Policies and Strategies

We have identified "promote climate change countermeasures in business activities" as one of Materialities (Key Issues) for the Group and are actively advancing climate change initiatives accordingly. In August 2023, we expressed our support for the recommendations of the TCFD and announced our intention to disclose information based on the said recommendations.

Going forward, we will work to enhance the quality and quantity of information on the four core disclosure elements of the TCFD recommendations (Governance, Strategy, Risk Management, and Metrics and Targets).

Governance Framework

The Sustainability Promotion Meeting, chaired by the President & Representative Director, deliberates on how to address issues related to climate change and reports details of its deliberations to the Board of Directors.

The Sustainability Promotion Meeting discusses various matters related to climate change. These include formulation of basic policies and action plans for the Group's climate change responses, development of a promotion framework, verification and evaluation of the status of activities, and education and public relations measures. In addition to Company directors and the presidents of each core operating company, the Meeting includes the chairman of the Environmental & Safety Management Committee (general manager of the Environmental & Safety Management Department) and the general manager of the Sustainability Promotion Department. The Sustainability Promotion Department and the Environmental & Safety Management Department formulate the Group's climate change response strategies, manage targets, and develop a climate-related transition plan (roadmap) based on deliberations and suggestions made by the Meeting. Those departments also work together with the implementation bodies (Group companies and the Company's relevant departments) to develop a PDCA cycle of planning, execution, evaluation, and improvement.

Implementation of climate change responses by the Group companies and the Company's relevant departments are subject to institutional decisions by the Company's Management Council, Board of Directors, and others according to the level of importance. The director in charge of the Sustainability Promotion Department reports on the progress and results of climate change responses to the Board of Directors from time to time, thereby providing proper oversight by the Board.

Governance Framework for Climate Change Responses



Organizations and Meeting Bodies and Their Roles

Board of Directors

- Request/instruct the Sustainability Promotion Meeting on climate-related matters and deliberate on matters reported and/or proposed by the Meeting
- Oversee the resolution and execution of important matters related to climate change

Sustainability Promotion Meeting

- Discuss and formulate basic policies and action plans for the Group's climate change responses, development of a promotion system, verification and evaluation of the status of activities, and education and public relations measures
- Meet once a year, in principle, and otherwise as needed

Sustainability Promotion Department Environmental & Safety Management Department

- Formulate the Group's climate change response strategies, manage targets, develop climate-related transition plan (roadmap), etc.
 Oversee the PDCA cycle in collaboration with the implementation
- bodies for climate change responses

Relevant departments of Furukawa Co., Ltd. Core operating companies

• Serve as implementation bodies to deploy PDCA cycle for climate change responses

Risk Management

Assessment of climate-related risks and consideration of countermeasures are conducted by the Risk Management Committee, which comprehensively deliberates important matters related to Groupwide risk management. The Committee is chaired by the director in charge of sustainability of the Company, and the Sustainability Promotion Department serves as its Secretariat. The Committee meets twice a year in principle. Its members are selected from every Company department and core operating companies. Together with the Secretariat, the members assess climate-related risks affecting the Group, consider and formulate countermeasures, and report the results to the Board of Directors, which provides proper oversight.

Metrics and Targets

Scope 1 and 2

In fiscal 2023, we expanded the scope of calculation of CO₂ emissions, from major domestic production operations to a consolidated basis, including overseas sites. Accordingly, on July 30, 2024, we announced our new CO₂ emission reduction targets, using fiscal 2023 as the benchmark year. In line with the Paris Agreement and the targets set by the Japanese government, the Group aims to reduce Scope 1 (energy origin) and 2 emissions by 25% compared with fiscal 2023 by 2030 and achieve carbon neutrality by 2050*1.

For Scope 1, we aim to achieve an 8% reduction (compared with fiscal 2023) by fiscal 2030 by switching to electric forklifts, electrifying our air conditioning systems, and switching from heavy oil furnaces to liquefied petroleum gas (LPG) furnaces.

For Scope 2, we aim to achieve a 31% reduction (compared with fiscal 2023) by fiscal 2030 by introducing solar power and other renewable energy power generation equipment, upgrading to energy efficient production facilities, and purchasing renewable energy. To fund our carbon neutral initiatives, we are looking to invest approximately ¥2 billion, which we plan to raise through the sale of strategic shareholdings.

