

CSR Report 2019



 **FURUKAWA CO.,LTD.**

CSR Promotion Department

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In November 2018, 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 brand through marketing-based management*

- ① Develop products and technologies that match market needs
- ② Reinforce technological sales capabilities (proposals and solutions) reflecting customer 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

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

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



Amendments to the Charter of Corporate Conduct and Code of Conduct for Officers and Employees

We amended our Charter of Corporate Conduct and Code of Conduct for Officers and Employees in April 2019. In consideration of SDGs, we set out provisions for respecting the human rights of all individuals as they relate to our corporate activities and other matters in addition to the Group's traditional policies to provide high-quality products and services and pursue corporate activities that are in harmony with the global environment.

FURUKAWA CO., LTD.

CSR Report 2019

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 2019 (April 1, 2018 to March 31, 2019), but also initiatives from the past as well as some from fiscal 2020.

Note that the organization and titles are current as of July 31, 2019.

Report Scope

Environmental Data, Environmental Accounting
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 and Semiconductor Material Production Section (Semiconductor Material Plant) of Furukawa Denshi Co., Ltd.;
Osaka Works of Furukawa Chemicals Co., Ltd.;
Ashio Office, Advanced Technology Department, Material Research & Development Department, and Nitride Semiconductors Department of Furukawa Co., Ltd.;
Furukawa Castec Co., Ltd.; and Asio Rock Drill 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:

35 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 2019 (Next: Scheduled for November 2020)

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古河機械金属グループ

経営理念
行動指針
企業行動憲章
役員行動指針
内部通報制度について

2019年4月発行

古河機械金属株式会社

To Continue Being a Company That is Indispensable to Society

Toward the Realization of our Management Philosophy Based on the Achievement of Our Vision for 2025



President and Representative Director
Naohisa Miyakawa

Social Role and Mission of the Furukawa Company Group

The Group's role and mission in society is to utilize its amassed technologies—as well as the technologies advanced and developed by innovating and combining them—to resolve today's social issues.

— What is the Furukawa Company Group's role and mission in society?

Furukawa Co., Ltd. was established to engage in the business of copper mining, and throughout our history, we have continuously supported the modernization of Japan and achieved growth together with society while also earnestly tackling social issues.

At the time of our founding 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 approach to CSR as a part of our DNA that will never change.

— What are your thoughts on the social issues the Furukawa Company Group faces?

Climate change, resource depletion, geopolitical risks, and other social issues have increased in both complexity and intensity in recent years, and threaten the global business foundations of the Group. We understand that the realization of the sustainable society envisaged in the Sustainable Development Goals (SDGs), the Paris Agreement, and elsewhere, depends even more now on the global community collaborating and working together, and on the Group and other corporations of the world engaging in activities that leverage their business characteristics and strengths.

These thoughts are not new to the Group; they match the aims of the Group as demonstrated by our history of earnestly tackling the social issues explained previously. The technologies and products developed by the Group to date are the foundational elements of disaster control construction work, infrastructure development, and new technology development, and our ability to provide them in response to the present needs of society and the market is a prime example of our philosophy in action.

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.

We will continue to keep a close eye on changes in the world, keep our precursors' teachings—that the very survival of our company rests on the bedrock of earnestly tackling social issues and diligently fulfilling our social responsibilities—at the core of our business management, and tirelessly seek new challenges to continue to be a company that is indispensable to society.

Promoting CSV*¹ Management

The Group aims to promote CSV management in order to contribute to the resolution of society's and stakeholders' problems through business.

— Where is CSR positioned in the Furukawa Company Group's business?

Given the fundamental truth that our daily lives and business cannot exist without a healthy global environment, it is no exaggeration to say that businesses that negatively impact the environment and society and companies that do not contribute enough to the environment and society will be weeded out. The Group's philosophy is to continue to be a company that is indispensable to society. In other words, the Group aims to promote CSV management in order to contribute to the resolution of society's and stakeholders' problems through business.

However, it is no simple task to continue to be a company that resolves the ever-intensifying problems that society faces. Therefore, we must clarify the fields that should be considered in the Group's business processes, fields in which our technologies and products can contribute, fields in which we can contribute through proactive collaboration and cooperation with our stakeholders, and incorporate and systematically promote those fields in our business plans and CSR activities.

The Group is formulating "CSR2025 Goals" to accompany "FURUKAWA Power & Passion 150," our Vision for 2025 that sets out long-term targets for considering whether our intended course of business is leading us to become a company adapted for future society. We are also formulating "Three-Year Medium-Term CSR Goals" based on backcasting*² from 2025. We will discuss various CSR issues and visualize the progress of activities to be implemented in an effort to form a PDCA cycle for steady improvement and to intensify our activities.

To date, the Group has engaged in activities to reduce environmental impact and improve quality in the value chain that stretches from development and design to procurement, manufacturing, distribution, services and waste management, and also practical efforts to improve working environments and otherwise operate business in consideration of CSR and ESG*³ issues. We intend to continue using these business processes to provide the world with numerous products and services that help society and our customers resolve the many problems they face, thereby contributing to their sustained development.

— What challenges do you face in further promoting CSV management?

