

FY2015 Management Plan Interim Review

November 4, 2015
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.
- 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 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 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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Furukawa Electric Co., Ltd.

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* In tables and graphs, the first half is denoted as H1 and the second half as H2

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1. H1 Overview and Management Initiative

Mitsuyoshi Shibata
President

H1 Overview and Management Initiative

■ H1 Overview

- We achieved growth in earnings in H1 as compared with both Year-to-year and previous forecast, through steady improvement in the metal business, as well as strong performance in global communications infrastructure and Smartphone related business.

■ Management Initiative

- With "improved profitability" as top priority, we are promoting improvement in global competitiveness by enhancing targeted business and rigorous improvement in low-profit business.

(Unit: 100 million yen)

| <H1> | FY2014 Results | FY2015 Previous forecast | FY2015 Results | YtoY change | Change from previous forecast |
|------------------|----------------|--------------------------|----------------|-------------|-------------------------------|
| | Net Sales | 4,149 | 4,400 | 4,282 | +133 |
| Operating income | 62 | 65 | 91 | +29 | +26 |
| <Annual> | FY2014 Results | FY2015 Previous forecast | FY2015 | | |
| | | | H1 Results | H2 Forecast | Annual Forecast |
| | Net Sales | 8,678 | 9,100 | 4,282 | 4,618 |
| Operating income | 179 | 230 | 91 | 139 | 230 |

2. H1 Business Summary

Hiroyuki Ogiwara

Director, General Manager of the Finance & Procurement Division

Summary P&L

(Unit: 100 million yen)

| | 14H1 | 15H1 Previous forecast | 15H1 Results | YtoY change | Change from previous forecast |
|---|-------|------------------------------|-----------------|----------------|-------------------------------------|
| | a | b | c | c-a | c-b |
| Net sales | 4,149 | 4,400 | 4,282 | 133 | △ 118 |
| (rate) | | | | 3.2% | -2.7% |
| Operating income | 62 | 65 | 91 | 29 | 26 |
| (rate) | | | | 46.5% | 40.6% |
| Profit/loss in equity method affiliates | 10 | - | 5 | △ 5 | - |
| Foreign exchange gain/loss | △ 2 | - | △ 6 | △ 4 | - |
| Ordinary income | 72 | 55 | 79 | 8 | 24 |
| (rate) | | | | 11.1% | 44.5% |
| Extraordinary gain/loss | △ 34 | △ 4 | △ 16 | 18 | △ 12 |
| Income taxes - current and income taxes - deferred | 17 | - | 33 | 16 | - |
| Profit attributable to non-controlling interest s | 9 | - | 11 | 1 | - |
| Profit attributable to owners of parent | 12 | 10 | 20 | 8 | 10 |
| (rate) | | | | 69.8% | 96.4% |

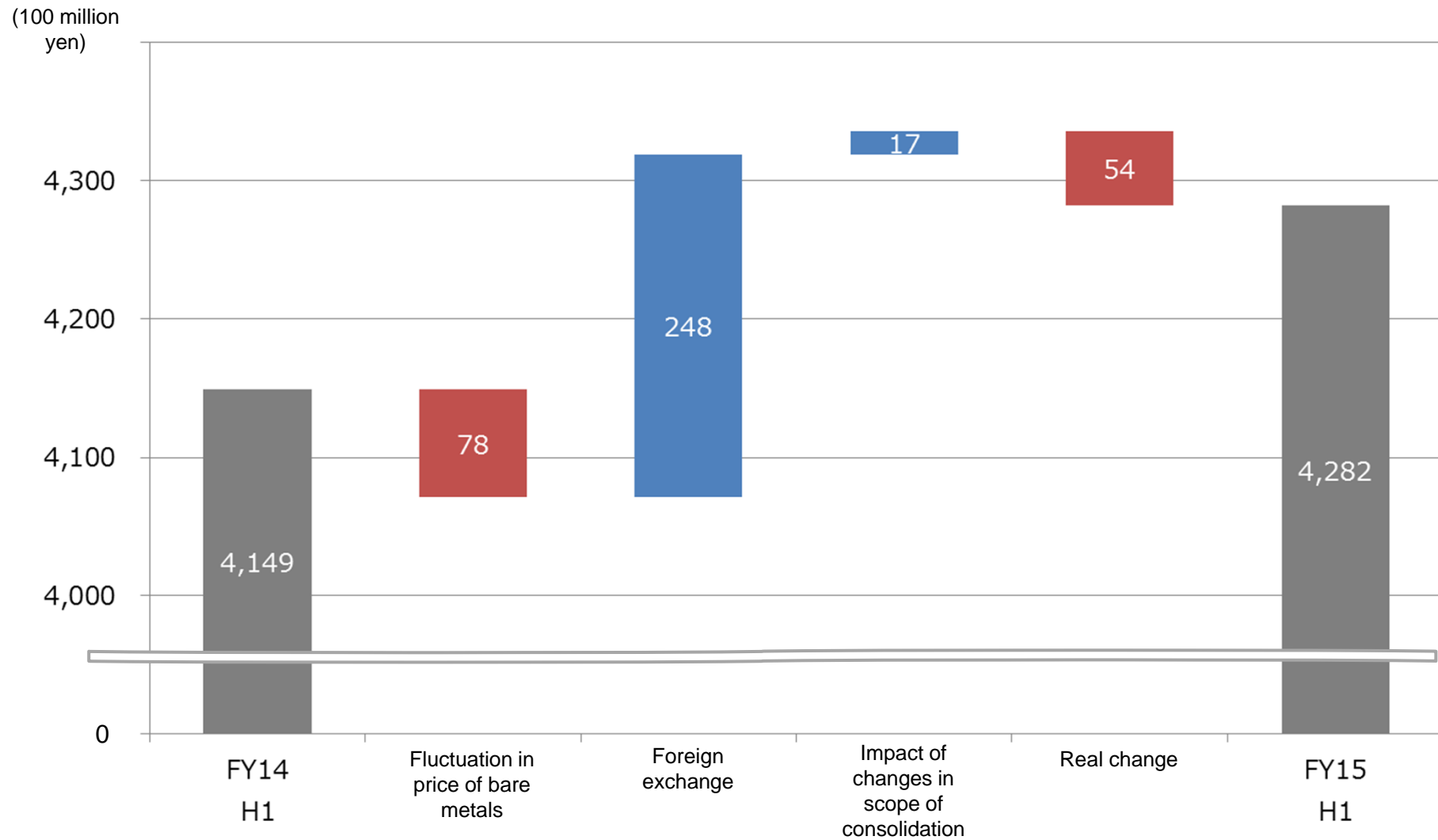
Summary Balance Sheet, Etc.

(100 million yen)

