

FY2017 Q3 Financial Results

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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.
- 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 Looking Statements in these materials. In addition, following the release of these materials, Furukawa Electric Group assumes no obligation to announce any revisions to forward-looking statement in these materials

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FURUKAWA ELECTRIC CO., LTD.

FY2017 Q3 (first nine months of FY17)

- Operating income increased by **9.5 billion yen (+40%) year-on-year (YoY) to 33.3 billion yen**
- Operating margin improved by **0.8 percentage points YoY to 4.7%**
 - **Electronics & Automotive systems segment, Functional Products segment and Communications Solutions (Infrastructure segment)** were contributors to this growth
- Net income increased by **10.3 billion yen (+55%) YoY to 29.2 billion yen**
 - **Increased operating income** as well as **improved profit/loss in equity method affiliates** contributed to the significant increase in net income

Full-year forecast

- Sales forecast was revised up mainly due to the impact of copper prices
- Taking Q3 results into account, the ordinary income was revised upward as non-operating income/expenses was reviewed

(JPY billion)

	FY2016	FY2017			
	Results	Previous forecasts	New forecasts	YtoY change	Change from previous forecasts
Net Sales	843.3	925.0	950.0	+106.7	+25.0
Operating income	38.6	43.0	43.0	+4.4	-
Ordinary income	36.0	43.5	45.0	+9.0	+1.5
Net income attributable to owners of the parent	17.6	25.5	25.5	+7.9	-

