

# FY2007 Management Plan Interim Follow-Up

November 9 , 2007

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President and Chief Executive Officer

- 1. FY2007 H1 Highlights**
- 2. FY2007 H2 Management Plan**
- 3. Segment Data**

# 1. FY2007 H1 Highlights

# FY2007 H1 Highlights

Net sales increased year on year, to reach a record high for the first half.

While operating income declined, ordinary profit rose.

Operating income achieved the forecast value.

Telecommunications and Energy and Industrial Products contributed.

In the United States, OCP (optical parts) was sold to Oplink.

Interim dividend per share rose JPY0.5 year on year, to JPY3.5.

(JPY billion, except for dividend)	<u>FY 06 H1 Actual</u>	<u>FY 07 H1 Forecast</u>	<u>FY07 H1 Actual</u>	<u>Change</u>
Net sales	515.7	560.0	<b>577.5</b>	+3%
Operating income	23.9	21.0	<b>21.0</b>	0%
Ordinary profit	20.2	17.7	<b>22.6</b>	+28%
Net income	14.8	7.5	<b>14.6</b>	+95%
Dividend per share	JPY 3.0	JPY 3.5	JPY 3.5	

# Changes in Operating Income

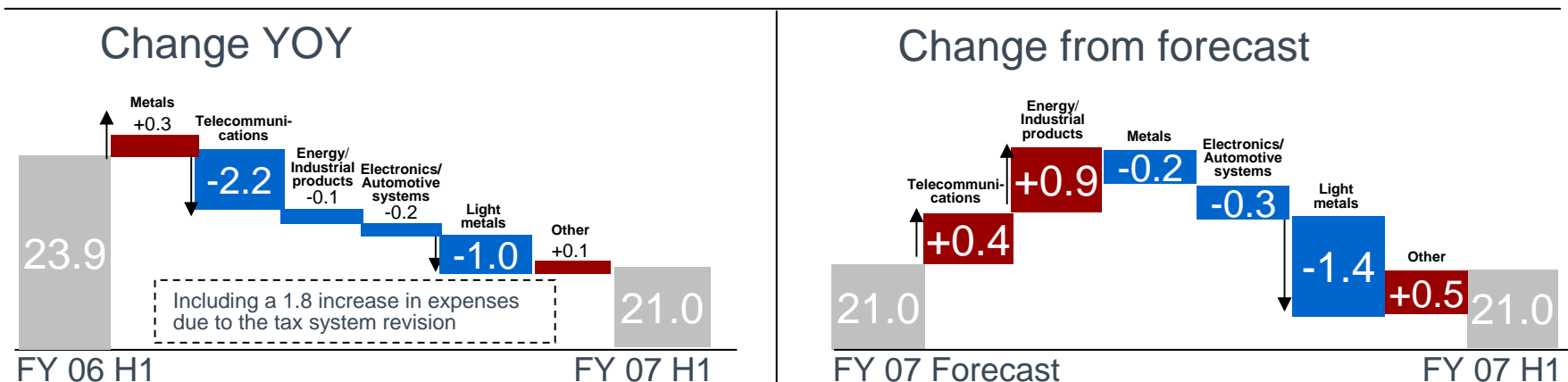
(JPY billion)

<Declined 2.9 year on year > \* Including a 1.8 increase in depreciation expenses with the tax system revision

Metals	+0.3	Solid copper foils (for Li batteries and FPC)
Telecommunications	-2.2	Distressed OCP in the U.S. (sold in June), weak router demand
Light metals	-1.0	Slow aluminum plates (for semiconductor/LCD manufacturing equipment)

<Unchanged from the forecast ± 0>

Telecommunications	+0.4	Solid network products such as optical cables and CATVs
Energy/ Industrial products	+0.9	Buoyant power cables/equipment and semiconductor tapes
Light metals	-1.4	Slow aluminum plates (for semiconductor/LCD manufacturing equipment)



# Consolidated Results for FY2007 First Half

**FURUKAWA ELECTRIC**

(JPY billion)

	FY 06 H1 Actual		Previous forecast (May 11, 2007)		FY 07 H1 Actual	
	(A)	Margin (%)		Margin (%)	(B)	Margin (%)
Net sales	515.7		560.0		577.5	
(Non consolidated)	240.6		250.0		259.5	
(OFS)	18.7		23.1		22.0	
Operating income	23.9	4.6%	21.0	3.8%	21.0	3.6%
(Non consolidated)	5.9	2.4%	3.5	1.4%	4.5	1.7%
(OFS)	0.1	0.4%	0.9	4.0%	0.9	3.9%
Ordinary profit	20.2	3.9%	17.7	3.2%	22.6	3.9%
(FX gain / loss)	-1.4		0.0		4.1	
(Excl. FX gain / loss)	21.6	4.2%	17.7	3.2%	18.4	3.2%
Extraordinary gain/loss	10.2		-1.9		-4.4	
Taxes/tax adjustments	-13.4		-5.5		-1.9	
Net income	14.8	2.9%	7.5	1.9%	14.6	2.5%

Record high for first half

Foreign exchange gains from yen-denominated loans given the weakening yen from January to June