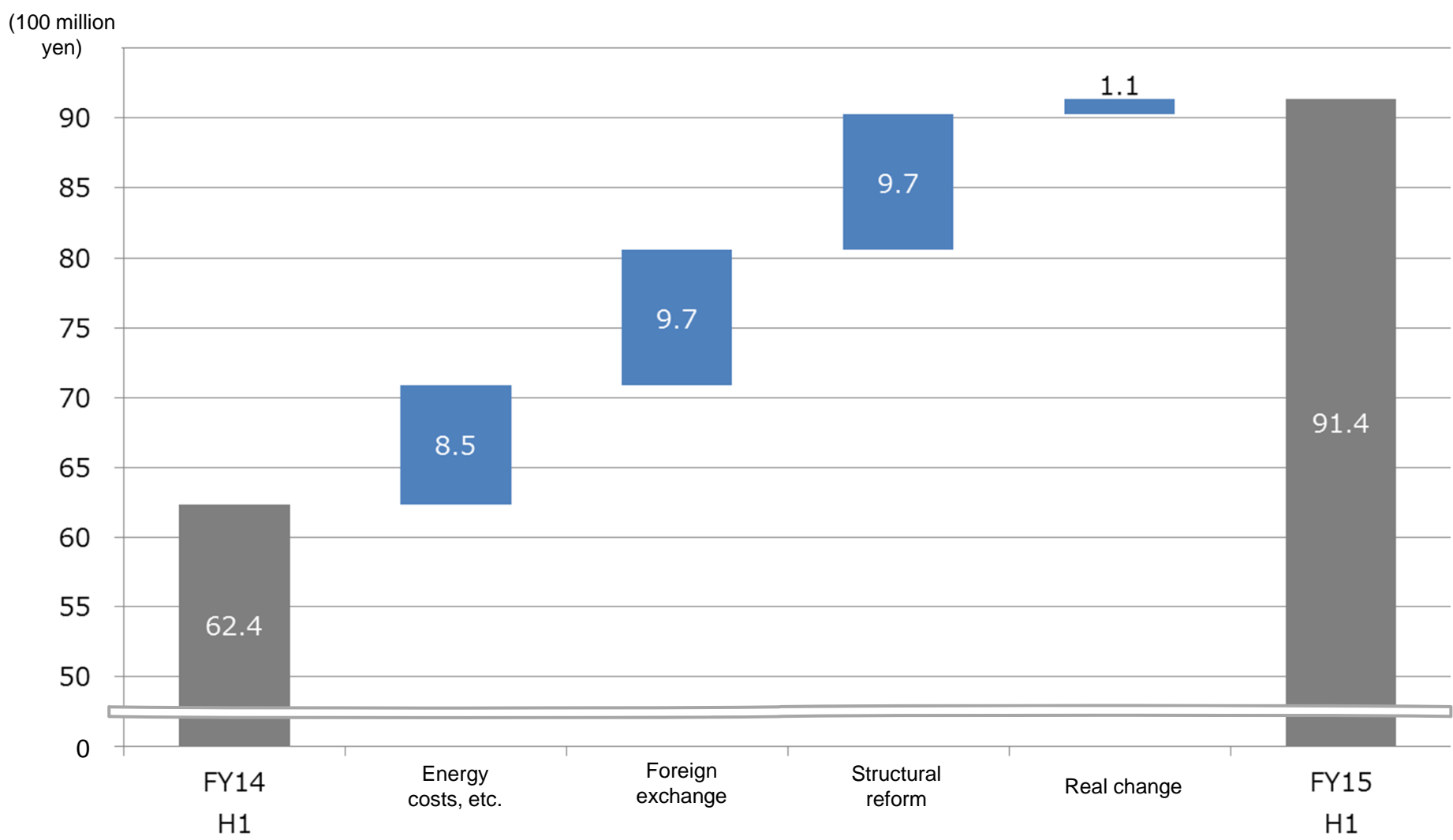
| | End of 14Q2 | End of 14Q4 | End of 15Q1 | End of 15Q2 | Change |
|--|-------------|-------------|-------------|-------------|--------|
| | a | b | c | d | d-b |
| Total assets | 7,248 | 7,341 | 7,331 | 7,079 | △ 262 |
| Interest-bearing liabilities | 2,943 | 2,745 | 2,929 | 2,818 | 72 |
| Equity capital ratio | 24.7% | 26.0% | 25.7% | 25.7% | -0.3% |
| D/E ratio | 1.64 | 1.44 | 1.55 | 1.55 | 0.11 |
| Sales to total assets ratio (Annualized net sales/total assets) | 1.14 | 1.18 | 1.17 | 1.21 | 0.03 |
| ROA (Annualized ordinary income/total assets) | 2.0% | 2.5% | 1.9% | 2.2% | -0.3% |
| ROE | - | 4.0% | - | - | - |

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Factors of Changes in Net Sales (Compared with the previous year)



Factors of Changes in Operating Income (Compared with the previous year)

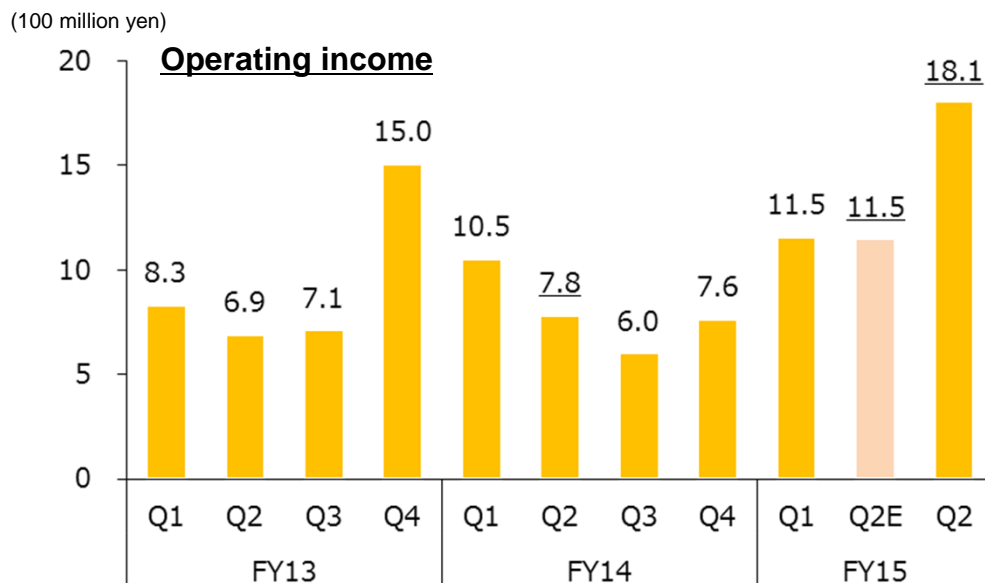
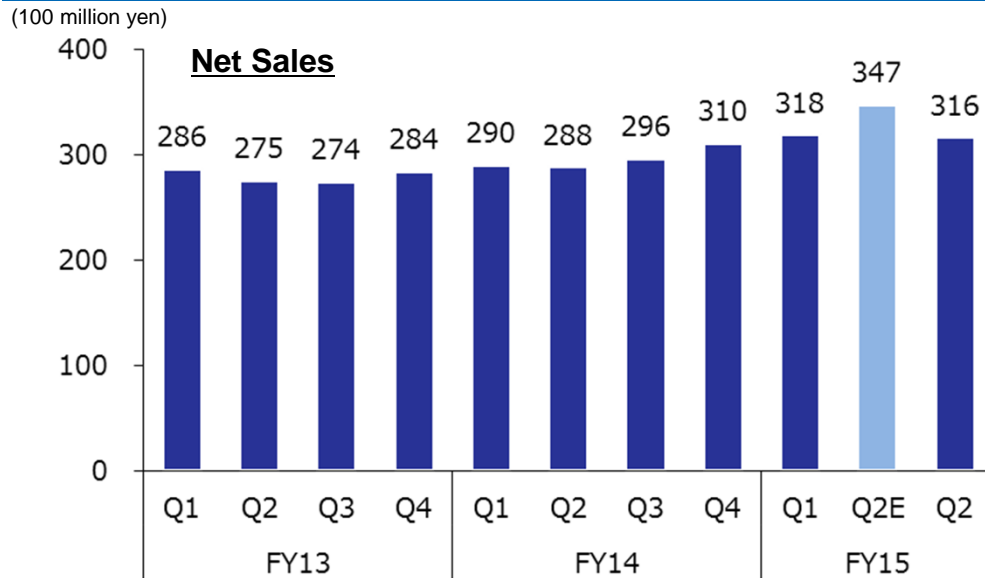


Net Sales and Operating Income by Segment

(100 million yen)

| Upper row: net sales Lower row: operating income | FY15 Q1 Result | YtoY change | FY15 Q2 Result | YtoY change | FY15 H1 Result | YtoY change | Change from previous forecast | FY15 Forecast |
|---|-------------------|----------------|-------------------|----------------|-------------------|----------------|----------------------------------|------------------|
| | a | - | b | - | c=a+b | - | - | d |
| Telecommunications | 387 | 10 | 388 | 15 | 775 | 25 | ▲ 25 | 1,600 |
| Optical Fiber Cables | 318 | 29 | 316 | 28 | 634 | 56 | ▲ 31 | 1,250 |
| Photonics Networks | 69 | ▲ 18 | 73 | ▲ 13 | 142 | ▲ 31 | 7 | 350 |
| Energy & Industrial Products | 696 | ▲ 16 | 698 | ▲ 6 | 1,394 | ▲ 22 | ▲ 66 | 2,900 |
| Electronics & Automotive Systems | 795 | 87 | 789 | 52 | 1,584 | 138 | ▲ 36 | 3,300 |
| Metals | 321 | 14 | 317 | ▲ 25 | 639 | ▲ 12 | 9 | 1,300 |
| Service and Developments, etc. | 129 | 8 | 135 | 0 | 264 | 8 | ▲ 11 | 550 |
| Consolidated eliminations | ▲ 188 | ▲ 4 | ▲ 186 | ▲ 0 | ▲ 374 | ▲ 5 | 11 | ▲ 750 |
| Net sales | 2,140 | 98 | 2,141 | 35 | 4,282 | 133 | ▲ 118 | 8,900 |
| Telecommunications | 10 | ▲ 4 | 20 | 8 | 30 | 5 | 8 | 65 |
| Optical Fiber Cables | 12 | 1 | 18 | 10 | 30 | 11 | 7 | 50 |
| Photonics Networks | ▲ 1 | ▲ 5 | 2 | ▲ 2 | 0 | ▲ 7 | 1 | 15 |
| Energy & Industrial Products | 8 | 3 | 20 | 10 | 28 | 13 | 9 | 55 |
| Electronics & Automotive Systems | 22 | 3 | 21 | ▲ 4 | 43 | ▲ 2 | 3 | 125 |
| Metals | ▲ 8 | ▲ 2 | ▲ 1 | 14 | ▲ 9 | 13 | 6 | ▲ 15 |
| Service and Developments, etc. | 0 | 2 | 0 | 0 | 0 | 2 | 0 | 0 |
| Consolidated eliminations | ▲ 0 | ▲ 0 | ▲ 0 | ▲ 1 | ▲ 1 | ▲ 1 | 0 | 0 |
| Operating income | 32 | 1 | 59 | 28 | 91 | 29 | 26 | 230 |

