

First Half Overview and Future Initiatives

President
Keiichi Kobayashi

November 1, 2018
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.

FY2018 H1 overview

- Although income increased on higher revenue in the Electronics & Automotive Systems and Functional Products segments, income fell on lower revenue in the Infrastructure segment (Communications Solutions, Energy Infrastructure)
- Communications Solutions, which was strong last year, recorded lower income mainly due to delayed recovery in the demand from customers
- In Energy Infrastructure, provision for orders of new energy projects was factored in during Q2

(JPY billion)

	FY17 H1 Results	FY18 H1 Results	YtoY Change
Net sales	457.5	487.4	+29.9
Operating income	21.8	17.6	▲4.2
Operating income ratio	4.8%	3.6%	▲1.2

Situation in H2 and full year

- Downward revision to the net sales and income forecast for FY18
- In Communications Solutions, although sales of optical cables in North America are gradually recovering, they will not reach the initial forecast. In Energy Infrastructure, larger losses are expected due to a delay in the order receipt plan
- Depreciation/ amortization and R&D expenses are expected to increase in H2 compared to H1

*Revised the assumptions of exchange rate and copper price for H2

(exchange rate; initial forecast: \$ = ¥105, current forecast: \$ = ¥110, copper price; initial forecast: ¥800, current forecast: ¥700)

(JPY billion)

	FY17 Results	FY18 Initial forecasts	FY18 Forecasts			Change compared to the initial forecasts
			H1 Results	H2 Forecasts	Full year Forecasts	
Net sales	967.3	1000.0	487.4	492.6	980.0	▲20.0
Operating income	44.8	43.0	17.6	22.4	40.0	▲3.0
Operating income ratio	4.6%	4.3%	3.6%	4.5%	4.1%	▲0.2
Ordinary income	46.9	43.5	15.9	24.1	40.0	▲3.5
Net income attributable to owners of parent	28.5	23.0	9.8	10.2	20.0	▲3.0

<Optical Fiber and Cable>

- Status of optical fiber shipments
 - Steady as planned, including optical fiber for CATV (Investments in increasing production are also being made according to the plan)
- North America optical cable market and status of Furukawa Electric improvements

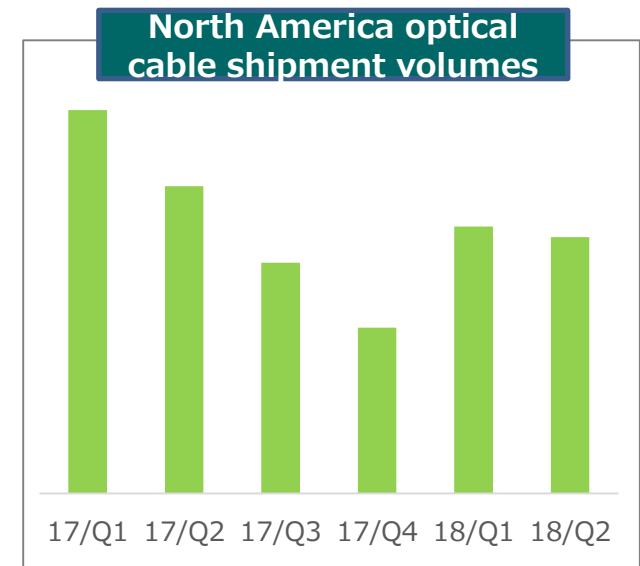
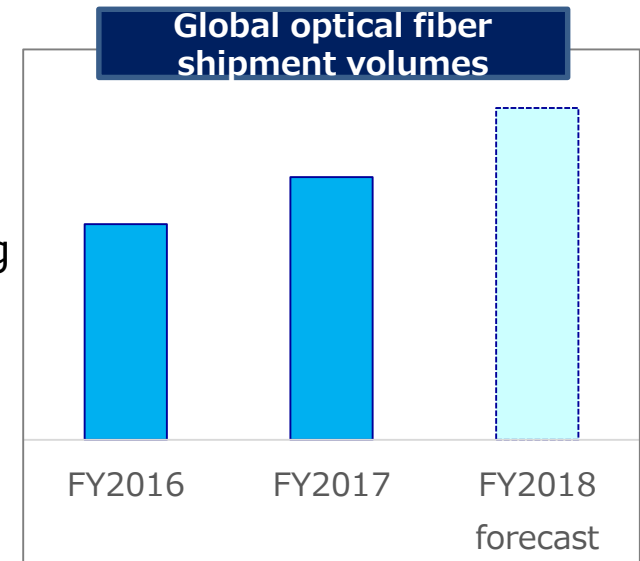
① Communications carriers:

