FURUKAWA

Annual Report (Integrated Report) 2021

Year ended March 31, 2021

Contributing to the Construction of Social Infrastructure

FURUKAWA CO.,LTD.

Editorial Policy

This "Annual Report (Integrated Report)" is a publication for the Furukawa Company Group's shareholders and other investors. It is an integrated report that includes financial information from the Group's "Annual Securities Report" and environmental, social, and governance (ESG)-related information from its "Corporate Governance Report" and "CSR Report." The intention of this Annual Report is to foster a more accurate understanding of the integrated thinking, strategies, and actions of the Group while covering the information necessary for shareholders and other investors.

In addition to these reports, we disclose financial statements, financial results briefing materials, and post various other information on our corporate website in a timely and appropriate manner.

https://www.furukawakk.co.jp/pdf/e/ar2021.pdf

Target Period: April 2020–March 2021
(Some activities before and after this period are also included.)

Annual Report (Integrated Report)

- **Annual Securities Report** (Financial information)
- **Corporate Governance Report** (ESG information)
- **CSR Report** (ESG information)

Forward-Looking Statements

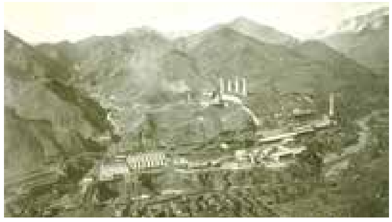
This Annual Report (Integrated Report) contains information about the Furukawa Company Group's plans, strategies, and future prospects. Such information, which is based on information currently available and reflects determinations deemed rational by the Group at the present time, includes various risks and uncertainties. Actual results may differ significantly from forecasts contained herein due to these changing uncertain factors.

Contents

About the Furukawa Company Group

The key to the success of the Furukawa Company Group, which recently celebrated the 146th anniversary of its founding, began with the development of the Ashio Copper Mine by founder Ichibei Furukawa. Since then, we have moved in line with the times and developed and advanced our technologies, amassed through mine development, to build our two current business domains: the Machinery business and the Materials business. Today, we are increasing our focus on niche products that reflect our expertise and boast a high market share. We are also stepping up efforts to practice “marketing-based management”[*1] that incorporates CSV[*2] perspectives by deploying our unique technologies and past experience. In particular, our Machinery business, positioned as a core business, responds to market needs and contributes to the development of social infrastructure.

By continuing to offer products that are indispensable to society, we aim to resolve various social issues and help realize a sustainable society. We are working hard every day to achieve our Vision for 2025, entitled FURUKAWA Power & Passion 150[*3], as we approach fiscal 2026, the 150th anniversary of our founding.


Ashio Copper Mine (around 1920)

*1 “Marketing-based management”
This means incorporating marketing into the core of management to provide products and services recognized as valuable in changing markets, as well as to identify and resolve issues and problems faced by customers, with the aims of deepening ties with customers, achieving sustainable growth, and increasing corporate value.

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

*3 FURUKAWA Power & Passion 150
The “Power & Passion” symbol expresses the “power and speed” and the “passion and enthusiasm” aspects of our business approach. The perfect red circle conveys the connections and bonds we have with customers, and “150” represents the 150th anniversary of our founding in 2025, which is the year for achieving our vision.

FURUKAWA Power & Passion 150

Management Philosophy

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

Action Guidelines

In order to live up to our Management Philosophy, we put our Action Guidelines of Innovation, Creativity and Harmony into practice, while always bearing in mind the three key words, Luck, Stolidity and Perseverance that best represents the spirit of our founder.

Innovation : We will work constantly at self-innovation by embracing a future-oriented mindset.

Creativity : We will seek to create reliable, appealing products that meet market needs.

Harmony : We will improve management transparency and contribute to the development of a society that is in harmony with the environment.

Financial / Non-Financial Performance

Fiscal year	2016/3	2017/3	2018/3	2019/3	2020/3	**2021/3**
Net sales (Millions of yen)	161,800	149,830	167,696	174,117	165,216	**159,703**
Operating income (Millions of yen)	7,989	6,546	7,821	8,915	8,693	**5,592**
Profit attributable to owners of parent (Millions of yen)	5,056	4,254	4,774	4,654	4,432	**7,468**
Profit attributable to owners of parent per share (Yen)	125.13	105.29	118.16	116.23	112.23	**190.73**
Return on equity (ROE) (%)	7.5	5.9	5.9	5.7	5.8	**8.9**
Return on sales (%)	3.1	2.8	2.8	2.7	2.7	**4.7**
Total asset turnover (Times)	0.8	0.7	0.8	0.8	0.8	**0.7**
CO_2 emissions (Thousand t)	24	25	26	26	22	**21**
Total emissions including waste, etc. (t)	6,832	5,347	6,884	7,160	7,039	**5,912**
Number of employees (Persons)	2,521	2,616	2,690	2,757	2,755	**2,752**

The Furukawa Company Group's Value Creation Process

The Furukawa Company Group has a long history of 146 years. Since our beginning in mine development, we have undergone various transformations, diversified our operations, and overcome many difficulties. This history forms the foundation of today's Furukawa Company Group. Embracing the philosophy of Ichibei Furukawa, our founder, we have practiced marketing-based management that incorporates CSV*3 perspectives by developing mines and other technologies that support social infrastructure. As a result, we have continued to innovate products and services that are reliable and appealing and satisfy social and market needs. With a commitment to "category leadership and uniqueness," we aim to create "corporate value" by providing infrastructure, products, technologies, services, and the like that help resolve social issues. At the same time, we will continue fostering the creation of "social value" by improving social infrastructure and realizing a safe, environmentally friendly, and prosperous society.

Management Philosophy

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

Mining technologies

Exploitation technologies

Transport / Mineral processing technologies

Drilling technologies

Hydraulic control technologies

Slurry transportation technologies

Grinding technologies

Exhaust gas treatment technologies

Strategy

Vision for 2025
Medium-Term Business Plan

ROE
ROA

CSR*1
ESG*2

Rock Drill Machinery

Manufacture and sale of hydraulic breakers, hydraulic crushers, hydraulic crawler drills, tunnel construction and mining machinery, etc.

UNIC Machinery

Manufacture and sale of UNIC cranes, mini crawler cranes, ocean cranes, UNIC carriers, etc.

Industrial Machinery

Manufacture and sale of pumps, crushers, and other material-related machines, bridges, belt conveyors and heat- and abrasion-resistant castings; various construction contracts

Machinery Business

"Corporate Value"

"Marketing-Based Management"

*1 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, employees, shareholders and other investors, 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.

*2 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 CSR priority issues, medium-term CSR targets, and relevant major SDGs by classifying them as CSR and ESG issues in the environmental (E), social (S), and governance (G) fields.

Seeking to realize our Management Philosophy, we are currently implementing our Vision for 2025 in the approach to our 150th anniversary in fiscal 2026. The vision is divided into three phases, each with its own medium-term business plan. In our business activities, which center on the Machinery business and the Materials business, we will bring together technologies cultivated over many years and new strategies while also taking return on equity (ROE), return on assets (ROA), business portfolio management, corporate social responsibility (CSR), ESG, and risk management into account. We will also help achieve the Sustainable Development Goals (SDGs) and continue contributing to the realization of a sustainable society by resolving various social issues, including national resilience challenges, a declining workforce, and moves toward a decarbonized society. This is the Group's value creation process for realizing its Management Philosophy.

Smelting technologies

Flash smelting technologies

Sulfuric acid production technologies

Electric technologies

Metals

Sale of electrolytic copper, electrolytic gold, electrolytic silver, sulfuric acid, etc. (produced by smelting on consignment)

Chemicals

Manufacture and sale of sulfuric acid, polyferric sulfate aqueous solution, sulfate band, cuprous oxide, cupric oxide, etc.

Electronics

Manufacture and sale of high-purity metal arsenide, crystal products, core coils, aluminum nitride, optical components, etc.

Materials Business

Creation through Business Activities

Products / Technologies / Services

"Social Value" Creation

"Category leadership and uniqueness"

- Establish social infrastructure
- Realize a prosperous society that is safe and environmentally friendly

Social Issues / Needs

Business Portfolio Management

Risk Management

Incorporated CSV*3 Perspectives

*3 CSV
For the Furukawa Company Group, creating shared value (CSV) means creating "corporate value" by providing infrastructure, products, technologies, services, and the like that help resolve social issues. It also means fostering the creation of "social value" by improving social infrastructure and realizing a safe, environmentally friendly, and prosperous society.

Greetings from Chairman Naohisa Miyakawa

Based on resolutions of the Shareholders' Meeting held on June 29, 2021 and the subsequent Board of Directors' meeting, Minoru Nakatogawa was appointed as president and representative director, and Naohisa Miyakawa was appointed as chairman and representative director.

Naohisa Miyakawa
Chairman and Representative Director

I have served as president for eight years, having assumed the position in June 2013. In 2015, we renewed our Management Philosophy and clarified our desire to remain indispensable to society. At the same time, we established our first long-term vision, FURUKAWA Power & Passion 150, and have been working to transform the Company to achieve this vision. In the lead-up to the 150th anniversary of our founding in 2025, we adopted a backcasting method divided into three phases. Under Phase 1, covered by Medium-Term Business Plan 2019, we achieved our consolidated operating income target (key performance indicator (KPI)) of ¥8.5 billion in fiscal 2019 and 2020. Due to the subsequent worldwide spread of COVID-19, however, we had to postpone the announcement of Medium-Term Business Plan 2022 (Phase 2, initially scheduled to start in April 2020), which targeted further improvements in profitability. Instead, we announced our management strategies and priority issues in the form of Medium-Term Business Policy 2022.

Given the fact that the pandemic is not expected to be resolved for some time, we have positioned fiscal 2022 and 2023 as a period for solidifying our management base in order to realize Vision for 2025. For this reason, we decided that we should entrust the second half of Vision for 2025 to the next generation of leaders, who will strongly promote reinforcement of the Company's structure over the next two years and lead us into the Phase 3 starting in fiscal 2024. Following a report from the Nomination & Remuneration Committee, which mainly consists of outside directors, Mr. Nakatogawa replaced me as president. In addition to a strong spirit and determination, President Nakatogawa has a big heart and is very well-liked, and I am confident that he will carry on the reform path that I have been advancing and promote it even more strongly.

Naturally, my role as chairman in the new organization will be to support President Nakatogawa in all aspects. By entrusting President Nakatogawa, who has strong leadership skills, with a wide range of general management tasks, I will focus on solving issues to realize Vision for 2025, which was left unfinished when I was president. Specifically, I will focus on such issues as formulating an overseas strategy for the Rock Drill Machinery segment, reviewing the contracted copper smelting business of the Metals segment, shaping the future concept of the Furukawa Osaka Building in the Real Estate segment, and expanding our business through alliances, as well as need for carbon neutrality and digital transformation. I will work on these issues in close consultation with President Nakatogawa and further stimulate activities to raise awareness about the need for internal reforms.

I look forward to the ongoing support and understanding of all stakeholders as we continue transforming the Furukawa Company Group under the new management structure.

August 2021

"Our goal is to be a company that is not satisfied with the status quo, but continues to innovate with a sense of speed."

In this segment, Minoru Nakatogawa, who was appointed as president and representative director in June 2021, speaks about his aspirations for the corporate management of the Furukawa Company Group, as well as his thoughts and initiatives for realizing our Vision for 2025.

Minoru Nakatogawa
President and Representative Director

Q1. What are your honest impressions of your appointment as president, and what are your aspirations for the future management of the Company?

Following a report by the Company's Nomination & Remuneration Committee, I was elected and assumed the position of president at the Shareholders' Meeting held on June 29, 2021 and the subsequent meeting of the Board of Directors. The world is undergoing upheaval with drastic changes in global affairs, people's changing behavior due to COVID-19, changes in values and lifestyles, and moves toward a decarbonized society. My primary mission is to achieve our Vision for 2025 at all costs within the remaining five-year deadline. The concept and targets of the vision are becoming more widely understood among executives and employees. Based on the direction that Chairman Miyakawa has taken, I will promote reforms and do my best to achieve the targets.

I believe that the speed of social transformation will increase in the future. Addressing various issues will lead to the creation of new markets, which is a great business opportunity for us. By providing products, technologies, and services that help resolve social issues, we will continue working to improve social infrastructure and realize a safe, environmentally friendly, and prosperous society, and thus help create a sustainable society. I will forge ahead with this strong desire in mind.

Q2. The Group now has a new administration. Could you tell us about the division of roles between you and the chairman, and how you will carry on Vision for 2025 in the future. Also, what areas will you focus on as president?

As president, I will be responsible for the overall management of the Company. I also hope to receive advice and suggestions from Chairman Miyakawa based on his extensive management experience. As we work to realize Vision for 2025, we will determine our roles according to circumstances, addressing such matters as unfinished tasks, priority issues, and alliances and M&As.

To realize Vision for 2025 Vision, I would like to create an environment in which executives and employees can frankly express their opinions while encouraging more active discussions.

First, we need clarify the priority order of various measures and tasks, and instill awareness and consciousness of the need to ensure that particularly important things are completed on time. We must also meticulously investigate the causes of any unfulfilled tasks and implement the plan–do–check–act (PDCA) cycle to achieve our goals. If necessary, we must make changes without hesitation. Here, it is important for management to understand policies and issues and provide guidance and training to subordinates, which I also consider to be part of my responsibilities.

Q3. How do you evaluate the Group's performance in fiscal 2021? Also, what are your thoughts on initiatives for fiscal 2022?

In fiscal 2021, the global spread of COVID-19 had a significant impact on our business performance. Although the pandemic was unexpected, it revealed that the Group's various divisions have not yet developed powerful frameworks that are resilient to economic trends. Nevertheless, we posted consolidated operating income of ¥5.6 billion, well above our initial forecast of ¥2.0 billion (announced on August 12, 2020), owing largely to increased operating income in the Industrial Machinery segment and UNIC Machinery segment. This shows that the Group is gaining ground in some areas. Although the Metals segment enjoyed an increase in operating income thanks to surging market prices, we reaffirmed that we are still susceptible to external factors that could cause significant fluctuations in our performance.

In fiscal 2022, the outlook for the global economy remains uncertain due to the COVID-19 pandemic and the tense relationship between the United States and China, so we believe it is time to solidify our business foundation in order to realize Vision for 2025. In particular, we recognize that the Rock Drill Machinery segment, which fell into the red in fiscal 2021, was not only affected by COVID-19 but also had problems with its business structure. For this reason, we are reviewing our management system and implementing structural reforms. In terms of our overseas strategy, our most important task is to restore that segment into one that can contribute to our overall business performance by delivering a V-shaped recovery in earnings. We will do this by setting priority market regions, selecting the right models, and promoting reforms through reorganization and consolidation of overseas subsidiaries. In the Life Cycle Support (LCS) business, which we have been working on for some time, we are gradually introducing hydraulic crawler drills equipped with operational support systems in Japan and overseas, and we hope to link this to future sales of new machines and components.

Medium-Term Business Plan, etc.

Time period		Phase 1	Phase 2	Phase 3
Time period		FY2018–2020	FY2021–2023	FY2024–2026
Positioning		Build foundations for renewed growth	Expedite growth and further improve profitability	Complete realization of Vision for 2025
Name		Medium-Term Business Plan 2019	Medium-Term Business Policy 2022	Medium-Term Business Plan 2025
Performance indicators	Operating income	Approx. ¥8.5 billion [¥8.6 billion*]	We postponed announcement of Medium-Term Management Plan 2022 and instead decided to formulate/announce consolidated performance forecasts for each single fiscal year.	We will consider disclosing the plan when we announce our results for fiscal 2023.
	ROE	Approx. 6–7% [5.8%*]		

* Figures in brackets represent actual results for fiscal 2020.

Thanks to business structural reforms implemented several years ago, the Industrial Machinery segment is now able to generate steady income. In addition to improving the accuracy and probability of orders for large-scale projects, we will reinforce our earnings base by stepping up proposals for belt conveyors, which help reduce CO_2 emissions when transporting earth and sand, and by capturing replacement demand for pumps and materials-related machines.

In the UNIC Machinery segment, we have completed large-scale capital investments in the Sakura Plant, which serves as a "mother factory" under a three-pronged production system (Japan, China and Thailand) aimed at further improving production efficiency. In terms of overseas business development, we will do what we can, even with the COVID-19 pandemic, to increase the overseas sales ratio, which is currently around 20%.

In the Metals segment, it has become difficult to generate profits in light of current ore purchasing conditions and contracted copper smelting costs, without the benefit of rising copper prices that we enjoyed in fiscal 2021. Although production volume has been decreasing, we still need to make a fundamental review of our contracted copper smelting business.

In the Electronics segment, our business performance is still recovering alongside a turnaround in the semiconductor market. In this context, we are enjoying growing sales of aluminum nitride, which we have been focusing on as a strategic product, and expect it to contribute to profits in the future. In the Chemicals segment, sulfuric acid, cuprous oxide, and other existing products are generating stable profits, but we still face the issue of commercializing and cultivating metallic copper powder at the sample shipment stage. In the Real Estate segment, we will continue working to create a future concept for the Furukawa Osaka Building.

In Phase 2 (fiscal 2021–2023) of Vision for 2025, we were hit by COVID-19 and postponed the announcement of Medium-Term Business Plan 2022 (announcing Medium-Term Business Policy 2022 in fiscal 2020 instead). Under the policy, in fiscal 2022 and 2023 we will focus on consolidating our management foundation, strengthening our business structure, and quickly recovering our business performance in order to realize Vision for 2025. Going forward, we will do our utmost to solidify the "foundations for renewed growth" we built under Medium-Term Business Plan 2019, and "expedite growth and further improve profitability," the objective of Phase 2. We will also target dynamic growth by stepping up efforts to form alliances and M&As.

Q4. As part of corporate reform efforts, you are promoting ROE reform, business portfolio review, and operational reforms at the field level. Please tell us what you have achieved, what remains to be done, and how you plan to overcome the challenges?

We are working to improve profitability and efficiency in order to enhance ROE, a KPI. In the UNIC Machinery segment, we have completed our capital investment program at the Sakura Plant,

Vision for 2025 "FURUKAWA Power & Passion 150"

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

We are targeting consolidated operating income regularly in excess of ¥15 billion as we approach our 150th anniversary in fiscal 2026.

Strategies for Achieving Vision for 2025

1 Increase the value of the Furukawa brand through "marketing-based management" that incorporates CSV perspectives

We will incorporate 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 sustainable growth. We will also strive 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.

- Reinforce technological sales capabilities (proposals and solutions) reflecting customer needs
- Develop products, technologies, and services that meet market needs
- Achieve category-leading positions by concentrating on niche products that have competitive advantages and using differentiation strategy
- Cultivate and create new markets and product categories; build a new business model
- Enhance our products, technologies, and services, which underpin our social infrastructure, to help resolve social issues

2 Sustainably expand the Machinery business

- Reinforce revenue bases in growing overseas markets mainly in business related to infrastructure and resource development
- Strengthen and enhance stock business
- Maximize business opportunities by demonstrating comprehensive Group competencies and reinforcing engineering strengths

3 Strengthen and expand our human resource bases

- Build vibrant human resources and corporate culture for a new Furukawa
- Secure, utilize, and develop diverse human resources in Japan and overseas
- Put even more effort into training sales and marketing personnel

4 Actively promote investments to increase corporate value

- Make proactive capital investments necessary for growth
- Expand business through strategic M&A and alliances

5 Establish a robust corporate foundation

- Increase corporate value by improving profitability and capital efficiency, targeting ROE of more than 10%
- Establish a strong financial base
- Achieve balanced appropriations between investments for growth and return to shareholders
- Increase corporate value by emphasizing business practices that reflect CSR and ESG issues recognized and to be solved by the Group

and we are now seeing the benefits of greater production efficiency and other improvements. Thanks to automation and robotization of production lines,
we have reduced average lead times by approximately 10%, enabling us to reduce inventory levels.

On the other hand, the Rock Drill Machinery segment has fallen into the red. To overcome this situation, we need to change our basic approach to all processes, including product planning, sales, and manufacturing. Accordingly, we are currently reviewing our strategies and working diligently to overcome the challenges.

As for reviewing our business portfolio, we are examining the success or failure of our corporate value creation by segment through the introduction of the cost of capital concept. Regarding the Metals segment, which has been challenging for some time, our priority is to make a fundamental review of our contracted copper smelting business, because income in this segment fluctuates significantly according to changes in copper prices. We are on track to reduce annual copper production to around 70,000 tons by fiscal 2022. This will lead to lower exports, which will improve profitability somewhat. In the contracted copper smelting business, we cannot start reforms immediately in light of our relationships with companies that buy our products and companies with which we have joint ventures. Nevertheless, we will not postpone our final decision as we forge ahead with our reassessments.

With respect to production, the Technology Division and the Sakura Plant have begun examining and promoting digital transformation initiatives. We will continue to promote digital transformation by applying it to other production sites as well. Our administrative departments have been particularly slow, but with the relocation of the head office at the end of July 2021, we are now using a "free address" system and working to improve office efficiency, going paperless as a matter of course. At the same time, it is important to develop products incorporating ICT and AI technologies to increase productivity, efficiency, and labor savings in order to promote digital transformation among customers and markets. In response to these needs, in fiscal 2021 we launched a fully automatic drill jumbo, which has been highly evaluated by our customers as a product that matches their requirements. We will continue focusing on developing products that help these customers achieve digital transformation.

Q5. ESG initiatives are becoming more and more important in recent years. Please tell us about the ESG initiatives of the Furukawa Company Group.

As a corporation, it is essential that we pursue ESG initiatives. Our Vision for 2025 advocates enhancing corporate value through business practices that take CSR and ESG issues into consideration as part of efforts to reinforce our business foundation. Accordingly, we regard ESG as indispensable to creating corporate value for the Group.

With respect to the environment, the Japanese government has declared its aim to become carbon neutral by 2050, and has set a national target of reducing CO_2 emissions by 46% by 2030 compared with the fiscal 2014 level. The time has come to move toward a decarbonized society. For us, it is a matter of course that we reduce CO_2 emissions and target carbon neutrality. We are currently implementing our fourth medium-term reduction plan for the 10-year period starting from fiscal 2019, which we formulated before the government's declaration. We now need to review our numerical targets and formulate and implement a new reduction plan. To this end, we will establish a new organization as soon as possible to examine specific CO_2 emission reduction measures.

We own forests on the sites of the Ashio Copper Mine and other closed mines. These forests absorb around 8,000 tons of CO_2 per year, equivalent to about 38% of the 21,000 tons we emitted in fiscal 2021. The global movement toward carbon neutrality can also be seen as an opportunity to practice the Group's "marketing-based management that incorporates CSV perspectives." To this end, we will help realize a decarbonized society by providing customers with products, technologies, and services that are highly effective in reducing CO_2 emissions.

With regard to governance, institutional regulations and rules are becoming more and more stringent every year, evidenced by the new market classification of the Tokyo Stock Exchange and the revision of Japan's Corporate Governance Code. These rules are also a trend of the times, and we intend to address new guidelines and requirements as they emerge. We recognize that the primary focus of governance is to ensure that the Board of Directors engages in sufficient discussions and that judgments and checks are made properly. With this in mind, we conduct questionnaire-based surveys of all directors, including outside ones, to analyze the effectiveness of the Board of Directors. Such evaluations have been improving year by year, leading to the revitalization of the Board. I intend to continue actively engaging in various discussions at Board of Directors' meetings. Each year, the Board discusses the appropriateness of maintaining strategic shareholdings, but our plan is to continue selling shares that we no longer need to hold.

With respect to society, in order to continue growing sustainably, it is extremely important to have a human resource strategy that activates the abilities of our executives and employees and enables us to constantly attract new and excellent talent. To achieve this, we recognize that providing work environments that are rewarding and give a sense of fulfillment is our natural responsibility. To realize Vision for 2025, we also must create a diverse organization. Traditionally, our company, which hires many technical employees, has had a small number of female employees. Due to the globalization of our business, meanwhile, it is also becoming more and more important to appoint foreign nationals. To create an energized organization with diverse human resources, we will further strengthen the recruitment and training of diverse talent. From a risk management perspective, moreover, consideration of the environment, safety, and human rights throughout the supply chain is becoming increasingly important. Accordingly, we will continue providing verification and guidance throughout the supply chain.

Q6. Finally, please tell us about the Furukawa Company Group's concept of CSV, which balances "corporate value" and "social value."

For some time, we have been practicing "marketing-based management," which places corporate value improvement and sustainable growth—achieved by identifying and solving issues that our customers are facing or have not yet noticed—at the core of our management. In May 2020, we redefined and renamed the term "marketing-based management that incorporates CSV perspectives" in order to further strengthen our commitment to enhancing corporate value and achieving sustainable growth, as well as addressing the SDGs and various other social challenges, to help realize a sustainable society. Our concept of CSV is to simultaneously create "social value" and "corporate value" while addressing various social issues. We believe that we can create "corporate value" only if we foster the creation of "social value" by improving social infrastructure and realizing a safe, environmentally friendly, and prosperous society.

By ensuring that all executives and employees are fully aware of this concept, we will be able to change the behavior of each individual in the Group. We will also spread the concept more broadly by linking it to our business partners and the entire supply chain. In these turbulent times, companies cannot survive unless they transform themselves. Our goal is to be a company that is not satisfied with the status quo, but continues to innovate with a sense of speed.

In closing, I would like to say that we will continue listening carefully to the opinions of our stakeholders as we work together as executives and employees to realize Vision for 2025. On behalf of the Furukawa Company Group, I look forward to your ongoing understanding and support.

"Marketing-Based Management" Incorporated CSV Perspectives

The Furukawa Company Group formulated its Vision for 2025 to fulfill its Management Philosophy of remaining indispensable to society. One of the strategies for achieving Vision for 2025 is to increase the value of the Furukawa brand through "marketing-based management" that incorporates CSV perspectives.
We will create "corporate value" by providing infrastructure, products, technologies, services, and the like that help resolve social issues.
At the same time, we will foster the creation of "social value" by improving social infrastructure and realizing a safe, environmentally friendly, and prosperous society. In these ways, we will help build a sustainable society.
In this special feature, we introduce two initiatives as specific examples of "marketing-based management" that incorporates CSV perspectives.

Case 1

The Challenge of Developing a Fully Automatic Drill Jumbo

Along with roads and railways, tunnels play a major role in social infrastructure because they enable vehicles to pass through mountainous areas in short time periods. At mountain tunnel construction sites, tunnel drill jumbos are used to drill holes into which explosives are inserted for blasting. Accordingly, they are important machines that greatly affect the safety and efficiency of workers, as well as the cost and time of tunnel construction. The Rock Drill Machinery segment's tunnel drill jumbos have an 80% share of the domestic market. They are used in tunnel construction work for the new Hokkaido Shinkansen lines, the Linear Chuo Shinkansen Line, and other projects, as well as in ongoing construction of freeways.

Site delivery of fully automatic drill jumbo

In recent years, mountain tunnel construction contractors have found it difficult to attract workers due to the occurrence of accidents caused by falling rocks and the like, as well as the retirement of skilled workers. In response, Japan's Ministry of Land, Infrastructure, Transport and Tourism has been promoting "i-Construction," which means deploying ICT to help make construction sites unmanned. Accordingly, major general contractors have been accelerating their ICT efforts, including by setting up dedicated i-Construction divisions. To address these needs, we began developing a fully automated drill jumbo in 2016.

Drilling test by boom

Automating the drilling process, which used to rely on the intuition and experience of skilled workers, requires the use of a surveying machine inside the tunnel to perform measurement and sensors mounted on the drill jumbo to determine the best position of the vehicle body. The tunnel face (excavation surface at the end of the tunnel) is then scanned in 3D to determine the optimal drilling position and angle. It is also necessary to automatically control each boom based on the drilling plan created from the tunnel alignment and cross-sectional alignment. Furthermore, high-precision hydraulic control is required to perform the meticulous manual operation, conventionally done by skilled workers using electrical control.

Drawing on the drilling and hydraulic control technologies accumulated by the Rock Drill Machinery segment, as well as the control system technologies of the Technology Division, we conducted repeated trial and error programming on test machines. As a result, in June 2020, four years after the start of development, we completed and launched J32RX-Hi ROBOROCK®, a fully automatic drill jumbo. Building relationships of trust with general contractors at numerous job sites, facing challenges together, and combining the technologies we have cultivated with cutting-edge technologies led to the creation of this fully automatic drill jumbo. It is a perfect example of "marketing-based management." We expect it to reduce the burden of workers at numerous mountain tunnel construction sites and contribute to improved construction safety, accuracy, and efficiency.

We are now analyzing various data obtained from fully automatic drill jumbos currently in operation and using that data to improve subsequent drilling plans and blasting patterns, as well as to enhance preventive maintenance of the machines. We have already received numerous requests from customers for additional functions, and we will continue to develop, improve, and upgrade our fully automatic drill jumbo with a view to releasing successor models.

Console enabling fully automatic operation

Case 2

Developing a New Cone Crusher

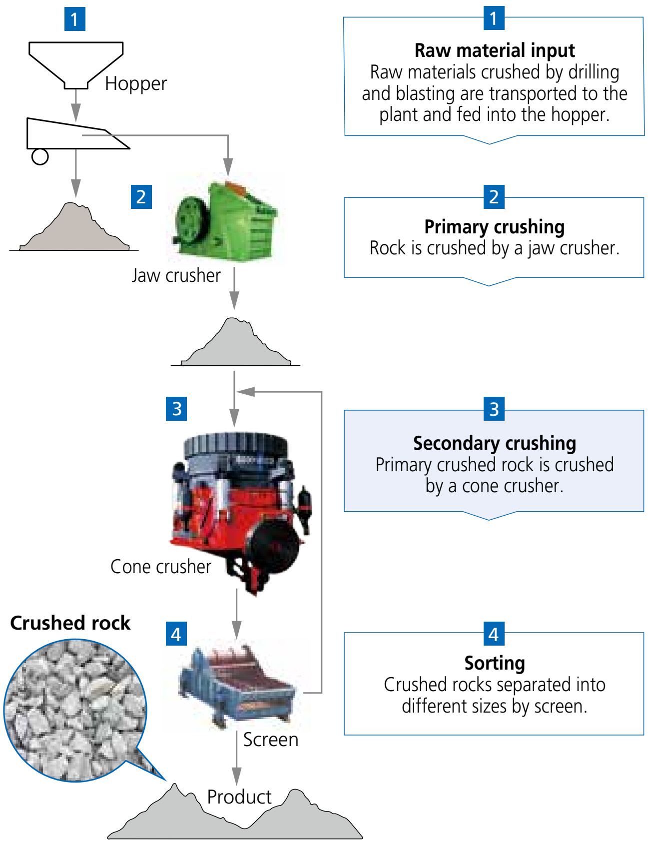
A crusher is a machine that crushes rocks and other solid materials to a desired size at quarries and other facilities in the steel, chemical, and nonferrous metal mining industries. There are various types of crushers, such as cone crushers, jaw crushers, and roll crushers, and their uses vary according to the raw material, crushing process, and end-product (rocks of desired particle size and diameter). The GEOPUS series of cone crushers, handled by our Industrial Machinery segment, are mainly used in stone crushing plants to produce aggregate for important social infrastructure, including road paving, crushed stone for concrete aggregate, and paving stone for railway tracks.

Since launching the GEOPUS series in 2000, we have continued making improvements to enhance performance and productivity. The new GEOPUS C3 cone crusher, developed in 2019 with a view to downsizing while maintaining conventional performance, has two key added functions. The first is a crushing chamber with a new configuration that provides a smoother flow of raw materials compared with conventional machines, thereby shortening the time between raw material input to product output. As a result, the same processing volume as before can be maintained even though the machine has been downsized. We also enhanced the overall design to deliver improved price competitiveness and economic efficiency for customers. The second is a feed control function, which measures the amount of raw material added to the hopper with an ultrasonic sensor and automatically adjusts it, thus improving production efficiency. Conventional machines require some manual control by an operator, but this function automatically controls the optimal filling volume for high-density crushing, thereby ensuring stable quality and yield.

In a test plant set up in cooperation with a customer, we were able to reduce the input volume of raw material by 16% compared with a conventional machine, meaning that only 179 tons of material was needed to produce 100 tons of crushed stone, instead of 213 tons, providing a substantial improvement.

GEOPUS C3 is a new cone crusher with a control function that maximizes high-density crushing and crushing performance. It is more compact than conventional machines but maintains the same throughput and delivers improved production efficiency. We are currently reviewing our customers' crushing plants and making technical proposals, highlighting GEOPUS C3 as our flagship product. We have already received positive feedback from customers, which is testament to the "marketing-based management" that we advocate and practice. Going forward, we will continue making proposals to enhance customers' production efficiency while collecting operational data and making new improvements with the aim of building an operational management system that can predict failures in advance.

Rock crushing flow



We are committed to offering products, technologies, and services recognized as valuable in changing markets in order to meet the needs of customers and identify and solve issues they are not yet aware of. Our fully automatic drill jumbos and our new cone crushers help resolve social issues, such as declining number of skilled workers and the need for better workplace safety, while enhancing production and economic efficiency. Accordingly, these products can create both "social value" and "corporate value". By practicing "marketing-based management" that incorporates CSV perspectives, the Furukawa Company Group will continue resolving various social issues to help create a sustainable society, while at the same time remaining indispensable to society.

Machinery

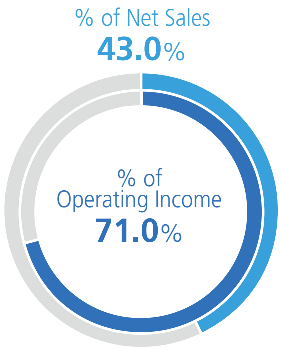
The Machinery Business consists of three segments: Industrial Machinery (pumps, crushers, belt conveyors, steel bridges, etc.), Rock Drill Machinery (hydraulic breakers, blast hole drills, tunneling/mining equipment, etc.), and UNIC Machinery (UNIC cranes, mini crawler cranes, UNIC carriers, etc.).

