

First Half Overview and Future Initiatives

President
Keiichi Kobayashi

November 5th , 2019

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.

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.

Copyrights

Furukawa Electric Co., Ltd. retains copyrights and other rights involving these materials. Copyright and otherwise reusing these materials in any way without prior consent is prohibited.

FURUKAWA ELECTRIC CO., LTD.

■ Lower income on decreased revenue in H1

■ Status of the main business segments

(Negative factors)

- Communications Solutions: Intensified price competition in the optical fiber and cable products business and slow improve productivity in the North America cable business
- Functional Products: Data center market continues to be sluggish

(Positive factors)

- Energy Infrastructure: Improvement in the power cable business in Japan and China

(JPY billion)

	FY18 H1 Results	FY19 H1 Results	YoY change
Net sales	487.4	455.2	▲32.2
Operating income	17.6	10.8	▲6.8
Operating Income margin	3.6%	2.4%	▲1.2

Revised the business portfolio

Copper tube business (Announced in September 2019)

- Transfer the copper tubes, copper tube components and copper plates business to CTJ Holdings No. 2 LLC (March 2020 planned)

Magnet wire business (Announced in September 2019)

- Establish a magnet wire joint venture with Superior Essex, and transfer the group's heavy magnet wire business to the joint venture (April 2020 planned)

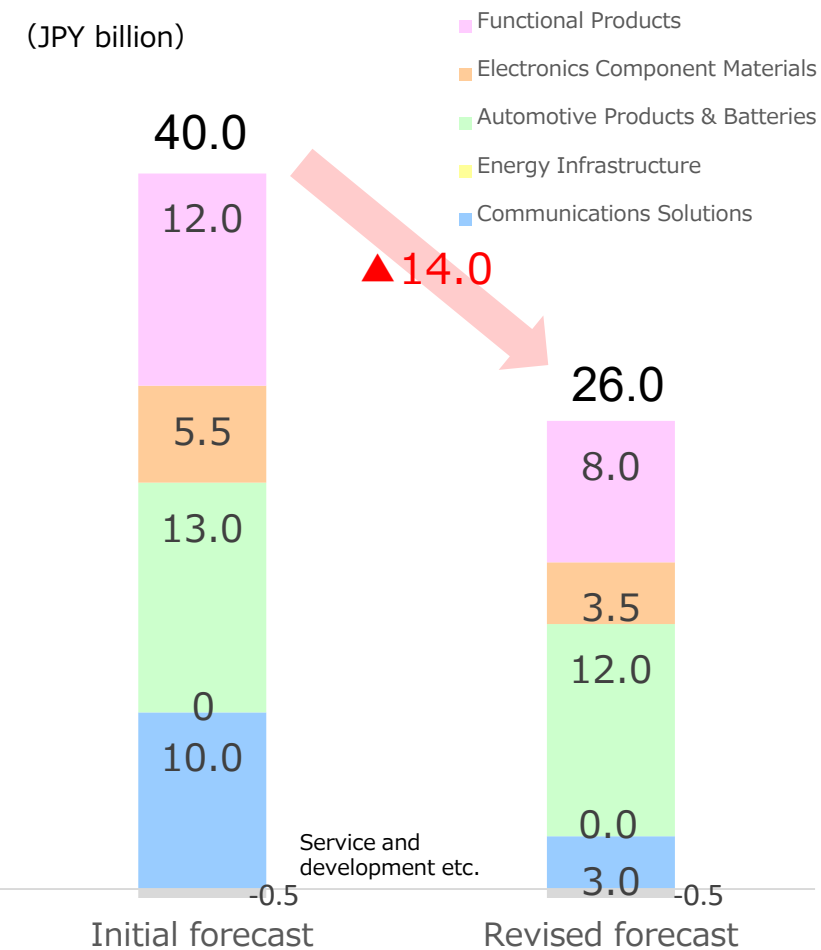
⇒ Going forward, continue to allocate management resources directed at optimizing the business portfolio

