

# FY2016 Q3 Financial Results

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

**Hiroyuki Ogiwara**

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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.

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**FURUKAWA ELECTRIC CO., LTD.**

# Q3 Overview and Forecast of FY2016 **FURUKAWA ELECTRIC**

## FY2016 Q3 (first nine months of FY16) Overview

- Operating income totaled **JPY 23.8 billion**, up JPY 6.9 billion (up 41%) YoY.  
Operating income ratio of Net sales reached **3.9%** (up 1.3%) YoY.
  - Operating income increased JPY 10.9 billion on a real change basis due primarily to the performance of communication solutions (Infrastructure segment) although the appreciation of JPY had an adverse impact.
  - 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 18.9 billion**, up JPY 12.8 billion (up 208%) YoY.
  - The considerable increase in net income was attributable to the growth of operating income, posting of extraordinary gains, including negative goodwill associated with business transfer in the power cable business, sale of fixed assets and other factors despite losses from equity method investments.

## FY2016 Forecast

- Upward adjustments were made as follows.

\*1; Previous forecast is the forecast at Q2. (JPY billion)

	FY15	FY16			
	Results	Previous *1 forecast	*2 forecast	YtoY change	Change from previous forecast
Net sales	874.9	820.0	825.0	▲ 49.9	+5.0
Operating income	27.1	29.0	32.0	+4.9	+3.0
Ordinary income	18.7	25.5	28.5	+9.8	+3.0
Net income	10.0	12.5	16.0	+6.0	+3.5

\*2 ; change of Q4 forecast assumptions      exchange rate; 100 JPY/USD → 110 JPY/USD      copper price; 510 JPY/kg → 625 JPY/kg

