

**2006-2009 Medium-Term
Management Plan**

Innovations 09

— *Global Growth through Technological Innovation* —

March 16, 2006

FURUKAWA ELECTRIC CO., LTD.

Management Vision

A creative and highly profitable company
with a global presence
based on technological innovations

Innovations 09



Operating income ratio 7%

Net sales: ¥1 trillion

(Overseas sales ratio 35%)

In the fields of automotive, electronics,
photonics and the environment:

Create additional sales volume of ¥110 billion

2004-2006 Survival Plan

Unit: Billion yen

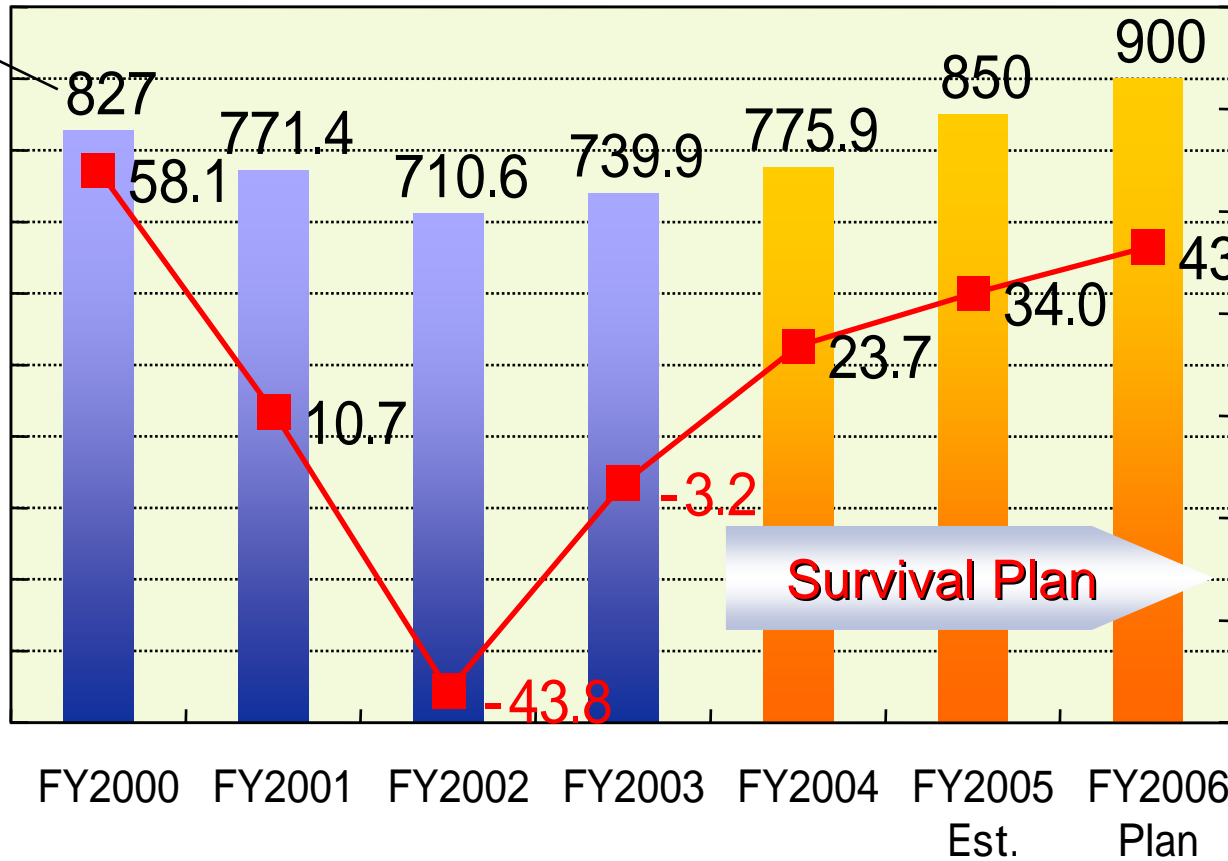
	<i>04 Actual</i>	<i>05 Est.</i>	<i>06 Survival Target</i>	<i>06 Est.</i>
Net sales	775.9	850	846	900
Operating income	+23.7	+34.0	+43.0	+43.0
Telecom (OFS)	-9.8 (-7.1)	+3.0 (-5.0)	<i>Achieving profitability (Achieving a profit)</i>	+5.5 (+0.1)
Reduction in interest-bearing debt	-102.5	-134.0	-150.0	-150.0
D/E ratio	2.7	2.0	2.1	1.9
Developing overseas markets (overseas sales ratio)	23.8%	26%	35%	27%

