

# CSR Report 2019



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Published in November 2019



In November 2018, FURUKAWA CO., LTD. received a Development Bank of Japan loan under the DBJ Environmentally Rated Loan Program, having obtained the system's highest rating as a "company with particularly advanced environmental programs."

**FURUKAWA CO.,LTD.**

## Management Philosophy (Established August 8, 2015)

The Furukawa Company Group will remain indispensable to society by always embracing the spirit of challenge, advancing the technologies that have underpinned the foundation of society that originated in mining development.

## Action Guidelines (Established August 8, 2015)

In order to live up to our Management Philosophy, we put our Action Guidelines of Innovation, Creativity, and Harmony into practice, always bearing in mind the three key words that best represent the spirit of our founder: Luck, Stolidity, and Perseverance.

- Innovation** We will work constantly at self-innovation by embracing a future-oriented mindset.
- Creativity** We will seek to create reliable, appealing products that meet market needs.
- Harmony** We will improve management transparency and contribute to the development of a society that is in harmony with the environment.

## Vision for 2025

# FURUKAWA Power & Passion 150

“Become a corporate group that leverages its reputation for category leadership and uniqueness to deliver growth.”

- Targeting consolidated annual operating income regularly in excess of ¥15 billion as we approach our 150th anniversary in fiscal 2025. -



## ○ Policies for Achieving Vision for 2025

### 1 Increase the value of the brand through marketing-based management\*

- ① Develop products and technologies that match market needs
- ② Reinforce technological sales capabilities (proposals and solutions) reflecting customer needs
- ③ Achieve category-leading positions by concentrating on niche products that have competitive advantages and using differentiation strategy
- ④ Cultivate and create new markets and product categories, and build a new business model

### 2 Sustainably expand the Machinery Business

- ① Reinforce revenue bases in growing overseas markets, mainly in business related to infrastructure and resource development
- ② Strengthen and enhance stock business
- ③ Maximize business opportunities by demonstrating comprehensive Group competences and reinforcing engineering strengths

### 3 Strengthen and expand our human resource bases

- ① Build vibrant human resources and corporate culture for a new Furukawa
- ② Secure, utilize, and develop diverse human resources in Japan and overseas
- ③ Put even more effort into training sales and marketing personnel

### 4 Actively promote investments to increase corporate value

- ① Make proactive capital investments necessary for growth
- ② Expand business through strategic M&A and alliances

### 5 Establish a robust corporate foundation

- ① Increase corporate value by improving profitability and capital efficiency, targeting ROE of more than 10%
- ② Establish a strong financial base
- ③ Achieve balanced appropriations between investments for growth and return to shareholders

Marketing-based management: “Marketing-based management” means incorporating marketing into the core of management to provide products and services recognized as valuable in changing markets, as well as to identify and resolve issues and problems faced by customers, with the aims of deepening ties with customers, achieving sustained growth, and increasing corporate value.



## Amendments to the Charter of Corporate Conduct and Code of Conduct for Officers and Employees

We amended our Charter of Corporate Conduct and Code of Conduct for Officers and Employees in April 2019. In consideration of SDGs, we set out provisions for respecting the human rights of all individuals as they relate to our corporate activities and other matters in addition to the Group’s traditional policies to provide high-quality products and services and pursue corporate activities that are in harmony with the global environment.

# FURUKAWA CO.,LTD.

## CSR Report 2019

### Editorial Policy

In order to remain indispensable to society, the Furukawa Company Group makes efforts to contribute to resolving social issues and achieving SDGs. We created this report to communicate the Group’s approach to CSR and our social initiatives, environmental initiatives, and other activities to promote CSR to our stakeholders in a straightforward manner.

### Report Period

This report mainly covers results from fiscal 2019 (April 1, 2018 to March 31, 2019), but also initiatives from the past as well as some from fiscal 2020.

Note that the organization and titles are current as of July 31, 2019.

### Report Scope

Environmental Data, Environmental Accounting  
 Manufacturing Division of Furukawa Industrial Machinery Systems Co. Ltd.;  
 Takasaki Yoshii Works of Furukawa Rock Drill Co., Ltd.;  
 Sakura Works of Furukawa Unic Corporation;  
 Iwaki Works and Semiconductor Material Production Section (Semiconductor Material Plant) of Furukawa Denshi Co., Ltd.;  
 Osaka Works of Furukawa Chemicals Co., Ltd.;  
 Ashio Office, Advanced Technology Department, Material Research & Development Department, and Nitride Semiconductors Department of Furukawa Co., Ltd.;  
 Furukawa Castec Co., Ltd.; and Asio Rock Drill Co., Ltd.

#### Other

Furukawa Co., Ltd. and consolidated subsidiaries

### Guidelines Referenced

- “Sustainability Reporting Standards” by the Global Reporting Initiative (GRI)
- “Environmental Reporting Guidelines, 2018 Version” by the Ministry of the Environment
- “Environmental Accounting Guidelines, 2005 Version” by the Ministry of the Environment
- “JIS Z 26000: 2012 Guidance on Social Responsibility (ISO26000: 2010)” by the Japanese Standards Association

### Company Names

Furukawa Co., Ltd.:

The operating holding company of the divided core operating companies

Furukawa Company Group:

35 consolidated subsidiaries and 5 equity method affiliates

Core operating companies:

Furukawa Industrial Machinery Systems Co., Ltd.,  
 Furukawa Rock Drill Co., Ltd.,  
 Furukawa Unic Corporation, Furukawa Metals & Resources Co., Ltd.,  
 Furukawa Denshi Co., Ltd., Furukawa Chemicals Co., Ltd.

### Report Publication Date

November 2019 (Next: Scheduled for November 2020)

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# To Continue Being a Company That is Indispensable to Society

## Toward the Realization of our Management Philosophy Based on the Achievement of Our Vision for 2025



President and Representative Director  
**Naohisa Miyakawa**

### Social Role and Mission of the Furukawa Company Group

**The Group's role and mission in society is to utilize its amassed technologies—as well as the technologies advanced and developed by innovating and combining them—to resolve today's social issues.**

#### — What is the Furukawa Company Group's role and mission in society?

Furukawa Co., Ltd. was established to engage in the business of copper mining, and throughout our history, we have continuously supported the modernization of Japan and achieved growth together with society while also earnestly tackling social issues.

At the time of our founding in 1875, Japan was in the midst of industrial development, and the copper mining business was a key industry that influenced Japan's growth. Amidst these circumstances, the company has continuously supported Japan's growth by instigating technological innovations through the introduction of rock drills and other mining machinery from overseas, and by building the Ashio Copper Mine into the nation's largest in terms of output. Copper mine development was a national policy priority, but the manifestation of pollution problems forced us to the brink of a shutdown. Our precursors faced these issues head-on, and developed new pollution controls, by-product recycling technologies, and other technologies and methods, and worked together with local communities and other stakeholders toward resolutions of the problems.

Thus, I believe that our precursors' corporate stance and teachings—that the very survival of our company rests on the bedrock of earnestly tackling social issues and diligently fulfilling our social responsibilities—are the irreplaceable foundation of the Group's approach to CSR as a part of our DNA that will never change.

#### — What are your thoughts on the social issues the Furukawa Company Group faces?

Climate change, resource depletion, geopolitical risks, and other social issues have increased in both complexity and intensity in recent years, and threaten the global business foundations of the Group. We understand that the realization of the sustainable society envisaged in the Sustainable Development Goals (SDGs), the Paris Agreement, and elsewhere, depends even more now on the global community collaborating and working together, and on the Group and other corporations of the world engaging in activities that leverage their business characteristics and strengths.

These thoughts are not new to the Group; they match the aims of the Group as demonstrated by our history of earnestly tackling the social issues explained previously. The technologies and products developed by the Group to date are the foundational elements of disaster control construction work, infrastructure development, and new technology development, and our ability to provide them in response to the present needs of society and the market is a prime example of our philosophy in action.

In addition, the dizzying pace of change throughout the world is bringing many innovations from the IoT, AI, big data analysis, and other developments in technology. The Group views these changes as opportunities for business expansion. The Group has a wide array of businesses and specialized technologies and products, the ability to combine technologies and products from different fields to create new things, and a pioneering spirit toward new business. In other words, it can be said that we have developed the capacity to respond to changes in the world and grow continuously.

We will continue to keep a close eye on changes in the world, keep our precursors' teachings—that the very survival of our company rests on the bedrock of earnestly tackling social issues and diligently fulfilling our social responsibilities—at the core of our business management, and tirelessly seek new challenges to continue to be a company that is indispensable to society.

### Promoting CSV\*1 Management

**The Group aims to promote CSV management in order to contribute to the resolution of society's and stakeholders' problems through business.**

#### — Where is CSR positioned in the Furukawa Company Group's business?

Given the fundamental truth that our daily lives and business cannot exist without a healthy global environment, it is no exaggeration to say that businesses that negatively impact the environment and society and companies that do not contribute enough to the environment and society will be weeded out. The Group's philosophy is to continue to be a company that is indispensable to society. In other words, the Group aims to promote CSV management in order to contribute to the resolution of society's and stakeholders' problems through business.

However, it is no simple task to continue to be a company that resolves the ever-intensifying problems that society faces. Therefore, we must clarify the fields that should be considered in the Group's business processes, fields in which our technologies and products can contribute, fields in which we can contribute through proactive collaboration and cooperation with our stakeholders, and incorporate and systematically promote those fields in our business plans and CSR activities.

The Group is formulating "CSR2025 Goals" to accompany "FURUKAWA Power & Passion 150," our Vision for 2025 that sets out long-term targets for considering whether our intended course of business is leading us to become a company adapted for future society. We are also formulating "Three-Year Medium-Term CSR Goals" based on backcasting\*2 from 2025. We will discuss various CSR issues and visualize the progress of activities to be implemented in an effort to form a PDCA cycle for steady improvement and to intensify our activities.

To date, the Group has engaged in activities to reduce environmental impact and improve quality in the value chain that stretches from development and design to procurement, manufacturing, distribution, services and waste management, and also practical efforts to improve working environments and otherwise operate business in consideration of CSR and ESG\*3 issues. We intend to continue using these business processes to provide the world with numerous products and services that help society and our customers resolve the many problems they face, thereby contributing to their sustained development.

#### — What challenges do you face in further promoting CSV management?

I believe it is important for each and every director and employee to further their understanding of SDGs and other social issues in order to steadily execute CSR activities and provide value to society through business activities. The Group's products and technologies are already put to use in many places in our lives, and help actualize convenient, prosperous lifestyles and safe, secure societies. That is to say, the Group is contributing to society and the environment through its core businesses. Each and every member of the Group should take this to heart; in order to enhance our awareness of this fact, we must further the discussion within the Group. Furthermore, we intend to create more opportunities for education, and establish a system in which the Group can work together as one toward issue resolution with a sense of acceptance and purpose.

In addition, so that outside stakeholders appropriately assess the corporate value of the Group, we must properly convey information to them about the economic and social value we create.

The Group views CSR as applying not only to the category of social responsibility but also to improving the quality of business management and our businesses' contribution to society, and intends to promote efforts to achieve SDGs and implement CSV management to contribute to the resolution of issues.

\*1 CSV: Creating Shared Value. The idea that economic value is created when the company creates value for society by taking a leading role in tackling social and other issues.

\*2 Backcasting: Reflecting on where we are now in comparison to established targets for the future, and considering what should be done now to achieve those targets (a method of conceptualization that starts at a point in the future).

\*3 ESG: Environmental, Social, and Governance

## Evaluating CSR Activities in Fiscal 2019

The entire Furukawa Company Group follows the same Charter of Corporate Conduct and Code of Conduct for Officers and Employees, and views efforts toward issue resolution as the drivers of sustainable growth.

### — What is your evaluation of activities in fiscal 2019?

The following are some of the main activities and outcomes of fiscal 2019:

In risk management, we successfully formulated a group-wide business continuity plan (BCP) that reflects revisions to the BCPs of companies in our core businesses. We intend to urge our affiliates to formulate BCPs and strengthen their business continuity management (BCM) systems.

In product safety, in an effort to enhance the quality assurance system throughout the Group, we introduced a new system involving quality inspections geared toward improving quality at each place of business.

In environmental management, we reduced CO<sub>2</sub> emissions, the use of water resources, waste, and chemical substances, and also promoted biodiversity-conscious activities. In safety, we implemented activities toward Zero Accidents.

Regarding strengthening and expanding our human resource bases, which are the drivers of continuous growth, we promoted a management resource development program to enhance the development of the next generation of human resources tasked with business management. In addition, with the aim of improving labor productivity and creativity, we reduced overtime work, promoted the acquisition of paid leave, allowed employees to telecommute on a trial basis, introduced a discretionary work system, and devoted energy to other efforts to create work environments that are healthy and motivating for our diverse human resources.

### — What amendments were made to the Charter of Corporate Conduct and Code of Conduct for Officers and Employees?

As explained previously, we revised and amended the Charter of Corporate Conduct Charter and Code of Conduct for Officers and Employees to account for the changes in the business environment and societal demands. Global perspectives and the pursuit of



SDGs, CSV and the like were incorporated into the details of the amendments. In the near future, we plan to create English versions, followed in due order by Chinese and Thai versions to accommodate our business locations.

In this age where we more deeply question the value of companies' existence, we intend to use our new Charter and Code of Conduct throughout the entire Group and to work toward issue resolution to enhance the Group's value and contribute to the sustained development of society.

## Progress of Medium-Term Business Plan 2019

We are working to improve our earning power and implement various measures centered on the Machinery business, which is positioned as the core business for "building foundations for renewed growth."

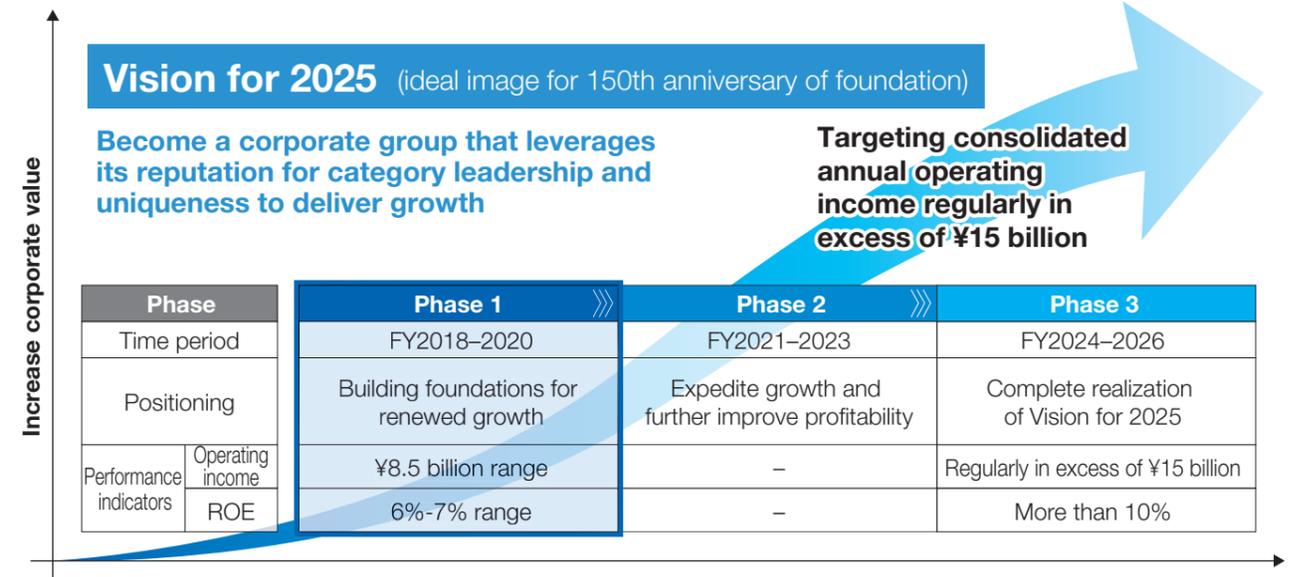
### — What is your assessment of performance in fiscal 2019 (the period ending March 31, 2019), the second year of Medium-Term Business Plan 2019? In addition, could you tell us about upcoming issues in the achievement of Medium-Term Business Plan 2019 and Vision for 2025 exist for the three core Machinery business segments?

The Group is promoting Medium-Term Business Plan 2019, a plan for the three-year period from fiscal 2018 to fiscal 2020 established as Phase 1 of bringing to fruition "FURUKAWA Power & Passion 150," our Vision for 2025. Phase 1 focuses on building foundations for renewed growth with the Machinery business positioned as the core business. In fiscal 2019, the second year of Phase 1, sales and operating income both exceeded the initially planned figures; a simple look at the results shows that the Machinery business expanded and performed well.

