

FY2017 Q1 Financial Results

Director, Corporate Executive Vice President, and
General Manager of the Finance & Procurement
Hiroyuki Ogiwara

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FURUKAWA ELECTRIC CO., LTD

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.
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FURUKAWA ELECTRIC CO., LTD.

FY2017 Q1 Results

- Operating income was **10.4 billion yen, up 5.8 billion yen YoY (+123%)**.

The operating margin was **4.6%, an improvement of 2.3 percentage**.

- There has been strong demand overall, and sales and profits have both increased in all categories, including optical fiber cables, tapes for semiconductor manufacturing, and copper foil.

- Net income attributable to owners of the parent was **6.8 billion yen, up 4.5 billion yen YoY (+197%)**.

- In addition to an increase in operating income, improvement in profit/loss in equity method affiliates contributed to an increase of the bottom line profit.

(JPY billion)	Q1		
	FY16	FY17	YtoY change
Net sales	196.2	224.9	+28.8
Operating income	4.7	10.4	+5.8
Ratio	2.4%	4.6%	+2.3
Ordinary income	4.2	10.1	+5.9
Net income attributable to owners of the parent	2.3	6.8	+4.5

Revision of FY2017 First half and Full-year forecast

Revision of first half forecast

- Operating income is now forecast to be **20.5 billion yen, up 7.2 billion yen YoY (+54%), and up 6.0 billion yen against the initial forecast (+41%)**.
 - The overall demand will remain strong during Q2, and the first half performance is expected to exceed the initial forecast.
- Net income attributable to owners of the parent is forecast to be **19.5 billion yen, up 12.8 billion yen YoY (+192%), and up 5.5 billion yen against the initial forecast (+39%)**.
 - The bottom line profit will be increased by an improvement in operating income and extraordinary income from the sale of real estate in accordance with the initial forecast.

Revision of full-year forecast

- Operating income is forecast to be **43.0 billion yen, up 4.4 billion yen YoY (+11%), and up 6.0 billion yen against the initial forecast (+16%)**.
 - Revised full year forecast reflected by the revision of 1st half forecast (Forecast of 2nd half remain unchanged from the initial forecast)

(JPY billion)	First half *The Initial forecast is announced on May 10.					Full year *2 nd half forecast remain unchanged				
	FY16	FY17		YtoY change	Change from Initial forecast	FY16	FY17		YtoY change	Change from Initial forecast
		Initial Forecast*	New Forecast				Initial Forecast*	New Forecast		
Net sales	397.6	420.0	450.0	+52.4	+30.0	843.3	885.0	915.0	+71.7	+30.0
Operating income	13.3	14.5	20.5	+7.2	+6.0	38.6	37.0	43.0	+4.4	+6.0
Ratio	3.3%	3.5%	4.6%	+1.2	+1.1	4.6%	4.2%	4.7%	+0.1	+0.5
Ordinary income	10.2	14.0	20.0	+9.8	+6.0	36.0	37.5	43.5	+7.5	+6.0
Net income attributable to owners of the parent	6.7	14.0	19.5	+12.8	+5.5	17.6	20.0	25.5	+7.9	+5.5

