

FY2012 Management Plan Interim Review and Business Structure Reform

November 1, 2012

FURUKAWA ELECTRIC CO., LTD.

FY2012 1H Results and Full-Year Forecast

Hideo Sakura
Chief Financial Officer

1H FY2012 Results: Beat Forecast, Reflecting the Strong Performance of the Auto Parts Business

FURUKAWA ELECTRIC

(Unit: billion yen)

	a	b	b/a
P&L	1H FY2012 Forecast	1H FY2012 Results	Progress
Net Sales	460.0	448.4	97.5%
Operating Income	8.0	8.7	109.1%
Ordinary Profit	6.5	8.1	124.5%
Net Profit	1.5	2.6	174.7%

P&L Results for 1H FY2012 (YoY% Change)

FURUKAWA ELECTRIC

(Unit: billion yen)

	a	b	b-a	
P&L	1H:11	1H:12	Change	Factors of Change
Net Sales	468.7	448.4	-20.3 -4.3%	Special factors: -18.3 Real: -2.0 Bare metals: -18.1; New inclusion in consolidated results: +7.5; Foreign exchange gain/loss of overseas subsidiaries: -7.7
Operating Income	10.5	8.7	-1.8	Special factors: -0.8 (see page 6)
Ordinary Profit	10.0	8.1	-1.9	
Extraordinary profit (loss)	-17.5	-1.6	+16.0	
Income tax, adjustments	-4.0	-2.8	+1.2	
Minority interests in income (loss)	-1.6	-1.1	+0.5	Furukawa Sky: +0.6
Net Profit	-13.2	2.6	+15.8	
(Note) Negative figures are indicated by a minus (-) symbol.				
Average copper price quote (¥/kg)	772	662	-110	
Average foreign exchange rate (US\$/¥) for the period	82.01	79.77	-2.24	

Balance Sheet at End of 1H FY2012 (Compared to End of FY2011)

FURUKAWA ELECTRIC

(Unit for Total Assets and Liabilities with Interest: billion yen)

