

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
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, CSR 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 Procurement Guidelines for 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"> Annual 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 Heart-to-heart communication between president and employees Management briefings
Local communities 	<ul style="list-style-type: none"> Promote sporting and cultural activities; cultivate the next generation Cooperate with and sponsor traditional events Support the activities of and collaborate with local NPOs 	<ul style="list-style-type: none"> Factory tours Hosting of Japanese dance and other regional events Social contribution activities, such as employee participation in community clean-ups
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*

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

Fiscal 2011 Targets and Results, Fiscal 2012 Targets

The Furukawa Electric Group sets firm targets for our CSR efforts based upon our CSR Code of Conduct, and seeks to upgrade these efforts through use of the PDCA Cycle.

Fiscal 2011 Targets and Results, Fiscal 2012 Targets

	Fiscal 2011 Targets	Fiscal 2011 Results	Achievement	Fiscal 2012 Targets
Compliance / Risk Management	<ul style="list-style-type: none"> • Thorough compliance awareness 	<ul style="list-style-type: none"> • Held "heart-to-heart communication between president and employees" at 6 business sites • Held "Compliance Roundtables" at each site and branch 	✓	<ul style="list-style-type: none"> • Develop "heart-to-heart communication between president and employees" at sales bases • Execute 2nd Employee Compliance Awareness Survey
	<ul style="list-style-type: none"> • Revision of CSR Code of Conduct 	<ul style="list-style-type: none"> • March 2011 Revised CSR Code of Conduct (Global edition) 	✓	<ul style="list-style-type: none"> • Publish Furukawa Electric Group CSR Compliance Handbook (4th Edition) and use in training • Publish educational materials in English and Chinese
	<ul style="list-style-type: none"> • Prevention of recurrence of Anti-Monopoly Act violation issues and voluntary compliance checking 	<ul style="list-style-type: none"> • Held Anti-Monopoly Act Seminars, auditing of main points by auditing unit • Implemented voluntary checking within units using the "Check Sheets" 	✓	<ul style="list-style-type: none"> • Enhance voluntary compliance checking (Expand range of area-specific Check Sheets)
	<ul style="list-style-type: none"> • Implementation of Business Continuity Plan (BCP) and its certification 	<ul style="list-style-type: none"> • January 24, 2011 Acquired BS25999 certification covering the optical semiconductor business 	✓	<ul style="list-style-type: none"> • Revise BCP and make it more thorough
Safety and Health	<ul style="list-style-type: none"> • 0 serious accidents, accidents requiring leave 2 or fewer 	<ul style="list-style-type: none"> • 0 serious accidents, 3 accidents requiring leave 		<ul style="list-style-type: none"> • 0 serious accidents, accidents requiring leave 1 or fewer
	<ul style="list-style-type: none"> • Construction of labor safety and health management system 	<ul style="list-style-type: none"> • Acquired Japan Industrial Safety and Health Association OSHMS certification at the Mie Works and Hiratsuka Works 	✓	<ul style="list-style-type: none"> • Acquisition of JISHA OSHMS certification by the Nikko Works
Quality	<ul style="list-style-type: none"> • Reduction of quality complaints. 10% in comparison with fiscal 2010 	<ul style="list-style-type: none"> • Reduced by 24.5% compared with fiscal 2010 	✓	<ul style="list-style-type: none"> • Reduce by 10% compared with fiscal 2011
Environment	Initiatives for the Environment Refer to Targets and Performance (page 22)			
Procurement	<ul style="list-style-type: none"> • Make suppliers aware of CSR Promotion Guidelines for Partners 	<ul style="list-style-type: none"> • Distributed guidelines at Partner Meetings • Assessed main partners and held feedback consultations 	✓	<ul style="list-style-type: none"> • Execute partner assessments and feedback consultations • Disclosure of CSR Guideline (English edition) for overseas partners
Labor and Personnel Development	<ul style="list-style-type: none"> • Global personnel development 	<ul style="list-style-type: none"> • Executed Global Development Program (GDP) through our overseas local corporate members 	✓	<ul style="list-style-type: none"> • Continue with GDP
	<ul style="list-style-type: none"> • Improve worksite capabilities 	<ul style="list-style-type: none"> • Established Training Center for strengthening worksite capabilities • Developed 16 Senior Trainers 	✓	<ul style="list-style-type: none"> • Develop worksite capability training at all works • Increase number of Senior Trainers
	<ul style="list-style-type: none"> • Put workstyle innovations into practice 	<ul style="list-style-type: none"> • Newly established Refresh Leave Program • Executed "Facilitation Training" to improve meeting effectiveness (for all Section Managers) 	✓	<ul style="list-style-type: none"> • Look into and execute work systems in response to disaster/power supply issues • Work from home system for use during childcare leave, introduce return to work system for employees who dropped out due to childbirth or childrearing
Social and local community contribution	<ul style="list-style-type: none"> • Active social contribution efforts 	<ul style="list-style-type: none"> • Lateral development of social contribution examples within the Group 	✓	<ul style="list-style-type: none"> • Newly establish Volunteer Leave System • Newly establish volunteer activity portal site