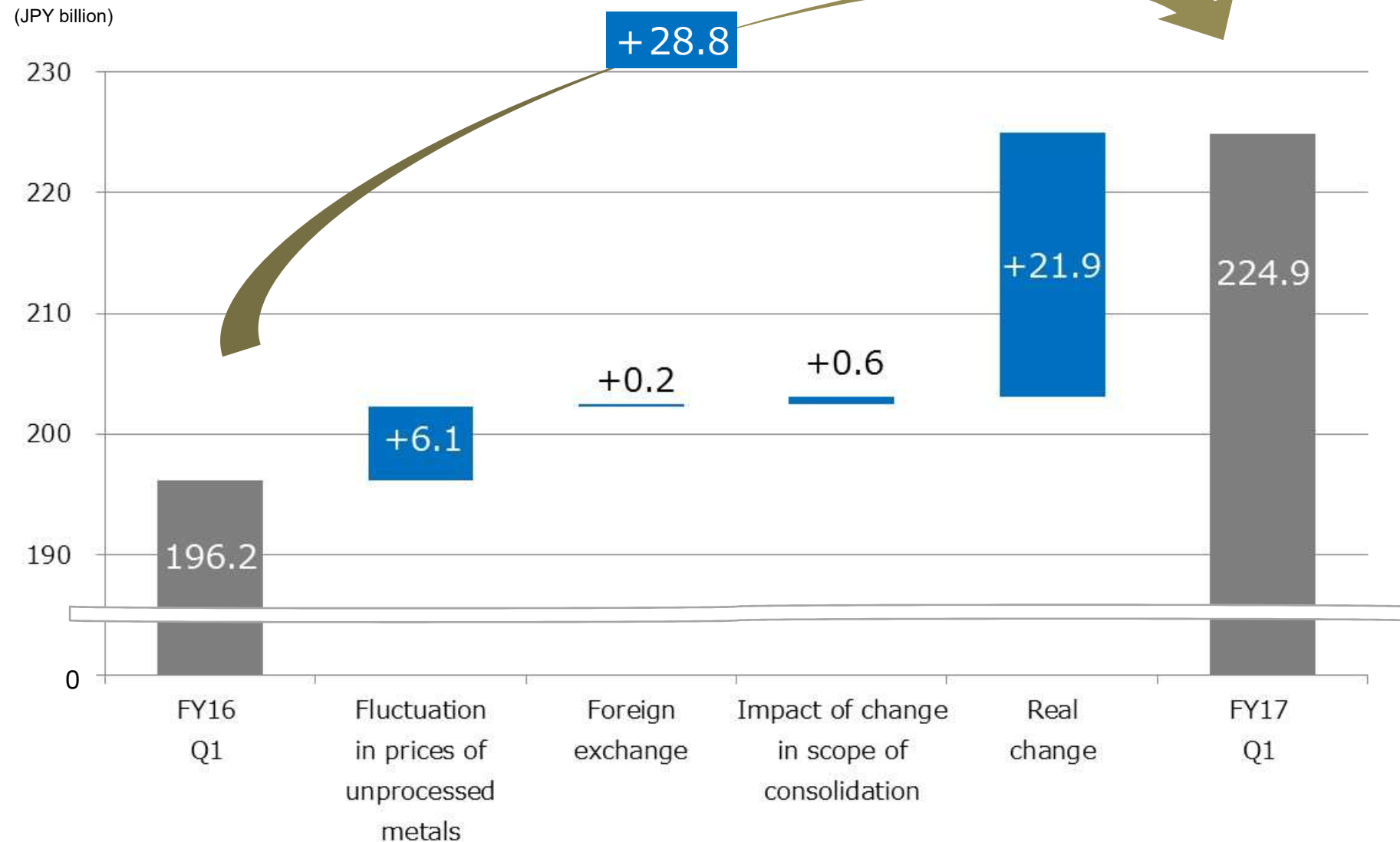
FY2017 Q1 Results and First half forecast - P&L Summary

(JPY billion, JPY/Kg, JPY/USD)

