

Management Plan for FY 2006

May 12, 2006

The Furukawa Electric Co., Ltd.

I . Financial Highlights of FY 2005

II. Management Plan for FY 2006

III. Business Plan for FY 2006

I . Financial Highlights of FY 2005

Summary of FY 2005

FY 2005 Policies

Structural reform of information and telecommunications One year ahead of schedule

<Improvement of 15.1 billion yen in operating income puts the company into the black>

Reducing interest-bearing debt

One year ahead of schedule

<Reduced by 46.9 billion yen in FY 2005 and by 149.4 billion yen in two years>

Using strategic funds <Acquired the German company Trocellen GmbH>, etc.



FY 2005 Results

Record-high net sales <872.5 billion yen, higher than in FY 2000>

Profitability in all business segments

<For the first time in five years>

Resumption of dividends

<For the first time in three years; 3 yen per share>



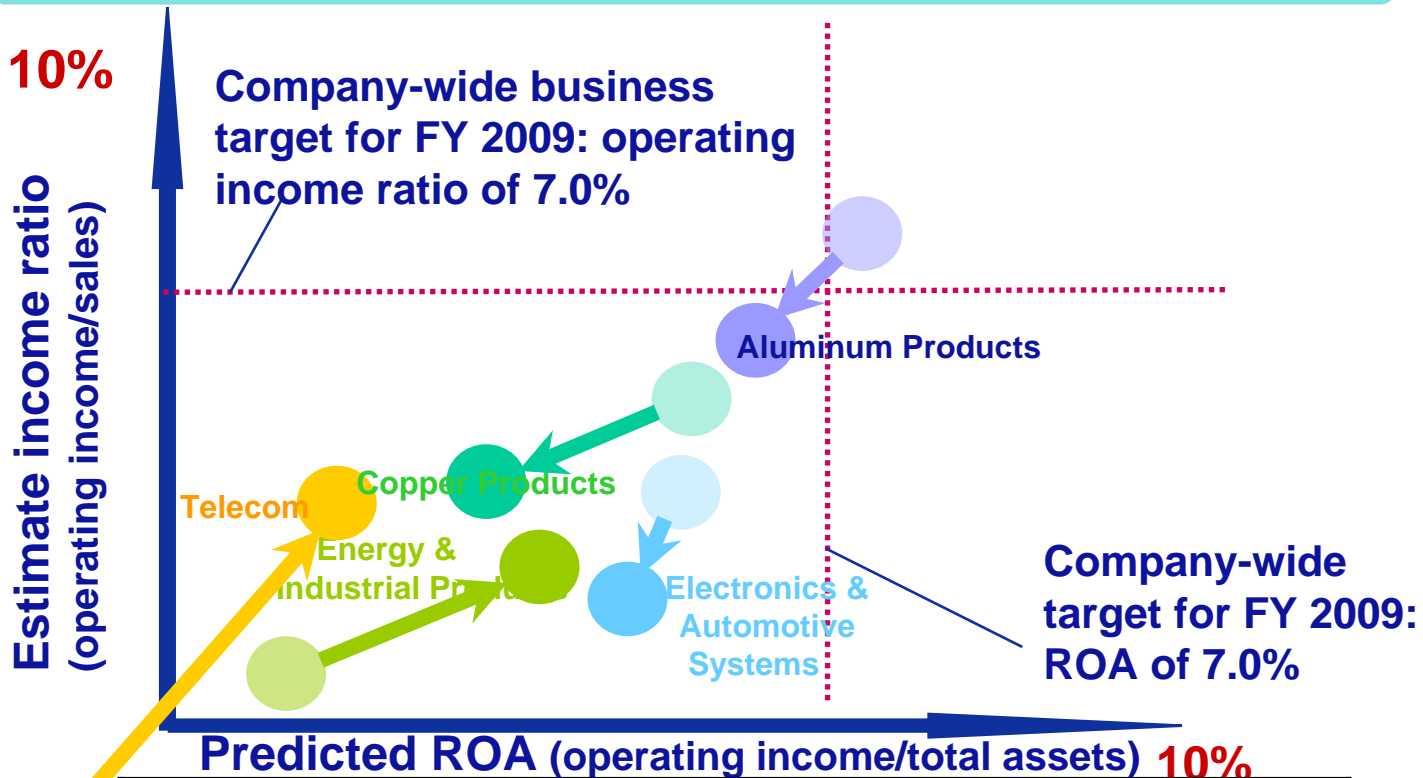
Business Results and Forecasts by Segment