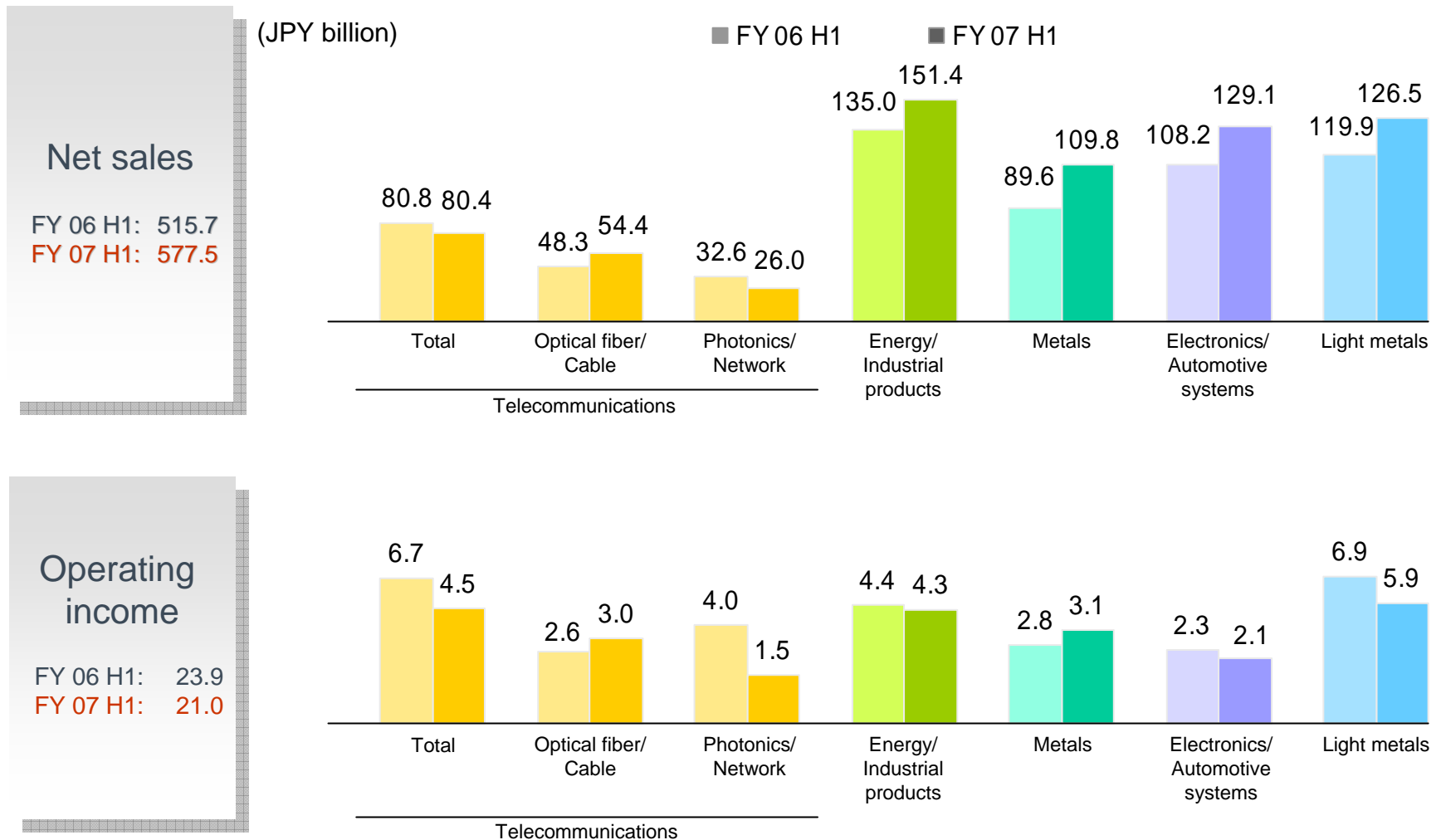
Tax redemption, etc. of JPY 3.3 billion with the sale of shares in OCP, which were written down with taxes

(JPY)

EPS	21.0	10.6	20.8
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# FY2006/2007 First Half Results by Segment

Impact of the tax system revision on operating income: JPY 1.9 billion



# Capital Investment / Depreciation

## Aggressive investment in bolstering the power of materials

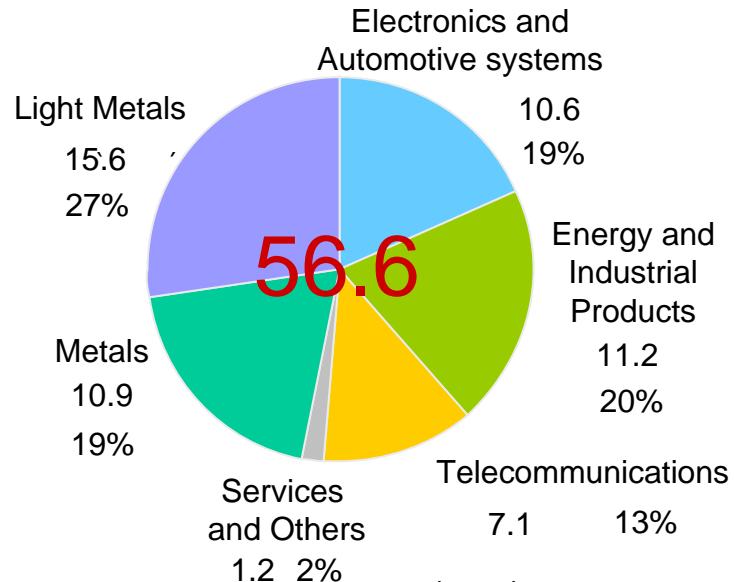
FY 07 Capital investment plan: JPY 56.6 billion  
 FY 07 Depreciation plan: JPY 45.6 billion

## Actual results and major investments in the first half

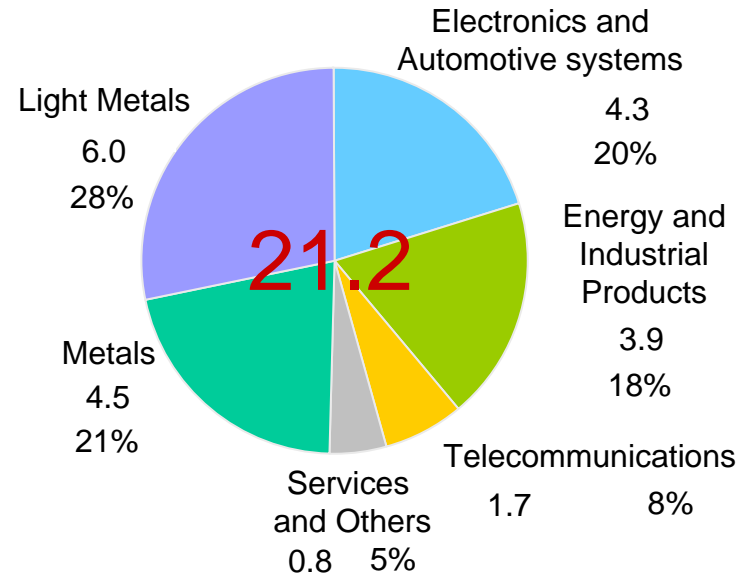
Capital investment: JPY 21.2 billion  
 Depreciation expense: JPY 20.7 billion

