

FY2016 Management Plan

Director, Corporate Senior Vice President, and
General Manager of the Finance & Procurement and
Group Global Management Divisions

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May 11, 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.

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

- **Results of FY2015**
- **Forecast for FY2016**
- **Appendix**

Results of FY2015

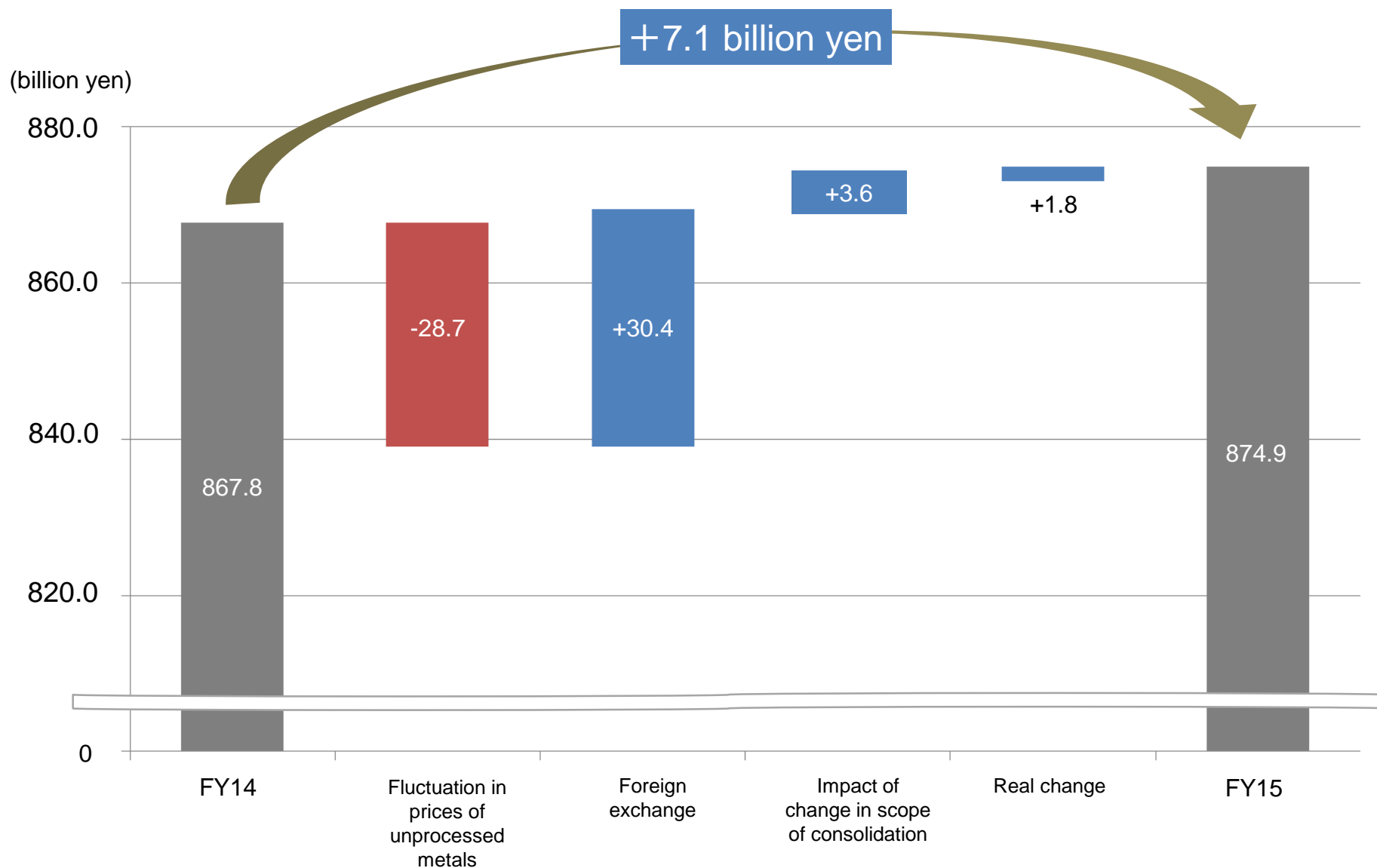
- Operating income totaled **27.1 billion yen, up 9.2 billion yen YoY.**
(Higher than Q3 forecast of 23.0 billion yen)
 - Profit growth was driven by the **Metals, Energy & Industrial Products, and Telecommunications** segments.
- Net income was **up 2.7 billion yen YoY to total 10.0 billion yen** due to the **posting of an extraordinary gain**, etc. despite the **increased loss from equity method investments** and **extraordinary losses**.
- Interest-bearing debts **declined 12 years in a row.**
(584.7 billion yen/end of FY2003 → 257.8 billion yen/end of FY2015)

Results of FY2015

(billion yen)

