8%		Improved		Down

**We plan to shift to a phase where we leverage more.**

Next, I will discuss the allocation of management resources. The Group has reduced its interest-bearing debt, which rose to more than JPY160 billion around 2000 due to financial difficulties, to about JPY58 billion over a period of more than 20 years. Even in the face of weak performance, we were still able to generate funds from our balance sheet to make capital investments and shareholder returns.

Under our Medium-Term Business Plan 2025, we set targets for interest-bearing debt/EBITDA ratio in the 3 times range, and debt-to-equity ratio in the 0.5 times range. In order to enable secure financing through favorable means, the Company aims to raise its credit rating, which had deteriorated to BB+ as of 2003, to A-. It has been raised to BBB+ in October 2022, so we are now very close.

As for the results for FY2023, the interest-bearing debt/EBITDA ratio were 4.5 times. Although they fell short of the target, we believe we will still reach the target in the future. The debt-to-equity ratio was 0.4 times, so we achieved the target.

With our equity-to-asset ratio now at 50%, we have concluded our previous phase of strengthening our financial structure and are now moving into a phase in which we can allocate funds flexibly and with focus on investment.

In addition to capital investment for growth strategies, we will consider focusing funds on M&A and shareholder returns, and will invest in core businesses that will further improve capital efficiency and strengthen shareholder returns.

# Reduction of strategic shareholdings

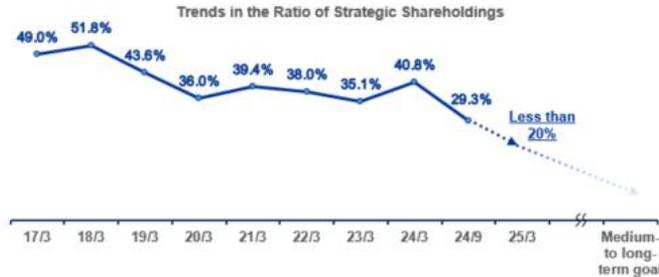


## - Reduction target of strategic shareholdings\*

In May 2024, announced our goal of reducing the ratio of strategic shareholdings to less than 20% of consolidated net assets by the end of March 2025

**At End of Sep. 2024** Ratio of strategic shareholdings has been reduced to 29.3%

\* 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



- In fiscal 2024, we plan to sell strategic shareholdings worth approximately ¥15 billion, which will bring the ratio down to less than 20% (our reduction target) by March 31, 2025.  
\* Estimates based on the prices of such holdings as of March 31, 2024.

## - Medium-to long-term Goal

First priority is to achieve the reduction target of less than 20% by the end of March 2025. After that reduction target is achieved, we plan to set a new target for further reduction.

Regarding the reduction of strategic shareholdings, in May of this year, we announced our goal of reducing the ratio of strategic shareholdings to less than 20% of consolidated net assets by the end of March 2025, and as of the end of September, this ratio has been reduced to 29.3%. As for medium- and long-term reduction targets, our first priority is to achieve the reduction target of less than 20% by the end of March 2025. After that reduction target is achieved, we plan to set a new target for further reduction.

Pages 25 through 27 are for your reference and will not be explained today, but we hope you will look at them later.

That ends my explanation.

