

FY2018 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.

Operating income and net income attributable to owners of the parent (full-year forecast) are unchanged from the previous forecast

Q3 (First 9 months of FY2018)

- Operating income was JPY 30.7 billion, a change of ▲2.6 billion compared to last year (▲8%), as expected
 Operating income ratio was 4.2%, a drop of 0.6 points compared to last year
 - Income fell in the Infrastructure segment and increased in the Electronics & Automotive Systems segment and Functional Products segment
- Net income attributable to owners of the parent was JPY 18.7 billion, a change of ▲10.5 billion compared to last year (▲36%)
 - Income was lower as the result of lower profit in equity method affiliates and extraordinary profit

Full-year forecast

- Due to the lower profit in equity method affiliates, ordinary income is expected fall below the previous forecast, but because an extraordinary profit resulting from the disposal of non-current assets was recorded in the third quarter, net income attributable to owners of the parent is unchanged from the previous forecast

(JPY billion)

	FY2017	FY2018			
	Results	*Previous forecasts	New Forecasts	YoY change	Change from previous forecasts
Net Sales	967.3	980.0	980.0	+12.7	–
Operating income	44.8	40.0	40.0	▲4.8	–
Ordinary income	46.9	40.0	38.0	▲8.9	▲2.0
Net income attributable to owners of the parent	28.5	20.0	20.0	▲8.5	–

