

# Corporate Governance

Furukawa Electric raises its management efficiency through timely decision-making to quickly respond to changes in the business environment and markets, thereby also improving its performance. 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 exercises flexibility by convening extraordinary board meetings as necessary in addition to the regular monthly board meetings. And to facilitate the effective functioning of the Board of Directors in monitoring operational performance as the cornerstone of corporate governance, we have established a support structure to ensure outside directors sufficiently understand the issues being discussed, and the opinions of outside directors 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. This acts as a framework for the promotion of CSR and risk management activities from an overall groupwide perspective.

### 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 make every effort 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, including sharing information and exchanging opinions.

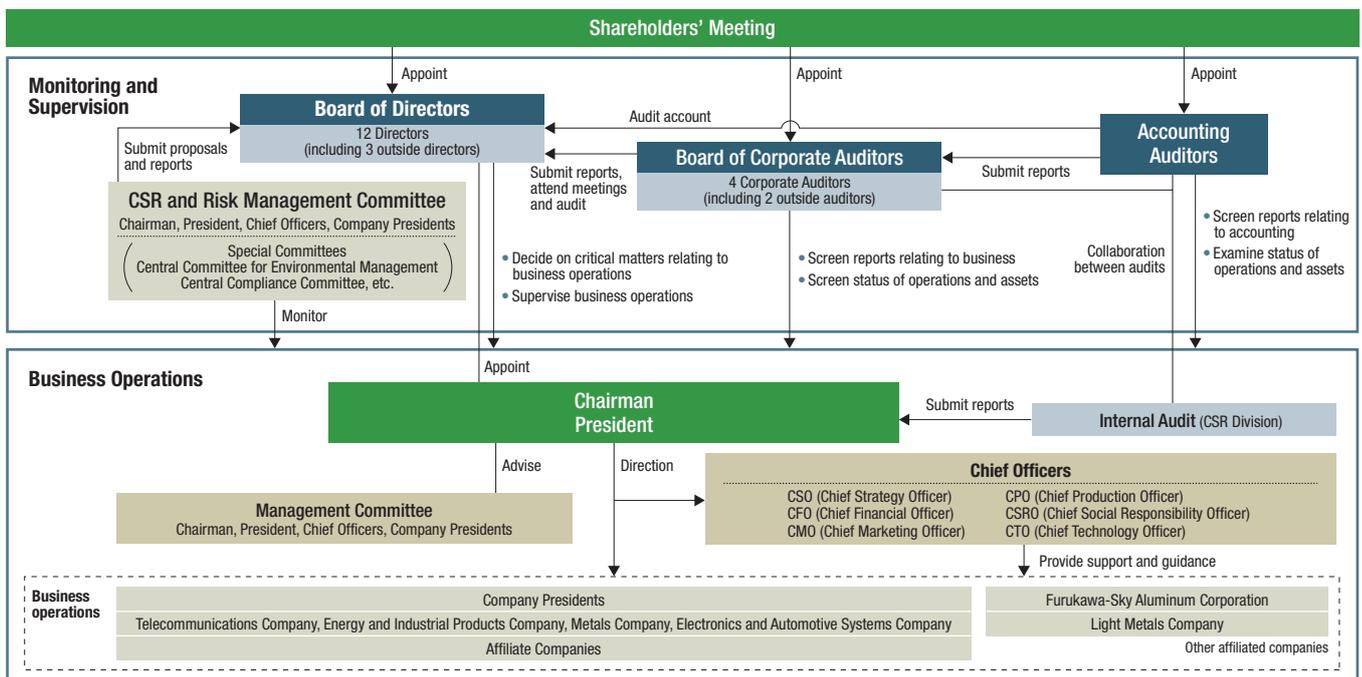
## Operational Performance

Furukawa Electric's 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 the Company Presidents, and operations relating to matters such as groupwide strategies, resource allocation and administration are handled by the relevant Chief Officer. Details of such operations are then reported back to the Board of Directors on a quarterly basis.

## Internal Control

The internal control system of Furukawa Electric and its Group companies has been established and implemented with the understanding that the objectives of internal control are to maintain and enhance the efficiency of operational performance, ensure compliance, manage risk and information, and oversee Group companies. With respect to the Internal Control Reports as mandated under the Financial Instruments and Exchange Act, which went into effect during the fiscal year ended March 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.

