

# FY2017 Q2 Financial Results

Director, Corporate Executive Vice President, and  
General Manager of the Finance & Procurement  
**Hiroyuki Ogiwara**

November 2, 2017  
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.

# FY2017 First half results – P/L Summary

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

	FY16H1 Results	FY17H1 Previous forecasts	FY17H1 Results	YoY changes	Change from the forecasts	Details of the YoY changes (H1 results)
	a	b	c	c-a	c-b	
Net sales	397.6	450.0	457.5	+59.9	+7.5	See page 5
Operating income	13.3	20.5	21.8	+8.5	+1.3	+8.5 (+64%)
(Ratio)	3.3%	4.6%	4.8%	+1.4	+0.2	See page 6
Profit/loss in equity method affiliates	▲ 1.0	–	2.0	+3.0	–	
Foreign exchange gain/loss	▲ 1.2	–	▲ 0.6	+0.6	–	
Ordinary income	10.2	20.0	22.1	+11.9	+2.1	+11.9(+117%)
(Ratio)	2.6%	4.4%	4.8%	+2.3	+0.4	
Extraordinary income/loss	1.6	5.5	6.1	+4.5	+0.6	•Extraordinary income +2.5 (4.5 → 7.0)
Income taxes	3.0	–	5.0	+2.0	–	•Extraordinary loss +2.1 (▲2.9 →▲0.8)
Net income attributable to non-controlling interests	2.1	–	1.6	▲ 0.5	–	
Net income attributable to owners of the parent	6.7	19.5	21.7	+15.0	+2.2	+15.0 (+225%)
(Ratio)	1.7%	4.3%	4.7%	+3.1	+0.4	
Average copper price	544	648	709	–	–	
Average exchange rate	105	108	111	–	–	

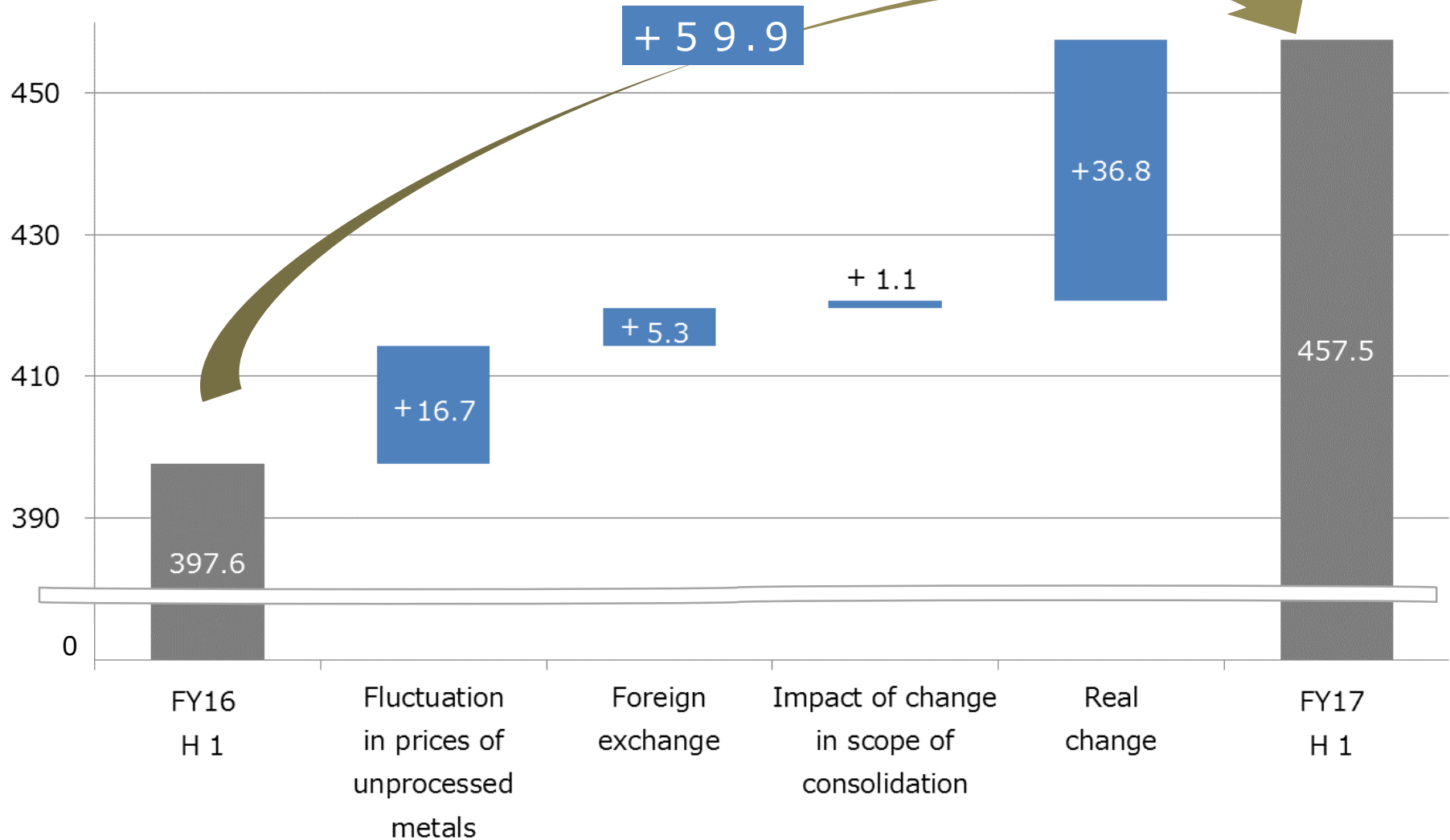
\* Previous forecasts : Announced on 8/2 at FY2017Q1 financial results briefing