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 12 directors, including three 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 finance, 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, 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.

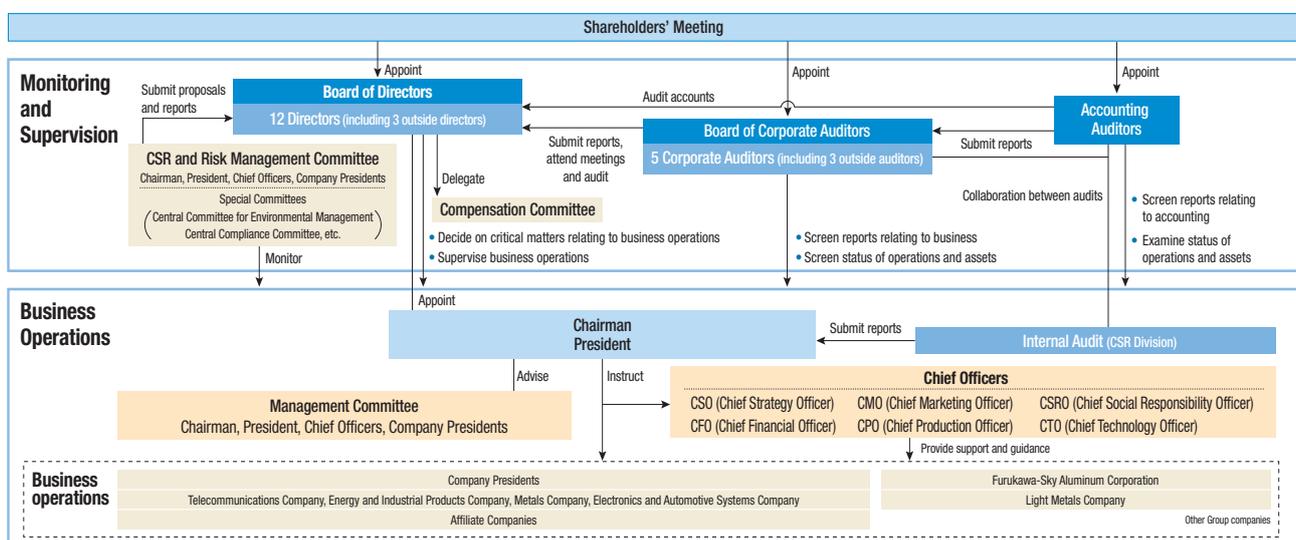
Operational Performance

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 Group-wide 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 affiliated companies. The CSR Division Control 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. 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 (Revised March 2011)

Based on the Furukawa Electric Group Corporate Philosophy,

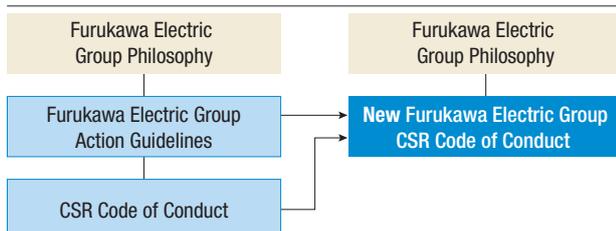
- We will operate our businesses in harmony with society and the environment and endeavor to create social value through technological innovation, complying with laws, social norms, and ethics as a member of the international community.
- We will strive to maintain and build sound and friendly relationships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

 [CSR Promotion Framework
http://www.furukawa.co.jp/english/csr/management/csr_manage.htm](http://www.furukawa.co.jp/english/csr/management/csr_manage.htm)

Revision of the Furukawa Electric Group CSR Code of Conduct

The social importance of CSR and compliance has been rapidly changing in recent years, with more customers demanding the promotion of such activities across the entire

Integration of the Furukawa Electric Group Action Guidelines into CSR Code of Conduct



supply chain. Also, in 2010, which was the International Year of Biodiversity, further efforts to develop global environmental conservation were discussed, and the international guidelines on social responsibility (ISO26000) were issued.

