

# Financial Results for the Fiscal Year Ended March 2021 Presentation Material

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May 25, 2021

 **FURUKAWA CO.,LTD.**

This document contains forward-looking statements that reflect the Company's judgments based on various assumptions. The Company makes no guarantees or promises regarding the certainty, completeness, or implementation status of such statements.

1. Financial Results for the FY2020 (Consolidated)
2. Financial Forecasts for the FY2021 (Consolidated)
3. Outlook for the Formulation & Announcement of the New Medium-term Management Plan
4. Strengthening of the Group's Business Structure to be Achieved in FY2021・FY2022
5. Plan to Achieve Carbon Neutrality
6. Ref. Medium-term Management Plan 2022 (Supplementary Material)

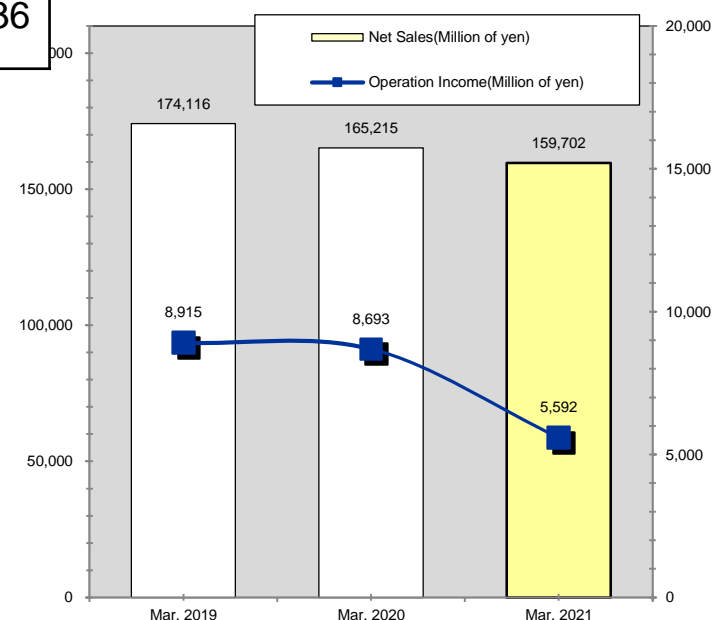
# 1. Financial Results for the FY2021 (Consolidated)

## 【Financial Results】

		End of Mar. 2019	End of Mar. 2020	End of Mar. 2021	VS 2020 Difference
Net sales	Million y e n	174,116	165,215	159,702	-5,513
Operating i n c o m e	Million y e n	8,915	8,693	5,592	-3,100
Operating margin	%	5.1	5.3	3.5	-1.8
O r d i n a r y i n c o m e	Million y e n	8,235	8,135	6,773	-1,361
Profit attributable to owners of parent	Million y e n	4,654	4,431	7,468	3,036

## 【Financial Conditions】

		End of Mar. 2020	End of Mar. 2021	Difference
Total Assets	Million	209,697	218,275	8,578
Net Assets	Million	77,966	94,364	16,397
Capital adequacy r a t i o	%	36.0	42.0	6.0
Net assets p e r s h a r e	Y e n	1,926.32	2,348.53	422.21
R O E	%	5.8	8.9	3.1



# Affected by the Expansion of COVID-19

	Segment	Affected by the expansion of COVID-19 infection
Machinery	<b>Industrial</b>	The impact was limited, although there was some suspension and postponement of construction work.
	<b>Rock Drill</b>	Shipments decreased in Japan due to lower machine utilization and suspended purchases. No impact on demand for tunnel drill jumbos. Overseas, with the exception of China and some other countries and regions, economic activity was stagnant due to restrictions on behavior and other factors, and customer companies remained reluctant to purchase machinery throughout the year.
	<b>U N I C</b>	The impact in Japan was noticeable in the Tokyo metropolitan area, with orders being sluggish due to the postponement of truck deliveries, suspension and postponement of construction work, and postponement of investment by rental companies. However, demand for trucks entered a recovery trend in the second quarter, and orders for UNIC cranes were flat from the year - before level. Overseas, the results in Southeast Asia were significantly affected by COVID - 19. Shipments of UNIC cranes decreased there. Shipments of mini crawler cranes decreased in Europe and the US due to the impact of interrupted construction work.
Materials	<b>M e t a l</b>	Overseas market prices for electrolytic copper plummeted toward the end of the fiscal year ended March 2020 due to the prospect of a slowdown in the global economy, but turned up substantially in the fiscal year under review due to expectations of an economic recovery, the supply of vaccines, and the start of vaccinations. Demand for electric wires and copper products remained flat YoY from the third quarter onward due to the recovery of production in the automobile industry, but domestic demand for electrolytic copper decreased significantly.
	<b>Electronics</b>	Demand for crystal products and coils decreased due to the impact of production activity in the automobile industry and other sectors, but there was a recovery trend in the second quarter and thereafter.
	<b>Chemicals</b>	Demand for sulfuric acid decreased due to inventory adjustments by customers.
Other	<b>Real Estate</b>	the commercial facility in the Muromachi Furukawa Mitsui Building (COREDO Muromachi 2) was temporarily closed following the declaration of a state of emergency in April last year. After the facility resumed operations, the number of visitors declined compared to the normal state.

※As for the details of the impact of COVID - 19 on each segment's performance, etc., please refer to Business and Other Risks on page 10 of the Summary of Financial Results for the Fiscal Year Ended March 2021.

# Financial Results by Segment (Consolidated)

(Unit: Million yen)

Net Sales	FY2019	FY2020	Difference
Machinery	82,691	68,635	-14,056
Industrial	23,237	16,682	-6,555
Rock Drill	27,663	24,149	-3,513
U N I C	31,791	27,804	-3,987
Materials	79,366	88,203	8,836
Metals	67,149	76,094	8,945
Electronics	5,506	5,741	235
Chemicals	6,710	6,367	-343
Real Estate	2,386	2,107	-278
Other	771	755	-15
Total	165,215	159,702	-5,513

Operating Income	FY2019	FY2020	Difference
Machinery	7,343	3,968	-3,374
Industrial	3,208	2,113	-1,094
Rock Drill	142	-1,324	-1,467
U N I C	3,992	3,180	-812
Material	776	1,040	264
Metals	301	499	197
Electronics	-35	161	196
Chemicals	510	380	-130
Real Estate	735	736	0
Other	-94	-82	12
Adjustment	-68	-71	-2
Total	8,693	5,592	-3,100

	FY2020	Comparison to the previous fiscal year
LME Copper Price	6,879 \$/Ton	1,019 \$/Ton
JPY rate per US\$	106.1Yen/\$	-2.7Yen/\$

## Backlog of orders in the Industrial Machinery Segment

	FY2020	Comparison to the previous fiscal year
Backlog of orders	¥ 9.8 Billion	¥ 1.0 Billion

- Constructing a new bridge of Yamashiro Sports Park Joyo Line (Kyoto Prefecture)
- Sealed hanging conveyor (SICON®) for the construction of the Chuo Shinkansen 1<sup>st</sup> metropolitan area tunnel(Kitashinagawa Industrial Zone). etc.

## Impact of metal price fluctuations on operating profit in the Metals segment

	FY2020	Comparison to the previous fiscal year
Operating Income	¥490 million	¥190 million
Include price effects	¥1.51 billion	¥1.01 billion
Copper	(¥940 million)	(¥940 million)
Gold	(¥460 million)	(¥-40 million)

# Increase/Decrease in Earnings by Segment (Consolidated)

## Net Sales

¥165.2billion

-5.5billion (down 3.3%)

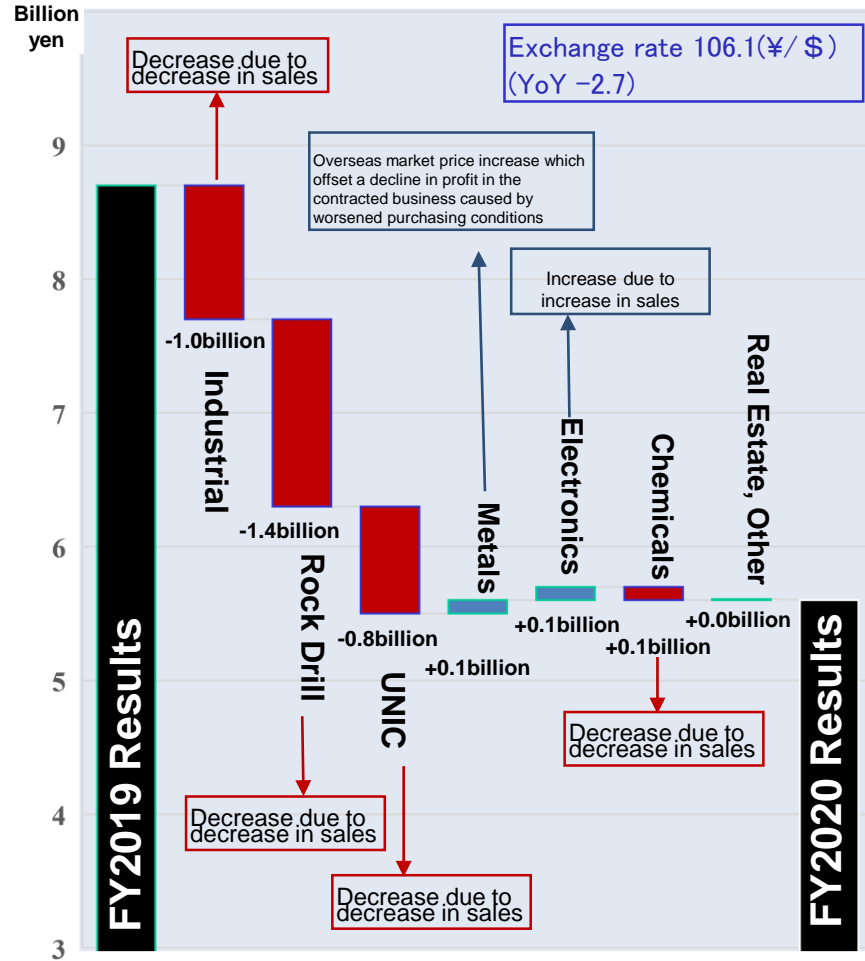
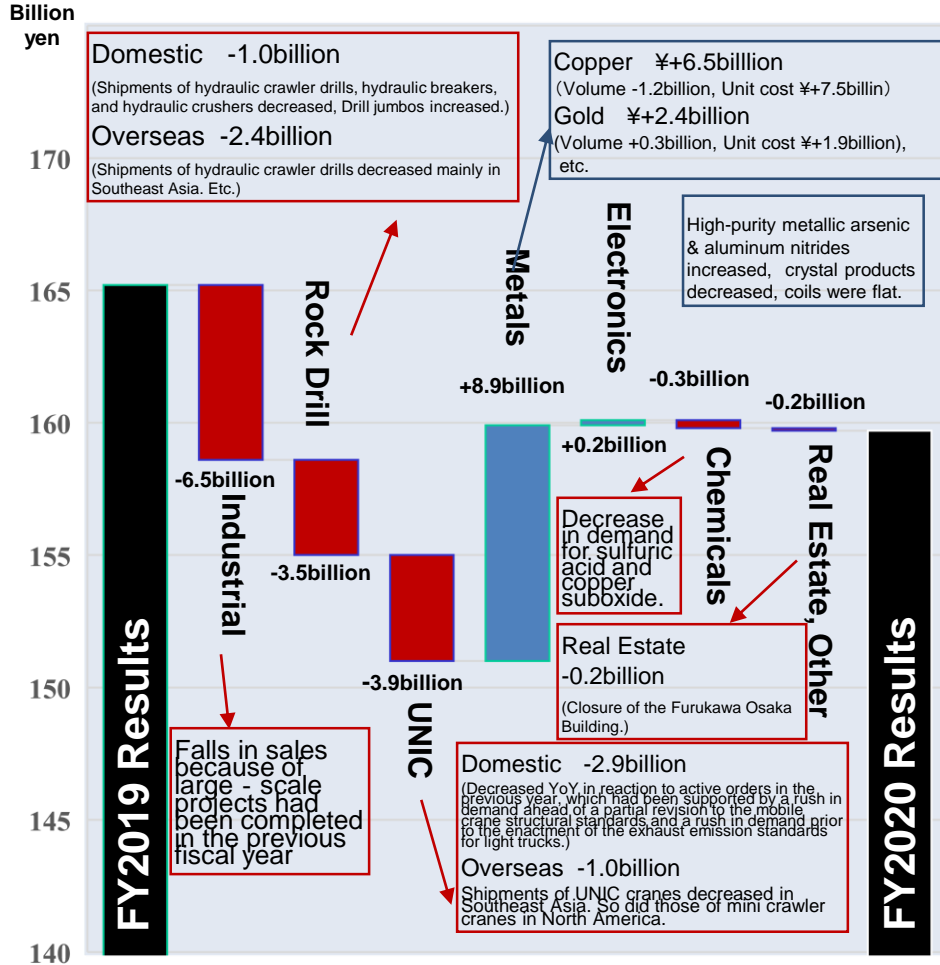
¥159.7billion

