

# Financial Results of FY2022 Q2 Presentation Material

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November 26, 2022



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.

Greetings from  
President & Representative Director  
Minoru Nakatogawa.

1. FURUKAWA Company Group's Value Creation Process

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2. Financial Results for the FY2022 Q2 & Financial Forecasts for the FY2022 (Consolidated)

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3. Main Achievements and Issues by Segments

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4. Identified Materiality (Key Issues)

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5. Topics

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6. Reference Materials

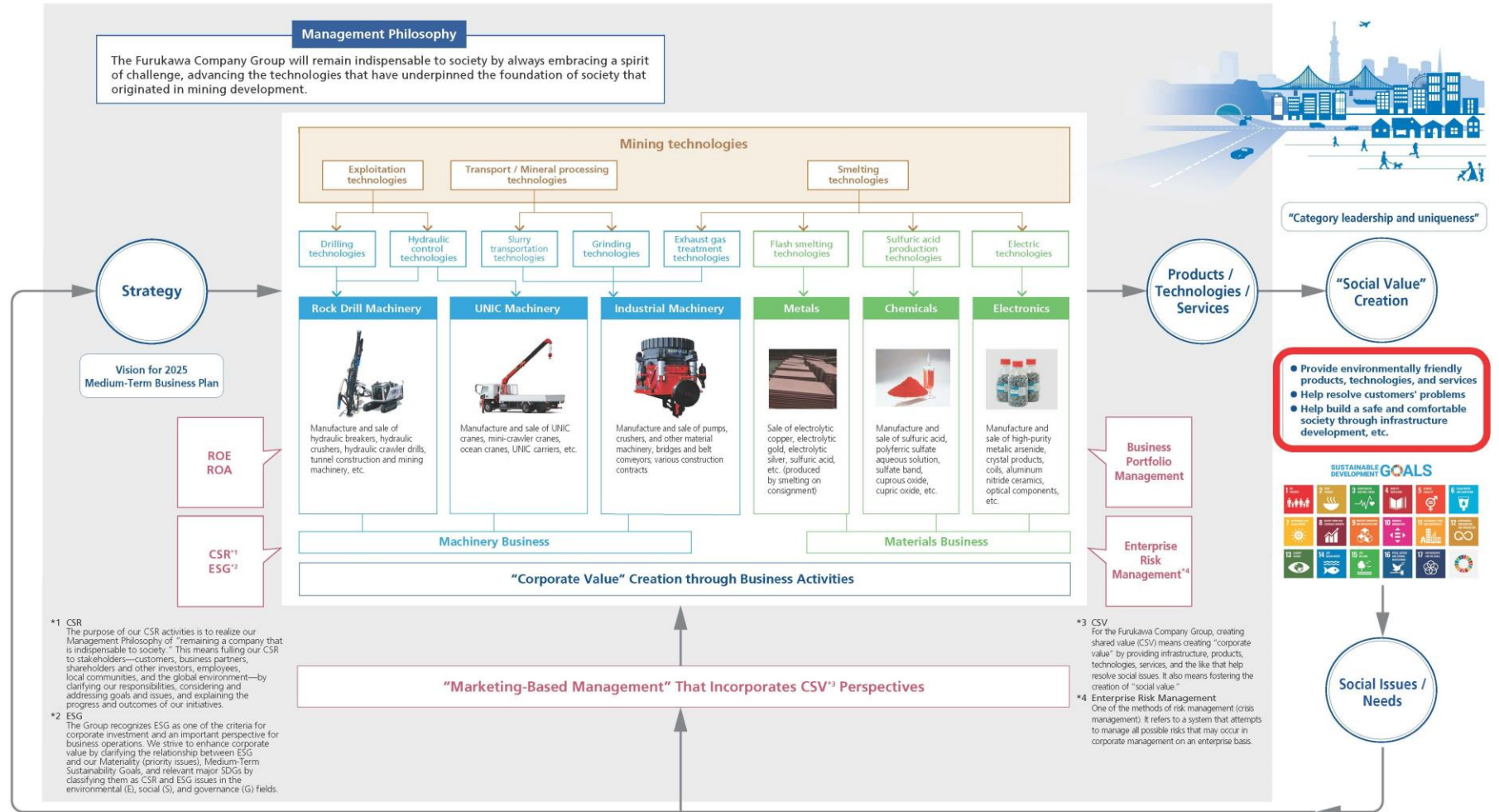
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Appendix

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# 1. FURUKAWA Company Group's Value Creation Process

Based on the Group's management philosophy, we have evolved and developed our copper mine development technology into a variety of technologies, with machinery and materials at the core of our business. And now, through marketing management that incorporates a CSV perspective, we aim to create not only corporate value but also social value and continue to be a company that is needed by society.



<sup>1</sup> CSR  
The purpose of our CSR activities is to realize our Management Philosophy of "remaining a company that is indispensable to society." This means fulfilling our CSR to stakeholders—customers, business partners, shareholders and other investors, employees, local communities, and the global environment—by clarifying our responsibilities, considering and addressing goals and issues, and explaining the progress and outcomes of our initiatives.

<sup>2</sup> ESG  
The Group recognizes ESG as one of the criteria for corporate investment and an important perspective for business operations. We strive to enhance corporate value by clarifying the relationship between ESG and our Materiality (priority issues), Medium-Term Sustainability Goals, and relevant major SDGs by classifying them as CSR and ESG issues in the environmental (E), social (S), and governance (G) fields.

<sup>3</sup> CSV  
For the Furukawa Company Group, creating shared value (CSV) means creating "corporate value" by providing infrastructure, products, technologies, services, and the like that help resolve social issues. It also means fostering the creation of "social value."

<sup>4</sup> Enterprise Risk Management  
One of the methods of risk management (crisis management). It refers to a system that attempts to manage all possible risks that may occur in corporate management on an enterprise basis.

## 2. Financial Results for the FY2022 Q2 & Financial Forecasts for the FY2022 (Consolidated)

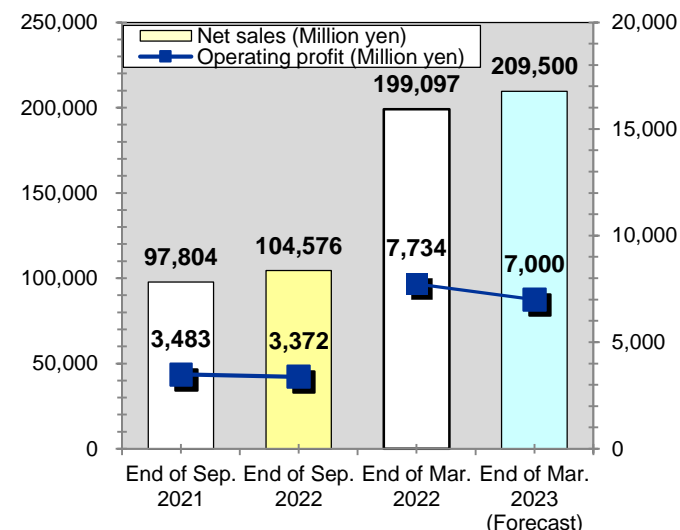
### [Financial Results]

		End of Sep. 2021	End of Sep. 2022	Difference	End of Mar. 2022	End of Mar. 2023 (Forecast)	VS End of Mar. 2022 Difference
Net sales	Million Yen	97,804	104,576	6,771	199,097	209,500	10,402
Operating profit	Million Yen	3,483	3,372	-111	7,734	7,000	-734
Operating margin	%	3.6	3.2	-0.3	3.9	3.3	-0.5
Ordinary profit	Million Yen	4,089	5,219	1,129	8,996	6,900	-2,096
Profit attributable to owners of parent	Million Yen	2,311	3,448	1,137	6,477	4,700	-1,777

\*The forecast for the fiscal year ending March 2023 remains unchanged from the forecast announced on August 9, 2023, with no change in the total amount of net sales and operating profit. Although foreign exchange gains are expected, the forecast remains unchanged, due to the unpredictability of foreign exchange fluctuations.

### [Financial Conditions]

		End of Mar. 2022	End of Sep. 2022	Difference
Total assets	Million yen	229,727	245,362	15,634
Net assets	Million yen	100,075	102,212	2,137
Equity-to-asset Ratio	%	42.3	40.4	-1.9
Net assets Per share	Yen	2,505.01	2,602.17	97.16



# Consolidated Income Statement

(Unit: Million yen)

	End of Sep. 2021	End of Sep. 2022	Difference
<b>Net sales</b>	<b>97,804</b>	<b>104,576</b>	<b>6,771</b>
Cost of sales	85,162	91,343	6,181
(Gross profit)	12,642	13,232	590
Selling, general and administrative expenses	9,158	9,860	701
<b>Operating profit</b>	<b>3,483</b>	<b>3,372</b>	<b>-111</b>
Non-operating income	1,668	2,975	1,307
Foreign exchange gains	—	2,142	2,142
Other	1,668	832	-835
Non-operating expenses	1,063	1,128	65
Interest expenses	217	248	30
Administrative expenses of inactive mountain	432	401	-31
Other	412	479	66
<b>Ordinary profit</b>	<b>4,089</b>	<b>5,219</b>	<b>1,129</b>
Extraordinary income	107	368	260
Gain on sale of investment securities	45	362	317
Other	62	5	-57
Extraordinary losses	725	1,187	462
Loss on valuation of investment securities	176	—	-176
Demolition expenses of a rental building	466	470	3
Loss on liquidation of subsidiaries	—	348	348
Other	82	368	286
Profit before income taxes	3,470	4,399	928
Income taxes – current	996	1,380	383
Income taxes – deferred	35	-565	-600
Profit	2,439	3,584	1,145
Profit attributable to non-controlling interests	128	136	7
<b>Profit attributable to owners of parent</b>	<b>2,311</b>	<b>3,448</b>	<b>1,137</b>

Recording of a foreign exchange gain from the depreciation of the yen.

Absence of a gain on disposal of disused articles, etc. recorded in the previous fiscal year.

Expenses for the progress of demolition of the FURUKAWA Osaka Building.

Expenses associated with the settlement of two overseas sales subsidiaries in Panama and China in the Rock Drill segment.

# Consolidated Balance Sheet & Cash Flow

## Consolidated Balance Sheet

(Unit: Million yen)

	End of Mar. 2022	End of Sep. 2022	Difference
<b>Assets</b>			
Current assets	96,238	113,121	16,882
Non-current assets	133,489	132,240	-1,248
Property, plant and equipment	90,976	90,042	-934
Intangible assets	376	339	-36
Investments and other assets	42,136	41,859	-277
<b>Total assets</b>	<b>229,727</b>	<b>245,362</b>	<b>15,634</b>

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

Decreases due to amortization of buildings, structures, etc.

