

Corporate Governance

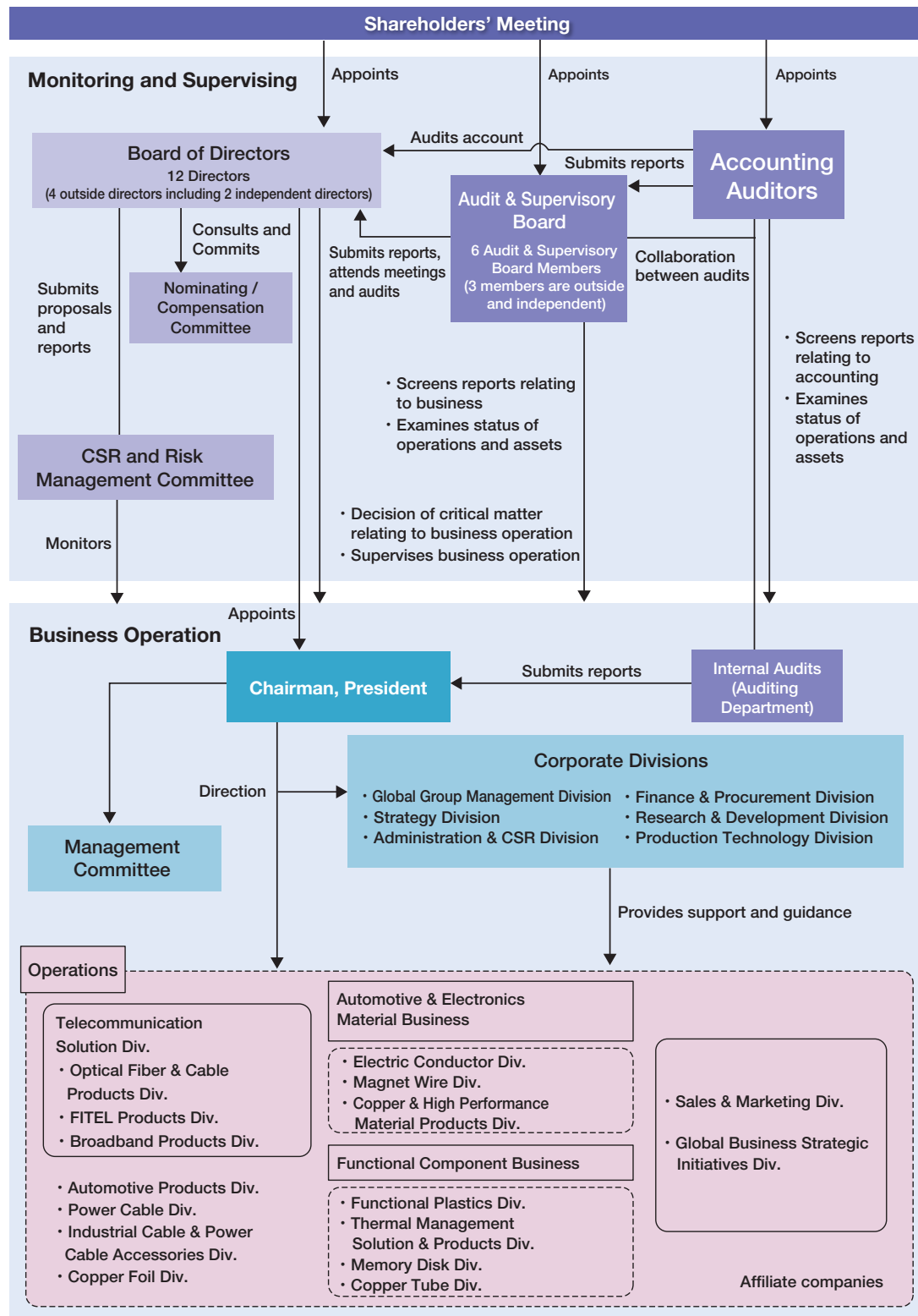
Basic Views on Corporate Governance

Furukawa Electric has established the following 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.

Corporate governance organization chart



As of June 24, 2015

Process of Determining Officers' Remuneration and Avoiding Conflict of Interests

At Furukawa Electric, the policy on officers' remuneration and details of each officer's remuneration 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.

Remuneration policy of Company's officers

The remuneration 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.

