

*Furukawa **G** Plan 2020*  
*Group **G**lobal **G**rowth*

Progress of  
Mid-term Management Plan

President  
Mitsuyoshi Shibata

November 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 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.

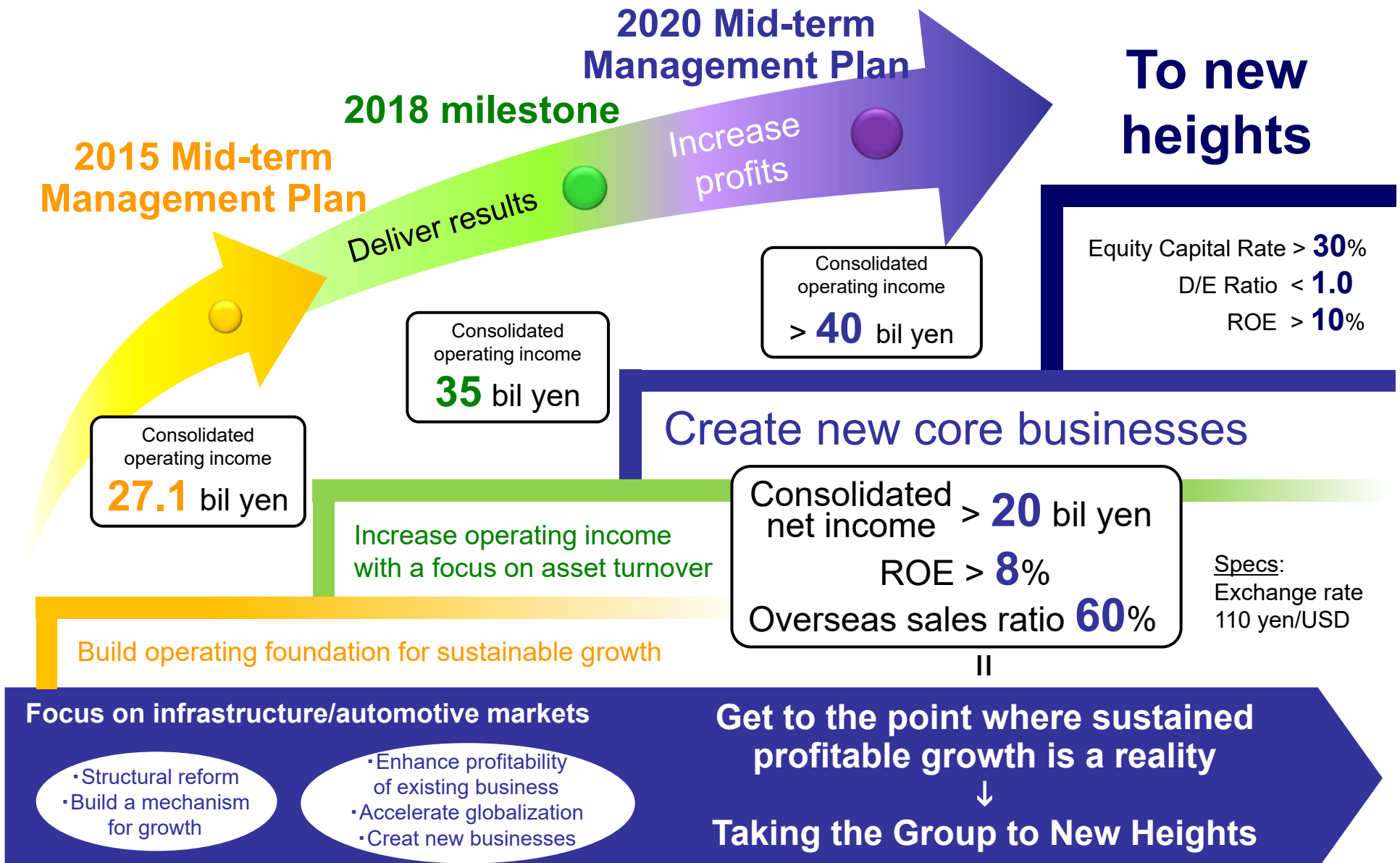
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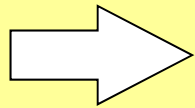
# Furukawa Electric Co., Ltd

