

Furukawa Electric Group Sustainability Report 2014

Digest



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Group Overview

Company Profile

Company Name	Furukawa Electric Co., Ltd.
President	Mitsuyoshi Shibata
Founded	1884
Established	1896
Paid-in Capital	¥69,395 million (As of March 31, 2014)
Net sales	¥931,781 million (Consolidated)
(Years ended March 31, 2014)	¥428,301 million (Non-Consolidated)
Number of Employees	47,045 (Consolidated)
(As of March 31, 2014)	3,590 (Non-Consolidated)
Head Office	Marunouchi Nakadori Bldg., 2-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8322, Japan
TEL.	+81-3-3286-3001

Global Network

As of June 30, 2014



(note) Main subsidiaries and equity-method affiliates

Focusing Our Efforts on Creating More Value for Society Based on the Materials Technology We Have Developed Over the Centuries



A handwritten signature in black ink, reading "Mitsuyoshi Shibata".

Mitsuyoshi Shibata
President
Furukawa Electric Co., Ltd.

- In 2014, Furukawa Electric is celebrating the 130th anniversary of its establishment. What are the reasons behind its long success as one of Japan's top companies?

Since our establishment in 1884, the main focus of our business has been on building infrastructure (which provides the foundations for both society and industry) as a cable and non-ferrous metals manufacturer using materials technologies in a wide range of fields, including copper, aluminum and resin. Our products and services have been recognized by society and gained an excellent reputation because all of our employees have kept their eyes focused firmly on the future no matter what business environment they have faced. We have also continued to listen to the expectations and demands of society, which change on a daily basis, and maintained an approach of continuously trying to create new business through technological innovation. The fact that we have continued to receive the support of our stakeholders is another reason for our success.

- So it's extremely important to maintain an attitude of wanting to contribute to society and to continue taking on the challenges of technological innovation. In addition to making a social contribution by providing services, do you think there have been any environmental reasons why the company has continued to flourish?

The fact that Furukawa Electric has been able to secure a continuous supply of the mineral resources used in many of our products, including raw materials such as copper, is a major reason why our company has been able to continue in business for such a long time. In other words, we have continued to enjoy the benefits of our ecosystem for the past 130 years. For this reason we have carried out the recovery and recycling of resources from an early stage. For example, we have recovered the copper wires used in

scrapped electric cables and used them in manufacturing; we have recovered and reused offcuts arising in the manufacturing of processed copper products; and we have carried out recycling as a matter of course since long before the word “recycling” came to be widely used. We have also recycled waste plastic and used it in cable pipe products.

- Could you tell us about the important challenges faced by Furukawa Electric in ensuring that the business continues to flourish in the future and the measures you are planning in order to achieve this?

As set out in the medium-term management plan concept, we will focus on the infrastructure and automotive markets, which are expected to see significant growth in global terms and for which there is a strong need for technological innovation. We believe it is important to develop new next-generation business. These initiatives are founded in an approach of “wanting to use Furukawa Electric business to help solve society’s problems around the world”.

In the infrastructure market, our challenges lie in how to use energy as efficiently as possible given the global energy problems, and in doing so how to produce smart infrastructure that can be controlled as intelligently as possible. Major challenges include using optical telecommunications (a field in which Furukawa Electric excels) to create systems that use electric power efficiently. We also need to unite as a group in order to take on the challenge of creating the new technologies that will allow us to achieve this.

In the automotive field, improving the efficiency of fossil fuels and electric power (energy) and achieving energy savings are global challenges. An important challenge for Furukawa Electric Group is to integrate optical telecommunications and electric

power technologies into the automotive parts-related technologies that we have built up over many years, and to incorporate this as new technology.

- Lastly, above all else what do you think will provide the foundations for the company to continue succeeding in business?

The foundations for the company’s business activities can be found in the attitude of each and every employee, and the basic premise of safety, quality and compliance. Furukawa Electric Group has set down the behavior it expects from its officers and employees regarding corporate social responsibility in our “Furukawa Electric Group CSR Code of Conduct”. In addition to legal compliance, this requires that officers and employees act in accordance with social norms and corporate ethics, and improve their awareness and practice of safety and quality.

Over the past few years, our whole group has worked together to prevent any recurrences of competition law violations, and we have developed a system to handle international regulations governing bribery. Moreover, our efforts to recover from the snow damage that occurred at Nikko Works in February this year (2014) gave us practical experience of BCM (business continuity management), and we have launched initiatives to make use of this experience as a way of strengthening BCM across the group. Moving forward, we intend to monitor the status of our organizational platform from a global perspective and to help solve global problems through our business activities as we focus our efforts on creating more value for society.

Lastly, please allow me to express my hope that as many people as possible read this report so that Furukawa Electric becomes even more widely known.

- Thank you for your answers.

▶ The Path of Our Founder

In 1884, 130 years ago, our company began smelting copper in Honjo, Tokyo and manufacturing electric wires in Takashima-cho, Yokohama. This is regarded as the foundation of our company.

Ichibei Furukawa, the founder of Furukawa Group, was born in Kyoto in 1832. His natural ability in business helped him rise to a senior position at Ono Group, a wealthy merchant group at that time. When Ono Group became bankrupt he became penniless. However, he received encouragement from acquaintance such as Eiichi Shibusawa and Munemitsu Mutsu, and in 1877 he began operating the Ashio Copper Mine. He

overcame several crises to help the mine become the largest copper mine in Japan.

The Yamaichi logo, which is the Furukawa Electric company logo, was first registered in 1877 under the slogan *Kogyo Sen-itsu* ("Mining Above All").

He introduced state-of-the-art Western technology to expand the company's industrial capacity, including the construction of Japan's first full-scale hydroelectric power plant in 1890, and built the foundations for Furukawa Group.



Company logo/
Yamaichi mark

▶ The Founder's Philosophy

Ichibei set down a management philosophy - "Value people," "Value customers and society" and "Incorporate the latest technology" - and used his enthusiasm and his ability to get things done to open the way to a new era. In today's terms, his philosophy equates to fostering human resources who value health, safety and compliance and contributing to customers and society through the main business. This means we need to take on every challenge we are faced with in order to achieve our goals. This approach has been handed down through the long history of companies that have made up Furukawa Group, and our repeated efforts to value all people, including customers and employees, at the same time as taking on new challenges without fear of failure, have created the companies we have today. This is also reflected in Furukawa Electric Group's corporate philosophy: "Drawing on more than a century of expertise in the development and fabrication of advanced materials, we will contribute to the realization of a sustainable society through continuous technological innovation."

Ichibei left us with the memorable phrase *Un-Don-Kon*. He said that in order to achieve big things people need "Un" (good luck), "Don" (stubbornness), and "Kon" (perseverance). "Don" in particular refers to being stubbornly honest in your work. In other words, this means refusing to accept other people's opinions too easily; the more people think you are wrong, the more you need to carry out what you are doing with strong belief. This philosophy can be clearly seen in Ichibei's approach to his own life.

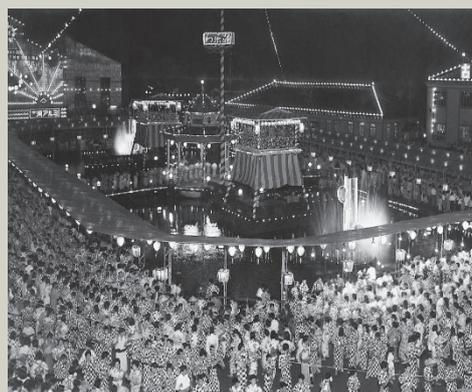


Ichibei Furukawa

Social Contributions in Addition to Our Main Business

Since our foundation, Furukawa Electric has sought to contribute to society in ways other than just through our main business. For example, to commemorate the visit of Emperor Taisho and Empress Teimei to the Nikko Works in September 1913, the Nikko Waraku-odori festival has been held ever since 1914. The festival started out as a way of recognizing the hard work of the employees. However, it has continued for over 100 years and has now become an established feature of the lively summer festival season in Nikko and numerous local people take part.

