

# FY2014 Management Plan First Nine Months Review

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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 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 in 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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# Furukawa Electric Co., Ltd.

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  3. Resumption of Integrated Production of Copper Products
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- Appendix: Overseas Ratios, Strategic Product Trends

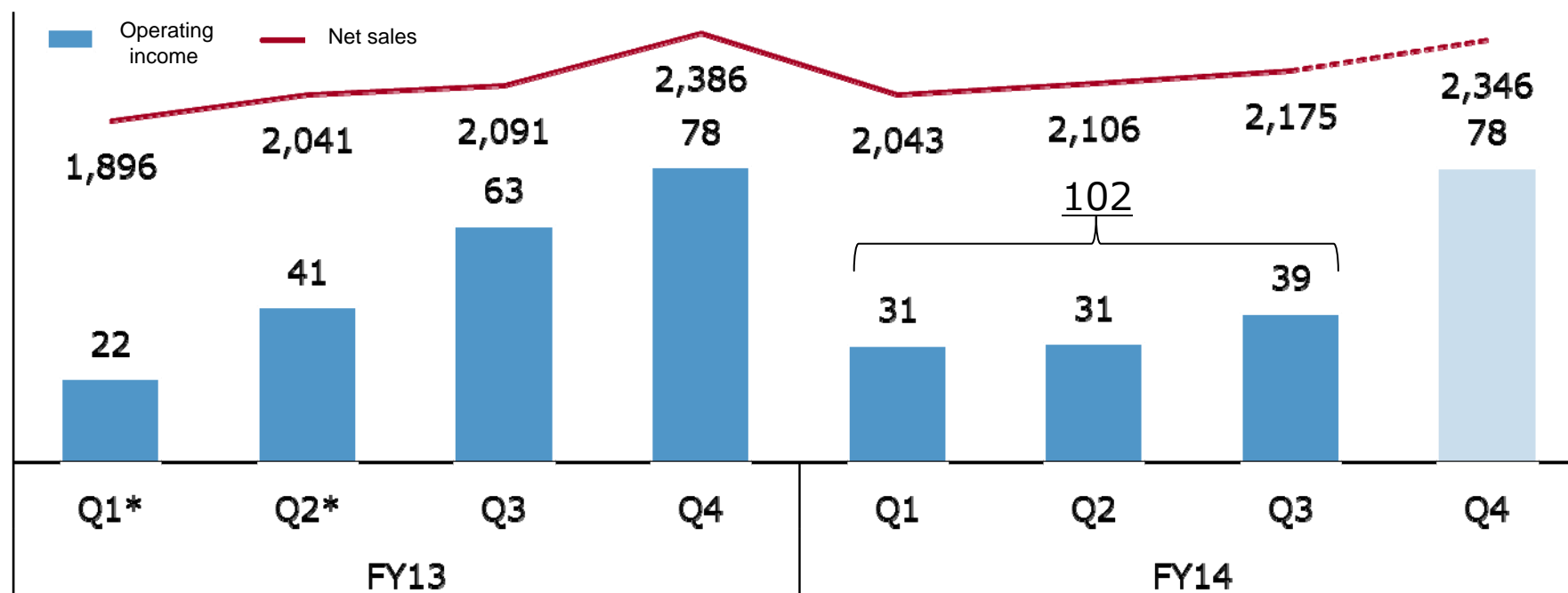
# 1. Summary Results for FY14Q3

■ **Operating income for 3Q FY14 (first nine months of FY14): 10.2 billion yen** (compared to 12.5 billion yen in the same period of the previous year\*)

- Products related to telecommunications and electronics for overseas markets produced strong results, improving partly due to the impact of the weak yen.
- Energy and industrial products improved under structural reform.
- Automotive components were affected by the rise in import costs caused by the weak yen, and the slowdown of the domestic markets, among other factors.
- Negative impact on copper, etc. by snow damage was as expected. Production after recovery in January resumed successfully.

(100 million yen)

(100 million yen)



(Note) Results for FY13 Q1 and Q2 exclude figures for former Furukawa-Sky Aluminum Corp.

# 1. Summary P&L for FY14Q3

(100 million yen)

	FY13Q3		FY14Q3		YoY change	Breakdown of change
	a	b	c	d		
Net sales (rate)	6,932	2,091	6,324	2,175	△ 609 -8.8%	See page 8
Operating income (rate)	176	63	102	39	△ 74 -42.2%	See page 9
Profit/loss in equity method affiliates	27	24	22	12	△ 6	VISCAS: △6.7, etc.
Foreign exchange gain/loss	16	2	2	5	△ 14	
Ordinary income (rate)	212	95	122	50	△ 90 -42.4%	
Extraordinary gain/loss	△ 76	△ 27	△ 48	△ 15	28	Due to decreased effects of response to snow damage (see page 16), business structure reform and impairment losses
Income taxes - current and income taxes - deferred	49	18	30	14	△ 18	
Minority interests in income	16	3	16	6	△ 1	
Net income (rate)	71	47	27	16	△ 43 -61.1%	

# 1. Adjustment for Former Furukawa-Sky Aluminum

(100 million yen)

	13Q3	14Q3	Y o Y Change
	a	b	b-a
Net sales excluding former Furukawa-Sky Aluminum Corp (rate)	6,028	6,324	295 4.9%
Operating income excluding former Furukawa-Sky Aluminum Corp (rate)	125	102	△ 24 -18.8%
Profit/loss in equity method affiliates	27	22	△ 6
UACJ	23	27	4

# 1. Summary B/S for FY14Q3

(100 million yen)

	End of 13Q3	End of 13Q4	End of 14Q3	Change	Main changes
	a	b	c	c-b	
Total assets	7,365	7,148	7,650	502	Increase due to the weak yen, impact in connection with response to snow damage
Interest-bearing liabilities	3,010	2,779	3,105	327	
Equity capital ratio	25.1%	24.8%	24.8%	0.0%	
D/E ratio	1.63	1.57	1.64	0.07	
Sales to total assets ratio (annual equivalent sales / total assets)	1.26	1.17	1.10	-0.07	
ROA (annual equivalent ordinary income / total assets)	3.8%	3.6%	2.1%	-1.5%	

