

FY14 Management Plan Q1 Review

July 2014

Furukawa Electric Co., Ltd.

Director and General Manager of the Finance &
Procurement Division

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Highlights from the FY2014 Q1 Accounts

(compared to same period in the previous fiscal year)

**FURUKAWA
ELECTRIC**

Against same period in previous fiscal year **Increased Net Sales and Increased Operating Income ***

- ✓ Net sales increased in Energy & Industrial Products and in Electronics & Automotive Systems.
- ✓ Operating income increased in Telecommunications, Energy & Industrial Products, Electronics & Automotive Systems and Metals.
- ✓ Ordinary income fell as a result of the impact of foreign exchange losses etc., and net income fell as a result of an increase in temporary costs related to income taxes-current and income taxes-deferred.

*Comparison excludes figures for Light Metals

1. Explanation of P&L
2. Analysis of Change in Net Sales/Operating Income
3. Explanation of B/S
4. Segment Analysis
5. Overseas Sales Ratio and Sales Volume Indices for Strategic Products

14Q1 P&L Results and 14H1 Forecast

(Unit: 100 million yen)

P&L	13Q1	14Q1	Change	14H1 Forecast
	a	b	b-a	c
Net sales	2,368	2,043	-326	4,060
			-13.8%	
Operating income	53	31	-22	70
			-41.3%	
Profit/loss in equity method affiliates	4	7	+4	11
Foreign exchange gain/loss	13	-5	-17	-1
Ordinary income	68	39	-30	65
			-43.6%	
Extraordinary gain/loss	-34	-14	+20	-27
Income taxes-current and income taxes-deferred	-17	-18	-0	-16
Minority interests in losses	-3	-6	-3	-7
Current net income	13	1	-13	15
			-93.2%	

(Note) Minus (-) has been recorded to represent losses under gain/loss.

14Q1 P&L (excluding Light Metals)

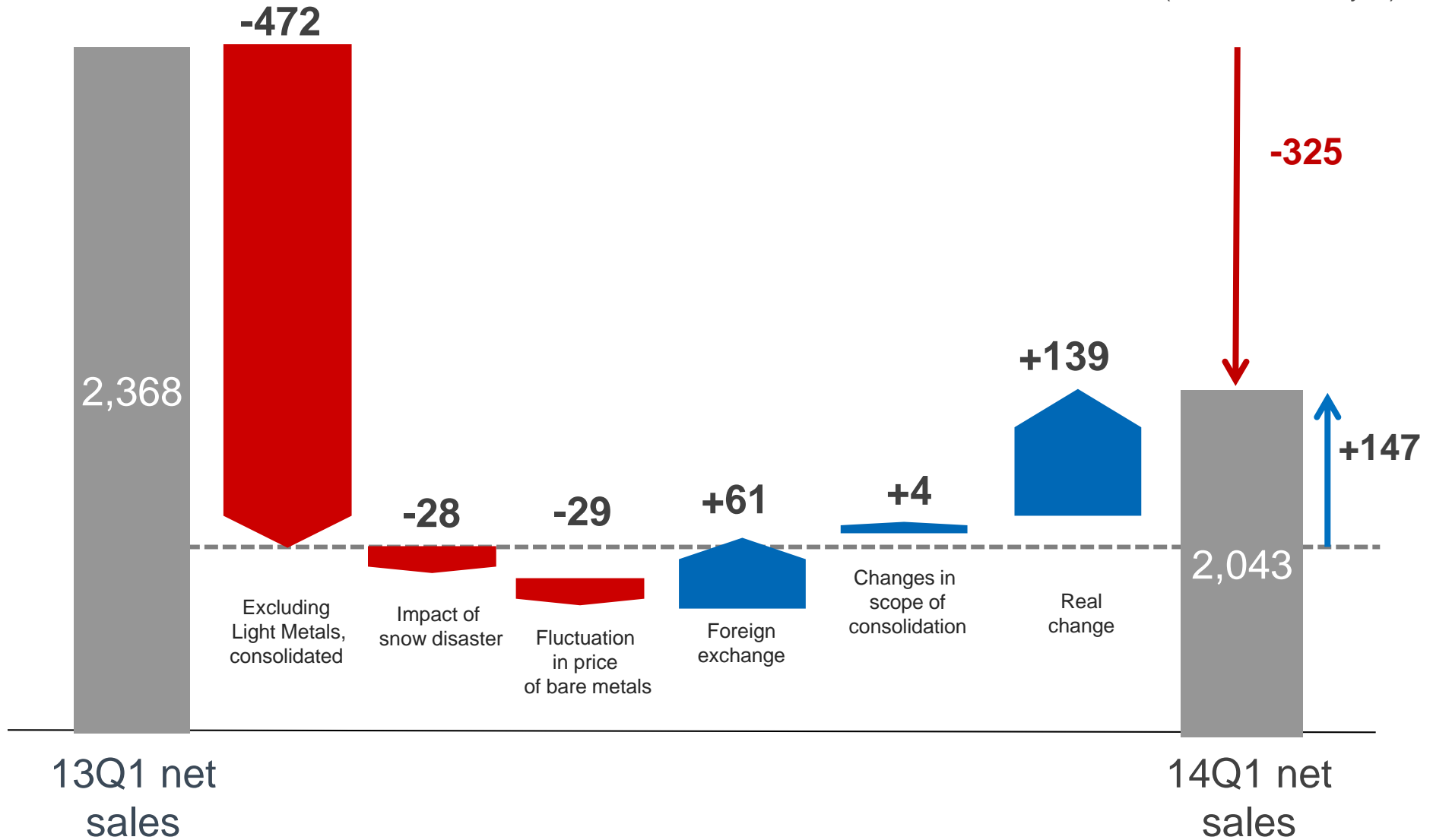
(Unit: 100 million yen)