<b>Liabilities</b>			
Current liabilities	59,859	77,579	17,720
Non-current liabilities	69,793	65,569	-4,223
<b>Total liabilities</b>	<b>129,652</b>	<b>143,149</b>	<b>13,497</b>

<b>Net assets</b>			
Shareholders' equity	80,570	81,205	634
Share capital	28,208	28,208	—
Capital surplus	2	2	—
Retained earnings	54,557	56,080	1,523
Treasury shares	-2,197	-3,085	-888
Accumulated other comprehensive income	16,683	17,979	1,296
Non-controlling interests	2,821	3,027	205
<b>Total net assets</b>	<b>100,075</b>	<b>102,212</b>	<b>2,137</b>
<b>Total liabilities and net assets</b>	<b>229,727</b>	<b>245,362</b>	<b>15,634</b>

## Interest-bearing debt

(Unit: Million yen)

	End of Mar. 2022	End of Sep. 2022	Difference
Short-term	8,331	24,343	16,011
Long-term	57,339	56,034	-1,305
<b>Total</b>	<b>65,671</b>	<b>80,378</b>	<b>14,706</b>

Expected to decrease to JPY61.5 billion by the end of March 2023.

## Consolidated Cash Flow

(Unit: Million yen)

	End of Sep. 2021	End of Sep. 2022	Difference
Cash flows from operating activities	1,224	-7,191	-8,415
Cash flows from investing activities	-3,148	-597	2,551
Cash flows from financing activities	-2,093	11,706	13,800
<b>Cash and cash equivalents</b>	<b>13,973</b>	<b>19,181</b>	<b>5,207</b>

- Consolidated cash flow from operating activities was negative, mainly due to an increase in inventories and a decrease in payables as a result of the concentration of copper ore purchases in H1.
- In terms of cash flow from financial activities, we raised short-term loans for working capital, resulting in a positive cash flow.

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# Financial Results by Segment (Consolidated)

(Unit: Million yen)

Net sales	End of Sep. 2021	End of Sep. 2022	Difference
Machinery	38,650	39,933	1,282
Industrial	8,632	7,862	-769
Rock Drill	15,412	18,003	2,591
UNIC	14,606	14,067	-539
Materials	57,756	61,964	4,207
Metals	50,335	53,903	3,567
Electronics	3,584	3,600	15
Chemicals	3,836	4,461	624
Real Estate	1,036	1,067	31
Other	360	1,610	1,249
Total	97,804	104,576	6,771

End of Mar. 2023 (Forecast)	VS End of Mar. 2022 Difference
82,100	5,161
18,600	876
35,600	4,689
27,900	-405
121,800	3,636
106,400	3,404
7,000	-271
8,400	503
2,000	-115
3,600	1,720
209,500	10,402

	End of Sep. 2022	VS End of Sep. 2021 Difference
LME Copper Price	8,634 \$/ton	-907 \$/ton
JPY rate per US\$	134.0 ¥/\$	24.2 ¥/\$

	FY2022 (Forecast)	VS FY2021 Difference
LME Copper Price	8,067 \$/ton	-1,624 \$/ton
JPY rate per US\$	137.0 ¥/\$	24.6 ¥/\$

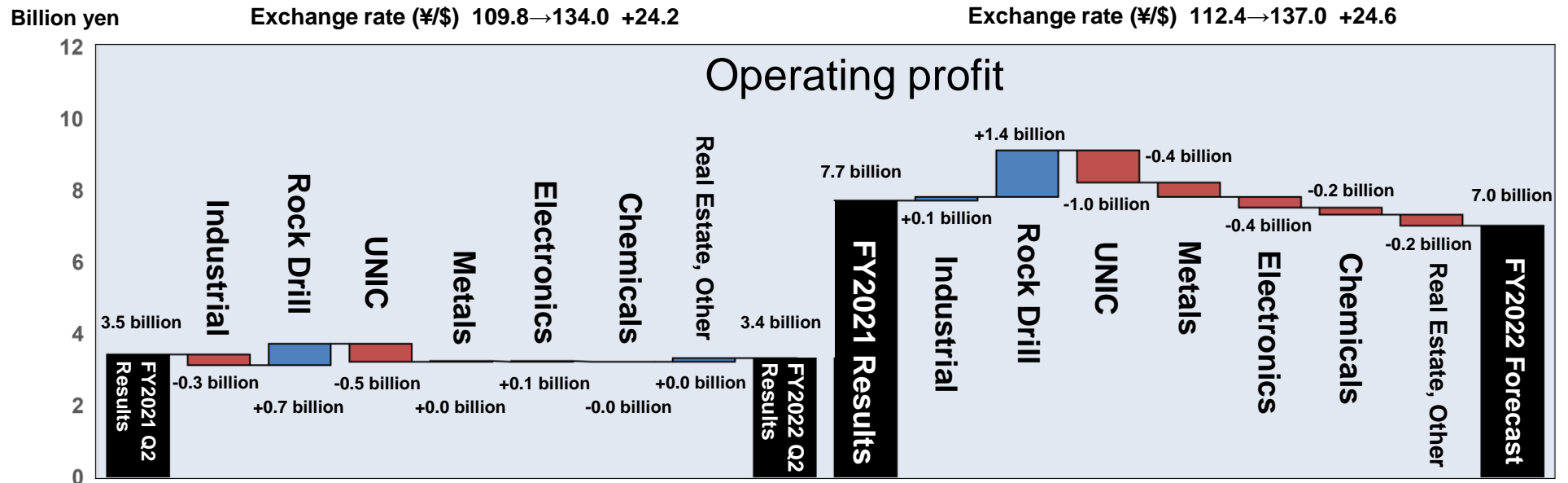
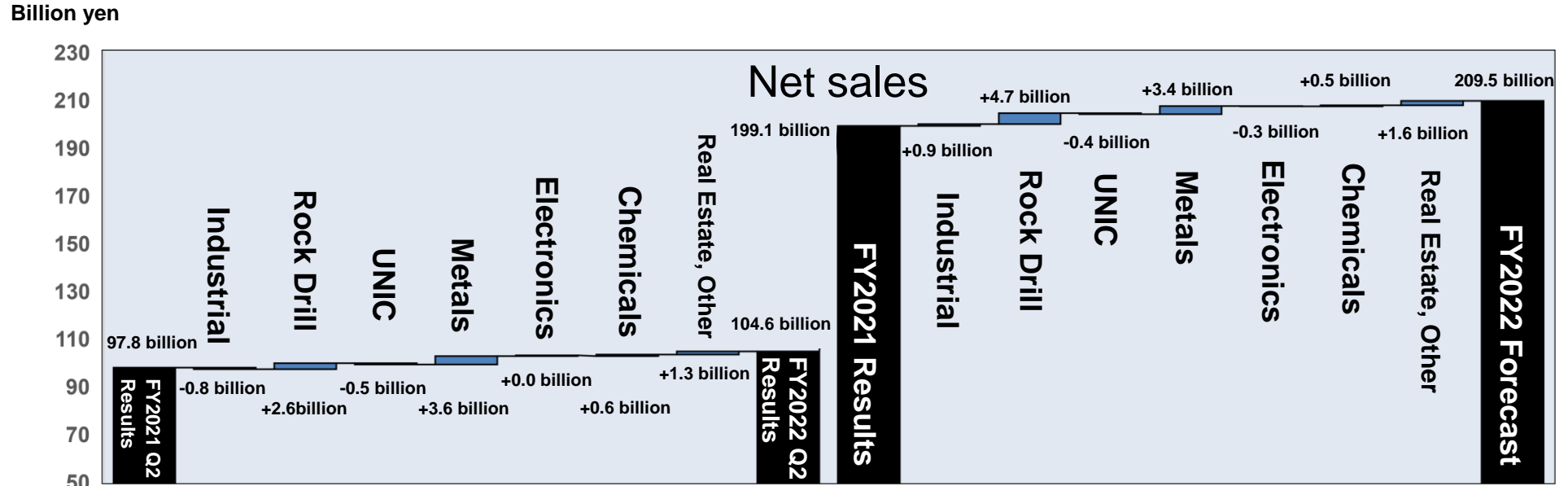
Operating profit	End of Sep. 2021	End of Sep. 2022	Difference
Machinery	2,093	1,882	-210
Industrial	337	13	-324
Rock Drill	404	1,057	653
UNIC	1,351	811	-539
Materials	1,091	1,175	84
Metals	452	492	40
Electronics	228	321	92
Chemicals	410	361	-48
Real Estate	361	424	62
Other	-30	-59	-29
Adjustment	-32	-50	-18
Total	3,483	3,372	-111

End of Mar. 2023 (Forecast)	VS End of Mar. 2022 Difference
5,200	520
1,500	103
2,500	1,382
1,200	-965
1,300	-1,049
500	-440
300	-366
500	-243
700	-43
-100	-117
-100	-45
7,000	-734

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

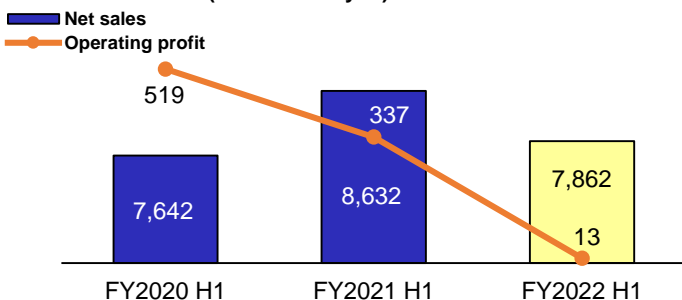
- Increase about ¥60 million in Machinery business (mainly Rock Drill)
- Increase about ¥40 million in Metals segment

# Change in Earnings by Segment (Consolidated) /YoY Comparison

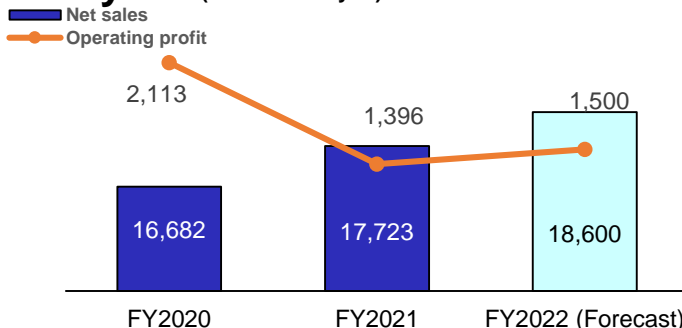


# Divisional Breakdown (Industrial Machinery Segment)

## First Half (Unit: Million yen)



## Full-year (Unit: Million yen)



### - Main factor of first half results

#### [Net sales] ¥-0.8 billion

- Sales of pump plants increased but those of material machinery decreased, and those of bridges decreased due to differences in the number of construction projects, amounts, and periods of construction. As for large projects, sales of enclosed hanging conveyor (SICON®), for the construction of the Shin-Kobotoke Tunnel on the Chuo Expressway, etc. were recorded in line with the progress, but sales decreased with the completion of the construction of materials handling facilities for Onahama port bulk terminal.

#### [Operating profit] ¥-0.3 billion

- Decreased due to decrease in sales

#### [Backlog of order] ¥+3.6 billion

	End of Sep. 2022	vs End of Sep. 2021
Backlog of order	¥12.7 billion	¥3.6 billion

[Fluid equipment]  
Morigasaki Water Reclamation Center, etc.  
[Material machinery]  
Crusher plant for Nippon Steel Slag Products, new quarry plant for Ryukyu Cement, etc.  
[Bridges]  
Construction of Shimizu IC third viaduct, etc.

