

FY2016 Q1 Financial Results

Director, Corporate Senior Vice President, and
General Manager of the Finance & Procurement and
Group Global Management Divisions

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August 2, 2016

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 capital 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 at 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.

- Operating income totaled **4.7 billion yen, up 1.4 billion yen (up 44%) YoY.**
 - Operating income for the automotive products business (Electronics & Automotive Systems segment) decreased due partly to the impact of earthquakes in Kumamoto. However, profit growth was driven by **continued strong performance in communications solutions (Infrastructure segment), effects of mainly structural reform in the copper foil business (Functional Products segment).**

- Net income was **up 2.4 billion yen YoY to total 2.3 billion yen.**
 - The earnings increase was attributable to the growth of operating income, **posting of extraordinary gains following the sale of investment securities,** and other factors despite **increased foreign exchange losses caused by the yen's appreciation and losses from equity method investments.**

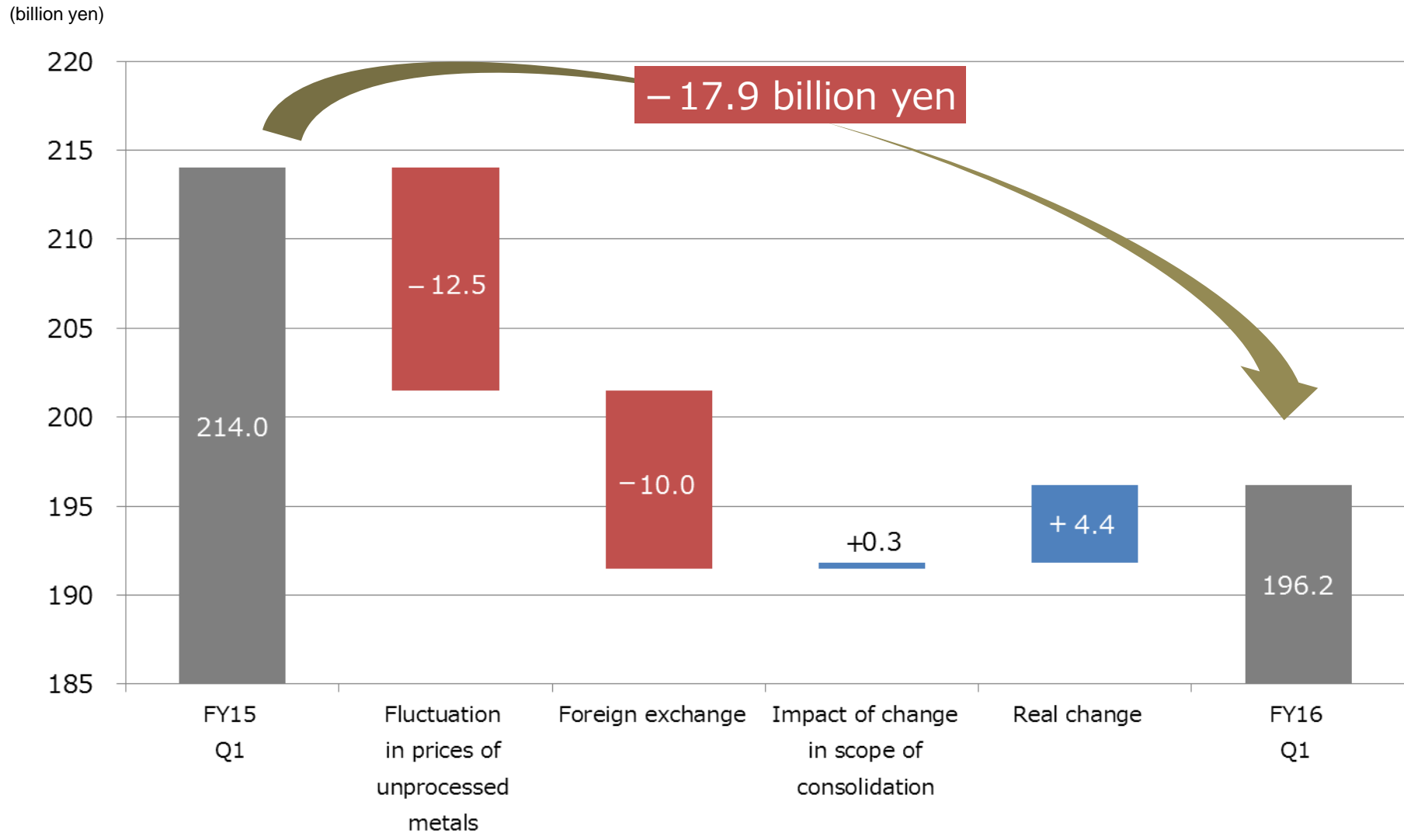
- Interest-bearing debts **declined from the end of FY2015**
(257.8 billion yen/end of FY2015 → 248.5 billion yen/end of FY2016 Q1)