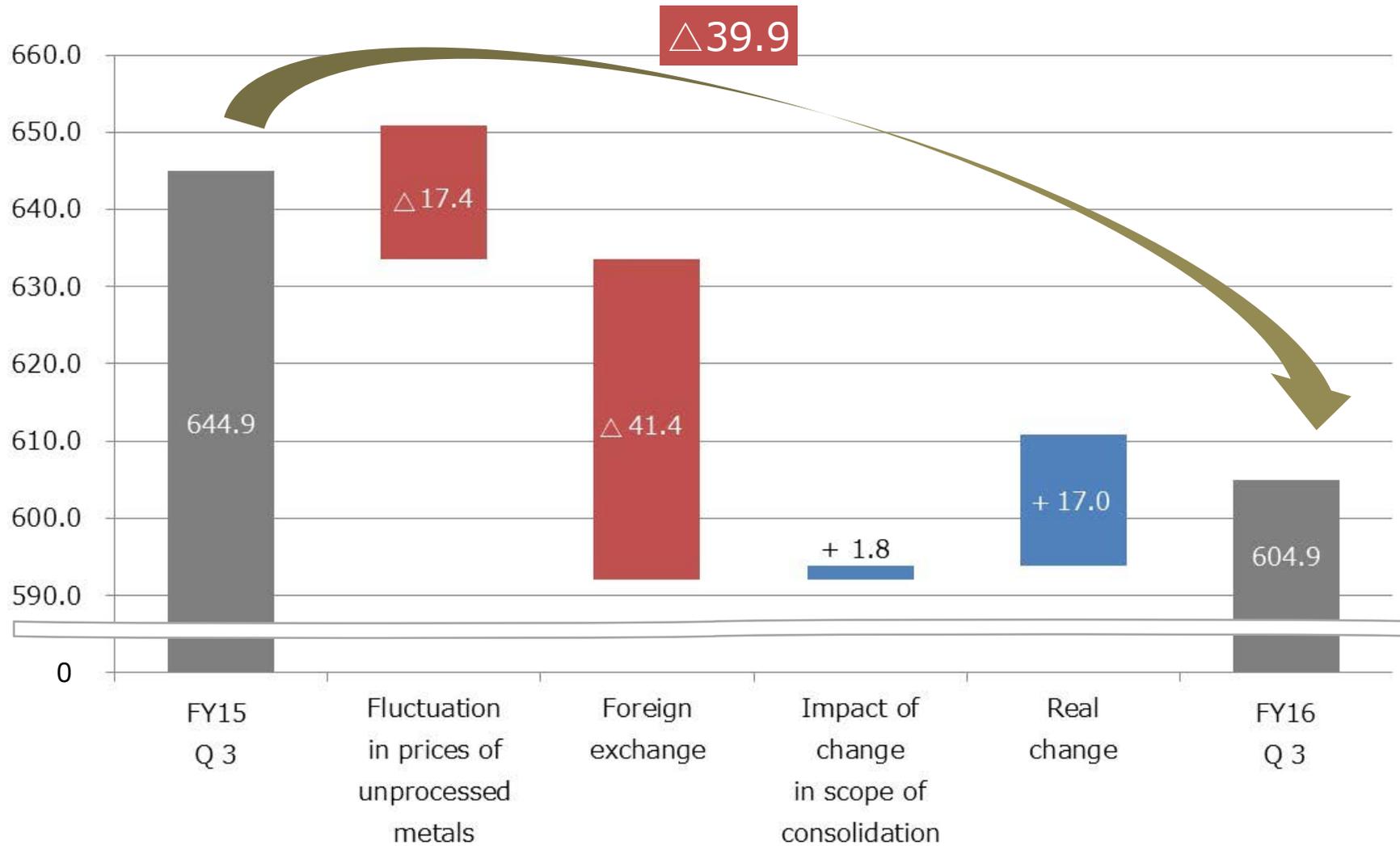
# FY16Q3 Results – Summary P&L

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

	FY15 Q3		FY16 Q3		YtoY change		Breakdown of change (Q3)
		10~12		10~12		10~12	
	a	b	c	d	c-a	d-b	
Net sales (Ratio of change)	644.9	216.7	604.9	207.4	▲ 39.9 ▲6.2%	▲ 9.3 ▲4.3%	see page 3
Operating income (Ratio of Net sales/ change)	16.9 2.6%	7.8 3.6%	23.8 3.9%	10.5 5.1%	+6.9 +40.6%	+27.3 +35.2%	see page 4
Profit/loss in equity method affiliates	1.3	0.8	▲ 0.5	0.6	▲ 1.7	▲ 0.2	
Foreign exchange gain/loss	▲ 1.2	▲ 0.6	▲ 1.2	0.0	+0.0	+0.6	
Ordinary income (Ratio of Net sales/ change)	16.3 2.5%	8.3 3.8%	20.8 3.4%	10.6 5.1%	+4.5 +27.6%	+2.3 +27.3%	
Extraordinary gain/loss	▲ 2.9	▲ 1.3	7.7	6.1	+10.6	+7.4	• Extraordinary gain; +10.2 (1.1→11.3)
Income taxes - current and	5.1	1.8	6.5	3.5	+1.4	+1.7	• Extraordinary loss; +0.5 (△4.0→△3.6)
Minority interests in income	2.2	1.1	3.2	1.1	+1.0	0.0	
Net income (Ratio of Net sales/ change)	6.1 1.0%	4.2 1.9%	18.9 3.1%	12.2 5.9%	+12.8 +208.3%	+8.1 +193.5%	
Average copper price	706	642	570	622	-	-	
Average exchange rate	122	121	107	109	-	-	