### - Main factor of full-year forecast

#### [Net sales] ¥+0.9 billion

- While sales decreased in material machinery and large projects. Sales are expected to increase in pumps, fluid equipment, bridges, and environmental products. In addition, the casting business of this segment was spun off and transferred to a new company on October 3. We expect a decrease in sales in H2 for the casting business as it will be moved to the other segment, but we forecast an increase in overall sales.

#### [Operating profit] ¥+0.1 billion

- Operating profit is expected to increase, mainly due to higher sales of pumps and environmental products.

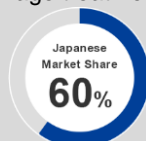
### - Ref: Features, destinations, market share, etc. of the main products

#### Pumps

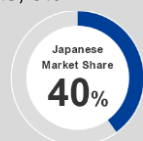
[Features] Pumps products superior in the durability and abrasion resistance which was amassed through mine development.

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

[Market share]



Sewage Pumps



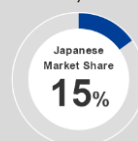
Slurry Pumps

#### Material machinery

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

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

[Market share]



Crushers

#### Infrastructure division

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

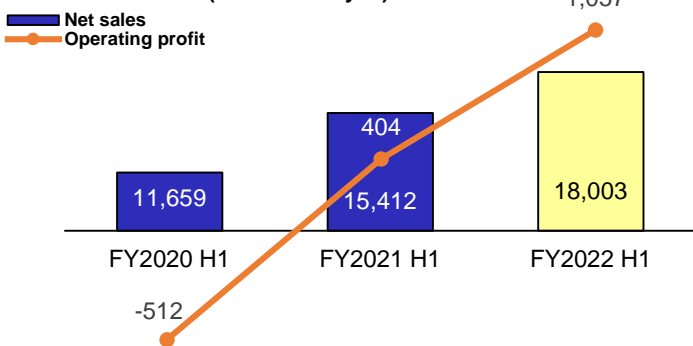
[Destinations] New construction of steel bridges, construction of conveying earth and sand, etc.

[Attention]

Belt conveyors attract attention which instead of dump trucks to transport earth and sand. Inquiries of Sicon®, an environmentally friendly enclosed hanging conveyor, are increasing.

# Divisional Breakdown (Rock Drill Segment)

## First Half (Unit: Million yen)



### - Main factor of first half results

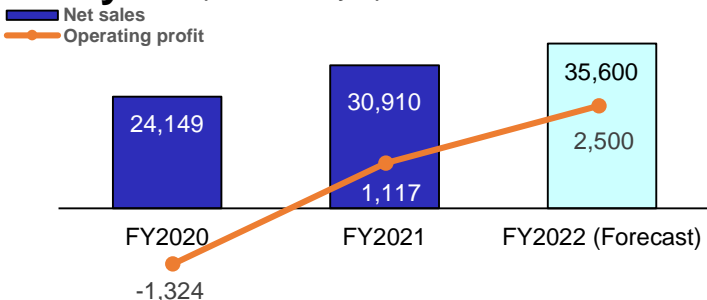
**[Net sales] Japan ¥6 billion ¥-0.1 billion, Overseas ¥12 billion ¥+2.7 billion**

- Domestic sales decreased due to lower shipments of tunnel drill jumbos. Overseas sales increased due to higher shipments, mainly to North America, and the weaker yen also had the effect of increasing sales. In addition, shipments of spare parts increased in Japan and North America.

**[Operating profit] ¥+0.7 billion**

- Operating profit increased, mainly due to an increase in shipments overseas, as well as an increase in sales due to the yen's depreciation.

## Full-year (Unit: Million yen)



### - Main factor of full-year forecast

**[Net sales] Japan ¥13 billion ¥-0.2 billion, Overseas ¥22.6 billion ¥+4.9 billion**

- Sales are expected to decrease slightly in Japan but an increase in overseas sales mainly due to increased shipments in North America and the weaker yen.

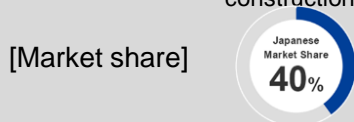
**[Operating profit] ¥+1.4 billion**

- Operating profit is expected to increase, mainly due to increased shipments overseas and the positive effect of the weaker yen.

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

### Hydraulic breakers

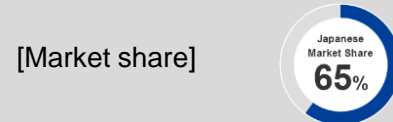
- [Features]** Wide range of models from small to super large size. High-quality and high-striking power.
- [Destinations]** Strip mine such as quarries, etc. Civil engineering work and at construction sites, etc.



Hydraulic breakers

### Hydraulic crawler drills

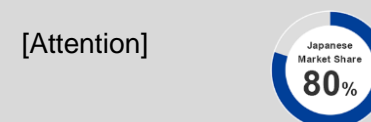
- [Features]** Accurate and speedy drilling technology suitable for the rock conditions.
- [Destinations]** Strip mine such as limestone mines, etc. Infrastructure work in overseas, etc.



Hydraulic crawler drills

### Tunnel drill jumbos

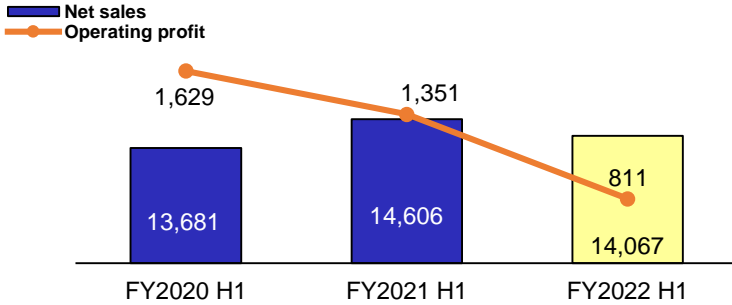
- [Features]** Many proven results in mountain tunnel and large tunnel constructions.
- [Destinations]** Mountain tunnel construction sites, dam headrace construction sites, etc.



Tunnel drill jumbos

# Divisional Breakdown (UNIC Segment)

## First Half (Unit: Million yen)



### - Main factor of first half results

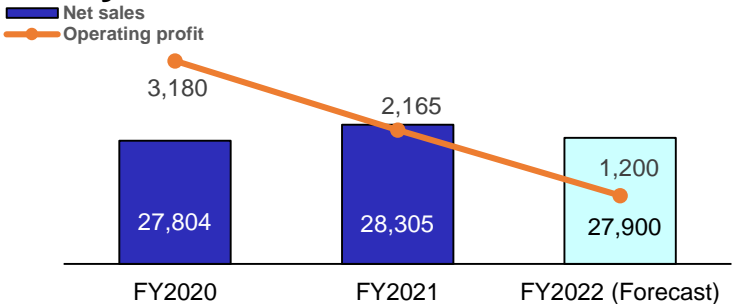
**[Net sales] Japan ¥9.5 billion ¥-2.0 billion, Overseas ¥4.6 billion ¥+1.4 billion**

- In Japan, sales declined due to delays in crane mounting caused by truck production delays and production cutbacks. Overseas, overall sales increased due to increased shipments of mini-crawler cranes in Europe and the US, and UNIC cranes in Southeast Asia, Oceania and the Middle East, as well as the positive effect of the weaker yen on sales.

**[Operating profit] ¥-0.5 billion**

- Operating profit was decreased by ¥0.5 billion, and while overseas profit increased due to increased shipments and the weaker yen, domestic profit decreased overall due to lower sales and a worsening cost ratio caused by price hikes of raw materials such as steel products.

## Full-year (Unit: Million yen)



### - Main factor of full-year forecast

**[Net sales] Japan ¥20.2 billion ¥-1.9 billion, Overseas ¥7.7 billion ¥+1.5 billion**

- Sales are expected to recover gradually in Japan in H2 from the impact of reduced truck production and other factors, but a decrease in sales in H1 will remain. Overseas sales are expected to increase due to the remaining increase in H1, but overall sales are expected to decrease.

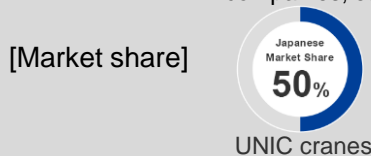
**[Operating profit] ¥-1.0 billion**

- Operating profit is expected to decrease, due to decrease in profit from lower domestic sales and the impact of raw material price hikes.

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

### UNIC cranes

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



### Mini-crawler cranes

**[Features]** Show the power in narrow ground, rough ground and indoor worksites.  
**[Destinations]** Narrow or rough ground such as a graveyards, etc. Indoor worksites, etc.



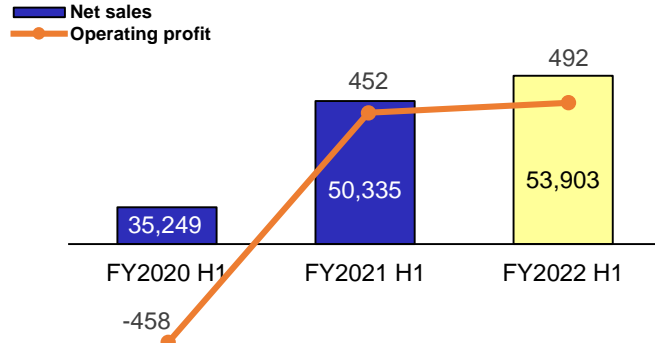
### UNIC carriers

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

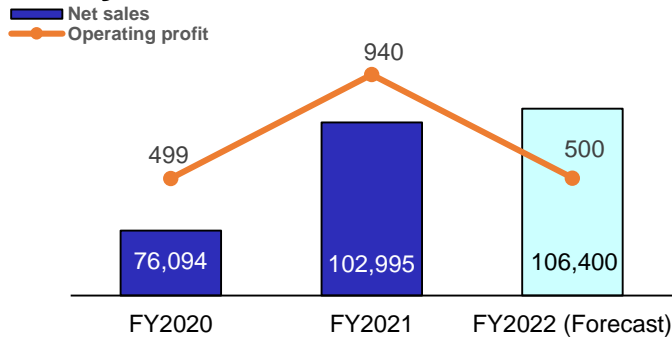


# Divisional Breakdown (Metals Segment)

## First Half (Unit: Million yen)



## Full-year (Unit: Million yen)



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

### Electrolytic copper

It has been responsible for supplying electric copper since founding, and produce 70,000 tons a year.

[Features] Electric wires, copper elongation products, home appliances, communication equipment, automobiles, etc.

[Destinations] we have terminated the consignment contract with Onahama and have reached a point of drastic review of the consignment smelting business. Reduce exports which are unprofitable.

[FY2023]

## - Main factor of first half results

### [Net sales] ¥+3.6 billion

- Net sales increased by ¥3.6 billion, with higher unit prices offsetting a decrease in the sales volume of copper. Gold sales increased due to higher volumes and unit prices.

Copper ¥+0.4 billion (Volume ¥-3.4 billion, Unit price ¥+3.8 billion)

Gold ¥+3.1 billion (Volume ¥+1.4 billion, Unit price ¥+1.7 billion)

	FY2022 Q2	vs FY2021 Q2
LME Copper Price	8,634 \$/ton	-907 \$/ton
JPY rate per US\$	134.0 ¥/\$	24.2 ¥/\$

### [Operating profit] ¥+0.0 billion

- Net gain/loss from metal price fluctuations – the table on the right – was positive, with a decrease in profit for copper and an increase in profit for gold.

