

FY2014 Management Plan Interim Review

October 31, 2014
Mitsuyoshi Shibata
President
FURUKAWA ELECTRIC CO., LTD.

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 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 in 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, Furukawa Electric Group assumes no obligation to publicly announce any revisions to forward-looking statements in these materials

Copyrights

Furukawa Electric Co., Ltd. retains copyrights and other rights involving these materials. Copying and otherwise reusing these materials in any way without prior consent is prohibited.

Furukawa Electric Co., Ltd.

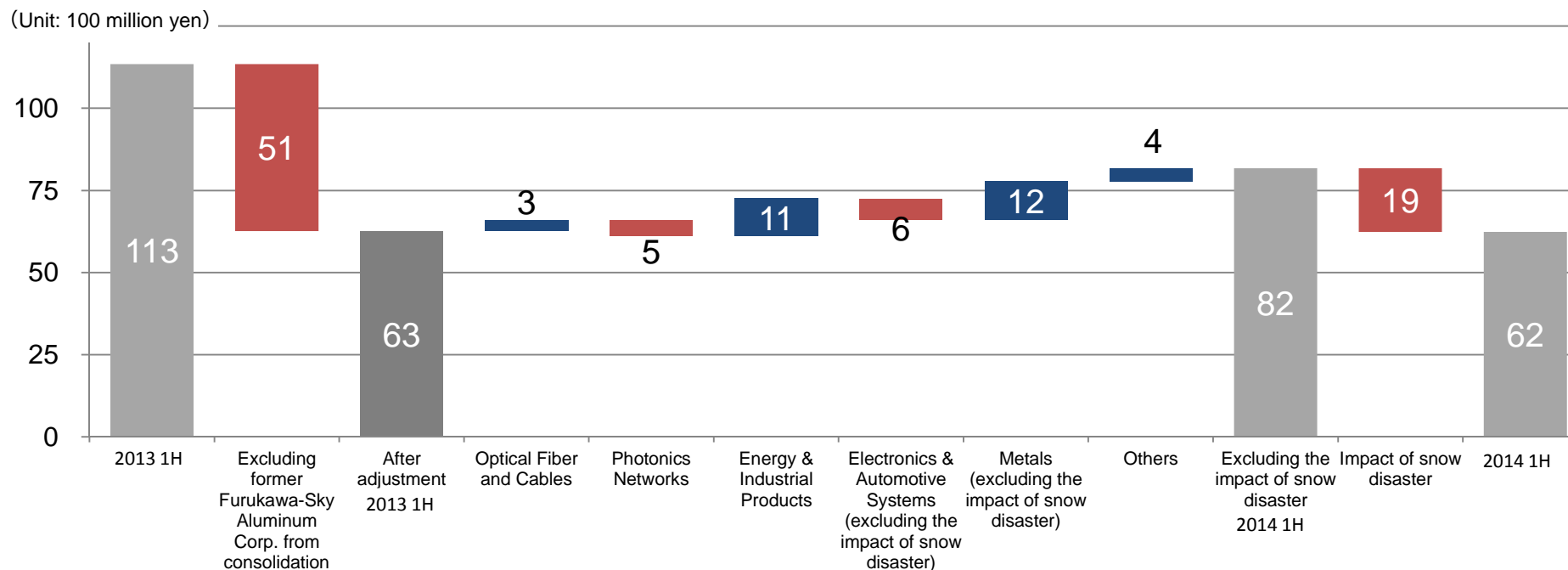
1. FY2014 1H Results
2. FY2014 2H Forecast
3. Full-year Forecast for FY2014

Reference Materials

1. FY2014 1H Results

Summary

- **1H Operating Income: 6.2 billion yen (operating income of the same period in the previous year was 6.3 billion yen excluding the former Furukawa-Sky Aluminum Corp.)**
 - **Electronics and Automotive Systems segment saw a surge in the import cost of automotive components due to the lower yen.**
 - **The metal segment was hit by snow damage in copper strip, etc. and failed to improve the productivity of copper foil to the expected level.**
 - **Other segments covered the loss from snow damage:**
 - **Overseas subsidiaries of optical fiber / cable and power cable showed recovery.**
 - **Tape for manufacturing semiconductors for smartphones performed favorably.**



Summary P&L

(Unit: 100 million yen)

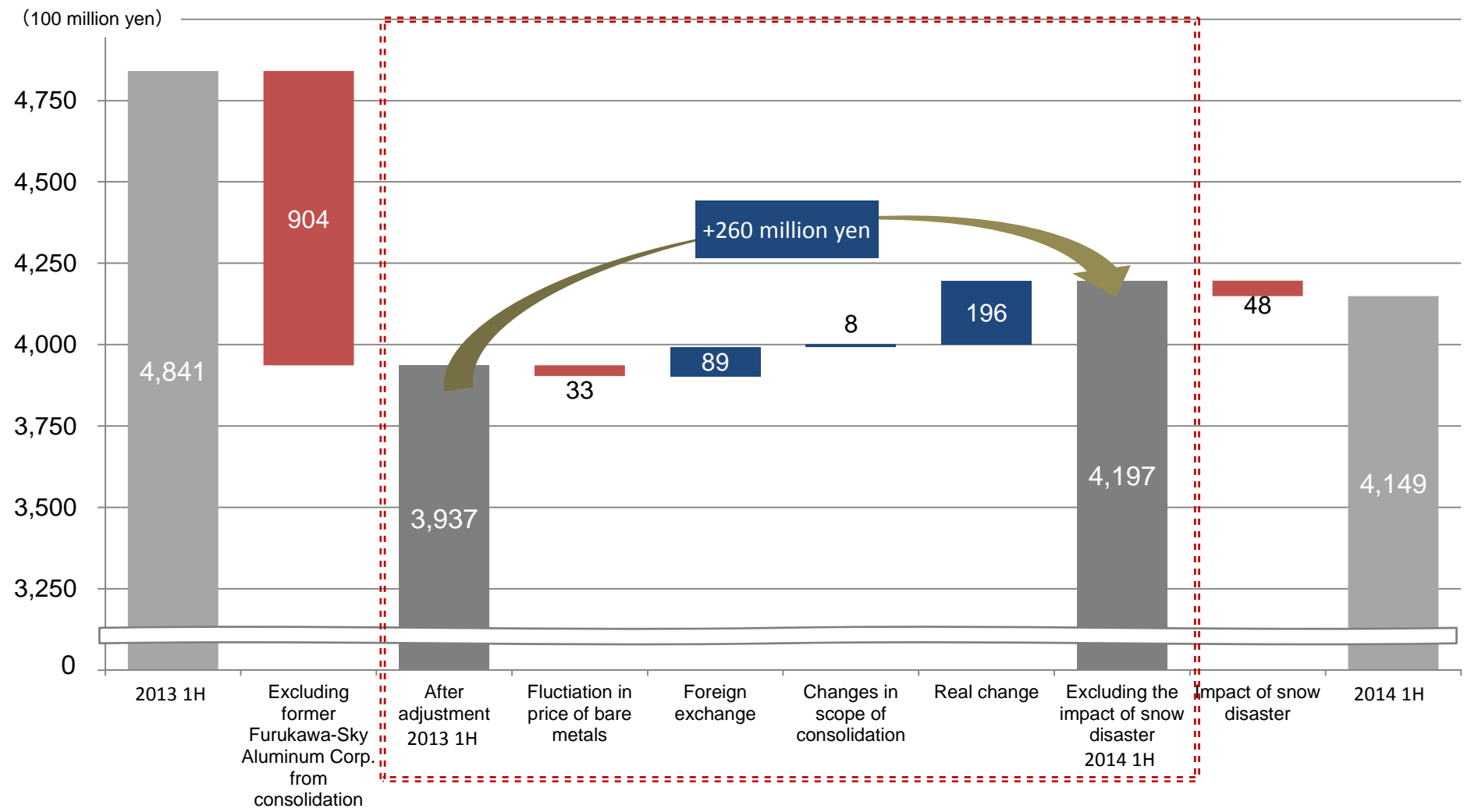
	2013 1H	2014 1H Forecast	2014 1H Actual	YoY Change	Change from forecast
	a	b	c	c-a	c-b
Net sales (rate)	4,841	4,060	4,149	△ 692 -14.3%	89 2.2%
Operating income (rate)	113	70	62	△ 51 -45.0%	△ 8 -10.9%
Profit/loss in equity method affiliates	4	-	10	6	-
Foreign exchange gain/loss	14	-	△ 2	△ 16	-
Ordinary income (rate)	117	65	72	△ 45 -38.6%	7 10.1%
Extraordinary gain/loss	△ 49	△ 27	△ 34	15	△ 7
Income taxes - current and income taxes - deferred	31	-	17	△ 14	-
Minority interests in income	13	-	9	△ 4	-
Net income (rate)	23	15	12	△ 12 -50.3%	△ 3 -22.9%

Net Sales and Operating Income Excluding Former Furukawa-Sky Aluminum Corp.