- Light Metals: AC rolling mill motors and the expansion of casting lines
- Metals: Production increase of copper foils
- Electronics and Automotive Systems: New facilities for winding wires, integration of automotive parts
- Energy and Industrial Products: Production increase of high voltage cables in China and semiconductor tapes
- Telecommunications: Production increase of optical fiber cables in OFS Russia and OFS Germany

FY 07 Plan



FY 07 Actual



(JPY billion)



# Measures Taken in FY07 H1 for Growth

Investment in global growth/production increase

Investment focused on high value-added products in multi-axial markets

Income generation/improvement in capital efficiency

Cash generation for growth

Telecommunications	Increase production of optical cables at OFS Russia (In stages from October 2007) ✓ Increase production of optical cables at OFS Germany (planned in the second half of 2008).	Sold OCP (June 2007) ✓
Energy and Industrial Products	Double the capacity of semiconductor tapes (planned by the end of 2007). Increase production of ultra-high voltage cables in China (planned for April 2008).	
Metals	Increase production of electrolytic copper foils (May 2007). ✓ Increase production of copper strips (planned in FY 09).	
Electronics and Automotive systems	Production base of wiring harness in India (commercial production planned to begin in September 2008)	Consolidate the automotive components businesses into a subsidiary (October 2007) ✓
Light Metals	New company for extruded aluminum in China (commercial production planned to start by the end of 2007) Increase production in Indonesia and Vietnam (planned by the end of 2007)	Integrate product types (by the end of FY 07)

# Trends in Key Management Indicators

Profit margins declined with a rise in copper and aluminum metal prices.

(JPY billion)	FY05	FY06	FY07 H1
Operating income margin	4.3%	4.9%	3.6%
Total asset turnover	0.8	1.0	1.1
ROA (operating profit to total assets)	3.6%	4.9%	3.9%
ROE (net income to shareholders' equity)	12.8%	12.7%	11.9%
Total debt	435.3	428.2	433.1
D/E ratio	2.0	1.8	1.7
Share of overseas sales	25.9%	29.3%	31.4%

(Shareholders' equity excludes minority interest and, gain and loss on deferred hedge.)

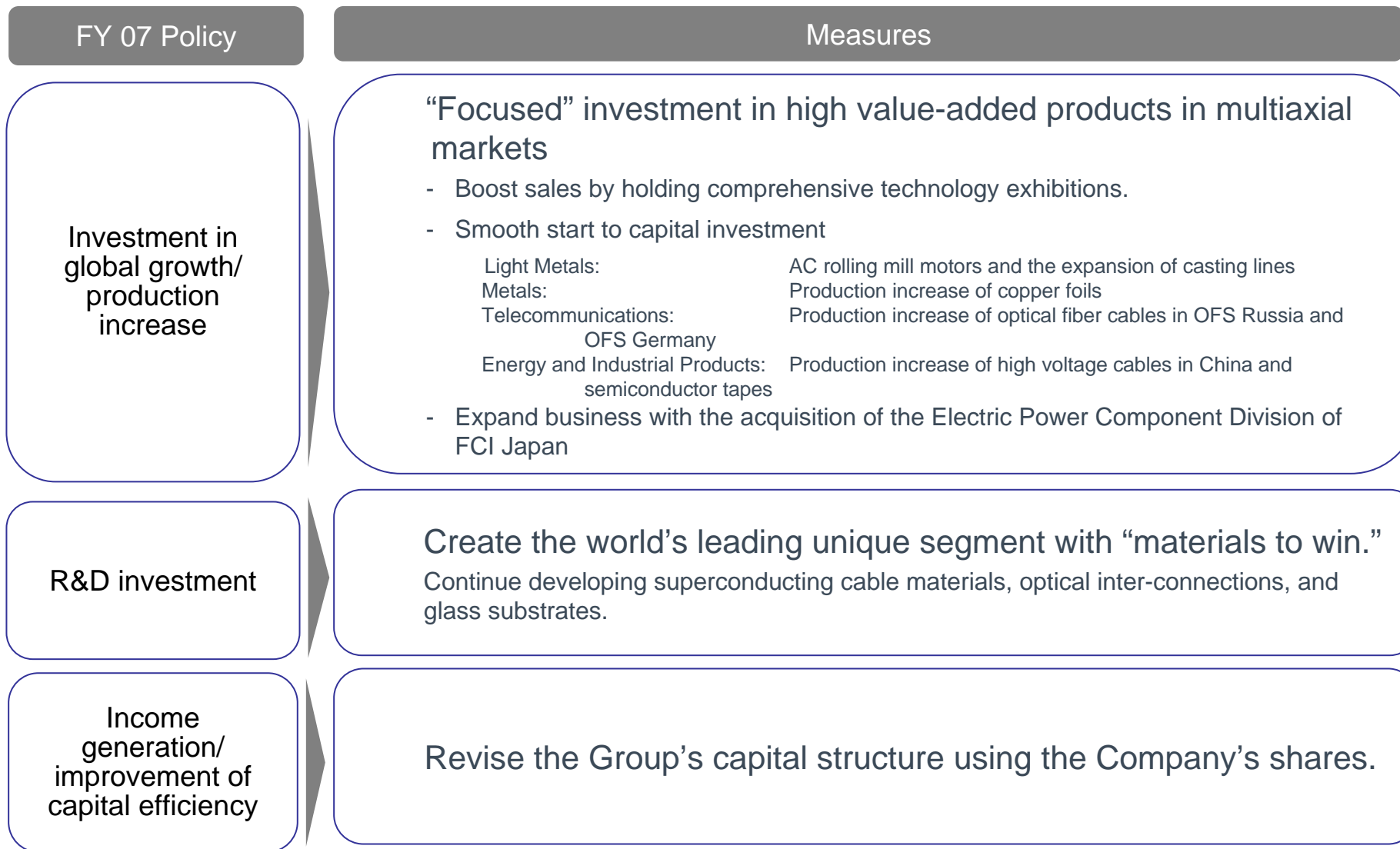
## 2. FY 2007 Management Plan

# FY 2007 Plan

FURUKAWA ELECTRIC

(JPY billion)	FY07 previous forecast	FY07 new forecast	Change
Net sales	1,150.0	1,160.0	+10.0
Operating income	51.0	51.0	
Foreign exchange (non-operating) gain/loss:	0.0	-2.1	
Ordinary profit	43.0	43.0	
Net income	18.5	20.0	+8%
Net income per share	JPY 26.2	JPY 28.7	+JPY 2.5
Interim dividends	JPY 3.5	JPY 3.5	
Annual dividends	JPY 7.0	JPY 7.0	
<b>Presumption</b>			
Exchange rate (yen per U.S. dollar)	115	115	
Copper (yen per kg)	860	920	
Aluminum (yen per kg)	330	330	

