

FY2012 Management Plan

FY 2011 Business Results:

Hideo Sakura, Chief Financial Officer

FY 2012 Management Plan:

Mitsuyoshi Shibata, President

May 10, 2012

Furukawa Electric Co., Ltd.

FY 2011 Business Results

Hideo Sakura
Chief Financial Officer

- 1. PL and BS Review**
- 2. Operating Income Analysis**
- 3. Impact of Flooding in Thailand**
- 4. Segment Analysis**
- 5. Review of Forecast-Results
Difference for FY 2011**
- 6. Strategic Initiatives for FY 2011**
- 7. Sales Volume by Product Type**

PL Results for FY 2011 (with Change YoY)

FURUKAWA ELECTRIC

(Billion yen)

PL	a FY 2010	b FY 2011	b-a Change	Reasons for change
Net sales	925.8	918.8 -0.8%	-6.9	(Bare metals: +16.6, New inclusion in consolidated results +10.7, Foreign exchange gain/loss of overseas subsidiaries -22.5) Special factors: +4.8 Real sales change: -11.7
Operating income	35.1	15.9	-19.2	Special factors: -12.0 (See p. 6)
Ordinary profit	31.4	12.9	-18.5	
Extraordinary profit	7.3	16.2	+9.0	Fixed asset sell-off: +7.1, Securities sell-off: +3.4
Extraordinary loss	-15.1	-27.2	-12.1	Fine for US anti-trust law: -15.3 Glass substrate business withdrawal: -2.6
Income tax adjustments	1.4	-5.9	-7.3	Impact of taxation revision: -3.4
Minority interests	-6.0	-1.6	+4.4	Furukawa-Sky Aluminum: +4.1
Net profit	12.2	-11.1	-23.3	

(Note) A negative figure is indicated with a minus (-) symbol.

BS Results for FY 2011 (with Change YoY)

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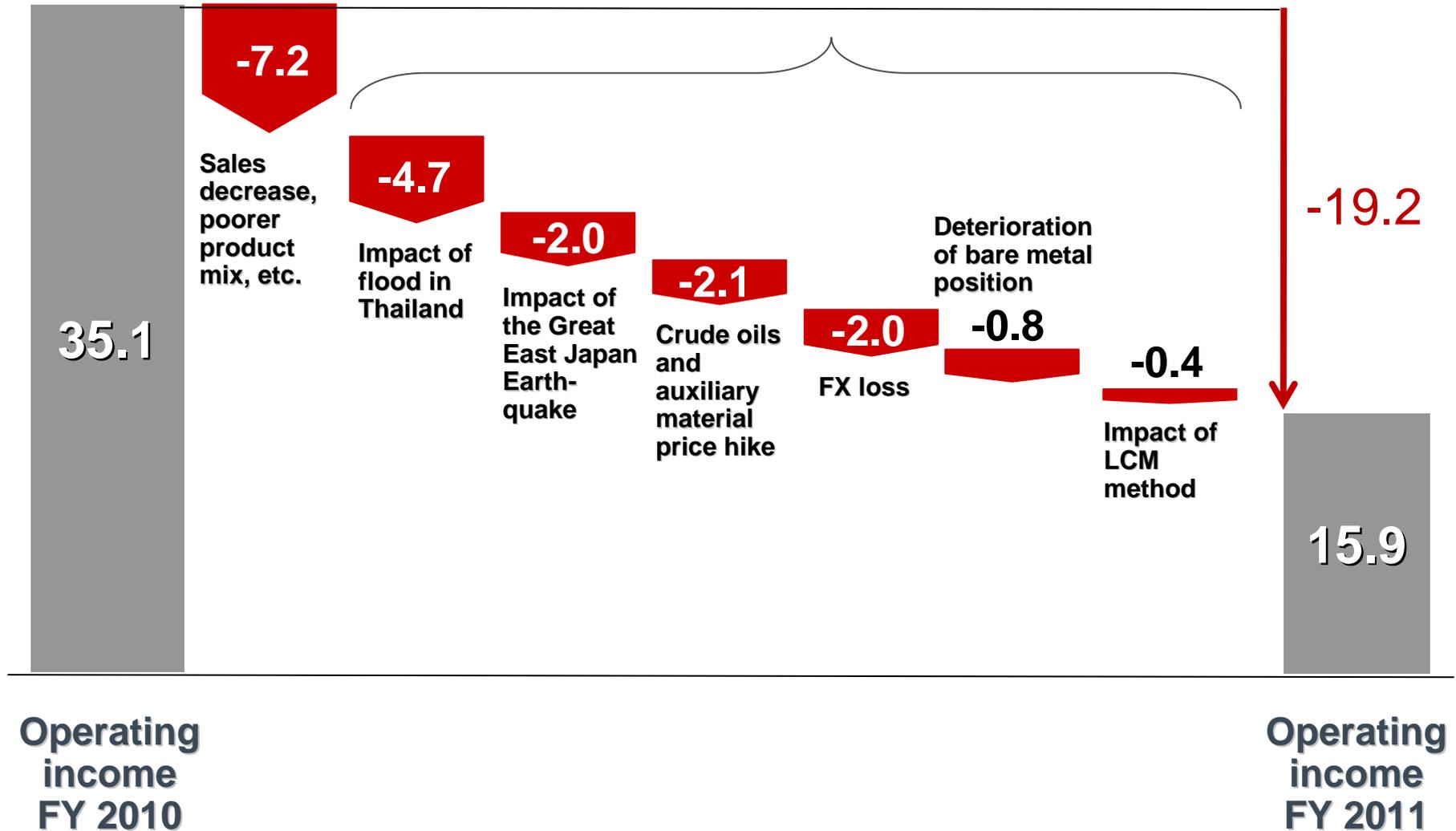
(Billion yen for total assets and interest-bearing debt)

	a	b	b-a
BS	Mar. 31, 2011	Mar. 31, 2012	Change
Total assets	826.9	790.1	-36.8
Interest-bearing debt	341.6	325.2	-16.4
			Reduced for the 8 th straight year
Capital ratio	20.1%	18.3%	-1.8
D/E ratio	2.06	2.25	+0.19
Turnover	1.12	1.16	+0.04
ROA (OI basis)	4.2%	2.0%	-2.2

