

# FY2019 Q2 Financial Results

Director, Corporate Vice President, and  
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November 5<sup>th</sup> , 2019

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.

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.**

# FY2019 H1 Results – P/L Summary

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

	FY18 H1	FY19 H1	YoY change	Breakdown of change (H1)
	a	c	c-a	
<b>Net sales</b>	<b>487.4</b>	<b>455.2</b>	<b>▲ 32.2</b>	<b>▲32.2 (▲7%)</b> See page 5
<b>Operating income</b>	<b>17.6</b>	<b>10.8</b>	<b>▲ 6.8</b>	<b>▲6.8 (▲39%)</b> See page 6
(Margin)	3.6%	2.4%	▲ 1.2	
Profit/loss in equity method affiliates	0.4	▲ 0.2	▲ 0.6	
Foreign exchange gain/loss	▲ 0.6	▲ 0.8	▲ 0.2	
<b>Ordinary income</b>	<b>15.9</b>	<b>8.4</b>	<b>▲ 7.5</b>	<b>▲7.5 (▲47%)</b>
(Margin)	3.3%	1.8%	▲ 1.4	
Extraordinary income/loss	▲ 1.2	2.1	+3.3	•Extraordinary income +3.1 (1.6 → 4.7)
Income taxes	3.3	4.2	+0.9	•Extraordinary loss +0.2 (▲2.7 → ▲2.5)
Net income attributable to non-controlling interests	1.5	0.2	▲ 1.4	
<b>Net income attributable to owners of parent</b>	<b>9.8</b>	<b>6.1</b>	<b>▲ 3.8</b>	<b>▲3.8(▲38%)</b>
(Margin)	2.0%	1.3%	▲ 0.7	
Average copper price	760	692	–	
Average exchange rate	110	109	–	