# Measures Taken in FY07 H2 for Growth

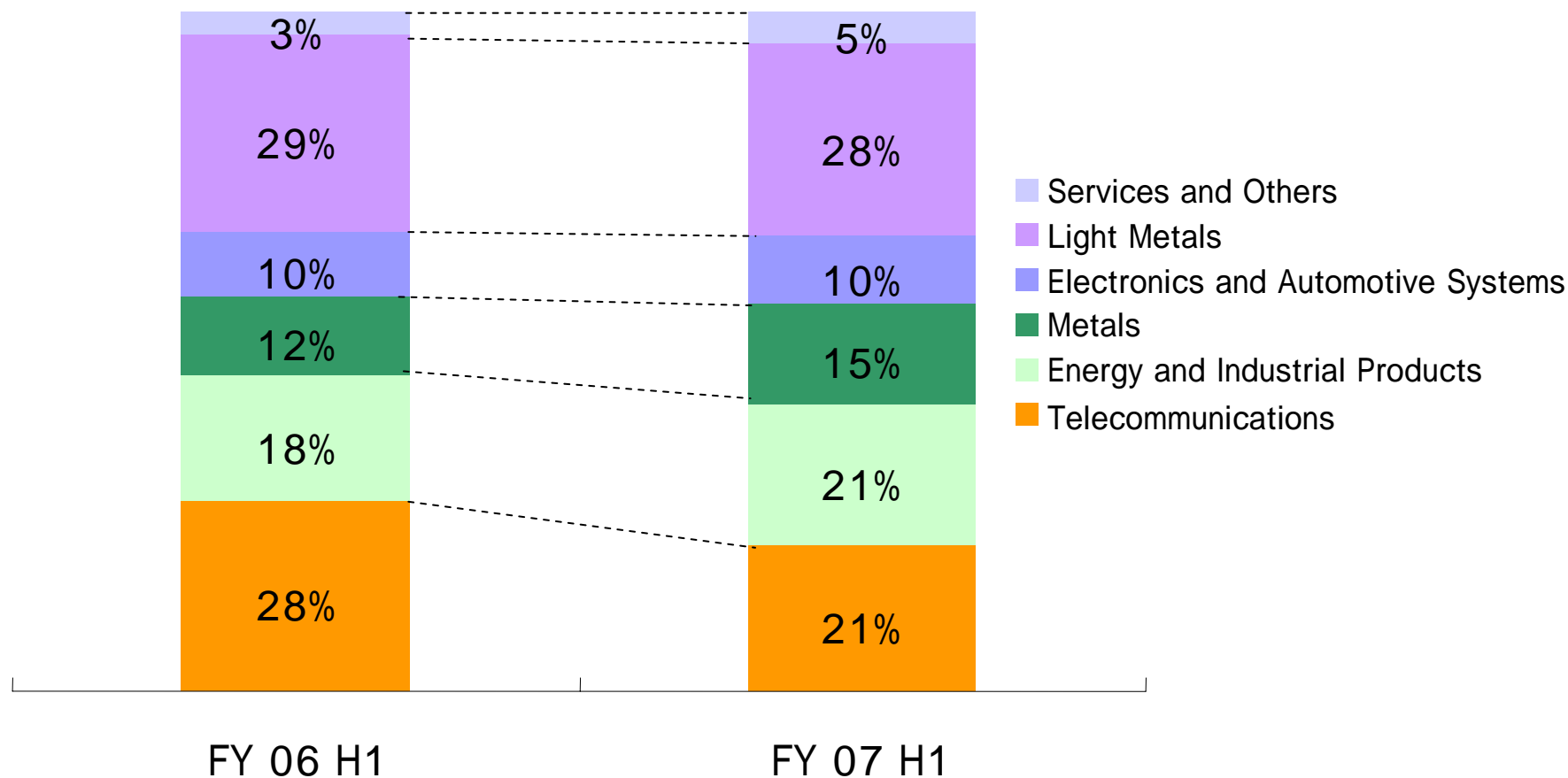


## 3. Segment Data

# Breakdown of Operating Income by Segment FURUKAWA ELECTRIC

<Progress in multi-axial structure>

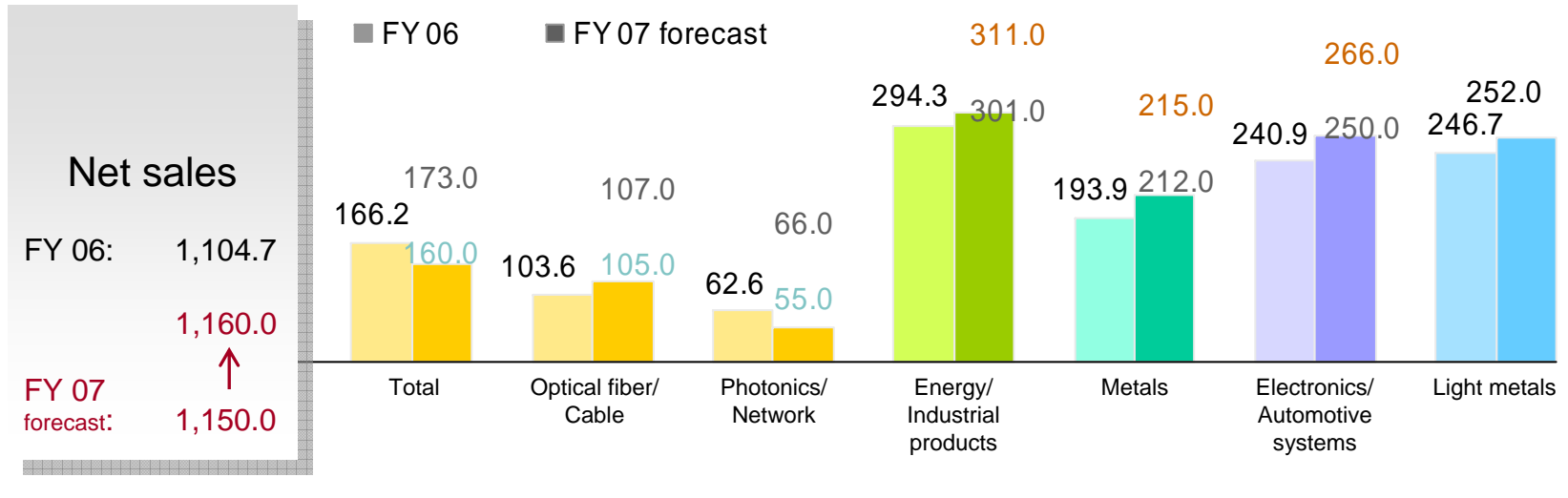
Ratio of Energy and Industrial Products increased