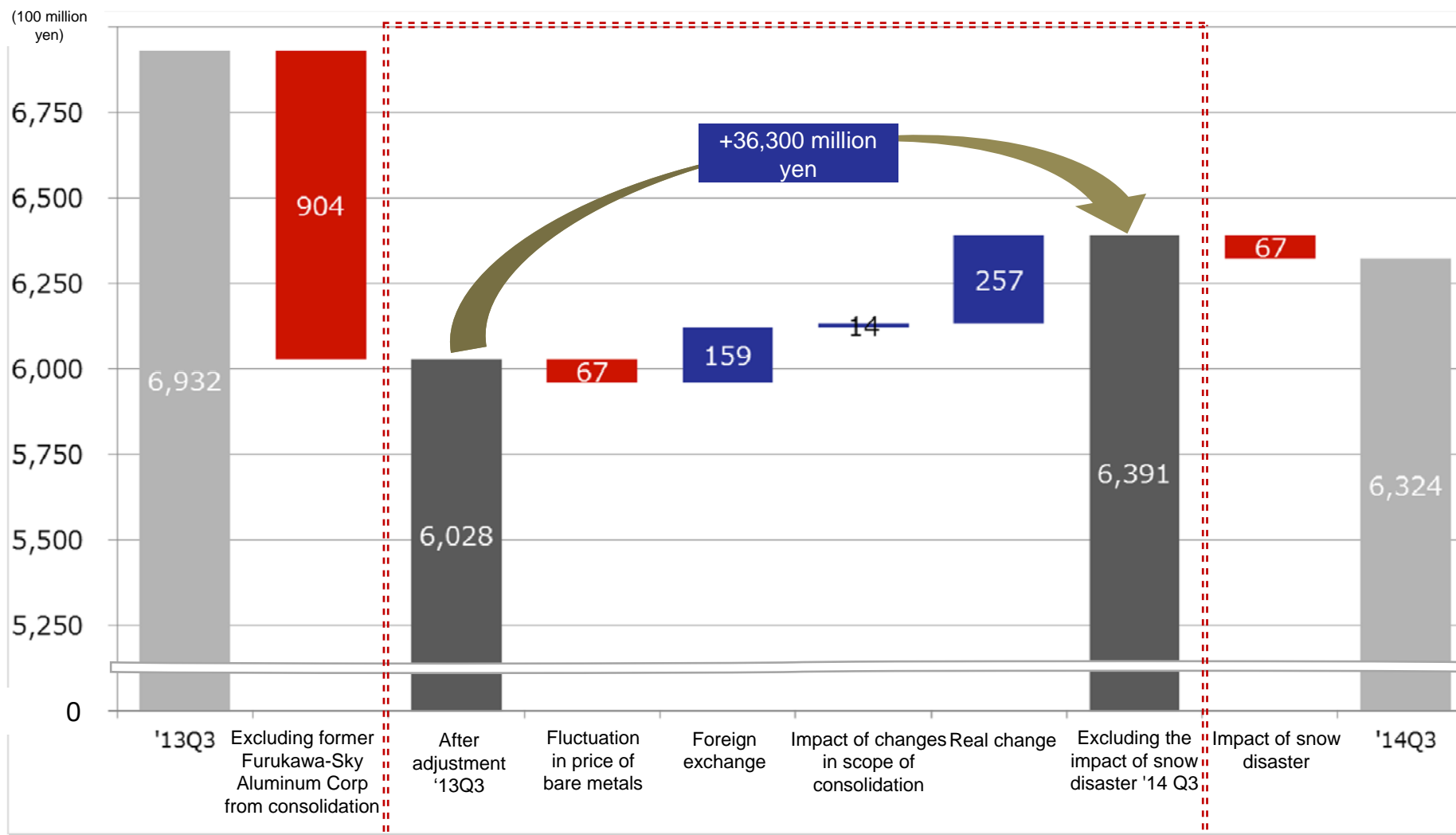
(Note) Sales to total assets ratio excludes former Furukawa-Sky Aluminum Corp

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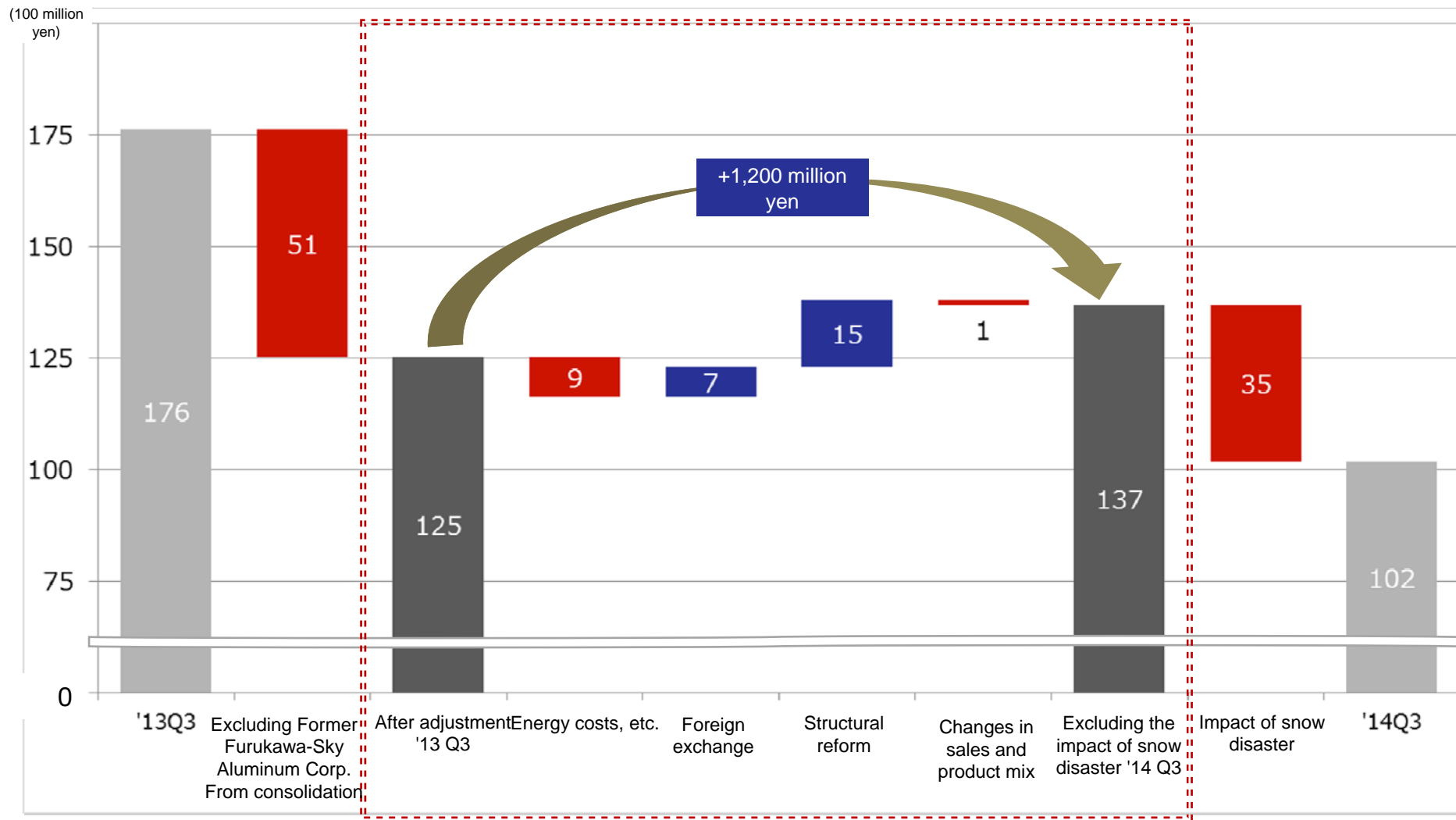
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# 1. Analysis of Change in Net Sales (accumulated total) for FY14Q3 (YoY Comparison)