# Revision of FY2019 Full year forecasts

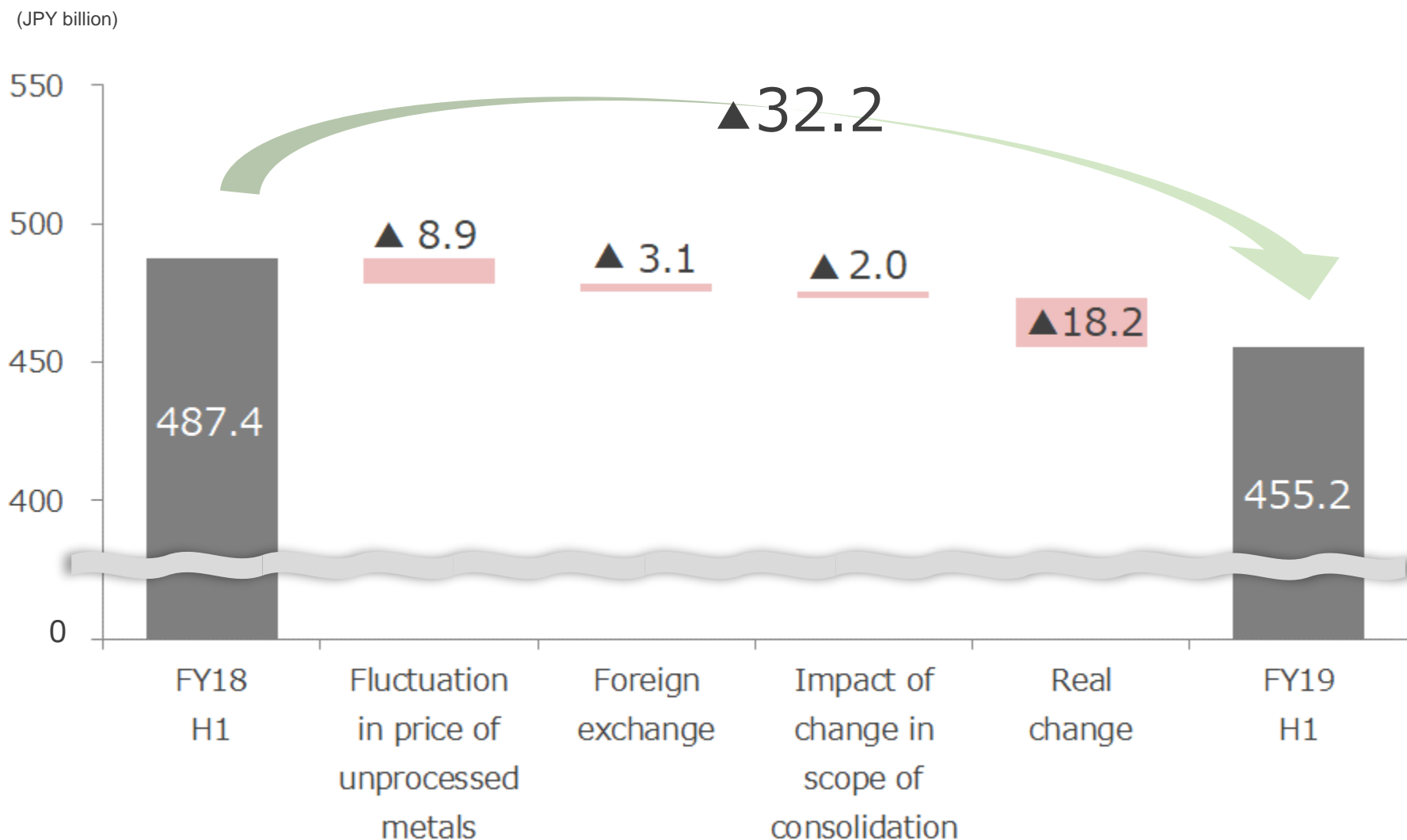
## – Summary P/L

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

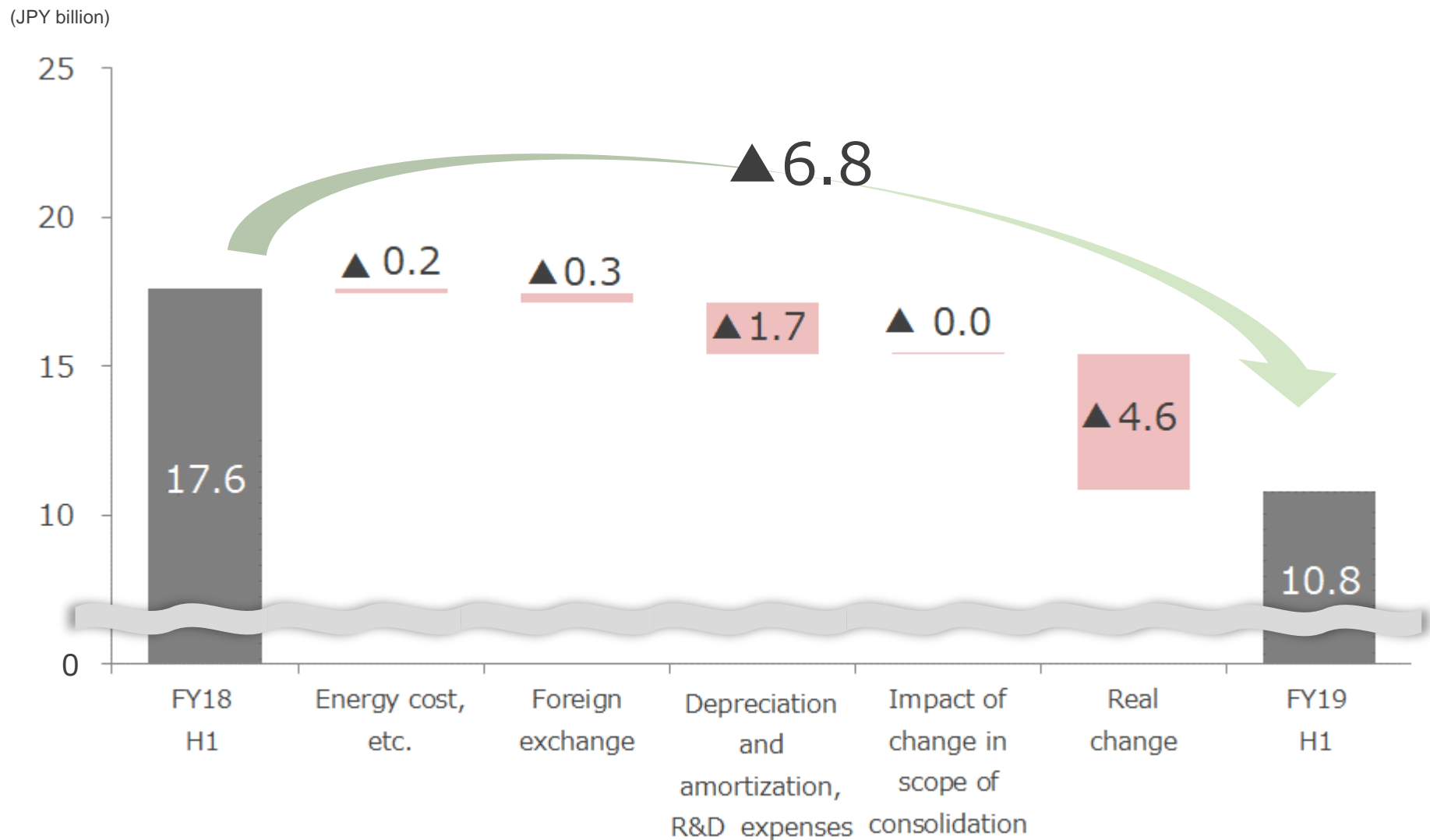
	FY18 Results	*FY19 Previous Forecast	FY19 forecast	YoY change	Change from previous forecast
<b>Net sales</b>	<b>991.6</b>	<b>960.0</b>	<b>910.0</b>	<b>▲ 81.6</b>	<b>▲ 50.0</b>
<b>Operating income</b>	<b>40.8</b>	<b>40.0</b>	<b>26.0</b>	<b>▲ 14.8</b>	<b>▲ 14.0</b>
(Margin)	4.1%	4.2%	2.9%	▲ 1.3	▲ 1.3
Profit/loss in equity method affiliates	1.7	–	–	–	–
Foreign exchange gain/loss	▲ 1.1	–	–	–	–
<b>Ordinary income</b>	<b>39.1</b>	<b>37.5</b>	<b>22.5</b>	<b>▲ 16.6</b>	<b>▲ 15.0</b>
(Margin)	3.9%	3.9%	2.5%	▲ 1.5	▲ 1.4
Extraordinary income/loss	▲ 3.3	▲ 6.0	▲ 1.5	+1.8	+4.5
Income taxes	3.3	–	–	–	–
Net income attributable to non-controlling interests	3.3	–	–	–	–
<b>Net income attributable to owners of parent</b>	<b>29.1</b>	<b>21.0</b>	<b>11.0</b>	<b>▲ 18.1</b>	<b>▲ 10.0</b>
(Margin)	2.9%	2.2%	1.2%	▲ 1.7	▲ 1.0
Average copper price	747	760	666	(H1Results:692 H2Premise:640)	
Average exchange rate	111	110	107	(H1Results:109 H2Premise:105)	