P&L	13Q1	14Q1	Change
	a	b	b-a
Net sales (excluding Light Metals)	1,896	2,043	+147
			+7.7%
Operating income (excluding Light Metals)	22	31	+9
			+40.3%

- Excluding Light Metals, Q1 performance against the same period in the previous year was as follows: **increased net sales of 14.7 billion yen (+7.7%)**, and **increased operating income of 0.9 billion yen (+40.3%)**

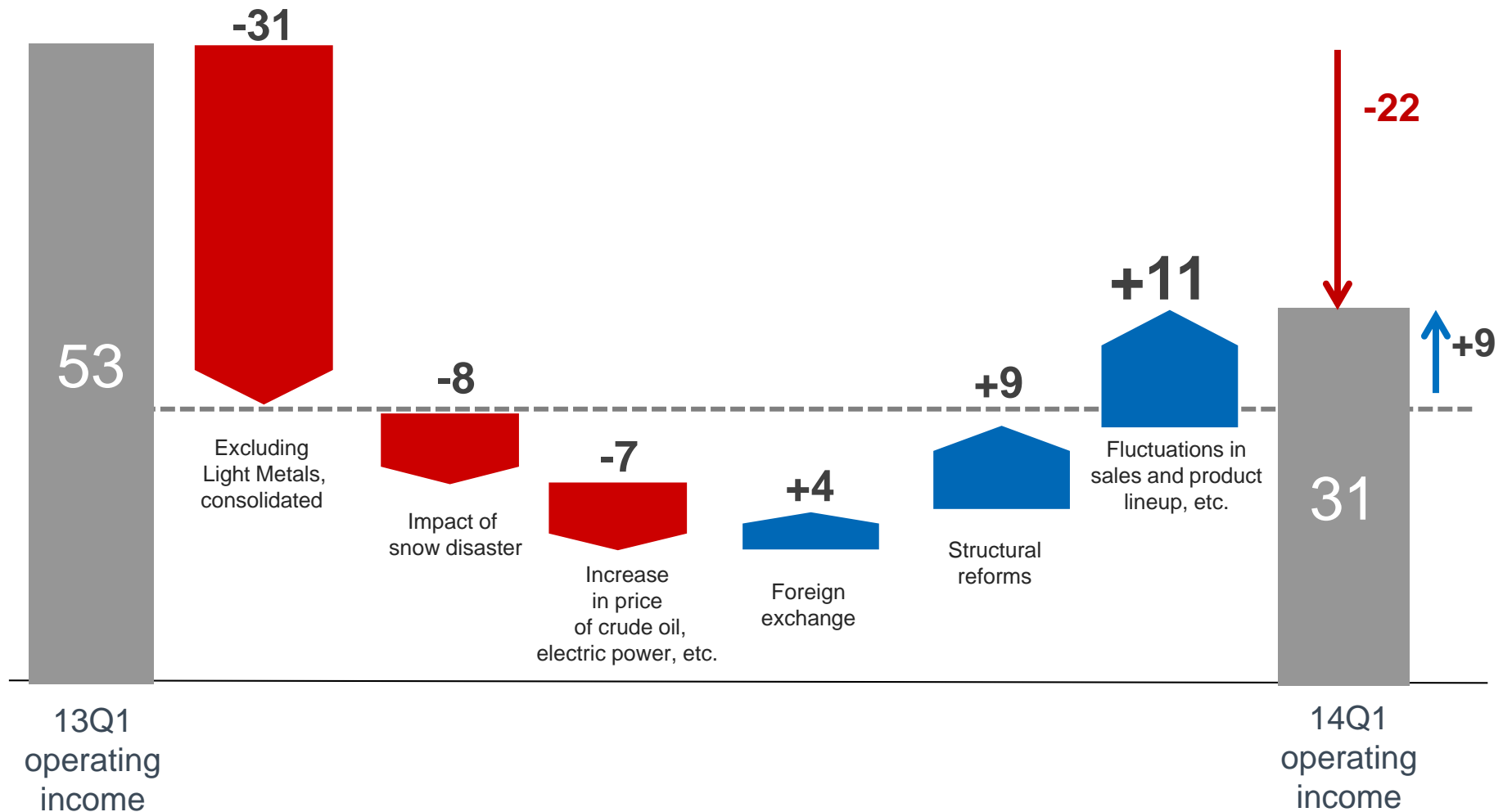
Analysis of Change in Net Sales in 14Q1

(Unit: 100 million yen)