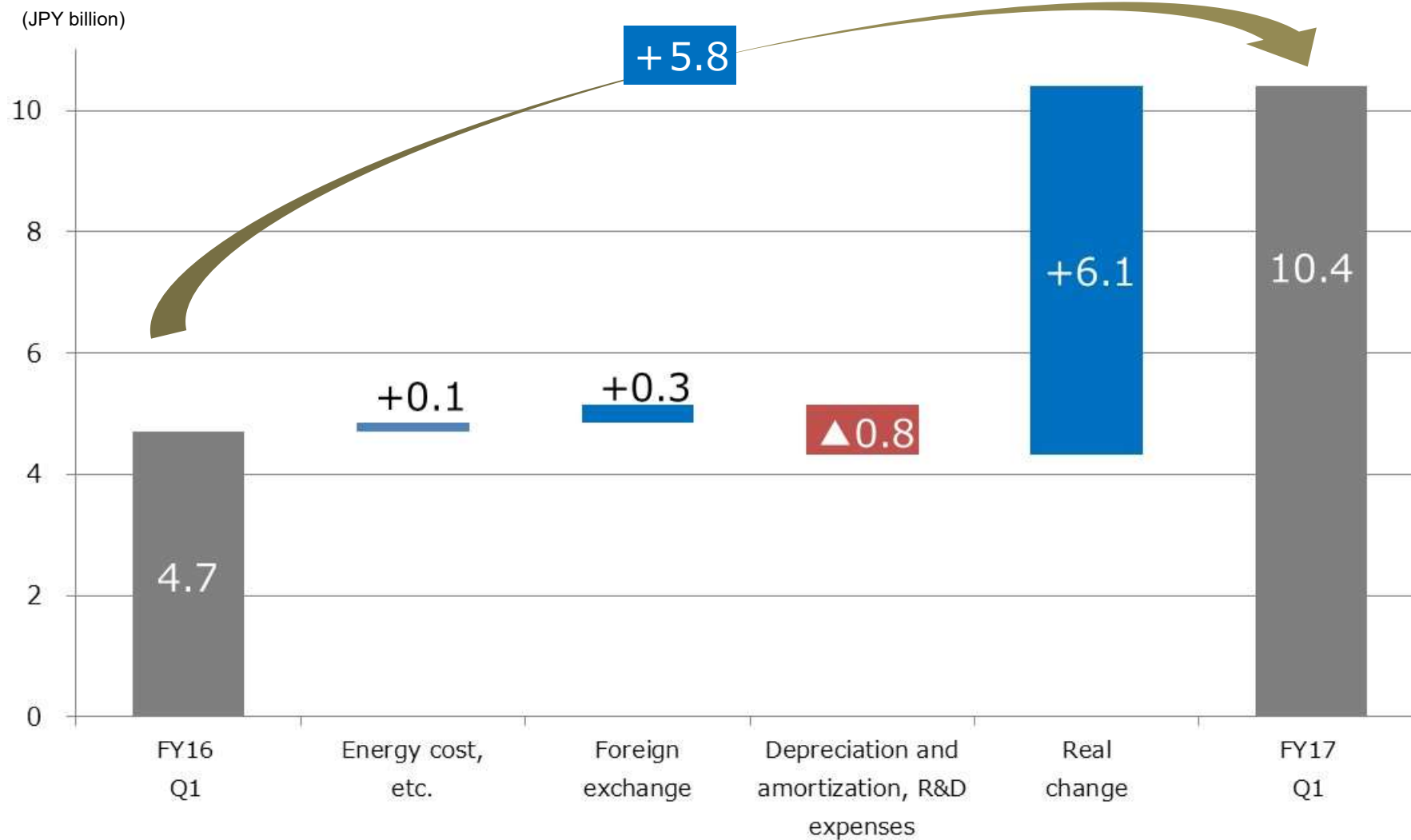
	FY16		FY17		YtoY change		Breakdown of change (Q1)
	Q1	First half	Q1	First half Forecast*	Q1	First half	
	a	b	c	d	c-a	d-b	
Net sales	196.2	397.6	224.9	450.0	+28.8	+52.4	See page 7
Operating income	4.7	13.3	10.4	20.5	+5.8	+7.2	See page 8
(Ratio)	2.4%	3.3%	4.6%	4.6%	+2.3	+1.2	
Profit/loss in equity method affiliates	0.0	–	0.9	–	+0.8	–	
Foreign exchange gain/loss	▲0.5	–	▲0.5	–	+0.1	–	
Ordinary income	4.2	10.2	10.1	20.0	+5.9	+9.8	
(Ratio)	2.1%	2.6%	4.5%	4.4%	+2.4	+1.9	
Extraordinary gain/loss	1.0	1.6	▲0.2	5.5	▲1.1	+3.9	•Extraordinary gain: ▲1.4 (1.6→0.2) •Extraordinary loss: +0.3 (▲0.6→▲0.4)
Income taxes - current and income taxes - deferred	1.7	–	2.3	–	+0.6	–	
Net income attributable to non-controlling interests	1.2	–	0.8	–	▲0.4	–	
Net income attributable to owners of the parent	2.3	6.7	6.8	19.5	+4.5	+12.8	
(Ratio)	1.2%	1.7%	3.0%	4.3%	+1.9	+2.7	
Average copper price	556	544	672	648	–	–	Assumptions from Q2: 625
Average exchange rate	108	105	111	108	–	–	Assumptions from Q2: 105