# 1. Analysis of Change in Operating Income (accumulated total) for FY14Q3 (YoY Comparison)



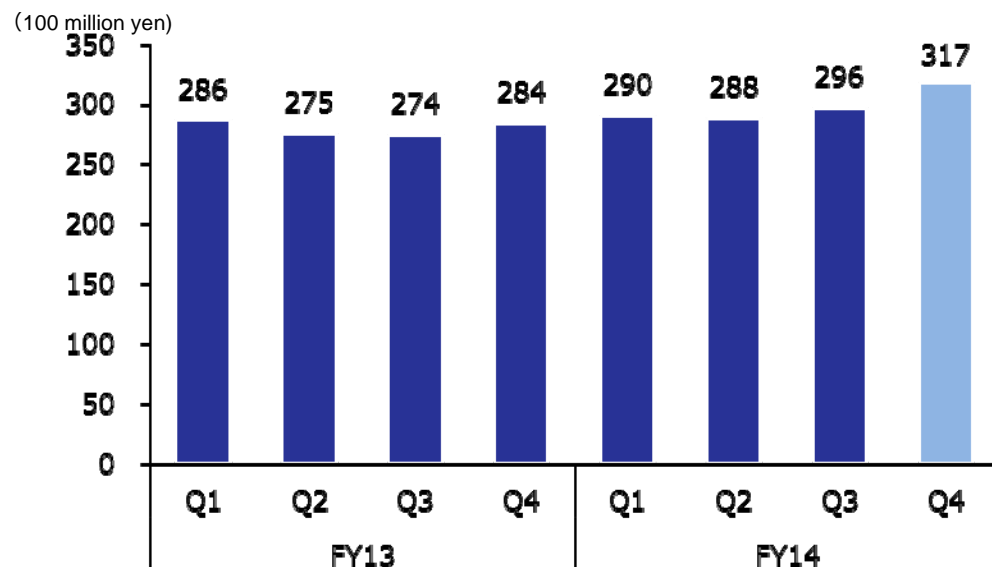
# 1. Net Sales and Operating Income Forecast by Segment

(100 million yen)

Upper row: net sales Lower row: operating income	FY13 Actual	FY14 Previous forecast	FY14 Latest forecast	YoY Change	Change from previous forecast	FY14 Q3 Actual	FY14 Q4 Forecast	Change from previous quarter
	a	b	c	c-a	c-b	d	e	e-d
Telecommunications	1,539	1,540	1,565	26	25	387	428	41
Optical Fiber Cables	1,118	1,140	1,190	72	50	296	317	21
Photonics Networks	421	400	375	△ 46	△ 25	91	111	20
Energy & Industrial Products	2,989	2,900	2,930	△ 59	30	741	773	32
Electronics & Automotive Systems	2,910	3,000	3,080	170	80	779	856	77
Metals	1,307	1,300	1,325	18	25	334	341	7
Light Metals	966	—	—	—	—	—	—	—
Service and Developments, etc.	441	500	535	94	35	137	142	5
<b>Net sales</b>	<b>9,318</b>	<b>8,500</b>	<b>8,670</b>	<b>△ 648</b>	<b>170</b>	<b>2,175</b>	<b>2,346</b>	<b>171</b>

Telecommunications	78	65	65	△ 13	0	15	24	9
Optical Fiber Cables	37	35	35	△ 2	0	6	11	5
Photonics Networks	41	30	30	△ 11	0	9	14	4
Energy & Industrial Products	17	40	40	23	0	10	15	5
Electronics & Automotive Systems	140	130	125	△ 15	△ 5	31	50	19
Metals	△ 31	△ 50	△ 50	△ 19	0	△ 16	△ 12	3
Light Metals	44	—	—	—	—	—	—	—
Service and Developments, etc.	4	△ 5	0	△ 4	5	△ 0	△ 0	0
<b>Operating income</b>	<b>255</b>	<b>180</b>	<b>180</b>	<b>△ 75</b>	<b>0</b>	<b>39</b>	<b>78</b>	<b>39</b>

