

# FY2013 Management Plan

May 2013

Mitsuyoshi Shibata, President  
Furukawa Electric

- ✓ **Both sales and profits increased** from a year ago, reflecting the strong performance of the auto parts business
- ✓ Net income **rose by 14.7 billion yen** (-11.1⇒3.6 billion yen)
- ✓ Interest-bearing debt **reduced for 9<sup>th</sup> straight year**  
(584.7⇒320.5 billion yen)  
Mar. 31, 2004
- ✓ Capital ratio **exceeded 20%** (18.3⇒20.2%)
- ✓ D/E ratio **dropped below 2.0** (2.25⇒1.93)

# FY2012 Business Results

1. **P & L** and **B/S** Review
2. Net Sales and Operating Income Analysis
3. Segment Analysis
4. Sales Volume by Product Type

# P&L in FY2012 Net income rose by 14.7 billion yen

(Billion yen)

P&L	FY2011	Forecast for FY2012	Result for FY2012	Change	Reasons for change
	a		b	b-a	
Net sales	918.8	950.0	924.7	+5.9	Special factor (See p.7)
Operating income	15.9	20.0	17.8	+1.8	Special factor (See p.8)
Ordinary profit	12.9	17.5	17.6	+4.7	FX gain: +2.7
Extraordinary profit	16.2		2.9	-13.3	Decrease in fixed asset and securities sell-off: -13.9 Thai flood payout: +1.8
Extraordinary loss	-27.2		-7.7	+19.5	Fine for US anti-trust law in FY2011: -15.3 Restructuring in FY2012: -3.9
Income tax adjustments	-11.5		-7.0	+4.5	Taxation revision in FY2011: +3.4
Minority interests	-1.6		-2.2	-0.7	
Net income	-11.1	2.0	3.6	<b>+14.7</b>	

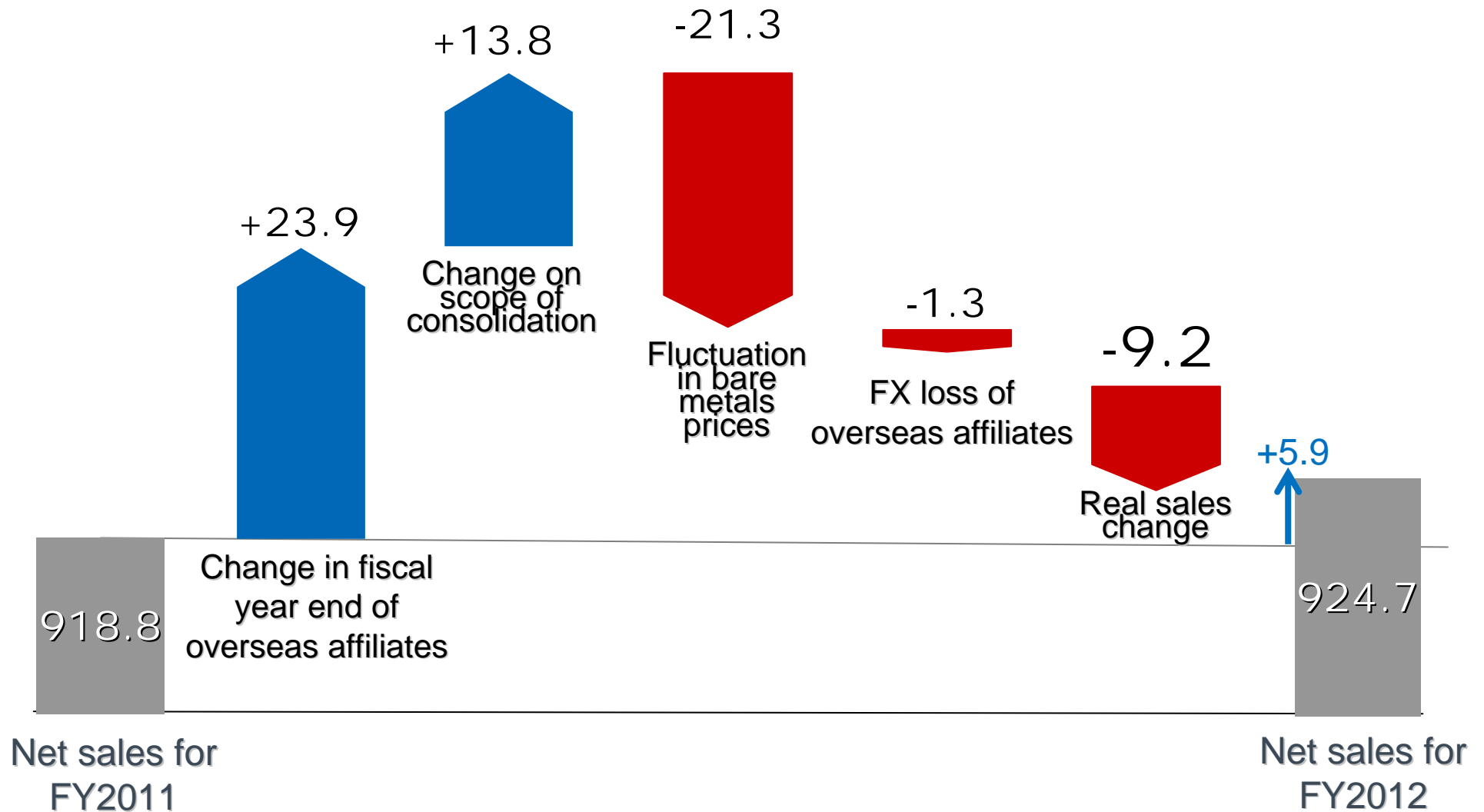
BS Results for FY2012 Interest-bearing debt reduced for 9<sup>th</sup> straight year

