Enhancement of Corporate Governance

Policies

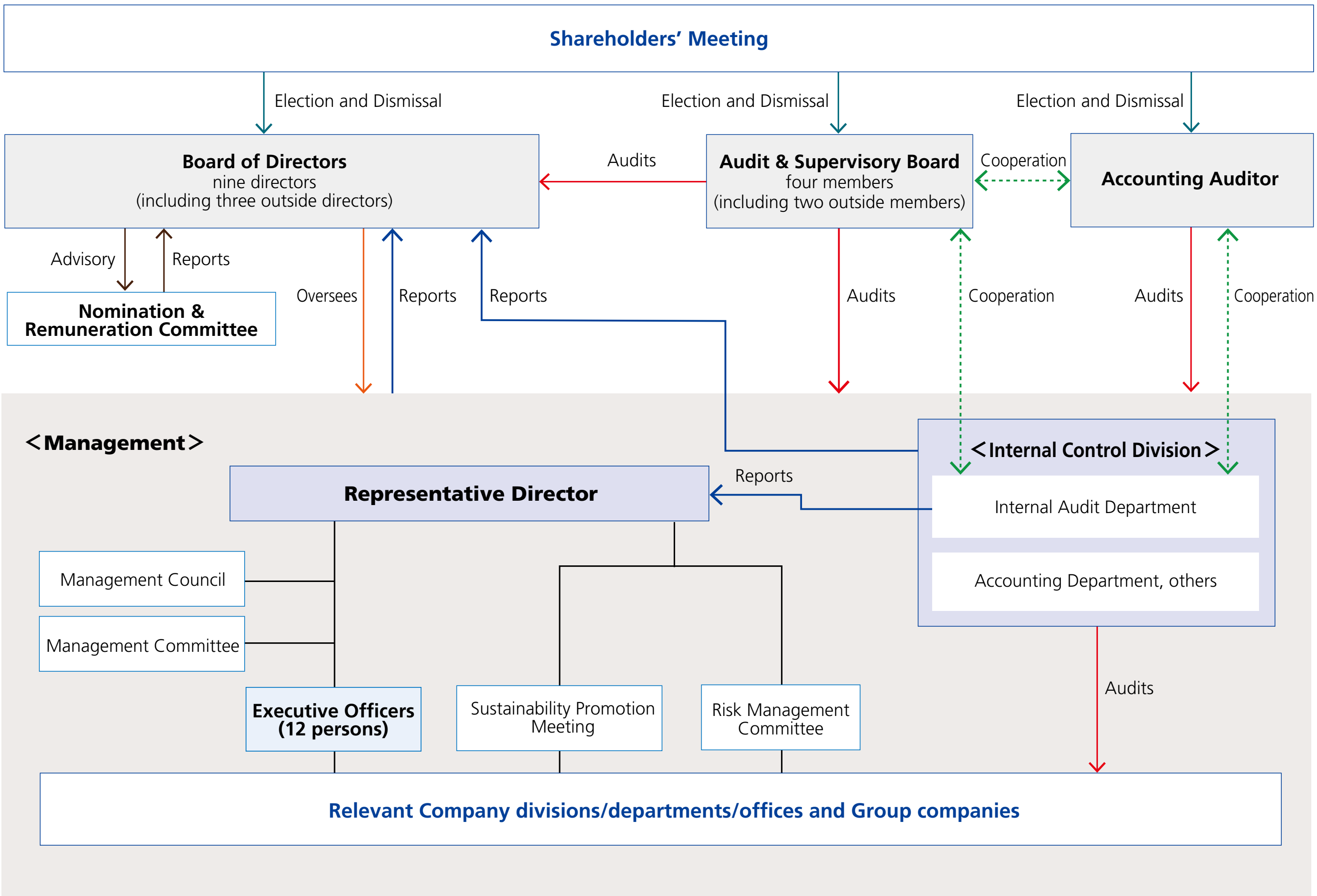
The Furukawa Company Group maintains fundamental policies regarding corporate governance with respect to heightening managerial transparency, building an effective managerial framework through ongoing efforts to transform its corporate structure, increasing its corporate value by generating consistent 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** (As of June 27, 2025)



Board of Directors (As of June 27, 2025)	
Chairman	Naohisa Miyakawa, Chairman & Director
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	17 times (FY2024): Once a month, plus as needed
Attendance	98.6% (FY2024)
Main matters discussed	61 resolutions and 50 reports • Matters related to financial results • Matters related to sustainability • Reduction of strategic shareholdings • Matters related to restricted stock • Matters related to capital policy, etc.

