

# IR Business Briefing

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## **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.
- 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 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**

# Toward achieving 2020 Mid-term Management plan targets

|                      | FY2016<br>results            | FY2017<br>forecasts          | FY2018<br>Milestone          |  | FY2020<br>Mid-term Target         | Target          |
|----------------------|------------------------------|------------------------------|------------------------------|--|-----------------------------------|-----------------|
| Operating income     | <b>38.6</b><br>(JPY billion) | <b>37.0</b><br>(JPY billion) | <b>35.0</b><br>(JPY billion) |  | <b>&gt; 40.0</b><br>(JPY billion) |                 |
| Net income           | <b>17.6</b><br>(JPY billion) | <b>20.0</b><br>(JPY billion) |                              |  | <b>&gt; 20.0</b><br>(JPY billion) |                 |
| D/E ratio            | <b>1.22</b>                  | <b>1.29</b>                  |                              |  |                                   | <b>&lt; 1.0</b> |
| Net D/E ratio        | <b>0.99</b>                  | <b>1.06</b>                  |                              |  |                                   | <b>&lt; 0.8</b> |
| Equity capital ratio | <b>27.6%</b>                 | <b>27.8%</b>                 |                              |  |                                   | <b>&gt; 30%</b> |
| R O E                | <b>9.3%</b>                  | <b>9.5%</b>                  |                              |  | <b>&gt; 8%</b>                    | <b>&gt; 10%</b> |

- Strengthen and reform businesses
- Expand sales in the global market
- Step up efforts to tap into new market



# I. Reform low margin businesses & products

## ■ Challenging business : Power cables and Copper strips

Power cables business; reconstruct the operating structure

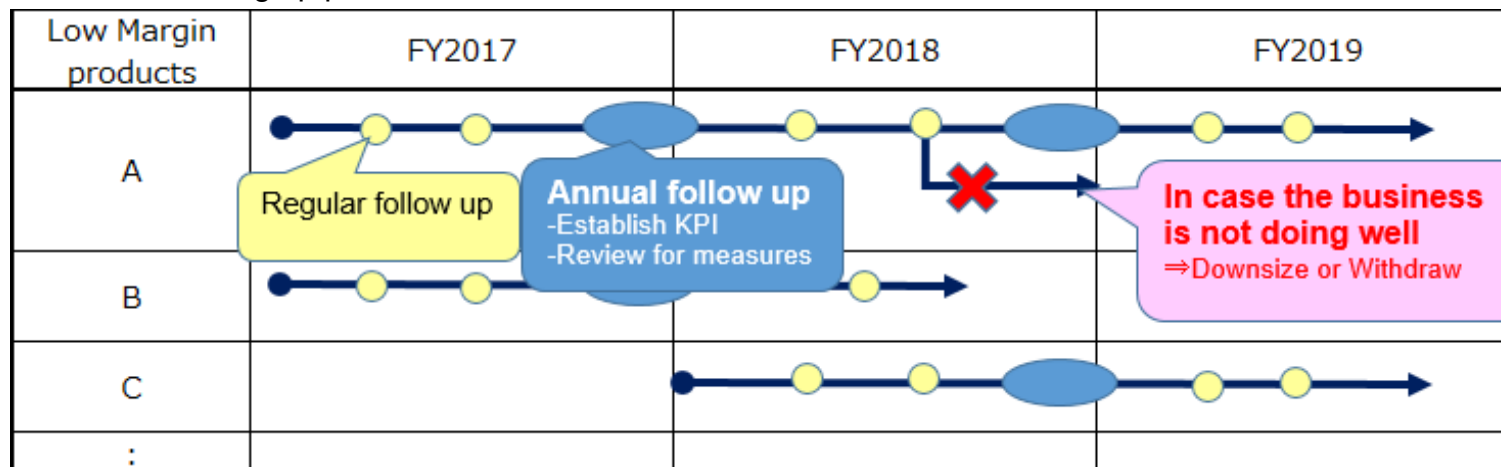
Copper strips business; Improve earnings by improving product mix and expanding sales of on-vehicle products

## ■ Low margin products :

Return on operating assets was introduced to visualize sales targets in chronological terms by business and product, speeding up the pace of improving low-margin businesses and products.

