

FY2016 Interim Results

Director, Corporate Senior Vice President, and
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Group Global Management Divisions

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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.
- 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 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

FY2016 H1 Overview

- Operating income totaled **13.3 billion yen, up 4.1 billion yen (up 45 %) YoY.**
 - **Operating income (real change basis) was up 63% YoY due mainly to continued strong performance in communications solutions (Infrastructure segment)** although strong yen gave negative impact.
 - **Effects of structural reform in the copper foil business (Functional Products segment)** was also contributed .
- Net income was **up 4.7 billion yen YoY, totaling 6.7 billion yen.**
 - The earnings increase was attributable to the **growth of operating income, posting of extraordinary gains following the sale of fixed assets**, and other factors despite **losses from equity method investments** and **increased foreign exchange losses caused by the yen’s appreciation.**

FY2016 Forecast

- The operating income forecast has been **revised upward by 1.5 billion yen to 29.0 billion yen from 27.5 billion yen.** (The net sales forecast has been revised downward due to the impact of the strong yen and falling copper price.)

(billion yen)

	FY2015	FY2016			
	Results	Previous forecast	forecast	YtoY change	Change from previous forecast
Net Sales	874.9	860.0	820.0	- 54.9	- 40.0
Operating income	27.1	27.5	29.0	+1.9	+1.5

change of H2 forecast assumptions

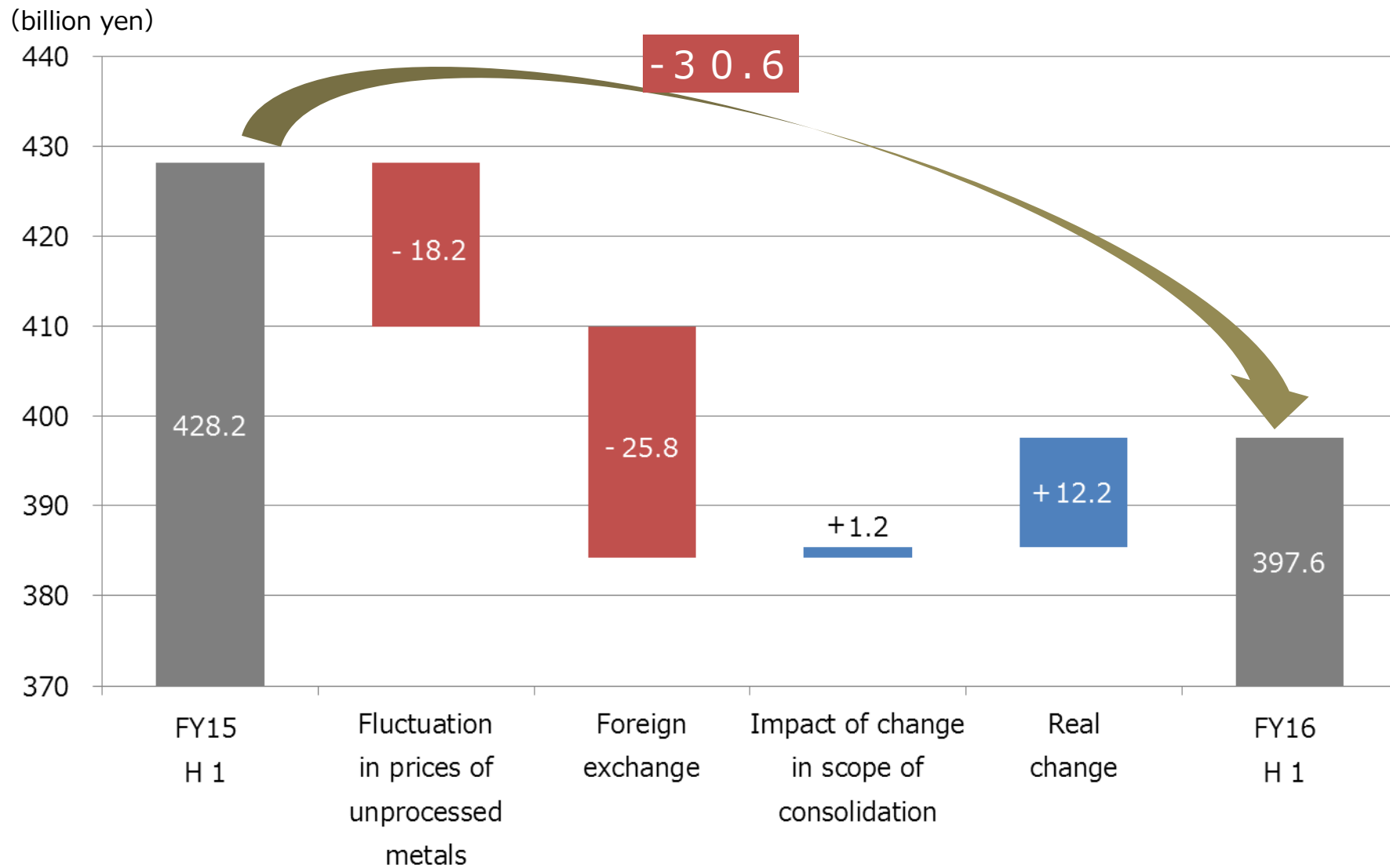
exchange rate: 110yen/USD → 100yen/USD copper price : 600yen/kg → 510yen/kg