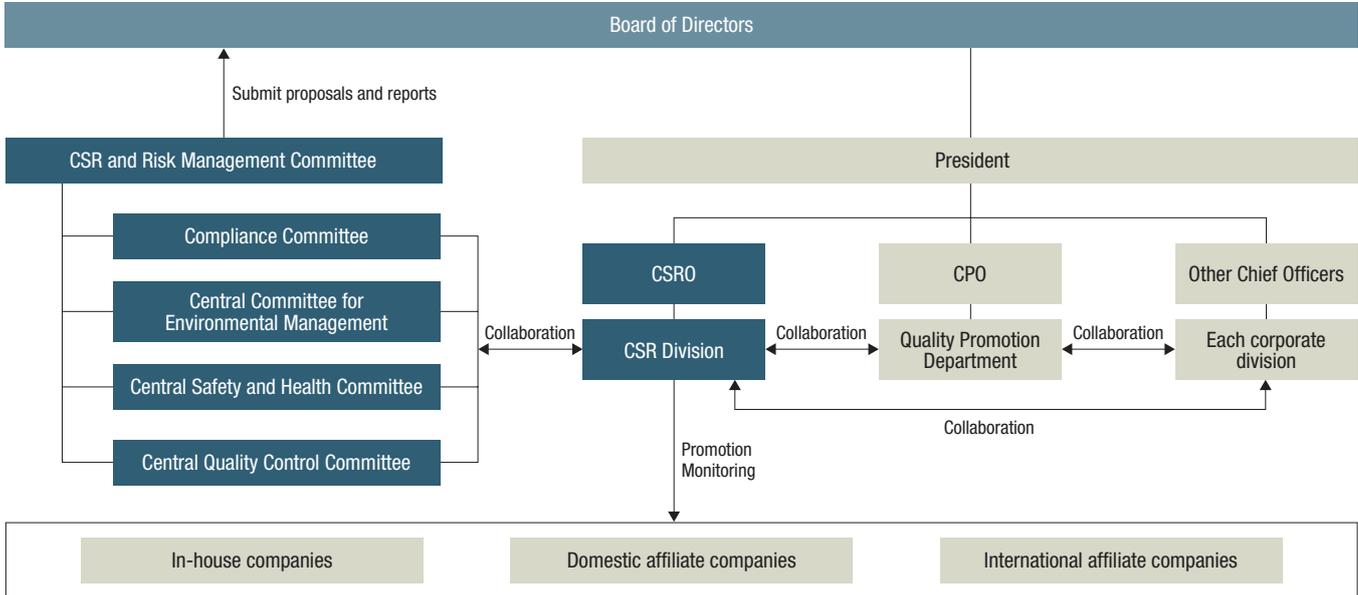
## CSR Promotion Framework

The Furukawa Electric Group established the CSR Division as a specialized unit for strengthening and improving 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, for example investigating allegations and the causes of problems, instituting remedial or preventive measures and releasing statements, to deal with all eventualities quickly and appropriately.

### 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



# CSR Management

## Compliance

### Promotion of Compliance

The Furukawa Electric Group defines compliance as “going beyond simply abiding by laws and regulations by acting in accordance with the values and ethics required of the Company and its employees as responsible members of society.” We continue to promote in-house education and inspections to prevent any violations of the law as well as a range of other compliance-related activities within the framework of the Furukawa Electric Group Action Guideline as our basic philosophy on ethical and legal compliance, which is expressed more concretely in the CSR Code of Conduct.

Several serious compliance incidents occurred in fiscal 2008, including the cancellation of our JIS mark certification for wrought copper products at Osaka Works and a violation of the Antimonopoly Act in relation to cross-linked polyethylene foam. In response to these incidents, we held compliance briefings for employees above the managerial level at our head office, branches and works, and distributed a message from the President titled, “Promotion of Compliance Management.” We also instituted a compliance pledge to be signed by all Furukawa Electric employees at or above the level of directors, general managers and managers as well as executive officers at affiliated companies. In fiscal 2009, we plan to improve our compliance training, expand the scope of the compliance pledge and conduct an employee survey.

### 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.) Sufficient care is taken to ensure whistleblowers are not subject to any negative impact as a result of filing an internal report.

### Compliance Education

We provide education based on rank, from new recruits to directors, and conduct training in the workplace using the CSR Compliance Handbook to establish a thorough awareness of compliance among all employees.

### Major compliance seminars organized in fiscal 2008

| Name of seminar  | Participants  |
|--|---|
| <b>Rank-based seminars</b>                                   |   |
| 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               | Directors at affiliated companies   |
| Training for Furukawa Electric Group managers                | Managers at affiliated companies  |
| <b>Others</b>  |   |
| Furukawa City Campus Compliance seminars                     | General managers, section chiefs, managers, responsible employees in planning and management, sales and head office departments |
| Compliance briefings   | Business division managers, general managers, unit chiefs, managers   |

## Risk Management

### Risk Management

Each year, the CSR and Risk Management Committee conducts risk assessments targeting general managers at Furukawa Electric Co., Ltd. and representatives of affiliated companies both in Japan and abroad in order to identify any potential risks.

The CSR and Risk Management Committee devises response plans for major groupwide risks and monitors progress accordingly in an effort to minimize risks.

The following four issues were identified in fiscal 2008 as major risks for Furukawa Electric, and concrete actions undertaken by related departments to address these issues were monitored.

#### Major risks for Furukawa Electric in fiscal 2008

- |   |  |
|---|--|
| (1) Natural disasters, such as earthquake damage and infectious disease | (3) Information security                 |
| (2) Quality control   | (4) Governance over affiliated companies |

### Business Contingency Plan

Fully recognizing the social responsibility of the Group, we formulated a business contingency plan (BCP) based on our BCP policy described below, assuming an intensity 6 (Japanese scale) epicentral earthquake hit the Tokyo metropolitan area, to minimize the impact of unforeseeable risks and to ensure the continuation of business operations. Starting with the current fiscal year, we plan to upgrade our BCP to include additional risks, such as the pandemic influenza virus, and make the transition into a business continuity management (BCM) phase by applying the PDCA cycle.

#### Basic Policy on BCM

1. Priority on human lives
2. Prevention of the expansion of damage
3. Continuation and early resumption of key operations
4. Contribution to the local community
5. Implementation of business continuation management