Analysis of Change in Operating Income in 14Q1

(Unit: 100 million yen)



Structural reforms and measures for which a YoY impact is expected

<ul style="list-style-type: none"> • Optical cables : Centralization of domestic bases (Mie and Chiba → Mie) • Electric conductors : Centralization of domestic bases (Mie and Chiba → Mie) • MCPET : Reduction in scale of business • Magnet wires : Withdrawal from unprofitable products • Copper foil : Centralization of domestic bases (Imaichi and Imaichi Higashi → Imaichi Higashi) : Shift to overseas production (Imaichi/ Imaichi Higashi → Taiwan FCFT/ FECT), etc. 	<p>Projects planned for medium-term management plan</p> <p>YoY effect</p> <ul style="list-style-type: none"> • 14Q1: 0.9 billion yen • Whole of FY14: 2.6 billion yen
<ul style="list-style-type: none"> • Optical cables: Reduction in fixed costs at United States company OFS • Power cables: Structural reforms and strengthening of management system at Chinese subsidiary Shenyang Furukawa Cable Co., Ltd., etc. 	<p>Other additional measures</p>

* In addition to the above, a 1.1 billion yen effect is expected for FY14 as a whole as a result of the impairment of fixed assets carried out at the end of FY13 in MCPET and copper foil (Imaichi Plant).

B/S as of end of 14 Q1

(Unit for total assets and interest-bearing liabilities: 100 million)

B/S	End of 13 Q4	End of 14 Q1	Change
	a	b	b-a
Total assets	7,148	7,188	+40
Interest-bearing liabilities	2,779	2,979	+200*
Equity capital ratio	24.8%	24.4%	-0.4
D/E ratio	1.57	1.70	+0.13
Sales to total assets ratio (excluding Light Metals) (annual equivalent sales to total assets)	1.17	1.14	-0.03
ROA (annual equivalent ordinary income/total assets)	3.6%	2.1%	-1.5

*** Increase in interest-bearing liabilities**

Interest-bearing liabilities increased as a result of factors such as an increase in inventory assets, a decrease in accounts payable and accrued liabilities, and an increase in cash and deposits.

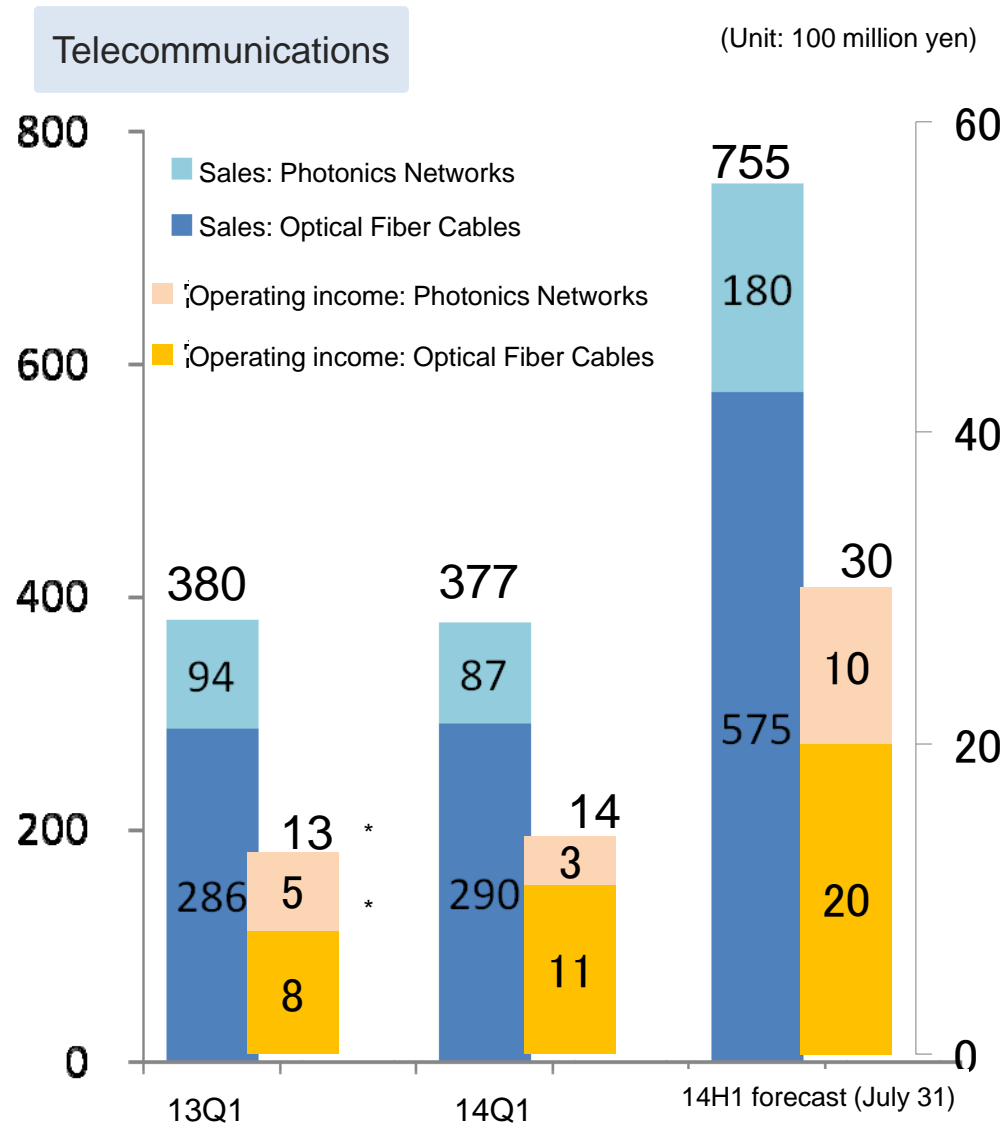
14Q1 and Forecast for 14 H1 - Breakdown by Business Segment

