

# FY2014 Management Plan Q1 Review

31 July 2013  
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Furukawa Electric

**Both sales and profits increased** from a year ago,  
reflecting the recovery of the telecommunications and light metals  
businesses

- ✓ Operating income **rose by 44%** (3.7 ⇒ 5.3 billion yen)
- ✓ Ordinary profit **rose by 91%** (3.6 ⇒ 6.8 billion yen)
- ✓ Net income **increased 2.4 times** (0.6 ⇒ 1.3 billion yen)

1. P&L and BS Review in Q1
2. Net Sales and Operating Income Analysis
3. Analysis by Segment
4. Strategic Initiatives in Q1
5. Forecast

# P&L Results for FY2014 Q1

(JPY bn)

P&L	12Q1	13Q1	change	Reasons for change
	a	b	b-a	
<b>Net Sales</b>	222.9	<b>236.8</b>	+14.0	Special factors (Page 6)
			+6.3%	
<b>Operating Income</b>	3.7	<b>5.3</b>	+1.6	Special factors (Page 7)
			+44.0%	
<b>Ordinary Profit</b>	3.6	<b>6.8</b>	+3.3	FX gain:+0.9(0.4⇒1.3) Equity method profit: +3(1⇒4), etc.
			+91.2%	
<b>Extraordinary p&amp;I</b>	-0.5	<b>-3.4</b>	-2.9	Impairment loss related to Furukawa-Sky (land, etc.): -24.5, etc.
<b>Income tax, adjustments</b>	-1.9	<b>-1.7</b>	+0.2	
<b>Minority interests</b>	-6	<b>-3</b>	+2	
<b>Net Profit in Q1</b>	0.6	<b>1.3</b>	+0.8	
<b>(Note) A negative figure is indicated with a minus (-) symbol.</b>			2.4 times	

# Q1 Balance Sheet

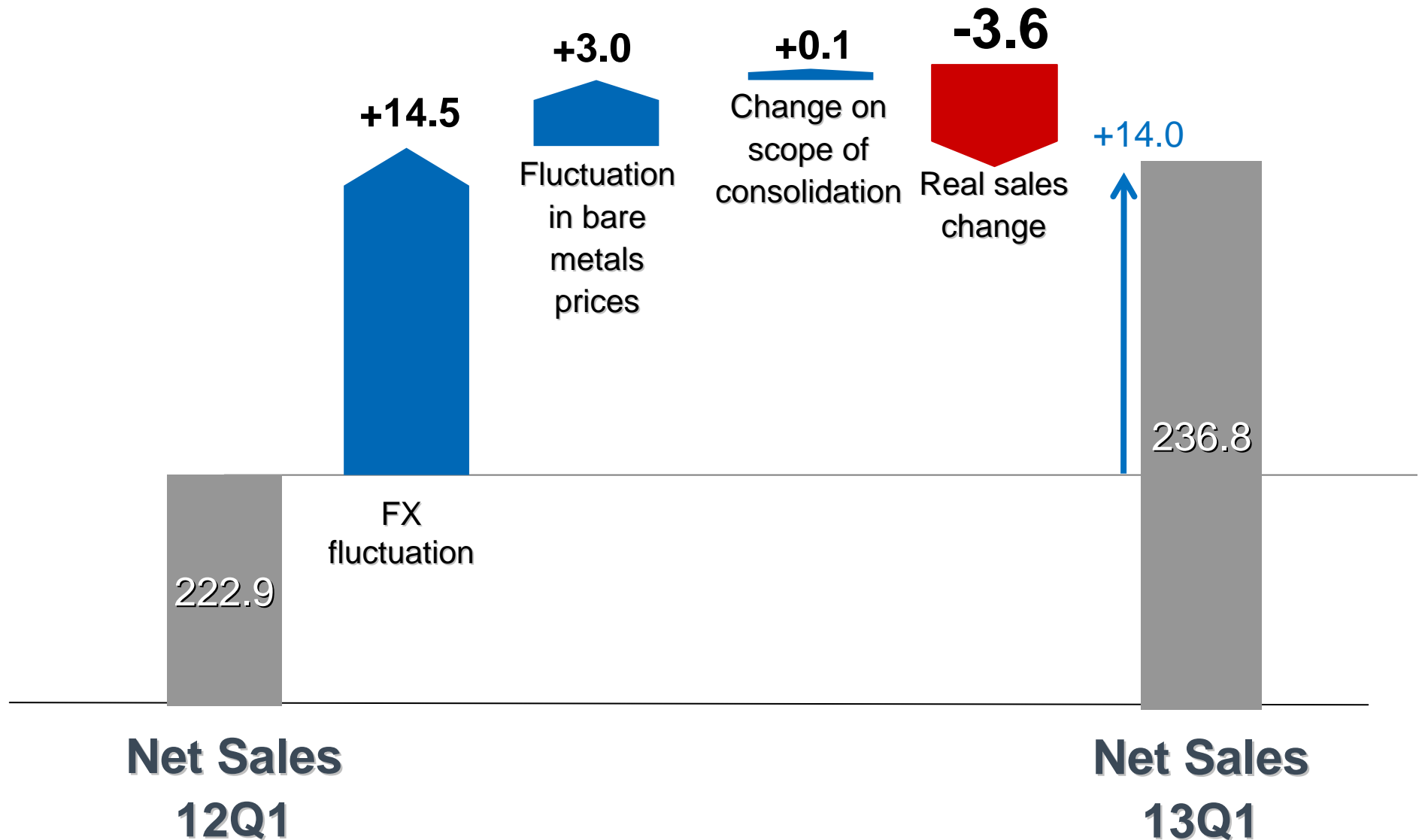
(JPY bn)

