

FY 2008 Management Plan Interim Follow-up

November 2008

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President and COO

FURUKAWA ELECTRIC

- 1. Future Direction**
- 2. FY2008 1H Highlights**
- 3. FY2008 Full-Year Management Plan**
- 4. Segment Data**

Improve ROA through the realignment of the portfolio while restricting total assets to 1 trillion yen

- ◎ Operate the transmission infrastructure business globally for telecommunications and electric power
- ◎ Strengthen our position in the niche business that differentiates Furukawa from its competitors through materials
- ◎ Tightening the traditional copper processing business
 - ⇒ Reduce costs through consolidation, realignment and higher capacity utilization

2. FY2008 1H Highlights

Summary of Results for FY2008 1H

Net sales and operating income increased, and net income rose substantially thanks to the realignment of business in North America

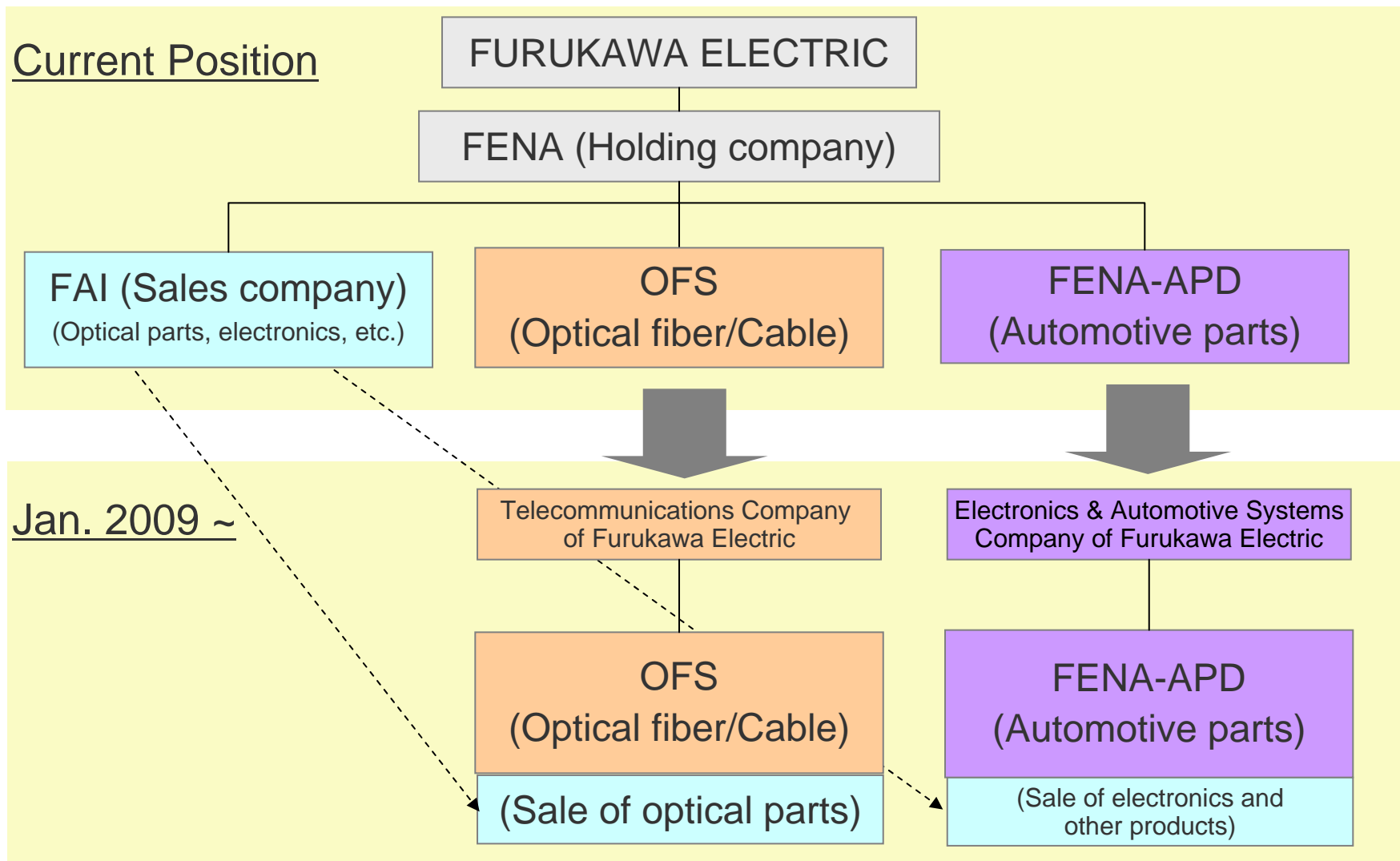
(JPY billion)	<u>FY07 1H Actual</u>	<u>Most recent forecast for FY08 1H</u>	FY08 1H Actual	<u>Comparison with results in FY07</u>
Net sales	577.5	595.0	583.9	+1%
Operating income	21.0	21.0	21.1	+1%
Ordinary profit	22.6	12.0	17.1	-24%
Net income	14.6	13.6	25.0	+71%
		<u>End of Mar. 08</u>	<u>End of Sep. 08</u>	
Total debt		399.1	387.7	-113

Variation factors below the line of non-operating income and loss

	<u>FY07 1H Actual</u>	<u>FY08 1H Actual</u>	<u>Difference</u>	<u>Factor</u>
Foreign exchange gain and loss	+4.1	-2.8	-6.9	(Increase in foreign exchange loss on yen loans)
Equity in income of non-consolidated subsidiaries and affiliates	+0.8	+1.1	+0.3	(Contribution by VISCAS, which deals with high-voltage cables)
Extraordinary profit	+1.2	+13.4	+12.2	(Foreign exchange adjustment gain from the liquidation of overseas subsidiaries)
Extraordinary loss	-5.6	-18.7	-13.1	(Slag treatment on an old factory site of Furukawa Magnesium, etc.)
Income taxes	-1.9	+15.5	+17.4	(Tax effect of the realignment of subsidiaries in North America, etc.)
Minority interest	-1.6	-2.3	-0.7	(Fall in deductions related to OCP, etc.)