**All departments move into the black in fiscal 2005,
strategic fund established, dividend resumed**

Shift to an offensive posture one year ahead of schedule

Achievements of the Survival Plan

Net sales:
Billion yen



Operating income:
Billion yen

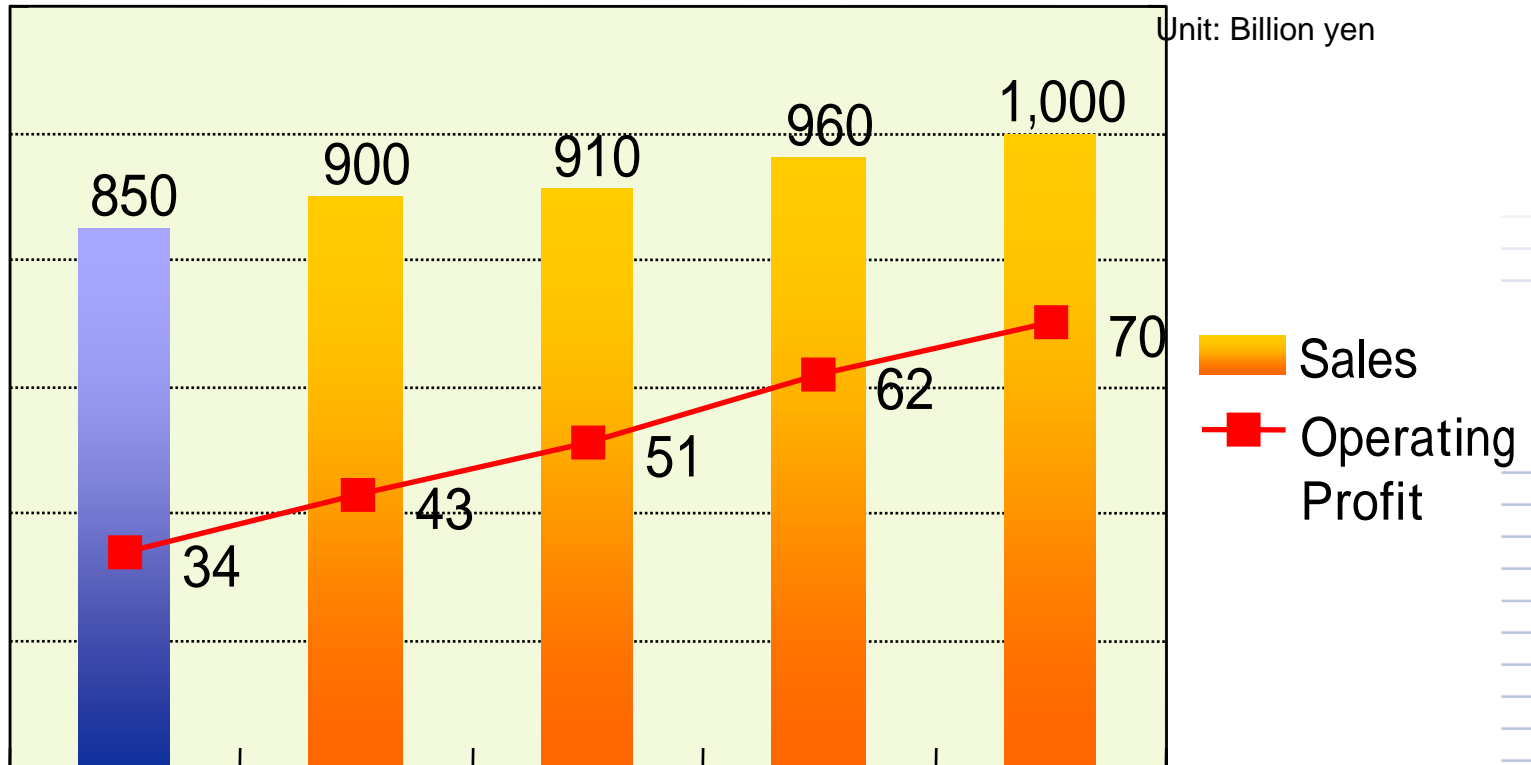
Survival Plan

Positioning of *Innovations 09*

	2001-2003	2004-2005	2006-2009	2010-2015
Plan	Challenge For Being An Excellent Company	Survival Plan	<i>Innovations09</i>	Vision 2015
Market	Concentration on optical communication	Multi-Pillars Based on Materials	Automotive, Electronics, Photonics, Eco	Eco and Energy , Safety and security, Ubiquitous technology
Action	OFS buyout and exit from unprofitable product lines	Tackling risks ahead of time, strategic fund, resumption of dividend	Development of products with top market share and global management	Shift to high-profit businesses
Target for Overseas Sales Ratio	FY 2003 overseas sales ratio 22%	Seeding global markets 26%	Sprouting global growth 35%	Global fruition 50%
Operating income ratio	(- 0.4 %)	(4.0 %)	7 %	1 0 %
R&D Costs	¥22.4 billion/year	¥18.6 billion/year	¥22 billion/year+	
Capex	¥40.5 billion/year	¥30.9 billion/year	¥38 billion/year+	= Strategic Fund

Shift to the Growth

Innovations09 : Sales and Profit Plan

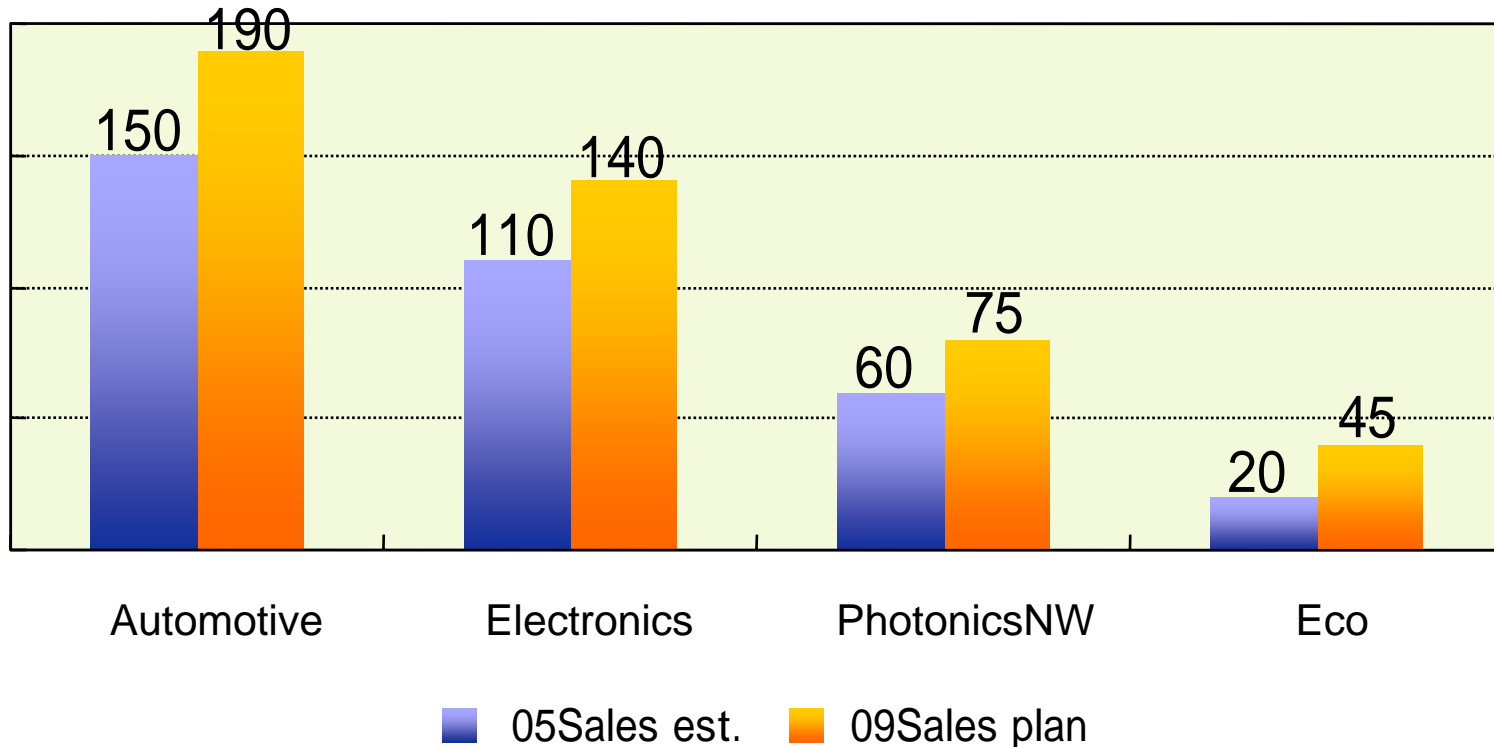


	05est.	06plan	07plan	08plan	09plan
Exchange rate(¥/\$)	@117	@115	@105	→	
Copper(¥/kg)	580	500	420	→	
Aluminum(¥/kg)	273	230	230	→	

Growth Fields

With growth fields of Automotive, Electronic components, PhotonicsNW and Eco: Net sales + additional ¥110 billion

