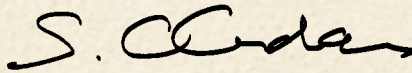
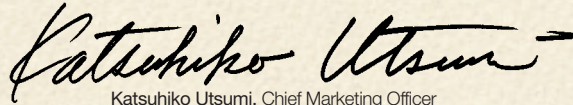


Hiroshi Ishihara, President, Chief Executive Officer and Chief Operating Officer



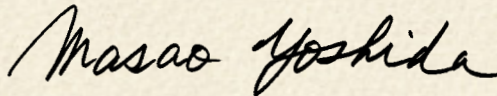
Shiro Okuda, Chief Administrative Officer



Katsuhiko Utsumi, Chief Marketing Officer

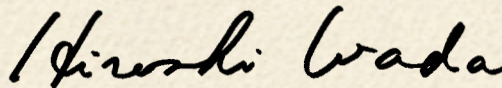


Michitoyo Kurokawa,  
Chief Technology Officer and Chief Production Officer



Masao Yoshida, Chief Financial Officer

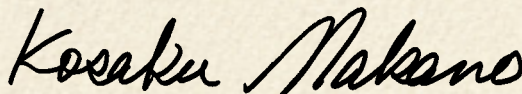
## Firm in Our **Resolve** Annual Report 2004



Hiroshi Wada, Company President



Atsushi Kitanoya, Company President

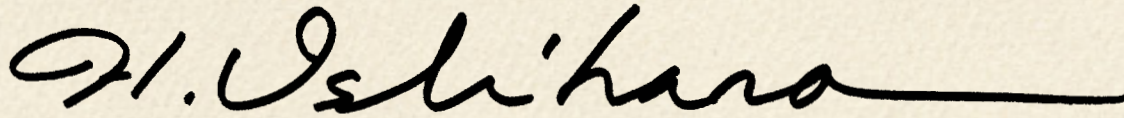


Kosaku Nakano, Company President



Teruyoshi Tanabe, Company President

**FURUKAWA ELECTRIC**



By formulating our medium-term management plan and establishing a new management structure, we will clarify the responsibilities of each division and enhance the speed and strength of in-house collaboration to maximize Group creativity. We will forge ahead in a Group-wide effort to complete the transformation into a profitable structure and bolster our financial position to resume dividend payments.

**Hiroshi Ishihara** President, Chief Executive Officer and Chief Operating Officer ▶P02



We will incorporate risk management into our decision-making processes and establish a system to improve the accuracy of decisions, while simultaneously realizing the creation and optimal allocation of shared resources and providing expert services to further enhance Group value.

**Shiro Okuda** Vice President and Chief Administrative Officer ▶P08

# Firm in O



We will aim to ensure that our Telecommunications segment regains its high-profile and leads global markets and technology by implementing uncompromising structural reforms, establishing a select workforce and bolstering our marketing system in Japan and abroad.

**Hiroshi Wada** Director, Member of the Board and President of the Telecommunications Company ▶P14



As digital home electronics maintain their favorable performance, we will seek to advance our Electronics and Automotive Systems segment into a creative, globally recognized and highly profitable business by thoroughly streamlining operations with a focus on technological innovation.

**Atsushi Kitanoya**

Director, Member of the Board and President of the Electronics and Automotive Systems Company ▶P16

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Reviving the Furukawa Electric Group .....	06	Corporate Data/Stock Information .....	61
Business Segment Reclassification .....	24		

Masao Yoshida

Adhering to the concept of recognizing and minimizing risk, we will reduce our assets by promoting write-downs of fixed assets and the devaluation of inventories, and we will fundamentally improve our financial position by bolstering capital and reducing interest-bearing debt.

**Masao Yoshida** Director, Chief Financial Officer and Manager of the Corporate Strategy Planning Department ▶P09

Katsuhiko Utsumi

We will establish a five-region system encompassing the Americas, Europe, Asia, China, and Japan, and implement Group-wide marketing strategies to realize our vision of creating value for our customers and developing a dynamic enterprise scenario.

