

## SPECIAL FEATURE 1

## Contributing to Disaster Recovery

We support the building of infrastructure, chiefly by providing low- to ultrahigh-voltage power cables.

### At Factories

#### Piping to Protect Underground Cables

This piping is strong, corrosion-resistant and offers superior chemical resistance, providing robust protection for important cables. Pipes are long and flexible, which reduces labor requirements during installation and shortens construction times.



### In Temporary Housing

#### Insulation Materials for Metal Roofs

Closed-port construction lends these materials excellent resistance to heat and moisture, as well as providing durability.

#### Cables for Interior Wiring

As temporary housing must be constructed quickly, we worked to meet sudden production requests and shorten delivery lead times.



### At Thermal Power Generation Plants

#### Ultrahigh-Voltage Power Cables

To counter power shortages, we expedited delivery of the ultrahigh-voltage cable used to transmit power from generators at thermal power generation plants undergoing facility expansion.



### In Buildings

#### Cables for Internal Wiring in Buildings

We are providing many types of cables for a broad range of applications to speed building and plant restoration.

# Restoration Following the Great East Japan Earthquake

The Great East Japan Earthquake caused massive destruction, centered on eastern Japan, which remains deeply scarred from the disaster. To facilitate rapid recovery in the stricken region, the Furukawa Electric Group swiftly dispatched products needed to restore electricity transmission infrastructure and temporary housing. At the same time, we supplied energy-saving products in anticipation of the future need to conserve electricity.



### In Residential Neighborhoods

#### Optical Fiber Cable

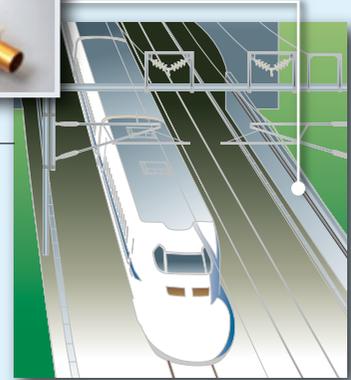
Ensuring safety and security requires information to be gathered accurately and promptly. Accordingly, we are putting every effort into the early recovery of optical fiber networks that had broken down.



### In Shinkansen Trains

#### Leaky Coaxial Cable

This type of cable is installed as antennas along rails to allow communications between terrestrial direction centers and railcars. This helps ensure the safety of fast-moving shinkansen trains.



## Contributing to Further Electricity Savings

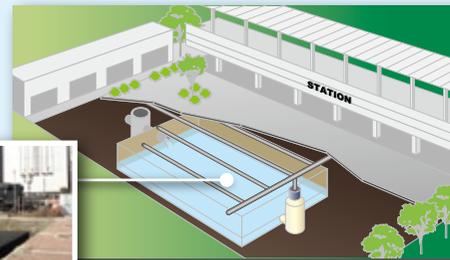
We are mounting companywide efforts to save electricity and energy in preparation for future electric power shortages.



### In Offices and Shops

#### Microcellular Reflective Sheet for Lighting and Signage

Our proprietary microcellular foaming technology provides excellent reflectivity. Combining our reflective sheet with highly efficient inverters for fluorescent lamps reduces usage in fluorescent lighting and signs by around 50%.



### For Photovoltaic Systems

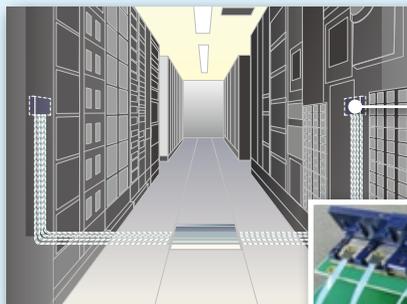
#### Storage Batteries

Power generated by natural energy sources and nighttime generation can be accumulated in storage batteries for discharge during the day, thereby reducing peak energy requirements. Batteries can be configured into durable, long-lasting and space-saving units.

### In Front of Stations

#### Automated Sprinkling Systems

Rainwater stored in underwater cisterns is pumped into water storage blocks, which help to continuously alleviate the heat island effect through evaporation.



### At Data Centers

#### Ultrahigh-Speed Optical Transmission Module

Cooling accounts for nearly half the energy consumed by data centers. Converting communications between devices over to the use of high-speed, high-capacity and compact optical transmission systems reduces heat emission and frees up space, thereby boosting cooling efficiency and greatly reducing power requirements.