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

B/S	Mar. 31, 2012	Forecast for Mar. 31, 2013	Mar. 31, 2013	Change
	a		b	b-a
Total assets	790.1	800.0	819.7	+29.6
Interest-bearing debt	325.2	320.0	320.5	-4.7
				Reduced for the 9 <sup>th</sup> straight year
Capital ratio	18.3%	19.2%	20.2%	+1.9
D/E ratio	2.25	2.08	1.93	-0.32
Turnover	1.16	1.19	1.13	-0.03
ROA (OP basis)	1.6%	2.2%	2.1%	+0.5

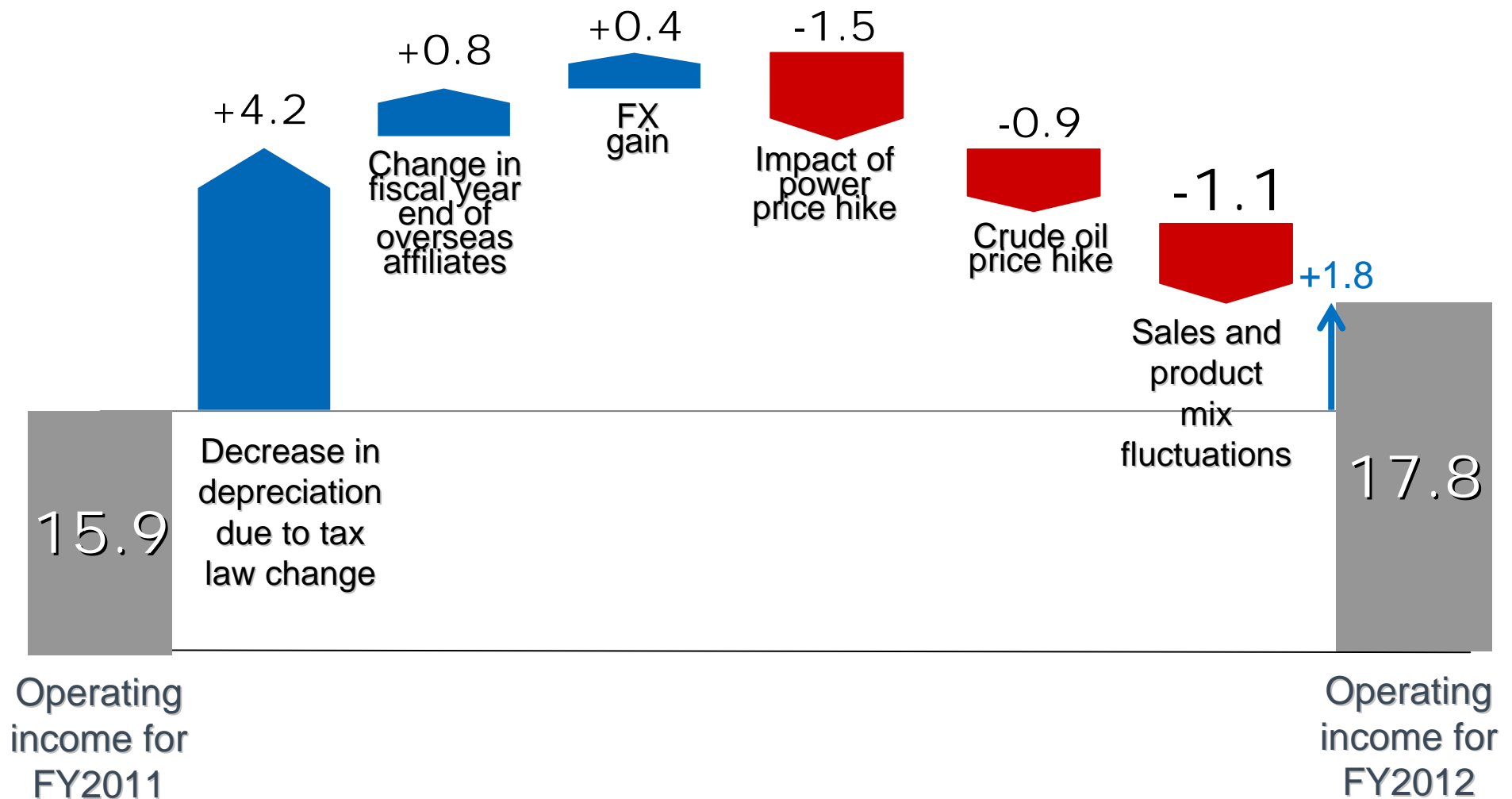
# Net Sales Analysis for FY2012

(Billion yen)



# Operating Income Analysis for FY2012

(Billion yen)

