

Status of the Medium-Term Management Plan

We achieved our sales target—also our profit targets, excluding such items as corporate tax code revisions and sharply higher crude oil and raw materials prices.

The Furukawa Electric Group formulated its 2006-2009 Medium-Term Plan, *Innovations 09*, in March 2006 to shift its management strategy from a defensive stance to seizing the initiative. In the previous fiscal year, the first year of the plan, we actually achieved our final year net sales target of ¥1 trillion ahead of schedule, and therefore, in May 2007, revised our target upward.

During the fiscal year under review, the second year of the Plan, we cleared our net sales target but fell short of attaining our target for operating income due to the rise in depreciation costs resulting from revised tax laws and to the impact of surging prices for raw materials and crude oil. We have, however, accomplished sufficient growth to clear our profit target, excluding such subsequent events. In fiscal 2009, we will seek to further reduce costs to meet our targets despite these negative factors.

Status of *Innovations 09* accomplishments

| | 2007 | 2008 | 2009 (Forecast) | Final goal (Fiscal 2010) |
|---------------------------------|----------------|----------------|-----------------|--------------------------|
| Net sales | ¥1.10 trillion | ¥1.17 trillion | ¥1.21 trillion | ¥1.25 trillion |
| Operating income | ¥53.6 billion | ¥48.4 billion | ¥46.0 billion | ¥70.0 billion* |
| ROE | 12.7% | 6.4% | | 11.0% |
| ROA (based on operating income) | 4.9% | 4.8% | | 6.2% |
| Total asset turnover rate | 1.0 | 1.2 | | 1.1 |
| D/E ratio | 1.8 | 1.7 | | 1.3 |

* Prior to fiscal 2008 tax code revisions.

R&D Strategy

We strive to enhance corporate value by developing unique products that command global market share focused on development themes for creating new businesses. Among these themes, we aggressively demonstrated our optical interconnections at trade shows during the fiscal year under review to raise market recognition and gather information on market demand.

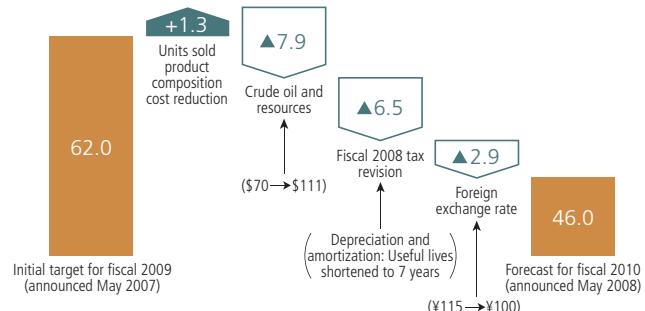
Development Themes for Creating New Businesses

- Superconductive cable materials
- Optical interconnections
- Fiber lasers for industrial use
- Antenna modules for ubiquitous computing
- Onboard sensors for automobiles
- Power-source management modules

Investment Strategy

The Furukawa Electric Group spent ¥45.2 billion in capital expenditures, an amount that exceeded depreciation costs of ¥42.1 billion, on capital investment toward boosting production of optical fiber cables and doubling production capacity of tapes used for semiconductor fabrication, which are experiencing sales growth. In fiscal 2009, with the addition of mass producing glass substrates, we plan to spend ¥49.8 billion in capital expenditures against depreciation costs of ¥52.8 billion.

Fiscal 2010 (*Innovations 09*) Operating Income Forecast (billions of yen)



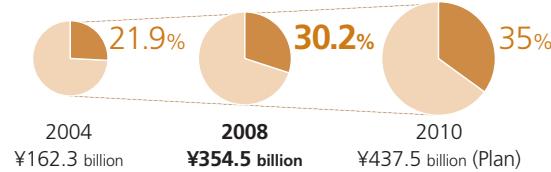
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ANNUAL REPORT 2008

Overseas Market Strategy

In the fiscal year under review, we aggressively invested in reinforcing the capacity of our overseas bases in response to robust demand for optical fiber cables and high voltage cables. As a result, the overseas sales ratio increased by 0.9 percentage point to 30.2% as of March 31, 2008, exceeding 30% for the first time.