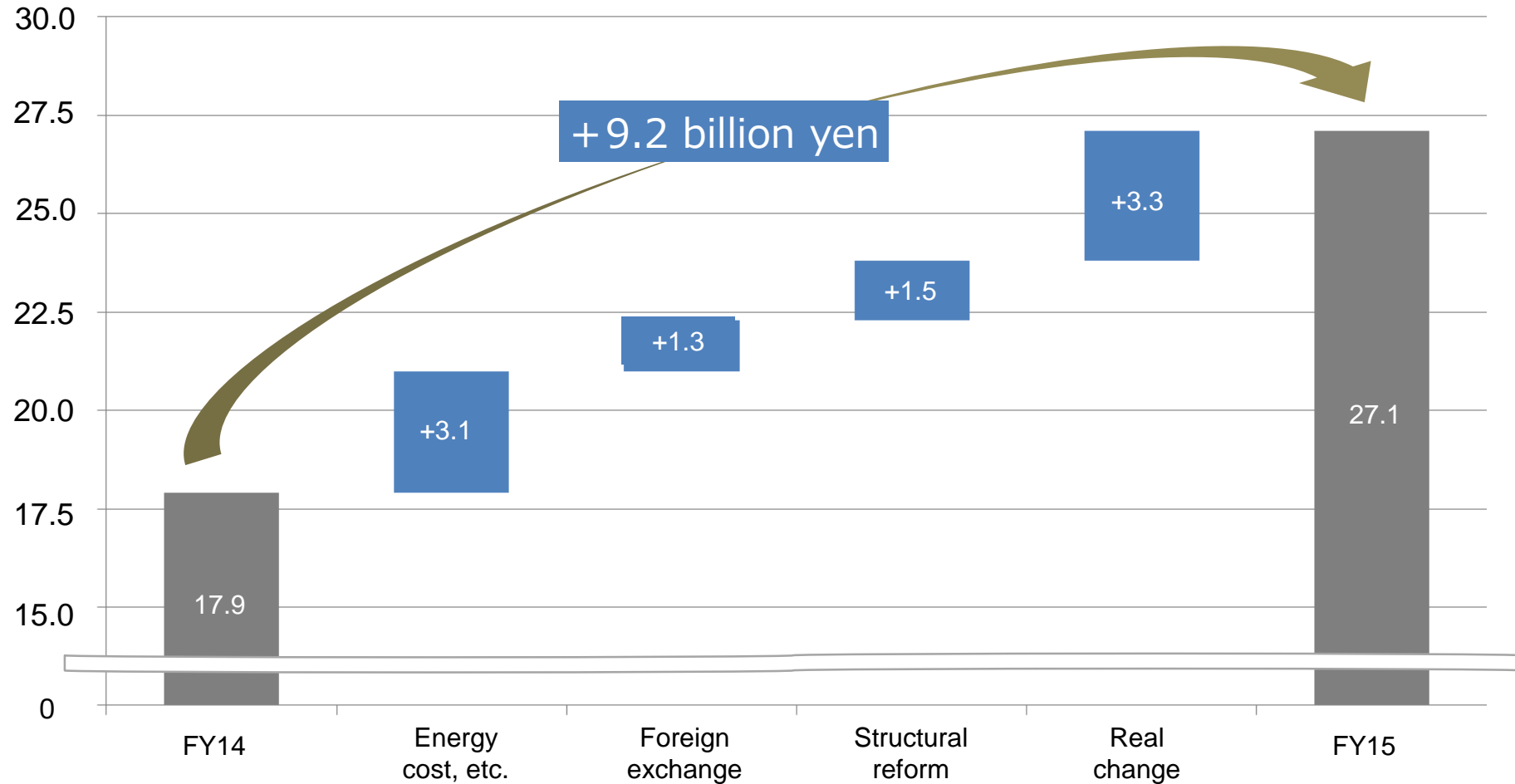
	FY14		FY15		YoY change		Breakdown of change (full-year)
	A	Q4	c	Q4	c-a	Q4	
Net income (Rate)	867.8	235.5	874.9	230.0	+7.1 +0.8%	-5.5 -2.3%	See page 7
Operating income (Rate)	17.9	7.7	27.1	10.2	+9.2 +51.7%	+2.5 +32.9%	See page 8
Profit/loss in equity method affiliates	1.9	-0.3	-5.7	-7.0	-7.5	-6.7	Posting of losses due to restructuring of the power cable business, etc.
Foreign exchange gain/loss	-0.1	-0.3	-2.1	-0.9	-2.0	-0.6	
Ordinary income (rate)	18.6	6.4	18.7	2.4	+0.1 +0.6%	-4.0 -62.2%	
Extraordinary gain/loss	-2.4	2.4	2.7	5.6	+5.1	+3.2	•Extraordinary gain: +6.2 Gain on the sale of fixed assets, etc.
Income taxes – current and income taxes - deferred	6.7	3.6	7.9	2.9	+1.2	-0.8	•Extraordinary loss: -1.1 Civil liability related to automotive wire harness cartel in North America, etc.
Minority interests in income	2.1	0.6	3.4	1.3	+1.3	+0.7	
Net income (Rate)	7.4	4.6	10.0	3.9	+2.7 +36.1%	-0.7 -15.9%	

Factor of Change in Net Sales (YoY)



Factor of change in Operating Income (YoY)

(billion yen)



Net Sales and Operating Income by Segment in FY2015

(billion yen)

Upper row: net sales Lower row: operating income	FY14 Actual	FY15 Forecast*	FY15 Actual	YoY change	Change from forecast
	a	B	c	c-a	c-b
Telecommunications	155.2	160.0	159.2	+4.0	-0.8
Optical Fiber Cables	118.3	127.0	124.5	+6.1	-2.5
Photonics Networks	36.9	33.0	34.8	-2.1	+1.8
Energy & Industrial Products	293.2	280.0	281.3	-11.9	+1.3
Electronics & Automotive Systems	308.2	325.0	331.1	+22.9	+6.1
Metals	133.7	125.0	122.4	-11.3	-2.6
Service and Developments, etc.	53.5	55.0	54.2	+0.7	-0.8
Elimination of intra-company transactions	-76.0	-75.0	-73.3	+2.7	+1.7
Net sales	867.8	870.0	874.9	+7.1	+4.9
Telecommunications	5.7	6.5	7.8	+2.1	+1.3
Optical Fiber Cables	3.2	5.0	5.5	+2.3	+0.5
Photonics Networks	2.5	1.5	2.3	-0.2	+0.8
Energy & Industrial Products	4.3	6.0	7.0	+2.8	+1.0
Electronics & Automotive Systems	12.9	12.0	12.9	-0.0	+0.9
Metals	-4.9	-1.5	-1.1	+3.8	+0.4
Service and Developments, etc.	-0.1	0	0.5	+0.6	+0.5
Elimination of intra-company transactions	0.1	0	0	-0.1	+0.0
Operating income	17.9	23.0	27.1	+9.2	+4.1

Factors for YoY changes in operating income

Factors for increase Factors for decrease

[Optical Fiber Cables]

- Strong demand for fiber in all markets
- Positive effect of consolidating domestic optical cable manufacturing operations

[Photonics Networks]

- Growing digital coherent-related product sales
- Waning demand for mobile phone-related construction work in Thailand

[Energy & Industrial Products]

- Healthy sales of semiconductor processing tape
- Favorable sales of power line components
- Sluggish high-voltage power cable sales

[Electronics & Automotive Systems]

- Better model mix for memory disks
- Improved customer mix for thermal management solution & products
- Enhanced productivity after new plants in Japan began operations, which led to higher earnings for batteries
- Higher costs for automotive parts at Mexican sites

[Metals]

- Recovery of copper business after snow damage
- Copper foil improved after transferring manufacturing to Taiwan

Note: The FY2015 forecast figures are those announced on February 4, 2016.

FY2015 Summary B/S etc.

