Bound to Innovate

New Frontiers of Innovation

ANNUAL REPORT **2010**

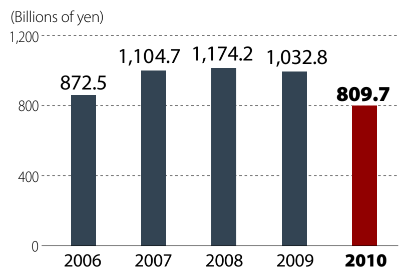
FURUKAWA ELECTRIC

FINANCIAL HIGHLIGHTS

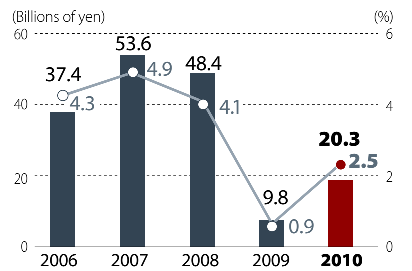
		Millions of yen			Thousand of U.S. dollars
		2008	2009	**2010**	**2010**
For the year	Net sales	1,174,247	1,032,807	809,693	8706,376
	Operating income	48,447	9,752	20,322	218,516
	Income (loss) before income taxes and minority interests	31,034	-30,896	10,947	117,710
	Net income (loss)	15,291	-37,405	9,704	104,344
At year-end	Total assets	1,014,778	845,658	835,819	8,987,301
	Net assets	294,982	190,429	208,929	2,246,549
	Interest-bearing debt	399,050	383,114	362,088	3,893,398
Cash flow	Cash flows from operating activities	90,760	78,728	36,668	394,280
	Cash flows from investing activities	-52,113	-51,267	-25,113	-270,032
	Cash flows from financing activities	-41,581	-14,553	-23,582	-253,570
Per share date (yen)	Net income	21.81	-53.34	13.80	0.148
	Net assets	332.61	203.16	231.39	2.488
	Cash dividends	7.00	6.00	5.00	0.054
Ratios (%)	ROE	6.4	-20.0	6.3	—
	ROA	4.8	1.2	2.4	—
	D/E Ratio	1.7	2.7	2.2	—

Note) 1. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥93 to US$1.
2. ROA = Operating income (loss) / Total assets

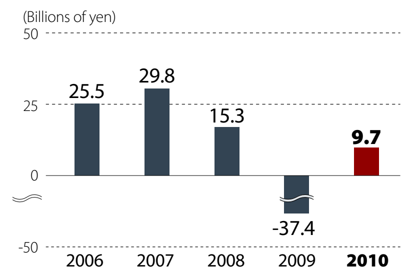
Net sales



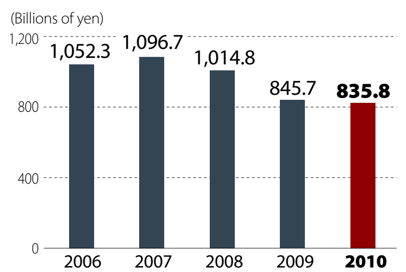
Operating income/Ratio to net sales



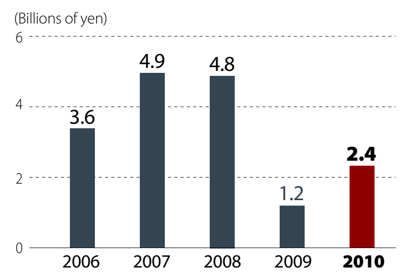
Net income (loss)



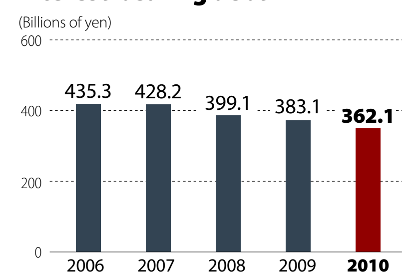
Total assets



ROA



Interest-bearing debt



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Forward-Looking Statements
Statements made in this annual report with respect to Furukawa Electric's current plans, estimates, strategies, and beliefs and other statements which are not historical facts are forward-looking statements based on the Company's assumptions and expectations in light of currently available information, and therefore involve risks and uncertainties which may cause actual performance results to differ from those discussed in forward-looking statements. Potential risks may include, but are not limited to, general economic conditions, management environment, market demand, foreign exchange rates, taxes and other government programs or policies. Therefore, no guarantee is presented or implied relative to the accuracy of the forward-looking statements in this annual report.

Fiscal Year Notation
The fiscal year in this annual report is indicated as fiscal 2010 or FY2010, which covers the period from April 1, 2009 to March 31, 2010.

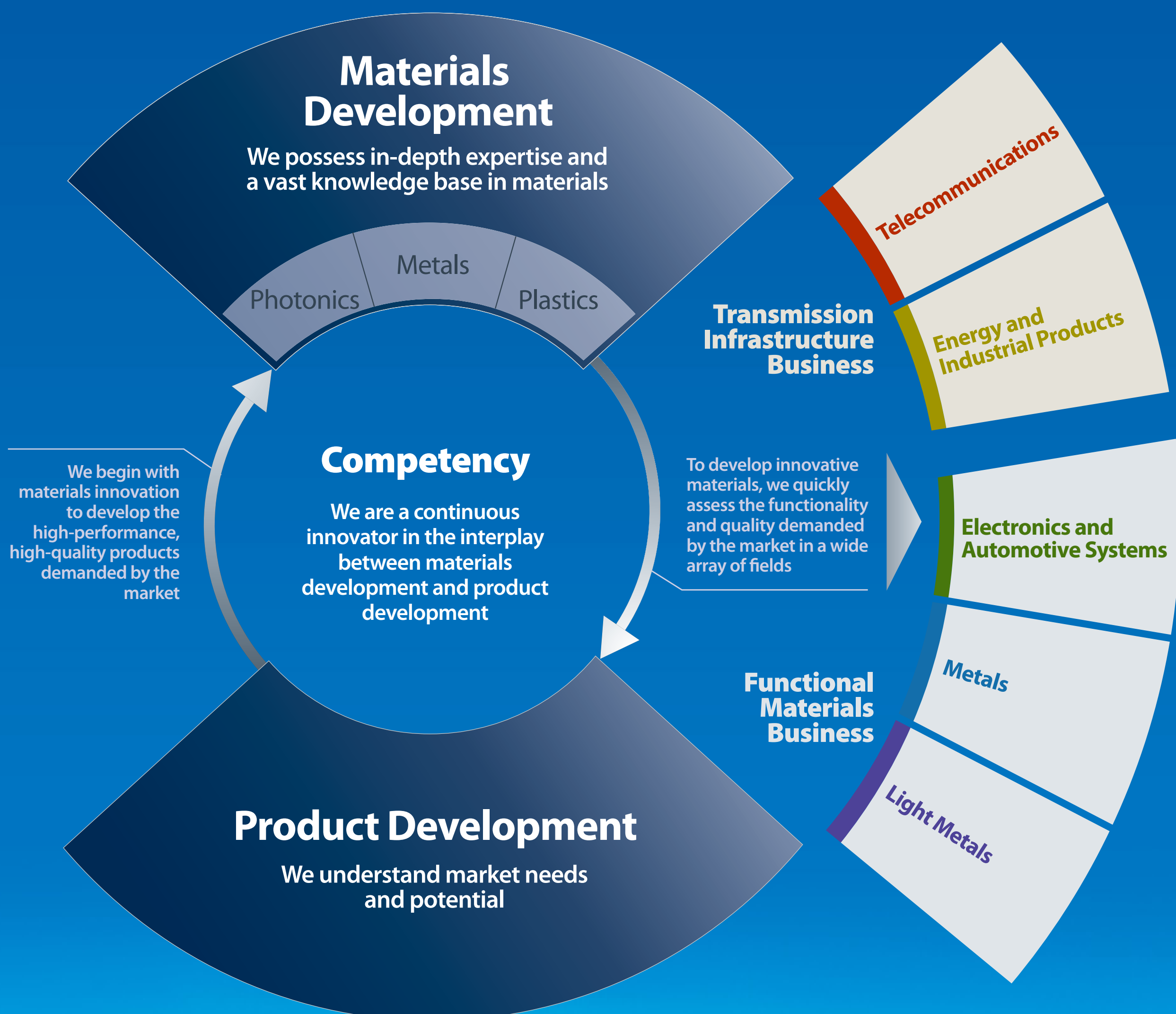
PROFILE

The Furukawa Electric Group has pioneered technical innovation for over a century, providing clients and end users with high-value technologies in a broad array of fields.

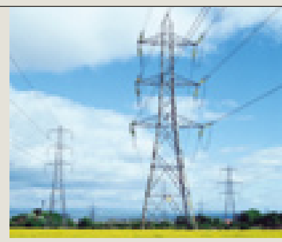
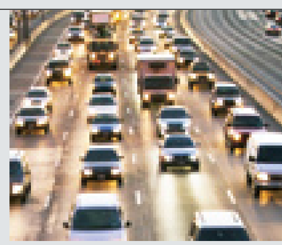
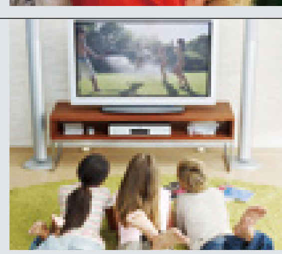
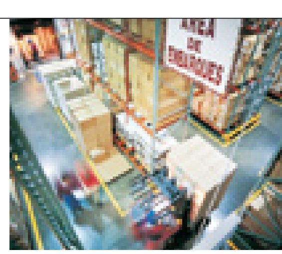
Our key strength is in integrating materials — centered on photonics, metals, and plastics — into functionality and quality that meet the demands of the market.

Through development of products in industry segments including telecommunications, energy and industrial products, electronics and automotive systems, metals, and light metals, we also excel in the ability to quickly assess market needs and trends, and reflect these in materials innovation.

Our ingenuity in materials development and product development creates innovation and synergies that drive the new solutions we bring to the market. As we further enhance this ingenuity, the Furukawa Electric Group will continue creating products that support industrial development and enrich people's lives around the world.



AT A GLANCE

Segment		Ratio to Net Sales	Major Businesses
Transmission Infrastructure Business			
Telecommunications		15.6%	•Optical Fiber Cable Business •Photonics and Network Solutions Business
Energy and Industrial Products		24.1%	•Energy Business •Industrial Products Business
Functional Materials Business			
Electronics and Automotive Systems		20.5%	•Automotive Parts Business •Electronics Components Business •Magnet Wire Business
Metals		13.8%	•Copper Strips & Pipes Business •Electrolytic Copper Foils Business
Light Metals		21.7%	•Aluminum Rolling Business •Aluminum Extrusion Business •Aluminum Casting, Forging and Other Processing Businesses
Services and Others		4.3%	

Billions of yen

Major Products	2010 Topics		2008 Results	2009 Results	2010 Results
• Optical fibers and cables • Optical components • Optical fiber cable accessories and installations • Network equipment, etc.	• Expanded sales of LAN cables & optical cables in Brazil • Launched optical fiber JV in India • Launched second optical cable manufacturing site in Indonesia	Net Sales	163.1	159.1	135.5
		Operating Income	11.0	9.3	9.8
• Bare copper wires • Power cables • Power transmission cable accessories and installations • Plastic products such as power cable conduit material and foamed sheets thermoelectric products, etc.	• Launched new production site for foamed plastics in Russia • Provided technical assistance for ultra-high-voltage cables in Russia • Consolidated production of copper wires • Consolidated production of foamed plastics • Divested in-floor heating system subsidiary to Max • Merger of a construction affiliate with a Fuji Electric subsidiary	Net Sales	315.0	277.4	208.8
		Operating Income	8.1	1.1	3.7
• Battery products • Automotive components and electrical wires • Magnet wires • Heat sinks • Aluminum and glass blanks for HDD devices • Electronic component materials, etc.	• Acquired management control of a wire harness company in Malaysia • Launched second wire harness manufacturing site in Vietnam • Consolidated production of magnet wires	Net Sales	268.6	223.8	177.2
		Operating Income	9.1	2.5	7.2
• Copper pipes • Copper strips • Electrolytic copper foils • Shape memory alloys and other processed copper products, etc.	• Consolidated production of tin plating copper • Transferred electrode wire trademark rights to Oki Electric Cable Co., Ltd.	Net Sales	213.7	170.2	119.6
		Operating Income	6.1	-4.9	-2.2
• Aluminum sheets • Extruded aluminum products • Cast and forged products, etc.	• Made aluminum foil subsidiary wholly-owned operating company through successful TOB • Consolidated aluminum sheet production in Japan	Net Sales	258.6	234.0	188.1
		Operating Income	12.4	-0.4	-0.2
• Real estate, logistics, information and various other services		Net Sales	45.8	41.3	36.9
		Operating Income	1.5	1.8	1.9

INTERVIEW WITH THE PRESIDENT

Sustainable Growth in the New Frontier

The New Frontier 2012 Medium-Term Plan, our blueprint for growth in new businesses and new markets, will guide our path to sustainable growth in a changing business environment.

Masao Yoshida President

Q1 Please describe the Company's operating performance in the fiscal year under review.

A1 Despite a decline in sales during the first half and a drop in bare metal prices, we were able to post large income gains due to a recovery in earnings.

In fiscal 2010, the fiscal year ended March 31, 2010, we observed a steady global economic recovery. Emerging nations in Asia, and China in particular, are experiencing especially rapid economic revivals. There are also signs that the economic recession has bottomed out in Japan, particularly for automakers and other manufacturers.

Given these economic conditions, consolidated net sales for the Furukawa Electric Group were down 21.6% year-on-year to ¥809.7 billion. Although our earnings were down overall, we were able to exceed the previous forecast of ¥807.7 billion in net sales for the fiscal year under review, thanks to the recovery in demand for electronic and automotive products.

We posted our first consolidated operating income since the fourth quarter of fiscal 2009 to move into the black beginning in the second quarter of fiscal 2010, thanks to our cost-cutting initiatives and a recovery in sales. Earnings continued to recover steadily with operating income gaining 108.4% year-on-year to ¥20.3 billion.

In addition, we were able to eliminate our exchange rate risk by converting a yen loan that our US holding company had made to OFS to USD-denominated shares in OFS as a result of the liquidation of this holding company in the previous fiscal year. This significantly improved our foreign exchange gains/losses.

We posted ¥6.3 billion in net gains on sales of investment securities, but we recorded ¥2.8 billion in business restructuring costs and ¥4.6 billion in provisions for penalties under the Anti-Monopoly Law. As a result, consolidated net income for the fiscal year under review was ¥9.7 billion, an improvement of ¥47.1 billion year-on-year.

Q2 What were the results of the Company's previous medium-term plan and how was the new medium-term plan developed?

A2 We made optimal use of the plan's achievements as we charted a path to growth allowing for social changes.

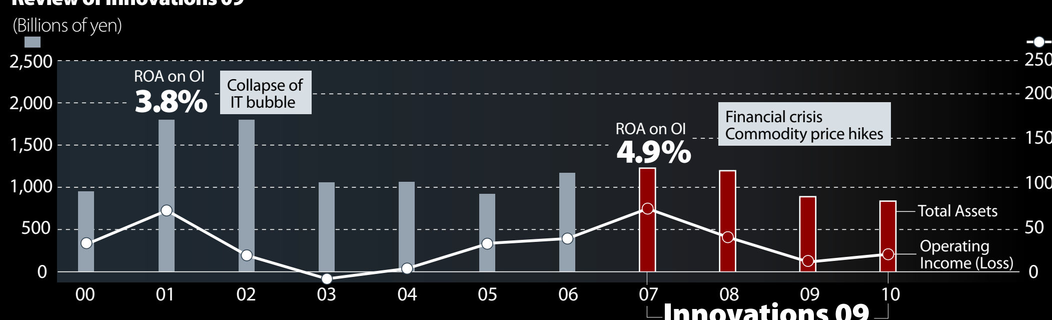
Looking back on our business performance over the past 10 years helps me realize that we have navigated through dramatic changes in our operating environment.

We ushered in the 21st century in 2000 with concentrated investments in optical telecommunications. In fiscal 2001, we posted record-high operating income. However, we posted an operating loss in fiscal 2003, after the IT bubble collapsed. We launched our Survival Plan in fiscal 2005, which served as our guide in restoring our business performance, and achieved a V-shaped recovery.

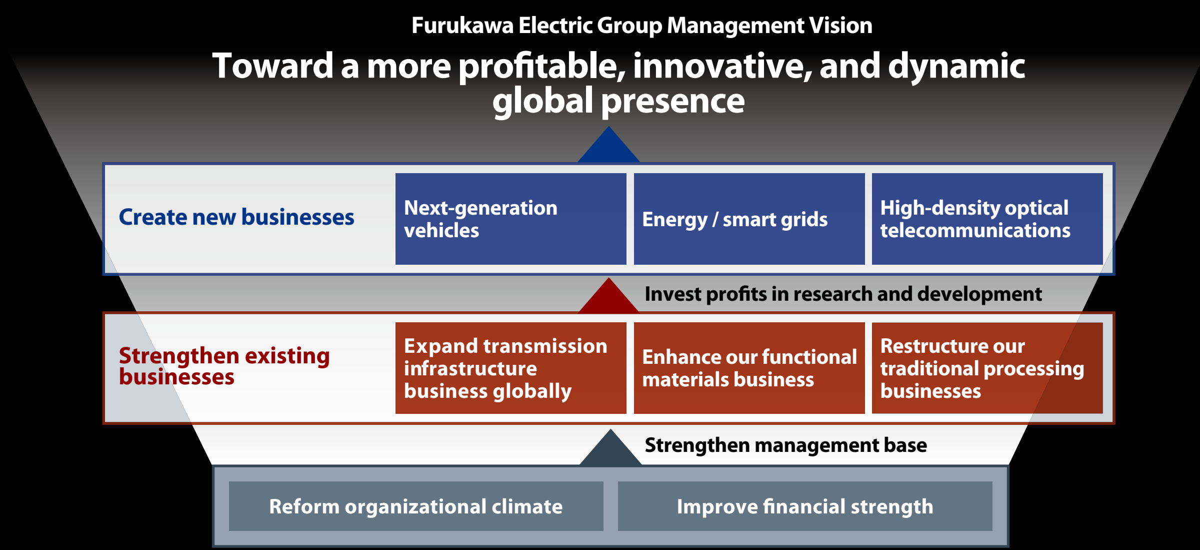
Starting in fiscal 2007, we shifted from a defensive to an offensive approach as we began investing in focus markets, including automotive, the environment and optical networks under our previous medium-term management plan Innovations 09.

As a result of the economic crisis in the second half of fiscal 2009, the Company's earnings fell short of forecasts.

Review of Innovations 09



- Tax system reforms (related to fixed assets) caused operating income to decline.
- Company faced assets risks due to the financial crisis and commodity price fluctuations.
- We will reduce asset risk to ensure sustainable growth.



We were also confronted with the risks posed by fluctuations in asset prices as amortization of fixed assets increased due to tax system reforms and commodity prices were highly volatile. This made us keenly aware of the importance of reducing asset-related risks.

Our newly developed New Frontier 2012 Medium-Term Plan indicates a path to achieve our Group management vision. This can be summarized with the phrase, "toward a more profitable, innovative, and dynamic global presence."

We will seek opportunities in new businesses and new markets, as well as aim to create a corporate structure that can withstand changes in the operating environment. As a result, we have decided to focus on return on assets (ROA) on an operating income basis as a key management indicator so that we can reduce asset-related risk, as well as accelerate the repayment of interest-bearing debt through an improved investment turnover ratio.

Q3 Please provide an overview of the current medium-term plan.

A3 Under the plan, we will seek growth opportunities in the new businesses and new markets representing the new frontier.

The focus of the New Frontier 2012 Medium-Term Plan, which spans a three-year period beginning in fiscal 2011, is to seek growth opportunities in new businesses and new markets.

By new businesses, we refer to the environmental businesses of tomorrow. In particular, we will target the three fields of next-generation vehicles, smart grids and high-density optical telecom, which leverage our Group's technical competencies.

We will seek to strengthen existing businesses further and use the profits that they generate to make strategic investments in research and development in these three fields. We will also focus on expanding the market for our existing businesses in BRICs, ASEAN and other emerging nations, as we can expect these regions to continue investing in transmission infrastructure, including electricity and telecommunications.

In addition, in our functional materials business, which includes electrode materials used in lithium-ion vehicle batteries and blank disks for HDDs, we will establish mass-production technologies and expand productivity with the goal of becoming a leading supplier in these segments. At the same time, we will move forward with the restructuring of our operating portfolio to reform the business models of our less profitable businesses.

Finally, we will create a management base that supports this strategy by fostering an organizational climate suitable for global markets and strengthening our financial standing by streamlining Group assets.

Q4 What is the Company's stance on compliance?

A4 We take our repeated violation of antitrust law seriously. I myself will lead the Company in reinforcing our compliance structure.

Since I became president of the Company, we have had five on-site inspections, including affiliate companies, from the Japan Fair Trade Commission to investigate violations of the Anti-Monopoly Act of Japan. I would like to take this opportunity to express my deepest regret and apologies to our shareholders for the inconvenience and concern that we have caused.

This series of violations against anti-trust legislation has made me keenly aware of the need to reconsider long-standing industry practices. As such, we established the third-party investigation committee on violations of the Anti-Monopoly Act, consisting of a majority of neutral and fair external outside experts in July 2009, in order to conduct a complete investigation into the cause of these violations and prevent future occurrences. In December 2009, we released the committee's report to the public and announced that our top management, including the chairperson and president, would take the lead on corporate ethics to ensure best practices going forward, including strict adherence to all relevant laws and regulations.

Based on the recommendations outlined in the committee's report, we have implemented various internal policies and measures to strengthen the compliance structure of each business division, improve the governance of the sales and marketing division, including the price setting process, and enhance monitoring systems.

I will continue to take the lead in ensuring that these incidents never happen again and that we achieve and retain compliance best practices so that we can begin to recover our credibility and trust from society.

Q5 Finally, tell us about your outlook and dividend policy for the next fiscal year.

A5 We expect to see higher earnings and increased revenue, so we plan to increase our dividend.

