

# FY2015 Management Plan Q1 Follow-up

July 2015

FURUKAWA ELECTRIC CO., LTD.

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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 capital 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 at 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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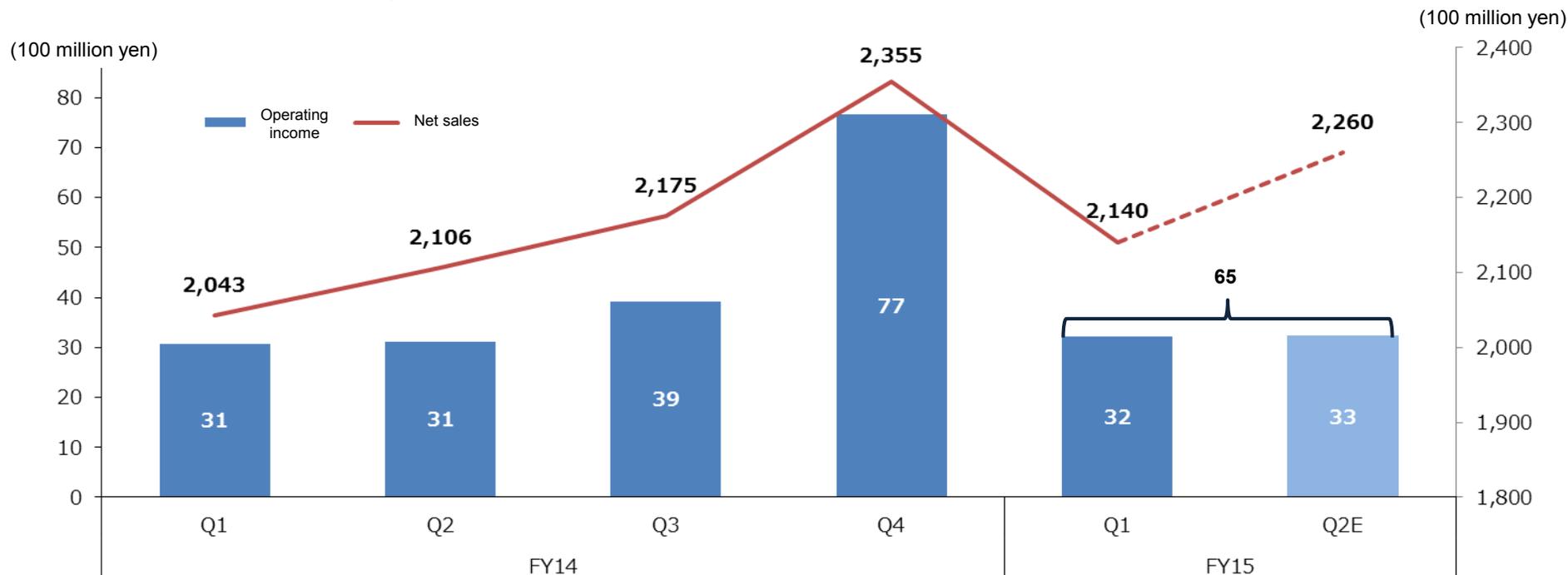
# 1. Summary of Results for FY15Q1

## ■ Increase in sales and earnings YOY during Q1

- Contribution made to the increase in earnings by factors including 1. the optical fiber cable business in North America in the Telecommunications segment, 2. the functional plastic materials business in the Energy & Industrial Products segment, and 3. the battery business in the Electronics & Automotive Systems segment

## ■ The trend of increasing earnings expected to continue in Q2

- Forecast for Q2 operating income upwardly revised by 500 million yen to 6,500 million yen



# 1. FY15Q1 Results... P&L Summary

(Unit: 100 million yen, yen/kg, yen/USD)

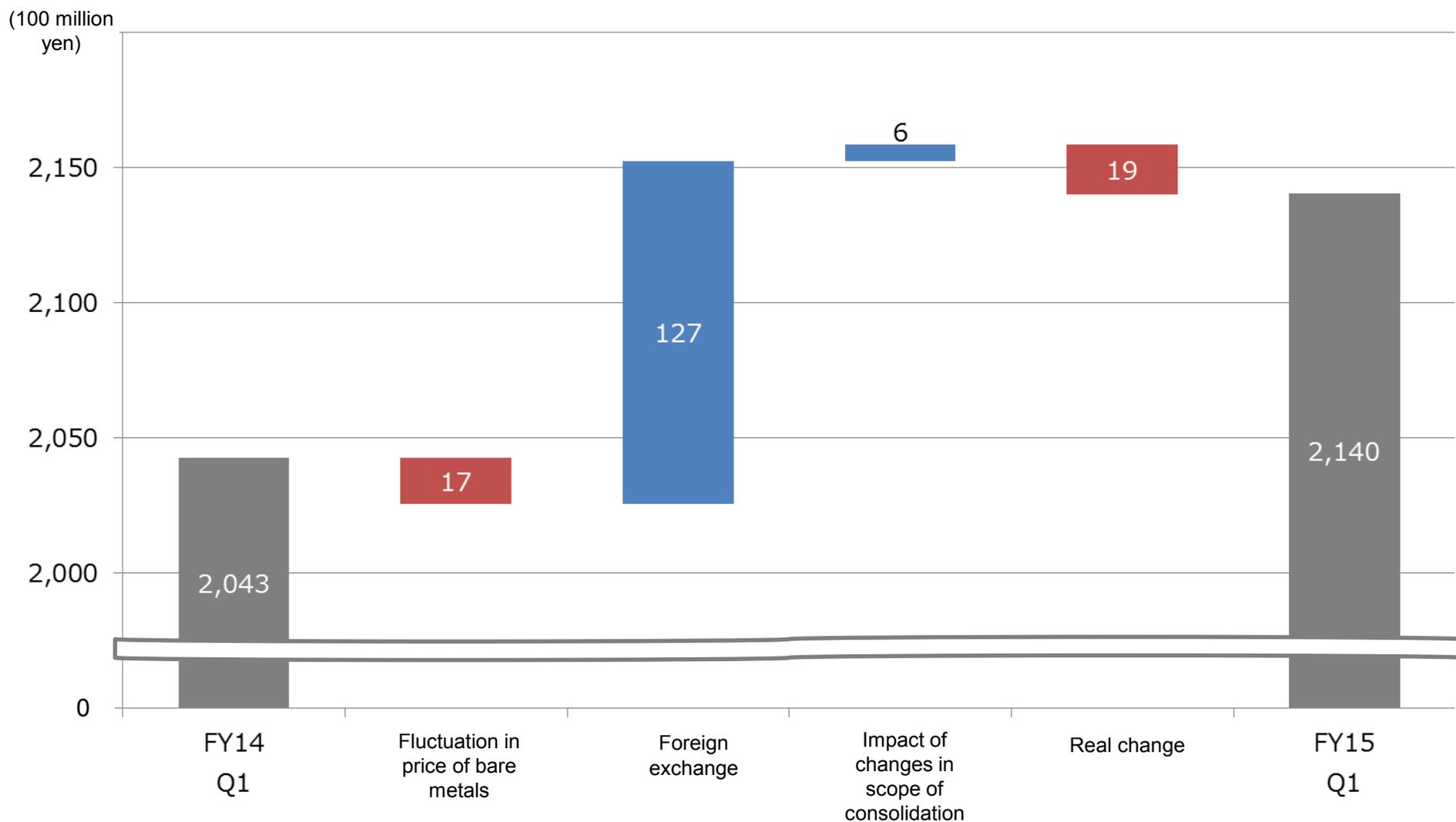
	FY14			FY15E			YtoY change		
		Q1	Q2		Q1	Q2E		Q1	Q2E
	a	b	c	d	e	f	d-a	e-b	f-c
Net sales	8,678	2,043	2,106	9,100	2,140	2,260	422	98	154
(rate)							4.9%	4.8%	7.3%
Operating income	179	31	31	230	32	33	51	1	1
(rate)							28.7%	4.7%	3.7%
Profit/loss in equity method affiliates	19	7	3	-	2	-	-	△ 5	-
Foreign exchange gain/loss	△ 1	△ 5	2	-	△ 1	-	-	4	-
Ordinary income	186	39	33	230	34	21	44	△ 4	△ 12
(rate)							23.7%	-11.2%	-37.2%
Extraordinary gain/loss	△ 24	△ 14	△ 20	△ 32	△ 8	4	△ 8	6	24
Income taxes - current and income taxes - deferred	67	18	△ 1	-	21	-	-	3	-
Net income attributable to non-controlling interest	21	6	3	-	6	-	-	△ 0	-
Net income attributable to owners of the parent company	74	1	11	100	△ 0	10	26	△ 1	△ 0
(rate)							36.0%	-	-1.8%

