

FY2006 Management Plan

Mid-year follow-up

November 10, 2006

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President and Chief Executive Officer

FURUKAWA ELECTRIC CO., LTD.

Agenda

1. Highlights of FY2006 1H
2. FY2006 Plan

1. Highlights of FY2006 1H

Highlights of FY2006 1H

FY2006 1H results

Net sales	JPY 515.7 billion	+28% (yoy)
Operating income	JPY 23.9 billion	+57% (yoy)
Net income	JPY 14.8 billion	5.7x (yoy)

< Historical high 1H net sales and operating income >

FY05 1H Net sales	JPY 403.2 billion
FY00 1H Operating income	JPY 22.0 billion

All 5 segments showed growth in net sales and operating income

Optical fiber / Cable segment turned profitable

Profit recovery at OFS

FY2006 1H results

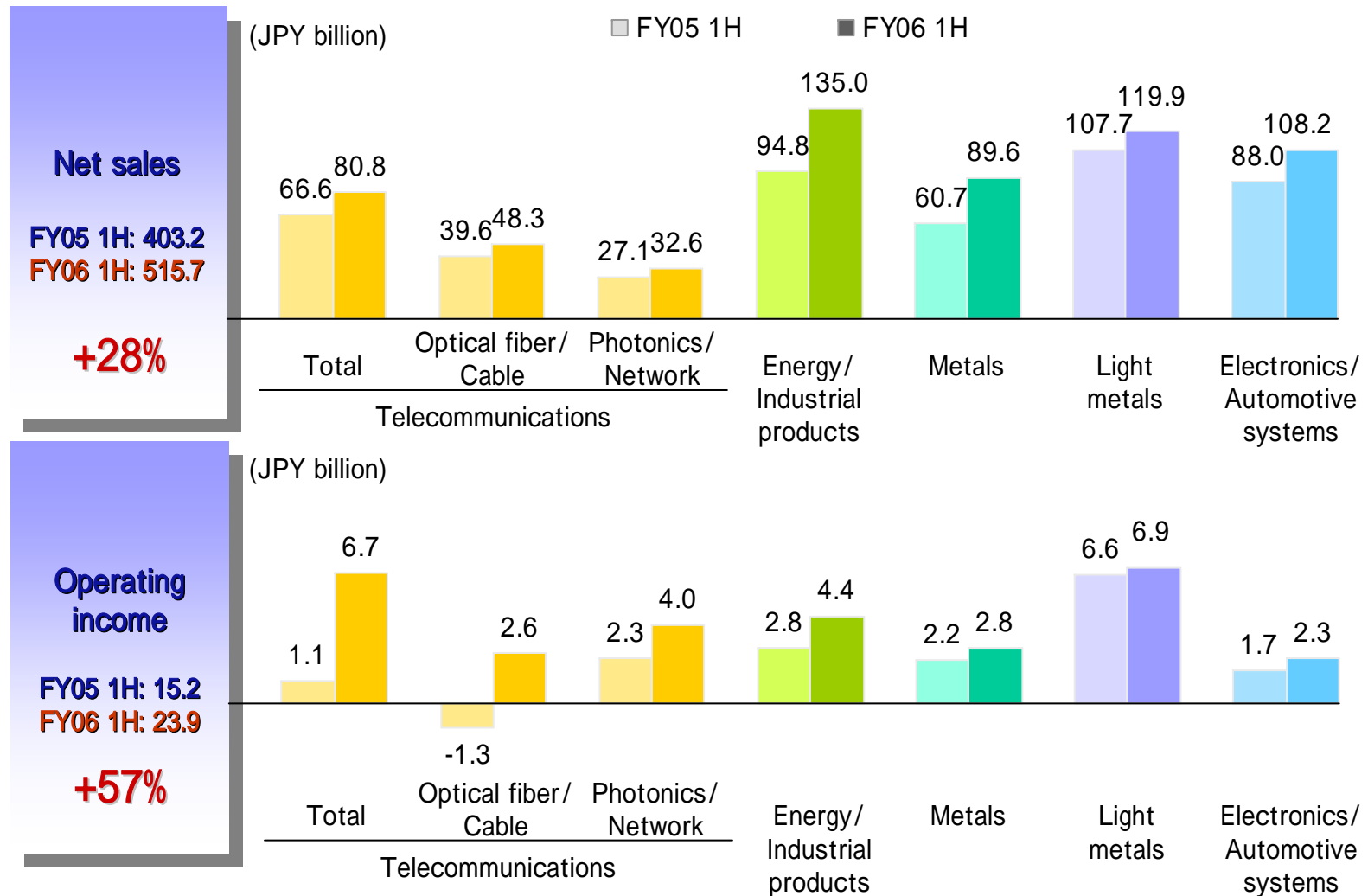
(JPY billion)