Upper row:
Net sales
Lower row:
Operating income
Unit: Billion yen

	A		B		C		C-B	C-A	
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Est. (Feb. 9)	FY 2005 Actual	05 Act. ? '05 Est.	05 Act. ? '04 Act.
Telecommunications	205.9	211.2	151.4	129.0	117.4	143.5	143.1	-0.4	25.7
	40.0	5.6	-60.7	-31.3	-9.8	3.0	5.4	2.4	15.1
Optical fiber cable	95.6	109.4	87.1	76.6	70.1	84.2	86.3	2.1	16.2
	9.5	5.1	-52.4	-24.0	-9.7	-1.0	-0.2	0.8	9.5
Photonics network	110.3	101.8	64.4	52.4	47.3	59.3	56.8	-2.5	9.5
	30.4	0.5	-8.3	-7.3	-0.1	4.1	5.5	1.4	5.6
Energy/Industrial Products	173.0	164.5	147.2	170.8	189.0	214.3	217.5	3.2	28.4
	0.5	1.9	3.5	3.8	3.1	7.2	6.7	-0.5	3.7
Copper Products	90.2	83.1	87.7	100.4	111.0	123.5	133.4	9.9	22.3
	6.5	-1.0	1.5	4.8	6.0	4.2	4.9	0.7	-1.2
Electronics/ Automotive Systems	147.3	135.8	139.6	153.7	165.3	194.4	194.9	0.5	29.6
	3.9	-1.3	1.7	4.7	5.7	5.7	6.0	0.3	0.3
Aluminum Products	214.5	192.0	197.1	207.3	219.6	217.9	216.8	-1.1	-2.8
	4.6	2.9	6.8	11.7	16.3	12.1	12.7	0.6	-3.6
Services, etc.	34.0	33.5	29.8	31.9	32.7	34.3	35.6	1.3	29.0
	2.6	2.5	3.0	3.1	2.4	2.1	2.1	0.0	-0.4
Eliminations	-37.9	-48.7	-42.4	-53.3	-59.2	-77.8	-68.7	9.1	-9.5
	-	-	0.3	0.0	0.0	-0.2	-0.3	-0.1	-0.3
Total	827.0	771.4	710.6	739.9	775.9	850.0	872.5	22.5	96.6
	58.1	10.7	-43.8	-3.2	23.7	34.0	37.4	3.4	37.7

We can.

Changes in Business Portfolio: FY 2004 → FY 2005



	2004 income ratio (%)	2005 income ratio (%)	2004 ROA (%)	2005 ROA (%)
● Telecom	-8.3	3.7	-4.9	2.7
● Energy & Industrial Products	1.6	3.1	2.1	4.0
● Copper Products	5.4	3.6	5.5	3.9
● Electronics & Automotive Systems	3.4	3.1	4.9	4.4
● Aluminum Products	7.4	5.9	7.1	5.2

Main Management Indices

<Unit: Billion yen>

	End of March '04	End of March '05	End of March '06
Total assets	1,110.7	991.4	1,052.3
Equity	166.9	175.8	223.2
Interest-bearing debt	584.7	482.3	435.3
D/E ratio	3.5	2.7	2.0
ROE	-83.9%	9.0%	11.4%
ROA	-0.3%	2.4%	3.6%
Free cash flow	5	73	33.9
Overseas sales ratio	21.9%	23.8%	25.9%

II. Management Plan for FY 2006

**Initiation of the New Medium-Term Management Plan,
"Innovations 09"**

Targets for FY 2006

Operating income of 4.3 billion yen
(15% increase over previous year)