I believe it is important for each and every director and employee to further their understanding of SDGs and other social issues in order to steadily execute CSR activities and provide value to society through business activities. The Group's products and technologies are already put to use in many places in our lives, and help actualize convenient, prosperous lifestyles and safe, secure societies. That is to say, the Group is contributing to society and the environment through its core businesses. Each and every member of the Group should take this to heart; in order to enhance our awareness of this fact, we must further the discussion within the Group. Furthermore, we intend to create more opportunities for education, and establish a system in which the Group can work together as one toward issue resolution with a sense of acceptance and purpose.

In addition, so that outside stakeholders appropriately assess the corporate value of the Group, we must properly convey information to them about the economic and social value we create.

The Group views CSR as applying not only to the category of social responsibility but also to improving the quality of business management and our businesses' contribution to society, and intends to promote efforts to achieve SDGs and implement CSV management to contribute to the resolution of issues.

*¹ CSV: Creating Shared Value. The idea that economic value is created when the company creates value for society by taking a leading role in tackling social and other issues.

*² Backcasting: Reflecting on where we are now in comparison to established targets for the future, and considering what should be done now to achieve those targets (a method of conceptualization that starts at a point in the future).

*³ ESG: Environmental, Social, and Governance

Evaluating CSR Activities in Fiscal 2019

The entire Furukawa Company Group follows the same Charter of Corporate Conduct and Code of Conduct for Officers and Employees, and views efforts toward issue resolution as the drivers of sustainable growth.

What is your evaluation of activities in fiscal 2019?

The following are some of the main activities and outcomes of fiscal 2019:

In risk management, we successfully formulated a group-wide business continuity plan (BCP) that reflects revisions to the BCPs of companies in our core businesses. We intend to urge our affiliates to formulate BCPs and strengthen their business continuity management (BCM) systems.

In product safety, in an effort to enhance the quality assurance system throughout the Group, we introduced a new system involving quality inspections geared toward improving quality at each place of business.

In environmental management, we reduced CO₂ emissions, the use of water resources, waste, and chemical substances, and also promoted biodiversity-conscious activities. In safety, we implemented activities toward Zero Accidents.

Regarding strengthening and expanding our human resource bases, which are the drivers of continuous growth, we promoted a management resource development program to enhance the development of the next generation of human resources tasked with business management. In addition, with the aim of improving labor productivity and creativity, we reduced overtime work, promoted the acquisition of paid leave, allowed employees to telecommute on a trial basis, introduced a discretionary work system, and devoted energy to other efforts to create work environments that are healthy and motivating for our diverse human resources.

What amendments were made to the Charter of Corporate Conduct and Code of Conduct for Officers and Employees?

As explained previously, we revised and amended the Charter of Corporate Conduct Charter and Code of Conduct for Officers and Employees to account for the changes in the business environment and societal demands. Global perspectives and the pursuit of



SDGs, CSV and the like were incorporated into the details of the amendments. In the near future, we plan to create English versions, followed in due order by Chinese and Thai versions to accommodate our business locations.

In this age where we more deeply question the value of companies' existence, we intend to use our new Charter and Code of Conduct throughout the entire Group and to work toward issue resolution to enhance the Group's value and contribute to the sustained development of society.

Progress of Medium-Term Business Plan 2019

We are working to improve our earning power and implement various measures centered on the Machinery business, which is positioned as the core business for "building foundations for renewed growth."

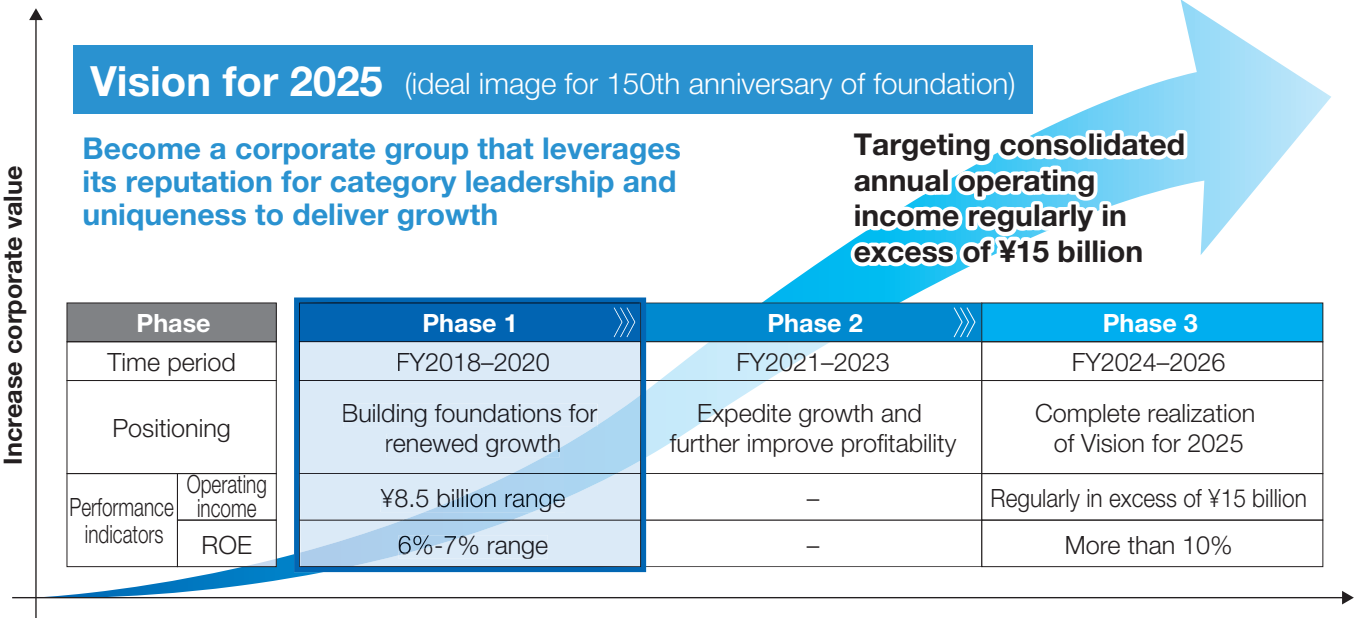
What is your assessment of performance in fiscal 2019 (the period ending March 31, 2019), the second year of Medium-Term Business Plan 2019? In addition, could you tell us about upcoming issues in the achievement of Medium-Term Business Plan 2019 and Vision for 2025 exist for the three core Machinery business segments?