Brazil  
South America  
Argentina

## SPECIAL FEATURE 2

### *Reaching and Expanding Market Presence in South America*

# ***FISA will continue to grow steadily in tandem with the economy of the region***

FISA (FURUKAWA INDUSTRIAL S.A. Produtos Eletricos) is a wholly-owned subsidiary of our Group that manufactures and sells telecom cables, LAN-related products, etc. in South America. It operates in Brazil, where its headquarters are located, as well as in Argentina and Chile. FISA is particularly strong in commercial-use LAN cables capable of transmission rates of 1GB/second, and is the leader for that product in Brazil, where it holds a greater than 50% market share.

FISA has planted firm roots in South American markets over the nearly 40 years since it was established in June 1974, especially in Brazil. The company will continue to grow steadily in tandem with the economy of the region.



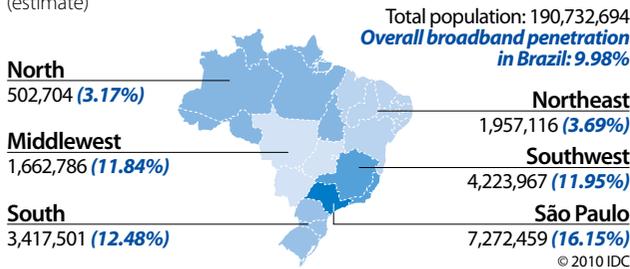
## Optical fiber cable market expands in Brazil ahead of the World Cup and Olympics

Brazil is expanding its presence in the global economy as the leading emerging economy in South America. Internet use has exploded in popularity in recent years in Brazil, as websites such as Twitter, Facebook, and YouTube have become ever more popular.

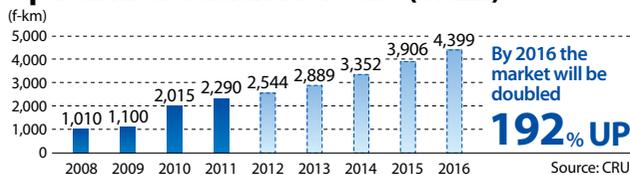
Although broadband was in use by only 10% of Internet users in Brazil as of 2010, its use is expected to expand rapidly in advance of the holding in Brazil of the World Cup in 2014 and the Olympics in 2016. The optical fiber cable market in Brazil is also expected to rapidly grow in conjunction with this.

### Broadband connection rates in Brazil, by region

Number of connections and penetration rates by region in December 2010 (estimate)



### Optical fiber demand forecast (Brazil)



## FISA: Increasing competitiveness in the Brazilian telecom market, with optical fiber cable solutions and LAN solutions as the core businesses

FISA's operations in Brazil revolve around two core businesses, optical fiber cable and LAN-related equipment.

FISA's optical fiber cable focuses on telecommunications carriers, and despite being a major business tends to fluctuate according to the economy. In contrast, LAN business serving companies and general users is growing more steadily in conjunction with the growth of demand for the Internet, even if business clients are themselves small.

FISA seeks to increase sales in the Brazilian market, which continues to experience 4-5% GDP growth, by creating a good balance between these two business segments.

The key to doing so is to develop "solutions businesses" by providing total support for the resolution of issues confronted by customers, rather than simply supplying products. In practice this means offering network design, construction and similar technical services when providing a client with cable or network linking equipment. The provision

## Column

### Standardization of environmentally-friendly, eco-label products. FISA displays market competitiveness, including in the data center market.

FISA advocates the "Green IT Program" for collecting and recycling unneeded LAN cable. This reduces environmental impact for the customer, and it also enables FISA to cut materials procurement costs by separating and reusing the plastic and copper from the discarded cable.

FISA is enhancing market competitiveness by working with local public agencies to proceed with standardization of the use of "eco-label" certified environmentally-friendly products and services, through means such as the Green IT Program, the use of RoHS-compliant products, etc.



FISA headquarters



FISA's optical fiber plant

of such services leads to greater customer satisfaction and a market share that grows every year.

One sector that has been experiencing rapid growth in recent years is the data center market. While FISA's market share was less than 1% in fiscal 2008, by fiscal 2011 it had grown to 20%, and is expected to continue to increase.