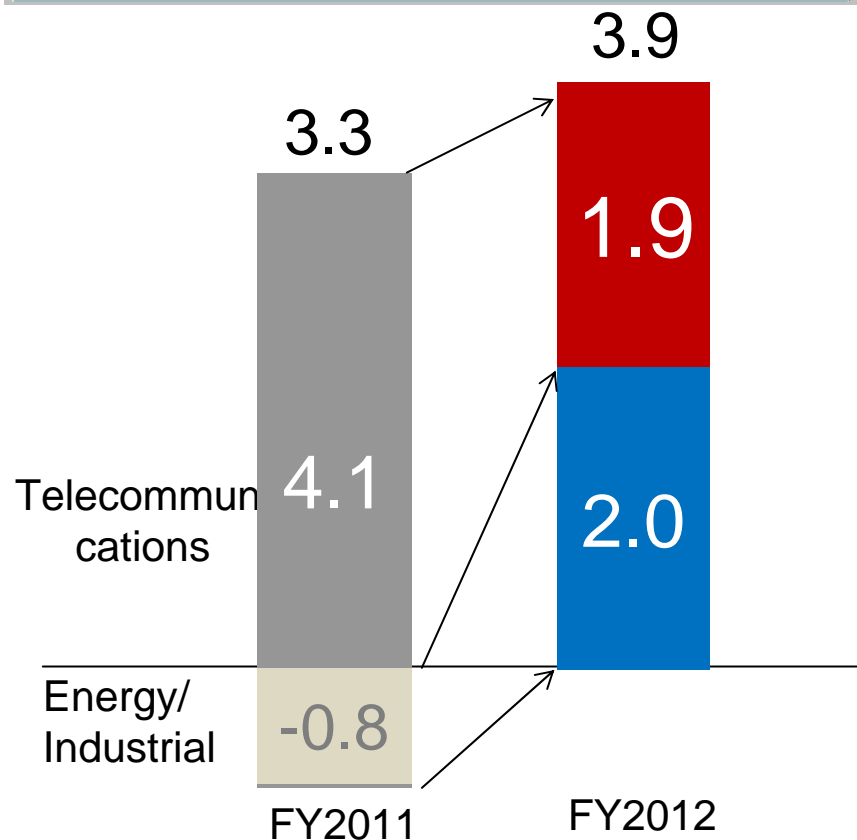




# Operating Income Change by Segment (Year on Year)

(Billion yen)

Transmission Infrastructure:  
3.3⇒3.9(+0.6)



[Telecommunications] 4.1⇒1.9(-2.2)

●Optical fibers and cables 2.2⇒2.0(-0.2)

Operating income declined, with the effect of cost cutting at domestic plants offset by the wind-down of economic stimulus in the US from the second half, inventory adjustments in the Chinese market, and weak demand for cables in South America as customer held back awaiting tax benefits.

●Photonics networks 1.8⇒-0.1(-1.9)

Operating income plunged, primarily due to a period of low demand for CATV equipment in Japan. In the fourth quarter, however, the 3G mobile phone plant in Thailand went into operation.

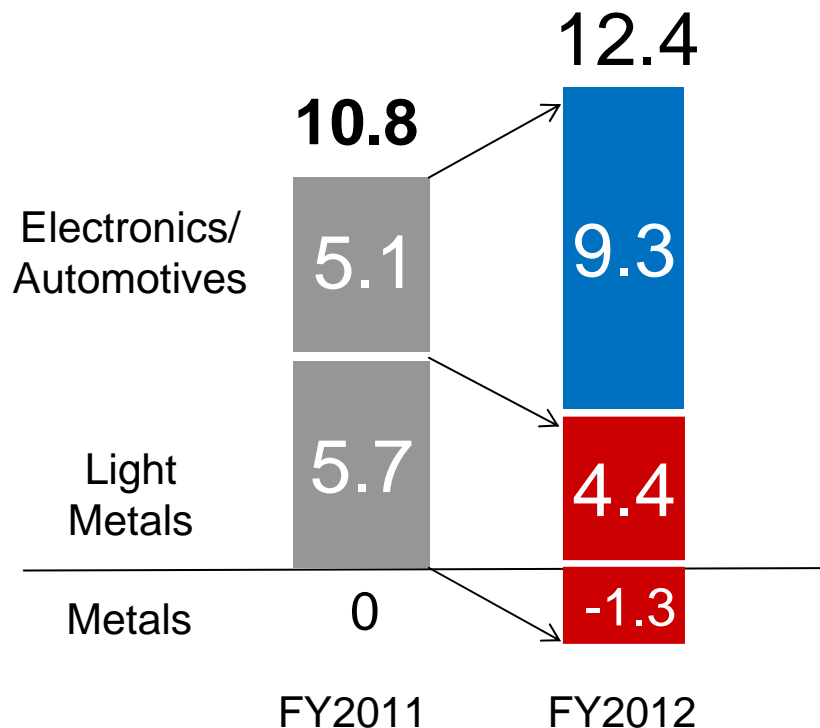
[Energy/Industrial] -0.8⇒2.0(+2.7)

Operating income increased significantly, mainly due to robust first-half demand for MCPET used in LED TVs and growth in demand for tape for semiconductor manufacturing for smartphones and tablet PCs in the Industrial Products area, offsetting weak demand for power cables in Japan and slow orders in China.

# Operating Income Change by Segment (Year on Year)

(Billion yen)

Advanced-Function Material:  
10.8⇒12.4(+1.6)



**[Electronics/Automotives] 5.1⇒9.3(+4.2)**

Operating income increased, largely due to growth in sales of wire harnesses for large-sized vehicles for export and light vehicles in the Automotives area .

**[Metals] 0⇒-1.3(-1.2)**

Operating income declined on weak demand for copper strips for lead frame and copper foils for lithium batteries, reflecting the continued slump in the electric vehicle and electronics industries.