The Group is promoting Medium-Term Business Plan 2019, a plan for the three-year period from fiscal 2018 to fiscal 2020 established as Phase 1 of bringing to fruition "FURUKAWA Power & Passion 150," our Vision for 2025. Phase 1 focuses on building foundations for renewed growth with the Machinery business positioned as the core business. In fiscal 2019, the second year of Phase 1, sales and operating income both exceeded the initially planned figures; a simple look at the results shows that the Machinery business expanded and performed well.

In the Industrial Machinery segment, we restructured to enhance our engineering capacity to transform us from a simple equipment manufacturer into a strategic partner for our clients, and as a result received orders for large-scale projects, including loading and unloading machinery for the international bulk terminal at the Port of Onahama, and machinery for Interim Storage Facility (Okuma Town, Futaba District, Fukushima Prefecture). This type of transportation of materials such as earth and sand by belt conveyor has the potential to reduce CO₂ emissions and contribute to the resolution of other social issues; we intend to continue efforts to win orders for large projects in our contractor business, and to rigorously manage these projects for resolving issues due to the challenges of risk assessment when judging projected earnings.

In the Rock Drill Machinery segment, in order to advance the priority issue of stock business, we intend to promote not only product sales but also life-cycle support to demonstrate the value of our products throughout their lifecycles. Presently, we are making efforts to establish an operation control system for hydraulic crawler drills. In addition, we began offering maintenance services for hydraulic breakers in the Tohoku and Kansai regions.

In the Unic segment, in order to capture stable earnings and strive to further strengthen competitiveness, we enhanced the offerings of small to large products in the lineup of our latest "G-FORCE" model series, and began selling mobile cranes



featuring enhanced safety features based on partially overhauled structural standards.

As for our development system, our newly restructured Technology Division will work together closely with Group companies in an effort to enhance the comprehensive technical capacity of the entire Group with flexible thinking that transcends the fields of machinery and materials.

We set milestone performance indicators of consolidated operating income in the ¥8.5 billion range and ROE in the 6%-7% range in Medium-Term Business Plan 2019 for fiscal 2020, the final year of the plan, and we are progressing beyond them en route to achieving Vision for 2025.

Achieving Vision for 2025

To fulfill stakeholders' expectations, we aim to embody our philosophy of continuing to be a company that is indispensable to society.

Describe your enthusiasm for achieving Vision for 2025.

The central policy for achieving Vision for 2025 is to improve the value of the Furukawa brand through "marketing-based management." The Group's definition of marketing-based management is all efforts to understand our customers' perspectives and provide the products and services they truly need, and value that leads to their success—in other words, "providing new value to customers by solving their problems."

Here, "customers" refers to all stakeholders, the people and entities our employees interact with at each workplace, and the customers and communities one step beyond that interaction. For example, in sales and development situations, we obviously interact with customers and society. Internally, we interact with the individuals, sections, and other groups we work together with. We aim to constantly interpret things from the perspectives of the people we interact with, to use our sensitivity to pick up on the issues they face as well as latent issues and needs, and to leverage the company's advantages as well as individual strengths

to provide maximum value. This is exactly the type of marketing-based management the Group should put into practice.

For example, in the Rock Drill Machinery segment, we jointly develop machinery for tunneling projects, civil engineering projects, and more with general contractors. If we are working on machinery for a tunneling project, general contractors want machinery to do more than simply excavate tunnels; they want to incorporate AI to amass and pass down the know-how and skills of seasoned operators. We must remember that social issues—the aging of operators and the lack of new workers—are behind these desires.

Additionally, although hydraulic breakers are now widely used throughout the world, they are used in completely different ways in each region. We envisioned that they would normally be used for roughly eight hours each day, but in the Near and Middle East, China, and elsewhere, they are being used 24 hours a day, 365 days a year. This means we must develop more advanced machinery, and manufacture, sell, and provide services for products that satisfy customers' needs.

Traditionally, the Group has excelled at product-out manufacturing. Going forward, however, we aim to strengthen market-in proposals—maintaining a dialogue with customers and seeking ways to resolve their issues—and provide value that leads to the resolution of customers' and social issues as illustrated in Vision for 2025.

I want to make the Furukawa Company Group into an organization that gives every employee a sense of confidence and pride. The road ahead may be long, but I believe that every employee having confidence and pride in their work is exactly what fuels tireless self-innovation, earns the trust of customers, and results in appealing products.

This is precisely the way to steadily execute marketing-based management and progress beyond to achieve Vision for 2025, and I am confident that it will lead to us continuing to be a company that is indispensable to society.

