

Systems for ensuring compliance of directors' execution of duties with laws, regulations and the Articles of Incorporation and soundness of other operations

(1) Systems for ensuring compliance of the execution of duties by directors and employees with laws, regulations and the Articles of Incorporation

- ① Upholding the basic philosophy of compliance with ethics and prevailing laws as laid out in "Furukawa Electric Group Philosophy" and "Furukawa Electric Group CSR Code of Conduct", the Company, with the President assuming the highest responsibility, promotes compliance activities including in-house education and efforts to prevent and detect legal violations through the CSR and Risk Management Committee and the Risk Management Division.
- ② To ensure ongoing compliance activities throughout the Group, General Manager of each division has overall responsibility for compliance for that division and in some main divisions, Compliance management officers will be appointed to effectively promote compliance activities.
- ③ To prevent any future involvement in cartels, the Company will ensure thorough monitoring functions through ongoing educational and enlightening activities relating to the Antimonopoly Act of Japan and competition laws of various countries, strengthening of controls on contacts with industry peers and pricing processes, and advice from external professionals to be received on a regular basis.
- ④ To enable early discovery of and correction to compliance infringements, active use shall be made of the whistle blowing system. In response to any notice of suspected violation, the Risk Management Division and related divisions shall promptly take the appropriate action consistent with the protection of the whistle blower and submit a report to the Board of Directors as appropriate.
- ⑤ Serving as the section for internal auditing, the Auditing Division shall monitor the execution of duties in individual segments, verify whether the international control framework including the internal control system is operating properly and report the findings to the management team.
- ⑥ With a basic philosophy of adopting a resolute approach and cutting out all relations with antisocial individuals or groups as stated in Item 7-4 of "Furukawa Electric Group CSR Code of Conduct", comprehensive compliance with the provisions is ensured under the supervision of Administration Department in the Risk Management Division.

(2) Systems for storage and control of information on directors' execution of duties

- ① Records and documents relating to critical decisions made by the Board of Directors, management committee and under the *ringi* decision-making system shall be stored in accordance with "Regulations on Document Storage" and other internal regulations.
- ② Information relating to directors' execution of duties shall be controlled in accordance with the Basic Regulations on Information Security and other internal regulations and appropriately treated

from the perspective of its importance as information assets and necessity of protection.

(3) Regulations and other systems relating to control of possibilities of making losses (hereinafter referred to as “risks”)

① When any critical decision is made by the Board of Directors, management committee or under the *ringi* system, any risk that may be expected to be associated with the matter with which the decision is concerned shall be stated in materials and the decision shall be made after developing awareness of the risk. If any risk is recognized that may have a serious impact on the Company, a system shall be established to ensure that its details and countermeasures against it are reported to the Board of Directors as needed.

② Risk control conducted by individual divisions that perform business operations shall be subject to internal audit performed by the Auditing Division. The findings thereof shall be periodically reported to the Board of Directors.

③ The Company’s risk management system and management method will be established in “Basic Regulations on Risk Management and Internal Controls”. In addition, to build more systematic and comprehensive risk management system, a CSR/Risk Management Committee chaired by the President, and consisting of the Advisors of business, General Manager of Sales and Marketing Division, General Managers of Corporate Divisions, and General Managers of some Business Divisions shall be established to grasp the Group’s risks in general operations, and verify the appropriateness of its evaluation and management methods.

④ The CSR/Risk Management Committee shall establish special committees such as quality management, safety, environment, disaster prevention, business continuity management among the risks to strengthen the risk management system.

(4) The system for securing appropriateness of financial reporting

Based on the Basic Regulations on Risk Management and Internal Control, the Company’s Group will establish a basic policy for the development and evaluation of an internal control system, to ensure the appropriateness of financial reporting (J-SOX Core Policies). At the same time, the system and responsibilities shall be clarified for the system’s construction, development, operation, and monitoring.

(5) Systems for ensuring effectiveness of directors’ execution of duties

① The mid-term management plan and the single-year budget shall set specific targets. General Managers of Business Divisions etc. shall execute their duties to attain the target and report the progress to the Board of Directors on a regular basis. The evaluation for remuneration and other purposes shall appropriately reflect the result.

- ② The standards for referring matters to the Board of Directors and the ringi system for making decisions shall be established in detail and specifically. The "Regulations on Duties, Powers and the Like of Operating Officers" shall ensure a clear allocation of duties and powers to General Managers of Business Divisions etc.
- ③ With respect to the division of duties for division heads, a system to constantly review the division with organizational changes will be established based on "Basic Regulations on Segregation of Duties and the Regulations Regarding Positional Responsibilities and Authority".