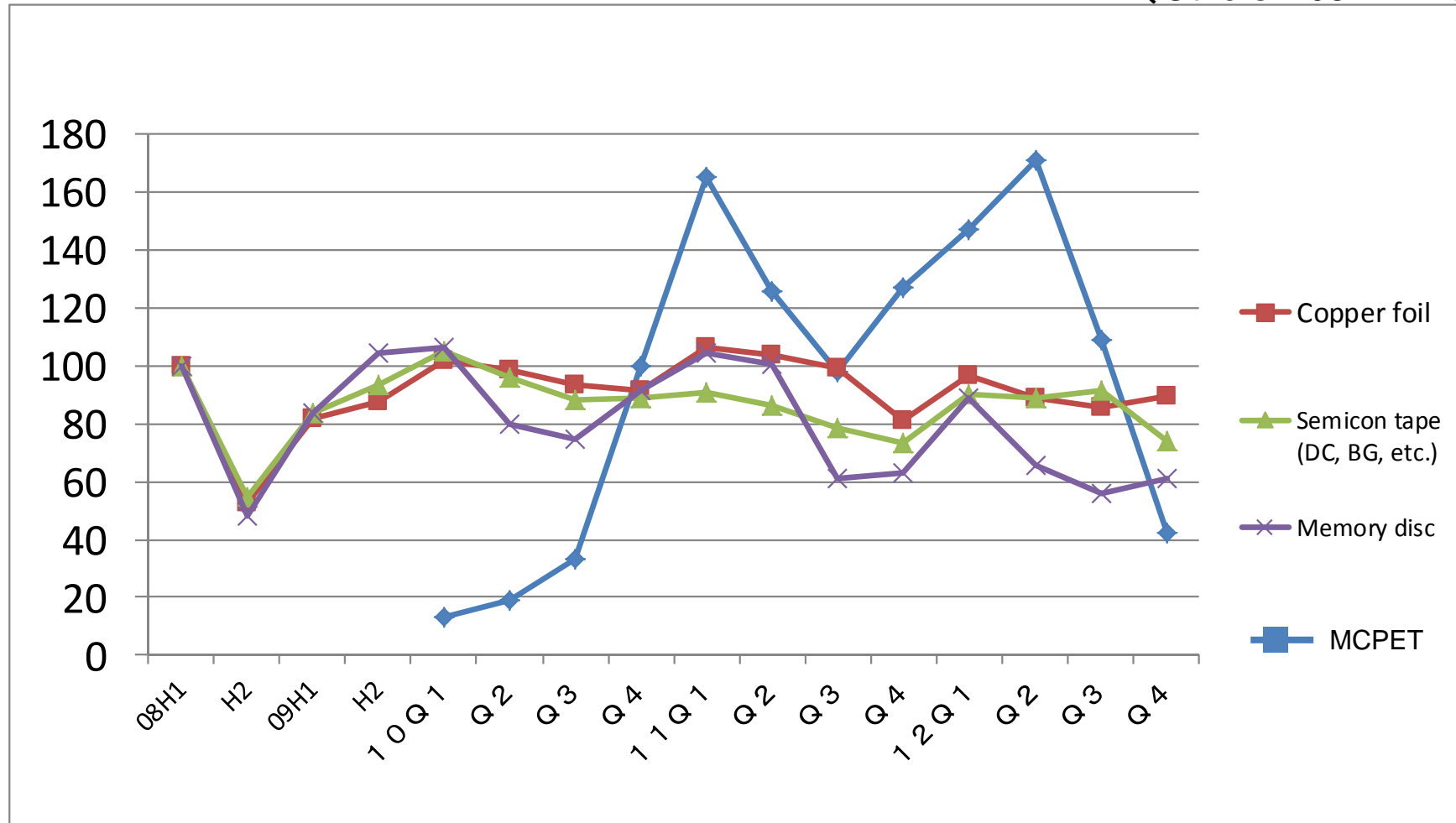
**[Light Metals] 5.7⇒4.4(-1.3)**

Operating income decreased due to slow growth in sales volumes generally, especially aluminum foil stock.

# Sales Index «Advanced-Function Material» **FURUKAWA ELECTRIC**

(MCPET:10Q4=100)

(Others : 08H1 = 100)



# FY2013 Management Plan

1. Perception of Business Circumstances
2. Forecasts
3. Segment Information
4. Dividend Forecast

## Telecommunications

**Optical fibers and cables:** Inventory adjustments in China will come to an end, demand will remain firm until the end of the year, and global demand in FY2013 is expected to grow around 5%.

Growth will be driven by BRICs economies, with no growth in Japan or the US.

**Photonics/Networks:**

In FY2013, demand for digital coherent transmission systems will take off.

Domestic investment in FTTH networks will hit a ceiling, but investment in mobile 3G and FTTH networks in Southeast Asia will increase.

## Energy

**Ultra high voltage:**

Demand for underground lines will be strong, especially in emerging markets, but growth will be modest in China.

In Japan, the volume of orders will continue to decline.

Demand for submarine lines will be strong, especially in Europe.

**Construction:**

Slight growth is forecast, with no significant change in new construction starts. Demand for construction cables is likely to expand due to redevelopment in the Tokyo metropolitan area and mega solar projects. As for reconstruction-demand, it looks like movement will start from around the end of the fiscal year.