# 1. FY15Q1 Results... BS Summary

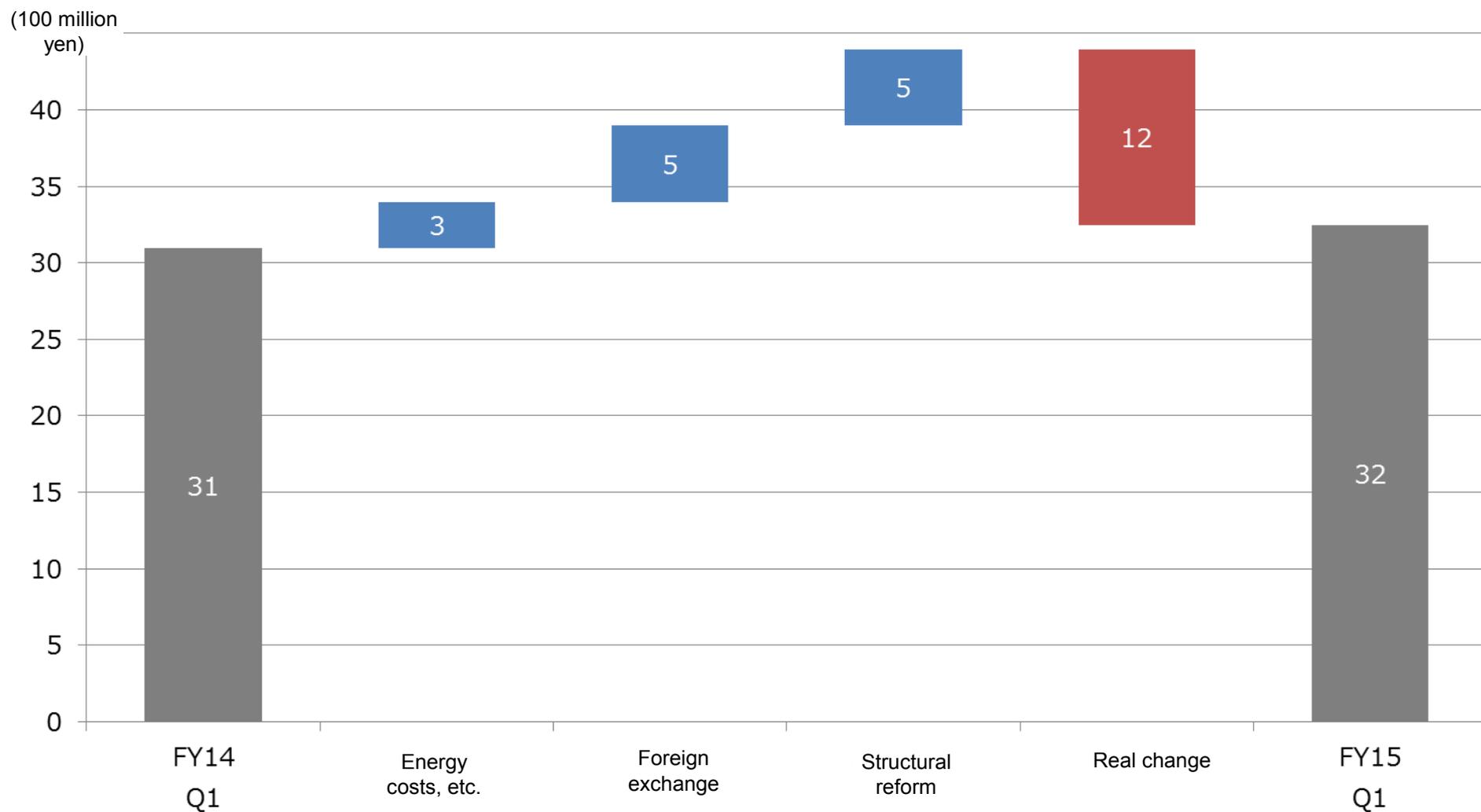
(100 million yen)

	End of 13Q4	End of 14Q1	End of 14Q4	End of 15Q1	Change
	a	b	c	d	d-c
Total assets	7,148	7,188	7,341	7,331	△ 10
Interest-bearing liabilities	2,779	2,979	2,745	2,929	184
Equity capital ratio	24.8%	24.4%	26.0%	25.7%	-0.3%
D/E ratio	1.57	1.70	1.44	1.55	0.1
Sales to total assets ratio (Annualized net sales/total assets)	1.17	1.14	1.18	1.17	△ 0.0
ROA (Annualized ordinary income/total assets)	3.6%	2.1%	2.5%	1.9%	-0.7%
ROE	3.3%	-	4.0%	-	-

