

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

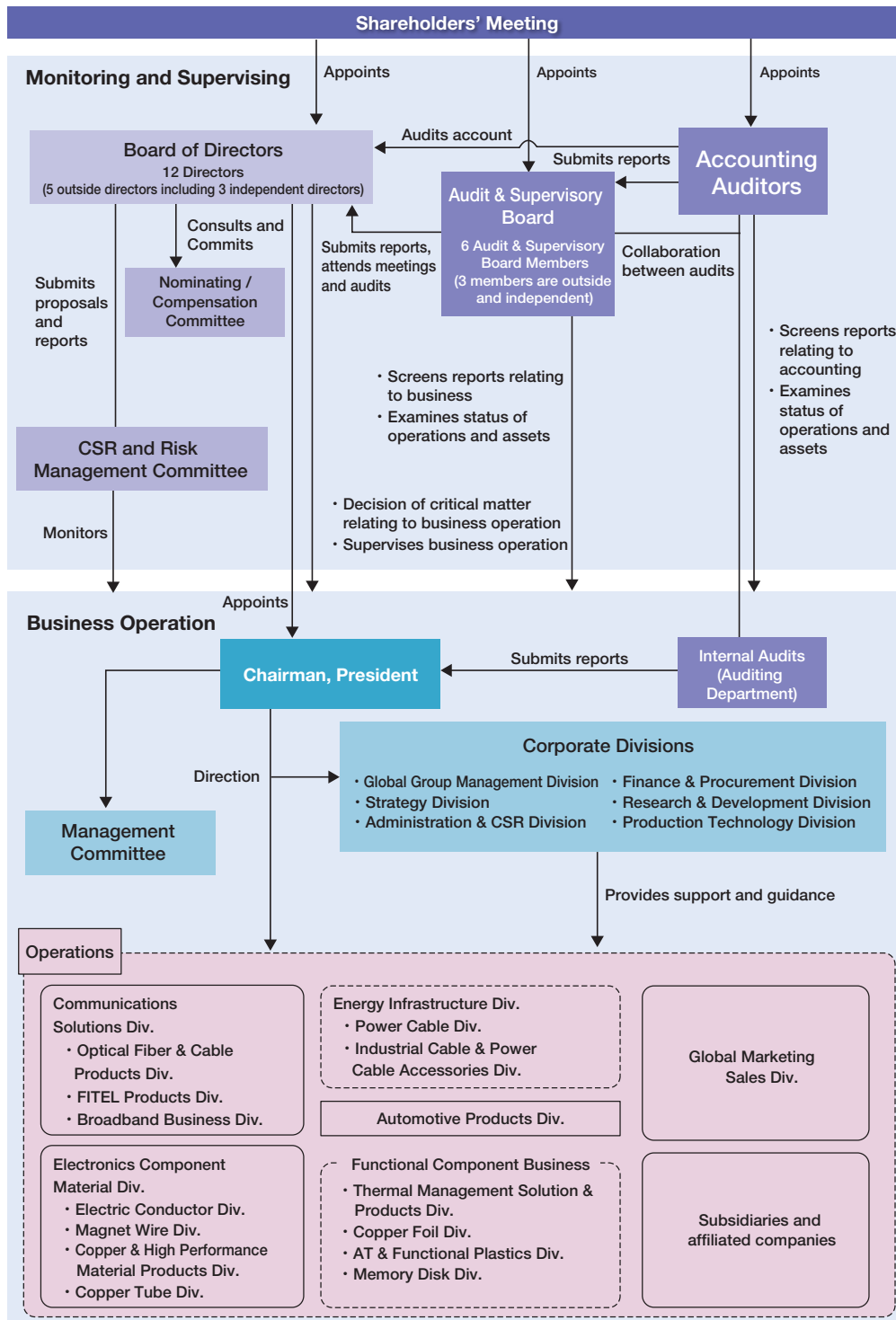
Based on "Basic Views on Corporate Governance", we adopted "Guidelines on Corporate Governance" as a policy for enhancing our corporate governance.

Overview of Corporate Governance System

We adopt the "Audit and 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 27, 2016

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 remuneration 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 in order to enhance transparency in decision-making and strengthen its oversight functions over the management taking outside directors' advice and opinion.

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

● Nominating/Compensation Committee

We established the Nominating/Compensation Committee, replacing the former Compensation Committee in May 2015.

The committee's aim is to enhance our corporate governance securing the objectivity and transparency as to nominating and compensation for directors etc. 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 Component Material Division in order to supervise closely related business divisions. Furthermore, we appoint Advisors of Functional Components 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' 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.