(billion yen)

	End of 14Q4	End of 15Q1	End of 15Q2	End of 15Q3	End of 15Q4	Change
	a	b	c	d	e	e-a
Total assets	734.1	733.1	707.9	713.1	705.7	-28.4
Interest-bearing liabilities	274.5	292.9	281.8	272.9	257.8	-16.7
Equity capital ratio	26.0%	25.7%	25.7%	25.7%	24.5%	-1.5
D/E ratio	1.44	1.55	1.55	1.49	1.49	+0.05
Sales to total assets ratio (annual equivalent sales / total assets)	1.18	1.17	1.21	1.21	1.24	+0.06
ROA (annual equivalent ordinary income / total assets)	2.6%	1.9%	2.2%	3.0%	2.6%	± 0.0
ROE	4.0%	-	-	-	5.5%	+1.5

Forecast for FY2016

- Operating income will remain flat at 27.5 billion yen.
 - While the Electronics & Automotive Systems segment will drive earnings up, increasing investments in growing businesses, lower rent revenue due to sale of real estate, the yen's appreciation, and slowing electronics-related markets will all have a negative impact.
- Net income will total 12.5 billion yen (up 2.5 billion yen YoY) due to an decrease in the loss from equity method investments, posting of extraordinary gains (including a gain on the sale of real estate), and structural reform costs.

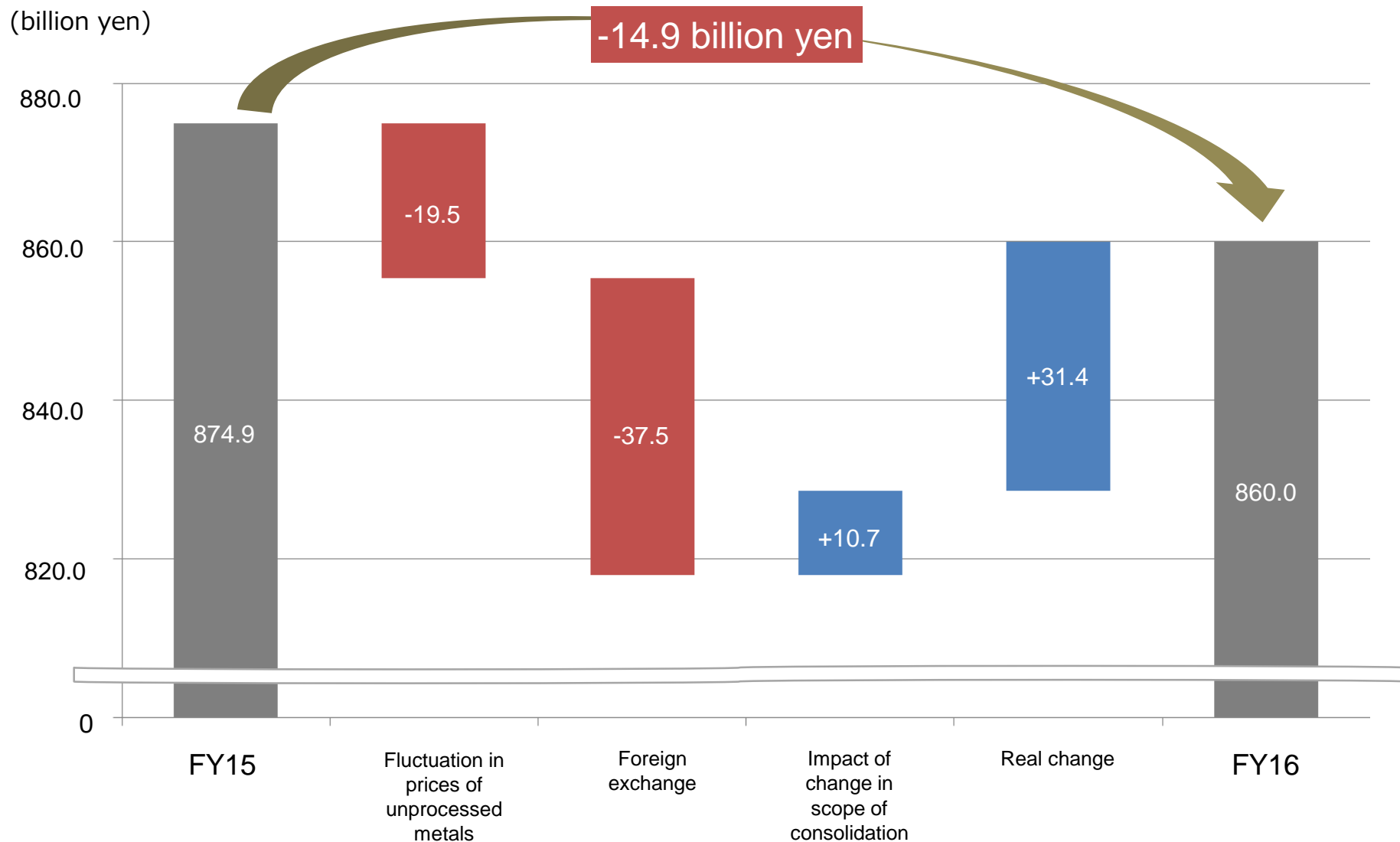
Forecasts for FY2016

(billion yen, yen/kg, yen/USD)

