

Furukawa Electric Group Sustainability Report 2017



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. Our goal is to report on our CSR philosophy and efforts and gain the understanding of our stakeholders.

Scope of This Report

Period Covered

Fiscal 2016, from April 1, 2016 to March 31, 2017

(note) Includes selected information on past initiatives and activities during fiscal 2017.

Organizations Covered

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

Publication Timeframe

Publication date: September 14, 2017

Planned publication of next edition: September 2018

Editing and Publication

CSR Department, Administration & CSR Division,
Furukawa Electric Co., Ltd.

Marunouchi Nakadori Bldg., 2-3, Marunouchi 2-chome,
Chiyoda-ku, Tokyo 100-8322, Japan

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.

Non-financial	Financial
<ul style="list-style-type: none">- CSR website- Sustainability reports- Corporate governance reports	<ul style="list-style-type: none">- IR website- Financial statements- Securities reports/Quarterly reports- Summary of accounts, etc.

Sustainability Report

 <https://www.furukawa.co.jp/en/csr/report/>



History of Furukawa Electric's CSR Activities

1972	Companywide Rules for Pollution Prevention formulated
1974	Environmental Control Department established Energy Conservation Team established
1989	Team for Reduction in Use of Specified CFCs established
1992	Anti-Monopoly Act Guidelines issued
1993	Basic Framework for Protecting the Global Environment formulated (Furukawa Electric's voluntary environmental preservation plan)
1996	Use of specified CFCs and trichloroethane discontinued
1997	Team for Promotion of Reduction in Industrial Waste established
1998	Furukawa Electric Basic Environmental Policy formulated Acquisition of ISO 14001 certification commenced Companywide Regulations for Pollution Prevention revised to create the Companywide Regulations for Environmental Management
2000	First Environmental Report published
2001	Environmental accounting started Zero-emissions activities commenced
2002	Anti-Monopoly Law manual published
2003	Furukawa Survival Plan announced Executive Officer System introduced Furukawa Electric Basic Environmental Policy revised
2004	Company system and chief officer system introduced Furukawa Electric Group Action Guidelines formulated Furukawa New Leaf established as a special subsidiary offering employment to people with disabilities
2005	Internal reporting system introduced and internal and external reporting desks established Compliance Handbook published
2006	Medium-term management plan Innovation 09 announced Report published under the revised title "Environmental and Social Report"
2007	CSR Division established Chief Social Responsibility Officer (CSRO) appointed Report published under the revised title "CSR Report" Corporate philosophy and corporate message of the Furukawa Electric Group formulated
2008	Furukawa Electric Basic Environmental Policy formulated Furukawa Electric Group Basic Policy on Social Contribution Activities formulated
2008	Furukawa Electric Basic Policy on Pandemic Influenza Preparedness formulated Compliance pledge introduced e-Friendly mark (environmentally harmonious product) certification system started
2009	Furukawa Electric Group Green Procurement Activity Guidelines published Basic Policy on BCM (Business Continuity Management) formulated Compliance awareness survey covering all employees conducted A CSR award newly established as a part of the Outstanding Affiliated Company Awards
2010	Medium-term management plan, New Frontier 2012, formulated CSR Deployment Guideline for Business Partners issued "Heart-to-heart communication between president and employees" and "Compliance Roundtables" initiated Compliance Months introduced Compliance awareness surveys for affiliated companies conducted
2011	Information security and personal information protection months introduced Furukawa Electric Group Basic Policy on CSR revised ¥250 million donated for reconstruction support for the region affected by the Great East Japan Earthquake (Groupwide) Furukawa Electric Group CSR Code of Conduct revised, and Furukawa Electric Group Action Guidelines accordingly eliminated Competition Laws Compliance Guide published
2012	BCAO Award 2011, the "Award for Practical Excellence", received from the Business Continuity Advancement Organization (BCAO) Report name revised to Sustainability Report and issued Furukawa Electric Group Anti-Bribery Statement and Bribery Prevention Guide formulated
2013	Medium-term management plan, Furukawa G Plan 2015, announced Transitioned from company system and chief officer system to a system of strategic business units and head office divisions Administration & CSR Division inaugurated
2014	One domestic SBU conducted EICC audit Implementation of private sector training for public school teachers Jointly conducted employee awareness surveys with Group companies in Japan Published 2 nd edition of competition law compliance guide (Japanese, English and Chinese common edition) Began compliance education for local employees of Chinese affiliate companies
2015	Visiting elementary school to give classes
2016	Medium-term management plan, Furukawa G Plan 2020, announced Established contact for internal reporting system for overseas Group companies Jointly conducted employee awareness surveys with Group companies in Japan

Furukawa Electric Group Sustainability Report

2017

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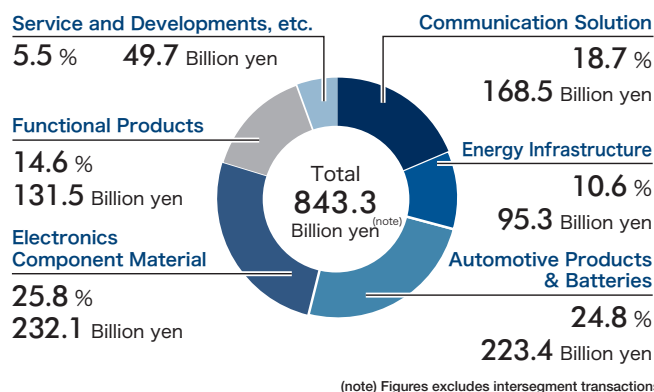
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Group Profile

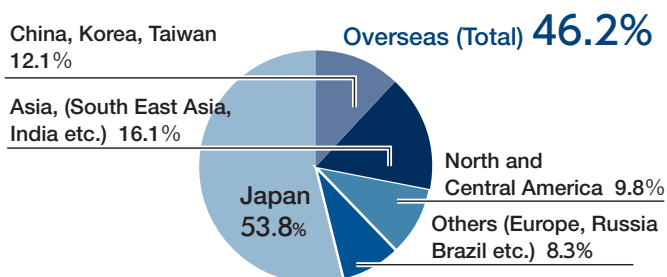
Company Profile

Company Name	Furukawa Electric Co., Ltd.
President	Keiichi Kobayashi
Founded	1884
Established	1896
Paid-in Capital (As of March 31, 2017)	¥69,395 million
Net sales (Years ended March 31, 2017)	¥843,344 million (Consolidated) ¥398,777 million (Non-Consolidated)
Number of Employees (As of March 31, 2017)	52,254 (Consolidated) 3,657 (Non-Consolidated)
Head Office	Marunouchi Nakadori Bldg., 2-3, Marunouchi 2-chome, Chiyoda- ku, Tokyo 100-8322, Japan
TEL.	+81-3-3286-3001

Percentage of net sales by segment



Percentage of overseas sales



Major Products and Services

Infrastructure



Optical fiber cables / Semiconductor optical devices / Metal communication / Fusion Splicer / Network equipment / CATV system / Radio products / Power transmission cable / Power transmission cable accessories and installations, etc.

Functional Products



Cable conduits / Water-feeding pipe materials / Foam products / UV tapes for semiconductor manufacturing / Heatsinks / Hard disc drive (HDD) aluminum substrates / Electrodeposited copper foil, etc.

Automotive Products & Materials

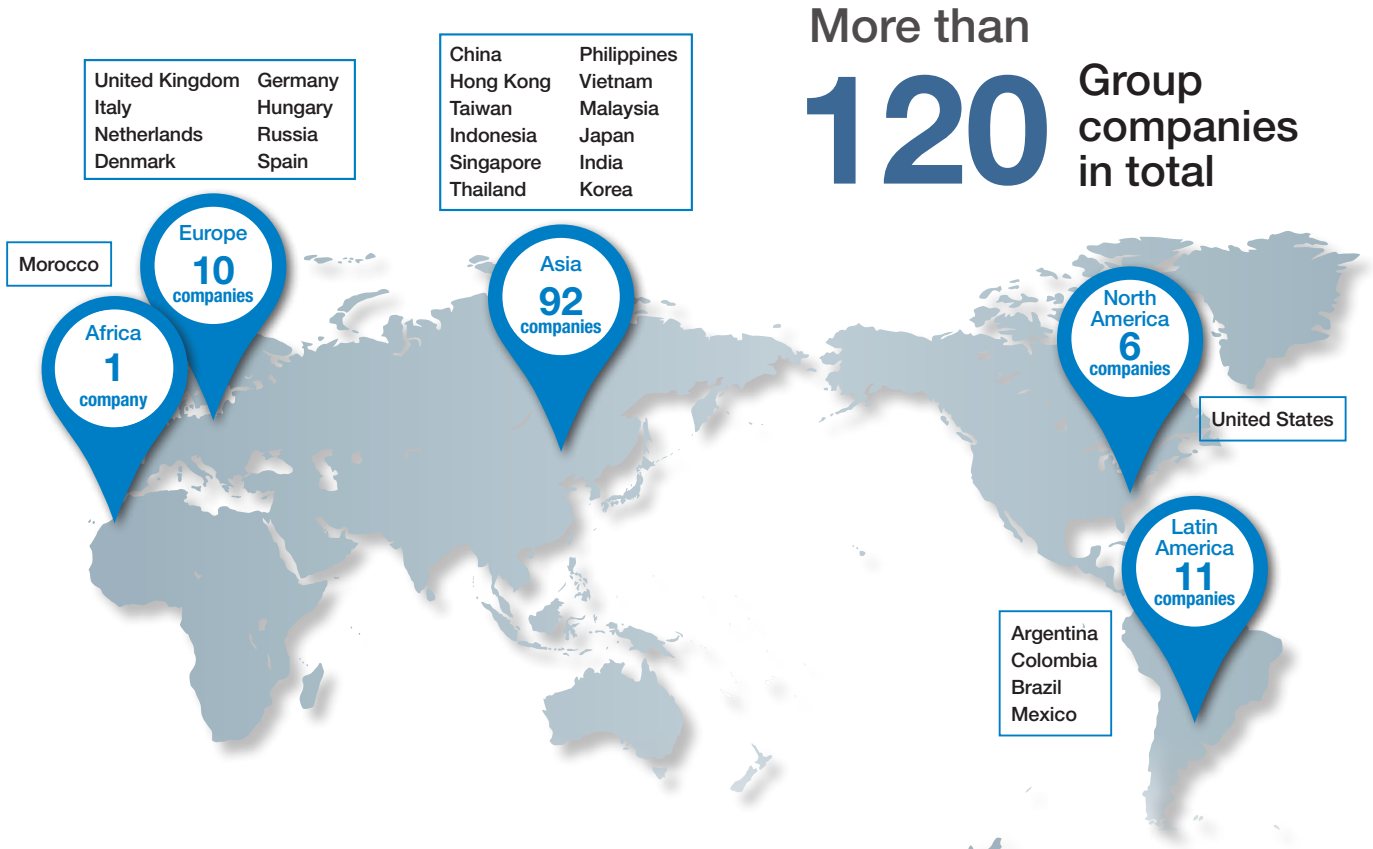


Automotive components and wiring harness / Battery products / Copper and copper alloy products (plates, strips, pipes, rods, and wires) / Superconducting products / Special metal materials (Shapememory and super-elastic alloys), etc.

Service and Developments, etc.

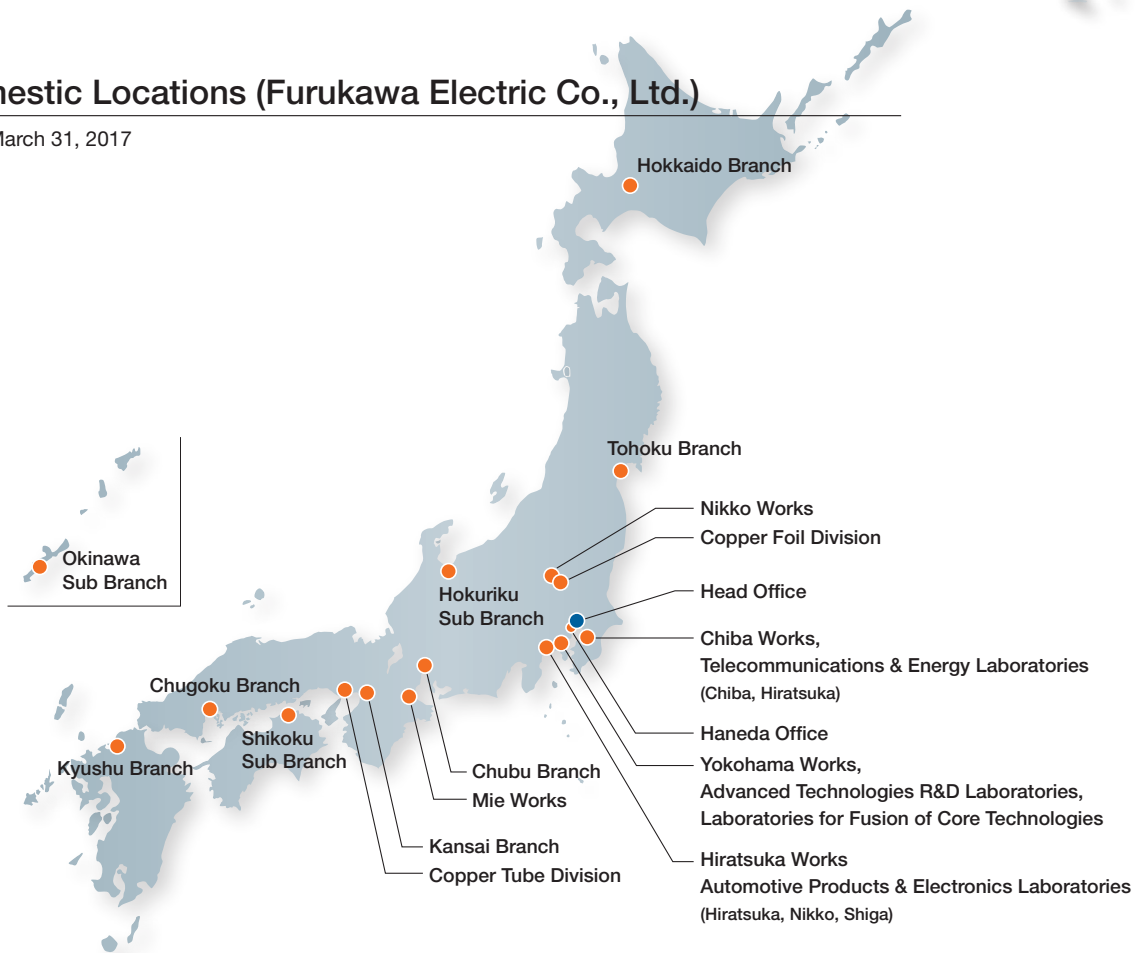


Logistics / Information processing service / Software development / Service business (real-estate leasing, hydraulic power generation and so on) / R&D, etc.



Domestic Locations (Furukawa Electric Co., Ltd.)

As of March 31, 2017



Contributing to the achievement of a sustainable society and brightening the world



Profile

Born in 1959, in Hokkaido. Specialized in metallurgical engineering at the Graduate School of Science and Engineering, Waseda University. Entered the company in 1985.

After entry, gathered experience at the Nikko Works over a period of 24 years, ranging from research and development of copper alloys to a position as General Production Manager of the Copper Rolling Plant. After this, served successively as Production Development Department General Manager, Magnet Wire Division General Manager, Copper & High Performance Material Products Division General Manager, and Global Marketing Sales Division General Manager. Has completed numerous accomplishments including structural reform of the Magnet Wire Division and early measures for recovery from snow damage at the Nikko Works, and assumed the position of President in April 2017.

President
Keiichi Kobayashi
Furukawa Electric Co., Ltd.

Kei Kobayashi

- You assumed the position of President in April of this year, so please tell us your current viewpoints on sustainability.

Since our company was established in 1884, we have drawn on our material expertise in a wide range of fields including copper and aluminum as a manufacturer of electric wire and non-ferrous metals. Through continuous technological innovation we have created technologies and businesses required by our society, such as the construction of infrastructure to serve as the foundations of society and industry. The Furukawa Group's founder Ichibei Furukawa worked diligently toward the goal of creating a new Japan with the desire to "make Japan brighter". We have in turn inherited this view, holding a strong sense of duty and broadened outlook now with the conviction to "make the world brighter". Our Group has a responsibility to make contributions to all of our stakeholders while continuing to pursue robust business activities and create profits, as well as to help in achieving a sustainable society by supporting efforts to resolve various issues with our businesses and technology. Deploying its businesses on a worldwide scale, our Group constantly takes a globally-oriented approach to the resolution of problems to achieve sustainability, and to the contributions we provide to our stakeholders.

- Since your new medium-term management plan has started from the previous fiscal year and is now underway, please tell us about your overall initiatives for the plan, including your policies for this fiscal year.

Our "Furukawa G Plan 2020: Delivering Sustained Profitable Growth" medium-term management plan, which began from the previous fiscal year, includes three points positioned as its main initiatives: "Strengthen and reform businesses", "Expand sales in the global market", and "Step up efforts to tap into new markets". I will take the lead and carry out these points to completion myself, in order to achieve its objectives so that the plan's path of growth will be established. We will also accelerate our reforms in selling styles, manufacturing styles, and work styles, to strengthen our Group's financial base so that we can provide even further reliability in meeting the expectations of our stakeholders including all of our shareholders and bring peace of mind for them. In this fiscal year, the second year of the plan, we are proceeding with five priority initiatives: 1. Thoroughly implement "safety first" and compliance; 2. Create new values together with our customers; 3. Achieve highly competitive manufacturing; 4. Continually undertake challenges for new products, new technology, and new manufacturing methods; and 5. Develop human resources to lead the next generation. Among these, we are placing the highest emphasis on "safety first" and "thorough implementation of compliance", the foremost prerequisites for our business activities. While proceeding with intensive initiatives to develop personnel and environments with the goal of zero accidents, we will continue to provide ongoing education for thorough implementation of compliance.

- As you move forward with your medium-term management plan, what types of initiatives are you engaging in to contribute to the achievement of a sustainable society?

As our Group proceeds with the three main initiatives that were mentioned previously: “Strengthen and reform businesses”, “Expand sales in the global market”, and “Step up efforts to tap into new markets”, we are deploying infrastructure businesses to protect the environment, support life, and sustain lifestyles on a global scale. For example, as signature products which can contribute to the prevention of global warming, we have developed aluminum wire harnesses and lead battery status detection sensors, which can help to achieve higher automobile fuel efficiency for reducing CO₂ emissions. As representative products which can contribute to recycling, we have developed recycled resin “Green Troughs” which use waste plastic as their primary raw material, and optical fiber cables whose structures are suited to recycling. We are also working to support the foundations of our continually-progressing advanced information society with products to sustain its smart infrastructure. These include riser cables for offshore floating wind power generation, superconducting magnet which support superconducting flywheel power storage systems, and active optical products used in backbone systems for telecommunication involving the rapidly-increasing amounts of data associated with the spread of IoT. In addition, many of our Group’s products are making valuable contributions to the achievement of a sustainable society, and we are furthermore focusing on new product development with great consideration for the natural environment.

- What points are you strengthening in particular, with regards to the management infrastructure which supports your business activities?

Since FY2015, we have started “Work Style Reform” activities. We are proceeding with changes to our working styles and to our organizational culture, which include environmental arrangements such as the introduction of a telework system, and are striving to achieve sustainable growth for the company while also enriching the lives of our individual employees. Our Group has declared its management philosophy to be: “Nurture human resources at every level, so that we can become a more diverse and creative organization”. We believe it is essential to build environments and cultures where diverse human resources can flourish while proceeding with Group Global management, and we have been deploying measures for diversity promotion for some time.

Looking next at corporate governance, we continuously improve operation of board meeting by conducting questionnaires to all members of Board and Audit & Supervisory Board on evaluations for improving the effectiveness of Board. We are also engaging in institutional design to reach the ideal state of our company, from the perspective of governance which balances offense and defense. Additionally, we are striving for instilling our Group philosophies (Corporate Philosophy, Management Philosophy, Group Credo) in all employee in our Group and for developing human resources able to act while upholding our common Group values.

- What types of initiatives are you promoting for environmental conservation?

As our Group Global management has progressed since FY2013, we have proceeded with the combination and reorganization of our manufacturing bases and have improved the efficiency of our energy usage, steadily reducing the amount of CO₂ emissions during our production. We have also utilized the material expertise that is a particular strength of our company to reduce CO₂ emissions even at the stages at which our products are used, making contributions through material supplies of rectangular magnet wire for hybrid vehicle motors and the previously-mentioned wire harnesses for automobiles. From here on, we will expand our product lines with high environmental contributions, including heat-resistant products and lighter products based on oxygen-free copper and resin technology. Our Group company Furukawa Nikko Power Generation Inc. is carrying out hydroelectric power generation with zero CO₂ emissions, with the resulting augmented power generation capability contributing to an increased supply of renewable energy. Our Group is also continuing its efforts to answer social demands, actively releasing environmental data and raising our transparency and reliability through certification by third-party certifying bodies.

- Lastly, please give a final message to the readers of this report.

Our Group is deploying its business activities based on the relationships of trust we have with all of our various stakeholders, including our shareholders and customers. Through this Sustainability Report, we hope to provide a greater understanding of our activities and to additionally deepen the level of communication between our stakeholders and our Group. Based on our Corporate Philosophy of "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", we will bring out the further potential of our Group for even stronger advancement of our business activities, and we intend to continue being a company whose existence is essential to our society.

We hope to be able to receive your further cooperation and support for our Group from here on.



OFS Activities, Our North American Hub

— The Global Contributions of Fiber Optics —



Corporate Profile

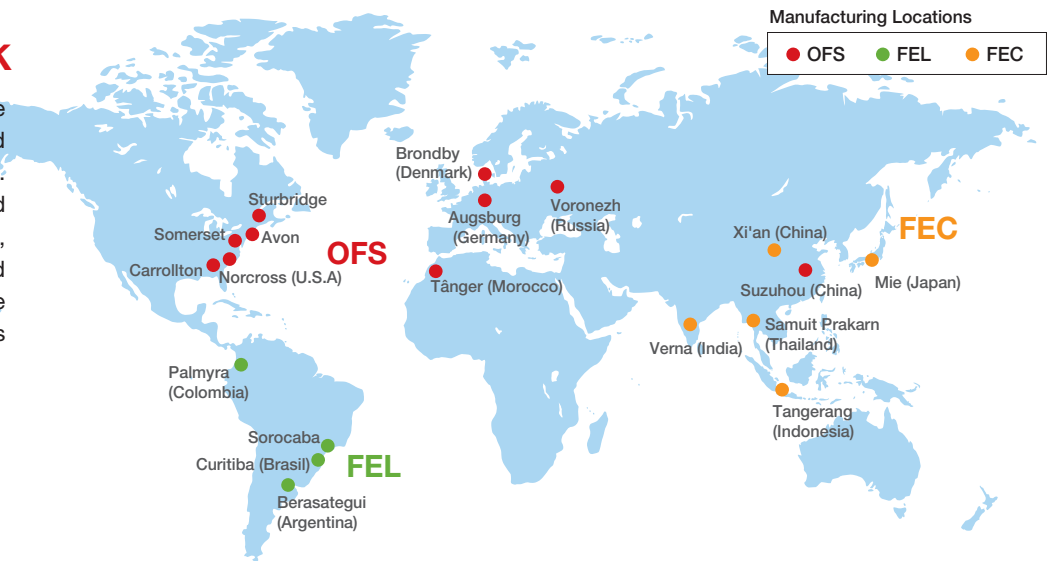
OFS has one of the longest and most respectable corporate lineages in American business going back to Alexander Graham Bell and including the fertile minds of AT&T, Western Electric, Bell Labs and a rich history of industry-changing technologies. OFS holds hundreds of patents in fiber and cable technologies and is responsible for developments as fundamental to the fiber optic industry as the development of the Erbium-doped fiber amplifiers (EDFA), totally gel-free cable structures, Polarization mode dispersion (PMD) mitigation techniques, and Zero Water Peak (ZWP) fibers. In 2001, OFS became a member of the

Furukawa Group, and with regular collaboration between Furukawa Electric Japan and FEL in Brazil, supplies the largest and most technologically advanced telecommunications operators in the world.