|                                   | FY2015            | FY2016            | FY2017 Forecast   |
|-----------------------------------|-------------------|-------------------|-------------------|
| <b>Return on operating assets</b> | <b>9.1%</b>       | <b>12.1%</b>      | <b>11.1%</b>      |
| Operating income                  | 27.1 JPY billion  | 38.6 JPY billion  | 37.0 JPY billion  |
| Operating assets                  | 298.2 JPY billion | 319.6 JPY billion | 333.5 JPY billion |

Measure following up process

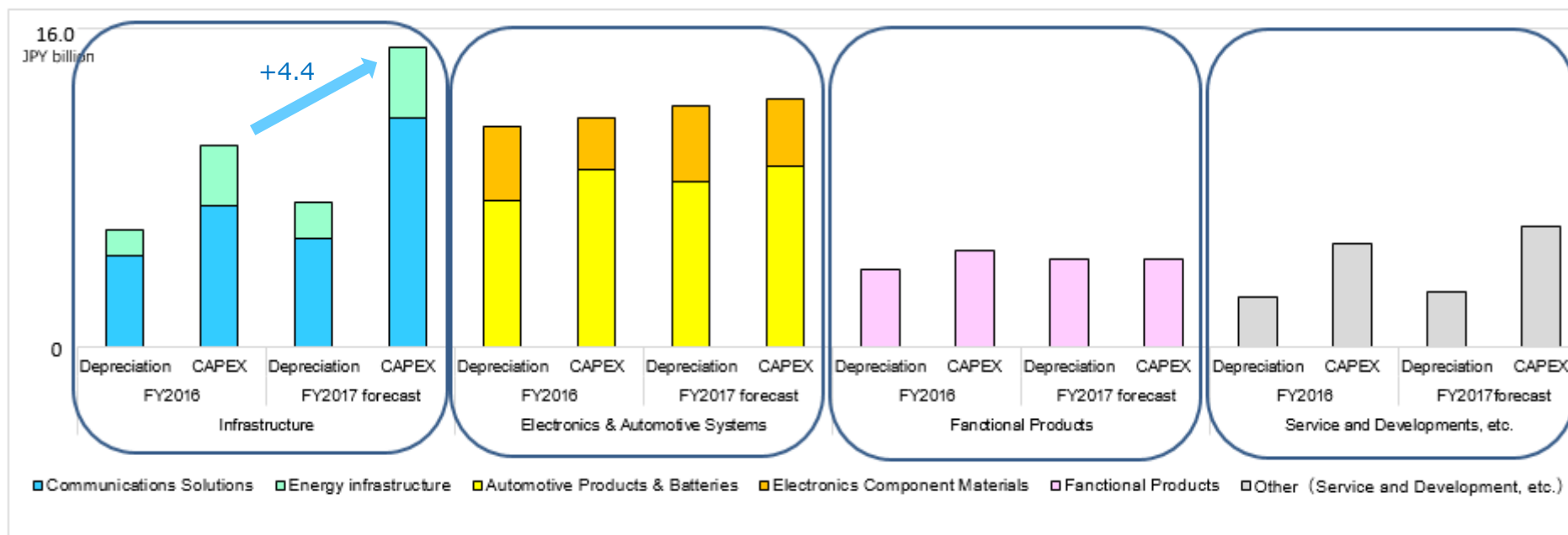


## II. Increase Capital investment in Growth areas

### - Increase capital investment primarily in the areas of Infrastructure and Automotive products

(FY2016: JPY 31.6 billion ⇒ FY2017: JPY 38.0 billion, +JPY 6.4 billion)

