Directors and Auditors

Hiroshi Ishihara
Chairman

Masao Yoshida
President

Tetsuo Yoshino
Director (Outside)

Takasuke Kaneko
Director (Outside)

Sumitaka Fujita
Director (Outside)

Atsushi Kitanoya
Director
Chief Marketing Officer

Kosaku Nakano
Director
Chief Production Officer

Katsuhiko Murota
Director
President of the Telecommunications Company

Hideo Sakura
Director
Chief Financial Officer

Naoomi Tachikawa
Director
Chief Strategy Officer

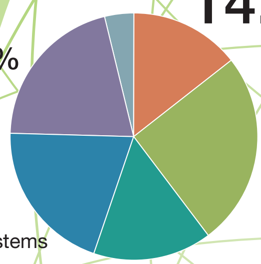
Masahiro Yanagimoto
Director
President of the Electronics and Automotive Systems Company

Tetsuya Satou
Director
Chief Social Responsibility Officer

Statutory Auditors

Hiromasa Ogawa
Takahiko Ito
Yuzuru Fujita (Outside)
Tadashi Kudou (Outside)

Business Outlook and Focus



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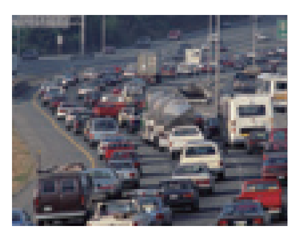

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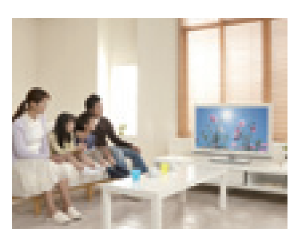


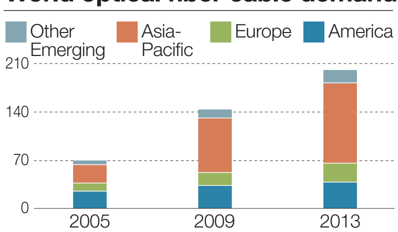
Business Outlook and Focus

Telecommunications

We will respond to increasing demand for optical fiber cables centered on Asia.

Looking at the market environment for this segment in fiscal 2010, demand for optical fibers, led by China, is dramatically growing in Asia (Graph 1), due to the use of optical fiber cables to build third-generation cellular phone networks in addition to investments in fixed telecommunications networks. These developments have led to an increase in our exports from Japan. Robust demand is also evident in India, where we have decided to establish a joint venture for laying optical fiber cables in October 2009. Telecommunication carrier projects have also been launched in Europe. Meanwhile, North and South American markets are expected to remain weak due to the impact of the recession. In the Japanese market, while demand for optical fibers has matured and remains weak due to the considerable advance in FTTH, we expect solid demand for optical device-related products used in NGN (Graph 1).

World optical fiber cable demand

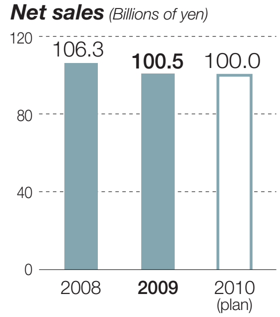


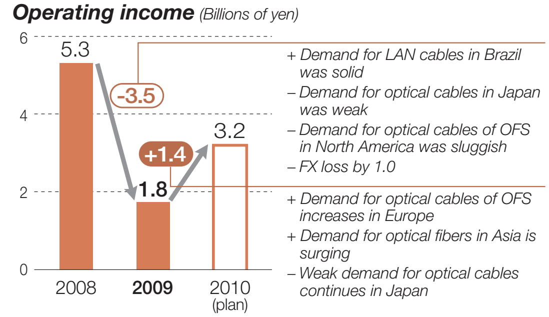
Source: CRU

Market environment and response

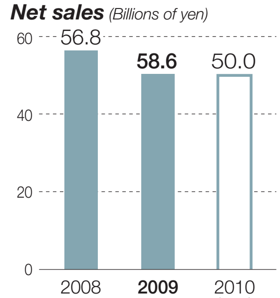
	Environment	Response
Asia	↑ Broadband investments	Launch of JV in India (Oct. 2009)
Europe	↑ Broadband investments	Completed expansion of cable factory (Sept. 2008)
Americas	→ Weak fiber investments	
Japan	→ Fibers weak, NGN strong	Completed integration of cable factories (Dec. 2008)

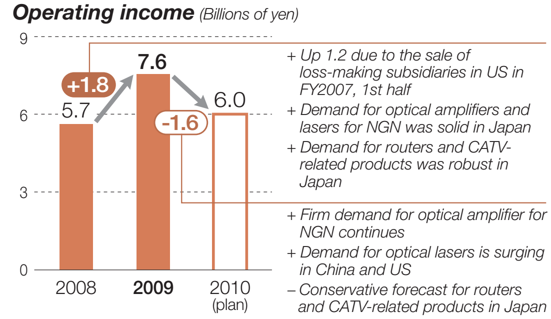
Optical fiber cables business





Photonics and networks business





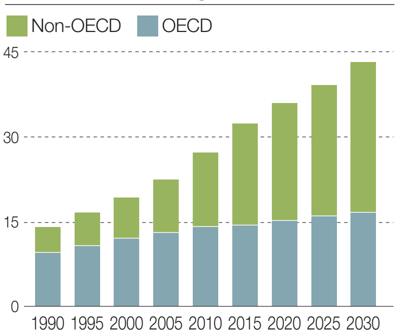
Energy and Industrial Products

We will boost ultra-high pressure cable production capacity to meet demand in fast-growing regions.

In our outlook for this segment in fiscal 2010, we expect sustained increases in demand for ultra-high pressure cables in fast-growing regions (Graph 2). Shenyang Furukawa Cable Co., Ltd., which supplies high-quality cable products as China's top maker, has continuously expanded production capacity to meet rising demand. This year, we will further boost capacity by 25% to respond to market expectations.

On the other hand, we expect business in copper wires and low-pressure cables to remain low-key due to stagnant demand in the construction sector. For this reason, we are working to streamline our operations through measures such as integrating production.

World electricity demand

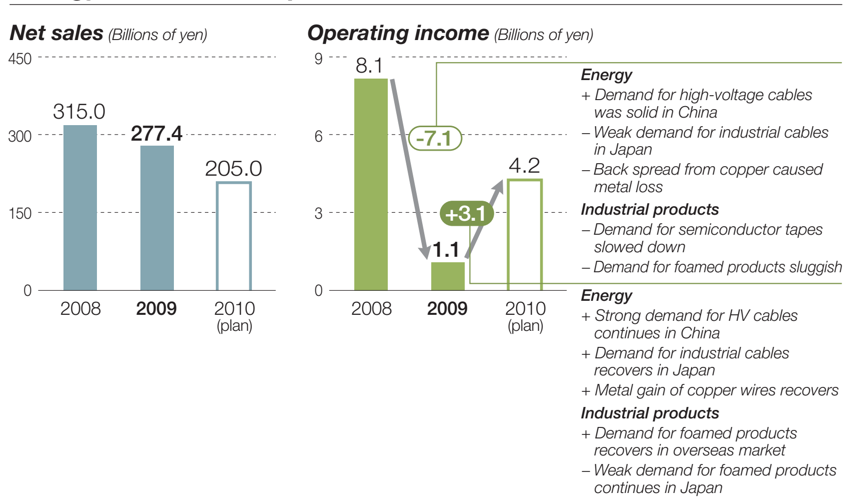


Source: Electronics Industries Alliance

Market environment and response

	Environment	Response
High-pressure cables	↑ Strong electric power investments in China	25% capacity upgrade at Chinese subsidiary (June 2009)
Copper wires/low-pressure cables	↓ Weak construction demand	Integration of copper wire bases (July 2009)
Industrial products (plastics)	↑ Recovery in semiconductor demand	Cancellation of suspension at semiconductor tape factory

Energy and industrial products



Metals

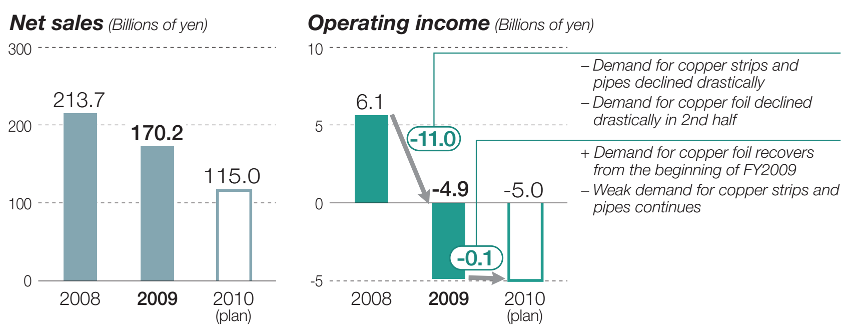
We will increase production capacity of copper foils used in lithium ion batteries.

In our outlook for this segment in fiscal 2010, while we expect gradually improving demand for wrought copper products such as copper strips and tubes used in electronics, we assume it will fall short of a full recovery and that severe conditions will prevail. On the other hand, we anticipate a recovery in demand for copper foils used in lithium ion batteries and FPC. And in line with the startup of the market for automotive lithium ion batteries, we plan to expand our production capacity as the top maker in this area.

Market environment and response

	Environment	Response
Wrought copper products	↓Weak demand from connectors and air conditioners	Considering alliance
Copper foil	↑Recovery in demand from lithium ion batteries, FPC	Scheduled expansion in production of products for automotive lithium batteries

Metals



Electronics and Automotive Systems

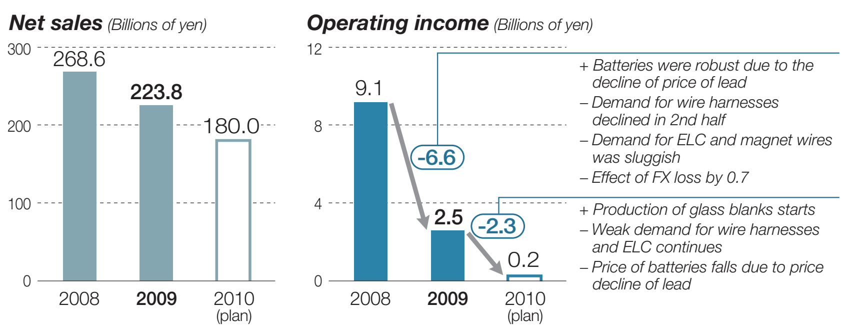
We will focus on electronic components, taking advantage of favorable conditions in this market.

In our outlook for this segment in fiscal 2010, we expect demand for automotive parts such as wire harnesses to recover in the second half of the fiscal year. The business environment for magnet wires remains harsh, and we are streamlining business, including operations at our subsidiaries. On the other hand, we expect favorable conditions to prevail for electronic components such as aluminum blank materials for HDD and heat sinks. We are also preparing to mass produce glass blank materials.

Market environment and response

	Environment	Response
Automotive parts	↓Weak in 1st half ↑Recovery in 2nd half	
Magnet wires	↓Automotive weak in 1st half ↑Recovery in 2nd half	Business integration with subsidiary (April 2010)
Electronics	↑Recovery in hard disc products, strong in PC, game machines	Start production of glass blank materials (July 2009)

Electronics and automotive systems



We will focus on future growth areas such as solar power generation.

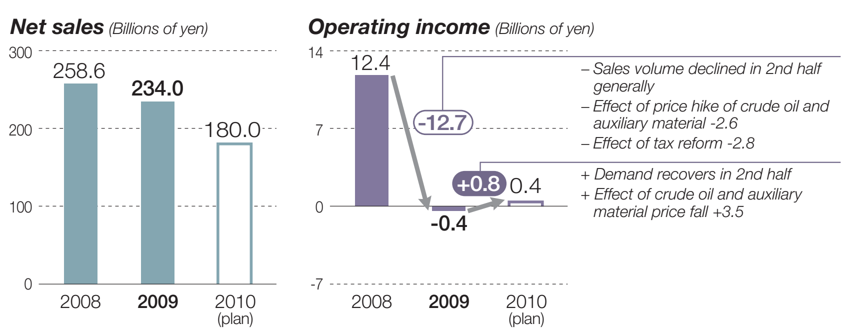
In our outlook for this segment in fiscal 2010, we expect demand will begin to recover in the second half of the fiscal year for rolled aluminum products such as materials for automobiles, hard discs and exports. With respect to thick plates, for which Furukawa Sky maintains a competitive advantage, and while demand from semiconductor and liquid crystal fabrication equipment will remain weak, we will focus on areas with future growth potential related to thick plates used in substrate holders for solar power generation.

In June 2009, we began to structurally reform our rolled sheet business by reorganizing the production system.

Market environment and response

	Environment	Response
Aluminum can materials	→ Solid due to "third-category beer"	
Automobile-related materials	↓ Weak in 1st half ↑ Recovery in 2nd half	Start integrating production bases (June 2009)
Thick sheets	↓ Continued weakness in semiconductor and liquid crystal fabrication equipment	

Light metals (Aluminum processing products)



FIVE-YEAR SUMMARY

FURUKAWA ELECTRIC CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
For the years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2009	2008	2007	2006	2005	2009
Net sales	¥1,032,807	¥1,174,247	¥1,104,709	¥872,535	¥775,894	$10,538,847
Cost of sales	899,409	1,002,410	930,399	722,575	640,901	9,177,643
Selling, general and administrative expenses	123,646	123,390	120,676	112,529	111,256	1,261,694
Operating income	9,752	48,447	53,632	37,430	23,736	99,510
Income (loss) before income taxes and minority interests	–30,896	31,034	57,986	44,542	33,060	-315,265
Net income (loss)	–37,405	15,291	29,765	25,508	15,805	-381,684
Cash dividends per common share (yen and U.S. dollars)	6.00	7.00	6.50	3.00	—	0.061
Research and development costs	19,895	19,789	19,976	18,017	17,193	203,010
Capital expenditure	41,275	45,264	41,833	30,886	27,294	421,174
Total current assets	397,264	501,436	531,584	483,171	442,937	4,053,714
Property, plant and equipment, net of accumulated depreciation	312,073	338,227	337,679	325,325	335,687	3,184,418
Total assets	845,658	1,014,778	1,096,708	1,052,256	991,358	8,629,163
Total current liabilities	332,374	419,175	454,690	430,205	392,908	3,391,571
Cash flows from operating activities	78,728	90,760	50,724	22,719	32,600	803,347
Cash flows from investing activities	–51,267	-52,113	-29,612	11,133	40,360	-523,133
Cash flows from financing activities	–14,553	-41,581	-20,694	-46,782	-84,578	-148,500

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥98 to US$1.

Financial Section

Contents

CONSOLIDATED FINANCIAL REVIEW

Scope of Consolidation

The consolidated financial statements for the fiscal year ended March 31, 2009 (fiscal 2009) include the business results of 107 subsidiaries and 16 affiliates accounted for using the equity method.

In the fiscal year under review, five subsidiaries were added while six subsidiaries were dissolved, one due to a merger and five due to liquidation, and two subsidiaries were removed due to divestiture.

With respect to consolidated equity-method affiliates, two were added and two were removed due to liquidation.