Although they are driving the market, Furukawa Electric shipments are limited

In the area of indoor cable, restrained investment of customers has had an impact

② Project market: Trend toward lower prices

- Although the market is recovering, the pace is slower than expected
 - Increased orders for rollable ribbon cable (Increase in project orders that will contribute to next year)
- In EMEA, micro-cable continues to be strong

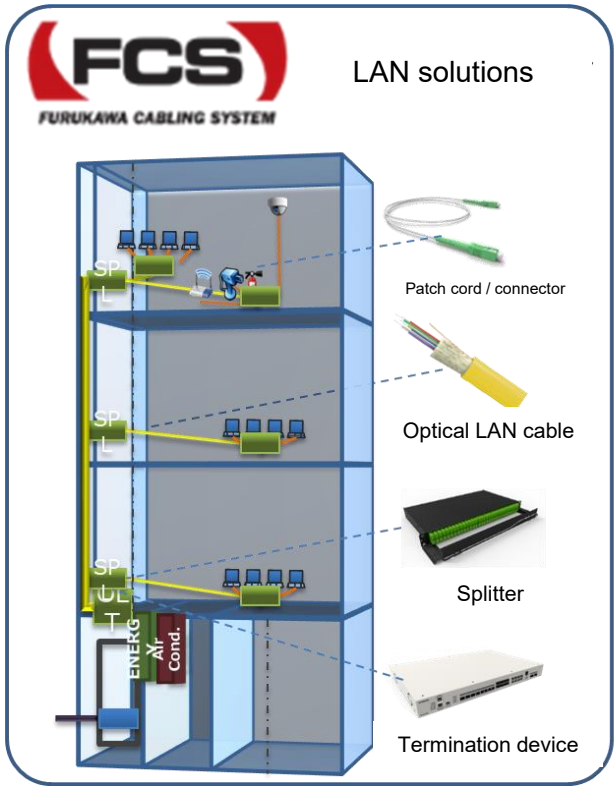


<FITEL>

- Signal light source (digital coherent products (ITLA/ TOSA))
 - Inventory adjustment in the market is almost complete, and shipments are recovering
 - Have almost set sights on the response to new products (high output type)
- Excitation light source
 - Firm orders as a result of increased communication traffic
- Industrial fiber lasers
 - Became profitable following increased sales

<Solutions>

- Expanding the South America FCS business model to Asian region (Thailand, etc.)
(Orders: Increased 70% compared to FY2016)
- Increased orders for transmission equipment in Japan responding to 4K8K



Through sales activities focused on Japan and Asia, multiple project orders have been received

1. New energy related projects in Japan, where demand is expected to increase going forward

- Received an order for the first large-scale submarine cable project in Japan on an actual commercial line (about JPY 8 billion)
- Multiple submarine cable projects for which the order is extremely likely to be received (total of at least JPY 10 billion)
- Expected orders for multiple land based new energy projects (total of at least several billions of yen)
- Many requests for cooperation during the planning phase for power generation projects that will lead to an order in the future

⇒ Establish a solid leading position in the new energy domain in Japan

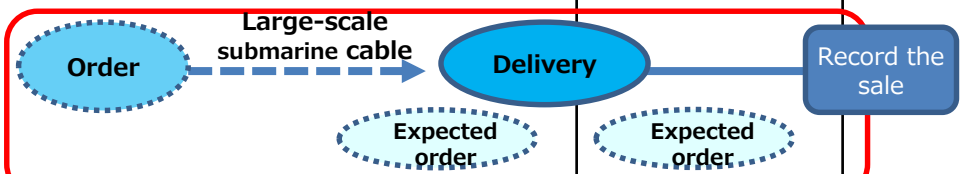
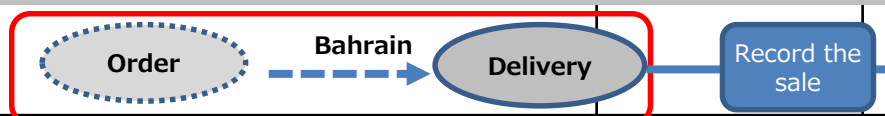
2. In Japan underground cable, the replacements from OF to CV cable start

3. Evaluated as being in the top class in the world in experience, technological capability and project execution ability in ultra-high voltage (400kV)

- Received an underground cable order in Bahrain (about JPY 14 billion)

