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Notice of the Outline and Effects of the Business Structural Reform

In the Furukawa Electric Group's efforts to enhance profitability under the next medium-term plan that is due to start in the next term (the fiscal year ending March 2014), it will improve its operating income by a total of ¥18 billion over the three years commencing from the next term by undertaking a business structural reform, mainly focusing on domestic operations.

Based on the assumption that in the future, domestic operations will continue to experience structural difficulties, such as a contracting market and rising costs, particularly given the persistent strength of the yen, deflation and a declining population, the Group will focus on accelerating the integration and downsizing of operating bases in tandem with the contraction of the market, and will undertake cost-cutting initiatives through the transfer of operations overseas.

The Group will also concentrate on developing a global group management structure to achieve further growth. The outline and effects of the business structural reform are as follows:

1. Outline of business structural reform

1) Main projects related to the integration and overseas shift of domestic operations

- The Group will integrate the production bases of the optical cable, conductor material and electric power parts businesses.
- The Group will downsize the production scale of the coil (general-purpose thick enameled wire) business.
- The Group will transfer the production bases of part of the copper foil business, the coil (triple insulated winding wires) business and part of the industrial electric wire business overseas.
- The Company will lead the streamlining of the administration department to cut costs by 20%.

2) Reallocation of human resources in the Group

- The Company will lead the reallocation of 600 staff members in total, with 200 staff members to go to the business sectors that are expected to grow in the future, and 400 staff members to supplement the natural declines.

2. Effects of business structural reform

By carrying out the business structural reform, the Group will improve its operating income by a total of ¥18 billion over three years from the fiscal year ending March 2014 to the fiscal year ending March 2016 (the period of the next medium-term plan).

3. Establishing a structure for global group management (new structure to take effect in April 2013)

- 1) The Group will change its structure from the company system to the strategic business unit (SBU) system, and will aim to achieve global management in which the functions of the Company and the Group companies are integrated.
- 2) The Group will strive to improve its capabilities to respond to customers in total-solution type projects through the cross-company realignment of sales and marketing organizations.
- 3) The Group will select businesses that are able to compete in the global market, and it will allocate management resources in an effective manner by making investments based on priority orders in accordance with its strategies.