Overview of Business Performance

Net sales

In fiscal 2009, while prices for crude oil and other materials steadied at high levels during the first half of the year, the financial crisis caused by the U.S. subprime loan issue had considerable impact on the real economy during the latter half of the year. The global economy deteriorated rapidly as the U.S. economy entered a recession amid flagging domestic demand and a worsening employment situation and the European economy also turned downward in the face of waning private consumption and declining exports. In the Asian region, the economic recession in the U.S. and Europe caused a slowdown in the Chinese economy, which had been maintaining positive growth. The Japanese economy remained steady at the onset but weakened under the influence of the global economic slowdown as corporate earnings sharply dropped due to the rapid strengthening of the yen and decreasing exports, and as the employment situation deteriorated. The downward trend intensified in the wake of the global financial crisis.

In this context, the Furukawa Electric Group focused on the energy transmission business, such as power cables and optical fibers used in the power transmission and telecommunications segments, and on the metals and plastic materials business in the segments of components for electronic devices and automotive parts. At the same time, we continued to achieve progress in restructuring our business and Group companies, and sought to raise efficiency and strengthen group management. We also endeavored to cut costs by improving production yields and productivity and thoroughly reviewing our expenses and to enhance asset efficiency by reducing inventory and sales receivables.

Our electric transmission business fared well in newly emerging countries in Asia and South America, and sales of automotive products remained strong during the first half of the fiscal year. However, sales declined in the latter half of the fiscal year due to sudden inventory adjustments in segments such as electronic components and automotive products, and the additional impact of a sharp drop in the price of bare metals such as copper and aluminum. As a result, consolidated net sales fell 12.0% from the previous fiscal year to ¥1,032.8 billion.

Results by Business Segment

Telecommunications

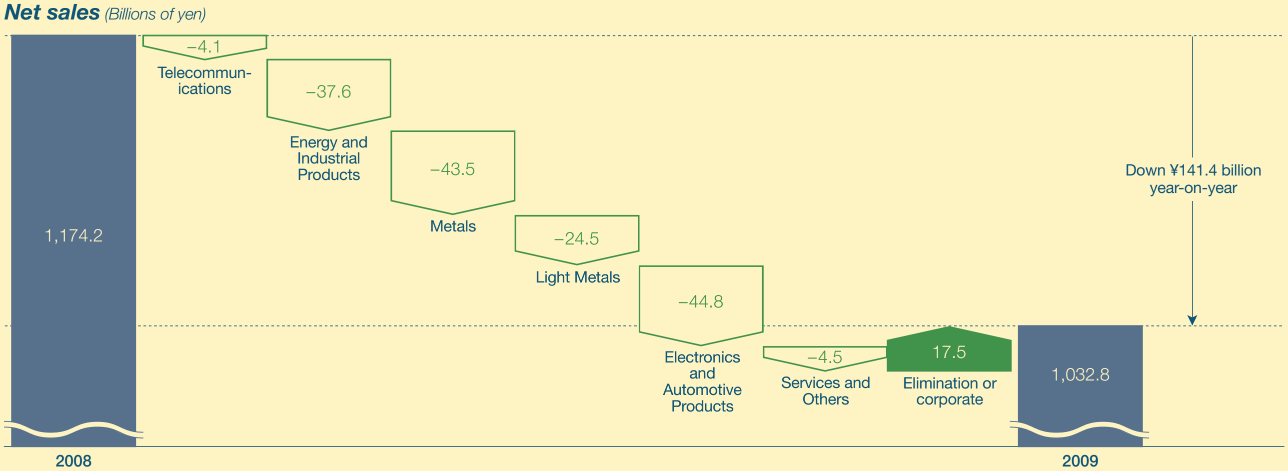
Consolidated net sales decreased 2.5% from the previous fiscal year to ¥159.1 billion. While sales remained strong for LAN cables in South America and for optical components used in NGNs (next-generation networks) in Japan, net sales declined due to factors including stagnant demand for optical fiber cables in Japan and overseas.

With respect to optical fiber cables, we raised production efficiency and cut production costs in Japan by integrating the production operations at Furukawa Electric's production sites in Mie and Chiba prefectures. We started making capital investments to expand production in Europe in the previous fiscal year and expect these investments will contribute to enhancing our business performance when demand recovers in Europe.

Energy and Industrial Products

Consolidated net sales decreased 11.9% from the previous fiscal year to ¥277.4 billion. Sales of high voltage cables remained robust in China and other overseas markets.

Net sales *(Billions of yen)*



However, sales fell due to factors such as a decline in demand for industrial power cables in Japan, a considerable drop in demand for cable cores and stagnant demand for foamed plastic products for construction and other markets. We suffered a further blow from falling sales in tapes used to manufacture semiconductors in the latter half of the fiscal year.

In response to vigorous demand in China, we made capital investments to expand production of high voltage power cables at Shenyang Furukawa Cable Co., Ltd., our wholly-owned subsidiary in China. In addition, as part of our drive to restructure and strengthen the electric power component segment, we turned Inoue Manufacturing Co., Ltd., a maker of high voltage electronic components, into a wholly-owned subsidiary through a stock swap.

Furukawa Electric also reached an agreement with SWCC Showa Holdings Co., Ltd. on integrating the sales divisions for general-purpose power cables for the construction and power-distribution markets and for electric wire peripherals of Furukawa Elecom Co., Ltd., a wholly-owned subsidiary of Furukawa Electric, and SWCC Showa Cable Systems Co., Ltd., a wholly-owned subsidiary of SWCC Showa Holdings by the target date of April 1, 2010. Through this merger, we intend to offer our customers a higher level of service by unifying our brands in major product categories and consolidating the marketing and logistics operations of the two companies.

Metals

Consolidated net sales fell 20.3% from the previous fiscal year to ¥170.2 billion. Although sales of electrolytic copper foils for lithium ion batteries remained favorable in the first half of the fiscal year, demand fell in the latter half, and sales of copper strips for digital appliances, copper pipes for air conditioners and copper foils for cellular phones stagnated due to a cooling in the electronic device component market.

Light Metals

Consolidated net sales decreased 9.5% to ¥234.0 billion. Although sales of aluminum thick plates used for semiconductor and liquid crystal fabrication were favorable in the first half of the fiscal year, demand for products fell sharply due to a sudden inventory adjustment in automotive products and other segments and to a pullback in spending based on expectations for a sudden drop in bare aluminum prices. As a result of these and other factors, sales volume decreased in nearly all products categories.

Electronics and Automotive Systems

Consolidated net sales fell 16.7% from the previous fiscal year to ¥223.8 billion. While sales of wire harnesses remained strong during the first half of the fiscal year due to steady sales of minicars and other vehicles with Furukawa Electric products, demand for magnet wires, aluminum blank materials for memory disks and heatsinks (heat radiating components for electronic devices) retreated in the latter half due to stagnation in the market for electronic device components.

Services and Others

Consolidated net sales for this segment fell 9.7% from the previous fiscal year to ¥41.3 billion.

Cost of sales/Selling, general and administrative expenses

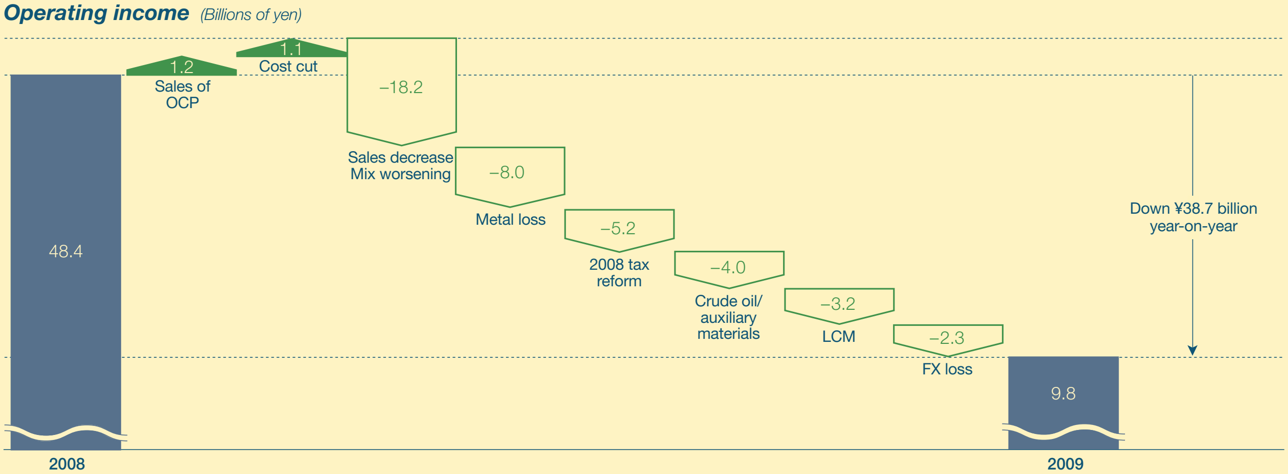
While cost of sales decreased 10.3% from the previous fiscal year to ¥899.4 billion, the cost of sales ratio declined by 1.7 percentage points to 87.1%.

Selling, general and administrative expenses rose 0.2% from the previous year to ¥123.6 billion. General and administrative expenses increased by ¥1.9 billion because the R&D expenditures of some subsidiaries previously in cost of sales were reallocated in fiscal 2009.

Net loss

Operating income declined ¥38.7 billion from the previous fiscal year to ¥9.8 billion. In the first half of the fiscal year, revenue increased as a result of the surging price of crude oil, which affected our business, offset by growing demand in

Operating income *(Billions of yen)*



emerging countries. Profit significantly decreased due to a sharp drop in sales during the latter half of the period. Factors for the ¥22.7 billion loss include an incremental depreciation expense rise due to the revised tax system in fiscal 2009 (¥5.2 billion), a decline in operating income from the bare metal price (¥8.0 billion), evaluation of inventory by adoption of the lower-of-cost-or-market method (¥3.2 billion), surging prices of fuel and auxiliary materials (¥4.0 billion), and foreign exchange loss (¥2.3 billion).

Other expenses (net) increased ¥23.2 billion to ¥40.6 billion.

This was primarily due to the fact that while net gains on sales of investment securities increased ¥2.6 billion from the previous fiscal year, net foreign exchange loss increased ¥15.4 billion. Impairment loss increased ¥9.8 billion, and provision for environmental costs increased ¥10.6 billion.

As a result, loss before income taxes and minority interests was ¥30.9 billion (US$0.3 billion), leading to a net loss after income taxes and minority interests in loss of consolidated subsidiaries of ¥37.4 billion (US$0.4 billion).

Dividends

Furukawa Electric intends to pay dividends to shareholders, upholding its basic policy of paying solid dividends, while maintaining a long-term outlook on future income trends and business development.

The company adheres to the basic principle of paying cash dividends twice a year out of its earned surplus as interim and full-year dividends. Full-year dividends paid out of earned surplus are determined by the shareholders' meeting and interim dividends are decided by the Board of Directors meeting. For fiscal 2009, the company paid a dividend of ¥6.0 per share (interim dividend was ¥3.5 per share) based on the above principle. The company will also seek to strengthen its financial condition by securing retained earnings.

The company stipulates in its articles of incorporation that it can pay an interim dividend based on the record date of September 30 of each year through a resolution by its Board of Directors.

Cash Flows

In fiscal 2009, income before income taxes and minority interests decreased by ¥61.9 billion from the previous fiscal year to ¥30.9 billion. On a consolidated basis, cash and cash equivalents increased by ¥9.6 billion compared with the end of the previous fiscal year to ¥53.5 billion due to a decrease in payments for the acquisition of property, plant and equipment and a decrease in expenditures for bond redemptions, which had substantially increased in the previous fiscal year.

Net cash provided by operating activities was ¥78.7 billion. While there was a reversal of income before income taxes from the previous fiscal year to a net loss, net cash provided by operating activities remained favorable due in part to improved operating capital from reductions in trade receivables and inventories.

Net cash used in investing activities was ¥51.3 billion. This was due to decreased payment for purchase of property, plant and equipment.

Net cash used in financing activities was ¥14.6 billion. This was the result of a decrease in repayment of long-term debt, which had significantly increased in the previous fiscal year, and a decrease in payment for the repurchase of treasury stock.

Liquidity

Since launching the Furukawa Survival Plan in 2004, a three-year medium term management plan, we have endeavored to sell investment securities and real estate holdings and reduce interest-bearing debt to bolster our financial condition.

As a result, interest-bearing debt decreased by ¥15.9 billion from the previous fiscal year to ¥383.1 billion.

Looking ahead, we will seek to further reduce interest-bearing debt through a renewed effort to raise asset efficiency by reducing inventory and trade receivables. In terms of numerical targets, we intend to reduce the inventory turnover period to no more than 1.0 months, total asset turnover to 1.1 and the debt-to-equity ratio to 1.3 by March 31, 2010.

R&D Activities

The Furukawa Electric Group maintains a solid R&D structure that enables it to create and develop new businesses through innovative products and technologies and to aggressively pursue R&D activities. Furukawa Electric Co., Ltd. operates five research laboratories in Japan, including Yokohama R&D Laboratories, the Metal Research Center, the Ecology and Energy Laboratory, the FITEL Photonics Laboratory, and the Automotive Technology Center, which are further complemented by the research laboratories of other Group companies. We also operate two overseas laboratories, OFS Laboratories in the U.S. and FETI in Hungary. Total R&D expenditures in fiscal 2008 were ¥19.9 billion. The major results of our R&D activities segment were as follows:

Telecommunications

(1) We are applying our microstructured fiber technology to develop a multi-core fiber. We expect this work will lead to a breakthrough for the optical communications that dramatically expands transmission capacity and conserves material resources used as cable components.

(2) We completed development chips for arrayed waveguide grating (AWG) devices. The chips apply higher refraction waveguide grating, enabling smaller size and lower cost while exhibiting properties equal to or exceeding conventional devices, and proceeded to establish a mass-production system for modules.

(3) In GE-PON technology, which constitutes the access lines for FTTH and enterprises, we began providing customers with equipment that features reduced volume—as much as 1/40th that of standard SFP packages—without sacrificing existing functionality when installed as an ONU on the subscriber side.

(4) In mass-produced wavelength tunable laser modules, we paved the way for commercialization and began expanding the sales of modules for integrable tunable laser assemblies (ITLA) that comply with the MSA industry standard.
(5) In receiver-transmitters for optical interconnections, we developed a module capable of 10 Gbps X 12 CH transmission with the world's lowest electricity consumption by applying our proprietary 1060-nm VCSEL.
(6) We developed effective sheathing material to prevent fiber disconnection caused by a species of cicada that lays eggs on optical drop cables, a problem experienced mainly in western Japan. We have confirmed effectiveness in field tests and plan to expand sales.
R&D expenditures for the segment totaled ¥6.5 billion.

