

FY2015 Management Plan

May 11, 2015

FURUKAWA ELECTRIC CO., LTD.

Forward-Looking Statements

Projections of future sales and earnings in these materials, except those related to the past and current facts, 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

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Furukawa Electric Co., Ltd.

- **Summary of Results for FY2014**
- **Forecast for FY2015**
- **Overview of FY2014 and Management Policy for FY2015**
- **Appendix**

Summary of Results for FY2014

Hiroyuki Ogiwara

Director, General Manager of the Finance & Procurement Division

Summary P&L

(100 million yen)

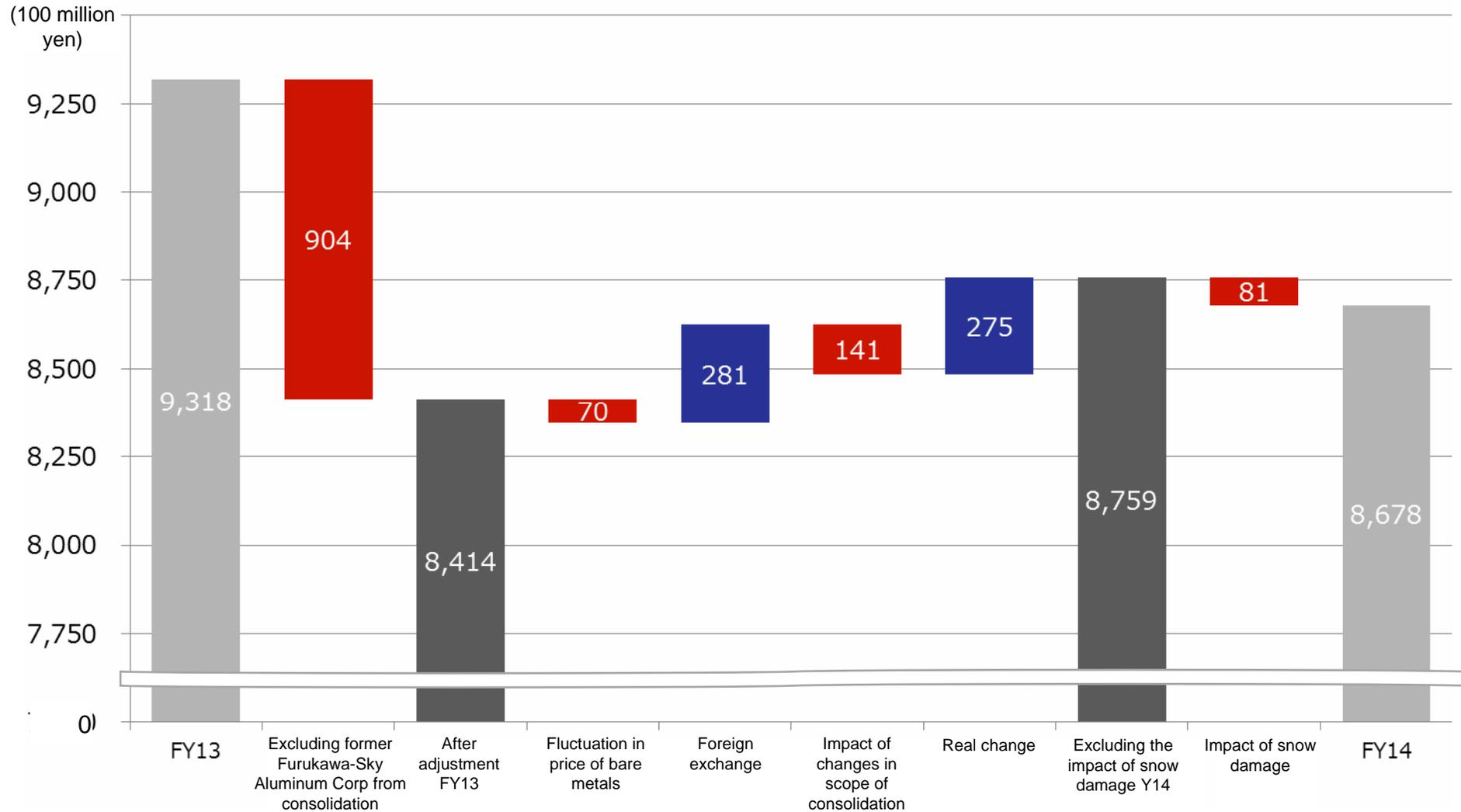
	FY13		FY14		YtoY change		Breakdown of change
	a	Q4 b	c	Q4 d	c-a	Q4 d-b	
Net sales (rate)	9,318	2,386	8,678	2,355	△ 640 -6.9%	△ 31 -1.3%	See page 7
Operating income (rate)	255	78	179	77	△ 76 -29.8%	△ 1 -1.9%	See page 8
Profit/loss in equity method affiliates	△ 8	△ 36	19	△ 3	27	32	
Foreign exchange gain/loss	20	4	△ 1	△ 3	△ 21	△ 7	
Ordinary income (rate)	255	44	186	64	△ 69 -27.2%	20 46.7%	
Extraordinary gain/loss	△ 82	△ 6	△ 24	24	58	30	• Extraordinary profit: +67 Gain on sales of investment securities, etc.
Income taxes - current and income taxes - deferred	90	42	67	36	△ 23	△ 5	• Extraordinary profit: -9
Minority interests in income	27	10	21	6	△ 5	△ 4	
Net income (rate)	56	△ 14	74	46	17 31.1%	61 -	

Adjustment for Former Furukawa-Sky Aluminum

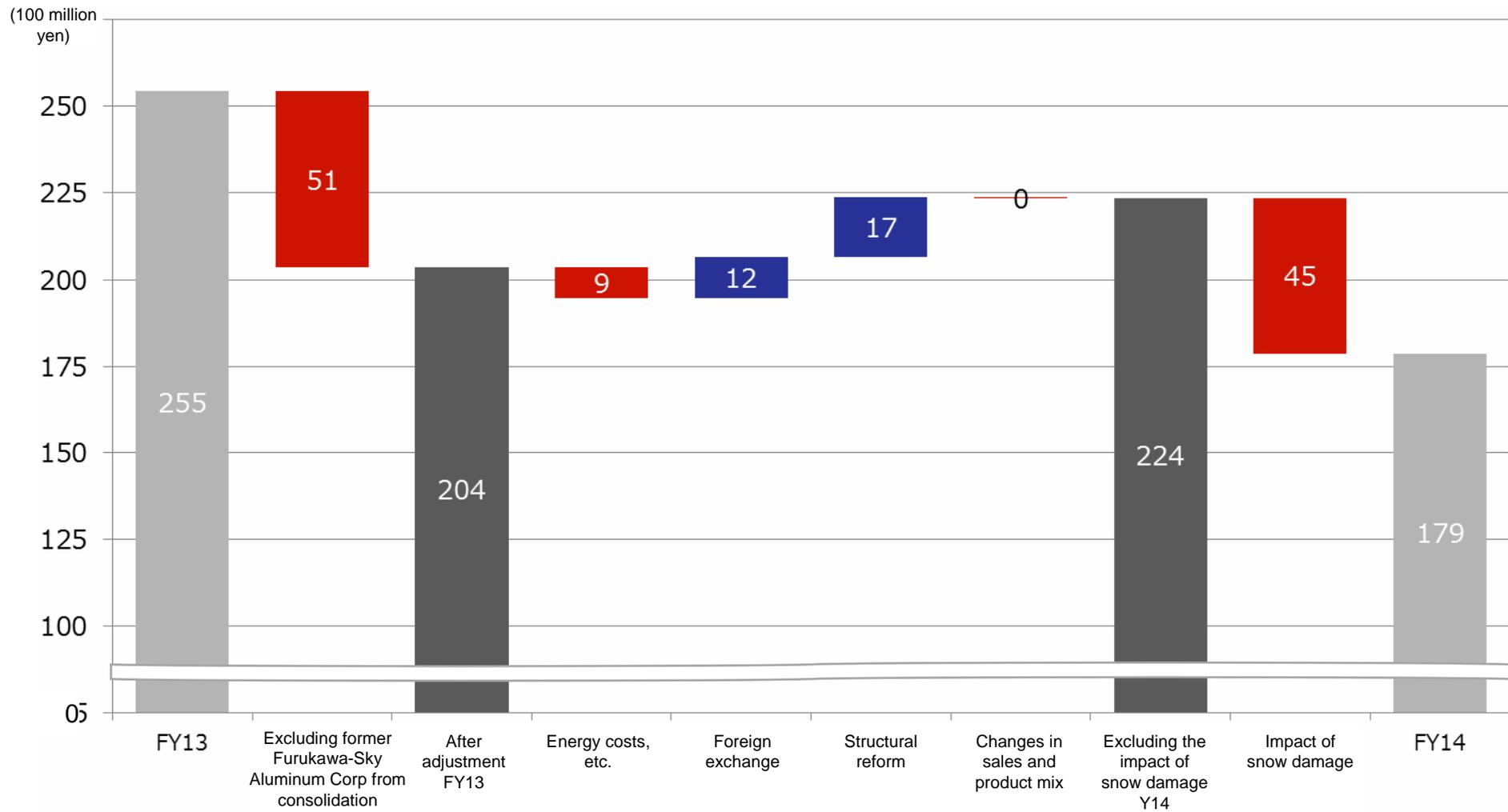
(100 million yen)

	FY13	FY14	YtoY change
	a	b	b-a
Net sales excluding former Furukawa-Sky Aluminum Corp (rate)	8,414	8,678	264 3.1%
Operating income excluding former Furukawa-Sky Aluminum Corp (rate)	204	179	△ 25 -12.3%
Profit/loss in equity method affiliates	△ 8	19	27
UACJ	24	25	1

Factors Causing Changes in Net Sales (YoY Comparison)



Factors Causing Changes in Operating Income (YoY Comparison)