In addition, we will aim to achieve carbon neutrality by fiscal 2050 through appropriate management of Company-owned forests to absorb CO₂.

Scope 3

The Group began disclosing its Scope 3 emissions (Category 4⁺², Category 5⁺³, Category 6⁺⁴, and Category 11⁺⁵) in fiscal 2023.

Going forward, we will further expand the number of categories for such disclosure and consider reduction targets for Category 11.

- *1 This reduction target is based on the Japanese government's Plan for Global Warming Countermeasures, announced in October 2021, which includes a 38% reduction target for the industrial sector compared with fiscal 2013. Compared with the Group's estimated fiscal 2013 emissions, this target represents a 39.7% reduction by fiscal 2030.
- *2 Category 4: Emissions from upstream transportation and distribution.
- *3 Category 5: Emissions from waste generated in operations.
- *4 Category 6: Emissions from business travel.
- *5 Category 11: Emissions from the use of sold products. (In the Furukawa Company Group, this category covers products sold by the Rock Drill Machinery and UNIC Machinery segments.)

| 🔵 Road | lmap to Ca | rbon Neut | rality | | | |
|-------------------------------|---------------------|-----------|---|----------------------------|---------------------|--------------------------------|
| Sci | one 1 ^{*7} | Scope 2 | Phase ' | 1 | Phase 2 | Phase 3 |
| Image after expanding (benchm | | | (benchmark -FY2027 -1 | 0% | -FY2030 -25% | -2050 Carbon neutral |
| scor | be of calcula | ation | year) | | | |
| [t-CO2] | | | | | | Achieve |
| 30,000 | I | ,23 007 | 26,037*6 | —10% (vs FY2023) | -25% (vs FY2023) | neutrality |
| 25,000 | | 25,007 | 19,271 | 23,400 🗘 | | Appropriate |
| 20.000 | | | Introduce solar power generation equipment in factories | | 19,500 | management of Company-owned |
| | | Scope 2 | Switch to LED lighting | 16,900 | | forests to absorb |
| 15,000 | 18,785 | | production facilities | -12% (vs FY2023) | 13,300 | |
| 10 000 | | | Purchase renewable energy | | -31% (vs FY2023) | |
| 10,000 | | Scope 1 | Electrify air conditioning systems | | | |
| 5,000 | | | Switch from heavy oil furnaces to LPG furnaces | 6,500 | 6,200 | |
| 0 - | 4,222 | | 6,766 | -4% (vs FY2023) | -8% (vs FY2023) | |
| 0 - | FY2013 | | FY2023 | FY2027 | FY2030 | FY2050 |

*6 Total emissions increased due to expansion of calculation scope (scope changed from major domestic production sites to a consolidated basis, including overseas sites, in FY2023).

*7 Scope 1 was calculated based on energy origin.

CO2 Emissions

| Data Metrics | | | FY2019 | FY2020 | FY2021 | FY2022 | FY2023*8 |
|---------------------|------------------------------|-------|--------|--------|--------|---------|----------|
| | Scope 1 (energy origin only) | t-CO2 | 4,838 | 4,192 | 4,296 | 3,996 | 6,766 |
| | Scope 2 | t-CO2 | 17,092 | 16,711 | 17,808 | 15,540 | 19,271 |
| | Scope 1 + 2 (total) | t-CO2 | 21,930 | 20,903 | 22,104 | 19,536 | 26,037 |
| CO emission volume | Scope 3 (Category 4) | t-CO2 | _ | | | 6,323 | 8,224 |
| CO2 emission volume | Scope 3 (Category 5) | t-CO2 | _ | _ | _ | 29 | 22 |
| | Scope 3 (Category 6) | t-CO2 | — | — | _ | 1,030 | 3,127 |
| | Scope 3 (Category 11) | t-CO2 | — | _ | _ | 648,449 | 675,053 |
| | Scope 3 (total) | t-CO2 | — | | | 655,831 | 686,426 |

*8 Total emissions increased due to expansion of calculation scope (scope changed from major domestic production operations to a consolidated basis, including overseas production sites, in FY2023). However, Scope 3 (Category 11) emissions increased due to higher sales of some products.