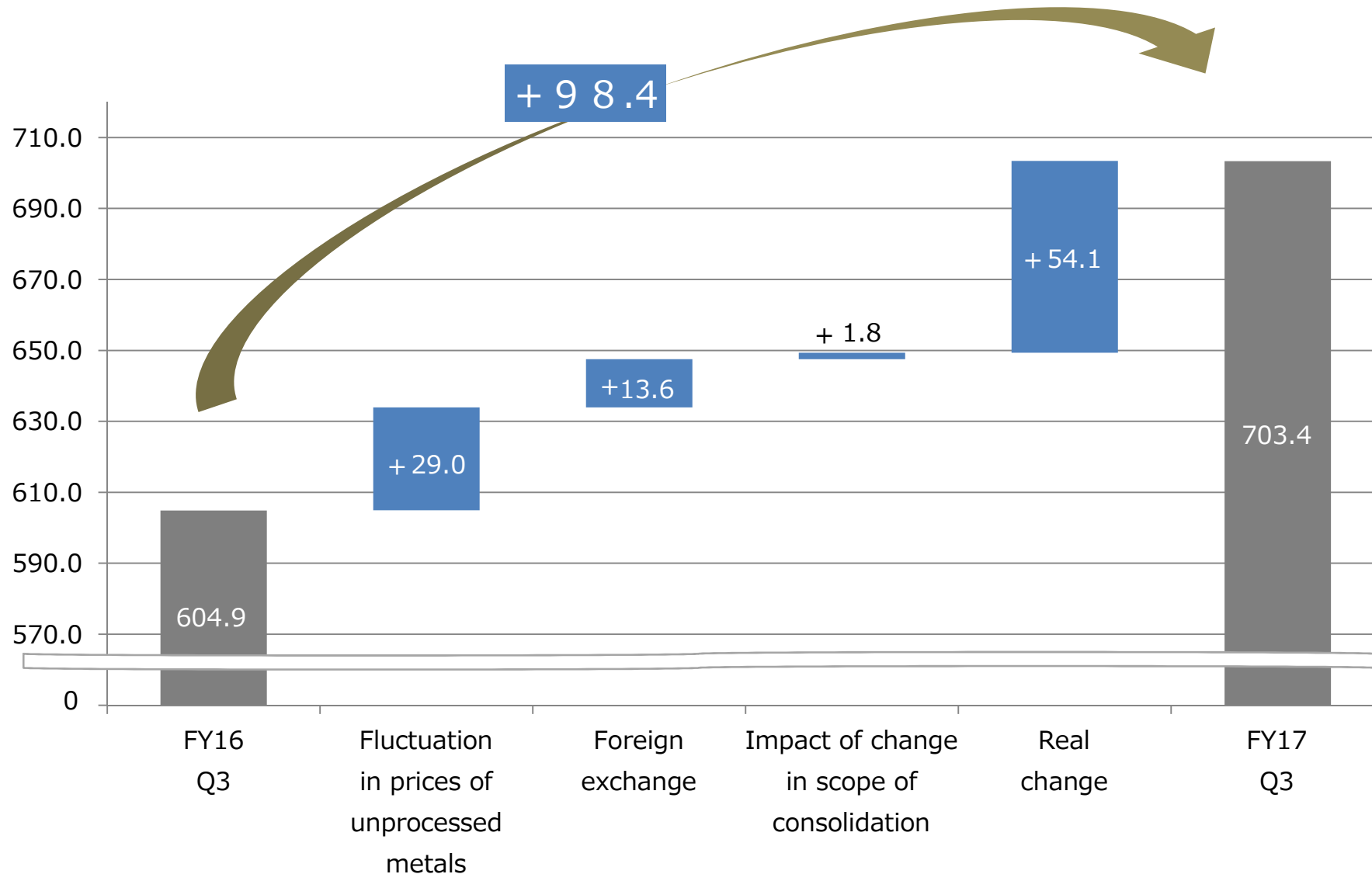
FY2017 Q3 Results – P/L Summary

(JPY billion, JPY/kg, JPY/USD)

	FY16Q3		FY17Q3		YtoY change		Breakdown of change (Q3)
		10~12		10~12		10~12	
	a	b	c	d	c-a	d-b	
Net sales	604.9	207.4	703.4	245.9	+98.4	+38.5	+98.4 (+16%) See page 5
Operating income	23.8	10.5	33.3	11.5	+9.5	+1.0	+9.5 (+40%)
(Ratio)	3.9%	5.1%	4.7%	4.7%	+0.8	▲ 0.4	See page 6
Profit/loss in equity method affiliates	▲ 0.5	0.6	3.5	1.5	+4.0	+0.9	
Foreign exchange gain/loss	▲ 1.2	0.0	▲ 0.9	▲ 0.2	+0.3	▲ 0.2	
Ordinary income	20.8	10.6	34.8	12.7	+14.0	+2.0	+14.0 (+67%)
(Ratio)	3.4%	5.1%	4.9%	5.1%	+1.5	+0.0	
Extraordinary income/loss	7.7	6.1	5.5	▲ 0.7	▲ 2.3	▲ 6.8	·Extraordinary income; ▲2.2 (11.3 → 9.1)
Income taxes	6.5	3.5	8.2	3.3	+1.8	▲ 0.2	·Extraordinary loss; ▲0.1 (▲3.6 → ▲3.6)
Net income attributable to non-controlling interests	3.2	1.1	2.8	1.2	▲ 0.4	+0.1	
Net income attributable to owners of parent	18.9	12.2	29.2	7.5	+10.3	▲ 4.7	+10.3 (+55%)
(Ratio)	3.1%	5.9%	4.2%	3.1%	+1.0	▲ 2.8	
Average copper price	570	622	743	812	–	–	
Average exchange rate	107	109	112	113	–	–	

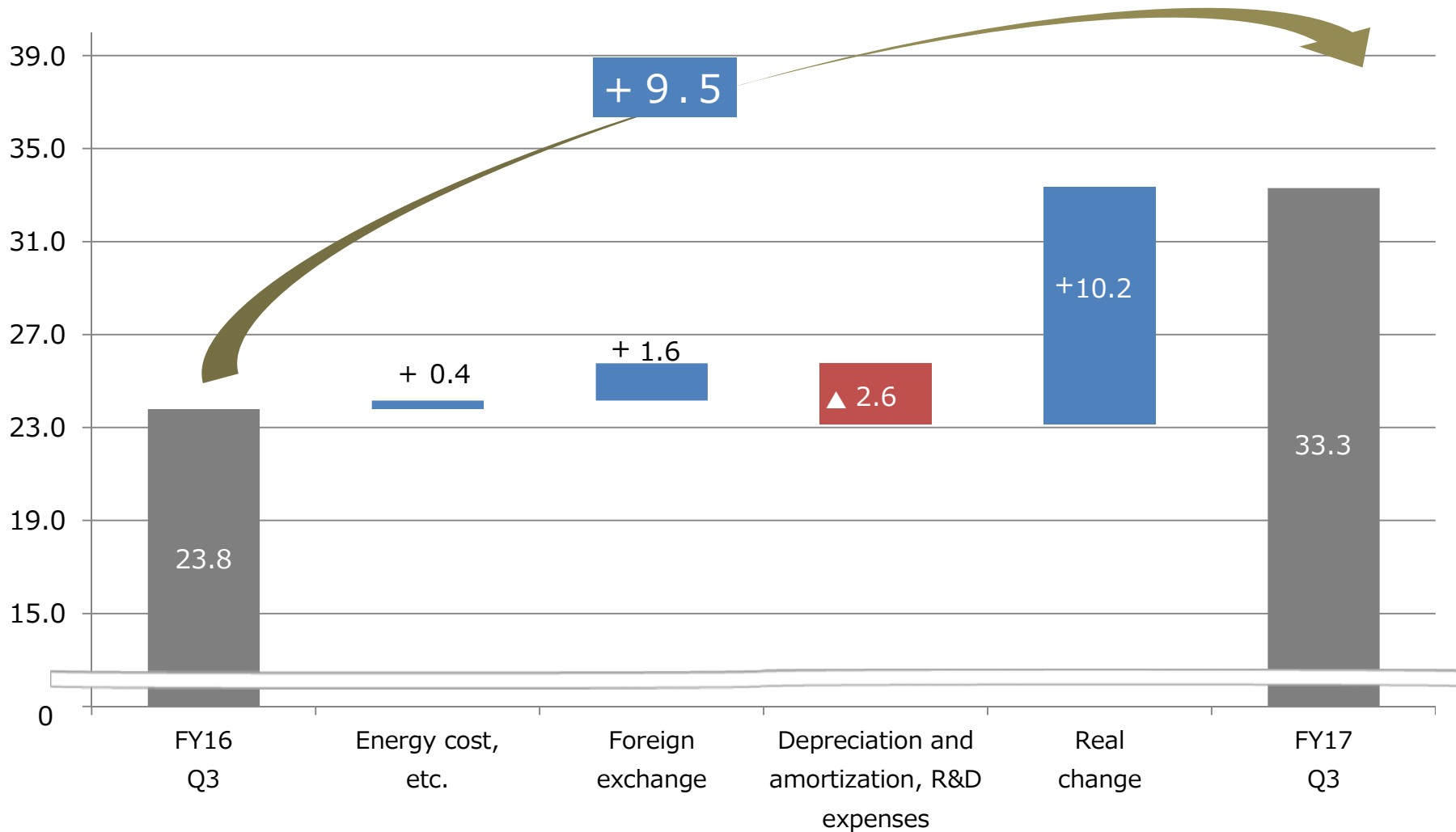
Analysis of Changes in Net Sales (YOY)