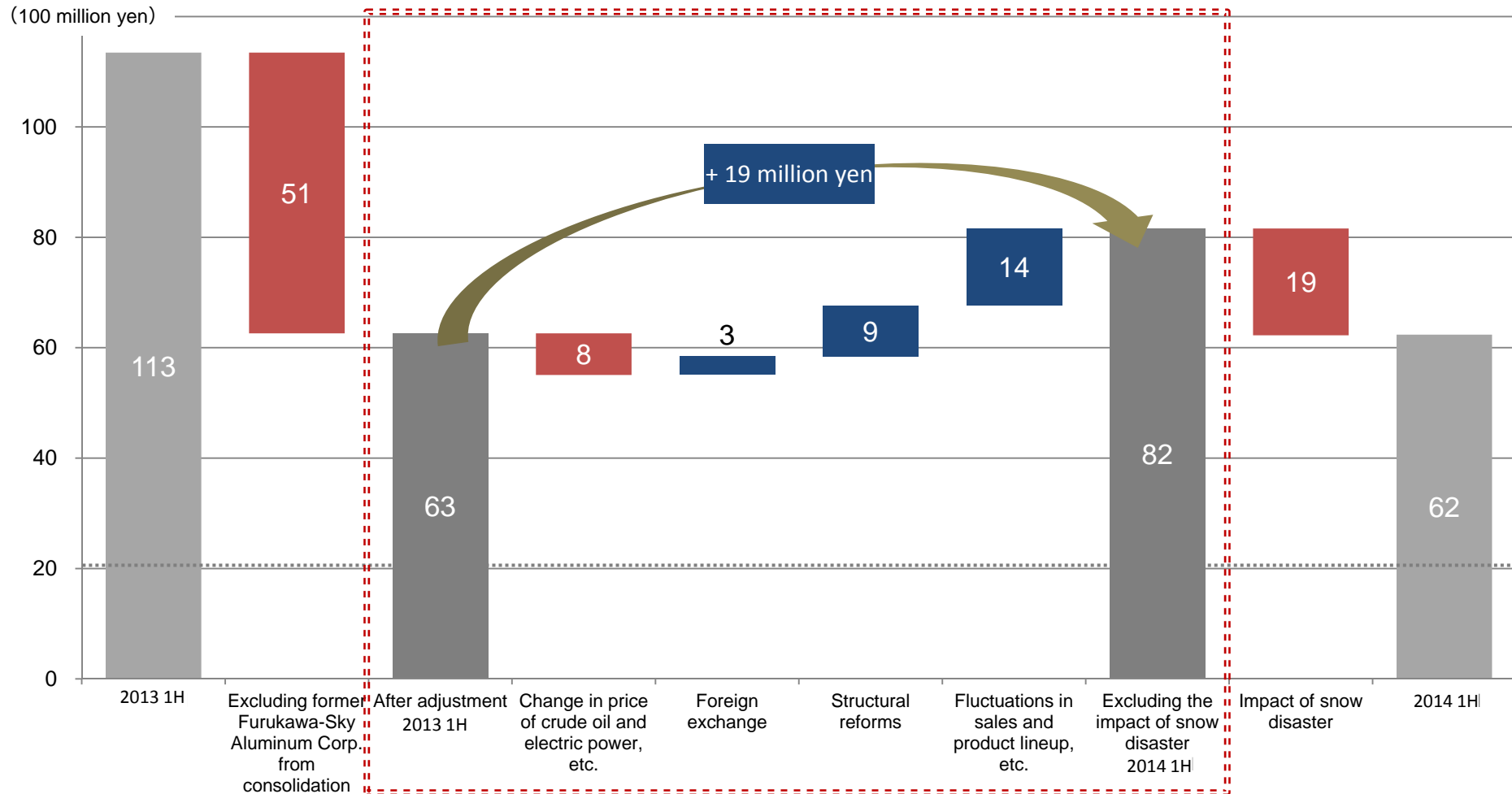
(Unit: 100 million yen)

	2013 1H	2014 1H Forecast	2014 1H Actual	YoY Change	Change from forecast
	a	b	c	c-a	c-b
Net sales excluding former Furukawa-Sky Aluminum Corp. (rate)	3,937	4,060	4,149	212 5.4%	89 2.2%
Operating income excluding former Furukawa-Sky Aluminum Corp. (rate)	63	70	62	△ 0 -0.4%	△ 8 -10.9%
Profit/loss in equity method affiliates	4	-	10	6	-
UACJ	-	-	16	-	-

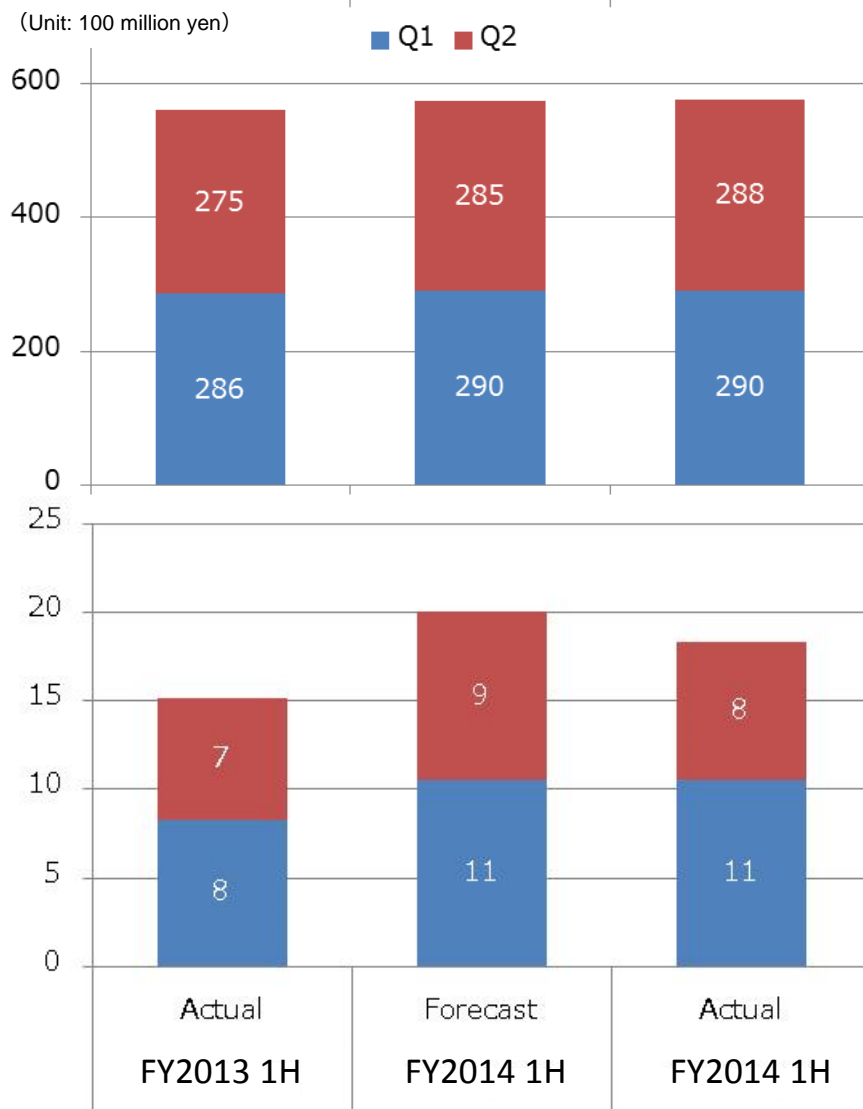
Analysis of Change in Net Sales (YoY Comparison)



