

Corporate Governance

Furukawa Electric raises its management efficiency through timely decision-making. At the same time, we strive to maintain sound management by building and upgrading our internal control systems.

Board of Directors and Board of Corporate Auditors

Board of Directors

To accelerate decision-making, Furukawa Electric convenes extraordinary board meetings as necessary in addition to the regular monthly board meetings. To facilitate the effective functioning of the Board of Directors in monitoring operational performance, we have established a support structure to ensure outside directors sufficiently understand all issues, and that their opinions are respected as part of the decision-making process. We have also set up a CSR and Risk Management Committee under the supervision of the Board of Directors, consisting of the chairman, president, company presidents and chief officers, which acts as a framework for the Group-wide promotion of CSR and risk management activities. In order to secure management transparency, the Compensation Committee, whose members include outside directors, was established in May 2010. This committee formulates compensation policies and related matters for directors and executives officers while also determining individual compensation and other benefits.

Board of Corporate Auditors

Furukawa Electric has incorporated the establishment of a Board of Auditors into the institutional design of the Company itself. 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. And we

continue to strengthen our auditing capabilities based on close collaboration between our Corporate Auditors, Accounting Auditors and the CSR Division, which acts as our auditing department.

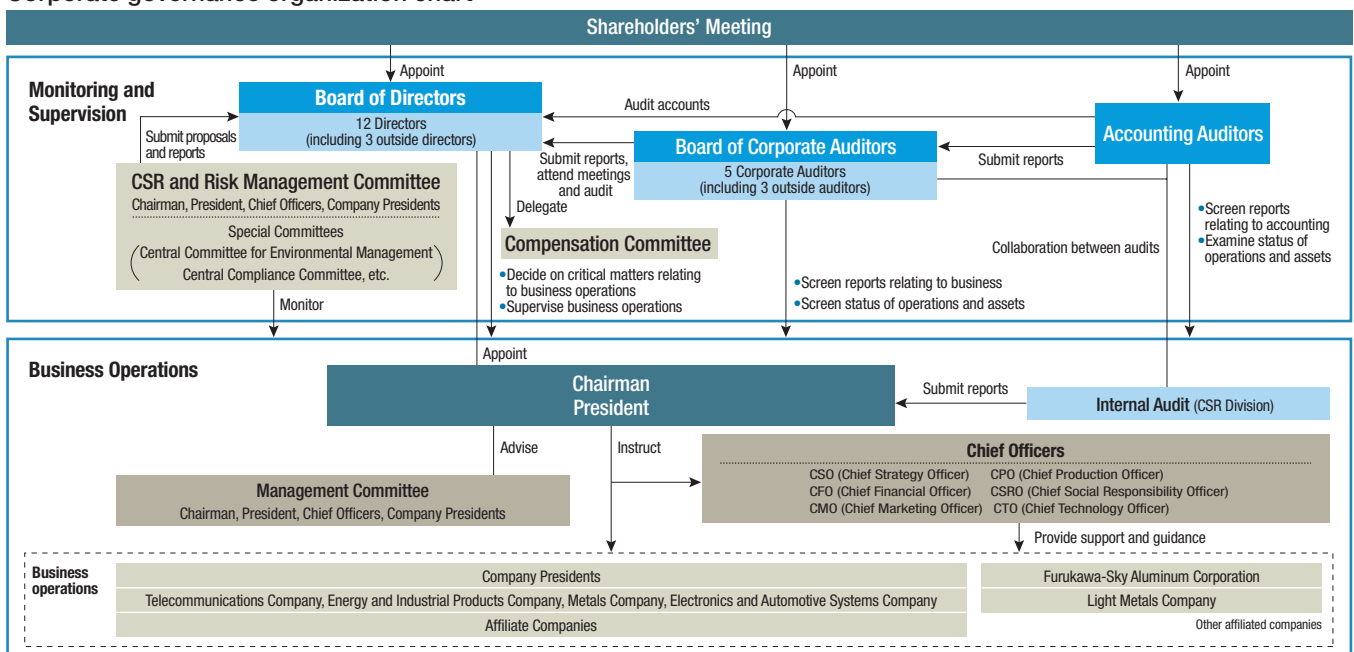
Operational Performance

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. Concerning Internal Control Reports as mandated under the Financial Instruments and Exchange Act, enforced during fiscal 2009, the Group J-SOX Committee and the CSR Division are responsible for maintaining and enhancing the credibility of Furukawa Electric's financial reports.