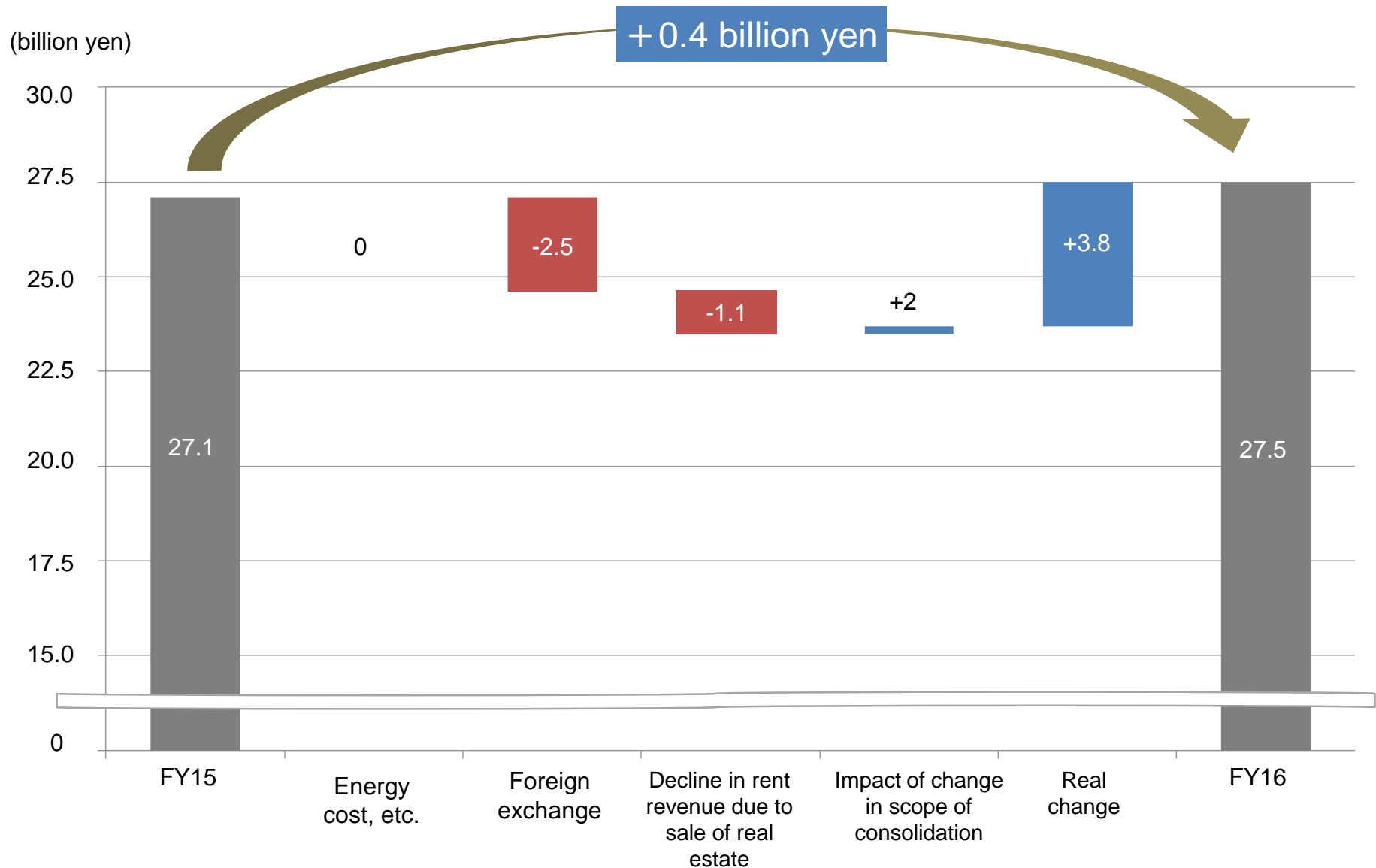
	FY15			FY2016 Forecast			YoY Change		
		H1	H2		H1	H2		H1	H2
	a	b	c	d	e	f	d-a	e-b	f-c
Net income (Rate)	874.9	428.2	446.7	860.0	410.0	450.0	-14.9	-18.2	+3.3
Operating income (Rate)	27.1 3.1%	9.1 2.1%	18.0 4.0%	27.5 3.2%	9.5 2.3%	18.0 4.0%	+0.4 +0.1	+0.4 +0.2	±0.0 ±0.0
Ordinary income (Rate)	18.7 2.1%	7.9 1.9%	10.8 2.4%	25.5 3.0%	6.5 1.6%	19.0 4.2%	+6.8 +0.8	-1.4 -0.3	+8.2 +1.8
Extraordinary gain/loss	2.7	-1.6	4.3	-0.6	3.1	-3.7	-3.3	+4.7	-8.0
Net income (rate)	10.0 1.1%	2.0 0.5%	8.0 1.8%	12.5 1.5%	5.0 1.2%	7.5 1.7%	+2.5 +0.3	+3.0 +0.8	-0.5 -0.1
Average copper price	675			600					
Average exchange rate	121			110					

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Factors for Changes in Estimated Net Sales (YoY)



Factors for Changes in Estimated Operating Income (YoY)



New Segment Classification

Former segment classification(up until FY2015)

Segment	Sub-segment	Business
Telecommunications	Optical Fiber Cable	Fiber Cable
	Photonics Network	FITEL Products
		Broadband
Energy & Industrial Products		Power Cable
		Industrial Cable & Power Cable Accessories
		Electric Conductor
		Functional Plastics
Electronics & Automotive Systems		Automotive Products
		Batteries
		Magnet Wire
		Thermal Management Solution & Products
		Memory Disk
Metals		Copper & High Performance Material Products
		Copper Tube
		Copper Foil
Service and Developments, etc.		

New segment classification (FY2016)

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

*Existing functional plastics

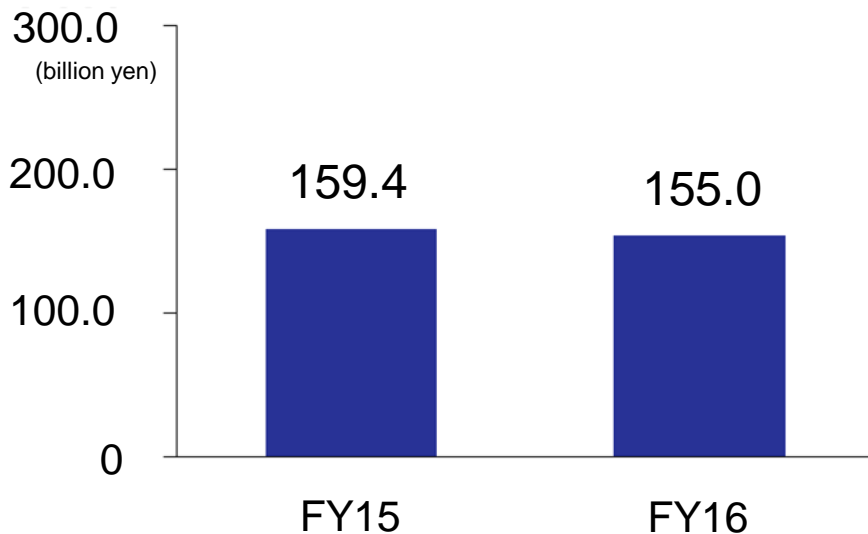
FY2016 Net Sales and Operating Income Forecast by Segment

(billion yen)