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Analysis of Changes in Net Sales (YOY)



Analysis of Changes in Operating income (YOY) **FURUKAWA ELECTRIC**



Breakdown by Segment; FY2017 Q1 Results and First half forecast

(JPY billion)

		Q1			First half		
		FY16	FY17	YtoY Change	FY16	FY17 New Forecast	YtoY Change
Net sales	Infrastructure	61.8	69.6	+7.8	122.5	140.0	+17.5
	Communications Solutions	40.2	45.0	+4.8	79.8	90.0	+10.2
	Energy infrastructure	21.6	24.6	+3.0	42.7	50.0	+7.3
	Electronics & Automotive Systems	104.6	122.0	+17.4	215.2	245.0	+29.8
	Automotive Products & Batteries	50.3	56.8	+6.5	104.7	115.0	+10.3
	Electronics Component Materials	54.3	65.2	+10.9	110.5	130.0	+19.5
	Functional Products	33.2	36.4	+3.3	65.9	70.0	+4.1
	Service and Developments, etc.	11.6	12.4	+0.7	23.9	25.0	+1.1
	Elimination of intra-company transactions	▲15.1	▲15.5	▲0.4	▲29.9	▲30.0	▲0.1
	Total	196.2	224.9	+28.8	397.6	450.0	+52.4
Operating income	Infrastructure	2.3	3.9	+1.6	5.3	8.0	+2.7
	Communications Solutions	2.8	4.0	+1.2	5.8	8.0	+2.2
	Energy infrastructure	▲0.5	▲0.1	+0.4	▲0.5	0.0	+0.5
	Electronics & Automotive Systems	0.9	3.5	+2.6	3.3	6.5	+3.2
	Automotive Products & Batteries	0.4	2.3	+1.8	2.7	4.5	+1.8
	Electronics Component Materials	0.5	1.3	+0.7	0.6	2.0	+1.4
	Functional Products	1.9	3.3	+1.4	5.0	6.5	+1.5
	Service and Developments, etc.	▲0.4	▲0.2	+0.2	▲0.4	▲0.5	▲0.1
	Elimination of intra-company transactions	▲0.0	0.0	0.0	0.0	0.0	0.0
	Total	4.7	10.4	+5.8	13.3	20.5	+7.2

Breakdown by Segment; FY2017 Full year forecast

*1 Initial forecast is announced on May 10.

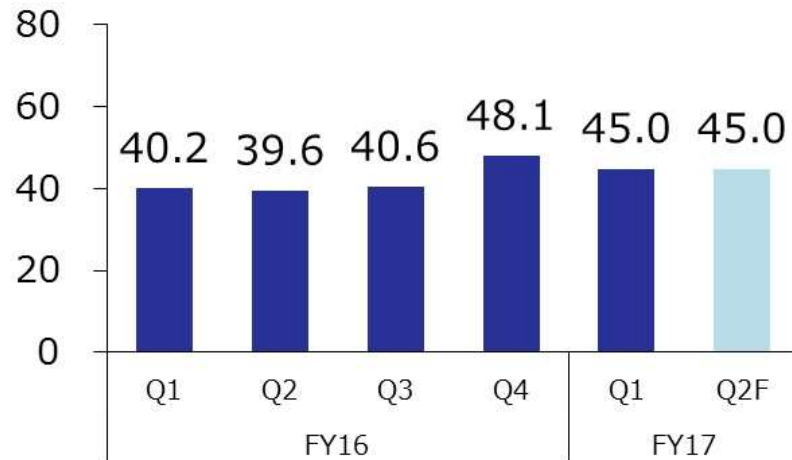
*2 2nd half forecast remain unchanged from initial forecast