In fiscal 2021, total sales of the Machinery Business—consisting of the Industrial Machinery, Rock Drill Machinery, and UNIC Machinery segments—amounted to ¥68,636 million, down 17.0% year on year, and operating income was ¥3,969 million, down 46.0%. All three segments reported year-on-year declines in sales and income.

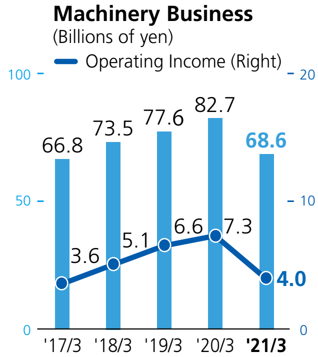
For the year, the Machinery Business accounted for 43.0% of consolidated net sales (down 7.1 points year on year) and 71.0% of operating income (down 13.5 points). Of the Machinery Business' total sales, the Industrial Machinery segment accounted for 24.3%, the Rock Drill Machinery segment for 35.2%, and the UNIC Machinery segment for 40.5%.

We launched our Medium-Term Business Policy 2022 in the midst of an extremely uncertain global economic situation due to the spread of COVID-19. It is difficult to predict when the situation will return to normal, and medium-to-long-term business conditions remain unclear. Nevertheless, we recognize our increasing responsibilities as a Group with respect to taking disaster prevention and mitigation measures, providing infrastructure to reinforce national resilience, and the like. We also recognize other social issues that we must tackle. These include promoting labor-saving and unmanned construction sites to compensate for labor shortages stemming from future declines in the working-age population, as well as contributing to energy conservation and reduction of CO_2 emissions.

During the period covered by Medium-Term Business Policy 2022, we expect domestic demand to remain steady for services related to new Shinkansen lines, the Linear Chuo Shinkansen Line, national resilience, and regional revitalization, as well as the Osaka Kansai Expo in 2025. In addition to capturing business related to these projects, we will strengthen our earnings foundation in expanding overseas markets, centered on infrastructure and resource-related development.



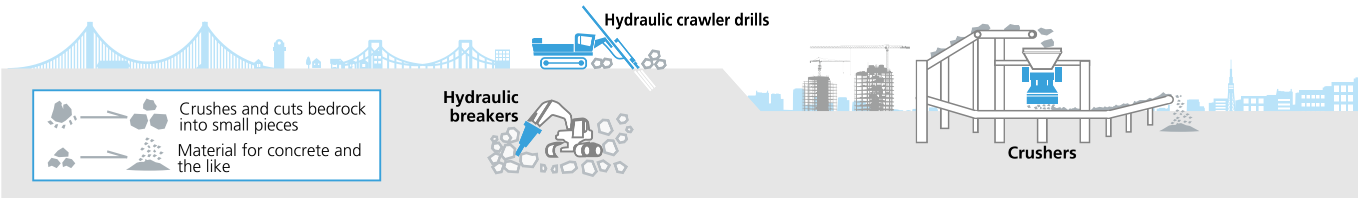
Note: Percentage figures are before internal adjustments.



Priority Fields of Machinery Business

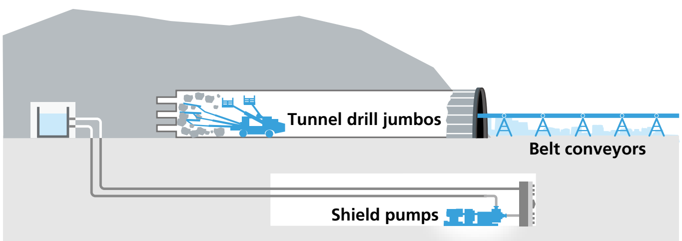
Concrete

To mine for gravel and limestone, which are raw materials for concrete, we supply hydraulic crawler drills that are used to drill holes in rock, in which gunpowder is inserted for blasting. We also have hydraulic breakers, which are used to break large rocks into small pieces, and crushers and screens, used at plants to achieve the desired rock sizes. These products contribute to demand for concrete in various areas.



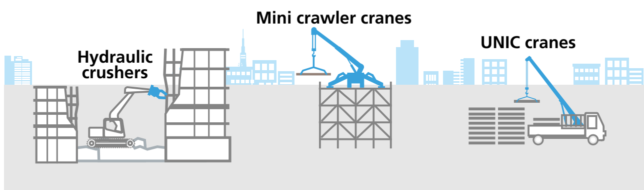
Tunnel projects

We develop and manufacture tunnel drill jumbos, which are used to create openings for loading gunpowder needed for rock blasting in mountain tunnel projects. We also develop and make belt conveyors for transporting large amounts of earth and sand, as well as shield pumps, which use water to pump excavated earth and sand in underground tunnel projects. Here, our drilling and wastewater treatment technologies, amassed through mine development, come to the fore.



Civil engineering and construction worksites

A single UNIC crane can transport and unload building materials and the like. In addition to UNIC cranes, we offer mini crawler cranes, which can operate independently in places inaccessible by truck, and hydraulic crushers that play a major role at demolition sites. Our construction machines feature exceptional functionality, operability, and safety and are also environmentally friendly.



Industrial Machinery

Furukawa Industrial Machinery Systems Co., Ltd.
President and Representative Director
Katsuhira Kawashita

Performance Review

In the Industrial Machinery segment, the impact of COVID-19 was limited, although some construction work was suspended or postponed. For the year, we received an order related to a new upgraded bridge on the Yamashiro Comprehensive Sports Park Joyo Line (Kyotanabe City, Kyoto Prefecture) and another for a SICON®*1 enclosed hanging conveyor for construction of the No. 1 tunnel of the Linear Chuo Shinkansen (Kita-Shinagawa, Tokyo). As a result, the order balance at fiscal year-end was higher than the previous fiscal year-end.

Sales of materials-related machinery declined from the previous fiscal year, when we sold equipment for an intermediate storage facility (Futaba-machi, Futaba-gun, Fukushima Prefecture). For the year, we booked sales from large-scale projects, including cargo handling equipment for an international bulk terminal at the Port of Onahama, a belt conveyor for the Tokyo Gaikan Expressway, and a SICON® enclosed hanging belt conveyor for the Sakaigwa-Kanamori retention basin project (Machida City, Tokyo). However, total segment sales declined because most of the construction work was completed in the previous fiscal year. Consequently, segment sales decreased 28.2% year on year, to ¥16,682 million, and operating income fell 34.1% to ¥2,114 million.

Future Measures

Going forward, we will continue the strategy stated under Medium-Term Business Plan 2019 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*2, and enhance our business foundation in the domestic market." As our basic strategy to establish a solid growth trajectory, we will attract new orders by providing technical proposals for section plant construction and other projects, cultivate demand for SICON® enclosed hanging conveyors, and strengthen our earnings foundation by capturing new demand for pumps and materials-related machines. In the contractor business, we will continue striving to win orders for large-scale construction projects by envisaging unexpected situations and engaging in rigorous risk management and project management, while proposing conveyance technologies using our own belt conveyors, with the aim of resolving various social issues.

With respect to strengthening our engineering capabilities, following our reorganization in April 2018, our proprietary belt conveyor conveyance technologies have been adopted for multiple large-scale projects. In materials-related machinery, we received orders for crushers, screens, granulators, and some plant equipment through technical proposals for section plant construction projects. These orders have contributed significantly to the performance of the Industrial Machinery segment, and we can now see the direction in which we should go. Our future task is to increase the accuracy and probability of receiving orders for large-scale projects.

*1 SICON® is a registered trademark of ContiTech Transportbandsysteme GmbH.
*2 Engineering capabilities: The ability, as part of the sales process, to use experience, technology, and knowledge as tools in order to make optimal proposals to customers based on consideration of a comprehensive balance of all factors, including functions, costs, operating environment, and safety.

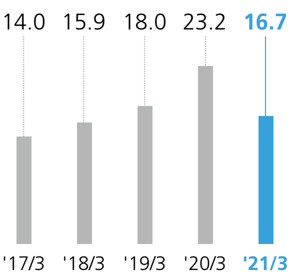
Main achievements

- Delivered our first SICON®*1 enclosed hanging conveyor to transport sediment in the Sakaigawa-Kanamori retention basin project; also received an order for a second unit, related to a tunnel of the Linear Chuo Shinkansen
- Made a technical proposal to replace a customer's stone crushing machine with a new high-efficiency cone crusher (GEOPUS C3), a strategic product for the stone crushing industry
- Established a stable profit structure through our stock business

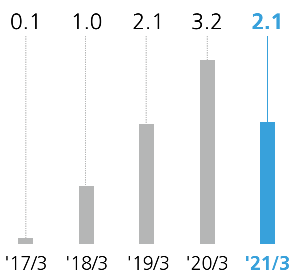
Main issues

- Improve the accuracy and probability of receiving orders for large-scale projects
- Swiftly develop slurry pumps with improved maintainability, as well as highly efficient small and medium-sized modular screens
- Generate sales of steel segments for tunnel construction

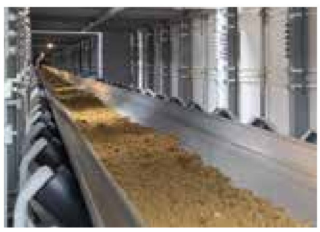
Net Sales (Billions of yen)



Operating Income (Billions of yen)



GEOPUS C3 cone crusher



Belt conveyor

Rock Drill Machinery

Furukawa Rock Drill Co., Ltd.
President and Representative Director
Masahiro Ogino

Performance Review

The Rock Drill Machinery segmented posted a year-on-year decline in sales, impacted by the spread of COVID-19 in Japan and overseas. Domestic sales decreased due to a significant drop in shipments of hydraulic crawler drills, hydraulic breakers, and hydraulic crushers. This was caused by temporary postponements of new machinery purchases stemming from a general decline in machine utilization rates and economic uncertainty. On the other hand, we posted an increase in sales of tunnel drill jumbos, which were unaffected by the aforementioned factors, with J32RX-Hi ROBOROCK®, a fully automatic drill jumbo launched in June 2020, making a contribution. Overseas, with the exception of China and some other countries and regions, economic activity levels remained low due to restrictions on behavior and other factors, as well as a general reluctance to purchase machinery that persisted throughout the year. As a result, total overseas sales declined year on year, mainly due to a decrease in shipments of hydraulic crawler drills in Southeast Asia and lower shipments of hydraulic breakers to equipment rental companies in North America. Consequently, sales in the Rock Drill Machinery segment were down 12.7%, to ¥24,149 million, and the operating loss was ¥1,325 million, compared with operating income of ¥143 million in the previous year.

Future Measures

Our basic policy is to expand earnings in both the flow business and stock business[*3] by strengthening our Life Cycle Support (LCS)[*4] capabilities. To this end, we renewed our management structure and reassessed existing initiatives. As a result, we concluded that we need to clarify our strategies by product and by region and reorganize and consolidate overseas subsidiaries accordingly. In the flow business, our most urgent issue is to strengthen and rebuild our overseas marketing capabilities, and we will rigorously implement a policy of selection and concentration to achieve this. First, we will focus on Europe and the United States (where the functions and performance of our original products are highly evaluated) for hydraulic breakers and Southeast Asia (where there is solid demand for tunnels and other infrastructure) for drill jumbos. Second, we will concentrate on sales of hydraulic crawler drills by selecting models based on their superior functions. Third, we will review our overseas structures and reorganize and consolidate overseas subsidiaries in line with our priority regions. In the stock business, we will promote LCS to strengthen our hydraulic crawler drill business. In addition to improving the accuracy of replacement demand forecasts, we will provide various support programs that benefit our customers' businesses. These include maintenance programs (such as extended warranties and full maintenance packages), operating information analyses to improve work efficiency, and customer support programs to propose reductions in consumables. Through such support programs, we will reinforce our stock business and bolster sales of new machines and components. With respect to tunnel drill jumbos, we will strengthen our lineup of machines that help enhance safety and efficiency at tunnel excavation sites. These include fully automatic drill jumbos and automatic rock bolters, which we developed jointly with the Technology Division. We will also continue addressing other issues at mountain tunnel construction sites, including increasing the use of ICT and making sites unmanned.

*3 Stock business: Refers to after-market business (sales of spare parts, maintenance services, used product trade-ins and sales, etc.) and rental business, as opposed to flow business (product sales), which is more susceptible to economic fluctuations. With relatively stable earnings, we have positioned our stock business as one of our "foundations for renewed growth" and are working to continuously expand and strengthen it.

*4 Life Cycle Support (LCS): Providing and supporting optimal management services to reduce the cost of machinery ownership and operating costs as much as possible throughout its entire life cycle (machine selection and delivery, operation and maintenance, major repairs and reconditioning, and disposal and replacement).

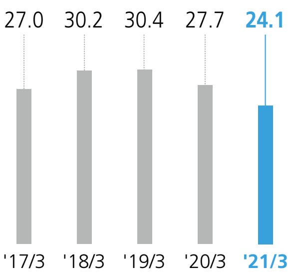
Main achievements

- Developed and launched of J32RX-Hi ROBOROCK® fully automatic drill jumbo

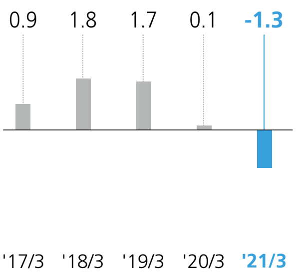
Main issues

- Strengthen and rebuild our overseas marketing capabilities / Rigorously implement a policy of selection and concentration / Establish priority regions, centralize sales through focused model selection, and review our overseas structures
- Promote LCS to strengthen our hydraulic crawler drill business

Net Sales (Billions of yen)



Operating Income (Loss) (Billions of yen)



Fully automatic drill jumbo

Hydraulic crawler drills

UNIC Machinery

Furukawa UNIC Corporation
President and Representative Director
Kenji Yamakawa

Performance Review

In Japan, the spread of COVID-19 led to postponement of truck deliveries, suspension and postponement of construction work, and postponement of investments by rental companies. The impact of the pandemic was particularly strong in the Tokyo Metropolitan Area and caused orders for UNIC cranes to languish initially. Since the second quarter, however, demand for trucks has gradually recovered, and orders for UNIC cranes have mostly reach previous-year levels. However, total segment sales decreased, affected mainly by declines in orders compared with the previous fiscal year, when there was a rush in demand and increased orders ahead of a partial revision of mobile crane structural standards and the enactment of exhaust emission standards for light trucks. Overseas sales also declined, due mainly to a fall in shipments of UNIC cranes in Southeast Asia stemming from COVID-19, as well as lower shipments of mini crawler cranes in Europe and North America caused by suspension of construction work at urban construction sites. Accordingly, segment sales declined 12.5%, to ¥27,804 million, and operating income fell 20.3%, to ¥3,180 million.

Future Measures

Looking ahead, we will seek to 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. Accordingly, we will work to maximize the benefits of capital investments in the Sakura Plant and promote further automation.

At the same time, we will enhance competitiveness by increasing functionality and high added value of our UNIC cranes, mini crawler cranes, and UNIC carriers, while developing new functions and options to meet diversifying applications. We will also reinforce our service system by expanding our overseas sales network and strengthening our sales capabilities at the retail level.

We are currently engaged in a capital investment program that started in April 2016, aimed at reinforcing the "mother factory" functions of our Sakura Plant, which has a three-pronged production system (Japan, China, and Thailand). Most of the planned work has been completed, although some of the machinery and equipment will not be completed until fiscal 2022. Going forward, we will reform our hydraulic equipment manufacturing processes by consolidating processing machinery in a newly established hydraulic equipment factory to enhance production efficiency. We will also reform our coating processes by installing cationic electrodeposition and other coating equipment to improve the quality of coating. In addition, we will double our crane-mounting capacity and reform our body mounting processes by cutting outsourcing costs and shortening delivery times to improve profitability. In these ways, we will strive to pursue and maximize the benefits of capital investment.

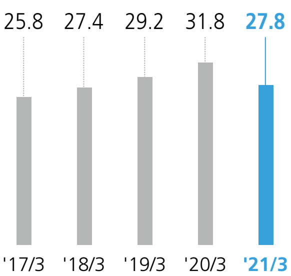
Main achievements

- Started selling UNIC cranes for medium-duty trucks with the best lifting performance in its class
- Almost completed large-scale capital investment program at the Sakura Plant, which began in 2016, achieving improved production efficiency

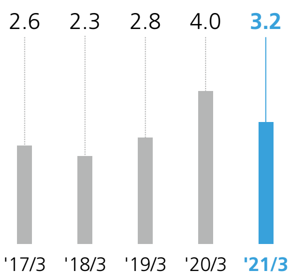
Main issues

- Maximize benefits of capital investment program aimed at reinforcing the "mother factory" functions of our Sakura Plant, which has a three-pronged production system (Japan, China, and Thailand)
- Resume other activities, such as sales guidance and service technology guidance for overseas dealers

Net Sales (Billions of yen)



Operating Income (Billions of yen)



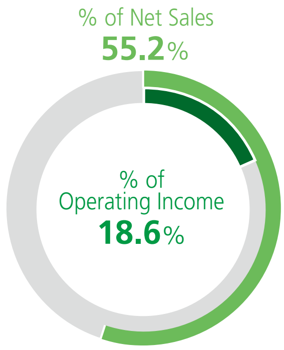
UNIC cranes

Mini crawler cranes

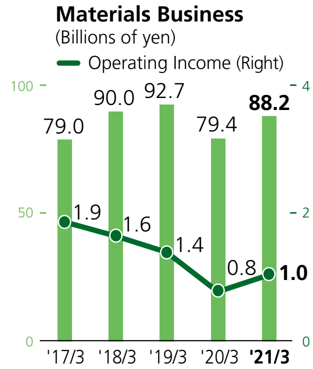
UNIC carriers

Materials

The Materials business—consisting of the Metals, Electronics, and Chemicals segments—posted an 11.1% increase in sales, to ¥88,203 million, and a 34.0% jump in operating income, to ¥1,041 million. The Materials business accounted for 55.2% of net sales and 18.6% of operating income.



Note: Percentage figures are before internal adjustments.



Metals

Performance Review and Future Measures

The price of electrolytic copper plummeted at the end of the previous fiscal year due to the prospect of a slowdown in global economic growth caused by the spread of COVID-19. It started at US$4,772/ton in April 2020, but subsequently trended upward, buoyed by resumption of economic activity in China, Europe, and the United States and subsequent anticipation of general economic recovery. The market was also bolstered by the settlement of the U.S. presidential election, the enactment of additional economic stimulus measures, and the launch of COVID-19 vaccines. As a result, the price ended the fiscal year at US$8,850/ton. The domestic price of electrolytic copper started the year at ¥570,000 and ended at ¥1.03 million. From the third quarter, month-to-month demand for copper wire and other copper products remained mostly unchanged year on year due to recovery of production in the automobile industry, but demand for electrolytic copper fell significantly. The Company's volume sales of electrolytic copper declined to 81,998 tons (down 1,866 tons year on year), due to the gradual reduction of production volume following a review of the contracted smelting ratio, but segment sales in value terms increased thanks to higher overseas market prices. Accordingly, sales in the Metals segment sales rose 13.3% year on year, to ¥76,095 million, and operating income jumped 65.8%, to ¥499 million.

In the Metals segment, profits fluctuate significantly due to the impact of international market trends and ore purchasing conditions. Determining the profitability and future potential of the contracted copper smelting business is a priority issue, and therefore we plan to make a fundamental reassessment of that business.

Furukawa Metals & Resources Co., Ltd.
President and Representative Director
Masanori Saito

Main achievements

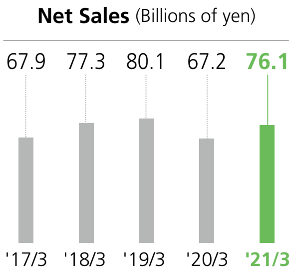
- Engaged in plan to reduce electrolytic copper production to 70,000 tons/year or lower by fiscal 2023

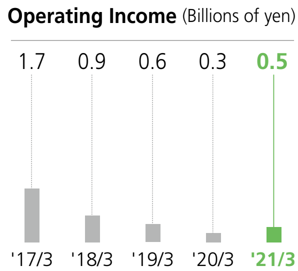
Main issues

- Undertake fundamental review of the contracted copper smelting business

Electrolytic copper

Gibraltar Copper Mine in Canada





Electronics

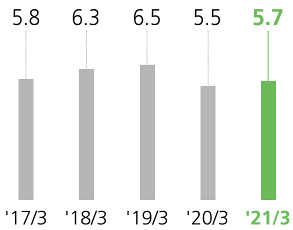
Performance Review and Future Measures

Demand for mainstay crystal products and coils declined significantly, mainly due to the impact of COVID-19 on production activities in the automobile and other sectors. From the second quarter onward, this segment benefited from a recovery trend, with sales of coils remaining at previous-year levels despite a decease in sales of crystal products. Sales of high-purity metallic arsenic were boosted by relatively stable demand for compound semiconductors, a major application for that material, while demand for aluminum nitride for use in thermal management components and semiconductor manufacturing equipment components increased, leading to higher overall segment revenue. As a result, the Electronics segment posted a 4.3% decrease in sales, to ¥5,741 million, and operating income of ¥162 million, compared with an operating loss of ¥35 million in the previous fiscal year.

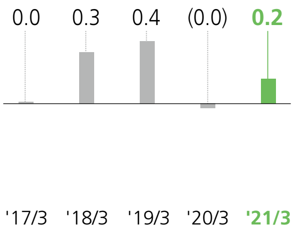
Furukawa Denshi Co., Ltd.
President and Representative Director
Hitoshi Iida

Our basic strategy going forward is to promote growth and new market launches of aluminum nitrides and diffractive optical elements (DOEs), which are strategic products, as well as hybrid coils. In aluminum nitrides, we will utilize our high-value-added firing technology to target business expansion while developing aluminum nitrides with high levels of thermal conductivity and toughness. In DOEs, we will deploy our microfabrication technology to expand sales channels. And in hybrid coils, we will employ a high degree of design freedom to develop attractive product samples.

Net Sales (Billions of yen)



Operating Income (Loss) (Billions of yen)



Main achievements

- Achieved increased sales of large-sized aluminum nitride products and high thermal conductivity products that meet market needs; installed a new firing furnace
- Generated higher sales of DOEs to new customers as part of our technical support for laser processing machines

Main issues

- Need to achieve full commercialization of hybrid coils (currently limited to sample development)

Aluminum nitride

Chemicals

Furukawa Chemicals Co., Ltd.
President and Representative Director
Kazuyoshi Iwama

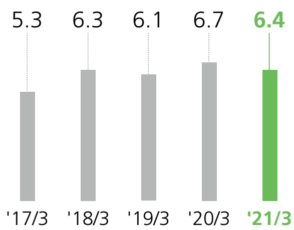
Performance Review and Future Measures

In the Chemicals segment, sales of cupric oxide increased due to higher unit prices, mainly reflecting higher base copper prices and strong demand for use of that material in circuit boards. On the other hand, sales of cuprous oxide decreased due to a decline in sales volume to major customers stemming from weak demand for marine vessel paints, a major application for that product. Volume sales of sulfuric acid increased thanks to strong sales of high-value-added products, but the impact of COVID-19 and lower demand stemming from inventory adjustments by customers led to a decline in value terms. As a result, sales in the Chemicals segment slipped 5.1% year on year, to ¥6,367 million, and operating income fell 25.5%, to ¥380 million.

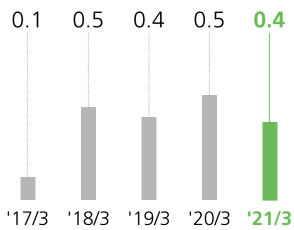
Cupric oxide

Going forward, our basic strategy is to expand income from cuprous oxide and other existing products while commercializing and fostering newly developed products, such as metallic copper powder. In sulfuric acid, we will further differentiate ourselves through our high-quality offerings, and in metallic copper powder we will enhance product quality, establish mass production and sales systems, and develop attractive product samples to expand sales channels.

Net Sales (Billions of yen)



Operating Income (Billions of yen)



Main achievements

- Increased sales of high-quality sulfuric acid, mainly for battery applications, as well as higher sales of cupric oxide for high-end PCs and servers

Main issues

- Delay in rolling out sales plan for metallic copper powder due to COVID-19, despite efforts to develop samples for multilayer ceramic capacitors (MLCCs)

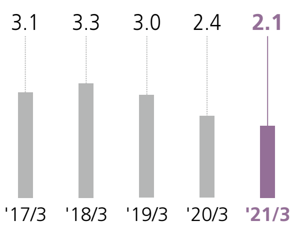
Real Estate

Performance Review and Future Measures

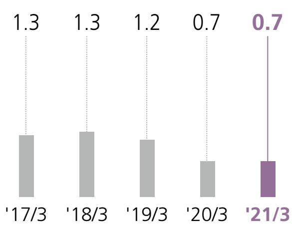
The Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2), our main facility, experienced a downtrend in visitors from around March 2020 due to the spread of COVID-19, and the building was temporarily closed following the government's emergency declaration in April 2020. Even after the building's reopening, visitor numbers were lower than usual, so we reduced or exempted rents for some commercial tenants, which had a negative effect on revenue. However, overall rental revenues remained mostly on par with the previous fiscal year. This was because a reduction in the number of large office tenants in the previous year, which led to a decrease in revenues, was offset by higher revenues from the tenants who replaced them. However, the closure of the Furukawa Osaka Building in December 2019 had a negative impact on overall segment revenue. Accordingly, sales in the Real Estate segment decreased 11.7% year on year, to ¥2,108 million, while operating income edged up 0.1%, to ¥737 million.

Looking ahead, our basic strategy is to continue making effective use of real estate owned by the Group, including the Furukawa Osaka Building, while securing stable earnings from the Muromachi Furukawa Mitsui Building. Another challenge is to decide our future plan for the site of the Furukawa Osaka Building, which is now closed. (Demolition of that building began in fiscal 2021.)

Net Sales (Billions of yen)



Operating Income (Billions of yen)



Muromachi Furukawa Mitsui Building
(commercial name: COREDO Muromachi 2)

Potential of aluminum nitride:

Heat-dissipating materials that enhance sophisticated electronic devices

Materials

Aluminum nitride used in heat-dissipating materials

In recent years, demand for heat-dissipating materials has been growing as electronic devices become increasingly sophisticated, integrated, miniaturized, and thinner. Heat-dissipating materials are essential to prevent abnormal operation of electronic equipment by releasing the heat generated internally to the outside air. They are used in high-capacity communication devices and equipment, including smartphones and PCs, as well as in inverter devices for railway cars, communication base stations, semiconductor manufacturing equipment, next-generation automobiles (such as hybrid cars and EVs), and the like.

Heat-dissipating ceramics materials include aluminum oxide (Al_2O_3) also known as alumina, aluminum nitride (AIN), and silicon carbide (SiC). In the market, alumina, which is inexpensive, has the largest share, while aluminum nitride, which is expensive and highly functional, still has a small share. Features of aluminum nitride include high thermal conductivity, insulation (does not conduct electricity), heat uniformity, and corrosion resistance. Accordingly, it is now being used in semiconductor manufacturing equipment, parts, and devices where these features are particularly needed. We expect demand for aluminum nitride as a heat-dissipating material to increase amid the growing performance requirements of 5G and other communication devices, expansion of data centers, and proliferation of power semiconductors and next-generation automobiles, as well as the rising performance requirements of semiconductors, electronic devices, and other equipment and terminals.

Features of aluminum nitride

Our Electronics Division has built a production system for molding, sintering, and processing procured aluminum nitride raw materials (powder). We also manufacture and sell aluminum nitride components, substrates, and fillers for use as heat-dissipation materials. Our strength lies in the sintering technology we have accumulated over the years, including with respect to sintering time and temperature adjustment. Our proprietary technologies and know-how enable us to manufacture products with uniform thermal conductivity and insulation properties, as well as world-class large-scale items (up to 500mm in diameter and 20–30mm thick) that are resistant to warping, cracking, and discoloration—factors that often arise during the sintering process. In the domestic ceramics industry, therefore, we are well-known as a contract manufacturer of aluminum nitride products. In addition, we have a lineup of four grades of sintered aluminum nitride products (components and substrates)—with thermal conductivities of 90W, 170W, 200W, and 230W—to meet customer needs. In fact, we developed and launched the highest-grade product, with thermal conductivity of 230W, ahead of other companies. Currently, we are developing an even higher-grade sintered material with a thermal conductivity of 250W, and we anticipate strong demand from laser processing machine manufacturers who are aiming for higher output power.

Order volumes have been rising since 2019 and we expect market demand to continue growing. In response, we are increasing our production capacity, having added one sintering furnace in 2020. We will continue leveraging our proprietary technologies to offer a range of high-quality products centered on aluminum nitride. By promoting development and commercialization, we hope to make aluminum nitride one of the pillars of the Electronics segment.

Three main products of aluminum nitride

Components

Our aluminum nitride products are used in components for semiconductor manufacturing equipment where their properties, which include heat uniformity and corrosion resistance, are important. The use of aluminum nitride components makes it possible to make high-quality, fine-grained semiconductors and improve the productivity of semiconductor manufacturing equipment. Our aluminum nitride heat-dissipating insulator components are also used in high-voltage power sources installed in railway cars, satellites, and aircraft.

Components containing aluminum nitride materials


Semiconductor manufacturing equipment components

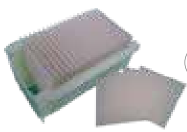

Crucibles for organic EL panel manufacturing equipment


Various processed products

Substrates

Our aluminum nitride substrates, sliced to a thickness of less than 1mm, are used for heat-dissipation and insulation in high-power laser devices. They are also used in high-power LEDs for camera flashes and projector lamps, as well as in communication modules. We make and sell these substrates mainly to precision processing companies that manufacturer semiconductor lasers and communication devices.

Substrates containing aluminum nitride materials


Aluminum nitride substrates (Approx. 100mm square)


Film deposition wiring substrates

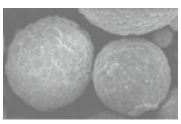

Laser module parts

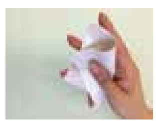

Laser processing machine parts

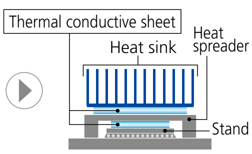
Fillers

Our aluminum nitride fillers are used in silicone and other resin-based heat-dissipation sheets and sealing materials incorporated in smartphones, notebook PCs, automobiles, and the like. We make and sell these products mainly to manufacturers of resins and thermal conductive sheets and adhesives.

Fillers containing aluminum nitride materials


Aluminum nitride filler (0.1mm or less)


Thermal conductive sheet made of resin



Example of use of thermal conductive sheets

The Furukawa Company Group's ESG Activities

Since its founding in 1875, the Furukawa Company Group has worked diligently to resolve a number of issues, including the emergence of pollution at the Ashio Copper Mine. The experiences and efforts of our early pioneers have paved the way for our approach to ESG and the Sustainable Development Goals (SDGs) today. Promoting an integrated thinking that combines our business and CSR activities ensures that we carry on the DNA cultivated by our pioneers. At the same time, it enables us to realize a sustainable society and continue advancing as a company.

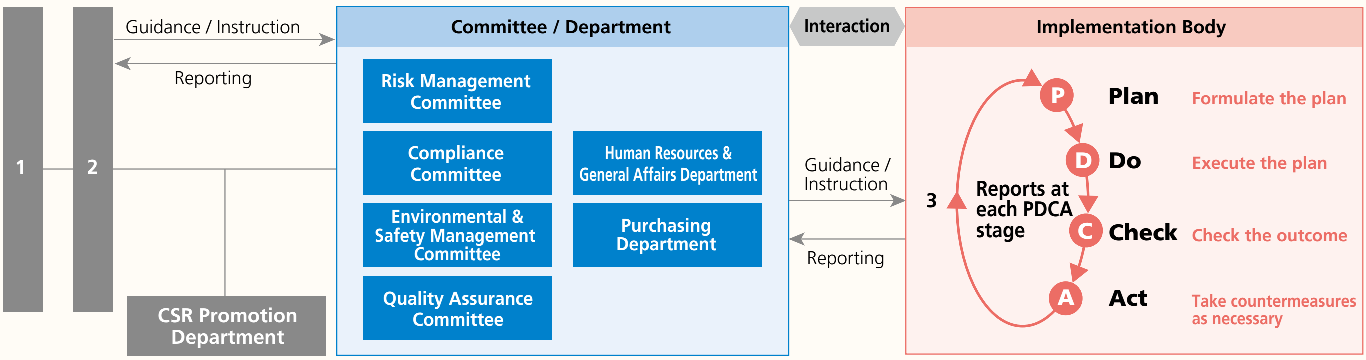
Remaining a Company That Is Indispensable to Society

Under its long-term Vision for 2025, the Group is working to increase the value of the Furukawa brand through "marketing-based management" that incorporates CSV perspectives. "The vision also clarifies our commitment to "increase corporate value by emphasizing business practices that reflect CSR and ESG issues recognized and to be solved by the Group." By promoting an integrated thinking that combines our business and CSR activities, we will work to create social value and corporate value by helping resolve various social issues faced by stakeholders. These include achieving the SDGs, the need to build national resilience in Japan, and a declining working-age population.

CSR Promotion System

We need to pursue CSR initiatives in order to solidify our foundation for conducting business activities. The Group's CSR policy is to promote business activities on a foundation that is firmly responsive to the environment and society, in addition to governance. To powerfully promote CSR activities, we established the CSR Promotion Meeting to clarify our responsibilities to stakeholders and spearhead CSR activities. Chaired by the Company's president, the Meeting deliberates various CSR-related issues, such as basic CSR activity policy, the CSR promotion system, formulation of activity plans, verification and evaluation of activity status, and development of priority measures. The CSR Promotion Meeting consists of four committees (Risk Management Committee, Compliance Committee, Environmental & Safety Management Committee, and Quality Assurance Committee) and two departments (Human Resources & General Affairs Department and Purchasing Department). The Meeting collaborates with each Group company and the headquarters, which is the executive division for CSR activities, to advance a PDCA cycle of planning, implementation, evaluation, and improvement.