Nomination & Remuneration Committee (As of June 27, 2025)	
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 (FY2024)
Attendance	100% (FY2024)
Main matters discussed	• Remuneration for Directors and Audit & Supervisory Board Members • Nomination of candidates for Directors and Audit & Supervisory Board Members • Director remuneration calculation standards, etc.

Management Council (As of June 27, 2025)	
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, 2025)	
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 (FY2024): Once a month

Audit & Supervisory Board (As of June 27, 2025)	
Chairman	Hiroyuki Sakai, Audit & Supervisory Board Member (Full-Time)
Composition	2 Audit & Supervisory Board Members (Full-Time) 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	9 times (FY2024)
Main matters discussed	• Audit policies and plan • Audit report preparation • Evaluation and reappointment of independent Audit & Supervisory Board Members, etc.

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.

As of June 27, 2025, the Company has 12 Executive Officers, four of whom also serve concurrently as Directors.

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 to conduct audits of the status of management and business execution across all management activities of the Group. As of June 27, 2025, the Department has five members, including the Internal Audit Department Manager. The Department reports the results of internal audits regularly (twice a year) to the Board of Directors and to the Audit & Supervisory Board as needed (three times in fiscal 2024), thereby ensuring cooperation among Directors and Auditors.

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 (March–April 2025)	Each Director and Audit & Supervisory Board Member evaluates the following items: • 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 2025)	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 2025)	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 2024

(1) For matters related to materials presented to the Board of Directors ("timing of advance distribution" and "comprehensive, organized analysis of necessary information") and "quality of presentations," evaluations declined slightly compared with the previous fiscal year. However, regarding the question of whether the Board of Directors is functioning effectively, the evaluation showed improvement.
(2) Evaluation of coordination between Directors, Audit & Supervisory Board Members, and the Internal Audit Department improved significantly.
(3) We also identified three challenges: "Providing materials in a well-organized and clearly analyzed form," "Follow-up on the progress of business plans," and "Enhancing the Board of Directors' supervisory (monitoring) function."
(4) We confirmed that the issues identified as items for improvement in the previous fiscal year are being addressed as follows.
① Regarding follow-up on the progress of Medium-Term Business Plan 2025, at the Extraordinary Board of Directors' meeting held on August 7, 2024, we reported on not only performance but also challenges related to overall corporate strategy and divisional strategies.
② We will continue conducting special audits in response to specific issues while also examining the mechanisms needed to strengthen our supervisory functions.
③ We held multiple exchanges of opinions on internal audits between the Internal Audit Department and Audit & Supervisory Board Members (including outside members).
④ For important matters submitted to the Board of Directors, we held individual briefing sessions to allow for meticulous discussion. The Chairman and President also provided additional explanations as required.

Future Initiatives

(1) "Providing materials in a well-organized and clearly analyzed form"
① By revising the layout of agenda summaries, we will improve the readability and accessibility of the materials.
② By adjusting the timing of material distribution and accepting questions in advance, we will work to deepen understanding of agenda items and ensure the efficient operation of the Board of Directors.
③ For routine agenda items, we will provide focused explanations, but for certain matters we will allocate more time for questions and answers.
(2) "Follow-up on the progress of business plans"
① We will continue reporting on issues related to overall corporate strategy and divisional strategies in addition to business performance.
② We will work to ensure ample opportunities for discussion on the Management Philosophy, the next medium-term business plan, and related matters.
(3) "Enhancing the Board of Directors' supervisory (monitoring) function"
① Continuing from fiscal 2024, we will conduct special audits in response to specific issues. Based on the results, we will review the problems and challenges identified along with corresponding countermeasures and consider ways to further strengthen risk management across the Group.
② We will examine the mechanisms needed to strengthen the Board's supervisory function, including key issues in each department and risk management methods.

