

# Management

## CSR Management

### Group Philosophy

Since our founding in 1884, we have been working to create the technologies and products that society requires over the past 130 years. 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](http://www.furukawa.co.jp/english/kaisya/philosophy.htm) (Revised August, 2007)  
<http://www.furukawa.co.jp/english/kaisya/philosophy.htm>

### 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 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

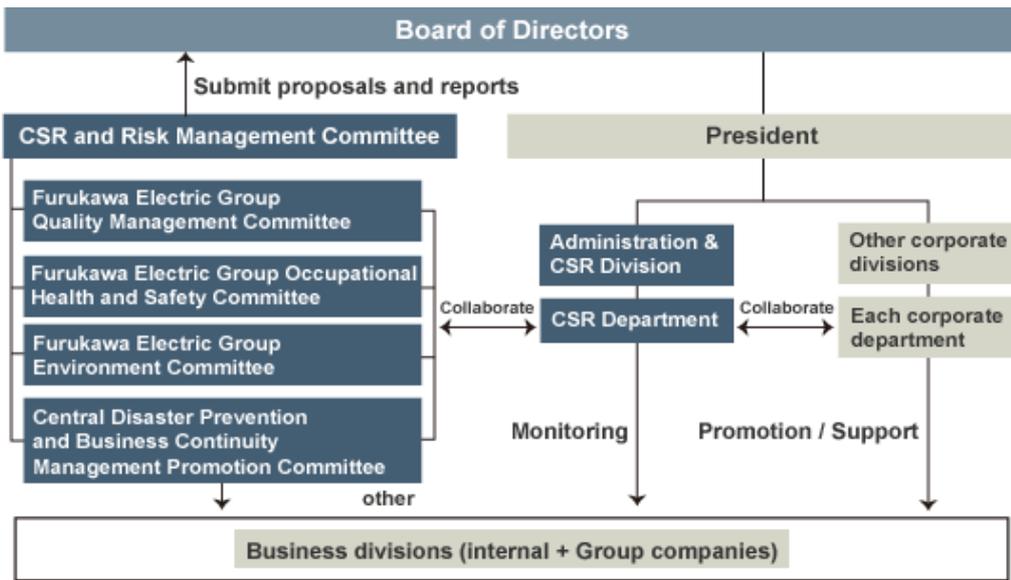
### Basic Approach

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.

## CSR Promotion Framework



## 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 and Main Responsibilities



Main Stakeholders	Main Responsibilities	Means of Communication
 Environment	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	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 <sup>(note 1)</sup>
 Customers	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	Dialogue through regular business Website, Sustainability Reports Dialogue at technology exhibitions, trade shows
 Suppliers	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	Partner Meetings Dialogue through regular business CSR surveys Feedback interviews on results of partner evaluations
 Shareholders	Provide appropriate returns Ensure timely and appropriate disclosure Enhance corporate value	Sustainability Reports General meetings of shareholders, shareholder reports Management briefings and results presentations Investor visits Shareholder plant tours
 Employees	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	Internal newsletter, intranet Management briefings
 Local communities	Nurture future generation Promote sporting and cultural activities Live in harmony with the natural environment and local communities	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.

## Message from the General Managers

Nowadays, companies are required to respond to a rapidly changing world with a variety of stakeholders in mind. As Furukawa Electric Group sets about this task, CSR activities are an essential part of our survival as a business. Furukawa Electric Group has set out a basic policy and code of conduct for CSR in accordance with a group philosophy that seeks to meet the expectations of our founder, in addition to developing a variety of related systems and mechanisms. The management report contains information on a variety of initiatives, with a focus on the platform of CSR activities, including corporate governance, risk management and compliance.