## Operating Income

¥8.6billion

-3.1billion (down 35.7%)

¥5.5billion



Sales and income increased in Metals segment & Electronics segment, but Sales and income decreased in 3 Machinery segment & Chemicals segment. significantly increase operating income from the forecast of JPY2 billion which announced in August last year.

# Consolidated Income Statement

(Unit: Million yen)

	FY2019	FY2020	Difference
<b>Net sales</b>	165,215	159,702	-5,513
Cost of sales	138,940	137,508	-1,431
(Gross profit)	26,275	22,194	-4,081
Selling, general and administrative expenses	17,582	16,601	-980
<b>Operating income</b>	8,693	5,592	-3,100
Non-operating income	1,595	2,749	1,154
Dividend income	772	749	-22
Interest income	218	179	-38
Share of profit of entities accounted for using equity method	-	355	355
Exchange margin	-	702	702
Reversal of allowance for the tenant move-out compensation cost	264	-	-264
Other	340	762	421
Non-operating expenses	2,153	1,568	-584
Interest Expenses	512	456	-55
Control cost of Suspended mines	715	769	54
Exchange loss	553	-	-553
Other	372	342	-29
<b>Ordinary income</b>	8,135	6,773	-1,361
Extraordinary income	701	4,105	3,403
Gain on sales of investment securities	20	4,078	4,058
Other	681	26	-654
Extraordinary losses	1,555	971	-584
Loss on retirement and sale of fixed assets	143	151	7
Loss on revaluation of investment securities	1,029	-	-1,029
Demolition cost of leasing building	-	730	730
Other	382	89	-292
Profit before income taxes	7,280	9,907	2,626
Income taxes	1,425	2,172	746
Income taxes adjustment	1,213	65	-1,148
Profit	4,641	7,670	3,028
Profit attributable to non-controlling interests	209	201	△8
<b>Profit attributable to owners of parent</b>	4,431	7,468	3,036

Mainly turnaround Hibi Joint Smelter.  
(Recorded investment loss in the previous fiscal year)

Recorded return of the allowance due to the end of negotiation for tenants to move out of Furukawa Osaka Building in the previous fiscal year.

Improvement of foreign exchange gains and losses.

Sold investment securities for effective use of assets and restoration of financial health.

The gain on the sale of Furukawa Daimyo Building (Fukuoka) was recorded by ¥583 million in the previous fiscal year.

Recorded investment securities valuation loss due to decline in stock prices in the previous fiscal year.

The cost of demolition work progress of the Furukawa Osaka Building.

# Consolidated Balance Sheet

(Unit: Million yen)

	End of Mar. 2020	End of Mar. 2021	Difference
<b>Assets</b>			
Current assets	85,725	88,625	2,900
Non-current assets	123,971	129,649	5,678
Property, plant and equipment	89,838	89,817	-20
Intangible assets	361	341	-20
Investments and other assets	33,771	39,490	5,719
<b>Total assets</b>	<b>209,697</b>	<b>218,275</b>	<b>8,578</b>

Increased cash and cash equivalents,  
Decreased notes and accounts  
receivable-trade, etc.

Increased investment securities due to  
rose on stock price, etc.

<b>Liabilities</b>			
Current liabilities	52,555	47,839	-4,716
Non-current liabilities	79,175	76,071	-3,103
<b>Total liabilities</b>	<b>131,730</b>	<b>123,910</b>	<b>-7,819</b>
<b>Net assets</b>			
Shareholders' equity	71,018	76,373	5,355
Capital stock	28,208	28,208	-
Capital surplus	-	2	2
Retained earnings	44,507	50,025	5,518
Treasury stock	-1,697	-1,862	-165
Total accumulated other comprehensive income	4,525	15,396	10,871
Non-controlling interests	2,423	2,594	171
<b>Total net assets</b>	<b>77,966</b>	<b>94,364</b>	<b>16,397</b>
<b>Total liabilities and net assets</b>	<b>209,697</b>	<b>218,275</b>	<b>8,578</b>

Decreased electronically recorded  
obligations-operating, account payable,  
retirement benefit liability, etc.

Increased valuation difference on  
available-for-sale securities,  
remeasurements of defined benefit plans,  
etc.

## Interest-bearing debt

(Unit: Million yen)

	End of Mar. 2020	End of Mar. 2021	Difference
Short-term	8,570	8,436	-133
Long-term	61,842	61,246	-596
<b>Total</b>	<b>70,412</b>	<b>69,683</b>	<b>-729</b>



# 2. Financial Forecasts for the FY2022 (Consolidated)

## 【Financial forecasts】

(Unit: Million yen)

	End of Mar. 2021	End of Mar. 2022 (Forecast)	Difference
Net sales	159,702	184,400	24,697
Operating income	5,592	6,600	1,007
Ordinary income	6,773	6,600	-173
Profit attributable to owners of parent	7,468	3,600	-3,868
Annual dividend	50 yen	50 yen	—

- Sales and Operating income increased.
- Ordinary profit will decrease slightly YoY, as there were the foreign exchange gains in the previous year.
- Profit attributable to owners of parent is also expected to decrease YoY, as there was the gain on the sale of investment securities in the previous year.

	End of Mar. 2021	End of Mar. 2022 (Forecast)	Difference
LME Copper Price	6,879 \$/Ton	8,000 \$/Ton	1,121 \$/Ton
JPY rate per US\$	106.1 yen/\$	108.0 yen/\$	1.9 yen/\$

Regard to exchange rate sensitivity

Operating income increase annually about ¥100 million due to ¥1 week to US dollar.

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

(Unit: Million yen)

	End of Mar. 2021	End of Mar. 2022 (Forecast)	Difference
Net sales			
Machinery	68,635	76,100	7,464
Industrial	16,682	18,700	2,017
Rock Drill	24,149	28,300	4,150
U N I C	27,804	29,100	1,295
Material	88,203	105,500	17,296
Metals	76,094	92,700	16,605
Electronics	5,741	6,400	658
Chemicals	6,367	6,400	32
Real Estate	2,107	2,100	-7
Other	755	700	-55
Total	159,702	184,400	24,697

	End of Mar. 2021	End of Mar. 2022 (Forecast)	Difference
Operating Income			
Machinery	3,968	6,300	2,331
Industrial	2,113	2,200	86
Rock Drill	-1,324	750	2,074
U N I C	3,180	3,350	169
Material	1,040	-100	-1,140
Metals	499	-700	-1,199
Electronics	161	200	38
Chemicals	380	400	19
Real Estate	736	650	-86
Other	-82	-180	-97
Adjustment	-71	-70	1
Total	5,592	6,600	1,007

# Increase/Decrease in Earnings by Segment FY2022

## Net Sales

¥159.7billion

+24.6billion (up15.5%)

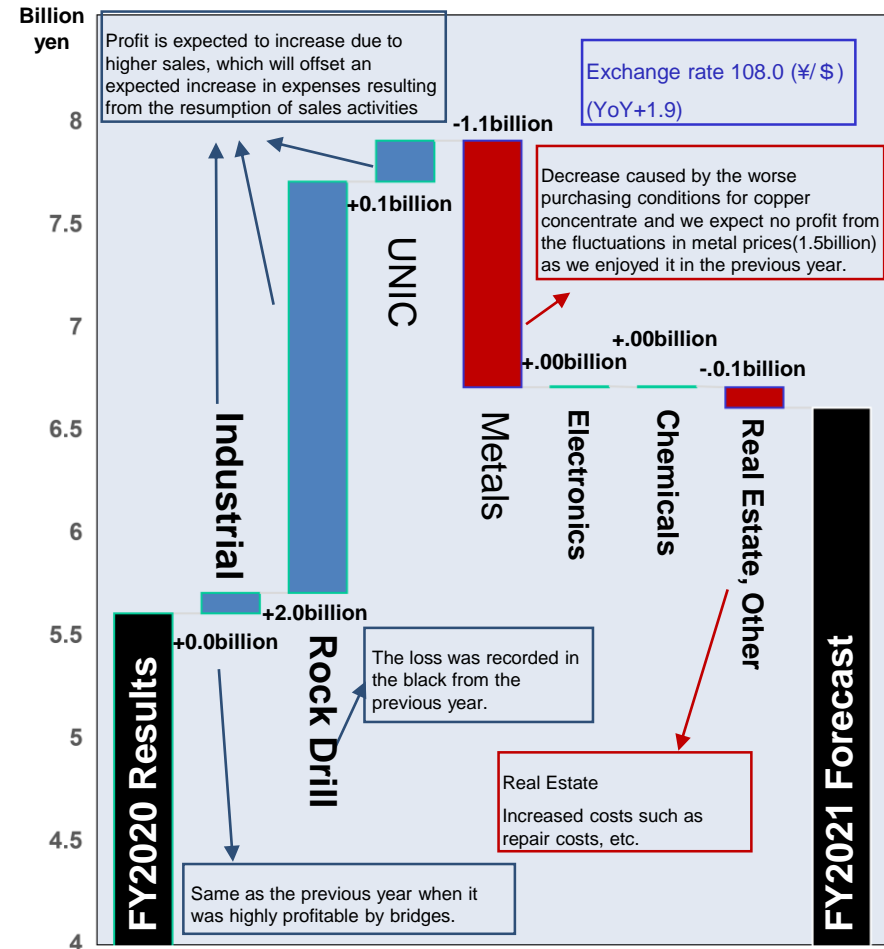
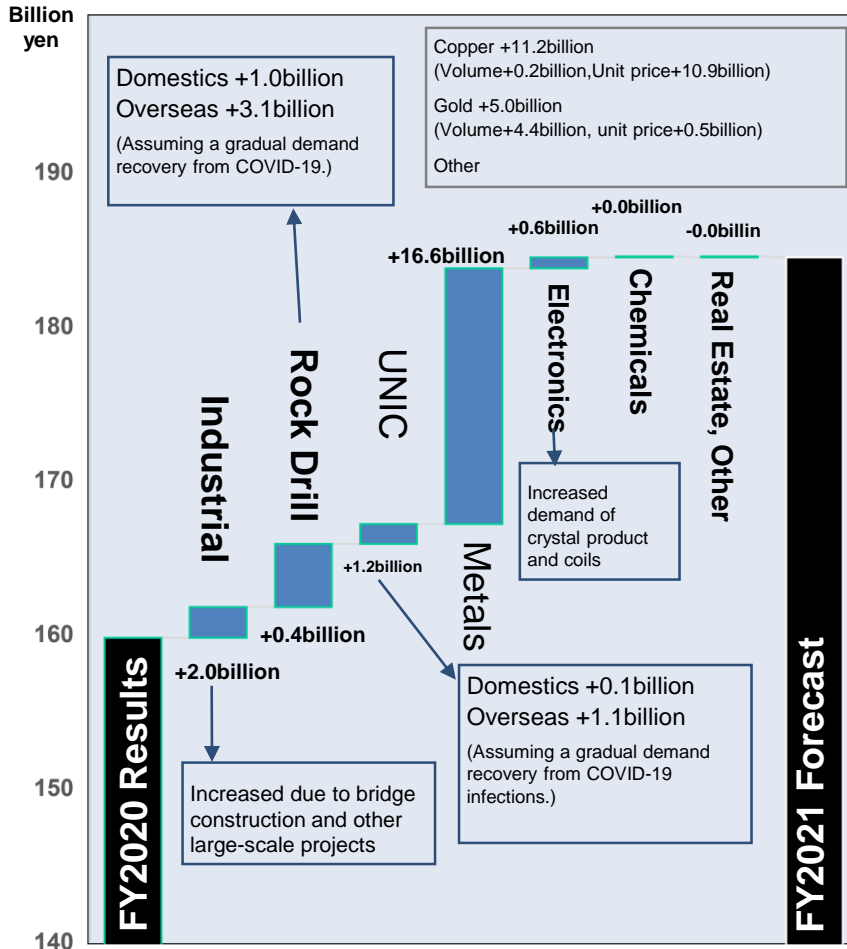
¥184.4billion