# 1. FY15Q1 Results... Analysis of Changes in Net Sales



# 1. FY15Q1 Results... Analysis of Changes in Operating Income



## 2. Forecast of Net Sales and Operating Income by Segment

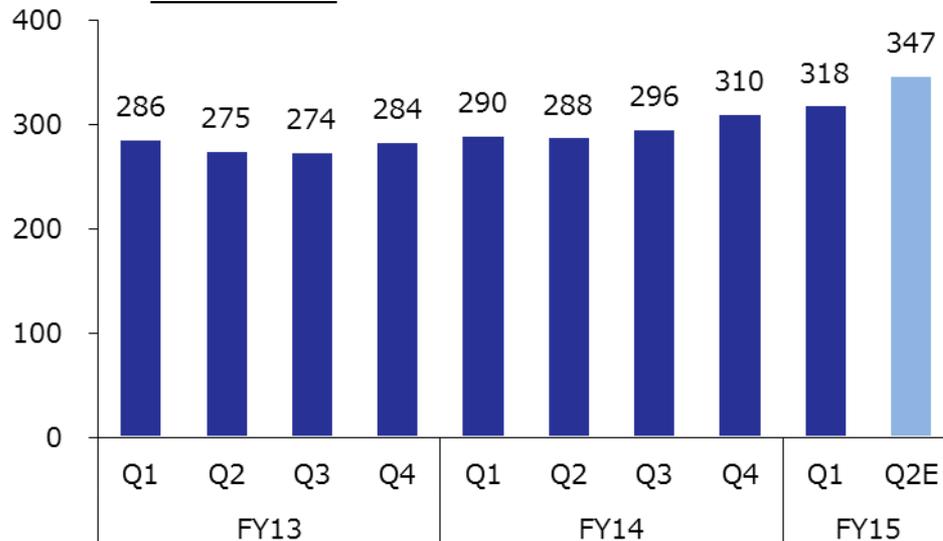
(100 million yen)

Upper row: net sales Lower row: operating income	FY15 Q1	YtoY change	FY15 Q2E	YtoY change	FY15 Q1+Q2E	YtoY change	Change against previous year budget	FY15E
	<b>a</b>	-	<b>b</b>	-	<b>c=a+b</b>	-	-	<b>d</b>
Telecommunications	<b>387</b>	<b>10</b>	<b>413</b>	<b>39</b>	<b>800</b>	<b>50</b>	<b>40</b>	<b>1,550</b>
Optical Fiber Cables	<b>318</b>	<b>29</b>	<b>347</b>	<b>59</b>	<b>665</b>	<b>88</b>	<b>65</b>	<b>1,200</b>
Photonics Networks	<b>69</b>	<b>▲ 18</b>	<b>66</b>	<b>▲ 20</b>	<b>135</b>	<b>▲ 38</b>	<b>▲ 25</b>	<b>350</b>
Energy & Industrial Products	<b>696</b>	<b>▲ 16</b>	<b>764</b>	<b>60</b>	<b>1,460</b>	<b>44</b>	<b>▲ 50</b>	<b>3,060</b>
Electronics & Automotive Systems	<b>795</b>	<b>87</b>	<b>825</b>	<b>88</b>	<b>1,620</b>	<b>175</b>	<b>80</b>	<b>3,270</b>
Metals	<b>321</b>	<b>14</b>	<b>309</b>	<b>▲ 34</b>	<b>630</b>	<b>▲ 20</b>	<b>▲ 70</b>	<b>1,440</b>
Service and Developments, etc.	<b>129</b>	<b>8</b>	<b>146</b>	<b>12</b>	<b>275</b>	<b>19</b>	<b>0</b>	<b>540</b>
Net sales	<b>2,140</b>	<b>98</b>	<b>2,260</b>	<b>154</b>	<b>4,400</b>	<b>251</b>	<b>0</b>	<b>9,100</b>

Telecommunications	<b>10</b>	<b>▲ 4</b>	<b>12</b>	<b>0</b>	<b>22</b>	<b>▲ 3</b>	<b>0</b>	<b>60</b>
Optical Fiber Cables	<b>12</b>	<b>1</b>	<b>11</b>	<b>4</b>	<b>23</b>	<b>5</b>	<b>1</b>	<b>45</b>
Photonics Networks	<b>▲ 1</b>	<b>▲ 5</b>	<b>0</b>	<b>▲ 3</b>	<b>▲ 1</b>	<b>▲ 8</b>	<b>▲ 1</b>	<b>15</b>
Energy & Industrial Products	<b>8</b>	<b>3</b>	<b>11</b>	<b>1</b>	<b>19</b>	<b>4</b>	<b>0</b>	<b>47</b>
Electronics & Automotive Systems	<b>22</b>	<b>3</b>	<b>18</b>	<b>▲ 7</b>	<b>40</b>	<b>▲ 5</b>	<b>0</b>	<b>140</b>
Metals	<b>▲ 8</b>	<b>▲ 2</b>	<b>▲ 7</b>	<b>8</b>	<b>▲ 15</b>	<b>7</b>	<b>5</b>	<b>▲ 20</b>
Service and Developments, etc.	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>3</b>
Operating income	<b>32</b>	<b>1</b>	<b>33</b>	<b>1</b>	<b>65</b>	<b>3</b>	<b>5</b>	<b>230</b>