Operating Income Analysis for FY 2011

(Billion yen)

Real operating income fall of 7.2 billion yen excluding the decline of 12.0 billion yen due to special factors



3. Impact of Flooding in Thailand

Impact of Flooding in Thailand (on operating income) and Recovery

FURUKAWA ELECTRIC

(Billion yen)

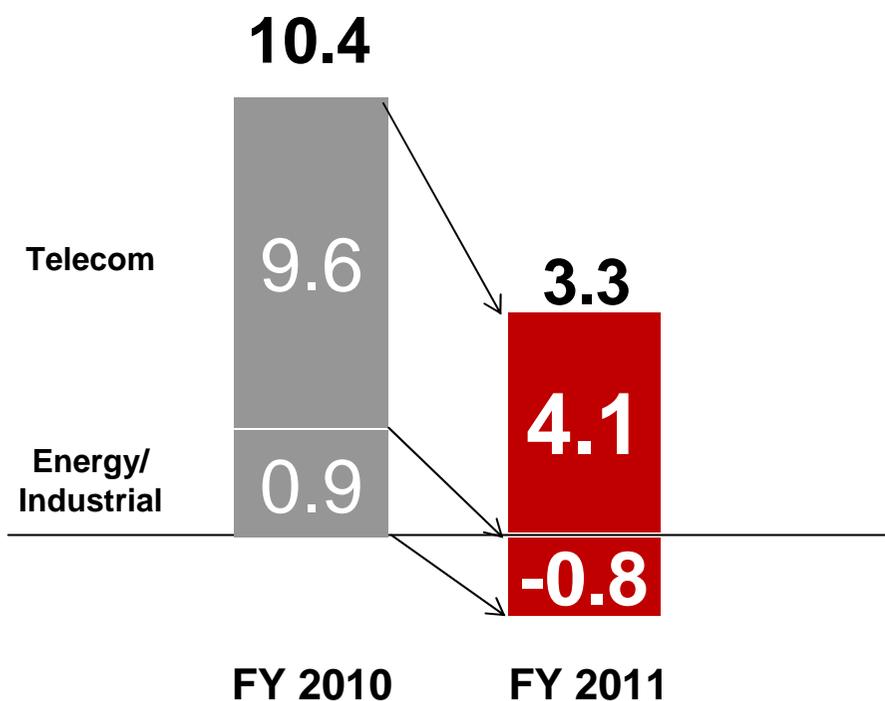
	Initial forecast	Full-year results	Restoration
Telecom	-2.0	-1.3	Production of optical components successively resumed since March Complete restoration expected in mid-August
Energy/ Industrial	0	0	
Electronics/ Automotives	-2.3	-2.2	The supply chain for automobiles has been restored. Full-scale recovery of HDD demand expected around July
Metals	-0.6	-0.6	Production of plated copper strips restarted in March and will be full restored in May.
Light Metals	-0.7	-0.6	Production of coil centers will be resumed at a new plant in 2014.
Total	-5.6	-4.7	

YoY Change in Operating Income by Segment

FURUKAWA ELECTRIC

(Billion yen)

Transmission Infrastructure: 10.4 -> 3.3 (down 7.2)



Telecommunications

- Demand for optical fibers and cables was strong overseas (North America & Brazil), but was sluggish in Japan given the strong yen and the intensifying competition.
- In photonics and networks, sales of optical amplifiers and telecommunication lasers were poor due to market deterioration with the rising yen and price falls in addition to the impact of flooding in Thailand. Network equipment sales were sluggish, after the decline in demand for terrestrial digital TVs following special demand in the preceding year.