## Operating Income

¥5.5billion

+1.0billion (up18.0%)

¥6.6billion



Sales will increase on the assumption that they will show a gradual recovery from the drop in demand due to the impact of COVID - 19. Profit is expected to increase due to higher sales mainly in the 3 machinery segment.

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

## 【State of Capital Investment (Consolidated)】

(Unit: Million yen)

Capital Investment	End of Mar. 2019	End of Mar. 2020	End of Mar. 2021	End of Mar. 2022 (Forecast)
Machinery Business	4,421	4,123	2,637	3,800
Industrial Machinery	269	404	1,253	2,700
Rock Drill Machinery	2,386	2,782	437	300
UNIC Machinery	1,765	936	946	800
Material Business	375	1,229	827	700
O t h e r	645	585	679	800
T o t a l	5,442	5,938	4,144	5,300

Increased due to construction of a new office building at Oyama Works.

## 【State of Depreciation and Amortization (Consolidated)】

Depreciation and Amortization	3,473	3,589	3,879	4,000
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## 【State of Research and Development Expenses (Consolidated)】

Research and Development Expenses	1,504	1,177	1,164	1,300
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## 【State of Metal Products, Foreign Exchange Rate (Consolidated)】

		End of Mar. 2019	End of Mar. 2020	End of Mar. 2021	End of Mar. 2022 (Forecast)
Overseas market price of copper (average)	€/pound	287.6	265.8	312.0	362.8
	\$/ton	6,341	5,860	6,879	8,000
JPY rate per US\$ (average for fiscal year)		110.91	108.74	106.06	108.00

Production and marketing of Furukawa Metals & Resources Co., Ltd.	End of Mar. 2019	End of Mar. 2020	End of Mar. 2021	End of Mar. 2022 (Forecast)
Copper output (t)	81,346	77,069	74,386	73,746
Copper sales volume (t)	85,146	83,864	81,998	82,320

<About copper output>  
 we plan to reduce copper output gradually from 88,004 ton/year at FY2018. As the first step, we have already reviewed the ratio of our consigned copper production at the joint smelting works.

## 【State of Employee (Consolidated)】

	End of Mar. 2019	End of Mar. 2020	End of Mar. 2021	VS End of Mar. 2020 difference
Number of consolidated employee (Persons)	2,757	2,755	2,752	-3

# Long-term Performance

## [Consolidated Financial Results]

(Unit: Million yen)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021(Forecast)
Net sales	200,749	213,426	161,857	142,925	165,638	157,566	165,539	163,026	172,544	161,799	149,829	167,695	174,116	165,215	159,702	184,400
Operating income	16,898	14,407	2,303	1,597	2,821	2,154	3,363	6,886	8,925	7,988	6,545	7,820	8,915	8,693	5,592	6,600
Ordinary income	15,613	12,940	993	111	1,231	1,268	2,763	6,150	6,603	6,227	7,202	8,105	8,235	8,135	6,773	6,600
Profit attributable to owners of parent	17,554	8,595	-5,917	585	563	-1,659	2,976	3,976	9,793	5,056	4,254	4,774	4,654	4,431	7,468	3,600

## Segment Performance

### [Net Sales]

(Unit: Million yen)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021(Forecast)
Machinery	67,795	75,841	62,639	44,313	47,025	53,198	56,852	71,111	75,990	72,232	66,803	73,453	77,580	82,691	68,635	76,100
Industrial	14,119	17,331	15,836	12,783	10,655	12,949	12,894	18,527	16,712	14,926	14,041	15,871	17,971	23,237	16,682	18,700
Rock Drill	33,046	37,497	29,427	20,386	23,880	24,143	23,305	26,842	30,910	30,076	26,979	30,199	30,372	27,663	24,149	28,300
UNIC	20,629	21,012	17,375	11,142	12,490	16,105	20,651	25,741	28,367	27,229	25,782	27,381	29,237	31,791	27,804	29,100
Material	100,656	112,796	80,175	82,128	92,203	77,917	88,026	90,162	93,270	85,644	78,968	89,987	92,722	79,366	88,203	105,500
Metals	84,753	97,519	68,786	71,132	79,979	68,114	77,944	78,684	81,513	74,192	67,853	77,334	80,067	67,149	76,094	92,700
Electronics	9,364	8,751	5,568	5,969	7,147	4,615	4,987	5,381	5,743	5,477	5,816	6,307	6,527	5,506	5,741	6,400
Chemicals	6,538	6,525	5,820	5,025	5,076	5,187	5,093	6,096	6,013	5,973	5,298	6,344	6,127	6,710	6,367	6,400
Real Estate	2,936	2,758	2,386	2,043	1,577	1,233	1,058	1,013	2,535	3,045	3,074	3,338	2,999	2,386	2,107	2,100
Other	1,154	1,294	1,204	854	785	766	753	739	747	876	983	916	814	771	755	700
Paints(*1)	—	—	—	3,692	15,040	14,874	15,078	—	—	—	—	—	—	—	—	—
Fuels(*2)	28,206	20,735	15,452	9,893	9,004	9,576	3,770	—	—	—	—	—	—	—	—	—
Total	200,749	213,426	161,857	142,925	165,638	157,566	165,539	163,026	172,544	161,799	149,829	167,695	174,116	165,215	159,702	184,400

### [Operating Income]

(Unit: Million yen)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021(Forecast)
Machinery	5,901	6,837	1,733	-3,022	-566	1,970	2,923	5,333	6,551	5,882	3,580	5,083	6,567	7,343	3,968	6,300
Industrial	72	837	767	433	-29	708	778	1,851	1,711	1,037	104	1,005	2,088	3,208	2,113	2,200
Rock Drill	3,120	3,702	255	-2,584	-350	333	-67	341	1,225	2,217	897	1,782	1,689	142	-1,324	750
UNIC	2,708	2,297	710	-870	-186	928	2,212	3,141	3,614	2,627	2,578	2,295	2,789	3,992	3,180	3,350
Material	10,925	7,661	229	3,985	3,044	325	324	1,695	1,770	983	1,870	1,648	1,396	776	1,040	-100
Metals	8,837	6,206	23	3,224	1,494	308	282	1,503	1,449	1,154	1,738	867	581	301	499	-700
Electronics	1,386	984	4	657	1,279	-234	-262	-123	52	-368	17	330	407	-35	161	200
Chemicals	701	470	201	104	269	251	304	315	267	197	114	451	406	510	380	400
Real Estate	839	749	706	1,128	635	356	219	-43	776	1,276	1,265	1,339	1,163	735	736	650
Other	-301	-228	-304	-376	-92	-93	-63	-60	-130	-72	-126	-196	-147	-94	-82	-180
Paints(*1)	—	—	—	-19	-93	-329	65	—	—	—	—	—	—	—	—	—
Fuels(*2)	-114	-430	202	-29	-56	-13	-28	—	—	—	—	—	—	—	—	—
Adjustment	-351	-181	-264	-69	-49	-60	-78	-39	-42	-80	-44	-55	-64	-68	-71	-70
Total	16,898	14,407	2,303	1,597	2,821	2,154	3,363	6,886	8,925	7,988	6,545	7,820	8,915	8,693	5,592	6,600

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

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

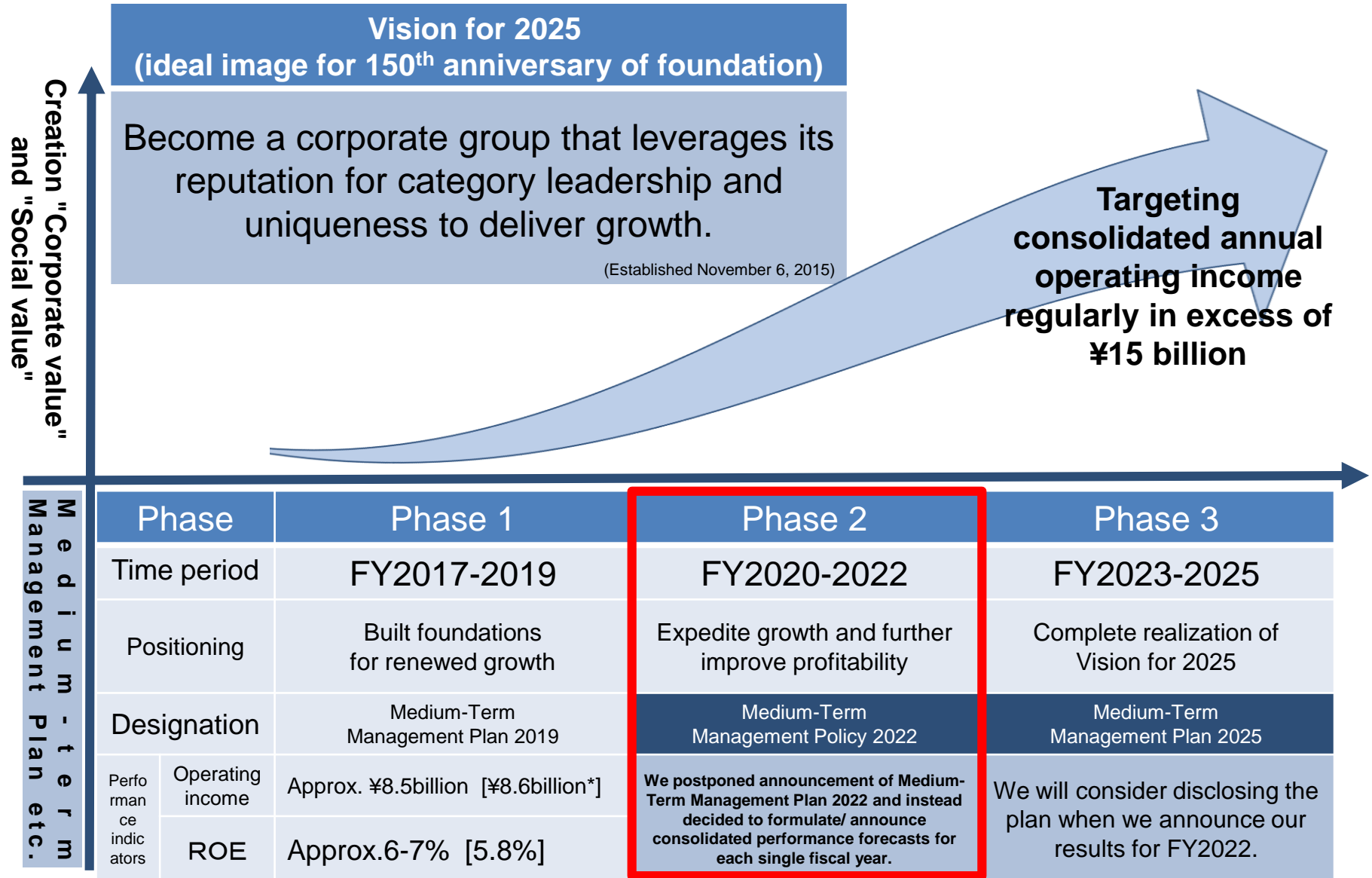
Notice: By applying "Accounting standards for disclosure of segment information, etc." (FY2012), we replace and display the figure for FY2011.