## 2. Segment: Optical Fiber Cables

(100 million yen) Net Sales

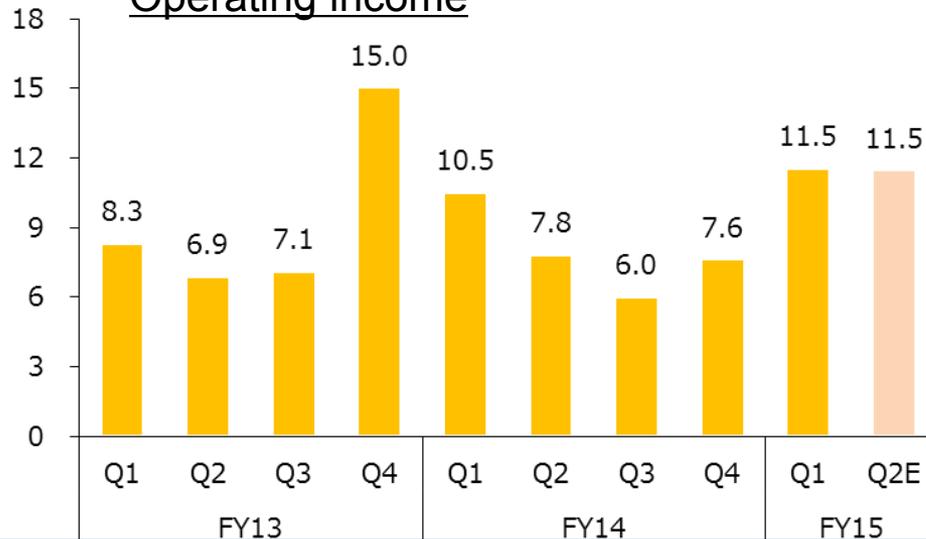


### Summary of Q1

YtoY comparison: 14Q1⇒15Q1 + 100 million yen

- Performance strong for the US company OFS due to robust demand in the North American market.
- Performance also strong for fibers for export.
- FISA struggled in Brazil due to the economic downturn in Brazil.

(100 million yen) Operating income



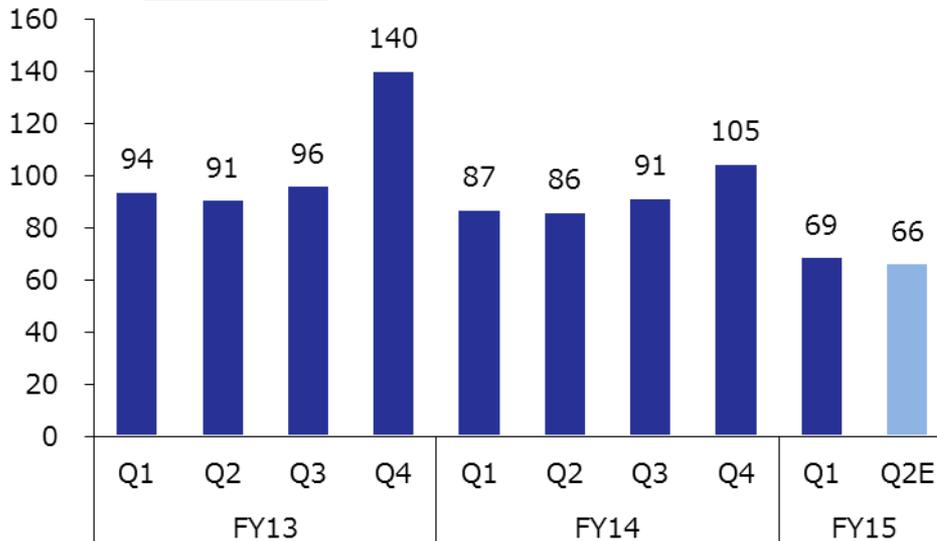
### Forecast of Q2

- The trends of Q1 expected to continue.

## 2. Segment: Photonics Networks

(100 million yen)

### Net Sales



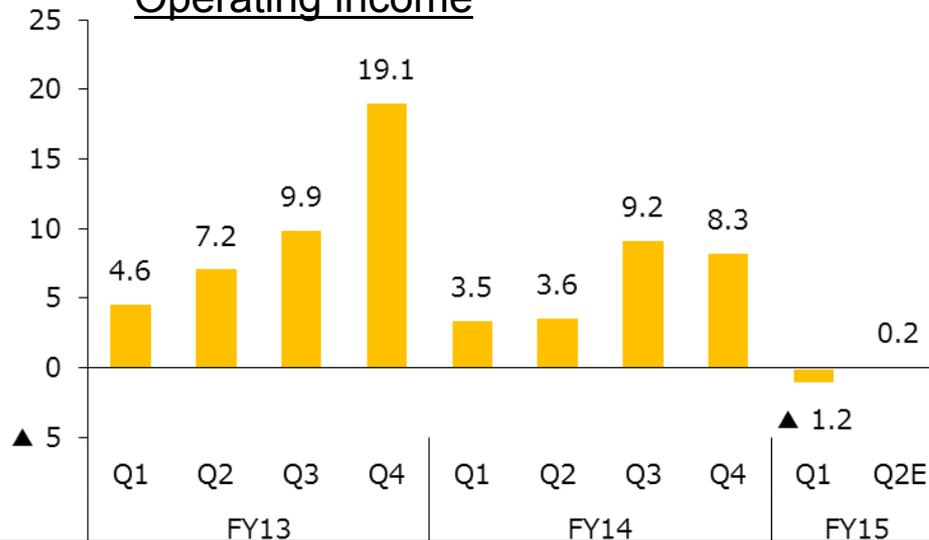
### Summary of Q1

YtoY comparison: 14Q1⇒15Q1 -460 million yen

- Demand for mobile phone-related work in Thailand nearly coming to an end.
- Sales growth in digital coherent-related products.
- Sales stagnant for domestic CATV and fusion machines.

(100 million yen)

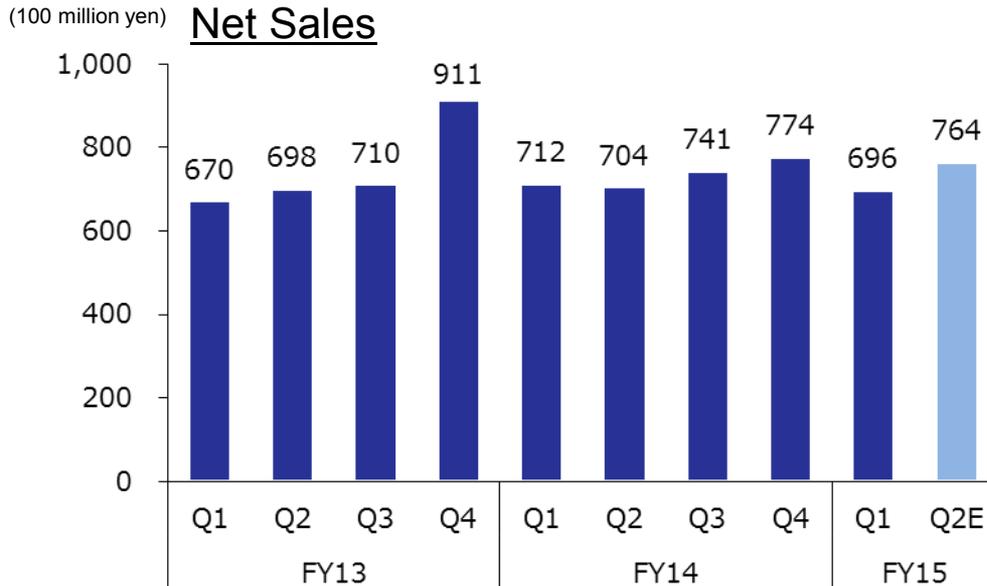
### Operating income



### Forecast of Q2

- Increased production from July to support robust demand for digital coherent-related products.
- Other circumstances from Q1 expected to continue.

