Promote Climate Change Countermeasures in Business Activities

Policies and Strategies

The progression of climate change brings more frequent and severe natural disasters and stricter regulations toward carbon neutrality, presenting the Furukawa Company Group with various risks and opportunities. With this in mind, we have identified "Promote climate change countermeasures in business activities" as one of our Materialities (Key Issues) and are advancing initiatives aimed at enhancing corporate value by both mitigating climate risks and creating new opportunities. Since declaring our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in August 2023, we have been working 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).

We are also committed to disclosing information to investors and other stakeholders. This includes responding to the 2024 Climate Change questionnaire conducted by CDP, an international nonprofit organization that evaluates and discloses corporate initiatives on climate change and related issues. Our fiscal 2024 score was B–.

In addition to enhancing disclosure, we are striving to achieve carbon neutrality and improve energy efficiency.

Scenario Analyses

The Furukawa Company Group operates numerous businesses and recognizes that the risks and opportunities associated with climate change vary from business to business. We previously conducted scenario analyses for the Rock Drill Machinery, UNIC Machinery, Metals, and Chemicals segments, and more recently added the Industrial Machinery and Electronics segments, thereby completing scenario analyses for all core operating companies.

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 climate related risks and opportunities that could affect our business in 2030 (interim) and 2050 (long term). Based on these analysis results, we are advancing measures to mitigate risks and maximize opportunities.

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.

The results of the scenario analysis are shown on P.18, List of Risks and Opportunities.

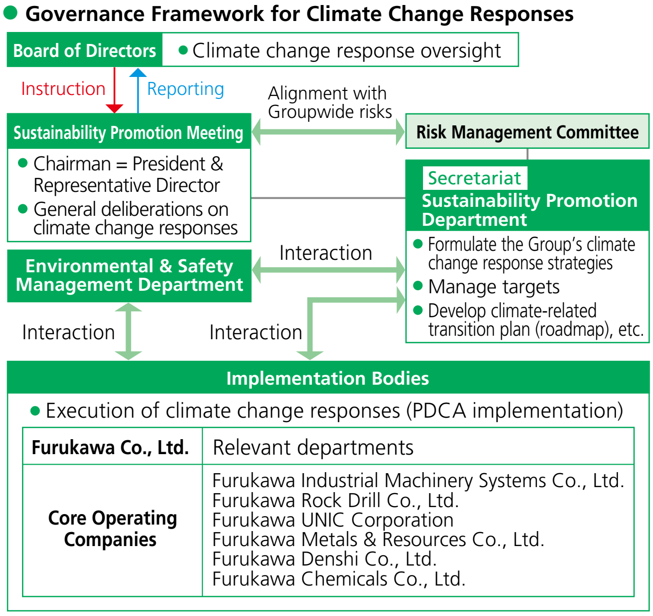
Governance Framework

At the Furukawa Company Group, the Board of Directors holds oversight responsibility for sustainability matters, including climate change, as well as addressing related risks and opportunities. Under the direction of the Board of Directors, the President of Furukawa Co., Ltd., who serves as Chair of the Sustainability Promotion Meeting, assumes overall responsibility, while the director in charge of sustainability promotion and the respective subordinate organizations carry out execution.

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**



List of Risks and Opportunities

The Furukawa Company Group is advancing specific climate change initiatives to address the risks and opportunities identified through its scenario analyses.

● List of Risks

Type of Risk			Risk Description	Segment	Impact 1.5°C Medium term	Impact 4°C Long term	Countermeasures	Segment
Risk	Transition risk	Government policies/regulations	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).	Industrial, Rock Drill, UNIC, Metals, Electronics, Chemicals	Medium	Small	**Switch to renewable energy, save energy, and reduce the environmental impact of our products**	
							● Utilize renewable energy sources, such as solar power ● Introduce LED lighting and energy-saving equipment ● Reduce GHG emissions through purchase of non-fossil certificates, etc. ● Closely monitor raw material price trends, negotiate with customers regarding passing on product costs, and collaborate with suppliers to promote low-carbon initiatives	Rock Drill, UNIC, Metals, Chemicals
							● Improve energy efficiency by reviewing manufacturing processes and strengthening GHG emission controls at production facilities	Rock Drill, Chemicals
							● Reduce environmental impact of our products by using recyclable materials and extending product life	Rock Drill
							● Transition Company-owned vehicles to EVs and electrify forklifts	Industrial, Rock Drill, UNIC, Electronics, Chemicals
							● Promote modal shift and diversify transportation methods	Chemicals
		Market	Decline in product sales due to the shrinking gasoline vehicle market	Electronics	Medium	Small	● Develop products with a view to EV market expansion	Electronics
		Technology	Decline in sales due to inability to meet market demand for environmentally friendly products	Rock Drill, UNIC	Medium	Small	● Collaborate with business partners to develop and manufacture environmentally friendly products	Rock Drill
	Physical risk	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 deliveries, and potential damage to our reputation.	Industrial, Rock Drill, UNIC, Metals, Electronics, Chemicals	Small	Large	**Minimize damage and ensure proper management when disaster strikes** ● 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	Industrial, Rock Drill, UNIC, Metals, Electronics, Chemicals
			Extreme weather conditions may lead to increased air conditioning costs, reduced productivity, and a rise in health risks for employees working outdoors.	UNIC	Small	Medium	● Expand/upgrade air conditioning systems in factories ● Insulate factory buildings ● Use solar power and other self-generation methods to reduce costs	UNIC