Summary by segment 1 -(1) Optical Fiber Cables



YtoY comparison:

14Q2⇒15Q2 +1,030 million yen

- Following Q1, OFS was strong with the demand expansion in the North American market
- Fiber for export remained strong, along with improved profitability in domestic cable
- Decline in profits for FISA due to the impact of foreign currency transactions resulting from depreciation in the Real in spite of growth in sales abroad

Forecast ratio:

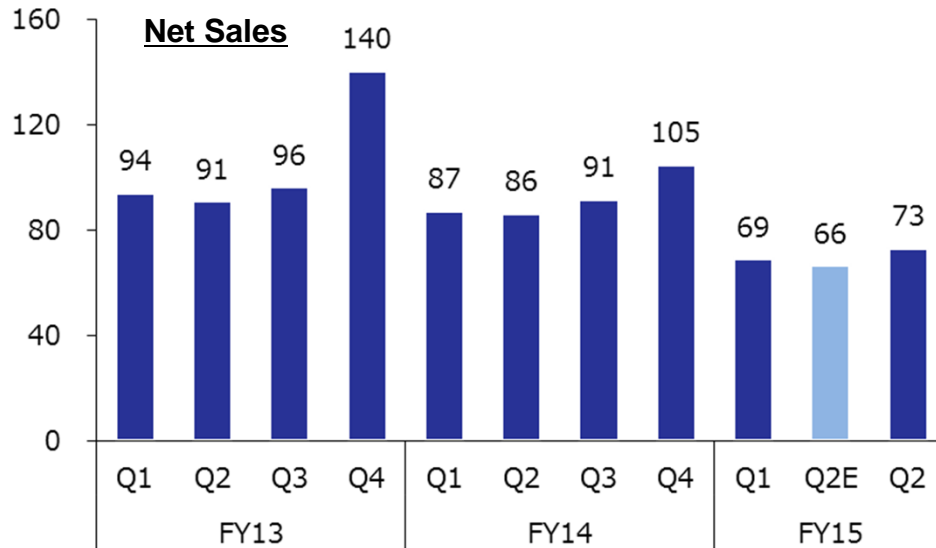
Forecast ⇒ Achieved results

+ 660 million yen

- Strength of global fiber demand and the European and US market conditions contribute

Summary by segment 1 -(2) Photonics Networks

(100 million yen)

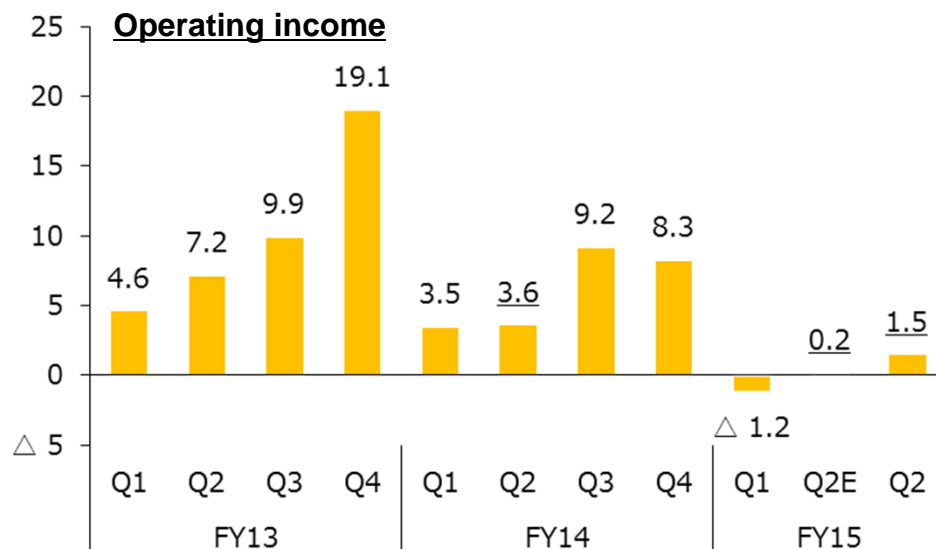


YtoY comparison:

14Q2 ⇒ 15Q2 -210 million yen

- Construction demand related to mobile phone in Thailand reduced
- Sluggish sales in domestic CATV, fusion machine related business
- The strength in digital coherent related products resulted from growth in sales due to increased production

(100 million yen)



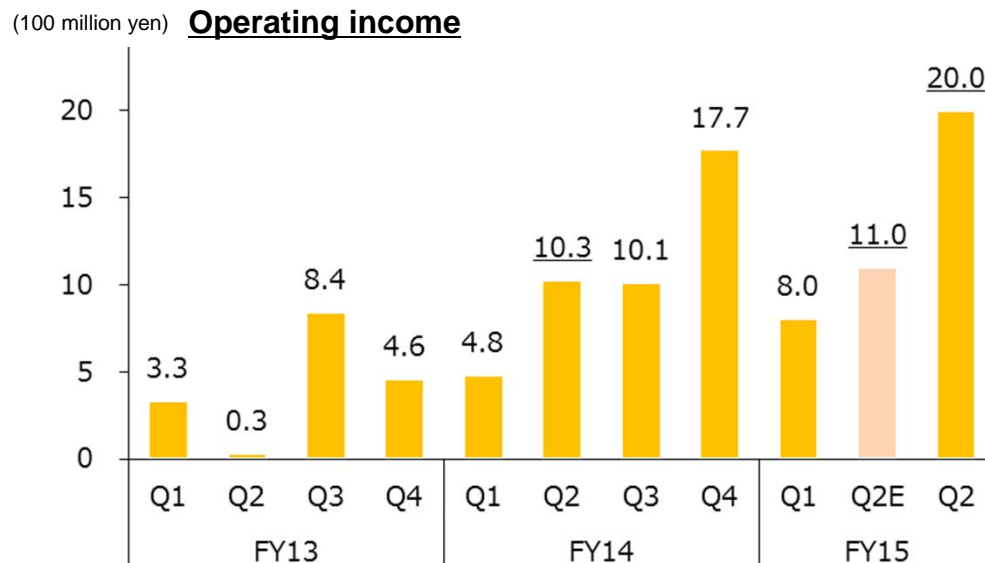
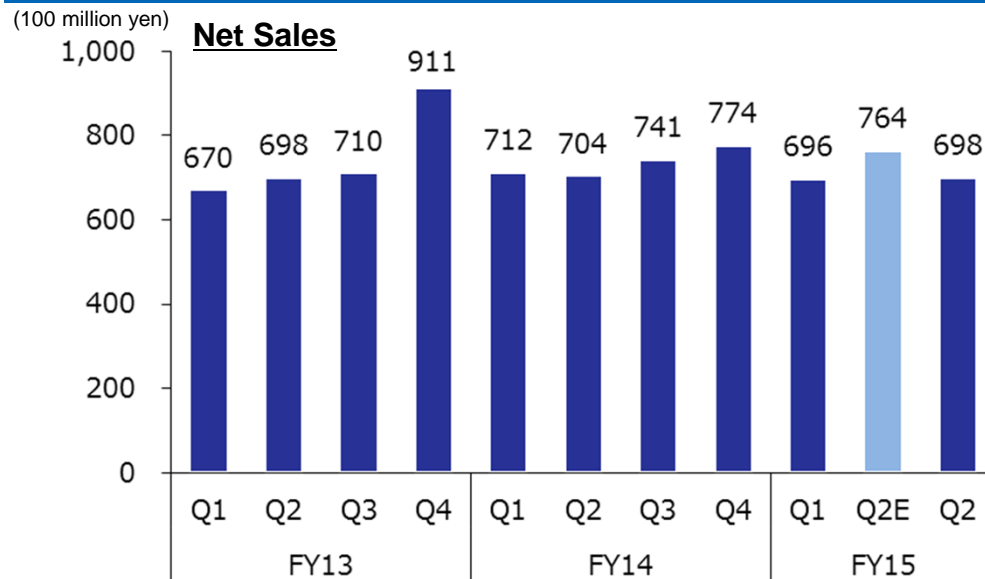
Forecast ratio:

Forecast ⇒ Achieved results

+ 130 million yen

- Continued strength in digital coherent related products

Summary by segment 2 - Energy & Industrial Products



YtoY comparison:

14Q2 ⇒ 15Q2 +970 million yen

- Growth in sales of tape for semiconductor manufacturing due to continued Smartphone demand
- Growth of sales and profits in European foam products
- Contribution of increased demand for electric wire for device
- Continued sluggishness in high-voltage power cable

Forecast ratio:

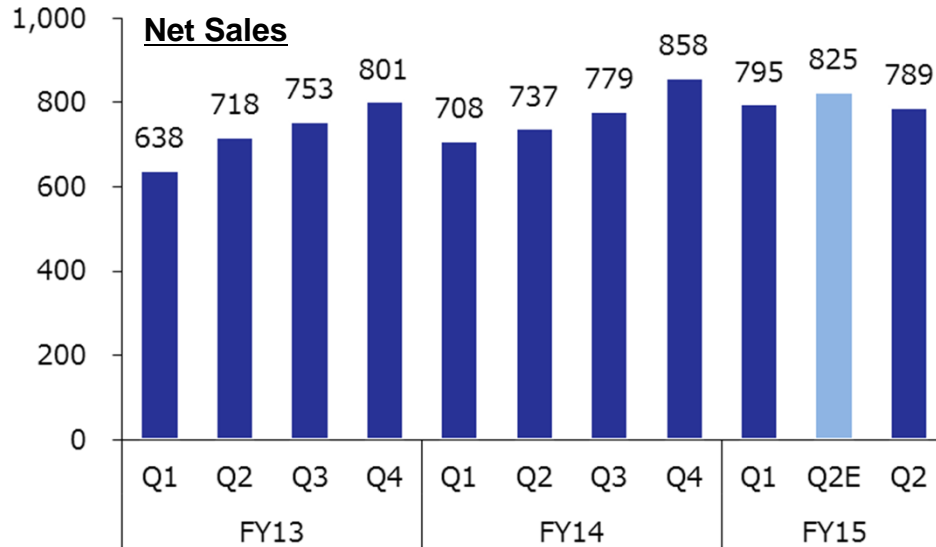
Forecast ⇒ Achieved results

+ 900 million yen

- Continued strength in tape for semiconductor manufacturing
- Improvement of energy related business

Summary by segment 3 - Electronics & Automotive Systems

(100 million yen)

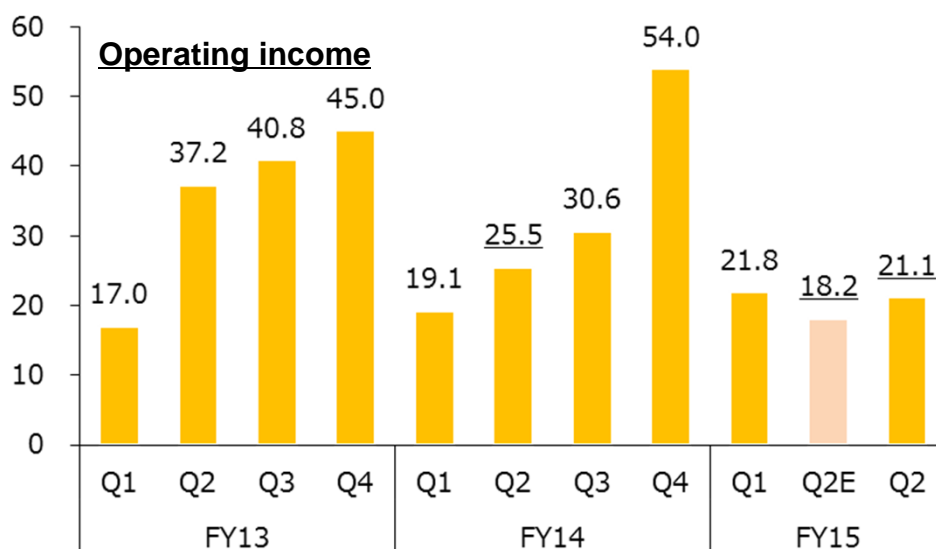


YtoY comparison:

14Q2 ⇒ 15Q2 -440 million yen

- Decreased in profits for automotive parts due to raised import costs caused mainly by the progression of the weak yen
- Expansion in automotive batteries through new domestic factory operations
- Continued strength in memory disk material for data centers

(100 million yen)



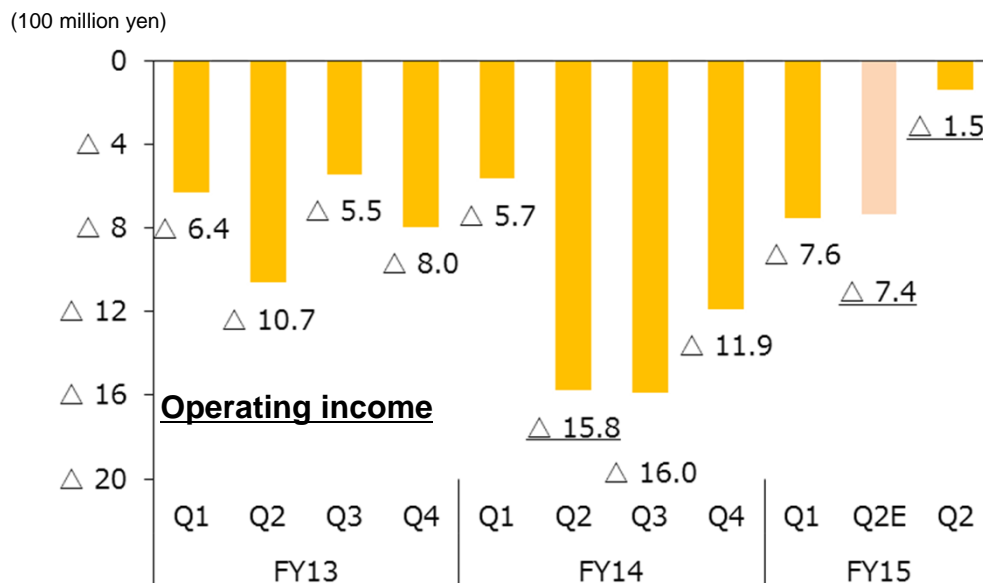
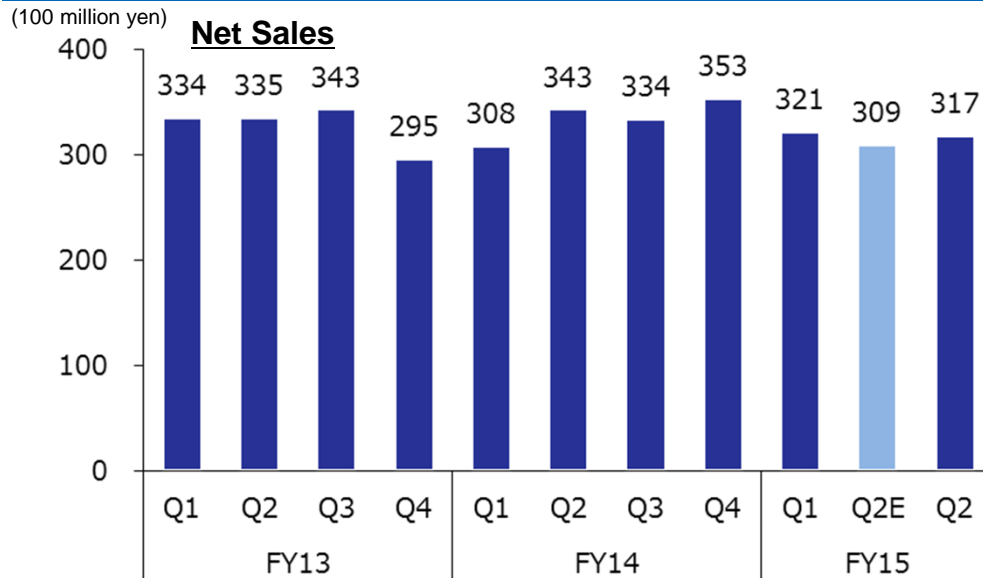
Forecast ratio:

Forecast ⇒ Achieved results

+ 300 million yen

- Strength in electrical related business, such as memory disk material
- Achieved forecast through cost cutting in automotive parts

Summary by segment 4 - Metals



YtoY comparison:

14Q2⇒15Q2 +1440 million yen

- Copper strips continued recovery with steadily increased production volume due to resuming integrated production since January
- In spite of tough conditions for automotive battery copper foil due to sluggish demand, adjustments in customer inventory, and the like, copper foil increased earnings centered on consumer batteries due to growth in sales, improved productivity

Forecast ratio:

Forecast ⇒ achieved results

+ 600 million yen

- Copper strips recovered steadily among existing customers in a tough market
- Copper foil increased performance due to improvements in its product mix and the like
- Copper pipe improved earnings in the Thai factory

3. H2 Forecast

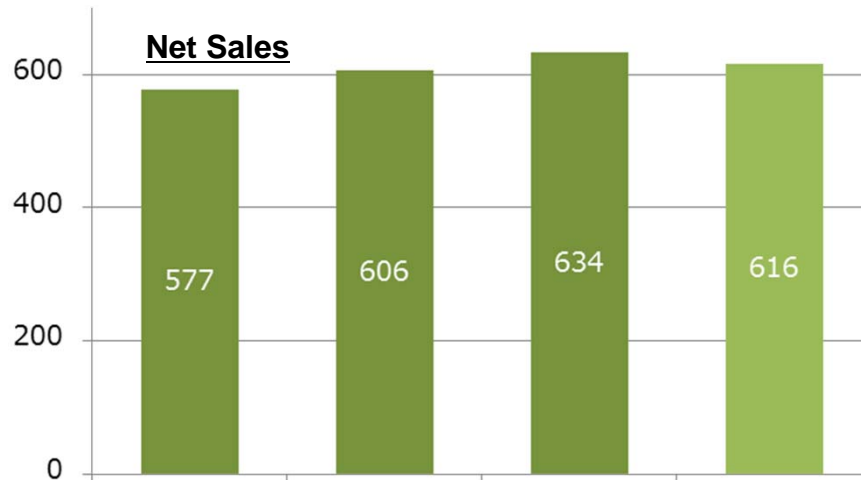
Summary P&L

(Unit: 100 million yen)

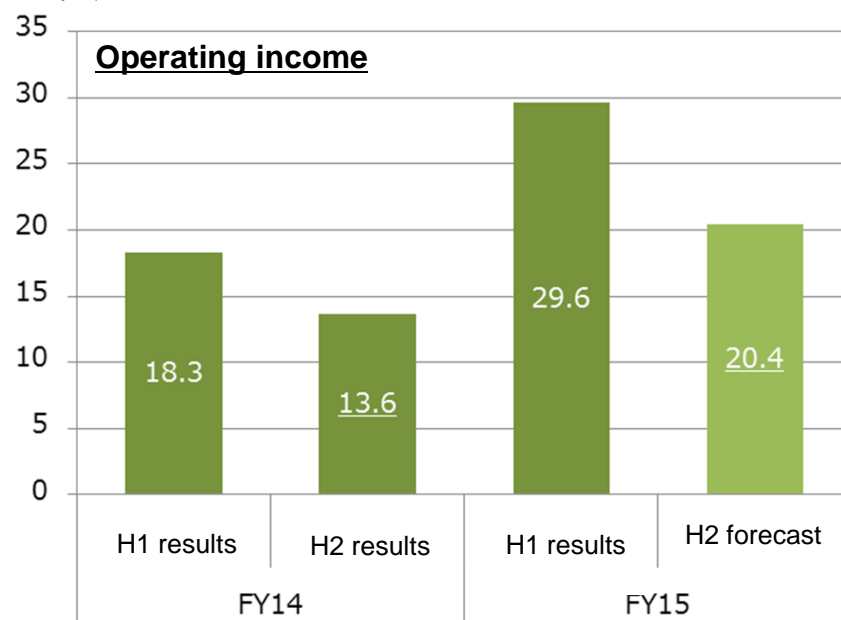
| | FY14 H1 | FY14 H2 | FY15 H1 | FY15 H2 Current forecast | YtoY change |
|---|------------|------------|------------|--------------------------------|-------------|
| | a | b | c | d | d-b |
| Net sales | 4,149 | 4,530 | 4,282 | 4,618 | 89 |
| (rate) | | | | | 2.0% |
| Operating income | 62 | 116 | 91 | 139 | 22 |
| (rate) | | | | | 19.1% |
| Profit/loss in equity method affiliates | 10 | 9 | 5 | - | - |
| Foreign exchange gain/loss | △ 2 | 2 | △ 6 | - | - |
| Ordinary income | 72 | 114 | 79 | 151 | 36 |
| (rate) | | | | | 31.6% |
| Extraordinary gain/loss | △ 34 | 10 | △ 16 | △ 16 | △ 25 |
| Income taxes - current and income taxes - deferred | 17 | 50 | 33 | - | - |
| Profit attributable to non-controlling interest | 9 | 12 | 11 | - | - |
| Profit attributable to owners of parent | 12 | 62 | 20 | 80 | 18 |
| (rate) | | | | | 29.6% |

Forecast by segment 1-(1) Optical Fiber Cables

(100 million yen)



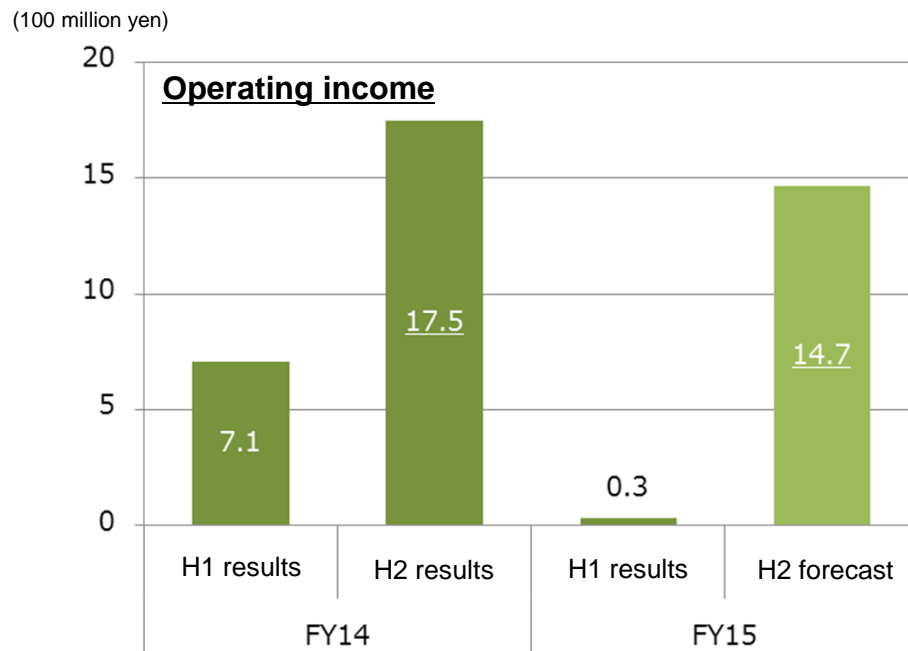
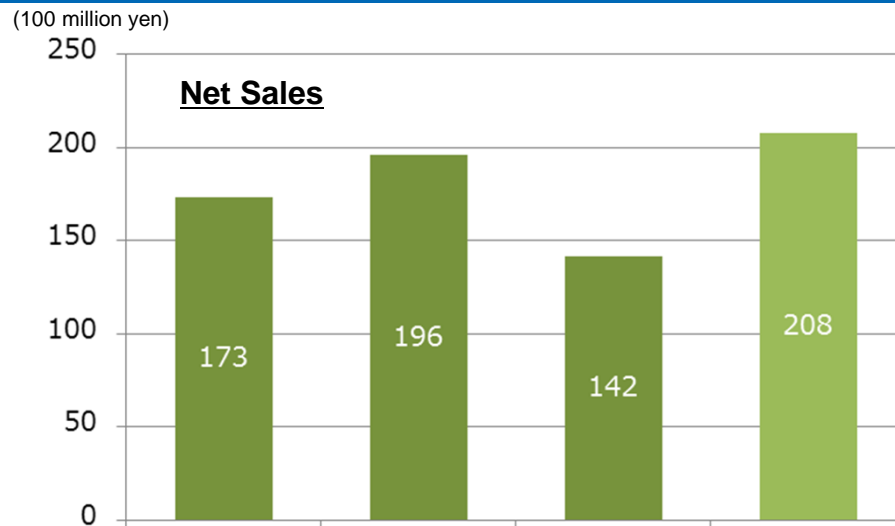
(100 million yen)