Analysis of Change in Operating Income (YoY Comparison)



Summary by Segment 1-(1) Optical Fiber Cables



YoY comparison: 13H1 ⇒ 14H1 +0.3 billion yen

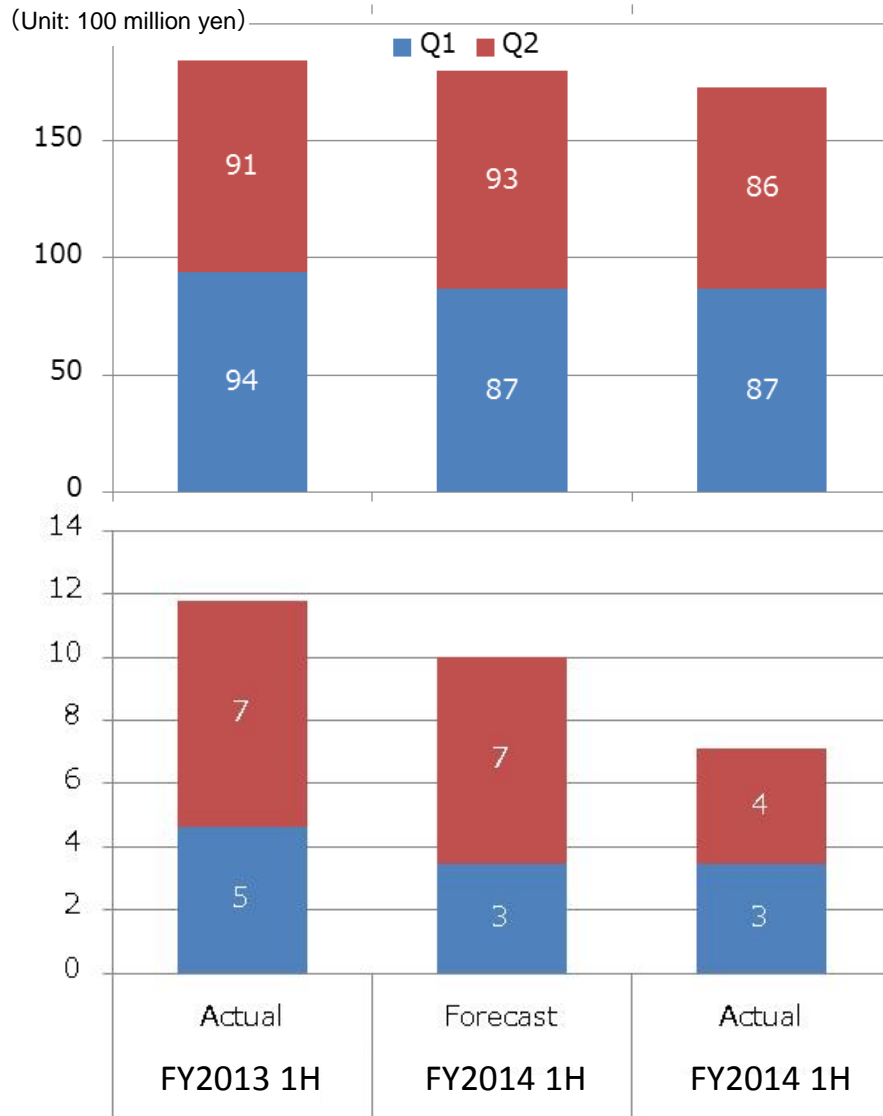
- Recovery of demand in North America and Europe and reduction of fixed cost at the United States company OFS made positive contributions.

Comparison with forecast: Forecast ⇒ Actual -0.2 billion yen

- The United States company OFS performed favorably thanks to recovery of demand in North America and Europe.
- Improvement of earnings from domestic optical cable business which has completed its production base integration came in below forecast.

(Note) The upper chart shows net sales and the lower chart shows operating income. Forecast is as of July 31.)

Summary by Segment 1-(2) Photonics Network



YoY comparison: 13H1 ⇒ 14H1 -0.5 billion yen

- Although mobile phone-related construction in Thailand continued to perform favorably, postponement of booking net sales from mobile telecommunication system project to 2H had a negative impact.

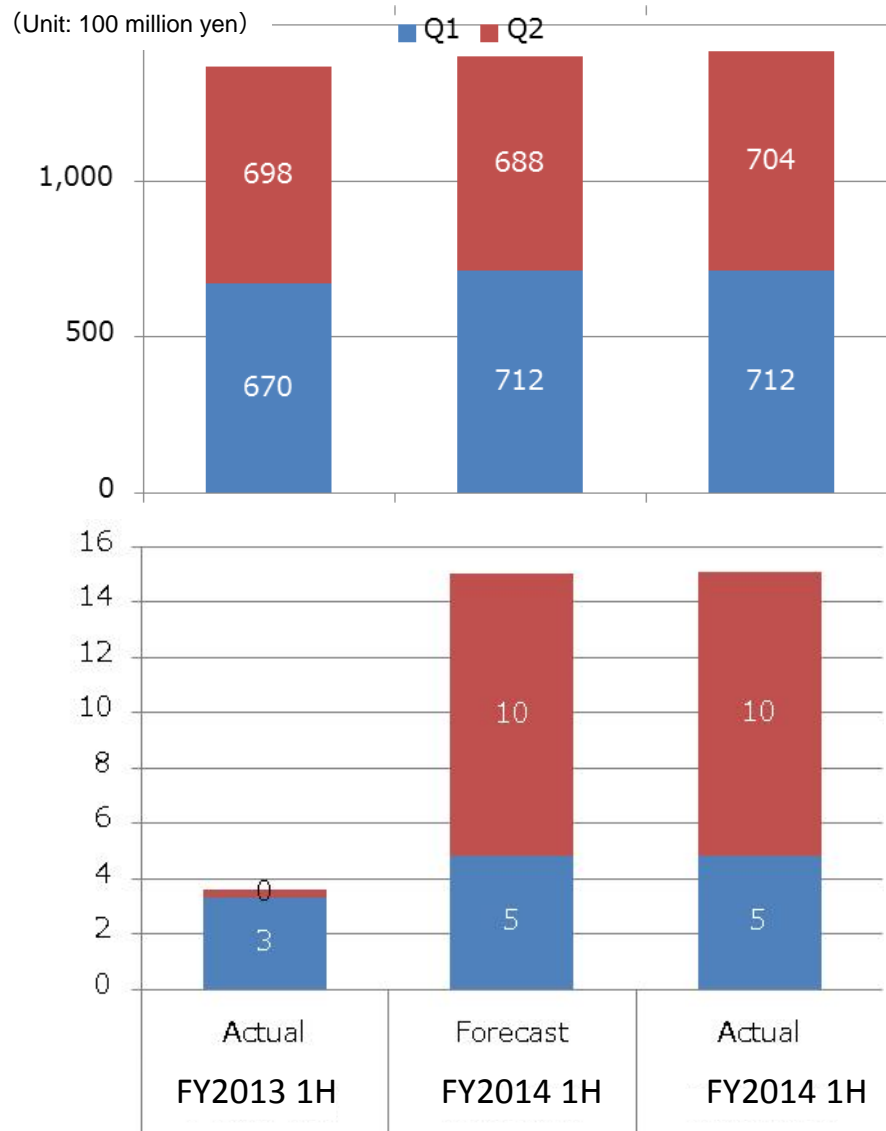
Comparison with forecast: Forecast ⇒ Actual

-0.3 billion yen

- Booking of net sales from mobile telecommunication system project was postponed to 2H.

(Note) The upper chart shows net sales and the lower chart shows operating income. Forecast is as of July 31.)

Summary by Segment 2-Energy & Industrial Products



(Note) The upper chart shows net sales and the lower chart shows operating income. Forecast is as of July 31.)