Energy Infrastructure – Roadmap for the Power Cable Division

Steadily securing orders in line with the initial plan. Will continue to accumulate orders in the future

New orders/ prospective projects	FY17	FY18	FY19	FY20
Japan underground cable	Establish a system Update the facilities Secure/ train personnel	Demand from electric power companies for renewing aging facilities Start of replacement from OF to CV cable		
Submarine cable (Japan and Asia)		Delivery of new energy submarine cable / Asia submarine cable 		
Overseas underground cable	Restructure the sites in China	Accumulate experience delivering underground cable in the Middle East and Southeast Asia 		
Energy Infrastructure segment operating income	Fixed expenses anticipatory phase (Invest in personnel, facilities and development)	H1: JPY ▲3.8 billion* H2: JPY ▲0.7 billion * Includes JPY ▲1.5 billion as provision for submarine cable orders in Japan End low margin projects Become "profitable" through the demand for the renewal of underground cable in Japan and accumulation of orders for submarine and underground cable Invest in responding to long-length submarine cable and increasing productivity (JPY 15 billion from FY18 to FY25)		At least JPY 1 billion yen

Thoroughly conduct KPI management with an awareness of return on operating assets at all divisions

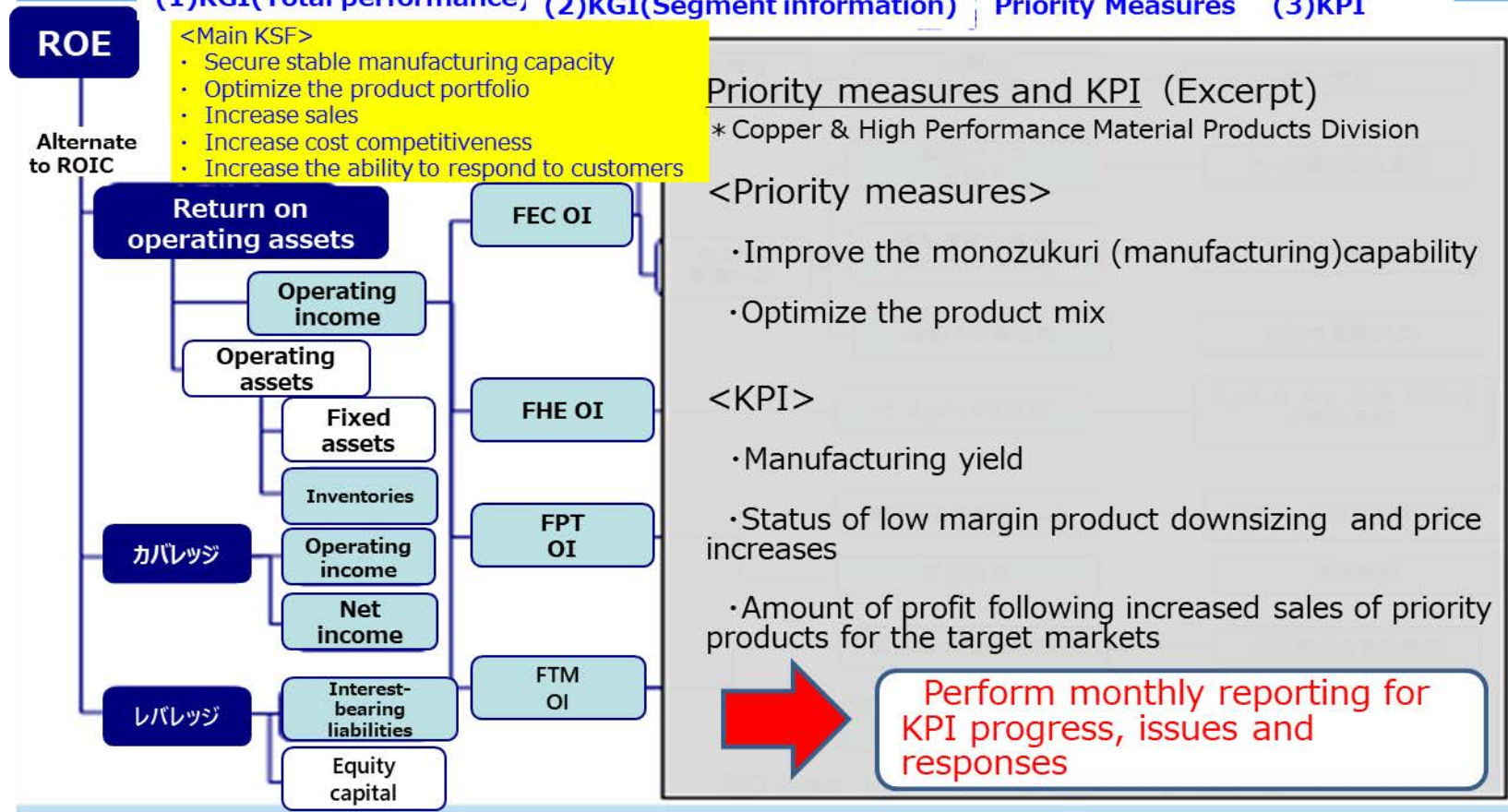
KGI – KSF – KPI tree

FY2018

Business division

Copper & High performance metal products

(1)KGI(Total performance) (2)KGI(Segment information) Priority Measures (3)KPI



Optimizing the business portfolio①

- Thoroughly enforce the receipt of project orders that will provide appropriate profits
- For businesses and products for which it will be difficult to improve profits, downsize, withdraw or reorganize the sites
- For products that have added value appeal, promote proactive price increases

	Examples of actions taken
Narrow down orders	<ul style="list-style-type: none"> •Wire harnesses •General-use power cable for construction and wholesaler field
Downsize / withdraw	<ul style="list-style-type: none"> •Copper strips (phosphor bronze strips) •Copper tubes (refrigerant piping business of Okumura Metals)
Close / reorganize sites	<ul style="list-style-type: none"> •Reorganize the cable sites in Southeast Asia (Thailand) •Wire harnesses <ul style="list-style-type: none"> – Consolidate the factories at Mexico site, Close the North China sites, Consolidate the factories at India site

Sale of shares of the listed subsidiary FCM CO., LTD.