In response to these changes, in March 2011 we revised the Furukawa Electric Group CSR Code of Conduct so as to strengthen our CSR efforts across the entire Group, including our overseas bases, to take into account our international scope of activities. Also, in conjunction with this we published the Furukawa Electric Group CSR Compliance Handbook (4th Edition), which clearly explains the new Code of Conduct using concrete examples.

 [Furukawa Electric Group CSR Code of Conduct
http://www.furukawa.co.jp/english/csr/management/index.htm](http://www.furukawa.co.jp/english/csr/management/index.htm)

Risk Management

Risk Management

The Furukawa Electric Risk Management Committee assesses risks through its regular risk survey. It designates the five important risks that must be undertaken throughout the company as well as the units that are responsible for them, as it works to reduce the degree of risk and follow up on the status of risk responses.

For example, we have established a basic policy for information security and personal information protection so as to maintain information security, and thoroughly revised the related company-wide regulations accordingly. At the same time, we conduct e-learning courses along themes such as information leak prevention, trade secret protection based upon the Unfair Competition Protection Act, personal information protection and the prevention of unauthorized access, and promote activities for increasing risk awareness concerning information security.

New risks have arisen since the occurrence of the Great East Japan Earthquake on March 11, such as electrical power issues. We will further strengthen risk controls as we take a close look at changing risk trends.

Major Fields of Company-Wide Risk

1. Compliance
2. Quality control
3. Large-scale disasters, such as earthquakes
4. Information security
5. Affiliated company controls

BCM (Business Continuity Management)

In fiscal 2011 the Furukawa Electric Group Central Disaster Prevention and Business Continuity Management Committee established the Business Continuity Management System (BCMS) based upon the British Standards (BS25999-2), which in practical terms is considered the international standard for business continuity management system. It determined that companies which had not set about creating business continuity plans (BCP) for important business should do so, prompting the start of BCM at all companies.

We took the lead with BCM promotion in fiscal 2009 in our laser diode business, which is one of our main businesses, and received British Standards (BS25999-2) certification for it on January 24, 2011. We provide products to domestic and overseas telecommunications equipment manufacturers and telecommunications carrier through this business, and the pivotal importance of this business in supporting the construction of a supply chain for telecommunications systems caused many customers to strongly demand business continuity capability. Therefore, this is an activity that increases our enterprise value, so we put effort into acquiring certification.

Also in fiscal 2011, the relevant units from Headquarters and the Chiba Works participated in a read-through of the BCP, which presupposes an earthquake with an intensity of upper 6 on the Japanese seismic intensity scale. Although this was only a tabletop exercise, its effectiveness was borne out by the lack of confusion and smooth initial response in our work to restore business in the aftermath of the Great East Japan Earthquake.



BS25999-2 Certification Ceremony



BCP-based exercise (Chiba Works)

Compliance

Improving Compliance Awareness Heart-to-Heart Communication between the President and Employees

Our New Frontier 2012 mid-term management plan declares our focus on the President's policy of thorough safety, quality and compliance in our business practices. We conduct our "Heart-to-heart communication between the President and employees" program so that the President can confirm for himself exactly how this focus on safety, quality and compliance is developed at our worksites and what activities are being undertaken, and for the President to get unvarnished opinions from employees on the spot. The program was conducted at six of our Works in fiscal 2011, where the Works Chiefs, Manufacturing Department General Managers, Forepersons, and Chief Operators sat down with the President to exchange opinions. We will expand the program to include our sales bases in fiscal 2012.



"Heart-to-heart communication between the President and employees" meeting

Compliance Roundtable

Members of the CSR Division visited the Furukawa Electric business bases for small-group roundtable discussions of compliance themes. 26 such meetings, delineated by rank, were held at 11 sites during the period May through July 2010, with a total of 200 employees in attendance. At the meetings, the CSR Division provided the results of the Employee Compliance Awareness Survey conducted in fiscal 2010, after which lively exchanges of opinion about compliance ensued. This of course enabled the unfiltered opinions of the participants about compliance to be expressed, while it also deepened the participants' understanding of compliance, making these roundtable discussions valuable.