# Intentionally Blank

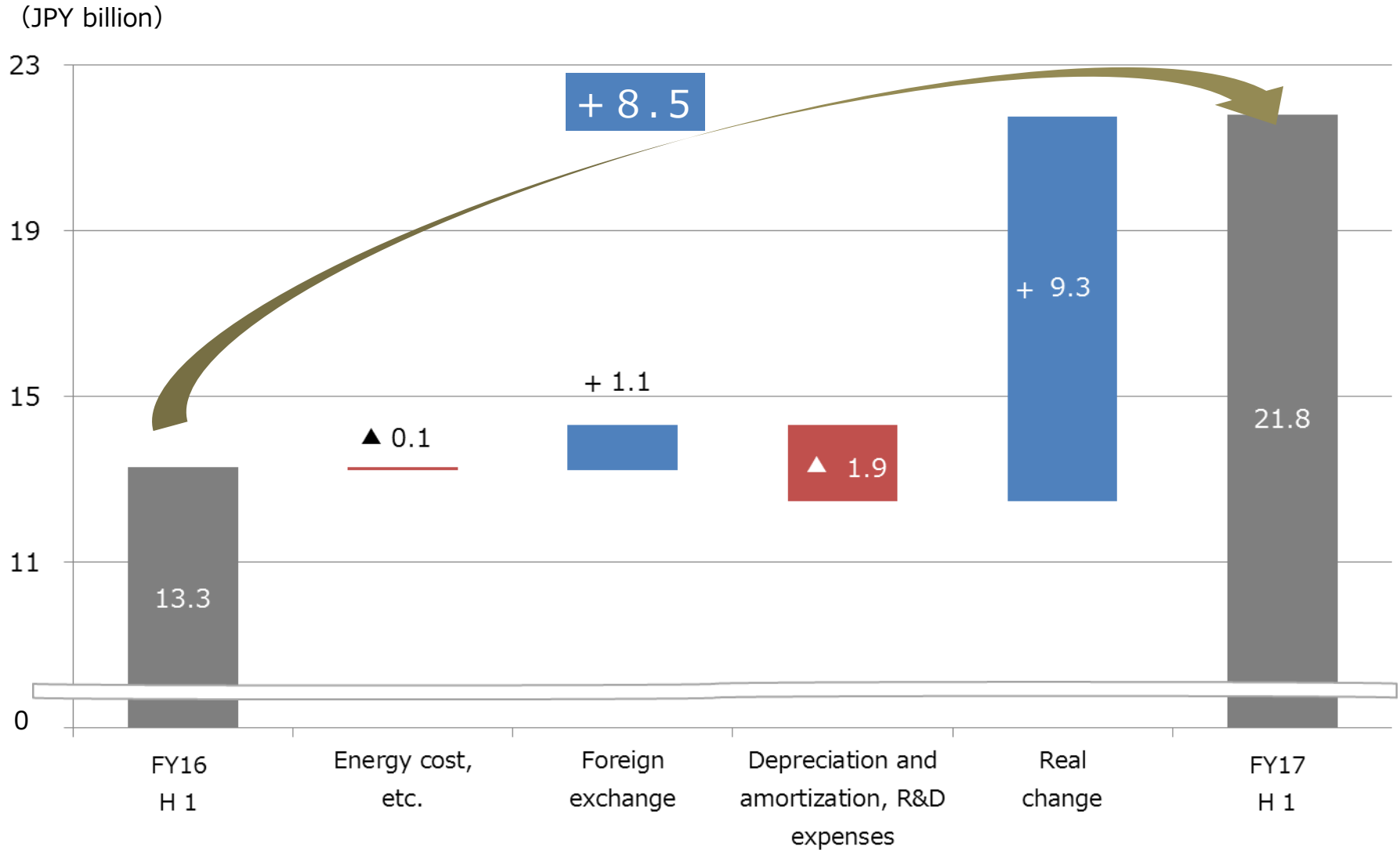
---

# Analysis of Changes in Net Sales (YOY)

(JPY billion)