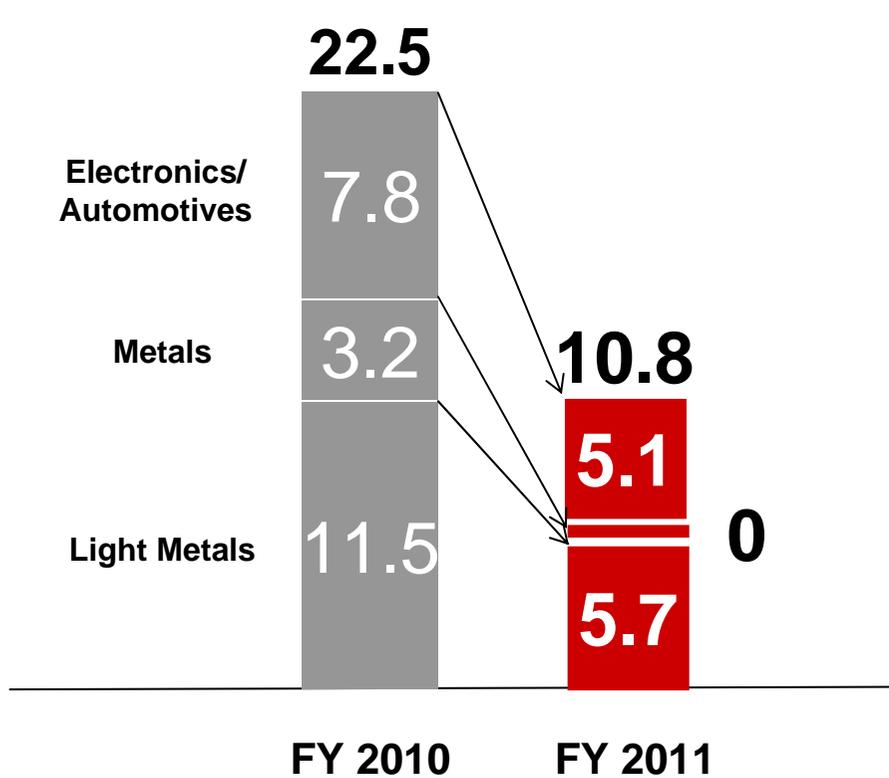
Energy/ Industrial

- Despite a turnaround in demand of electric wires for construction in Japan after the post-quake reconstruction demand and revision to the price system, demand for ultra high voltage cables and components for electric power companies were weak in Japan. In China, competition intensified.
- MC-PET for LED liquid crystal display TVs experienced sluggish sales, with a significant slide in demand starting in summer.

YoY Change in Operating Income by Segment

(Billion yen)

Advanced-Function Material: 22.5 -> 10.8 (down 11.8)



Electronics/ Automotives
 ●Automotive parts demand rallied rapidly in the fourth quarter after the flood in Thailand in the process of recovering from the earthquake.
 ●Demand in the electronics sector fell markedly, especially for memory disk materials and triple-insulated wires (TEX).

Metals
 A sharp decline in the electronics sector resulted in weak demand for copper strips for electronic parts and general purpose copper foil. While copper foil for automotive lithium batteries grew in volume, it was affected by inventory adjustments.

Light Metals
 Sales volumes generally stalled. A decline was seen in automotive-related products, printing matrices, exports and other areas.

Forecast-Results Difference for FY 2011

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(Billion yen)

	FY 2011		
	<i>Initial Forecast</i>	Results	<u>Change</u>
Net sales	915.0	918.8	+3.8
Operating income	12.5	15.9	+3.4
Ordinary profit	9.0	12.9	+3.9
Net profit	-15.0	-11.1	+3.9

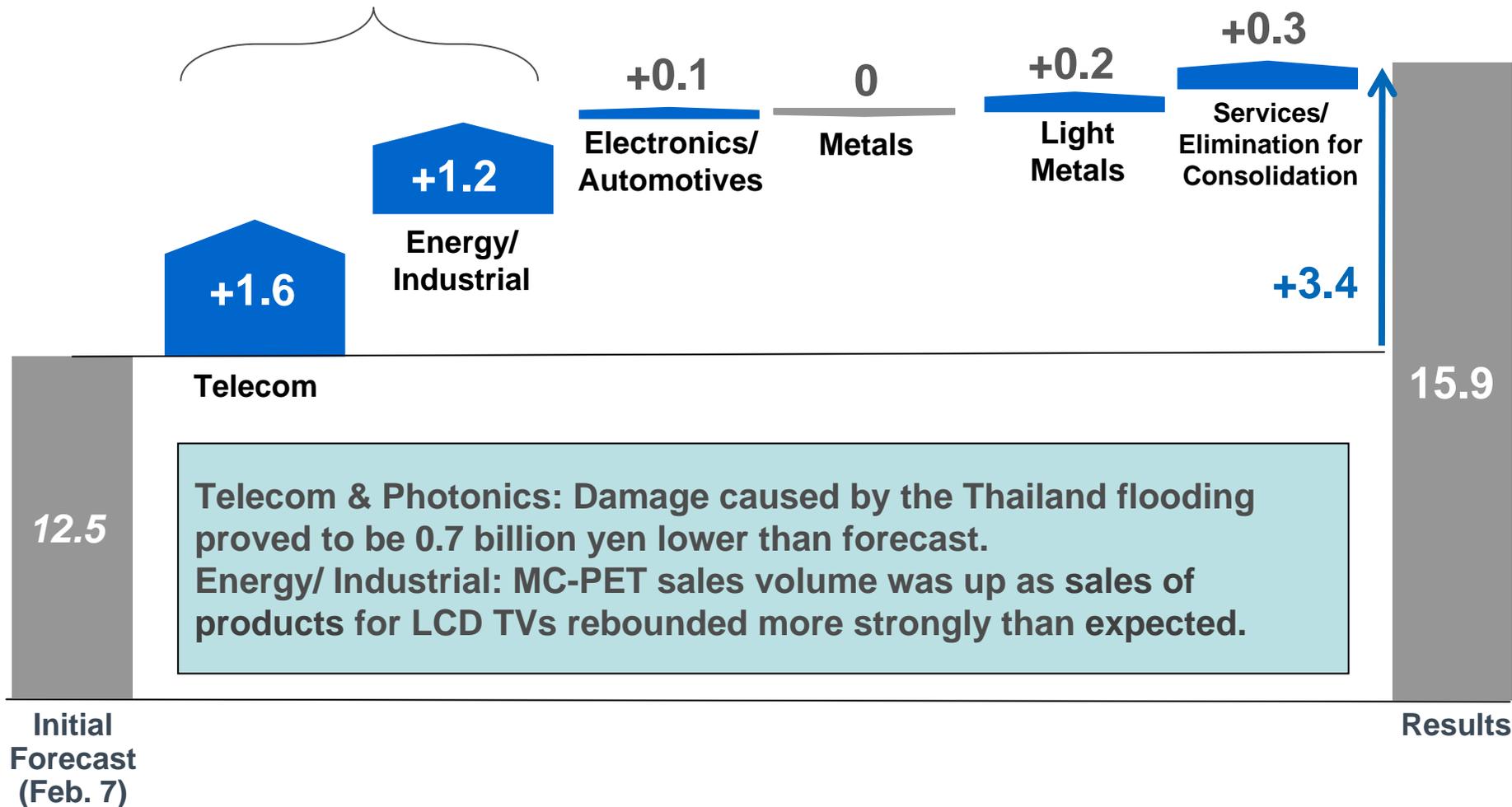
Assumptions

FX rate (JPY/USD)	80	79.8
Copper (JPY/kg)	690	717.8
Crude oil (USD/Bbl)	109	110.0