\*Announced on May 14,2019

# Analysis of Changes in Net Sales (YOY)



# Analysis of Changes in Operating income(YOY)



# Net Sales and Operating Income by Segment

(JPY billion)

		H1			Full year				
		FY18 Results	FY19 Results	YoY	FY18 Results	*FY19 Previous Forecast	FY19 Forecast	YoY	Change from previous forecast
Net sales	<b>Infrastructure</b>	<b>139.2</b>	<b>137.9</b>	<b>▲ 1.3</b>	<b>288.0</b>	<b>285.0</b>	<b>275.0</b>	<b>▲ 13.0</b>	<b>▲ 10.0</b>
	Communications Solutions	90.9	82.2	▲ 8.7	179.9	170.0	160.0	▲ 19.9	▲ 10.0
	Energy infrastructure	48.3	55.7	+7.4	108.1	115.0	115.0	+6.9	+0.0
	<b>Electronics &amp; Automotive Systems</b>	<b>276.4</b>	<b>254.4</b>	<b>▲ 22.0</b>	<b>561.7</b>	<b>555.0</b>	<b>515.0</b>	<b>▲ 46.7</b>	<b>▲ 40.0</b>
	Automotive Products & Batteries	127.4	122.7	▲ 4.7	267.3	265.0	255.0	▲ 12.3	▲ 10.0
	Electronics Component Materials	149.0	131.7	▲ 17.3	294.4	290.0	260.0	▲ 34.4	▲ 30.0
	<b>Functional Products</b>	<b>78.3</b>	<b>58.6</b>	<b>▲ 19.7</b>	<b>149.3</b>	<b>125.0</b>	<b>120.0</b>	<b>▲ 29.3</b>	<b>▲ 5.0</b>
	<b>Service and Developments, etc.</b>	<b>23.6</b>	<b>26.2</b>	<b>+2.6</b>	<b>48.6</b>	<b>50.0</b>	<b>50.0</b>	<b>+1.4</b>	<b>+0.0</b>
	Elimination of intra-company transactions	▲ 30.1	▲ 21.9	+8.2	▲ 55.9	▲ 55.0	▲ 50.0	+5.9	+5.0
	<b>Total</b>	<b>487.4</b>	<b>455.2</b>	<b>▲ 32.2</b>	<b>991.6</b>	<b>960.0</b>	<b>910.0</b>	<b>▲ 81.6</b>	<b>▲ 50.0</b>
Operat ing income	<b>Infrastructure</b>	<b>2.3</b>	<b>0.6</b>	<b>▲ 1.8</b>	<b>7.4</b>	<b>10.0</b>	<b>3.0</b>	<b>▲ 4.4</b>	<b>▲ 7.0</b>
	Communications Solutions	6.1	0.8	▲ 5.3	9.8	10.0	3.0	▲ 6.8	▲ 7.0
	Energy infrastructure	▲ 3.8	▲ 0.3	+3.6	▲ 2.4	0.0	0.0	+2.4	+0.0
	<b>Electronics &amp; Automotive Systems</b>	<b>7.7</b>	<b>6.7</b>	<b>▲ 1.1</b>	<b>19.5</b>	<b>18.5</b>	<b>15.5</b>	<b>▲ 4.0</b>	<b>▲ 3.0</b>
	Automotive Products & Batteries	4.8	5.2	+0.4	13.5	13.0	12.0	▲ 1.5	▲ 1.0
	Electronics Component Materials	2.9	1.5	▲ 1.4	6.0	5.5	3.5	▲ 2.5	▲ 2.0
	<b>Functional Products</b>	<b>7.5</b>	<b>3.6</b>	<b>▲ 3.9</b>	<b>13.5</b>	<b>12.0</b>	<b>8.0</b>	<b>▲ 5.5</b>	<b>▲ 4.0</b>
	<b>Service and Developments, etc.</b>	<b>▲ 0.1</b>	<b>▲ 0.1</b>	<b>▲ 0.0</b>	<b>0.3</b>	<b>▲ 0.5</b>	<b>▲ 0.5</b>	<b>▲ 0.8</b>	<b>+0.0</b>
	Elimination of intra-company transactions	0.0	▲ 0.0	▲ 0.0	0.1	0.0	0.0	▲ 0.1	+0.0
	<b>Total</b>	<b>17.6</b>	<b>10.8</b>	<b>▲ 6.8</b>	<b>40.8</b>	<b>40.0</b>	<b>26.0</b>	<b>▲ 14.8</b>	<b>▲ 14.0</b>

