

Corporate Governance

Basic Views on Corporate Governance and Guideline on Corporate Governance

Basic Views on Corporate Governance

Based on the “Furukawa Electric Group Corporate Philosophy”, Furukawa Electric Co., Ltd. and the Furukawa Electric Group secure the transparency and fairness and strive 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. In accordance with the following views, we seek to strengthen and enhance our corporate governance.

- i. We secure the rights and equal treatment of shareholders.
- ii. We consider interests of stakeholders including shareholders, and cooperate appropriately with them.
- iii. We ensure appropriate information disclosure and transparency.
- iv. Given its fiduciary responsibility and accountability to shareholders, the board regards the roles of independent directors important and carries out effective oversight of operation from objective standpoint.
- v. We engage in constructive dialogue with shareholders who have investment policies in accordance with interests of mid- to long-term shareholders.

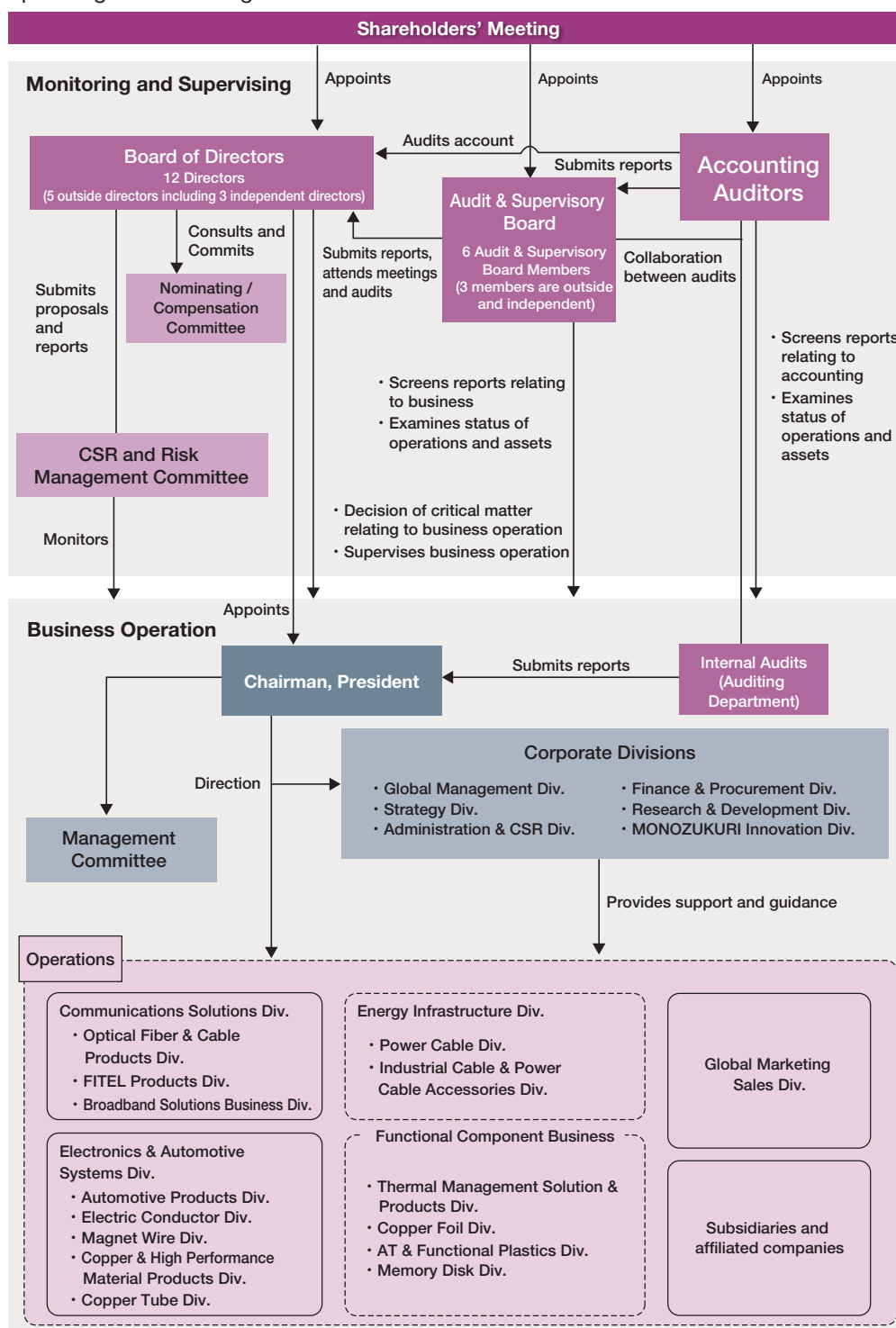
Guideline on Corporate Governance

Based on “Basic Views on Corporate Governance”, we adopted “Guidelines on Corporate Governance” as a policy for enhancing our corporate governance.

