

CSR Report 2020



 **FURUKAWA CO.,LTD.**

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In April 2020, FURUKAWA CO., LTD. received a Development Bank of Japan loan under the DBJ Environmentally Rated Loan Program, having obtained the system's highest rating as a "company with particularly advanced environmental programs."

FURUKAWA CO.,LTD.

Management Philosophy (Established August 8, 2015)

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

Action Guidelines (Established August 8, 2015)

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

- 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.

Vision for 2025

FURUKAWA Power & Passion 150

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

- Targeting consolidated annual operating income regularly in excess of ¥15 billion as we approach our 150th anniversary in fiscal 2025. -

○ Policies 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 sustained 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.

- ① Reinforce technological sales capabilities (proposals and solutions) reflecting customer needs
- ② Develop products, technologies and services that meet market needs
- ③ Achieve category-leading positions by concentrating on niche products that have competitive advantages and using differentiation strategy
- ④ Cultivate and create new markets and product categories, and build a new business model
- ⑤ Enhance our products, technologies, and services, which underpin our social infrastructure, to help resolve social issues

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

2 Sustainably expand the Machinery Business

- ① Reinforce revenue bases in growing overseas markets, mainly in business related to infrastructure and resource development
- ② Strengthen and enhance stock business
- ③ Maximize business opportunities by demonstrating comprehensive Group competences and reinforcing engineering strengths

3 Strengthen and expand our human resource bases

- ① Build vibrant human resources and corporate culture for a new Furukawa
- ② Secure, utilize, and develop diverse human resources in Japan and overseas
- ③ Put even more effort into training sales and marketing personnel

4 Actively promote investments to increase corporate value

- ① Make proactive capital investments necessary for growth
- ② Expand business through strategic M&A and alliances

5 Establish a robust corporate foundation

- ① Increase corporate value by improving profitability and capital efficiency, targeting ROE of more than 10%
- ② Establish a strong financial base
- ③ Achieve balanced appropriations between investments for growth and return to shareholders
- ④ Increase corporate value by emphasizing business practices that reflect CSR/ESG issues recognized and to be solved by the Group



Partial revisions to Vision for 2025 “Furukawa Power & Passion 150”

To prepare for entry into Phase 2 of Vision for 2025, we reaffirmed the reason for our existence and mission contained in the phrase “The Furukawa Company Group will remain indispensable to society” from our Group philosophy, incorporated the perspectives of CSV into the marketing-based management we promote as a Group in order to redefine it, and clarified our intent to improve the corporate value of the Group through business operation conscious to CSR/ESG issues as part of our effort to establish a robust corporate foundation.

More than ever before, we intend to continue creating corporate value—providing infrastructure, products, technology, services, and more to help resolve social issues—while simultaneously contributing to the creation of social value by developing social infrastructure and realizing a safe, eco-friendly, prosperous society.

FURUKAWA COMPANY GROUP

CSR Report 2020

Editorial Policy

In order to remain indispensable to society, the Furukawa Company Group makes efforts to contribute to resolving social issues and achieving SDGs. We created this report to communicate the Group’s approach to CSR and our social initiatives, environmental initiatives, and other activities to promote CSR to our stakeholders in a straightforward manner.

Report Period

This report mainly covers results from fiscal 2020 (April 1, 2019 to March 31, 2020), but also initiatives from the past as well as some from fiscal 2021.

Note that the organization and titles are current as of July 31, 2020.

Report Scope

Environmental Data

Manufacturing Division of Furukawa Industrial Machinery Systems Co. Ltd.;

Takasaki Yoshii Works of Furukawa Rock Drill Co., Ltd.;

Sakura Works of Furukawa Unic Corporation;

Iwaki Works, Semiconductor Material Production Section

(Semiconductor Material Plant), and Optical Parts Works Production

Section (Optical Parts Plant) of Furukawa Denshi Co., Ltd.;

Osaka Works of Furukawa Chemicals Co., Ltd.;

Ashio Office of Furukawa Co., Ltd.;

Furukawa Castec Co., Ltd.;

Ashio Rock Drill Co., Ltd.; and FRD Iwaki Co., Ltd.

Environmental Accounting

Environmental data report scope, Advanced Technology Department, Material Research & Development Department, and N Project Department of Furukawa Co., Ltd.

Other

Furukawa Co., Ltd. and consolidated subsidiaries

Guidelines Referenced

- “Sustainability Reporting Standards” by the Global Reporting Initiative (GRI)
- “Environmental Reporting Guidelines, 2018 Version” by the Ministry of the Environment
- “Environmental Accounting Guidelines, 2005 Version” by the Ministry of the Environment
- “JIS Z 26000: 2012 Guidance on Social Responsibility (ISO26000: 2010)” by the Japanese Standards Association

Company Names

Furukawa Co., Ltd.:

The operating holding company of the divided core operating companies

Furukawa Company Group:

33 consolidated subsidiaries and 5 equity method affiliates

Core operating companies:

Furukawa Industrial Machinery Systems Co., Ltd., Furukawa

Rock Drill Co., Ltd., Furukawa Unic Corporation, Furukawa

Metals & Resources Co., Ltd., Furukawa Denshi Co., Ltd.,

Furukawa Chemicals Co., Ltd.

Report Publication Date

November 2020 (Previous: November 2019, Next: Scheduled for November 2021)

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Executing marketing-based management that incorporates a CSV approach with the aim of actualizing our philosophy to continue being a company that is indispensable to society



President and Representative Director
Naohisa Miyakawa

Introduction

I would like to respectfully express my condolences to those who have lost their lives due to the novel coronavirus (COVID-19), to their families. I also wish to offer heartfelt concern for those who are currently ill or are experiencing difficulty due to pandemic, and hope that they recover as soon as possible. Additionally, allow me to express my gratitude and respect to those in the medical field who are committed to the treatment and prevention of infections.

Social Role and Mission of the Furukawa Company Group

Q: Amid recent demand for adaptation to a sustainable economic society against a backdrop that includes the increasing severity of social issues, companies are re-examining their reason for existence and mission. What is the Furukawa Company Group's social role and mission?

At the time of the founding of Furukawa Co., Ltd. in 1875, Japan was in the midst of industrial development, and the copper mining

business was a key industry that influenced Japan's growth. Amidst these circumstances, the company has continuously supported Japan's growth by instigating technological innovations through the introduction of rock drills and other mining machinery from overseas, and by building the Ashio Copper Mine into the nation's largest in terms of output.

Copper mine development was a national policy priority, but the manifestation of pollution problems forced us to the brink of a shutdown. Our precursors faced these issues head-on, and developed new pollution controls, by-product recycling technologies, and other technologies and methods, and worked together with local communities and other stakeholders toward resolutions of the problems.

Thus, I believe that our precursors' corporate stance and teachings—that the very survival of our company rests on the bedrock of earnestly tackling social issues and diligently fulfilling our social responsibilities—are the irreplaceable foundation of the Group's CSR as a part of our DNA that will never change.

Various social issues have increased in both complexity and intensity in recent years, and threaten the foundation of the Group's business, which we have expanded around the globe. Amid such circumstances, the novel coronavirus (COVID-19) pandemic

that began around January 2020 has impacted economies and social life in ways that remain immeasurable. Additionally, natural disasters such as torrential rain and typhoons caused by climate change continue to intensify, prompting our recognition of the vastly increased scale of the responsibilities our Group must fulfill, which include disaster risk reduction and other disaster control measures as well as infrastructure development.

In addition, the dizzying pace of change throughout the world is bringing many innovations from the IoT, AI, big data analysis, and other developments in technology. The Group views these changes as opportunities for business expansion. The Group has a wide array of businesses and specialized technologies and products, the ability to combine technologies and products from different fields to create new things, and a pioneering spirit toward new business. In other words, it can be said that we have developed the capacity to respond to changes in the world and grow continuously.

Revising Vision for 2025

Q: What was the intent behind this year's revision to Vision for 2025?

Despite the highly volatile circumstances we find ourselves in, we will continue to provide products and services with recognized value, and to discover and resolve the issues and problems our customers are facing in an effort to grow sustainably and increase our corporate value while deepening the bonds with our customers.

This perspective informed our partial revisions to Vision for 2025 as we enter Phase 2; specifically, we incorporated the precepts of CSV* into the marketing-based management we promote as a Group, and defined a new part of our effort to establish a robust

corporate foundation: improvement of corporate value through business operation geared towards resolving CSR/ESG issues.

We will embed marketing into the core of our management, improving corporate value and achieving sustainable growth by providing products and services recognized as valuable in changing markets, and resolving the issues faced by our customers, in addition to providing infrastructure development, products, technology, services, and more to achieve sustainable development goals (SDGs) and resolve social issues such as making the nation of Japan more resilient and dealing with the decreasing working population. Through these efforts, we will continue creating corporate value while simultaneously contributing to the creation of social value—namely developing social infrastructure and realizing a safe, eco-friendly, prosperous society—and the realization of a sustainable society.

(Related information: P. 9-12 “Efforts for SDGs by Each Core Operating Companies”)

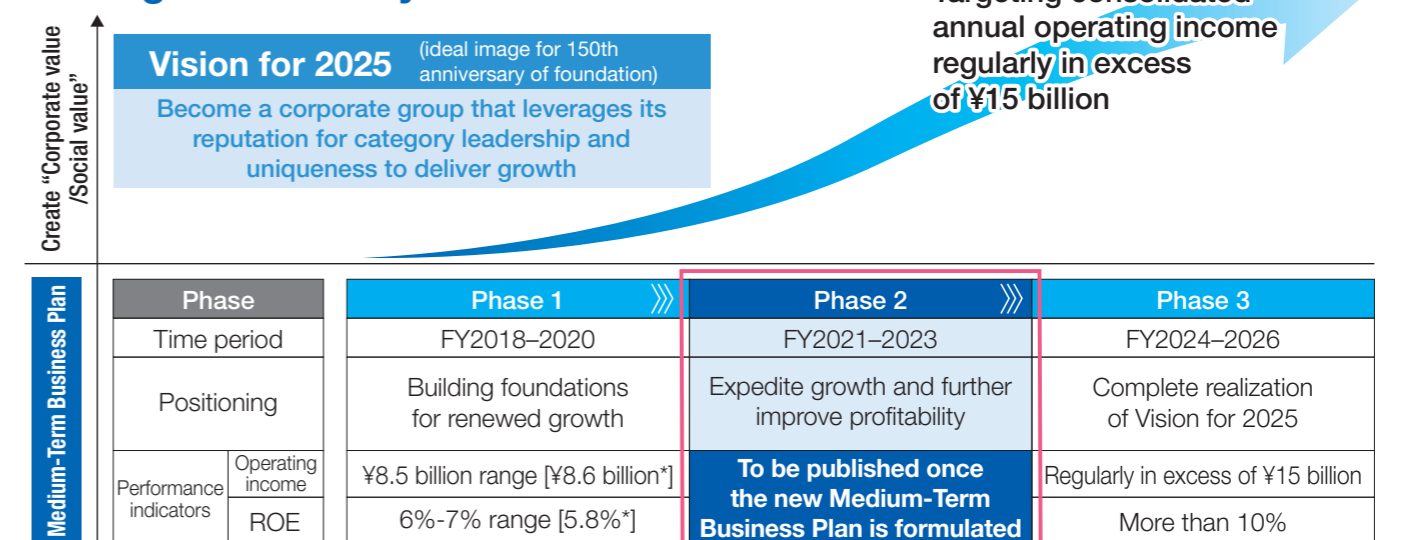
* CSV: Creating shared value (CSV) is a management framework that enables companies to simultaneously create social value and corporate value by tackling social, environmental, and other issues.

Formulating Medium-Term Management Policy 2022

Q: Phase 2 of the realization of Vision for 2025 started during fiscal 2021. What is the positioning of Medium-Term Management Policy 2022?

The spread of the COVID-19 infection around the globe and uncertainty as to when the situation will be brought under control substantially changed the management and business environments

Positioning of Medium-Term Management Policy 2022



*Bracketed figures are fiscal 2020 actual results (published in the summary of accounts)

assumed and anticipated during the formulation of Medium-Term Business Plan 2022, Phase 2 on the path toward achieving Vision for 2025. Therefore, we decided to postpone the publication of Medium-Term Business Plan 2022, and instead formulated Medium-Term Management Policy 2022 to clarify matters such as management strategies and priority issues to address during Phase 2.

Medium-Term Management Policy 2022 aims to improve the value of the Furukawa brand on the path toward achieving Vision for 2025 through the promotion of marketing-based management that incorporates a CSV approach. Furthermore, we intend to improve our on-site strengths and capacity for innovation and make efforts to achieve sustainable growth by strengthening and expanding our human resource bases, actively promoting investments to increase corporate value, and establishing a robust corporate foundation. We will also expedite growth and further improve profitability by devoting our full energies to solidifying the foundation for new growth established under Medium-Term Business Plan 2019.

In the Rock Drill Machinery segment, we will tackle the urgent, priority issue of strengthening and rebuilding our overseas marketing capabilities, and commit to efforts such as establishing a business model that leverages lifecycle support. In the Industrial Machinery segment, we will continue to innovate namely by making a major shift in profit structure by aiming to become more than simply an equipment manufacturer. In the Unic Machinery segment, we will steadily strengthen the power of our products, sales, services, and technology outside Japan.

Specifically, we will continue efforts to sustainably expand the Machinery business—positioned as a core business in Medium-Term Business Plan 2019—to warrant its positioning as a growth business and a target of intensive investment, in addition to intensifying efforts toward alliances and M&As to achieve dynamic growth.

Evaluating CSR Activities in Fiscal 2020/Plans for Fiscal 2021

Q: What is your evaluation of activities in fiscal 2020, and what issues are you devoting energy to addressing?

We are formulating our Ideal Image for CSR 2025 to accompany FURUKAWA Power & Passion 150, our Vision for 2025, the 150th anniversary of our founding. We have also formulated and promoted activities toward CSR Medium-Term Goals (fiscal 2018-2020) based on backcasting. The following are some of the main activities and outcomes of fiscal 2020, as well as plans for the future.

First, regarding risk management, nearly all core operating companies have finished formulating BCP, and we intend to continue promoting the formulation of BCP for affiliate companies. Plans for fiscal 2020 included initial response and BCP drills, the establishment of Group BCP Sections, and the hosting of Business Risk Review Sectional Meetings; however, these plans were postponed due to COVID-19 countermeasures. In the

future, considerations will be made to revise each company's BCP—including Group BCP—to include measures to take against infectious diseases in addition to accidents and natural disasters. The revision process will include cross-departmental collaboration and discussion.

Regarding compliance, we prepared foreign-language versions of the Code of Conduct for Officers and Employees and the Charter of Corporate Conduct revised last year. As I explained previously, these documents were revised to account for changes in the business and social environments as well as a global perspective and the approaches of the SDGs and CSV. We will strive to spread these revised documents throughout the Group as well as to revise compliance manuals and improve the content of training.

Efforts toward product safety included the promotion of the visualization of on-site change points identified as major factors behind complaints in order to strengthen quality assurance systems in each workplace, and the improvement of operational efficiency through the transition to ICT in production and inspection operations. The Group's products and technologies are already being utilized in many areas of our lives, and help actualize convenient, prosperous life and safe, secure societies. We intend to further the discussion not only in terms of quality but also in terms of the risk of major accidents attributable to the specifications of our products to increase awareness and impress upon every employee the importance of contributing to society and the environment through the Group's work. We will also strive to further strengthen engineer training.

Regarding the environment, we promoted activities to reduce environmental impact and preserve biodiversity based on the Fourth Medium-Term Reduction Targets (10-year period) formulated in fiscal 2020. We also used the concept to connect improvements in our customers' work efficiency and the mechanical efficiency of our machine products to reduce CO₂ emissions as the basis for establishing specific emissions targets for each product in line with the Group development roadmap for key product families. Through these efforts, we strive to improve the awareness of each and every Group employee toward contributing to society, and aim for product development that improves customer satisfaction while simultaneously contributing to the global environment. Regarding massive capital investment toward further emissions reductions, we intend to move forward with discussions for considering environmental impact reductions.

Regarding industrial safety and health, although we regret being unable to achieve Zero accidents, we took steps to improve the safety of our activities with the aim of eliminating unsafe conditions and behaviors. Unfortunately, attention to QCD* tends to overshadow efforts toward safety and work environments in production plants. However, we believe in the need to strengthen QCD + SE* in order to continue producing and selling reliable products to our customers. We intend to continue to promote the visualization of issues in regularly conducted environmental and safety audits, thereby promoting corporate activities that reduce environmental and safety risks and strike a balance between safety and the global environment.

Regarding procurement, we completed a series of CSR promotion questionnaires and follow-up questionnaires administered to the major suppliers of each operating company that began in fiscal 2017, analyzed the results, and conducted individual interviews and follow-up based on the results. From now on, we will aim to further deepen partnerships with our suppliers and establish a PDCA cycle for follow-up.