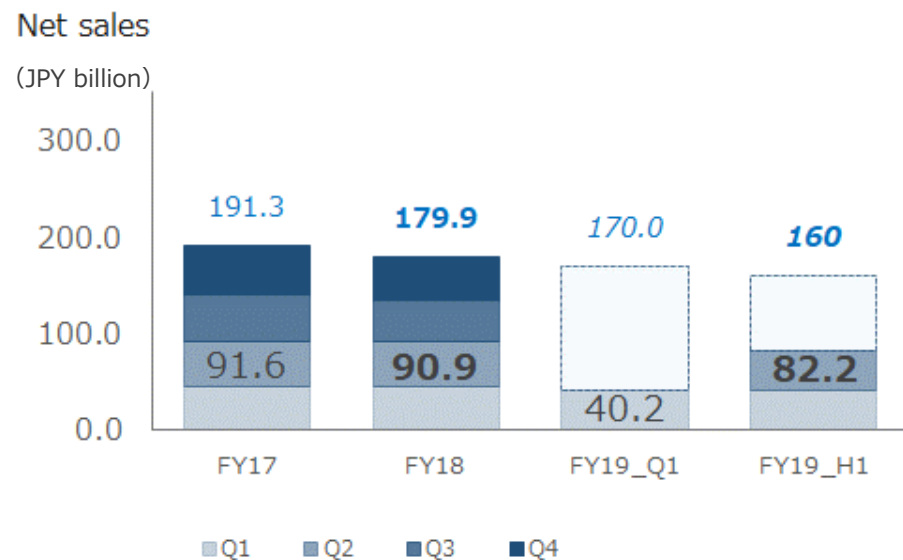
\*Announced on May 14,2019

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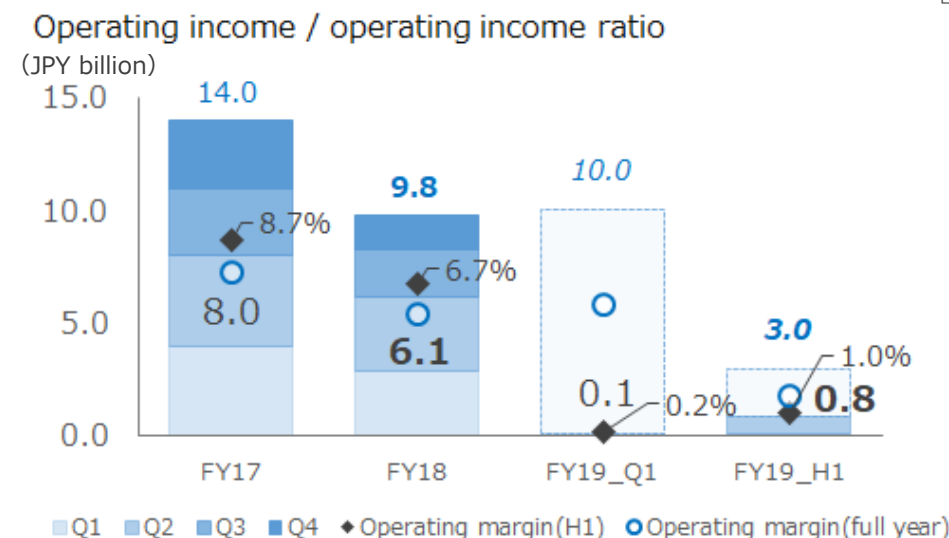
# 1 -(1) Infrastructure (Communications Solutions)



**H1 Operating income: YoY difference JPY ▲5.3 billion**

□: Positive growth factors ■: Negative growth factors  
 ∘: Topics ✓: Focus point

- Revenue decreased due to intensified price competition in optical fiber and cable in Europe and Asia
- Optical cable demand continues to grow in North America, but slow to improve productivity and increase production
- Increased in R&D expenses and depreciation
- Increased revenue from digital coherent products