Dividend of 5 yen per share

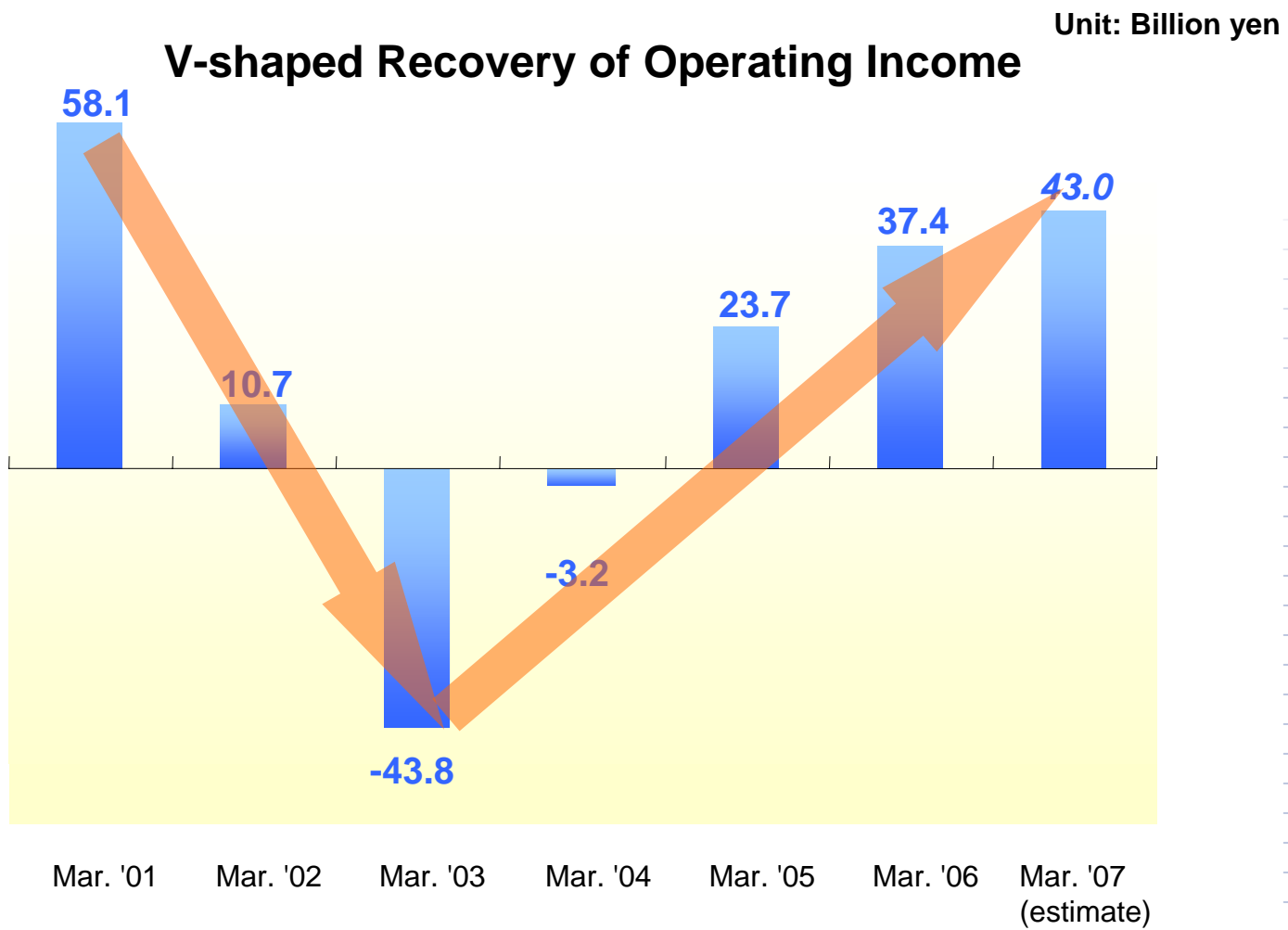
Policies for FY 2006

Aggressive investment aimed at growth
(increased plant investment + strategic fund)

Improved asset efficiency
(creation of internal capital through reduced inventories, etc.)