Unit: Billion yen



Developing Global Top and Second Products

Automotive



**35%
Share**

Steering roll connectors for airbags

Aluminum compressor wheels

Onboard integrated antenna

Flat enamel wires



**50%
Share**

Aluminum blanks for hard discs

Heat-sinks

TEX triple-insulated wires

Tape for semiconductor processing

Copper foil for lithium batteries

Electronics

Photonics



**80%
Share**

Pump laser for optical amplifier

Optical amplifiers

ROADM

Full Tunable Laser

Eco

Ecological electric cables

Recyclable cable troughs

Insulator replacing asbestos

CO2 heat exchange pipe

Utilizing the Strategic Fund

March 2005
¥20 billion
strategic fund
raised through
new stock issue



70% to
automotive
market

20% to
electronics
market

10% to
human resources
cultivation and
system development

Automotive market

- 1) Establishment of Thai air bag connector company
- 2) Buyout of German foam plastic company
- 3) Build up metal (copper and alloy) strip production facilities

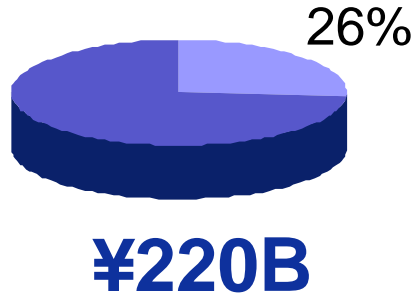
Electronics market

- 4) Increased semiconductor tape production
- 5) Development of optical interconnections

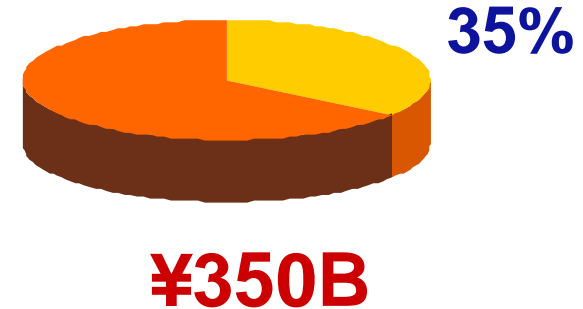
**Investment focusing on auto-business,
Generate sales of ¥33 billion,
operating income of ¥5 billion in FY 2009**

Growing Overseas Sales Ratio

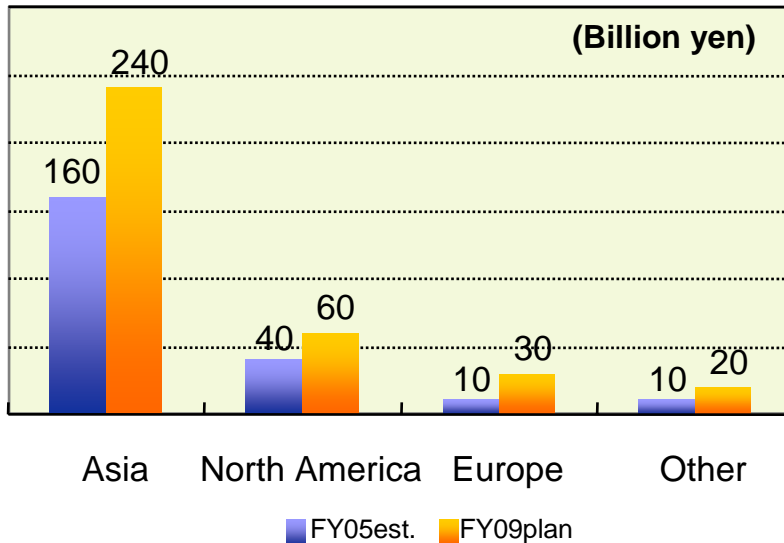
FY2005est.



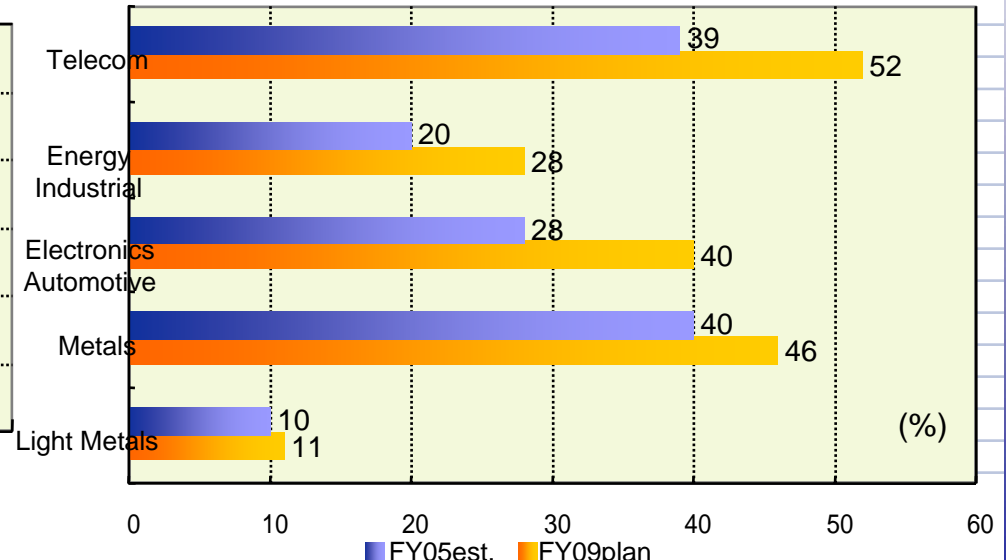
FY2009plan



Net Sales Change by Region



Overseas Sales Ratio Change by Segment



R&D

Strengthening **Functional Materials
to Long-Term Vision for 2015**

Using the technical strength in materials as the basis for contributing to a society that's comfortable to live in

Strength in materials=
metals, plastics, photonics
Society that's comfortable to live in =
Healthy environment, energy efficiency,
safety and security, ubiquitous computing

***A global R&D system (encompassing Japan, the US and Europe),
Creating global top share products,
Developing next-generation technologies***

