

FY2016 Financial Results

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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.
- 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 Results Highlights

- Operating income totaled JPY 38.6 billion, up JPY 11.5 billion (up 42%) YoY.

Operating income ratio of Net sales reached 4.6% (up 1.5%) YoY.

- Operating income increased by JPY 16.9 billion on a real change basis due primarily to the performance of communications solutions (Infrastructure segment) although the appreciation of JPY had an adverse impact throughout the year.

Effects of structural reforms in the copper foil business (Functional Products segment) and other factors also contributed to the growth in income.

- Net income increased to JPY 17.6 billion, up JPY 7.6 billion (up 76%) YoY.

- The increase in net income was attributable to the growth of operating income, improvement in equity method investments and posting of extraordinary gains, including negative goodwill associated with business transfer in the power cable business, and other factors despite a provision for product warranties (automotive products) as an extraordinary loss.

※Previous forecast announced on Feb 3, 2017. (JPY billion)

	FY15	FY16			
	Results	Previous forecast※	forecast	YtoY change	Change from previous forecast
Net sales	874.9	825.0	843.3	▲ 31.5	+18.3
Operating income	27.1	32.0	38.6	+11.5	+6.6
Ordinary income	18.7	28.5	36.0	+17.3	+7.5
Net income	10.0	16.0	17.6	+7.6	+1.6

FY2017 Management Policies and Goals **FURUKAWA ELECTRIC**

- Strengthen capital investment and R&D focused on achieving medium-term management plan.
- Strengthen cost competitiveness to respond to environmental changes.
- Accelerate review of low profitable business based the return on operating assets.

While FY2017 Operating income is estimated decline due to expansion of investment etc., Net income will be secured.

(JPY billion)

	FY16 Results	FY17 Forecast	YtoY change
Net sales	843.3	885.0	+41.7
Operating income	38.6	37.0	▲1.6
Ordinary income	36.0	37.5	+1.5
Net income	17.6	20.0	+2.4

Expansion of Investment in Growth Areas

Expansion of growth investment with a focus on the infrastructure and automotive business.

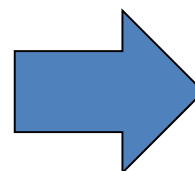
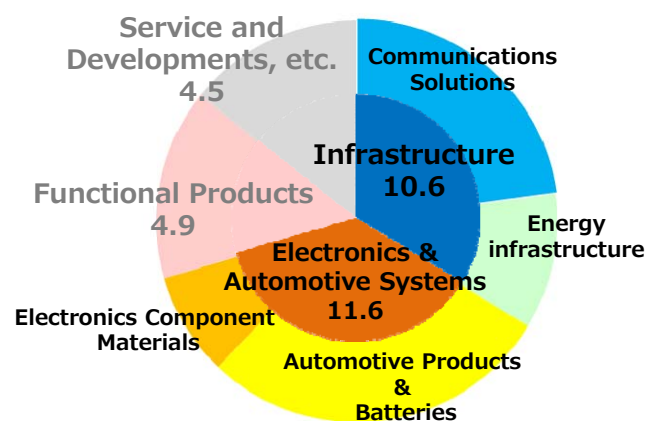
- Communications Solutions: Increase in the production of optical fiber and optical components in line with increased demand and R&D investment for high-value-added products
- Energy infrastructure: Development of a production framework aimed at responding to market demands under the new power cable business structure
- Automotive products: Acceleration of development in the automotive product business for autonomous car and motorization.

(JPY billion)

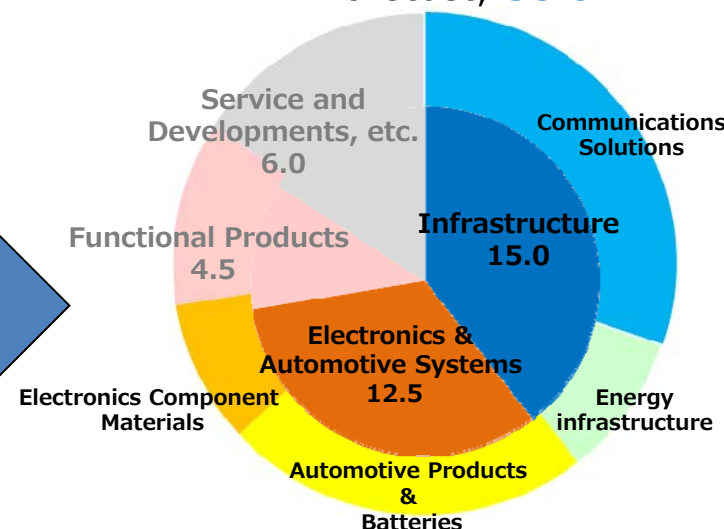
	FY15	FY16	FY17 Forecast	YtoY change
CAPEX	25.7	31.6	38.0	+6.4
Depreciation and amortization	23.2	23.4	26.5	+3.1
R&D expenses	16.8	17.5	19.4	+1.9

<CAPEX by business segment>

FY16 Results; **31.6**



FY17 Forecast; **38.0** JPY billion



FY2017 Management index

(JPY billion)

	FY15	FY16	FY17 Forecast	YtoY change
		a	b	b-a
Equity capital ratio	24.5%	27.6%	27.8%	+0.2
D/E ratio	1.49	1.22	1.29	+0.07
NET D/E ratio	1.19	0.99	1.05	+0.06
Total asset turnover ratio (Net sales/ Total assets *1)	1.22	1.16	1.16	+0.00
Return on operating assets (Operating income/ Operating assets *2)	9.1%	12.1%	11.1%	▲ 1.0
ROE	5.5%	9.3%	9.5%	+0.2

*1 Total assets = (beginning balance + ending balance)/2, *2 Operating assets = inventories + tangible and intangible fixed assets

FY2017 Dividends forecast

(JPY)

	FY15	FY16[*]	FY17 Forecast[*]	YtoY change
Annual dividend per share	4.0	55	60	+5

* We conducted a one-for-ten reverse stock split of our company's common shares effective October 1, 2016. Therefore, the amount listed as the year-end dividend per share for FY2016 and FY2017 (forecast) reflects the said reverse stock split.