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

### Takashi Fukuda

General Manager, CSR Department, Administration & CSR Division

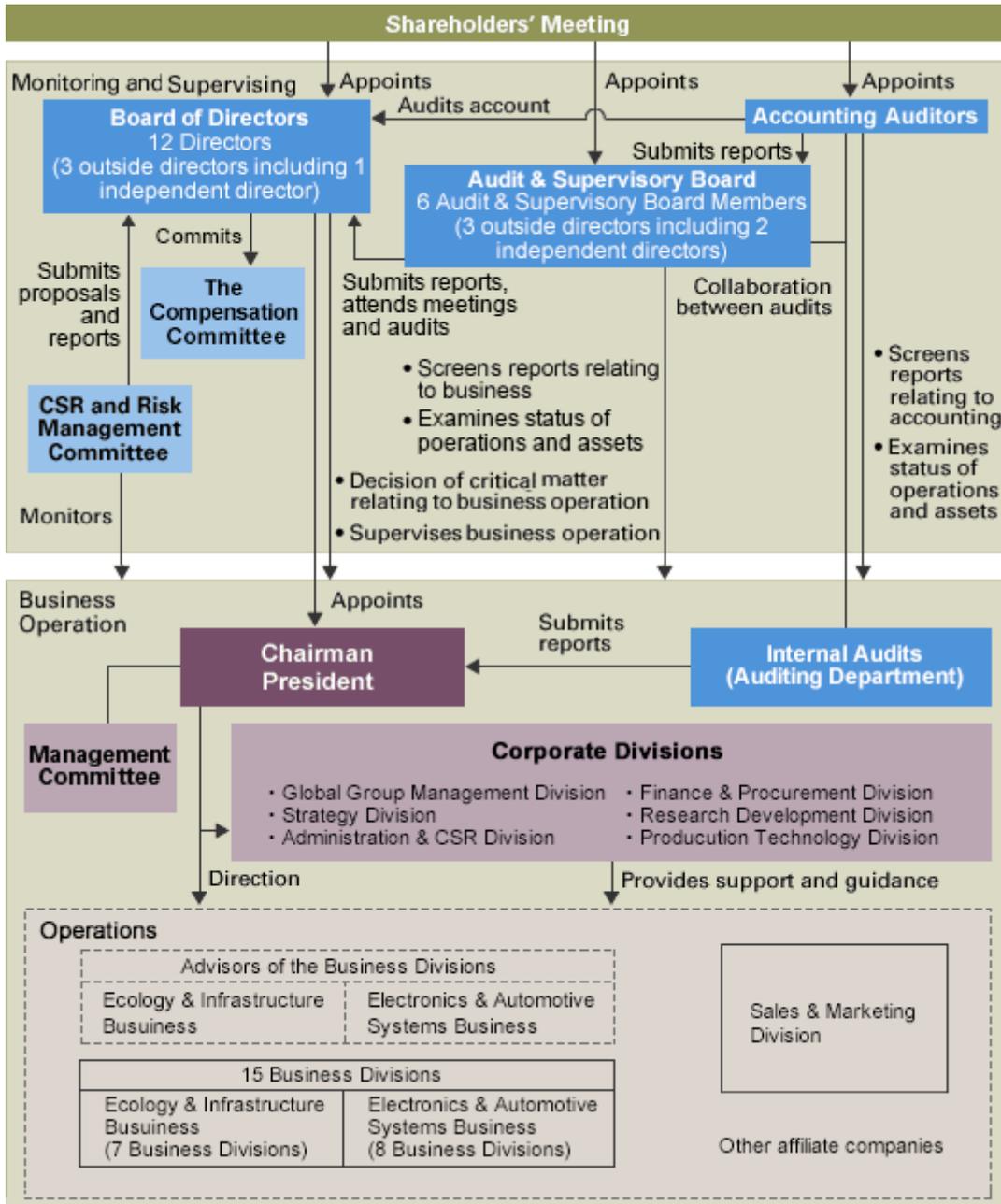
## Corporate Governance

### Basic Philosophy

Based on the Furukawa Electric Group Corporate 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 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.

### 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.

### Business Continuity Management (BCM)

#### Execution of BCM exercise and its results

In fiscal 2014, we conducted a BCM exercise at our headquarters and business units in Chiba and Hiratsuka Works. At the headquarters, we extended the scope of the exercise participants, offered a tour that includes a confirmation of stockpile places and an explanation on various tools in addition to the regular exercise menu, and had a discussion on the exercise topics prepared by the administrative office. After the exercise, we revised various manuals based on the exercise results and posted “general instructions for foreign visitors at the time of large-scale earthquake” in various different languages at the reception and meeting rooms of the headquarters.





