

Management

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

Furukawa Electric Group Philosophy (Revised August, 2007)

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.

The Furukawa Electric Group Credo

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

Basic Policy and CSR Code of Conduct

Each of the companies in the 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 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)

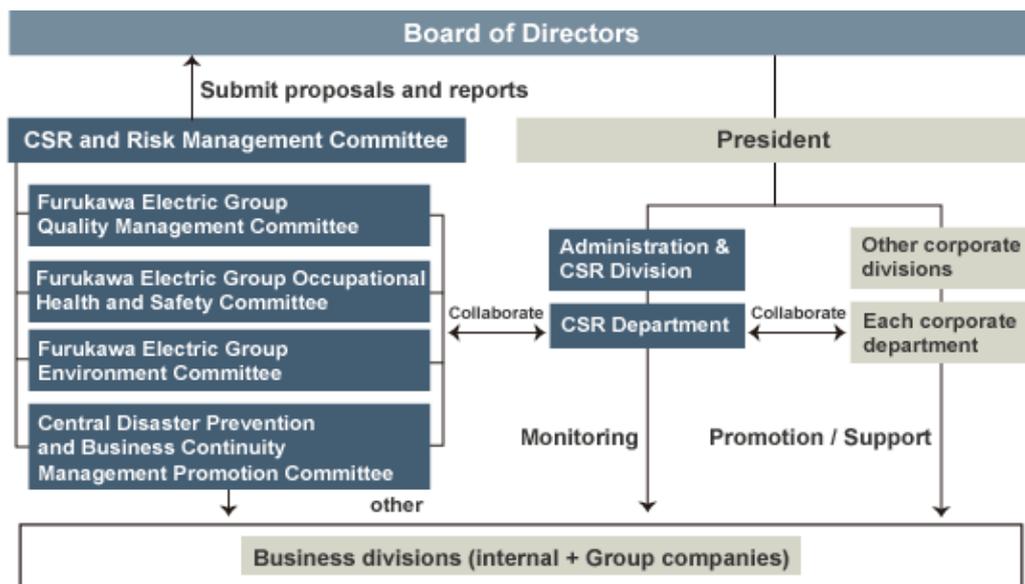
1. Human rights
2. Working conditions and environment
3. Environment
4. Products and services
5. International businesses and transactions
6. Fair competition
7. Relations with customers, partners, and society
8. Management and preservation of Company assets
9. Disclosure of information
10. Duties and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

CSR Code of Conduct
http://www.furukawa.co.jp/english/csr/management/csr_manage_conduct.htm

CSR Promotion Framework

The 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.

CSR Promotion Framework



Stakeholder Relations

The 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 and Main Responsibilities



Main Stakeholders	Main Responsibilities	Means of Communication
Environment 	<ul style="list-style-type: none"> Reduce emission of gases that contribute to global warming Promote energy conservation and recycling Protect biodiversity Curtail industrial waste Manage and reduce harmful chemical substances 	<ul style="list-style-type: none"> Compliance with laws and regulations Compliance with the Kyoto Protocol and the Nagoya Protocol on biodiversity Response to environmental activities of the Ministry of the Environment and other government organs Research and information exchange on biodiversity preservation through JBIB^(Note 1)
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.

