

IR Business Briefing

Ken Maki

Strategy Division Manager

June 8, 2018

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

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

**I . Medium to long-term operating income forecast
and main points for profit growth in the business
segments**

**II . Strengthening management using return on
operating assets**

III . Growth strategy for functional products

15 Divisions that support profit growth

	Divisions	
Communications Solutions Division	<p>Optical Fiber and Cable Products</p> <p>FITEL</p>	<p>Broadband Solutions Business</p>
Energy Infrastructure Division	<p>Power Cable</p>	<p>Industrial Cable & Power Cable Accessories</p>
<p>Electronics & Automotive Systems Division</p> <p>Automotive Products & Batteries</p> <p>Electronics Component Materials</p>	<p>Automotive Products</p> <p>The Furukawa Battery Company Co., Ltd.</p>	<p>Electric Conductor</p> <p>Copper & High Performance Material Products</p> <p>Magnet Wire</p> <p>Copper Tube</p>
Functional Products	<p>AT & Functional Plastics</p> <p>Memory Disk</p>	<p>Thermal Management Solution & Products</p> <p>Copper Foil</p>

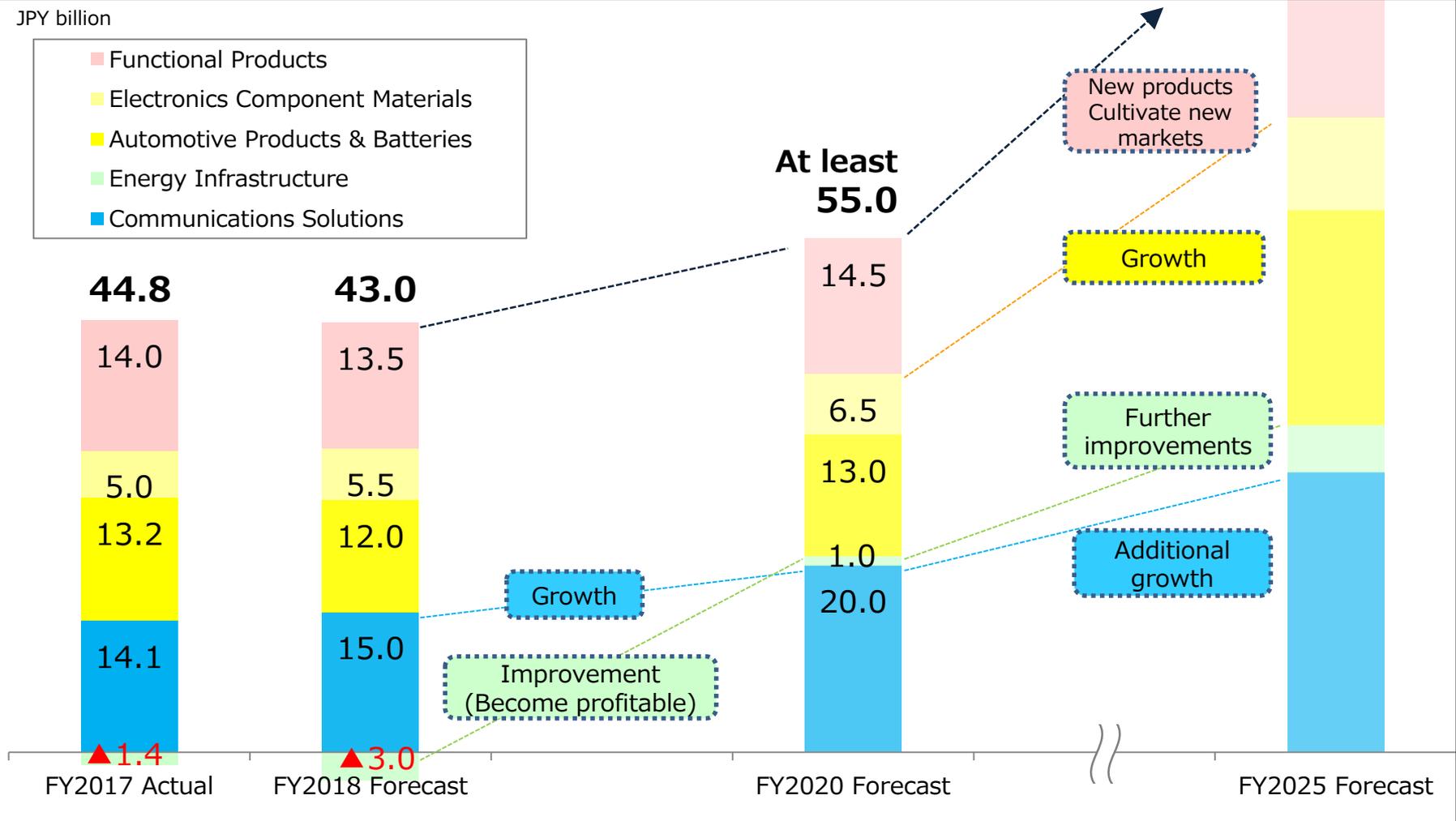
I . Main points for profit growth in the business segments