Overseas Sales Ratio



Asset Efficiency

Under *Innovations 09*, we are seeking to attain a total asset turnover rate of 1.1 and a D/E ratio of 1.3 by March 31, 2010. To that end, we are endeavoring to reduce interest-bearing debt (target: ¥380.0 billion), while also enhancing asset efficiency by proceeding with the reorganization of subsidiaries such as Riken Electric Wire Co., Ltd., a Group company that was converted into a wholly owned subsidiary, and by reducing inventories.



Feature Towards **Further Growth**

The Furukawa Electric Group is engaged in a variety of businesses encompassing a broad range of industries in the five segments of Telecommunications, Energy and Industrial Products, Electronics and Automotive Systems,

Metals and Light Metals. To achieve consistent growth amid a volatile business environment, we must keep abreast of market developments in each segment to identify the needs that will emerge as the next trend and optimize our management portfolio so we can concentrate our resources on fields in which we maintain a competitive edge. By focusing on the dual strategy of expanding sales in high-growth countries and strengthening niche products with high market share, the Furukawa Electric Group will bolster its businesses to achieve further growth in the segments and markets where we operate.



**Responding to global infrastructure needs
Expanding sales in high-growth countries**

Focused on the automotive and electronic component markets

Strengthening niche products with high market share

Responding to global infrastructure needs **Expanding sales in high-growth countries**

If we were to use the human body as an analogy, the electric power infrastructure would be the blood vessels while the telecommunications infrastructure would be the nerves—both essential for economic development.

In Japan, with its small land area and mature economy, we cannot expect the market for these infrastructure industries to significantly expand in the future. Once we turn our eyes to the world, however, there is ample opportunity for the growth of infrastructures in countries with large land areas, such as North America, Europe and Russia. Newly emerging countries such as India and China are also accelerating the pace of infrastructure development to achieve further economic growth.

Our growth strategy in this field consists of applying the technology and expertise accumulated by the Furukawa Electric Group in Japan into these global markets. Here are some of the actions we are undertaking to shift the axis of our business overseas towards our goal of establishing our products as global standards.

Telecommunications

Increasing global demand for telecommunications infrastructures

Growing demand in Europe, the U.S., the BRIC countries and across the globe

In Japan, where FTTH has spread nationwide and optical line subscriptions have exceeded 10 million households, the market for telecommunications infrastructures is entering the mature phase. However, further expansion in demand is expected

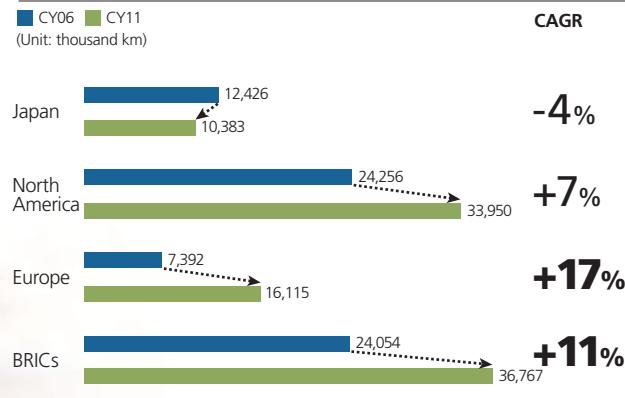
in North America, for example, where leading telecommunications carrier Verizon is planning to lay 12 million FTTH lines in four years, from fiscal 2007 to fiscal 2010.

Meanwhile, demand for optical telecommunications networks is rapidly growing in Western Europe, along with the rise in intra-regional transactions resulting from the expansion of the EU. Furthermore, the full-scale development of information infrastructures is about to begin in BRIC countries, including Russia and India, as well as in newly emerging economies such as South Africa, Argentina and the ASEAN nations.

Bolstering our overseas production system to meet demand

Given this expanding demand for optical fibers throughout the world, the Furukawa Electric Group has been transferring its business bases overseas. Although we had already established sales bases, primarily in countries showing high demand, in the future we will build a system enabling us to offer a more timely and detailed response to the demand and needs of each

Optical fiber/Cable market forecast



Source: CRU

region by shifting our production bases overseas as well.

For example, we are boosting our production capacity in OFS Russia starting in October 2007 and in OFS Germany from the latter half of 2008, and we will seek greater market share by locally manufacturing products to meet the needs of each region.

Energy and Industrial Products

Rising demand for electric power infrastructures in newly emerging countries

The need for more efficient and stable electric power infrastructures

As demand for electric power dramatically rises throughout the world, particularly in China and other newly emerging economies, the development of electric power infrastructures connecting electric power stations with locations of demand is rapidly underway. Efficiency and stability are the watchwords in the market for electric power infrastructures, such as power transmission cables.