Furukawa Electric is also active in sports, and in 1955 it named soccer, ice hockey, volleyball and rowing as the official company sports with the aim of improving employee morale and contributing to local society. Furukawa Electric Soccer Club continues to this day as J-League team JEF Chiba.



Nikko Waraku-odori

Across the Centuries Contributing to the Development of Social Infrastructure

Contributing to broadcasting infrastructure by installing the antenna on Tokyo Tower

Furukawa Electric installed the antenna on Tokyo Tower during its construction in 1958. This led to the start of a fully-fledged age of television broadcasting. The decade after 1955 was a time when Japan achieved rapid development through strong economic growth and recovery from World War II.

In 1964, the Tokyo Olympics were held. People were in exuberant spirits thanks to the information they received via television. Living standards improved and Japan accelerated towards modernization. The Tokyo Tower antenna continues to tower majestically over its surroundings and has made a significant mark on Furukawa Electric's broadcasting business.

Furukawa Electric's technology has continued to be used in later years, including during installation of the antenna on the Tokyo Skytree.



Developing Overseas Business and Promoting Major Projects



Developing and Expanding the Telecommunications Network in Bangkok

In 1968, a plan was set out by Telephone Organization of Thailand operator to upgrade the telephone network in the metropolitan region of Bangkok. Furukawa Electric succeeded in receiving the order for the project despite competition from leading companies around the world. The project involved installing 21 telephone exchanges and 122,500 terminals throughout the city of Bangkok and was the largest project in the history of telecommunications cable exports. What's more, we accumulated know-how in relation to overseas projects and accelerated our business in developing countries.

Power Transmission Line Installation in Iran

The biggest overseas projects Furukawa Electric has taken on was a large order we received from the Iran organization for electric power affairs for the installation of power transmission lines. This was a huge project. During the four years between signing the contract in 1978 and completion of the work in 1982 we overcame numerous difficulties and trials, including a revolution in the Iranian political system and the chaos brought about by the Iran-Iraq War. Moreover, the route for installation traversed paddy field zones, forest zones and desert zones, and we had to cross the Alborz Mountains to the north of Tehran, which contains a series of mountains above 4,000 m.

The companies that were working together on the project finally managed to complete the installation of power transmission lines with a total length of 449 km despite the harsh environmental conditions.

The technological prowess of Furukawa Electric was highly regarded by the Iran organization for electric power affairs and the project made a major contribution to our future overseas power transmission line installation projects.



Across the Centuries Contributing to the Realization of a Safe and Comfortable Society

Contributing to the Construction and Development of Telecommunications Infrastructure

Improvements in internet technology have made a large contribution to the globalization of corporate activities and the safety of society, including crisis management in times of disaster, as well as the collection of big data that contributes to marketing, and improvements in convenience brought about by smartphones.

In the pioneering days of optical fibers, Furukawa Electric was the first company in the world to produce long-distance optical fiber cables, opening the way to the realization of optical telecommunications infrastructure. In addition to optical fiber cables, Furukawa Electric has developed a succession of peripheral technologies that are required to build infrastructure, including the optical amplifier pumping lasers that are essential to long-distance telecommunications, frequency-division multiplexing that is necessary to expand telecommunications capacity, improvements in installation efficiency and innovations in connections technology. In this way, Furukawa Electric has supported to develop telecommunications infrastructure with advanced technologies.



Optical amplifiers



SRC (Steering roll connectors)

Contributing to the Safety and Ecology in Cars

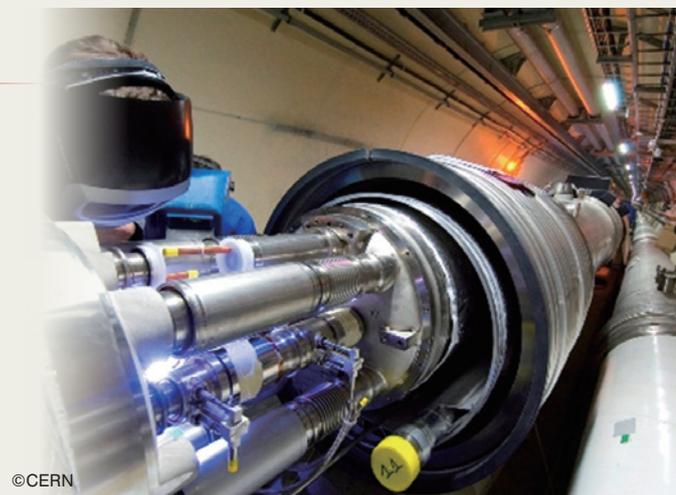
SRC (Steering roll connectors) are a core component of airbag systems, which protect passengers from impact during accidents. Furukawa Electric's SRCs maintain reliable operational performance in vehicle conditions ranging from below freezing in cold regions to above 50°C at the height of summer. This reliability has been recognized in our top share of the global market.

There is a constant demand to make cars lighter. Furukawa Electric supports improvements in fuel efficiency and comfortable driving by maintaining the reliability of wire harnesses, which have increasingly complicated signal paths for vehicle computers, while achieving the required weight specifications by reducing every gram wherever possible.

Contributing to the Discovery of the Higgs Boson through Superconductivity Technology

In the 1960s Furukawa Electric worked on developing superconducting wires, and in the 1980s we became one of the world's few manufacturers of low-temperature superconducting wires. Experiments to confirm the existence of the Higgs boson at CERN in Europe (which has been referred to as the "discovery of the century") required a huge superconducting magnet. Furukawa Electric was presented with the Golden Hadron Award in recognition of its efforts in supplying the huge volume of superconducting wires needed for this magnet.

Furukawa Electric is currently working on the development of third-generation yttrium high-temperature superconducting wires and cables, and in Shenyang, China in 2013 we succeeded in carrying out the equivalent of 30 years of current testing on superconducting cables capable of transmitting 275kV for 1,500,000 kVA, which was the highest standard ever achieved in the world at the time.



©CERN

Inside the Large Hadron Collider (LHC)

Across the Centuries

Contributing to the Realization of a Sustainable Society

In the future, Furukawa Electric aims to expand its business in the infrastructure (telecommunications and energy) and automotive markets, in which we can make full use of the knowledge acquired by Furukawa Electric Group, and at the same time contribute to the realization of a truly rich and sustainable society by strengthening Group Global management.

Growth Strategies in the Telecommunications Infrastructure Market

Global telecommunications traffic is expected to continue increasing dramatically, particularly in newly-emerging economies. Furukawa Electric Group is making full use of the optical fiber photonics technologies it has accumulated in order to develop products capable of contributing to an increase in capacity. Overseas, we are using single management at our global bases in order to capture demand in growth markets efficiently. In Japan, we have reorganized our production bases, established a supply system to match demand and promoted cost reductions.



High-temperature super-conducting power cables

Growth Strategies in the Energy Infrastructure Market

Over many years, Furukawa Electric Group has contributed to the construction of the energy network. We intend to make full use of the know-how accumulated during this time to handle burgeoning infrastructure demand, particularly in Asia, while also contributing to the realization of a smart-grid society that uses energy efficiently.

For example, we are promoting the development of high temperature superconducting power cables, which make major reductions in transmission losses, as well as products for use in various superconducting applications, such as coils.

Growth Strategies in the Automotive Market

Furukawa Electric Group will utilize its unique materials technologies to contribute to more environmentally-friendly cars, including through the development of lighter car parts and improvements in energy efficient, in order to help realize a low-carbon society.

We will strengthen our sales and design capabilities at overseas bases, expand our production bases, particularly in Southeast Asia and Central and South America, and expand the size of our trading area in overseas markets. Furthermore, we will strengthen our procurement function, and work to make thorough reductions in cost prices, including the cost of materials, processing costs and fixed costs.