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

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FY2016 Results

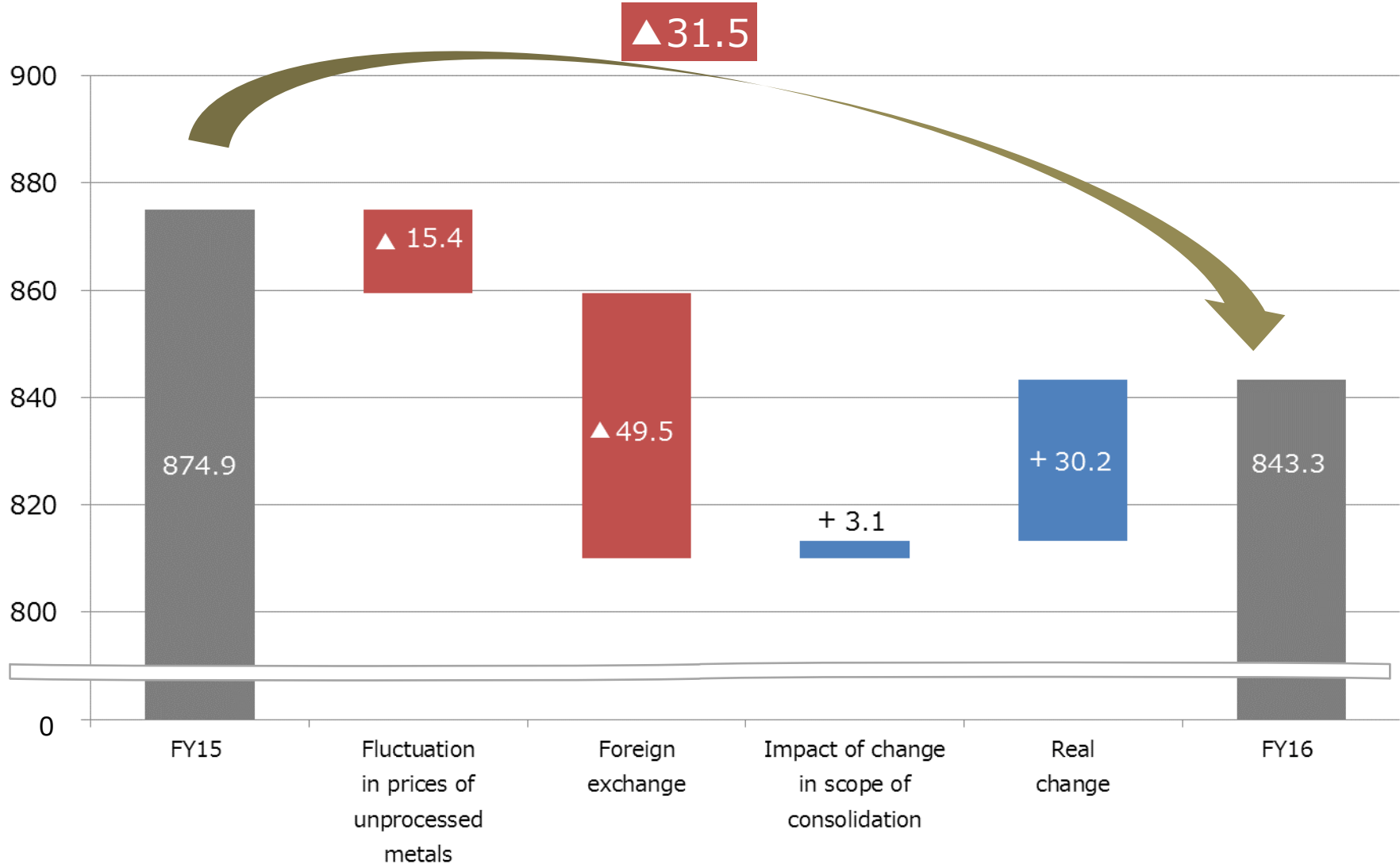
FY2016 Results - Summary P&L

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

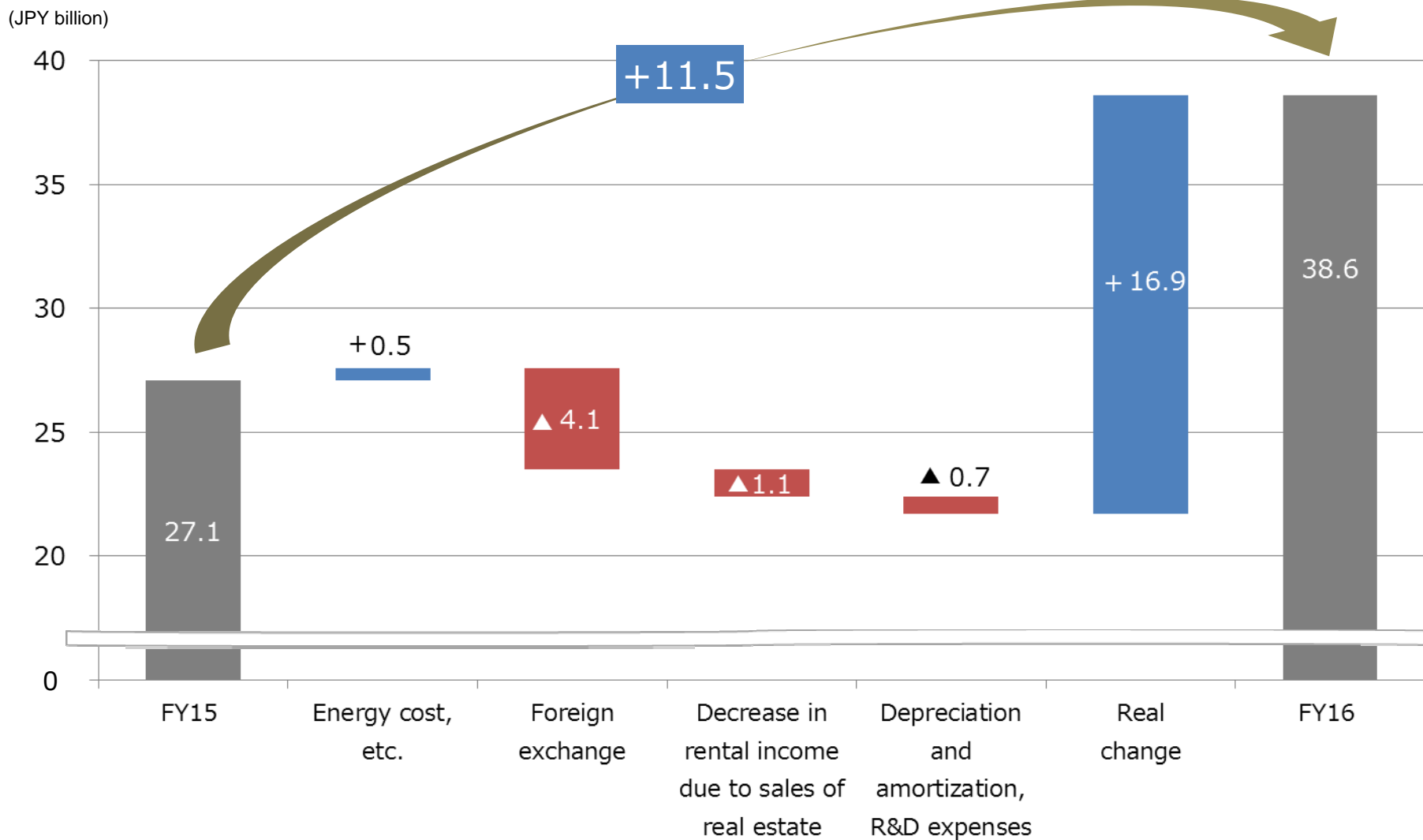
	FY15		FY16		YtoY change		Breakdown of change (Full year)
	a	Q4 b	c	Q4 d	c-a	d-b	
Net sales (Ratio of change)	874.9	230.0	843.3	238.4	▲ 31.5 ▲4%	+8.4 +4%	see page 8
Operating income (Ratio of Net sales/ change)	27.1 3.1%	10.2 4.4%	38.6 4.6%	14.9 6.2%	+11.5 +42%	+4.6 +45%	see page 9
Profit/loss in equity method affiliates	▲ 5.7	▲ 7.0	0.1	0.6	+5.8	+7.5	
Foreign exchange gain/loss	▲ 2.1	▲ 0.9	▲ 1.2	▲ 0.0	+0.9	+0.9	
Ordinary income (Ratio of Net sales/ change)	18.7 2.1%	2.4 1.1%	36.0 4.3%	15.2 6.4%	+17.3 +93%	+12.8 +530%	
Extraordinary gain/loss	2.7	5.6	▲ 8.1	▲ 15.8	▲ 10.7	▲ 21.4	• Extraordinary gain; ▲9.4 (21.9 → 12.4)
income taxes -current and income taxes -deferred	7.9	2.9	5.5	▲ 0.9	▲ 2.4	▲ 3.8	• Extraordinary loss; ▲1.3 (▲19.2 → ▲20.5)
Minority interests in income	3.4	1.3	4.9	1.7	+1.4	+0.4	• Effective tax rate; 37.1% → 19.8%
Net income (Ratio of Net sales/ change)	10.0 1.1%	3.9 1.7%	17.6 2.1%	▲ 1.3 ▲0.6%	+7.6 +76%	▲ 5.2 ▲134%	
Average copper price	676	584	604	705	–	–	
Average exchange rate	120	115	108	114	–	–	

