

# Supply Chain Management

## ■ Policies and Strategies

The Basic Procurement Policies of the Furukawa Company Group have the four pillars of the principles of fairness and impartiality, mutual prosperity, compliance and confidentiality, and promotion of procurement activities that are considerate of CSR. In accordance with these policies, and on the assumption of cooperative relationships with suppliers, CSR Promotion Guidelines have been formulated that call for respect for human rights and the environment.

 [Furukawa Company Group Basic Procurement Policies](#)

 [The Furukawa Company Group CSR Promotion Guidelines](#)

## ■ Governance Framework

Our Purchasing Department holds Purchasing Strategy Conferences twice a year, which consist of responsible personnel from Purchasing Departments of Machinery segment core operating companies.

At these conferences, each operating company's progress toward annual targets is checked and exchanges of views are held for the resolution of issues, with the overall purpose of promoting procurement activities based on the Furukawa Company Group Basic Procurement Policies.

For fiscal 2023, the core issue for the Purchasing Departments in Vision for 2025 was the fostering of partnerships. Toward that end, steps were taken to strengthen supplier management, conduct specific examinations relating to CSR procurement in the Purchasing Departments, and engage in exchanges of views.

Regular monthly meetings are also held separately at each operating company to provide occasions for more specific examination of initiatives in accordance with the policies of the Purchasing Strategy Conference. In addition, meetings are held on individual projects as the occasion arises and activities more closely tailored to circumstances are carried out.

## ■ Risk Management

The Furukawa Company Group's procurement departments consider it essential to have cooperative relationships not only within the Group but also with suppliers and others throughout the supply chain. In fiscal 2016, therefore, we began providing suppliers, including new suppliers, with an explanation of the purpose of the Group's CSR procurement and giving them the supplier CSR survey to complete. In fiscal 2019, we visited three suppliers and exchanged views in order to promote understanding of our CSR activities.

Considering the points for reflection yielded by the initial survey, a second round of supplier CSR surveys has been conducted from fiscal 2021. In order to promote these CSR activities that extend to the supply chain, and to maintain and improve them, we have been moving through the PDCA cycle for the process from conducting supplier CSR surveys to following up on them.

By the end of fiscal 2023, we conducted the second CSR survey of 141 key suppliers in Group 1<sup>\*1</sup> and Group 2<sup>\*2</sup>, achieving a 100% response rate.

Based on our risk assessments, we conducted follow-up activities, including monitoring (on-site inspections) and guidance aimed at risk reduction, for two companies in Group 1 and one company in Group 2.

We selected overseas suppliers associated with some overseas subsidiaries<sup>\*3</sup> for the CSR survey.

In fiscal 2024, we have started surveying those selected overseas suppliers and plan to extend the same survey to the overseas suppliers of our domestic subsidiaries as well.

- \*1 Group 1: Furukawa Industrial Machinery Systems Co., Ltd., Furukawa Rock Drill Co., Ltd., Furukawa UNIC Corporation, and Furukawa Denshi Co., Ltd.,
- \*2 Group 2: Furukawa Chemicals Co., Ltd., Furukawa C&F Co., Ltd., Ashio Rock Drill Co., Ltd., and FRD Iwaki Co., Ltd.
- \*3 TAIAN FURUKAWA UNIC CRANE Co., Ltd and FURUKAWA UNIC (THAILAND) Co., Ltd.

### Questions on the Supplier CSR Survey (Human Rights, Environment, etc.)

#### [Survey questions about respecting human rights and preventing human rights violations]

- (1) Prohibition of child labor, forced labor, unfairly low wages, etc.
- (2) Creating work environments free of discrimination and harassment of employees
- (3) Compliance with labor laws and regulations, improving work environments

#### [Survey questions about environmental conservation]

- (1) Compliance with international standards, laws, regulations, agreements, etc., related to environmental conservation
- (2) Energy-saving considerations, using resources effectively, reducing waste
- (3) Proper control of chemical substances in products and chemical substances discharged into the external environment during manufacturing processes

Moving forward, we will further enhance the questionnaire content related to human rights and the environment to promote activities that are more aligned with the SDGs.