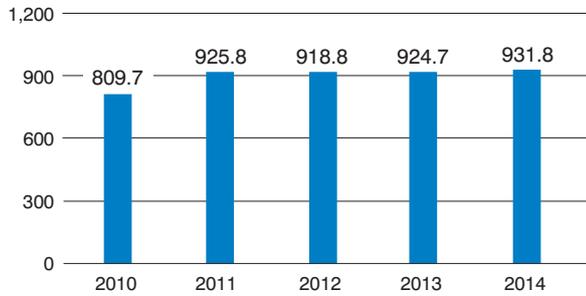


Consolidated financial key indicators

(Years ended March 31)

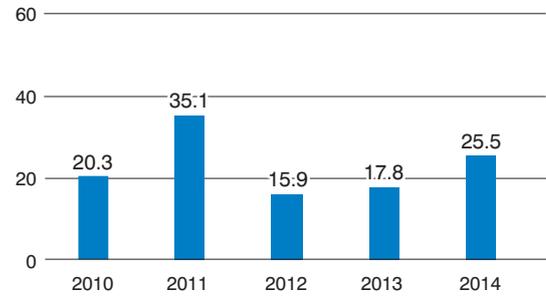
Net sales

(Billions of yen)



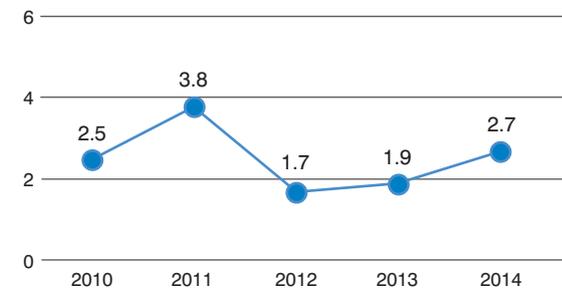
Operating income

(Billions of yen)



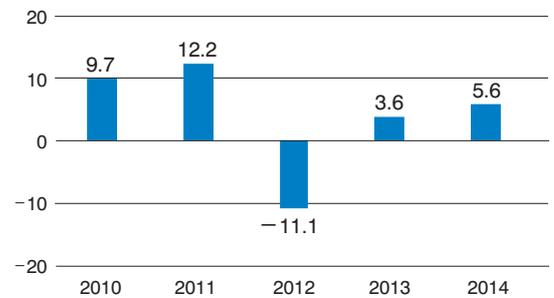
Operating income (Ratio to net sales)

(%)



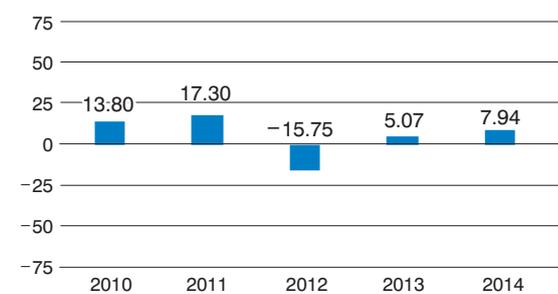
Net income

(Billions of yen)



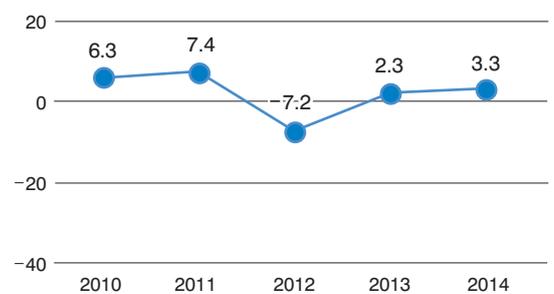
Net income per common share

(Yen)



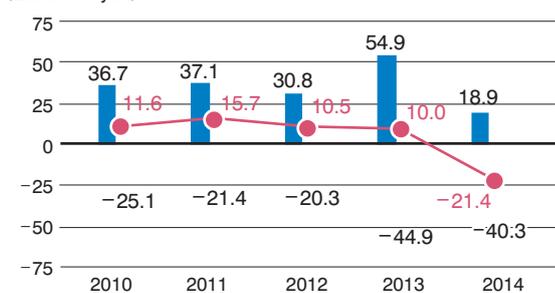
Return on equity

(%)



Cash flows

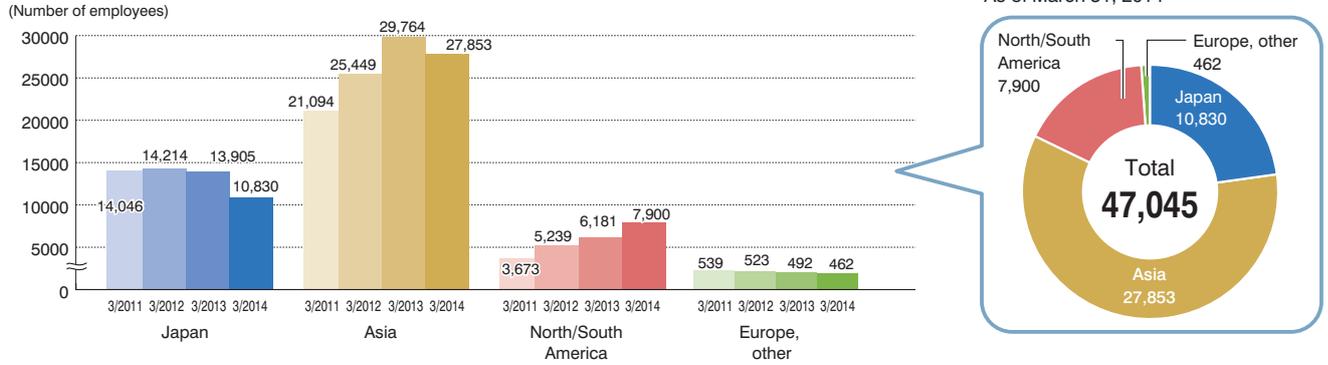
(Billions of yen)



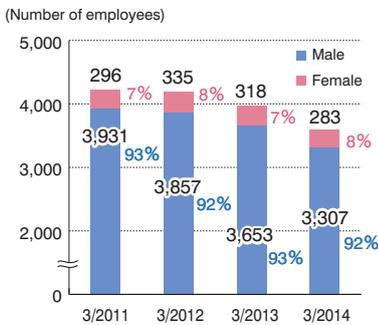
- Cash flows from operating activities
- Cash flows from investment activities
- Free cash flows

Non-financial key indicators

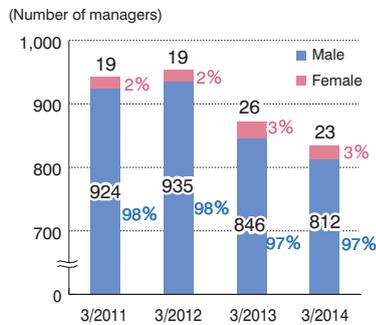
Number of Group Employees by Region (Consolidated)



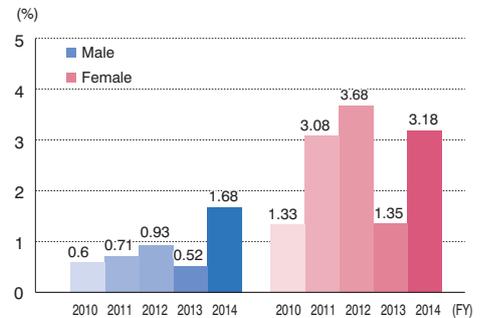
Gender ratio of Employees (Furukawa Electric)