	FY05 1H		FY06 1H		Change from FY05 1H		Previous forecast (Aug 3rd)	
	(A)	Margin (%)	(B)	Margin (%)	(C)=(B)-(A)	Change (Point)	(D)	Margin (%)
Net sales	403.2		515.7		112.5		505.0	
(Non consolidated)	173.0		240.6		67.7		240.0	
(OFS)	14.1		18.7		4.6		18.7	
Operating income	15.2	3.8%	23.9	4.6%	8.6	0.9	20.0	4.0%
(Non consolidated)	4.2	2.4%	5.9	2.4%	1.7	0.0	4.8	2.0%
(OFS)	3.0	-21.1%	0.1	0.4%	3.0	21.5	0.1	0.5%
Ordinary profit	22.6	5.6%	20.2	3.9%	2.4	-1.7	16.0	3.2%
(FX gain / loss)	8.3		1.4		9.7		2.1	
(Excl. FX gain / loss)	14.3	3.5%	21.6	4.2%	7.3	0.6	18.1	3.6%
Extraordinary profit	4.5		13.2		8.7		10.2	
Extraordinary loss	18.7		3.0		15.7		1.2	
Net income	2.6	0.7%	14.8	2.9%	12.2	2.2	10.5	2.1%

(JPY)

EPS	3.90	20.99	17.09	14.9
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FY2006 1H results by segment



Capex: FY2006 Plan & 1H results

◆ Accelerate investment to strengthen materials businesses

Allocate JPY 49.8 billion for investment + Utilize Strategic fund
(Depreciation: JPY 36.2 billion)

Major investment in FY06 1H

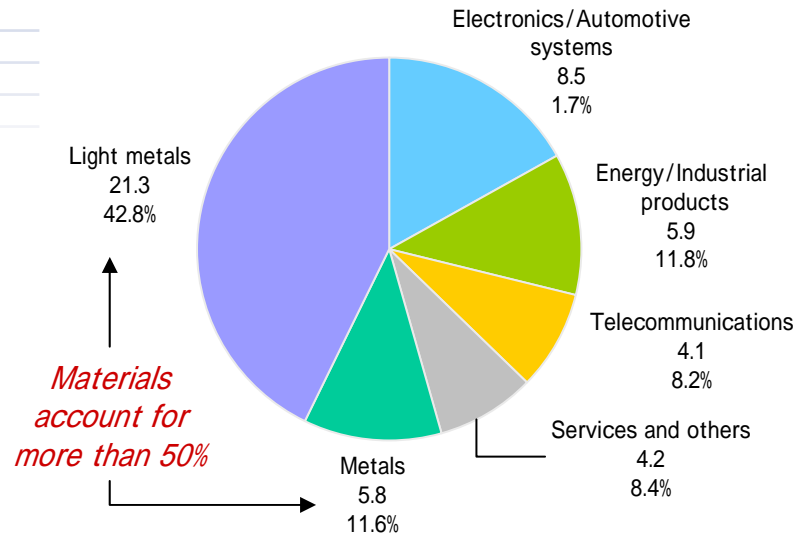
Light metals: Enhanced capacity for casting and annealing; renewed rolling motor

Metals: Renewed rolling motor; increased plated production capacity

Energy/Industrial products: New plant for UV tape (for semiconductor)

FY2006 Plan

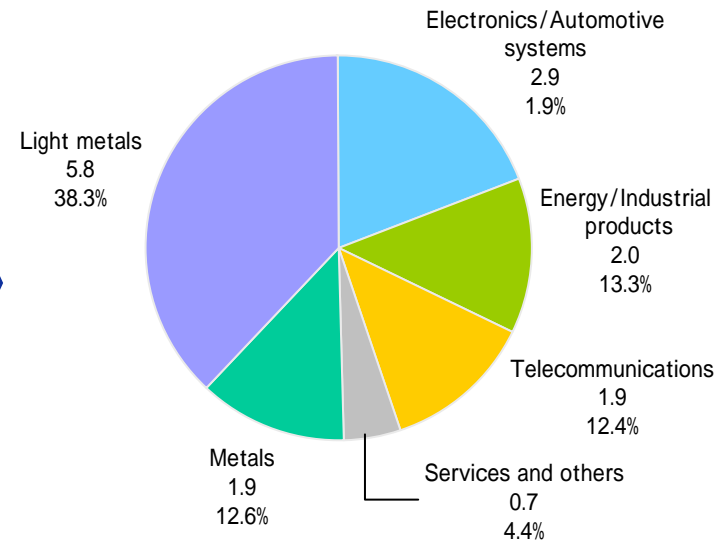
(JPY billion)