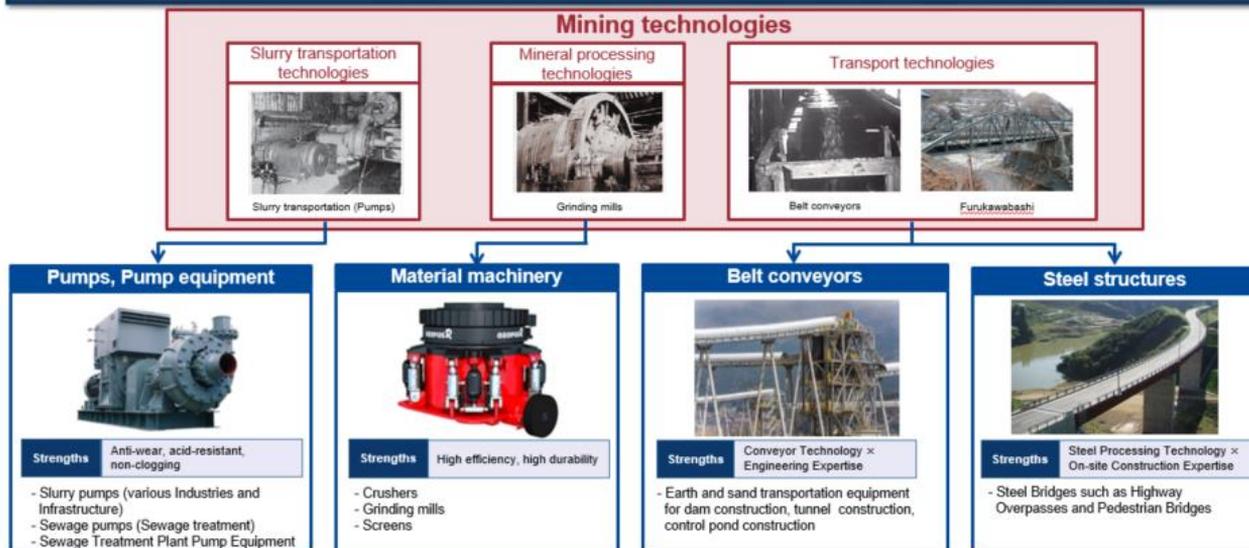


**Akutagawa:** Next, Mr. Iwama, President of Furukawa Industrial Machinery Systems, will explain the business of the industrial machinery segment.

**Iwama:** My name is Iwama from Furukawa Industrial Machinery Systems Co., Ltd. Thank you very much for your valuable time today.

Today's presentation will begin with a brief overview of the industrial machinery segment, followed by an overview of the key issues and status of efforts to achieve the goals of the Medium-Term Business Plan 2025, and finally, an overview, actual examples of introduction, and future prospects of belt conveyors, the core of our business expansion.

Main Business



Each of the industrial machinery segment's businesses originated from the copper mine development technology cultivated mainly at the Ashio Copper Mine, which has evolved and developed to the present day. Pumps and pump equipment trace their origins in wastewater treatment at copper mines, and our strength lies in the transport of liquids containing solids such as stones and metals, as well as mud. They are widely used in production processes, wastewater treatment, sewage treatment plants, and tunnel construction sites across a wide range of industries, so we have captured a large share of the domestic market.

Material machinery originated from crushers, grinders, and classifiers used in the copper mine dressing process, and is now used in a wide range of industries, including in the iron and nonferrous metal industry, as well as the quarrying industry, due to its durability and high productivity.

Belt conveyors came from the transportation of ore at copper mines, and have been delivered to mines, steel mills, cement plants, and paper manufacturers throughout Japan, as well as to port cargo handling, dam and tunnel construction sites, and many others.

In addition to conventional belt conveyors, we are also strengthening our sales activities for SICON®, an environmentally friendly, problem-solving enclosed hanging conveyor.

The steel structure originated in the erection of bridges for transporting ore from copper mines. The photo above right shows the Furukawa Bridge in front of Ashio Copper-smeltery. Completed in 1890, it is designated as a National Important Cultural Property. Currently, our business is focused on steel bridges ordered by government agencies and highway companies.

Thus, the industrial machinery segment of the FURUKAWA Group is best characterized by its broad customer base that ranges from the private industrial sector to government agencies, and diverse product lineup.

Medium-Term Business Plan 2025

Strengthen earnings base through stock business

- Expand orders in markets with expected revenue from stock businesses by utilizing strategic equipment (Pumps, Material machinery)
- Develop new business models utilizing IoT technology (Material Machinery)



Pumps



Material machinery

Expand business in the field of infrastructure development

- Develop domestic business foundations by engaging in Infrastructure development to address social issues (SDGs, Disaster prevention and mitigation, etc.)