Regarding human resources—a key toward achieving Vision for 2025—we were generally able to promote intensive efforts toward human resources development, work-life balance, and diversity according to plans. However, we failed to reach our target for employing people with disabilities, and intend to continue to intensify efforts toward that end. As a measure to prevent the spread of COVID-19 infection, head office employees were instructed to work from home from March 27 to June 28, 2020. We will administer a questionnaire to these employees in order to verify the circumstances under which they worked and how each department's business functioned during that period. We also plan to conduct an engagement survey to supplement the mental health checks we already perform in an effort to provide sufficient care for our employees' physical and mental health. We intend to use the results of these surveys in various reforms to realize work environments that are healthy and meaningful for a wide range of people. We will also launch efforts toward human due diligence, which we have regarded as an issue for some time.

In light of the above, in our view, although improvement is needed, we were able to make steady progress in fiscal 2020, the last year of Phase 1.

*QCD: Quality, Cost, Delivery.
*SE: Safety, Environment.

Achieving Vision for 2025

Q: What excites you about achieving Vision for 2025, and what are some important points of Phase 2?

As I explained previously, I feel that social issues will continue to grow more serious and complex in the near future, and I believe that the time will come to ask ourselves more critically what kind of social value we can create in the world. Also, the difficulty of predicting the future makes it all the more important to promote management grounded in unshakable principles. Those principles are market-based management redefined to incorporate the precepts of CSV, Vision for 2025, and Medium-Term Management Policy 2022. We also intend to steadily promote CSR activities in line with Medium-term CSR Goals (fiscal 2021-2023) formulated to achieve our Ideal Image for CSR 2025.

Regarding contributing to achieving SDGs, we need to further increase the awareness of each and every member of our Group. Toward that end, this fiscal year, we intend to clarify and summarize how our Group business and the activities of each department relate to SDGs. It is my hope that these relationships will further understanding of SDGs and lead to the refinement of priority challenges and proposal of business strategies to contribute to



SDGs through our business. The reason for this desire is because society and the environment come before all stakeholders we interact with; the aim is to constantly understand situations from other people's perspectives, sensitively perceive the challenges they face as well as individual issues and needs, and leverage our corporate and individual strengths to provide the maximum value. This is exactly the type of "marketing-based management" the Group should be putting into practice.

In addition, so that outside stakeholders appropriately assess the corporate value of the Group, we must accurately convey information to them about the social value we create. For example, I believe that conveying our Group's reason for existence, intended course of action, and social value created amid communication in sales and development situations will encourage people to turn to Furukawa for consultation on issues, and inspire them to believe in their company's ability to contribute to society through their business and operations.

While this is not an easy path to travel, I believe that unflagging innovation stems from each and every employee having confidence and pride in their own work. Indeed, innovation is the most important keyword in and after Phase 2 for achieving Vision for 2025. In other words, innovation as we see it is not limited to technical innovation in research and development departments, but encompasses a wide range of innovative behavior originating from the everyday activities of all employees. It is also the source of the ability to establish and reform business models and achieve reform and improvement to create corporate and social value in all corporate activities.

We will continue to honor the corporate stance that has become part of our Group's DNA—keeping a close eye on changes in the world, earnestly tackling social issues, and diligently fulfilling our social responsibilities—and tirelessly seek new challenges to continue to be a company that is indispensable to society.

CSR as It Relates to the Furukawa Company Group's Business

The Furukawa Company Group's Management Philosophy is embodied in its CSR activities. Since commencing operations in the copper mining business in 1875, we have worked constantly at achieving self-innovation by embracing a future-oriented mindset. At the same time, we have sought to create reliable, appealing products in order to consistently address the needs of the times. In the process, we have developed multiple businesses and made significant contributions to the advancement of Japanese industry. In order to persist as a company that plays an essential role in society going forward, we will contribute to the development of a sustainable society that is in harmony with the environment, while also improving our managerial transparency, further strengthening our manufacturing capabilities for the future, and enhancing communication with our various stakeholders.



2025

Ideal Image for CSR 2025

The Furukawa Company Group will develop and establish a risk management framework that extends beyond crisis management.

All officers and employees will be keenly aware of compliance as it applies to international community.

Promote environmental and safety activities
(Reduce environmental impacts, protect environment and ensure safety, protect biodiversity, publish environmental and safety activity outcomes, and continue working to ensure there are no accidents or disasters at suspended or abandoned mines)

We aim to improve brand strengths of Furukawa products and achieve top rankings in product categories.

Expand and Strengthen our human resource bases
We will develop rewarding work environments where it is possible to create new forms of value by maximizing the abilities of each and every employee

We will pursue a QCD* approach based on CSR-oriented procurement practices geared to achieving sustainable manufacturing and sales of products that earn the trust of our customers.

2030

Development of a Sustainable Society

[SDGs: Sustainable Development Goals]



■ Helping to address challenges encountered worldwide

In September 2015, the United Nations General Assembly adopted its Sustainable Development Goals (SDGs) and presented an action plan for human and environmental prosperity. The SDGs consist of 17 goals and 169 targets looking toward 2030, such that help clarify priority global-scale issues and a worldwide vision related to sustainable development and are intended to encourage global-scale initiatives to address those issues.

The Furukawa Group strives to help achieve the SDGs, established by the international community, through its business activities and efforts geared to fulfilling its corporate social responsibilities.

Medium-term CSR Goals

Committee / Department	Medium-term CSR Goals (Fiscal 2021–2023)
Risk Management Committee	<ul style="list-style-type: none"> Develop the Group-wide crisis management framework Develop the Group-wide risk management framework
Compliance Committee	<ul style="list-style-type: none"> Improve awareness of the importance of thorough compliance Spread awareness of the Charter of Corporate Conduct and the Code of Conduct for Officers and Employees Improve and expand guidelines and manuals Expend every effort toward timely, appropriate reporting of compliance violations
Environment & Safety Management Committee	<ul style="list-style-type: none"> Respond appropriately (completed) to matters to correct identified during environment and safety audits, and contribute to preventive measures Hold discussions and provide guidance for achieving the Fourth Medium-term Reduction Targets (CO₂, water, waste) Rigorously perform 5S* activities to eliminate accidents and disasters and implement preventive measures that are more tailored to work environments Release more effective publications that account for trends in ESG investment resulting from environmental and safety activities, requirements for SDGs, and more Promote the sharing of information about the latest laws and regulations and understanding of environmental laws, the Industrial Safety and Health Act, and other legislation as it pertains to operations in factories and other places of business Implement robust management of forests owned and promote animal and plant species restoration activities as measures for biodiversity

*5S: Workplace Organization System: Sort, Set in order, Shine, Standardize, and Sustain

Committee / Department	Medium-term CSR Goals (Fiscal 2021–2023)
Product Safety Committee	<ul style="list-style-type: none"> Improve product quality <ol style="list-style-type: none"> Strive to reduce and eliminate complaints about products <ol style="list-style-type: none"> Strengthen change points control Make efforts to improve quality at the stage of development and design Eliminate repetitive complaints Improve awareness of quality assurance <ol style="list-style-type: none"> Add to and improve training to raise minimum skill levels Improve systems for sharing information between segments Strengthen quality assurance management in overseas procurement and factories Improve safety <ol style="list-style-type: none"> Revise and improve product safety evaluation systems
Human Resources & General Affairs Department	<ul style="list-style-type: none"> Develop human resources Promote health and productivity management Promote diversity Improve work environments
Purchasing Department	<ul style="list-style-type: none"> Establish CSR procurement systems Strengthen supplier management systems (QCD + CSR) Strengthen internal CSR activities

* QCD: Quality, cost, and delivery

Furukawa Industrial Machinery Systems

Aiming to respond to customers' needs and resolve social issues

■ The Company's Business

Our company's business comprises three foundational segments: pumps and other fluid machinery, crushers and other material machinery, and contractor business centered on conveyance equipment and steel structures. Our aim is to become more than simply an equipment manufacturer; we want to become strategic partners for our customers by developing into a manufacturer with the engineering capacity to provide optimal proposals that account for total balance between many factors, including functionality, cost, usage environment, and safety. By combining our products, we propose equipment that is both efficient and safe for major projects encompass all stages from the equipment designing process to installation and operation.

■ Our Contributions

While we obviously contribute to the development of social infrastructure, the equipment we provide is also environmentally friendly. As for measures to counter the deterioration of social infrastructure, in the area of road infrastructure, we are involved in bridge replacement and repair. In the area of sewerage system infrastructure, we contribute to water environments by providing pump station equipment. Regarding disaster countermeasures such as disaster risk reduction and other disaster control measures, in the area of tsunami countermeasures, we have provided and operated crushers and belt conveyor equipment

for land-raising work. As for measures to control floods caused by climate change, we provide equipment required to construct regulating reservoirs and dams to control river levels in urban areas. We provide low-noise, low-vibration machinery and use foolproof construction management technology at each stage of work to both improve work efficiency and maintain surrounding environments, thereby leading to a sense of safety and security.

■ Future Direction

Through efforts such as providing environmentally friendly, efficient machinery for reducing energy consumption to meet requirements to respond to natural disasters and accommodate the natural environment in individual countries, and providing facilities and equipment for measures to counter the deterioration of infrastructure, disaster risk reduction and other disaster control measures, we provide all-purpose facilities and equipment that both respond to customers' needs for the projects they are planning, and resolve social issues. We are also committed to proposing machinery that enables labor-saving in facility maintenance to respond to aging societies.



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

Furukawa Rock Drill

Contributing to infrastructure development and measures against deterioration

■ The Company's Business

Our company provides a wide array of machinery including machinery for road and railway tunneling and mining; blast hole drills used to extract limestone, the raw materials of concrete, and the crushed stone needed for urban development; and hydraulic breakers, hydraulic crushers, and other machinery used for purposes such as building demolition.

Our products are used in many environments and to various ends, and we are committed to improving our products to respond to customer needs in terms of safety and labor-saving as well as production cost-saving. We are promoting lifecycle support for our products as a business because replacement of consumable parts, maintenance, and inspection are deeply related to work efficiency.

■ Our Contributions

In Japan, we contribute not only to infrastructure development projects such as the construction of the Chuo Shinkansen (a linear Shinkansen), but also to underground resource development and countermeasures against natural calamities such as reconstruction and restoration work in Kumamoto and the Tohoku region. In the last several years in Japan, demand for machinery automation has increased in response to social issues such as shortages of skilled workers as a result of the aging of society. On the other hand, in developing countries, there

is a needs to address safety and health due to problems with the working environment. To meet such diverse needs, we have provided support for improving work efficiency and safety by introducing drill navigation systems, providing ICT-equipped operational support systems, and developing machinery to perform supplementary work.

■ Future Direction

In an effort to further improve work efficiency and safety, rather than simply selling the product, it is important to have customers appreciate the value of the product throughout its life cycle including selection of optimal machinery, instruction of proper operation and maintenance, repair and refurbishment in case of failure, and disposal and replacement at the end of the product life. We will evolve the life cycle support that we have promoted so far, strive to ensure that all customers can work safely with a sense of security, and contribute to infrastructure development in developing countries as well as measures against aging infrastructure in developed countries.



Furukawa Rock Drill Co., Ltd.
President and Representative Director
Hiroyuki Abe

Furukawa Unic

Making efforts to develop products that contribute to the resolution of social issues

■ The Company's Business

Our company provides our customers with truck-mounted UNIC cranes as well as mini-crawler cranes, UNIC carriers, and more. Most of our UNIC crane are sold in the domestic market, and our efforts to develop safer products in response to the partial amendment of structural standards for mobile cranes in 2019 have earned high praise from customers. Overseas customers account for roughly 20% of sales by segment. We sell UNIC truck-mounted cranes mainly in Asia and the Middle East, and demand for mini-crawler cranes is high in Europe and the Americas.

In an effort to optimize costs while improving quality and productivity, we deploy a three-factory production system comprising Sakura Works, the mother factory in Chiba Prefecture, and one factory each in Thailand and China that operate under the guidance of the mother factory.

■ Our Contributions

UNIC cranes make contributions throughout society as machines that enable streamlining and labor-saving in logistics; we have always produced products that enable users to work with a sense of safety and security. Furthermore, our pursuit of low noise levels and fuel efficiency underlies our commitment to the natural environment by enabling users to be considerate of surrounding environments, contributing to the reduction of CO₂, and more.

Mini-crawler cranes allow users to work in narrow sites, and

are flourishing in places where automation and labor-saving was previously impossible.

Developments such as the active use of ocean cranes in fishing industry and active use of UNIC PAL in forestry industry for respective saving of labor, are addressing aging and labor shortages and contributing to the resolution of other social issues. Our cranes are also in active in developing countries and elsewhere outside Japan, where they are used for infrastructure construction aimed at increasing social capital.

■ Future Direction

As the electrification of vehicles progresses into the future, we will have to consider the electrification of cranes, as well. We have already achieved electrification of mini-crawler cranes; we developed a battery-powered model in 2016. The electrification of UNIC cranes will proceed alongside that of trucks, and we will continue to engage in manufacturing that meets the needs of our users by improving fuel efficiency as an ongoing environmental measure and providing safe, secure, user-friendly products to respond to changes on the users' end.



Furukawa Unic Corporation
President and Representative Director
Minoru Nakatogawa

Furukawa Metals & Resources

Contributing to various industries by ensuring a stable supply of products that underpin industry

■ The Company's Business

Our company's business is driven by sales of electrolytic copper and sulfuric acid. We have electrolytic copper produced by our joint smelter, and then market it to electrical equipment manufacturers, electric wire manufacturers, and others who underpin industry.

Additionally, in order to leverage the experience and knowledge we have accumulated to date, we launched a Technical Department in 2017, and have begun our search for new business as we reduce the cost of neutralizers needed for acid mine drainage treatment, including a process employing bacteria to remove iron and to recover heavy metals from the water treatment.

As for business in the international market, we are actively involved in underground resources development, including joint investments in copper mines.

■ Our Contributions

Copper is widely used in many industries; it is an essential material for the automotive industry as well as in construction for infrastructure development and establishing information and communication networks. Demand for copper is expected to increase in the

near future as electric vehicles gain popularity. Our company contributes to economic development by providing a stable supply of electrolytic copper. Sulfuric acid also has a broad range of applications in paper manufacturing as well as fertilizers, pesticides, food additives, water sterilization, pharmaceuticals, automobiles, telecommunications, and more. Our company contributes to the development of various industries by providing a stable supply of sulfuric acid.

■ Future Direction

We must closely examine the profitability and future potential of the copper smelting business we are currently outsourcing, and must also develop new business. We intend to leverage the knowledge we have accumulated to date to innovate in order to make contributions in new businesses.



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

Furukawa Denshi

Contributing to the creation of a more convenient, comfortable society through automation, labor-saving, health promotion, and more

The Company's Business

Our company provides our customers with materials, namely high-purity metallic arsenic, crystalline products, and coils. We have a large share of the market for high-purity metallic arsenic, which is mainly used to manufacture the compound semiconductors used in telecommunications equipment, high-performance computers, and the like. As for crystalline products, we provide oxide crystals and the like for use in medical care; for optical products, we provide infrared lenses and other components of non-contact thermometers. We also provide coils for noise-controlling filters in automobiles and for various equipment.

Several products are strategic to our company's business, and our efforts—expanding aluminum nitride business by leveraging high-value-added firing technology and developing high-thermal conductivity, high-strength aluminum nitride; expanding sales channels for diffractive optical element (DOE) products that leverage our micromachining technology; and developing hybrid coil samples that leverage our high degree of design freedom—help us respond to diverse customer needs.

Our Contributions

We provide our materials to the automotive industry as well as the telecommunications and electronic equipment industries. The high-purity metallic arsenic and aluminum nitride used to manufacture IC, LSI, and other electronics, semiconductor devices, transformers, sensors, and more are essential for establishing infrastructure and

promoting innovation. The coils used in PHV, EV, and fuel cell vehicles and the like contribute to environmental measures, resource-saving through lower fuel consumption, and more. Additionally, our crystal oxides are used in X-ray and CT scanning equipment in the medical industry, and contribute to labor saving in logistics through their use in large cargo scanners and other necessary equipment at airports and elsewhere.

Future Direction

We intend to continue contributing to the development of telecommunications infrastructure and automotive and medical equipment by providing a stable supply of our main products—high-purity metallic arsenic, crystalline products, and coils—and also using our strategic products—namely developing high-performance aluminum nitride products and improving DOE and other optical products for laser machining—to develop products that help customers resolve their issues, thereby contributing to the creation of a convenient, comfortable society by promoting automation, labor-saving, health, and more.



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

Furukawa Chemicals

Contributing to the realization of prosperous lifestyles by creating higher-value-added products and ensuring a stable supply

The Company's Business

Our company provides our customers with sulfuric acid, cuprous oxide, polyferric sulfate solutions, cupric oxide, sulfuric acid bands, and more. Sulfuric acid has a broad range of applications in paper manufacturing as well as fertilizers, pesticides, food additives, automotive, telecommunications, and more. Cuprous oxide is used in ship hull coating, polyferric sulfate solutions are used in water treatment, cupric oxide is the raw copper material for plating, and sulfuric acid bands are used for inorganic water treatment of drinking water, industrial wastewater, sewage, and more. We are stepping up the manufacturing of high-value-added products among our existing products, and providing our customers with newly developed products that meet their needs.

Our Contributions

Regarding existing products, we provide our customers with sulfuric acid bands for inorganic water treatment, thereby contributing to the supply of high-quality drinking water. We also provide ferrous sulfate for food additives and supplements. Our high-quality sulfuric acid, a high-value-added product, is used in electronic materials and the like for its capacity to reduce impurities.

