

FY2013 Management Plan Interim Review

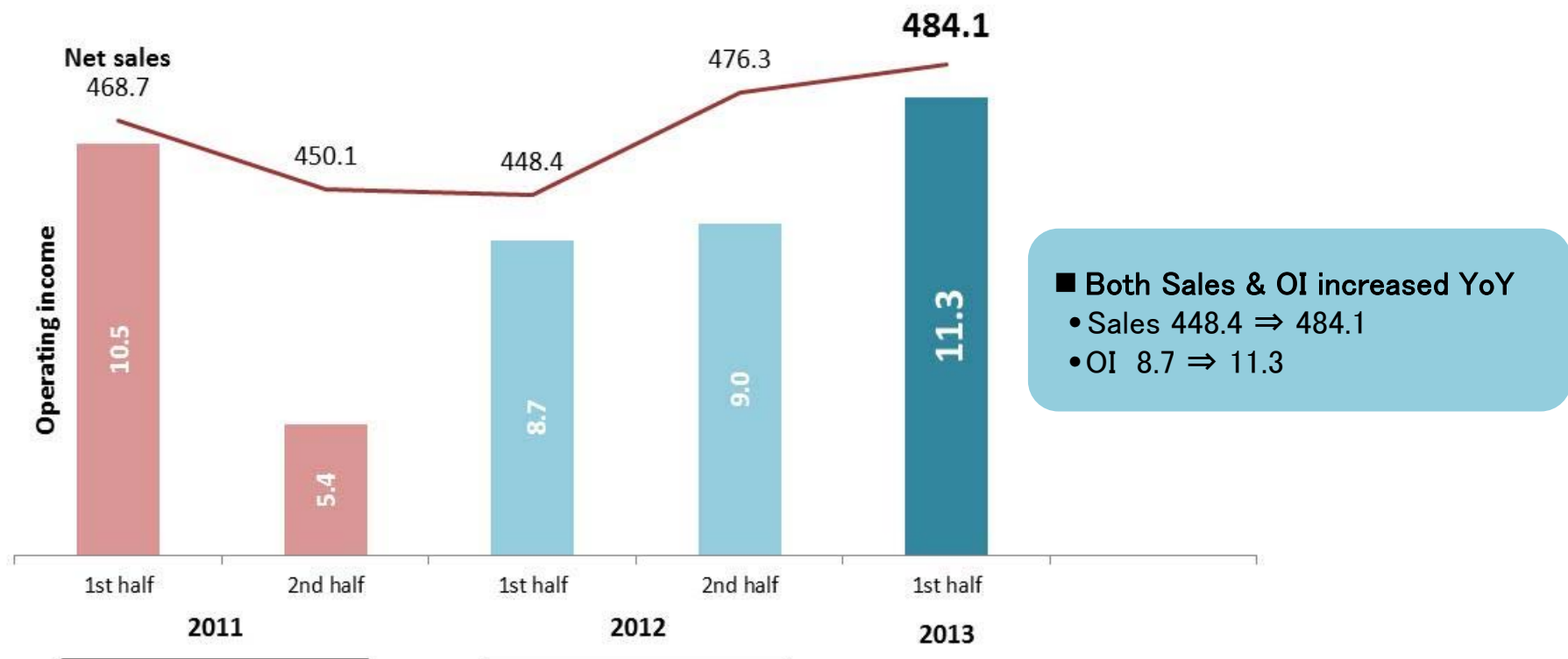
November 8, 2013
Mitsuyoshi Shibata
President
FURUKAWA ELECTRIC

- 1.FY2013 1H Results
- 2.Progress of Business Structural Reform
- 3.Expansion of Overseas Operation
- 4.Full-Year Forecast and Factor of Profit Increase in 2H FY2013

1.FY2013 1H Results Sales and Operating Income

- OI increased +30% year on year
- Telecom, Electronics/Automotive, Light Metal segment contributed
- Overseas sales expanded to 43.3% from 41.2% of the last year

(Unit: billion yen)



1.FY2013 1H Results P&L of 1H FY2013

(Unit: billion yen)