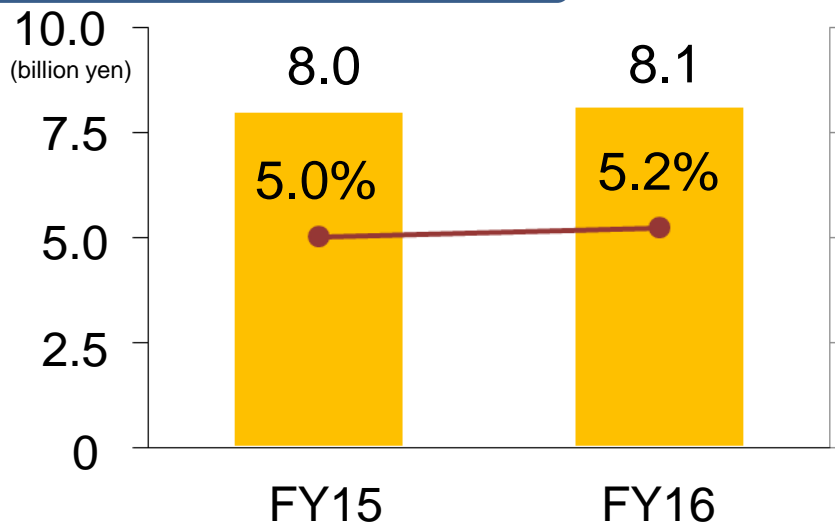
	Net income		Operating income	
		YoY difference		YoY difference
Infrastructure	260.0	+6.5	7.5	-0.2
Communications Solutions	155.0	-4.4	8.1	+0.1
Energy Infrastructure	105.0	+10.9	-0.6	-0.3
Electronics & Automotive Systems	470.0	-26.5	12.0	+1.5
Automotive Products & Batteries	240.0	+1.7	9.0	+1.0
Electronics Component Material	230.0	-28.2	3.0	+0.5
Functional Products	140.0	+4.7	8.5	±0.0
Service and Developments, etc.	50.0	-3.6	-0.5	-0.9
Elimination of intra-company transactions	-60.0	+4.1	0.0	±0.0
Total	860.0	-14.9	27.5	+4.0

1-(1) Infrastructure (Communications Solutions)

Net income



Operating income/operating margin



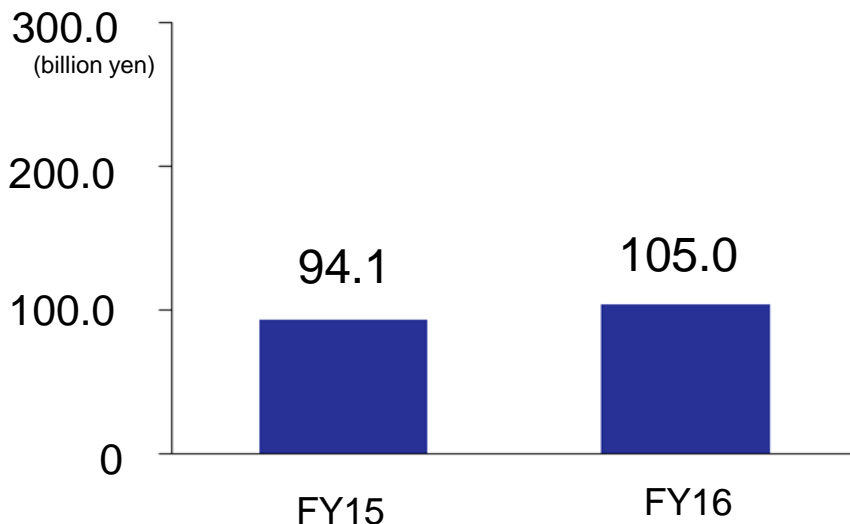
FY2016 Operating Income Forecast YoY difference: + 100 million yen

- Fiber sales will remain robust in North America and elsewhere.
- Demand for digital coherent-related products will be strong.
- Investments in digital coherent-related products R&D will increase.
- Special demand for mobile phone-related construction work in Thailand will subside.
- Exchange differences related to fiber exports and overseas subsidiaries due to the strong yen will affect net sales and operating income.

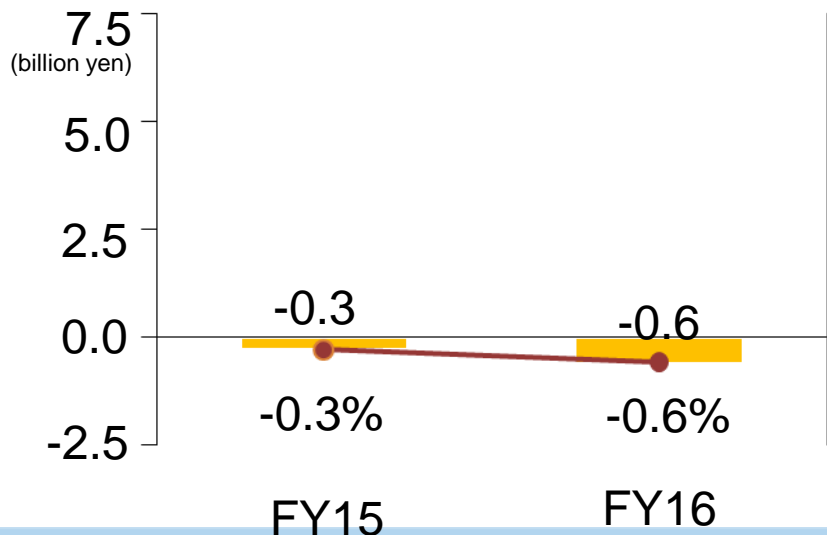
: Factors for increase : Factors for decrease

1-(2) Infrastructure (Energy Infrastructure)

