

Realizing the Smart Grid, the ideal power supply system

The Smart Grid has been gaining significant attention since it was included in the Obama administration's Green New Deal.

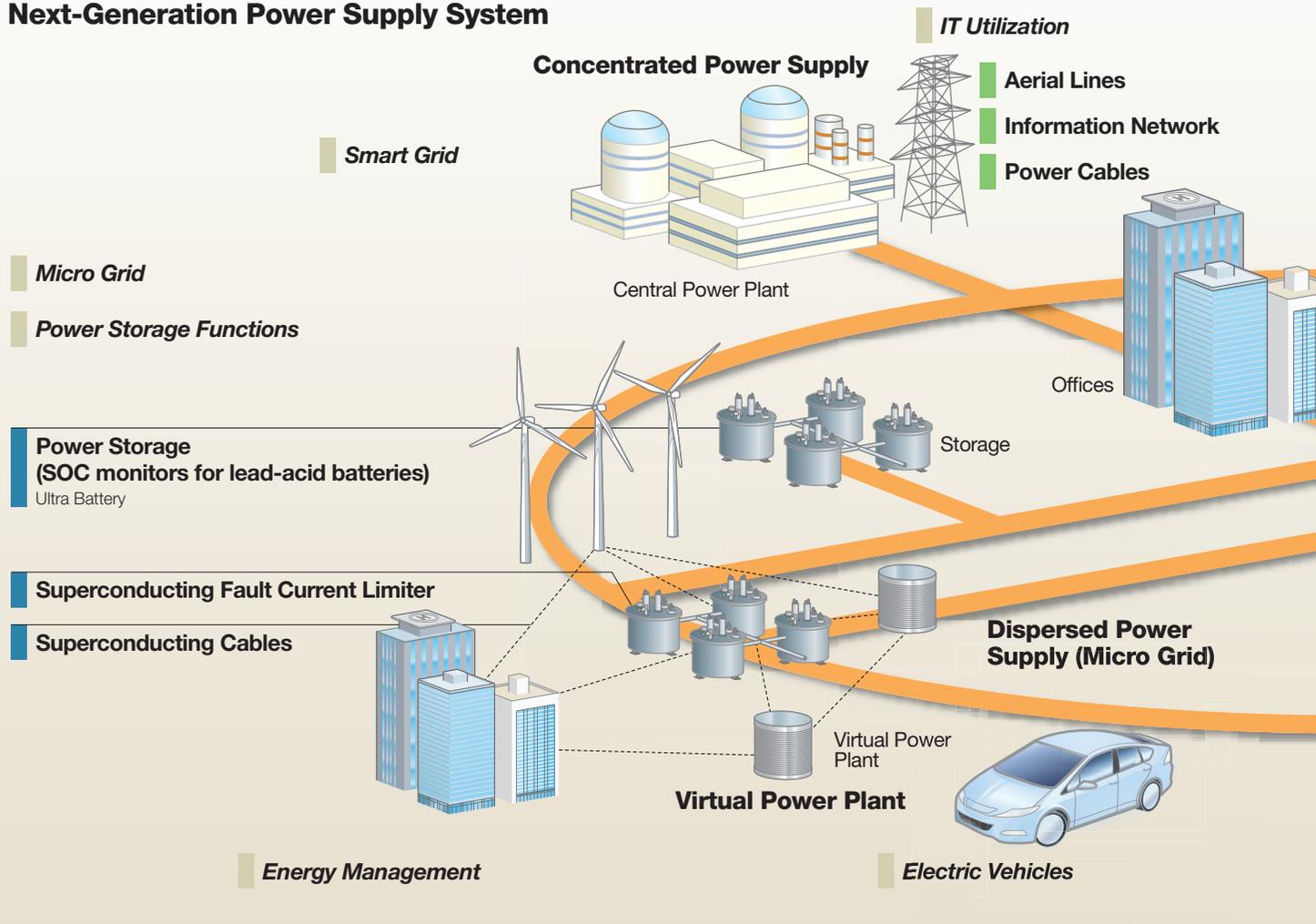
The objective of this next-generation power supply network is to optimize the flow of electricity by utilizing IT, affording several expected advantages, such as stabilizing power supply, enhancing power quality and reducing environmental impact by saving energy and promoting the use of renewable energy sources. This raises high expectations for Furukawa Electric, as one of the few companies with the expertise and core technologies in both electric power infrastructure and telecommunications infrastructure—two areas that are essential for realizing the Smart Grid.