In the Industrial Machinery segment, we restructured to enhance our engineering capacity to transform us from a simple equipment manufacturer into a strategic partner for our clients, and as a result received orders for large-scale projects, including loading and unloading machinery for the international bulk terminal at the Port of Onahama, and machinery for Interim Storage Facility (Okuma Town, Futaba District, Fukushima Prefecture). This type of transportation of materials such as earth and sand by belt conveyor has the potential to reduce CO<sub>2</sub> emissions and contribute to the resolution of other social issues; we intend to continue efforts to win orders for large projects in our contractor business, and to rigorously manage these projects for resolving issues due to the challenges of risk assessment when judging projected earnings.

In the Rock Drill Machinery segment, in order to advance the priority issue of stock business, we intend to promote not only product sales but also life-cycle support to demonstrate the value of our products throughout their lifecycles. Presently, we are making efforts to establish an operation control system for hydraulic crawler drills. In addition, we began offering maintenance services for hydraulic breakers in the Tohoku and Kansai regions.

In the Unic segment, in order to capture stable earnings and strive to further strengthen competitiveness, we enhanced the offerings of small to large products in the lineup of our latest "G-FORCE" model series, and began selling mobile cranes



featuring enhanced safety features based on partially overhauled structural standards.

As for our development system, our newly restructured Technology Division will work together closely with Group companies in an effort to enhance the comprehensive technical capacity of the entire Group with flexible thinking that transcends the fields of machinery and materials.

We set milestone performance indicators of consolidated operating income in the ¥8.5 billion range and ROE in the 6%-7% range in Medium-Term Business Plan 2019 for fiscal 2020, the final year of the plan, and we are progressing beyond them en route to achieving Vision for 2025.

## Achieving Vision for 2025

To fulfill stakeholders' expectations, we aim to embody our philosophy of continuing to be a company that is indispensable to society.

### — Describe your enthusiasm for achieving Vision for 2025.

The central policy for achieving Vision for 2025 is to improve the value of the Furukawa brand through "marketing-based management." The Group's definition of marketing-based management is all efforts to understand our customers' perspectives and provide the products and services they truly need, and value that leads to their success—in other words, "providing new value to customers by solving their problems."

Here, "customers" refers to all stakeholders, the people and entities our employees interact with at each workplace, and the customers and communities one step beyond that interaction. For example, in sales and development situations, we obviously interact with customers and society. Internally, we interact with the individuals, sections, and other groups we work together with. We aim to constantly interpret things from the perspectives of the people we interact with, to use our sensitivity to pick up on the issues they face as well as latent issues and needs, and to leverage the company's advantages as well as individual strengths

to provide maximum value. This is exactly the type of marketing-based management the Group should put into practice.

For example, in the Rock Drill Machinery segment, we jointly develop machinery for tunneling projects, civil engineering projects, and more with general contractors. If we are working on machinery for a tunneling project, general contractors want machinery to do more than simply excavate tunnels; they want to incorporate AI to amass and pass down the know-how and skills of seasoned operators. We must remember that social issues—the aging of operators and the lack of new workers—are behind these desires.

Additionally, although hydraulic breakers are now widely used throughout the world, they are used in completely different ways in each region. We envisioned that they would normally be used for roughly eight hours each day, but in the Near and Middle East, China, and elsewhere, they are being used 24 hours a day, 365 days a year. This means we must develop more advanced machinery, and manufacture, sell, and provide services for products that satisfy customers' needs.

Traditionally, the Group has excelled at product-out manufacturing. Going forward, however, we aim to strengthen market-in proposals—maintaining a dialogue with customers and seeking ways to resolve their issues—and provide value that leads to the resolution of customers' and social issues as illustrated in Vision for 2025.

I want to make the Furukawa Company Group into an organization that gives every employee a sense of confidence and pride. The road ahead may be long, but I believe that every employee having confidence and pride in their work is exactly what fuels tireless self-innovation, earns the trust of customers, and results in appealing products.

This is precisely the way to steadily execute marketing-based management and progress beyond to achieve Vision for 2025, and I am confident that it will lead to us continuing to be a company that is indispensable to society.

Looking ahead, we intend to continue fulfilling the expectations of each and every stakeholder, and growing continuously together with society.

# Contributing to Emergency Rehabilitation after Torrential Rainfall and Other Disasters

## Quick Hopper (Large Sandbag Filler)

Quick Hopper, a product from Furukawa Company Group Furukawa Industrial Machinery Systems Co., Ltd., was added to the list of machinery used for drills, and used in Disaster Control Machinery Operation Drills conducted by the Kyushu Technology Office of the Kyushu Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism on June 5, 2018. Quick Hopper has also contributed to disaster recovery work in the aftermath of the North Kyushu Torrential Rain Disaster and the West Japan Torrential Rain Disaster (in areas along the Sunagawa River in Okayama City, and areas along the Odagawa River and the Mabi area of Mabicho in Kurashiki City, and the Higashiminari-yakage area in Yakage Town in Oda District, all in Okayama Prefecture), reconstruction projects in Fukushima (Interim Storage Facility), and more.



Scenes from Disaster Control Machinery Operation Drills

### Gaining Recognition as Machinery for Disaster Control Measures

The Kyushu Technology Office hosts Disaster Control Machinery Operation Drills on a test field on its property each year for the purpose of preparing for timely, appropriate disaster support activities when machinery is mobilized after disasters.

Many earthquakes, torrential rain disasters, typhoons, and other disasters occurred throughout 2018, a fact that moved the Japan Kanji Aptitude Test Association to select the Chinese character “Kanji” meaning “disaster” as the Character of the Year. The recent spate of disasters has spurred further awareness of disaster risk reduction and increased attention on these drills to the point that newspapers, TV stations, and other media reported on the drills in June 2018.

Quick Hopper efficiently and successfully created a massive number of large sandbags for use in slope reconstruction on temporary levees and roads and other emergency rehabilitation work in the aftermath of the North Kyushu Torrential Rain Disaster that struck in July 2017. In recognition of this performance as a piece of machinery for disaster control measures, Quick Hopper was included in this set of drills.



Disaster recovery work in the aftermath of the West Japan Torrential Rain Disaster (areas along the Sunagawa area)

### Development Background

According to the statistics of the Japan Meteorological Agency, annual precipitation has not fluctuated substantially in recent years, but the fact that the number of days with at least 1.0 mm of precipitation has decreased while the number of days with at least 100 mm of precipitation has increased indicates an increased risk of damage by torrential rain.

The underlying technology of Quick Hopper was devised after the collapse of the levees of the Kinugawa River in the torrential rain disaster that struck the Kanto and Tohoku regions in September 2015. The inventor of the technology, who lives near the afflicted areas, wondered whether there was a way to make large sandbags more efficiently and quickly, and then developed and patented the technology. During the search for a manufacturer to mass-produce the technology for use in future torrential rain disaster control measures, the inventor singled out Furukawa, and we improved and harnessed the technology for mass production.

### Quick Hopper Characteristics

Quick Hopper has a faster work speed and lower sandbag production cost, and requires less workspace than conventional technology. To date, large sandbags were made by simple pipe systems that featured an assembly of simple pipes. The simple pipe systems are capable of making roughly sixty-two large sandbags each day; Quick Hopper has proven that it can make over two-hundred large sandbags each day. In addition, conventional systems require 100 m<sup>2</sup> of workspace to make sandbags safely; in contrast, Quick Hopper needs only 72 m<sup>2</sup> to perform the work safely. Furthermore, Quick Hopper operation involves work by two operators on the main unit alongside two backhoes working in tandem. There is absolutely no need for electric power, motive power (motors, etc.), clean water, gas, or other infrastructure; two backhoes and a Quick Hopper are all it takes to efficiently make large sandbags on the scene of any disaster, making this system ideal for urgent reconstruction work in areas afflicted by disasters. Quick Hopper's hopper rotation mechanism enables the performance of a series of tasks in succession in an effort to shorten work schedules, reduce costs, and improve workability and safety. (To operate Quick Hopper, simply make the ground level, put Quick Hopper in place, and start operating.) Quick Hopper is easy to transport, and a single unit can be transported by a 4-ton truck with an onboard crane. (A 10-ton truck can transport up to four units.)

Customers who have used Quick Hopper have commented on how easy it is to use, and one even reported making 300 sandbags in one day. These and other reviews show high regard for Quick Hopper's safety and workability.

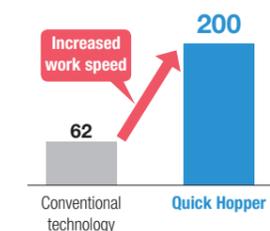
### Roles Expected of Quick Hopper

Quick Hopper was developed for use in emergency rehabilitation work after disasters, cofferdam work in rivers and on coastlines, slope protection work for erosion control and roads, and more. Given that Quick Hopper has the capacity to make more than 200 large sandbags each day, and the fact that two units supply sufficient sandbag-making capacity for a single disaster, two or three units enable a prefectural government to sufficiently implement disaster control measures. We are working to popularize Quick Hopper, but not mainly to sell more products—our overarching intent is to create a system that enables municipal governments to lend Quick Hoppers to each other in emergencies, and to increase our likeability as a company through awareness of our products in such an environment.

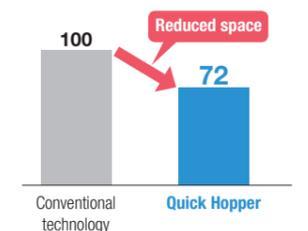
Extreme weather events have become a social issue in these times, and although it is most desirable that torrential rain and other disasters cause no flood damage, we intend to contribute to disaster control measures to minimize any damage that does occur.



#### ● Work speed (bags/day)



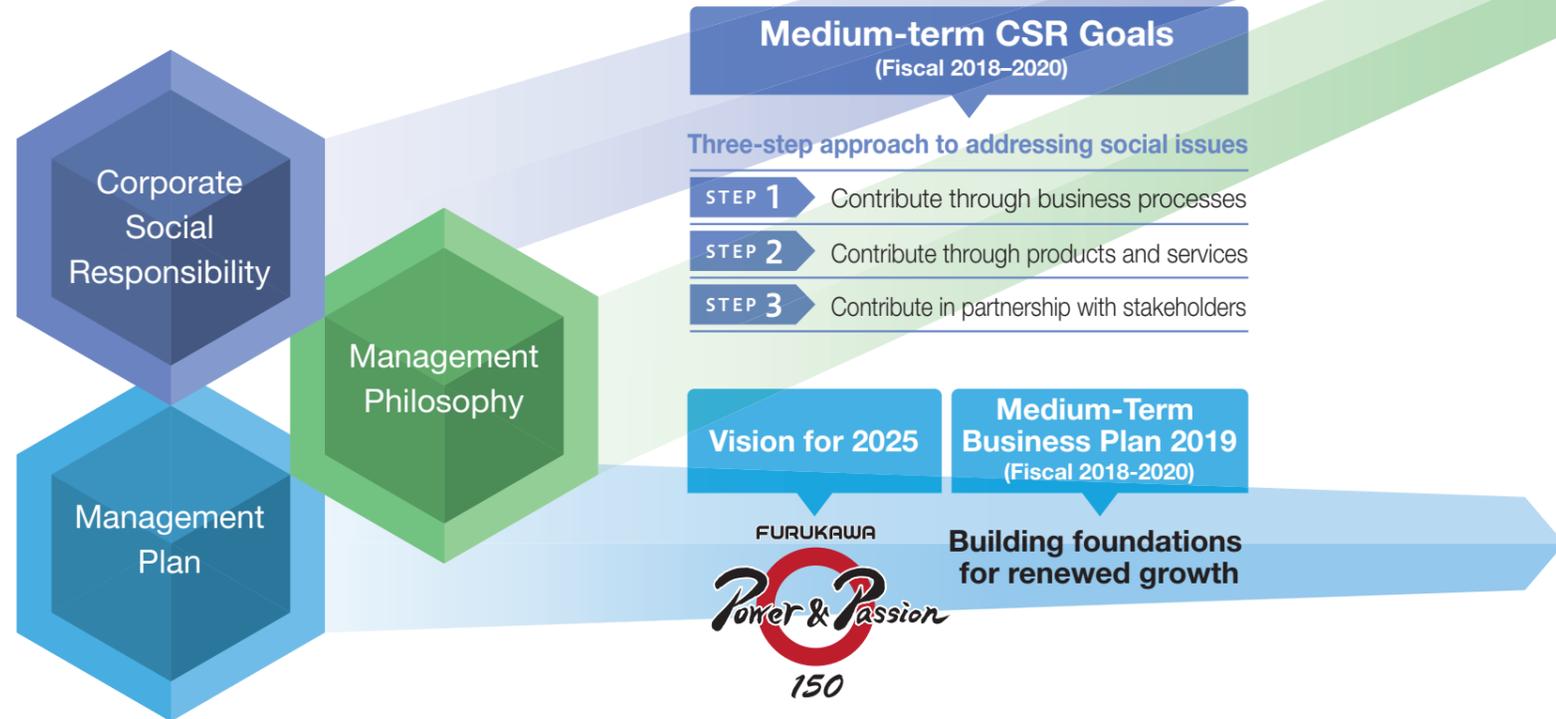
#### ● Required workspace (m<sup>2</sup>)



# CSR as It Relates to the Furukawa Company Group's Business

The Furukawa Company Group's Management Philosophy is embodied in its CSR activities. Since commencing operations in the copper mining business in 1875, we have worked constantly at achieving self-innovation by embracing a future-oriented mindset. At the same time, we have sought to create reliable, appealing products in order to consistently address the needs of the times. In the process, we have developed multiple businesses and made significant contributions to the advancement of Japanese industry.

In order to persist as a company that plays an essential role in society going forward, we will contribute to the development of a sustainable society that is in harmony with the environment, while also improving our managerial transparency, further strengthening our manufacturing capabilities for the future, and enhancing communication with our various stakeholders.



## Medium-term CSR Goals (Fiscal 2018-2020)

### Three-step approach to addressing social issues

- STEP 1 → Contribute through business processes
- STEP 2 → Contribute through products and services
- STEP 3 → Contribute in partnership with stakeholders

Vision for 2025  
Medium-Term Business Plan 2019 (Fiscal 2018-2020)

FURUKAWA  
*Power & Passion*  
150  
Building foundations for renewed growth

2025

## Ideal image for CSR 2025

The Furukawa Company Group will develop and establish a risk management framework that extends beyond crisis management.

All of our employees will be keenly aware of compliance as it applies to the international community.

Promote environmental and safety activities (Reduce environmental impacts, protect environment and ensure safety, protect biodiversity, publish environmental and safety activity outcomes, and continue working to ensure there are no accidents or disasters at suspended and abandoned mines)

We aim to improve brand strengths of Furukawa products and achieve top rankings in product categories.

Our efforts to promote diversification of working styles making use of diverse human resources will culminate in rewarding work environments where it is possible to create new forms of value by maximizing the abilities of each and every employee.

We will pursue a QCD\*1 approach based on CSR-oriented procurement practices geared to achieving sustainable manufacturing and sales of products that earn the trust of our customers.

2030

## Development of a Sustainable Society

[SDGs: Sustainable Development Goals]



### Helping to address challenges encountered worldwide

In September 2015, the United Nations General Assembly adopted its Sustainable Development Goals (SDGs) and presented an action plan for human and environmental prosperity. The SDGs consist of 17 goals and 169 targets looking toward 2030, such that help clarify priority global-scale issues and a worldwide vision related to sustainable development and are intended to encourage global-scale initiatives to address those issues.

The Furukawa Company Group strives to help achieve the SDGs, established by the international community, through its business activities and efforts geared to fulfilling its corporate social responsibilities.