LME copper price(US\$/ton)	6,970	7,584	5,864	6,101	8,139	8,485	7,855	7,104	6,554	5,215	5,154	6,444	6,341	5,860	6,879	8,000
JPY rate per US\$	118.03	114.28	100.54	92.85	85.71	79.07	83.10	100.24	109.93	120.13	108.42	110.85	110.91	108.74	106.06	108.00

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### 3. Outlook for the Formulation & Announcement of the New Medium-Term Management Plan

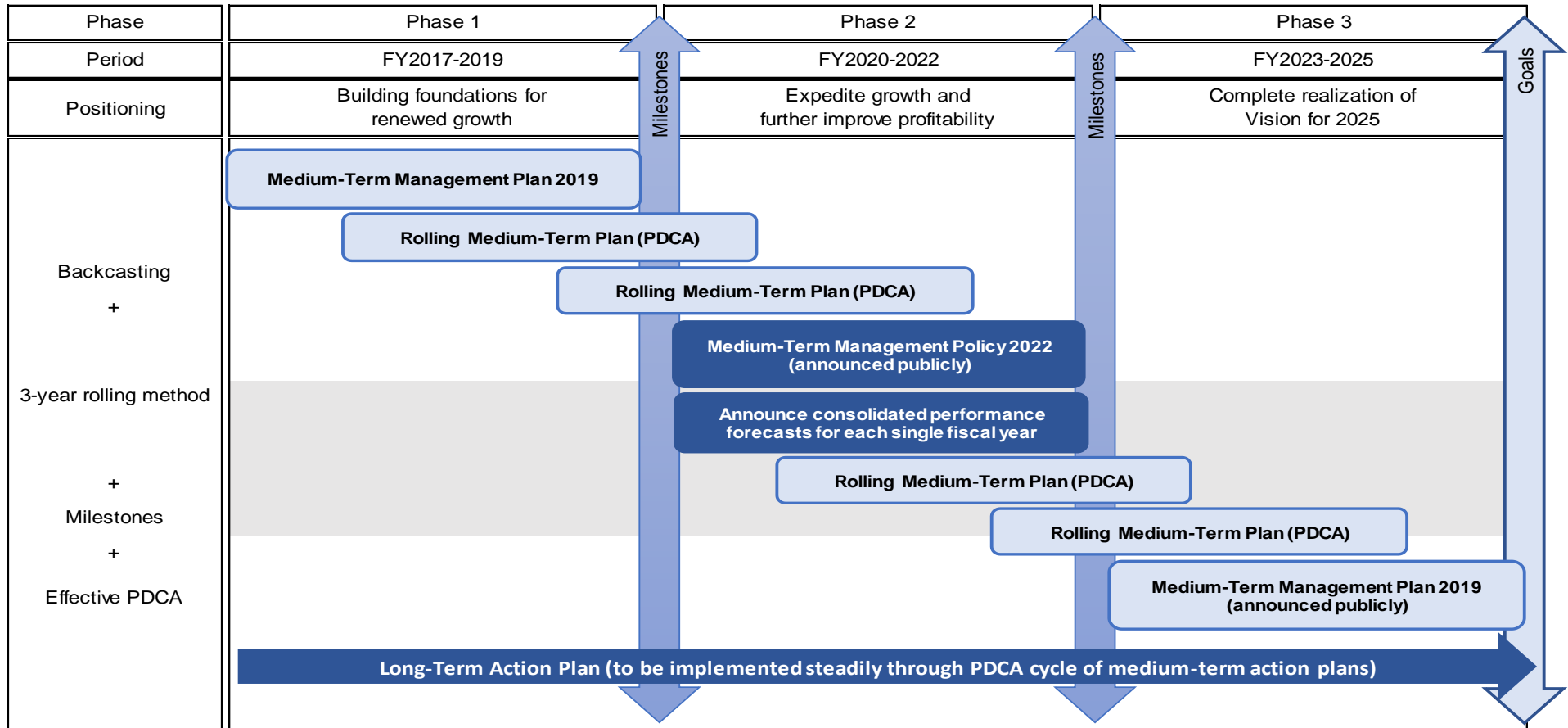




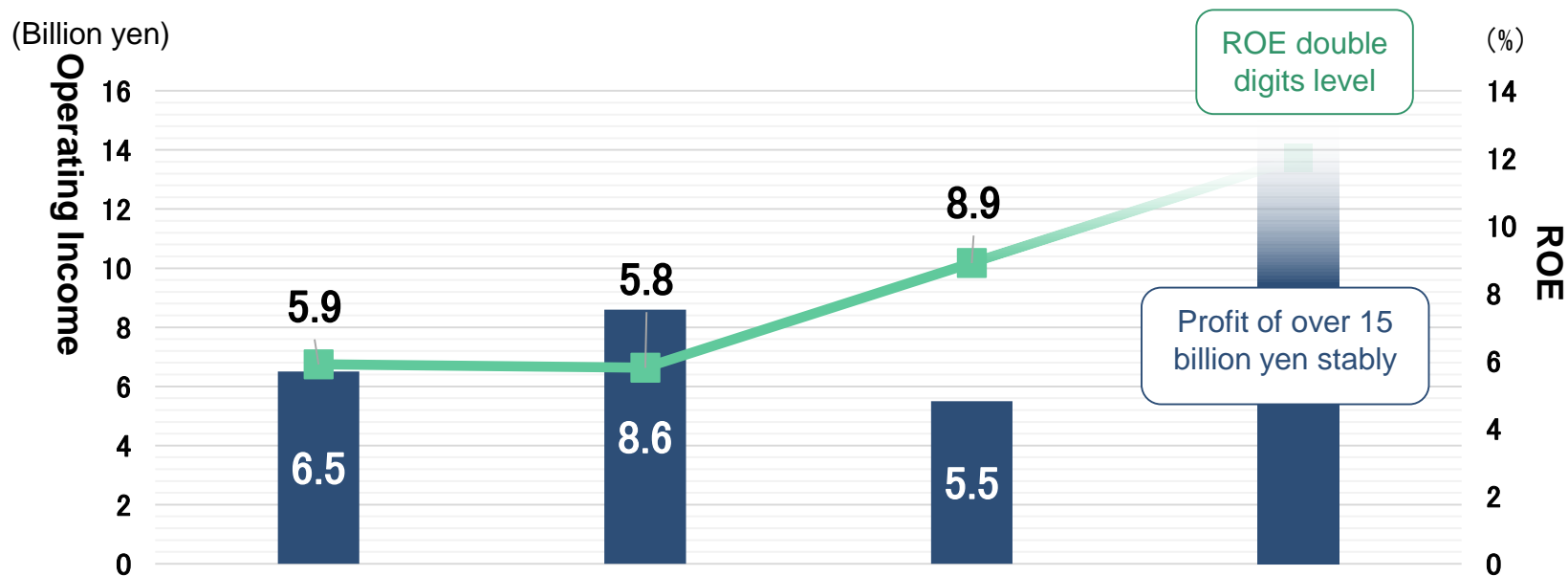
# Medium-Term Management Plan & PDCA Cycle



We have divided our Long-Term Management Plan "Vision for 2025" into 3 phases, set the milestones for PDCA(Non publishable) at phase1&2 in advance, and have used each Medium-Term Management Plan as an important tool to achieve our Vision for 2025 by rolling the plans. We positioned FY2021 and FY2022 as a period for carefully assessing changes in values, lifestyles, business models, and others caused by COVID - 19, vigorously promoting the strengthening of our business structure, and focusing on an early recovery of the Group's business performance.

\*1 Milestones for PDCA(Non publishable) : Numerical for PDCA(Non publishable) in advance was rolling the plan when publish Medium-Term Business Plan.



# Management & Financial Indicators



		FY2016 (Base year for comparison)	FY2019	FY2020	FY2025 Image
Management Indicator	Operating Income 	¥6.5 billion	¥8.6 billion	¥5.5 billion	Regularly in excess of ¥15 billion
	ROE 	5.9%	5.8%	8.9%	Double digits level
Financial Indicator	Debt / Equity ratio	<b>0.9 times</b>	<b>0.9 times</b>	<b>0.8 times</b>	<b>Approx. 0.6~0.7 times</b>
	Interest-bearing debt-to-EBITDA ratio	7.6 times	5.7 times	7.4times	4 times level
	Issuers rating	BBB (JCR)	BBB (JCR)	BBB (JCR)	BBB+ or higher (Japanese rating agency)

(※) Debt / Equity ratio=Interest-bearing debt (Term end) / Equity (Term end)

(※) Interest-bearing debt-to-EBITDA ratio=Interest-bearing debt (Term end) / (Operating income+Depreciation and amortization)

# Segment Performance

[Preconditions]	FY2016 (Results)	FY2017 (Results)	FY2018 (Results)	FY2019 (Results)	FY2020 (Results)	FY2021 (Forecast)
JPY rate per US\$	108.4 YEN/USD	110.9 YEN/USD	110.9 YEN/USD	108.7 YEN/USD	106.1 YEN/USD	108.0 YEN/USD
LME copper price	5,154 USD/t	6,444 USD/t	6,341USD/t	5,860 USD/t	6,879 USD/t	8,000 USD/t

Differ to announce "Mid-Term Business Plan 2022".  
Formulate & announce Forecast every single year.