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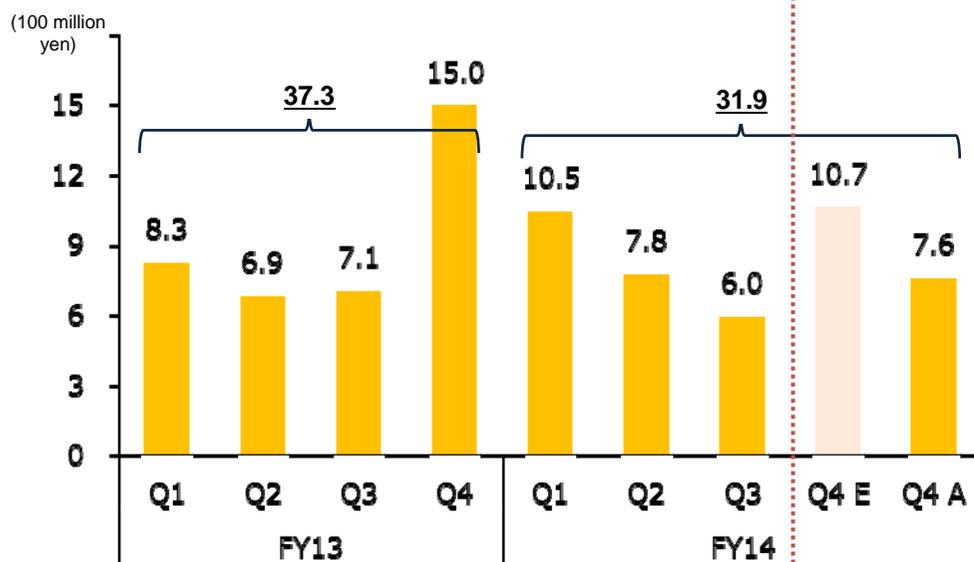
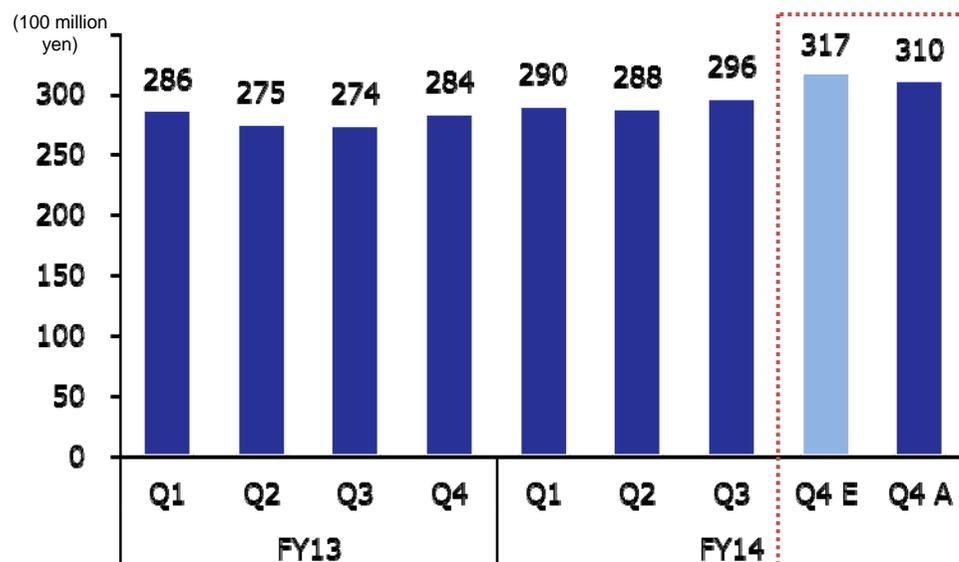
Changes in Net Sales and Operating Income by Segment

(100 million yen)

Upper row: net sales Lower row: operating income	FY13 Actual	FY14 Forecast*	FY14 Actual	YtoY change	Change against forecast	14Q1	14Q2	14Q3	14Q4
	a	b	c	c-a	c-b	-	-	-	-
Telecommunications	1,539	1,565	1,552	▲ 14	▲ 13	377	374	387	415
Optical Fiber Cables	1,118	1,190	1,183	65	▲ 7	290	288	296	310
Photonics Networks	421	375	369	▲ 52	▲ 6	87	86	91	105
Energy & Industrial Products	2,989	2,930	2,932	▲ 57	2	712	704	741	774
Electronics & Automotive Systems	2,910	3,080	3,082	172	2	708	737	779	858
Metals	1,307	1,325	1,337	30	12	308	343	334	353
Light Metals	966	-	-	-	-	-	-	-	-
Service and Developments, etc.	441	535	535	94	0	121	134	137	143
Net sales	9,318	8,670	8,678	▲ 640	8	2,043	2,106	2,175	2,355
Telecommunications	78	65	57	▲ 22	▲ 8	14	11	15	16
Optical Fiber Cables	37	35	32	▲ 5	▲ 3	11	8	6	8
Photonics Networks	41	30	25	▲ 16	▲ 5	3	4	9	8
Energy & Industrial Products	17	40	43	26	3	5	10	10	18
Electronics & Automotive Systems	140	125	129	▲ 11	4	19	26	31	54
Metals	▲ 31	▲ 50	▲ 49	▲ 19	1	▲ 6	▲ 16	▲ 16	▲ 12
Light Metals	44	-	-	-	-	-	-	-	-
Service and Developments, etc.	4	0	▲ 1	▲ 5	▲ 1	▲ 1	▲ 0	▲ 0	1
Operating income	255	180	179	▲ 76	▲ 1	31	31	39	77

(Note) FY2014 forecasts are the figures released on February 4, 2015

Summary by Segment 1-(1) Optical Fiber Cables



(Note) Upper row: net sales; Lower row: Operating income

Summary of Q4 operating income

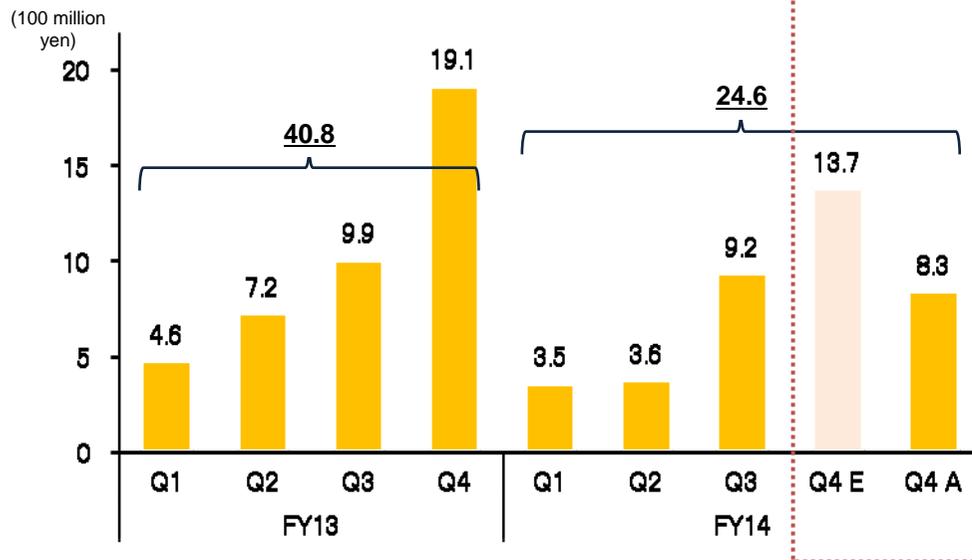
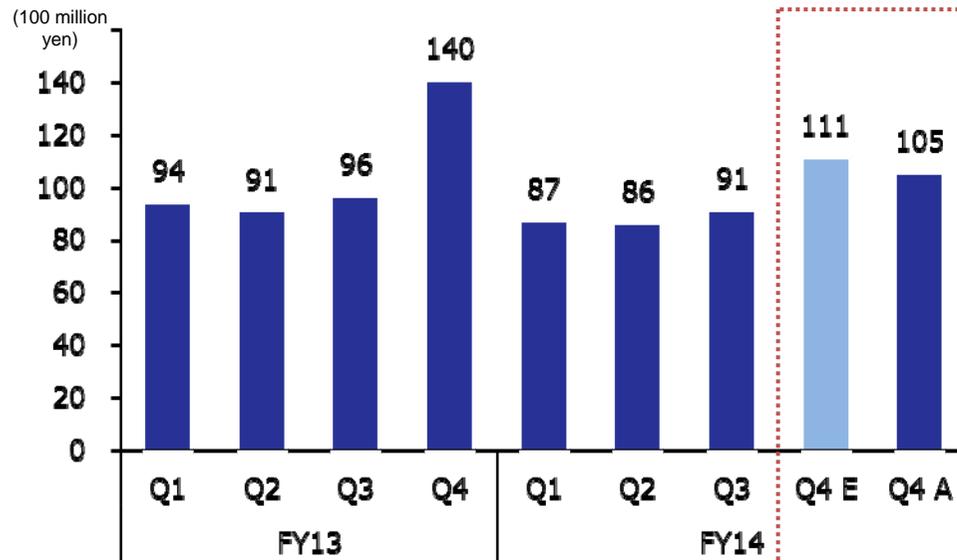
Forecast comparison: 14Q4E ⇒14Q4A
-310 million yen

- Performance for US company OFS improved due to strong demand for cables in North America and Europe.
- Improvement not yet experienced in Japan due to weak demand for cables.

YoY comparison: 13Q4⇒14Q4 -740 million yen

- Demand for cables recovered in North America and Europe.
- Fibers performed strongly in Japan, particularly on exports.
- Demand for cables remained weak in Japan.
- Rebound reduction YoY from profits of individual projects.

Summary by Segment 1-(2)Photonics Network



(Note) Upper row: net sales; Lower row: Operating income

Summary of Q4 operating income

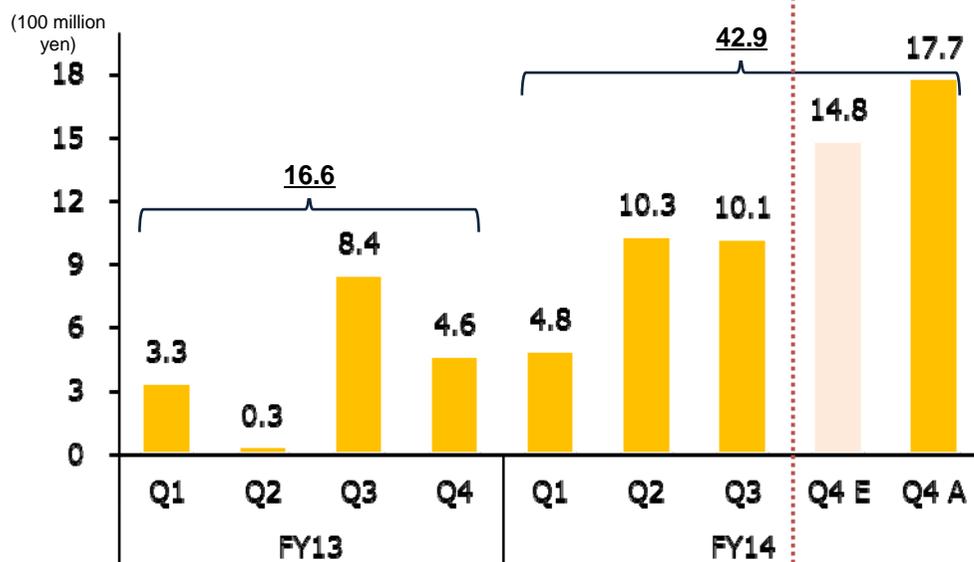
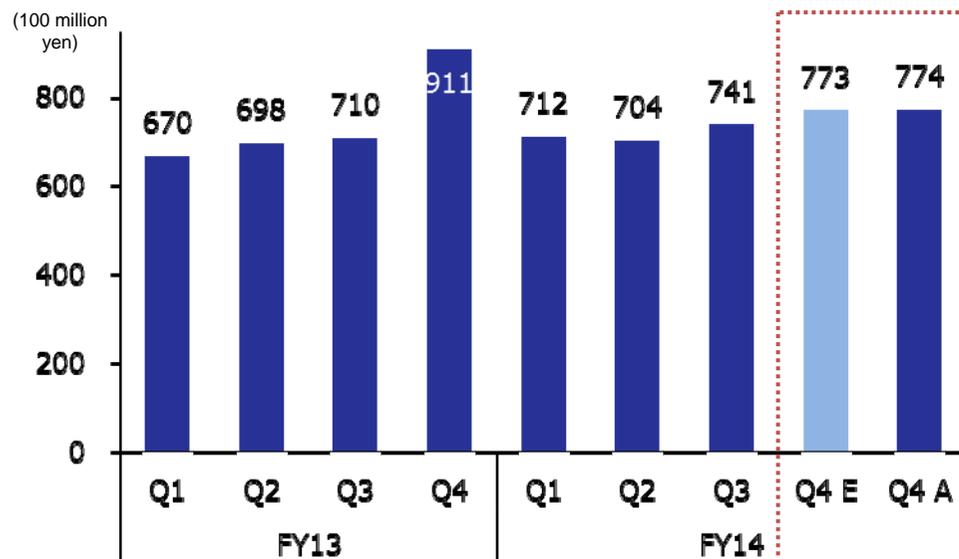
Forecast comparison: 14Q4E⇒14Q4A -540 million yen

- Digital coherent-related products produced favorable results, particularly in overseas.
- Sales sluggish for general purpose fiber optical components and fusion machines.