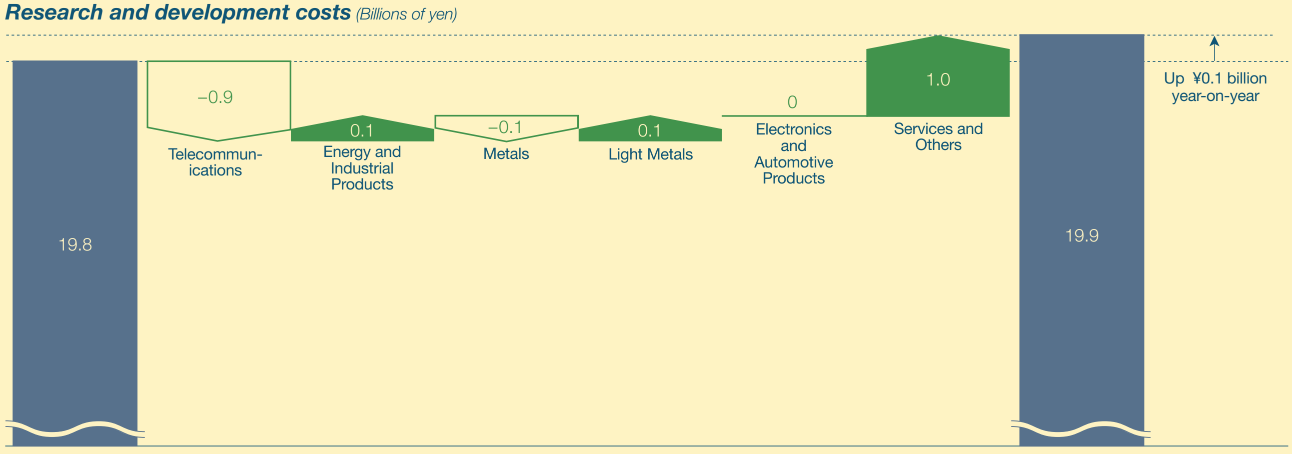
Energy and Industrial Products

(1) We succeeded in developing an environment-friendly cable used inside and between electronic devices that achieves both vertical flame resistance and flexibility. This product will reduce the environmental impact of cable components, which had been difficult in conventional electronic devices. We are currently promoting the product in combination with our Eco-Ace Plus for electronic devices to electronic device makers.
(2) We established a pipe development system for oceanic energy resource development, and we are participating in a national project to promote such efforts. We intend to contribute to the production of LNG, crude oil and seabed mineral resources by offering specific specifications for offshore, undersea and seabed applications.
(3) We are strengthening development and expanding the sales of micro-cellular polyethylene terephthalate (MCPET) for signposts and lighting, areas in which energy-savings are expected. We are also focusing on developing new products, such as high flame retardant grades, to further expand its applications.
(4) We are pursuing R&D to expand the use of foamed materials in the automotive area to reduce CO_2 emissions and conserve energy by realizing lighter weight.
(5) We continue to participate in a national project for developing yttrium-based, high-temperature superconducting power cables, and we are promoting the development of ultra-high voltage superconducting power cables to replace ultra-high voltage power cables. We achieved the world's top performance in transmission loss for yttrium-based conductors at 0.1 W/m at 1kA for 300A-class wire rods. Furthermore, with respect to devices applying yttrium-based superconducting thin films, we verified the fundamental motions of the device and are pursuing commercial development.
R&D expenditures for the segment totaled ¥1.2 billion.

Metals

(1) We are expanding sales of high-performance connector material and obtained certification from several customers. We gained competitive advantages in price and quality by establishing a low-cost mass-production technology.
(2) We obtained certification from several press makers and began mass producing shield case materials for developing aluminum plastic composite products.
(3) With respect to our new internally grooved tubes, we developed and presented a highly functional product that complies with the revised Energy Saving Act as well as low-cost products that meet market demand. We are continuing to consider new heat-transfer surfaces and developing aluminum-based heat-transfer tubes for the future.
(4) In the development of high-temperature superconducting wire rods, we are specializing in yttrium-based materials that are expected to become revolutionary next-generation wire rods. We have also been participating in the national project for yttrium-based superconducting power device technology, which was launched during the fiscal year under review, and have implemented development and manufacturing efforts to enhance performance and extend lengths through low-cost processes for high-temperature superconducting wire rod materials.
R&D expenditures for the segment totaled ¥1.3 billion.

Research and development costs *(Billions of yen)*



Light Metals

(1) To support the production of lightweight automobile bodies, an essential factor in the development of environmentally sound vehicles, we introduced a 6000-class (Al-Mg-Si alloy) aluminum sheet as the material for external automobile bodies. The sheet features reinforced properties corresponding to the components in which it is applied as well as to manufacturing conditions. We also developed and started introducing materials for cooling devices as automobile-mounted components for anticipated changes in future power sources.

(2) We became the first to start supplying Dojun HS aluminum-coated sheets, which are coated with different properties that excel in superconductivity and heat dissipation on either side of the aluminum material and will be used in electronics and electric products. The sheets have been well-received by many users, and coordination is underway to facilitate adoption of the material.

(3) We developed heat pipe heatsinks (heat radiating components for electronic devices) for use in the main converters for N700-class bullet trains. This is the first product applied to bullet trains that does not use Freon as a coolant, and with the installation of a proprietary configuration structure, it is capable of maintaining high heat radiating levels even when the train carriage inclines.

R&D expenditures for the segment totaled ¥2.6 billion.

Electronics and Automotive Systems

(1) We developed a radar system by applying ultra-wide band (UWB) technology. The radar is capable of sensing small objects near automobiles with outstanding accuracy and is expected to be used in anti-collision safety systems.

(2) We developed a sensor for precisely detecting the charging status and level of degradation of automobile batteries. The sensor is expected to increase fuel efficiency and will be used in hybrid vehicles.

(3) With respect to cellular phone antennas, we developed a new process for shortening processing time and reducing processing energy and incorporated it into mass-production operations. As a result, we were able to boost mass-production capacity and respond to an increased number of orders.

(4) We are developing multi-functional automotive antennas toward the goal of perfecting a highly functional compact antenna with excellent design for assembly.

(5) We improved our proprietary process for chip-size packages (CSPs), which involves lamination of tape and wafer, and we also developed the packaging technology. Preparations are underway for commercialization.

(6) Our proprietary flat heat pipes have been adopted for use in high-performance heatsinks that are essential for the characteristic features of highly functional home information appliances. The pipes are also helping to produce thinner products.

(7) We are conducting heat and fluid simulations for power modules used in large-scale cooling equipment at railroads and substations to shorten calculation time and increase calculation accuracy.

(8) In the TEX (triple-insulated wires) series, we developed the TEX-BS (B-type) with heat resistance of 130°C and the TEX-FS (F-type) with heat resistance of 155°C in fiscal 2008. We are actively expanding applications for the B-type as AC adaptors for personal computers and the F-type as power units for medical equipment, flat-panel TVs and video cameras.

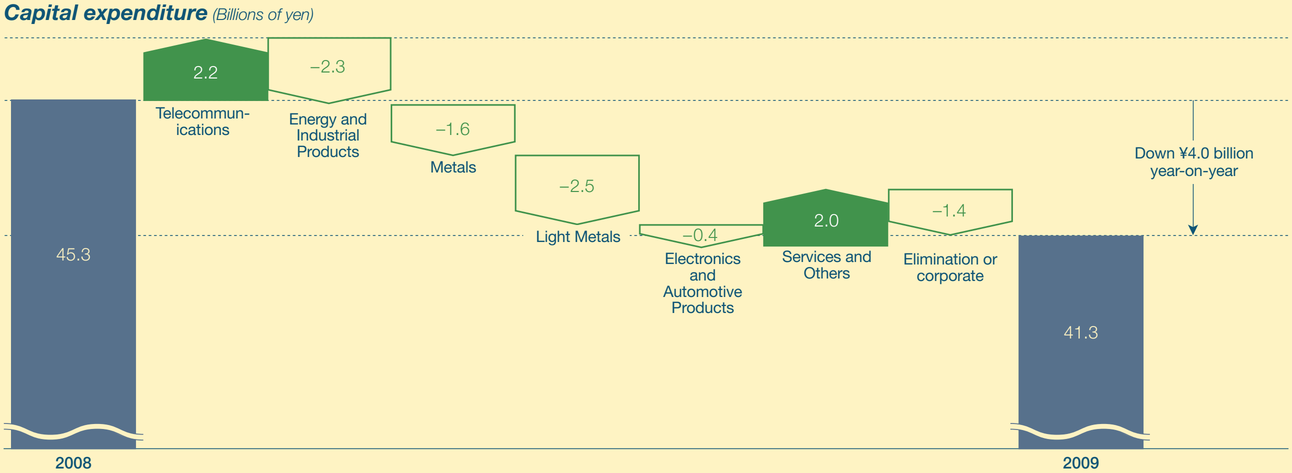
(9) We are aggressively pursuing R&D to achieve higher voltage resistance and thinner films in the development of next-generation magnetic wires.

(10) We conducted various technological development efforts to reduce vehicle weight, including the adoption of aluminum-based wire harnesses and the use of smaller diameter wiring.

(11) In our efforts to develop highly pressure-resistant, low electricity-consuming power devices using GaN (gallium nitride), we compiled the world's premier data on high pressure resistance and low-ion resistance.

R&D expenditures for the segment totaled ¥4.3 billion.

Capital expenditure *(Billions of yen)*



Services and Others

This area is primarily related to our new business fields.

(1) In the development of CW fiber lasers, we undertook the detailed design of individual units and confirmed the potential for several hundred watt output. We also developed a low-loss fiber coupler that achieves kilowatt output by combining waves emitted by several units, thereby confirming we can overcome the challenge of limiting temperature increases.

(2) Customer evaluation for specific applications is currently underway with respect to our compact, stable femtosecond laser with broad applications in analysis, processing and occurrence of terahertz waves.

R&D expenditures for the segment totaled ¥4.0 billion.

Capital Expenditures

The Furukawa Electric Group conducted investments exceeding levels of the previous fiscal year in our telecommunications segment, and investments below levels of the previous fiscal year in our energy and industrial products, electronics and automotive products and metals segments, and total Group capital expenditures, at ¥41.3 billion, were lower than the previous fiscal year.

The primary goals for capital expenditures by segment were as follows:

Telecommunications

- Expand production capacity of optical fiber cables
- Mass produce and expand production capacity of optical components, such as semiconductor lasers

Energy and Industrial Products

- Expand production capacity of ultra-high voltage power cables
- Raise efficiency, maintain and upgrade older buildings and facilities

Metals

- Expand production capacity of copper alloys and strips, plated strips and copper foil products for the automotive, IT and electronics markets

Light Metals

- Expand production of large-sized substrate holders, aluminum extrusion products
- Construct sales system

Electronics and Automotive Products

- Mass produce and expand production capacity of electronic components for automobiles
- Mass produce substrates for hard disks

As common measures across the entire Group, we undertook capital expenditures primarily for maintaining and upgrading older buildings and ancillary facilities.

Major facilities completed within the consolidated fiscal year under review included: facilities for mass producing glass substrates at the Chiba Works of Furukawa Electric Co., Ltd.; expansion of facilities for manufacturing ultra-high voltage cables at Shenyang Furukawa Cable Co., Ltd.; expansion of facilities for manufacturing electrolytic copper foil at Furukawa Circuit Foil Taiwan Corporation; and expanded production of large-sized substrate holders at Furukawa-Sky Aluminum Corporation.

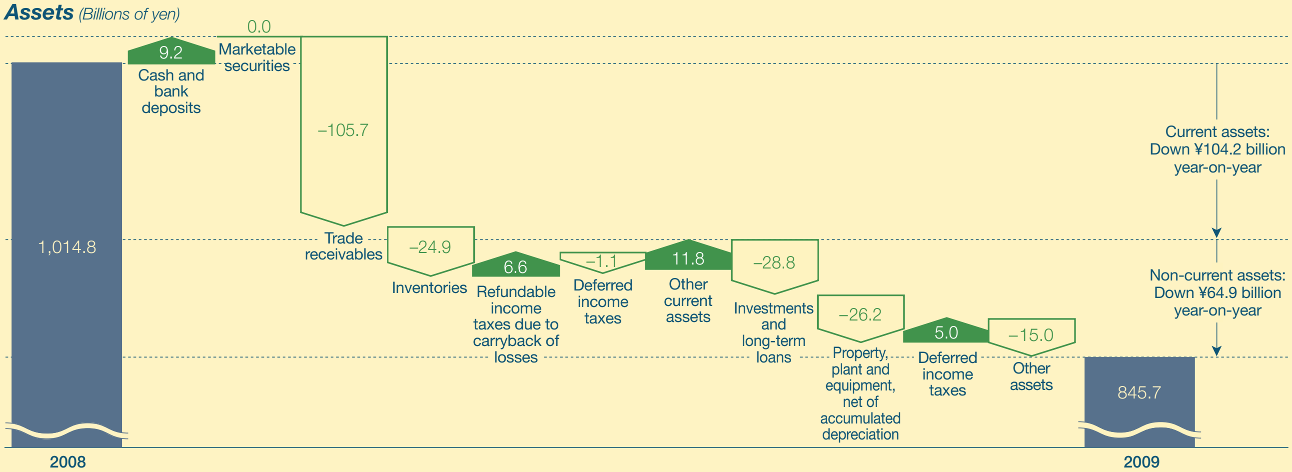
No significant facilities were disposed of or sold during the fiscal year under review.

Financial Position

Total assets decreased by ¥169.1 billion from the previous fiscal year to ¥845.7 billion. Current assets decreased by ¥104.2 billion to ¥397.3 billion and non-current assets decreased ¥64.9 billion to ¥448.4 billion. The major reasons for the decline were considerable decreases in sales receivables, inventories, non-current assets and investment securities.

Working capital declined as decreases in sales receivables and inventories exceeded the drop in accounts payable.

Assets *(Billions of yen)*



Excluding the effects of changes in the scope of consolidation, while notes and trade receivables fell by ¥100.9 billion, inventory by ¥26.6 billion, and notes and trade payables by ¥54.5 billion compared with the previous fiscal year, resulting in a decrease in net working capital of ¥73.0 billion

Major factors behind changes in non-current assets included a decrease of ¥46.9 billion in depreciation, an increase of ¥41.3 billion in capital expenditures, impairment losses and lump-sum depreciation of goodwill reported by overseas subsidiaries that accompanied the unification of accounting standards at these subsidiaries.

With respect to current liabilities, interest-bearing debt, which is the sum of long- and short-term debt, commercial paper and corporate bonds, decreased by ¥15.9 billion from the end of the previous fiscal year to ¥383.1 billion.

With respect to net assets, retained earnings decreased by ¥54.0 billion, while there was a decrease in valuation and translation adjustments caused by declines in the market value of investment securities and the impact of a stronger yen. Consequently, capital ratio fell 6.0 percentage points from the end of the previous consolidated fiscal year to 16.9%.

Business-Related Risks

The Furukawa Electric Group's management performance is affected by the economic conditions of the various markets in which we sell our products and provide services.

The Furukawa Electric Group's management performance, stock price and financial condition may be affected by the following risks, assessed by the Group as of June 25, 2009, the date on which we submitted our financial report.

1) Infringement of third-party intellectual property rights and other rights

The Furukawa Electric Group takes appropriate measures to prevent the infringement of intellectual property and other rights owned by third parties in connection with business activities, including the development, manufacture, use and sales of products and software.

These measures include prior research of such rights and the arrangement of licensing as required. However, we may become engaged in disputes or negotiations in situations in which a third party sues the Group for alleged infringement of intellectual property or other rights owned by the third party, or in cases where intellectual property or other rights owned by the Group are infringed upon by a third party. Lawsuits involving intellectual property may result in the suspension of the manufacture or sale of Group products or a major claim for damages or settlement benefits, and in the event the Group is faced by such suspensions or payment obligations, the results of operations and financial position of the Group may be adversely affected.