### ***FISA operates its own network of agencies, providing solid service and timely response capabilities that enhance customer satisfaction***

The reasons FISA has demonstrated such a high level of competitiveness in Brazil are its service capabilities in areas such as technical support and after service, and timely response capability for prompt delivery.

FISA's establishment of local manufacturing plants underlies these capabilities. FISA is not only capable of responding more quickly than competitors that source their products from overseas, it also has the parts and staff on hand that make it easy to provide



Realizing speed, on-time delivery through strict inventory controls

technical support.

Major additional strength is provided by FISA's own network of agencies, in which great experience in local business has been accumulated over many years. These agencies have developed solid relationships of trust through fair and open trading, as well as technical support provided by training centers. This enables FISA to respond to demand throughout the broad expanses of Brazil, as well as to respond individually to customers in a timely and respectful manner.

### ***Improving competitive position in South America through measures such as plant-building in Argentina and buying up companies in Brazil***

Regional optical fiber cable markets in South America are expected to continue growing, and greater capacity will be required to meet that demand.

Therefore, FISA established an optical fiber cable plant in



Argentina plant



Argentina offices

#### SPECIAL FEATURE 2

*Reaching and Expanding Market Presence in South America*

***FISA will continue to grow steadily in tandem with the economy of the region***

## C o l u m n

## FISA focuses on advanced CSR activities. Its brand strength serves to motivate employees.

FISA's CSR activities are focused on four areas: environmental conservation, workplace environment enhancement, contribution to local communities, and building sound relationships with markets and trading partners. One of FISA's CSR programs is the "Bringing Up Local Children Project," which offers children in the region opportunities to become independent adults. This project has received high marks, and will help provide FISA with high-quality personnel in the future.



Bringing Up Local Children Project

Safety Education

neighboring Argentina in June 2008. This plant supplies not only Brazil, but also meets the needs of South America's No. 2 market, Argentina.

In March 2011, FISA acquired MetroCable, a manufacturer and seller of optical fiber cable in Brazil. MetroCable is one of Brazil's leading manufacturers of optical fiber cable, and is particularly strong in the fiber network subscriber-use sector. Through this acquisition FISA will not only strengthen its production capacity, but also can be expected to produce a variety of synergistic effects, such as enhancing quality and cost effectiveness through supply of Furukawa Electric's fiber cable, and improving productivity by combining the two company's overlapping production lines.



MetroCable headquarters

By strengthening competitiveness in the South American optical fiber cable market through such measures we seek even greater expansion of our business in that region.

## In the future FISA will introduce products such as OPGW that combine power transmission with telecommunications

Demand in the growing markets of South America will not be confined to the telecommunications infrastructure, but will also include power network and energy infrastructure demand. As a new business in the region, FISA is therefore

proposing the use in the region of optical ground wires (OPGW)\*, which have combined power transmission/telecommunications functions.

The use of OPGW when laying power transmission cable also provides for the simultaneous spread of telecommunications infrastructure, allowing for efficient provision of infrastructure for two closely-connected functions.

FISA seeks to contribute to the growth of social infrastructure in South America by actively offering products with high functionality and added value.

\*OPGW (Optical Fiber Composite Overhead Ground Wire): A type of multipurpose electrical cable that combines optical fiber cable telecommunications transmission function with overhead ground wire, so as to protect against lightning induction.



OPGW (Optical Fiber Composite Overhead Ground Wire)



Business Strategy Conference

## CORPORATE GOVERNANCE

### Basic Philosophy

The Furukawa Electric Group strives to enhance its performance by promptly responding to changes in the business environment and the market through efficient management based on timely decision making. At the same time, we ensure sound management practices under our internal control system. 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.

While pursuing compliance best practices across the Group, we also provide society with excellent products and technologies that enrich people's lives while maintaining harmony with the environment. We fulfill our corporate social responsibility to develop solid relationships with all stakeholders, including shareholders, business partners, local communities and employees, and to remain a company that benefits society.

### Management Organization

Furukawa Electric's organizational structure incorporates internal auditors, with emphasis on the independent functioning of Auditors and a Board of Auditors separate from the Board of Directors. We are also tuning the operations of our Board of Directors to strengthen monitoring and supervision of business execution and to accelerate decision making.