(Unit: 100 million yen)		13 Q1	14 Q1	Change	Forecast for 14 H1 (July 31) *1
		a	b	b-a	c
Sales	Telecommunications	380	377	-3	755
	<i>Optical Fiber Cables</i>	286	290	+4	575
	<i>Photonics Networks</i>	94	87	-7	180
	Energy & Industrial Products	670	712	+42	1,400
	Electronics & Automotive Systems	638	708	+70	1,450
	Metals	334	308	-27	600
	Light Metals	472	-	-472	-
	Service and Development, etc.	93	121	+28	250
	Consolidated total *2	2,368	2,043	-326	4,060
Operating income	Telecommunications	13	14	+1	30
	<i>Optical Fiber Cables</i>	8	11	+2	20
	<i>Photonics Networks</i>	5	3	-1	10
	Energy & Industrial Products	3	5	+2	15
	Electronics & Automotive Systems	17	19	+2	50
	Metals	-6	-6	+1	-20
	Light Metals	26	-	-26	-
	Service and Development, etc.	0	-1	-1	-5
	Consolidated total *2	53	31	-22	70

*1 The segment breakdown for the 14H1 forecast has been partially revised since the figures published on May 9. There has been no change in the overall figure.

*2 The difference between the sum of each segment and the consolidated total is the result of the elimination of intra-company transactions.

Trends in Sales and Operating Income by Segment



* From FY14, the segment classification for the Fiber Laser Business, which had been included under "Photonics Networks", was changed to "Service and Development, etc." Accordingly, the 13Q1 results were revised from 4 to 5 so that the comparison was made on the same terms. (Likewise, Telecommunications was revised from 12 to 13.)

- Optical Fiber Cables

13 Q1 → 14 Q1 8 → 11 (+2)

The recovery in demand in North America and Europe and the effect of reductions in fixed costs at United States company OFS contributed to the increase. There was growth in the LAN solutions business at Brazilian company FISA.

14 H1 forecast (11+9=20)

Demand has been steady at Brazilian company FISA, and results are expected to be strong for the most part.

- Photonics Networks

13 Q1 → 14 Q1 5 → 3 (-1)

There was growth in digital coherent-related products and mobile phone-related construction in Thailand, but results were poor in Japanese network business.