		Full year				
		FY16	FY17		YtoY Change	Change from initial forecast
			Initial forecast *1	New forecast *2		
Net sales	Infrastructure	263.8	285.0	295.0	+31.2	+10.0
	Communications Solutions	168.5	175.0	185.0	+16.5	+10.0
	Energy infrastructure	95.3	110.0	110.0	+14.7	0.0
	Electronics & Automotive Systems	455.5	475.0	490.0	+34.5	+15.0
	Automotive Products & Batteries	223.4	230.0	235.0	+11.6	+5.0
	Electronics Component Materials	232.1	245.0	255.0	+22.9	+10.0
	Functional Products	131.5	135.0	140.0	+8.5	+5.0
	Service and Developments, etc.	49.7	50.0	50.0	+0.3	0.0
	Elimination of intra-company transactions	▲57.0	▲60.0	▲60.0	▲3.0	0.0
	Total	843.3	885.0	915.0	+71.7	+30.0
Operating income	Infrastructure	14.3	13.0	16.3	+2.0	+3.3
	Communications Solutions	14.2	14.3	16.8	+2.6	+2.5
	Energy infrastructure	0.1	▲1.3	▲0.5	▲0.6	+0.8
	Electronics & Automotive Systems	12.8	13.5	15.0	+2.2	+1.5
	Automotive Products & Batteries	10.1	9.5	10.5	+0.4	+1.0
	Electronics Component Materials	2.7	4.0	4.5	+1.8	+0.5
	Functional Products	11.7	11.0	12.5	+0.8	+1.5
	Service and Developments, etc.	▲0.1	▲0.5	▲0.8	▲0.7	▲0.3
	Elimination of intra-company transactions	0.0	0.0	0.0	0.0	0.0
	Total	38.6	37.0	43.0	+4.4	+6.0

Net sales

(Divisions; Fiber Cable, FITEL Products, Broadband Solutions)

(JPY billion)



< Details of Operating Income difference >

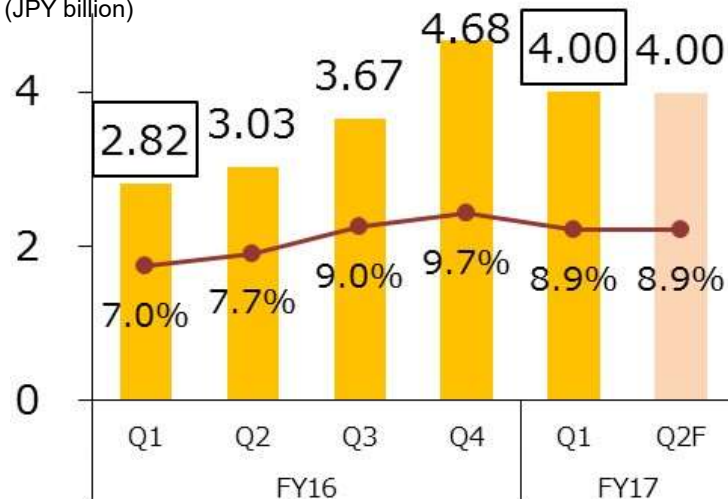
Q1 result; YoY difference + 1.19 billion yen

□ : Factors for increase ■ : Factors for decrease

- Strong demand for optical fiber cables has continued, particularly in North America.
- Increasing demand of Japanese network systems contributed to the result with increasing of conversion to optical transmission.
- In digital coherent-related products, sales have decreased as a result of an adjustment phase in the Chinese market.

Operating income / operating margin

(JPY billion)