## Medium-term CSR Goals (Fiscal 2018-2020)

Committee / Department	Medium-term CSR Goals (Fiscal 2018-2020)
Risk Management Committee	<ul style="list-style-type: none"> <li>Develop the Group-wide crisis management framework</li> <li>Review risk assessments that are premised on Group-wide risk management</li> </ul>
Compliance Committee	<ul style="list-style-type: none"> <li>Heighten compliance awareness by disseminating compliance news, conducting various training programs, and monitoring the extent to which compliance matters are understood</li> <li>Prepare international versions of the Charter of Corporate Conduct and the Code of Conduct for Officers and Employees (English, Chinese and Thai languages)</li> <li>Disseminate the compliance manual, modify and update its content</li> <li>Externally convey the notion that the Group has established a compliance framework</li> </ul>
Environment & Safety Management Committee	<ul style="list-style-type: none"> <li>Reduce environmental impact: improve environmental performance (carbon dioxide, water, waste, chemical substances)</li> <li>Maintain environmental and safety assurances (zero accidents or disasters)</li> <li>Protect biodiversity (rehabilitation of ecosystems)</li> <li>Release results of environmental and safety activities (take action based on ESG investment trends, SDGs, etc.)</li> </ul>
	<ul style="list-style-type: none"> <li>Maintain record of zero accidents or disasters (maintain safety of mine wastewater treatment facilities, implement controls to ensure safety of waste dumping sites and underground mines)</li> </ul>

Committee / Department	Medium-term CSR Goals (Fiscal 2018-2020)
Product Safety Committee	<ul style="list-style-type: none"> <li>Improve product quality                             <ol style="list-style-type: none"> <li>Development of common guidelines: Index and establish common rules for product quality targets, reduce and strive for zero product complaints</li> <li>Design quality: Promote design review (DR) and design FMEA*2 approaches</li> <li>Manufacturing quality: Step up operation of quality control systems, implement more stringent criteria for process handover</li> <li>Quality of our overseas products: Maintain quality controls with respect to overseas procurement and overseas plants</li> <li>Service quality: Collect and provide necessary information, offer consulting-type services</li> </ol> </li> <li>Improve safety                             <ol style="list-style-type: none"> <li>Establish system for providing safe products</li> </ol> </li> </ul>
Human Resources & General Affairs Department	<ul style="list-style-type: none"> <li>Develop human resources</li> <li>Promote work-life balance</li> <li>Promote diversity</li> </ul>
Purchasing Department	<ul style="list-style-type: none"> <li>Improve accuracy of CSR surveys administered to suppliers: Review and implement follow-up measures</li> <li>Deploy in-house training regarding CSR procurement at other business sites, and administer questionnaire-based surveys regarding CSR</li> <li>Provide guidance to promote CSR procurement among suppliers</li> <li>Develop a comprehensive supplier evaluation program (QCD + CSR)</li> <li>Boost CSR procurement skills of Purchasing Department employees</li> </ul>

\*1 QCD: Quality, cost, and delivery

\*2 FMEA (Failure Mode and Effects Analysis): A systematic analytical method for preventing problems by predicting factors of quality problems in the design and process planning phases

# CSR Management

The Furukawa Company Group promotes corporate social responsibility (CSR), while reinforcing its governance framework and compliance practices, with respect to its business activities such that have involved full-scale manufacturing and structural development carried out thus far, as well as various other activities particularly involving environmental protection, social contribution, and human resource development.

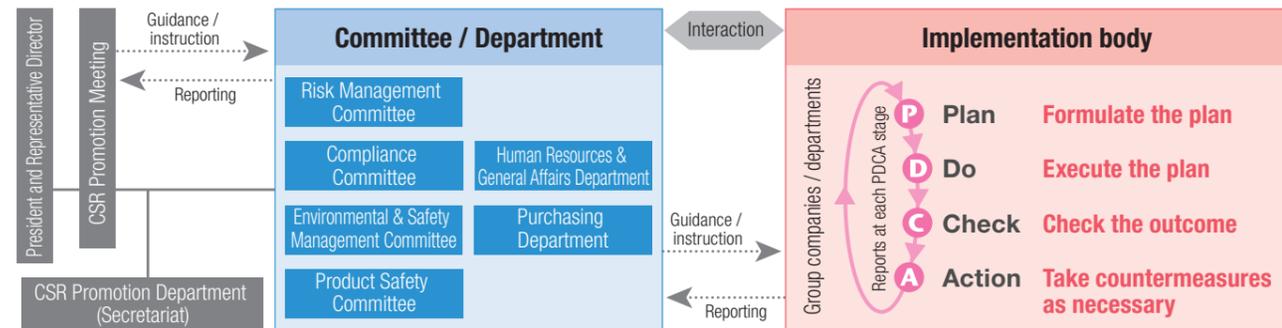
## Framework for Promoting CSR

At the Furukawa Company Group, we actively engage in CSR initiatives, particularly through efforts that have involved establishing the CSR Promotion Meeting at Furukawa Co., Ltd. in order to vigorously promote such endeavors, clarifying our responsibilities to stakeholders, and identifying priority issues that need to be addressed.

Sessions of the CSR Promotion Meeting are held by Furukawa's CSR Promotion Department, acting as the secretariat, and chaired by Furukawa's President and Representative Director. The meetings primarily act as a forum for discussions on various issues related to CSR, particularly with respect to formulating fundamental policies, promotion frameworks and action plans, verifying and evaluating the status of initiatives, and planning priority measures.

The CSR Promotion Meeting's organizational structure consists of four committees (Risk Management Committee, Compliance Committee, Environmental & Safety Management Committee, and Product Safety Committee) and two departments (Human Resources & General Affairs Department and Purchasing Department). It takes a PDCA cycle approach to planning, implementation, evaluation and improvement, in coordination with respective Group companies and respective Company departments, which take on the function of executing CSR initiatives.

### CSR Promotion System



## Relationships with Stakeholders

In the course of strengthening our CSR activities and implementing our Management Philosophy, we have identified our stakeholders as follows: customers, business partners, shareholders and investors, employees, local communities, and the global environment. Moreover, we aim to build relationships of trust and accordingly maximize our corporate value by engaging in appropriate communications that involve clearly conveying our responsibilities to each group of stakeholders.

Stakeholders	Responsibilities
Customers	We shall provide customers with safe, high-quality products and services in order to increase satisfaction levels.
Business partners	We shall build and maintain mutually beneficial relationships conducive to harmonious coexistence through stable procurement activities based on the principles of fairness and economic rationality.
Shareholders and investors	We shall work to maximize corporate value through communications focusing on timely and appropriate information disclosure and IR activities.

Stakeholders	Responsibilities
Employees	We shall create safe, healthy, and motivating workplaces in which our diversified human resources can excel while adopting appropriate evaluation standards and fair incentives.
Local communities	We shall build and maintain favorable relationships of trust by pursuing social contribution activities aimed at harmonious coexistence with local communities.
Global environment	We shall protect biodiversity by developing environmentally friendly technologies and products while minimizing the environmental impact of our activities through savings of energy and resources and reduction of waste.

## Identifying Priority Issues

The Group identifies important issues and reinforces its CSR activities to ensure that its business activities contribute to society in the broader sense.

To identify CSR priority issues, we selected important CSR-related issues from the perspectives of both stakeholders and the Group, then analyzed and evaluated the importance of those issues and finalized the Group's CSR priority issues.

The pages of the Activity Report detailing our CSR activities provide information on priority issues regarding the Furukawa Company Group's CSR.

Priority issues regarding CSR	Page
Developing a robust corporate governance framework	P17
Enhancing compliance	P20
Providing products and services that engender customer satisfaction	P21
Promoting environmental conservation initiatives	P23
Creating pleasant work environments for employees with fair performance evaluations and incentives	P29
Building fair and impartial business relationships and reciprocal trust with suppliers	P33
Promoting activities that contribute to society	P35
Communicating with shareholders and investors	P36



## Fiscal 2020 Targets for Respective Committees and Relevant Departments

Risk Management Committee	<ol style="list-style-type: none"> <li>1 Improve response capabilities in event of a crisis</li> <li>2 Continue to overhaul BCPs</li> <li>3 Examine countermeasures for crises other than earthquakes</li> </ol>
Compliance Committee	<ol style="list-style-type: none"> <li>1 Prepare English, Chinese and Thai language versions of the Charter of Corporate Conduct and the Code of Conduct for Officers and Employees</li> <li>2 Increase opportunities for taking part in compliance training</li> <li>3 Revise the compliance manual</li> <li>4 Adopt compliance checking in 2020</li> </ol>
Environment & Safety Management Committee	<p>Activities involving environmental conservation, health, and safety.</p> <ol style="list-style-type: none"> <li>1 Promote ongoing efforts to improve environmental performance (carbon dioxide, water, waste, chemical substances)</li> <li>2 Improve on-site strengths in partnership with respective business locations</li> <li>3 Enhance preventative measures through analysis of various datasets</li> <li>4 Enhance understanding and practices regarding various laws and requirements</li> <li>5 Perform environment and safety audits instrumental to daily operations</li> <li>6 Promote specific initiatives for reducing environmental risk</li> </ol> <p>Monitor suspended or abandoned mines</p> <ol style="list-style-type: none"> <li>1 Improve on-site strengths by imparting knowledge and skills</li> <li>2 Maintain mine wastewater treatment facilities</li> <li>3 Service final disposal sites and underground mines</li> </ol>

Product Safety Committee	<ol style="list-style-type: none"> <li>1 Implement the FMEA approach with respect to risk assessment (product development) and design</li> <li>2 Reduce risks associated with overseas procurement (respective machinery companies)</li> <li>3 Streamline collection of data from inspections and trials (respective machinery companies)</li> <li>4 Enable visual monitoring of change points (respective machinery companies)</li> <li>5 Take steps to eliminate risk at the stage of development and design (respective machinery companies)</li> <li>6 Engage in initiatives involving quality assurance frameworks (respective materials companies)</li> </ol>
Human Resources & General Affairs Department	<ol style="list-style-type: none"> <li>1 Develop human resources                     <ul style="list-style-type: none"> <li>• Introduce new employee programs</li> <li>• Consider revisions to the personnel evaluation system</li> <li>• Review possibility of extending the retirement age</li> </ul> </li> <li>2 Promote work-life balance                     <ul style="list-style-type: none"> <li>• Implement telework options</li> <li>• Expand application of the flextime system</li> </ul> </li> <li>3 Promote diversity                     <ul style="list-style-type: none"> <li>• Actively employ women in career-track positions (The percentage of women among new graduate hires shall be 20% or higher)</li> <li>• Redouble efforts to hire people with disabilities (The percentage of employees with disabilities in the Furukawa Company Group shall be 2.0% or higher.)</li> </ul> </li> </ol>
Purchasing Department	<ol style="list-style-type: none"> <li>1 Further improve precision of CSR surveys administered to major suppliers</li> <li>2 Conduct interviews of suppliers tailored to their specific circumstances regarding CSR activities</li> <li>3 Enhance management of major suppliers (QCD + CSR)</li> <li>4 Foster partnerships with suppliers</li> <li>5 Continue Group-wide CSR-oriented procurement activities</li> </ol>

## Contributing with Business Processes

The Furukawa Company Group is working on CSR issues in each process in the value chain in order to strengthen the positive impact and minimize the negative impact of our business activities. To work toward achieving the SDGs, we plan to clarify areas of the Group's business processes that deserve attention, including areas in which our technologies and products can contribute, and areas in which we can contribute through proactive collaboration and cooperation with our stakeholders. We plan to incorporate those areas in our business plans and CSR activities.



### The Group's Initiatives and Relevant SDGs



## Contributing through Products and Services

A closer look at everyday life reveals the Furukawa Company Group's products and technologies in action in readily recognizable places. The Group's products and technologies touch every aspect of our lives, making them convenient and prosperous, and protecting the safety and security of society.



**Mini-crawler cranes**  
Outside Japan, these cranes are used on construction sites for skyscrapers and the like.



**Hydraulic breakers**  
These machines are used to break rocks and crush concrete.



**Enclosed suspended conveyors**  
These conveyors are used to close off and vertically transport materials. (Newly developed product)



**High-purity metallic arsenic**  
This high-purity metallic arsenic is used as a raw material for mobile equipment and lasers.



**Cuprous oxide**  
This eco-friendly substance is used to coat the undersides of marine vessels.



**UNIC cranes**  
These truck-mounted cranes are used on construction sites and the like.



**Electrolytic copper**  
This substance is used in the wires, copper pipes, and other components of household appliances, communication devices, and automobiles.



**Electrostatic precipitators**  
This equipment prevents air pollution from plants and other facilities.



**Pumping equipment at wastewater treatment facilities**  
We have a wealth of experience with this equipment at wastewater treatment plants and water treatment plants throughout Japan.



**Hydraulic crawler drills**  
These machines drill holes for blasting at stone-crushing plants and limestone mines.



**Crushers**  
These machines crush rocks into smaller pieces at quarry.



**Belt conveyors**  
This equipment transports massive amounts of earth and sand, ore, coal, and other raw materials.



**Tunnel drill jumbos**  
These machines are used for the Linear Chuo Shinkansen and other construction projects.



**Electrostatic precipitators for tunnel construction**  
This equipment captures dust from the air in tunnel construction sites.



**Ocean cranes**  
These machines are used in oyster farming and unloading catches from vessels.



**Steel bridges and steel structures**  
We construct pedestrian bridges, motorways, and more.



**UNIC carriers**  
Trucks that carry new cars and damaged cars.



**Coils**  
Filter coils are used to control noise from electric control units and power sources.

## Corporate Governance

### Basic Approach

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 stakeholders.

### Corporate Governance System

The Furukawa Company Group's operating holding company Furukawa Co., Ltd. has established the Board of Directors and the Audit & Supervisory Board to supervise and audit business execution. The Company also employs an executive officer system which facilitates quicker decision making and defined responsibilities in terms of keeping management supervisory functions separate from business executive functions.

### Directors and Board of Directors

The Board of Directors holds regular meetings once a month, and extraordinary meetings as necessary, to supervise the Group's overall business execution. The Board consists of nine members as of June 27, 2019, including three outside directors.

### Executive Officer System

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 16 executive officers as of June 27, 2019, including four concurrently serving as directors.

### Management Council and Management Committee

The Management Council sets the Group's fundamental management policies and strategies, and makes decisions on important matters. Meanwhile, the Management Committee meets monthly to report on the business execution of the Company and its core operating companies, and accordingly reviews such matters and provides direction in that regard. Key managerial issues addressed by the Management Council are subsequently referred to the Board of Directors.

### 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. The Audit & Supervisory Board consists of four members, including two outside members, and meets as appropriate.

### Outside Directors and Outside Audit & Supervisory Board Members

With the aims of ensuring managerial objectivity and transparency, as well as appropriate decision-making, the Company appoints outside directors and outside Audit & Supervisory Board Members who provide advice and perform verification from objective viewpoints, drawing on their expertise and experience. As of June 27, 2019, the Company has three outside directors and two outside Audit & Supervisory Board members, four of whom are independent officers as stipulated by the Tokyo Stock Exchange.

### Nomination & Remuneration Committee

In November 2018, the Company established the Nomination & Remuneration Committee whose membership mainly consists of independent outside directors. The committee serves as an advisory body to the Board of Directors and accordingly deliberates on matters relating to personnel affairs and remuneration of directors and Audit & Supervisory Board Members.

### Evaluating the Effectiveness of the Board of Directors

To analyze and evaluate the effectiveness of the Board of Directors, the Company conducts questionnaire-based surveys of directors

and Audit & Supervisory Board Members, and exchanges opinions with outside officers. The results of these activities are reported to the Board of Directors for discussion.

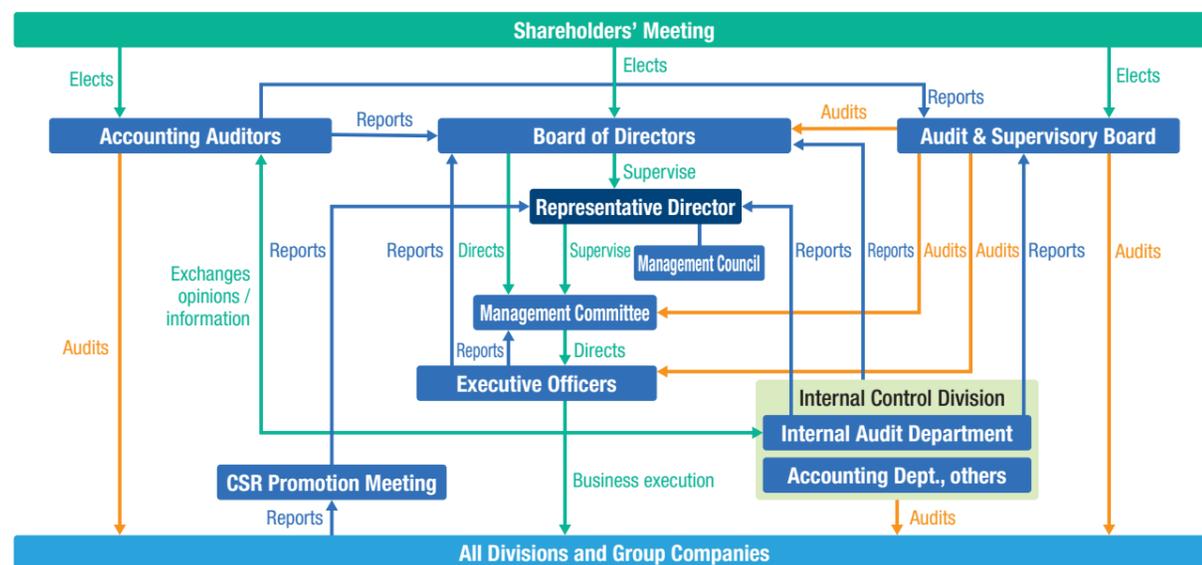
In fiscal 2019, we noticed an overall improvement trend compared with fiscal 2018. To achieve further improvement, we confirmed the need for action in several areas. These include stepped-up exchanges of opinions about information dissemination aimed at improving shareholder value, enhancing reports on human resource development, compliance, new products and technologies, and fuller discussion about medium-term business plans.