FY16H1 Results – Summary P&L

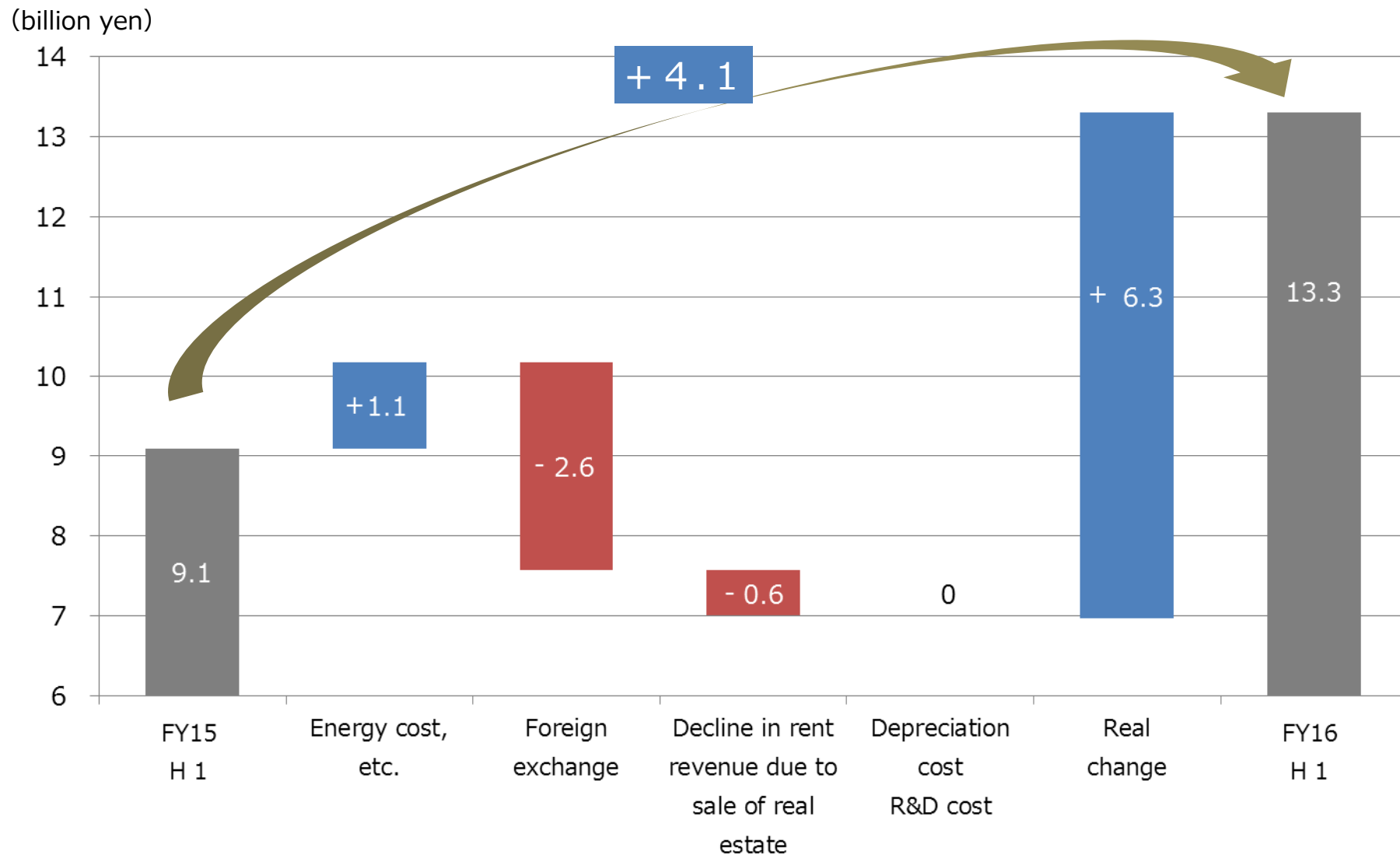
(billion yen, yen/kg, yen/USD)

