

FY2008 Management Plan

May 13, 2008

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President and Chief Executive Officer

THE FURUKAWA ELECTRIC CO., LTD.

- 1. FY2007 Highlights**
- 2. FY2008 Management Plan**
- 3. Segment Data**

1. FY2007 Highlights

Overview of FY2007 Results

FURUKAWA ELECTRIC

(JPY billion)	<u>FY06 Actual</u>	<u>FY07 Latest Plan</u>	<u>FY07 Actual</u>	<u>YoY Change</u>
Net sales	1,104.7	1,160.0	1,174.2	+6.3%
Operating income	53.6	47.0	48.4	-9.7%
Ordinary profit	49.5	39.0	40.8	-17.7%
Net income	29.7	17.5	15.2	-48.6%
Dividend per share	JPY 6.5	JPY 7.0	JPY 7.0	+JPY 0.5
 Total debt	 428.2		 399.0	 -29.2

Variation factors below the line of non-operating income and loss

	<u>FY06 Actual</u>	<u>FY07 Actual</u>	<u>Difference</u>	<u>Factor</u>
Foreign exchange gain and loss	+2.2	-3.1	-5.3	(Increase in foreign exchange loss on yen-denominated loans associated with the stronger yen)
Equity in income of non-consolidated subsidiaries and affiliates	+0.5	+1.9	+1.4	(VISCAS and AVC contributed)
Extraordinary profit	+17.7	+5.4	-12.3	(Decrease in gain on sale of land)
Extraordinary loss fixed	-9.3	-15.2	-5.9	(Front-loading of risks through loss on impairment of assets, etc.)
Income taxes	-23.4	-11.5	+11.9	(Refund due to sale of shares in OCP)
Minority interest	-4.8	-4.3	+0.5	(Fall in deduction related to OCP, etc.)

Net Sales and Operating Income by Segment FY2006 and FY2007

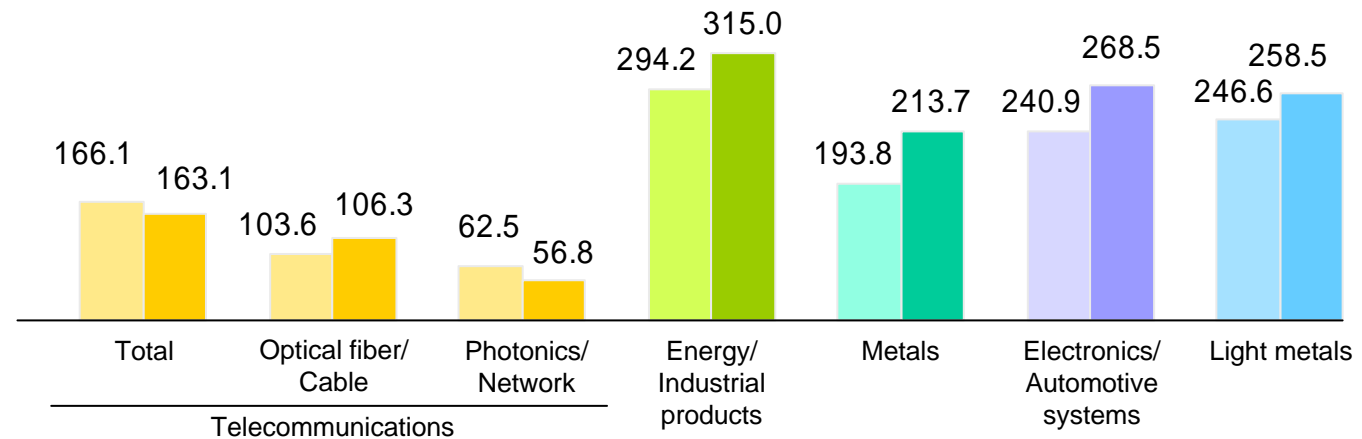
FURUKAWA ELECTRIC

Net sales

FY06: 1,104.7
FY07: 1,174.2

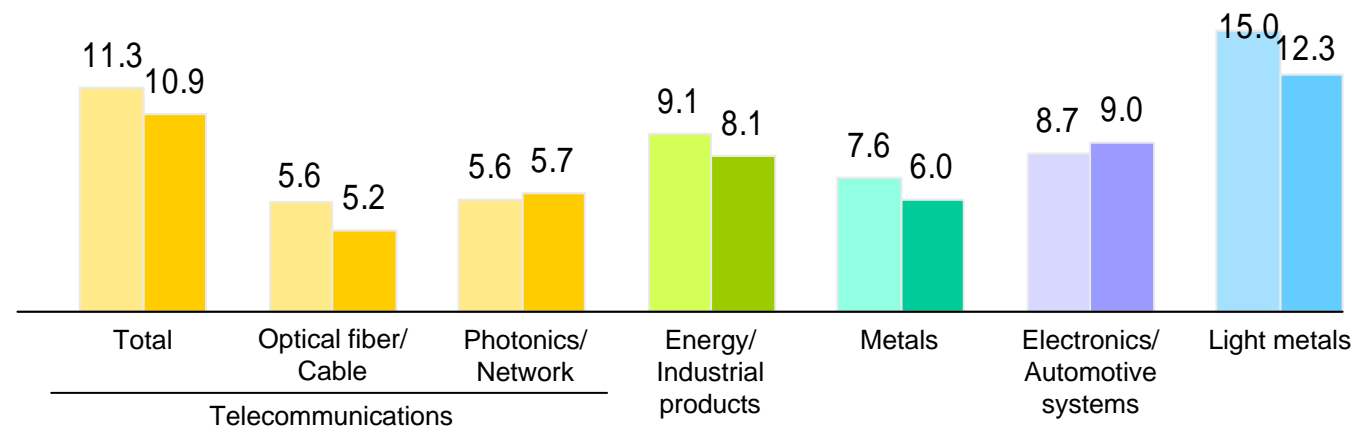
(JPY billion)