# Analysis of Changes in Operating income(YOY) **FURUKAWA ELECTRIC**



# Breakdown by Segment; FY2017 First half results

**FURUKAWA  
ELECTRIC**

(JPY billion)

		FY16H1 Results	FY17H1 Previous forecasts	FY17H1 Results	YoY changes	Changes from the forecasts
Net sales	Infrastructure	122.5	140.0	140.9	+18.4	+0.9
	Communications Solutions	79.8	90.0	90.9	+11.1	+0.9
	Energy infrastructure	42.7	50.0	50.0	+7.3	+0.0
	Electronics & Automotive Systems	215.2	245.0	248.3	+33.1	+3.3
	Automotive Products & Batteries	104.7	115.0	114.0	+9.4	▲ 1.0
	Electronics Component Materials	110.5	130.0	134.3	+23.8	+4.3
	Functional Products	65.9	70.0	74.5	+8.6	+4.5
	Service and Developments, etc.	23.9	25.0	25.5	+1.6	+0.5
	Elimination of intra-company transactions	▲ 29.9	▲ 30.0	▲ 31.7	▲ 1.9	▲ 1.7
	<b>Total</b>	<b>397.6</b>	<b>450.0</b>	<b>457.5</b>	<b>+59.9</b>	<b>+7.5</b>
Operating income	Infrastructure	5.3	8.0	8.0	+2.6	▲ 0.0
	Communications Solutions	5.8	8.0	8.1	+2.2	+0.1
	Energy infrastructure	▲ 0.5	0.0	▲ 0.1	+0.4	▲ 0.1
	Electronics & Automotive Systems	3.3	6.5	7.2	+3.9	+0.7
	Automotive Products & Batteries	2.7	4.5	4.8	+2.1	+0.3
	Electronics Component Materials	0.6	2.0	2.4	+1.8	+0.4
	Functional Products	5.0	6.5	7.0	+1.9	+0.5
	Service and Developments, etc.	▲ 0.4	▲ 0.5	▲ 0.4	+0.0	+0.1
	Elimination of intra-company transactions	0.0	0.0	0.0	▲ 0.0	+0.0
	<b>Total</b>	<b>13.3</b>	<b>20.5</b>	<b>21.8</b>	<b>+8.5</b>	<b>+1.3</b>

(JPY billion)

	End of FY16Q4	End of FY17Q2	Changes	Details of the changes
	a	b	b-a	
Current assets	382.4	413.4	+31.0	Inventories +13.8
Cash and bank deposits	47.2	53.1	+5.9	
Notes and accounts receivable trade	198.9	210.0	+11.1	
Non-current assets	367.7	378.5	+10.7	Increased by sales increase
Tangible fixed assets	205.5	213.8	+8.3	
Intangible fixed assets	9.7	9.7	▲ 0.1	
Investments and other assets	152.5	155.0	+2.5	
<b>Total Assets</b>	<b>750.1</b>	<b>791.8</b>	<b>+41.7</b>	Impact of new consolidation +5.6
Current liabilities	293.4	307.8	+14.4	Increased by sales increase
Non-current liabilities	219.7	221.9	+2.1	
<b>Total Liabilities</b>	<b>513.1</b>	<b>529.7</b>	<b>+16.6</b>	
Shareholders' equity	194.3	211.6	+17.4	
Accumulated other comprehensive income	12.4	16.2	+3.8	
Net income attributable to non-controlling interests	30.3	34.3	+4.0	
<b>Total Net assets</b>	<b>237.1</b>	<b>262.2</b>	<b>+25.1</b>	
<b>Total Liabilities and Net assets</b>	<b>750.1</b>	<b>791.8</b>	<b>+41.7</b>	
Interest-bearing liabilities	252.5	269.2	+16.6	Impact of new consolidation +3.5
Capital ratio	27.6%	28.8%	+1.2	
NET D/E ratio	0.99	0.95	▲ 0.04	

◇ Total Assets: increased from end of FY2016 due to an increase in sales and rising copper prices

◇ Interest-bearing liabilities: free cash flow is in deteriorating trend due to an increase in working capital



# Revision of FY2017 Full year forecasts

## -P/L Summary

\* Revised FY2017 forecast of net sales (JPY billion, JPY/kg, JPY/USD)