BS	12Q4	13Q1	Change
	a	b	b-a
<b>Total assets</b>	<b>819.7</b>	<b>878.4</b>	<b>+58.7</b>
Debt	320.5	362.7	+42.2*
Capital Ratio	20.2%	19.8%	-0.4
D/E Ratio	1.93	2.08	+0.15
Turnover (Net Sales/Total assets)	1.13	1.08	-0.05
<b>ROA</b> (Ordinary Profit/Total assets)	<b>2.1%</b>	<b>3.1%</b>	<b>+1.0</b>

**\*Increase in interest-bearing debt:** The amount of the real increase in interest-bearing debt -- excluding cash, deposits, and repurchases that increased because we had procured them ahead of schedule under low interest rates and the amount of the increase attributed to the depreciation of the yen and the new inclusion in consolidated results -- was slightly above 22 billion yen. The main factor was the increase in operating funds such as inventory assets.

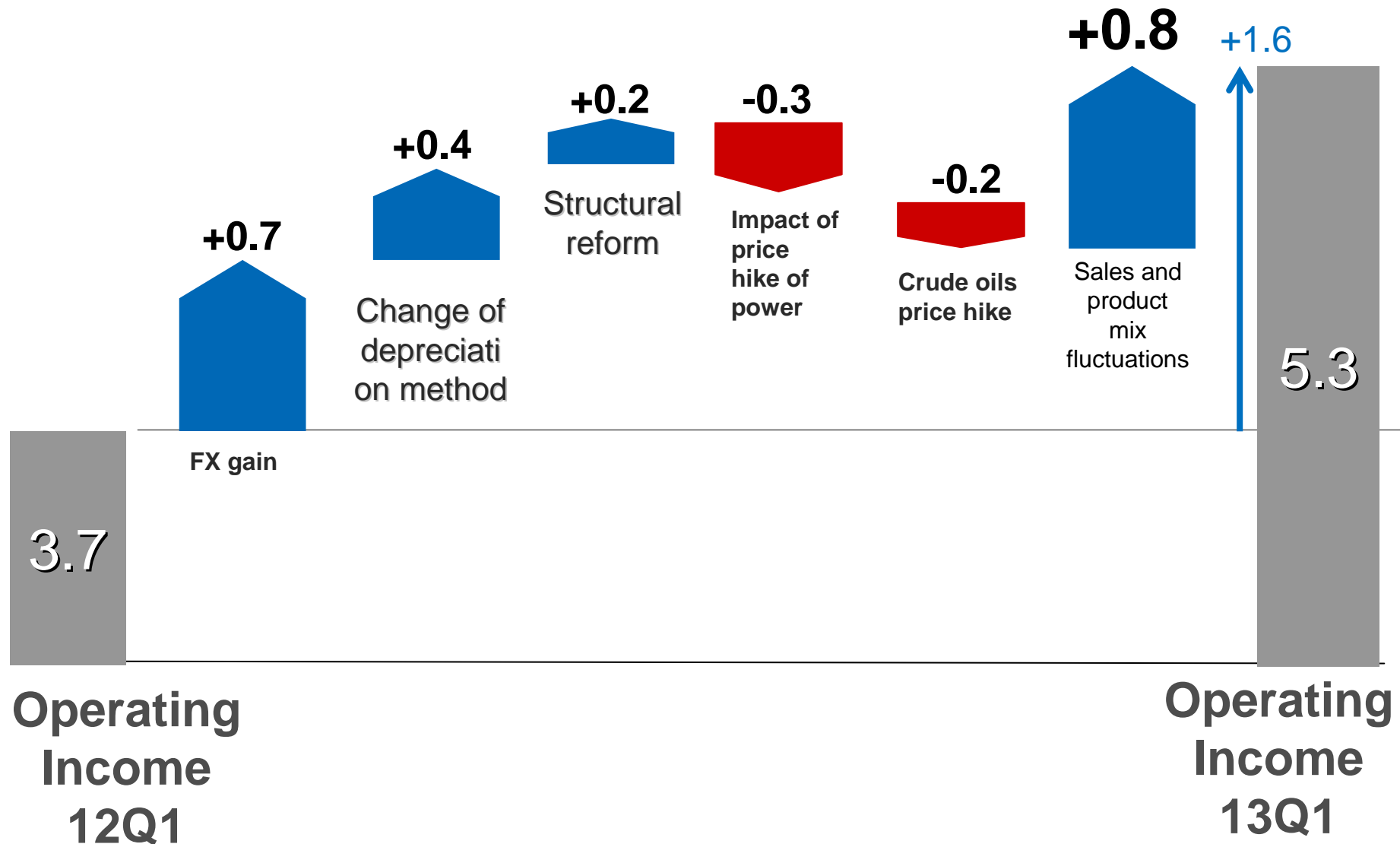
# Net Sales Analysis for Q1

(JPY bn)



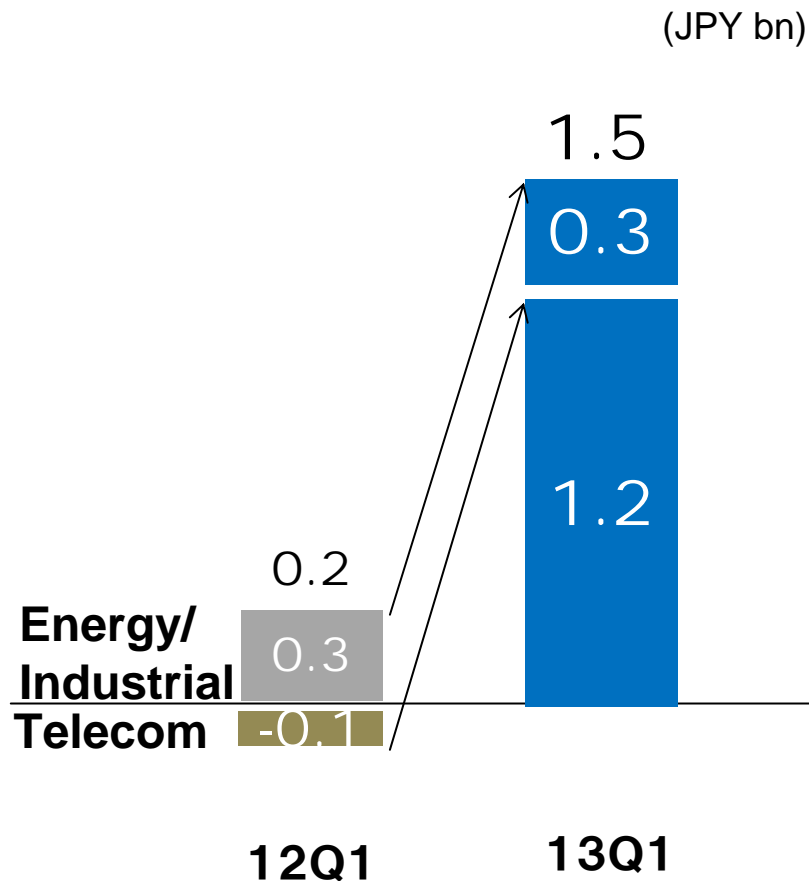
# Operating Income Analysis for Q1

(JPY bn)