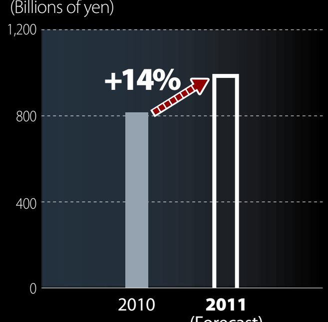
In the next fiscal year, we expect that the economic recovery in emerging nations will pick up, and also anticipate that next-generation vehicles and smart grids will build the market for the environmental business.

In anticipation of this, we expect that steady implementation of the medium-term plan will yield higher sales and income. Accordingly, we forecast net sales of ¥920.0 billion, operating income of ¥36.0 billion, up ¥15.7 billion from the fiscal year under review, and net income of ¥12.5 billion, an increase of ¥2.8 billion.

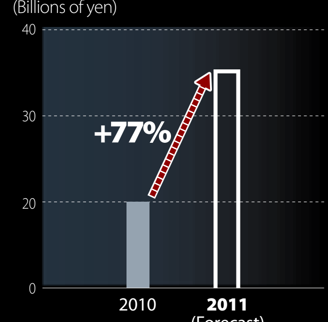
In fiscal 2010 we paid an annual dividend of ¥5 per share in line with our basic policy of paying solid dividends. In the next fiscal year we plan to increase our annual dividend to ¥5.5 per share.

I would like to express our sincerest gratitude to our shareholders and ask for their continued encouragement and guidance going forward.

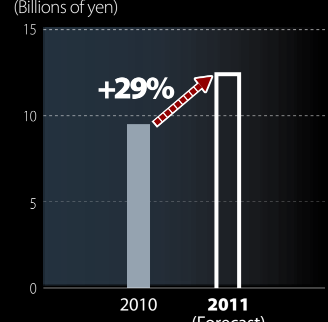
Net sales
(Billions of yen)



Operating income
(Billions of yen)



Net income
(Billions of yen)



Note)
We have calculated figures for fiscal 2010 on the assumption that the exchange rate will be USD/JPY 92.90 and the price of copper, aluminum and crude oil will be ¥610.30 per kg, ¥190.20/kg and US$ 69.60 per barrel, respectively. The forecasts for fiscal 2011 are based on the assumption that the exchange rate will be USD/JPY 90 and the price of copper, aluminum and crude oil will be ¥640 per kg, ¥233/kg and US$ 78 per barrel, respectively.

Special Feature

New Frontier 2012

Furukawa Electric Established the 3-year Medium-Term Plan New Frontier 2012 to Seek Growth Opportunities in New Businesses and Markets in the Period from FY2011 to FY2013

At the start of fiscal 2011, Furukawa Electric launched its medium-term New Frontier 2012 plan for the period of fiscal 2011 to 2013.

The primary goal of the plan is to bolster research and development aimed at the creation of new eco businesses. The plan also calls for the reinforcement of our existing businesses, including the transmission infrastructure business, in order to target growth in demand from emerging markets where large-scale infrastructure investments are expected to continue.

In this manner, we will seek growth opportunities in new businesses and markets that represent the new frontier for our Group, and will rein in asset risk so as to develop a management base that can flexibly respond to the revised tax system and fluctuations in commodity prices.

New Frontier 2012 Quantitative Targets

We will build up shareholders' equity and pay off debt with profits while maintaining total assets at current levels.

(Billions of yen)	End-Mar. 2010	End-Mar. 2013 Plan	Change	
Total assets	835.8	900.0	↗	+7%
Shareholders' equity	162.6	210.0	↗	+29%
Debt	362.1	320.0	↘	-12%
D/E ratio	2.2	1.5	↘	-0.7
ROA	2.4%	5.6%	↗	+3.2p
Total asset turnover	1.0	1.1	↗	+0.1

Note) ROA = Operating income (loss) / Total assets

We will boost operating income to ¥50 billion through strengthening each business segment.

(Billions of yen)	FY2010	FY2013 Plan	Change	
Net sales	809.7	1,000.0	↗	+24%
Operating income	20.3	50.0	↗	+46%
Net income	9.7	25.0	↗	+58%

Note) We have calculated figures for fiscal 2010 on the assumption that the exchange rate will be USD/JPY 92.90 and the price of copper, aluminum and crude oil will be ¥610.30 per kg, ¥190.20/kg and US$ 69.60 per barrel, respectively. The forecasts for fiscal 2013 are based on the assumption that the exchange rate will be USD/JPY 90 and the price of copper, aluminum and crude oil will be ¥640 per kg, ¥220/kg and US$ 79 per barrel, respectively.

We will reduce capex by 15% compared with the previous medium-term plan.

(Billions of yen)	FY07-10 Avg.	FY11-13 Avg.	Change	
Capital expenditure*	38.5	33.0	↘	-5.5
Depreciation and amortization	42.4	40.0	↘	-2.4

*Capital expenditure focus: Copper foil, automotive parts, optical fibers, etc.

Special Feature
New Frontier 2012

I Develop New Businesses and Restructure Operating Portfolio

Create New Businesses

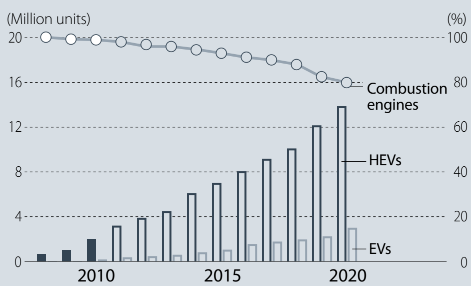
Focus area

Roadmap for the development of new eco businesses

2010

Eco-car market growing globally

World eco-car market outlook



Source: Mizuho Bank

Next-Generation Vehicles

We will focus on the development of key technologies used in next-generation vehicles, including lithium-ion batteries and lighter weight material solutions.

- On-vehicle antennas
- UWB radar
- Lightweight aluminum harnesses
- Foils for Li batteries
- Battery sensors
- Ultra long-life batteries
- Nano metal powders

Investments in smart grids increasing

Smart grid investment 2010–2030

(Trillions of yen)	US	EU	Japan	Total
Smart meters	1.7	1.3	0.5	**3.5**
Power controls	5.9	4.5	1.8	**12.3**
Inverters	4.1	4.3	3.8	**12.6**
Superconducting conducting cables	7.3	5.5	2.2	**15**
Batteries	32	32	6.4	**69**

Source: Nomura Securities

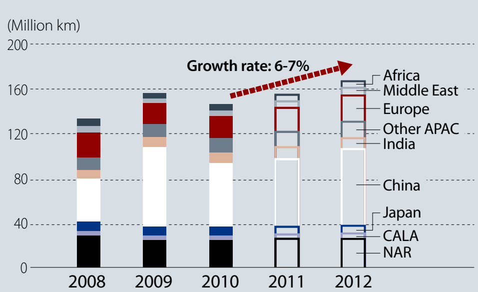
Energy / Smart Grids

We will play a leading role in developing new innovative smart grid technologies, as one of the few manufacturers with expertise in both power transmission and telecommunications.

- Nano metal powders
- SC cables
- Offshore LNG transport piping
- Fiber lasers for processing

Growing demand for high-density optical telecommunications globally

Optical fiber market outlook



Source: CRU September 2009

High-Density Optical Telecommunications

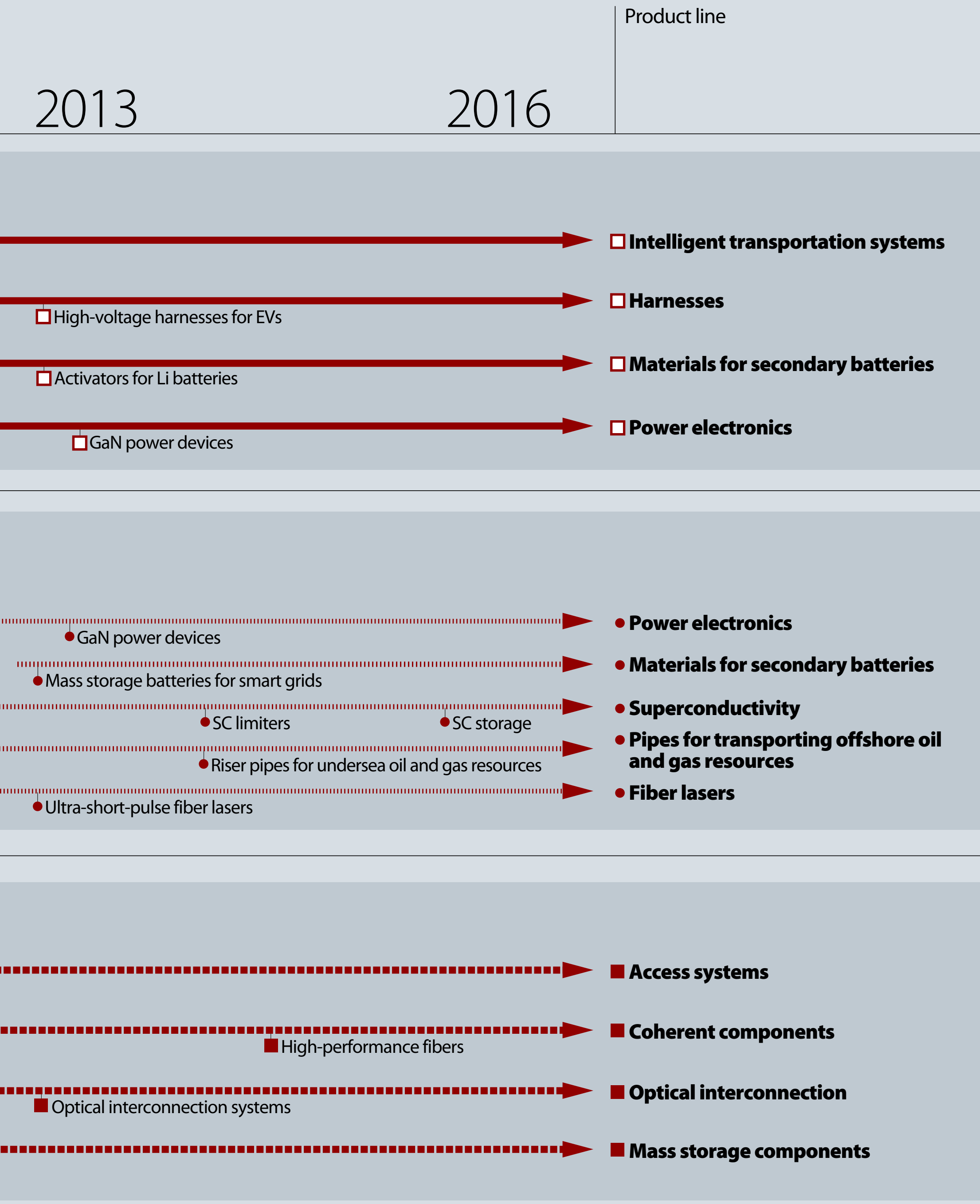
We will provide high quality products and our expertise to international markets as Japan's top supplier of optical telecom infrastructure solutions.

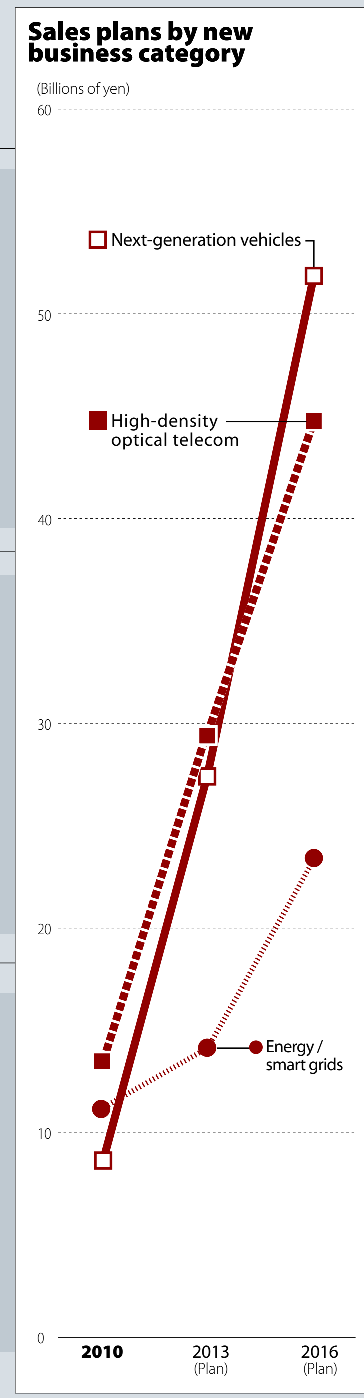
- PON systems
- Light source for tunable lasers
- High-function optical devices
- Active optical cables
- Glass blanks for memory disks

Becoming a Contributor to the Environmental and Energy Revolution

With the issues of global warming as well as resource depletion growing more serious, the world needs to embark on a new environmental and energy revolution to achieve the vision of a low-carbon society.

Against this background, Furukawa Electric will focus on the three eco business areas of next-generation vehicles, smart grids (next-generation transmission networks), and high-density optical telecommunications, as areas of environmental business that leverage our strength in materials technologies. We will produce innovative products and proprietary 2010 technologies in these areas, as well as increase research and development spending by 20% compared to fiscal 2009 to develop new business segments that will form the basis of our future growth.





I **Develop New Businesses and Restructure Operating Portfolio**

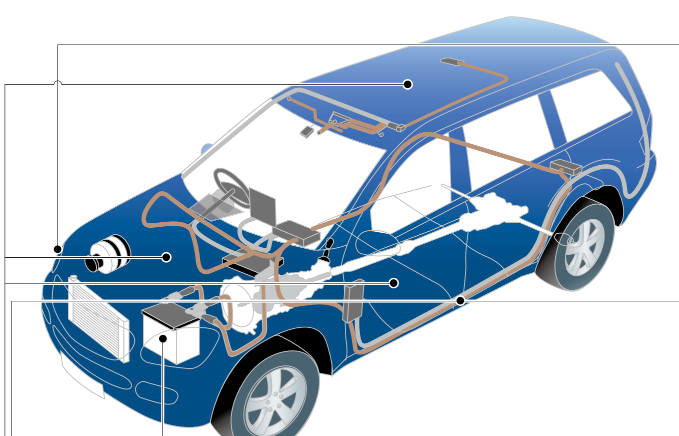
Create New Businesses

Next-Generation Vehicles

A variety of technical challenges, including improving performance and fuel consumption, reducing CO_2 emissions, and pursuing safety and comfort, still must be resolved in order to promote the further spread of electric, hybrid, and other next-generation vehicles.

Furukawa Electric has accumulated a vast base of knowledge and expertise in providing a broad mix of materials and components to the auto industry. Our in-depth understanding of automaker needs also positions us to address technical developments that resolve challenges in the industry. Beginning with lower-weight bodies and cables, we are making efforts to address a multitude of challenges, including improving the function and performance of vehicle lithium-ion batteries and developing on-vehicle antennas, radar, and sensors that ensure safe and comfortable driving.

Proprietary technologies used in next-generation vehicles



For safety

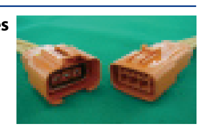
Ultra-wideband RF radar (UWB radar)

A sensor for detecting obstacles and moving objects within a range of several tens of meters from a vehicle. The radar has a distance-measuring accuracy of under 10 centimeters.

For the improvement of HV and EV performance

High-voltage connector for HEV power supplies

A water-proof connector for use in high-voltage batteries featured in hybrid as well as electric vehicles. We have successfully developed a compact design.

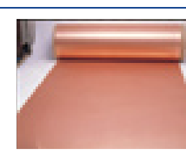


Ultra long-life batteries

This high-performance battery significantly improves charge-acceptance performance, which is a downside of conventional batteries. The battery was developed for next-generation eco-friendly vehicles such as idling-stop or mild hybrid cars.

Copper foil for lithium-ion batteries

Copper foil used in the negative electrode of batteries with excellent performance in terms of flexibility, surface smoothness, and thickness. The foil also improves the service life and reliability of batteries.



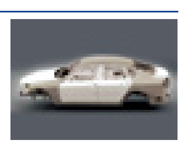
For improving fuel efficiency and reducing CO_2 emissions

Aluminum shielded harness for HEVs

The harness has the same level of shielding as conventional copper braided shield wires against the electromagnetic effects generated by the large currents in the motor during driving. The harness also reduces vehicle weight.

High-strength high-heat conductive aluminum alloys (for the hood, body, and outer and inner panels)

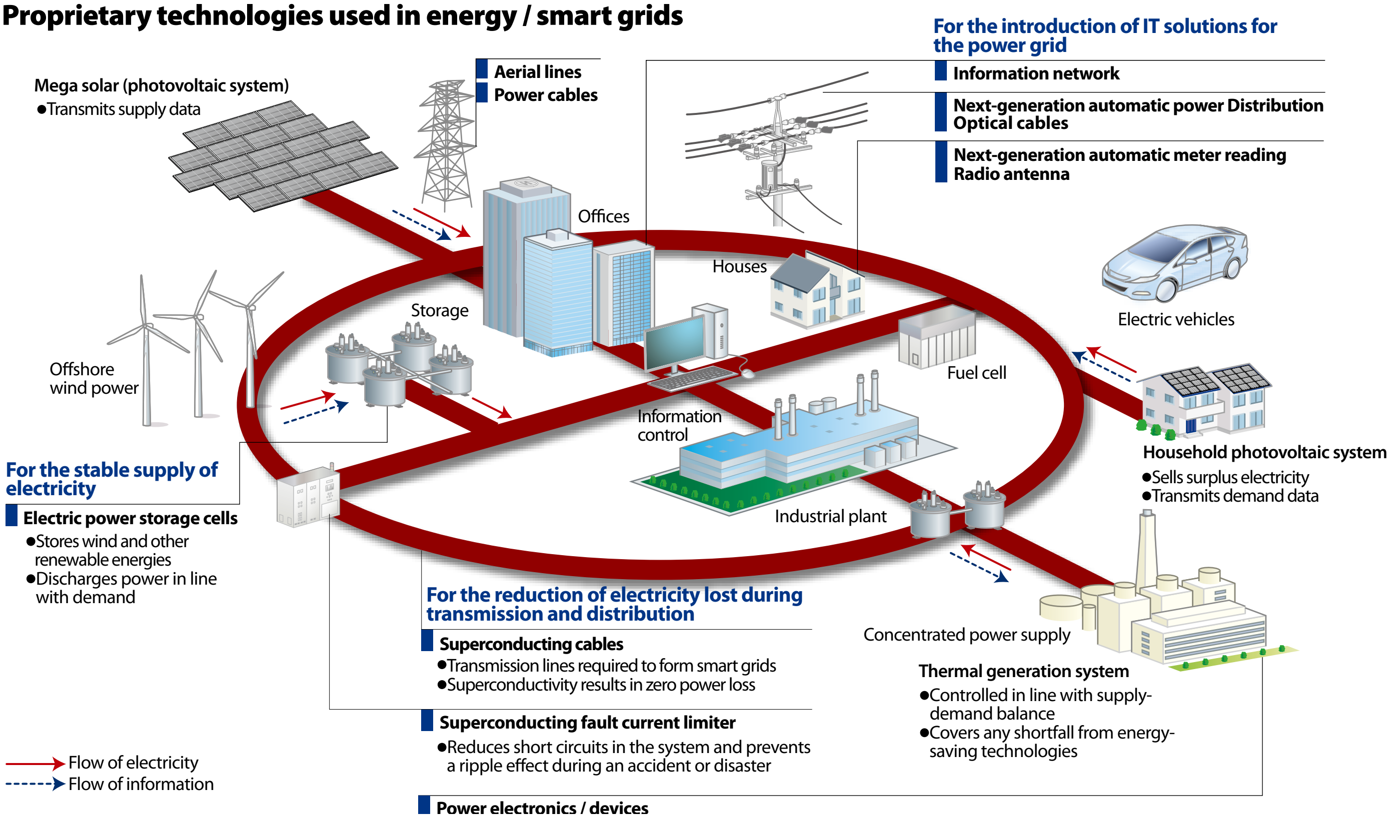
Superior heat conductivity, high strength, easy molding qualities are combined in our high-performance aluminum alloy. Use of these alloys in a vehicle's body, interior materials, and parts casings will reduce weight, yet retain high strength.



While a multitude of elemental technologies is required to realize the vision of smart grids, of particular importance is the fusion of power transmission and telecommunication technologies. Furukawa Electric has drawn considerable attention as one of the few companies globally to possess expertise in both technologies. We will continue to focus on developing new technical innovations in these fields as well as utilizing our strong knowledge base in a variety of technologies.

For example, we are developing optical telecom circuits and devices for power systems to make power transmission and distribution networks more intelligent. We are also working on a variety of smart grid technologies, including high-performance storage systems to ensure stable power supplies, and superconducting cables that prevent power loss during transmission and distribution.