Optical interconnection

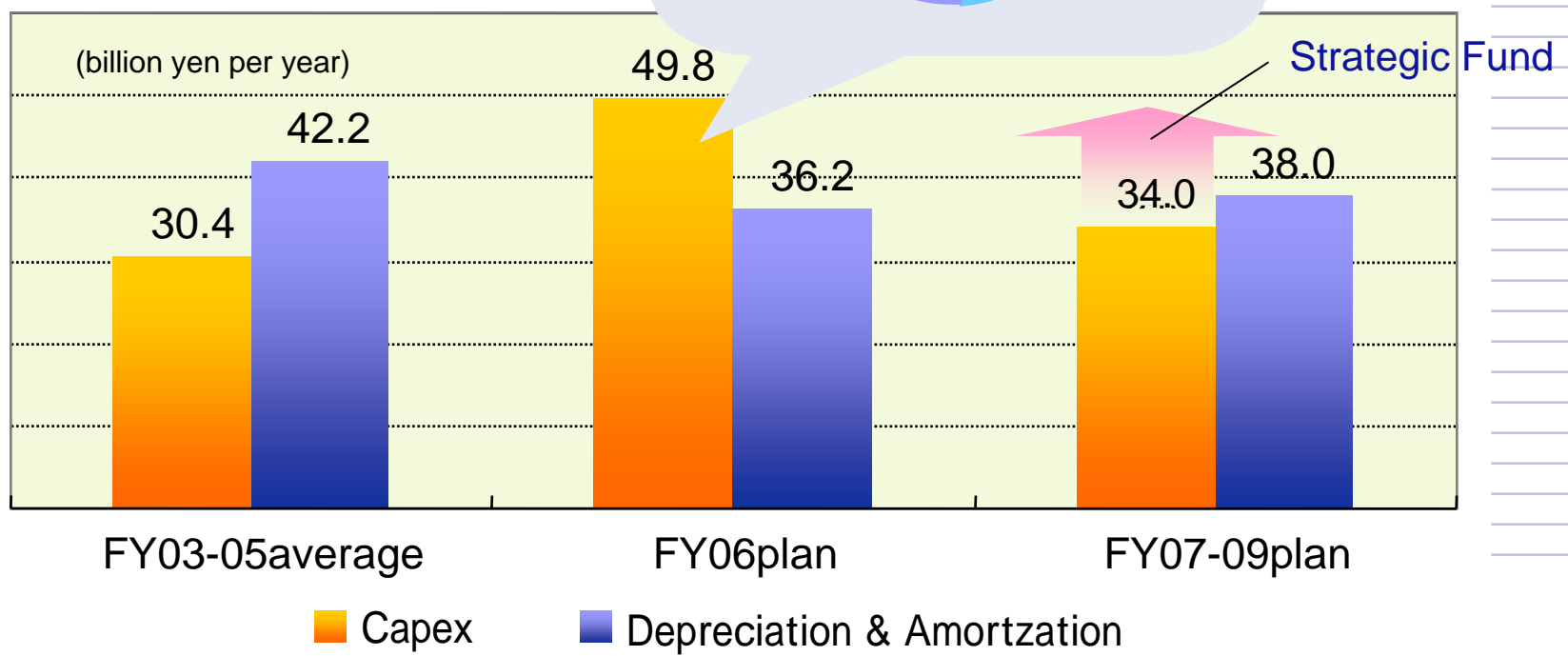
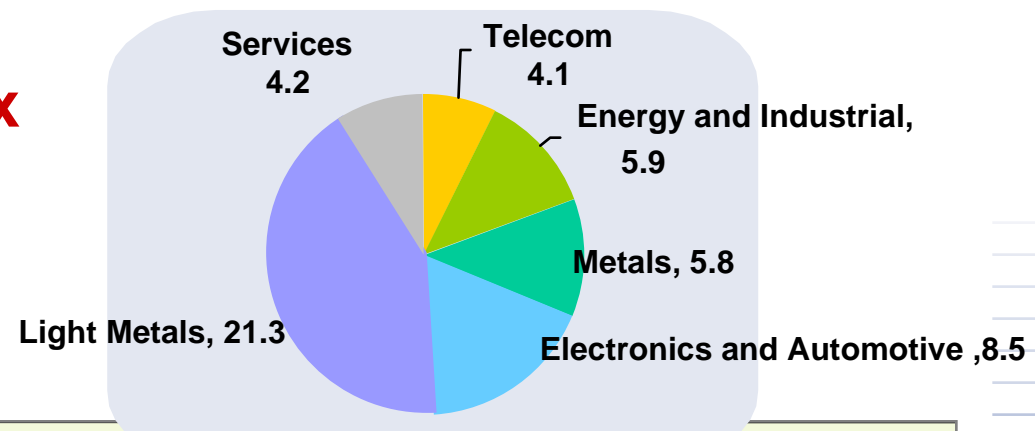
Lasers for communications Fiber lasers for industrial use

Antenna modules for ubiquitous computing Onboard sensors for automobiles

Products for environmental conservation Power-source management modules

Capex, Depreciation and Amortization

**¥150 Billion Capex
over Four Years**



Increasing Return on Assets

Survival plan = Reduction of interest-bearing debt
 [Sale of land and stock shares]



Innovations 09 =

Creation of internally-generated fund

[Reduction of inventory assets and accounts receivable]

	<u>End of 2005 Est.</u>	<u>End of 2009 Plan</u>
Inventory turnover (months)	1.5	➔ 1.0 or less
Total asset turnover (times)	0.8	➔ 1.0
D/E ratio	2.0	➔ 1.3

Study for Revision of Group Management System

Enhancement of system for stimulating business growth
Merging and elimination of group companies
Global management (control of overseas subsidiaries)



Greater growth of individual businesses and indispensable PDCA for them

Making clear exit from non-core businesses

Developing global human resources

Enhancement of risk management system

1) Enhancing systems for compliance

2) Establishment of risk management organization

Summary of Innovations 09 Targets

FY 2005 Est. ⇒ FY 2009 Plan

Net sales	¥850 billion ⇒ ¥1 trillion
Operating income	¥34 billion ⇒ ¥70 billion
ROE	9.0% ⇒ 11.0%
ROA (based on operating income)	3.2% ⇒ 7.0%
Total asset turnover rate	0.8 ⇒ 1.0
D/E ratio	2.0 ⇒ 1.3