Net income



Operating income/operating margin



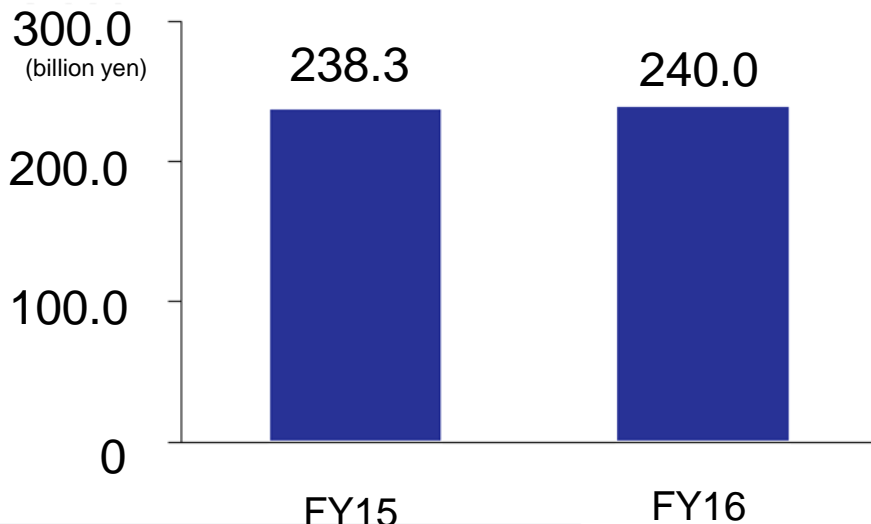
FY2016 Operating Income Forecast YoY difference: - 300 million yen

- High-voltage power cable will enjoy higher profits due to growing sales in North America.
- Sales of power line components will be good due to recovery in electric power companies' maintenance and renewal investments.
- Temporary expenses will be incurred due to reorganization of Viscas.

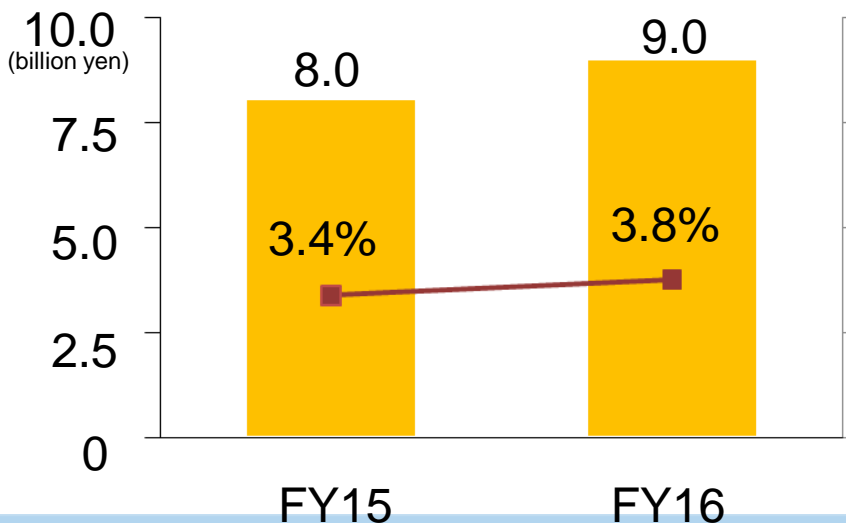
: Factors for increase : Factors for decrease

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

Net income



Operating income/operating margin



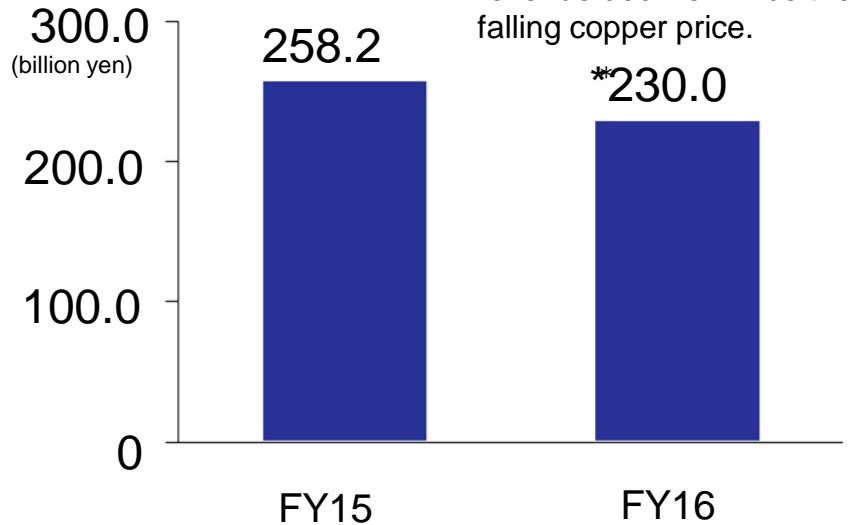
FY2016 Operating Income Forecast YoY difference: + 1 billion yen

- Automotive products will see alleviation of the previous year's cost increases at Mexican sites as well as growing sales of SRC, etc.
- Batteries will see increasing sales of lead-acid batteries for hybrid and idle-stop vehicles.
- Impact of production cutbacks by domestic automakers due to earthquakes in Kumamoto and other factors.

: Factors for increase : Factors for decrease

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

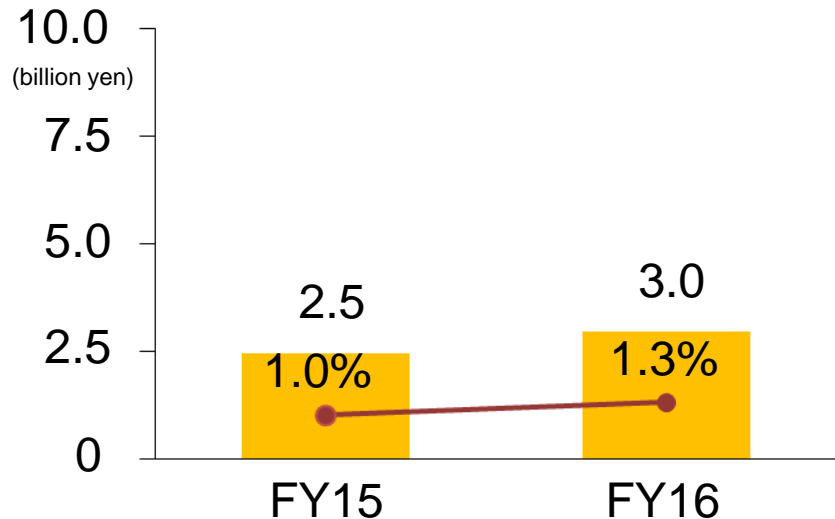
Net income



FY2016 Operating Income Forecast YoY difference: + 500 million yen

- Copper will focus on expanding sales in Asia and other overseas markets and increasing sales of pure copper products in addition to providing customer support logistics.
- Magnet wire will focus on increasing automotive rectangular wire sales as well as steady growth of ribbon wire sales.
- Electric conductor will see competition for copper wire intensify in Southeast Asia.