Analysis of Changes in Net Sales (YOY)

(JPY billion)



Analysis of Changes in Operating income (YOY)



Net Sales and Operating Income by Segment **FURUKAWA ELECTRIC**

* Previous forecast on Feb 3,2017

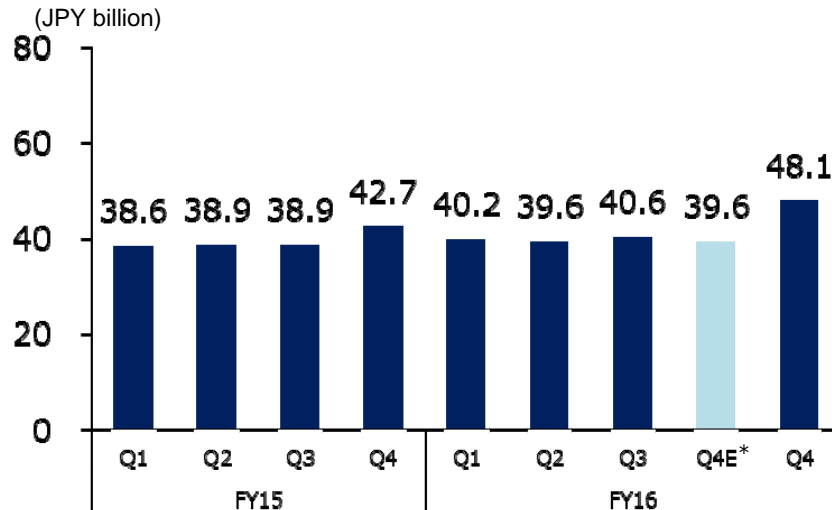
(JPY billion)

		FY15	FY16 Previous Forecast *	FY16 Results	YtoY change	Change from previous forecast
Net sales	Infrastructure	252.7	255.0	263.8	+11.1	+8.8
	Communications Solutions	159.1	160.0	168.5	+9.4	+8.5
	Energy infrastructure	93.5	95.0	95.3	+1.7	+0.3
	Electronics & Automotive Systems	491.1	450.0	455.5	▲ 35.6	+5.5
	Automotive Products & Batteries	234.1	220.0	223.4	▲ 10.7	+3.4
	Electronics Component Materials	257.0	230.0	232.1	▲ 24.9	+2.1
	Functional Products	136.3	135.0	131.5	▲ 4.8	▲ 3.5
	Service and Developments, etc.	51.5	50.0	49.7	▲ 1.9	▲ 0.3
	Elimination of intra-company transactions	▲ 56.7	▲ 65.0	▲ 57.0	▲ 0.3	+8.0
Total	874.9	825.0	843.3	▲ 31.5	+18.3	
Operating income	Infrastructure	7.7	11.5	14.3	+6.6	+2.8
	Communications Solutions	8.0	12.5	14.2	+6.2	+1.7
	Energy infrastructure	▲ 0.3	▲ 1.0	0.1	+0.4	+1.1
	Electronics & Automotive Systems	10.5	10.5	12.8	+2.3	+2.3
	Automotive Products & Batteries	8.0	9.0	10.1	+2.0	+1.1
	Electronics Component Materials	2.4	1.5	2.7	+0.3	+1.2
	Functional Products	8.5	11.0	11.7	+3.2	+0.7
	Service and Developments, etc.	0.4	▲ 1.0	▲ 0.1	▲ 0.6	+0.9
	Elimination of intra-company transactions	0.1	0.0	▲ 0.0	▲ 0.1	▲ 0.0
Total	27.1	32.0	38.6	+11.5	+6.6	

1 -(1) Infrastructure (Communications Solutions)

Net sales

(Divisions; Fiber Cable, FITELE Products, Broadband Solutions)



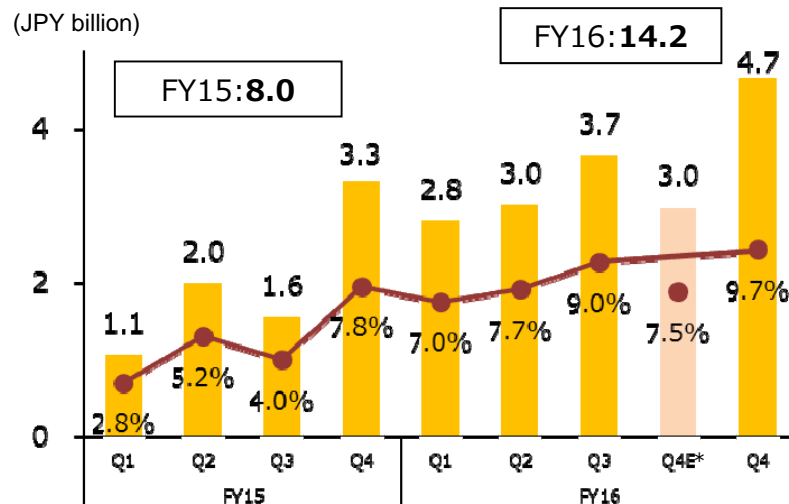
< Details of FY2016 Operating Income difference >

YoY difference JPY+6.2 billion

□ : Factors for increase ■ : Factors for decrease

- Product mix and price levels improved in addition to increased demand for optical fiber mainly in North America.
- Demand for digital coherent-related products also remained strong.

Operating income / operating margin



Previous forecast difference JPY +1.7 billion

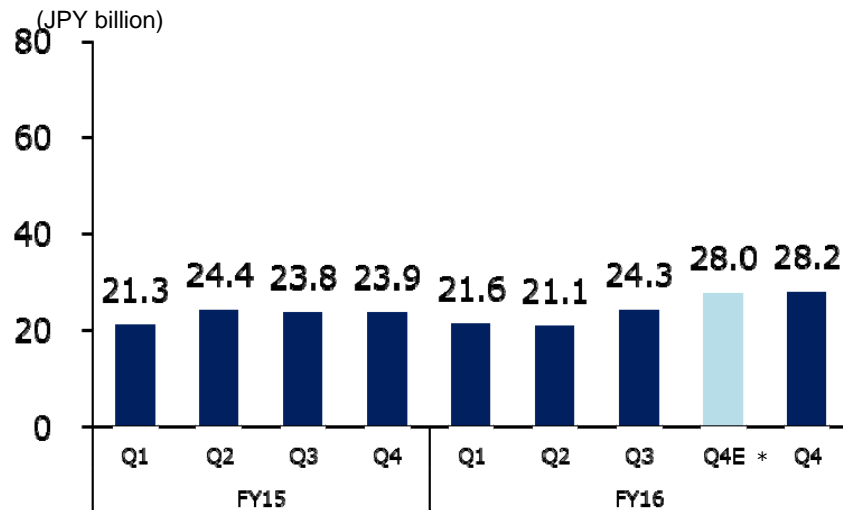
- Demand of optical fiber cables rises mainly for North America.