Steel bridges

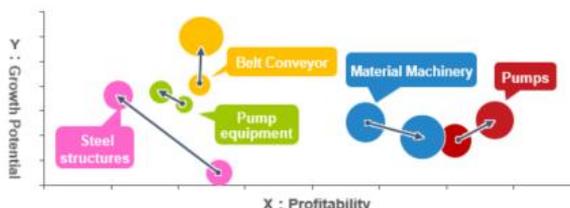


Belt conveyors

Contractor business

Business (product) portfolio

\* Comparison of FY2021 results and FY2025 image



Pumps  
Material machinery  
**Improve profitability**

Contractor business  
**Business expansion**

I would like to explain our Medium-term Business Plan 2025. As major pillars of our business, we are working to strengthen our earnings base through stock business and to expand our business in the field of infrastructure development. As for strengthening our earnings base through the stock business, we are focusing on expanding sales of strategic machines, which are our differentiated products, to markets where earnings from the stock business can be expected, mainly pumps and material machinery.

In terms of material machinery, we are promoting efforts to retain customers by utilizing IoT technology and so on to provide new value that leads to labor savings and improved productivity.

Next, with regard to the expansion of our business in the field of infrastructure development, we expect to continue to see strong domestic investment in SDGs, disaster prevention and mitigation, and other areas. In this context, we will utilize our products and engineering capabilities to expand our contractor business, which includes design and construction.

As shown in the bubble chart, the keywords in the Medium-Term Business Plan 2025 are improving profitability for pump and material machinery and expanding contractor business, which includes steel bridges and other steel structures and belt conveyors.

I will talk about the specific details on the next page.

Strengthen Earnings Base Through Stock Business

- Expand orders in markets with expected revenue from stock businesses by utilizing strategic equipment (Pumps)



New high-efficiency slurry pump (LK3)

Strategic equipment for the non-ferrous, chemical, and semiconductor & electronic components industries (New high-efficiency slurry pump, LK3)  
 Development with the theme of **life cycle cost**\*1 reduction  
 Product improvements based on feedback from our customers' maintenance staff. Achieving enhanced disassembly and assembly efficiency and extended product lifespan.  
 \*1 Life cycle cost: Costs of products or structures considered comprehensively from procurement and manufacturing to usage and disposal.



Design considering workability

- Improvement in disassembly and assembly (enhanced maintainability, 50% reduction in work time)
- Easy clearance adjustment (significant reduction in work time)
- Extended bearing lifespan (enhanced dust and water resistance)
- Adoption of JIS flanges (improved material availability, reduced construction costs)

Customer issues
<ul style="list-style-type: none"> <li>- shortage of maintenance personnel (especially shortage of <u>skilled workers</u>)</li> <li>- Reduction of maintenance costs</li> </ul>

Solutions through LK3
<p>Improvement in disassembly and assembly, and extension of component lifespan</p> <ul style="list-style-type: none"> <li>- Generalization of repair skills</li> <li>- Reduction of maintenance time</li> <li>- Reduction of maintenance frequency</li> </ul> <p>=&gt; Contribute to address staff shortages and reduce maintenance costs</p>

First, I will explain our strategy to expand sales with strategic machines in pumps. In pumps, we have launched a new high-efficiency slurry pump, LK3, as a product differentiated from other companies and as a strategic machine, in 2023. Our targets include the nonferrous smelting and chemical industries, where stock business can be expected, as well as the semiconductor and electronic component industries, where capital investment has been robust recently and many slurry pumps are used, thereby creating an opportunity to expand our market share. LK3 is a pump developed using a market-in approach.

As mentioned in the description of our main products at the beginning, slurry pumps specialize in pumping liquids containing solids such as stones and metals, mud, and so on, or so-called slurry, so periodic replacement of parts and maintenance are essential for these pumps. Conventional new pump development efforts have focused on performance improvements, but with LK3, we focused on this point and began development with the theme of life cycle cost reduction.

In developing the pump, we thoroughly listened to the opinions of our customers' maintenance staff, who are the people with most contact with the pump, and made improvements in such areas as handling of bolts and durability of bearing parts, thereby improving the ease of disassembly and assembly and extending service life.

In addition to reducing maintenance costs, equipment maintenance sites face serious challenges, such as shortage of maintenance personnel, especially skilled workers who can repair machines. By specializing in products that improve ease of disassembly and assembly and extend the service life of components, we will contribute to our customers' challenges pertaining to personnel shortage and maintenance costs.