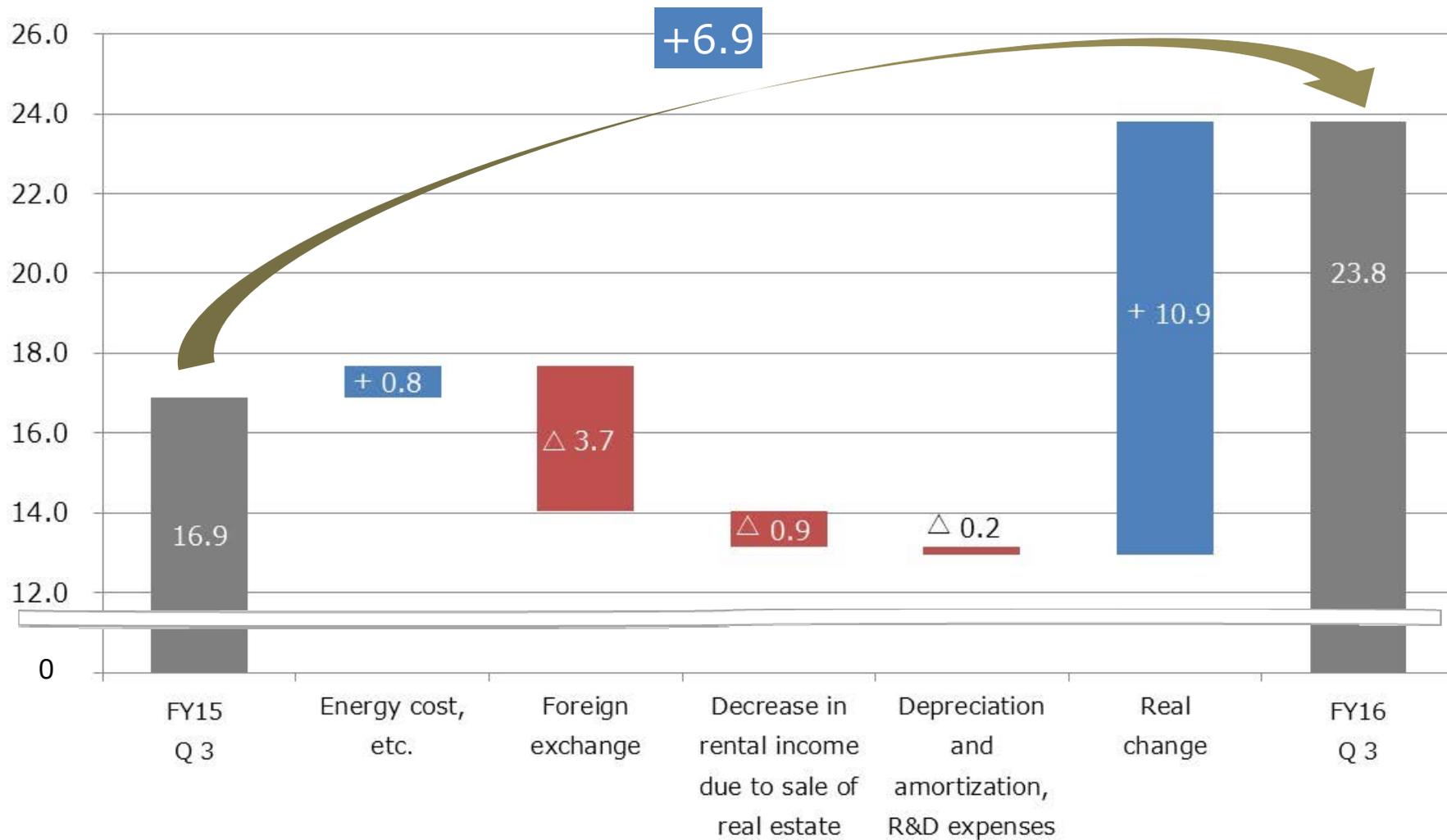
# FY16Q3 Results – Analysis of Changes in Net Sales

(JPY billion)



# FY16Q3 Results – Analysis of Changes in Operating income

(JPY billion)



# FY16 Forecast – Summary P&L

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

	FY15 Results	FY16 Previous Forecast	FY16 Forecast	YtoY change	Change from previous forecast
	a	b	c	c-a	c-b
Net sales	874.9	820.0	825.0	▲ 49.9	+5.0
Operating income (Ratio of Net sales/ change)	27.1 3.1%	29.0 3.5%	32.0 3.9%	+4.9 +0.8%	+3.0 +0.3%
Profit/loss in equity method affiliates	▲ 5.7	–	–	–	–
Foreign exchange gain/loss	▲ 2.1	–	–	–	–
Ordinary income (Ratio of Net sales/ change)	18.7 2.1%	25.5 3.1%	28.5 3.5%	+9.8 1.3%	+3.0 0.3%
Extraordinary gain/loss	2.7	▲ 0.6	1.0	▲ 1.7	+1.6
Income taxes - current and income taxes - deferred	7.9	–	–	–	–
Minority interests in income	3.4	–	–	–	–
Net income (Ratio of Net sales/ change)	10.0 1.1%	12.5 1.5%	16.0 1.9%	+6.0 +0.8%	+3.5 +0.4%
Average copper price	676	527	※1 584	–	–
Average exchange rate	120	103	※2 107	–	–

( ※1 Q3; 570 Q4; 625) ( ※2 Q3; 107 Q4; 110)

# FY16Q3 Results & FY16 Forecast

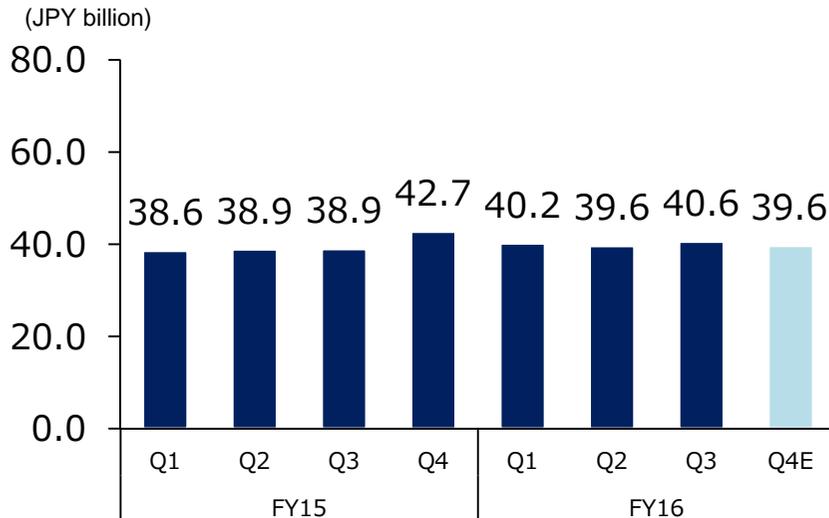
## – Net Sales and Operating Income by Segment