Looking ahead, we intend to continue fulfilling the expectations of each and every stakeholder, and growing continuously together with society.

Contributing to Emergency Rehabilitation after Torrential Rainfall and Other Disasters

Quick Hopper (Large Sandbag Filler)

Quick Hopper, a product from Furukawa Company Group Furukawa Industrial Machinery Systems Co., Ltd., was added to the list of machinery used for drills, and used in Disaster Control Machinery Operation Drills conducted by the Kyushu Technology Office of the Kyushu Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism on June 5, 2018. Quick Hopper has also contributed to disaster recovery work in the aftermath of the North Kyushu Torrential Rain Disaster and the West Japan Torrential Rain Disaster (in areas along the Sunagawa River in Okayama City, and areas along the Odagawa River and the Mabi area of Mabicho in Kurashiki City, and the Higashiminari-yakage area in Yakage Town in Oda District, all in Okayama Prefecture), reconstruction projects in Fukushima (Interim Storage Facility), and more.



Scenes from Disaster Control Machinery Operation Drills

Gaining Recognition as Machinery for Disaster Control Measures

The Kyushu Technology Office hosts Disaster Control Machinery Operation Drills on a test field on its property each year for the purpose of preparing for timely, appropriate disaster support activities when machinery is mobilized after disasters.

Many earthquakes, torrential rain disasters, typhoons, and other disasters occurred throughout 2018, a fact that moved the Japan Kanji Aptitude Test Association to select the Chinese character "Kanji" meaning "disaster" as the Character of the Year. The recent spate of disasters has spurred further awareness of disaster risk reduction and increased attention on these drills to the point that newspapers, TV stations, and other media reported on the drills in June 2018.

Quick Hopper efficiently and successfully created a massive number of large sandbags for use in slope reconstruction on temporary levees and roads and other emergency rehabilitation work in the aftermath of the North Kyushu Torrential Rain Disaster that struck in July 2017. In recognition of this performance as a piece of machinery for disaster control measures, Quick Hopper was included in this set of drills.



Disaster recovery work in the aftermath of the West Japan
Torrential Rain Disaster (areas along the Sunagawa area)

Development Background

According to the statistics of the Japan Meteorological Agency, annual precipitation has not fluctuated substantially in recent years, but the fact that the number of days with at least 1.0 mm of precipitation has decreased while the number of days with at least 100 mm of precipitation has increased indicates an increased risk of damage by torrential rain.

The underlying technology of Quick Hopper was devised after the collapse of the levees of the Kinugawa River in the torrential rain disaster that struck the Kanto and Tohoku regions in September 2015. The inventor of the technology, who lives near the afflicted areas, wondered whether there was a way to make large sandbags more efficiently and quickly, and then developed and patented the technology. During the search for a manufacturer to mass-produce the technology for use in future torrential rain disaster control measures, the inventor singled out Furukawa, and we improved and harnessed the technology for mass production.

Quick Hopper Characteristics

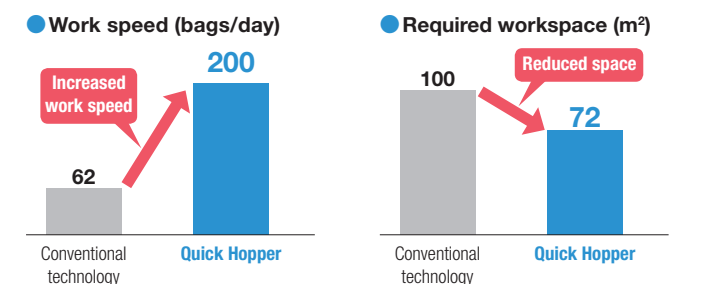
Quick Hopper has a faster work speed and lower sandbag production cost, and requires less workspace than conventional technology. To date, large sandbags were made by simple pipe systems that featured an assembly of simple pipes. The simple pipe systems are capable of making roughly sixty-two large sandbags each day; Quick Hopper has proven that it can make over two-hundred large sandbags each day. In addition, conventional systems require 100 m² of workspace to make sandbags safely; in contrast, Quick Hopper needs only 72 m² to perform the work safely. Furthermore, Quick Hopper operation involves work by two operators on the main unit alongside two backhoes working in tandem. There is absolutely no need for electric power, motive power (motors, etc.), clean water, gas, or other infrastructure; two backhoes and a Quick Hopper are all it takes to efficiently make large sandbags on the scene of any disaster, making this system ideal for urgent reconstruction work in areas afflicted by disasters. Quick Hopper's hopper rotation mechanism enables the performance of a series of tasks in succession in an effort to shorten work schedules, reduce costs, and improve workability and safety. (To operate Quick Hopper, simply make the ground level, put Quick Hopper in place, and start operating.) Quick Hopper is easy to transport, and a single unit can be transported by a 4-ton truck with an onboard crane. (A 10-ton truck can transport up to four units.)

Customers who have used Quick Hopper have commented on how easy it is to use, and one even reported making 300 sandbags in one day. These and other reviews show high regard for Quick Hopper's safety and workability.

Roles Expected of Quick Hopper

Quick Hopper was developed for use in emergency rehabilitation work after disasters, cofferdam work in rivers and on coastlines, slope protection work for erosion control and roads, and more. Given that Quick Hopper has the capacity to make more than 200 large sandbags each day, and the fact that two units supply sufficient sandbag-making capacity for a single disaster, two or three units enable a prefectural government to sufficiently implement disaster control measures. We are working to popularize Quick Hopper, but not mainly to sell more products—our overarching intent is to create a system that enables municipal governments to lend Quick Hoppers to each other in emergencies, and to increase our likeability as a company through awareness of our products in such an environment.