**Katsuhiko Utsumi** Director, Chief Managing Officer and Manager of the Export Security Administration Department ▶P10

Michitoyo Kurokawa

We will provide totally new concepts, significant technological breakthroughs and products offering groundbreaking functions through technological integration, mobilizing the full force of the Furukawa Electric Group to create new products and businesses and become a global leader.

**Michitoyo Kurokawa**  
Director, Chief Technology Officer, Chief Production Officer and General Manager of the Research and Development Division ▶P12

# ur Resolve

T. Tanabe

We will actively promote alliances and become the world's top ultra-high-voltage business, Japan's No. 1 low-to-medium-voltage parts business, and a creator of high-performance plastic products in the industrial products business.

**Teruyoshi Tanabe**  
Corporate Senior Vice President and President of the Energy and Industrial Products Company ▶P18

Kosaku Nakano

We will leverage our strengths in original materials technology and know-how to bolster our manufacturing and marketing system in the immense Chinese market and become Asia's top supplier.

**Kosaku Nakano**  
Corporate Senior Vice President and President of the Metals Company ▶P20

## 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 the forward-looking statements.

Potential risks may include, but are not limited to, general economic conditions, management environment, market demand, foreign exchange rates, and taxes and other system impacts. Therefore, no guarantee is presented or implied relative to the accuracy of the forward-looking statements in this Annual Report.



**Hiroshi Ishihara**

President, Chief Executive Officer and  
Chief Operating Officer

## To Our Shareholders

**In an effort to revive the Furukawa Electric Group, the Company launched the Furukawa Action Plan in March 2004. The goal of the plan is to maximize the Group's creative power by introducing a chief officer system and a business company system that will clarify the responsibilities of each division and enhance the speed and strength of collaboration among business companies. The major legacy of the Furukawa Electric Group, created over the last century and more, is our broad range of technology and expertise in materials, electricity, telecommunications, automobiles, and electronics. Each and every employee must renew their awareness of this strength and respond with flexibility to the changing times so that together we may advance as an outstanding, global enterprise.**

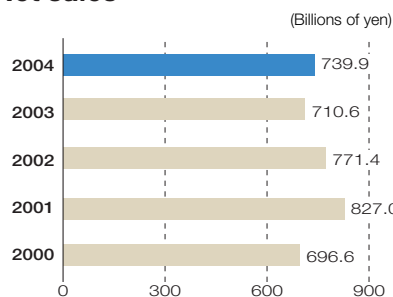
## Consolidated Financial Highlights

THE FURUKAWA ELECTRIC CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2004 and 2003

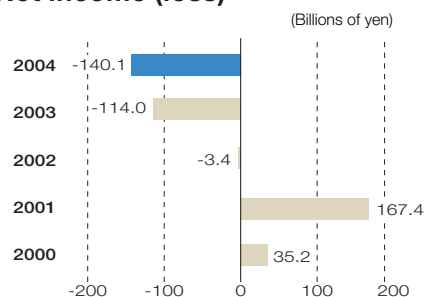
	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Net sales .....	¥ 739,867	¥ 710,616	\$ 6,979,877
Operating loss .....	(3,161)	(43,847)	(29,821)
Ordinary loss .....	(15,774)	(55,783)	(148,811)
Net loss .....	(140,128)	(114,026)	(1,321,962)
Per share of common stock (yen and U.S. dollars): .....			
Net income .....	(213.77)	(173.94)	(2.016)
Cash dividends paid .....	—	3.00	—
Total assets .....	1,110,666	1,179,399	10,477,981
Total shareholders' equity .....	166,940	295,901	1,574,905

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥106 to US\$1.