# Overview of 2020 Mid-term Plan



## Strengthen and reform businesses

Beef up key businesses/products and reform underperforming businesses/products (reform, downsize, withdraw)



### Enhance profitability of existing business

- Make each business focused on margin enhancement through innovation with customers

Use “return on operating assets” in reviewing product line portfolio

Visualize the progress of profitability improvement by product and continue to discuss it every year

–FY2015

Implement structural reform for each division focusing on loss-making divisions

FY2016–

Enhance company-wide comprehensive improvement activities for each business/product

Raise the level of profitability in addition to eliminating deficits and generating surplus by adding “return on operating assets” to evaluation/judgment indicators

# Activities/Initiatives by Key Business **FURUKAWA ELECTRIC**

Infrastructure	Communications Solutions	<ul style="list-style-type: none"> <li>○ Optical fiber &amp; cable business                             <ul style="list-style-type: none"> <li>• Focus on high-value-added fiber</li> <li>• Increase optical fiber production</li> </ul> </li> <li>○ FITEL products                             <ul style="list-style-type: none"> <li>• Strengthen active optical products</li> </ul> </li> </ul>
	Energy Infrastructure	<ul style="list-style-type: none"> <li>○ Start of new structure for power cable business                             <ul style="list-style-type: none"> <li>• Reform ultra-high-voltage power cable business</li> <li>• Future strategy/initiative roadmap</li> </ul> </li> </ul>
Automotive Products & Materials	Automotive Products	<ul style="list-style-type: none"> <li>○ Wire harness business                             <ul style="list-style-type: none"> <li>• Progress of change to aluminum</li> <li>• Strengthen in China and ASEAN business</li> </ul> </li> <li>○ Automotive functional parts business                             <ul style="list-style-type: none"> <li>• Start of perimeter monitoring radar production</li> </ul> </li> </ul>

# Communications Solutions

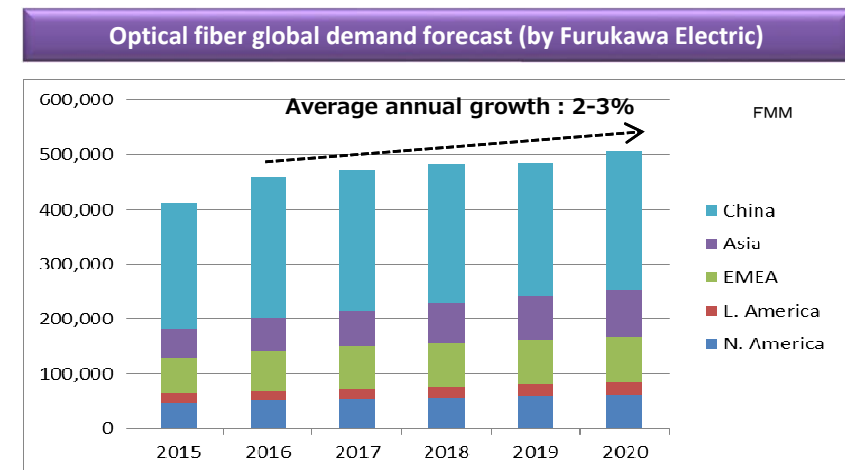
## 1. Optical fiber & cable business

### ■ Global business environment

- In line with an increase in network demand, development of 4G/FTTx network by major carriers, Web2.0 is on the rise
- Global demand for optical fiber is expected to continue growing by 2–3% annually

### ■ Furukawa Electric strategies/initiatives

- Capable of providing a wide range of fibers to meet customer needs, from general-purpose to high-value-added products  
Maintaining cost competitiveness through VAD production scheme and providing high-value-added products through MCVD production scheme
- Focus on the development/sales expansion of high-value-added optical fiber  
Low-loss fiber for submarine cables, rollable ribbon for small-diameter, light, ultra-high fiber count cables
- Expand fiber production capacity in North America/Japan by carefully assessing demand trends
- Operate over 10 cable production sites globally, maintain close relationships with customers in each region  
A plant in Morocco will be launched as a strategic office for the African market (in 2017)