YoY comparison: 13Q4⇒14Q4 -1,080 million yen

- Digital coherent-related products produced favorable results due to increased demand.
- Demand weak for domestic network-related products.
- Mobile phone-related work in Thailand has peaked out.

Summary by Segment 2- Energy & Industrial Products



(Note) Upper row: net sales; Lower row: Operating income

Summary of Q4 operating income

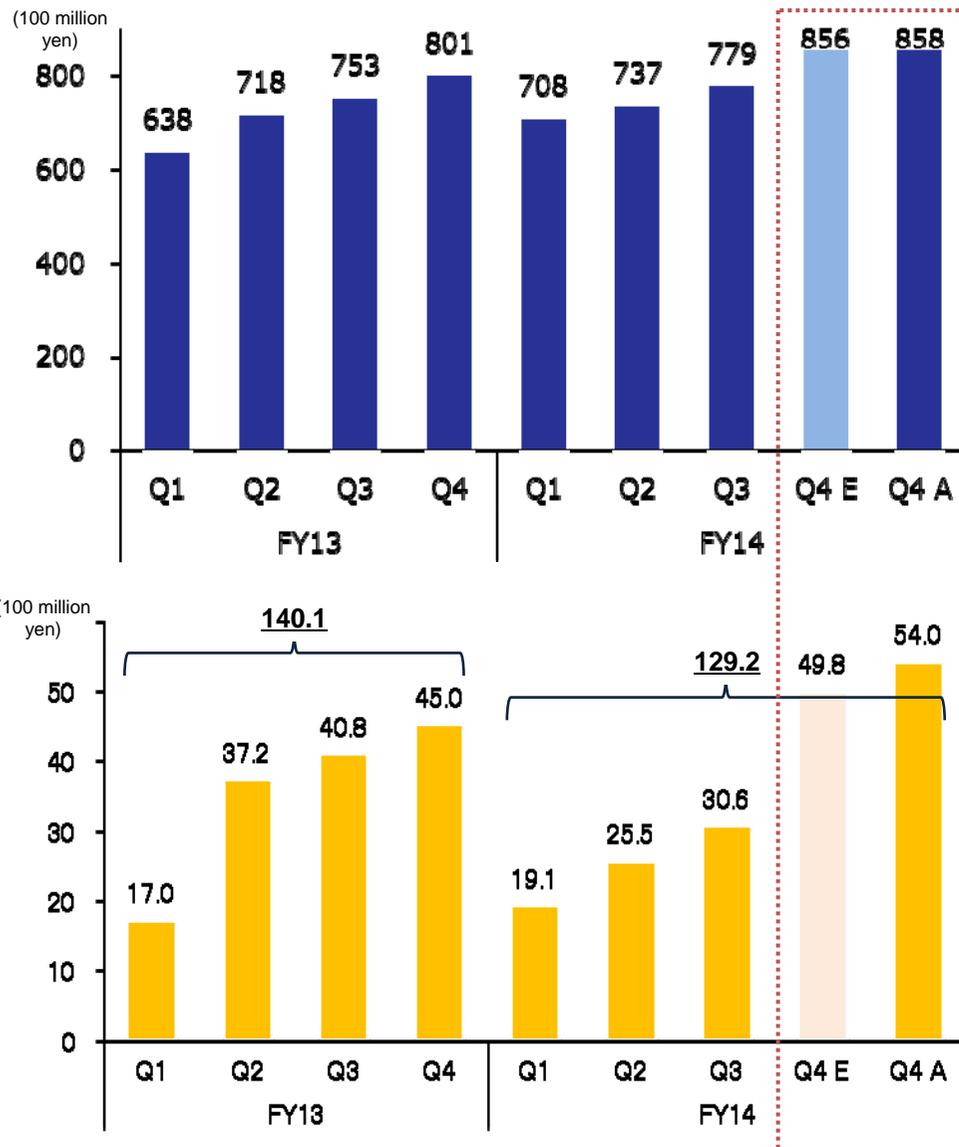
Forecast comparison: 14Q4E⇒14Q4A
+290 million yen

- Sales strong for power cable projects.
- Tape for smartphone semiconductor manufacturing equipment was strong, exceeding projections.

YoY comparison: 13Q4⇒14Q4 +1,310 million yen

- Performance improved for high-voltage cables in China thanks to structural reform by Shenyang Furukawa.
- Contribution made by increase in demand for tape for smartphone semiconductor manufacturing equipment, etc.

Summary by Segment 3- Electronics & Automotive Systems



(Note) Upper row: net sales; Lower row: Operating income

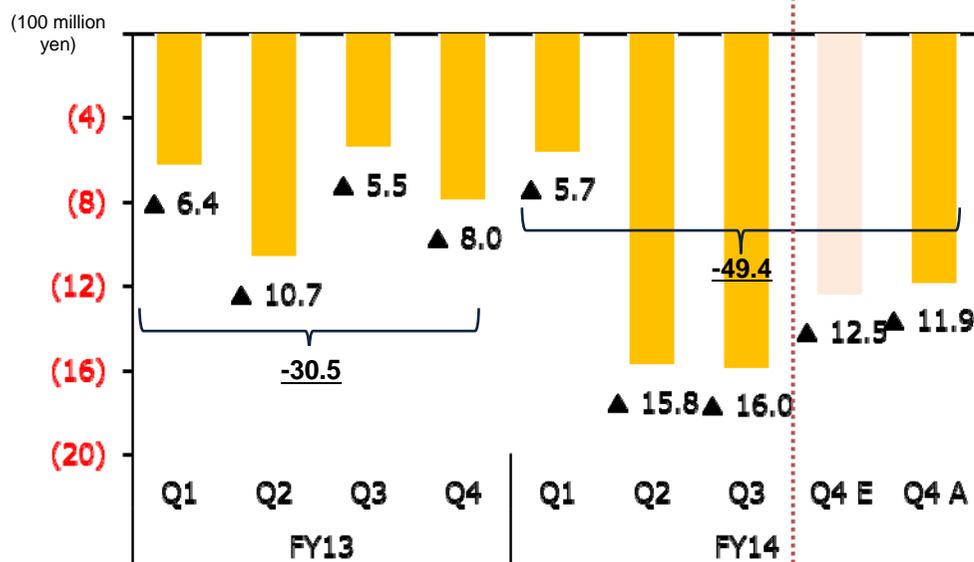
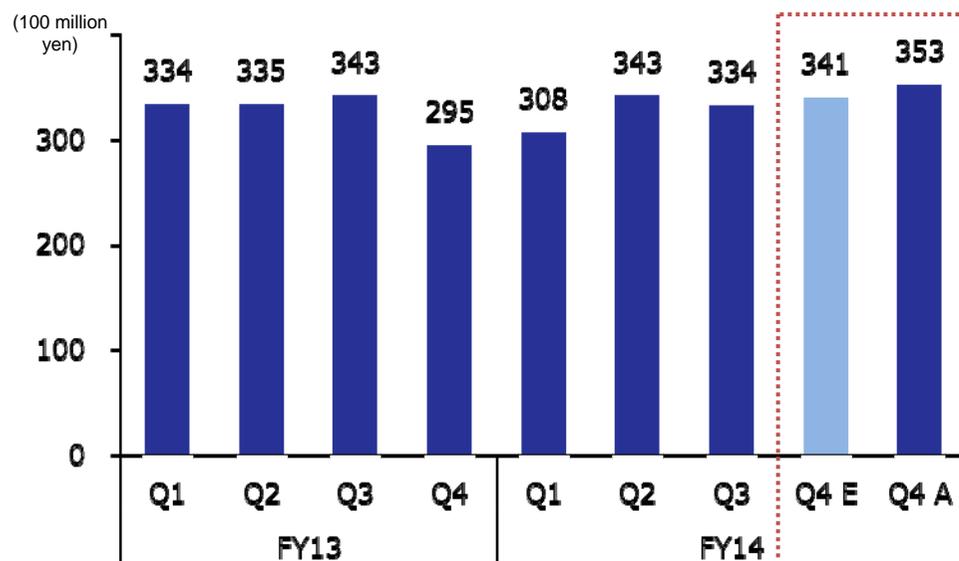
Summary of Q4 operating income
Forecast comparison: 14Q4E⇒14Q4A
+420 million yen

- Sales of memory disk materials for data centers exceeded projections.
- Performance for autoparts in line with projections.

YoY comparison: 13Q4⇒14Q4 +900
million yen

- Performance remained strong for memory disk materials for data centers.
- Slight increase in autoparts sales.
- Contribution by effect of increased sales of batteries in Japan and Thailand.

Summary by Segment 4- Metals



(Note) Upper row: net sales; Lower row: Operating income

Summary of Q4 operating income

Forecast comparison: 14Q4E⇒14Q4A +60 million yen

- Facilities recovered as scheduled for copper strips.
- While copper foil was somewhat weak, results mostly in line with expectations.

YoY comparison: 13Q4⇒14Q4 -39 million yen

- While facilities recovered for copper strips, performance affected by reduction in volume.
- While sales at domestic bases decreased for copper foil, improvement over the impact of impairment accounting at the end of FY2013.

Summary Balance Sheet, Etc.

(100 million yen)

	End of 13Q4	End of 14Q3	End of 14Q4	Change	Main changes
	a	b	c	c-a	
Total assets	7,148	7,650	7,341	193	Increase due to the weak yen, impact in connection with response to snow damage
Interest-bearing liabilities	2,779	3,105	2,745	△ 33	Decreased 11 consecutive FYs
Equity capital ratio	24.8%	24.8%	26.0%	1.2%	
D/E ratio	1.57	1.64	1.44	△ 0.13	
Sales to total assets ratio* (annual equivalent sales / total assets)	1.17	1.10	1.18	0.01	
ROA (annual equivalent ordinary income / total assets)	3.6%	2.1%	2.5%	-1.1%	