CSR Promotion System



1. President and Representative Director
2. CSR Promotion Meeting

3. Group companies / departments

Relationships with Stakeholders

In the course of strengthening CSR activities and demonstrating our Management Philosophy, we have identified our stakeholders as listed below. Our quest is to clarify our responsibilities to each stakeholder group and maintain close communications, in order to build relationships of trust and thus maximize corporate value.

Stakeholder	Responsibility
Customers	We shall provide customers with high-quality products and services in order to increase satisfaction levels.
Business partners	We shall build mutually beneficial relationships conducive to harmonious coexistence through stable procurement activities based on the principles of fairness and economic rationality.
Shareholders and other investors	We shall work to maximize corporate value through communications focusing on timely, appropriate information disclosure and IR activities.

Stakeholder	Responsibility
Employees	We shall create safe, healthy, and motivating workplaces in which our diversified human resources can excel while adopting appropriate evaluation standards and fair incentives.
Local communities	We shall build and maintain favorable relationships of trust by pursuing social contribution activities aimed at harmonious coexistence with local communities.
Global environment	We shall protect biodiversity by developing environmentally friendly technologies and products while minimizing the environmental impact of our activities through savings of energy and resources and reduction of waste.

CSR and ESG Issues

One policy as part of our Vision for 2025 states our commitment to "increase corporate value by emphasizing business 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, medium-term CSR goals (fiscal 2021–2023), and relevant major SDGs.

Identifying CSR Priority Issues

The Group identifies CSR priority issues and reinforces its CSR activities to ensure that its business activities contribute to society in the broader sense. To identify priority issues, we selected important CSR-related issues from the perspectives of both stakeholders and the Group, then analyzed and evaluated the importance of those issues and finalized the Group's CSR priority issues.

Establishing a Robust Management Foundation: Increase corporate value by emphasizing business practices that reflect CSR and ESG issues recognized and to be solved by the Group

In order to pursue its business activities and fulfill its corporate social responsibility, the Group has identified CSR priority issues, formulated medium-term CSR goals to resolve these issues, and is stepping up CSR-related efforts through the PDCA cycle. Through these initiatives, we aim to help accomplish the SDGs, which were unanimously adopted by the United Nations for achievement around the world by 2030.

Steps to Identify CSR Priority Issues

Extract issues
▼
Evaluate importance to stakeholders and the Group
▼
Analyze the importance of issues
▼
Decide and approve priority issues

CSR Priority Issues Classified by ESG Section

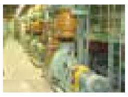
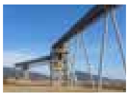
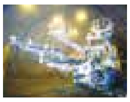
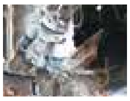
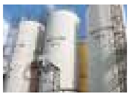
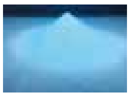
ESG Section	CSR Priority Issues	Medium–Term CSR Goals (FY2021–2023)	Major Related SDGs
E (Environment)	Promote environmental protection activities	● Promote continuous improvements in environmental performance (CO_2, water, waste, chemical substances) ● Promote improvements in on-site capabilities ● Strengthen efforts to achieve zero accidents/disasters ● Promote biodiversity conservation activities	3, 6, 7, 11, 12, 13, 15
S (Society)	Offer products and services that satisfy customers	● Strengthen management of changes aimed at improving product quality ● Strengthen education and information management to raise awareness about quality ● Strengthen quality assurance management ● Review and improve product safety evaluation system	4, 8, 9, 11, 12, 14, 17
	Build fair and impartial business relationships and relationships of reciprocal trust with business partners	● Build CSR-oriented procurement system ● Strengthen supplier management ● Strengthen internal CSR activities	8, 10, 12, 16, 17
	Promote social contribution activities	● Promote social contribution activities aimed at coexistence with local communities ● Maintain and build good relationships of trust with local communities	9, 11, 12
	Realize comfortable working environments for employees and give them fair evaluation and treatment	● Develop talented human resources ● Promote health management ● Promote diversity ● Improve working environments	3, 4, 5, 8, 9, 10, 13
G (Governance)	Build a meticulous group governance system	● Build crisis management system ● Build robust risk management system	3, 11, 13
	Communicate with shareholders and other investors	● Ensure timely and appropriate information disclosure ● Increase corporate value through communication via IR ● Strengthen the IR system	17
	Strengthen compliance	● Strengthen awareness-raising education to entrench compliance ● Thoroughly disseminate the Charter of Corporate Conduct and the Code of Conduct for Officers and Employees ● Develop and expand various guidelines and manuals ● Entrench timely and appropriate reporting of compliance violations	8, 16

"Marketing-Based Management" That Incorporates CSV Perspectives

The Group will generate "corporate value" by providing infrastructure, products, technologies, and services that help resolve social issues, while at the same time striving to create "social value". 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.

Deploying "Marketing-Based Management" that Incorporates CSV Perspectives to Address the SDGs

The Furukawa Company Group practices "marketing-based management" that incorporates CSV perspectives and creates "social value" by improving social infrastructure and realizing a safe, environmentally friendly, and prosperous society. In these ways, we will help achieve the SDGs.

Segment	Main Products, Technologies, and Services	SDGs with High Contribution Levels (◎: Especially Important; ○: Important)								
		2	3	6	7	9	11	12	13	14
Industrial Machinery	 Pumps  Belt conveyors  Steel bridges and steel structures		○	◎		◎	◎		○	◎
Rock Drill Machinery	 Tunnel drill jumbos  Hydraulic crawler drills  Hydraulic crushers		○			◎	◎	○		
UNIC Machinery	 UNIC cranes  Mini crawler cranes  Ocean cranes		○			◎	◎			◎
Metals	 Electrolytic copper				○	◎	◎			
Electronics	 High-purity metallic arsenide  Coils  Optical components (lenses)		○			◎	◎			
Chemicals	 Sulfuric acid  Aluminum sulphate  Ferrous sulfate	○	○	◎		◎	◎			

Examples of "Marketing-Based Management" That Incorporates CSV Perspectives

(1) Rock Drill Machinery segment (Machinery business): Helping improve social infrastructure with tunnel construction machines

In modern society, railways and roads have become indispensable means of transportation, and both require construction of tunnels. Furukawa Rock Drill Co., Ltd., a member of the Furukawa Company Group, makes and sells tunneling machines.

(Detailed article posted in CSR Report 2021)

Fully automatic drill jumbo

(2) Electronics segment (Materials business): Helping realize a prosperous society through aluminum nitride

Modern society is characterized by advances in communications technology, the emergence of hybrid cars and EVs, the development of laser-based devices, and the need for labor savings in railway vehicles. In this context, the advancement of semiconductor device technology is essential to realizing a prosperous society. Furukawa Denshi Co., Ltd., a member of the Furukawa Company Group, makes and sells aluminum nitride, a heat-dissipating material that supports increasingly sophisticated electronic devices.

(Detailed article posted in CSR Report 2021)

Aluminum nitride

Efforts to Strengthen and Expand Our Human Resource Bases

We have positioned efforts to "strengthen and expand our human resource bases" as an important policy for achieving our Vision for 2025, FURUKAWA Power & Passion 150. In this section, Atsushi Takano, Senior Executive Officer and General Manager of the Human Resources & General Affairs Department, answers our questions about the human resource strategy of the Group.

Senior Executive Officer
General Manager, Human Resources & General Affairs Department
Atsushi Takano

Q1. You have positioned efforts to "strengthen and expand our human resource bases" as an important policy for achieving our Vision for 2025. What is the true meaning behind this?

We recognize that the world is currently in a period of change that could be called a major turning point. Under such circumstances, it is essential to break away from conventional homogeneous behavior and create innovation with new ideas in order to achieve our Vision for 2025. I believe it is critical for us to embrace, develop, and utilize a wide range of diverse human resources, and for this reason we have positioned expansion and strengthening of our human resource bases as a key policy. Based on such a policy, we seek to establish human resources who can solve customers' problems, provide new value, and earn customers' trust.

Q2. Part of your policy is a commitment to "building vibrant human resources and corporate culture for a new Furukawa." Can you provide more details?

Creating innovation requires new ideas that are not bound by conventional norms. Therefore, we need to transition from the "old Furukawa" into a "new Furukawa." By creating a corporate culture in which employees, who are full of vitality and capable of generating new ideas, can work with vigor and enthusiasm, I believe we can realize a new Furukawa.

At the same time, we need to change the mindset of executives and management, as well as employees. We are also working to create a Groupwide human resource development system and corporate culture by hiring management-level personnel from outside the Group and reforming behavioral practices through education and training.

Q3. Over the past few years, you have been promoting workplace and workstyle reforms. Please tell us about your specific efforts and results, as well as areas that are still undergoing reform.

We decided to review our personnel system with the aim of creating comfortable working environments where diverse human resources can maximize their abilities and accept roles and remuneration commensurate with their abilities. In the process, we can create a company that employees find rewarding. In July 2019, we abolished our existing professional qualification grade system and introduced a role-grading system that sets the grade according to the magnitude of each employee's expected role, to more effectively give employees the roles we want them to fulfill. In line with this, we also revised our personnel appraisal system. We have adopted a mechanism for evaluating employees who have tackled difficult tasks, and we are working to encourage employees to embrace challenging goals more actively. The new system, which evaluates all positive failures and gives points for challenges undertaken, is an innovative appraisal system for the Group.

Furthermore, in order to maintain and improve the motivation of older employees in light of the declining number of young workers, we extended the retirement age from 60 to 65 in April 2020 and have since been improving working conditions for employees aged over 60. We will continue studying ways to pass on the skills of these older employees while utilizing their abilities.

At our new head office, which was relocated at the end of July 2021, the office space will be designated as a "group address" (free address for each department). Adopting the concept of activity-based working (ABW), we are considering office environments that encourage more creative results, including casual meeting spaces that promote communication and collaboration, spaces where people can concentrate on work alone, and enclosed spaces suitable for remote meetings.

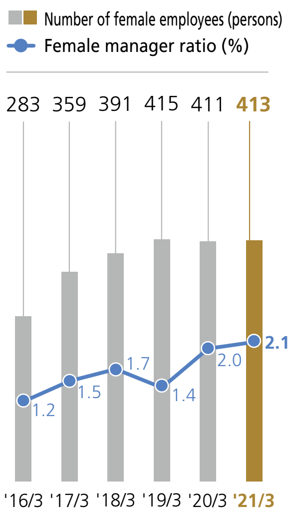
While proceeding with workplace and workstyle reforms as described above, we recognize that we are still in the process of reforming, and we intend to further improve workplace environments by promoting initiatives for diverse workstyles, including with the support of digital transformation.

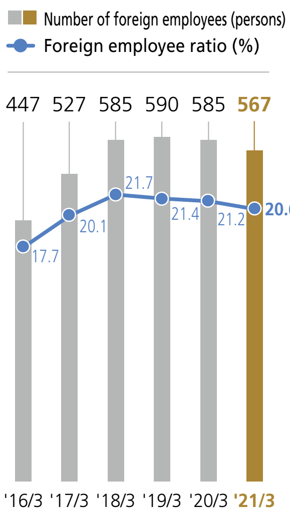
"Refreshment" zone for meetings

Q4. Utilizing diverse human resources, especially by improving the status and abilities of female and non-Japanese workers, is becoming increasingly important. Please tell us about Furukawa's diversity initiatives.

I believe that employing a diverse workforce will lead to innovation and increase productivity and competitiveness. It is important to utilize a diverse range of human resources, not only women and foreigners but also people with disabilities and the elderly, so they can make the most of their abilities. We also recognize the importance of diversifying our human resources from the perspective of attracting people who can cope with the future decline in the working-age population due to the falling birthrate and aging population.

With respect to the advancement of women, we aim to increase the ratio of female employees in management positions. In the past, we hired mostly technical personnel, where the ratio of women is low, so the ratio of female managers is still low, at 2.11% (fiscal 2021), although it is rising. Aiming to increase the ratio of female managers, we are working to attract and expand the number of female candidates for management positions by setting a target of 20% or more for the ratio of female employees in the planning group of new graduates and a target of less than 10% for the turnover rate after 10 years of employment. We also conduct diversity training and harassment training for managers and have introduced a telework system for employees who are raising children or caring for family members. In addition, we have established two courses—the National Employee Course and the Area Employee Course—that differ according to whether or not employees are subject to transfer. We have also introduced a system to allow employees to work without being disadvantaged in terms of position or role assignments due to such reasons as childcare or nursing care. Through these efforts, we intend to increase opportunities for promoting the advancement of women.





The number of foreign employees has been increasing year by year as the Group's globalization progresses. Traditionally, we have hired a certain number of new foreign graduates in the planning group every year, but since their backgrounds have been biased toward certain countries, we are now focusing on hiring people from other countries and regions from the perspective of diversity. In the future, we will consider and take action on appointing employees from overseas subsidiaries as official employees of the parent company.

In addition, we will extend the retirement age to maintain and improve the motivation of older employees while striving to increase the employment rate of people with disabilities.

Q5. Please tell us about your system for utilizing human resources and the linkage between personnel evaluations and targets (KPIs) for improving corporate value.

As mentioned earlier, through a series of personnel system and workstyle reforms, we have taken various measures that include modifying our human resource development and personnel evaluation systems. We believe that our employees' ability to understand and solve customers' problems and provide new value will lead to "marketing-based management," set forth as a policy of Vision for 2025. To this end, we are conducting a fundamental review of our training system so that our employees can put "marketing-based management" into practice. Starting next year, we plan to conduct training based on the new human resource development system, which we hope will encourage each employee to practice problem-solving for customers. In addition, the goal evaluation sheet used for evaluating the goals of each employee includes a column for entering the Vision for 2025 of the department to which the employee belongs, as well as that department's goals for each fiscal year. In this way, we endeavor to spread awareness of our management policies by making individual employees mindful of Vision for 2025 and their organization's objectives when setting their own goals. In the future, we will conduct further reviews and consider linking our targets (KPIs) at the field level to improve ROE.

Q6. With advances in globalization, not only employees of Furukawa but also those of its business partners are required to respect and comply with human rights rules and engage in proper risk management. Please tell us about your initiatives, including efforts to spread awareness of Furukawa's Management Philosophy and Vision.

Departments that come into contact with business partners, such as our sales and purchasing departments, communicate the Group's policies and ideas to the employees of those business partners. In addition to explaining our Management Philosophy and Vision for 2025 to employees during initial training at the time of hiring, we provide training on human rights, compliance, decarbonization, and the like. We also educate and train our employees on the Group's way of thinking from time to time, including through job-grade-based training.

In addition to creating "corporate value" by helping employees understand the Group's Management Philosophy and Vision etc., we ensure that employees are fully aware of "marketing-based management" that incorporates CSV perspectives—which means continuously fostering the creation of "social value"—and incorporating it into their daily work and activities. We believe this will benefit the sustainability of our Group.

Corporate Governance

The Group maintains fundamental policies regarding corporate governance with respect to heightening managerial transparency, building an effective managerial framework through ongoing efforts to transform its corporate structure, increasing its corporate value by generating consistent profits, and contributing to its shareholders and other stakeholders.

Under these policies, each of the Group's operating companies assumes clear asset and profitability management responsibilities while maintaining unity as a Group. We aim to promote agile management and provide products and services that satisfy our customers and maximize the "corporate value" of the entire Group.

Overview of Corporate Governance System and Reasons for Its Adoption

The Company employs a company system with a Board of Directors and an Audit & Supervisory Board to supervise business execution. In addition, we have appointed Outside Directors to ensure the validity of decision-making and the objectivity and transparency of management. The Audit & Supervisory Board Members are managers of other companies and persons with knowledge of financial accounting, who use their specialized knowledge and experience to give advice to management and check the status of operations. We consider that management oversight is functioning effectively under the current system.

Directors and Board of Directors

The Board of Directors, chaired by Chairman and Representative Director Naohisa Miyakawa, holds regular meetings once a month, and extraordinary meetings as necessary, and supervises the business execution of the entire Group as a supervising body. The Board consists of nine members as of June 29, 2021, including three Outside Directors.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee serves as an optional advisory body to the Board of Directors. It receives requests for advice from the Board of Directors regarding candidates for Directors and Audit & Supervisory Board Members, as well as selection and dismissal of Representative Directors and Executive Directors and remuneration for Directors, then deliberates and reports as necessary. The Committee met five times between September 2020 and May 2021. It consists of the following four members.

Chairman: Tatsuya Tejima, Outside Director
Member: Yoichi Mukae, Outside Director
Member: Kazumi Nishino, Outside Director
Member: Naohisa Miyakawa, Chairman and Representative Director
Member: Minoru Nakatogawa, President and Representative Director (since June 29, 2021)

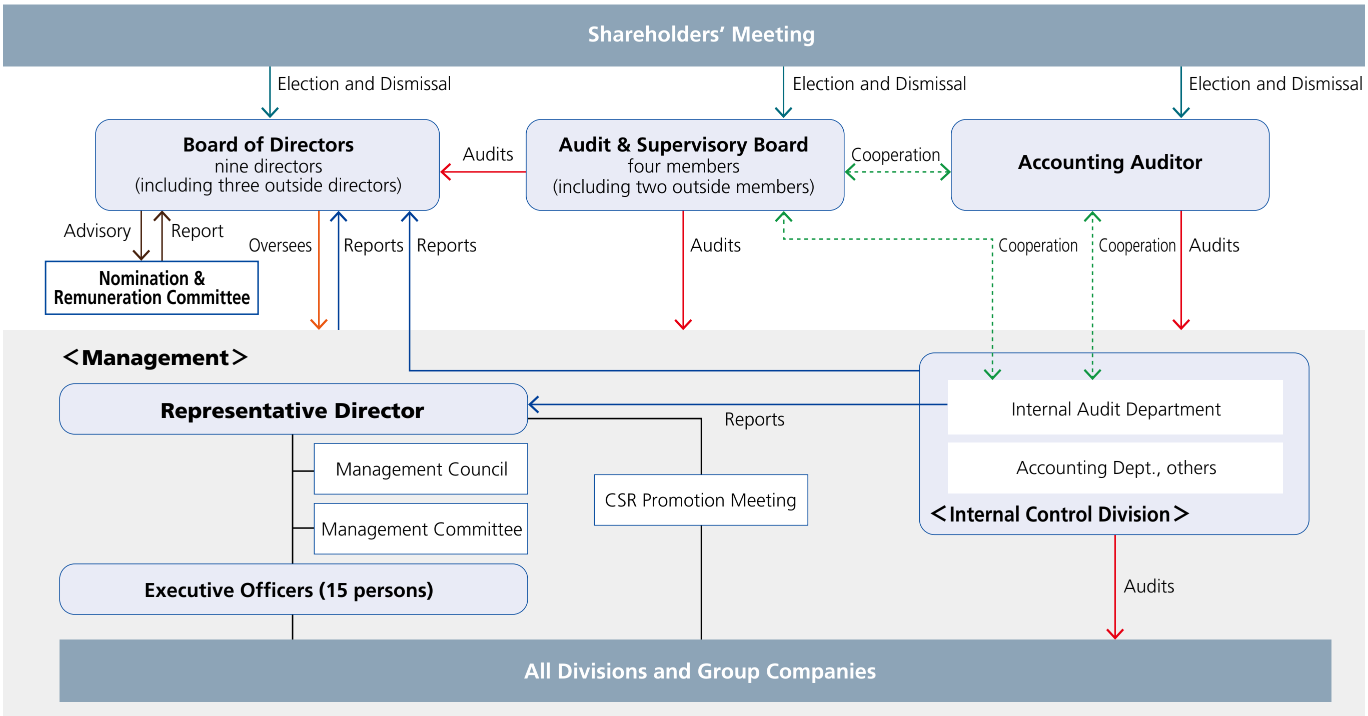
Executive Officer System

The Company employs an Executive Officer System, which facilitates quicker decision-making, and defined responsibilities in terms of keeping management supervisory functions separate from executive functions. Executive Officers perform their tasks according to business plans determined by the Board of Directors, and report the status of business execution as appropriate to the Board of Directors and the Management Committee. The Company has 15 Executive Officers as of June 29, 2021, including three serving concurrently as Directors.

Management Council and Management Committee

The Management Council consists of all full-time directors of the Company and is chaired by Minoru Nakatogawa, President and Representative Director. The Council makes decisions on basic management policies, strategic planning, and important matters of the Group. Full-time Audit & Supervisory Board Members may attend Management Council meetings and express their opinions. Of the important matters submitted to the Management Council, those of managerial importance in terms of magnitude and content are also submitted to the Board of Directors for decision. In addition, important matters pertaining to each company in the Group are submitted to the Board of Directors after decisions of the respective Group companies have been made.

Corporate Governance System



The Management Committee consists of internal directors and internal Audit & Supervisory Board Members, as well as executive officers, general managers of business divisions, managers of departments not attached to business divisions (excluding general manager of the Secretary Department), and the presidents of core Group operating companies. The Committee is chaired by Minoru Nakatogawa, President and Representative Director, and meets monthly.

Audit & Supervisory Board and Its Members

The Audit & Supervisory Board consist of four members (two full-time and two outside) as of June 29, 2021 and is chaired by Minoru Iwata, a full-time member. It meets from time to time to make decisions on audit policies, business decisions, methods of investigating the status of assets, and other matters related to the execution of duties by Audit & Supervisory Board Members. The Company has appointed one supplementary Audit & Supervisory Board Member (pursuant to Article 329, Paragraph 3 of the Companies Act) in case the number of members stipulated in laws and regulations falls short. The appointment of supplementary Audit & Supervisory Board Members shall be effective until the beginning of the Ordinary Shareholders' Meeting relating to the last fiscal year ending within four (4) years after the appointment's resolution. In the event that a supplementary member assumes office as an Audit & Supervisory Board Member, the term of office shall be until the expiration of the term of the retiring member.

Status of Internal Audits and Audits by the Accounting Auditor and Audit & Supervisory Board Members

We established the Internal Audit Department as an internal auditing organization. The Department has five members and conducts audits on the status of management and business execution in the Group's overall operating activities. In accordance with the audit policy determined by the Audit & Supervisory Board, members of that board attend meetings of the Board of Directors, Management Council, Management Committee, and other important bodies. At those meetings, Audit & Supervisory Board Members audit the execution of duties by directors by listening to business reports from directors and others, and by investigating business offices and subsidiaries. The Company has appointed Ernst & Young ShinNihon LLC as its accounting auditor. There is no conflict of interest between the Company and the accounting auditor or the managing partners of accounting auditor who engage in audits of the Company. Audit & Supervisory Board Members work closely with the accounting auditor as part of the Company's audit policy. At the beginning of each fiscal year, the Company receives an explanation of the annual audit plan from the accounting auditor and prepares an audit plan for Audit & Supervisory Board Members. Audit & Supervisory Board Members also receive explanations of the audit results from the accounting auditor regarding the settlement of accounts for the fiscal year and request reports from time to time. In addition, they work closely with the Internal Audit Department, receiving reports on the results of internal audits. The Internal Audit Department and the accounting auditor also exchange opinions and information as needed.

Evaluating the Effectiveness of the Board of Directors

To analyze and evaluate the effectiveness of the Board of Directors, the Company conducts questionnaire-based surveys of Directors and Audit & Supervisory Board Members and exchanges opinions with Outside Officers. The results of these activities are reported to the Board of Directors, which analyzes the current situation and discusses future initiatives.

The Board of Directors met to analyze and evaluate responses to the questionnaire regarding the Board of Directors conducted in fiscal 2021 and confirmed the following three points.

(1) The average value of evaluations improved over the previous year, and there are many items whose evaluations have increased, so the overall trend is improving.
(2) With the exception of some items that were identified as issues to be improved in the previous year, improvement efforts made good progress, resulting in an increase in positive opinions and evaluations of these efforts.
(3) Factory inspections by outside directors and Audit & Supervisory Board Members could not be carried out due to the COVID-19 pandemic, which is an ongoing issue.

In addition, we recognized the need to address the following five issues in order to make further improvements.

(1) The Company shall endeavor to foster the efficient operation of Board of Directors' meetings by making explanatory materials concise and clear, including by digitizing materials to enhance their visual appeal.
(2) To foster more accurate analysis and evaluation of the Group's performance by outside officers, the Company shall provide more regular information on relevant industry trends and the like.
(3) The Company shall endeavor to stimulate discussions by enhancing supplementary explanations of opinions on relevant matters at Management Council meetings when directors in charge explain agenda items.
(4) In addition to meetings of the Board of Directors, the representative directors and outside directors shall exchange opinions at management roundtable meetings to share and deepen their understanding of management issues.
(5) The Company shall step up information-sharing on the business of each Group company by conducting factory tours for outside directors, explaining the current status of Group companies, and reporting on the progress of product development at Board of Directors' meetings.

In addition to these efforts, we will strive to enhance the quality of discussions at Board of Directors' meetings by providing information in a timely manner to further improve the Board's effectiveness.

Independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company appoints Outside Directors and Outside Audit & Supervisory Board Members with abundant experience and expertise in various fields, as well as impartial perspectives. This is to ensure the appropriateness of the Company's management decisions and the effectiveness of oversight and audits of management. As of June 29, 2021, the Company has three Outside Directors and two Outside Audit & Supervisory Board Members.

In addition, the Company stipulates that Outside Officers (Outside Directors and Outside Audit & Supervisory Board Members, including candidates) do not fall under the following criteria concerning independence. Outside Officers who meet such criteria are designated and registered as Independent Directors/Auditors under the rules of the Tokyo Stock Exchange. As of June 29, 2021, the Company has four Independent Officers.

Independence Standards for Outside Officers (Must not meet the following criteria)

(1) Executive Directors, and employees of the Group
(2) Business partners of the Group (those who provide products or services mainly to the Group and whose transactions with the Group were equivalent to more than 2% of net sales of the business partners in the most recent fiscal year of such business partners) or executives of such business partners
(3) Main business partners of the Group (those who are provided products or services by the Group and whose transactions with the Group were equivalent to more than 2% of net sales of the Group in the most recent fiscal year of the Group) or executives of such business partners

(4) Executives of financial institutions that are major lenders to the Group (lenders whose loan amounts were equivalent to more than 2% of the Group's consolidated total assets at the most recent fiscal year-end)
(5) Individuals earning ¥10 million or more per year from the Group in monetary or other benefits as specialists (including consultants, accountants, and lawyers) excluding executive remuneration, or individuals employed by companies earning ¥100 million or more per year from the Group
(6) Individual shareholders who hold 10% or more of the Company's voting rights (or Executive Directors, Executive Officers, or employees of corporations that hold 10% or more of the Company's voting rights)
(7) Individuals who had fallen under (1) to (6) above in the past three-year period
(8) Relatives (second degree or closer) of persons who fall under (1) to (7) above

Remuneration for Directors and Audit & Supervisory Board Members

The Company has established the following policies for determining the content of remuneration for each individual director as follows.

(1) Basic policies
- The remuneration system for Directors shall function soundly as an incentive for the sustainable enhancement of corporate value, and the amount of remuneration for each individual Director (hereinafter, "individual remuneration") shall be determined appropriately according to the responsibilities of each position.
- Remuneration for Executive Directors shall consist of basic remuneration, additional remuneration for Directors, additional remuneration for Representative Directors, and stock-based remuneration. Outside Directors who are responsible for supervisory functions shall be paid only a certain amount of basic remuneration in consideration of their duties, and all remuneration for Directors shall be paid monthly in monetary form.

(2) Policies for determining individual remuneration
- Individual remuneration amounts shall be determined in accordance with the remuneration standards for Directors, taking into consideration the position, responsibilities, trends at other companies, and salary levels of employees, as well as business performance and other factors.
- The basic remuneration for Executive Directors shall be performance-linked remuneration, while the additional remuneration for Directors, additional remuneration for Representative Directors, and stock-based remuneration shall be fixed.
- For stock-based remuneration, contributions to the Executive Shareholding Association are obligatory as a medium-to-long-term incentive.

(3) Policies for determining the calculation method, etc., of performance-linked compensation
- Regarding basic remuneration for Executive Directors, the externally disclosed consolidated operating income figure shall be used as a performance indicator in order to link remuneration to short-term business performance and raise awareness of the need to improve business performance each fiscal year.
- The amount of basic remuneration for Executive Directors shall, in principle, fluctuate up and down by around 10% according to actual results against the abovementioned indicator.

(4) Policies for determining payment ratio for each type in individual remuneration
- Regarding remuneration of the Executive Directors, the basic remuneration, which is performance-linked, shall account for around 80% of the total, and the rest shall be fixed.
- Stock-based remuneration shall be around 10–15% of total remuneration for Executive Directors.

(5) Matters concerning the method of determining the content of individual remuneration
- The Nomination & Remuneration Committee, whose principal members are independent Outside Directors, shall deliberate on individual compensation in accordance with the policies described in (1) through (4) above.
- The President and Representative Director, who is in a position to oversee and control the overall performance of the Company, shall decide specific details of individual remuneration based on the resolution of the Board of Directors and the deliberations by the Nomination & Remuneration Committee.

Remuneration for Audit & Supervisory Board Members is determined through consultation between such members.

Officer type	Total remuneration (Millions of yen)	Total remuneration by type (Millions of yen)			Number of eligible officers (Persons)
		Fixed	Performance-linked compensation	Retirement benefit	
Directors (Excluding Outside Directors)	110	110	—	—	6
Audit & Supervisory Board Members (Excluding Outside Members)	16	16	—	—	2
Outside Directors	28	28	—	—	3
Outside Audit & Supervisory Board Members	16	16	—	—	2
Total	**171**	**171**	**—**	**—**	**13**

Notes:
1. The Company resolved to abolish its retirement allowance system for Directors and Audit & Supervisory Board Members at the conclusion of the 140th Annual Shareholders' Meeting held on June 28, 2007.
2. The above figure for total fixed remuneration does not include payments (totaling ¥41 million) by four subsidiaries of the Company to three Directors concurrently serving as Directors or Audit & Supervisory Board Members of those subsidiaries. It also does not include payments (totaling ¥21 million) by six subsidiaries of the Company to two Audit & Supervisory Board Members concurrently serving as Directors or Audit & Supervisory Board Members of those subsidiaries.
3. The performance indicator for performance-linked remuneration is consolidated operating income, which is disclosed externally. However, the Company decided to start paying performance-linked remuneration in fiscal 2022 based on its performance in fiscal 2021. Since fiscal 2021 will be the first year of the system's introduction, therefore, we have not yet applied the policy for determining calculation method of performance-linked remuneration (part of Directors' remuneration policies). For this reason, performance-linked remuneration figures are not available for fiscal 2021.

Strategic Shareholdings

The Company owns strategic shareholdings for the purpose of improving corporate value over the medium and long terms by maintaining and strengthening relationships with important business partners.

Each year, the Board of Directors examines each stock of the Company's strategic shareholdings and verifies the appropriateness of continual ownership after comprehensive consideration—both qualitative and quantitative—of various factors, including purpose of holding and associated benefits and risks. The Company then moves to sell shares deemed by the Board not to be meaningful.

Message from an Outside Independent Director

Outside Independent Director
Kazumi Nishino

In 2019, I assumed office as an outside independent director, a position responsible for checking on the Company's business management. Since then, I have endeavored to approach my duties as a university faculty member with a specialty in business strategy theory and technology management theory. This means reframing the Company's business conditions and management issues within the context of management theory, comparing them with similar cases, and candidly raising any questions or opinions that may emerge from this process at meetings of the Board of Directors. In my own way, I seek to provide different perspectives, such as by looking at seemingly complex realities through a theoretical framework or by finding out what other industries or companies have done to address similar management issues.

The current business environment is changing on a daily basis, and the future is increasingly uncertain. Under these conditions, many companies, not just our own, are faced with a difficult task in steering their business. Additionally, some of the business issues discussed at meetings of the Board of Directors have a considerable impact on our future earnings structure and corporate growth. Of course, we examine these management issues in detail and make fair judgments. However, we also try to consider the potential ripple effects of decision-making and how to create value for the Group in the future.

Naturally, a single decision will have a certain impact on various stakeholders. From the perspective of corporate social responsibility, it is essential to consider any ripple effects on these stakeholders and how to address them. Accordingly, we will work together to develop policies and initiatives aimed at building a company that can evolve side by side with its stakeholders, including employees, as well as a company where employees exercise their abilities to the fullest and find meaning in their jobs.

Creating value for the Group's future is also an important task in order to enhance corporate value. We have six core operating companies that range in scope from machinery to materials. What these businesses have in common is a Groupwide goal of "contributing to the formation, maintenance, and development of social infrastructure." Our original copper mining business made significant contributions to the formation of the foundations of modern Japan and the development of industry. Similarly, each of the Group's current businesses supports various aspects of social infrastructure in Japan and around the world. Without forgetting these core elements, which could be considered the very reason for the Company's existence, we will take on individual challenges while aspiring to be an organization that can continually create new value. At the same time, I would like all employees, from young to senior, to actively think about and propose how they can contribute to future social infrastructure in each of the Group's businesses, and I hope that they will further advance the development of the technologies, products, and services needed to achieve this.

Going forward, we will remain committed to building a corporate group that can make ongoing contributions to society.

August 2021

Directors and Audit & Supervisory Board Members

(As of June 29, 2021)

Naohisa Miyakawa

Chairman and Representative Director

April 1975: Joined the Company
June 2007: Executive Officer, General Manager, Human Resources & General Affairs Department, and General Manager, Secretary Department
June 2009: Executive Officer of the Company, President & Representative Director of Furukawa Denshi Co., Ltd.
June 2011: Director and Senior Executive Officer of the Company, President & Representative Director of Furukawa Denshi Co., Ltd.
June 2013: President & Representative Director
June 2021: Chairman and Representative Director (current position)

Holdings in the Company: 37,200 shares
Attendance at Board of Directors' meetings: 16/16 times

Reason for Appointment

As President and Representative Director, Naohisa Miyakawa spearheaded the Company's management by demonstrating strong leadership, including by formulating FURUKAWA Power & Passion 150 (Vision for 2025) and Medium-Term Business Plan 2019 and promoting management reforms. We have elected him as a director, judging that it is necessary to utilize his abundant experience and insight in the Company's management in order to improve corporate value and achieve sustainable growth.