Going forward, we will further heighten the Board's effectiveness through efforts to stimulate Board discussions by providing it with timely information.

### Internal Control System

The Group's Basic Policy on Establishing an Internal Control System encompasses corporate governance, risk management, compliance, and internal audits. Under the policy, internal controls are to be implemented with an emphasis on promoting CSR, in addition to ensuring efficient and appropriate business execution. Moreover, the Group continually reassesses its internal control systems and otherwise strives to build effective and efficient systems in order to ensure the appropriateness of operations.

### Corporate Governance Structure



### Message from outside independent director

Two years have passed since I assumed office as an outside independent director. In the meantime, I have been working as a member of the Board of Directors from the perspective of a stakeholder representative. I am particularly aware of my role in checking to ensure that the Board of Directors is functioning soundly and the Company is practicing appropriate corporate governance.

Our Board of Directors engages in discussion until a sufficient mutual understanding between officers is reached, giving courteous and polite explanations to address doubts and questions without impeding the speed of decision-making. In some cases, the Board meets on multiple occasions to ensure proper discussion. I applaud the fact that this is being practiced effectively as a matter of course.

The Company is focusing heavily on the Machinery business. We have steadily improved machine design, manufacturing, and inspection technologies, expanded and refined our lineup, and broadened our domestic and overseas sales networks and alliances. The Machinery business has thus grown into a core part of our operations, which I believe is the result of the preparedness and efforts of past and present management. Leveraging this amassed infrastructure, the Group has been united in its quest to achieve the challenging revenue targets of its long-term vision, which ends in fiscal 2026. Achieving these targets will be major turning point for our future. To reach a new dimension, however, we need to strengthen our sales capabilities in the Machinery business. This, in turn, requires us to address two enduring and urgent priorities: expand our overseas bases and develop human resources who can perform internationally.

When I was president of my first company, I navigated the business through tumultuous times that included the global financial crisis, Great East Japan Earthquake, and China shock. I believe this experience was one of the reasons I was invited to become an outside independent director. I will utilize this experience, as well as my knowledge on resources and smelting, to serve as a representative of stakeholders. At times, I may need to push the executive team and make them consider differing opinions, but I am committed to helping the Group achieve sustainable development while paying close attention to the soundness of corporate governance.



**Tatsuya Tejima**  
Outside Independent Director

Further information on corporate governance

» <https://www.furukawakk.co.jp/e/ir/policy/governance.html>

# Risk Management



Ideal image for 2025

The Furukawa Company Group will develop and establish a risk management framework that extends beyond crisis management.

## Fiscal 2019 targets and assessments Achievement

- 1 Improve response capabilities in the event of a crisis. ★★★★★
- 2 Draw up a Group-wide BCP ★★★★★
- 3 Examine countermeasures for crises other than earthquakes ★

★★★★ Target achieved; ★★★ Target partially achieved; ★ Target not achieved



## Fiscal 2020 targets

- 1 Improve response capabilities in event of a crisis
- 2 Continue to overhaul BCP
- 3 Examine countermeasures for crises other than earthquakes

# Compliance



Ideal image for 2025

All of our employees are keenly aware of compliance as it applies to the international community.

## Fiscal 2019 targets and assessments Achievement

- 1 Upgrade and expand compliance training ★★★★★
- 2 Revise the Charter of Corporate Conduct and the Code of Conduct for Officers and Employees ★★★★★
- 3 Revise the compliance manual ★

★★★★ Target achieved; ★★★ Target partially achieved; ★ Target not achieved



## Fiscal 2020 targets

- 1 Upgrade and expand compliance training
- 2 Prepare English, Chinese and Thai language versions of the Charter of Corporate Conduct and the Code of Conduct for Officers and Employees
- 3 Revise the compliance manual

## Framework for Promoting Risk Management

The Group's business activities could potentially be badly impacted by various risks related to such factors as accidents, natural disasters, and epidemic diseases. To protect human life and property and minimize damage and loss when such risks materialize, the Group, spearheaded by its Risk Management Committee, is working to establish and strengthen its risk management system.

### Risk Management System



\* Group companies represented in the Business Risk Review Sectional Meeting are the same as those represented in the Risk Management Committee.

## Strengthening Crisis Response

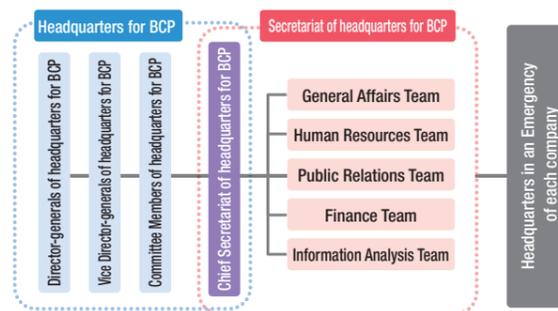
### Improving Initial Response Capabilities

We regularly conduct both safety conformation drills enlisting our safety confirmation systems and disaster reporting drills with the use of transceivers in order to ensure that we are able to promptly confirm employee safety and the status of damaged sites should an emergency occur. In conducting the safety conformation drills in fiscal 2019 we achieved a success rate exceeding 80% relative to our initial objectives. Meanwhile, we have placed transceivers at each of our primary business sites, and have been reviewing lists of food, beverages and other stockpiled items, and overhauling our approach to managing such items.

## Shifting from Business Continuity Planning (BCP) to Business Continuity Management (BCM)

We have finished our BCP reviews of core operating companies. Going forward, we will formulate BCP strategies at consolidated affiliates and step up BCM activities.

### Group BCP System



### [Comment from the Responsible Committee] Overview of Fiscal 2019

In fiscal 2019, we finished drawing up the Group's BCP per review of the BCPs of our core operating companies. Moreover, we achieved our success rate target in carrying out safety conformation drills, but were unable to carry out BCP drills. As such, we will make plans to promptly carry out such drills, while also working to improve our ability to take action when a crisis strikes through initiatives that involve embarking on efforts to draw up business continuity plans for our consolidated affiliates and considering plans of action to address crises other than earthquakes, in order to enhance our crisis management framework throughout the Furukawa Company Group.



**Atsushi Takano**  
Risk Management Committee  
Chairperson, Senior Executive Officer,  
General Manager, Human Resources &  
General Affairs Department

## Promoting Compliance

In addition to complying with laws and regulations, the Group believes it has a corporate obligation to take serious and responsible action in terms of social and ethical aspects.

To fulfill this obligation, we have established the Compliance Committee, which discusses important matters regarding compliance. The committee reports the matters it has discussed at the CSR Promotion Meeting as appropriate in order to share information on Group-wide compliance.

## Compliance Education

We strive to instill a corporate culture that emphasizes compliance through efforts that include issuing our "Compliance News" source of information on compliance to all Group officers and employees, and having top management occasionally give talks on the importance and priority we place on compliance.

In fiscal 2019, we held compliance training sessions as part of our employment hierarchy-specific training for newly hired, mid-level employees, and newly assigned managers, and also held a compliance training session for officers and other top management personnel. In addition, we held training on specific topics, such as Japan's Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (the "Subcontract Act").

### Training Implemented in Fiscal 2019

Training	Number of participants (number of sessions)
Compliance training	242 (12)
Training on the Subcontract Act	40 (2)
Training on contract fundamentals and basic transaction agreements	79 (3)
Training on security export controls	8 (1)

## Internal Reporting System

The Group has adopted an internal reporting system to facilitate early detection and correction of compliance violations.

This has involved developing a framework that enables an extensive range of reporting and inquires by establishing points of contact for reporting and consultation requests inside and outside (law office) the Group. We also stringently safeguard confidential and personal information regarding whistleblowers.

The Compliance Committee conducts investigations upon receiving notification or consultation, and subsequently takes necessary action to address such matters.

We also facilitate awareness of the internal reporting system by posting such content to our in-house portal site and distributing brochures to Group officers and employees.

### [Comment from the Responsible Committee] Overview of Fiscal 2019

In fiscal 2019, we drew up our new Charter of Corporate Conduct and Code of Conduct for Officers and Employees, formulated from the perspective of the SDGs and released in April 2019. In fiscal 2020, we will disseminate our officers and employees with the revised versions of our Charter of Corporate Conduct and Code of Conduct for Officers and Employees, and will furthermore prepare versions in the English, Chinese and Thai languages for our officers and employees overseas. We have also embarked on the task at hand of revising our compliance manual beginning in fiscal 2019. We will continue to promote initiatives underpinned by our goal of equipping every one of our officers and employees with a keen awareness regarding compliance as it applies to the international community.



**Takeshi Miyajima**  
Compliance Committee Chairperson,  
Senior Executive Officer,  
General Manager, Legal Department

Ideal image for 2025

We aim to improve brand strengths of Furukawa products and achieve top rankings in product categories.

Fiscal 2019 targets and assessments	Outcome
1 Implement the FMEA <sup>*1</sup> approach with respect to risk assessment (product development) and design	★★
2 Reduce risks associated with overseas procurement (respective machinery companies)	★★
3 Streamline collection of data from inspections and trials (respective machinery companies)	★★★★
4 Engage in initiatives involving quality assurance frameworks (respective materials companies)	★★

★★★★Target achieved: ★★★Target partially achieved: ★Target not achieved



Fiscal 2020 targets
1 Implement the FMEA approach with respect to risk assessment (product development) and design
2 Reduce risks associated with overseas procurement (respective machinery companies)
3 Streamline collection of data from inspections and trials (respective machinery companies)
4 Enable visual monitoring of change points (respective machinery companies)
5 Take steps to eliminate risk at the stage of development and design (respective machinery companies)
6 Engage in initiatives involving quality assurance frameworks (respective materials companies)

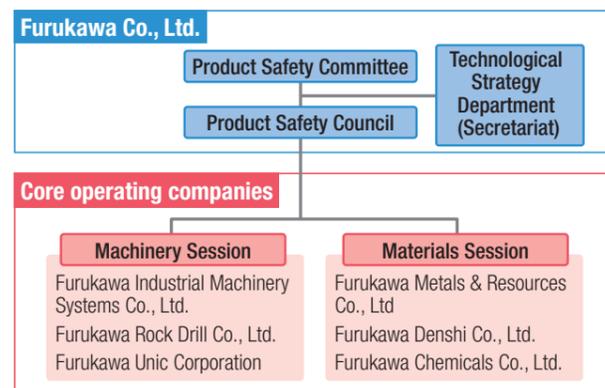
## Product Safety Management System

Established within the headquarters of Furukawa Co., Ltd., the Product Safety Committee consists of the Product Safety Council comprising product safety officers of core operating companies and subordinate to the Product Safety Committee, and separate product safety sessions consisting of the Machinery Session and the Materials Session. These sessions promote efforts that involve complying with regulations on manufacturing, quality assurance and product safety, and manufacturing products that customers can use safely with peace of mind, based on the Group's Product Safety Basic Policy and its Product Safety Action Guidelines.

The Product Safety Council are held with the aim of improving Group-wide product safety and evaluating initiatives related to product safety. The council underpin efforts firstly geared to improving product reliability with the aim of heightening product safety levels. In fiscal 2019, they involved ongoing efforts carried over from fiscal 2018 with respect to confirming progress of risk assessment initiatives from the perspective of preemptive risk prevention.

Moreover, in the sessions, which consist of members capable of discussing matters from the standpoint of on-site operations, we took steps to raise awareness of factory-wide quality control and quality assurance, in addition to engaging in discussions that also enlisted managers from the design realm and other divisions apart from quality control.

### Product Safety Management System



## Session Initiatives

### Machinery Session

The Machinery Session has been taking steps geared to the key tasks of reducing complaints, monitoring production change points, and curbing risk that arises during procurement, premised on the concept of "making products that satisfy our customers."

The session has been placing its focus on change points in terms of factors primarily attributable to complaints, particularly with respect to modifications involving design, manufacturing methods and processes. In so doing, the session has been attempting to bring about consistent approaches among our business sites through operations that involve visually monitoring change points in product development and at assembly locations.

Given that incorrect dimensions constitute many of our component defects, we have been addressing such issues by improving analytic accuracy and increasing inspection speed. In that regard, we have been using coordinate measuring machines, optical emission spectrometers and other precision measuring devices with respect to complex-shaped parts that take time to measure and parts that are difficult to gauge.

We have also been turning to complaint-data applications, resulting in faster searches of complaints and swifter use of data in analyzing root causes, preventing recurrence, and preparing risk assessment materials for subsequent product development.

Going forward, the session plans to improve the quality and efficiency of inspection by having inspections carried out using tablet devices.

The Machinery Session and the three core operating companies in the machinery segment will engage in joint training activities with the aim of developing consistent skills at each level of the employee hierarchy.

In so doing, we aim to develop our brand such that everyone associates it with the notion that achieving fewer complaints results in customer satisfaction, through efforts to enhance our on-site strengths extending from product development to manufacturing locations.

### Materials Session

Based on a customer-oriented approach, the Materials Session takes steps to improve our quality assurance system encompassing

[Comment from the Responsible Committee] Overview of Fiscal 2019

## Quality assurance encompassing all products for the sake of our customers

Our Product Safety Committee engages in various initiatives to ensure that our products are safe and satisfactory with respect to all products manufactured by the Furukawa Company Group and delivered to our customers. We accordingly aim to guarantee that the quality of our products for overseas procurement, production and factories overseas, and export embody the pride of Japanese manufacturers.

In fiscal 2019, we checked multiple aspects of our prevailing systems in order to strengthen our quality assurance system at respective business sites, and otherwise in Japan we laterally adopted new systems associated with quality inspections conducted to improve quality.

In fiscal 2020, we will strengthen our quality assurance system. In addition to taking on tasks as yet unachieved from the previous fiscal year, this will involve further promoting change point controls that are focused on the main causes of complaints and engaging in activities to reduce risk associated with the initial phase business processes.



Tatsuki Nazuka

Product Safety Committee Chairperson, Director, Senior Executive Officer, General Manager, Technology Division

components procured overseas with the goal of achieving zero market complaints, with respect to materials that are widely used in electronic devices and other products.

Our risk assessment efforts involving materials has entailed providing SDS<sup>\*2</sup> and other forms of risk data, while also taking action to keep defective products from being released. To such ends, we have been working to achieve highly reliable design and automating inspections by implementing an FMEA approach focused on oversight of change points, given the substantial risks that would materialize

should we release defective products. The Materials Session accordingly engages in activities to heighten skills at the respective companies, which involves sharing such information.

As a result of such efforts, we achieved zero market complaints again in fiscal 2019. Likewise, we aim to achieve zero market complaints again in fiscal 2020, and will accordingly take steps that involve designing highly reliable products, preventing the release of defective products, and improving our quality assurance framework which includes products procured overseas.

## TOPICS Initiatives of Group Companies

### Development of drill simulator by Furukawa Rock Drill Co., Ltd.

Furukawa Rock Drill Co., Ltd. and the Advanced Technology Department of Furukawa Co., Ltd.'s Technology Division jointly developed a drill simulator that acts as a tool for enabling operators to develop greater proficiency in handling our blast hole drills, which is our mainstay product that includes hydraulic crawler drills and hydraulic down-the-hole drills. The drill simulator utilizes VR technology with a head-mounted display to provide a realistic portrayal of drilling, thereby enabling users to experience simulated drilling operations amid a sensation of actually sitting in the cab of a blast hole drill. Blast hole drill operations differ greatly from operations of other construction machines that mainly handle loads, particularly because blast hole drills call for special operating techniques, and they are subject to limitations with respect to where and when they may be used for actual drilling. As such, we hope to see our drill simulator being put to use as a tool for facilitating communications with operators.