Overview of Corporate Governance System

We adopt the “Audit & Supervisory Board” type of governance organization under the Japanese Companies Act taking account of the importance of maintaining the independence of the statutory audit function. And we have a “Nominating/Compensation Committee”, majority members of which are outside directors to complement oversight function of the board.

Corporate governance organization chart



As of June 22, 2018

Oversight and Supervising

● Board of Directors

Given its fiduciary responsibility and accountability to shareholders, the board is responsible for promoting sustainable corporate growth and the increase of corporate value over the mid- to long-term and enhancing earnings capability and capital efficiency. The

board oversees and determines the matters listed below:

1. Determination of corporate governance-related matters;
2. Establishment and amendment of business strategies and oversight of execution of such strategies and plans by management;
3. Setting capital allocation policy;

4. Appointment and dismissal of executives including representative director and corporate vice president, and determination of the compensation of them (including delegating these to Nominating/Compensation Committee);
5. Establishment of an internal control system relating to compliance and financial reporting and risk management systems, and oversight of them;
6. Decision on important business matters;
7. Others prescribed by the applicable laws and regulations etc.

At present, the board consists of 12 directors with 5 outside directors including 3 independent directors.

Outside directors have rich management experiences in financial institutions, trading companies or manufacturing companies, or expertise in the field of legal or industrial governmental policy etc. The board respects their views and opinions based on their variety of experiences in making its decision.

We also evaluate the effectiveness of our meetings of the Board of Directors on an annual basis, and release summaries of the evaluation results on our company website.

● Nominating/Compensation Committee

We establish the Nominating/Compensation Committee.

The committee's aim is to enhance our corporate governance securing objectivity and transparency by deliberating on nomination and compensation for directors, etc., including the selection of candidates for the position of our President and Chief Executive Officer. The committee consists of 5 or more members, majority of which shall be outside directors, appointed from directors by board resolution.

At present, the committee consists of 6 members (4 outside directors).

● Audit & Supervisory Board

Audit & Supervisory Board and each its member auditor collect information about management under statutory investigation authority and report and express their views to the board meetings and the management from an independent and objective standpoint as a fiduciary to shareholders.

Auditors ensure coordination with internal audit department through regular meetings, and report the

policy, plan and result of auditing to the board regularly.

Full-time auditors attend the meetings such as Management Committee which decides major business matters, and they report information obtained from these audit activities to the non-Full-time and outside auditors.

We strengthen our audit function by appointing an assistant staff to the auditors who is dependent of management.

At present, the Audit & Supervisory Board consists of 6 members (3 members are outside and independent).

Business Operation

President is responsible for management of our whole business operation as a chief executive under the board's oversight.

Our business consists of 14 business divisions, and General Managers of each division are responsible for leading each business operation including subsidiaries and affiliated companies management.

We also appoint General Managers of Communications Solutions Division, Energy Infrastructure Division and Electronics & Automotive Systems Division in order to supervise closely related business divisions. Furthermore, we appoint Advisors of Functional Component Business in order to assist President's supervising function over each business operations and to plan integrated business strategy for each business sector.

In addition, we appoint General Manager of Global Marketing Sales Division that are responsible for our group's sales and marketing entirely, and General Managers of Corporate Divisions that are responsible for planning group strategy and assisting operation.

These officers are members of the Management Committee, which is the highest decision-making body of business operation.

Management Committee, held 3 times a month basically, deliberates and determines major operational matters. Further, their business affairs and operation are quarterly reported to the Committee to foster common understanding of company business among them and integrated business operation as a whole.

These business affairs and operation are also quarterly reported to the board.

Process of Determining Officers' Compensation and Avoiding Conflict of Interests

At Furukawa Electric, the policy on officers' compensation and details of each officer's compensation are determined by the Nominating/Compensation

Committee consisted the majority of the committee comprising outside directors, based on the delegation from the Board of Directors in order to ensure objectivity and transparency of the decision-making process.

In addition, in the case where Directors conduct transactions involving a conflict of interests, they must be based on approval at the Board of Directors' meeting as required by law.

Compensation policy of Company's officers

The compensation of officers shall be determined in a way that encourages each officer to exert his/her abilities to the maximum level and proactively fulfill his/her duties, so that the Company Group will increase its corporate value and achieve sustainable growth while contributing to society through its business activities.