Minoru Nakatogawa

President and Representative Director

April 1983: Joined the Company
June 2017: Executive Officer of the Company, Executive Vice President & Director of Furukawa UNIC Corporation (In charge of Promotion of Mid-term Business Plan)
June 2018: Executive Officer of the Company, President & Representative Director of Furukawa UNIC Corporation
June 2019: Director and Senior Executive Officer of the Company, President & Representative Director of Furukawa UNIC Corporation
June 2020: Director and Managing Executive Officer of the Company, President & Representative Director of Furukawa UNIC Corporation
June 2021: President and Representative Director (current position)

Holdings in the Company: 6,800 shares
Attendance at Board of Directors' meetings: 15/16 times

Reason for Appointment

Minoru Nakatogawa has held important positions in the Company and Group companies after serving in the Legal Department and the Public Relations/IR Department for many years. Since June 2018, he has provided leadership as President and Representative Director of Furukawa UNIC Corporation and helped enhance corporate value as head of the UNIC Machinery segment. We elected him as a director, judging that it is necessary to utilize his abundant experience and leadership in the Company's management in order to achieve FURUKAWA Power & Passion 150 (Vision for 2025).

Masahiro Ogino

Senior Managing Director and Senior Managing Executive Officer

Assistant to the President; in charge of Rock Drills Segment

April 1982: Joined the Company
June 2015: Executive Officer of the Company, President & Representative Director of Furukawa Metals & Resources Co., Ltd.
June 2017: Director, Senior Executive Officer, and General Manager, Corporate Planning Department
June 2019: Director, Managing Executive Officer, and General Manager, Corporate Planning Department
June 2021: Senior Managing Director and Senior Managing Executive Officer of the Company (current position), President & Representative Director of Furukawa Rock Drill Co., Ltd. (current position)

Holdings in the Company: 7,500 shares
Attendance at Board of Directors' meetings: 16/16 times

Reason for Appointment

Masahiro Ogino has extensive experience and a proven track record in the Materials business and overall management. As head of the Materials segment, he has helped strengthen the Company's management structure by taking on a wide range of important roles, including management planning, public relations and investor relations, and human resources. We have elected him as a director, judging that it is necessary to utilize his abundant experience and execution capability in the Company's management in order to improve corporate value and achieve sustainable growth.

Kiyohito Mitsumura

Managing Director

Assistant to the President; in charge of Industrial Machinery Segment, UNIC Machinery Segment, Metals Segment, Environmental & Safety Management Department, and Purchasing Department

April 1980: Joined the Company
June 2012: Executive Officer and General Manager, Corporate Planning Department
Sep. 2013: Executive Officer, General Manager, Corporate Planning Department, and General Manager, CSR Promotion Department
April 2014: Executive Officer and General Manager, Corporate Planning Department
June 2014: Senior Executive Officer of the Company, President & Representative Director of Furukawa Rock Drill Co., Ltd.
June 2015: Director and Senior Executive Officer of the Company, President & Representative Director of Furukawa Rock Drill Co., Ltd.
June 2018: Managing Director and Managing Executive Officer of the Company, President & Representative Director of Furukawa Rock Drill Co., Ltd.

Holdings in the Company: 12,500 shares
Attendance at Board of Directors' meetings: 16/16 times

Reason for Appointment

Kiyohito Mitsumura has contributed to the enhancement of corporate value as leader of the Machinery business, positioned as a core business. He also served as President and Representative Director of Furukawa Rock Drill Co., Ltd. for five years from June 2014. We have elected him as a director, judging that it is necessary to utilize his abundant experience and execution capability in the Company's management in order to improve corporate value and achieve sustainable growth.

Tatsuki Nazuka

Director and Senior Executive Officer,

In charge of Electronics Segment, Chemicals Segment, and Technology Division

April 1981: Joined the Company
June 2015: Executive Officer and Deputy General Manager, Development Division
June 2017: Executive Officer and Deputy General Manager, Development Division
Oct. 2017: Executive Officer and General Manager, Technology Division (current position)
June 2019: Director (current position), Senior Executive Officer (current position)

Holdings in the Company: 7,400 shares
Attendance at Board of Directors' meetings: 16/16 times

Reason for Appointment

Tatsuki Nazuka has been working in the Technology Division for many years and has professional knowledge and experience in technological and product development. Since June 2017, he has helped promote the Group's technology strategy and technology development as General Manager of the Technology Division (former Development Division). We have elected him as a director, judging that it is necessary to utilize his specialized knowledge and experience in the Company's management in order to improve corporate value and achieve sustainable growth.

Hiroyuki Sakai

Director and Senior Executive Officer

***In charge of Real Estate Business and Corporate Department*[1]**

April 1982: Joined the Company
June 2013: General Manager, Financial Department
June 2015: General Manager, Accounting Department and General Manager, Financial Department
June 2017: Executive Officer and General Manager, Business Process Re-engineering Department (current position)
June 2019: Director (current position), Senior Executive Officer (current position)
June 2021: General Manager, Real Estate Division (current position), General Manager of Corporate Planning Department (current position)

Holdings in the Company: 7,600 shares
Attendance at Board of Directors' meetings: 16/16 times

*1 Corporate Department
Corporate Planning Department, Business Process Re-engineering Department, CSR Promotion Department, Accounting Department, Financial Department, Human Resources & General Affairs Department, Legal Department, Information System Department, and Internal Audit Department

Reason for Appointment

Hiroyuki Sakai has a wide range of experience and knowledge in the field of management, having held key positions in the Company and other Group companies. As General Manager of the Business Process Re-engineering Department since June 2017, he has spearheaded the Company's real estate business and addressed a wide range of management issues, while promoting standardization, streamlining, and productivity improvements and re-engineering the Group's business processes. We have elected him as a director, judging that it is necessary to utilize his wide-ranging knowledge and experience in the Company's management in order to improve corporate value and achieve sustainable growth.

Tatsuya Tejima
Outside Independent Director

April 1969: Joined Toho Zinc Co., Ltd.
June 2003: Representative Director and Managing Director, and Managing Executive Officer of Toho Zinc Co., Ltd.
June 2005: Representative Director and Senior Managing Director, and Senior Managing Executive Officer of Toho Zinc Co., Ltd.
June 2006: Representative Director and COO of Toho Zinc Co., Ltd.
June 2008: Representative Director and President of Toho Zinc Co., Ltd.
June 2017: Advisor of Toho Zinc Co., Ltd., Director of the Company (current position)
June 2018: Outside Director, HANWA Co., Ltd. (current position)

Holdings in the Company: 0 shares
Attendance at Board of Directors' meetings: 16/16 times

Reason for Appointment
Tatsuya Tejima has been involved in corporate management for many years and has extensive experience and broad knowledge as a manager. Based on these, he has provided advice on the Company's management and appropriately supervised business execution from an objective perspective that is independent of the management team. We have elected him as an outside director, confident that he can continue providing useful advice and appropriate supervision of the Company's management.

Kazumi Nishino
Outside Independent Director

April 1992: Joined Fuji Photo Film Co., Ltd. (retired in March 1996)
April 2006: Associate Professor, Department of Management of Science & Technology, Graduate School of Management of Science & Technology, Tokyo University of Science Graduate School
April 2017: Associate Professor, Graduate School of Commerce and Management of Hitotsubashi University
June 2019: Associate Professor, Graduate School of Business Administration, Hitotsubashi University (current position), Outside Director, Orient Corporation (current position), and Director of the Company (current position)
Dec. 2019: Outside Director, MiRTeL Co., Ltd. (current position)

Holdings in the Company: 3,000 shares
Attendance at Board of Directors' meetings: 15/16 times

Reason for Appointment
Kazumi Nishino specializes in business strategy theory as an Associate Professor at Hitotsubashi University Graduate School and has specialized knowledge and a practical research track record on business model analysis, logic of new business creation, and product development management. Based on these, she has provided advice on the Company's management and appropriately supervised business execution from an objective, professional, and diverse perspective that is independent of the management team. We have elected her as an outside director, confident that she can continue providing useful advice and appropriate supervision of the Company's management.

Yoichi Mukae
Outside Independent Director

April 1975: Joined Ministry of International Trade and Industry
June 2004: Director-General for Commerce and Distribution Policy, Minister's Secretariat of Ministry of Economy, Trade and Industry
August 2006: Managing Director of The Shoko Chukin Bank, Ltd.
August 2008: Advisor of The Kansai Electric Power Company, Incorporated
June 2009: Managing Director of The Kansai Electric Power Company, Incorporated
June 2013: Director, Managing Executive Officer of The Kansai Electric Power Company, Incorporated
June 2015: President & Representative Director of The Kanden L&A Company, Limited and President & Representative Director of KANDEN EL AUTO SYSTEM Co., Ltd.
June 2019: Director of the Company (current position)
June 2020: Advisor of The Kanden L&A Company, Limited (current position), Representative Director of Research Institute of Economy, Trade and Industry (current position), and President of GS1 Japan (current position)

Holdings in the Company: 0 shares
Attendance at Board of Directors' meetings: 16/16 times

Reason for Appointment
Yoichi Mukae has a wide range of experience and knowledge, having held important positions at the Ministry of Economy, Trade and Industry for many years and engaged in the management of private companies after retiring from the Ministry. In addition, he has high levels of character and insight and has provided advice on the Company's management and appropriately supervised business execution from an objective perspective that is independent of the management team. We have elected him as an outside director, confident that he can continue providing useful advice and appropriate supervision of the Company's management.

Minoru Iwata
Audit & Supervisory Board Member (Full-Time)

April 1979: Joined the Company
June 2011: Executive Officer and General Manager, Accounting Department
June 2013: Director, Senior Executive Officer, and General Manager, Accounting Department
June 2015: Director
June 2016: Managing Director
June 2019: Audit & Supervisory Board Member (Full-time) (current position)

Holdings in the Company: 9,700 shares
Attendance at Board of Directors' meetings: 7/7 times

Reason for Appointment
Minoru Iwata has considerable knowledge of finance and accounting and a wealth of experience in overall management, having been involved in the Accounting Department for many years since joining the Company and in the management of the Company as a director since 2013. We have elected him as an Audit & Supervisory Board member, judging that he is capable of conducting objective and appropriate audits.

Kazuo Inoue
Audit & Supervisory Board Member (Full-Time)

April 1980: Joined the Company
June 2011: General Manager, Real Estate Division
June 2014: Executive Officer, General Manager, Corporate Planning Department
June 2016: Senior Executive Officer and General Manager, Corporate Planning Department
June 2017: Audit & Supervisory Board Member (Full-time) (current position)

Holdings in the Company: 5,100 shares
Attendance at Board of Directors' meetings: 7/7 times

Reason for Appointment
Kazuo Inoue has been working in the Accounting Department for many years, and has also served as Director of a Group company and executive officer of the Company. Accordingly, he has considerable knowledge of finance and accounting and a wealth of experience in overall management. We have elected him as an Audit & Supervisory Board member, judging that he is capable of conducting objective and appropriate audits.

Tetsuro Ueno
Outside Audit & Supervisory Board Member

April 1976: Joined The Dai-Ichi Kangyo Bank, Ltd.
April 2009: Deputy President (Representative Director) and Deputy President & Executive Officer of Mizuho Bank, Ltd.
April 2011: Advisor of Mizuho Bank, Ltd.
June 2011: Deputy Chairperson and Executive Officer of Chuo-fudosan Co., Ltd.
June 2012: Representative Director and President of Seiwa Sogo Tatemono Co., Ltd.
June 2013: Audit & Supervisory Board Member of Chuo-fudosan Co., Ltd.
June 2015: Audit & Supervisory Board Member of the Company (current position)
June 2018: Special Advisor of Seiwa Sogo Tatemono Co., Ltd.
June 2021: Advisor of Seiwa Sogo Tatemono Co., Ltd. (current position)

Holdings in the Company: 1,500 shares
Attendance at Board of Directors' meetings: 7/7 times

Reason for Appointment
Tetsuro Ueno has been engaged in corporate management for many years, and has extensive experience and a wide range of knowledge as a manager. Based on these, he has conducted effective audits from a standpoint that is independent of the Company's management. We have elected him as an Audit & Supervisory Board member, judging that he is capable of conducting objective and appropriate audits.

Masayuki Yamashita
Outside Audit & Supervisory Board Member

April 1980: Joined Asahi Mutual Life Insurance Company
April 2016: Representative Director and Senior Executive Officer, Asahi Mutual Life Insurance Company, Outside Director of Rasa Industries, Ltd. (June 2014)
June 2016: Audit & Supervisory Board Member of the Company (current position)
April 2018: Director, Asahi Mutual Life Insurance Company
June 2018: President & Representative Director, Info Techno Asahi Co., Ltd.
June 2019: Outside Director, Rasa Industries, Ltd. (Audit & Supervisory Committee)

Holdings in the Company: 0 shares
Attendance at Board of Directors' meetings: 7/7 times

Reason for Appointment
Masayuki Yamashita has a wealth of experience at financial institutions and a proven track record as an Outside Audit & Supervisory Board Member at other companies. We have elected him as an outside Audit & Supervisory Board member, confident that he can utilize his experience to enhance the Company's auditing system.

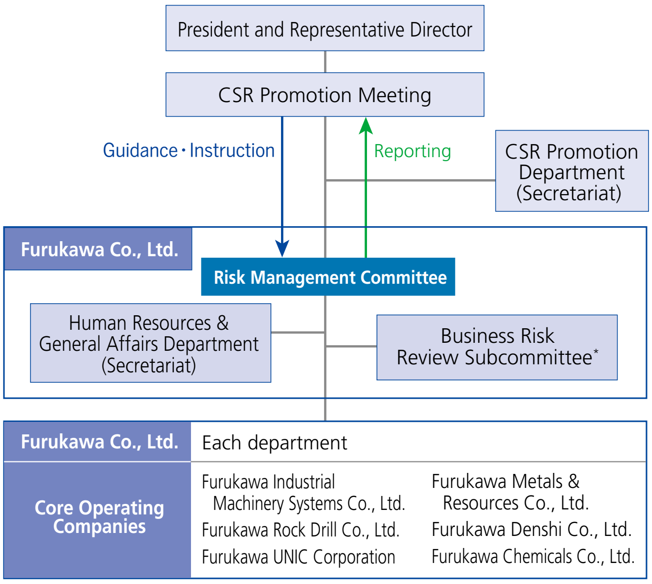
Risk Management

The Group recognizes risk management as an important part of its operations and constantly analyzes and evaluates risks in its business activities. At the same time, we are working on risk treatments (avoidance, reduction, sharing, or retention) and countermeasures by investigating, evaluating, and reconsidering risks after they materialize.

Framework for Promoting Risk Management

The Group's business activities could potentially be badly impacted by various risks related to such factors as accidents, natural disasters, and epidemic diseases. To protect human life and property and minimize damage and loss when such risks materialize, the Group, spearheaded by its Risk Management Committee, is working to establish and strengthen its risk management system. For particularly important issues, the Board of Directors and the Management Council engage in meticulous deliberations and make decisions. For matters related to environmental protection and quality assurance, including product safety, we established the Environmental & Safety Management Committee and the Quality Assurance Committee, respectively, to manage specialized deliberations and investigations and implement countermeasures. In addition, the Internal Audit Department conducts internal audits of the Group in order to ensure the effectiveness of risk responses and management in business activities.

Risk Management System

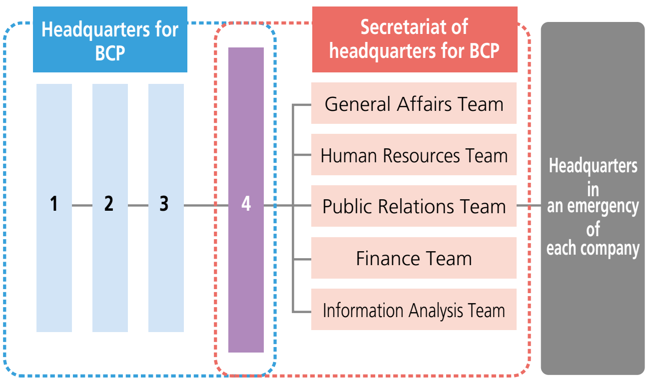


* Group companies represented in the Business Risk Review Subcommittee are the same as those represented in the Risk Management Committee.

Business Continuity Management (BCM)

The Group's core operating companies have completed formulation of business continuity plans (BCPs), and we have started to review them in order to accommodate organizational changes and other issues. In the future, we will also focus on BCM.

Group BCP System



1. Director-generals of headquarters for BCP
2. Vice Director-generals of headquarters for BCP
3. Committee members of headquarters for BCP
4. Secretariat of headquarters for BCP

Quality Assurance

Quality Assurance Management

The Group takes a variety of measures to ensure that all the products and services it provides to customers are safe and satisfactory. We aim to guarantee quality that we can be proud of as a Japanese manufacturer, even for products procured overseas, made in overseas factories, or exported.

Quality Assurance Management System

In fiscal 2021, the Group reviewed its quality assurance management system. In order to establish a system that guarantees not only product safety but also reliable quality for customers, we reorganized the Product Safety Committee, established with the head office of Furukawa Co., Ltd., and renamed it the Quality Assurance Committee. We also established the new Quality Assurance Control Department within the Technology Division to manage the Group's quality assurance system and promote activities related to quality assurance and product safety. In conjunction with these, we formulated our "Quality Assurance Basic Policy" and our "Quality Assurance Action Guidelines," based on which the Group will unite to provide manufacturing quality and services that earn the trust and satisfaction of customers.

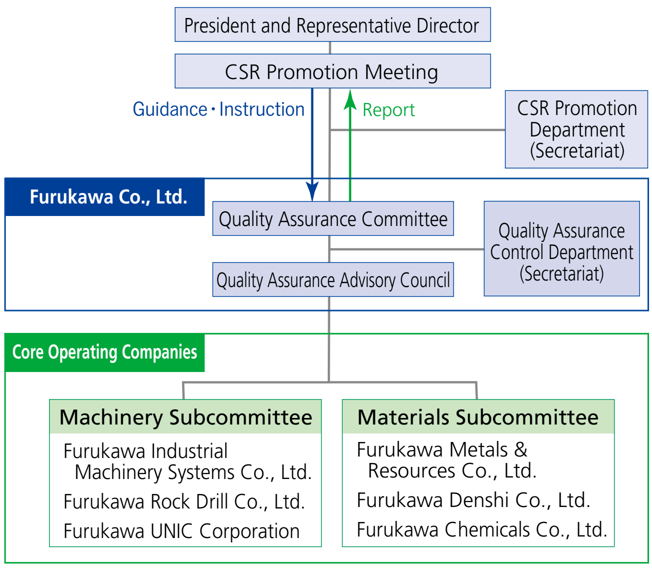
Quality Assurance Committee

The Quality Assurance Committee consists of the Quality Assurance Advisory Council, which brings together quality assurance managers from core operating companies, and subcommittees representing our Machinery and Materials businesses. Together, these bodies promote compliance with laws and regulations related to manufacturing, quality assurance, and product safety, as well as the creation of products that customers can use safely and with peace of mind. Based on the idea that product safety is part of quality assurance, moreover, we will continue conducting risk assessments and other activities to improve product safety levels.

To reduce the occurrence of complaints at each business site, in fiscal 2021 we conducted preventive education activities and enhanced DR and SR at the design stage. At the same time, we promoted visualization of workplace "change points" (a theme from the previous year), and we introduced ICT in our manufacturing and inspection processes to enhance operational efficiency.

In fiscal 2022, we will pursue educational activities to eradicate defects emanating from change points, conduct quality improvement activities through mutual quality patrols among business sites, and review regulations to strengthen the quality assurance systems of each business site.

Quality Assurance Management System



Compliance

In addition to complying with laws and regulations, the Group believes it has a corporate obligation to take serious and responsible actions in terms of social and ethical aspects. To fulfill this obligation, we established "The Furukawa Company Group's Charter of Corporate Conduct" and "The Furukawa Company Group's Code of Conduct for Officers and Employees." We strive to ensure that all officers and employees of the Group carry out their duties with a full understanding of the importance of compliance.

Framework for Compliance

The president of Furukawa Co., Ltd. serves as head of compliance managers of the Group. We also have compliance managers in each department and Group company. In addition, we established the Compliance Committee to promote compliance activities throughout the Group. The Committee deliberates on important matters related to compliance and strives to improve the framework for compliance and raise awareness. The Committee strives to share information on Groupwide compliance by reporting matters it has discussed to the CSR Promotion Meeting as appropriate.

Internal Reporting System

The Group has adopted an internal reporting system to facilitate early detection and correction of compliance violations. This has involved developing a framework that enables an extensive range of reporting and inquires by establishing points of contact for reporting and consultation requests inside and outside (law office) the Group. We also stringently safeguard confidential and personal information regarding whistleblowers.

The Compliance Committee conducts investigations upon receiving notification or consultation, and subsequently takes necessary action to address such matters. We also facilitate awareness of the internal reporting system by posting such content to our in-house portal site and distributing brochures to Group officers and employees.

Compliance Education

The Group strives to foster a corporate culture that emphasizes compliance. For example, we issue "Compliance News" to provide information on compliance to all executives and employees. We also have top management occasionally give talks on the importance and priority we place on compliance.

In fiscal 2021, we were unable to gather all of our target employees together for compliance training due to COVID-19. However, we managed to conduct item-specific training using a web-conferencing system and by distributing videos.

Basic Policy and Guidelines for Preventing Bribery

In January 2021, the Group established its Basic Policy for Preventing Bribery and Basic Guidelines for Preventing Bribery. Through these, we clarified both internally and externally our commitment to preventing bribery as started in "The Furukawa Company Group's Code of Conduct for Officers and Employees," while also clarifying specific items to be implemented in business activities to prevent bribery. We will comply with the policy and guidelines and continue relentless efforts to prevent bribery.

Compliance throughout the Entire Supply Chain

In order to maintain compliance as a Group, we need all parties across the entire supply chain, including suppliers, to also practice compliance with laws and regulations. With this in mind, we established "The Furukawa Company Group CSR Promotion Guidelines" for suppliers to help them respect human rights and labor, comply with laws and regulations, and practice corporate ethics.

Human rights and labor

(1) Respect human rights.
(2) Have no involvement with child labor, forced labor, or unlawfully cheap labor, whether directly or indirectly.
(3) Achieve a work environment with no discrimination or harassment of any sort committed against employees.
(4) Comply with labor laws and provide positive working conditions.

Legal compliance and corporate ethics

(1) Comply with Japanese and overseas laws and social norms.
(2) Do not provide or receive benefits in contravention of laws or commercial practices.
(3) Do not commit acts that hinder fair and free competition.
(4) Do not maintain any relationships with antisocial forces.
(5) Do not infringe on the intellectual property rights of third parties.
(6) Establish structures for the prevention, quick discovery, and handling of improper conduct.
(7) Do not use minerals unearthed in conflict-affected areas and materials produced in production processes that infringe on human rights or damage the environment as raw materials.

The Furukawa Company Group CSR Promotion Guidelines (excerpt)

The Furukawa Company Group's Charter of Corporate Conduct

1. Providing high-quality products and services
The Group shall pursue technology development that helps to realize a sustainable society, and it shall provide products and services that satisfy customers.

2. Harmony with the global environment
The Group shall work on reducing environmental risks and pursue corporate activities that are in harmony with the global environment.

3. Ensuring compliance
The Group shall engage in its corporate activities in a fair manner based on the ethical values expected of corporations and business persons as members of society.

4. Highly transparent corporate activities
The Group shall appropriately disclose its corporate information and engage in constructive dialogue with a wide range of stakeholders to build trust.

5. Respect for human rights
The Group shall respect the human rights of all individuals.

6. Enhancement of work environment
The Group shall establish a work environment that takes into consideration the health and safety of individuals and realize workstyles that respect the diverse values of officers and employees.

7. Participation in and contribution to society
The Group shall actively participate in society and contribute to its development.

Environmental Initiatives

Our basic approach to the environment is embodied in our "Charter of Corporate Conduct", our "Basic Environmental Management Principle", and our "Environmental Conservation Activity Policies". We are committed to reducing environmental risks and realizing a sustainable society in which our corporate activities are in harmony with the global environment. Based on this commitment, we formulated numerical targets for environmental performance (CO_2 emissions, water resource used, total emissions including waste) and engage in environmental protection activities accordingly.

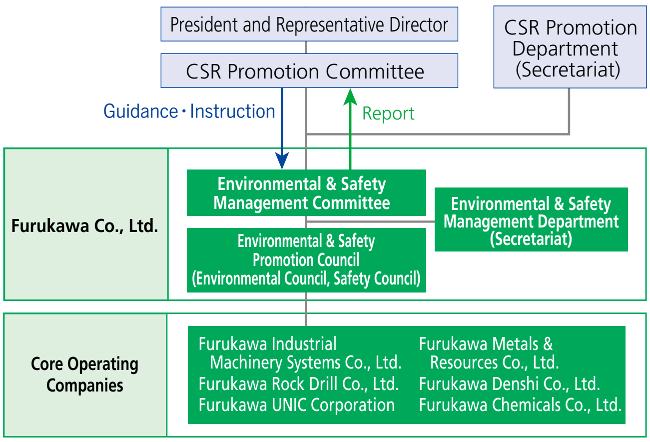
Global Warming and Environmental Protection Initiatives

With respect to measures to address global warming, we formulated our new Fourth Medium-Term Reduction Targets for the 10-year period from fiscal 2020 based on our Vision for 2025. We are pursuing activities according to these targets and have started discussions on how to achieve carbon neutrality. As part of our environmental protection initiatives, we are taking preventive measures to improve and strengthen our ability to address risks. We also promote initiatives to reduce the negative impact of our business activities on ecosystems, as well as activities to conserve biodiversity, including the sound development of forests.

Environmental & Safety Management Committee

The Environmental & Safety Management Committee, which consists of the heads of each production site, proposes and deliberates on important matters related to environmental management. The Committee meeting in April 2021 was changed to a web-based meeting in order to prevent the spread of COVID-19. The Committee reported and deliberated on the results of the evaluation of key environmental and safety activities held in fiscal 2021, as well as key environmental and safety targets for fiscal 2022, all of which were approved. It also discussed the progress of the Fourth Medium-Term Reduction Targets and their future transition, as well as the frequency of accidents and disasters and the status of efforts to achieve accident- and disaster-free operations in the future. The Committee also received a report on efforts to achieve carbon neutrality from the Environmental & Safety Management Department and requested the cooperation of related parties.

Environmental/Safety Promotion System



Addressing Chemical Emissions

Based on Japan's Chemical Substances Control Law, the Group works proactively to improve its usage status and management method of chemical substances and takes measures to prevent environmental problems from arising. For example, we report our activities under the Pollutant Release and Transfer Register (PRTR) system to gain an understanding of the amount of chemical substances generated. We then compare this with emission data published by the national government and check the proportion of our own emissions, and reflect the results in our future management activities. In the Materials business, we appropriately manage our chemical substances by using safety data sheets (SDS) to disseminate information on the associated potential hazards.

Note: Amounts of chemical substances emitted/relocated under PRTR reporting requirements are disclosed in the Group's CSR Report 2021.

Relationship with the Mining Business

In the copper business, and particularly at mine development sites, there are concerns that resource development activities may lead to increased environmental impacts. Recognizing such concerns, we are promoting various initiatives to prevent this from happening. For example, we are working to develop and adopt new technologies, as well as existing ones, to satisfy increasingly stringent requirements aimed at minimizing impacts on ecosystems and water resources and restoring sites to their original condition after development. In addition, our mining-related machines have been widely used in resource development and infrastructure development projects, not only in Japan but also in many countries worldwide, thus contributing to economic development. In recent years, we have been promoting products to help minimize environmental impacts at worksites through reduced CO_2 emissions, reduced noise, improved work efficiency, and the like. Although copper is a product created through resource development, it has attracted more and more attention in recent years for its specific material-based characteristics, which can be used to minimize environmental impacts. For example, copper is used in the renewable energy sector to reduce CO_2 emissions and is an indispensable material in the development of EVs and infrastructure in emerging countries. Through our involvement in the copper business, therefore, we believe we are contributing to the environment and society.

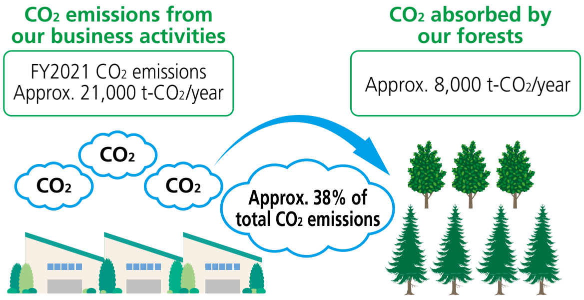
Fourth Medium-Term Reduction Targets and Second-Year Results

Fiscal 2021 was the second year of our Fourth Medium-Term Reduction Targets, which cover the 10-year period from fiscal 2020 to fiscal 2029 and are based on our Vision for 2025. During the year, we introduced facilities and equipment that satisfy Japan's Top Runner standards and improved the efficiency of production processes at each plant. We also achieved our reduction targets for CO_2 emissions, water consumption, and total waste emissions due to production cuts at some plants caused by the COVID-19 pandemic. In the third year of the Fourth Medium-Term Reduction Targets, we are working to accurately grasp the progress of each company with the aim of achieving the reduction targets.

Column

CO_2 Absorption by Our Forests

The amount of CO_2 absorbed by our forest holdings is approximately 8,000 tons of CO_2 per year, which is equivalent to roughly 38% of the Group's total CO_2 emissions in fiscal 2021. The Group promotes its own tree-planting activities through the Furukawa Forest Tree Planting Association and activities to plant cherry trees in Ashio.



Social Initiatives

In order to realize its Management Philosophy, which is to remain indispensable to society, the Furukawa Company Group will fulfill its responsibilities to all stakeholders through ongoing efforts to help create "social value", specifically by developing social infrastructure and realizing a safe, environmentally friendly, and prosperous society. We believe that contributing to society is the cornerstone of our social initiatives. With efforts to realize a sustainable society drawing broad attention, we will look at all points of contact between our corporate activities and society, identify various social issues ranging from global and global-scale issues to issues rooted in each region, and engage in activities that help resolve those issues.

Realizing a Fulfilling Work Environment

We are pursuing a variety of reforms aimed at improving labor productivity and creativity through the growth of each employee and to provide healthy and fulfilling environments for our diverse workforce.

Three Priorities for Realizing a Fulfilling Work Environment

Develop and utilize human resources	Develop diversified human resources according to years of service, job title, work content, ability, and the like; optimally utilize talented human resources regardless of employee course; and set challenging personal goals and conduct proper evaluations
Implement workstyle reforms	Establish more comfortable work environments through automation and systemization, shorter and more efficient meeting times, and flexible adoption of various work arrangements (flextime, teleworking, staggered work hours, and the like); and emphasize mindset reforms to improve work efficiency
Provide healthy workplaces	Reduce total annual working hours, improve paid annual leave uptake rate, improve regular health checkup rate, and implement active health-related initiatives

Promoting Diversity

Supporting the Advancement of Female Employees

In accordance with our Action Plan for Promoting Support for Female Employees, we are expanding various systems to support the activities of women.

Action Plan for Promoting Support for Female Employees
(April 1, 2021–March 31, 2026)

Target No. 1	Percentage of women among new graduate hires: 20% or higher
Target No. 2	Number of female managers: 10 or more
Target No. 3	Percentage of female employees in the planning group who resign voluntary within five years after joining the company: 10% or less
Target No. 4	Encourage employees to take paid annual leave: 12 days (average per person per year)

Support for Employees Raising Children

We are expanding the range of employees who can access our various childcare-related systems. We are also enhancing support for employees who are raising children, including by converting part of their childcare leave into paid leave. In addition, we encourage male employees to take childcare leave to give them more opportunities to participate in childcare.

Hiring People with Disabilities

The Company hires people with disabilities at various workplaces and for various types of work, promoting their independence and participation in society.

Hiring Foreign Nationals

In its proactive pursuit of overseas business expansion, the Group makes hiring decisions irrespective of nationality. We are committed to deepening partnerships with our non-Japanese employees while emphasizing mutual respect for individual differences.

Extension of Retirement Age

Effective April 1, 2020, Furukawa Co., Ltd. extended its mandatory retirement age from 60 to 65 and fundamentally revised its various personnel systems, salary structure, and retirement benefit system. Our aim is to create environments where employees can easily maintain their motivation while at the same time stimulating the transfer of skills from older employees and the development of mid-career and younger employees.

Respect for Human Rights

Prohibiting Harassment and Discrimination

The Group is committed to "creating a motivating corporate culture that rejects human rights violations and discrimination while embracing the diverse values of individuals and evaluating them fairly." Based on this commitment, we take resolute measures against harassment and discrimination based on our internal rules.

Human Rights Training

Our Code of Behavior for employees provides that basic human rights should be respected, and discriminatory language and behavior is prohibited. All newly hired employees are required to attend human rights seminars, while employees who participate in job-grade-based training are also required to join internal training concerning harassment in the workplace. This enables them to learn about creating comfortable workplaces and specific cases of actions that constitute human rights violations.

Human Resource Development

We employ human resources who are willing to seize any challenge, based on our fundamental belief that "people" are the key to unlocking the unlimited potential of our company. We also work to build a motivating corporate culture that recognizes the diverse values of individuals and rejects human rights violations and discrimination. In developing human resources, we aim to optimize our business framework and maximize corporate value by fostering professional human resources and creating work environments where employees can fully demonstrate their capabilities.

Personnel Appraisal System

On July 1, 2019, we abolished our existing professional qualification grade system and introduced a role-grading system that sets the grade according to the magnitude of each employee's expected role, to give employees the roles more effectively we expect them to fulfill. This role-grading system includes a personnel appraisal system, based on which we assess such factors as work performance, goal achievement levels, motivation, and capabilities. In this way, we are working to guide and train employees, develop their skills, and allocate them appropriately, and thus create an environment in which motivated employees can work with peace of mind.