Realignment of Manufacturing and Sales System in North America (1)

Objective: Introduce the Company System of manufacturing and sales



Realignment of Manufacturing and Sales System in North America (2)

Effects of the liquidation of FENA (planned for the end of December 2008)

- (1) Introduce the Company System of manufacturing and sales
 - ⇒ Expand business through unification and accelerate responses to customer needs

- (2) Yen loans from Furukawa Electric
 - ⇒ Repaid by substitution with assets held by FENA
 - ⇒ Foreign exchange risk of yen loans will be eliminated from January 2009
(±600 million yen in non-operating income/±1 yen)

- (3) Record deferred tax assets with a loss on investment in OFS fixed
 - ⇒ Record a 21.2 billion yen writeback of income tax adjustment

Slag treatment (residue after refining magnesium) is planned on an old factory site (173,407m² in Oyama-city, Tochigi Prefecture) of the former Furukawa Magnesium Co., Ltd.

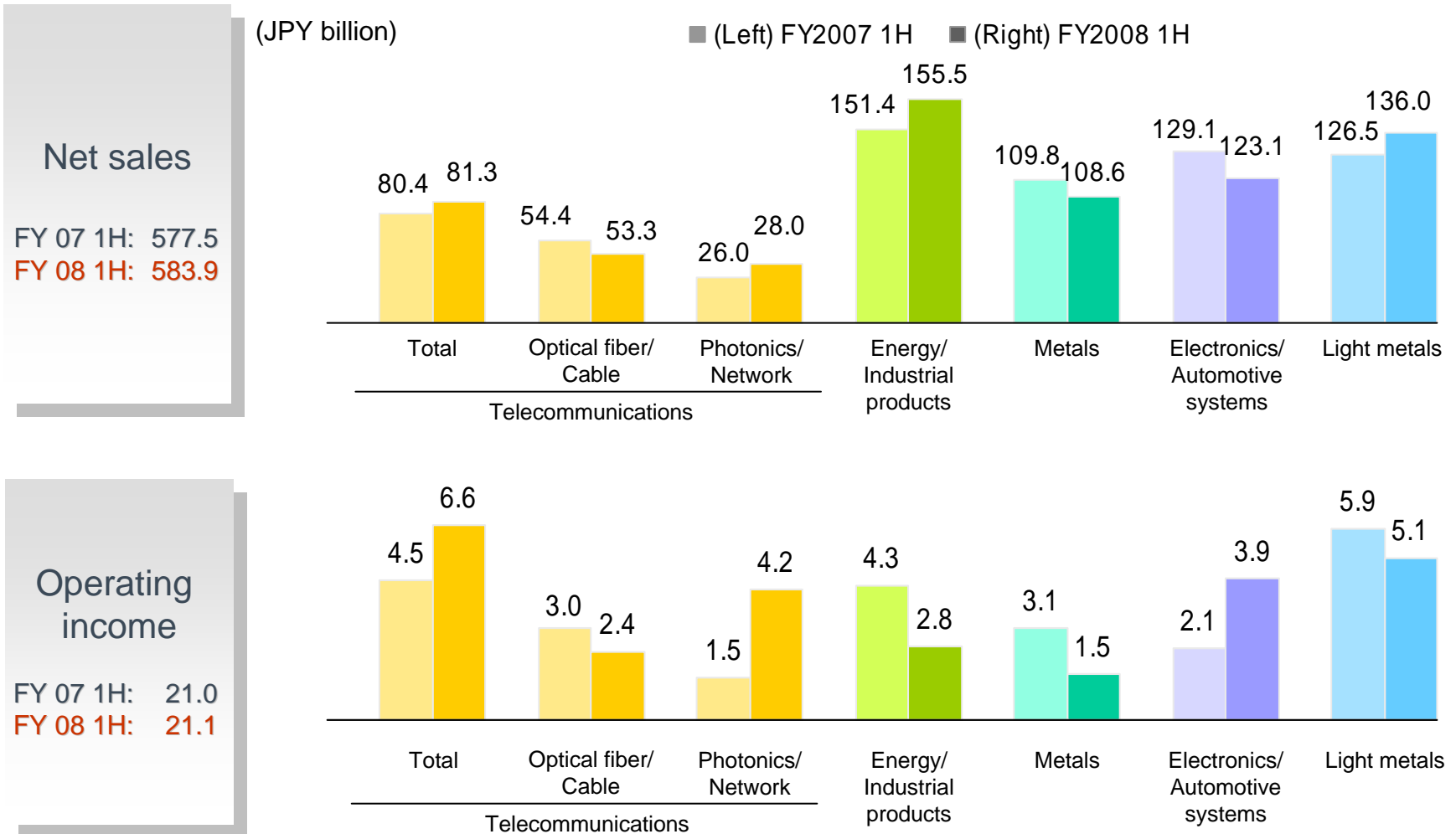
- ◎ Expected cost: 11.7 billion yen

- ◎ Schedule: To commence in fall 2009 after investigation; expected to take a few years

- ◎ Impact on operating results:
Extraordinary loss of 11.7 billion yen to be recorded in the second quarter of FY09/3