* Previous forecast on Feb 3,2017

1 -(2) Infrastructure (Energy Infrastructure)

Net sales

(Divisions; Power Cable, Industrial Cable & Power Cable Accessories)



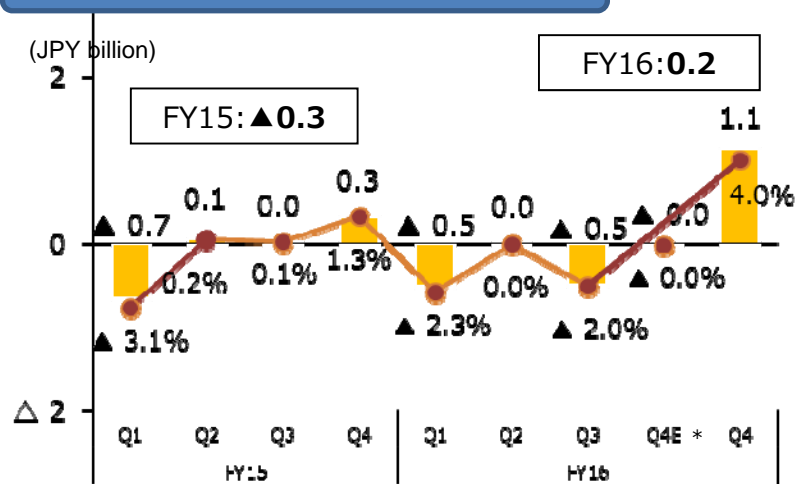
< Details of FY2016 Operating Income difference >

YoY difference JPY +0.4 billion

□ : Factors for increase ■ : Factors for decrease

- Ultra high voltage cable projects contribute to Q4 with the acquisition of cable business of VISCAS Corporation.
- Completion of domestic large water supply pipe project
- Demand for power transmission distribution products for the domestic power industry decreased.

Operating income / operating margin



Previous forecast difference JPY +1.2 billion

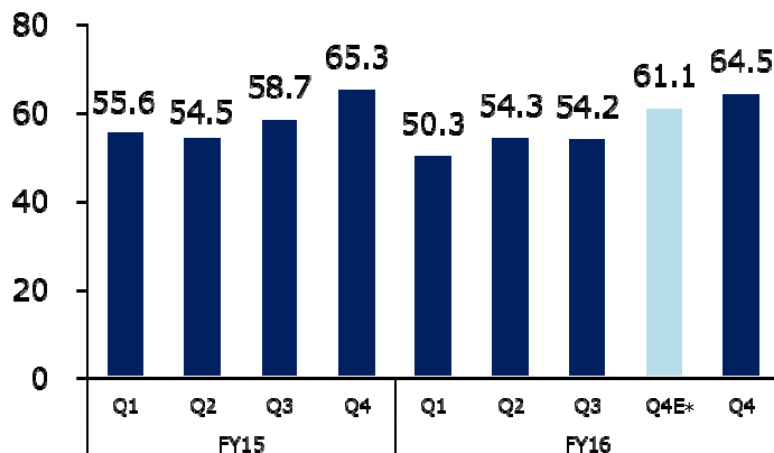
- Accelerate construction progress of domestic ultra high voltage cable projects.
- Suppression of temporary expenses with the acquisition of cable business of VISCAS Corporation.

* Previous forecast on Feb 3,2017

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

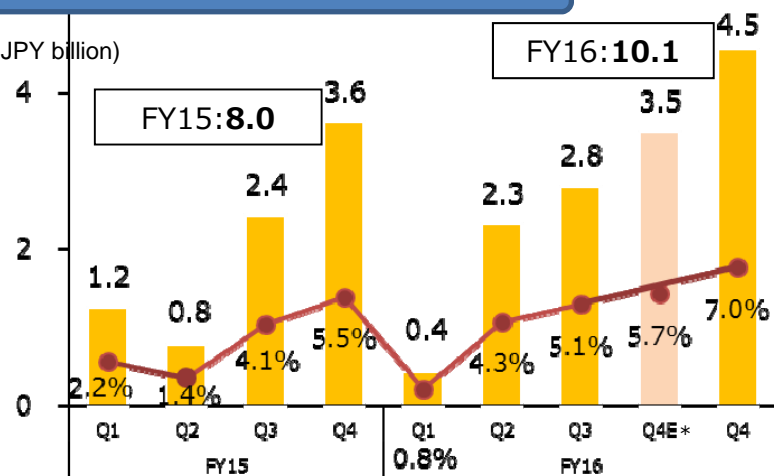
Net sales

(JPY billion)



Operating income / operating margin

(JPY billion)



(Divisions; Automotive Products, Batteries)

< Details of FY2016 Operating Income difference >

YoY difference JPY + 2.0 billion

□ : Factors for increase ■ : Factors for decrease

- The cost improvements at the Mexico plant
- Contribution to increase in profit by advancement of cost improvement such as production efficiency and distribution cost reduction.

Previous forecast difference JPY +1.1 billion

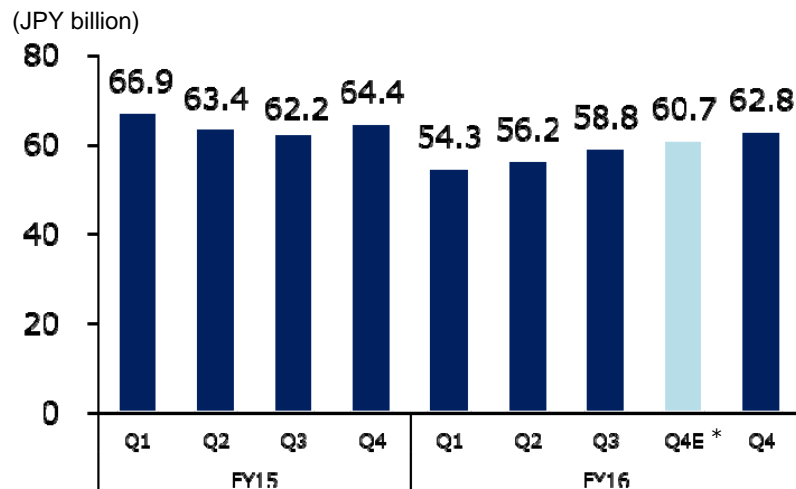
- The slowdown in sales of wire harnesses in Japan was more moderate than expected.

* Previous forecast on Feb 3, 2017

Net Sales and Operating Income by Segment

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

Net sales



(Divisions; Electric Conductor, Magnet Wire, Copper & High Performance Material Products, Copper Tube)

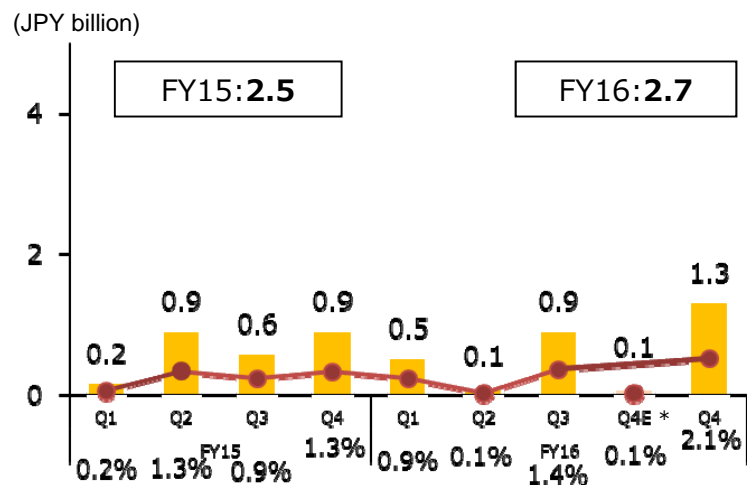
< Details of FY2016 Operating Income difference >

YoY difference **JPY +0.3 billion**

□ : Factors for increase ■ : Factors for decrease

- For copper and high-performance materials, the quantity of copper alloy products recovered steadily.
- For copper and high-performance materials, a temporary cost increase caused by the development project occurred in 2Q and 2H.

Operating income / operating margin



Previous forecast difference **JPY +1.2 billion**

- In addition to an increase in demand for copper and high-performance materials, sales of electric conductors and magnet wires also increased.