Work–Life Balance

Creating Comfortable Workplace Environments

We promote activities to help employees maintain their health and achieve a good work–life balance by reducing overtime and improving the rate at which they take paid annual leave.

	Target	FY2021 Results
Overtime hours (monthly average)	15.5 hours	15.2 hours (non-managerial employees)
Percentage of paid annual leave taken	60%	61.6% (non-managerial employees)
Total actual working hours	2,000 or less	1,952 (non-managerial employees)
Percentage of employees receiving regular health checks	100%	100% (all employees)

Fiscal 2021 activities

- Set annual leave encouragement days and encouraged employees with low uptake rates (less than 5 days/year) to take their leave
- Introduced teleworking and expanded coverage of flextime system
- Considered developing a teleworking environment for sales staff
- Reduced number of face-to-face meetings and encouraged web-conferencing

Consolidated 11-Year Data

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31

Financial Data

	2011/3	2012/3	2013/3
For the year: (Millions of yen)			
Net sales	¥ 165,639	¥ 157,566	¥ 165,540
Cost of sales	146,364	138,097	144,224
Gross profit	19,274	19,469	21,315
Selling, general and administrative (SG&A) expenses	16,453	17,314	17,952
Operating income	2,821	2,155	3,363
Profit (loss) before income taxes	447	(2,662)	5,433
Profit (loss) attributable to owners of parent	563	(1,660)	2,977
Cash flows from operating activities	3,743	4,978	5,491
Cash flows from investing activities	(1,644)	(3,153)	(2,253)
Cash flows from financing activities	(5,703)	(3,782)	252
Capital expenditures	2,112	3,588	2,926
Depreciation and amortization	3,289	3,328	3,014
Research and development expenses	2,225	2,622	2,559
At year-end: (Millions of yen)			
Total assets	¥ 196,235	¥ 193,972	¥ 186,077
Current assets	80,199	81,498	79,508
Current liabilities	70,456	74,807	74,439
Net assets	47,622	47,669	51,507
Interest-bearing liabilities	89,265	85,796	80,635
Total equity	45,849	46,022	50,111

For the year: (Millions of yen)	2011/3	2012/3	2013/3
Segment performance			
Net sales of Machinery	¥ 47,026	¥ 53,198	¥ 56,852
Industrial	10,655	12,949	12,895
Rock Drill	23,880	24,144	23,306
UNIC	12,490	16,105	20,651
Net sales of Materials	92,203	77,917	88,026
Metals	79,980	68,114	77,945
Electronics	7,147	4,616	4,988
Chemicals	5,076	5,187	5,094
Net sales of Real Estate	1,578	1,233	1,059
Operating income (loss) of Machinery	(567)	1,970	2,924
Industrial	(30)	708	779
Rock Drill	(350)	334	(68)
UNIC	(187)	928	2,213
Operating income (loss) of Materials	3,044	325	324
Metals	1,495	308	283
Electronics	1,280	(234)	(263)
Chemicals	269	251	304
Operating income of Real Estate	635	357	220

	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	**2021/3**
	¥ 163,026	¥ 172,544	¥ 161,800	¥ 149,830	¥ 167,696	¥ 174,117	¥ 165,216	**¥ 159,703**
	139,777	146,657	136,447	126,207	142,427	147,675	138,941	**137,509**
	23,249	25,887	25,352	23,623	25,269	26,442	26,275	**22,194**
	16,363	16,962	17,363	17,077	17,448	17,526	17,582	**16,602**
	6,886	8,925	7,989	6,546	7,821	8,915	8,693	**5,592**
	7,092	6,160	6,631	6,711	6,595	7,003	7,281	**9,907**
	3,977	9,793	5,056	4,254	4,774	4,654	4,432	**7,468**
	1,983	10,241	7,652	9,819	5,351	11,785	8,401	**6,043**
	(3,129)	(10,892)	(2,855)	(3,585)	(5,855)	(3,387)	(5,074)	**2,245**
	(4,562)	3,318	(8,166)	(5,030)	(2,529)	(4,205)	(4,843)	**(3,123)**
	11,430	2,557	2,869	5,425	5,021	5,442	5,939	**4,144**
	2,828	3,223	3,191	3,138	3,260	3,474	3,589	**3,879**
	2,539	2,227	2,680	2,464	2,293	1,505	1,178	**1,164**
	¥ 199,409	¥ 207,318	¥ 195,650	¥ 208,035	¥ 222,212	¥ 215,368	¥ 209,697	**¥ 218,275**
	76,840	80,564	76,315	79,579	87,486	87,441	85,726	**88,626**
	73,976	63,870	59,750	59,790	79,322	60,377	52,555	**47,839**
	56,314	70,582	68,263	79,584	87,087	80,447	77,967	**94,364**
	77,220	82,054	76,241	73,507	73,312	72,597	70,413	**69,683**
	54,695	68,783	66,460	77,659	85,012	78,217	75,544	**91,770**

	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	**2021/3**
	¥ 71,112	¥ 75,991	¥ 72,232	¥ 66,804	¥ 73,453	¥ 77,581	¥ 82,692	**¥ 68,636**
	18,528	16,713	14,926	14,042	15,872	17,971	23,237	**16,682**
	26,843	30,911	30,077	26,979	30,200	30,372	27,663	**24,149**
	25,741	28,367	27,229	25,783	27,381	29,237	31,791	**27,804**
	90,162	93,271	85,644	78,968	89,987	92,722	79,367	**88,203**
	78,685	81,514	74,193	67,854	77,334	80,068	67,150	**76,095**
	5,381	5,743	5,478	5,816	6,308	6,527	5,506	**5,741**
	6,097	6,014	5,974	5,298	6,345	6,127	6,711	**6,367**
	1,013	2,536	3,046	3,074	3,339	2,999	2,386	**2,108**
	5,334	6,552	5,882	3,580	5,084	6,568	7,344	**3,969**
	1,851	1,711	1,038	104	1,005	2,089	3,208	**2,114**
	341	1,225	2,217	897	1,783	1,690	143	**(1,325)**
	3,142	3,615	2,627	2,579	2,295	2,789	3,993	**3,180**
	1,696	1,770	983	1,871	1,649	1,396	777	**1,041**
	1,503	1,450	1,155	1,738	867	582	302	**499**
	(124)	53	(369)	18	330	408	(35)	**162**
	316	268	197	115	451	407	510	**380**
	(43)	776	1,277	1,266	1,340	1,164	736	**737**

Consolidated 11-Year Data

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31

Financial Analysis Data

	2011/3	2012/3	2013/3
Per share amounts:* (Yen)			
Basic earnings	¥ 13.94	¥ (41.07)	¥ 73.65
Cash dividends	0.00	0.00	20.00
Net assets	1,134.44	1,138.75	1,239.94
Profitability: (%)			
Cost of sales margin	88.4	87.6	87.1
Gross margin	11.6	12.4	12.9
SG&A expense margin	9.9	11.0	10.8
Operating margin	1.7	1.4	2.0
Return on sales	0.3	(1.1)	1.8
Efficiency and soundness:			
Return on equity (ROE) (%) (Note 1)	1.2	(3.6)	6.2
Return on assets (ROA) (%) (Note 2)	0.3	(0.9)	1.6
Debt-to-equity (D/E) ratio (Times) (Note 3)	1.9	1.9	1.6
Equity ratio (%) (Note 4)	23.4	23.7	26.9
Total asset turnover (Times) (Note 5)	0.8	0.8	0.9
Investment indicators:			
Dividend payout ratio (%) (Note 6)	—	—	27.2
Dividends on equity (DOE) ratio (%) (Note 7)	—	—	1.6
Price book value ratio (PBR) (Times) (Note 8)	0.8	0.7	0.9
Stock price at fiscal year-end (Yen)*	860	800	1,090
Market capitalization (Millions of yen)	34,783	32,356	44,085

ESG Data

	2011/3	2012/3	2013/3
CO_2 emissions (t-CO_2)*	21,000	20,000	24,000
Drain volume (Thousand m^3)	463	468	448
Total emissions including waste, etc. (t)	5,610	6,395	6,389
Valuables	2,327	2,301	2,567
Waste	3,283	4,094	3,822
Energy (Thousand GJ)	594	497	461
Water resources (Thousand m^3)	661	652	641
Number of directors (Persons)	7	8	8
Number of outside directors (Persons)	1	1	1
Number of employees (Persons)	2,728	2,752	2,342
Number of female employees (Persons)*	—	—	—
Total actual working hours (Hours)*	2,016	2,044	2,030
Overtime hours (monthly average) (Hours)*	18.42	20.75	19.00

Other Data

	2011/3	2012/3	2013/3
LME copper price (average; US$/ton)	8,139	8,485	7,855
JPY rate per US$ (average for fiscal year)	85.71	79.07	83.10
Copper production volume (Tons)	89,523	76,896	90,387
Copper sales volume (Tons)	89,176	82,597	96,789

Notes: 1. Return on equity (ROE) = Profit (loss) attributable to owners of parent / Average total equity × 100
2. Return on assets (ROA) = Profit (loss) attributable to owners of parent / Average total assets × 100
3. Debt-to-equity (D/E) ratio = Interest-bearing liabilities (fiscal year-end) / Total equity [Shareholders' equity] (fiscal year-end)
4. Equity ratio = Total equity [Shareholders' equity] (fiscal year-end) / Total assets (fiscal year-end) × 100
5. Total asset turnover = Net sales / Average total assets
6. Dividend payout ratio = Total cash dividends / Profit (loss) attributable to owners of parent × 100
7. Dividends on equity (DOE) ratio = Total cash dividends / Average net assets × 100
8. Price book value ratio (PBR) = Stock price (fiscal year-end) / Net assets per share

2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	**2021/3**
¥ 98.40	¥ 242.34	¥ 125.13	¥ 105.29	¥ 118.16	¥ 116.23	¥ 112.23	**¥ 190.73**
30.00	50.00	50.00	50.00	50.00	50.00	50.00	**50.00**
1,353.41	1,702.21	1,644.81	1,922.04	2,104.07	1,978.09	1,926.32	**2,348.53**
85.7	85.0	84.3	84.2	84.9	84.8	84.1	**86.1**
14.3	15.0	15.7	15.8	15.1	15.2	15.9	**13.9**
10.0	9.8	10.7	11.4	10.4	10.1	10.6	**10.4**
4.2	5.2	4.9	4.4	4.7	5.1	5.3	**3.5**
2.4	5.7	3.1	2.8	2.8	2.7	2.7	**4.7**
7.6	15.9	7.5	5.9	5.9	5.7	5.8	**8.9**
2.1	4.8	2.5	2.1	2.2	2.1	2.1	**3.5**
1.4	1.2	1.1	0.9	0.9	0.9	0.9	**0.8**
27.4	33.2	34.0	37.3	38.3	36.3	36.0	**42.0**
0.8	0.8	0.8	0.7	0.8	0.8	0.8	**0.7**
30.5	20.6	40.0	47.5	42.3	43.0	44.6	**26.2**
2.2	3.2	2.9	2.7	2.4	2.4	2.5	**2.3**
1.4	1.2	1.0	1.1	0.9	0.7	0.6	**0.6**
1,860	2,120	1,660	2,050	1,985	1,393	1,060	**1,336**
75,228	85,744	67,139	82,913	80,284	56,340	42,872	**52,205**
23,000	27,000	24,000	25,000	26,000	26,000	21,930	**20,903**
429	455	471	465	410	477	477	**474**
7,746	6,266	6,832	5,347	6,884	7,160	7,039	**5,912**
3,003	3,168	3,374	2,489	2,928	3,357	3,203	**2,456**
4,743	3,098	3,458	2,858	3,956	3,803	3,836	**3,456**
454	474	429	458	483	511	438	**427**
633	651	666	671	623	692	680	**671**
8	7	8	9	9	9	9	**9**
1	1	2	3	3	3	3	**3**
2,413	2,456	2,521	2,616	2,690	2,757	2,755	**2,752**
—	—	283	359	391	415	411	**413**
2,075	2,136	2,105	2,064	2,138	2,117	2,083	**1,952**
25.50	26.27	23.80	20.65	26.85	25.40	22.36	**15.22**
7,104	6,554	5,215	5,154	6,444	6,341	5,860	**6,879**
100.24	109.93	120.13	108.42	110.85	110.91	108.74	**106.06**
87,767	90,447	86,466	84,062	88,004	81,346	77,068	**74,386**
94,966	96,675	94,327	91,294	90,104	85,146	83,864	**81,998**

* • The Company conducted a 1-for-10 stock consolidation of shares of common stock, effective October 1, 2017. In the above table, per-share figures for the fiscal 2017 and prior years have been recalculated based on the number of shares outstanding after the stock split.

• CO_2 emissions (t-CO_2) are shown in units of 1,000 tons for fiscal 2019 and earlier.

• For number of female employees, only figures for fiscal 2016 and later are shown because numbers of male and female employees were not counted in some categories before then.

• Total actual working hours in fiscal 2021 includes annual leave time as well as absent time.

Management's Analysis of Operating Results, Financial Position, and Cash Flows

Operating Results

In fiscal 2021, ended March 31, 2021, consolidated net sales totaled ¥159,703 million, down ¥5,513 million (3.3%) compared with the previous fiscal year.

The Industrial Machinery Division posted a ¥6,555 million (28.2%) year-on-year decline in sales, due to the fact that most of the construction work for large-scale projects, including cargo handling equipment for an international bulk terminal at the Port of Onahama and intermediate storage facilities (Okuma-machi, Futaba-gun, Fukushima Prefecture) was done in the previous fiscal year.

The Rock Drill Machinery segment reported a ¥3,514 million (12.7%) decline in sales (a ¥1,060 million decrease in domestic sales and a ¥2,453 million decrease in overseas sales). In Japan, the segment faced a significant decrease in shipments of hydraulic crawler drills, hydraulic breakers, and hydraulic crushers due to the worldwide spread of COVID-19. Overseas, we reported a decline in shipments of hydraulic crawler drills, especially in Southeast Asia, while in North America, shipments of hydraulic breakers to equipment rental companies were also down.

The UNIC Machinery segment reported a ¥3,987 million (12.5%) decline in sales (a ¥2,916 million decrease in domestic sales and a ¥1,070 million decrease in overseas sales). In Japan, there was a significant decline in shipments, mainly due to the partial revision of the mobile crane structural standards in the previous fiscal year and a rebound from the increase in the previous year, when there was a rush in demand prior to enactment of exhaust emission standards for light trucks. Overseas, shipments of UNIC cranes decreased, mainly in Southeast Asia, where the spread of COVID-19 had a significant impact, and in Europe and North America, shipments of mini crawler cranes decreased due to the suspension of construction work at urban construction sites.

The Metals segment posted an ¥8,945 million (13.3%) increase in sales (a ¥6,582 million increase in sales of electrolytic copper and a ¥2,424 million rise in sales of electrolytic gold). This was mainly due to a significant rise in overseas market prices after April 2020 of electrolytic copper, which had plummeted at the end of the previous fiscal year.

Cost of sales decreased ¥1,432 million (1.0%) year on year, to ¥137,509 million, and the cost of sales margin rose 2.0 points, to 86.1%. In addition, selling, general and administrative expenses decreased ¥980 million (5.6%), to ¥16,602 million, due to a general decrease in operating expenses caused by restrictions on activities stemming from COVID-19.

Operating income fell ¥3,101 million (35.7%), to ¥5,592 million, and the operating margin slipped 1.8 points, to 3.5%. This was due to operating income declines in the Industrial Machinery, Rock Drill Machinery, and UNIC Machinery segments. Specifically, the Industrial Machinery segment posted a ¥1,095 million (34.1%) decrease, the Rock Drill Machinery segment posted a ¥1,467 million decrease (for an operating loss, compared with operating income in the previous year), and the UNIC Machinery segment posted an ¥813 million (20.4%) decrease. The Metals segment reported a ¥1,011 million (65.8%) jump in operating income (a ¥943 million increase for electrolytic copper and a ¥46 million increase for electrolytic gold) to ¥198 million, thanks to a significant rise in metals prices. This was despite a decline in income from the contracted copper smelting business due to deterioration in copper concentrate purchasing conditions. The Electronics segment posted a ¥197 million increase in operating income, returning to profitability (from an operating loss in the previous year), due to increased sales of high-purity metallic arsenic and aluminum nitride. The Chemicals segment reported a ¥130 million (25.5%) decrease in operating income due to lower sales of sulfuric acid and cuprous oxide.

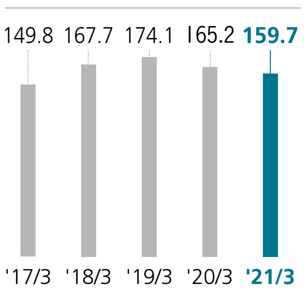
Other income increased ¥4,558 million year on year, to ¥6,855 million. Main factors included a ¥4,078 million gain on sales of investment securities (up ¥4,058 million year on year) stemming from the sale of strategic holdings in two companies, ¥356 million in equity in earnings of affiliates, ¥702 million in foreign exchange gains, a ¥25 million gain on sales of noncurrent assets (down ¥629 million from the previous year, when we reported a ¥584 million gain associated with the sale of Furukawa Daimyo Building in Chuo-ku, Fukuoka City, Fukuoka Prefecture).

Other expenses declined ¥1,169 million, to ¥2,540 million. Main factors included ¥731 million in rental building demolition costs related to demolition work on the Furukawa Osaka Building, foreign exchange gains (compared with ¥554 million in foreign exchange losses in the previous year), and the absence of a loss on impairment of investment securities (which totaled ¥1,030 million in the previous year due to falling prices of listed stocks).

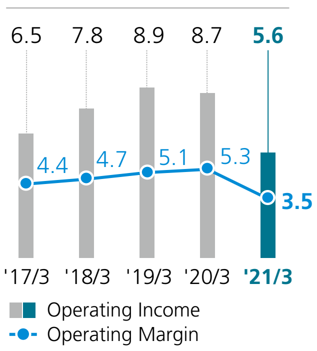
Total income taxes (including enterprise tax, inhabitants' tax, and business tax) declined ¥402 million, to ¥2,237 million. The effective tax rate decreased 13.7 points, to 22.6%, due largely a decrease in the valuation allowance resulting from sales of strategic holdings. Profit attributable to non-controlling interests decreased ¥8 million, to ¥202 million. As a result, profit attributable to owners of parent increased ¥3,037 million (68.5%), to ¥7,468 million.

Return on equity (ROE) rose 3.1 points, to 8.9%, and profit attributable to owners of parent per share jumped 69.9%, to ¥190.73.

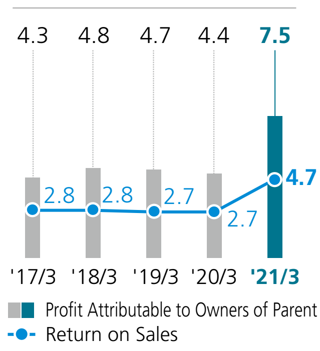
Net Sales (Billions of yen)



Operating Income (Billions of yen)
Operating Margin (%)



Profit Attributable to Owners of Parent (Billions of yen)
Return on Sales (%)



Financial Position

At March 31, 2021, total assets amounted to ¥218,275 million, up ¥8,578 million (4.1%) from a year earlier. Current assets rose ¥2,900 million (3.4%), to ¥88,626 million. Main reasons for the increase were a ¥5,101 million (40.3%) jump in cash and cash equivalents and a ¥2,623 million (8.6%) decline in receivables–trade. Total investments and other assets increased ¥5,699 million (4.6%), to ¥39,832 million. This was mainly due to a ¥6,858 million increase in investment securities (sales of strategic holdings had a ¥1,473 million negative impact on investment securities, while market valuation of listed shareholdings had an ¥8,325 million positive impact).

At fiscal year-end, current liabilities totaled ¥47,839 million, down ¥4,716 million (9.0%) from a year earlier. Main factors included a ¥3,568 million (33.6%) decrease in electronically recorded obligations and a ¥2,139 million (16.9%) decrease in accounts payable—other.

Long-term liabilities declined ¥3,104 million (3.9%), to ¥76,072 million. Main factors included a ¥3,404 million (53.5%) increase in deferred tax liabilities and a ¥6,802 million (71.5%) fall in liability for retirement benefits. The increase in deferred tax liabilities was mainly due to increases in unrealized holding gain on securities, net of income taxes, and retirement benefits liability adjustments. The decrease in retirement benefits liability adjustments was due to a ¥3,464 million decrease in retirement benefit obligation as a result of revisions to the retirement benefit system, as well as a ¥ 3,187 million increase in plan assets stemming from rising stock prices and other factors. More information on the causes of the year-on-year changes in retirement benefit obligation and plan assets is provided in "14. Retirement Benefit Plans."

As a result of the above, total liabilities decreased ¥7,820 million (5.9%), to ¥123,911 million.

Net assets increased ¥16,398 million (21.0%), to ¥94,364 million. The increase was mainly due to an increase in unrealized holding gain on securities, net of income taxes, resulting from an increase in the market value of listed shareholdings; an increase in unrecognized prior service costs that had not been expensed (reduced) due to the revision of the retirement benefit system; and a decrease in unrecognized actuarial gains/losses that had not been expensed due to a rise in stock prices; a ¥10,871 million (240.2%) increase in accumulated other comprehensive income; ¥7,468 million in profit attributable to owners of parent; and a ¥5,355 million (7.5%) increase in total shareholders' equity due to ¥1,961 million in payment of dividends from retained earnings. As a result, total equity amounted to ¥91,770 million, and the equity ratio was 42.0%, up 6.0 points year on year. The debt-to-equity (D/E) ratio improved 0.1 point, to 0.8 times.

R&D and Capital Expenditures

The Furukawa Company Group actively engages in R&D on high-value-added products and new materials that meet wide-ranging market needs. In the fiscal year under review, total research and development expenses amounted to ¥1,164 million, down 1.1% from the previous fiscal year. Of this total, ¥7 million was allocated to the Industrial Machinery segment, ¥118 million to the Rock Drill Machinery segment, ¥195 million to the UNIC Machinery segment, ¥25 million to the Metals segment, ¥104 million to the Electronics segment, and ¥184 million to the Chemicals segment. We also spent ¥531 million on corporate research aimed at developing basic technologies for each segment and creating new businesses. This was allocated to all of the business segments.

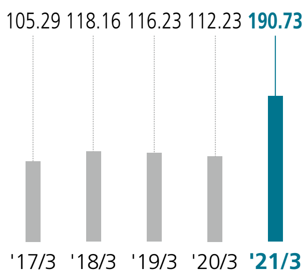
In fiscal 2021, capital expenditures (including purchase of intangible fixed assets) declined 30.2%, to ¥4,144 million. Of this total, ¥1,253 million was allocated to the Industrial Machinery segment, ¥438 million to the Rock Drill Machinery segment, ¥947 million to the UNIC Machinery segment, ¥347 million to the Metals segment, ¥325 million to the Electronics segment, and ¥156 million to the Chemicals segment, aimed primarily at improvements in production efficiency. In addition, ¥3 million was allocated to the Real Estate segment, mainly for maintenance of buildings, and ¥677 million went to the Others segment, mainly for investments in facilities to prevent mining pollution at suspended mines. Funds for these expenditures are sourced from internal funds and borrowings. Depreciation and amortization increased 8.1%, to ¥3,879 million.

Cash Flows

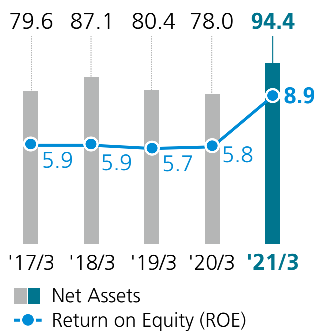
In the fiscal year under review, net cash provided by operating activities amounted to ¥6,043 million, down ¥2,358 million from the previous fiscal year. This was mainly due to a decrease in adjusted income from non-cash profit/loss items and the like resulting from the decrease in operating income.

Net cash provided by investing activities totaled ¥2,245 million, up ¥7,319 million (from ¥5,074 million used in investing activities in the previous fiscal year). This was mainly due to ¥5,551 million in proceeds from sales of investment securities (up ¥5,201 million year on year) and ¥3,474 million in purchases of property, plant and equipment and intangible assets (down ¥2,697 million). The increase in proceeds from sales of investment securities was due to the fact that the Company annually examines the appropriateness of continuing to hold strategic shares and sells them as necessary to make effective use of assets and improve financial soundness. Another factor was our sales of investment securities during the year in order to secure liquidity on hand to immediately address emergency demand for funds arising from the COVID-19

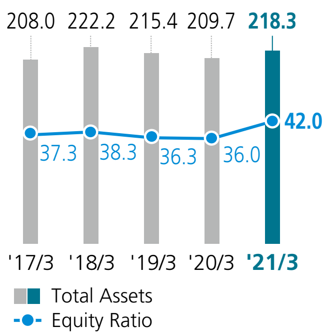
Basic Earnings per Share (Yen)



Net Assets (Billions of yen)
Return on Equity (ROE) (%)



Total Assets (Billions of yen)
Equity Ratio (%)



pandemic. The decrease in purchases of property, plant and equipment and intangible assets was mainly due to the fact that, in the previous fiscal year, the Company made significant capital investments and other expenditures to increase the production capacity of the Takasaki Yoshii Plant.

Net cash used in financing activities was ¥3,123 million, down ¥1,720 million from the previous fiscal year. Main factors were ¥742 million (down ¥1,432 million from the previous year) in repayment of short- and long-term debt, net of proceeds from same, aimed at reducing interest-bearing debt. Of this amount, interest-bearing debt (borrowings) increased ¥2.0 billion (¥8.0 billion repaid out of ¥10.0 billion raised) due to the Company's procurement of long-term working capital from financial institutions to improve its cash position in light of the COVID-19 pandemic.

As a result, the year-end balance of cash and cash equivalents totaled ¥17,748 million, up ¥5,101 million from a year earlier.

Consolidated Operating Cash Flow Allocation and Capital Strategy

As stated in the "Notice Concerning Postponement of Announcement of Medium-Term Business Plan 2022" (dated May 13, 2021), we decided to postpone the announcement of that plan. For this reason, we have not disclosed our consolidated cash flow allocation plan for the Group for the period from April 2020 to March 2023, which is Phase 2 of Vision for 2025. Nevertheless, we will continue to "actively promote investments 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.

As for allocation of capital expenditures, our cumulative three-year allocation in Phase 1 (April 2017 to March 2020) totaled ¥16,403 million (capital expenditures and other payments of ¥16,394 million). This was used mostly for investment in the Machinery business, which is positioned as a core business. In fiscal 2021, we allocated ¥4,144 million (capital expenditures and other payments of ¥3,473 million).

As of March 31, 2021, we plan to make capital expenditures of ¥8.0 billion in fiscal 2022 and beyond. Of this amount, we have earmarked ¥3.8 billion to the Machinery Business, including for the construction of a new office building at the Oyama Works, as well as ¥5.3 billion for the Group as a whole. Going forward, we will continue allocating capital expenditures that help us enhance our manufacturing capabilities, mainly in the Machinery business, in order to "actively promote investments that contribute to increased corporate value."

We also reduced interest-bearing debt (borrowings) from ¥73,507 million on March 31, 2017 to ¥69,683 million on March 31, 2021 (¥3,094 million reduction in Phase 1 and ¥730 million in fiscal 2021). Going forward, we will continue placing top priority on improving efficiency and profitability without excessive reliance on financial leverage, while endeavoring to improve financial soundness in order to achieve the financial targets set for fiscal 2026, the final year of Vision for 2025, as set forth in Medium-Term Business Policy 2022, announced in May 2020.

Furukawa places great importance on improving returns of profits to all shareholders. Our basic policy is to appropriate profits after comprehensive consideration of various factors, including retained earnings required to finance capital expenditures and research and development expenses necessary to bolster earnings, as well as future business development and other factors. We strive to return profits to shareholders in a stable and ongoing manner. In principle, we aim to pay annual dividends from retained earnings of ¥50.00 per share or higher for a consolidated payout ratio of 30% or higher, based on consolidated earnings (excluding extraordinary income/loss situations). In the three-year period of Phase 1, we made cumulative appropriations from retained earnings of ¥5,958 million, for a consolidated dividend payout ratio of 43.3%. In fiscal 2021, we made a total of

Consolidated Cash Flow Allocation

(Millions of yen, rounded down)

	FY2018	FY2019	FY2020	FY2018–2020 (cumulative)	FY2021
Cash flows from operating activities	5,350	11,785	8,401	25,537	6,043
Payments for capital expenditures, etc.	(5,396)	(4,827)	(6,171)	(16,394)	(3,474)
Payments/collections of other investments	(458)	1,440	1,096	2,078	5,718
Cash flows from investing activities	(5,855)	(3,387)	(5,074)	(14,315)	2,245
Free cash flow	(504)	8,398	3,327	11,221	8,288
Interest-bearing debt	(206)	(679)	(2,174)	(3,059)	(742)
Cash dividends	(2,020)	(2,020)	(1,978)	(6,017)	(1,961)
Share buybacks	(1)	(1,209)	(421)	(1,631)	(165)
Others	(302)	(297)	(270)	(870)	(254)
Cash flows from financing activities	(2,529)	(4,205)	(4,843)	(11,577)	(3,123)

Financial Indicators

		FY2017 (base year for comparisons)	FY2020	FY2021	FY2026 (Image)
Financial indicator	Debt-to-equity (D/E) ratio*1	0.9 times	0.9 times	0.8 times	0.6–0.7 times range
	Interest-bearing debt to EBITDA ratio*2	7.6 times	5.7 times	7.4 times	4–5 times
	Issuer credit rating	BBB (JCR)	BBB (JCR)	BBB (JCR)	BBB+ or higher (Japanese rating agency)

*1 Debt-to-equity (D/E) ratio = Interest-bearing liabilities (fiscal year-end) ÷ Total equity (fiscal year-end)
*2 Interest-bearing debt to EBITDA ratio = Interest-bearing debt (fiscal year-end) ÷ [Operating income + Depreciation and amortization]

¥1,954 million in appropriations from retained earnings (¥50.00 per share). However, the consolidated dividend payout ratio fell to 26.2%. This was due in part to an increase in profit attributable to owners of parent per share stemming from the sale of strategic shareholdings, as well as the posting of a gain on sales of investment securities (reported as extraordinary income) to secure liquidity on hand to immediately meet emergency demand for funds to address COVID-19. As announced on May 13, 2021, we plan to pay annual dividends of ¥50.00 in fiscal 2022, for a consolidated dividend payout ratio of 54.3%.

With respect to treasury stock, over the three-year period of Phase 1, we purchased a total of 1,186,300 shares, for a total purchase price of ¥1,628 million, and in November 2020 we purchased 140,500 shares, for a total price of ¥165 million. We will continue contemplating the purchase and cancellation of treasury stock as appropriate, taking into consideration stock price trends, capital efficiency, cash flows, and other factors.

Analysis of Performance Indicators

Our Vision for 2025, FURUKAWA Power & Passion 150, will end in fiscal 2026 when we mark the 150th anniversary of the Company's founding. Under the Vision, we are targeting consolidated annual operating income regularly in excess of ¥15 billion and double-digit ROE. As Phase 1 of the Vision, we formulated Medium-Term Business Plan 2019 (covering the three-year period from fiscal 2018 to fiscal 2020), with targets of operating income in the ¥8.5 billion range and ROE in the 6–7% range. We achieved our targets for consolidated operating income for two consecutive fiscal years (¥8.9 billion in fiscal 2019 and ¥8.7 billion in fiscal 2020), but ROE remained in the low 5% range for all three years, falling short of our target.

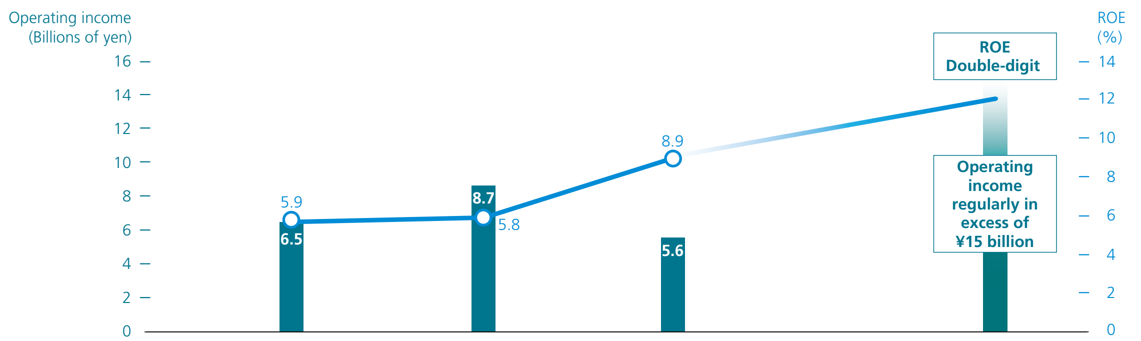
As stated in the "Notice Concerning Postponement of Announcement of Medium-Term Business Plan 2022" (dated May 13, 2021), we decided to postpone the announcement of that plan. For this reason, we have not disclosed our target for fiscal 2023, the final year of Phase 2 of Vision for 2025. However, we decided to announce our single-year consolidated performance forecasts for fiscal 2021 and fiscal 2022 at the respective financial results briefings (fiscal 2021 held on May 13, 2021 and fiscal 2022 scheduled for May 2022).

In fiscal 2021, we reported operating income of ¥5,592 million. Compared with fiscal 2017 (benchmark year for comparison purposes), operating income of the Machinery business was 111%, operating income of the Materials business was 56%, and operating income of the Real Estate business was 58%. Of total consolidated operating income, the Machinery business, positioned as a core business, accounted for 69% (53% in fiscal 2017 and 83% in fiscal 2019), the Materials business accounted for 18% (28% in fiscal 2017 and 9% in fiscal 2019), and the Real Estate segment accounted for 13% (19% in fiscal 2017 and 8% in fiscal 2019).

We are also stepping up efforts to increase ROE. Among the components of ROE, we are placing top priority on improving profitability and efficiency. In addition to accurately monitoring cost of capital, we practice business portfolio management that takes cost of capital into account when allocating management resources, including capital expenditures. In these ways, we will work to establish an optimal business portfolio and pursue overall optimization of management resource allocation.