Net Sales and Operating Income by Segment FY2007 and FY2008 1H

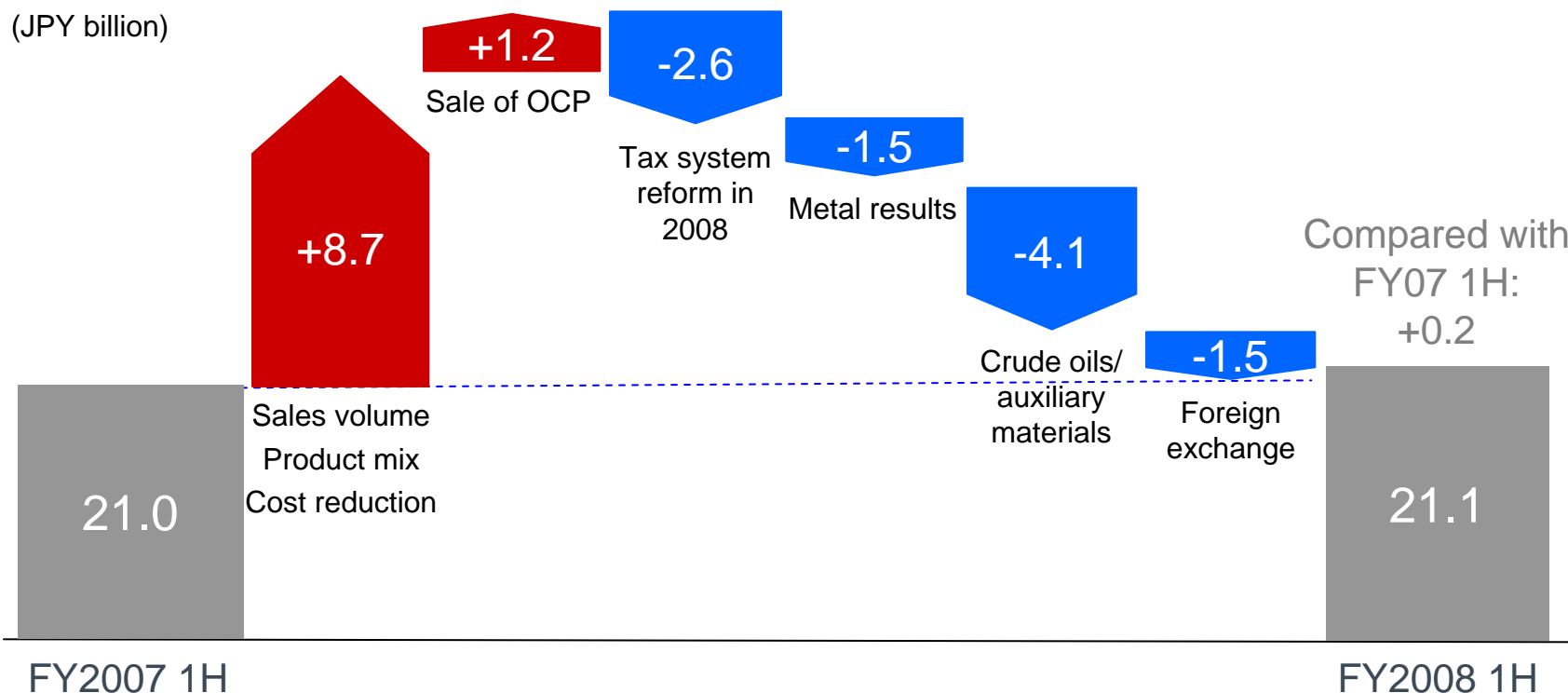
Higher income from Photonics and Electronics & Automotive Systems offset lower income from Energy & Industrial Products and Metals



Factor Analysis of Operating Income FY2007 and FY2008 1H

FURUKAWA ELECTRIC

Improvements offset the effect of the tax system reform, a rise in crude oil and auxiliary material prices, and the stronger yen



* Metals: copper, aluminum

* Crude oils: raw materials for fuels and petrochemical products

* Auxiliary materials: magnesium, silver, tin, nickel, etc.

Major Strategies for Growth in FY2008 1H

Global operation of the transmission infrastructure business and strengthening our position in the niche business

Theme	Project implemented
Global expansion/ Production hike	<p data-bbox="647 401 975 444"><Optical cables> Established a system for increased production in Europe Commenced production in Argentina</p> <p data-bbox="647 554 1078 596"><High-voltage cables> Increased capacity by 30% in Shenyang, China</p> <p data-bbox="647 654 1105 696"><Semiconductor tapes> Doubled capacity in Japan</p> <p data-bbox="647 704 1116 746"><Electrolytic copper foil> Increased capacity by 15% in Taiwan and 20% in Japan</p>
Realignment of businesses and subsidiaries	<p data-bbox="647 879 975 922"><Optical cables> Consolidated domestic production into Chiba</p> <p data-bbox="647 979 950 1022"><Electric parts> Newly consolidated acquired subsidiaries</p>
Improvement in finance	<p data-bbox="647 1165 1787 1303">Recorded a gain on reversal of foreign currency translation adjustments due to the liquidation of a subsidiary in Canada Continued to reduce interest-bearing debt</p>

3. FY 2008 Full-Year Management Plan

FY2008 Forecast (Revised on November 10) **FURUKAWA ELECTRIC**

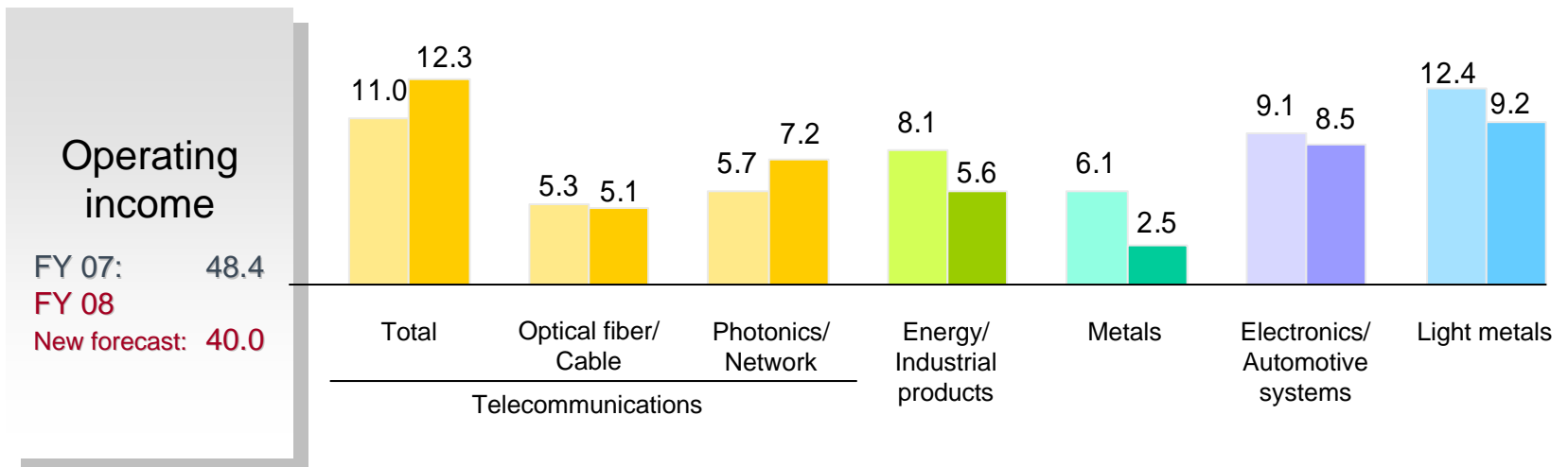
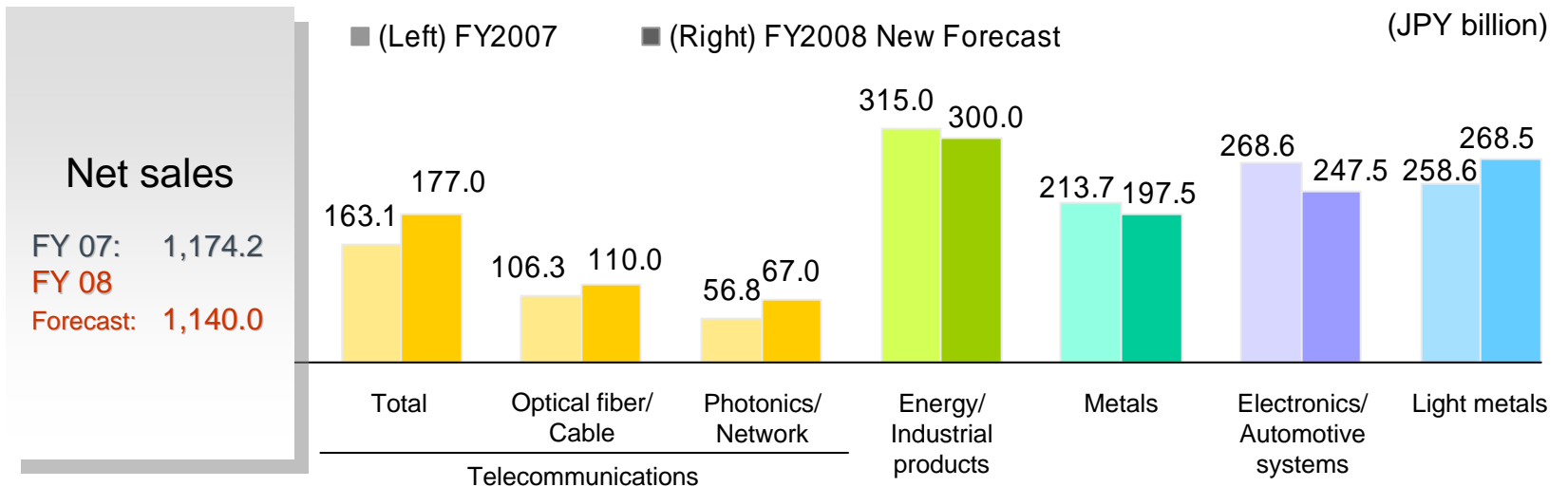
An increase in net income is expected because of the realignment of business in North America, despite the economic slowdown