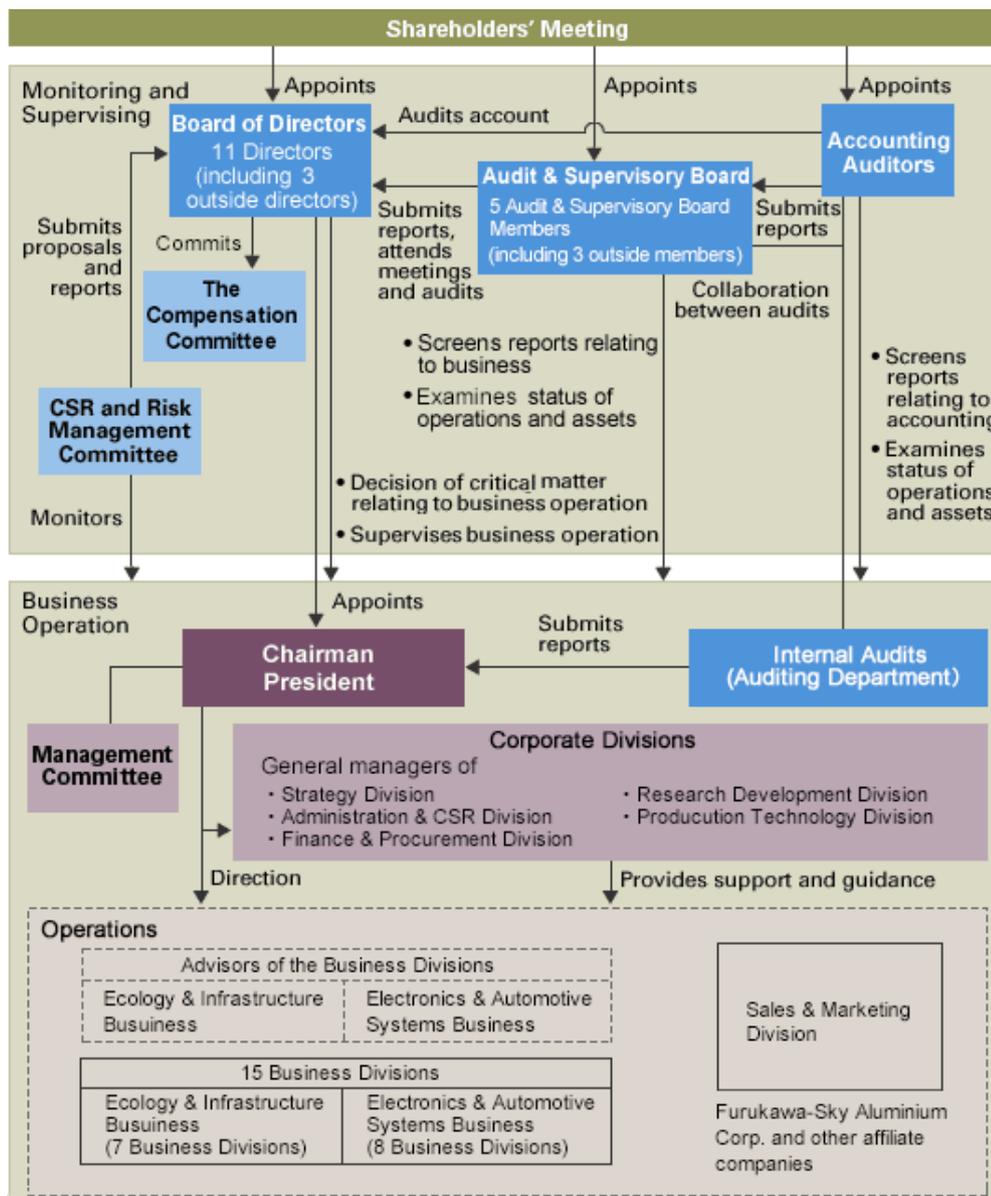
Corporate Governance

Basic Philosophy

Based on the Furukawa Electric Group Corporate Philosophy, Furukawa Electric and 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 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.

We operate our businesses in harmony with society and the environment in accordance with appropriate corporate information disclosure, compliance, and risk management, so we strive to maintain and build sound and friendly relationships with all of our stakeholders, including shareholders, business partners, local communities and employees, and contribute to the sustainable development of society.

Corporate governance organization chart



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.

To CSR Management “CSR Promotion Framework”

http://www.furukawa.co.jp/english/csr/management/csr_manage.htm#manage03

In line with the Group’s development of business in global markets, the risks that it faces grow more diverse and complex each year. Going forward, we will focus in particular on risks related to business activities overseas, centered on emerging markets, and strive to reinforce risk management from a supply chain perspective.

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 drills on preparing initial action manuals, stockpiling necessary supplies, and setting up communication structures and systems to confirm people’s safety.

Business Continuity Management (BCM)

Promoting Disaster Countermeasures and Crisis Management

In March 2012, the Cabinet Office revised its outlook on the risk of tsunamis accompanying large-scale earthquakes, such as one in the Tonankai region. Based on this assessment, Furukawa Electric has introduced disaster countermeasures at its domestic sites that take this risk into account. To prevent damage to customers and employees, we have created tsunami evacuation maps for each works and erected instruction boards showing tsunami evacuation routes along major hallways and facilities.