Proprietary technologies used in energy / smart grids



I Develop New Businesses and Restructure Operating Portfolio

Create New Businesses

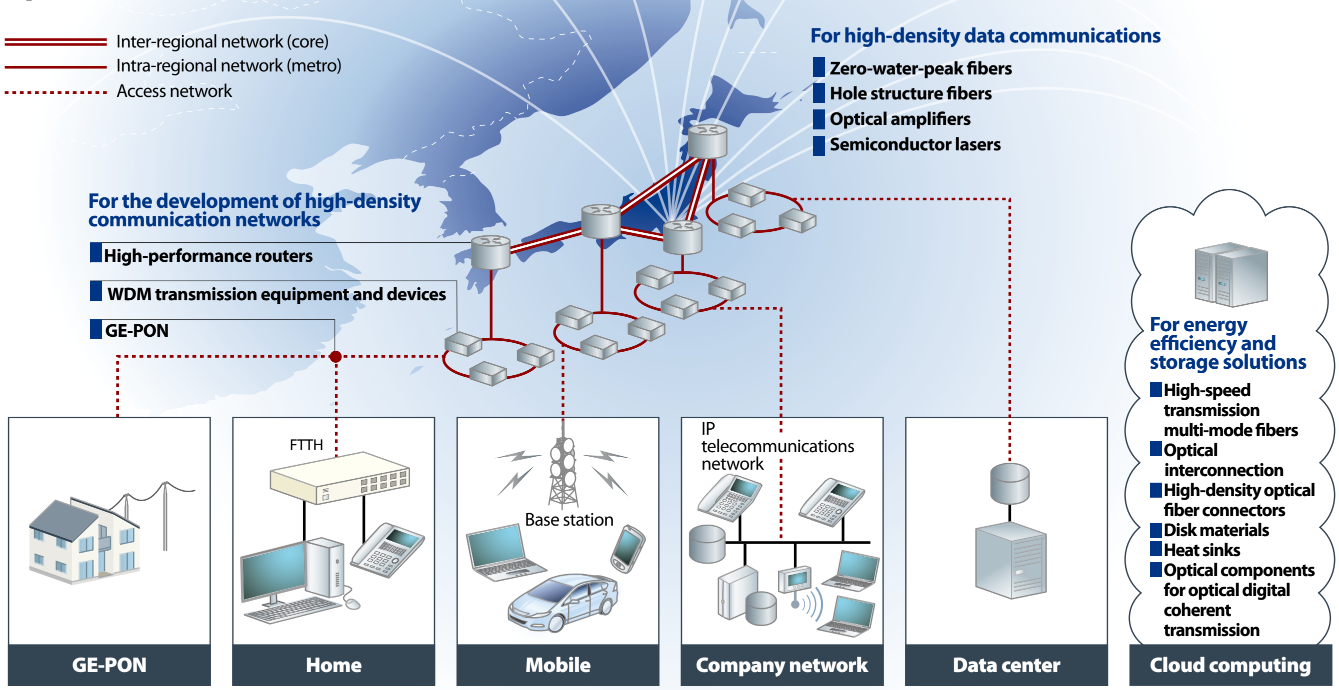
Furukawa Electric has developed the expertise to construct complete packaged solutions in the field of optical telecommunications that support high-density, high-speed communications. From backbone to metro networks, our products and technologies encompass the full spectrum of the optical telecommunications field, from photonic components such as semiconductor lasers and optical amps to network devices, optical fiber cables, and transmission equipment.

In addition, with the spread of cloud computing*, the need has arisen to focus on not only the conventional technology of telecommunications but also on data communications. Furukawa Electric possesses the technologies required for high-speed, high-density server storage solutions, including disk materials and optical inter connections.

As such, Furukawa Electric has established a superior track record of developing diverse technologies in the high-density optical telecommunications field. Leveraging this, we will continue to respond to the sophisticated needs of communications infrastructure.

*Cloud computing:
This denotes computing tasks and software accessed over a network instead of directly through a desktop computer or software.

Proprietary technologies used in high-density optical telecommunications



Message from the CTO

Strengthening Group-Wide R&D to Develop New Technologies and Businesses

Combining Multiple Elemental Technologies

Furukawa Electric has established dedicated research laboratories focused on specific key technologies, such as telecommunications, energy, electronics, and automotive, to promote research and development tailored to the needs of various industries.

We are also building an internal cross-sector framework for research and development that spans all Group companies. This will allow us to integrate our expertise and knowledge in these technologies to develop and create the new eco businesses outlined in the medium-term plan.

Timely and Global R&D

In the smart grid business, we plan to establish a dedicated research and development center within the R&D division to capitalize on the resources of each Group company.

As smart grid projects are large-scale and, in many markets, nationalized, it is critical to gather market information globally as well as create a framework for launching new business ventures. Our aim is to analyze this market information and develop links with governments and power device manufacturers, to ensure access to business opportunities and to implement research and development initiatives directly related to market needs.

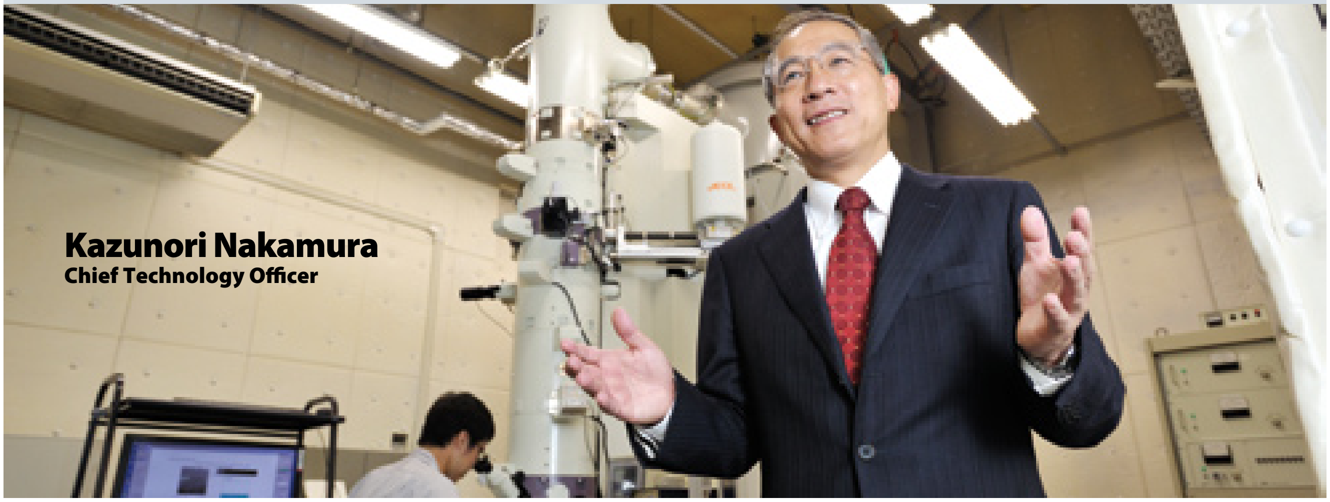
We are also in the process of developing a Group-wide framework for research and development activities in the fields of next-generation vehicles and high-density optical telecommunications.

Focusing on Next-Generation Batteries

Of particular importance to both smart grids and next-generation vehicles are next-generation batteries, including lithium-ion batteries.

We are planning a Next-Generation Battery Research & Development Center to bolster our research and development initiatives in next-generation batteries. The Center will devise research strategies for next-generation technologies and develop activators and materials for batteries.

For its development of silicon activators as an alternative to conventional carbon activators, which helps increase the lifespan of lithium-ion batteries, Furukawa Electric's technology was adopted in the New Energy and Industrial Technology Development Organization (NEDO) Li EAD Project for the development of high-performance storage systems for next-generation vehicles. The Center will establish battery assessment technology in order to conduct internal assessments of the final battery product. This will move our development forward more efficiently.



Kazunori Nakamura
Chief Technology Officer

Special Feature
New Frontier 2012

I Develop New Businesses and Restructure Operating Portfolio

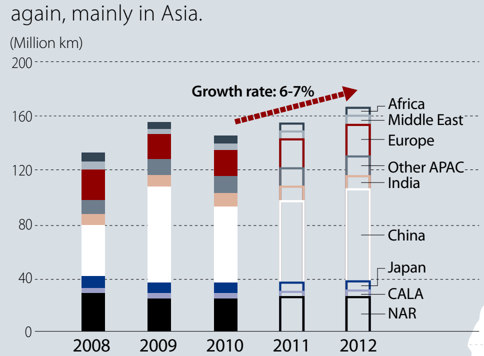
Strengthen Existing Businesses

Focusing investment on growth markets

Market for transmission infrastructure growing globally

Optical fiber market outlook

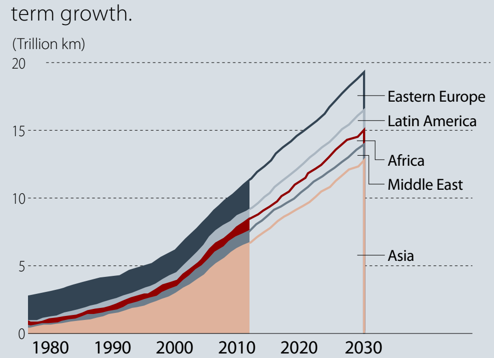
Increasing traffic will drive 3G mobile investment in emerging countries and cloud computing in developed countries. Demand will drop but rebound again, mainly in Asia.



Source: CRU September 2009

Energy market outlook

New investments in emerging countries and demand from renewals in developed countries will drive long-term growth.



Note) Power demand in emerging regicns

Source: EIA International Energy Outlook 2009

1 Transmission Infrastructure Business

We will strengthen our internal structures to respond first and foremost to capturing demand from Asia.

Telecommunications

Launched JV for laying optical fibers — *India*

Telecommunications

Signed a JV agreement to produce optical fiber raw materials — *China*

Telecommunications

Strengthening broadcast infrastructure business to capitalize on the country's use of a Japanese-style terrestrial digital broadcast system — *Brazil*

Energy

Amid growth in the high-voltage cable market, our manufacturing subsidiary Shenyang Furukawa Cable Co., Ltd. retains the top market share in China — *China*

Establishing systems to respond to the needs of emerging markets, and raising our overseas sales ratio to 35%

Meeting Global Infrastructure Demand and Providing Value in Emerging Markets

Emerging markets, such as BRICs and ASEAN, are expected to see continued market growth. This is precisely why these markets represent the new frontier for Furukawa Electric.

To meet the needs of these markets, today Furukawa Electric is moving forward with plans to bolster its manufacturing sites and sales networks in each of these regions. Currently, we have about 50 sales and manufacturing facilities in BRICs and ASEAN markets. Making use of our global supply network, we will look to increase our international sales ratio from 30.8% in fiscal 2010 to 35% in fiscal 2013, and eventually to 50% as a long-term target.

2 Functional Materials Business

We will strengthen our mass-production systems for high performance materials and components to capitalize on demand in growth markets.

Energy and Industrial Products

Make full-scale inroads into the LED TV market using our proprietary MCPET microfoamed reflective sheet *Globally*

Electronics and Automotive Systems

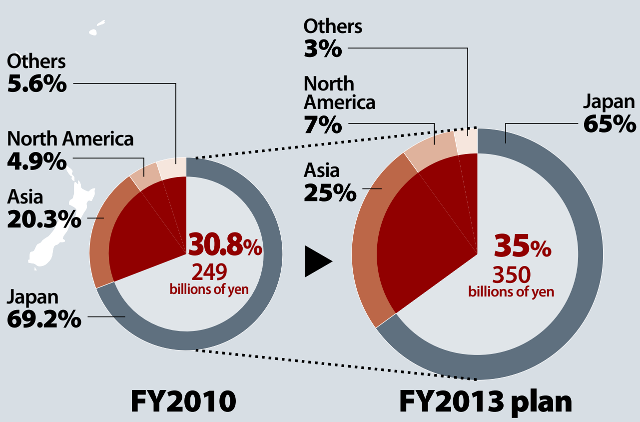
As the only manufacturer producing both aluminum and glass blanks for HDDs, aim to become the top supplier of both. Work to achieve stable mass-production of glass blanks *Globally*

Electronics and Automotive Systems, Light Metals

Develop aluminum harnesses and bodies meeting the needs of lighter weight vehicles. Retain our status as the global top supplier of aluminum compressor wheels for diesel engines *Globally*

Metals and Light Metals

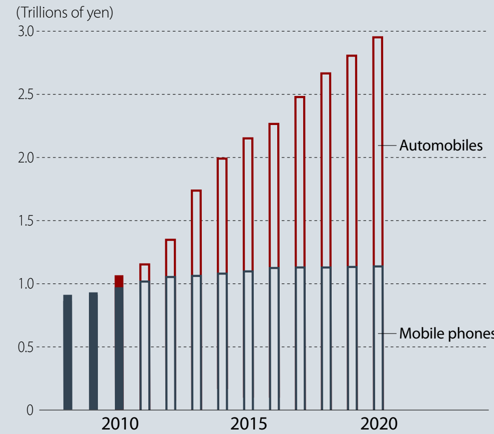
Augment production while closely monitoring the demand outlook for lithium-ion batteries used in EVs and HEVs. Strengthen our global top share in aluminum foils used in positive electrodes *Globally*



Eco and mobile device markets expanding

World Li-ion battery market outlook

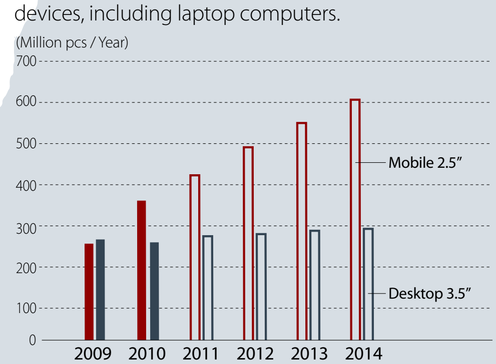
The market is expanding-steadily, underpinned by growing demand for next-generation vehicles and mobile devices.



Source: Daiwa Securities SMBC

HDD market outlook

The market for tough, impact-resistant glass blanks is expanding on the back of growing demand for mobile devices, including laptop computers.



Source: Gartner

I Develop New Businesses and Restructure Operating Portfolio

Strengthen Existing Businesses

1 Expand Transmission Infrastructure Business Globally

Capitalizing on expanding global investments

Infrastructure investments in power transmission and telecommunications are expected to continue in emerging countries such as BRICs and ASEAN over the long-term.

In China and India, further infrastructure investments are anticipated due to growing traffic on 3G mobile phone networks, while investment in power transmission infrastructure in the Middle East, Russia, India, and China is also expected to increase. Eight countries in Latin America, including Brazil, have employed Japanese-style terrestrial digital TV broadcast systems, spurring demand for broadcast station antennas and cable TV transmission systems.

The Furukawa Electric Group is reinforcing its supply systems around the world to respond adequately to this increasing global demand. In India, our joint venture business with a local company for the manufacture and laying of optical fiber launched operations in March 2010. We are also increasing production capacity at our optical fiber joint venture manufacturing company in Xian, China.

In China, we boosted production capacity by 30% at Shenyang Furukawa, a major manufacturer of high-voltage cable, in May 2009. Through Shenyang Furukawa and affiliated company Viscas Corporation, we will strive to become a top global supplier of ultra-high-voltage cables.

Furthermore, we are working to expand business operations in South America through our locally incorporated subsidiary. Such localized initiatives will enable us to expand our international sales share.


Installation of optical fiber cable overseas

2 Enhance Functional Materials Business

Li-ion battery materials for EVs and HEVs as well as materials for HDD blanks

Furukawa Electric is looking to expand the operations of its functional materials business by focusing on greater value-added copper and aluminum foils used in lithium-ion batteries for EVs and HEVs, as well as materials used in blanks for HDDs.

In the field of lithium-ion batteries for EVs and HEVs, we are a major supplier of copper and aluminum foils used in positive and negative electrodes, and are striving to supply higher value-added products in the segment, including developing activators made of carbon and other materials.

The widespread use of lithium-ion batteries in EVs and HEVs began in earnest in fiscal 2011. With the spread of next-generation vehicles, we expect the lithium-ion battery market to grow three-fold by fiscal 2013 and five-fold by fiscal 2014. As such, while carefully monitoring demand, we will move forward with plans to augment our production facilities.

As we are the only company in the world to manufacture and sell both aluminum and glass materials used in blanks for HDDs, we will aim to become the number one global supplier of these materials as well. We enjoy a 50% share of the global market for aluminum materials, a conventional mainstay material for blanks, and will continue to maintain this share. At the same time, we are also planning on making full-scale inroads into the glass materials segment, in order to capitalize on growing demand from mobile devices. Accordingly, we have developed a proprietary manufacturing process that utilizes our optical fiber production technologies, launching mass production in April 2010. In consideration of today's global supply shortage, we plan to expand our production scale about twenty-fold in 2013.

In addition to these two areas, we have made full-scale inroads into the LED TV market with MCPET microfoamed reflective sheet. We also provide solutions in increased-productivity semiconductor wafer processing tape, lightweight aluminum harnesses for vehicles, and aluminum compressor wheels, where we have established a top share globally.


Glass blank for an HDD

3 Restructure Traditional Processing Businesses

Carefully assess low-profit businesses and promote greater efficiencies through a "One Product, One Factory" approach

In order to optimize its operating portfolio, Furukawa Electric understands that it must not only extend its new businesses and growth businesses, but also consider how to improve less profitable businesses that have passed their prime.

As a result, we have categorized our Group businesses into the four areas of "Developing," "Growth," "Core," and "Restructuring," with the plan to promote the reform of less profitable businesses classified under the Restructuring category.

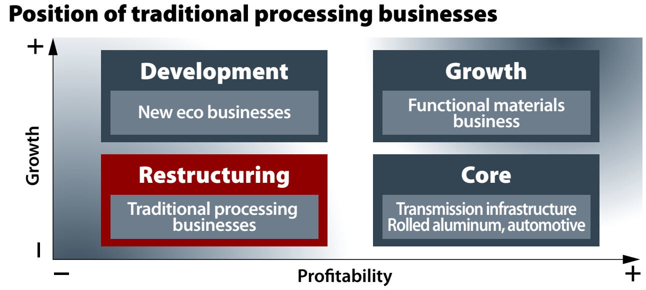
The specific target of this reform process is simple, lower value-added processed products such as copper wires and strips, rolled aluminum products, electrical wire, and general plastic products. Although these traditional processing businesses have focused primarily on the Japanese market, future growth is not expected due to weaker demand attributed to Japan's aging society and declining birthrate. As such, where we once produced a single product at several factories in order to diversify risk, we will now shift strategy to produce one product at one factory to enhance production efficiencies.

As part of moving forward with this new operating model, Furukawa Electric launched the Business Viability Assessment Committee in April 2010 to assess and discuss the effectiveness of restructuring plans. (See page 22.)

Measures aimed at restructuring

- Consolidate magnet wire business
- Optimize domestic copper piping business
- Reform structure of domestic aluminum business

Position of traditional processing businesses



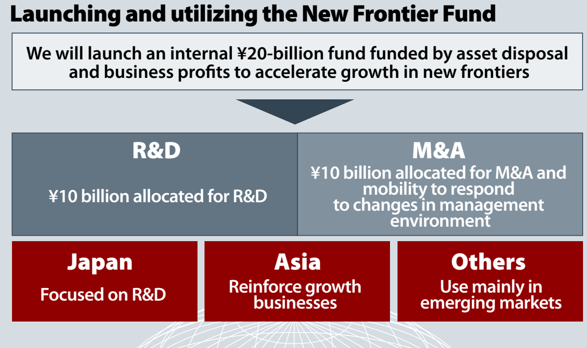
The New Frontier Fund

Investment in technology development, overseas expansion, and M&A will be critical to achieving the vision of Furukawa Electric's new medium-term plan to develop new businesses and restructure its operating portfolio.

For fiscal 2011 to fiscal 2013, we have increased average annual research and development spending 20% above fiscal 2010 levels to ¥21.5 billion, and established the New Frontier Fund with a total of ¥20 billion.

The New Frontier Fund, endowed through asset sales and business profits rather than through a new offering of capital stock, is being used to accelerate our growth plans in new businesses and markets. Of the ¥20 billion fund, ¥10 billion will be allocated for research and development, while the remaining ¥10 billion will be used for M&A and business alliances that will enhance our mobility to respond to changes in the management environment.

Launching and utilizing the New Frontier Fund



Special Feature
New Frontier 2012

Ⅱ Reform Organizational Climate

A truly global corporation must understand and practice CSR taking into consideration the local customs, culture and legal systems in each country and region in which it operates.

Based on this recognition, Furukawa Electric will continue to move forward with the reform of its organizational climate with the following perspectives.

Compliance

Furukawa Electric takes seriously the repeated investigations by the Japan Fair Trade Commission on suspicion of violations of the Anti-Monopoly Act. As we implement measures to prevent future occurrences, we will strive to ensure compliance best practices in every aspect of our business going forward.

The third-party investigation committee on Violations of the Anti-Monopoly Act , established in July 2009, completed its investigation into the cause of these violations and gave recommendations on specific countermeasures in December 2009, with the committee's report released to both internal and external stakeholders.

Furukawa Electric has placed a compliance director and compliance promotion officer in each business division to reinforce its compliance structure and practices. The Company is also taking steps such as strengthening control over the price-setting process in the sales and marketing division, enhancing monitoring by the internal audit division and external experts and establishing an employee hotline to report possible violations of the Anti-Monopoly Act.

Future measures to develop and improve compliance practices

1. Strengthen the compliance structure and ensure on-site best practices
- Place a compliance director and compliance promotion officer in each business division
- Provide training and educational activities
- Conduct compliance inspection activities within each business division (confirmed using check sheets, etc)

2. Strengthen governance in sales and marketing division
- Strengthen governance of price-setting process, etc.
- Reexamine company participation, including attendees, in associations and industry organizations

3. Enhance monitoring
- Conduct audit on compliance with the Anti-Monopoly Act through the internal audit division
- Seek guidance and advice from external experts, including attorneys

4. Other
- Establish internal employee hotline for issues relating to the Anti-Monopoly Act
- Review regular rotation of human resources in the sales and marketing division, etc.

Group Management

The pursuit of efficiencies and cost reductions in manufacturing throughout the world has resulted in demand not for individual components, but rather for the supply of these components as integrated systems.

Given these global market needs, Furukawa Electric will continue to enhance overall Group competitiveness by pursuing operations that combine the technologies and products of each Group company.

Human Resource Development Activities

Furukawa Electric will undertake recruitment activities on a global scale to train and hire human resources that fit its model for growth. In addition, we will develop training programs that instill not only technical knowledge in specialist fields, but also practical business expertise, such as finance and tax systems.

Environmental Conservation Activities

We have established a target to reduce CO_2 emissions by 15% compared to 2001 levels by fiscal 2013 and are currently striving to reduce the environmental impact resulting from our business activities to meet this target.

At present, we have achieved a 12% reduction, giving us confidence that we can achieve our 15% target on schedule by continuing to improve production efficiencies through process innovations.

Special Feature
New Frontier 2012

Ⅲ Improve Financial Strength

In order to implement the measures we have discussed and continue expanding globally, Furukawa Electric must build a corporate structure that can stand up to various management risks.

Our initiatives thus far, such as our extensive cost-cutting efforts implemented to weather the global financial crisis over the past two years, have enabled us to steadily reduce interest-bearing debt and improve asset efficiency. We will continue to improve financial strength further to attain our fiscal 2013 targets of ¥1 trillion in net sales, ¥50 billion in operating income (5% operating margin), and ¥25 billion in net income.

Asset Rationalization

Furukawa Electric will rein in asset risk by maintaining total assets around the current ¥900 billion level and expanding sales by developing new business segments and strengthening existing businesses. Furthermore, we will seek to increase profitability by continually working to reduce inventory, receivables, and fixed costs.