Initiatives

Reducing CO₂ Emissions

The Furukawa Company Group has reduced CO₂ emissions (Scope 1 (energy origin) and 2) at its major domestic production bases by approximately 10,000 tons (37%⁺¹) in fiscal 2023 from a peak of 27,000 tons in fiscal 2014 through energy conservation measures and other initiatives. As described in the "Metrics and Targets" section, we recently expanded the scope of CO₂ emissions calculation to a consolidated basis and set reduction targets. In these ways, we will step up efforts to reduce CO₂ emissions.

*1 Comparison between 27,000 tons in FY 2014 and 17,000 tons (before expansion of the scope of calculation in FY 2023)



*2 Total emissions increased due to expansion of the scope of calculation (from major domestic production sites to a consolidated basis, including overseas sites, in FY 2023).

*3 Scope 1 was calculated based on energy origin.

Scenario Analyses

The Group operates numerous businesses and recognizes that the risks and opportunities associated with climate change vary from business to business. With this in mind, we previously conducted scenario analyses of the Rock Drill Machinery segment and Metals segment from two perspectives: the impact of climate change and the scale of business sales. In fiscal 2023, we conducted similar analyses of the UNIC Machinery segment and Chemicals segment. For the scenario analyses, we set 1.5°C and 4°C scenarios based on scientific evidence from the International Energy Agency (IEA) and other sources. We then evaluated the significance of climaterelated risks and opportunities that could affect our business in 2030 (interim) and 2050 (long term).

Going forward, we will conduct scenario analyses of the remaining segments while continuously reviewing the analyses already conducted.

| Scenarios | Worldview |
|---|---|
| 1.5°C scenario Emergence of transition risks and opportunities ⇒ 2030 (interim) assumption | There is a risk of cost increases due to the Japanese government's push to introduce GHG emission regulations and a carbon tax. With attention focused on products with low environmental impact, we see opportunities for increased revenues from sales of materials for EVs and renewable energy facilities, as well as products with high energy-saving performances. |
| 4°C scenario Emergence of physical risks and opportunities ⇒ 2050 (long term) assumption | Extreme weather conditions will cause increases in natural disasters and rising temperatures, leading to the risk of damage to business sites and system facilities, as well as the risk of increased costs, such as higher raw material prices, due to difficulties in procuring materials. Given progress in technological countermeasures and investments to address extreme weather events, we see opportunities for increased revenues from related products, technologies, and services. |

Introduction of ICP

Having introduced internal carbon pricing (ICP) in fiscal 2022, the Group will promote environmental investment by applying ICP to evaluate the effect of CO₂ emission reductions as an investment return

Addressing Climate Change

The Group is committed to reducing and addressing the impact of natural disasters caused by climate change. To this end, we are pursuing various activities, such as evaluating natural disaster risks and promoting BCM.

Participation in Climate-Related Initiatives

The Group supports the activities of organizations that contribute to climate change mitigation and adaptation. We also endorse and participate in various initiatives and industry associations related to climate change, including the TCFD.

For example, Furukawa Co., Ltd., is a member of the Japan Mining Industry Association, an industry organization for nonferrous metals that promotes measures to achieve carbon neutrality.

If the activities of these organizations significantly diverge from the policies of the Group, we will engage with the organizations and take appropriate action.

List of Risks and Opportunities

Below are the risks and opportunities we have identified that have a "medium" or larger level of impact on our business. **Degree of Impact**

Large: Very large impact on the Group; Medium: Limited impact on the Group; Small: Little impact on the Group

