

FY2018 First Half Financial Results

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November 1st, 2018

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.

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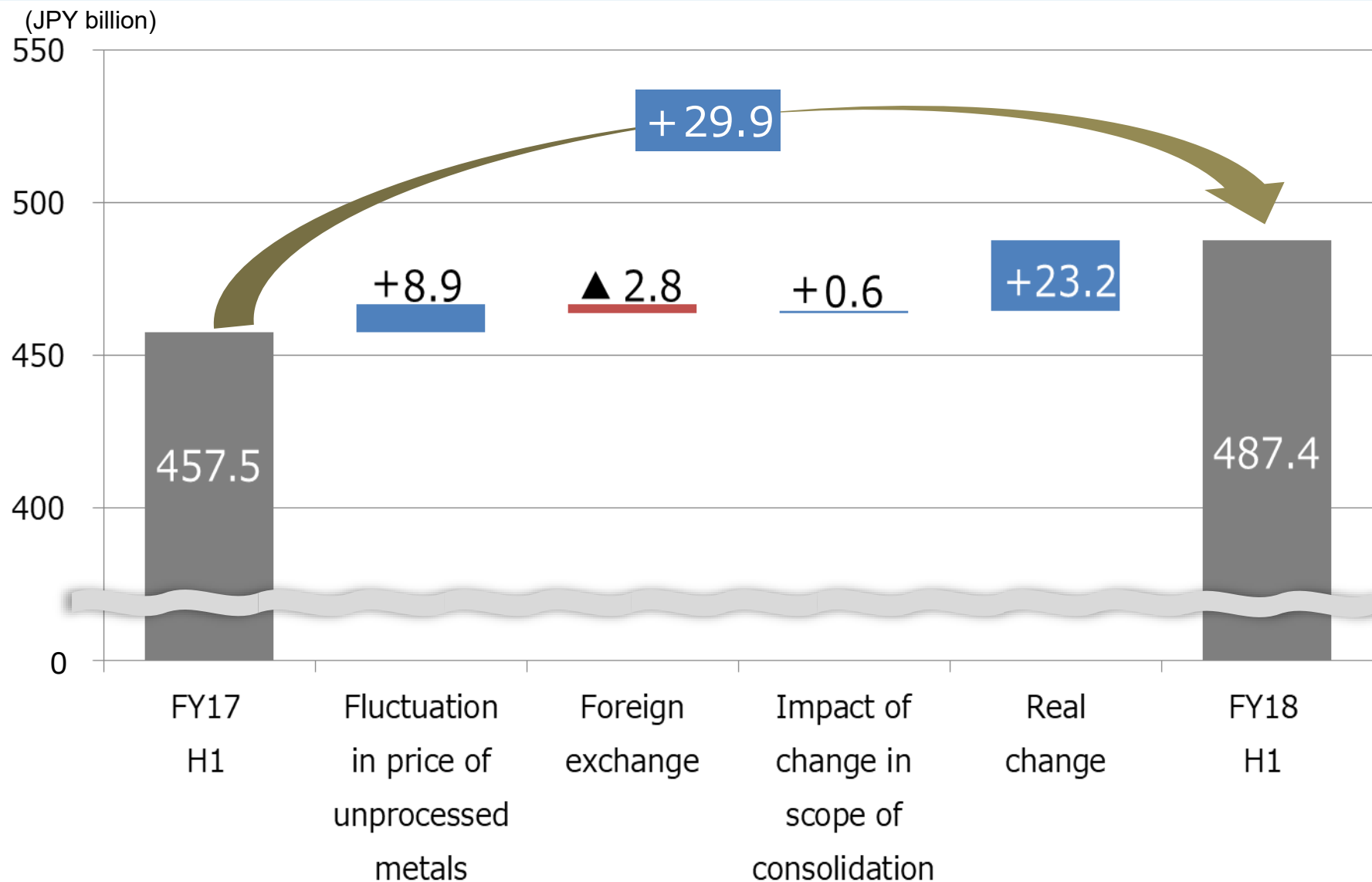
FY2018 First Half Results – Summary P&L **FURUKAWA ELECTRIC**