P&L	FY2012 1st half	FY2013 1st half		Factors of Change
	a	B	b-a	
Net Sales	448.4	484.1	+35.6	Fx+33.3、Base metal+4.0 etc.
			+7.9%	
Operating Income	8.7	11.3	+2.6	See Page Six .
			+30.0%	
Ordinary Profit	8.1	11.7	+3.6	Fx+1.2(0.2⇒1.4)、Equity Method-0.2 (0.6⇒0.4) etc.
			+44.1%	
Extraordinary P&L	-1.6	-4.9	-3.3	Impairment on real estate-2.5、expenses of structural reform-1.0 など
Income taxes, adjustments	-2.8	-3.1	-0.3	Increase of income
Minority Interests	-1.1	-1.3	-0.3	
Net Profit	2.6	2.3	-0.3	
			-11.1%	
Average Copper Price(¥/kg)	662	748	+86	
Average Fx rate(¥/\$)	79.77	95.73	+15.96	

1.FY2013 1H Results BS at the end of 1H FY2013

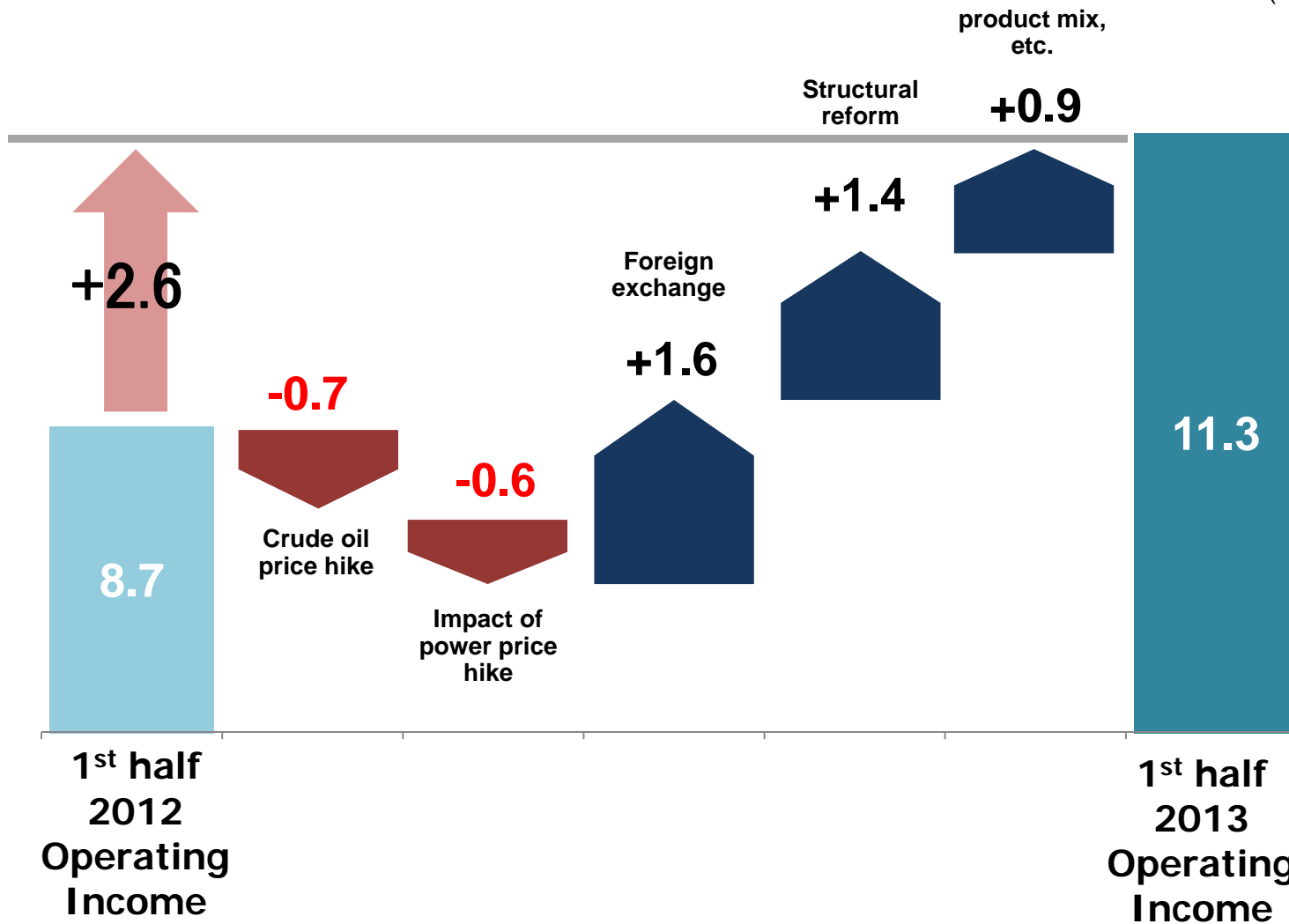
(Unit: billion yen)