### Reinforcing Internal Controls

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

- (1) Efficient execution of responsibilities
- (2) Compliance system
- (3) Risk management system
- (4) Information management system
- (5) Group company management
- (6) Sound, reliable financial statements

### Compliance

The Furukawa Electric Group defines compliance as extending beyond adherence to laws, to encompass actions in accordance with the ethical standards and values required of a corporate citizen that is a contributing member of society. We strive to ensure that all employees follow compliance best practices in line with the Furukawa Electric Group Action Guidelines that lay out our basic philosophies on compliance.

Our compliance activities, including internal educational programs and inspections for legal violations, take place centered around the Central Compliance Committee with the president as chief officer in charge. Compliance directors and compliance promotion officers, placed under the company president and chief officer of each business division, further ensure the effective implementation of activities.

#### External Board Members

##### Tetsuo Yoshino

Former Chairman and President of Furukawa Co., Ltd.

Tetsuo Yoshino has an extensive executive background in the non-ferrous metals sector. With knowledge and experience covering all aspects of management, including operations, he brings valuable insight and direction to the Board of Directors.

##### Takasuke Kaneko

Former Vice President of The Dai-ichi Kangyo Bank, Ltd., President of Dai-ichi Kangyo Shoken K.K., and Chairman of the Board of Mizuho Securities Co., Ltd.

With years of management experience in the financial services industry, Takasuke Kaneko provides vital knowledge of financial strategies and risks to the Board of Directors.

##### Sumitaka Fujita

Former Vice President and subsequent Vice Chairman of Itochu Corporation

Sumitaka Fujita's strong foundation of knowledge and experience as a trading company top executive brings perspectives on global management to the Board of Directors.

#### External Corporate Auditors

##### Yuzuru Fujita

Former Chairman and President of Asahi Mutual Life Insurance Co.

With experience as a financial institution top executive and as an external board member for other firms, Yuzuru Fujita's knowledge and background inform the Board of Directors on effective and legally-compliant Group management practices from a risk management and institutional investor perspective.

##### Tadashi Kudo

Former President of Mizuho Bank, Ltd.

Tadashi Kudou has accumulated a broad base of knowledge and experience as a financial institution top executive and as an external board member for other firms. He strengthens the Board of Directors with insights into effective and legally-compliant Group management practices from a risk management perspective.

##### Kenji Koroyasu

Former Prosecutor for the Supreme Public Prosecutors Office

Kenji Koroyasu possesses far-reaching insight as a long-serving legal professional. With knowledge of corporate legal affairs and corporate management gained as an external board member and external corporate auditor for other firms, he is uniquely suited to advise the Board of Directors on effective and legally-compliant Group management practices.

In particular, Furukawa Electric has strengthened controls over meetings with other firms in the industry and over the price-setting process to prevent the reoccurrence of cartel violations, and has enhanced the monitoring process through regular guidance from external compliance experts. We have also set up an anonymous internal “whistleblower” hotline to identify compliance violations as early as possible.

Furthermore, our CSR Division, which also functions as an internal audit division, closely monitors the execution of work processes in each business unit to verify whether internal control systems, including the compliance system, are functioning effectively. The Internal Audit Division reports its findings to the executive management team, ensuring appropriate internal disclosure and transparency.