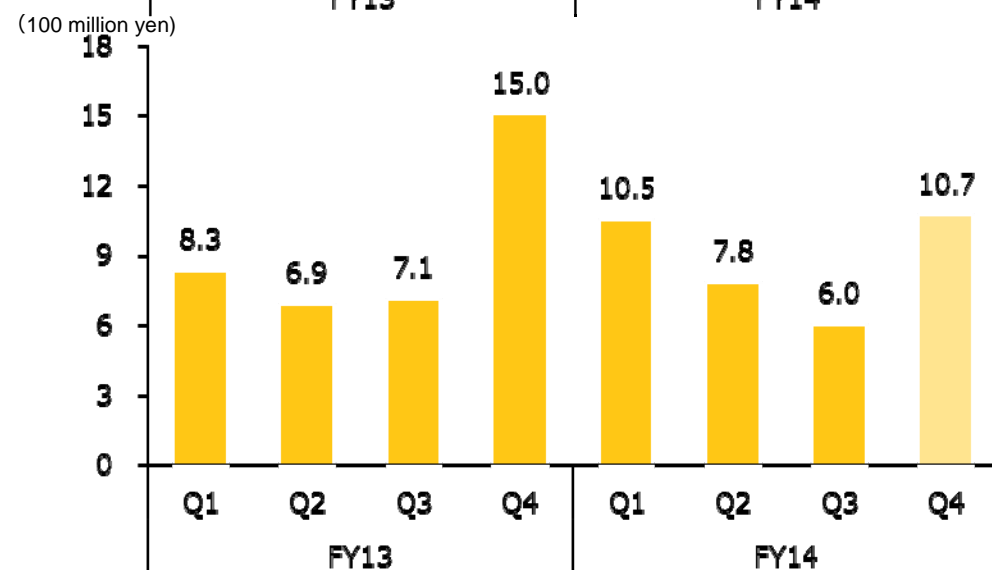
## 2. Summary by Segment – Optical Fiber Cables



### Summary of Q3 operating income

YoY comparison: 13Q3⇒14Q3 -110 million yen

- US company OFS improved with recovery of demand in North American and Europe.
- Volume increased due to impact of weak yen on exported fibers.
- Some temporary favorable factors contributed in the first half of the period.



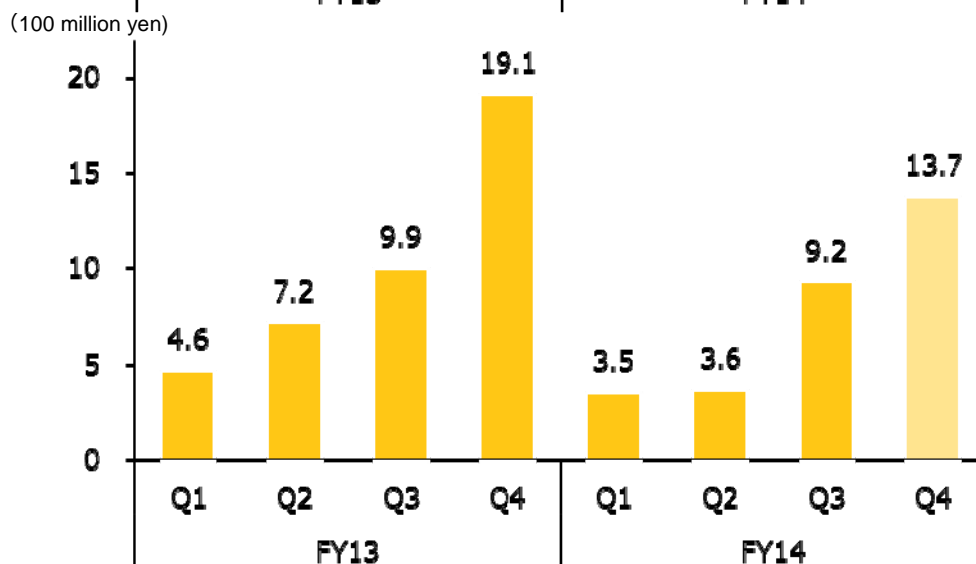
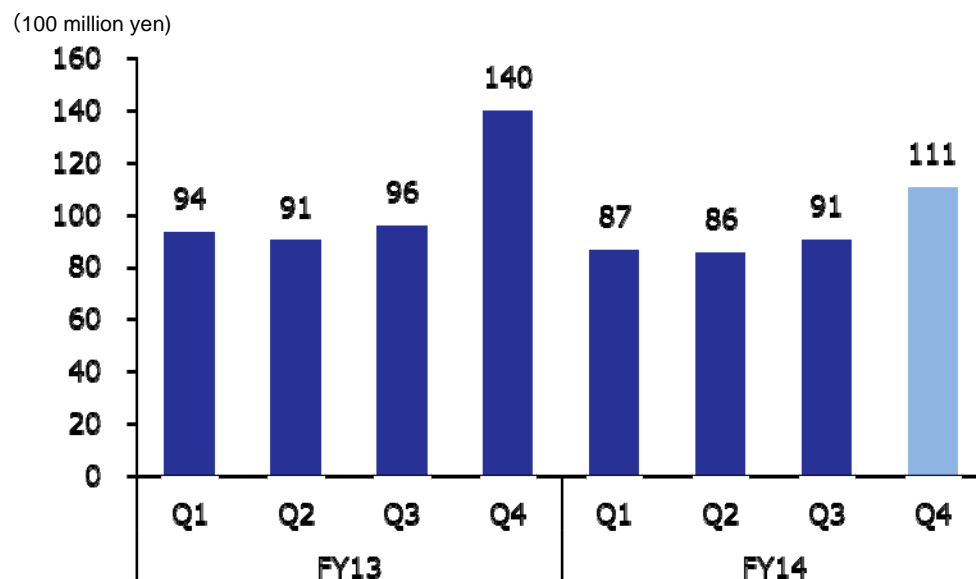
### Q4 operating income forecast

Comparison with previous quarter: 14Q3⇒14Q4 forecast +470 million yen

- Earnings are increasing in North America.
- Exports of fibers remain strong.