(Unit: Million yen. Rounded down to million yen)

Net Sales	FY2016 (Results)	FY2017 (Results)	FY2018 (Results)	FY2019 (Results)	FY2020 (Results)	FY2021 (Forecast)	FY2022 (Undecided)
<b>Machinery</b>	<b>66,803</b>	<b>73,453</b>	<b>77,580</b>	<b>82,691</b>	<b>68,635</b>	<b>76,100</b>	-
Industrial	14,041	15,871	17,971	23,237	16,682	18,700	-
Rock Drill	26,979	30,199	30,372	27,663	24,149	28,300	-
UNIC	25,782	27,381	29,237	31,791	27,804	29,100	-
<b>Material</b>	<b>78,968</b>	<b>89,987</b>	<b>92,722</b>	<b>79,366</b>	<b>88,203</b>	<b>105,500</b>	-
Metals	67,853	77,334	80,067	67,149	76,094	92,700	-
Electronics	5,816	6,307	6,527	5,506	5,741	6,400	-
Chemicals	5,298	6,344	6,127	6,710	6,367	6,400	-
<b>Real Estate</b>	<b>3,074</b>	<b>3,338</b>	<b>2,999</b>	<b>2,386</b>	<b>2,107</b>	<b>2,100</b>	-
<b>Other</b>	<b>983</b>	<b>916</b>	<b>814</b>	<b>771</b>	<b>755</b>	<b>700</b>	-
<b>[Total]</b>	<b>149,829</b>	<b>167,695</b>	<b>174,116</b>	<b>165,215</b>	<b>159,702</b>	<b>184,400</b>	-

# Operating Income Trends by Segment

We postponed announcement of Medium-Term Management Plan 2022 and instead decided to formulate/ announce consolidated performance forecasts for each single fiscal year.

(Unit: Million yen. Rounded down to million yen)

Operating Income	FY2016 (Results)	FY2017 (Results)	FY2018 (Results)	FY2019 (Results)	FY2020 (Results)	FY2021 (Forecast)	FY2022 (Undecided)
Machinery	3,580	5,083	6,567	7,343	3,968	6,300	-
(*Composition ratio)	(53%)	(63%)	(72%)	(83%)	(69%)	(92%)	-
Industrial	104	1,005	2,088	3,208	2,113	2,200	-
Rock Drill	897	1,782	1,689	142	-1,324	750	-
UNIC	2,578	2,295	2,789	3,992	3,180	3,350	-
Material	1,870	1,648	1,396	776	1,040	-100	-
(*Composition ratio)	(28%)	(20%)	(15%)	(9%)	(18%)	(-%)	-
Metals	1,738	867	581	301	499	-700	-
Electronics	17	330	407	-35	161	200	-
Chemicals	114	451	406	510	380	400	-
Real Estate	1,265	1,339	1,163	735	736	650	-
(*Composition ratio)	(19%)	(17%)	(13%)	(8%)	(13%)	(9%)	-
Other	-126	-196	-147	-94	-82	-180	-
(Sub Total)	6,590	7,875	8,980	8,761	5,663	6,670	-
Adjustment	-44	-55	-64	-68	-71	-70	-
[Total]	6,545	7,820	8,915	8,693	5,592	6,600	-

\*The formula for composition ratio is ratio to the excluded amount of Other & Adjustment from Total

## 4. Focus on Strengthening Our Company's Structure for FY2021 and FY2022

Strengthening our company's structure for FY2021 and FY2022 (Especially [strengthen and rebuild its overseas marketing capabilities in Rock Drill Machinery segment](#), fundamental review of the contracted smelting business in the Metals segment, realize a future concept of the Furukawa Osaka Building in the Real Estate business.) which we have positioned as a period to focus on the early recovery of our group's performance.

### - Strengthen and rebuild its overseas marketing capabilities in the Rock Drill Machinery segment

We will clarify our strategies by product and region, and drastically review and implement them, including the reorganization and consolidation of our overseas subsidiaries.

#### - Ensure selection and concentration

Establishment of priority regions :

Hydraulic breakers → Europe and the US

Highly evaluate the functions and performance of our original structure.

Tunnel drill jumbos → Southeast Asia

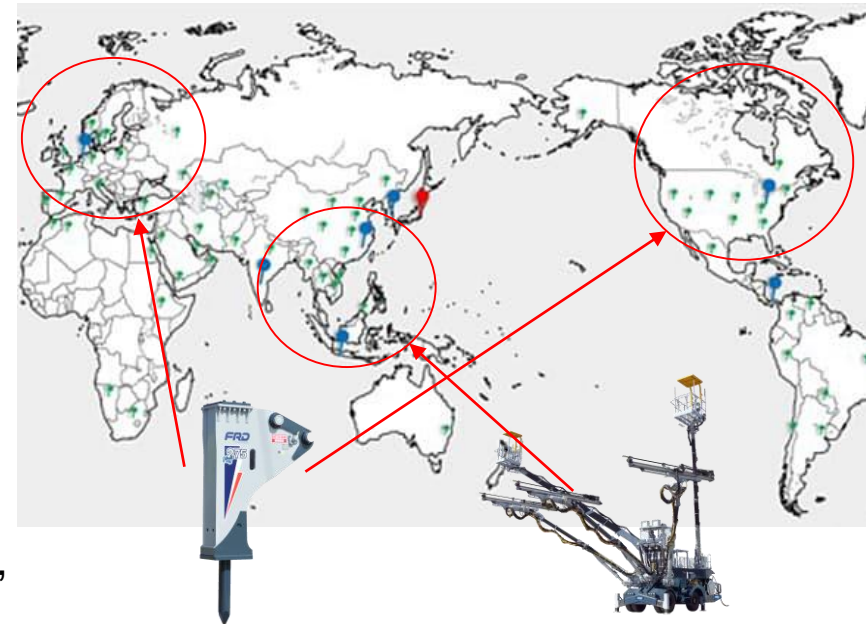
Expected infrastructure demand for tunnels and others.

Engage in intensive sales after the model selection

Review the model composition of hydraulic crawler drills, focus on models with high superiority

Review current structure :

In line with the establishment of priority regions, the current structure of 7 overseas subsidiaries will be reviewed, reorganized, and consolidated.



## 4. Focus on Strengthening Our Company's Structure for FY2021 and FY2022

Strengthening our company's structure for FY2021 and FY2022 (Especially [strengthen and rebuild its overseas marketing capabilities in Rock Drill Machinery segment](#), fundamental review of the contracted smelting business in the Metals segment, realize a future concept of the Furukawa Osaka Building in the Real Estate business.) which we have positioned as a period to focus on the early recovery of our group's performance.

### - Strengthen and rebuild its overseas marketing capabilities in the Rock Drill Machinery segment

#### - Strengthen our hydraulic crawler drill business by promoting lifecycle support approaches

By promoting the use of the ICT - based operation support system, which is attached to hydraulic crawler drills and catches information on operation, we will improve the accuracy of predicting replacement demand for hydraulic crawler drills and strengthen sales of new vehicles and components.

#### - Promote the development of new commercial channels for overseas sales of drill jumbos

We will strengthen our relationships with overseas general contractors and others to enhance our overseas project channels.

**we will promote marketing management more strongly than ever, not only overseas but also in Japan, and implement the business strategies of the Medium - Term Business Policy 2022.**

**We will also review the strategies.**



## 4. Focus on Strengthening Our Company's Structure for FY2021 and FY2022

Strengthening our company's structure for FY2021 and FY2022 (Especially strengthen and rebuild its overseas marketing capabilities in Rock Drill Machinery segment, [fundamental review of the contracted smelting business in the Metals segment](#), [realize a future concept of the Furukawa Osaka Building in the Real Estate business](#).) which we have positioned as a period to focus on the early recovery of our group's performance.

### ■ fundamental review of the contracted smelting business in the Metals segment

We will continue to reduce the production volume of electrolytic Copper as we recognize that the business feasibility of contracted smelting is severe due to the sharp fluctuation of earnings.

- FY2017 about 88,000ton/year
- >FY2020 about 74,000ton/year
- >FY2022 Plan to reduce at least about 70,000ton/year



Onahama Smelter



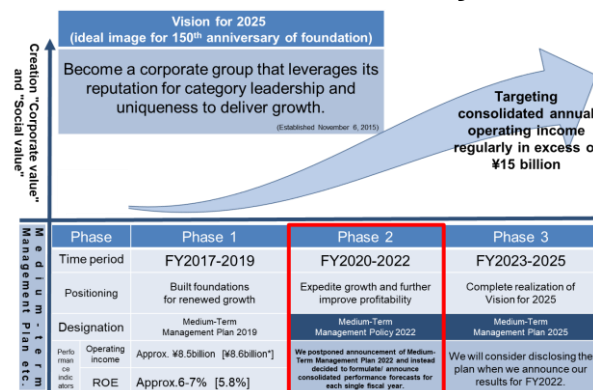
Hibi Joint Smelter

Although the Metals Segment is the Company's original business, we will not be bound by it and will continue to make further efforts to review it.

### ■ Realize a future concept of the Furukawa Osaka Building in the Real Estate Business

The Furukawa Osaka Building was closed in December 2019, and demolition work is currently underway. We will continue to study the future plans for this building.

We have positioned the 2 years from FY2021 as a period to focus on the early recovery of the Group's business performance by strengthening our business structure.



# 5. Regard to Carbon neutrality

Our group aims for realizing carbon neutrality toward a decarbonized society and takes this initiative as an opportunity to practice marketing management. We will contribute to the realization of the carbon - free society by providing products, technologies, and services that are highly effective in reducing carbon dioxide and other greenhouse gas emissions.

## ■ Regard to the Group's carbon dioxide emissions

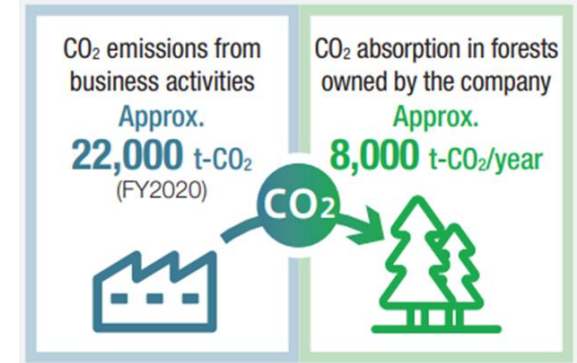
### Annual emissions of about 22,000 tons by businesses

although we have machinery and materials plants, the amount of energy input that generates greenhouse gases is small, and the absolute amount of CO2 emissions is also small.

(This is an overwhelmingly low amount in comparison with non - ferrous metals smelters.)

⇔ absorbs about 8,000 tons of carbon dioxide per year from the forests we own in Japan

We will continue to reduce CO2 emissions from our business activities by reducing energy consumption through the introduction of new equipment and more efficient production processes at each of our plants, and we hope to achieve carbon neutrality by further increasing the absorption amount of CO2 by our forests.



■ we will contribute to the realize a decarbonized society by providing products, technologies, and services that are highly effective in reducing greenhouse gas emissions.

### Ex.1: Belt conveyors (Industrial Machinery segment)

- From the perspective of decarbonization, we believe that the use of belt conveyors instead of dump trucks in tunnel excavation, construction of control reservoirs, and removal of sediment from dams will contribute to the reduction of CO2 emissions.

### Ex.2: Hydraulic crawler drills (Rock Drill Machinery segment)

- It can help reduce CO2 emissions from customers using them because they shorten the operating time due to the increased drilling speed achieved by the higher output of hydraulic drifters and the advanced functions of the control system.

\*We have already achieved a 35% reduction in CO2 emissions for medium - sized machines under the current Tier 4 exhaust gas emission regulations compared to the Tier 2 regulations ended 2006, and we are aiming for a 45% reduction under our current plan.





