

Corporate Governance

■ Policies

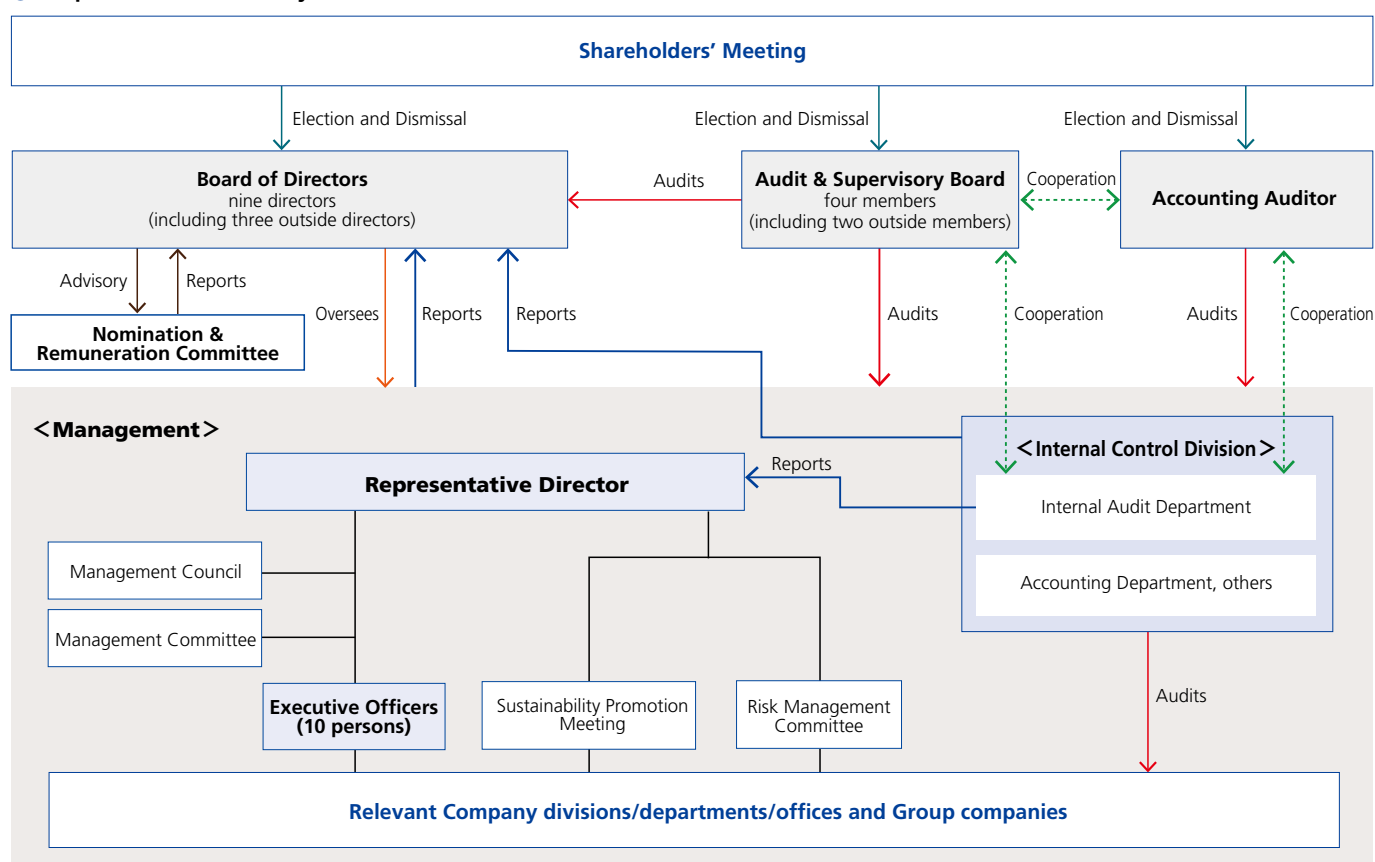
The Furukawa Company Group maintains fundamental policies regarding corporate governance with respect to heightening managerial transparency, building an effective managerial framework through ongoing efforts to transform its corporate structure, increasing its corporate value by generating consistent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

Under this basic policy, each of the Group's operating companies operates dynamically, ensuring clear asset management and profit and loss accountability while maintaining Group cohesion. By providing products and services that satisfy customers, we aim to maximize the overall corporate value of the Group.