(Note) Upper row: net sales; Lower row: Operating income

## 2. Summary by Segment – Photonics Network



(Note) Upper row: net sales; Lower row: Operating income

### Summary of Q3 operating income

YoY comparison: 13Q3⇒14Q3 -70 million yen

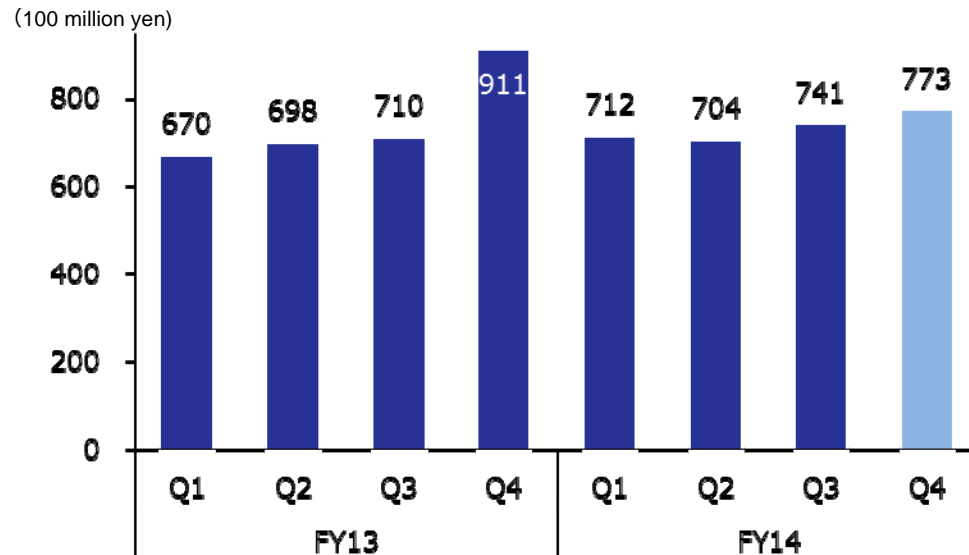
- Slow recovery of demand for some domestic network-related products
- Digital coherent-related products produced favorable results.
- Growth in domestic mobile telecommunications systems after Q2 contributed to the segment's performance.

### Q4 operating income forecast

Comparison with previous quarter: 14Q3⇒14Q4 forecast +450 million yen

- Sales of domestic network-related products concentrate at the end of the fiscal year.

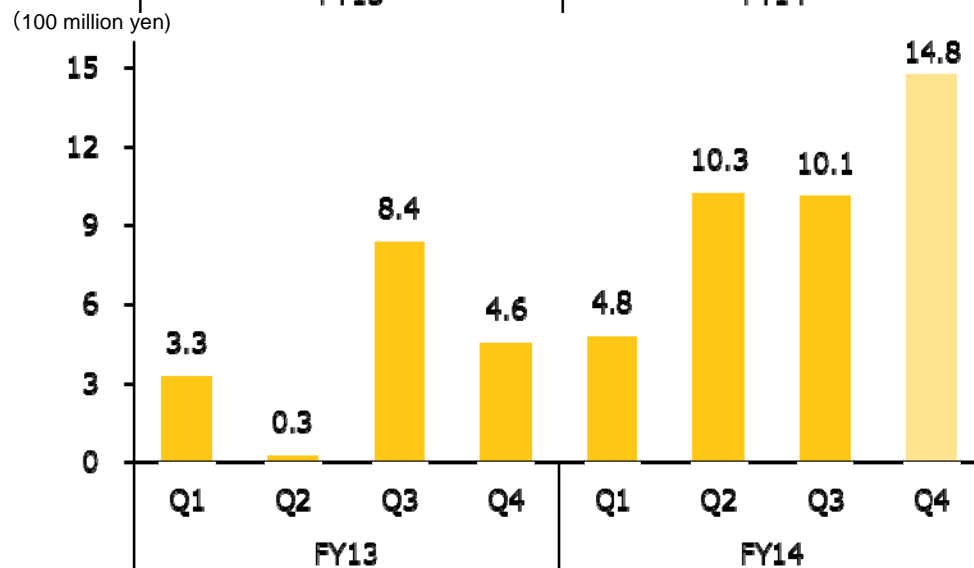
## 2. Summary by Segment – Energy & Industrial Products



### Summary of Q3 operating income

YoY comparison: 13Q3⇒14Q3 + 170 million yen

- Shenyang Furukawa recovered under structural reform
- Tapes for manufacturing semiconductors for smartphones contributed favorable earnings.



### Q4 operating income forecast

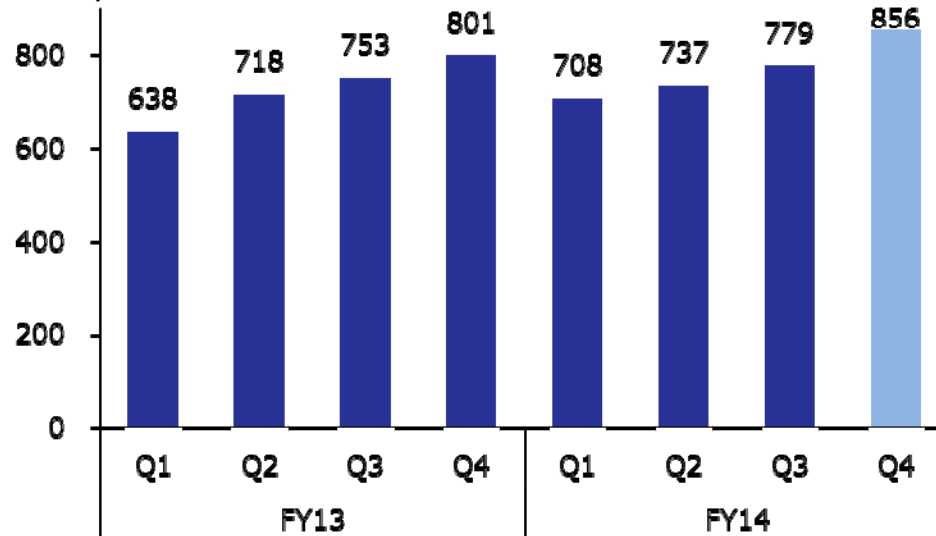
Comparison with previous quarter : 14Q3⇒14Q4 forecast +47 million yen

- Shenyang Furukawa is increasing sales as well as the ratio of revenue-generating products in and outside the country.
- Tapes for manufacturing semiconductors for smartphones remain strong.