The Employee Compliance Awareness Surveys are conducted reciprocally by Furukawa Electric and the affiliates in alternate years. In fiscal 2011, the Survey was conducted at 22 affiliates, with around 3,000 employees surveyed.



Compliance Roundtable for the Section Chief/Manager level

CSR Management

Monitoring Strengthening the Group Auditing System and Functions

The CSR Division regularly tours each unit as well as the affiliates to conduct internal audits of business execution. Compliance was added last year to the list of important audit categories, and audits of 50 Headquarters units were conducted, mainly of those involved in manufacturing and sales, as well as at 30 consolidated subsidiaries. We also conduct internal audits at overseas affiliates, in addition to which outside experts in local laws and risks are enlisted to conduct special audits.

Voluntary Compliance Checks

Furukawa Electric has designated October and November of each year as “compliance months,” during which we execute our company-wide compliance activities. In fiscal 2011, we newly added checking using Individual Compliance Review

Check Sheets and Area-Specific Check Sheets pertaining to individual areas such as the Anti-Monopoly Act. We will expand the range of items covered by the Area-Specific Check Sheets and continue to increase our Voluntary Compliance Check system.

Compliance Education

We conduct compliance education for employees at every level of the company, from new recruits to directors. We published the Furukawa Electric Group CSR Compliance Handbook (4th Edition), which explains the CSR Code of Conduct and other compliance-related matters, for use as a textbook, and plan to develop compliance education throughout the Furukawa Electric Group in fiscal 2012.

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

Reports on Misconduct (As of August 15, 2011)

Anti-Monopoly Act Violation

The Furukawa Electric Group was served with an administrative order as described below concerning the violation of anti-monopoly statutes. We deeply regret the concern that these incidents have caused our customers, shareholders and all related parties.

In December 2009, the Furukawa Electric Group released the report of the Third-Party Investigation Committee on Violations of the Anti-Monopoly Act, and implemented measures to prevent recurrence based on the Committee’s findings. In parallel with the Committee’s investigation, we had thorough investigations conducted by outside attorneys. In addition to confirming that there will be no recurrence of behavior that caused problems in the past, any behavior that could cause suspicion has been ceased. We will continue to work to restore public

trust, and enlist the entire Group in seeking thorough compliance awareness.

Other items currently under investigation concerning overseas competition laws are as follows:

- Cooperating with the EU and US authorities in an investigation concerning automotive wire harnesses and related products;
- Statement of Objections received in July 2011 by VISCAS Corporation (an equity-method subsidiary) and Furukawa Electric from EU authorities concerning power cables and related products.

* 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 part(ies) involved. The Statement of Objections document is currently under examination, and no final determination has been made.

Anti-Monopoly Act Violation

Issue	Company	Date	Cease-and-Desist Order	Administrative Surcharge Payment Order
Optical fiber cable and related products	Furukawa Electric Co., Ltd.	May 2010	○	¥4.6 billion
Electric wires for construction and distribution	Furukawa Elecom Co., Ltd.	November 2010	—	¥460 million
Specific WF cable for interior wiring	Kyowa Electric Wire Co., Ltd.	July 2011	○	—
	Furukawa Elecom Co., Ltd.		—	¥50 million

* Furukawa Electric has made a court appeal with regard to some optical fiber cable and related products included in the administrative surcharge payment order regarding violation of the Anti-Monopoly Act.

Theft of Gold Potassium Cyanide from the Nikko Works

In January 2011, it was revealed that a quantity of gold potassium cyanide, a toxic substance listed in the Cabinet Order for the Designation of the Poisonous and Deleterious Substances, was missing. This substance could cause serious harm to large numbers of people, and we offer our most sincere apologies for any concern this has caused. According to a police investigation, the substance was stolen to be sold for cash, and the full amount of gold potassium cyanide stolen at the end of December 2010 had been recovered. While Furukawa Electric has always managed toxic substances in accordance with laws and regulations, our measures against theft had not been absolutely sufficient, so we conducted examinations of our controls at all Group companies, and are proceeding with measures to prevent recurrence.