List of Risks

| Type of Risk | | | | Segment | Impact | | | | | |
|-----------------|---------------|------------|---|--|-----------------|--------|---|--|--|--|
| | | of | Risk Description | | 1.5°C Medium | 4°C | Countermeasures | Segment | | |
| | | | | | term | term | | | | |
| | | | Introduction of a carbon tax will increase transportation and other fuel procurement costs, as well as production costs and operational costs (GHG response costs related to electricity and delivery). | Rock Drill Machin- ery, UNIC Machinery, Metals, Chemicals | | | Switch to renewable energy, save energy, and reduce the environmental impact of our products | | | |
| | | S | | | | | Utilize renewable energy sources, such as solar power | | | |
| | | tio | | | Medium | Small | Introduce LED lighting and energy-saving equipment | Rock Drill Machin- ery, UNIC Machinery, Metals, Chemicals | | |
| | | nla. | | | | | • Increase use of environmentally friendly vehicles, such as EVs | | | |
| | | egi | | | | | • Reduce GHG emissions through purchase of non-fossil certificates, etc. | | | |
| | × | olicies/r | | | | | Closely monitor raw material price trends, negotiate with customers regarding passing on product costs, and collaborate with suppliers to promote low-carbon initiatives | | | |
| | sition ris | ment p | | | | | • Improve energy efficiency by reviewing manufacturing processes and strengthening GHG emission controls at production facilities | Rock Drill Machinery, Chemicals | | |
| | Trans | overn | | | | | Reduce environmental impact of our products by using recyclable materials and extending product life | Rock Drill Machinery | | |
| | | Ğ | | | | | Transition Company-owned vehicles to EVs and electrify forklifts | UNIC Machinery | | |
| | | | | | | | Promote modal shift and diversify transportation methods | Chemicals | | |
| Risk | | Technology | Failure to meet needs of the market, which favors prod- ucts with low environmental impact, will result in lower sales. | Rock Drill Machinery, UNIC Machinery | Medium | Small | Collaborate with suppliers to manufacture and develop products with low environmental impact | Rock Drill Machinery | | |
| | | Acute | Extreme weather events (such as floods) may cause shutdowns at business sites or factories, leading to a decrease in sales and an increase in recovery costs. Additionally, supply chain instability can result in higher operating costs, delayed deliver- ies, and potential damage to our reputation. | Rock Drill Machin- ery, UNIC Machinery, Metals, Chemicals | Small | Large | Minimize damage and ensure proper management when disaster strikes | | | |
| - | Physical risk | | | | | | Secure multiple means of transportation and procurement channels Diversify suppliers and work to minimize damage in the event of extreme weather conditions Reinforce flood countermeasures at factories Conduct regular water risk assessments at suppliers and sites and perform rigorous risk management in the event of flooding or inundation Implement a BCP as a support and reporting protocol in the event of damage | Rock Drill Machin- ery, UNIC Machinery, Metals, Chemicals | | |
| | | | Extreme weather conditions may lead to increased air conditioning costs, reduced productivity, and a rise in health risks for employ- ees working outdoors. | UNIC Machinery | Small | Medium | Expand/upgrade air conditioning systems in factories Insulate factory buildings Use solar power and other self-generation methods to reduce costs | UNIC Machinery | | |

List of Opportunities

| Type of Opportunity | | | Segment | Impact | | | |
|------------------------|------------|--|--|----------------|--------------|--|-------------------------|
| | | Opportunity Description | | 1.5°C 4°C | | Countermeasures | Segment |
| | | opportunity bescription | | Medium term | Long term | | Segment |
| Opportunity | Market | Rising demand for machines that contribute to decarbonization will help bolster sales. | Rock Drill Machinery | Medium | Small | Make capital investments to meet demand | Rock Drill Machinery |
| | | Reconstruction projects after disasters | Rock Drill | Cmall | Large | Make capital investments and develop products to meet demand | Rock Drill Machinery |
| | | generate demand for our products. | UNIC Machinery | SILIGII | | Deploy ICT to develop and offer remote control and automated solutions | UNIC Machinery |
| | | Sales of products that contrib- ute to energy conservation will increase. | Rock Drill Machinery, UNIC Machinery | Medium | Small | Collaborate with suppliers to expand lineup of energy-saving products | Rock Drill Machinery |
| | Technology | | | | | Make capital investments to develop products and technologies that help reduce environmental impact Expand sales of energy-saving products, such as motorized mini-crawler cranes | UNIC Machinery |
| | | Timely responses to customer requests and technical support to address spec- ification changes related to the shift to EVs will help bolster sales. | UNIC Machinery | Medium | Small | Collaborate with chassis manufacturers to swiftly develop cranes that can be installed on EVs | UNIC Machinery |