Market environment and impact on the company's business

Market	Initial forecast	Current forecast Impact on the company's businesses
Optical fiber and cable	<ul style="list-style-type: none"> • Large drop in prices worldwide following a slowdown in market in China 	<ul style="list-style-type: none"> • Drop in prices was greater than expected and is anticipated to be prolonged • Lower sales in Europe and Asia
Automotive	<ul style="list-style-type: none"> • Growth in the number of vehicles produced worldwide will be +1~2% compared to last year 	<ul style="list-style-type: none"> • Negative growth (▲4~5%) • Sales of automotive products started trending lower in each region from Q2
Electronics	<ul style="list-style-type: none"> • Expect the smartphone and PC markets to gradually recover heading into H2 	<ul style="list-style-type: none"> • Market slump will be prolonged • Downturn in the copper strips and magnet wire businesses (Also affected by the situation in the automotive market) • Downturn in thermal management products and copper foil business
Data centers	<ul style="list-style-type: none"> • Decrease in growth from FY2018 Q4. Expect a gradual recovery from FY2019 Q3 	<ul style="list-style-type: none"> • Although the slump has bottomed, the trend towards recovery is somewhat slow. Expect a full-scale recovery from Q4 • Although there has been a downturn in memory disks and thermal management products, expect improvement in H2

■ Downward revision to the full year operating income forecast

(JPY billion)



Main factors in the revision (JPY billion)

Communications Solutions (▲7.0)	<ul style="list-style-type: none"> • Intensified price competition for optical fiber and cable in Europe and Asia resulting from lower demand in China • Slow improve productivity in the North America optical cable business
Energy Infrastructure (±0)	No revision
Automotive Products & Batteries (▲1.0)	• Sluggish automotive market
Electronics Component Materials (▲2.0)	• Sluggish electronics market
Functional Products (▲4.0)	<ul style="list-style-type: none"> • Impact of the fire at the Taiwan location in the copper foil business • Slow recovery in the data center market

■ FY2019 full year forecast

※In addition to the decrease in operating income, ordinary income and net income attributable to owners of parent are expected to fall below in the initial forecast due to the deterioration in profit/loss in equity method affiliates.

※Revised the exchange rate and copper price assumptions for the second half

(Exchange rate: Initial 1 \$ = ¥ 110, Revised 1 \$ = ¥ 105 / Copper price: Initial ¥ 700, Revised ¥ 640)

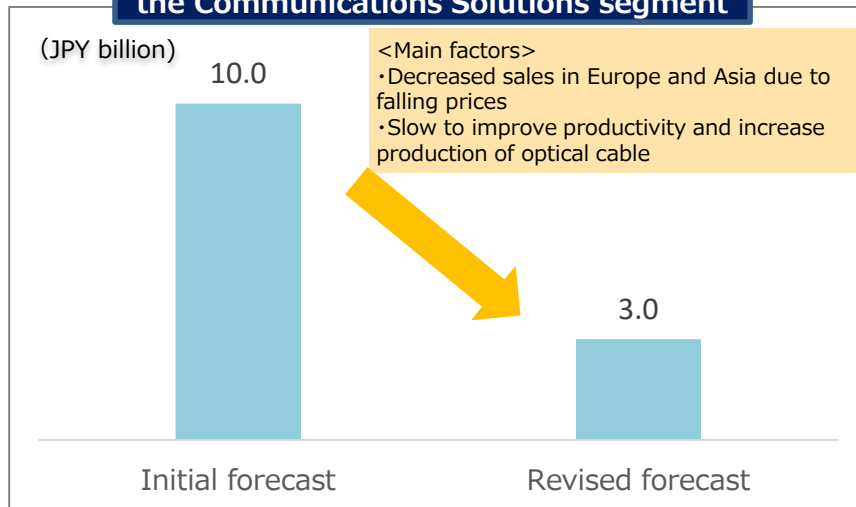
(JPY billion)

	FY18 Results	FY19 Initial forecasts	FY19 Forecasts			Change compared to the initial forecasts
			H1 Results	H2 Forecasts	Full year Forecasts	
Net sales	991.6	960.0	455.2	454.8	910.0	▲50.0
Operating income	40.8	40.0	10.8	15.2	26.0	▲14.0
Operating income margin	4.1%	4.2%	2.4%	3.3%	2.9%	▲1.3
Ordinary income	39.1	37.5	8.4	14.1	22.5	▲15.0
Net income attributable to owners of parent	29.1	21.0	6.1	4.9	11.0	▲10.0