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

	FY17 H1 Results	FY18 H1 Results	YtoY change	Breakdown of change
	a	b	b-a	
Net sales	457.5	487.4	+29.9	See page 5
Operating income	21.8	17.6	▲ 4.2	See page 6
(Ratio)	4.8%	3.6%	▲ 1.2	
Profit/loss in equity method affiliates	2.0	0.4	▲ 1.6	
Foreign exchange gain/loss	▲0.6	▲0.6	+0.0	
Ordinary income	22.1	15.9	▲ 6.2	
(Ratio)	4.8%	3.3%	▲1.6	
Extraordinary gain/loss	6.1	▲ 1.2	▲ 7.3	•Extraordinary gain: ▲5.4 (7.0→1.6)
Income taxes	5.0	3.3	▲ 1.7	•Extraordinary loss: ▲1.9 (▲0.8 →▲2.7)
Net income attributable to non-controlling interests	1.6	1.5	▲ 0.0	
Net income attributable to owners of parent	21.7	9.8	▲ 11.9	
(Ratio)	4.7%	2.0%	▲2.7	
Average copper price	709	760	–	
Average exchange rate	111	110	–	

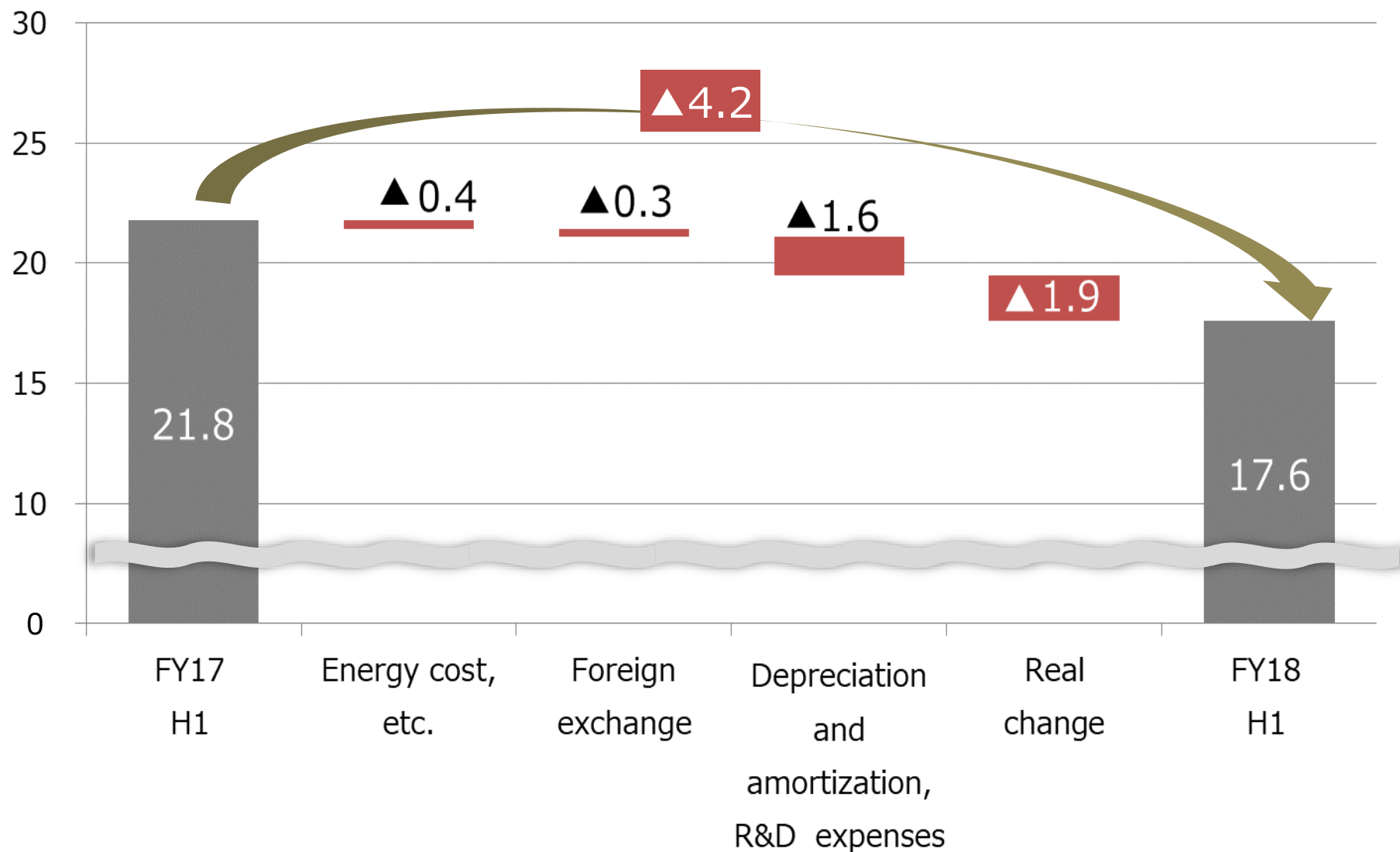
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Analysis of Changes in Net Sales (YOY)