Operating Income Analysis (from forecast to results for FY 2011)

(Billion yen)

Upturns in photonics and MC-PET



Strategic Initiatives for FY 2011

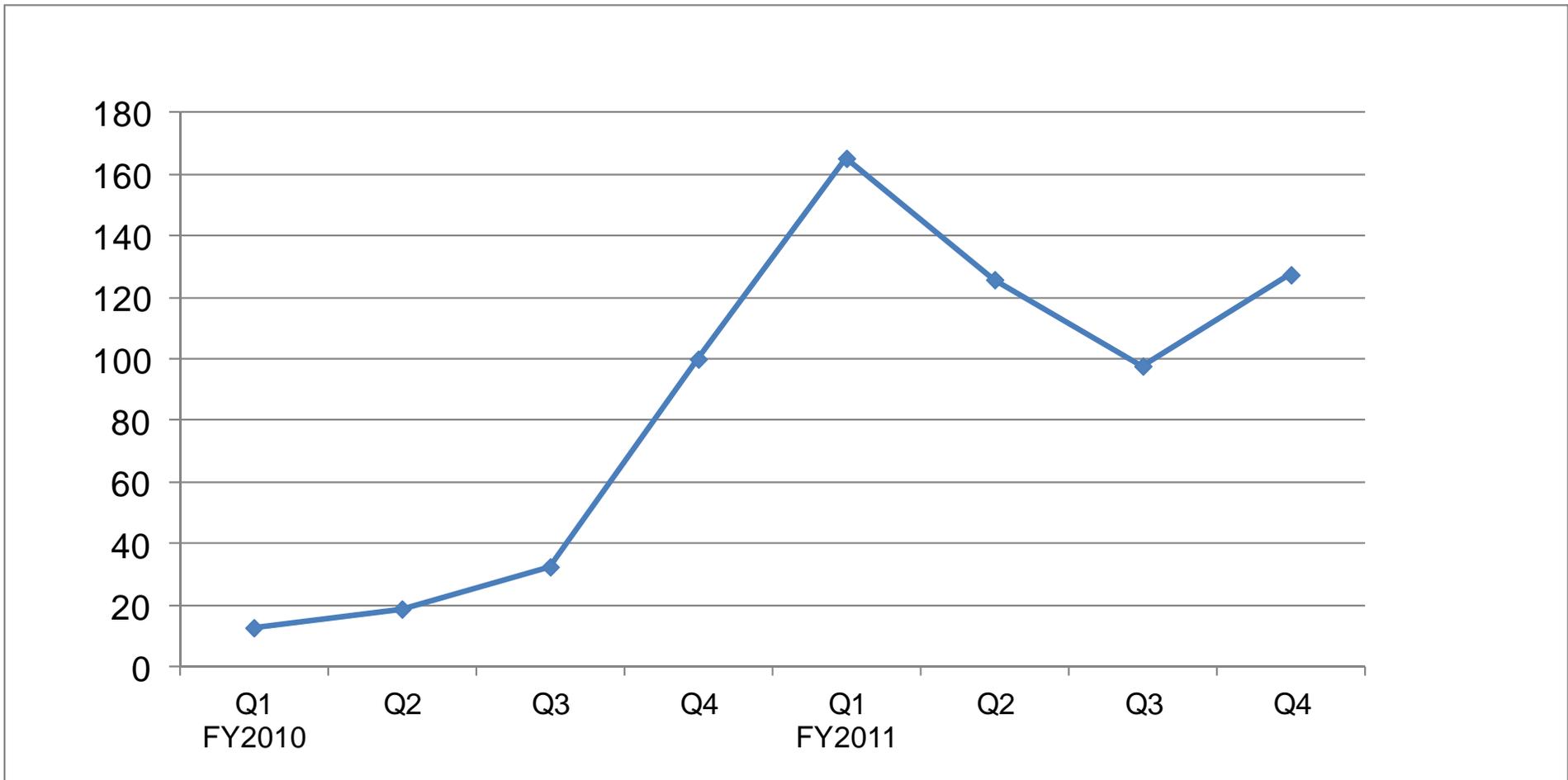
● Revision to the Business Structure

- Complete withdrawal from the glass substrate business (End of Mar. 2012)
- Completion of streamlining of copper tube operations in Japan (Dec. 2011)
- Decision to integrate three companies engaged in the electric power components business (accelerated from Apr. 2013 to Oct. 2012)
- Acquisition of in-car connector business from Mitsubishi Cable Industries (End of Feb. 2012)
- Underwriting of the increased capital of Totoku Electric to reorganize it into a consolidated subsidiary (Mar. 2012)