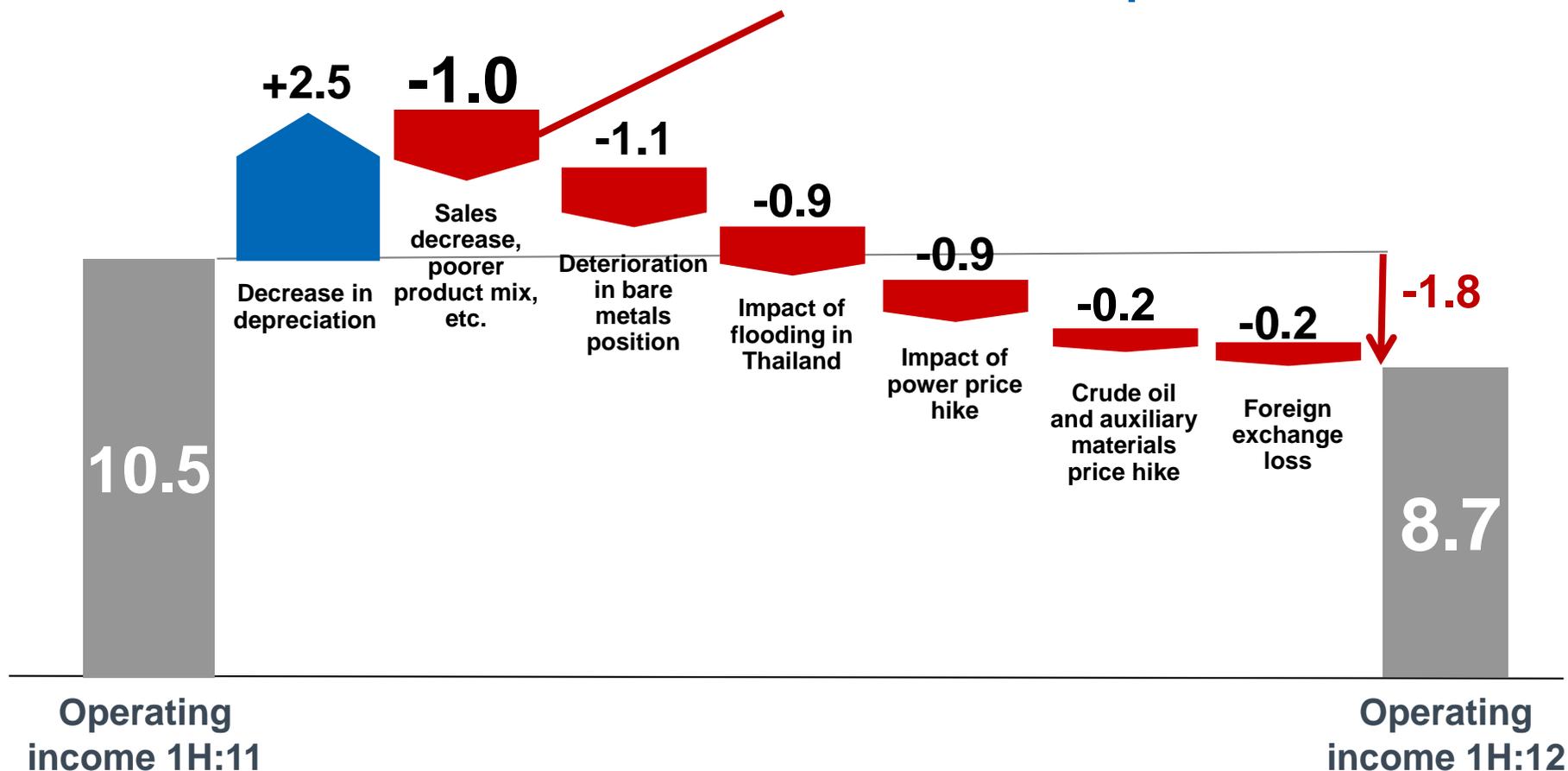
BS	a	b	b-a
	End FY2011	End 1H:12	Change
Total Assets	790.1	789.6	-0.5
Liabilities with Interest	325.2	323.6	-1.7
Capital Ratio	18.3%	18.2%	-0.1
D/E Ratio	2.25	2.26	+0.01
Asset Turnover Ratio	1.16	*1.14	-0.02
ROA (operating profit basis)	2.0%	*2.2%	+0.2

* Annual basis

Analysis of Change in Operating Income for 1H FY2012

(Unit: billion yen)

Real operating income drop of 1.0
excluding a decline of 3.3 for other special factors and
an increase of 2.5 due to a decrease in depreciation

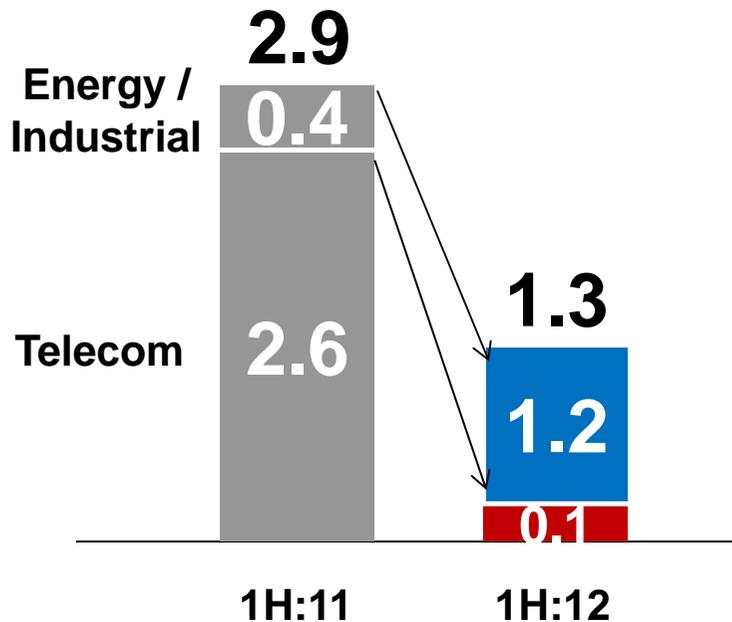


YoY % Change in Operating Income by Segment

FURUKAWA ELECTRIC

(Unit: billion yen)

Transmission Infrastructure: 2.9 → 1.3 (down 1.6)



[Telecommunications] 2.6 → 0.1 (down 2.5)
 ● Optical Fiber Cable: 1.4 → 0.9 (down 0.5)
 Operating income declined, chiefly due to a temporary fall in demand for optical fiber cable in South America, although demand for the project business in North America was strong
 ● Photonics Networks: 1.1 → -0.8 (down 1.9)
 Operating income plunged, primarily due to poor demand months for network systems such as CATV equipment, and the continuing impact of the flooding in Thailand.