Net gain/loss from metal price fluctuations

	End of Sep. 2022	vs End of Sep. 2021
Operating profit	¥490 million	¥40 million
Include price effects	¥520 million	¥-210 million
Copper	(¥-120 million)	(¥-740 million)
Gold	(¥620 million)	(¥540 million)

## - Main factor of full-year forecast

### [Net sales] ¥+3.4 billion

- Copper sales are expected to decrease due to lower volume despite higher unit prices. Gold sales are expected to increase due to higher volume and unit prices. However, future fluctuations in metal prices cannot be foreseen, so the H2 forecast does not reflect these factors.

### [Operating profit] ¥-0.4 billion

- Although the weaker yen is expected to improve the balance of consignment smelting, price gains from future exchange rate and even metal price fluctuations are not expected, so the H2 forecast does not reflect this factor and is set at almost zero.

	FY2022 (Forecast)	vs FY2021
LME Copper Price	8,067 \$/ton	-1,624 \$/ton
JPY rate per US\$	137.0 ¥/\$	24.6 ¥/\$

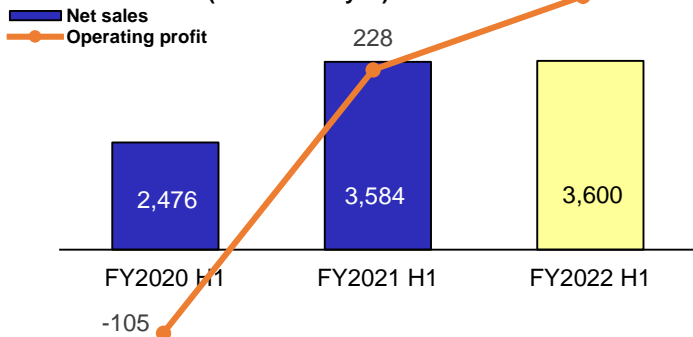
## - We have reached a point in time for a drastic review of the consignment smelting business with the termination of the consignment contract with Onahama Smelting and Refining Co., Ltd. (At the end of March 2023)

- From FY2023 onward, operating profit will be secured by reducing unprofitable exports and focusing on domestic sales. Due to the decrease in production volume, we expect a reduction in the volatility of earnings due to metal price fluctuations.

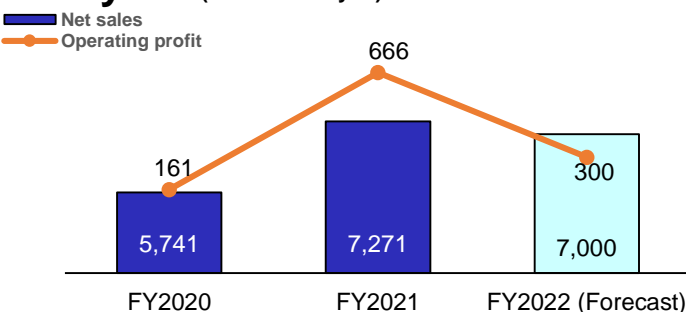
(\*For details, please refer to page 18 of the presentation material for the financial results for the fiscal year ended March 2022.)

# Divisional Breakdown (Electronics Segment)

## First Half (Unit: Million yen)



## Full-year (Unit: Million yen)



### - Main factor of first half results

**[Net sales] ¥+0.0 billion**

- Demand for high-purity metallic arsenic was stable for use in compound semiconductors. Sales of aluminum nitride increased due to higher demand for thermal management components and semiconductor manufacturing equipment components. Sales of coils decreased due to the impact of automobile production cutbacks.

**[Operating profit] ¥+0.1 billion**

- Operating profit increased, with the increase due to higher sales of high-purity metallic arsenic and aluminum nitride.

### - Main factor of full-year forecast

**[Net sales] ¥-0.3 billion**

- Net sales are expected to decrease by ¥300 million, with volume declines in high-purity metallic arsenic and crystal products due to lower demand for semiconductors in H2. Sales of coils are expected to decrease due to lower volume and other factors, reflecting lower automobile production.

**[Operating profit] ¥-0.4 billion**

- Operating profit is expected to decrease by ¥0.4 billion, resulting in an operating loss for the full year due to the impact of higher electricity and raw material prices, in addition to lower profit due to lower sales in H2.

- 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

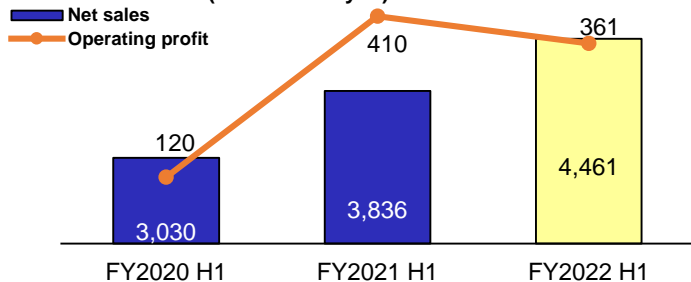
### Aluminum nitride

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

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

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

## First Half (Unit: Million yen)



### - Main factor of first half results

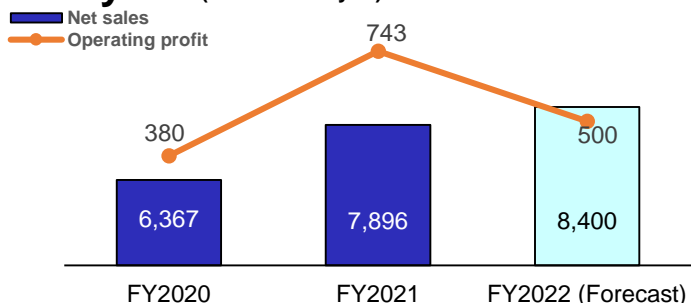
#### [Net sales] ¥+0.6 billion

- The sales of cupric oxide increased due to higher unit prices from higher copper prices and strong demand for use in substrates. Sales of cuprous oxide increased due to higher unit prices from higher copper prices and a recovery in demand for ship-bottom paints.

#### [Operating profit] ¥-0.0 billion

- Operating profit declined slightly, with the increase due to higher sales, but also due to higher raw material prices and other factors.

## Full-year (Unit: Million yen)



### - Main factor of full-year forecast

#### [Net sales] ¥+0.5 billion

- Overall net sales expected to increase, with cupric oxide continuing to experience strong demand for use in substrates and cuprous oxide expected to see a recovery in demand for use in ship-bottom paints, while higher copper prices will also have the effect of increasing sales.

#### [Operating profit] ¥-0.2 billion

- Although an increase in profit is expected due to higher sales, we expect a decrease in profit due to the impact of a worsening cost ratio caused by higher raw material prices for cupric oxide, cuprous oxide and sulfuric acid.

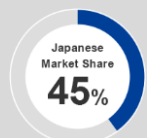
- Ref: Features, destinations, market share, etc. of the main products

### Cuprous oxide

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

[Destinations] Ship-bottom paints manufacturer.

[Market share]



Cuprous oxide

### 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] Increased demand for package boards due to the miniaturization and high performance of electronic devices.  
Full production with existing equipment.  
Considering increasing production investment.

### Sulfuric acid

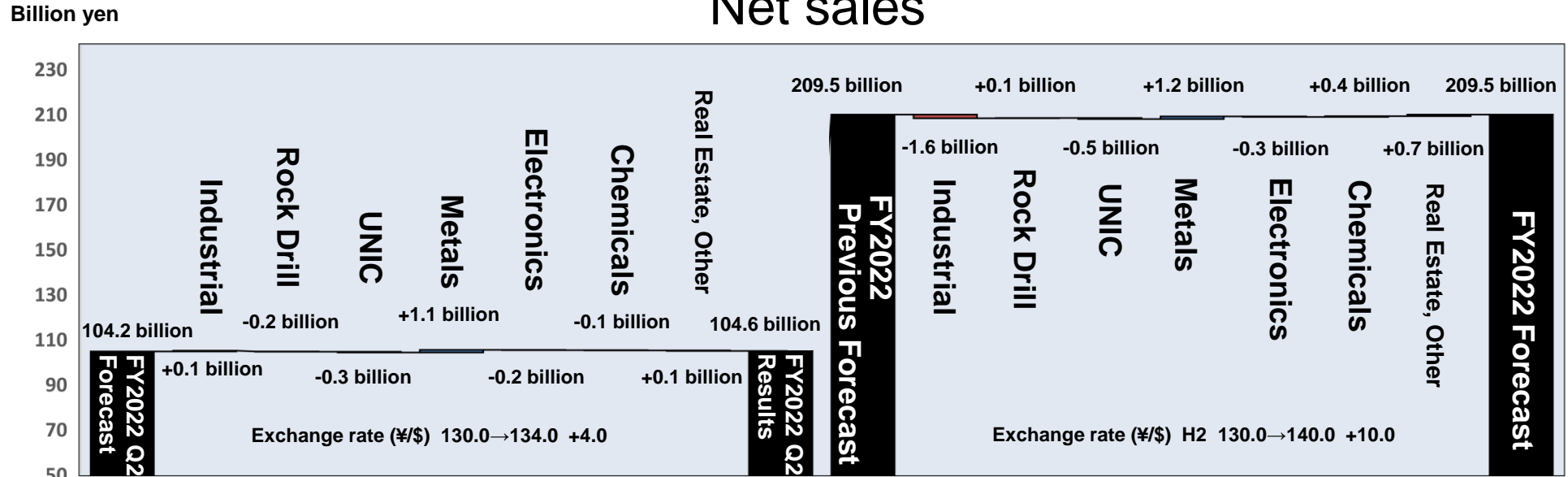
[Features] uses the sulfur roasting method to produce sulfuric acid with very little impurity, and can be used as a food additive.