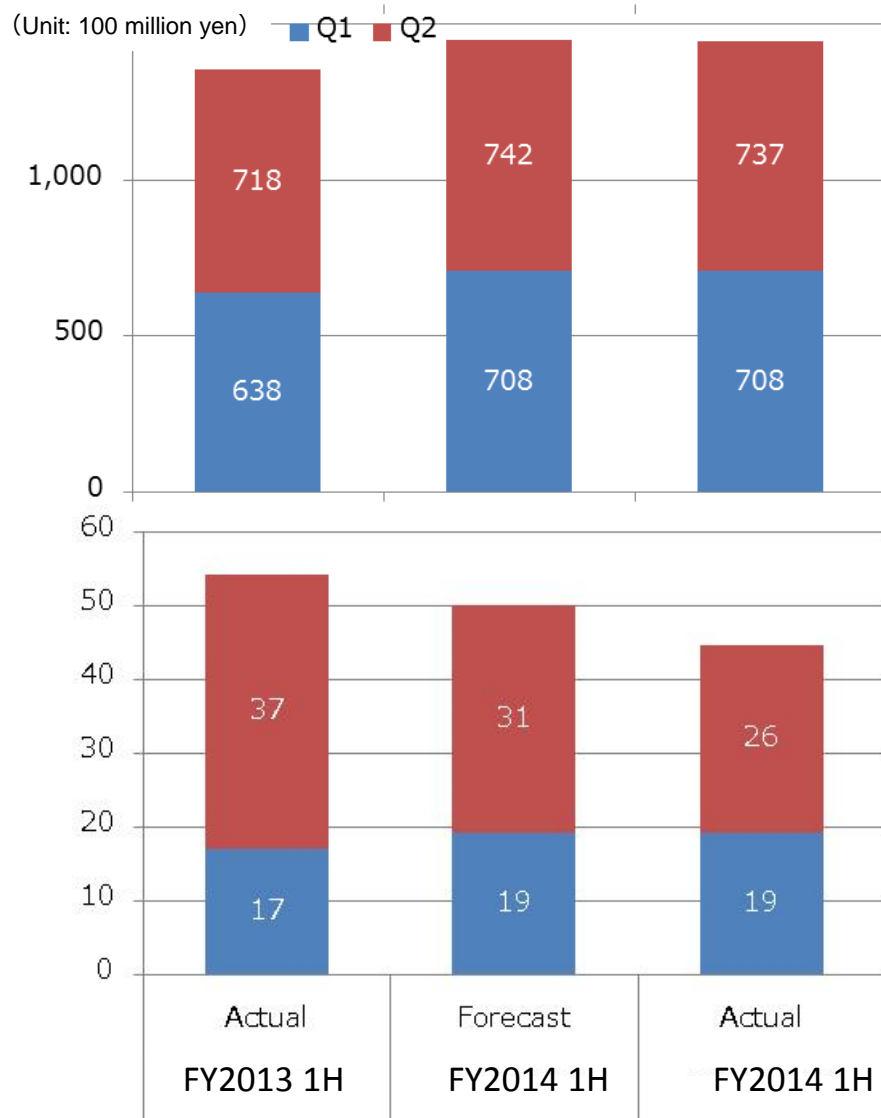
YoY comparison: 13H1 ⇒ 14H1 +1.1 billion yen

- Earnings of Shenyang Furukawa Cable Co., Ltd. improved by virtue of structural reform and an increase in sales.
- Good performance of tape for manufacturing semiconductors for smartphone made a positive contribution.

Comparison with forecast: Forecast ⇒ Actual 0 billion yen

- Profit decline in construction and electrical cables in Japan was offset by earnings from tape for manufacturing semiconductors.

Summary by Segment 3-Electronics & Automotive Systems **FURUKAWA ELECTRIC**



YoY comparison: 13H1 ⇒ 14H1 -1 billion yen

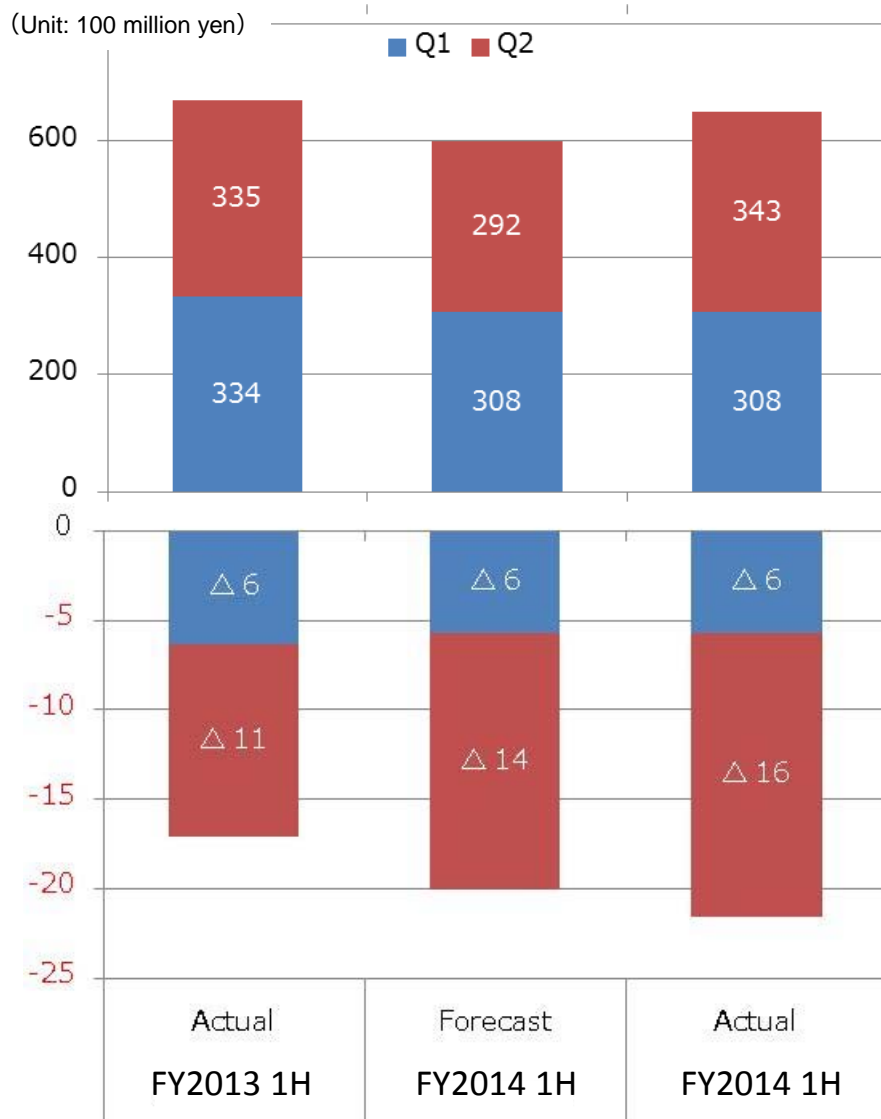
- Thermal (heat sink) performed favorably.
- Cost increase in automotive components due to the lower yen, slowdown in the Thailand market and the snow damage at Nikko Works had an adverse effect on earnings.

Comparison with forecast: Forecast ⇒ Actual -0.5 billion yen

- The cost increase in automotive components due to the lower yen, the slowdown in the Thailand market and shrinking demand due to sluggish domestic market had a negative impact.

(Note) The upper chart shows net sales and the lower chart shows operating income. Forecast is as of July 31.

Summary by Segment 4-Metals



YoY comparison: 13H1 ⇒ 14H1 -0.5 billion yen

Profit improvement in copper foil business was offset by snow damage in copper strip business.

- Copper foil: Despite insufficient sales volume, a positive effect emerged from impairment of fixed assets at domestic base.
- Copper strip: Impact of snow damage

Comparison with forecast: Forecast ⇒ Actual -2 billion yen

- Copper strip: Nearly in line with projection
- Copper foil: Delay in transfer to Taiwan and productivity improvement

(Note) The upper chart shows net sales and the lower chart shows operating income. Forecast is as of July 31.