Segment Information

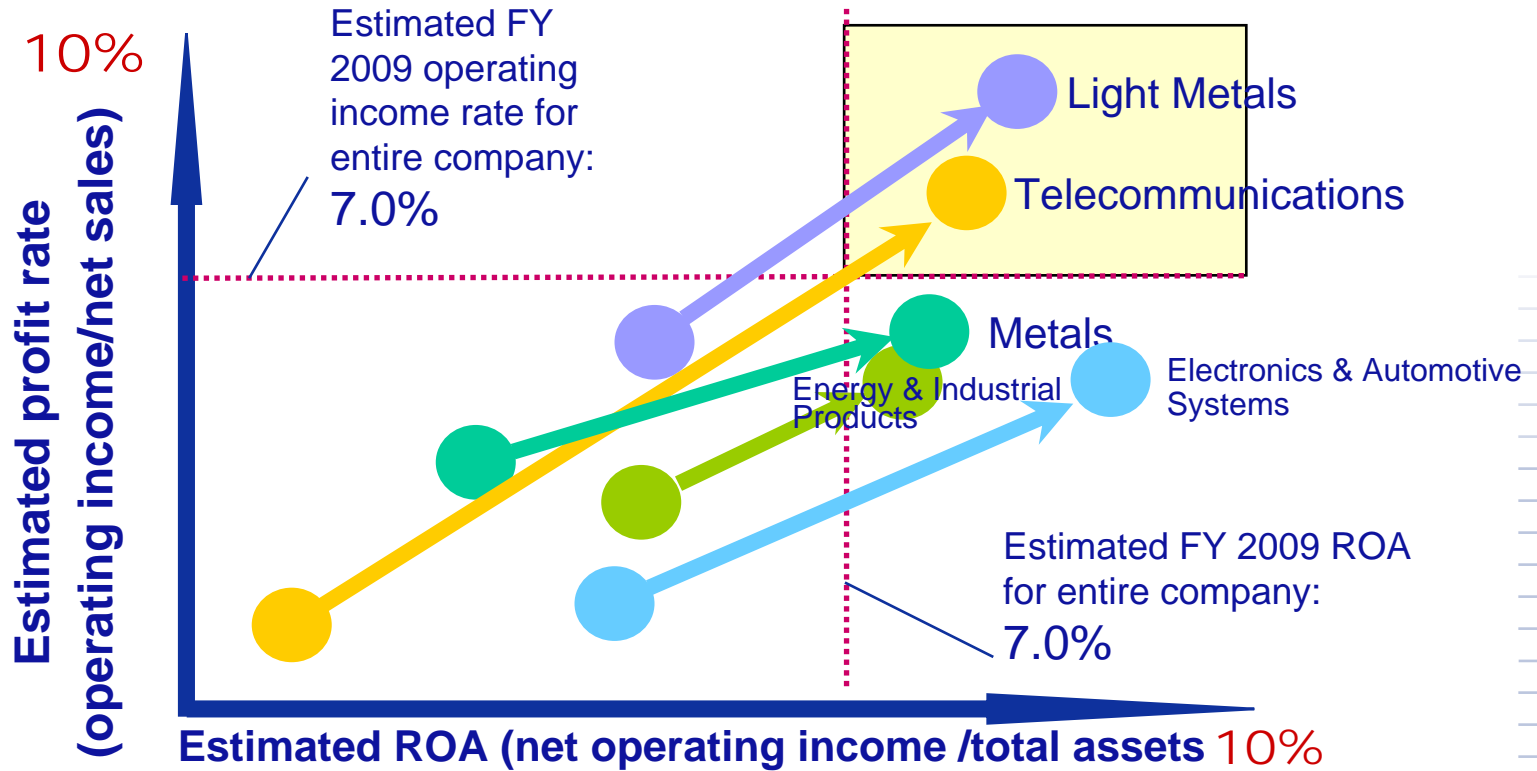
	2006-2009	Target Position
Tele-communications	<p>New products in preparation for the dissemination of FTTH</p> <p>R&D of metro and long-haul products designed for the post-FTTH age</p> <p>Strengthening specialty fields</p>	Global leader in optical fiber and photonics
Energy and Industrial Products	<ul style="list-style-type: none"> - Developing specialty wires, especially high-performance conductors - Developing and expanding sales of new high-performance plastic products 	Global supplier of specialty wires and high-performance plastics
Metals (Rolled Copper Products)	<p>Strip: Increased production related to IT and automotive applications</p> <p>Plating: Enhancing production focal points in Japan and abroad</p> <p>Foil: Automotive applications in addition to lithium batteries and FPC</p> <p>Pipe: Establishing optimum production in Asia</p>	Top supplier in Asia
Electronics and Automotive Systems	<p>Automotive parts: Expanded sale of innovative products</p> <p>ELC/winding wire: Strengthening products that command the top global market share</p>	Global company with distinctive lines of electronic and automotive components
Light Metals (Rolled Aluminum Products)	<p>Increasing dominance in the transport, IT and environmental fields</p> <p>Plate: Making effective use of 3-plant system</p> <p>Extruded products and forgings: Pursuing global development</p>	Growing from the leading Japanese company to a global presence

Net Sales and Operating Profit by Segment

Unit: Billion yen

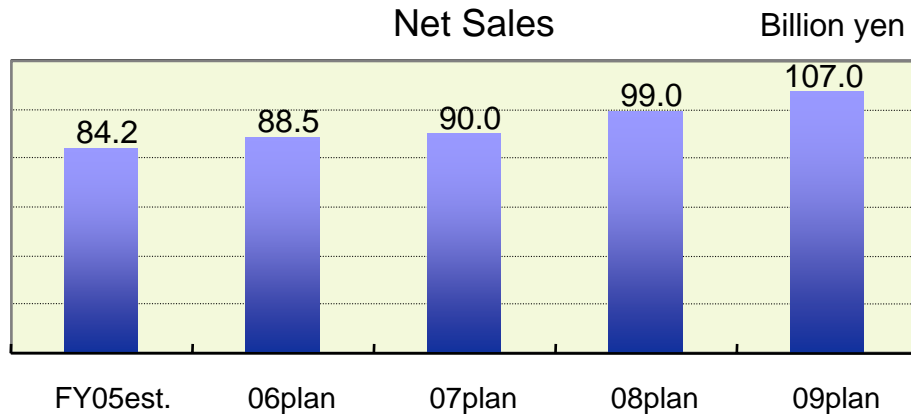
Net Sales	2005	Est.	2006 plan	2007 plan	2008 plan	2009 plan
Telecommunications	143.5		146.3	158.0	171.0	182.0
Optical fiber cable	84.2		88.5	90.0	99.0	107.0
Photonics network	59.3		57.8	68.0	72.0	75.0
Energy/industrial products	214.3		229.0	221.0	230.0	243.0
Metals	123.5		136.8	135.0	145.0	155.0
Electronics/automotive systems	194.4		209.3	208.0	220.0	229.0
Light metals	217.9		237.3	242.0	248.0	251.0
Services	34.3		37.4	41.0	42.0	44.0
elimination	-77.8		-96.1	-95.0	-96.0	-104.0
Total	850.0		900.0	910.0	960.0	1000.0
Operating Income	2005	Est.	2006 plan	2007 plan	2008 plan	2009 plan
Telecommunications	3.0		5.5	8.5	11.6	14.5
Optical fiber cable	-1.0		1.6	3.9	6.1	8.1
Photonics network	4.1		3.9	4.6	5.5	6.4
Energy/industrial products	7.2		8.3	8.6	10.2	12.1
Metals	4.2		4.9	5.5	7.9	9.7
Electronics/automotive systems	5.7		6.4	9.3	11.0	12.0
Light metals	12.1		16.4	19.5	21.6	22.0
Services	2.1		1.6	1.6	1.7	1.7
elimination	-0.2		0.0	-2.0	-2.0	-2.0
Total	34.0		43.0	51.0	62.0	70.0

Business Portfolio Changes: FY2005 ⇒ FY2009



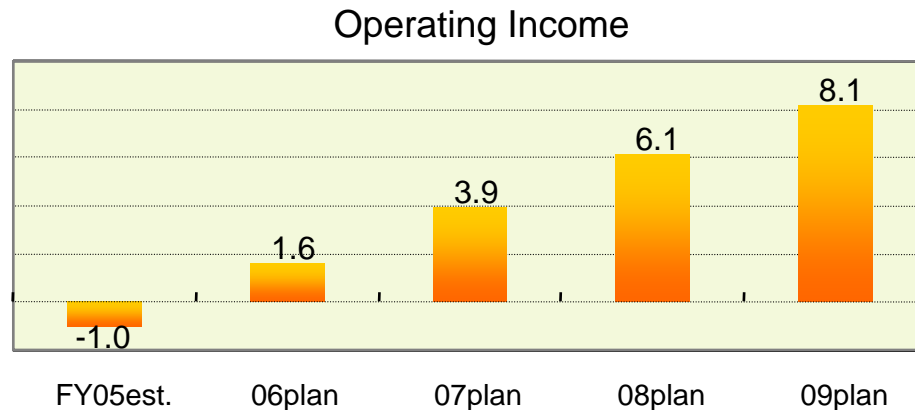
	2005 Profit Rate %	2009 Profit Rate %	2005 ROA%	2009 ROA%
● Telecom	2.1	8.0	1.7	8.4
● Energy	3.4	5.0	5.0	7.8
● Metals	3.4	6.3	3.7	8.0
● Electronics	2.9	5.2	4.9	10.2
● Light Metals	5.6	8.8	5.2	8.8