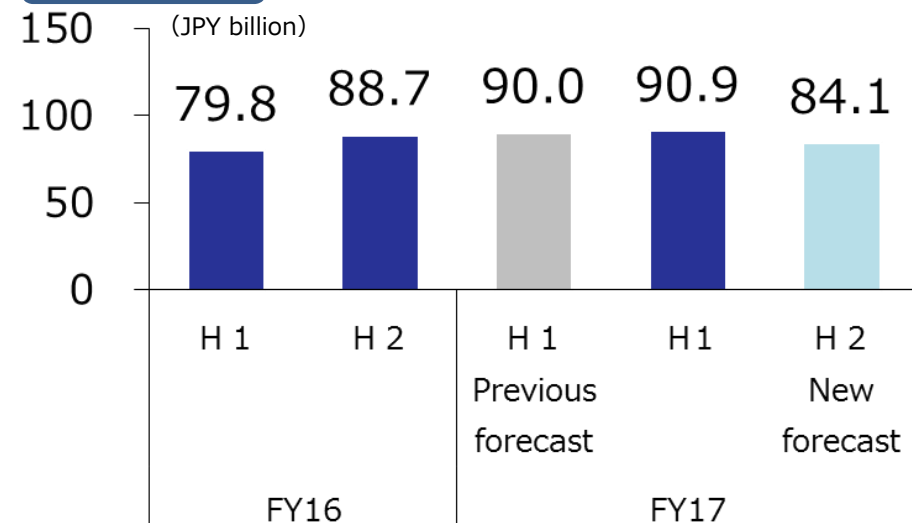
	FY16 Results	FY17 Previous forecasts	FY17 New forecasts	YoY changes	Changes from previous forecast
	a	b	c	c-a	c-b
Net sales	843.3	915.0	* 925.0	+81.7	+10.0
Operating income	38.6	43.0	43.0	+4.4	—
(Ratio)	4.6%	4.7%	4.6%	+0.1	▲ 0.1
Profit/loss in equity method affiliates	0.1	—	—	—	—
Foreign exchange gain/loss	▲ 1.2	—	—	—	—
Ordinary income	36.0	43.5	43.5	+7.5	—
(Ratio)	4.3%	4.8%	4.7%	+0.4	▲ 0.1
Extraordinary gain/loss	▲ 8.1	▲ 6.5	▲ 6.5	+1.6	—
Income taxes	5.5	—	—	—	—
Net income attributable to non-controlling interests	4.9	—	—	—	—
Net income attributable to owners of the parent	17.6	25.5	25.5	+7.9	—
(Ratio)	2.1%	2.8%	2.8%	+0.7	▲ 0.0
Average copper price	604	637	717	( H1 : 709 / H2 Assumptions : 725)	
Average exchange rate	108	107	108	( H1 : 111 / H2 Assumptions : 105)	

# Breakdown by Segment; Revision of FY2017 Full year forecasts

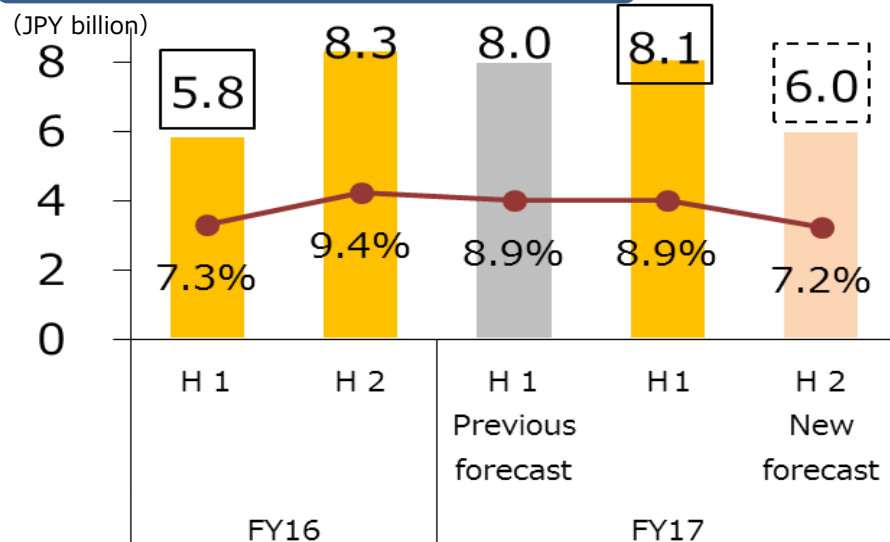
(JPY billion)