(JPY billion)

Upper row: Net sales Lower row: Operating income	Q3 (first nine months)			12 months				
	FY15	FY16	YtoY change	FY15	FY16 Previous Forecast	FY16 Forecast	Change from FY15	Change from previous forecast
<b>Infrastructure</b>	<b>186.0</b>	<b>187.4</b>	<b>+1.4</b>	<b>252.7</b>	<b>255.0</b>	<b>255.0</b>	<b>+2.3</b>	<b>0</b>
Communications Solutions	116.4	120.4	+4.0	159.1	160.0	160.0	+0.9	0
Energy infrastructure	69.6	67.0	▲ 2.6	93.5	95.0	95.0	+1.5	0
<b>Electronics &amp; Automotive Systems</b>	<b>361.4</b>	<b>328.2</b>	<b>▲ 33.2</b>	<b>491.1</b>	<b>445.0</b>	<b>450.0</b>	<b>▲ 41.1</b>	<b>+5.0</b>
Automotive Products & Batteries	168.8	158.9	▲ 9.9	234.1	225.0	220.0	▲ 14.1	▲ 5.0
Electronics Component Materials	192.6	169.3	▲ 23.3	257.0	220.0	230.0	▲ 27.0	+10.0
<b>Functional Products</b>	<b>102.9</b>	<b>101.0</b>	<b>▲ 1.9</b>	<b>136.3</b>	<b>135.0</b>	<b>135.0</b>	<b>▲ 1.3</b>	<b>0</b>
<b>Service and Developments, etc.</b>	<b>38.1</b>	<b>36.7</b>	<b>▲ 1.4</b>	<b>51.5</b>	<b>50.0</b>	<b>50.0</b>	<b>▲ 1.5</b>	<b>0</b>
Elimination of intra-company transactions	▲ 43.5	▲ 48.3	▲ 4.7	▲ 56.7	▲ 65.0	▲ 65.0	▲ 8.3	0
<b>Net sales</b>	<b>644.9</b>	<b>604.9</b>	<b>▲ 39.9</b>	<b>874.9</b>	<b>820.0</b>	<b>825.0</b>	<b>▲ 49.9</b>	<b>+5.0</b>
<b>Infrastructure</b>	<b>4.1</b>	<b>8.5</b>	<b>+4.5</b>	<b>7.7</b>	<b>10.0</b>	<b>11.5</b>	<b>+3.8</b>	<b>+1.5</b>
Communications Solutions	4.6	9.5	+4.9	8.0	11.1	12.5	+4.5	+1.4
Energy infrastructure	▲ 0.6	▲ 1.0	▲ 0.4	▲ 0.3	▲ 1.1	▲ 1.0	▲ 0.7	+0.1
<b>Electronics &amp; Automotive Systems</b>	<b>6.0</b>	<b>6.9</b>	<b>+0.9</b>	<b>10.5</b>	<b>10.2</b>	<b>10.5</b>	<b>+0.0</b>	<b>+0.3</b>
Automotive Products & Batteries	4.4	5.5	+1.1	8.0	8.7	9.0	+1.0	+0.3
Electronics Component Materials	1.6	1.4	▲ 0.2	2.4	1.5	1.5	▲ 0.9	+0.0
<b>Functional Products</b>	<b>6.6</b>	<b>8.6</b>	<b>+2.0</b>	<b>8.5</b>	<b>10.0</b>	<b>11.0</b>	<b>+2.5</b>	<b>+1.0</b>
<b>Service and Developments, etc.</b>	<b>0.2</b>	<b>▲ 0.3</b>	<b>▲ 0.5</b>	<b>0.4</b>	<b>▲ 1.0</b>	<b>▲ 1.0</b>	<b>▲ 1.4</b>	<b>0</b>
Elimination of intra-company transactions	0.0	▲ 0.1	▲ 0.1	0.1	▲ 0.2	0.0	▲ 0.1	+0.2
<b>Operating income</b>	<b>16.9</b>	<b>23.8</b>	<b>+6.9</b>	<b>27.1</b>	<b>29.0</b>	<b>32.0</b>	<b>+4.9</b>	<b>+3.0</b>