B/S	e/FY2012	e/FY2013 1 st half		Factors of Change
	a	b	b-a	
Total Assets	819.7	897.0	+77.3	Cash, Account of Receivable, Inventories, etc.
Debt	320.5	*382.0	+61.5	Increase of Net Debt +43.9
Capital Ratio	20.2%	19.8%	-0.4%	
D/E Ratio	1.93	2.15	+0.22	
Turnover Ratio	1.13	1.08	-0.05	
ROA (ordinary profit basis)	2.1%	2.6%	+0.5%	

* 84.8 debt of Light Metal at the end of this 1H will be excluded from 2H

1.FY2013 1H Results Analysis of change in OI for 1H FY2013

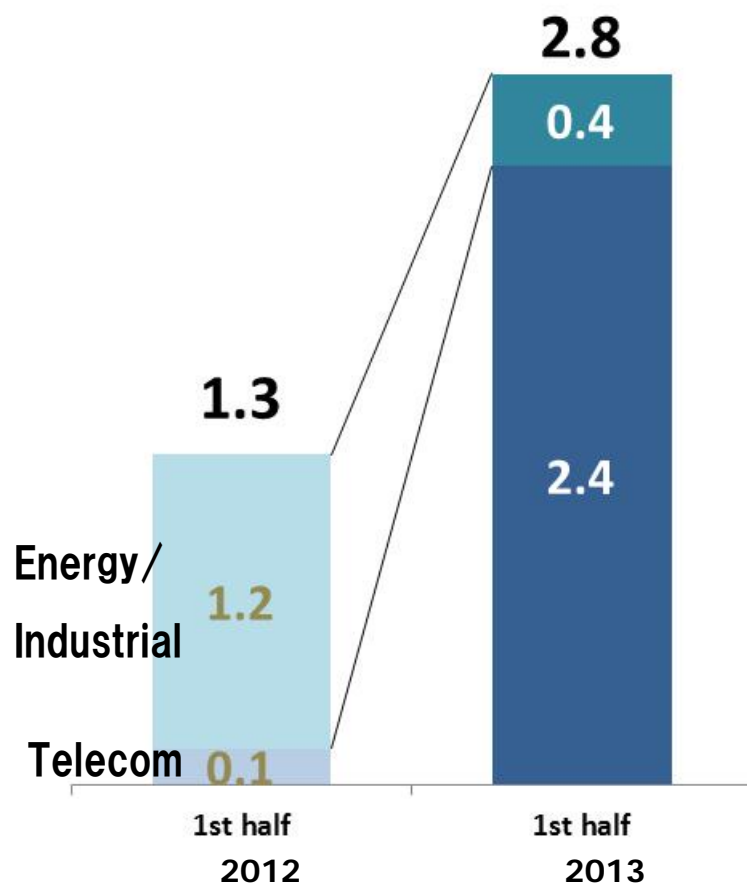
(Unit: billion yen)



1.FY2013 1H Results YoY % Change in OI by Segment

(Unit: billion yen)

Transmission infrastructures



【Telecom】 0.1 ⇒ 2.4(+2.3)

■ Optical Fiber and Cables 0.9 ⇒ 1.5(+0.6)

- (+) Strong Demand of LAN solution and Optical cable in South America continued
Export of fiber decreased, while domestic demand is stable
Weak Yen effected profitability of export
- (-) Project in North America is over
Inventory adjustment in China continued

■ Photonics and Networks -0.8 ⇒ 0.9(+1.7)

- (+) Sales of Digital Coherent Related Products increased
Demand of mobile phone system recovered
Investment for 3G mobile phone in Thailand expanded
- (-) Demand of Optical amp and Fusion Splicer down temporarily