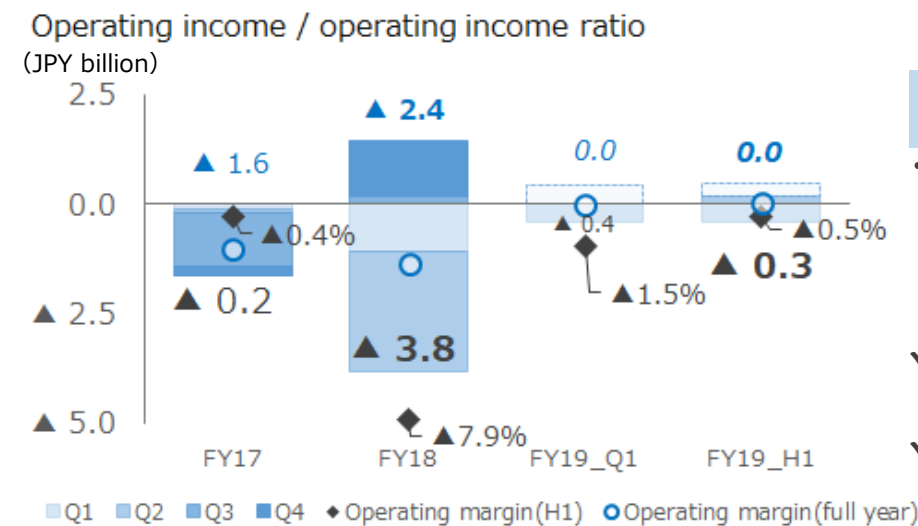
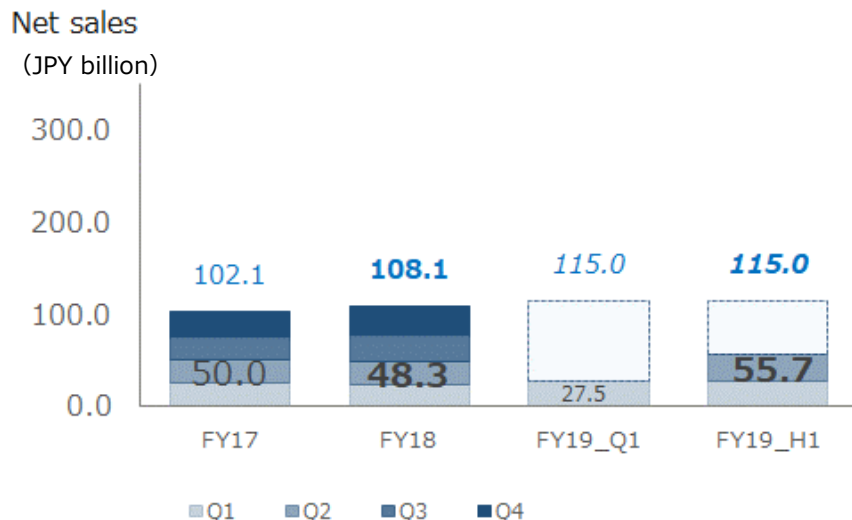


**H2 Forecast**

- Optical cable will remain strong in Japan
- Improve optical cable productivity in North America, and realize the benefits of increased production
- Impact of the falling optical fiber and cable prices will continue
- Promote a shift to next generation digital coherent products
- ✓ Accelerate sales of ultra-high count multi-core cable and high performance fiber for data centers, etc.
- ✓ Develop next generation products directed at the establishment of 5G networks, and promote the solutions business

Blue : Full year Net Sales , Operating Income  
 Black : First half Net Sales , Operating Income

# 1 -(2) Infrastructure (Energy Infrastructure)



Blue : Full year Net Sales , Operating Income  
Black : First half Net Sales , Operating Income

## H1 Operating income: YoY difference JPY +3.6 billion

□ : Positive growth factors ■ : Negative growth factors  
• : Topics ✓ : Focus point

- Steadily captured demand for underground power cables in Japan
- Progress made by Chinese subsidiaries as planned
- Completed the unprofitable overseas projects in FY2018
- Last year, provision for loss on construction contracts were recorded for new energy projects
- Industrial power cable benefited from the effects of improved profitability

## H2 Forecast

- Although operations of power cable business were suspended for a time due to the impact of the typhoon in September, expect to achieve the full-year plan
- ✓ Steadily capture the demand for ultra high voltage and renewable energy products in Japan
- ✓ Strengthen the installation capabilities and the facilities for submarine cables
- ✓ Reduce costs through increased productivity
- ✓ Expand sales of the lightweight, flexible (easy to install) aluminum CV cable and components