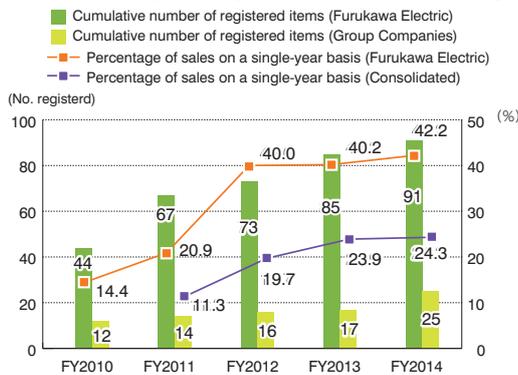
Gender ratio of Managers (Furukawa Electric)



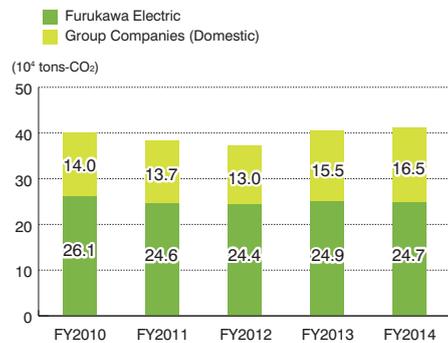
Employee turnover rate by gender (Furukawa Electric)



Environmentally friendly products as a percentage of sales

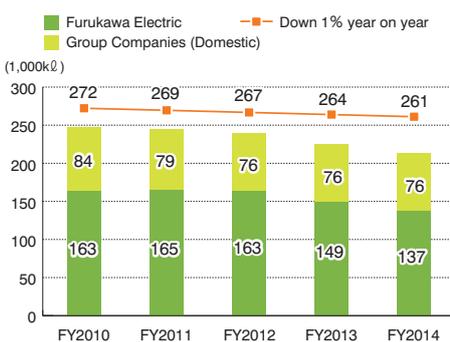


CO₂ emissions



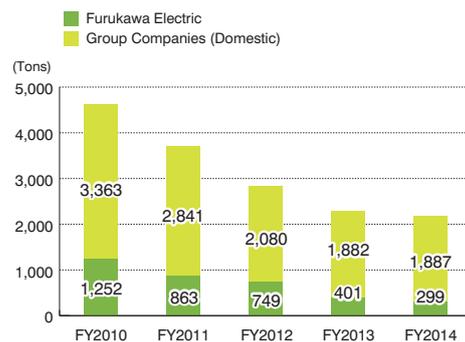
(note 1) The amount of power consumed is calculated using the emission factor of each power company.
 (note 2) Assuming that hydroelectric power produces zero CO₂ emissions.
 (note 3) UACJ Corporation was transferred to other related companies in fiscal 2014 and so the figures for past fiscal years have been retroactively adjusted.

Energy consumption



(note) UACJ Corporation was transferred to other related companies in fiscal 2014 and so the figures for past fiscal years have been retroactively adjusted.

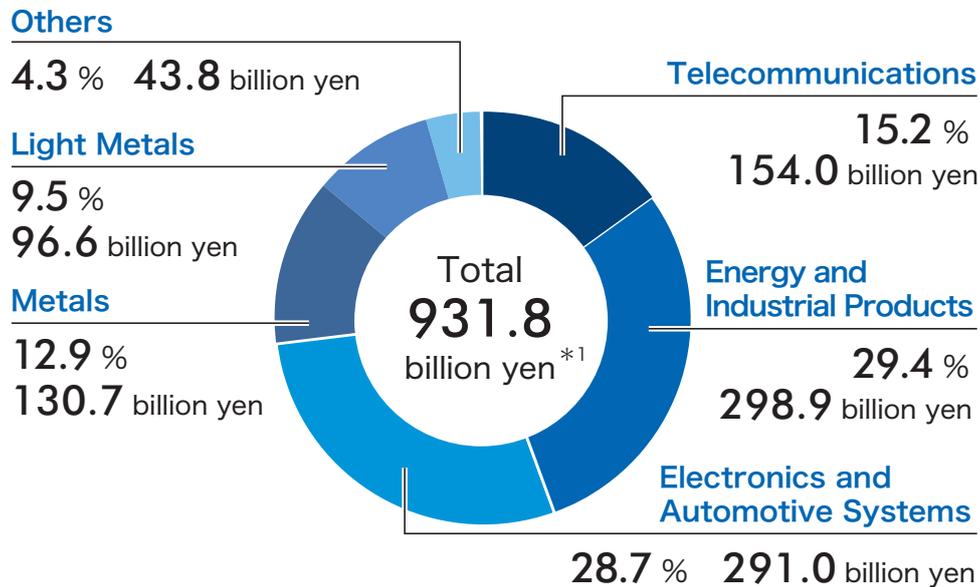
Processing volume of non-recyclable waste



(note) UACJ Corporation was transferred to other related companies in fiscal 2014 and so the figures for past fiscal years have been retroactively adjusted.

Business Report

Net sales by Main Business Segment (Consolidated, fiscal year 2014)

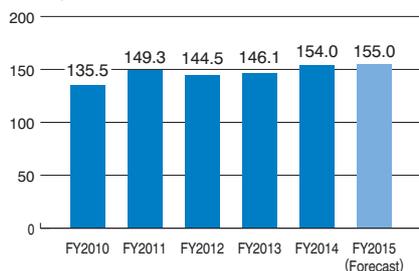


*1 Figures excludes intersegment transactions

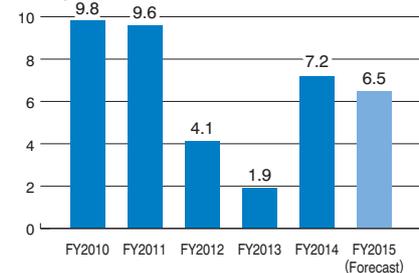
At a Glance

Telecommunications

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Optical Fiber and Cable

Japan: We have achieved effects from structural reforms by merging production bases.

Europe and United States:

Cuts to fixed costs during the second half of FY2014 made a full contribution and the market is continues to move towards recovery.

Brazil: LAN solutions and fiber optic business expanded.

Optical Parts and Networking Equipment

Japan, China and United States:

Demand for new products (ITLA/ integrated signal light sources) to supply next-generation high-speed telecommunications (digital coherent telecommunications) expanded.



Factory of FISA (Brazil)



Conventionally sized ITLA (top) and micro ITLA (bottom)

Energy and Industrial Products

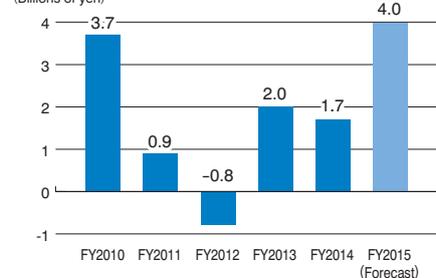
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



Ultrahigh-Voltage Transmission Cables

Japan: Submarine power cables for offshore wind power generation were developed.

China: A Chinese subsidiary improved its cost structure and promoted sales expansion in overseas markets.

Industrial Products

Europe: Improvements were achieved through the sale of unprofitable Russian bases, etc.

Japan: Strong demand is expected to continue for cable-protecting conduit line materials in mega-solar applications.



Shenyang Furukawa Cable Co., Ltd. (China)

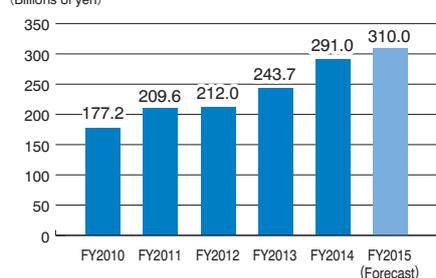


Laying a submarine transmission cable

Electronics and Automotive Systems

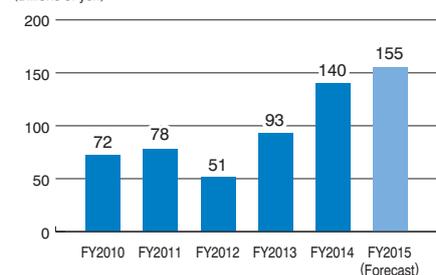
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



Automotive Parts

Japan: Despite an expected fall in demand caused by the increase in consumption tax and other factors, strong sales of wire harness for new models are expected to cover the impact of reduced production in Japan.