Analysis of Changes in Operating income (YOY)

(JPY billion)



Breakdown by Segment; FY2018 First half results

(JPY billion)

		H1		
		*FY17 Results	FY18 Results	YtoY Change
Net sales	Infrastructure	141.6	139.2	▲ 2.4
	Communications Solutions	91.6	90.9	▲ 0.7
	Energy infrastructure	50.0	48.3	▲ 1.7
	Electronics & Automotive Systems	248.3	276.8	+28.6
	Automotive Products & Batteries	114.0	127.4	+13.4
	Electronics Component Materials	134.3	149.5	+15.2
	Functional Products	74.5	78.3	+3.8
	Service and Developments, etc.	24.7	23.2	▲ 1.5
	Elimination of intra-company transactions	▲ 31.6	▲ 30.1	+1.5
	Total	457.5	487.4	+29.9

Operating income	Infrastructure	7.8	2.3	▲ 5.4
	Communications Solutions	8.0	6.1	▲ 1.8
	Energy infrastructure	▲ 0.2	▲ 3.8	▲ 3.6
	Electronics & Automotive Systems	7.3	7.7	+0.5
	Automotive Products & Batteries	4.9	4.8	▲ 0.0
	Electronics Component Materials	2.4	2.9	+0.5
	Functional Products	7.0	7.5	+0.5
	Service and Developments, etc.	▲ 0.2	▲ 0.0	+0.2
	Elimination of intra-company transactions	0.0	0.0	+0.0
	Total	21.8	17.6	▲ 4.2

* 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.

FY2018 First half results

-B/S Summary

(JPY billion)

	End of 17Q4	End of 18Q2	Change
	a	b	b-a
Current assets	416.2	418.3	+2.1
Cash and bank deposits	50.6	47.9	▲ 2.7
Notes and accounts receivable trade	224.3	219.8	▲ 4.5
Inventories	113.8	125.6	+11.8
Non-current assets	392.4	397.3	+4.9
Tangible fixed assets	216.7	224.1	+7.3
Intangible fixed assets	11.3	9.9	▲ 1.4
Investments and other assets	164.4	163.3	▲ 1.1
Total Assets	808.6	815.6	+7.0
Current liabilities	330.3	323.3	▲ 7.0
Non-current liabilities	206.2	217.4	+11.2
Total Liabilities	536.6	540.7	+4.2
Shareholders' equity	219.2	223.8	+4.7
Accumulated other comprehensive income	17.3	17.9	+0.5
Net income attributable to non-controlling interests	35.6	33.1	▲ 2.4
Total Net assets	272.1	274.9	+2.8
Total Liabilities and Net assets	808.6	815.6	+7.0
Interest-bearing liabilities	258.5	263.8	+5.3
Capital ratio	29.2%	29.6%	+0.4
NET D/E ratio	0.88	0.89	+0.01