Reinforcing Internal Controls

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

1) Efficient Execution of Responsibilities

After setting concrete management goals for the Medium-Term Management Plan and over the course of the fiscal year, all those responsible for operational performance execute their responsibilities toward achieving these goals and regularly report their progress to the Board of Directors.

2) Compliance System

Upholding the basic philosophy of compliance with ethics and prevailing laws as laid out in the "Furukawa Electric Group Philosophy" and the "Furukawa Electric Group CSR Code of Conduct", we, with the President assuming the highest responsibility, promote compliance activities including in-house education and efforts to prevent and detect legal violations through our CSR and Risk Management Committee, which is under the immediate control of the Board of Directors, and the Administration & CSR Division. We also have an Internal Reporting System for the early detection and correction of compliance violations, and establish a system not to treat the person unfavorably because of reporting.

3) Risk Management System

We have established our risk management system and

management method in the "Basic Regulations on Risk Management and Internal Control". In addition, we have established a system in which the CSR and Risk Management Committee, chaired by the President, grasps an overall picture of the risks associated with the business operations of Furukawa Electric Group and determines effective methods for evaluating and managing these risks.

4) Information Management System

We appropriately manage and store records and documents related to important decisions, in compliance with prevailing laws and internal rules. With respect to other information related to our operations, the Information Security Committee establishes uniform standards and operates an information management system.

5) Group Company Management

In accordance with the "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 us. We also carry out a mid-term management plan and budgets for single fiscal years, risk management, and compliance as Furukawa Electric Group.

6) Securing Appropriateness of Financial Reporting

Based on the "Basic Regulations on Risk Management and Internal Control", we will establish the "Furukawa Electric Group Basic Philosophy 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.

Corporate governance



<http://www.furukawa.co.jp/en/company/governance.html>

CSR Management

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.

The CSR Code of Conduct defines fundamental rules of behavior for Furukawa Electric Group executives and employees to follow in conducting corporate activities based on Furukawa Electric Group philosophy and from the perspective of corporate social responsibility.

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.

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

<http://www.furukawa.co.jp/en/csr/guideline/>

Basic Approach

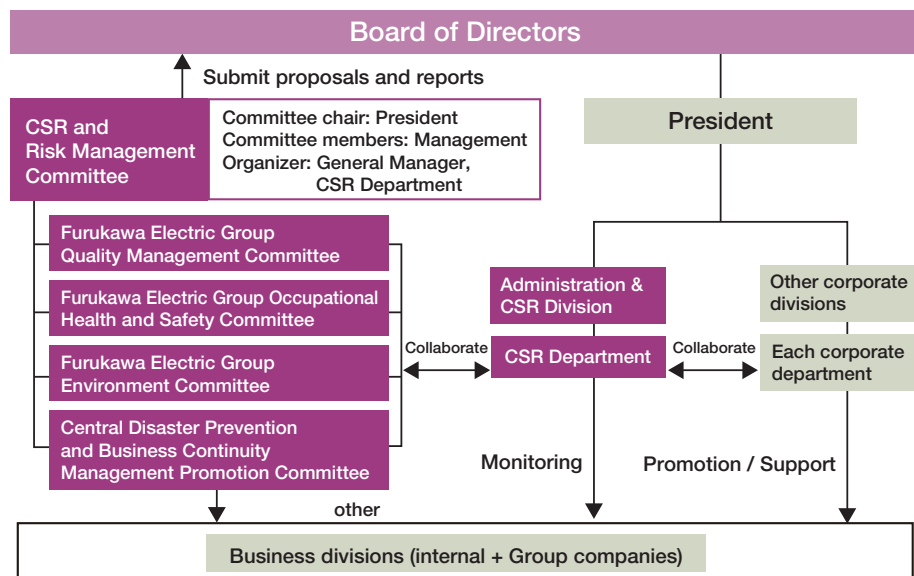
In order to contribute to the realization of a truly rich and sustainable society, we need to understand the social responsibilities of Furukawa Electric Group and implement policies in line with the Basic CSR Policy. We will promote CSR initiatives alongside our business activities so that each and 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 Furukawa Electric 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.