# 2-(1) Electronics & Automotive systems (Automotive Products & Batteries)

## H1 Operating income: YoY difference JPY +0.4 billion

□: Positive growth factors ■: Negative growth factors  
•: Topics ✓: Focus point

- Batteries were firm as a result of industrial segment growth in addition to lower prices of lead, the main raw material
- Increase in fixed costs such as R&D expenses and depreciation directed towards the upcoming projects starting from FY2020

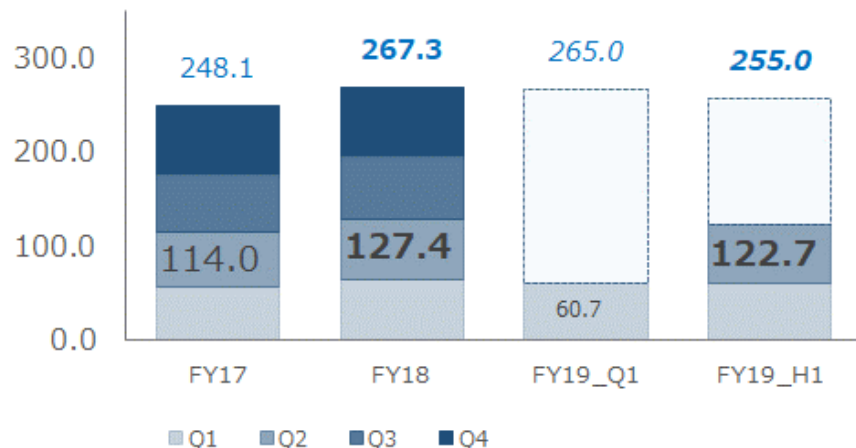
## H2 Forecast

- Due to changes in the market environment, wire harness revenue will decline in each region
- ✓ Proactively capture demand for lighter weight resulting from the advances in vehicle electrification and autonomous driving
- ✓ Steadily make investments for increased production in Asia directed at increasing wire harness shipments to North America
- ✓ In relation to advanced driver-assistance systems, work to receive new orders for next generation high precision radar, as well as expand sales of existing models and complete the 2020 model high performance BSS\*

\*BSS; Battery State Sensor

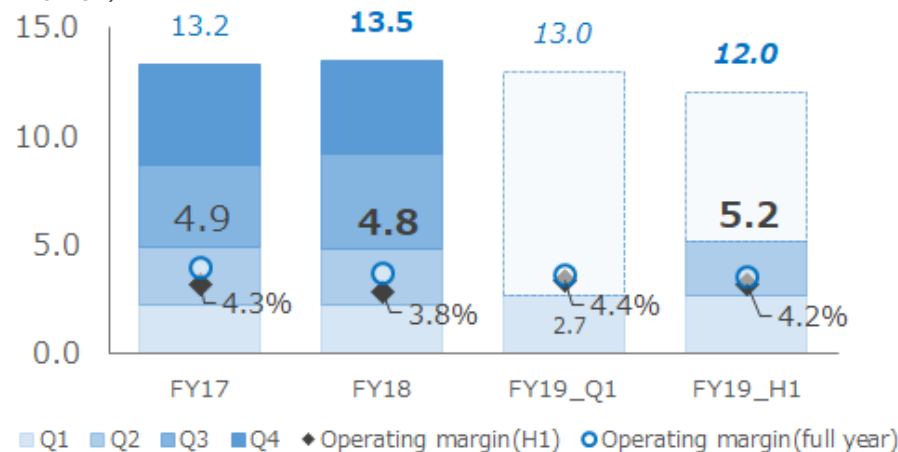
Net sales

(JPY billion)



Operating income / operating income ratio

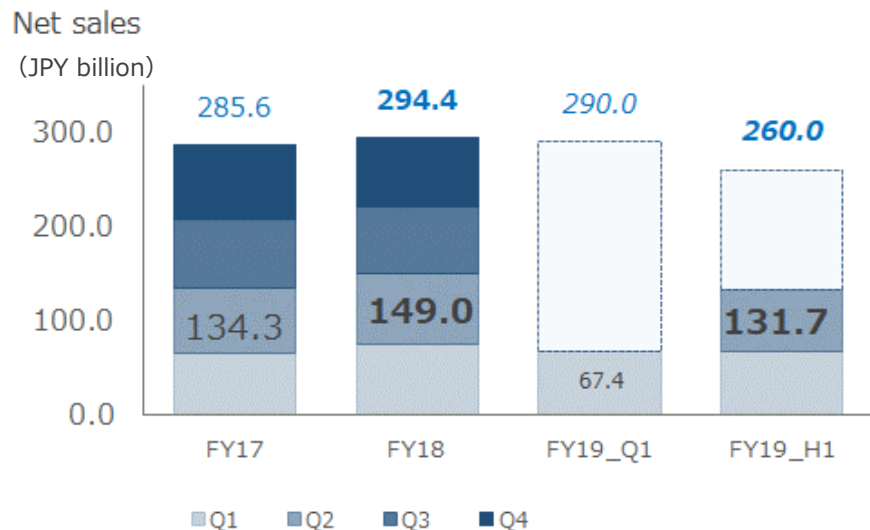
(JPY billion)