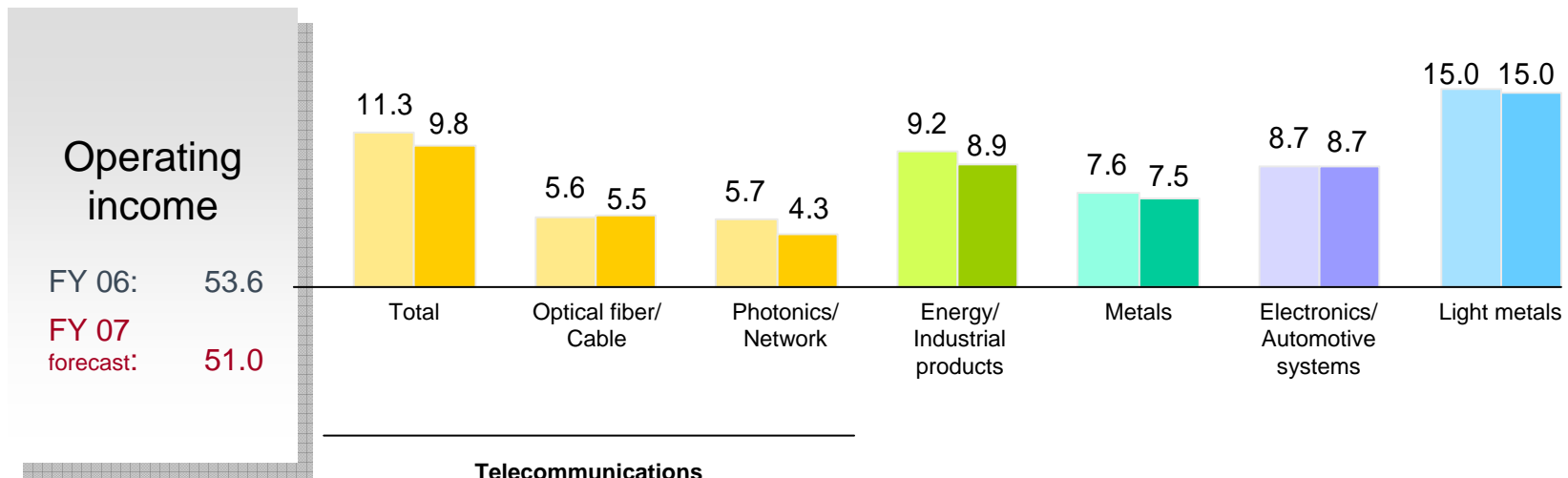
# FY2006/FY2007 Plan by Segment

Full-year sales forecast revised upward by JPY10 billion

(JPY billion)



**Telecommunications**

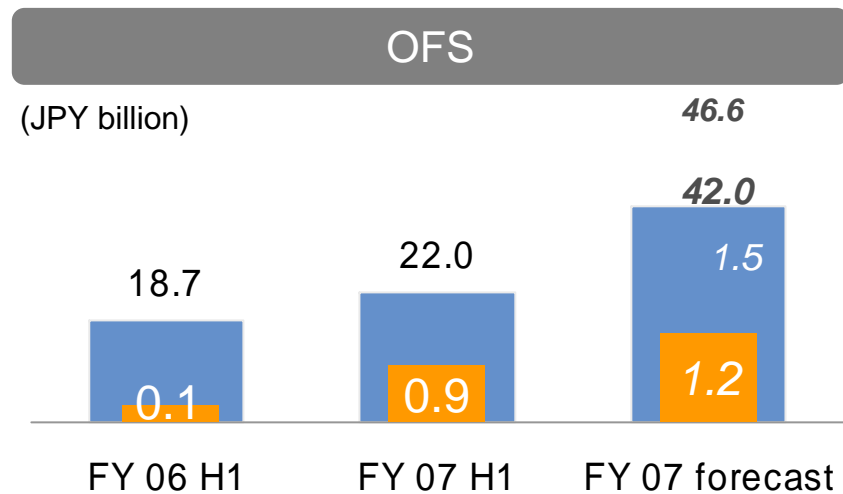
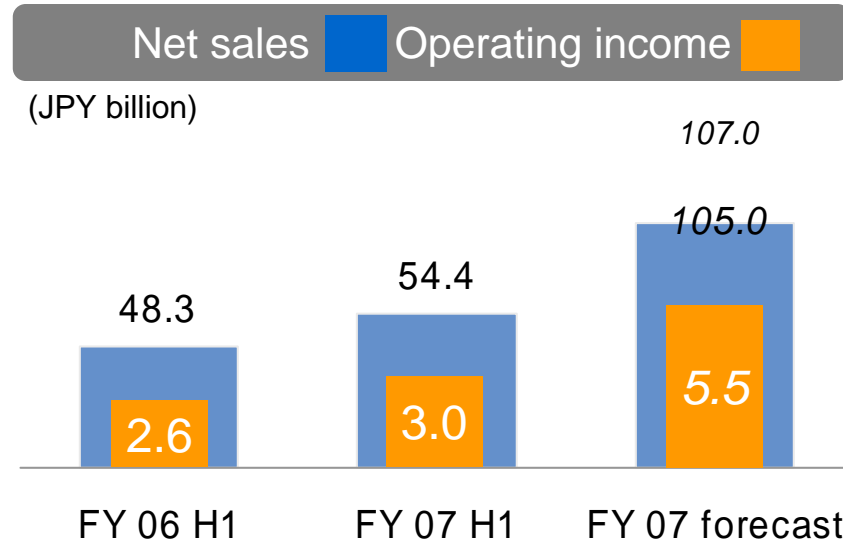