Overseas: We have begun to achieve the potential of new wire harness bases in Asia and Mexico and promoted an expansion in SRC sales in South America.



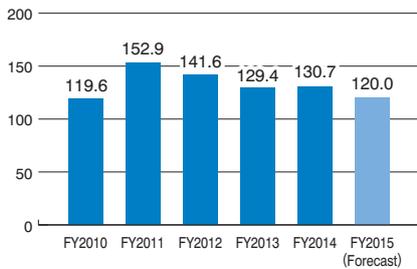
Wire Harness factory (China)



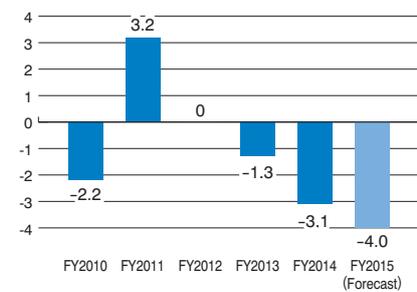
SRC (Steering Roll Connector)

Metals

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Copper foil

Japan: Conditions are expected to improve after realizing the effects of production base centralization and completing the transfer of manufacturing to Taiwan.

Taiwan: Battery foil business is expected to grow, particularly in automotive applications, and circuit foil volumes are expected to recover.

Copper strips

Japan: A fall in operating income of 3.6 billion yen is forecast as a result of the impact of snow damage in February at Nikko Works. We plan to achieve complete restoration by the end of the year.



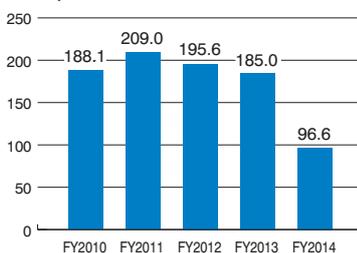
Electrodeposited copper foil



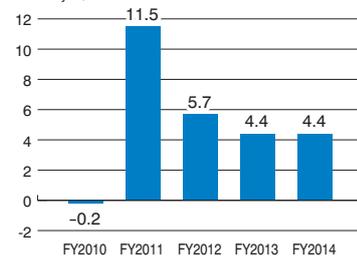
Furukawa Electric Copper Foil Taiwan Co., Ltd.

Light Metals

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Rolled Aluminum Products

Only the first-half operating income was recorded in FY2014 because of the inauguration of UACJ in October 2013.

In the second half of FY2014, operating income was recorded as "equity in net income of affiliates" under non-operating income.

*Since the second half of fiscal 2014 and fiscal 2015 it has been recorded in equity in net income of affiliates

Recovery and Lessons Learned from the Nikko Snow Damage

Nikko Works suffered serious damage as a result of record snowfall in the Kanto Region in February this year (2014), including the collapse of roofing on some factory buildings such as wrought copper products buildings, and we were forced to suspend operations. We have since made good progress with restoration work and are gradually recovering normal operations. However, major works are scheduled to continue until the end of the year, including the reconstruction of buildings, as we work towards a full recovery.

Our conventional BCP (business continuity plan) was drafted on the assumption of a major earthquake or similar disaster, and it was not sufficient for handling the recent snow damage. We are extremely regretful about the disruption we have caused in the supply chain, both to our direct customers and to the customers of our customers. In future, we will improve our awareness of the supply chain and make full use of our recent experiences in order to promote activities that allow us to minimize any impact on our customers. This experience has reconfirmed for us the importance of Furukawa Electric products for our customers. We will take the positives from our experiences by gaining an understanding of specific areas where we can improve and using this as an opportunity to build an enhanced business continuity management. Moreover, we plan to combine this new knowledge with the knowledge we have accumulated in our optical semiconductor devices business, for which we gained ISO22301 certification in February last year, and to promote business continuity management in other business fields.



Collapsed roofing immediately after the snow damage



Work continues at the factory with the aim of achieving a full recovery

Management



CSR Management

In order to contribute to the realization of a truly rich and sustainable society, we need to understand the social responsibilities of Furukawa Electric Group and implement policies in line with the Basic CSR Policy. We will promote CSR initiatives alongside our business activities so that each and every Group employee is able to take the lead in putting CSR initiatives into practice.

-  Achieved
-  Partially achieved
-  Not achieved

Targets and Results (Risk Management / Internal Controls / Compliance)

FY2014		FY2015
Targets	Results / Achievement	Targets
Continue compliance education - Continue rank-based and theme-specific group training	- We held theme-based joint training sessions at five bases in Japan, covering competition law and anti-bribery regulations. - We held compliance training by job grade, including training for newly-appointed management candidates and manager training.	 Promotion of global compliance - Develop training content targeting the whole group, etc.
Strengthen business continuity management (BCM) - Strengthen relations with business partners in regard to BCM activities - Continue BCM drills, and strengthen review activities	- We carried out a reappraisal of important business after switching to the business division system, and strengthened BCM activities with an awareness of the supply chain. - We formulated business continuity plans (BCPs) for all business divisions and moved on to BCM activities.	 Strengthen business continuity management (BCM) - Based on the lessons learned from the Nikko snow damage, switch from existing BCM activities, which focus on our own company, to activities that focus on the customer's perspective.
Strengthen emerging market risk checks and support for overseas subsidiaries - Hold risk management seminars in Southeast Asia and China	- We held risk management seminars in the Southeast Asia Region and China Region. - We established the Group Global Management Division and strengthened support for subsidiaries.	 Respond to risks in newly-emerging economies and strengthen support for overseas subsidiaries - Strengthen training in countries with newly-emerging economies and provide management support tools to affiliated companies.
Enhance global compliance foundations - Ensure thorough compliance with competition laws and create anti-bribery systems	- We continued training related to competition law, and anti-bribery compliance through e-learning. - In partnership with the Auditing Department, we carried out monitoring of efforts to build systems to prevent bribery.	 Give direction to priority fields in CSR activities - Hold stakeholder communication

Message from the General Managers

Takashi Fukuda

General Manager, CSR Department, Administration & CSR Division



Nowadays, companies are required to respond to a rapidly changing world with a variety of stakeholders in mind. As Furukawa Electric Group sets about this task, CSR activities are an essential part of our survival as a business. Furukawa Electric Group has set out a basic policy and code of conduct for CSR in accordance with a group philosophy that seeks to meet the expectations of our founder, in addition to developing a variety of related

systems and mechanisms. The management report contains information on a variety of initiatives, with a focus on the platform of CSR activities, including risk management and compliance.

In the medium-term, we aim to examine ways of narrowing down priority fields in CSR for Furukawa Electric Group and promoting policies that strengthen communication with our stakeholders.

Stakeholder Relations

Furukawa Electric Group properly monitors our business practices and endeavors to establish structures for improving them even more, so as to steadily meet our responsibilities to our various stakeholders, who view us from differing perspectives.

Main Stakeholders	Main Responsibilities	Means of Communication
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 <small>(note 1)</small>
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, Sustainability 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 Deployment Guideline for Business 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"> - Sustainability 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 - Management briefings
Local communities 	<ul style="list-style-type: none"> - Nurture future generation - Promote sporting and cultural activities - Live in harmony with the natural environment and local communities 	<ul style="list-style-type: none"> - Factory tours - Cooperate with and sponsor sports and traditional events - Support the activities of and collaborate with local NPOs - Preserve the Satoyama Environment

(note 1) 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.

Initiatives for Environment



Environmental Management

Furukawa Electric Group is working on the conservation of the global environment through technological innovation that utilizes our strength in advanced materials in order to contribute to a sustainable future for the world. Furukawa Electric Group also establishes five guidelines for action.