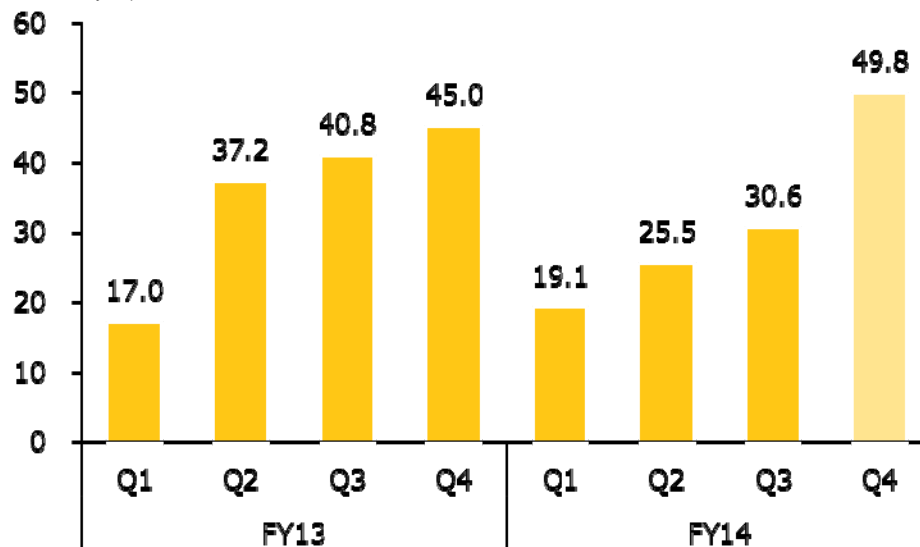
(Note) Upper row: net sales; Lower row: Operating income

## 2. Summary by Segment – Electronics & Automotive Systems

(100 million yen)



(100 million yen)



Note) Upper row: net sales; Lower row: Operating income

### Summary of Q3 operating income

YoY comparison: 13Q3⇒14Q3 -1.02 billion yen

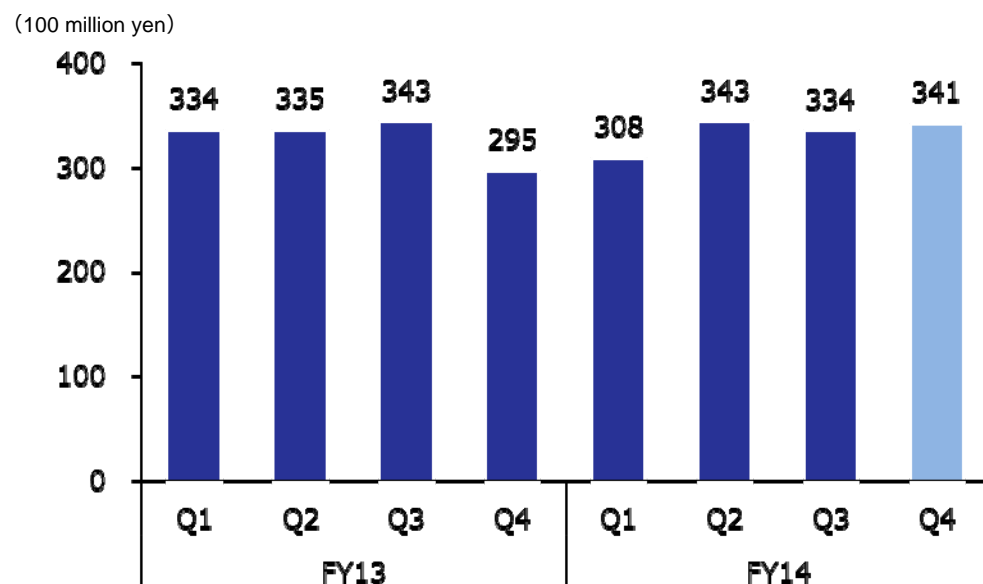
- Thermal (heat sink products) performed favorably.
- Income from automotive components decreased because of rising import costs due to the weak yen, fluctuations in selling price and product mix, and increased flights due to the Philippines harbor transport regulations.

### Q4 operating income forecast

Comparison with previous quarter 14Q3⇒14Q4 forecast +1.92 billion yen

- For automotive components, overseas sites' effect of the weak yen, expense reduction, and cost reduction through the implementation of measures to the Philippines harbor issue
- Contribution by seasonal factors of Furukawa Battery.

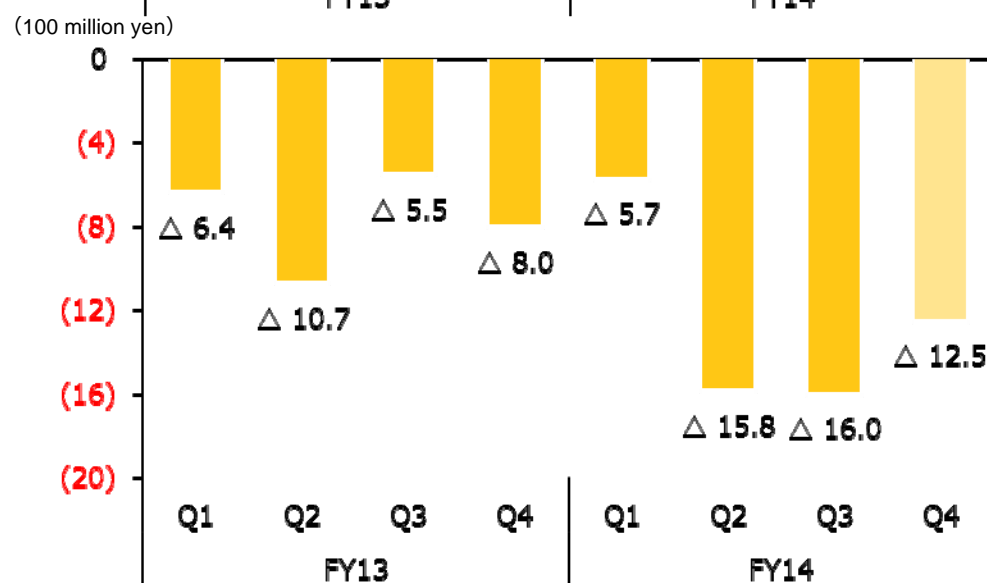
## 2. Summary by Segment – Metals



### Summary of Q3 operating income

YoY comparison: 13Q3⇒14Q3 -1.05 billion yen

- Copper: Impact of snow disaster
- Copper foil: Despite a decrease in demand for automotive foil, copper foil returned to profitability due to increased productivity of foil for batteries in Taiwan as well as the impact of impairment accounting at the domestic base.