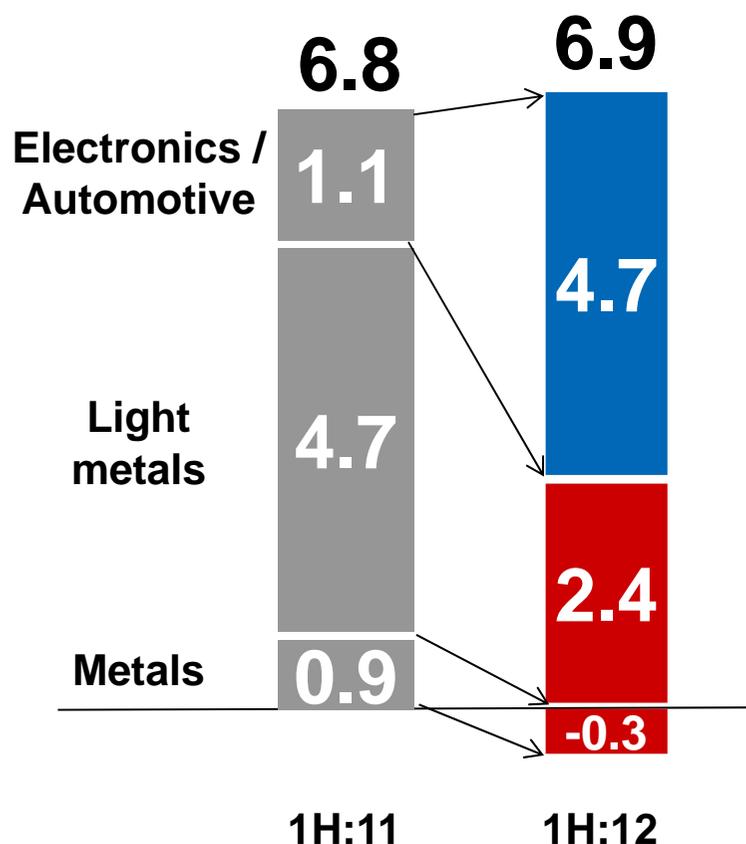
[Energy & Industrial Products] 0.4 → 1.2 (up 0.8)
 Operating income increased, mainly attributable to the improvement in MCPET profitability for LED TVs, driven by higher productivity, and stronger demand for semiconductor tape for smartphones and tablet PCs, although demand for high-voltage cables and parts for power companies in China and Japan was stagnant.

YoY % Change in Operating Income by Segment

FURUKAWA ELECTRIC

(Unit: billion yen)

Advanced-Function Materials: 6.8 → 6.9 (up 0.1)



[Electronics/Automotive Systems] 1.1 → 4.7 (up 3.6)

Operating income surged significantly, primarily attributable to buoyant demand for wire harnesses for automobiles and a reduced deficit from the withdrawal from the glass blanks business.