Based on our experience of the flooding in Thailand in October 2011, we have consolidated the crisis management regulations and manuals that had been produced independently by domestic and overseas operations, publicizing them throughout the Group in July 2012.



Instruction board showing tsunami evacuation route

Acquiring ISO 22301 Certification

The international ISO 22301 standard for business continuity management systems (BCMS) was formally issued in May 2012. In response to customer requests from a global perspective, we obtained ISO 22301 system certification in February 2013 (scope of application: optical semiconductor business). We were the first Japanese integrated manufacturer of power cables and non-ferrous metals to obtain this certification.

As part of our efforts to put in place structures in order to obtain this certification, in September 2012 we conducted education for internal auditors on ISO 22301, attended by 14 people at the heads of business divisions.



ISO 22301 certification award ceremony



BCMS internal auditor training

Information Security

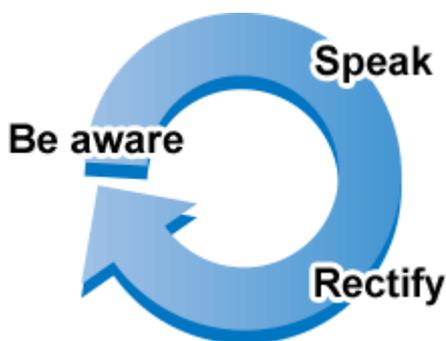
The Furukawa Electric Group is pursuing one of the highest-priority risks it faces, in the area of information security, by undertaking measures from multiple perspectives. From the standpoint of protecting intellectual property, we conduct hearings at overseas sites and other activities to strengthen measures for countering leaks of intangible assets. From an information system perspective, we have measures to prevent information leaks that focus on the management of hardware (mainly mobile devices) taken outside the Company. We also promote the management of IT assets through measures such as software license management. We have distributed to all departments self-check lists related to the Act on the Prohibition of Unauthorized Computer Access, the Unfair Competition Protection Act (trade secrets) and the Act on the Protection of Personal Information. In our aim for ongoing improvement, we solicit feedback from divisions promoting these activities.

Compliance

Basic Stance

The 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.” Accordingly, we perform our compliance activities in line with three promises: 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.

Compliance Activities

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. The Furukawa Electric Group conducts 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 such as seminars related to the Anti-Monopoly Act and e-learning courses, and conduct groupwide compliance education.

Education Results (fiscal 2013)

	Course Name	Target	Participants	Furukawa Electric	Group
Rank-based education ^(note 1)	Training for executives	Newly appointed executives	21	Yes	Yes
	Training for managers	Newly appointed managers	48	Yes	Yes
	Training for managers and assistant managers	Newly appointed managers and assistant managers	83	Yes	Yes
	Training for chief operators	Chief operators	36	Yes	No
	Training for new employees	New employees	59	Yes	Yes
Theme-specific education	Courses related to competition laws and bribery regulations	Executives	About 80	Yes	Yes
		Employees	About 480	Yes	Yes
	Course on Subcontractor Law	Procurement departments, manufacturing departments	About 330	Yes	Yes
	e-learning on Subcontractor Law	Procurement departments, manufacturing departments	About 960	Yes	No
	e-learning on export control	Employees ^(note 2)	About 2,500	Yes	No

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

(note 2) In direct departments, conducted for chief operators and above.

Initiatives in Compliance Months

Furukawa Electric has designed October and November as compliance months. All employees conduct joint activities related to compliance, confirming core items and performing self-checks to develop their compliance awareness.

Principal Initiatives during Fiscal 2013 Compliance Months

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

People at Group companies also conducted activities involving the section-specific checklist and participated in Group courses. This sharing of information is designed to raise the level of awareness throughout the Group.

Employee Compliance Awareness Surveys

We conduct compliance awareness surveys targeting the employees of Furukawa Electric and affiliated companies in alternate years. Designed to gauge employee awareness and understanding of compliance, these surveys aim to encourage recognition of compliance. In fiscal 2013, we conducted surveys of employees from 21 Group companies, receiving questionnaire responses from 2,660. As a result, we were able to confirm that the degree of compliance penetration has improved since the previous survey, taken in fiscal 2011.

Internal Reporting System

The Furukawa Electric Group has introduced an internal reporting system and works toward the early detection and correction of incidents of corruption. 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.