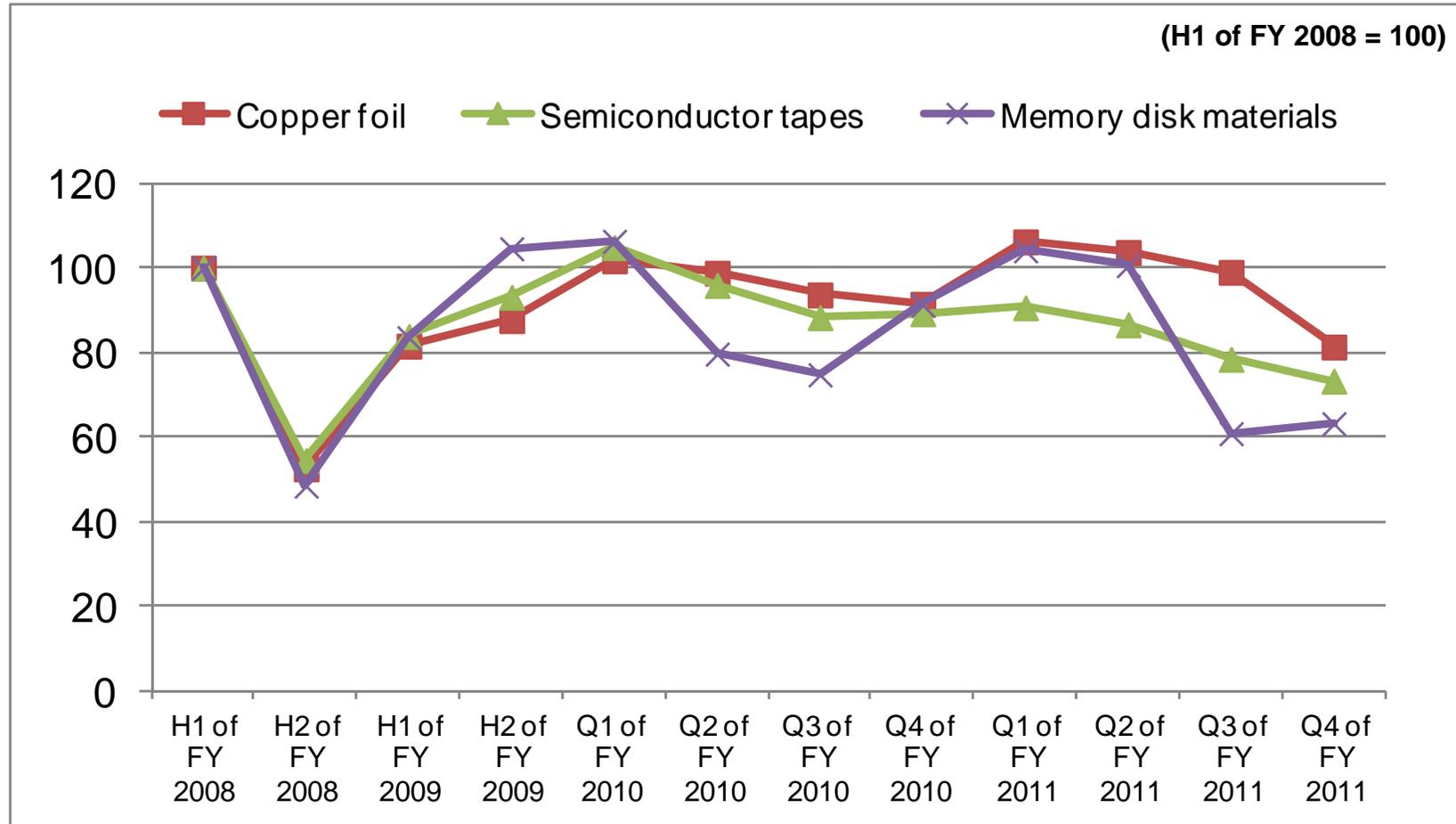
● Sell-off of investment securities, real estate and other assets

Trend in Sales Index: <MC-PET for LCD TVs>

(Q4 of FY 2010 = 100)



Trend in Sales Index: <Advanced-Function Material>



FY 2012 Management Plan

Mitsuyoshi Shibata
President

- 1. Perception of Business Circumstances in FY 2012**
- 2. Policies and Measures for FY 2012**
- 3. FY 2012 Forecasts**

Perception of Business Circumstances in FY 2012 (1)

FURUKAWA ELECTRIC

Transmission Infrastructure

<Projected YoY change in demand>

Telecommunications

Optical fibers and cables:

Japan: 

Overseas: 

Photonics:

Japan: 

Overseas: 

- Rallying demand for optical components following the recovery from the flood damage

- Growth in demand for new lasers for digital coherent transmissions

Networks:

Japan: 

- Decrease in in-tunnel radio systems for high-speed railways

Energy

Ultra high voltage:

Japan: 

China: 

Other emerging economies: 

- Slide in demand from electric power companies in Japan

- Demand staying high and competition continuously intensifying in China

Construction:

General-purpose wires: 

Foam products for construction: 

Perception of Business Circumstances in FY 2012 (2)

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Advanced-Function Material

<Projected YoY change in demand>

Electronics

LCDs and semiconductors:

Rallying demand for MC-PET for LCD TVs

Semiconductor tapes

Lead frame materials

PCs:

A slight turnaround in thermal solutions, TEX and aluminum memory disks

Circuits and lithium batteries:

Copper foil

Automotives

Japan:

Vehicle models, including light vehicles, adopting Company products will expand although the market will stay unchanged.

Overseas:

Rallying in the United States, demand growing in emerging countries

Wire harness and components:

Copper foil for automotive batteries:

(1) Global Business Development: Make investments for growth.

Telecommunications:

Set up a joint venture for optical fiber base materials with Jiangsu OFS Hengtong Optical Technology Co., Ltd. (Jun. 2012)

Build a new optical cable plant in Russia (Jul. 2013)

Energy:

Launch a new OPGW plant in Brazil (Oct. 2012)

Put SuperPower Inc., a U.S. manufacturer of superconducting wires, into operation (Apr. 2012)

Electronics/ Automotives:

Launch a new wire harness plant in the Philippines (Mar. 2013)

Metals:

Launch a new copper foil plant in Taiwan
(operation for circuits from Jun. 2012, those for batteries from Aug. 2012)

Light Metals:

Launch a new rolling plant in Thailand (Jan. 2014)

(2) Embark on the Reform for Real Victory

Principal measures under consideration (method and timing not determined)

- **Integrate operations in the optical fiber business globally.**
- **Reorganize production bases in domestic optical cable business to attain improved earnings.**
- **Accelerate the shift in domestic production of copper foil and other products to overseas locations.**
- **Others**



Accomplish with determination these measures as a bridge to the next-generation medium-term management plan.