Focusing on developing the essential core technologies for next-generation power supply systems

As illustrated by the diagram, the Smart Grid does not represent individual technologies or facilities, but embodies diverse technologies and concepts. Highly reliable superconducting cables and power components are particularly important for enhancing the reliability of the power distribution network. These constitute Furukawa Electric's core areas since our foundation, and we have built up the world's premier knowledge and expertise in these core technologies for the Smart Grid.

The Smart Grid is expected to promote the introduction of new energy sources (dispersed power sources), such as wind power and solar power, but it also requires close

Next-Generation Power Supply System



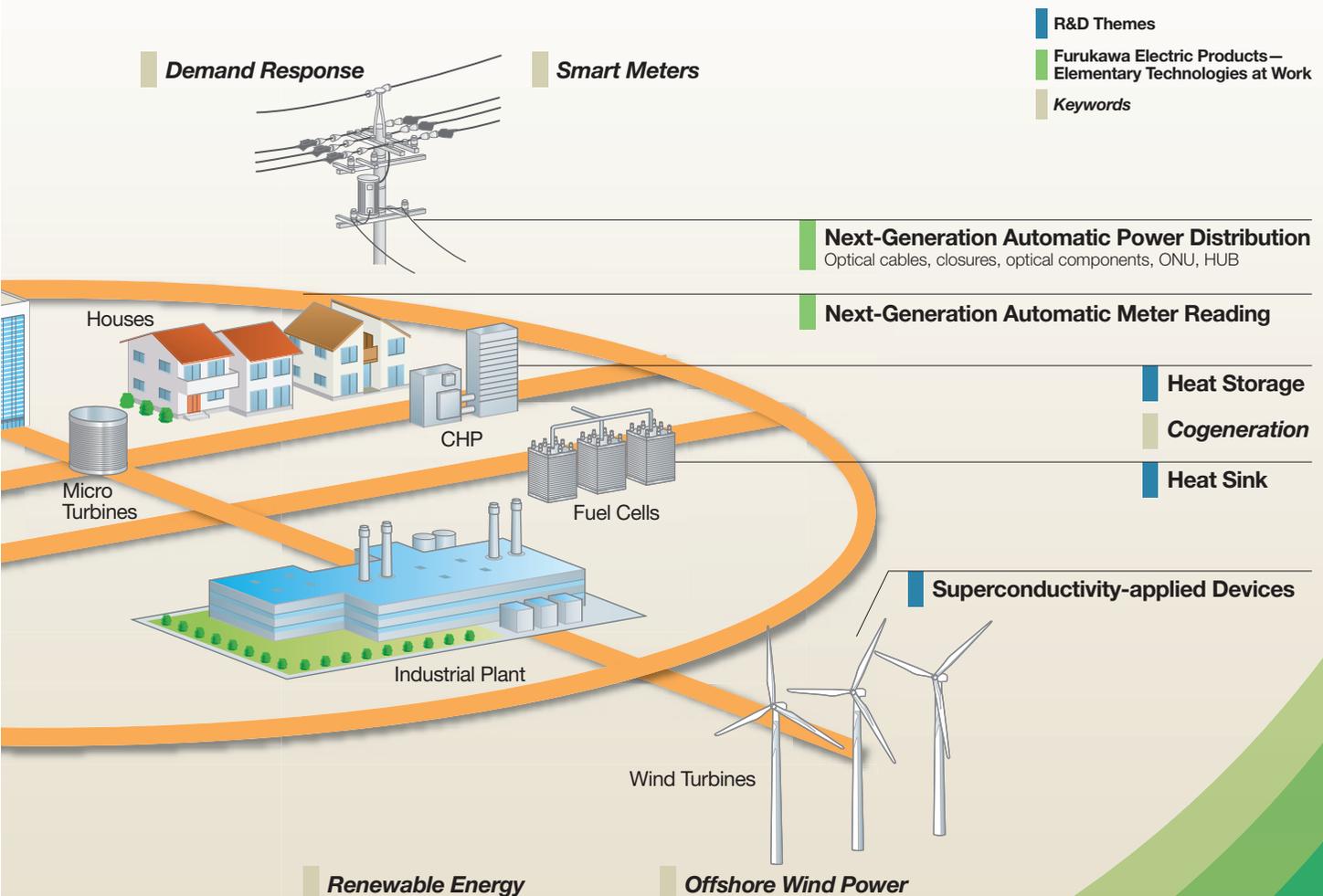
coordination with conventional energy sources. To coordinate these energy sources with new ones, Furukawa Electric is engaged in R&D of innovative control systems, comprised of power storage devices, power conditioners, and so on.