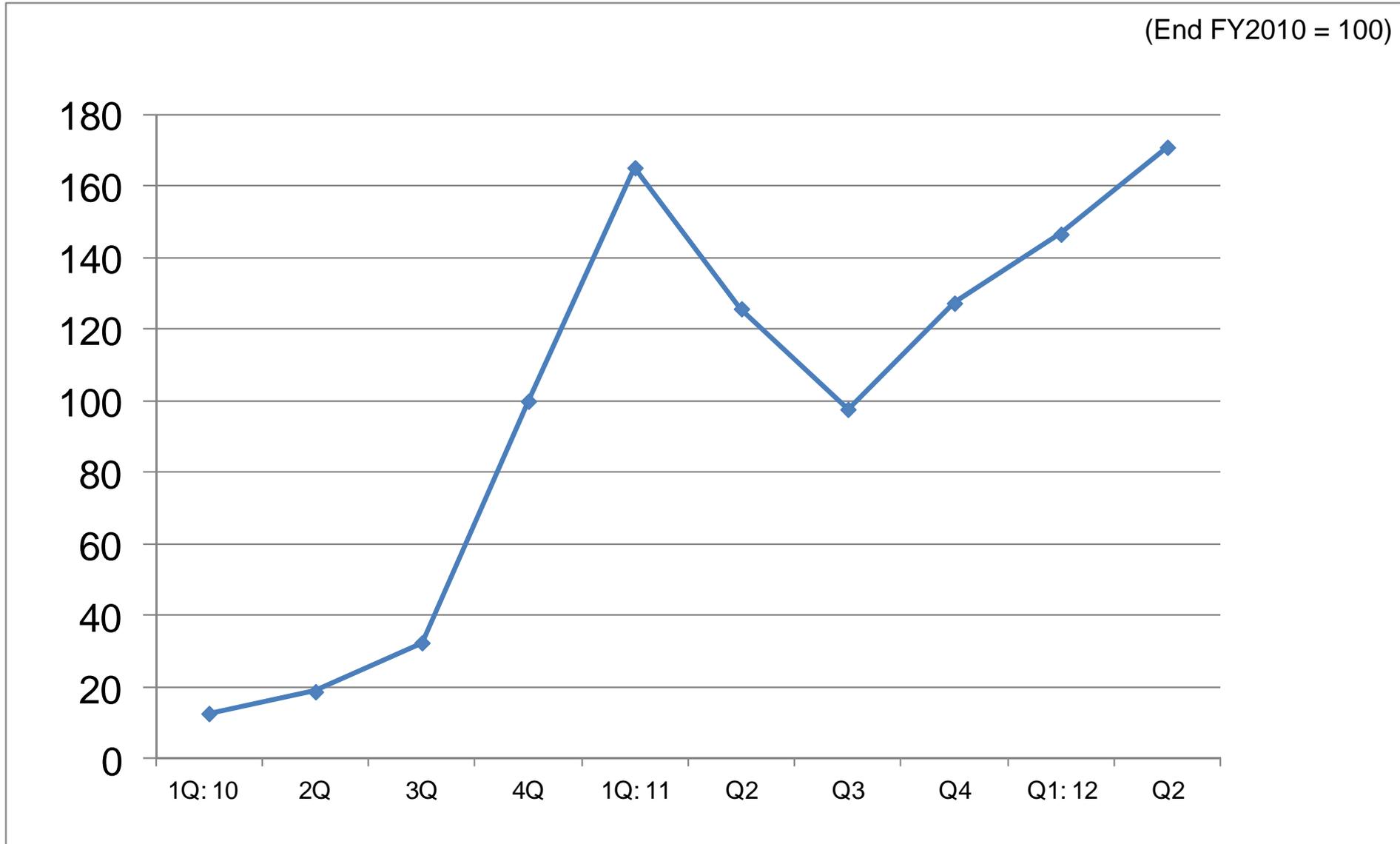
[Metals (copper processing)] 0.9 → -0.3 (down 1.2)

Operating income declined on weak demand for copper foils for lithium batteries and printed circuit boards, reflecting the sluggish electric vehicle and electronics industries. Demand for copper pipes for air conditioners in Asia was also weak.