(Note) Sales to total assets ratio excludes former Furukawa-Sky Aluminum Corp

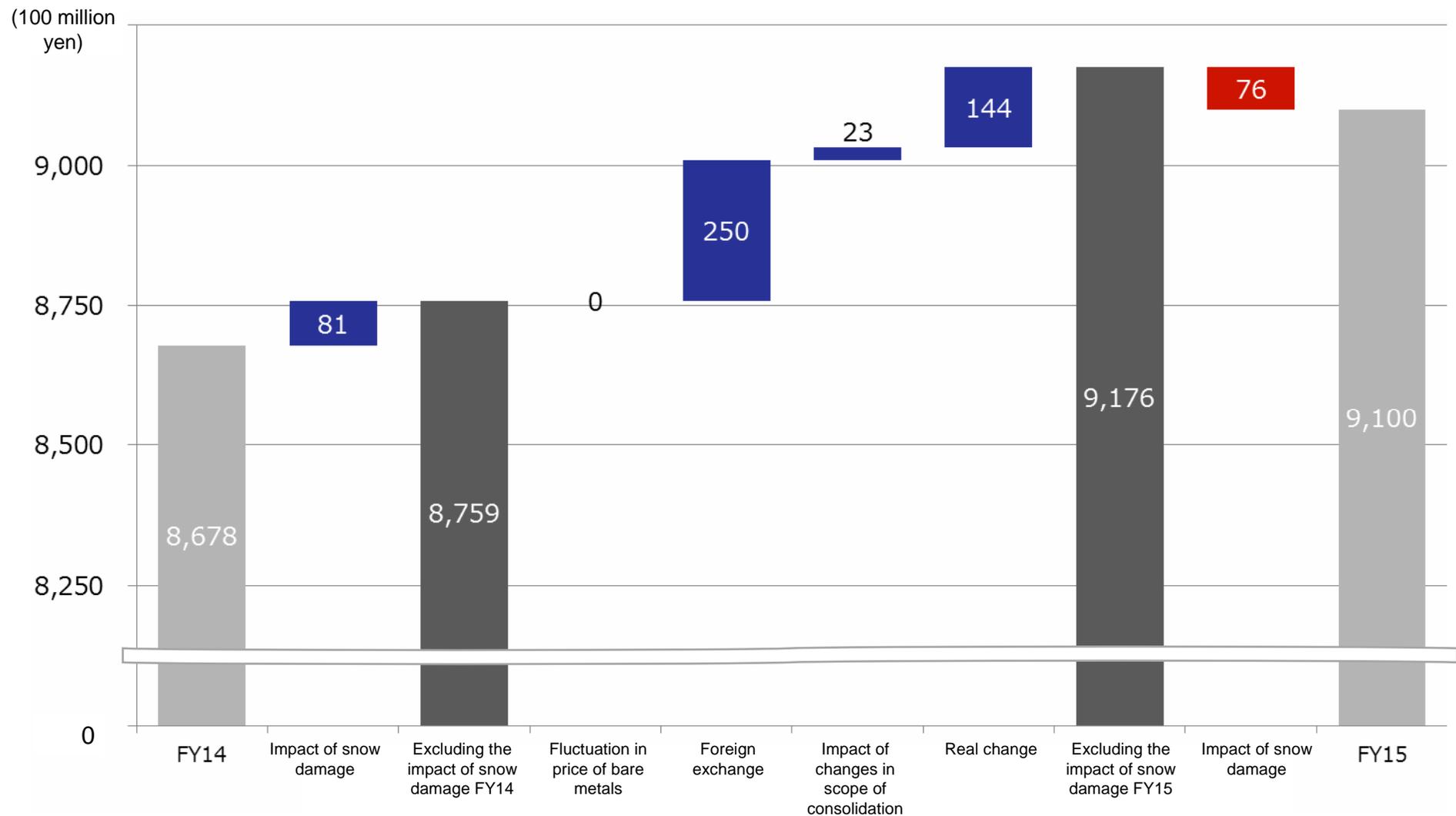
Forecast for FY2015

P&L Forecast

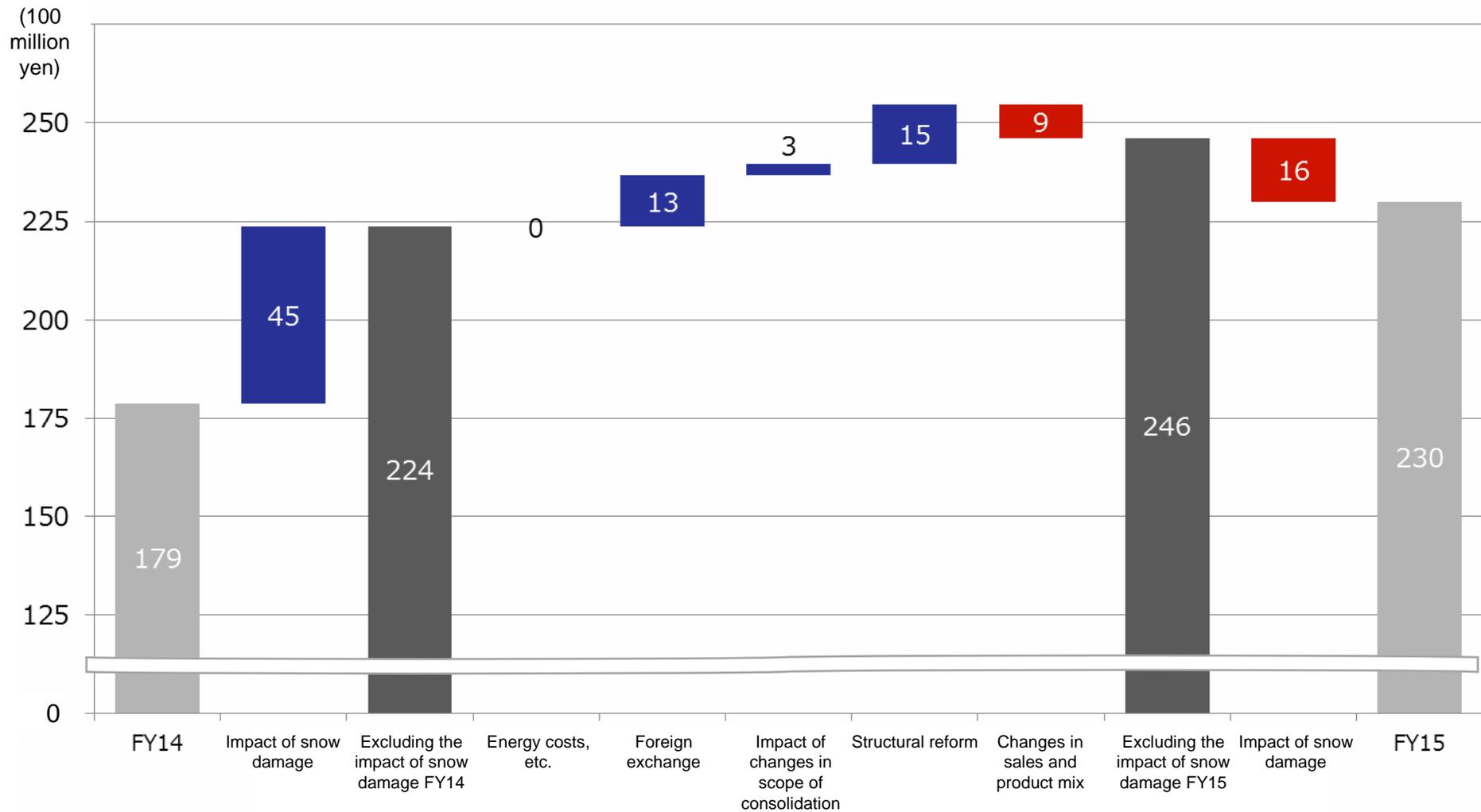
(Unit: 100 million yen, yen/kg, yen/USD)

	FY14			Forecast			YtoY change		
		H1	H2		H1	H2		H1	H2
	a	b	c	d	e	f	d-a	e-b	f-c
Net sales (rate)	8,678	4,149	4,530	9,100	4,400	4,700	422 4.9%	251 6.1%	171 3.8%
Operating income (rate)	179	62	116	230	60	170	51 28.7%	△ 2 -3.8%	54 46.1%
Profit/loss in equity method affiliates	19	10	9	-	-	-	-	-	-
Foreign exchange gain/loss	△ 1	△ 2	2	-	-	-	-	-	-
Ordinary income (rate)	186	72	114	230	55	175	44 23.7%	△ 17 -23.1%	61 52.9%
Extraordinary gain/loss	△ 24	△ 34	10	△ 32	△ 23	△ 9	△ 8	11	△ 19
Income taxes - current and income taxes - deferred	67	17	50	-	-	-	-	-	-
Minority interests in income	21	9	12	-	-	-	-	-	-
Net income (rate)	74	12	62	100	10	90	26 36.0%	△ 2 -13.5%	28 45.2%
Average copper price	765.8			760					
Average exchange rate	109.8			115					

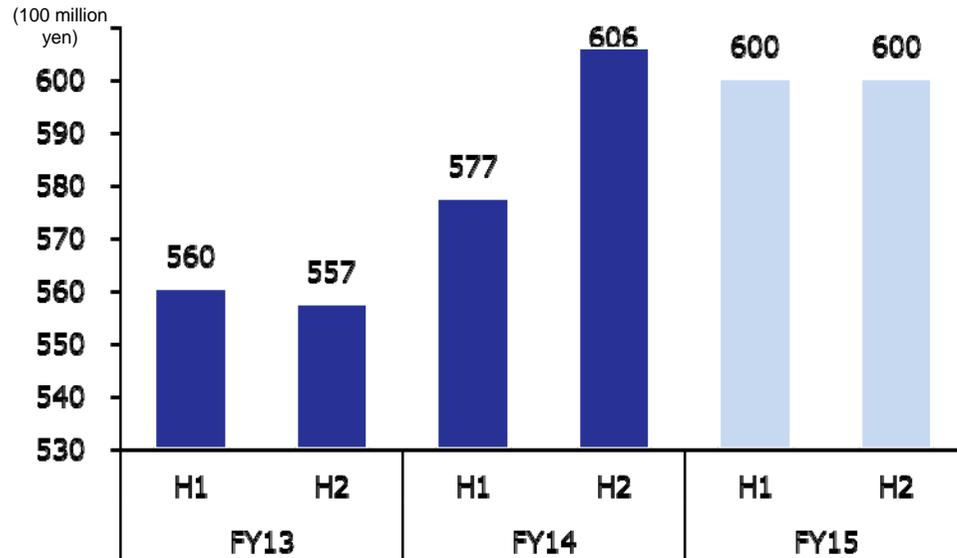
Factors Causing Changes in Net Sales Forecast (YoY Comparison)



Factors Causing Changes in Operating Income Forecast (YoY Comparison)



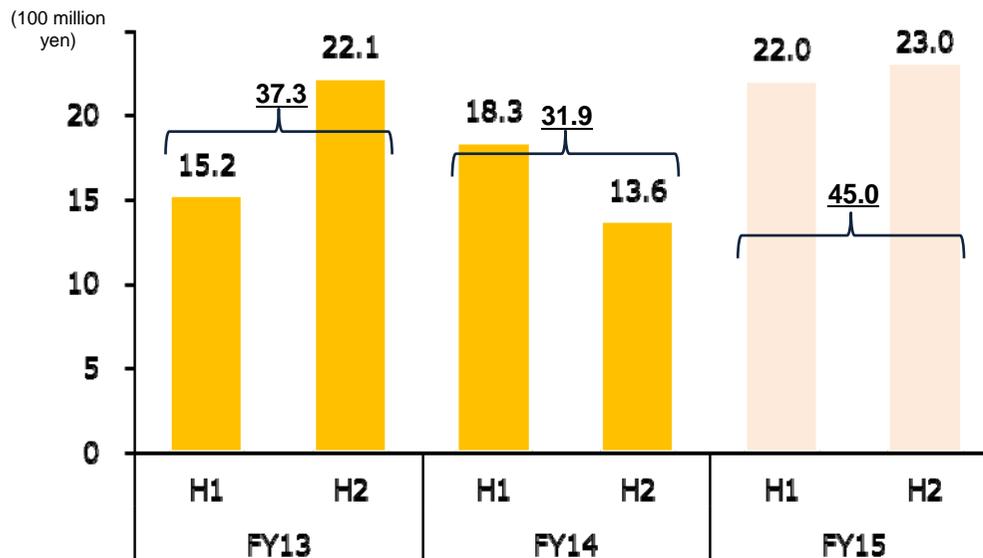
Segment Forecast 1-(1) Optical Fiber Cables