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, 2025, 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, 2025, 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 Independent Outside 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)	223	172	23	27	6
Audit & Supervisory Board Members (Excluding Outside Members)	19	19	—	—	2
Outside Directors	30	30	—	—	4
Outside Audit & Supervisory Board Members	18	18	—	—	3
Total	**291**	**240**	**23**	**27**	**15**

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 ¥19 million) by four subsidiaries of the Company to two 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 two 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 2024.

Skills Required of Board of Directors

In November 2021, we defined seven skills that members of the Board of Directors should possess in order to realize the Company's Management Philosophy and management strategies and plans. We reviewed these in fiscal 2024 and now define the following eight skills that Board members should possess.

(1) Corporate management
(2) Business strategy, marketing, and DX
(3) Technology, production, and quality
(4) Sustainability, the environment, and safety
(5) Finance and accounting
(6) Legal affairs and risk management
(7) Personnel and human resource development
(8) International perspective

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. Additionally, the independent outside directors include individuals with management experience at other companies.

● Reasons for Selecting Each Skills Matrix Item

Item	Reasons for Selection
Corporate management	To help realize a sustainable society while enhancing the Group's corporate value over the long term, it is important to present a vision for the future, demonstrate leadership that guides officers and employees toward its realization, possess the ability to oversee the entire Group, and have business management experience in those areas.
Business strategy, marketing, and DX	It is important to have the ability to formulate strategies for delivering valued products and services, the expertise and capabilities to drive business transformation through DX, and the experience in those areas to lead various businesses.
Technology, production, and quality	It is important to have broad technical expertise to accelerate innovation, along with knowledge to achieve efficient and stable production capabilities and maintain and improve quality, as well as business experience in those areas.
Sustainability, the environment, and safety	To conduct business activities that help realize a sustainable society, it is important to have knowledge of sustainability and expertise in reducing environmental impact and managing safety—areas in which we have been engaged since our founding—as well as business experience in those areas.
Finance and accounting	To build, maintain, and strengthen the Group's financial foundation and ensure the optimal allocation of management resources, it is important to have expertise in finance and accounting, as well as business experience in those areas.
Legal affairs and risk management	To establish a governance framework, strengthen compliance, and manage the diverse risks associated with business operations, it is important to have expertise in legal affairs and risk management, as well as business experience in those areas.
Personnel and human resource development	To create a workplace environment where officers and employees can fully demonstrate their abilities while securing and developing diverse talent, it is important to have expertise in human resources and talent development, as well as business experience in those areas.
International perspective	To advance overseas business development as a global company, it is important to have expertise in international affairs, overseas markets, and the cultures of different countries, as well as business experience in those areas.

Policies and Procedures for Officer Nomination, Election and Dismissal

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

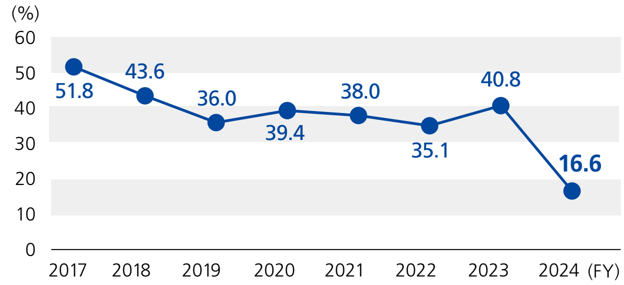
Strategic Shareholdings

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. With regard to the reduction target for strategic shareholdings, our original target was to reduce the ratio to less than 20% of consolidated net assets by March 31, 2026. This target was subsequently brought forward by one year, to March 31, 2025. We have already achieved the target, with the ratio down to 16.6% as of 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 2024.

1. Implementation Status

(1) For shareholders
Held Annual Shareholders' Meeting, sent shareholder newsletters, etc.

(2) For institutional investors

	FY2024 Results	Main Hosts	Participants
Results briefings	2 times	President & Representative Director, Director in charge of Corporate Planning Dept.	56 persons from 44 companies (Fund managers, analysts, etc.)
Individual IR・SR meetings	63 times	Director in charge of Corporate Planning Dept., General Manager of Corporate Planning Dept., IR managers, etc.	104 persons from 61 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
	Next long-term vision and medium-term business plan
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.
- 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