Communications Solutions (Optical fiber and cable business)

- Optical fiber demand is good overall except for China and India, but prices for general use fiber have dropped significantly (pronounced in areas highly affected by exports from China)
⇒ the company has not been quick to drop prices... Lower sales in Europe and Asia
- Optical cable demand continues to grow in North America and the order environment is good. However, the company has been slow to improve productivity and increase production
⇒ Lost opportunities for orders, increased costs for improving productivity

FY2019 operating income forecast in the Communications Solutions segment



Furukawa Electric's optical fiber shipment volumes (FY2019 forecast vs. last year)

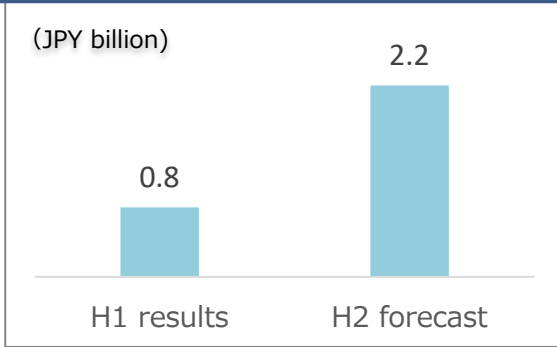
	Initial forecast	Revised forecast
Worldwide	+ about 15%	➔ + about 5%
North America	+ about 20%	➡ + about 30%
EMEA	+ about 30%	➔ ▲ about 30%
Asia (excluding China)	+ about 20%	➔ ▲ about 30%

Communications Solutions (Optical fiber and cable business)

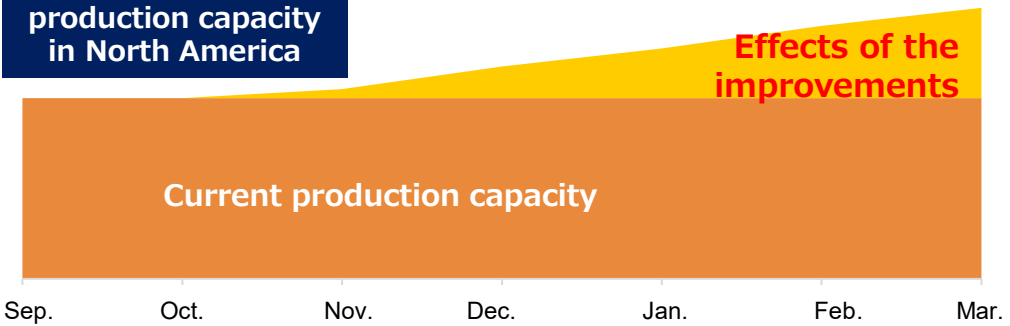
■ Initiatives directed at improving earnings

	Strengthen product appeal and expand sales of high value added products	Improve productivity & strengthen cost competitiveness
Optical fiber	Ultra low loss/ low bending loss fiber for establishing 5G networks and connections between data centers	<ul style="list-style-type: none"> •Strengthen the global supply chain •Reduce the cost of general use/ high performance fibers
Optical cable	<ul style="list-style-type: none"> •High count multi-core rollable ribbon cable for data centers (Europe, Asia, Japan, etc.) •High count, thin micro cable for Europe FTTH <p>※Use ultra low loss/low bending loss fiber</p>	<ul style="list-style-type: none"> •Improve productivity of optical cable in North America ⇒ Expand spare capacity for further sales by increasing capacity and reducing costs