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

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

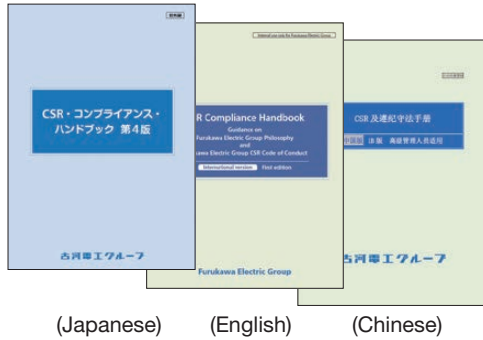
Each of the companies in Furukawa Electric Group develops CSR activities in line with the following Group basic policy.

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.



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

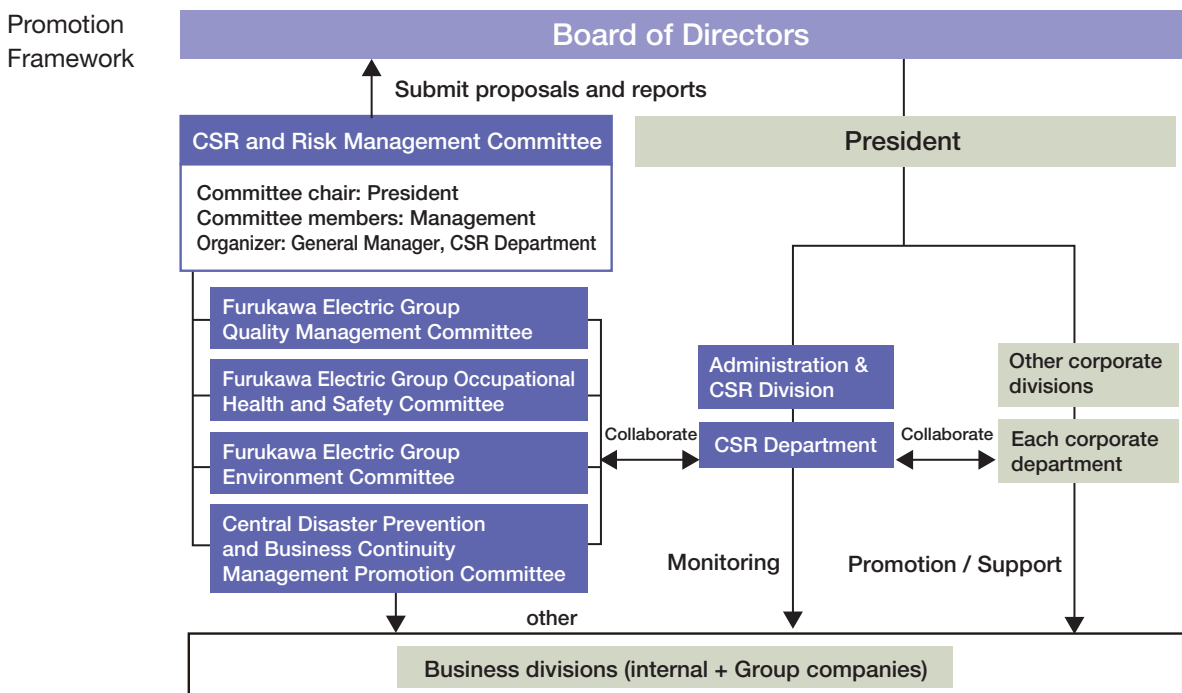
<http://www.furukawa.co.jp/en/csr/guideline/>

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.

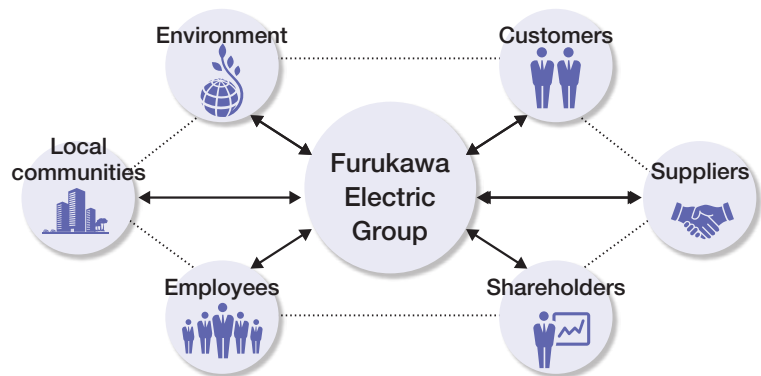
CSR Promotion Framework

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 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