**Telecommunications**



# Telecommunications <Optical fiber/Cable>

**FURUKAWA ELECTRIC**



**FY 07 H1**  
<Operating income up JPY 0.4 billion year on year>

Overseas:

- OFS (U.S.): Sales and profit rose with an increase in carrier demand in Europe and the United States
- FISA (Brazil): Solid LAN cables

Domestic:

While sales volume of fibers increased, the downward trend in prices continued

**FY 07 H1**  
<Operating income up JPY 0.2 billion from forecast>

Overseas:

Subsidiaries in Brazil and Thailand showed a good performance

Domestic:

Optical fibers for mobile phones, railroads and FTTH were firm

**FY 07 full-year forecast**  
<Operating income down JPY 0.1 billion year on year>

The sales forecast was revised downward given uncertainties in Japan and overseas

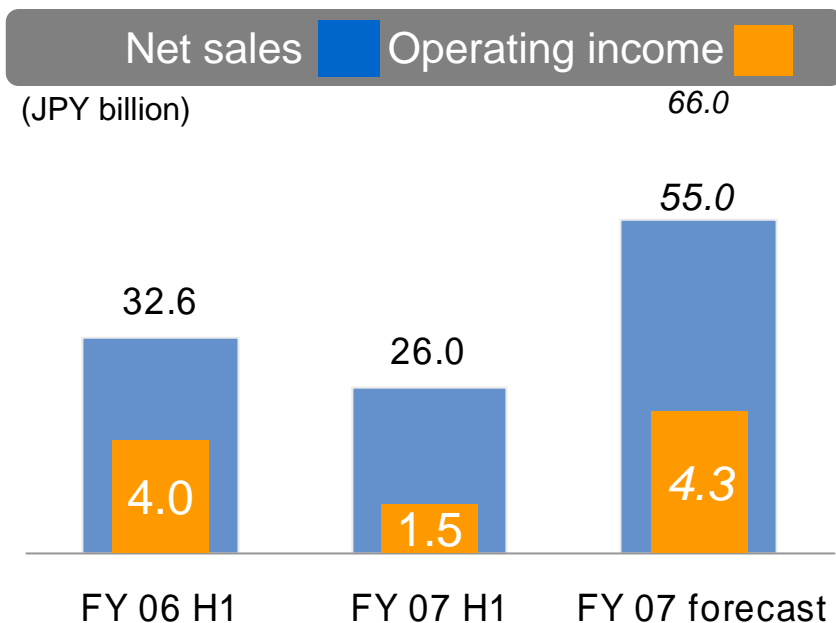
Overseas:

Uncertainties in OFS (U.S.) but FISA (Brazil) remains favorable

Domestic:

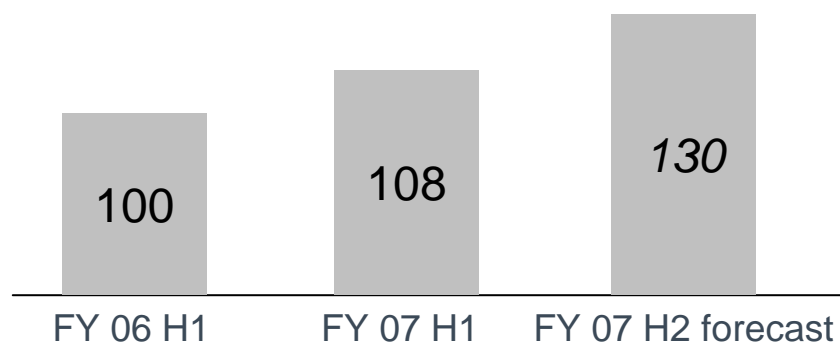
Uncertainties for the second half, but the power of costs should be bolstered

# Telecommunications <Photonics/Network>



## Sales of growth products (FY06H1=100)

Active optical parts/equipment (optical amplifiers, lasers)



FY 07 H1  
<Operating income down JPY 2.5 billion year on year>

Photonics:  
Weak performance by OCP in the U.S. (sold in June)/access system prices declined

Network:  
Demand for routers weakened

FY 07 H1  
<Operating income up JPY 0.2 billion from forecast>

Photonics:  
Optical amplifiers recovered, and lasers were solid

Network:  
CATVs and railroad tunnel mobile radio wave systems were firm

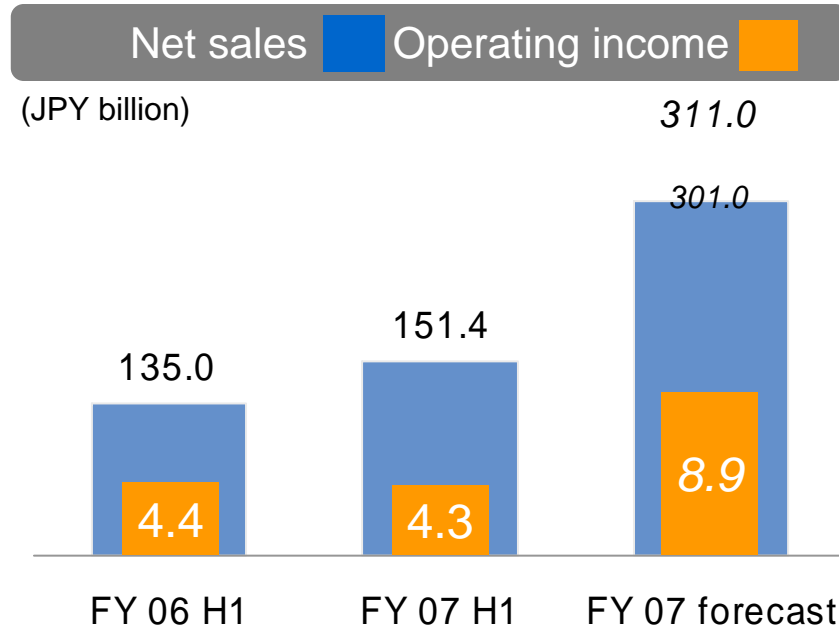
FY 07 full-year forecast  
<Operating income down JPY 1.4 billion year on year>