# YoY Change in Operating Income by Segment

## Transmission Infrastructure: 0.2 ⇒ 1.5(+1.3)



**[Telecommunications] -0.1 ⇒ 1.2 (+1.3)**

- **Optical fibers and cables** 0.5 ⇒ 0.8 (+0.3)  
 (+) The profitability of optical fibers improved in Japan due to the weaker yen and cost reductions. Demand for cables recovered in South America.  
 (-) Demand in Europe and the U.S. was in a slump due to the saturation of demand related to telecommunications projects, etc. There were inventory adjustments in China.
- **Photonics networks** -0.7 ⇒ 0.4 (+1.0)  
 (+) Broadband-related demand was strong in Japan. Demand for 3G mobile phone plants was strong in Thailand.

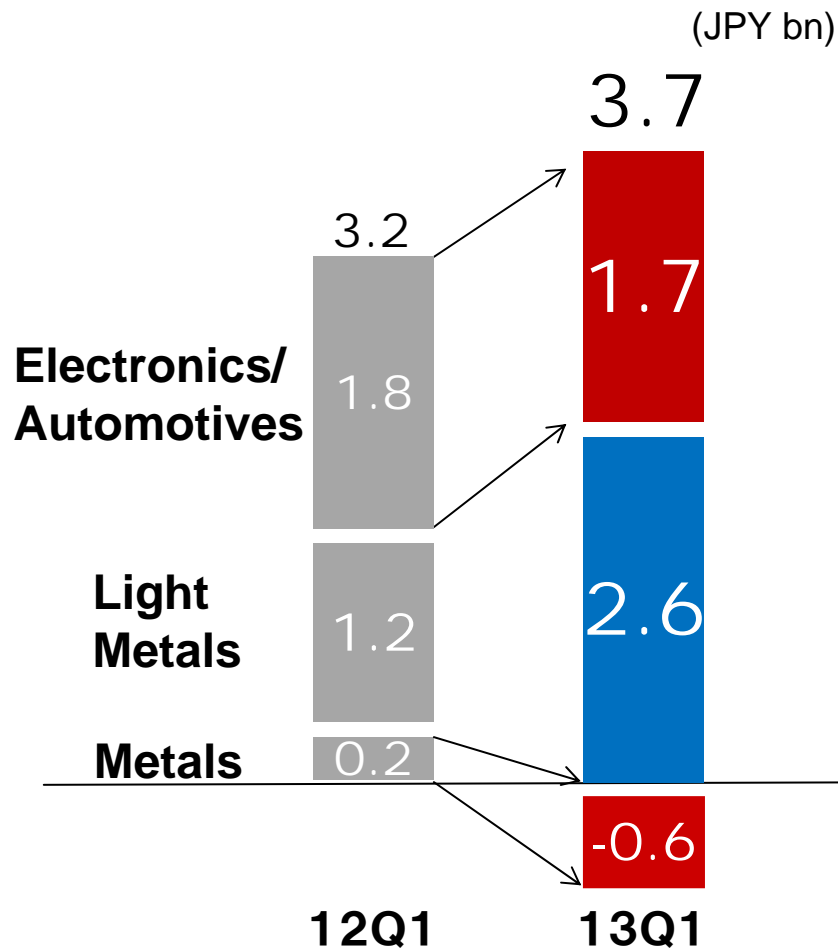
**[Energy/Industrial] 0.3 ⇒ 0.3 (+0)**

- (+) Demand for tape for semiconductor manufacturing for smartphones and tablet PCs and for protective covers for cables for mega solar was robust.
- (-) Demand for electric power cables and MCPET for LED LCD TVs was weak in Japan.



# YoY Change in Operating Income by Segment

**Advanced-Function Material: 3.2 ⇒ 3.7(+0.5)**



**[Electronics/ Automotives] 1.8 ⇒ 1.7 (-0.1)**

(-) Auto parts: The decline in parts for existing models due to the end of the subsidy program for eco-friendly vehicles was supplemented by parts for models that began utilizing the parts, but the profitability of imports declined due to the weaker yen.