H1 operating profit forecast

Forecast comparison: 14H1=>15H1 +370 million yen

- The effect of the weak yen will contribute to fiber exports.
- Contribution by domestic optical fiber cable base aggregation effect.
- Continual strong demand at OFS (US).
- FISA (Brazil) affected by BRL depreciation



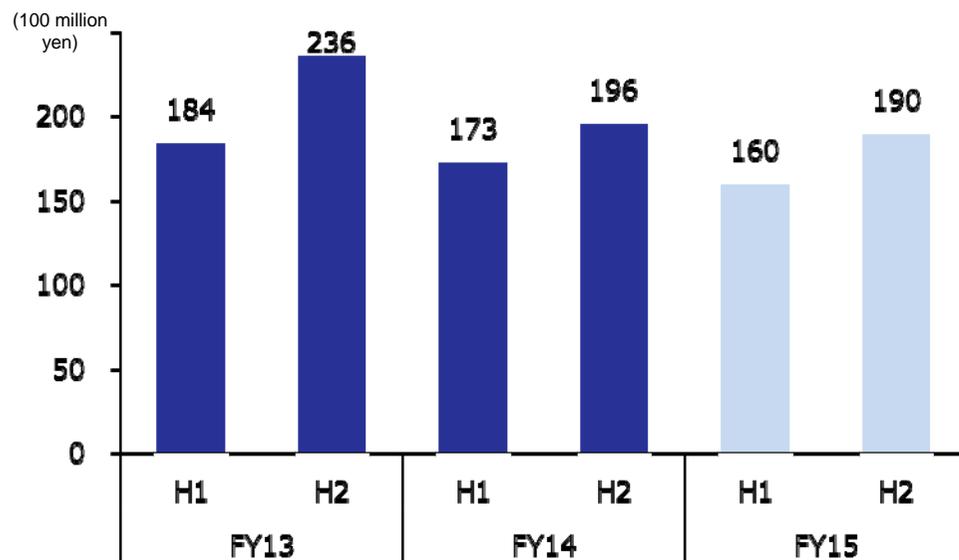
H2 operating profit forecast

Forecast comparison: 14H2=>15H2 +940 million yen

- Contribution by domestic optical fiber cable base aggregation effect.
- Strong demand at OFS (US) and for export fiber

(Note) Upper row: net sales; Lower row: Operating income

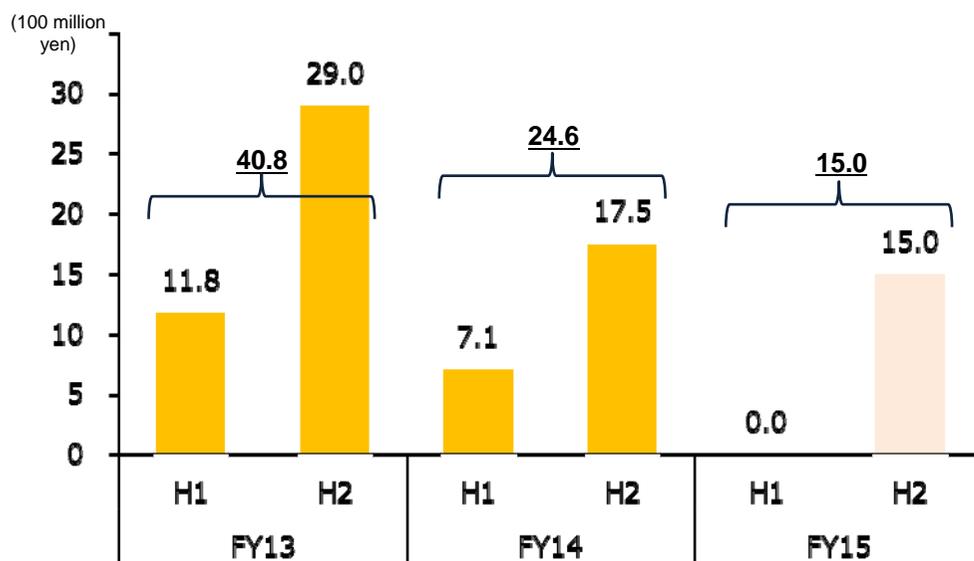
Segment Forecast 1-(2) Photonics Network



H1 operating profit forecast

Forecast comparison: 14H1=>15H1 -710 million yen

- Mobile phone-related work in Thailand expected to peak out.
- Growth in digital coherent-related products.



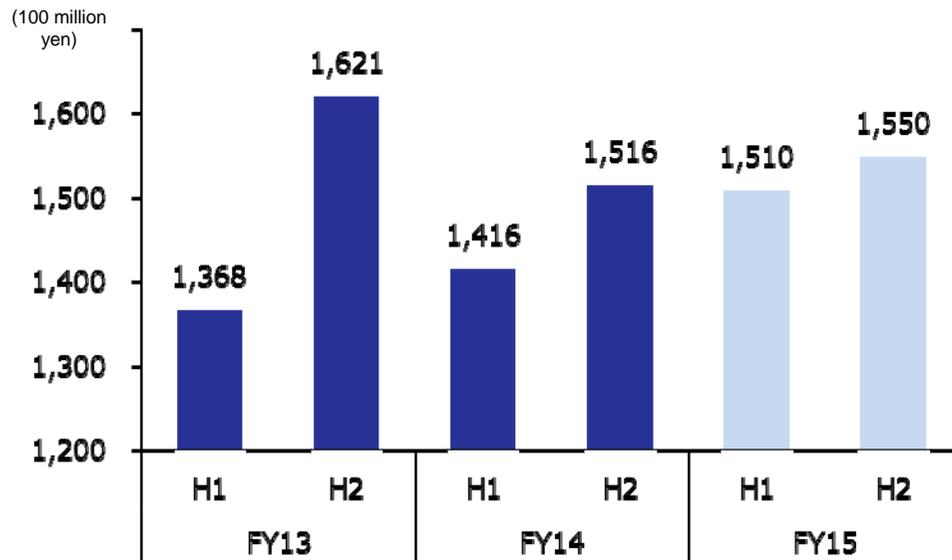
H2 operating profit forecast

Forecast comparison: 14H2=>15H2 -250 million yen

- Continued strong performance in digital coherent-related products.
- Increase in earnings from introduction of new fusion machine products.
- Strong demand for domestic network-related products.
- Mobile phone-related work in Thailand expected to peak out.

(Note) Upper row: net sales; Lower row: Operating income

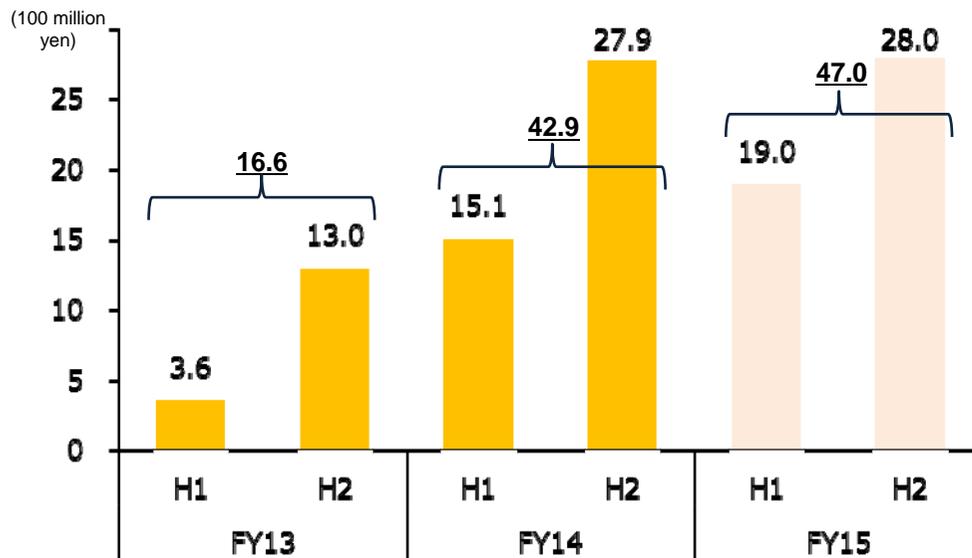
Segment Forecast 2- Energy & Industrial Products



H1 operating profit forecast

Forecast comparison: 14H1=>15H1 +390 million yen

- Growth in demand for copper and aluminum wire in Indonesia.
- Growth in demand for machinery wires.



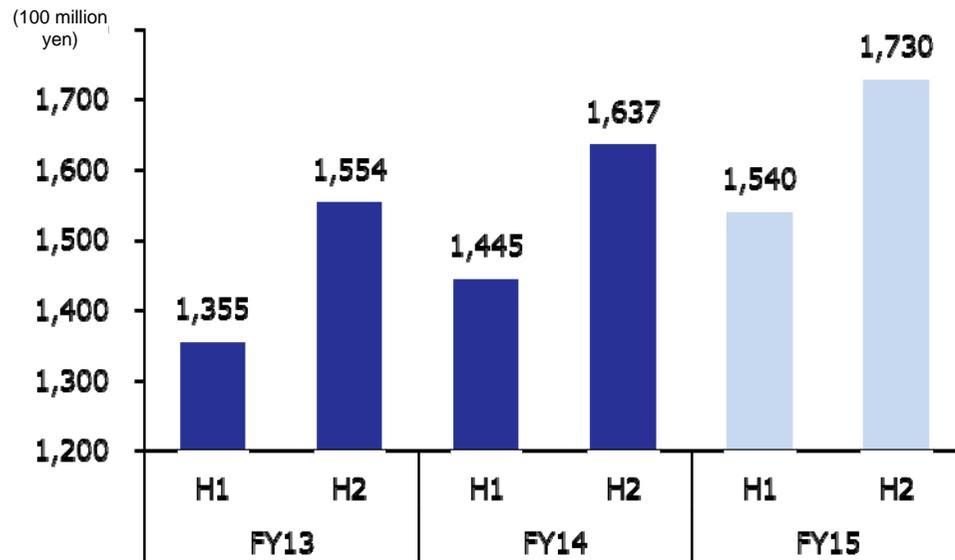
H2 operating profit forecast

Forecast comparison: 14H2=>15H2 +10 million yen

- Growth in demand for electronic components and machinery wires.
- Rebound reduction from profits from power cable projects recorded during FY14Q4

(Note) Upper row: net sales; Lower row: Operating income

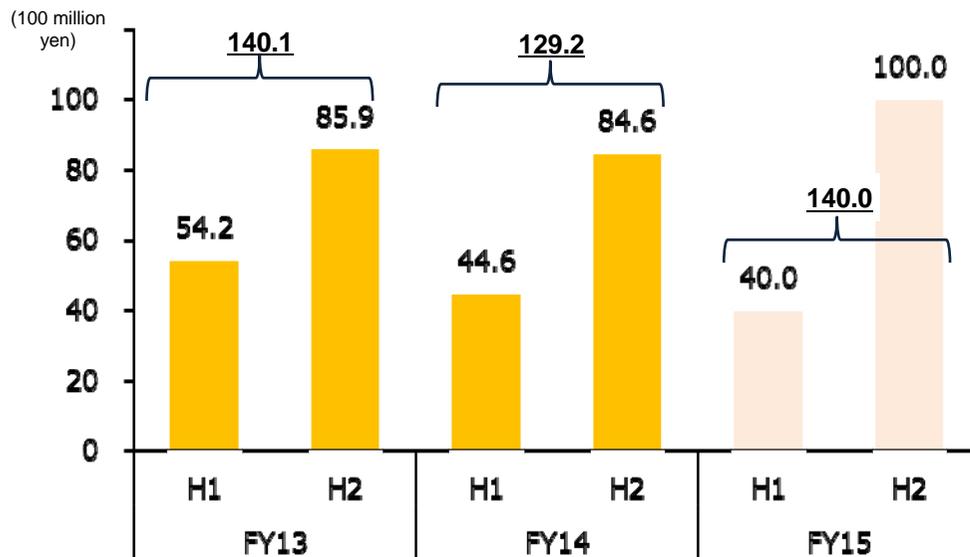
Segment Forecast 3- Electronics & Automotive Systems



H1 operating profit forecast

Forecast comparison: 14H1=>15H1 -460 million yen

- Increase in import costs for autoparts due to the weak yen.
- Continued growth for memory disk materials for data centers.