2) Defective products

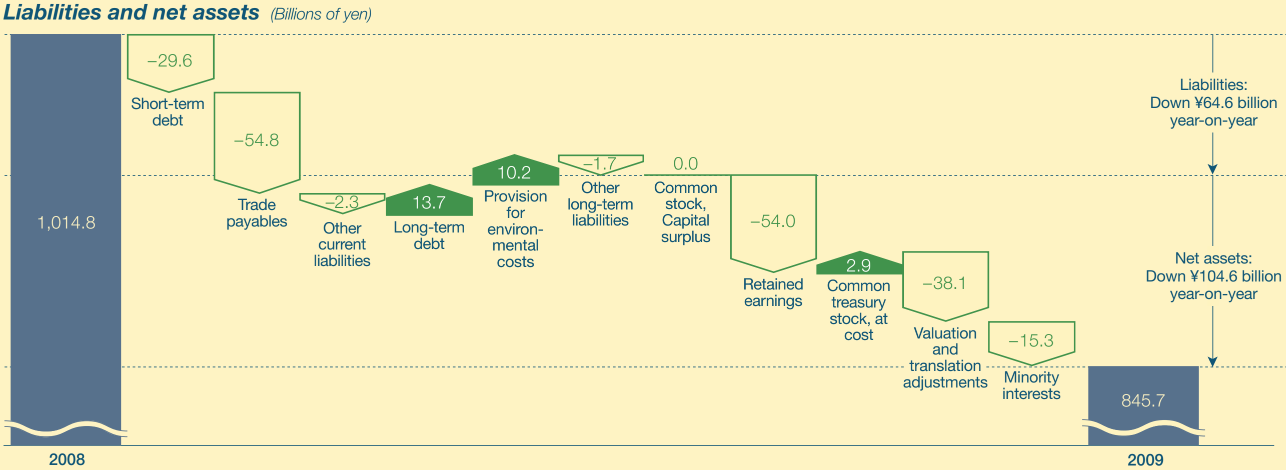
The Furukawa Electric Group manufactures products and services in accordance with prevailing domestic and international standards and specifications as well as its own quality control standards developed over the course of its extensive business experience. However, we cannot warrant that all our products and services are free from defects or that we will not be liable for any unforeseen future losses or damages. Any defects in products such as power cables, communication cables and automotive parts may incur significant additional costs.

While our product liability insurance policy covers risks associated with our products, it may not cover all the damages we might be required to pay. Product defects causing significant damage or product liability may incur major costs and tarnish the Group's reputation, adversely affecting the results of the Group's operations and financial position.

3) Fluctuations in raw material and fuel prices

Prices for our main raw materials, including non-ferrous metals such as copper and aluminum, and polyethylene, along with fuels such as heavy oil and LNG, may fluctuate beyond

Liabilities and net assets *(Billions of yen)*



expectations due to changes in international politics and market trends. We may not be able to sufficiently reflect such substantial price fluctuations onto our sales prices, or we may be unable to do so in a timely manner. This may adversely affect the results of our operations or financial position.

4) Fluctuations in exchange rates

The Furukawa Electric Group owns foreign currency-denominated credit and obligations. Therefore, fluctuations in the foreign currency environment may result in exchange gains or losses.

5) Higher interest rates

If interest rates rise, our interest expenses will increase, which may adversely affect the results of operations.

6) Lowering of credit ratings

Should our performance stagnate, we may incur the risk of credit rating agencies downgrading our long-term bonds and commercial paper.

7) Impairment of assets

In the event of unfavorable conditions in the market or business environment, the market value of our assets may substantially decline, or the profit generated by our assets may decrease, leading us to incur impairment losses on such assets.

8) Soil pollution on land held for business purposes

The Furukawa Electric Group discovered contaminated soil on part of the land owned by the Group in the Nikko area. We are planning for the necessary soil remediation actions. Remediation work is also underway in part of the land owned in the Yokohama area. We also began a survey concerning disposal and ground contamination related to waste being stored in land owned in the Koyama area. In addition, we are conducting remediation work at the former site of the Neyagawa Plant, owned by subsidiary Kyowa Electric Wire Co., Ltd., toward the lifting of the contaminated area designation. We are also implementing soil and groundwater-related measures for the land at the Ibaraki Plant, owned by Aoyama Kinsho. When we sell our land or change how it is used in other areas, we may incur costs associated with soil pollution in the event a soil survey demonstrates the land is contaminated.

9) Overseas activities

The Furukawa Electric Group manufactures and sells products not only in Japan but also in overseas markets, including markets in the U.S., Europe and Asia, as well as emerging markets. We face various potential risks in these overseas markets, such as unexpected changes in laws and regulations, labor disputes caused by changes in the economic environment or sudden outbreaks of epidemics. Such risks may adversely affect the result of our operations.

Particularly in China, where the economy has been growing rapidly over the past several years, we have established and operate a number of business sites, namely in Shanghai, Beijing and Tianjin. Unexpected events in China, such as changes in laws, rules and regulations associated with investment, foreign currency, finance and trade; suspension of power supply; or the outbreak of epidemics, may adversely affect our operations. Concretely, should the Chinese GDP growth rate sharply decline due to the adoption of a governmental policy to curb excessively rapid economic growth, or should the exchange rate of the yuan be adjusted, the results of our operations in China may significantly differ from our business plan forecast. In such cases, the cash flows of our subsidiaries in China may be adversely affected because the collection period for sales receivables from Chinese customers is relatively long.

Future Outlook

The global economy is expected to remain stagnant due to the recession in the economies of the U.S., Europe and other regions as well as the slower economic growth in newly emerging countries caused by the effects of the financial crisis. Consequently, business conditions are expected to become even harsher.

As a result of the drastic changes that have occurred in the economic outlook since we formulated the 2006–2009 medium-term management plan, Innovations 09, in March 2006 and its partial revision in May 2007, we have started developing a new medium-term management plan. The Furukawa Electric Group will seek to strengthen its overall constitution by pursuing thorough reductions in fixed costs and the cost of sales while also reducing inventories and sales receivables. This is to ensure profit under the severe business conditions that are expected to prevail in the future. We have also set the following directions for management:

(1) Globally developing the transmission infrastructure business in the telecommunications and electric power segments.
(2) Reinforcing our position in niche businesses based on distinctive materials in the electronics and automotive components segments.
(3) Improving efficiency by integrating and restructuring traditional businesses, including the copper processing and magnetic wire businesses.

These measures will enhance asset efficiency for the entire Group and bolster our financial condition while we pursue continued progress in restructuring businesses and Group companies from the standpoint of strengthening the Group management structure.

With respect to consolidated performance for fiscal 2010, we expect ¥807.0 billion in net sales, ¥10.0 billion in operating income, ¥7.0 billion in ordinary income and ¥2.5 billion in net income.

CONSOLIDATED BALANCE SHEETS
FURUKAWA ELECTRIC CO., LTD. AND
ITS SUBSIDIARIES
At March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
ASSETS			
Current assets:			
Cash and bank deposits (Notes 4 and 11)	¥ 56,478	¥ 47,328	$ 576,306
Marketable securities (Note 5)	24	40	245
Trade receivable (Note 6)	199,676	305,368	2,037,510
Inventories (Note 7)	93,130	117,996	950,306
Refundable income taxes due to carryback of losses (Note 18)	9,190	2,614	93,776
Deferred income taxes (Note 18)	6,945	8,086	70,867
Other current assets	31,821	20,004	324,704
Total current assets	397,264	501,436	4,053,714
Non-current assets:			
Investments and long-term loans (Notes 5, 8 and 11)	89,590	118,392	914,184
Property, plant and equipment, net of accumulated depreciation (Notes 9,11 and 17)	312,073	338,227	3,184,418
Deferred income taxes (Note 18)	15,789	10,823	161,112
Other assets	30,942	45,900	315,735
Total non-current assets	448,394	513,342	4,575,449
Total	¥ 845,658	¥ 1,014,778	$ 8,629,163

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term debt (Note 11)	¥ 160,147	¥ 189,789	$ 1,634,153
Trade payable (Note 10)	108,217	163,032	1,104,255
Customers' advances	4,511	4,001	46,031
Accrued income taxes (Note 18)	2,858	14,009	29,163
Deferred income taxes (Note 18)	19	5	194
Provision for product defect compensation(Note 2h)	5,230	3,402	53,367
Other current liabilities	51,392	44,937	524,408
Total current liabilities	332,374	419,175	3,391,571
Long-term liabilities :			
Long-term debt (Note 11)	222,967	209,263	2,275,173
Accrued retirement benefits (Note 12)	72,443	77,450	739,214
Provision for environmental costs (Note 2i)	13,652	3,406	139,306
Deferred income taxes (Note 18)	3,863	527	39,418
Other long-term liabilities	9,930	9,975	101,328
Total long-term liabilities	322,855	300,621	3,294,439
Contingent liabilities (Note 14)			
Net assets			
Shareholders' equity (Note 13)			
Common stock Authorized shares, 2,500,000 thousand in 2009 and 2008 Issued shares, 706,554 thousand in 2009 706,539 thousand in 2008	69,376	69,373	707,918
Capital surplus	21,449	21,447	218,867
Retained earnings	65,737	119,712	670,786
Common treasury stock, at cost 4,134 thousand in 2009 9,226 thousand in 2008	(2,282)	(5,147)	(23,285)
Total shareholders' equity	154,280	205,385	1,574,286
Valuation and translation adjustments			
Unrealized gain on available-for-sale securities (Notes 5 and 18)	12,616	24,733	128,735
Deferred gain or loss on derivatives under hedge accounting (Note 2c)	(5,466)	2,018	(55,776)
Foreign currency translation adjustments	(18,729)	(200)	(191,112)
Total valuation and translation adjustments	(11,579)	26,551	(118,153)
Minority interests	47,728	63,046	487,020
Total net assets	190,429	294,982	1,943,153
Total	¥ 845,658	¥ 1,014,778	$ 8,629,163

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATION
FURUKAWA ELECTRIC CO., LTD. AND ITS SUBSIDIARIES
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Net sales	¥ 1,032,807	¥ 1,174,247	$ 10,538,847
Cost of sales (Note 16)	899,409	1,002,410	9,177,643
Gross profit	133,398	171,837	1,361,204
Selling, general and administrative expenses (Note 16)	123,646	123,390	1,261,694
Operating income	9,752	48,447	99,510
Other income (expenses):			
Interest and dividend income	3,425	3,392	34,949
Interest expense	(8,300)	(8,773)	(84,694)
Foreign exchange loss,net	(18,566)	(3,132)	(189,449)
Gain on sales of investment securities (Note 5)	3,543	947	36,153
Loss on write-down of investment securities	(2,632)	(1,512)	(26,857)
Provision for doubtful accounts	(2,294)	(2,274)	(23,408)
Loss on disposal of property, plant and equipment, net	(1,593)	(1,725)	(16,255)
Impairment loss (Notes 2q and 17)	(13,304)	(3,481)	(135,755)
Provision for enviromenntal costs	(12,482)	(1,837)	(127,367)
Equity in income of non-consolidated subsidiaries and affiliates	291	1,896	2,969
Reversal of foreign currency translation adjustments	18,515	—	188,929
Other, net	(7,251)	(914)	(73,990)
	(40,648)	(17,413)	(414,775)
(Loss) income before income taxes and minority interests	(30,896)	31,034	(315,265)
Income taxes (Note 18) :			
Current	2,235	20,367	(22,806)
Deferred	10,497	(8,901)	(107,112)
	12,732	11,466	(129,918)
Minority interests in (loss) income of consolidated subsidiaries	(6,223)	4,277	63,499
Net (loss) income	¥ (37,405)	¥ 15,291	$ (381,684)

	Yen		U.S. dollars
	2009	2008	2009
Per common share (Notes 2o and p)			
Basic net (loss)income	¥ (53.34)	¥ 21.81	$ (0.544)
Diluted net income	—	21.81	—
Cash dividends	6.00	7.00	0.061

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FURUKAWA ELECTRIC CO., LTD. AND ITS SUBSIDIARIES
For the years ended March 31, 2009 and 2008

	Millions of yen										
	Shareholders' equity					Valuation and translation adjustments					
	Common stock	Capital surplus	Retained earnings	Common treasury stock	Total Shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	69,359	21,230	108,744	(59)	199,274	47,093	3,920	(3,240)	47,773	69,255	316,302
Exercise of stock acquisition rights	14	14	-	-	28	-	-	-	-	-	28
Effect of increase in exchange of equity interest	-	203	-	-	203	-	-	-	-	-	203
Cash dividends paid	-	-	(4,912)	-	(4,912)	-	-	-	-	-	(4,912)
Net income	-	-	15,291	-	15,291	-	-	-	-	-	15,291
Net effect of increase in consolidated subsidiaries	-	-	30	-	30	-	-	-	-	-	30
Effect of increase in affiliates accounted for under the equity method	-	-	435	-	435	-	-	-	-	-	435
Effect of increase in mergers of non-consolidated subsidiaries			141		141	-	-	-	-	-	141
Adjustments for retirement benefits of overseas subsidiaries	-	-	(17)	-	(17)	-	-	-	-	-	(17)
Acquisition of treasury stock	-	-	-	(5,090)	(5,090)	-	-	-	-	-	(5,090)
Disposal of treasury stock	-	0	-	2	2	-	-	-	-	-	2
Net change during the year	-	-	-	-	-	(22,360)	(1,902)	3,040	(21,222)	(6,209)	(27,431)
Balance at March 31, 2008	¥ 69,373	¥ 21,447	¥ 119,712	¥ (5,147)	¥ 205,385	¥ 24,733	¥ 2,018	¥ (200)	¥ 26,551	¥ 63,046	¥ 294,982
Exercise of stock acquisition rights	3	3	-	-	6	-	-	-	-	-	6
Effect of decrease in exchange of equity interest	-	-	(313)	2,984	2,671	-	-	-	-	-	2,671
Cash dividends paid	-	-	(4,890)	-	(4,890)	-	-	-	-	-	(4,890)
Net loss	-	-	(37,405)	-	(37,405)	-	-	-	-	-	(37,405)
Net effect of increase in consolidated subsidiaries	-	-	(464)	-	(464)	-	-	-	-	-	(464)
Net effect of decrease in consolidated subsidiaries	-	-	(233)	-	(233)	-	-	-	-	-	(233)
Effect of increase in affiliates accounted for under the equity method	-	-	47	-	47	-	-	-	-	-	47
Effect of decrease in affiliates accounted for under the equity method	-	-	(46)	-	(46)	-	-	-	-	-	(46)
Adjustments for retirement benefits of overseas subsidiaries	-	-	(2,445)	-	(2,445)	-	-	-	-	-	(2,445)
Acquisition of treasury stock	-	-	-	(126)	(126)	-	-	-	-	-	(126)
Disposal of treasury stock	-	(1)	(2)	7	4	-	-	-	-	-	4
Effect of decrease due to application of ASBJ PITF No.18	-	-	(8,224)	-	(8,224)	-	-	-	-	-	(8,224)
Net change during the year	-	-	-	-	-	(12,117)	(7,484)	(18,529)	(38,130)	(15,318)	(53,448)
Balance at March 31, 2009	¥ 69,376	¥ 21,449	¥ 65,737	¥ (2,282)	¥ 154,280	¥ 12,616	¥ (5,466)	¥ (18,729)	¥ (11,579)	¥ 47,728	¥ 190,429