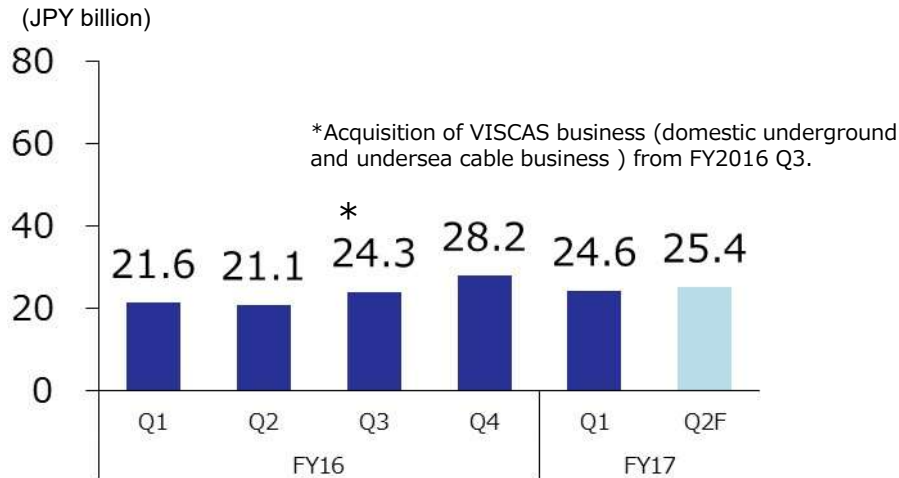
Q2 forecast

- On the whole, the performance will continue favorable from Q1

1-(2) Infrastructure (Energy Infrastructure)

Net sales

(Divisions; Power Cable, Industrial Cable & Power Cable Accessories)



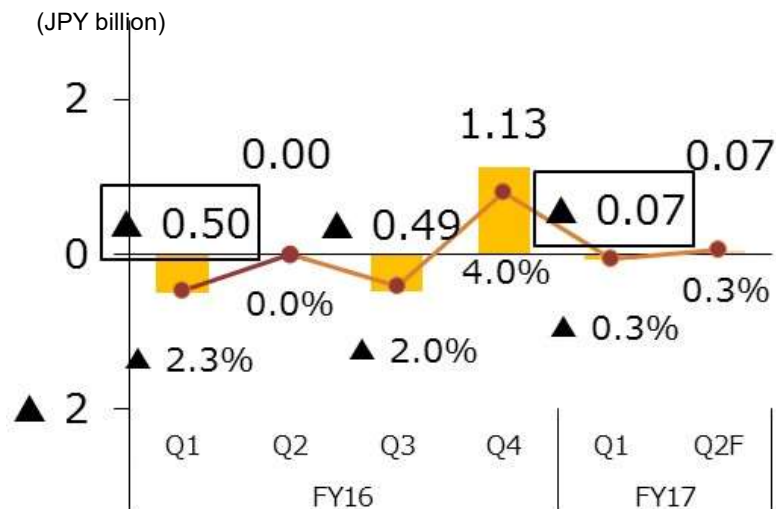
< Details of Operating Income difference >

Q1 result; YoY difference +0.43 billion yen

□ : Factors for increase ■ : Factors for decrease

□ Large-scale projects in domestic electrical construction and royalty income contributed to the result.

Operating income / operating margin



Q2 forecast

- Income will expected to increase (compared to Q1) as a result of project in the domestic electrical construction and exports of underground cables.

2-(1) Electronics & Automotive systems (Automotive Products & Batteries)

Net sales

(Divisions; Automotive Products, Batteries)



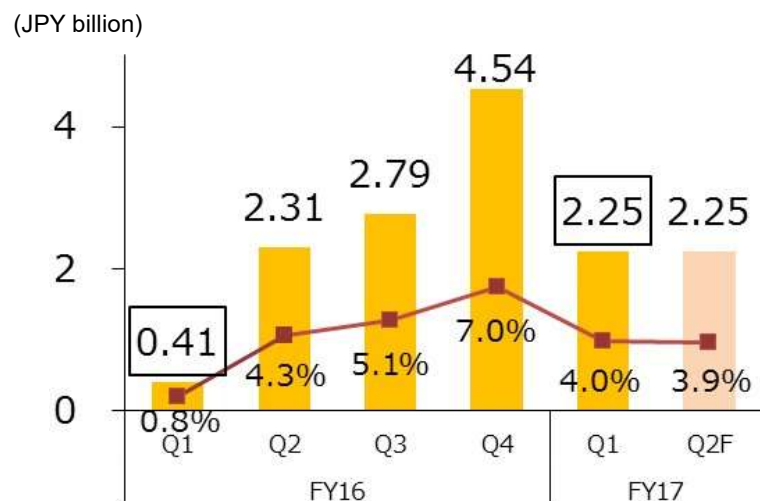
< Details of Operating Income difference >

Q1 result; YoY difference + 1.84 billion yen

□ : Factors for increase ■ : Factors for decrease

- In the Automotive Products business, domestic demand has recovered from the effects of the Kumamoto Earthquake in April last year.
- Products used in new car models also contributed to the performance
- A contribution has also been made by production streamlining and cost improvements, including reduced logistics costs.