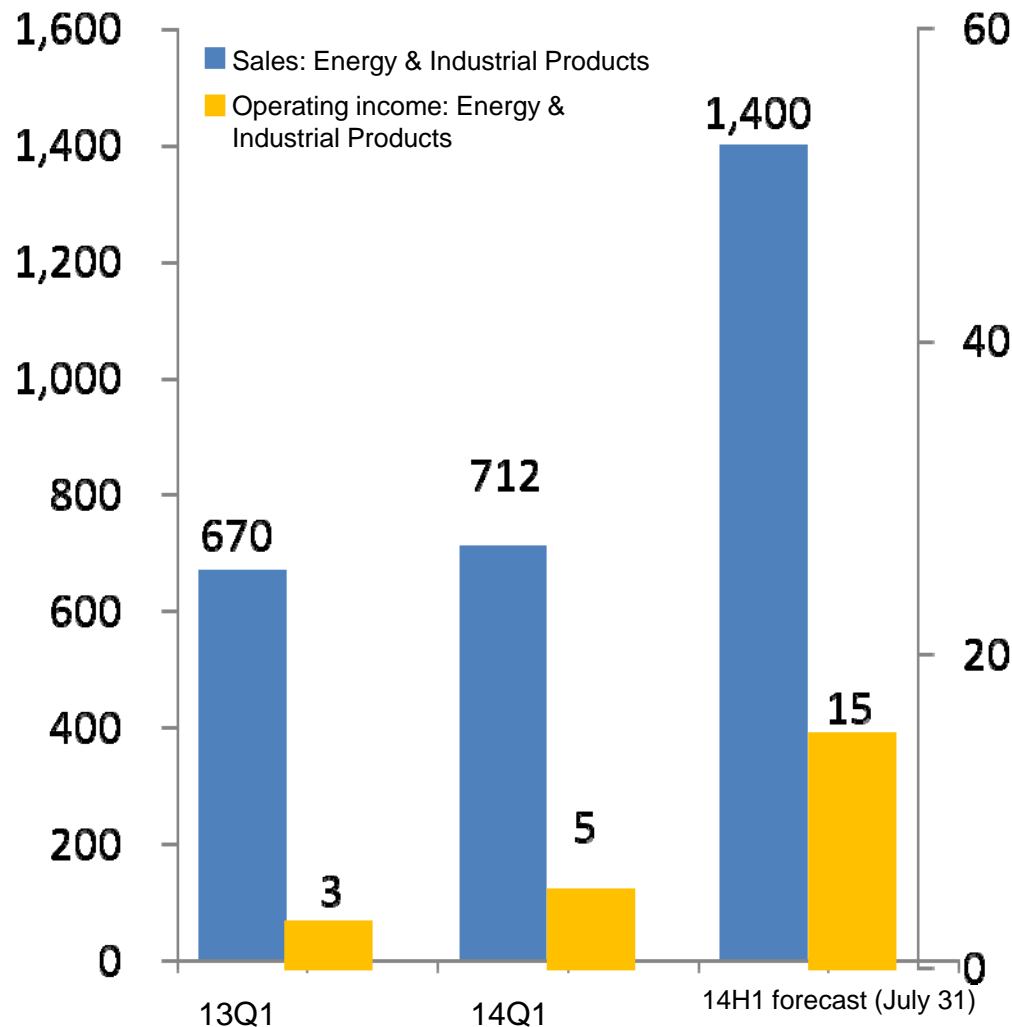
14 H1 forecast (3+7=10)

Strong results are expected to continue in mobile phone-related construction in Thailand and growth is expected in mobile telecommunications systems in Japan.

Trends in Sales and Operating Income by Segment

Energy & Industrial Products

(Unit: 100 million yen)



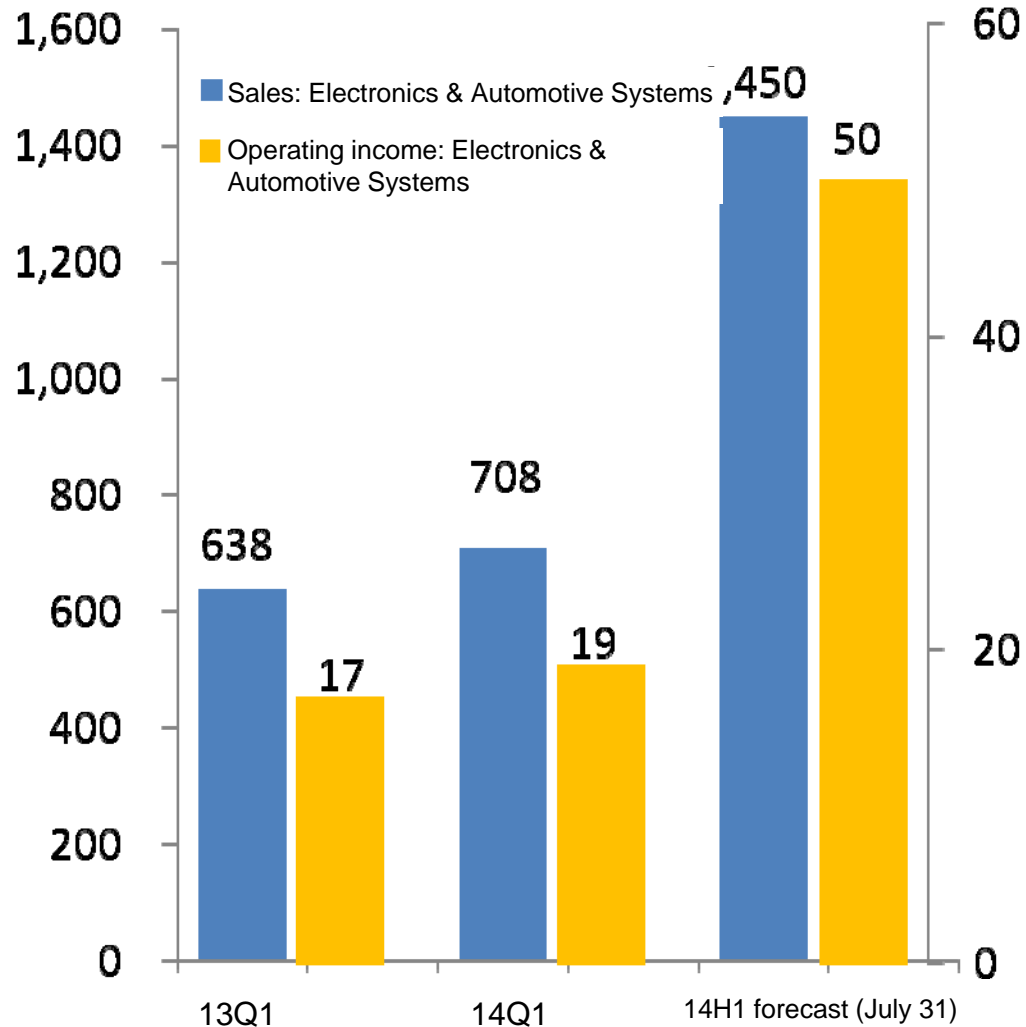
13 Q1 → 14 Q1 3 → 5 (+2)
 Strong results in tape for manufacturing semiconductors and the effect of reducing losses by reducing the size of MCPET business contributed to the increase.