■ Framework

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

● Corporate Governance System



Board of Directors (As of June 27, 2024)	
Chairman	Naohisa Miyakawa, Chairman of the Board of Directors
Composition	9 Directors (6 internal, 3 outside)
Role	Oversees the execution of business across the entire Furukawa Company Group as a supervisory body
Number of meetings	16 times (FY2023): Once a month, plus as needed
Attendance	98.6% (FY2023)
Main matters discussed	57 resolutions and 40 reports <ul style="list-style-type: none"> • Matters related to financial results • Matters related to sustainability • Reduction of strategic shareholdings • Investments to enhance human capital, etc.

Nomination & Remuneration Committee (As of June 27, 2024)	
Chairman	Yoichi Mukae, Outside Director
Composition	5 Directors (including 3 Outside Directors)
Role	Optional advisory body to the Board of Directors. Receives requests for advice from the Board of Directors regarding candidates for Directors and Audit & Supervisory Board Members, as well as selection and dismissal of Representative Directors and remuneration for Directors, then deliberates and reports as necessary.
Number of meetings	4 times (FY2023)
Attendance	100% (FY2023)
Main matters considered	<ul style="list-style-type: none"> • Remuneration for Directors and Audit & Supervisory Board Members • Nomination of candidates for Directors and Audit & Supervisory Board Members • Succession planning for Directors, etc.

Management Council (As of June 27, 2024)	
Chairman	Minoru Nakatogawa, President & Representative Director
Composition	All internal Directors (6 persons) Internal Audit & Supervisory Board Members may attend and express their opinions.
Role	Makes decisions about the basic management policies, strategic planning, and other important matters related to the Group. Important matters related to each Group company are submitted for deliberation after being approved by the respective company's internal decision-making body.

Management Committee (As of June 27, 2024)	
Chairman	Minoru Nakatogawa, President & Representative Director
Composition	Internal Directors and internal Audit & Supervisory Board Members, Executive Officers, General Managers of business divisions, Managers of departments not attached to business divisions (excluding General Manager of the Secretary Department), and the Presidents of core operating companies
Role	Reports on the execution of business by the Company and its core operating companies, examines them, and gives instructions
Number of meetings	12 times (FY2023): Once a month

Executive Officer System

The Company employs an Executive Officer System, which facilitates quicker decision-making, and defined responsibilities in terms of keeping management supervisory functions separate from executive functions. Executive Officers perform their tasks according to business plans determined by the Board of Directors,

and report the status of business execution as appropriate to the Board of Directors and the Management Committee. The Company has 10 Executive Officers as of June 27, 2024, including four serving concurrently as Directors.

Audit & Supervisory Board (As of June 27, 2024)	
Chairman	Kazuo Inoue, Full-Time Audit & Supervisory Board Member
Composition	2 full-time Audit & Supervisory Board Members and 2 Outside Audit & Supervisory Board Members Note: In preparation for regulation requiring a prescribed number of statutory auditors by law, we appointed one alternate auditor.
Role	The Audit & Supervisory Board makes decisions on audit policies, business operations, methods of investigating the status of assets, and other matters related to the execution of duties by its members. In accordance with the audit policies established by the Audit & Supervisory Board, auditors monitor the execution of duties by Directors and others. This is done by attending important forums, such as meetings of the Board of Directors and the Management Council, as well as listening to reports from Directors and conducting on-site inspections of business offices and subsidiaries.
Number of meetings	7 times (FY2023)
Main matters considered	<ul style="list-style-type: none"> • Audit policies and plan • Audit report preparation • Evaluation and reappointment of independent Audit & Supervisory Board Members, etc.