■ (Left) FY2006 ■ (Right) FY2007



Operating income

FY06: 53.6
FY07: 48.4

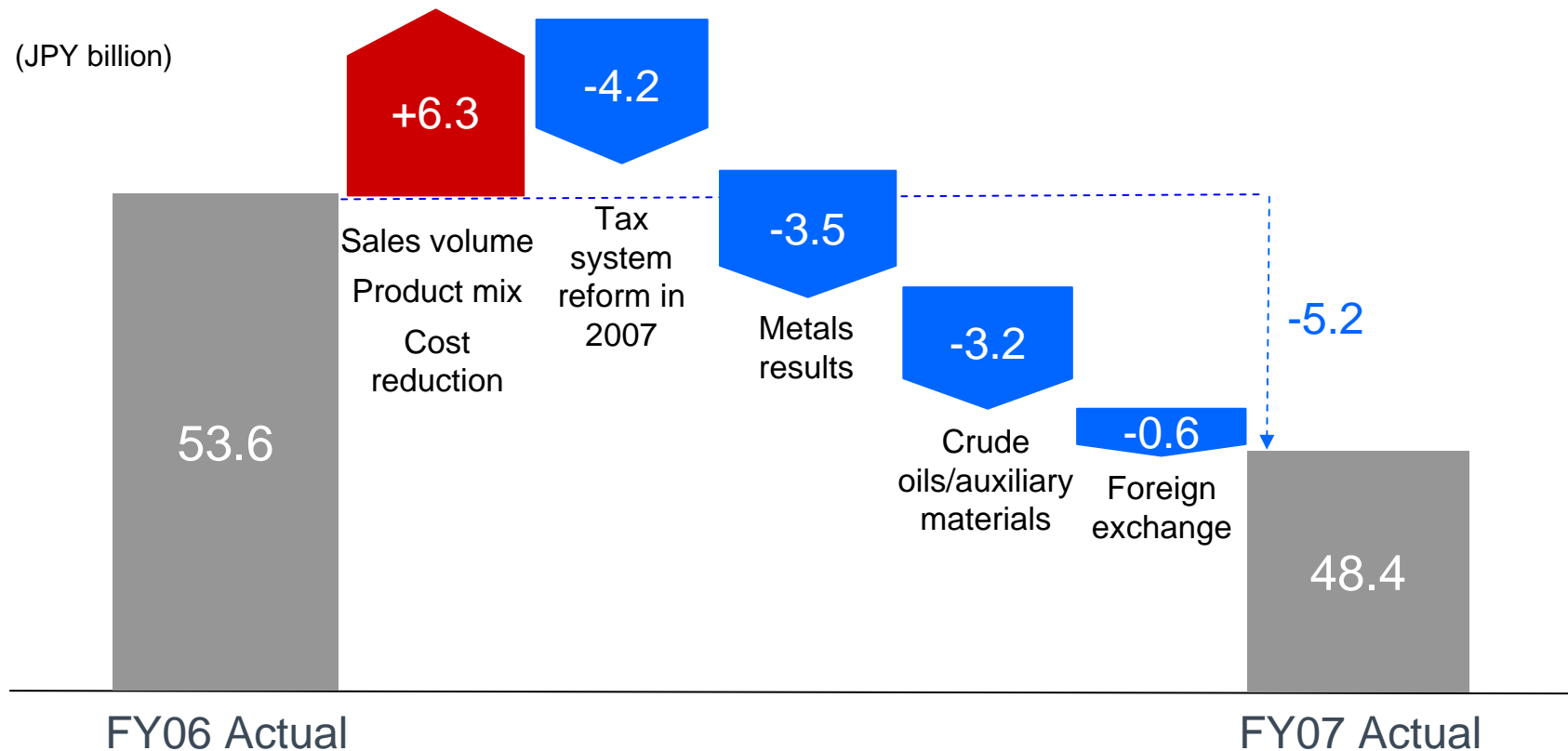


Factor Analysis of Operating Income (1)

FY2006 and FY2007

FURUKAWA ELECTRIC

By factor: Rising prices of metals, crude oils and auxiliary materials, tax system reform and the stronger yen all had an impact.



- * Metals: copper, aluminum
- * Crude oils: raw materials for fuels and petrochemical products
- * Auxiliary materials: magnesium, silver, tin, nickel, etc.

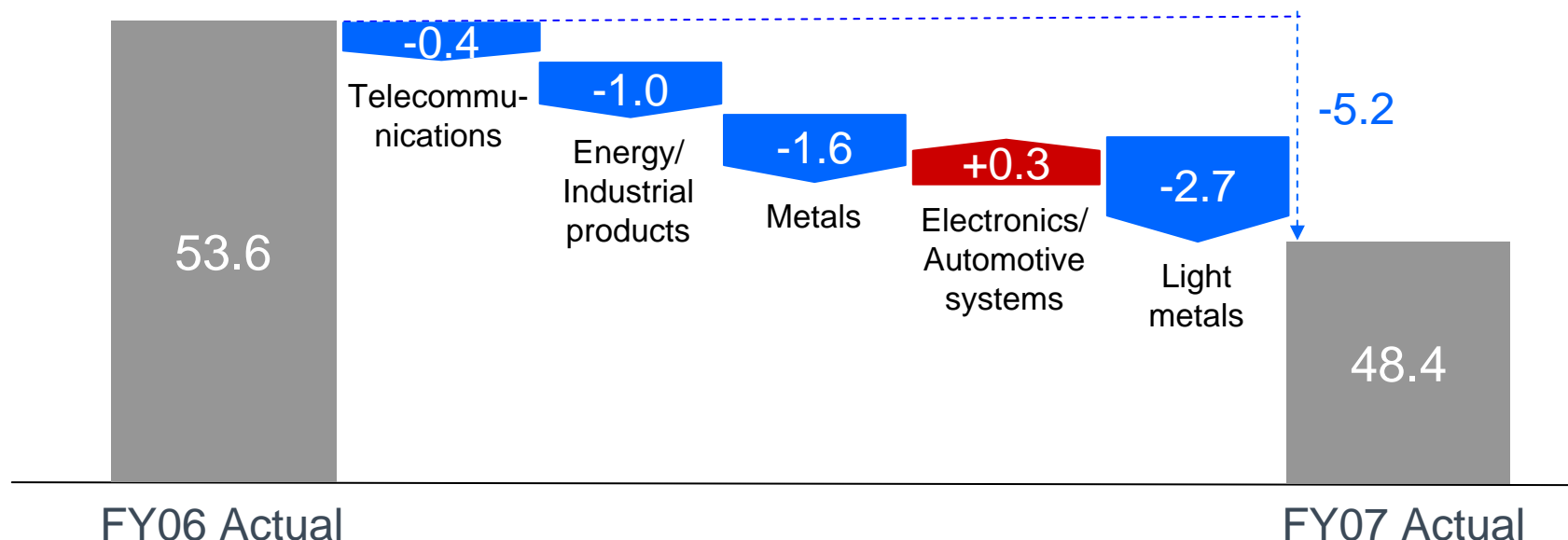
Factor Analysis of Operating Income (2)

FY2006 and FY2007

FURUKAWA ELECTRIC

By segment: The impact of tax system reform and rising prices of crude oils and auxiliary materials was large in Light Metals.

(JPY billion)



Change from FY06	-5.2	(Tax system	-4.2	Excluding tax system 1.0)	
Telecommunications	-0.4	(	-0.4	0.0)	Increase in OFS, decrease in optical cables and routers in Japan
Energy and Industrial products	-1.0	(	-0.7	-0.3)	Decrease in form products, increase in power cables overseas
Metals	-1.6	(	-0.8	-0.8)	Rise in auxiliary materials costs
Electronics and Automotive systems	+0.3	(	-0.6	+0.9)	Increase in harnesses and batteries
Light Metals	-2.7	(	-1.6	-1.1)	Rise in crude oils and auxiliary material prices, decrease in aluminum plates

Excluding services and others

Major Strategies for Growth in FY2007

FURUKAWA ELECTRIC

Theme	Project
Global expansion/production hike	Increased output of optical cables in OFS Russia Doubled the capacity of semiconductor tapes Increased production of electrolytic copper foils Established an auto parts joint venture with Minda in India
Reorganization of subsidiaries	Sold OCP of optical parts in the United States Consolidated the automotive parts business into a subsidiary Made Riken Electric Wire a wholly owned subsidiary Acquired the electric power business of FCIJ
Improvement in finance	Reduced interest-bearing debt by tax refund from the tax authorities in Canada

Trends in Key Management Indicators

FURUKAWA ELECTRIC

(JPY billion)	FY05	FY06	FY07
Operating income margin	4.3%	4.9% →	4.1%
Total asset turnover	0.08	0.10 ↗	0.12
ROA (operating profit to total assets)	3.6%	4.9% →	4.8%
ROE (net income to shareholders' equity)	12.8%	12.7% →	6.4%
D/E ratio	0.20	0.18 →	0.17
Share of overseas sales	25.9%	29.3% ↗	30.2%

(Shareholders' equity excludes minority interest.)