Targets and Results (Environment)

😊 Achieved 😞 Partially achieved ☹️ Not achieved

FY2014		FY2015	
Targets	Results / Achievement	Targets	
Implement initiatives aimed at promoting effective utilization of water (new)	We identified the volume of water usage for each water source and have set reduction targets with the aim of using water effectively.	😊	- Take initiatives aimed at reducing the overall volume of waste (new)
Take part in activities conservation of biodiversity (new)	We took part in local activities in areas around our sites and domestic group companies (river basin cleaning activities, etc.).	😊	- Expand to overseas group companies, and promote environmental activities (new)
Promote development at group companies in Japan (priority) → Expand to domestic group companies, and activate green activities	At domestic group companies, we expanded green procurement activities for general-purpose products and carried out LCA for our main products.	😊	- Strengthen activities aimed at promoting environmental management (priority)
			- Establish targets under the basic policy on environmental activities and carry out environmental activities continuously: I. Social contributions; II. Pollution prevention; III. Saving energy and resources

Message from the General Managers

Hisashi Iwama

General Manager, Safety & Environment Promotion Department, Production Technology Division



Since FY2014, we have carried out a reconstruction of our management system with a view to environmental conservation activities on a global scale, in response to our Group Management Policy. The basic policy for environmental activities has been set out in a clear order as follows: I. Social contributions; II. Pollution prevention; III. Saving energy and resources. Firstly, as a manufacturer it is our social responsibility to make sure that our customers can use our products and services with

safety and peace of mind. We also need to carry out business activities that allow society to use our products and services in way that contributes to the conservation of the global environment (design and development → procurement and production → supply and recovery). Secondly, as we develop products and carry out production activities, we need to manage chemical and other substances in an appropriate way, and work hard to prevent pollution. Thirdly, by manufacturing in a way that makes efficient use of limited resources and energy, we need to leave a beautiful natural environment to future generations and carry out environmental management activities that allow us to contribute to the realization of a rich society.

Initiatives for Society



Relations with Our Customers

Each of the Company's divisions has acquired ISO 9001 certification. Through initiatives such as these to standardize our operations and work consistently to improve quality, we are striving to contribute to society by providing excellent-quality products and services from a customer perspective.

Going forward, we will continue endeavoring to further enhance “quality power” throughout the Furukawa Electric Group by developing products that are attractive to our customers, based on a policy of Group-focused management.

Targets and Results (Quality)

😊 Achieved 😞 Partially achieved ☹️ Not achieved

FY2014		FY2015
Targets	Results / Achievement	Targets
Strengthening fundamental “quality power” - Zero complaint from customers of 3H products *3H products: Hajimete (first manufactured products) Henkou (modification of producing method, process or design, etc.) Hisashiburi (products not manufactured for an extended period of time)	- We carried out audit of Strategic Business Units and promoted the horizontal penetration of good examples as part of our activities in our first year of aiming to achieve zero complaints from customers of 3H products. - Based on the above results, we released guidelines for the management of 3H products.	😞 Strengthening fundamental “quality power” - Decreasing 10% “Failure cost” compare with FY2014

Message from the General Managers

Kazuhisa Kashihara

General Manager, Quality Promotion Department, Production Technology Division



As set out in the basic policy on quality management, we promote a management cycle that is always based on facts and seek to maintain and improve quality at all stages of our work (including research, development, manufacturing, sales, services and management), at all divisions and across all job grades.

As we seek to produce products that are attractive to our customers, we carry out thorough checks of all processes prior to delivery to the customer, from product planning through to completion

of the final product. Moreover, in order to improve our ability to complete manufacturing products with meticulous assurance of quality from the start, we will continue to make improvements to the production process itself, including attempts to create intrinsic technologies.

Furthermore, we have already started to carry out customer satisfaction surveys at some Strategic Business Unit and we will examine ways of using customers' opinions to achieve further improvements.

Relations with Business Partners

Furukawa Electric's Group purchasing policy is to establish strategic relationships with business partners to ensure optimum purchasing on a steady, ongoing basis. Based on this policy, Furukawa Electric strives to create cooperative relationships based on mutual trust with its business partners, thereby contributing to sustainable future development.

Targets and Results (Procurement)

😊 Achieved 😞 Partially achieved ☹️ Not achieved

FY2014		FY2015
Targets	Results / Achievement	Targets
Strengthen strategic relationships with business partners - Continue to conduct partner assessments and feedback consultations - Notify business partners of CSR Deployment Guidelines for Business Partners with updated version describing response to conflict minerals	- We carried out partner assessments and gave feedback meetings to approximately 300 of our suppliers. - We carried out questionnaire surveys of approximately 300 of our largest suppliers in relation to CSR Deployment Guidelines and BCP status.	Strengthen strategic relationships with partners (suppliers) - Continue to conduct partner assessments - Promote awareness of CSR Deployment Guidelines among suppliers - Examine specific measures aimed at strengthening the supply chain based on the results of BCP surveys carried out at suppliers - Carry out conflict minerals survey (survey for the purposes of updating data)

Message from the General Managers

Satoshi Tosaka

General Manager, Procurement Department, Finance & Procurement Division

Ever since its foundation, Furukawa Electric has stayed in business by supplying people with social infrastructure and contributing to society as a supplier of products. However, our success is not just the result of hard works at our company. It is also thanks to the steady delivery by our suppliers of the raw materials we use to create products.

In the future, our business environment is likely to change even more rapidly. Under these

circumstances, we will need to strengthen our supply chains further in order to continue contributing to society. We intend to use partners' meetings and partners' assessments to improve the mutual understanding we have with our suppliers, and to continue contributing to society through measures such as the promotion of CSR activities and strengthening of BCP.



Relations with Our Shareholders

The Furukawa Electric Group Basic Policy on CSR requires that the Group seeks to improve upon the sound, friendly relationships we maintain with all of our stakeholders. Our Own Regulations on the Timely Disclosure of Corporate Information meanwhile set out a framework for the disclosure of appropriate information at the appropriate time.

Message from the General Managers

Osamu Suzuki

General Manager, Investor & Public Relations Department, Finance & Procurement Division

Furukawa Electric's business began with copper smelting and the manufacture of electric wires. One hundred and thirty years later, the numerous products that we manufacture based on our materials technology support the lives of people around the world in a wide variety of fields, including telecommunications, electric power infrastructure and automobile.

However, because we often work behind the

scenes, shareholders and investors often tell us that they feel unfamiliar with the content of our business.

We will continue to work hard to host events such as factory tours, in addition to making regular news releases and developing the website, so that people can clearly understand and feel more familiar with our business. Your continued support is greatly appreciated.



Relations with Our Employees

Our basic personnel management policy focuses on continuously creating human resources who are capable of putting the Five Principles of the Furukawa Electric Group Credo into practice on their own initiative.

-  Achieved
-  Partially achieved
-  Not achieved

Targets and Results (Personnel Development and Working Environment)

FY2014		FY2015
Targets	Results / Achievement	Targets
Fostering and strengthening global human resources <ul style="list-style-type: none"> - Implementation of Global Development Program (GDP) - Conduct newly designed training 	<ul style="list-style-type: none"> - We carried out GDP training and newly designed training programs in accordance with the plan. 	Fostering and strengthening global human resources <ul style="list-style-type: none"> - Implementation of GDP - Execution of Global Challenge Program (GCP) for dispatching junior employees overseas
Strengthening Monozukuri capabilities <ul style="list-style-type: none"> - Visualization of plans to strengthen Genba-ryoku capabilities - Roll out genba-ryoku reinforcement training to manufacturing staff - Increase training participation rate at Group companies 	<ul style="list-style-type: none"> - We completed formulation of a plan to strengthen Genba-ryoku capabilities for all business divisions. - The attendance rate for Genba-ryoku training at Furukawa Electric Co., Ltd. was 56.5%, which met our target. - Staff training was completed as planned for junior and middle-ranking staff. - Genba-ryoku training for affiliated companies started at FEIC Kyushu (Note). 	Strengthening Monozukuri capabilities <ul style="list-style-type: none"> - Visualization of plans to strengthen Genba-ryoku capabilities - Development of training for Monozukuri staff - Development of Genba-ryoku training at affiliated companies
Supporting diverse ways of working and work-life balance <ul style="list-style-type: none"> - Formally introduce system of flextime without core hours 	<ul style="list-style-type: none"> - We completed introduction of the coreless flextime system. 	Supporting diverse ways of working and work-life balance <ul style="list-style-type: none"> - Introduction of system to allow nursing leave to be taken in half-day units. - Introduction of system to allow accumulated leave to be taken in half-day units for the purposes of nursing children

(Note) FEIC: Furukawa Electric Industrial Cable Co., Ltd.