Telecommunications [1]: Optic Fiber Cable



[Market]

- FTTH subscribers steadily rising
- Strengthening access networks to accommodate 30 million subscribers

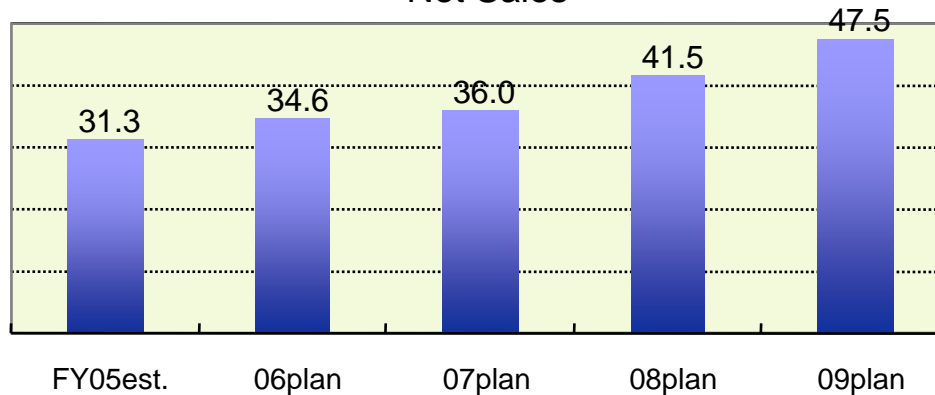


[Priority Policies]

- Supplying the most competitive optic fiber cable in the world
- Proposing new products focused on improved operability (safety, ease of use, etc.)

Telecommunications [2]: OFS (Included in Optic Fiber Cable)

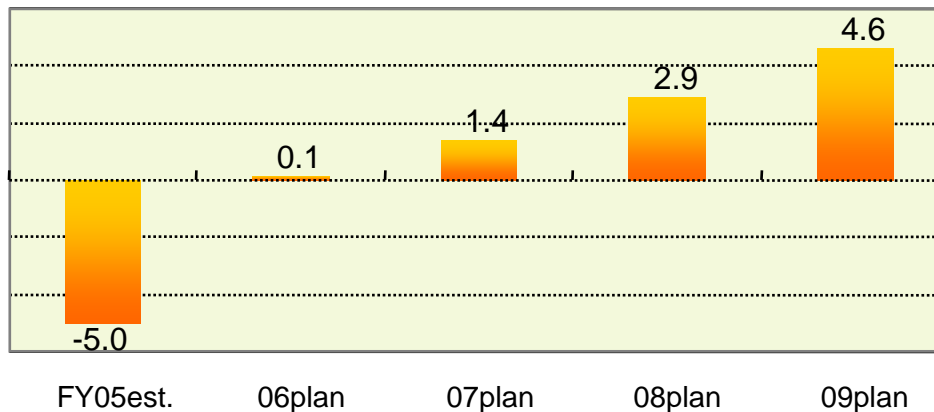
Net Sales



[Market]

- Increased demand for cable stemming from concentration of market in the hands of Verizon and AT&T
- Expansion of FTTx market in North America, Europe and Asia

Operating Income

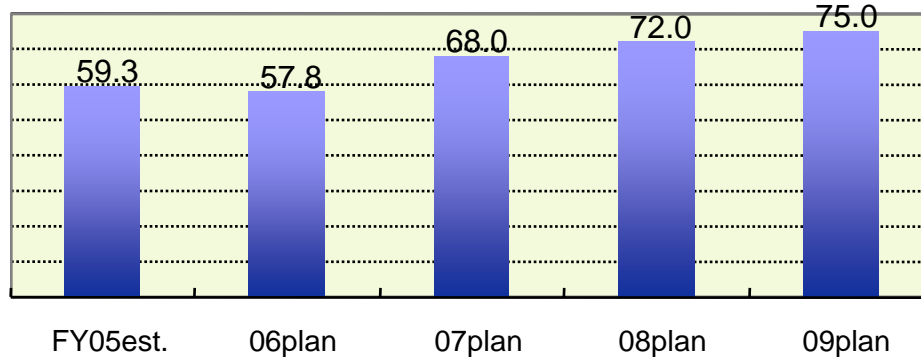


[Priority Policies]

- Expanding sales of RBOCs cable in the US
- Achieving profitability in 2006 through the strengthening of specialty products

Telecommunications [3]: Photonics Network

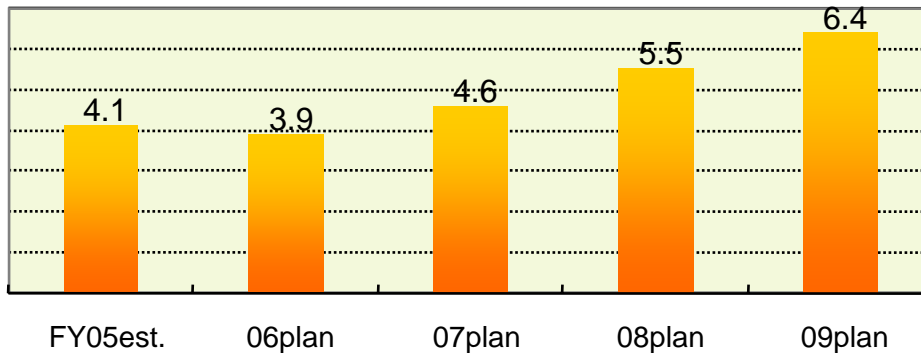
Net Sales



[Market]

- FTTH: Steady growth in Japan and abroad
- WDM: Recovery in North America
- Development of demand for mesh networks

Operating Income

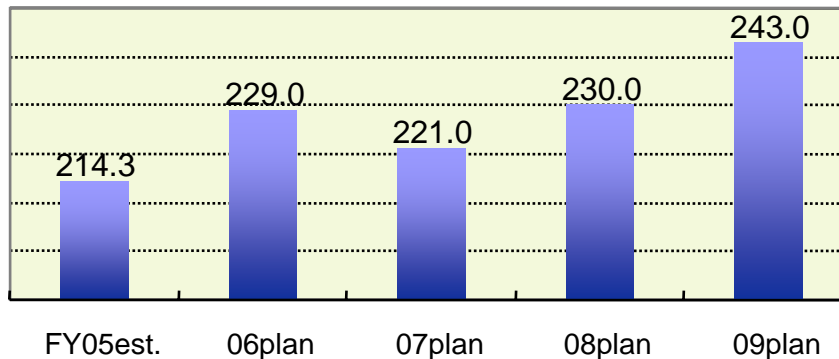


[Priority Policies]

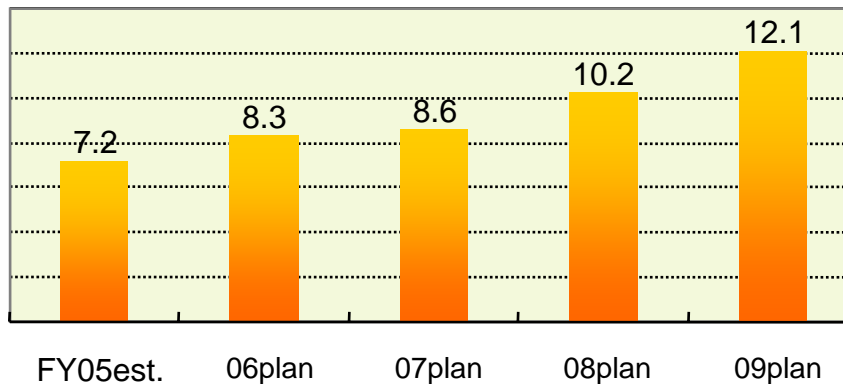
- Development of next-generation products that take advantage of our strengths: lasers, amplifiers, PLC, next-generation networks, etc.