Our metallic copper powder, a newly developed product, is expected to function as a raw material in components needed

for control in automated driving and electric vehicles, as well as in telecommunications as a material for 5G expansion.

Future Direction

Our company's basic strategy is to expand business for existing products, and launch and develop business for newly developed products. To realize this strategy, we need to expand sales for high-value-added products among our existing products. As for sulfuric acid, we believe it is possible to respond to our customers' new needs and resolve their issues in areas including food additives and electronic materials by improving added value and stepping up manufacturing of products such as high-quality sulfuric acid, one of our company's strengths. As for newly developed products, customer needs differ in features and functions. We intend to make contributions in automated driving, telecommunications systems, and other areas by establishing systems for quality, mass production, and sales for metallic copper powder and other newly developed products and providing a stable supply of high-quality products that respond to diverse customer requirements.



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

Main Products and Services Contributing to the Resolution of Issues

	Products	Applications	Contributions	SDGs	
				Top Contribution	Other Relevant Targets
Furukawa Industrial Machinery Systems Co., Ltd.	Pumping equipment at wastewater treatment facilities	Wastewater treatment equipment, water treatment plant equipment, etc.	Contributing to improving sanitation and marine environments and protecting ecosystems by providing wastewater treatment equipment and water treatment plant equipment	11 SUSTAINABLE CITIES AND COMMUNITIES	6 CLEAN WATER AND SANITATION, 14 LIFE BELOW WATER
	Belt conveyors	Transporting high volumes of earth and sand, ores, etc.	Reducing environmental impact by efficiently transporting high volumes of earth and sand, ores, etc.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES, 13 CLIMATE ACTION
	Steel bridges and steel structures	Pedestrian bridges, expressways, etc.	Providing people with the means for ensuring safe, secure transport	11 SUSTAINABLE CITIES AND COMMUNITIES	3 GOOD HEALTH AND WELL-BEING, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Furukawa Rock Drill Co., Ltd.	Tunnel drill jumbos	Drilling holes for blasting in the development of road and railway tunnels, etc.	Contributing to infrastructure development in developing countries Contributing to safer, more secure working environments through automation	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	3 GOOD HEALTH AND WELL-BEING, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Hydraulic crawler drills	Drilling holes for blasting at quarries and limestone mines, etc.	Contributing to the supply of the raw materials that support infrastructure development	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES
	Hydraulic crushers	Tearing down concrete structures and cutting steel frames, etc.	Contributing to the demolition of aging facilities to promote safe and prosperous urban development.	11 SUSTAINABLE CITIES AND COMMUNITIES	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Furukawa Unic Corporation	UNIC cranes	Truck-mounted cranes	Providing safe working environments for construction sites and workplaces in logistics	11 SUSTAINABLE CITIES AND COMMUNITIES	3 GOOD HEALTH AND WELL-BEING, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Mini-crawler cranes	Cranes for use inside high-rise buildings and narrow sites	Contributing to ensuring the safety of dangerous workplaces and mitigating hard-labor environments	11 SUSTAINABLE CITIES AND COMMUNITIES	3 GOOD HEALTH AND WELL-BEING, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Ocean cranes	Cranes installed on fishing boats, etc.	Contributing to the establishment of working environments that enable fishing industry operations to continue despite labor shortages	14 LIFE BELOW WATER	3 GOOD HEALTH AND WELL-BEING
Furukawa Metals & Resources Co., Ltd.	Electrolytic copper	This substance is used in the wires, copper pipes, and other components of household appliances, communication devices, and automobiles.	Contributing to various areas of industry by providing a stable supply of the materials that underpin industry	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	7 AFFORDABLE AND CLEAN ENERGY, 11 SUSTAINABLE CITIES AND COMMUNITIES
Furukawa Denshi Co., Ltd.	High-purity metallic arsenic	Raw materials for mobile equipment and lasers	Contributing to infrastructure establishment and promoting industrialization and innovation by supplying materials for electronic equipment and automobiles	11 SUSTAINABLE CITIES AND COMMUNITIES	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Coils	Filter coils are used to control noise from electric control units and power sources.	Contributing to reducing environmental burdens and promoting innovation by providing materials for fuel-efficient vehicles and electric vehicles	11 SUSTAINABLE CITIES AND COMMUNITIES	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Optical components (lenses)	Infrared lenses used in non-contact thermometers, etc.	Contributing to medical care development and Universal Health Coverage* by supplying optical products for thermometers, etc.	3 GOOD HEALTH AND WELL-BEING	
Furukawa Chemicals Co., Ltd.	Sulfuric acid	Foundational raw material for various fields of chemical engineering	Contributing to economic growth by supplying sulfuric acid in a wide range of areas including agriculture, food products, automobiles, and telecommunications	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	2 ZERO HUNGER, 6 CLEAN WATER AND SANITATION, 11 SUSTAINABLE CITIES AND COMMUNITIES
	Sulfuric acid bands	Inorganic water treatment of drinking water, industrial wastewater, sewage, etc.	Contributing to improving water environments by supplying inorganic water treatment agents to facilities that treat drinking water, industrial wastewater, sewage, etc.	11 SUSTAINABLE CITIES AND COMMUNITIES	3 GOOD HEALTH AND WELL-BEING, 6 CLEAN WATER AND SANITATION
	Ferrous sulfate	Raw material for color grading and stabilizing agents, nutritional fortification agents, agents for processed food production, oxygen absorbers, etc.	Contributing to universal health coverage by supplying the raw materials for food additives and supplements	3 GOOD HEALTH AND WELL-BEING	2 ZERO HUNGER

* Universal Health Coverage: Coverage that enables everyone to receive services relating to proper health promotion, prevention, treatment, and recovery of functions at affordable prices.

Contributing through Products and Services

A closer look at everyday life reveals the Furukawa Group's products and technologies in action in readily recognizable places. The Group's products and technologies touch every aspect of our lives, making them convenient and prosperous, and protecting the safety and security of society.



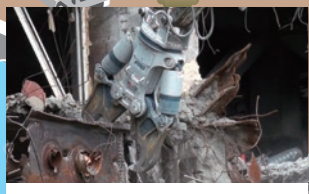
Mini crawler cranes
Outside Japan, these cranes are used on construction sites for skyscrapers and the like.



Hydraulic breakers
These machines are used to break rocks and crush concrete.



Enclosed suspended conveyors
These conveyors are used to close off and vertically transport materials.



Hydraulic crushers
These machines are used to tear down concrete and structural steelwork in building demolition and the like.



High-purity arsenic
This high-purity metal is used as a raw material for mobile equipment and lasers.



UNIC cranes
These truck-mounted cranes are used on construction sites and the like.



Electrolytic copper
This substance is used in the wires, copper pipes, and other components of household appliances, communication devices, and automobiles.



Electrostatic precipitators
This equipment prevents air pollution from plants and other facilities.



Pumping equipment at wastewater treatment facilities
We have a wealth of experience with this equipment at wastewater treatment plants and water treatment plants throughout Japan.



Hydraulic crawler drills
These machines drill holes for blasting at stone-crushing plants and limestone mines.



Crushers
These machines crush rocks into smaller pieces at quarry.



Belt conveyors
This equipment transports massive amounts of earth and sand, ore, coal, and other raw materials.



Tunnel drill jumbos
These machines are used for the Linear Chuo Shinkansen and other construction projects.



Ocean cranes
These machines are used in oyster farming and unloading catches from vessels.



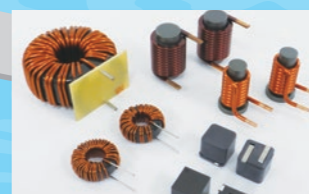
UNIC carriers
Trucks that carry new cars and damaged cars.



Cuprous oxide
This eco-friendly substance is used to coat the undersides of marine vessels.



Bridges and steel structures
We construct pedestrian bridges, motorways, and more.



Coils
Filter coils are used to control noise from electric control units and power sources.

CSR Management

The Furukawa Company Group promotes corporate social responsibility (CSR), while reinforcing its governance framework and compliance practices, with respect to its business activities such that have involved full-scale manufacturing and structural development carried out thus far, as well as various other activities particularly involving environmental protection, social contribution, and human resource development.

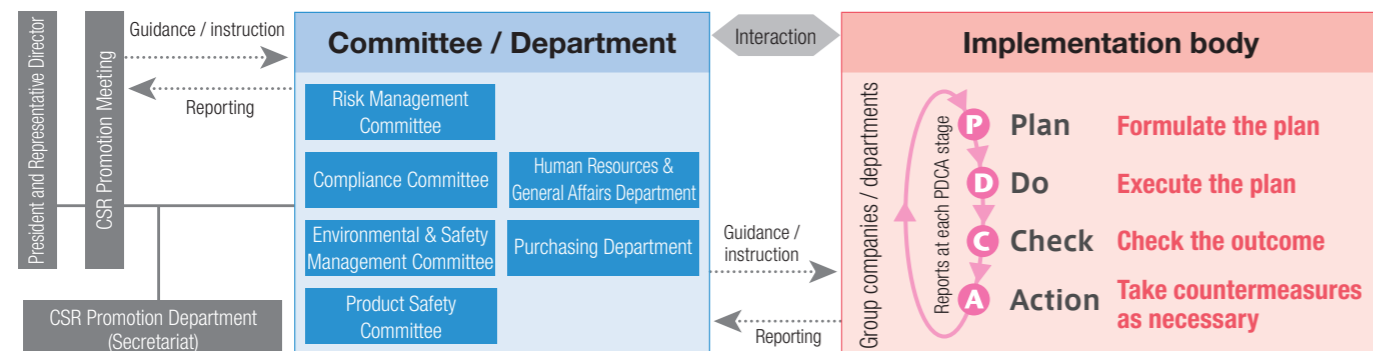
Framework for Promoting CSR

At the Furukawa Company Group, we actively engage in CSR initiatives, particularly through efforts that have involved establishing the CSR Promotion Meeting at Furukawa Co., Ltd. in order to vigorously promote such endeavors, clarifying our responsibilities to stakeholders, and identifying priority issues that need to be addressed.

Sessions of the CSR Promotion Meeting are held by Furukawa's CSR Promotion Department, acting as the secretariat, and chaired by Furukawa's President and Representative Director. The meetings primarily act as a forum for discussions on various issues related to CSR, particularly with respect to formulating fundamental policies, promotion frameworks and action plans, verifying and evaluating the status of initiatives, and planning priority measures.

The CSR Promotion Meeting's organizational structure consists of four committees (Risk Management Committee, Compliance Committee, Environmental & Safety Management Committee, and Product Safety Committee) and two departments (Human Resources & General Affairs Department and Purchasing Department). It takes a PDCA cycle approach to planning, implementation, evaluation and improvement, in coordination with respective Group companies and respective Company departments, which take on the function of executing CSR initiatives.

CSR Promotion System



Relationships with Stakeholders

In the course of strengthening our CSR activities and implementing our Management Philosophy, we have identified our stakeholders as follows: customers, suppliers, shareholders and other investors, employees, local communities, and the global environment. Moreover, we aim to build relationships of trust and accordingly maximize our corporate value by engaging in appropriate communications that involve clearly conveying our responsibilities to each group of stakeholders.

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

Stakeholders	Responsibilities
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.

Identifying Priority Issues

The Group identifies important issues and reinforces its CSR activities to ensure that its business activities contribute to society in the broader sense.

To identify CSR 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.

The pages of the Activity Report detailing our CSR activities provide information on priority issues regarding the Furukawa Company Group's CSR.

Priority issues regarding CSR	Page
Developing a robust corporate governance framework	P17
Enhancing compliance	P20
Providing products and services that engender customer satisfaction	P21
Promoting environmental conservation initiatives	P23
Creating pleasant workplace environments for employees with fair performance evaluations and incentives	P29
Building fair and just business relationships and reciprocal trust with suppliers	P33
Promoting corporate social responsibility	P35
Communicating with shareholders and other investors	P36



Fiscal 2021 Targets for Respective Committees and Relevant Departments

Risk Management Committee	1	Improve response capabilities in event of a crisis
	2	Revise and improve Group BCP and the BCP of core operating companies
	3	Examine countermeasures for crises other than earthquakes
Compliance Committee	1	Expand compliance training
	2	Create and revise compliance manuals and guidelines
	3	Revise systems for sharing information about compliance
Environment & Safety Management Committee	Activities involving environmental conservation, health, and safety.	
	1	Operate and promote effective environmental and safety management systems for each Group company
	2	Promote the continuous improvement of environmental performance
	3	Promote biodiversity protection activities
	4	Enhance preventive measures for eliminating accidents and disasters
	Monitor suspended or abandoned mines	
	1	Improve on-site strengths by imparting knowledge and skills
	2	Maintain mine wastewater treatment facilities
3	Service final disposal sites and underground mines	

Product Safety Committee	1	Use the results of change point controls to enhance educational activities for preventing defects from occurring
	2	Improve DR/SR in the development and design stages
	3	Strengthen quality assurance management for components procured overseas
	4	Engage in initiatives involving quality assurance frameworks
Human Resources & General Affairs Department	1	Develop human resources
	2	Promote healthy and productivity management
	3	Promote diversity
	4	Improve work environments
Purchasing Department	1	Establish a PDCA cycle for the process from CSR surveys to follow-up for major suppliers
	2	Enhance management of major suppliers (QCD + CSR)
	3	Foster partnerships with suppliers
	4	Continue Group-wide CSR-oriented procurement activities



Corporate Governance

Basic Approach

The Furukawa Company 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 stakeholders.

Corporate Governance System

The Furukawa Company Group's operating holding company Furukawa Co., Ltd. has established the Board of Directors and the Audit & Supervisory Board to supervise and audit business execution. The Company also employs an executive officer system which facilitates quicker decision making and defined responsibilities in terms of keeping management supervisory functions separate from executive functions.

Directors and Board of Directors

The Board of Directors holds regular meetings once a month, and extraordinary meetings as necessary, to supervise the Group's overall business execution. The Board consists of nine members as of June 26, 2020, including three Outside Directors.

Executive Officer System

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 16 Executive Officers as of June 26, 2020, including four concurrently serving as Directors.

Management Council and Management Committee

The Management Council sets the Group's fundamental management policies and strategies, and makes decisions on important matters. Meanwhile, the Management Committee meets monthly to report on the business execution of the Company and its core operating companies, and accordingly reviews such matters and provides direction in that regard. Key managerial issues addressed by the Management Council are referred to the Board of Directors for discussion and decisions.

Audit & Supervisory Board and Its Members

Audit & Supervisory Board Members attend important meetings including those of the Board of Directors, the Management Council, and the Management Committee, pursuant to audit policy formulated by the Audit & Supervisory Board. They furthermore receive business reports from Directors and other managers, monitor business sites and subsidiaries, and audit business execution by Directors. As of June 26, 2020, the Audit & Supervisory Board consists of four members, including two Outside Members, and meets as appropriate.

Outside Directors and Outside Audit & Supervisory Board Members

With the aims of ensuring managerial objectivity and transparency, as well as appropriate decision-making, the Company appoints Outside Directors and Outside Audit & Supervisory Board Members who provide advice and perform verification from objective viewpoints, drawing on their expertise and experience. As of June 26, 2020, the Company has three Outside Directors and two Outside Audit & Supervisory Board Members, four of whom are Independent Officers as stipulated by the Tokyo Stock Exchange.

Nomination and Remuneration Committee

The Company has the Nomination and Remuneration Committee whose membership mainly consists of Independent Outside Directors. The committee serves as an advisory body to the Board of Directors and accordingly deliberates on matters relating to personnel affairs and remuneration of Directors and Audit & Supervisory Board Members.

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 for discussion. Note that the questionnaire-

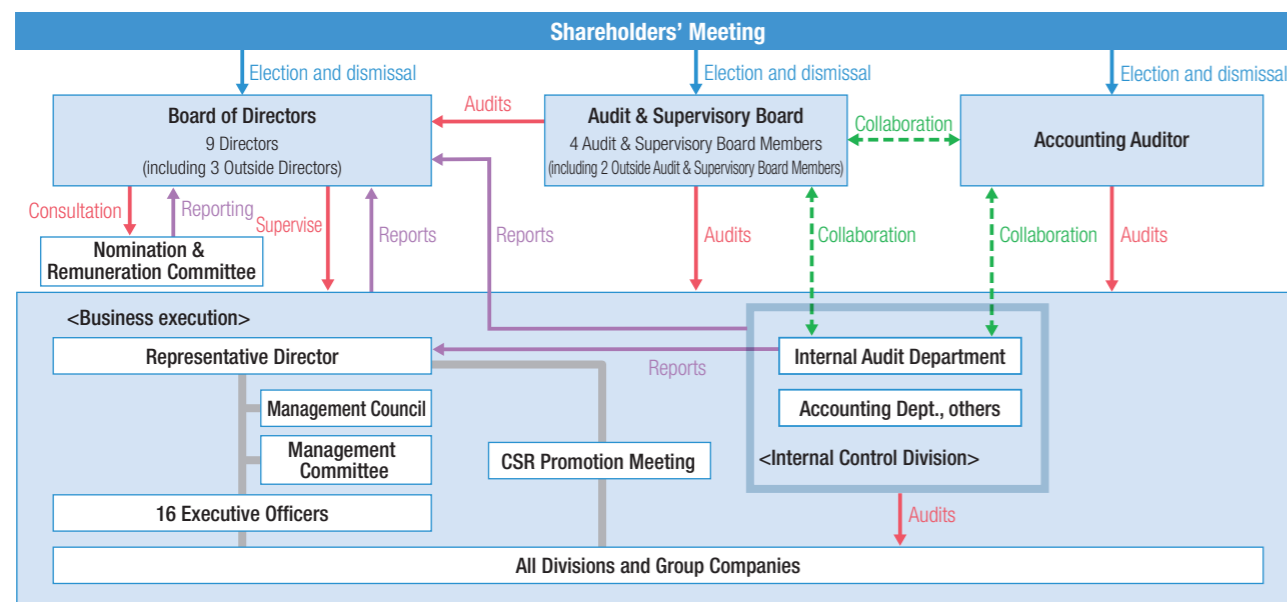
based survey for fiscal 2020 was conducted through a third-party organization in pursuit of greater objectivity.