FY16Q1 Results - P&L Summary

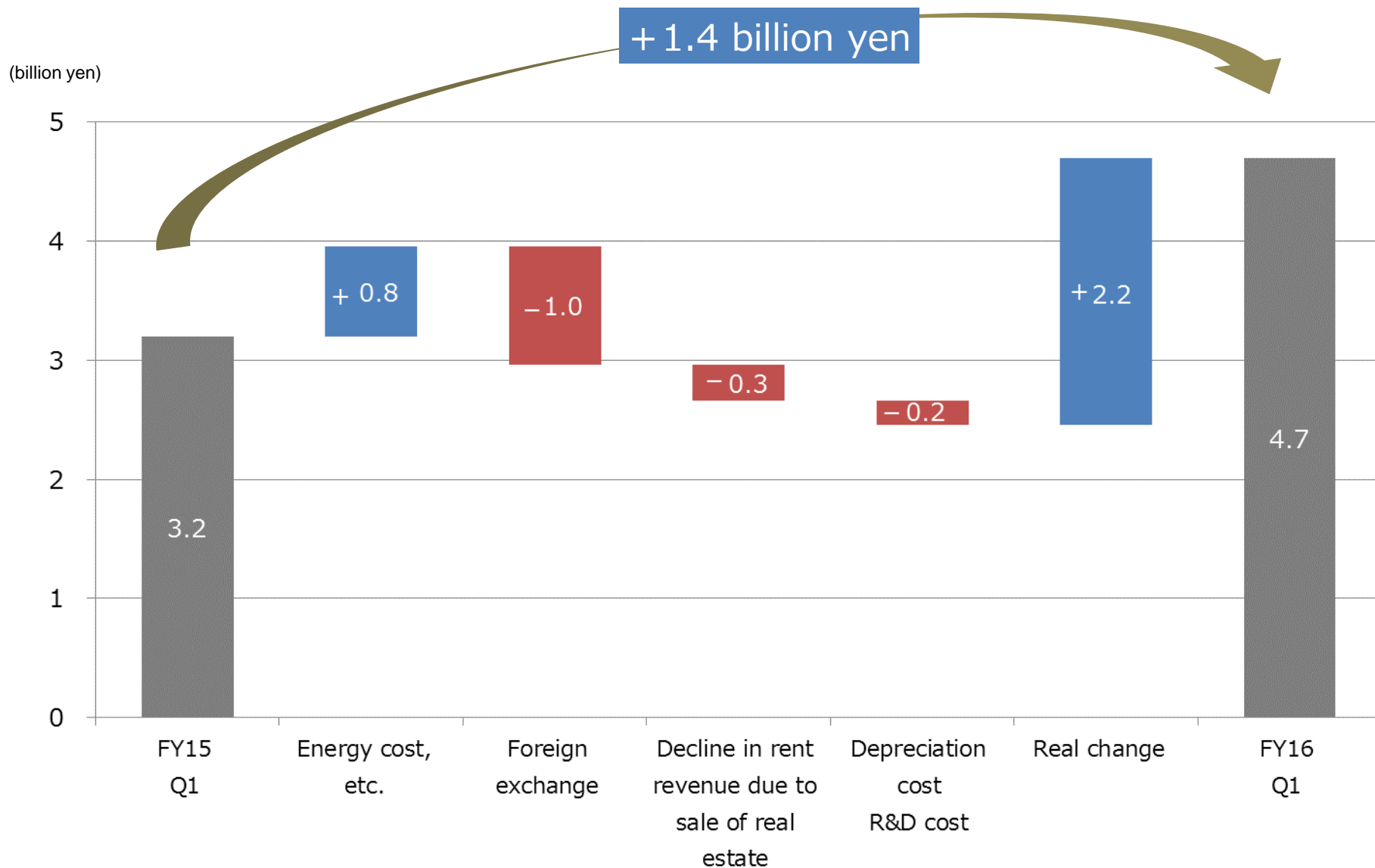
(billion yen, yen/kg, yen/USD)