JPY 49.8 billion (Plan)

FY2006 1H result

(JPY billion)



JPY 15.8 billion (Actual)

Key management indicator

(JPY billion)	FY04	FY05		FY06 1H	<i>FY06 plan</i>
Operating income margin	3.1%	4.3%	➔	4.6%	➔ 4.5%
Total asset turnover	0.8	0.8	➔	0.9	➔ 1.0
ROA (operating profit to total assets)	2.4%	3.6%	➔	4.4%	➔ 4.4%
ROE (net income to shareholders equity)	9.0%	11.4%	➔	13.0%	➔ 8.7%
Total debt (JPY billion)	482.3	435.3	➔	446.6	➔ 434.7
Cumulative debt reduction from JPY 584.7 billion in Mar 2004	→ (102.5)	(149.5)		(132.8)	(150.0)
D / E ratio	2.7	2.0	➔	2.0	➔ 1.9
(Shareholders equity excludes minority interest and, gain and loss on deferred hedge)				(annualized)	

FY2006 Plan & 1H update

FY06 Plan

Accelerate investment

Expand overseas business

Improve asset efficiency

Realize in FY06

Realize over mid-term

FY06 1H update

Expand business alliance

- Reflow soldering equipment JV with Tamura Corp. (Established in Oct 2006)

Reduce FX risk

- Reduced inter-company yen-denominated loan to OFS (JPY 75.5 billion → JPY 60.0 billion)

Improve asset efficiency

- Divested underutilized real estate (Extraordinary profit of JPY 10.2 billion)

Accelerate investment for further growth

- Strengthen wire harness business in China (JPY 2.0 billion from Strategic fund)
- Boost production of copper strip for automobile and electronic parts by 30% (JPY 5.0 billion from Strategic fund + JPY 3.0 billion)
- Boost production of high-performance electrolytic copper foil by 20% (JPY 2.5 billion)

Expand overseas business

- Strengthen auto business in China
- Materialize synergies from M&A / alliance (acquisition of Trocellen, establishment of JV with Nexans, technical partnership with Capella Photonics)

Improve asset efficiency

- Further focus on reduction of inventory and account receivables

2. FY2006 Plan

FY2006 Plan

Upward revision of full year forecast

Net sales **JPY 1,050.0 billion**
 (+3% previous forecast, +20% previous FY)

Operating income **JPY 47.0 billion**
 (+9% previous forecast, +26% previous FY)