The matters identified as issues to address for improvement in fiscal 2020 have largely been addressed, and the Board of Directors received relatively high marks for matters related to structure and management. In fiscal 2021, the Board of Directors will strive to further improve their effectiveness through five initiatives: (1) Promoting the digitization of documents; (2) Improving explanations and descriptions relating to proposals; (3) Adding supplementary explanations and the like relating to Management Council meeting agendas to reported matters; (4) Expanding the provision of information about Group companies to Outside Directors and Outside Audit & Supervisory Board Members; and (5) Exchanging opinions about IR activities and detailed reports on the status of investor dialogue.

Internal Control System

The Group's Basic Policy on Establishing an Internal Control System encompasses corporate governance, risk management, compliance, and internal audits. Under the policy, internal controls are to be implemented with an emphasis on promoting CSR, in addition to ensuring efficient and appropriate business execution. Moreover, the Group continually reassesses its internal control systems and otherwise strives to build effective and efficient systems in order to ensure the appropriateness of operations.

Corporate Governance Structure



Message from an Outside Independent Director

I assumed office as an outside independent director of the Company in June 2019. I believe that the main responsibility of outside independent directors is to ensure that management decisions are appropriate and are made objectively and transparently. At meetings of the Board of Directors, we discuss a wide range of matters and engage in repeated debate on particularly important issues. My conclusion is that the Company is being managed appropriately and carefully.

Fiscal 2020 was the final year of Phase 1 of our Vision for 2025. While our results differed according to business segment, we reached our target for operating income, which I applaud. In fiscal 2021, as we enter Phase 2, there are concerns that the COVID-19 pandemic will cause drastic changes in the business environment. Accordingly, fiscal 2021 will be a year that will determine how effectively we overcome the crisis, expedite growth, and further improve profitability. To this end, top managers are under increasing pressure to practice leadership by using their own initiatives to drive the Company forward. In the coming era, we will need to address ESG and the SDGs, which are crucial matters from the perspective of sustainability. In addition to being able to respond quickly to emergencies, the Board of Directors faces other big challenges, such as the need to address major issues and develop successors who can overcome difficult situations.

Going forward, I will continue fulfilling my responsibilities as an outside independent director so that the Company can unite as one to demonstrate greater responsiveness and overcome its current challenges.



Yoichi Mukae
Outside Independent Director

Risk Management



Ideal image for 2025

The Furukawa Company Group will develop and establish a risk management framework that extends beyond crisis management.

»Plan & Check

Fiscal 2020 targets and assessments Achievement

- 1 Improve response capabilities in the event of a crisis. ★★
- 2 Continue to revise BCP. ★
- 3 Examine countermeasures for crises other than earthquakes. ★

★★★ Target achieved; ★★ Target partially achieved; ★ Target not achieved

Fiscal 2021 targets

- 1 Improve response capabilities in event of a crisis
- 2 Revise and improve Group BCP and the BCP of core operating companies
- 3 Identify and examine countermeasures for risks other than earthquakes

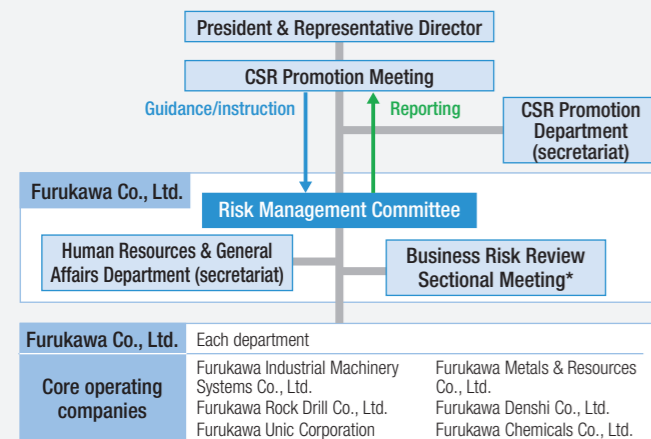


»Do

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.

● Risk Management System



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

Implementing Business Continuity Planning (BCP)

Developing Preventive Measures for BCP

To prepare for emergency situations in which normal means of communication are not available, we are establishing transceivers at key locations and reviewing the content and management methods of emergency supplies including food and beverages.

Conducting Safety confirmation drills and Disaster reporting drills

We regularly conduct both safety conformation drills enlisting our safety confirmation systems and disaster reporting drills with the use of transceivers in order to ensure that we are able to promptly confirm employee safety and the status of damaged sites should an emergency occur.

Implementing Business Continuity Management (BCM)

Nearly all core operating companies have finished formulating BCP. From now on, we will devote energy to implementing BCM.

Initial Response Manuals, and Implementing BCP

We have finished formulating initial response manuals, and have now turned our attention to implementing BCP.

Group-wide Identification of Potential Risks

We are identifying the potential risk of earthquakes, floods, landslides and the like at key locations and moving ahead with the formulation of BCP with regard to risks that could substantially impact our business.

	Head office	Oyama Tochigi Works	Takasaki Yoshii Works	Sakura Works	Osaka Works	Iwaki Works
Earthquakes	◎	○	○	○	◎	◎
Floods	△	○	○	×	○	×
Landslides	×	△	×	×	×	×
Tsunami	×	×	×	×	◎	×
Typhoons	○	○	○	○	○	○

Degree of potential risk: ◎High ○Medium △Low ×Significantly low

»Action

[Comment from the Responsible Committee] Overview of Fiscal 2020

Plans for fiscal 2020 included initial response and BCP drills, the establishment of Group BCP Sections, and the hosting of Business Risk Review Sectional Meetings; although nearly all core operating companies have finished formulating BCP, we were forced to postpone the Sectional Meetings due to COVID-19 countermeasures. We intend to implement the uncompleted items as soon as possible, and are taking steps to improve our capacity to respond to crises through such efforts as revising Group BCP throughout the Group and examining countermeasures for crises other than earthquakes.



Atsushi Takano
Risk Management Committee Chairperson, Senior Executive Officer, General Manager, Human Resources & General Affairs Department

Compliance



Ideal image for 2025

All officers and employees will be keenly aware of compliance as it applies to the international community.

»Plan & Check

Fiscal 2020 targets and assessments Achievement

- 1 Upgrade and expand compliance training. ★★
- 2 Prepare English, Chinese and Thai language versions of the Charter of Corporate Conduct and the Code of Conduct for Officers and Employees. ★★
- 3 Revise the compliance manual. ★

★★★ Target achieved; ★★ Target partially achieved; ★ Target not achieved



Fiscal 2021 targets

- 1 Upgrade and expand compliance training
- 2 Create and revise compliance manuals and guidelines
- 3 Revise systems for sharing information on compliance

»Do

Promoting Compliance

In addition to complying with laws and regulations, the Group believes it has a corporate obligation to take serious and responsible action in terms of social and ethical aspects.

To fulfill this obligation, we have established the Compliance Committee, which discusses important matters regarding compliance. The Committee strives to share information on Group-wide compliance by reporting matters it has discussed to the CSR Promotion Meeting as appropriate.

Compliance Education

We strive to instill a corporate culture that emphasizes compliance through efforts that include issuing our "Compliance News" source of information on compliance to all Group officers and employees, and having top management occasionally give talks on the importance and priority we place on compliance.

In fiscal 2020, we held compliance training sessions as part of our employment hierarchy-specific training for newly hired, midlevel employees, and newly assigned managers. We also continue to provide training on specific topics such as export control and Japan's Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (the Subcontract Act).

● Training Implemented in Fiscal 2020

Training	Number of participants (number of sessions)
Compliance training	172 (11)
Training on the Subcontract Act	63 (1)
Training on basic transaction agreements	63 (1)
Training on the Act on Promoting Quality Assurance in Public Works	65 (1)
Training on security export control	65 (1)
Training on amendments to the Japanese Civil Code	118 (5)

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.

»Action

[Comment from the Responsible Committee] Overview of Fiscal 2020

In fiscal 2020, foreign-language versions of the Code of Conduct for Officers and Employees and the Charter of Corporate Conduct, both of which were newly published in April, were prepared in English, Chinese, and Thai. Additionally, training was improved to include such new content as responding to amendments to the Japanese Civil Code. Plans for fiscal 2021 call for the preparation and revision of manuals and guidelines relating to priority items for achieving compliance. We will also revise systems to enable officers and employees to share information about compliance more effectively. We will continue to promote initiatives underpinned by our goal of equipping every one of our officers and employees with a keen awareness regarding compliance as it applies to the international community.



Takeshi Miyajima
Compliance Committee Chairperson, Senior Executive Officer, General Manager, Legal Department

Visit the following site for more information about the Furukawa Company Group Charter of Corporate Conduct

» https://www.furukawakk.co.jp/pdf/CSR/e/csr_23.pdf

Visit the following site for more information about the Furukawa Company Group Code of Conduct for Officers and Employees

» https://www.furukawakk.co.jp/pdf/CSR/e/csr_24.pdf



Ideal image for 2025

We aim to improve brand strengths of Furukawa products and achieve top rankings in product categories.

»Plan & Check

Fiscal 2020 targets and assessments Achievement

- | | |
|---|------|
| 1 Implement the FMEA ¹ approach with respect to risk assessment (product development) and design | ★★ |
| 2 Reduce risks associated with overseas procurement (respective machinery companies) | ★★ |
| 3 Streamline collection of data from inspections and trials (respective machinery companies) | ★★ |
| 4 Enable visual monitoring of change points (respective machinery companies) | ★★ |
| 5 Take steps to eliminate risk at the stage of development and design (respective machinery companies) | ★ |
| 6 Engage in initiatives involving quality assurance frameworks (respective materials companies) | ★★★★ |

★★★★ Target achieved; ★★★ Target partially achieved; ★ Target not achieved

Fiscal 2021 targets

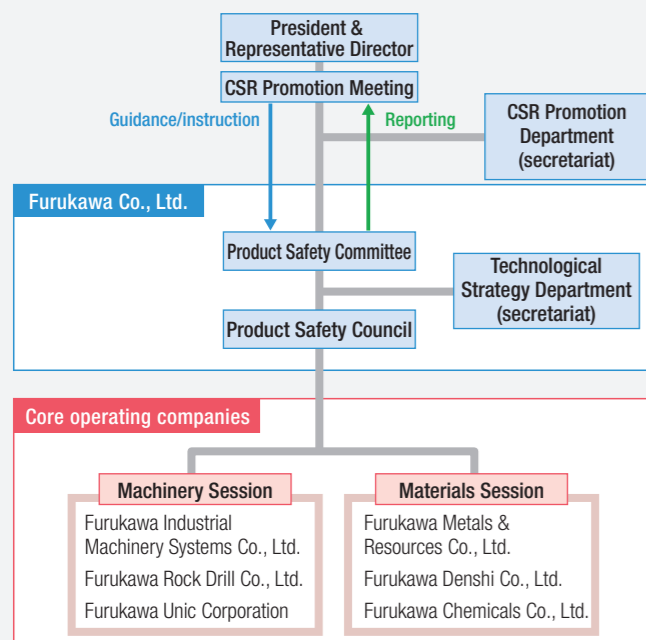
- 1 Use the results of change point controls to enhance educational activities for preventing defects from occurring
- 2 Improve DR² and SR³ in the development and design stages
- 3 Strengthen quality assurance management for components produced overseas
- 4 Engage in initiatives involving quality assurance frameworks

»Do

Product Safety Management System

Established within the headquarters of Furukawa Co., Ltd., the Product Safety Committee consists of the Product Safety Council comprising product safety officers of core operating companies and subordinate to the Product Safety Committee, and separate product safety sessions consisting of the Machinery Session and the Materials Session. These sessions promote efforts that involve complying with regulations on manufacturing, quality assurance and product safety, and manufacturing products that customers can use safely with peace of mind, based on the Group's Product Safety Basic Policy and its Product Safety Action Guidelines. Based on the idea that we should effort firstly geared to improving product reliability with the aim of heightening product safety levels, the Product Safety Council takes action with emphasis on quality assurance. We are conducting

● Product Safety Management System



activities to improve Group-wide product safety and are evaluating activities relating to quality assurance and product safety.

Moreover, in the sessions, which consist of members capable of discussing matters from the standpoint of on-site operations, we have been taking steps to raise awareness of factory-wide quality control and quality assurance, in addition to engaging in discussions that also enlisted managers from the design realm, manufacturing realm, and other divisions apart from quality control.

Session Initiatives

Machinery Session Activity Report

The Machinery Session is continuing to promote efforts to reduce complaints and monitor production change points that it began in the last fiscal year under the concept of "making products that satisfy our customer."

The session is making efforts to share information about methods of analyzing and reducing complaints and toward the horizontal spread of the methods themselves between places of business, in addition to visualizing change points on the production floor and aggregating data on a monthly basis for the purpose of preventing defects from occurring.

The session also holds weekly meetings on the progress of complaint response to eliminate factors that cause defects originating from design problems, and on-site patrols by factory managers to eliminate factors that cause defects originating from problems on the manufacturing floor. The response to matters to correct pointed out in these progress meetings and on-site patrols is tracked to completion in an effort to improve the effectiveness of our activities.

Additionally, to avoid the risks of components procured overseas, we are intensifying preliminary and regular audits of affiliated factories, and using material analysis to rigorously manage and monitor inspections of initial and transferred products.

The Machinery Session and three core operating companies in the machinery segment will continue to aim to improve manufacturing capacity and on-site strengths to earn customers' trust in the Furukawa brand.



»Action

[Comment from the Responsible Committee] Overview of Fiscal 2020

Quality assurance encompassing all products for the sake of our customers

Our Product Safety Committee engages in various initiatives to ensure that our products are safe and satisfactory with respect to all products manufactured by the Furukawa Company Group and delivered to our customers. We accordingly aim to guarantee that the quality of our products for overseas procurement, production and factories overseas, and export embody the pride of Japanese manufacturers.

In fiscal 2020, we promoted the visualization of on-site change points identified as major factors behind complaints in order to strengthen quality assurance frameworks at respective business sites, and the improvement of operational efficiency through the transition to ICT in production and inspection operations.

In fiscal 2021, we will take action to prevent complaints in addition to addressing unachieved items from the previous fiscal year. Specifically, we will aim to reflect key points identified during the consolidation of change point control data in our quality training, and create a more robust quality assurance frameworks by striving to intensify checking performance to reduce risks in the early stages of operational processes.

Tatsuki Nazuka
Product Safety Committee Chairperson,
Director, Senior Executive Officer,
General Manager, Technology Division

Material Session Activity Report

Based on a customer-oriented approach, the respective materials companies take steps to improve our quality assurance system encompassing components procured overseas with the goal of achieving zero market complaints, with respect to materials that are widely used in electronic devices and other products.

In risk assessment for materials, we provide information about risks in SDS⁴ and the like in addition to fully understanding the major risks of allowing defective products into circulation. To prevent such circulation, we have promoted the automation of inspections and

highly reliable designing through FMEA focused on change points control. The Materials Session shares information obtained from the activities of each company and works on activities to heighten skills.

As a result of these kinds of efforts, we achieved zero market complaints in fiscal 2020. Likewise, we aim to achieve zero market complaints again in fiscal 2021, and will accordingly take steps that involve designing highly reliable products, preventing the release of defective products, and improving our quality assurance framework which includes products procured overseas, and work on activities to further heightening skills of each company.

TOPICS

Establishing and Promoting CO₂ Emissions Reduction Targets for Machine Product Development

One of our Group's priority issues is to reduce emissions of CO₂—one of the causes of global warming—in order to realize a sustainable society. Based on the idea that improving the mechanical efficiency of our machine products and the work efficiency of our customers will lead to reduce CO₂ emissions, we set the specific emissions targets for each product in line with the Group development roadmap for key product families. Through these efforts, we strive to improve the awareness of each and every Group employee toward social contributions, and aim for product development that improves customer satisfaction while simultaneously contributing to the global environment.

On-Site Educational Activities in the Furukawa Company Group

Our Group provides education and training aiming to improve quality and technical transfer in the form of on-site skill training, courses on the basics of quality control, and more. In fiscal 2020, education and training were provided a total of 181 times at six core operating companies. We are proactively engaged in educational activities to contribute to the global community. For example, FD Coil Philippines, Inc., an overseas subsidiary of Furukawa Denshi Co., Ltd., accepts local university students for internships based on an agreement with Bulacan State University of the Philippines to receive trainees for OJT.