Image displayed on the blast hole drill simulator screen



Hands-on demonstration at the 2019 Construction & Survey Productivity Improvement EXPO (CSPI-EXPO)

\*1 FMEA: Abbreviation for Failure Mode and Effects Analysis. A systematic analysis method that predicts the causes of quality problems and prevents them at the design and process planning stage.

\*2 SDS: Abbreviation for Safety Data Sheet

# Environmental Efforts

● Relevant SDGs



Ideal image for 2025

## Promote environmental and safety activities

(Reduce environmental impacts, protect environment and ensure safety, protect biodiversity, publish environmental and safety activity outcomes, and continue working to ensure there are no accidents or disasters at suspended and abandoned mines)

### Basic Approach

Based on its Charter of Corporate Conduct and Basic Environmental Management Principle, the Furukawa Company Group works to reduce environmental risks and harmonize its business activities to the global environment, and it is determined to contribute to the realization of a sustainable society.

With respect to measures against global warming, the Group is currently formulating its Fourth Medium-term Reduction Targets

covering a 10-year period from fiscal 2020. These take account of the outcomes of the Third Medium-term Reduction Targets covering the period from fiscal 2015 to fiscal 2019 and are based on our Vision for 2025.

In continuing our environmental conservation activities, we are implementing preventative measures while enhancing and reinforcing responses to risks.

Furthermore, our business activities are conducted with consideration to their impacts on the environment and the aim of protecting biodiversity.

### Key Environmental and Safety Targets and Results (Fiscal 2019)

★★★★ Target achieved; ★★★ Target partially achieved; ★ Target not achieved

Key fiscal 2019 targets	Fiscal 2019 results	Achievement
<b>1 Operation and promotion of effective environmental management systems by each Group company</b> <ul style="list-style-type: none"> <li>Promoting continuous improvement of operations in accordance with the revised EMS standard</li> <li>Properly responding to the establishment and amendment of environment-related laws and ordinances</li> <li>Enhancing responses to demands from inside and outside the Group</li> <li>Promoting preventative measures through effective use of environment-related data</li> </ul>	<ul style="list-style-type: none"> <li>Improvement processes were checked in environment and safety audits, and guidance was provided concerning problems identified, if any</li> <li>Information on environmental laws and ordinances was communicated timely and promptly and disseminated horizontally</li> <li>During environment and safety audits, items to be complied with (e.g., environmental laws and ordinances) were clarified and the unit's response to them was checked</li> <li>Environmental measurement results were analyzed and initiatives were taken to reduce risks</li> </ul>	★★★★
<b>2 Promotion of continuous improvement for the reduction of environmental impact</b> <ul style="list-style-type: none"> <li>Reducing greenhouse gas emissions (by improving efficiency of production facilities and manufacturing processes, etc.)</li> <li>Reducing the use of water resources (including promoting the reduction of impacts on aquatic environments)</li> <li>Reducing total emissions including waste and converting waste into valuables</li> <li>Reducing the volume of emissions of chemical substances to the atmosphere</li> </ul>	<ul style="list-style-type: none"> <li>We increased productivity and implemented energy-saving devices, but did not achieve our reduction target</li> <li>We took measures to save and reuse water in each plant and visualize water consumption, but did not achieve our reduction target</li> <li>We improved our product packaging methods, promoted use of reusable shipping cartons, and the like, but did not achieve our reduction target</li> <li>We improved our methods of spraying on coatings and preventing volatilization, but did not achieve our reduction target</li> </ul>	★
<b>3 Promoting biodiversity protection activities</b> <ul style="list-style-type: none"> <li>Promoting research on measures for reducing the environmental impact on biodiversity</li> <li>Promoting continuous tree-planting, forest management, and biodiversity restoration activities</li> </ul>	<ul style="list-style-type: none"> <li>Created list of people- and eco-friendly products, researched ecological pyramid of organisms living in Ashio area, and other activities</li> <li>Continued tree-planting, including various planting parties, promoted management of forests owned by the Company, worked to revive fireflies</li> </ul>	★★★★
<b>4 Enhancement of preventative measures to realize zero disasters</b> <ul style="list-style-type: none"> <li>Enhancing the environmental and safety management system</li> <li>Enhancing education to improve the capabilities of personnel responsible for the environment and safety</li> <li>Reducing the number of facility and environmental accidents, setting the target at zero</li> <li>Reducing the industrial accidents rate (Target: Severity rate of 0.03 or lower)</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened management system with environment and safety audits, site safety inspections, and the like, and gave guidance to strengthen Safety and Health Committee operations</li> <li>Checked state of environmental and safety training and gave guidance. Also checked state of staff's important official qualifications relating to operations and gave guidance as necessary</li> <li>There were both facility and environmental accidents, so we did not achieve our target</li> <li>The number of industrial accidents was lower than the previous fiscal year, but we did not meet our severity rate target</li> </ul>	★★★

### Environmental and Safety Activity Targets for Fiscal 2020

Environmental protection and safety and health activities	<b>1 Continuous improvement of environmental performance (CO<sub>2</sub>, water, waste, chemical substances)</b> <ul style="list-style-type: none"> <li>Reducing greenhouse gas emissions (by improving efficiency of production processes, etc.)</li> <li>Reducing the use of water resources</li> <li>Reducing total emissions including waste and converting waste into valuables</li> <li>Reducing emissions of chemical substances by improving productivity and carefully maintaining and managing abatement equipment</li> </ul>
	<b>2 Strengthening workplaces by forming collaborations between sites</b> <ul style="list-style-type: none"> <li>Promoting continuous improvement of operations in accordance with the revised EMS standard</li> <li>Stimulating communication internally and externally</li> </ul>
	<b>3 Strengthening preventative measures through analysis of various data</b> <ul style="list-style-type: none"> <li>Making effective use of facilities and environmental and safety data needed for operation</li> </ul>
	<b>4 Understanding laws, ordinances, and requirements and strengthening practice</b> <ul style="list-style-type: none"> <li>Strengthening monitoring of compliance with relevant laws and ordinances</li> </ul>
	<b>5 Conducting environment and safety audits useful for everyday operations</b> <ul style="list-style-type: none"> <li>Strengthening workplaces through environmental protection and industrial safety and health activities</li> <li>Strengthening preventative measures and recurrence prevention through environment and safety audits</li> <li>Reducing the number of environmental and facility accidents, setting the target at zero</li> <li>Reducing the industrial accidents rate (Target: Severity rate of 0.03 or lower)</li> </ul>
	<b>6 Promoting specific initiatives for the reduction of environmental risks</b> <ul style="list-style-type: none"> <li>Promoting specific initiatives on measures for reducing environmental risk to biodiversity</li> <li>Promoting continuous tree-planting, forest management, and animal and plant species restoration activities</li> </ul>
Management of suspended and abandoned mines	<b>1 Strengthening workplaces by passing on knowledge and skills</b> <ul style="list-style-type: none"> <li>Conducting employee training to increase knowledge and skills</li> </ul>
	<b>2 Maintaining and managing mine run-off treatment facilities</b> <ul style="list-style-type: none"> <li>Thorough everyday inspections</li> <li>Conducting employee training to increase knowledge and skills</li> </ul>
	<b>3 Maintenance at final disposal sites and in shafts</b> <ul style="list-style-type: none"> <li>Thorough everyday inspections</li> <li>Conducting employee training to increase knowledge and skills</li> </ul>

[Comment from the Responsible Committee] Overview of Fiscal 2019

## Practicing Environmental Conservation through Our Overall Business Activities

To help build a sustainable society, the Furukawa Company Group works to improve our production facilities and make our operations more efficient. We moreover practice environmental conservation that is mindful of the impact our business activities as a whole have on the global environment and biodiversity. This includes the entire span of activities from product planning and development to use, consumption, and disposal. In fiscal 2019, we introduced a new system for aggregating environmental data. With this system, we can get prompt activity updates from our plants and other sites. Also in fiscal 2019, we promoted environmental conservation activities based on our medium-term reduction plan and worked to reduce environmental impacts.

Looking to fiscal 2020 and beyond, we continue to focus our efforts on environmental conservation activities to achieve our Vision for 2025. We will work on reducing environmental risk and harmonizing our business activities to the global environment.



**Masayuki Kuno**  
Environment and Safety Management Committee Chairperson, Executive Officer,  
General Manager, Environment and Safety Management Department

## Environmental Management

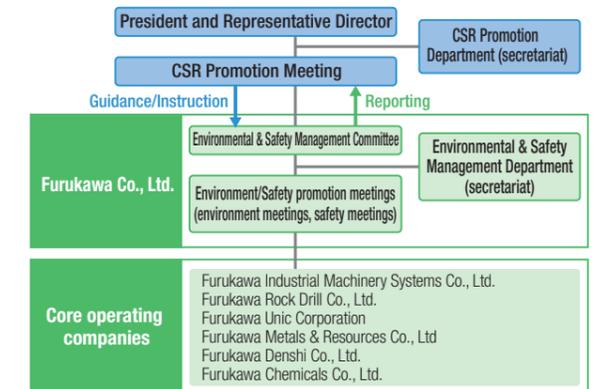
### Environmental Management Committee

Important items relating to environmental management at the Furukawa Company Group are put forward and discussed by the Environmental Management Committee, whose members include top personnel from each production base and others. At the Committee meeting held in April 2019, results of evaluations of environmental and safety activities for fiscal 2019 and targets for environmental and safety activities for fiscal 2020 were reported, discussed, and approved. Results of the Third Medium-Term Reduction Plan were also reported and discussed and members also discussed the Fourth Medium-Term Reduction Plan.

(\*The name of the department to which the Committee belongs was changed to the Environmental & Safety Management Department on July 1, 2019, and accordingly the Committee was renamed the Environmental & Safety Management Committee.)



### Environment and Safety Promotion System



[Environmental & Safety Management Committee]  
Committee Chairperson: General Manager, Environmental & Safety Management Department  
Members: General managers of each division, core operating companies' works general managers (or general managers of administration if there is no general manager of works)  
Secretariat: Environmental & Safety Management Department  
Meeting location: Head Office, Furukawa Co., Ltd.  
Meeting frequency: Once a year  
[Environment/Safety promotion meetings (environment meetings, safety meetings)]  
Attended by: Environmental & Safety Management Department general manager and employees, employees with environment and safety responsibilities of core operating companies and other divisions  
Secretariat: Environmental & Safety Management Department  
Meeting location: As a rule, works of core operating companies rotate as meeting location  
Meeting frequency: Once a year (starting in fiscal 2020, environment meetings and safety meetings are being held separately)

TOPICS

## Furukawa Wins Development Bank of Japan's Highest Environmental Rating for Fifth Consecutive Year

Furukawa gets financing from the Development Bank of Japan Inc. (DBJ) based on our DBJ Environmental Rating. Furukawa obtained DBJ's highest environmental rating on November 30, 2018. The DBJ praised Furukawa for proactively raising productivity and reducing environmental impact by persistently improving production processes. Examples mentioned included the Group-wide operation of the environmental management system and implementation of new environmental impact monitoring and remote control systems at each base. Our initiatives to define eco-friendly products in each of our wide range of business domains and to boost sales of those products won acclaim also. In addition, the DBJ noted Furukawa offers society value with products from many perspectives, including thorough training of salespersons and employees involved with the manufacturing of our eco-friendly products. For these and other efforts, we earned the highest rating for a fifth consecutive year in recognition of our "especially advanced efforts in consideration of the environment."



Visit the following site for more information about Furukawa's Basic Environmental Management Principle and Environmental Conservation Activity Policies

» <https://www.furukawakk.co.jp/e/csr/environment/>

# Environmental Efforts

## Environmental and Safety Audits

The Group conducts scheduled Environmental and Safety Audits each year. The aim of these audits is to emphasize correctional measures in response to accidents and disasters that have occurred, in addition to preventive measures. Environmental and Safety Audits were conducted in fiscal 2020 to resolve matters to be corrected, improve environmental performance (CO<sub>2</sub> emissions, water consumption used, total emissions including waste), support the initiatives of each place of business toward eliminating accidents and disasters, and contribute to the improvement of daily operational levels.

In the event of a major disaster or accident or ongoing disasters, we hold detailed discussions with on-site managers to determine the causes, and then offer instruction for formulating measures to prevent recurrence, and engage in other activities to continuously ensure safety in the workplace.



Environmental and safety audit in Osaka Works of Furukawa Chemicals Co., Ltd.

## The Third Medium-Term Reduction Targets and Results of the Fifth (Final) Year

The Furukawa Company Group is currently pursued activities for the achievement of the Third Medium-Term Reduction Targets covering the period from fiscal 2015 to fiscal 2019. The results of the reduction efforts in fiscal 2019, the fifth and final year, are detailed below. The reason for our failure to achieve the reduction targets in the final fiscal year of the initiative is largely due to the fact that the Third Medium-Term Reduction Targets were established in fiscal 2014; the targets do not fully reflect Vision for 2025, the manufacturing plans of companies in our core businesses, and other information published since then, nor do they account for the fact that business locations in some regions sourced all of their power from hydropower at the time, whereas they also use electric power from power companies now.

We are presently formulating the Fourth Medium-Term Reduction Targets for the ten-year period starting in fiscal 2020, and basing them on Vision for 2025 and the results of the Third Medium-Term Reduction Targets.

### Reduction rate results in fiscal 2019

	FY2019 reduction rate targets	FY2019 reduction rate results
CO <sub>2</sub> emissions	3%	-13%
Water resource used	2%	-9%
Total emissions including waste	5%	-13%

\* The targets and results are compared to values from fiscal 2014.

## Material Flow of the Furukawa Company Group (Fiscal 2019)

INPUT						OUTPUT	
Category	Volume used	Category	Volume used	Category	Volume used		
Total energy consumption	Volatile oil (gasoline)	33kℓ	Fuel oil A	221kℓ	City gas	889	thousand m <sup>3</sup>
	Kerosene	301kℓ	Liquefied petroleum gas (LPG)	359t	Electricity	43,593	thousand kWh
	Diesel oil	195kℓ					
Total water withdrawal	Clean water	141	Industrial water	550	Groundwater	0	thousand m <sup>3</sup>
				CO <sub>2</sub> emissions	26	thousand t-CO <sub>2</sub>	
				Wastewater volume	477	thousand m <sup>3</sup>	
				Total emissions including waste	7,160t		

## INPUT

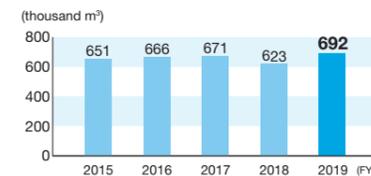
### Energy consumption



Energy consumption recorded a 6% increase year on year due to increased production in the Unic Machinery and Electronics segments, despite our efforts to reduce consumption by introducing energy-saving equipment, changing production lines to shorten idle time, and reducing the travel distance of loading, unloading, and transportation machinery.

Nonetheless, Furukawa Co., Ltd. has earned the top ranking of S Class in each of the four years since the Operator Class Evaluation System was instituted under the Energy Conservation Act in fiscal 2016.

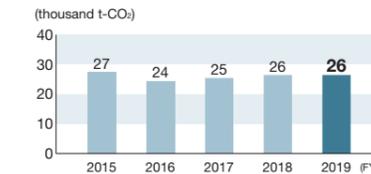
### Water resources withdrawn



Water resources input recorded an 11% increase year on year due to increased production in the Unic Machinery and Electronics segments, despite our efforts toward water intake control (visualization) and improving water supply and wastewater pipes.

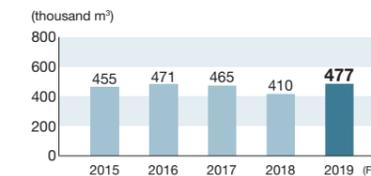
## OUTPUT

### CO<sub>2</sub> emissions



Energy consumption increased 6% year on year. CO<sub>2</sub> emissions rose 2% due to the CO<sub>2</sub> emissions factor.

### Wastewater volume



Water consumption increased 11% year on year. In addition, wastewater volume increased 16% due to a decline in the production of products with water as the primary raw material.

### Total emissions including waste



Total emissions including waste increased 4% year on year due to the impact of increased production throughout the Group and other factors. However, our subdivision of resources resulted in a 15% increase in valuables.