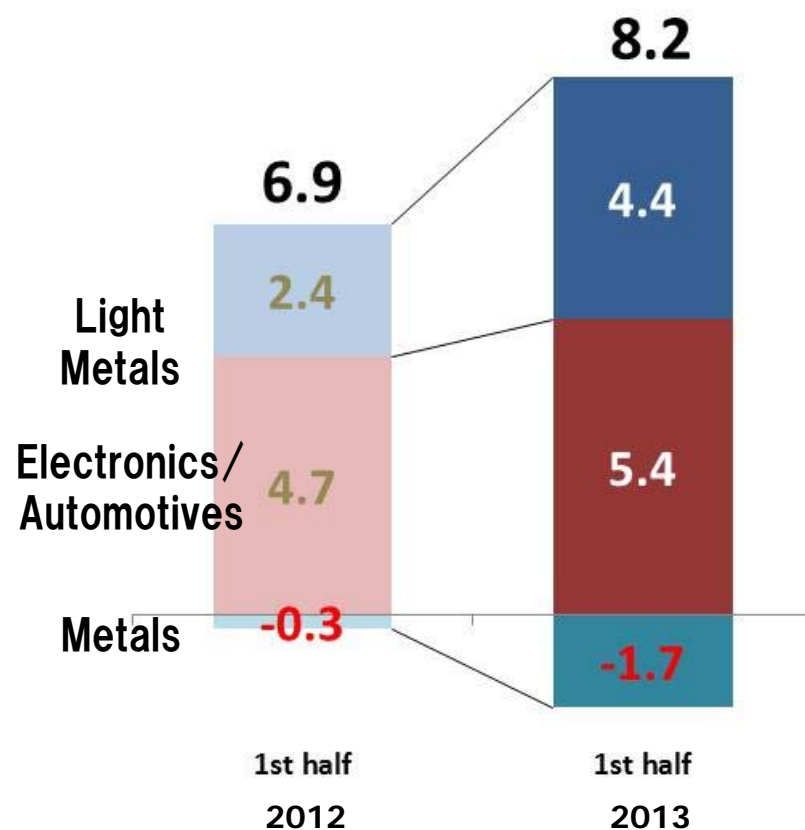
【Energy / Industrial】 1.2 ⇒ 0.4(-0.8)

- (+) Demand of HV cables for 'mega solar' in Japan increased
Global Demand of OPGW is growing
Demand of Semiconductor tape for smart phones and tablets increased
- (-) Weak demand of power companies continued
Demand of MCPET for LCD-TV was stagnant

1.FY2013 1H Results YoY % Change in OI by Segment

(Unit: billion yen)

Advanced-function materials



【Electronics/Automotives】 4.7 ⇒ 5.4(+0.7)

- (+) Demand of wire harness for new models surged
Demand of Memory disks for data center was stable
- (-) Cost of material cost rose due to weak yen

【Metals】 -0.3 ⇒ -1.7(-1.4)

- (-) Copper Foils;
Demand for LiB was stagnant
Shift of production for Taiwan delayed
Cost of electricity surged
- Copper Strips;
Demand of lead frame material decreased

【Light Metals】 2.4 ⇒ 4.4(+2.0)

- (+) Quantity for LNG vessel increased
- (-) Demand for general purpose decreased