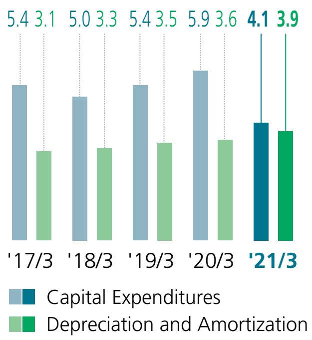
In fiscal 2021, we posted a ¥5,513 million year-on-year decline in net sales, due mainly to lower sales in the Machinery business caused by the COVID-19 pandemic. However, we reported an improvement in profitability, thanks mainly to improved net income margin stemming from a ¥4,078 million gain on sales of investment securities, reported as extraordinary income. ROE for the year was 8.9%.

Performance Indicators

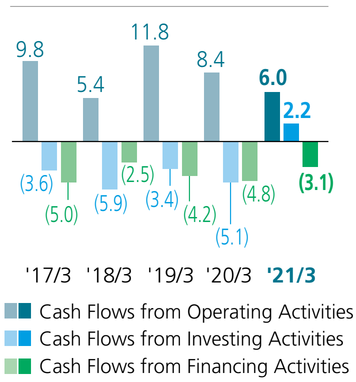


Performance indicators		FY2017 (base year for comparisons)	FY2020	FY2021	FY2026 (Image)
	Operating income	¥6.5 billion	¥8.7 billion	¥5.6 billion	Regularly in excess of ¥15 billion
	ROE	5.9%	5.8%	8.9%	ROE Double-digit

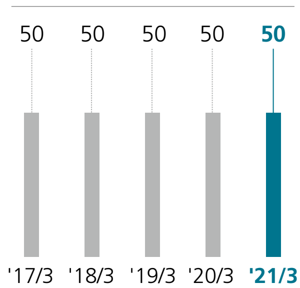
Capital Expenditures (Billions of yen)
Depreciation and Amortization (Billions of yen)



Cash Flows (Billions of yen)



Cash Dividends per Share (Yen)



Segment Analysis

In order to strengthen and instill efforts to improve ROE, we have set return on assets (ROA) as a performance and management indicator for each segment, and we are working to improve profitability (operating margin) and efficiency (total asset turnover), which are components of ROA. Our ROA results by segment in fiscal 2017 (benchmark year), fiscal 2020 (final year of Phase 1), and fiscal 2021 are as follows.

In the Industrial Machinery segment, ROA improved 12.9 points, from 0.5% in fiscal 2017 to 13.4% in fiscal 2020, but fell 4.6 points to 8.8% in fiscal 2021 (an improvement of 8.3 points from fiscal 2017). In Phase 1, we undertook an organizational restructuring in April 2018 to strengthen our engineering capabilities, which enabled us to expand our contractor business. In materials-related machinery, we attracted orders for crushers, screens, granulators, and certain types of plant equipment for a section plant project as a result of our technical proposals, which greatly contributed to business performance improvement. The segment's operating margin has improved since fiscal 2017, with operating income in fiscal 2021 being the second highest in the last 15 years, after fiscal 2020. In fiscal 2021, the segment reported a ¥6,555 million (28.2%) year-on-year decline in sales, mainly due to the fact that most of the construction work for large-scale project projects, such as cargo handling equipment for an international bulk terminal at the Port of Onahama and machinery for an intermediate storage facility (Okuma-machi, Futaba-gun, Fukushima Prefecture), was completed in the previous fiscal year. As a result, both the total asset turnover ratio and operating margin deteriorated from fiscal 2020.

In the Rock Drill Machinery segment, ROA deteriorated 2.5 points, from 2.9% in fiscal 2017 to 0.4% in fiscal 2020, but fell a further 4.2 points to –3.8% in fiscal 2021 (deterioration of 6.7 points from fiscal 2017). In Phase 1, we reported strong domestic shipments of hydraulic breakers and hydraulic crawler drills in fiscal 2018 and 2019 on the back of firm demand for tunnel drill jumbos and urban redevelopment and construction investment, while overseas shipments of hydraulic crawler drills were strong, mainly in Europe and North America. These resulted in improved profitability, with ROA of 5.7% in fiscal 2018 and 5.0% fiscal 2019. In fiscal 2020, however, ROA slipped to 0.4%. This was due mainly to increased costs associated with making our hydraulic crawler drills compliant with exhaust emission regulations in developed countries, as well as rising depreciation costs related to the Takasaki Yoshii Plant since fiscal 2018, which led to a fall in the operating margin. In fiscal 2021, the segment reported a ¥3,514 million (12.7%) year-on-year decline in sales, mainly due to the spread of COVID-19 in Japan and overseas, resulting in an operating loss and deterioration of both the total asset turnover and operating margin. Nevertheless, we strove to improve efficiency by postponing or revising plans for capital expenditures after the second stage of construction at the Takasaki Yoshii Plant and by optimizing inventory levels.

In the UNIC Machinery segment, ROA improved 1.8 points, from 11.2% in fiscal 2017 to 13.0% in fiscal 2020, but slipped 2.6 points to 10.4% in fiscal 2021 (deterioration of 0.8 point from fiscal 2017). In Phase 1, we reported an increase in total assets associated with a capital investment program the Sakura Plant started in fiscal 2017 and faced rising steel prices and increasing production costs related to capital investments made during manufacturing. In Japan, seeking to further enhance competitiveness by increasing the functionality and added value of UNIC cranes, we undertook a full model change of our "G-FORCE" series, releasing new models featuring improved levels of operability and safety. Overseas, we reorganized our sales network and strengthened our sales capabilities while expanding and reinforcing our production bases for machines destined for export. We also began to reap the benefits of capital investments in the Sakura Plant, which are now contributing to improved production efficiency and profitability. These measures helped improve segment profitability, with ROA rising to

ROE Breakdown Analysis

ROE	=	Profitability Return on sales	×	Efficiency Total asset turnover	×	Leverage Financial leverage
FY2017 (results) : 5.9%		2.84%		0.74 times		2.80 times
FY2020 (results) : 5.8%		2.68%		0.78 times		2.76 times
FY2021 (results) : 8.9%		4.68%		0.75 times		2.56 times
Comparison with FY2017		Profitability: Improved		Efficiency: Improved		Leverage: Down

ROA Transition by Segment

	FY2017 (base year for comparisons)				FY2020				FY2021			
	ROA (Operating Income)	Total Asset Turnover (Times)	Operating Margin	Operating Income (Millions of yen)	ROA (Operating Income)	Total Asset Turnover (Times)	Operating Margin	Operating Income (Loss) (Millions of yen)	ROA (Operating Income)	Total Asset Turnover (Times)	Operating Margin	Operating Income (Millions of yen)
Consolidated	3.2%	0.7	4.4%	6,546	4.1%	0.8	5.3%	8,693	2.6%	0.8	3.5%	5,592
Industrial Machinery	0.5%	0.9	0.6%	104	13.4%	1.1	12.2%	3,208	8.8%	0.8	10.7%	2,114
Rock Drill Machinery	2.9%	0.9	3.3%	897	0.4%	0.8	0.5%	143	(3.8%)	0.7	(5.5%)	(1,325)
UNIC Machinery	11.2%	1.1	9.9%	2,578	13.0%	1.0	12.5%	3,993	10.4%	0.9	11.4%	3,180
Metals	6.2%	2.4	2.6%	1,738	1.1%	2.5	0.5%	302	1.7%	2.6	0.7%	499
Electronics	0.2%	0.8	0.3%	17	(0.5%)	0.8	(0.6%)	(35)	2.3%	0.8	2.8%	162
Chemicals	0.7%	0.3	2.1%	114	3.1%	0.4	7.6%	510	2.3%	0.4	5.9%	380
Real Estate	4.0%	0.1	39.4%	1,265	2.7%	0.1	30.7%	736	2.8%	0.1	34.7%	737

13.0% in fiscal 2020. In fiscal 2021, there was a significant fall in domestic shipments compared with the previous fiscal year, when there was a rush in demand and increased shipments ahead of a partial revision of mobile crane structural standards. Overseas shipments also declined, mainly to regions highly affected by the spread of COVID-19. As a result, the segment reported a ¥3,987 million (12.5%) year-on-year decline in sales and deterioration of both the total asset turnover and operating margin. However, the segment made a steady contribution to our overall Machinery business.

In the Metals segment, ROA declined 5.1 points, from 6.2% in fiscal 2017 to 1.1% in fiscal 2020, but improved 0.6 point to 1.7% in fiscal 2021 (deterioration of 4.5 points from fiscal 2017). Profit in this segment fluctuates significantly, because raw copper ore and bullion products are affected by international market trends—including supply/demand balance, speculative transactions, and geopolitical and economic conditions—while smelting profitability is impacted by copper concentrate purchasing conditions. We are working to reduce the effects of these fluctuations by entering forward exchange contracts, hedging through futures contracts, and the like. To improve earnings, we are also establishing an optimal production and sales system with an emphasis on profitability. Due to deteriorating copper concentrate purchasing conditions and increasing smelting costs, however, generating profits in the smelting business is becoming more difficult each year. In Phase 1, operating margin in this segment declined from 2.6% in fiscal 2017 to 1.1% in fiscal 2018, 0.7% in fiscal 2019, and 0.5% in fiscal 2020. In fiscal 2021, however, both the total asset turnover and operating margin improved year on year, as a significant rise in metal prices absorbed the decline in profits from contracted copper smelting, resulting in higher revenue and earnings.

In the Electronics segment, ROA declined 0.7 point, from 0.2% in fiscal 2017 to –0.5% in fiscal 2020, due to the segment's posting of an operating loss, but improved 2.8 points to 2.3% in fiscal 2021 (improvement of 2.1 points from fiscal 2017). In fiscal 2018 and 2019, the first two years of Phase 1, this segment benefited from healthy demand for compound semiconductors—the main application for high-purity metallic arsenic, which is positioned as a mature product—as well as steady demand for crystal products used in individual semiconductor devices. These resulted in improved profitability, with ROA of 4.5% in fiscal 2018 and 5.7% in fiscal 2019. Due to subsequent deterioration of the semiconductor market, however, sales and profits of mature products declined, and this segment posted an operating loss in fiscal 2020, with ROA falling to –0.5%. In fiscal 2021, the segment posted losses through the third quarter, continuing from the previous fiscal year. From the second quarter, however, we benefited from recovery in demand for coils and crystal products. Sales of high-purity metallic arsenic were boosted by stable demand for compound semiconductors, while demand for aluminum nitride for use in thermal management components and semiconductor manufacturing equipment components increased, leading to higher overall segment revenue. As a result, the segment returned to profitability, offsetting the previous year's operating loss, and posted a year-on-year improvement in the operating margin.

In the Chemicals segment, ROA improved 2.4 points, from 0.7% in fiscal 2017 to 3.1% in fiscal 2020, but slipped 0.8 points to 2.3% in fiscal 2021 (improvement of 1.6 points from fiscal 2017). In Phase 1, growth in sales of both existing products (such as sulfuric acid, cuprous oxide, and cupric oxide) and high-value-added sulfuric acid contributed to increased earnings in this segment. As a result, the operating margin showed overall improvement, from 2.1% in fiscal 2017 to 7.1% in fiscal 2018, 6.6% in fiscal 2019, and 7.6% in fiscal 2020. In fiscal 2021, sales of cupric oxide increased due to strong demand for its use in circuit boards. However, sales of cuprous oxide decreased due to weak overall demand for marine vessel paints, while the impact of COVID-19 and inventory adjustments by customers led to a decline in sales of sulfuric acid. As a result, segment sales declined and the operating margin deteriorated from the previous year.

In the Real Estate segment, ROA declined 1.3 points, from 4.0% in fiscal 2017 to 2.7% in fiscal 2020, but improved 0.1 point to 2.8% in fiscal 2021 (down 1.2 points from fiscal 2017). In Phase 1, we closed the Furukawa Osaka Building in December 2019. Until then, however, rental income decreased as tenants moved out. Meanwhile, the Muromachi Furukawa Mitsui Building (commercial name: COREDO Muromachi 2), which is our main facility, continued operating smoothly, but rental income declined due to a decrease in floor space occupied by large tenants from the fourth quarter of fiscal 2019. As a result, the operating margin showed overall decline, from 39.4% in fiscal 2017 to 39.9% in fiscal 2018, 38.5% in fiscal 2019, and 30.7% in fiscal 2020. Seeking to effectively utilize our business resources, we sought to enhance efficiency by selling idle assets and assets that are no longer expected to contribute to earnings. The latter includes the Furukawa Daimyo Building (Chuo-ku, Fukuoka City, Fukuoka Prefecture), which was sold in April 2019. In fiscal 2021, we reduced or exempted rents for some commercial tenants of the Muromachi Furukawa Mitsui Building, which was temporarily closed and faced low visitor numbers due to COVID-19. However, we generated solid revenues from new tenants following a reduction in the number of large office tenants in the previous year. As a result, the segment's operating margin improved year on year.

Business Risks

(1) Foreign Exchange Fluctuations

The Furukawa Company Group engages in production, procurement, and sales activities in Japan and overseas, and therefore is at risk of foreign exchange fluctuations in connection with its export business, the import of raw materials, primarily copper ore, and smelting and processing income. While the Group utilizes foreign exchange contracts and other methods to mitigate this risk, its operating results and financial position may be adversely affected by significant movements in exchange rates.

(2) Fluctuations in Nonferrous Metals Markets

International prices of electrolytic copper, a mainstay product of the Group, and other nonferrous metals are decided by the London Metals Exchange (LME) in U.S. dollars to reflect international market conditions. Such prices fluctuate according to the international supply–demand balance, speculative transactions, international political and economic circumstances, and the like. Accordingly, the Group utilizes forward delivery transactions and other hedging techniques to minimize the impact of fluctuating LME prices. However, significant movements in such prices may affect the Group's operating results and financial position.

The Group also invests in overseas copper mines to procure copper concentrate. Any fluctuations in LME prices may impact the business performance of those mines, which may affect the Group's operating results and financial position.

(3) Interest Rates

The Group's fiscal year-end balance of interest-bearing liabilities (debt) was ¥69,683 million, equivalent to 31.9% of total assets. Any increase in debt-related costs arising from changes in interest rates may adversely affect the Group's operating results and financial position. Although funding costs may increase if market interest rates rise, the Group has prepared for sudden changes in interest rates by utilizing an optimal combination of borrowing arrangements, including fixed-rate instruments.

(4) Investment Securities and Land

Historically, the Furukawa Company Group has maintained holdings of investment securities, which are subject to market valuations, as well as land. As of March 31, 2021, the carrying value of investment securities as stated in the balance sheets was ¥29,137 million, while land stood at ¥53,437 million. Accordingly, the Group's operating results and financial position are at risk of impairment losses, losses from devaluation, and losses on sales if securities and land prices decline significantly.

Regarding securities, every year the Board of Directors comprehensively considers the benefits and risks associated with individual holdings, both qualitatively and quantitatively, in order to verify the suitability of maintaining such holdings. Securities judged to be unsuitable as a result of such verification are sold.

As for other fixed assets held by the Group, a significant deterioration of business conditions could result in a decline in profitability, while falling market prices could lead to impairment losses. Any of these factors may adversely affect the Group's operating results and financial position.

In fiscal 2021, the Rock Drill Machinery segment reported an operating loss, due mainly to the spread of COVID-19. Any future changes in the business environment may lead to a decline in profitability and make the Group unable to recover investments, resulting in impairment losses.

(5) Fluctuations in Demand

The Furukawa Company Group's products are sold both in Japan and overseas. Therefore, any major fluctuations in demand in its major markets—such as Japan, North America, Europe, and Asia—may adversely affect the Group's operating results and financial position. Due to the nature of its products, moreover, sales from domestic public works projects account for a high proportion of net sales. Therefore, any major fluctuations in public investments may adversely affect the Group's operating results and financial position.

(6) Country Risk

The Furukawa Company Group conducts its production, procurement, and sales activities on a global basis in order to expand its sales network, strengthen cost-competitiveness, and reduce currency risk. Any number of local events could hamper the Group's smooth business operations. These include local political unrest, sharp economic slowdown, deterioration of public security, trade sanctions, cultural and legal differences, special labor–management relations, and terrorism. Such events could affect the Group's operating results and financial position.

(7) Natural Disasters, Infectious Diseases, and Other Force Majeure

The occurrence of natural disasters (such as earthquakes, tsunamis, floods, and typhoons) and accidents (such as large-scale fires) could cause substantial damage to the Group's production facilities and procurement sources and a breakdown of its distribution network. Also, the worldwide spread of infectious diseases, such as COVID-19, could render inoperable the Group's business operations and owned facilities, as well as the operations of its suppliers. Either of these events may prevent the Group from supplying products in a reliable manner, which could affect its operating results and financial position.

Regarding the worldwide spread of COVID-19, which materialized in early 2020, the virus continues to spread, with the exception of some countries and regions, and there is no indication of when the pandemic will be brought under control. The Group has taken rigorous measures to prevent infections among employees, including introduction of stringent hygiene management and teleworking systems. If the pandemic continues for a prolonged period, however, our operations may be suspended due to employee infections, while any slowdown in the supply chain and suspension or contraction of customers' business activities could lead to a decline in revenue, which could affect the Group's operating results and financial position.

The Group has taken the following measures to ensure the safety of its employees and to ensure the sustainability of each of its businesses.

Measures to prevent the spread of COVID-19	
To prevent the spread of COVID-19 to the maximum extent possible, employees in areas where local governments have issued urgent requests to stay at home, we introduced staggered working hours on February 27, 2020 and a work-from-home arrangement on March 27, 2020. Since April 7, 2020, when the national government declared a state of emergency, the Group has made all employees aware of the measures to prevent the spread of COVID-19, and published related information on its corporate website.	
Main measures taken to prevent infection	• Reducing infection risk of infection through telecommuting, shortened working hours, rotating work schedules, etc. • Preventing airborne infection by installing partitions between desks and in office meeting rooms • Increasing the number of shuttle buses between production facilities and nearest railway stations, and introducing time-based systems at employee cafeterias
Main measures to prevent infection	• Meetings, events, dinners, business trips, after hours • Measures to ensure health • Response to set onset of cold symptoms and close contact

Cash flow measures to address COVID-19	
The Group has entered into overdraft and commitment line agreements with financial institutions in order to raise working capital efficiently. To immediately address any unexpected need for funds stemming from the COVID-19 pandemic, however, in fiscal 2021 we procured long-term working capital and sold investment securities in order to secure liquidity on hand.	
Procurement of long-term working capital	Raised ¥10 billion in long-term working capital from financial institutions in May 2020 (of which ¥8 billion was repaid in February 2021)
Sale of investment securities	¥5.4 billion in proceeds from sale of investment securities in August 2020

The Group has eight business segments: Industrial Machinery, Rock Drill Machinery, UNIC Machinery, Metals, Electronics, Chemicals, Real Estate, and Others. The impact of the COVID-19 pandemic varies from segment to segment, and the outlook for the period during which it will affect the Group is uncertain. Therefore, it is difficult to rationally calculate the magnitude of impact that the pandemic may have on the Group's business environment. Please refer to the Company's Annual Securities Report for details of the main impacts on each business segment, based on our assumptions at the present time.

(8) Product Quality

The Group manufactures products in accordance with globally recognized quality control standards and strives constantly to establish, maintain, and improve its quality assurance system. However, there is no guarantee that all products will be defect-free in the future. To mitigate such risk, we take out product liability insurance, recall insurance, and the like. However, in the event that a product defect leads to major liability claims or recalls that exceed our expectations, public trust in the Group and its products may be lost, which could affect its operating results and financial position.

(9) New Product Development

The Group actively engages in new product development with the aim of bringing to market products incorporating new technologies and functions that meet customer needs. In some of our businesses, however, there are products that are in mature stages of their life cycles. Such products may be subject to reduced profit margins because they are difficult to differentiate from the competition. If the Group is unable to develop or market new products that will become future pillars of such businesses, its operating results and financial position could be affected as a result.

(10) Human Resources

To achieve future growth, the Group hires talented people—both new graduates and mid-career professionals—and provides training to enhance their competitive strengths. If the Group is unable to attract sufficient human resources required for its business, however, its operating results and financial position could be affected as a result.

(11) Environmental Protection

The Furukawa Company Group places the highest importance on environmental protection, environmental safety, and prevention of pollution at its various business sites, both in Japan and overseas, respecting all laws and regulations. Furthermore, in Japan the Group takes all necessary measures to ensure proper environmental management of suspended and closed mines, including prevention of water pollution from such mines, as well as managing the safety of tailing dams. Due to changes in relevant regulations, however, legislation may be tightened and unexpected situations may arise at each business site, which could increase the cost of responding and thus affect the Group's operating results and financial position.

(12) Official Regulations

The Furukawa Company Group engages in business in Japan and overseas and thus is subject to legal regulations of various nations, including rules related to licensing, taxation, the environment, labor, antitrust, and export controls. The Group takes care to faithfully comply with such official regulations. Due to changes in laws and regulations, however, existing legislation may be tightened or new legislation enacted, which could increase the cost of responding and impact business continuity, and thus affect the Group's operating results and financial position.

(13) Retirement Benefit Obligation

The employees of the Furukawa Company Group are covered by a defined benefit corporate pension plan and a non-contributory funded employee pension plan. Liability for retirement benefits are provided at an amount calculated based on the retirement benefit obligation and the fair value of pension plan assets at the balance sheet date as of March 31, 2021. In calculating retirement benefit obligation, the Group adopts assumptions in connection with the discount rate and expected rate of return on plan assets, as well as other assumptions. However, the Group's operating results and financial position are at risk in the event that the actual discount rate and expected rate of return on plan assets differ materially from the assumptions, as well as in the event of a change in the assumptions on which retirement benefit obligation are made.

Forward-looking statements in the above section are based on judgments of the Group as of the date of submission of its Annual Securities Report (June 29, 2021).

Consolidated Balance Sheets

Furukawa Co., Ltd. and consolidated subsidiaries
As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 5)
ASSETS	**2021**	2020	**2021**
Current Assets:			
Cash and cash equivalents	¥ **17,748**	¥ 12,647	$ **160,297**
Receivables—trade	**28,030**	30,653	**253,164**
Finished products	**15,991**	16,951	**144,427**
Work in process	**9,840**	10,514	**88,869**
Raw materials and supplies	**11,589**	10,944	**104,672**
Other current assets	**5,569**	4,180	**50,298**
Allowance for doubtful accounts	**(142)**	(163)	**(1,278)**
Total current assets	**88,626**	85,726	**800,448**
Property, Plant and Equipment, at Cost (Notes 7 and 20)**:**			
Land and timberlands	**55,293**	55,344	**499,394**
Buildings and structures	**53,670**	52,933	**484,733**
Machinery and equipment	**47,195**	46,069	**426,258**
Lease assets (Note 11)	**1,159**	1,180	**10,469**
Construction in progress	**1,271**	1,317	**11,483**
	158,588	156,844	**1,432,338**
Accumulated depreciation	**(68,771)**	(67,005)	**(621,126)**
Property, plant and equipment, net	**89,817**	89,838	**811,212**
Investments and Other Assets:			
Investment securities (Note 6)	**30,887**	24,029	**278,968**
Investments in affiliates	**3,562**	3,308	**32,171**
Long-term loans receivables	**4,087**	3,791	**36,909**
Deferred tax assets (Note 15)	**—**	1,458	**—**
Assets for retirement benefits (Note 14)	**194**	345	**1,753**
Other assets	**1,676**	1,778	**15,140**
Allowance for doubtful accounts	**(574)**	(575)	**(5,183)**
Total investments and other assets	**39,832**	34,133	**359,757**
Total assets	¥ **218,275**	¥ 209,697	$ **1,971,417**

LIABILITIES AND NET ASSETS	Millions of yen 2021	2020	Thousands of U.S. dollars (Note 5) 2021
Current Liabilities:			
Short-term debt (Note 7)	¥ **8,437**	¥ 8,570	$ **76,200**
Current portion of long-term debt (Note 7)	**2,139**	3,011	**19,316**
Lease obligations (Note 7)	**219**	222	**1,980**
Payables—trade	**11,639**	9,532	**105,119**
Electronically recorded obligations	**6,863**	10,331	**61,988**
Accounts payable—other	**10,512**	12,651	**94,940**
Income taxes payable	**1,054**	729	**9,521**
Provision for environmental measures	**7**	—	**65**
Other current liabilities	**6,969**	7,508	**62,944**
Total current liabilities	**47,839**	52,555	**432,074**
Long-Term Liabilities:			
Long-term debt (Note 7)	**59,107**	58,831	**533,846**
Lease obligations (Note 7)	**394**	443	**3,557**
Provision for environmental measures	**86**	120	**780**
Liability for retirement benefits (Note 14)	**2,709**	9,511	**24,468**
Deferred tax liabilities (Note 15)	**9,761**	6,357	**88,160**
Deferred tax liabilities on surplus on the revaluation of land (Note 15)	**1,402**	1,408	**12,667**
Asset retirement obligations	**234**	229	**2,114**
Other long-term liabilities	**2,377**	2,276	**21,470**
Total long-term liabilities	**76,072**	79,175	**687,063**
Net Assets (Note 8)**:**			
Shareholders' equity:			
Common stock without par value:			
Authorized—80,000,000 shares			
Issued—40,445,568 shares	**28,208**	28,208	**254,770**
Capital surplus	**2**	—	**21**
Retained earnings	**50,026**	44,508	**451,823**
Treasury stock, at cost:			
2021—1,369,919 shares	**(1,863)**	(1,697)	**(16,824)**
2020—1,229,045 shares	**—**	—	**—**
Total shareholders' equity	**76,374**	71,018	**689,790**
Accumulated other comprehensive income:			
Unrealized holding gain on securities, net of income taxes	**11,303**	5,364	**102,090**
Deferred gain (loss) on hedges	**351**	(322)	**3,170**
Surplus on the revaluation of land, net of income taxes	**2,610**	2,620	**23,569**
Translation adjustments	**(827)**	(340)	**(7,468)**
Retirement benefits liability adjustments	**1,960**	(2,797)	**17,698**
Total accumulated other comprehensive income	**15,397**	4,525	**139,059**
Non-controlling interests	**2,594**	2,423	**23,431**
Total net assets	**94,364**	77,967	**852,280**
Total liabilities and net assets	¥ **218,275**	¥ 209,697	$ **1,971,417**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen				Thousands of U.S. dollars (Note 5)	
		2021		2020		**2021**
Net Sales	**¥**	**159,703**	¥	165,216	**$**	**1,442,402**
Cost of Sales (Note 17)		**(137,509)**		(138,941)		**(1,241,950)**
Gross profit		**22,194**		26,275		**200,452**
Selling, General and Administrative Expenses (Note 10)		**(16,602)**		(17,582)		**(149,943)**
Operating income		**5,592**		8,693		**50,509**
Other Income (Expenses):						
Interest and dividend income		**929**		991		**8,393**
Equity in earnings (losses) of affiliates		**356**		(51)		**3,215**
Interest expense		**(457)**		(512)		**(4,123)**
Other income (expenses), net (Note 18)		**3,486**		(1,840)		**31,487**
Profit before income taxes		**9,907**		7,281		**89,480**
Income Taxes (Note 15)**:**						
Current		**(2,172)**		(1,425)		**(19,617)**
Deferred		**(65)**		(1,214)		**(588)**
Total income taxes		**(2,237)**		(2,639)		**(20,205)**
Profit		**7,670**		4,641		**69,275**
Profit Attributable to Non-Controlling Interests		**(202)**		(210)		**(1,822)**
Profit Attributable to Owners of Parent	**¥**	**7,468**	¥	4,432	**$**	**67,453**

	Yen				U.S. dollars (Note 5)	
Profit Attributable to Owners of Parent per Share	**¥**	**191**	¥	112	**$**	**1.72**
Net Assets per Share	**¥**	**2,349**	¥	1,926	**$**	**21.21**

The accompanying notes are integral part of these statements.

Consolidated Statements of Comprehensive Income

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2021	2020	**2021**
Profit	**¥ 7,670**	¥ 4,641	**$ 69,275**
Other Comprehensive Income (Loss):			
Unrealized holding gain (loss) on securities, net of income taxes	**5,941**	(3,983)	**53,661**
Deferred gain (loss) on hedges	**642**	(334)	**5,798**
Translation adjustments	**(435)**	(43)	**(3,927)**
Retirement benefits liability adjustments	**4,757**	(407)	**42,960**
Share of other comprehensive income (loss) of affiliates accounted for using equity method	**(31)**	66	**(282)**
Total other comprehensive income (loss) (Note 9)	**10,874**	(4,702)	**98,210**
Comprehensive Income (Loss)	**18,544**	(61)	**167,485**
Comprehensive Income (Loss) Attributable to:			
Owners of parent	**18,350**	(275)	**165,737**
Non-controlling interests	**194**	215	**1,748**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2021 and 2020

For the year ended March 31, 2021

	Number of shares of common stock (thousands)	Millions of yen				
		Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	40,446	¥ 28,208	¥ —	¥ 44,508	¥ (1,697)	¥ 71,018
Cash dividends paid	—	—	—	**(1,961)**	—	**(1,961)**
Profit attributable to owners of parent	—	—	—	**7,468**	—	**7,468**
Purchase of treasury stock	—	—	—	—	**(165)**	**(165)**
Reversal of surplus on the revaluation of land	—	—	—	**11**	—	**11**
Increase by merger of consolidated subsidiaries	—	—	**2**	—	—	**2**
Net change during the year	—	—	—	—	—	—
Balance at end of year	**40,446**	**¥ 28,208**	**¥ 2**	**¥ 50,026**	**¥ (1,863)**	**¥ 76,374**

For the year ended March 31, 2021

	Millions of yen							
	Accumulated other comprehensive income							
	Unrealized holding gain on securities, net of income taxes	Deferred gain (loss) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Retirement benefits liability adjustments (Note 14)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of year	¥ 5,364	¥ (322)	¥ 2,620	¥ (340)	¥ (2,797)	¥ 4,525	¥ 2,423	¥ 77,967
Cash dividends paid	—	—	—	—	—	—	—	**(1,961)**
Profit attributable to owners of parent	—	—	—	—	—	—	—	**7,468**
Purchase of treasury stock	—	—	—	—	—	—	—	**(165)**
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	**11**
Increase by merger of consolidated subsidiaries	—	—	—	—	—	—	—	**2**
Net change during the year	**5,940**	**673**	**(11)**	**(487)**	**4,757**	**10,871**	**101**	**11,043**
Balance at end of year	**¥ 11,303**	**¥ 351**	**¥ 2,610**	**¥ (827)**	**¥ 1,960**	**¥ 15,397**	**¥ 2,594**	**¥ 94,364**

For the year ended March 31, 2020

	Number of shares of common stock (thousands)	Millions of yen			
		Shareholders' equity			
		Common stock	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	40,446	¥ 28,208	¥ 41,892	¥ (1,277)	¥ 68,824
Cash dividends paid	—	—	(1,977)	—	(1,977)
Profit attributable to owners of parent	—	—	4,432	—	4,432
Purchase of treasury stock	—	—	—	(421)	(421)
Reversal of surplus on the revaluation of land	—	—	161	—	161
Net change during the year	—	—	—	—	—
Balance at end of year	40,446	¥ 28,208	¥ 44,508	¥ (1,697)	¥ 71,018

For the year ended March 31, 2020

	Millions of yen							
	Accumulated other comprehensive income							
	Unrealized holding gain on securities, net of income taxes	Deferred gain (loss) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Retirement benefits liability adjustments (Note 14)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of year	¥ 9,340	¥ 12	¥ 2,781	¥ (350)	¥ (2,390)	¥ 9,393	¥ 2,230	¥ 80,447
Cash dividends paid	—	—	—	—	—	—	—	(1,977)
Profit attributable to owners of parent	—	—	—	—	—	—	—	4,432
Purchase of treasury stock	—	—	—	—	—	—	—	(421)
Reversal of surplus on the revaluation of land	—	—	—	—	—	—	—	161
Net change during the year	(3,976)	(334)	(161)	10	(407)	(4,867)	193	(4,675)
Balance at end of year	¥ 5,364	¥ (322)	¥ 2,620	¥ (340)	¥ (2,797)	¥ 4,525	¥ 2,423	¥ 77,967

For the year ended March 31, 2021

	Thousands of U.S. dollars (Note 5)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	$ 254,770	$ —	$ 401,984	$ (15,331)	$ 641,424
Cash dividends paid	**—**	**—**	**(17,710)**	**—**	**(17,710)**
Profit attributable to owners of parent	**—**	**—**	**67,453**	**—**	**67,453**
Purchase of treasury stock	**—**	**—**	**—**	**(1,494)**	**(1,494)**
Reversal of surplus on the revaluation of land	**—**	**—**	**96**	**—**	**96**
Increase by merger of consolidated subsidiaries	**—**	**21**	**—**	**—**	**21**
Net change during the year	**—**	**—**	**—**	**—**	**—**
Balance at end of year	**$ 254,770**	**$ 21**	**$ 451,823**	**$ (16,824)**	**$ 689,790**

The accompanying notes are integral part of these statements.

For the year ended March 31, 2021

	Thousands of U.S. dollars (Note 5)							
	Accumulated other comprehensive income							
	Unrealized holding gain on securities, net of income taxes	Deferred gain (loss) on hedges	Surplus on the revaluation of land, net of income taxes	Translation adjustments	Retirement benefits liability adjustments (Note 14)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of year	$ 48,445	$ (2,909)	$ 23,665	$ (3,069)	$(25,262)	$ 40,871	$ 21,884	$704,179
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(17,710)**
Profit attributable to owners of parent	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**67,453**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,494)**
Reversal of surplus on the revaluation of land	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**96**
Increase by merger of consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**21**
Net change during the year	**53,644**	**6,079**	**(96)**	**(4,400)**	**42,960**	**98,188**	**1,546**	**99,735**
Balance at end of year	**$102,090**	**$ 3,170**	**$ 23,569**	**$ (7,468)**	**$ 17,698**	**$139,059**	**$ 23,431**	**$852,280**

The accompanying notes are integral part of these statements.