2. FY2008 Management Plan

FY2008 Plan

FURUKAWA ELECTRIC

(JPY billion)	FY07 Actual	FY08 Plan	YoY
Net sales	1,174.2	1,210.0	+35.8
Impact of the tax reform in 2007	-4.2	-5.1	
Impact of the tax reform in 2008		-6.5	
Operating income	48.4	46.0	-2.4
Impact of foreign exchange on loans	-3.1	-6.5	
Ordinary profit	40.8	34.5	-6.3
Impact of extraordinary profit and loss	-9.8	+7.0	
Net income	15.2	21.0	+5.8
EPS	JPY 21.8	JPY 30.1	+JPY 8.3

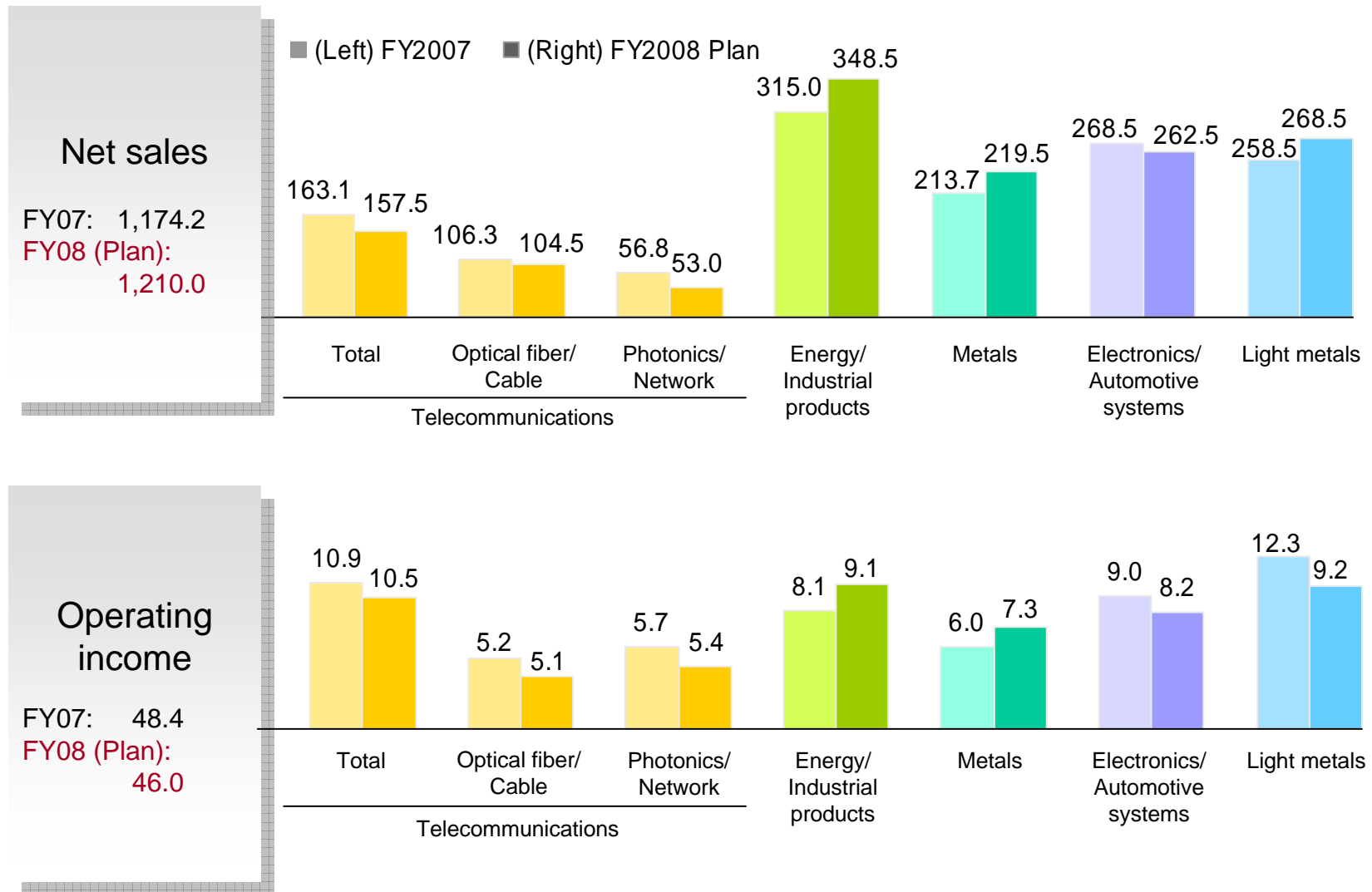
Assumptions: Actual and Plan

		.
Exchange rate (yen per U.S. dollar)	114	100
Dubai crude oil (\$/B)	77	111
Copper price (yen per kg)	916	900
Aluminum Nikkei (yen per kg)	346	300

Net Sales and Operating Income by Segment FY2007 and FY2008 Plan

FURUKAWA ELECTRIC

(JPY billion)



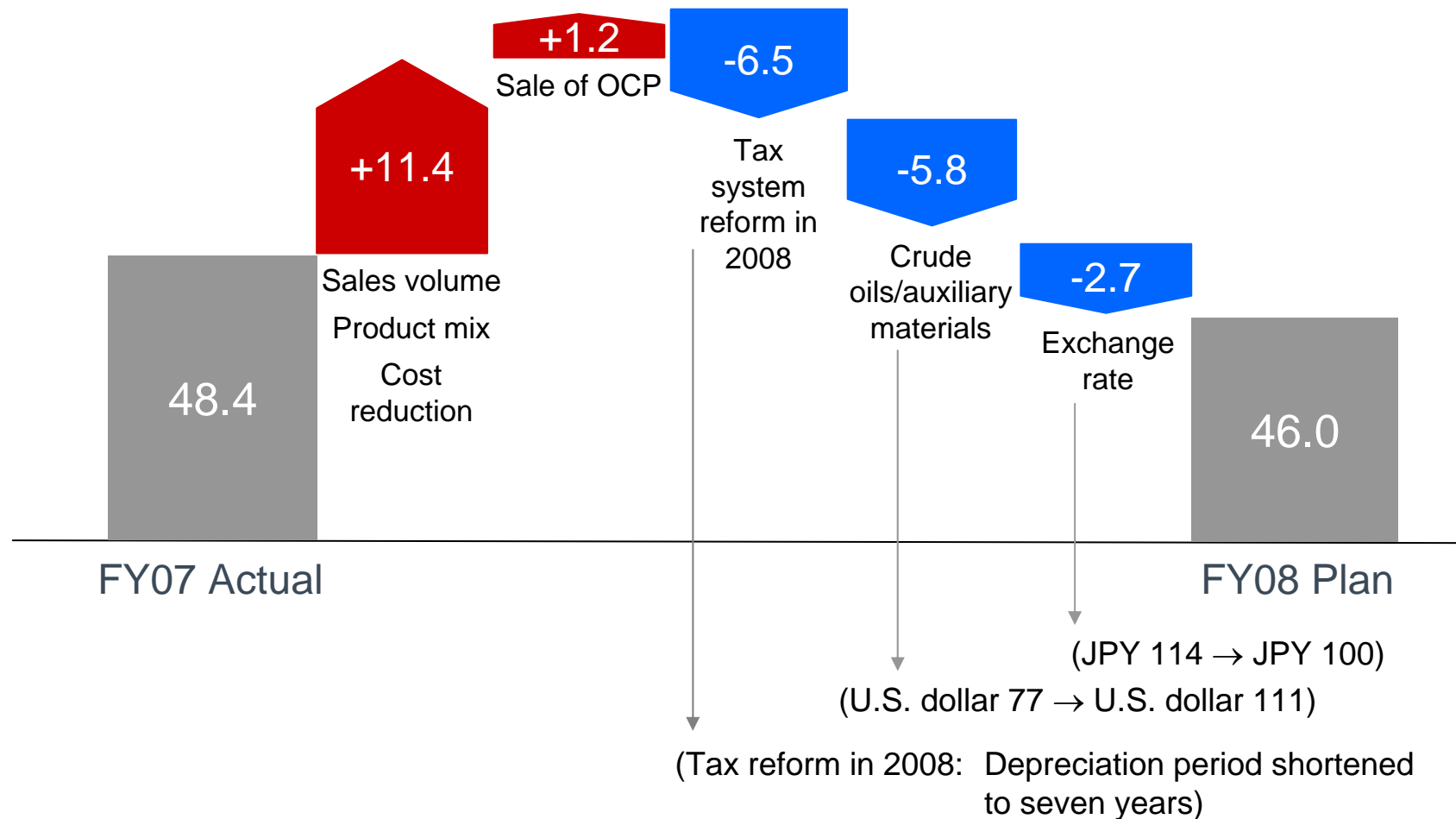
Factor Analysis of Operating Income (1)

FY2007 and FY2008 Plan

FURUKAWA ELECTRIC

By factor: The impact of the tax reform in 2008 and rising crude oil prices is to be offset by growth and our own efforts.