Promotion Framework



Targets and Results (Risk Management / Internal Controls / Compliance)

 Achieved
  Partially achieved
  Not achieved

FY 2017			FY 2018
Targets	Results	Achievement	Targets
Develop a system for the globalization of legal and compliance functions - Examination and implementation of compliance education in Southeast Asia etc.	- Conducted compliance education for group company staff in Indonesia (Jakarta)		Enhancement of the compliance functions associated with the global business expansion - Implementation of the compliance related education in the overseas high risk area
Strengthening overseas risk management - Understand and summarize any risks which could conceivably impact business, and also formulate policies to address those risks	- Formulation of the action policies based on the captured and organized risks obtained from surveys on overseas risk		Strengthening overseas risk management - Extension of the overseas emergency response manual
Expansion of the introduction of internal reporting systems to overseas group companies - Improvement of the introduction rate of internal reporting systems in companies with consolidated systems	- Approximately 95% of the overseas institutional consolidated companies have introduced the whistle- blowing system		Enhancement of the cyber security measures - Implementation of the emergency response training based on the activity policy of the "Furukawa Electric CSIRT" ^(note) 2) .

(note) CSIRT: The abbreviation of "Computer Security Incident Response Team". The team is prepared to cope with the occurrence of cyber incidents. The team promptly investigate causes, identify the range of impacts and eradicate the infection upon an occurrence of an incident.

Message

from
the General
Managers



We will promote the Corporate Social Responsibility (CSR) activity based on the firm functional capability of the promotional structure and mechanism.

Yasuhiro Yonezawa

General Manager, CSR Department,
Administration & CSR Division

In the activity of the increasing change in the business environment due to the global business development, Furukawa Electric Group is requested to steadily fulfill the responsibility to the stakeholders while adapting changes being aware of various stakeholders. Under these circumstances, the CSR activities are an important foundation for the business growth and the continuation of

Furukawa Electric Group. Based on our Group Philosophy, Furukawa Electric Group has established Basic Policy and Code of Conduct regarding the CSR and has consolidated the promotional structure and the mechanism. Furukawa Electric Group will devise the solid functional capability and continue to promote the CSR activities.

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, Furukawa Electric 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.

BCM (Business Continuity Management)

[Business continuity ISO]

In order to meet the increasing demands of our stakeholders for the business continuity activities, the Company is actively proceeding with the acquisition of international certifications for our Business Continuity Management Systems (BCMS). Up to this point, our businesses for the “laser diode products business” (Chiba Works), “copper wire products business” and “copper winding products business for motor” (both in Mie Works) have successfully received the BCMS ISO standard (ISO22301) certification. Each business division operates the Business Continuity Management (BCM), as well as implements a BCM activity plan at the beginning of the term, an education at the workplace and an internal audit, take into account such as “super heavy rain” and “pandemic” other than earthquakes, as an exercise, and working to strengthen the resilience of the important business continuity.

[Emergency headquarters training]

In the BCM training for fiscal 2017, based on the assumption that the Chiba Works of the Company was affected by a major earthquake, we conducted in a workshop format exercises related to the roles and the actions to be taken between the Site Response Headquarters, the Production Divisions and the Sales Divisions in the disaster area, and the Emergency Response Headquarter in the Head Office. The President gave the following instructions: “Organizational leaders should have strong thoughts on restoration and reviving from the disaster, in consideration of the mental and physical health of the employees and



Situation at Emergency Response Headquarters training workshop

having a smile to encourage the employees.” and “I wish you to keep your eyes open regarding making a plan to fill the gaps between the ideal state and the current states.”

[Disaster headquarters training at the Head Office]

In the training at the Disaster headquarters in the head office, after the safety confirmation call over training, education on the earthquake response manual of the head office, the health lecture such as how to use AED and triage presented by an industrial doctor, a training to carry out from a stockpile warehouse, etc. In addition, “Walking Home Training” which is actually take a walk on the return home route having a return home route map in the event of a disaster, was implemented with 21 participants by newly adding a Koshu Kaido (Shinjyuku) direction to 4 routes starting from Marunouchi. In each route, the participants walked about 2 hours while checking the hazardous places and the evacuation facilities, etc. The participants explained their impression: “I was encouraged to be acquainted with colleagues returning home taking the same route”, “It was a good experience to obtain a sense of the places by walking”, “It will create a severe difficulty as streets will be filled with a large number of people in the event of an emergency”, etc.

Disaster headquarters training at the Head Office



Safety confirmation call over training



Health lecture



Briefing on "Walking Home Training"



Walking Home Training: Leaving the office

Information Security

Information security is considered one of the highest-priority risks Furukawa Electric 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 Prohibition of Unauthorized Computer Access, the Unfair Competition Prevention Act and the Act on the Protection of Personal Information. In our aim for ongoing improvement, we get feedback from divisions promoting these activities.