With our emphasis on asset efficiency, ROA (return on assets) on an operating income basis will be a key financial indicator. Our target of 5.6% exceeds our previous record of 4.9%, achieved in fiscal 2007. By using profits to pay off interest-bearing debt and build up shareholders' equity, we plan to reduce interest-bearing debt to ¥320 billion, a 12% decline from fiscal 2010, and achieve a debt-to-equity ratio of 1.5 by fiscal 2013.

Enhance Investment Efficiency

Furukawa Electric plans to reduce capital expenditures by 15% from ¥115.8 billion during the 2007–2010 medium-term plan (¥38.5 billion annual average) to ¥100 billion during the 2011–2013 medium-term plan (¥33 billion annual average).

Capital expenditures during the first half of the 2007-2010 plan focused on the light metals segment, such as rolled metals and wrought copper. Going forward, however, there will be less need for investments to increase production in Japan, as the focus of capital expenditures will be on generating new businesses and developing new technologies. The key focus will include investments aimed at the overseas expansion of copper foils used in lithium-ion vehicle batteries, automotive parts and optical fiber cables.

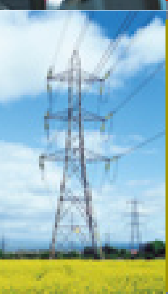
The Business Viability Assessment Committee and Investment Committee

Furukawa Electric established the Business Viability Assessment Committee in April 2010 as an organization to improve asset efficiency and accelerate the restructuring of its operating portfolio. The Committee has been given the mission to review less profitable business and formulate restructuring strategies, and is responsible for evaluating the feasibility and relevance of restructuring plans devised by operating divisions as well as the authority to make changes where necessary.

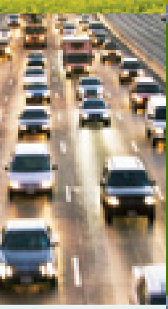
In August 2009, Furukawa Electric established the Investment Committee as a deliberative organ to reduce potential risks and to bolster the prior review of decision-making relating to financing and investments, such as capital expenditures and M&A.

Business Outlook and Focus

Telecommunications
→ p.24



Energy and Industrial Products
→ p.25



Electronics and Automotive Systems
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Metals
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Light Metals
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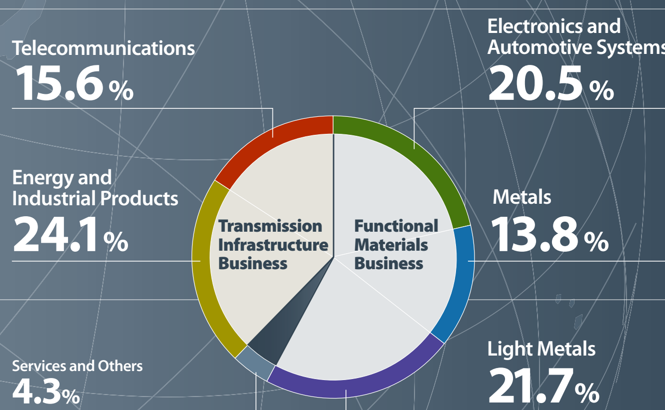


Business Outlook and Focus

Transmission Infrastructure Business

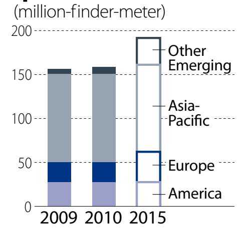
Telecommunications

Strengthening the Production of Optical Fiber Cables

Furukawa Electric anticipates that demand for optical fiber cables in Asia, centering on China, will return to growth in fiscal 2011 after an initial flat trend. The outlook is based on the continuing development of 3G cellular phone systems in the region. Based on the outlook, we have agreed to establish a joint venture in China to manufacture raw materials for optical fiber cables. Our joint venture for laying optical fiber cables in India, established in September 2009, is also proceeding steadily.

There is also new demand for optical fiber cables in South America generated by the launch of broadband telecommunication networks in Brazil and Argentina, while demand in North America is showing signs of recovery from the economic recession. However, sluggish economic conditions in Europe and the maturation of the Japanese market are expected to result in weaker demand in these regions.

Global demand for optical fiber cable
(million-finder-meter)

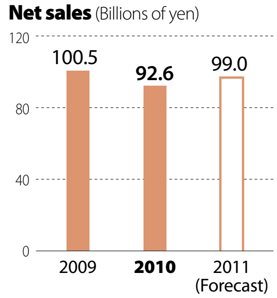


Market conditions and our actions

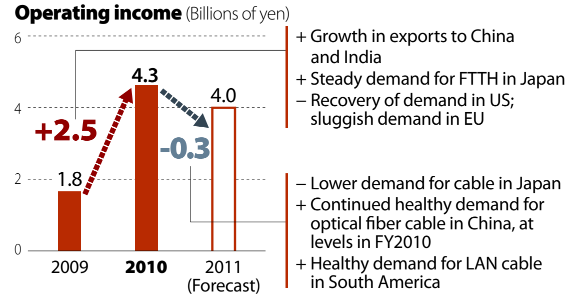
	Market conditions	Our actions
Asia	↑ Increase in investments for broadband	Agreed to establish joint venture in China (announced June 2010)
Europe	→ Lower investments in optical fiber cables	
Americas	↑ Recovery of investment in optical fiber cables	
Japan	→ Lower investments in optical fiber cables	Completed consolidation of cable plants (December 2008)

Optical fiber cables business

Net sales (Billions of yen)

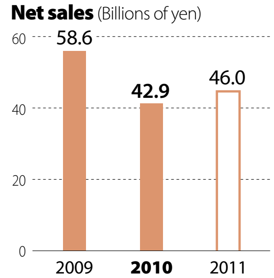


Operating income (Billions of yen)

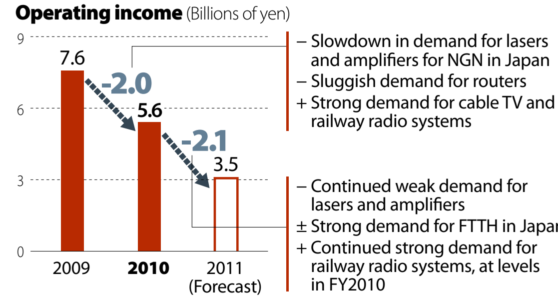


Photonics and networks business

Net sales (Billions of yen)



Operating income (Billions of yen)



Business Outlook and Focus

Transmission Infrastructure Business

Energy and Industrial Products

Meeting Demand for Ultra-High-Voltage Cable in Growth Markets

Furukawa Electric anticipates that demand for ultra-high-voltage cable in growth markets including China will deliver sustained long-term future growth. Shenyang Furukawa Cable Co., Ltd. is positioned as the leading manufacturer and supplier of high-quality cable products in China. The Company increased its production capacity by 25% in fiscal 2009 to meet the growing demand.

Furukawa Electric also anticipates weaker demand for copper wire and low-voltage cable in Japan, due to sluggish construction-related demand. Accordingly, we will move forward with plans to consolidate our production facilities in Japan.

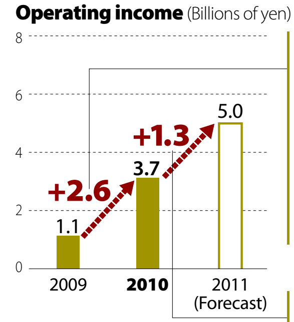
Market conditions and our actions

	Market conditions	Our actions
High-voltage cables	↑ Healthy investment in power infrastructure in China	
Copper wires / low-voltage cables	→ Continued weak demand from construction	
Industrial products (plastics)	↑ Recovery in demand for semiconductors and LED televisions	Increased production of reflective sheets for LED televisions

Energy and industrial products

Net sales (Billions of yen)

Operating income (Billions of yen)



Functional Materials Business

Electronics and Automotive Systems

Launch of Glass Blank Mass Production

Demand for automotive parts including wire harnesses and other components began to recover starting from the second half of fiscal 2010, and is anticipated to continue recovering in the first half of fiscal 2011. In the magnet wire segment, we have streamlined our business operations encompassing our subsidiaries.

Furukawa Electric anticipates healthy demand for electronic components including aluminum blanks for HDDs, heat sinks and other products. We also launched mass production of glass blanks for HDDs used in mobile applications, starting in May 2010.

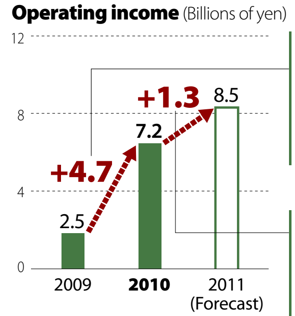
Market conditions and our actions

	Market conditions	Our actions
Automotive parts	↑ Healthy demand for use in automobiles	Made US joint venture Lear Furukawa Corporation a wholly-owned subsidiary (June 2010)
Magnet wires	↑ Healthy demand for magnet wires used in electronics	Integrated operations with our subsidiaries (April 2010)
Electronics	↑ Healthy demand for HDDs and computer games	Launched production of glass blanks (May 2010)

Electronics and automotive systems

Net sales (Billions of yen)

Operating income (Billions of yen)



+ Recovery in demand for vehicle wire harnesses
+ Continued healthy demand for aluminum blanks used in HDD devices
– Sluggish demand for magnet wire

– Conservative outlook for wire harnesses, in spite of continued healthy demand
+ Continued healthy demand for aluminum blanks for HDD devices, in first half of FY2011
+ Continued recovery in demand for magnet wire

Business Outlook and Focus

Functional Materials Business

Metals

Boosting Production of Copper Foils for Lithium-Ion Batteries

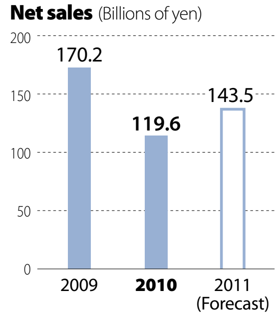
Although demand for copper strips used in electronics has recovered rapidly, Furukawa Electric anticipates that demand for copper pipes used in air conditioners will remain flat. Demand for copper foils used in lithium-ion batteries and flexible print circuits (FPC) is also rapidly recovering. Meanwhile, recent growth of the electric vehicle (EV) market is expected to generate significant growth in demand for copper foils used in lithium-ion batteries. We will therefore expand the production capacity for copper foils, as a leading manufacturer of copper foils for lithium-ion batteries.

Market conditions and our actions

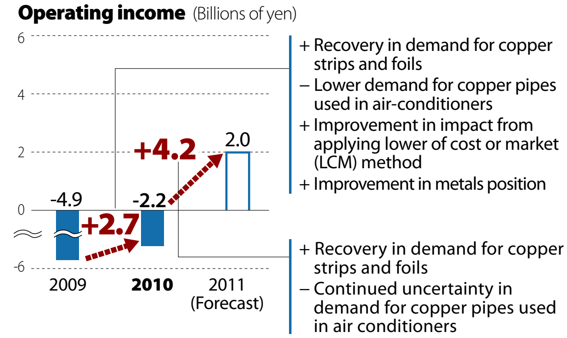
	Market conditions	Our actions
Wrought copper products	↑ Recovery in demand for electronics → Continued weak demand for air conditioners	Streamline our domestic manufacturing plants that produce copper pipes for air conditioners
Copper foils	↑ Recovery in demand for lithium-ion batteries	Increase the production capacity for copper foils used in EV lithium batteries

Metals

Net sales (Billions of yen)



Operating income (Billions of yen)



Functional Materials Business

Light Metals

Recovery in Thick Plate Demand for Semiconductor and LCD Equipment

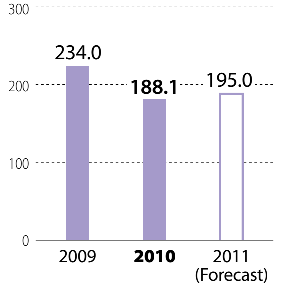
There was a recovery in demand for rolled aluminum products starting from the second half of fiscal 2009, particularly for thick plates used in semiconductor and LCD manufacturing equipment. We will endeavor to expand our international business and implement structural changes to the business segment for general-purpose products in Japan.

Market conditions and our actions

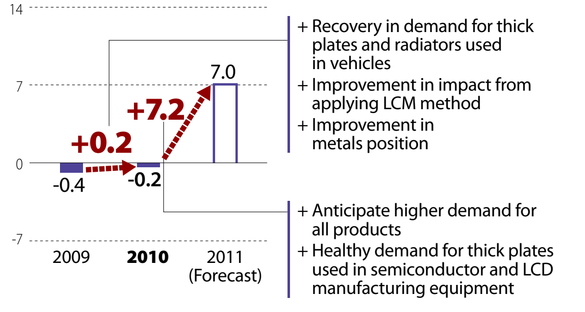
	Market conditions	Our actions
Aluminum can stock	↑ Economic recovery	
Automotive parts	↑ Recovery in auto sales	Capital participation in Chinese enterprise (Oct. 2009)
Thick plates	↑ Recovery in demand for LCD and semiconductor manufacturing equipment	

Light metals (aluminum processing products)

Net sales (Billions of yen)



Operating income (Billions of yen)



CORPORATE GOVERNANCE

Basic Philosophy

The Furukawa Electric Group strives to enhance its performance by promptly responding to changes in the business environment and the market through efficient management based on timely decision making. At the same time, we ensure sound management practices under our internal control system. We uphold the basic policy of seeking to expand and develop our operations on a sustainable basis and to raise corporate value through these efforts.

While pursuing compliance best practices across the Group, we also provide society with excellent products and technologies that enrich people's lives while maintaining harmony with the environment. We fulfill our corporate social responsibility to develop solid relationships with all stakeholders, including shareholders, business partners, local communities and employees, and to remain a company that benefits society.

Management Organization

Furukawa Electric's organizational structure incorporates internal auditors, with emphasis on the independent functioning of Auditors and a Board of Auditors separate from the Board of Directors. We are also tuning the operations of our Board of Directors to strengthen monitoring and supervision of business execution and to accelerate decision making.

Reinforcing Internal Controls

Furukawa Electric establishes, develops and operates its internal controls based on the following five principles:
(1) Efficient execution of responsibilities
(2) Compliance system
(3) Risk management system
(4) Information management system
(5) Group company management
(6) Sound, reliable financial statements

Compliance

The Furukawa Electric Group defines compliance as extending beyond adherence to laws, to encompass actions in accordance with the ethical standards and values required of a corporate citizen that is a contributing member of society. We strive to ensure that all employees follow compliance best practices in line with the Furukawa Electric Group Action Guidelines that lay out our basic philosophies on compliance.

Our compliance activities, including internal educational programs and inspections for legal violations, take place centered around the Central Compliance Committee with the president as chief officer in charge. Compliance directors and compliance promotion officers, placed under the company president and chief officer of each business division, further ensure the effective implementation of activities.

External Board Members

Tetsuo Yoshino
Former Chairman and President of Furukawa Co., Ltd.

Tetsuo Yoshino has an extensive executive background in the non-ferrous metals sector. With knowledge and experience covering all aspects of management, including operations, he brings valuable insight and direction to the Board of Directors.

Takasuke Kaneko
Former Vice President of The Dai-ichi Kangyo Bank, Ltd., President of Dai-ichi Kangyo Shoken K.K., and Chairman of the Board of Mizuho Securities Co., Ltd.

With years of management experience in the financial services industry, Takasuke Kaneko provides vital knowledge of financial strategies and risks to the Board of Directors.

Sumitaka Fujita
Former Vice President and subsequent Vice Chairman of Itochu Corporation

Sumitaka Fujita's strong foundation of knowledge and experience as a trading company top executive brings perspectives on global management to the Board of Directors.

External Corporate Auditors

Yuzuru Fujita
Former Chairman and President of Asahi Mutual Life Insurance Co.

With experience as a financial institution top executive and as an external board member for other firms, Yuzuru Fujita' s knowledge and background inform the Board of Directors on effective and legally-compliant Group management practices from a risk management and institutional investor perspective.

Tadashi Kudou
Former President of Mizuho Bank, Ltd.

Tadashi Kudou has accumulated a broad base of knowledge and experience as a financial institution top executive and as an external board member for other firms. He strengthens the Board of Directors with insights into effective and legally-compliant Group management practices from a risk management perspective.

Kenji Koroyasu
Former Prosecutor for the Supreme Public Prosecutors Office

Kenji Koroyasu possesses far-reaching insight as a long-serving legal professional. With knowledge of corporate legal affairs and corporate management gained as an external board member and external corporate auditor for other firms, he is uniquely suited to advise the Board of Directors on effective and legally-compliant Group management practices.

In particular, Furukawa Electric has strengthened controls over meetings with other firms in the industry and over the price-setting process to prevent the reoccurrence of cartel violations, and has enhanced the monitoring process through regular guidance from external compliance experts. We have also set up an anonymous internal "whistleblower" hotline to identify compliance violations as early as possible.

Furthermore, our CSR Division, which also functions as an internal audit division, closely monitors the execution of work processes in each business unit to verify whether internal control systems, including the compliance system, are functioning effectively. The Internal Audit Division reports its findings to the executive management team, ensuring appropriate internal disclosure and transparency.

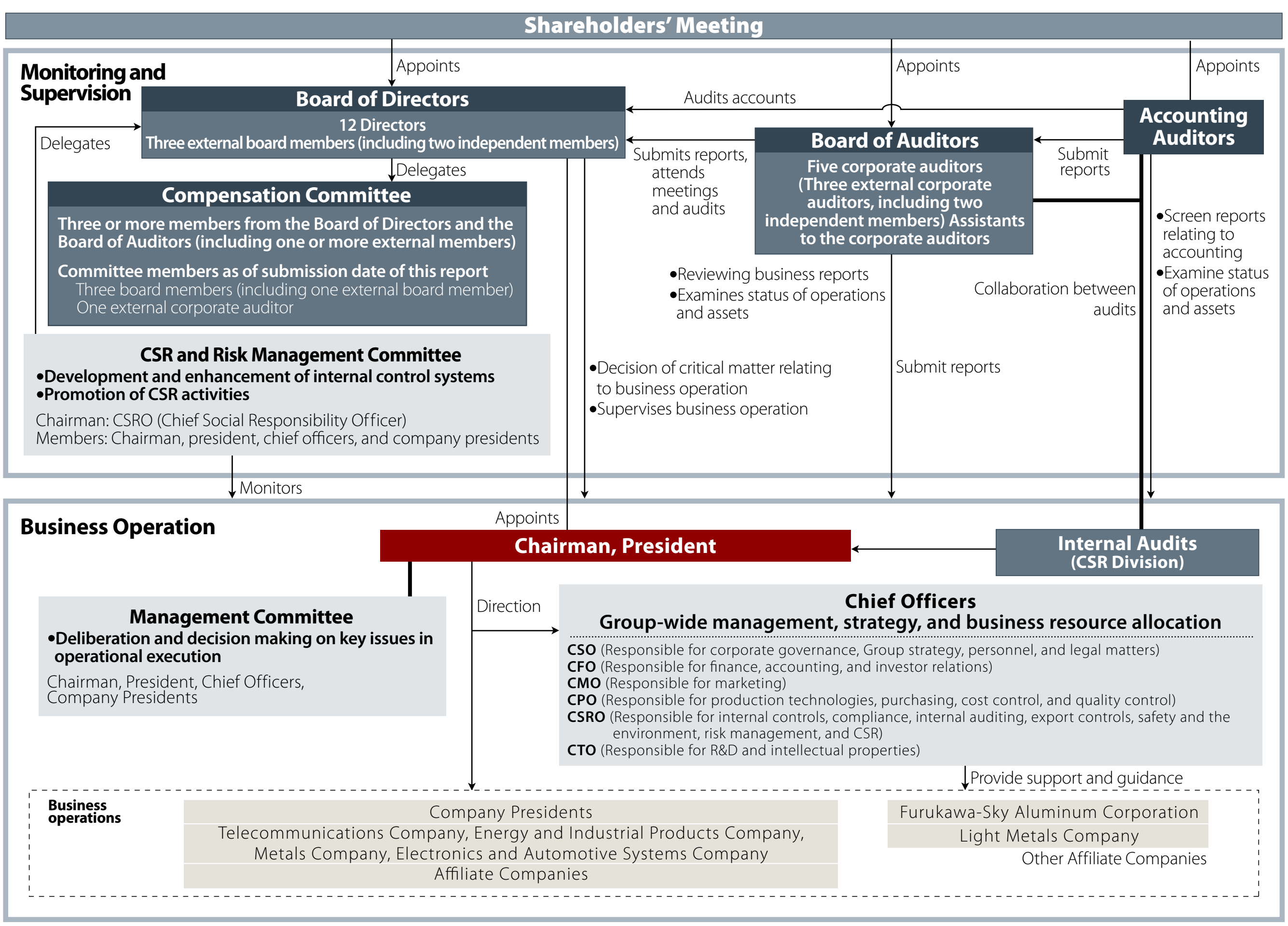
Risk Management

Furukawa Electric's risk management structure and control methods are stipulated in its Risk Management Basic Rules & Regulations. We have established a CSR and Risk Management Committee, consisting of the chairman, president, chief officers, and company presidents under the Board of Directors as a key component of our risk management system. The Committee assesses all business and operational risk of the Group and verifies the validity of this assessment and control methods.

The CSR and Risk Management Committee also establishes information security systems in all business divisions and affiliate companies, and prepares our business continuity plan in case of natural disaster.

In addition, information security has been positioned as one of the highest priority risks facing the Company today. As a countermeasure against counterfeit goods and industrial espionage of intangible assets at Group companies overseas, the Committee conducts ongoing follow up activities through interviews at our overseas offices. We have also began a second reexamination of our management practices concerning confidential proprietary business information, in order to respond to revisions made to the Unfair Competition Prevention Act.

Corporate Governance Organization Chart



CSR ACTIVITIES

Fundamental Philosophy

The Furukawa Electric Group recognizes the corporate responsibility it bears toward society: providing products and services that contribute to social development and improving people's lives, while emphasizing public regulations and corporate ethics, product safety, the safety of employees and the local community, and reduced environmental impact from business activities.

To meet these social responsibilities, the Group formulated the Furukawa Electric Group Basic Policy on CSR in February of 2007, thereby establishing a structure for reinforcing CSR efforts across the entire Group.

Under this structure, we plan to conduct corporate activities that effectively balance the three factors of business, environmental protection, and social contribution, by deepening communication with our stakeholders and further advancing and developing the CSR activities of the Group.