OFS recently won the Technology and Engineering Emmy® Award sponsored by the Academy of Television and Arts and Sciences of America for contributions toward the “Pioneering Invention and Development of Optical Fiber Cable.” (November 2016)

Global Network

The OFS mission is to be the premier global provider of added value optical fiber based solutions. OFS, headquartered in the United States, operates manufacturing, sales and research centers around the world (see figure) including the construction of Furukawa Electric’s first African factory in Morocco.



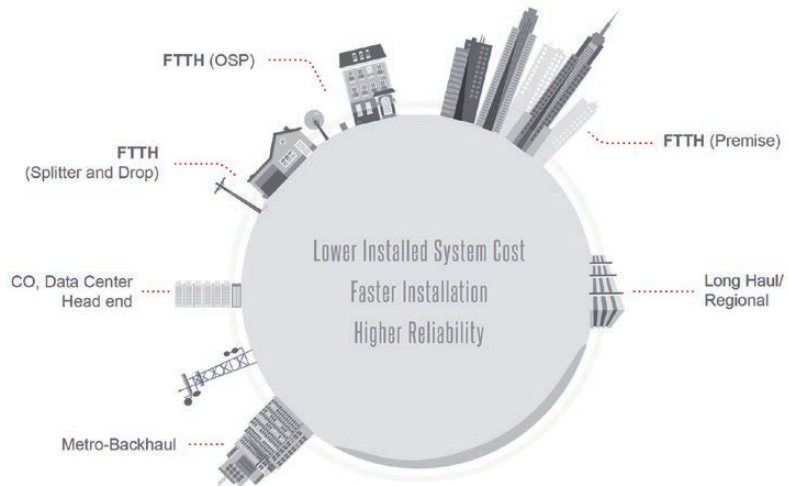
Fiber’s Contribution to the World Today

Fiber optic networks have changed the world. From global transoceanic ultra-high capacity routes to fiber in the home, networks powered by OFS fiber, cable, and components bring us closer together, every day. Today’s networks transfer the world’s information, including voice, video, and data. Previously impossible dreams, from remote surgery to rich social networks, all travel around the world at the speed of light. Today’s networks are just the beginning. Tomorrow’s networks bring the promise of even greater improvement to our lives, including the Internet of things. For now and the future, OFS networks will be there to carry the load.

Business Overview

OFS is a world-leading designer, manufacturer and provider of optical fiber, fiber optic cable, connectivity, FTTx and specialty optical fiber solutions for Communications, Medical, Industrial Networking, Sensing, Aerospace and Defense industries.

OFS SOLUTION FOCUS



Social Contribution

As global citizens, we value the opportunity to support the communities in which we reside.



OFS employees donated thousands of toys for children in need during the holiday season.



For the past several years, OFS employees have contributed soap, toothpaste, and personal items to residents of homeless shelters.



Hundreds of coats are donated.



OFS involvement in the local community

Over the past 8 years, OFS employees have donated more than 500 pints of blood.



OFS continues to support the development of next generation talent by offering summer internships to students from local colleges/universities. Students engage in real work experience which may include assisting in manufacturing operations, conducting equipment tests, to supporting recruitment job fairs. The success of the internships has been worthwhile as some of the interns have become OFS employees, working in their chosen academic field of study.



Community Award Presented to OFS Denmark by the Mayor of Brøndby. For the past six years OFS Denmark has worked with the Vestegnen Job & Activity Center to provide employment to disabled individuals. In 2012 OFS Denmark was selected as the company of the year in Brøndby for its work in this area.

2 Everyone working lively, continuing to grow and being a proud corporate group

— Introduction of Diversity & Inclusion and Work Style Reform —



At the Furukawa Electric Group, our aim is to continue growing and creating new values, by allowing our diverse human resources to feel a sense of work satisfaction and to be able to demonstrate their individual strengths, while also exhibiting our total capability with unified values and judgment standards according to the principle of “One Furukawa”. To accomplish this, we are engaging in various initiatives so that each individual can take a leading role in independently managing his or her own work-life balance, and can successfully achieve both personal development and the growth of the organization and company.



Diversity & inclusion

Although we have taken continuing actions toward arranging better working conditions for women and promoting employee work-life balance since the 2005 fiscal year, we are also proceeding with a wide range of other measures to accelerate the creation of working environments which can allow our diverse human resources to be fully active. These measures include the establishment of a Diversity Promotion Office in April 2014, activities to enhance the awareness of diversity and inclusion, measures to promote the activity to promote women's careers, and advancement of autonomous work-life management by employees.

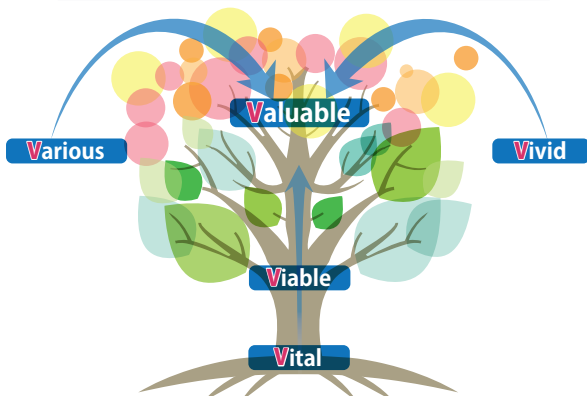
In September 2014, we began the “Furukawa ‘V’ Challenge!!”, the activity to promote women's careers. In tandem with other

measures, we started networking activities in FY2015 for our roughly 70 young female employees, including those in our Group companies. The objective of these activities is to build new networks among female employees that are not limited by organization or job type through investigating issues and improvement measures under the 4 themes of “balancing family and work”, “forming careers”, “managing and creating time”, and “work style reform”. In July 2016, roughly 160 participants, including executives and supervisors, gathered together for the “V Challenge!! Forum”, where proposals and opinions were communicated from members to the top management on various topics. A portion of the proposals from this event have been incorporated into our initiatives as well.

Furukawa “V” Challenge !!

Slogan

Challenge to the **Vital** issues
by **Viable** approaches
to realize “**Variou**s” “**Vivid**” “**Valuable**” Work & Life !



At the “V Challenge!! Forum”: Report conference on networking activities (upper right) and scene from group work activities (lower right)



Work style reform

Our company established a specialized organization for “work style reform” in May 2015 and began related initiatives with the aim of balancing sustainable corporate growth with the enhancement of the individual lifestyles (lives) of our employees. We are promoting a variety of measures from both the perspectives of “reforming work style”, with the objective of improving both productivity and job satisfaction, and “reforming our organizational culture”, whose goals are to reinforce the core values of our company Group: “innovation”, “ownership and speed”, and “collaboration”.

In January 2017, we introduced a “telework¹⁾ system”. By removing restrictions on work locations, this system will enable employees to perform their conventional duties more efficiently and focus on creative work. This is expected to bring about improved productivity per hour and other enhancements to work quality and performance. Furthermore, allowing work in hourly units at locations outside of the company, such as in cases where employees cannot perform work at specific times due to personal affairs, has the goal of improving work style and job satisfaction. This system functions differently from the existing “home work system” (introduced in FY2012) which is intended to support child care and nursing care, as it is usable by anyone meeting certain conditions such as application of the flex-time system.

*1) Telework

A work format which uses telecommunications technology to remove limitations on places and times for performing duties.

The term is formed from a combination of “tele” (“distant”) and “work”.

Sustainable growth of the company & enhancement of individual lifestyles (life)

Reforming organizational culture

- Dialogue and empathy
- Sense of ownership
- Innovation / challenge

Reforming work style

- Improve productivity per hour
- Improve creativity and added value
- Autonomous Work-life management

Section Manager sessions Leader education

Enhancement of talks in the workplace

Permeation of “Ikuboss”

More efficient meetings

Simplification of meeting materials

IT utilization

Business improvement / standardization

System and environment improvement for flexible working styles (such as telework)

Voluntary activities of all divisions (department / section unit)

“Ikuboss”: A boss (manager) who develops him/herself, employees working under his/her jurisdiction, the organization, and society through work and personal life to produce outstanding results.

Feedback from Telework System User

Rieko Tanaka

(Production Control Section, Optical Fiber Production Department, Mie Works)

In the past, I experienced a lot of stress from having to take a full day off for just a 1-hour event at my child’s school, even though I had tasks that needed to be completed within the week. Telework lets me effectively use the time for both work and my family in total, letting me do my work comfortably and without worry. I can also concentrate on tasks such as summarizing financial settlement data or preparing reports more fully than at my office, so I can finish them more quickly. Within the rules for telework, such as indicating work content in advance, reporting on output, and sharing information while using the system, are followed and people use it properly with consideration for each other, I believe it can help to enhance the overall output of the workplace. It has also given me the desire to expand the range of my own duties.



“I hope we can help each other out at work, and use telework to achieve even greater results”, says Ms. Tanaka (left).

Initiatives of Group Companies

Furukawa Automotive Systems Inc.

At Furukawa Automotive Systems, numerical goals to be reached by the year 2025 have been set and a variety of measures are being implemented to promote women’s careers, so that female employees can be enthusiastic and highly motivated in their work while balancing their careers with important life events.

In FY2016, we implemented activities to encourage child care leave taken by male employees. The results of these measures have been highly praised, allowing us to obtain the “Platinum Kurumin” certification mark, the highest rank granted to companies supporting the development of our next generation. We are also currently planning training and other activities to raise the awareness of managers and women themselves.

Furthermore, we are implementing diverse initiatives for “work style reform”. We are re-examining the orderliness of our work operations and our rules on a company-wide level, taking quick and timely action for reforming work style across the entire company. Examples of these changes include standardizing the

format of meeting materials to 1 sheet of A3-size paper, conducting “stand-up meetings” which are held with participants standing up instead of sitting, and actively using Skype²⁾ for conferencing. Actions are being taken to change the mindset of employees by thoroughly enforcing steps throughout the company such as designation of every Wednesday and Friday as days for leaving work at set times, and patrols conducted by our President himself. As a result, the monthly average number of overtime hours per person has been reduced by 20% during the 2-year period from FY2013 to FY2015.

*2) Skype conferences

Web-based conferences using communication systems shared across the Group.



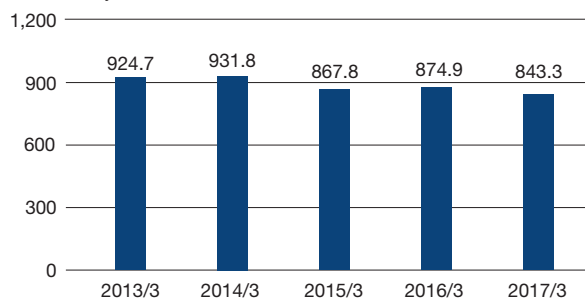
Scene during stand-up meeting



Financial and Non-financial Highlights

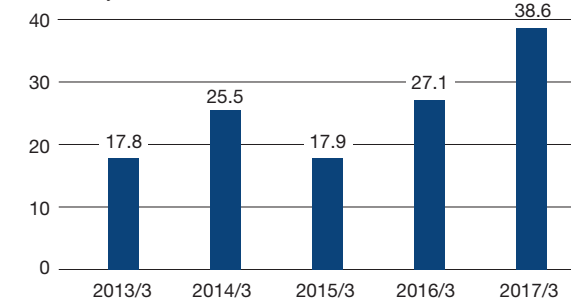
Net sales

(Billions of yen)



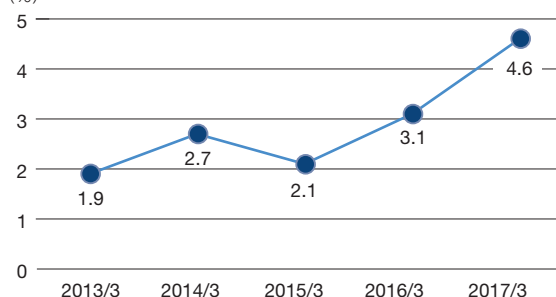
Operating income

(Billions of yen)



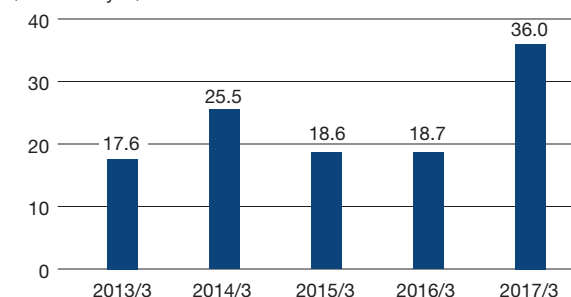
Operating income (Ratio to net sales)

(%)



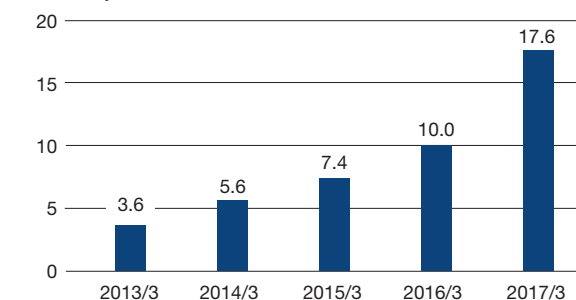
Ordinary income

(Billions of yen)



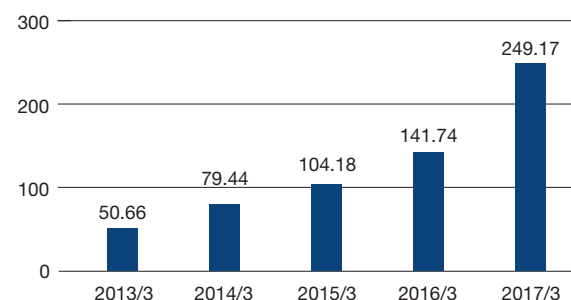
Net income

(Billions of yen)



Net income per common share

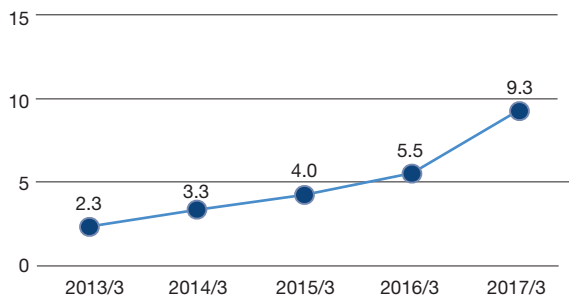
(Yen)



* We changed the number of shares in a unit of the company's ordinary shares from the current 1,000 shares to 100 shares with an effective date of October 1, 2016. Assuming that similar stock consolidation took place, we have calculated figures before the fiscal year ended March 2016.

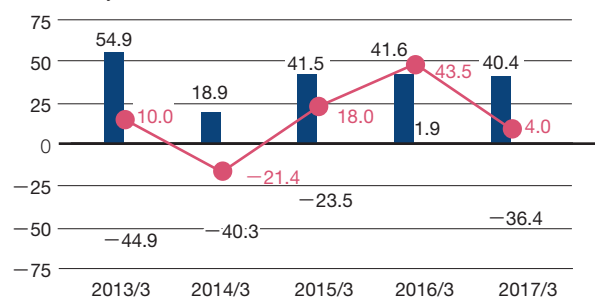
Return on equity

(%)



Cash flows

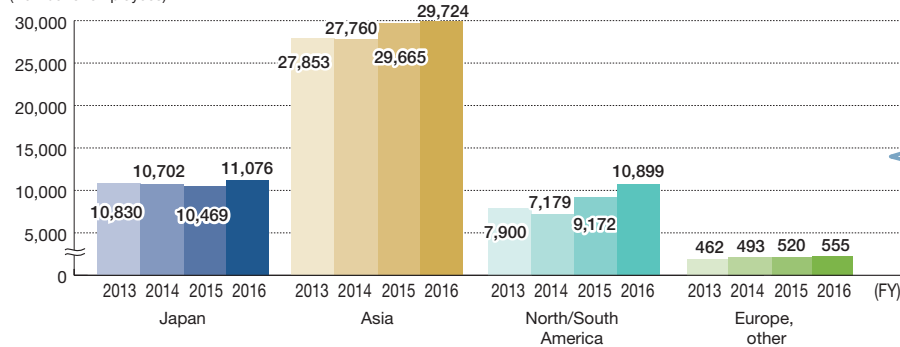
(Billions of yen)



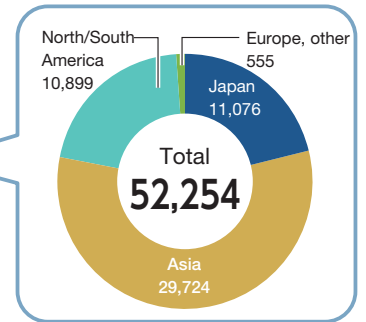
■ Cash flows from operating activities
 ■ Cash flows from investment activities
 ● Free cash flows

Number of Group employees by region (Consolidated)

(Number of employees)

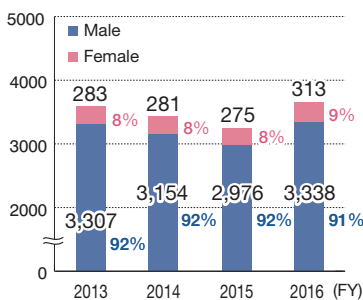


As of March 31, 2017



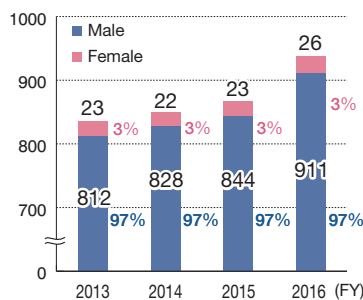
Gender ratio of employees (Furukawa Electric)

(Number of employees)



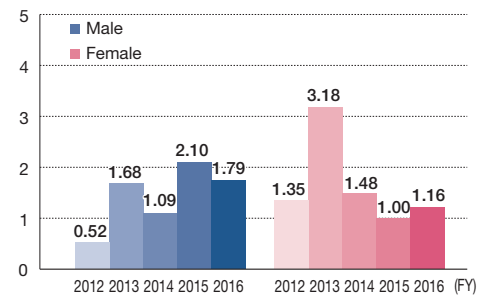
Gender ratio of managers (Furukawa Electric)

(Number of managers)



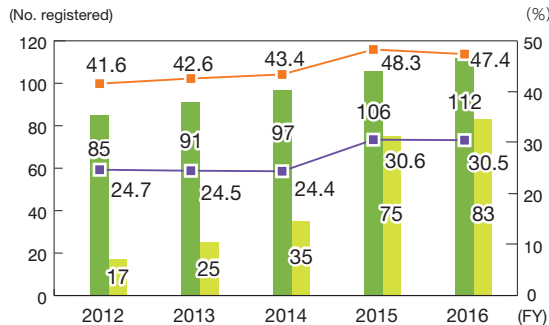
Employee turnover rate by gender (Furukawa Electric)

(%)



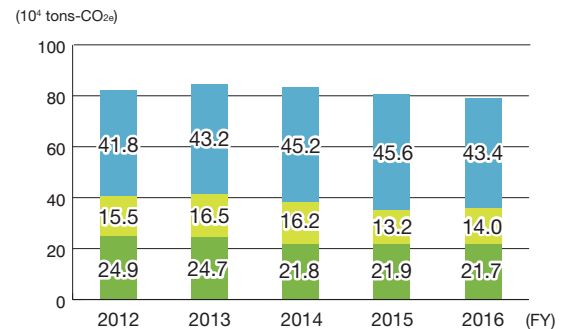
Environmentally friendly products as a percentage of sales

- Cumulative number of registered items (Furukawa Electric)
- Cumulative number of registered items (Consolidated)
- Percentage of sales on a single-year basis (Furukawa Electric)
- Percentage of sales on a single-year basis (Consolidated)



CO₂ emissions

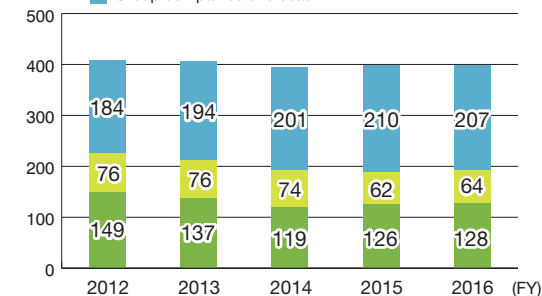
- Furukawa Electric
- Group companies in Japan
- Group companies overseas



(note) For the overseas CO₂ emission coefficient, the coefficient for each country according to the IEA (International Energy Agency) is used for purchased electricity, while the Japanese emission coefficient is used otherwise.

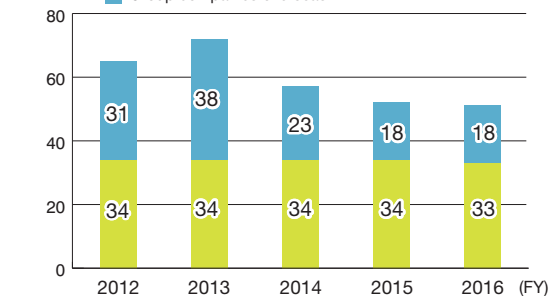
Energy consumption

- Furukawa Electric
- Group companies in Japan
- Group companies overseas



Total amount of waste matter generated

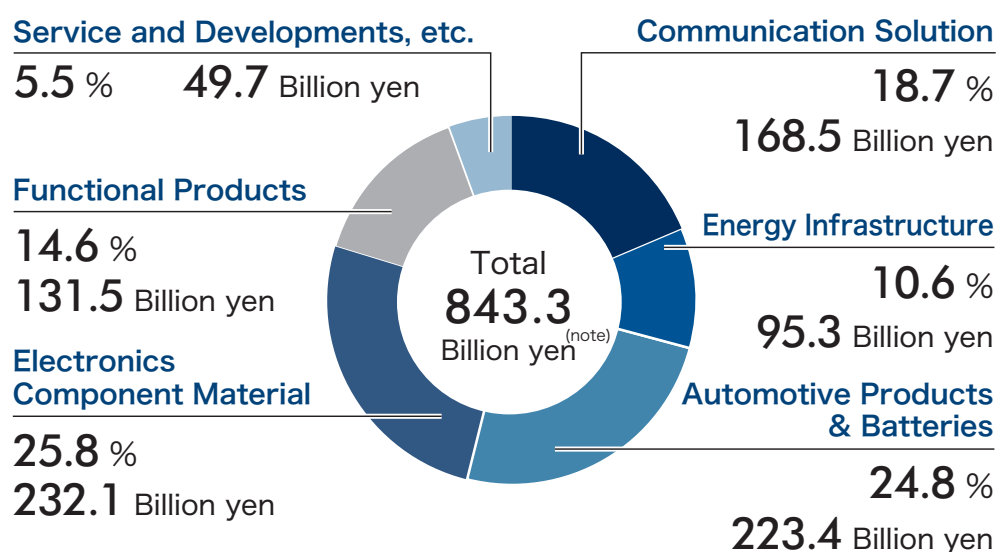
- Furukawa Electric & Group companies in Japan
- Group companies overseas



(note) Valuable resources are included in total waste generated for Japan only.