● List of Opportunities

Type of Opportunity		Opportunity Description	Segment	Impact 1.5°C Medium term	Impact 4°C Long term	Countermeasures	Segment
Opportunity	Market	Rising demand for machines that contribute to decarbonization will help bolster sales.	Rock Drill	Medium	Small	● Make capital investments to meet demand	Rock Drill
		Reconstruction projects after disasters caused by extreme weather events will generate demand for our products.	Industrial, Rock Drill, UNIC	Small	Large	● Make capital investments and develop products to meet demand	Industrial, Rock Drill
						● Deploy ICT to develop and offer remote control and automated solutions	UNIC
		Expansion of urban disaster prevention and mitigation infrastructure to prepare for extreme weather events	Industrial	Small	Medium	● Identify disaster prevention needs, actively propose equipment upgrades, and strengthen sales ● Actively propose and increase sales of pumps, conveyors, and bridges for river flood control measures	Industrial
		Increase in product sales driven by rising demand for semiconductors amid electrification across industrial and transportation sectors	Electronics	Medium	Small	● Expand production in anticipation of increased demand ● Monitor demand trends	Electronics
	Technology	Sales of products that contribute to energy conservation will increase.	Industrial, Rock Drill, UNIC	Medium	Small	● Expand sales of new high-efficiency slurry pumps, SICON®, and other energy-saving products	Industrial
						● Collaborate with suppliers to expand lineup of energy-saving products	Rock Drill
						● 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
		Timely responses to customer requests and technical support to address specification changes related to the shift to EVs will help bolster sales.	UNIC	Medium	Small	● Collaborate with chassis manufacturers to swiftly develop cranes that can be installed on EVs	UNIC

<Degree of Impact>
Large: Very large impact on the Group; Medium: Limited impact on the Group; Small: Little impact on the Group

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.

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

Metrics and Targets

FY2024 Targets:

・Reduce Scope 1 (energy-related) and Scope 2 emissions by 25% from FY2023 levels by FY2030

FY2024 Results:

・Reduced Scope 1 (energy-related) and Scope 2 emissions by 1% from FY2023 levels

Scope 1 and Scope 2

The Furukawa Company Group supports the Paris Agreement and targets set by the Japanese government. We aim to reduce combined Scope 1 (energy-related) and Scope 2 emissions by 25% from fiscal 2023 levels by fiscal 2030 and achieve carbon neutrality by fiscal 2050.

For Scope 1, we aim to reduce emissions 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 reduce emissions 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 CO_2.