Move forward with the measures at the initiative of the Structural Reform Promotion Dept. under the direct control of the President.

PL Forecast for FY 2012:

YoY increase in sales and profit (and secure positive net profit) **FURUKAWA ELECTRIC**

	a	b			(Billion yen)
	<u>Results</u> FY 2011	Forecast FY 2012	<i>Forecast</i> H1 of FY 2012	<i>Forecast</i> H2 of FY 2012	b-a Change
Net sales	918.8	980.0	460.0	520.0	+61.2
Operating income	15.9	25.0	8.0	17.0	+9.1
Ordinary profit	12.9	23.5	6.5	17.0	+10.6
Net profit	-11.1	9.0	1.5	7.5	+20.1

Assumptions

FX rate (JPY/USD)	79.8	80
Copper (JPY/kg)	717.8	700
Crude oil (USD/Bbl)	110.0	115

* The performance forecast for major overseas subsidiaries is for 15 months from January 2012 to March 2013 due to the change in fiscal year end. The impact on forecast PL for FY 2012 is as follows:
 Net sales: up 40.0 billion yen; operating income: up 1.7 billion yen; ordinary profit: up 1.4 billion yen;
 and net profit: up 0.8 billion yen.

BS Forecast for FY 2012:

Continuously reducing interest-bearing debt

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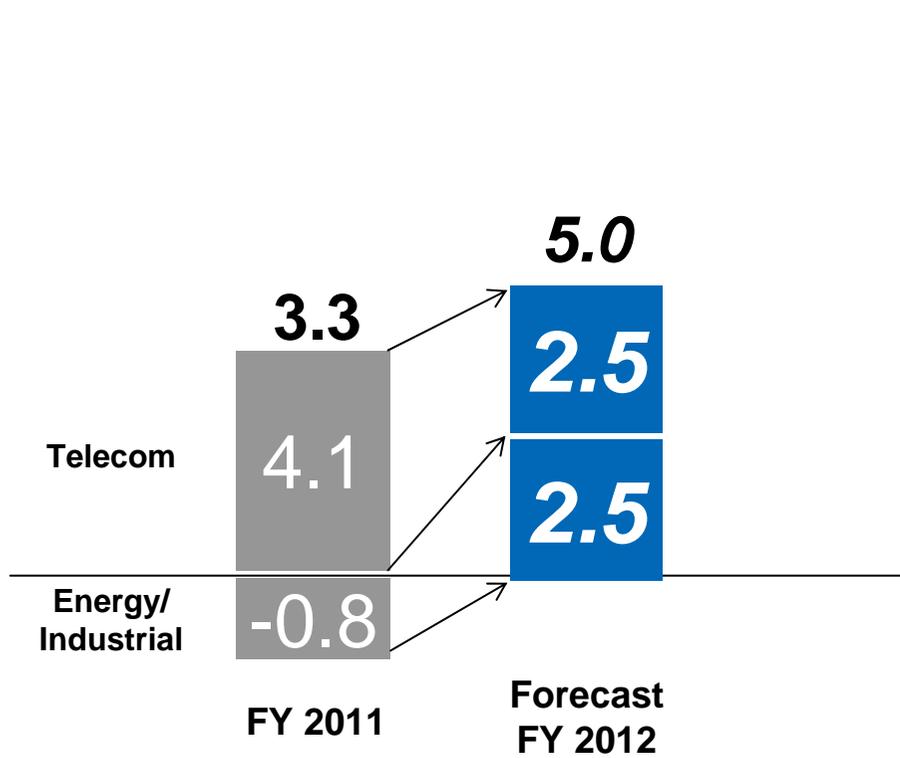
(Billion yen for total assets and interest-bearing debt)

	a Mar. 31, 2012	b Forecast on Mar. 31, 2013	b-a Change
Total assets	790.1	800.0	+9.9
Capital ratio	18.3%	19.2%	+0.9
Interest-bearing debt	325.2	320.0	-5.2
D/E ratio	2.25	2.08	-0.17
Turnover	1.16	1.23	+0.07
ROA (OI basis)	2.0%	3.1%	+1.1

Operating Income Forecast by Segment (with YoY Change)

(Billion yen)

Transmission Infrastructure: 3.3 -> 5.0 (up 1.7)



Telecommunications

- With respect to optical fibers and cables, domestic market conditions will remain adverse while overseas sales will continue to strong.
- In photonics and networks, new demand for digital coherent transmissions is expected to increase sales of new lasers and other solutions but there will still be some negative impact from the flooding in Thailand. Given that domestic demand for FTTH and network products will end, sales are likely to be weak.