(JPY billion)



Analysis of Changes in Operating income(YOY)

(JPY billion)



Revision of FY2017 Full year Forecasts -P/L Summary

(JPY billion, JPY/kg, JPY/USD)

	FY16 Results	FY17 *Previous forecasts	FY17 New forecasts	YoY Changes	Changes from previous forecast
	a	b	c	c-a	c-b
Net sales	843.3	925.0	950.0	+106.7	+25.0
Operating income	38.6	43.0	43.0	+4.4	—
(Ratio)	4.6%	4.6%	4.5%	▲ 0.1	▲ 0.1
Profit/loss in equity method affiliates	0.1	—	—	—	—
Foreign exchange gain/loss	▲ 1.2	—	—	—	—
Ordinary income	36.0	43.5	45.0	+9.0	+1.5
(Ratio)	4.3%	4.7%	4.7%	+0.5	+0.0
Extraordinary income/loss	▲ 8.1	▲ 6.5	▲ 8.0	+0.1	▲ 1.5
Income taxes	5.5	—	—	—	—
Net income attributable to non-controlling interests	4.9	—	—	—	—
Net income attributable to owners of the parent	17.6	25.5	25.5	+7.9	—
(Ratio)	2.1%	2.8%	2.7%	+0.6	▲ 0.1
Average copper price	604	717	757	(Q1~Q3: 743 / Q4 Assumptions: 800)	
Average exchange rate	108	108	110	(Q1~Q3: 112 / Q4 Assumptions: 105)	

* Previous forecasts : Announced on 11/2 at FY2017Q2 financial results briefing

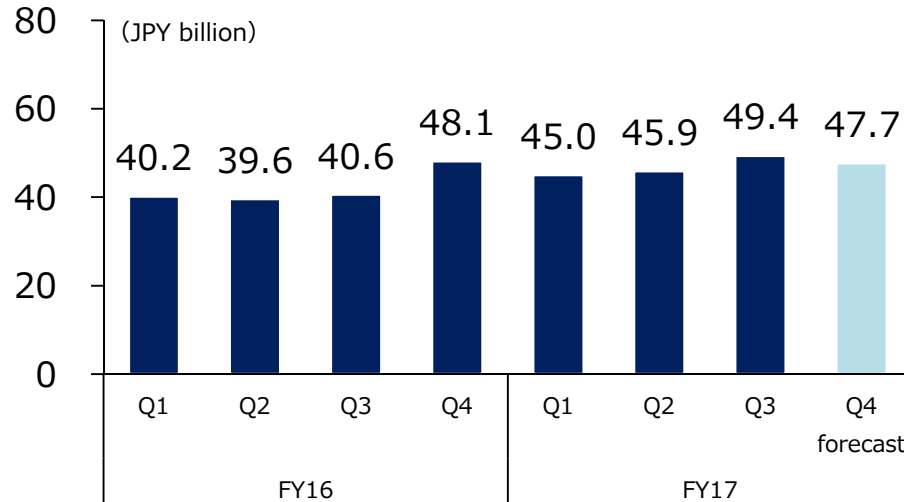
Net Sales and Operating Income by Segment