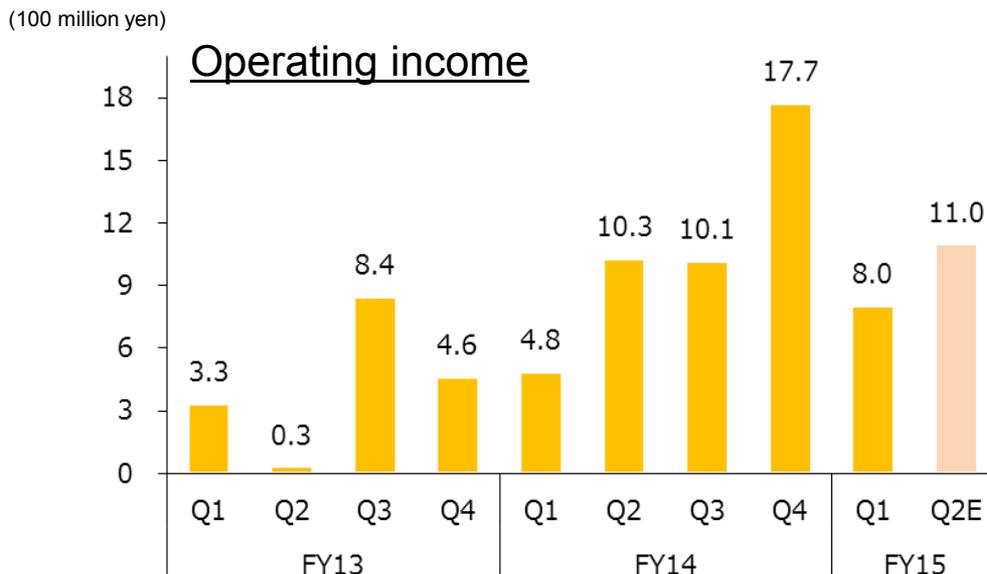
## 2. Segment: Energy & Industrial Products



### Summary of Q1

YtoY comparison: 14Q1⇒15Q1 +320 million yen

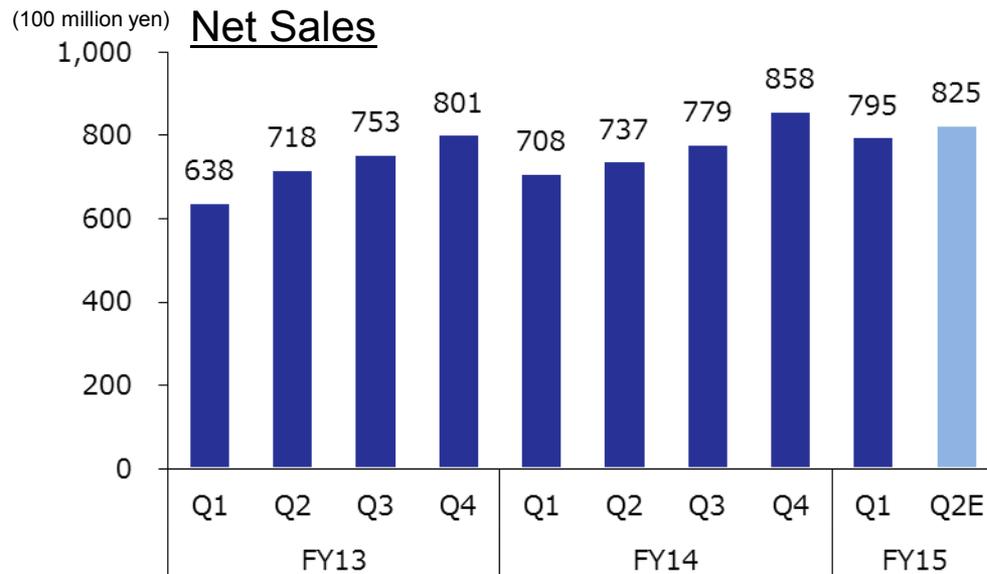
- Increased sales of tape for semiconductor manufacturing due to an increase in demand for smartphones.
- Growth in demand for aluminum wire in Indonesia.
- Increase in demand for machinery wires
- Demand soft for ultra-high voltage power cables both in Japan and overseas.



### Forecast of Q2

- Growth expected for optical ground wires (OPGW) in China, electronic components in Japan, and foam parts in Europe.
- Other circumstances from Q1 expected to continue.

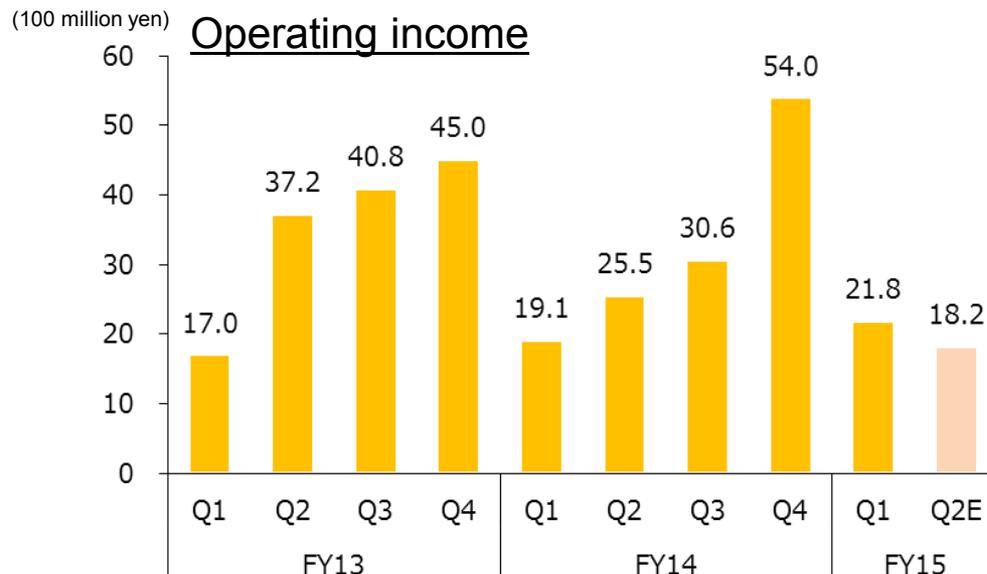
## 2. Segment: Electronics & Automotive Systems



