



August 9, 2023

To whom it may concern:

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Notice Regarding Endorsement of TCFD Recommendations and Disclosure of Information

At its meeting held today (August 9, 2023), the Board of Directors of Furukawa Co., Ltd. (the “Company”) resolved to express its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)*¹. We hereby announce that we disclose information based on the said recommendations and participate in the TCFD Consortium*². See below for details.

*1 Task Force on Climate-related Financial Disclosures (TCFD): An international initiative established by the Financial Stability Board (FSB) in 2015 to encourage companies to disclose information on the financial implications of risks and opportunities that climate change presents to their businesses.

*2 TCFD Consortium: A body established as a forum for companies and financial institutions that endorse the TCFD recommendations to work together to promote various initiatives, with the aims of ensuring efficient corporate information disclosure and discussing efforts to link disclosed information to appropriate investment decisions by financial institutions and others.

1. Endorsement of TCFD Recommendations

The Furukawa Company Group (the “Group”) hereby announces its endorsement of the TCFD recommendations. The Group takes climate change seriously and intends to deepen its understanding of climate-related risks and opportunities affecting its business while promoting more proactive disclosure of information based on the TCFD recommendations.

We also aim to realize a safe, environmentally friendly, and prosperous society by pursuing climate-related initiatives and stimulating dialogue with our stakeholders using disclosed information.



2. Information Disclosure Based on TCFD Recommendations

Information on the four core disclosure elements of the TCFD recommendations (Governance, Strategy, Risk Management, and Metrics and Targets) is disclosed in the attached document.

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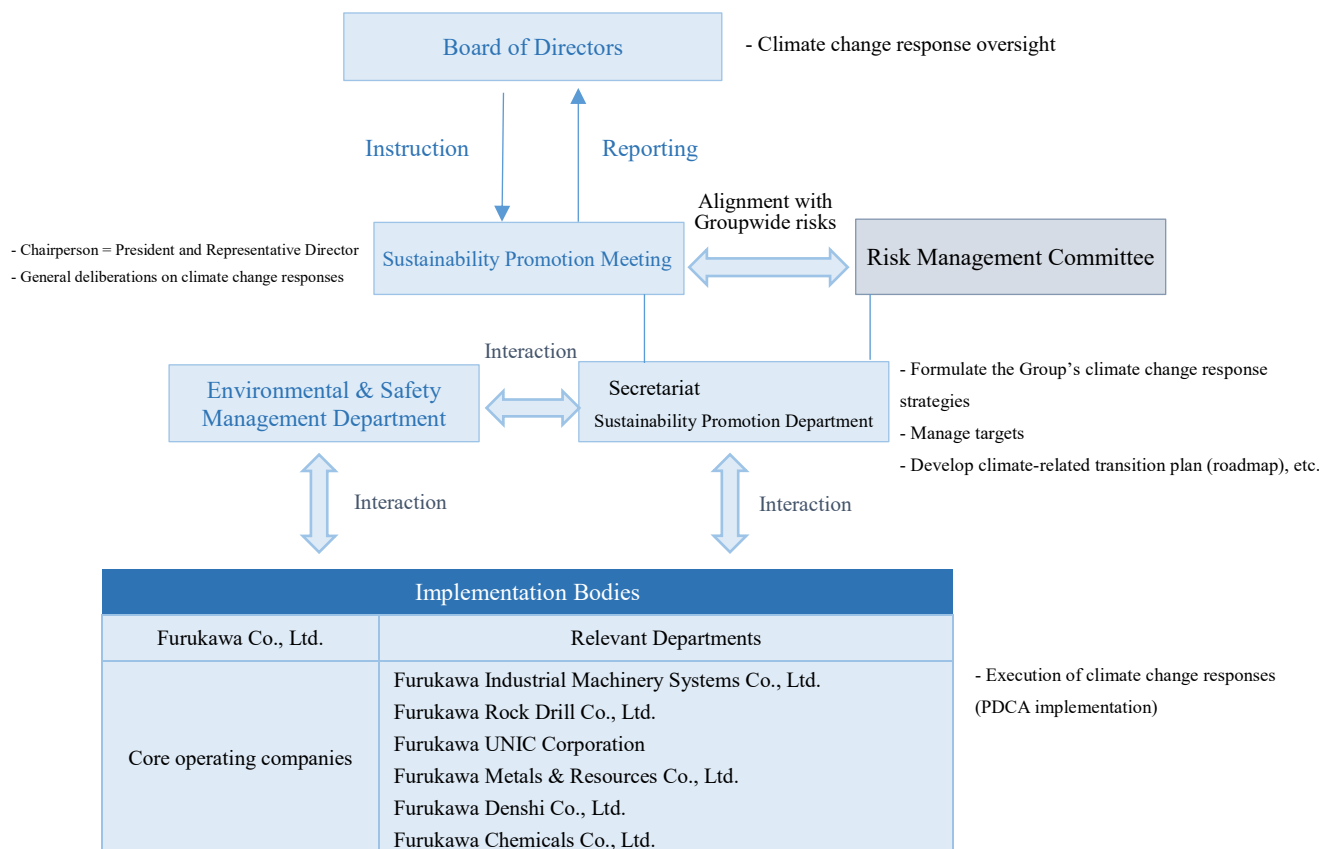
Information Disclosure Items Based on TCFD Recommendations

In order to accurately identify how risks and opportunities associated with climate change will impact corporate management (including financials), the TCFD recommends that information be disclosed in accordance with four core disclosure elements: Governance, Strategy, Risk Management, and Metrics and Targets. The Group will work to further enhance disclosure based on these four elements.