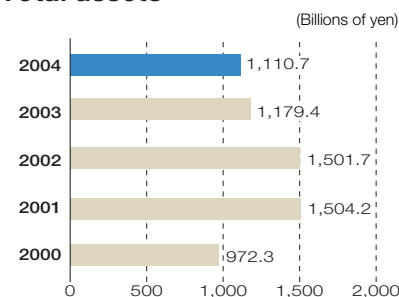
### Net sales



### Net income (loss)



### Total assets



### In fiscal 2004, we achieved profitability in all segments except Telecommunications, whose stagnant performance resulted in a third consecutive loss

Business conditions in the fiscal year under review were, in general, harsh. The IT markets in Europe and the U.S. failed to recover, thereby dampening demand for optical fiber-related products for long-haul networks, our major area of strength, and the rapid rise in the yen caused foreign exchange losses.

Nevertheless, the Furukawa Electric Group forged ahead aggressively with fundamental business restructuring geared toward the future. We formed an alliance in our light metals business within the Nonferrous Products segment by establishing Furukawa Sky Aluminum Corp. In addition, we integrated our businesses with those of affiliated companies and

disposed of or reduced fixed assets and inventories, primarily in the Telecommunications segment, which has faced persistently stagnant demand.

We plan to restrain capital investment and further strive to reduce fixed costs, including personnel costs, as we continue to rein in sales costs while developing and expanding sales of new products.

We have taken consistent action to restructure the business of OFS (the combined name for OFS Fitel, LLC and OFS BrightWave, LLC, the subsidiary companies that manufacture optical fiber and were acquired in 2001 from Lucent Technologies Inc. of the U.S.). Based on the assumption that the prevailing harsh market conditions will persist into the near future, we have disposed of impaired fixed assets in advance and lowered our break-even point by integrating and closing business bases and reducing personnel. We have also reviewed the company's marketing system in order to secure sales

and counteract falling product prices, provided support to production technologies aimed at further rationalization, and reduced sales costs.

As a result of these endeavors, consolidated net sales for fiscal 2004 exceeded those of the previous year, growing by 4.1%, to ¥739.9 billion. With the exception of our



Telecommunications segment, where sales declined, we achieved year-on-year growth in all segments, including Plastic, Cables and Wires, Nonferrous Products, and Electronics-Related Products and Others, while expanded consolidation based on measures taken to strengthen Group management also contributed to the rise in net sales.

In terms of profit and loss, the consolidated ordinary loss of ¥15.8 billion actually represented an improvement of ¥40.7 billion from the previous year, thanks to successful efforts to reduce fixed costs and lower the cost of sales. We reported extraordinary income totaling ¥37 billion due to the sale of investment securities and real estate holdings; we reported extraordinary losses amounting to ¥166.4 billion due to the disposal of impaired tangible and intangible assets at our U.S. optical fiber and cable subsidiary OFS, and due to business restructuring costs, including advance reporting of disposal losses on fixed assets and inventories. As a result, consolidated net loss amounted to ¥140.2 billion.

### The Furukawa Action Plan was formulated in March 2004 as part of our firm commitment to return to profitability

The Furukawa Action Plan is based on three pillars: advance disposal of latent risks; reform of the management system; and the three-year medium-term management plan that takes effect in fiscal 2005 (see page 6 for details). Under that medium-term management plan, the Furukawa Electric Group will take action to raise the volume of overseas sales while expanding overall sales. At the same time, we will continue to channel resources into the development of new products and further reduce the cost of sales, working toward our goal of generating consolidated net sales of ¥846 billion and consolidated operating income of ¥43 billion in fiscal 2007, the final year of the Furukawa Action Plan.

To that end, Furukawa Electric dramatically restructured its management in April 2004, to coincide with the start of the plan.