Strengthen Earnings Base Through Stock Business

- Expand orders in markets with expected revenue from stock businesses by utilizing strategic equipment (Material machinery)

**GEOPUS series**

Cone crusher  
GEOPUS C3

High-pressure grinding roll  
GEOPUS GR

Jaw crusher  
GEOPUS J2

New screen  
GEOPUS SC

**Expansion of the 'GEOPUS' series of strategic machinery for the crushed stone industry**

Full lineup of key products used in the crushed stone and sand production flow. Equipped with our latest technology, contributing to improved productivity and quality.

**Eastern Japan Strategy: Maintain market share (unearthing projects from existing customers)**  
**Western Japan Strategy: Expand market share (acquire new customers, replace competitors' machines)**

**Capital investment proposals through the use of energy-saving subsidies<sup>\*2</sup>**

Cone crusher (GEOPUS C3), High-pressure grinding roll (GEOPUS GR) have been selected as **'subsidized equipment for advanced facilities and systems.'**

\*2 Target significant energy savings across entire factories and business establishments by the Agency for Natural Resources and Energy. Subsidies are granted for business category (I) factory and business type.  
 \*3 The advanced equipment and systems are reviewed and selected by the Sustainable Initiative of Japan (SII), which is entrusted by the Agency for Natural Resources and Energy to execute subsidy operations.

**Crushed stone production flow**

Next, I will explain our strategy to expand sales using strategic machines in material machinery. In material machinery, we have a full lineup of major products used in stone crushing and sand crushing flows in the quarrying industry, our main customer base. Among these products, we have developed a series of strategic machines, GEOPUS, that incorporate our latest technology, and are working to increase our domestic market share and stock.

The sales strategy for the GEOPUS series is largely divided into the East Japan strategy and the West Japan strategy. First, the East Japan strategy will be to defend our market share. East Japan is where our manufacturing base is located, and we have traditionally delivered our products to many customers there. We will target mainly the renewal of our own equipment, and will seek to uncover new projects by focusing on key areas.

On the other hand, the West Japan strategy is to expand market share. Our market share in western Japan is lower than in eastern Japan, and there is significant room for growth. In 2023, we opened the Cyuushikoku Business Office to strengthen our sales structure in western Japan. We will expand our market share by targeting projects for replacement of other companies' machines and new installations.

In addition, the GEOPUS C3 cone crusher and the GEOPUS GR high-pressure grinding roll in the GEOPUS series were selected as subsidized equipment under the Advanced Equipment and Systems, an energy conservation subsidy program by the Agency for Natural Resources and Energy. We will also actively make capital investment proposals to our customers under this program.

With the keywords of productivity and quality improvement, which are the features of the GEOPUS series, we will increase customer contacts and combine them with capital investment proposals through the use of energy-saving subsidies to expand orders.

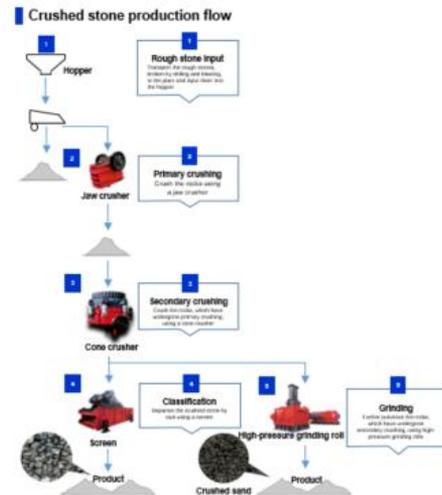
Strengthen Earnings Base Through Stock Business

- Develop new business models utilizing IoT technology (Material Machinery)  
 Contribute to improving productivity across the entire plant, not just managing the operation of our own equipment.

Focus on equipment utilization and production efficiency

	Inspection services	Monitoring services	Utilization of operation information
	Provide a plant that is difficult to stop	Provide a plant that can be operated with a small number of people	Support the improvement of plant productivity
Development elements	Detect anomalies in advance through condition monitoring and inspections to prevent unexpected shutdowns	Detect anomalies that could lead to failures in advance and prevent breakdowns	Analyze raw material size, equipment utilization rate, and crushed stone product yield, and propose improvements to the production methods
Customer value	Conduct planned maintenance to improve weekday utilization rates and reduce overtime and weekend work	Prevent failures in advance and reduce unnecessary tasks	Complete repairs during short periods on weekdays to avoid weekend work

Aiming to build a new business model



Next, I will discuss the construction of a new business model utilizing IoT technology and so on in material machinery. Recently, many industries are facing a major challenge to secure human resources. The quarrying industry, one of the material machinery's main customers, is also facing a major business challenge to secure and retain human resources. As a solution to this problem, we are developing sensing technology using IoT technology and building a new business model that provides various support services linked to this technology.