Furthermore, with an eye on the future we are pursuing R&D for superconducting power cables using yttrium-based oxide. These cables can significantly cut power loss during transmission to a quarter of that using conventional cables and were introduced as the ace card of CO₂ reduction measures at the recently held Lake Toya Summit. Not only used with superconducting power cables, the technology can also be applied to power storage systems and current-limiting devices that absorb unexpected current surges.

Applying a broad range of elemental technologies to the Smart Grid, such as linkage with electric vehicles

Constructing the Smart Grid requires a broad range of technologies from various fields in addition to the core technologies for power supply. For example, linkages with information networks will be required for determining the level of electricity use on the demand side for companies and households. Furukawa Electric provides a variety of products in this domain as well, such as optical cables and optical telecommunication devices.

We also possess elemental technologies that contribute to the development of peripheral equipment and systems, such as Smart Meters that realize remote metering and Demand.



CSR Activities

The Furukawa Electric Group recognizes its corporate responsibility to society is to provide products and services that contribute to social development and to improving people's lives while emphasizing public regulations and corporate ethics, reduced environmental burden associated with business activities, and product safety, as well as the safety of employees and the local community.

To meet these social responsibilities, the Group formulated the Furukawa Electric Group Basic Policy on CSR in February 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.

Compliance

The Furukawa Electric Group defines compliance as not only compliance with laws but also behavior in line with the values and ethics required for a company as a constituent member of society as well as for individual employees.

We make sure that every employee becomes familiar with the Furukawa Electric Group Action Guidelines, which define our basic stance on compliance, and we promote compliance through a system comprising the Central Compliance Committee chaired by the CSRO and Compliance Committees set up at each individual works and branch.

We have also introduced an internal system for anonymous reporting to detect and remedy compliance violations at the earliest possible opportunity.

In addition, we implemented the following three compliance measures in fiscal 2008:

- (1) Delivered lectures on compliance for the entire company
- (2) Introduced a compliance contract signed by managers
- (3) Created a Compliance Priority Company System

Affiliated companies with major issues concerning compliance, internal control, and related areas are designated as Compliance Priority Companies that are required to submit an improvement plan to the head of the CSR Division and take necessary corrective actions. They are also subject to guidance for improvement and monitoring by the related Company President and Corporate Division Chief, who in turn will present a quarterly progress report to the Management Committee.

Relationship with the Global Environment

The Furukawa Electric Group has introduced a system for certifying and registering products defined as environmentally sound products that contribute to lowering the negative impact or having a beneficial affect on the environment, as determined through an evaluation of the entire product lifecycle. We are working to expand the distribution of these products.

Environmentally sound products must exhibit overall improvements over conventional products by meeting agreed-upon environmental criteria in every stage, from the purchase of raw materials and parts to manufacturing, use, distribution and disposal. After application and screening by the division, products that pass the screening by the Environmentally Sound Product Development Committee, a cross-sectional organization of the Furukawa Electric Group, are registered as environmentally sound products. The system was established in September 2008, and 16 items have been registered over a six-month period.

In addition, the “e-friendly” logo was created in fiscal 2008 to identify the Furukawa Electric Group’s environmentally sound products. This logo is displayed on the packaging of these products and utilized for sales promotion.

We will continue expanding distribution of environmentally sound products while establishing benchmarks for environmental performance in an effort to increase visibility in this area. Through the creation of innovative technologies and environmentally sound products that exceed existing standards, we hope to further advance a recycling-oriented society toward its sustainability.



“e-friendly” logo



Commercial lead batteries for automobiles
(The Furukawa Battery Co., Ltd.)

Relationship with Society and Local Communities

The Furukawa Electric Group established the Involvement with Local Communities in May 2008.

In the past, we have undertaken various social contribution activities rooted in the local community and we intend to further strengthen these efforts to fulfill our responsibility as a member of society through activities centered on nurturing the next generation, promoting sports and culture and coexisting with the local community.