*Announced on November 1, 2018

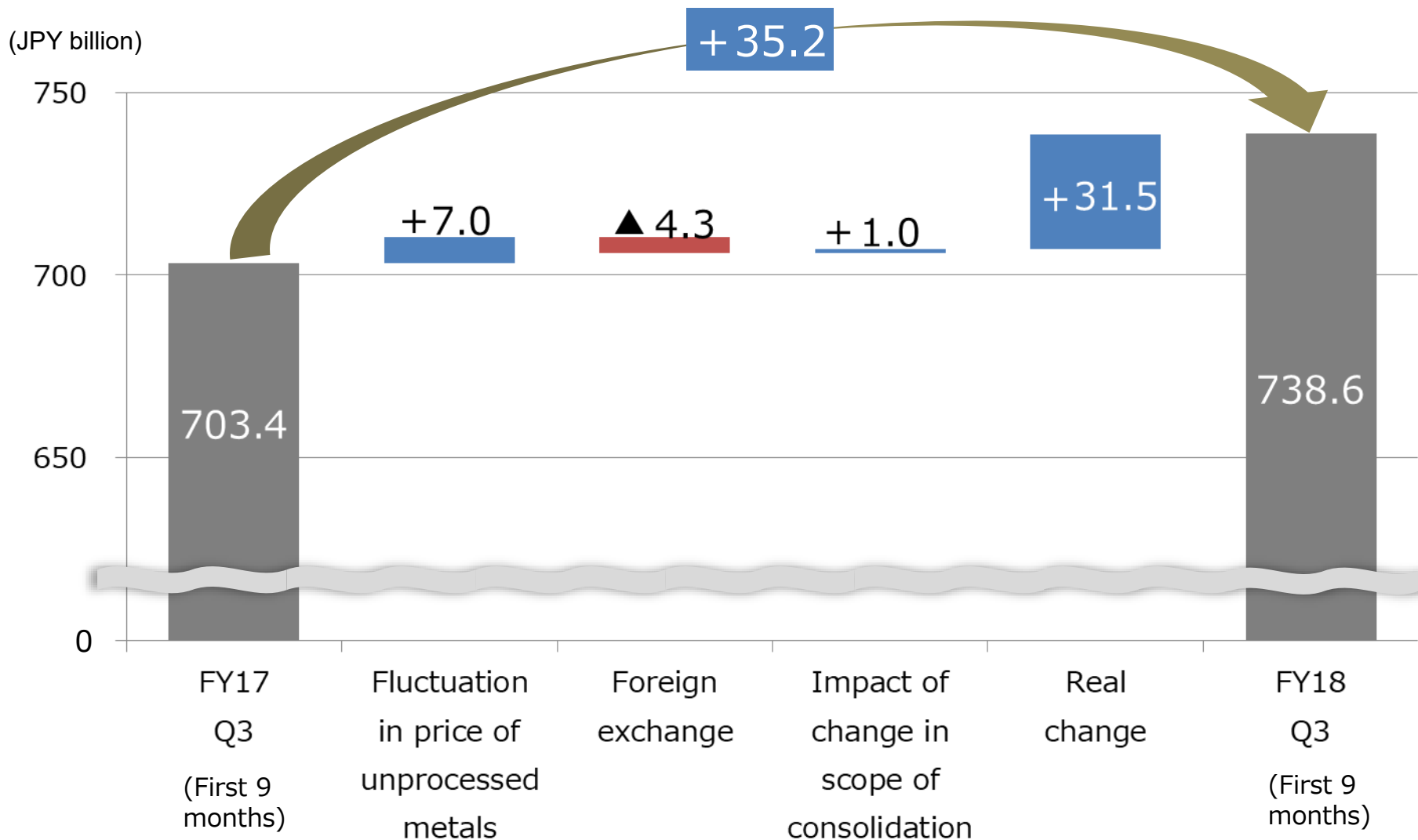
FY2018 Q3 Results – Summary P/L

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

	FY17Q3*		FY18Q3*		YonY change		Breakdown of change (Q3*)
		10~12		10~12		10~12	
	a	b	c	d	c-a	d-b	
Net sales	703.4	245.9	738.6	251.2	+35.2	+5.3	+35.2(+5%) See page 5
Operating income	33.3	11.5	30.7	13.2	▲ 2.6	+1.6	▲ 2.6(▲ 8%)
(Ratio)	4.7%	4.7%	4.2%	5.2%	▲ 0.6	+0.6	See page 6
Profit/loss in equity method affiliates	3.5	1.5	0.8	0.4	▲ 2.7	▲ 1.1	
Foreign exchange gain/loss	▲ 0.9	▲ 0.2	▲ 1.0	▲ 0.4	▲ 0.2	▲ 0.2	
Ordinary income	34.8	12.7	28.7	12.8	▲ 6.1	+0.1	▲ 6.1(▲ 18%)
(Ratio)	4.9%	5.1%	3.9%	5.1%	▲ 1.1	▲ 0.1	
Extraordinary profit/loss	5.5	▲ 0.7	1.1	2.3	▲ 4.3	+3.0	•Extraordinary profit ▲ 4.7 (9.1→4.4)
Income taxes	8.2	3.3	8.5	5.2	+0.3	+1.9	•Extraordinary loss +0.3 (▲ 3.6→▲ 3.3)
Net income attributable to non-controlling interests	2.8	1.2	2.6	1.0	▲ 0.2	▲ 0.2	
Net income attributable to owners of the parent	29.2	7.5	18.7	8.8	▲ 10.5	+1.3	▲ 10.5(▲ 36%)
(Ratio)	4.2%	3.1%	2.5%	3.5%	▲ 1.6	+0.5	
Average copper price	743	812	753	738	–	–	
Average exchange rate	112	113	111	113	–	–	