	FY15H1 Results	FY16H1 Forecast	FY16H1 Results	YtoY change	Change from previous forecast	Breakdown of change (H1)
	a	b	c	c-a	c-b	
Net sales	428.2	410.0	397.6	-30.6	-12.4	See page 5
Operating income (Ratio)	9.1 2.1%	9.5 2.3%	13.3 3.3%	+4.1 +1.2%	+3.8 +1.0%	See page 6
Profit/loss in equity method affiliates	0.5	–	–	–	–	
Foreign exchange gain/loss	-0.6	–	–	–	–	
Ordinary income (Ratio)	7.9 1.9%	6.5 1.6%	10.2 2.6%	+2.2 +0.7%	+3.7 +1.0%	
Extraordinary gain/loss	-1.6	3.1	1.6	+3.2	- 1.5	•Extraordinary gain +3.9 (0.6 → 4.5)
Income taxes - current and income taxes - deferred	3.3	–	3.0	- 0.3	–	•Extraordinary loss -0.7 (-2.2 → -2.9)
Minority interests in income	1.1	–	2.1	+1.0	–	
Net income (Ratio)	2.0 0.5%	5.0 1.2%	6.7 1.7%	+4.7 +1.2%	+1.7 +0.5%	
Average copper price	738	578	544	–	–	
Average exchange rate	122	110	105	–	–	

FY16H1 Results – Analysis of Changes in Net Sales



FY16H1 Results – Analysis of Changes in Operating income



FY16H1 Results

– Net Sales and Operating Income by Segment

(billion yen)

Upper row: Net sales Lower row: Operating income	FY15H1 Results	FY16H1 Forecast	FY16H1 Results	YtoY change	Change from previous forecast
Infrastructure	123.3	125.0	122.5	- 0.7	- 2.5
Communications Solutions	77.5	80.0	79.8	+2.3	- 0.2
Energy infrastructure	45.8	45.0	42.7	- 3.1	- 2.3
Electronics & Automotive Systems	240.5	220.0	215.2	- 25.3	- 4.8
Automotive Products & Batteries	110.1	110.0	104.7	- 5.4	- 5.3
Electronics Component Materials	130.4	110.0	110.5	- 19.9	+0.5
Functional Products	68.6	70.0	65.9	- 2.7	- 4.1
Service and Developments, etc.	24.8	25.0	23.9	- 0.9	- 1.1
Elimination of intra-company transactions	- 28.9	- 30.0	- 29.9	- 1.0	+0.1
Net sales	428.2	410.0	397.6	- 30.6	- 12.4
Infrastructure	2.5	3.8	5.3	+2.9	+1.5
Communications Solutions	3.1	4.3	5.8	+2.8	+1.5
Energy infrastructure	- 0.6	- 0.5	- 0.5	+0.1	0.0
Electronics & Automotive Systems	3.0	2.1	3.3	+0.3	+1.2
Automotive Products & Batteries	2.0	1.7	2.7	+0.7	+1.0
Electronics Component Materials	1.0	0.4	0.6	- 0.4	+0.2
Functional Products	3.7	4.1	5.0	+1.4	+0.9
Service and Developments, etc.	- 0.0	- 0.5	- 0.4	- 0.4	+0.1
Elimination of intra-company transactions	- 0.0	0.0	0.0	0.0	0.0
Operating income	9.1	9.5	13.3	+4.1	+3.8

FY16H1 – BS Summary

(billion yen)

	End of 15Q4	End of 16Q2	Change	Breakdown of change
Current assets	364.0	343.1	-20.9	
Cash and bank deposits	52.5	46.9	-5.6	
Trade receivable	187.0	170.2	-16.8	Due primarily to the impact of exchange rate fluctuations
Non-current assets	341.7	337.7	-4.0	
Tangible fixed assets	196.5	189.4	-7.1	Due primarily to the impact of exchange rate fluctuations
Intangible fixed assets	8.5	7.8	-0.7	(Capital investment 11.6, Depreciation cost 11.5)
Investments and other assets	136.6	140.5	3.8	Valuation difference on investment securities, etc
Assets	705.7	680.8	-24.9	Due primarily to the impact of exchange rate fluctuations and the falling copper price
Current liabilities	299.3	261.1	-38.2	
Long-term liabilities	207.8	219.4	11.6	
Liabilities	507.1	480.5	-26.6	
Shareholders' equity	180.9	183.6	2.7	Increase in net income
Accumulated other comprehensive income	-7.7	-9.3	-1.5	Foreign currency translation adjustment -12.3 Valuation difference on available-for-sale securities +92
Minority interests	25.4	25.9	0.5	
Net assets	198.6	200.3	1.7	
Liabilities and Net assets	705.7	680.8	-24.9	
Interest-bearing liabilities	257.8	247.9	-9.9	
Equity capital ratio	24.5%	25.6%	+1.1%	
D/E ratio	1.49	1.42	-0.07	