Security Trade Control

Furukawa Electric's export transactions tend to increase every year. In response to this trend, we are stepping up our efforts to put in place and continually reinforce our management systems that comply with international regimes related to weapons of mass destruction and civilian products that can be converted to weapons.

In exporting products, we conduct transaction screenings based on our Security Trade Control Regulations to ensure compliance with relevant legislation and are careful to prevent roundabout exports to countries of concern.

In fiscal 2013, we conducted employee education via e-learning on our export controls, involving some 2,500 people.

Creating an Anti-Bribery System

Anti-bribery laws, including but not limited to the U.S. Foreign Corrupt Practices Act and the UK Bribery Act have recently been strengthened, and government agencies are increasingly active on their enforcement. Accordingly, the Furukawa Electric group is continuously determined that the groupwide management of bribery risks is of the utmost importance.

The 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.

 [Furukawa Electric Group Anti-Bribery Statement \(PDF 29KB\)](http://www.furukawa.co.jp/english/csr/management/anti-bribery_e.pdf)
http://www.furukawa.co.jp/english/csr/management/anti-bribery_e.pdf

Group Company Initiatives (Fiscal 2013)

1. Publicizing policies and guidelines
2. Selecting people to be in charge of setting up systems
3. Creating operational regulations and processes
4. Conducting internal education

In addition to conducting anti-bribery education at each company, we conduct e-learning by distributing video and text lessons to employees, providing educational content that is common throughout the Group for individual companies to use.

In fiscal 2014, we will create a monitoring system to determine the state of

operation at each company in an effort to reinforce the management system further.



Competition and anti-bribery compliance training materials (English, Chinese, Japanese)

Anti-Monopoly Act Violations and Initiatives to Prevent Recurrence

The Company has been investigated by overseas authorities in regard to an auto parts cartel in the past. In April 2013, we were ordered by the Canadian authorities to C\$5 million fine, and in July 2013, we were assessed a penalty of €4,015 thousand. Also, in November 2012 we became subject to an investigation by the Japan Fair Trade Commission for transactions related to overhead power transmission line construction. This investigation is currently ongoing.

We would like to humbly ask the forgiveness of our stakeholders for any distress or trouble this series of cartel-related incidents may have caused.

Furukawa Electric set up a third-party investigation committee centering on outside experts with regard to violations of the Anti-Monopoly Act. This committee submitted its report to the Board of Directors in December 2009, along with recommendations on preventing recurrence. Based on this report, management took the lead on efforts to more firmly instill corporate ethics, including compliance. At the same time, internal rules and procedures involving contact with other companies in the same industry and in relation to price determination were formulated and improved. We conducted thorough compliance training, strengthened monitoring by the internal auditing department and steadily introduced other measures to prevent recurrence. Going forward, we will be mindful of compliance with competition laws, bribery legislation and other laws and risks as our business develops globally, working to ensure thorough compliance at Furukawa Electric and Group companies in Japan and overseas.

Targets and Results

Risk Management / Internal Controls / Compliance

[Achievement] A: Achieved
B: Partially achieved
C: Not achieved

FY2013		FY2014
Targets	Results / Achievement	Targets
Enhance compliance education	<ul style="list-style-type: none"> Conducted e-learning on security trade control management (approximately 2,500 participants), conducted training for people in charge of export controls at Group companies and divisions Conducted group training and distributed e-learning materials on competition laws and bribery regulations 	<p>Continue compliance education</p> <ul style="list-style-type: none"> Continue rank-based and theme-specific group training
Strengthen business continuity management (BCM)	<ul style="list-style-type: none"> In addition to ensuring that related regulations and manuals conform to international standards, conducted training on new regulations and manuals and obtained ISO 22301 certification^(note 1) Held internal auditor training for 14 participants in charge of activity desks at all business sites and related business divisions, and conferred internal certifications 	<p>Strengthen business continuity management (BCM)</p> <ul style="list-style-type: none"> Strengthen relations with business partners in regard to BCM activities Continue BCM drills, and strengthen review activities
Instill thorough compliance awareness	<ul style="list-style-type: none"> Held exchanges of ideas at three principal sites in China regarding the creation of anti-bribery systems Conducted compliance awareness surveys at Group companies in Japan (21 companies), and confirmed increase in compliance awareness compared with previous survey (2010) 	<p>Strengthen emerging market risk checks and support for overseas subsidiaries</p> <ul style="list-style-type: none"> Hold risk management seminars in Southeast Asia and China
Promote global compliance	<ul style="list-style-type: none"> In line with the formulation of the Furukawa Electric Group Anti-Bribery Statement and dissemination of anti-bribery guide, supported creation of anti-bribery systems at each Group company Conducted training for employees prior to overseas assignments according to the Checklist for Managers and supported risk management at overseas Group companies 	<p>Enhance global compliance foundations</p> <ul style="list-style-type: none"> Ensure thorough compliance with competition laws and create anti-bribery systems