## ■ Targets and Metrics

### FY2023 targets:

- Conduct and analyze CSR surveys for overseas suppliers affiliated with domestic and overseas subsidiaries
- Conduct sustainability education focusing on human rights for personnel in the Purchasing Department
- Strengthen management (QCD + sustainability) of major suppliers
- Foster partnerships with suppliers
- Start Companywide activities to promote sustainability-conscious procurement

### FY2023 results:

- Started selecting overseas suppliers for the CSR survey
- Provided sustainability education in the Purchasing Department focusing on human rights
- Conducted survey of procured goods and suppliers in consideration of the SDGs
- Announced Partnership Building Declaration

## ■ Initiatives

With regard to human rights in the supply chain, we conduct CSR surveys of key suppliers and engage in dialogue and verification through on-site visits to some suppliers.

### Training Personnel Responsible for Procurement

Our Purchasing Department is constantly striving to strengthen the procurement system by holding seminars for the department members.

Themes of training include human rights, the environment, quality, and more, and the information is shared on a regular basis.

### 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. Our Purchasing Department is cooperating with core operating companies in the Machinery segment (Furukawa Industrial Machinery Systems Co., Ltd., Furukawa Rock Drill Co., Ltd., Furukawa UNIC Corporation) to offer guidance and recommendations for supporting suppliers as necessary.

In fiscal 2023, conditions mostly returned to pre-pandemic levels. For domestic suppliers, we resumed conducting verifications and guidance using our standard methods. For overseas suppliers, we made in-person visits to inspect and provide guidance on processing procedures, materials management, and quality inspection systems. We also reviewed their environmental and safety measures and provided technical guidance accordingly.



Giving guidance to a supplier

### Strengthening Relationships with Key Suppliers: Fostering partnerships

We view our suppliers as valuable partners with whom we aim for mutual growth.

In fiscal 2023, we engaged in communication with both domestic and overseas suppliers through site visits and production briefings.

In fiscal 2024, we will continue deepening mutual understanding through CSR initiatives and work to foster even stronger trust-based relationships.



Production briefing, Furukawa UNIC Corporation

### Declaration of Partnership Building

In December 2023, Furukawa Co., Ltd., and the Furukawa Company Group's 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.) endorsed the principles of the Council on Promoting Partnership Building for Cultivating the Future. Members of this council include the President of Keidanren (Japan Business Federation), the Chairman of the Japan Chamber of Commerce and Industry, the President of the Japanese Trade Union Confederation (RENGO), and ministers of related government entities (Cabinet Office; Ministry of Economy, Trade and Industry; Ministry of Health, Labour and Welfare; Ministry of Agriculture, Forestry and Fisheries; and Ministry of Land, Infrastructure, Transport and Tourism). In alignment with this initiative, we publicly announced our Declaration of Partnership Building. Going forward, we will build new partnerships by promoting cooperation, coexistence, and co-prosperity with our supply chain partners and businesses that create value.

### Consideration in the Procurement of Copper Ore

As raw material for the copper ingots that are the main product of Furukawa Metals & Resources Co., Ltd., as well as for the gold and silver bullion that are its by-products, that company procures copper concentrate from mines in Chile, Peru, the United States, Australia, Indonesia, Papua New Guinea, and other places.

The Company ascertains the actual circumstances at these supplier mines with regard to environmental protection, human rights, employment and labor problems, and so on, and notes if sustainable development and appropriate mine operation are being carried out, thereby contributing to mitigation of environmental impact on a global scale.

Regarding conflict minerals, the Company also has the policy of not procuring minerals produced in areas where procurement would risk furthering conflict by serving as a source of funds for armed groups and human rights violations.

### Promoting Green Procurement

The Furukawa Company Group promotes the purchase of environmentally friendly products. For example, we encourage the use of recycled paper for such items as copier paper, business cards, and toilet paper. To minimize the increase in paper usage resulting from business expansion and changes in business operations, we also endeavor to use scrap paper and adopt IT solutions. In addition, we emphasize the purchase of energy-efficient office equipment that is compliant with energy-saving regulations, including copiers, multifunction devices, computers, and printers. We also purchase office supplies made from recycled materials, such as printer cartridges and paper files. Moreover, we will continue working to replace Company-owned vehicles (including leased and rental vehicles) with environmentally friendly ones, such as hybrid cars and those that meet low fuel consumption standards and low emission vehicle criteria.

Our factories are actively pursuing their own initiatives in addition to those described above. When purchasing materials, for example, they consider such factors as quality, price, delivery, and service, together with environmental performance, and place top priority on procurement of environmentally friendly products.