1. Governance

The Group recognizes that risks and opportunities associated with climate change represents an important management issue and is working to reduce greenhouse gas (GHG) emissions among other things. The Sustainability Promotion Meeting, chaired by the President and Representative Director, deliberates on how to address issues related to climate change and reports details of its deliberations to the Board of Directors. The Sustainability Promotion Meeting discusses various matters related to climate change. These include formulation of basic policies and action plans for the Group's climate change responses, development of a promotion framework, verification and evaluation of the status of activities, and education and public relations measures, and so on. In addition to Company directors and the presidents of each core operating companies, the Meeting includes the chairman of the Environmental & Safety Management Committee (general manager of the Environmental & Safety Management Department) and the general manager of the Sustainability Promotion Department. The Sustainability Promotion Department and the Environmental & Safety Management Department formulate the Group's climate change response strategies, manage targets, and develop a climate-related transition plan (roadmap) based on deliberations and suggestions made by the Meeting. Those departments also work together with the implementation bodies (the Group companies and every company department) to develop a PDCA cycle of planning, execution, evaluation, and improvement. Implementation of climate change responses by the Group companies and every company department is subject to institutional decisions by the Company's Management Council, Board of Directors, and others according to the level of importance. The director in charge of the Sustainability Promotion Department reports on the progress and results of climate change responses to the Board of Directors from time to time, thereby providing proper oversight by the Board.

Governance Structure for Climate Change Responses



Organizations and Meeting Bodies	Roles
Board of Directors	<ul style="list-style-type: none"> - Request/instruct the Sustainability Promotion Meeting on climate-related matters and deliberate on matters reported and/or proposed by the Meeting - Oversee the resolution and execution of important matters related to climate change
Sustainability Promotion Meeting	<ul style="list-style-type: none"> - Discuss and formulate basic policies and action plans for the Group's climate change responses, development of a promotion system, verification and evaluation of the status of activities, and education and public relations measures- Meet once a year, in principle, and otherwise as needed
Sustainability Promotion Department Environmental & Safety Management Department	<ul style="list-style-type: none"> - Formulate the Group's climate change response strategies, manage targets, develop climate-related transition plan (roadmap), etc. - Oversee the PDCA cycle in collaboration with the implementation bodies for climate change responses
Relevant departments of Furukawa Co., Ltd. Core operating companies	<ul style="list-style-type: none"> - Serve as implementation bodies to deploy PDCA cycle for climate change responses- Serve as implementation bodies to deploy PDCA cycle for climate change responses

2. Strategy

The Group operates numerous businesses and recognizes that the risks and opportunities associated with climate change vary from business to business. With this in mind, we decided to conduct a sequential scenario analysis of each business segment from two perspectives: the impact of climate change and the scale of business sales. As a first step, we conducted scenario analyses of the Rock Drills segment and Metals segment from February to June 2023.

For the scenario analyses, we set 1.5°C and 4°C scenarios based on scientific evidence from the International Energy Agency (IEA) and other sources. We then evaluated the significance of climate-related risks and opportunities that could affect our business in 2030 and 2050.

We plan to conduct scenario analyses of other segments as well while continuously reviewing the analyses of segments already covered. We will also disclose information about risks and opportunities we have identified in a timely and appropriate manner.

Scope of this year's analysis: Rock Drills segment (Furukawa Rock Drill Co., Ltd.);

Metals segment (Furukawa Metals & Resources Co., Ltd.)

* Combined sales of above two segments as percentage of consolidated net sales: 68.7% (FY2022)

Set Scenarios	1.5°C Scenario Emergence of transition risks and opportunities ⇒ 2030 assumption	4°C Scenario Emergence of physical risks and opportunities ⇒ 2050 assumption
Reference scenario	<ul style="list-style-type: none"> - IEA Net Zero Emissions by 2050 Scenario - IEA Sustainable Development Scenario - IPCC RCP2.6 	<ul style="list-style-type: none"> - IEA Stated Policies Scenario - IPCC RCP8.5
World view	<ul style="list-style-type: none"> - There is a risk of cost increases due to the Japanese government's push to introduce GHG emission regulations and a carbon tax. - With attention focused on products with low environmental impact, we see opportunities for increased revenues from sales of materials for EVs and renewable energy facilities, as well as products with high-energy-saving performances. 	<ul style="list-style-type: none"> - Extreme weather conditions will cause increases in natural disasters and rising temperatures, leading to the risk of damage to business sites and system facilities, as well as the risk of increased costs, such as higher raw material prices, due to difficulties in procuring materials. - Given progress in technological countermeasures and investments to address extreme weather events, we see opportunities for increased revenues from related products, technologies, and services.