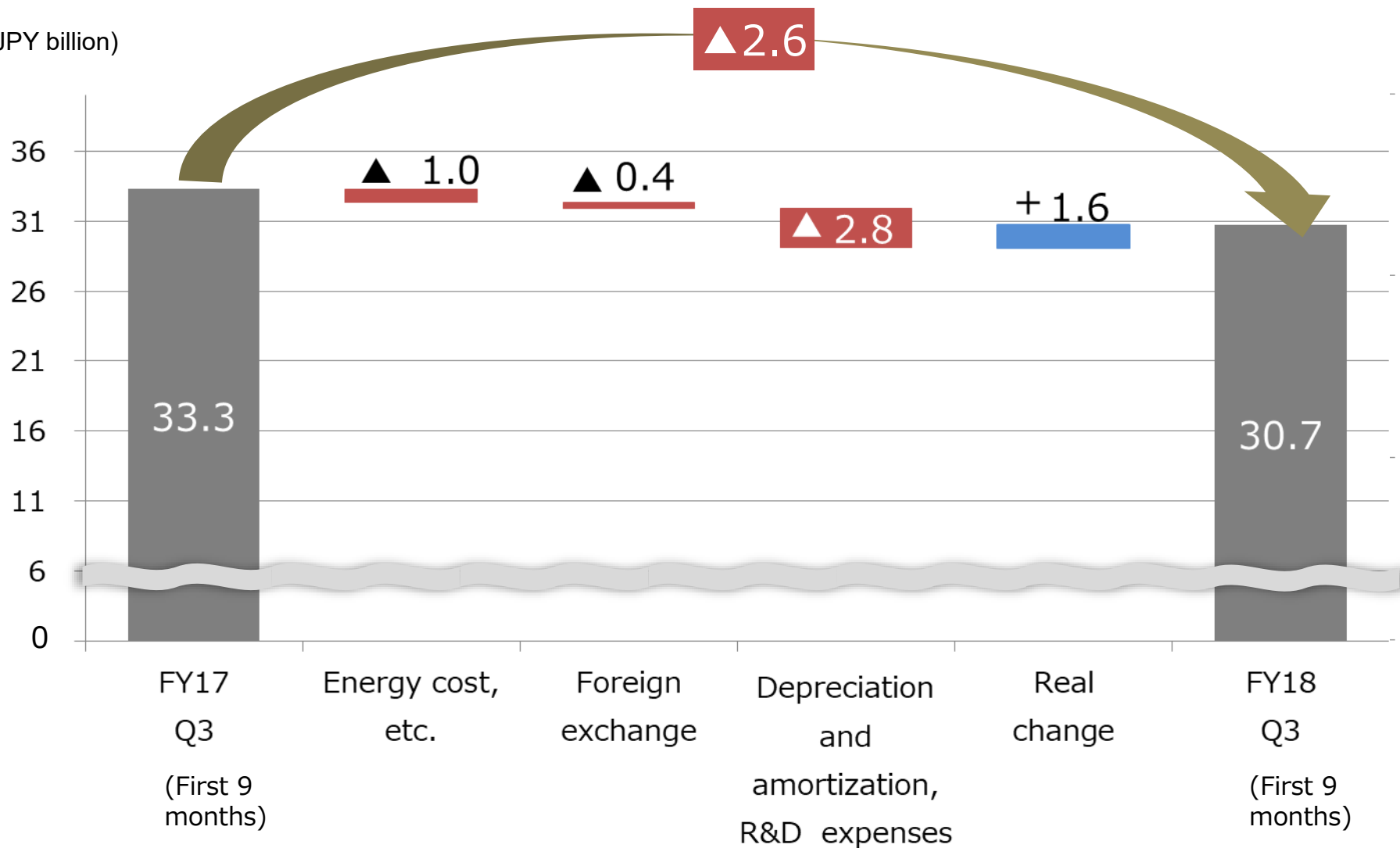
*First 9 months

Analysis of Changes in Net Sales (YOY)



Analysis of Changes in Operating income (YOY)

(JPY billion)



Revision of FY2018 Full year forecasts

-P/L Summary

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

	FY17 Results	FY18 Previous forecasts	FY18 Forecasts	YoY change	Changes from previous forecasts
	a	b	c	b-a	c-b
Net sales	967.3	980.0	980.0	+12.7	—
Operating income	44.8	40.0	40.0	▲ 4.8	—
(Ratio)	4.6%	4.1%	4.1%	▲ 0.6	—
Profit/loss in equity method affiliates	4.3	—	—	—	—
Foreign exchange gain/loss	▲ 1.2	—	—	—	—
Ordinary income	46.9	40.0	38.0	▲ 8.9	▲ 2.0
(Ratio)	4.8%	4.1%	3.9%	▲ 1.0	▲ 0.2
Extraordinary profit/loss	▲ 6.4	▲ 8.0	▲ 6.0	+0.4	+2.0
Income taxes	8.2	—	—	—	—
Net income attributable to non-controlling interests	3.8	—	—	—	—
Net income attributable to owners of the parent	28.5	20.0	20.0	▲ 8.5	—
(Ratio)	3.0%	2.0%	2.0%	▲ 0.9	—
Average copper price	757	730	739		
Average exchange rate	111	110	111		

* Previous forecasts : Announced on 11/1 at FY2018 Q2 financial results briefing

Breakdown by Segment; FY2018 Q3 Results

(JPY billion)

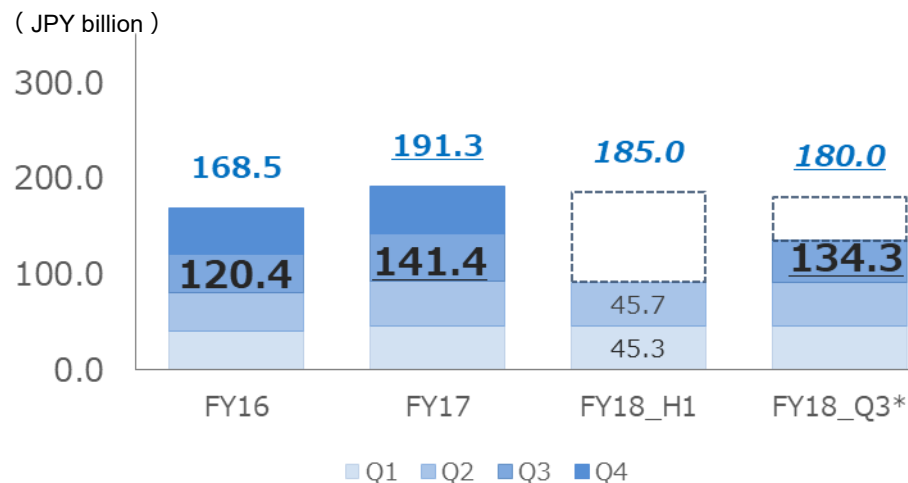
		Q3 (First 9 months)			Full year				
		FY17 Results	FY18 Results	YonY Change	FY17 Results	FY18 Previous Forecasts	FY18 Forecasts	YonY Change	Change from previous forecasts
Net sales	Infrastructure	217.7	212.4	▲ 5.3	293.4	290.0	285.0	▲ 8.4	▲ 5.0
	Communications Solutions	141.4	134.3	▲ 7.1	191.3	185.0	180.0	▲ 11.3	▲ 5.0
	Energy infrastructure	76.3	78.1	1.8	102.1	105.0	105.0	+2.9	0.0
	Electronics & Automotive Systems	383.0	417.2	+34.2	533.8	555.0	565.0	+31.2	+10.0
	Automotive Products & Batteries	175.5	195.6	+20.1	248.1	260.0	270.0	+21.9	+10.0
	Electronics Component Materials	207.5	221.6	+14.1	285.6	295.0	295.0	+9.4	0.0
	Functional Products	113.5	119.2	+5.7	153.1	155.0	150.0	▲ 3.1	▲ 5.0
	Service and Developments, etc.	37.6	35.4	▲ 2.3	51.0	50.0	50.0	▲ 1.0	0.0
	Elimination of intra-company transactions	▲ 48.4	▲ 45.5	+3.0	▲ 63.9	▲ 70.0	▲ 70.0	▲ 6.1	0.0
	Total	703.4	738.6	+35.2	967.3	980.0	980.0	+12.7	0.0