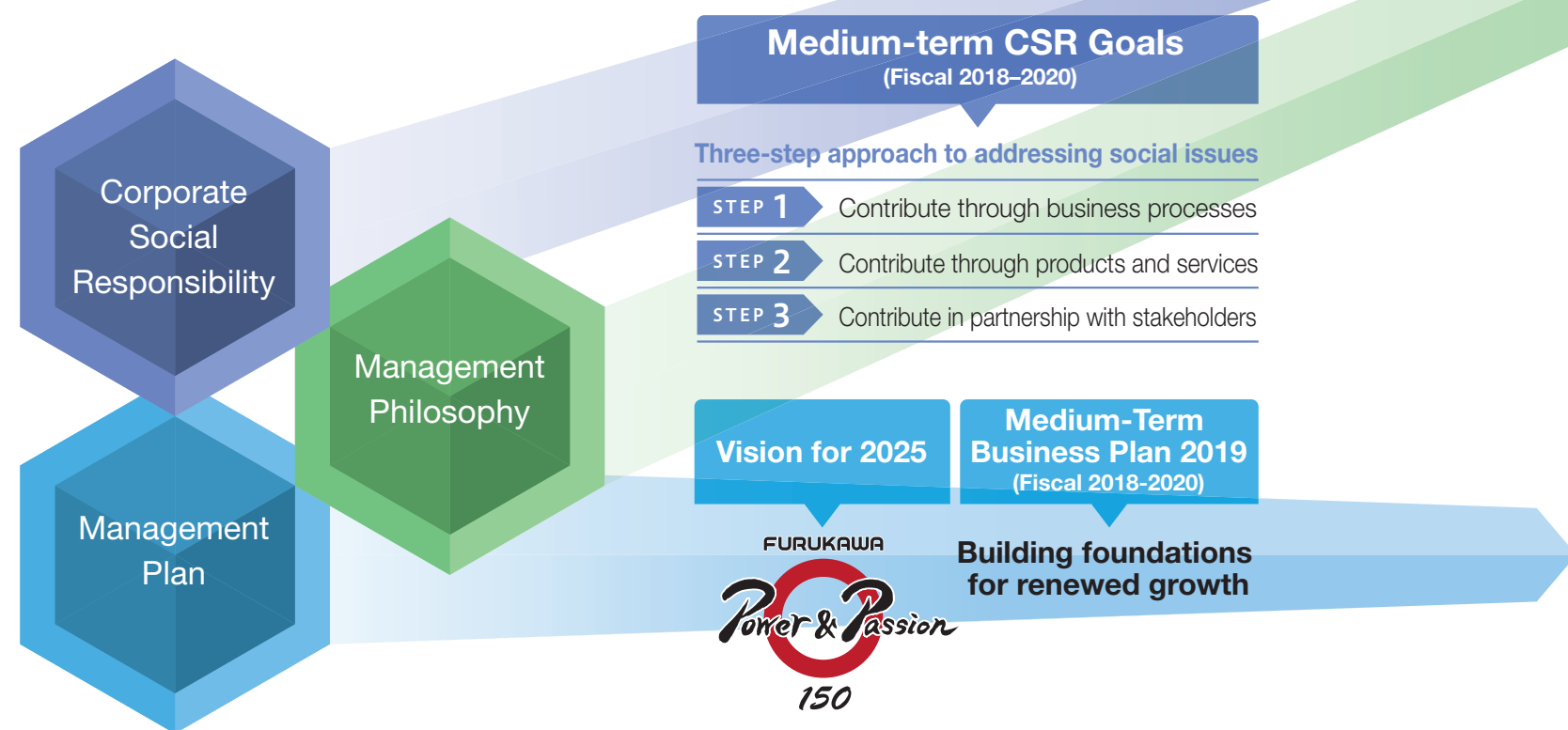
Extreme weather events have become a social issue in these times, and although it is most desirable that torrential rain and other disasters cause no flood damage, we intend to contribute to disaster control measures to minimize any damage that does occur.



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 of our employees will be keenly aware of compliance as it applies to the 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 and abandoned mines)

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

Our efforts to promote diversification of working styles making use of diverse human resources will culminate in 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*1 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 Company 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 (Fiscal 2018-2020)

Committee / Department	Medium-term CSR Goals (Fiscal 2018-2020)	
Risk Management Committee	<ul style="list-style-type: none">Develop the Group-wide crisis management frameworkReview risk assessments that are premised on Group-wide risk management	
Compliance Committee	<ul style="list-style-type: none">Heighten compliance awareness by disseminating compliance news, conducting various training programs, and monitoring the extent to which compliance matters are understoodPrepare international versions of the Charter of Corporate Conduct and the Code of Conduct for Officers and Employees (English, Chinese and Thai languages)Disseminate the compliance manual, modify and update its contentExternally convey the notion that the Group has established a compliance framework	
Environment & Safety Management Committee	Environment and safety	<ul style="list-style-type: none">Reduce environmental impact: improve environmental performance (carbon dioxide, water, waste, chemical substances)Maintain environmental and safety assurances (zero accidents or disasters)Protect biodiversity (rehabilitation of ecosystems)Release results of environmental and safety activities (take action based on ESG investment trends, SDGs, etc.)
	Suspended and abandoned mines	<ul style="list-style-type: none">Maintain record of zero accidents or disasters (maintain safety of mine wastewater treatment facilities, implement controls to ensure safety of waste dumping sites and underground mines)