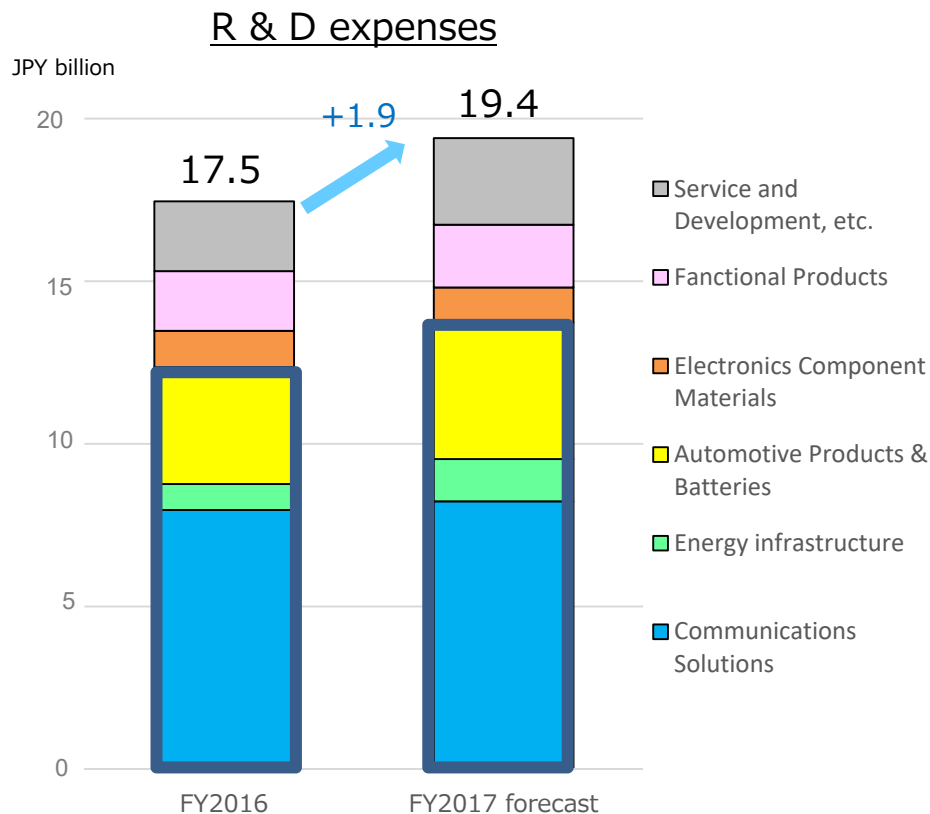
- **Communications Solution:** Increase production of optical fiber and optical components in line with the expansion in demand
- **Energy Infrastructure:** Build a robust system to respond to market needs under the new power cable business structure
- **Automotive Products:** Prepare for increasing production of the Auto components business such as perimeter-monitoring radar
- **Electronics Component Materials:** Improve product mix and respond to needs in Automotive products market
- **Functional Products:** Increase sophistication of products according to changes in customer needs
- **Service & Developments:** Promote group-wide, global coordination and enhance systems to strengthen regional strategies



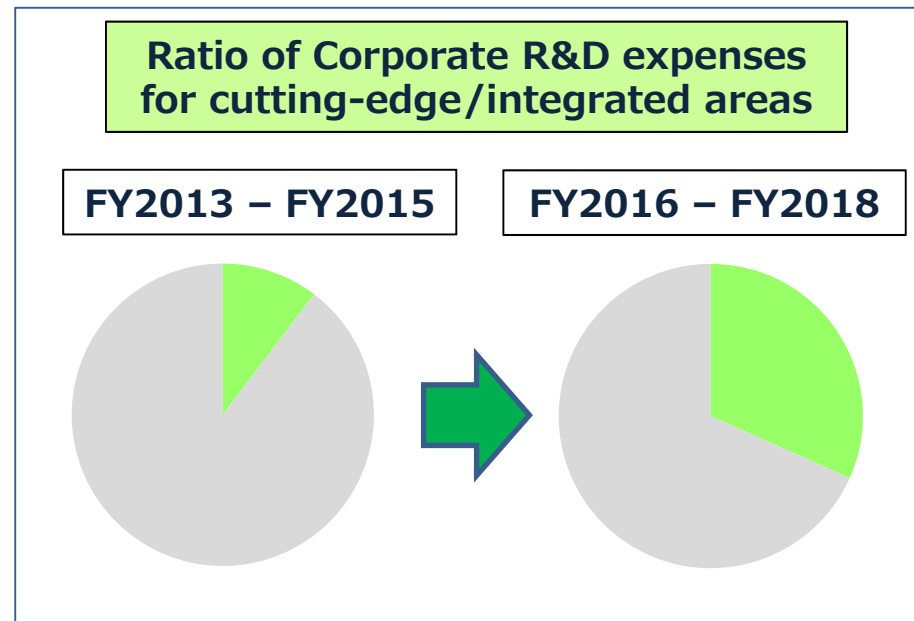
### III. Enhancement of Research & Development