### Q4 operating income forecast

Comparison with previous quarter: 14Q3⇒14Q4 +350 million yen

- Copper: In connection with integrated production in Nikko Plant, the outsourcing of production to other companies, which has increased costs, will be eliminated.

(Note) Upper row: net sales; Lower row: Operating income



### 3. Resumption of Integrated Production of Copper Products

- With a good restart in volume after recovery, Q4 business performance is expected as planned.
- Future strategies
  - Starting to enter the automotive component markets as well as electronics markets on a full scale
  - Marketing high-class (equivalent to class) oxygen-free copper products for heat components
  - Establishing a structure to expand sales of copper products to overseas markets
    - Enhancing technical assistance for / OEM collaboration with Chinese partner (AX Group)
    - Utilizing coil centers outside Japan to realize Just-In-Time delivery of strategic products (EFTEC-64T, EFCUBE, Corson alloy, etc.) and automotive alloy.



Resumed operation of hot rolling mill (Nikko Plant)

(100 million yen)

Q2 Financial results (10/31)

	Negative impact on operating income			Extraordinary losses
		Copper products	Non-copper products	
<b>Q1</b>	<b>8</b>	<b>6</b>	<b>2</b>	<b>7</b>
<b>Q2</b>	<b>11</b>	<b>10</b>	<b>1</b>	<b>6</b>
H1	19	16	3	13
<b>Q3</b>	-	-	-	-
<b>Q4</b>	-	-	-	-
H2	27	25	2	11
Y	46	41	5	23

Q3 Financial results (2/4)

	Negative impact on operating income			Extraordinary losses
		Copper products	Non-copper products	
<b>Q1</b>	<b>8</b>	<b>6</b>	<b>2</b>	<b>7</b>
<b>Q2</b>	<b>11</b>	<b>10</b>	<b>1</b>	<b>6</b>
H1	19	16	3	13
<b>Q3</b>	<b>16</b>	<b>15</b>	<b>1</b>	<b>7</b>
<b>Q4</b>	<b>10</b>	<b>9</b>	<b>1</b>	<b>7</b>
H2	26	24	2	14
Y	45	41	5	26

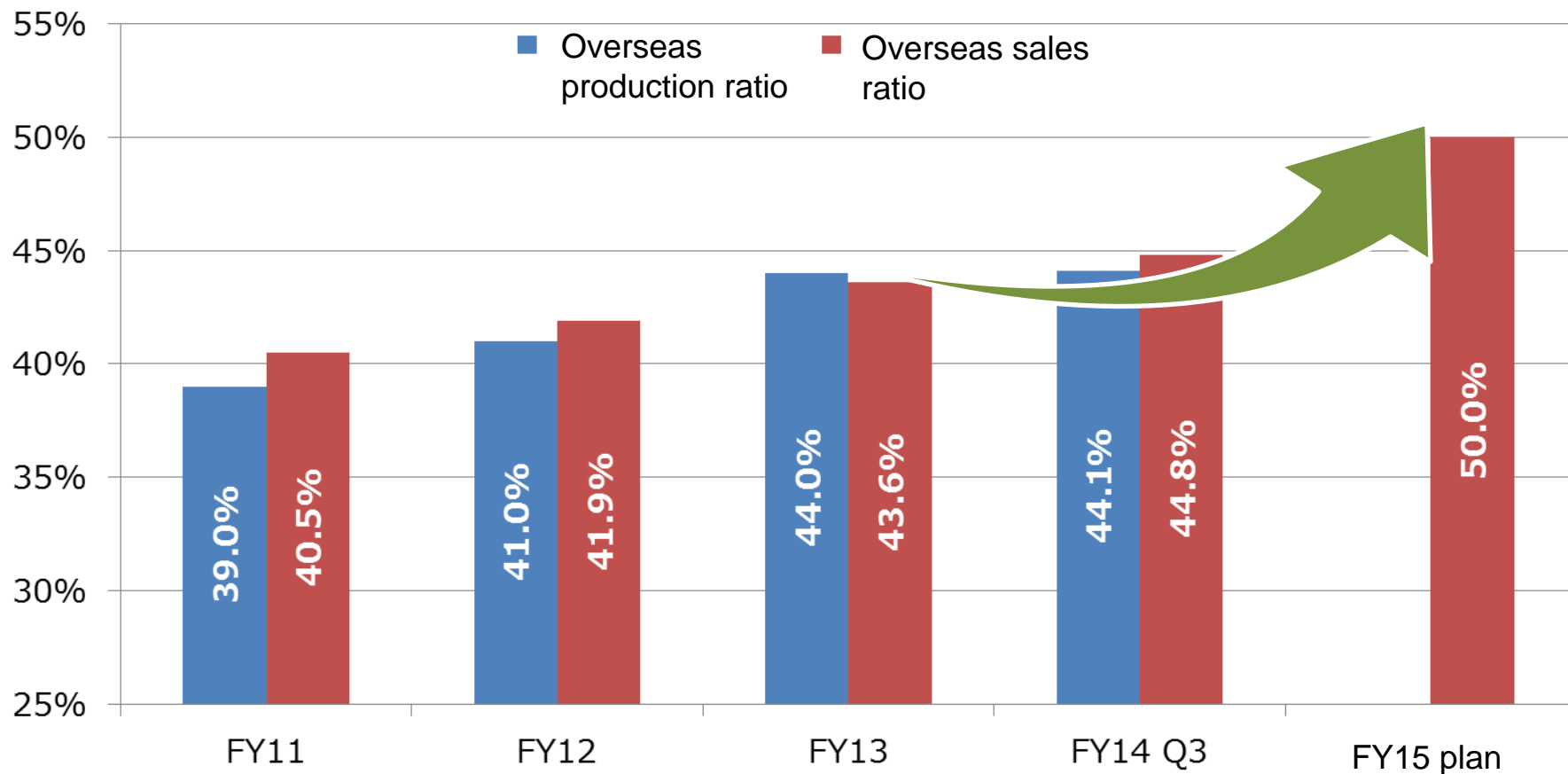
## 4. Forecast for FY14Q4

(100 million yen)