Inventories : +11.8 billion

Due to the effect of projects, constructions, etc. to be recorded in H2

Interest-bearing debt : +5.3 billion

Mainly due to an increase in cash outflow for CAPEX

Revision of FY2018 Full year forecasts

-P/L Summary

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

	FY17	FY18	FY18	YtoY	Change from
	Results	Previous	Forecasts	change	previous
	a	b	c	b-a	c-b
Net sales	967.3	1,000.0	980.0	+12.7	▲ 20.0
Operating income	44.8	43.0	40.0	▲ 4.8	▲ 3.0
(Ratio)	4.6%	4.3%	4.1%	▲ 0.6	▲ 0.2
Profit/loss in equity method affiliates	4.3	—	—	—	—
Foreign exchange gain/loss	▲ 1.2	—	—	—	—
Ordinary income	46.9	43.5	40.0	▲ 6.9	▲ 3.5
(Ratio)	4.8%	4.4%	4.1%	▲ 0.8	▲ 0.3
Extraordinary gain/loss	▲ 6.4	▲ 8.0	▲ 8.0	▲ 1.6	—
Income taxes	8.2	—	—	—	—
Net income attributable to non-controlling interests	3.8	—	—	—	—
Net income attributable to owners of parent	28.5	23.0	20.0	▲ 8.5	▲ 3.0
(Ratio)	3.0%	2.3%	2.0%	▲ 0.9	▲ 0.3
Average copper price	757	800	730		
Average exchange rate	111	105	110		

Breakdown by Segment;

Revision of FY2018 Full year forecasts

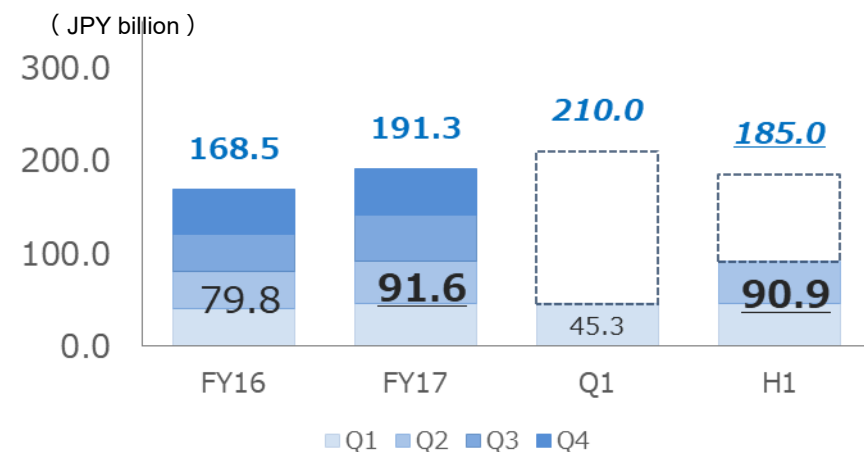
(JPY billion)

		Full year				
		*FY17 Results	FY18 Previous Forecasts	FY18 Forecasts	YtoY Change	Change from previous forecasts
Net sales	Infrastructure	293.4	320.0	290.0	▲ 3.4	▲ 30.0
	Communications Solutions	191.3	210.0	185.0	▲ 6.3	▲ 25.0
	Energy infrastructure	102.1	110.0	105.0	+2.9	▲ 5.0
	Electronics & Automotive Systems	533.8	550.0	555.0	+21.2	+5.0
	Automotive Products & Batteries	248.1	250.0	260.0	+11.9	+10.0
	Electronics Component Materials	285.6	300.0	295.0	+9.4	▲ 5.0
	Functional Products	153.1	155.0	155.0	+1.9	0.0
	Service and Developments, etc.	51.0	50.0	50.0	▲ 1.0	0.0
	Elimination of intra-company transactions	▲ 63.9	▲ 75.0	▲ 70.0	▲ 6.1	5.0
Total	967.3	1,000.0	980.0	+12.7	▲ 20.0	
Operating income	Infrastructure	12.4	12.0	7.5	▲ 4.9	▲ 4.5
	Communications Solutions	14.0	15.0	12.0	▲ 2.0	▲ 3.0
	Energy infrastructure	▲ 1.6	▲ 3.0	▲ 4.5	▲ 2.9	▲ 1.5
	Electronics & Automotive Systems	18.4	17.5	18.0	▲ 0.4	+0.5
	Automotive Products & Batteries	13.2	12.0	12.0	▲ 1.2	0
	Electronics Component Materials	5.1	5.5	6.0	+0.9	+0.5
	Functional Products	14.0	13.5	14.5	+0.5	+1.0
	Service and Developments, etc.	▲ 0.0	0.0	0.0	+0.0	0.0
	Elimination of intra-company transactions	0.1	0.0	0.0	▲ 0.1	0.0
Total	44.8	43.0	40.0	▲ 4.8	▲ 3.0	