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

We established the Internal Audit Department as an internal auditing organization. As of June 27, 2024, the Department has six members including the Internal Audit Department Manager, who conduct audits of the status of management and business execution across all management activities of the Group. Through a system in which the Internal Audit Department reports regularly (twice a year) to the Board of Directors, we ensure cooperation among Directors and Audit & Supervisory Board Members. Since Audit & Supervisory Board Members also attend the Board of Directors' meetings, in principle, the Department further ensures collaboration by separately reporting to Audit & Supervisory Board Members as necessary on matters that do not overlap in content but are not regularly reported to the Audit & Supervisory Board.

The Audit & Supervisory Board has appointed Ernst & Young ShinNihon LLC as its accounting auditor based on its judgment that the firm possesses the systems for the execution of duties, as well as the auditing structure, independence, and expertise, necessary to serve as the Company's accounting auditor. Audit & Supervisory Board Members work closely with the accounting auditor as part of the Company's audit policy. At the beginning of each fiscal year, the Company receives an explanation of the annual audit plan from the accounting auditor and prepares an audit plan for Audit & Supervisory Board Members.

Audit & Supervisory Board Members also receive explanations of the audit results from the accounting auditor regarding the settlement of accounts for the fiscal year and request reports from time to time. In addition, they work closely with the Internal Audit Department, receiving reports on the results of internal audits. The Internal Audit Department and the accounting auditor also exchange opinions and information as needed.

Evaluating the Effectiveness of the Board of Directors

The Company evaluates the effectiveness of its Board of Directors annually and reports the results to the Board for discussion.

Evaluation Process	
Questionnaires sent to each Director and Audit & Supervisory Board Member (February–March 2024)	Each Director and Audit & Supervisory Board Member evaluates the following items: <ul style="list-style-type: none"> • Matters related to the composition of the Board (such as size and diversity) • Matters related to the operation of the Board (such as frequency of meetings and provision of information in advance) • Matters related to discussions at Board meetings (such as content of agenda items) • Matters related to the monitoring function of the Board • Matters related to dialogue with shareholders and other investors, etc.
Opinion exchange by Outside Directors and Outside Audit & Supervisory Board Members (May 2024)	Discuss the effectiveness of the Board of Directors, referring also to the results of aforementioned questionnaires at meetings where only Outside Directors and Outside Audit & Supervisory Board Members are invited to participate.
Discussion at Board of Directors' meeting (May 2024)	Based on the results of the aforementioned questionnaire and discussions in the exchange of opinions by Outside Directors and Outside Audit & Supervisory Board Members, the effectiveness of the Board of Directors in the previous fiscal year is evaluated. In addition, efforts aimed at further improving the effectiveness of the Board of Directors are also finalized.
Evaluation Results for Fiscal 2023	
<p>(1) Regarding the question of whether the Board of Directors is functioning effectively, the overall evaluation has slightly declined compared with the previous fiscal year. However, there were improvements in the evaluations of "free and constructive exchange of opinions" and "comprehensive, organized analysis of necessary information," resulting in generally high evaluation scores.</p> <p>(2) We also identified four challenges: "Follow-up on the implementation of management plans," "Supervision of the internal control system," "Monitoring of risks and their mitigation strategies," and "Collaboration with the Internal Audit Department."</p> <p>(3) We confirmed that the issues identified as items for improvement in the previous fiscal year are being addressed as follows.</p> <ul style="list-style-type: none"> ① We provide more detailed explanations, including specific images, of Medium-Term Business Plan 2025 to enable more in-depth discussions and facilitate comprehensive exchanges of opinions. ② To enhance oversight of the internal control system's operational status, we regularly report to the Board of Directors on root-cause analysis and countermeasures regarding any issues or major compliance violations. ③ We arrange site inspections for Outside Directors to help them receive more information about the Group. 	
Future Initiatives	
<p>(1) We will conduct annual follow-ups on the progress of Medium-Term Business Plan 2025. These will include reporting on challenges related to both Companywide strategies and segment-specific strategies beyond just performance metrics.</p> <p>(2) Based on the results of special audits conducted on specific issues, we will review the identified problems and challenges, along with their countermeasures, and explore ways to improve risk management across the entire Group.</p> <p>(3) We will consider mechanisms needed to strengthen the supervisory (monitoring) function of the Board of Directors (priority issues for each department and risk management methods).</p> <p>(4) We will provide more opportunities for Audit & Supervisory Board Members, including outside members, and the Internal Audit Department to exchange opinions on internal audits.</p> <p>(5) In addition to explaining the Board of Directors' proposals, we will enhance supplementary explanations as needed regarding the deliberation process, discussions in subordinate meetings, and relevant background and context.</p>	