	FY15		FY16		YtoY change		Breakdown of change (Q1)	FY16 forecast
	Q1	H1	Q1	H1 Forecast	Q1	H1		
	a	b	c	d	c-a	d-b		
Net income	214.0	428.2	196.2	410.0	-17.9	-18.2	See page 5	860.0
Operating income (Ratio)	3.2 1.5%	9.1 2.1%	4.7 2.4%	9.5 2.3%	1.4 +0.9%	+0.4 +0.2%	See page 6	27.5 3.2%
Profit/loss in equity method affiliates	0.2	0.5	0.0	–	-0.1	–		–
Foreign exchange gain/loss	-0.1	-0.6	-0.5	–	-0.5	–		–
Ordinary income (Ratio)	3.4 1.6%	7.9 1.9%	4.2 2.1%	6.5 1.6%	+0.7 +0.5%	-1.4 -0.3%		25.5 3.0%
Extraordinary gain/loss	-0.8	-1.6	1.0	3.1	+1.8	+4.7	•Extraordinary gain: +1.5 •Extraordinary loss: +0.4	△ 0.6
Income taxes - current and income taxes - deferred	2.1	3.3	1.7	–	-0.4	–		–
Minority interests in income	0.6	1.1	1.2	–	+0.6	–		–
Net income (Ratio)	0.0 0%	2.0 0.5%	2.3 1.2%	5.0 1.2%	+2.4 +1.2%	+3.0 +0.7%		12.5 1.5%
Average copper price	782	738	556	578	–	–		600
Average exchange rate	121	122	108	110	–	–		110

FY16Q1 Results – Analysis of Changes in Net Sales



FY16Q1 Results – Analysis of Changes in Operating income



Net Sales and Operating Income by Segment in FY2016

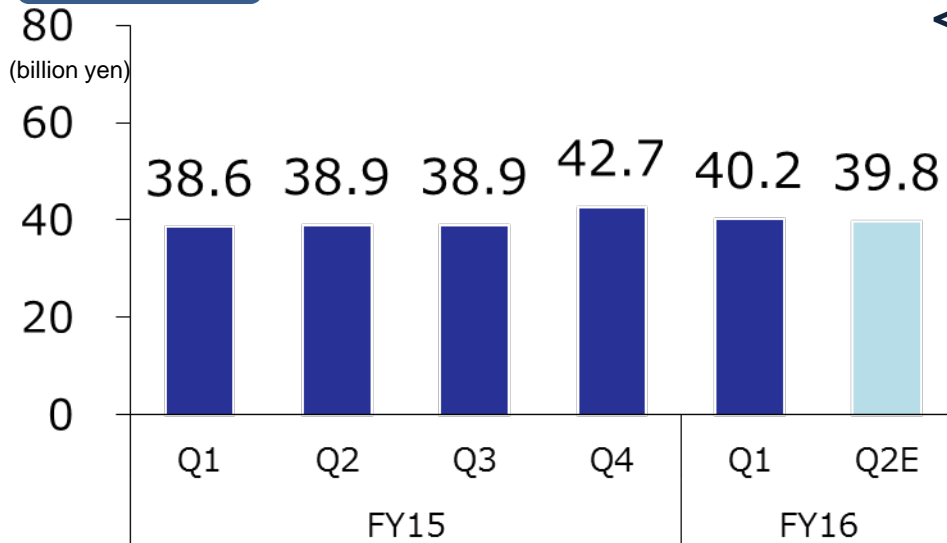
(billion yen)