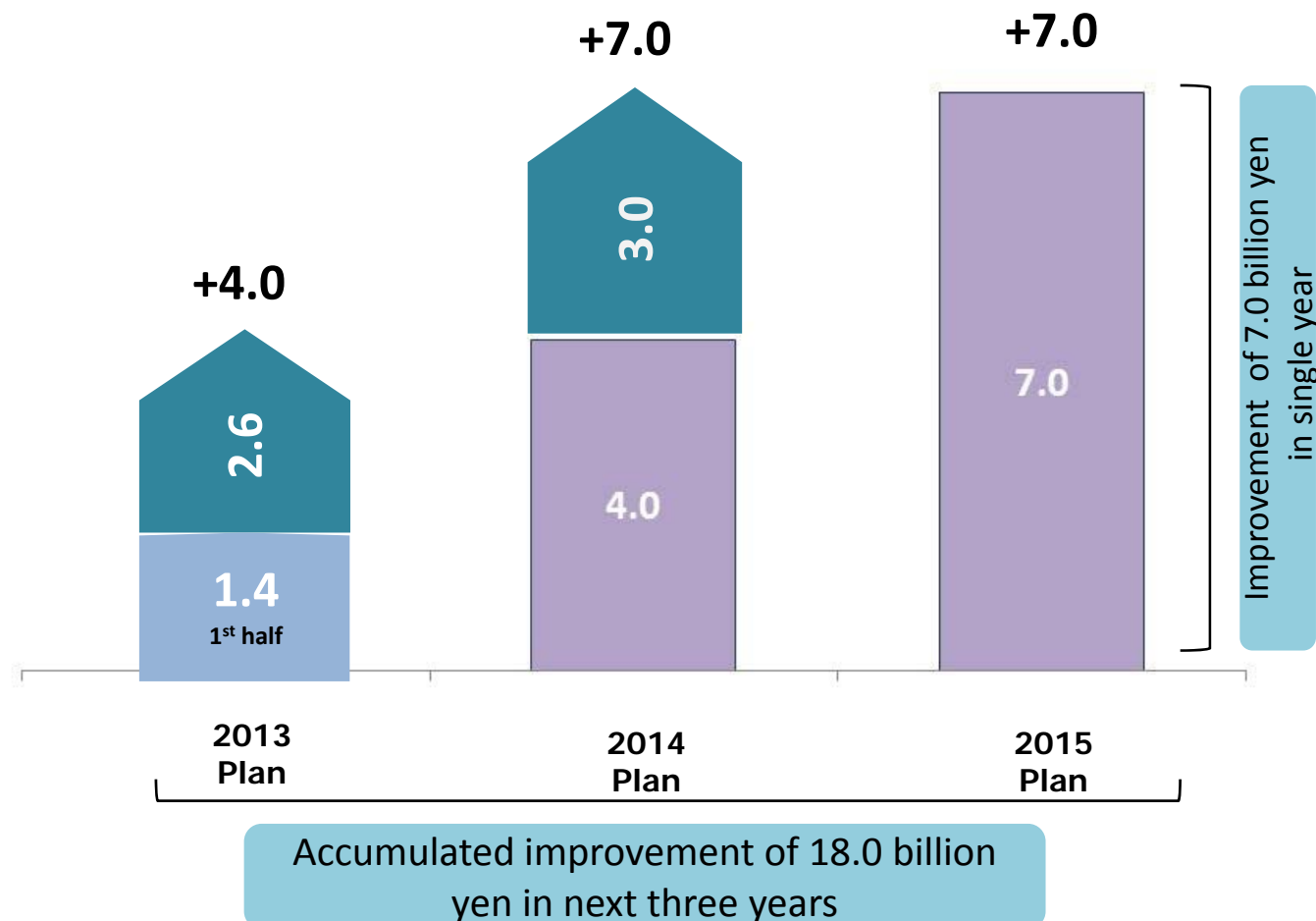
2. Progress of Business Structural Reform

Project		Current Status
Power components: Business merger (Asahi Electric Works, Inoue Manufacturing, and Furukawa PC => merged company)	✓	Done
Industrial electric wires: Overseas OEM (overseas OEM of low profitability products)	✓	Done
Magnet wires: Overseas production (TEX: Furukawa Mie => Southeast Asian affiliate)	✓	Done
Size reduction (personnel cuts due to downsizing associated with business division)	✓	Done
Totoku Electric: Business merger (merged company/Furukawa power components div. => merged company)	✓	Done
Sales of electric wires: functional integration (Shin Manden => Furukawa Elecom)	✓	Done
Optical cables: production merger (Mie + Chiba => Mie)	✓	Done at the end of this October
Copper foils: overseas production (part of Furukawa Imaichi => Taiwan affiliate)	○	Done for big customers Electrolytic processes in Japan to be integrated into one
Electrical conducting materials: production merger (Furukawa Mie + Chiba => Mie)	○	Extension of plant in Mie done Operation to be launched in 2H
Head office divisions: streamlining (reduce 20% of existing functions => strengthen Group management)	○	Progressing as scheduled
Close magnet wires and unprofitable product businesses (general-use enameled wires: partially close)	○	Progressing as scheduled

✓ Done
○ Progressing

2. Progress of Business Structural Reform

- Planning improvement in profit of 7.0 billion yen in FY2015
- 1.4 billion yen improvement was generated in 1H FY2013