FY16 Forecast – Summary P&L

(billion yen, yen/kg, yen/USD)

	FY15 Results	FY16 Previous Forecast	FY16 Forecast	YtoY change	Change from previous forecast
	a	b	c	c-a	c-b
Net sales	874.9	860.0	820.0	-54.9	-40.0
Operating income (Ratio)	27.1 3.1%	27.5 3.2%	29.0 3.5%	+1.9 +0.4%	+1.5 +0.3%
Profit/loss in equity method affiliates	△ 5.7	—	—	—	—
Foreign exchange gain/loss	-2.1	—	—	—	—
Ordinary income (Ratio)	18.7 2.1%	25.5 3.0%	25.5 3.1%	+6.8 1.0%	0.0 0.1%
Extraordinary gain/loss	2.7	-0.6	△ 0.6	△ 3.3	0.0
Income taxes - current and income taxes - deferred	7.9	—	—	—	—
Minority interests in income	3.4	—	—	—	—
Net income (Ratio)	10.0 1.1%	12.5 1.5%	12.5 1.5%	+2.5 +0.4%	+0.0 +0.1%
Average copper price	676	600	※1 527	—	—
Average exchange rate	120	110	※2 103	—	—

(※1 H1 : 544 H2 : 510) (※2 H1 : 105 H2 : 100)

FY16 Forecast

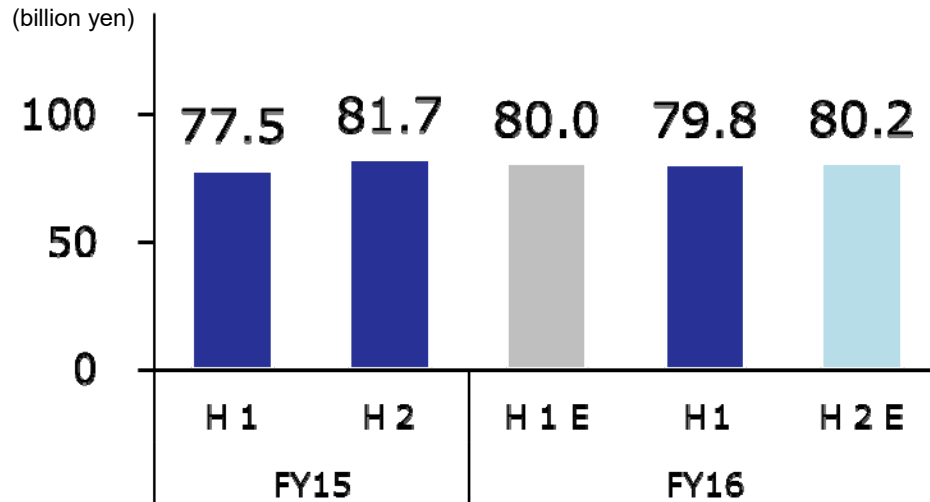
- Net Sales and Operating Income by Segment

(billion yen)

Upper row: Net sales Lower row: Operating income	FY15 Results	FY16 Previous Forecast	FY16 Forecast	YtoY change	Change from previous forecast
Infrastructure	252.7	260.0	255.0	+2.3	- 5.0
Communications Solutions	159.1	155.0	160.0	+0.9	+5.0
Energy infrastructure	93.5	105.0	95.0	+1.5	- 10.0
Electronics & Automotive Systems	491.1	470.0	445.0	- 46.1	- 25.0
Automotive Products & Batteries	234.1	240.0	225.0	- 9.1	- 15.0
Electronics Component Materials	257.0	230.0	220.0	- 37.0	- 10.0
Functional Products	136.3	140.0	135.0	- 1.3	- 5.0
Service and Developments, etc.	51.5	50.0	50.0	- 1.5	+0.0
Elimination of intra-company transactions	- 56.7	- 60.0	- 65.0	- 8.3	- 5.0
Net sales	874.9	860.0	820.0	- 54.9	- 40.0
Infrastructure	7.7	7.5	10.0	+2.3	+2.5
Communications Solutions	8.0	8.1	11.1	+3.1	+3.0
Energy infrastructure	- 0.3	- 0.6	- 1.1	- 0.8	- 0.5
Electronics & Automotive Systems	10.5	12.0	10.2	- 0.3	- 1.8
Automotive Products & Batteries	8.0	9.0	8.7	+0.7	- 0.3
Electronics Component Materials	2.4	3.0	1.5	- 0.9	- 1.5
Functional Products	8.5	8.5	10.0	+1.5	+1.5
Service and Developments, etc.	0.4	- 0.5	- 1.0	- 1.4	- 0.5
Elimination of intra-company transactions	0.1	0.0	- 0.2	- 0.3	- 0.2
Operating income	27.1	27.5	29.0	+1.9	+1.5