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

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

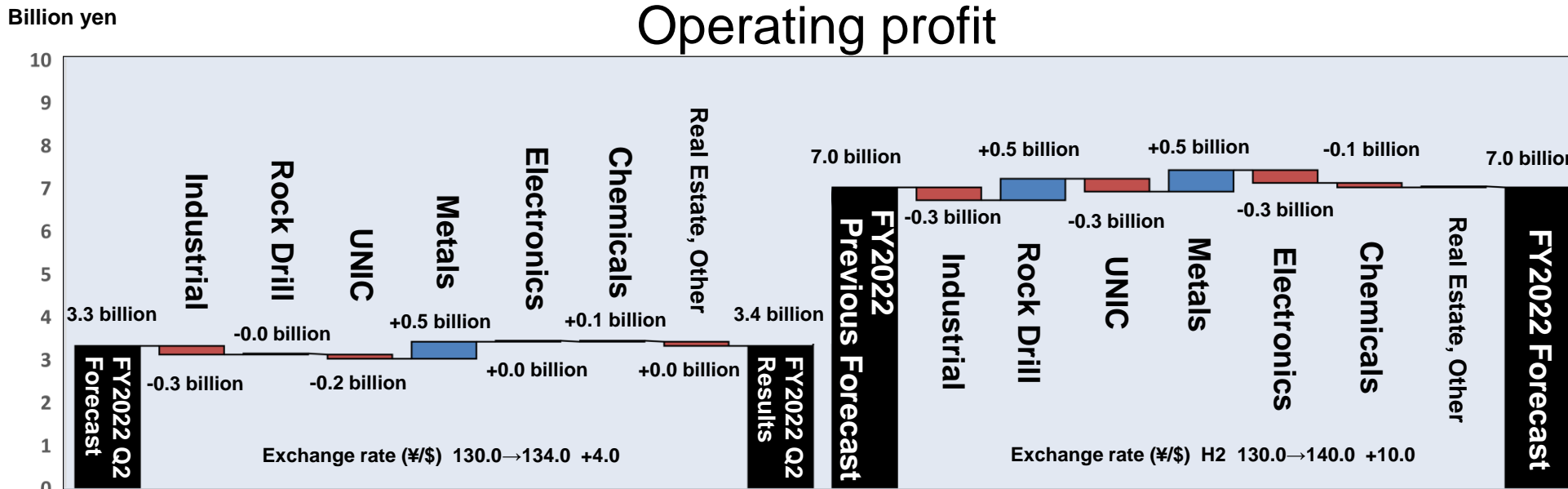


# Change in Earnings by Segment (Consolidated) /Compared to Previous Forecast (Net Sales)



Segment	Main factors of change in sales forecast for the full year. (Compared to previous forecast announced on August 9, 2022.)
Industrial	Sales are expected to increase in pump plants, but decrease in material machinery due to lower purchasing power in the quarrying industry. We expect some delays due to large projects. In addition, the casting business was spun off and transferred to a new company on October 3, and sales in H2 from the casting business will be transferred to the other segment, resulting in lower sales in this segment.
Rock Drill	Japan ¥+0.5 billion Sales will increase in tunnel drill jumbos and hydraulic crawler drills. Overseas ¥-0.4 billion Sales expected to increase in North America but decrease in Europe.
UNIC	Japan ¥-0.2 billion, Overseas ¥-0.3 Sales will decrease slightly both in Japan and overseas due to a decline in shipments of UNIC cranes.
Metals	Although higher copper and gold prices are expected to increase revenues, future fluctuations in metal prices cannot be foreseen, so price increases are not reflected in the H2 forecast.
Electronics	In H2, we expect sales of high-purity metallic arsenic and crystal products to decline due to lower demand for semiconductors.
Chemicals	In H2, we expect a slight increase in sales for each product.

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






Segment	Main factors of change in operating profit forecast for the full year. (Compared to previous forecast announced on August 9, 2022.)
Industrial	Sales and profits will increase at pump plants. In material machinery, lower sales and profits are expected due to large projects.
Rock Drill	The increase in product prices is expected to compensate for the increase in raw material prices, and the change in the exchange rate to a weaker yen in H2 will also contribute to the increase in earnings.
UNIC	The decrease in profit was due to lower sales, the expected impact of raw material price hikes and other factors.
Metals	Profit increased by ¥0.5 billion in H1 mainly due to higher gold prices. Although the weaker yen is expected to improve the consignment smelting balance in H2, since price gains from exchange rates and metal price fluctuations are not expected in the future, the forecast for H2 does not reflect these factors and is set at almost zero.
Electronics	We expect an operating loss in H2 due to lower profit from lower sales and the impact of higher electricity and raw material prices.
Chemicals	The forecasted decrease in profit is due to the impact of a deterioration in the cost of sales ratio resulting from higher raw material prices for cupric oxide, cuprous oxide, and sulfuric acid.

# 3. Main Achievements and Issues by Segments

Segment	Main achievements	Main issues
Industrial	<ul style="list-style-type: none"> <li>- The orders received for the crusher plant for Nippon Steel Slag Products and the new quarry plant for Ryukyu Cement as large-scale section plant construction projects.</li> <li>- In bridge construction, we received a Safety Management Order Winner Award and a Certification as a Company with Excellent Construction Performance by Kanto Regional Development Bureau, Ministry of Land, Infrastructure and Transport for two consecutive years.</li> </ul>	<ul style="list-style-type: none"> <li>- To expand sales of new generation machines of rubber liner slurry pumps.</li> <li>- To strengthen sales of steel structure products other than steel bridges in steel segments.</li> <li>- To promote sales of SICON®, an environmentally friendly enclosed hanging conveyor.</li> <li>- To promote sales for new high-efficiency screens.</li> </ul>
Rock Drill	<ul style="list-style-type: none"> <li>- The development of an attachment drill for the quarrying market in Southeast Asia and its market launch in Indonesia.</li> <li>- The product lineup of hydraulic crawler drills has been restructured, and the concentrated production of mainstay models and the development for commonality of machines has been initiated.</li> <li>- We have strengthened development of high value-added products for tunneling sites, such as fully automatic drill jumbos and automatic rock bolters.</li> <li>- The domestic organization has been reorganized for the purpose of concentrating sales of hydraulic crushers for the demolition market in the Tokyo metropolitan area.</li> </ul>	<ul style="list-style-type: none"> <li>- Strengthening overseas service systems of LCS, lifecycle support, such as training drill technicians and dealer supports.</li> <li>- Formulation of commercialization of customer support services, such as promoting DX to shift from product sales to service sales.</li> <li>- The consolidation of overseas sales subsidiaries. The dissolution of the sales subsidiaries in Panama and China was resolved in H1 of FY2022, and efforts are underway to complete the liquidation.</li> </ul>
UNIC	<ul style="list-style-type: none"> <li>- The development of a minor-changed machine, large size, with improved lifting performance for the UNIC crane G-FORCE series.</li> <li>- The development of a new disassembly specification for mini-crawler cranes.</li> <li>- The market launch of super-large-sized UNIC crane, which is in high demand in the Chinese market.</li> </ul>	<ul style="list-style-type: none"> <li>- To reduce production costs and optimize parts procurement under soaring raw material prices.</li> <li>- To consider truck electrification.</li> <li>- To review overseas dealers in regions with weak sales capabilities and to establish sales routes in untapped areas.</li> <li>- To support technical training, sales training, etc. for overseas dealers.</li> <li>- To review our overseas strategy, including the Russian market where we have suspended sales.</li> </ul>

Segment	Main achievements	Main issues
Metals	<ul style="list-style-type: none"> <li>- The decision to terminate the consignment smelting contract with Onahama Smelting and Refining Co., Ltd. at the end of March 2023. From FY2023, unprofitable exports are expected to be significantly reduced.</li> </ul>	<ul style="list-style-type: none"> <li>- Respond to customers who wish to be supplied even after the termination of the consignment smelting contract with Onahama Smelting and Refining Co., Ltd.</li> <li>- Fluctuations in earnings due to international market trends and ore purchase terms, although the range of fluctuation will decrease from FY2023 onward compared to FY2022 due to lower production.</li> </ul>
Electronics	<ul style="list-style-type: none"> <li>- For aluminum nitride, for which demand is strong, an investment of approximately ¥1 billion is being made to increase production.</li> <li>- A high-performance aluminum nitride with higher thermal conductivity than current products is being introduced to the market.</li> <li>- Sales of diffractive optical elements, DOE, increased for laser processing applications.</li> </ul>	<ul style="list-style-type: none"> <li>- To consider further investment to increase production in anticipation of increased demand for aluminum nitride.</li> <li>- To study production increase of high-purity metallic arsenic.</li> </ul>
Chemicals	<ul style="list-style-type: none"> <li>- Higher sales of sulfuric acid, mainly for use in the manufacture of chemicals.</li> <li>- Higher sales of cupric oxide for plating for high-end PCs and servers.</li> </ul>	<ul style="list-style-type: none"> <li>- Delay in passing on higher raw material prices to products.</li> </ul>

## - Market-specific strategy From an emphasis on volume to an emphasis on profit

Market	Region	Strategies / Measures
The markets to target	North America	<ul style="list-style-type: none"> <li>- <b>Expand sales of large machines for both hydraulic crawler drills and hydraulic breakers.</b> Approximately 80% of the hydraulic crawler drill market and 90% of the market in the western region of North America is for large machines. Large hydraulic crawler drills will shift to North American specifications.</li> <li>- <b>Strengthen our rebuilt hydraulic breaker business and expand sales of parts.</b></li> <li>- <b>Decided to establish a logistics and after-sales service base in the western region of our sales subsidiary in North America.</b> Reduce transportation costs and delivery lead time.</li> </ul> 
	Europe	<ul style="list-style-type: none"> <li>- <b>Expanding sales of medium and large-sized hydraulic breakers.</b></li> <li>- <b>Expanding the number of dealers from two to four to expand sales of hydraulic breakers in the UK.</b> The UK is still developing among the four major European markets of France, Italy, Germany, and the UK.</li> <li>- <b>Hydraulic crawler drills will be focused on the German market.</b></li> </ul> 
The market to be created	Southeast Asia	<ul style="list-style-type: none"> <li>- As a measure to induce customers from pneumatic drills to hydraulic crawler drills, the attachment drill, AHD709, was introduced to the market.</li> <li>- Reorganize and newly establish dealers by the customer segments of quarry and mining in each country market.</li> </ul> 
The markets to consolidate and eliminate	South America, China, India, (Korea)	<ul style="list-style-type: none"> <li>- Decided to dissolve its sales subsidiaries in Panama. (The liquidation is scheduled to be completed around December 2022.)</li> <li>- Decided to dissolve its sales subsidiaries in Shanghai, China. (The liquidation is scheduled to be completed around August 2023.)</li> <li>- Considering dissolving the sales subsidiary in India.</li> <li>- Still assessing the business role of the sales subsidiary in Korea.</li> </ul>

# 4. Identified Materiality (Key Issues)

## - Identified the materiality (key issues) related to sustainability initiatives.

We reviewed the CSR priority issues identified in 2013, and identified 10 materiality key issues based on the Basic Policy on Sustainability Initiatives established in December 2021, dividing them into proactive CSV issues (3 items) and defensive CSR/ESG issues (7 items), as described here.

### Basic Policy on Sustainability Initiatives

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

Materiality (key issues) related to sustainability initiatives	
Proactive: CSV issues Resolving social issues through business related to materiality (key issues)	
<ul style="list-style-type: none"> <li>- Providing environmentally friendly products, technologies and services.</li> <li>- Contributing to the resolution of customer issues.</li> <li>- contributing to the creation of a safe and comfortable society, including infrastructure development.</li> </ul>	
Defensive: CSR/ESG issues Establishing a robust corporate foundation for growth related to materiality's (key issues)	
E(Environment)	<ul style="list-style-type: none"> <li>- Promotion of climate change countermeasures in business activities.</li> <li>- Promotion of biodiversity preservation activities.</li> </ul>
S(Society)	<ul style="list-style-type: none"> <li>- Development of a safe and rewarding work environment that takes health into consideration.</li> <li>- Recruitment and development of diverse human resources.</li> <li>- Promotion of management that respects human rights.</li> </ul>
G(Governance)	<ul style="list-style-type: none"> <li>- Development of a enterprise risk management system.</li> <li>- Thorough compliance.</li> </ul>

\*More information on the materiality identification can be found in the news release on our website. <https://www.furukawakk.co.jp/info/2022/>

## - The credit rating obtained from Japan Credit Rating Agency, Ltd. was raised to BBB+

The credit rating obtained from Japan Credit Rating Agency, Ltd. was raised to BBB+ from BBB on October 7, 2022.