Operating income	Infrastructure	9.6	4.6	▲ 4.9	12.4	7.5	6.5	▲ 5.9	▲ 1.0
	Communications Solutions	11.0	8.3	▲ 2.7	14.0	12.0	11.0	▲ 3.0	▲ 1.0
	Energy infrastructure	▲ 1.4	▲ 3.6	▲ 2.2	▲ 1.6	▲ 4.5	▲ 4.5	▲ 2.9	0.0
	Electronics & Automotive Systems	12.6	14.1	+1.5	18.4	18.0	19.5	+1.1	+1.5
	Automotive Products & Batteries	8.7	9.2	+0.5	13.2	12.0	13.5	+0.3	+1.5
	Electronics Component Materials	3.9	4.9	+1.0	5.1	6.0	6.0	+0.9	0.0
	Functional Products	11.2	11.9	+0.7	14.0	14.5	14.0	▲ 0.0	▲ 0.5
	Service and Developments, etc.	▲ 0.0	0.1	+0.1	▲ 0.0	0.0	0.0	+0.0	0.0
	Elimination of intra-company transactions	▲ 0.0	0.1	+0.1	0.1	0.0	0.0	▲ 0.1	0.0
	Total	33.3	30.7	▲ 2.6	44.8	40.0	40.0	▲ 4.8	0.0

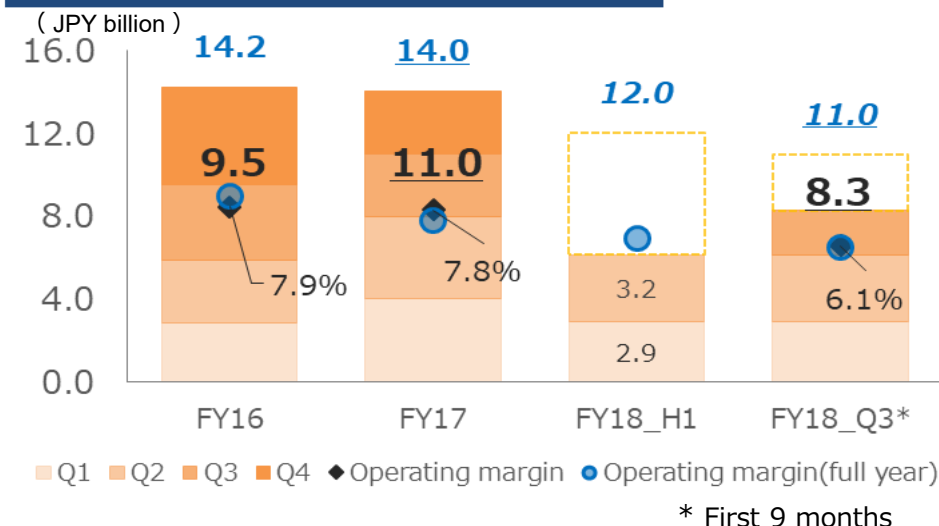
* Due to changes in segments for some businesses and allocation of HQs' expenses effective from FY18, FY17 actuals were restated after the announcement on May 9.