Business Report

Percentage of net sales by segment (As of March 2017)



(note) Figures excludes intersegment transactions

Net sales (Billion yen)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Infrastructure	—	—	—	252.7	263.8
Communication Solution	—	—	—	159.1	168.5
Energy Infrastructure	—	—	—	93.5	95.3
Automotive Products & Materials	—	—	—	491.1	455.5
Automotive Products & Batteries	—	—	—	234.1	223.4
Electronics Component Material	—	—	—	257.0	232.1
Functional Products	—	—	—	136.3	131.5
Service and Developments, etc.	—	—	—	51.5	49.7
Eliminations	—	—	—	-56.7	-57.0
Total	924.7	931.8	867.8	874.9	843.3

Operating income (Billion yen)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Infrastructure	—	—	—	7.7	14.3
Communication Solution	—	—	—	8.0	14.2
Energy Infrastructure	—	—	—	-0.3	0.1
Automotive Products & Materials	—	—	—	10.5	12.8
Automotive Products & Batteries	—	—	—	8.0	10.1
Electronics Component Material	—	—	—	2.4	2.7
Functional Products	—	—	—	8.5	11.7
Service and Developments, etc.	—	—	—	0.4	-0.1
Eliminations	—	—	—	0.1	-0
Total	17.8	25.5	17.9	27.1	38.6

Operating income (Ratio to net sales)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Infrastructure	—	—	—	3.1%	5.4%
Communication Solution	—	—	—	5.0%	8.4%
Energy Infrastructure	—	—	—	-0.3%	0.2%
Automotive Products & Materials	—	—	—	2.1%	2.8%
Automotive Products & Batteries	—	—	—	3.4%	4.5%
Electronics Component Material	—	—	—	1.0%	1.2%
Functional Products	—	—	—	6.2%	8.9%
Service and Developments, etc.	—	—	—	0.8%	-0.3%
Eliminations	—	—	—	-0.1%	0.1%
Total	1.9%	2.7%	2.1%	3.1%	4.6%

*We have changed the category of reporting segments since fiscal 2016.

Communication Solution

Business divisions

Optical Fiber and Cable Products, FITEL Products
Broadband Solutions

Fiscal 2016 Settlement of Accounts

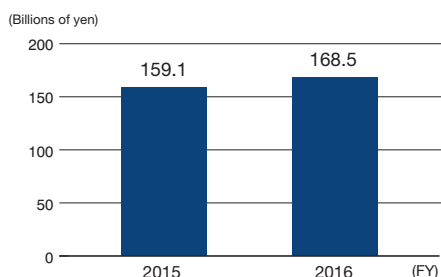
Consolidated sales
168.5 billion yen (5.9% up year-on-year)

Consolidated operational profit
14.2 billion yen (78.0% up year-on-year)

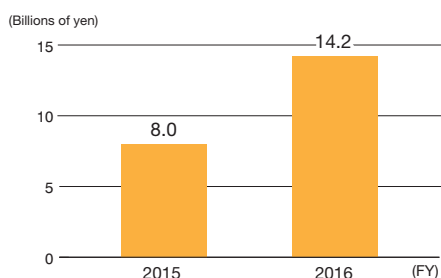
Based on high demand for optical fiber cables centered in Europe, America, and China, price levels for our Communications Solutions business have taken a favorable turn, and sales of low transmission loss optical fiber for submarine cables, a value-added product, have increased. Sales of digital coherent related products have also shown steadily positive performance.

In April of this year, we established an optical semiconductor device manufacturing company (60% capital investment ratio by our company) and a planar light wave circuit product manufacturing company (20% capital investment ratio by our company) through a joint venture with NTT Electronics Corporation. By creating combinations of technology with individual characteristics and efficiently distributing management resources, we will build production systems able to respond to increases in demand for optical components, and raise our profitability.

Net sales



Operating income



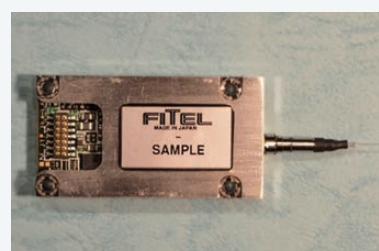
Fiscal 2016 Main Topics

- Nov. ▶ OFS Receives Emmy Award for the “Pioneering Invention and Deployment of Fiber Optic Cable”



- Dec. ▶ Notice of Joint Incorporation-Type Company Split with NTT Electronics Corporation

- Mar. ▶ Sampling of Narrow Linewidth & High Output Power Micro ITLA for beyond-100Gbps optical digital coherent transmission



Narrow Linewidth/High Output Micro ITLA

Energy Infrastructure

Business divisions

Power Cable, Industrial Cable & Power Cable Accessories

Fiscal 2016 Settlement of Accounts

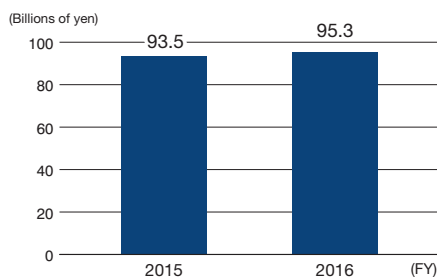
Consolidated sales
95.3 billion yen (1.8% up year-on-year)

Consolidated operational profit
0.1 billion yen (¥0.4 billion Improvement year-on-year)

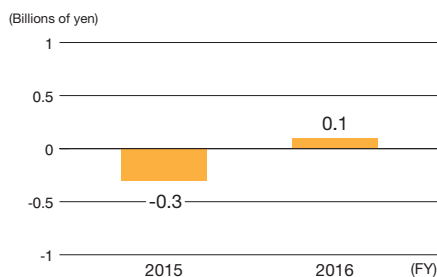
In October of last year, our Energy Infrastructure business received a transfer of the domestic Japanese divisions for the underground power transmission line and submarine power transmission line businesses from VISCAS Corporation, a joint corporation with Fujikura Ltd. While this has led to an increase in sales, profits were subjected to some pressure from the temporary generation of business integration expenses and a drop in demand for power transmission and distribution components intended for domestic power companies.

By operating these divisions in unison with overseas divisions accepted from the same company in April of the year before last, we will accelerate our activities to secure projects in ultra-high voltage power businesses both domestically and overseas.

Net sales



Operating income



Fiscal 2016 Main Topics

- Jul. ► Furukawa Electric Receives an Order for a Very Large Scale Ultra-high Voltage Power Cable Laying Project in Singapore



Laying site of ultra-high voltage power cables

- First Ultralight Low Voltage Branch Aluminum Power Cable Supplied



Ultralight Hybrid BH Cable installed

- Oct. ► Furukawa Electric Co., Ltd. acquired the underground undersea power transmission line business of VISCAS Corporation, a joint venture company formed with Fujikura Ltd.

Automotive Products & Batteries

Business divisions

Automotive Products & Batteries

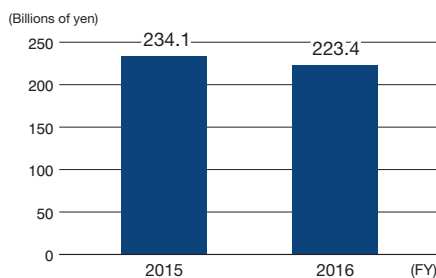
Fiscal 2016 Settlement of Accounts

Consolidated sales
223.4 billion yen (4.6% down year-on-year)

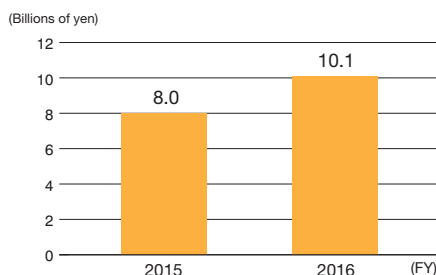
Consolidated operational profit
10.1 billion yen (25.3% up year-on-year)

In our Automotive Products business, while domestic sales of wire harnesses were sluggish, the effects of production efficiency improvement activities, executed from the previous fiscal year in locations such as our manufacturing bases in Mexico, could be seen. Management companies engaged in design and sales in China and Thailand will promote sales expansion in China and ASEAN regions, while efforts will be made to raise profitability by optimizing wire harness production systems in individual regions.

Net sales



Operating income



Fiscal 2016 Main Topics

Jan.

▶ New Vehicle-mounted Perimeter Monitoring Radar with the World's Most Advanced Detection Performance has Entered Mass Production

- Expected to significantly contribute to making future automatic operating systems -



Perimeter Monitoring Radar

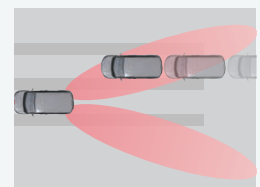
This radar uses the pulse method to accurately and simultaneously detect vehicles, bicycles, pedestrians, and other obstacles.



Proximity detection driving a car in reverse



Blind spot detection



Lane changing support

Electronics Component Material

Business divisions

Electric Conductor, Magnet Wire, Copper & High Performance Material Products, Copper Tube

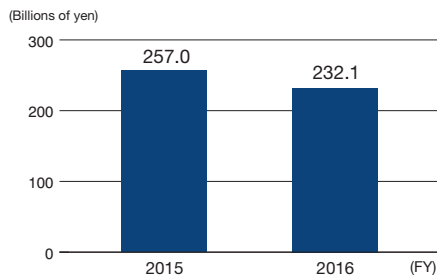
Fiscal 2016 Settlement of Accounts

Consolidated sales
232.1 billion yen (9.7% down year-on-year)

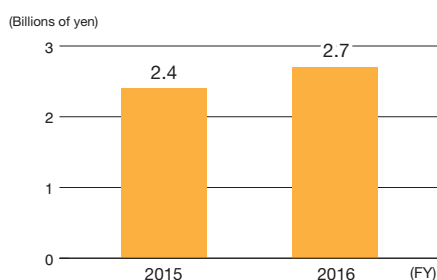
Consolidated operational profit
2.7 billion yen (12.1% up year-on-year)

In our Copper & High Performance Material Products business, the sales quantities of wrought copper products have recovered to the level they were at before the snow damage which occurred at our Nikko Works in February 2014. However, factors including a reduction in net sales due to the effects of a decline in copper base metal prices have caused temporary increases in the development costs of some products. In our Magnet Wire business, we carried out a joint venture with the Superior Essex Inc. Group of the U.S.A. in March of this year, allowing us to establish a manufacturing and sales company in Germany (49% capital investment ratio by our company) for high-voltage resistant rectangular magnet wire used in automobile drive motors and other applications. We will construct systems able to produce and sell these products in areas of demand, and will enter the European market for magnet wire used in EVs and PHVs.

Net sales



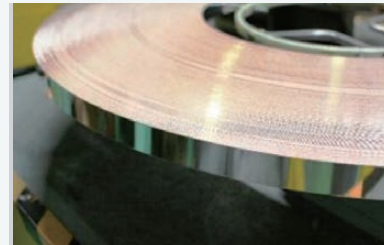
Operating income



Fiscal 2016 Main Topics

Mar.

- ▶ Furukawa Electric Develops Heat-resistant Low Insertion Force Cu-Sn Plating for Automobile Terminals

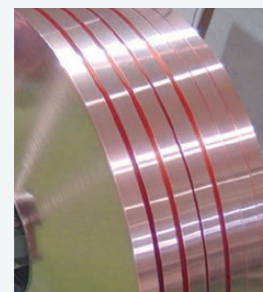


Heat-resistant Low Insertion Force Cu-Sn Plating

- ▶ Superior Essex and Furukawa Complete European Joint Venture Establishment



- ▶ Furukawa Electric is First in Japan to Obtain JIS Standard Certification for "C1011" Oxygen-free Copper



C1011 coil

Functional Products

Business divisions

AT & Functional Plastics, Thermal Management Solution & Products, Memory Disk, Copper Foil

Fiscal 2016 Settlement of Accounts

Consolidated sales
131.5 billion yen (3.5% down year-on-year)

Consolidated operational profit
11.7 billion yen (38.1% up year-on-year)

Our AT & Functional Plastics business showed increased sales of tape for semiconductor production. Additionally, in the Copper Foil business there were increases in demand and effects of structural reforms such as the relocation of manufacturing to Taiwan, as well as an increase in sales of high value-added products such as foil for high-frequency applications. In our Thermal Management Solution & Products business, however, demand for items including heat-dissipation products for PCs was stagnant. Regarding foam products, we are intending to develop markets directed toward building materials and automobiles in Europe and North America, centered around our German subsidiary Trocellen GmbH.

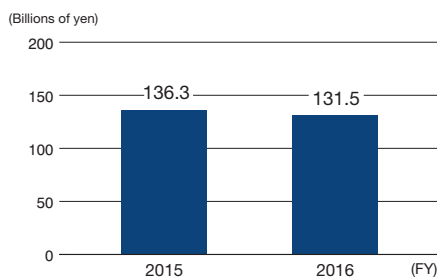
Fiscal 2016 Main Topics

- Mar. ▶ **Furukawa Electric Develops New Semiconductor Tape that Can Significantly Improve Semiconductor Quality**
 - Will begin mass production of materials for laser grooving and plasma dicing –

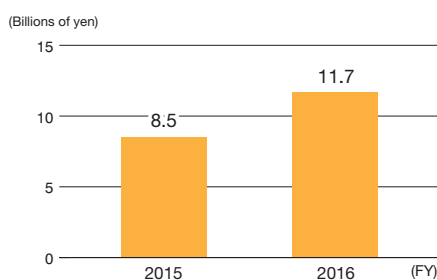


Semiconductor tape

Net sales



Operating income



Corporate Governance

Basic Views on Corporate Governance and Guideline on Corporate Governance

Basic Views on Corporate Governance

Based on the "Furukawa Electric Group Corporate Philosophy", Furukawa Electric Co., Ltd. and the Furukawa Electric Group secure the transparency and fairness and strive to enhance its performance by promptly responding to changes in the business environment and the market through efficient management based on prompt decision making. At the same time, we ensure sound management by developing and establishing an internal control system and applying it effectively. We uphold the basic policy of seeking to expand and develop our operations on a sustainable basis and to raise corporate value through these efforts. In accordance with the following views, we seek to strengthen and enhance our corporate governance.

- i. We secure the rights and equal treatment of shareholders.
- ii. We consider interests of stakeholders including shareholders, and cooperate appropriately with them.
- iii. We ensure appropriate information disclosure and transparency.
- iv. Given its fiduciary responsibility and accountability to shareholders, the board regards the roles of independent directors important and carries out effective oversight of operation from objective standpoint.
- v. We engage in constructive dialogue with shareholders who have investment policies in accordance with interests of mid- to long-term shareholders.

Guideline on Corporate Governance

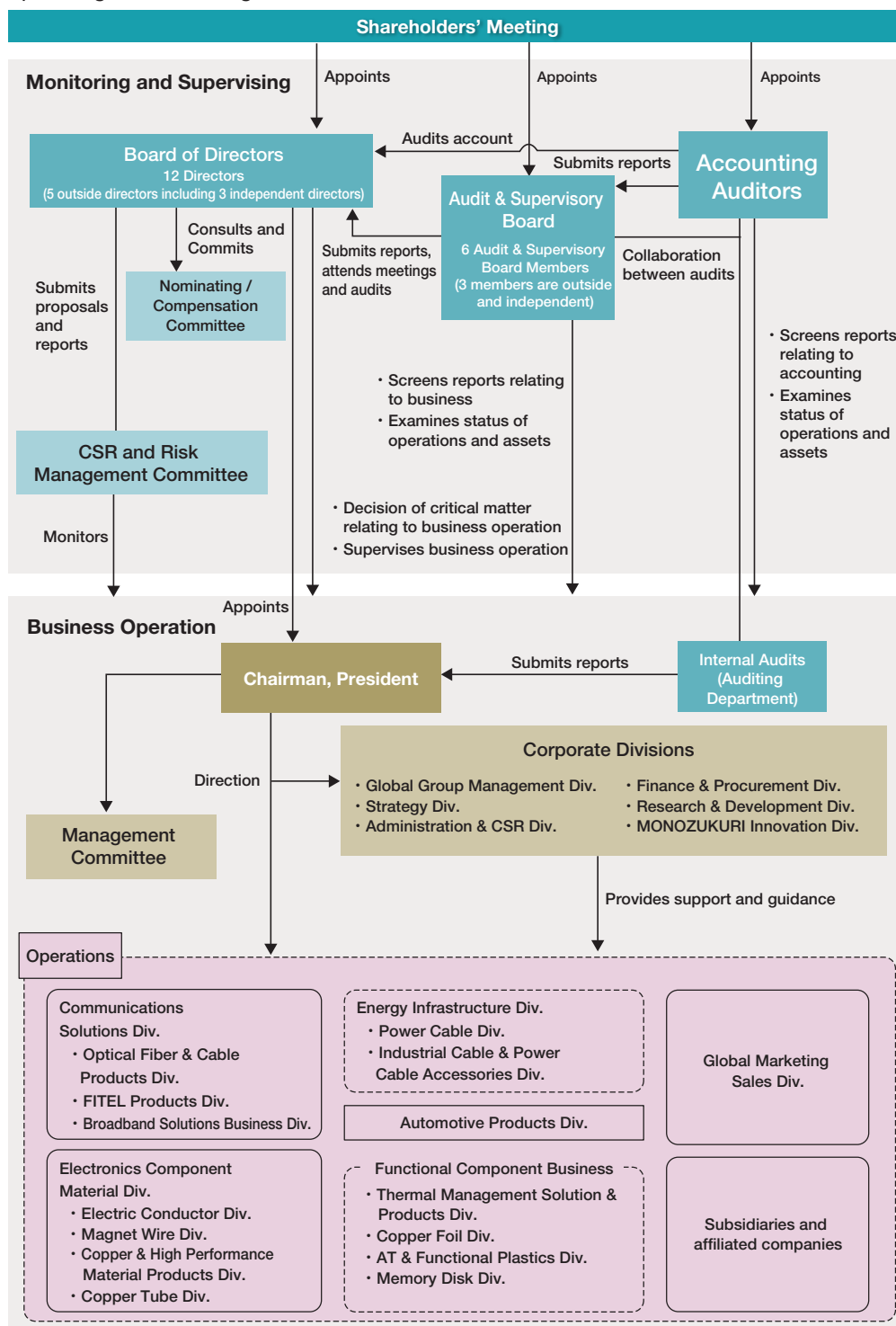
Based on "Basic Views on Corporate Governance", we adopted "Guidelines on Corporate Governance" as a policy for enhancing our corporate governance.

Overview of Corporate Governance System

We adopt the "Audit and Supervisory Board" type of governance organization under the Japanese Companies Act taking account of the importance of maintaining the independence of the statutory audit function. And we have a "Nominating/Compensation Committee", majority members of which are outside directors to complement oversight function of the board.



Corporate governance organization chart



As of June 22, 2017

Oversight and Supervising

● Board of Directors

Given its fiduciary responsibility and accountability to shareholders, the board is responsible for promoting sustainable corporate growth and the increase of corporate value over the mid- to long-term and enhancing earnings capability and capital efficiency. The

board oversees and determines the matters listed below:

1. Determination of corporate governance-related matters;
2. Establishment and amendment of business strategies and oversight of execution of such strategies and plans by management;
3. Setting capital allocation policy;

4. Appointment and dismissal of executives including representative director and corporate vice president, and determination of the remuneration of them (including delegating these to Nominating/Compensation Committee);
5. Establishment of an internal control system relating to compliance and financial reporting and risk management systems, and oversight of them;
6. Decision on important business matters;
7. Others prescribed by the applicable laws and regulations etc.

At present, the board consists of 12 directors with 5 outside directors including 3 independent directors.

Outside directors have rich management experiences in financial institutions, trading companies or manufacturing companies, or expertise in the field of legal or industrial governmental policy etc. The board respects their views and opinions based on their variety of experiences in making its decision.

We also evaluate the effectiveness of our meetings of the Board of Directors on an annual basis, and release summaries of the evaluation results on our company website.

● Nominating/Compensation Committee

We establish the Nominating/Compensation Committee.

The committee's aim is to enhance our corporate governance securing objectivity and transparency by deliberating on nomination and compensation for directors, etc., including the selection of candidates for the position of our President and Chief Executive Officer. The committee consists of 5 or more members, majority of which shall be outside directors, appointed from directors by board resolution.

At present, the committee consists of 6 members (4 outside directors).

● Audit & Supervisory Board

Audit & Supervisory Board and each its member auditor collect information about management under statutory investigation authority and report and express their views to the board meetings and the management from an independent and objective standpoint as a fiduciary to shareholders.

Auditors ensure coordination with internal audit department through regular meetings, and report the

policy, plan and result of auditing to the board regularly.

Full-time auditors attend the meetings such as Management Committee which decides major business matters, and they report information obtained from these audit activities to the non-Full-time and outside auditors.

We strengthen our audit function by appointing an assistant staff to the auditors who is dependent of management.

At present, the Audit & Supervisory Board consists of 6 members (3 members are outside and independent).

Business Operation

President is responsible for management of our whole business operation as a chief executive under the board's oversight.

Our business consists of 14 business divisions, and General Managers of each division are responsible for leading each business operation including subsidiaries and affiliated companies management.

We also appoint General Managers of Communications Solutions Division, Energy Infrastructure Division and Electronics Component Material Division in order to supervise closely related business divisions. Furthermore, we appoint Advisors of Functional Components Business in order to assist President's supervising function over each business operations and to plan integrated business strategy for each business sector.

In addition, we appoint General Manager of Global Marketing Sales Division that are responsible for our group's sales and marketing entirely, and General Managers of Corporate Divisions that are responsible for planning group strategy and assisting operation.

These officers are members of the Management Committee, which is the highest decision-making body of business operation.

Management Committee, held 3 times a month basically, deliberates and determines major operational matters. Further, their business affairs and operation are quarterly reported to the Committee to foster common understanding of company business among them and integrated business operation as a whole.