As a result, we have achieved our rating target in FY2025, the last year of our 2025 Vision “FURUKAWA Power & Passion 150” of BBB+ or higher. We will continue to seek to establish a strong financial base to enable us to raise the necessary funds regardless of financial conditions.

	Before the change	After the change
Long-term issuer rating	BBB	BBB+
Outlook	Positive	Stable
CP	J-2	J-2 (Deferred)

The reasons for the rating (Summarized from the news release by Japan Credit Rating Agency)

1. In the past, the Metals segment accounted for a large share of profits, but now the machinery business has become the mainstay of the Company's operations, with many products holding a high market share.
2. Profitability of the Rock Drill segment improved due to a shift in sales strategy from a focus on volume to a focus on profit. The Metals segment is expected to see a decrease in unprofitable exports due to the end of consignment smelting to Onahama Smelting and Refining Co., Ltd., and a more stable performance due to a reduction in the scale of operations.  
In the Industrial Machinery segment, profitability is improving by undertaking all processes from design to construction, and the UNIC segment is expected to secure a certain level of profit in the future due to its high market share. Thus, the Company is making steady progress in strengthening its earning power, and its financial position is improving compared to previous years, backed by solid profits.
3. Although profits are expected to decline in the fiscal year ending March 2023, performance is expected to improve from the fiscal year ending March 2024 onward. Profitability in the Metals segment is expected to improve, demand in the UNIC segment is expected to recover over the medium term, and demand in other segments is generally strong, which will continue to contribute to profits.
4. The Company's financial position has been improving, with the capital adequacy ratio hovering in the 30% range from the fiscal year ended March 2015 to the fiscal year ended March 2020, but rose to the 40% range in the fiscal years ended in March 2021 and March 2022. The Company is expected to maintain its ability to generate solid cash flow, and there is little concern that its financial position will deteriorate significantly.

## - The third-party evaluations of the Group's products and technologies that help to solve customer needs and social issues.

Beginning with the development of copper mines, our group has practiced marketing management to provide products, technologies and services that help to solve customer needs and social issues based on the technologies that have supported the social infrastructure.

In our continuous efforts, the products and technologies of our machinery business received high evaluations and awards by the third-party.

- The BOLTINGER, a rock bolting machine won the Infrastructure Technology Development Award and Engineering and the Japan Construction Machinery and Construction Award (Rock Drill segment)



The BOLTINGER, a rock bolting machine equipped with a six-meter joint bolt placing device. (Jointly developed with Taisei Corporation.)

- Japan's first tunnel drill jumbo using remote technology won the Japan Construction Machinery and Construction Award. (Rock Drill segment)



Tunnel drill jumbo using remote technology. (Jointly developed with HAZAMA ANDO CORPORATION and MAC.)

- We have received a Safety Management Order Winner Award and Certification as a Company with Excellent Construction Performance for two consecutive years in bridge construction. (Industrial Machinery segment)



Route 17 Shin-omiya Bypass pedestrian bridge. One of the bridge constructions that were awarded for Excellent Safety Management Order Winner Award.

- The BOLTINGER, a rock bolting machine, and the robot for installing steel arch supports, both received the Minister of Land, Infrastructure, Transport and Tourism Award at the 10th Robot Award. (Rock Drill segment)

The BOLTINGER, a rock bolting machine equipped with a six-meter joint bolt placing device. (Jointly developed with Taisei Corporation.)



The robot for installing steel arch supports. (Jointly developed with Maeda Corporation and MAC.)

\*For detailed information on each award, please refer to the news releases posted on our website. <https://www.furukawakk.co.jp/info/2022/>



# 6. Reference Materials

## - Approach to climate change and decarbonization and our efforts.

### Our response to disclosures based on the TCFD and equivalent frameworks.

- With a phased approach we will move forward with disclosures in line with the TCFD framework by using our responses to the CDP regarding risks and revenue opportunities related to climate change. We have responded to CDPs from this fiscal year, which had not been previously responded to.

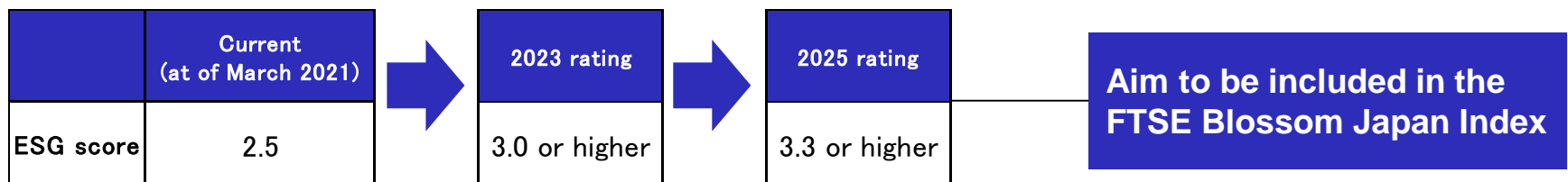
### Efforts toward decarbonization (carbon neutrality, and net zero)

- We are currently developing a plan to implement CO2 reductions in line with the government's announced CO2 reduction targets of a 46% reduction in CO2 emissions by FY2030 compared to FY2013 and achieving carbon neutrality by FY2050.
- Regarding carbon neutrality, we are considering converting electricity, which accounts for about 80% of our CO2 emissions (FY2020 CO2 emissions 20,903t | Scope 1&2), to electricity derived from renewable energy sources. We will aim for early disclosure, including plans to reduce CO2 emissions from non-electricity sources, which account for about 20% of our CO2 emissions.
- As for net-zero emissions, we are proceeding with Scope 3 calculations and considering measures to absorb CO2 through the use of Company-owned forests, etc., with the aim of achieving net-zero emissions in the future.

## - Continue to intend to enhance the disclosures required for ESG ratings, and to strive for inclusion in the FTSE index issues.

We will continue to strengthen our ESG initiatives and disclosures required by the FTSE Blossom Japan Index and FTSE 4Good Index, which is used by the GPIF as an index.

The FTSE ESG rating score for 2021 was 2.5 overall, but by 2025, the 150th anniversary of the Company's founding, we aim to achieve an overall score of 3.3 or higher and become an index stock.



## [Capital Investment (Consolidated)]

(Unit: Million yen)

Capital investment	FY2020	FY2021		FY2022	
		(Q2)	(Full-year)	(Q2)	(Annual forecast)
Machinery	2,637		2,669		3,000
Industrial	1,253		1,703		1,300
Rock Drill	437		247		900
UNIC	946		718		800
Material	827		696		1,700
Other	679		1,413		400
Total	4,144	3,072	4,778	918	5,100

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

Increased due to the establishment of new medical waste disposal facilities (Expansion of incinerator, total approx. ¥2.6 billion from FY2022 to FY2024) at Gunma Kankyo Recycle Center Co., Ltd., etc.

Increased due to the establishment of aluminum nitride production equipment (Total approx. ¥1.0 billion) in the Electronics Segment, etc.

Acquisition of buildings in the Real Estate Business, etc.  
Head Office relocation work costs in the Other, etc.

## [Depreciation and Amortization (Consolidated)]

Depreciation and amortization	3,879	1,931	4,003	2,047	4,100
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## [Research and Development Expenses (Consolidated)]

Research and development expenses	1,164	738	1,336	712	1,400
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## 【Metal Products, Foreign Exchange Rate (Consolidated)】

		FY2020	FY2021		FY2022	
			(Q2)	(Full-year)	(Q2)	(Q3,Q4 Forecasts)
Overseas market price of copper (Average)	¢/pound	312.0	432.8	439.6	391.6	340.2
	\$/ton	6,879	9,541	9,691	8,634	7,500
JPY rate per US\$ (Average)		106.06	109.80	112.38	133.97	140.00

Production and marketing of Furukawa Metals & Resources Co.,	FY2020	FY2021		FY2022	
		(Q2)	(Full-year)	(Q2)	(Q3,Q4 Forecasts)
Copper production (t)	74,386	35,942	71,149	34,785	70,146
Copper sale volume (t)	81,998	38,712	77,402	35,517	75,866

### <About copper production>

We have been reviewing our consignment ratio at the joint smelter and have been gradually reducing our copper production from 88,004 tons per year in FY2017.

Copper production after FY2023 is expected to be about 46,600 tons per year, due to terminate the consignment contract with Onahama Smelting and Refining Co., Ltd. (At the end of Mar. 2023)

## 【Employee (Consolidated)】

	End of Mar. 2021	End of Mar. 2022	End of Sep. 2022	vs End of Mar. 2022
Number of consolidated employee (Persons)	2,752	2,804	2,851	47

# Reference Materials

## [Consolidated Financial Results]

(Unit: Million yen)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022(Forecast)
Net sales	161,857	142,925	165,638	157,566	165,539	163,026	172,544	161,799	149,829	167,695	174,116	165,215	159,702	199,097	209,500
Operating profit	2,303	1,597	2,821	2,154	3,363	6,886	8,925	7,988	6,545	7,820	8,915	8,693	5,592	7,734	7,000
Ordinary profit	993	111	1,231	1,268	2,763	6,150	6,603	6,227	7,202	8,105	8,235	8,135	6,773	8,996	6,900
Profit attributable to owners of parent	-5,917	585	563	-1,659	2,976	3,976	9,793	5,056	4,254	4,774	4,654	4,431	7,468	6,477	4,700

## Segment Performance

### [Net sales]

(Unit: Million yen)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022(Forecast)
Machinery	62,639	44,313	47,025	53,198	56,852	71,111	75,990	72,232	66,803	73,453	77,580	82,691	68,635	76,938	82,100
Industrial	15,836	12,783	10,655	12,949	12,894	18,527	16,712	14,926	14,041	15,871	17,971	23,237	16,682	17,723	18,600
Rock Drill	29,427	20,386	23,880	24,143	23,305	26,842	30,910	30,076	26,979	30,199	30,372	27,663	24,149	30,910	35,600
UNIC	17,375	11,142	12,490	16,105	20,651	25,741	28,367	27,229	25,782	27,381	29,237	31,791	27,804	28,305	27,900
Materials	80,175	82,128	92,203	77,917	88,026	90,162	93,270	85,644	78,968	89,987	92,722	79,366	88,203	118,163	121,800
Metals	68,786	71,132	79,979	68,114	77,944	78,684	81,513	74,192	67,853	77,334	80,067	67,149	76,094	102,995	106,400
Electronics	5,568	5,969	7,147	4,615	4,987	5,381	5,743	5,477	5,816	6,307	6,527	5,506	5,741	7,271	7,000
Chemicals	5,820	5,025	5,076	5,187	5,093	6,096	6,013	5,973	5,298	6,344	6,127	6,710	6,367	7,896	8,400
Real Estate	2,386	2,043	1,577	1,233	1,058	1,013	2,535	3,045	3,074	3,338	2,999	2,386	2,107	2,115	2,000
Other	1,204	854	785	766	753	739	747	876	983	916	814	771	755	1,879	3,600
Paints (*1)	—	3,692	15,040	14,874	15,078	—	—	—	—	—	—	—	—	—	—
Fuels (*2)	15,452	9,893	9,004	9,576	3,770	—	—	—	—	—	—	—	—	—	—
Total	161,857	142,925	165,638	157,566	165,539	163,026	172,544	161,799	149,829	167,695	174,116	165,215	159,702	199,097	209,500