	Thousands of U.S. dollars (Note 3)										
	Shareholders' equity					Valuation and translation adjustments					
	Common stock	Capital surplus	Retained earnings	Common treasury stock	Total Shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	$ 707,888	$ 218,847	$ 1,221,551	$ (52,520)	$ 2,095,766	$ 252,378	$ 20,592	$ (2,041)	$ 270,929	$ 643,326	$ 3,010,021
Exercise of stock acquisition rights	30	30	-	-	60	-	-	-	-	-	60
Effect of decrease in exchange of equity interest	-	-	(3,194)	30,449	27,255	-	-	-	-	-	27,255
Cash dividends paid	-	-	(49,898)	-	(49,898)	-	-	-	-	-	(49,898)
Net loss	-	-	(381,684)	-	(381,684)	-	-	-	-		(381,684)
Net effect of increase in consolidated subsidiaries	-	-	(4,735)	-	(4,735)	-	-	-	-	-	(4,735)
Net effect of decrease in consolidated subsidiaries	-	-	(2,377)	-	(2,377)	-	-	-	-	-	(2,377)
Effect of increase in affiliates accounted for under the equity method	-	-	480	-	480	-	-	-	-	-	480
Effect of decrease in affiliates accounted for under the equity method	-	-	(470)	-	(470)	-	-	-	-	-	(470)
Adjustments for retirement benefits of overseas subsidiaries	-	-	(24,949)	-	(24,949)	-	-	-	-	-	(24,949)
Acquisition of treasury stock		-	-	(1,285)	(1,285)	-	-	-	-	-	(1,285)
Disposal of treasury stock	-	(10)	(20)	71	41	-	-	-	-	-	41
Effect of decrease due to application of ASBJ PITF No.18	-	-	(83,918)	-	(83,918)	-	-	-	-	-	(83,918)
Net change during the year	-	-	-	-	-	(123,643)	(76,368)	(189,071)	(389,082)	(156,306)	(545,388)
Balance at March 31, 2009	$ 707,918	$ 218,867	$ 670,786	$ (23,285)	$ 1,574,286	$ 128,735	$ (55,776)	$ (191,112)	$ (118,153)	$ 487,020	$ 1,943,153

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FURUKAWA ELECTRIC CO., LTD. AND ITS SUBSIDIARIES

For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Cash flows from operating activities:			
(Loss)income before income taxes and minority interests	¥ (30,896)	¥ 31,034	$ (315,265)
Adjustments for:			
Depreciation and amortization	46,933	42,128	478,908
Gain on sales of marketable securities and investment securities	(3,488)	(108)	(35,592)
Equity in income of non-consolidated subsidiaries and affiliates	(291)	(1,896)	(2,969)
Loss on disposal of inventories	-	1,198	-
Loss on disposal of property, plant and equipment, net	1,593	1,725	16,255
Loss on write-down of inventories	3,912	-	39,918
Loss on write-down of investment securities	2,632	1,512	26,857
Impairment loss	13,304	3,481	135,755
Interest and dividend income	(3,425)	(3,392)	(34,949)
Interest expense	8,300	8,773	84,694
Foreign exchange loss, net	18,406	2,549	187,816
Reversal of foreign currency translation adjustments	(18,515)	-	(188,929)
Decrease(increase) in trade receivable	87,290	(2,026)	890,714
Decrease(increase) in inventories	15,720	(3,666)	160,408
Decrease in refundable income tax due to carryback of losses	1,805	23,095	18,418
Decrease in trade payable	(44,183)	(13,587)	(450,847)
Decrease in accrued retirement benefits	(3,909)	(1,176)	(39,888)
Increase in provision for environmental costs	11,225	1,808	114,541
Other	(9,304)	21,253	(94,937)
Subtotal	97,109	112,705	990,908
Interest and dividend income received	3,396	3,321	34,653
Interest expense paid	(8,472)	(8,854)	(86,449)
Income taxes paid	(13,305)	(16,412)	(135,765)
Net cash provided by operating activities	78,728	90,760	803,347
Cash flows from investing activities:			
Proceeds from sales of marketable securities	4	5,234	41
Payments for purchase of property, plant and equipment	(39,129)	(42,957)	(399,276)
Payments for purchase of intangibles	(2,147)	(2,307)	(21,908)
Payments for purchase of investment securities	(3,666)	(6,075)	(37,408)
Proceeds from sales of investment securities	867	9,942	8,847
Proceeds from sales of shares of a consolidated subsidiary resulting in change in scope of consolidation (Note4)	-	(3,391)	-
Proceeds from sales of non-current assets	866	2,299	8,837
Other	(8,062)	(14,858)	(82,266)
Net cash used in investing activities	(51,267)	(52,113)	(523,133)

	Millions of yen	
	2009	2008
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	4,995	(9,990)
Proceeds from long-term debt	46,434	59,725
Repayment of long-term debt	(59,650)	(79,894)
Proceeds from issuance of stock	5	29
Proceeds from issuance of stock to minority shareholders	-	66
Cash dividends paid	(4,889)	(4,912)
Cash dividends paid to minority shareholders	(1,495)	(1,540)
Payments for purchase of common treasury stock	(118)	(5,089)
Other	165	24
Net cash used in financing activities	(14,553)	(41,581)
Effect of exchange rate changes on cash and cash equivalents	(3,775)	(79)
Net increase (decrease) in cash and cash equivalents	9,133	(3,013)
Cash and cash equivalents at beginning of year	43,828	45,863
Cash and cash equivalents of newly consolidated subsidiaries	806	308
Cash and cash equivalents of a de-consolidated subsidiary	(314)	-
Net increase in cash and cash equivalents from mergers	-	670
Cash and cash equivalents at end of year (Note 4)	¥ 53,453	¥ 43,828

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FURUKAWA ELECTRIC CO., LTD. AND
ITS SUBSIDIARIES

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Furukawa Electric Co., Ltd. (the "Company") and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries.

Certain items presented in the consolidated financial statements submitted to the directors of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

2. Significant Accounting Policies

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its 107 and 110 major subsidiaries in 2009 and 2008, respectively. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in its 16 major affiliates in 2009 and 2008 are accounted for by the equity method.

The excess of purchase price over the value of net assets of businesses acquired, which is included in "Other assets", is mainly amortized over a five-year period using the straight-line method. If the effective useful lives of assets can be reasonably estimated, these useful lives are used for amortization purposes.

One such amount recorded as goodwill by a subsidiary in the United States of America (the "U.S."), and included in "Other assets", was not amortized, in accordance with generally accepted accounting principles in the U.S. ("U.S. GAAP") for the year ended March 31, 2008. Under U.S. GAAP, an impairment test on goodwill is required to be performed at least annually or when circumstances lead management to believe that substantial impairment may have occurred. If an impairment has occurred and the fair value of the acquired business is determined to be less than the book value, an impairment loss is recorded to reduce the amount of goodwill.

b) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits capable of being withdrawn on demand and short-term investments with an original maturity of three months or less and subject to a minor risk of fluctuation in value.

c) Financial instruments

1) Debt and equity securities

Debt securities for which the Company and its consolidated subsidiaries have both the positive intent and ability to hold to maturity are classified as "held-to-maturity debt securities" and carried at amortized cost. Securities other than held-to-maturity debt securities and investments in equity securities of non-consolidated subsidiaries and affiliates are classified as "available-for-sale securities" and carried at fair value with unrealized gain and loss, net of tax, reported as a separate component of net assets. For the purpose of computing gain and loss on securities sold, the cost of these securities is determined using the moving average method. Securities that do not have readily determinable fair values are recorded at cost. The Company and its consolidated subsidiaries do not hold any trading securities.

Debt securities due within one year are presented as "Marketable securities" under current assets, and all other securities are presented as "Investments and long-term loans" in the accompanying balance sheets.

Additional information with respect to marketable debt and equity securities is included in Note 5.

2) Derivatives

Derivative financial instruments are measured at fair value, if determinable, and resulting gain or loss is included in net income, with the exception that gain or loss on certain qualified hedging instruments may be deferred as an a part of "Net assets" until the gain and loss on the hedged items is recognized. The Company's hedging activities for interest rate risk on outstanding debt, foreign currency risk and fluctuation risk in market prices are considered qualified hedge transactions.

Additional information on derivatives is presented in Note 19.

d) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at the amount of estimated non-recoverable receivables on an individual account basis, plus the amount calculated by applying the historical bad debt loss ratios to the remaining receivables.

e) Inventories

Inventories are stated principally at cost determined using the average method, which requires the amount of the inventories on the balance sheets be written down when there is a decrease in profitability.

(Change in accounting policy)
While inventories were previously stated at cost determined using the average method, the "Accounting Standard for Measurement of Inventory" (ASBJ Statement No.9, issued July 5, 2006) has been applied for the year ended March 31, 2009. As a result, operating income decreased by ¥3,231 million ($32,969 thousand) and loss before income taxes and minority interests increased by ¥3,912 million ($39,918 thousand) for the year ended March 31, 2009. The effects of this change on segment information are presented in Note 22.

In addition, whereas the Company previously adopted the semi-annually average method in determining the cost of finished goods and work in process, it was changed to the monthly average method effective from the fiscal year beginning April 1, 2008. This change was made to provide more appropriate presentation of its financial positions and operating results by reflecting significant fluctuations in market prices of such main raw materials as copper in cost of sales and book value of inventories in recent years. The effects of this change to operating income and loss before income taxes and minority interests are immaterial.

f) Property, plant and equipment, and depreciation

Property, plant and equipment, including significant capital expenditures and additions, are stated at cost. Repairs and maintenance expense are charged to income as incurred.

Buildings owned by the Company and its significant domestic consolidated subsidiaries are depreciated using the straight-line method and the remaining properties of these companies are depreciated using the declining-balance method. Foreign consolidated subsidiaries' properties are depreciated principally using the straight-line method.

(Change in accounting policy)
Effective from the fiscal year beginning April 1, 2007, the Company and its domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007 in accordance with the revised Corporation Tax Law of Japan. As a result, operating income and income before income taxes and minority interests for the year ended March 31, 2008 decreased by ¥663 million, respectively.

(Additional information)

The Company and its domestic consolidated subsidiaries changed the useful lives for certain property, plant and equipment after reviewing the useful lives stipulated in the revised Corporation Tax Law of Japan. As a result, operating income decreased and loss before income taxes and minority interests increased by ¥5,162 million ($52,673 thousand) for the year ended March 31, 2009, respectively. The effects of this change on segment information are presented in Note 22.

The Company and its domestic consolidated subsidiaries have depreciated the residual value of property, plant and equipment acquired on or before March 31, 2007 to a nominal amount by the straight-line method over a period of five years from the following fiscal year when 5% of the acquisition cost is reached in accordance with the previous Corporation Tax Law of Japan. As a result, operating income and income before income taxes and minority interests for the year ended March 31, 2008 decreased by ¥3,606 million, respectively.

g) Accrued retirement benefits

Employees who terminate their service with the Company or its domestic consolidated subsidiaries are entitled to lump-sum severance indemnities determined based on accumulated points allocated to employees each year according to their job classification and performance. The liability for these severance indemnities is not funded.

The retirement benefit plans of the Company and its domestic consolidated subsidiaries have features whereby employees who retire at age 55 or over with 20 or more years of service may elect to receive benefits in the form of pensions. These plans, which are non-contributory and funded, generally provide for an annuity payable over a ten-year period subsequent to retirement. The annual contributions for pension benefits include current service costs, amortization of prior service costs and interest on the unfunded portion of past service costs.

The Company and its domestic consolidated subsidiaries accrue retirement benefits based on the estimated amounts of projected benefit obligation reduced by the fair value of the pension plan assets at each fiscal year-end. Certain assumptions used in accounting for the benefit plans are described in Note 12.

A minimum pension liability adjustment is required for the Company's consolidated subsidiaries in the U.S., generally when the accumulated benefit obligation exceeds plan assets under U.S. GAAP. The minimum liability adjustment, less allowable intangible assets, is directly charged to retained earnings, net of tax benefit, in the accompanying consolidated financial statements.

In addition, retirement benefits to directors and statutory auditors of the Company's consolidated subsidiaries are provided at the amount which would be required if all directors and statutory auditors were to retire at the balance sheet date.

(Additional information)

Effective as of October 1, 2008, the Company and its consolidated subsidiary, Furukawa-Sky Aluminum Corp., made changes to their employee retirement plans with the objective of maintaining sustainable operations and reflecting the individual employee's contribution in his retirement benefits on a reasonable basis. The main changes included a shift to the "point-based benefit system" for the whole retirement benefit plans, a change from the tax qualified pension plan to the defined benefit plan , and partial introduction of the defined contribution plan.

h) Provision for product defect compensation

Provision for product defect compensation is provided at an amount deemed necessary to cover possible compensation costs.

i) Provision for environmental costs

Provision for environmental costs, mainly to remove Poly Chlorinated Biphenyl ("PCB") and to improve soil conservation, is provided to cover estimated future costs.

j) Leases

Depreciation of finance lease assets that transfer ownership of the assets, mainly office equipment in the copper foil business division, is calculated by the same method applied for property, plant and equipment.
Depreciation of finance lease assets which do not transfer ownership of the assets at the end of the lease term is calculated by the straight-line method over the lease periods, which are deemed as the useful lives, assuming no residual value.
However, finance lease transactions entered before March 31, 2008, which do not substantially transfer ownership of the assets, are continuously accounted for as operating leases.

(Change in accounting policy)
Previously, the accounting treatment for finance lease transactions that do not transfer ownership of the assets followed the same method as for operating lease transactions. In compliance with "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, Business Accounting Council Committee No. 1, issued June 17, 1993; revised March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, the Japanese Institute of Certified Public Accountants, Accounting Committee, issued January 18, 1994; revised March 30, 2007) which became effective from the fiscal year beginning April 1, 2008, the Company has adopted these standard and guidance by applying the method followed in accounting for ordinary purchase and sales transactions to such lease transactions.
The effects of this change to operating income and loss before income taxes and minority interests are immaterial.

k) Revenue recognition

Operating revenue is mainly recorded upon shipment of goods or on completion of construction or services. The percentage of completion method is however applied to significant long-term construction contracts.

l) Research and development costs, and computer software

Research and development expenditure is charged to income when incurred. Expenditure relating to computer software developed for internal use is charged to income when incurred, except when it contributes to the generation of income or to future cost savings. Such expenditure is capitalized as an asset and amortized using the straight-line method over its estimated useful life of 5 years.

m) Income taxes

Accrued income taxes are recorded based on the Company's income tax returns.

Deferred income taxes are recognized to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company has elected to file its tax return under the consolidated tax filing system.

n) Translation of foreign currency accounts

Current and non-current monetary items denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the respective balance sheet dates. Monetary items denominated in foreign currencies, for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation, are translated into Japanese yen at the contracted rates. Exchange gain or loss is credited or charged to current operations.

The Company translates the revenue and expense accounts of the overseas consolidated subsidiaries and affiliates accounted for by the equity method at the average rates of exchange in effect during the year. The balance sheet accounts except for the components of net assets excluding minority interests in the overseas consolidated subsidiaries and affiliates accounted for by the equity method, are translated into Japanese yen at the rates of exchange in effect at the respective balance sheet date. The components of net assets excluding minority interests in the overseas consolidated subsidiaries and affiliates accounted for by the equity method are translated at their historical exchange rates. Differences arising from translation where two exchange rates have been used are presented under translation adjustments as a component of net assets.