1-(1) Infrastructure (Communications Solutions)

Net sales



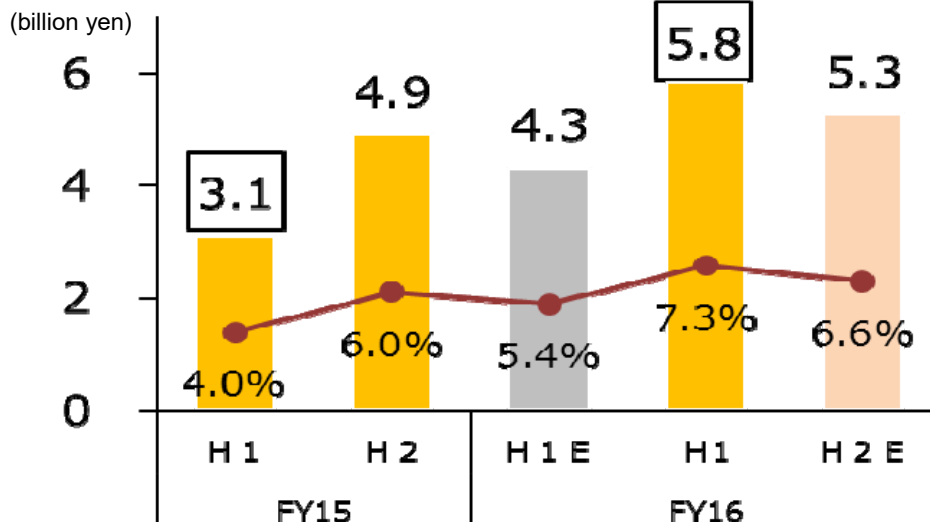
< Operating Income YoY difference >

H1 Result ; +2.76 billion yen

- Product mix and price levels improved in addition to increased demand for optical fiber in North America and elsewhere.
- Demand for digital coherent-related products also remained strong.
- Exchange differences related to optical fiber exports and overseas subsidiaries due to the strong yen affected net sales and operating income.

: Factors for increase : Factors for decrease

Operating income / operating margin

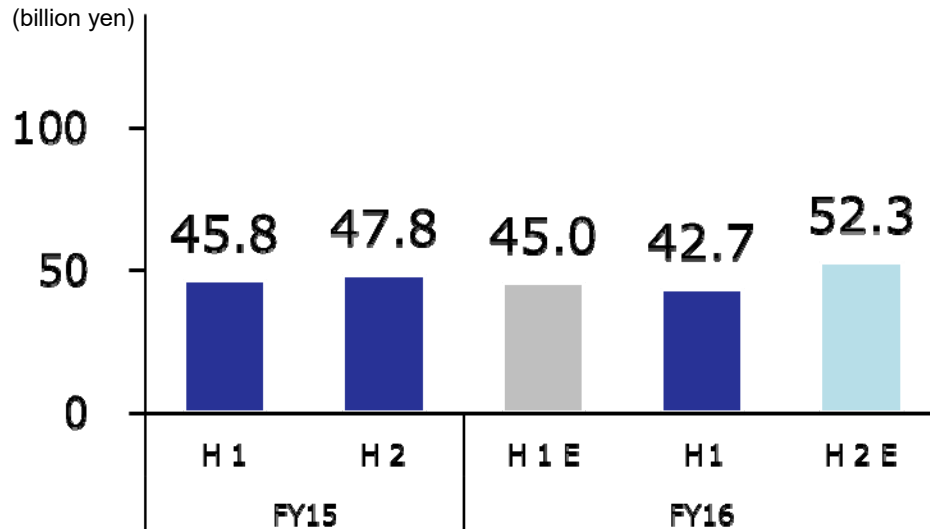


H2 Forecast

- There will be the impact of the strong yen despite the continuously strong demand for optical fiber.

1 -(2) Infrastructure (Energy Infrastructure)