In view of the surging price of resources and heightened awareness of global warming over the past few years, reducing energy loss to more efficiently transmit electric power has become a general societal concern. This need is particularly acute in countries such as China, with a large land area that requires transmitting electricity over extended distances.

Meanwhile, the creation of a stable electric power infrastructure has emerged as a challenge for newly emerging countries that must guarantee a stable supply of electricity without power outages as a precondition for attracting factories from advanced economies.

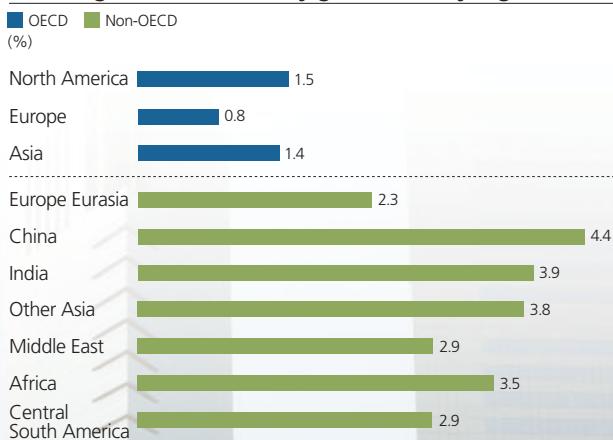
Increasing orders worldwide on the back of superior technology

Rising worldwide demand for electric power infrastructures has

provided a powerful tailwind for the Furukawa Electric Group. In rapidly growing China, we will boost production at our electric cable subsidiary Shenyang Furukawa Cable Co., Ltd. by 30% and we expect annual net sales to increase 35%. In addition, VISCAS Corporation, our subsidiary based on the equity method that manufactures and sells high pressure cables, has also won large-scale orders from Singapore, the UAE and South Africa; we expect sales to exceed ¥100 billion in fiscal 2009.

The foundation of this stable growth lies in the high quality of our products backed by superior technology. For example, in high-pressure technology for transmitting more energy with less loss, we have succeeded in mass-producing extremely reliable ultra-high pressure cables drawing on the world's top class manufacturing technology and quality control. We are also participating in a national project for commercializing superconducting cables that feature extremely low energy loss compared with conventional cables, and we are moving toward a formal market launch. (See: p.16)

Annual growth in electricity generation by region



Strengthening niche products with high market share

In the segments of Electronics and Automotive Systems, Metals and Light Metals, we are focusing on markets with high growth potential, such as automobiles and electronics. Competition is intense in these markets, and components and materials for general-use may easily become commodities and subject to price competition.

The Furukawa Electric Group, however, has captured significant market share and maintained high profitability without having to engage in price competition by utilizing our proprietary materials technology in metals and plastics to provide unique products with a competitive edge in niche areas. The creation of these high-share niche products is possible precisely because of our approach to development, in which we are able to understand the manufacturing sites of our client corporations based on our own manufacturing experience across a broad range of fields. This ensures we pursue products that are genuinely needed. These are a few of the high value-added products supported by innovative manufacturing in their respective markets.

Automobiles

Fully considering the environment

Promoting energy conservation by improving mileage through weight reduction

The greatest challenge in the automobile field today is conserving energy to cut back the CO₂ emissions associated with global warming. To this end, automakers around the world are working on reducing automobile weight to improve mileage while also developing engines with higher fuel efficiency.

The particular challenge of reducing weight is being explored from a variety of approaches, from developing body

materials that balance lightness with strength and producing smaller, lighter interior components, to developing lighter wire harnesses that cover the entire body as a vehicle's "nerves and blood vessels."

Developing and supplying varied products for conserving energy in automobiles

The Furukawa Electric Group provides diverse products for the automobile industry, ranging from body materials and interior components to wire harnesses. The Group stands alongside the world's leading automakers on the frontlines of technological innovation for reducing vehicle weight.

For example, we have developed lighter wire harnesses by producing ultra-thin aluminum wires and copper wires, while at the same time shortening the length of the wire harness itself through optimal electric installation design. We have also developed a metal core substrate with superior heat dissipation properties and produced compact, lightweight junction boxes that serve as the core of internal wiring.