### Risk Management

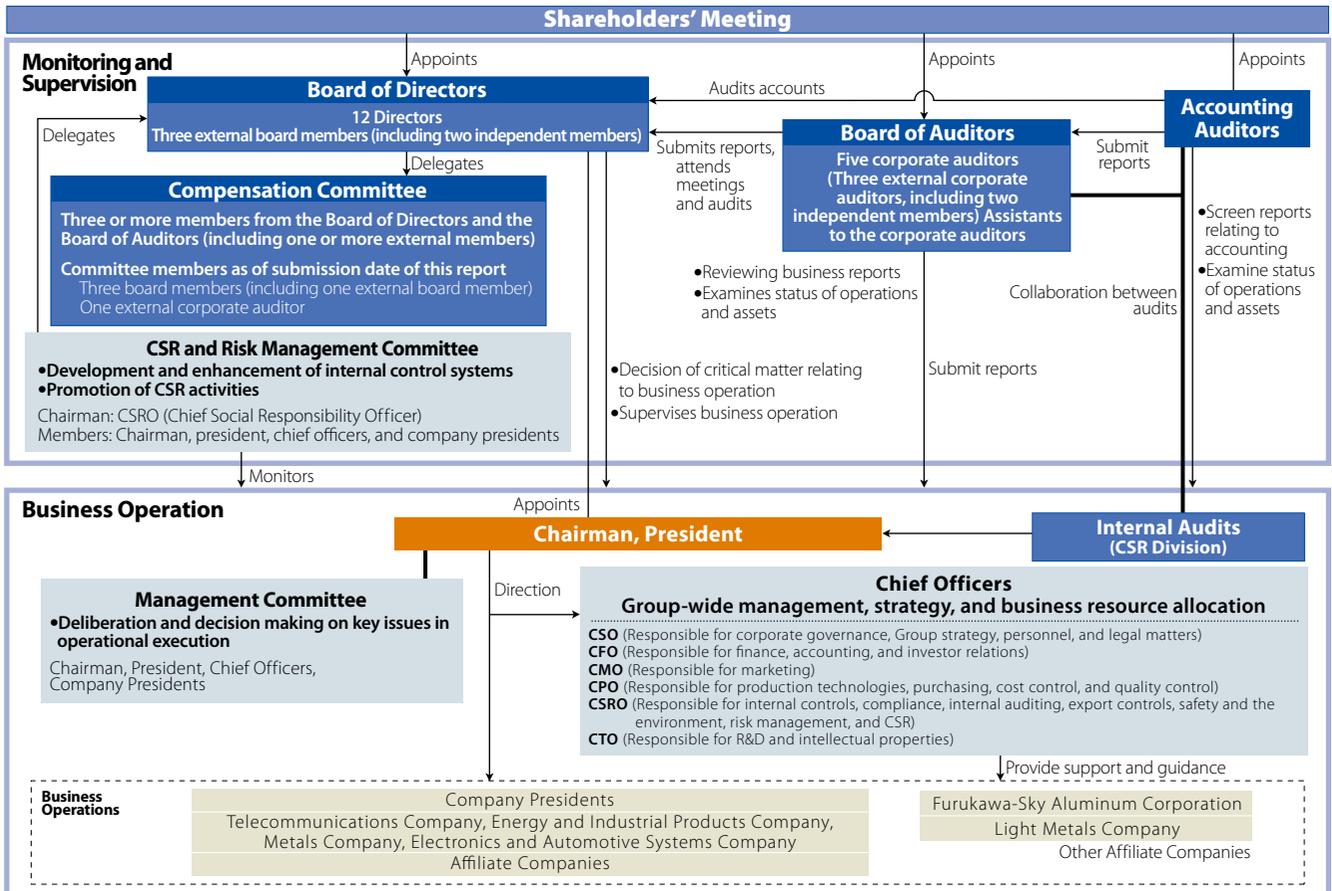
Furukawa Electric’s risk management structure and control methods are stipulated in its Risk Management Basic Rules & Regulations. We have established a CSR and Risk

Management Committee, consisting of the chairman, president, chief officers, and company presidents under the Board of Directors as a key component of our risk management system. The Committee assesses all business and operational risk of the Group and verifies the validity of this assessment and control methods.

The CSR and Risk Management Committee also establishes information security systems in all business divisions and affiliate companies, and prepares our business continuity plan in case of natural disaster.

In addition, information security has been positioned as one of the highest priority risks facing the Company today. As a countermeasure against counterfeit goods and industrial espionage of intangible assets at Group companies overseas, the Committee conducts ongoing follow up activities through interviews at our overseas offices. We have also begun a second reexamination of our management practices concerning confidential proprietary business information, in order to respond to revisions made to the Unfair Competition Prevention Act.

### Corporate Governance Organization Chart



# CSR ACTIVITIES

## Fundamental Philosophy

The Furukawa Electric Group recognizes the corporate responsibility it bears toward society: providing products and services that contribute to social development and improving people’s lives, while emphasizing public regulations and corporate ethics, product safety, the safety of employees and the local community, and reduced environmental impact from business activities.

To meet these social responsibilities, the Group formulated the Furukawa Electric Group Basic Policy on CSR in February of 2007, thereby establishing a structure for reinforcing CSR efforts across the entire Group.

Under this structure, we plan to conduct corporate activities that effectively balance the three factors of business, environmental protection, and social

contribution, by deepening communication with our stakeholders and further advancing and developing the CSR activities of the Group.