FY2019 Operating income forecast in the Communications Solutions segment



Optical cable production capacity in North America

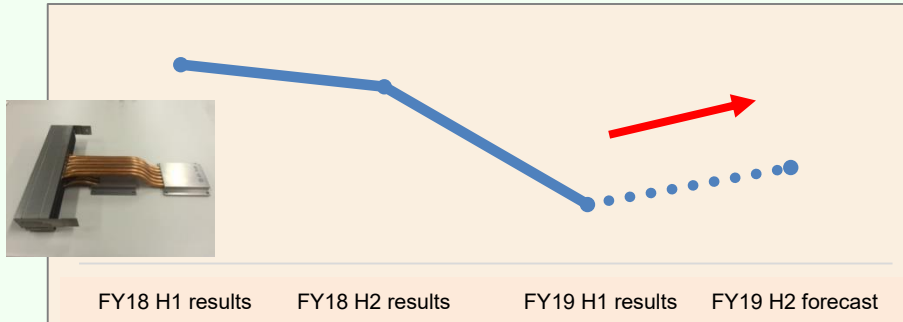


■ Downward revision mainly due to the slow pace of the recovery in the data center business and the fire at the Taiwan location in the copper foil business

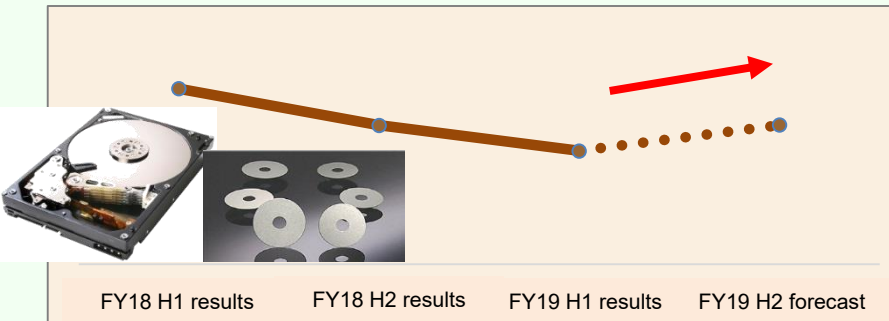


Expect a gradual recovery heading into H2

Net sales Thermal management products



Memory disk



Copper foil business

• Expect an impact of about ▲1.6 billion yen on operating income due to the fire

<Impact of the fire>

(bil yen)	H1 results	Full year forecast
Operating loss	▲0.8	▲1.6
Extraordinary loss	▲0.6	▲0.9
Total	▲1.4	▲2.5

• Directed at the next fiscal year, restore part of the facilities, advance the shift to high value added products and aim to recover the earnings capability



- Revised the full year forecast for this fiscal year down due to sluggishness in the entire industry
- However, customers evaluate the company's aluminum wire harnesses highly, and a further build-up of orders is anticipated in the medium to long-term

<Automotive industry>

•In FY2019, growth stagnated mainly in North America, China and India. FY2020 will also be weak

<Furukawa Electric>

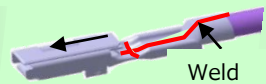
•From Q2, sales are declining in each region, and FY2020 is also expected to be challenging
 •Luxury, large and SUV are relatively firm and are expected to be strong from FY2021. Orders for the company's aluminum wire harnesses are also anticipated to further increase due to the demand for lighter weight