Expanded business overseas
(groundwork for global development)

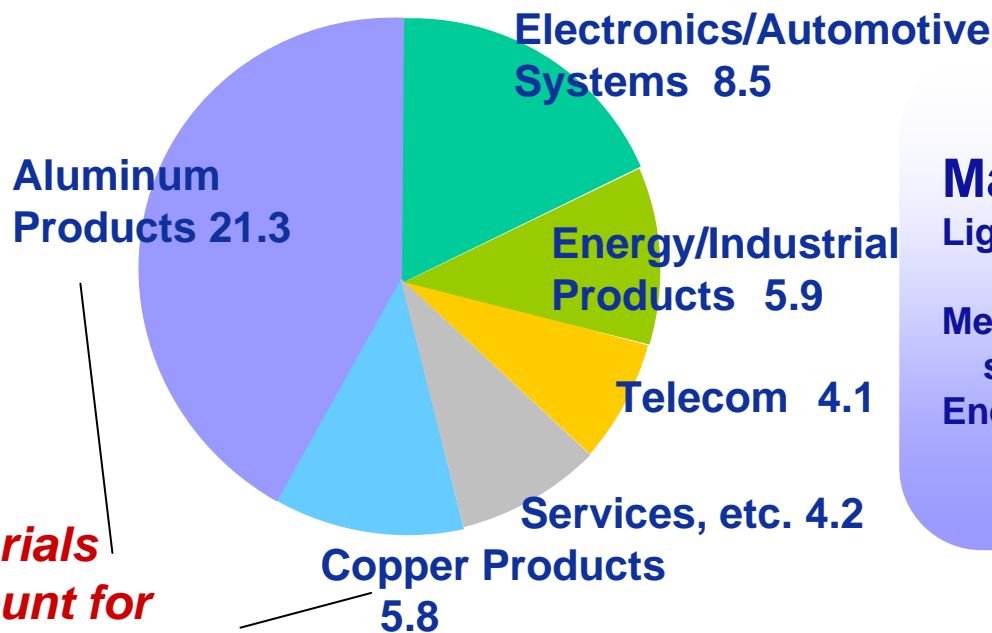
Growth through Emphasis on Profits



**Plant Investment in FY 2006:
Aggressive Development of Strength in Materials**

Investing 49.8 billion yen + strategic fund utilization (36.2 billion yen in amortization costs)
(30.9 billion yen invested in FY 2005)

Breakdown (Unit: Billion yen)
for FY 2006



Materials account for more than 50%

Main investments

- Light metals: converting motors for cold rolling mills from DC to AC
- Metals: Increased production of strip, plating and foil
- Energy/industrial products: Increased production of "Funen-Ace" products

Predicted Results for FY 2006

Unit: Billion yen

	<u>Predicted results for FY 2005</u>	<u>Ratio to net sales</u>	<u>Predicted results for FY 2006</u>	<u>Ratio to net sales</u>	<u>+/-</u>
Net sales	872.5		950		+77.5
Operating income	37.4	4.3%	43	4.5%	+5.6
Ordinary income	47	5.4%	32	3.4%	-15
Net income for the period	25.5	2.9%	15	1.6%	-10.5

income/loss other than
operations in FY 2005
Currency exchange
income: 14.2 billion yen

Predicted income/loss other
than operations in FY 2006
Currency exchange loss:
-5.8 billion yen

Changes in premise conditions

Medium-term 06 New 06 prediction
Exchange rate
(yen-dollar)
Copper (yen/kg)
Aluminum (yen/kg)

Predicted Results for FY 2006 by Segment

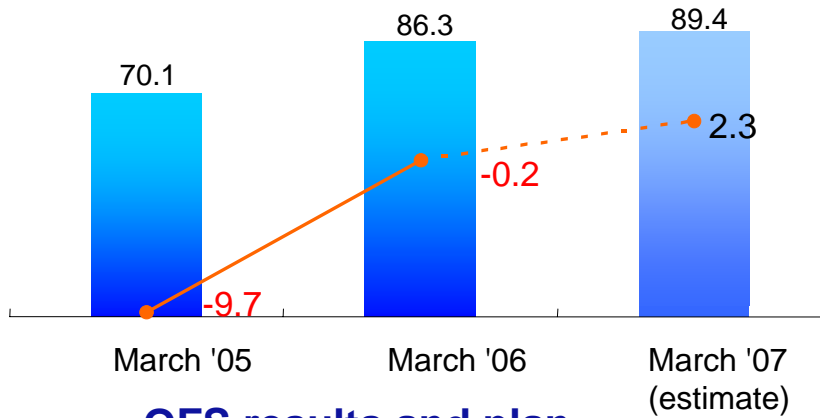
Upper row:
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Operating income
Unit: Billion yen