(Change in accounting policy)
While the Company previously translated revenue and expense accounts of overseas consolidated subsidiaries and affiliates accounted for by the equity method into Japanese

yen at the exchange rates prevailing on the balance sheet dates of these subsidiaries and affiliates, it has translated them using the average exchange rates for the year ended March 31, 2009.

This change was made to present the business condition on a more real basis in view of the increased materiality of overseas consolidated subsidiaries and affiliates accounted for by the equity method and to avoid the possibility that, depending on the changes in exchange rates, the operating results of these subsidiaries and affiliates may not be fairly presented when the items of revenue and expense which arise throughout the year are translated at the year end rates.

This change increased operating income by ¥1,266 million ($12,918 thousand) and loss before income taxes and minority interests by ¥2,708 million ($27,633 thousand). The effects of this change on segment information are presented in Note 22.

o) Cash dividends

Dividends paid out of earnings are, in principle, approved by the shareholders' meeting. Interim dividends can be paid at any time during the fiscal year by resolution of the board of directors, if the Article of Incorporation set out for such dividends under the Corporate Law of Japan.

The Corporate Law of Japan provides certain limitations on the amount available for dividends.

p) Net income per common share

The consolidated statements of income include "basic" and "diluted" per share information. Basic per share income is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the respective years. The weighted average number of shares used in the calculation of basic net income per common share was 701,225 thousand and 701,006 thousand for the years ended March 31, 2009 and 2008, respectively. The only difference in the calculation of basic and diluted net income per common share is the inclusion of 110 thousand potential common shares, which are subscriptions rights, for the year ended March 31, 2008.

q) Impairment of property, plant and equipment

Property, plant and equipment are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the statements of income by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount, to be measured as the higher of net selling price or value in use.
Accumulated loss of impairment is deducted directly from the acquisition costs of the related assets in accordance with the revised disclosure requirements.

Additional information on impairment of property, plant and equipment, and depreciation is presented in Note 17.

r) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

The Company has applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18(“ASBJ PITF No. 18”), issued May 17, 2006) and made necessary adjustments for consolidated financial statements for the year ended March 31, 2009. The effects of this change to operating income and loss before income taxes and minority interests are immaterial.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥ 98 =U.S. $ 1, the approximate rate of exchange for the year ended March 31, 2009, has been used for the purpose of the translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

4. Cash Flow Information

Cash and cash equivalents at March 31, 2009 and 2008 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and bank deposits	¥ 56,478	¥ 47,328	$ 576,306
Less, time deposits with an original maturity of more than 3 months	(3,049)	(3,540)	(31,112)
Highly liquid securities	24	40	245
Cash and cash equivalents	¥ 53,453	¥ 43,828	$ 545,439

The information of assets and liabilities of Optical Communication Products, Inc., (“OCP”) which was sold during the year ended March 31, 2008, and the difference between the proceeds from sales of shares of OCP and net cash proceeds from sales of shares of OCP is as follows.

	Millions of yen
Current assets	¥ 18,047
Non-current assets	3,975
Current liabilities	(1,826)
Long-term liabilities	(18)
Foreign currency translation adjustment	(586)
Minority interests	(8,216)
Gain on sales of shares of OCP	227
Proceeds from sales of shares of OCP	11,603
Acquisition of shares of purchaser of OCP's shares	(1,806)
Cash and cash equivalents	(13,188)
Net cash proceeds from sales of shares of OCP	¥ (3,391)

5. Debt and Equity Securities

Investments in debt and equity securities that have a readily determinable fair value at March 31, 2009 and 2008 included in "Marketable securities" (Current assets) and in "Investments and long-term loans" (Non-current assets) are summarized as follows:

	Millions of yen							
	2009				2008			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:								
Corporate bonds	¥ —	¥ —	¥ —	¥ —	¥ 10	¥ 10	¥ —	¥ —
Other debt securities	211	214	3	—	217	220	3	—
Total held-to-maturity debt securities	211	214	3	—	227	230	3	—
Available-for-sale securities:								
Marketable equity securities	23,609	44,522	24,664	3,751	27,390	69,230	44,359	2,519
Other securities	11	11	—	—	11	11	—	—
Total available-for-sale securities	23,620	44,533	24,664	3,751	27,401	69,241	44,359	2,519
	¥ 23,831	¥ 44,747	¥24,667	¥ 3,751	¥ 27,628	¥ 69,471	¥ 44,362	¥ 2,519

	Thousands of U.S. dollars			
	2009			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:				
Corporate bonds	$ —	$ —	$ —	$ —
Other debt securities	2,153	2,184	31	—
Total held-to-maturity debt securities	2,153	2,184	31	—
Available-for-sale securities:				
Marketable equity securities	240,908	454,306	251,673	38,275
Other securities	112	112	—	—
Total available-for-sale securities	241,020	454,418	251,673	38,275
	$ 243,173	$ 456,602	$ 251,704	$ 38,275

The proceeds from sales of available-for-sale securities for the years ended March 31, 2009 and 2008 were ¥5,166 million ($52,714 thousand) and ¥4,038 million, respectively. The gross realized gain on those sales for the years ended March 31, 2009 and 2008 was ¥3,207 million ($32,724 thousand) and ¥698 million, respectively, and gross realized loss were ¥56 million ($571 thousand) and ¥277 million, respectively.

The aggregate annual maturities of available-for-sale securities and held-to-maturity debt securities at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Due within 1 year	¥ 13	¥ 30	$ 133
Due after 1 year through 5 years	201	202	2,051
Due after 5 years through 10 years	—	—	—
	¥ 214	¥ 232	$ 2,184

6. Trade Receivable

Trade receivable at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Non-consolidated subsidiaries and affiliates	¥ 12,010	¥ 20,580	$ 122,551
Other	189,556	286,631	1,934,245
Allowance for doubtful accounts	(1,890)	(1,843)	(19,286)
	¥ 199,676	¥ 305,368	$ 2,037,510

7. Inventories

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Finished goods	¥ 27,843	¥ 36,369	$ 284,112
Work in process	29,284	43,191	298,816
Raw materials and supplies	36,003	38,436	367,378
	¥ 93,130	¥ 117,996	$ 950,306

8. Investments and Long-term Loans

Investments and long-term loans at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Non-consolidated subsidiaries and affiliates	¥ 38,605	¥ 43,817	$ 393,929
Other	50,985	74,575	520,255
	¥ 89,590	¥ 118,392	$ 914,184

9. Property, Plant and Equipment

Property, plant and equipment at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Land	¥ 84,286	¥ 87,817	$ 860,061
Buildings	250,225	254,390	2,553,316
Machinery and equipment	697,449	716,152	7,116,827
Leased assets	447	-	4,561
Construction in progress	15,534	13,144	158,510
	1,047,941	1,071,503	10,693,275
Accumulated depreciation	(735,868)	(733,276)	(7,508,857)
	¥ 312,073	¥ 338,227	$ 3,184,418

10. Trade Payable

Trade payable at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Non-consolidated subsidiaries and affiliates	¥ 1,817	¥ 2,774	$ 18,541
Other	106,400	160,258	1,085,714
	¥ 108,217	¥ 163,032	$ 1,104,255

11. Short-term and Long-term Debt

Short-term debt represents notes payable to banks, most of which are unsecured, bank overdrafts, commercial papers issued by the Company and bearing interest at rates ranging from 0.0400% to 9.7110% and from 0.5160% to 7.7000% per annum, at March 31, 2009 and 2008, respectively, and the current portion of long-term debt.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
1.67% unsecured bonds due 2008	¥ —	¥ 3,000	$ —
1.20% unsecured bonds due 2008	—	2,000	—
1.22% unsecured bonds due 2011	20,000	20,000	204,082
1.87% unsecured bonds due 2011	20,000	20,000	204,082
1.46% unsecured bonds due 2010	10,000	10,000	102,041
1.76% unsecured bonds due 2012	10,000	10,000	102,041
1.28% unsecured bonds due 2012	5,000	5,000	51,020
1.11% unsecured bonds due 2011	2,000	—	20,408
1.56% unsecured bonds due 2014	2,000	—	20,408
Secured bonds issued by consolidated subsidiaries, due from 2008 to 2013 with interest rates ranging from 0.73% to 2.20%	6,175	6,366	63,010
Loans, principally from banks and insurance companies, due from 2010 to 2017 with interest rates ranging from0.6500% to 6.3800% and predominantly collateralized	179,612	192,800	1,832,775
	254,787	269,166	2,599,867
Less: portion due within one year	31,820	59,903	324,694
	¥ 222,967	¥ 209,263	$ 2,275,173

At March 31, 2009 and 2008, the following assets were pledged as collateral for long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Property, plant and equipment	¥ 24,919	¥ 30,479	$ 254,275
Investments in securities	18,349	33	187,235
Cash and bank deposits	157	50	1,602
	¥ 43,425	¥ 30,562	$ 443,112

The aggregate annual maturities of the non-current portion of long-term debt at March 31, 2009 were as follows.

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 47,387	$ 483,541
2012	49,413	504,214
2013	42,190	430,510
2014 and thereafter	83,977	856,908

12. Severance and Retirement Plans

The following table sets forth the retirement benefit obligation, plan assets and funded status of the Company and its domestic consolidated subsidiaries at March 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	¥ 109,115	¥ 117,141	$ 1,113,418
Fair value of plan assets	(24,344)	(30,331)	(248,408)
Benefit obligation in excess of plan assets	84,771	86,810	865,010
Unrecognized prior service costs	(615)	(34)	(6,276)
Unrecognized actuarial net loss	(11,713)	(9,326)	(119,520)
Net amount recognized	72,443	77,450	739,214
Prepaid pension costs	-	-	-
Accrued retirement benefits recognized in the consolidated balance sheets	¥ 72,443	¥ 77,450	$ 739,214

The severance and retirement benefit expenses of the Company and its consolidated subsidiaries included the following components for the years ended March 31, 2009 and 2008.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service costs	¥ 5,558	¥ 5,057	$ 56,714
Interest costs	2,959	3,072	30,194
Expected return on plan assets	(1,081)	(1,210)	(11,031)
Amortization of actuarial differences	2,532	1,198	25,837
Amortization of prior service costs	(209)	21	(2,133)
Retirement benefit expense	¥ 9,759	¥ 8,138	$ 99,581

Assumptions used in accounting for the employees' retirement benefit plans for the years ended March 31, 2009 and 2008 were as follows:

Discount rate	2.0 - 6.0% for 2009 and 2008
Expected rate of return on plan assets	2.0 - 8.0% for 2009 and 2008
Method of attributing the projected benefits to periods of service	Straight-line basis
Amortization of unrecognized prior service costs	1 -13 years for 2009 and 1 -17 years for 2008
Amortization of unrecognized actuarial differences (amortization starts from the year following that year in which they arise)	1 - 14 years for 2009 and 1 -17 years for 2008

13. Shareholders' Equity

Under the Corporate Law of Japan, cash dividends may be paid at any time during the fiscal year with certain conditions. An amount equal to 10% of dividends is required to be appropriated as additional paid-in capital (a component of "Capital surplus") or legal reserve (a component of "Retained earnings") until the amount of additional paid-in capital and legal reserve equals 25% of common stock. The cash dividends paid out of additional paid-in capital and/or legal reserve are recorded in the financial year in which the proposed appropriation of retained earnings is approved by the board of directors and/or the shareholders. The maximum amount that the Company can distribute as cash dividends is calculated based on the non-consolidated fiscal statements of the Company.

(Dividends)

1) Dividend payment

Approvals by shareholders' meeting held on June 26, 2008 are as follows:

Type of shares	Common stock
Total amount of dividends	¥2,440 million ($24,898 thousand)
Dividends per share	¥3.5 ($0.036)
Record date	March 31, 2008
Effective date	June 27, 2008

Approvals by directors' meeting held on November 10, 2008 are as follows:

Type of shares	Common stock
Total amount of dividends	¥2,450 million ($25,000 thousand)
Dividends per share	¥3.5 ($0.036)
Record date	September 30, 2008
Effective date	December 5, 2008

2) Dividends whose record date is attributable to the year ended March 31, 2009 but to be effective in the following year

Approvals by shareholders' meeting held on June 26, 2009 are as follows:

Type of shares	Common stock
Total amount of dividends	¥1,756 million ($17,918 thousand)
Funds for dividends	Retained earnings
Dividends per share	¥2.5 ($0.026)
Record date	March 31, 2009
Effective date	June 26, 2009

14. Contingent Liabilities

Contingent liabilities at March 31, 2009 and 2008 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Notes discounted	¥ 656	¥ 714	$ 6,694
Notes endorsed	16,516	25,021	168,531
Loans guaranteed (principally for non-consolidated subsidiaries and affiliates)	18,657	20,322	190,377
Total	¥ 35,829	¥ 46,057	$ 365,602

15. Finance lease transactions entered before March 31, 2008, which do not transfer ownership of the assets

Lease rental expense for the years ended March 31, 2009 and 2008 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Lease rental expense	¥ 920	¥ 1,520	$ 9,388

The amounts of outstanding future lease payments at March 31, 2009 and 2008, which included the portion of interest thereon, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Future lease			
Future lease payments:			
Within one year	¥ 650	¥ 920	$ 6,633
Over one year	648	1,281	6,612
Total	¥ 1,298	¥ 2,201	$ 13,245

Acquisition cost, accumulated depreciation and net book value of the leased assets at March 31, 2009 and 2008, and depreciation expense for the years ended March 31, 2009 and 2008, assuming capitalization, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Acquisition cost	¥ 3,733	¥ 5,288	$ 38,092
Accumulated depreciation	2,435	3,087	24,847
Net book value	¥ 1,298	¥ 2,201	$ 13,245
Depreciation	¥ 920	¥ 1,520	$ 9,388

Depreciation is based on the straight-line method over the lease term of leased assets with zero residual value.

16. Research and Development Expenses

Research and development costs charged to income for the years ended March 31, 2009 and 2008 amounted to ¥19,895 million ($203,010 thousand) and ¥19,789 million, respectively.

17. Impairment Loss

Impairment loss by type of assets for the year ended March 31, 2009 consisted of the following:

Usage and Location	Type of asset	Millions of yen	Thousands of U.S. dollars
Manufacturing equipment for optical cable located in geogia,United States	Building and structures	¥ 1,567	$ 15,990
	Machinery and equipment	1,463	14,929
	Intangible assets	2,697	27,520
	Other	1,025	10,459
Manufacturing equipment for electronics and automotive systems located in Kameyama -city, Mie prefecture	Machinery and equipment	1,538	15,694
	Other	908	9,265
Manufacturing equipment for aluminum products located in Omi hachiman-city,Shiga prefecture	Machinery and equipment	856	8,735
	Land	2,046	20,877
	Other	163	1,663
Idle properties located in Hiratsuka-city, Kanagawa prefecture	Machinery and equipment	814	8,306
	Land	91	929
	Other	136	1,388
	Total	¥ 13,304	$ 135,755

For the purpose of determining whether impairment loss have occurred, the Company and its subsidiaries classified property, plant and equipment into groups by company or business or business unit, each of which is deemed to generate independent cash flows, and idle properties into individual independent groups.