### CSR Basic Policy

We fully recognize the responsibilities of the Furukawa Electric Group to society and will strive to maintain and improve on solid, friendly relationships with all of our stakeholders and contribute to the sustainable development of society through corporate, environmental and social activities.

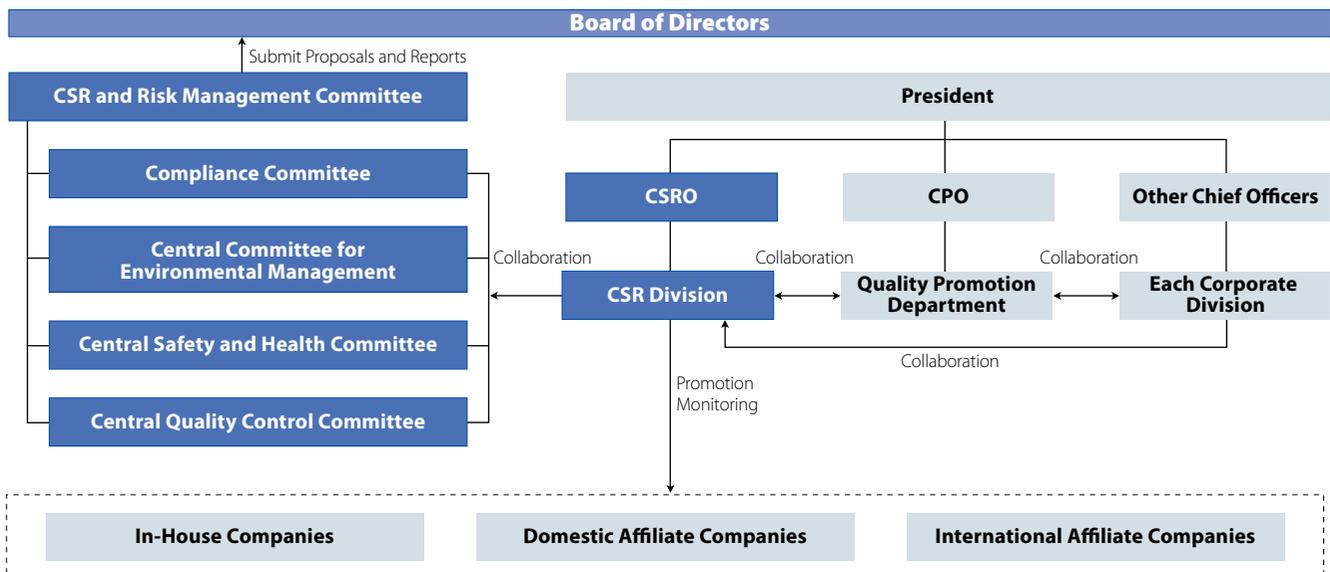
## CSR Management

The Furukawa Electric Group has established the CSR Division, a specialized organization in charge of promoting CSR activities, and has appointed a Chief Social Responsibility Officer. Through this initiative we will ensure a uniform Company-wide approach to CSR while applying a CSR perspective to the monitoring of corporate activities, including internal controls, compliance, risk management, safety, environmental conservation, and

social contributions.

In addition, we maintain a framework for taking any necessary action should problems arise, for example investigating allegations and the causes of problems, instituting remedial or preventive measures and releasing statements, to deal with all eventualities quickly and appropriately.

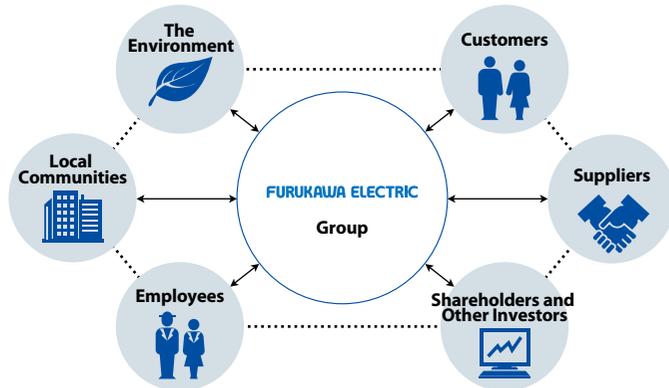
## CSR Promotion Framework



## Aiming to Further Strengthen Management

The Furukawa Electric Group aims to properly meet its responsibilities to a host of shareholders that view the Group from different perspectives.

