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Summary of Furukawa G Plan 2015, the Medium-Term Management Plan for FY2013 to FY2015

Furukawa Electric has developed its medium-term management plan for FY2013 through FY2015, Furukawa G Plan 2015. The following is an outline of the plan:

1. Vision

In Furukawa G Plan 2015, Furukawa Electric aims to expand its business in the infrastructure and automobile markets, which are expected to grow globally and where the Group can make the most of its expertise, and to improve its profit structure and financial strength by promoting structural reform. Meanwhile, Furukawa Electric will establish a basis for sustainable growth by developing next-generation businesses and bolstering the Group's global management.

2. Financial targets

(Billion yen)

	Forecast for FY2012*	**Plan for FY2015**	Change
Net sales	760.0	**9,00.0**	+140.0
Operating income	14.0	**38.0**	+24.0
Recurring profit	13.6	**40.0**	+26.4
Net income	2.0	**20.0**	+18.0

*A light metal subsidiary is assumed to be included in the scope of the equity method.

3. Major initiatives

(1) Growth strategies in the infrastructure and automobile markets

We will add ¥18 billion to operating income in the infrastructure and automobile markets, which will account for 75% of the planned total increase in operating income, ¥24 billion.

(i) Growth strategy in the communications infrastructure market

Using our system for optimal fiber-optic production and supply system for Japan, the United States, and China, we will continue to expand our capabilities and will meet global demand. With digital coherent communication becoming popular, Photonics will launch new high-power, energy-saving, integrated products.

(ii) Growth strategy in the energy infrastructure market

We will expand our business using our global production and sales bases. Meanwhile, we will develop global operations, forming alliances with local partners and taking advantage of our superior technologies. In the field of OPGW, we will use our communications business base in Brazil in addition to our base in China to accelerate the global development of the business.

(iii) Growth strategy in the automobile market

We will increase our revenue by strengthening our ties with Japanese automotive manufacturers and expanding sales to automotive manufacturers in emerging economies. We will establish a system to integrate design, purchasing, and manufacturing to enhance our customer relations and cost competitiveness. Meanwhile, we will expand sales of new products that will contribute to environmentally friendly vehicles, including hybrid electric vehicles and electric vehicles.

(2) Building foundations for sustainable growth

(i) Promoting structural reform

We will consolidate and scale down our businesses for markets that are not expected to grow. We will pursue overseas production in businesses where our competitiveness in overseas markets will decline. Meanwhile, we will streamline administrative work, especially at Furukawa Electric. Through these initiatives, we expect to increase operating income by 7.0 billion yen in FY2015 from FY2012.

(ii) Cultivating next-generation businesses

We will develop next-generation businesses for resources and the energy-saving society. Making the most of our strengths in dealing with raw materials, we will undertake research and development for large-capacity communications infrastructure, smart grids, and environmentally friendly automobiles in priority areas in our growth strategies. We will increase research and development expenses, particularly in the infrastructure and automobile businesses, from ¥48.6 billion per year (from FY2010 to FY2012) to ¥52.0 billion per year (from FY2013 to FY2015).

(iii) Bolstering the Group's global management

With the introduction of the strategic business unit (SBU) system, we will integrate the Group and enhance the quality of business strategies and our business execution capabilities. We will also respond more promptly to changes in the business environment. Meanwhile, we will establish cross-sectional sales and marketing functions to enhance our ability to satisfy customers and streamline our operations from our customers' perspective for total optimization. In doing so, we will seek to enhance the Group's management.

We will appoint foreign corporate vice presidents to establish a new management structure aware of global competition. We will enhance our global management, using knowledge about overseas operations, building a global system, and taking specific steps emphasizing the expansion of trade areas.

(3) Improving our financial strength

- By bolstering each business of the Group, we aim to post net sales of ¥900.0 billion, operating income of ¥38.0 billion (operating income margin: 4.2%), a recurring profit of ¥40.0 billion (recurring profit margin: 4.4%), and net income of ¥20.0 billion in FY2015.
- We will promote global operations and will increase revenues, especially in Asia. As a result, we will raise the ratio of overseas sales from 41% (forecast for FY2012, excluding sales in the light metal business) to 50% (FY2015).
- We will curb expansion of total assets and will continue to reduce inventories, accounts receivable, and fixed costs, thereby making a profit. Consequently, we will reduce interest-bearing debt, while increasing shareholders' equity. We aim to reduce interest-bearing debt to ¥240.0 billion at the end of FY2015 (down ¥85.0 billion from FY2012). Our target debt equity ratio at the end of FY2015 is 1.3.
- We will reduce capital expenditure from ¥92.5 billion per year in the period of the previous medium-term plan (from FY2010 to FY2012; excluding capital expenditure in the light metal business) to ¥90.0 billion per year (from FY2013 to FY2015).