Committee / Department	Medium-term CSR Goals (Fiscal 2018-2020)
Product Safety Committee	<ul style="list-style-type: none">Improve product quality<ul style="list-style-type: none">(1) Development of common guidelines: Index and establish common rules for product quality targets, reduce and strive for zero product complaints(2) Design quality: Promote design review (DR) and design FMEA*2 approaches(3) Manufacturing quality: Step up operation of quality control systems, implement more stringent criteria for process handover(4) Quality of our overseas products: Maintain quality controls with respect to overseas procurement and overseas plants(5) Service quality: Collect and provide necessary information, offer consulting-type servicesImprove safety<ul style="list-style-type: none">(1) Establish system for providing safe products
Human Resources & General Affairs Department	<ul style="list-style-type: none">Develop human resourcesPromote work-life balancePromote diversity
Purchasing Department	<ul style="list-style-type: none">Improve accuracy of CSR surveys administered to suppliers: Review and implement follow-up measuresDeploy in-house training regarding CSR procurement at other business sites, and administer questionnaire-based surveys regarding CSRProvide guidance to promote CSR procurement among suppliersDevelop a comprehensive supplier evaluation program (QCD + CSR)Boost CSR procurement skills of Purchasing Department employees

*1 QCD: Quality, cost, and delivery
*2 FMEA (Failure Mode and Effects Analysis): A systematic analytical method for preventing problems by predicting factors of quality problems in the design and process planning phases

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.

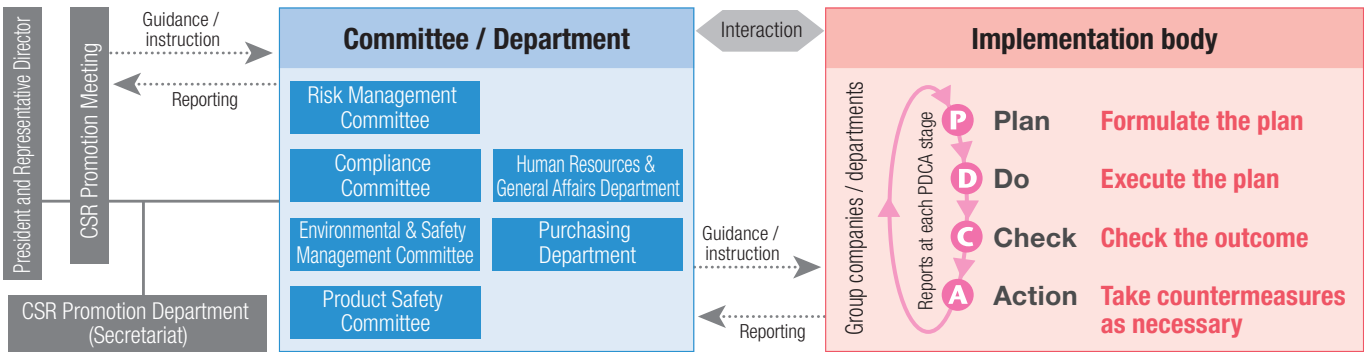
Framework for Promoting CSR

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, business partners, shareholders and 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 work environments for employees with fair performance evaluations and incentives	P29
Building fair and impartial business relationships and reciprocal trust with suppliers	P33
Promoting activities that contribute to society	P35
Communicating with shareholders and investors	P36



Fiscal 2020 Targets for Respective Committees and Relevant Departments

Risk Management Committee	<ol style="list-style-type: none">1 Improve response capabilities in event of a crisis2 Continue to overhaul BCPs3 Examine countermeasures for crises other than earthquakes
Compliance Committee	<ol style="list-style-type: none">1 Prepare English, Chinese and Thai language versions of the Charter of Corporate Conduct and the Code of Conduct for Officers and Employees2 Increase opportunities for taking part in compliance training3 Revise the compliance manual4 Adopt compliance checking in 2020
Environment & Safety Management Committee	<div>Activities involving environmental conservation, health, and safety.</div> <ol style="list-style-type: none">1 Promote ongoing efforts to improve environmental performance (carbon dioxide, water, waste, chemical substances)2 Improve on-site strengths in partnership with respective business locations3 Enhance preventative measures through analysis of various datasets4 Enhance understanding and practices regarding various laws and requirements5 Perform environment and safety audits instrumental to daily operations6 Promote specific initiatives for reducing environmental risk <div>Monitor suspended or abandoned mines</div> <ol style="list-style-type: none">1 Improve on-site strengths by imparting knowledge and skills2 Maintain mine wastewater treatment facilities3 Service final disposal sites and underground mines

Product Safety Committee	<ol style="list-style-type: none">1 Implement the FMEA approach with respect to risk assessment (product development) and design2 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)
Human Resources & General Affairs Department	<ol style="list-style-type: none">1 Develop human resources<ul style="list-style-type: none">● Introduce new employee programs● Consider revisions to the personnel evaluation system● Review possibility of extending the retirement age2 Promote work-life balance<ul style="list-style-type: none">● Implement telework options● Expand application of the flextime system3 Promote diversity<ul style="list-style-type: none">● 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.)
Purchasing Department	<ol style="list-style-type: none">1 Further improve precision of CSR surveys administered to major suppliers2 Conduct interviews of suppliers tailored to their specific circumstances regarding CSR activities3 Enhance management of major suppliers (QCD + CSR)4 Foster partnerships with suppliers5 Continue Group-wide CSR-oriented procurement activities

Contributing with Business Processes

The Furukawa Company Group is working on CSR issues in each process in the value chain in order to strengthen the positive impact and minimize the negative impact of our business activities. To work toward achieving the SDGs, we plan to clarify areas of the Group's business processes that deserve attention, including areas in which our technologies and products can contribute, and areas in which we can contribute through proactive collaboration and cooperation with our stakeholders. We plan to incorporate those areas in our business plans and CSR activities.