1 -(1) Infrastructure (Communications Solutions)

Net sales



Operating income / Operating income ratio



Blue : Full year Net Sales , Operating Income
 Black : First 9 months Net Sales , Operating Income

< Details of Operating Income difference and focus >

Q3 (First 9 months) results: YoY difference JPY▲2.7 billion

□ : Positive growth factors ■ : Negative growth factors
 √ : Focused point

- Optical cables in North America did not recover to the same level as the strong results during the same term last year
- Competitive environment for optical fibers and cables tends to be deteriorating
- Delay in the shift to next generation digital coherent products
- R&D expenses and depreciation expenses increased
- Contribution of industrial lasers
- Products for network systems in Japan are doing well

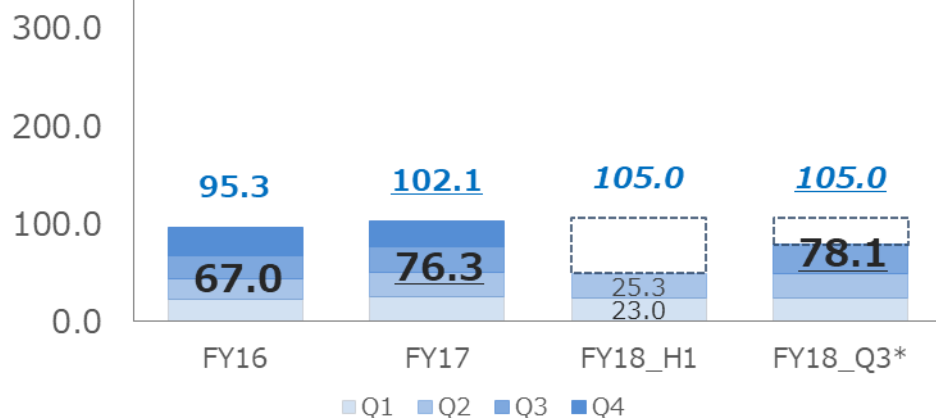
Q4 forecast

- Although optical cables in North America and digital coherent products are recovering, the results are not expected to reach the figures in the previous forecast
- Contribution of industrial lasers
- ✓ Ensure to expand sales of small-diameter super-multicore cables
- ✓ Accelerate development and launch of products to meet the needs of the market
- ✓ Increase the ability to compete in optical fibers and cables

1 -(2) Infrastructure (Energy Infrastructure)

Net sales

(JPY billion)



< Details of Operating Income difference and focus >

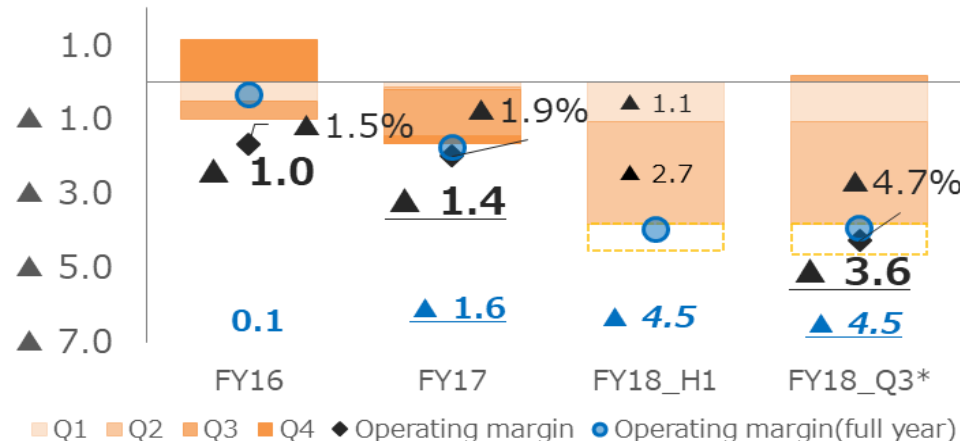
Q3 (First 9 months) results: YoY difference JPY▲2.2 billion

□: Positive growth factors ■: Negative growth factors
✓: Focused point

- Impact of the low profitability overseas underground cable projects (until H2)
- Recorded a provision for loss on construction contracts for new energy projects (Q2)
- Increased revenue from underground cable projects in Japan and electric power transmission components

Operating income / operating income ratio

(JPY billion)