Blue : Full year Net Sales , Operating Income

Black : First half Net Sales , Operating Income

# 2-(2) Electronics & Automotive systems (Electronics Component Materials)



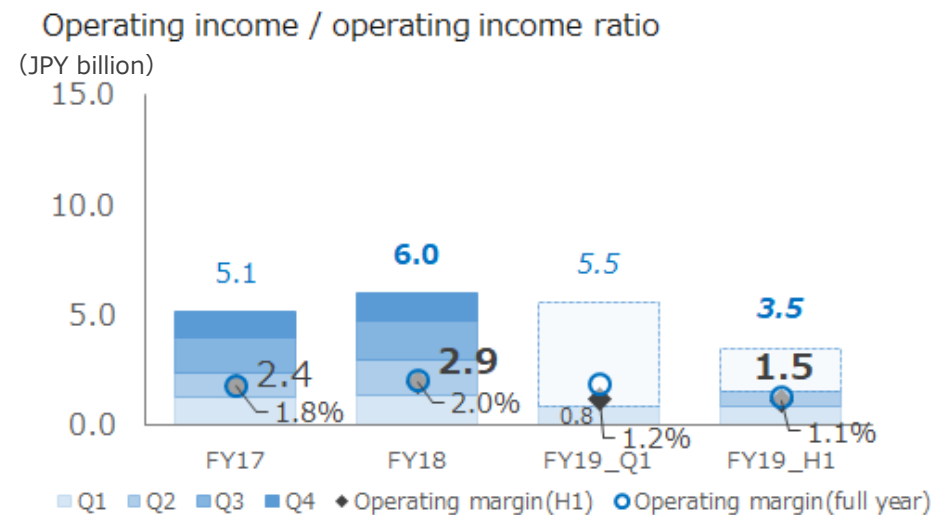
## H1 Operating income: YoY difference JPY ▲1.4 billion

□: Positive growth factors ■: Negative growth factors  
·: Topics ✓: Focus point

- Demand for electronics products, including smartphones, weakened further than expected
- Strong sales of magnet wires for electric cars

## H2 Forecast

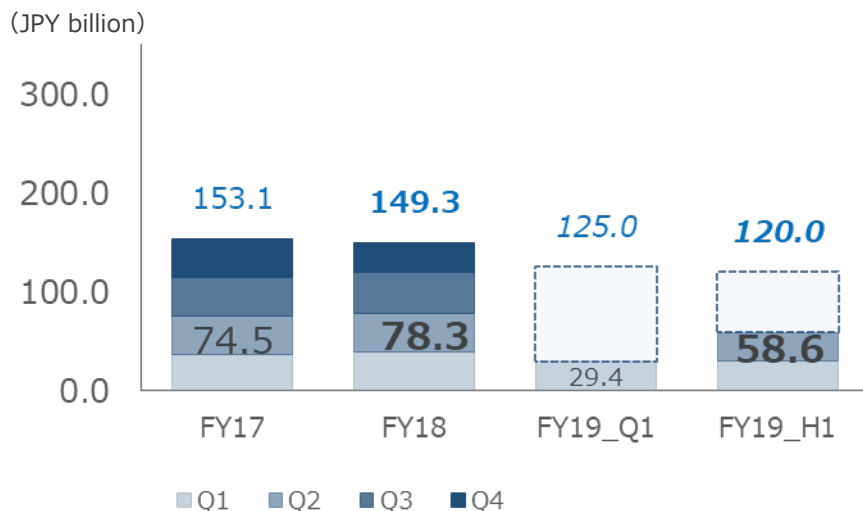
- Demand for electronics products will continue to be weak
- ✓ Improve the product mix in line with market needs and increase productivity
- ✓ Expand sales of original alloys that support the increasingly higher performance of electronic devices
- ✓ Expand sales of differentiated magnet wire for 5G infrastructure and inductors for servers
- ✓ Increase adoption of magnet wire for automotive products globally