## TOPICS

### Our Website\* Now Features a List of Human- and Eco-Friendly Products

The Group is undertaking initiatives based on the concept of manufacturing products that are human- and eco-friendly in every stage from new product development and design to manufacturing, usage, and disposal. We have leveraged the technology we cultivated through mine development and proactively introduced new technology to make contributions to society. The list includes human- and eco-friendly products that resulted from these efforts.

The Group intends to continue providing human- and eco-friendly products and services, and contributing to the realization of a sustainable society.

\* Japanese site only



## TOPICS

### Initiatives for Achieving SDGs

Our Environmental and Safety Management Department is responsible for promoting the Group's environment-related initiatives for achieving SDGs. We are working to identify and take action regarding specific contributions and products from the Group's product lineup that contribute to the achievement of 9 of the 17 SDG targets.

SDG	Initiative	Contribution
1	Development of new products	Development of products that contribute to the achievement of SDG 1.
2	Development of new products	Development of products that contribute to the achievement of SDG 2.
3	Development of new products	Development of products that contribute to the achievement of SDG 3.
4	Development of new products	Development of products that contribute to the achievement of SDG 4.
5	Development of new products	Development of products that contribute to the achievement of SDG 5.
6	Development of new products	Development of products that contribute to the achievement of SDG 6.
7	Development of new products	Development of products that contribute to the achievement of SDG 7.
8	Development of new products	Development of products that contribute to the achievement of SDG 8.
9	Development of new products	Development of products that contribute to the achievement of SDG 9.

Visit the following site for principles and policies for Environmental and Safety Audits:

<https://www.furukawakk.co.jp/e/csr/environment/>

## Management of Chemical Substances

In fiscal 2019, the number of chemical substances handled that are required to be reported under the PRTR\*1 system increased by one from the previous fiscal year to 15. Thanks to new equipment at some plants, we were able to significantly decrease atmospheric emissions of toluene, ethylbenzene, xylene, and other substances.

### Emission and Transfer of Substances Required to Be Reported under the PRTR System

Numbers in blue: Decreased from the previous fiscal year Numbers in red: Increased from the previous fiscal year (unit: kg/year; or mg-TEQ/year for dioxin only)

Substance number	Chemical substance	Emissions						Volume transferred					
		Atmosphere		Public waters		Soil		Landfill at works		Transfer to sewer		Outside of works	
		FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019
53	Ethylbenzene	40,038	32,069	0	0	0	0	0	0	0	0	2,509	1,911
75	Cadmium and its compounds	0	0	0	0	0	0	0	0	0	0	4	2,507
80	Xylene	57,642	47,052	0	0	0	0	0	0	0	0	4,544	3,802
87	Chromium and chromium (III) compounds	3	1	0	0	0	0	0	0	0	0	7	0
243	Dioxins	8.5	8.5	0	0	0	0	0	0	0	0	0.07	0.05
272	Copper salts (water-soluble, except complex salts)	0	0	0	0	0	0	0	0	7	11	0	0
296	1,2,4-trimethylbenzene	4,110	5,592	0	0	0	0	0	0	0	0	363	440
297	1,3,5-trimethylbenzene	669	1,519	0	0	0	0	0	0	0	0	1	180
300	Toluene	54,868	42,766	0	0	0	0	0	0	0	0	2,838	1,949
308	Nickel	0	0	0	0	0	0	0	0	0	0	0	0
332	Arsenic and its inorganic compounds	0	9	0	0	0	0	0	0	0	0	1,987	2,226
374	Hydrogen fluoride and its water-soluble salts	0	0	14	12	0	0	0	0	0	0	1,436	1,726
412	Manganese and its compounds	55	6	0	0	0	0	0	0	0	0	28	32
438	Methylnaphthalene	16	13	0	0	0	0	0	0	0	0	0	0
453	Molybdenum and its compounds	0	0	0	0	0	0	0	0	0	0	1	0

## Environmental Accounting

### Environmental Conservation Costs

The Furukawa Company Group endeavors to conserve the environment and improve environmental efficiency by tracking costs required for environmental conservation in reference to the Ministry of the Environment's Environmental Accounting Guidelines.

Total investments for fiscal 2019 reached ¥402 million. The Group has introduced energy-saving equipment and enhanced preventative measures with the aim of promoting environmental conservation. As a result, pollution prevention costs account for 71% of the total.

Costs totaled ¥1,187 million, the breakdown of which is mainly the costs for promoting environmental conservation activities such as the thorough maintenance and management of pollution control equipment and conservation of forests.

### Environmental Conservation Costs (Categories Corresponding to Business Activities)

(Millions of yen)

Category	Content of the principal activities	Investments	Costs
(1) Business area costs		357	764
Breakdown	Pollution prevention cost	285	570
	Global environment conservation cost	68	37
	Resource circulation cost	4	157
(2) Upstream and downstream costs	Cost for recycling, recovering and re-commercialization of products from the market	0	185
(3) Administration cost	Cost for operating ISO 14001 standards, environmental education, cleanup and greening of business sites	28	62
(4) R&D cost	R&D cost to develop products that contribute to environmental conservation	17	174
(5) Social activity costs	Cost associated with various social activities including cleanup of neighborhood areas, planting of greenery, etc.	0	2
(6) Environmental remediation cost	Cost allocated for recovery from environmental degradation due to business activities	0	0
	<b>Total</b>	<b>402</b>	<b>1,187</b>

### Environmental Conservation Benefit

Environmental conservation benefit category	Environmental performance indicator (unit)	FY2018	FY2019	Difference from the previous fiscal year
Environmental conservation benefit related to resources input into business activities	Total energy input volume (thousand GJ)	483	511	Increased by 28 thousand GJ
	Input volume of water (thousand m <sup>3</sup> )	623	692	Increased by 69 thousand m <sup>3</sup>
Environmental conservation benefit related to waste or environmental impact originating from business activities	Volume of greenhouse gas emissions (thousand t-CO <sub>2</sub> )	26	26	No change
	Total emissions including waste (t)	6,884	7,160	Increased by 276 t

## Economic Impacts of Environmental Conservation

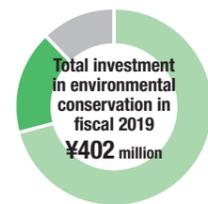
The economic impact deriving from resource circulation (gains on sale of valuables, etc.) for fiscal 2019 was ¥204 million, a year-on-year increase of ¥42 million, as a result of subdividing the resources. In addition, the reduction of electric power purchasing costs due to the operation of turbine generators of the Osaka Works of Furukawa Chemicals Co., Ltd. was ¥43 million, essentially identical to the figure from the previous fiscal year.

### Economic Impacts of Environmental Conservation (Material Impacts)

(Millions of yen)

Content of the benefit	Amount
Resource circulation (gains on sale of valuables, etc.)	204
Energy-saving effect	43
<b>Total</b>	<b>247</b>

### Breakdown of Environmental Conservation Cost Invested



Pollution prevention cost	70.9%
Global environmental conservation cost	16.9%
Other	12.2%

## Promotion of Biodiversity Protection Activities

### Hosting the 10th Ashio Cherry Tree-Planting Drive (March 2019) and 5th Furukawa-no-mori Tree-Planting Drive (April 2019)

As a distinct greening activity of the Group, we organize Ashio Cherry Tree-Planting Drives with the aim of planting 1,000 cherry saplings on company property in the Ashio area. The first drive was held in March 2009, and we have held drives each year since then. The 10th tree-planting drive in March 2019 drew 81 participants, including Group employees and their family members, and they planted 60 double-flowered cherry trees to bring the total number of trees planted to 540.

In addition, in April 2019, the 5th Furukawa-no-mori Tree-Planting Drive was held on Furukawa Co., Ltd. property in the matsuki area, Ashio-machi of Nikko City in Tochigi Prefecture. The drive drew 107 participants from the 24 corporate members of the Tochigi Furukawa Association, and they planted 40 sargent cherry trees.

The Tochigi Furukawa Association was established in 1966 to promote the mutual development of the Furukawa Group in Tochigi Prefecture, and launched this tree-planting drive in 2016 to commemorate the 50th anniversary of the association's founding. We intend to continue implementing these activities in the future.



A cherry tree planted at the 10th Ashio Cherry Tree-Planting Drive (March 2019)



The 10th Ashio Cherry Tree-Planting Drive

### Safety Control Measures at Suspended and Abandoned Mines

The Group's basic policy toward managing suspended and abandoned mines is to continue safety-oriented operations; accordingly, we systematically promote prevention work to ensure the safety of shafts, dumps, and water treatment plants and other mine runoff treatment facilities.

Although more than 45 years have passed since the closing of the Ashio Copper Mine, acidic mine runoff with heavy metal content continues to flow from the mine; thus, our Ashio Office uses a three-shift system to operate the Nakasai Water Treatment Plant 24 hours a day, 365 days a year.

In 2018, we constructed an additional reserve system for the milk of lime supply equipment of the neutralizing processing facilities, a critical part of the process at the Nakasai Water Treatment Plant. We are also adding more emergency generators to prepare for power outages, and making efforts to ensure safety-oriented operations and prevent accidents that threaten the environment.



The newly installed milk of lime supply equipment and emergency generators

### Firefly Rehabilitation Project at the Site of the Former Kune Mine

As living creatures that reflect the state of the environment, fireflies are said to be symbols of healthy water environments. With the aim of rehabilitating the environment to enable fireflies to live sustainably, and to pass that environment on to the next generation, our Environmental & Safety Management Department is engaging in a *genji-botaru* firefly (*Luciola cruciata*) rehabilitation project at the site of the former Kune Mine in the Tenryu ward of Hamamatsu City in Shizuoka Prefecture.



A *genji-botaru* firefly larva in its habitat at the Kune Mine



\*1 PRTR: Pollutant Release and Transfer Register



Ideal image for 2025

**Our efforts to promote diversification of working styles in a manner that makes use of diverse human resources will culminate in rewarding work environments where it is possible to create new forms of value by maximizing the abilities of each and every employee.**

[Comment from the Responsible Department] Overview of Fiscal 2019

**We will create work environments that employees find rewarding complete with fair performance evaluations and incentives.**

### Fiscal 2019 targets and assessments

- |   | Achievement |
|---|-------------|
| 1 Cultivate human resources<br>• Promote job-specific human resources cultivation   | ★★★★        |
| 2 Promote work-life balance<br>• Implement telework options on a trial basis<br>• Expand application of the flextime system                           | ★★★★*       |
| 3 Promote diversity<br>• Actively employ women in career-track positions and foreign employees<br>• Redouble efforts to hire people with disabilities | ★★★         |

\*Slight increase in the number of employees using flextime

★★★★Target achieved; ★★★Target partially achieved; ★Target not achieved

### Fiscal 2020 targets

- Cultivate human resources
  - Introduce new employee programs
  - Consider revisions to the personnel evaluation system
  - Review possibility of increasing the retirement age
- Promote work-life balance
  - Implement telework options
  - Expand application of the flextime system
- Promote diversity
  - Actively employ women in career-track positions (The percentage of women among new graduate hires shall be 20% or higher)
  - Redouble efforts to hire people with disabilities (The percentage of employees with disabilities in the Furukawa Company Group shall be 2.0% or higher.)

## Workstyle Reforms of the Furukawa Company Group

The Furukawa Company Group has been promoting work style reforms with the aim of improving labor productivity and creativity based on the development of each employee and creating healthy and rewarding work environments for all members of our diverse workforce by reducing overtime work and encouraging employees to take more paid annual leave.

### ● Three Aspects of Work Style Reform and Related Considerations

Improvement of work environments	Automate and computerize operations, revamp layouts, review personnel allocations, shorten meetings, effectively manage meetings
Review of systems and working conditions	Increase the number of departments adopting the flextime system, implement teleworking, adopt discretionary work systems, institute zero-overtime days
Reform of mindsets	Making people conscious about the improvement of efficiency

### ● Quantitative Targets of Work Style Reforms

	Fiscal 2019 results	Fiscal 2020 target
Prescribed working hours (a)	1,891 hours	1,891 hours
Extra working hours*1 (b)	305 hours	186 hours
Hours of paid annual leave taken*2 (c)	79 hours	78 hours
Total actual working hours (a) + (b) - (c)	2,117 hours	1,999 hours

\*1 25.40 hours/month → 15.50 hours/month

\*2 Achieved three-year target of 10 days

## Initiatives for Achieving Positive Work-Life Balance

### Creating a Comfortable Work Environment

We have been promoting initiatives that help employees maintain their health and achieve positive work-life balance by enabling them to reduce their overtime and take a greater proportion of their paid annual leave.

### ● Initiatives in Fiscal 2019

- Considered options for introducing employment system that would ensure stringent oversight of working hours
- Set days on which employees are encouraged to take paid annual leave and urged employees who have used a low proportion of such leave (fewer than 5 days) to take time off
- Implemented telework options on a trial basis
- Held seminars on balancing work with parenting and other caregiving obligations



## Promoting Diversity

### Empowering the Female Workforce

Furukawa Co., Ltd. has been focusing its efforts on actively recruiting and employing female talent. To such ends, we drew up our Action Plan for Promoting Support for Female Employees on April 1, 2016, and have been otherwise expanding systems geared to empowering our female employees.

### ● Action Plan for Promoting Support for Female Employees (April 1, 2016 to March 31, 2021)

Target No. 1	Ensure that women account for at least 20% of all new graduate hires.
Target No. 2	Employ at least 10 female managers.
Target No. 3	Establish a re-employment program for retirees
Target No. 4	Encourage employees to take paid annual leave at an average rate of 12 days per person per year
Target No. 5	Ensure that at least 10 male employees take parental leave.

### Support for Employees Raising Children

We have expanded our support systems for employees who are raising children in part by making a greater range of employees eligible to use our various programs addressing childcare needs, and by providing paid leave to cover some time taken off to care for infants and toddlers. We also encourage male employees to take parental leave so that they might also have opportunities to participate in child rearing.

### Hiring People with Disabilities

We hire people with disabilities at various workplaces and for various types of work, thereby promoting their independence and participation in society.

### Hiring Foreign Nationals

Given its active pursuit of overseas expansion, the Furukawa Company Group does not base its hiring decisions on nationality. Moreover, we strive to deepen partnerships that transcend nationality as we promote a spirit of mutual respect for individual differences.

### Employment of Older Workers After Their Retirement

In accordance with our Continued Employment Rules, we rehire employees who want to continue working after reaching the official retirement age of 60. Such employees who have returned to work after retiring play active roles in training our mid-level and younger employees, thereby imparting skills they have developed over their long careers.

One of our policies geared to achieving our Vision for 2025 is to enhance our human resource foundations with a focus on cultivating human resources, promoting work-life balance, and promoting diversity. In order for the Furukawa Company Group to remain indispensable to society well into the future, our employees must remain one step ahead with respect to achieving swift transformation and growth, in alignment with the changing times. As such, we will help our employees grow by flexibly adopting new employment options geared to embracing diverse personalities, values and living arrangements, and by creating work environments that help give rise to greater creativity.



**Atsushi Takano**  
Senior Executive Officer, General Manager, Human Resources & General Affairs Department

## Respect for Human Rights

### Harassment and Discrimination Prohibited

The Furukawa Company Group prohibits all forms of harassment and discrimination, premised on our commitment to recognizing the diverse values of individuals and accordingly creating a rewarding corporate culture absent of human rights violations and discrimination, where individuals are evaluated fairly. Moreover, we resolutely take action against harassment and discrimination based on our internal rules.

### Training on Human Rights

The Furukawa Company Group has established a code of conduct calling for its employees to respect basic human rights and refrain from using discriminatory language, and accordingly has all of its newly hired employees take part in human rights training. Moreover, we also strive to create pleasant work environments through other efforts that involve having employees learn from case studies of specific developments that have given rise to human rights violations. For instance, this involves providing in-house training pertaining to workplace harassment to employees who are taking part in our employment hierarchy-specific training.

## Cultivating Human Resources

### Basic Approach

Premised on its fundamental policy of “what supports limitless development of a company is people,” the Furukawa Company Group employs talented individuals who will actively take on all challenges, while striving to recognize the diverse values of individuals and accordingly creating a rewarding corporate culture absent of human rights violations and discrimination, where individuals are evaluated fairly.

### Development of Human Resources

We seek to optimize the Group’s business framework and maximize its corporate value by developing professional talent and creating work environments that enable employees to exercise their abilities to the fullest.