- About the sale of shares of FCM CO., LTD.

Business: Functional electronics materials business

(Chemical processing and metal plating of materials and components used in electronics devices and electrical components)

Functional electronics wire business

(wire drawing, including conductors for power cable)

Ratio of shares owned by Furukawa Electric: 55.2%

Purchaser: Aspirant Group SPC No. 5 Inc.

Number of shares to be sold: 940,567 shares

Sales method: Tender offer by Aspirant Group SPC No. 5

Purchase period: Nov. 2 to Nov. 30, 2018

⇒ Invest the procured capital in growing the focus businesses, and use to improve fiscal health through the reduction of interest bearing debt

Investments in growth

- Capital investments and research & development expenses progressed as expected

- Capital investments:

- Increase production and improve productivity of optical fiber
 - Support long-length and improve productivity of power cable
 - Increase and automate production of wire harnesses

- R&D expenses:

- High performance optical fiber and cable, ITLA
 - In-vehicle radar, aluminum harnesses

(JPY billion)

	FY17 Results	FY18 Forecasts (no change from the initial forecasts)		
		H1 Results	H2 Forecasts	Full year forecasts
CAPEX	38.5	20.9	33.1	54.0
Depreciation and amortization	25.1	13.0	14.8	27.8
R&D expenses	19.5	10.3	12.5	22.8

New development example: In-vehicle peripheral monitoring radar

- Develop a peripheral monitoring radar which is the highest level quasi-millimeter performance in the world “for rear monitoring” and is also comparable to millimeter wave “for forward monitoring” (quasi-millimeter wave, pulse method)
 - While maximizing the features of the pulse method and maintaining the ability to install in the bumper, realize both near/very near detection and distant detection that is difficult to achieve with millimeter wave radar
 - Through improvements to speed resolution, realize resolution equivalent to millimeter wave peripheral monitoring radar
(Improve separation capability and detection of pedestrians and obstacles near the vehicle)
 - Smaller and lighter (▲40% compared to existing products)

Next generation product



Development complete

Forward
detection
(pulse method)

Forward detection
(pulse method)



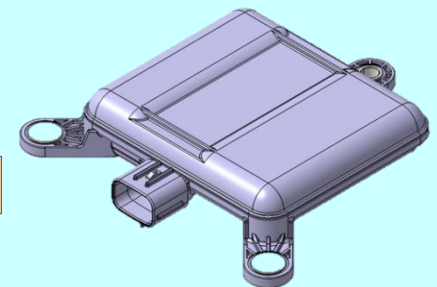
Rear detection
(pulse method)

Rear detection
(pulse method)

In mass production

Existing product

From Nov. 2016, adopted as
the rear monitoring radar in
the Mazda CX-5



Thank you very much
for your attention.