Segment	Sub-segment	Main points for profit growth
Infrastructure	Communications Solutions	<ul style="list-style-type: none"> • Effects of the investment in optical fiber and cable (Will appear from FY2019) • Profit recovery of optical components • Strengthen the Solutions business
	Energy Infrastructure	<ul style="list-style-type: none"> • Effects of the investment through the receipt of submarine and underground cable orders • Launch products that differentiate Furukawa Electric from competitors in the construction and retail electrical markets
Electronics & Automotive Systems	Automotive Products & Batteries	<ul style="list-style-type: none"> • Effects of the investment through the expansion of harnesses that respond to requests for lighter weight • Launch products such as high performance BSS and next generation radar
	Electronics Component Materials	<ul style="list-style-type: none"> • Expand the magnet wire business in line with increasing vehicle electrification • Improvements to copper strips by optimizing the product mix
Functional Products		<ul style="list-style-type: none"> • Strengthen products for data centers • Introduce new products and cultivate new markets

I. Medium to long-term operating income forecast

The main profit drivers through FY2020 will be growth of the Communications business and improvements to the Energy Infrastructure business. In addition to this, growth of the Automotive business and expansion to Functional Products through the cultivation of new markets and new products will result in continued profit growth over the medium to long-term

JPY billion



II. Strengthen management using return on

operating assets (Included from the Progress of mid-term Management Plan presentation given on May 21, 2018)