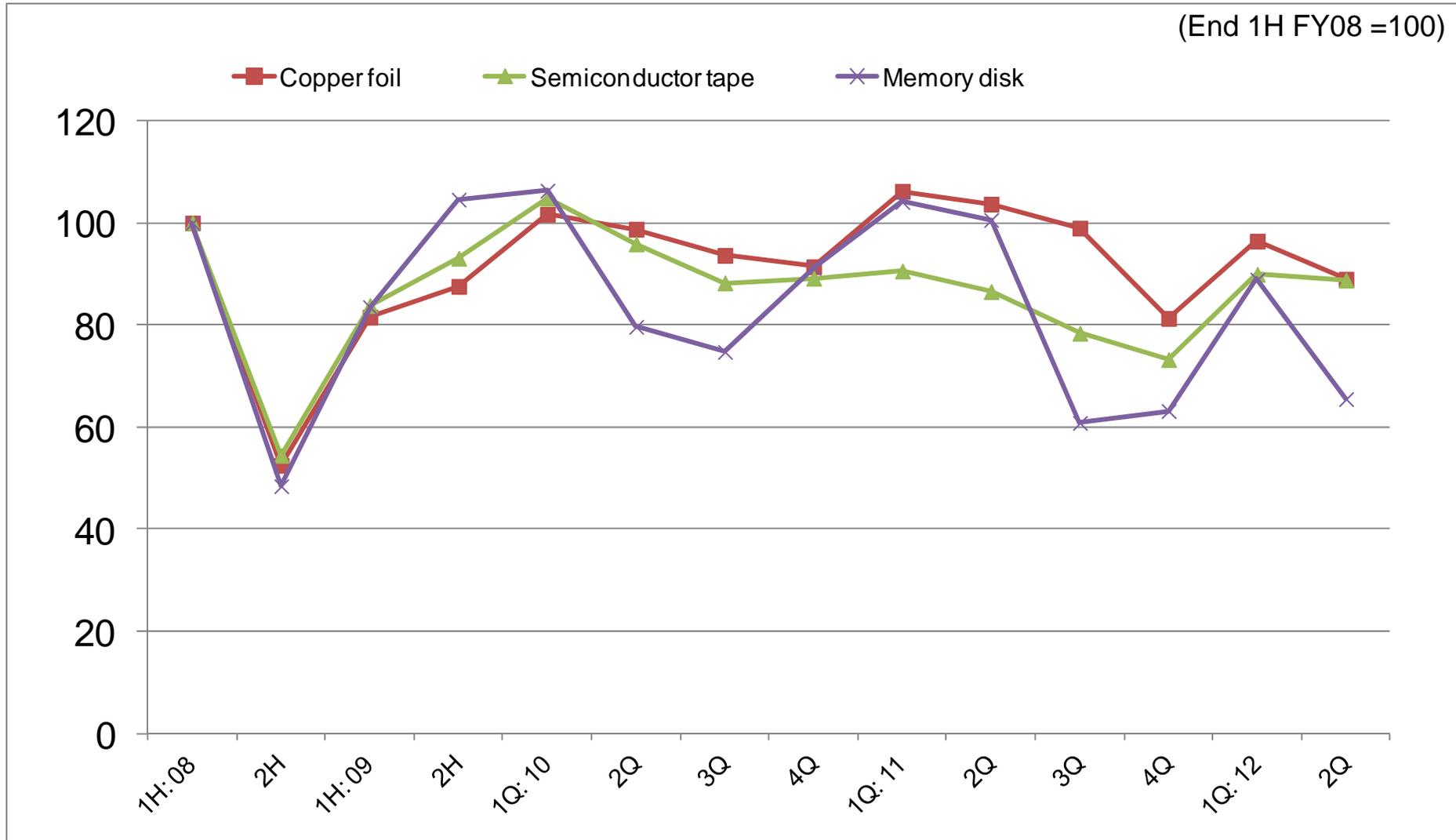
[Light Metals (aluminum processing)] 4.7 → 2.4 (down 2.3)

Operating income decreased due to declines in sales volumes for aluminum thin plate for beverage cans and thick plate for LCD/SPD manufacturing equipment, offsetting an increase in demand for aluminum radiators for automobiles.