Summary B/S

(Unit: 100 million yen)

	End of FY2013 Q4	End of FY2014 Q2	Change
	a	b	b-a
Total assets	7,148	7,247	99
Interest-bearing liabilities	2,779	2,943	*164
Equity capital ratio	24.8%	24.7%	-0.1%
D/E ratio	1.57	1.64	0.07
Sales to total assets ratio (excluding Light Metals) (annual equivalent sales / total assets)	1.17	1.14	-0.03
R O A (annual equivalent ordinary income / total assets)	3.6%	2.0%	-1.6%

* Factors behind increase in interest-bearing liabilities:

Increase of inventory due to snow damage +40, capex exceeding the depreciation expenses +34, among others

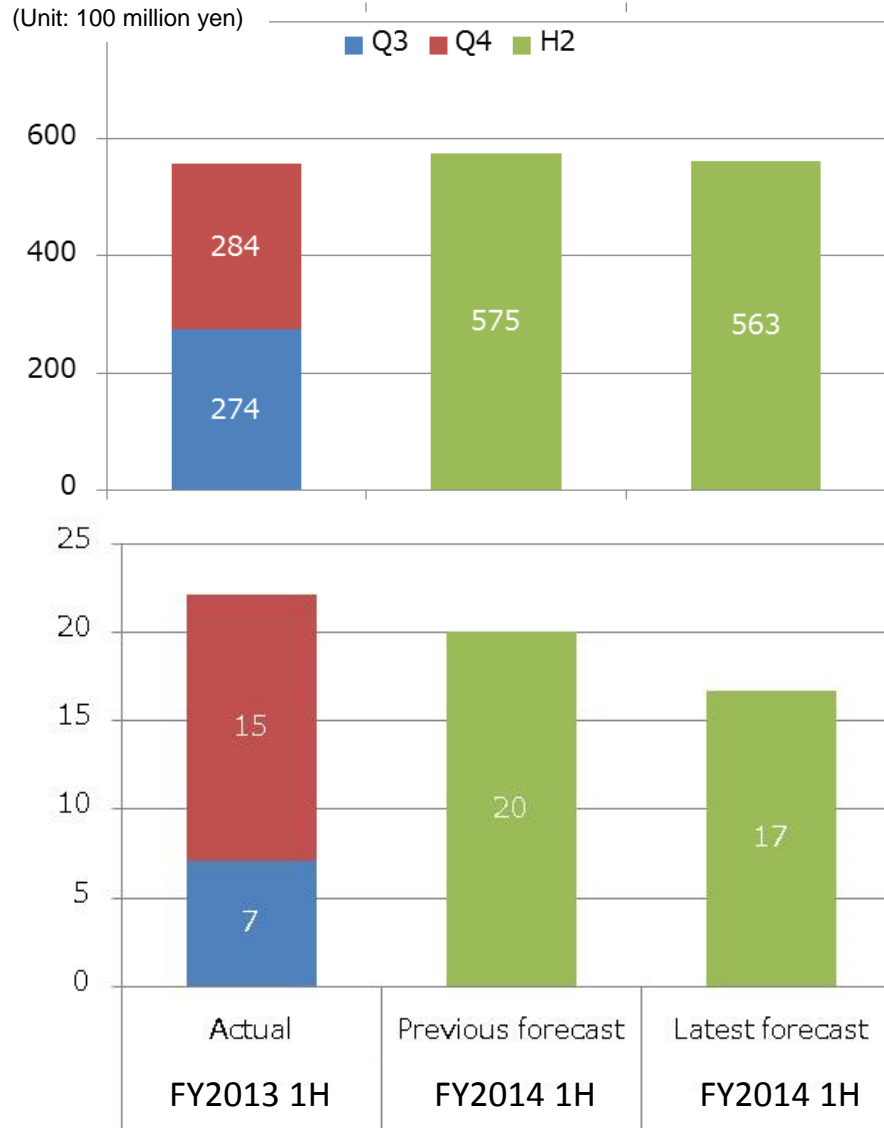
2. FY2014 2H Forecast

Summary P&L

(Unit: 100 million yen)

	2013 2H	2014 2H Previous forecast	2014 2H Latest forecast	YoY Change	Change from the previous forecast
	a	b	c	c-a	c-b
Net sales (rate)	4,477	4,440	4,351	△ 126 -2.8%	△ 89 -2.0%
Operating income (rate)	141	155	118	△ 23 -16.6%	△ 37 -24.1%
Profit/loss in equity method affiliates	△ 12	-	-	-	-
Foreign exchange gain/loss	6	-	-	-	-
Ordinary income (rate)	139	165	128	△10 -7.40%	△37 -22.20%
Extraordinary gain/loss	△ 33	△ 45	△21	12	24
Income taxes - current and income taxes - deferred	59	-	-	-	-
Minority interests in income	13	-	-	-	-
Net income (rate)	33	60	48	16 47.80%	△12 -19.30%

Forecast by Segment 1-(1) Optical Fiber Cables



YoY comparison: 13H2 ⇒ 14H2 -0.5 billion yen

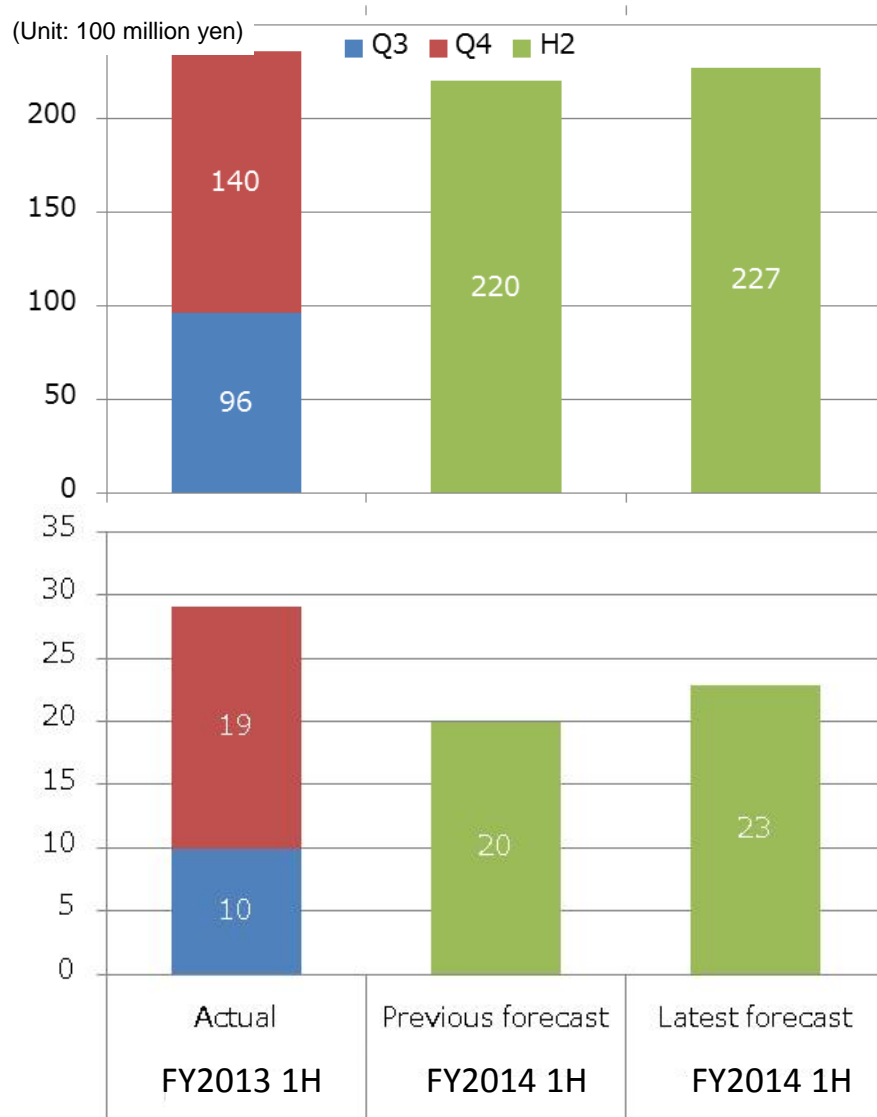
- While the United States company OFS is expected to benefit from the effect of structural reform and sales increase, sales of spot products booked in the previous fiscal year will decline.

Comparison with forecast: Forecast ⇒ Actual -0.3 billion yen

- Takes cautious view on demand from South America.
- Will focus on the realization of integration effect of domestic bases.

(Note) The upper chart shows net sales and the lower chart shows operating income. Previous forecast is as of July 31.