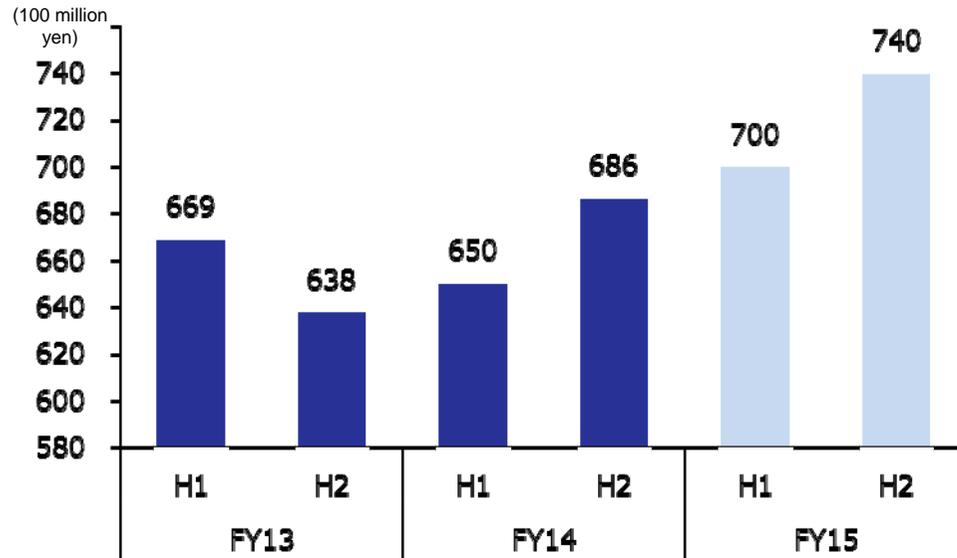
H2 operating profit forecast

Forecast comparison: 14H2=>15H2 +1,540 million yen

- Increase in sales for winding wires and thermal products.
- Continued strong performance for memory disk materials.
- Increase in autoparts sales.
- Contribution of new domestic battery plant and recovery of battery plant in Thailand.

(Note) Upper row: net sales; Lower row: Operating income

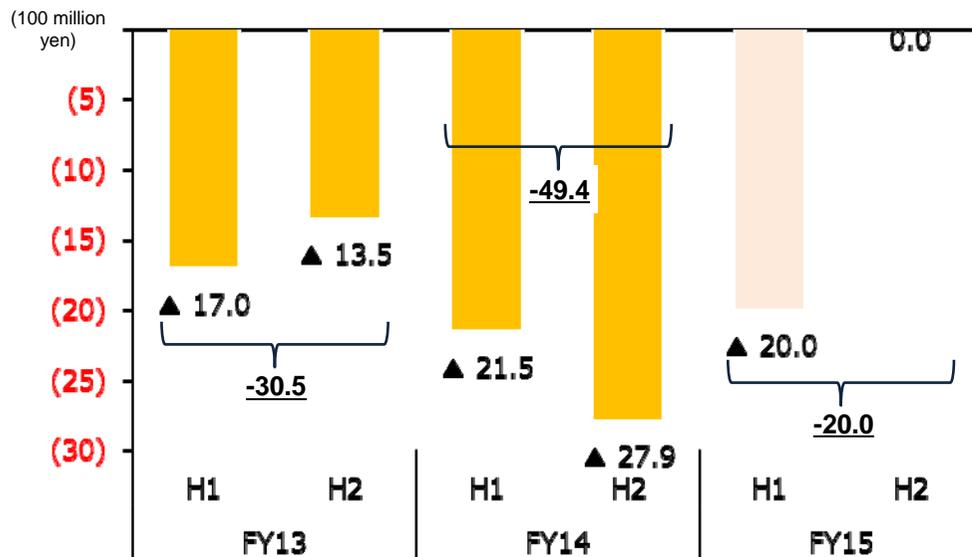
Segment Forecast 4-Metals



H1 operating profit forecast

Forecast comparison: 14H1=>15H1 +150 million yen

- Recovery of earnings for copper strips with the resumption of integrated production at the Nikko Plant.
- Decrease in domestic automotive demand for copper foil.



H2 operating profit forecast

Forecast comparison: 14H2=>15H2 +2,790 million yen

- Nikko Plant expected to become profitable from Q4 thanks to continued growth in copper strip production volumes.
- Increase in earnings for copper foil in Taiwan

(Note) Upper row: net sales; Lower row: Operating income

Summary Balance Sheet Forecast

(100 million yen)

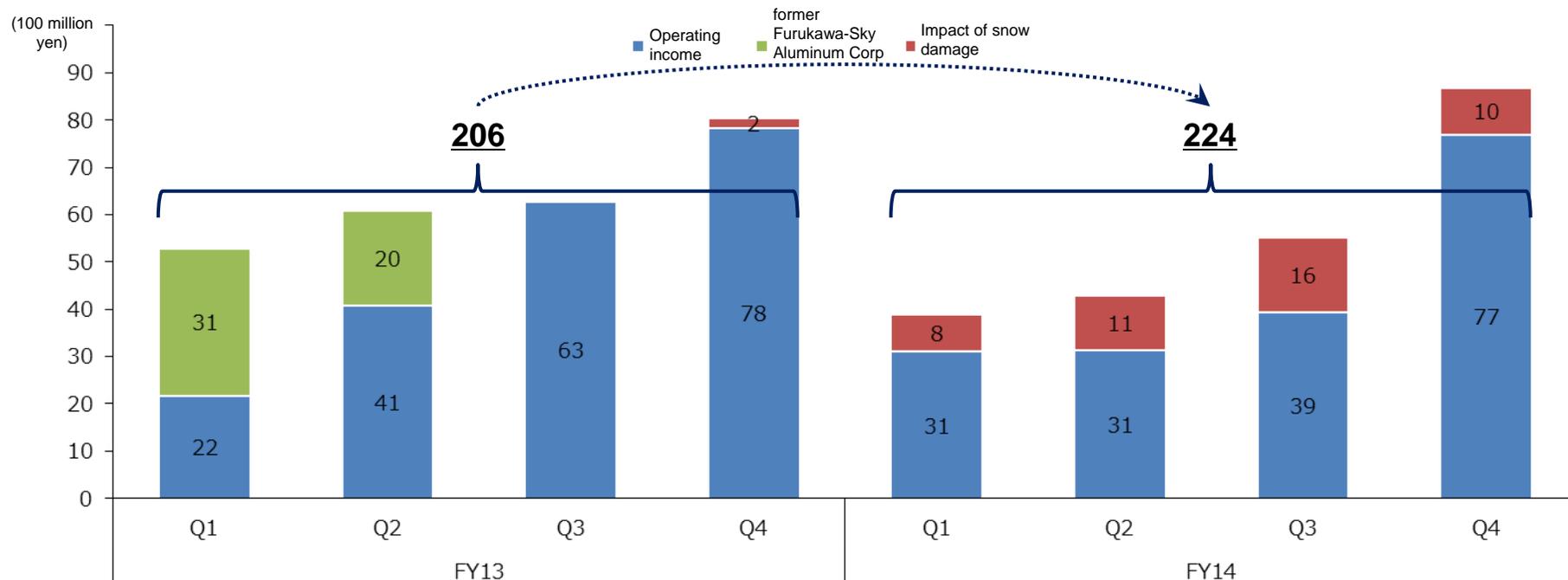
	End of 14Q4	End of 15Q4	Change	Main changes
	a	b	b-a	
Total assets	7,341	7,500	159	Increase in accounts receivable due to sales increase
Interest-bearing liabilities	2,745	2,740	△ 5	
Equity capital ratio	26.0%	26.0%	0.0%	
D/E ratio	1.44	1.41	△ 0.03	
Sales to total assets ratio (annual equivalent sales / total assets)	1.18	1.21	0.03	
ROA (annual equivalent ordinary income / total assets)	2.5%	3.1%	0.6%	
ROE	4.2%	5.1%	0.9%	
Capital expenditures	307	330	23	
Depreciation and amortization	225	255	30	

Overview of FY2014 and Management Policy for FY2015

Mitsuyoshi Shibata
Representative Director and President

Overview of FY2014

- While the initial forecast for operating income was adjusted, the adjusted forecast released was achieved.
 - Earnings are up YoY if impact of former Furukawa-Sky Aluminum and snow damage excluded.
- In terms of the earnings for each individual business:
 - Effects of reforms not yet achieved in domestic businesses facing challenges.
 - Overseas businesses and exports strong due in part to the effect of the weak yen.
- In initiatives for the future, use infrastructure and automotive fields as a stepping stone for global expansion.



15SBU FY2014 Operating Income

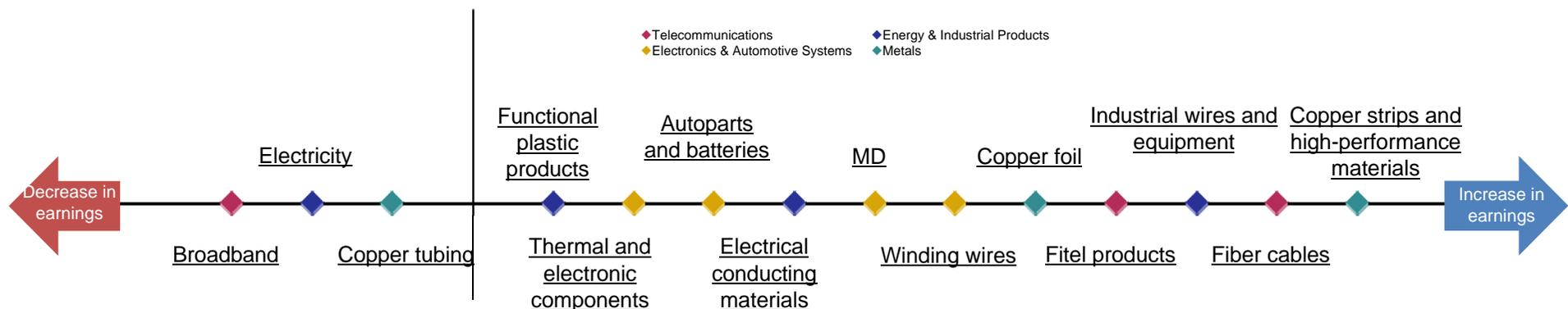


(Note) The horizontal axis displays changes compared to the results for FY2013, and the vertical axis displays changes from the initial forecast for FY2014