While many of our competitors focus on developing systems that specialize in managing the operation of their own equipment, our sensing systems and business model are unique in that they go beyond managing the operation of our own equipment to improve the productivity of entire plant facilities. For this reason we have focused our development efforts on improving equipment utilization rates and production efficiency.

By utilizing sensing technology to provide inspection services, monitoring services, and operating information, we aim to realize highly productive plants that can be operated by a small number of people and are less likely to stop operations. This will provide value by, for example, performing machine repairs on weekdays instead of Saturdays and Sundays to reduce overtime work on weekdays. By combining various services such as parts support, maintenance support, and document support, we intend to contribute to the improvement of uptime, productivity, working environment, and working conditions, and provide solutions to the human resource shortage that is an issue customers are now facing.

Expand Business in the Field of Infrastructure Development

- Develop domestic business foundations by engaging in Infrastructure development to address social issues (SDGs, Disaster prevention and mitigation, etc.)

Steel structures

Revenue Stabilization Through Steady Orders

[Direct public sector demand]  
- Steady orders for steel bridges



Yokohama loop northwest line Higashikata and Kawamukai district viaduct



Tokai-Kanjo expressway Daian No.2 elevated bridge

[private sector demand]  
- Expand Sales of Steel Segments and Other Steel Structures (Towards a Second Pillar)



Image of Steel Segments

Belt conveyor

Expand the belt conveyor business through problem-solving proposals

- Promote belt conveyors as an alternative to dump truck transportation for earth and sand conveyance (Especially the enclosed hanging conveyor SICON®)

- Also contribute to CO<sub>2</sub> emission reduction



Mountain tunnel construction

[Recent major achievements]

Fiscal year	Subject	Project	Application	Features	Main equipment	Amount	Status
2011	Rikuzen-takata	Disaster recovery	Highland development, landfill on flat terrain	Mass transportation	Belt conveyor, crushing equipment, suspension bridge, central control equipment	Approx. #11 billion	Completion
2015	Gaikan	Road	Tunnel excavation earth and sand	Long-Distance Cured Transport	Belt conveyor, central control equipment	Approx. #7 billion	In progress
2017	Onahama	Port	Coal	Cargo Handling Equipment	Belt conveyor, central control equipment	Approx. #6 billion	In progress
2018, 19	Okuma	Disaster recovery	Removed earth and sand	Intermediate Storage Facility	Belt conveyor	Approx. #2.3 billion	Completion
2019	Sakaigawa	Control pond	Tunnel excavation earth and sand	Urban Civil Engineering	SICON®, central control equipment	Approx. #1 billion	Completion
2021	Kib-Shinagawa	Shinkansen	Tunnel excavation earth and sand	Urban Civil Engineering	SICON®, central control equipment	Approx. #0.8 billion	Being installed
2021	Shin-Kobotoke	Road	Tunnel excavation earth and sand	Environmental Consideration	SICON®	Approx. #0.6 billion	In progress
2021	Settaru	Shinkansen	Tunnel excavation earth and sand	Transport equipment	Belt conveyor	Approx. #0.5 billion	In progress
2023	Asuwagawa	Dam	Concrete	Steep Incline Transport	SICON®	Approx. #0.7 billion	Being installed
2023	Hirakata	Road	Tunnel excavation earth and sand	Urban Civil Engineering	SICON®	Approx. #0.7 billion	Being Manufactured
2023	Shin-Maruyama	Dam	Dam aggregate	Transport equipment	SICON®	Approx. #0.8 billion	Being installed

Next, I will explain the expansion of business in the field of infrastructure development in the contractor business. In the contractor business, the main products are steel structures, including bridges, and belt conveyors. The Company is working to stabilize earnings from steel structures through balanced orders and to expand the belt conveyor business through problem-solving proposals.