Upper row: Net sales Lower row: Operating income	FY16Q1		FY16H1 Forecast		FY16 Forecast		FY15*
		Y to Y		Y to Y		Y to Y	
Infrastructure	61.8	1.9	125.0	-1.7	260.0	7.3	252.7
Communications Solutions	40.2	1.6	80.0	2.5	155.0	-4.1	159.1
Energy infrastructure	21.6	0.2	45.0	-0.8	105.0	11.5	93.5
Electronics & Automotive Systems	104.6	-17.9	220.0	-20.5	470.0	-21.1	491.1
Automotive Products & Batteries	50.3	-5.3	110.0	-0.1	240.0	5.9	234.1
Electronics Component Materials	54.3	-12.6	110.0	-20.4	230.0	-27.0	257.0
Functional Products	33.2	-0.5	70.0	1.4	140.0	3.7	136.3
Service and Developments, etc.	11.6	-0.9	25.0	0.2	50.0	-1.5	51.5
Elimination of intra-company transactions	-15.1	-0.5	-30.0	-1.1	-60.0	-3.3	-56.7
Net sales	196.2	-17.9	410.0	-18.2	860.0	-14.9	874.9
Infrastructure	2.3	1.9	3.8	1.3	7.5	-0.2	7.7
Communications Solutions	2.8	1.7	4.3	1.2	8.1	0.1	8.0
Energy infrastructure	-0.5	0.2	-0.5	0.1	-0.6	-0.3	-0.3
Electronics & Automotive Systems	0.9	-0.5	2.1	-0.9	12.0	1.5	10.5
Automotive Products & Batteries	0.4	-0.8	1.7	-0.3	9.0	1.0	8.0
Electronics Component Materials	0.5	0.4	0.4	-0.6	3.0	0.6	2.4
Functional Products	1.9	0.4	4.1	0.4	8.5	0.0	8.5
Service and Developments, etc.	-0.4	-0.4	-0.5	-0.5	-0.5	-0.9	0.4
Elimination of intra-company transactions	0.0	0.0	0.0	0.0	0.0	-0.1	0.1
Operating income	4.7	1.4	9.5	0.4	27.5	0.4	27.1

*FY15: Figures in "Net Sales by Segment" listed in the FY2016 management plan announced on May 11 have been revised.

1-(1) Infrastructure (Communications Solutions)

Net income



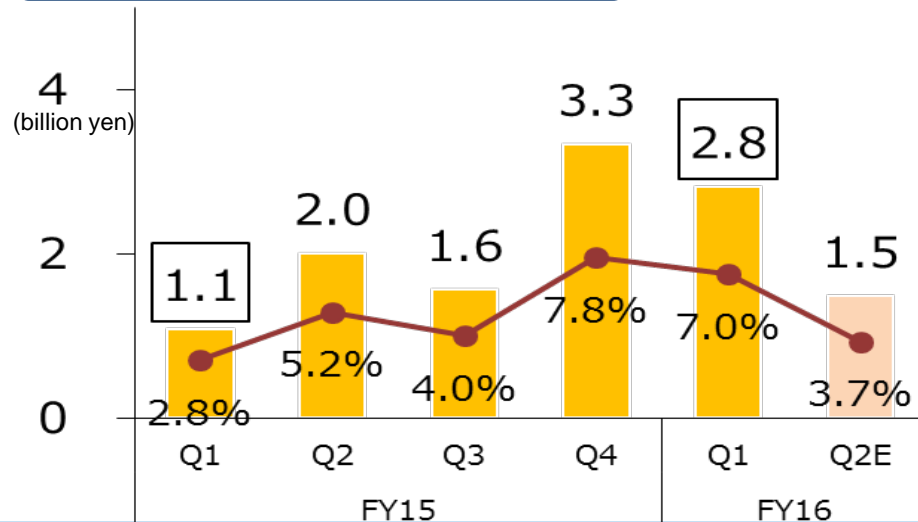
< Operating Income YoY difference >

Q1 Result : +1.74 billion yen

- Improved production in addition to increased demand for optical fiber in North America and elsewhere contributed to earnings.
- Demand for digital coherent-related products 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

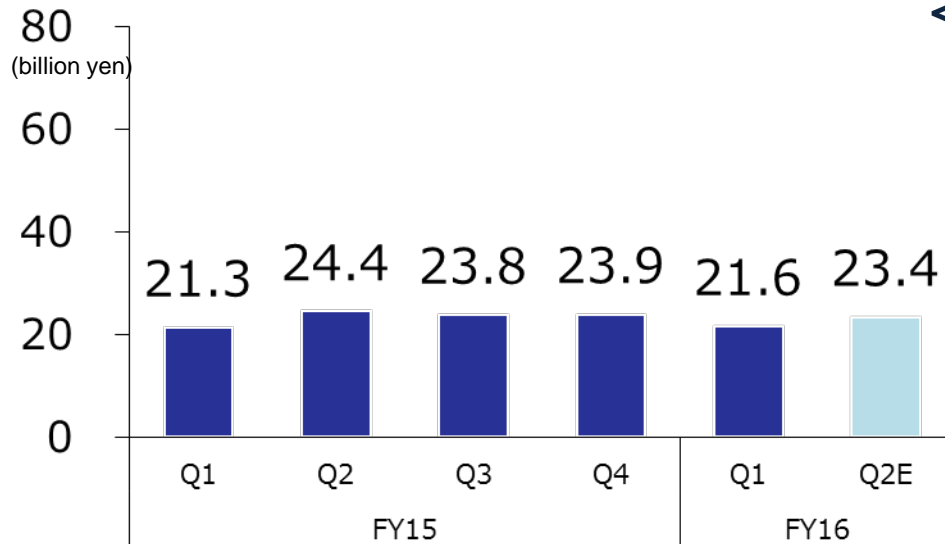


Q2 Forecast

- Product mix will deteriorate temporarily despite the continuously strong demand for optical fiber.
- The impact of the yen's appreciation will expand in fiber exports.