Consolidated Statements of Cash Flows

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2021	2020	**2021**
Operating Activities:			
Profit before income taxes	**¥ 9,907**	¥ 7,281	**$ 89,480**
Foreign exchange losses (gains)	**(433)**	228	**(3,908)**
Depreciation and amortization	**3,879**	3,589	**35,038**
Equity in earnings (losses) of affiliates	**(356)**	51	**(3,215)**
Impairment loss	**75**	241	**675**
Increase (decrease) in retirement benefit liability	**185**	(25)	**1,669**
Loss (gain) on disposal and sales of property, plant and equipment	**126**	(511)	**1,136**
Loss (gain) on impairment of investment securities	**—**	1,030	**—**
Loss (gain) on sales of investment securities	**(4,078)**	(18)	**(36,834)**
Increase (decrease) in provision for deposition field restoration	**—**	(219)	**—**
Increase (decrease) in provision for cost of removal of office tenants	**—**	(432)	**—**
Interest and dividend income	**(929)**	(991)	**(8,393)**
Interest expense	**457**	512	**4,123**
Receivables—trade	**2,550**	(17)	**23,034**
Inventories	**646**	208	**5,834**
Payables—trade	**(1,259)**	(5,085)	**(11,372)**
Accounts payable—other	**(2,561)**	3,271	**(23,128)**
Other	**(1,509)**	664	**(13,628)**
Subtotal	**6,700**	9,778	**60,510**
Interest and dividends received	**1,004**	1,036	**9,070**
Interest paid	**(462)**	(512)	**(4,173)**
Income taxes paid	**(1,863)**	(2,160)	**(16,829)**
Income taxes refunded	**664**	259	**5,997**
Net cash provided by operating activities	**6,043**	8,401	**54,575**
Investing Activities:			
Purchases of property, plant and equipment	**(3,404)**	(6,120)	**(30,740)**
Proceeds from sales of property, plant and equipment	**—**	1,058	**—**
Purchases of investment securities	**—**	(527)	**—**
Proceeds from sales of investment securities	**5,551**	350	**50,140**
Collection of long-term loans receivables	**—**	111	**—**
Other	**97**	54	**878**
Net cash provided by (used in) investing activities	**2,245**	(5,074)	**20,278**
Financing Activities:			
Proceeds from long-term debt	**10,427**	6,460	**94,174**
Repayment of long-term debt	**(11,034)**	(7,471)	**(99,657)**
Proceeds from short-term debt	**10,331**	17,387	**93,307**
Repayment of short-term debt	**(10,466)**	(18,551)	**(94,524)**
Purchase of treasury shares	**—**	(421)	**—**
Cash dividends paid	**(1,961)**	(1,978)	**(17,715)**
Repayment of finance lease obligations	**(232)**	(248)	**(2,099)**
Other	**(188)**	(22)	**(1,695)**
Net cash used in financing activities	**(3,123)**	(4,843)	**(28,210)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(63)**	(54)	**(570)**
Net Increase (Decrease) in Cash and Cash Equivalents	**5,101**	(1,571)	**46,073**
Cash and Cash Equivalents at Beginning of Year	**12,647**	14,218	**114,224**
Cash and Cash Equivalents at End of Year	**¥ 17,748**	¥ 12,647	**$ 160,297**

The accompanying notes are integral part of these statements.

Notes to the Consolidated Financial Statements

Furukawa Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2021 and 2020

1. Basis of Presentation

The accompanying consolidated financial statements of Furukawa Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Furukawa Group") are prepared in accordance with Japanese generally accepted accounting principles (Japanese GAAP), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS), and are compiled from those prepared by the Company as required under the Financial Instruments and Exchange Law of Japan.

The notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In preparing these statements, the Company makes certain reclassifications and rearrangements to the consolidated financial statements prepared in Japan in order to present these statements in a form which is more familiar to readers outside Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The Company had 31 subsidiaries and 11 affiliates as of March 31, 2021. The consolidated financial statements included the accounts of the Company and 31 subsidiaries as of March 31, 2021.

For the purpose of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Furukawa Group have been eliminated.

Certain foreign subsidiaries have been included on the basis of a fiscal year ended on December 31, but prior to the parent company's fiscal year ended on March 31. Relevant adjustments have been made for significant transactions with such subsidiaries during the intervening period from January 1 to March 31.

Investments in subsidiaries and affiliates which are not accounted for by the equity method are carried at cost because of their immaterial impact on the consolidated financial statements.

(2) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased.

(3) Short-Term Investments and Investment Securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. The Furukawa Group does not hold any trading or held-to-maturity securities as of March 31, 2021 and 2020. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Fair value is determined based on the average of the market value during the last month of the fiscal year. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(4) Inventories

Finished products and work in process relating to copper products are stated at cost determined by the moving average method (the balance sheet amounts of inventories are stated at the lowered book values reflecting potential decline in profitability). Other inventories are mainly stated at cost determined by the average method (the balance sheet amounts of inventories are stated at the lowered book values reflecting potential decline in profitability).

(5) Allowance for Doubtful Accounts

In order to cover probable losses on collection, allowance for doubtful accounts is calculated based on the historical default rates for normal receivables plus the estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers who are experiencing financial difficulties.

(6) Provision for Environmental Measures

Provision for environmental measures is provided to cover disposal costs anticipated to be incurred with respect to the Law Concerning Special Measures for Promotion of Proper Treatment of PCB Wastes.

(7) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment except for lease assets is mainly calculated by the straight-line method based on the estimated useful lives of the assets. The range of useful lives of property, plant and equipment is summarized as follows:

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 22 years

Amortization is calculated by the straight-line method for intangible assets except for lease assets.

Depreciation of lease assets arising from finance lease transactions that do not involve transfer of ownership is calculated by the straight-line method over the lease term with no residual value.

(8) Retirement Benefits

The retirement benefit obligation for employees is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (mainly 15 years) which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 15 years) which are shorter than the average remaining years of service of the employees.

Unrecognized actuarial gains and losses and unrecognized prior service costs are recorded in "Retirement benefits liability adjustments" in net assets after adjusting income tax effect.

(9) Surplus on the Revaluation of Land

Pursuant to the Law Concerning the Revaluation of Land, land used for the Company's business operations was revalued on March 31, 2002. The income tax effect of the difference between the book value and the revalued amount has been presented under liabilities as "Deferred tax liabilities on surplus on the revaluation of land" and the remaining balance has been presented under net assets as "Surplus on the revaluation of land, net of income taxes" in the accompanying consolidated balance sheets. Revaluation of land was determined based on the official notice prices published by the Commissioner of the National Tax Authorities in accordance with Paragraph 4, Article 2 of the "Enforcement Ordinance Concerning Land Revaluation," with relevant adjustments. The carrying value of the land after revaluation exceeded its fair value by ¥1,481 million ($13,385 thousand) and ¥1,440 million as of March 31, 2021 and 2020, respectively.

(10) Income Taxes

Current income taxes comprising corporation tax, enterprise tax and inhabitants' taxes are provided for based on amounts currently payable for each year. Deferred income taxes arising from temporary differences between financial reporting and tax bases of the assets and liabilities, which were measured using the enacted tax rates and laws that will be in effect when the temporary differences are expected to reverse, are reflected in the consolidated financial statements.

The Company and its domestic wholly owned subsidiaries file a consolidated corporation tax return.

(11) Amounts per Share

Profit attributable to owners of parent per share is computed based on the profit available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Net assets per share are computed based on the net assets excluding non-controlling interests and the number of common stock outstanding at the year-end.

(12) Foreign Currency Translation

Foreign currency-denominated monetary assets and liabilities are translated into Japanese yen using the rates of exchange in effect at the balance sheet date. Differences arising from the translation are included in the consolidated statement of income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding non-controlling interests, which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as "Translation adjustments" and "Non-controlling interests" in the consolidated financial statements.

(13) Hedging Activities

The Furukawa Group uses derivative financial instruments for the purpose of hedging the risks of adverse fluctuations in foreign exchange rates on the trade receivables, trade payables and forecast transactions denominated in foreign currencies, commodity prices and interest rates. All derivative financial instruments except those below are stated at fair value and related gain or loss on the changes in the fair values of derivative financial instruments is deferred as a component of net assets in the balance sheet until the recognition of gain or loss on hedged items when those derivative financial instruments qualify for hedge accounting.

Trade receivables, trade payables and forecast transactions denominated in foreign currencies are translated at the contracted rates if the relating forward contracts qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not carried at fair value, but any differences paid or received on the interest rate swaps are recognized as adjustments to interest expense or income over the life of each swap, thereby adjusting the effective interest rate on the hedged items.

(14) Shareholders' Equity

The Company Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

(15) Adoption of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

With respect to items for which a review of the Non-Consolidated Taxation System was made in line with the transition to the Group tax sharing system established under the Act for Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020) and the transition to the Group tax sharing system, the Company and some of its domestic consolidated subsidiaries have not applied the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Guidance No. 28 issued February 16, 2018) in accordance with the treatment set out in Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (Practical Issues Task Force (PITF) No. 39 issued March 31, 2020) and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of tax laws before the revision.

3. Significant Accounting Estimates

(1) Retirement Benefit Plans

The amount recorded in the consolidated financial statements for the year ended March 31, 2021 is as follows:

	Millions of yen	Thousands of U.S. dollars
Assets for retirement benefits	**¥ 194**	**$ 1,753**
Liability for retirement benefits	**2,709**	**24,468**

The employees of the Company and most of its domestic consolidated subsidiaries are covered by defined benefit corporate pension plans and non-contributory funded employee pension plans as defined benefit plans. Assets for retirement benefits and liability for retirement benefits are recorded based on retirement benefit obligations and pension assets for the year ended March 31, 2021. Retirement benefit obligations and pension assets are calculated based on mathematical assumptions such as discount rates and expected rates of return on plan assets.

The Furukawa Group uses a yield curve equivalence approach primarily to determine discount rates. Specifically, we assign the yield on the Japanese Government Bond (JGB) yield curve corresponding to the expected year of payment to the expected retirement benefit for each fiscal year, and determine as a weighted-average discount rate a single discount rate that results in equal results between retirement benefit obligations calculated by summing the results of calculating the discount present value and retirement benefit obligations calculated as discount present value by a single discount rate. The discount rates for the Furukawa Group are mainly 0.4%.

The Furukawa Group determines expected rates of return on plan assets mainly by evaluating the past management performance of pension assets and forecasts for future earnings. Expected rates of return on plan assets for the Furukawa Group are mainly 2.0%.

If there is a difference between actual results and preconditions for discount rate or expected rates of return on plan assets adopted as the basis for calculating retirement benefit obligations, or if the preconditions change, it may affect the amount of retirement benefit obligations and retirement benefit expenses.

The effect on the consolidated financial statements of the decline in the discount rates and expected rates of return on plan assets was as follows:

	Millions of yen	
	Effect on retirement benefit obligations	Effect on retirement benefit expenses
Discount rates: 1% drop	**Increase of ¥161**	**Increase of ¥11**
Expected rates of return on plan assets: 1% drop	—	**Increase of ¥52**

	Thousands of U.S. dollars	
	Effect on retirement benefit obligations	Effect on retirement benefit expenses
Discount rates: 1% drop	**Increase of $1,450**	**Increase of $97**
Expected rates of return on plan assets: 1% drop	—	**Increase of $467**

(2) Sales Based on the Percentage of Completion Method

The amount recorded in the consolidated financial statements for the year ended March 31, 2021 is as follows:

	Millions of yen	Thousands of U.S. dollars
Sales based on percentage of completion method	**¥4,124**	**$37,243**

Furukawa Industrial Machinery Systems Co., Ltd., a consolidated subsidiary of the Furukawa Group, applies the percentage-of-completion method for the portion of work completed up to the end of the current period for construction contracts for which completion is deemed to be certain (the cost-to-cost method is used in estimating progress toward completion), and applies the completed contract method to other construction. In applying the percentage-of-completion method, it is necessary to rationally estimate the total construction revenue, total cost of construction and the progress of construction as of March 31, 2021. The total cost of construction, which is the basis for revenue recognition by the percentage of completion method, is estimated using the execution budget for each construction contract.

Since construction is highly individual for each project, and the work and work content related to the construction are carried out in accordance with the customer's requirements, it is difficult to obtain a single judgment scale when estimating the total cost of construction. Accordingly, the estimate of the total cost of construction involves certain assumptions and determinations that are based on specialized knowledge of and experience in construction, and are subject to uncertainty.

Since construction is generally long-term, changes in construction contracts during construction progress, delays in construction due to bad weather, and fluctuations in construction material unit prices and labor unit prices may occur. Therefore, timely and appropriate review of total construction costs is complicated. Any change to the assumption for an estimate of the total cost of construction may have a significant effect on the amount recognized in the consolidated financial statements for the following fiscal year.

4. New Accounting Standards Not Adopted as Yet

(1) Accounting Standard for Revenue Recognition and Related Implementation Guidance

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued March 26, 2021)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued March 31, 2020)

1. Overview

In May 2014, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly issued Revenue from Contracts with Customers (IFRS 15 under IFRS and Topic 606 under U.S. generally accepted accounting principles (U.S. GAAP)), a converged standard on the recognition of revenue from contracts with customers. In light of IFRS 15's mandatory application for annual reporting periods beginning on or after December 16, 2017, the ASBJ had projected the development of a comprehensive accounting standard for revenue recognition and issued the corresponding accounting standard and the implementation guidance. The basic policy on development of the accounting standard by the ASBJ is basically based on IFRS 15, from the standpoint of comparability of the financial statements between IFRS and Japanese GAAP. Also, certain additional alternative treatments that do not impair comparability are provided where current practices under Japanese GAAP should be addressed.

2. Scheduled date of adoption

The Company and its domestic consolidated subsidiaries plan to adopt the accounting standard and related implementation guidance from the beginning of the year ending March 31, 2022.

3. The effect of adoption of the revised accounting standard and related implementation guidance

There is no significant effect of the adoption of the accounting standard and related implementation guidance on the consolidated financial statements.

(2) Accounting Standard for Fair Value Measurement and Related Implementation Guidance

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued March 31, 2020)

1. Overview

The IASB and the FASB have provided similar detailed guidance on fair value measurement (IFRS 13 Fair Value Measurement by the IASB, and Fair Value Measurement (Topic 820) by the FASB). Given this situation, the ASBJ issued "Accounting Standard for Fair Value Measurement," etc., as a result of its initiatives mainly to promote the consistency between Japanese accounting standards and international accounting standards regarding guidance for fair value measurement and required disclosures.

The basic objective of the ASBJ in developing the accounting standard for fair value measurement was to enhance comparability between financial statements of domestic and foreign entities, through a unified measuring method. Accordingly, the accounting standard fundamentally incorporates the basic policies of IFRS 13. Furthermore, where there are items that should be considered to reflect business practices in Japan, exceptional treatments have been established for certain items to the extent that comparability is not impaired.

2. Scheduled date of adoption

The Company and its domestic consolidated subsidiaries plan to adopt the accounting standard and related implementation guidance from the beginning of the year ending March 31, 2022.

3. The effect of adoption of the revised accounting standard and related implementation guidance

The Company and its domestic consolidated subsidiaries have not yet determined the effect of the adoption of the accounting standard and related implementation guidance on the consolidated financial statements.

5. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥110.72=US$1.00, the exchange rate prevailing on March 31, 2021. This translation should not be construed as a representation that yen have been, could have been or could in the future be converted into U.S. dollars at the above or any other rate.

6. Investment Securities

The aggregate acquisition cost, carrying value and unrealized gain or loss pertaining to the marketable other securities as of March 31, 2021 and 2020 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2021			2021		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Listed stocks	**¥ 27,992**	**¥ 12,698**	**¥ 15,295**	**$ 252,820**	**$ 114,681**	**$ 138,139**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	27,992	**12,698**	**15,295**	**252,820**	**114,681**	**138,139**
Securities whose carrying value does not exceed their acquisition cost:						
Listed stocks	**1,145**	**1,207**	**(63)**	**10,337**	**10,904**	**(567)**
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
	1,145	**1,207**	**(63)**	**10,337**	**10,904**	**(567)**
Total	**¥ 29,137**	**¥ 13,905**	**¥ 15,232**	**$ 263,157**	**$ 125,586**	**$ 137,571**

	Millions of yen		
	2020		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Listed stocks	¥ 14,717	¥ 7,152	¥ 7,565
Government bonds	—	—	—
Corporate bonds	—	—	—
	14,717	7,152	7,565
Securities whose carrying value does not exceed their acquisition cost:			
Listed stocks	7,561	8,792	(1,231)
Government bonds	—	—	—
Corporate bonds	—	—	—
	7,561	8,792	(1,231)
Total	¥ 22,278	¥ 15,944	¥ 6,335

Gain on sales of securities classified as other securities with aggregate gains for the years ended March 31, 2021 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Sales proceeds	**¥ 5,551**	¥ 345	**$ 50,140**
Aggregate gains	**4,078**	20	**36,834**
Aggregate losses	**—**	(2)	**—**

7. Short-Term Debt, Long-Term Debt and Lease Obligations

Short-term debt, most of which are unsecured, represented notes payable to banks, with the average interest rates of 0.4% and 0.7% as of March 31, 2021 and 2020, respectively.

Long-term debt as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Loans, principally from banks, insurance companies and government agencies, most of which are secured, due 2021 to 2038	**¥ 61,246**	¥ 61,842	**$ 553,162**
	61,246	61,842	**553,162**
Current portion of long-term debt	**(2,139)**	(3,011)	**(19,316)**
	¥ 59,107	¥ 58,831	**$ 533,846**

The average interest rates applicable to the above debt amounting to ¥61,246 million ($553,162 thousand) and ¥61,842 million were 0.6% and 0.6% as of March 31, 2021 and 2020, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	**2021**	
2022	**¥ 2,139**	**$ 19,316**
2023	**5,171**	**46,705**
2024	**9,076**	**81,970**
2025	**6,016**	**54,333**
2026	**3,426**	**30,946**
2027 and thereafter	**35,418**	**319,892**
	¥ 61,246	**$ 553,162**

Lease obligations as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Lease obligations due 2020 to 2027	**¥ 613**	¥ 664	**$ 5,537**
	613	664	**5,537**
Current portion of lease obligations	**(219)**	(222)	**(1,980)**
	¥ 394	¥ 443	**$ 3,557**

The aggregate annual maturities of lease obligations subsequent to March 31, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	**2021**	
2022	**¥ 219**	**$ 1,980**
2023	**163**	**1,476**
2024	**101**	**911**
2025	**74**	**670**
2026	**43**	**388**
2027 and thereafter	**12**	**111**
	¥ 613	**$ 5,537**

The Company and certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥39,344 million ($355,345 thousand) with 23 banks and ¥38,102 million with 23 banks as of March 31, 2021 and 2020, respectively. The borrowings outstanding and the unused balances under these credit facilities amounted to ¥8,437 million ($76,200 thousand) and ¥30,907 million ($279,145 thousand), respectively, as of March 31, 2021, and amounted to ¥7,663 million and ¥30,440 million, respectively, as of March 31, 2020.

Assets pledged as collateral and liabilities with collateral pledged as of March 31, 2021 and 2020 were as follows:

(a) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Property, plant and equipment, net	**¥ 1,312**	¥ 1,321	**$ 11,852**

(b) Liabilities with collateral pledged

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Long-term debt (including current portion)	**¥ 1,371**	¥ 1,556	**$ 12,383**

8. Net Assets

Types and number of shares issued and in treasury

	Thousands of shares			
	As of March 31, 2020	Increase	Decrease	As of March 31, 2021
Shares issued:				
Common stock	40,446	—	—	40,446
Total	40,446	—	—	40,446
Treasury stock:				
Common stock (Note)	1,229	141	—	1,370
Total	1,229	141	—	1,370

Note: The increase of 141 thousand shares of equity in treasury stock was due to the purchase of shares based on the resolution of the Board of Directors on November 26, 2020.

The increase of 0 thousand shares of equity in treasury stock was due to the purchase of shares of less than a standard unit.

Types and number of shares issued and in treasury

	Thousands of shares			
	As of March 31, 2019	Increase	Decrease	As of March 31, 2020
Shares issued:				
Common stock	40,446	—	—	40,446
Total	40,446	—	—	40,446
Treasury stock:				
Common stock (Note)	904	325	—	1,229
Total	904	325	—	1,229

Note: The increase of 325 thousand shares of equity in treasury stock was due to the purchase of shares based on the resolution of the Board of Directors on February 26, 2020.

The increase of 0 thousand shares of equity in treasury stock was due to the purchase of shares of less than a standard unit.

9. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Unrealized holding gain (loss) on securities, net of income taxes:			
Amounts arising during the year	**¥ 12,403**	¥ (5,931)	**$ 112,024**
Reclassification adjustments for gains and losses included in profit	**(4,078)**	1,021	**(36,834)**
Amounts before tax effect	**8,325**	(4,910)	**75,190**
Tax effect	**(2,384)**	927	**(21,529)**
Unrealized holding gain (loss) on securities, net of income taxes	**5,941**	(3,983)	**53,661**
Deferred gain (loss) on hedges:			
Amounts arising during the year	**2,913**	(805)	**26,311**
Adjustments on the acquisition cost of assets	**(1,969)**	364	**(17,785)**
Amounts before tax effect	**944**	(441)	**8,526**
Tax effect	**(302)**	106	**(2,728)**
Deferred gain (loss) on hedges	**642**	(334)	**5,798**
Translation adjustments:			
Amounts arising during the year	**(435)**	(43)	**(3,927)**
Retirement benefits liability adjustments:			
Amounts arising during the year	**6,871**	(594)	**62,054**
Reclassification adjustments for gains and losses included in profit	**(5)**	(1)	**(47)**
Amounts before tax effect	**6,865**	(595)	**62,006**
Tax effect	**(2,109)**	188	**(19,046)**
Retirement benefits liability adjustments	**4,757**	(407)	**42,960**
Share of other comprehensive income (loss) of affiliates accounted for using equity method:			
Amounts arising during the year	**(77)**	83	**(695)**
Reclassification adjustments for gains and losses included in profit	**46**	(17)	**413**
Share of other comprehensive income (loss) of affiliates accounted for using equity method	**(31)**	66	**(282)**
Total other comprehensive income (loss)	**¥ 10,874**	¥ (4,702)	**$ 98,210**

10. Research and Development Expenses

Research and development expenses, included in selling, general and administrative expenses and cost of sales, for the years ended March 31, 2021 and 2020 amounted to ¥1,164 million ($10,515 thousand) and ¥1,178 million, respectively.

11. Leases

Leases' accounting

Finance lease transactions that do not involve transfer of ownership

1. Leased asset quality

   Tangible assets

   Mainly machinery and equipment

2. Depreciation method of leased assets

   Please refer to "(7) Property, Plant and Equipment and Depreciation" in "2. Summary of Significant Accounting Policies."

12. Financial Instruments

1. Overview

(1) Policy for financial instruments

In consideration of the annual financial plan, the Furukawa Group raises funds through mainly bank borrowings and bond issues. Further, the Furukawa Group raises short-term capital through mainly bank borrowings. The Furukawa Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivables—are exposed to credit risk in relation to customers. In addition, the Furukawa Group is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. In principle, the foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies are hedged by forward foreign exchange contracts.

Investment securities are exposed to market risk. Those securities are composed of mainly the shares of common stock of other companies with which the Furukawa Group has business relationships.

Substantially all trade payables—trade notes, electronically recorded obligations and accounts payables—have payment due dates within one year.

Short-term debt is raised mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Furukawa Group utilizes rate swap transactions as a hedging instrument for each contract. The assessment of effectiveness is omitted since it meets conditions of specific matching criteria for interest rate swap.

Regarding derivatives, the Furukawa Group enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The Furukawa Group also enters into interest rate swap transactions to reduce fluctuation risk deriving from interest payable for debt bearing interest at variable rates. In addition, the Furukawa Group enters into forward commodity exchange contracts to reduce fluctuation risk of the commodity price of inventories. Information regarding the method of hedge accounting, hedging instruments, hedged items, hedging policy and the assessment of effectiveness of hedging activities is found in "(13) Hedging Activities" in "2. Summary of Significant Accounting Policies."

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Furukawa Group for managing credit risk arising from receivables, each related division monitors the creditworthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer.

In utilizing derivatives, the Furukawa Group has transactions with major financial institutions or trading companies which have high credit to reduce credit risk.

(b) Monitoring of market risk (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Furukawa Group identifies the foreign currency exchange risk for each currency on a monthly basis and principally enters into forward foreign exchange contracts to hedge such risk. In order to mitigate the interest rate risk for loans payable and bonds bearing interest at variable rates, the Furukawa Group enters into interest rate swap transactions.

For investment securities, the Furukawa Group periodically reviews the fair values of such financial instruments.

In conducting or managing derivative transactions, each division makes transactions by approval of the directors of transaction-related divisions.

(c) Monitoring of liquidity risk (the risk that the Furukawa Group may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Furukawa Group prepares and updates its cash flow plans on a monthly basis to manage liquidity risk.

(4) Supplementary explanation on the estimated fair value of financial instruments

The value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in "13. Derivative Transactions" are not necessarily indicative of the actual market risk involved in derivative transactions.

2. Estimated fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2021 and 2020 and estimated fair value are shown as follows. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below.)

	Millions of yen			Thousands of U.S. dollars		
	2021			**2021**		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:						
(1) Cash and cash equivalents	**¥ 17,749**	**¥ 17,749**	**¥ —**	**$ 160,303**	**$ 160,303**	**$ —**
(2) Receivables—trade	**28,030**	**28,030**	**—**	**253,164**	**253,164**	**—**
(3) Investment securities	**29,137**	**29,137**	**—**	**263,157**	**263,157**	**—**
Total assets	**74,916**	**74,916**	**—**	**676,624**	**676,624**	**—**
Liabilities:						
(1) Payables—trade	**¥ 11,639**	**¥ 11,639**	**¥ —**	**$ 105,119**	**$ 105,119**	**$ —**
(2) Electronically recorded obligations	**6,863**	**6,863**	**—**	**61,988**	**61,988**	**—**
(3) Accounts payable—other	**10,512**	**10,512**	**—**	**94,940**	**94,940**	**—**
(4) Short-term debt (*1)	**8,437**	**8,437**	**—**	**76,200**	**76,200**	**—**
(5) Long-term debt (*1)	**61,246**	**62,071**	**825**	**553,162**	**560,614**	**7,452**
Total liabilities	**98,697**	**99,522**	**825**	**891,410**	**898,863**	**7,452**
Derivatives (*2)	**¥ 526**	**¥ 526**	**¥ —**	**$ 4,753**	**$ 4,753**	**$ —**

	Millions of yen		
	2020		
	Carrying value	Estimated fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥ 12,647	¥ 12,647	¥ —
(2) Receivables—trade	30,653	30,653	—
(3) Investment securities	22,278	22,278	—
Total assets	65,579	65,579	—
Liabilities:			
(1) Payables—trade	¥ 9,532	¥ 9,532	¥ —
(2) Electronically recorded obligations	10,331	10,331	—
(3) Accounts payable—other	12,651	12,651	—
(4) Short-term debt (*1)	8,570	8,570	—
(5) Long-term debt (*1)	61,842	62,586	744
Total liabilities	102,927	103,671	744
Derivatives (*2)	¥ 418	¥ 418	¥ —

(*1) Current portion of long-term debt is included in long-term debt.

(*2) The value of assets and liabilities arising from derivatives is shown at net value, with the amount in parentheses representing net liability position.

Notes:

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

(1) Cash and cash equivalents and (2) Receivables—trade

Since these items are settled in a short period of time, their carrying value approximates fair value.

(3) Investment securities

The fair value of stocks is based on market prices. For information on securities classified by holding purpose, please refer to "6. Investment Securities" to the consolidated financial statements.

Liabilities

(1) Payables—trade, (2) Electronically recorded obligations, (3) Accounts payable—other and (4) Short-term debt

Since these items are settled in a short period of time, their carrying value approximates fair value.

(5) Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into.

Derivative transactions

Please refer to "13. Derivative Transactions" to the consolidated financial statements.

2. Financial instruments of which it is extremely difficult to determine the fair value as of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Unlisted stocks	**¥ 5,312**	¥ 5,058	**$ 47,982**

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above table of "(3) Investment securities."

3. Redemption schedule for receivables and marketable securities with maturities after March 31, 2021 and 2020 are as follows:

For the year ended March 31, 2021

Millions of yen	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash deposits	**¥ 17,725**	**¥ —**	**¥ —**	**¥ —**
Receivables—trade	**28,030**	**—**	**—**	**—**
Total	**¥ 45,756**	**¥ —**	**¥ —**	**¥ —**

For the year ended March 31, 2020

Millions of yen	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash deposits	¥ 12,621	¥ —	¥ —	¥ —
Receivables—trade	30,653	—	—	—
Total	¥ 43,274	¥ —	¥ —	¥ —

For the year ended March 31, 2021

Thousands of U.S. dollars	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash deposits	**$ 160,092**	**$ —**	**$ —**	**$ —**
Receivables—trade	**253,164**	**—**	**—**	**—**
Total	**$ 413,256**	**$ —**	**$ —**	**$ —**

4. The redemption schedule for long-term debt is disclosed in "7. Short-Term Debt, Long-Term Debt and Lease Obligations."

13. Derivative Transactions

The notional amounts and estimated fair value of the derivative instruments outstanding as of March 31, 2021 and 2020 for which hedged accounting have been applied are as follows:

1. Currency-related transactions

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2021		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	**¥ 396**	**—**	**¥ (7)**
	EUR	Accounts receivables	**136**	**—**	**0**
	U.S. dollars	Accounts payables	**4,987**	**—**	**(209)**
Allocation method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	**¥ —**	**—**	**(*)**
	EUR	Accounts receivables	**—**	**—**	**(*)**
	Buy:				
	U.S. dollars	Accounts payables	**¥ 1,962**	**—**	**(*)**

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2020		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	¥ 256	—	¥ 4
	EUR	Accounts receivables	93	—	1
	U.S. dollars	Accounts payables	3,275	—	9
Allocation method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	¥ 153	—	(*)
	EUR	Accounts receivables	328	—	(*)
	Buy:				
	U.S. dollars	Accounts payables	¥ 4,083	—	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2021		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	**$ 3,577**	**—**	**$ (61)**
	EUR	Accounts receivables	**1,230**	**—**	**0**
	U.S. dollars	Accounts payables	**45,039**	**—**	**(1,885)**
Allocation method	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	Accounts receivables	**$ —**	**—**	**(*)**
	EUR	Accounts receivables	**—**	**—**	**(*)**
	Buy:				
	U.S. dollars	Accounts payables	**$ 17,724**	**—**	**(*)**

Note: The fair values of forward foreign exchange contracts are based on exchange rates or prices provided by financial institutions.

(*) The fair values by means of the allocation method for forward foreign exchange contracts are included in the fair values of the hedged accounts receivables and payables because the derivative transactions are treated as a part of hedged accounts receivables and payables.

2. Interest-related transactions

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2021		
			Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	**¥ 11,918**	**¥ 11,348**	**(*)**

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2020		
			Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	¥ 12,533	¥ 11,917	(*)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2021		
			Contract amounts	Maturing after one year	Fair value
Special accounting procedure for interest rate swap	Receive/floating and pay/fixed	Long-term debt	**$ 107,636**	**$ 102,488**	**(*)**

(*) The fair values by means of the special accounting procedure for interest rate swap are included in the fair values of the hedged long-term debt because the derivative transactions are treated as a part of hedged long-term debt.

3. Commodity-related transactions

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2021		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell:				
	Copper	Raw material	**¥ —**	**¥ —**	**¥ —**
	Buy:				
	Copper	Raw material	**¥ 9,115**	**¥ 25**	**¥ 742**

Millions of yen

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2020		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell:				
	Copper	Raw material	¥ —	¥ —	¥ —
	Buy:				
	Copper	Raw material	¥ 6,944	¥ 28	¥ (432)

Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Major object of hedge	As of March 31, 2021		
			Contract amounts	Maturing after one year	Fair value
Principal method	Forward product contracts				
	Sell:				
	Copper	Raw material	**$ —**	**$ —**	**$ —**
	Buy:				
	Copper	Raw material	**$ 82,323**	**$ 227**	**$ 6,699**

Note: The fair values of forward product contracts are based on prices provided by trading companies.

14. Retirement Benefit Plans

For the year ended March 31, 2021

The employees of the Company and most of its domestic consolidated subsidiaries are covered by defined benefit corporate pension plans and non-contributory funded employee pension plans as defined benefit plans. The employee retirement benefit plans provide for lump-sum payments. The employee pension plans, which are funded, were instituted to replace a certain portion of the benefits under the retirement benefit plans with respect to employees who retire at the mandatory retirement age. Certain consolidated subsidiaries (both domestic and foreign) have defined contribution plans.

The Company revised its retirement benefit plans on April 1, 2020, shifting from the final salary proportional system to the points system, extending the mandatory retirement age from 60 to 65 years old, and extending the age of old age benefit payment under the defined benefit corporate pension system from 60 to 65 years old.

As a result of this revision, prior service cost (reduction of retirement benefit obligations) of ¥3,873 million ($35,589 thousand) is incurred in the year ended March 31, 2021, and is amortized using the straight-line method over a certain number of years (15 years) within the average remaining years of service of the employees.