(JPY billion)	FY08 previous forecast	FY08 new forecast	Difference
Net sales	1,210.0	1,140.0	-70.0
Impact of the tax reform in 2008	-6.5	-5.7	
Operating income	46.0	40.0	-6.0
Foreign exchange gain or loss on loans	-6.5	-9.2	
Ordinary profit	34.5	26.0	-8.5
Extraordinary gain/loss	+10.1	-14.0	
Income tax adjustments, etc.	-14.7	+20.8	
Net income	24.1	29.0	+4.9
EPS	JPY 34	JPY 41	+7
Assumptions:			(1H Actual/2H Forecast)
Exchange rate (yen per U.S. dollar)	100	103	(←105/100)
Dubai crude oil (\$/B)	111	89	(←115/62)
Copper price (yen per kg)	900	704	(←907/500)
Aluminum base price (yen per kg)	320	330	(←345/325)

Net Sales and Operating Income by Segment FY2007 and FY2008 New Forecast

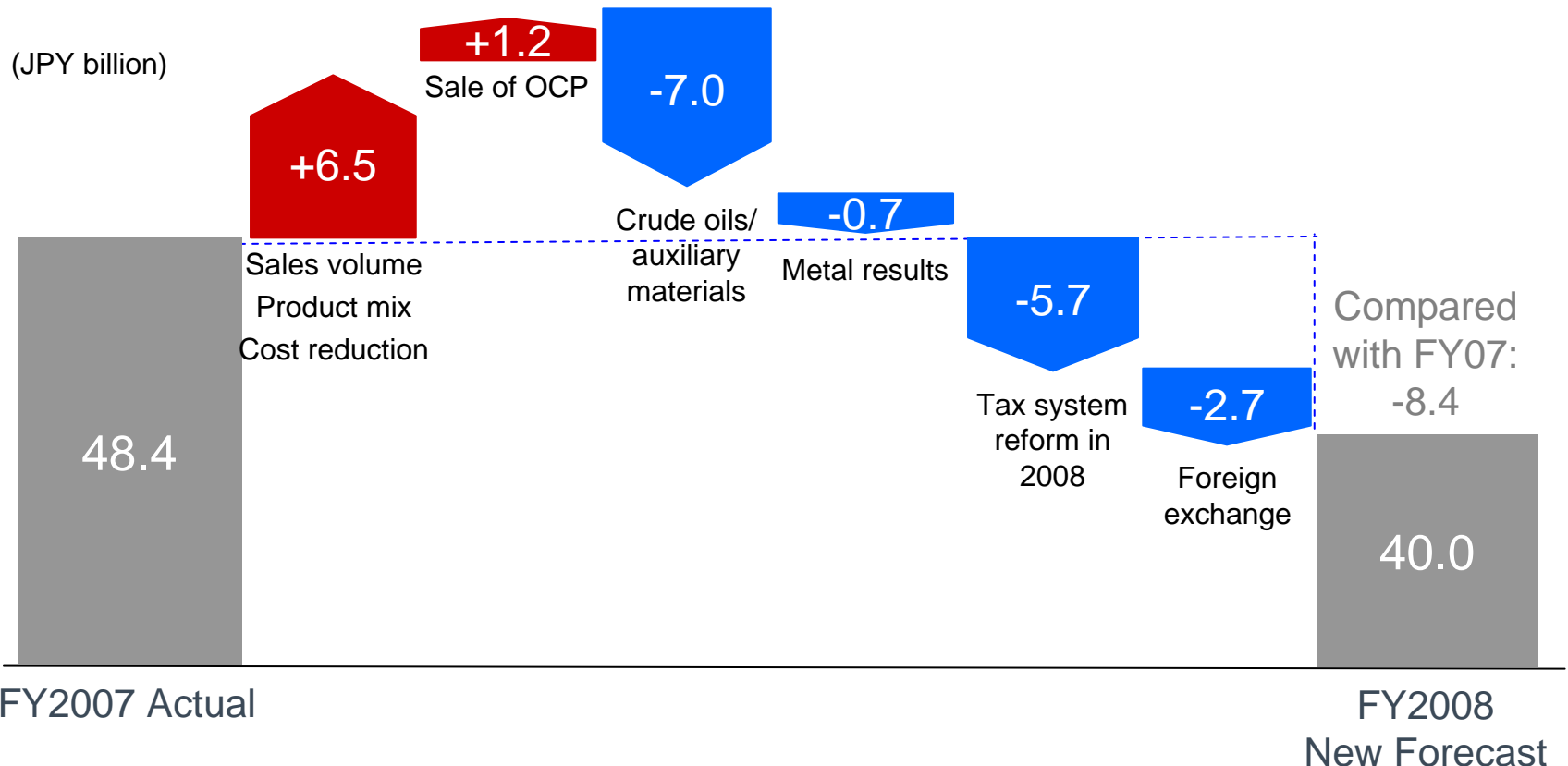
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Overseas infrastructure for telecommunications and electric power is firm,
but domestic demand slows