2H assumptions

FX. rate **¥115/\$**

Copper **¥900/kg**

Aluminum **¥300/kg**

Assumed price to remain high due to strong fundamentals

FY2006 Full year forecast - Revised

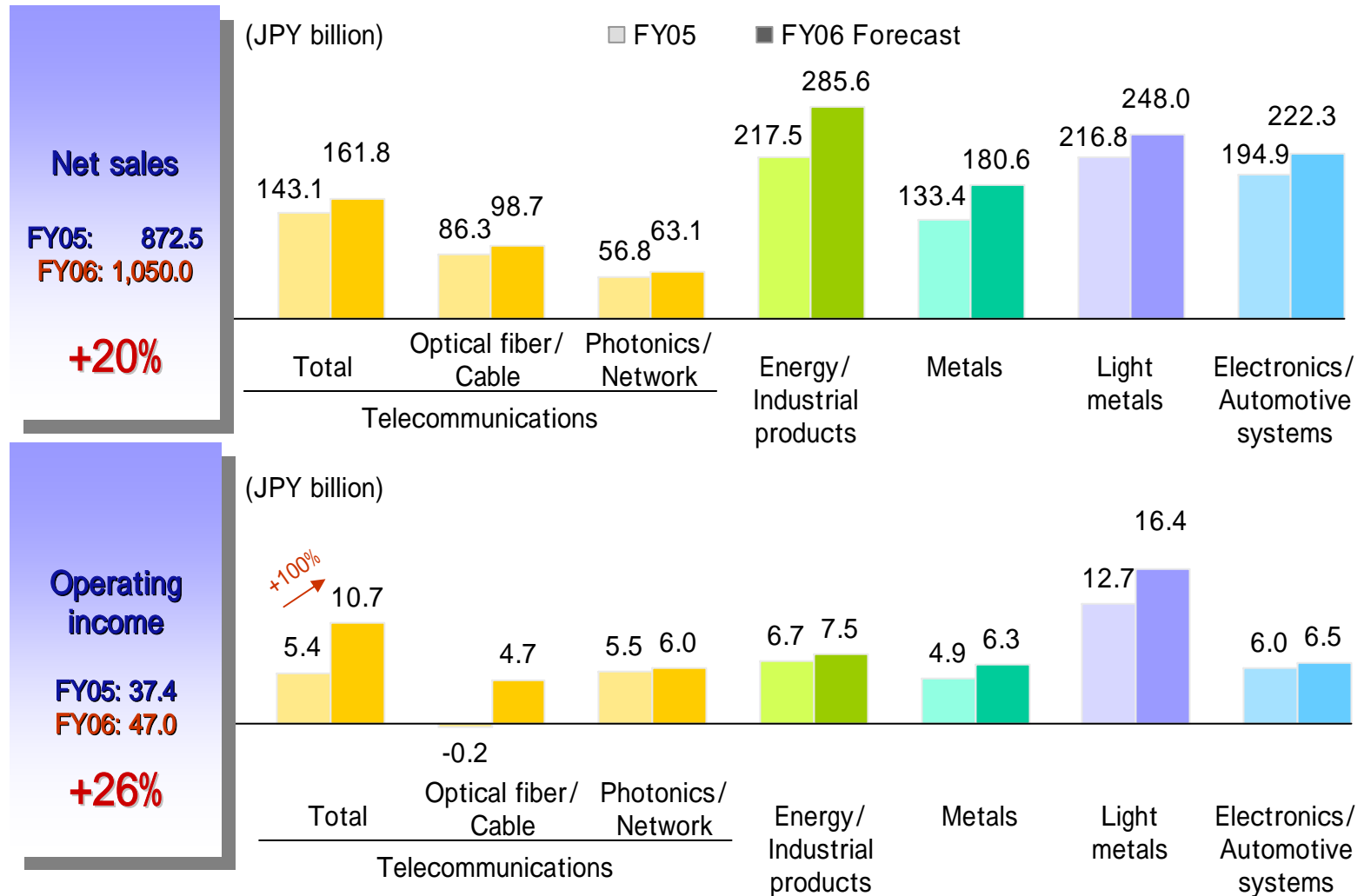
(JPY billion)

	FY05		FY06 Revised forecast		Change from FY05		Previous forecast (Aug 3rd)	
	(A)	Margin (%)	(B)	Margin (%)	(C)=(B)-(A)	Change (Point)	(D)	Margin (%)
Net sales	872.5		1,050.0		177.5		1,020.0	
(Non consolidated)	382.5		495.0		112.5		480.0	
(OFS)	31.3		38.7		7.4		37.5	
Operating income	37.4	4.3%	47.0	4.5%	9.6	0.2	43.0	4.2%
(Non consolidated)	11.4	3.0%	11.0	2.2%	0.4	0.8	9.8	2.0%
(OFS)	5.0	16.0%	0.1	0.3%	5.1	16.2	0.1	0.3%
Ordinary profit	47.0	5.4%	40.0	3.8%	7.0	1.6	32.0	3.1%
(FX gain / loss)	14.2		1.8		16.0		4.6	
(Excl. FX gain / loss)	32.8	3.8%	41.8	4.0%	9.0	0.2	36.6	3.6%
Extraordinary profit	38.5		13.7		24.8		11.0	
Extraordinary loss	40.9		5.7		35.2		4.5	
Net income	25.5	2.9%	20.0	1.9%	5.5	1.0	15.0	1.5%