Poster on general instructions at the time of large-scale earthquake (in Japanese, English and Chinese)

**Topics**

**Recovery and Lessons Learned from the Nikko Snow Damage**

Nikko Works suffered serious damage as a result of record snowfall in the Kanto Region in February this year (2014), including the collapse of roofing on some factory buildings such as wrought copper products buildings, and we were forced to suspend operations. We have since made good progress with restoration work and are gradually recovering normal operations. However, major works are scheduled to continue until the end of the year, including the reconstruction of buildings, as we work towards a full recovery. <sup>(note 1)</sup>

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



Collapsed roofing immediately after the snow damage



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

(note 1) The description of recovery status is based on information as of the end of July 2014.

## 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 the Prohibition of Unauthorized Computer Access, the Unfair Competition Prevention Act (namely 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.

## Protection of Intellectual Property

Furukawa Electric Company undertakes strategic and efficient intellectual property activities by connecting its business and development strategy.

1. We generate intellectual property rights strategically based on a patent portfolio management that takes into account other companies' moves.
2. We promote risk hedging initiatives by such means as preventing the leakage of technology and securing prior use rights.
3. We promote the diffusion of knowledge on intellectual property and develop group-wide intellectual property initiatives on a global scale. For example, we offer education related to the creation of intellectual property and information related to the risks of intellectual property at overseas.

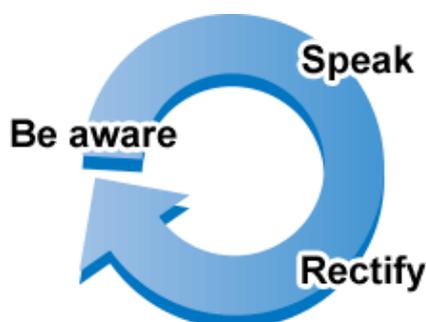
## Challenges and Future Policy

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. As a part of the said efforts, the “Group Global Management Division” established in October 2013 will be assisting group companies and offering information to contribute to the improvement of the Group’s global risk management.

## 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”. Accordingly, we promote compliance activities such as internal training based on the Group's CSR Code of Conduct and monitoring of legal violations. Moreover, 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.

### Thorough Implementation of Compliance

In December 2013 and January 2014, the Company received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission in connection with cartel behavior on overhead power transmission line construction. Accordingly, in April and May 2014 the Company was subject to dispositions under the Construction Business Act by the Ministry of Land, Infrastructure, Transport and Tourism with respect to certain electric business operations. Furthermore, as a result of an investigation into power cable producers in Japan

and other countries launched by the European Commission in January 2009, the European Commission decided to impose fines on the Company and its equity method affiliated VISCAS Corporation in April 2014. Additionally, after undergoing an investigation by overseas authorities into its previous involvement in an auto parts cartel, in August 2014 the Company was fined by the Chinese authorities for violating China's Anti-Monopoly Law.

The Company would like to express its sincere apologies for the huge concern and inconvenience caused to all affected parties over several years as a result of its past involvement in cartels.

In the wake of events such as the onsite inspections by the Japan Fair Trade Commission in 2008, Furukawa Electric Group has sought to eradicate violations of antitrust laws and competition laws, with input from outside experts. In the future, we will continue to pursue activities to prevent any recurrence, including the enforcement of internal rules on contact with other companies in the same industry and pricing. We will also continue conducting group-wide activities to improve training for officers and employees at Group companies in Japan and overseas and to strengthen monitoring by the Internal Auditing Division in response to the recent tightening of laws and regulations worldwide, not only in respect to compliance with antitrust and competition law but also in other areas of law. Through such initiatives, we will work to foster and maintain compliance and restore trust.

