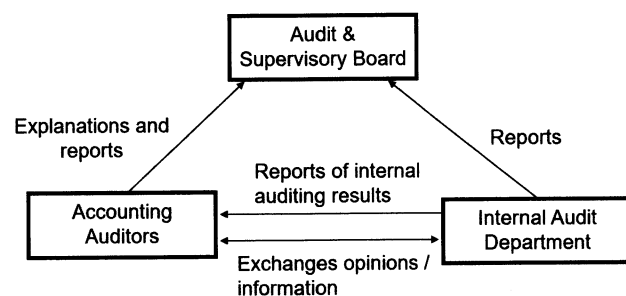


Furukawa Company Group Auditing Framework

The Furukawa Company has adopted an audit & supervisory board system. The Company has selected Ernst & Young ShinNihon LLC as its accounting auditors.

Audits of the Group are jointly conducted by the Audit & Supervisory Board, the accounting auditors, and the Internal Audit Department, which was established as an internal auditing body.



The Company ensures mutual cooperation between each auditing branch, such as exchange of audit plans, reports of audit results, and exchange of opinions, and works to enhance governance throughout the group, in order to improve the efficacy of audits by the Audit & Supervisory Board, audits by Accounting Auditors, and internal audits as well as the quality of audits.

[Audit & Supervisory Board Members and the Audit & Supervisory Board]

Audit & Supervisory Board members attend important meetings including those of the Board of Directors, the Management Council, and the Management Committee, pursuant to audit policy formulated by the Audit & Supervisory Board. They furthermore receive business reports from directors and other managers, supervise business sites and subsidiaries, and audit business execution by directors.

Audit & Supervisory Board members are required by the auditing policy to cooperate closely with the Accounting Auditors. They create an audit plan at the beginning of the fiscal year, having received an explanation of the annual audit plan from the Accounting Auditors, they receive an explanation of audit results relating to annual accounts from the Accounting Auditors, and they seek other reports from

time to time. They also cooperate closely with the Internal Audit Department such as by receiving reports of internal auditing results. The Internal Audit Department and the Accounting Auditors also exchange opinions and information from time to time.

【Internal Audit Department】

The Company established the Internal Audit Department as an internal auditing body in order to preserve the Group's corporate assets, ensure appropriate management throughout all management activities, and improve management efficiency, and created a framework for auditing the status of management and execution of duties throughout all aspects of management of the entire Group.

It regularly conducts internal audits and considers and evaluates lawfulness and effectiveness, with regard to compliance with laws and internal regulations relating to the execution of duties of the Group, the status of risk management, and all other internal management systems, from an objective perspective that is independent of executive bodies, as well as providing advices and suggestions to each of the Group's bodies.

<Initiatives to Increase Reliability of Financial Reports>

The Group formulated the Basic Policy on Establishment, Implementation, and Evaluation of Internal Control Systems Relating to Financial Reports based on the internal control evaluation and disclosure system for financial reports, established an internal control system for the Group, created an evaluation system for all companies led by the Company's Internal Audit Department, and evaluated the effectiveness of the presence and implementation of internal control relating to financial reports. Each fiscal year, internal control reports are submitted, and consideration is given to the content of internal control reports from an independent perspective, with regard to the results of analysis of internal control systems relating the Group's financial reports. We have received reports from audit firms that have expressed opinions to the effect that all major points have been indicated appropriately, based on the generally accepted standard of evaluating internal control systems relating to financial reports in Japan.

<Internal Audits>

The Company's Internal Audit Department conducts internal audits in accordance with the annual internal audit plan that has received the approval of the Management Council. Said plan is formulated by selecting priority auditing themes according to the type

and severity of risks inherent in each duty or each department of the Company and consolidated subsidiaries that are subject to internal auditing, and the business conditions in which the Group operates.

The results of internal audits are reported the President & Representative Director, the director in charge of the Internal Audit Department, and the Audit & Supervisory Board Members, and reports are circulated to all directors and heads of relevant departments. The person in charge of the department subject to audit (or in the case of a subsidiary, the President of said subsidiary) has a duty to submit a statement of measures and responses with regard to improvements and comments. The status of improvement measures mentioned in the statement of responses is generally followed up after one year and a report of results is circulated to all directors and heads of relevant departments and is generally disseminated.

Furthermore, the Company's Internal Audit Department conducts audits at the command of the President & Representative Director, etc. in addition to audits based on the annual internal audit plan.

【Appended Table】

1. Number of personnel in the audit framework

	As of March 31, 2016	As of March 31, 2017	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of March 31, 2021
Number of Audit & Supervisory Board members stipulated by the Articles of Incorporation	5 or fewer	5 or fewer	5 or fewer	5 or fewer	5 or fewer	5 or fewer
Number of Audit & Supervisory Board members	5	4	4	4	4	4
Number of outside Audit & Supervisory Board members included in this figure	3	2	2	2	2	2
Number of outside Audit & Supervisory Board members designated as independent auditors included in this figure	1	0	1	1	1	1
Certified public accountants engaged in accounting audit duties						
Designated limited liability partners who execute business	3	2	2	2	2	2
Certified public accountants other than the above	7	7	8	7	6	5
Other assistants	10	10	9	11	11	17
Number of Internal Audit Department personnel	6	6	5	5	5	5

	As of March 31, 2014	As of March 31, 2015
Number of Audit & Supervisory Board members stipulated by the Articles of Incorporation	5 or fewer	5 or fewer
Number of Audit & Supervisory Board members	5	5
Number of outside Audit & Supervisory Board members included in this figure	3	3
Number of outside Audit & Supervisory Board members designated as independent auditors included in this figure	1	1
Certified public accountants engaged in accounting audit duties		
Designated limited liability partners who execute business	3	3
Certified public accountants other than the above	7	6
Other assistants	7	7
Number of Internal Audit Department personnel	6	6

2. Record of internal audits

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Number of companies that conducted internal audits	3	7	9	16	6	2
Number of foreign consolidated subsidiaries included in this figure	0	2	2	9	2	0
Number of companies that followed up internal audits	4	3	5	8	7	6
Number of foreign consolidated subsidiaries included in this figure	1	0	2	2	4	2

	FY2014	FY2015
Number of companies that conducted internal audits	5	4
Number of foreign consolidated subsidiaries included in this figure	2	1
Number of companies that followed up internal audits	1	5
Number of foreign consolidated subsidiaries included in this figure	0	2