	FY13		FY14 forecast		YoY change	
	a	Q4 b	c	Q4 d	c-a	Q4 d-b
	9,318	2,386	8,670	2,346	△ 648 -7.0%	△ 39 -1.6%
Operating income (rate)	255	78	180	78	△ 75 -29.3%	△ 0 -0.2%
Profit/loss in equity method affiliates	△ 8	△ 36	-	-	-	-
Foreign exchange gain/loss	20	4	-	-	-	-
Ordinary income (rate)	255	44	200	78	△ 55 -21.7%	34 78.8%
Extraordinary gain/loss	△ 82	△ 6	△ 55	△ 7	27	△ 0
Income taxes - current and income taxes - deferred	90	42	-	-	-	-
Minority interests in income	27	10	-	-	-	-
Net income (rate)	56	△ 14	60	33	4 7.0%	47

# Appendix: Changes in Overseas Production and Sales Ratios

- FY14Q3's overseas production and sales ratios grew to 44.1% and 44.8%, respectively.
- The target for FY15 is 50%, while increasing exports and out-to-out business.

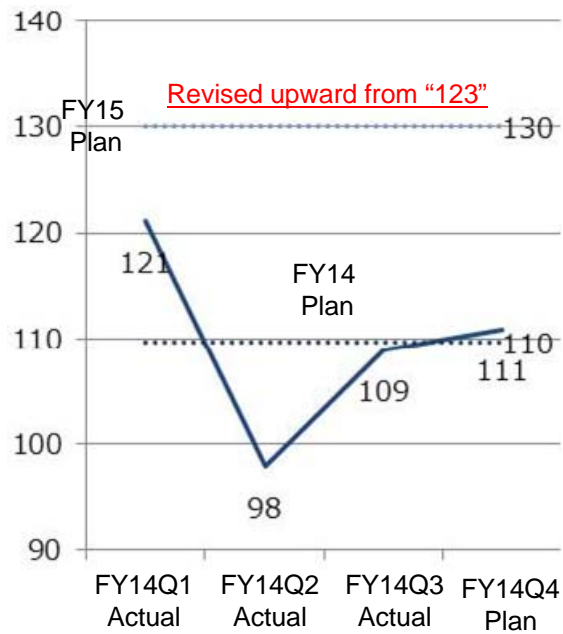


(Note) Overseas production ratio and overseas sales ratio were calculated excluding the former Furukawa-Sky Aluminum Corp.

# Appendix: Strategic Products and Sales Volume Trends

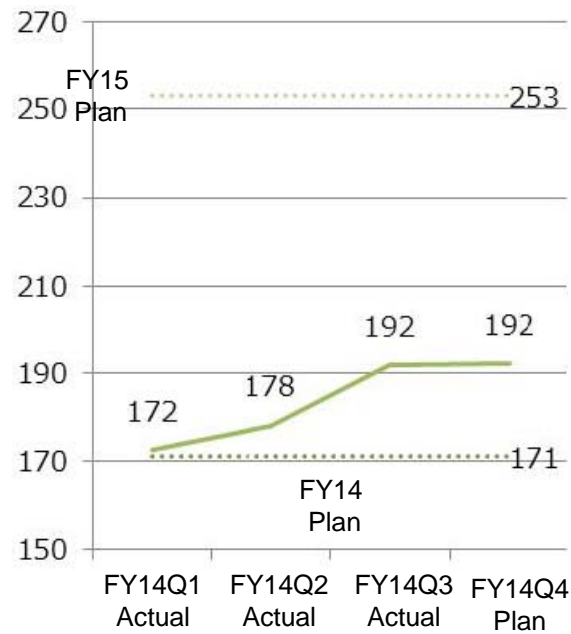
## ITLA/FBT

Integrated signal light sources for use in digital coherent telecommunications



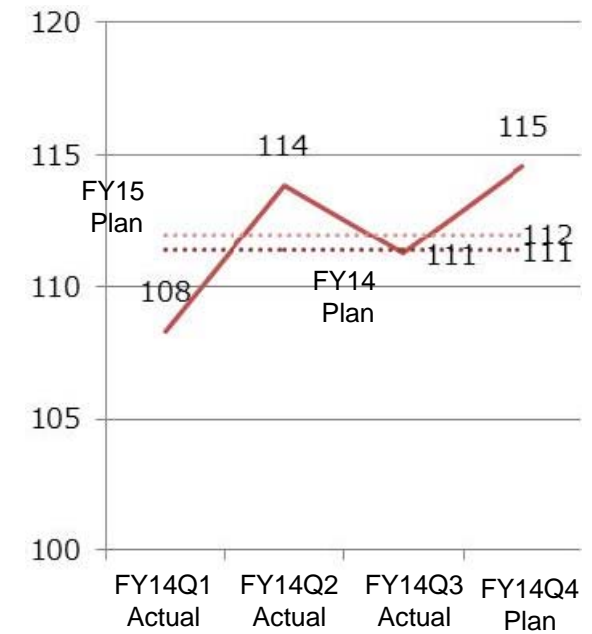
## BSS

Car battery status detection sensors



## SRC

Connectors for car airbags



(Note) Figures for respective products are indices assuming FY13Q4's volume as 100.

Thank you for your attention.

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