## 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 2014)

	Course Name	Target	Participants
Hierarchy-based education <sup>(note 1)</sup>	Training for executives	Newly appointed executives	32
	Training for managers	Newly appointed managers	75
	Training for managers and assistant managers	Newly appointed managers and assistant managers	62
	Training for new employees	New employees	32 <sup>(note 2)</sup>
Theme-specific education	Competition laws and anti-bribery regulations		About 440
	Subcontractor Law		About 510
	Security trade control		About 1000

(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 2014 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 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.

## Internal Reporting System

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 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.

In fiscal 2014, we held joint training sessions for priority groups with the aim of increasing understanding of the relevant laws. Approximately 1,000 employees from across the Group took part.

## **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. In addition to anti-bribery training carried out at each company, we have made it possible for all companies to utilize e-learning video and texts for employees as a Group-wide training tool. What's more, in fiscal 2014 we carried out monitoring in partnership with the Auditing Department. We will continue to promote anti-bribery measures at Furukawa Electric Group in partnership with the relevant divisions.

## **Challenges and Future Policy**

We believe there is a need for Furukawa Electric Group to expand the level of participation at Group companies in the many initiatives the Company has implemented in relation to legal compliance. What's more, we believe it is necessary for us to put into practice the "three musts" - "be aware", "speak" and "rectify" - and increase the sensitivity of each and every employee in respect to compliance so that we can flexibly meet the changing expectations and demands of society and law.

In terms of future activities, we plan to focus on developing effective training content with the entire Group in mind, and strengthening the global system for promoting compliance. Furthermore, we intend to raise the awareness of compliance even more by encouraging the autonomous behavior of each and every individual based on the slogan "Thinking about and practicing compliance together".

# Targets and Results

## Risk Management / Internal Controls / Compliance

[Achievement]  Achieved  Partially achieved  Not achieved

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

**Environment**

[Achievement]  Achieved  Partially achieved  Not achieved

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

**Quality**

[Achievement]  Achieved  Partially achieved  Not achieved

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

## Procurement

[Achievement]  Achieved  Partially achieved  Not achieved

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

## Personnel Development and Working Environment

[Achievement]  Achieved  Partially achieved  Not achieved

FY2014		FY2015
Targets	Results / Achievement	Targets
<p><b>Fostering and strengthening global human resources</b> Implementation of Global Development Program (GDP) Conduct newly designed training</p>	<p>We carried out GDP training and newly designed training programs in accordance with the plan.</p>	<p>Fostering and strengthening global human resources Implementation of GDP Execution of Global Challenge Program (GCP) for dispatching junior employees overseas</p>
<p><b>Strengthening Monozukuri capabilities</b> Visualization of plans to strengthen Genba-ryoku capabilities Roll out genba-ryoku reinforcement training to manufacturing staff Increase training participation rate at Group companies</p>	<p>We completed formulation of a plan to strengthen Genba-ryoku capabilities for all business divisions. The attendance rate for Genbaryoku training at Furukawa Electric Co., Ltd. was 56.5%, which met our target. Staff training was completed as planned for junior and middle-ranking staff. Genba-ryoku training for affiliated companies started at FEIC Kyushu<sup>(note 2)</sup></p>	<p>Strengthening Monozukuri capabilities Visualization of plans to strengthen Genba-ryoku capabilities Development of training for Monozukuri staff Development of Genba-ryoku training at affiliated companies</p>
<p><b>Supporting diverse ways of working and work-life balance</b> Formally introduce system of flexitime without core hours</p>	<p>We completed introduction of the coreless flexitime system.</p>	<p>Supporting diverse ways of working and work-life balance Introduction of system to allow nursing leave to be taken in half-day units. Introduction of system to allow accumulated leave to be taken in half-day units for the purposes of nursing children</p>

(note 2) FEIC: Furukawa Electric Industrial Cable Co., Ltd.

## Occupational Health and Safety

[Achievement]  Achieved  Partially achieved  Not achieved

FY2014		FY2015
Targets	Results / Achievement	Targets
Reduce number of accidents requiring leave to one or fewer	Three accidents requiring leave 	Reduce accidents requiring leave to one or fewer

## Social Contribution

[Achievement]  Achieved  Partially achieved  Not achieved

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