## Automotives →

**Domestic auto production:** In FY2012, domestic production grew 3.6%, to 8.19 million units. In FY2013, production is expected to remain almost on the same level, but the number of light vehicles and exported models adopting Company parts is expected to remain firm.

**Automotive LiBs:** Widespread adoption of electric vehicles is expected to be postponed, but volume growth due to increased sales of HEVs and PHEV is forecast.

## Electronics →

**LCDs and semiconductors:** Demand for LCDs is likely to remain flat. In semiconductors, growth of around 5% is forecast.

**PCs and smartphones:** Demand for PCs is still weak, and the tendency for year-over-year declines is expected to continue in FY2013. Despite the lull in demand for smartphone and tablet PCs in FY2012, it is hoped that the launch of new products will lead to increased demand.

# P&L Forecast for FY2013 Operating income up 40% YoY



(Billion yen)

	FY2012 Result	FY2013 Forecast	Change
Net sales	924.7	940.0	+15.3
Operating income	17.8	25.0	+7.2
Ordinary profit	17.6	24.0	+6.4
Net income	3.6	5.0	+1.4
Assumptions			
FX rate (JPY/USD)	79.8	95	+15.2
Copper (JPY/Kg)	696.4	700	+3.6
Crude oil (USD/Bbl)	107	108	+1

FX rate: Average Jan - Dec (average for period Apr 2012 to Mar 2013 is 82.9 yen)

Copper/Crude oil Average Apr – Mar



## B/S Forecast for FY2013    Interest-bearing debt to be reduced for 10<sup>th</sup> straight year

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

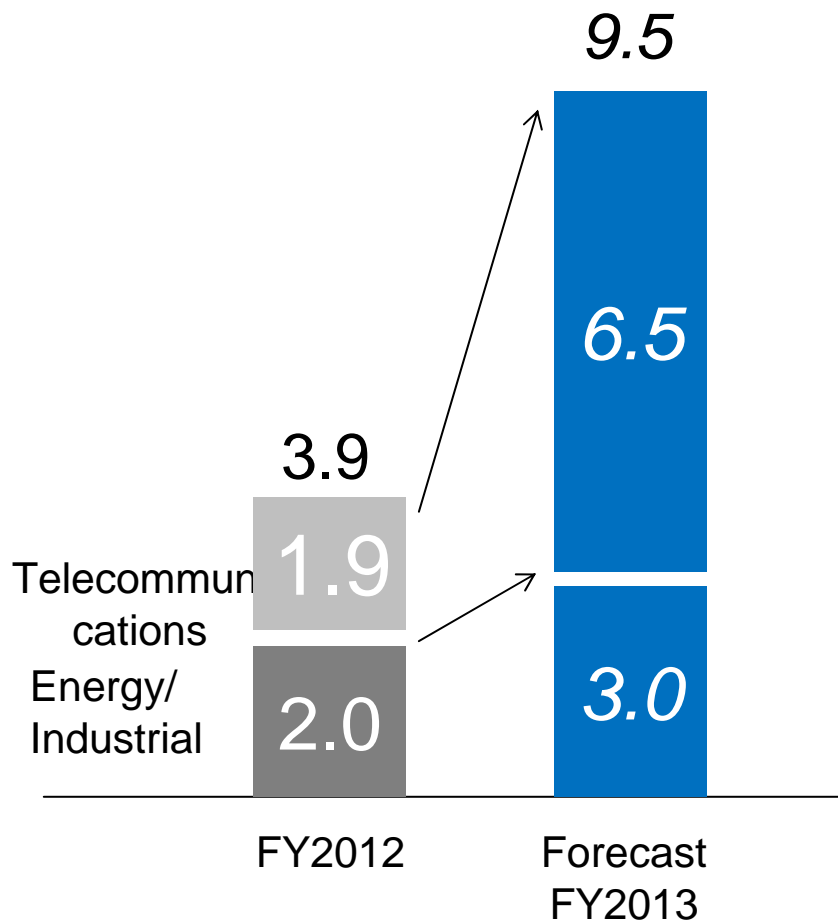
	Mar. 31, 2013	Forecast for Mar. 31, 2014	Change
Total assets	819.7	690.0	-129.7
Interest-bearing debt	320.5	276.0	-44.5
			Reduce for 10 <sup>th</sup> straight year
Capital ratio	20.2%	23.8%	+3.6
D/E ratio	1.93	1.68	-0.25
Turnover	1.13	1.22*	+0.09
ROA (OP basis)	2.1%	3.5%	+1.4

\*Net sales used to calculate turnover for FY2013 exclude first-half sales of light metals.

# Operating Income Forecast by Segment

(Billion yen)

Transmission Infrastructure:  
3.9⇒9.5 (+5.6)



[Telecommunications] 1.9⇒6.5(+4.6)

●Optical fibers and cables 2.0⇒4.5(+2.5)

Operating income is expected to increase significantly, reflecting the effect of a weaker yen in exports and at overseas affiliates, in addition to the consolidation of production of optical cables in Japan, and increased demand for optical fibers in emerging markets and a surge in demand for optical fibers in South America due to tax benefits.

●Photonics and networks -0.1⇒2.0(+2.1)

Operating income is expected to rise, large due to the takeoff of demand for digital coherent transmission systems and increased construction of 3G mobile facilities in Thailand.

[Energy/Industrial] 2.0⇒3.0(+10.)

