

Messages from Management



Strengthening compliance and enhancing corporate value

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President

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A firm commitment to compliance

The Furukawa Electric Group celebrated its 125th anniversary this year. Our philosophy of living up to the expectation and trust invested in us by society, with fairness and integrity, as declared in the Furukawa Electric Group Philosophy formulated in August 2007, has represented the backbone of the Group for well over a century. Yet despite this legacy, a regrettable series of compliance violations occurred over the course of the previous fiscal year, including the cancellation of our JIS mark certification for wrought copper products at Osaka Works, a cease-and-desist order for violating the Antimonopoly Act in relation to cross-linked polyethylene foam, and an onsite inspection in June this year by the Fair Trade Commission in connection with optical fiber cables. I would like to take this opportunity to once again express our sincere apologies for having caused significant distress and concern among all our stakeholders, including shareholders and customers. We intend to implement a group-wide effort to strengthen compliance and ensure that such incidents will never be repeated. On July 29, we set up a third-party investigation committee on the antimonopoly act violation issue, primarily comprising outside experts with a fair and neutral perspective to thoroughly determine the causes and consider measures for preventing any recurrence. We are resolved to use this crisis as an opportunity to eradicate antimonopoly act violations and reform our corporate culture and constitution by breaking away from past business practices. We intend to effect a complete transformation—a rebirth of Furukawa Electric as an enterprise that thrives on the unique added value of our products and services.

Capitalizing on the power of materials to differentiate products and strengthen manufacturing capabilities

As a result of the worldwide recession triggered by the collapse of a U.S. financial institution in 2008, the Furukawa Electric Group finds itself in a severe management environment with the urgent need to bolster our financial performance. Under these circumstances, we will review

our conventional business model to fundamentally reinforce compliance and strive to offer products and services that are genuinely valued by society. To this end, we will pursue our transmission infrastructure business, primarily in the high-growth regions of BRICs and ASEAN, and discern customer needs in relation to the key concepts of the environment, energy conservation and cost reduction. We will also seek to fully leverage our expertise in materials cultivated by the Group over the years to differentiate our products, thoroughly eliminate waste, and reduce costs by strengthening our manufacturing capabilities to further reinforce our foundational capabilities for responding to the dramatic changes taking place today.

Enhancing comprehensive initiatives for the environment

Electricity used at our Nikko Works is primarily generated by a hydroelectric power station owned by Furukawa Electric, and we are therefore able to manufacture our copper strips and aluminum memory disk products with low CO₂ emission levels. The Furukawa Electric Group is pursuing comprehensive environmental initiatives, from the use of responsible energy sources and the development of environmentally sound products that utilize our competence in materials, to measures for reducing environmental impact throughout the design, production and distribution process, Team Minus 6% activities at our offices, and actions to protect local ecosystems.

In 2008, we participated in a government-sponsored pilot program on emissions trading to increase our own knowledge base. We also reviewed our programs and systems and added environmental targets to the performance assessment of business segments, introduced a program to ensure achievement of those targets, and established an “e-friendly” logo system, through which a logo is displayed on products that meet given standards at each stage of materials procurement, manufacturing, use, distribution and disposal. We will seek further progress in fiscal 2009 through measures such as developing our own methods for assessing environmental performance.

Consistent social contribution rooted in the local community

With respect to social contribution, we uphold the Furukawa Electric Group's Action Guidelines on Social Contribution to contribute to society not only through our business operations but also through activities for achieving a sustainable society by utilizing the human resources and business sites of the Furukawa Electric Group to strengthen the bonds with society we have cultivated for over a century. This requires the development of a system that encourages the participation of many employees, such as the establishing of a corporate culture of social contribution

as well as considering new measures including educational activities, work-leave programs and citation programs. In fiscal 2009, we will seek to further enhance our system in addition to the ongoing social contribution activities rooted in the local community that are being undertaken at each works.

Our goal is to develop our business by placing high value on communication with all our stakeholders, including customers, employees, shareholders and residents of local communities. We look forward to receiving your honest feedback on all these initiatives.



Expanding our CSR activities and enhancing communication with stakeholders

Tetsuya Sato

Director, Member of the Board, Chief Social Responsibility Officer

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Renewal of the CSR Report

In fiscal 2008, we requested a third-party opinion from Mariko Kawaguchi, General Manager of the Management Strategy Research Department at Daiwa Institute of Research Ltd., to evaluate and provide advice for our CSR Report. We have been seeking to creatively transform the format of our report from one that had traditionally focused on explaining in-house systems and programs and sharing the results of in-house targets into one that adopts the stakeholders' perspective and includes content that is easier to understand and more familiar to readers while also communicating the unique character of the Furukawa Electric Group and its concrete activities. While many tasks remain, we hope to further enhance this report over time through dedicated efforts that incorporate a broad range of comments from our stakeholders, including third-party opinions.

Expanding our CSR activities

As addressed in the President's Message, our response to compliance issues became an urgent task following events in the past fiscal year. Since the establishment of the CSR Division in 2007, we have sought to develop our system of compliance and internal control and to

improve our programs. The results, however, indicate these programs were not functioning adequately in some respects. After earnestly reflecting on this situation, we intend to conduct a full-fledged effort to ensure compliance with renewed conviction. We will endeavor to establish a thorough awareness across the Company on the need to maintain clarity on our internal ethical framework and practices as well as the evolution of societal expectations by continuously reviewing our activities and steadfastly pursuing improvement.

This report features an article on our environmental initiatives. We have also established a new "e-friendly" logo system, set up a committee to promote reductions in CO₂ emissions and launched a life cycle assessment (LCA) initiative for quantitatively assessing our environmental impact. In addition, we are conducting a sustained effort to establish CSR Procurement Guidelines for suppliers, develop countermeasures against the new strain of influenza virus and formulate business contingency plans (BCP) for the eventuality of a major earthquake.

We intend to enhance and expand our CSR activities based on the concept that corporate value is determined by the balance between the three aspects of economics, environmental protection and social contribution.