Corporate governance organization chart



CSR Management

The Furukawa Electric Group is bolstering its monitoring of all corporate activities by establishing a specialized division for promoting CSR activities and appointing an officer to supervise its operations.

CSR Promotion Framework

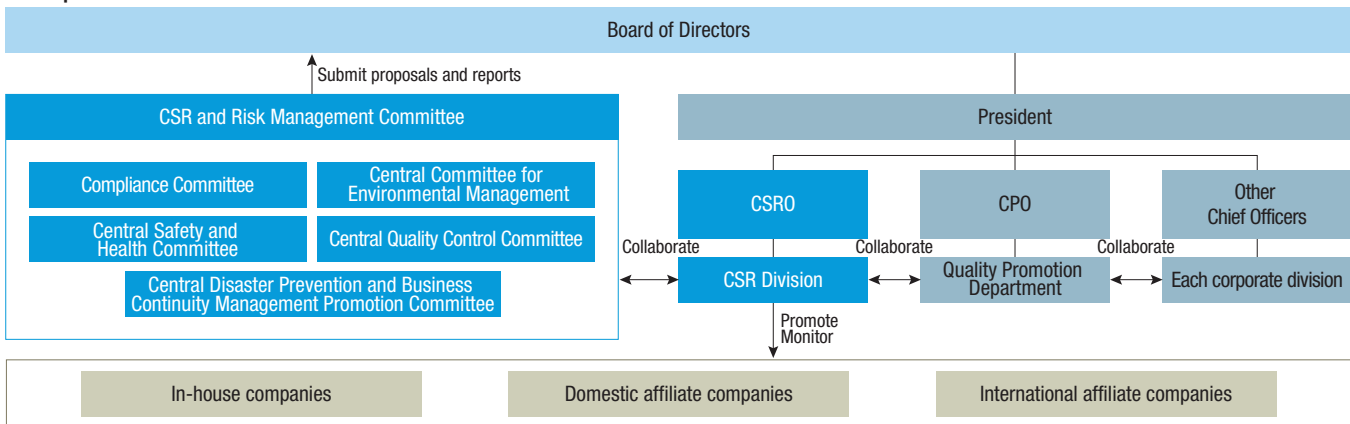
The Furukawa Electric Group established the CSR Division as a specialized unit for promoting CSR activities and appointed a Chief Social Responsibility Officer (CSRO) to supervise its operations. The CSR Division consists of an Internal Auditing Department, an Administration Office on Security Trade Control, a Safety and Environment Promotion Department and an Administration Department. We are stepping up all-round monitoring of corporate activities from the standpoint of CSR, encompassing areas from internal control, compliance and risk management to safety, environmental protection and social contributions, and undertaking CSR activities on a standardized

basis. In addition, we maintain a framework for taking any necessary action should problems arise.

CSR Basic Policy

We fully recognize the responsibilities of the Furukawa Electric Group to society and will strive to maintain and improve on solid, friendly relationships with all of our stakeholders and contribute to the sustainable development of society through corporate, environmental and social activities.

CSR promotion framework



Risk Management

Risk Management

The CSR and Risk Management Committee conducts risk assessments targeting the Company's general managers and affiliated company representatives in Japan and abroad in order to identify any potential risks.

As a countermeasure against the new influenza virus, steps were taken to educate employees and their families about response standards with respect to the onset of the disease. Similar initiatives were promoted for bases located in countries with less developed medical facilities. Peaking in November 2009, the number of influenza patients has steadily declined. In April 2010, the Company ceased implementing countermeasures. During this period, there were no instances of works or department closure.

Information security has also been positioned as a high-priority risk. As a measure against counterfeit goods and the leakage of intangible assets at Group companies overseas,

ongoing follow up activities are conducted. The Group has also commenced another review of confidential proprietary business information management practices following revisions to the Unfair Competition Prevention Act.