	A	B	C	C-B	C-A
	FY 2005 Actual	FY 2006 Medium-Term	FY 2006 New Estimate	FY '06 New - FY '05 Act.	FY '06 New - FY '06 Medium-Term
Telecommunications	143.1	146.3	147.3	4.2	1.0
	5.4	5.5	6.5	1.1	1.0
Optical fiber Cable	86.3	88.5	89.4	3.1	0.9
	-0.2	1.6	2.3	2.5	0.7
Photonics network	56.8	57.8	57.8	1.1	0.0
	5.5	3.9	4.1	-1.4	0.2
Energy/Industrial Products	217.5	229.0	255.5	38.1	26.5
	6.7	8.3	8.3	1.6	0.0
Copper Products	133.4	13.7	148.3	14.9	11.5
	4.9	4.9	4.9	0.0	0.0
Electronics/ Automotive Systems	194.9	209.3	214.0	19.1	4.7
	6.0	6.4	6.4	0.4	0.0
Aluminum Products	216.8	237.3	248.0	31.2	10.7
	12.7	16.4	16.4	3.7	0.0
Services, etc.	35.6	37.4	37.4	1.8	0.0
	2.1	1.6	1.6	-0.5	0.0
Eliminations	-68.7	-96.1	-100.6	-31.8	-4.5
	-0.3	0.0	-1.0	-0.7	-1.0
Total	872.5	900.0	950.0	77.5	50.0
	37.4	43.0	43.0	5.6	0.0

III. Business Plan for FY 2006

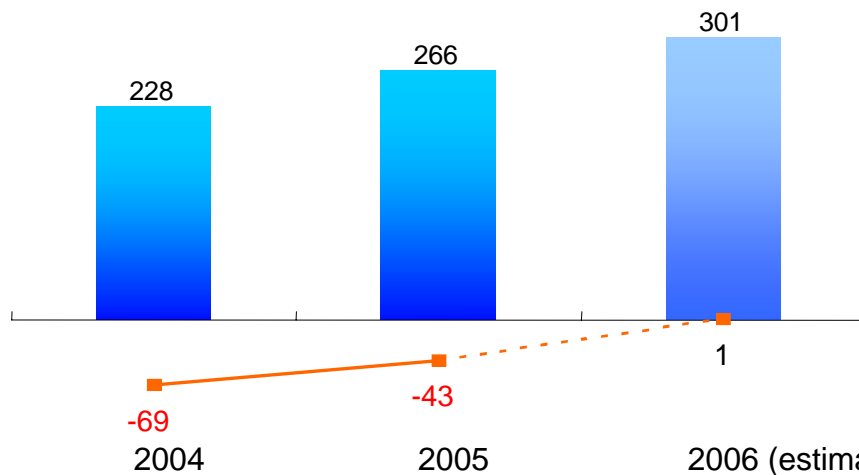
Telecommunications <Fiber Optic Cable>

Bars: Net sales Lines: Operating income Unit: Billion yen



OFS results and plan

(Unit: US\$ million)



Results for FY 2006

(compared with previous year)

Net sales: +23%

Operating income: +9.5 billion yen

- Full-fledged demand in FTTH business
- Effects of structural reforms in operations
- Achieving EBITDA profitability of OFS