- Directors excluding outside directors are paid monthly remuneration and performance linked remuneration. Monthly remuneration is a monthly cash payment of an amount determined according to contribution to the Company, etc. based on a standard amount for each title. Performance linked remuneration is an annual cash payment of an individually specific amount determined by allocating the total amount to be paid calculated based on consolidated net income each fiscal year according to position. In addition, according to Company's situation, they are paid bonus based on a resolution of shareholders' meeting.
- Outside directors and Audit & Supervisory Board Members are paid a certain monthly remuneration depending on their titles, etc.

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.

Takeover Defense Measures

Following the approval by the 191st ordinary general meeting of shareholders held on June 25, 2013, Furukawa Electric Co., Ltd. has renewed its countermeasures (takeover defense) against large-scale purchases of the its shares. The term of this takeover defense will expire in three years at the conclusion of the ordinary general meeting of shareholders to be held in June 2016.

For further details, please refer to “the Notice of the Renewal of Countermeasures (Takeover Defense) Against Large-Scale Purchases of the Company's Shares” (PDF file) the news release published on the corporate governance of the company’s website on April 11, 2013.

Strengthening of Corporate Governance

We invite outside officers from different business areas in the hope of obtaining contributions to management based on their diverse knowledge, experience and capacities. We also established a compensation committee comprised of four members including two outside officers in May 2010 to deliberate and decide on remuneration for directors, etc. In this way, we have been implementing corporate governance as our priority. To strengthen these systems, we established the Nominating/Compensation Committee, replacing the former Compensation Committee upon our board's decision on May 11 2015. Through the majority of the committee comprising outside directors, we secure the objectivity and transparency as to nominating and remuneration for directors. In addition, we established criteria for an independent officer. Going forward, toward management focusing on capital efficiency, our board, with input from outside directors, will continue to discuss on our capital policy balancing among growth and future new business investments, improvement of balance sheet and returns to our shareholders and we will reflect the discussion in the next mid-term management plan starting from fiscal year 2016. With the fully understanding of the aim and spirit of the corporate governance code, we will further strengthen our corporate governance.

Corporate governance

 <http://www.furukawa.co.jp/english/kaisya/management/governance.htm>

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.

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.

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

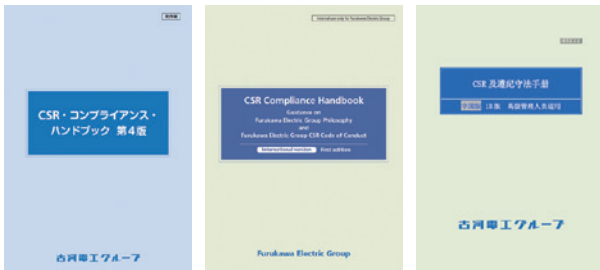
Each of the companies in Furukawa Electric Group develops CSR activities in line with the following Group basic policy.

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 Group executives and employees to follow in conducting corporate activities based on the Group philosophy and from the perspective of corporate social responsibility.



(Japanese) (English) (Chinese)
CSR Compliance Handbook

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

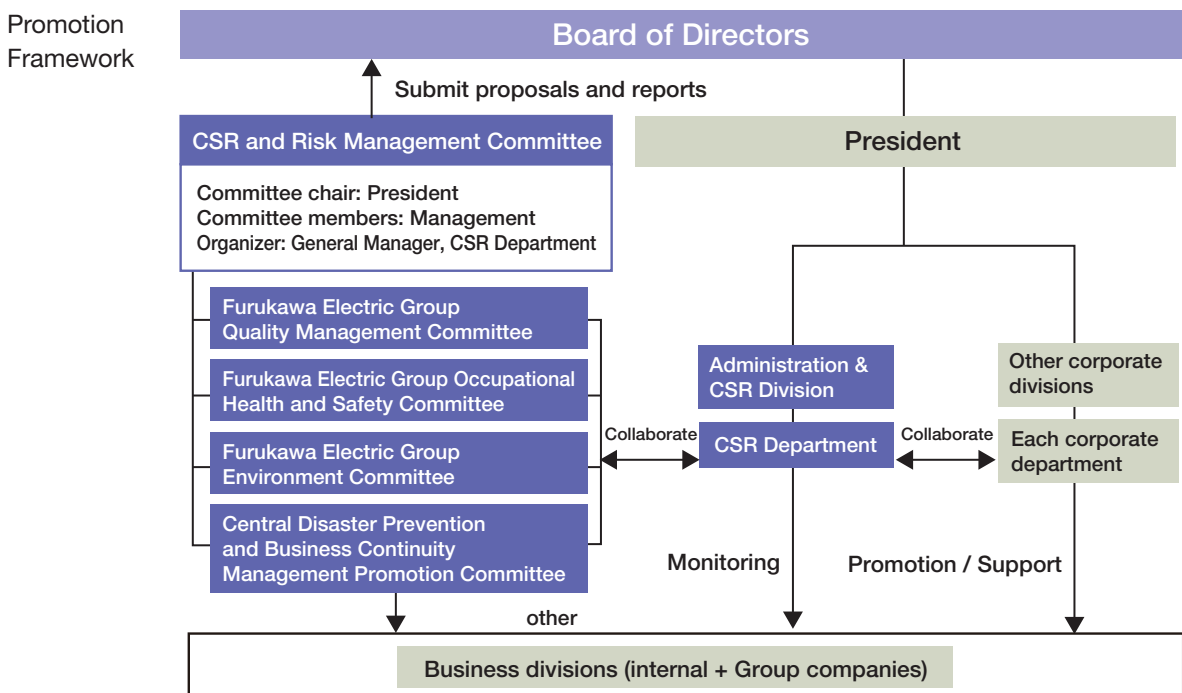
CSR
<http://www.furukawa.co.jp/english/csr/index.htm>