# 1 -(1) Infrastructure (Communications Solutions)

## Net sales



(Divisions; Fiber Cable, FITELE Products, Broadband)

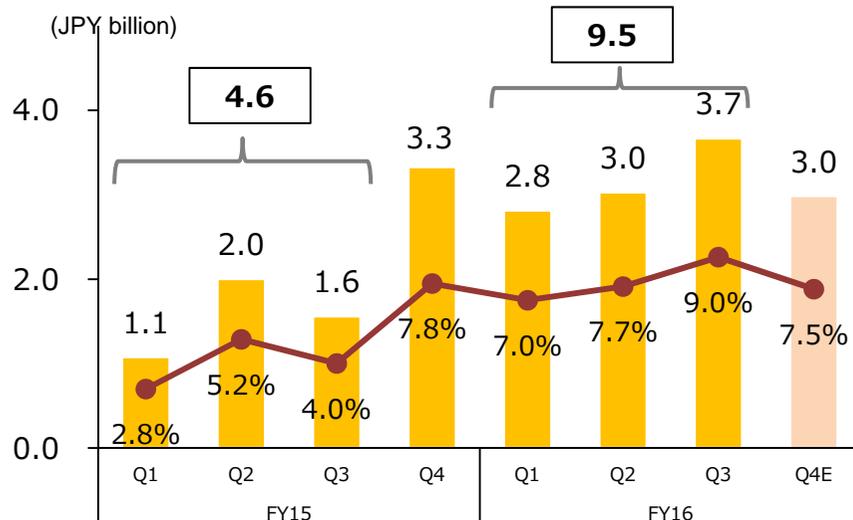
## < Operating Income YoY difference >

### Q3 (first nine months) Results ; JPY +4.87 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.
- Currency translation differences related to optical fiber exports and overseas subsidiaries in a strong JPY environment affected net sales and operating income.

## Operating income / operating margin



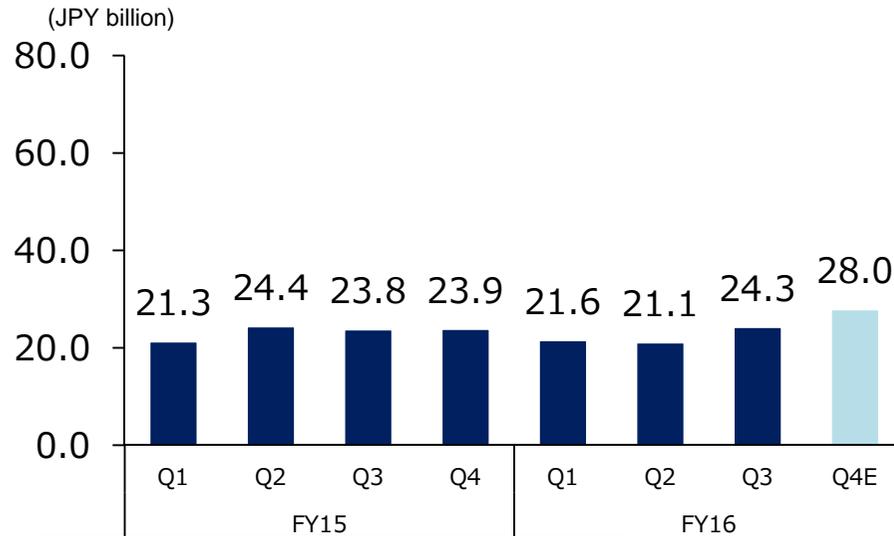
### Q4 Forecast

- Demand for optical fiber and digital coherent-related products will remain strong.