FY2015		FY2016	
Targets	Results / Achievement	Targets	Results / Achievement
<p>Develop a system for the globalization of legal and compliance functions</p> <ul style="list-style-type: none"> - Review and implement compliance education in China and Southeast Asia 	<ul style="list-style-type: none"> - Conducted compliance education for group companies in China (Shanghai) - Conducted risk surveys of group companies in China (Tianjin) 	<p>Develop a system for the globalization of legal and compliance functions</p> <ul style="list-style-type: none"> - Examination and implementation of compliance education in China and Southeast Asia 	😊
<p>Reconstruct business continuity management (BCM)</p> <ul style="list-style-type: none"> - Support the construction of a business environment-based practical structure 	<ul style="list-style-type: none"> - Supporting construction of BCM mechanisms for Japanese group companies 	<p>Expansion of the introduction of internal reporting systems to overseas group companies</p> <ul style="list-style-type: none"> - Major expansion in the scope of companies where an internal reporting system has been introduced, to include regions such as China and Southeast Asia 	😊
<p>Support the improved effectiveness of internal control in overseas affiliates</p> <ul style="list-style-type: none"> - Implement J-SOX re-education and help to set up effective internal control in Southeast Asia 	<ul style="list-style-type: none"> - Conducted education of group companies in Malaysia - Supporting the introduction of IT controls for group companies in Indonesia 	<p>Strengthening the development of cyber security measures</p> <ul style="list-style-type: none"> - Development of measures in accordance with the Ministry of Economy, Trade and Industry's "Cybersecurity Management Guidelines" 	😊

Message from the General Managers



Yasuhiro Yonezawa
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 addition to confirming the effective functioning of measures in the workplace, we will continue to support improvements in the handling of operational challenges.

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)

[Business continuity ISO]

In fiscal 2015 the Electric Conductor Division received BCMS ISO standard (ISO22301) certification in the “manufacture of copper wire products”. Copper wire is a material product used in Furukawa Electric Group’s leading products, such as electric wires and cables, and a steady supply of copper wire is always needed. ISO22301 certification was achieved thanks to the desire of the manufacturing workplace to build a BCM system ahead of the other divisions, based on its sense of responsibility as the highest upstream process both at the company and elsewhere.



Accreditation for business continuity ISO (ISO22301)

[Emergency headquarters training]

As part of emergency headquarters training for fiscal 2015, we considered the scenario of a large earthquake hitting Furukawa Electric’s Nikko Works. We shared views on what support the affected works would expect from the headquarters and what support could be given by the headquarters to the affected works. We also confirmed

Emergency headquarters training



Organizing the results of the investigation

the expected roles of each participant in the event of a disaster. The President said “In a real disaster, you need to tackle each and every task under extreme pressure. I want you to make full use of the experience we gained from the Nikko Works snow damage and use this type of training to make thorough mental preparations for any future disasters.”



President’s message

[Disaster headquarters training at the Head Office]

As part of disaster headquarters training at the Head Office, we carried out training in which the employees actually walked home along the routes on the maps. Training was carried out on the assumption of a real

emergency, and the participants carried two liters of water and three meals. They walked for approximately two hours, checking for potential evacuation shelters and high risk locations on the route. As well as confirming just how difficult it would be if they actually had to walk home, the participants learned the importance of leaving a large bag or daypack in the office, and the need for sneakers or similar comfortable walking shoes, but not leather shoes. It was an extremely valuable experience.

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 and the Act on the Protection of Personal Information. In our aim for ongoing improvement, we get feedback from divisions promoting these activities.

The numerous cases of phishing fraud seen in recent years are a threat to companies, and in fiscal 2015 Furukawa Electric discovered a fraudulent e-mail using the accounting department name. In view of this situation, we carried out e-mail fraud simulation training for group companies, both in Japan and overseas. The participants were sent fake e-mails and if they carelessly opened the attachments they were sent warnings and informed about

the real purpose of the e-mail. Some people opened the attachments without checking, and this reconfirmed the risks of e-mail fraud. Moving forward, we make efforts to raise awareness of increasing cyber risks, including new tricks, and to strengthen the security of our IT environment.

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.



Disaster headquarters training at the Head Office

Briefing before departure

On the route home

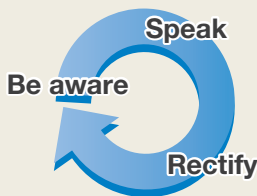
At the halfway point

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 2015)

	Course Name	Target	Participants
Hierarchy-based education (note 1)	Training for executives	Newly appointed executives	23
	Training for managers	Newly appointed managers	42
	Training for managers and assistant managers	Newly appointed managers and assistant managers	43
	Training for new employees	New employees	36 (note 2)
Theme-specific education	Competition laws and anti-bribery regulations		261
	Subcontractor Law		505
	Security trade control		594

(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 2015 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 2014, we made improvements such as adding questions related to personnel measures and conducted the survey as an “employee survey”. In fiscal 2016, we will conduct compliance awareness survey.

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.

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 seminar taking account of local laws and customs. In fiscal 2015, we held a seminar on competition law and anti-bribery regulation at Shanghai in March, 2016. About 30 staff, mainly Chinese, attended lectures by a lawyer 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 hold more compliance seminars taking account of local laws, languages and customs, encouraging individual initiative under the slogan “Think and conduct compliance together”.