(note 1) The international standard for business continuity management systems (BCMSs)

Quality

FY2013		FY2014
Targets	Results / Achievement	Targets
<p>Reduce quality complaints</p> <ul style="list-style-type: none"> Reduce by 10% in comparison with fiscal 2012 	<ul style="list-style-type: none"> Reduced number of quality complaints by 15% from preceding fiscal year 	<p>Dramatically strengthen quality capabilities</p> <ul style="list-style-type: none"> Achieve zero complaints on 3H products (3H products: Products that are being manufactured for the first time, being changed or being produced for the first time in a long while)

Procurement

FY2013		FY2014
Targets	Results / Achievement	Targets
Forge strategic relationships with business partners	<ul style="list-style-type: none"> Conducted partner assessments and feedback consultations for approximately 300 partner companies Conducted questionnaire survey primarily concerning state of response to CSR Deployment Guideline for Business Partners for 343 partner companies 	<p>Strengthen strategic relationships with business partners</p> <ul style="list-style-type: none"> Continue to conduct partner assessments and feedback consultations Notify business partners of CSR Deployment Guideline for Business Partners with updated version describing response to conflict minerals

Personnel Development and Working Environment

FY2013		FY2014
Targets	Results / Achievement	Targets
Train human resources who can be active on a global stage	<ul style="list-style-type: none"> Continued Global Development Program (GDP) training targeting section managers Reconfigured system for training global human resources, and completed design of training in line with this system 	<p>Reinforce training of global human resources</p> <ul style="list-style-type: none"> Implement GDP Conduct newly designed training
Bolster manufacturing capabilities	<ul style="list-style-type: none"> Determined current level of manufacturing staff and conducted training Conducted training three times to raise instructor levels Completed rollout of basic program at five business sites 	<p>Bolster manufacturing capabilities</p> <ul style="list-style-type: none"> Make genba-ryoku reinforcement plans visible Roll out genba-ryoku reinforcement training to manufacturing staff Increase training participation rate at Group companies
Support diverse working styles and work-life balance	<ul style="list-style-type: none"> Introduced system of flex-time without core hours on a trial basis 	<p>Support diverse working styles and work-life balance</p> <ul style="list-style-type: none"> Formally introduce system of flex-time without core hours

Occupational Health and Safety

FY2013			FY2014
Targets	Results / Achievement		Targets
Achieve zero serious accidents, and reduce number of accidents requiring leave to one or fewer	<ul style="list-style-type: none"> Achieved zero serious accidents and four accidents requiring leave 	C	Reduce number of accidents requiring leave <ul style="list-style-type: none"> Reduce accidents requiring leave to one or fewer
Promote acquisition of occupational health and safety management system	<ul style="list-style-type: none"> Copper Tube Division received JISHA OSHMS^(note 2) 	A	

(note 2) The Japan Industrial Safety & Health Association (JISHA) certifies business sites according to OSHMS standards. The Japan Industrial Safety & Health Association (JISHA) certifies business sites according to OSHMS standards.

Social Contribution

FY2013			FY2014
Targets	Results / Achievement		Targets
Invalidate social contribution activities	<ul style="list-style-type: none"> Reviewed volunteer leave system that was limited to supporting reconstruction following the Great East Japan Earthquake, improving system to make leave-taking easier Introduced volunteer activities in internal newsletter and Furukawa Electric website 	A	Invalidate social contribution activities <ul style="list-style-type: none"> Introduce activity case studies and continue to provide information

Environment

To the [Targets and Performance page of the Environmental Report](http://www.furukawa.co.jp/english/csr/evnroment/aim.htm)
<http://www.furukawa.co.jp/english/csr/evnroment/aim.htm>