These business affairs and operation are also quarterly reported to the board.

Process of Determining Officers' Remuneration and Avoiding Conflict of Interests

At Furukawa Electric, the policy on officers' remuneration and details of each officer's remuneration are determined by the Nominating/Compensation

Committee consisted the majority of the committee comprising outside directors, based on the delegation from the Board of Directors in order to ensure objectivity and transparency of the decision-making process.

In addition, in the case where Directors conduct transactions involving a conflict of interests, they must be based on approval at the Board of Directors' meeting as required by law.

Remuneration policy of Company's officers

The remuneration of officers shall be determined in a way that encourages each officer to exert his/her abilities to the maximum level and proactively fulfill his/her duties, so that the Company Group will increase its corporate value and achieve sustainable growth while contributing to society through its business activities.

Reinforcing Internal Controls

Furukawa Electric establishes, develops and operates its internal controls based on the following principles:

1) Efficient Execution of Responsibilities

After setting concrete management goals for the Medium-Term Management Plan and over the course of the fiscal year, all those responsible for operational performance execute their responsibilities toward achieving these goals and regularly report their progress to the Board of Directors.

2) Compliance System

Upholding the basic philosophy of compliance with ethics and prevailing laws as laid out in the "Furukawa Electric Group Philosophy" and the "Furukawa Electric Group CSR Code of Conduct", we, with the President assuming the highest responsibility, promote compliance activities including in-house education and efforts to prevent and detect legal violations through our CSR and Risk Management Committee, which is under the immediate control of the Board of Directors, and the Administration & CSR Division. We also have an Internal Reporting System for the early detection and correction of compliance violations, and establish a system not to treat the person unfavorably because of reporting.

3) Risk Management System

We have established our risk management system and

management method in the "Basic Regulations on Risk Management and Internal Control". In addition, we have established a system in which the CSR and Risk Management Committee, chaired by the President, grasps an overall picture of the risks associated with the business operations of Furukawa Electric Group and determines effective methods for evaluating and managing these risks.

4) Information Management System

We appropriately manage and store records and documents related to important decisions, in compliance with prevailing laws and internal rules. With respect to other information related to our operations, the Information Security Committee establishes uniform standards and operates an information management system.


5) Group Company Management

In accordance with the "Regulations on Group Management Control", administrative managers of individual subsidiaries shall be appointed, and they shall require own subsidiaries reporting subsidiaries' business conditions on a regular basis, and offer management guidance to subsidiaries. Predetermined matters shall require approval of us. We also carry out a mid-term management plan and budgets for single fiscal years, risk management, and compliance as Furukawa Electric Group.

6) Securing Appropriateness of Financial Reporting

Based on the "Basic Regulations on Risk Management and Internal Control", we will establish the "Furukawa Electric Group Basic Philosophy for the development and evaluation of an internal control system, to ensure the appropriateness of financial reporting (J-SOX Core Policies)". At the same time, the system and responsibilities shall be clarified for the system's construction, development, operation, and monitoring.

Corporate governance

 <http://www.furukawa.co.jp/en/company/governance.html>

CSR Management

Group Philosophy

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.

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.

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.

Basic Policy and CSR Code of Conduct

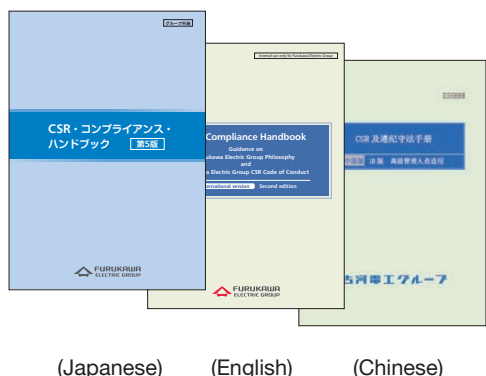
Each of the companies in Furukawa Electric Group develops CSR activities in line with the following Group basic policy.

Furukawa Electric Group Basic Policy on CSR (Revised March, 2011)

Based on the Furukawa Electric Group Corporate Philosophy,

- We will operate our businesses in harmony with society and the environment and endeavor to create social value through technological innovation, complying with laws, social norms, and ethics as a member of the international community.
- We will strive to maintain and build sound and friendly relationships with all of our stakeholders and contribute to the sustainable development of society.

The CSR Code of Conduct defines fundamental rules of behavior for Furukawa Electric Group executives and employees to follow in conducting corporate activities based on the Group philosophy and from the perspective of corporate social responsibility.



The Furukawa Electric Group CSR Code of Conduct (Revised March, 2011)

1. Human rights
2. Working conditions and environment
3. Environment
4. Products and services
5. International businesses and transactions
6. Fair competition
7. Relations with customers, partners, and society
8. Management and preservation of Company assets
9. Disclosure of information
10. Duties and obligations of senior management and employees

CSR

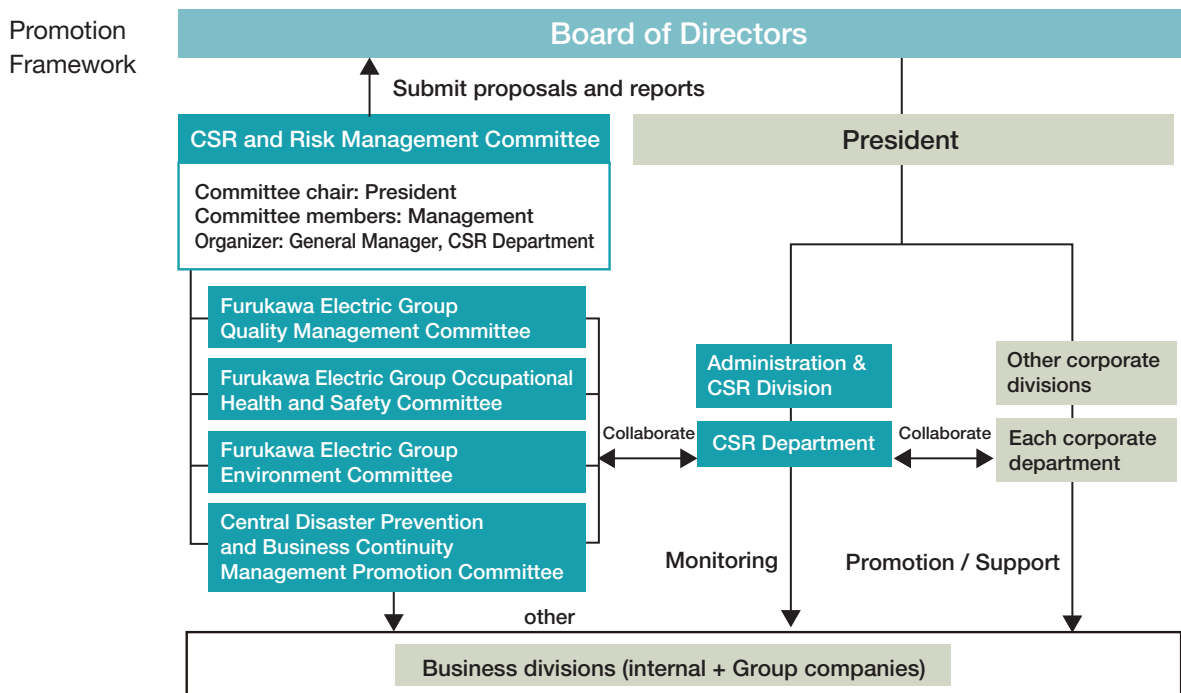
<http://www.furukawa.co.jp/en/csr/guideline/>

Basic Approach

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.

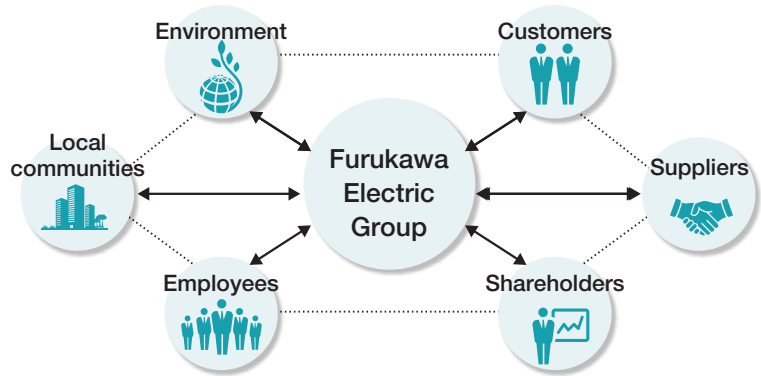
CSR Promotion Framework

Furukawa Electric Group has established the CSR and Risk Management Committee, which comprises members of management, as the structure for supervising and promoting CSR activities throughout the Group, including risk management, internal control, compliance and social contribution. We have set up the CSR Department within our Administration & CSR Division. This department promotes CSR by facilitating communication among various committees and corporate departments.



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 Paris Agreement 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.

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

😊 Achieved 😐 Partially achieved ☹️ Not achieved

FY2016			FY2017
Targets	Results	Achievement	Targets
<p>Develop a system for the globalization of legal and compliance functions</p> <ul style="list-style-type: none"> - Examination and implementation of compliance education in China and Southeast Asia 	<ul style="list-style-type: none"> - Conducted compliance education for group company staff in Thailand (Bangkok) 	😊	<p>Develop a system for the globalization of legal and compliance functions</p> <ul style="list-style-type: none"> - Examination and implementation of compliance education in Southeast Asia etc.
<p>Expansion of the introduction of internal reporting systems to overseas group companies</p> <ul style="list-style-type: none"> - Major expansion in the scope of companies where an internal reporting system has been introduced, to include regions such as China and Southeast Asia 	<ul style="list-style-type: none"> - Expanded the scope of companies in China and Southeast Asian regions where an internal reporting system has been introduced, from 7 to 25 companies 	😊	<p>Strengthening overseas risk management</p> <ul style="list-style-type: none"> - Understand and summarize any risks which could conceivably impact business, and also formulate policies to address those risks
<p>Strengthening the development of cyber security measures</p> <ul style="list-style-type: none"> - Development of measures in accordance with the Ministry of Economy, Trade and Industry's "Cybersecurity Management Guidelines" 	<ul style="list-style-type: none"> - Formulated guidelines including measures for initial response to cyber-attacks, and conducted related education (e-learning) for employees - Implemented risk analysis and other procedures related to cyber security risks, based on guidelines from the Ministry of Economy, Trade and Industry 	😊	<p>Expansion of the introduction of internal reporting systems to overseas group companies</p> <ul style="list-style-type: none"> - Improvement of the introduction rate of internal reporting systems in companies with consolidated systems

Message from the General Managers



CSR activities are important measures which serve as the foundation for management. We will provide thorough support so that their mechanisms can function effectively.

Yasuhiro Yonezawa
 General Manager, CSR Department,
 Administration & CSR Division

With the management environment undergoing changes day by day, it is becoming required for corporate activities today to respond to its various changes while being aware of the relationships that exist with various stakeholders. We are fully aware that under these circumstances, CSR activities are extremely important measures that form the foundation for Furukawa Electric Group to continue its

businesses. Based on our Group Philosophy, we have set out a Basic Policy, Code of Conduct, and other materials related to CSR, in addition to developing a variety of related systems and mechanisms. We will continue to support improvements in the handling of operational challenges regarding these mechanisms, so that they may continue to function effectively in the future.

Risk Management

Overview of the Risk Management Structure

Our CSR and Risk Management Committee conducts regular risk assessments to determine what risks exist, define important risks that require a companywide response and prioritize measures to counter these risks. Through specialized committee activities in segment-specific areas—environment, quality, safety, disaster prevention—we are working to manage the risks that relate to our business activities.

Important Companywide Risks

- Compliance
- Quality control
- Large-scale disasters, such as earthquakes
- Information security
- Affiliated company controls

In the event a large-scale disaster occurs or other such risk materializes, the Group will establish Emergency Response Headquarters, headed by the president, and Site Response Headquarters that defines each department's roles and clarifies them ahead of time. We also conduct regular exercises on preparing initial action manuals, stockpiling necessary supplies, and setting up communication structures and systems to confirm people's safety.

BCM (Business Continuity Management)

[Business continuity ISO]



Accreditation for business continuity ISO (ISO22301)

In order for our company to meet the increasing demands of our stakeholders for business continuity activities, we are actively proceeding with the acquisition of international

certifications for our business continuity management systems (BCMS). Up to this point, our businesses for the “laser diode products business” (Chiba Works) and “copper wire products business” (Mie Works) have successfully received BCMS ISO standard (ISO22301) certification. In fiscal 2016, we aimed for additional certification in new business areas and obtained ISO22301 certification for our magnet wire production division, whose plant is the Furukawa Magnet Wire Mie Works. This plant manufactures magnet wires used in motors, and this ISO certification of this division has allowed us to establish a uniform business continuity system from the upstream process of the “manufacture of copper wire” to the “manufacture of magnet wire”, for our customers in areas including automobiles and electrical industry fields.

[Emergency headquarters training]

In our BCM training for fiscal 2016, we considered the scenario of a large earthquake striking our Hiratsuka Works,



Situation at Emergency Response Headquarters training workshop

with the training conditions covering a 3-day period starting from the day of the disaster. We held exercises in a workshop format on the roles to be performed and actions to be taken between the Site Response Headquarters and Production Division of the disaster area, and the Emergency Response Headquarters of our Head Office. Our President gave the following comments: “Disasters can occur at any time. That is why improving the speed and efficiency which are used even in our everyday preparations is a highly urgent issue”, and “The leadership capabilities of personnel who are responsible for disaster sites are extremely important. I would like such know-how to be accumulated through OJT in order to strengthen this leadership”.

[Disaster headquarters training at the Head Office]

As part of Disaster Headquarters training at the Head Office, we continued with the training content held in fiscal 2015, in which employees actually walked home along the routes indicated on the maps to be used in the event of a disaster. We had even more participants this time, in the second year of this training, with 4 routes organized beginning from Marunouchi. Employees walked along

Disaster headquarters training at the Head Office



Training on returning home by walking:
(1) Leaving the office



Training on returning home by walking:
(2) On the walking route



Training on returning home by walking:
(3) Checkpoint

these routes over a roughly 2-hour distance while confirming high risk locations and potential evacuation shelters. Participants shared opinions such as “When we walk for such a long distance, having to use the restroom starts to become a concern” and “Even though there are convenience stores along the way, there are surprisingly few places where you can just take a short rest”.

Information Security

Information security is considered one of the highest-priority risks the Group has to handle. Therefore we promote various countermeasures through intergroup collaboration by exchanging information among the related divisions, from the perspectives of protecting information systems and intellectual property as well as information management. We continue our efforts to prevent information leaks by focusing on the management of hardware (mainly mobile devices) taken outside the office and to manage IT assets through such measures as software license management. We provide Furukawa Electric Group with educational materials and information on the revisions of information security-related laws such as the Act on Prohibition of Unauthorized Computer Access, the Unfair Competition Prevention Act and the Act on the Protection of Personal Information. In our aim for ongoing improvement, we get feedback from divisions promoting these activities.

Damage caused by cyber-attacks is being reported with increasing frequency around the world. In view of the many corporations subjected to such damage even within Japan, our company has organized guidelines to serve as reminders for our employees, containing information on initial response measures to be taken if cyber-attacks have occurred and key points for identifying suspicious e-mails.

In continuation from our training conducted last year to prevent damage from fraudulent e-mails, we carried out simulation training for targeted attack e-mails, with the objectives of verifying the capability of our employees to

take appropriate response when suspicious e-mails have been received, and calling attention to such incidents. In coordination with related departments, we will continue to promote measures to reduce cyber-security risks, from the perspectives of both technical countermeasures and improving the awareness of individual employees.

Protection of Intellectual Property

Furukawa Electric conducts strategic and efficient intellectual activities in line with our business and development strategies. Our activities for patent portfolio management are underway as we proceed with the strategic acquisition of intellectual property rights, while also taking into account multifaceted analysis of competitor trends. These activities have allowed us to receive “Top 100 Global Innovators” awards for fiscal 2014 and 2015, and have been given great international praise.

We are also striving to reduce intellectual property risks by strengthening measures to prevent exposure of technology at development and production sites, and enhancing information integrity by introducing time stamp systems. In addition, we are deploying Group Global measures which include both domestic and overseas affiliated companies, such as systematically implementing intellectual property training, holding Group intellectual property conferences twice a year, publishing periodical newsletters on intellectual property risks, and providing recognition including the President’s Award to outstanding innovations or intellectual property activities.

Challenges and Future Policy

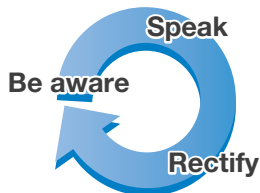
Following our international business development, risks that Furukawa Electric Group faces are becoming more diversified and complicated each year. We particularly recognize that risks inherent in overseas operations—mainly in emerging countries—and risks from the supply chain standpoint are our top priority issues, and we will be strengthening our countermeasures against them.

Compliance

Basic Approach

Furukawa Electric Group regards compliance as “not only observing laws and regulations, but also as acting in accordance with the values and ethics required of the company and its employees as responsible members of society”. Each and every employee is encouraged to perform day-to-day compliance activities in line with our three musts for compliance activities: to “be aware”, “speak” and “rectify”.

Three Musts for Compliance Activities



1) Be aware

- Is this in line with the philosophy and CSR Code of Conduct?
- Is this an improper practice?
- Does this run counter to society's requirements and expectations?

2) Speak

- Do not neglect it.
- Talk about it openly.
- If still not sure, take it to your boss.

3) Rectify

- As soon as you become aware of it, fix it.
- Always improve.

Training and Raising Awareness among Employees

We conduct a host of training and awareness activities in the aim of instilling compliance awareness among all employees.

Compliance Education

Our primary shared educational materials are the Furukawa Electric Group CSR Code of Conduct and its corresponding Furukawa Electric Group CSR Compliance Handbook. We distribute this handbook to Furukawa

Electric Group employees and take many opportunities to make use of it. We conduct compliance education for employees at every level of the Company, from new recruits to directors. At the same time, we hold theme-based group training and e-learning courses, and conduct groupwide compliance education.

Education Results (fiscal 2016)

	Course Name	Target	Participants
Hierarchy-based education (note 1)	Training for executives	Newly appointed executives	23
	Training for managers	Newly appointed managers	51
	Training for managers and assistant managers	Newly appointed managers and assistant managers	42
	Training for new employees	New employees	57 (note 2)
Theme-specific education	Competition laws and anti-bribery regulations		299
	Subcontractor Law		670
	Security trade control		671

(note 1) In hierarchy-based education, manager training and new employee training includes education on human rights.

(note 2) Figures apply to Furukawa Electric only.

Initiatives in Compliance Months

Furukawa Electric Group has designated October and November as Compliance Months, during which we implement measures aimed at tackling the variety of compliance issues faced by companies across our Group.

Principal Initiatives during Fiscal 2016 Compliance Months

Main Initiatives at Furukawa Electric

1 Conduct workplace self-checks according to section-specific checklist

<Section-Specific Checklist>

- 1) Anti- Monopoly Act, 2) Worker Dispatching Act
- 3) Subcontracting transactions, 4) Occupational safety
- 5) Asset protection, 6) Information security

2 Conduct workplace meetings

3 Courses on competition laws and anti-bribery regulations

4 Submission of Compliance Pledge (for assistant managers, managers and above)

Employee Compliance Awareness Surveys

We have biannually continued to implement compliance awareness surveys at Furukawa Electric and affiliates in Japan. Designed to gauge employee awareness and understanding of compliance, these surveys aim to encourage recognition of compliance. Feedback is given on the results of the survey to our Group companies and Furukawa Electric divisions, and the results are used to make proposals for compliance measures at each organization. In fiscal 2016, we conducted compliance awareness survey from a view point of understanding of CSR Code of Conduct.

Internal Reporting System

Furukawa Electric Group has introduced an internal reporting system to earlier detect and correct illegal acts. The Company has in place an internal reporting desk as well as an external reporting desk that makes use of outside third-party institutions (the Furukawa Electric Group Hotline), both of which allow employees to make reports anonymously. An internal reporting secretariat manages the content of such reports stringently, taking ample care to prevent people making such reports from suffering any negative impacts, looking into issues swiftly and taking appropriate action. In fiscal 2016, we newly set up external reporting desks for oversea affiliates. We started to set up from mainly China and Southeast Asia where many our Group companies were expanding their business.

Security Trade Control

Furukawa Electric Group considers security trade control to be one of its most important responsibilities as a company with global business operations. In accordance with the laws and regulations that make up the international framework on security trade control (the export control regime), we have improved and strengthened our management systems for cargoes and technologies that can be converted to weapons or military uses. In exporting products and providing technology, we conduct transaction screenings based on our Security Trade Control Regulations to ensure compliance with relevant legislation and are careful to prevent circumvent to countries of concern.

Anti-Bribery

Furukawa Electric Group formulated the Furukawa Electric Group Anti-Bribery Statement in April 2012. In December, we published the Furukawa Electric Group Anti-Bribery Guide, and we are promoting activities toward creating a groupwide bribery risk management system.

Overseas compliance seminar

In fiscal 2014, we conducted group-type compliance seminar taking account of local laws and customs. In fiscal 2015, we held a seminar on competition law and anti-bribery regulation at China and in fiscal 2016, about 40 staffs of local companies, mainly Thais, attended lectures by a lawyer in Thai and Japanese and took part in discussions on compliance.

Challenges and Future Policy

Regarding the various legal compliance measures we have taken to date, we recognize as a Group that our task is to expand the scope of participation of Group companies. To this end, we will try to raise compliance awareness by focusing on more effective education content with a Group perspective and enhancing its global implementation system. We will also hold more compliance seminars taking account of local laws, languages and customs, encouraging individual initiative under the slogan "Think and conduct compliance together".

Initiatives for Society

Relations with Our Customers

Basic Approach

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 Furukawa Electric Group by developing products that are attractive to our customers, based on a policy of Group-focused management.

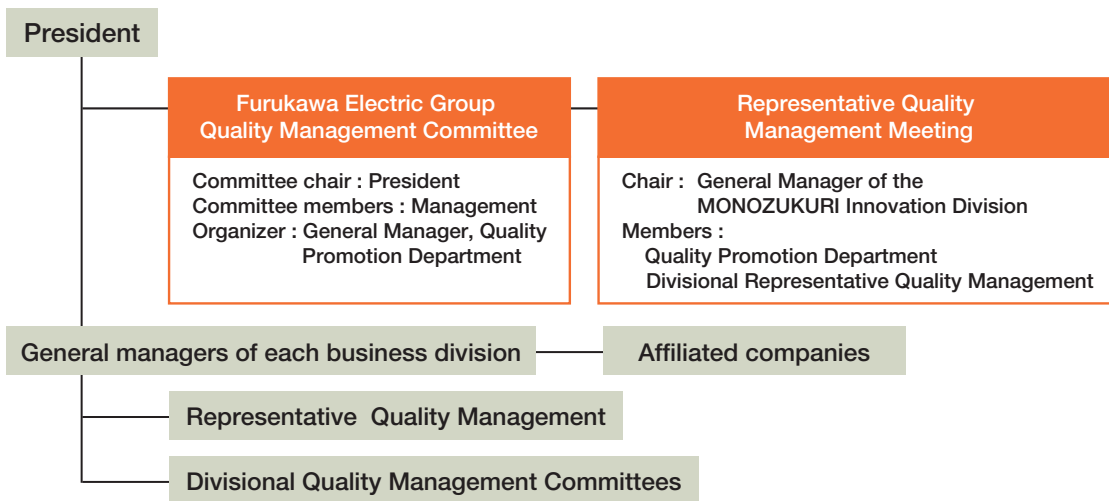
Quality Management Policy

At every stage of our operations, from research and development to manufacturing, sales, customer service and management, in all sections and all hierarchies, we always strive to adhere to a PDCA management cycle based on actual facts, maintain and improve our products, customer services and the quality of our operations and put our management policies into practice.