**- Reinforce Research & Development to deal with speeding up, larger capacity of communication infrastructure and increasing greener cars of vehicles**

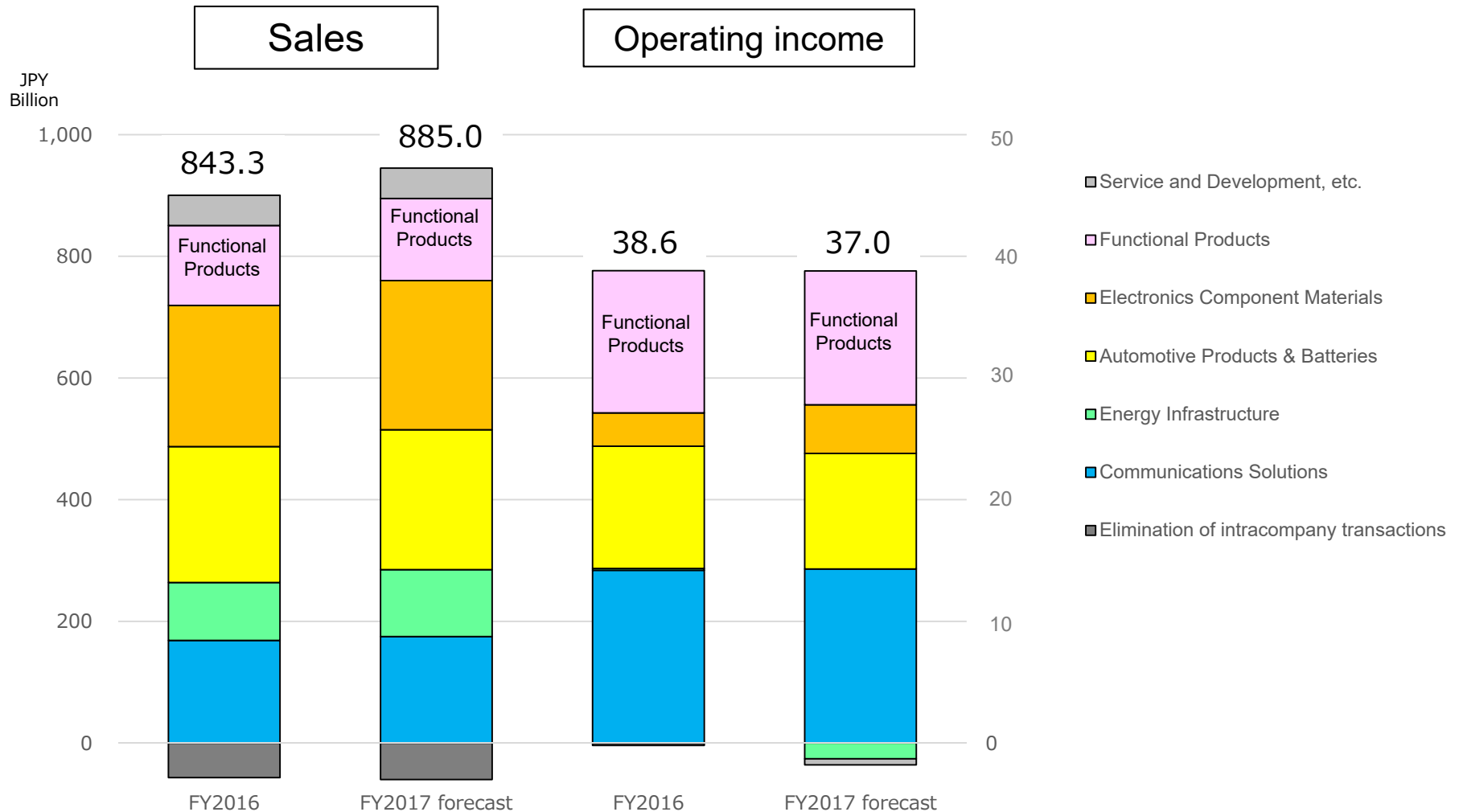
- **Communications Solutions:** Manufacture high value added products in optical fiber and optical products business
- **Automotive products:** Auto components business preparing for self driving and electric vehicles






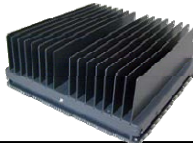

**- Reinforce the development structure with a view to increase business opportunities by advancing the area of integration between Infrastructure and Automotive segments**



