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Overview of the Medium-Term Management Plan ‘New Frontier 2012’ Covering the Period from Fiscal 2010 to Fiscal 2012

Furukawa Electric Co., Ltd. (“the Company”) is pleased to announce the following overview of “New Frontier 2012,” a medium-term management plan the Company has developed for the period from fiscal 2010 to fiscal 2012.

Under the new Plan, the Furukawa Electric Group (the “Group”) will take the following action based on its philosophy of “contributing to the realization of a sustainable society through continuous technological innovation, drawing on more than a century of expertise in the development and fabrication of advanced materials” and its management vision of transforming itself into “a more profitable, innovative, and dynamic global presence.”

1. Vision for the Medium-Term Management Plan

Through the “New Frontier 2012” Plan, the Group seeks to achieve growth in markets and fields that represent frontiers for the Company, capturing global infrastructure demands for strengthening its capacity for research and development.

2. Theme for and Measures under the Medium-Term Management Plan

(1) Reorganizing the Business Portfolio and Cultivating New Businesses

(i) Expanding the “Transmission Infrastructure Business” Worldwide

The Group aims to raise its overseas sales ratio to 35% in fiscal 2012 and to more than 50% in the long term by aggressively developing businesses in the fiber optic, ultra-high voltage cable and high-speed railroad markets, capturing increasing opportunities to invest in infrastructure, such as power transmission and communications, in high-growth countries and regions, such as BRICs and ASEAN members.

□(ii) Bolstering the “Functional Materials Business”

The Group seeks to become a leading supplier of functional materials, including copper and aluminum foil used in lithium batteries for automobiles and substrates for hard discs, by establishing competitive

technologies and improving productivity.

□(iii) Cultivating “New Environmental Businesses”

• Taking into consideration revolutionary changes underway in the types of environmental technologies and energy used, the Group will apply high-performance materials processed from source materials such as copper, aluminum and resin to develop new businesses in the fields of next-generation automobiles, smart grids (next-generation power transmission networks), and large-capacity optical communications.

• To bolster research and development, the Group will boost research and development expenses at a year-on-year rate of 20%, investing an average sum of 21.5 billion yen in these operations each fiscal year. In addition, the Group will establish the New Frontier Fund with approximately 20 billion yen financed through asset dispositions and net operating profits, and apply the Fund to research and development expenditure. The Group will also use the Fund to restructure its businesses and deal flexibly with changes in the management environment to accelerate changes in its business portfolio.

□(iv) Restructuring “Traditional Processing Businesses”

The Group will classify its businesses into four categories, namely “Cultivation,” “Growth,” “Base,” and “Restructuring.” Based on this classification, the Group will advance reforms in its less profitable traditional processing businesses that fall under the “Restructuring” category, such as processing businesses for copper products, electric wires, and commodity plastics. The Group will launch the Feasibility Assessment Committee and improve its business portfolio for facilitating reforms in these operations.

(2) Reforming Corporate Culture

• Taking seriously the penalties imposed as a result of a violation of the Anti-Monopoly Act, the Company will take comprehensive steps to prevent a recurrence. At the same time, the Company will strengthen its monitoring function and global risk management system to ensure and enhance compliance.

• In activities to protect the environment, the Company aims to bring its CO₂ emissions to a volume 15% lower than their level in fiscal 2000 by fiscal 2012. (In fiscal 2000, the Company emitted almost the same volume of CO₂ as it had done in fiscal 1990.)

• In activities to develop its people, the Company will implement a global human resources development program, and advance efforts to promote Group-wide employment practices and bolster its capabilities at sites overseas.

• In Group company management, the Company will step up efforts to enhance the collective strength of the Group, including affiliates.

(3) Improving Financial Strength

- The Group aims to achieve net sales of 1,000 billion yen, operating income of 50 billion yen (operating income ratio of 5%) and net income of 25 billion yen in fiscal 2012 by strengthening Group businesses.
- The Group intends to repay interest-bearing debt and increase shareholders' equity by halting the expansion of total assets, continuing to reduce inventories, trade receivables and fixed costs, and generating profits. The Group will adopt interest-bearing debt of 320 billion yen (down 16% from fiscal 2009) and a debt-equity ratio (ratio of interest-bearing debt to shareholders' equity) of 1.5 as its targets for fiscal 2012.
- The Group seeks to reduce capital expenditure from 38.6 billion yen a year (the average for the period from fiscal 2006 to fiscal 2009 under the previous Medium-Term Management Plan) to 33 billion yen a year (the projected average for the period from fiscal 2010 to fiscal 2012 under the new Medium-Term Management Plan).

(Unit: billion yen)

	Fiscal 2009 forecasts	Fiscal 2012 plan	Change
Net sales	807	1,000	+24%
Operating income	15	50	+35
Net income	4	25	+21