### Summary of Q1

YtoY comparison: 14Q1⇒15Q1 +270 million yen

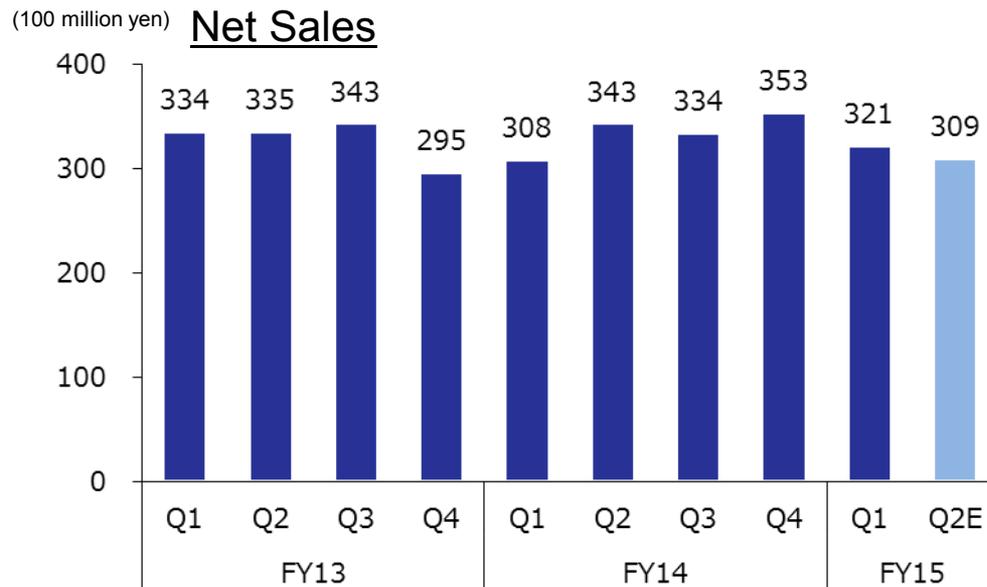
- Increased costs for imports of automotive components due to yen depreciation.
- In batteries, performance strong for four-wheel batteries for repairs in Japan and Thailand, as well as electronics-related products.



### Forecast of Q2

- In automotive components, while wire harnesses for new models will be launched, costs will increase for the North American business.
- Other circumstances from Q1 expected to continue.

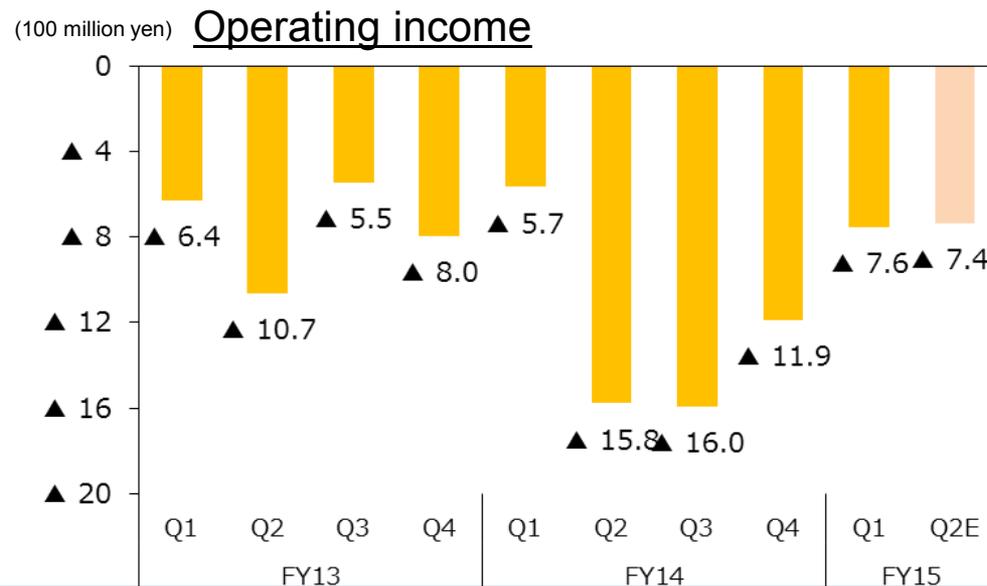
## 2. Segment: Metals



### Summary of Q1

YtoY comparison: 14Q1⇒15Q1 -190 million yen

- While inventory adjustments by customers for copper strips continued, recovery experienced with relaunch of operations from January.
- For copper foil, while demand recovered for circuits for Taiwan, demand for batteries in Japan was soft.



### Forecast of Q2

- Copper strips expected to continue to recover.
- Conditions in Q1 expected to continue for copper foil, promote structural reform.
- Sales expected to decrease for copper tubes due to seasonality.