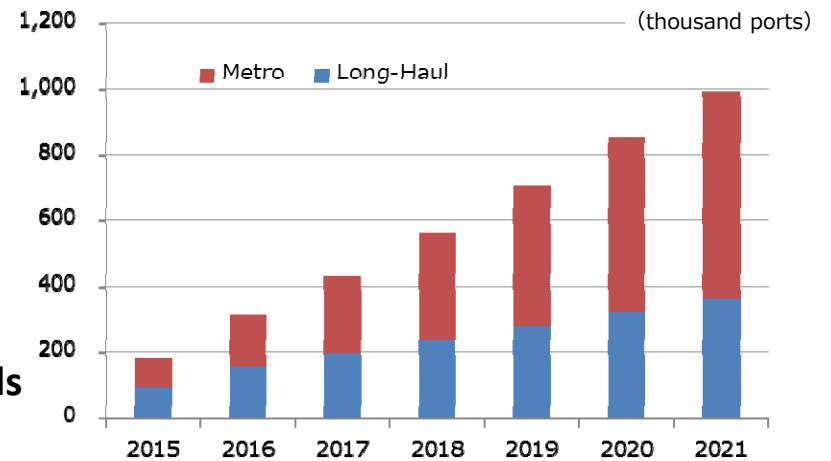
# Communications Solutions

## 2. FITEL Products

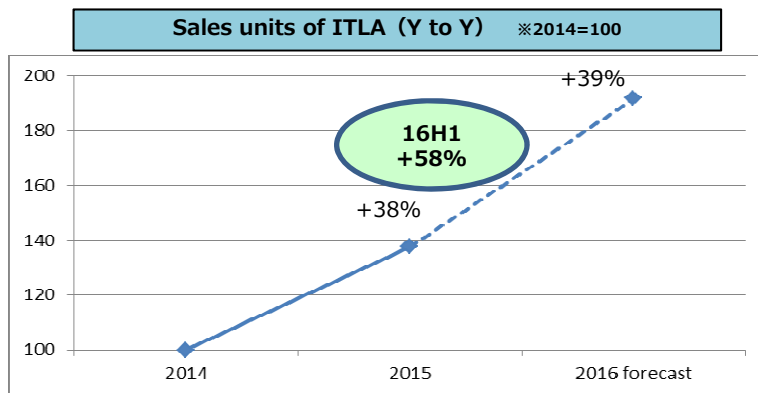
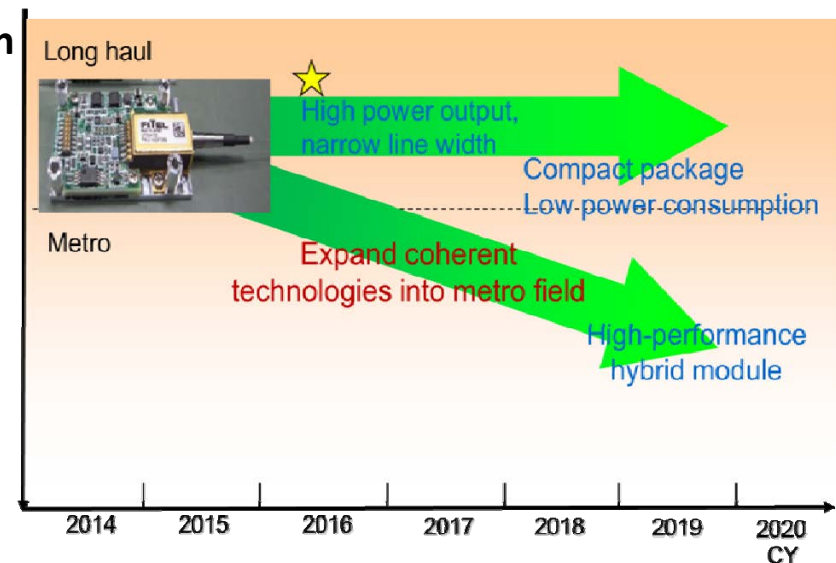
- Growth in the digital coherent-related market
  - Demand has been on the rise mainly in North America/China against the backdrop of a worldwide increase in traffic

- Furukawa Electric strategies/initiatives
  - Promote ITLA\* development to meet customer needs
    - Long haul: High power output, narrow line width
    - Metro: High-performance hybrid module
  - The volume of sales is expected to increase by approx. 40% through the expansion of production capacity in line with demand increase