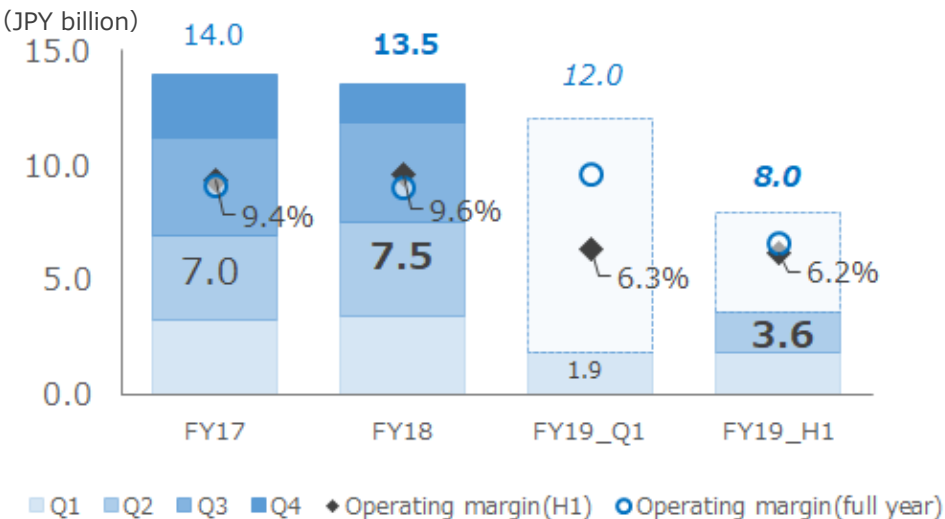
Blue : Full year Net Sales , Operating Income  
Black : First half Net Sales , Operating Income

# 3 Functional Products

## Net sales



## Operating income / operating income ratio



## H1 Operating income: YoY difference JPY ▲3.9 billion

□ : Positive growth factors ■ : Negative growth factors  
 ◦ : Topics ✓ : Focus point

- Decreased revenue in the copper foil business due to the impact of the fire
- Weaker demand for products for data centers, memory, smartphones, etc. compared to strong demand last year
- Insulation for pipes and underground cable-protecting pipes are strong

## H2 Forecast

- Expect the full-scale recovery in data center related demand to begin in Q4
- ✓ Develop next generation products that will form the foundation of new revenue mainly in the data center market
- ✓ Develop new markets and propose new applications
- ✓ Improve further productivity and strengthen the ability to respond to market changes

Blue : Full year Net Sales , Operating Income  
 Black : First half Net Sales , Operating Income

# FY2019 H1 results – B/S Summary

(JPY billion)

	End of 18Q4	End of 19H1	Change
	a	b	b-a
<b>Current assets</b>	<b>420.5</b>	<b>386.0</b>	<b>▲ 34.5</b>
Cash and bank deposits	44.6	40.1	▲ 4.5
Notes and accounts receivable trade	219.3	194.3	▲ 25.0
Inventories	122.9	125.2	+2.3
<b>Non-current assets</b>	<b>397.5</b>	<b>412.0</b>	<b>+14.5</b>
Tangible fixed assets	229.4	245.6	+16.3
Intangible fixed assets	12.2	13.4	+1.2
Investments and other assets	155.9	153.0	▲ 3.0
<b>Total Assets</b>	<b>818.0</b>	<b>798.0</b>	<b>▲ 20.0</b>
<b>Current liabilities</b>	<b>331.6</b>	<b>322.6</b>	<b>▲ 9.0</b>
<b>Non-current liabilities</b>	<b>206.5</b>	<b>198.2</b>	<b>▲ 8.3</b>
<b>Total Liabilities</b>	<b>538.1</b>	<b>520.8</b>	<b>▲ 17.3</b>
Shareholders' equity	243.1	245.1	+2.0
Accumulated other comprehensive income	4.6	0.4	▲ 4.2
Net income attributable to non-controlling interests	32.3	31.8	▲ 0.4
<b>Total Net assets</b>	<b>279.9</b>	<b>277.2</b>	<b>▲ 2.7</b>
<b>Total Liabilities and Net assets</b>	<b>818.0</b>	<b>798.0</b>	<b>▲ 20.0</b>
Interest-bearing liabilities	246.0	250.2	+4.2
Capital ratio	30.3%	30.8%	+0.5
NET D/E ratio	0.81	0.86	+0.04

## Tangible/intangible fixed assets

Increased by 17.5 billion yen

Impact of increased CAPEX  
12.0 billion yen

Adoption of IFRS 16 Lease to  
overseas affiliates  
7.3 billion yen

## Investment and other

Decreased by 3.0 billion yen

Decrease in investment  
securities  
▲2.0 billion yen  
(sales of stocks, and fair market valuation)

## Accumulated other comprehensive income

Decreased by 4.2 billion yen

Decrease in foreign currency  
translation adjustment  
▲4.0 billion yen  
(influenced by currency depreciation of  
emerging currencies)

(billion yen)

	FY18 H1 Results	FY19 H1 Results	YoY change	FY19 Forecast
	a	b	b-a	
CAPEX	20.9	26.2	+5.3	48.0
Depreciation and amortization	13.0	14.2	+1.2	30.5
R&D expenses	10.3	10.9	+0.6	23.0

Thank you very much  
for your attention.

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



# (Appendix) Segments and Business Divisions

Segment	Sub-segment	Business Division
Infrastructure	Communications Solutions	Optical Fiber and Cable Products
		FITEL Products
		Broadband Solutions Business
	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	AT & Functional Plastics	
	Thermal Management Solution & Products	
	Memory Disk	
	Copper Foil	
Service and Developments, etc.		