Message from the General Managers

Taizo Matsumura

General Manager, HR & Administration Department, Administration & CSR Division

In order for Furukawa Electric Group to succeed and achieve sustainable growth in a rapidly-changing and globally-competitive landscape, it is important that we “foster tough human resources” capable of overcoming numerous challenges and “build a collaborative environment” with a view to enhancing our cross-organizational strength.

For this reason, we have implemented new initiatives, including FM-Career Design (a personnel system that encourage individuals with the skills and desire to take on

new challenge by using career-building through systematic placements and fluidity in human resources in order to promote the revitalization of organizations which can enhance the creation of innovation ideas) and the Global Challenge Program (GCP; a program that aims to promote overseas experience among junior employees).

As we seek to strengthen Group Global management, it is essential that individual employees with diverse ways of thinking, skills and backgrounds exchange honest opinions in a free and open manner, irrespective of traits such as age, gender or nationality, and that they act with true motivation. Moving forward, by actively promoting diversity management we intend to accelerate efforts to build an atmosphere and culture that allow diverse human resources to display their true strengths.



Relations with Communities

Furukawa Electric Group has continued to conduct social contribution activities that are rooted in the local community. Going forward, we will strengthen these actions further along the three dimensions of nurturing future generations, promoting sport and culture, and living in harmony with the natural environment and local communities.

Targets and Results (Social Contribution)

😊 Achieved 😞 Partially achieved ☹️ Not achieved

FY2014		FY2015
Targets	Results / Achievement	Targets
Invigorate social contribution activities - Introduce activity case studies and continue to provide information	- We introduced case studies and provided information via the intranet and website. - We recognized Furukawa Electric group companies' social contribution activities by presenting the CSR Awards.	Implement new programs that can be utilized on a continuous basis.

The Message from the GM (of CSR Department) can be found in the CSR Management section.



CSR Award (FEAP)



Plant tour for neighborhood residents



Trout fishing festival



Plant tour for shareholders



Furukawa Innovation Expo 2013 (Brazil)

Please visit our website for more information.



<http://www.furukawa.co.jp/english/csr/index.htm>

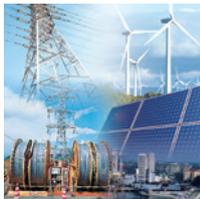
Major Products and Services

Telecommunications



Optical fiber cables / Metal communication cables / Semiconductor optical devices / Electronic appliance wires / Optical components / Network equipment / Optical fiber cable accessories and installations / CATV system / Radio products, etc.

Energy and Industrial Products



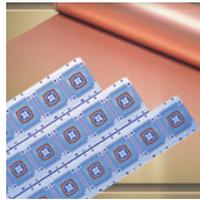
Copper wires and Aluminum wires / Power transmission cable / Insulated wires / Power transmission cable accessories and installations / Cable conduits / Water-feeding pipe materials / Foam products / UV tapes for semiconductor manufacturing / Electrical Insulation Tape / Electric material products, etc.

Electronics and Automotive Systems



Automotive components and wiring harness / Magnet wires / Electronic component materials / Heatsinks / Hard disc drive (HDD) aluminum substrates / Battery products, etc.

Metals



Copper and copper alloy products (plates, strips, pipes, rods, foils, and wires) / Functional surface products (plating) / Electrodeposited copper foil / Processed products for electronic parts / Superconducting products / Special metal materials (Shape-memory and super-elastic alloys), etc.

Light Metals



Aluminum plates / Extruded aluminum products / Casting products / Forged products / Processed light metal products, etc.

Services and Others



Logistics / Information processing service / Software development / Service business (real-estate leasing, hydraulic power generation and so on), etc.

Since our founding in 1884, we have worked to create the technologies and products that society requires. We consider it our mission to contribute to the realization of a sustainable society. We will continue to keep our eyes on the future as we work to live up to the expectations and trust invested in us by society.

Furukawa Electric Group Philosophy

Corporate Philosophy

Drawing on more than a century of expertise in the development and fabrication of advanced materials, we will contribute to the realization of a sustainable society through continuous technological innovation.

Management Philosophy

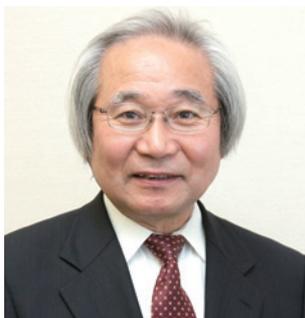
With an eye to the future, the Furukawa Electric Group management team pledges to:

- Live up to the expectations and trust invested in us by society, with fairness and integrity.
- Apply the sum total of our expertise to satisfy our customers and grow with them.
- Continuously strive to achieve world-class technological innovation, and transform ourselves in every area of endeavor.
- Nurture human resources at every level, so that we can become a more diverse and creative organization.

Group Credo

1. Maintain high ethical standards, and value honesty and integrity above all.
2. Continually improve, innovate, and lead, in every area of endeavor.
3. Take a hands-on approach that addresses the reality of every situation – in the office, at the factory, and on site.
4. Be proactive – take the initiative and work with others, persevering until a solution is found.
5. Maintain open channels of communication between departments and divisions, so that we can share ideals and help each other grow.

Third-Party Opinion



Mr. Toshihiko Goto

Chief Executive Officer, Sustainability Forum Japan

Board Member, Global Compact Network Japan, Founder, Japan Sustainable Investment Forum. Also, Chairman, Sustainable Management Forum of Japan, Senior executive director, The Japan Society for Global System and Ethics, and a member of some other academic societies. National committee member for ISO/TC207, SCI, SC4, A judge for the Environmental Communication Award by the Ministry of the Environment, Japan Government (MoE) and a member or the convener of some other committees of MoE. He wrote many books and articles. He had graduated from the Tokyo University, Faculty of Law.

Over almost a decade Furukawa Electric has been beset by a number of problems that might have damaged its reputation in society or caused its employees to lose heart. However, the company has succeeded in business for 130 years because the hard work of its managers and employees has allowed it to continue providing added value to society in some shape or form, supported by some good luck along the way, such as a steady supply of raw materials.

The 21st century has been referred to as the post-industrial age¹⁾ and the focus now has switched to knowledge. Rather than depending on a steady supply of raw materials, the foundations for the next giant leap forward will be built through continued creativity and innovation.

I believe that “proactive CSR” involves revitalizing and reforming these foundations and management systems.

In 2010, Keidanren made a major revision to its Charter for Corporate Behavior and removed the description of corporations as “economic entities designed to pursue profits”, which had been an ever-present concept until that time. It replaced this with the role of creating added value and generating employment. Creating profits is essential to achieving this role, but profits are the means and not the ultimate goal.

Happily, Furukawa Electric’s founding spirit, basic philosophy, management philosophy and action guidelines are all in agreement with the revised Charter for Corporate Behavior. The challenge lies in making this part and parcel of the company’s organization and corporate culture, and I believe innovation is necessary to achieve this.