Forecast by Segment 1-(2) Photonics Network



YoY comparison: 13H2 ⇒ 14H2 -0.6 billion yen

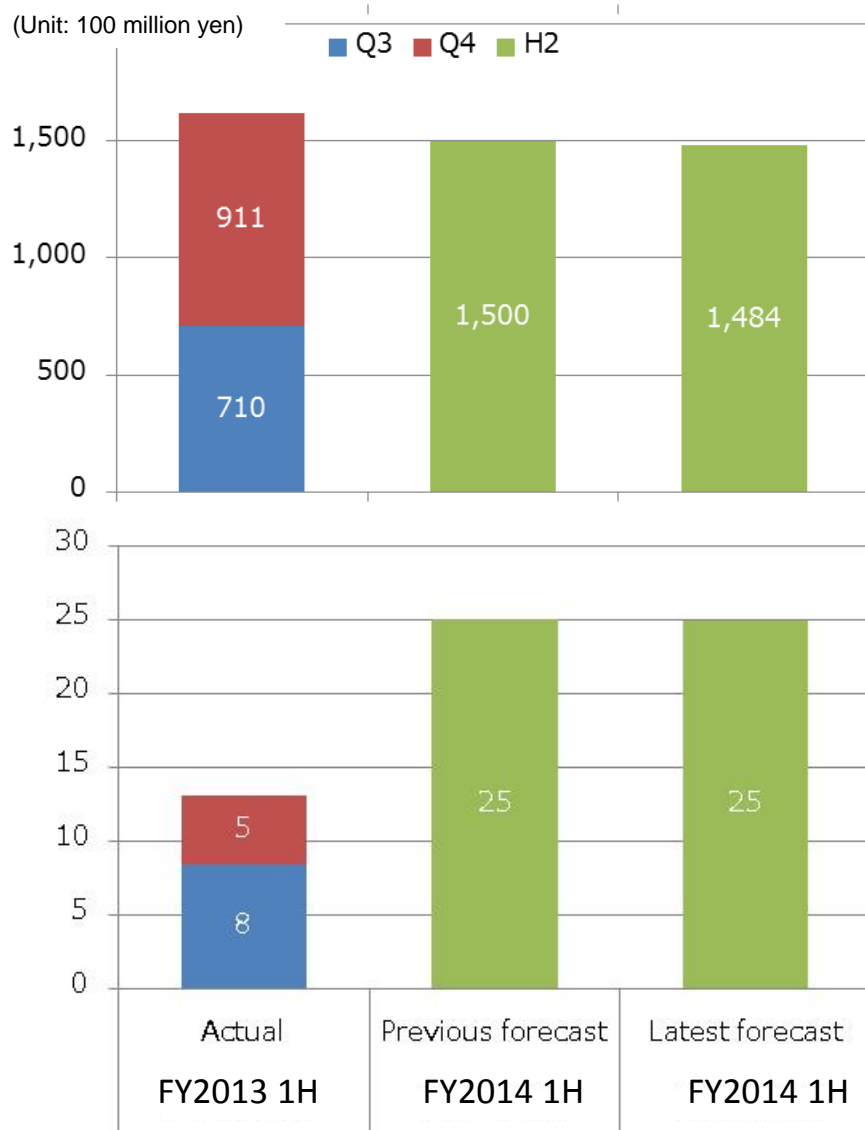
- Sales are expected to peak out due to the mobile phone-related construction in Thailand.

Comparison with forecast: Forecast ⇒ Actual +0.3 billion yen

- Earnings from the mobile phone-related construction exceeded expectation.
- Net sales from the mobile telecommunications systems in Japan which have been delayed are expected to be booked.
- Digital coherent-related products performed steadily.

(Note) The upper chart shows net sales and the lower chart shows operating income. Previous forecast is as of July 31.

Forecast by Segment 2. Energy & Industrial Products



YoY comparison: 13H2 ⇒ 14H2 +1.2 billion yen

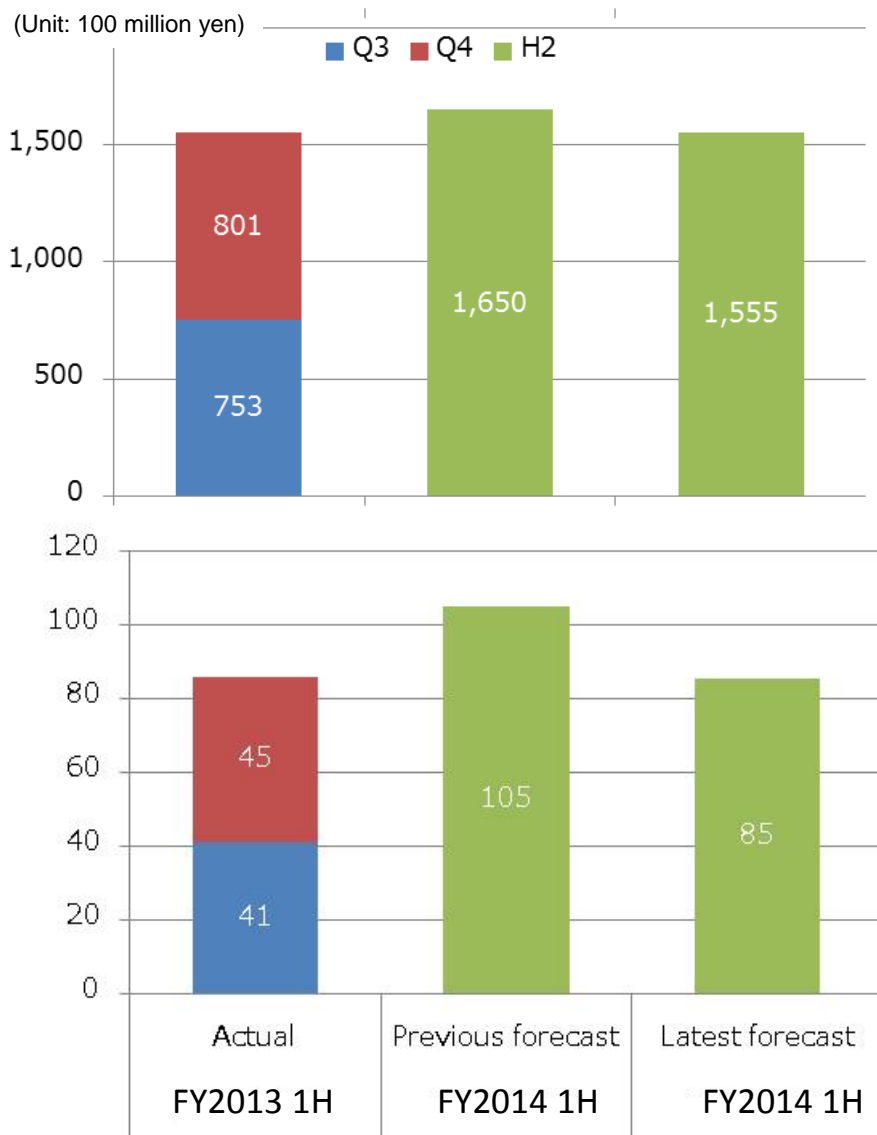
- Recovery of Shenyang Furukawa Cable Co., Ltd. due to structural reform
- Improvement in foreign exchange losses at Indonesian company TMS
- Centralization effect of electric conductor bases in Japan

Comparison with forecast: Forecast ⇒ Actual -0 billion yen

- No change from the previous forecast

(Note) The upper chart shows net sales and the lower chart shows operating income. Previous forecast is as of July 31.