Factor Analysis of Operating Income FY2007 and FY2008 New Forecast

A decline in income from crude oils, auxiliary materials and metals is expected to be offset by improvements, but income is forecast to fall reflecting the tax system reform and foreign exchange



* Metals: copper, aluminum

* Crude oils: raw materials for fuels and petrochemical products

* Auxiliary materials: magnesium, silver, tin, nickel, etc.

Major Strategies for Growth in FY2008 2H

Global operation of the transmission infrastructure business and strengthening our position in the niche business

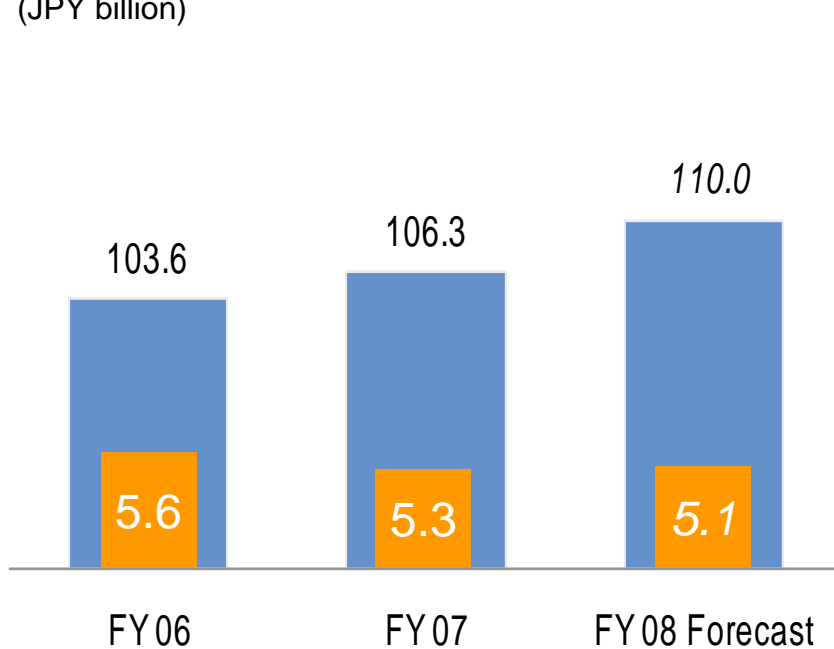
Theme	Project implemented
Global expansion/ Production hike	<p><Optical cables> Established a system for increased production in Europe</p> <p><Semiconductor lasers> Increase capacity in FBT type</p> <p><High-voltage cables> Add capacity in Shenyang, China</p> <p><Electrolytic copper foil> Increase capacity for lithium batteries</p> <p><Glass substrate> Prepare for commercial production</p> <p><Wire harnesses> Commence commercial production in India</p>
Realignment of businesses and subsidiaries	<p><Subsidiaries in North America> Liquidate FENA</p> <p><Electric parts> Make Inoue Manufacturing a wholly-owned subsidiary</p> <p><Electrolytic copper foil> Merge Furukawa Circuit Foil</p>
Improvement in finance	<p>Reduce foreign exchange risk</p> <p>Continue to reduce interest-bearing debt</p>

4. Segment Data

Telecommunications <Optical Fiber/Cable>

Net sales ■ Operating income ■

(JPY billion)



Factors influencing operating income (JPY billion)

FY07 1H →
FY08 1H

3.0 → 2.4

-0.6

- + Demand for LAN cables and optical cables of FISA was solid in Brazil
- Demand for optical cables of OFS was sluggish in the United States
- Demand for optical cables was weak in Japan

FY07 →
FY08 Forecast

5.3 → 5.1

-0.2

- + LAN business of FISA expands in Brazil
- + Performance in Europe strengthens and demand for submarine fibers of OFS grows in the United States
- Weak demand for optical cables continues in Japan

Telecommunications <Photonics/Network>

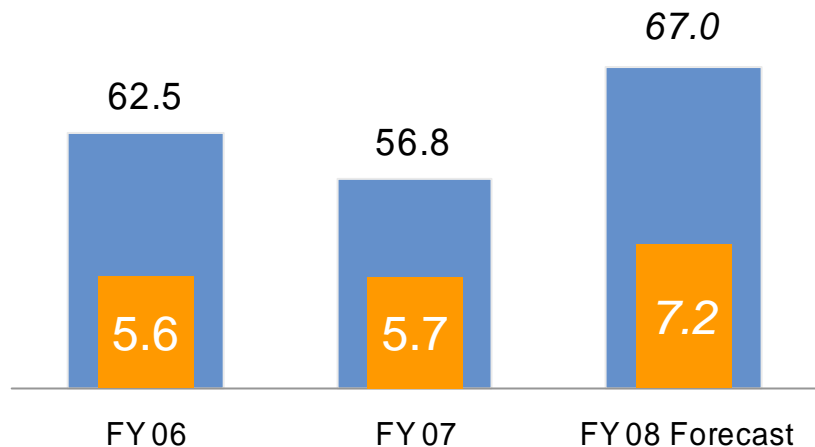
Net sales



Operating income

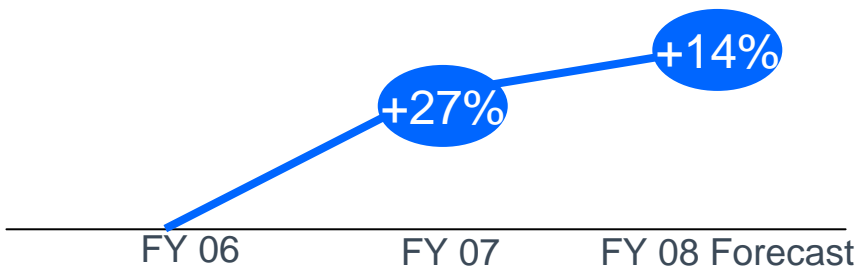


(JPY billion)