Operating income / operating margin



Q2 forecast

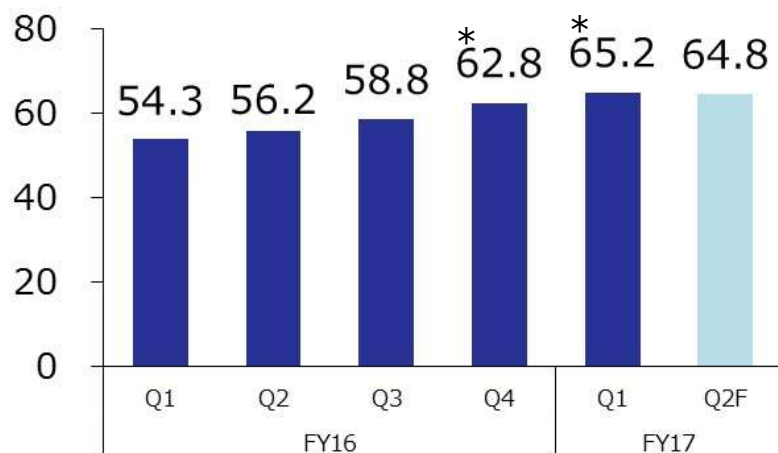
- In the Automotive Product business, same level of demand conditions of Q1 will continue.

2-(2) Electronics & Automotive systems (Electronics Component Material)

Net sales

(JPY billion)

*These sales increase were influenced by rise in the copper price.



(Divisions; Electric Conductor, Magnet Wire, Copper & High Performance Material Products, Copper Tube)

< Details of Operating Income difference >

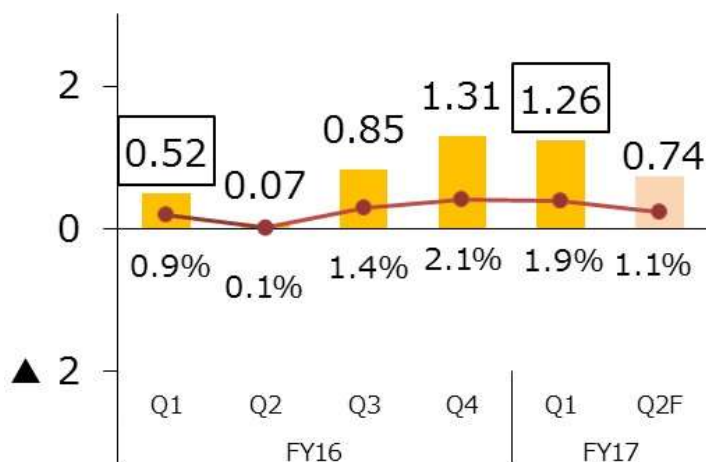
Q1 result; YoY difference +0.74 billion yen

□ : Factors for increase ■ : Factors for decrease

- Demand has increased for wrought copper products, including copper strips.
- In the magnet wire business, there have been strong sales for use with smartphones and automotive components.

Operating income / operating margin

(JPY billion)



Q2 forecast

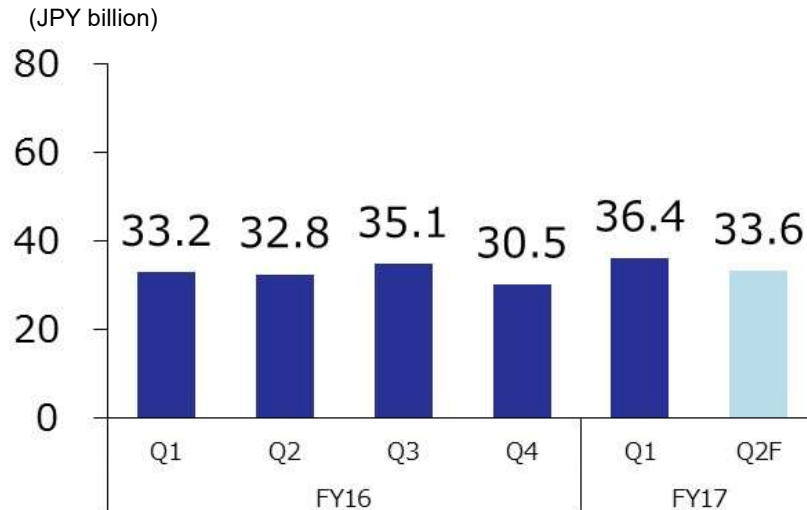
- In the copper & high performance material products business, the temporary increase in costs that resulted from development projects last year will be eased this year.
- In the copper tube business, income will decrease by seasonal reasons (compared to Q1).