(JPY billion)



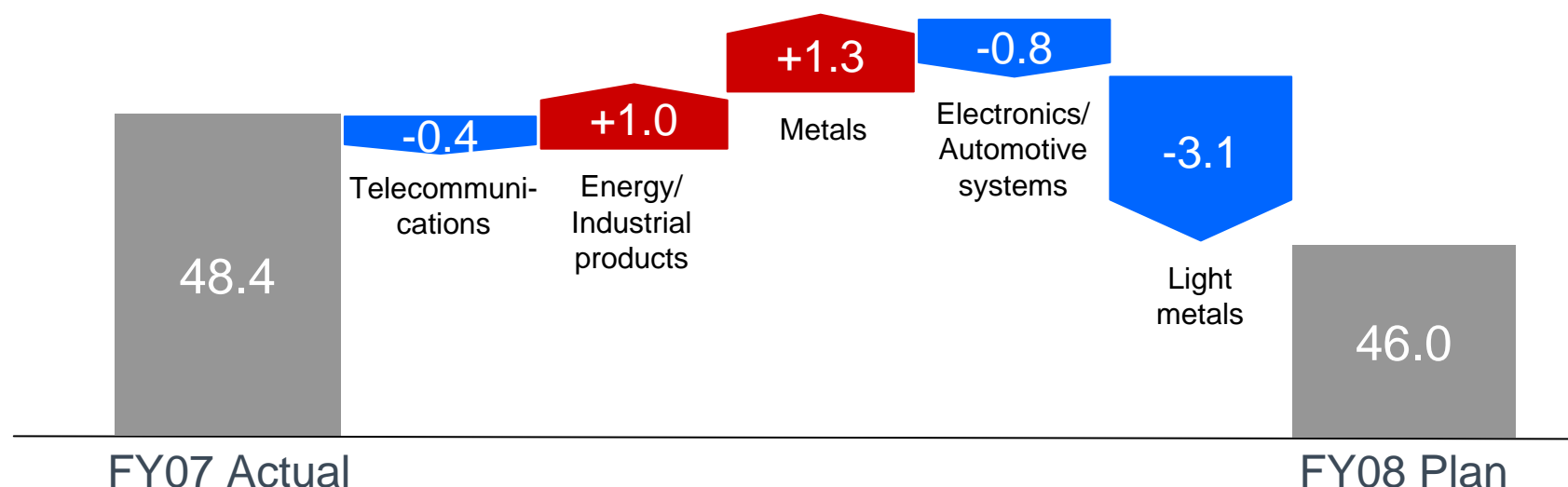
Factor Analysis of Operating Income (2)

FY2007 and FY2008 Plan

FURUKAWA ELECTRIC

By segment: Profit will increase in Energy and Industrial Products and Metals but will decrease in Light Metals due to the effect of tax reform.

(JPY billion)



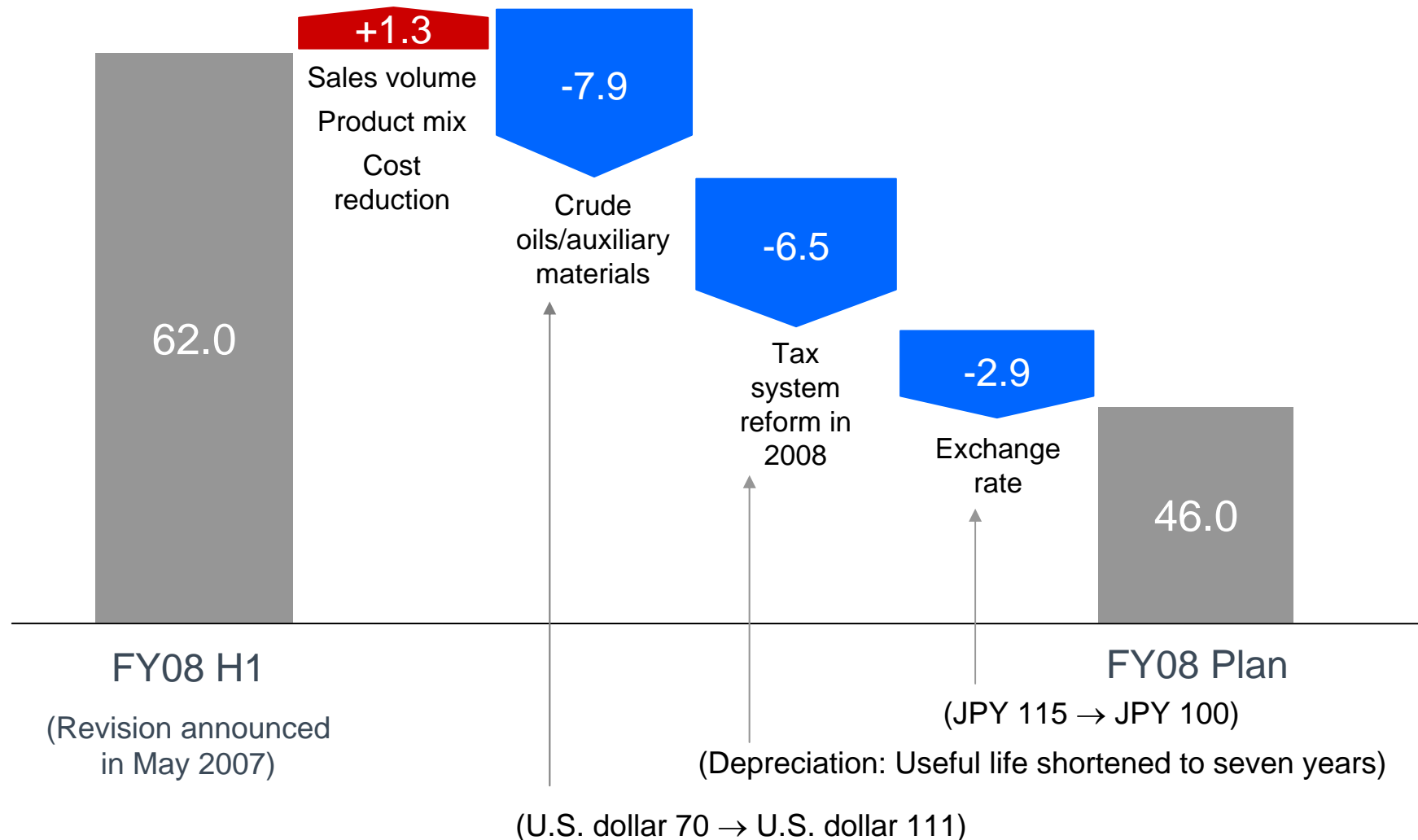
Change from FY07	-2.4	(Tax system -6.5	Excluding tax system +4.1)	
Telecommunications	-0.4	(-0.2	-0.2)	Offset the weak performance of domestic businesses with overseas operations
Energy and Industrial products	+1.0	(-0.6	+1.6)	Copper wire and forming businesses recover
Metals	+1.3	(-1.2	+2.5)	Revision of raw materials prices and processing charges
Electronics and Automotive systems	-0.8	(-0.7	-0.1)	Foreign exchange has an impact
Light Metals	-3.1	(-3.6	+0.5)	Offset the effect of high crude oil and auxiliary material prices with the effect of investments