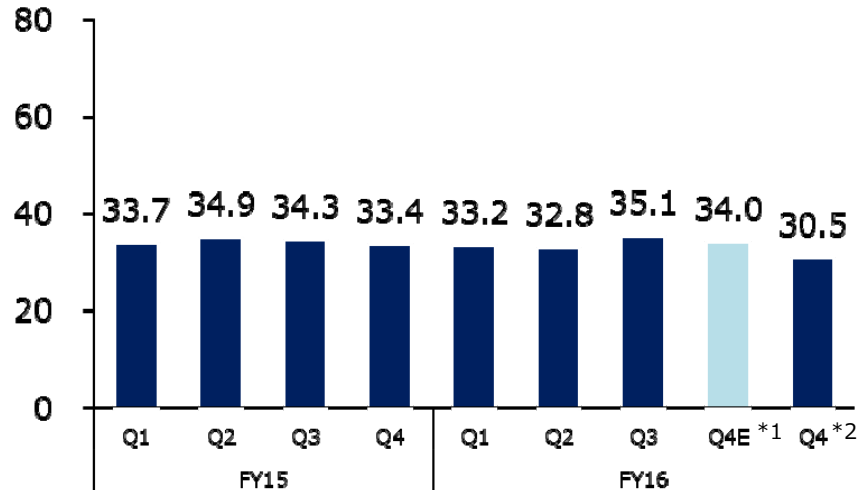
* Previous forecast on Feb 3, 2017

3 Functional Products

Net sales

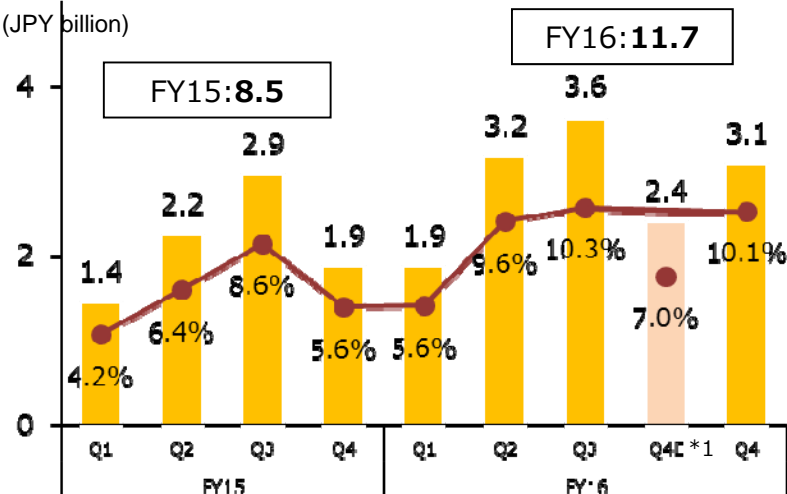
(Divisions; Thermal Management Solution & Products, AT & Functional Plastics, Memory Disk, Copper Foil)

(JPY billion)



Operating income / operating margin

(JPY billion)



< Details of FY2016 Operating Income difference >

YoY difference JPY + 3.2 billion

□ : Factors for increase ■ : Factors for decrease

- Sales of tapes for semiconductor manufacturing increased thanks to higher demand.
- Performance of copper foil enjoyed positive effects of 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 and electronic parts decreased due to the sluggish electronics market including PCs.

Previous forecast difference JPY +0.7 billion

- Sales of tapes for semiconductor manufacturing and copper foil increased despite seasonal factors of functional plastics.

*1 Previous forecast on Feb 3, 2017

*2 Revision from Q1 to Q3 was reflected at Q4.

FY2016 Results - BS Summary

(JPY billion)

	End of FY15Q4	End of FY16Q4	Change	Breakdown of change
	a	b	b-a	
Current assets	364.0	382.4	+18.4	Inventories +11.2
Cash and bank deposits	52.5	47.2	▲ 5.3	
Trade receivable	187.0	198.9	+11.8	
Non-current assets	341.7	367.7	+26.0	
Tangible fixed assets	196.5	205.5	+8.9	CAPEX +31.6
Intangible fixed assets	8.5	9.7	+1.2	Depreciation and amortization ▲23.4
Investments and other assets	136.6	152.5	+15.9	Investment securities valuation difference, etc.
Assets	705.7	750.1	+44.4	Acquisition business of VISCAS +7.2
Current liabilities	299.3	293.4	▲ 6.0	
Long-term liabilities	207.8	219.7	+11.9	
Liabilities	507.1	513.1	+5.9	
Shareholders' equity	180.9	194.3	+13.4	Increase in Net income
Accumulated other comprehensive income	▲ 7.7	12.4	+20.2	Other difference in Securities valuation +12.6
Minority interests	25.4	30.3	+4.9	
Net assets	198.6	237.1	+38.5	
Lianbilities and Net assets	705.7	750.1	+44.4	
Interest-bearing liabilities	257.8	252.5	▲ 5.3	
Equity capital ratio	24.5%	27.6%	+3.1%	Declined 13 years in a row
NET D/E ratio	1.19	0.99	▲ 0.20	
Total asset turnover ratio (Net sales/ Total assets *)	1.22	1.16	▲0.06	

* Total assets = (beginning balance + ending balance) / 2

FY2016 Results – CAPEX, Depreciation & amortization and R&D expenses

(JPY billion)

	FY15	FY16		YtoY change	Change from previous forecast
		Previous Forecast	Results		
	a	b	c	c-a	c-b
CAPEX	25.7	34.0	31.6	+5.9	▲ 2.4
Depreciation and amortization	23.2	24.3	23.4	+0.1	▲ 0.9
R&D expenses	16.8	18.0	17.5	+0.6	▲ 0.5