(JPY billion)

		Q3 (first nine months)			Full year				
		FY16 Results	FY17 Results	YtoY Change	FY16 Results	FY17 Previous Forecast	FY17 New Forecast	YtoY Change	Change from previous forecast
Net sales	Infrastructure	187.4	216.6	+29.2	263.8	285.0	293.0	+29.2	+8.0
	Communications Solutions	120.4	140.3	+20.0	168.5	175.0	188.0	+19.5	+13.0
	Energy infrastructure	67.0	76.3	+9.2	95.3	110.0	105.0	+9.7	▲ 5.0
	Electronics & Automotive Systems	328.2	383.0	+54.8	455.5	515.0	527.0	+71.5	+12.0
	Automotive Products & Batteries	158.9	175.5	+16.6	223.4	240.0	242.0	+18.6	+2.0
	Electronics Component Materials	169.3	207.5	+38.2	232.1	275.0	285.0	+52.9	+10.0
	Functional Products	101.0	113.5	+12.5	131.5	145.0	150.0	+18.5	+5.0
	Service and Developments, etc.	36.7	38.9	+2.3	49.7	50.0	50.0	+0.3	+0.0
	Elimination of intra-company transactions	▲ 48.3	▲ 48.7	▲ 0.4	▲ 57.0	▲ 70.0	▲ 70.0	▲ 13.0	+0.0
	Total	604.9	703.4	+98.4	843.3	925.0	950.0	+106.7	+25.0
Operating income	Infrastructure	8.5	9.8	+1.3	14.3	13.3	11.1	▲ 3.2	▲ 2.2
	Communications Solutions	9.5	11.1	+1.5	14.2	14.1	14.1	▲ 0.1	+0.0
	Energy infrastructure	▲ 1.0	▲ 1.2	▲ 0.2	0.1	▲ 0.8	▲ 3.0	▲ 3.1	▲ 2.2
	Electronics & Automotive Systems	6.9	12.5	+5.6	12.8	17.5	18.0	+5.2	+0.5
	Automotive Products & Batteries	5.5	8.6	+3.1	10.1	12.8	13.0	+2.9	+0.2
	Electronics Component Materials	1.4	3.9	+2.4	2.7	4.7	5.0	+2.3	+0.3
	Functional Products	8.6	11.1	+2.5	11.7	13.0	14.0	+2.3	+1.0
	Service and Developments, etc.	▲ 0.3	▲ 0.2	+0.1	▲ 0.1	▲ 0.8	▲ 0.1	+0.0	+0.7
	Elimination of intra-company transactions	▲ 0.1	▲ 0.0	+0.1	▲ 0.0	0.0	0.0	+0.0	+0.0
	Total	23.8	33.3	+9.5	38.6	43.0	43.0	+4.4	-

1 -(1) Infrastructure (Communications Solutions)

Net sales



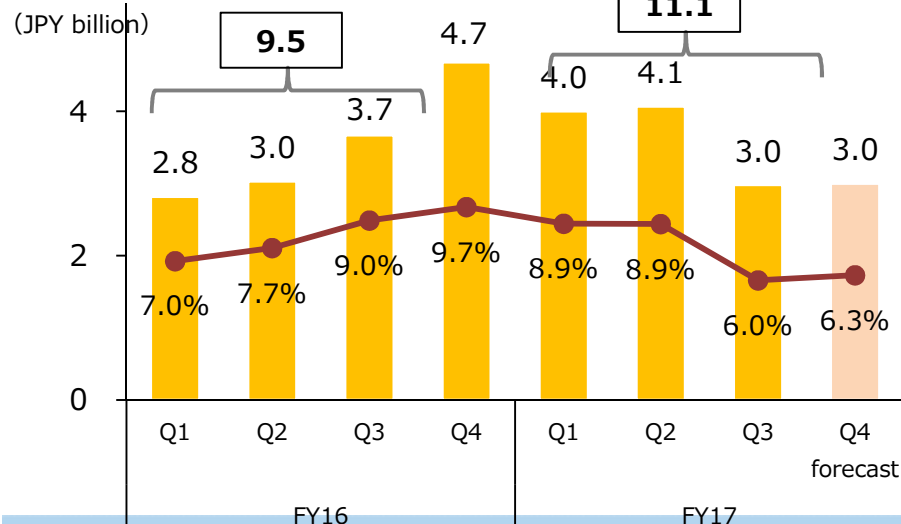
< Details of Operating Income difference >