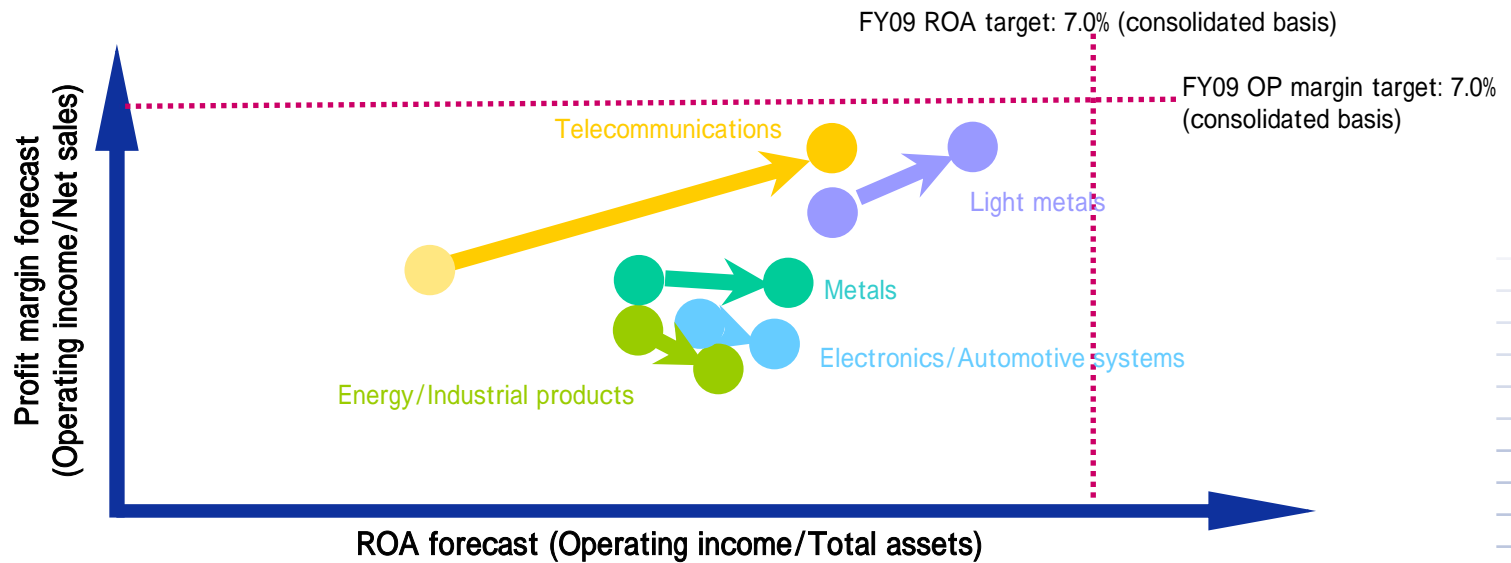
(JPY)

EPS	36.94	28.33	8.61	21.2
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FY2006 Forecast by segment



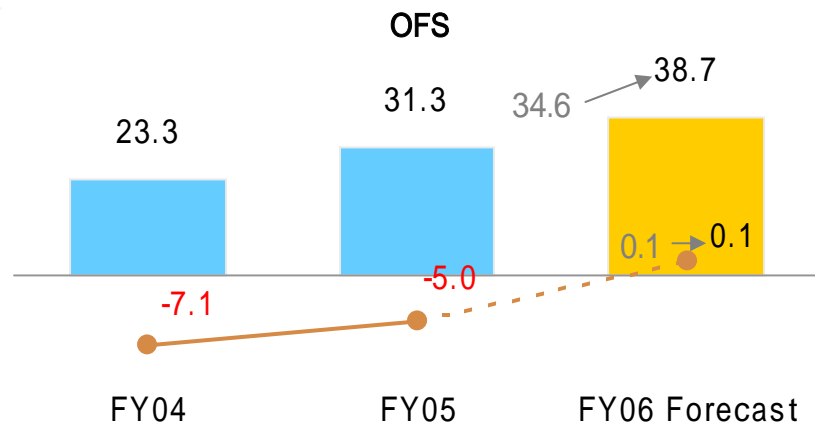
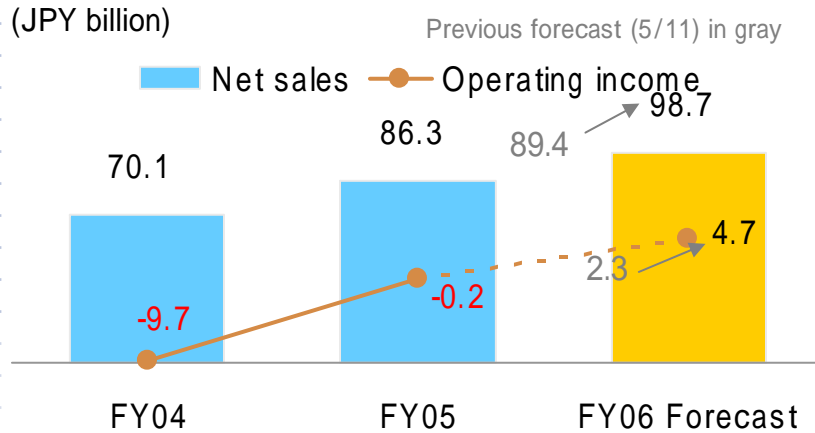
Business portfolio shift: FY2005 FY2006 Forecast



	FY05 OP margin (%)	FY06E OP margin (%)	FY05 ROA (%)	FY06E ROA (%)
● Telecommunications	3.7	6.6	2.7	5.4
● Energy/Industrial products	3.1	2.6	4.0	4.4
● Metals	3.6	3.5	3.9	5.0
● Electronics/Automotive systems	3.1	2.9	4.4	4.7
● Light metals	5.9	6.6	5.2	6.2
Total	4.3	4.5	3.6	4.4