Net sales



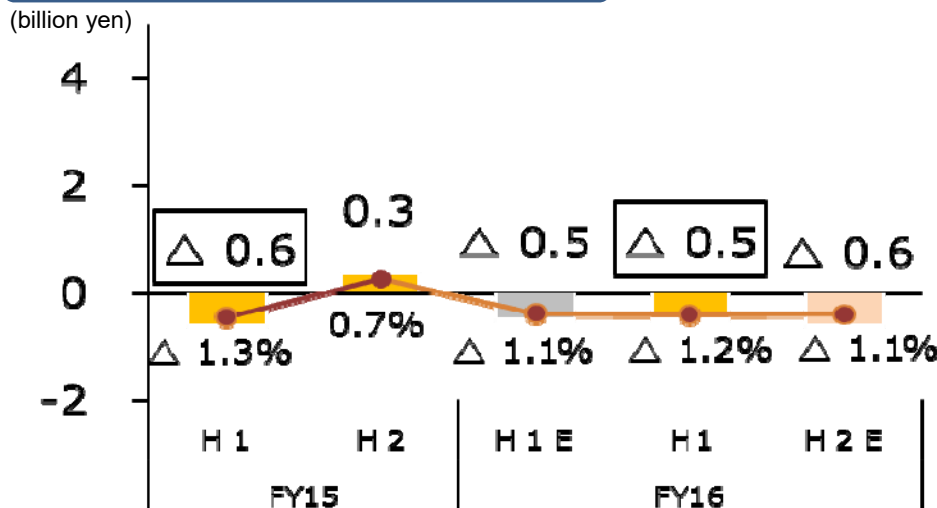
< Operating Income YoY difference >

H1 Result ; +0.1 billion yen

- Sales of high-voltage power cables improved in China.
- Sales of mid- to low-voltage power cables in Japan decreased due to sluggish demand in the construction and electrical appliances markets.

□: Factors for increase ■: Factors for decrease

Operating income / operating margin

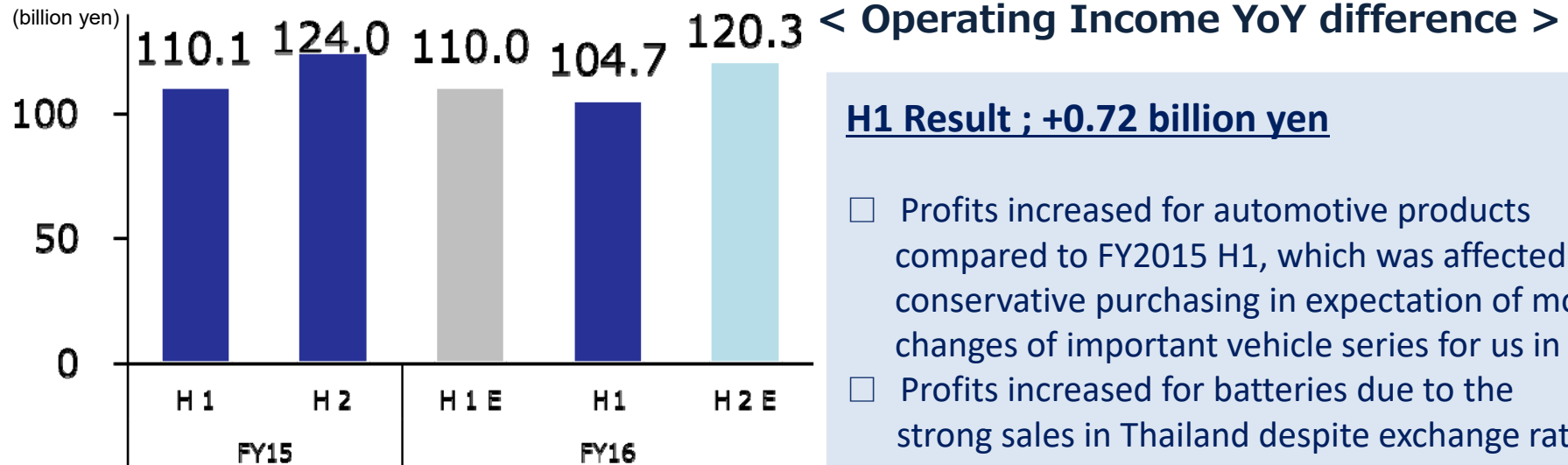


H2 Forecast

- Sales will increase in line with the acquisition of the underground and undersea power transmission line business of VISCAS Corporation while costs will increase temporarily.
- Sales of power line components will increase due partly to seasonal factors.

2-(1) Automotive Products & Materials (Automotive Products & Batteries)