Organizations for Improving Quality

Furukawa Electric has established Furukawa Electric Group Quality Management Committee, which is chaired by the president, as the topmost body for promoting quality management at the Group level. Directed by this committee, Divisional Quality Management Committees led by divisional heads promote ongoing efforts to maintain or improve the quality of our products, customer services and operations.

Promotion Framework



Targets and Results (Quality)

😊 Achieved 😐 Partially achieved ☹ Not achieved

FY2016		FY2017	
Targets	Results	Achievement	Targets
Strengthening of fundamental Quality Power - Reduce “failure costs” by 10% from fiscal 2015	- Continued a Quality Strengthening Project to select and promote key themes from the quality improvement activities previously done by divisions.	😊	Strengthening of fundamental Quality Power - Reduce “failure costs” by 10% from fiscal 2016

Efforts to Reduce Failure Costs

The Quality Strengthening Project activities started in fiscal 2014 are team activities conducted on key themes related to failure costs selected by divisions and the Quality Promotion Department.

There were a total of 13 themes in fiscal 2016, with 20 events for executives held to promote activities.

At the end of the fiscal year, we also held a fact-finding presentation event in Quality Strengthening Projects in order to share examples of improvements within the whole Group, including our affiliated companies.

As a result of theme activities for the “Quality Strengthening Project” as well as other theme activities within business divisions, we were able to achieve our targets for reducing failure costs in fiscal 2016.



Challenges and Future Policy

By deploying the procedures (concepts) of theme activities using “Quality Strengthening Project” measures horizontally to other theme activities within business divisions, we will be able to obtain even greater results.

Requests and demands from our customers have become extremely complex in recent times, and in order to respond to them we have determined that it will be



A Space for Giving Birth to New Innovations

Since our establishment in 1884, Furukawa Electric has produced a wide variety of innovations through continuous technological reform, drawing on more than a century of expertise in the development and fabrication of advanced materials.

Our new “Fun Lab” has been set up for the further evolution and acceleration of this background in innovation.

The logo starts with “F” for Furukawa and incorporates the meaning of creating innovation by making the viewer imagine fun future creation.



By creating open innovation with guests who visit it (COMPREHENSION) through mutual recognition of each other’s strengths (COOPERATION) and sharing new senses of value utilizing each other’s strengths (COLLABORATION), we will continually create new innovations to contribute to the achievement of a rich society.



URL → <http://www.furukawa.co.jp/funlab/en/>

particularly necessary to further enhance design and development. Therefore, we will implement project activities to improve process and competence for design and development, in addition to the past “Quality Strengthening Project”.

We will move forward to achieve the next level of quality through these two project activities.

Message from the General Managers



To achieve “the next level of quality”, we will strive to strengthen our design and development processes even further.

Kazuhisa Kashihara

General Manager, Quality Promotion Department,
MONOZUKURI Innovation Division

In accordance with our basic policy on quality control, we promote a continuous fact-based management cycle at every stage from research and development to production, sales, service, and administrative work, in every division, and at every level, thereby maintaining and improving quality. To be able to create products that are attractive to customers, we make thorough improvement at every process from product planning through to the point of sale.

Starting from fiscal 2017, we launched projects to improve process and competence of design and development in

addition to the “Quality Strengthening Project” and will proceed with these two-pronged activities.

The “Quality Strengthening Project” activities will be carried out with a focus on further expanding the results which have been obtained up until fiscal 2016.

Project activities to improve process and competence of design and development will have the objective of improving process for design and development in each operational division, and improving the competence of designers and developers.

Relations with Business Partners

Optimum Purchasing on a Steady, Ongoing Basis

Furukawa Electric Group procurement policy is to establish strategic relationships with business partners to ensure optimum purchasing on a steady, ongoing basis.

Furukawa Electric Group Procurement Policy

We will realize the optimal procurement for Furukawa Electric Group through global partnerships by:

1. Conducting CSR activities and full compliance in purchasing
2. Building strategic relationships with business partners aimed at stable and continuous optimum purchasing
3. Expanding Group and global procurement
4. Constructing BCM for stable procurement and purchasing of raw materials, materials and parts
5. Promoting continuous cost reduction activities in line with business strategy

Conducting Training on Subcontracting Transactions

In order to forge sound relationships with business partners through fair transactions that comply with rules and regulations, Furukawa Electric Group provides training for employees on subcontracting transactions. In fiscal 2016, in addition to continuing with the courses we have conducted to date, we sought to ensure thorough awareness of the content of the act against delay in Payment of Subcontract Proceeds, Etc., to Subcontractors.

Partners Meeting and Partners Evaluation Scheme



Furukawa Electric seeks to deepen awareness among our business partners through regularly held Partners Meeting, where we explain the state of the Company, our procurement policy and individual company management strategies. For fiscal 2016, this meeting was held in June and was attended by 57 main business partners.

We also evaluate main business partners on the basis of quality, technology, price, delivery system, degree of social contribution and financial condition, and then hold meetings to provide feedback on our findings. In addition, we discuss the results of our evaluations with them to more closely align our awareness of procurement activities.

In fiscal 2016, we evaluated some 196 business partners and provided feedback to them. Furthermore,

based on the results of the assessment and our own experiences during the suspended production that resulted from snow damage at Our Nikko Works, we requested ongoing cooperation from certain business partners on business continuity and stable supply initiatives.

Promoting CSR in procurement activities

Based on our CSR Deployment Guideline for Business Partners, we engage in procurement activities with “full legal compliance and fair trading practices” and “consideration for human rights, safety and the environment”. We are also continually providing encouragement at partners meeting by explaining the state of our efforts to our trade partners, asking for their cooperation with our activities, and so on.

Supply chain BCM (Business Continuity Management)

Furukawa Electric conducts regular questionnaire surveys on its main partners about their BCM measures.

In fiscal 2016, we held questionnaire surveys for main partners and placed the results we received from our business partners onto a database. In this way, we have become able to quickly identify which partners are mostly likely to be affected during a natural disaster.

Conflict Minerals ^(note)

Regarding the handling of conflict minerals, our approach to responsible mineral procurement has been to comply with the code of conduct of the EICC (Electronics Industry Citizenship Coalition), including setting a Group policy and informing other Group

companies and partners.

In fiscal 2016, in addition to carrying out ongoing survey into the usage of conflict metals in mainstay products at Furukawa Electric and our Group companies, we have actively promoted procurement from smelters that have received accreditation under the EICC's conflict-Free Smelter Program.

Going forward, in addition to requesting the cooperation of Group companies and our business partners in the responsible sourcing of minerals, we will work with the Japan Electronics and Information Industries Association (JEITA), an industry organization, on initiatives targeting the responsible sourcing of minerals.

(note) Defined as minerals (tantalum, tin, gold, tungsten or their derivatives) that originate in or near the Democratic Republic of the Congo that may help to finance armed conflict.

Challenges and Future Policy

We want to fully grasp the state of our CSR activities along the value chain by regularly asking our partners to complete a questionnaire on their understanding of our CSR Deployment Guideline for Business Partners.

We will also seek to deepen BCM by giving encouragement to partners based on the results of our BCM questionnaire and manufacturing site survey, with the aim of improving crisis response levels along the entire value chain. Internally, during group exercise held at the Procurement Department, we have held training and seminars on the handling of BCM in order to raise awareness among members of the department.

Targets and Results (Procurement)

😊 Achieved 😐 Partially achieved ☹ Not achieved

FY2016			FY2017
Targets	Results	Achievement	Targets
<p>Strengthen strategic relationships with partners</p> <ul style="list-style-type: none"> - Ongoing implementation of the partner assessment system and utilization of feedback discussions - Promote awareness of CSR Deployment Guidelines among partners - Examination and implementation of measures to strengthen the value chain by utilizing BCM questionnaire surveys and site surveys results - Carry out conflict minerals survey (survey for the purposes of updating data) 	<ul style="list-style-type: none"> - Conducted partner evaluations of about 196 main partner companies held partners meeting - Introduce our CSR Deployment Guideline by procurement system online - Reviewed and increased the number of procurement points (and sometimes recommended inventory) for principle products - A conflict materials surveys (data renewal surveys) was done 	😊	<p>Strengthen strategic relationships with partners</p> <ul style="list-style-type: none"> - Continue partner evaluation system - Continue to inform partners about CSR Implementation Deployment Guidelines - Communication with partners with a view to strengthening the Value chain based on the results of BCM questionnaire surveys - Conflict mineral survey (data update survey)

Message from the General Managers



We will strive to achieve mutual understanding with our business partners and take further steps to strengthen our supply chain.

Kazuhiro Takamatsu

General Manager, Procurement Department, Finance & Procurement Division

Ever since its foundation, Furukawa Electric has stayed in business by partners with social infrastructure and contributing to society as a partner 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 partners 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 value chains further in order to continue contributing to society. We intend to use a partners meeting and partners assessments to improve the mutual understanding we have with our partners, and to continue contributing to society through measures such as the promotion of CSR activities and strengthening of BCM.

Relations with Shareholders

Information Disclosure Policy and IR Framework

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.

Based on this policy, all IR activities are conducted by the Investor & Public Relations Department and overseen by the director in charge of IR, who is General Manager of the Finance & Procurement Division.

Relations with Institutional Investors and Securities Analysts

In addition to holding management briefings (covering interim and year-end results and mid-term plans when announced) for institutional investors and securities analysts, we actively encourage communication all year round.



Briefing for institutional investors

Relations with Individual Investors

In September 2016, we held our 9th plant tour for individual investors. Visitors were selected by lottery from among those who responded to an open invitation, with 50 people invited to attend out of the 127 who responded. During the tour, we offered participants a number of opportunities to get a feel for Furukawa Electric. We introduced our production processes for optical fiber cables and automotive components in Mie Works.



Optical fiber plant



Automotive components plant

Returning Profits to Shareholders

Furukawa Electric aims for management emphasizing capital efficiency and has made the basic policy of its capitalization strategy to balance strategic investment for growth, the cultivation of the next generation of new businesses, the improvement of the financial structure and returns to shareholders.

Under this basic policy, in the “Furukawa G Plan 2020,” the new medium-term management plan that started from fiscal year 2016, we will apply management resources prioritizing facility investment and R&D for profit expansion in focus business areas (infrastructure / automobile markets) and the creation of new businesses, strengthen the earning capacity of our group and improve its financial structure, all of which will support the sustained growth of our group. With regard to returns to shareholders, we also positions the continuation of stable dividends as one of the most important issues of management.

We implemented an increase for the term-end dividend of the term ended March 2017, to increase the return of profits to shareholders as mentioned above in consideration of factors such as the results for the term. The term-end dividend was provided at a price of 55 yen per share. We have carried out a reverse stock split at a ratio of 1 share for every 10 ordinary shares with an effective date of October 1, 2016, and this term-end dividend based on conversion after the reverse stock split has increased by 15 yen compared to the previous term.

With regard to dividends for the term ending March 2018, we are planning a dividend of 60 yen per share, in overall consideration of an anticipated results forecast higher than the previous term, future business development, and the return of profits to shareholders.

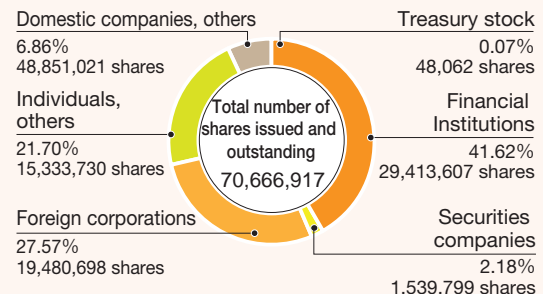
Stock Information and Dividends

General stock information (as of March 31, 2017)

Stock Code on the Tokyo Stock Exchange	5801	
Stock Exchange Listings	Tokyo Stock Exchange, First Section	
Number of shares authorized	Common Stock	250,000,000 shares
Common stock issued	Common Stock	70,666,917 shares
Minimum trading units	100 shares *	
Shareholder register agent	2-1 Yaesu 1-chome, Chuo-ku, Tokyo, Japan Mizuho Trust & Banking Co., Ltd.	
Fiscal year	From April 1 to March 31	
Shareholders' meeting	June each year	

* We changed the number of shares in a unit of the company's ordinary shares from the current 1,000 shares to 100 shares with an effective date of October 1, 2016.

Distribution of ordinary stock among shareholders (as of March 31, 2017)



Cash dividends per common share (including forecast)

Fiscal year	2014/3	2015/3	2016/3	2017/3	2018/3
Interim dividend (Yen)	0.0	0.0	0.0	0.0	0.0
Year-end dividend (Yen)	3.0	3.0	4.0	55 ^(note)	60 ^(note)
Total dividend (Yen)	3.0	3.0	4.0	44 ^(note)	60 ^(note)

(note) We have carried out a reverse stock split at a ratio of 1 share for every 10 ordinary shares with an effective date of October 1, 2016. The amounts if the reverse stock split is not conducted will be, respectively: 55 yen → 5.5 yen, and 60 yen → 6.0 yen.

(as of March 31, 2017)

Major top 10 shareholders of the Company and the Company's capital contributions to such shareholders

Name of major shareholders	Number of shares	Shareholding ratio
Japan Trustee Services Bank, Ltd. (Trust Account)	5,566,800	7.88%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,959,900	7.02%
Trust & Custody Services Bank, Ltd. (Mizuho Trust & Banking; Employee Retirement Benefit Trust, Mizuho Bank Account)	2,413,500	3.42%
Japan Trustee Services Bank, Ltd. (Trust Account 4)	2,238,500	3.17%
BBH BOSTON CUSTODIAN FOR JAPAN VALUE EQUITY CONCENTRATED FUND A SERIES OF 620135	1,465,500	2.08%
Asahi Mutual Life Insurance Co.	1,365,050	1.93%
FURUKAWA CO., LTD.	1,329,045	1.88%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,289,900	1.83%
GOVERNMENT OF NORWAY	1,228,800	1.74%
Fuji Electric Co., Ltd.	1,100,000	1.56%

(note) 1. Shareholding ratio is calculated with the number which deducted 48,062 shares of the Company's treasury stock.

- Mizuho Bank, Ltd. holds 173 shares separate from the 2,413,500 shares indicated above which have been set by Mizuho as a retirement benefits trust.
- In addition to the JPY 1,365,050 shares mentioned above, Asahi Mutual Life Insurance Co. also has a further 1,050,000 shares in a retirement benefits trust.
- In addition to the 1,329,045 shares mentioned above, FURUKAWA CO., LTD also has a further 1,091,900 shares in a retirement benefits trust.

Message from the General Managers



We will focus on releasing information and providing explanations of our diverse business content for their understanding

Mami Masuda

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

Furukawa Electric's business began with copper smelting and the manufacture of electric wires. 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.

In fiscal 2016, our company established new supervisory divisions which unify multiple businesses, with the goal of strengthening coordination between strongly-connected

businesses and consolidating common functions. Under this new system, we have reorganized our business segments into four divisions: "Infrastructure", "Electronics & Automotive Systems", "Functional Products", and "Service and Developments, etc." Based on these business segments, we will focus on releasing information and providing explanations of our diverse business content for their understanding by our shareholders and investors, and we hope to become a company that can receive their trust for many years to come.

Relations with Employees

Personnel Management

Personnel Management Policy

Furukawa Electric Group’s basic approach to human resources management is to utilize global and diverse human resources in order to become a corporate group that is creative and energetic, and to embody the Group Philosophy so that we can continue to produce human resources capable of contributing to our competitiveness. Please refer to page 26 for “Furukawa Electric Group Corporate Philosophy”.

Challenges and Future Policy

In the 2020 Mid-term Management Plan, we set a mission of pursuing diversity and autonomy in order to continue growing on global markets, improving our ability to respond to changes in the business environment, and realizing greater creativity and practical capabilities in our “people” and “organizations”. As measures that contribute to Group Global management, we will focus on “measures that strengthen top management” and “bottom-up measures for reforming our organizational culture and human resources”.

Specifically, we will enact the Group HR Vision ^(note 1), which describes our standard value judgments for formulating personnel strategies and measures at group companies, increase the links between personnel systems for hiring, job placement, assessment and remuneration, and implement individual measures from the perspective of “developing skills” with a focus on

Main measures contributing to the Group’s global management

Top management reinforcement measures

- 1 Realizing succession plans and strategic personnel deployment in a way that makes use of human resources databases
- 2 Demonstration of leadership and activation of behavior change by action assessment

Corporate culture reform and personnel bottom-up measures

- 1 Enactment of the Group HR Vision, establishment and dissemination of FM-Career Design (new deployment criteria), and promotion of support for career development
- 2 Development of the training curriculum, as well as promotion of two-way human resources exchanges through the overseas dispatch of junior employees, etc.
- 3 Acceleration of efforts in diversity management (measures to promote women’s careers)
- 4 Realization of sustainable growth by “work style reform”

strengthening our cultivation of global human resources. (note 1) This is our vision for human resources at Furukawa Electric Group.

Human Resources Development

Enhancement of Education Program

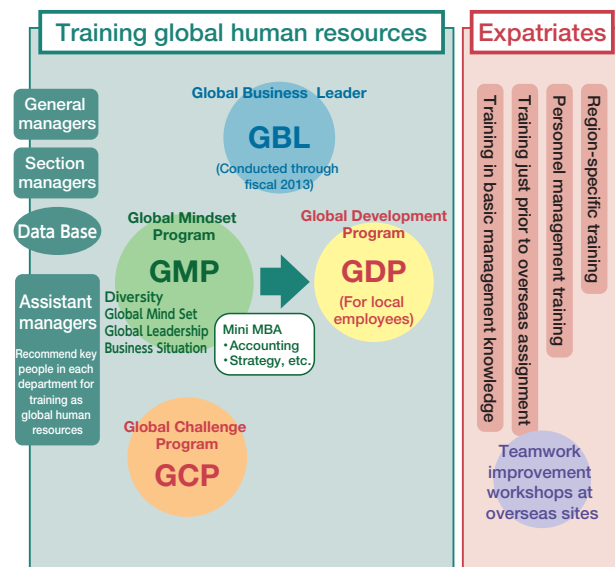
We are training human resources who have rich humanity and strong challenge spirit, for the sake of our group development. Our aim is to develop “sensitive personnel who can think and act on their own initiative” as we maximize our organizational strength and spread our Group management thinking.

The state of our leaders affects corporate culture and reflects in our business results, which is why we give training at each level to develop leadership, and construct relationships between people by “dialogue” among all our employees. We work hard to cultivate an interest in people and a sense of respect for others.

Nurturing Leaders Adapted to the Global Scene

We started our Global Business Leader (GBL) training in 2006 in order to develop personnel who will take on the role of management in the future. Since fiscal 2013 this has been reformed to Global Mindset Program (GMP), with its extra emphasis on global human resource education. We have also operated a Global Development Program (GDP) for overseas local employees since 2010 with the aim of strengthening links within the Group, the curriculum being partly shared with the GMP. Furthermore, in fiscal

Global Human Resources Training System



2014 we launched the Global Challenge Program (GCP), which dispatches young employees to foreign countries. We are working to align these various programs to develop human resources who can play a dynamic role on the global stage.

Project to Improve GENBA-RYOKU Capabilities

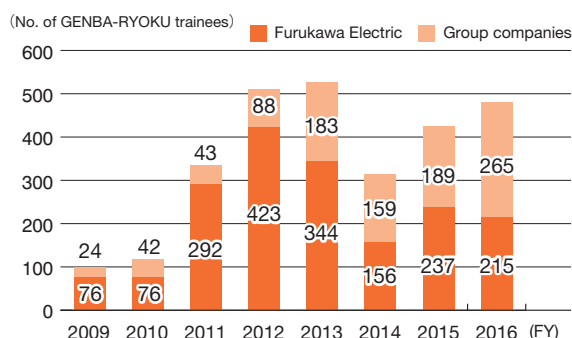
In fiscal 2009, we began GENBA-RYOKU training for all manufacturing on-site employees at our factories. To date, more than 2,500 workers have been trained. The training has consisted of foreman training, mid-level worker training, and basic program, with the aim of cultivating “GENBA-RYOKU”, the ability to think and act for oneself, and boosting the monozukuri capability of the workplace.



Upper left: 8th Training Session for Mid-level Workers - Hiratsuka Area Participants
 Upper right: Monozukuri staff undergoing GENBA-RYOKU group work training
 Left: Monozukuri staff undergoing GENBA-RYOKU group work presentation

In fiscal 2013, we launched GENBA-RYOKU (on-site capabilities) training for Monozukuri staff (production division employees providing on-site support). More than 20 group companies took part in training in fiscal 2014, we launched a special program for all employees to take part in at the base factories of several group companies. We will promote a manufacturing workplace culture and staff culture that encourages the common language of “strengthening our GENBA-RYOKU”. What’s more, we will strengthen our “Monozukuri capabilities” by working together as a united Furukawa Electric Group both in Japan and overseas.

People Undergoing GENBA-RYOKU Reinforcement Training



Using Diverse Human Resources

One of our Group’s management philosophy is to “nurture human resources at every level, so that we can become a more diverse and creative organization”. It is essential for the progress of our Group’s global management to create a corporate culture in which more diverse personnel can succeed.

In April 2014, we set up a Diversity Promotion Section to accelerate the creation of a work environment that gives a greater active role to more diverse personnel.

Diversity & Inclusion Activities

In September 2014, Furukawa Electric launched our activities, “Furukawa ‘V’ Challenge!!”, to promote women’s careers. We have set out the following targets and promoted networking among female employees and women’s career-building, and we have adopted a comprehensive approach to improve the mindset of the organization as a whole.

In April 2016, we acquired Level Three (the highest level) of the “L-Mark”, which is an accreditation for outstanding companies in the implementation of initiatives related to the promotion of women’s careers. In the same year, we held e-learning courses for all managers to enhance their awareness of diversity and inclusion, and created pamphlets intended for female students, to strengthen our hiring activities.



[Objectives related to support the success of women in the workplace]

- (1) We aim to double the number of females in managerial posts by 2018.
- (2) We aim to double the proportion of females hired by 2018.