YtoY comparison:
14H2⇒15H2 +680 million yen

- Contribution of increased sales of fiber for export, along with improvement in profitability in domestic optical fiber cable
- Continue strong demand in the North American OFS market
- Decline in profits for FISA due to the impact of foreign currency transactions resulting from depreciation in the Real in spite of growth in sales abroad

Forecast by segment 1 -(2) Photonics Networks

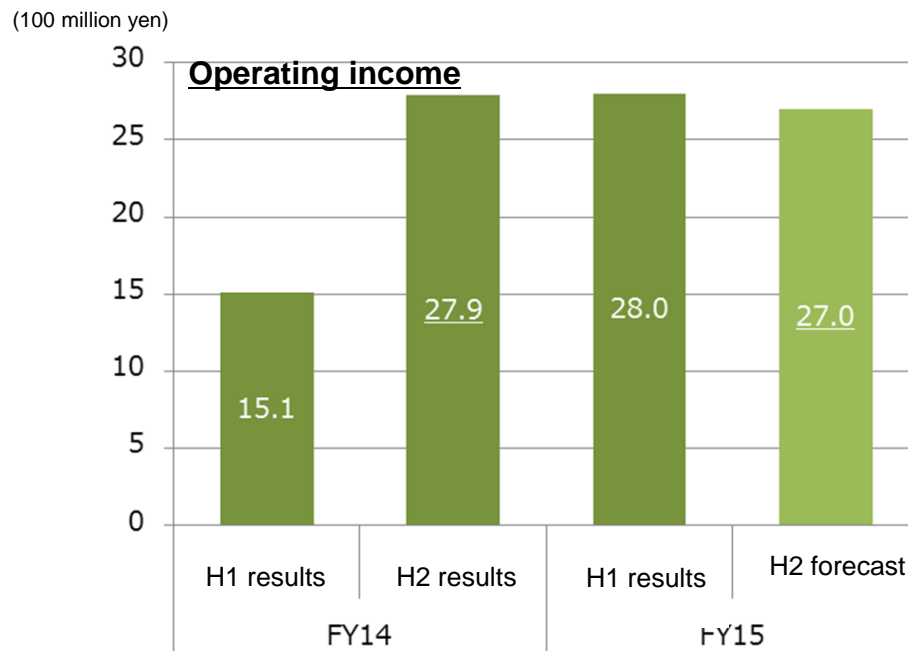
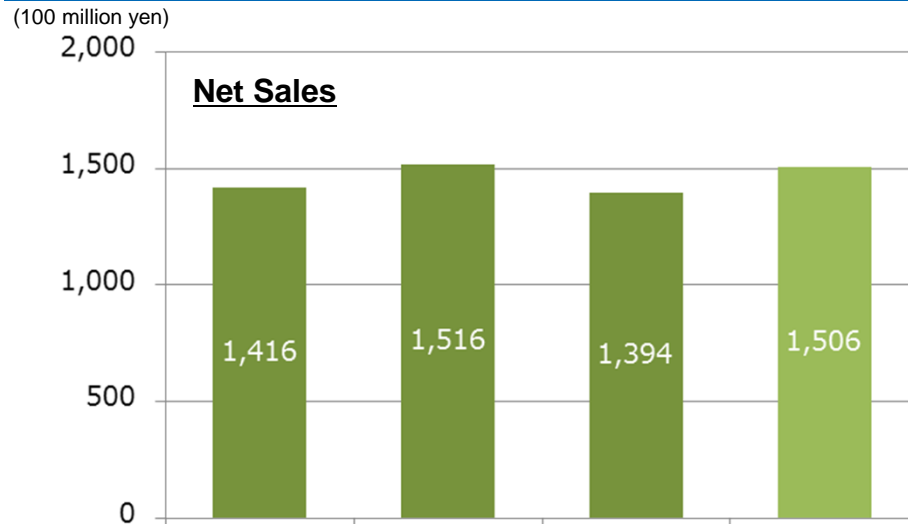


YtoY comparison:

14H2⇒15H2 -280 million yen

- Construction demand related to mobile phone in Thailand reduced
- Growth in sales of broadband business related products
- Continue strength in digital coherent related products

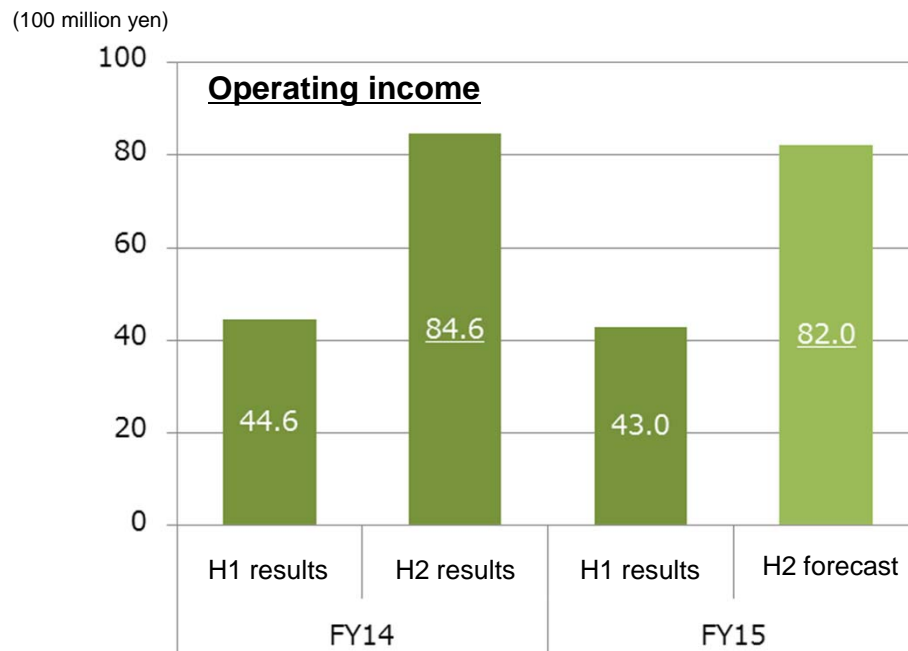
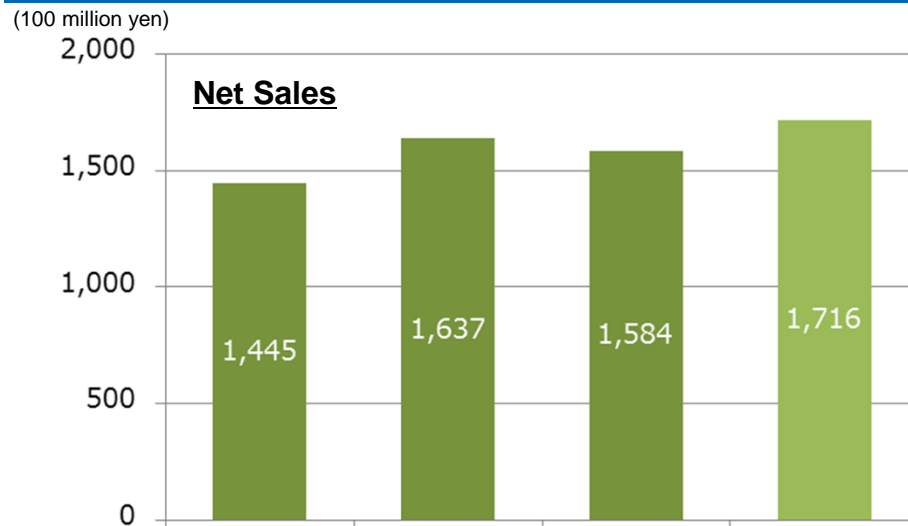
Forecast by segment 2 - Energy & Industrial Products