Wire harness

α terminal

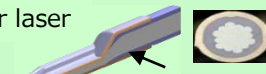
Furukawa Electric's original alloy



Weld



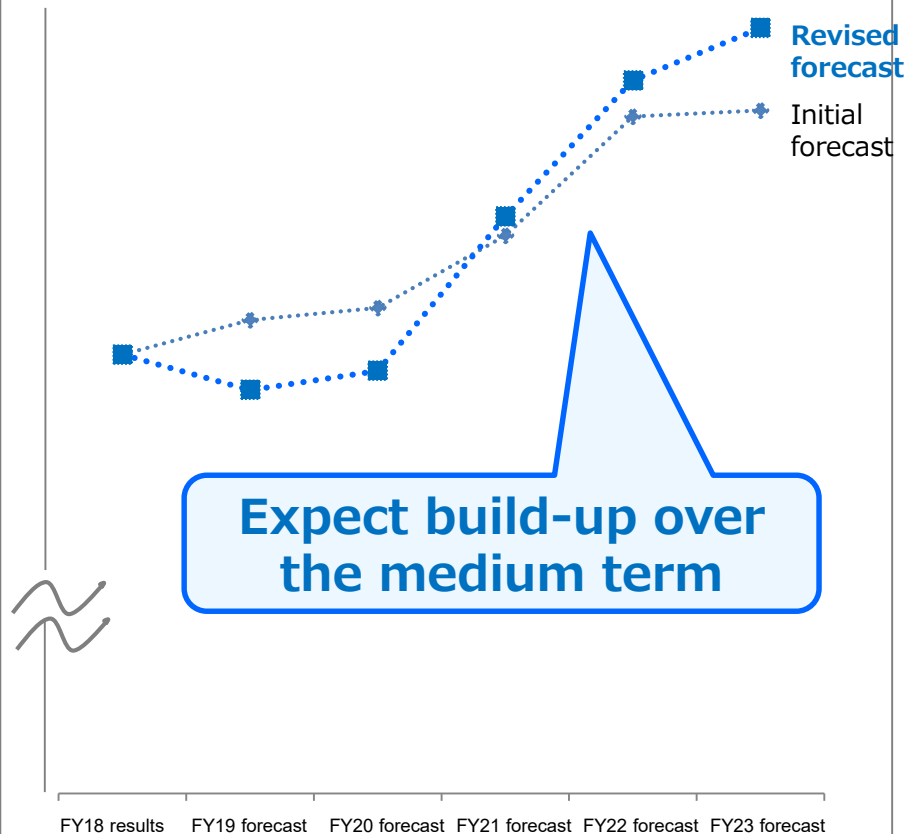
Fiber laser



Prevents corrosion through the power cable coating crimp

3D high precision, high speed welding

Net sales in Automotive Products business



Expect build-up over the medium term

- Revised the business forecast down due to a prolonged downturn in the electronics market
- As a result of “electrification”, “autonomous driving technology” in the automotive market, “IoT” and “AI”, the materials for communication devices, sensors, regulator devices, passive components, etc. will also be required to have diverse characteristics in the future. Promote to expand sales of high valued products that fit market change

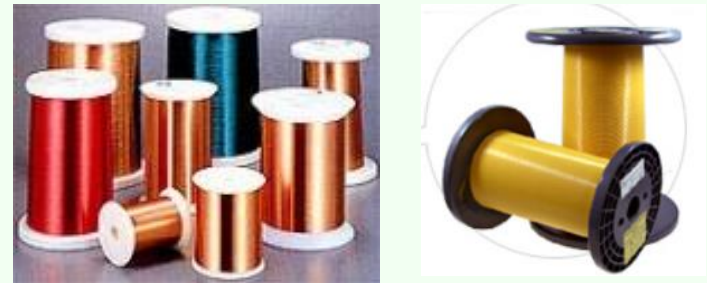
<Copper & high performance material products>

Expanded sales of original alloys that support the increased performance of electronic devices



<Magnet wire>

Expanded sales of differentiated magnet wire for 5G infrastructure and inductors for servers



■ Based on a strategy of focusing on projects in Japan, the power cable business is making steady progress against the milestones

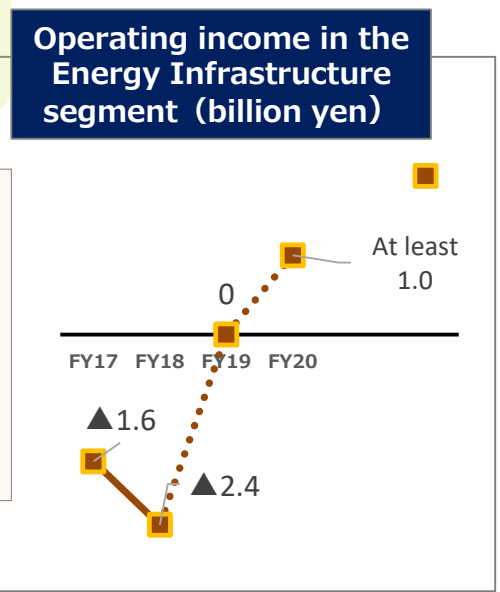
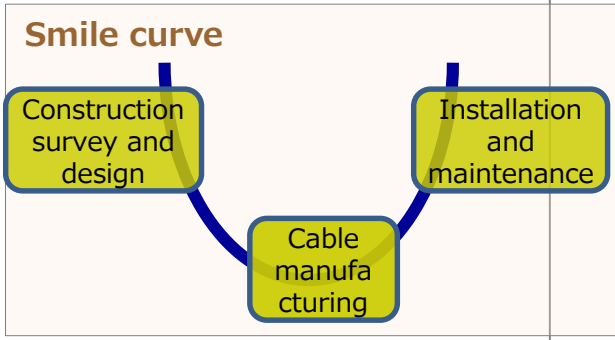
- Operations at some of the facilities of power cable were suspended for about 3 weeks due to the impact of the typhoon in September, but this was covered by price revisions and cost reduction efforts including the industrial cable and power cable accessories business. Ultra high voltage cable inquiries are strong, and there is no change to the full year forecast