Q1-Q3 cumulative results: YoY +1.5 billion yen

□: Positive growth factors ■: Negative growth factors

- Although strong demand of optical fiber and cable, sales of optical cables in North America slowed down in Q3
- Backed by increased adoption of optical transmission, growing demand for network systems in Japan contributed to the results
- Digital coherent products were affected by continued inventory adjustments in the Chinese market, resulting in declines in sales and operating income

Operating income / operating margin

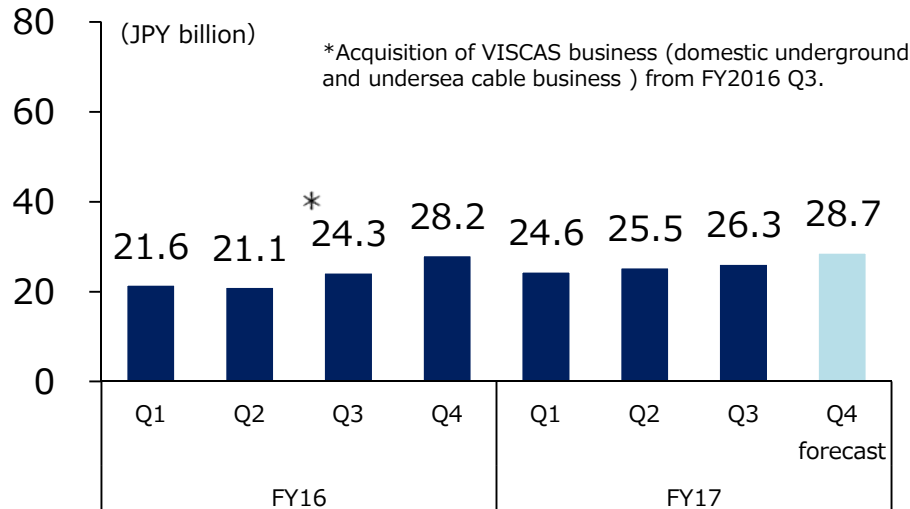


Q4 forecast : +0.07 billion yen vs. Q3 actual

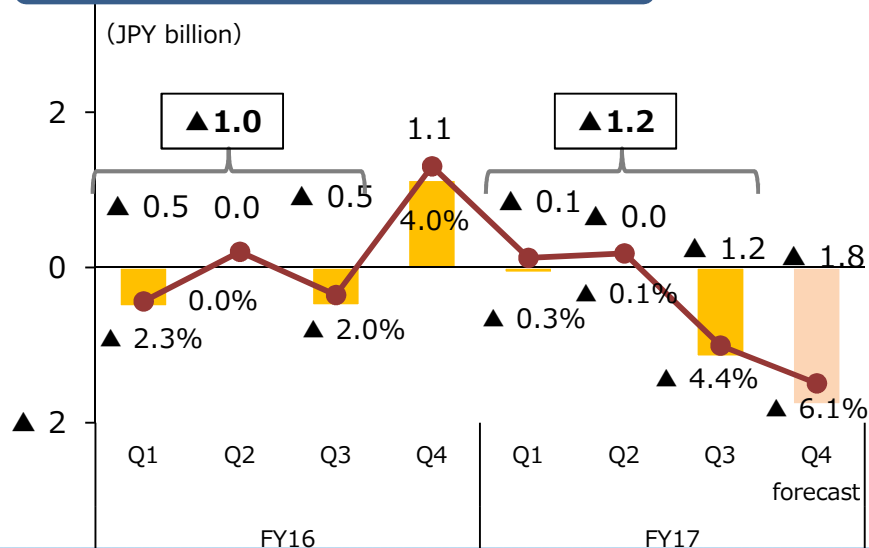
- Sales of optical cables will continue to be the same level as Q3
- Global demand for optical fiber cables will remain strong
 - Focus on expanding sales

1 -(2) Infrastructure (Energy Infrastructure)