Excluding services and others

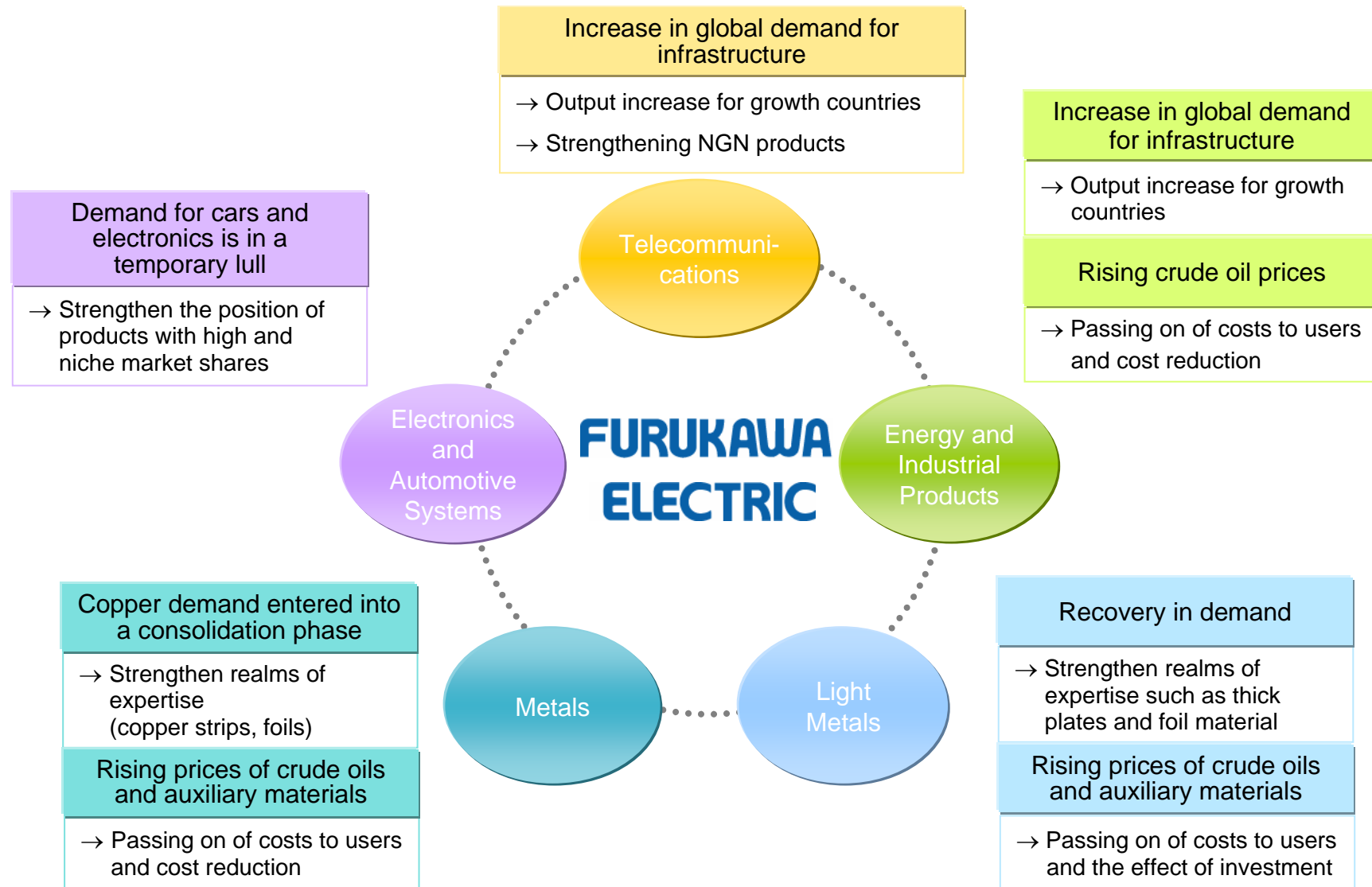
Factor Analysis of Operating Income FY2008 H1 and FY2008 Plan

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(JPY billion)



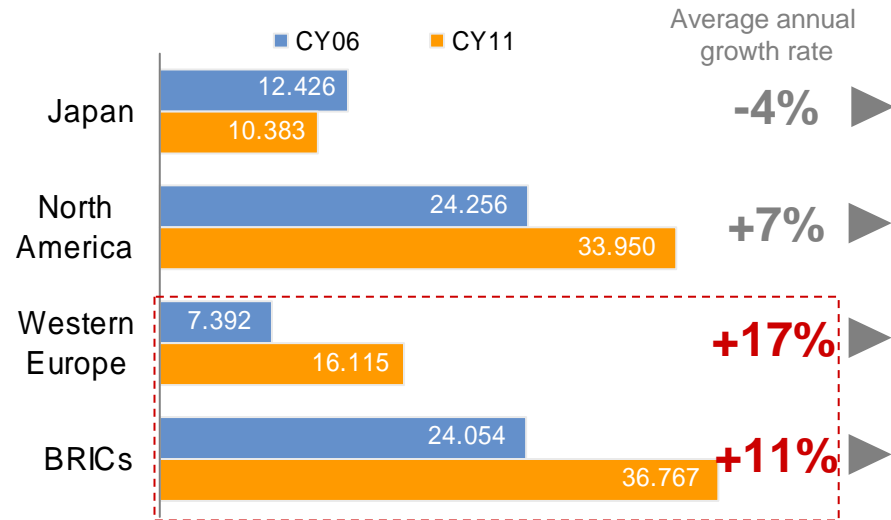
Initiatives to Improve Market Perception and Corporate Value



Telecommunications: Respond to Increase in Global Demand for Infrastructure

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Forecast size of the optical cable market (thousand Km)



(Source: CRU)

Company initiatives in optical fibers and cables

Boost the global supply of fibers
Shift the sales structure to one overseas

OFS: Demand from carriers and general users is solid

OFS Germany } Increase capacity
OFS Russia } by 80%

FISA: Also operates in Argentina

Forecast for the photonics and network market

Investment in NGN is underway in earnest in Japan
→ Demand for optical devices increases

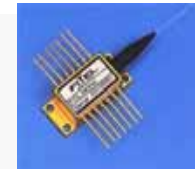
CATV market → Cultivation of the “optical + wireless” market

Enhancement of new products in photonics and network

Focused products

Tunable lasers, optical amplifiers

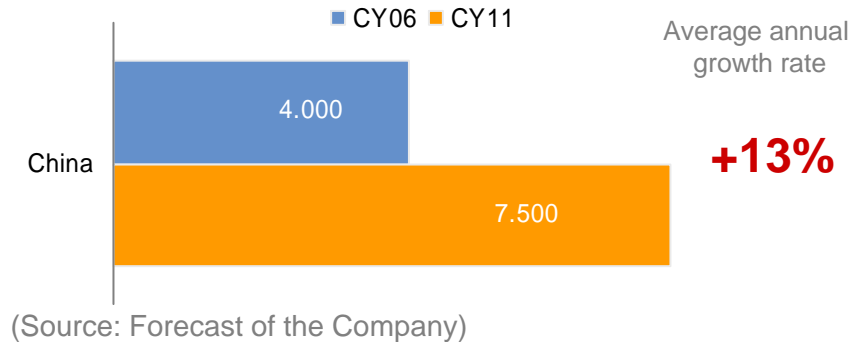
Repeater systems for terrestrial digital and railway tunnels



Energy: Global Operations in Electric Power

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High-voltage power cable market in China (66kv or more, km)



Group Initiatives

Shenyang Furukawa (high-voltage cables)

Capacity increased 30% with the establishment of a new plant

Sales in FY08: +35%

Expansion of (composite optical fiber transmission line) business in Suzhou Furukawa Power Optic Cable

Acquired the electric power business of FCI Japan

High-voltage cables of VISCAS, a joint venture (equity-method affiliate)

VISCAS: Demand from emerging and resources countries is active

Examples of recent orders

Singapore:	18.0 billion yen
UAE:	11.0 billion yen
South Africa:	6.0 billion yen

Sales in FY08: Over 100 billion yen (+14%)

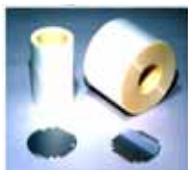


Electronics and Automotive Systems: Strengthen the Position of Products with High and Niche Market Share

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Growth in sales in FY08

Semiconductor tapes



Doubled the DDF production capacity, dicing die bonding film, in April 2008



+20%

Electrolytic copper foil



Increase the production capacity of electrolytic copper foils for lithium batteries and FPC by 36% in June 2008



+20%

Storage



Aluminum blanks for HDD remain firm
Commercial production of glass substrate is to begin in the first half