1-(2) Infrastructure (Energy Infrastructure)

Net income



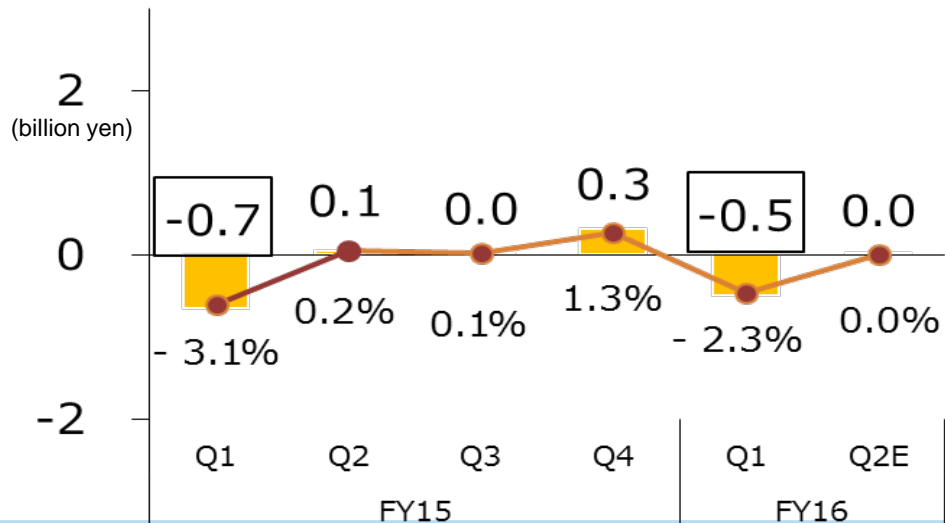
< Operating Income YoY difference >

Q1 Result : +0.15 billion yen

- Sales increased YoY despite posting a loss related to high-voltage power cables in China due to the impact of the Chinese New Year

□: Factors for increase ■: Factors for decrease

Operating income / operating margin



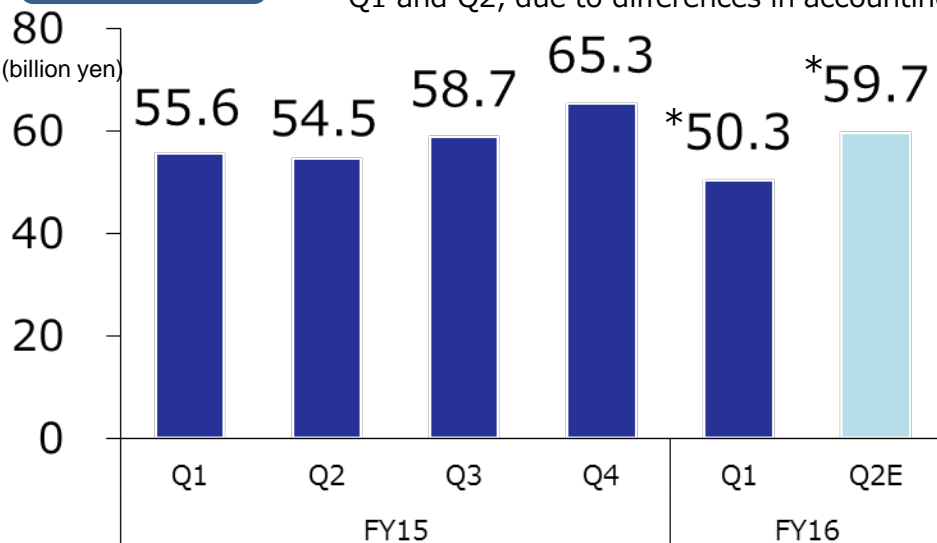
Q2 Forecast

- Earnings will improve due partly to increased sales in Optical Ground Wire (OPGW) in China.
- Sales of power line components will be favorable thanks to the recovery of maintenance and renewal investment of power companies in Japan.