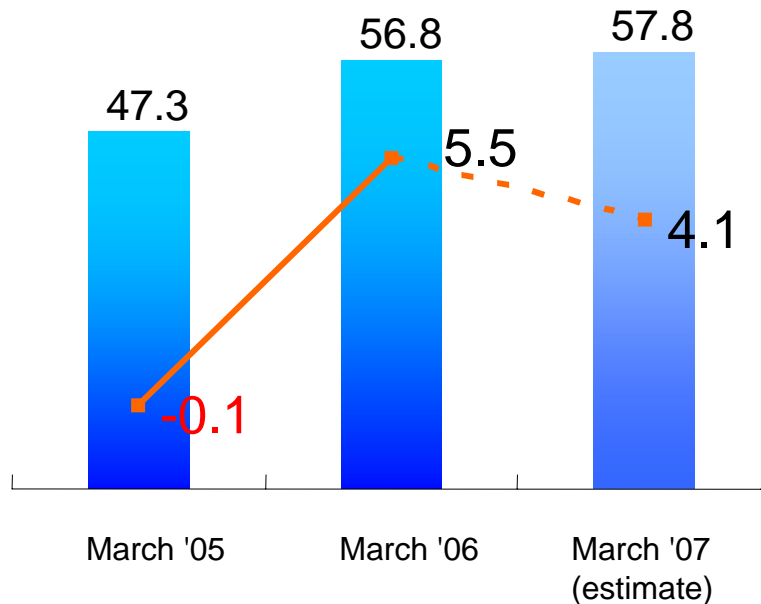
Policies for FY 2007

- OFS business: Expanded sales of cable and specialty fiber leads to profitability
- In Japan: Expanded sales of FTTH products
- Global: Strengthening FTTx



Telecommunications <Photonics Network>

Bars: Net sales Lines: Operating income Unit: Billion yen



Results for FY 2006
(compared with previous year)

Net sales: +20%

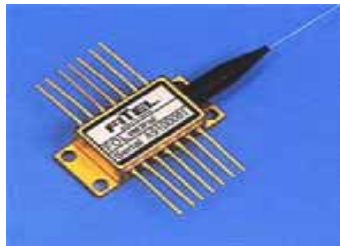
**Operating income:
+5.6 billion yen**

Increased global WDM + domestic FTTH
Lower costs through overseas manufacturing

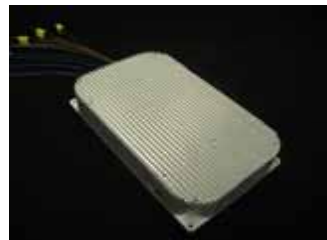
Policies for FY 2007

In Japan: Expanded sales of FTTH products and cost reductions for continued price competitiveness

Global: Taking the lead through expanded sales of next-generation "variable wavelength type" devices



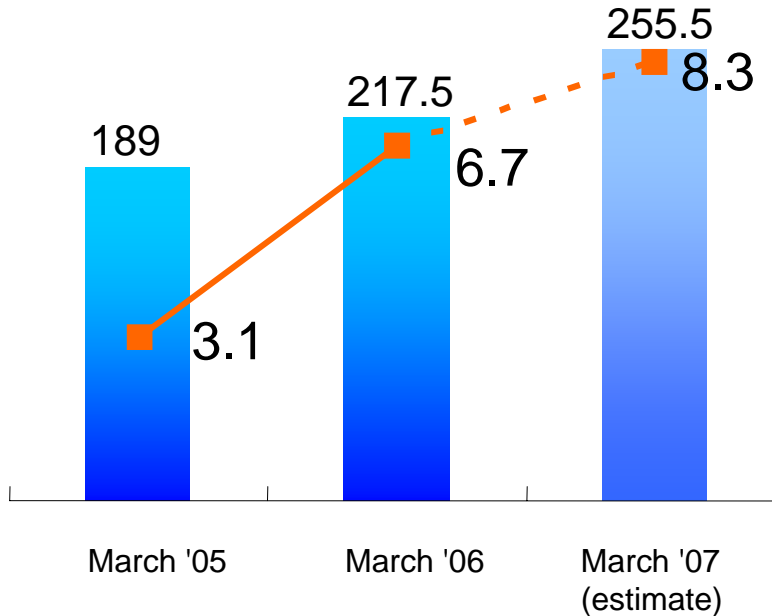
Semiconductor laser



ROADM

Energy and Industrial Products

Bars: Net sales Lines: Operating income Unit: Billion yen



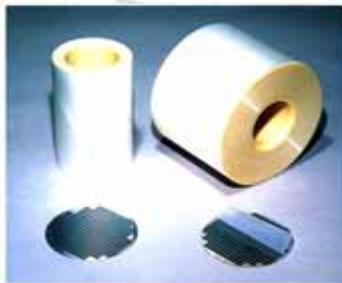
Results for FY 2006 (compared with previous year)