Telecommunications <Optical fiber/Cable>

Net sales & Operating income



FY06 1H result (yoy)

- ◆ Net sales: JPY 48.3 billion (+22%)
- ◆ Operating income: JPY 2.6 billion (+3.9bn)
 - Strong demand for optical fiber from domestic telecom carriers, cellular carriers and railways
 - Profit recovery at OFS
 - Solid performance at foreign subsidiaries including Brazil and Thailand

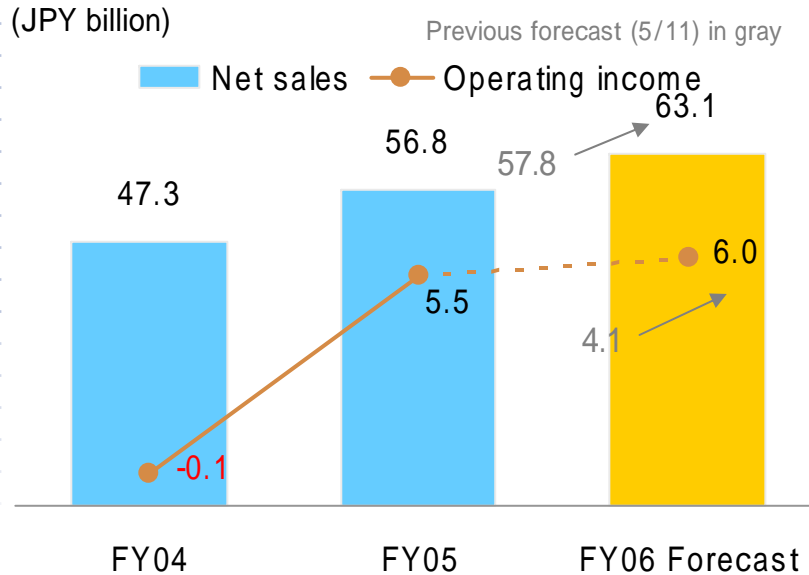
FY06 Plan

Taking a conservative stance on both domestic and international demand through 2H

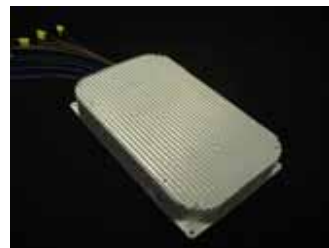
- ◆ OFS
 - Improve productivity to maintain profitability
- ◆ Optical fiber/Cable
 - Establish global supply system

Telecommunications <Photonics/Network>

Net sales & Operating income



Pump laser for optical amplifier



ROADM (Reconfigurable Optical Add/Drop Multiplexer)

FY06 1H result (yoy)

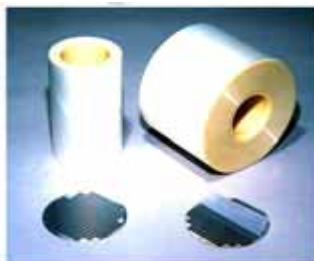
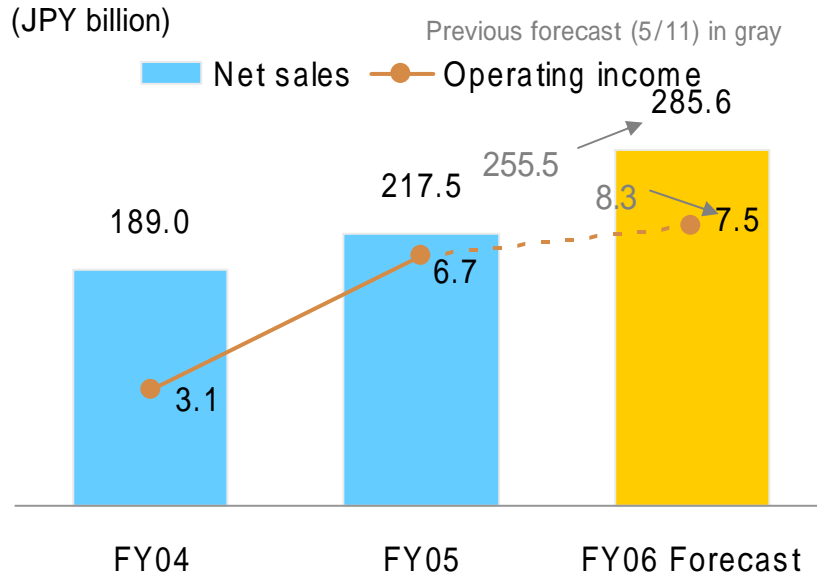
- ◆ Net sales: JPY 32.6 billion (+20%)
- ◆ Operating income: JPY 4.0 billion (+1.7bn)
- Continued growth in FTTH related products
- Expanding sales of profitable product line in pump laser, while optical amplifiers slowed down
- Strong performance in network products