		FY16	FY17	FY17	YoY	Changes from
		Results	Previous forecasts	New forecasts	changes	previous forecasts
Net sales	Infrastructure	263.8	295.0	285.0	+21.2	▲ 10.0
	Communications Solutions	168.5	185.0	175.0	+6.5	▲ 10.0
	Energy infrastructure	95.3	110.0	110.0	+14.7	0.0
	Electronics & Automotive Systems	455.5	490.0	515.0	+59.5	+25.0
	Automotive Products & Batteries	223.4	235.0	240.0	+16.6	+5.0
	Electronics Component Materials	232.1	255.0	275.0	+42.9	+20.0
	Functional Products	131.5	140.0	145.0	+13.5	+5.0
	Service and Developments, etc.	49.7	50.0	50.0	+0.3	0.0
	Elimination of intra-company transactions	▲ 57.0	▲ 60.0	▲ 70.0	▲ 13.0	▲ 10.0
<b>Total</b>	<b>843.3</b>	<b>915.0</b>	<b>925.0</b>	<b>+81.7</b>	<b>+10.0</b>	
Operating income	Infrastructure	14.3	16.3	13.3	▲ 1.0	▲ 3.0
	Communications Solutions	14.2	16.8	14.1	▲ 0.1	▲ 2.7
	Energy infrastructure	0.1	▲ 0.5	▲ 0.8	▲ 0.9	▲ 0.3
	Electronics & Automotive Systems	12.8	15.0	17.5	+4.7	+2.5
	Automotive Products & Batteries	10.1	10.5	12.8	+2.7	+2.3
	Electronics Component Materials	2.7	4.5	4.7	+2.0	+0.2
	Functional Products	11.7	12.5	13.0	+1.3	+0.5
	Service and Developments, etc.	▲ 0.1	▲ 0.8	▲ 0.8	▲ 0.7	0.0
	Elimination of intra-company transactions	▲ 0.0	0.0	0.0	+0.0	0.0
<b>Total</b>	<b>38.6</b>	<b>43.0</b>	<b>43.0</b>	<b>+4.4</b>	<b>0.0</b>	

## Net sales



## Operating income / operating margin



## < Details of Operating Income difference >

### H1 result: YoY +2.2 billion yen

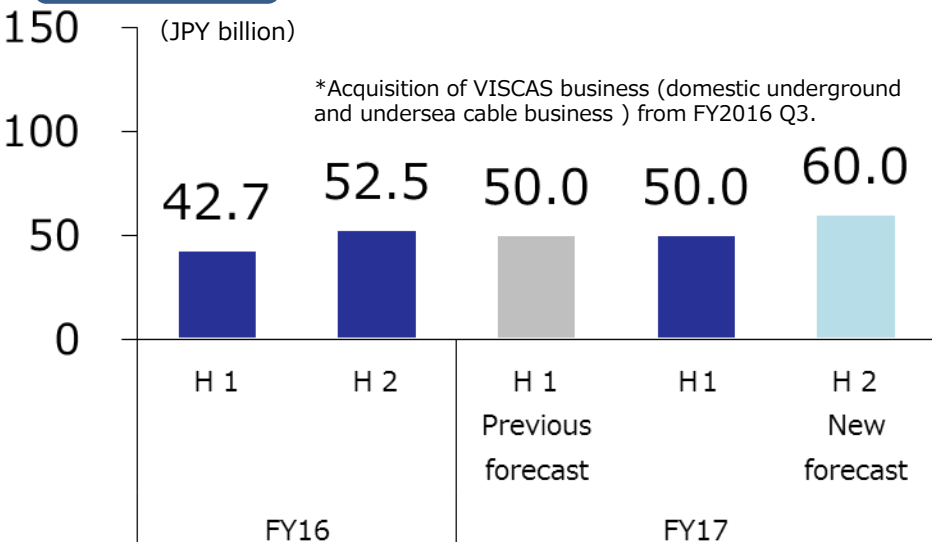
- : Positive growth factors    ■: Negative growth factors
- Strong demand for optical fiber and cable products has continued
- Backed by increased adoption of optical transmission, growing demand for network systems in Japan contributed to the result
- Digital coherent products were affected by prolonged inventory adjustments in the Chinese market, resulting in declines in net sales and operating income

### H2 forecast: ▲2.0 billion yen vs. H1 actual

- Optical fiber and cable: shipments to some clients in North America will temporarily decrease
- Digital coherent products: despite increasing impact of inventory adjustments, recovery is expected to start in Q4

# 1 -(2) Infrastructure (Energy Infrastructure)

## Net sales



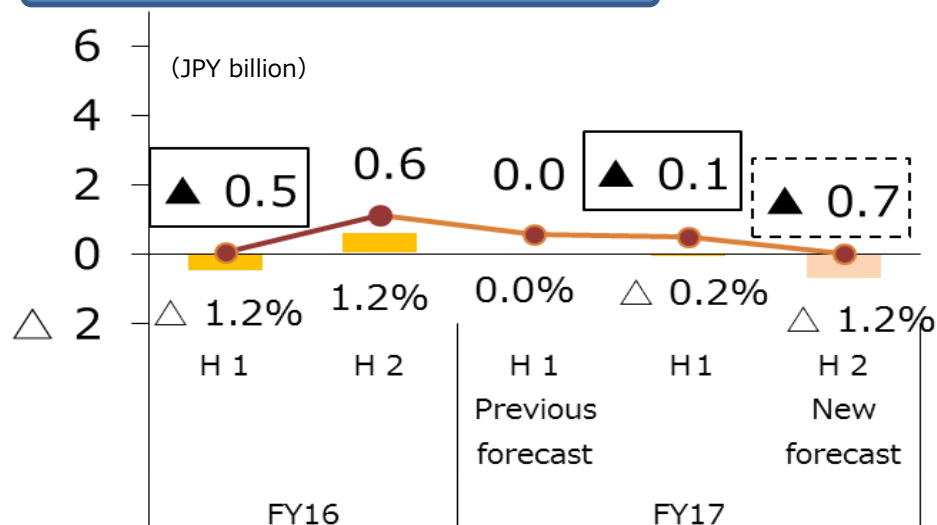
## < Details of Operating Income difference >