Note) A summary of our company’s initiatives is available on the Ministry of Health, Labour and Welfare’s “Comprehensive Site for Supporting Women’s Activity and Work-Life Balance” (general business operator action plan announcement site).
<http://www.positive-ryouritsu.jp/positivedb/detail?id=529>

Diversity in Hiring

In order to respond to the global development of our business, Furukawa Electric Group has come together to implement a variety of initiatives with the aim of securing human resources. In addition to information exchanges to share know-how on hiring within the Group, we hold Furukawa Electric Group Forum held in Tokyo and Nagoya, at which we conduct briefings in conjunction with Group

affiliates, and work proactively demonstrate the appeal of Furukawa Electric Group to students.

Recruitment figures by gender (Number of employees)

		FY2013	FY2014	FY2015	FY2016	FY2017
Specialized staff	Male	26	21	28	45	61
	Female	6	5	8	15	31
	Total	32	26	36	60	92
	Foreign nationals	0	1	0	0	1
Professional staff	Male	0	0	0	0	15
	Female	0	0	0	0	0
	Total	0	0	0	0	15

Encouraging Employment of Disabled People

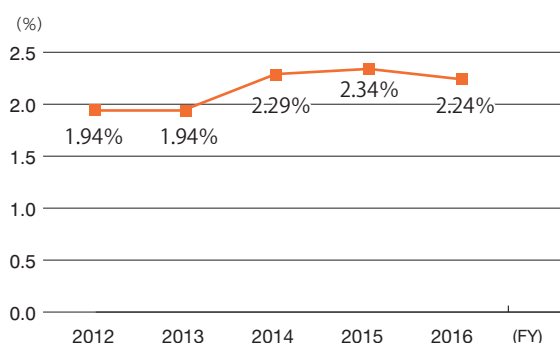
Furukawa Electric has established special subsidiary Furukawa New Leaf in fiscal 2004 for the purpose of improving our employment rate of disabled people. As of March 31st 2017, Furukawa New Leaf employs 40 people who are intellectually challenged. As of March 15th 2017, Furukawa Electric has an overall disabled employment rate of 2.24%.

Furukawa New Leaf is doing its business at Hiratsuka Works, Chiba Works and Mie Works, to further increase our disabled employment rate.



Furukawa New Leaf employees at work

Ratio of employees with disabilities (Furukawa Electric)



Internships

Ever since the Japanese government introduced a system of internships in 1997 as part of an industry-academia-government collaboration, in our role as a manufacturer Furukawa Electric has taken on numerous science and engineering interns with the aim of



Internship training

contributing to the fostering of Japanese technicians of the future. We have already taken on more than 200 students across our various workplaces. In recent years, we have also actively sought to accept students from overseas universities in addition to Japanese universities.

Work style reform

Furukawa Electric established a dedicated organization in May 2015 and launched activities to promote “Reforming working styles” and “Reforming our organizational culture” with the aim of achieving both sustained growth for the company and lifestyle (life) satisfaction for each individual working at the company. In fiscal 2016, in addition to holding more efficient meetings and simplifying meeting materials, we introduced a “telework system” after a trial operation period. In fiscal 2017, we will advance these activities and further raise the effectiveness of each initiative.

Improving the Working Environment through Labor-Management Opinion Exchanges

Furukawa Electric maintains a basic position that both labor and management should endeavor to engage in sincere discussions, and therefore we focus on issue resolution and deepening mutual understanding.

We hold our Central Management Briefings twice annually for public exchanges of opinion between labor and management. We have conducted such meetings for 65 years from fiscal 1952. As of May 2017 we had held these briefings 129 times. Representatives from labor and management exchange frank opinions and share information about a broad spectrum of items at these briefings, such as the business environment, management, and topical matters.

We also have in place various committees such as the Personnel System Exploratory Committee and the Committee for Studying Shorter Hours that are designed to improve the working environment, which management and labor discuss on a daily basis. These discussions lead to improvements in various systems and strengthen

monitoring functions, such as compliance response and the implementation status of other CSR activities.

Employee Data Book

Please see the URL below for Employee Data Book.

CSR

<http://www.furukawa.co.jp/en/csr/report/>

Targets and Results (Personnel Development and Working Environment)

Achieved

 Partially achieved
 Not achieved

FY2016			FY2017
Targets	Results	Achievement	Targets
Strengthening of global human resource training - Conduct GDP - Implement GCP	- In GDP,14 participation of the countries 29 people from August 22 to 27 - In GCP,assigned 2 people to OneFurukawa course(belonging to Intellectual Property Dep.,Broad Band Sec.(changed to Material Dep.))		- Training menu is to be revised for the penetration of “OneFurukawa Mind” and the awareness of “Core Valu” - Continuous implementation of GCP
Reinforcement of Monozukuri capability - Building an educational system to strengthen Monozukuri capabilities - Implementation of GENBARYOKU strengthening activities for affiliated companies (Japan and overseas)	- Department in charge started discussion of building an educational system to strengthen Monozukuri capabilities - GENBA-RYOKU training,basic program for all employees in two affiliated companies was implemented		- Building an educational system to strengthen Monozukuri capabilities - Implementation of GENBARYOKU strengthening activities for affiliated companies (Japan and overseas) (ongoing)
Support for diverse ways of working, and work-life balance - Reduction in number of employees taking an extremely low number of days of annual paid leave (ongoing); expansion in scope of the work-from-home system	- The rate of employees who got the number of days of annual paid leave is under 5 days was 1.4% - The work-from-home system for purposes other than child care or nursing has been introduced		Support for diverse ways of working, and work-life balance - Promotion of birth and child care participation of father,awareness of our system, support for infertility treatment hour

Message from the General Managers



We will accelerate our measures to build environments and cultures which allow diverse personnel to be active.

Takashi Fukuda

General Manager, HR & Administration Department, Strategy Division

In order for the Furukawa Electric Group to achieve continuous growth in the global market, it will be extremely important to pursue diversity and autonomy, raise our adaptability to business environments, and develop people and organizations with strong innovation and capabilities to take action. To accomplish these goals, it is essential that all employees with diverse views, abilities, and backgrounds and regardless of characteristics such as age, gender or nationality behave with integrity, aim for innovation, be aware of addressing reality, act with autonomy and speed, and always be conscious of collaboration.

We are engaging even more actively in diversity management, such as by establishing the special subsidiary Furukawa New Leaf in fiscal 2004 to improve our employment rate of disabled people, and creating a Diversity Promotion Section in fiscal 2014. To carry out human resources development from a global perspective,

we introduced “Global Business Leader (GBL) Training”, the “Global Mindset Program (GMP)”, and the “Global Challenge Program (GCP)”, working to “develop human resources able to clear new paths and carry out tasks to completion”, as well as “building collaborative environments”.

Meanwhile, to exemplify our sense of autonomy, we have introduced and are operating FM Career Design, a personnel system that stimulates the ability and desire to face challenges in individuals and the generation of innovative ideas in organizations. This will allow us to make career formation and human resources more fluid through planned allocation.

We will continue to actively take the above and other measures in the future in order to accelerate the creation of an environment and corporate culture where more diverse human resources play an active role.

Occupational Health and Safety

Basic approach to occupational health and safety management

In addition to basic legal compliance, Furukawa Electric Group prioritizes initiatives that promote “becoming a safety conscious person” and “realizing fundamental safety”. Our basic approach is to aim for zero accidents and zero illness.

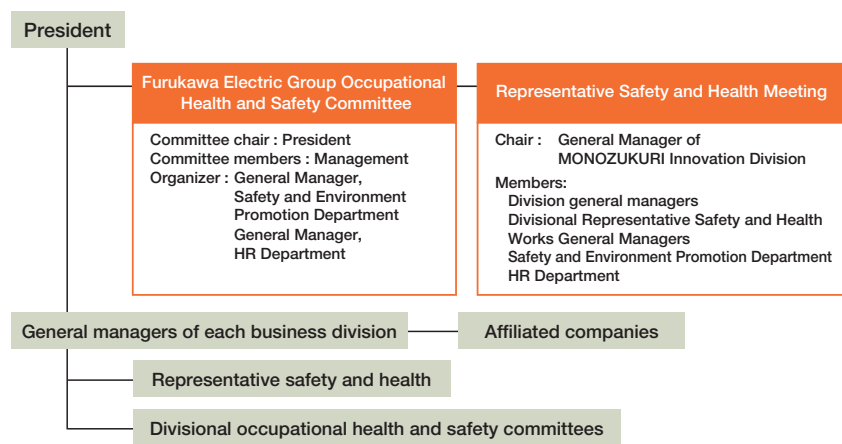
Basic policy on health and safety management

- Endeavor to eradicate accidents by inspections and management in accordance with the industrial Safety and Health Act.
- Promote the realization of “fundamental safety” with a medium-term goal of achieving Stage III or higher in separating pedestrians and vehicles and separating people and equipment.
- Develop “safety conscious person” through communications, the 5S and education (experience and practice).
- Improve Safety and health management systems with a medium-term goal of achieving Stage IV or higher.
- Promote mental and physical health improvement by the group’s health management activities.

Promotion System

Furukawa Electric Group has established the Furukawa Electric Group Occupational Health & Safety Committee (on which the President serves as committee chairman) as the highest body for promoting occupational health and safety at a group level. The committee membership is composed of executives, and carries out deliberation, decision-making and follow-up activities for the group as a whole in respect to policies and initiatives in health and safety.

Promotion Framework



Safety and Health Activities Presentation Meetings

We have been holding presentation meetings on the Group’s safety and health activities and awarding the best with commendations. In fiscal 2016, fifteen teams were selected from the SBUs (including five teams from group companies) to give presentations and receive awards from the president.



FPT (Thailand) giving a presentation

Site inspections by officers

Furukawa Electric’s safety officers make site inspections at Furukawa Electric Co., Ltd. and group companies whenever an accident occurs and in accordance with performance in the previous fiscal year. They



Site inspections by officers at OFS (the United States)

confirm how appropriate the safety measures are, and check the extent to which these measures have become firmly established. In addition, they exchange opinions with a view to achieving fundamental safety, and work hard to prevent any recurrences. They also conduct visits

to domestic and overseas group companies, and exchanged opinions with 17 companies in fiscal 2016.

Targets and Results (Accidents)

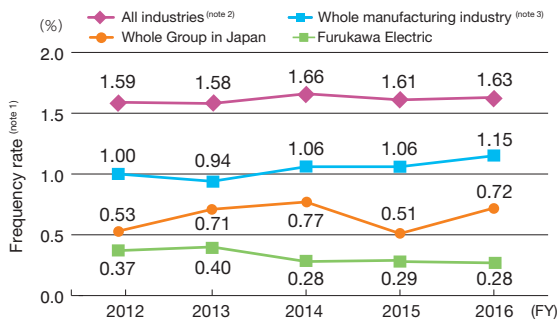
😊 Achieved 😞 Partially achieved ☹️ Not achieved

FY2016			FY2017
Targets	Results	Achievement	Targets
One or less “accidents with working loss days”	Two “accidents with working loss days”	☹️	Zero “accidents with working loss days”

Work Accident Occurrence Status

In terms of its performance in fiscal 2016, Furukawa Electric recorded two “accidents with working loss days”, and failed to meet its target of “one or less accidents with working loss days”. Frequency rate of accidents resulting in time off work (note 1) at Furukawa Electric Co., Ltd. stayed almost unchanged at 0.28, whereas the rate for the domestic group as a whole (note 2) rose to 0.72.

Frequency rate of accidents resulting in time off work



(note 1) Frequency rate = (No. of casualties / Total actual work hours) x 1,000,000
 (note 2) The calculation for fiscal 2016 covered full-time employees and temporary staff at Furukawa Electric and 36 Group companies in Japan. See page 61 for companies included in the calculation.
 (note 3) Data on all industries and the whole manufacturing industry is from Ministry of Health, Labor and Welfare survey results

Meanwhile, the 2016 accident frequency rate for the whole Group including overseas Group companies was 1.28. This included accidents both resulting in and not resulting in time off work.

Healthcare for Employees Working Long Hours

In accordance with the Guidelines issued by the Labor Standards Bureau entitled “Measures to be Taken by Employers to Prevent Health Impairment Due to Overwork”, we strive to manage the health of employees who work long hours by implementing strict limitations on working hours based on the results of health checkups and by arranging consultations for such workers with industrial physicians.

Mental Health Education

We began conducting mental health measures in fiscal 2002. In the past, stress control training, workplace mental health training with a focus on Work Engagement, and Pleasant Workplace Discussion Sessions aimed at improving the workplace environment have been implemented across the company.

In fiscal 2014 and fiscal 2015, we promoted self-care training and line care training for all employees in their early 40s and all middle-ranking managers in order to improve their ability to respond to various changes. In fiscal 2016 or later, in addition to continuing to implement these trainings, we will introduce a stress check system in accordance with legal revisions.

Strengthening Smoking Measures



Non-smoking poster

In fiscal 2003, we commenced measures to counter smoking in earnest, introducing programs to prevent exposure to passive smoke and encourage quitting smoking. As a result of such activities, the percentage of smokers among male employees has fallen by approximately 20 percentage points over 10 years. We aim to switch to a smoking ban during working hours in fiscal 2017 and to an entirely smoke-free workplace by fiscal 2020, listing the slogan “Celebrate the 2020 Tokyo Olympic Games, after having achieved Entirely Non-Smoking” and have continued to adopt a multifaceted approach with the following three main approaches: sharing information, supporting efforts to quit smoking and creating a smoke-free environment.

Measures to Prevent Falling Accidents

Since the frequency of accidents which involve falls increases with age, the advancing age of personnel even at Furukawa Electric means there is a growing risk of falling accidents to occur (including falls which occur while walking during travel to work). Therefore, from fiscal 2016 we have introduced educational programs and physical exercises (muscle training) to prevent falls. We have also been holding physical capability checks for our employees 50 years of age and older, which was extended to even those 40 years of age and older from fiscal 2017.

Certification as a 2017 Certified Health and Productivity Management Organization (White 500)



White 500 certificate

Furukawa Electric has been recognized and provided with a certificate as a 2017 Certified Health and Productivity Management Organization (White 500), indicating that we are a company practicing outstanding health and productivity management under the Ministry of Economy, Trade and Industry’s Certified Health and Productivity Management Organization Recognition Program. This can be seen as a high commendation of our activities for “Building a Healthy Mind and Body”, which have been implemented steadily based on our Basic Health Management Policy specified each year. This certification will serve as even greater encouragement to once again promote our health and productivity management practices.

Relations with Communities

Basic Policy

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.

Furukawa Electric Group Basic Policy on Social Contribution Activities (Revised March, 2011)

Furukawa Electric Group will continuously undertake social contribution activities focusing on nurturing future generations, promoting sport and culture, and living in harmony with the natural environment and local communities, in addition to its business-related activities, in order to maintain and strengthen community ties built over centuries and create a better tomorrow for future generations.

Support for Areas Struck by the Kumamoto Earthquakes

Immediately after the Kumamoto Earthquakes occurred, Furukawa Electric Group delivered our products to afflicted municipalities at no charge, for use at evacuation shelters. We also donated support funds through the Central Community Chest of Japan, to be utilized as activity funds for groups and volunteer organizations engaged in activities to support disaster areas.

Furthermore, we collected individual contributions from our Group company employees for our two Group companies affected by the disaster, and provided them with our sincere wishes for a quick recovery.



Portable emergency power supply MgBOX, which can be used to generate electricity in disaster situations simply by filling it with water or other fluids, and can be disposed of after use by standard garbage disposal procedures.

(Provided by The Furukawa Battery CO., LTD.)

Recovery Support by the “Fukushima Support Company Network”

Furukawa Electric joined the “Fukushima Support Company Network”, a membership-based organization formed by companies that are willing to promote purchases of products from Fukushima Prefecture as well as use of tourist facilities in the prefecture in order to dispel harmful rumors about Fukushima due to the nuclear accident. In fiscal 2016, we held a highly-successful sales event of special goods, fruits, and Japanese sake produced in Fukushima in the form of a company marché, at the Head Office, Chiba Works, and Hiratsuka Works.



Scenes from company marché (upper: Head Office, lower: Hiratsuka Works)

CSR Awards

Eighth CSR Awards

Furukawa Electric established the CSR Awards to recognize the social contribution or environmental preservation efforts of our subsidiaries that notably exceed their regular business. CSR Award-winning companies work on a daily basis to continue contributing to society through these activities.

Social Contribution Award

FURUKAWA MEXICO, S. A. DE C. V.

Our overseas Group company FURUKAWA MEXICO, S.A. DE C.V. (abbrev. FURMEX), under the jurisdiction of our Automotive Products Div., has since its establishment placed special emphasis on providing educational support to regional societies. Mexico is faced with serious issues such as drug problems, domestic violence, and poverty, and so this company is engaged in various activities in coordination with local Mexicali City and other institutions, for the primary goal of easing these problems by any amount possible. Examples of its activities include factory tours and workplace experience activities offered to local high school and university students. Experimental facilities in the company are also opened to local universities and made available for their use. This spring, the company acquired measuring equipment including electron microscopes and elemental analysis devices, as well as CNC machining equipment, and hopes to be able to contribute even more to practical training for university students and graduate students. From here on, it will proceed with activities in close coordination with local cities and states, to make valuable contributions to regional societies.



Factory tour for local high school students



Ceremony to commemorate the opening of research facilities, with university-related staff invited

Environmental Preservation Award

FURUKAWA Research Inc.

In June 2015, Furukawa Research Inc. launched activities as part of its initiatives for biodiversity conservation to cultivate the flower *Pulsatilla cernua*, which has been designated on the Red List of the Ministry of Environment as a Vulnerable (VN) (a category of species for which the danger of extinction is becoming more serious).

After seedlings were transplanted to a corner of Furukawa Electric's Yokohama Works, all employees participated in daily team activities, which included watering the plants, pulling weeds, catching and removing insects, and keeping daily observation journals. In spring of 2017, roughly 40 *Pulsatilla cernua* plants had been cultivated, with 150 flowers in bloom. The company is also planning for further cultivation by collecting and planting seeds as environmental activities for the entire the Yokohama Works, as well as giving seeds to applicants who request them. In this third year, the company intends to expand beyond the Yokohama Works itself and proceed with activities to provide returns to the regional society.

Since 2016, *Pulsatilla cernua* cultivation activities have also been started at the Hiratsuka Works and the Chiba Works in addition to the Yokohama Works, as activities undertaken by the Furukawa Electric Group.



Cultivated *Pulsatilla cernua* flowers



Planting *Pulsatilla cernua* seeds

Activities in each region

Activity topics

Furukawa Electric Group conducts various activities in each region.

Nurturing future generations

► Supported and cooperated on work experience for schoolchildren of all ages

- Furukawa Electric (Chiba Works, Nikko Works)
- Furukawa Electric Power Systems
- The Furukawa Battery
- Furukawa Logistics



Factory tour by Yonezawa Technical High school (Furukawa Electric Power Systems)



Special classes at Ohara primary school in Taketomi Town (Furukawa Electric)

Promotion sports and culture

► Participated in, sponsored, and provided a venue for sporting events

- Furukawa Electric (Nikko Works, Hiratsuka Works, Mie Works, Copper Tube Division)
- Furukawa Sangyo Kaisha • Furukawa Electric Power Systems
- The Furukawa Battery • Furukawa Nikko Power Generation



Iwaki Sunshine Marathon (The Furukawa Battery)

Living in harmony with the natural environment

► Participated in local environment beautification campaign

- Furukawa Electric (Chiba Works, Nikko Works, Copper Foil Division, Hiratsuka Works, Mie Works, Copper Tube Division)
- Okano Electric Wire • TOTOKU Electric
- Furukawa Automotive Systems • Furukawa Sangyo Kaisha
- Furukawa Precision Engineering • Furukawa Techno Material
- Furukawa Electric Industrial Cable • The Furukawa Battery
- Furukawa Logistics
- Furukawa Magnet Wire
- Riken Electric Wire
- Furukawa Nikko Power Generation



Mission uchimizu in Amagasaki 2016 (Copper Tube Division, Furukawa Electric)

Shonan Coast Cleanup Campaign run by the Labor Union Young (Hiratsuka Works, Furukawa Electric)



At the 3rd "Forest of Furukawa" tree planting activity Tochigi Furukawa Association (note) (Furukawa Precision Engineering)

(note)
Environmental conservation activities of Furukawa Group, Tochigi Prefecture
From Furukawa Electric Group

- Furukawa Electric (Nikko Works, Copper Foil Division)
- Okumura Metals • Furukawa Precision Engineering
- The Furukawa Battery
- Furukawa Nikko Power Generation

► Hosted, participated in, and supported festivals

- Furukawa Electric (Nikko Works, Hiratsuka Works, Mie Works)
- NTEC • Furukawa Precision Engineering
- Furukawa Electric Power Systems
- The Furukawa Battery
- Furukawa Nikko Power Generation
- Furukawa Magnet Wire • Miharu Communications

▶ **Conducted beautification activities outside premises**

- Furukawa Electric (Chiba Works, Nikko Works, Copper Foil Division, Yokohama Works, Hiratsuka Works, Mie Works, Copper Tube Division)
- NTEC • Okano Electric Wire
- Furukawa Automotive Systems • Furukawa C&B
- Furukawa Electric Ecotec • Furukawa Electric Industrial Cable
- Furukawa Electric Power Systems • The Furukawa Battery
- Furukawa Logistics • Furukawa Magnet Wire

Other activities

▶ **Donation to the Kumamoto earthquake**

- Furukawa Electric (Yokohama Works) • NTEC
- Furukawa Electric Power Systems
- Furukawa Nikko Power Generation

▶ **Donated and raised funds for charities**

- Furukawa Electric (Yokohama Works)
- The Furukawa Battery • Miharu Communications
- Furukawa Nikko Power Generation

▶ **Donated blood**

- Furukawa Electric (Chiba Works, Nikko Works, Copper Foil Division, Yokohama Works, Hiratsuka Works)
- Furukawa Precision Engineering
- The Furukawa Battery • Furukawa Magnet Wire



Blood donation
(Chiba Works, Furukawa Electric)

Living side by side with local communities

▶ **Supporting and working with NPOs and special-needs schools**

- Furukawa Electric
(Nikko Works, Copper Foil Division)

▶ **Held a fishing event**

- Furukawa Nikko Power Generation



Trout fishing event for local residents, held at a retention basin
(Furukawa Nikko Power Generation)

▶ **Conducted factory tours for employees' families**

- Furukawa Electric
(Hiratsuka Works, Copper Tube Division)



Factory tour for Employees' families
(Hiratsuka Works, Furukawa Electric)

▶ **Supported the restoration of the Tohoku region**

- Furukawa Electric (Chiba Works, Hiratsuka Works)
- Furukawa Sangyo Kaisha

Challenges and Future Policy

In addition to community-based activities applying the ingenuity of Furukawa Electric's works, branch offices, and Group companies, we also held private sector training for public school teachers and other events. From here on as well, we will continue investigating programs and other measures which can apply our unique company characteristics in accordance with the Furukawa Electric Group Basic Policy on Social Contribution Activities.