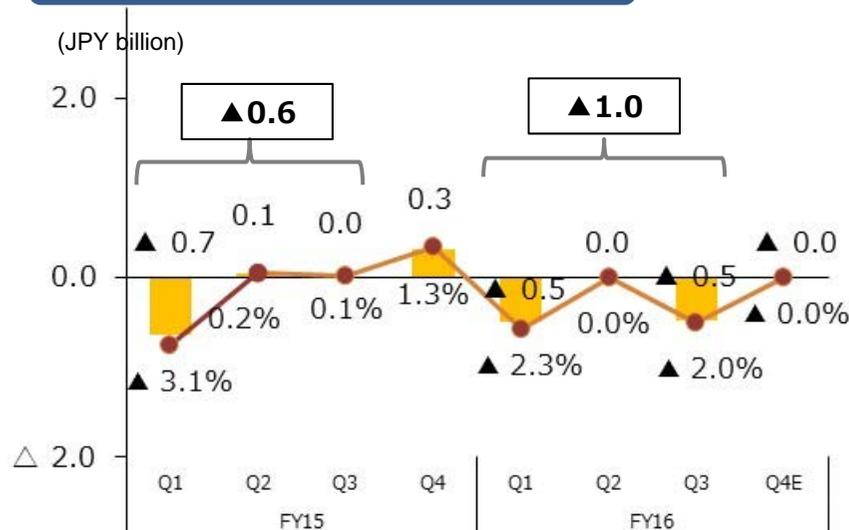
# 1 -(2) Infrastructure (Energy Infrastructure)

**Net sales**

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



**Operating income / operating margin**



**< Operating Income YoY difference >**

**Q3 (first nine months) Results ; JPY -0.41 billion**

□: Factors for increase ■: Factors for decrease

- While net income increased in connection with the acquisition of the underground and submarine power transmission cable business of VISCAS Corporation in Q3, costs increased temporarily.
- Demand for power transmission distribution products for domestic power industry decreased.

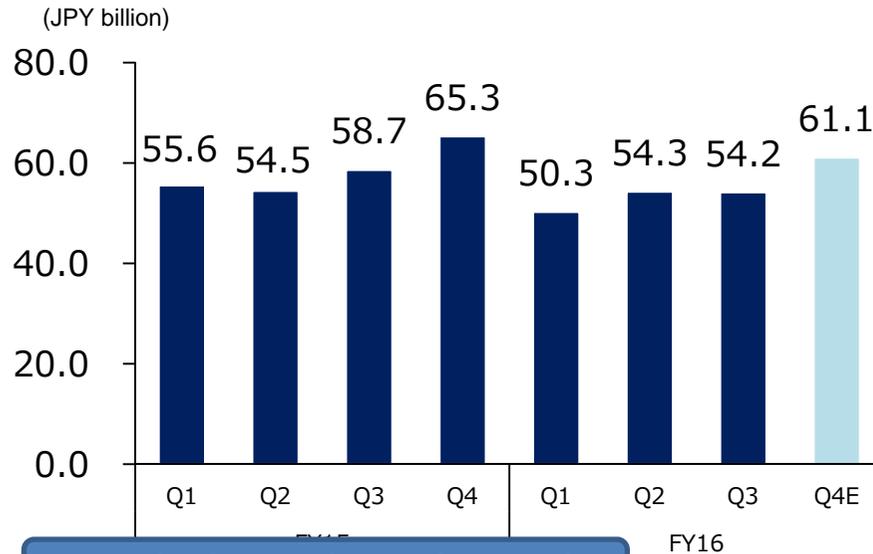
**Q4 Forecast**

- Expect sales of ultra high voltage underground power transmission cable projects related to domestic power industry.
- Demand for power transmission distribution products for domestic power industry will decline year on year.

# 2-(1) Automotive Products & Materials (Automotive Products & Batteries)

**Net sales**

(Divisions; Automotive Products, Batteries)



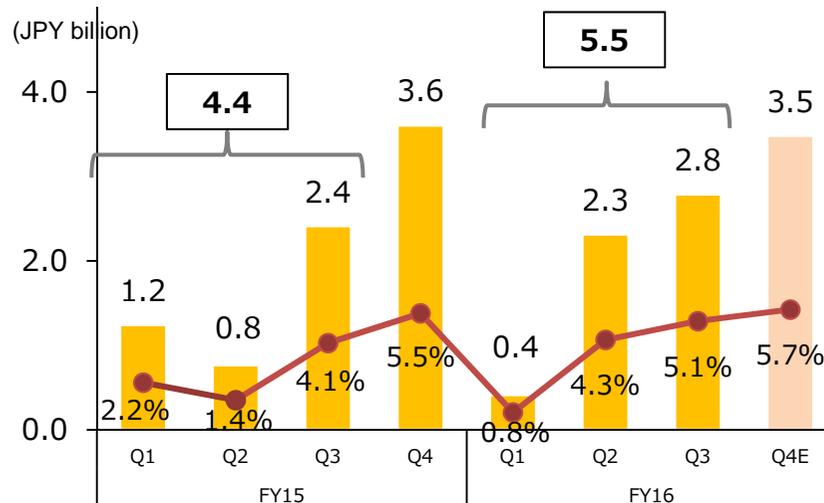
**< Operating Income YoY difference >**

**Q3 (first nine months) Results ; JPY +1.10 billion**

□: Factors for increase ■: Factors for decrease

- The progress in cost improvements in Mexico plant contributed to the growth in profits for automotive products.
- Sales of wire harnesses in Japan was sluggish.