The changes in the retirement benefit obligation during the year ended March 31, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2021	
Retirement benefit obligation at April 1, 2020	¥ 19,444	$ 175,610
Service cost	1,004	9,071
Interest cost	83	753
Actuarial loss	(28)	(256)
Retirement benefits paid	(552)	(4,989)
Prior service cost	(3,873)	(34,981)
Exchange translation adjustment	(98)	(881)
Other	—	—
Retirement benefit obligation at March 31, 2021	¥ 15,980	$ 144,328

The changes in plan assets during the year ended March 31, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2021	
Plan assets at April 1, 2020	¥ 10,278	$ 92,825
Expected return on plan assets	204	1,843
Actual loss	2,762	24,943
Contributions by the Company	815	7,364
Retirement benefits paid	(489)	(4,419)
Exchange translation adjustment	(104)	(944)
Others	—	—
Plan assets at March 31, 2021	¥ 13,465	$ 121,613

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2021 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen	Thousands of U.S. dollars
	2021	
Funded retirement benefit obligation	¥ 15,281	$ 138,019
Plan assets at fair value	(13,465)	(121,613)
	1,817	16,407
Unfunded retirement benefit obligation	698	6,309
Net liability for retirement benefits in the balance sheet	2,515	22,715
Liability for retirement benefits	2,709	24,468
Assets for retirement benefits	(194)	(1,753)
Net liability for retirement benefits in the balance sheet	¥ 2,515	$ 22,715

The components of retirement benefit expense for the year ended March 31, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2021	
Service cost	¥ 1,004	$ 9,071
Interest cost	83	753
Expected return on plan assets	(204)	(1,843)
Amortization of prior service cost	(234)	(2,112)
Amortization of actuarial loss	408	3,684
Retirement benefit expense	¥ 1,058	$ 9,554

Note: Retirement benefit expense for consolidated subsidiaries adopting the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year-end are included in "Service cost."

Prior service cost and actuarial loss included in other comprehensive income (before tax effect) as of March 31, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2021	
Prior service cost	¥ 3,639	$ 32,869
Actuarial loss	3,231	29,185
Total	¥ 6,871	$ 62,054

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2021	
Unrecognized prior service cost	¥ (3,507)	$ (31,677)
Unrecognized actuarial loss	764	6,898
Total	¥ (2,744)	$ (24,780)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2021 are as follows:

	2021
Bonds	19%
Stocks	59%
Cash on hand and in banks	2%
Other	20%
Total	100%

Note: 47% of total plan assets are in a Retirement Benefit Trust for corporate pension plans and non-contributory funded employee pension plans.

Matters related to the actual assumption

Major actuarial assumptions at the end of the period:

Discount rates	mainly 0.4%
Expected rates of return on plan assets	mainly 2.0%
Expected rates of salary increase	7.4%

Defined contribution plan

The amount which a consolidated subsidiary has contributed or is obligated to contribute to the plan for the year ended March 31, 2021 is ¥17 million ($154 thousand).

The changes in the retirement benefit obligation during the year ended March 31, 2020 are as follows:

	Millions of yen
	2020
Retirement benefit obligation at April 1, 2019	¥ 20,136
Service cost	886
Interest cost	97
Actuarial loss	(183)
Retirement benefits paid	(1,475)
Prior service cost	—
Exchange translation adjustment	(17)
Other	—
Retirement benefit obligation at March 31, 2020	¥ 19,444

The changes in plan assets during the year ended March 31, 2020 are as follows:

	Millions of yen
	2020
Plan assets at April 1, 2019	¥ 11,545
Expected return on plan assets	218
Actual loss	(1,125)
Contributions by the Company	351
Retirement benefits paid	(690)
Exchange translation adjustment	(21)
Others	—
Plan assets at March 31, 2020	¥ 10,278

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2020 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen
	2020
Funded retirement benefit obligation	¥ 18,770
Plan assets at fair value	(10,278)
	8,492
Unfunded retirement benefit obligation	674
Net liability for retirement benefits in the balance sheet	9,166
Liability for retirement benefits	9,511
Assets for retirement benefits	(345)
Net liability for retirement benefits in the balance sheet	¥ 9,166

The components of retirement benefit expense for the year ended March 31, 2020 are as follows:

	Millions of yen
	2020
Service cost	¥ 886
Interest cost	97
Expected return on plan assets	(218)
Amortization of prior service cost	24
Amortization of actuarial loss	315
Retirement benefit expense	¥ 1,104

Note: Retirement benefit expense for consolidated subsidiaries adopting the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year-end are included in "Service cost."

Prior service cost and actuarial loss included in other comprehensive income (before tax effect) as of March 31, 2020 are as follows:

		Millions of yen
		2020
Prior service cost	¥	24
Actuarial loss		(618)
Total	¥	(594)

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2020 are as follows:

		Millions of yen
		2020
Unrecognized prior service cost	¥	132
Unrecognized actuarial loss		3,995
Total	¥	4,127

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2020 are as follows:

	2020
Bonds	20%
Stocks	51%
Cash on hand and in banks	2%
Other	27%
Total	100%

Note: 41% of total plan assets are in a Retirement Benefit Trust for corporate pension plans and non-contributory funded employee pension plans.

Matters related to the actual assumption
Major actuarial assumptions at the end of the period:

Discount rates	mainly 0.2%
Expected rates of return on plan assets	mainly 2.0%
Expected rates of salary increase	3.6%–5.3%

Defined contribution plan
The amount which a consolidated subsidiary has contributed or is obligated to contribute to the plan for the year ended March 31, 2020 is ¥19 million.

15. Income Taxes

The reconciliation between the effective tax rate reflected in the consolidated statement of income and the statutory tax rate for the years ended March 31, 2021 and 2020 are summarized as follows:

	2021	2020
Statutory tax rate	**30.6%**	30.6%
Non-deductible expenses for tax purposes	**0.2**	0.4
Non-taxable dividends and other income	**(0.6)**	(1.0)
Tax deduction such as R&D expenses	**(1.4)**	(2.0)
Inhabitants' per capital tax	**0.7**	1.0
Equity in earnings and losses of affiliates	**(1.1)**	0.2
Undistributed profits of subsidiaries	**1.1**	0.4
Changes in valuation allowance	**(5.5)**	3.2
Different tax rates applied to subsidiaries	**(0.2)**	(0.2)
Adjustment of profit and loss on transfer	**—**	2.0
Other	**(1.2)**	1.7
Effective tax rate	**22.6%**	36.3%

Deferred tax assets and liabilities as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Deferred tax assets:			
Liability for retirement benefits	**¥ 5,466**	¥ 7,534	**$ 49,372**
Investment securities	**1,540**	2,284	**13,906**
Net operating loss carryforwards	**3,414**	3,800	**30,837**
Land	**1,725**	1,725	**15,582**
Other	**1,152**	1,378	**10,403**
Total gross deferred tax assets	**13,297**	16,721	**120,099**
Valuation allowance for net operating loss carryforwards	**(3,668)**	(3,668)	**(30,427)**
Valuation allowance for total amount of deductible temporary difference and others	**(3,657)**	(4,437)	**(33,030)**
Total valuation allowance	**(7,026)**	(8,105)	**(63,456)**
Total deferred tax assets	**6,271**	8,616	**56,643**
Deferred tax liabilities:			
Statutory reserves provided for tax purposes	**(1,169)**	(1,253)	**(10,562)**
Gain from establishment of trust for retirement benefit plans	**(3,020)**	(3,020)	**(27,274)**
Land	**(7,169)**	(7,188)	**(64,747)**
Unrealized holding gain on securities	**(3,928)**	(1,544)	**(35,473)**
Other	**(747)**	(510)	**(6,746)**
Total deferred tax liabilities	**(16,033)**	(13,515)	**(144,803)**
Net deferred tax liabilities	**¥ (9,761)**	¥ (4,899)	**$ (88,160)**
Deferred tax liabilities on surplus on the revaluation of land	**¥ (1,402)**	¥ (1,408)	**$ (12,667)**

16. Contingent Liabilities

Contingent liabilities as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Notes receivables discounted and endorsed	**¥ 120**	¥ 151	**$ 1,080**
Loans guaranteed	**2,214**	2,847	**19,998**
Repurchase obligation of the securitization of receivables	**1,342**	1,469	**12,123**

17. Write-Down of Inventories

The amount of write-down of inventories included in cost of sales for the year ended March 31, 2021 totaled ¥345 million ($3,112 thousand). For the year ended March 31, 2020, the Company reversed write-down in the amount of ¥157 million and credited it to cost of sales.

18. Other Income (Expenses)—Other, Net

Other income (expenses)—other, net for the years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Gain on foreign exchange	**¥ 702**	¥ —	**$ 6,340**
Reversal of provision for cost of removal of office tenants	**—**	264	**—**
Gain on sales of noncurrent assets	**25**	655	**229**
Gain on sales of investment securities	**4,078**	20	**36,834**
Payments for idle mines	**(770)**	(715)	**(6,952)**
Foreign exchange losses	**—**	(554)	**—**
Loss on sales of noncurrent assets	**(151)**	(144)	**(1,365)**
Loss on impairment of investment securities	**—**	(1,030)	**—**
Rental building demolition costs	**(731)**	—	**(6,598)**
Impairment loss	**(75)**	(241)	**(675)**
Other, net	**406**	(96)	**3,670**
	¥ 3,486	¥ (1,840)	**$ 31,487**

19. Segment Information

The reportable segments are constituent units of the Furukawa Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocations of management resources and evaluating operating performance.

The Company mainly manufactures and sells machinery, smelts on consignment and sells copper, and manufactures and sells electronics and chemicals.

Under the holdings company structure, each main Group company plans domestic and overseas comprehensive strategies about their products, and the Company manages and supervises them.

The Furukawa Group therefore categorizes segments classified by products based on main Group companies. The seven reportable segments are as follows: Industrial Machinery, Rock Drill Machinery, UNIC Machinery, Metals, Electronics, Chemicals and Real Estate.

Main products and services belonging to each segment are as follows:

(a) Industrial Machinery
Manufacture, sell, conduct installation work and manage operation for pumps, steel structures, steel bridges, industrial machinery (crushers, grinding mills, screens, briquetting machines, material handling systems, environmental machinery, recycling machines and so on) and heat-resistant and wear-resistant castings

(b) Rock Drill Machinery
Manufacture and sell rock drills such as hydraulic breakers, hydraulic crushers, boring drills (air pressure crawler drills, hydraulic crawler drills, down-the-hole drills and so on) tunnel and mining drill jumbos (tunnel drill jumbos, concrete sprayers used in mine cavities, drill jumbos used in mines and so on) and environmental machinery

(c) UNIC Machinery
Manufacture and sell UNIC cranes, mini crawler cranes, ocean cranes and UNIC carriers

(d) Metals
After buying ore, manufacture and sell electrolytic copper, gold, silver and sulfuric acid which is smelted on consignment by joint smelting company, dig and distribute limestone

(e) Electronics
Manufacture and sell high-purity metallic arsenic, crystals, cores and coils, aluminum nitride ceramics and optical components

(f) Chemicals
Manufacture and sell cuprous oxide, ferric polysulfate aqueous solution, aluminum sulfate, sulfuric acid, cuprous dioxide and copper dioxide, and sell titanium dioxide

(g) Real Estate
Trade, intermediate and lease of real estate

The accounting method used for reportable segments is the same as that method stated in "2. Summary of Significant Accounting Policies." Operating income (loss) of reportable segments is based on operating income in the consolidated statement of income. Intersegment sales and transfers are recorded based on the actual market prices.

Segment information of the Furukawa Group for the years ended March 31, 2021 and 2020 was as follows:

Year ended March 31, 2021	Millions of yen				
	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronics
Sales and operating income (loss):					
Outside customers	**¥ 16,682**	**¥ 24,149**	**¥ 27,804**	**¥ 76,095**	**¥ 5,741**
Intersegment	**3,059**	**25**	**121**	**220**	**—**
Total	**19,741**	**24,175**	**27,925**	**76,315**	**5,741**
Operating income (loss)	**¥ 2,114**	**¥ (1,325)**	**¥ 3,180**	**¥ 499**	**¥ 162**
Others:					
Segment assets	**¥ 22,464**	**¥ 34,054**	**¥ 30,126**	**¥ 30,521**	**¥ 6,960**
Depreciation	**357**	**888**	**1,036**	**181**	**282**
Investments in equity-method affiliates	**—**	**—**	**127**	**3,028**	**216**
Increase in tangible fixed assets and intangible fixed assets	**508**	**634**	**1,130**	**74**	**370**

Year ended March 31, 2021	Millions of yen				
	Chemicals	Real Estate	Others	Adjustments	Consolidated
Sales and operating income (loss):					
Outside customers	**¥ 6,367**	**¥ 2,108**	**¥ 756**	**¥ —**	**¥ 159,703**
Intersegment	**55**	**14**	**1,574**	**(5,068)**	**—**
Total	**6,423**	**2,121**	**2,330**	**(5,068)**	**159,703**
Operating income (loss)	**¥ 380**	**¥ 737**	**¥ (83)**	**¥ (71)**	**¥ 5,592**
Others:					
Segment assets	**¥ 16,664**	**¥ 26,811**	**¥ 3,057**	**¥ 47,618**	**¥ 218,275**
Depreciation	**242**	**432**	**86**	**76**	**3,581**
Investments in equity-method affiliates	**—**	**—**	**163**	**—**	**3,534**
Increase in tangible fixed assets and intangible fixed assets	**226**	**5**	**57**	**464**	**3,469**

Year ended March 31, 2020	Millions of yen				
	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronics
Sales and operating income (loss):					
Outside customers	¥ 23,237	¥ 27,663	¥ 31,791	¥ 67,150	¥ 5,506
Intersegment	3,127	30	160	251	1
Total	26,364	27,693	31,951	67,401	5,507
Operating income (loss)	¥ 3,208	¥ 143	¥ 3,993	¥ 302	¥ (35)
Others:					
Segment assets	¥ 25,379	¥ 36,371	¥ 31,095	¥ 27,663	¥ 7,037
Depreciation	336	796	976	177	270
Investments in equity-method affiliates	—	—	113	2,847	215
Increase in tangible fixed assets and intangible fixed assets	278	3,672	740	96	265

Year ended March 31, 2020	Millions of yen				
	Chemicals	Real Estate	Others	Adjustments	Consolidated
Sales and operating income (loss):					
Outside customers	¥ 6,711	¥ 2,386	¥ 771	¥ —	¥ 165,216
Intersegment	51	15	1,639	(5,273)	—
Total	6,762	2,401	2,410	(5,273)	165,216
Operating income (loss)	¥ 510	¥ 736	¥ (95)	¥ (68)	¥ 8,693
Others:					
Segment assets	¥ 16,677	¥ 26,717	¥ 2,595	¥ 36,163	¥ 209,697
Depreciation	206	446	95	53	3,356
Investments in equity-method affiliates	—	—	100	—	3,275
Increase in tangible fixed assets and intangible fixed assets	728	12	(56)	430	6,166

Year ended March 31, 2021	Thousands of U.S. dollars				
	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronics
Sales and operating income (loss):					
Outside customers	**$ 150,670**	**$ 218,112**	**$ 251,121**	**$ 687,274**	**$ 51,853**
Intersegment	**27,628**	**230**	**1,090**	**1,985**	**1**
Total	**178,298**	**218,342**	**252,211**	**689,259**	**51,854**
Operating income (loss)	**$ 19,089**	**$ (11,965)**	**$ 28,722**	**$ 4,511**	**$ 1,459**
Others:					
Segment assets	**$ 202,889**	**$ 307,568**	**$ 272,089**	**$ 275,661**	**$ 62,865**
Depreciation	**3,222**	**8,024**	**9,360**	**1,634**	**2,548**
Investments in equity-method affiliates	**—**	**—**	**1,147**	**27,344**	**1,952**
Increase in tangible fixed assets and intangible fixed assets	**4,586**	**5,726**	**10,207**	**672**	**3,341**

Year ended March 31, 2021	Thousands of U.S. dollars				
	Chemicals	Real Estate	Others	Adjustments	Consolidated
Sales and operating income (loss):					
Outside customers	**$ 57,509**	**$ 19,036**	**$ 6,826**	**$ —**	**$1,442,402**
Intersegment	**500**	**123**	**14,217**	**(45,773)**	**—**
Total	**58,009**	**19,158**	**21,043**	**(45,773)**	**1,442,402**
Operating income (loss)	**$ 3,432**	**$ 6,652**	**$ (746)**	**$ (644)**	**$ 50,509**
Others:					
Segment assets	**$ 150,509**	**$ 242,151**	**$ 27,608**	**$ 430,077**	**$1,971,417**
Depreciation	**2,184**	**3,904**	**779**	**688**	**32,344**
Investments in equity-method affiliates	**—**	**—**	**1,474**	**—**	**31,917**
Increase in tangible fixed assets and intangible fixed assets	**2,043**	**49**	**515**	**4,189**	**31,328**

(Related information)

Years ended March 31, 2021 and 2020

1. Information regarding products and services

Year ended March 31, 2021	Millions of yen			
	Copper	UNIC cranes	Others	Total
Sales for outside customers	**¥ 60,814**	**¥ 18,409**	**¥ 80,480**	**¥ 159,703**

Year ended March 31, 2020	Millions of yen			
	Copper	UNIC cranes	Others	Total
Sales for outside customers	¥ 54,231	¥ 21,446	¥ 89,538	¥ 165,216

Year ended March 31, 2021	Thousands of U.S. dollars			
	Copper	UNIC cranes	Others	Total
Sales for outside customers	**$ 549,263**	**$ 166,265**	**$ 726,874**	**$ 1,442,402**

2. Geographic segment information

(1) Net sales

Year ended March 31, 2021

Millions of yen			
Japan	Asia	Others	Total
¥ 116,530	**¥ 30,616**	**¥ 12,556**	**¥ 159,703**

Year ended March 31, 2020

Millions of yen			
Japan	Asia	Others	Total
¥ 129,339	¥ 21,763	¥ 14,113	¥ 165,216

Year ended March 31, 2021

Thousands of U.S. dollars			
Japan	Asia	Others	Total
$ 1,052,479	**$ 276,517**	**$ 113,406**	**$ 1,442,402**

(2) Property, plant and equipment

The geographic segment information for the years ended March 31, 2021 and 2020 has not been presented, because the total assets in Japan exceed 90% of consolidated totals.

3. Information regarding main customers

Year ended March 31, 2021

	Millions of yen	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	**¥ 24,230**	**Metals**

Year ended March 31, 2020

	Millions of yen	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	¥ 24,409	Metals

Year ended March 31, 2021

	Thousands of U.S. dollars	
Name of customer	Sales volume	Related segment
Furukawa Electric Co., Ltd.	**$218,844**	**Metals**

4. Impairment loss on property, plant and equipment

	Millions of yen									
Year ended March 31, 2021	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronics	Chemicals	Real Estate	Others	Adjustments	Consolidated
Impairment loss on property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**—**	**¥ 60**	**—**	**¥ 15**	**¥ 75**

	Millions of yen									
Year ended March 31, 2020	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronics	Chemicals	Real Estate	Others	Adjustments	Consolidated
Impairment loss on property, plant and equipment	—	—	—	—	—	—	¥ 0	¥ 240	—	¥ 241

	Thousands of U.S. dollars									
Year ended March 31, 2021	Industrial Machinery	Rock Drill Machinery	UNIC Machinery	Metals	Electronics	Chemicals	Real Estate	Others	Adjustments	Consolidated
Impairment loss on property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**—**	**$ 542**	**—**	**$ 133**	**$ 675**

5. Amortization of goodwill and unamortized goodwill in reporting segments

Not applicable.

6. Gain on negative goodwill in reportable segments

Not applicable.

20. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease mainly in Tokyo and other areas. For the year ended March 31, 2021, rental income was ¥1,076 million ($9,722 thousand), gain on sales of rental properties was ¥3 million ($27 thousand) and impairment loss on rental properties was ¥74 million ($671 thousand).

For the year ended March 31, 2020, rental income was ¥1,088 million, gain on sales of rental properties was ¥576 million, impairment loss on rental properties was ¥241 million and other gain was ¥6 million.

The carrying value, net changes in the carrying value and the fair value of those properties as of and for the years ended March 31, 2021 and 2020 are as follows:

Year ended March 31, 2021

Carrying value			Fair value
As of March 31, 2020	Net change	As of March 31, 2021	As of March 31, 2021
	Millions of yen		
¥ 30,705	**¥ (498)**	**¥ 30,207**	**¥ 39,978**

Year ended March 31, 2020

Carrying value			Fair value
As of March 31, 2019	Net change	As of March 31, 2020	As of March 31, 2020
	Millions of yen		
¥ 31,632	¥ (927)	¥ 30,705	¥ 34,941

Year ended March 31, 2021

Carrying value			Fair value
As of March 31, 2020	Net change	As of March 31, 2021	As of March 31, 2021
	Thousands of U.S. dollars		
$ 277,320	**$ (4,495)**	**$ 272,824**	**$ 361,077**

Notes:

1. The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.
2. Net change in carrying value for the year ended March 31, 2021 mainly consists of increases due to use change in the amount of ¥937 million ($8,461 thousand) and decreases mainly due to amortization in the amount of ¥369 million ($3,331 thousand), use change in the amount of ¥925 million ($8,354 thousand), impairment loss on rental properties in the amount of ¥74 million ($671 thousand) and sales of land in the amount of ¥66 million ($601 thousand). Net change in carrying value for the year ended March 31, 2020 mainly consists of increases due to use change in the amount of ¥34 million and acquisition of land and buildings in the amount of ¥19 million and decreases mainly due to amortization in the amount of ¥376 million, impairment loss on rental properties in the amount of ¥241 million and sales of land in the amount of ¥362 million.
3. The fair value is mainly estimated in accordance with appraisal standards for valuing real estate.

21. Subsequent Event

(1) Appropriations of Retained Earnings

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements, were approved at a shareholders' meeting held on June 29, 2021:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥50.00=$0.45 per share)	**¥ 1,954**	**$ 17,646**
Transfer to legal reserve	**195**	**1,765**
	¥ 2,149	**$ 19,411**

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Independent Auditor's Report

The Board of Directors
Furukawa Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Furukawa Co., Ltd.and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

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Application of percentage-of-completion method in industrial machinery business	
Description of Key Audit Matter	Auditor's Response
Furukawa Industrial Machinery Systems Co., Ltd., a consolidated subsidiary of FURUKAWA CO.,LTD., engages in the industrial machinery business in which manufactures, sells, provides services and undertake various types of construction for pumps, steel structures, bridges, crushers, grinding mills, classification machines, briquetting machines, material handling equipments, environmental equipments, recycling plants and others. As a basis for recording the amount of completed work and the cost of completed work, the percentage-of-completion method for the portion of work completed up to the end of the current period for construction contracts for which completion is deemed to be certain (the cost-to-cost method is used in estimating progress toward completion), and applies the completed contract method to other construction. Of the sales of Furukawa Industrial Machinery Systems Co., Ltd. for the consolidated fiscal year, the sales based on the percentage - of - completion method are 4,123 million yen as described in Note 3. "(2) Sales Based on the Percentage of Completion Method" under "Significant Accounting Estimates." Revenue under the percentage - of - completion method is measured based on the percentage of completion. The percentage of completion is calculated based on the ratio of the cost incurred by the end of the fiscal year to the estimated total cost of the work.	In considering the validity of management's estimate of the total cost of construction under the percentage - of - completion method, we performed the following audit procedures, among others. (1) Evaluation of internal controls We evaluated the design and operational effectiveness of internal control over the estimation of the total cost as follows. (i) Control to confirm that the estimated total cost of "execution budget (budget prepared and approved for cost management of construction)" which is the basis of the estimation of the total construction cost is consistent with the estimated cost calculated by piling up each construction cost. (ii) Control for timely and appropriate monitoring of profit and loss management and progress of construction by the construction cost management department responsible for the reliability of construction costs. (iii) Control in which the estimate of the total construction cost is revised in a timely manner in accordance with the status of the construction, the amount of actual cost incurred, or the specification change instruction from the customer. (iv) Control to confirm that each element of the total construction cost is calculated by piling up in detail the objective price such as standard unit price approved in the company or the estimate obtained from outside.

Since the construction is highly individual for each project, and the work and work content related to the construction are carried out in accordance with the customer's requirements, it is difficult to obtain a single judgment scale when estimating the total cost of construction. Accordingly, the estimate of the total cost of construction involve certain assumptions and determinations that are based on specialized knowledge of and experience in construction, and are subject to uncertainty. Since construction is generally long-term, changes in construction contracts during construction progress, delays in construction due to bad weather, and fluctuations in construction material unit prices and labor unit prices may occur. Therefore timely and appropriate review of total construction costs is complicated. Based on the above, as the estimate of the total construction cost is particularly important for the consolidated fiscal year in the calculation of construction revenue and construction progress, we determined this to be a key audit matter.	(2) Evaluation of validity of estimation of total cost of construction work We performed following procedures with respect to all projects to which the Company has applied the percentage - of - completion method. (i) With regard to the estimation of the total cost of construction work, we reconciled it to the execution budget and examined whether the estimated cost was consistent with construction work under the construction contract, whether it was calculated by piling up for each type of construction work, and whether there was any unusual adjustment item in the execution budget for the reason that it would respond to future uncertainty. For estimated costs above a certain level, the execution budget was compared with the estimate from the subcontractor. (ii) We obtained list of projects to which the percentage of completion method was applied and performed monthly trend analysis of the status of construction costs . And we reconcile this list to the cost book which manages the detailed progress of each project. (iii) With regard to the estimated total cost, we performed comparative analysis of the cost ratio (marginal profit ratio) with the previous year's results, and we assessed whether or not the estimated total cost was changed. If the estimated total cost was changed, we examined whether or not the content of the change reflected the actual condition of the construction by making inquiries of the construction cost management department and checking with vouchers such as memoranda. (iv) We inspected construction sites and evaluated whether the construction situation was consistent with the estimate of the total construction cost and the progress.

	(v) We evaluated estimation process of the total construction cost by comparing the prior estimate of the total construction cost with the actual cost or re - estimate.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditorsfor the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditorsregarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 29, 2021

小野木 幹久

Mikihisa Onogi
Designated Engagement Partner
Certified Public Accountant

鶴田 純一郎

Junichiro Tsuruta
Designated Engagement Partner
Certified Public Accountant

Corporate Data

Corporate Data (As of March 31, 2021)

Company Name:	Furukawa Co., Ltd.
Head Office:	2-6-4 Otemachi, Chiyoda-ku, Tokyo 100-8370, Japan (Tokiwabashi Tower)
Tel:	+81-3-6636-9501 (Since July 26, 2021)
Date of Foundation:	August 1875
Date of Establishment:	April 1918
Stock Exchange Listing:	Tokyo
Securities Code Number:	5715
Employees:	2,752 (Consolidated)

Stock Data (As of March 31, 2021)

Number of Shares Authorized:	80,000,000 shares
Number of Shares Outstanding:	40,445,568 shares
Number of Shareholders:	19,987
Stock Transfer Agent:	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

Principal Shareholders

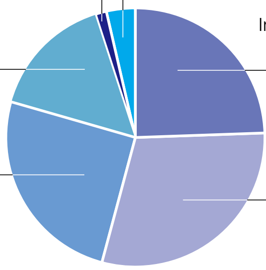
(As of March 31, 2021)

	Number of Shares (Thousands)	Percentage of Total Shares (%)
The Master Trust Bank of Japan, Ltd. (trust account)	2,482	6.35
Asahi Mutual Life Insurance Co.	2,373	6.07
Seiwa Building Co., Ltd.	1,935	4.95
Custody Bank of Japan, Ltd. (trust account)	1,688	4.32
The Yokohama Rubber Co., Ltd.	1,341	3.43
Furukawa Electric Co., Ltd.	877	2.24
Fuji Electric Co., Ltd.	862	2.20
Sompo Japan Insurance Inc.	839	2.14
Kawashima Co., Ltd.	756	1.93
Chuo Real Estate Co., Ltd.	687	1.75

Notes: 1. The above excludes the Company's holdings of treasury stock, totaling 1,369,919 shares.
2. The Company's holdings of treasury stock, totaling 1,369,919 shares, are excluded from shareholding ratio calculations.

Composition of Shareholders

(As of March 31, 2021)



Directors and Auditors (As of June 29, 2021)

Chairman and Representative Director	Naohisa Miyakawa
President and Representative Director	Minoru Nakatogawa
Senior Managing Director	Masahiro Ogino
Managing Director	Kiyohito Mitsumura
Director	Tatsuki Nazuka
Director	Hiroyuki Sakai
Outside Independent Director	Tatsuya Tejima
Outside Independent Director	Yoichi Mukae
Outside Independent Director	Kazumi Nishino
Audit & Supervisory Board Member	Minoru Iwata
Audit & Supervisory Board Member	Kazuo Inoue
Outside Audit & Supervisory Board Member	Tetsuro Ueno
Outside Audit & Supervisory Board Member	Masayuki Yamashita

Executive Officers (As of June 29, 2021)

Senior Managing Executive Officer	Masahiro Ogino	President & Representative Director, Furukawa Rock Drill Co., Ltd.
Managing Executive Officer	Katsuhira Kawashita	President & Representative Director, Furukawa Industrial Machinery Systems Co., Ltd.
Senior Executive Officer	Tatsuki Nazuka	General Manager, Technology Division
Senior Executive Officer	Hiroyuki Sakai	General Manager, Real Estate Division; General Manager, Corporate Planning Department; and General Manager, Business Process Re-engineering Department
Senior Executive Officer	Osamu Miyazaki	General Manager, Corporate Strategy, Corporate Planning Department
Senior Executive Officer	Atsushi Takano	General Manager, Human Resources & General Affairs Department
Senior Executive Officer	Takeshi Miyajima	General Manager, Legal Department
Executive Officer	Kenichi Kurita	Vice President & Representative Director, Furukawa Industrial Machinery Systems Co., Ltd.
Executive Officer	Kenji Yamakawa	President & Representative Director, Furukawa UNIC Corporation
Executive Officer	Tatsuyuki Muramatsu	Vice President & Representative Director, Furukawa UNIC Corporation
Executive Officer	Masanori Saito	President & Representative Director, Furukawa Metals & Resources Co., Ltd.
Executive Officer	Hitoshi Iida	President & Representative Director, Furukawa Denshi Co., Ltd.
Executive Officer	Kazuyoshi Iwama	President & Representative Director, Furukawa Chemicals Co., Ltd.
Executive Officer	Tsutomu Kaneko	Deputy General Manager, Technology Division
Executive Officer	Masayuki Kunou	General Manager, Environmental & Safety Management Department

Corporate History

1875 Began the operation of the Kusakura Copper Mine in Niigata (Company foundation).

The key to the success of the Furukawa Company Group began with the development of the Ashio Copper Mine.

1877 Began the operation of the Ashio Copper Mine in Tochigi.

1900 Set up a machinery works at the Ashio Copper Mine and entered into the machinery business.

1914 Manufactured the first rock drill in Japan.

The first domestic rock drill was developed (for the Ashio Copper Mine).

1918 Spun off mining business from Furukawa General Partnership and established Furukawa Mining Co., Ltd.

1944 Bought Osaka Smelter of Toa Chemical Smelting Co., Ltd., and established it as Osaka Cementation and Refining. Entered into the chemical business.

Built the Oyama Works of the Machinery Division of the Ashio Copper Mine in Tochigi.

At the Oyama Works, pumps and mining machinery for copper mines were manufactured, not only for internal use but also to sell externally.

1950 Built the Takasaki Works of the Rock Drill Division in Gunma.

At the Takasaki Works, rock drills were mass produced, and we established the position of a leading rock drill manufacturer.

1951 Began manufacturing of titanium dioxide and cuprous oxide at Osaka Cementation and Refining.

1962 Completed the Furukawa / Outokumpu flash smelting plant at Ashio Smelting and Refining.

Completed research and development of high-purity (99.999%) metallic arsenic and commenced with sales of it.

Arsenic is one of the by-products generated during the smelting stage of copper concentrates.centrates.

1987 Bought UNIC Corporation (manufacturer of truck-mounted cranes).

"UNIC" has become a synonym for truck-mounted cranes in Japan.

1989 The Japanese name changed from Furukawa Kogyo Kabushiki Kaisha to Furukawa Kikai Kinzoku Kabushiki Kaisha.

1990 Bought an American breaker sales and manufacturing company.

1997 Established a manufacturer of UNIC products / components in Thailand.

This is an affiliate company for the UNIC business established in Rayong, Thailand, which manufactures truck-mounted cranes and other products.

1998 Established a sales company of rock drill products in Holland.

This is an affiliate company for the construction and mining machinery business established in Utrecht, Holland, which distributes rock drill products.

2003 Established a joint company for the manufacturing and distribution of UNIC cranes in China.

2005 Spun off the Machinery business, Metals business, and Electronic Materials and Chemicals business and shifted to a group management structure as the Furukawa Company Group to enhance management.

2006 Established a rock drills sales company in China.

This is an affiliate company for the UNIC business established in Taian, Shandong, China, which manufactures and distributes truck-mounted cranes and other products.

2007 Formed a capital and business alliance for the GaN semiconductor epi-wafer business with POWDEC K.K.

2008 Furukawa Industrial Machinery Systems Co., Ltd. merged with Furukawa Otsuka Iron Works Co., Ltd.

2009 Made Tohpe Corporation, which manufactures and distributes paints and chemicals, into a consolidated subsidiary.

2010 Acquired interest in Canadian copper mine.

Acquired interest in Gibraltar Copper Mine (Canada)

2011 Established a sales company of rock drill products in India.

2012 Established a sales company of rock drill products in Panama.

Established sales company for UNIC products in Russia.

With the sale of all of its shares in Furukawa Commerce Co., Ltd., the Group has withdrawn from the fuels business.

2013 The Group exited the paints business with the sale of all of its shares in Tohpe Corporation.

Muromachi Furukawa Mitsui Building, consists of a commercial facility (COREDO Muromachi 2), offices, and rental accommodation.

2014 Completed Muromachi Furukawa Mitsui Building in Nihonbashi, Tokyo.

Established a coil processing company in the Philippines.

Established the Tsukuba Development Center, which integrates a technology research operation.

An affiliated company for the electronic materials business makes coils in Bulacan Province, Philippines.

2015 Renewed Management Philosophy and established Vision for 2025.

2018 Established sales company for rock drills and other products in Malaysia.

2021 Consolidated head office functions and relocated to Tokiwabashi Tower in Otemachi, Tokyo.

Tokiwabashi Tower (in Tokyo Torch redevelopment district)

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