Net sales



Operating income / operating margin



< Details of Operating Income difference >

Q1-Q3 cumulative results: YoY ▲0.2 billion yen

□: Positive growth factors ■: Negative growth factors

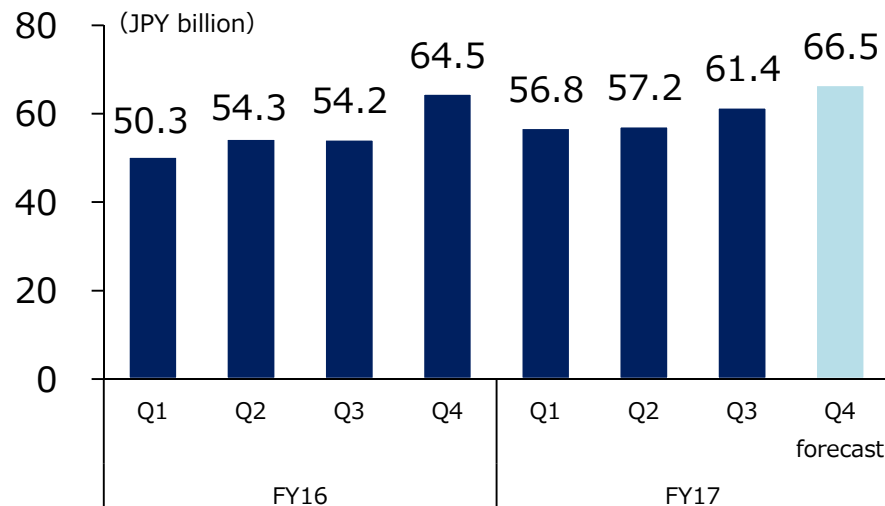
- Profitability from exports has deteriorated, accompanying a decline in inventory value
- Domestic sales of distribution products dropped, resulting in a decline in operating income

Q4 forecast: ▲0.6 billion yen vs. Q3 actual

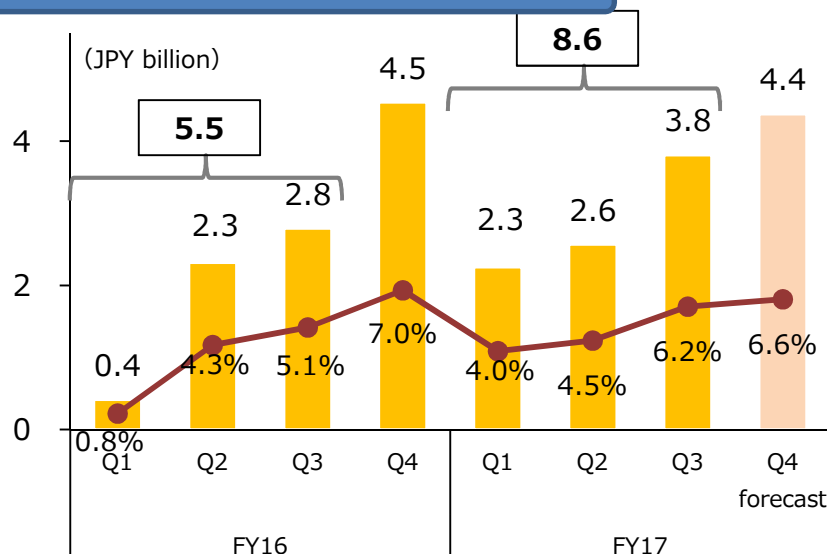
- Loss from the order prospective project of power cable for new energy is expected
 - Strategic move toward expanding new energy business
- Profits from exports will continue to be weak
- Profitability of power transmission/distribution products will improve due to seasonal factors

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

Net sales



Operating income / operating margin



< Details of Operating Income difference >

Q1-Q3 cumulative results: YoY +3.1 billion yen

□ : Positive growth factors ■ : Negative growth factors

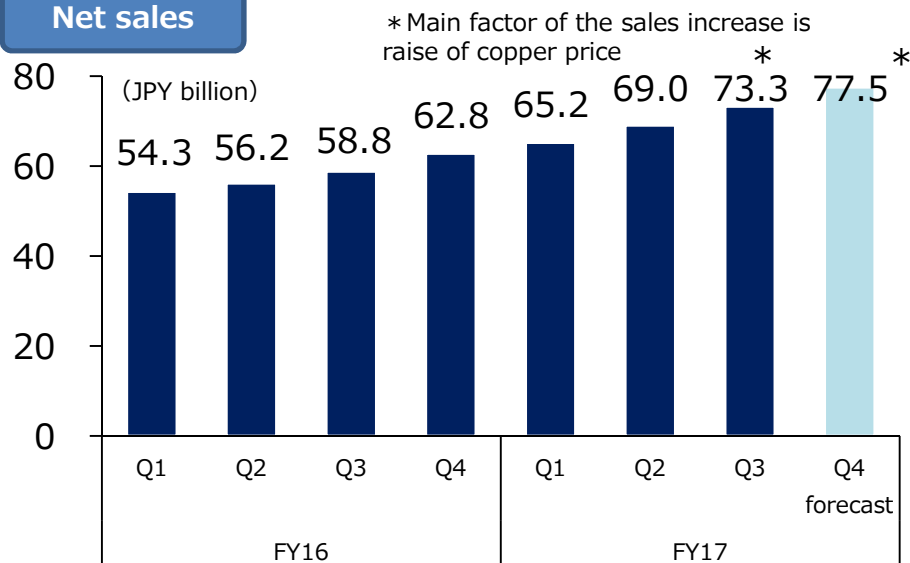
- Wire harnesses adopted to new car models continued to deliver strong results
- Demand recovered after the fall attributable to the Kumamoto earthquake in April 2016
- Efforts for improving cost of sales by increasing production efficiency and reducing logistics costs continued to contribute to the results