Energy and Industrial Products

Net Sales



Operating Income



[Market]

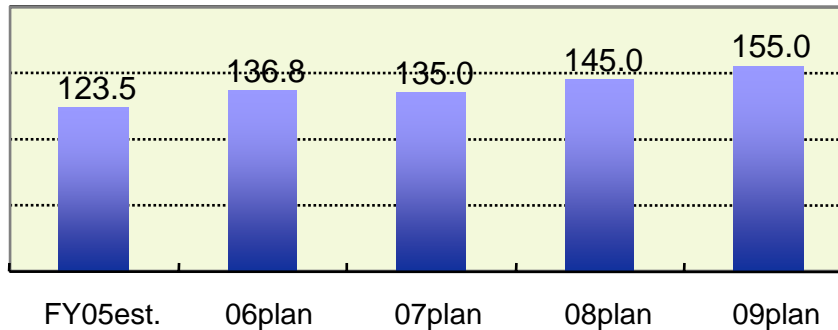
- Recovery of domestic investment in electric power and extension of investment overseas
- Solid investment in plant
- Healthy home electronics and automobile industries

[Priority Policies]

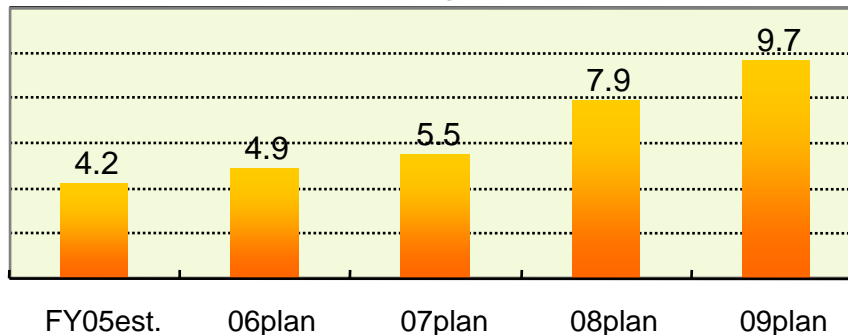
- Developing an energy distribution industry that uses polymer pipe
- Increasing production and sales of AT tape for semiconductor processing
- Increasing sales of environmental recycling products and replacement products for asbestos
- Global development of plastic products centered on Trocellen GmbH

Metals

Net Sales



Operating Income



[Market]

- Domestic demand increases for copper strip and phosphor bronze
- Domestic demand decreases for pipes
- Annual growth of global connector market: Nearly +10%
- Digital miniaturization → Higher rate of conductivity, non-magnetic materials
- Smaller, higher-performance onboard connectors and terminals in automobiles

[Priority Policies]

Strip: Increasing production in IT and automotive fields

Plating: Enhancing production centers in Japan and abroad

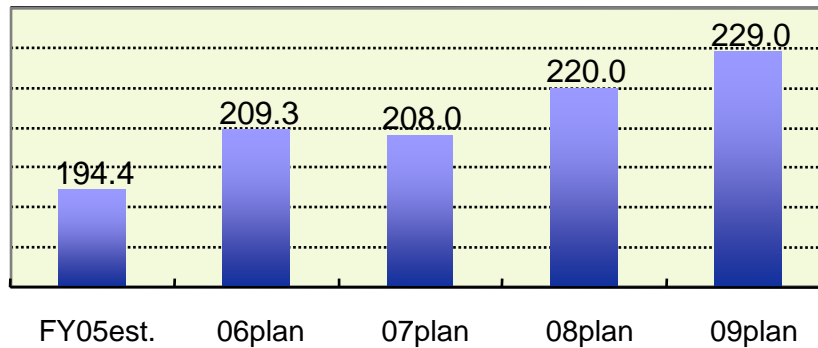
Foil: Automotive applications in addition to lithium batteries and FPC

Pipe: Establishing optimum production in Asia

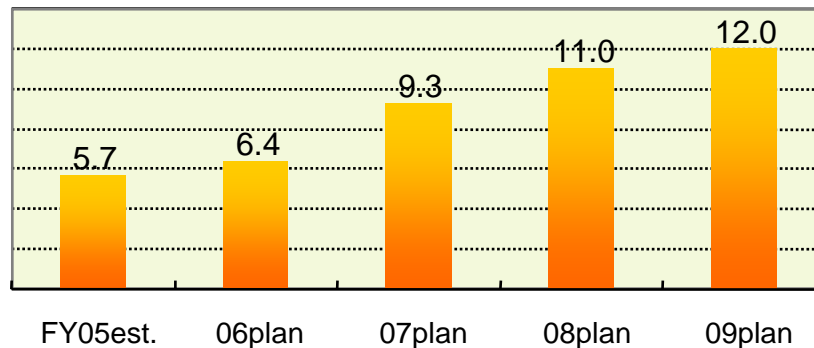
Electronics and Automotive Systems [1]:

Automotive Parts

Net Sales



Operating Income



[Market]

- Expansion of overseas productions by Japanese carmakers
- Expansion of demand for consistent quality throughout the world

[Priority Policies]

- Development and expanded sales of innovative products (metal-core substrate junction boxes, rudder-angle sensors, slide door harnesses)
- Strategic overseas development (expanded operations in China and Thailand)
- Expanded sales through joint ventures (Valeo, Delphi, etc.)

Electronics and Automotive Systems [2]: ELC/Magnet Wire

[Market]

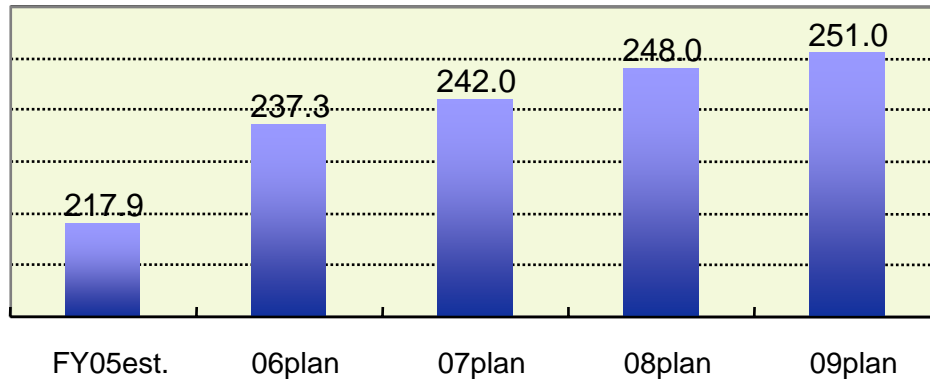
- Growth of market for automotive electronic components
- Expansion of electronics market (PCs, mobile phones, HDDs, etc.)