Trend/forecast for the no. of transceivers for digital coherent transmission



ITLA development roadmap

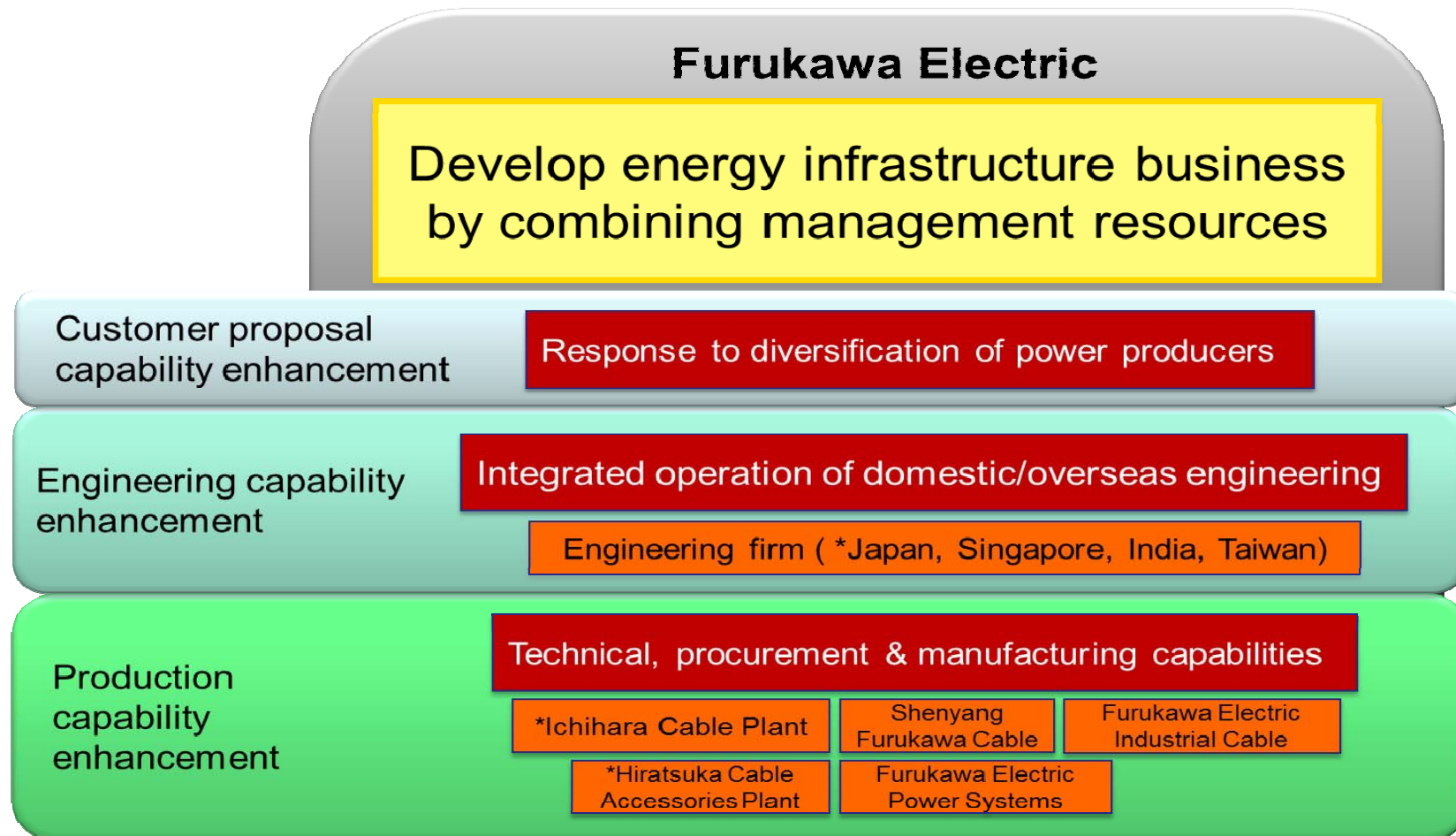


\*ITLA : Active optical product for digital coherent transmission

# Energy Infrastructure

Start of New Structure through Business Realignment

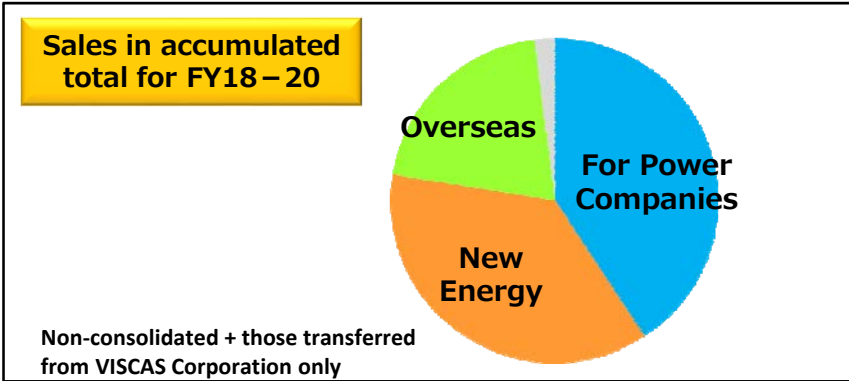
- Establishment of a structure to achieve future growth by transferring/integrating the power cable business of VISCAS Corporation in October 2016
- Transform into sustainable, profitable businesses and take them to new heights





# Energy Infrastructure

## Strategies/Initiatives Aimed at Generating Surplus in FY2018



**Roadmap for Power Cable Business** ● Scheduled delivery of orders received

2016	2017	2018–	2021–
	<ul style="list-style-type: none"> <li>* Fukushima floating offshore wind farm demonstration project</li> <li>* Fixed offshore wind farm, mega solar PJ</li> </ul>		
		<ul style="list-style-type: none"> <li>● Qatar 400 kV</li> <li>● Bahrain 400 kV</li> <li>● Singapore 400 kV</li> </ul>	

<b>J a p a n</b>	<b>Underground cables for Power Companies</b> <ul style="list-style-type: none"> <li>• Resumption of capital investment by power companies</li> <li>• Ensure stable supply based on high reliability of ultra-high-voltage cables</li> </ul>