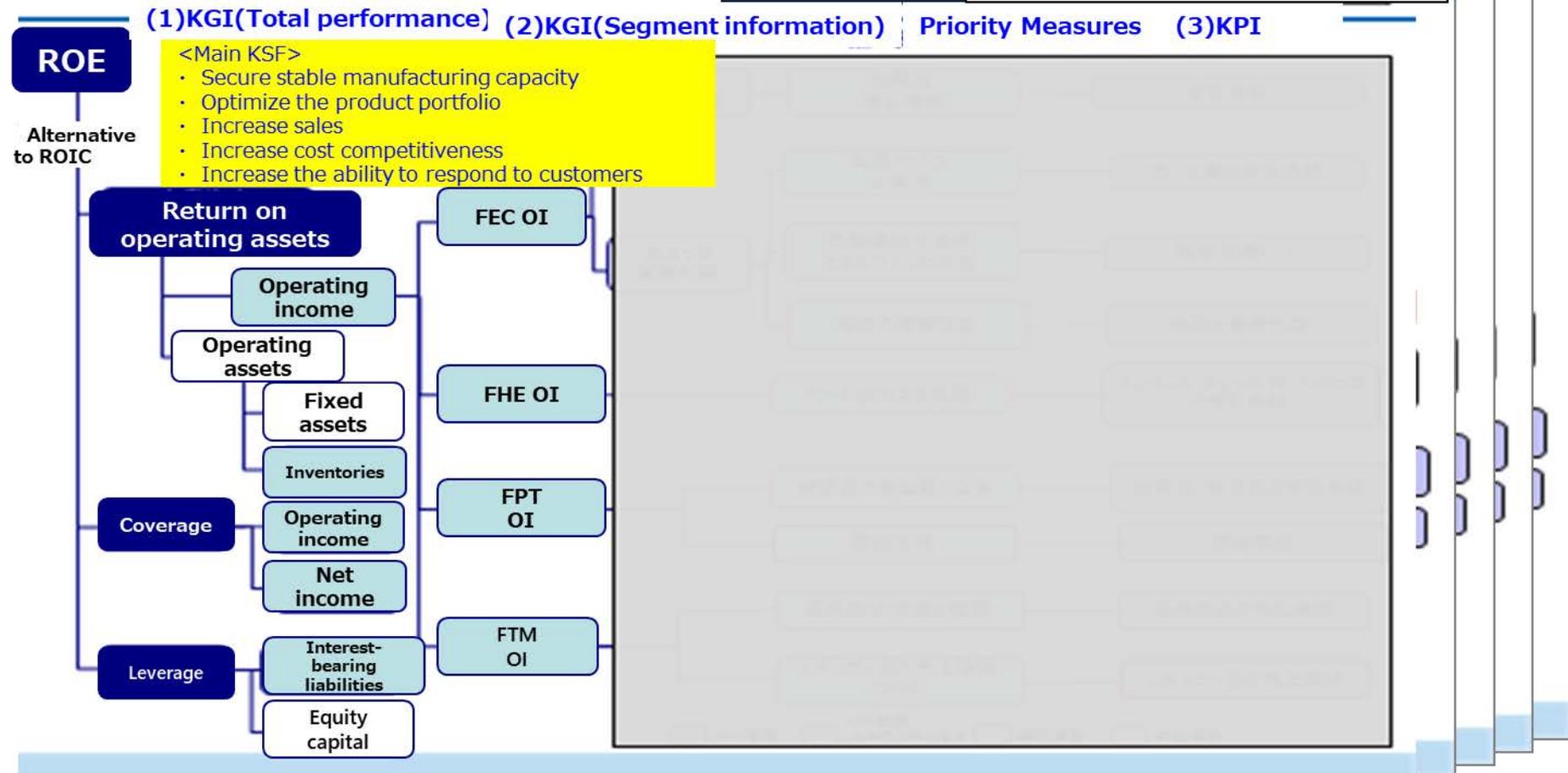
Thoroughly conduct KPI management with an awareness of return on operating assets at all divisions