It has been decided that recoverable amounts of property, plant and equipment for the above business unit were less than their carrying amounts due to continuing negative cash flow generated from operating activities and the likelihood of the carrying amount not being recoverable by future cash flows. Accordingly, the carrying amounts of such assets were written off to the recoverable amounts. The recoverable amounts of the asset groups were mainly evaluated based on the value in use, which was calculated by discounting future cash flows at an interest rate ranging from 6.0% to11.8%.

The carrying amounts of certain asset groups forming idle properties were written down to their recoverable amounts, owing to substantial decline in the fair market value. Recoverable amount of each asset for idle properties was mainly evaluated based on the net selling value (fair value less costs to sell). Recoverable amounts of such asset groups were mainly determined based on either appraisal value prepared by real estate appraisers or assessed value used for property tax purpose. If such assets cannot be sold or diverted to other usage, they are booked at the memorandum price or at nil.

Impairment loss by type of assets for the year ended March 31, 2008 consisted of the following:

Usage and Location	Type of asset	Millions of yen
Manufacturing equipment for copper compound metal material located in the province of Jiangsu,China	Machinery and equipment	¥ 1,709
Idle properties and rental properties located in Oyama-city,Tochigi prefecture	Land	772
	Sub-total	¥ 2,481
Goodwill		1,000
	Total	¥ 3,481

For the purpose of determining whether impairment loss has occurred, the Company and its subsidiaries classified property, plant and equipment into groups by company or business or business unit, each of which is deemed to generate independent cash flows, and idle properties and rental properties into individual independent groups for the year ended March 31, 2008.

It has been decided that recoverable amounts of plant for copper compound metal material were less than their carrying amounts due to continuing negative cash flow generated from operating activities and the likelihood of the carrying amount not being recoverable by future cash flows. Accordingly, the carrying amounts of such assets were reduced to the recoverable amounts. The recoverable amounts of the asset groups were mainly evaluated based on the value in use, which was calculated by discounting future cash flows at an interest rate of 14 %.

The carrying amounts of certain asset groups forming parts of idle properties and rental properties were written down to their recoverable amounts, owing to substantial decline in the fair market value. Recoverable amounts of each asset for idle properties and rental properties were mainly evaluated based on the net selling value (fair value less costs to sell). Recoverable amounts of such asset groups were mainly determined based on either appraisal value prepared by real estate appraisers or assessed value used for property tax purpose.

In addition, as a result of impairment test under Statement of Financial Accounting Standards No.142, the fair value of certain assets owned by the U.S consolidated subsidiary was determined to be less than its carrying amount, so that impairment loss of ¥ 1,000 million was recognized.

18. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' tax and enterprise tax, which in the aggregate would result in a statutory income tax rate of approximately 40.6% for the years ended March 31, 2009 and 2008. Overseas consolidated subsidiaries are subject to income taxes in the countries in which they operate.

A reconciliation of the above statutory income tax rate in Japan to the effective income tax rate reflected in the accompanying consolidated statements of operation for the year ended March 31,2009 is not presented since no pre-tax income was recorded.

Summarized below is a reconciliation for the year ended March 31, 2008.

	2008
Japanese statutory income tax rate	40.6%
Tax benefits of net operating loss not recognized	8.0
Dividend income not taxable	(2.9)
Equity in income of non-consolidated subsidiaries and affiliates	(2.5)
Valuation allowance	9.5
Difference of applicable tax rate of overseas consolidated subsidiaries	(7.0)
Refundable income taxes	(5.2)
Other, net	(3.6)
Effective income tax rate	36.9%

Deferred tax assets (liabilities) as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Accrued retirement benefits	¥ 27,200	¥28,849	$ 277,551
Loss carried forward	104,013	57,691	1,061,357
Accrued bonus	4,194	4,508	42,796
Depreciation	3,361	43,428	34,296
Impairment loss	38,953	—	397,479
Other	20,105	22,654	205,153
Gross deferred tax assets	197,826	157,130	2,018,632
Valuation allowance	(161,981)	(110,833)	(1,652,867)
Total deferred tax assets	35,845	46,297	365,765
Unrealized gain on available-for-sale securities	(8,630)	(16,976)	(88,061)
Special reserve for deferred capital gain	(2,753)	(3,706)	(28,092)
Revaluation difference on land	(3,423)	(3,404)	(34,929)
Other	(2,187)	(3,834)	(22,316)
Total deferred tax liabilities	(16,993)	(27,920)	(173,398)

Net deferred tax assets	¥ 18,852	¥ 18,377	$ 192,367

19. Additional Information on Derivatives

The Company and its consolidated subsidiaries have financial instruments, including financial assets and liabilities and derivative financial instruments, arising in the normal course of business. In applying a consistent risk management strategy, the Company and its consolidated subsidiaries manage their exposure to market rate movements of their financial assets and liabilities through the use of derivative financial instruments, which include foreign exchange forward contracts, currency swap contracts, interest rate swap, interest cap option contracts and forward contracts for copper, aluminum and other materials designated as hedges. The Company and its consolidated subsidiaries do not hold or issue financial instruments for trading purposes.

These instruments are executed with creditworthy financial institutions. Although the Company and certain subsidiaries may be exposed to loss in the event of non-performance by counterparties or from interest and currency rate movements, no significant loss is anticipated due to the nature of their counterparties or hedging arrangements.

1) Foreign currency transactions

The foreign currency derivative contracts outstanding at March 31, 2009 and 2008 are summarized below. Those foreign currency contracts to which hedge accounting has been applied, as explained in Note 2c, are excluded from this summary.

	Millions of yen					
	2009			2008		
	Notional Amount	Estimated fair value	Unrealized gain(loss)	Notional amount	Estimated fair value	Unrealized gain(loss)
Foreign currency:						
U.S. dollars						
Sell	¥ 203	¥ 204	¥ (1)	¥ 3,807	¥ 3,651	¥ 156
Buy	215	215	(0)	—	—	—
Total	¥ 418	¥ 419	¥ (1)	¥ 3,807	¥ 3,651	¥ 156

	Thousands of U.S. dollars		
	2009		
	Notional amount	Estimated fair value	Unrealized gain (loss)
Foreign currency:			
U.S. dollars			
Sell	$ 2,071	$ 2,081	$ (10)
Buy	2,194	2,194	(0)
Total	$ 4,265	$ 4,275	$ (10)

2) Interest rate transactions

The interest rate swap contracts outstanding at March 31, 2009 and 2008 are summarized below. Those interest rate swap contracts to which hedge accounting has been applied, as explained in Note 2c, are excluded from this summary.

	Millions of yen					
	2009			2008		
	Notional Amount	Estimated fair value	Unrealized gain(loss)	Notional amount	Estimated fair value	Unrealized gain(loss)
Interest rate swap:						
Receiving floating rates and paying fixed rates	¥ —	¥ —	¥ —	¥ 590	¥ (0)	¥ (0)
Total	¥ —	¥ —	¥ —	¥ 590	¥ (0)	¥ (0)

	Thousands of U.S. dollars		
	2009		
	Notional amount	Estimated fair value	Unrealized gain (loss)
Interest rate swap:			
Receiving floating rates and paying fixed rates	$ —	$ —	$ —
Total	$ —	$ —	$ —

3) Commodity transactions

Forward contracts for copper outstanding at March 31, 2009 and 2008 are summarized below. Those forward contracts to which hedge accounting has been applied, as explained in Note 2c, are excluded from this summary.

	Millions of yen					
	2009			2008		
	Notional Amount	Estimated fair value	Unrealized gain(loss)	Notional amount	Estimated fair value	Unrealized gain(loss)
Forward contracts:						
Sell	¥ 5,505	¥ 5,737	¥ (232)	¥ 2,443	¥ 2,457	¥ (14)
Buy	1,072	1,073	1	945	901	(44)
Total	¥ 6,577	¥ 6,810	¥ (231)	¥ 3,388	¥ 3,358	¥ (58)

	Thousands of U.S. dollars		
	2009		
	Notional amount	Estimated fair value	Unrealized gain (loss)
Forward contracts:			
Sell	$ 56,173	$58,541	$ (2,368)
Buy	10,939	10,949	10
Total	$ 67,112	$ 69,490	$ (2,358)

20. Reclassifications

Certain items presented in the consolidated financial statements filed with the Director of the Kanto Local Finance Bureau have been reclassified for the convenience of readers outside Japan.
Certain amounts in the consolidated financial statements for 2008 have been reclassified to conform to the 2009 presentation.

21. Subsequent Events

I. Sale of an affiliate's shares

On April 30, 2009, the terms of sale of a part of shares of Nuclear Fuel Industries, Ltd., owned 50% of voting stock by the Company, to Westinghouse Electric U.K. Limited., was concluded. The sale agreement was executed on May 7, 2009 and 520,000 shares were sold in accordance with this agreement.

(Outline of sale of shares)
(1) The number of shares sold
520,000 shares (26.0%; shares sold / shares issued)

(2) The number of shares owned by the Company after sale
480,000 shares (24.0% of voting stock)

(3) Gain on sale
Gain on sale of shares of approximately ¥1,600 million ($ 16,327 thousand) is expected to be recorded.

II. Commencement of a Cash Tender Offer by Furukawa-Sky Aluminum Corp. to Nippon Foil Mfg Co.,Ltd.

The Board of Director of Furukawa-Sky Aluminum Corp. ("Furukawa Sky") resolved on May 19, 2009 to acquire the shares of Nippon Foil Mfg Co.,Ltd.("Nippon Foil") by a cash tender offer in order to make this company a wholly owned subsidiary. Both companies are consolidated subsidiaries of the Company and Furukawa Sky owns 40.87% of issued shares of Nippon Foil. Currently Nippon Foil's share are listed on the Tokyo Stock Exchange. However, the shares are expected to became delisted in accordance with the delisting rules of the Tokyo Stock Exchange since it will become a wholly owned subsidiary.
The Board of Directors of Nippon Foil expressed its opinion to agreeing to this cash tender offer and resolved to recommend its shareholders to accept the cash tender offer.

(Outline of the cash tender offer)
(1) Period of the cash tender offer
From May 20, 2009 through July 13, 2009

(2) Price of the cash tender offer
¥150 ($1.53) per share

(3) The number of shares to be acquired
The upper and lower limits are not set and all shares applying to this offer will be acquired. However, it is not expected to acquire the shares currently owned by Nippon Foil.

(4) Effect on operations
The expected effect on operations is considered to be immaterial.

III. Merger agreement among FURUKAWA ENGINEERING & CONSTRUCTION INC. and two other companies

On May 22, 2009, each of the Boards of Directors of FURUKAWA ENGINEERING & CONSTRUCTION INC. ("FURUKAWA E&C"), a consolidated subsidiary of the Company, Fuji Electric Engineering & Construction Co.,Ltd.("Fuji Electric E&C") and FUJI DENKI SOSETSU CO.,LTD.("FUJI DENKI SOSETSU"), both of which are subsidiaries of Fuji Electric Holdings Co.,Ltd., resolved for an absorption and merger (the "Absorption and Merger") with Fuji Electric E&C as the surviving company, and FURUKAWA E&C and FUJI DENKI SOSETSU as the dissolving companies. This Absorption and Merger will be effective on October 1, 2009.On the same day, the three companies executed the merger agreement.

FURUKAWA E&C is currently a listed company on the Tokyo Stock Exchange. However, it is expected to become delisted on September 25, 2009 in accordance with the delisting rules of Tokyo Stock Exchange when the merger is approved at the shareholders' meetings of these three companies.

(Outline of the merger)
(1) Method of merger
The Absorption and Merger (Fuji Electric E&C to become a surviving company and FURUKAWA E&C and FUJI DENKI SOSETSU to be dissolving companies.)

(2) Contents of allotment by the merger

Name of company	Fuji Electric E&C	FURUKAWA E&C	FUJI DENKI SOSETSU
Contents of allotment by the merger	1	1.2	7.4
The number of new shares by the merger	Ordinary share: 25,332,809 shares (plan)		

(3) Trade name after the merger
Fuji Furukawa Engineering and Construction Co., Ltd

(4) Effect on operations

The expected effect on operations is considered to be immaterial.

22. Segment Information

The Company and its consolidated subsidiaries' business segments, which are required to be disclosed pursuant to regulations on consolidated financial statements in Japan, have been classified based upon similarity of products and services, marketing methods, etc. as follows:

(1) Telecommunications:

Manufacture and sale of optical fiber cable, optical related parts, optical fiber cable-attached parts and construction, network equipment, etc.

(2) Energy and industrial products:

Manufacture and sale of bare wire, aluminum wire, insulated wire, power cables, power cable-attached parts and construction, electric wire tubing, plastic products, thermal engineering electric feeders, etc.

(3) Metals:

Manufacture and sale of copper products such as copper tubes, rolled copper products, electrolytic copper foils, shape memory alloys, etc.

(4) Light metals:

Manufacture and sale of light metal products such as aluminum sheets, aluminum plates, extruded products, etc.

(5) Electronics and automotive systems:

Manufacture and sale of batteries, automobile parts and electric wire, magnet wire, heat pipes, aluminum plates for memory disks, electronic components and parts, etc.

(6) Services and other:

Service businesses such as real estate, distribution, information, etc.

Segment information by business segment for the years ended March 31, 2009 and 2008 is summarized as follows:

23. Related Party Transactions

(Additional information)

The "Accounting Standard for Presentation of Related Party Disclosures" (ASBJ No.11,issued October 17,2006) and the "Guidance on Accounting Standard for Related Party Disclosures " (ASBJ Guidance No. 13,issued October 17,2006) have been applied for the year ended March 31, 2009.

Transactions for the year ended March 31,2009 and the respective balance as of March 31,2009 of the non-consolidated subsidiaries and affiliates of the Company were as follows:

Type of Related Party	Name	Address	Capital	Type of business	Voting right share owing (share owed)	Business relationship	Description of transactions	Amounts of transactions	Accounts	Closing balances
Affiliate	VISCAS Corporation.	Shinagawa-ku Tokyo	¥12,100 million ($123,469 thousand)	Energy and industrial products	Direct 50.0%	Sale of material Purchase of finished goods Lease contracts of real estate Appointment of directors to other companies Providing financial support	Loans guaranteed	¥12,593 million ($128,500 thousand)	—	—

Transactions for the year ended March 31,2009 and the respective balance as of March 31,2009 with executive management, major shareholders (only individuals) of the Company were as follows:

Type of Related Party	Name	Address	Capital	Type of business	Voting right share owing (share owed)	Business relationship	Description of transactions	Amounts of transactions	Accounts	Closing balances
Executive management	Yuzuru Fujita	-	-	Statutory auditor / Chairman and Representative Director of ASAHI MUTUAL LIFE INSURANCE CO.	Direct (0.0%)	Financing	Financing	—	Short-term debt	¥242 million ($2,469 thousand)
								¥12,500 million ($127,551 thousand)	Long-term debt	¥12,783 million ($130,439 thousand)
							Interest paid	¥204 million ($2,081 thousand)	—	—

These financing and interest-paid-transactions mentioned above are conducted under general terms and conditions the same as those of other financial institutions.

