

February 7, 2012

FOR IMMEDIATE RELEASE

Company name: Furukawa Electric Co., Ltd.
Code: 5801 (First Section of TSE and OSE)
Representative: Masao Yoshida, President
Inquiries: Head of Investor and Public Relations Unit,
Management Planning Department
Osamu Suzuki
(TEL: 03-3286-3050)

Notice of Acquisition of Shares in Totoku Electric (to Make it a Subsidiary)

Furukawa Electric Co., Ltd. announces that a Board of Directors meeting held on February 7, 2012 resolved to underwrite a capital increase through a private placement of common shares in Totoku Electric Co., Ltd. (Code: 5807, First Section of the Tokyo Stock Exchange; hereinafter “Totoku”) to make it a subsidiary. Details are as follows:

1. Reasons of the acquisition of shares

Totoku, an equity-method affiliate, manufactures and sells fiber-optic products, electric wires, devices, and IT equipment for information and telecommunications, electronics, and automobile markets. With its results declining, Totoku has been streamlining its operations by disposing of underperforming businesses and consolidating business sites, while reducing costs and making investments for cost cutting both in Japan and overseas. To improve earnings, Totoku has undertaken a number of cost-cutting initiatives, encouraging early retirement and reducing officers’ remuneration and employees’ salaries and bonuses. However, Totoku posted a consolidated net loss in the previous fiscal year and has not been able to halt the declines in its equity capital. Furukawa Electric anticipates that Totoku will continue to post weak results, including declining sales, for the current fiscal year.

In the circumstances, Totoku has developed a plan for structural reform. Under the plan, Totoku will withdraw from underperforming businesses and product lines and will seek to cut costs further and expand sales in its core and priority businesses. The company will improve its financial standing through continued cost cutting, a recovery in operating revenue, and capital reinforcement.

At the request of Totoku, Furukawa Electric has been considering helping Totoku increase capital, examining Totoku’s business plan, status of capital reinforcement, and financial situation.

Totoku’s capital reinforcement plan is that Mizuho Bank, Ltd. (shareholding: 4.55%; hereinafter “Mizuho Bank”) and Resona Bank, Limited. (shareholding: 3.38%; hereinafter “Resona Bank”), the main banks of Totoku, and Furukawa Electric (shareholding: 33.11%), the largest shareholder, will help Totoku raise a total of

3.85 billion yen. According to the plan, Mizuho Bank and Resona Bank will underwrite a private placement of class A preferred stock (1 billion yen and 0.85 billion yen, respectively, a total 1.85 billion yen), and Furukawa Electric will underwrite a private placement of common shares (2 billion yen). With the private placements, Totoku will strengthen its capital base and will reduce its interest-bearing debt. Totoku will appropriate the raised capital for research and development in the electric wire business, device business, and IT equipment business to improve operating revenue.

The business structure reform plan says that Totoku defines its electric wire business and device business as its core business and its priority business, respectively. After withdrawing from underperforming businesses and product lines, Totoku expects to create Group synergies in the electric wire and device businesses through joint use of manufacturing facilities and technologies with Furukawa Electric, joint sales activities in overseas markets, and joint research and development of metallic materials.

The Medium-Term Management Plan New Frontier 2012, which Furukawa Electric developed in 2010, includes not only the development of new businesses by the Group but also the strengthening of the existing businesses. When Totoku becomes a subsidiary of Furukawa Electric following the capital increase through a private placement, the Group will be able to use Totoku's strong brand name and advanced technologies in the electronics industry to bolster its businesses. Meanwhile, the support of Furukawa Electric with Mizuho Bank and Resona Bank, Totoku's main banks, will improve Totoku's financial strength and stabilize its business base, which in turn will enhance the value of the entire Group. For these reasons, Furukawa Electric has decided to underwrite the private placement.

2. Outline of the company to become a subsidiary (as of September 30, 2011)

(1)	Name	Totoku Electric Co., Ltd.		
(2)	Address	6-1-11 Shinbashi, Minato-ku, Tokyo		
(3)	Name and title of representative	Naomi Tachikawa, President		
(4)	Business	Manufacture and sale of fiber-optic products, electric wires, devices, and IT equipment		
(5)	Capital	6,146 million yen		
(6)	Established	November 22, 1940		
(7)	Major shareholders and their holding	Furukawa Electric Co., Ltd. 33.11% Mizuho Bank, Ltd. 4.55% Resona Bank, Limited. 3.38%		
(8)	Relations with the company and Furukawa Electric	Capital relations	Furukawa Electric holds 33.11% of Totoku's shares issued (14,662,000 shares).	
		Personnel relations	A director of Furukawa Electric concurrently serves as an outside auditor (part-time) of Totoku.	
		Business relations	Furukawa Electric buys products and raw materials from Totoku and supplies raw materials to Totoku.	
(9)	The company's consolidated operating results and financial position for the past three years			
	Fiscal year	Fiscal year ended March 2009	Fiscal year ended March 2010	Fiscal year ended March 2011

Consolidated net assets	¥6,842m	¥4,914m	¥3,431m
Consolidated total assets	¥28,250m	¥27,466m	¥24,450m
Consolidated net assets per share	¥140.85	¥95.05	¥60.97
Consolidated net sales	¥42,928m	¥37,500m	¥33,062m
Consolidated operating income	-¥1,475m	¥82m	-¥469m
Consolidated ordinary income	-¥1,904m	-¥386m	-¥917m
Consolidated net income	-¥2,872m	-¥2,209m	-¥1,204m
Consolidated net income per share	-¥65.05	-¥50.04	-¥27.29
Dividend per share	-	-	-

3. Outline of the private placement that Furukawa Electric underwrites

Necessary approval at an extraordinary shareholders' meeting at Totoku to be held on March 28, 2012 and the completion of other procedures under laws and regulations are preconditions.

(1)	Date of payment	March 28, 2012
(2)	Number of new shares to be issued	23,809,524 common shares
(3)	Issue price	¥84 per share
(4)	Total amount to be paid	¥2,000,000,016
(5)	Date of board resolution	February 7, 2012
(6)	Allocation of new shares	Private placement. All shares will be allocated to Furukawa Electronic.

(For reference) Outline of the private placement that Mizuho Bank and Resona Bank underwrite

(1)	Date of payment	March 28, 2012
(2)	Number of new shares to be issued	1,850 class A preferred shares
(3)	Issue price	¥1,000,000 per share
(4)	Total amount to be paid	¥1,850,000,000
(5)	Allocation of new shares	Private placement. The allocation of shares is as follows: Mizuho Bank 1,000 Resona Bank 850

4. Number of shares to be acquired, acquisition value, and number of shares held before and after the acquisition

(1)	Number of shares held before the acquisition	14,662,964 shares (Number of voting rights: 14,662) (Shareholding: 33.11%)
(2)	Number of shares to	23,809,524 shares

be acquired	(Number of voting rights: 23,809) (Ratio to the number of shares issued: 34.9%) (The number of shares issued is the number after the capital increase.) (Acquisition value: ¥2,000,000,016)
(3) Number of shares held after the acquisition	38,472,488 shares (Number of voting rights: 38,472) (Shareholding: 56.5%)

5. Outlook

Totoku will become a consolidated subsidiary when Furukawa Electric underwrites the private placement. The effect of that on Furukawa Electric's consolidated results will be minor.

(For reference)

- Totoku announced today the “Notice of Private Placement of New Shares (Common Shares and Preferred Stock), New Parent Company, Amendment of Articles of Incorporation, Reductions in Capital and Capital Reserves, and Appropriation of Surplus.”