KGI – KSF – KPI tree

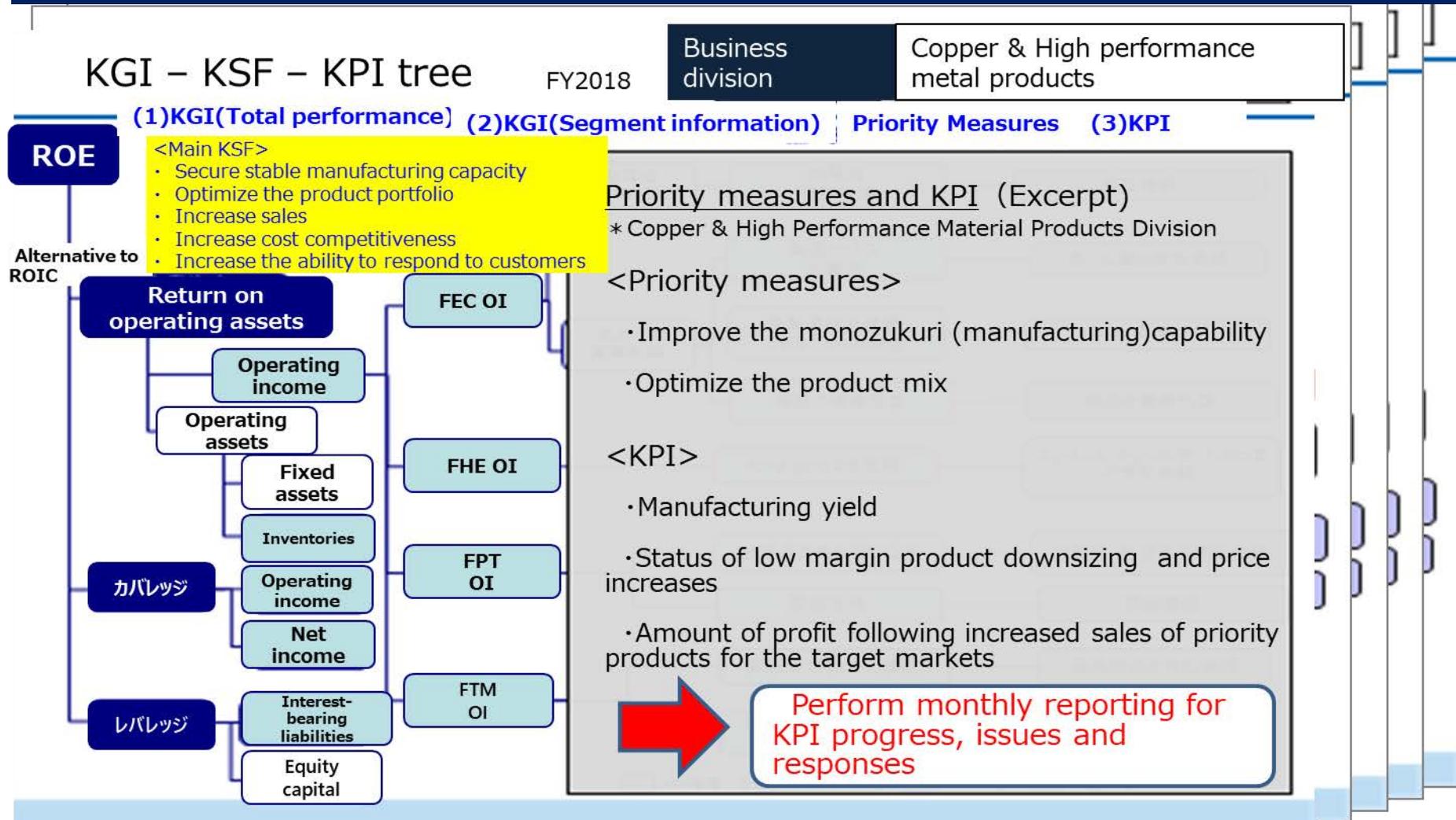
FY2018

Business
division

Copper & High performance
metal products



Thoroughly conduct KPI management with an awareness of return on operating assets at all divisions



II. Strengthening management using return on operating assets

Monthly KPI follow-up report by the divisions (Image)

Overall business results

	Forecast	Actual	Achievement
Sales	XXX	XXX	XX%
Operating income	XXX	XXX	XX%
Net profit	XXX	XXX	XX%
Interest-bearing debt	XXX	XXX	XX%
Amount / days of inventory	XXX	XXX	XX%

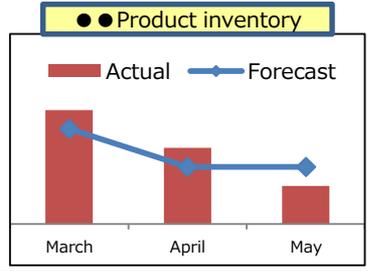
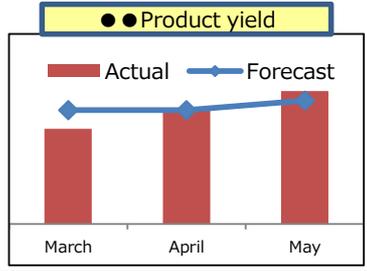
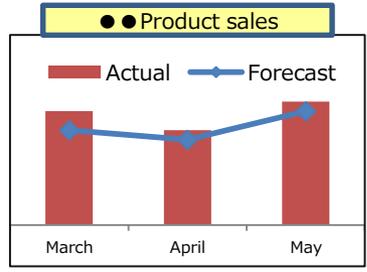
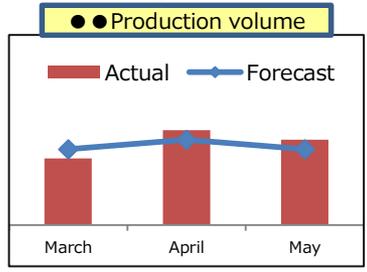
Results by segment (by business and product)

	Forecast	Actual	Achievement
Business A	XXX	XXX	XX%
Business B	XXX	XXX	XX%
Business C	XXX	XXX	XX%
•	XXX	XXX	XX%
•	XXX	XXX	XX%

Issues and responses

Issues in relation to the above	Factors in the failure to achieve the target	Response
Business B	XXX	XXX
Business C	XXX	XXX
Business D	XXX	XXX