Net sales: +15%
Operating income:
+3.7 billion yen

Maintaining and expanding top share in copper wire
Increased sales through expanded applications of industrial products (plastic)

Policies for FY 2007

<Energy>
Expanded sales of copper alloy wire and reduced costs
<Industrial products>
Consolidated sales of 10 billion yen with German company Trocellen GmbH
Increased production and enhanced performance of semiconductor tape
Increased sales of asbestos substitute "Funen Ace"



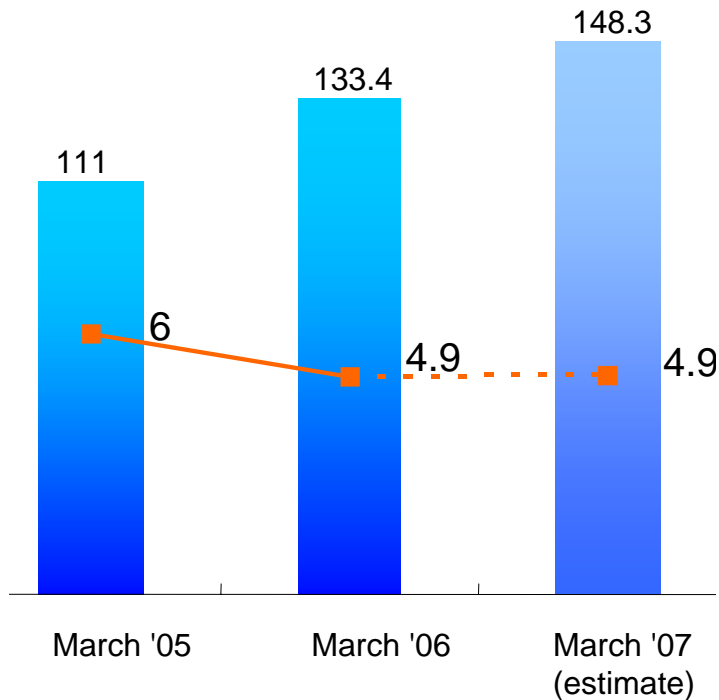
Semiconductor tape



MC-PET (micro-cellular high-reflection formed sheet)

Metals

Bars: Net sales Lines: Operating income Unit: Billion yen



Results for FY 2006 (compared with previous year)

Net sales: +20%

**Operating income:
-1.2 billion yen**

Effects of inventory adjustment (IT, air conditioners) during first half of year
Rapid recovery of electronics market in second half of year

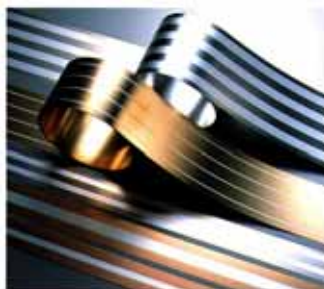
Policies for FY 2007

<Electronic Materials>

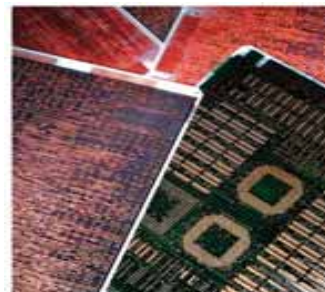
Using the strategic fund to strengthen production facilities related to automobiles and electronic parts