More specifically, we adopted a cross-sectional perspective towards the Group and introduced a system of chief officers who will oversee



management, marketing, finance, and R&D activities. We also brought in a business company system that is responsible for planning and executing strategies at

### Net sales and operating income by segment (Prior to segment reclassification)

(Billions of yen)

		2000	2001	2002	2003	2004	02 → 03 change
Telecommunications	Net sales	167.5	206.1	224.8	164.1	141.6	(22.5)
	Operating income	10.9	38.9	5.3	(60.9)	(32.7)	28.2
Plastics, Cables and Wires	Net sales	198.5	208.5	188.6	171.6	197.2	25.6
	Operating income	(0.4)	1.3	0.8	4.5	5.5	1.0
Nonferrous Products	Net sales	235.1	304.1	257.5	267.9	292.3	24.4
	Operating income	5.5	11.6	1.8	8.3	17.0	8.7
Electronics-Related Products and Others	Net sales	134.8	146.2	138.5	145.2	161.2	16.0
	Operating income	5.5	6.3	2.7	4.0	7.0	3.0
Elimination	Net sales	(39.3)	(37.9)	(37.9)	(38.3)	(52.4)	(14.1)
	Operating income	(0.2)	(0)	0	0.3	0	(0.3)
Total	Net sales	696.6	827.0	771.4	710.6	739.9	29.3
	Operating income	21.2	58.1	10.7	(43.8)	(3.2)	40.7

\*Business segments have been reclassified from fiscal 2005 (see page 24 for details).

individual divisions; that system allows for extensive reach in managing the entire Group from a variety of perspectives. We intend to clarify the responsibilities and authority of Group management and business execution, raise the efficiency and precision of management analysis and decision-making, and further strengthen our corporate governance.

For this system to be genuinely effective, we must encourage a dynamic internal communications environment. Since the introduction of the new management system, I have



opened the way for extended participation at Board meetings, which were previously restricted to officers above the level of director; those meetings now include heads of business companies as well. We conduct weekly meetings that report on the activities of each division and play host to strategy discussions. I also hold what are called “Let’s speak with the President about management” meetings periodically, where I participate in discussions with various staff members who oversee our business sites. Having spoken now with nearly 100 staff face to face, I am convinced that these discussions have dramatically increased the level of shared awareness about our corporate strengths, objectives, and direction.

Even as we pursue these reforms in our system of management, we must also focus intensive effort on improving our business structure.

As I have already mentioned, we have disposed of impaired fixed assets and lowered our break-even point for the Telecommunications segment, a major contributor to our losses in fiscal 2004. In June 2004, we reached agreement with CommScope to turn OFS into a fully owned subsidiary, by agreeing to swap our shares in CommScope Inc. for CommScope’s holdings in OFS BrightWave. We expect this move will generate a number of positive effects, such as further enhancing efficiencies in our management of OFS.

OFS is highly competitive due to its patents and technologies, and we plan to deploy those strengths to expand sales and boost profitability. As part of that

strategy, in June 2004 we jointly obtained basic patents in Japan related to WDM, for which OFS had already obtained patents overseas, in regions such as North America, Europe, and China (see page 13 for details). We are looking into the licensing of this technology, with an eye toward establishing a stronger presence in the broadband market.

In other segments, we will strive to develop new products based on our proprietary materials technology and seek to increase sales and operating income by expanding our overseas business bases, including those in China, where the market continues to grow.

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### **Our aim is to generate positive consolidated ordinary income in fiscal 2005**

Looking ahead, we see that the global economy is on the path to recovery, lifting sectors such as electronics in the Japanese economy, although the situation for the Telecommunications segment, which dampened our performance in fiscal 2004, is expected to remain somewhat precarious. For fiscal 2005, we are projecting consolidated net sales of ¥750.9 billion, consolidated ordinary income of ¥10 billion, and consolidated net income of ¥23 billion.

Under our new management framework, Furukawa Electric will develop a corporate structure that allows us to persevere through adverse business conditions by actively pursuing new product development and marketing activities, and by accelerating our efforts to restrain capital investments and lower the cost of sales. There will be a Group-wide effort to bolster our financial position through the sale of securities and real estate, and we hope to resume dividend payments.

We are confident that these efforts, along with your continued advice and support, will help usher in a new era of success for our company.

A handwritten signature in black ink, reading "H. Ishihara". The signature is fluid and cursive, with a long horizontal stroke at the end.

**Hiroshi Ishihara**

President, Chief Executive Officer and  
Chief Operating Officer