FY2017 Forecast

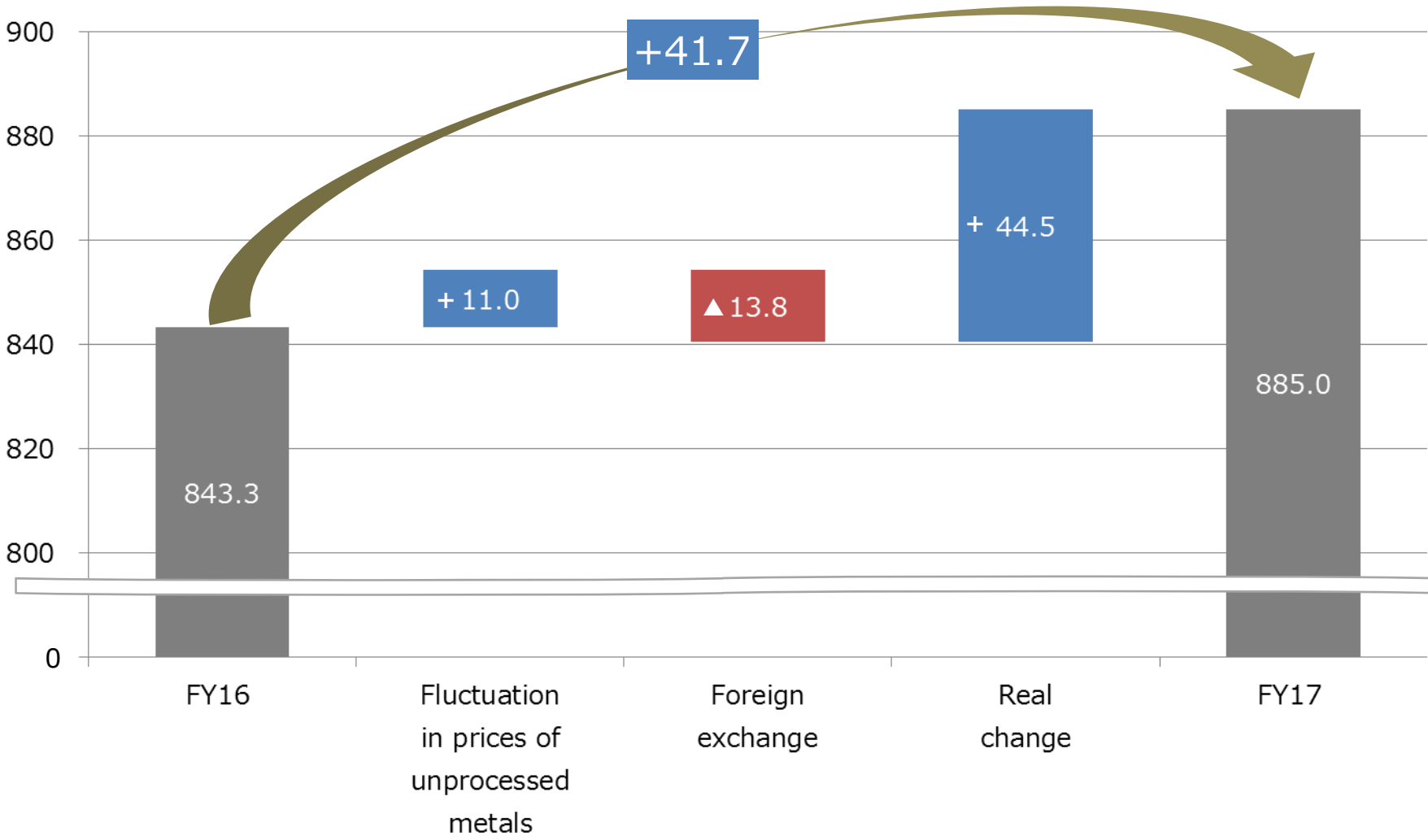
FY2017 Forecast - Summary P&L

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

	FY16			FY17			YtoY change		
	Results	H1	H2	Forecast	H1	H2		H1	H2
	a	b	c	d	e	f	d-a	e-b	f-c
Net sales	843.3	397.6	445.8	885.0	420.0	465.0	+41.7	+22.4	+19.2
Operating income	38.6	13.3	25.3	37.0	14.5	22.5	▲1.6	+1.2	▲2.8
(Ratio of Net sales/ change)	4.6%	3.3%	5.7%	4.2%	3.5%	4.8%	▲4.2%	+9.2%	▲11.2%
Ordinary income	36.0	10.2	25.8	37.5	14.0	23.5	+1.5	+3.8	▲2.3
(Ratio of Net sales/ change)	4.3%	2.6%	5.8%	4.2%	3.3%	5.1%	+4.1%	+37.6%	▲9.1%
Extraordinary gain/loss	▲8.1	1.6	▲9.6	▲6.0	6.0	▲12.0	+2.1	+4.4	▲2.4
Net income	17.6	6.7	10.9	20.0	14.0	6.0	+2.4	+7.3	▲4.9
(Ratio of Net sales/ change)	2.1%	1.7%	2.4%	2.3%	3.3%	1.3%	+13.8%	+109.8%	▲44.9%
Average copper price	604			625					
Average exchange rate	108			105					

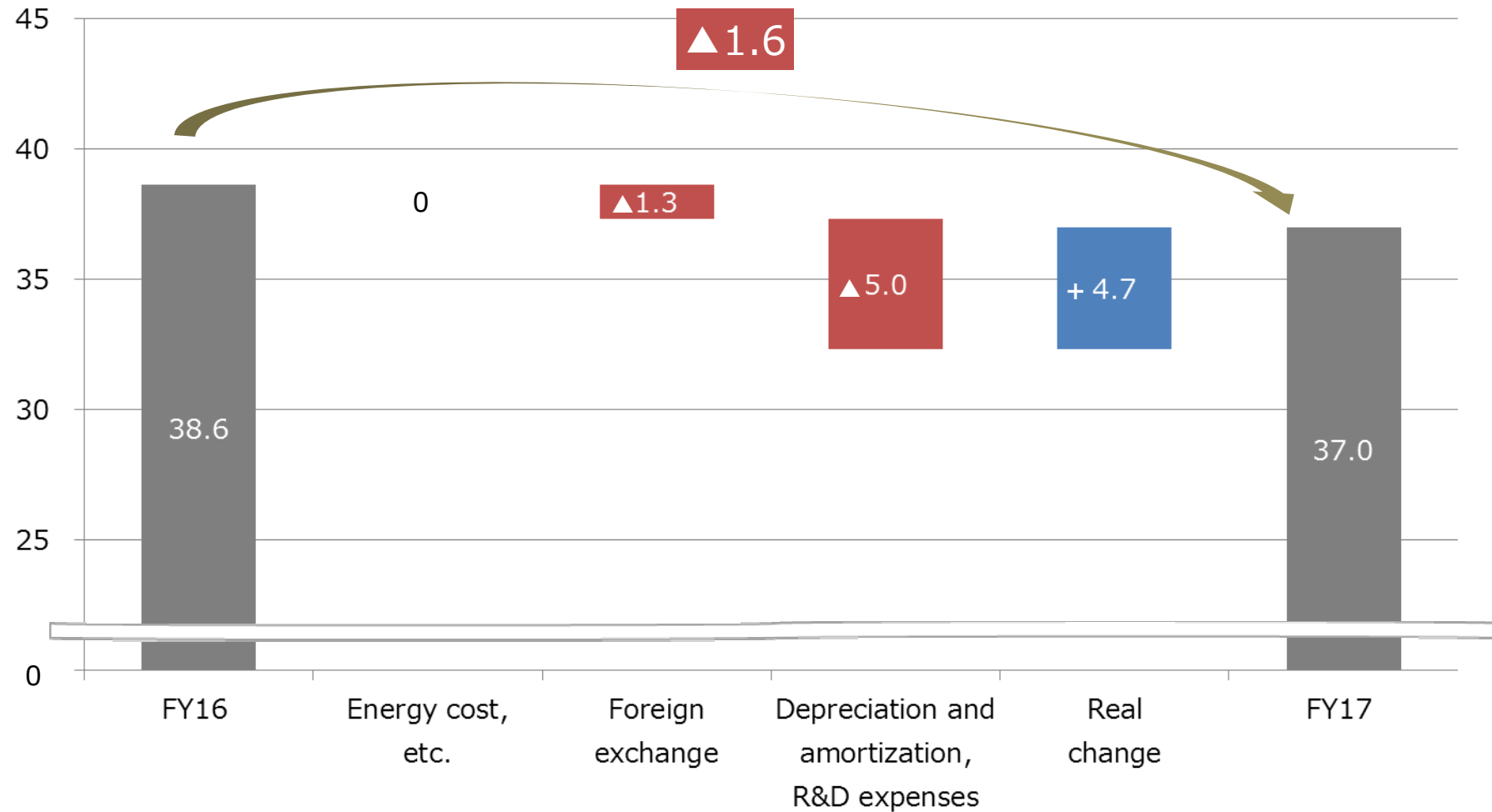
Analysis of Changes in Net Sales forecast (YOY)

(JPY billion)



Analysis of Changes in Operating income forecast (YOY)

(JPY billion)



Net Sales and Operating Income forecast by Segment

(JPY billion)