3. Expansion of Overseas Operation

■ Expanding overseas bases in Asia and CSA

■ To 26 bases of Automotive Parts business in 12 countries

Automotive

China; Established an Area Management Affiliate in Shanghai (Sep.2013)
Establishing a harness plant in Wuhan
(Starting operation in 1H 2014)

Automotive

Mexico; Establishing a harness plant
(Starting operation in Nov.2013)

Automotive

Thailand; Establishing an Area Management Affiliate in Bangkok
(Jan.2014)
India; Establishing a harness plant in the south (Jan.2014)
Philippines; Expanding harness plant (Jan.2014)
Indonesia; Expanding harness plant (Apl.2014)

Telecom/Energy Infrastructure

Brazil; Expanding capacity of optical fiber production (Oct.2014)
Setting of OPGW mass production completed

Columbia; Establishing a new optical cable plant
(Feb.2014)

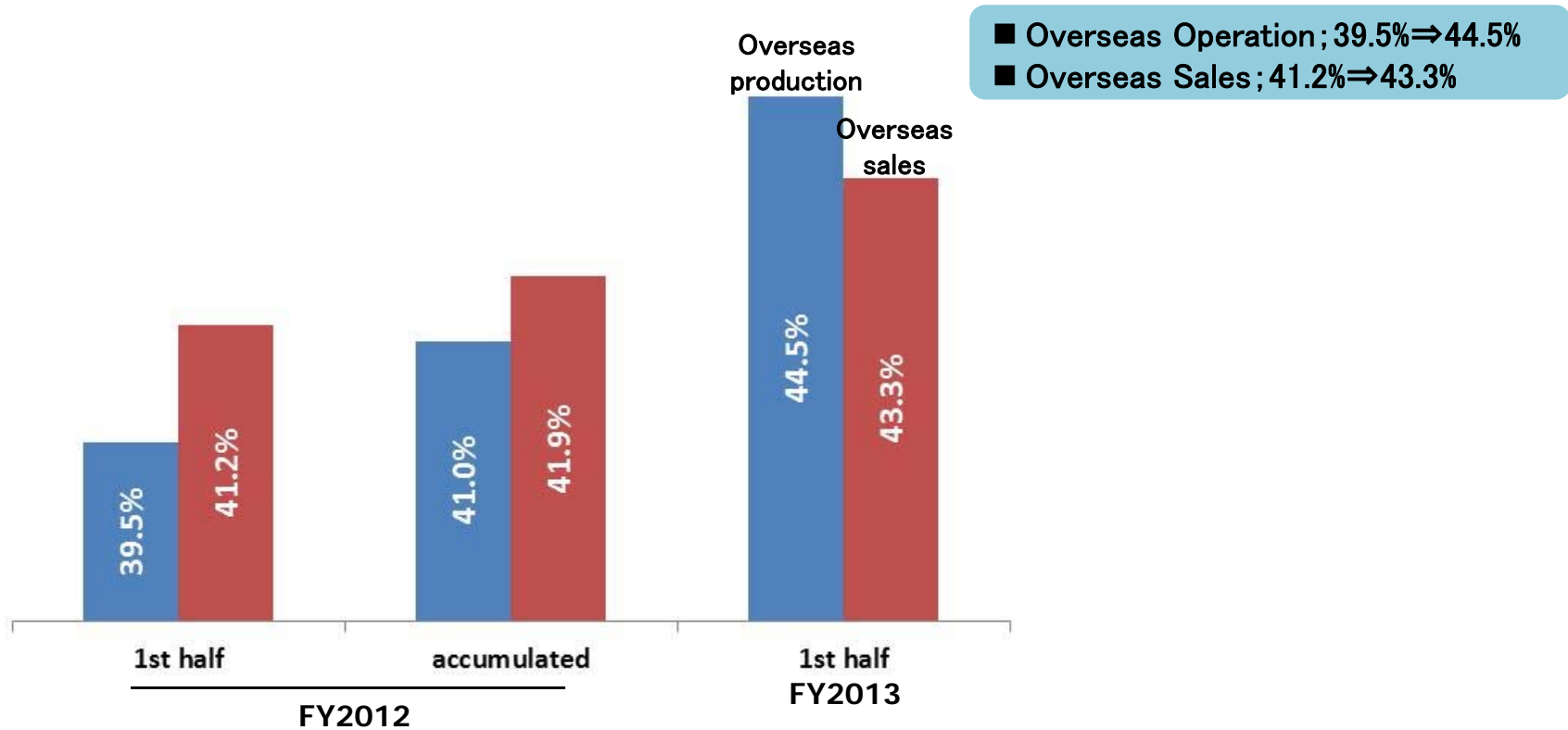
Telecom Infrastructure

Thailand; Expanding capacity of production for Optical engine
(Nov.2013)
Indonesia; Contributing to large FTTH projects