# IV. Functional Products segment – Sales and Operating income



# IV. Functional Products Segment - Overview

| Business                               | Main Products   | Usage  | Current Status  | Strategy to Maximize Profits   |
|--|---|--|---|--|
| AT/Functional Plastics                 | <ul style="list-style-type: none"> <li>•Semiconductor tape<br/>AT : Advanced Technology Tape</li> </ul>  | <ul style="list-style-type: none"> <li>•Surface protection, fixation, etc. in processing semiconductor wafers</li> <li>•Stacking of semiconductor chips in a flash memory</li> </ul> | <ul style="list-style-type: none"> <li>•Overseas sales ratio: 90%</li> </ul>  | <ul style="list-style-type: none"> <li>•Speedy response to changes in customers' production processes, proposing production processes</li> </ul>   |
|  | <ul style="list-style-type: none"> <li>•Cable-protecting pipe</li> <li>•Heat insulator</li> </ul>        | <ul style="list-style-type: none"> <li>•Underground cable-protecting pipes</li> <li>•Air-conditioning piping insulator</li> </ul>  | <ul style="list-style-type: none"> <li>•Over 50% domestic market share (cable-protecting pipes)</li> <li>•Almost 50% domestic market share (air-conditioning piping insulator)</li> </ul>                           | <ul style="list-style-type: none"> <li>•Introduce products to the power line undergrounding market which is expected to expand</li> <li>•Introduce products related to air-conditioning ducts</li> </ul>   |
| Copper foil                            | <ul style="list-style-type: none"> <li>•Electrodeposited copper foil for electronic circuits</li> </ul>  | <ul style="list-style-type: none"> <li>•Rigid substrate</li> <li>•FPC</li> </ul>   | <ul style="list-style-type: none"> <li>•Completed concentration of production in Taiwan (Weight basis – Taiwan: Japan = 5:1)</li> <li>•Top level in the application for on-vehicle lithium-ion batteries</li> </ul> | <ul style="list-style-type: none"> <li>•Expand value-added products</li> <li><b>For electronic</b><br/>Flexible foil ⇒ Smartphone<br/>High-frequency foil ⇒ High-speed server</li> <li><b>For batteries</b><br/>Thin foil, highly strength foil ⇒ High-capacity lithium-ion batteries</li> </ul> |
|  | <ul style="list-style-type: none"> <li>•Electrodeposited copper foil for on-vehicle batteries</li> </ul>  | <ul style="list-style-type: none"> <li>•Anode material for on-vehicle lithium-ion batteries</li> </ul>   |   |  |
|  | <ul style="list-style-type: none"> <li>•Electrodeposited copper foil for consumer-use batteries</li> </ul>  | <ul style="list-style-type: none"> <li>•Anode material for consumer lithium-ion batteries used in PCs, smartphones, etc.</li> </ul>  |   |  |
| Thermal management solution & products | <ul style="list-style-type: none"> <li>•Copper/aluminum-based heat sink, heat pipe</li> </ul>          | <ul style="list-style-type: none"> <li>•Heat dissipation &amp; cooling of CPU, power semiconductor, electronic components, high-output LED lighting, etc.</li> </ul>                 | <ul style="list-style-type: none"> <li>•Sales composition ratio<br/>FY2016 → FY2017<br/>PC: 50% → 40%<br/>Data center: 20% → 30%</li> </ul>   | <ul style="list-style-type: none"> <li>•Establish the top-supplier position in the data center field. Expand sales filed to the high-output semiconductor</li> </ul>   |
| Memory disk                            | <ul style="list-style-type: none"> <li>•Aluminum blanks for HDD</li> </ul>                             | <ul style="list-style-type: none"> <li>•HDD in PCs and data centers</li> </ul>   | <ul style="list-style-type: none"> <li>•40% global share</li> <li>•Sales contribution ratio<br/>PC: 40%<br/>Data center: 60%</li> </ul>   | <ul style="list-style-type: none"> <li>•Strengthen ability to make proposals and quality improvement by placing the joint venture firm with UACJ Corp. Further expansion of market share for data center applications</li> </ul>   |

\*Other: Totoku Electric, FCM, sales companies, etc.



Thank you very much  
for your attention.

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