MCPET Sales Index for LCD TVs



Advanced-Function Materials Sales Index



Revision of Financial Results Forecast for FY2012

FURUKAWA ELECTRIC

(Unit: billion yen)

	A	B	C	C-A	C-B
	FY2011 results	Previous forecast for FY2012	Latest forecast for FY2012	Change between latest forecast for FY2012 and FY2011 results	Change between latest and previous forecasts for FY2012
Net Sales	918.8	980.0	950.0	+31.2	-30.0
Operating Income	15.9	25.0	20.0	+4.1	-5.0
Ordinary Profit	12.9	23.5	17.5	+4.6	-6.0
Extraordinary Profit (Loss)	-10.9	-1.3	-4.5	+6.4	-3.2
Net Profit	-11.1	9.0	2.0	+13.1	-7.0

Revision of Operating Income Forecast by Segment for FY2012

FURUKAWA ELECTRIC

(Unit: billion yen)

		A	B	B-A	
	FY2011 results	Previous forecast for FY2012	Latest forecast for FY2012	Change between latest and previous forecasts	Major changeable factors
Telecommunications	4.1	2.5	1.5	-1.0	Weaker overseas demand for optical cable Decrease in domestic demand for CATV equipment
Energy & Industrial Products	-0.8	2.5	2.0	-0.5	Continuous stagnation in power cable demand in China Decrease in MCPET demand for LED TVs
Electronics and Automotive Systems	5.1	10.0	11.0	+1.0	Continuing strong export demand for harnesses for light and large vehicles
Metals	0.0	2.0	-0.5	-2.5	Continuous stagnation in demand for copper foils for lithium batteries and printed circuit boards
Light Metals	5.7	7.0	5.0	-2.0	Delay in demand recovery, mainly for aluminum thick plate for LCD/SPD manufacturing equipment
Service, etc.	1.7	1.0	1.0	0.0	
Total	15.9	25.0	20.0	-5.0	

Summary and Effects of the Business Structural Reform

Mitsuyoshi Shibata

President

➤ **Domestic market**

Continued strong yen and deflation, declining population, natural disaster risks, rising energy costs, and the so-called Galapagos syndrome

➤ **Overseas market**

Rising population, increases in demand for infrastructure development, low energy costs, global standards, and economies of scale



**Accelerating the structural reform
of the business in Japan**

The Domestic Business Integration of the Light Metals Business and the Shift to Overseas Operations

29th August 2012

Furukawa SKY announced that it reached to an agreement of merger with Sumitomo Light Metal.

27th September 2012

Furukawa SKY announced its additional capex and raising of capital for the new plant in Thailand.



Becoming the world's third-largest aluminum producer

Review the business structure centered on the domestic business to improve profitability under the next medium-term plan, and generate results from fiscal 2013.