Net sales

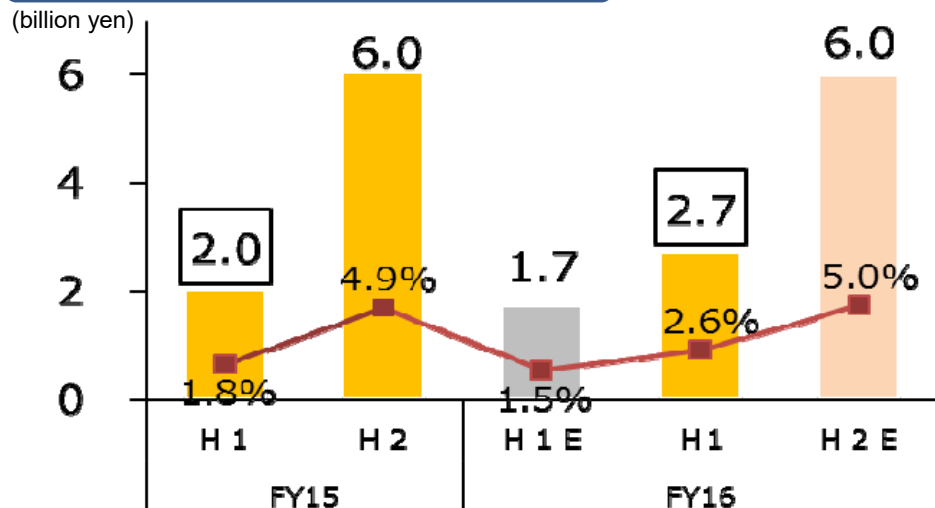


H1 Result ; +0.72 billion yen

- Profits increased for automotive products compared to FY2015 H1, which was affected by conservative purchasing in expectation of model changes of important vehicle series for us in H2.
- Profits increased for batteries due to the strong sales in Thailand despite exchange rate fluctuations.

: Factors for increase : Factors for decrease

Operating income / operating margin



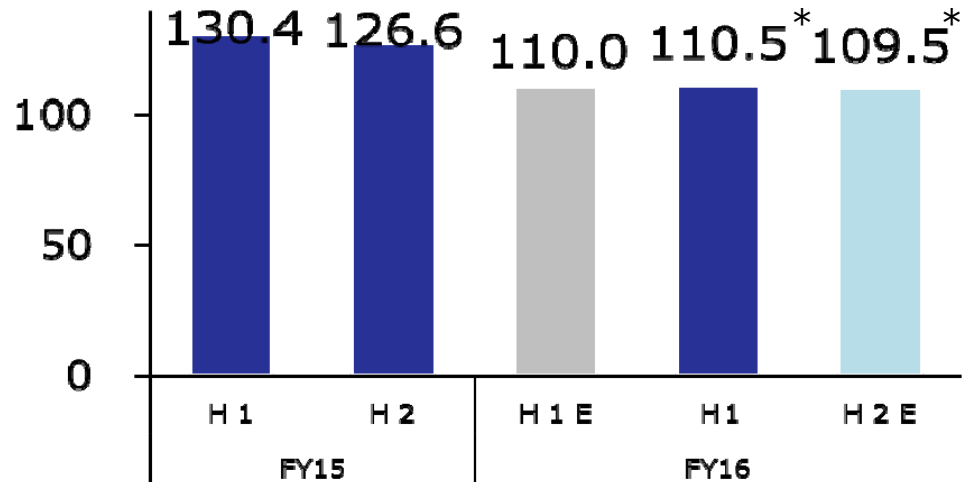
H2 Forecast

- Demand for automotive products in Japan is expected to decelerate while the cost increase in Mexico experienced last year is expected to improve.
- Profits for batteries will increase due to seasonal factors.

2-(2) Automotive Products & Materials (Electronics Component Material)

Net sales

(billion yen)



* The primary factor for the revenue decline will be the falling copper price.

< Operating Income YoY difference >

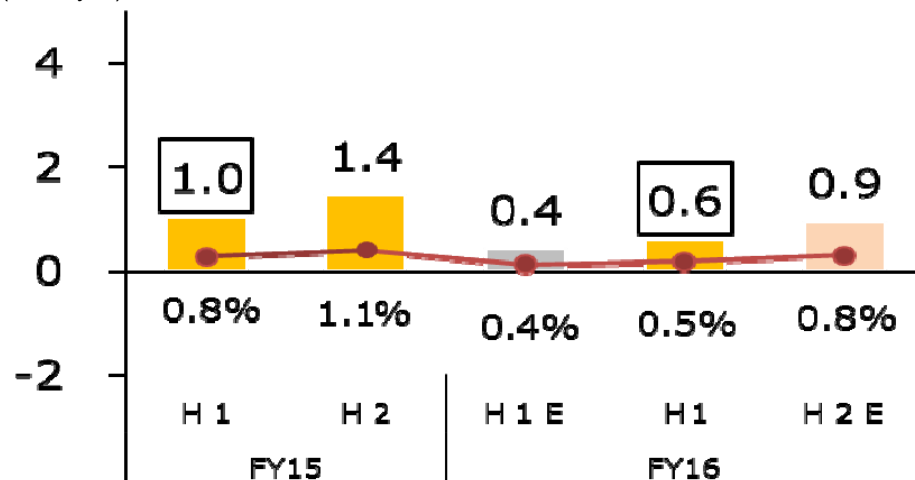
H1 Result ; -0.43 billion yen

- While the quantity of copper alloy products recovered steadily, profits decreased due to a temporary increase in costs for the development project of copper and high performance material products.

