

Strengthening Management

The Furukawa Electric Group properly monitors our business practices and endeavors to establish structures for improving them, so as to steadily meet our responsibilities to our various stakeholders, who view us from differing perspectives.

Main Stakeholders and Main Responsibilities



Main Stakeholders	Main Responsibilities	Means of Communication
Environment 	<ul style="list-style-type: none"> Reduce emission of gases that contribute to global warming Promote energy conservation and recycling Protect biodiversity Curtail industrial waste Manage and reduce harmful chemical substances 	<ul style="list-style-type: none"> Compliance with laws and regulations Compliance with the Kyoto Protocol and the Nagoya Protocol on biodiversity Response to environmental activities of the Ministry of the Environment and other government organs Research and information exchange on biodiversity preservation through JBIB*
Customers 	<ul style="list-style-type: none"> Maintain and improve the quality of products, operations and services Offer products and services that are useful to society Provide solutions to issues confronting customers through a broad array of technologies and know-how 	<ul style="list-style-type: none"> Dialogue through regular business Website, Sustainability Reports Dialogue at technology exhibitions, trade shows
Suppliers 	<ul style="list-style-type: none"> Establish a sound relationship founded on fair trading in compliance with laws and regulations Realize CSR throughout the supply chain by implementing CSR Deployment Guideline for Business Partners 	<ul style="list-style-type: none"> Partner Meetings Dialogue through regular business CSR surveys Feedback interviews on results of partner evaluations
Shareholders 	<ul style="list-style-type: none"> Provide appropriate returns Ensure timely and appropriate disclosure Enhance corporate value 	<ul style="list-style-type: none"> Sustainability Reports General meetings of shareholders, shareholder reports Management briefings and results presentations Investor visits Shareholder plant tours
Employees 	<ul style="list-style-type: none"> Respect human rights Cultivate and appropriately value and reward human resources Promote health, including occupational health and safety, as well as mental health Support diverse workstyles and work/life balance 	<ul style="list-style-type: none"> Internal newsletter, intranet Management briefings
Local communities 	<ul style="list-style-type: none"> Nurture future generation Promote sporting and cultural activities Live in harmony with the natural environment and local communities 	<ul style="list-style-type: none"> Factory tours Cooperate with and sponsor sports and traditional events Support the activities of and collaborate with local NPOs Preserve the Satoyama Environment

* Japan Business Initiative for Biodiversity. Founded in 2008, the JBIB is a joint effort by Japanese companies to act on behalf of biodiversity preservation.

Corporate Governance

The Furukawa Electric Group strives to maintain sound management by constructing and upgrading highly transparent and efficient internal control systems.

Board of Directors and Board of Corporate Auditors

Board of Directors

The Furukawa Electric Board of Directors is composed of 11 directors, including two Outside Directors. This is so as to receive advice and opinions from an outside perspective in Board of Directors meeting discussions and decisions. It helps to ensure transparency in decision-making, and strengthens the oversight function in management overall.

The Outside Directors bring their rich experience from the worlds of trading and corporations, and provide valuable advice and guidance from a variety of perspectives, and the Board takes these into serious consideration in making decisions. Therefore, we have created a system that enables Outside Directors and Outside Auditors to perform their duties smoothly, which includes doing our best to schedule our Board of Directors meetings so that our Outside Directors and Outside Auditors are able to attend, provide them with documentation several days in advance and also to provide them with detailed prior explanations so as to deepen their understanding sufficiently in regard to items of discussion.

The Compensation Committee, which includes Outside Directors, is charged by the Board with the policy on compensation of directors and the details of individual compensation, so as to maintain transparency in the decision process and eliminate arbitrariness.

Board of Corporate Auditors

Furukawa Electric has in place a Board of Auditors. We place great importance on the function performed by our Corporate Auditors and Board of Corporate Auditors, which

are independent of the Board of Directors. We continue to make every effort to strengthen our audit functions through close collaboration between our Corporate Auditors, Accounting Auditors and the CSR Division, which acts as our internal auditing department, including sharing information and exchanging opinions.