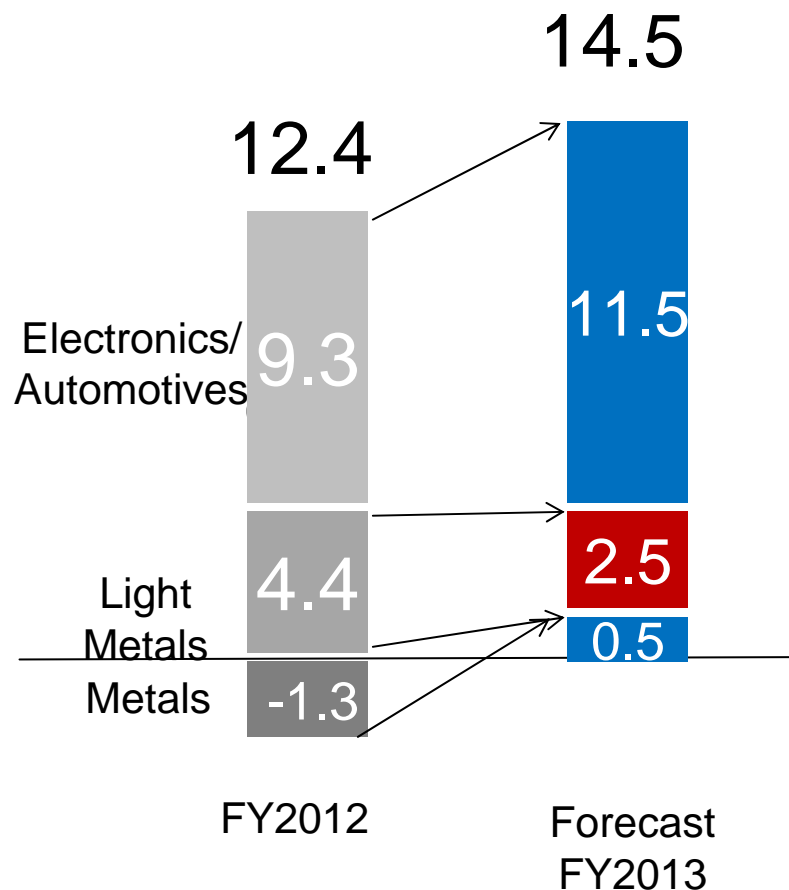
In the Energy area, recovery is forecast, primarily due to the consolidation of copper wire plants and the effect of the merger of three companies that supply parts to power companies, growth in sales of copper wire in Indonesia, and improvement in copper price management for high tension cables in China.

In the Industrial area, operating income is expected to fall slightly from the previous fiscal year, assuming weak demand for MCPET used in LED TVs and a lull in demand for semiconductors used in smartphones and tablet PCs.

# Operating Income Forecast by Segment

(Billion yen)

Advanced-Function Material:  
12.4 ⇒ 14.5 (+2.1)



[Electronics/Automotives] 9.3 ⇒ 11.5 (+2.2)

Operating income is predicted to rise on expectation of sales growth in automotive wire harnesses and parts, and as a result of the shift of all production of triple insulated wires overseas and withdrawal from unprofitable types of magnetic wire products.

[Metals] -1.3 ⇒ 0.5 (+1.8)

Operating income is expected to increase, reflecting progress in the shift of copper foil production from the Imaichi Plant to Taiwan, improvement in productivity at the Nikko Plant for copper strips, gradual recovery in demand for copper foil used in circuits in Asia, and expectation of new demand for thin foil.

[Light Metals] 4.4 ⇒ 2.5 (-1.9)