Growth products: Year-on-Year sales growth

Active optical parts and equipment
(optical amplifiers and lasers)



Factors influencing operating income

FY07 1H→
FY08 1H

1.5→4.2

+2.7

- + Up 1.2 due to the sale of loss-making subsidiaries in the United States in FY07 1H
- + Demand for optical amplifiers and lasers for NGN was solid in Japan
- + Demand for optical parts for FTTH was firm in Japan
- + Demand for routers and CATV-related products was strong in Japan

FY07→
FY08 Forecast

5.7→7.2

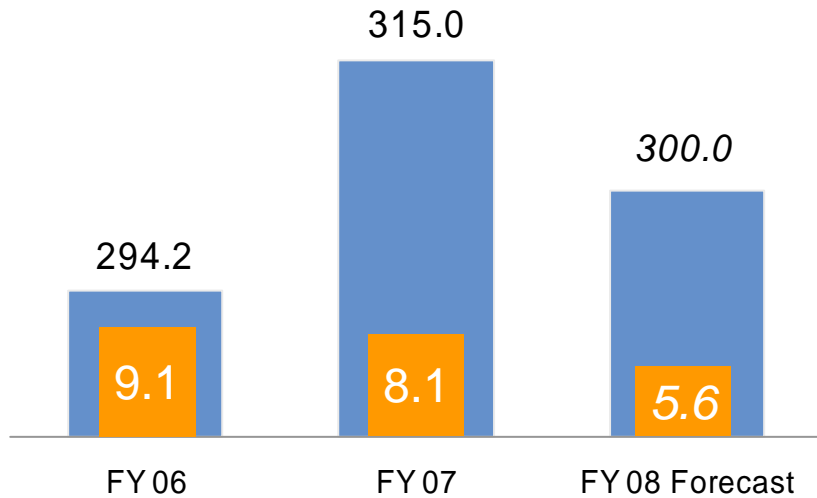
+1.5

- + Up 1.2 due to the sale of loss-making subsidiaries in the United States in FY07 1H
- + Firm demand for optical amplifiers and lasers continues
- Demand for CATV-related products slows in Japan

Energy/Industrial Products

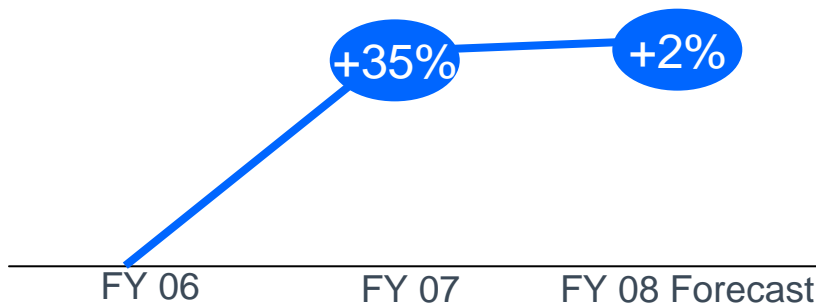
Net sales  Operating income 

(JPY billion)

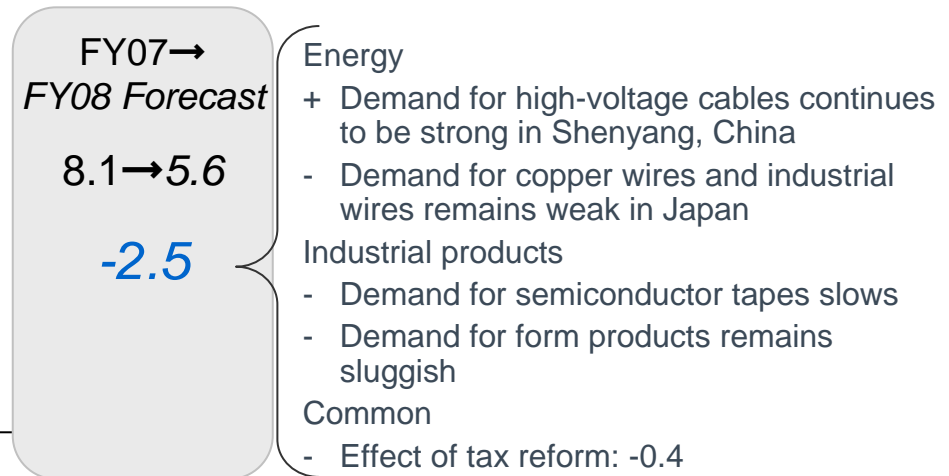
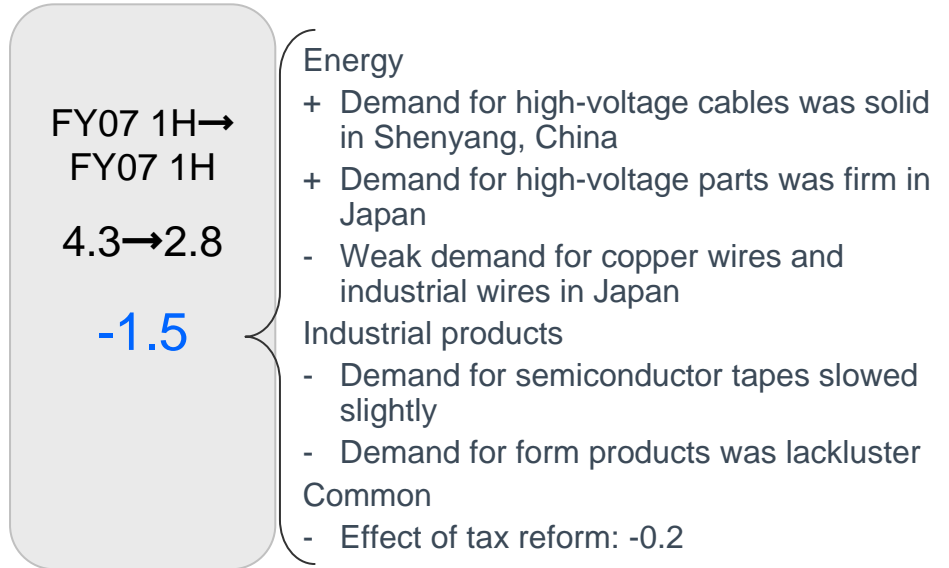