**Operating income / operating margin**



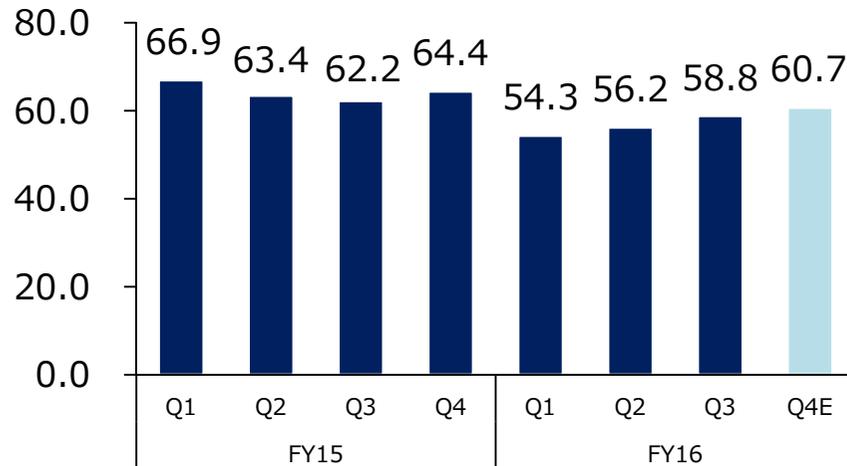
**Q4 Forecast**

- Automotive functional parts in overseas markets will be favorable although wire harnesses in Japan will decelerate.
- Profits for batteries will increase due to seasonal factors.

# 2-(2) Automotive Products & Materials (Electronics Component Material)

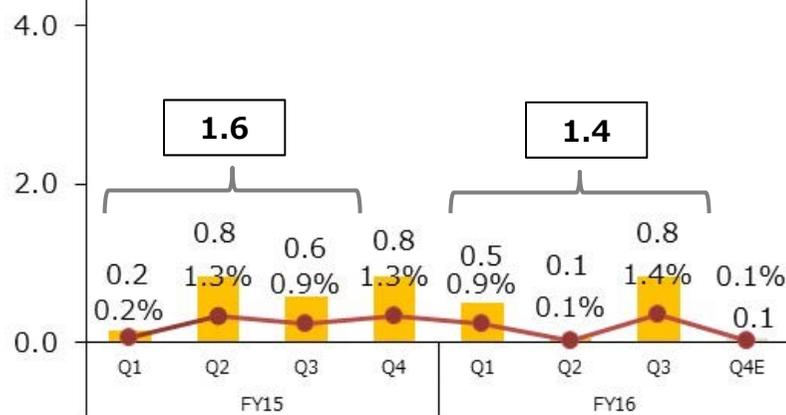
**Net sales**

(JPY billion)



**Operating income / operating margin**

(JPY billion)



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

< **Operating Income YoY difference** >

**Q3 (first nine months) Results ; JPY -0.17 billion**

□: Factors for increase ■: Factors for decrease

- Profits for copper and high-performance materials declined due to a temporary cost increase caused by the development project in 2Q although the quantity of copper alloy products recovered steadily.

**Q4 Forecast**

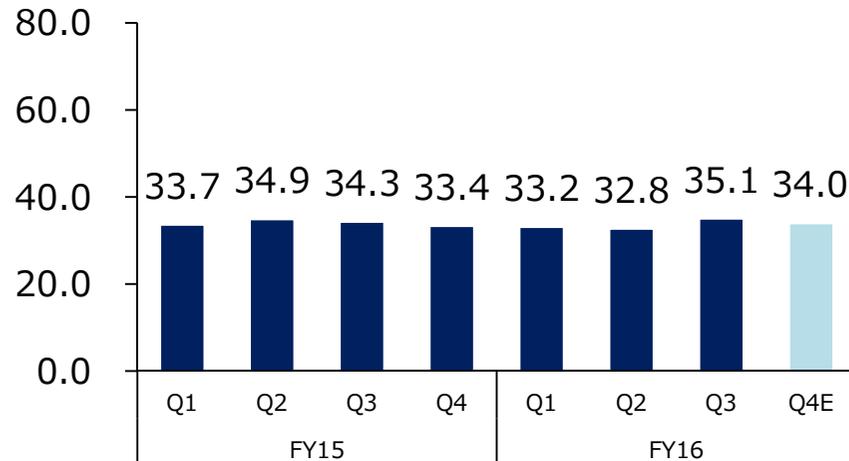
- Temporary cost in copper and high-performance materials will be also caused in 4Q, despite of more improvements of profits for copper alloy products.