On-the-job training (OJT) at FD COIL PHILIPPINES, INC.

¹ FMEA: Abbreviation for Failure Mode and Effects Analysis. A systematic analysis method that predicts the causes of quality problems and prevents them at the design and process planning stage.
² DR: Abbreviation for Design Review. Third-party reviews of specifications and design specifications, programs, and other outputs from each phase (sales, accounting, purchasing, production management, quality assurance, etc.).
³ SR: Safety Review. Reviews with emphasis on aspects of safety during the use of newly developed products.
⁴ SDS: Abbreviation for Safety Data Sheet.

Visit the following site for the Product Safety Basic Policy and the Product Safety Action Guidelines

» https://www.furukawakk.co.jp/pdf/CSR/e/csr_21.pdf



Ideal image for 2025 Promote environmental and safety activities

(Reduce environmental impacts, protect environment and ensure safety, protect biodiversity, publish environmental and safety activity outcomes, and continue working to ensure there are zero accidents and zero disasters at suspended and abandoned mines)

Basic Approach

Based on its the Charter of Corporate Conduct and Basic Environmental Management Principle, the Furukawa Company Group works to reduce environmental risks associated with its business activities and engage in corporate activities that are mindful of the global environment in order to contribute to the realization of a sustainable society.

With respect to measures against global warming, the Group is promoting activities toward achieving the newly formulated Fourth Medium-Term Reduction Targets for the 10-year period starting in

fiscal 2020, which are based on Vision for 2025.

In the course of expanding our environmental conservation activities, we are implementing preventive measures and enhancing and reinforcing our capacity to respond to risks.

We are also promoting initiatives to reduce the negative impact of our business activities on biodiversity, as well as cultivating healthy forests and other activities to conserve biodiversity.

»Plan & Check

● Key Environmental and Safety Targets and Results (Fiscal 2020)

★★★ Target achieved; ★★ Target partially achieved; ★ Target not achieved

	Key fiscal 2020 targets	Fiscal 2020 results	Achievement
Environmental protection and safety and health activities	1 Continuous improvement of environmental performance (CO₂, water, waste, chemical substances) ● Reducing greenhouse gas emissions (by improving efficiency of production processes, etc.) ● Reducing the use of water resources ● Reducing total emissions including waste and converting waste into valuables ● Reducing emissions of chemical substances by improving productivity and carefully maintaining and managing abatement equipment	● The Fourth Medium-Term Reduction Targets were formulated and guidance provided for target achievement ● The environmental conservation data aggregation system was used to ascertain the progress of monthly data at each respective factory and business site	★★★★
	2 Strengthening workplaces by forming collaborations between sites ● Promoting continuous improvement of operations in accordance with the revised Environmental Management System (EMS) standard ● Stimulating communication internally and externally	● In Environmental and Safety Audits, improvement processes were confirmed, and guidance provided on points of improvement ● Corrective and preventive measures for accidents and disasters were implemented after discussion at each respective site	★★★★
	3 Strengthening preventative measures through analysis of various data ● Making effective use of facilities and environmental and safety data needed for operation	● In Environmental and Safety Audits, the status of record keeping and application of data on energy saving, pollution prevention, and equipment inspections (including alarms and safety devices) was confirmed, with guidance provided	★★★★
	4 Understanding laws, ordinances, and requirements and strengthening practice ● Strengthening monitoring of compliance with relevant laws and ordinances	● In Environmental and Safety Audits, the status of compliance with environmental laws and regulations and the like was confirmed and guidance provided on points of improvement ● Guidance was provided at each respective site to avoid violations of environmental laws and regulations with regard to new business projects involving laws and regulations	★★★★
	5 Conducting environment and safety audits useful for everyday operations ● Strengthening workplaces through environmental protection and industrial safety and health activities ● Strengthening preventative measures and recurrence prevention through environment and safety audits ● Reducing the number of environmental and facility accidents, setting the target at zero ● Reducing the industrial accidents rate (Target: Severity rate of 0.03 or lower)	● In Environmental and Safety Audits and onsite inspections, the status of implementation of environmental and safety training was confirmed, and guidance provided ● In Environment/Safety Promotion Meetings (Environment), guidance on preventative measures using the results of analysis (data) was provided ● There were both environmental and facility accidents, so we did not achieve our target ● The number of industrial accidents was lower than the previous fiscal year, but we did not meet our severity rate target	★★★
	6 Promoting specific initiatives for the reduction of environmental risks ● Promoting specific initiatives on measures for reducing environmental risk to biodiversity ● Promoting continuous tree-planting, forest management, and animal and plant species restoration activities	● In Environmental and Safety Audits, environmental risks were identified, and guidance was provided to establish procedures and facilitate responses to the most extreme risks ● We continued tree-planting activities including tree-planting parties, promoted management of forests owned by the Company, and worked to revive firefly	★★★★
Management of suspended and abandoned mines	1 Strengthening workplaces by passing on knowledge and skills	● Thorough everyday inspections ● Conducting employee training to increase knowledge and skills	★★★★
	2 Maintaining and managing mine run-off treatment facilities	● Dangerous tasks were identified in order to ensure safety ● Conducting employee training to increase knowledge and skills	
	3 Maintenance at final disposal sites and in shafts		

● Environmental and Safety Activity Targets for Fiscal 2021

Environmental protection and safety and health activities	1 Operation and promotion of effective environmental and safety management systems by each Group company ● Promoting continuous improvement of operation in accordance with the EMS standard ● Promoting the conservation of equipment that impacts on the environment and safety ● Promoting systems for compliance with relevant laws and regulations ● Promoting the reliable gathering and efficient application of various kinds of data
	2 Promoting continuous improvement of environmental performance ● Reducing greenhouse gas emissions (introducing "top-runner" appliances and machinery, streamlining production processes, developing and institutionalizing eco-friendly products, etc.) ● Reducing water consumption (improving the efficiency of water consumption, reusing water resources, streamlining production processes, etc.) ● Reducing total emissions including waste (streamlining raw material usage in order to restrict the generation of byproducts, recycle materials, etc.) ● Reducing chemical substance emissions (improving production processes, properly managing treatment systems, etc.)
	3 Promoting biodiversity protection activities ● Promoting specific initiatives to reduce environmental risks to biodiversity ● Promoting continuous tree-planting activities, forest management, and biodiversity restoration activities
	4 Enhancing preventive measures for eliminating accidents and disasters ● Strengthening preventive measures through thorough recurrence prevention measures and risk assessment ● Intensifying safety activities to eliminate unsafe conditions and behaviors ● Reducing facility and environmental accidents by strengthening facility and equipment inspections and proper work procedures ● Reducing occupational accident rates (Target: Severity rate of 0.03 or lower)
Management of suspended and abandoned mines	1 Strengthening workplaces by passing on knowledge and skills
	2 Maintaining and managing mine run-off treatment facilities
	3 Maintenance at final disposal sites and in shafts



»Action

[Comment from the Responsible Committee] Overview of Fiscal 2020

Practicing Environmental Conservation through Our Overall Business Activities

To help build a sustainable society, the Furukawa Company Group works to improve our production facilities and make our operations safer and more efficient. We also practice environmental conservation that is mindful of the impact our business activities as a whole have on the global environment and biodiversity. In July 2019, the name of the department the Committee belongs to was changed from the Environmental & Safety Control Department to the Environmental & Safety Management Department, and we defined and promote progress on priority matters for improvement of environmental conservation, safety, and health activities. Regarding initiatives to reduce environmental impact based on the Fourth Medium-Term Reduction Targets (10-year period) formulated in fiscal 2020, we first communicate with affiliates to ascertain the characteristics of each business site, and then implement the initiatives.

Looking to fiscal 2021 and beyond, we intend to continue to devote energy to environmental conservation activities toward the achievement of Vision for 2025, namely promoting visualization, striving to reduce environmental risks, and promoting corporate activities in harmony with the global environment.

Masayuki Kuno

Environment and Safety Management Committee Chairperson, Executive Officer, General Manager, Environment and Safety Management Department

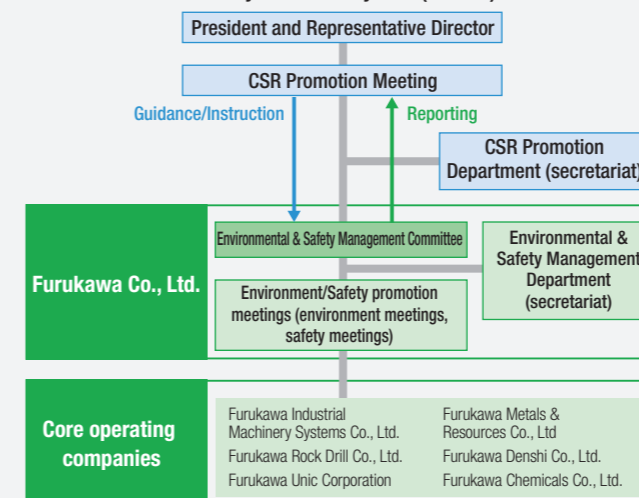
»Do

Environmental Management

Environmental & Safety Management Committee

Given the state of the COVID-19 pandemic, the meeting of the Environmental & Safety Management Committee (comprising the leaders of the respective production sites) scheduled for this fiscal year will be held via written correspondence rather than in person. Affiliates were given new instructions: specifically, they were instructed to (1) execute the Fourth Medium-Term Reduction Targets, and (2) expend every effort on preventive measures and take dependable actions to achieve the goal of zero accidents and disasters.

● Environment and Safety Promotion System (FY2021)



[Environmental & Safety Management Committee]

Committee Chairperson: General Manager, Environmental & Safety Management Department
Members: General managers of each division, core operating companies' works general managers (or general managers of administration if there is no general manager of works)
Secretariat: Environmental & Safety Management Department
Meeting location: Head Office, Furukawa Co., Ltd.
Meeting frequency: Once a year

[Environment/Safety promotion meetings (environment meetings, safety meetings)]

Attended by: Environmental & Safety Management Department general manager and employees, employees with environment and safety responsibilities of core operating companies and other divisions
Secretariat: Environmental & Safety Management Department
Meeting location: As a rule, works of core operating companies rotate as meeting location
Meeting frequency: Once a year (starting in fiscal 2021, environment meetings and safety meetings are being held separately)

TOPICS

Furukawa Wins Development Bank of Japan's Highest Environmental Rating for Sixth Consecutive Year

Furukawa gets financing from the Development Bank of Japan Inc. (DBJ) based on our DBJ Environmental Rating. Furukawa obtained DBJ's highest environmental rating on April 30, 2020.

The DBJ praised Furukawa for its Group-wide utilization of the Environmental Management System to put steady environmental management into practice throughout the Group's wide range of business domains, and for its efforts to provide value to society through the Group's main business by demonstrating in detail the environmental impact-reducing effects of its eco-friendly products. We also won acclaim for our proactive advancement of initiatives to achieve Vision for 2025, which include implementing promotion of marketing-based management to create the value of the Furukawa Brand, specifically by revising our development structure and introducing the business division structure to propose technology that leverages collaboration within the Group, and developing skilled human resources by restructuring employee performance evaluation systems and enhancing technical management capacity. For these and other efforts, we earned the highest rating for the sixth consecutive year in recognition of our "especially advanced efforts in consideration of the environment."



Visit the following site for more information about Furukawa's Basic Environmental Management Principle and Environmental Conservation Activity Policies

» <https://www.furukawakk.co.jp/e/csr/environment/houshin.html>



» Do

Environmental and Safety Audits

The Furukawa Company Group conducts annual Environmental and Safety Audits in May and June to promote a transition from corrective measures to preventive measures in an effort to improve environmental conservation, safety, and health activities at each site of business. Given the state of the spread of COVID-19, the timing of the audits for fiscal 2021 was changed to October and November, and the audits will be conducted for the purpose of contributing to preventive measures by taking decisive action on the corrections pointed out by the auditors.

Environment/Safety Promotion Meetings (Environment Meetings)

Environment/Safety Promotion Meetings are meetings held once each year to improve environmental conservation, safety, and health activities at each site of business. The meetings are attended by personnel responsible for environment and safety of our Group. To further improve these meetings, they have been held separately—as Environment Meetings and Safety Meetings—since fiscal 2021.

The first Environment Meeting was held in November 2019 at the Ashio Office of Furukawa Co., Ltd. The meeting consisted of lively discussion on matters such as the progress of achieving the Fourth Medium-Term Reduction Targets at each site of business, and the reinforcement of measures to prevent the recurrence of facility and environmental accidents.

The first Safety Meeting was held in July 2020.



Environment/Safety Promotion Meetings (Environment Meetings)

The Fourth Medium-Term Reduction Targets and Results of the First Year

The Fourth Medium-Term Reduction Targets covering the period from fiscal 2020 to fiscal 2029 set out environmental performance targets for the final year of the period—specifically, 2% reductions of CO₂ emissions and water consumption, and 3% reduction of total emissions including waste—determined in light of discussions with core operating companies about the increase in environmental performance they expect in the future under their production plans based on Vision for 2025.

In the first year of the period, we achieved our reduction targets for CO₂ emissions and total emissions including waste. However, we slightly failed to achieve our reduction target for water consumption.

In the second year of the period, we are implementing total management based on fluctuations in operating rates at each company toward the achievement of the Fourth Medium-Term Reduction Targets.

● The Fourth Medium-Term Reduction Targets and results of the first year

	FY2029	FY 2020 (First Year)	
	Reduction rate targets*	Reduction rate targets	Reduction rate results
CO ₂ emissions	2%	0.2%	18%
Water resource used	2%	0.2%	(0.3)%
Total emissions including waste	3%	0.3%	1.7%

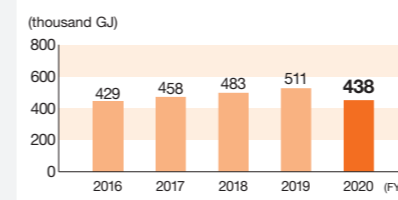
*Reduction targets are expressed in terms of projected environmental performance values for fiscal 2029

Material Flow of the Furukawa Company Group (Fiscal 2020)

INPUT						OUTPUT		
Category	Volume used	Category	Volume used	Category	Volume used			
Total energy consumption	Oil (gasoline)	34 kℓ	Fuel oil A	211 kℓ	City gas	848 thousand m ³	CO ₂ emissions	21,930 t-CO ₂
	Oil (kerosene)	231 kℓ	Liquefied petroleum gas (LPG)	381 t	Electricity	36,441 thousand kWh		
	Oil (diesel)	204 kℓ						
Total water withdrawal	Clean water	20 thousand m ³	Industrial water	560 thousand m ³			Wastewater volume	477 thousand m ³
			Groundwater	0 thousand m ³				
							Total emissions including waste	7,039 t

INPUT

● Energy consumption

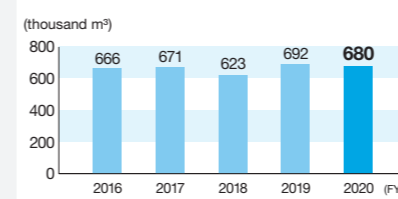


Energy consumption decreased 14% year on year due to reduced production in the Electronics and Unic Machinery segments as well as efforts to reduce energy consumption, including introducing “top-runner” appliances and machinery and streamlining production processes at each works.

We have received the top ranking of S Class under the evaluation system for Specified Business Operators based on Japan’s Energy Conservation Law for five consecutive years since the system was launched in fiscal 2016.

We became a designated manufacturer under Japan’s Energy Conservation Law (annual consumption of 1,500 kL crude oil equivalent or more), however developments such as the closure of the Furukawa Osaka Building at the end of December 2019 resulted in energy consumption of roughly 1,300 kL crude oil equivalent in fiscal 2020; we do not expect to qualify as a designated manufacturer in and beyond fiscal 2021.

● Water resources withdrawn



Water consumption decreased 2% year on year due to measures against leakage undertaken at some sites of business as well as efforts to reduce water consumption, including improving consumption efficiency, reusing water resources, and streamlining production processes.

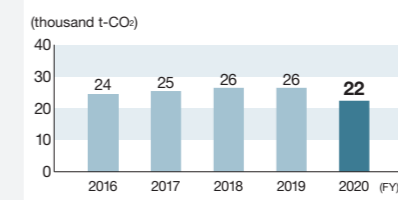
List of Our Products Giving consideration to Humans and the Environment Now Featured on Our Website

The Group is actively undertaking initiatives to develop and institutionalize eco-friendly products to contribute to the realization of a sustainable society. We have created a list of the products giving consideration to humans and the environment that resulted from these efforts.

We intend to continue our efforts to provide products and services giving consideration to humans and the environment.

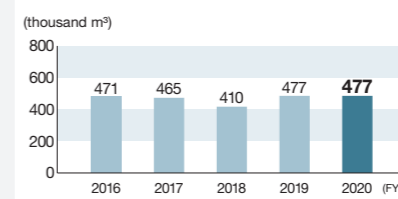
OUTPUT

● CO₂ emissions



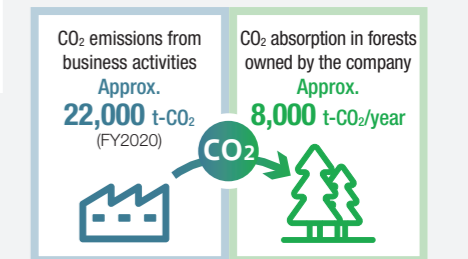
CO₂ emissions decreased 16% year on year due to the 14% year-on-year decrease in energy consumption and the CO₂ emissions factor.