### [Operating profit]

(Unit: Million yen)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022(Forecast)
Machinery	1,733	-3,022	-566	1,970	2,923	5,333	6,551	5,882	3,580	5,083	6,567	7,343	3,968	4,679	5,200
Industrial	767	433	-29	708	778	1,851	1,711	1,037	104	1,005	2,088	3,208	2,113	1,396	1,500
Rock Drill	255	-2,584	-350	333	-67	341	1,225	2,217	897	1,782	1,689	142	-1,324	1,117	2,500
UNIC	710	-870	-186	928	2,212	3,141	3,614	2,627	2,578	2,295	2,789	3,992	3,180	2,165	1,200
Materials	229	3,985	3,044	325	324	1,695	1,770	983	1,870	1,648	1,396	776	1,040	2,349	1,300
Metals	23	3,224	1,494	308	282	1,503	1,449	1,154	1,738	867	581	301	499	940	500
Electronics	4	657	1,279	-234	-262	-123	52	-368	17	330	407	-35	161	666	300
Chemicals	201	104	269	251	304	315	267	197	114	451	406	510	380	743	500
Real Estate	706	1,128	635	356	219	-43	776	1,276	1,265	1,339	1,163	735	736	743	700
Other	-304	-376	-92	-93	-63	-60	-130	-72	-126	-196	-147	-94	-82	17	-100
Paints (*1)	—	-19	-93	-329	65	—	—	—	—	—	—	—	—	—	—
Fuels (*2)	202	-29	-56	-13	-28	—	—	—	—	—	—	—	—	—	—
Adjustment	-264	-69	-49	-60	-78	-39	-42	-80	-44	-55	-64	-68	-71	-54	-100
Total	2,303	1,597	2,821	2,154	3,363	6,886	8,925	7,988	6,545	7,820	8,915	8,693	5,592	7,734	7,000

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

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

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

LME copper price (US\$/ton)	5,864	6,101	8,139	8,485	7,855	7,104	6,554	5,215	5,154	6,444	6,341	5,860	6,879	9,691	8,067
JPY rat per US\$	100.54	92.85	85.71	79.07	83.10	100.24	109.93	120.13	108.42	110.85	110.91	108.74	106.06	112.38	137.00

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 Business 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.

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

## 2. Positioning of “Medium-Term Business 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



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.

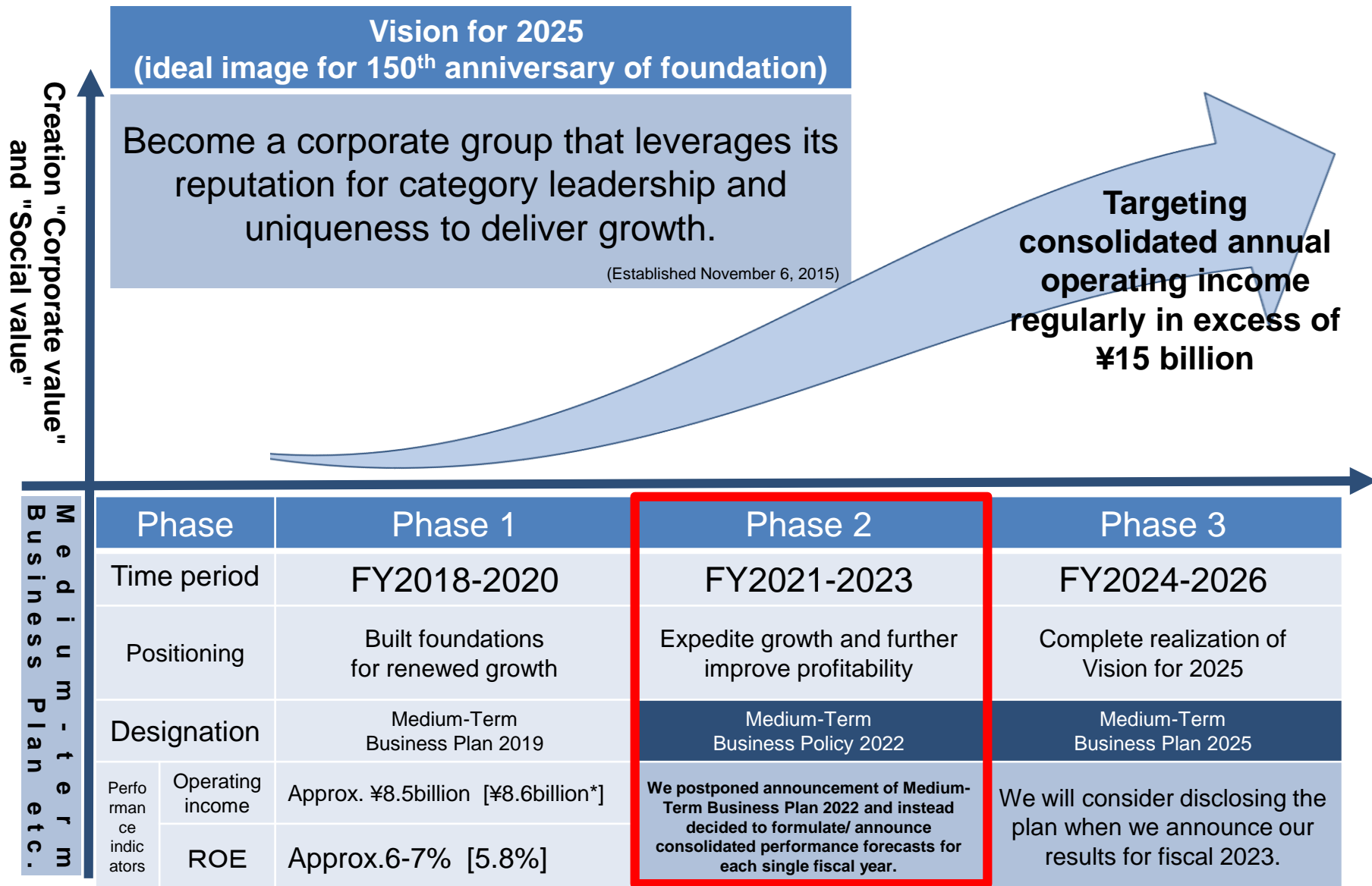
(\*1) Marketing-based management incorporating CSV: This means incorporating marketing into the core of management to provide products and services recognized as valuable in changing markets, as well as to resolve issues and problems faced by customers, with the aims of increasing corporate value and 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 Business Policy 2022”

Appendix “Medium-Term-Business Policy 2022”  
(This is a document disclosed in the past.)



## (1) Companywide strategy

“Expedite growth and further improve profitability.”

Under Medium-Term Business 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”

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”

Appendix “Medium-Term-Business Policy 2022”  
(This is a document disclosed in the past.)




































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	
Industrial	 Pumps  Belt conveyors  Steel bridges and steel structures		○	◎			◎	◎		○	◎
Rock Drill	 Tunnel drill jumbos  Hydraulic crawler drills  Hydraulic crushers		○				◎	◎	○		
UNIC	 UNIC cranes  Mini crawler cranes  Ocean cranes		○				◎	◎			◎
Metals	 Electrolytic copper				○		◎	◎			
Electronics	 High-purity metallic arsenic  Coils  Optical components (lenses)		○				◎	◎			
Chemicals	 Sulfuric acid  Aluminum sulphate  Ferrous sulfate	○	○	◎			◎	◎			

**(4) Increase corporate value by emphasizing business practices that are to be solved by the Group**

**Appendix “Medium-Term-Business Policy 2022”  
(This is a document disclosed in the past.)**

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

Appendix “Medium-Term-Business Policy 2022”  
(This is a document disclosed in the past.)

### 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

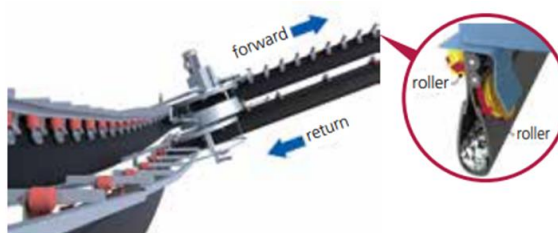
- Attract new orders by providing technical proposals for section plant construction projects and other projects.
- Cultivate demand for SICON® enclosed hanging conveyors.
- Strengthen earnings foundation by capturing replacement demand for pumps and material machinery.



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 Transportbandsysteme GmbH.

High efficiency energy saving  
slurry pump  
SPL e-Performance



# (5) Basic strategies and priority issues by segment

## Basic strategy

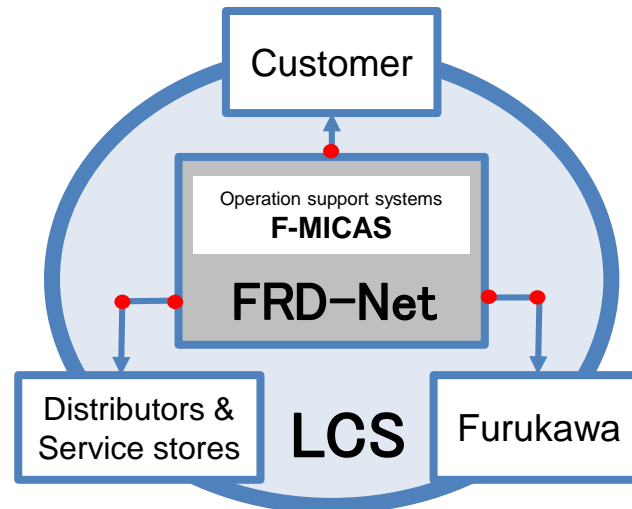
Strengthen our Life Cycle Support (LCS) capabilities, reinforce our earnings foundation for drill products (blast hole drills and drill jumbos), tap new markets, and launch new products to increase profits.

## 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.
- **Diffraction 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

Appendix “Medium-Term-Business Policy 2022”  
(This is a document disclosed in the past.)

### 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

Appendix “Medium-Term-Business Policy 2022”  
(This is a document disclosed in the past.)