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.

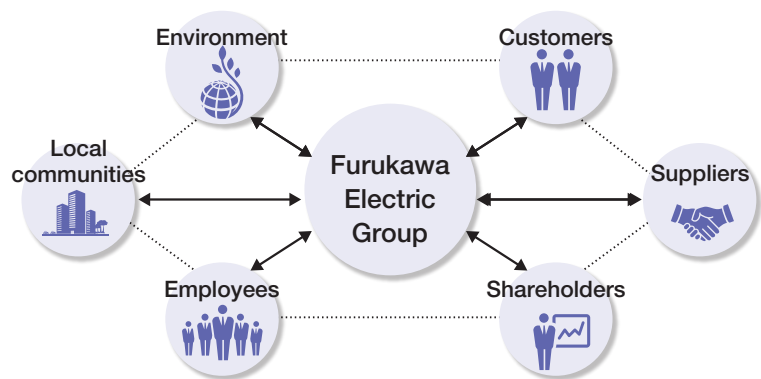
CSR Promotion Framework

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.



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	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.

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

😊 Achieved 😐 Partially achieved ☹️ Not achieved

FY2014		FY2015
Targets	Results / Achievement	Targets
Promotion of global compliance - Develop training content targeting the whole group, etc.	- Integrated the anti-monopoly act manual for Japan into our Group's Competition Law Compliance Guide and distributed it to each company 	- Develop a system for the globalization of legal and compliance functions
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.	- Reviewed the existing BCP with a focus on divisions that suffered snow damage in Nikko - With a scenario of unforeseen events not described in the BCP, implemented an emergency headquarters drill with the president as headquarters manager, and reconfirmed the roles of each division	- Review and implement compliance education in China and Southeast Asia Reconstruct business continuity management (BCM) - Support the construction of a business environment-based practical structure
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.	- Conducted compliance seminars for local affiliate managers in Southeast (Thailand) and China (Shanghai) - Conducted local law compliance seminars for local staff in China (Tianjin and Shenzhen) - Upgraded the Furukawa Electric Group Business Management Handbook for Group companies	Support the improved effectiveness of internal control in overseas affiliates - Implement J-SOX re-education and help to set up effective internal control in Southeast Asia
Give direction to priority fields in CSR activities - Hold stakeholder communication	- Conducted discussions with local affiliate managers and employees on CSR (in conjunction with compliance) activities taking advantage of sustainability reports and group training	

Message from the General Managers

Takashi Fukuda

General Manager, CSR Department,
Administration & CSR Division



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. In future, we will check that updated systems are functioning effectively in the workplace while supporting improvements to operational problems.

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.

BCM (Business Continuity Management)

Having reflected on the inadequate handling of the snow damage that occurred at Nikko Works in February, 2014, we conducted BCM drills in 2014 on the theme of revealing risks not described in the BCP (Business Continuity Plan). After setup training of the emergency headquarter, president and emergency headquarters manager Mitsuyoshi Shibata told headquarters employees to “act with more initiative so that they can conduct better and quicker communication and information sharing,” and improvements are made to BCM activities to address this task. In the disaster control headquarters drill at Head Office, where most employees would have difficulties in returning home after a large-scale earthquake, we conducted a DIG (Disaster Imaginating Game) using commercially available street

maps. Preparing emergency route maps for employees to get home after an earthquake becomes clear as a problem, so we introduced emergency route map-making software and are asking all employees to create their own emergency route map, and carry them at all times.



