

We will contribute to improving energy efficiency by utilizing our unique materials expertise.



**Mitsuyoshi Shibata**  
President

**Profile**

Born in Tokyo in 1953. Graduated from the Department of Metal Materials, Faculty of Engineering, The University of Tokyo, and joined Furukawa Electric in 1977. Beginning in with production technology in the company's copper wire plant, experienced the development and commercialization of semiconductor lasers before heading the Patent & Licensing Department, the Yokohama R&D Laboratories, the Corporate Strategy Planning Department, and the Metals Company. Following a broad range of experiences, including the overseas investment related to copper foil and restructuring of the copper pipe business, appointed President in April 2012.

My name is Mitsuyoshi Shibata, and I was appointed President on April 1, 2012. I would like to thank all of our stakeholders for their ongoing support. Having taken the reins of the Furukawa Electric Group during such difficult times, I feel a strong sense of the seriousness of my task.

## Review of Fiscal 2012

Japanese industry has faced a drastically changing environment over the past several years, and the Furukawa Electric Group now confronts a situation in which we must fundamentally reconsider the business structure in place up to now. Although there was some recovery after the Great East Japan Earthquake in fiscal 2012, the economic environment has continued to be difficult, due to factors such as the global economic slowdown, the persistently strong yen against the dollar and the euro, and the Thailand floods.

The Furukawa Electric Group has taken measures in the face of such headwinds, such as a complete withdrawal from the glass substrate business and the streamlining of our copper tube operations in Japan, but at the same time we also engaged in growth initiatives such as expanding capacity for production of copper foil for lithium-ion batteries and expanding the range of applications for microcellular foamed sheet (MCPET). Also, through our acquisition of the U.S. company SuperPower, Inc., the Furukawa Electric Group became the world's only total supplier of second generation high-temperature superconducting products, offering everything from wire through equipment. We also advanced our aluminum business globally by building new production bases in North America and China.

Nonetheless, the Furukawa Electric Group's consolidated results for fiscal 2012 reflect decreased

revenue and earnings due to factors such as the difficult operating environment and the fine paid for violating U.S. antitrust laws, which was posted as an extraordinary loss. This has forced us to forego payment of a year-end dividend.

## Embark on Reform for Real Victory

Taking the above into account, I view the Furukawa Electric Group as having reached a stage where the steps we take toward structural reform must be more bold and effective than ever before—we must embark on reform for real victory. As we are engaged in a diversity of businesses, determining the direction of the Group and where to invest in also entails deciding which businesses require streamlining. We are looking into measures such as integrating operations in the optical fiber business globally, reorganizing production bases in the domestic optical cable business to attain improved earnings, and accelerating the shift from domestic production of copper foil and other products to overseas production. While that reorganization takes place we will also strengthen business in the social infrastructure sector, including energy and telecom, as well as in the next-generation vehicle sector, in which better environmental features are called for. Our goal is to build a business structure capable of handling even greater demand from global growth markets.

## For a Sustainable Society

The world is currently facing some major energy issues, including steep rises in oil prices and the environmental impact of mass consumption of fossil fuels. For the world

to achieve sustainability, countries around the globe must make progress in energy conservation and expand the use of renewables. Energy supplies must be stabilized while environmental impact is brought under control.

Furukawa Electric has been manufacturing and providing useful products made from a variety of materials, such as copper, aluminum, and plastic, since our founding in 1884. In recent years we have been using our unique materials expertise to help solve global issues, such as energy conservation and energy supply stability. Our R&D is focused on three categories—next-generation vehicles, energy/smart grids, and high-density optical telecommunications. The Furukawa Electric Group will concentrate our maximum materials technology on achieving energy efficiency in each of those categories.

For example, switching from copper wire harnesses to lighter aluminum wire harnesses for the internal wiring of next-generation vehicles helps improve fuel economy by making the vehicle lighter. We are also engaging in the energy/smart grid sector by developing high-volume storage batteries, which are vital to renewable energy

power plants because of susceptibility to fluctuations in power demand due to seasonal changes, as well as superconducting electric power cables and superconducting magnetic energy storage (SMES) units that broadly reduce power loss during transmission. Our efforts in the high-density optical telecommunications field include responding to the switch from metal to fiber for large computer internal circuitry, and we are proceeding with optical interconnection development for improved speeds and lower power consumption.

To develop new energy sector businesses, we established the Offshore Wind Power Project Team in March 2012 and the High-Temperature Superconductivity Business Development Team in April. We will contribute to solving social issues while at the same time adding new value to the businesses of our customers through our R&D and business development focusing on environment and energy. Superconductivity is a technology noted for its potential to create fundamental change in our existing energy infrastructure. We are evolving our business focus toward leading the world in superconductivity technology. Please see the Special Feature (pages 11–16) for details.



### Resolving Environmental Issues

Environmental conservation is our responsibility to the next-generation, and as a socially responsible company we are tackling environmental issues head-on. The Furukawa Electric Group not only addresses societal issues by reducing the environmental impact of products, we also are moving forward with the indexing of product environmental performance based on lifecycle assessment (LCA) methodology, which broadly

contributes to creating value for the customer. We emphasize environmental contribution in conducting our business, and promote environmentally themed R&D.

The Furukawa Electric Group also announced efforts to promote biodiversity in fiscal 2011, through our efforts emphasizing eco-system impact assessment, sustainable use of resources, and increasing the awareness of each employee. During fiscal 2012, we focused on eco-system impact and conducted risk assessments on biodiversity in all fields of Group businesses. Taking the results of those assessments into account, we plan to establish a Long-Term Environmental Vision and Activity Guidelines, so as to promote environmentally-conscious management across the entire Group value chain.

## Restoring Trust

As announced in September 2011, Furukawa Electric paid a fine of US\$200 million as part of a plea agreement made with the United States Department of Justice related to cartel activities for automotive wire harnesses and related products. Furukawa Electric Group formed the “Third-Party Investigation Committee on Violations of the Anti-Monopoly Act” in 2009, and in December of that year that Committee announced its findings. In parallel with the Committee’s activities, a thorough investigation by outside legal counsel was carried out. This investigation confirmed that all conduct suspected of being in violation of the Anti-Monopoly Act had ceased, and all illegal conduct had been eliminated by the time the Committee’s report was issued. Although the automotive wire harnesses case concerned past conduct that was found by outside legal counsel

investigation rather than any new occurrences of illegal conduct, we once again humbly ask the forgiveness of our stakeholders for any distress or trouble this incident may have caused.

We are working to restore public trust by enforcing strict compliance at all affiliated companies in Japan and overseas. We are focused on building a global compliance structure through efforts this fiscal year such as conducting compliance seminars in China and supporting effective risk management and internal controls at overseas bases.

As noted in the Furukawa Electric Group Corporate Philosophy, contribution to the realization of a sustainable society is our core principle. To realize this philosophy, we are aware that we must maintain close communications with society so as to meet our stakeholders’ desires and expectations, and are also aware that we must fulfill our corporate social responsibilities fully so as to remain an indispensable corporate citizen. It is my sincere hope that we may continue to enjoy the support of our stakeholders.

**Mitsuyoshi Shibata**  
President