+10%

Automotive parts



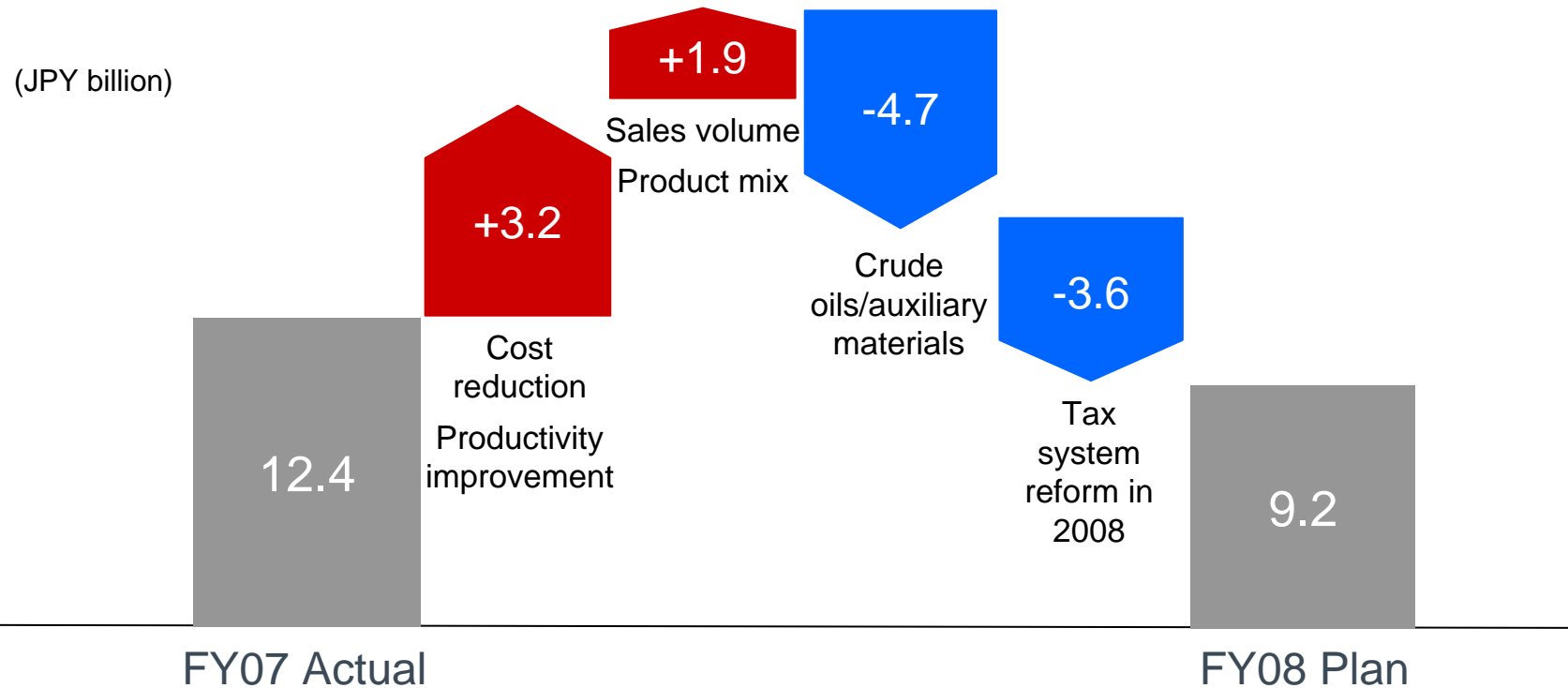
Focus on “mini-cars x Asia”
Increase sales of metal core substrates for junction boxes
Step up development of aluminum wires and extra-fine copper wires



+10%

Light Metals: Rising Crude Oil and Auxiliary Materials Prices Offset by Productivity and Volume Increases (Furukawa-Sky aluminum)

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Domestic business initiatives

Recovery in demand for semiconductors and liquid crystal panel-related products

Expand sales of plates in which we have strength

Overseas business initiatives

Expand overseas shipments

Increase supply of can materials, printing plates and materials for automotive heat-exchange equipment for Japanese users in Asia and Europe

Capital Investment Plan for FY2008: Within Depreciation

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(JPY billion)

FY2007 Actual

Capital investment: 45.2
Depreciation expense: 42.1
(Effect of tax reform in 2007: 4.2)

FY2008 Plan

Capital investment: 49.8
Depreciation expense: 52.8
(Effect of tax reform in 2007: 5.1)
(Effect of tax reform in 2008: 6.5)

Major investments in FY08

Telecommunications:

Increase output of optical cables and lasers in OFS Germany.

Energy and Industrial products:

Increase output of high-voltage cables and semiconductor tapes in China.

Metal:

Increase output of copper strips and copper foils.

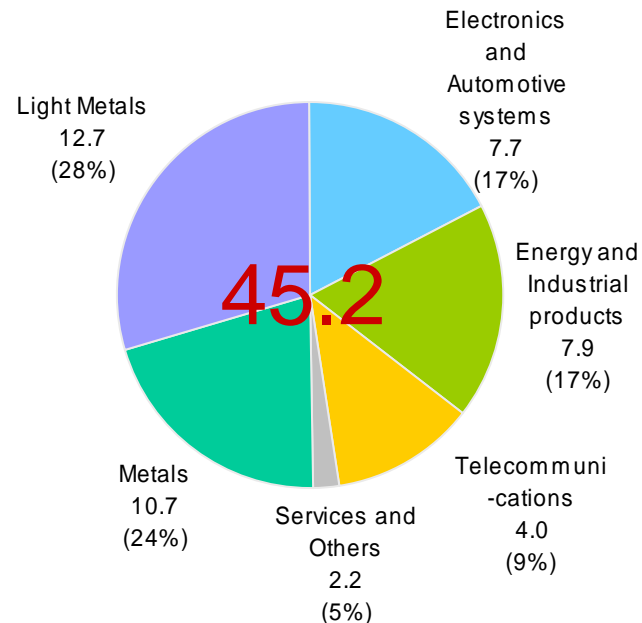
Electronics and Automotive systems:

Start commercial production of glass substrates and increase output of harnesses.

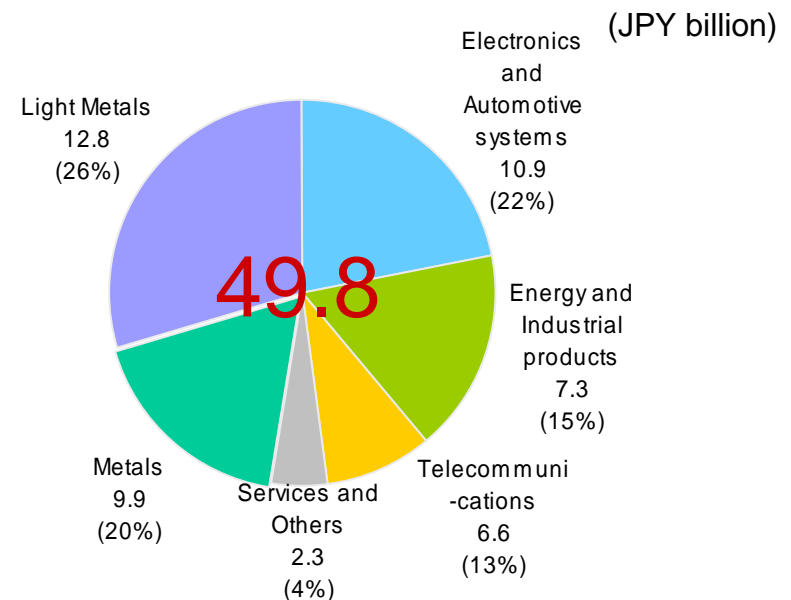
Light Metals:

Aggregate production and increase output of plates for solar panels.



FY2007 Actual



FY2008 Plan



Market Risk: For Higher Income Stability

	YoY effect on operating income		Sensitivity	Initiatives
	FY 07	FY 08 plan		
Crude oils (Petrochemical products/fuels) Auxiliary materials (metals for alloy)	-3.2 billion yen	-5.8 billion yen	A movement of one dollar per barrel changes income by 120 million yen.	 Focus on cost cutting, fuel shifts and passing on of costs to users
<u>Effect on non-operating income in the current FY</u>				
	FY07	FY08 plan	Sensitivity	
Foreign exchange (Yen-denominated loans of 63 billion yen)	-3.1 billion yen	-6.5 billion yen	A movement of one yen against the US dollar changes non-operating income by 600 million yen.	 Effect on non-operating income is expected to be offset by extraordinary gains in the 2008 March quarter. Fundamental solutions are being considered.