### ● Employment Hierarchy-specific Training

Our employment hierarchy-specific training helps employees develop the ability to address societal changes while acquiring basic knowledge necessary for their respective positions. The extensive training program is organized by level of the employment-hierarchy, encompassing newly hired, second year, third year, fifth year, eighth

year, and tenth year employees, newly appointed managers, and section managers. The training program for newly hired employees incorporates training pertaining to the Ashio Copper Mine’s history, antipollution measures, present status of safety management, and afforestation initiatives.

### ● Training Tailored to Areas of Expertise and Occupations

We implement training tailored to employees’ areas of expertise and professional qualifications, thereby enabling them to gain extensive knowledge and acquire specialized skills in their respective fields. Meanwhile, we actively encourage our employees to participate in external seminars on specialized subjects, and to gain public qualifications. We also endeavor to develop professional talent equipped with extensive knowledge of cutting-edge technologies and social trends by supporting their involvement in educational organizations and academic societies outside of the workplace.

### Personnel Evaluation System

On July 1, 2019, we adopted a role grade system whereby an employee is assigned a grade based on the importance of the role he or she is expected to fulfill. To such ends, we discontinued our previous system of assigning grades based on professional qualifications, and have assigned employees roles that they are expected to fulfill. We will revise our personnel evaluation system by April 1, 2020, and accordingly hope to achieve a more robust professional environment in terms of empowering our motivated employees in a manner that ensures their peace of mind. This will involve our endeavoring to guide, cultivate and develop the potential of such employees, as well as ensuring their appropriate job placement, upon assessing them with respect to factors that include their job performance, achievement of targets, motivation and proficiency.

### Communication to Facilitate Training of Subordinates

Interviews are conducted between immediate supervisors and their subordinates on a twice yearly basis, in addition to the daily communication that takes place between managers and their employees. The interviews enable managers to furnish feedback to employees regarding their work, achievements, points of self-reflection, and findings of performance evaluations. Upon having reviewed specifics of employee self-assessments, managers then also furnish advice to employees, verify targets that have been established, and share details in that regard. Meanwhile, supervisors also provide their assessments with respect to the self-analysis. The process of undergoing straightforward performance assessments by their supervisors enables employees to scrutinize themselves on a regular basis, which thereby helps fuel their motivation to pursue further personal development.



## Employee Health Management

At the Furukawa Company Group, we monitor the health of our employees particularly through our regularly scheduled physical examinations and special physical examinations for our employees who handle specified hazardous substances. Meanwhile, on the basis of such physical examination outcomes we also provide health-related guidance and provide support with respect to employee health maintenance. We also safeguard our employees from the effects of second-hand smoke by setting up separate smoking areas as stipulated under Japan's Health Promotion Act.

In fiscal 2018, we strengthened our partnership with Furukawa Health Insurance Society, and embarked on efforts that involve planning and overhauling various initiatives, drawing on physical examination data. We are going to work to achieve lower rates of smoking among our workforce while encouraging a higher proportion of employees to engage in regular exercise.

We will also engage in preventative measures with respect to employee mental health. This will involve setting specific targets geared to ensuring that the company is a safe and pleasant place to work, while striving to maintain positive mental health based on the Furukawa Group Company Mental Health Promotion Plan. Meanwhile, we will strive to help employees who are struggling with mental health issues return to work. This will involve coordinated efforts enlisting occupational physicians, personnel and labor affairs representatives, and supervisors, and will furthermore entail our working in conjunction with specialized institutions and medical specialists from outside the Group.

### Smoking and Regular Exercise Among Furukawa Company Group Employees

According to a survey of employees who are 40 years of age and older

Smoking rate	31.7%	Employees who exercise*	23.1%
	(2.9% fewer than in the previous year)		(1.9% fewer than in the previous year)

\* This refers to the percentage of employees who exercise to the point of generating slight perspiration for no less than 30 minutes per exercise session, and who have been exercising at least twice per week for at least one year.

### TOPICS

### Recognized as a 2019 Certified Health & Productivity Management Outstanding Organization in the Large Enterprise Category (White 500)

Furukawa Co., Ltd. was recognized as a 2019 Certified Health & Productivity Management Outstanding Organization in the Large Enterprise Category (White 500) for its efforts with respect to strategically carrying out initiatives with regard to its employees' health from a management perspective, based on findings of the Certified Health & Productivity Management Outstanding Organizations Recognition program implemented by Japan's Ministry of Economy, Trade and Industry (METI).



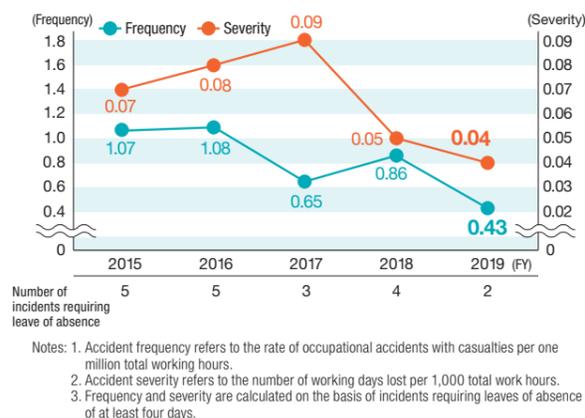
## Occupational Safety and Health

### Initiatives to Prevent Work-related Accidents

To prevent work-related accidents, the Furukawa Company Group regularly holds Health and Safety Committee meetings and carries out safety patrols at its respective works and business sites. We also implement systematic training and training tailored to our employees. When it comes to education, we plan and regularly implement medium- to long-term skills training for personnel who are in charge of safety and health. Moreover, we are taking steps to provide more robust guidance to our managers and employees, given the importance we place on taking consistent action in terms of carrying out risk assessments, addressing near-miss incidents, proposing solutions, and using the finger-pointing and calling approach to occupational safety in achieving our goal of zero accidents or disasters.

In fiscal 2019, we achieved better safety results in terms of lower frequency and severity of occupational accidents. Going forward, we will strive to achieve zero work-related accidents or disasters in part by preventing their recurrence. Such efforts will involve carrying out investigations into root causes of such instances that have occurred, in conjunction with on-site managers.

### Occupational Safety Record of the Furukawa Company Group: Frequency and Severity of Accidents



### Safety Measures and Education

At each of the Furukawa Company Group's works and sites of business we are taking steps to develop a more acute awareness of dangers by repeatedly carrying out "KYT" hazard prediction training geared to preventing work-related accidents. Our safety management staff members facilitate efforts of participants, and thereby more effectively conduct training, by turning to examples of past incidents selected based on the nature of work performed at the respective workplaces.

Such training is carried out using the basic four-step approach of KYT (hazard prediction training). Participants in such training initially pinpoint conceivable hazards by referring to illustrations in that regard, and then narrow down the choices through discussions on key points of danger. Finally, the participants verify and reinforce the team's decisions using a finger-pointing and choral declaration routine where participants point at the same time while simultaneously uttering a safety slogan.

Participants are ultimately able to discover, understand and find solutions to dangers associated with the workplace and work-related tasks through such training, thereby returning back to their workplaces equipped with such knowledge.



KYT (hazard prediction training)

### Occupational Safety and Health Activities

As part of our occupational safety and health activities, we implement education and training on cardiopulmonary resuscitation and use of automated external defibrillators (AED) as part of our occupational safety and health activities at our respective factory and business locations. It is important that employees repeatedly undergo training that entails properly following such procedures, even in cases where they have dealt with such real-life emergencies. We intend to create opportunities for many employees to take part in such training, particularly given that there have been instances where cardiopulmonary resuscitation and AEDs have been used to save lives of employees suffering heart attacks at Furukawa Company Group works.



### Instruction on Safety at Overseas Business Locations

At our overseas business locations, we conduct annual surveys particularly regarding local implementation of mandatory inspections of facilities, work environment measurements, and safety education. We furthermore provide guidance and advice with the aim of helping to bring about safer and more comfortable work environments, in light of factors such as local laws, climate and natural features.

## Employee Data

### Employee Diversity (calculated on a consolidated basis, excluding figures stated in the Notes)

	Unit	FY2015	FY2016	FY2017	FY2018	FY2019	Remarks
Number of employees	Persons	2,456	2,521	2,616	2,690	2,757	
	Male Persons	-	2,238	2,257	2,299	2,342	
	Female Persons	-	283	359	391	415	
Average age	Age	43.7	44.8	45.8	46.8	46.4	Domestic employees
	Male Age	45.3	47.0	47.7	49.0	48.7	
	Female Age	35.2	35.3	36.4	37.2	36.9	
Years of continuous employment	Years	17.4	18.4	19.2	20.3	19.8	Domestic employees
	Male Years	18.4	19.9	20.4	21.7	21.4	
	Female Years	12.3	11.9	13.2	13.9	13.2	
Number of managers	Male Persons	536	533	528	514	490	
	Female Persons	8	8	10	11	9	
Percentage of female managers	%	0.33	0.32	0.38	0.41	0.33	
Number of foreign national employees	Persons	426	447	527	585	590	
Percentage of employees with disabilities	%	2.19	2.55	3.35	3.49	3.48	
	Non-consolidated basis						
Number of older employees (60 and older)	Persons	107	111	102	107	105	Domestic employees
	Male Persons	107	106	97	102	102	
	Female Persons	0	5	5	5	3	
Number of recent graduate hires * Hired in Japan	Persons	39	47	49	43	62	Employees of Furukawa Co., Ltd.
	Male Persons	36	42	45	39	53	
	Female Persons	3	5	4	4	9	
	Foreign nationals	0	0	0	0	3	
	Persons	10	10	6	0	2	Employees of Furukawa Co., Ltd.
	Male Persons	9	9	6	0	2	
Female Persons	1	1	0	0	0		

\*1 Refers to the number of employees who have resigned for personal reasons and those who are no longer employed at behest of the Company, not including those transferred, etc.

### Work-life Balance (non-managerial employees of Furukawa Co., Ltd.)

	Unit	FY2015	FY2016	FY2017	FY2018	FY2019
Number of employees taking parental leave	Male Persons	-	25	36	35	33
	Female Persons	-	4	6	8	6
Percentage of employees taking parental leave	Male %	-	68.6	100	85.4	86.8
	Female %	-	100	100	100	100
Average number of days taken for parental leave	Male Days	-	21.8	3.5	13.9	21.4
	Female Days	-	293.0	387.7	421.5	499.0
Percentage of employees returning to work after having taken parental leave	%	100	100	100	100	100
Number of employees taking caregiver leave	Persons	0	0	0	0	1
Prescribed working hours	Hours	1,891	1,891	1,891	1,891	1,891
Extra working hours	Hours	315	286	248	322	305
Hours of paid annual leave taken	Hours	71	72	75	76	79
Total actual working hours	Hours	2,136	2,105	2,064	2,138	2,117
Overtime hours (monthly average)	Hours	26.27	23.80	20.65	26.85	25.40
Percentage of paid annual leave taken	%	44.3	45.5	47.4	48.2	51.0



Ideal image for 2025

## Pursue QCD based on CSR-oriented procurement aimed at sustainable manufacture and sales of products trusted by customers

### Fiscal 2019 targets and assessments

	Achievement
1 Further improve the precision of CSR surveys of major suppliers	★★★★
2 Interview suppliers about CSR activities	★★★
3 Expand the scope of CSR surveys to include the major suppliers of other group companies	★★★★
4 Formulate specific measures to strengthen control (QCD*1 + CSR) of major suppliers	★★★★
5 Continue Groupwide CSR-oriented procurement activities	★★★★

★★★★Target achieved; ★★★Target partially achieved; ★Target not achieved

### Fiscal 2020 targets

1 Further improve the precision of CSR surveys of major suppliers
2 Conduct interviews about CSR activities tailored to the circumstances of individual suppliers
3 Strengthen management (QCD + CSR) of major suppliers
4 Foster partnerships with suppliers
5 Continue Groupwide CSR-oriented procurement activities



[Comment from the Responsible Department] Overview of Fiscal 2019

## Promoting CSR Activities in the Supply Chain

In fiscal 2019, we began to consider methods for individual interviews based on the results of analysis of CSR promotion questionnaires and additional questionnaires issued to major suppliers in fiscal 2018.

In addition, to impart the Group's CSR Promotion Guidelines to even more suppliers, we broadened the scope of CSR promotion questionnaires to include major suppliers of the subsidiaries of core operating companies in the Machinery segment, and conducted questionnaires accordingly.

We intend to use the results of the questionnaires conducted to date and individual interviews to be conducted from now on to further deepen partnerships.

We are also committed to making contributions to society throughout the supply chain through CSR activities.



**Naoki Ikeda**  
General Manager, Purchasing Department

## Basic Approach

The Furukawa Company Group aims to build and maintain mutually beneficial and reciprocal trust-based relationships by exchanging information with suppliers and otherwise emphasizing communication. Here, we adhere to the principles of fairness and impartiality, comprehensive economic rationality, and the spirit of compliance with laws and confidentiality as set out in the Furukawa Company Group Basic Procurement Policies. At the same time, we collaborate with suppliers to encourage procurement activities that take CSR into consideration.

In addition, we are making efforts to procure copper ore from mines outside Japan in ways that consider the environmental impacts, labor problems, and other issues.

### Transition of CSR Procurement Initiatives

	FY2015-2016	FY2017-2018	FY2019-2020
Policy establishment	2014: • Established Furukawa Company Group Basic Procurement Policies 2015: • Created Furukawa Company Group CSR Guidelines for suppliers 2015: • Prepared questionnaires for suppliers	2017: • Prepared additional questionnaires for suppliers	
CSR surveys (operating companies)		2016: • Conducted questionnaire surveys (Target: Major suppliers) (Furukawa Co., Ltd.) (Core operating companies in the Machinery segment) (Furukawa Denshi Co., Ltd.) 2017: • Conducted questionnaire surveys (Subject: Major suppliers) (Furukawa Chemicals Co., Ltd.)	2018: • Conducted questionnaire surveys (Target: Major suppliers) (Furukawa Castec Co., Ltd.) (Asio Rock Drill Co., Ltd.) (FRD Iwaki Co., Ltd.)
Additional questionnaire surveys (operating companies)		2017: • Conducted additional questionnaire surveys (Target: Major suppliers) (Furukawa Co., Ltd.) (Core operating companies in the Machinery segment) (Furukawa Denshi Co., Ltd.) (Furukawa Chemicals Co., Ltd.)	2018: • Conducted additional questionnaire surveys (Target: Major suppliers) (Furukawa Castec Co., Ltd.) (Asio Rock Drill Co., Ltd.) (FRD Iwaki Co., Ltd.)
Interview surveys			2018: • Began conducting interviews (Target: Major suppliers) 2019: • Conducted interviews (Target: Major suppliers)
Internal training		2017: • Furukawa Co., Ltd. (Target: Purchasing Department employees) • Core operating companies in the Machinery segment (Target: section managers of Purchasing Department) • Core operating companies in the Machinery segment (Target: Purchasing Department employees) 2018: • Furukawa Chemicals Co., Ltd. (Target: Responsible person in Purchasing Department)	2019: • Furukawa Castec Co., Ltd. (Target: Responsible person in Purchasing Department) 2019: • Asio Rock Drill Co., Ltd. (Target: Responsible person in Purchasing Department) 2019: • FRD Iwaki Co., Ltd. (Target: Responsible person in Purchasing Department)
SDGs, ESG, other		2018: • Core operating companies in the Machinery segment, headquarters (Target: Purchasing Department general managers and section managers) 2018: • Materials Division of headquarters (Target: Purchasing Department employees)	

\*1 QCD: Abbreviation for quality (Q), cost (C), and delivery (D)

### 1 Follow-up on questionnaire survey results

In fiscal 2019, we considered methods of following up in response to the results of the questionnaire surveys. In addition, we began to conduct individual interviews of some suppliers, and confirmed the questionnaire survey content and explained the purpose of the Group's CSR procurement activities a second time.

### 2 Broadening the scope of CSR surveys to include major suppliers of subsidiaries

With our sights set on further promoting CSR activities throughout the supply chain in fiscal 2019, we further expanded the scope of CSR surveys to include major suppliers of subsidiaries of core operating companies in the Machinery segment, and conducted briefings of the Group's guidelines, questionnaires, and additional questionnaires accordingly.

### 3 Strengthening relations with major suppliers: Fostering partnerships

The Group considers suppliers to be important partners in aiming for mutual development.

Thus, in order to cement these partnerships, we intend to use CSR initiatives to deepen mutual understanding and foster trust-based relationships.



A production briefing at the Takasaki Yoshi Works of Furukawa Rock Drill Co., Ltd.