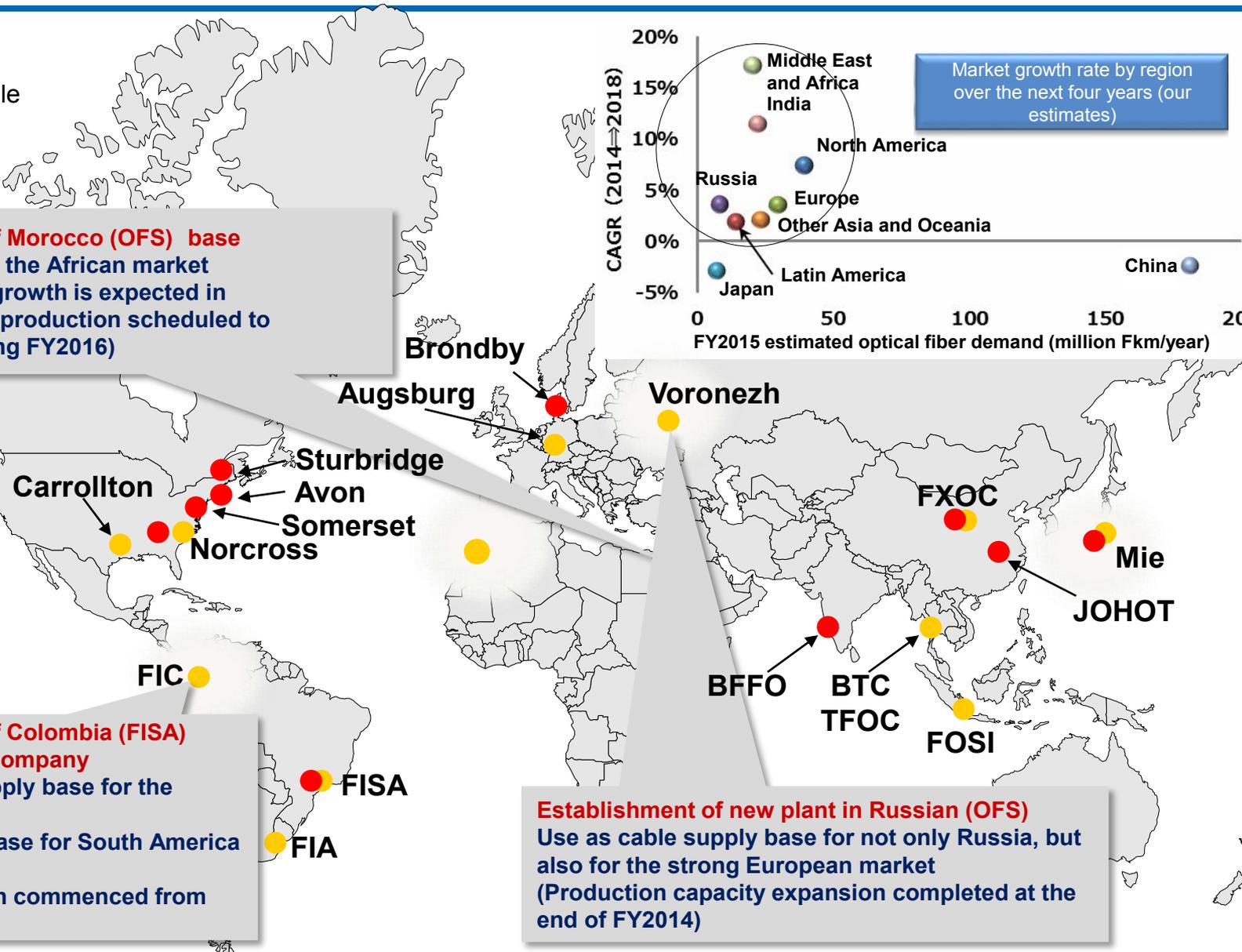
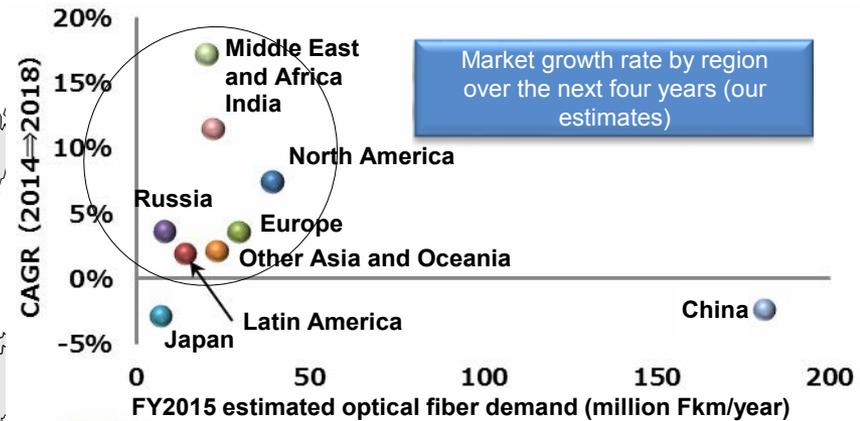
# 3. Expansion of Optical Cable Bases

**Legend**  
 ● Fiber ● Cable

**Establishment of Morocco (OFS) base**  
 Strategic base in the African market where dramatic growth is expected in the future (mass production scheduled to commence during FY2016)

**Establishment of Colombia (FISA) plant and sales company**  
 Use as cable supply base for the Andes regions and a logistics base for South America to the Pacific (Mass production commenced from June 2014)

**Establishment of new plant in Russian (OFS)**  
 Use as cable supply base for not only Russia, but also for the strong European market (Production capacity expansion completed at the end of FY2014)



# 3. Progress of Various Measures in the Metals Business

## Copper strips and High-performance materials

- Target of achieving profitability during FY15Q4

■Recovery of production volume:  
Increased 20% compared to FY14Q1 (including wires and bars).

- Progress steady for demand recovery measures.
- \* Thanks to the use of hydroelectric generation, Nikko's CO<sub>2</sub> emissions are approximately half those of our plants of an equivalent scale.

## ■Sales expansion strategy after snow damage recovery

Full range of customer support logistics

- Leveraging our short lead times, secure warehouses near the bases of customers
- Share inventory information and use the just-in-time system to achieve the following for customers:
  - 1) Inventory reductions
  - 2) Backup for production fluctuations
  - 3) Minimizing bullion risks