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

Net income

* There were ins and outs totaling about 2.0 billion yen to eliminate sales among consolidated companies in Q1 and Q2, due to differences in accounting periods of subsidiaries for overseas production outsourcing.



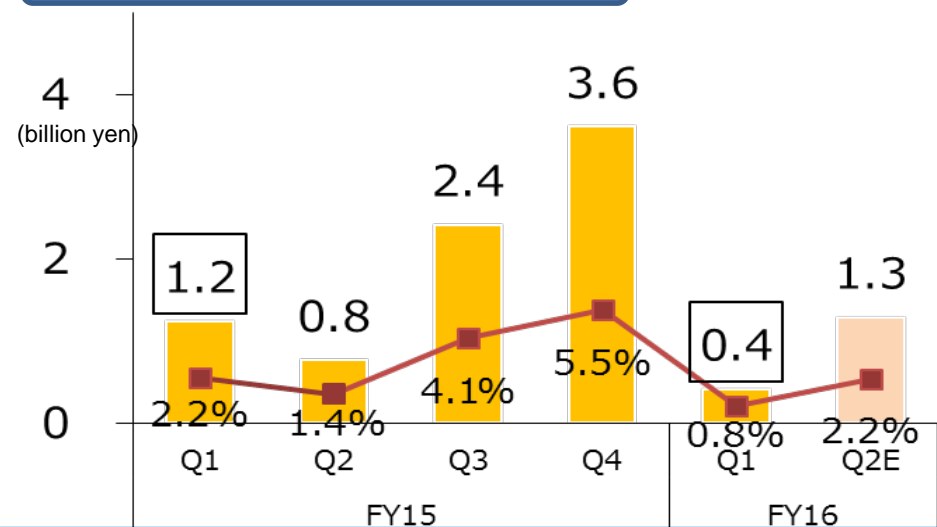
< Operating Income YoY difference >

Q1 Result : - 0.83 billion yen

- Sales of automotive products decreased due to production cutbacks by domestic automakers caused by earthquakes in Kumamoto and other factors as well as the impact of increased depreciation and R&D costs.
- Sales of batteries decreased due to the fall in the lead market and exchange rate fluctuations.

□: Factors for increase ■: Factors for decrease

Operating income / operating margin

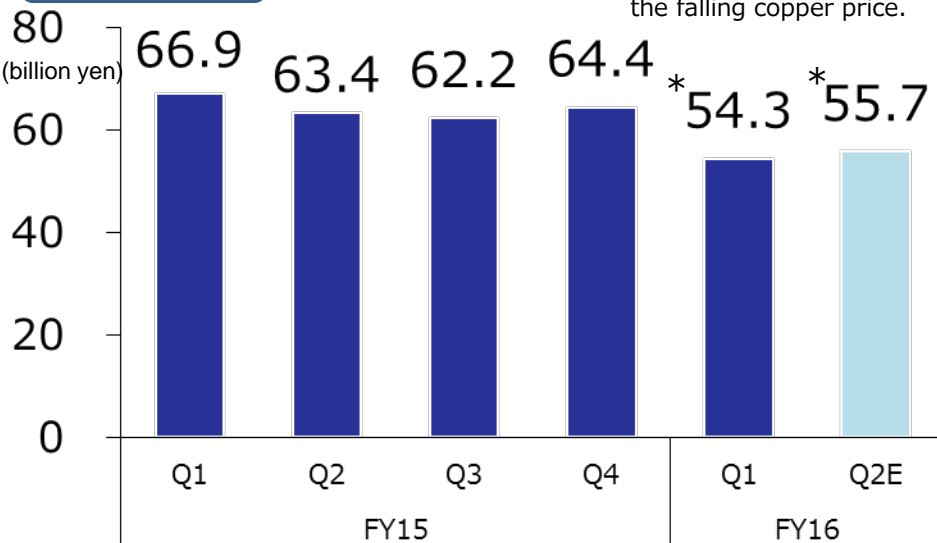


Q2 Forecast

- Demand for automotive parts in Japan is expected to increase due to the recovery from the impact of earthquakes in Kumamoto and other factors.
- Sales of automotive and industrial batteries will be largely strong despite the continued impact of exchange rate fluctuations.