### 3 Functional Products

**Net sales**

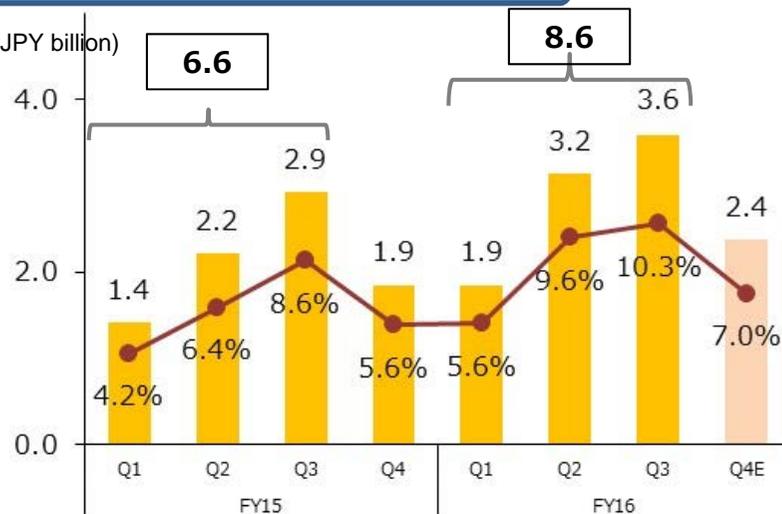
(Divisions; Thermal Management Solution & Products, AT & Functional Plastics, Memory Disk, Copper Foil)

(JPY billion)



**Operating income / operating margin**

(JPY billion)



< Operating Income YoY difference >

**Q3 (first nine months) Results ; JPY +2.02 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.

**Q4 Forecast**

- Profits for functional plastics will decrease due to seasonal factors.
- Sales of tapes for semiconductor manufacturing will remain strong.

# FY16Q3 – BS Summary

(JPY billion)

	End of 15Q4	End of 16Q3	Change	Breakdown of change
Current assets	364.0	380.7	+16.7	Inventories +11.8
Cash and bank deposits	52.5	56.0	+3.5	
Trade receivable	187.0	184.3	▲ 2.8	
Non-current assets	341.7	354.8	+13.1	
Tangible fixed assets	196.5	199.2	+2.6	CAPEX +20.4
Intangible fixed assets	8.5	9.0	+0.5	Depreciation and amortization ▲17.4
Investments and other assets	136.6	146.6	+10.0	Investment securities valuation difference, etc.
<b>Assets</b>	<b>705.7</b>	<b>735.5</b>	<b>+29.8</b>	Acquisition business of VISCAS +7.2
Current liabilities	299.3	278.9	▲ 20.5	
Long-term liabilities	207.8	231.9	+24.1	
<b>Liabilities</b>	<b>507.1</b>	<b>510.8</b>	<b>+3.6</b>	
Shareholders' equity	180.9	195.8	+14.9	Increase in Net income
Accumulated other comprehensive income	-7.7	0.8	+8.5	Other difference in Securities valuation +11.8, Foreign currency translation adjustments ▲6.3
Minority interests	25.4	28.1	+2.7	
<b>Net assets</b>	<b>198.6</b>	<b>224.7</b>	<b>+26.1</b>	
<b>Lianbilities and Net assets</b>	<b>705.7</b>	<b>735.5</b>	<b>+29.8</b>	
Interest-bearing liabilities	257.8	258.5	+0.7	
Equity capital ratio	24.5%	26.7%	+2.2%	
D/E ratio	1.49	1.32	▲ 0.17	

## FY16 CAPEX, Depreciation and amortization, R&D expenses

(JPY billion)

	Q3 (first nine months)			12 months				
	FY15 Results	FY16 Forecast	YtoY change	FY15 Results	FY16		YtoY change	Change from previous forecast
					Previous Forecast	Forecast		
	a	b	b-a	c	d	e	e-c	e-d
CAPEX	17.2	20.4	+3.2	25.7	38.0	34.0	+8.3	▲ 4.0
Depreciation and amortization	17.5	17.4	▲ 0.1	23.2	24.3	24.3	+1.1	0
R&D expenses	12.4	12.8	+0.3	16.8	18.0	18.0	+1.2	0

Thank you very much  
for your attention.

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