## Copper

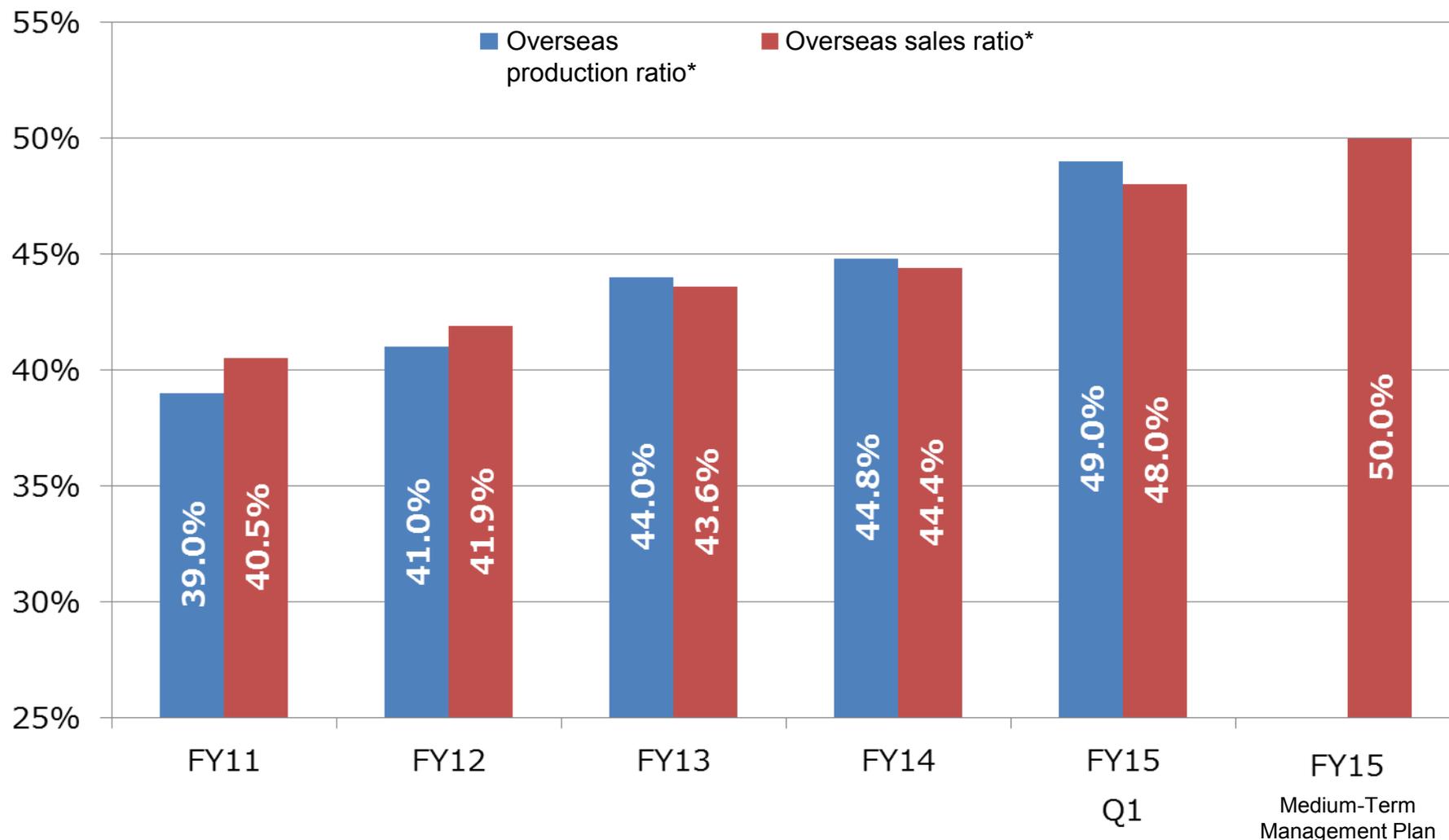
- Target of achieving profitability during FY16Q1

■Policy for reducing domestic production structure by half: consolidation of production facilities and human resources

Reduction of 160 people scheduled within the fiscal year

■Progress of profitability improvements steady with increased production in Taiwan

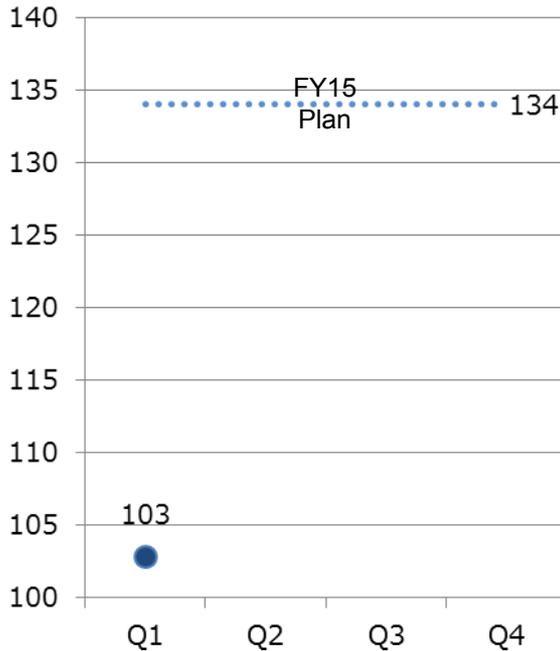
■ Expanded to 48.0% due to factors such as the growth of the Optical Fiber & Cable Products Division in North America and yen depreciation.



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

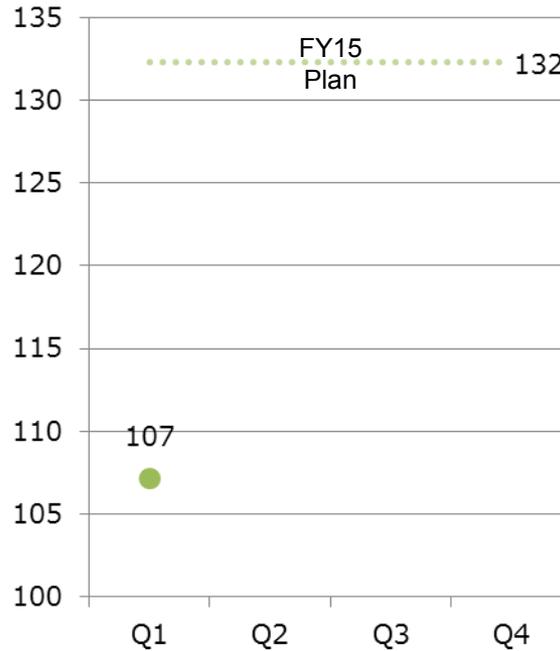
## ITLA/FBT

Integrated signal light sources for use in digital coherent telecommunications



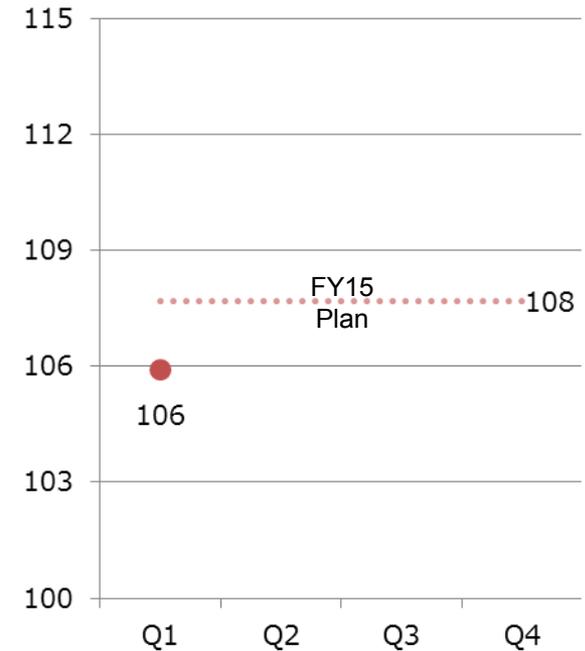
## BSS

Car battery status detection sensors



## SRC

Connectors for car airbags



(Note) Figures for respective products are indices assuming FY14's actual volume as 100.

Thank you for your attention.

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