### H1 result: YoY +0.4 billion yen

□: Positive growth factors ■: Negative growth factors

- Domestic electrical construction contributed to the result
- Demand for power transmission/distribution products for Japanese electric power companies has declined

## Operating income / operating margin

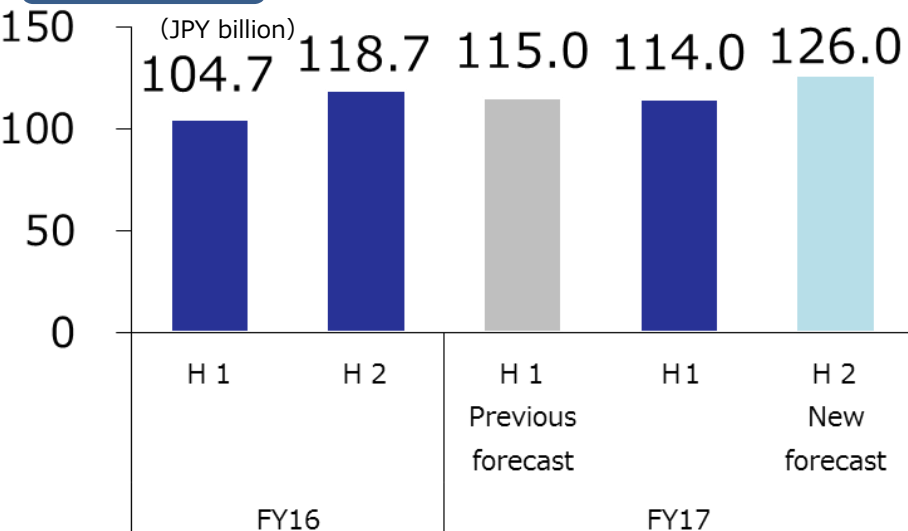


### H2 forecast: ▲0.6 billion yen vs. H1 actual

- The product mix will deteriorate due to exports of underground cables
- Sales from power transmission/distribution products will increase due to seasonal factors

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

**Net sales**

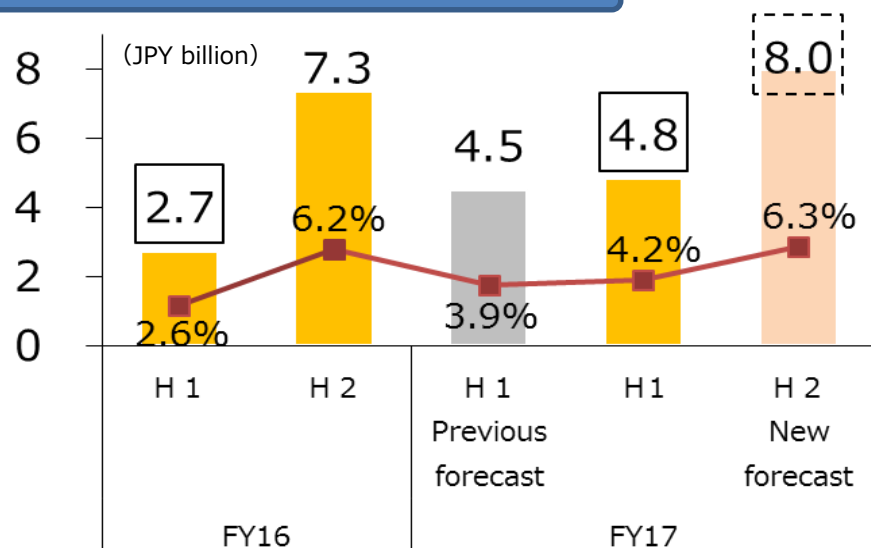


**< Details of Operating Income difference >**

**H1 result: YoY +2.1 billion yen**

- : Positive growth factors    ■: Negative growth factors
- Demand for automotive parts in Japan recovered mainly due to the impact of the Kumamoto earthquake in April 2016
- Newly adopted our wire harnesses to new car models by car makers
- Efforts for improving cost of sales by increasing production efficiency and reducing logistics costs continued to the result