Business Contingency Plan

The Group is implementing its business continuity plan (BCP) focusing on disaster prevention. Seismic surveys were completed at all Group domestic offices by the end of 2009. The Central Disaster Prevention and Business Continuity Management Promotion Committee was also established to promote disaster prevention and business continuity management (BCM) activities across the Group as a whole from fiscal 2010. In addition to advancing BCM activities for existing BCPs, the committee is supporting efforts to formulate new BCPs where BCPs are yet to be implemented.

Compliance

Strengthening Compliance

Furukawa Electric was issued with cease and desist as well as administrative surcharge payment orders by the Japan Fair Trade Commission as a result of acts in violation of the Anti-Monopoly Act in relation to transactions regarding cross-linked high-foaming polyethylene sheets and optical fiber cable and related products in March 2009 and May 2010, respectively.

We deeply regret the concern that these incidents have caused for our customers, shareholders and all related parties.

The Company established a third-party investigation committee on violations of the Anti-Monopoly Act on July 29, 2009 as one step in regaining the trust of society. The committee, comprised of outside experts to ensure a fair and neutral perspective, was responsible for systematically determining the causes of violations and considering measures for prevention. The report compiled by the committee was issued on December 10, 2009. Around the same time as the establishment of the committee, Furukawa Electric commissioned outside counsel to conduct a thorough investigation into any instance of a cartel within the Group or similar violation of the Anti-Monopoly Act. The

Measures Being Improved and Developed for the Further Enhancement of Compliance

1. Strengthening compliance systems and frontline awareness

- Appointment of an officer to oversee and promote compliance at each department
- Implementation of expanded education and training activities
- Implementation of compliance-checking activities in each department (confirmation through check sheets, etc.)

2. Strengthening controls in sales divisions

- Strengthening of controls relating to pricing processes
- Review of the activities of various associations and industry organizations as well as participants

3. Reinforcing monitoring functions

- Audit of the status of compliance with the Anti-Monopoly Act by the internal auditing department
- Strengthening of the advice and instructions from external professionals (lawyers)

4. Other

- Establishment of an internal inquiry desk relating to the Anti-Monopoly Act
- Consideration of periodic personnel rotation within sales and other departments

mandate of the investigation was to ensure that there was no recurrence of activities at issue in the past and to suspend any and all questionable acts. Moving forward, Furukawa Electric is determined to eradicate Anti-Monopoly Act violations and to restore public trust in the Group.

Compliance Awareness Survey

Furukawa Electric conducted a compliance awareness survey covering approximately 5,800 employees. Targeting the Company and certain of its affiliated companies, the goals of the survey were to quantitatively measure the level of compliance awareness and understanding while promoting increased attention and care. Drawing from the results of the survey, steps will be taken to promote increased dialogue with employees, upgrade and expand education and to promote the further spread of compliance at the frontline.

Internal Reporting System

To enable early detection of compliance violations and corrective measures, we operate a system whereby Company officials and employees can either openly or anonymously file reports directly with the Central Compliance Committee (namely, an internal reporting system) and established two points of contact, one internal and one external. Sufficient care is taken to ensure whistleblowers are not subject to any negative impact as a result of filing an internal report.

Compliance Education

Furukawa Electric conducts wide-ranging collective as well as onsite training including education based on rank, from new recruits to directors.

Major compliance seminars organized in fiscal 2009

Name of seminar	Participants
Rank-based seminars	
Study meetings for directors	Above executive officer
Training for newly appointed managers	Newly appointed managers
Training for newly appointed managers and assistant managers	Newly appointed managers and assistant managers
Training for Furukawa Electric Group directors	Newly appointed directors at affiliated companies
Training for Furukawa Electric Group managers	Newly appointed managers at affiliated companies
Others	
1. Lectures on the Anti-Monopoly Act	General managers, section chiefs, managers, responsible employees in planning and management, sales and head office departments
2. Intellectual property-related legislation	
3. Compliance briefings at each location	Business division managers, general managers, unit chiefs, managers
4. Lectures on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors at each location	Materials, production and other divisions