## Providing technical guidance to suppliers

In order to continue to maintain trust in the Group's products, we must maintain trust not only in the company itself, but also in the level of procured goods. Therefore, it is vital to survey, instruct, and manage suppliers—our partners—as to the quality of their products in addition to human rights, environmental issues, safety, and other aspects. The Purchasing Department of Furukawa Co., Ltd. is cooperating with core operating companies in the Machinery segment to offer guidance, recommendations, and other support to suppliers as necessary.

As an example of our activities in fiscal 2019, we visited an affiliate that fabricates components for can manufacturing, and confirmed and offered guidance on their material management and quality inspection systems for each fabrication process, and on environmental issues, and safety measures.



Offering technical guidance to an affiliate in Japan

## Materials Strategy Conferences

Each year, the company's Purchasing Department holds two Materials Strategy Conferences attended by the managers of Purchasing Department at core operating companies in the Machinery segment (Furukawa Industrial Machinery Systems Co., Ltd., Furukawa Rock Drill Co., Ltd., Furukawa Unic Corporation).

At these conferences, in an effort to promote procurement activities based on the Furukawa Company Group Basic Procurement Policies, participants confirm each operating company's progress on annual targets and exchange opinions toward issue resolution.

In fiscal 2019, participants examined in detail and exchanged opinions on strengthening supplier management geared toward fostering partnerships, a core element of Vision for 2025 for the Procurement Division.

More focused activities are carried out as opportunities to examine initiatives consistent with the policies of the Materials Strategy Conferences in more detail; these activities include scheduled monthly meetings at each operating company and meetings held for individual projects as needed.

## Participating in Volunteer Cleanup of Usuiso Beach in Iwaki

On Saturday, July 7, 2018, Furukawa Company Group companies participated in a volunteer cleanup of Usuiso Beach in the city of Iwaki. The event was hosted by the Iwaki Furukawa Association, and the participating companies included Furukawa Industrial Machinery Systems Co., Ltd. (headquarters and Tohoku Branch Office), Furukawa Denshi Co., Ltd., Iwaki Semiconductors Co., Ltd., FRD Iwaki Co., Ltd., and Furukawa Co., Ltd. (formerly Iwaki Kosan).

Usuiso Beach underwent infrastructure construction to repair damage caused by the tsunami resulting from the Great East Japan Earthquake. During the construction, the Iwaki Furukawa Association engaged in volunteer cleanup activities at other sites. Now the construction is complete, and the association restored Usuiso Beach as the focus of volunteer cleanup events, starting with this year's event.

More than 120 association members participated in the cleanup event, including more than 30 employees of the Furukawa Company Group.



## Hosting Tours of Industrial Heritages

Each year, the Ashio Office of Furukawa Co., Ltd. hosts special public viewings of industrial heritages at the request of the Nikko City Board of Education.

In July 2018, we hosted public viewings of the Furukawa Kakemizu Club, the site of the Honzan Smeltery, and the site of the former village of Matsuki. In December 2018, we hosted public viewings of the Watarase Company Housing and Bathing Area.

Each time, we received more applications than spaces available for the viewings, which reminded us of people's high level of interest in industrial heritages in the Ashio area. The Ashio Office intends to continue cooperating by hosting these tours to encourage understanding of the value of preserving and using these industrial heritages.



Site of the Honzan Smeltery

Site of the former village of Matsuki

## Participating in the Hirose River 10,000 People Project (27th Hirose River Basin Total Cleanup)

Furukawa Industrial Machinery Systems Co., Ltd. participated in the Hirose River Basin Total Cleanup, an event hosted by the Hirose River 10,000 People Project Organizing Committee, a 184-member group to which the company belongs. This year's event, the 27th, was held on April 20, 2019, and seven people from the Tohoku Branch Office of Furukawa Industrial Machinery Systems participated. The event was blessed with good weather—although chilly at first, it heated up later on—and everyone left with a refreshing feeling. The Tohoku Branch Office intends to continue to make efforts to maintain the cleanliness of the Hirose River through activities hosted by the committee.



## Hosting a Ceremony to Commemorate the Opening of the Furukawa Ashio History Museum

On April 3, 2019, a ceremony was held to commemorate the opening of the Furukawa Ashio History Museum. At the ceremony, President Miyakawa and other key people from the company joined Nikko City Mayor Kazuo Oshima and several others in the tape-cutting. The museum had operated under the NPO Ashio History Museum, but operations were transferred to the company, and we changed the name to Furukawa Ashio History Museum.

The museum features a display of over 30,000 materials, pictures, ores, and other valuable items donated or entrusted to the museum by people with connections to the Ashio Copper Mine and the company. To coincide with the ceremony, we partially renovated the museum and expanded the exhibitions, adding the first rock drill made in Japan, dioramas from Honzan Primary School that are evocative for the people of Ashiomachi, and more. Mayor Oshima remarked that tasking Furukawa Co., Ltd. with the museum's operation would further stimulate civic activity given that the company had established Ashio as the best mine in Asia, and the company's history of pioneering environmental measures.



From right to left, Honorary Curator Nagai; Director Ogino; President Miyakawa; Nikko City Mayor Oshima; Executive Officer Kuno; General Manager Yamazaki

## Basic Approach

The purpose of the IR activities of the Furukawa Company Group is to provide corporate information including management policies, business descriptions, business strategies, performance and financial information fairly, rapidly, and accurately; build trust-based relationships through dialogue; and earn appropriate valuations of our corporate value in the stock market; all so that shareholders and investors have a proper understanding of the Group. In addition, our basic stance is to relay the opinions and desires of shareholders and investors with regard to the Group to management as feedback, and otherwise strive for sufficient two-way communication.

## Primary IR Activities

### Communication with institutional investors and analysts

We hold results briefings (twice each year, at the end of the fiscal year and second quarter), individual IR meetings and small meetings, distribute and disseminate annual reports, hold tours of our plants and the like, conduct interview surveys, and more as part of our IR activities.



A financial results briefing for analysts

### Communication with individual investors

We disclose information on our website, distribute and disseminate convocation notices and reports for shareholders, email news releases and updated information on IR sites, and more as part of our IR activities.



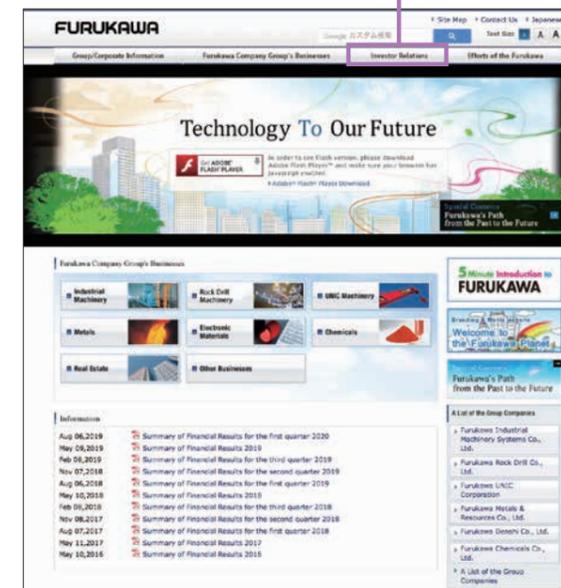
Visit the following site for reference documents for Shareholder's Meeting (text file)

<https://www.furukawakk.co.jp/e/ir/>

## Providing Information Online

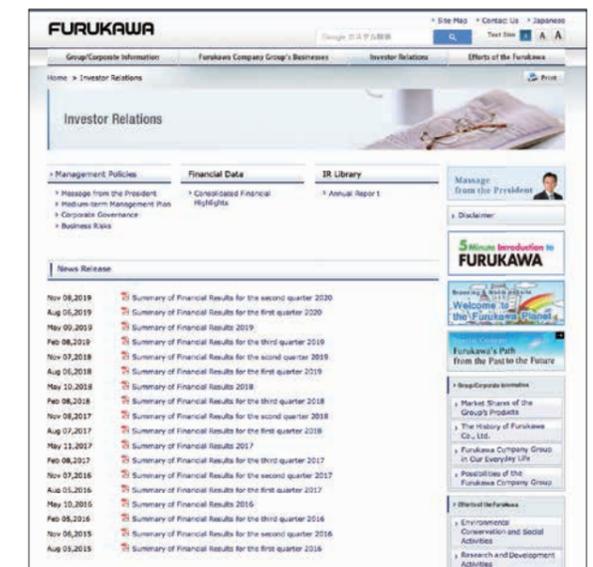
Front page

[https://www.furukawakk.co.jp/e\\_index.htm](https://www.furukawakk.co.jp/e_index.htm)



Investor relations

<https://www.furukawakk.co.jp/e/ir/>



# Corporate Information

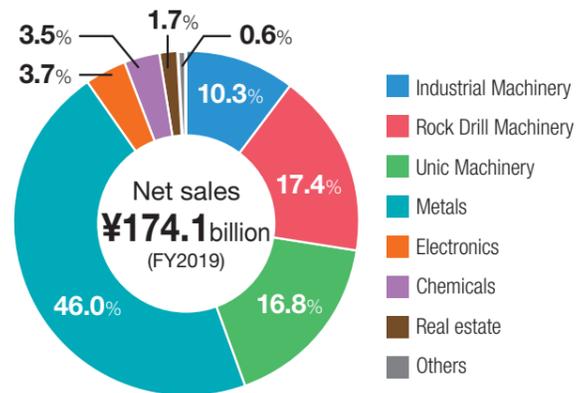
## Company Profile (as of March 31, 2019)

Company name: Furukawa Co., Ltd.  
 Head office: Marunouchi Nakadori Building, 2-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8370, Japan  
 Representative: Naohisa Miyakawa, President and Representative Director  
 Date of Foundation: August 1875  
 Date of establishment: April 1918  
 Business: Machinery business (industrial machinery, rock drill machinery, Unic machinery), materials business (metals, electronics, chemicals), real estate business (real estate, etc.)  
 Capital: ¥28,208.18 million  
 Fiscal year-end: March 31  
 Employees: 2,757 (consolidated)

## Business Domain

Machinery business		Industrial Machinery	Furukawa Industrial Machinery Systems Co., Ltd.
		Rock Drill Machinery	Furukawa Rock Drill Co., Ltd.
		Unic Machinery	Furukawa Unic Corporation
Materials business		Metals	Furukawa Metals & Resources Co., Ltd.
		Electronics	Furukawa Denshi Co., Ltd.
		Chemicals	Furukawa Chemicals Co., Ltd.
		Real Estate and others	Furukawa Co., Ltd.

## Departmental Sales Ratio



## Stock Conditions (as of March 31, 2019)

### Shares

Number of shares authorized:	80,000,000
Number of shares outstanding:	40,445,568
Number of shareholders:	20,874

### Composition of Shareholders



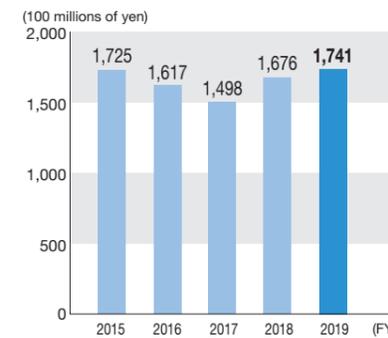
### Principal Shareholders

Name	Number of shares (thousands)	Stockholding ratio (%)
Asahi Mutual Life Insurance Co.	2,373	6.00
The Master Trust Bank of Japan, Ltd. (trust account)	1,893	4.78
Seiwa Sogo Tatemono Co., Ltd.	1,503	3.80
The Yokohama Rubber Company, Limited	1,341	3.39
Japan Trustee Services Bank, Ltd. (trust account)	1,052	2.66
Furukawa Electric Co., Ltd.	877	2.21
Fuji Electric Co., Ltd.	862	2.18
Sompo Japan Nipponkoa Insurance Inc.	839	2.12
Chuo Real Estate Co., Ltd.	687	1.73
Juniper	664	1.68

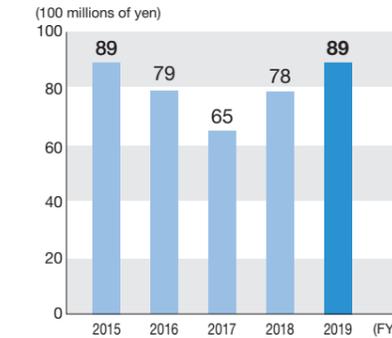
Note: 1. The Company holds 904,102 treasury shares. However, it is excluded from principal shareholders listed as above.  
 2. The stockholding ratio is calculated after deducting treasury shares (904,102 treasury shares).

## Financial Data

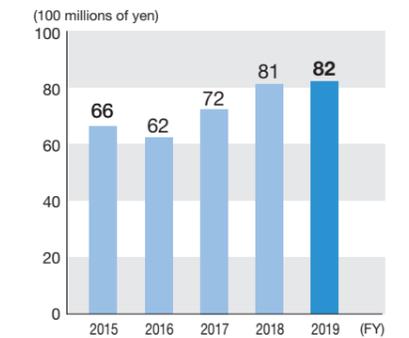
### Net Sales (consolidated)



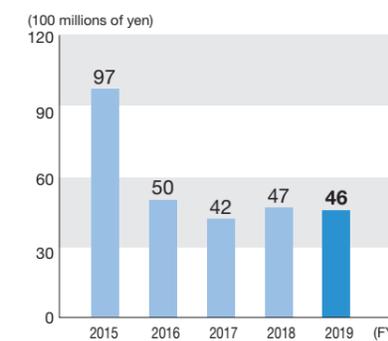
### Operating Income (consolidated)



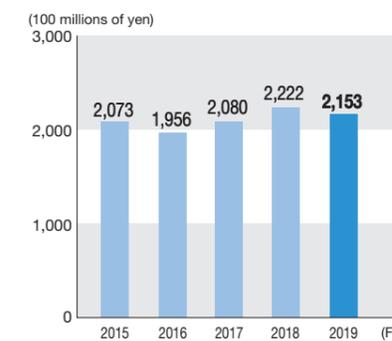
### Ordinary Income (consolidated)



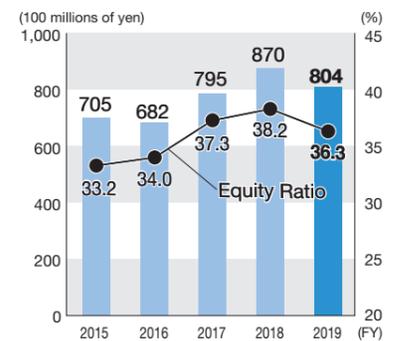
### Profit Attributable to Owners of Parent (consolidated)



### Total Assets (consolidated)

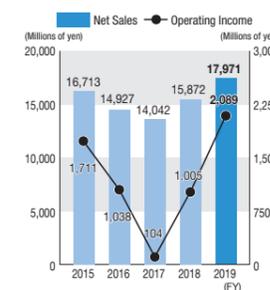


### Net Assets (consolidated)

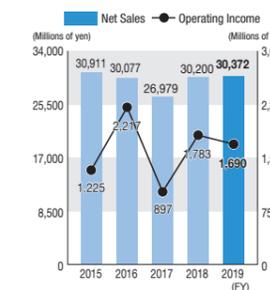


## Net Sales and Operating Income by Sector

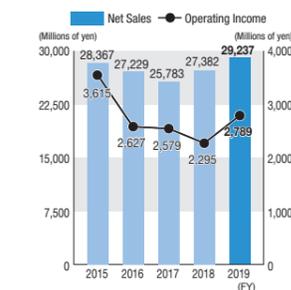
### Industrial Machinery



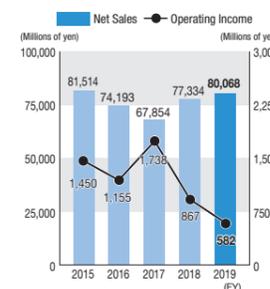
### Rock Drill Machinery



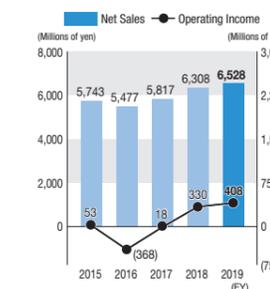
### Unic Machinery



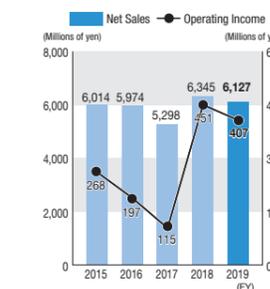
### Metals



### Electronics



### Chemicals



### Real Estate