3.Expansion of Overseas Operation

Year on Year,
Excluding Light Metals

- Cost of domestic operation went up ⇒ Driving operation to abroad



4.Full-Year Forecast and Factor of Profit Increase in 2H FY2013

(Unit: billion yen)

■ Full-year forecast Unchanged

	FY2012	FY2013 plan	1 ST half	2 nd half		Factors of Change
			A	B	B-A	
Net Sales	924.7	940.0	484.1	455.9	-28.2	Light Metals to equity method
Operating Income	17.8	25.0	11.3	13.7	+2.4	Telecom+1.2, Elec/Auto+4.2 Light Metals-4.4 etc.
Ordinary Profit	17.6	24.0	11.7	12.3	+0.6	
Net Profit	3.6	5.0	2.3	2.7	+0.4	
Average Copper Price (¥/kg)	696.4	700	748	700	-48	
Average Fx rate (¥/\$)	79.8	95	95.73	95	-0.73	

4.Full-Year Forecast and Factor of Profit Increase in 2H FY2013

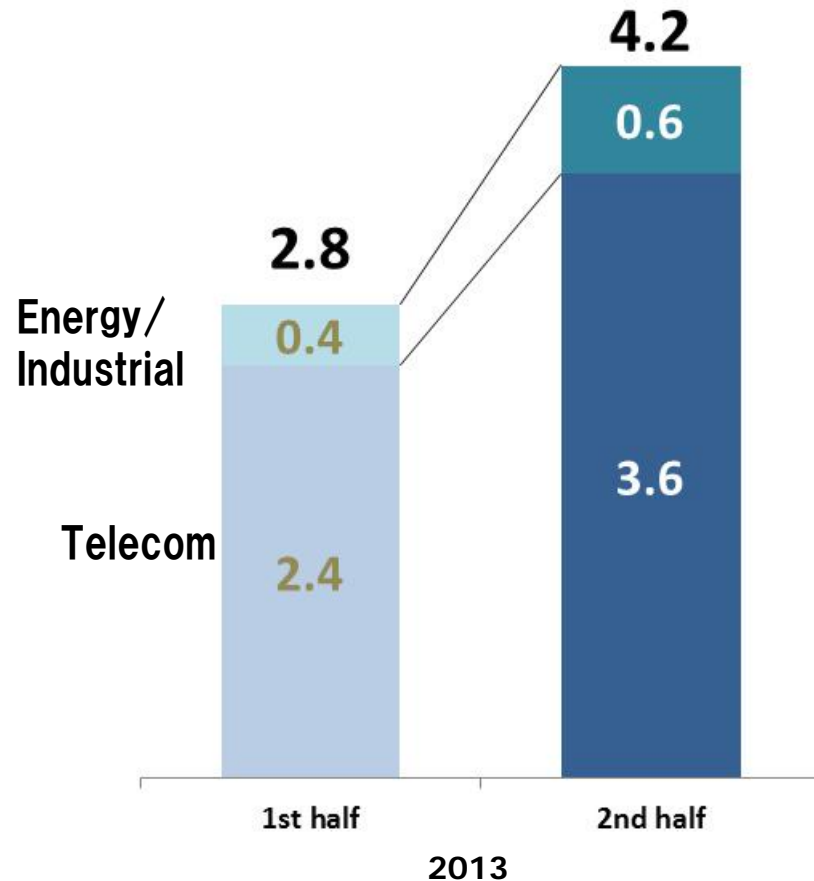
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Operating Income	FY2013	FY2013		Factors of change		1H/ 2H
	1 st half	original	new			
	A	B	C	C-B		C-A
Telecom	2.4	3.5	3.6	+0.1	Stagnant in North America, Robust in South America	+1.2
Energy / Industrial	0.4	1.5	0.6	-0.9	Weak demand of cables in China and MCPET for LCD TV continues	+0.2
Electronics/ Automotive	5.4	7.5	9.6	+2.1	Demand of wire harness for new models is growing	+4.2
Metals	-1.7	0.5	-0.8	-1.3	Price competition of LiB growing	+0.9
Light Metals	4.4	0	0			-4.4
Service	0.4	0.5	0.7	+0.2		+0.3
Total	11.3	13.5	13.7	+0.2		+2.4