(+) Demand for memory disks for hard disks was strong

**[Metals] 0.2 ⇒ -0.6 (-0.8)**

(-) Demand for copper strips for lead frames and copper foils for lithium batteries for automobiles was stagnant.

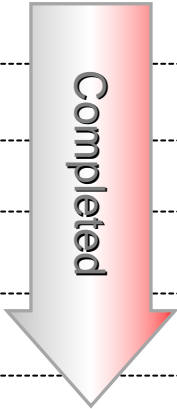
(+) Demand for copper pipes for air conditioners was strong.

**[Light metals] 1.2 ⇒ 2.6 (+1.4)**

(+) Effects of cost reduction and inventory assessment, etc.

(-) The sales volume decreased generally.

# Statutes of Main Projects for Business Structural Reform **FURUKAWA ELECTRIC**

Project	Completed in	Status
Power components: Business merger (Asahi Electric Works, Inoue Manufacturing, and Furukawa PC => merged company)	Oct. 2012	
Industrial electric wires: Overseas OEM (overseas OEM of products which are lowly profitable)	Dec. 2012	
Magnet wires: Overseas production (TEX: Furukawa Mie => Southeast Asian affiliate)	Dec. 2012 ← Mar. 2013	
Totoku Electric: Size reduction (personnel cuts due to downsizing associated with business division)	Mar. 2013	
Power components: Business merger (merged company/Furukawa power components div. => merged company)	Apr. 2013	
Sales of electric wires: Functional integration (Shin Manden => Furukawa Elecom)	Apr. 2013	
Optical cables: Production merger (Mie + Chiba => Mie)	Jun. 2013 → <u>Oct. 2013</u>	<b>Changed</b>
Copper foils: Overseas production (part of Furukawa Imaichi => Taiwan affiliate)	Sept. 2013	
Electrical conducting materials: Production merger (Furukawa Mie + Chiba => Mie)	Dec. 2013 ← Mar. 2014	
Head office divisions: Streamlining (reduce 20% of existing functions => strengthen Group management)	Dec. 2013	
Close magnet wires and unprofitable product businesses (general-use enameled wires: partially close)	Mar. 2014	

The merger was postponed until October because the production of optical cables will be busy in Japan.

# Expansion of Global Business of Infrastructure/Automotives

## <Telecommunications>

“Increase optical cable bases and increase sales in growth markets.”

## <Energy>

“Strengthen overseas development using links with local partners and technical advantage.”

### FISA (Brazil)

- Establishing a subsidiary for manufacturing and selling optical cables in Colombia, which will start operating in February 2014 (Announced on July 30)
- Expanding optical cable production capacity in Brazil (Announced on May 9)
- Commencing full-scale production of OPGW in Brazil (Announced on March 13)

### TFU (Thailand)

- Responding to demand for works for 3G mobile phones, which has been growing rapidly in Thailand