	<b>New energy submarine &amp; underground cables</b> <ul style="list-style-type: none"> <li>• Increase in demand through expansion of new energy investments in new facilities (e.g., wind power, mega solar)</li> <li>• Proactively conduct activities to receive orders by participating in bid opportunities and projects</li> </ul>
<b>Overseas</b>	<ul style="list-style-type: none"> <li>• Handle underground cable projects in the Middle East, Southeast Asia, and other regions (factories located in Taiwan, Singapore, India) by proposing solutions by leveraging strengths in engineering</li> <li>• Focus on activities to receive orders for submarine cables in Southeast Asia by leveraging production capabilities of Ichihara Plant</li> </ul>

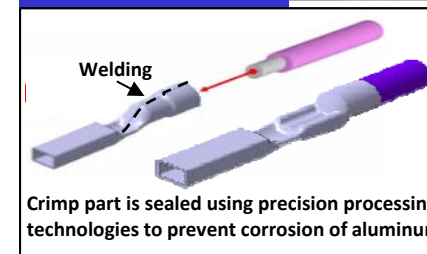
# Automotive Products

## 1. Wire harness business

- Steadily expand the delivery of aluminum harnesses to meet customer needs
  - Products have been delivered to four automobile manufacturers for four vehicle lines
  - Orders have been received for over 10 vehicle lines; steady progress has been made in sales expansion activities
  - Anticorrosive terminals for aluminum wire “ $\alpha$  terminal,” which we started mass production in 2015, have been adopted for Toyota Land Cruiser. Product lineups are being expanded to respond to a larger number of vehicle lines