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

Net income



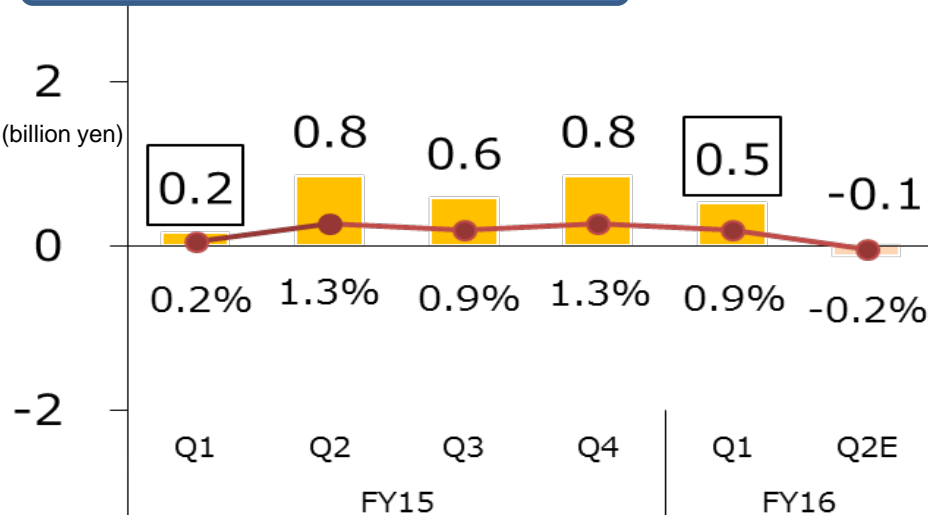
< Operating Income YoY difference >

Q1 Result : +0.35 billion yen

- Copper sales improved due to the increased sales of pure copper products.
- With regards to magnet wire, we saw steady growth of automotive rectangular wire sales.

□: Factors for increase ■: Factors for decrease

Operating income / operating margin



10.0%

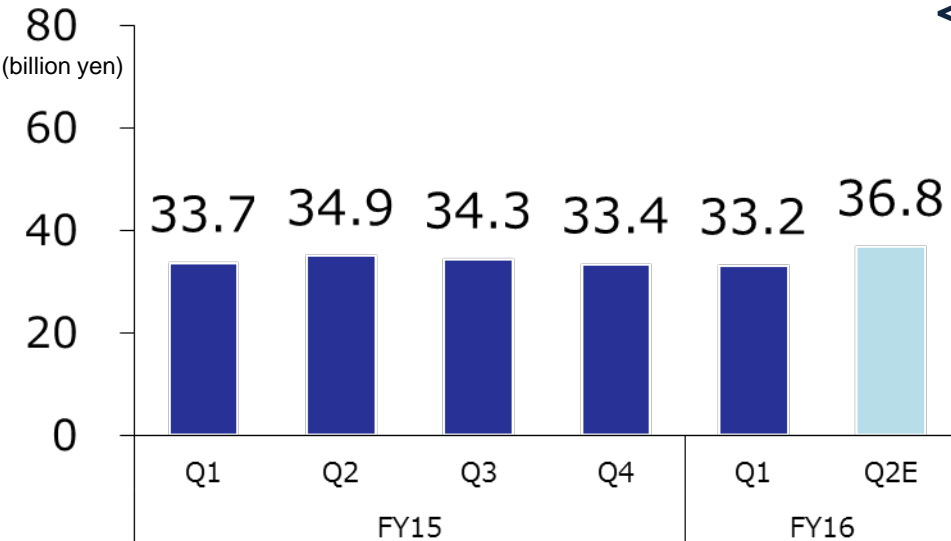
5.0%

Q2 Forecast

- Costs will increase temporarily due to the development of copper & high performance material products.