### FOSI (Indonesia)

- Providing optical cables to the FTTH network in India in the future

### TMS (Indonesia)

- Responding to demand for copper wire, which has been growing in Indonesia

## <Auto parts>

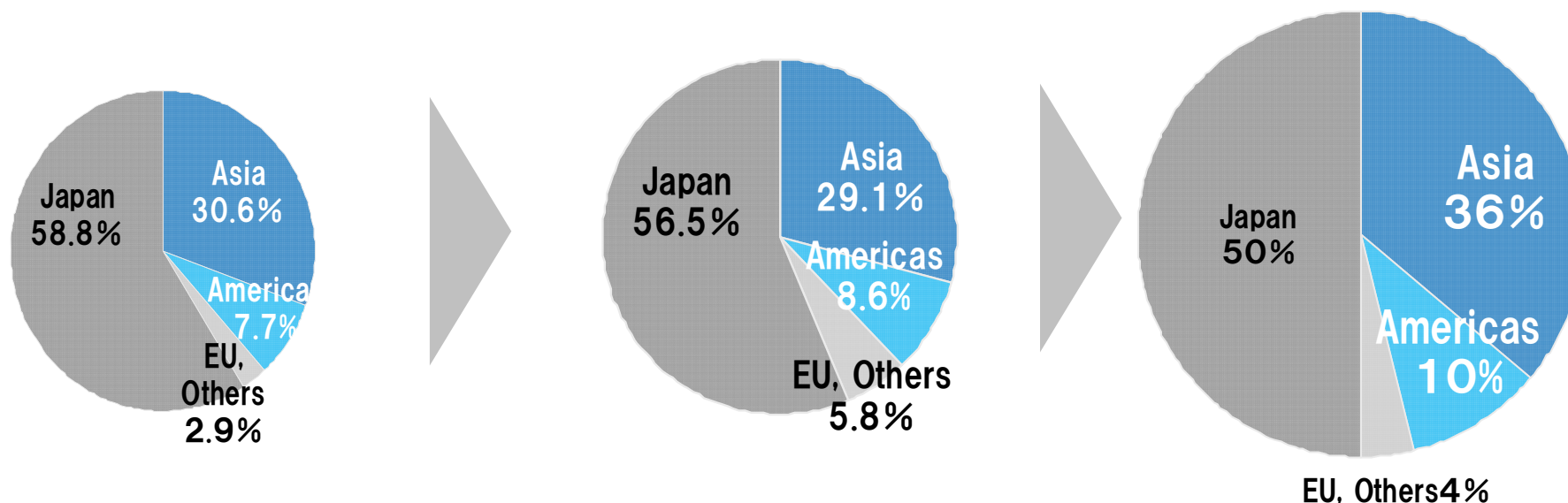
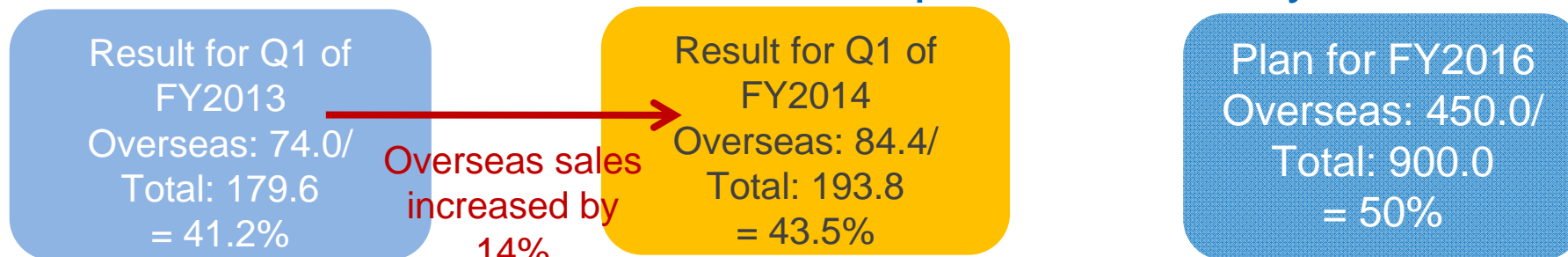
“Expand sales of wire harness business to Japan-based global automakers and local automakers in emerging countries.”

### Furukawa Automotive Systems

- Establishing the second wire harness company in Mexico, which will start operating in January 2014 (Announced on April 30)
- Establishing a new wire harness plant in the Philippines, which will start operating in January 2014 (Announced on May 21)
- Establishing a Chinese regional headquarters in Shanghai in July
- To establish a regional headquarters of “ASEAN + India” in Thailand.

# Overseas Ratio Also Expanding

43.5% in Q1 of FY2014 (excluding light metals) (Billion yen)  
 Increased from 41.2% in Q1 of the previous fiscal year



FY2013 means years ended march 31, 2013

# No Revision from Initial Forecasts

(JPY bn)

	FY2013 Result(A)	FY2014 Forecast(B)	1 <sup>st</sup> Half Forecast	2 <sup>nd</sup> Half Forecast	Change (B-A)
<b>Net sales</b>	924.7	940.0	500.0	440.0	+15.3
Operating Income	17.8	25.0	11.5	13.5	+7.2
Ordinary profit	17.6	24.0	10.5	13.5	+6.4
<b>Net income</b>	3.6	5.0	1.5	3.5	+1.4
<b>Assumptions</b>					
FX rate (JPY/USD)	79.8	95	→		+15.2
Copper (JPY/Kg)	696.4	700	→		+3.6
Crude oil (USD/Bbl)	107	108	→		+1

Thank you for your attention.

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## 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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