Setup training of the emergency headquarter
(Instruction of emergency headquarters manager Shibata)



Setup training of the emergency headquarter
(Information control at headquarters secretariat)

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 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. In fiscal 2014 we reviewed our security policy on information systems for Group companies, and are conducting Group-wide upgrade activities including diagnostic visits for necessary companies.

Protection of Intellectual Property

Furukawa Electric conducts strategic and efficient intellectual activities in line with our business and development strategies. As well as strategically developing intellectual property rights based on patent portfolio management that recognizes trends among rival companies, we also encourage risk hedging such as preventing technical leaks by technology confidentiality and protecting our prior user rights. We are also

extending our intellectual property activities worldwide, promoting intellectual property awareness within the Group through education on intellectual property rights and information on intellectual property risks.

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. For example, our Global Group Management Division provides support and information for Group companies including creating the Furukawa Electric Group Business Management Handbook for them in order to reinforce global risk management.

EICC Code of Conduct Audit



Keita Yoshimura,
Assistant Manager
Production Dept., Memory
Disk Division

The EICC (Electronic Industry Citizenship Coalition) was founded by a group of leading electronics companies, and its EICC Code of Conduct is used as a global CSR code of conduct by many corporate customers in Japan and overseas. Furukawa Electric has been promoting company-wide activities toward compliance with this code of conduct, the Memory Disk Division also has

been pushing forward the activities in an own section. Nevertheless, the memory disks manufactured by this division eventually find their way into computers and other devices all over the world, and demands regarding CSR management activities from customers who have been directly supplied by our company are increasing year by year. To respond to such demands, it has become necessary to make the PDCA cycle in our CSR management activities more reliable by undergoing a third-party audit, our division performed first in the Furukawa Electric Group in August 2014.

The audit targeted an extremely broad range of fields: labor, health and safety, environmental, ethics, and management system. The audit also included some requirements that were so strict as to be beyond the general norm for Japanese

companies, and even we were initially puzzled and wondered whether global standards were really that demanding. Nevertheless, by communicating closely with the related divisions, affiliate companies, and partner companies, we managed to complete the audit without a big trouble. We are currently conducting ongoing improvement activities related to the audit findings. In future, we expect a further rise in demand for CSR management with a more reliable PDCA cycle in our CSR activities. In our division, we intend to deal with this by further upgrading our own activities. We also hope to contribute to raising the standard of CSR management activities throughout the entire company by proactively passing on information about CSR audit experiences to other related divisions who are expanding globally.



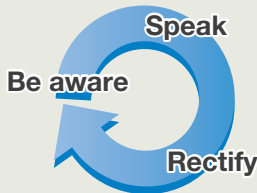
Members who received the EICC audit

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. 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 <small>(note 1)</small>	Training for executives	Newly appointed executives	30
	Training for managers	Newly appointed managers	61
	Training for managers and assistant managers	Newly appointed managers and assistant managers	85
	Training for new employees	New employees	26 <small>(note 2)</small>
Theme-specific education	Competition laws and anti-bribery regulations		About 360
	Subcontractor Law		About 360
	Security trade control		About 800

(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. In fiscal 2014, we made improvements such as adding questions related to personnel measures and conducted the survey as an “employee survey”.

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.

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.

China compliance seminar

In fiscal 2014, we conducted group-type compliance education to teach about local laws and customs. We held seminars in December at Tianjin and Shenzhen on the themes of competition law and corruption controls. About 60 staff, mostly Chinese, attended lectures by lawyers in Chinese and Japanese and took part in discussions 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 resume more compliance seminars on local laws, languages and customs, while encouraging individual initiative under the slogan “Think and conduct compliance together”.

Non-compliance and corrective action

Furukawa Electric Group has since 2008 incorporated the opinions of external experts in an attempt to eradicate violations of the anti-monopoly law and competition law. In April 2014, we and VISCAS Corporation, one of our equity method affiliates, filed a request to the European General Court to revoke or reduce the penalty previously imposed on us by the European Commission for a violation of EU competition law in the electric cable business.

We apologize deeply to everyone concerned for the considerable worry and inconvenience caused by this cartel issue.

In January 2015, we revised our Competition Law Compliance Guide (English, Chinese, and Japanese edition), which is used as education material for promoting global compliance, and distributed it to all companies in our Group. In response to the recent tightening of regulations in various countries and regions, including not only anti-monopoly laws and competition laws but also anti-bribery and other legal areas, we will work toward full compliance and the restoration of trust by expanding activities throughout the Group such as enhanced training for executives and employees and stricter monitoring by our Internal Auditing Division.