Growth products: Year-on-Year sales growth

Semiconductor tapes

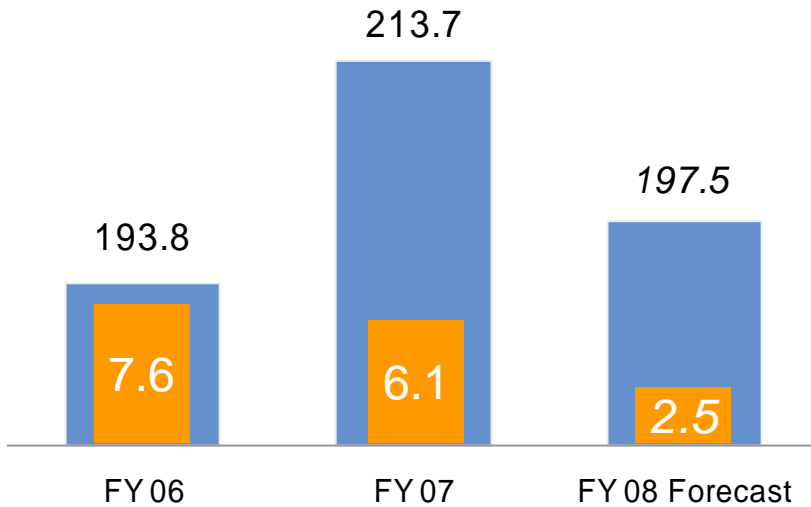


Factors influencing operating income



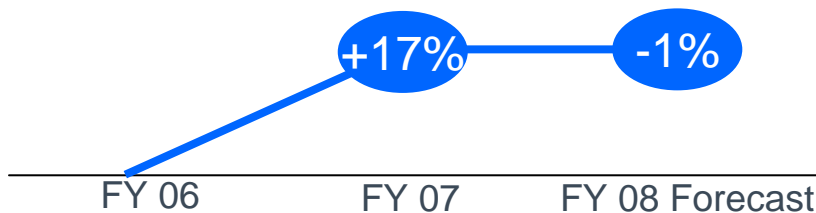
Net sales  Operating income 

(JPY billion)

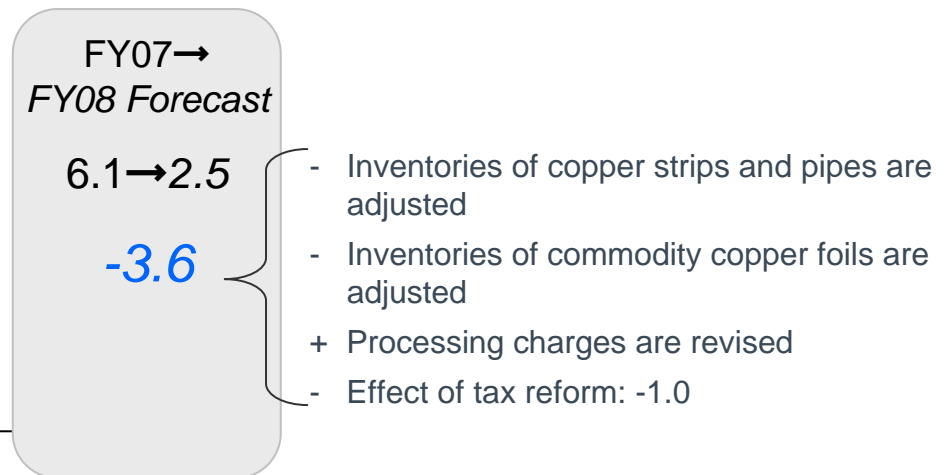
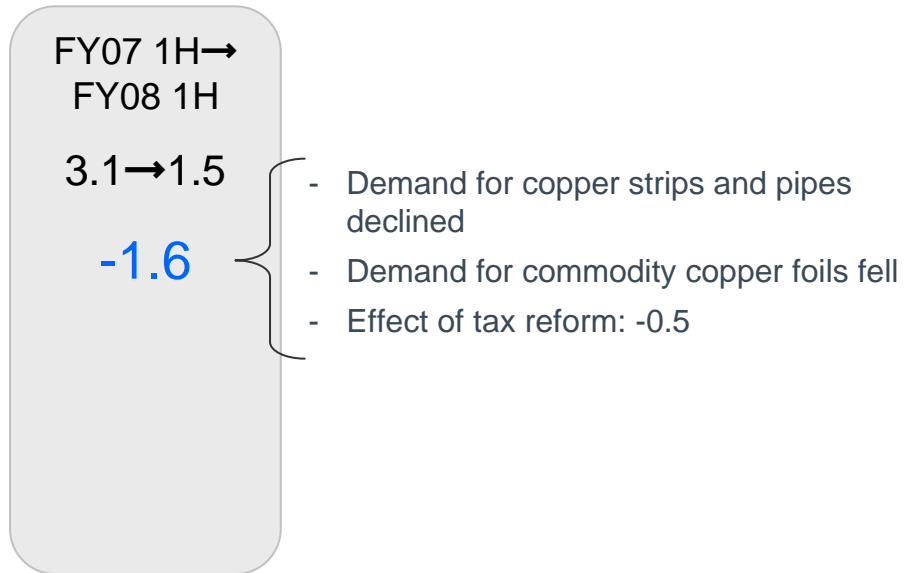