YtoY comparison:
14H2⇒15H2 -90 million yen

- Decline in profits due to sluggish domestic demand, in spite of slight improvements in high-voltage cables for China
- Strong demand for products such as electric wires for devices and transformer parts for power companies
- Continue strength in tape for semiconductor manufacturing

Forecast by segment 3 - Electronics & Automotive Systems

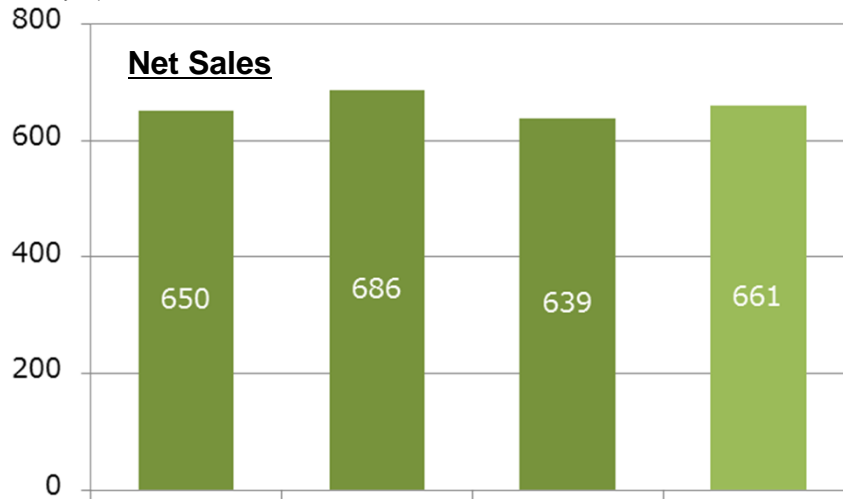


YtoY comparison:
14H2⇒15H2 -260 million yen

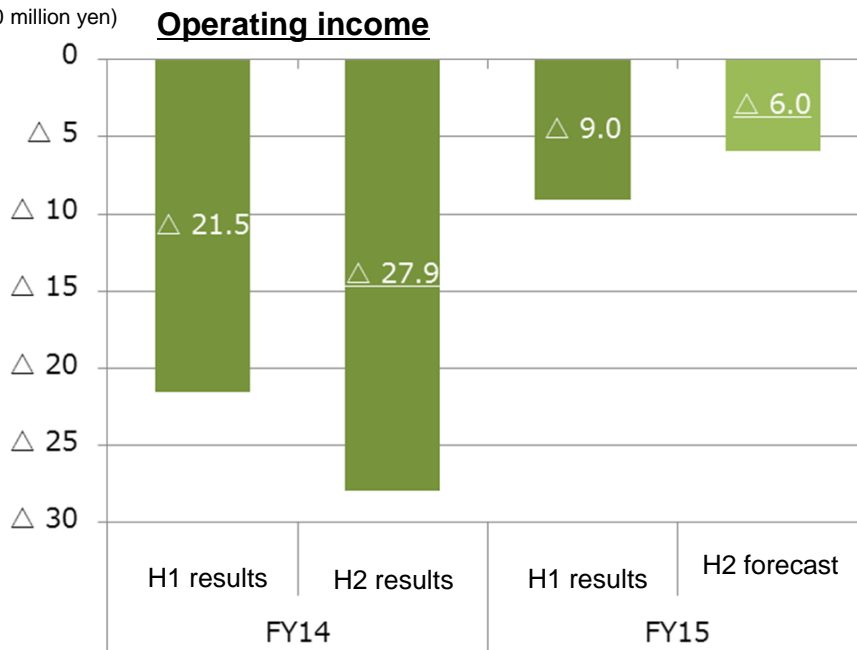
- Decline in profits for automotive parts due to a temporary cost increase in products for North America
- Expansion in automotive batteries through new domestic factory operations
- Increase in profits for thermal and electronic components for servers

Forecast by segment 4 - Metals

(100 million yen)



(100 million yen)



YtoY comparison:

14H2⇒15H2 +2,190 million yen

- For copper strip, continue increasing production volume steadily (Forecast to be profitable in Q4)
- For copper foil, prospects for improvement by increasing value added products

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4. Annual Forecast

Summary P&L

(Unit: 100 million yen)

| | 2014 | 2015 Previous forecast | 2015 Current forecast | YtoY change | Change against previous year budget |
|---|-------|------------------------------|-----------------------------|-------------|---|
| | a | b | c | c-a | c-b |
| Net sales | 8,678 | 9,100 | 8,900 | 222 | △ 200 |
| (rate) | | | | 2.6% | -2.2% |
| Operating income | 179 | 230 | 230 | 51 | 0 |
| (rate) | | | | 28.7% | 0.0% |
| Profit/loss in equity method affiliates | 19 | - | - | - | - |
| Foreign exchange gain/loss | △ 1 | - | - | - | - |
| Ordinary income | 186 | 230 | 230 | 44 | 0 |
| (rate) | | | | 23.7% | 0.0% |
| Extraordinary gain/loss | △ 24 | △ 32 | △ 32 | △ 8 | 0 |
| Income taxes - current and income taxes - deferred | 67 | - | - | - | - |
| Profit attributable to non-controlling interest | 21 | - | - | - | - |
| Profit attributable to owners of parent | 74 | 100 | 100 | 26 | 0 |
| (rate) | | | | 36.0% | 0.0% |

Forecast of Net Sales and Operating Income by Segment

(100 million yen)