14 H1 forecast 5+10=15
 Demand for construction and electrical appliances in Japan is expected to increase; at Shenyang Furukawa Cable Co., Ltd., an improvement in sales in China and overseas is expected along with the effect of structural reforms.

Trends in Sales and Operating Income by Segment

Electronics & Automotive Systems

(Unit: 100 million yen)



13 Q1 → 14 Q1 17 → 19 (+2)

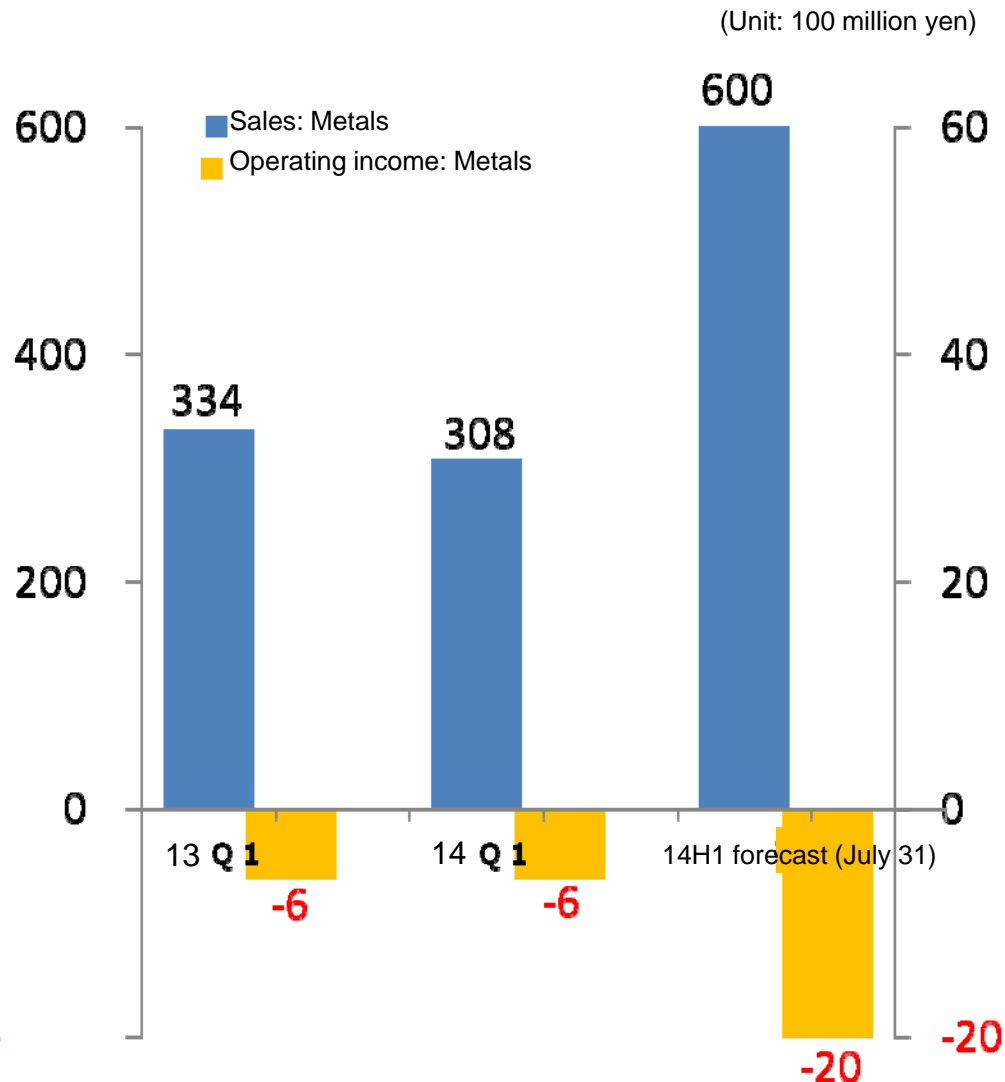
In automotive components, despite an increase in costs for connector materials brought about by the snow damage at Nikko, there were positive results in car exports and light automobiles, and the launch of new models also made a contribution.