Millions of yen

	Telecommunications	Energy and industrial products	Metals	Light metals	Electronics and automotive systems	Services and other	Total	Elimination and corporate assets*	Consolidated
2009:									
Net sales									
Outside customers	¥ 155,028	¥ 256,533	¥ 165,987	¥ 226,563	¥ 216,077	¥ 12,619	¥ 1,032,807	¥ –	¥ 1,032,807
Inter-segment sales	4,034	20,866	4,258	7,470	7,721	28,720	73,069	(73,069)	—
Total	159,062	277,399	170,245	234,033	223,798	41,339	1,105,876	(73,069)	1,032,807
Operating expenses	149,730	276,322	175,120	234,383	221,315	39,569	1,096,439	(73,384)	1,023,055
Operating income(loss)	¥ 9,332	¥ 1,077	¥ (4,875)	¥ (350)	¥ 2,483	¥ 1,770	¥ 9,437	¥ 315	¥ 9,752
Assets, depreciation, loss on impairment and capital expenditures:									
Assets	¥ 116,788	¥ 155,215	¥ 105,721	¥ 202,427	¥ 125,741	¥ 82,153	¥ 788,045	¥ 57,613	¥ 845,658
Depreciation	9,127	5,408	7,900	13,492	6,981	2,073	44,981	1,952	46,933
Impairment loss	7,070	-	-	3,186	3,048	-	13,304	-	13,304
Capital expenditures	6,223	5,575	9,167	10,082	7,300	3,134	41,481	(206)	41,275

Millions of yen

	Telecommunications	Energy and industrial products	Metals	Light metals	Electronics and automotive systems	Services and other	Total	Elimination and corporate assets*	Consolidated
2008:									
Net sales									
Outside customers	¥ 158,033	¥ 283,495	¥ 209,893	¥ 249,900	¥ 258,199	¥ 14,727	¥ 1,174,247	¥ –	¥ 1,174,247
Inter-segment sales	5,084	31,541	3,847	8,654	10,362	31,073	90,561	(90,561)	—
Total	163,117	315,036	213,740	258,554	268,561	45,800	1,264,808	(90,561)	1,174,247
Operating expenses	152,135	306,902	207,649	246,157	259,489	44,281	1,216,613	(90,813)	1,125,800
Operating income	¥ 10,982	¥ 8,134	¥ 6,091	¥ 12,397	¥ 9,072	¥ 1,519	¥ 48,195	¥ 252	¥ 48,447
Assets, depreciation, loss on impairment and capital expenditures:									
Assets	¥ 155,187	¥ 193,888	¥ 154,059	¥ 241,366	¥ 165,839	¥ 81,525	¥ 991,864	¥ 22,914	¥ 1,014,778
Depreciation	9,589	4,772	6,989	10,731	6,194	1,974	40,249	1,879	42,128
Impairment loss	999	-	1,397	666	315	-	3,377	104	3,481
Capital expenditures	3,992	7,885	10,731	12,590	7,670	1,163	44,031	1,233	45,264

	Thousands of U.S. dollars (Note 3)								
	Telecommuni-cations	Energy and industrial products	Metals	Light metals	Electronics and automotive systems	Services and other	Total	Elimination and corporate assets*	Consolidated
2009:									
Net sales									
Outside customers	$ 1,581,918	$ 2,617,684	$ 1,693,745	$ 2,311,867	$ 2,204,867	$ 128,766	$ 10,538,847	$ –	$ 10,538,847
Inter-segment sales	41,163	212,918	43,449	76,224	78,786	293,061	745,601	(745,601)	–
Total	1,623,081	2,830,602	1,737,194	2,388,091	2,283,653	421,827	11,284,448	(745,601)	10,538,847
Operating expenses	1,527,857	2,819,612	1,786,939	2,391,663	2,258,316	403,766	11,188,153	(748,816)	10,439,337
Operating income(loss)	$ 95,224	$ 10,990	$ (49,745)	$ (3,572)	$ 25,337	$ 18,061	$ 96,295	$ 3,215	$ 99,510
Assets, depreciation, loss on impairment and capital expenditures:									
Assets	$ 1,191,714	$ 1,583,826	$ 1,078,786	$ 2,065,582	$ 1,283,071	$ 838,296	$ 8,041,275	$ 587,888	$ 8,629,163
Depreciation	93,133	55,184	80,612	137,673	71,235	21,153	458,990	19,918	478,908
Impairment loss	72,143	–	–	32,510	31,102	–	135,755	–	135,755
Capital expenditures	63,500	56,888	93,541	102,878	74,490	31,979	423,276	(2,102)	421,174

* Inter-segment transactions are eliminated from the consolidated financial statements. Corporate assets are included in the consolidated financial statements. Corporate assets include surplus funds of the parent company, assets related to the research and development and administrative divisions, and assets of an overseas consolidated investment subsidiary.

(Change in accounting policy)

As mentioned in Note 2-e), the "Accounting Standard for Measurement of Inventory" (ASBJ Statement No.9,issued July 5, 2006) has been applied for the year ended March 31, 2009. As a result, operating income of "Telecommunications" segment decreased by ¥175 million ($1,786 thousand),operating income of "Energy and industrial products" segment decreased by ¥451 million ($4,602 thousand), operating loss of "Metals" segment increased by ¥1,448 million ($14,776 thousand), operating loss of "Light metals" segment increased by ¥792 million ($8,082 thousand), operating income of "Electronics and automotive systems" segment decreased by ¥279 million ($2,846 thousand), and operating income of "Services and other" segment decreased by ¥86 million ($878 thousand) ,respectively, compared with what would have been recorded under the previous method.

(Additional Infomation)

As mentioned in Note 2-f),the Company and its domestic consolidated subsidiaries changed the useful lives for certain property, plant and equipment after reviewing the useful lives stipulated in the revised Corporation Tax Law of Japan. As a result, operating income of "Telecommunications" segment decreased by ¥343 million ($3,500 thousand),operating income of "Energy and industrial products" segment decreased by ¥268 million ($2,735 thousand), operating loss of "Metals" segment increased by ¥827 million ($8,439 thousand), operating loss of "Light metals" segment increased by ¥2,849 million ($29,071 thousand), operating income of "Electronics and automotive systems" segment decreased by ¥832 million ($8,490 thousand), and operating income of "Services and other" segment decreased by ¥43 million ($438 thousand),respectively, compared with what would have been recorded under the previous method.

Segment information by geographic area for the years ended March 31, 2009 and 2008 was presented below.

Further segmentation by country or area in the other areas was not provided pursuant to regulations on consolidated financial statements in Japan, as both net sales and assets in the respective country or area were less than 10% of total net sales and assets.

	Millions of yen						
	Japan	Asia	North America	Other areas	Total	Elimination and corporate assets*	Consolidated
2009:							
Net sales							
Outside customers	¥ 791,874	¥ 152,914	¥ 53,515	¥ 34,504	¥ 1,032,807	¥ –	¥ 1,032,807
Inter-segment sales	26,870	59,050	3,199	49	89,168	(89,168)	–
Total	818,744	211,964	56,714	34,553	1,121,975	(89,168)	1,032,807
Operating expenses	814,852	205,259	59,014	33,312	1,112,437	(89,382)	1,023,055
Operating income (loss)	¥ 3,892	¥ 6,705	¥ (2,300)	¥ 1,241	¥ 9,538	¥ 214	¥ 9,752
Assets	¥ 659,530	¥ 95,254	¥ 25,482	¥ 16,705	¥ 796,971	¥ 48,687	¥ 845,658

	Millions of yen						
	Japan	Asia	North America	Other areas	Total	Elimination and corporate assets*	Consolidated
2008:							
Net sales							
Outside customers	¥ 921,138	¥ 152,374	¥ 62,953	¥ 37,782	¥ 1,174,247	¥ –	¥ 1,174,247
Inter-segment sales	31,294	59,323	2,767	72	93,456	(93,456)	–
Total	952,432	211,697	65,720	37,854	1,267,703	(93,456)	1,174,247
Operating expenses	910,487	204,853	67,903	35,743	1,218,986	(93,186)	1,125,800
Operating income (loss)	¥ 41,945	¥ 6,844	¥ (2,183)	¥ 2,111	¥ 48,717	¥ (270)	¥ 48,447
Assets	¥ 806,076	¥ 117,592	¥ 57,338	¥ 25,324	¥ 1,006,330	¥ 8,448	¥ 1,014,778

	Thousands of U.S. dollars (Note 3)						
	Japan	Asia	North America	Other areas	Total	Elimination and corporate assets*	Consolidated
2009:							
Net sales							
Outside customers	$ 8,080,347	$ 1,560,347	$ 546,071	$ 352,082	$ 10,538,847	$ –	$ 10,538,847
Inter-segment sales	274,184	602,551	32,643	500	909,878	(909,878)	–
Total	8,354,531	2,162,898	578,714	352,582	11,448,725	(909,878)	10,538,847
Operating expenses	8,314,816	2,094,480	602,184	339,918	11,351,398	(912,061)	10,439,337
Operating income (loss)	$ 39,715	$ 68,418	$ (23,470)	$ 12,664	$ 97,327	$ 2,183	$ 99,510
Assets	$ 6,729,898	$ 971,980	$ 260,020	$ 170,459	$ 8,132,357	$ 496,806	$ 8,629,163

* Inter-segment transactions are eliminated from the consolidated financial statements. Corporate assets are included in the consolidated financial statements. Corporate assets include surplus funds of the parent company, assets related to the research and development and administrative divisions, and assets of an overseas consolidated investment subsidiary.

(Change in accounting policy)
As mentioned in Note 2-e), the "Accounting Standard for Measurement of Inventory" (ASBJ Statement No.9,issued July 5,2006) has been applied for the year ended March 31, 2009. As a result, operating expense of "Japan" segment and "Asia" segment decreased by ¥2,364 million($24,122 thousand) and by ¥737 million($7,520 thousand),respectively, compared with what would have been recorded under the previous method. The effects of this accounting change to "North America" segment and "Other areas" segment are immaterial.

(Additional Infomation)
As mentioned in Note 2-f),the Company and its domestic subsidiaries changed the useful lives for certain property, plant and equipment after reviewing the useful lives stipulated in the revised Corporation Tax Law of Japan. As a result, operating expense of "Japan" segment increased by ¥5,162 million ($52,673 thousand),compared with what would have been recorded under the previous method.

Overseas sales of the Company and its domestic consolidated subsidiaries(which represent the exports made by the Company and its domestic consolidated subsidiaries and sales of its overseas consolidated subsidiaries by areas) for the year ended March 31, 2009 and 2008 are summarized as follows.

		Millions of yen		
		Southeast asia	Other areas	Total
2009:	Overseas sales	¥ 114,204	¥ 203,423	¥ 317,627
	Consolidated sales	—	—	¥ 1,032,807
	Percentage of overseas sales against consolidated net sales	11.1%	19.7%	30.8%

		Millions of yen		
		Southeast asia	Other areas	Total
2008:	Overseas sales	¥ 123,717	¥ 230,750	¥ 354,467
	Consolidated sales	—	—	¥ 1,174,247
	Percentage of overseas sales against consolidated net sales	10.5%	19.7%	30.2%

		Thousands of U.S. dollars (Note 3)		
		Southeast asia	Other areas	Total
2009:	Overseas sales	$ 1,165,347	$ 2,075,745	$ 3,241,092
	Consolidated sales	—	—	$ 10,538,847
	Percentage of overseas sales against consolidated net sales	11.1%	19.7%	30.8%

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Report of Independent Auditors

The Board of Directors
Furukawa Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of Furukawa Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operation, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Furukawa Electric Co., Ltd. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Additional information

1. As described in Note 2 n), while the Company previously translated revenue and expense accounts of overseas consolidated subsidiaries and affiliates accounted for by the equity method into Japanese yen at the exchange rates prevailing on the balance sheet dates of these subsidiaries and affiliates, it has translated them using the average exchange rates for the year ended March 31, 2009.
2. As described in Note 21 I, on April 30, 2009, the terms of sales of a part of shares of Nuclear Fuel Industries, Ltd., owned 50% of voting stock by the Company, to Westinghouse Electric U.K. Limited., was concluded. The sales agreement was executed on May 7, 2009 and 520,000 shares were sold in accordance with this agreement.
3. As described in Note 21 II, the Board of Director of Furukawa-Sky Aluminum Corp. resolved on May 19, 2009 to acquire the shares of Nippon Foil Mfg Co., Ltd. by a cash tender offer in order to make this company a wholly owned subsidiary.
4. As described in Note 21 III, on May 22, 2009, each of the Boards of Directors of FURUKAWA ENGINEERING & CONSTRUCTION INC. ("FURUKAWA E&C"), a consolidated subsidiary of the Company, Fuji Electric Engineering & Construction Co., Ltd. ("Fuji Electric E&C") and FUJI DENKI SOSETSU CO., LTD. ("FUJI DENKI SOSETSU"), both of which are subsidiaries of Fuji Electric Holdings Co., Ltd., resolved for an absorption and merger (the "Absorption and Merger") with Fuji Electric E&C as the surviving company, and FURUKAWA E&C and FUJI DENKI SOSETSU as the dissolving companies. This Absorption and Merger will be effective on October 1, 2009. On the same day, the three companies executed the merger agreement.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

June 25, 2009

Ernst & Young ShinNihon LLC

Corporate Data

Head Office

2-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8322, Japan
PHONE: 81-3-3286-3001
URL: http://www.furukawa.co.jp/english/

Common Stock

¥69, 376 million (As of March 31, 2009)

Branches

Osaka
Nagoya
Fukuoka
Hiroshima
Sendai
Sapporo

Manufacturing Facilities

Chiba
Nikko
Hiratsuka
Mie
Yokohama
Osaka

Research Laboratories

Yokohama R&D Laboratories
Metal Research Center
Ecology & Energy Laboratory
FITEL Photonics Laboratory
Automotive Technology Center

Stock Information

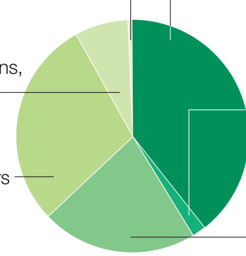
Stock Information

March 31, 2009

Number of shares authorized	2,596,000,000
Common shares	2,500,000,000
Preferred shares	50,000,000
Subordinated shares	46,000,000
Total number of shares issued and outstanding	706,554,179
	(Common shares)

Distribution of Stock Ownership (Common shares)

March 31, 2009



Total number of shares issued and outstanding: 706,554,179

Major Stockholders

March 31, 2009

Name	Number of shares held	Shareholding ratio
Japan Trustee Services Bank, Ltd. (trust account 4G)	43,167,000	6.11%
Japan Trustee Services Bank, Ltd. (trust account)	35,979,000	5.09%
The Master Trust Bank of Japan, Ltd. (trust account)	31,020,000	4.39%
Trust & Custody Services Bank, Ltd. (Mizuho Corporate Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Bank, Ltd.)	22,928,250	3.25%
Japan Trustee Services Bank, Ltd. (trust account 4)	22,379,000	3.17%
Asahi Mutual Life Insurance Company	16,060,500	2.27%
Furukawa Co., Ltd.	13,290,455	1.88%
Nippon Life Insurance Company	11,895,000	1.68%
Fuji Electric Holdings Co., Ltd.	11,000,000	1.56%
Trust & Custody Services Bank, Ltd. (Mizuho Corporate Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Furukawa Co., Ltd.)	10,919,000	1.55%

FURUKAWA ELECTRIC CO., LTD.
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