● Wastewater volume

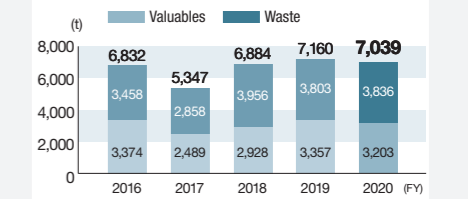


Wastewater volume slightly decreased year on year due to the 2% year-on-year decrease in water consumption.

CO₂ absorption in forests owned by the company
Forests owned by the company absorb approximately 8,000 t-CO₂ per year, which is equivalent to roughly 36% of the Group’s CO₂ emissions in fiscal 2020.



● Total emissions including waste



Total emissions including waste decreased 2% year on year due to developments such as reduced production as well as efforts to restrict the generation of waste and recycle waste materials. Note that valuables account for 46% of total emissions including waste.

TOPICS Refreshed Design of In-Car Advertising of the Watarase Keikoku Railway

The Group took the opportunity to revamp the design of the advertising we post inside train cars of the Watarase Keikoku Railway, a 44.1-km railway connecting Kiryu Station in Kiryu, Gunma and Mato Station in Nikko, Tochigi. We added the names of several Group companies to the new design, and clarified how each relates to the Ashio Copper Mine. The Watarase Keikoku Railway is a third-sector railway that runs along the upper reaches of the Watarase River, which originates in the Ashio area, and passengers can enjoy seasonal scenery from the railways. Please keep an eye on Furukawa Company Group advertisements when you board.



Visit the following site for a list of our products giving consideration to humans and the environment

» <https://www.furukawakk.co.jp/e/csr/environment/consideration.html>



» Do

Management of Chemical Substances

In fiscal 2020, we handled 15 chemical substances that are required to be reported under the PRTR* system, the same number as in the previous fiscal year. We were able to decrease atmospheric emissions of xylene, toluene, ethylbenzene, and other substances due to reduced production in each segment as well as efforts to reduce chemical substance emissions, including improving production processes and properly managing of exclusion devices.

● Emission and Transfer of Substances Required to Be Reported under the PRTR System

Numbers in blue: Decreased from the previous fiscal year
Numbers in red: Increased from the previous fiscal year (unit: kg/year; or mg-TEQ/year for dioxin only)

Substance number	Chemical substance	Emissions								Volume transferred			
		Atmosphere		Public waters		Soil		Landfill at works		Transfer to sewer		Outside of works	
		FY2019	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020
53	Ethylbenzene	32,069	28,534	0	0	0	0	0	0	0	0	1,911	1,894
75	Cadmium and its compounds	0	0	0	0	0	0	0	0	0	0	2,507	7
80	Xylene	47,052	40,491	0	0	0	0	0	0	0	0	3,802	3,672
87	Chromium and chromium (III) compounds	1	2	0	0	0	0	0	0	0	0	0	34
243	Dioxins	8.5	2.7	0	0	0	0	0	0	0	0	0.05	0.21
272	Copper salts (water-soluble, except complex salts)	0	0	0	0	0	0	0	0	11	6	0	0
296	1,2,4-trimethylbenzene	5,592	5,005	0	0	0	0	0	0	0	0	440	485
297	1,3,5-trimethylbenzene	1,519	1,302	0	0	0	0	0	0	0	0	180	168
300	Toluene	42,766	38,317	0	0	0	0	0	0	0	0	1,949	1,445
308	Nickel	0	0	0	0	0	0	0	0	0	0	0	0
332	Arsenic and its inorganic compounds	9	5	0	0	0	0	0	0	0	0	2,226	1,769
374	Hydrogen fluoride and its water-soluble salts	0	0	12	7	0	0	0	0	0	0	1,726	1,477
412	Manganese and its compounds	6	5	0	0	0	0	0	0	0	0	32	30
438	Methylnaphthalene	13	13	0	0	0	0	0	0	0	0	0	0
453	Molybdenum and its compounds	0	0	0	0	0	0	0	0	0	0	0	0

Environmental Accounting

Environmental Conservation Costs

The Furukawa Company Group endeavors to conserve the environment and improve environmental efficiency by tracking costs required for environmental conservation in reference to the Ministry of the Environment's Environmental Accounting Guidelines.

Total investments for fiscal 2020 reached ¥639 million. The Group invested in new coating facility construction, rainwater drainage modification works, updated factory heating systems, and other investments to prevent pollution and conserve energy. Our investments aimed to reinforce preventive measures, and as a result, pollution prevention costs account for roughly 70% of the total.

Costs totaled ¥1,047 million, the breakdown of which is mainly the costs for promoting environmental conservation activities such as the thorough maintenance and management of pollution control equipment and conservation of forests.

● Environmental Conservation Costs (Categories Corresponding to Business Activities) (Millions of yen)

Category	Content of the principal activities	Investments	Costs
(1) Business area costs		611	843
Breakdown	Pollution prevention cost	434	576
	Global environment conservation cost	172	55
	Resource circulation cost	5	212
Upstream and downstream costs	Cost for recycling, recovering and re-commercialization of products from the market	0	8
Administration cost	Cost for operating ISO 14001 standards, environmental education, cleanup and greening of business sites	8	61
R&D cost	R&D cost to develop products that contribute to environmental conservation	20	133
Social activity costs	Cost associated with various social activities including cleanup of neighborhood areas, planting of greenery, etc.	0	2
Environmental remediation cost	Cost allocated for recovery from environmental degradation due to business activities	0	0
Total		639	1,047

● Environmental Conservation Benefit

Environmental conservation benefit category	Environmental performance indicator (unit)	FY2019	FY2020	Difference from the previous fiscal year
Environmental conservation benefit related to resources input into business activities	Total energy input volume (thousand GJ)	511	438	(73)
	Input volume of water (thousand m³)	692	680	(12)
Environmental conservation benefit related to waste or environmental impact originating from business activities	Volume of greenhouse gas emissions (t-CO₂)	26,147	21,930	(4,217)
	Total emissions including waste (t)	7,160	7,039	(121)

Economic Impacts of Environmental Conservation

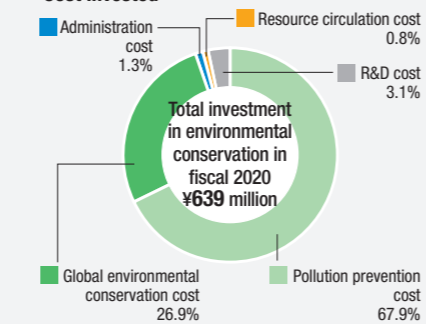
The reduction of electric power purchasing costs, due to the operation of turbine generators of the Osaka Works of Furukawa Chemicals Co., Ltd. was ¥44 million in fiscal 2020.

The economic impact derived from resource circulation (gains on sale of valuables, etc.) was ¥132 million, a year-on-year decrease of ¥72 million caused by the decrease in total emissions including waste.

● Economic Impacts of Environmental Conservation (Material Impacts) (Millions of yen)

Content of the benefit	Amount
Resource circulation (gains on sale of valuables, etc.)	132
Energy-saving effect	44
Total	176

● Breakdown of Environmental Conservation Cost Invested



Promotion of Biodiversity Protection Activities

Cancelation of the Ashio Cherry Tree-Planting Drive and Furukawa-no-mori Tree-Planting Drive

As a distinct greening activity of the Group, we organize Ashio Cherry Tree-Planting Drives aimed at planting 1,000 cherry saplings on company property in the Ashio area. The first drive was held in March 2009, and through 2019, we have held drives each year in March since then except for 2011, when the drive was canceled due to the great East Japan Earthquake. To date, a total of about 700 Group employees, family members, and other participants have planted 540 cherry trees. Unfortunately, we were forced to cancel the event in 2020 as a measure to prevent the spread of the novel coronavirus.

For the same reason, we canceled the 2020 Furukawa-no-mori Tree-Planting Drive, an event through which the Tochigi Furukawa Association aimed to finish planting trees on roughly 15,200m² of land owned by Furukawa Co., Ltd. in the Matsuki area of Ashio-machi, Nikko, Tochigi. The Tochigi Furukawa Association is an organization of Furukawa Group companies in Tochigi Prefecture that held tree-planting drives each year from 2015 to 2019.

We intend to continue both of these drives in the future.



Cherry trees planted in the first drive in March 2009

Safety Control Measures at Suspended and Abandoned mines

The Group's basic policy toward managing suspended and abandoned mines is to continue safety-oriented operations; accordingly, we formulated medium- and long-term plans for mine run-off treatment and use them to systematically implement prevention work.

In the last several years, typhoons and other natural disasters have frequently caused long-term power outages. In fiscal 2020, we installed an emergency generator capable of running for 24 hours on one tank of fuel in the limori Old Mine Management Office in Wakayama Prefecture to maintain the mine run-off treatment functions of mine facilities even when access roads to the facilities or external fuel supplies are cut off during disasters.



The newly installed emergency generator

Firefly Rehabilitation Project at the Site of the Former Kune Mine

As living creatures that reflect the state of the environment, fireflies are said to be symbols of healthy water environments. With the aim of rehabilitating the environment to enable fireflies to live sustainably, and to pass that environment on to the next generation, our Environmental & Safety Management Department is engaging in a genji-botaru firefly (Luciola cruciata) rehabilitation project at the site of the former Kune Mine in the Tenryu-ku of Hamamatsu City in Shizuoka Prefecture, and it is said that genji-botaru firefly danced in the past.

In fiscal 2020, we planted vegetation around a pond to create an environment suited to firefly breeding, and also built a fence around the pond to prevent deer from eating the vegetation.

We also plan to launch firefly rehabilitation activities at the site of the Ashio Copper Mine in Ashio-machi, Nikko City, Tochigi Prefecture.



Grasses grow densely as a result of our efforts to plant vegetation around the firefly pond

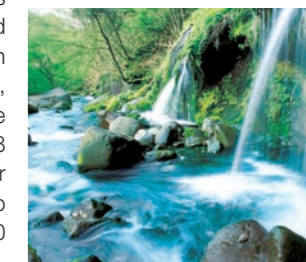
TOPICS

Contributing to Water Environment Conservation

The Osaka Works of Furukawa Chemicals Co., Ltd. accounted for roughly 40% of the Group's water consumption in fiscal 2020. The Osaka Works uses the water to manufacture the water treatment agents aluminum sulfate solution and polyferric sulfate solutions.

Roughly 30% of the aluminum sulfate solution produced by the Osaka Works are used as flocculants for drinking water, contributing to the production of clean water for 15 million people on an annualized basis.

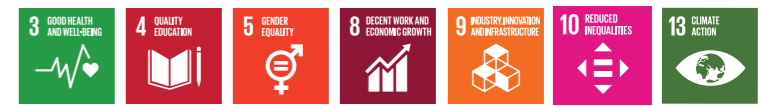
Additionally, the polyferric sulfate solutions produced by the Osaka Works is mainly used as a flocculant in wastewater treatment, contributing to the purification of 9.8 billion tons of water (enough to fill Tokyo Dome about 8,000 times) per year.



* PRTR: Pollutant Release and Transfer Register

Visit the following site for information about our Biodiversity Action Guidelines

» <https://www.furukawakk.co.jp/e/csr/environment/houshin.html>



Ideal image for 2025

Our efforts to promote diversification of working styles in a manner that makes use of diverse human resources will culminate in rewarding workplace environments where it is possible to create new forms of value by maximizing the abilities of each and every employee.

»Plan & Check

Fiscal 2020 targets and assessments Achievement

- Cultivate human resources**
 - Introduce new employee programs
 - Consider revisions to the personnel evaluation system
 - Review possibility of increasing the retirement age
- Promote work-life balance**
 - Implement telework options
 - Expand application of the flextime system
- Promote diversity**
 - Actively employ women in career-track positions (The percentage of women among new graduate hires shall be 20% or higher)
 - Redouble efforts to hire people with disabilities (The percentage of employees with disabilities in the Furukawa Company Group shall be 2.0% or higher)



★★★ Target achieved; ★★ Target partially achieved; ★ Target not achieved



Fiscal 2021 targets

- Cultivate human resources**
 - Redouble hiring efforts
 - Radically revise training system
- Promote healthy and productivity management**
 - Reduce annual total working hours
 - Improve the percentage of scheduled medical examinations received
 - Restrict time spent smoking
- Promote diversity**
 - Actively employ women in planning group positions (career-track positions) (The percentage of women among new graduate hires shall be 20% or higher)
 - Implement human rights due diligence
- Improve work environments**
 - Establish productive work environments

»Do

Realizing Rewarding Environments

The Furukawa Company Group is undertaking various reforms to realize healthy, rewarding environments for diverse human resources and improve labor productivity and creativity by facilitating the growth of each and every employee.

● Three Issues and Considerations for Realizing Rewarding Environments

Developing human resources and using them properly	Developing diverse human resources in response to factors such as their length of service, position, job description, and abilities; putting the most capable employees in the right positions regardless of what track they are on; establishing challenging individual targets; and proper evaluation
Work-style reforms	Improving working environments such as Automate and computerize operations, shorten meetings, effectively manage meetings; aptly applying various working conditions (flextime systems, teleworking, adopt discretionary work systems; and reform of mindsets toward improving operational efficiency
Establishing healthy workplaces	Reducing annual total working hours, improving the percentage of annual paid leave taken, improving the percentage of scheduled medical examinations received, actively implementing health promotion activities

● Quantitative Targets for Realizing Rewarding Environments

	Targets	Fiscal 2020 results
Monthly extra working hours	15.5 hours	22.4 hours
Percentage of paid annual leave taken	60%	53.2%
Annual total actual working hours	Less than 2,000 hours	2,083 hours
Rate of medical examinations received	100%	Less than 100%*

*Overall statistics have not yet been compiled

Initiatives for Achieving Positive Work-Life Balance

Creating a Comfortable Work Environment

We have been promoting initiatives that help employees maintain their health and achieve positive work-life balance by enabling them to reduce their overtime and take a greater proportion of their paid annual leave.

● Initiatives in Fiscal 2020

- Introduced employment system that would ensure stringent oversight of working hours
- Set days on which employees are encouraged to take paid annual leave and urged employees who have used a low proportion of such leave (fewer than 5 days) to take time off
- Introduced teleworking and expanded application of the flextime system
- Held seminars on balancing work with parenting and other caregiving obligations

Promoting Diversity

Empowering the Female Workforce

Furukawa Co., Ltd. has been focusing its efforts on actively recruiting and employing female talent. To such ends, we drew up our Action Plan for Promoting Support for Female Employees on April 1, 2016, and have been otherwise expanding systems geared to empowering our female employees.

● Action Plan for Promoting Support for Female Employees (April 1, 2016 to March 31, 2021)

Target No. 1	Ensure that women account for at least 20% of all new graduate hires
Target No. 2	Employ at least 10 female managers
Target No. 3	Establish a re-employment program for retirees
Target No. 4	Encourage employees to take paid annual leave at an average rate of 12 days per person per year
Target No. 5	Ensure that at least 10 male employees take parental leave

Support for Employees Raising Children

We have expanded our support systems for employees who are raising children in part by making a greater range of employees eligible to use our various programs addressing childcare needs, and by providing paid leave to cover some time taken off to care for infants and toddlers. We also encourage male employees to take parental leave so that they might also have opportunities to participate in child rearing.

Hiring People with Disabilities

We hire people with disabilities at various workplaces and for various types of work, thereby promoting their independence and participation in society.

Hiring Foreign Nationals

Given its active pursuit of overseas expansion, the Furukawa Company Group does not base its hiring decisions on nationality. Moreover, we strive to deepen partnerships that transcend nationality as we promote a spirit of mutual respect for individual differences.

Employment of Older Workers

On April 1, 2020, we raised the official retirement age from 60 to 65 to help older workers enjoy stable employment and more opportunities to flourish.

We expect them to play active roles in endeavors such as training our mid-level and younger employees by imparting the skills they have developed over their long careers.



»Action

[Comment from a Responsible Department] Overview of Fiscal 2020

We will create workplace environments that employees find rewarding complete with fair performance evaluations and incentives.

Atsushi Takano

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

One of our policies geared to achieving our Vision for 2025 is to enhance our human resource foundations with a focus on cultivating human resources, promoting work-life balance, and promoting diversity. In order for the Furukawa Company Group to remain indispensable to society well into the future, our employees must remain one step ahead with respect to achieving swift transformation and growth, in alignment with the changing times. As such, we will help our employees grow by flexibly adopting new employment options geared to embracing diverse personalities, values and living arrangements, and by creating work environments that help give rise to greater creativity.

Respect for Human Rights

Harassment and Discrimination Prohibited

The Furukawa Company Group prohibits all forms of harassment and discrimination, premised on our commitment to recognizing the diverse values of individuals and accordingly creating a rewarding corporate culture absent of human rights violations and discrimination, where individuals are evaluated fairly. Moreover, we resolutely take action against harassment and discrimination based on our internal rules.