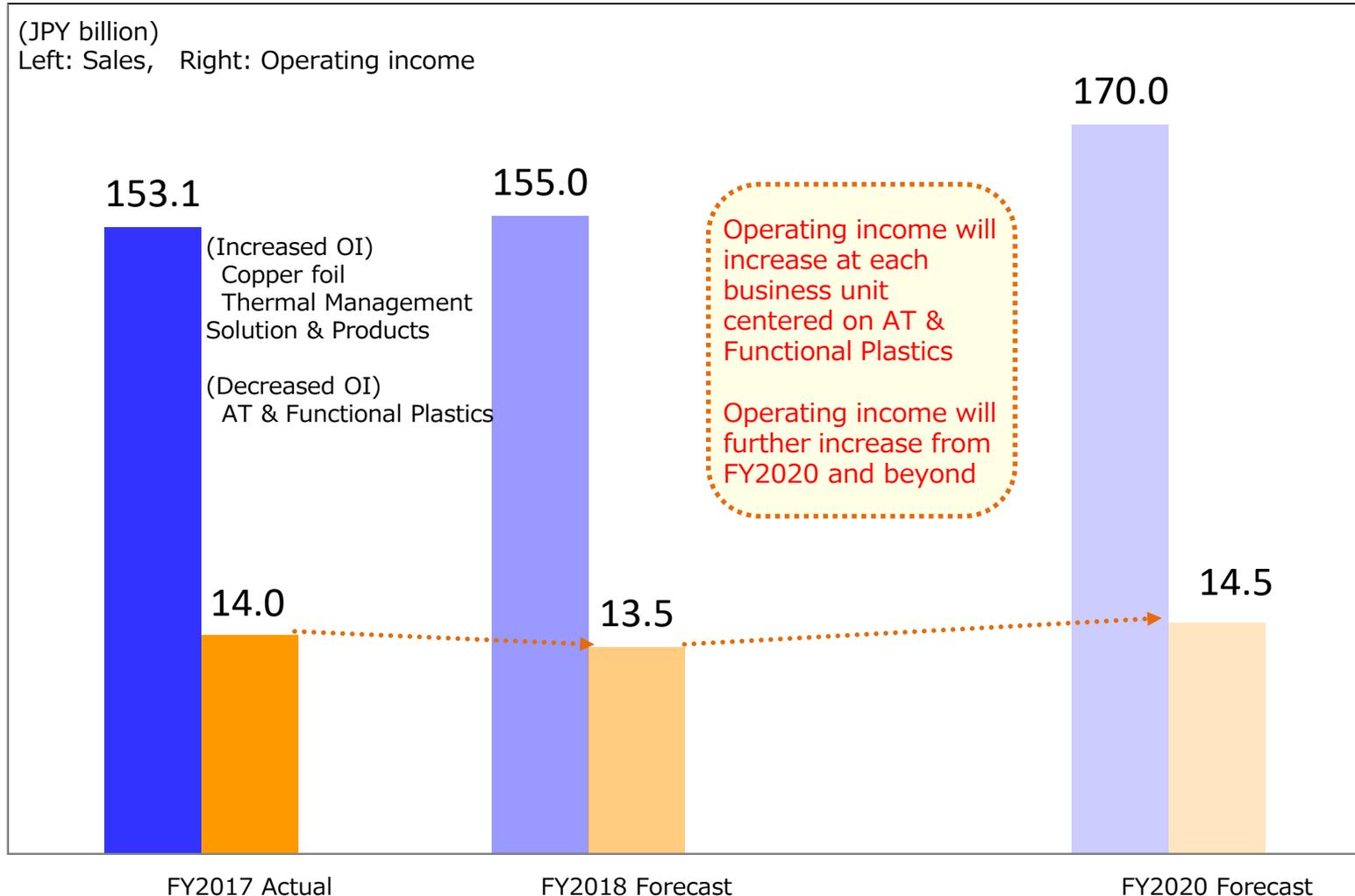
KPI management



Target		Evaluation
Strategic products ●● Expand sales	XXX	☀
●● Development	XXX	☁
●● Reduce cost of manufacturing	XXX	☀
●● Improve manufacturing yield	XXX	☂

III. Growth strategy for functional products

While maintaining profitability, promote the development of new products and expanded applications aimed at the next growth