The Group's Initiatives and Relevant SDGs



Contributing through Products and Services


A closer look at everyday life reveals the Furukawa Company 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.
(Newly developed product)



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




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



■ 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.




■ Electrostatic precipitators for tunnel construction
This equipment captures dust from the air in tunnel construction sites.




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



■ UNIC carriers
Trucks that carry new cars and damaged cars.



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



■ Steel bridges and steel structures
We construct pedestrian bridges, motorways, and more.

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 business 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 27, 2019, 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 27, 2019, 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 subsequently referred to the Board of Directors.

Audit & Supervisory Board

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, supervise business sites and subsidiaries, and audit business execution by directors. 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 27, 2019, 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 & Remuneration Committee

In November 2018, the Company established the Nomination & 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.

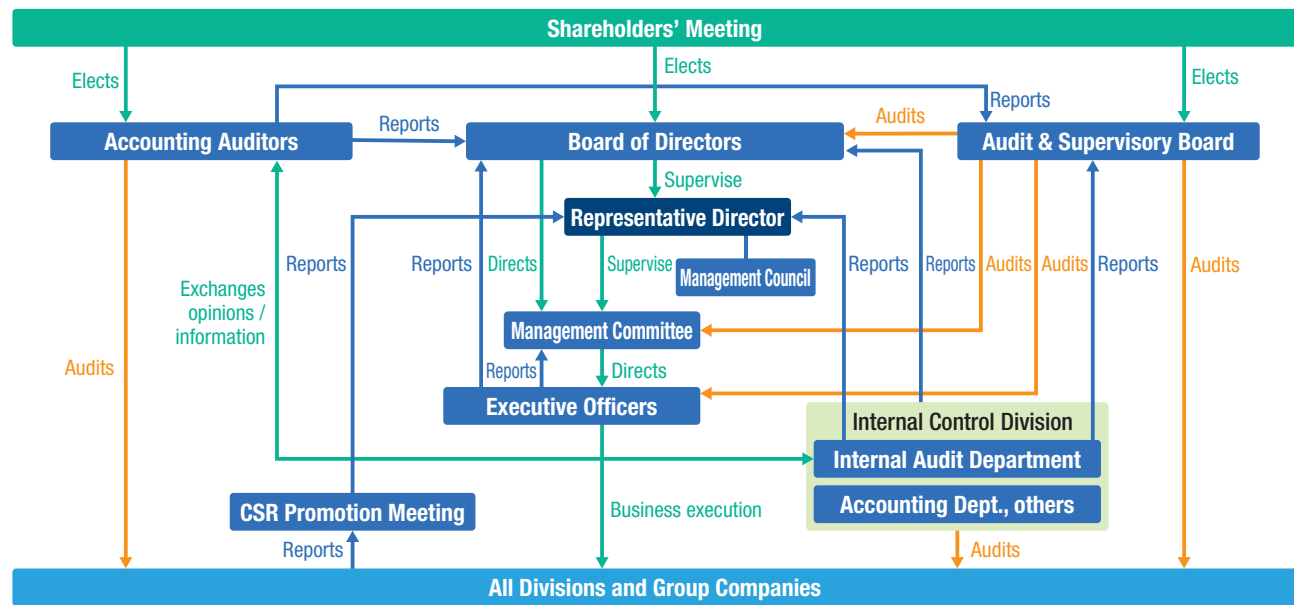
In fiscal 2019, we noticed an overall improvement trend compared with fiscal 2018. To achieve further improvement, we confirmed the need for action in several areas. These include stepped-up exchanges of opinions about information dissemination aimed at improving shareholder value, enhancing reports on human resource development, compliance, new products and technologies, and fuller discussion about medium-term business plans.

Going forward, we will further heighten the Board's effectiveness through efforts to stimulate Board discussions by providing it with timely information.

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 outside independent director

Two years have passed since I assumed office as an outside independent director. In the meantime, I have been working as a member of the Board of Directors from the perspective of a stakeholder representative. I am particularly aware of my role in checking to ensure that the Board of Directors is functioning soundly and the Company is practicing appropriate corporate governance.

Our Board of Directors engages in discussion until a sufficient mutual understanding between officers is reached, giving courteous and polite explanations to address doubts and questions without impeding the speed of decision-making. In some cases, the Board meets on multiple occasions to ensure proper discussion. I applaud the fact that this is being practiced effectively as a matter of course.