Training on Human Rights

The Furukawa Company Group has established a code of behavior calling for its employees to respect basic human rights and refrain from using discriminatory language, and accordingly has all of its newly hired employees take part in human rights training. Additionally, employees who take part in our employment hierarchy-specific training undergo in-house training pertaining to workplace harassment and other efforts to create pleasant work environments and learn from case studies of specific developments that have given rise to human rights violations.

Cultivating Human Resources

Basic Approach

Premised on its fundamental policy of "what supports limitless development of a company is people," the Furukawa Company Group employs talented individuals who will actively take on all challenges, while striving to recognize the diverse values of individuals and accordingly creating a rewarding corporate culture absent of human rights violations and discrimination, where individuals are evaluated fairly.

Development of Human Resources

We seek to optimize the Group's business framework and maximize its corporate value by developing professional talent and creating work environments that enable employees to exercise their abilities to the fullest.

● Employment Hierarchy-specific Training

Our employment hierarchy-specific training helps employees develop the ability to address societal changes while acquiring basic knowledge necessary for their respective positions. The extensive training program

is organized by level of the employment-hierarchy, encompassing newly hired, second year, third year, fifth year, eighth year, and tenth year employees, newly appointed managers, and section managers. The training program for newly hired employees incorporates training pertaining to the Ashio Copper Mine's history, antipollution measures, present status of safety management, and afforestation initiatives.

● Training Tailored to Areas of Expertise and Occupations

We implement training tailored to employees' areas of expertise and job performance, thereby enabling them to gain extensive knowledge and acquire specialized skills in their respective fields. Meanwhile, we actively encourage our employees to participate in external seminars on specialized subjects, and to gain public qualifications. We also endeavor to develop professional talent equipped with extensive knowledge of cutting-edge technologies and social trends by supporting their involvement in educational organizations and academic societies outside of the workplace.

Personnel Evaluation System

On July 1, 2019, we adopted a role grade system whereby an employee is assigned a grade based on the importance of the role he or she is expected to fulfill. To such an end, we have discontinued our previous system of assigning grades based on professional qualifications. The new role grade system is the basis of our personnel evaluation system, which we use to evaluate employees' job performance, achievement of targets, motivation, and proficiency to guide, cultivate, and develop their potential as well as ensuring their appropriate job placement, all in an effort to establish environments in which motivated employees can flourish with a sense of security.

Communication to Facilitate Training of Subordinates

Interviews are conducted between immediate supervisors and their subordinates on a twice yearly basis, in addition to the daily communication that takes place between managers and their employees. The interviews enable managers to furnish feedback to employees regarding their work, achievements, points of self-reflection, and findings of performance evaluations. Upon having reviewed specifics of employee self-assessments, managers then also furnish advice to employees, verify targets that have been established, and share details in that regard. Meanwhile, supervisors also provide their assessments with respect to the self-analysis. The process of undergoing straightforward performance assessments by their supervisors enables employees to scrutinize themselves on a regular basis, thereby helps fuel their motivation to pursue further personal development.

» Do

Employee Health Management

At the Furukawa Company Group, we monitor the health of our employees particularly through our regularly scheduled physical examinations and special physical examinations for our employees who handle specified hazardous substances. Meanwhile, on the basis of such physical examination outcomes we also provide health-related guidance and provide support with respect to employee health maintenance. We also safeguard our employees from the effects of second-hand smoke by setting up separate smoking areas as stipulated under Japan's Health Promotion Act.

In fiscal 2018, in order to further promote efforts to improve employee health, we strengthened our partnership with Furukawa Health Insurance Society, and embarked on efforts that involve planning and overhauling various initiatives, drawing on physical examination data. We are going to work to achieve lower rates of smoking among our workforce while encouraging a higher proportion of employees to engage in regular exercise.

We will also engage in preventative measures with respect to employee mental health. This will involve setting specific targets geared to ensuring that the company is a safe and pleasant place to work, while striving to maintain positive mental health based on the Furukawa Group Company Mental Health Promotion Plan. Meanwhile, we will strive to help employees who are struggling with mental health issues return to work. This will involve coordinated efforts enlisting occupational physicians, personnel and labor affairs representatives, and supervisors, and will furthermore entail our working in conjunction with specialized institutions and medical specialists from outside the Group.

Smoking and Regular Exercise Among Furukawa Company Group Employees

According to a survey of employees who are 40 years of age and older

Smoking rate	33.8% (2.1% more than in the previous year)
Employees who exercise*	25.1% (1.9% fewer than in the previous year)

* This refers to the percentage of employees who exercise to the point of generating slight perspiration for no less than 30 minutes per exercise session, and who have been exercising at least twice per week for at least one year.

TOPICS

Recognized as a 2020 Certified Health & Productivity Management Outstanding Organization in the Large Enterprise Category (White 500)

Furukawa Co., Ltd. was recognized as a 2020 Certified Health & Productivity Management Outstanding Organization in the Large Enterprise Category for its efforts with respect to strategically carrying out initiatives with regard to its employees' health from a management perspective, based on findings of the Certified Health & Productivity Management Outstanding Organizations Recognition program implemented by Japan's Ministry of Economy, Trade and Industry (METI).



Work-life Balance (Target: Non-managerial employees of Furukawa Co., Ltd.)

	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	
Number of employees taking parental leave	Male	Persons	25	35	35	33	18
	Female	Persons	4	7	8	6	10
Percentage of employees taking parental leave	Male	%	68.6	97.2	85.4	86.8	93.3
	Female	%	100	100	100	100	100
Average number of days taken for parental leave	Male	Days	21.8	3.5	13.9	21.4	6
	Female	Days	293.0	517.6	390.5	499.0	320.3
Percentage of employees returning to work after having taken parental leave	%	100	100	100	100	100	
Number of employees taking caregiver leave	Persons	0	0	0	1	0	
Prescribed working hours	Hours	1,891	1,891	1,891	1,891	1,891	
Extra working hours	Hours	286	248	322	305	268	
Hours of paid annual leave taken	Hours	72	75	76	79	76	
Total actual working hours	Hours	2,105	2,064	2,138	2,117	2,083	
Overtime hours (monthly average)	Hours	23.80	20.65	26.85	25.40	22.36	
Percentage of paid annual leave taken	%	45.5	47.4	48.2	51.0	53.2	

Visit the following site for more information about employee data

» https://www.furukawakk.co.jp/pdf/CSR/e/csr_18.pdf

Visit the following site for more information about employee relations

» https://www.furukawakk.co.jp/pdf/CSR/e/csr_12.pdf

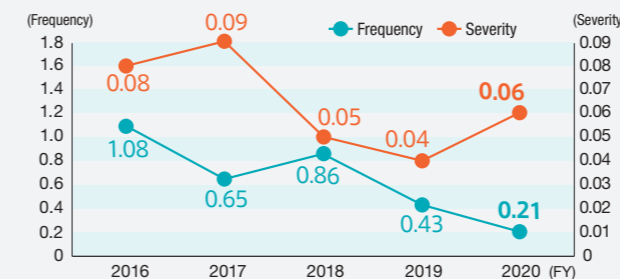
Occupational Safety and Health

Initiatives to Prevent Work-related Accidents

To prevent work-related accidents, the Furukawa Company Group regularly holds Health and Safety Committee meetings and carries out safety patrols at its respective works and business sites. We also implement systematic training and training tailored to our employees. When it comes to education, we clarify the standards for competencies that personnel who are in charge of safety and health need to master to carry out their work, and after training them, we evaluate whether they have truly mastered the competencies. When these evaluations reveal areas of insufficiency, we advise the personnel to repeat the training. We are also enhancing our guidance of personnel who are in charge of safety and health and other employees in order to intensify workplace patrols, KY (hazard prediction) and other efforts needed to achieve our goal of zero accidents and disasters.

In fiscal 2020, the frequency of occupational accidents declined, but the severity increased. This is because fiscal 2020 includes leaves of absence stemming from incidents that occurred in the previous fiscal year. We are committed to intensifying safety activities toward the elimination of unsafe conditions and behaviors toward our goal of zero accidents and disasters.

Occupational Safety Record of the Furukawa Company Group: Frequency and Severity of Accidents



Number of incidents requiring leave of absence in the Furukawa Company Group

Number of incidents requiring leave of absence	FY2016	FY2017	FY2018	FY2019	FY2020
	5	3	4	2	1

Notes: 1. Accident frequency refers to the rate of occupational accidents with casualties per one million total working hours.
2. Accident severity refers to the number of working days lost per 1,000 total work hours.
3. Frequency and severity are calculated on the basis of incidents requiring leaves of absence of at least four days.

Safety Measures and Education

As a safety measure for fire prevention, the Group carries out scheduled firefighting and evacuation drills each year. We do more than simply circulate disaster risk reduction manuals; we ensure that our employees are intimately familiar with how to use fire extinguishers and other equipment so that they can react swiftly and accordingly when fires occur.

We intend to continue carrying out firefighting and evacuation drills in which everyone participates as part of our disaster risk reduction activities.



A firefighting drill at Takasaki Yoshii Works of Furukawa Rock Drill Co., Ltd.

Occupational Safety and Health Activities

Many different poisonous gases are used in the production processes at each of the Group's respective works and business sites; therefore, air respirator drills are repeatedly carried out to familiarize employees with what to do during poisonous gas leaks.

Additionally, in order to ensure the safe usage of the air respirators, we ensure the proper number of gas cylinders are on hand and regularly inspect the appearance and functioning of the equipment. We display the amount of gas remaining in the cylinders where the air respirators are stored in an effort to visualize usage time.



An Advanced Technology Department employee practices putting on an air respirator

Instruction on Safety at Overseas Business Locations

At our overseas business locations, we conduct annual surveys of matters such as local implementation of legally mandated inspections of facilities; the status of written work instructions, operation manuals, and other documents needed for operation; the acquisition status of official qualifications; and the implementation status of Safety and Health Committee meetings and safety patrols. We also provide guidance and advice with the aim of achieving safe, comfortable work environments in light of factors such as local laws, climate, and natural features.

TOPICS

"Anzen Sen'ichi" Registered as Trademark

We applied to register the phrase "Anzen Sen'ichi" (Safety First) as a trademark, and received permission in March 2020. The first entity in



Japan to engage in industrial safety activities was the Ashio Kogyosyo (mining station) of Furukawa General Partnership, our predecessor. In the early 1900s, Masayuki Odagawa, an engineer at the Kogyosyo, visited the U.S. and witnessed activities in American industry that aligned with the slogan "Safety First." The activities had a profound impact on Odagawa. In 1912, one year after he returned to Japan and was promoted to manager of the Ashio Kogyosyo, he erected signs bearing the phrase "Anzen Sen'ichi" inside and outside mineshafts, took steps to improve safety awareness among employees, and undertook other efforts to launch safety activities that involved the entire Kogyosyo. Odagawa's and Furukawa's efforts are believed to be the first voluntary safety activities carried out in Japanese industry. The phrase "Anzen Sen'ichi" is deeply meaningful to us as the owners of the Ashio Copper Mine, the birthplace of safety activities in Japan, and is a highly recognizable phrase throughout Japanese society. For these reasons, and to prevent third parties from using the phrase in the future, we applied for trademark registration.

Visit the following site for Furukawa Company Group Basic Principles of Occupational Safety and Health and Occupational Safety and Health Policies

» https://www.furukawakk.co.jp/pdf/CSR/e/csr_15.pdf



Ideal image for 2025 Pursue QCD based on CSR-oriented procurement aimed at sustainable manufacture and sales of products trusted by customers

»Plan & Check

Fiscal 2020 targets and assessments	Achievement
1 Further improve the precision of CSR surveys of major suppliers	★★★★
2 Conduct interviews about CSR activities tailored to the circumstances of individual suppliers	★★★
3 Strengthen management (QCD ¹ + CSR) of major suppliers	★★★
4 Foster partnerships with suppliers	★★★★
5 Continue Groupwide CSR-oriented procurement activities	★★★★

★★★★ Target achieved; ★★★ Target partially achieved; ★ Target not achieved

Fiscal 2021 targets
1 Establish a PDCA cycle for the process from CSR surveys to follow-up for major suppliers
2 Strengthen management (QCD + CSR) of major suppliers
3 Foster partnerships with suppliers
4 Continue Groupwide CSR-oriented procurement activities



»Do

Basic Approach

The Furukawa Company Group aims to build and maintain mutually beneficial and reciprocal trust-based relationships by exchanging information with suppliers and otherwise emphasizing communication. Here, we adhere to the principles of fairness and impartiality, comprehensive economic rationality, and the spirit of compliance with laws and confidentiality as set out in the Furukawa Company Group Basic Procurement Policies. At the same time, we encourage procurement activities that take CSR into consideration based on partnerships with our suppliers.

In addition, we are making efforts to procure copper ore from mines outside Japan in ways that consider the environmental impacts, labor problems, and other issues.

Promoting CSR Activities in the Supply Chain

Envisaging its desired image in 2025, the Group's Procurement Division strives to "pursue QCD based on CSR-oriented procurement aimed at sustainable manufacture and sales of products trusted by customers."

Cooperative relationships are essential for this initiative, not only within the Group but also throughout the entire supply chain, including customers and suppliers. In order to establish these cooperative relationships, we are steadily expanding the scope of summarized explanations and surveys about the Group's CSR procurement from existing suppliers to new suppliers as well.

We intend to continue promoting CSR activities throughout the supply chain.

Transition of CSR Procurement Initiatives

	FY2015-2016	FY2017-2018	FY2019-2020
Policy establishment	2014 · Established Furukawa Company Group Basic Procurement Policies 2015 · Created Furukawa Company Group CSR Guidelines for suppliers · Prepared questionnaires for suppliers	2017 · Prepared additional questionnaires for suppliers	
CSR surveys	Questionnaire surveys (operating companies) Additional questionnaire surveys (operating companies) Interview surveys	2016 · Conducted questionnaire surveys (Target: Major suppliers) (Furukawa Co., Ltd.) (Core operating companies in the Machinery segment) (Furukawa Denshi Co., Ltd.) 2017 · Conducted questionnaire surveys (Subject: Major suppliers) (Furukawa Chemicals Co., Ltd.) 2017 · Conducted additional questionnaire surveys (Target: Major suppliers) (Furukawa Co., Ltd.) (Core operating companies in the Machinery segment) (Furukawa Denshi Co., Ltd.) (Furukawa Chemicals Co., Ltd.)	2018 · Conducted questionnaire surveys (Target: Major suppliers) (Furukawa Castec Co., Ltd.) (Ashio Rock Drill Co., Ltd.) (FRD Iwaki Co., Ltd.) 2018 · Conducted additional questionnaire surveys (Target: Major suppliers) (Furukawa Castec Co., Ltd.) (Ashio Rock Drill Co., Ltd.) (FRD Iwaki Co., Ltd.) 2018 · Began conducting interviews (Target: Major suppliers) 2019 · Conducted interviews (Target: Major suppliers)
Internal training	CSR and CSR procurement SDGs, ESG, other	2016 · Furukawa Co., Ltd. (Target: Purchasing Department employees) · Core operating companies in the Machinery segment (Target: section managers of Purchasing Department) · Core operating companies in the Machinery segment (Target: Purchasing Department employees) 2017 · Furukawa Chemicals Co., Ltd. (Target: Responsible person in Purchasing Department)	2018 · Furukawa Castec Co., Ltd. (Target: Responsible person in Purchasing Department) · Ashio Rock Drill Co., Ltd. (Target: Responsible person in Purchasing Department) · FRD Iwaki Co., Ltd. (Target: Responsible person in Purchasing Department) 2019 · Core operating companies in the Machinery segment (Target: Materials Division section chiefs) 2019 · Materials Division of headquarters (Target: Materials Division employees)

¹ QCD: Abbreviation for quality (Q), cost (C), and delivery (D)



»Action

[Comment from the Responsible Department] Overview of Fiscal 2020

Furthering Partnerships with Suppliers and Promoting CSR Activities in the Supply Chain

In fiscal 2020, we completed CSR promotion questionnaires and follow-up questionnaires that we had begun administrating to the major suppliers of each operating company in fiscal 2017, analyzed the results, and conducted individual interviews and follow-up based on the results.

To promote further understanding of the Group's CSR procurement, we will aim to conduct surveys and analysis through efforts such as questionnaires and establish a PDCA cycle for follow-up through such means as interviews. We also intend to use close communication to further partnerships with our suppliers.

We are also committed to making contributions to society throughout the supply chain through CSR activities.

Naoki Ikeda
General Manager, Purchasing Department

Follow-up on Results of Questionnaire Surveys for Major Suppliers

In fiscal 2020, we conducted follow-up interviews of individual major suppliers in response to the results of questionnaire surveys administered to them. In the interviews, we confirmed their responses to the surveys, provided them with main point of the Group's CSR procurement activities, exchanged opinions, and attempted to reach a common understanding of the activities.

Completion of Initial CSR Surveys to Major Suppliers of Group Operating Companies

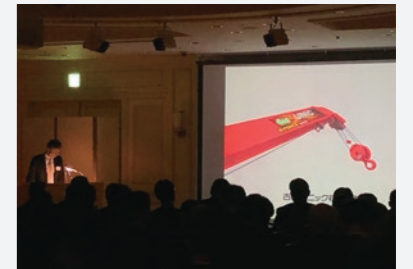
To further promote CSR activities throughout the entire supply chain, we explained the Group's CSR Promotion Guidelines and administered questionnaire surveys to major suppliers of Group operating companies. We completed the first round of these

explanations and surveys in fiscal 2020, and intend to conduct surveys on a regular basis in the future.