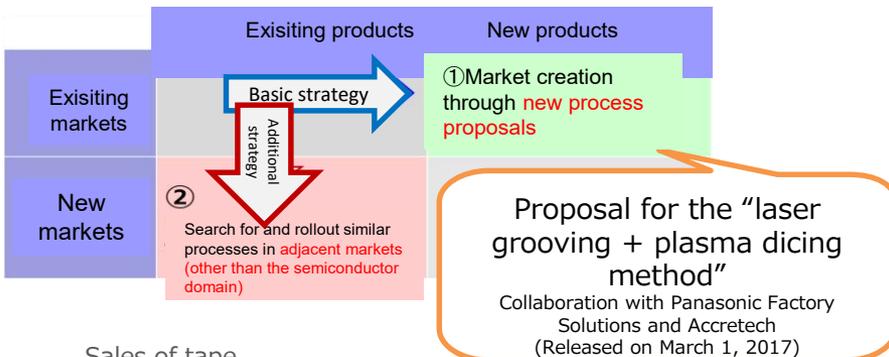
III. Growth strategy for functional products **FURUKAWA ELECTRIC**

Promote the development of new products and expanded applications aimed at the next growth

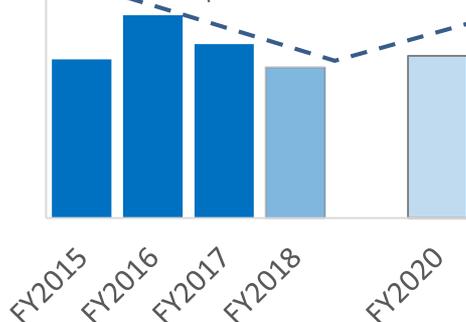
AT & Functional Plastics

Tape for semiconductor process

- Proposals for realizing the customer's "optimum manufacturing process"
- Currently promoting the expansion of applications beyond the use in semiconductor manufacturing



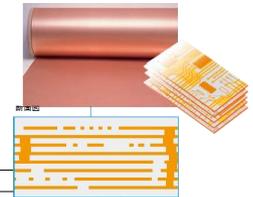
Sales of tape for semiconductor process



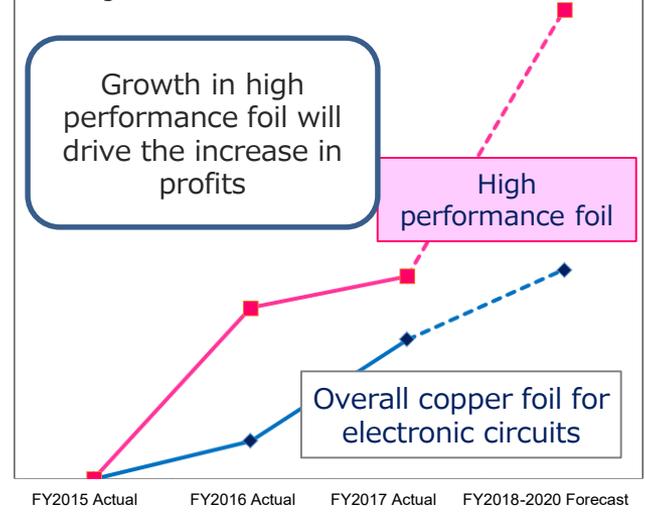
Utilize the features of Furukawa Electric's electrodeposited copper foil, and shift to high value-added products

Copper Foil

- ✓ Focus on high performance foil that "contributes to faster speeds and increased storage" of communications data
- ✓ For copper foil for batteries, focus on power tool applications in addition to EV



Profit growth of foil for electronic circuits



III. Growth strategy for functional products **FURUKAWA ELECTRIC**

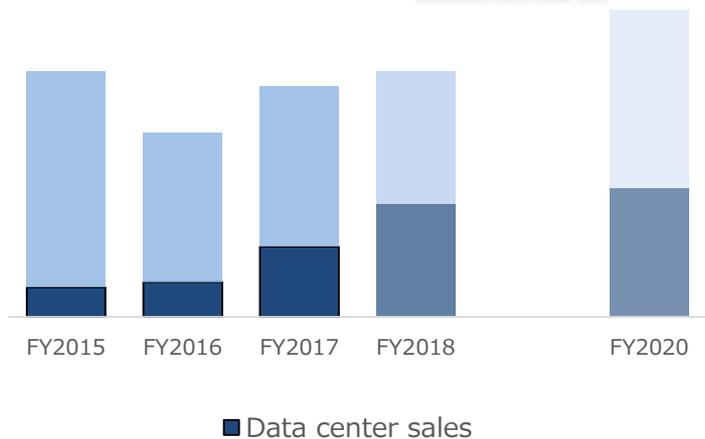
Securing business growth with a focus on products for data centers and servers, and promoting the development of new products and expanded applications