First, we are developing measures to stabilize earnings in steel structures, both in terms of direct public sector demand and private sector demand. For direct public sector demand, we are working to secure stable orders for steel bridges by further improving our technical proposal capabilities. At the same time, in preparation for the risk of order fluctuation inherent in bidding projects, we are working to expand sales of steel segments and bridge girders to major general contractors and other entities whose second pillar is demand from the private sector.

Regarding belt conveyors, we are promoting them as an alternative method of transporting earth and sand in areas where it is difficult to transport with dump trucks, such as in areas where there are residential areas nearby so environmental considerations must be taken into account, and in mountainous areas.

Belt conveyors have recently been adopted for transporting earth, sand, and concrete aggregates for tunnel excavation and dam construction, as shown in the table below.

In particular, the adoption of our differentiated product, the enclosed hanging conveyor, SICON®, has been increasing in recent years. SICON® will be discussed in detail later.

Going forward, there will be an increasing need to respond to social issues such as the SDGs and disaster prevention and mitigation in response to the intensification of disasters in Japan. In this context, we will utilize our products and engineering capabilities to expand our contractor business, which includes design and construction.

**Furukawa's Strength: The Enclosed Hanging Conveyor SICON®**

To prevent spillage and dust emissions, the soil is enclosed in a bag-like structure. Unlike conventional belt conveyors, it enables a seamless transportation line without transfer area, thereby reducing noise and vibration typically generated at transfer sections. CO<sub>2</sub> emissions are nearly zero.



Mountain tunnel construction



- Energy-efficient and flexible transportation line
- Dust suppression



- Distributed power placement along the route  
=> **Power reduction**



- Direction change possible with pulleys  
=> **Achieve a flexible transportation line**

- No transfer points or steps  
=> **Reduce dust and noise emissions**

- Low noise, low vibration, dust suppression



- Adoption of a Hanging Structure  
=> **Reduce noise and vibration**

- Wraps the material  
=> **Reduce ore spillage and dust**

Domestic comparison	Dump truck transport	Conventional conveyors	SICON®
Conveying speed	△	○	○
Ore spillage and dust	×	△	○
CO <sub>2</sub> reduction	△	○	○
Vibration and noise	×	△	○
Installation space	-	○	○

Only our company

I will now talk about our strength and differentiating product, the enclosed hanging conveyor, SICON®.

First, let me discuss the structure and features of SICON®. SICON® is a uniquely structured conveyor that wraps the material to be conveyed with a rubber belt and suspends it like a monorail. As a feature, it wraps the material to be transported in a bag-like shape, thereby suppressing cargo spillage and dust. Another feature that makes it significantly different from ordinary belt conveyors is its free transfer line with no transfers. The absence of transfers greatly reduces vibration, noise, and dust generated in the transfer area. In addition, by distributing the power over the route, it is possible to reduce power consumption compared to normal belt conveyors as well as dump transport, thus contributing greatly to CO<sub>2</sub> reduction.

Here is a comparison table of dump truck transport, conventional conveyors, and SICON®. Compared to dump truck transport, belt conveyors are superior in terms of cargo spillage, dust, noise, vibration and so on. In addition to the features described above, belt conveyors also contribute to shortening construction periods, avoiding traffic congestion and accidents on surrounding roads, and resolving driver shortages.

In addition to our conventional conveyors, we will make the most of our strength in our proprietary SICON® to offer optimal solutions to our customers' various problems at their earth and sand conveying sites, taking into account cost.

Case Study of the Installation of the Enclosed Hanging Conveyor SICON®

Dam-related



- For aggregate transportation at dam sites
- Aggregate from a nearby quarry is crushed and stored in an aggregate production facility and transported to the batcher plant.
- Adoption of SICON® 2 lines (total length 768m)

**Customer issues**

- Complicated transport route
- \* 16 flat belt conveyors are required
- Securing installation space is a challenge
- Residential area was located near => environmental considerations essential

**Solutions through SICON®**

- Due to the ability to freely change angles, transportation is achieved with two conveyors
- => Requires less installation space compared to flat belt conveyors
- No transfer parts, significantly reduced maintenance costs
- By using an enclosed hanging structure, it reduces ore spillage, vibration, and noise
- => Significantly reduce environmental impact

**- Cross-departmental activities**

On top of SICON®, material machinery equipment and pump products are also in use and operational.