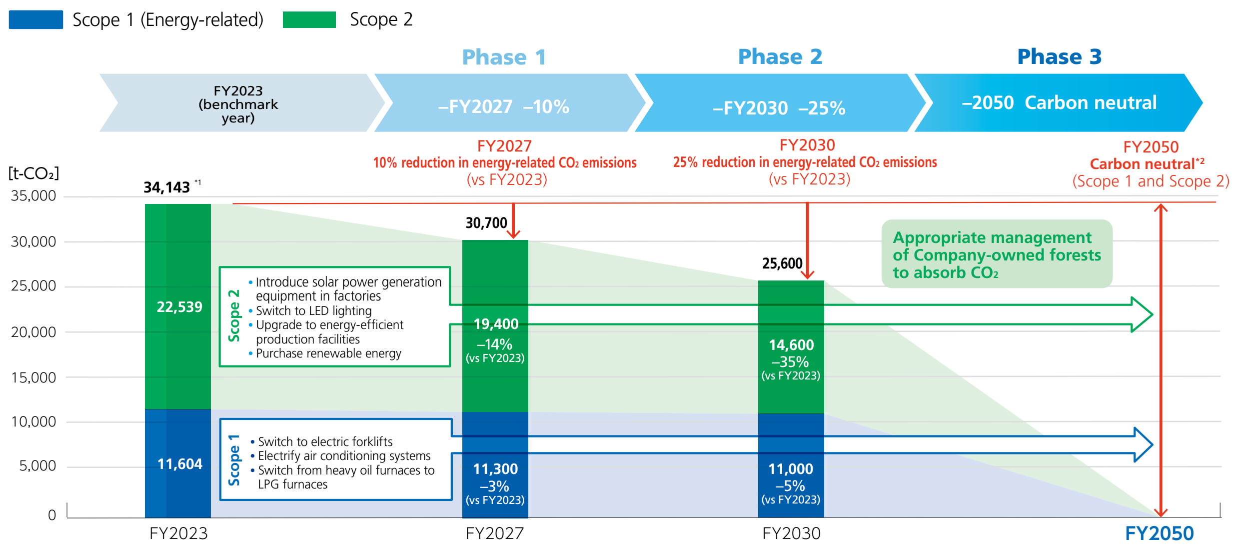
Scope 3

The Furukawa Company Group discloses Scope 3 emissions in its Sustainability Book.

Since fiscal 2024, with the support of external consultants, we have been working to expand the calculation categories and improve the accuracy of the figures.

Going forward, we will work to further improve accuracy and examine reduction targets for Category 11.

● **Roadmap to Carbon Neutrality**



*1 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).
*2 Including non-energy-related sources

● CO_2 Emissions

Data Metrics		Unit	FY2020	FY2021	FY2022	FY2023*3	FY2024
CO_2 emission volume	Scope 1 (energy-related only)	t-CO_2	4,192	4,296	3,996	11,604	11,137
	Scope 1 (non-energy-related only)*4	t-CO_2	—	—	—	22,683	25,252
	Scope 2	t-CO_2	16,711	17,808	15,540	22,539	22,642
	Scope 1 (energy-related only) + 2 (total)	t-CO_2	20,903	22,104	19,536	34,143	33,779
	Scope 1 + 2 (total)	t-CO_2	20,903	22,104	19,536	56,826	59,031
	Scope 3 (Category 11)	t-CO_2	—	—	648,449	675,053	1,060,405
	Scope 3 (total)*5	t-CO_2	—	—	654,801	683,299	2,685,293

*3 Total emissions increased due to expansion of calculation scope (scope changed from major domestic production sites to a consolidated basis, including overseas sites, in fiscal 2023). Figures were reviewed and recalculated in fiscal 2024.
*4 For non-energy-related Scope 1 emissions, the main source is Gunma Environmental Recycling Center Co., Ltd. (medical waste incineration facility), which became a wholly owned subsidiary in September 2024. While these emissions are excluded from the fiscal 2030 reduction target, they are included in the fiscal 2050 target.
*5 From fiscal 2024, we revised the calculation scope of Scope 3 to cover the entire Group and updated the calculation categories. For data other than Category 11, please refer to P.54.

Initiatives

Purchase of Renewable Energy

Gunma Kankyo Recycling Center Co., Ltd., a subsidiary, carries out intermediate incineration of medical waste. As of April 2025, it had switched all its purchased electricity to renewable energy. As a result, its Scope 2 CO_2 emissions from purchased electricity are expected to be zero from fiscal 2025 onward.

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 CO_2 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.

Risk Management (P.51)

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.

The TCFD Consortium was established in 2019, with Japan's Ministry of Economy, Trade and Industry, Financial Services Agency, and Ministry of the Environment as observers, as a forum for companies and financial institutions that support the TCFD recommendations to unite and promote and discuss climate change initiatives. We have joined the TCFD Consortium and are working to enhance our information disclosure in accordance with the TCFD recommendations.

Support for Public Policy

The Group supports the Japanese government's goals based on the Paris Agreement and has formulated and is working to reduce CO_2 emissions in line with these goals.

We also strive to comply with public policies and regulations related to the environment, including the Act on the Rational Use of Energy and Conversion to Non-Fossil Energy (Energy Conservation Act).

Third-Party Verification

To enhance the reliability of its environmental data, the Furukawa Company Group obtained independent third-party verification for its fiscal 2024 CO_2 emissions (Scope 1 and Scope 2).

Third-Party Verification Statement