Management Policy for FY2015

- Accelerate improvements in the profitability of the domestic business
 - Copper foil
:Reduce scale of domestic production structure
 - Copper strips
:Achieve profit in Q4 through recovery in volume
 - Telecommunications
:Improve productivity

- Accelerate global expansion in infrastructure and automotive fields
 - Expand global bases for telecommunications
 - Improve the autoparts business
 - Expand sales in the battery business
- Strengthen corporate governance



(Note) The changes are compared to operating income in FY2014

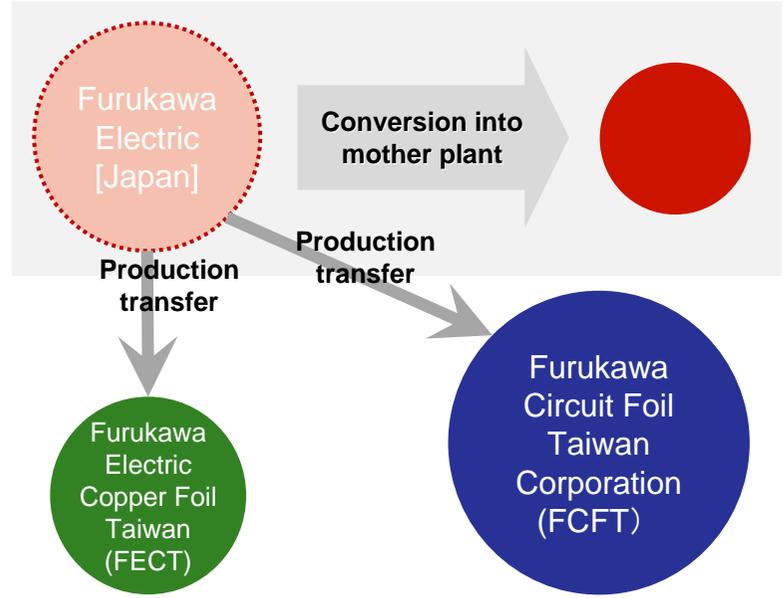
Promote the optimization of the production system up until now

- Shift of production to Taiwan
- Shift to high-value-added products

Deterioration of domestic business environment

- Increase in energy costs
- Declining prices due to intensified competition

Goal of transfer of production to Taiwan



Make the domestic plant the mother plant

- Reduce the scale of the domestic production system by one half within the fiscal year
- Reduce the 160 employees in the business

- Specialize in further high-value-added products
- Establish mass production process in Taiwan

(Note) The size of the circles represents the relative production capacity

Recovering profitability and future strategy for copper strips and high-performance materials

Operating income projected to recover for the current fiscal year

- As a result of the gradual elimination of the impact of the snow damage, the impact on operating income is expected to improve by 2400 million yen compared to FY2014

- Production volume will continue to recover throughout the year, expected to become profitable by Q4
 - Partial acquisition of commercial rights of Mitsubishi Electric Metecs
 - Consider integration of business units in the plating business

- Provision of superconducting wire for ITER (International Thermonuclear Experimental Reactor) beginning in July

(100 million yen)

	Negative impact on operating income FY14			Extraordinary losses
		Copper products	Non-copper products	
Q1	8	6	2	7
Q2	11	10	1	6
H1	19	16	3	13
Q3	16	15	1	7
Q4	10	9	1	7
H2	26	24	2	13
FY14	45	40	5	26

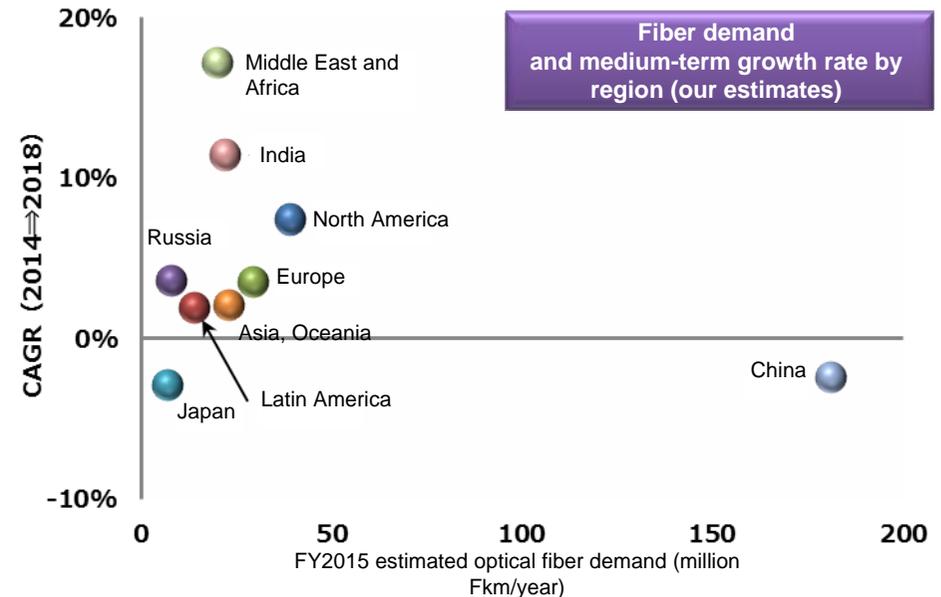
Strategy after recovery

- Expand sales with a focus on the automotive industry and aim for ongoing improvements in profitability
 - Increase automotive products sales ratio through new product proposals, etc. from the 40% prior to snow damage (FY2013) to approximately 60% by FY2017
 - Enter OEM contract with the company AX in China, which will contribute to an increase in overseas processing and sales

Optical Fiber Cables Efforts

■ Global business environment

- Growth in demand for optical fiber cables in Middle East, Africa, India, Europe, and North America
- FTTX projects implemented in European countries
- Acceleration in communications infrastructure investment by North American Internet companies, followed by major carriers
- Negative growth expected in Japan and China

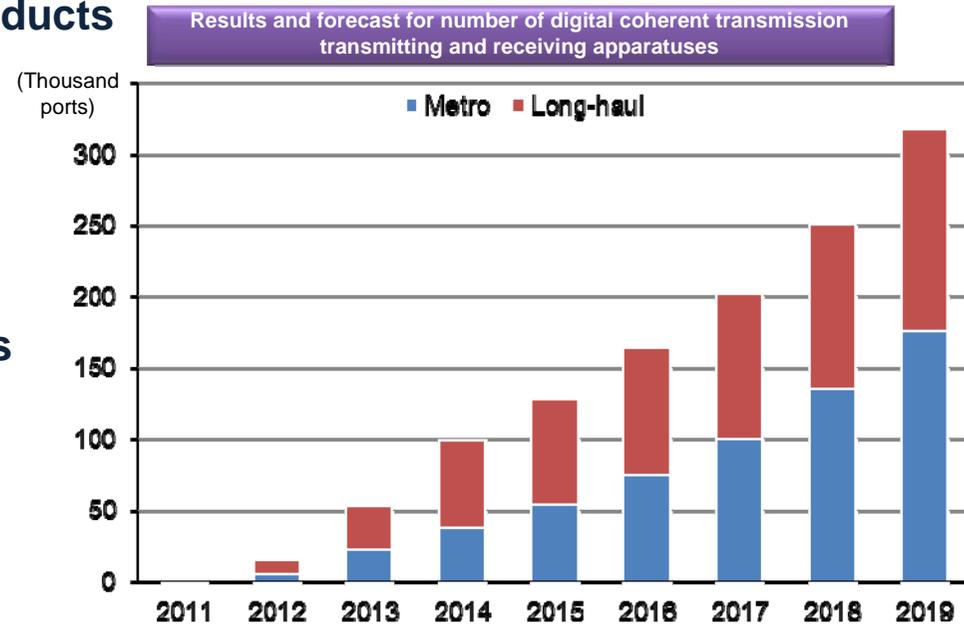


■ Measures by business centers

- Cable business centers will gradually expand into growth areas
 - Expand OFS (Russia) following FISA (Colombia), also preparing for expansion in Africa
- In fibers, increase capacity by 20% in Mie through production process improvements, gradually increase production at OFS (US) in line with demand, and double production in India through line expansion
- Following FISA (Latin America), expand the LAN and FTTH solution business in Asia
- Focus on improving profitability in Mie through thorough cost reductions

■ Growth in digital coherent-related products

- The market is expected to expand for the metro area in addition to long-haul
 - Medium-term market growth expected to be approximately 25% (annually) on a volume basis
- In key parts, secure majority share for ITLA, further strengthen production capacity



■ Expansion of industrial applications

- Basic agreement with Fanuc for the establishment of a joint venture for the manufacturing and sales of laser diode module for fiber lasers

■ Improve profits in the passive products business

- Aggregate production of optical cord connectors within the Group
 - Suspension of operations of Tohoku access cable scheduled for May

Improvements in Autoparts

Respond to recent business environment

- Deterioration in the profits of the domestic wire harness business due to drastic yen depreciation
- Focus on improving profitability by improving productivity, reducing costs, etc.

Initiatives for this year in consideration of the future

■Expansion in markets overseas

- Expand business in markets overseas where more growth can be expected than in Japan, focusing particularly on China, Southeast Asia, and North America
- Optimize processes including orders, production, and delivery by regional business centers

■Expansion of the parts business

- SRC (steering roll connectors)
 - In addition to market entry in Brazil and India where airbags have been made mandatory, focus on increasing sales among new manufacturers in Europe
- BSS (battery status detection sensors)
 - Support the diverse needs of customers by introducing high-function products that don't require battery selection and economic products with reduced functionality

Points for expanding earnings in FY2015

■Automotive sector

- Domestic: Improvement in productivity through the launch of the new Iwaki plant
- Overseas: Expansion of market items through capital investments and campaigns in Thailand

■Industrial sector

- Performance for infrastructure and railway storage batteries expected to remain strong for FY2015
- Recovery in large lead-acid batteries for industrial use that performed poorly during FY2014

■New products

- ECHNO IS UltraBattery: battery for start & stop vehicles
- ECHNO HV: auxiliary battery for hybrid vehicles
- Magbox: magnesium air battery for emergencies and disaster-prevention



- **Number of Outside Directors increased by 1**
 - 4 of the 12 Directors are now Outside Directors
 - Of the above, 2 notified as Independent Outside Directors

- **Establishment of Nomination and Compensation Committee (as of May 11, 2015)**
 - Expanded function of the former Compensation Committee, established as an optional organization
 - 3 of the 5 members are Outside Directors