* Effect of changes in copper and aluminum prices on operating income is nearly neutral in the long run (because of the introduction of the price slide system)

Dividends

FY07: Annual dividend of 7.0 yen

FY08: Annual dividend of 7.0 yen (planned)

While we seek medium- and long-term growth, we will also flexibly distribute profits, with dividends as one means.

For that purpose, we will bolster net income and EPS with growth at each profit level and the reduction of risks.

3. Segment Data

Telecommunications <Optical fiber/Cable>

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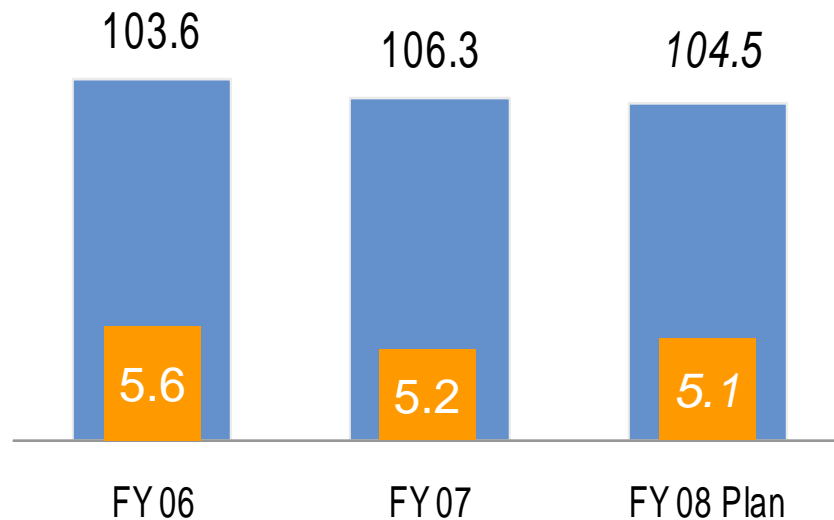
Net sales



Operating income



(JPY billion)



Factors influencing operating income (JPY billion)

FY06→FY07

5.6→5.2

-0.4

- + OFS (U.S.): Sales rose with an increase in demand from carriers and general users in Europe and the United States
- + Sharp increase in fiber exports
- Weak demand for optical cables in Japan

FY07→FY08 (Plan)

5.2→5.1

-0.1

- + OFS: Demand from carriers and general users is solid in North America
- + Improvement in subsidiaries in China
- + Increase in fiber exports continues
- Weak demand for optical cables in Japan continues
- Submarine lines dip until the second half of the year

Telecommunications <Photonics/Network>

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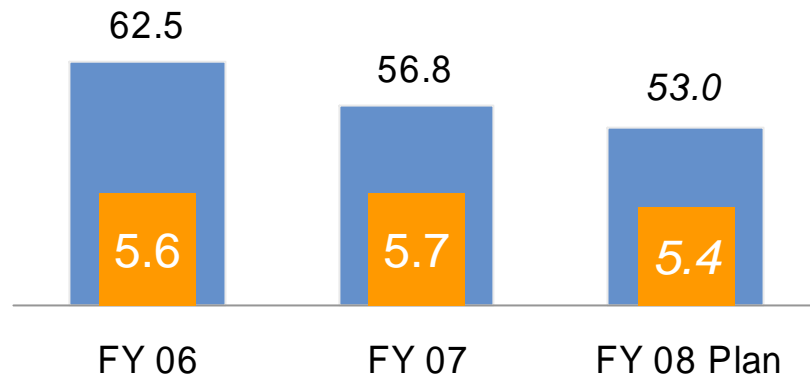
Net sales



Operating income

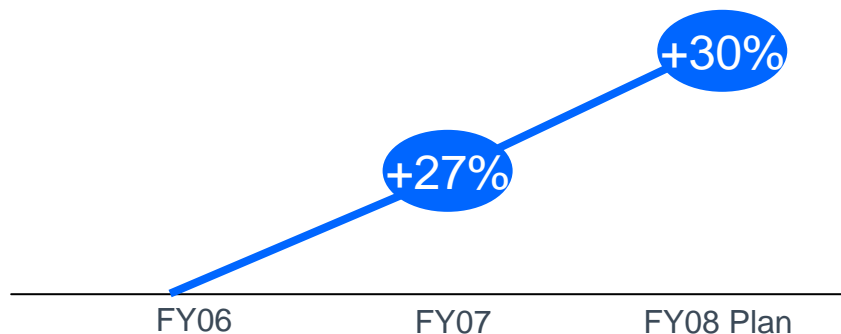


(JPY billion)



Growth products: Year-on-year sales growth

Active optical parts and equipment
(optical amplifiers and lasers)



Factors influencing operating income

FY06→FY07

5.6→5.7

+0.1

- + CATV-related demand increased in Japan
- + Optical amplifiers and lasers grew
- FTTH prices fell in Japan
- Demand for routers declined in Japan

FY07→FY08
(Plan)

5.7→5.4

-0.3

- + Loss factor eliminated by the sale of OCP in the United States
- + Optical amplifiers and lasers continue to grow
- CATV-related demand declines in Japan
- FTTH prices continue to fall in Japan

Energy/Industrial Products

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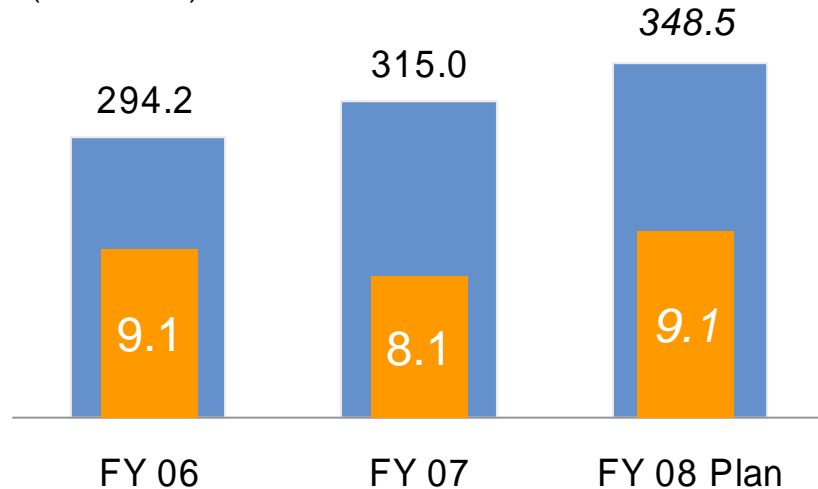
Net sales



Operating income



(JPY billion)



Factors influencing operating income

FY06→FY07

9.1→8.1

-1.0

Energy

- + Demand was firm in Shenyang, China
- Demand for copper wires and industrial wires declined in Japan
- Metals results

Industrial products

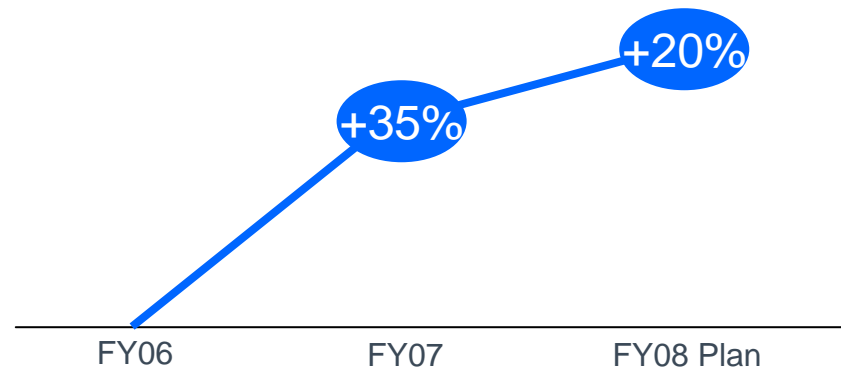
- + Demand for semiconductor tapes increased rapidly
- Demand for foam products fell