Thank you for your understanding and continued support.



 **FURUKAWA CO.,LTD.**

# Cautionary Notes Regarding Forward-Looking Statements

Statements about future predictions contained in this document are based on various factors—including forecasts, expectations, assumptions, plans, acknowledgments, and evaluations—that derive from information currently at hand. Actual business conditions and activities involve various known and unknown risks and uncertainties and can be affected by them. Accordingly, forward-looking statements and suggestions based thereon may differ significantly from actual outcomes.

Known and unknown risks and uncertainties that can potentially affect future forecasts are described in the Company's Annual Report, Financial Statements and in the Business Risks section of the Company's corporate website. However, such risks and uncertainties are not limited to those described therein.

Consequently, the Company cannot promise or guarantee the achievement of key performance indicators [ (KPIs)] or forecasts, nor of future results, as described in this document.

Irrespective of actual results, moreover, the Company is not obligated to update the content of this document after its release date, and does not have a policy to do so.

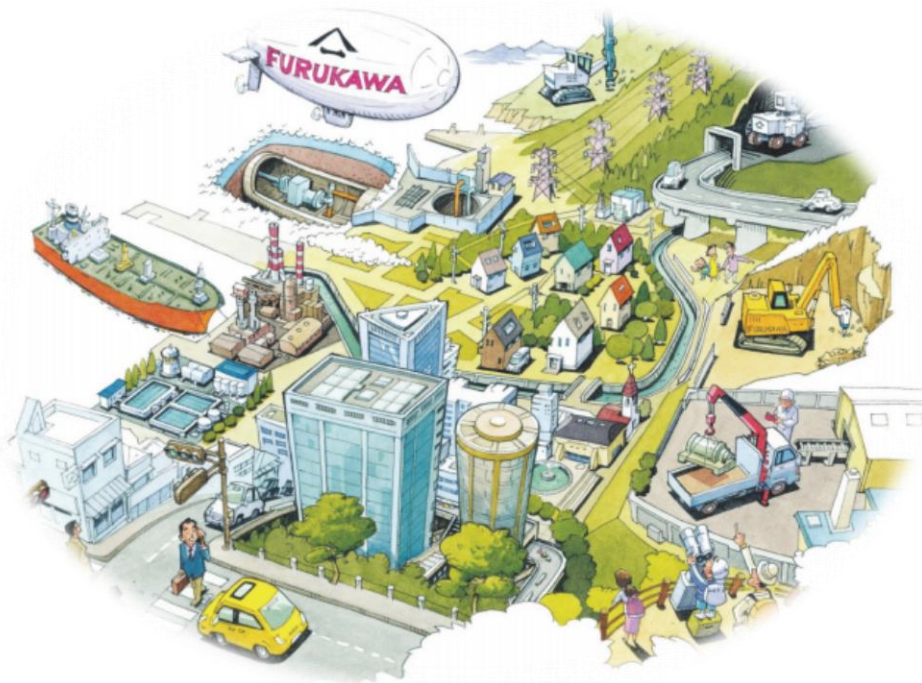
The purpose of preparing this document is to help shareholders, other investors, and the like obtain a better understanding of the Company's management policies and information, not to solicit any equity investments, including the purchase or sale of the Company's shares.

Investors are asked to take responsibility for final investment decisions in light of the aforementioned points.

Please take responsibility when using this document. The Company bears no responsibility for erroneous or defective information contained in this document, nor of changes in [key performance indicators/KPIs] or forecasts, nor of any other losses caused as a result of using this document.

## “Medium-Term Management Policy 2022”

- Expedite growth and further improve profitability. -



Disclosed May 25, 2020

\*May 25, 2021  
corrections Page 4  
Addition Page 7-8

 **FURUKAWA CO.,LTD.**

This document contains forward-looking statements that reflect the Company’s judgments based on various assumptions. The Company makes no guarantees or promises regarding the certainty, completeness, or implementation status of such statements.

# “Medium-Term Management Policy 2022” Contents

## 1. Vision for 2025 “FURUKAWA Power & Passion 150”

## 2. Positioning of “Medium-Term Management Policy”

## 3. Management Policy

- (1) Company wide strategy
- (2) Increase the value of the Furukawa brand through “marketing-based management” that incorporates CSV perspectives
- (3) Contribution to the SDGs through “marketing-based management” that incorporates CSV perspectives
- (4) Increase corporate value by emphasizing business practices that reflect CSR/ESG issues recognized and to be solved by the Group
- (5) Basic strategies and priority issues by segment
- (6) Product development system
- (7) Strengthen and expand our human resource base
- (8) Actively promote investments to increase corporate value
- (9) Establish a robust corporate foundation

# 1. Vision for 2025 "FURUKAWA Power & Passion 150"

May 8, 2020 partially revised (Under lined)

## Vision for 2025 "FURUKAWA Power & Passion 150"

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

### <Policy for achieving the vision>

Increase the value of the Furukawa brand through "marketing-based management"(\*1) that incorporates CSV(\*2) perspectives.

Sustainable expansion of the machinery business

Strengthen and expand our human resource base

Actively promote investments to increase corporate value

Establish a robust corporate foundation(\*3)

### Aiming for FY2025(150 anniversary of foundation)

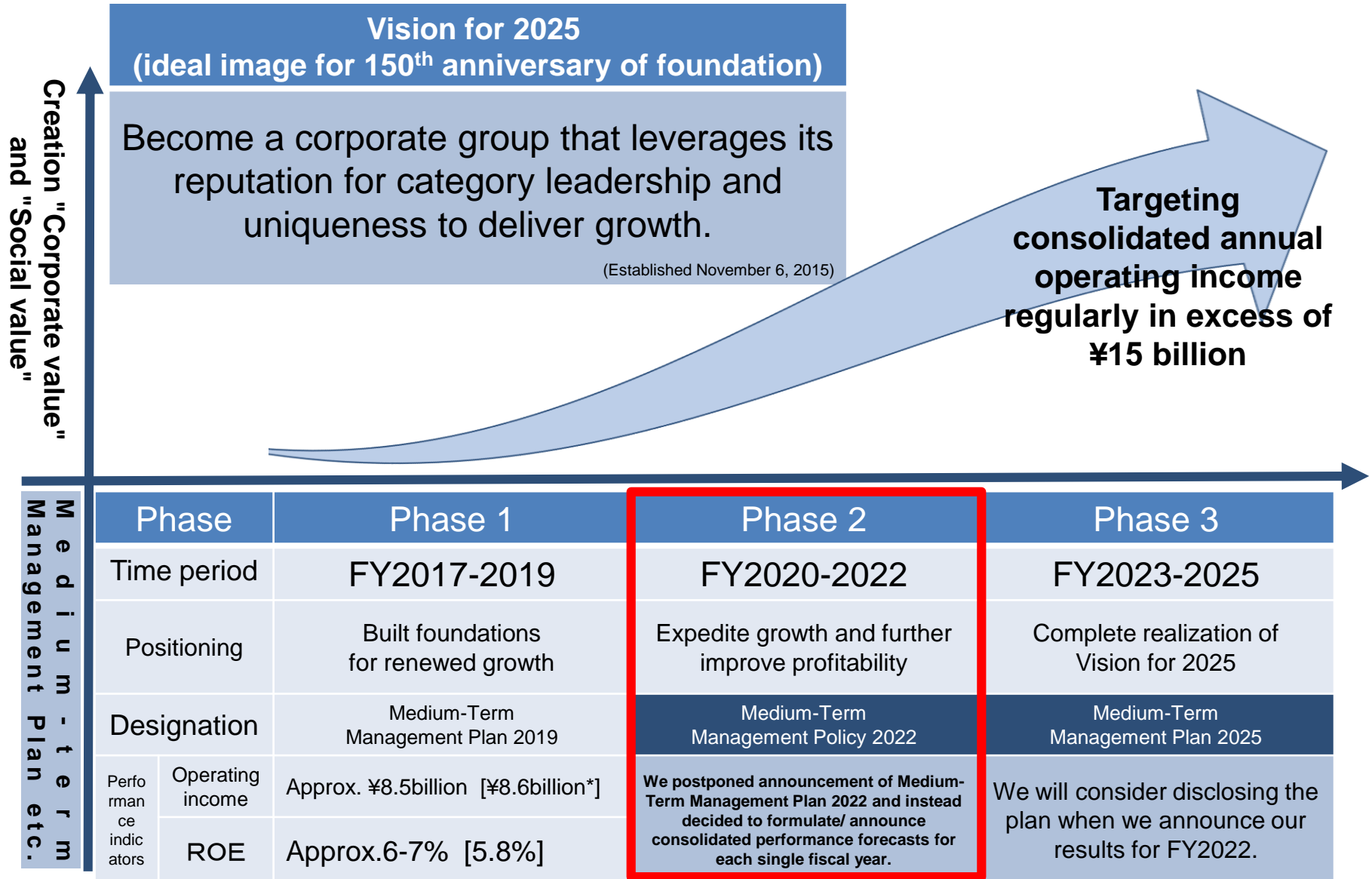
Targeting consolidated annual operating income regularly in excess of ¥15 billion.

(\*1) Marketing-based management incorporating CSV: This means incorporating marketing into the core of management to provide products and services recognized as valuable in changing markets, as well as to resolve issues and problems faced by customers, with the aims of increasing corporate value and achieving sustained growth. It also reflects the Group's intention to achieve the Sustainable Development Goals (SDGs) and otherwise resolve various social issues, including such domestic issues as building national resilience and the declining working-age population, and thus help realize a sustainable society.

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

(\*3) At the time of partial revision( May 8, 2020), we will work diligently to "Increase corporate value by emphasizing business practices that reflect CSR/ESG issues recognized and to be solved by the Group." which is one of the "Establish a robust corporate foundation"

# 2. Positioning of “Medium-Term Management Policy”



# 3. Management Policy

## (1) Companywide strategy

“Expedite growth and further improve profitability.”

Under Medium-Term Management Policy 2022, with the aim of realizing Vision for 2025, we will work to increase the value of the Furukawa brand by advancing marketing-based management, which has been redefined to incorporate CSV perspectives. We will also strengthen our ability to find and solve problems in the field and our ability to produce innovation. Targeting sustained growth, meanwhile, we will “Strengthen and expand our human resource base,” “Actively promote investments to increase corporate value,” and “Establish a robust corporate foundation.” Under Medium-Term Business Plan 2019, we built foundations for renewed growth. By making all-out efforts to solidify these foundations, we will work to “Expedite growth and further improve profitability.”

Sustainably expand the Machinery business, step up alliances and M&As, emphasizing business practices that reflect CSR/ESG issues recognized.

In particular, we will continue striving to “Sustainably expand the Machinery business”—positioned as a core business under Medium-Term Business Plan 2019—in order to clearly identify priority investments and growth businesses. We will also step up alliances and M&As to achieve discontinuous growth. In addition, we will work diligently to “Increase corporate value by emphasizing business practices that reflect CSR/ESG issues recognized and to be solved by the Group.”

## (2) Increase the value of the Furukawa brand through “marketing-based management” that incorporates CSV perspectives

We will generate corporate value by providing infrastructure, products, technologies, and services that help solve social issues. At the same time, we will continue striving to create social value building social infrastructure and realizing a safe, environmentally friendly, and prosperous society.