Independence of Outside Directors and Outside Audit & Supervisory Board Members

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

As of June 27, 2024, the Company has three Outside Directors and two Outside Audit & Supervisory Board Members.

In addition, the Company stipulates that Outside Officers (Outside Directors and Outside Audit & Supervisory Board Members, including candidates) do not fall under the following criteria concerning independence. Outside Officers who meet such criteria are designated and registered as Independent Directors/Auditors under the rules of the Tokyo Stock Exchange. As of June 27, 2024, the Company has five Independent Officers.

Independence Standards for Outside Officers

To ensure the independence of Outside Officers, the Company has determined that they shall not fall under any of the categories listed below.

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

Remuneration for Directors and Audit & Supervisory Board Members

The Company has established policies for determining the content of remuneration for each individual Director, but partially revised these policies on May 30, 2024, per resolution by the Board of Directors. The revised remuneration policies are described below.

(1) Basic policies

- The remuneration system for Directors shall function soundly as an incentive for the sustainable enhancement of corporate value, and the amount of remuneration for each individual Director (hereinafter, "individual remuneration") shall be determined appropriately according to the responsibilities of each position.

- Remuneration for Directors shall consist of basic remuneration, additional remuneration for Directors, additional remuneration for Representative Directors, and restricted stock-based remuneration.

(2) Policies for determining individual remuneration (including timing for granting remuneration)

- Individual remuneration amounts shall be determined in accordance with the remuneration standards for Directors, taking into consideration the position, responsibilities, trends at other companies, and salary levels of employees, as well as business performance and other factors.

- With respect to monetary remuneration for Directors, excluding Outside Directors, the fixed portion is calculated by multiplying the basic remuneration by 90%, along with additional amounts for Directors and Representative Directors, while the performance-linked portion is calculated by multiplying the basic remuneration by 0–20%. Both portions are paid monthly.

- With respect to non-monetary remuneration for Directors, excluding Outside Directors, restricted stock units shall be granted annually at a designated time.

- For Outside Directors, a fixed amount of base remuneration only is paid monthly as monetary remuneration in consideration of their duties.

(3) Policy for determining calculation method for performance-linked remuneration

- Performance-linked remuneration shall be linked to short-term business results, and consolidated operating profit shall be used as a performance indicator to raise awareness of the need to improve business performance in each fiscal year.

- In principle, performance-linked remuneration shall be a sum equal to the basic remuneration multiplied by 0–20%, depending on the degree of achievement of the performance index against initially announced targets. However, if natural disasters or extraordinary circumstances significantly impact the achievement of performance indicators, the Nomination & Remuneration Committee may take such factors into consideration after deliberation.

(4) Policy for determining non-monetary remuneration

- The Company shall pay a prescribed amount of monetary remuneration to Directors on the condition that they use it to pay for restricted stock units, with the aim of providing medium- to long-term incentives and promoting shared values with shareholders.

- Restricted stock units will generally have transfer restrictions lifted if the Director to whom they were granted retires during the restriction period due to term expiration, death, or other legitimate reasons.

(5) Policy for determining payment breakdown by type of individual remuneration

- The performance-linked portion of each individual's remuneration shall be approximately 8%, and the rest shall be fixed (monetary) remuneration in the form of restricted stock units.

- Restricted stock remuneration shall be approximately 15% of each individual's remuneration.