Growth products: Year-on-Year sales growth

Electrolytic copper foils



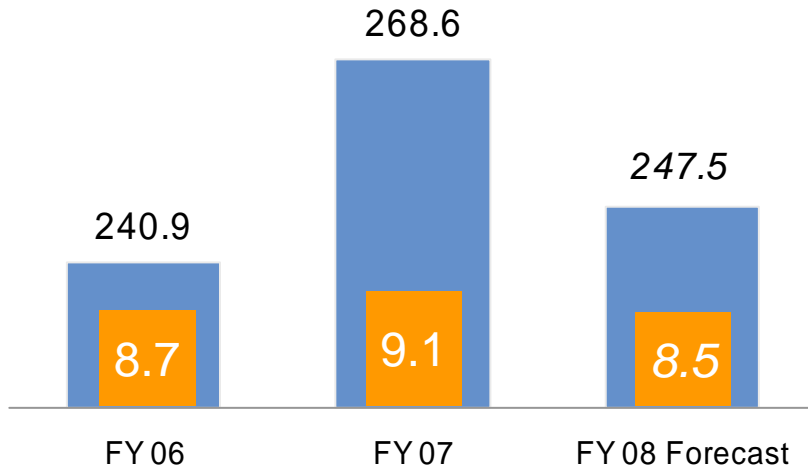
Factors influencing operating income



Electronics/Automotive Systems

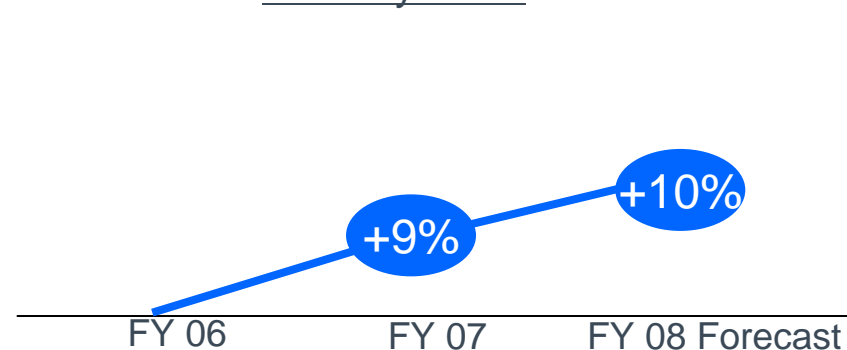
Net sales  Operating income 

(JPY billion)

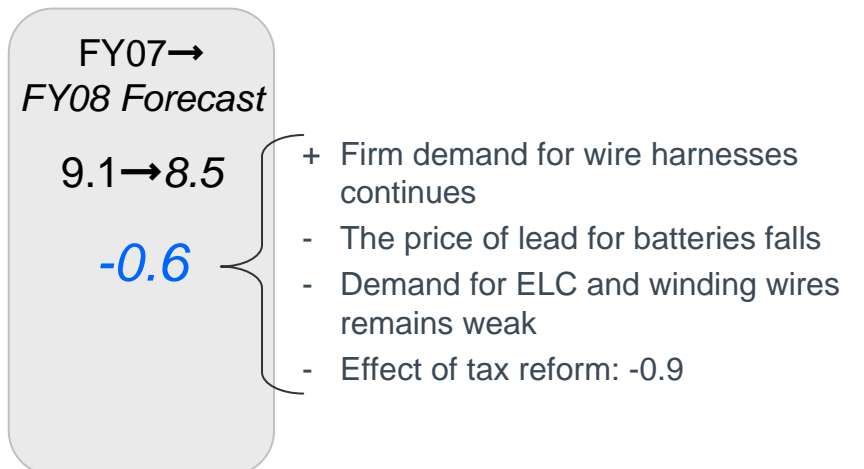
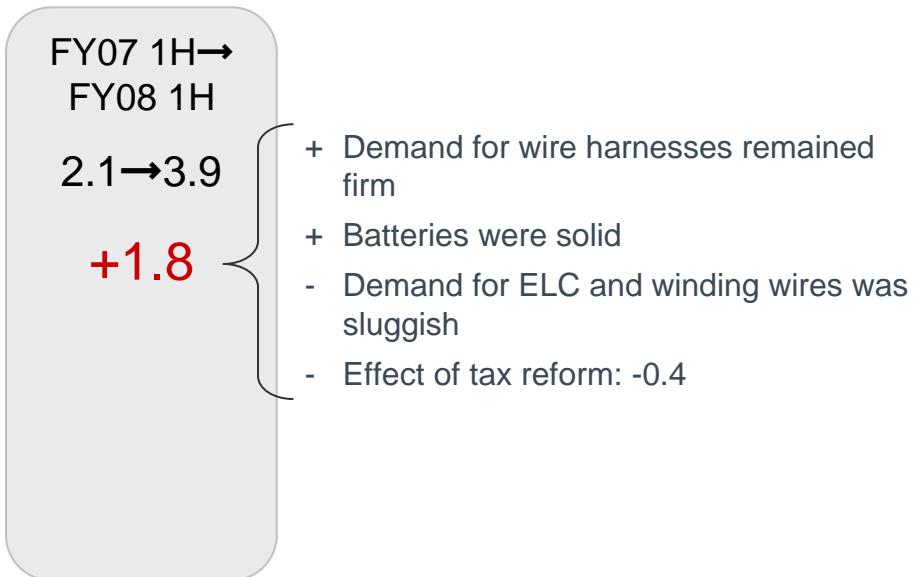


Growth products: Year-on-Year sales growth

Memory disks



Factors influencing operating income



Light Metals (The Furukawa-Sky Group)

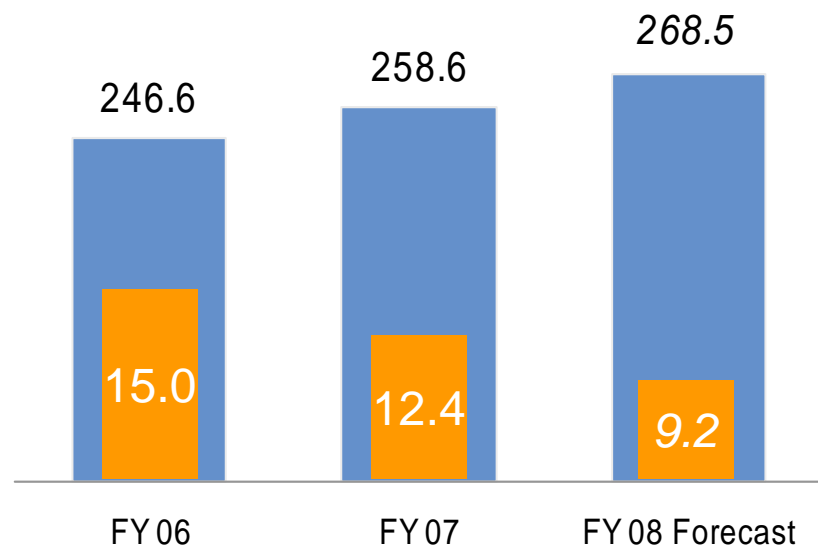
Net sales



Operating income



(JPY billion)



Factors influencing operating income

FY07 1H →
FY08 1H

5.9 → 5.1

-0.9

- + Sales of plates, etc. increased overall
- Crude oil and auxiliary material prices rose: -2.4
- Effect of tax reform: -1.4

FY07 →
FY08 Forecast

12.4 → 9.2

-3.2

- + Crude oil and auxiliary material prices fall
- + Demand for photovoltaic power generation substrate holders increases
- Export of plates slows
- Effect of tax reform: -3.1

Thank you for your attention.



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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