[Priority Policies]

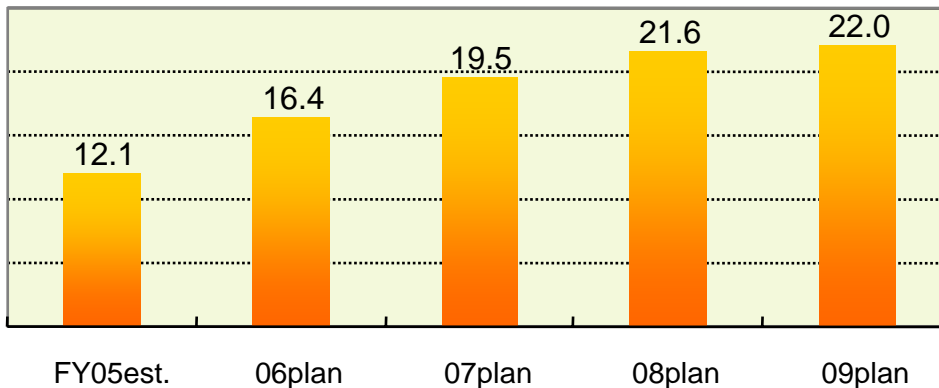
- Creating a group of products that command the top share of the global market, and expanding the sale of new products
 - ▶ Expanding global market share in heat-dissipating components, memory discs, and TEX
 - ▶ Breaking into the market and expanding sales to the world's top three users of mobile phone antennas
 - ▶ Maintaining and expanding top share in ETC antennas in Japan
- Further strengthening of global operations
 - ▶ Sales: Strengthening ties with overseas sales companies
 - ▶ Production: Expanding production in China
- Expanding sales of new enamel wire for automotive use

Light Metals (Furukawa Sky) [1]

Net Sales



Operating Income



[Market]

- Domestic demand for rolled products
 - ▶ Powered by the transport sector, centered on automobiles
 - ▶ Improved demand for cans, foil and other main products
- Expanded demand for IT-related products
 - ▶ Semiconductors, liquid crystals, condensers, bodies of electronic devices, etc.
- Close-up on the Eco-business
 - ▶ Recycling, energy conservation, strengthened exhaust gas regulations



Bottle cans, LNG, lighter vehicles, turbochargers, etc.

Light Metals (Furukawa Sky) [2]

[Priority Policies]

Segmentation of market and concentration on growth products

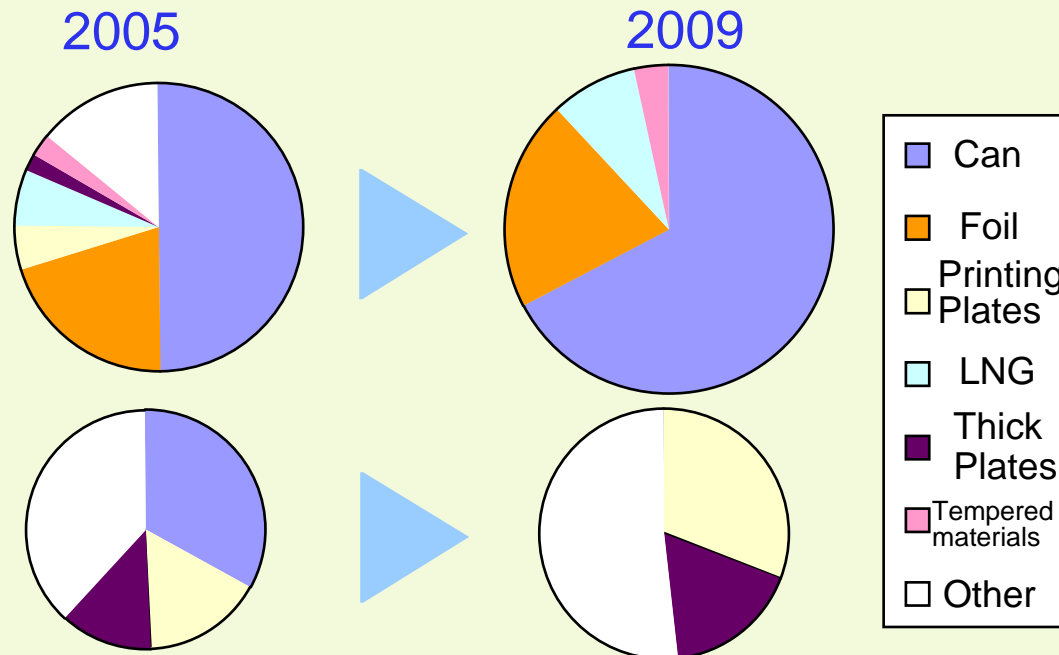
= aggressive development in the growing fields of transport (automobiles/ships/aircraft), IT, the environment, etc.

- More highly concentrated production system through strategic investment, resulting in the establishment of a distinctive three-plant system for rolled products
 - Consistent quality throughout the world, lower costs
- Further investment in new extrusion press models and utilization of large forging presses
 - Strengthening Furukawa's uniqueness
- Promoting rapid global development (extruded and forged products) → Simultaneous new establishment and expansion of three overseas production centers → Facility expansion at FIA in Indonesia, establishment of FSAT in China, establishment and expansion of FSV in Vietnam

Plan to Consolidate Types of Plate Production

Fukui
Intensive production of mass-produced, large products

Fukaya
Mid-sized lots and diverse product types



Technological Exposition

<'07 Expo>

Presentation of overall strength of Furukawa Electric Group

- Display of latest strategic products
- Study sessions, lectures, and other events



**To be held at Tokyo International Forum
in October 2007**

Forward-Looking Statements

Projections of future sales and earnings in these materials are “forward-looking statements.” Management offers these projections in good faith and on the basis of information presently available. Information in these statements reflects assumptions about such variables as economic trends and currency exchange rates.

Forward-looking statements incorporate known and unknown risks as well as other uncertainties that include, but are not limited to, the following items.

- Economic trends in the U.S., Europe, Japan and elsewhere in Asia, particularly with regard to consumer spending and corporate capital expenditures.
- Changes in exchange rates of the U.S. dollar, euro, and Asian currencies.
- The Furukawa Electric Group’s ability to respond to rapid advances in technology.
- Changes in assumptions involving financial and managerial matters and the operating environment.
- Current and future trade restrictions and related matters at foreign countries.
- Changes in the market value of securities held by the Furukawa Electric Group.

Due to the above factors, actual sales, earnings, and other operating results may differ significantly from the figures in the plans contained in these materials. In addition, following the release of these materials, the Furukawa Electric Group assumes no obligation to publicly announce any revisions to forward-looking statements in these materials.

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