4.Full-Year Forecast and Factor of Profit Increase in 2H FY2013

(Unit: billion yen)

Transmission infrastructures



【Telecom】 2.4 ⇒ 3.6(+1.2)

■ Optical Fiber Cables 1.5 ⇒ 2.3(+0.8)

(+) Effect of Integration of domestic operation
Effect of cost reduction in North America Business

■ Photonics Networks 0.9 ⇒ 1.3(+0.4)

(+) Demand of Digital Coherent Products and Mobile phone system grow

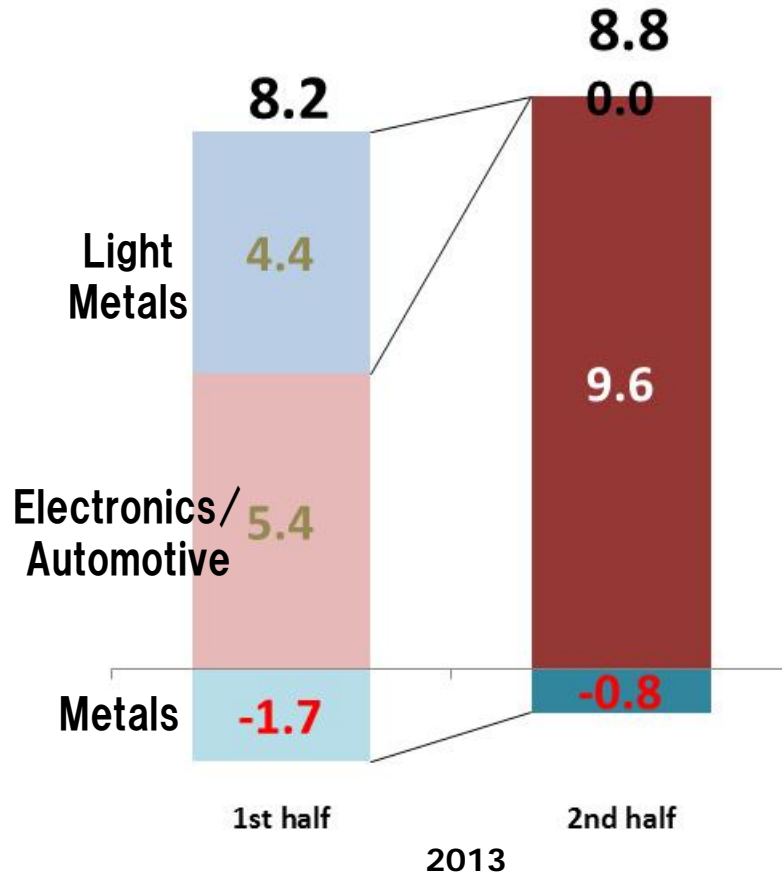
【Energy / Industrial】 0.4 ⇒ 0.6(+0.2)

(+) Strong demand of construction market continues
Effect of structural reform in Copper wire business
(-) Weak demand of MCPET continues
Weak demand of power cables in China continues

4.Full-Year Forecast and Factor of Profit Increase in 2H FY2013

(Unit: billion yen)

Advanced-function materials



【Electronics /Automotives】 5.4 ⇒ 9.6(+4.2)

(+) While World Automotive Production in 2H 2013 is +4% up compared with 1H 2013, Furukawa prospects its sales grow +12% in 2H 2013 ⇒ Sales for new models and new customer drive growth

- Expansion of parts business (SRC, BSS etc.)
- Sales of Batteries likely to increase in 2H

【Metals】 -1.7 ⇒ -0.8(+0.9)

(+) Copper Foils; Integrating domestic electrolytic process
Expanding sales for EV and PHEV
Copper Strips; Demand for Infrastructure likely to recover

【Light Metals】 4.4 ⇒ 0(-4.4)

(-) Move to equity method due to the establishment of UACJ

Thank you for your attention.

Bound to  ***Innovate***

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.

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