Q4 forecast: +0.6 billion yen vs. Q3 actual

- Income from batteries will increase due to seasonal factors
- Strong sales of wire harnesses for new car models will continue
 - Anticipated to receive steady orders for aluminum harnesses

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

Net sales

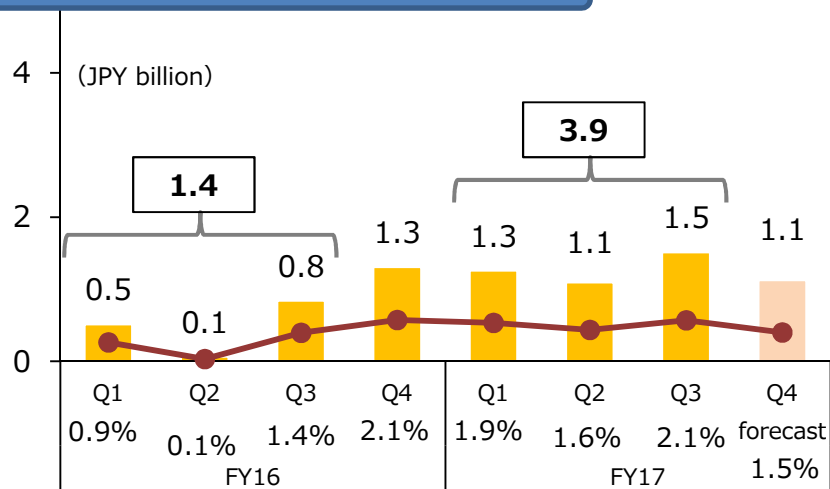


< Details of Operating Income difference >

Q1-Q3 cumulative results: YoY +2.4 billion yen

- : Positive growth factors ■ : Negative growth factors
- Copper & High Performance Material Products division increased sales and income due to the improvement of the product mix and responding to strong demand with steady increase in production by improving productivity
- Magnet wires for vehicles and smartphones continued to deliver a strong result

Operating income / operating margin

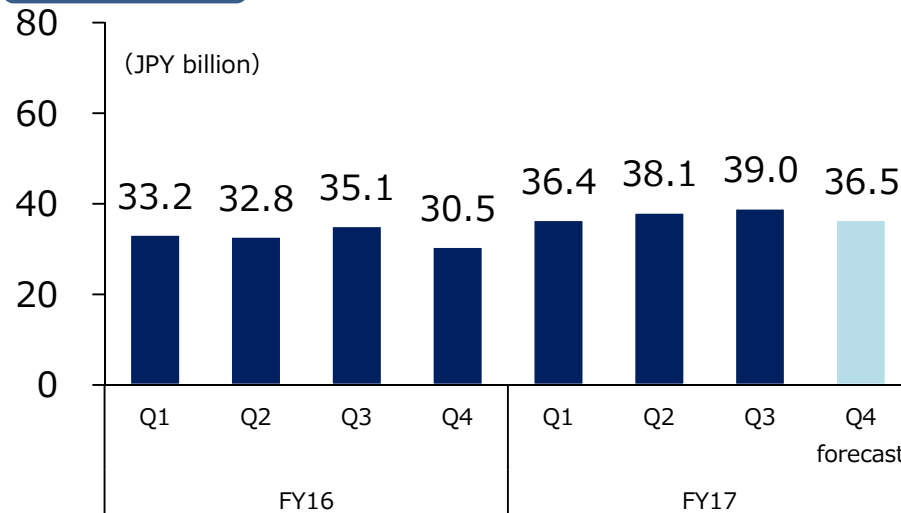


Q4 forecast: ▲0.4 billion yen vs. Q3 actual

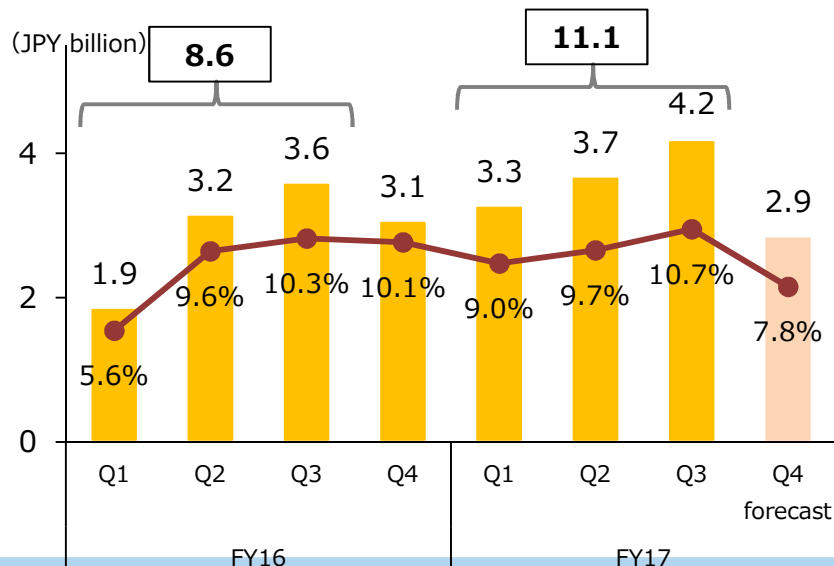
- As for wrought copper products and magnet wires for smartphone-related products, a temporary adjustment is anticipated