**Operating income / operating margin**



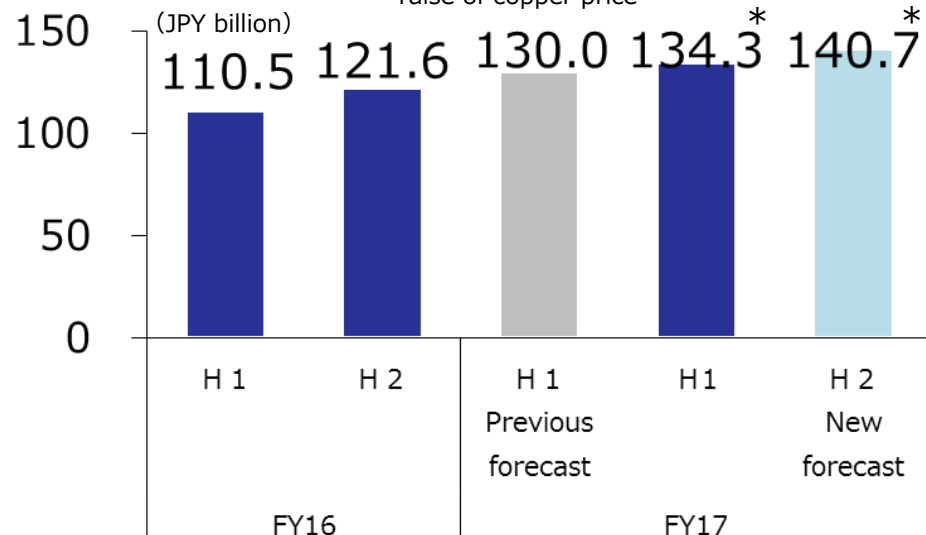
**H2 forecast: +3.2 billion yen vs. H1 actual**

- Income from batteries will increase due to seasonal factors
- The impact of the adoption of wire harnesses for new car models will further increase

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

## Net sales

\* Main factor of the sales increase is raise of copper price

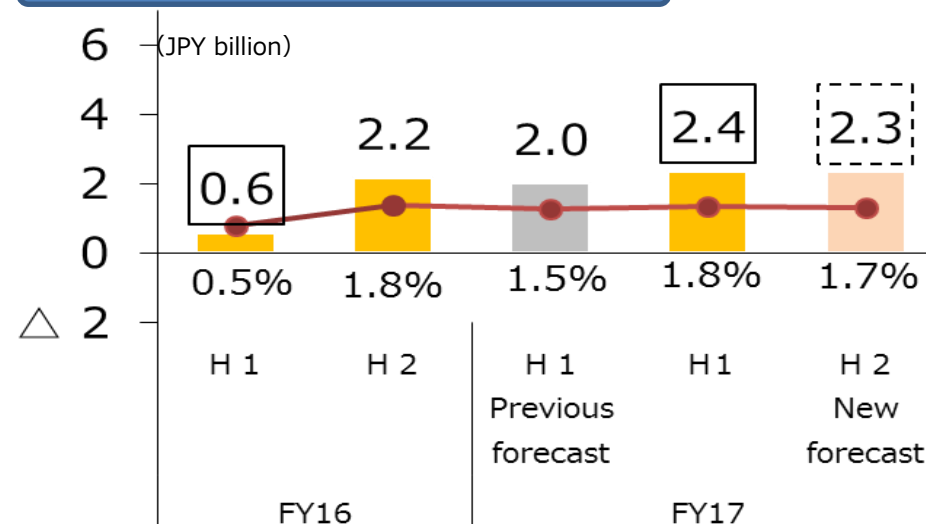


## < Details of Operating Income difference >

### H1 result: YoY + 1.8 billion yen

- : Positive growth factors     : Negative growth factors
- As for Copper & High Performance Material Products division, demand increased, and a temporary increase in costs associated with development projects last year has been corrected
- Magnet wires for vehicles and smartphones delivered a strong result