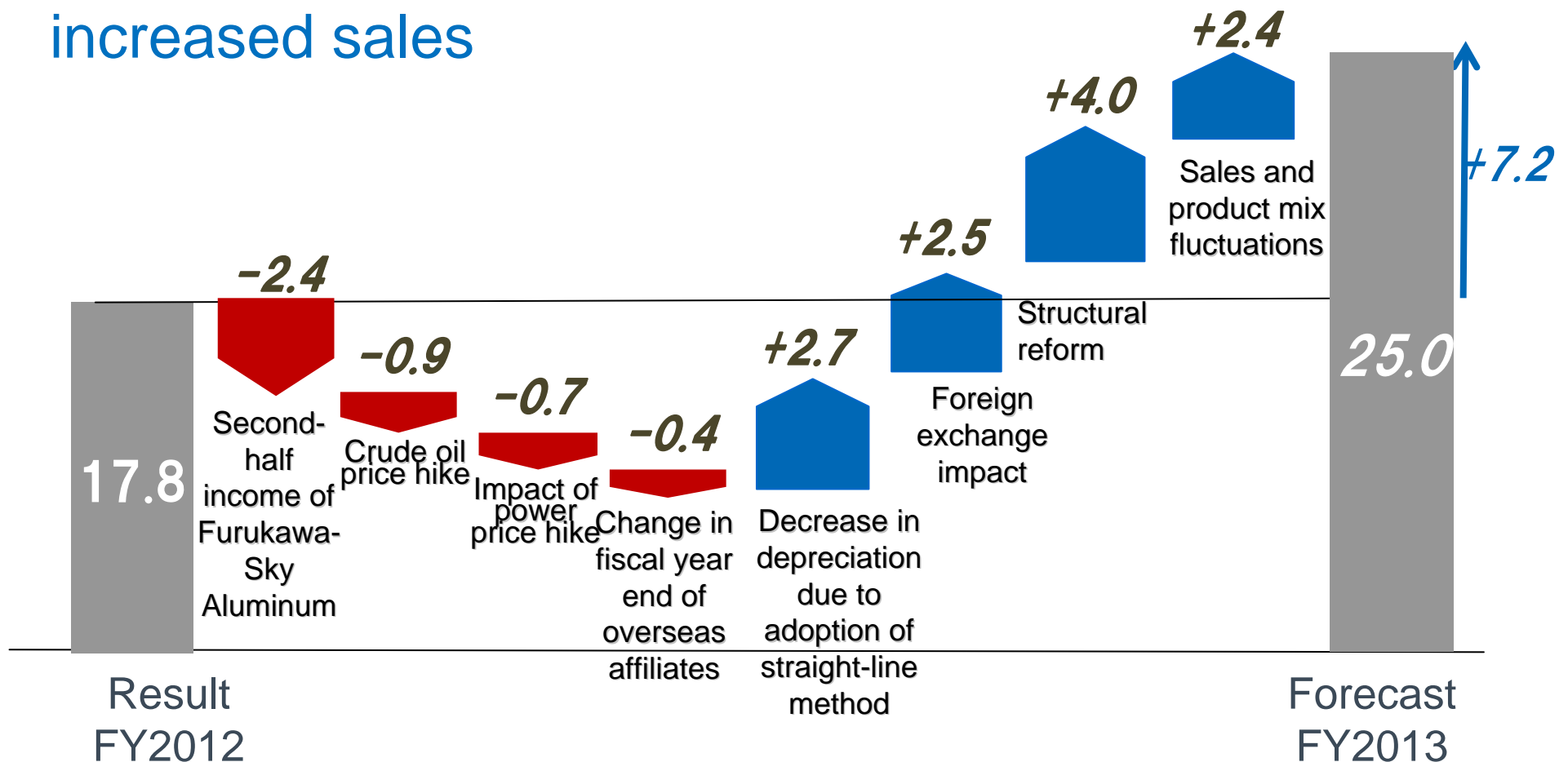
Given the weaker yen, the recovery of competitiveness in overseas markets is forecast.

Only the first-half operating income of Furukawa-Sky Aluminum will be included in consolidated operating income, as Furukawa-Sky Aluminum will merge with Sumitomo Light Metal Industries on October 1, 2013, and the merged company will be an equity-method affiliate.

# Operating Income Forecast Analysis

(Billion yen)

Operating income of 25.0 billion yen due to profit accumulation through structural reform and increased sales



# Dividend Forecast for FY2013

Same dividend as  
the preceding year



	<i>Result for FY2012</i>	<b><i>Forecast for FY2013</i></b>	<i>Change</i>
Annual dividend	3.0 yen	<b>3.0 yen</b>	0 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 FY2013, the Company expects to pay no interim dividend and a year-end dividend of 3.0 yen per share.

# Review of Medium-Term Management Plan 2015

1. Measures in Medium-Term Management  
Plan 2015 and Measures in FY2013
2. Overseas Net Sales
3. **P & L, B/S**

➤ Medium-Term Management Plan 2015 Measure  
⇒ FY2013 Measure

## Optical Fibers and Cables

- Globally optimize our fiber production and supply systems.
  - ⇒ Achieve full-scale operation of fiber manufacturing JV in China.
- Increase optical cable bases and increase sales in growth markets.
  - ⇒ Expand capacity in Brazil.
- Promote fiber cost reduction as one of the Group bases.
  - ⇒ Continue to reduce costs and improve manufacturing technologies.
- Consolidate optical cable operations in Mie and establish supply system corresponding to domestic demand.
  - ⇒ Consolidate operations in Mie Plant.

## Photonics and Networks

- Provide new products for digital coherent communication.
  - ⇒ Develop narrow line-width micro ITLA.
- Win contracts for broadband projects in South America and Southeast Asia.
  - ⇒ Start actual organized activities with FISA, for orders in South America.
- Applications of Photonics technology: Fiber lasers, optical interconnections
  - ⇒ Start mass production of kilowatt class fiber lasers.
  - ⇒ Start mass production of Lit-engines in Thailand and shipments of samples of next generation 28G products.
- Develop network technologies for the smart grid market.



➤Medium-Term Management Plan 2015 Measure  
⇒FY2013 Measure

## Ultra-high voltage

- Double the capacity of submarine transmission cables (VISCAS).
  - ⇒Complete the large-scale vertical lay-up machine under construction before the end of the fiscal year and start full-scale operation from FY2014.
- Expand the Out-Out business in Shenyang, China.
  - ⇒Acquire certification overseas and step up sales expansion in the Asia region.
- OPGW business accelerates global development using the communication business base in Brazil.
  - ⇒Start full-scale operation at FISA.

## Power supply/distribution

- Strengthen overseas development using links with local partners and technical advantage.
  - ⇒Expand sales of Huatong Furukawa HT Cable.
- Respond to demand for new energies (wind power, solar power, etc.)
  - ⇒Proceed with the offshore wind farm project in Fukushima Prefecture as planned.

## Power storage systems

- Increase sales of industrial power storage systems.
- Develop power storage systems for smart grids.