CSR Basic Policy

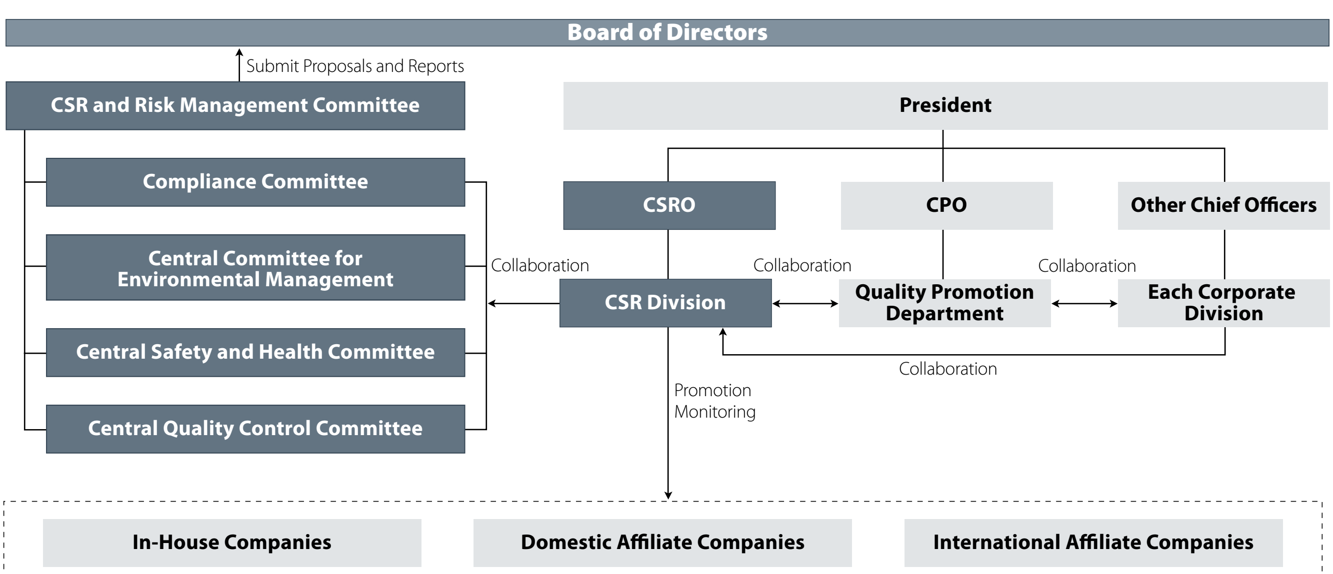
We fully recognize the responsibilities of the Furukawa Electric Group to society and will strive to maintain and improve on solid, friendly relationships with all of our stakeholders and contribute to the sustainable development of society through corporate, environmental and social activities.

CSR Management

The Furukawa Electric Group has established the CSR Division, a specialized organization in charge of promoting CSR activities, and has appointed a Chief Social Responsibility Officer. Through this initiative we will ensure a uniform Company-wide approach to CSR while applying a CSR perspective to the monitoring of corporate activities, including internal controls, compliance, risk management, safety, environmental conservation, and social contributions.

In addition, we maintain a framework for taking any necessary action should problems arise, for example investigating allegations and the causes of problems, instituting remedial or preventive measures and releasing statements, to deal with all eventualities quickly and appropriately.

CSR Promotion Framework



Relationship with the Global Environment

The Furukawa Electric Group has introduced a system for certifying and registering products defined as environmentally sound due to beneficial effect or reduced negative impact on the environment, as determined through an evaluation of the entire product lifecycle. We are working to expand the distribution of these products.

Environmentally sound products must exhibit overall improvements over conventional products by meeting agreed-upon environmental criteria at every stage, from the purchase of raw materials and parts to manufacturing, use, distribution, and disposal. After application and screening by the division, products that pass the screening by the Environmentally Sound Product Development Committee, a cross-sectional organization of the Furukawa Electric Group, are registered as environmentally sound products. The number of registered products in fiscal 2010 totaled 36, or 90% of our annual target. In addition, a total of 40 products across the Group were registered in fiscal 2010, contributing to the cumulative 56 products that have been registered under the program since its launch in September 2008.

In addition, we created the "e-friendly" logo in December of 2008 to identify the Furukawa Electric Group's environmentally sound products. This logo is displayed on the packaging of these products and is utilized for sales promotion.

We will continue expanding distribution of environmentally sound products while establishing benchmarks for environmental performance, in an effort to increase visibility in this area. Through the creation of innovative technologies and environmentally sound products that exceed existing standards, we hope to further advance the creation of a sustainable, recycling-oriented society.

"e-friendly" logo

Packaging box for commercial lead automobile battery (The Furukawa Battery Co., Ltd.)

Relationship with Society and Local Communities

The Furukawa Electric Group has undertaken numerous social contribution activities rooted in local communities under the Furukawa Electric Group Basic Policy on Social Contribution Activities. We plan to further strengthen these efforts to fulfill our responsibility as a member of society, through activities centered on youth development, sports and culture promotion, and coexistence with local communities.

Campaign to remove and prevent illegal dumping (Mie Works)

Furukawa Electric Group's Basic Policy on Social Contribution Activities

The Furukawa Electric Group seeks to carry forward and strengthen the bonds it has cultivated with society over the past century to pass on an even brighter future for generations to come by contributing to society through business activities, as well as by undertaking steady, consistent social contribution activities centered on nurturing the next generation, promoting sports and culture, and coexisting with the local community.

DIRECTORS AND AUDITORS

Hiroshi Ishihara
Chairman

Masao Yoshida
President

Tetsuo Yoshino
Director (Outside)

Takasuke Kaneko
Director (Outside)

Sumitaka Fujita
Director (Outside)

Hideo Sakura
Director
Chief Financial Officer

Masahiro Yanagimoto
Director
President of the Electro-nics and Automo-tive Systems Company

Shunichi Shindo
Director
President of the Energy and Industrial Products Company

Tetsuya Satou
Director
Chief Social Responsibility Officer

Mitsuyoshi Shibata
Director
President of the Metals Company

Tohru Shirasawa
Director
Chief Production Officer

Nozomu Amano
Director
Chief Strategy Officer

Statutory Auditors

Takahiko Ito
Kaoru Yabuki
Yuzuru Fujita (Outside)
Tadashi Kudou (Outside)
Kenji Koroyasu (Outside)

SIX-YEAR SUMMARY

	Millions of yen						Thousand of U.S. dollars
	2005	2006	2007	2008	2009	2010	2010
For the year							
Net sales	775,894	872,535	1,104,709	1,174,247	1,032,807	809,693	8,706,376
Cost of sales	640,901	722,575	930,399	1,002,410	899,409	679,403	7,305,408
Selling, general and administrative expenses	111,256	112,529	120,676	123,390	123,646	109,968	1,182,452
Operating income	23,736	37,430	53,632	48,447	9,752	20,322	218,516
Income taxes	13,172	15,780	23,403	11,466	12,732	1,371	14,742
Income (loss) before income taxes and minority interests	33,060	44,542	57,986	31,034	-30,896	10,947	117,710
Net income (loss)	15,805	25,508	29,765	15,291	-37,405	9,704	104,344
Research and development costs	17,193	18,017	19,976	19,789	19,895	17,270	185,699
Capital expenditure	27,294	30,886	41,833	45,264	41,275	25,433	273,473
Depreciation	41,032	36,943	37,903	42,128	46,933	42,461	456,570
At year-end							
Total assets	991,358	1,052,256	1,096,708	1,014,778	845,658	835,819	8,987,301
Net assets	175,845	286,701	316,302	294,982	190,429	208,929	2,246,549
Total current assets	442,937	483,171	531,584	501,436	397,264	400,498	4,306,430
Property, plant and equipment,net of accumulated depreciation	335,687	325,325	337,679	338,227	312,073	291,189	3,131,065
Total current liabilities	392,908	430,205	454,690	419,175	332,374	332,315	3,573,279
Interest-bearing debt	471,271	435,346	428,173	399,050	383,114	362,088	3,893,398
Cash frows							
Cash flows from operating activities	32,600	22,719	50,724	90,760	78,728	36,668	394,280
Cash flows from investing activities	40,360	11,133	-29,612	-52,113	-51,267	-25,113	-270,032
Cash flows from financing activities	-84,578	-46,782	-20,694	-41,581	-14,553	-23,582	-253,570
Cash and cash equivalents	50,587	41,567	45,863	43,828	53,453	40,808	438,796
Per share date (yen)							
Net income	24.11	36.94	42.16	21.81	-53.34	13.80	0.148
Net assets	268.24	316.24	349.89	332.61	203.16	231.39	2.488
Cash dividends	—	3.00	6.50	7.00	6.00	5.00	0.054
Ratios (%)							
ROE	9.2	12.8	12.7	6.4	-20.0	6.3	—
ROA	2.4	3.6	4.9	4.8	1.2	2.4	—
D/E ratio	2.7	2.7	1.7	1.7	2.7	2.2	—
Operating income Ratio	3.1	4.3	4.9	4.1	0.9	2.5	—
Ratio of shareholders' equity	17.7	21.2	22.5	22.9	16.9	19.6	—
Total assets turnover (times)	0.8	0.8	1.0	1.2	1.2	1.0	—

Note) 1. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥93 to US$1.
2. ROA = Operating income (loss) / Total assets
3. Net assets for 2005 are equivalent to the figure of total shareholders' equity.

Financial Section

Contents

CONSOLIDATED FINANCIAL REVIEW

Scope of Consolidation

The consolidated financial statements for the fiscal year ended March 31, 2010 (fiscal 2010) include the business results of 106 subsidiaries and 16 affiliates accounted for using the equity method.

In the fiscal year under review, five subsidiaries were added while five subsidiaries were dissolved, four due to mergers and one due to liquidation, and one subsidiary was removed due to divestiture.

With respect to consolidated equity-method affiliates, three were added, one was added to the scope of consolidation, one was sold and one was removed due to a merger.

Overview of Business Performance

Net Sales

In fiscal 2010, the global economy was supported by aggressive monetary and fiscal stimulus measures, such as public investment, adopted by countries to combat the severe economic recession triggered by the US financial crisis in September 2008. Despite signs of a gradual recovery, economic activity fell short of levels marked prior to the US financial crisis, and fears over downside risks in the economy made conditions unstable. In the US, job growth remained low, but there were signs of improved consumer spending from the second half of the fiscal year. In contrast, the economic recovery lagged in Europe, while Greece's debt crisis made the future even more uncertain. In the Asian region, emerging countries, and China in particular, showed early signs of an economic recovery and exhibited a growing presence, giving them the key role in driving the global economy during the fiscal period under review. In Japan, the environment remained as harsh as in fiscal 2009 in the first half of the fiscal 2010, particularly in the first quarter, as a result of the deterioration in the global real economy. However, there were signs that the economy had bottomed out as exports to Asia picked up in the auto industry and other manufacturing industries. Nevertheless, this economic recovery was not self-sustaining, in light of the prolonged slump in consumer spending and other sources of domestic demand and the drop in corporate earnings due to falling prices and yen appreciation.

In this situation, the Furukawa Electric Group adapted to the harsh environment in global markets by taking cost-cutting measures, such as a thorough review of expenses and cuts in fixed costs, and bringing the Group together to ensure profitability. At the same time, we took the first strategic steps to strengthen the Group's position in global markets. For example, we aggressively expanded our global presence with increased production of ultra-high voltage transmission cables in China and the launch of optical fiber production with a local partner in India to meet investment demand in transmission infrastructure sectors, such as telecommunications and electricity, in emerging economies. In the functional materials business, we also expanded our trade area for automotive wire harnesses, and began operating a new factory for foamed plastic products in Russia. We continued to restructure our businesses and Group companies, and sought to raise efficiency and strengthen Group management.

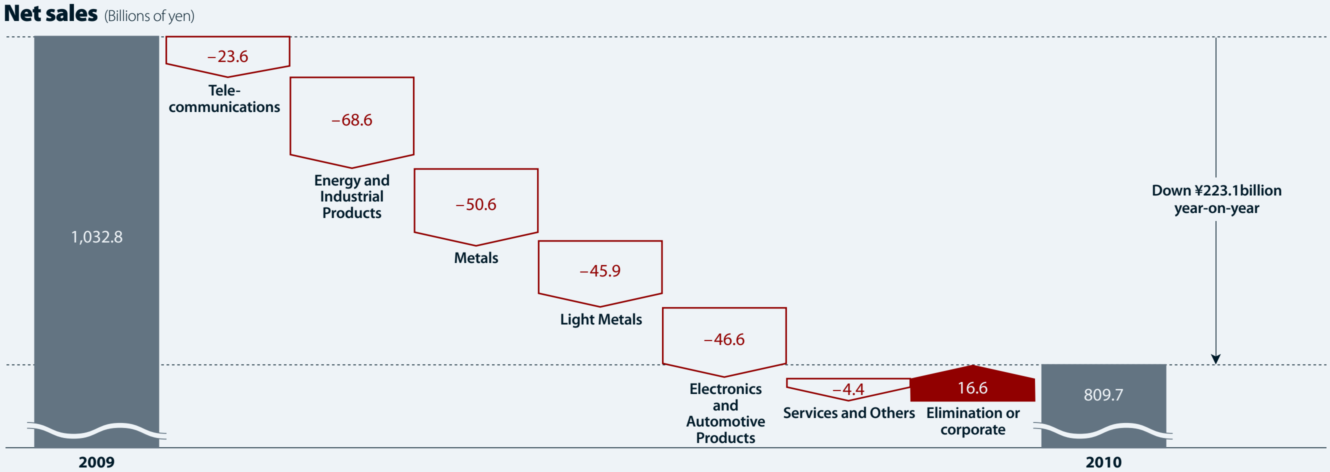
Sales were hurt by the strong yen and sluggish demand in Japan, the US and other developed countries, but earnings were bolstered by solid demand from China and other emerging countries. In addition, clients wrapped up their inventory adjustments and Japan's eco car tax incentives restored demand for automotive-related products. As a result, consolidated sales fell 21.6% from the previous fiscal year to ¥809.7 billion, but we achieved the sales forecast made at the start of the fiscal year. Overseas sales dropped 21.5% over the previous fiscal year to ¥249.2 billion.

Results by Business Segment

Telecommunications

Consolidated net sales decreased 14.8% from the previous fiscal year to ¥135.5 billion. Demand in the FTTH-related market was robust in Japan, and exports of optical fibers to India, China and other Asian countries were solid. Sales of terrestrial digital broadcasting products were strong as regions throughout Japan prepare for the complete transition from analog to digital broadcasting in July 2011. However, sales fell due to faltering demand for infrastructure in Europe and other developed countries as well as the exchange rate.

Net sales (Billions of yen)



Energy and Industrial Products

Consolidated net sales decreased 24.7% from the previous fiscal year to ¥208.8 billion. Sales of high-voltage cables in China were robust, and demand for tapes used in semiconductor manufacturing recovered, particularly in Asia, after a sharp fall in the second half of the previous fiscal year. However, this was offset by stagnant sales of copper wires and electric cables for construction.

In April 2009, we acquired F-Co Co., Ltd., which manufactures and sells electric insulated wires, tape for anti-corrosion applications, heat release and thermally-conductive sheets and other products. In February 2010, Asahi Electric Works Co., Ltd., a subsidiary which excels in the power transmission component business, became a wholly-owned subsidiary through a share exchange. In addition, as part of our business reorganization, we sold subsidiary Sun Sunny Industry Co., Ltd., which specializes in floor heating systems, to MAX Co., Ltd. in August 2009.

Metals

Consolidated net sales fell 29.7% from the previous fiscal year to ¥119.6 billion. Although demand for electrolytic copper foils for lithium-ion batteries recovered and prices were raised for products as a result of higher copper metal prices, demand for copper pipes used in air conditioners and building plumbing was stagnant and the decline in the market for electronic equipment parts in the first half had a major impact, despite signs of a recovery in the second half of this fiscal year.

Light Metals

Consolidated net sales decreased 19.6% to ¥188.1 billion. In the first half of the fiscal year, in addition to lower sales of materials for beverage cans, sales volume of general purpose materials and thick plates used for semiconductor and liquid crystal fabrication fell sharply without any recovery. In the second half, sales volume of materials for automobile cooling units, thick plates and general purpose materials recovered sharply on the back of restored demand for light metals for electronics and automobiles. However, this was not enough to offset the decline in sales in the first half.

Electronics and Automotive Systems

Consolidated net sales fell 20.8% from the previous fiscal year to ¥177.2 billion. Some products achieved a dramatic recovery. Sales of automobile parts-related products, such as automotive wire harnesses, were strong due to restored demand for automobiles in emerging economies and the effect of eco-car tax incentives in Japan. In addition, the production of aluminum blanks used in memory disks rose sharply from the second half of the fiscal year on the recovery in demand for computers. However, overall demand remained stagnant in the harsh market environment.

As part of our efforts to consolidate similar businesses and strengthen collaboration within the Group, Furukawa Magnet Wire Co., Ltd., established in April 2009, took over TOTOKU Electric Co., Ltd.'s magnet wire business in October 2009. This business and the magnet wire business of Riken Electric Wire Co., Ltd. were consolidated under Furukawa Magnet Wire in April 2010.

Services and Others

Consolidated net sales for this segment fell 10.7% from the previous fiscal year to ¥36.9 billion.

Cost of Sales/Selling, General and Administrative Expenses

While cost of sales decreased 24.5% from the previous fiscal year to ¥679.4 billion, the cost of sales ratio improved by 3.2 percentage points from 87.1% to 83.9%.

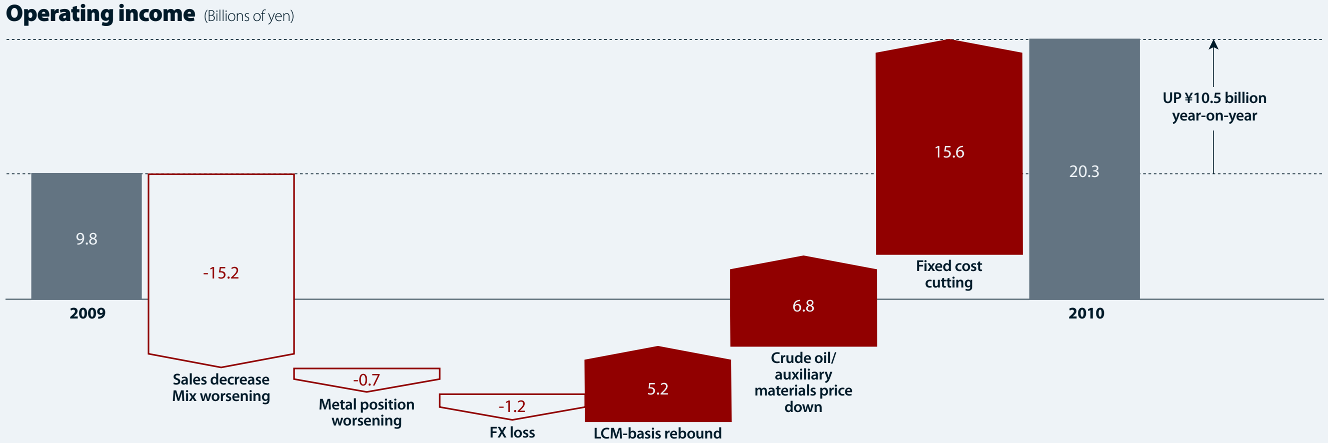
Selling, general and administrative expenses fell 11.1% from the previous year to ¥110.0 billion.

Net Income

Operating income increased ¥10.6 billion over the previous fiscal year to ¥20.3 billion (US$ 0.2 billion) in fiscal 2010. Although sales fell, Group-wide cost-cutting efforts compensated, and a decline in crude oil and auxiliary material prices also contributed. This resulted in a sharp increase in income.

In other expenses (net), we eliminated the foreign exchange risk posed by our yen-denominated loans in our US subsidiary as a

Operating income (Billions of yen)



result of the reorganization of our North American business in the previous fiscal year, which improved foreign exchange gains/losses by a substantial ¥19.4 billion over the previous fiscal year. In addition, equity in income of non-consolidated subsidiaries and affiliates increased ¥3.0 billion.

We posted ¥6.3 billion in net gains on sales of investment securities, but we recorded ¥2.8 billion in business restructuring costs and ¥4.6 billion in provisions for penalties under the Anti-Monopoly Law.

As a result, income before income taxes and minority interests totaled ¥10.9 billion (US$0.1 billion) and net income after income taxes and minority interests in loss of consolidated subsidiaries totaled ¥9.7 billion (US$0.1 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 2010, the Company paid a dividend of ¥5.0 per share (interim dividend was ¥2.5 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 2010, income before income taxes and minority interests increased by ¥41.8 billion from the previous fiscal year to ¥10.9 billion. On a consolidated basis, cash and cash equivalents decreased by ¥12.6 billion compared with the end of the previous fiscal year to ¥40.8 billion due to a decrease in payments for the acquisition of property, plant and equipment and the use of cash and deposits to reduce interest-bearing debt .

Net cash provided by operating activities was ¥36.7 billion. While income before income taxes made a sharp turnaround after a net loss in the previous fiscal year to net income, trade receivables increased significantly, which narrowed the extent of the increase from the first half.

Net cash used in investing activities was ¥25.1 billion. This was due to decreased payment for purchase of property, plant and equipment.

Net cash used in financing activities was ¥23.6 billion. This was primarily due to a decline in interest-bearing liabilities.

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 ¥21.0 billion from the previous fiscal year to ¥362.1 billion.

We established the New Frontier 2012 Medium-Term Plan in April 2010 and are endeavoring to further improve our financial strength. We will seek to curb increases in total assets, continue to reduce inventory, trade receivables and fixed costs, repay interest-bearing debt by generating income, and build up shareholders' equity.

In terms of numerical targets, we are forecasting shareholders' equity of ¥210.0 billion, interest-bearing liabilities of ¥320.0 billion, a debt-to-equity ratio of 1.5, ROA of 5.6% and total asset turnover of 1.1 by March 31, 2013.