Forecast by Segment 3. Electronics & Automotive Systems **FURUKAWA ELECTRIC**



YoY comparison: 13H2 ⇒ 14H2 -0.1 billion yen

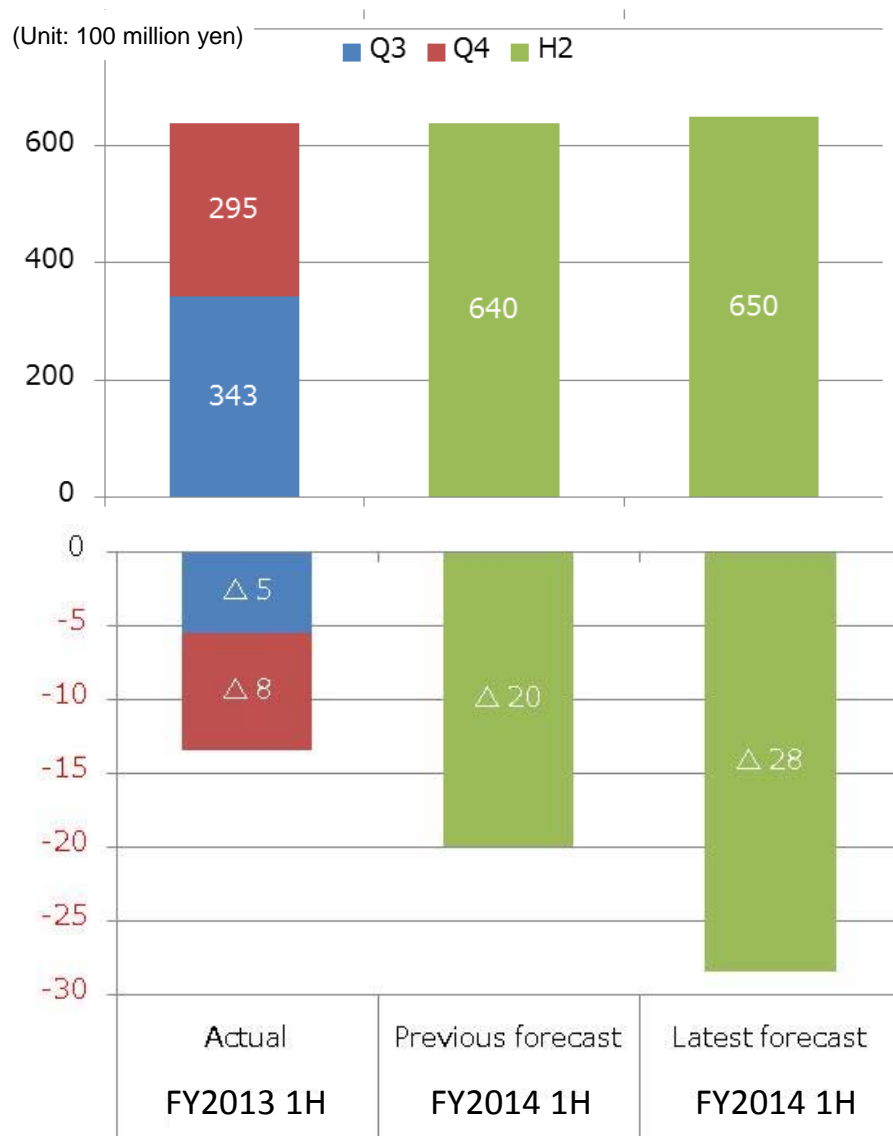
- Magnet wires: Sales increase and cost reduction of triple insulated winding wires (TEX), etc.
- Automotive components: Cost hike primarily due to the lower yen and snow damage in Nikko

Comparison with forecast: Forecast ⇒ Actual -2 billion yen

- Slowdown in the automotive components market in Japan and cost increase due to the lower yen, etc.

(Note) The upper chart shows net sales and the lower chart shows operating income. Previous forecast is as of July 31.

Forecast by Segment 4. Metals



YoY comparison: 13H2 ⇒ 14H2 -1.4 billion yen

- Copper products: Impact of the snow damage was -2.3 (13H2 -0.2⇒14H2 -2.5)
- Copper foil: Improved earnings by the virtue of positive effect from impairment of fixed assets at domestic base and sales increase in Taiwan base.

Comparison with forecast: Forecast ⇒ Actual -0.8 billion yen

- Copper products: Impact of the snow damage was -0.9 (Previous forecast -1.6 ⇒ Latest forecast -2.5)
- Copper foil: Aim at expanding sales in Taiwan base and improving productivity

(Note) The upper chart shows net sales and the lower chart shows operating income. Previous forecast is as of July 31.

- Updated analysis on the costs potentially incurred after the restart of the entire raw strip process
 - Additional impact is expected mainly in Q4 (operating income and extraordinary loss)
- Preparation to restart the entire raw strip process from January 2014 is well underway.
 - Target after restart of operation is to turn profitable in FY2015 Q4

(Unit: 100 million yen)

Q1 Financial results (Jul. 31)

	Negative impact on operating income			Extraordinary losses
		Copper products	Non-copper products	
Q1	8	6	2	7
Q2	12	11	1	4
H1	20	17	3	11
H2	18	16	2	4
Y	38	33	5	15

Q2 Financial results (Oct. 31)

	Negative impact on operating income			Extraordinary losses
		Copper products	Non-copper products	
Q1	8	6	2	7
Q2	11	10	1	6
H1	19	16	3	13
H2	27	25	2	11
Y	46	41	5	23

3. Full-year Forecast for FY2014

Summary P&L

(Unit: 100 million yen)

	2013 2H	2014 Previous forecast	2014 Latest forecast	YoY change	Change from the previous forecast
	a	b	c	c-a	c-b
Net sales (rate)	9,318	8,500	8,500	Δ 818 -8.8%	0 0.0%
Operating Income (rate)	255	225	180	Δ 75 -29.3%	Δ 45 -20.0%
Profit/loss in equity method affiliates	Δ 8	-	-	-	-
Foreign exchange gain/loss	20	-	-	-	-
Ordinary Income (rate)	255	230	200	Δ 55 -21.7%	Δ 30 -13.0%
Extraordinary gain/loss	Δ 82	Δ 72	Δ 55	27	17
Income taxes - current and income taxes – deferred	90	-	-	-	-
Minority interests in income	27	-	-	-	-
Net income (rate) (rate)	56	75	60	4 7.0%	15 -20.0%

Net Sales and Operating Income Forecast by Segment

(Unit: million yen)

Upper row: net sales Lower row: operating income	FY2013 Actual	FY2014 Previous forecast	FY2014 Latest forecast	YoY Change	Change from the previous forecast	FY2014 1H Actual	FY2014 2H Forecast	Change from the previous half
	a	b	c	c-a	c-b	d	e	e-d
Telecommunications	1,539	1,550	1,540	1	△ 10	750	790	39
<i>Optical Fiber Cables</i>	1,118	1,150	1,140	22	△ 10	577	563	△ 15
<i>Photonics Networks</i>	421	400	400	△ 21	0	173	227	54
Energy & Industrial Products	2,989	2,900	2,900	△ 89	0	1,416	1,484	67
Electronics & Automotive Systems	2,910	3,100	3,000	90	△ 100	1,445	1,555	109
Metals	1,307	1,240	1,300	△ 7	60	650	650	△ 1
Light Metals	966	-	-	-	-	-	-	-
Service and Development, etc.	441	500	500	59	0	256	244	△ 11
Consolidated total	9,318	8,500	8,500	△ 818	0	4,149	4,351	203
Telecommunications	78	70	65	△ 13	△ 5	25	40	14
<i>Optical Fiber Cables</i>	37	40	35	△ 2	△ 5	18	17	△ 2
<i>Photonics Networks</i>	41	30	30	△ 11	0	7	23	16
Energy & Industrial Products	17	40	40	23	0	15	25	10
Electronics & Automotive Systems	140	155	130	△ 10	△ 25	45	85	41
Metals	△ 31	△ 40	△ 50	△ 19	△ 10	△ 22	△ 28	△ 7
Light Metals	44	-	-	-	-	-	-	-
Service and Development, etc.	4	0	△ 5	△ 9	△ 5	△ 2	△ 3	△ 2
Consolidated total	255	225	180	△ 75	△ 45	62	118	55

Research and Development Organization Reform

- R&D target
 - Create new value through inter-group collaboration and open innovation to respond to customer needs.
- To that end, we will be reforming our R&D organization.
 - Change laboratory segmentation from product-basis to research stage-basis (basic research / component technology development / product development)
 - Reorganize the current six laboratories into four laboratories.
 - Enhance planning function and review budget allocation, etc.