**- Aggregate manufacturing ... Material machinery**

- Four unit of the cone crusher 'GEOPUS C3'
- Three unit of the vibration screens

**- turbid water treatment equipment ... Pumps**

- 13 units of slurry pumps, and other equipment

Next, I will present three actual SICON implementations. The first is a dam-related case study. In the construction of a new dam downstream from an existing dam, aggregate from a nearby quarry is crushed and stored in an aggregate production facility and transported to the batcher plant by flat belt conveyor and SICON®. Two lines of our SICON®, totaling 768 meters, were adopted.

In this case, there were two customer issues, namely, a winding and complicated transport route, and the fact that a residential area was located near the site, making environmental considerations essential. The original plan was to use 16 flat belt conveyors, but SICON® has made conveyance possible with only two conveyors. This has resulted in a significant reduction in installation space, as well as a significant reduction in maintenance costs, since there are no transfers that place a burden on the rubber belt.

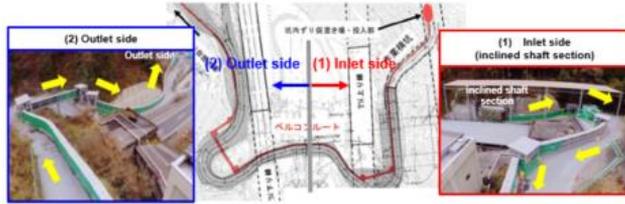
In addition, SICON® was selected for its enclosed hanging structure, which prevents falling ores, noise, and vibration, and its effectiveness in reducing environmental impact around residential areas.

Further, we promote cross-departmental activities to share information by utilizing our diverse product lineup and customer network, and to make total proposals that transcend departmental boundaries. In the construction of this dam, on top of SICON®, four GEOPUS C3 cone crushers and three vibrating screens for the aggregate manufacturing equipment, and 13 slurry pumps for the turbid water treatment equipment, which were utilized and are now in operation.

This is an example of how the sharing of information among the various divisions enabled the Company to conduct sales activities ahead of its competitors, which contributed greatly to the receipt of orders for material machinery and pumps. We will continue to promote cross-departmental activities to boost orders.

Case Study of the Installation of the Enclosed Hanging Conveyor SICON®

Mountainous area (tunnel construction)



- For transporting excavated earth and sand in tunnel construction
- Four-lane expansion project for highway congestion mitigation.
- Transport excavated earth and sand from the new tunnel inclined shaft to the temporary earth and sand storage area.
- SICON® 1 line (total length 405m) in operation

Customer issues

- Complicated transport route
- Narrow terrain
- \* Dump transport difficulty
- Rare species inhabit the construction site
- => Environmental consideration is essential

Solutions through SICON®

- Achieving soil transportation in narrow and complex terrains where dump transport is difficult
- => Significant reduction in construction period and resolution of driver shortages
- By using a sealed suspension structure, it prevents spillage and reduces vibration and noise
- => Significantly reduce environmental impact

Steep slope (dam-related)



Steep slope demonstration machine

- For transporting concrete for dam embankment construction
- Transporting large quantities of concrete on steep slopes (up to 45° incline).
- SICON® 1 line (total length 111m, maximum lift -44m) in operation.

Customer issues

- Transporting large quantities of concrete on steep slopes (up to 45° incline).
- Existing transport equipment has limitations in transport capacity

Solutions through SICON®

- Approx. doubling the transport capacity
- => Significant reduction in construction period
- Adopting a structure that allows the conveyor length to be adjusted according to the construction of the embankment.
- \* The steep slope SICON® is a product jointly developed with Shimizu Corporation.

The second is an example of tunnel construction in a mountainous area. As a measure to alleviate traffic congestion on expressways, new tunnels are being excavated adjacent to existing tunnels and the excavated earth and sand is being transported to a temporary earth and sand storage area. SICON® is currently in operation on one line spanning 405 meters. In this case, the client's challenge was twofold: narrow, complex, undulating terrain that was difficult to transport by dump truck, and environmental considerations were essential due to the presence of rare species living near the site.