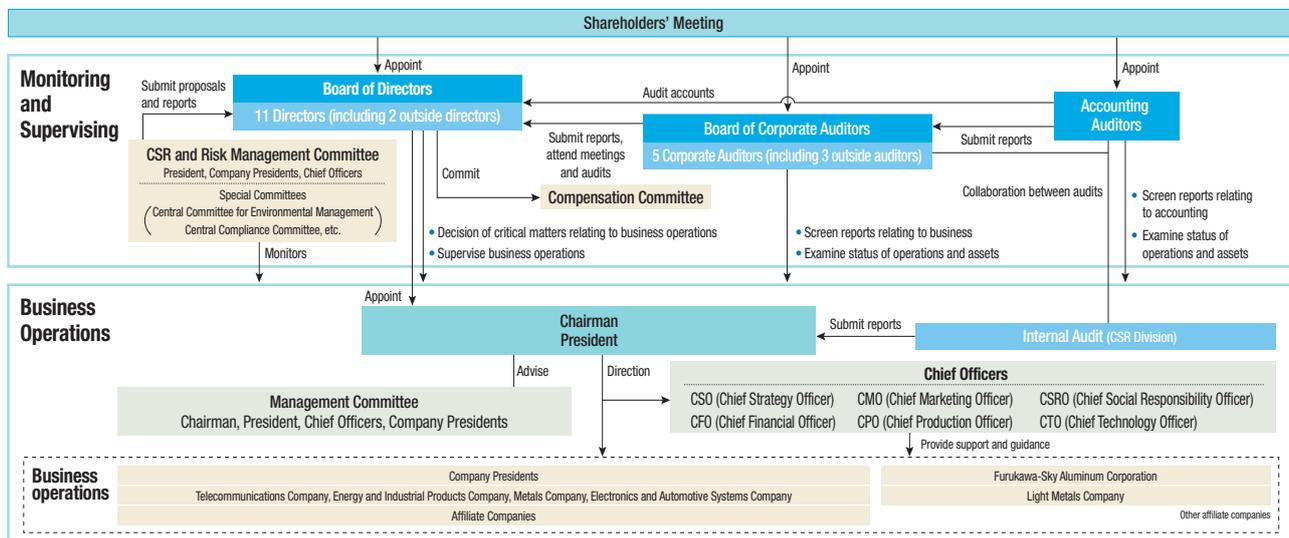
Operational Performance

Our operational structure is based on a company system and a chief officer system. Under the supervision of the president, who is responsible for overall operational performance, operations are run by company presidents, and operations relating to matters such as groupwide strategies, resource allocation and administration are handled by the relevant chief officer. Details are then reported back to the Board of Directors on a quarterly basis.

Internal Control

Our Group internal control system is implemented with the understanding that internal control maintains and enhances the efficiency of operational performance, ensures compliance, manages risk and information, and oversees Group companies. The CSR Division Administration Department Internal Control System Group upgrades the system, and also assesses and seeks to improve its operations. The Group J-SOX Committee and the CSR Division are responsible for composing the Furukawa Electric Group's financial reports as required under the Financial Instruments and Exchange Act, and maintaining and enhancing their credibility.

Corporate governance organization chart



CSR Management

The Furukawa Electric Group has created a specialized unit for taking a unified approach to CSR activities, including strengthening compliance and risk management.

CSR Promotion Framework

The Furukawa Electric Group established the CSR Division as a specialized unit for promoting CSR activities and appointed a Chief Social Responsibility Officer (CSRO) to supervise its operations in accordance with the Group's Basic Policy on CSR. It enhances the monitoring of overall corporate practices from the point of view of CSR concerns such as internal controls, compliance, risk management, safety, environmental conservation, and social contribution, and takes a unified approach to CSR-related activities. In the event a problem occurs, it provides a system for taking the necessary measures, such as investigating the background of the problem and elucidating the cause, establishing and implementing remedial and recurrence prevention measures, disclosure, etc.

Furukawa Electric Group Basic Policy on CSR

Based on the Furukawa Electric Group Corporate Philosophy,

- We will operate our businesses in harmony with society and the environment and endeavor to create social value through technological innovation, complying with laws, social norms, and ethics as a member of the international community.
- We will strive to maintain and build sound and friendly relationships with all of our stakeholders and contribute to the sustainable development of society.

http://www.furukawa.co.jp/english/csr/management/csr_manage.htm

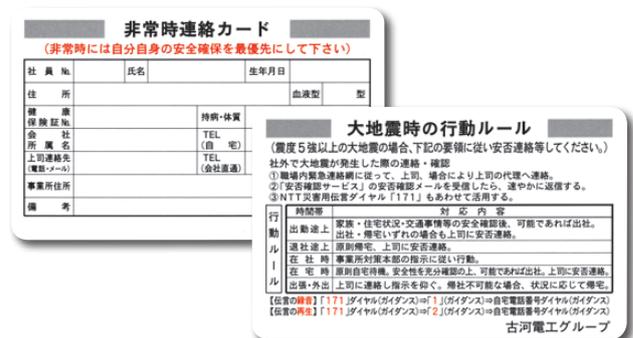
necessary.

