

Message



Toward a more profitable, innovative, and dynamic global presence

A handwritten signature in black ink that reads "H. Ishihara". The signature is fluid and cursive.

Hiroshi Ishihara
President, Chief Executive Officer & Chief Operating Officer

This year marks the 123rd year since Furukawa Electric was first established. Through the years, we have consistently provided products and services essential to economic and industrial development, operating in line with our corporate philosophy of helping to create a peaceful, enjoyable, affluent society (the 1974 management philosophy). Looking back over the road that the Company has taken to date and thinking about the direction the Company should choose in the future, I am reminded that developing a precise understanding of society's needs and expectations by communicating with all of our stakeholders, from our customers and shareholders to our employees, and responding accordingly through our business and other activities to establish trust from society is crucial if we are to continue to grow and develop as a company. I also believe that, by operating in this way, we can contribute to the sustainable development of society.

Whilst continuing to adhere to our existing philosophy, we have also adopted a new Furukawa Electric Group Philosophy to promote Group-wide efforts to create an affluent, genuinely sustainable society through technical innovation. To establish a universal awareness of this as the basis for all of our activities, we have adopted a Furukawa Electric Group Basic CSR Policy as well.

In line with this basic policy, we have stepped up activities in areas such as legal compliance, safety, environmental conservation and risk management. We have also established a new CSR Division, through which we intend to promote initiatives on an integrated groupwide basis to further our social activities and fulfill our responsibilities to society.

As specific initiatives during fiscal 2006, in addition to boosting business and operational efficiency within the Group, promoting strategic alliances and reviewing and expanding our overseas operations, we have also tightened our compliance activities and improved our risk management and internal control capabilities. We intend to continue to push ahead with these activities in the future.

As part of our new Innovations 09 initiative, which was launched in fiscal 2006, we are aiming to focus on technical innovation and become a creative, highly profitable company with a global presence. Working towards a consolidated sales target of 1 trillion yen and an operating margin of 7% by fiscal 2009, we have pursued initiatives geared towards strategic investment in priority areas and generating capital, by reviewing and reducing inventory assets, to fund creative activities such as research and development. Despite negative factors such as the impact of rising copper prices during fiscal 2006, we nonetheless recorded 1.1 trillion yen in consolidated sales and managed to achieve operating profit totaling 53.6 billion yen, the second highest in our history. We will continue to push ahead with operations in fiscal 2007 in an effort to achieve all of the targets under Innovations 09, based around CSR activities as the cornerstone of our business.

We are planning to hold a comprehensive Furukawa Electric Group technology exhibition, FURUKAWA INNOVATION EXPO '07, in October 2007. In addition to showcasing the Group's overall technical capabilities and our ability to offer our customers optimum solutions, we intend to show the market and society as a whole the role that Furukawa Electric is capable of playing in terms of resolving social, environmental and other issues through measures such as the provision of products and services designed to provide wide ranging support for social infrastructure.

We have published this CSR Report, in place of our previous Environmental and Social Report, to report back on the details of activities such as these. I hope you can all appreciate our reasons for doing so.

We look forward to hearing your frank opinions regarding our initiatives, both now and in the future.

Furukawa Electric Group Philosophy

CORPORATE PHILOSOPHY

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

MANAGEMENT PHILOSOPHY

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

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



Stepping up CSR activities based on a three-way balance between profitability, environmental protection and social contribution



Tetsuya Sato
Director, Member of the Board
Corporate Vice President
Chief Social Responsibility Officer, CSR Division

With issues ranging from compliance and product safety to environmental protection, companies are finding themselves facing stricter requirements to fulfill their social responsibilities than ever before. All corporate activities undertaken by Furukawa Electric is based on compliance with the rules of society and corporate ethics, consideration for the environment and safety, in terms of our products, employees and local communities. We also consider it our duty as a company to provide products and services that are capable of contributing to the development of society and improving people's everyday lives. To fulfill our social responsibility as a company to the fullest possible extent, we have set out the Furukawa Electric Group Basic CSR Policy and established the necessary structure to oversee its implementation in the form of our new CSR Division and the position of Chief Social Responsibility Officer (CSRO). We have also started to monitor corporate activity in general from the standpoint of CSR and are promoting a range of other CSR-related activities on a standardized basis.

The CSR Division incorporates an Auditing Department, the Export Security Administration Department and features a newly established Administration Department. The Headquarters is responsible for carrying out CSR activities in areas ranging from compliance and risk management to safety, environmental protection and social contribution. At a higher level, we have established a new CSR and Risk Management Committee under the supervision of the Board of Directors. Consisting of members of the Management Committee and chaired by the Chief Social Responsibility Officer (CSRO), the CSR and Risk Management Committee is based on special committees in the form of the Central Committee for Environmental Management, the Central Safety and Health Committee, the Central Compliance Committee and the Central Quality Control Committee. Its role is to make any necessary adjustments to new measures and ar-

reas in need of improvement proposed by the individual special committees, from the standpoint of CSR or in the interests of companywide standardization, and then implement them accordingly. Now that we have reinforced our CSR framework in this way, we will be able to take any necessary action to deal with issues that conflict with CSR or that are at risk of doing so, including investigating allegations and the causes of problems, implementing emergency or preventive measures and releasing statements, more precisely and quicker than ever before.

The principle CSR activities that we are undertaking at present include organizing training in areas such as legislation and corporate ethics, undertaking initiatives designed to bolster safety education and improve safety levels throughout the Group, expanding the range of eco-products on a Group basis, promoting green supplier schemes, cutting transport-related energy consumption, achieving further reductions in waste products, implementing soil pollution measures (at Group companies also), practicing risk management for issues such as earthquakes and other major disasters, addressing quality issues and information security and stepping up social contribution activities. We intend to improve communication with all of our stakeholders, who represent the cornerstone of our CSR activities, to further develop the Furukawa Electric Group's CSR activities and take them to an even higher level in the future. Through efforts such as these, we hope to strike a three-way balance within our activities themselves between profitability, environmental protection and social contribution. We regard initiatives such as this CSR Report and FURUKAWA INNOVATION EXPO '07 as forms of communication and seek to take every possible opportunity to broaden communication with all of our stakeholders as we move into the future. We look forward to hearing your honest opinions.