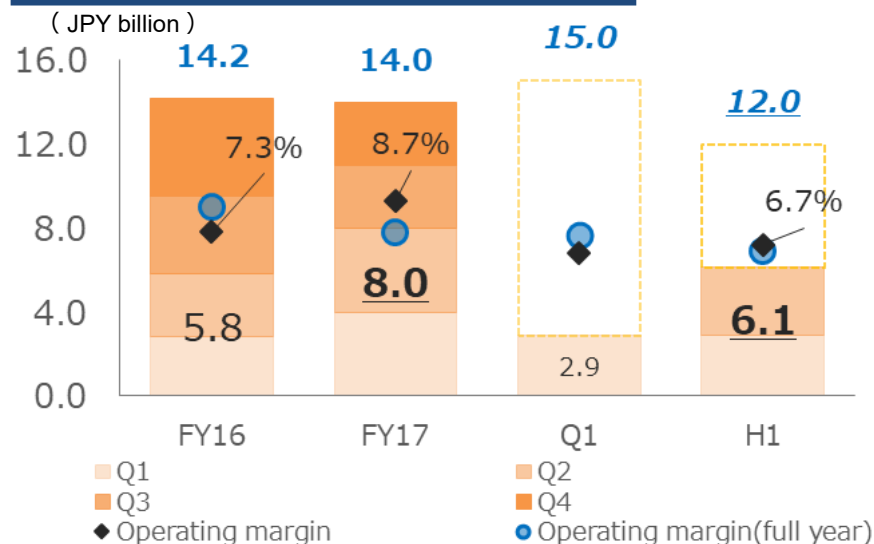
* Due to changes in segments for some businesses and allocation of HQs' expenses effective from FY18, FY17 actuals were restated after the announcement on May 9.

1 -(1) Infrastructure (Communications Solutions)

Net sales



Operating income / operating income ratio



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

< Details of Operating Income difference and focus >

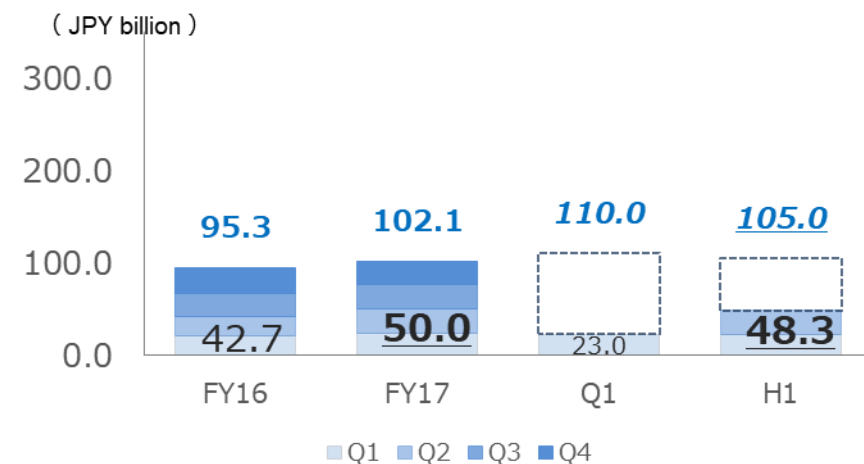
H1 results:

YoY difference JPY▲1.8 billion

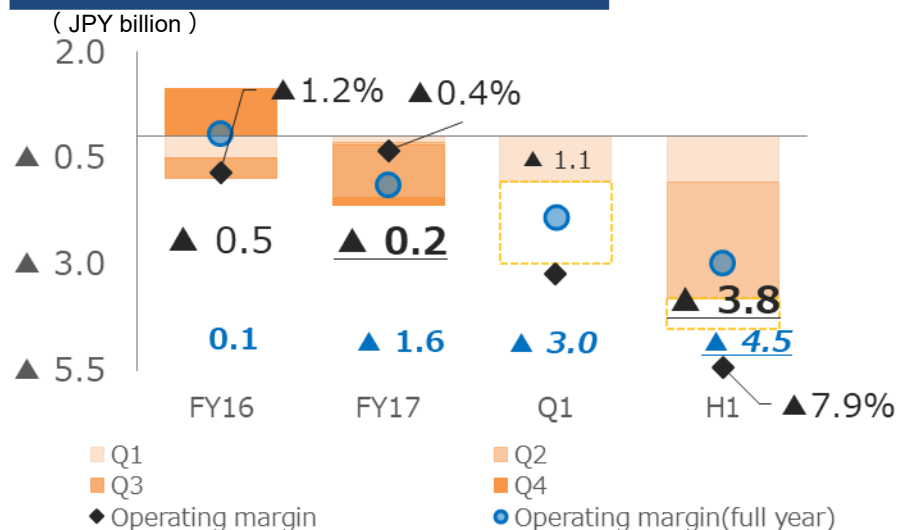
- : Positive growth factors ■: Negative growth factors
 √: Focused point
 - Optical cables in North America and digital coherent products did not make a recovery to the same level as FY2017 H1 delivered strong results
 - R&D expenses and depreciation expenses increased
 - Shipment volume of optical fibers increased
 - Products for network systems in Japan are doing well
- ### H2 forecast
- Although we expect benefits from the increased production of optical fibers, North America optical cables will be on par with H1
 - Digital coherent products will be recovered compared to H1
 - Contribution of industrial lasers
 - ✓ Ensure to expand sales of small-diameter super-multicore cables (rollable ribbon cables), etc.
 - ✓ Steadily execute the investment plan to increase production of optical fiber and cable products
 - ✓ Accelerate development and launch of products to meet the needs of the market

1 -(2) Infrastructure (Energy Infrastructure)

Net sales



Operating income / operating income ratio



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

< Details of Operating Income difference and focus >

H1 results:

YoY difference JPY▲3.6 billion

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

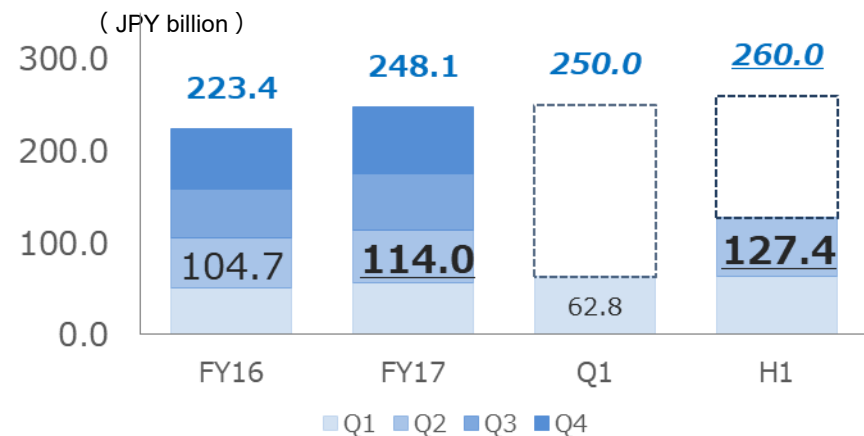
- Provision for loss on construction contract for the new energy project was recorded
- Compared to the contribution from power construction projects in Japan last year, the impact of low profitability overseas underground cable projects
- Industrial cables in Japan saw a decline in sales