In line with the Group's development of business in global markets, the risks that it faces grow more diverse and complex each year. Going forward, we plan to reorganize our risk management structure, integrating it with the management control function to create a more effective risk management organization.

Business Continuity Management (BCM)

The Furukawa Electric Group has established a Business Continuity Management System (BCMS). We pursue groupwide BCM activities based on this system.

In fiscal 2012, we distributed a companywide questionnaire to evaluate our response to the Great East Japan Earthquake. Based on the responses we received, we revised our Crisis Management Rules (Companywide Rules) and Emergency Response Headquarters Establishment and Operation Manual (CSR Standards) and created a new Emergency Contact Card.



Emergency Contact Card

Risk Management

Risk Management

Our CSR and Risk Management Committee conduct regular risk assessments, identifying and evaluating risks. The committee defines important risks that require a companywide response and promotes measures to address them.

The CSR and Risk Management Committee Secretariat reports the status of progress on these measures to the committee and the Board of Directors and follows up, as

Important companywide risks and priority management items (fiscal 2012)

Important Companywide Risks	Priority Management Items (Fiscal 2012)
<ol style="list-style-type: none"> 1. Compliance 2. Quality control 3. Large-scale disasters, such as earthquakes 4. Information security 5. Affiliated company controls 	<ol style="list-style-type: none"> 1. Occupational safety 2. Management of toxic and poisonous substances

Furthermore, we conducted BCP Exercise Assuming a Tokai Earthquake at our Hiratsuka Works (October), BCP Exercise Assuming a Tokyo Metropolitan Earthquake at our Chiba Works (November) and Incident Response Exercise Assuming a Tokyo Metropolitan Earthquake at our headquarters (December). We confirmed the viability of the above-mentioned rules and manuals, and held discussions to envision potential situations. The Central Disaster Prevention and Business Continuity Management Promotion Committee, the body that promotes groupwide disaster prevention and BCM activities, deliberated the results of these discussions, and we are now in the process of making further revisions.

Four of our affiliated companies suffered damage from the flooding in Thailand in October 2011, and temporarily suspended production. We had alternative production in place within two months, but we recognize that our response to this risk had been insufficient. Learning from

this experience, we will improve our BCM activities going forward.

In recognition of our efforts, in April 2012 we received the BCAA Award 2011*, the “Award for Practical Excellence” from the Business Continuity Advancement Association (BCAA), a specified nonprofit organization managed by the Japanese Cabinet Office. We were evaluated highly in three areas: “efforts to promote companywide BCM activities through committee action,” “the rapid restoration of works following the Great East Japan Earthquake through the actual operation of established BCPs,” and “proactively communicating information pertaining to the experience outside the company.”

* This award is presented to recognize individuals and organizations in Japan that contribute to the spread and implementation of business continuity (BC) activities.



Award ceremony

Compliance

Instilling Compliance Globally throughout the Group

The Furukawa Electric Group is working to augment groupwide compliance, including at overseas bases. These efforts are designed to identify changes in the business environment resulting from global developments and changes in the positioning of compliance within international society, as well as taking into account our international scope of activities.

In fiscal 2012, in accordance with our March 2011 revision of the Furukawa Electric Group CSR Code of

Conduct, we issued the fourth edition of the Furukawa Electric Group CSR Compliance Handbook, which serves as an instruction manual. Furthermore, to instill at overseas affiliated companies our Group corporate philosophy and code of conduct, we held meetings to exchange ideas in China and Southeast Asia, and we published international and China area version of the handbook. In addition, to ensure our compliance with individual countries’ competition laws, we published a bilingual Japanese/English Competition Laws Compliance Guide that outlines the content that overseas affiliated companies need to put into practice. We have shared this information groupwide to prevent any recurrence of breaches of competition laws.