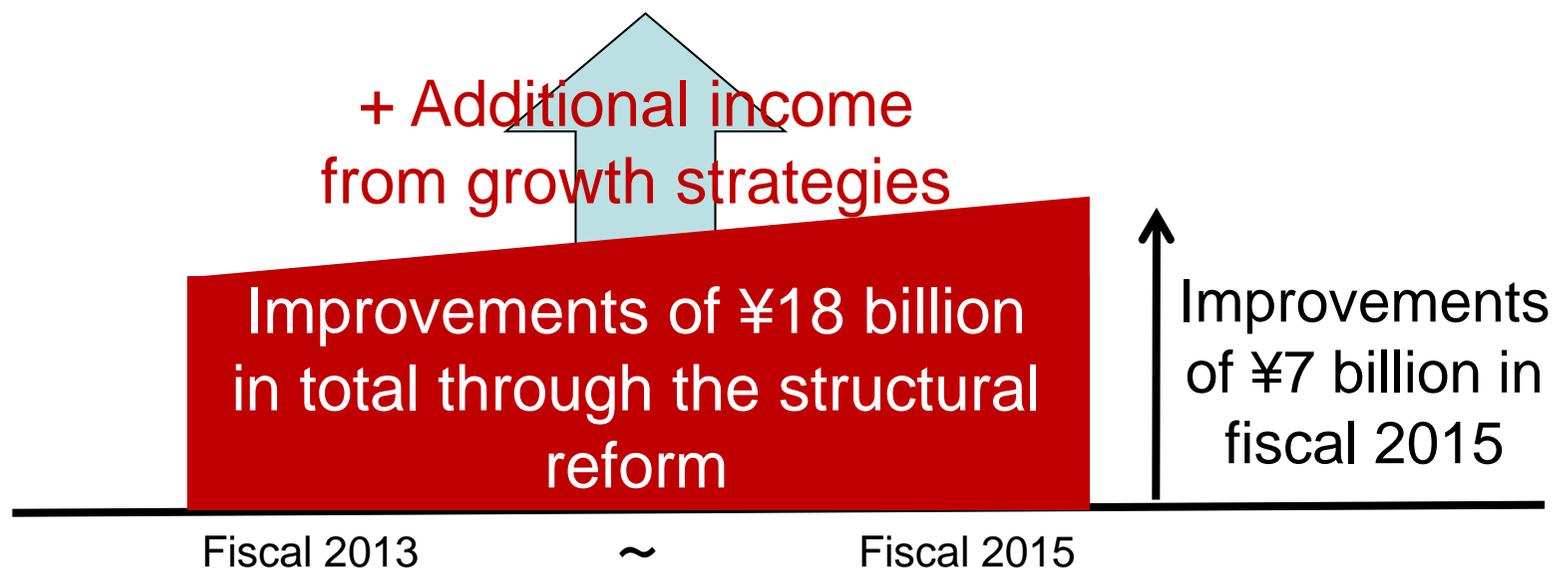


1. Downsizing domestic operations and shifting operations overseas
2. Shifting the human resources in the Group
3. Establishing a structure for global Group management

Estimated Effects on Income from the Business Structural Reform (on an Operating Income Basis)

Effects of improvements of ¥18 billion* in total over three years between fiscal 2013 and 2015

* Total income for the three years compared with estimated income for fiscal 2012



1. Downsizing the Domestic Operations and Shifting Operations Overseas

1) Integration, downsizing and the withdrawal due to the contraction of the domestic market

■ Integration of domestic production

Optical cable

Mie and Chiba Works → Mie Works
(End of June 2013)

Conductor materials

Mie and Chiba Works → Mie Works
(End of fiscal 2013)

■ Integration of domestic operations

Electric power parts

Asahi Electric Works Co., Ltd. / Inoue Manufacturing Co., Ltd. / Furukawa Power Components Inc. / Furukawa Electric Co., Ltd.
(From April 2013; The integration of the three subsidiaries was completed in October 2012.)

■ Downsizing of the domestic operations

Coils

Downsizing of operations including the partial withdrawal of the general-purpose thick enameled wire business (End of fiscal 2013)

1. Downsizing the Domestic Operations and Shifting Operations Overseas

2) Shifting of operations overseas, due to increases in costs in Japan

Copper foils Part of Imaichi Plant → Taiwan (End of September 2013)

Coils (TEX) Mie Works → Taiwan and Malaysia (End of fiscal 2012)

Industrial electric wires;

Transfer part of the operations to overseas OEMs
(End of 2012)

3) Streamlining of administration departments

Cost cutting of 20% in existing operations in the administration and other departments, and strengthening of the Group management function

Estimated Effects on Income by Measures (on an Operating Income Basis)

(billion of yen)

Measures	Estimated effects on total income (Total income for between fiscal 2013 and 2015, compared with estimated income for fiscal 2012)
1) Integration, downsizing	10.0
2) Shifting of operations overseas	5.0
3) Streamlining of administration	3.0
Total	18.0

Estimated Effects on Income by Segment (on an Operating Income Basis)

(billion of yen)

Segment	Estimated effects on total income (Total income for between fiscal 2013 and 2015, compared with estimated income for fiscal 2012)
Telecommunications	6.0
Energy and Industrial Products	3.5
Electronics and Automotive Systems	2.0
Metals	3.5
Head Office	3.0
Total	18.0

2. Strengthening the foundation of human resources in the Group

Strengthening the foundation of human resources by reallocating approximately 600 staff members and taking other measures mainly in Furukawa Electric through the business structural reform



Allocating 200 staff members to the Group's growth business areas



Allocating 400 staff members (i) to subsidize natural declines in the future

3. Establishing a Structure for the Global Group Management

➤ Priority-based management

Selecting businesses that the Group can compete in the global market and determining priority orders in investments in accordance with the strategies