14 H1 forecast $19 + 31 = 50$

In automotive components, an increase in sales is expected from Q2 onwards for new models for which mass production will be launched. At the same time, strong results are expected in magnet wires and thermal (heat sink) products for which cost reductions will be promoted.

Trends in Sales and Operating Income by Segment

Metals



13 Q1 → 14 Q1 -6 → -6 (+1)

14 H1 forecast -6 -14 = -20

- Copper Foil

13 Q1 → 14 Q1 performance better by +3

In addition to an increase in sales in both battery and circuit applications, improvements were achieved as a result of the effect of structural reforms, including the centralization of Japanese bases.

- 14 H1 forecast

An increase in electric power prices during the summer season is expected at Japanese bases in Q2, but this is expected to be covered by an increase in sales at overseas bases and overall a similar performance to Q1 is expected.

- Copper Products

13 Q1 → 14 Q1 performance worse by -3

There was an impact from reduced sales and an increase in outsourcing costs as a result of the snow damage.

- 14 H1 forecast

During the first half of the year, the impact of the snow damage is expected to remain within the scope of initial forecasts. Outsourcing to other companies will continue.

Copper Products - Impact of Snow Damage on Results

(Unit: 100 million yen)

	Results	Current forecast	
	14 Q1	14 H1	14 whole year
Impact on operating income	-6	-17	-33
Impact on extraordinary gain/loss	-7	-11	-15
Total	-13	-28	-48

- The rate of operation during Q1 was slightly lower than the initial forecast → **Transfer the costs of non-operation to extraordinary losses**
- **Part of outsourcing costs in Q1 were not reflected in cost of sales → make conservative estimate of impact on Q2 operating income**

Overseas Sales Ratio



Overseas Sales Ratio (excluding Light Metals)