Exchanges of Ideas in China and Southeast Asia

In August 2011, our CSR Division hosted Internal Control Presentations/Exchanges of Ideas Pertaining to Compliance in Shanghai, Tianjin and Bangkok. The representatives of affiliated companies in China and Southeast Asia participated in these activities. After

explaining the revisions to the Furukawa Electric Group CSR Code of Conduct, we had exchanges of ideas on global compliance promotion.



Meeting to exchange ideas (Tianjin, China)

Preventing Bribery

Anti-bribery laws, including but not limited to the U.S. Foreign Corrupt Practices Act and the UK Bribery Act have recently been strengthened, and government agencies are increasingly active on their enforcement. Accordingly, the Furukawa Electric group is continuously determined that the groupwide management of bribery risks is of the utmost importance.

During fiscal 2012, we conducted bribery risk assessments targeting overseas affiliated companies to determine the degree to which they were currently facing the risk of bribery. To enhance our own measures in this area, in April 2012 we formulated the Furukawa Electric Group Anti-Bribery Statement.

Going forward, we will create a groupwide bribery risk management system, drawing up guidelines for consistent action across the Group and conducting awareness activities.



International and China area versions of our CSR Compliance Handbook

CSR Management

Monitoring

Voluntary Compliance Checks

Furukawa Electric has designated October and November of each year as "Compliance Months," during which we execute compliance activities. During this period, one such effort was our Voluntary Compliance-Checking Activities.

In fiscal 2012, we asked each department conduct self-checks with check sheets covering four areas: the Anti-Monopoly Act, dispatch and contract work, subcontracting transactions and occupational safety. We plan to expand areas covered by such check sheets in an effort to enhance this activity. In addition, we are developing the information in check sheets for affiliated companies in order to raise groupwide awareness.

Employee Compliance Awareness Surveys

We conduct compliance awareness surveys targeting the employees of Furukawa Electric and affiliated companies in

alternate years. Designed to gauge employee awareness and understanding of compliance, these surveys aim to encourage recognition of compliance. In fiscal 2012, we conducted such surveys targeting approximately 5,400 employees. In fiscal 2013, we plan to boost compliance awareness and strengthen risk management based on survey results.

Compliance Education

The Furukawa Electric Group conducts compliance education for employees at every level of the Company, from new recruits to directors. Furthermore, we hold theme-based group training such as seminars related to the Anti-Monopoly Act and e-learning courses, and conduct groupwide compliance education.



Compliance education in fiscal 2012

<http://www.furukawa.co.jp/english/csr/management/comp.htm>

Report on Anti-Monopoly Act Violations

In September 2011, the Company entered into a plea agreement with the U.S. Department of Justice concerning allegations of cartel activities with certain competitors involving transactions of automotive wire harness products. In court proceedings following this agreement, the Company was assessed a fine of US\$200 million. Investigations involving transactions on these same products are also underway by the authorities of some countries, including the European Commission. In Japan, the Japan Fair Trade Commission submitted an order related to transactions on these products in January 2012. Although we were not the recipient of this order, we were cited within the order as being in violation.

Furthermore, in July 2011, we received from the Japan Fair Trade Commission cease and desist as well as administrative surcharge orders in relation to Anti-Monopoly Act violations by two of our domestic subsidiaries involving transactions related to wire and cable products for construction and interior wiring. Also in July 2011, equity method affiliate VISCAS Corporation received from the European Commission a Statement of Objections* related to transactions involving power cables and

related products, and this investigation is ongoing.

On December 10, 2009, the Furukawa Electric Group released the report of the Third-Party Investigation Committee on Violations of the Anti-Monopoly Act. Prior to releasing the report, we had investigations conducted by outside attorneys with the aim of preventing and eradicating activity considered to be in potential violation of the Anti-Monopoly Act, and we introduced groupwide recurrence prevention measures, based on the committee's findings. Although the abovementioned proceedings and investigations result from transactions prior to December 2009, we apologize sincerely to all related parties for the concern and trouble we have caused them over a prolonged period. We will continue working to restore public trust through thorough compliance activities at each company in the Furukawa Electric Group, both in Japan and overseas.

* A "Statement of Objections" indicates a provisional opinion by the European Commission concerning suspicion of infringement of European competition laws, and requests a statement by the party or parties involved. The Statement of Objections document is currently under examination, and no final determination has been made.