(1) Lists of risks and opportunities

The Group has analyzed and studied various risks and opportunities related to climate change in collaboration with Furukawa Rock Drill Co., Ltd., and Furukawa Metals & Resources Co., Ltd., as well as relevant departments and the Sustainability Promotion Department of the Company. Among identified risks and opportunities, those deemed to have a “medium” or greater impact on our business are listed

below.

<Degree of impact>

Large: Major impact on the Company group

Medium: Limited impact on the Company group

Small: Minimal impact on the Company group

List of Risks

Type of Risk		Risk Description	Qualitative Evaluation		Countermeasures	
			1.5°C	4°C		
Risk	Transition risk	Government policies/regulations	Introduction of a carbon tax will increase transportation and other fuel procurement costs, as well as production costs and operational costs (GHG response costs related to electricity and delivery).	Large	Small	Switch to renewable energy, save energy, and reduce the environmental impact of our products <ul style="list-style-type: none"> - Utilize renewable energy sources, such as solar power - Improve energy efficiency by introducing LED lighting and energy-saving equipment, reviewing manufacturing processes, and strengthening GHG emission controls at production facilities - Reduce environmental impact of our products by using recyclable materials and extending product life - Increase use of environmentally friendly vehicles, such as EVs - Reduce GHG emissions through purchase of non-fossil certificates, etc.
		Technology	Failure to meet needs of the market, which favors products with low environmental impact, will result in lower sales.	Medium	Small	Shift to products with low environmental impact <ul style="list-style-type: none"> - Collaborate with suppliers to manufacture and develop products with low environmental impact
		Market	Expanding the share of renewable energy in the power supply mix of electric utilities will raise the price of electricity and increase operating costs.	Medium	Small	Promote renewable energy power sources to reduce electricity costs, use more renewable energy sources, conserve energy, and reduce environmental impact of our products <ul style="list-style-type: none"> - Promote renewable energy sources with zero CO2 emission factors to reduce electricity costs - Improve energy efficiency by introducing LED lighting and energy-saving equipment, reviewing manufacturing processes, and strengthening GHG emission controls at production facilities
	Physical risk	Acute	Extreme weather events (such as flooding) may cause offices and factories to shut down, resulting in decreased sales and/or increased restoration costs	Small	Large	Minimize damage and ensure proper management when disaster strikes <ul style="list-style-type: none"> - Secure multiple means of transportation - Diversify suppliers and work to minimize damage in the event of extreme weather conditions - Reinforce flood countermeasures at factories - Conduct regular water risk assessments at suppliers and sites and perform rigorous risk management in the event of flooding or inundation - Implement a business continuity plan (BCP) as a support and reporting protocol in the event of damage

List of Opportunities

Type of Opportunity		Opportunity Description	Qualitative Evaluation		Countermeasures
			1.5°C	4°C	
Opportunity	Market	Rising demand for machines that contribute to decarbonization will help bolster sales.	Large	Small	- Make capital investments to meet demand
		Reconstruction projects after disasters caused by extreme weather events will generate demand for our products.	Small	Large	- Make capital investments and develop products to meet demand
	Technology	Sales of products that contribute to energy conservation will increase.	Large	Small	- Collaborate with suppliers to expand lineup of energy-saving products

(2) Risks/opportunities and financial impacts based on relevant scenarios and, strategies and resilience against them

In this scenario analysis, we collected data necessary to calculate parameters and financial impacts and also performed a simplified calculation of the potential risks and opportunities. In the next fiscal year and beyond, we will conduct scenario analyses of segments other than those covered this fiscal year. We will also calculate the financial impact of risks and opportunities that may affect the Group and reflect such calculations in our business strategies.

3. Risk Management

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

4. Metrics and Targets

While the physical risks associated with climate change are expected to increase, the government's stated goals of "reducing GHG emissions by 46% from the fiscal 2013 level by fiscal 2030" and "achieving carbon neutrality by 2050." indicate that risks and opportunities related to the transition to a low-carbon economy to increase in the future. To achieve sustainable growth amid these changes, it is essential that the Group continues to identify risks and opportunities and step up efforts to address initiatives on climate change. With this in mind, we plan to develop a roadmap outlining the Group's responses toward carbon neutrality by fiscal year 2025. Committed to helping realize a decarbonized society, we will strive to provide products, technologies, and services that are highly effective in reducing GHG emissions and reduce emissions associated with our business activities.