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, LLC in the U.S. and Furukawa Electric Institute of Technology Ltd. in Hungary. Total R&D expenditures in fiscal 2010 were ¥17.3 billion. The major results of our R&D activities segment were as follows:

Telecommunications

(1) We applied our hole structure fiber technology to develop a fiber that can simultaneously transmit optical signals in wavelengths from 1um to 1.6um. This will expand the number of optical signals that can be transmitted by more than 10 times compared to existing fibers. We expect this to be a key technology in creating ultra-high density transmissions in the future.

(2) We succeeded in developing a small chip using silica waveguide technology that can convert to an intensity modulator. These are needed for optical digital coherent receivers, a new optical communications technology, which require a function converting signals with multiple values resulting from phase modulation and polarized multiplexing to optical intensity signals. We began shipping these chips to appliance manufacturers.

(3) Optical modulators used in phase modulation and polarized multiplexing have significant optical loss, creating the need for higher output semiconductor lasers used as optical signal sources. We succeeded in raising output by more than 50% of previous levels with a semiconductor laser that can change the wavelength at will, and began shipping the product.

(4) We developed a single mode fiber with a core cross-section that has been expanded to more than double its previous size using hole structure fiber technology. This inhibits the degradation of nonlinear signals, which complicates signal processing in digital coherent technology, and also reduces the input power limitations resulting from an increase in information transmission volume. We expect this to be one of the ultra-high density fiber transmission paths in the future.

(5) We are developing a 10Gbps transmitter, a transmission rate that is 10 times faster than previous rates, in anticipation of the growing sophistication of subscriber-type PON systems.

(6) In the optical interconnection field, we have provided samples of our proprietary 1060nm VCSEL-equipped low-power consumption module to optical transmitter manufacturers, transmission equipment manufacturers and computer manufacturers. We are currently having these samples evaluated.

(7) We have developed cable sheathing suitable for vertical flame resistance available in a range from thin walls to average thickness, and have commercialized a thinner cable than previously available. R&D expenditures for the segment totaled ¥5.6 billion.

Energy and Industrial Products

(1) 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 Japan's LNG, crude oil and mineral resources by offering specific specifications for offshore, undersea and seabed applications.

(2) We are making progress in the development of high-functioning foamed materials. Specifically, in the automotive area we are pursuing R&D to reduce CO_2 emissions by realizing lighter weight, reducing the environmental impact by using engineering plastic foamed materials and non-halogen flame resistant foamed materials, and reducing energy consumption through the use of highly reflective foamed materials.

(3) 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. In addition, we are proactively participating in demonstration projects both in Japan and overseas. Furthermore, with respect to devices applying yttrium-based superconducting thin films, we will conduct verification tests of simulated films at an early date and are pursuing commercial development.

(4) We are developing smart grid technology and products compatible with the construction of next-generation electricity transmission/distribution networks and the high-volume introduction of renewable energy. In particular, we are endeavoring to develop practical applications for secondary battery-related technologies and products, which are particularly important and enjoy high demand, at an early date under a Group-wide system, while also participating in the national project. R&D expenditures for the segment totaled ¥1.1 billion.

Metals

(1) In high-performance connector material, we are expanding sales of highly flexible alloys, and have obtained certification from several customers. We gained competitive advantages in price and quality by establishing a low-cost, high-precision gauge control technology.

(2) We began mass producing new highly adhesive products for developing aluminum plastic composite products.

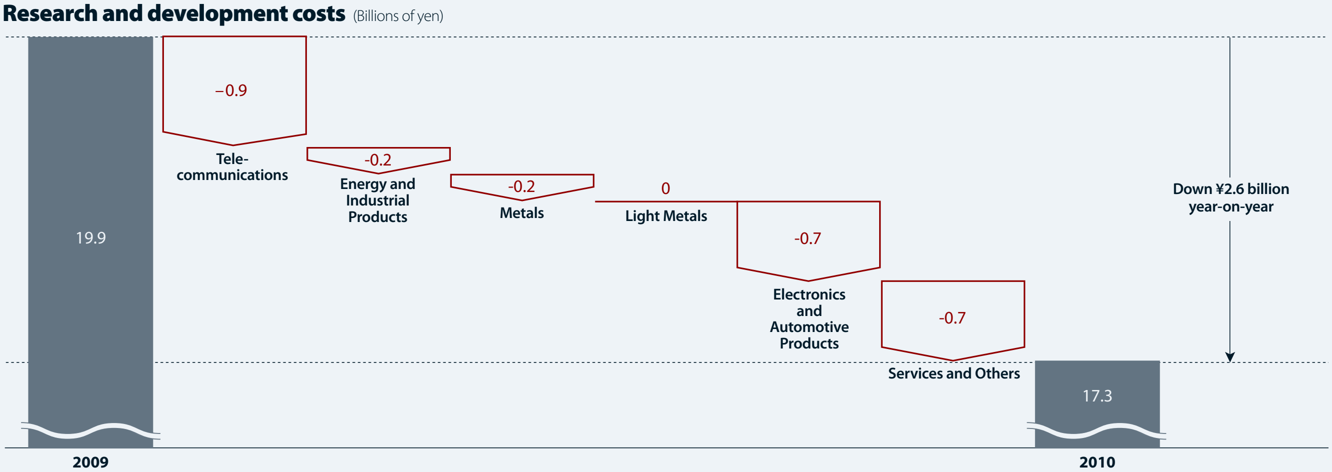
(3) We presented some customers with internally grooved tubes with improved heat exchange functions achieved with a next-generation groove shape.

(4) We made progress in developing a current collector for a next-generation lithium-ion secondary battery, and introduced it to some customers.

(5) 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 continued to participate in the national project for yttrium-based superconducting power device technology, and have improved lengths by introducing our proprietary layered structure.

(6) We developed nano metal powder as a material for hard-wiring

Research and development costs (Billions of yen)



and bonding for electronics, and are conducting tests for practical applications. R&D expenditures for the segment totaled ¥1.1 billion.

Light Metals

(1) We developed new materials for next-generation applications in the manufacture of aluminum foil used for current collectors for positive electrodes of lithium-ion secondary batteries, and supplied them to domestic and overseas customers. We also developed and expanded sales of aluminum foil for lamination and aluminum foil for oblong cases used as current collectors for negative electrodes as well as battery jacket materials.

(2) As a top manufacturer of materials for automobile heat exchangers, we are developing thin-walled, high-performance materials, but began developing materials used in intercoolers, which will be used in greater volumes to comply with regulations on automobile gas emissions. This product has been well received by heat exchanger users.

(3) The use of aluminum in place of copper pipes used in the pipework for air-conditioning devices has been attracting attention, and we have developed aluminum pipes that excel in heat exchange, corrosion resistance and workability. The pipes have earned high praise from air conditioner manufacturers.

(4) Given the growing importance of thermal management in next-generation automobiles, such as electric cars, we developed the VL Fan, an aluminum air-cooled chiller with significantly enhanced cooling capability. Many users have inquired about this product, which is being given high marks. R&D expenditures for the segment totaled ¥2.6 billion.

Electronics and Automotive Systems

(1) We have continued to develop a radar system by applying ultra-wide band (UWB) technology. The radar is expected to be used as a sensor capable of monitoring the automobile's periphery, which would be helpful in realizing preventative safety functions for automobiles. We have started technical discussions with system manufacturers and automobile manufacturers.

(2) We expect to mass produce a sensor for automobile batteries within the next few years. Battery power management is expected to improve the efficiency of automobiles' energy use.

(3) The new process we developed for shortening processing time and reducing processing energy for cellular phone antennas, is being expanded to other products within the Company.

(4) We completed a stick antenna for high-performance compact ground-wave digital tuners that are easier to mount and have better designs than film antennas. We are moving ahead with new offers.

(5) We completed the substrate tape for our chip-size packages (CSPs), which involves lamination of tape and wafer, and have almost completed reliability testing, which indicates that there are no problems.

(6) We further refined our proprietary flat 1mm heat pipes, which have been adopted for use in high-performance heat sinks that are essential for the characteristic features of high-performance home information appliances, and commercialized 0.8mm heat pipes. In addition, we proposed thin, lightweight heat sinks for use in backlights for flat-screen LCD TVs and in cooling applications for power source boards. This product has been increasingly introduced by our customers.

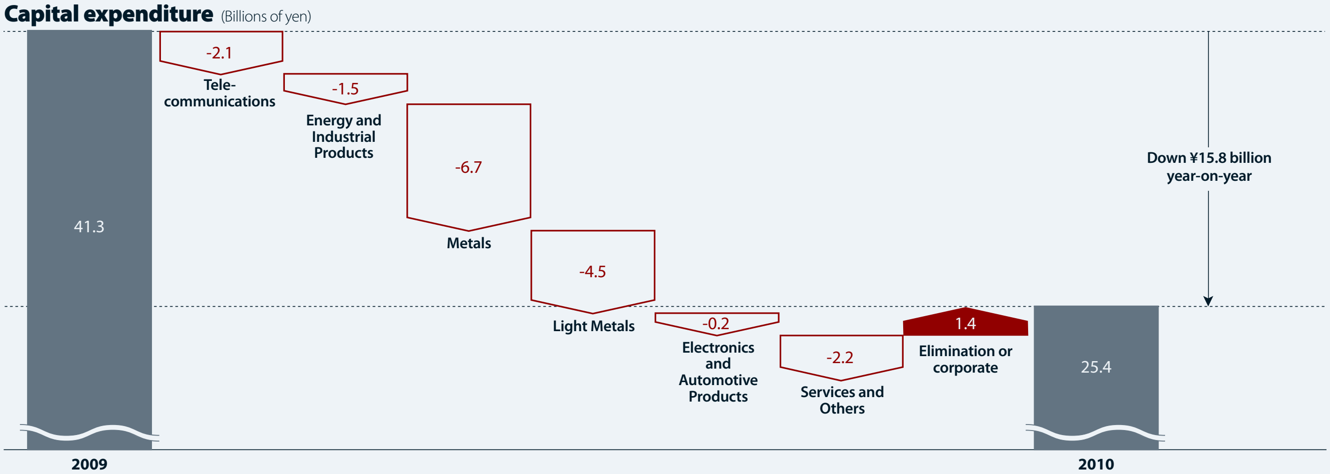
(7) Heat sinks using heat pipes in cooling power modules used in inverters and converters for high-speed railways and subways are being increasingly adopted, and heat and fluid simulations have been conducted on its design. High performance and optimization can now be achieved.

(8) We are developing magnetic wires for the drive motors of hybrid vehicles (HVs), which use highly conductive, thin films, and in conjunction with this, we have accelerated R&D to achieve higher voltage resistance and thinner films for next-generation magnetic wires.

(9) We established a research association for next-generation power device technology jointly with the Fuji Electric Group to speed up the development of transistors and diodes for devices using GaN (gallium nitride).

(10) We were commissioned by the New Energy and Industrial Technology Development Organization (NEDO) and began

Capital expenditure (Billions of yen)



developing a revolutionary ultra-lightweight electric wire using carbon nano tubes. R&D expenditures for the segment totaled ¥3.7 billion.

Services and Others

This area is primarily related to our new business fields.

(1) We developed a fiber laser device with optical output power amounting to several hundred watts, and are conducting verification tests in customers' laser fabrication processes. We have also set up infrastructure internally and have begun to examine laser fabrication technology.

(2) We were commissioned by NEDO to begin developing negative electrode materials for lithium-ion secondary batteries. R&D expenditures for the segment totaled ¥3.3 billion.

Capital Expenditures

The Furukawa Electric Group conducted investments below levels of the previous fiscal year in all segments, and total Group capital expenditures, at ¥25.4 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
- Upgrade factory buildings and consolidate production facilities

Energy and Industrial Products

- Expand production capacity of foamed products
- 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 aluminum extrusion products
- Upgrade rolling equipment

Electronics and Automotive Systems

- Integrate facilities after consolidation of magnet wire business
- Mass produce electronic components for automobiles

Major facilities completed in the consolidated fiscal year under review included: expansion of facilities for manufacturing copper strips at Furukawa Electric's Nikko Works; expansion of facilities for manufacturing electrolytic copper foil at Furukawa Circuit Foil Taiwan Corporation; upgrading of rolling mill motors at Furukawa-Sky Aluminum Corporation; and the construction of a plant for optical fiber cables at Furukawa Optical Solutions Indonesia. No significant facilities were disposed of or sold during the fiscal year under review.

Financial Position

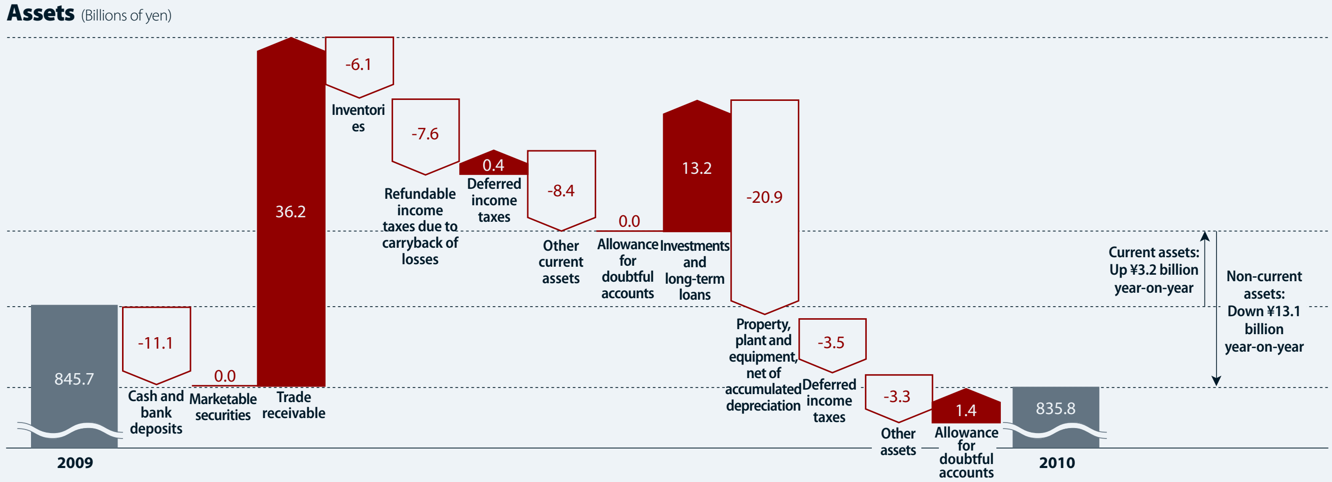
Total assets decreased by ¥9.8 billion from the previous fiscal year to ¥835.8 billion. Current assets increased by ¥3.2 billion to ¥400.5 billion and non-current assets decreased ¥13.1 billion to ¥435.3 billion. The major reasons for these fluctuations were decreases in cash and bank deposits, inventories of work-in-progress, raw materials and stored goods, and property, plant and equipment, while trade receivables, investment and long-terms loans increased.

Operating capital increased as decreases in inventories and increases in trade payable exceeded the increase in trade receivables.

Major factors behind changes in non-current assets included an increase of ¥25.4 billion in capital expenditures, a decrease of ¥42.5 billion in depreciation, and impairment losses.

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 ¥21.0 billion from the end of the previous fiscal year to ¥362.1 billion.

Assets (Billions of yen)



In the category of net assets, retained earnings increased by ¥6.3 billion, while there was a decrease in shareholders' equity resulting from share exchanges with a consolidated subsidiary and an increase in valuation and translation adjustments caused by the recovery in the market value of investment securities and metals prices. Consequently, total shareholders' equity ratio rose 2.7 percentage points from the end of the previous consolidated fiscal year to 19.6%.

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 29, 2010, 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. In addition, despite having a framework in place to deal with property rights, corporate competitiveness may decline in the event that the Group's manufacturing technology (knowhow) is leaked to a third party.

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.

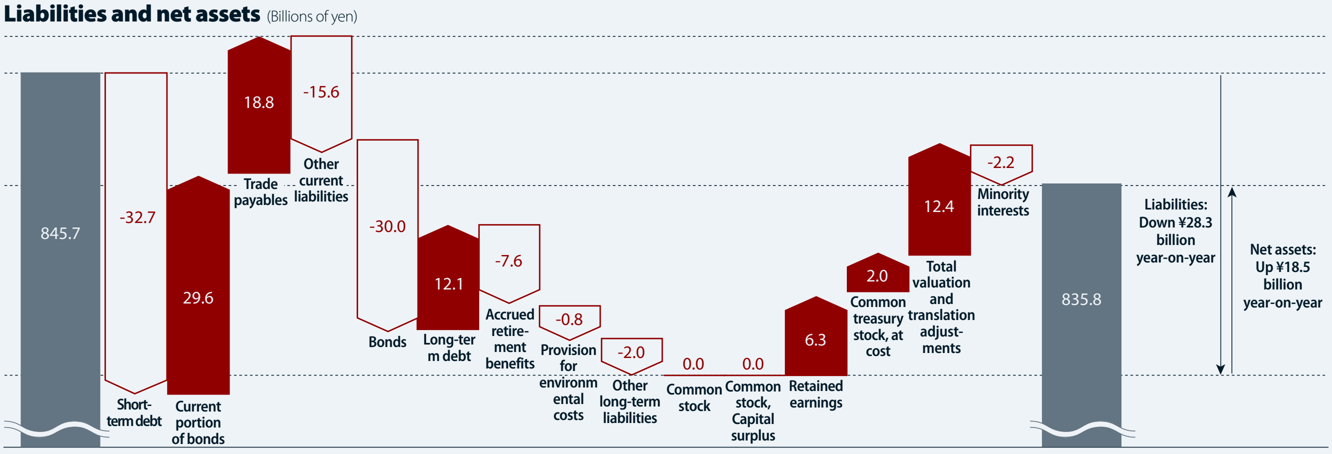
3) Fluctuations in raw material and fuel prices

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 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.

Liabilities and net assets (Billions of yen)



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 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 its use 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 steady growth of emerging economies is expected to drive the global economy going forward, while next-generation cars and next-generation transmission networks (smart grids) and other new markets in the environmental sector are expected to expand globally.

We formulated the 2007–2010 medium-term management plan, Innovations 09, in March 2006, but the business environment has changed dramatically since then as a result of the global economic recession and sharp fluctuations in resource prices. In light of these changes in the business environment, we established the New Frontier 2012 Medium-Term Plan, in April 2010 to achieve our medium-term vision of a Group with greater collective strength on course for further expansion. This plan aims for the Group's growth in new frontiers (new markets and new businesses), as well as a management system that can adapt to changes. The plan will address the following issues.

New Frontier 2012

I. Restructure our operating portfolio and develop new businesses

(1) Expand our transmission infrastructure business globally (telecommunications, energy, high-speed railways, and others)
(2) Enhance our functional materials business (develop products capitalizing on our particular strengths in the materials sector)
(3) Develop new eco business (increase R&D particularly for next-generation vehicles, power transmission networks and high-density optical telecommunications)
(4) Restructure traditional processing businesses (accelerate pace of improvements in operating portfolio)

II. Reform our organizational climate (reinforced compliance, development of global workforce, and other)

III. Improve our financial strength (generate profits by strengthening Group businesses and repay interest-bearing debt, and other)

In fiscal 2011, we expect ¥920.0 billion in consolidated net sales, ¥36.0 billion in operating income, ¥32.0 billion in ordinary income and ¥12.5 billion in net income.