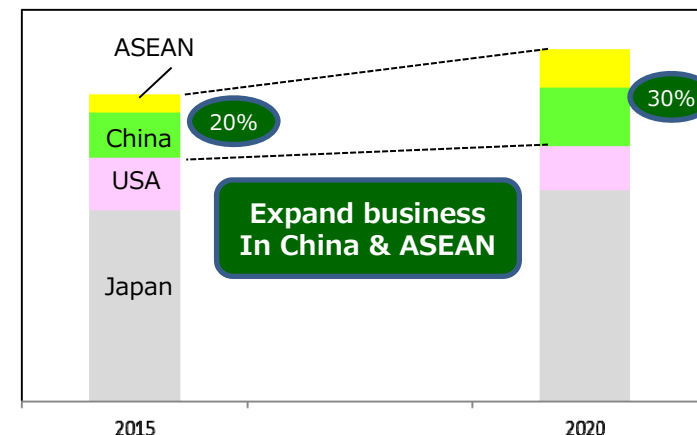


$\alpha$  terminal



- Promote the expansion of sales mainly in China/ASEAN by establishing controlling companies in China and Thailand to carry out design/sales
  - Accelerate the speed of business and improve customer services through localization of sales/design activities
  - Increase cost competitiveness through localization of procurement activities

Sales Forecast of Wire harness



# Automotive Products

## 2. Automotive functional parts business

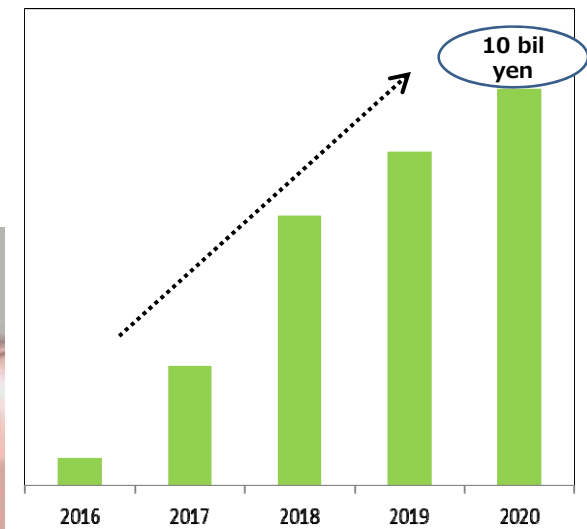
■ **Start mass production of perimeter monitoring radar, the third pillar of automotive parts business, this month**

- Key device for ADAS\*
- Developed high-frequency/signal transmission technologies fostered in communications field
- Compatible with various vehicles with high detection performance using a pulse system

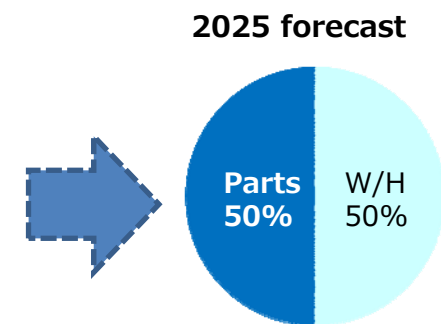
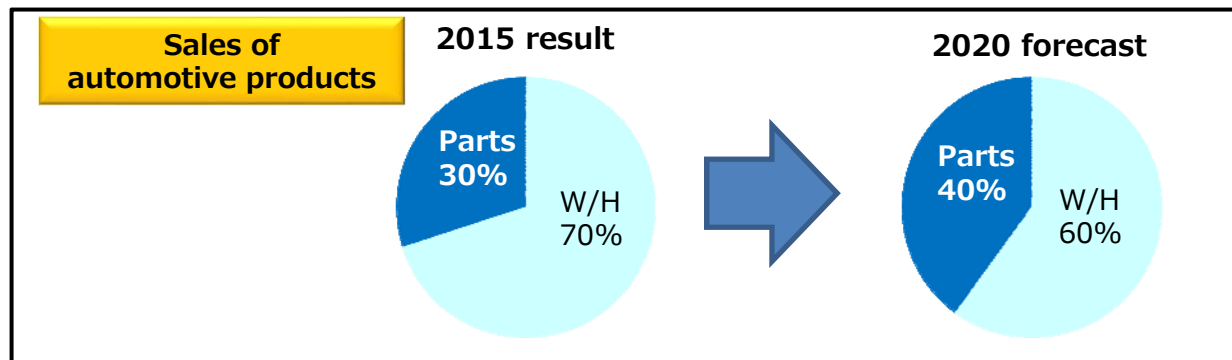
\*Advanced Driving Assistance System