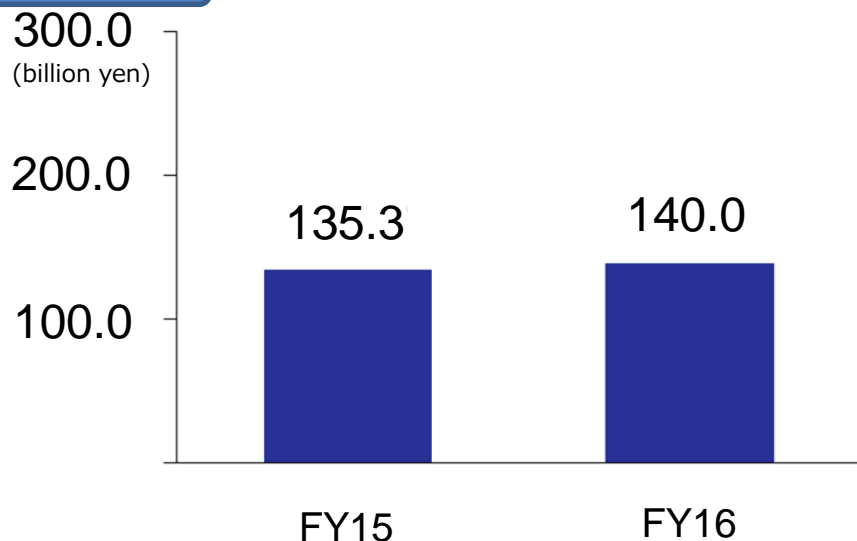
Operating income/operating margin



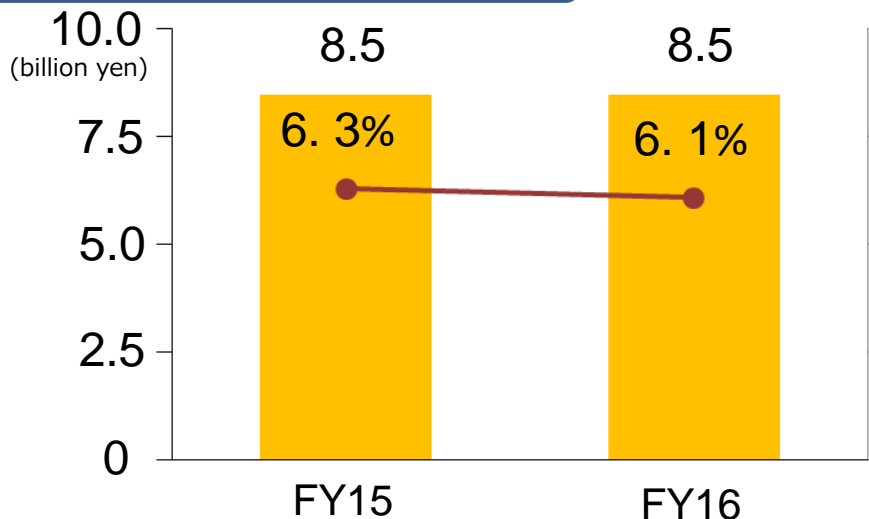
: Factors for increase : Factors for decrease

3. Functional Products

Net income



Operating income/operating margin



FY2016 Operating Income Forecast YoY difference: +/- 0 billion yen

- Thermal management solution & products as well as memory disk will focus on expanding sales to new customers despite the sluggish electronics market.
- Copper foil will see positive effects of the structural reforms at domestic sites, transfer of manufacturing operations to Taiwan, and the increased ratio of value added products.
- We will focus on developing/launching new semiconductor processing tape products although sales will decline due to a major customer's shift to buying products from multiple vendors in line with its BCP.*

*BCP: Business Continuity Plan

: Factors for increase : Factors for decrease

(billion yen)

	FY15	FY2016 Forecast	Change
	a	b	b-a
Capital investment	25.7	38.0	+12.3
Depreciation cost	23.2	27.0	+3.8
R&D cost	16.8	18.0	+1.2

FY2016 Management Indicators

	FY15	FY2016 Forecast	Change
	a	b	b-a
Equity capital ratio	24.5%	25.3%	+0.8
D/E Ratio	1.49	1.42	△ 0.07
Operating income to business assets ratio (Operating Income / Business Assets*)	9.0%	9.0%	±0.0
ROE	5.5%	7.1%	+1.6

*Business Assets = Inventories + Tangible and Intangible Assets

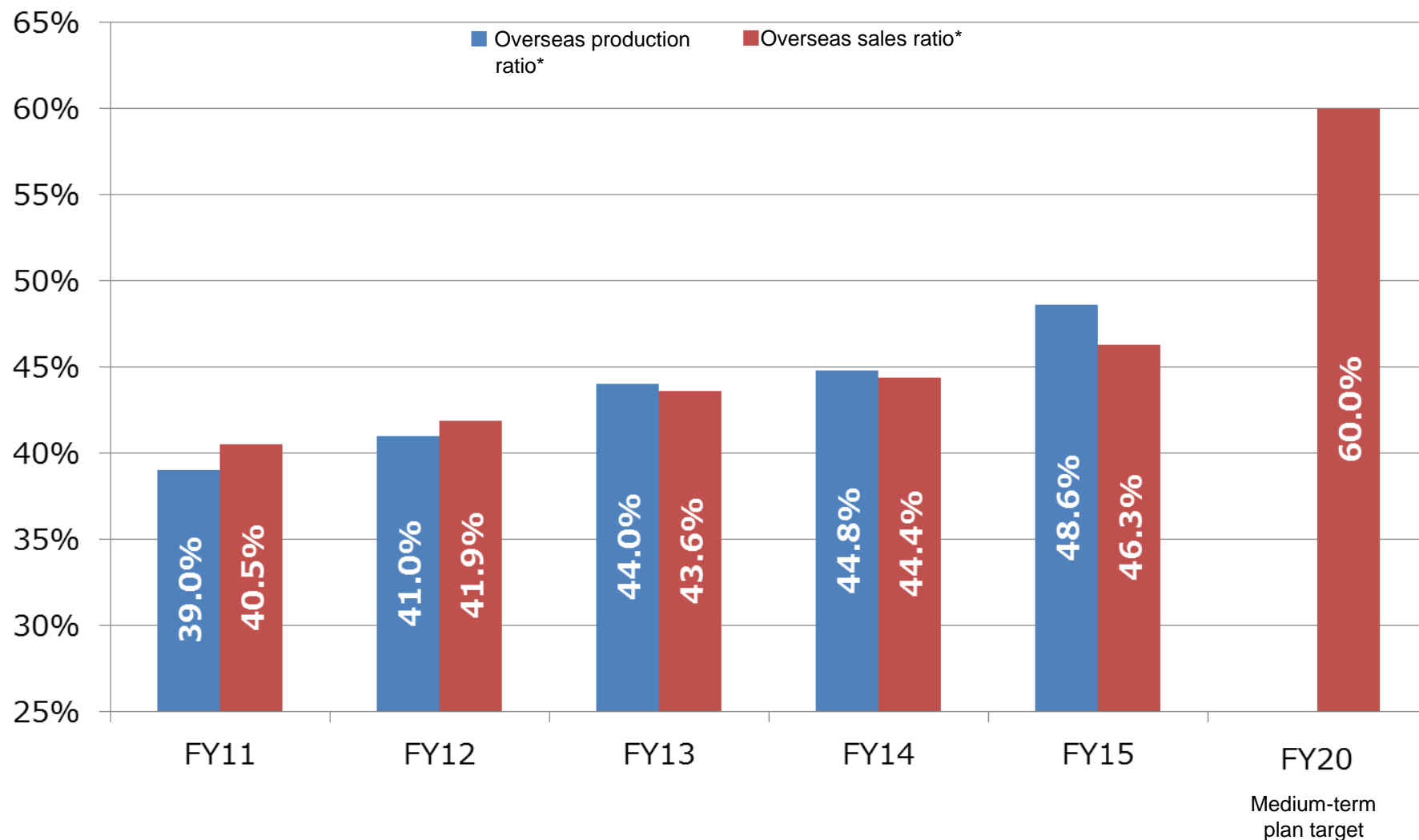
	FY2015 Result	FY2016 Forecast*	Change
Annual dividend per share	4 yen	4 yen	0 yen