CONSOLIDATED BALANCE SHEETS
FURUKAWA ELECTRIC CO., LTD. AND ITS SUBSIDIARIES
At March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
ASSETS			
Current assets:			
Cash and bank deposits (Notes 4 and 11)	¥ 45,346	¥ 56,478	$ 487,591
Marketable securities (Note 5)	16	24	172
Trade receivable (Note 6)	217,099	180,928	2,334,398
Inventories (Note 7)	87,034	93,130	935,849
Refundable income taxes due to carryback of losses	1,550	9,190	16,667
Deferred income taxes (Note 18)	7,344	6,945	78,968
Other current assets	44,036	52,459	473,505
Allowance for doubtful accounts	(1,927)	(1,890)	(20,720)
Total current assets	400,498	397,264	4,306,430
Non-current assets:			
Investments and long-term loans (Notes 5, 8 and 11)	103,564	90,359	1,113,591
Property, plant and equipment, net of accumulated depreciation (Notes 9,11 and 17)	291,189	312,073	3,131,065
Deferred income taxes (Note 18)	12,275	15,789	131,989
Other assets	31,659	34,970	340,420
Allowance for doubtful accounts	(3,366)	(4,797)	(36,194)
Total non-current assets	435,321	448,394	4,680,871
Total	¥ 835,819	¥ 845,658	$ 8,987,301

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term debt (Note 11)	¥ 125,117	¥ 157,852	$ 1,345,345
Current portion of bonds (Note 11)	31,845	2,295	342,419
Trade payable (Note 10)	115,045	96,270	1,237,043
Customers' advances	2,674	4,511	28,753
Accrued income taxes (Note 18)	2,350	2,858	25,269
Deferred income taxes (Note 18)	16	19	172
Provision for product defect compensation(Note 2h)	3,566	5,230	38,344
Provision for penalties under the Antimonopoly Law(Note 2j)	4,606		49,527
Other current liabilities	47,096	63,339	506,407
Total current liabilities	332,315	332,374	3,573,279
Long-term liabilities :			
Bonds(Note 11)	42,899	72,880	461,280
Long-term debt (Note 11)	162,227	150,087	1,744,376
Accrued retirement benefits (Note 12)	64,798	72,443	696,753
Provision for environmental costs (Note 2i)	12,852	13,652	138,193
Deferred income taxes (Note 18)	2,654	3,863	28,538
Other long-term liabilities	9,145	9,930	98,333
Total long-term liabilities	294,575	322,855	3,167,473
Contingent liabilities (Note 14)			
Net assets			
Shareholders' equity (Note 13)			
Common stock Authorized shares, 2,500,000 thousand in 2010 and 2009 Issued shares, 706,669 thousand in 2010 706,554 thousand in 2009	69,395	69,376	746,183
Capital surplus	21,468	21,449	230,839
Retained earnings	71,988	65,737	774,065
Common treasury stock, at cost 428 thousand in 2010 4,134 thousand in 2009	(236)	(2,282)	(2,538)
Total shareholders' equity	162,615	154,280	1,748,549
Valuation and translation adjustments			
Unrealized gain on available-for-sale securities (Notes 5 and 18)	16,483	12,616	177,237
Deferred gain or loss on derivatives under hedge accounting (Note 2c)	905	(5,466)	9,731
Foreign currency translation adjustments	(16,586)	(18,729)	(178,344)
Total valuation and translation adjustments	802	(11,579)	8,624
Minority interests	45,512	47,728	489,376
Total net assets	208,929	190,429	2,246,549
Total	¥ 835,819	¥ 845,658	$ 8,987,301

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATION
FURUKAWA ELECTRIC CO., LTD. AND ITS SUBSIDIARIES
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Net sales	¥ 809,693	¥ 1,032,807	$ 8,706,376
Cost of sales (Note 16)	679,403	899,409	7,305,408
Gross profit	130,290	133,398	1,400,968
Selling, general and administrative expenses (Note 16)	109,968	123,646	1,182,452
Operating income	20,322	9,752	218,516
Other income (expenses):			
Interest and dividend income	2,189	3,425	23,538
Interest expense	(6,415)	(8,300)	(68,978)
Foreign exchange gain (loss),net	801	(18,566)	8,613
Gain on sales of investment securities (Note 5)	6,314	3,543	67,892
Loss on write-down of investment securities	(286)	(2,632)	(3,075)
Provision for doubtful accounts	(285)	(2,294)	(3,065)
Loss on disposal of property, plant and equipment, net	(1,415)	(1,593)	(15,215)
Impairment loss (Notes 2r and 17)	(2,636)	(13,304)	(28,344)
Provision for environmental costs	(194)	(12,482)	(2,086)
Provision for penalties under the Antimonopoly Law(Note 2j)	(4,606)		(49,527)
Business restructuring costs	(2,778)		(29,871)
Equity in income of non-consolidated subsidiaries and affiliates	3,271	291	35,172
Reversal of foreign currency translation adjustments		18,515	
Other, net	(3,335)	(7,251)	(35,860)
	(9,375)	(40,648)	(100,806)
Income (loss) before income taxes and minority interests	10,947	(30,896)	117,710
Income taxes (Note 18) :			
Current	4,681	2,235	50,333
Deferred	(3,310)	10,497	(35,591)
	1,371	12,732	14,742
Minority interests in loss of consolidated subsidiaries	(128)	(6,223)	(1,376)
Net income (loss)	¥ 9,704	¥ (37,405)	$ 104,344

	Yen		U.S. dollars
	2010	2009	2010
Per common share (Notes 2p and q)			
Basic net income(loss)	¥ 13.80	¥ (53.34)	$ 0.148
Diluted net income	13.80		0.148
Cash dividends	5.00	6.00	0.054

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, 2010 and 2009

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, 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
Exercise of stock acquisition rights	19	19	-	-	38	-	-	-	-	-	38
Effect of decrease in exchange of equity interest	-	-	(693)	2,050	1,357	-	-	-	-	-	1,357
Cash dividends paid	-	-	(3,512)	-	(3,512)	-	-	-	-	-	(3,512)
Net income	-	-	9,704	-	9,704	-	-	-	-	-	9,704
Net effect of increase in consolidated subsidiaries	-	-	97	-	97	-	-	-	-	-	97
Adjustments for retirement benefits of overseas subsidiaries	-	-	655	-	655	-	-	-	-	-	655
Acquisition of treasury stock	-	-	-	(4)	(4)	-	-	-	-	-	(4)
Disposal of treasury stock	-	-	(0)	(0)	(0)	-	-	-	-	-	(0)
Net change during the year	-	-	-	-	-	3,867	6,371	2,143	12,381	(2,216)	10,165
Balance at March 31, 2010	¥ 69,395	¥ 21,468	¥ 71,988	¥ (236)	¥ 162,615	¥ 16,483	¥ 905	¥ (16,586)	¥ 802	¥ 45,512	¥ 208,929

	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, 2009	$ 745,979	$ 230,635	$ 706,850	$ (24,538)	$ 1,658,926	$ 135,656	$ (58,774)	$ (201,387)	$ (124,505)	$ 513,204	$ 2,047,625
Exercise of stock acquisition rights	204	204	-	-	408	-	-	-	-	-	408
Effect of decrease in exchange of equity interest	-	-	(7,452)	22,043	14,591	-	-	-	-	-	14,591
Cash dividends paid	-	-	(37,763)	-	(37,763)	-	-	-	-	-	(37,763)
Net income	-	-	104,344	-	104,344	-	-	-	-		104,344
Net effect of increase in consolidated subsidiaries	-	-	1,043	-	1,043	-	-	-	-	-	1,043
Adjustments for retirement benefits of overseas subsidiaries	-	-	7,043	-	7,043	-	-	-	-	-	7,043
Acquisition of treasury stock		-	-	(43)	(43)	-	-	-	-	-	(43)
Disposal of treasury stock	-	-	(0)	(0)	(0)	-	-	-	-	-	(0)
Net change during the year	-	-	-	-	-	41,581	68,505	23,043	133,129	(23,828)	109,301
Balance at March 31, 2010	$ 746,183	$ 230,839	$ 774,065	$ (2,538)	$ 1,748,549	$ 177,237	$ 9,731	$ (178,344)	$ 8,624	$ 489,376	$ 2,246,549

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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Cash flows from operating activities:			
Income(loss) before income taxes and minority interests	¥ 10,947	¥ (30,896)	$ 117,710
Adjustments for:			
Depreciation and amortization	42,461	46,933	456,570
Gain on sales of marketable securities and investment securities	(5,689)	(3,488)	(61,172)
Equity in income of non-consolidated subsidiaries and affiliates	(3,271)	(291)	(35,172)
Loss on disposal of property, plant and equipment, net	1,415	1,593	15,215
Loss on write-down of inventories	553	3,912	5,946
Loss on write-down of investment securities	287	2,632	3,086
Impairment loss	2,636	13,304	28,344
Interest and dividend income	(2,189)	(3,425)	(23,538)
Interest expense	6,415	8,300	68,978
Foreign exchange (gain) loss, net	(1,674)	18,406	(18,000)
Reversal of foreign currency translation adjustments	-	(18,515)	-
(Increase)decrease in trade receivable	(38,641)	87,290	(415,495)
Decrease in inventories	7,122	15,720	76,581
Increase(decrease) in trade payable	19,019	(44,183)	204,505
Decrease in accrued retirement benefits	(6,057)	(3,909)	(65,129)
(Decrease)increase in provision for environmental costs	(1,318)	11,225	(14,172)
Other, net	5,689	(7,499)	61,173
Subtotal	37,705	97,109	405,430
Interest and dividend income received	2,549	3,396	27,409
Interest expense paid	(6,437)	(8,472)	(69,215)
Income taxes paid	2,851	(13,305)	30,656
Net cash provided by operating activities	36,668	78,728	394,280
Cash flows from investing activities:			
Proceeds from sales of marketable securities	-	4	-
Payments for purchase of property, plant and equipment	(27,884)	(39,129)	(299,828)
Payments for purchase of intangibles	(1,939)	(2,147)	(20,849)
Payments for purchase of investment securities	(14,869)	(3,666)	(159,882)
Proceeds from sales of investment securities	17,307	867	186,097
Proceeds from sales of non-current assets	2,302	866	24,753
Other	(30)	(8,062)	(323)
Net cash used in investing activities	(25,113)	(51,267)	(270,032)

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Cash flows from financing activities:			
(Decrease) increase in short-term debt, net	(27,148)	4,995	(291,914)
Proceeds from long-term debt	42,078	46,434	452,452
Repayment of long-term debt	(34,467)	(59,650)	(370,613)
Proceeds from issuance of stock	38	5	409
Cash dividends paid	(3,517)	(4,889)	(37,817)
Cash dividends paid to minority shareholders	(619)	(1,495)	(6,656)
Payments for purchase of common treasury stock	(4)	(118)	(43)
Other	57	165	612
Net cash used in financing activities	(23,582)	(14,553)	(253,570)
Effect of exchange rate changes on cash and cash equivalents	318	(3,775)	3,420
Net (decrease)increase in cash and cash equivalents	(11,709)	9,133	(125,902)
Cash and cash equivalents at beginning of year	53,453	43,828	574,763
Cash and cash equivalents of newly consolidated subsidiaries	1,585	806	17,043
Cash and cash equivalents of a de-consolidated subsidiary	(2,665)	(314)	(28,656)
Net increase in cash and cash equivalents from mergers	144	-	1,548
Cash and cash equivalents at end of year (Note 4)	¥ 40,808	¥ 53,453	$ 438,796

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 106 and 107 major subsidiaries in 2010 and 2009, respectively. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in its 16 major affiliates in 2010 and 2009 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.

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 20.

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.

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.

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.

(Change in accounting policy)
From the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted Partial Amendments to Accounting Standards for Retirement Benefits (Part 3) (ASBJ Statement No. 19,July 31, 2008).
This does not affect operating income, income before income taxes and minority interests, and net income because unrecognized actuarial net loss will be amortized from the next year. This change resulted in an increase of unrecognized actuarial net loss by ¥4,838 million ($52,022 thousand)

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) Provision for penalties under the Antimonopoly Law

Provision for penalties under the Antimonopoly Law is provided for payments of penalties on Telecommunications business in accordance with the Antimonopoly Law.

k) 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, 2009, which do not substantially transfer ownership of the assets, are continuously accounted for as operating leases.

l) Revenue recognition

Operating revenue is mainly recorded upon shipment of goods.

Revenue is recognized by the percentage-of-completion method for construction contracts of which the outcome of the progress performed by the end of the year is deemed to be certain. The construction progress is estimated based on the percentage of construction costs incurred for the work performed to date compared to the estimated total construction costs ("cost-comparison method"). For other construction contracts, such revenue is recognized by the completed-construction method .

(Change in accounting policy)
The percentage-of-completion method was previously applied to construction contracts whose amounts were greater than ¥1,000 million ($10,753 thousand) and contract periods were beyond 1 year, and the completed-construction method were applied to other construction contracts. However, effective April 1, 2009 the "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, December 27, 2007) and the "Implementation Guidance on the Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, December 27, 2007) have been applied.The percentage-of-completion method (cost-comparison method using primarily estimate of

construction progress) is applied for construction contracts for which construction started on or after April 1,2009 and for which the outcome of the progress of the construction by March 31, 2010 is deemed to be certain. The completed-construction method is applied to other construction contracts.
The effects of this change to operating income and income before income taxes and minority interests are immaterial. The effects of this change on segment information are presented in Note 23.

m) 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.

n) 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.

o) 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.

p) 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.

q) 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 703,129 thousand and 701,225 thousand for the years ended March 31, 2010 and 2009, respectively. The only difference in the calculation of basic and diluted net income per common share is the inclusion of 5 thousand potential common shares, which are subscriptions rights for the year ended March 31, 2010.

r) 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.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥ 93 =U.S. $ 1, the approximate rate of exchange for the year ended March 31, 2010, 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, 2010 and 2009 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and bank deposits	¥ 45,346	¥ 56,478	$ 487,591
Less, time deposits with an original maturity of more than 3 months	(4,553)	(3,049)	(48,956)
Highly liquid securities	15	24	161
Cash and cash equivalents	¥ 40,808	¥ 53,453	$ 438,796

5. Debt and Equity Securities

Investments in debt and equity securities that have a readily determinable fair value at March 31, 2010 and 2009 included in "Marketable securities" (Current assets) and in "Investments and long-term loans" (Non-current assets) are summarized as follows:

	Millions of yen							
	2010				2009			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:								
Government bonds, municipal bonds and other	¥ 2	¥ 2	¥—	¥ —	¥ —	¥ —	¥ —	¥ —
Other debt securities	214	218	4	—	211	214	3	—
Total held-to-maturity debt securities	¥ 216	¥ 220	¥ 4	¥ —	¥ 211	¥ 214	¥ 3	¥ —
Available-for-sale securities:								
Marketable equity securities	¥ 27,216	¥ 55,323	¥ 29,250	¥ 1,143	¥ 23,609	¥ 44,522	¥ 24,664	¥ 3,751
Other securities	0	0	—	—	11	11	—	—
Total available-for-sale securities	¥ 27,216	¥ 55,323	¥ 29,250	¥ 1,143	¥ 23,620	¥ 44,533	¥ 24,664	¥ 3,751

	Thousands of U.S. dollars			
	2010			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:				
Government bonds, municipal bonds and other	$ 22	$ 22	$ –	$ –
Other debt securities	2,301	2,344	43	–
Total held-to-maturity debt securities	$ 2,323	$ 2,366	$ 43	$ –
Available-for-sale securities:				
Marketable equity securities	$ 292,645	$ 594,871	$ 314,516	$ 12,290
Other securities	0	0	–	–
Total available-for-sale securities	$ 292,645	$ 594,871	$ 314,516	$ 12,290

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

	Millions of yen
	2009
Due within 1 year	¥ 13
Due after 1 year through 5 years	201
Due after 5 years through 10 years	–
	¥ 214

The same information at March 31, 2010 is presented in Note 19.2.III.

The proceeds from sales of available-for-sale securities for the years ended March 31, 2010 and 2009 were ¥5,930 million ($63,763 thousand) and ¥4,957 million, respectively. The gross realized gain on those sales for the years ended March 31, 2010 and 2009 was ¥ 4,643 million ($49,925 thousand) and ¥3,055 million, respectively, and gross realized loss were ¥9 million ($97 thousand) and ¥56 million, respectively.

6. Trade Receivable

Trade receivable at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Non-consolidated subsidiaries and affiliates	¥ 6,915	¥ 7,894	$ 74,357
Other	210,184	173,034	2,260,041
	¥ 217,099	¥ 180,928	$ 2,334,398

7. Inventories

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Finished goods	¥ 28,704	¥ 27,843	$ 308,645
Work in process	25,323	29,284	272,290
Raw materials and supplies	33,007	36,003	354,914
	¥ 87,034	¥ 93,130	$ 935,849

8. Investments and Long-term Loans

Investments and long-term loans at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Non-consolidated subsidiaries and affiliates	¥ 42,808	¥ 38,605	$ 460,301
Other	60,756	51,754	653,290
	¥ 103,564	¥ 90,359	$ 1,113,591

9. Property, Plant and Equipment

Property, plant and equipment at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Land	¥ 83,646	¥ 84,286	$ 899,419
Buildings	250,412	250,225	2,692,602
Machinery and equipment	707,428	697,449	7,606,753
Leased assets	678	447	7,290
Construction in progress	13,257	15,534	142,549
	1,055,421	1,047,941	11,348,613
Accumulated depreciation	(764,232)	(735,868)	(8,217,548)
	¥ 291,189	¥ 312,073	$ 3,131,065

10. Trade Payable

Trade payable at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Non-consolidated subsidiaries and affiliates	¥ 2,529	¥ 1,812	$ 27,194
Other	112,516	94,458	1,209,849
	¥ 115,045	¥ 96,270	$ 1,237,043

11. Short-term Debt, Long-term Debt and Bonds

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 6.0400% and from 0.0400% to 9.7110% per annum, at March 31, 2010 and 2009, respectively.

Bonds and Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
1.22% unsecured bonds due 2011	¥ 20,000	¥ 20,000	$ 215,054
1.87% unsecured bonds due 2011	20,000	20,000	215,054
1.46% unsecured bonds due 2010	10,000	10,000	107,527
1.76% unsecured bonds due 2012	10,000	10,000	107,527
1.28% unsecured bonds due 2012	5,000	5,000	53,763
1.11% unsecured bonds due 2011	2,000	2,000	21,505
1.56% unsecured bonds due 2014	2,000	2,000	21,505
Secured bonds issued by consolidated subsidiaries, due from 2009 to 2014 with interest rates ranging from 0.80% to 1.82%	5,744	6,175	61,764
Loans, principally from banks and insurance companies, due from 2010 to 2017 with interest rates ranging from0.257% to 12.410% and predominantly collateralized	188,641	179,612	2,028,398
	263,385	254,787	2,832,097
Less: portion due within one year	58,259	31,820	626,441
	¥ 205,126	¥ 222,967	$ 2,205,656

At March 31, 2010 and 2009, the following assets were pledged as collateral for short-term debt, long-term debt and others.:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Property, plant and equipment	¥ 18,985	¥ 24,919	$ 204,140
Investments in securities	143	18,349	1,538
Cash and bank deposits	154	157	1,656
	¥ 19,282	¥ 43,425	$ 207,334

The aggregate annual maturities of the non-current portion of long-term debt and bonds at March 31, 2010 were as follows.

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 48,726	$ 523,935
2013	55,352	595,183
2014	30,819	331,387
2015	32,575	350,269
2016 and thereafter	37,654	404,882

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, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥ 112,582	¥ 109,115	$ 1,210,559
Fair value of plan assets	(31,205)	(24,344)	(335,537)
Benefit obligation in excess of plan assets	81,377	84,771	875,022
Unrecognized prior service costs	(554)	(615)	(5,957)
Unrecognized actuarial net loss	(16,025)	(11,713)	(172,312)
Net amount recognized	64,798	72,443	696,753
Prepaid pension costs	-	-	-
Accrued retirement benefits recognized in the consolidated balance sheets	¥ 64,798	¥ 72,443	$ 696,753

The severance and retirement benefit expenses of the Company and its consolidated subsidiaries included the following components for the years ended March 31, 2010 and 2009.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service costs	¥5,453	¥ 5,558	$ 58,634
Interest costs	2,839	2,959	30,527
Expected return on plan assets	(854)	(1,081)	(9,183)
Amortization of actuarial differences	1,999	2,532	21,495
Amortization of prior service costs	62	(209)	667
Retirement benefit expense	¥ 9,499	¥ 9,759	$ 102,140

Assumptions used in accounting for the employees' retirement benefit plans for the years ended March 31, 2010 and 2009 were as follows:

Discount rate	1.7 - 5.5% for 2010 and 2.0 - 6.0% for 2009
Expected rate of return on plan assets	2.0 - 6.3% for 2010 and 2.0 - 8.0% for 2009
Method of attributing the projected benefits to periods of service	Straight-line basis
Amortization of unrecognized prior service costs	1 -10 years for 2010 and 1 -13 years for 2009
Amortization of unrecognized actuarial differences (amortization starts from the year following that year in which they arise)	1 -14 years for 2010 and 2009

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 25, 2009 are as follows:

Type of shares	Common stock
Total amount of dividends	¥1,756 million ($18,882 thousand)
Dividends per share	¥2.5 ($0.027)
Record date	March 31, 2009
Effective date	June 26, 2009

Approvals by directors' meeting held on November 6, 2009 are as follows:

Type of shares	Common stock
Total amount of dividends	¥1,756 million ($18,882 thousand)
Dividends per share	¥2.5 ($0.027)
Record date	September 30, 2009
Effective date	December 4, 2009

2) Dividends whose record date is attributable to the year ended March 31, 2010 but to be effective in the following year

Approvals by shareholders' meeting held on June 29, 2010 are as follows:

Type of shares	Common stock
Total amount of dividends	¥1,765 million ($18,978 thousand)
Funds for dividends	Retained earnings
Dividends per share	¥2.5 ($0.027)
Record date	March 31, 2010
Effective date	June 30, 2010

14. Contingent Liabilities

Contingent liabilities at March 31, 2010 and 2009 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Notes discounted	¥ 361	¥ 656	$ 3,882
Notes endorsed	12,831	16,516	137,968
Loans guaranteed (principally for non-consolidated subsidiaries and affiliates)	14,309	18,657	153,860
Total	¥ 27,501	¥ 35,829	$ 295,710

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, 2010 and 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Lease rental expense	¥ 645	¥ 920	$ 6,935

The amounts of outstanding future lease payments at March 31, 2010 and 2009, which included the portion of interest thereon, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Future lease			
Future lease payments:			
Within one year	¥ 380	¥ 650	$ 4,086
Over one year	259	648	2,785
Total	¥ 639	¥ 1,298	$ 6.871

Acquisition cost, accumulated depreciation and net book value of the leased assets at March 31, 2010 and 2009, and depreciation expense for the years ended March 31, 2010 and 2009, assuming capitalization, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Acquisition cost	¥ 2,609	¥ 3,733	$ 28,054
Accumulated depreciation	1,970	2,435	21,183
Net book value	¥ 639	¥ 1,298	$ 6,871
Depreciation	¥ 645	¥ 920	$ 6,935

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, 2010 and 2009 amounted to ¥17,270 million ($185,699 thousand) and ¥19,895 million, respectively.

17. Impairment Loss

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

(For the year ended March 31, 2010)

1) The Company

Impairment loss by type of assets for the year ended March 31, 2010 consisted of the following:

Usage and Location	Type of asset	Millions of yen	Thousands of U.S. dollars
Manufacturing equipment and building for copper pipe business located in Amagasaki- city, Hyogo prefecture	Machinery and equipment	¥ 1,132	$ 12,172
	Building	625	6,720
	Other	470	5,054
Idle properties for copper strips business located in Nikko-city, Tochigi prefecture	Machinery and equipment	154	1,656
	Other	105	1,129
	Total	¥ 2,486	$ 26,731

The carrying amounts of the asset groups for manufacturing copper pipe business products were reduced to their recoverable amounts because recession of domestic market resulted in very little demand and inflows of overseas materials made sales prices down. As a result, impairment loss of ¥2,227 ($23,946 thousand) was recognized and charged to income.

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 6.8%.

The carrying amounts of certain asset groups forming idle properties were written down to their recoverable amounts. As a result, impairment loss of ¥259 million ($2,785 thousand) was recognized and charged to income. The recoverable amounts of building and machinery and equipment were reduced to ¥1 because such assets cannot be sold or diverted to other usage.

2) The consolidated subsidiaries

Impairment loss for machinery and equipment and other for ¥150 million ($1,613 thousand) charged to income for the year ended March 31, 2010.

It has been decided that recoverable amounts of fixed assets for business use 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.

(For the year ended March 31, 2009)

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
Manufacturing equipment for optical cable located in Geogia,United States	Building and structures	¥ 1,567
	Machinery and equipment	1,463
	Intangible assets	2,697
	Other	1,025
Manufacturing equipment for electronics and automotive systems located in Kameyama -city, Mie prefecture	Machinery and equipment	1,538
	Other	908
Manufacturing equipment for aluminum products located in Omi hachiman-city, Shiga prefecture	Machinery and equipment	856
	Land	2,046
	Other	163
Idle properties located in Hiratsuka-city, Kanagawa prefecture	Machinery and equipment	814
	Land	91
	Other	136
	Total	¥ 13,304

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.

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, 2010 and 2009. Overseas consolidated subsidiaries are subject to income taxes in the countries in which they operate.