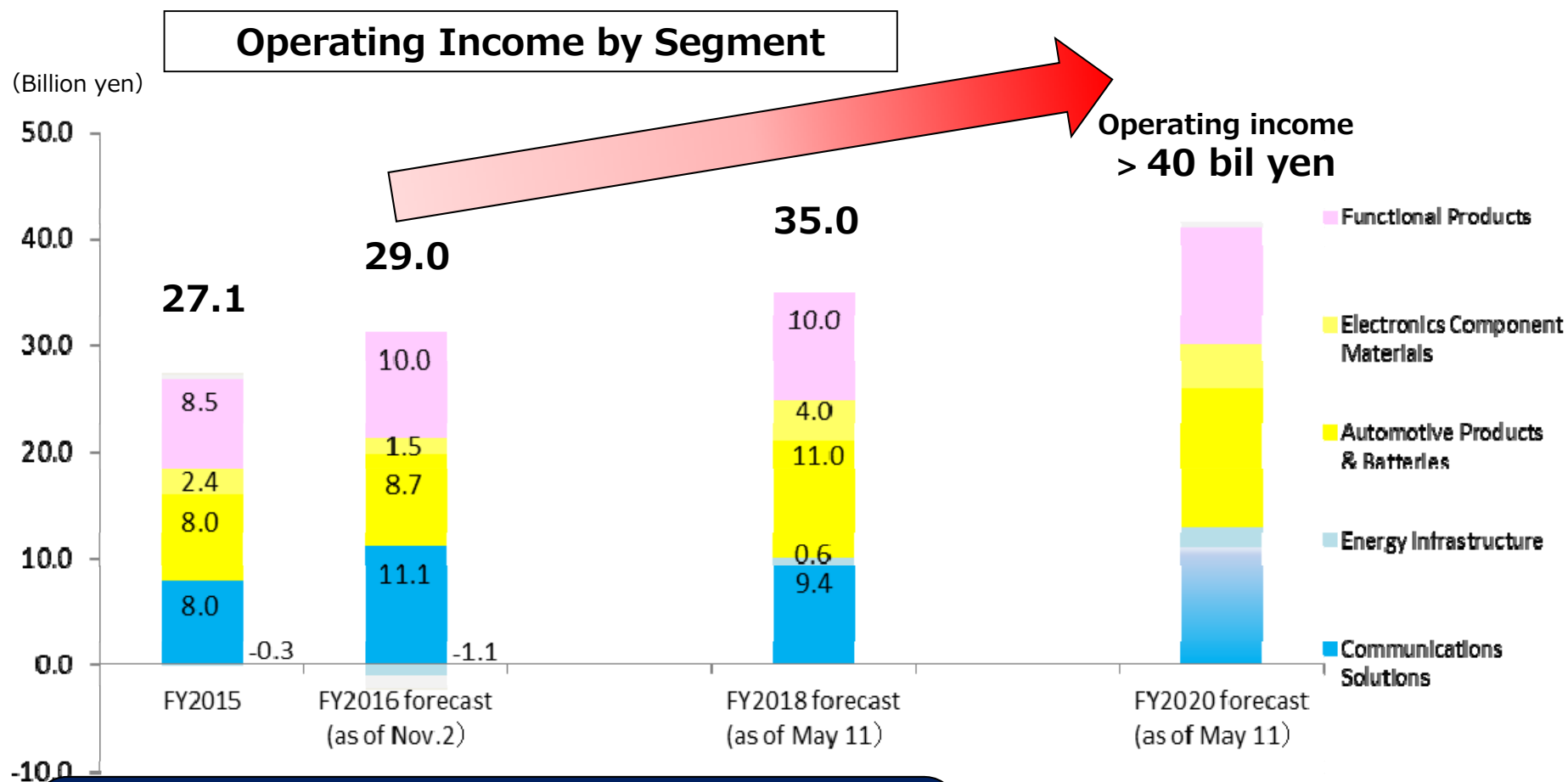
**Sales target of perimeter monitoring radar**



■ **Expand the automotive parts business to make the most of Furukawa Electric's strengths (e.g., SRC, BSS, radars)**



# 2020 Mid-term Plan Financial Targets **FURUKAWA ELECTRIC**



**Aim to increase operating income by enhancing key businesses and reforming underperforming businesses**

**Net income > 20 bil yen**  
**ROE > 8%**  
**Overseas sales ratio 60%**

Thank you very much  
for your attention.

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