(6) Matters concerning the method of determining the content of individual remuneration

- The Nomination & Remuneration Committee, whose principal members are Outside Independent Directors, shall deliberate on individual remuneration in accordance with the policies described in (1) through (5) above.

- The President & Representative Director, who is in a position to oversee and control the overall performance of the Company, shall decide specific details of individual remuneration based on discretionary assignment from the Board of Directors and the deliberations by the Nomination & Remuneration Committee.

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

● Remuneration for Directors and Audit & Supervisory Board Members

Officer Type	Total Remuneration (Millions of yen)	Total Remuneration by Type (Millions of yen)			Number of Eligible Officers (Persons)
		Fixed	Performance-Linked Remuneration	Non-Monetary Remuneration	
Directors (Excluding Outside Directors)	222	187	35	—	7
Audit & Supervisory Board Members (Excluding Outside Members)	18	18	—	—	3
Outside Directors	30	30	—	—	3
Outside Audit & Supervisory Board Members	17	17	—	—	3
Total	289	253	35	—	16

Notes:

1. Furukawa Co., Ltd., resolved to abolish its retirement allowance system for Directors and Audit & Supervisory Board Members at the conclusion of the 140th Annual Shareholders' Meeting held on June 28, 2007.
2. The above figure for total fixed remuneration does not include payments (totaling ¥24 million) by four subsidiaries of the Company to three Directors concurrently serving as Directors or Audit & Supervisory Board Members of those subsidiaries. It also does not include payments (totaling ¥21 million) by six subsidiaries of the Company to three Audit & Supervisory Board Members concurrently serving as Directors or Audit & Supervisory Board Members of those subsidiaries.
3. The total remuneration figure shown above is for fiscal 2023 and is based on the Company's remuneration policy for Directors before it was revised by resolution of the Board of Directors on May 30, 2024.

Skills Required of Board of Directors

The following seven skills have been selected as those that the Board of Directors should possess in order to realize the Company's Management Philosophy and management strategies and plans.

- (1) Corporate management
- (2) Business strategy and marketing
- (3) Technology development and IT
- (4) Finance and accounting
- (5) Legal affairs and risk management
- (6) Personnel and human resource development
- (7) International perspective

We have selected “(2) Business strategy and marketing” as a skill item because marketing, which forms the core of our management, goes beyond sales and marketing and goes hand in hand with business strategy. In the Machinery business, we selected “(7) International perspective” to reflect the Company's commitment to strengthen and rebuild its overseas marketing capabilities and enhance its product, sales, and service technology capabilities overseas. We believe that the other items—(1) Corporate management, (3) Technology development and IT, (4) Finance and accounting, (5) Legal affairs and risk management, and (6) Personnel and human resource development—are skills that Board members of a manufacturing company should possess as a matter of course.

The Company's policy is to strike a balance between the expertise and experience of Directors with respect to these skills, as well as diversity in terms of gender, work experience, and age, within the limits of the number of Directors stipulated in the Articles of Incorporation.

Election/Dismissal and Nomination Policies and Procedures

Candidates for Directors and Audit & Supervisory Board Members shall have the character, insight, and ethics appropriate for the position and be capable of fulfilling the duties and responsibilities of the position. In addition, candidates for internal Directors shall have sufficient experience and knowledge of the Company's operations and excellent management judgment, and candidates for Audit & Supervisory Board Members must understand the importance of auditing in corporate management, possess the required knowledge, and have a high level of normative awareness.

Nominations of candidates for Directors are deliberated by the Nomination & Remuneration Committee and decided by the Board of Directors. Nominations of candidates for Audit & Supervisory Board Members are deliberated by the Nomination & Remuneration Committee and decided by the Board of Directors with the consent of the Audit & Supervisory Board.

The Board of Directors appoints senior management team members who are qualified from the perspective of realizing the Company's Management Philosophy, management strategy, and so forth. The Nomination & Remuneration Committee deliberates on whether or not to reappoint such members based on a review of their achievement status against management plans and performance indicators, including by division, and on whether to dismiss them if they engage in fraudulent activities and the like.