The sales forecast was revised downward with the sale of OCP (in June)

Photonics:  
Optical amplifiers and lasers continue to be solid

Network:  
CATVs, etc. continue to be firm

# Energy/Industrial products

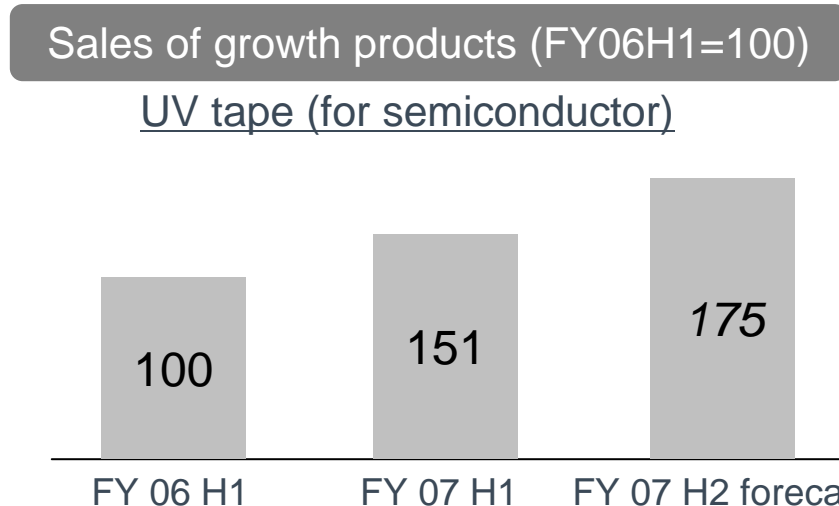


FY 07 H1  
 <Operating income down JPY 0.1 billion year on year>

- Energy:
- Lackluster copper wires/industrial wires
  - Solid high-voltage cables in China at Shenyang Furukawa
- Industrial products:
- Firm semiconductor tapes
  - Foam materials were up

FY 07 H1  
 <Operating income up JPY 0.9 billion from forecast>

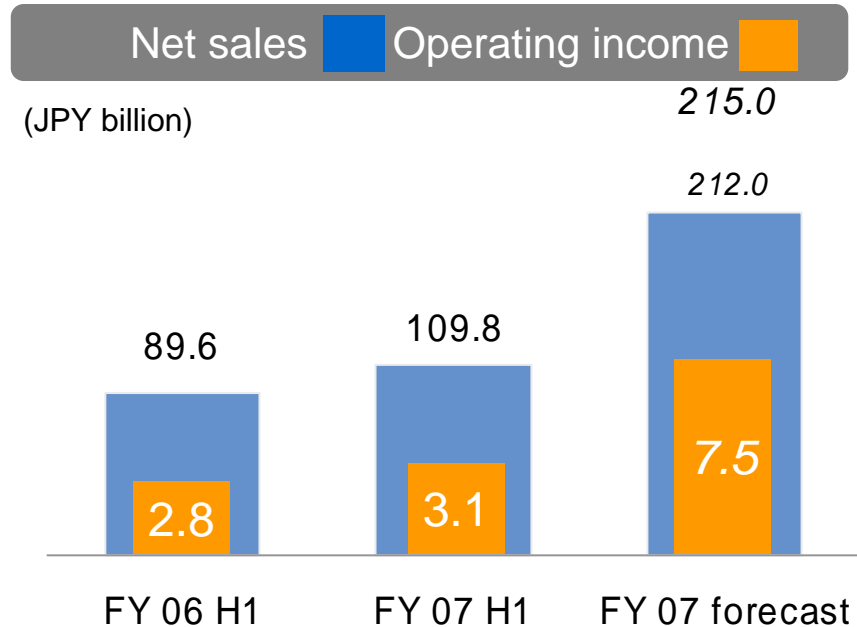
- Energy:
- Solid high-voltage cables in China at Shenyang Furukawa
- Industrial products:
- Firm semiconductor tapes



FY 07 full-year forecast  
 <Operating income down JPY 0.3 billion year on year>

- Sales forecasts were revised upward on continued rises in copper metal prices
- Energy:
- Solid demand for high-voltage cables in China continues at Shenyang Furukawa
- Industrial products:
- Semiconductor tapes continue to post good results.
  - Demand for foam materials for building materials declined

# Metals



FY 07 H1  
<Operating income up JPY 0.3 billion year on year>

Copper Strips and Pipes:

- Volumes of copper strips for terminal connectors were down.
- Copper pipes for air-conditioners were firm, with year-on-year results improving.

Electrolytic Copper Foil:

Demand related to Li batteries and FPC was robust, and the production increase contributed.

FY 07 H1  
<Operating income down JPY 0.2 billion from forecast>

Copper Strips:

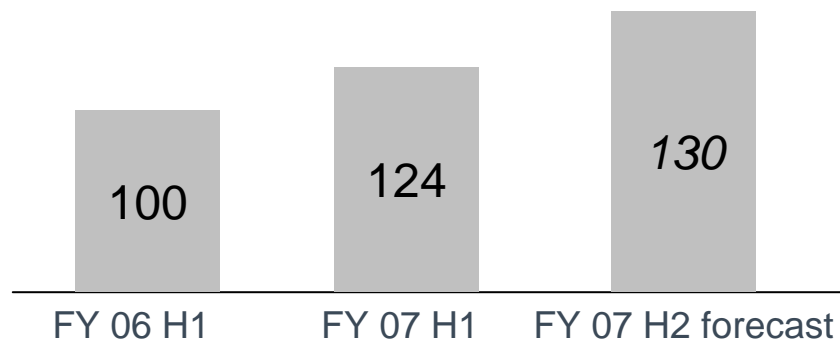
Declining in sales volume had an impact.