➤ Medium-Term Management Plan 2015 Measure  
⇒ FY2013 Measure

## Auto Parts

- Establish regional headquarters to be in charge of sales, design and procurement.
  - ⇒ Establish regional headquarters in China and Southeast Asia.
- Increase production bases, particularly in Southeast Asia and Central and South America.
  - ⇒ Establish second wire harnesses company for Japanese manufacturers operating in Mexico.
- Wire harness business to target Japan-based global automakers and local automakers in emerging countries.
- SRC business to aim to maintain and increase our top global share.
  - ⇒ Prepare for local production taking airbag regulation into consideration in Brazil/India.  
(Commence operation in FY2014.)
- Implement the comprehensive reduction of material, processing, fixed and other costs.
- Seize opportunities for material conversion and propose new products to meet customer needs.
  - Promote aluminum harnesses.
  - Increase sales of UltraBattery lead storage batteries and battery status detection sensors for idle reduction.
  - Increase sales of high-performance magnet wires for motors.
  - Promote power collectors (copper foils) for lithium ion batteries in the HEV/PHEV market.

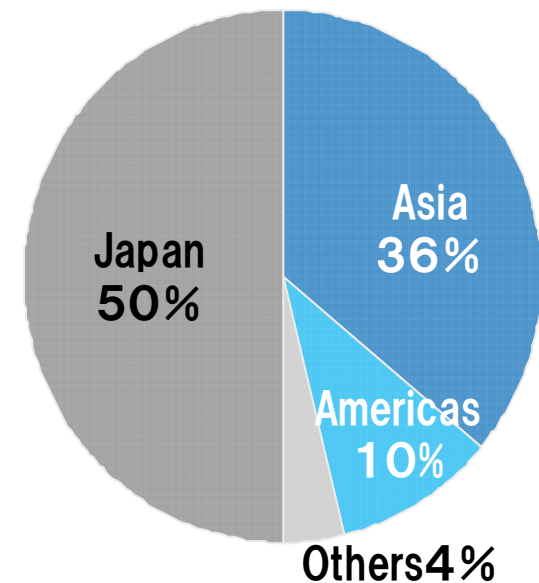
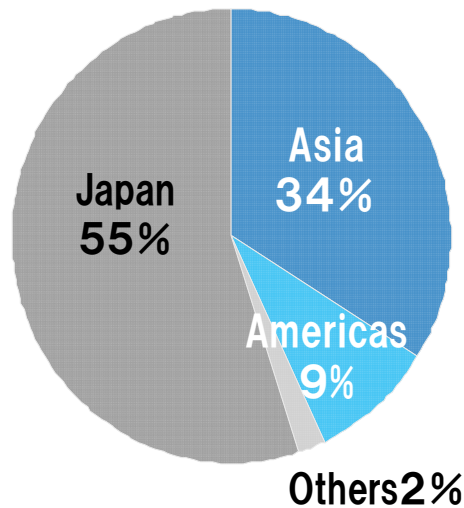
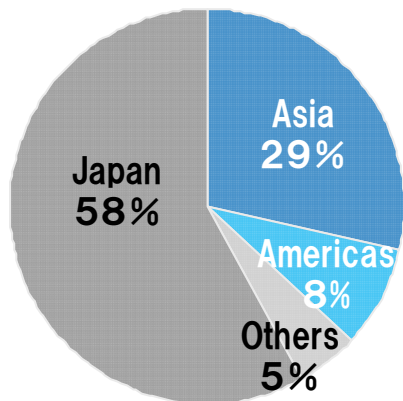
# Overseas Ratio Also Expanding (excluding light metals) **FURUKAWA ELECTRIC**

Increase overseas ratio to 45% in FY2013, focusing on Asia. (Medium-Term Management Plan 2015 Target 50%)

Result for FY2012  
Overseas 315.9/  
Total 754.7  
=42%

Forecast for FY2013  
Overseas 378.0/  
Total 840.0  
= 45%

Plan for FY2015  
Overseas 450.0/  
Total 900.0  
=50%



(Billion yen)

	FY2012 Result	FY2013 Forecast	Medium-Term Business Plan 2015	Change
		a	b	b-a
Net sales	924.7	940.0	900.0	-40.0
Operating income	17.8	25.0	38.0	+13.0
Ordinary profit	17.6	24.0	40.0	+16.0
Net income	3.6	5.0	20.0	+15.0

The FY2013 net sales forecast of 940.0 and the FY2013 operating income forecast of 25.0 includes net sales and operating income of the light metals business (Furukawa-Sky Aluminum) of 93.0 and 3.0 billion, respectively.

Change excluding light metals

Net sales                      FY2013 Forecast : 847.0 ⇒ Medium Term Management Plan 2015: 900.0 (+53.0)  
 Operating income          FY2013 Forecast:    22.0 ⇒ Medium Term Management Plan 2015    38.0(+16.0)

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

	Mar. 31. 2013	Forecast for Mar. 31. 2014	Medium- Term Managemen t Plan 2015	Change
		a	b	b-a
Total assets	819.7	690.0	700.0	+10.0
Interest-bearing debt	320.5	276.0	240.0	-36.0
Capital ratio	20.2%	23.8%	26.3%	+2.5
D/E ratio	1.93	1.68	1.3	-0.38
Turnover	1.13	1.22*	1.3	+0.08
ROA (OP basis)	2.1%	3.5%	5.7%	+2.2

\*Net sales used to calculate turnover for FY2013 exclude first-half sales of Furukawa-Sky (light metals).

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.

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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