Summarized below is a reconciliation for the year ended March 31, 2010.

	2010
Japanese statutory income tax rate	40.6%
Tax benefits of net operating loss not recognized	4.7
Dividend income not taxable	(5.7)
Equity in income of non-consolidated subsidiaries and affiliates	(12.1)
Valuation allowance	(10.0)
Difference of applicable tax rate of overseas consolidated subsidiaries	(7.3)
Loss carried forward	(20.8)
Provision for penalties under the Antimonopoly Law	17.1
Other, net	6.0
Effective income tax rate	12.5%

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.

Deferred tax assets (liabilities) as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Accrued retirement benefits	¥ 24,068	¥ 27,200	$ 258,796
Loss carried forward	107,116	104,013	1,151,785
Accrued bonus	4,408	4,194	47,398
Depreciation	2,987	3,361	32,118
Impairment loss	30,388	38,953	326,753
Other	15,406	20,105	165,656
Gross deferred tax assets	184,373	197,826	1,982,506
Valuation allowance	(148,211)	(161,981)	(1,593,667)
Total deferred tax assets	36,162	35,845	388,839

Unrealized gain on available-for-sale securities	(11,463)	(8,630)	(123,258)
Special reserve for deferred capital gain	(2,097)	(2,753)	(22,548)
Revaluation difference on land	(3,422)	(3,423)	(36,796)
Other	(2,230)	(2,187)	(23,978)
Total deferred tax liabilities	(19,212)	(16,993)	(206,580)
Net deferred tax assets	¥ 16,950	¥ 18,852	$ 182,259

19. Financial Instruments

(Additional information)

"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and its "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 10, 2008) were applied for the year ended March 31, 2010.

1. Conditions of Financial instruments

1) Policy for financial instruments

The fund management policy of the Group (the Company and its consolidated subsidiaries) has been set up to put its operating funds in deposits or investments that are assured of no impairment in the principal and the necessary fund is obtained through borrowings from banks and other financial institutions and bond issuances.
Derivative transactions are not entered into for speculative purposes.

2) Details of financial instruments and associated risks and risk management system

Trade notes and accounts receivable arising from operation are exposed to credit risk of customers. The Group carries out the practice of keeping track of due dates and outstanding balances of each customer under the credit management rules, as well as monitoring major customers' credit status on a regular basis in order to minimize credit risk.
Marketable securities and investment securities are mainly equity securities and exposed to the risk of changes in market value. These securities are primarily the shares of companies with which the Group has business relationship, and the fair value of these securities are evaluated on a regular basis.
Trade notes and accounts payable arising from operations normally have payment terms of less than one year.
Short-term and long-term debt are mainly utilized for working capital and capital investments. The interest rate risk of a certain portion of those loans payable is hedged using interest rate swaps as hedging instruments.
On derivative transactions, foreign exchange forward contracts are used for hedge of foreign currency risk associated with receivables and payables arising from operations and denominated in foreign currency, interest rate swaps are used for hedge of interest rate risk associated with loans payable, metal forward contracts are

used for hedge of price risk of raw materials and work in process. Execution and management of derivative transactions are subject to related internal rules.
In relation to accounting for hedge transactions, hedging instruments and hedged items, hedging policy, and effectiveness of hedge transactions are set out in its internal rules.
Although trade payable and short-term and long-term debt are exposed to liquidity risk, these payables are managed by such means as cash flow projections prepared on a timely manner.

3) Supplementary information on the fair value of financial instruments

The fair value of financial instruments is based upon the market prices or reasonable estimates of fair value of these instruments if these fair values are not available. The estimated fair values would not be fixed due to variety of factors and assumptions. In addition, the contractual amounts of the derivative transactions set out in "2. Fair value of financial instruments" as below are not an indicator of the market risk associated with derivative transactions.

2. Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences as of March 31, 2010 are as follows. In addition, financial instruments, of which it is extremely difficult to measure the fair value, are not included in the following table. (Please see "Financial instruments of which the fair value is extremely difficult to measure")

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and bank deposits	¥ 45,346	¥ 45,346	¥ -	$ 487,591	$ 487,591	$ -
(2) Trade receivable	217,099	217,099	-	2,334,398	2,334,398	-
(3) Marketable securities and investments securities						
a. Held-to-maturity debt securities	216	220	4	2,323	2,366	43
b. Available-for-sale securities	55,324	55,324	-	594,882	594,882	-
c. Unconsolidated subsidiaries and affiliated companies	6,582	8,642	2,060	70,774	92,924	22,150
Total of assets	324,567	326,631	2,064	3,489,968	3,512,161	22,193
(1) Trade payable	(115,045)	(115,045)	-	(1,237,043)	(1,237,043)	-
(2) Short-term debt	(125,117)	(125,117)	-	(1,345,345)	(1,345,345)	-
(3) Bonds(including current portion)	(74,744)	(75,160)	(416)	(803,699)	(808,172)	(4,473)
(4) Long-term debt	(162,227)	(166,083)	(3,856)	(1,744,376)	(1,785,838)	(41,462)
Total of liabilities	(477,133)	(481,405)	(4,272)	(5,130,463)	(5,176,398)	(45,935)
Derivative transactions						
(1) Derivative transactions for which hedge accounting does not apply	(78)	(78)	-	(839)	(839)	-
(2) Derivative transactions for which hedge accounting apply	1,161	1,161	-	12,484	12,484	-
Total of derivative transactions	¥ 1,083	¥ 1,083	¥ -	$ 11,645	$ 11,645	$ -

I. Fair value of financial instruments

Assets

(1) Cash and deposits

The carrying amount approximates fair value due to the short maturity of these instruments.

(2) Trade receivable

The carrying amount approximates fair value due to the short maturity of these instruments.
A part of trade receivable is treated as receivable denominated in Japanese yen due to applying the special treatment of foreign currency exchange contracts and the carrying amount approximates fair value.

(3) Marketable securities and investment securities

The fair value of equity securities is based on quoted market price, if available. The fair value of debt securities is based on quoted market price or provided price by financial institutions. Marketable securities and investment securities by holding purpose are set out in "Notes Debt and Equity Securities".

Liabilities

(1) Trade payable

The carrying amount approximates fair value because of the short maturity of these instruments.
A part of trade payable is treated as payable denominated in Japanese yen due to applying the special treatment of foreign currency exchange contracts and the carrying amount approximates fair value.

(2) Short-term debt

The carrying amount approximates fair value because of the short maturity of these instruments.

(3) Bonds

Fair value of bonds is based on quoted market price, if available. If not, the fair value is based on present value by discounting total cash flows of principles and interest to be paid at the rate considering remaining periods of those bonds and the related credit risk.

(4) Long-term debt

Fair value of long-term debts is based on the price provided by a financial institution or the present value of future cash flows discounted using the current debt rate for similar debt of a comparable maturity. Interest rate swaps subject to special treatment are used for long-term floating rate debt. Principle and interest of the debt in which these interest rate swaps are embedded, are discounted using the current debt rate, which is estimated reasonably for similar debt of a comparable maturity.

Derivative Transactions

Notional amount, fair value, unrealized gain or loss, and others are described in "Notes 20. Additional Information on Derivatives"

II. Financial instruments of which the fair value is extremely difficult to measure

Unlisted investment securities of unconsolidated subsidiaries and affiliated companies amounted to ¥30,884 million ($332,086 thousand) are not included in (3) Marketable securities and investments securities because market value are not available and their future cash flow are not estimated, accordingly it is not practicable to estimate the fair value.

III. The redemption schedule for money claim and held-to-maturity debt securities with maturity date subsequent to the consolidated balance sheets date:

	Millions of yen		Thousands of U.S. dollars	
	Within 1 year	From 1 year to 5 years	Within 1 year	From 1 year to 5 years
Bank deposits	¥ 45,341	¥ -	$ 487,538	$ -
Trade receivable	217,099	-	2,334,398	-
Marketable securities and investments securities				
Held-to-maturity debt securities:				
a) National bonds, local bonds and other	0	1	0	11
b) Other debt securities	15	200	161	2,150
Total	¥262,455	¥ 201	$ 2,822,097	$ 2,161

IV. The redemption schedule for long-term debt and other interest bearing debt with maturity date subsequent to the consolidated balance sheets date

The redemption schedule for long-term debt and other interest bearing debt with maturity date subsequent to the consolidated balance sheets date are described in "Notes 11. Short-term Debt, Long-term Debt and Bonds"

20. Additional Information on Derivatives

1. For the year ended March 31, 2010

1) Derivative transactions for which hedge accounting does not apply

a) Foreign currency related transactions

	Millions of yen				Thousands of U.S. dollars			
	2010				2010			
	Notional Amount	Portion over 1 year	Fair value	Unrealized gain(loss)	Notional Amount	Portion over 1 year	Fair value	Unrealized gain(loss)
Foreign currency:								
Sell	¥ 1,287	¥ -	¥ 133	¥133	$ 13,839	$ -	$ 1,430	$ 1,430
Buy	87	-	(2)	(2)	935	-	(22)	(22)
Total	¥ 1,374	¥ -	¥131	¥ 131	$ 14,774	$ -	$ 1,408	$ 1,408

b) Commodity related transactions

	Millions of yen				Thousands of U.S. dollars			
	2010				2010			
	Notional Amount	Portion over 1 year	Fair value	Unrealized gain(loss)	Notional Amount	Portion over 1 year	Fair value	Unrealized gain(loss)
Forward contracts:								
Sell	¥ 3,942	¥ -	¥ (303)	¥ (303)	$ 42,387	$ -	$ (3,258)	$ (3,258)
Buy	1,124	-	94	94	12,086	-	1,011	1,011
Total	¥ 5,066	¥ -	¥ (209)	¥ (209)	$ 54,473	$ -	$ (2,247)	$ (2,247)

2) Derivative transactions for which hedge accounting apply

a) Foreign currency related transactions

	Millions of yen					Thousands of U.S. dollars		
	2010					2010		
	Hedged item	Notional Amount	Portion over 1 year	Fair value	Calculation method of fair value	Notional Amount	Portion over 1 year	Fair value
Normal accounting method:								
Foreign currency:								
Sell	Trade receivable	¥ 1,506	¥ -	¥ (24)	Forward rate of Foreign currency	$ 16,194	$ -	$ (258)
Buy	Trade payable	6,420	-	222	Forward rate of Foreign currency	69,032	-	2,387
				¥ 198				$ 2,129
Assignment Accounting (special treatment for foreign exchange forward contract)								
Foreign currency:								
Sell	Trade receivable	2,027	-	*		21,796	-	*
Buy	Trade payable	1,276	-	*		13,720	-	*
Total		¥11,229	¥ -			$ 120,742	$ -	

*The fair value of foreign currency related transactions subject to assignment accounting (special treatment for foreign exchange forward contract) embeds in accounting subject to hedging included in the fair value of the corresponding trade receivable and trade payable.

b) Interest-rate related transactions

	Millions of yen					Thousands of U.S. dollars		
	2010					2010		
	Hedged item	Notional Amount	Portion over 1 year	Fair value*	Calculation method of fair value	Notional Amount	Portion over 1 year	Fair value *
Special treatment interest rate swap:								
Receiving fixed rates and paying floating rates	Long-term debt	¥ 2,850	¥ 2,325		-	$ 30,645	$ 25,000	
Receiving floating rates and paying fixed rates	Long-term debt	88,095	86,768		-	947,258	932,989	
Receiving floating rates and paying floating rates	Long-term debt	3,000	3,000		-	32,258	32,258	
Total		¥ 93,945	¥ 92,093			$ 1,010,161	$ 990,247	

*The fair value of interest rate swaps subject to special treatment embeds in long-term debt subject to hedging included in the fair value of the corresponding long-term debt.

c) Commodity related transactions

		Millions of yen				Thousands of U.S. dollars		
		2010				2010		
Normal accounting method:	Hedged item	Notional Amount	Portion over 1 year	Fair value	Calculation method of fair value	Notional Amount	Portion over 1 year	Fair value
Forward contracts for metal materials:								
Sell	Raw materials and work in process	¥ 876	¥ -	¥ (159)	Forward rate of metal material	$ 9,419	$ -	$ (1,710)
Buy		17,040	4,024	1,121		183,226	43,269	12,054
Total		¥ 17,916	¥ 4,024	¥ 962		$ 192,645	$43,269	$ 10,344

2. For the year ended March 31,2009

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 related transactions

The foreign currency derivative contracts outstanding at March 31, 2009 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		
	Notional Amount	Fair value	Unrealized gain(loss)
Foreign currency:			
Sell	¥ 203	¥ 204	¥ (1)
Buy	215	215	(0)
Total	¥ 418	¥ 419	¥ (1)

2) Commodity related transactions

Forward contracts for copper outstanding at March 31, 2009 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		
	Notional Amount	Fair value	Unrealized gain(loss)
Forward contracts:			
Sell	¥ 5,505	¥ 5,737	¥ (232)
Buy	1,072	1,073	1
Total	¥ 6,577	¥ 6,810	¥ (231)

21. Real estate for rental and others

The Company and certain consolidated subsidiaries have rentable land and rental office building located in Tokyo and other prefecture. Net revenue of such real estate (main revenue of such real estate is include in operating revenue and main costs for such real estate are included in operating expenses amounted to ¥2,931 million ($31,516 thousand) for the year ended March 31,2010.

The carrying amount, fair value and changes in the value of real estate related to real estate for rental and others are as follows:

Millions of yen			
Carrying amount in the consolidated balance sheets			Fair value
Year ended March 31,2009	Changes	Year ended March 31,2010	Year ended March 31,2010
¥ 23,989	¥114	¥24,103	¥47,939

Thousands of U.S. dollars			
Carrying amount in the consolidated balance sheets			Fair value
Year ended March 31,2009	Changes	Year ended March 31,2010	Year ended March 31,2010
$ 257,946	$ 1,226	$ 259,172	$ 515,473

1) The carrying amount is the amount of its acquisition costs less accumulated depreciation and accumulated impairment losses.
2) The changes in the carrying amount are mainly an increase due to capital expenditures and a decrease due to depreciations.
3) Fair value of March 31,2010 is primarily determined based on appraisal value prepared by external real estate appraisers, internal assessed value according to the Real Estate Appraisal Standards, or amount based on certain evaluated value and value based on the index appropriately affecting real estate market.

(Additional information)
Effective from the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted "Accounting Standard for Disclosure about Fair value of Investment and Real property" (ASBJ statement No.20, November 28, 2008) and "Implementation Guidance on Accounting Standard for Disclosures about Fair value of Investment and Real property"(ASBJ Guidance No.23, November 28,2008).

22. 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 reclassifications have been made to the prior year's consolidated financial statement to conform to the current year presentations.

23. 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, 2010 and 2009 is summarized as follows:

	Millions of yen								
	Telecommuni-cations	Energy and industrial products	Metals	Light metals	Electronics and automotive systems	Services and other	Total	Elimination and corporate assets*	Consolidated
2010:									
Net sales									
Outside customers	¥ 132,613	¥ 196,230	¥ 115,630	¥ 180,678	¥ 172,062	¥ 12,480	¥ 809,693	¥ –	¥ 809,693
Inter-segment sales	2,881	12,596	4,005	7,439	5,169	24,427	56,517	(56,517)	–
Total	135,494	208,826	119,635	188,117	177,231	36,907	866,210	(56,517)	809,693
Operating expenses	125,662	205,136	121,832	188,268	170,052	34,994	845,944	(56,573)	789,371
Operating income(loss)	¥ 9,832	¥ 3,690	¥ (2,197)	¥ (151)	¥ 7,179	¥ 1,913	¥ 20,266	¥ 56	¥ 20,322
Assets, depreciation, loss on impairment and capital expenditures:									
Assets	¥ 118,589	¥ 151,025	¥ 104,762	¥ 208,086	¥ 141,546	¥ 80,412	¥ 804,420	¥ 31,399	¥ 835,819
Depreciation	7,001	5,106	7,379	13,356	5,805	2,039	40,689	1,772	42,461
Impairment loss	-	93	2,499	3	41	-	2,636	-	2,636
Capital expenditures	4,125	4,068	2,471	5,616	7,119	889	24,288	1,145	25,433

	Millions of yen								
	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	¥ 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

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
2010:									
Net sales									
Outside customers	$ 1,425,946	$ 2,110,000	$ 1,243,333	$ 1,942,774	$ 1,850,129	$ 134,194	$ 8,706,376	$ -	$ 8,706,376
Inter-segment sales	30,978	135,441	43,065	79,989	55,581	262,656	607,710	(607,710)	-
Total	1,456,924	2,245,441	1,286,398	2,022,763	1,905,710	396,850	9,314,086	(607,710)	8,706,376
Operating expenses	1,351,204	2,205,763	1,310,022	2,024,387	1,828,516	376,280	9,096,172	(608,312)	8,487,860
Operating income(loss)	$ 105,720	$ 39,678	$ (23,624)	$ (1,624)	$ 77,194	$ 20,570	$ 217,914	$ 602	$ 218,516
Assets, depreciation, loss on impairment and capital expenditures:									
Assets	$ 1,275,150	$ 1,623,925	$ 1,126,473	$ 2,237,484	$ 1,522,000	$ 864,645	$ 8,649,677	$ 337,624	$ 8,987,301
Depreciation	75,312	54,903	79,344	143,613	62,419	21,925	437,516	19,054	456,570
Impairment loss	-	1,000	26,871	32	441	-	28,344	-	28,344
Capital expenditures	44,355	43,742	26,570	60,387	76,548	9,559	261,161	12,312	273,473

* 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 2-1), effective April 1, 2009, the "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, December 27, 2007) and the "Implementation Guidance on the Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, December 27, 2007) have been applied. The effects of this change to sales and operating income of "Services and other" are immaterial.

Segment information by geographic area for the years ended March 31, 2010 and 2009 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
2010:							
Net sales							
Outside customers	¥ 629,809	¥ 105,760	¥ 50,100	¥ 24,024	¥ 809,693	¥ –	¥ 809,693
Inter-segment sales	39,160	55,315	2,236	94	96,805	(96,805)	—
Total	668,969	161,075	52,336	24,118	906,498	(96,805)	809,693
Operating expenses	653,679	156,190	52,673	23,531	886,073	(96,702)	789,371
Operating income (loss)	¥ 15,290	¥ 4,885	¥ (337)	¥ 587	¥ 20,425	¥ (103)	¥ 20,322
Assets	¥ 667,373	¥ 104,674	¥ 25,059	¥ 18,723	¥ 815,829	¥ 19,990	¥ 835,819

	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

	Thousands of U.S. dollars (Note 3)						
	Japan	Asia	North America	Other areas	Total	Elimination and corporate assets*	Consolidated
2010:							
Net sales							
Outside customers	$ 6,772,140	$ 1,137,204	$ 538,710	$ 258,322	$ 8,706,376	$ —	$ 8,706,376
Inter-segment sales	421,075	594,785	24,043	1,011	1,040,914	(1,040,914)	—
Total	7,193,215	1,731,989	562,753	259,333	9,747,290	(1,040,914)	8,706,376
Operating expenses	7,028,806	1,679,462	566,376	253,022	9,527,666	(1,039,806)	8,487,860
Operating income (loss)	$ 164,409	$ 52,527	$ (3,623)	$ 6,311	$ 219,624	$ (1,108)	$ 218,516
Assets	$ 7,176,054	$ 1,125,527	$ 269,451	$ 201,323	$ 8,772,355	$ 214,946	$ 8,987,301

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-l), effective April 1, 2009, the "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, December 27, 2007) and the "Implementation Guidance on the Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, December 27, 2007) have been applied. The effects of this change to sales and operating income of "Japan" are immaterial.

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, 2010 and 2009 are summarized as follows.

	Millions of yen		
	Asia	Other areas	Total
2010: Overseas sales	¥ 164,051	¥ 85,181	¥ 249,232
Consolidated sales	—	—	¥ 809,693
Percentage of overseas sales against consolidated net sales	20.3%	10.5%	30.8%

	Thousands of U.S. dollars (Note 3)		
	Asia	Other areas	Total
2010: Overseas sales	$ 1,763,989	$ 915,925	$ 2,679,914
Consolidated sales	—	—	$ 8,706,376
Percentage of overseas sales against consolidated net sales	20.3%	10.5%	30.8%

The above overseas sales are sales recorded by the Company and its consolidated subsidiaries in countries and areas other than Japan.

(Change in geographic area)
Asia area other than South-East Asia area was previously included in "Other areas"segment. However, due to an increase of materiality of whole Asia area including China etc., previous "South-East Asia" segment and other Asia area adding China etc. are included in "Asia" segment from this year. If the previous overseas sales information were divided by the new segment, such information is as follows:

	Millions of yen		
	Asia	Other areas	Total
2009: Overseas sales	¥ 212,686	¥ 104,941	¥ 317,627
Consolidated sales	—	—	¥ 1,032,807
Percentage of overseas sales against consolidated net sales	20.6%	10.2%	30.8%

24. Related Party Transactions

Transactions for the year ended March 31,2010 and the respective balance as of March 31,2010 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 ($130,108 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	¥7,591 million ($81,624 thousand)	–	–

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	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	–	

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
								¥12,500 million	Long-term debt	¥12,783 million
							Interest paid	¥204 million	–	

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

ERNST & YOUNG

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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, 2010 and 2009, 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, 2010 and 2009, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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 29, 2010

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, 395 million (As of March 31, 2010)

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

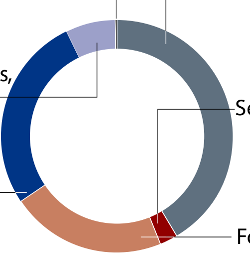
Stock Information

March 31, 2010

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 (Common shares)	706,669,179

Distribution of Stock Ownership (Common shares)

March 31, 2010



Total number of shares issued and outstanding: 706,669,179

Major Stockholders

March 31, 2010

Name	Number of shares held	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (trust account)	42,859,000	6.06%
Japan Trustee Services Bank, Ltd. (trust account)	35,606,000	5.04%
Trust & Custody Services Bank, Ltd. (Mizuho Corporate Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Bank, Ltd.)	22,928,250	3.24%
Japan Trustee Services Bank, Ltd. (trust account 4)	20,906,000	2.96%
Japan Trustee Services Bank, Ltd. (trust account 9)	19,406,000	2.75%
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%

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