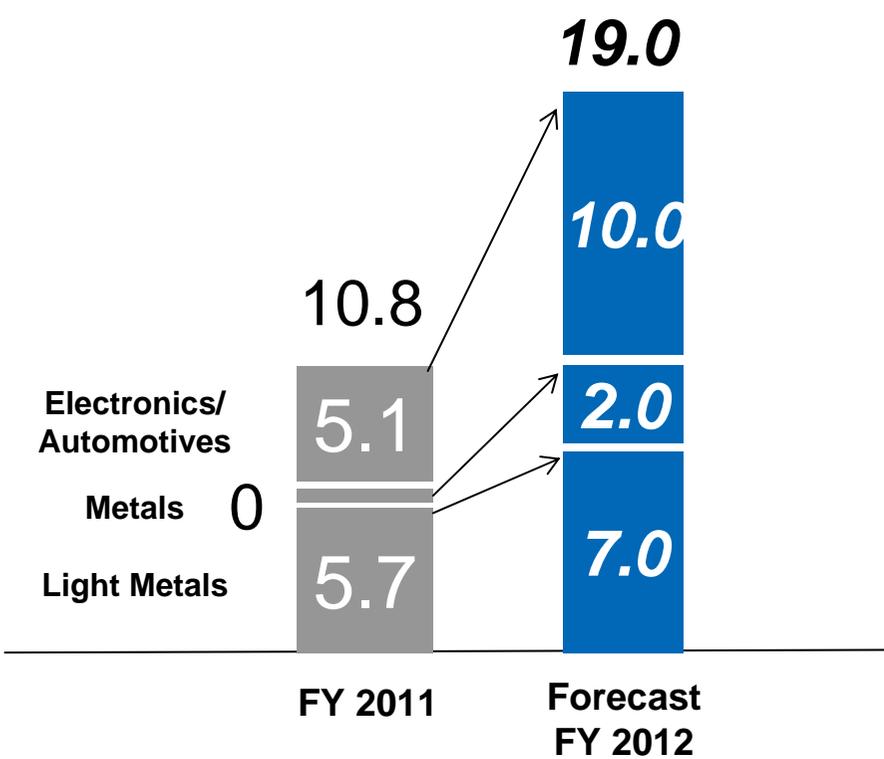
Energy/ Industrial

- In energy, sales will resurge overseas although those from domestic electric power companies will decline.
- Sales of MC-PET for LED liquid crystal display TVs will rally with demand growth and a fall in depreciation.

Operating Income Forecast by Segment (with YoY Change)

(Billion yen)

Advanced-Function Material: 10.8 -> 19.0 (up 8.2)



Electronics/ Automotives
 ●Sales in the automotive area will rise after growing demand for environmentally friendly automobiles.
 ●The electronics area will achieve a turnaround after the closure of the glass substrate business and a slight recovery in wires and aluminum media disks.

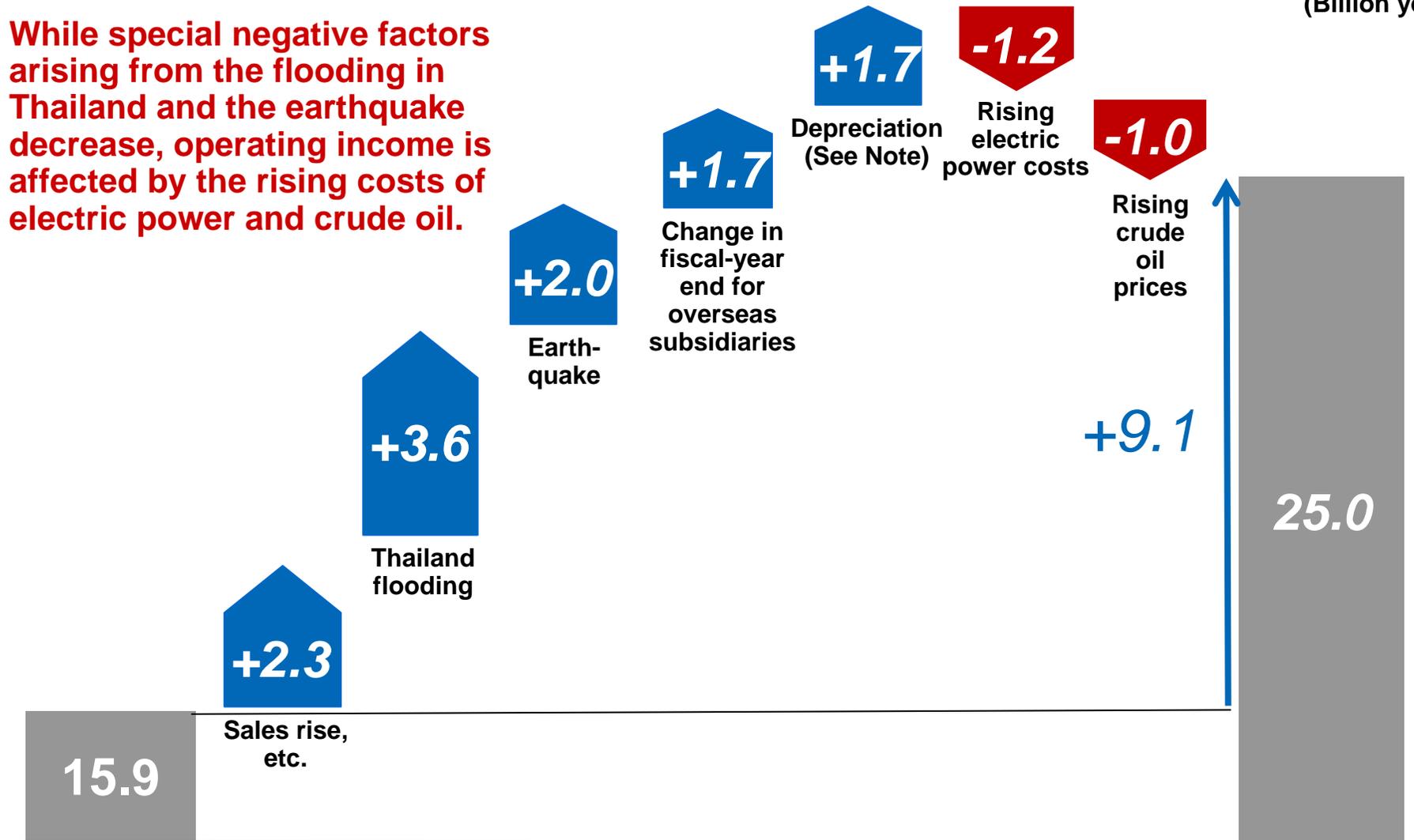
Metals
 Including electronics, the business as a whole will face difficult circumstances. However, sales and profit will improve as the adverse impacts of the Thai flooding will fade and depreciation will be reduced. Copper foil for automotive lithium batteries is now in a correction phase, but will rally in the second half.