Electrolytic Copper Foil:

Robust demand in Japan (special) and Taiwan (general)

Sales of growth products (FY06H1=100)

Electrolytic Copper Foil



FY 07 full-year forecast  
<Operating income down JPY 0.1 billion year on year>

Sales forecasts were revised upward on continued rises in copper metal prices

Copper Strips:

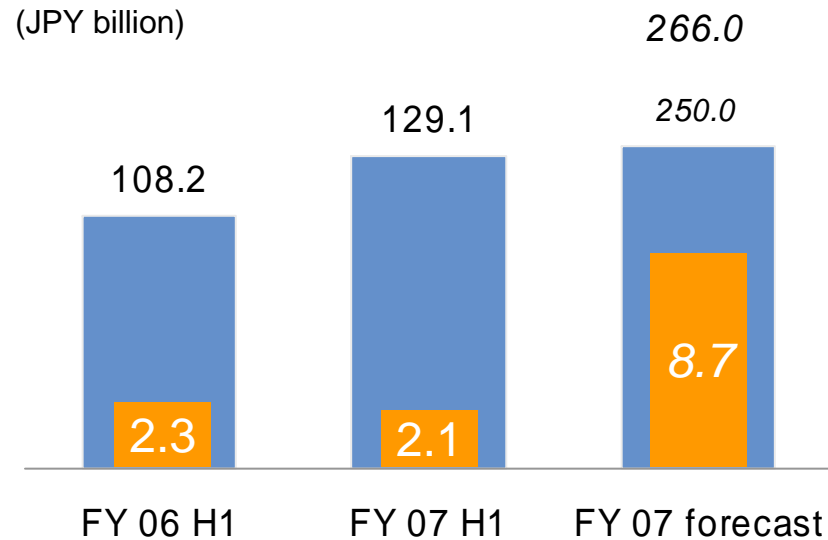
Make further cost cuts.

Electrolytic Copper Foil:

Robust demand in Japan (special) and Taiwan (general) continues

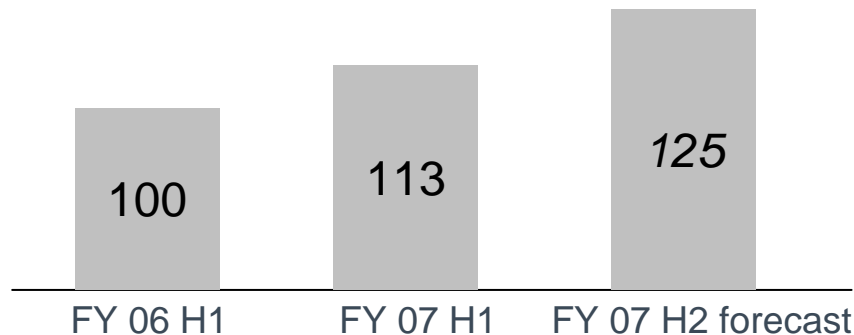
# Electronics/Automotive Systems

Net sales  Operating income 



Sales of growth products (FY06H1=100)

## Memory Disks



FY 07 H1  
<Operating income down JPY 0.2 billion year on year>

- Automotive Parts
  - Harnesses recovered
- Electronics Components/Magnet Wire
  - Thermal products and memory discs were solid, but winding wires were slow
- Batteries
  - Profitability deteriorated on rising lead prices

FY 07 H1  
<Operating income down JPY 0.3 billion from forecast>

- Automotive Parts
  - Harnesses recovered
- Electronics Components/Magnet Wire
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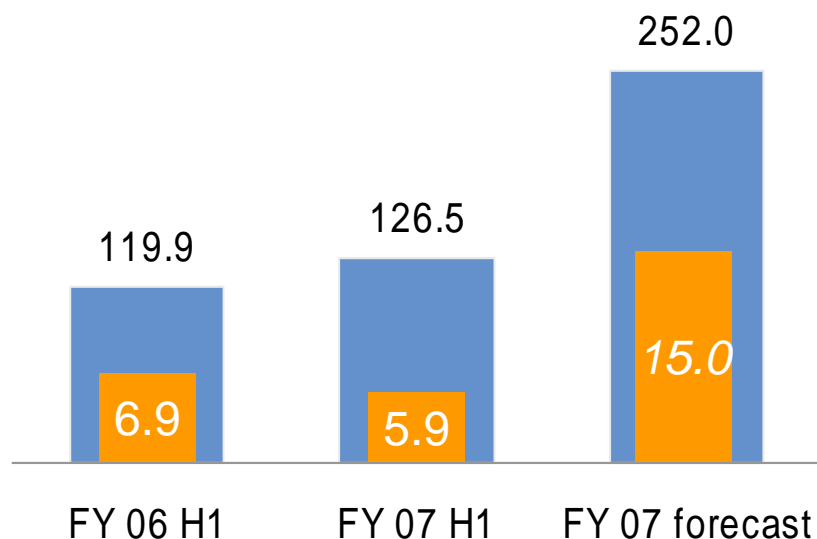
FY 07 full-year forecast  
<Operating income up/down JPY 0 billion year on year>

- The sales forecast was revised upward given the rise in copper metal prices and sales of harnesses
- Automotive Parts (harnesses and electric components)
    - Harnesses for new vehicle models began in August
  - Electronics Components/Magnet Wire
    - Thermal products are solid, particularly for game machines
  - Batteries
    - Pass higher lead prices on to product prices.

# Light Metals (The Furukawa-Sky Group)

Net sales ■ Operating income ■

(JPY billion)



FY 07 H1  
<Operating income down JPY 1.0 billion year on year>

Sales increased with the continued rise in aluminum metal prices

Income declined because of a fall in sales volume (-2%) and the difference in the product mix

- Plates declined on sluggish demand for semiconductor manufacturing equipment, etc.
- LNG tank materials and automotive radio materials were solid

FY 07 H1  
<Operating income down JPY 1.4 billion from forecast>

Income declined on a fall in sales volume and a difference in the product mix

There was a decline in plates on sluggish demand for semiconductor manufacturing equipment, etc.

FY 07 full-year forecast  
<Operating income up/down JPY 0 billion year on year>

A recovery in demand for plates is expected  
The consolidation of product types should take effect

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

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