Thermal Management Solution & Products

- ✓ Aim to secure the position of top supplier in the data center segment
- ✓ Promoting proposals for solutions to the problem of heat occurrence following the shift to the next generation



Sales trends

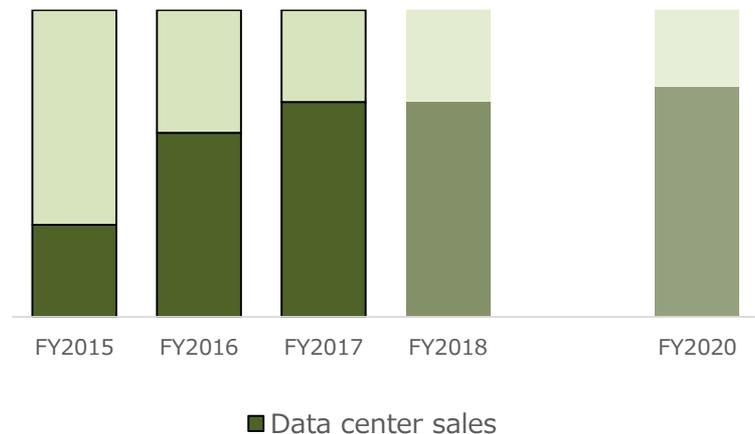


Memory Disk

- ✓ Thin aluminum blanks for HDD for data centers will drive profits
- ✓ Continue responding to the needs for higher capacity HDD