➤ Integrated Group management

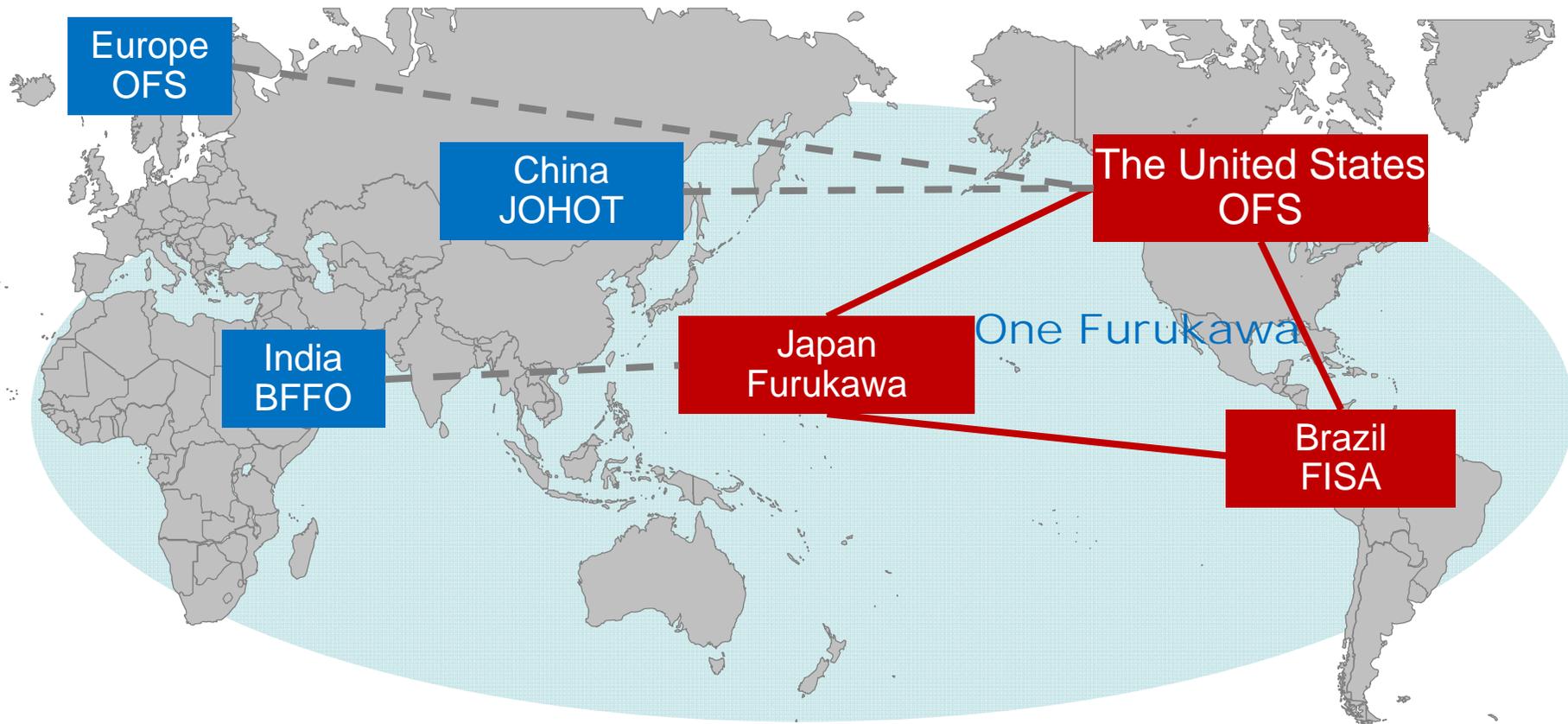
Achieving the growth of One Furukawa through the united effort of Furukawa Electric Co., Ltd. and its affiliates with the change in management structure from a company system to the strategic business unit system

➤ Customer oriented management

Improving the ability to respond to customers through a cross-section approach with the cross-company realignment of sales and marketing organizations

3. Establishing a Structure for the Global Group Management

Formulating 'One Furukawa', controlling the global optimal production and supply in the optical fiber and cable business (From April 2013)



Thank you for your attention.



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 capital 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 at 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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