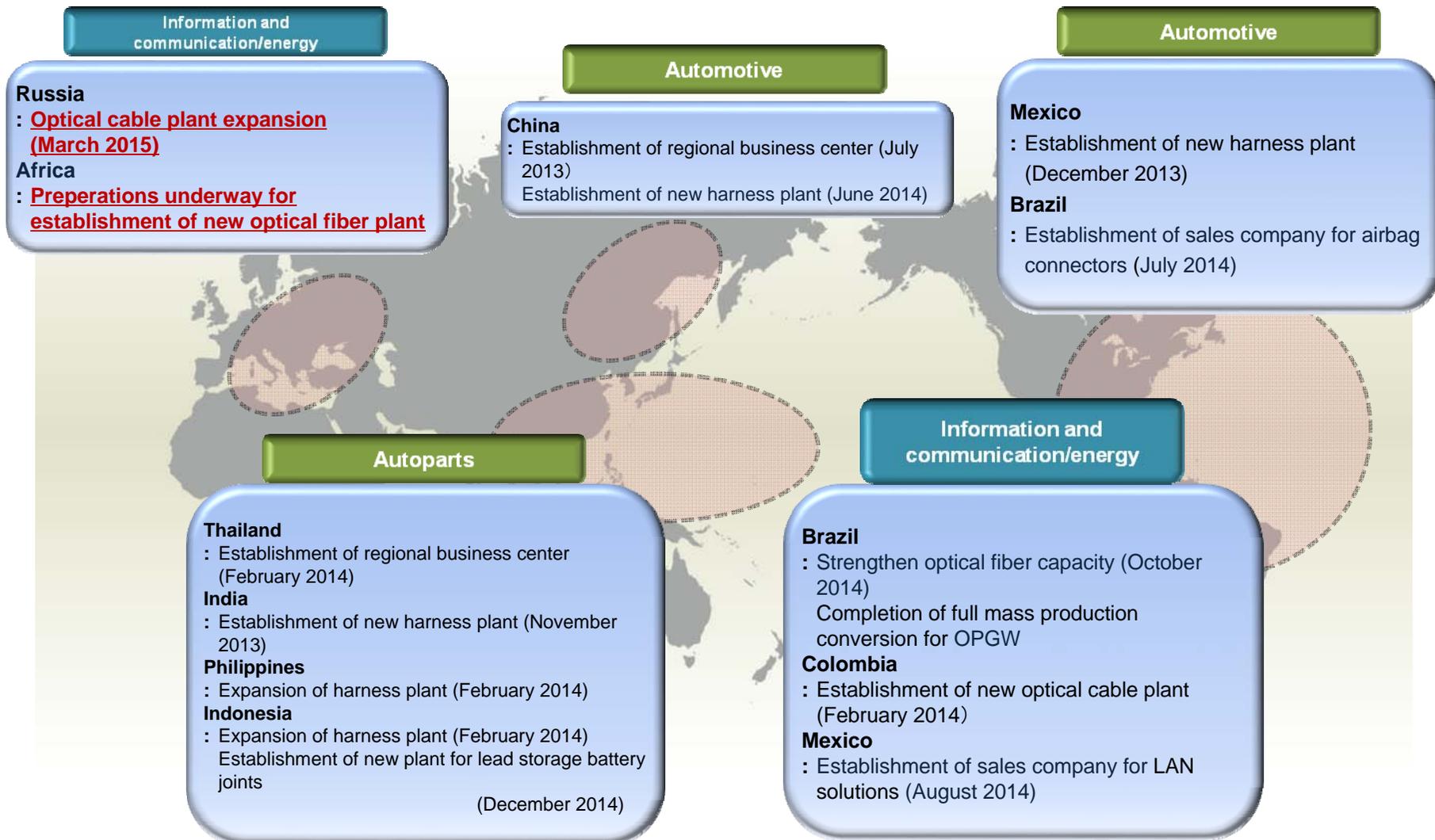
- **Management with a focus on capital efficiency**

- Furukawa Electric considers the appropriate return of profits to our shareholders to be one of our most important policies. Our basic policy is to continue making steady dividend payments in consideration of future business developments and in anticipation of the Company's future profitability trends and financial status from a long-term perspective.
- The internal reserve will be used to improve the financial structure and will be allocated to investments aimed at developing the next generation of business to build a platform for sustainable growth. These include growth strategy investments with a focus on the infrastructure and automotive markets.

	FY2013 results	FY2014 results	FY2015 estimate	Change
Annual dividend per share	3.0 yen	3.0 yen	4.0 yen	+1.0 yen

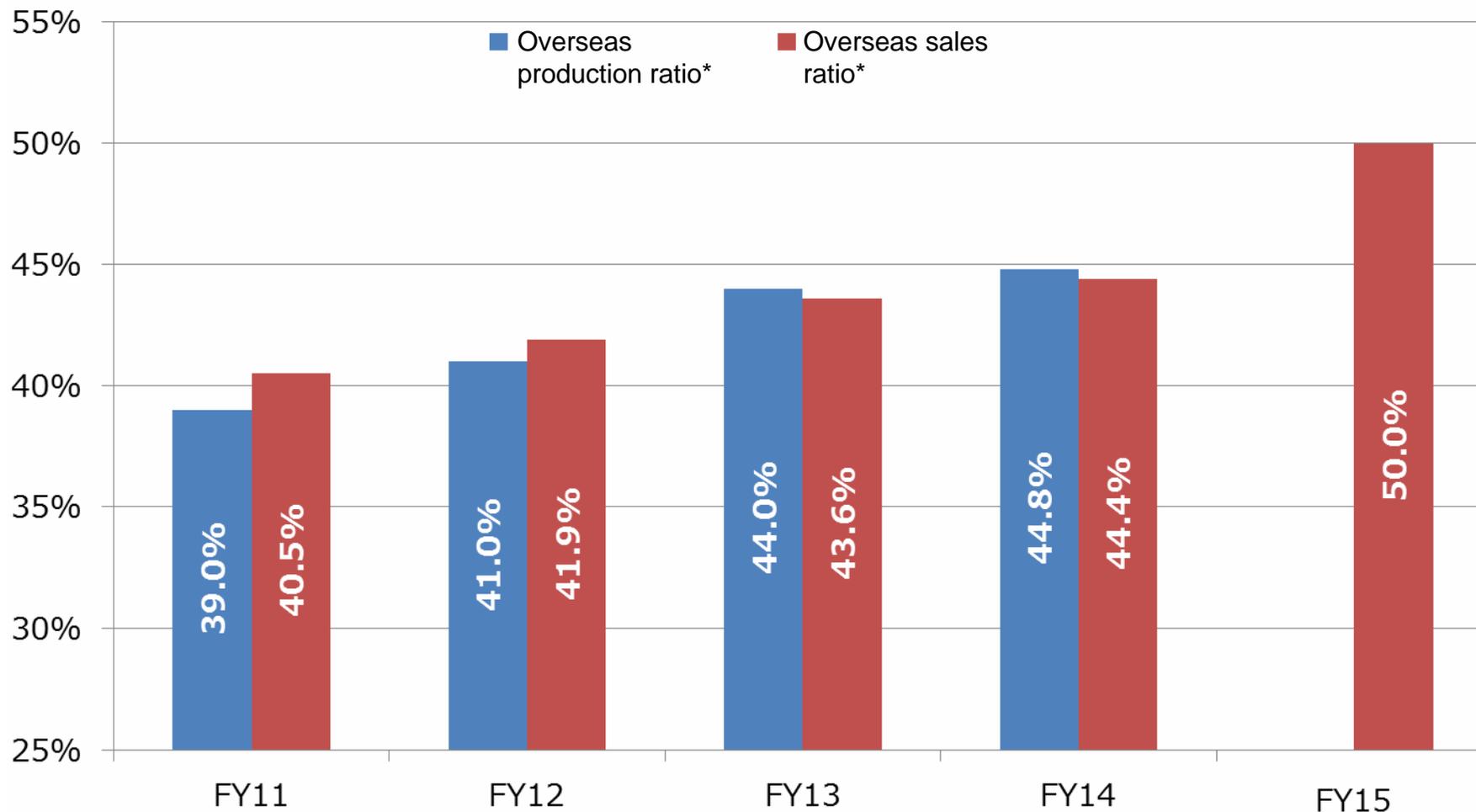
Appendix

■ Optical fiber cables bases in Europe and Africa



Changes in Overseas Production and Sales Ratios

■ Increase in both the overseas production ratio and sales ratio

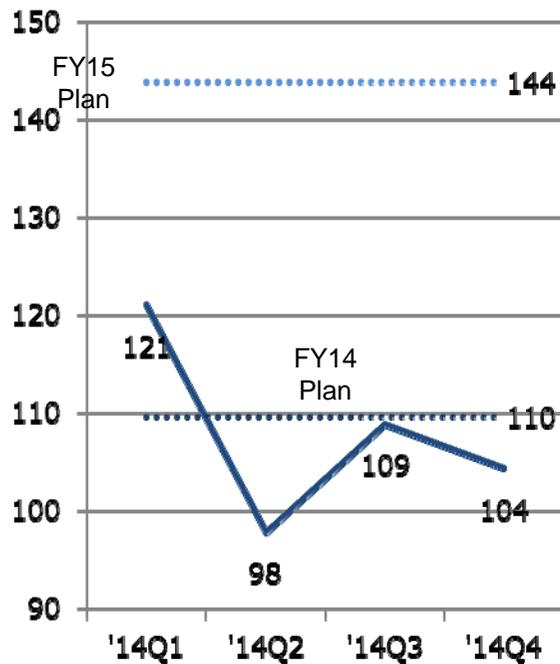


(Note) Overseas production ratio and overseas sales ratio were calculated excluding the former Furukawa-Sky Aluminum Corp. Medium-Term
Management Plan

Strategic Products and Sales Volume Trends

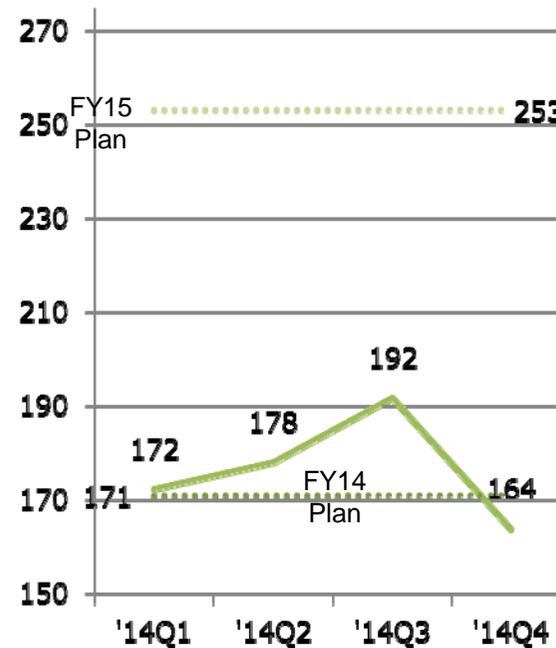
ITLA/FBT

Integrated signal light sources for use in digital coherent telecommunications



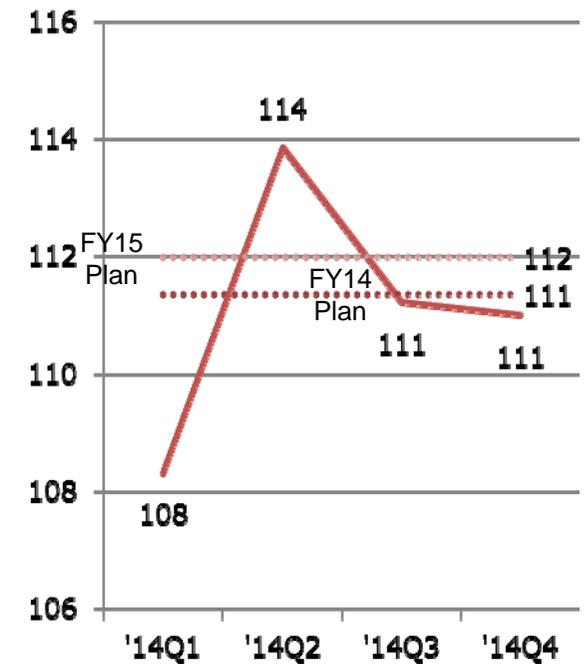
BSS

Car battery status detection sensors



SRC

Connectors for car airbags



(Note) Figures for respective products are indices assuming FY13Q4's volume as 100.s

Thank you for your attention.

Bound to  ***Innovate***