FY06 Plan

- Accelerate new optical products development for next-generation networks
「波長可変型」core components for DWDM
- Cost reduction through production shift to overseas
Consolidating laser production to Thailand and optical amplifiers to China

Energy/Industrial products

Net sales & Operating income



UV tape
(for semiconductor)



MCPET
(Extra-fine foamed polyethylene terephthalate)

FY06 1H result (yoy)

- ◆ Net sales: JPY 135.0 billion (+42%)
- ◆ Operating income: JPY 4.4 billion (+1.6bn)
 - Strong demand for industrial wires due to solid capital expenditure in the private sector
 - Steady growth in UV tape (for semiconductor) and MCPET for LCD

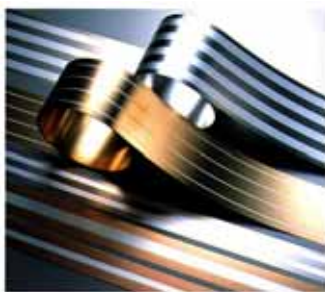
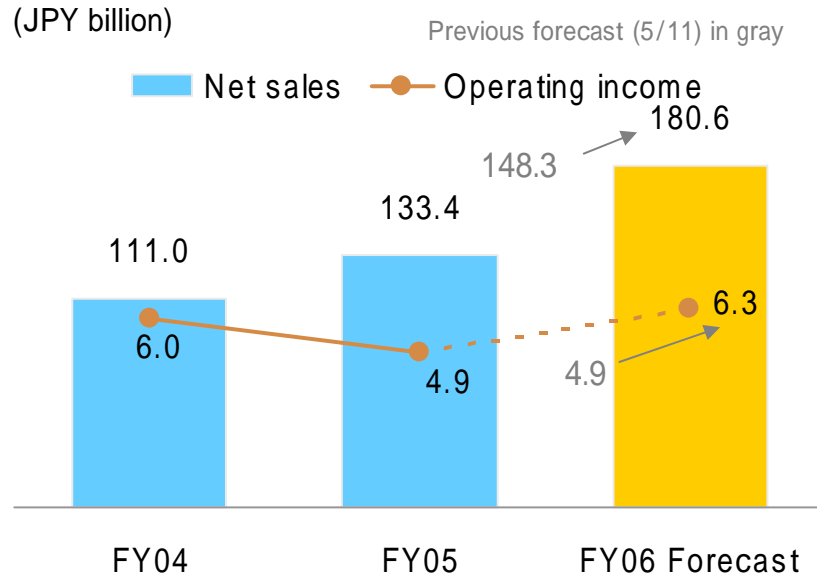
FY06 Plan

- ◆ Energy
 - Strengthen ultra-high voltage cable business in China
 - Establish JV between Viscas and Nexans in November (undersea cable business)
- ◆ Industrial products
 - New plant for UV tape (strategic fund)

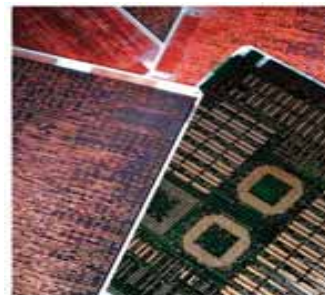
* Consolidating Trocellen (Germany) from this FY

Metals

Net sales & Operating income



Copper strip for lead frames



Application example for electrolytic copper foil

FY06 1H result (yoy)

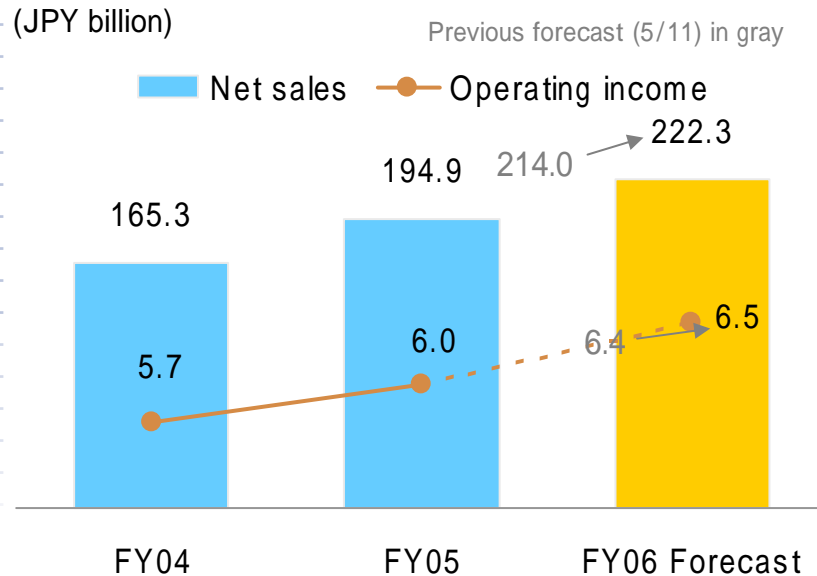
- ◆ **Net sales:** JPY 89.6 billion (+48%)
- ◆ **Operating income:** JPY 2.8 billion (+0.5bn)
 - Copper strip/copper tube remained weak in 1Q, but recovered in 2Q
 - Continued strong growth in high-performance electrolytic copper foil (production increased by 20%)