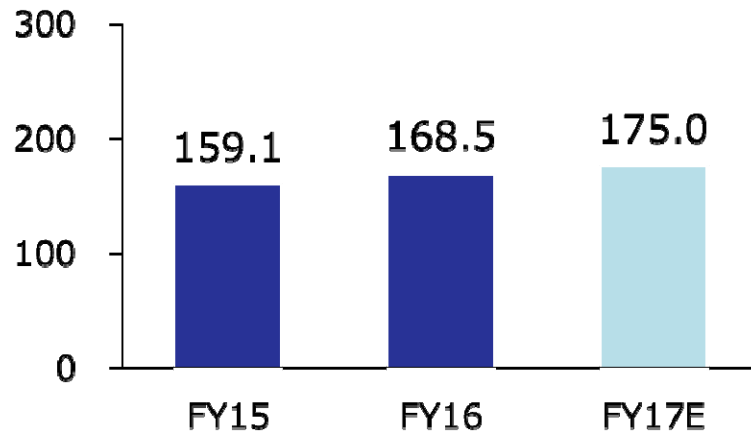
		FY15	FY16	FY17 Forecast	YtoY change
Net sales	Infrastructure	252.7	263.8	285.0	+21.2
	Communications Solutions	159.1	168.5	175.0	+6.5
	Energy infrastructure	93.5	95.3	110.0	+14.7
	Electronics & Automotive Systems	491.1	455.5	475.0	+19.5
	Automotive Products & Batteries	234.1	223.4	230.0	+6.6
	Electronics Component Materials	257.0	232.1	245.0	+12.9
	Functional Products	136.3	131.5	135.0	+3.5
	Service and Developments, etc.	51.5	49.7	50.0	+0.3
	Elimination of intra-company transactions	▲ 56.7	▲ 57.0	▲ 60.0	▲ 3.0
	Total	874.9	843.3	885.0	+41.7
Operating income	Infrastructure	7.7	14.3	13.0	▲ 1.3
	Communications Solutions	8.0	14.2	14.3	+0.1
	Energy infrastructure	▲ 0.3	0.1	▲ 1.3	▲ 1.4
	Electronics & Automotive Systems	10.5	12.8	13.5	+0.7
	Automotive Products & Batteries	8.0	10.1	9.5	▲ 0.6
	Electronics Component Materials	2.4	2.7	4.0	+1.3
	Functional Products	8.5	11.7	11.0	▲ 0.7
	Service and Developments, etc.	0.4	▲ 0.1	▲ 0.5	▲ 0.4
	Elimination of intra-company transactions	0.1	▲ 0.0	0.0	+0.0
	Total	27.1	38.6	37.0	▲ 1.6

1 -(1) Infrastructure (Communications Solutions)

Net sales

(Divisions; Fiber Cable, FITELE Products, Broadband Solutions)

(JPY billion)



< Details of FY2017 Operating Income forecast >

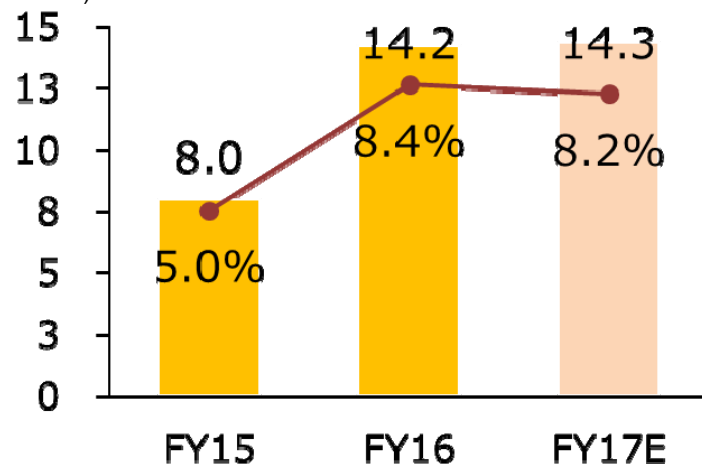
YoY difference JPY+0.1 billion

□ : Factors for increase ■ : Factors for decrease

- Demand for optical fiber will remain strong mainly in North America.
- Demand for digital coherent-related products will also remain strong.
- Capital/R&D investments for optical fiber and digital coherent-related products will increase.
- Currency translation losses related to optical fiber exports and overseas subsidiaries in a strong JPY environment will affect net sales and operating income.

Operating income / operating margin

(JPY billion)

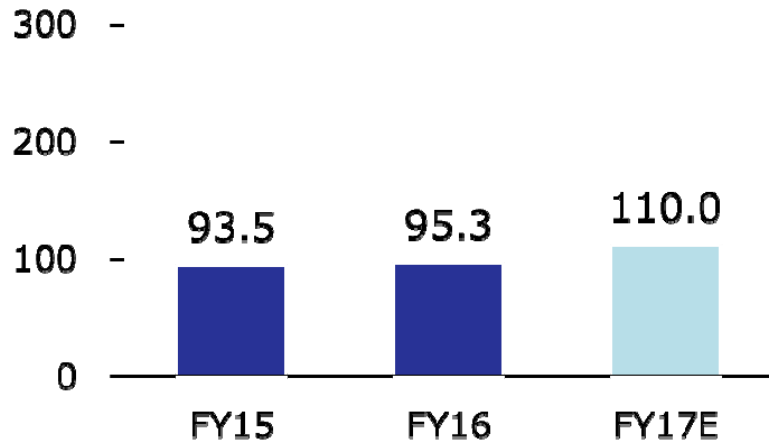


1 -(2) Infrastructure (Energy Infrastructure)

Net sales

(Divisions; Power Cable, Industrial Cable & Power Cable Accessories)

(JPY billion)



< Details of FY2017 Operating Income forecast >

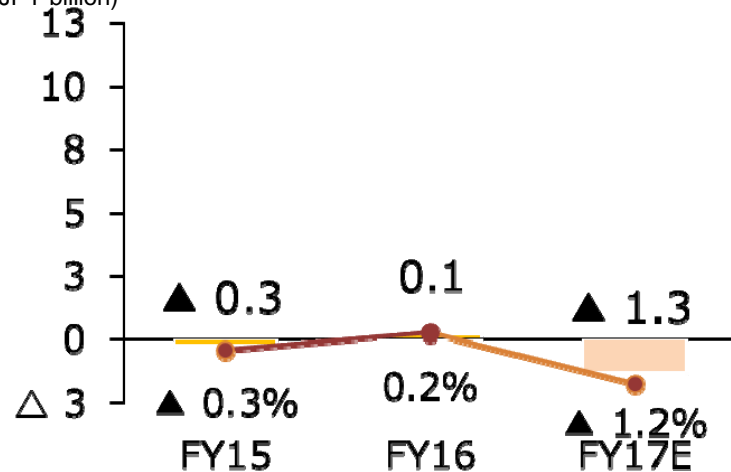
YoY difference JPY+1.4 billion

□ : Factors for increase ■ : Factors for decrease

- Net sales will increase due to business incorporation of VISCAS Corporation in Oct 2016. However product mix will be worse since export deals ratio of underground cable is increasing before FY2018 when domestic high voltage cable projects become full-scale sales.
- Fixed costs will arise due to upfront investment (construction personnel increase, capital / R&D investment) in preparation for future demand increase.