Furthermore, we have succeeded in mass producing compressor wheels, which constitute the key component of diesel turbo engines with superior mileage, in the form of a highly accurate, ultra-lightweight aluminum product. These are some of the broader contributions we are making to energy conservation in automobiles.

Electronics

Providing the platform for the ongoing evolution of information devices

Pursuing greater capacity and higher density

In the area of electronic devices, digitization has advanced in every type of equipment, from information terminals such as mobile phones and notebook PCs to home electronics. LSI and



other semiconductor technologies will bring about a “ubiquitous society,” in which a diverse array of electronic devices are connected via networks to facilitate the free exchange and utilization of information.

Attention is particularly focused on the key areas of greater capacity for recording and processing more information and higher density for making devices compact and lightweight while at the same time upgrading functionality. There is no end to the need for materials, components and manufacturing technologies that provide the platform for this technological evolution, and fierce competition is underway around the world in pursuit of ever higher levels of accomplishment.

Developing and supplying highly functional products for advanced needs

The Furukawa Electric Group continues to turn out products based on its proprietary materials technology, which meets the

most advanced needs in the field of electronics.

One example is the processing tape used in the high-density 3D packaging process for manufacturing semiconductors. The tape offers superior quality and exceptional operational efficiency by controlling adhesion using UV-curing material. We also develop and supply electrolytic copper foils used as cathode material for lithium ion batteries, which are growing in demand as power supplies for mobile devices; we command an overwhelming 50% share of the global market based on the high quality of these items. Other products we develop and sell include aluminum blank materials and glass substrates that meet stringent property requirements for achieving increasing storage capacity (for example, external memory devices).

Strengthening the positioning of niche materials with high market share

| Products | Semiconductor tape | Electrolytic copper foil | Storage | Automotive components | Compressor wheel |
|--|--|---|--|---|---|
| Initiatives | <ul style="list-style-type: none"> Doubled production capacity for DDF (Dicing Die Bonding Film: two-in-one film with the functions of both dicing tape and die bonding film) in April 2008 | <ul style="list-style-type: none"> Raised domestic production capacity for lithium ion batteries and FPC by 20% in June 2008 | <ul style="list-style-type: none"> Solid performance by aluminum blank materials used in HDD Mass production of glass substrates to begin during the first half of fiscal 2009 | <ul style="list-style-type: none"> Focusing our resources on “Compact car × Asia” Expanding sales of metal core substrates used in boxes Strengthening development of aluminum wire and ultra-thin copper wire | <ul style="list-style-type: none"> Expanding sales of aluminum components used in diesel turbo engines in Europe |
| Growth rate for net sales in fiscal 2008 | +20% | +20% | +10% | +10% | +30% |

Opening new possibilities for superconducting technology

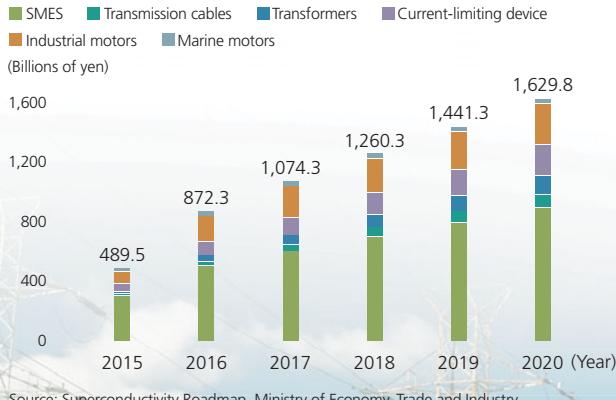
Superconducting technology makes efficient generation, transport and storage of electrical energy possible, and is therefore expected to boost the overall effectiveness of electrical power infrastructures and accelerate information processing. The ability of this technology to generate large magnetic fields has also attracted attention in the fields of transportation, physics and chemistry, and medicine. The scale of this market is projected to reach ¥1.6 trillion by 2020.

Conventional approaches to superconducting technology have been primarily dedicated to low-temperature superconductivity using metallic materials such as niobium-titanium (NbTi). This method requires costly liquid helium (-269°C) as a coolant and, therefore, its range of possible applications is limited. More recent progress has occurred in research on high-temperature superconductivity using yttrium (Y), with less costly liquid nitrogen (-196°C) as a coolant.