Light Metals
 Soaring crude oil prices are a negative factor, but sales will rise given the diminished impact of the flooding in Thailand and a decrease in depreciation. Volume is expected to grow in automotive products, thick plates for LNG tankers, foil stock, exports, and other areas.

Operating Income Forecast Analysis

(Billion yen)

While special negative factors arising from the flooding in Thailand and the earthquake decrease, operating income is affected by the rising costs of electric power and crude oil.



Note: Depreciation will decrease 0.8 billion yen from the preceding year overall, or 1.7 billion yen if depreciation of overseas subsidiaries in the period from Jan. to Mar. 2013 is excluded.

Results
FY 2011

Forecast
FY 2012

Capital Investment, Depreciation and R&D Spending Plan

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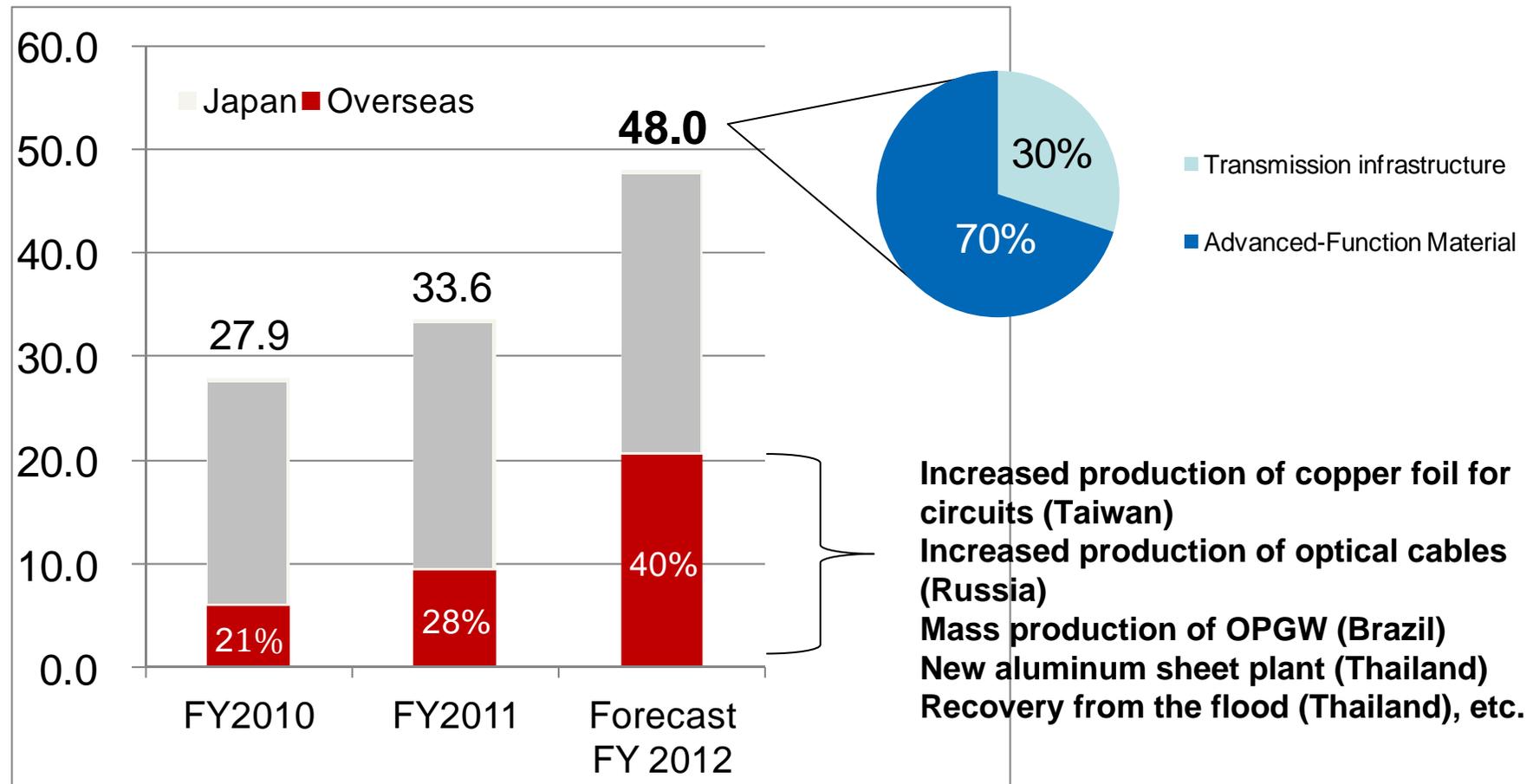
(Billion yen)

	a <u>Results</u> <u>FY 2011</u>	b <i>Forecast</i> <i>FY 2012</i>	b-a Change
Capital investment	33.6	48.0	+14.4
Depreciation	39.2	38.4	-0.8
Research & development	19.0	20.6	+1.6

Details of the Capital Investment Plan

(Billion yen)

Boost overseas production of copper foil, optical cables and other products and make investment in rehabilitation in Thailand, etc.



Dividend Forecast for FY 2012:

A dividend increase from the preceding year

FURUKAWA ELECTRIC

	Results FY 2011	Forecast FY 2012	Change
Annual dividend	2.5 yen	3.0 yen	+0.5 yen

The Company has a basic principle of basing dividends on future profit trends and business development from a long-term perspective, with a general policy of paying consistent dividends. Given that performance is recovering in FY 2012, the Company expects to pay no interim dividend and a year-end dividend of 3.0 yen per share.

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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