3 Functional Products

Net income



< Operating Income YoY difference >

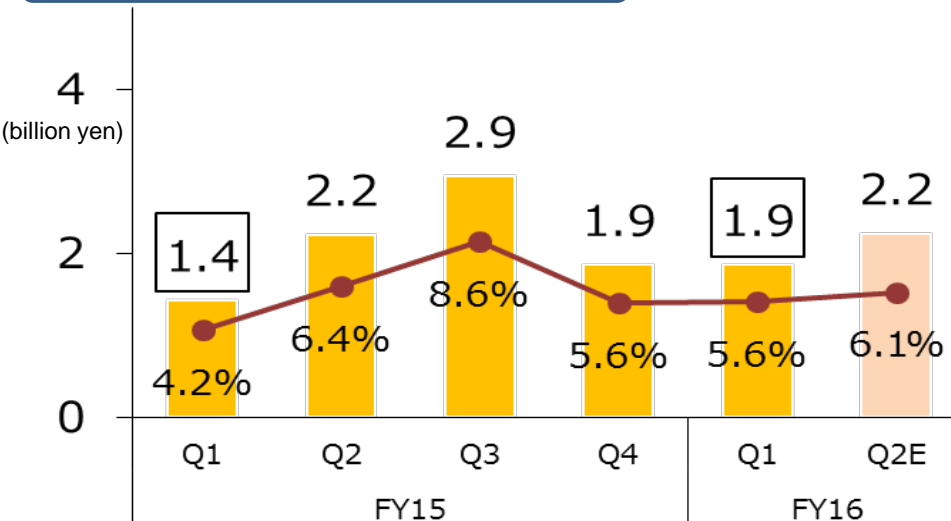
Q1 Result : +0.43 billion yen

- Sales of semiconductor processing tape products increased due to higher demand despite a major customer's shift to buying products from multiple vendors.
- 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



Q2 Forecast

- Sales of semiconductor processing tape products will remain strong.

FY16Q1 – BS Summary

(billion yen)

	End of 15Q4	End of 16Q1	Change	Breakdown of change
Current assets	364.0	342.9	-21.1	
Cash and bank deposits	52.5	37.6	-14.9	End of FY15Q4: Temporary increase due to the sale of assets
Trade receivable	187.0	174.8	-12.2	Due primarily to the impact of exchange rate fluctuations
Non-current assets	341.7	337.0	-4.7	
Tangible fixed assets	196.5	193.5	-3.1	Due primarily to the impact of exchange rate fluctuations
Intangible fixed assets	8.5	8.1	-0.4	
Investments and other assets	136.6	135.5	-1.2	Valuation difference on investment securities, etc
Assets	705.7	679.9	-25.8	
Current liabilities	299.3	288.6	-10.8	
Long-term liabilities	207.8	197.6	-10.2	Redemption of bonds: -10
Liabilities	507.1	486.2	-21.0	
Shareholders' equity	180.9	179.6	-1.3	
Accumulated other comprehensive income	-7.7	-11.4	-3.6	Foreign currency translation adjustment: -5.2
Minority interests	25.4	25.5	0.1	
Net assets	198.6	193.8	-4.8	
Lianbilities and Net assets	705.7	679.9	-25.8	
Interest-bearing liabilities	257.8	248.5	-9.3	Redemption of bonds: -10
Equity capital ratio	24.5%	24.7%	+0.2%	
D/E ratio	1.49	1.48	-0.01	

(billion yen)

	FY15Q1	FY16Q1	change	FY16 Forecast
Capital investment	5.3	4.5	-0.8	38.0
Depreciation cost	5.8	5.8	0.0	27.0
R&D cost	4.1	4.2	+0.2	18.0

Appendix – Net Sales and Operating Income by Segment in FY2015 (Quarterly basis)

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(billion yen)

Upper row: Net sales Lower row: Operating income	FY15 Q1	FY15 Q2	FY15 Q3	FY15 Q4	FY15
Infrastructure	59.9	63.3	62.8	66.7	252.7
Communications Solutions	38.6	38.9	38.9	42.7	159.1
Energy infrastructure	21.3	24.4	23.8	23.9	93.5
Electronics & Automotive Systems	122.5	117.9	120.9	129.7	491.1
Automotive Products & Batteries	55.6	54.5	58.7	65.3	234.1
Electronics Component Materials	66.9	63.4	62.2	64.4	257.0
Functional Products	33.7	34.9	34.3	33.4	136.3
Service and Developments, etc.	12.5	12.3	13.3	13.4	51.5
Elimination of intra-company transactions	-14.6	-14.3	-14.6	-13.2	-56.7
Net sales	214.0	214.1	216.7	230.0	874.9
Infrastructure	0.4	2.1	1.6	3.7	7.7
Communications Solutions	1.1	2.0	1.6	3.3	8.0
Energy infrastructure	-0.7	0.1	0.0	0.3	-0.3
Electronics & Automotive Systems	1.4	1.6	3.0	4.5	10.5
Automotive Products & Batteries	1.2	0.8	2.4	3.6	8.0
Electronics Component Materials	0.2	0.8	0.6	0.8	2.4
Functional Products	1.4	2.2	2.9	1.9	8.5
Service and Developments, etc.	0.0	0.0	0.2	0.2	0.4
Elimination of intra-company transactions	0.0	0.0	0.0	0.0	0.1
Operating income	3.2	5.9	7.8	10.2	27.1

Thank you very much for your
attention.

Bound to  ***Innovate***