### [Value creation process of Furukawa company group]



### “marketing-based management” that incorporates CSV perspectives:

Marketing-based management incorporating and redefining CSV, this means incorporating marketing into the core of management to provide products and services recognized as valuable in changing markets, as well as to resolve issues and problems faced by customers, with the aims of increasing corporate value and achieving sustained growth. It also reflects the Group’s intention to achieve the Sustainable Development Goals (SDGs) and otherwise resolve various social issues, including such domestic issues as building national resilience and the declining working-age population, and thus help realize a sustainable society.






































### (3) Contribution of the SDGs through “marketing-based management” that incorporates CSV perspectives

Of the 17 SDGs, we are focusing particular attention on achieving Goal 11 (“Make cities and human settlements inclusive, safe, resilient and sustainable”) and Goal 9 (“Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”). We will also strive to create social value by building social infrastructure as stated in “The Furukawa Company Group’s Value Creation Process” (please see pages 2–3), while realizing a safe, environmentally friendly, and prosperous society.

Segment	Main Products, Technologies, and Services	SDGs with High Contribution Levels (◎: Especially Important; ○: Important)									
		2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	
<b>Industrial Machinery</b>	 Pumps  Belt conveyors  Steel bridges and steel structures		○	◎			◎	◎		○	◎
<b>Rock Drill Machinery</b>	 Tunnel drill jumbos  Hydraulic crawler drills  Hydraulic crushers		○				◎	◎	○		
<b>UNIC Machinery</b>	 UNIC cranes  Mini crawler cranes  Ocean cranes		○				◎	◎			◎
<b>Metals</b>	 Electrolytic copper				○		◎	◎			
<b>Electronics</b>	 High-purity metallic arsenic  Coils  Optical components (lenses)		○				◎	◎			
<b>Chemicals</b>	 Sulfuric acid  Aluminum sulphate  Ferrous sulfate	○	○	◎			◎	◎			

## (4) Increase corporate value by emphasizing business practices that reflect CSR/ESG issues recognized and to be solved by the Group

One policy as part of our Vision for 2025 states our commitment to “increase corporate value by emphasizing practices that reflect CSR and ESG issues recognized and to be solved by the Group” as a core foundation of management. We also clarified the relationship between ESG, CSR priority issues and relevant major SDGs.

ESG Section	CSR/ESG Priority Issues	Major Related SDGs
<b>E</b> (Environmental)	Promote environmental protection activities	      
<b>S</b> (Society)	Offer products and services that satisfy customers	      
	Build fair and impartial business relationships and relationships of reciprocal trust with business partners	    
	Promote social contribution activities	  
	Realize comfortable working environments for employees and give them fair evaluation and treatment	      
<b>G</b> (Governance)	Build a meticulous group governance system	  
	Communicate with shareholders and other investors	
	Strengthen compliance	 

# (5) Basic strategies and priority issues by segment: Industrial Machinery

## Basic strategy

We will continue our strategy of “Increasing our involvement in section plant construction projects and expanding our contractor business, including large-scale projects for both the public and private sectors, in order to transition from a standalone machinery manufacturer, strengthen our engineering capabilities, and enhance our business foundation in the domestic market,” and thus establish a solid growth trajectory.

## Priority issues

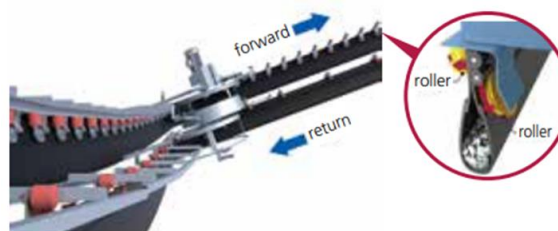
- Attract new orders by providing technical proposals for section plant construction projects and other projects.
- Cultivate demand for SICON® enclosed hanging conveyors.
- Strengthen earnings foundation by capturing replacement demand for pumps and material machinery.



GEOPUS C3 cone crusher



Belt Conveyors designed for the Tokyo Outer Ring Road project



SICON® Enclosed Hanging Conveyor designed for the Sakaigawa-Kanamori retention basin project (Machida City, Tokyo)

SICON® is a registered trademark of ContiTech Transportbandssysteme GmbH.

High efficiency energy saving  
slurry pump  
SPL e-Performance



## (5) Basic strategies and priority issues by segment: Rock Drill Machinery

### Basic strategy

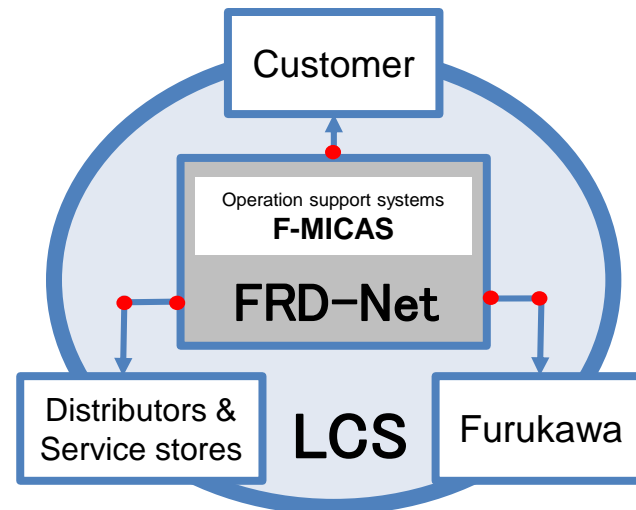
Strengthen our Life Cycle Support (LCS) capabilities, reinforce our earnings foundation for drill products (blast hole drills and drill jumbos), tap new markets, and launch new products to increase profits.

### Priority issues

- Strengthen and rebuild overseas marketing capabilities.
  - Reinforce overseas business foundation for blast hole drills.
  - Create overseas business foundation for drill jumbos.
- Build business models using Life Cycle Support (LCS).
  - Strengthen stock business by providing various services that benefit customers' businesses (extended warranty, full maintenance, proposals for using ICT-based operation support systems to enhance work efficiency, etc.).
- Further enhance lineup of products that contribute to safety and efficiency at tunnel excavation sites, such as fully automatic drill jumbos and automatic rock bolters.



Hydraulic Crawler Drill in operation at overseas quarry site



Drill Jumbo in operation at overseas tunnel excavation site

## (5) Basic strategies and priority issues by segment: UNIC Machinery

### Basic strategy

Secure stable income from domestic sales and expand income from overseas sales, by promoting advanced functions and higher added value in order to strengthen our competitiveness; advancing the stock business; and reinforcing our overseas product, sales, service, and technological capabilities.

### Priority issues

- Reap benefits from capital investment in Sakura Works and promote further automation.
- Strengthen competitiveness by increasing functionality and higher added value of UNIC cranes, mini crawler cranes, and UNIC carriers; develop new functions and options meet diversifying applications.
- Expand overseas sales network and enhance sales capabilities of dealers.
- Reinforce our service system.



UNIC products active overseas



Sakura Works

# (5) Basic strategies and priority issues by segment: Materials, Real Estate

## Metals

### Basic strategy

Conduct drastic review of contracted smelting and refining business.

### Priority issues

Identify profitability and future potential of contracted copper smelting business.



Electrolytic copper

## Chemicals

### Basic strategy

Expand income from existing products and start commercializing and fostering newly developed products

### Priority issues

#### - Existing products

Sulfuric acid: Strengthen differentiation by emphasizing high-quality sulfuric acid products

#### - Newly developed products

Metallic copper powder: Enhance product quality, establish mass production and sales systems, and expand sales channels by providing product samples



Metallic copper powder  
Purpose/ Conductive paste

## Electronics

### Basic strategy

Promote growth of strategic products and launch new strategic products.

### Priority issues

- Aluminum nitride: Utilize high-value-added firing technology to expand business; develop products with high levels of thermal conductivity and toughness.
- Diffractive optical elements (DOEs): Utilize microfabrication technology to increase applications to sensors (in addition to laser processing) in order to expand sales channels.
- Hybrid coils: Provide product samples in order to emphasize high design flexibility.



Aluminum nitride  
Purpose/ components for semiconductor manufacturing equipment (such as heater) and substrate materials

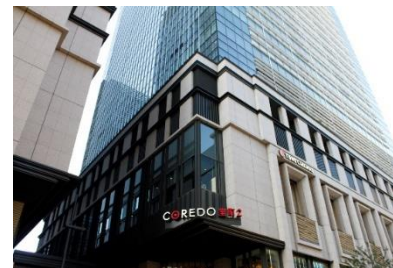
## Real Estate

### Basic strategy

Secure stable income from Muromachi Furukawa Mitsui Building and effectively utilize Furukawa Osaka Building and other real estate owned by the Group.

### Priority issues

Decide future plans for Furukawa Osaka Building.



Muromachi Furukawa Mitsui Building  
(commercial name: COREDO Muromachi 2)  
Nihonbashi Muromachi, Chuo-ku

## (6) Product development system

### Basic strategy

Turn development themes into products and businesses that directly contribute to Group operating companies; activate capabilities to find and solve problems in the field in order to improve productivity, which is essential for manufacturers.

### Priority issues

- Commercialize products under development, such as fully automatic drill jumbos.
- Promote development of solid electrolyte materials and mass production technology for all-solid-state batteries.
- Strengthen training of engineers to lead the next generation through full-scale deployment of engineer development program.
- Reduce environmental impact during mechanical system product development: Convert power load reduction (achieved through weight reduction and efficiency improvement) into CO2 reduction equivalent; set reduction targets for each main product; follow up using PDCA cycle.

## (7) Strengthen and expand our human resource base

### Basic strategy

Build a motivating company that encourages individual employees to maximize their abilities and create new value.

### Priority issues

- Develop human resources.
  - Undertake drastic review of education system.
- Promote Health and Productivity Management.
  - Reduce total working hours per year, promote diverse workstyles, and improve health examination/re-examination rates.
- Promote diversity.
  - Promote employment of female planning staff and people with disabilities, and actively hire foreign employees.
- Improve working environments.
  - Review and maintain working environments that can address emergencies; strongly promote operational reforms.