The Sustainability Report could be described as a finished version of what previous reports have aimed for. Its focus is on the company’s track record and its aims and goals over the next year or two. However, during FY2014 four major developments occurred in relation to the report, as follows: the EU issued a revised directive draft strengthening companies’ obligation to disclose non-financial information; GRI issued the G4 Sustainability Reporting Guidelines²⁾; the IIRC announced its Integrated Reporting Framework³⁾; and the Financial Services Agency published the Japanese

version of the Stewardship Code⁴⁾. I will omit the details, but essentially these developments are linked by the need for a long-term perspective and long-term success. In the world of investment, outside Japan there has already been a major shift towards ESG investment⁵⁾ from a long-term perspective.

From this perspective, the latest report could be seen as a conservative CSR report and from next year onwards there is a need to incorporate a new direction with a focus on a long-term perspective and long-time success. This would also assist the disclosure of information targeting ESG investment, which prioritizes a long-term perspective.

Incorporating a long-term perspective into the report is “easy to say”. However, it is not easy to incorporate perspectives from 2030 or 2050. However, I am convinced that taking on this challenge will lead to corporate innovation.

I believe it is important to think about how your own company will develop by 2030 and 2050 and to imagine the ideal future vision for your company under the following environmental restrictions: by around 2030, procurement of mineral resources will become difficult and by 2050 mineral resources will be almost depleted or extremely expensive; Japan will need to have made CO₂ reductions of at least 80%; the population of Japan will fall below 100 million and Japan will become a super-aged society; South Korea and China will also become aged societies.

For this reason, I believe it is necessary to carry out a “backcast” from these dates and consider what needs to be achieved by 2030 or 2020. In the medium-term management plan for next three years, it will be essential to draft a target plan that includes not only forecasts but also “backcasts” from the long-term vision.

When we consider the long-term vision, it goes without saying that some items require long-term policies and plans. For example, when procuring raw materials there is a need to consider CSR from the highest point upstream, in other words excavation. In order to do this, there is a need for policies and plans that take into account matters such as biodiversity and human rights.

There is also a need to develop long-term policies and plans for the development of alternative raw materials, and for reuse and recycling. When we consider Japan's population trends, diversity policies are an essential part of human resource policies. Without long-term policies and plans, devotion and hard work alone will not be enough to impress investors.

Companies around the world have shown a great deal of interest in the United Nations' Post-2015 Development Agenda⁶⁾. All of the twenty or so targets to 2030 that are

currently being discussed require business solutions, and this will also lead to opportunities for business. This requires a long-term and broad perspective.

Luckily, I have learned from seeing the commitments made by Furukawa Electric's top executives and from attending hearings that the company recognizes the issues I have raised here and is making efforts to make the necessary preparations. All that is left now is to put this into practice.

1) Industrial capitalism

This refers to capitalism that creates profits through industrial activities based largely on the industries established as a result of the industrial revolution. It is widely argued that in future the source of profits will shift away from "goods" and towards "people (knowledge)".

2) GRI's G4

The fourth version (G4) of the globally applied CSR reporting guidelines published by GRI (Global Reporting Initiative). <https://www.globalreporting.org/>

3) IIRC Integrated Reporting Framework

The Integrated Reporting Framework was published in December 2013 by the IIRC (The International Integrated Reporting Council) after many years of discussions. The framework encourages reporting on long-term development using integrated financial and non-financial information. <http://www.theiirc.org/>

4) Financial Services Agency's Japanese version of the Stewardship Code

This is the name given to the Principles for Responsible Institutional Investors published by the Financial Services Agency in February 2014. The Principles have been given the subheading "to promote the sustainable growth of companies through investment and dialogue". <http://www.fsa.go.jp/en/refer/councils/stewardship/20140407.html>

5) ESG investment

This is a form of investment that prioritizes non-financial information, including E (Environment), S (Society) and G (Governance), as a way of measuring of corporate value in addition to financial information. It is a form of investment based on the idea that ESG is a risk factor for companies and at the same time it can provide returns by improving corporate value in the long-term.

6) United Nations' Post-2015 Development Agenda

As the deadline for achieving the United Nations Millennium Development Goals (MDGs) approaches, a broad debate has begun with a view to formulating international development targets after 2015 (post-2015). Discussions have been carried out not only at the United Nations but also involving industry and NGOs. The plan is to adopt the goals at the United Nations General Assembly in September 2015. <http://www.mofa.go.jp/policy/oda/mdg/>



Furukawa Electric 130th anniversary logo

In 1884, 130 years ago, the company began smelting copper in Honjo, Tokyo and manufacturing electric cables in Takashima-cho, Yokohama. In that same year Japan's first ever light-bulb was lit. It was truly the dawn of the age of electricity.

Furukawa Group's founder, Ichibei Furukawa, was very friendly with Eiichi Shibusawa, known as the father of Japanese industry. They are said to have worked together to build Japan with the shared aim of "making Japan brighter".

We have inherited this mission from them and we will continue seeking to "make the world brighter" as a unique player with diverse material technologies in fields such as infrastructure and motor vehicles.

Scope of This Report

Period Covered

Fiscal 2014, from April 1, 2013 to March 31, 2014
(note) Includes selected information on past initiatives and activities during fiscal 2015.

Publication Timeframe

Publication date: August 8, 2014
Planned publication of next edition: August 2015

Organizations Covered

This report covers Furukawa Electric Co., Ltd. and affiliated companies in Japan and overseas. Where activities are limited to specific regions or companies, this fact has been clearly indicated in the reporting.

Source Guideline

We referred to the GRI "Sustainability Reporting Guidelines 2006 (3rd Edition)" in composing this report.

Accuracy of the Data Disclosed in This Report

In order to maintain accuracy in data disclosure, the information provided in this report has been vetted by the divisions in charge of the relevant information, the Investor & Public Relations Department and the CSR Department, which is in charge of editing this report. We have also provided a third-party opinion so as to offer the point of view of an outside expert.

Information Disclosure System

Furukawa Electric is fully aware that the timely and appropriate disclosure of corporate information to investors is essential to a healthy stock market. We take a serious approach to providing timely and appropriate corporate information to investors, including through the development of internal systems that allow us to disclose rapid, accurate and fair corporate information in a way that always keeps investors' perspective in mind.

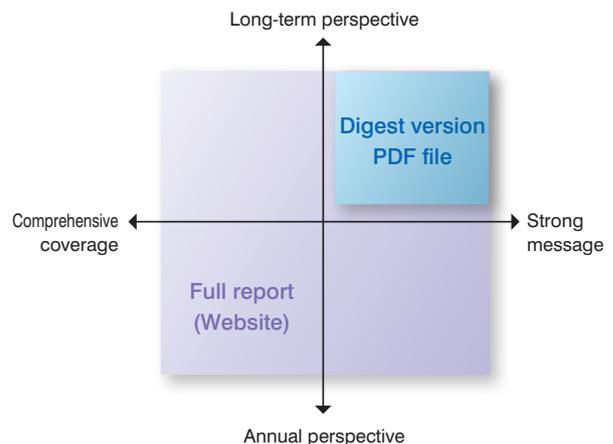
Moreover, in order to increase the understanding of all stakeholders in respect to our company, we try to provide information through a variety of media, including non-financial information (see diagram on right).



Editorial Policy

This report aims to inform all stakeholders about the philosophy and measures of Furukawa Electric Group in relation to its business activities, management, the environment and its relationship with society. What's more, this year we have compiled a digest version containing a collection of articles with strong and important messages. When editing the digest version, we have tried to provide information in a concise and clear manner, in a way that targets as broad a readership as possible.

We have been disclosing the report under the CSR section of the Furukawa Electric website instead of publishing a booklet for it. We also provide the digest version (PDF file) on the website so that you can download it.



To the Sustainability Report 2014 page



<http://www.furukawa.co.jp/english/csr/report/index.htm>

Contact us

https://www.furukawa.co.jp/cgi-bin/inquiry.cgi?id=cscr_en
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