Current organization



Focus of business research

Focus on the current target areas
(Automotive / infrastructure)

High technology research

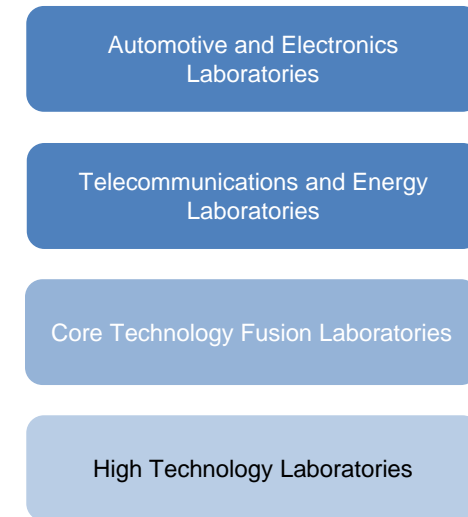
By conducting research on high technology that carries risk but high potential, prepare for future growth in new business domain

Technology fusion research

Create new value by fusing core technologies

Use distinctive technologies in many areas without imposing limit to current business

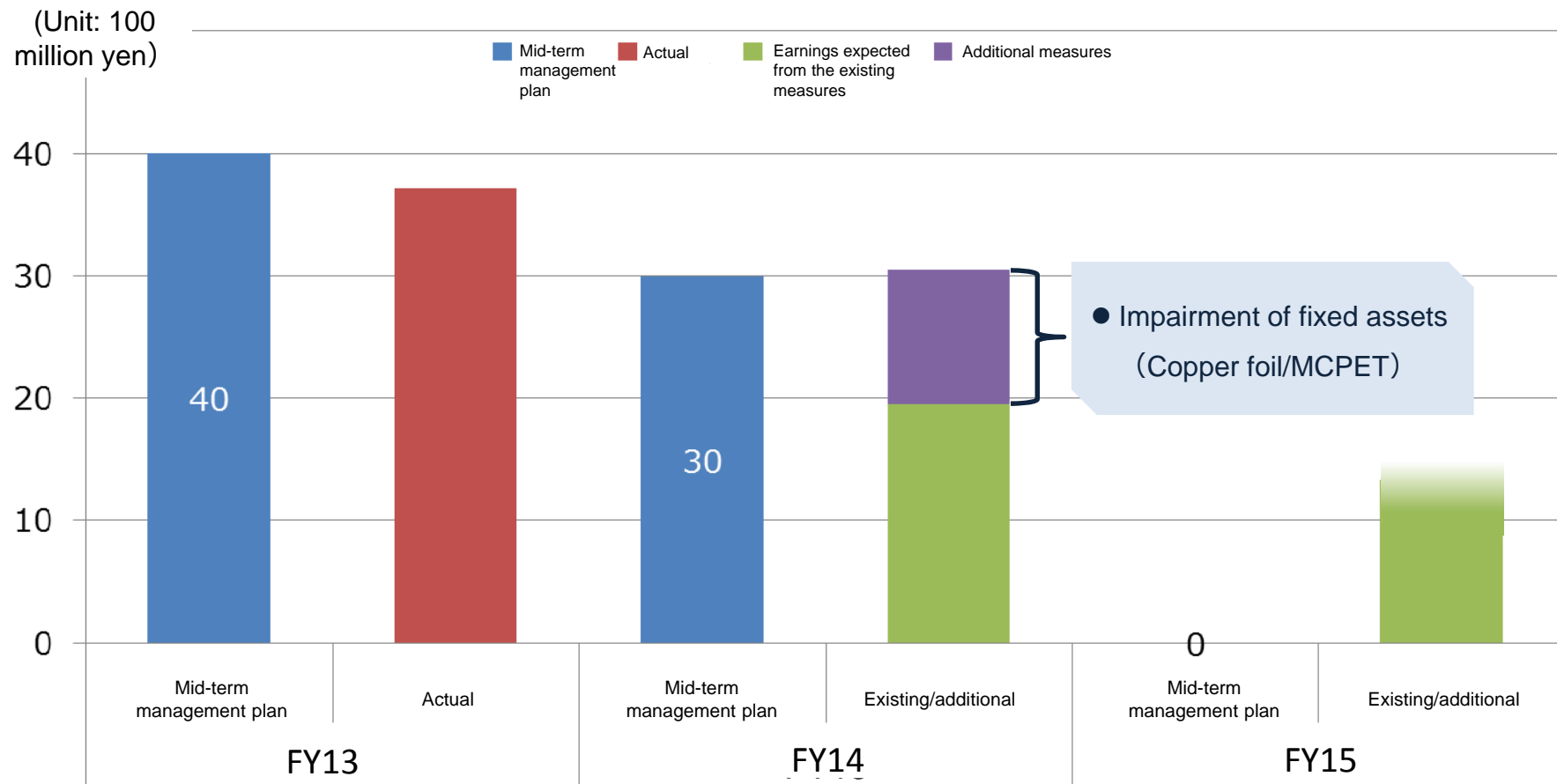
New organization



Reference Materials

Business Restructuring and Its Effect

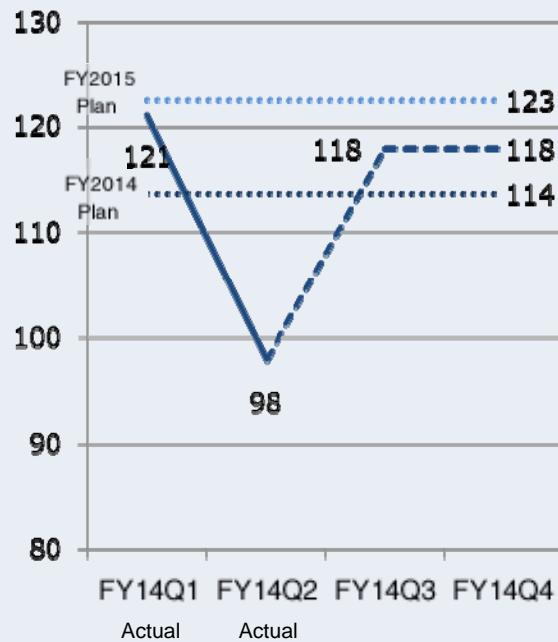
- Business restructuring is underway.
- Although most of the planned measures were executed, earnings ended short of plan.
- We will strive to generate more profit by continuing with the measures which were implemented in the last fiscal year and by taking additional initiatives.



Sales Volume Indices for Strategic Products ('14Q4=100)

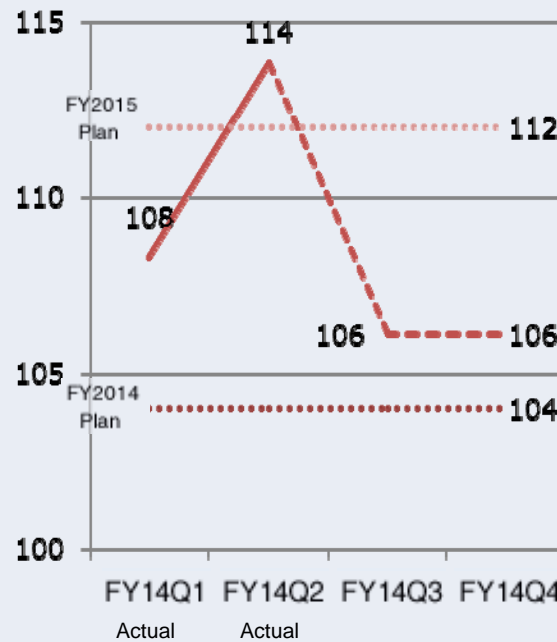
ITLA/FBT

Integrated signal light sources for use in digital coherent telecommunications



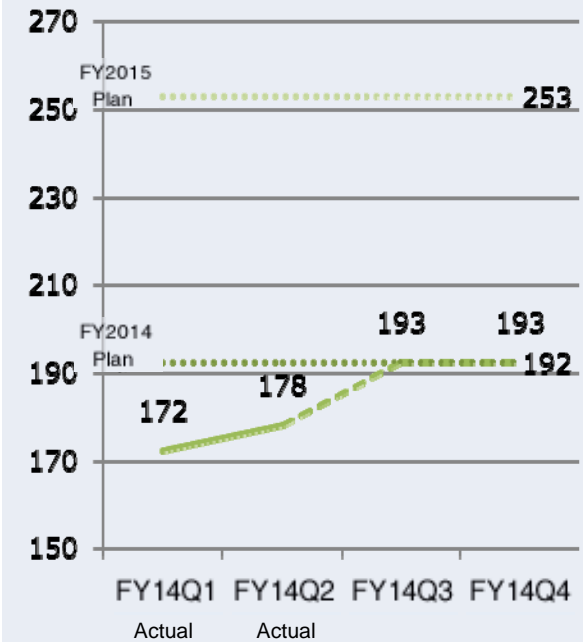
BSS

Car battery status detection sensors



SRC

Connectors for car airbags



(Note) Figures for Q3 and Q4 are proportional division of the 2H plan figure.

Thank you for your attention.

Bound to  ***Innovate***