Furukawa Electric Group’s Basic Policy on Social Contribution Activities

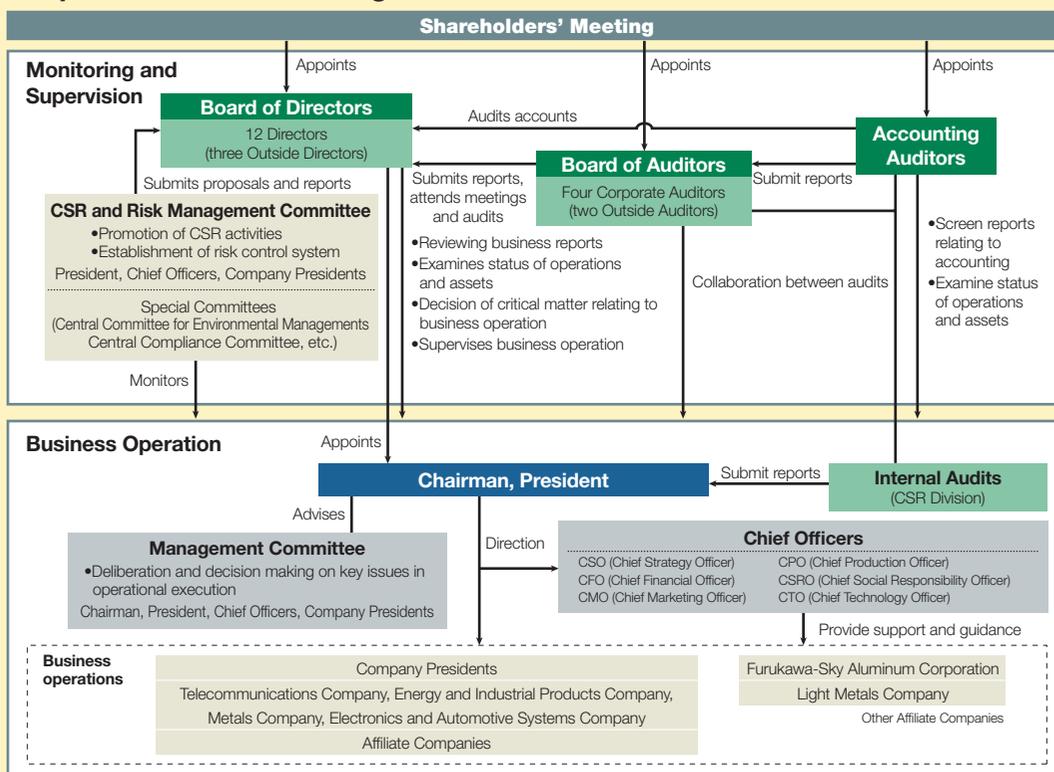
The Furukawa Electric Group seeks to carry forward and strengthen the bonds it has cultivated with society over the past century to pass on an even brighter future for generations to come by contributing to society through business activities as well as by undertaking steady, consistent social contribution activities centered on nurturing the next generation, promoting sports and culture and coexisting with the local community.

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 prompt decision making. At the same time, we ensure sound management by developing and establishing an 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.

We not only pursue complete compliance across the Group but also provide society with excellent products and technologies that enrich people's lives while maintaining harmony with the earth's 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 is valued by society.

Corporate Governance Organization Chart



Management Organization

Furukawa Electric has adopted the organizational structure of a Company with Auditors and emphasizes the functions of a system of Auditors and Board of Auditors that is independent from the Board of Directors. We are also taking various steps in managing the Board of Directors to strengthen the monitoring and supervising of operational execution and to accelerate decision making.

Reinforcing Internal Controls

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

Report on Compliance Issues

Furukawa Electric is currently addressing several compliance-related issues. In August 2008 we received a reprimand and our JIS mark certification for copper tubes was cancelled. In March 2008 we received an elimination order in relation to the antimonopoly act against price-fixing in the foamed products business and were ordered to pay penalties. And in June 2009 we were subject to an onsite inspection by the Fair Trade Commission in connection with transactions in optical fiber and related products. We are aware of the gravity of these incidents and intend to do our utmost to prevent any recurrence and to restore trust through such actions as thoroughly retraining our employees in compliance. With regard to the JIS performance tests, we reviewed our quality control structure and implemented preventive measures against recurrence, such as by revising our standards. We subsequently regained JIS certification on April 9, 2009. Regarding our antitrust law violation, we plan to take action against recurrence following a thorough investigation of the causes by an investigative committee led by outside experts. As these efforts are underway, we will seek to prevent any recurrence by providing training and promoting thorough awareness among our sales staff and by strengthening our monitoring activities.