Initiatives

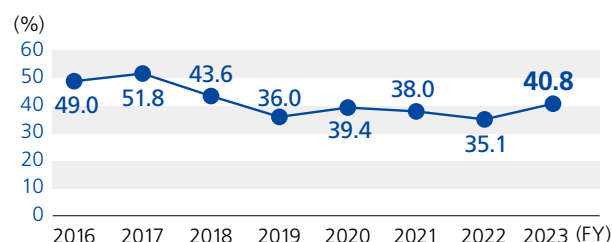
Strategic Shareholdings

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

Each year, the Board of Directors examines each stock of the Company's strategic shareholdings and verifies the purpose for which the stock is held and whether the benefits and risks associated with holding the stock are commensurate with the cost of capital. The Board of Directors also examines the appropriateness of continual ownership after comprehensive consideration of both qualitative and quantitative factors. We will endeavor to reduce the number of stocks that are no longer necessary to hold by selling them as appropriate. We will also continue disclosing the ratio of strategic shareholdings to consolidated net assets as an indicator of our progress in reducing such holdings. Our target is to reduce that ratio to less than 20% by March 31, 2025.

In exercising voting rights for the Group's strategic shareholdings, we do not make uniform decisions on whether to approve or disapprove based on routine or short-term criteria. Rather, we exercise such rights after making appropriate judgments from a comprehensive perspective that fully respects the management policies and strategies of the issuing company. We also consider whether the shares will enhance the issuing company's value and shareholder returns over the medium and long terms, and whether they will not undermine the significance of the Group's shareholdings.

Strategic Shareholdings Ratio



* Strategic shareholdings ratio: Ratio of strategic shareholdings (including holdings deemed to be strategic) to consolidated net assets

Dialogue with Shareholders and Other Investors

We strive to disclose information to shareholders and other investors in a fair and timely manner and further enhance dialogue with them through proactive IR events, such as briefings and IR meetings. To promote a better understanding of the Company, we also make effective use of tools, such as videos, printed materials, and websites, and provide information in an easier-to-understand manner.

The following table shows the status of the Group's dialogue with shareholders and other investors in fiscal 2023.

1. Implementation Status

(1) For shareholders

Held Annual Shareholders' Meeting, sent shareholder newsletters, etc.

(2) For institutional investors

	FY2023 Results	Main Hosts	Participants
Results briefings	2 times	President & Representative Director, Director in charge of Corporate Planning Dept.	62 persons from 47 companies (Fund managers, analysts, etc.)
Individual IR meetings	44 times	Director in charge of Corporate Planning Dept., General Manager of Corporate Planning Dept., IR managers, etc.	74 persons from 47 companies (Fund managers, analysts, etc.)

(3) Informative materials

Institutional disclosures: Financial statements, Annual Securities Report, and Corporate Governance Report

Voluntary disclosures: News releases, Integrated Report, Sustainability Book, financial results presentation materials, shareholder newsletters, and other materials (videos, brochures, etc.) to promote understanding of the Company

2. Main Content of Dialogue

Theme	Matters of Concern
Management strategies	Growth and business strategies (mainly in core Machinery business)
	Action to implement management that is conscious of cost of capital and stock price
	Future of Metals segment and Real Estate business
	Overview of business portfolio management
	Allocation of management resources
Shareholder returns	Dividend policy, share buybacks, etc.
Business results	Financial results and outlook
	Progress of medium-term business plan
ESG	Climate change and decarbonization initiatives
	Initiatives for human capital
	Reduction of strategic shareholdings

3. Feedback from Shareholders and Other Investors

Provide quarterly reports to Directors on the status of individual IR meetings (main questions and answers, opinions, etc.). Provide report to Directors on the status of briefing sessions, shareholder opinions, etc., as needed. Provide semiannual reports to the Board of Directors on the status of dialogue with shareholders and other investors.

For more information, please refer to our Corporate Governance Report.

 [Corporate Governance Report](#)