Initiatives for Environment

Environmental Management

Furukawa Electric Group Basic Environmental Policy

Basic Philosophy

We, the employees of the Furukawa Electric Group, recognize that conservation of the global environment is a serious issue confronting the international community, and we pledge to contribute to a sustainable future for the world through technological innovation that utilizes our strength in advanced materials.

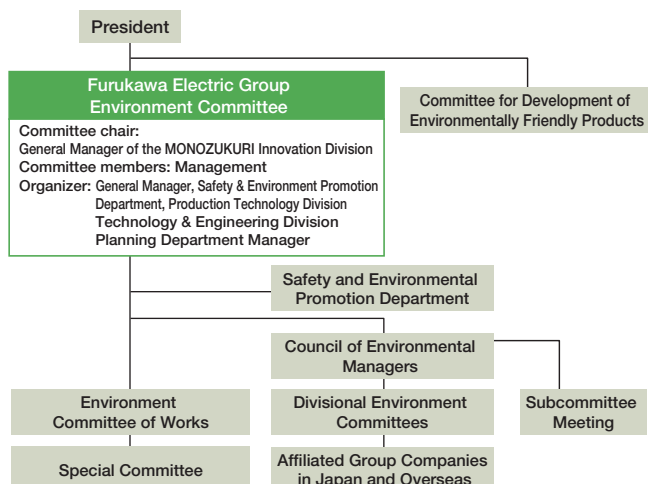
Action Guidelines

1. We shall comply with environmental laws and regulations as well as the demands of our customers and others, setting ever higher environmental targets as we continuously improve our global environmental conservation efforts.
2. We shall strive to develop products that are friendly to the Earth, and create new environmental businesses.
3. We shall strive to reduce environmental risk by incorporating anti-climate change and resource conservation/recycling considerations, as well as a reduction in the use of environmental impact-causing substances, across the entire product lifecycle.
4. We shall evaluate the ecological impact of all of our businesses, and strive for the conservation of biodiversity and sustainable use of resources.
5. We will seek harmony with the natural environment and local communities through dialogue with our stakeholders.

Environmental Management Organization

In April 2013, we underwent organizational restructuring, transitioning to a strategic business unit system. We also renamed our highest-level advisory body related to environmental management the Furukawa Electric Group Environment Committee and promoted environmental management under a new structure. The “Council of Environmental Managers” was set up under the Committee in order to promote the smooth development of environmental management decision-making, and a variety of special committees were consolidated and merged.

Promotion Framework



Environmental Education

Environmental Education System and Environmental Education Programs

Furukawa Electric Group is engaged in a variety of environmental education activities in order to raise environmental awareness among its employees and help them to gain information necessary to conduct the environmental activities of the Group.

From fiscal 2016, we have been proceeding to train ISO14001: 2015 internal environmental auditors, ahead of the deadlines related to the ISO14001: 2015 version revisions. 51 employees undertook classes for newly-appointed ISO14001 internal environmental auditors, and 88 employees including those from Group companies took lecture courses at our Head Office for principal internal environmental auditors at each location, to inform qualified staff of the differences between revisions. Also, in order to cover the scope of Furukawa Electric in its entirety, a total of 139 internal environmental auditors from individual bases, including 37 from the Mie Works, 22 from the Copper Tube Division, 45 from the Hiratsuka Works, and 35 from the Copper Foil Division participated in training courses.

Environmental activity award system

From fiscal 2010, Furukawa Electric presented environmental activities awards in the following three fields with the aims of improving environmental awareness and

raising the level of environmental activities: “sales promotion activities for environmentally friendly products”; “global warming prevention activities”; and “Group activities”. However, the award system was combined into a single category in fiscal 2014 under the “environmental contribution awards”. Furthermore, in order to promote the horizontal development of environmental initiatives, a presentation meeting is held once a year to showcase outstanding examples of environmental activities. An energy conservation project conducted by the Copper Foil Division was selected to receive first prize in fiscal 2016.

Environmental Accounting

Furukawa Electric Group has introduced environmental accounting and works hard to promote efficient and effective environmental activities through the quantitative identification of environmental conservation costs and effects.

Collation is implemented in reference to the Ministry of the Environment’s “Environmental Accounting Guidelines 2005” and covers Furukawa Electric Co., Ltd. and 21 domestic group companies.

The costs of environmental conservation activities in fiscal 2016 were 2.88 billion yen in expenses and 1.0 billion yen in investments. This represents a 0.18 billion yen fall in expenses and a 0.02 billion yen increase in investments against the previous fiscal year. Energy costs fell by 1.51 billion yen as a result of consolidating our manufacturing bases through reforms of the business structure.

Please see P.61 for details of the companies included in the scope of data collation. Please see below for the collated results of environmental accounting.

CSR

 <http://www.furukawa.co.jp/en/csr/>

Environmental education programs

Category of educational training	Content	New recruits	General employees	Mid-career employees	Newly appointed section managers	Management
Education for new recruits (once a year, mandatory)	General environmental conservation activities	Training for new recruits				
EMS activities (as needed, mandatory)	Environmental Policy and purpose, goals and general knowledge pertaining to the environment					
ISO14001-related education (two-day course)(twice a year, voluntary)	Requirements of ISO standards, environment regulations, procedures for internal environment audits, various drills					
One-day brushup course (once a year, voluntary)	Trends in environmental regulations, various drills to brush up auditing skills					
Environmental subjects (as needed, voluntary)	Environmentally considerate design					
	Environmental regulations					
	Control of chemical substances contained in products					
Consolidated environmental management seminars	Seminars by experts on priority issues					

Message from the General Managers



We are steadily advancing our Group Global environmental activities.

Tsutomu Fujinuma

General Manager, Safety & Environment Promotion Department, MONOZUKURI Innovation Division

Furukawa Nikko Power Generation Inc., a member of our Group, is carrying out hydroelectric power generation with the resulting clean energy being used for the manufacture of copper products at our Nikko Works. In addition, we have operated recycling businesses since the 1970s, with Furukawa Electric Ecotec Co., Ltd. engaged in total recycling of electric wires and cables, including collection, decomposition, and reclamation. Although our Group has carried out product manufacturing and recycling businesses while taking great consideration for the natural environment for some time, in recent years we have been expanding beyond only considering

the CO₂ emissions produced by our Group and are proceeding with the visualization of CO₂ emissions at all product life cycle stages, including the reduction of CO₂ which is emitted when our products are at the stage of being used. In the future, we will expand our Group Global environmental activities and advance our environmental initiatives together with our business colleagues around the world. We will also take the lead in product development that can contribute to environmental conservation as well as environment-friendly manufacturing, continuing our dedicated efforts to gain the trust of our stakeholders.

Material Flow

Environmental Impact of the Furukawa Electric Group in Fiscal 2016

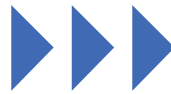
We tallied data for Furukawa Electric, 33 Group companies in Japan, and 54 Group companies overseas—a total of 88 companies.

Please refer to page 61 for a list of all applicable companies.

INPUT

Category	Domestic	Overseas	Unit
Raw materials			
Copper	168.5	167.6	1000t
Aluminum	7.0	30.0	1000t
Iron	2.5	11.4	1000t
Other metals	4.8	1.1	1000t
Glass	–	3.4	1000t
Plastic	32.7	40.5	1000t
Energy			
	7,449	8,020	TJ
Electricity (purchased electricity)	513.8	703.9	GWh
Electricity (hydroelectric electricity)	105.1	–	GWh
Electricity (solar electricity)	14	–	MWh
City gas	5,815	5,048	1000 m ³
LPG	18.1	3.6	1000 t
Heavy fuel oil A + Kerosene + Light oil	5,652	903	kl
Water			
	10,289	2,611	1000 m ³
Industrial water	7,159	58	1000 m ³
Groundwater	2,373	311	1000 m ³
Tap water	756	2,242	1000 m ³
Chemical substances			
Volume handled (note 1)	46.4	–	1000t
Packaging (note 2)			
Cardboard + Wood + Paper	3.5	6.6	1000t
Plastic	0.11	0.37	1000t

Furukawa Electric
7 works,
33 Group companies
in Japan
and
54 Group companies
overseas



OUTPUT

Category	Domestic	Overseas	Unit
Waste (note 3)			
Total waste generated (note 4)	32.0	18.0	1000t
Final waste disposal	0.3	9.2	1000t
Recycling amount	30.5	5.2	1000t
Atmospheric emissions			
CO ₂	357	434	1000t-CO ₂
SO _x	15	–	t
NO _x	55	–	t
Soot	6	–	t
Chemical substances			
Volume emitted	156	–	t
Volume transferred	277	–	t
Wastewater			
	9,095	1,913	1000 m ³
Public waterways	8,491	379	1000 m ³
Rivers	7,684	105	1000 m ³
Sea	787	0	1000 m ³
Other	20	274	1000 m ³
Sewer	604	1,534	1000 m ³
BOD			
	36	–	t
COD			
	40	–	t
SS			
	25	–	t
Volume of water recycled and reused			
	1,118	31,703	1000 m ³




(note 1) PRTR-listed substances













(note 2) Cardboard, wood, paper, and plastic used in product shipping

(note 3) Including valuable resources (Japan)

(note 4) Emissions off-site

Targets and Performance of Environmental Conservation Activities

 Achieved
  Partially achieved
  Not achieved

Activity		Base year	Furukawa Electric Group (Domestic and overseas groups)			
			Targets for fiscal 2016	Fiscal 2016 results	Evaluation	Target for fiscal 2017
Waste	Total generated amount of waste materials per sales	2015	Domestic: 1% reduction	6.8% reduction		Domestic: At least 2% reduction
	Zero emission rate		Domestic: 0.3% or less	0.04% (achieved)		Domestic: 0.3% or less
Efficient utilization of water	Water use per sales	2015	Domestic and overseas: 1% reduction	Domestic: 4.1% reduction Overseas: 1.0% reduction		Domestic and overseas: At least 2% reduction
Prevention of global warming	Greenhouse gas emissions	2013	Domestic: 3% reduction	17.5% reduction		GHG emissions (Scope1, 2) ^(note 1) - Domestic: At least 4% reduction - Overseas: At least 2% reduction per sales GHG emissions (Scope3) ^(note 1) - Set target by fiscal 2018
		2015	Overseas: 1% reduction per sales	1.2% increase		
	Production energy per sales	2013	Domestic: 6% reduction	10.7% reduction		
		2015	Overseas: 1% reduction	0.2% reduction		Overseas: At least 2% reduction
	Transportation energy per ton-kilometers	2015	Domestic: 1% reduction	4.6% reduction		Domestic: At least 2% reduction
	Energy consumption per floor area in office	2015	Domestic: 1% reduction	0.6% increase		Domestic: At least 2% reduction
Environmentally friendly design	Sales ratio of environmentally friendly products: 35% or more			30.5%		35% or more
	Contribution of products avoided CO ₂ emissions: 60,000 ton-CO ₂ or more			64,000 tons		70,000 ton-CO ₂ or more
CDP ^(note 2) score up (climate change)			—	—	—	Score B or more
Prevention of environmental accidents			Number of accidents: Zero Number of small accidents: 3 or less	accidents 2 small accidents 3		Number of accidents: Zero Number of small accidents: 3 or less

(note 1) GHG*, Scopes 1, 2, and 3

*GHG: Greenhouse Gas

Scope 1: Direct emissions from offices caused by the use of fossil fuels, etc.

Scope 2: Indirect emissions from outside offices caused by the use of electricity, steam and heat

Scope 3: As other emissions, Indirect emissions from purchased product services, business trips, commuting, and upstream shipping, etc.

(note 2) CDP: CDP is an organization formed from institutional investors for the purpose of managing a project requiring companies to disclose their strategies for climate change and the specific amount of greenhouse gases they generate.

Activities Targets and Performance in Fiscal 2016

Furukawa Electric Group sets out environmental conservation activities targets for each fiscal year in accordance with the three-yearly mid-term environmental targets. In fiscal 2016, we carried out initiatives to achieve our targets as the first year in a new three-year plan.

Our activities to prevent global warming included integrating and consolidating the manufacturing bases of various products through business structure reform, achieving a 1.2% reduction in CO₂ emissions for our domestic and overseas Groups compared to fiscal 2015.

Activity Targets in Fiscal 2017

In fiscal 2017, the second year of our three-year medium-term environmental plan, we will thoroughly implement initiatives on a Group-wide basis to achieve our targets. We

will aim to improve our CDP climate change score as a form of external evaluation, and will take action to reduce emissions of chlorofluorocarbon and other greenhouse gases through CO₂ reduction measures as part of our global warming prevention activities.

Medium and long term targets

Furukawa Electric Group has identified three "materialities" (greenhouse gas measures, effective use of resources, and conservation of biodiversity), and set medium to long-term targets by 2020. The medium to long-term target of our global warming prevention measures is for reductions of at least 50% in CO₂ emissions by 2050, in reference to IPCC AR5, and we are formulating specific medium to long-term reduction plans to reach this goal.

Environmentally Friendly Products

Environmentally Friendly Products and the e-Friendly Accreditation System

Furukawa Electric Group certifies and registers as environmentally friendly products those products with improved performance compared to existing products in the categories of materials and parts purchasing and manufacture, use, distribution and disposal.



The e-friendly mark

We have created the “e-Friendly” environmental mark to identify such environmentally friendly products. This mark is placed on those products.

Categories of Environmentally Friendly Products

The Group's environmentally friendly products belong to one of four categories described below.

Environmentally friendly product categories

Category	Content
Prevention of global warming	Products with functions that help in the reduction of emissions as well as the absorption and stabilizing of greenhouse gases.
Zero emission	Products made from recycled materials, products designed with easy-to-recycle components, products made from materials or with design facilitating volume reduction for lowering waste volume, products designed to share common components with other products or products designed as common components.
Elimination of materials that have an impact on the environment	Products that do not lead to an increase in the use of ozone-depletive substances during the manufacturing process, do not contain harmful substances above regulatory limits and do not generate harmful substances above these limits during use or disposal.
Resource savings	Products that result in overall energy savings by such means as reducing the use of raw materials and components as well as scarce resources, featuring enhanced longevity, allowing easier product and component maintenance, and reducing the use for resources in packaging.

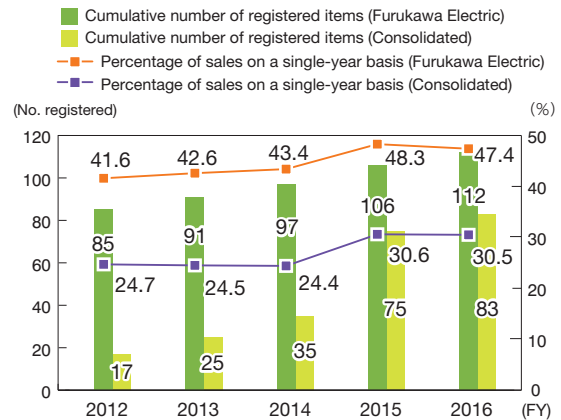
Expanding Environmentally Friendly Products

We are working to increase our overall percentage of environmentally friendly products. We set targets based on percentage of sales, and confirm our progress and success on this basis.

Environmental Performance Indicator “Visualization”

As part of its efforts to create (visualize) indices for environmental performance, Furukawa Electric Group has

Environmentally friendly products as a percentage of sales



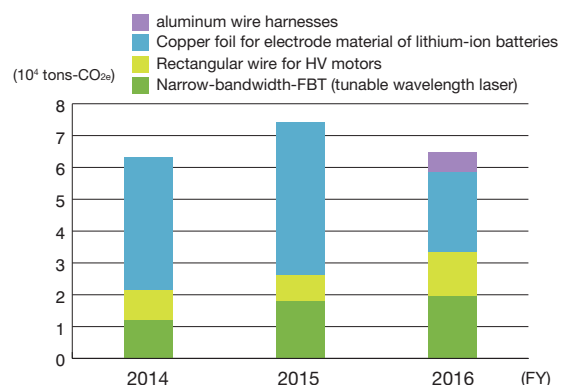
promoted “visualization” of CO₂ emissions by using life cycle assessments (LCA).

The results of these LCAs will be utilized in basic data and technical materials on CO₂ reduction when our products are at the stage of being used, in sales promotion pamphlets, and in research and development for the environmentally-friendly products of the future.

Initiatives to Reduce CO₂ Emissions from Products during Use

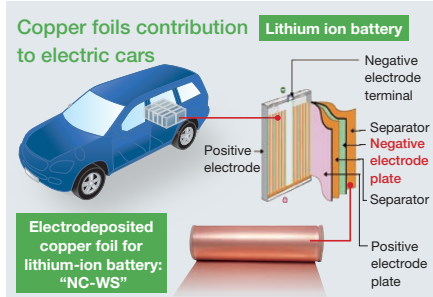
Based on its track record in environmental performance indexing, we are working to visualize the reduction of CO₂ which is emitted when our products are at the stage of being used. According to the estimate for fiscal 2016, there was a total reduction of roughly 64,000 tons-CO₂/year in the domestic market, with aluminum wire harnesses newly added to our mainstay products consisting of copper foil, rectangular magnet wire and semiconductor lasers. Going forward, we will try to expand sales of each product category and increase the number of contributing products, so that we can develop our activities to tackle environmental issues through our products.

Contribution of products avoided CO₂ emissions



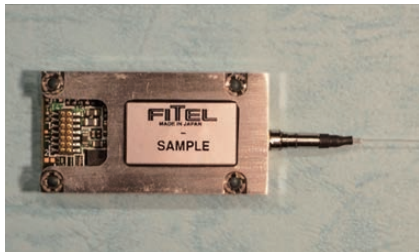
Reduction of CO₂ emissions through copper foil for electric car batteries

Copper foil for electrode material of lithium-ion batteries



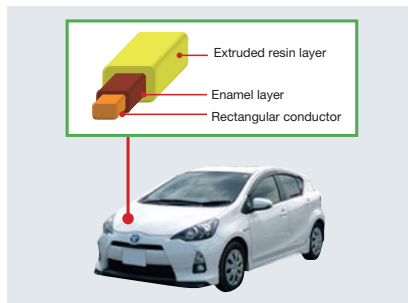
CO₂ reduction of semiconductor lasers

Narrow-bandwidth-FBT (tunable wavelength laser)

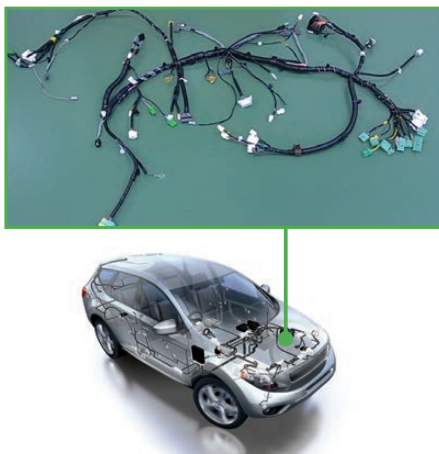


CO₂ reduction of enameled extruded rectangular wire

Rectangular wire for HV motors



CO₂ reduction of aluminum harnesses for automobiles



Preventing Global Warming

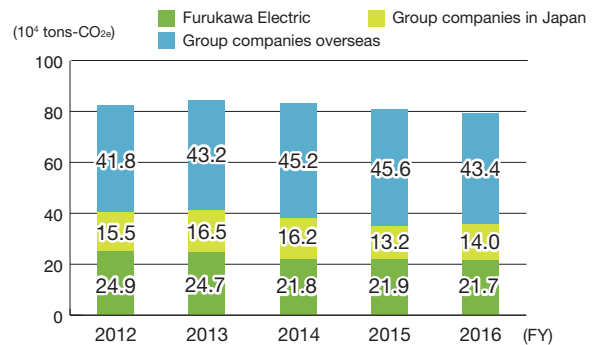
Reducing CO₂ Emissions

Measures at our factories

The main greenhouse gas emitted by Furukawa Electric Group is CO₂ that arises from the consumption of energy sources, such as electricity and fuel. In order to achieve emissions reductions particularly in our manufacturing processes, which account for a large percentage of our emissions, we have implemented energy-saving measures such as streamlining of the manufacturing process, switching fuels, upgrading to highly efficient equipment, and insulating high temperature parts of equipment.

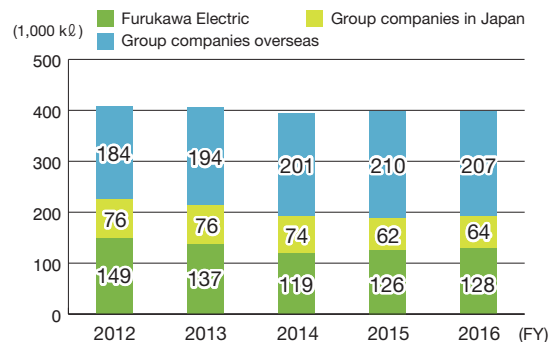
CO₂ emissions for the domestic Group in fiscal 2016 were 357,000 tons-CO₂/year. Although this was an increase of 1.7% against fiscal 2015, it was a reduction of 18.8% against fiscal 2000. CO₂ emissions for the overseas Group were 434,000 tons-CO₂/year, a reduction of 5.0% against fiscal 2015. We will continue to work hard as a group to promote activities that reduce emissions.

CO₂ emissions



(note) For the overseas CO₂ emission coefficient, the coefficient for each country according to the IEA (International Energy Agency) is used for purchased electricity, while the Japanese emission coefficient is used otherwise.

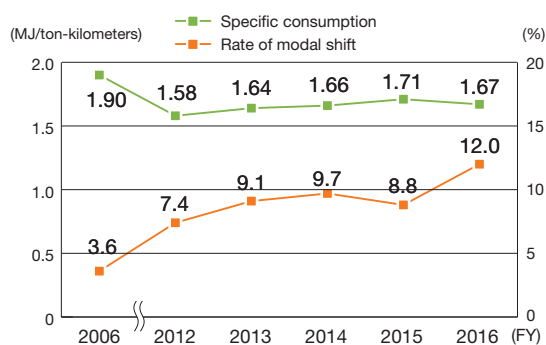
Energy consumption



Initiatives in Logistics

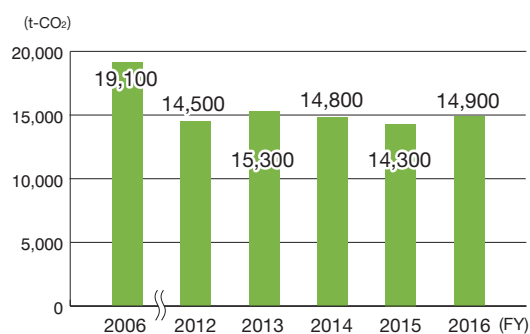
The entire Furukawa Electric Group transported 222,000,000 ton-kilometers during fiscal 2016 - an increase of 4.0% compared to fiscal 2015. Of this, Furukawa Electric itself transported 131,000,000 ton-kilometers, which was an increase of 7.5% from fiscal 2015, and our CO₂ emissions were 14,900 tons-CO₂, a rise of 4.2% compared to fiscal 2015. Specific consumption showed a 2.5% reduction against fiscal 2015. We will continue with initiatives to promote modal shift, increase loading rates and encourage joint shipping.