To achieve this, we are monitoring our business activities and enacting initiatives to improve them.



Stakeholder	Principal Responsibilities	Communication Methods
<b>Customers</b> 	<ul style="list-style-type: none"> <li>• Maintain or improve the quality of our products, businesses and services</li> <li>• Provide products and services that are useful to society</li> <li>• Resolve the issues that customers face through wide-ranging technologies and expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Dialog through everyday transactions</li> <li>• Websites and CSR reports</li> <li>• Dialog through technology exhibitions and trade shows</li> </ul>
<b>Suppliers</b> 	<ul style="list-style-type: none"> <li>• Form sound relationships through fair transactions that conform with laws and regulations</li> <li>• Realize CSR throughout the supply chain by implementing CSR Procurement Guidelines for Partners</li> </ul>	<ul style="list-style-type: none"> <li>• Partner meetings</li> <li>• Dialog through everyday transactions</li> <li>• CSR surveys</li> <li>• Feedback interviews on the results of partner evaluations</li> </ul>
<b>Shareholders and Other Investors</b> 	<ul style="list-style-type: none"> <li>• Provide appropriate returns</li> <li>• Ensure timely and appropriate disclosure</li> <li>• Enhance corporate value</li> </ul>	<ul style="list-style-type: none"> <li>• Annual reports, general meetings of shareholders</li> <li>• Shareholder reports</li> <li>• Management briefings and results presentations</li> <li>• Investor visits</li> <li>• Shareholder factory tours</li> </ul>
<b>Employees</b> 	<ul style="list-style-type: none"> <li>• Respect human rights</li> <li>• Cultivate and appropriately value and reward human resources</li> <li>• Promote health, including occupation health and safety, as well as mental health</li> <li>• Support diversity of working styles and a work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>• Internal newsletter, intranet</li> <li>• Heart-to-heart communication between president and employees</li> <li>• Management briefings</li> </ul>
<b>Local Communities</b> 	<ul style="list-style-type: none"> <li>• Promote sporting and cultural activities; cultivate the next generation</li> <li>• Cooperate with and sponsor traditional events</li> <li>• Support the activities of and collaborate with local NPOs</li> </ul>	<ul style="list-style-type: none"> <li>• Factory tours</li> <li>• Hosting of Japanese dance and other regional events</li> <li>• Social contribution activities, such as employee participation in community clean-ups</li> </ul>
<b>The Environment</b> 	<ul style="list-style-type: none"> <li>• Reduce emission of gases that contribute to global warming</li> <li>• Promote energy conservation and recycling</li> <li>• Protect biodiversity</li> <li>• Curtail industrial waste</li> <li>• Manage and reduce harmful chemical substances</li> </ul>	<ul style="list-style-type: none"> <li>• Conformance with various types of laws and regulations</li> <li>• Conformance with the Kyoto Protocol on global warming and the Nagoya Protocol on biodiversity</li> <li>• Environmental activities promoted by the Ministry of the Environment</li> <li>• Research and information sharing through JBIB on preserving biodiversity</li> </ul>

## DIRECTORS AND AUDITORS



**Hiroshi Ishihara**  
Chairman



**Masao Yoshida**  
President



**Tetsuo Yoshino**  
Director (Outside)



**Takasuke Kaneko**  
Director (Outside)



**Sumitaka Fujita**  
Director (Outside)



**Hideo Sakura**  
Director  
Chief Financial Officer



**Masahiro Yanagimoto**  
Director  
President of the  
Electro-nics and  
Automotive Systems  
Company



**Tetsuya Satou**  
Director  
Chief Social  
Responsibility Officer



**Mitsuyoshi Shibata**  
Director  
President of the Metals  
Company



**Tohru Shirasawa**  
Director  
Chief Production  
Officer



**Hisaharu Yanagawa**  
President of the  
Telecommunications  
Company



**Nozomu Amano**  
Director  
Chief Strategy Officer

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 Statutory Auditors

**Takahiko Ito**  
**Kaoru Yabuki**  
**Yuzuru Fujita** (Outside)  
**Tadashi Kudo** (Outside)  
**Kenji Koroyasu** (Outside)