In these days, the risks of the cyber security are getting more and more serious due to the increasing damages caused by conditions such as the target type attack ^(note 1) of the cyber attacks aiming at companies and individuals. In connection with these situations, the Company established the cyber security system based on the "Cyber Security Management Guideline" issued by the Cabinet Office, and set up the "Furukawa Electric CSIRT" ^(note 2). In the ordinary situations, the CSIRT analyses the vulnerability diagnosis and the risk together with the monitoring of the network environment. In the emergency situations, the CSIRT identifies the causes of the incidents and promptly determinates the situation by finding out the range of the influence together with taking a role to prevent the spread of the damages in collaboration with internals and externals to the Company. We will continue

to enhance the cyber security management system including Furukawa Electric Group companies.

Intellectual Property Risks

The Company aims to stabilize the management by strategically creating the intellectual property rights based on the patent portfolio management that grasps the trends in the other companies, also by decreasing the intellectual property risks.

The intellectual property risks are divided into four categories: "Rights infringement risks", "Counterfeit products risks", "Contract risks" and "Technology leakage risks". For example, against the "Technology leakage risks", the following measures are taken: "Technology concealment of the development site and the production site", "Information maintenance strengthening with the time stamp system", etc.

We also develop the intellectual risk reduction activity in Furukawa Electric group globally, based on the implementation of the systematic training of Furukawa Electric Group in domestically and internationally, the regular issuance of the newsletters introducing efforts to reduce intellectual property risks, by the President' awards for excellent inventions and activities, etc.

Organizational structure on cyber security

CSR and Risk Management Committee

Central Disaster Prevention and Business Continuity Management Promotion Committee

Special committee on cyber security

Furukawa Electric CSIRT

CSR Department

ICT Strategy
Planning Department

IT Maintenance and
Operation Department

(note 1) Targeted attack: This is characterized by the step by step progress like "Identifying the attack target-Initial infiltration-Infiltration base building-Purpose execution". At the initial infiltration step, mail containing computer viruses etc. are mailed and causes the virus to infect by opening the attachment or by clicking on the link in the text body.

(note 2) CSIRT: The abbreviation of "Computer Security Incident Response Team". The team is prepared to cope with the occurrence of cyber incidents. The team promptly investigate causes, identify the range of impacts and eradicate the infection upon an occurrence of an incident.

Challenges and Future Policy

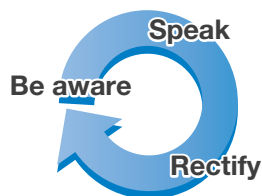
Following our international business development, risks that Furukawa Electric Group faces are becoming more diversified and complicated each year. We particularly recognize that risks inherent in overseas operations—mainly in emerging countries—and risks from the supply chain standpoint are our top priority issues, and we will be strengthening our countermeasures against them.

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”. 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.

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 2017)

	Course Name	Target	Participants
Hierarchy-based education (note 1)	Training for executives	Newly appointed executives	18
	Training for managers	Newly appointed managers	79
	Training for managers and assistant managers	Newly appointed managers and assistant managers	49
	Training for new employees	New employees	92 (note 2)
Theme-specific education	Competition laws and anti-bribery regulations		246
	Subcontractor Law		627
	Security trade control		853

(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 2017 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 biannually 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. In fiscal 2018, as in fiscal 2016, we will conduct compliance awareness survey based on CSR Code of Conduct.

Internal Reporting System

Furukawa Electric Group has introduced an internal reporting system to earlier detect and correct illegal acts. 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. In fiscal 2016, we newly set up external reporting desks for overseas affiliates. By the end of fiscal 2017, we have set them up in 10 countries and 40 affiliates.

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.

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.

Overseas compliance seminar

From fiscal 2014, we started to conduct group-type compliance seminar focused on competition law and anti-bribery taking account of local laws and customs. By fiscal 2015, we held the seminar in China. In fiscal 2016 we held it at Bangkok in Thailand and in fiscal 2017 at Jakarta in Indonesia. 38 sales or purchase staffs from 5 affiliates attended the seminar lectured by lawyers in Indonesian and Japanese and discussed on compliance.



Challenges and Future Policy

Regarding the various legal compliance measures we have taken to date, we recognize as a Group that our task is to expand the scope of participation of Group companies. To this end, we will try to raise compliance awareness by focusing on more effective education content with a Group perspective and enhancing its global implementation system. We will also hold more compliance seminars taking account of local laws, languages and customs, encouraging individual initiative under the slogan “Think and conduct compliance together”.