The Company is focusing heavily on the Machinery business. We have steadily improved machine design, manufacturing, and inspection technologies, expanded and refined our lineup, and broadened our domestic and overseas sales networks and alliances. The Machinery business has thus grown into a core part of our operations, which I believe is the result of the preparedness and efforts of past and present management. Leveraging this amassed infrastructure, the Group has been united in its quest to achieve the challenging revenue targets of its long-term vision, which ends in fiscal 2026. Achieving these targets will be major turning point for our future. To reach a new dimension, however, we need to strengthen our sales capabilities in the Machinery business. This, in turn, requires us to address two enduring and urgent priorities: expand our overseas bases and develop human resources who can perform internationally.

When I was president of my first company, I navigated the business through tumultuous times that included the global financial crisis, Great East Japan Earthquake, and China shock. I believe this experience was one of the reasons I was invited to become an outside independent director. I will utilize this experience, as well as my knowledge on resources and smelting, to serve as a representative of stakeholders. At times, I may need to push the executive team and make them consider differing opinions, but I am committed to helping the Group achieve sustainable development while paying close attention to the soundness of corporate governance.



Tatsuya Tejima
Outside Independent Director

Further information on corporate governance

» <https://www.furukawakk.co.jp/e/ir/policy/governance.html>

Risk Management

Relevant SDGs



Compliance

Relevant SDGs



Ideal image for 2025

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

Ideal image for 2025

All of our employees are keenly aware of compliance as it applies to the international community.

Fiscal 2019 targets and assessments Achievement

- 1 Improve response capabilities in the event of a crisis. ★★★★★
- 2 Draw up a Group-wide BCP ★★★★★
- 3 Examine countermeasures for crises other than earthquakes ★

★★★★★Target achieved: ★★★★★Target partially achieved: ★Target not achieved

Fiscal 2020 targets

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

Fiscal 2019 targets and assessments Achievement

- 1 Upgrade and expand compliance training ★★★★★
- 2 Revise 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

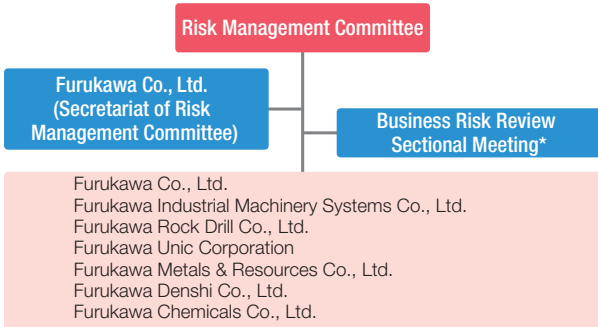
Fiscal 2020 targets

- 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

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.

Strengthening Crisis Response

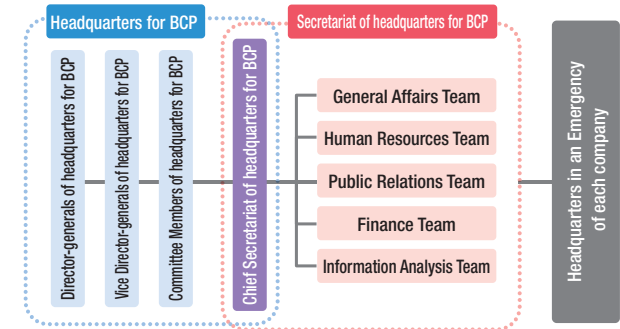
Improving Initial Response Capabilities

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. In conducting the safety conformation drills in fiscal 2019 we achieved a success rate exceeding 80% relative to our initial objectives. Meanwhile, we have placed transceivers at each of our primary business sites, and have been reviewing lists of food, beverages and other stockpiled items, and overhauling our approach to managing such items.

Shifting from Business Continuity Planning (BCP) to Business Continuity Management (BCM)

We have finished our BCP reviews of core operating companies. Going forward, we will formulate BCP strategies at consolidated affiliates and step up BCM activities.

Group BCP System



[Comment from the Responsible Committee] Overview of Fiscal 2019

In fiscal 2019, we finished drawing up the Group's BCP per review of the BCPs of our core operating companies. Moreover, we achieved our success rate target in carrying out safety conformation drills, but were unable to carry out BCP drills. As such, we will make plans to promptly carry out such drills, while also working to improve our ability to take action when a crisis strikes through initiatives that involve embarking on efforts to draw up business continuity plans for our consolidated affiliates and considering plans of action to address crises other than earthquakes, in order to enhance our crisis management framework throughout the Furukawa Company Group.



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

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 reports the matters it has discussed at the CSR Promotion Meeting as appropriate in order to share information on Group-wide compliance.

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 2019, we held compliance training sessions as part of our employment hierarchy-specific training for newly hired, mid-level employees, and newly assigned managers, and also held a compliance training session for officers and other top management personnel. In addition, we held training on specific topics, such as Japan's Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (the "Subcontract Act").

Training Implemented in Fiscal 2019

Training	Number of participants (number of sessions)
Compliance training	242 (12)
Training on the Subcontract Act	40 (2)
Training on contract fundamentals and basic transaction agreements	79 (3)
Training on security export controls	8 (1)

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.

[Comment from the Responsible Committee] Overview of Fiscal 2019

In fiscal 2019, we drew up our new Charter of Corporate Conduct and Code of Conduct for Officers and Employees, formulated from the perspective of the SDGs and released in April 2019. In fiscal 2020, we will disseminate our officers and employees with the revised versions of our Charter of Corporate Conduct and Code of Conduct for Officers and Employees, and will furthermore prepare versions in the English, Chinese and Thai languages for our officers and employees overseas. We have also embarked on the task at hand of revising our compliance manual beginning in fiscal 2019. 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