Strengthening Relations with Major Suppliers: Fostering Partnerships

The Group considers suppliers to be important partners in aiming for mutual development.

Thus, in order to cement these partnerships, we intend to use CSR initiatives to deepen mutual understanding and further foster trust-based relationships.



A production briefing at the Sakura Works of Furukawa Unic Corporation

Providing Technical Guidance to Suppliers

In order to continue to maintain trust in the Group's products, we must maintain trust not only in the company itself, but also in the level of procured goods. Therefore, it is vital to survey, instruct, and manage suppliers—our partners—as to the quality of their products in addition to human rights, environmental issues, safety, and other aspects. The Purchasing Department of Furukawa Co., Ltd. is cooperating with core operating companies in the Machinery segment to offer guidance, recommendations, and other support to suppliers as necessary.



Offering technical guidance to an affiliate in Japan

In fiscal 2020, we visited affiliates in Japan and China that fabricate components for can manufacturing, and confirmed and offered guidance on their material management and quality inspection systems for each fabrication process, and on environmental issues, safety measures and more.



Offering technical guidance to a Chinese affiliate that fabricates components for can manufacturing

Materials Strategy Conferences

Each year, the company's Purchasing Department holds two Materials Strategy Conferences attended by the managers of Purchasing Department at core operating companies in the Machinery segment (Furukawa Industrial Machinery Systems Co., Ltd., Furukawa Rock Drill Co., Ltd., Furukawa Unic Corporation).

At these conferences, in an effort to promote procurement activities based on the Furukawa Company Group Basic Procurement Policies, participants confirm each operating company's progress on annual targets and exchange opinions toward issue resolution.

In fiscal 2020, participants examined in detail and exchanged opinions on CSR procurement in the Materials segment and strengthened supplier management geared toward fostering partnerships, core elements of Vision for 2025 for the Procurement segment.

More focused activities are carried out as opportunities to examine initiatives consistent with the policies of the Materials Strategy Conferences in more detail; these activities include scheduled monthly meetings at each operating company and meetings held for individual projects as needed.

Visit the following site for Furukawa Company Group Basic Procurement Policies » https://www.furukawakk.co.jp/pdf/CSR/e/csr_20.pdf

Visit the following site for Furukawa Company Group CSR Promotion Guidelines » https://www.furukawakk.co.jp/pdf/CSR/e/csr_17.pdf



Relevant SDGs



Participating in Volunteer Cleanup of Usuiso Beach in Iwaki

Furukawa Industrial Machinery Systems Co., Ltd. (headquarters and Tohoku Branch Office), Furukawa Denshi Co., Ltd., Iwaki Semiconductor Co., Ltd., FRD Iwaki Co., Ltd., and Furukawa Co., Ltd. (headquarters) participated in a cleanup volunteer activity at the Usuiso Beach in Iwaki City, Fukushima Prefecture, organized by the Iwaki Furukawa Association, on Saturday, July 6, 2019. The cleanup activities had been suspended after the Great East Japan Earthquake, but were resumed in 2015, first at Misaki Park in Iwaki City from 2015 to 2017, and then at the Usuiso Beach from 2018, when the coastline maintenance was completed. Under a cloudy sky, more than 170 people from the 16 companies of the Iwaki Furukawa Association—including more than 40 people from the Group—gathered to clean up the beach before the official opening of swimming season.



Hosting Field Trip for Ashio Elementary School

Ashio Rock Drill Co., Ltd. regularly offers social studies field trip for the children of Ashio Elementary School, which is located in the area.

On January 21, 2020, Ashio Rock Drill invited four third-grade children and their social studies' teacher to the production line where machines such as compact pneumatic rock drills and compact hydraulic breakers are manufactured.

During the field trip, the children experienced operating an actual rock drill, and learned that the rock drills manufactured at the company are exported throughout the world. The tour made quite an impression on the children, with one expressing their excitement to learn that a company in their very own hometown of Ashio made rock drills used throughout the world, and another their intent to share what they'd learned with their family.

Ashio Rock Drill will continue to host field trips in the future to ensure good communication with the local people.

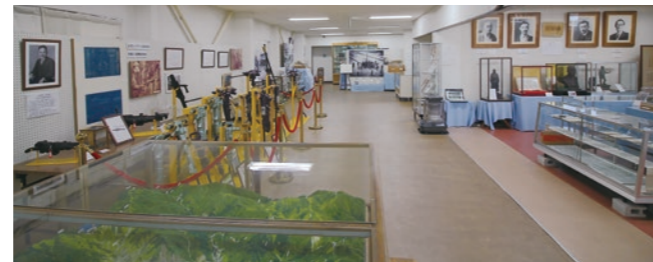


Launching the Furukawa Ashio History Museum

Transferred from the NPO Ashio History Museum, we launched operations under a new name—Furukawa Ashio History Museum—in April 2019. In 2019, more than 3,000 people visited the museum, including some groups that made reservations.

The museum features displays of over 30,000 materials, photos, ores, and other valuable items donated or deposited to the museum by people with connections to the Ashio Copper Mine and the company. Also featured are photos of Group founder Ichibei Furukawa and other Company and Group presidents through the years as well as a statue of Ichibei Furukawa; a bust of Choshichi Kimura, who was Furukawa Ichibei's right-hand man and the first board chairperson of Furukawa Co., Ltd.; and exhibits of Furukawa Ichibei's favorite smoking pipe, letters bearing his signature, folding screens, and more. The Furukawa Ashio History Museum is the only place in Japan where these items of historical value—items of the founding Furukawa family—can be found.

Also on display are the first rock drill made in Japan, and with other memorable items, including photographs and dioramas for the people of Ashio. Visitors have offered the highest praise for the ability to catch a glimpse of life during the height of the Ashio Copper Mine.



First floor of the museum

Donations to the City of Nikko

In 1908, Ashio became the birthplace of consumers' cooperatives in Japan with the establishment of the former San'yokai (the Ashio Copper Mine Consumers' Cooperative, originally called the Honzan San'yokai), a consumers' cooperative for the people who worked at the Ashio Copper Mine. For more than a century, the association supported the lifestyles of people living in the Ashio area; the association however, fulfilled the purposes set out at its founding, and was dissolved in October 2016. Inspired by the long history of the San'yokai's activities in the Ashio area, Ashio Smelting Co., Ltd. donated the association's remaining assets to the area in January 2017, and recently made a second donation to the city of Nikko. Plans call for the use of these donations toward welfare and healthcare services, promotion of education, control of depopulation, and other measures for the Ashio area.



Left: President Yamazaki of Ashio Smelting Co., Ltd.
Right: Nikko Mayor Kazuo Oshima



Relevant SDGs



Basic Approach

The purpose of the IR activities of the Furukawa Company Group is to provide corporate information including management policies, business descriptions, business strategies, performance and financial information fairly, rapidly, and accurately; build trust-based relationships through dialogue; and earn appropriate valuations of our corporate value in the stock market; all so that shareholders

and investors have a proper understanding of the Group.

In addition, our basic stance is to relay the opinions and desires of shareholders and investors with regard to the Group to management as feedback, and otherwise strive for sufficient two-way communication.

Primary IR Activities

Communication with Institutional Investors and Analysts

We hold results briefings, individual IR meetings and small meetings, distribute and disseminate annual reports, hold tours of our plants and the like, conduct interview surveys, and more as part of our IR activities.



Communication with Individual Investors

We disclose information on our website, distribute and disseminate convocation notices and reports for shareholders, email news releases and updated information on IR sites, and more as part of our IR activities.



Providing Information Online

Front page

https://www.furukawakk.co.jp/e_index.htm



Investor relations

<https://www.furukawakk.co.jp/e/ir/>



CSR activities (CSR report)

https://www.furukawakk.co.jp/e/csr/csr_activities/







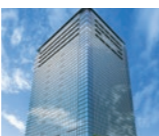


Corporate Information

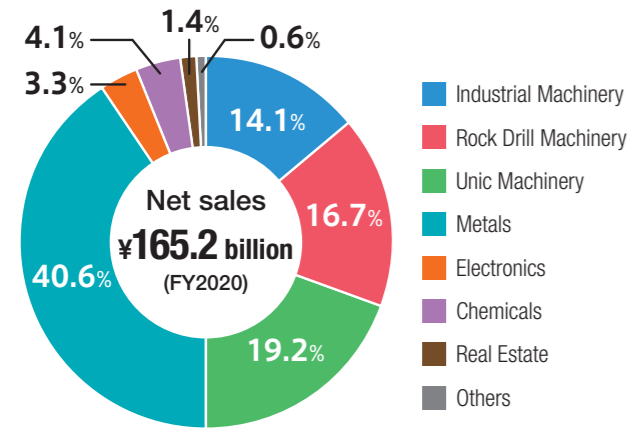
Company Profile (as of March 31, 2020)

Company Name: Furukawa Co., Ltd.
 Head Office: Marunouchi Nakadori Building, 2-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8370, Japan
 Representative: Naohisa Miyakawa, President and Representative Director
 Date of Foundation: August 1875
 Date of Establishment: April 1918
 Business: Machinery business (Industrial Machinery, Rock Drill Machinery, Unic Machinery), Materials business (Metals, Electronics, Chemicals), Real Estate business (Real Estate, etc.)
 Capital: ¥28,208.18 million
 Fiscal Year-end: March 31
 Employees: 2,755 (consolidated)

Business Domain

Machinery business		Industrial Machinery	Furukawa Industrial Machinery Systems Co., Ltd.
		Rock Drill Machinery	Furukawa Rock Drill Co., Ltd.
		Unic Machinery	Furukawa Unic Corporation
Materials business		Metals	Furukawa Metals & Resources Co., Ltd.
		Electronics	Furukawa Denshi Co., Ltd.
		Chemicals	Furukawa Chemicals Co., Ltd.
		Real Estate and Others	Furukawa Co., Ltd.

Departmental Sales Ratio

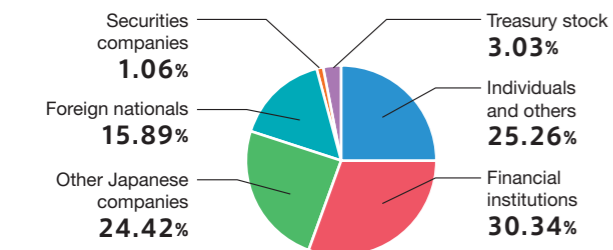


Stock Conditions (as of March 31, 2020)

Shares

Number of shares authorized:	80,000,000
Number of shares outstanding:	40,445,568
Number of shareholders:	20,533

Composition of Shareholders



Principal Shareholders

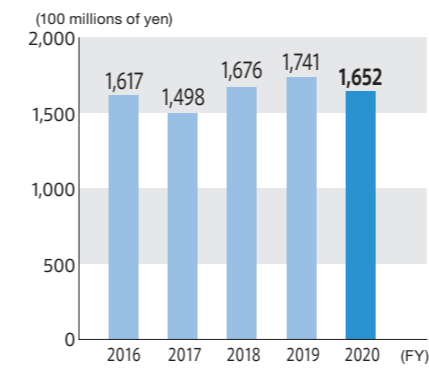
Name	Number of shares (thousands)	Stockholding ratio (%)
Asahi Mutual Life Insurance Co.	2,373	6.05
The Master Trust Bank of Japan, Ltd. (trust account)	2,146	5.47
Japan Trustee Services Bank, Ltd. (trust account)	1,554	3.96
Seiwa Sogo Tatemono Co., Ltd.	1,503	3.83
The Yokohama Rubber Company, Limited	1,341	3.41
Furukawa Electric Co., Ltd.	877	2.23
Fuji Electric Co., Ltd.	862	2.19
Sompo Japan Nipponkoa Insurance Inc.	839	2.13
Japan Trustee Services Bank, Ltd. (trust account 5)	713	1.81
Chuo Real Estate Co., Ltd.	687	1.75

Note:

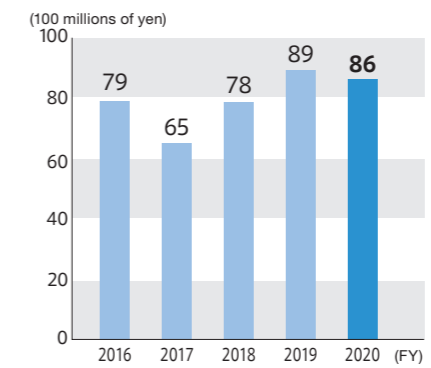
- The company holds 1,229,045 treasury shares. However, it is excluded from principal shareholders listed as above.
- The stockholding ratio is calculated after deducting treasury shares (1,229,045 treasury shares).
- On April 1, 2020, Sompo Japan Nipponkoa Insurance Inc. changed its trade name to Sompo Japan Insurance Inc.

Financial Data (consolidated)

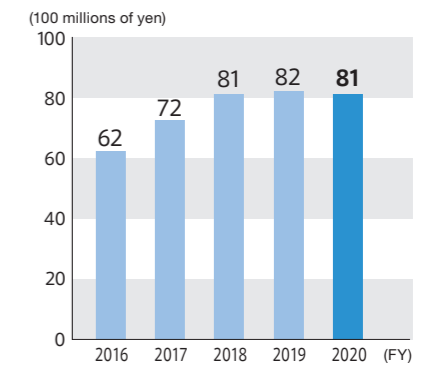
Net Sales



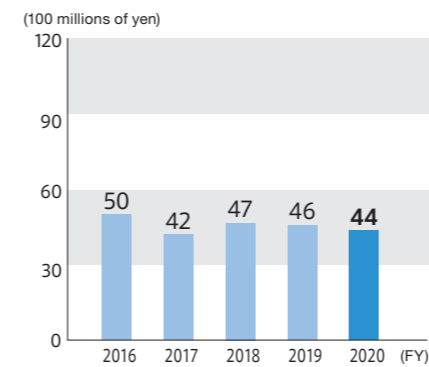
Operating Income



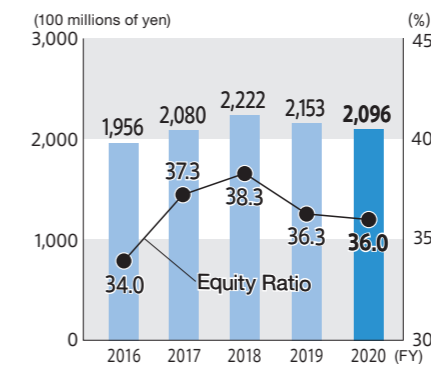
Ordinary Income



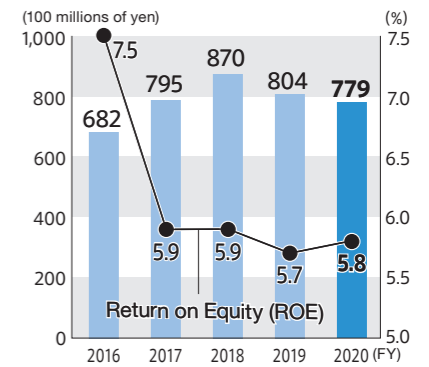
Profit Attributable to Owners of Parent



Total Assets/ Equity Ratio

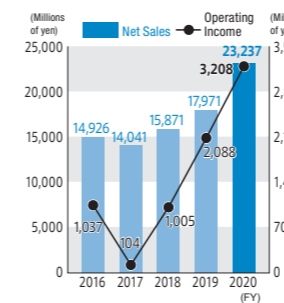


Net Assets / Return on Equity (ROE)

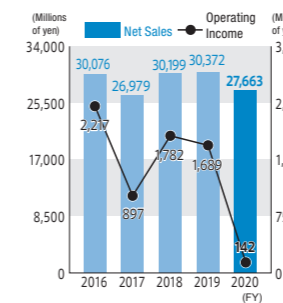


Net Sales and Operating Income by Sector

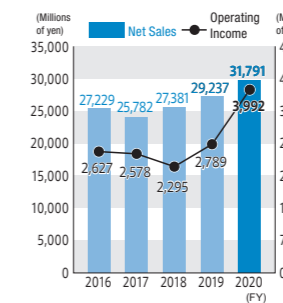
Industrial Machinery



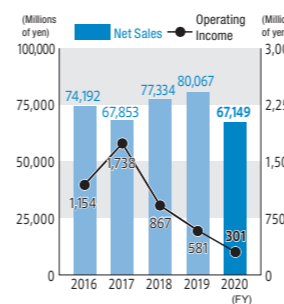
Rock Drill Machinery



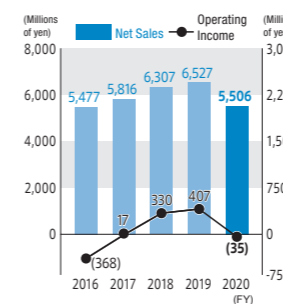
Unic Machinery



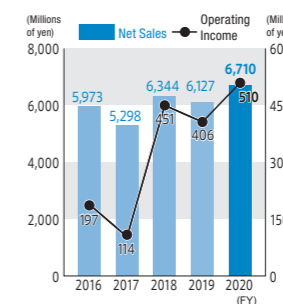
Metals



Electronics



Chemicals



Real Estate