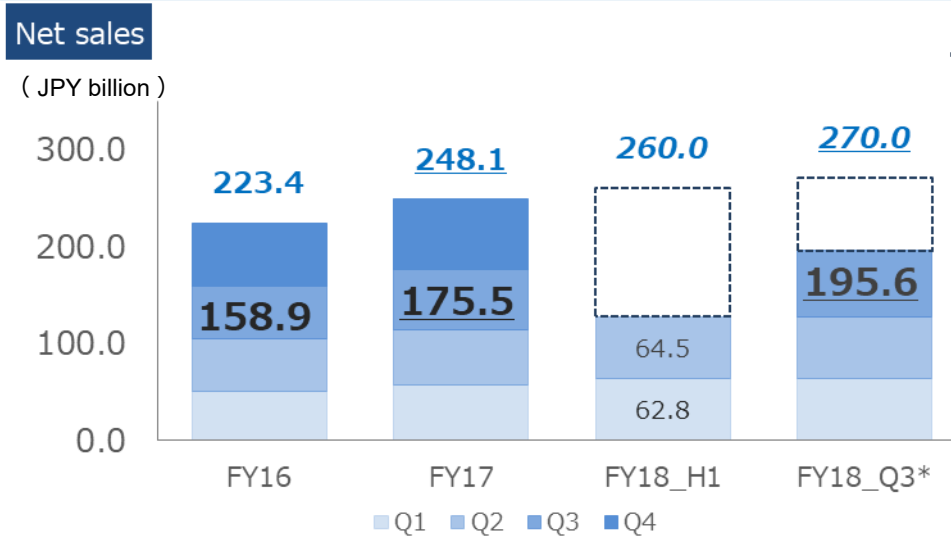
* First 9 months

Q4 forecast

- Overseas affiliates will continue receiving orders strongly but are not expected to achieve the figures in the previous forecast because of temporary costs
- The shift from OF to CV cable in Japan will steadily make gains, albeit at a slow pace
- ✓ Enhance the capability to execute construction and the equipment for submarine cables
- ✓ Receive orders for ultra-high voltage and new energy projects in Japan
- ✓ Launch of low voltage aluminum CV cable for construction and wholesaler field

Blue : Full year Net Sales , Operating Income
Black : First 9 months Net Sales , Operating Income

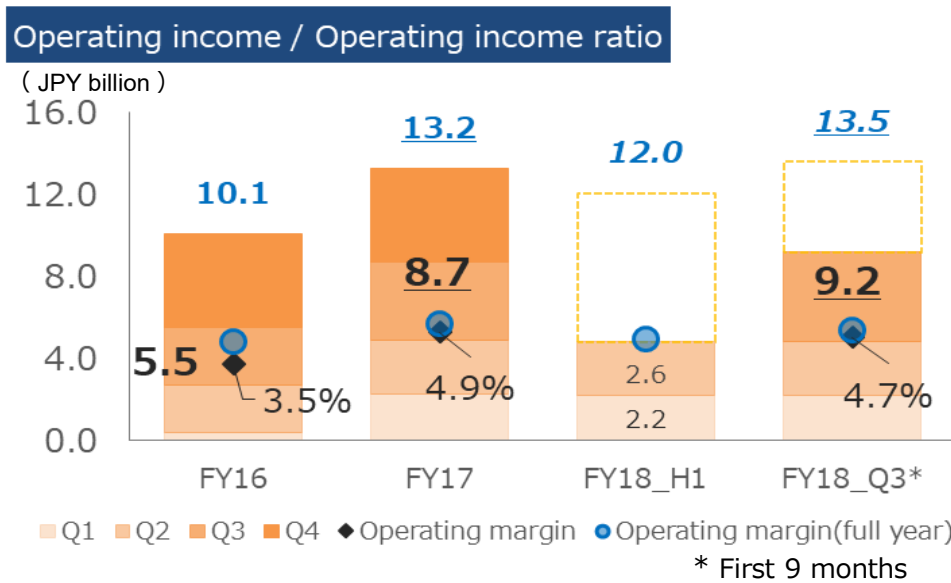
2-(1) Electronics & Automotive systems (Automotive Products & Batteries)



< Details of Operating Income difference and focus >

Q3 (First 9 months) results: YoY difference JPY + 0.5 billion

- : Positive growth factors ■: Negative growth factors
- ✓: Focused point
- Sales of wire harnesses continue to be strong and operating income was increased
- Fixed costs, including R&D expenses and depreciation, increased for upcoming projects starting from FY2020