- Reorganized the Power Cable Division. Strengthened the ability to cover the entire smile curve

Transformed the “Marine Engineering Department” into the “New Energy Engineering Department” aimed at expanding the customer segments and strengthening the total design and proposal capability in underground and submarine power cable

[Reorganization of the industrial cable and power cable accessories business]

- **Integrate the sales functions and form a business alliance in the general-purpose power cable business for construction and wholesalers** with SWCC Showa Holdings Co., Ltd.
- Establish a jointly funded sales company (Furukawa Electric’s equity share: 40%) (April 2020 planned)



Points of the main activities

Primary targets

- Reaccelerate growth of the optical fiber and cable products business worldwide
- Increase the probability and speed up the realization of the benefits from the energy infrastructure business strategy
- Further optimize the product mix in the copper & high performance material products business
- Increase of efficiency of back office divisions (purchasing, logistics, etc.) and improve productivity

Expand sales /
strengthen
sales capability

Strengthen
monozukuri

Strengthen the
adaptability of
purchasing &
logistics

Strengthen
investment
efficiency

Strengthen the ability of execution by setting specific milestones for each measure and conducting PDCA on a weekly basis

Details of the activities and monetary benefits

Optical fiber and cable products:

- Expand sales of high performance fiber and cable using such fiber
- Promote order-taking activities with an awareness of optimizing the product mix
- Improve productivity and reduce costs

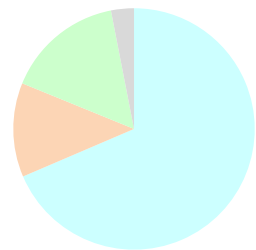
Energy infrastructure:

- Improve productivity by increasing cable manufacturing capacity, etc., and increase installation capacity
- Expand sales of high value added products (cable and components with good installation features, etc.)

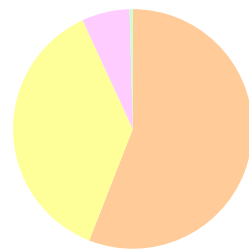
Copper & high performance material products:

- Expand sales of high value added products directed at improving the product mix (original alloy, etc.)
- Strengthen manufacturing and sales alliances, reduce costs

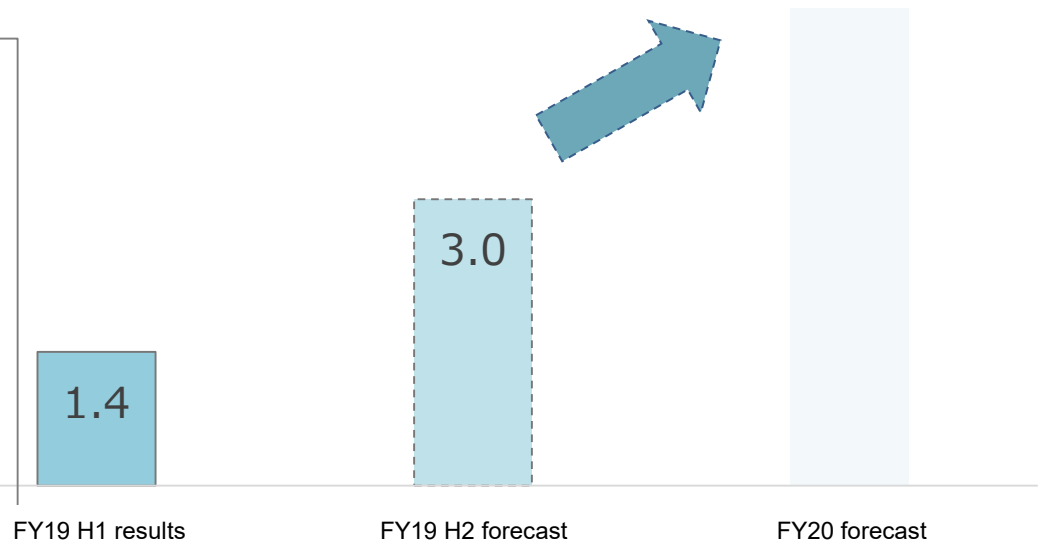
Monetary benefits (Operating income basis, billion yen)