<Copper Tube>

High value-added products and strengthening of production in Asia



Copper strip for lead frames

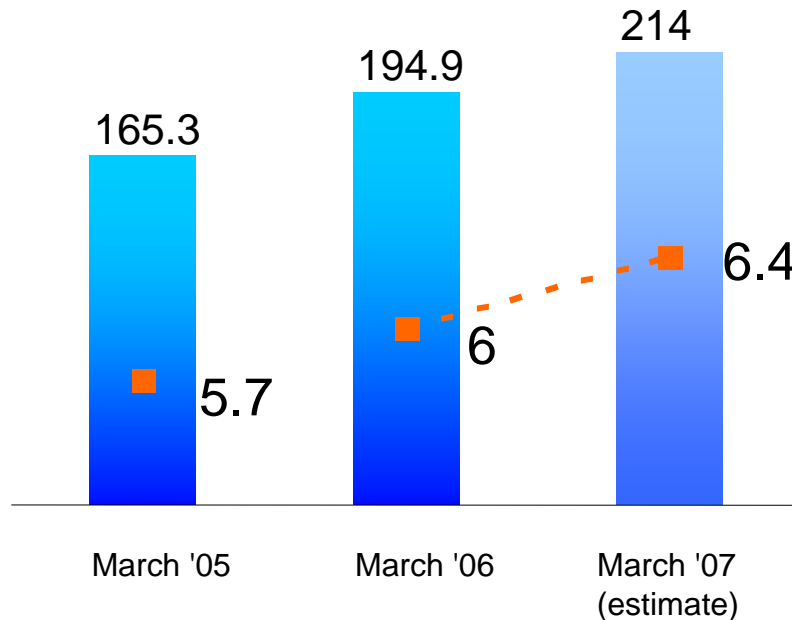


Application example for electrolytic copper foil



Electronics and Automotive Systems

Bars: Net sales Lines: Operating income Unit: Billion yen



SRC connector for air bag



Memory disks for hard disk drives

Results for FY 2006 (compared with previous year)

Net sales: +18%

**Operating income:
+0.3 billion yen**

Strong performance in new-model harnesses
Increased sales of memory disks for hard disk drives

Policies for FY 2007

<Automotive Parts>

Doubled sales of metal-core substrates and other new products

Expanded business in China

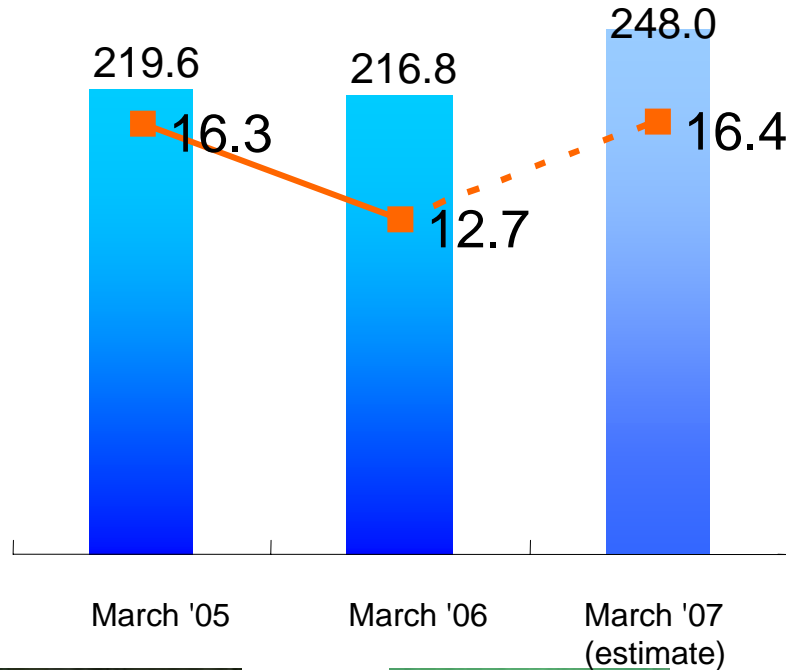
<Electronics>

Expanded sales of thermal (heat-radiating) parts

Increased market share in memory disks and heat-resistant coils

Light Metals

Unit: Billion yen



Results for FY 2006 (compared with previous year)

Net sales: -1%

**Operating income:
-3.6 billion yen**

Long-term inventory adjustment in IT-related markets → recovery from 4th quarter
Skyrocketing cost of ground metal and fuel put pressure on manufacturing costs

Policies for FY 2007

<Operational Policies>

Focus on growth products

- Increased production of aerospace materials and compressor wheels
- Stronger capabilities in plate and bottle can fields

<Reduced Costs>

- Concentration of plate manufacturing, facility renovation

<Increased Production>

- Annealing facilities, casting and extruding equipment in Southeast Asia



Bottle cans



Compressor wheels

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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