Net Sales and Operating Income by Segment

3 Functional Products

Net sales

(Divisions; AT & Functional Plastics, Thermal Management Solution & Products,, Memory Disk, Copper Foil)



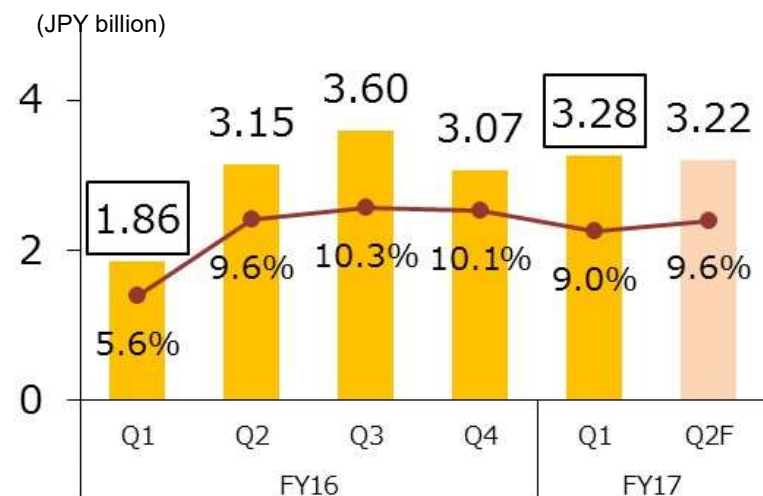
< Details of Operating Income difference >

Q1 result; YoY difference + 1.42 billion yen

□ : Factors for increase ■ : Factors for decrease

- There has been strong demand for tapes for semiconductor manufacturing.
- In the copper foil business, strong demand and productivity improvements contributed to the results.
- In the thermal management solution & products business, there has been an increase in demand of products for data centers.

Operating income / operating margin



Q2 forecast

- Overall, strong performance will continue from Q1

FY17 Q1 Results - BS Summary

(JPY billion)

	End of FY16Q4	End of FY17Q1	Change	Breakdown of change
Current assets	382.4	390.2	+7.8	Inventories +8.5
Cash and bank deposits	47.2	43.2	▲3.9	
Notes and accounts receivable trade	198.9	202.0	+3.2	
Non-current assets	367.7	370.7	+3.0	
Tangible fixed assets	205.5	211.0	+5.5	
Intangible fixed assets	9.7	9.6	▲0.1	
Investments and other assets	152.5	150.1	▲2.4	
Assets	750.1	760.9	+10.8	Impact of new consolidation +6.0
Current liabilities	293.4	312.2	+18.8	CP +22.0
Long-term liabilities	219.7	209.0	▲10.7	Corporate bonds ▲10.0
Liabilities	513.1	521.2	+8.1	
Shareholders' equity	194.3	196.8	+2.5	
Accumulated other comprehensive income	12.4	11.3	▲1.1	
Net income attributable to non-controlling interests	30.3	31.6	+1.3	
Net assets	237.1	239.7	+2.7	
Liabilities and Net assets	750.1	760.9	+10.8	
Interest-bearing liabilities	252.5	273.4	+20.8	
Equity capital ratio	27.6%	27.3%	▲0.3	
NET D/E ratio	0.99	1.11	+0.11	

CAPEX, Depreciation & amortization and R&D expenses

(JPY billion)

	FY16 Q1	FY17 Q1	Change	FY17 Forecast
CAPEX	4.5	7.2	+2.7	38.0
Depreciation and amortization	5.8	6.2	+0.4	26.5
R&D expenses	4.2	4.6	+0.4	19.4

Thank you very much
for your attention.