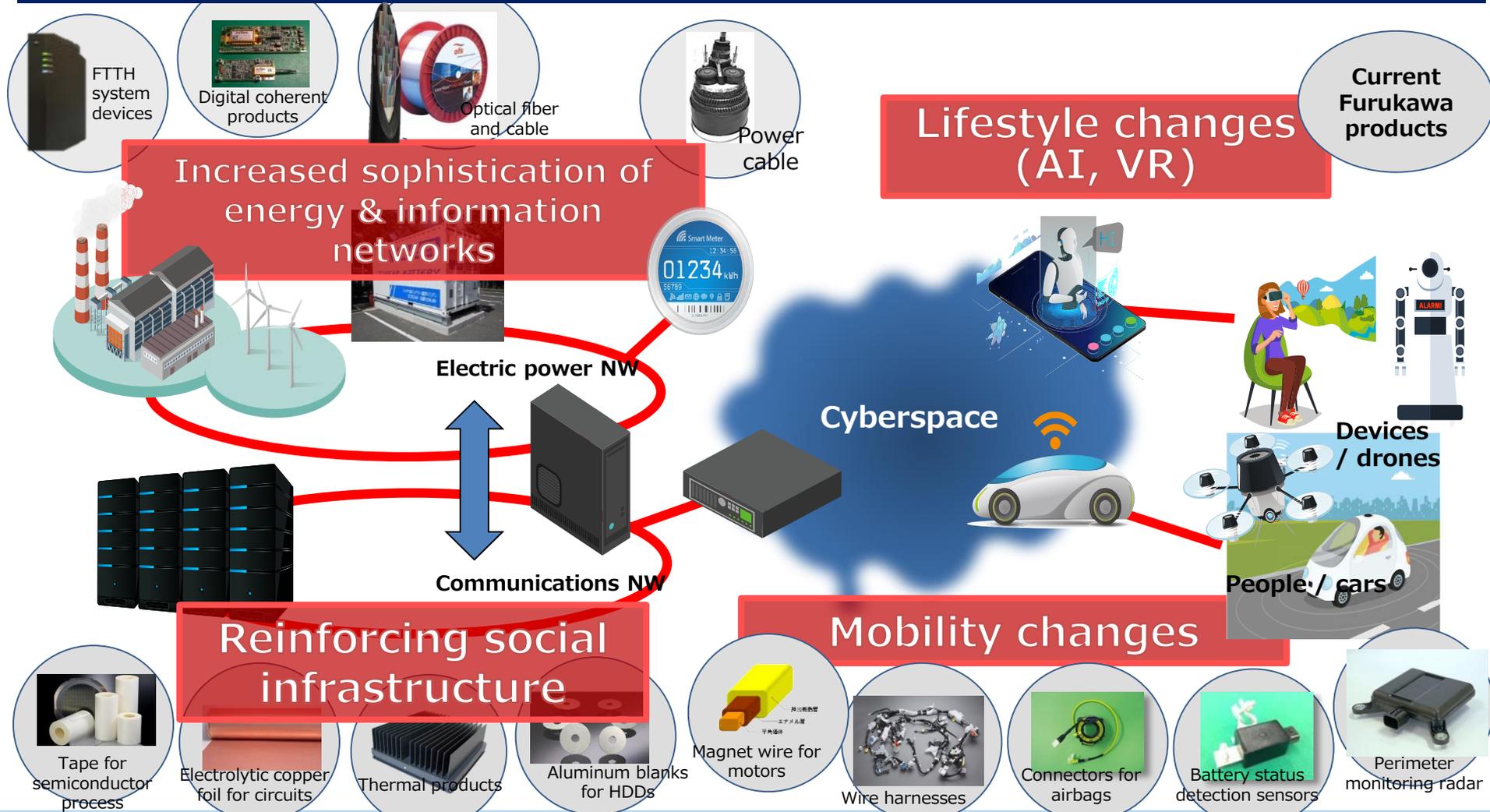


Sales composition ratio of data center sales



In conclusion

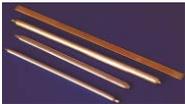
Through the transmission, connection and storage of energy, information and heat, Furukawa Electric will contribute to the changes in society mainly in the areas of infrastructure, automotive products and a fusion thereof



Thank you!

Bound to  ***Innovate***

<Reference> Functional Products Segment - Overview

Business	Main products	Applications	Current Status
AT & Functional Plastics	<ul style="list-style-type: none"> •Tape for semiconductor process <p>AT : Advanced Technology Tape</p> 	<ul style="list-style-type: none"> •Surface protection, fixing in place, etc. during semiconductor wafer processing •Stacking of semiconductor chips in flash memory 	<ul style="list-style-type: none"> •Sales composition ratio of overseas sales: 90%
	<ul style="list-style-type: none"> •Cable-protecting pipes •Insulation 	<ul style="list-style-type: none"> •Underground cable-protecting pipes •Air-conditioning piping insulation 	<ul style="list-style-type: none"> •Over 50% share of the domestic market (Cable-protecting pipes) •Almost 50% share of the domestic market (Air-conditioning piping insulator)
Copper Foil	<ul style="list-style-type: none"> •Electrodeposited copper foil for electronic circuits 	<ul style="list-style-type: none"> •Rigid substrate •FPC 	<ul style="list-style-type: none"> •Shift to high value-added products
	<ul style="list-style-type: none"> •Electrodeposited copper foil for batteries 	<ul style="list-style-type: none"> •Anode material for on-vehicle lithium-ion batteries •Anode material for lithium-ion batteries used in smartphones, power tools and other consumer applications 	
Thermal Management Solution & Products	<ul style="list-style-type: none"> •Copper/aluminum-based heat sink and heat pipe 	<ul style="list-style-type: none"> •Heat dissipation & cooling of CPUs, power semiconductors, electronic components, high-output LED lighting, etc. 	<ul style="list-style-type: none"> •Sales composition ratio <p>FY16→FY17→FY18 PC : 50%→40%→30% Data center:20%→30%→40%</p>
Memory Disk	<ul style="list-style-type: none"> •Aluminum blanks for HDD 	<ul style="list-style-type: none"> •HDD for PCs and data centers 	<ul style="list-style-type: none"> •Global market share: 40% •Sales composition ratio PC: 40%, Data center: 60%

※Other: Totoku, FCM, distributors, etc.