H2 forecast

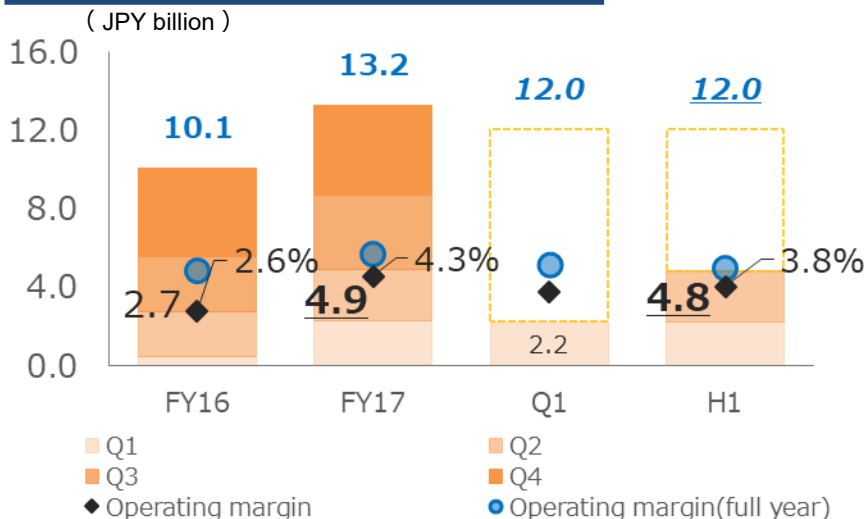
- Overseas affiliates are on a trend toward recovery in H2
- Although the replacement of OF with CV cable in Japan will start in H2, it is slightly delayed from assumptions
- ✓ Enhance the capability to execute construction and the equipment for submarine cables
- ✓ Receive orders for ultra-high voltage and new energy projects in Japan
- ✓ Quickly launch of low voltage aluminum CV cable for construction and wholesaler field

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

Net sales



Operating income / operating income ratio



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

< Details of Operating Income difference and focus >

H1 results:

YoY difference JPY▲0.0 billion

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

- Sales of wire harnesses continue to be strong
- Lower profit margin due to difference in the product mix of wire harnesses
- Fixed costs, including R&D expenses and depreciation, increased for upcoming projects starting from FY20

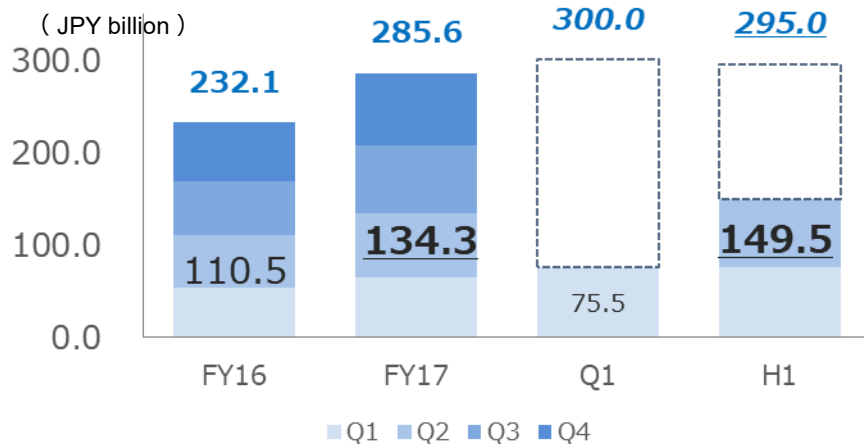
H2 forecast

- 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

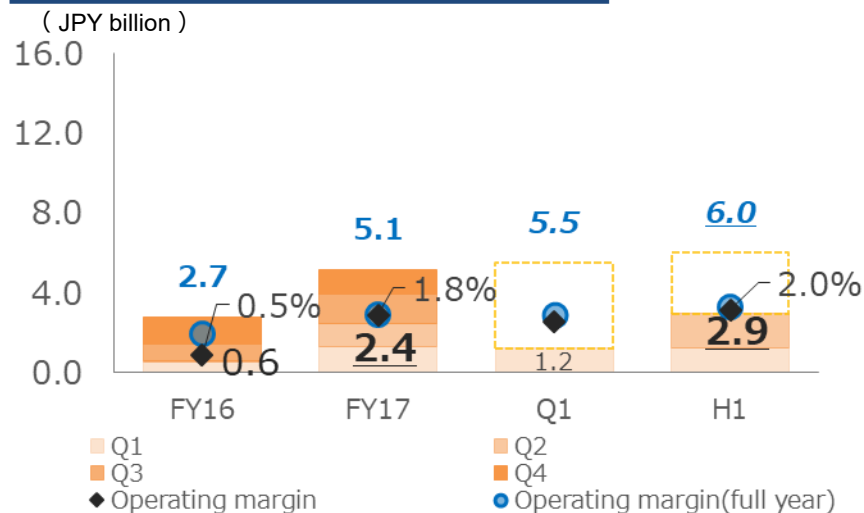
*BSS; Battery state detection sensor

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

Net sales



Operating income / operating income ratio



< Details of Operating Income difference and focus >

H1 results:

YoY difference JPY+0.5 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 will decrease due to inventory adjustments for some products, the improvements to the product mix have been successful

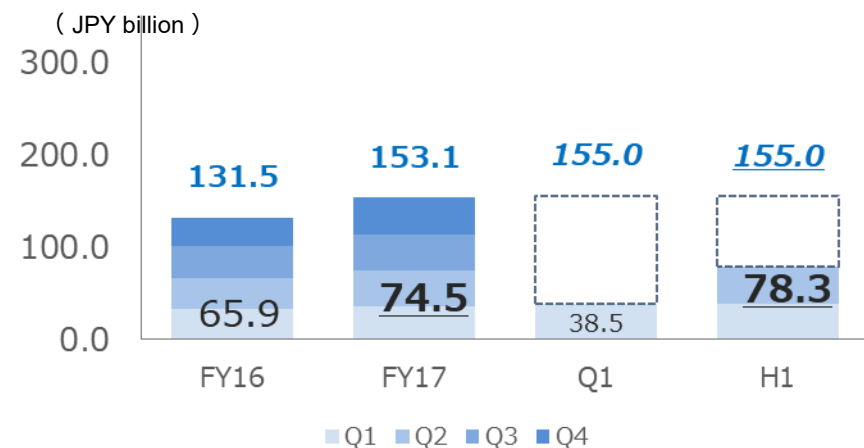
H2 forecast

- Expected to generally be on par with H1
- ✓ Improve the product mix and increase productivity
- ✓ Introduce new alloys in response to the increased functionality of electronic devices
- ✓ Expand the models for which the automobile magnet wire is adopted, and increase sales in overseas markets

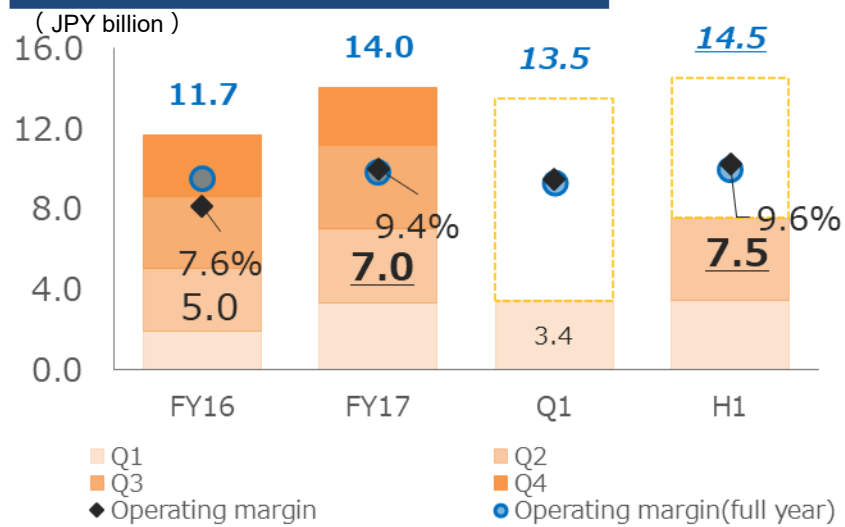
Blue : Full year Net Sales , Operating Income
Black : First half Net Sales , Operating Income

3 Functional Products

Net sales



Operating income / operating income ratio



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

< Details of Operating Income difference and focus >

H1 results: YoY difference JPY+0.5 billion

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

- Copper foils were benefited from improved product mix in the strong demand environment
- Sales of memory discs increased due to steady demand from data centers

H2 forecast

- Supported mainly by demand for data centers, will continue to be strong
- ✓ Improve the product mix and increase productivity
- ✓ Develop new markets, and propose new uses
- ✓ Develop next generation products

Thank you very much
for your attention.



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