To address these issues, SICON®'s feature of free conveying lines enabled continuous sediment conveying in a single line. Compared to dump truck transport in narrow and winding terrain, the new system significantly shortens the construction period and contributes to the elimination of driver shortages.

Another feature of the SICON® is its enclosed hanging structure, which reduces the environmental impact of rockfall, vibration, and noise, and minimizes the impact on rare animal habitats.

The third is the case of steep slope transport at a dam construction site. Large amounts of concrete are used in the construction of dam embankments. Existing concrete transfer methods include cable cranes and pipe transfer, but SICON® has been adopted as a higher-volume, continuous transfer method, with 111 meters per line in operation.

The customer's challenge in this case was to be able to transport large quantities of concrete on a steep 45-degree incline without material separation. To address this issue, a demonstration machine for transporting concrete on a steep slope was installed at a group company site, and it was confirmed that concrete could be transported even on a 45-degree steep slope with SICON®, which then led to its adoption in this case.

SICON® has approximately doubled the conveying capacity compared to conventional concrete conveying methods, contributing to a significant reduction in the construction period for dam embankment casting.

Future outlook for the enclosed hanging conveyor SICON®

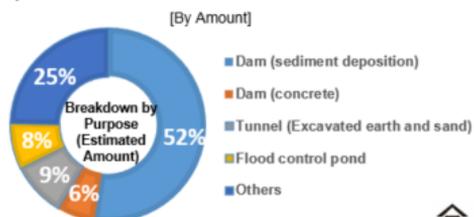
Features	Functions	Usage locations (examples)
<b>Environmentally friendly</b>	<ul style="list-style-type: none"> <li>Prevention of spillage</li> <li>Dust prevention</li> <li>Quietness (vibration and noise reduction)</li> <li>CO<sub>2</sub> reduction</li> </ul>	<ul style="list-style-type: none"> <li>Residential Areas, Nature Reserves, etc. (Consideration for Surrounding Environment)</li> <li>In mountainous areas with complex transportation lines</li> <li>Steep slopes that are difficult to handle with dump trucks or conventional conveyors</li> </ul>
<b>Problem-solving</b>	<ul style="list-style-type: none"> <li>Avoid traffic congestion and reduce construction period</li> <li>Flexible transportation line</li> </ul>	

- Increased inquiries for tunnel construction, river flood control projects, new dam construction, dam life extension projects, and others
- Creating further demand and promoting sales

[Inquiry Status (Reference)] Total Inquiry amount: Approx. ¥30 billion (including about 10 billion yen in specific projects)  
 \* Including flat belt conveyors

[By Number of Cases]

Inquiry Details (Purpose)	Number of cases
Dam (sediment deposition)	7
Dam (concrete)	2
Tunnel (Excavated earth and Sand)	2
Flood Control Pond	1
Others	4
<b>Total</b>	<b>16</b>



Construction of flood control pond (Application examples in residential areas)

Finally, I will discuss the future prospects for SICON®. SICON® is our differentiated product with environmentally friendly and problem-solving features that no other company can match. The features of this system have been highly evaluated and adopted in an increasing number of locations, such as areas where consideration of the surrounding environment is necessary, such as residential areas and nature conservation areas, as well as mountainous areas with complicated conveyor lines, steep slopes, and areas where it is difficult to use dump trucks and conventional conveyors.

In addition, we are receiving a growing number of inquiries for the removal of excavated earth and sand from tunnels, river flood control works such as the construction of reservoirs, and the construction of new dams and the life extension of dams.

Although we will not go into details, as some projects are still in the planning stage, the total value of the projects under consultation, which include ordinary belt conveyors other than SICON®, is approximately JPY30 billion at this time. More than JPY10 billion of these are projects that are highly likely to lead to future orders.

In addition to winning orders for these projects, we will strive to create further demand and promote sales by taking full advantage of SICON®'s environmentally friendly, problem-solving products, which no other company offers.

This concludes the business description of the industrial machinery segment. Thank you for your attention.

## Question & Answer

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No questions.