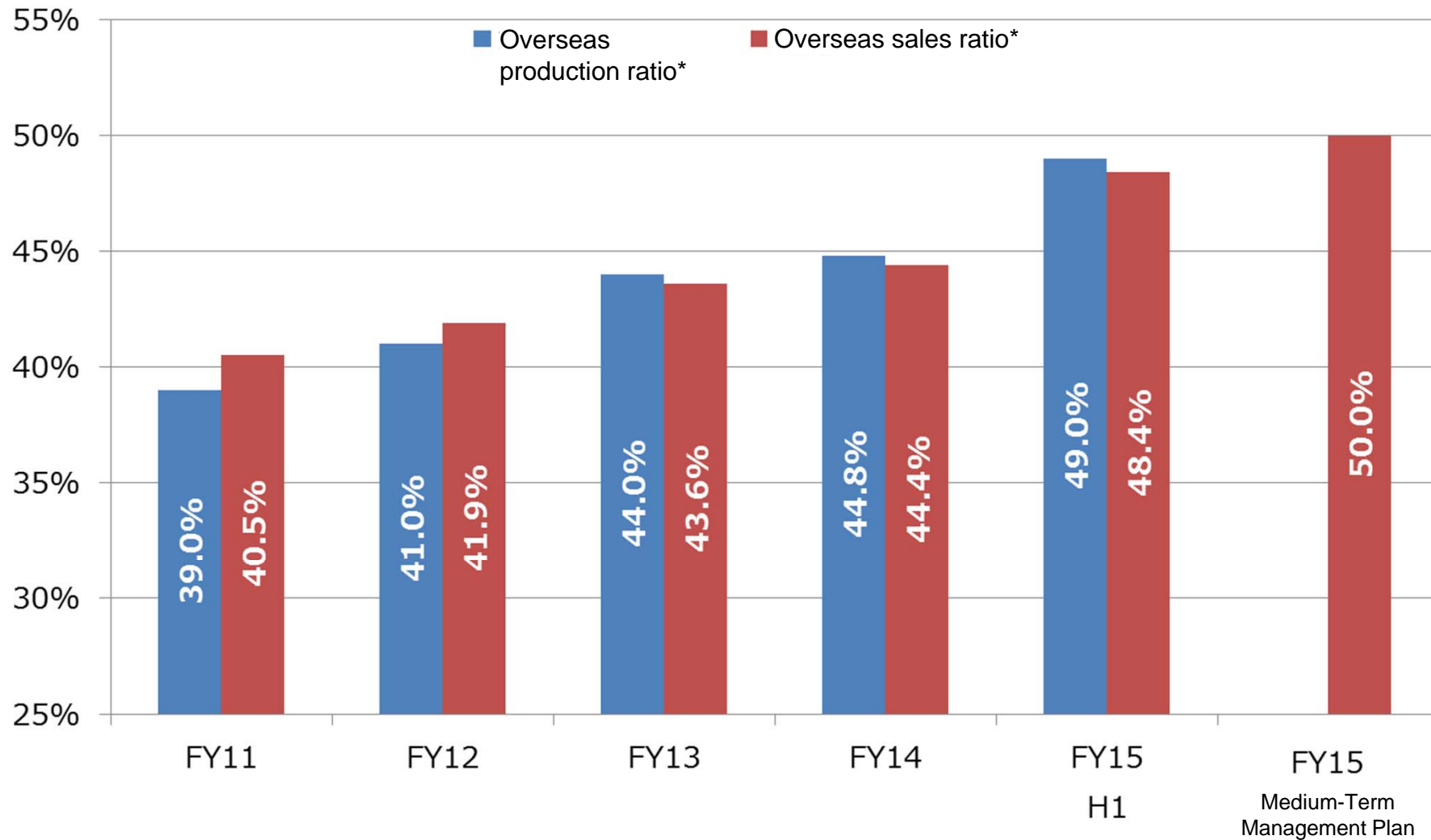
| Upper row: net sales Lower row: operating income | FY14 Results | FY15 Previous forecast | FY15 Current forecast | YtoY change | Change against previous year budget | 15H1 Results | 15H2 Forecast | H1/H2 change |
|---|-----------------|------------------------------|-----------------------------|-------------|---|-----------------|------------------|-----------------|
| | a | b | c | c-a | c-b | d | e | e-d |
| Telecommunications | 1,552 | 1,550 | 1,600 | 48 | 50 | 775 | 825 | 49 |
| Optical Fiber Cables | 1,183 | 1,200 | 1,250 | 67 | 50 | 634 | 616 | ▲ 18 |
| Photonics Networks | 369 | 350 | 350 | ▲ 19 | 0 | 142 | 208 | 67 |
| Energy & Industrial Products | 2,932 | 3,060 | 2,900 | ▲ 32 | ▲ 160 | 1,394 | 1,506 | 111 |
| Electronics & Automotive Systems | 3,082 | 3,270 | 3,300 | 218 | 30 | 1,584 | 1,716 | 132 |
| Metals | 1,337 | 1,440 | 1,300 | ▲ 37 | ▲ 140 | 639 | 661 | 23 |
| Service and Developments, etc. | 535 | 540 | 550 | 15 | 10 | 264 | 286 | 22 |
| Consolidated eliminations | ▲ 760 | ▲ 760 | ▲ 750 | 10 | 10 | ▲ 374 | ▲ 376 | ▲ 1 |
| Net sales | 8,678 | 9,100 | 8,900 | 222 | ▲ 200 | 4,282 | 4,618 | 337 |
| Telecommunications | 57 | 60 | 65 | 8 | 5 | 30 | 35 | 5 |
| Optical Fiber Cables | 32 | 45 | 50 | 18 | 5 | 30 | 20 | ▲ 9 |
| Photonics Networks | 25 | 15 | 15 | ▲ 10 | 0 | 0 | 15 | 14 |
| Energy & Industrial Products | 43 | 47 | 55 | 12 | 8 | 28 | 27 | ▲ 1 |
| Electronics & Automotive Systems | 129 | 140 | 125 | ▲ 4 | ▲ 15 | 43 | 82 | 39 |
| Metals | ▲ 49 | ▲ 20 | ▲ 15 | 34 | 5 | ▲ 9 | ▲ 6 | 3 |
| Service and Developments, etc. | ▲ 1 | 3 | 0 | 1 | ▲ 3 | 0 | ▲ 0 | ▲ 1 |
| Consolidated eliminations | 1 | 0 | 0 | ▲ 1 | 0 | ▲ 1 | 1 | 2 |
| Operating income | 179 | 230 | 230 | 51 | 0 | 91 | 139 | 47 |

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Reference

Changes in Overseas Production and Sales Ratios

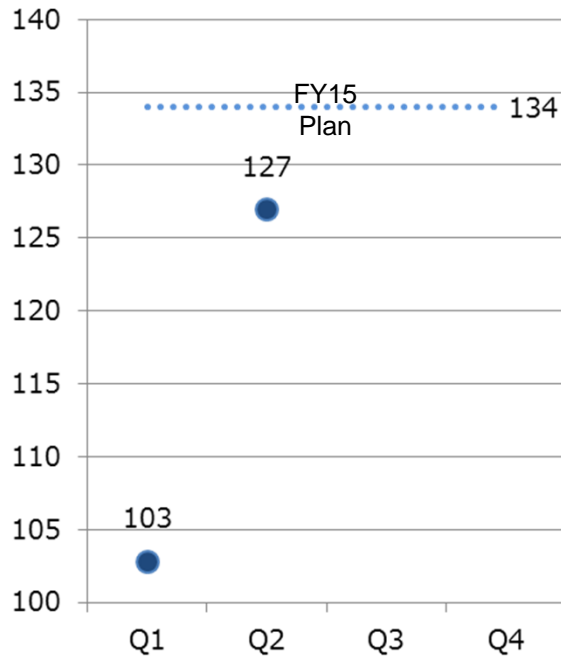
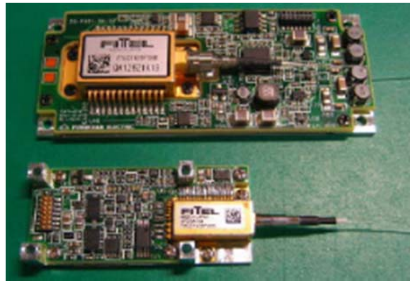
- Rise resulting from expansion in North American fiber optic cable business and the like as well as depreciation in the yen



Strategic Products and Sales Volume Trends

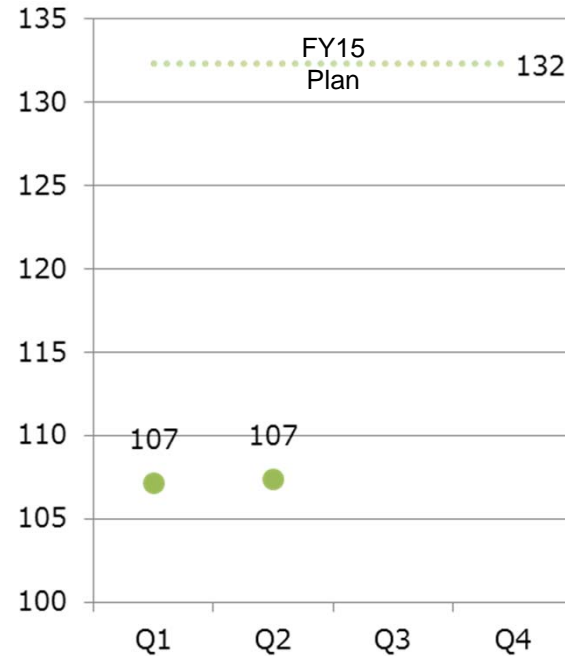
ITLA/FBT

Integrated signal light sources for use in digital coherent telecommunications



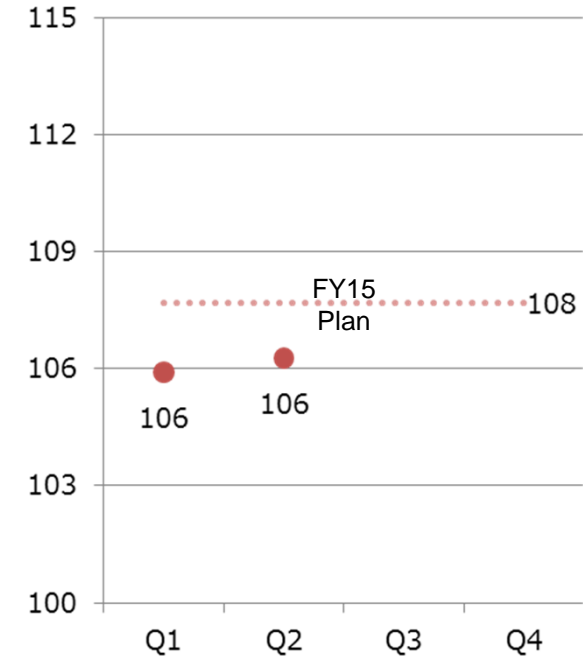
BSS

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.

Bound to  ***Innovate***