□: Factors for increase ■: Factors for decrease

Operating income / operating margin

(billion yen)

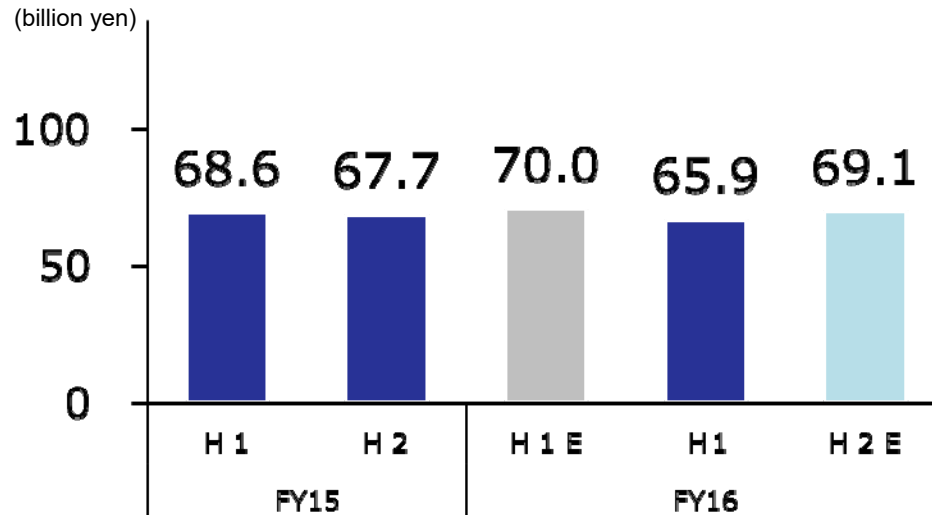


H2 Forecast

- While further improvements are expected for copper alloy products, a temporary increase in costs due to the development project of the copper-related business will continue in H2.

3 Functional Products

Net sales



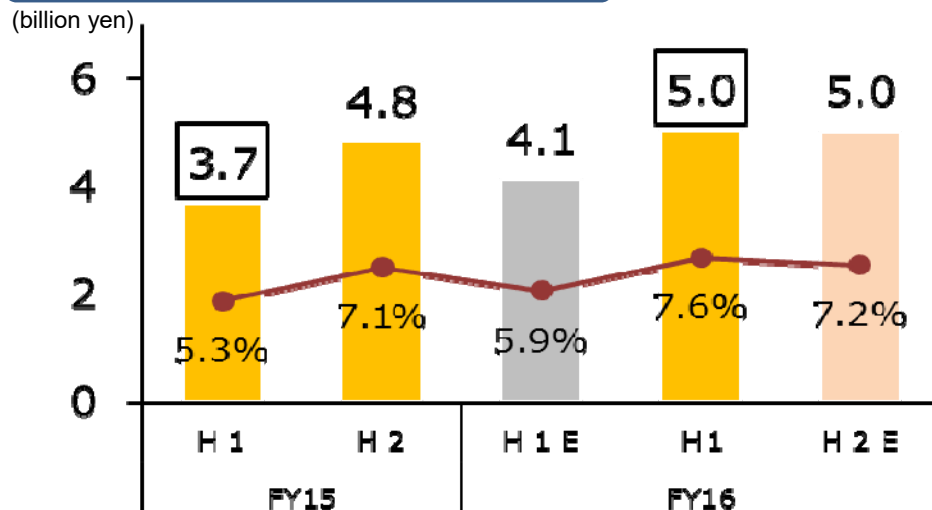
< Operating Income YoY difference >

H1 Result ; +1.36 billion yen

- Sales of semiconductor processing tape products increased due to higher demand.
- Copper foil saw positive effects of the structural reforms at domestic sites, transfer of manufacturing operations to Taiwan, and the increased ratio of value added products.
- Sales of thermal management solutions & products as well as memory disks decreased due to the sluggish electronics market including PCs.

: Factors for increase : Factors for decrease

Operating income / operating margin



H2 Forecast

- Sales of semiconductor processing tape products will remain strong.

FY16 Capital investment, Depreciation cost, R&D cost

(billion yen)

	FY15H1 Results	FY16H1 Results	change	FY15 Results	FY16 Previous Forecast	FY16 Forecast	YtoY change	Change from previous forecast
Capital investment	10.5	11.6	+1.1	25.7	38.0	38.0	+12.3	0.0
Depreciation cost	11.6	11.5	-0.1	23.2	27.0	24.3	+1.1	-2.7 [*]
R&D cost	8.2	8.4	+0.1	16.8	18.0	18.0	+1.2	0.0

* Due partially to the impact of exchange rate fluctuations

Thank you very much
for your attention.

Bound to  ***Innovate***