Common

- Rising crude oil prices
- Effect of tax reform in 2007: -0.7

Growth products: Year-on-year sales growth

Semiconductor tapes



FY07→FY08
(Plan)

8.1→9.1

+1.0

Energy

- + Demand remains firm in Shenyang, China
- + Copper wires and industrial wires improve in Japan

Industrial products

- + Semiconductor tapes remain solid
- + Demand for foam products recovers

Common

- Rise in crude oil prices continues
- Effect of tax reform in 2008: -0.6

Metals

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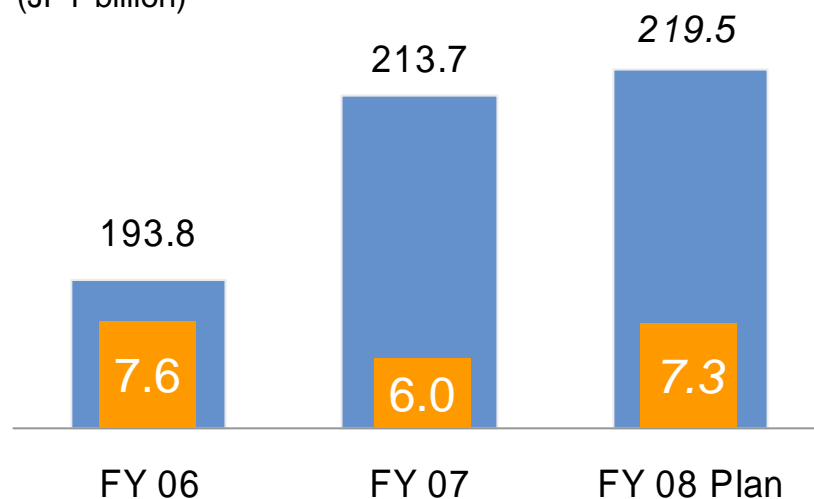
Net sales



Operating income



(JPY billion)



Factors influencing operating income

FY06→FY07

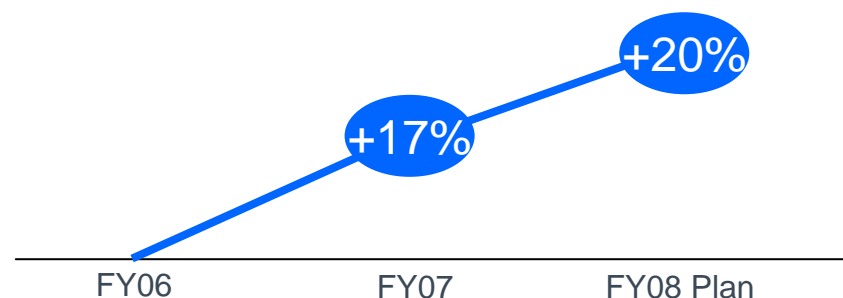
7.6→6.0

-1.6

- + Copper foils remained strong
- Product mix of copper strips and pipes deteriorated
- Auxiliary materials costs rose
- Metals results
- Effect of tax reform in 2007: -0.8

Growth products: Year-on-year sales growth

Electrolytic copper foils



FY07→FY08
(Plan)

6.0→7.3

+1.3

- + Copper foils continue to be strong
- + Revision of auxiliary materials prices and processing charge
- Effect of tax reform in 2008: -1.2

Electronics/Automotive Systems

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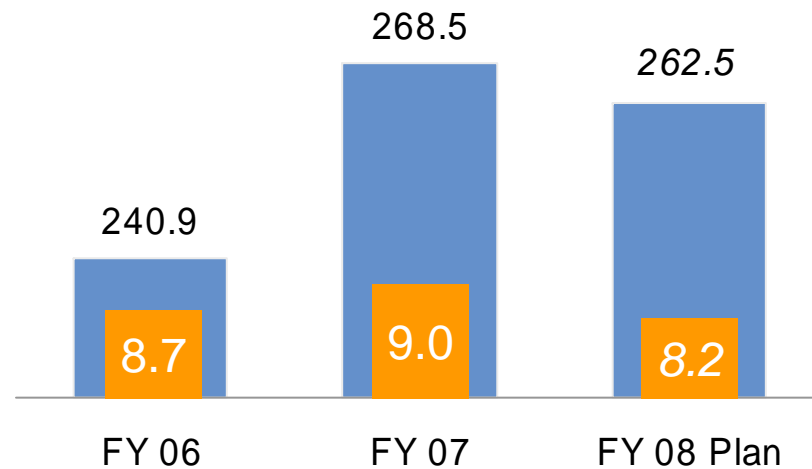
Net sales



Operating income



(JPY billion)



Factors influencing operating income

FY06→FY07

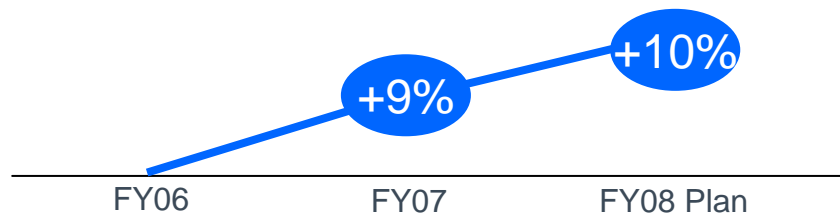
8.7→9.0

+0.3

- + Wire harnesses remained strong
- + Batteries were solid
- + Memory disks were firm
- Demand for winding wires declined
- Effect of tax reform in 2007: -0.6

Growth products: Year-on-year sales growth

Memory disks



FY07→FY08
(Plan)

9.0→8.2

-0.8

- + Wire harnesses remain firm
- + Memory disks continue to be solid
- Demand for heatsinks falls
- Effect of the stronger yen
- Effect of tax reform in 2008: -0.7

Light Metals (The Furukawa-Sky Group)

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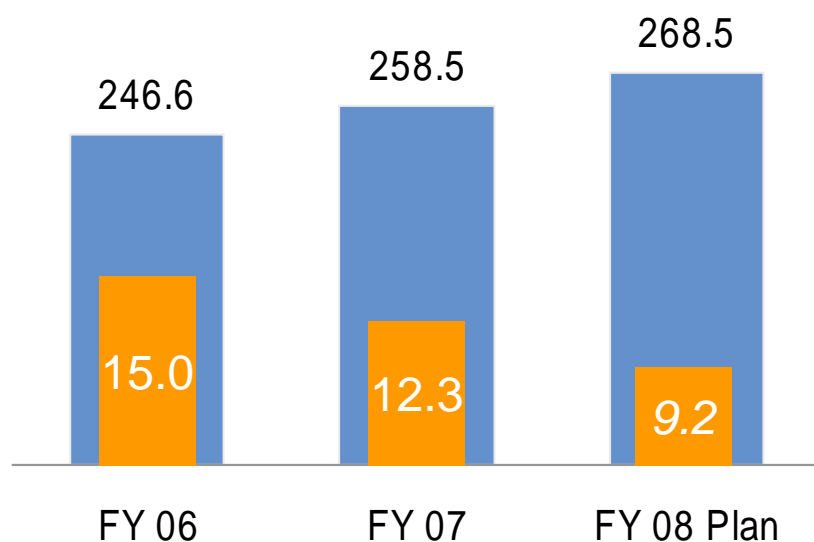
Net sales



Operating income



(JPY billion)



Factors influencing operating income

FY06→FY07

15.0→12.3

-2.7

- + Progress in cost cutting
- Volume of plants and foil material declined
- Rising crude oil and auxiliary material prices
- Effect of tax reform in 2007: -1.6

FY07→FY08
(Plan)

12.3→9.2

-3.1

- + Volume of plates and foil material recovers
- + Effect of improvement in productivity
- Rising crude oil and auxiliary material prices
- Effect of tax reform in 2008: -3.6

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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