# (8) Actively promote investments to increase corporate value

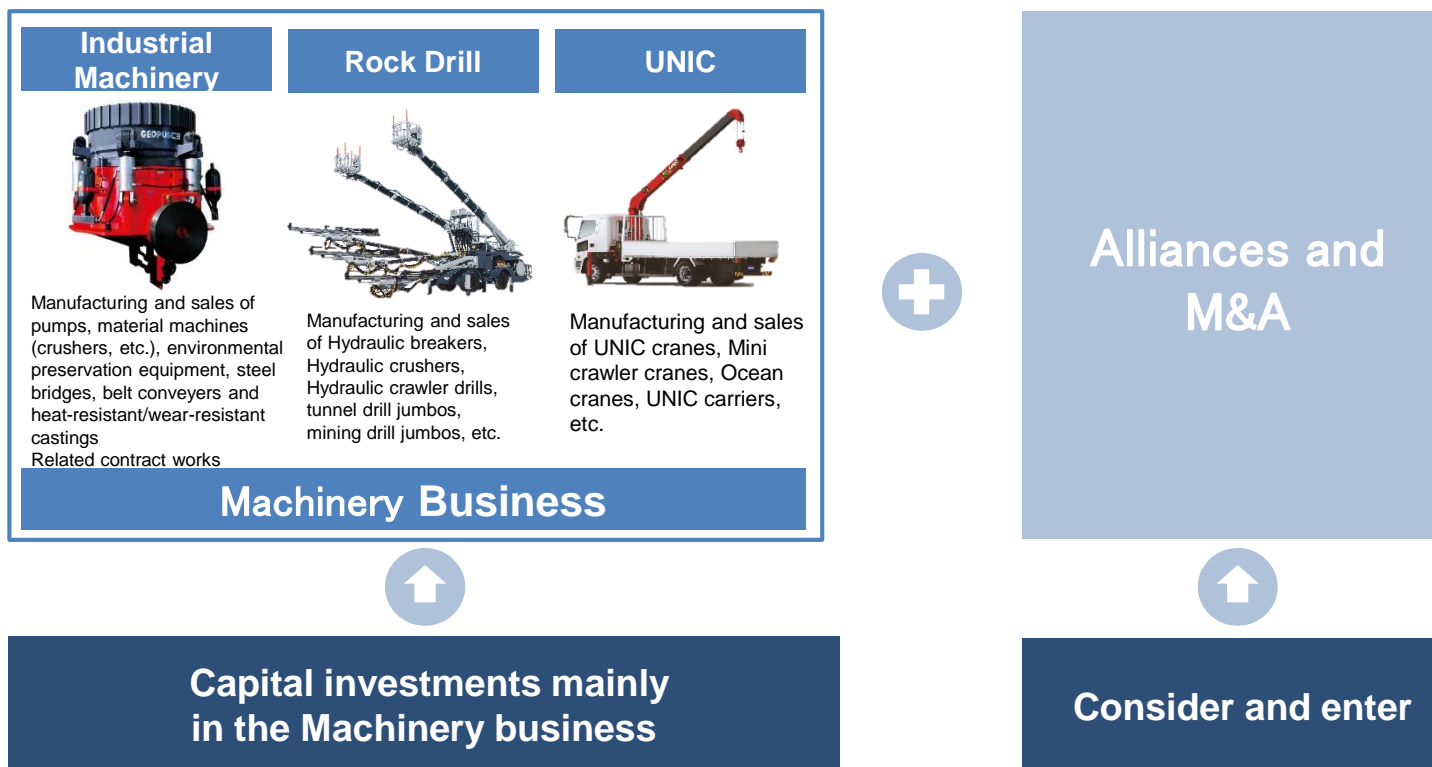
## 1 Capital investment plan\*10 to support stronger manufacturing capabilities

We will make capital investments mainly in the Machinery business (positioned as our core business)

In the Rock Drill Machinery segment, we started a capital investment plan aimed at increasing the production capacity of the Takasaki Works and other facilities. We decided to postpone and reassess capital investment from the second stage in light of this segment's business performance and other factors.

## 2 Alliances and M&A

We will consider and enter alliances and M&A with peripheral companies that fill the gaps and create continuity in our existing Machinery business, as well as with companies engaged in the fourth pillar of our Machinery business.

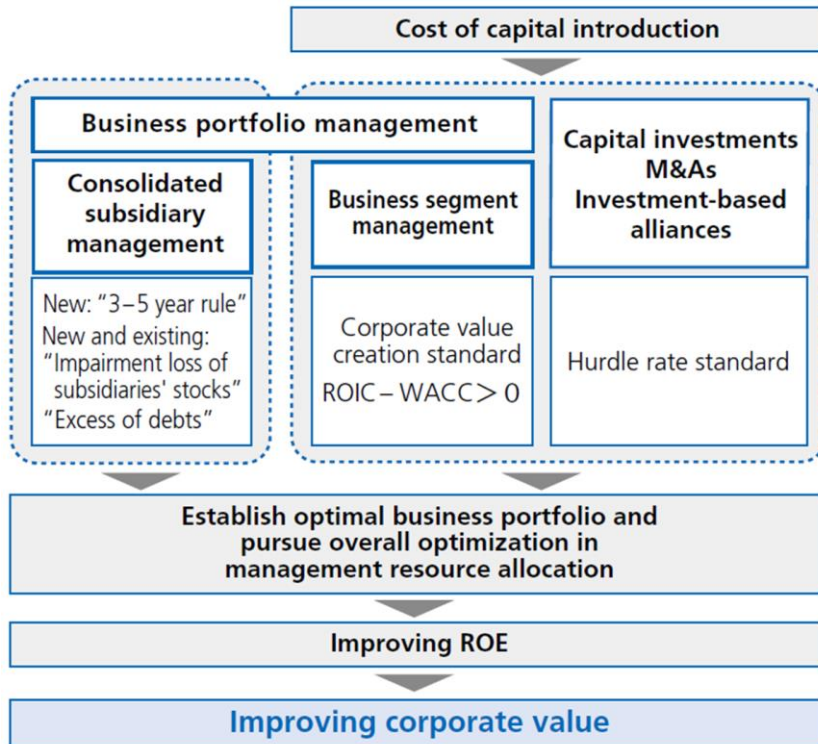




## (9) Establish a robust corporate foundation: Strengthen efforts to increase ROE

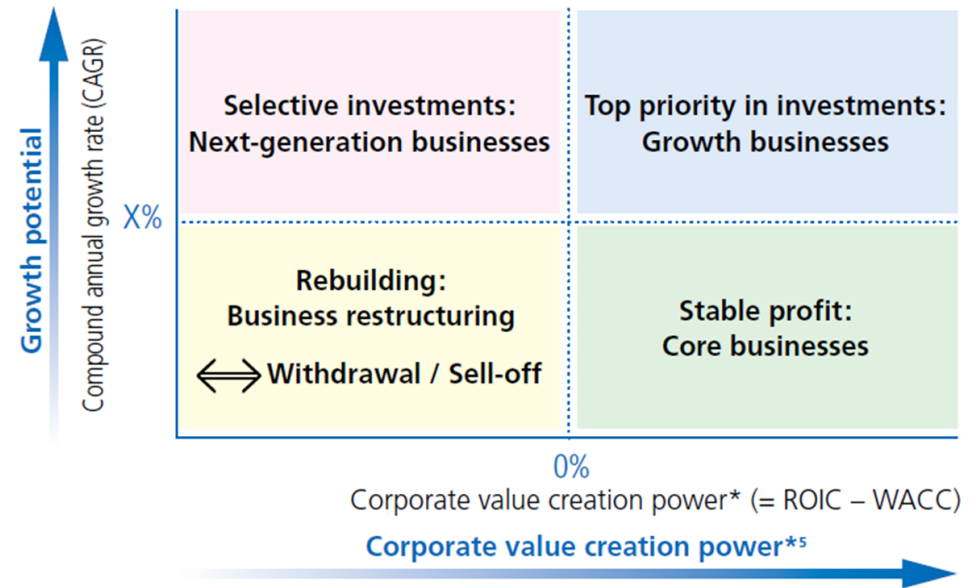
We will make individual investment decisions while paying attention to profitability and taking into account risks and capital costs associated with each investment. We will also step up efforts to improve efficiency and profitability. At the same time, we will pursue overall optimization of business resource allocations and improve corporate value by incorporating cost of capital in our business portfolio management.

### Corporate Value Improvement Process



### Bubble Chart Aiming for Business Portfolio Identification & Visualization

Illustrating the three performance indicators of each business segment onto the graph below enables the corporate value creation status of each business segment to be identified and visualized.



\*5 Both "Corporate value creation power" and "Amount of corporate value created/year" are terms coined by Furukawa Co., Ltd.

# (9) Establish a robust corporate foundation: Strengthen efforts to increase ROE

ROE

=

Profitability

Net income margin

×

Efficiency

Total asset turnover

×

Leverage

Financial leverage

ROE Tree for Creating Corporate Value

Management / Performance Indicators		Breakdown into Strategies and Measures		KPIs into Frontline Operations (Examples)		
Be disclosed	In-Group KPI (Performance Indicator [Improvement Driver])					
[ROE] Net income Net worth	[ROA] Net income Total assets  Operating income is used instead of net income in calculations of segment-specific ROA. Operating income Total assets	[Profitability] Operating margin  Operating income Net sales	Gross margin	Expand business areas; develop new businesses and products	Expand business areas Develop new businesses; launch new (high-value-added) products	Priority sectors / regions (domestic, overseas, countries) / new products/strategic products / new businesses
				Increase sales prices (unit prices)	Control sales prices	Unit price (selling price)
				Reduce cost-of-sales ratio	Promote centralized purchasing Reduce defective products Reduce logistics costs	Variable cost reduction amount / rate Defective product amount / rate
			SG&A expense ratio	Reduce labor costs	Reorganize operations; sell businesses Automate; save labor Increase productivity	Ratio of labor costs to net sales Sales per employee Operating income per employee
				Reduce costs; improve cost-effectiveness	Reduce R&D expenses Reduce sales promotion and advertising expenses	Ratio of R&D expenses to net sales Ratio of sales promotion / advertising expenses to net sales
				Increase sales volume	Increase market share	Sales volume; market share
		[Efficiency] Total asset turnover  Net sales Total assets		Current asset turnover	Increase accounts receivable turnover	Shorten accounts receivable collection period
			Increase inventory turnover		Shorten lead times Reduce inventories	Lead time (time for delivery) Inventory turnover period (days / months) Disposal of slow-moving inventories for a long time
			Fixed asset turnover	Improve capacity utilization rate	Improve capacity utilization rate	Tangible fixed asset turnover period (days/months)
				Improve capital investment efficiency Sell idle assets	Improve capital investment efficiency Sell idle assets	
[Financial leverage] Total assets Net worth	Interest-bearing debt ratio Interest-bearing debt / EBITDA Interest coverage ratio	Increase shareholder returns	Increase cash dividends	Total shareholder return ratio		
			Share repurchase and retirement Increase interest-bearing debt		n/a (no set KPI)	

Profitability improvement

Efficiency improvement

## (9) Establish a robust corporate foundation: Capital strategies: Pursue optimal capital structure based on rating strategy

### Allocation of operating cash flows

We will “actively promote investments that that contribute to increased corporate value” while aiming to establish a robust financial foundation. At the same time, we will endeavor to make optimal allocations of cash flows in consideration of shareholder returns.

### Dividends

Our policy is to return profits to shareholders in the form of dividends appropriated from retained earnings. Specific dividend amounts are based on consolidated profits/losses. With the exception of special profit/loss circumstances, we endeavor in principle to pay annual cash dividends of ¥50.00 per share with a consolidated payout ratio of 30% or higher. In this way, we strive for stable, continuous shareholder returns.

### Treasury stock purchase and cancellation

With respect to purchase and cancellation of treasury stock, our policy is to properly consider all relevant factors, including share price movements, capital efficiency, and cash flows.

#### \*Rating strategy:

By FY2025 (ending March 2026), the final year of Vision for 2025, we aspire to achieve a financial soundness vision that will enable us to obtain a credit rating of BBB+ (or higher), which is one notch above the current rating issued 9 by a Japanese rating agency. To this end, we will continue striving to improve our financial soundness.

(\*) Debt-to-equity ratio: Interest-bearing liabilities (fiscal year-end) / Shareholders' equity (fiscal year-end)

(\*) Interest-bearing debt/EBITDA ratio: Interest-bearing debt (fiscal year-end) / [Operating income + Depreciation]

Financial Soundness Vision	
Debt-to-equity ratio*	0.6–0.7 times (range)
Interest-bearing debt/EBITDA ratio*	4 times (range)
Issuer rating	BBB+ or higher (Japanese rating agency)

## (9) Establish a robust corporate foundation: Increase corporate value by emphasizing business practices that reflect CSR/ESG issues recognized and to be solved by the Group

We will formulate medium-term CSR targets (fiscal 2021 to 2023) and develop a PDCA cycle of planning, execution, evaluation and improvement.

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