## Operating income / operating margin

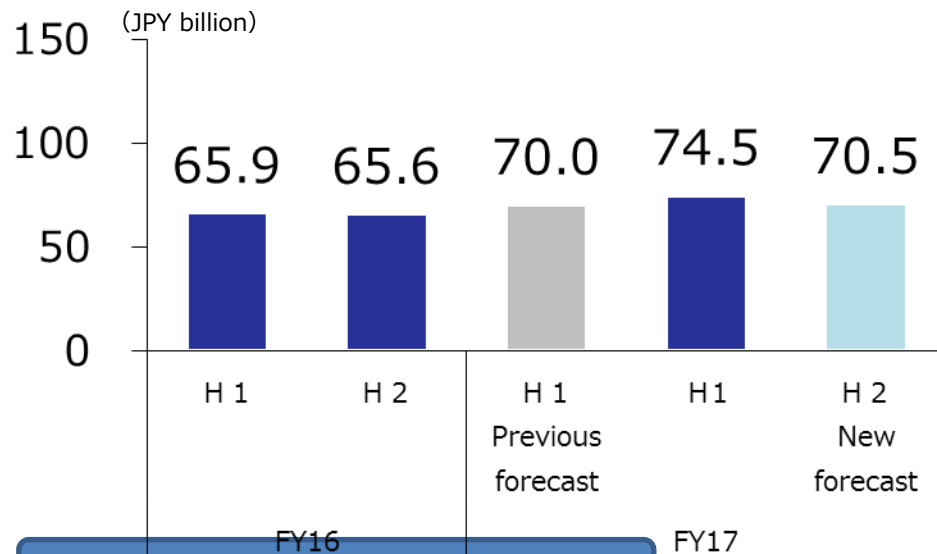


### H2 forecast: ▲0.02 billion yen vs. H1 actual

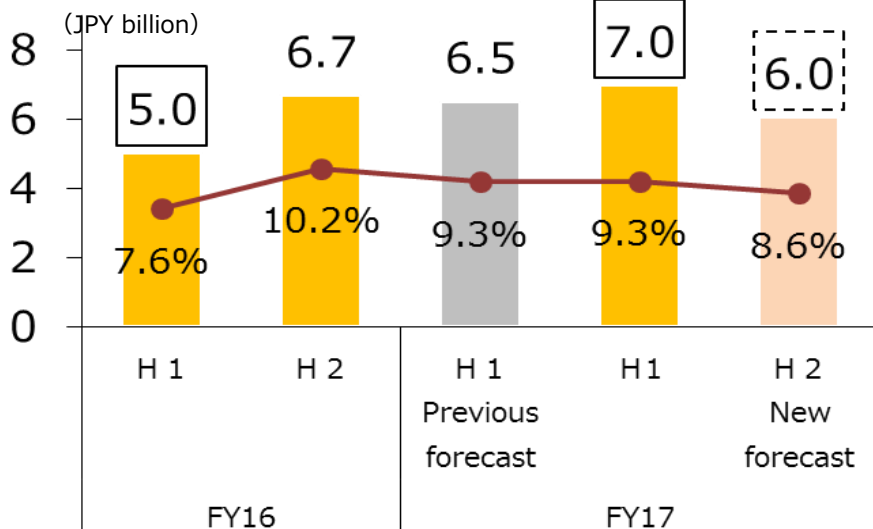
- In Wrought copper products business, income will maintain same level from H1 since demand for some products will increase while there will be negative impact in some other products by seasonal factors

# 3 Functional Products

## Net sales



## Operating income / operating margin



## < Details of Operating Income difference >

### H1 result: YoY +1.9 billion yen

- : Positive growth factors    ■: Negative growth factors
- Copper foils delivered strong results, due to steady demand, increased productivity, and improvement of product mix
- As for Thermal Management Solution & Products division, demand for products for data centers increased

### H2 forecast: ▲0.9 billion yen vs. H1 actual

- As for Thermal Management Solution & Products division, after the strong demand for products for data centers in H1, demand will decrease due to temporary customer inventory adjustments
- Sales of tapes for semiconductor manufacturing will be further affected by intensification of competitive environment

# CAPEX, Depreciation & amortization and R&D -FY2017 first half results and revised forecasts for the year

(JPY billion)

	FY16H1 Results	FY17H1 Results	YtoY changes	FY16 Results	FY17 Previous forecasts	FY17 New forecasts	YoY changes	Changes from previous forecasts
	a	b	b-a	c	d	e	e-c	e-d
CAPEX	11.6	15.9	+4.3	31.6	38.0	42.0 <sup>*</sup>	+10.4	+4.0
Depreciation and amortization	11.5	12.3	+0.8	23.4	26.5	26.5	+3.1	—
R&D expenses	8.4	9.4	+1.1	17.5	19.4	19.4	+1.9	—

\* Released on September 13; including additional investments for increases in production of optical fibers and cables



Segment	Sub-segment	Business Division
<b>Infrastructure</b>	<b>Communications Solutions</b>	Optical Fiber and Cable Products
		FITEL Products
		Broadband Solutions Business
	<b>Energy Infrastructure</b>	Power Cable
		Industrial Cable & Power Cable Accessories
<b>Electronics &amp; Automotive Systems</b>	<b>Automotive Products &amp; Batteries</b>	Automotive Products
		Batteries
	<b>Electronics Component Material</b>	Electric Conductor
		Magnet Wire
		Copper & High Performance Material Products
		Copper Tube
<b>Functional Products</b>	AT & Functional Plastics	
	Thermal Management Solution & Products	
	Memory Disk	
	Copper Foil	
<b>Service and Developments, etc.</b>		

Thank you very much  
for your attention.

***Bound to***  ***Innovate***