Operating income / operating margin

(JPY billion)

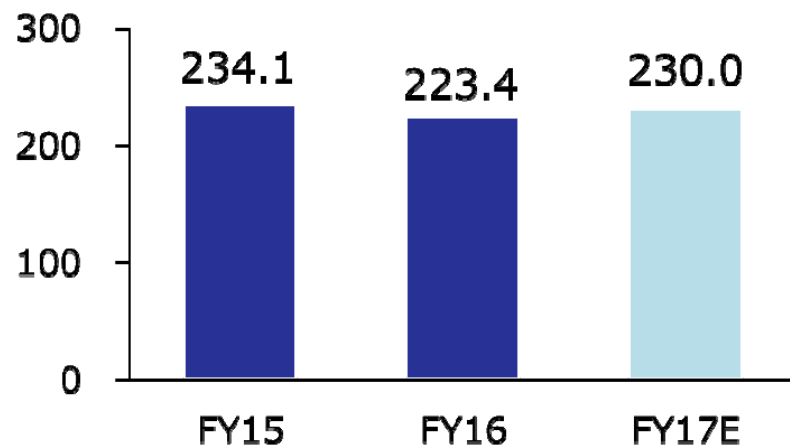


2-(1) Electronics & Automotive systems (Automotive Products & Batteries)

Net sales

(Divisions; Automotive Products, Batteries)

(JPY billion)



< Details of FY2017 Operating Income forecast >

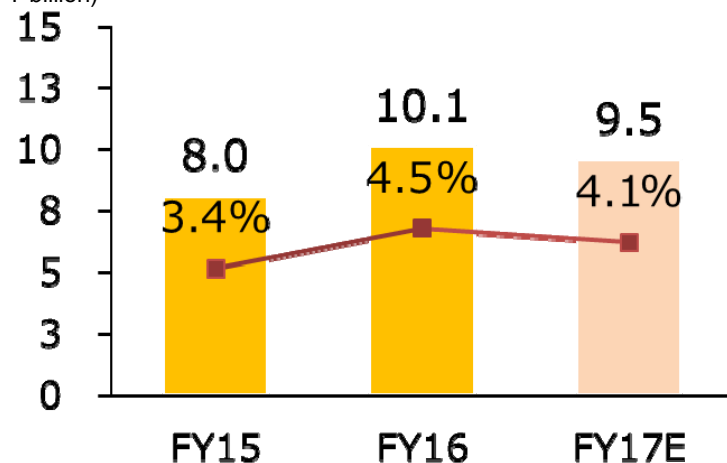
YoY difference JPY ▲0.6 billion

□ : Factors for increase ■ : Factors for decrease

- Sales of automotive batteries will increase in overseas markets.
- Capital/R&D investments for automotive products will increase.

Operating income / operating margin

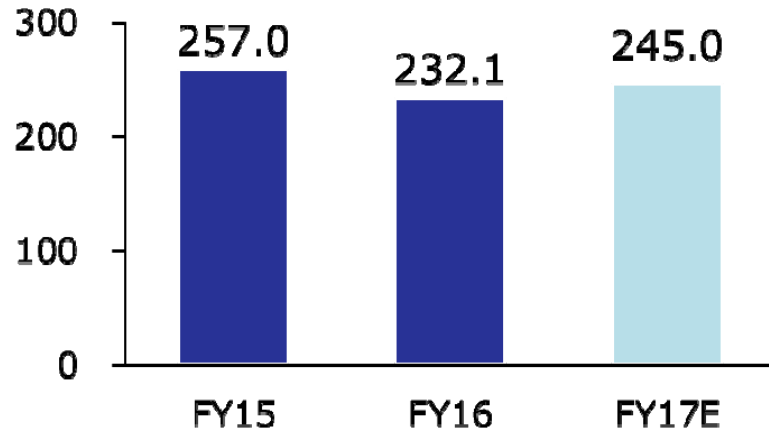
(JPY billion)



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

Net sales

(JPY billion)



(Divisions; Electric Conductor, Magnet Wire, Copper & High Performance Material Products, Copper Tube)

< Details of FY2017 Operating Income forecast >

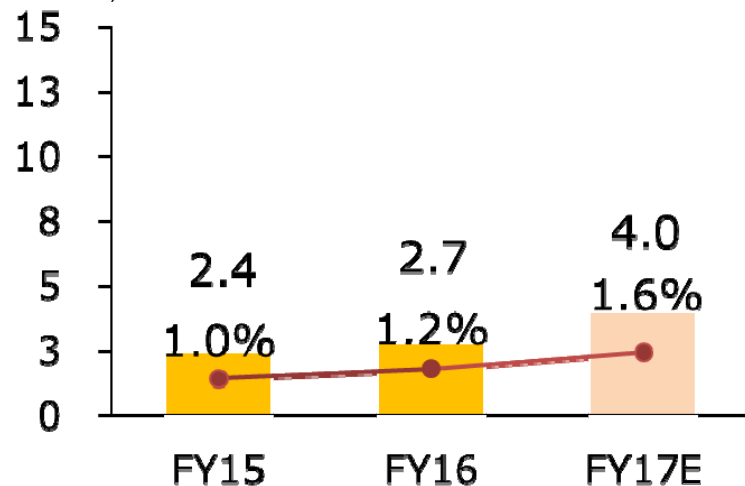
YoY difference JPY + 1.3 billion

□ : Factors for increase ■ : Factors for decrease

- Profits for copper and high-performance materials will increase due primarily to the elimination of development project costs generated in FY2016, an increase in profits for copper alloy products, and improvement of product mix.

Operating income / operating margin

(JPY billion)

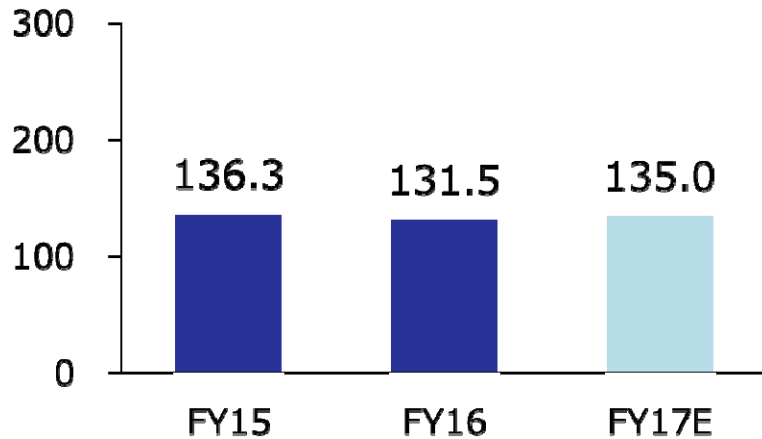


3 Functional Products

Net sales

(Divisions; Thermal Management Solution & Products, AT & Functional Plastics, Memory Disk, Copper Foil)

(JPY billion)



< Details of FY2017 Operating Income forecast >

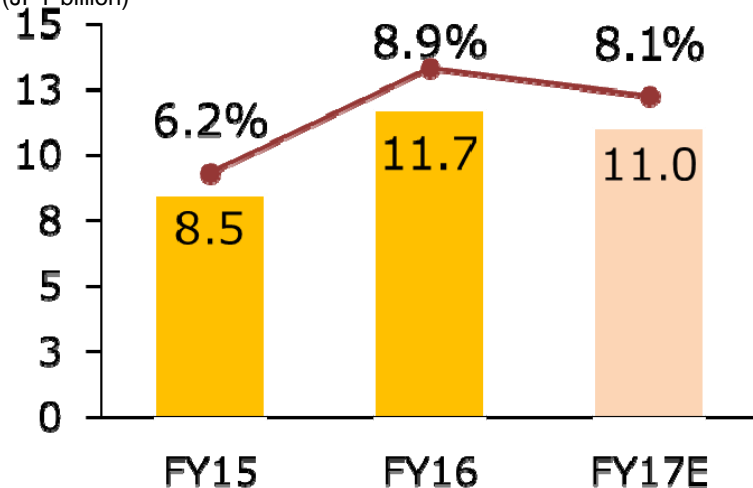
YoY difference JPY ▲0.7 billion

□ : Factors for increase ■ : Factors for decrease

- Tapes for semiconductor manufacturing and copper foil will face intensifying competition although demand will remain strong.

Operating income / operating margin

(JPY billion)



Thank you very much
for your attention.