(6) Systems for ensuring the soundness of operations of the Group, consisting of the Company and its subsidiaries

- ① In accordance with "Regulations on Group Management Control", administrative managers of individual subsidiaries shall be appointed, and they shall require own subsidiaries reporting subsidiaries' business conditions on a regular basis, and offer management guidance to subsidiaries. Predetermined matters shall require approval of the Company.
- ② Concrete management goals that subsidiary companies should achieve shall be set out in mid-term management plans as well as budgets for single fiscal years, and administrative representatives shall report on the progress toward such goals at Board of Directors' meetings on a regular basis.
- ③ A risk management system and method shall be provided for in the "Rule of Risk Management and Basic Rule of Internal Control." In addition, the CSR and Risk Management Committee will assess the risk for the Group in operating businesses and verify the reasonableness of the management method.
- ④ According to "Furukawa Electric Group Philosophy" and "Furukawa Electric Group CSR Code of Conduct", the placement of representatives for administering compliance will be made obligatory for subsidiary companies in "Compliance Manual". In addition, under the leadership of the Risk Management Division, education, advice and guidance on risk management, internal control and compliance will be provided to subsidiary companies.
- ⑤ Part-time officers shall be dispatched to major subsidiaries to monitor their overall management status, including compliance and risk control. The Auditing Division shall perform an audit of subsidiaries from the standpoint of the auditing section of their parent company.

(7) Provisions concerning assistant employees requested by the Audit & Supervisory Board Members for assistance in their duties

At the request of a Audit & Supervisory Board Member for any assistant employee, appropriate personnel shall be appointed after consultation with the Audit & Supervisory Board Member.

(8) Provisions concerning independence of the employees stipulated in the preceding item from

Directors, and secureness of effective instructions for them

- ① The assistant employee shall be appointed as assistant to the Audit & Supervisory Board Member by an order of appointment and shall assist the Audit & Supervisory Board Member in fulfilling his or her duties and in operating the Audit & Supervisory Board.
- ② Pursuant to the Internal Regulations on Assistant Employees to Audit & Supervisory Board Members, assistant employees shall be guaranteed independence from Directors. Transfer, appraisal, disciplinary action and other matters involving assistant employees shall require the approval of the Audit & Supervisory Board Member.

(9) Systems for reporting from directors and employees to Audit & Supervisory Board Members and other systems relating to notification to Audit & Supervisory Board Members

- ① It shall be ensured that Audit & Supervisory Board Members have constant access to any meeting or any material they deem necessary for auditing purposes.
- ② Directors or division managers shall report to Audit & Supervisory Board Members the Group's status of development and operation of internal control, compliance and risk control as appropriate.
- ③ Directors or division managers shall provide swift notification to Audit & Supervisory Board Members should they discover any fact with the potential to severely damage the Company or any critical fact that constitutes a breach of laws, regulations or the Articles of Incorporation committed by a director or a division manager among the Group, should they conduct an investigation into the notification under the whistle blowing system or should government authorities issue any caution or take disciplinary action against the Company.
- ④ Audit & Supervisory Board Members may request that the directors and employees of the Company, as well as its subsidiaries, report on matters concerning the execution of their duties.

(10) Systems for securing the person from treating unfavorably because of the reporting stipulated in the preceding item

"Furukawa Electric Group CSR Code of Conduct" and "the Compliance Manual" have a provision stating that officers or staff members of the Company or its subsidiaries shall not be treated unfavorably because they have undertaken reporting pursuant to the preceding item.

(11). Matters concerning the policy on procedures for prepayment and repayment for expenses arising in relation to the fulfillment of duties, as well as expenses arising in relation to the fulfillment of other relevant duties, by the Company's Audit & Supervisory Board Members or the handling of obligations thereof.

If Audit & Supervisory Board Members make a request to the Company such as the prepayment of expenses for the execution of their duties pursuant to Article 388 of the Corporation Law, the

Company will deal with the relevant expenses or obligations promptly, except when expenses or obligations pertaining to such request are not deemed necessary for the relevant auditors to fulfill their duties.

(12) Other systems for ensuring effectiveness of auditing performed by Audit & Supervisory Board Members

- ① The Audit & Supervisory Board shall report its auditing policy and plan to the Board of Directors. They shall be made known throughout the entire Company. The status of auditing shall also be reported to the president and the Board of Directors on a regular basis.
- ② The standards for audits performed by Audit & Supervisory Board Members shall be made known to Directors and employees to deepen internal awareness and understanding of the importance of auditing performed by Audit & Supervisory Board Members.
- ③ The division responsible for internal audits shall be strengthened and it shall have closer ties with Audit & Supervisory Board Members.
- ④ When Audit & Supervisory Board Members make any request for ensuring effectiveness of their audit, Directors and employees shall respond sincerely.

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