The Furukawa Electric Group, a global leader in the field of low-temperature superconductivity, has been developing superconducting cables, an essential component of the large-scale international effort now under way in France, known as the ITER*1 Project. We maintain our active engagement in research by applying the expertise, knowledge and benefits gained from this project, toward establishing a leading position in current international research and development for the commercialization of high-temperature superconductivity.

*1 ITER: International Thermonuclear Experimental Reactor

Projected markets for the superconductivity business



Superconducting technology as the backbone for the evolution of electrical power infrastructures

Today, many countries are actively pursuing research projects with the aim of commercializing high-temperature superconductivity. The Furukawa Electric Group participates in two projects sponsored by NEDO*2, Japan's leading research and development management organization.

One project involves the superconducting electric power cable, recently demonstrated at the Toyako Summit, as the definitive solution for reducing CO₂ emissions. This cable facilitates a 25% reduction in energy loss during transmission compared to current levels, leading to a significant quantitative decrease in electricity generation. The second project relates to SMES*3, a technology for storing electricity as magnetic energy. It enables the repeated storage and discharge of electricity, thereby enhancing the stability of the electric power grid.

The participation of the Furukawa Electric Group in these projects will contribute to the creation of the next-generation electric power infrastructure.

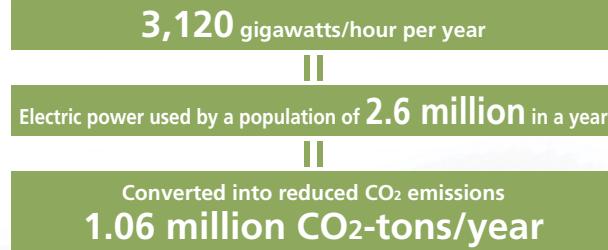


Superconducting cables

*2 NEDO: New Energy Development Organization

*3 SMES: Superconducting Magnetic Energy Storage

Conservation of electric power using superconducting cables (Japanese case study):



Kosaku Nakano
Chief Officer, Technology & Production



CSR Activities

The Furukawa Electric Group recognizes its corporate responsibility to society is to provide products and services that contribute to social development and to improving people's lives while emphasizing public regulations and corporate ethics, reduced environmental burden associated with business activities, and product safety, as well as the safety of employees and the local community.

To meet these social responsibilities, the Group formulated the Furukawa Electric Group Basic Policy on CSR in February 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.

Compliance

The Furukawa Electric Group defines compliance as not only compliance with laws but also behavior in line with the values and ethics required for a company as a constituent member of society as well as for individual employees.

We make sure that every employee becomes familiar with the Furukawa Electric Group Action Guidelines, which define our basic stance on compliance, and we promote compliance through a system comprising the Central Compliance Committee chaired by the CSRO and Compliance Committees set up at each individual works and branch.

We have also introduced an internal system for anonymous reporting to detect and remedy compliance violations at the earliest possible opportunity.

Relationship with the Global Environment

The Furukawa Electric Group is committed to developing environmentally sound products that exert less burden on the environment, such as foam extinguishers requiring less water to extinguish fires.

In addition to efforts already underway at our works, we began participating in the Team Minus 6%* movement in April 2008 to encourage CO₂ reduction activities in our offices as well. We also launched "Uchi Eco" (Home Eco) activities that challenge individual households to reduce CO₂ emissions and distribute pamphlets to all employees to raise awareness of global warming to steadily reduce our own CO₂ emissions.



* Team Minus 6%: This is a national campaign in Japan where business entities, organizations and individuals participate in a team effort to achieve a 6% reduction in CO₂ emissions, Japan's commitment under the Kyoto Protocol.

Relationship with Society and Local Communities

The Furukawa Electric Group established the Involvement with Local Communities in May 2008.

In the past, we have undertaken various social contribution activities rooted in the local community and we intend to further strengthen these efforts to fulfill our responsibility as a member of society through activities centered on nurturing the next generation, promoting sports and culture and coexisting with the local community.

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.

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 prompt decision making. At the same time, we ensure sound management by developing and establishing an 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.

We not only pursue complete compliance across the Group but also provide society with excellent products and technologies that enrich people's lives while maintaining harmony with the earth's 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 is valued by society.

Management Organization

Furukawa Electric has adopted the organizational structure of a Company with Auditors and emphasizes the functions of a system of Auditors and Board of Auditors that is independent from the Board of Directors. We are also taking various steps in managing the Board of Directors to strengthen the monitoring and supervising of operational 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

Corporate Governance Organization Chart