FY06 Plan

- ◆ **Electronic materials**
 - Expand production capacity of copper strip for automotive and digital appliance with ¥ 8 billion (¥ 5 billion strategic fund and ¥ 3 billion CAPEX)
- ◆ **Copper foil**
 - Boost high-performance electrolytic copper foil for FPC, Li battery and PDP

Electronics/Automotive systems

Net sales & Operating income



Steering roll connectors for airbags



Aluminum blanks for hard disk

FY06 1H result (yoy)

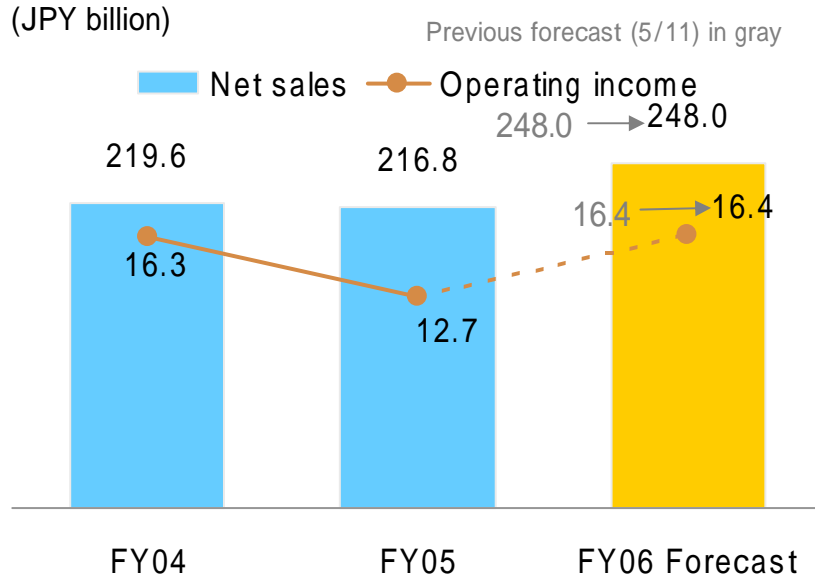
- ◆ Net sales: JPY 108.2 billion (+23%)
- ◆ Operating income: JPY 2.3 billion (+0.6bn)
 - Strong performance in wire harness and automotive parts
 - Recorded historical high production volume in HDD memory disk

FY06 Plan

- ◆ Automotive products
 - Expand sales in wire harness and parts
 - Expand business in China and establish joint venture in India
- ◆ Electronics and magnet wire
 - Expand sales of memory disk and thermal product
 - Increase production volume of 小型トランス用三層絶縁電線 TEX

Light metals

Net sales & Operating income



Thick plates for LNG tankers



Compressor wheels



FY06 1H result (yoy)

- ◆ **Net sales:** JPY 119.9 billion (+11%)
- ◆ **Operating income:** JPY 6.9 billion (+0.3bn)
 - Recovered IT demand, continued solid performance in transportation (including automobile), weak growth in bottle cans due to cool summer
 - Oil and raw materials price hike impacted on manufacturing cost

FY06 Plan

- ◆ **Marketing strategy**
 - Focus on profitable products and enhance profitability
 - Strengthen sales force for IT related and transportation industries
 - Transfer increased cost to customers
- ◆ **Cost reduction efforts**
 - Facilitate consolidation of plates production sites
 - Renovate manufacture facilities
- ◆ **Increase production capacities**
 - Commence commercial production in China and India (casting and extruding)
 - Increase production capacity of casting mills at Fukui plant

Dividend policy

Annual ¥ 5 ¥ 6

◆ Mid-year ¥ 2.5 ¥ 3

◆ Year-end ¥ 2.5 ¥ 3

As a result of upward revision of
earnings forecast

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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