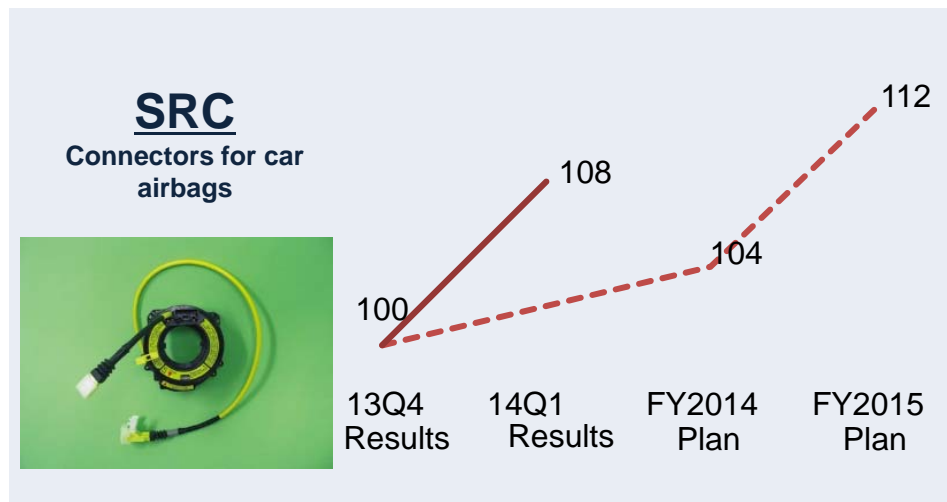
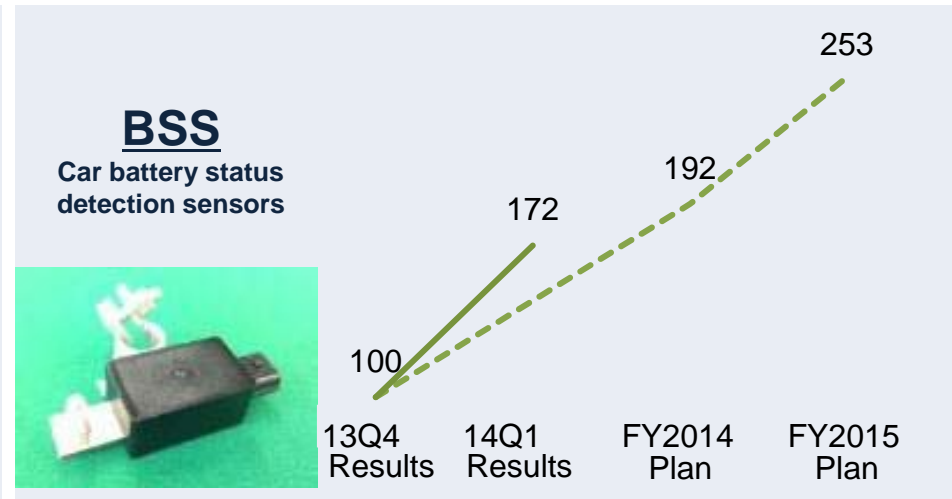
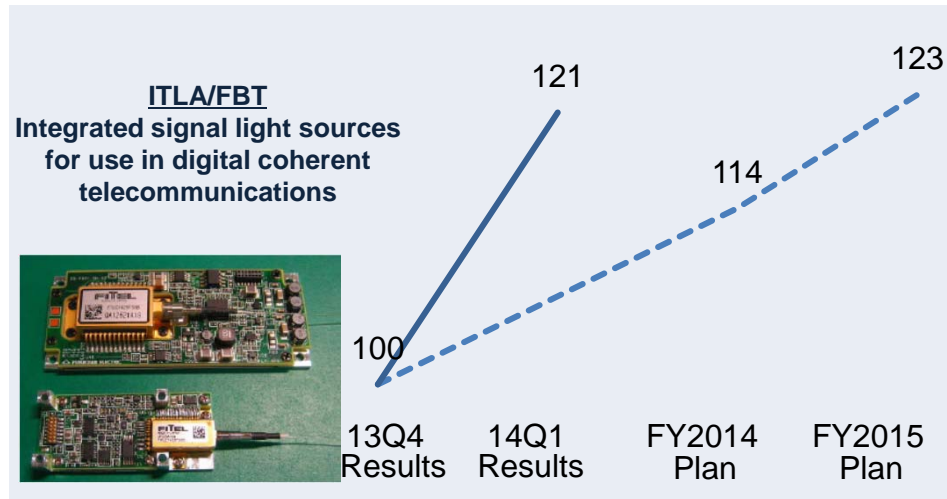
Cumulative results for FY13 of 43.6% have grown to **45.9%** in FY14Q1.

An increase in sales in North America and Europe has contributed to the increase.

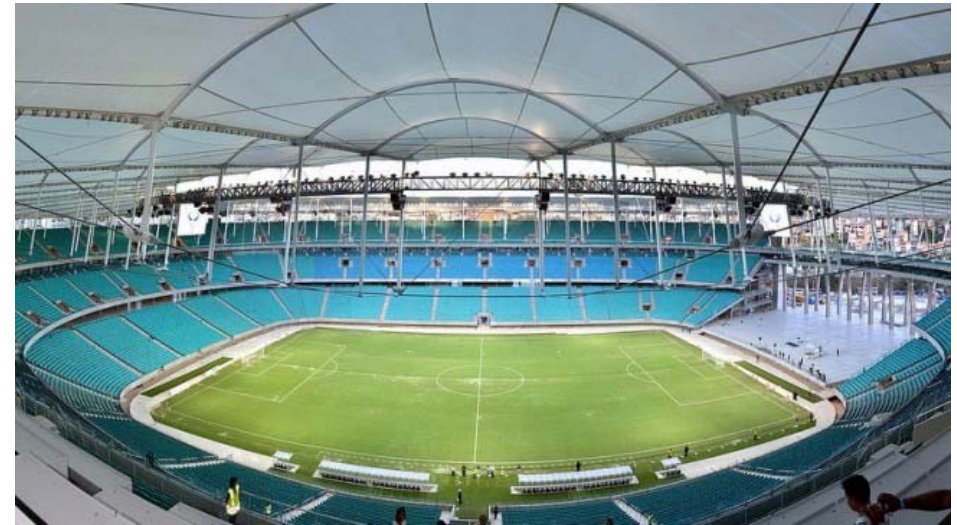
Infrastructure and Automotive - Sales Volume Indices for Strategic Products

Acceleration in growth of independent strategic products

(FY13 Q4 = 100, average monthly sales results and plan)



Infrastructure Field - Examples of Recent Orders



Above: Ten out of the twelve soccer stadiums used in the Brazil World Cup used LAN solutions products.

Left: Riser cables have been ordered for Phase 2 of the Fukushima Offshore Wind Power Project

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.

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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