- Fiber cable
- Energy infrastructure
- Copper and high performance materials products
- other



- Expand sales/ price restoration
- Cost reductions
- Logistics expenses
- Inventory reductions, etc



2020 Mid-term Management Plan

–Quantitative management targets

While various efforts continue to be made with the aim of achieving the quantitative management targets set in May 2018, the quantitative targets are being revised

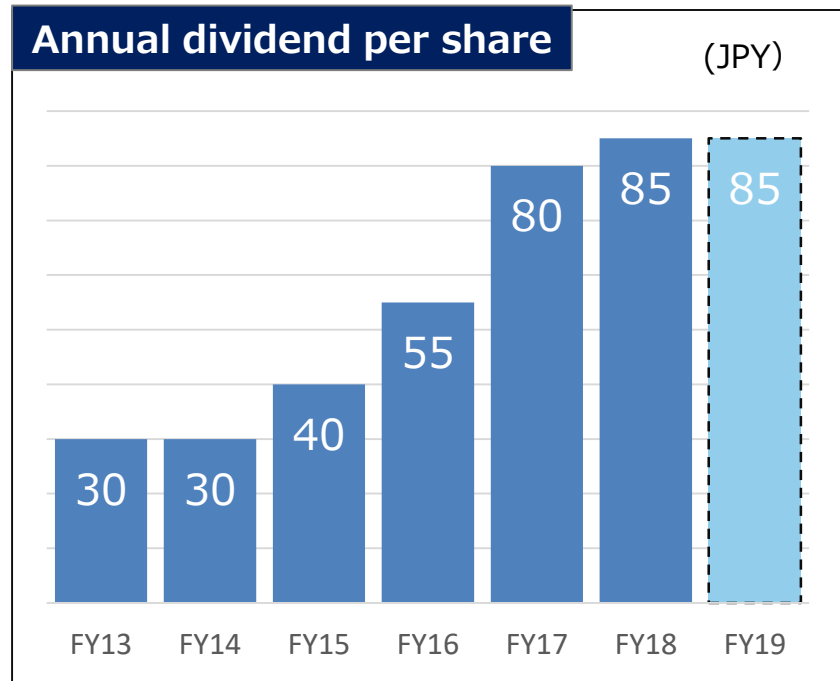
	FY2018 Results	FY2019 Forecasts	2020 Mid-term Management Plan	
			As of May 2016	As of May 2018
Operating income	JPY 40.8 billion	JPY 26.0 billion	At least JPY 40.0 billion	At least JPY 55.0 billion
Net income	JPY 29.1 billion	JPY 11.0 billion	At least JPY 20.0 billion	At least JPY 30.0 billion
NET D/E Ratio	0.81	0.8	–	<0.8
Equity capital ratio	30.3%	31%	–	>30%
R O E	12.0%	5%	> 8%	>10%
Return on operating assets	11.2%	7%	At least 10%	At least 10%

Dividend forecast

- The FY19 dividend forecast will be JPY 85 per share (no change) (JPY)

	FY17 Results	FY18 Results	FY19 Forecast (announced on May 14, 2019)
Annual dividend per share	80	85	85

We will maintain a stable dividend policy while keeping a good balance between investment in future growth and financial health



Thank you very much
for your attention.