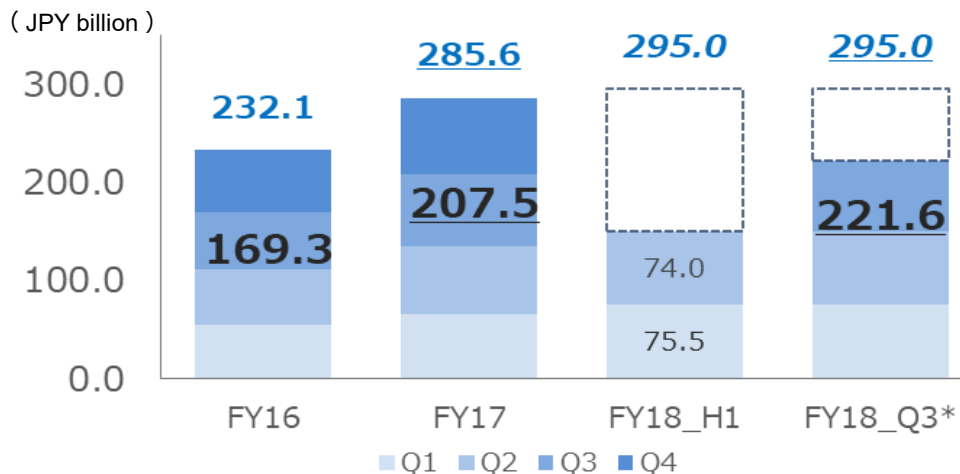
Q4 forecast

- Sales of wire harnesses will continue to be strong
 - ✓ In relation to ADAS, start testing the next generation high precision radar for a vehicle, and complete development for the high-performance BSS* for 2020 model
 - ✓ Proactively acquire the demand for reduced weight such as aluminum harnesses resulting from advances in vehicle electrification and autonomous driving
 - ✓ Expand wire harness production site in Philippines targeting the North American market
- *BSS; Battery state detection sensor

Blue : Full year Net Sales , Operating Income
Black : First 9 months Net Sales , Operating Income

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

Net sales



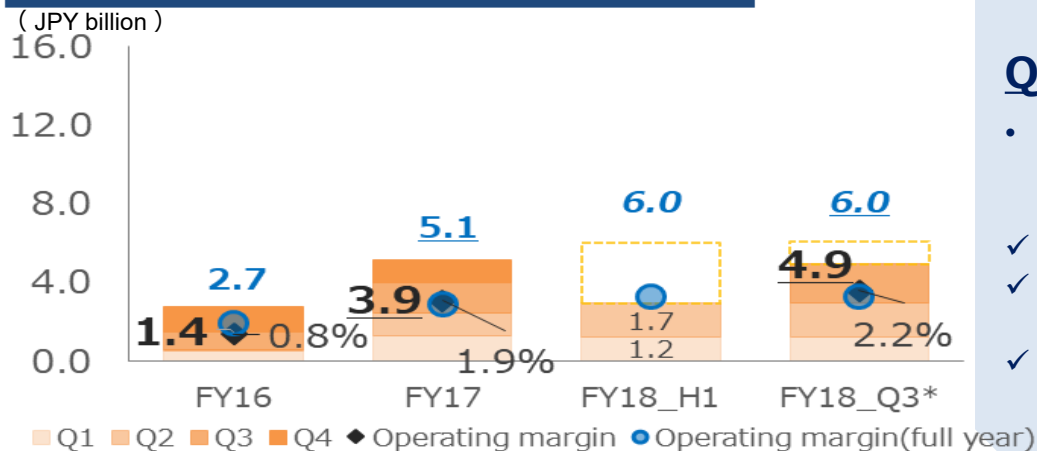
< Details of Operating Income difference and focus >

Q3 (First 9 months) results: YoY difference JPY+1.0 billion

□: Positive growth factors ■: Negative growth factors
✓: Focused point

- Magnet wires for automotive products delivered a positive result
- For wrought copper and copper alloy products, although the sales volume fell due to inventory adjustments for some products in the first half, the results were on roughly par with last year through the third quarter. In addition, improvements to the product mix steadily progressed

Operating income / Operating income ratio



Q4 forecast

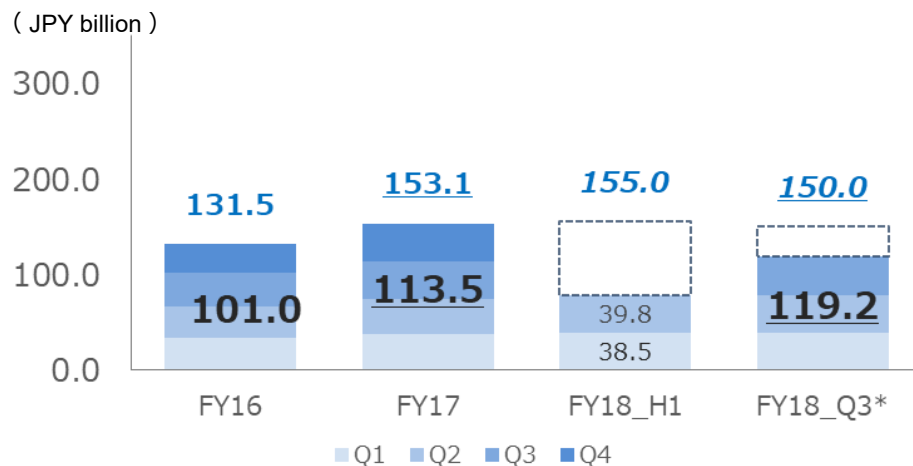
- Expect sluggish conditions in the smartphone market
- ✓ Improve the product mix and increase productivity
- ✓ Increase sales of original alloys that support higher performance electronic devices
- ✓ Expand the models for which the automobile magnet wire is adopted, and increase sales in overseas markets

* First 9 months

Blue : Full year Net Sales , Operating Income
Black : First 9 months Net Sales , Operating Income