3 Functional Products

Net sales



Operating income / operating margin



< Details of Operating Income difference >

Q1-Q3 cumulative results: YoY +2.5 billion yen

- : Positive growth factors ■ : Negative growth factors
- Copper foils delivered strong results, due to increased productivity and improvement of product mix under the strong demand environment
- As for Thermal Management Solution & Products division, demand from data centers remained strong

Q4 forecast: ▲1.3 billion yen vs. Q3 actual

- Tapes for semiconductor manufacturing will be further affected by intensification of competitive environment
- Each business segment expects to see certain impacts of fiscal year-end demand adjustments

FY2017 Q3 Results – BS Summary

(JPY billion)

	End of 16Q4	End of 17Q3	Change	Breakdown of change
	a	b	b-a	
Current assets	382.4	432.2	+49.8	Inventories +18.5
Cash and bank deposits	47.2	52.1	+4.9	
Notes and accounts receivable trade	198.9	223.5	+24.7	Increased by sales increase
Non-current assets	367.7	389.6	+21.9	
Tangible fixed assets	205.5	214.8	+9.3	
Intangible fixed assets	9.7	10.7	+1.0	
Investments and other assets	152.5	164.1	+11.6	
Total Assets	750.1	821.8	+71.7	Impact of new consolidation +5.6
Current liabilities	293.4	318.4	+25.0	Increased by sales increase
Non-current liabilities	219.7	225.3	+5.6	
Total Liabilities	513.1	543.7	+30.6	
Shareholders' equity	194.3	219.9	+25.6	
Accumulated other comprehensive income	12.4	23.2	+10.7	
Net income attributable to non-controlling interests	30.3	35.1	+4.7	
Total Net assets	237.1	278.1	+41.1	
Total Liabilities and Net assets	750.1	821.8	+71.7	
Interest-bearing liabilities	252.5	277.8	+25.2	Impact of new consolidation +3.7
Capital ratio	27.6%	29.6%	+2.0	
NET D/E ratio	0.99	0.93	▲ 0.06	

- ◇ Total assets: increased from end-FY2016 due to sales increase, rise in copper prices and share prices, etc.
- ◇ Interest-bearing liabilities: free cash flow is in a deteriorating trend due to an increase in working capital

FY2017 Q3 Results and Revised forecasts for the year

- CAPEX, Depreciation & amortization and R&D

(JPY billion)

	Q3 (first nine months)			Full year				
	FY16 Results	FY17 Results	YtoY Changes	FY16 Results	FY17 Previous forecast	FY17 New forecast	YtoY Change	Change from previous forecast
	a	b	b-a	c	d	e	e-c	e-d
CAPEX	20.4	23.3	+3.0	31.6	42.0	42.0	+10.4	—
Depreciation and amortization	17.4	18.5	+1.1	23.4	26.5	26.5	+3.1	—
R&D expenses	12.8	14.2	+1.5	17.5	19.4	19.4	+1.9	—

Revision of Dividend forecast

(JPY)

	FY16 Results	* FY17 Previous forecasts	FY17 New forecasts	YoY Changes
Annual dividend per share	55	60	70	+15

* Announced on May 10, 2017

We will maintain a stable dividend policy while keeping a good balance between growth investment and financial health.

(Appendix) Segments and Business Divisions

Segment	Sub-segment	Business Division
Infrastructure	Communications Solutions	Optical Fiber and Cable Products
		FITEL Products
		Broadband Solutions Business
	Energy Infrastructure	Power Cable
		Industrial Cable & Power Cable Accessories
Electronics & Automotive Systems	Automotive Products & Batteries	Automotive Products
		Batteries
	Electronics Component Material	Electric Conductor
		Magnet Wire
		Copper & High Performance Material Products
		Copper Tube
Functional Products		AT & Functional Plastics
		Thermal Management Solution & Products
		Memory Disk
		Copper Foil
Service and Developments, etc.		

Thank you very much
for your attention.