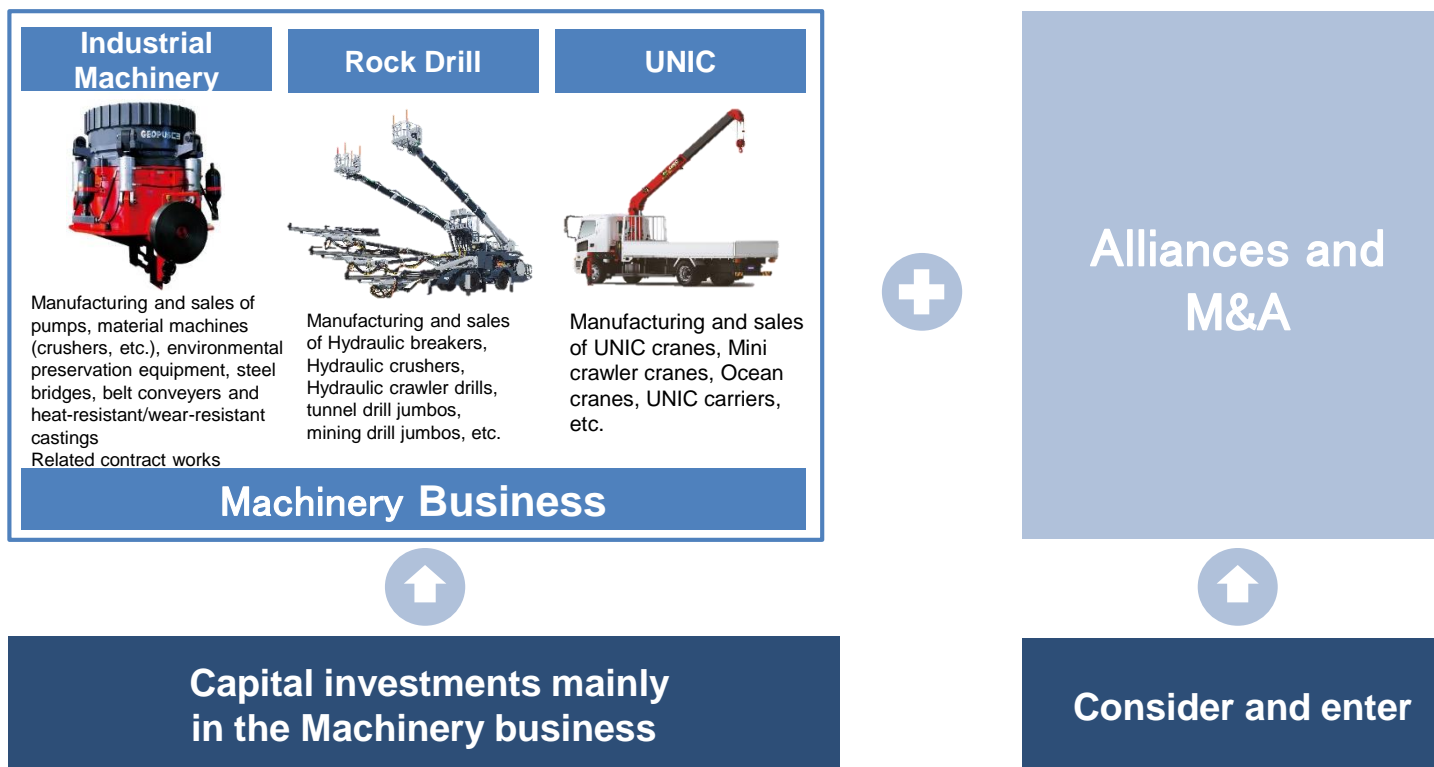
## 1 Capital investment plan\*10 to support stronger manufacturing capabilities

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.

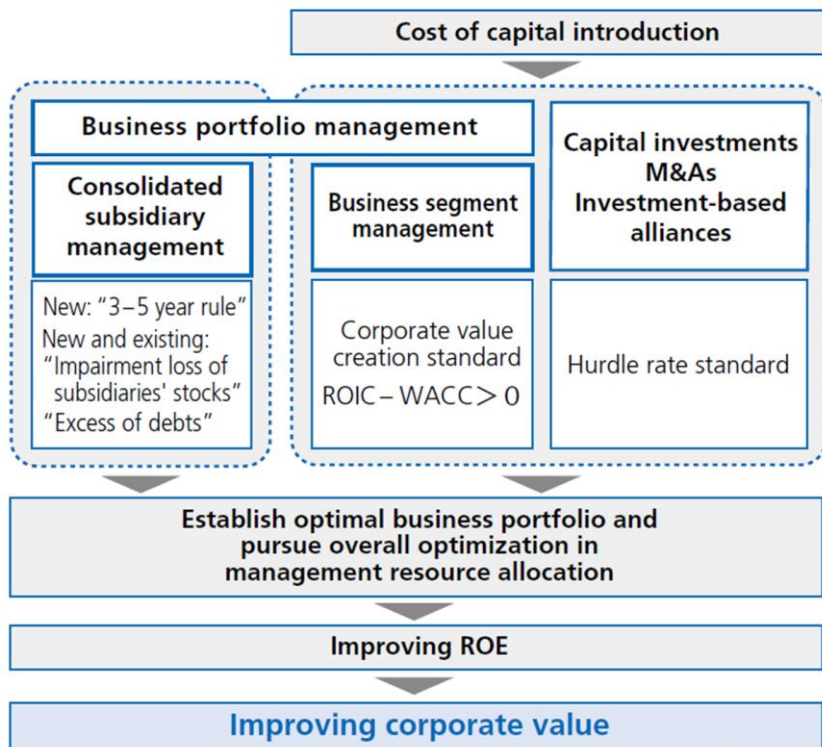


# (9) Establish a robust corporate foundation: Strengthen the Corporate Value Creation Process

Appendix "Medium-Term-Business Policy 2022"  
(This is a document disclosed in the past.)

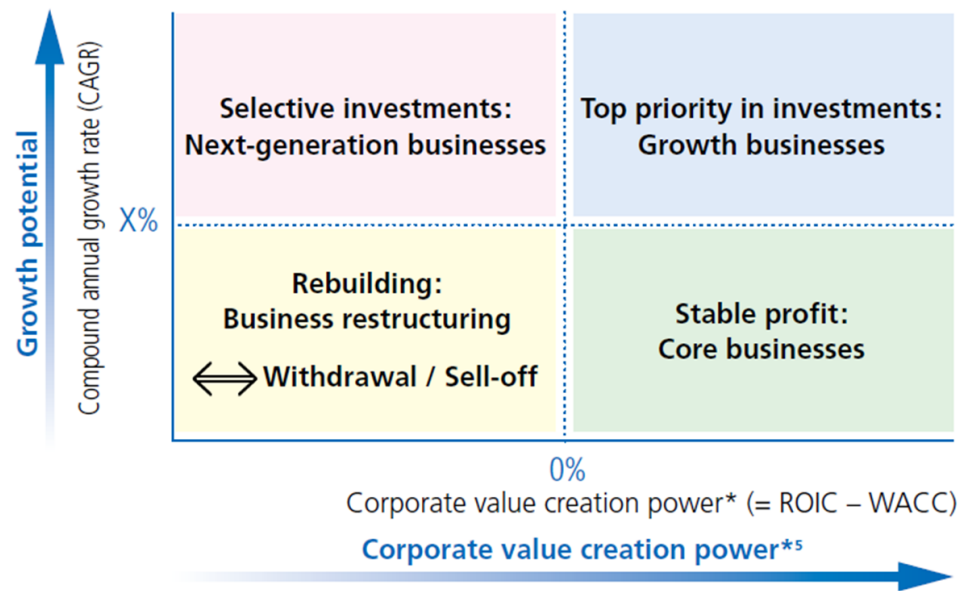
We will make individual investment decisions while paying attention to profitability and taking into account risks and capital costs associated with each investment. We will also step up efforts to improve efficiency and profitability. At the same time, we will pursue overall optimization of business 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.

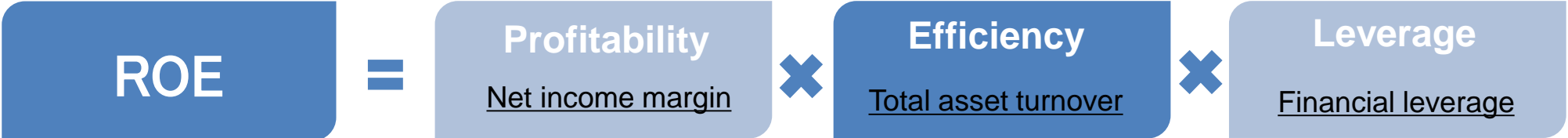


\*5 Both "Corporate value creation power" and "Amount of corporate value created/year" are terms coined by Furukawa Co., Ltd.

(9) Establish a robust corporate foundation: Strengthen the corporate foundation (This is a document disclosed in the past.)

Appendix "Medium-Term-Business Policy 2022"

(This is a document disclosed in the past.)



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	<ul style="list-style-type: none"> <li>Expand business areas; develop new businesses and products                             <ul style="list-style-type: none"> <li>Expand business areas</li> <li>Develop new businesses; launch new (high-value-added) products</li> </ul> </li> <li>Increase sales prices (unit prices)                             <ul style="list-style-type: none"> <li>Control sales prices</li> </ul> </li> <li>Reduce cost-of-sales ratio                             <ul style="list-style-type: none"> <li>Promote centralized purchasing</li> <li>Reduce defective products</li> <li>Reduce logistics costs</li> </ul> </li> </ul>	Priority sectors / regions (domestic, overseas, countries) / new products/strategic products / new businesses  Unit price (selling price)  Variable cost reduction amount / rate Defective product amount / rate
			SG&A expense ratio	<ul style="list-style-type: none"> <li>Reduce labor costs                             <ul style="list-style-type: none"> <li>Reorganize operations; sell businesses</li> <li>Automate; save labor</li> <li>Increase productivity</li> </ul> </li> <li>Reduce costs; improve cost-effectiveness                             <ul style="list-style-type: none"> <li>Reduce R&amp;D expenses</li> <li>Reduce sales promotion and advertising expenses</li> </ul> </li> <li>Increase sales volume                             <ul style="list-style-type: none"> <li>Increase market share</li> </ul> </li> </ul>	Ratio of labor costs to net sales Sales per employee Operating income per employee  Ratio of R&D expenses to net sales Ratio of sales promotion / advertising expenses to net sales Sales volume; market share
		[Efficiency] Total asset turnover  Net sales / Total assets	<ul style="list-style-type: none"> <li>Current asset turnover                             <ul style="list-style-type: none"> <li>Increase accounts receivable turnover                                     <ul style="list-style-type: none"> <li>Shorten accounts receivable collection period</li> </ul> </li> <li>Increase inventory turnover                                     <ul style="list-style-type: none"> <li>Shorten lead times</li> <li>Reduce inventories</li> </ul> </li> </ul> </li> <li>Fixed asset turnover                             <ul style="list-style-type: none"> <li>Improve capacity utilization rate</li> <li>Improve capital investment efficiency</li> <li>Sell idle assets</li> </ul> </li> </ul>	Accounts receivable turnover period (days/months)  Lead time (time for delivery) Inventory turnover period (days / months) Disposal of slow-moving inventories for a long time  Tangible fixed asset turnover period (days/months)	
[Financial leverage] Total assets / Net worth	Interest-bearing debt ratio Interest-bearing debt / EBITDA Interest coverage ratio	Increase shareholder returns	<ul style="list-style-type: none"> <li>Increase cash dividends</li> <li>Share repurchase and retirement</li> <li>Increase interest-bearing debt</li> </ul>	Total shareholder return ratio  n/a (no set KPI)	

Profitability improvement

Efficiency improvement

(9) Establish a robust corporate foundation: Capital strategies: Pursue optimal capital allocation (This is a document disclosed in the past.)

## 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 fiscal 2026 (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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