3 Functional Products

Net sales



< Details of Operating Income difference and focus >

Q3 (First 9 months) results: YoY difference JPY+0.7 billion

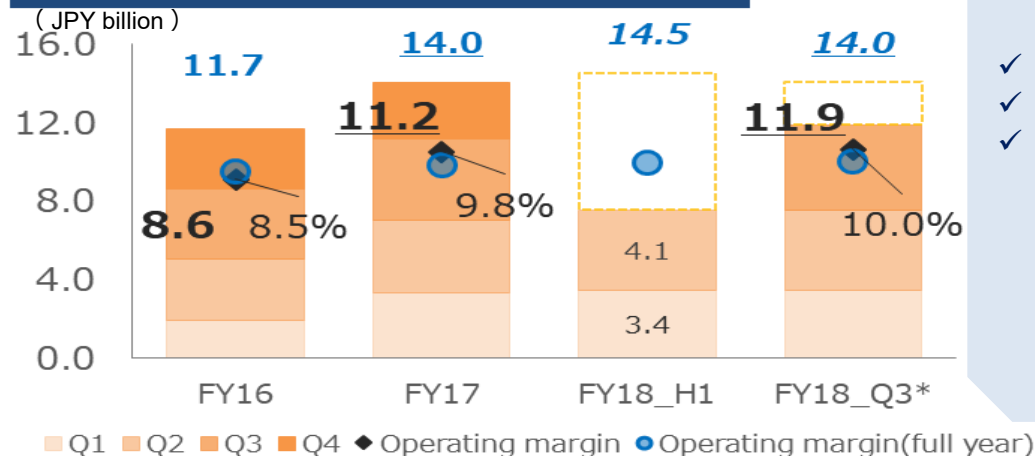
□: Positive growth factors ■: Negative growth factors
✓: Focused point

- Copper foil and memory disks are benefited from improved product mix in the strong demand environment

Q4 forecast

- Expect a slowdown in the electronics market, including data centers
- ✓ Improve the product mix and increase productivity
- ✓ Develop new markets, and propose new uses
- ✓ Develop next generation products

Operating income / Operating income ratio



* First 9 months

Blue : Full year Net Sales , Operating Income
Black : First half Net Sales , Operating Income

FY2018 Q3 results -B/S Summary

(JPY billion)

	End of 17Q4	End of 18Q3	Change
	a	b	b-a
Current assets	416.2	422.6	+6.4
Cash and bank deposits	50.6	46.9	▲ 3.8
Notes and accounts receivable trade	224.3	218.0	▲ 6.3
Inventories	113.8	131.6	+17.8
Non-current assets	392.4	383.7	▲ 8.8
Tangible fixed assets	216.7	221.8	+5.1
Intangible fixed assets	11.3	10.2	▲ 1.1
Investments and other assets	164.4	151.7	▲ 12.7
Total Assets	808.6	806.3	▲ 2.3
Current liabilities	330.3	316.3	▲ 14.0
Non-current liabilities	206.2	215.4	+9.2
Total Liabilities	536.6	531.7	▲ 4.9
Shareholders' equity	219.2	232.7	+13.5
Accumulated other comprehensive income	17.3	10.2	▲ 7.1
Net income attributable to non-controlling interests	35.6	31.7	▲ 3.8
Total Net assets	272.1	274.6	+2.5
Total Liabilities and Net assets	808.6	806.3	▲ 2.3
Interest-bearing liabilities	258.5	257.7	▲ 0.9
Capital ratio	29.2%	30.1%	+0.9
NET D/E ratio	0.88	0.87	▲ 0.01

Inventories:
+17.8 billion

Mainly due to the impact of projects and construction work that are planned to be recorded as sales from the fourth quarter

Total Assets:
▲ 2.3 billion

Impact of the deconsolidation of FCM
▲ 12.2 billion

(JPY billion)

	Q3 (First 9 months)			Full year				
	FY17 Results	FY18 Results	YonY change	FY17 Results	FY18 Previous Forecasts	FY18 New Forecasts	YonY change	Change from previous forecasts
	a	b	b-a	c	d	e	e-c	e-d
CAPEX	23.3	32.1	+8.7	38.5	54.0	54.0	+15.5	–
Depreciation and amortization	18.5	19.7	+1.2	25.1	27.8	27.8	+2.7	–
R&D expenses	14.2	15.9	+1.6	19.5	22.8	22.8	+3.3	–

Thank you very much
for your attention.

Bound to  ***Innovate***

(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 Materials	Electric Conductor
		Magnet Wire
		Copper & High Performance Material Products
		Copper Tube
		Functional Products
Thermal Management Solution & Products		
Memory Disk		
Copper Foil		
Service and Developments, etc.		