Modal shift ^(note 1) and specific consumption ^(note 2) (Furukawa Electric)



(note 1) Modal shift rate: percentage of total transportation using railways or shipping
 (note 2) Base unit: Energy consumption per transportation unit (MJ/t-km)

CO₂ emissions related to transportation (Furukawa Electric)



Measures to disclose environmental information

Since fiscal 2008, Furukawa Electric Group has answered enquiries from CDP, representing our institutional investors, on climate change since fiscal 2008 and on water use since fiscal 2013. In fiscal 2016, our CDP climate change score was evaluated as B.

In order to support customers participating in CDP supply chain programs and to maintain and improve our CDP score, we will expand the scope of environmental data we release from here on and enhance our reliability. We will also participate in the Ministry of the Environment's environmental information disclosure infrastructure development project and will collaborate with The Japanese Electric Wire & Cable Makers' Association and the Japan Copper and Brass Association.

Greenhouse Gas Emissions in fiscal 2016 (1,000 t-CO_{2e}/year)

	FY2016
Scope 1 (direct emissions)	141
Scope 2 (indirect emissions)	649
Scope 3 (other)	2,041

Furukawa Electric Group has undergone verification by an independent third party to improve the reliability of our environmental data. In addition to Scope 1 and Scope 2, we have now added a portion of the categories for Scope 3 to our data.



Verification Statement of Greenhouse Gas Assertions

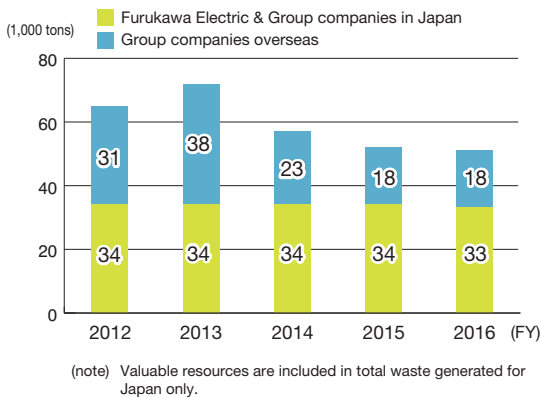
Reducing Waste

Waste Reduction Initiatives

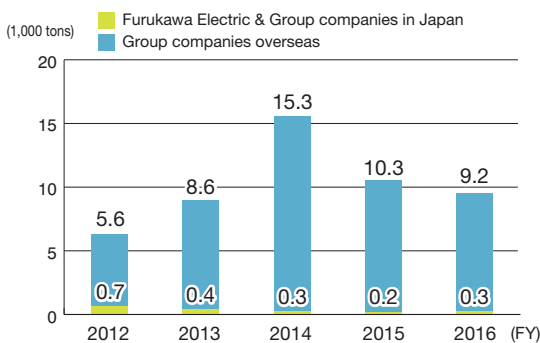
In 1993 Furukawa Electric Group began its efforts to increase waste recycling, and since fiscal 2001 has continued its zero emissions activities with the goal of reducing total emissions of industrial waste disposed in landfills to less than 0.3% (the base value was cut in fiscal 2014 from 1% to 0.3%).

In fiscal 2014, we launched activities aimed at reducing our total waste output, including valuable resources. In fiscal 2016, we achieved a reduction of 6.8%, against a 1% reduction in output rate per unit of net sales compared to the Japanese Group target for fiscal 2015.

Total amount of waste matter generated



Direct landfill disposal

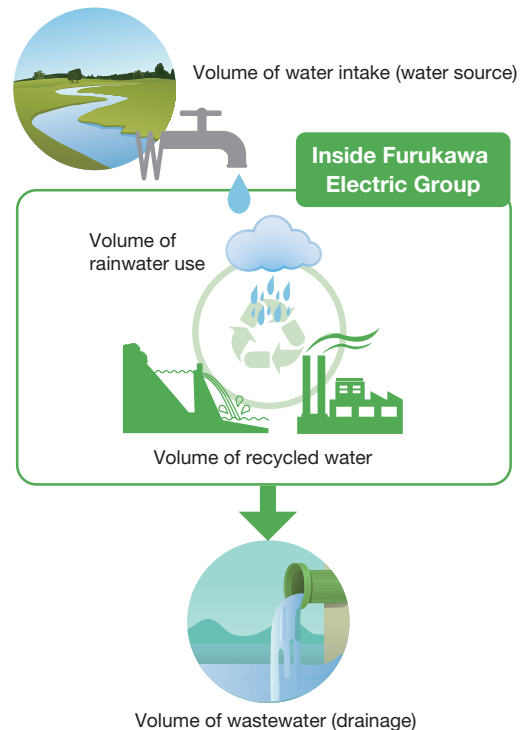


Water Resources

Effective Utilization of Water

Since fiscal 2013, Furukawa Electric Group has promoted effective water use as one of its activities targets, and identified water intake and wastewater at each base. Since fiscal 2015, we have taken action for reductions in base units versus net sales. In fiscal 2016, the water usage base unit by our domestic Group was 2,300 m³ /100 million yen, a reduction of 4.1% from fiscal 2015. For our overseas Group, the water usage base unit was 1.0% lower than fiscal 2015. Furukawa Electric will continue working hard to save and recycle water, and to manage water quality, water usage, and wastewater volumes.

We have gained an understanding of water-related risks at our major bases, so that we can release information on water resource management for our CDP supply chain program. We will continue with risk management while promoting our Group's BCM activities.



Chemical Substance Management

Green Activities

Response to Customer Requests

Furukawa Electric Group has participated in JAMP (note 1) since 2009, and is implementing simultaneous environmental examinations based on the latest information from the JAMP management target substance list related to management of chemical substances contained in products. We also monitor trends in laws and regulations covering the chemical substances contained in products and compile and update data as it becomes available, allowing us to respond promptly to customer requests.

Response to overseas regulations and management of chemical substances contained in products

Furukawa Electric Group establishes a management system for chemical substances contained in products for major operational bases and affiliated companies, strengthens the environmental product regulations and grasps the environmental risk that should be lowered, and implements measures depending on their importance. In fiscal 2016, we conducted an environmental inspection on 173 substances, covering up to the 16th SVHC list of the EU REACH environmental product regulations. We are also making appropriate shifts to chemSHERPA (a scheme that facilitates sharing information on chemical substances in products) in order to meet customer demands.

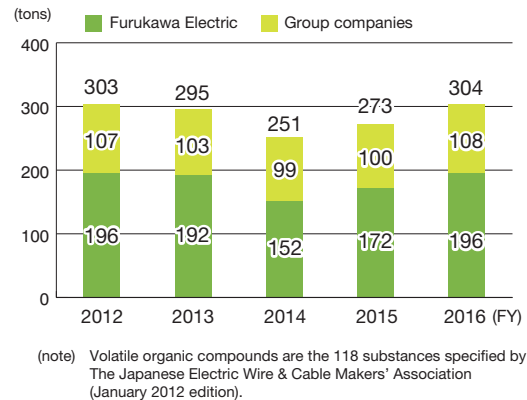
Green Procurement Activities

Items that will be used in our products are purchased adequately based on the Green Procurement Guidelines of our operational division, by evaluating the suppliers' system on the management of chemical substances contained in products and its management status as well as by confirming the data of chemical substances contained in products.

Chemical Substance Management Activities

Furukawa Electric Group undertakes voluntary initiatives to reduce emissions of harmful chemical substances. In particular, we make every effort to actively reduce emissions of volatile organic compounds (VOC), one cause of photochemical smog. The emission results for our domestic Group in fiscal 2016 were on the same level as those for fiscal 2012. We will continue to take action

Emissions of volatile organic compounds (Group Companies in Japan)



to suppress emissions in our production processes and other activities.

Appropriate Management of Chemical Substances

At Furukawa Electric Group, we confirm the properties and applicable laws and regulations regarding all chemical substances we use during the manufacturing process on their Safety Data Sheets (SDSs) and administrate them. We also monitor the usage volume of chemical substances listed in the PRTR Law (note 2).

(note 1) JAMP: Joint Article Management Promotion-consortium
(note 2) Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof

Environmental Risk Management

Preventing Soil and Groundwater Pollution

Furukawa Electric Group conducts regular inspections of facilities and equipment that handle specific toxic substances to prevent the pollution of soil and groundwater. We reduce the risk of pollution through measures to prevent leaks of specific toxic substances and underground seepage, as well as through ongoing efforts to switch to substitute substances.

PCB Management

Furukawa Electric Group identifies the volume of high-concentration PCB-containing equipment at Furukawa Electric Co., Ltd.'s works and at the bases of our group companies, and carries out appropriate storage and management. We have been gradually disposing of this equipment in accordance with a plan set out by the

Japan Environmental Storage & Safety Corporation. We have carried out analysis and surveys of equipment that has the potential to contain low concentration PCB, and are proceeding with disposal of this equipment while taking consideration for storage-related risks. We will continue to dispose of such equipment in a systematic way.

Compliance with Environmental Laws and Other Regulations

Furukawa Electric Group regularly confirms environmental laws and other regulations to determine items requiring compliance. We ensure compliance in a number of ways, such as by conducting on-site patrols to check the state of compliance. We follow official journals and other sources of information to stay updated on revisions to environmental legislation and ensure that our response is thorough.

We maintain voluntary control limits and manage operations appropriately to ensure compliance with the Air Pollution Control Law and the Water Pollution Control Law.

In fiscal 2016, we carried out site inspections once again at five bases where environmental accidents or abnormal conditions occurred in the past. We will continue to carry out appropriate management of harmful chemical substances.

We also conduct annual checks for conceivable, clear environmental impact to prevent environmental accidents or prevent widespread impact in the event of an accident. According to our survey on the status of our regulatory compliance, we were not in material violation of any regulations.

Please see the URL below for our response to the asbestos problem, and a list of PRTR compatible materials.

CSR

 <http://www.furukawa.co.jp/en/csr/risk/>

Biodiversity Conservation

Biodiversity Conservation Initiatives

Furukawa Electric Group has included biodiversity conservation measures in our Basic Environment Policy. We have formulated and are applying Furukawa Electric Group comprehensive guidelines in relation to initiatives aimed at protecting biodiversity.

As we have registered with the JBIB (Japan Business Initiative for Biodiversity) and are working to deepen our understanding of it, our Group company Furukawa Research Inc. launched activities in fiscal 2015 to cultivate within the grounds of Furukawa Electric Co. Ltd.'s Yokohama Works the flower *Pulsatilla cernua*, which has been designated as an Endangered Species II ^(note 1), as part of efforts to contribute to regional society. Cultivation activities were also started at our Group's Hiratsuka Works and Chiba Works in fiscal 2016.

(note 1) Endangered Species II is a category of species for which the danger of extinction is becoming more serious.



Pulsatilla cernua in bloom at the Hiratsuka Works

Furukawa Electric Group Biodiversity Conservation Guidelines

1. Evaluate the effects that our business activities have on the ecosystem, and minimize the harmful effects while maximizing the beneficial ones
2. To sustainably use resources and conserve biodiversity, consider more than ever the need to carry out measures against climate change, conserve resources, recycle and reduce environmentally hazardous substances
3. Carry out activities in collaboration with local communities to conserve biodiversity

Third-Party Opinion



Kuniko Muramatsu

Senior Researcher, Business Ethics Research Center
Representative Director, Wellness Systems Institute

After taking positions of the head of Corporate Communications Department, Ethics & Diversity Office at a global corporation, established Wellness Systems Institute. Currently involved with practical research and promotion of CSR, governance, diversity and inclusion to “build a foundation for a sustainable society”. Also serving as a board member of NPO GEWEL, Japan Professional Football League, and outside Director of a listed company.

Based on the information contained in the “Furukawa Electric Group Sustainability Report 2017”, I would like to provide my opinions as an external third party, regarding evaluations on this company’s approaches and initiatives toward sustainability, and expectations for its future activities.

Points for Evaluation

In this report, the actions of the Furukawa Electric Group toward “creating a sustainable society” are reported in a comprehensive and consistent fashion in accordance with the philosophies and basic CSR policies of the Group. Its content includes the commitment made by top-level personnel, deployment by Group and Global management, monitoring of relations with a wide range of stakeholders, and the presentation of environment-related data.

The introductory message from President Keiichi Kobayashi expresses a strong sense of duty and determination toward the “responsibility to assist with the resolution of various problems and to contribute to the creation of a sustainable society through business and technology”, together with the “responsibility to make contributions while raising profitability”.

The special feature “Diversity & Inclusion and Work Style Reform” at the beginning of the document makes a strongly favorable impression by describing activities including the “Furukawa ‘V’ Challenge!!” program for promoting the activity of women and initiatives toward work style changes, which allow each individual to assume a central position and be active. In addition, it gives a clear understanding of the integrated steps being taken by the Group to promote the creation of work environments and corporate cultures which encourage the activity of diverse personnel, as a

form of management infrastructure including application of healthy management, strategic personnel development, effective utilization of human resources, and dissemination of the Group Philosophy. We have great hope for this company’s future efforts to build systems and mechanisms, carry out human resources management from a global perspective, and continue its development of leaders, in order to conduct business activities while accurately meeting the needs of its various stakeholders with differing standpoints.

Expectations for Future Activities

Over many years, the Furukawa Electric Group has taken a sincerely dedicated stance in its actions toward CSR. We hope that it will go on applying global standards and guidelines, and reaffirming the status of its own CSR activities, so that it can continue to be an organization essential to society.

In September 2015, a set of SDGs (Sustainable Development Goals) was adopted by countries of the United Nations, requiring global companies to demonstrate their creativity and innovation in pursuit of achieving the 17 goals. If the Furukawa Group can clearly indicate even in its Sustainability Reports what types of contributions are being made to resolve social issues, in addition to reporting on what has been achieved so far, it will undoubtedly be possible to gain the understanding and trust of an even wider range of stakeholders.

List of all applicable companies

Page. 45 Occupational Health and Safety Scope of the frequency rate of accidents resulting in time off work

36 Group companies in Japan

- | | | |
|-------------------------------------|--|--|
| 1 NTEC Ltd. | 14 Furukawa Sangyo Kaisha, Ltd. | 26 Furukawa New Leaf Co., Ltd. |
| 2 FCM Co., Ltd. | 15 Furukawa Communication and Broadcasting Co., Ltd. | 27 Furukawa Network Solution Corp. |
| 3 Okano Electric Wire Co., Ltd. | 16 Furukawa Industrial Plastics Co., Ltd. | 28 The Furukawa Finance and Business Support Co., Ltd. |
| 4 Okumura Metals Co., Ltd. | 17 Furukawa Precision Engineering Co., Ltd. | 29 Furukawa Logistics Corp. |
| 5 KANZCC Co., Ltd. | 18 Furukawa Techno Material Co., Ltd. | 30 Furukawa Magnet Wire Co., Ltd. |
| 6 Shodensha Co., Ltd. | 19 Furukawa Research Inc. | 31 Furukawa UACJ Memory Disk Co., Ltd. |
| 7 Seiwa Giken Inc. | 20 Furukawa Electric Advanced Engineering Co., Ltd. | 32 Furukawa Life Service Inc. |
| 8 TOTOKU Electric Co., Ltd. | 21 Furukawa Electric Ecotec Co., Ltd. | 33 Miharuru Communications Inc. |
| 9 Foam Kasei Co., Ltd. | 22 Furukawa Electric Industrial Cable Co., Ltd. | 34 Myojodenki Co., Ltd. |
| 10 FITEC Corp. | 23 Furukawa Electric Power Systems Co., Ltd. | 35 Yokohama Drum Manufacturing Co., Ltd. |
| 11 Furukawa Automotive Systems Inc. | 24 The Furukawa Battery Co., Ltd. | 36 Riken Electric Wire Co., Ltd. |
| 12 Furukawa S and D Co., Ltd. | 25 Furukawa Nikko Power Generation Inc. | |
| 13 Furukawa Elecom Co., Ltd. | | |

Page. 50 Environmental Management Scope of the environmental management

33 Group companies in Japan

- | | | |
|-------------------------------------|--|--|
| 1 NTEC Ltd. | 12 Furukawa Communication and Broadcasting Co., Ltd. | 23 Furukawa Life Service Inc. |
| 2 FCM Co., Ltd. | 13 Furukawa Industrial Plastics Co., Ltd. | 24 Miharuru Communications Inc. |
| 3 Okano Electric Wire Co., Ltd. | 14 Furukawa Precision Engineering Co., Ltd. | 25 Riken Electric Wire Co., Ltd. |
| 4 Okumura Metals Co., Ltd. | 15 Furukawa Techno Material Co., Ltd. | 26 Furukawa Network Solution Corp. |
| 5 KANZCC Co., Ltd. | 16 Furukawa Electric Advanced Engineering Co., Ltd. | 27 The Furukawa Finance and Business Support Co., Ltd. |
| 6 Shodensha Co., Ltd. | 17 Furukawa Electric Ecotec Co., Ltd. | 28 Furukawa New Leaf Co., Ltd. |
| 7 Seiwa Giken Inc. | 18 Furukawa Electric Industrial Cable Co., Ltd. | 29 Furukawa Research Inc. |
| 8 TOTOKU Electric Co., Ltd. | 19 Furukawa Electric Power Systems Co., Ltd. | 30 Foam Kasei Co., Ltd. |
| 9 FITEC Corp. | 20 The Furukawa Battery Co., Ltd. | 31. Furukawa Nikko Power Generation Inc. |
| 10 Furukawa Automotive Systems Inc. | 21 Furukawa Logistics Corp. | 32. Furukawa Elecom Co., Ltd. |
| 11 Furukawa Sangyo Kaisha, Ltd. | 22 Furukawa Magnet Wire Co., Ltd. | 33. Myojodenki Co., Ltd. |

54 Group companies overseas

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| 1 SHENYANG FURUKAWA CABLE CO., LTD. | 30 FURUKAWA MEXICO, S. A. DE C.V. |
| 2 Suzhou Furukawa Power Optic Cable Co., Ltd. | 31 American Furukawa, Inc. |
| 3 P. T. Tembaga Mulia Semanan | 32 Furukawa Automotive Systems (Thailand) Co., Ltd. |
| 4 Trocellen GmbH | 33 Furukawa Electric (Shenzhen) Co., Ltd. |
| 5 POLIFOAM Plastic Processing Co., Ltd. | 34 Furukawa Wiring Systems Mexico S. A. De C. V. |
| 6 Trocellen Italia Holding S. r. l. | 35 Furukawa Electric Autoparts (Philippines) Inc. |
| 7 Trocellen Italy S. p. A. | 36 Furukawa Auto Parts (Huizhou) Ltd. |
| 8 Trocellen S. E. A. Sdn Bhd | 37 Tianjin Jinhe Electric Engineering Co., Ltd. |
| 9 Furukawa Electric LatAm S. A. | 38 Changchun Furukawa Automobil Harness Co., Ltd. |
| 10 Furukawa Industrial S. A. Sucursal Argentina | 39 Furukawa Electric Autoparts Central Europe, s. r. o. |
| 11 Furukawa Cabos e Acessorios Ltda. | 40 P. T. Furukawa Automotive Systems Indonesia |
| 12 OFS FITEC, LLC | 41 Furukawa Precision (Thailand) Co., Ltd. |
| 13 OFS Fitec Denmark Aps | 42 Xin Furukawa Metal (Wuxi) Co., Ltd. |
| 14 OFS Fitec Deutschland GmbH | 43 Furukawa Metal (Thailand) Public Co., Ltd. |
| 15 Thai Fiber Optics Co., Ltd. | 44 Furukawa Electric Copper Foil Taiwan Co., Ltd. |
| 16 Bangkok Telecom Co., Ltd. | 45 Furukawa Circuit Foil Taiwan Corporation |
| 17 P. T. Furukawa Optical Solutions Indonesia | 46 Furukawa Electric Institute of Technology Ltd. |
| 18 Furukawa FITEC (Thailand) Co., Ltd. | 47 SuperPower Inc. |
| 19 Furukawa Fitec Optical Products (Shanghai) Co., Ltd. | 48 Furukawa Electric Europe Ltd |
| 20 Thai Furukawa Unicomm Engineering Co., Ltd. | 49 Furukawa Electric Singapore Pte. Ltd. |
| 21 FE Magnet Wire (Malaysia) Sdn. Bhd. | 50 FURUKAWA SHANGHAI, LTD. |
| 22 Taiwan Furukawa Magnet Wire Co., Ltd. | 51 Furukawa (Thailand) Co., Ltd. |
| 23 Taiwan Furukawa Electric Co., Ltd. | 52 Furukawa Electric Hong Kong Ltd. |
| 24 FURUKAWA AVC ELECTRONICS (SUZHOU) CO., LTD. | 53 CHONGQING CHANGHUA AUTOMOBILE HARNESS CO., LTD. |
| 25 Furukawa Automotive Parts (Vietnam) Inc. | 54 WUHAN FURUKAWA AUTOMOTIVE SYSTEMS CO., LTD. |
| 26 FURUKAWA AUTOMOTIVE PARTS (DONG GUAN) LTD. | |
| 27 FURUKAWA AUTOMOTIVE SYSTEMS VIETNAM INC. | |
| 28 Permintex Furukawa Autoparts Malaysia Sdn. Bhd. | |
| 29 Furukawa Automotive Systems Lima Philippines, Inc. | |

Furukawa Electric and the Group companies in Japan engaged in the production activities acquired ISO14001 certification pertaining to environmental management. The construction of environmental management systems according to standards such as ISO14001 is proceeding in overseas Group companies as well, with 70% of overseas Group companies successfully certified.

Page. 51 Environmental Management Scope of the environmental accounting

21 Group companies in Japan

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| 1 FCM Co., Ltd. | 9 Furukawa Automotive Systems Inc. | 15 Furukawa Electric Ecotec Co., Ltd. |
| 2 Okano Electric Wire Co., Ltd. | 10 Furukawa Communication and Broadcasting Co., Ltd. | 16 Furukawa Electric Industrial Cable Co., Ltd. |
| 3 Okumura Metals Co., Ltd. | 11 Furukawa Industrial Plastics Co., Ltd. | 17 Furukawa Electric Power Systems Co., Ltd. |
| 4 KANZCC Co., Ltd. | 12 Furukawa Precision Engineering Co., Ltd. | 18 The Furukawa Battery Co., Ltd. |
| 5 Shodensha Co., Ltd. | 13 Furukawa Techno Material Co., Ltd. | 19 Furukawa Magnet Wire Co., Ltd. |
| 6 Seiwa Giken Inc. | 14 Furukawa Electric Advanced Engineering Co., Ltd. | 20 Miharuru Communications Inc. |
| 7 TOTOKU Electric Co, Ltd. | | 21 Riken Electric Wire Co., Ltd. |
| 8 FITEC Corp. | | |

FURUKAWA ELECTRIC CO., LTD.

<http://www.furukawa.co.jp/en/>