

## Q&A Summary of Conference Call for Institutional Investors and Analysts on Furukawa Electric Group

Date : August 1, 2018 17:30 – 18:30

Contents : FY2018 Q1 Financial results

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

Q : What is the status of the optical fiber and cable shipments?

A : Optical fiber shipments have been strong globally. Shipments rose by about +14% year on year in Q1, with North America growing by +4% and South America, Russia and Asia Pacific also showing strong growth. Shipments in China declined slightly.

Regarding optical cable, there is definitely a trend toward lower cable prices, but in our case, due to differences in the product mix, the income margin was lower in Q1.

Q : What do you mean by the inventory adjustment in copper and copper alloy products?

A : Within the electronics related products, smartphone related products were weak. We expect there to be growth going forward, and we also forecast a growth in orders for pure copper products in the second half.

Q : The Communications Solutions business recorded lower profit in Q1. How will you make up for this from Q2?

A : There is no change to the outlook that demand for optical fiber overall will be strong. Optical fiber in Japan also achieved higher income, and demand is definitely strong. Regarding North America, the return of demand from our customers is taking longer than initially anticipated. However, we have already received large lot orders, and there should be gradual progress in the shipments in Q3 and Q4. We are strengthening global management under the lead of a new Division Manager and will work to bring in new customers. For example, in Europe, we will place effort into sales of products with features unique to Furukawa Electric, such as small-diameter cable.

Q : How do you plan to improve the Energy Infrastructure business from Q2?

A : The reason for the large loss in Q1 was the fact that the almost none of the domestic projects were included. In the second half, there are specific projects such as the OF cable replacement and private demand, and we firmly expect to tie these projects into net sales. In regards to the agreements for renewable energy projects, finalizing the terms and conditions is taking time, and all I can say at this time is that the agreements should be concluded sometime this fiscal year.

Even including the provision of loss on these renewable energy projects of JPY▲1.5 billion, I believe it will be possible to achieve the full-year forecast of JPY▲3.0 billion (limit the loss).

Q : What is the status of the optical cable delay in North America? Also, you mentioned that optical products other than ITLA are increasing.

A : The recovery in optical cable is taking longer than expected. However, the Communications Solutions business as a whole is progressing roughly as forecast as the other businesses are making up for this delay. In regards to optical products, light sources for amplifier devices and other products are increasing, and I think the optical products business as a whole can make a comeback.

Q : What is the status of the Functional Products segment, particularly copper foil and tape for semiconductor process?

A : Regarding the Copper Foil business, the demand for copper foil for batteries and electrical circuits is strong, and both the Japan and Taiwan bases achieved higher income. In regards to tape for semiconductor process, although competitors are eating into our share, I expect we should be able to achieve the current level until around Q3.

Q : Concerning the foreign exchange sensitivity, on a US dollar basis, every JPY 1 movement results in a change of about JPY 0.4 billion. Do you expect this outlook to remain unchanged for the full year?

A : The Communications Solutions business has the highest foreign exchange sensitivity. Despite the fact that the yen for JPY 4 weaker than the forecast exchange rate (JPY 105) in Q1, the results were roughly according to the initial forecast. In real terms, the results were slightly below the target.

Q : What is the forecast for the segments other than the Infrastructure segment from Q2?

A : Regarding Automotive Products & Batteries, wire harnesses are strong. On the other

hand, the batteries business has been slow to get started, and I think it will pick up more speed later in the second half. In the Electronics Component Materials business, too, pure copper products are expected to increase from the second half. Functional Products are expected to continue basically unchanged from the current performance, and I have the impression that tape for semiconductor process, which is facing significant competition, will remain strong until Q3.

Q : What is the reason for the delay in the optical cable recovery in North America? Also, I have heard that price competition in relation to optical products is increasing, but what is the actual situation?

A : Regarding optical cable, M&A and mergers involving our customers appear to be behind the delay.

Regarding ITLA, the next generation products are priced lower than the existing products, but this has been incorporated into the earnings forecast.

End of text