*About FY2016 forecast: We plan to conduct a one-for-ten reverse stock split of our company's common share effective October 1, 2016. The year-end dividend for FY2016 will be 40 yen per share when converted to the figure after the reverse stock split.

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

Appendix

Changes in Overseas Production and Sales Ratios

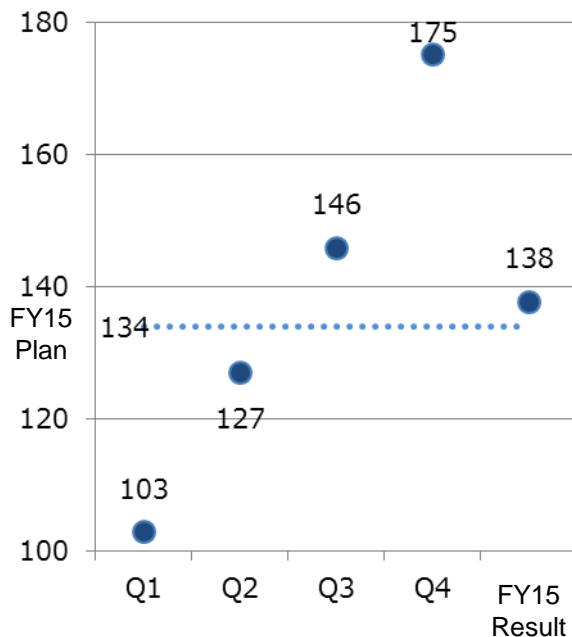


* Overseas production ratio and overseas sales ratio from FY2011 to FY2013 were calculated excluding the former Furukawa-Sky Aluminum Corp.

Strategic Products and Sales Volume Trends

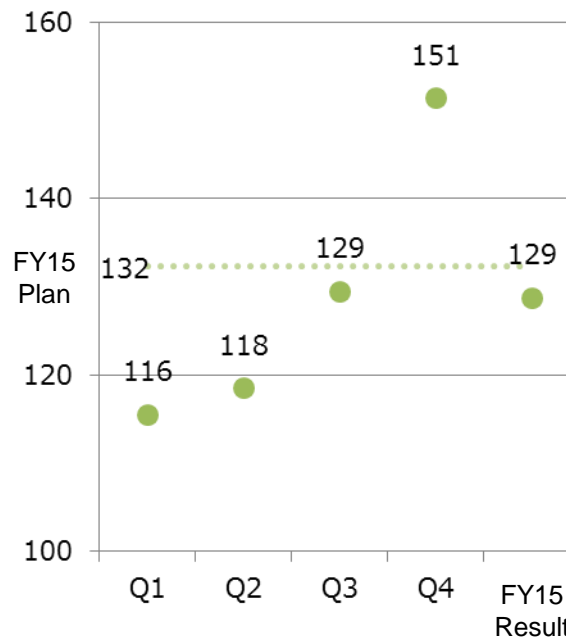
ITLA/FBT

Integrated signal light sources for use in digital coherent telecommunications



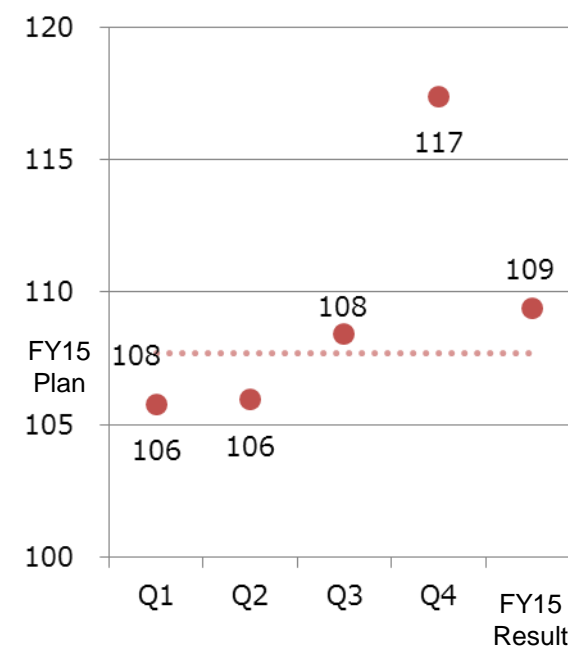
BSS

Car battery status detection sensor



SRC

Connector for car airbags



(Note) Figures for respective products are indices assuming FY14's volume is 100.

Thank you very much for your
attention.

Bound to  ***Innovate***