

# **FY2015 1<sup>st</sup>. Half Financial Results**



**Fujikura Ltd.**

**October 29, 2015**

# **I. The last year of 2015 Mid-term Business Plan Toward Achieving Business Strategy Goal**

**Yoichi Nagahama,  
President & CEO**

## **II. FY2015 1<sup>st</sup>. Half Financial Results**

**Hideo Shiwa,  
Senior Vice President & Member of the Board**

# **I. The last year of 2015 Mid-term Business Plan toward Business Strategy Goal**

- 1. Review of FY2015 1<sup>st</sup>. Half**
- 2. Current business environments**
- 3. FY2015 forecasts**
- 4. Progress of key initiatives in FY2015**
- 5. Comparison between FY2015 forecasts vs.  
2015 Mid-term Goals**
- 6. Actions in FY2015 2H toward 2020 Mid-  
term Business Plan Start**

# 1. Review of FY2015 1<sup>st</sup>. Half

(Unit:JPY in Billion)	Original Plan	FY2015 1 <sup>st</sup> . Half Results	Difference
<b>Net Sales</b>	<b>330.0</b>	<b>345.2</b>	<b>+15.2</b>
<b>Operating Income</b>	<b>13.0</b>	<b>17.0</b>	<b>+4.0</b>
<b>Operating Income Margin</b>	<b>3.9%</b>	<b>4.9%</b>	<b>+1.0</b>
<b>Ordinary Income</b>	<b>10.0</b>	<b>14.2</b>	<b>+4.2</b>
<b>Net income attributable to parent company shareholders</b>	<b>6.0</b>	<b>8.5</b>	<b>+2.5</b>
<b>Net Income per Share(JPY)</b>	<b>19.41</b>	<b>27.77</b>	<b>+8.36</b>

**Net Sales and net income has increased compared to the original forecast**

- **In Telecommunication business, optical fibers, optical devices and fusion splicers were favorable in 1Q.**
- **In Electronics business, FPC strong demand continued from 1Q to 2Q.**
- **Automotive products business faced difficulties in Chinese market.**

## 2. Current Business Environments

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- **Global FTTH market is expanding.  
Strong demand for optical fibers continues.**
- **Regarding FPC and connectors for smartphones, demand trends of 4Q (seasonality) need to be watched.**
- **Slow-down of Chinese economy impacted our business including automotive, smartphone- related and industrial equipment, and the future is uncertain.**
- **Automotive products is firm in US and Europe, but the impact of an emission scandal is one of our concerns.**

### 3. FY2015 Forecasts

<b>(Unit:JPY in Billion)</b>	<b>Original Plan</b>	<b>FY2015 Forecasts</b>	<b>Difference</b>
<b>Net Sales</b>	<b>680.0</b>	<b>690.0</b>	<b>+10.0</b>
<b>Operating Income</b>	<b>30.0</b>	<b>32.0</b>	<b>+2.0</b>
<b>Operating Income Margin</b>	<b>4.4%</b>	<b>4.6%</b>	<b>+0.2</b>
<b>Ordinary Income</b>	<b>25.0</b>	<b>25.0</b>	<b>±0.0</b>
<b>Net income attributable to parent company shareholders</b>	<b>15.0</b>	<b>15.0</b>	<b>±0.0</b>
<b>Net Income per Share(JPY)</b>	<b>48.52</b>	<b>48.72</b>	<b>+0.2</b>

- Based on the 1H results, we have revised operating income upward.
- Ordinary income and net income are remained unchanged due to expected increase of non-operating expenses.

# 4. Progress of key initiatives in FY2015

Items	Major Actions
<b>1.Accerelating Globalization</b>	<ul style="list-style-type: none"> <li>➤ <b>Strategic sites for infrastructure business</b>  <b>Brazil</b>      In April, 2015, started to produce OPGW・ACSR  <b>Myanmar</b>    Established a joint venture with Barons,  and started its operation in April, 2015</li> </ul>
<b>2.Further improvement of profitability</b>	<ul style="list-style-type: none"> <li>➤ <b>Following the growth of our major customers</b>  <b>Electronics business</b>      Expanding orders mainly in FPC business  <b>Telecommunication business</b>    Expanding business of overseas FTTx and data centers</li> </ul>
<b>3.Paving the way to new business areas</b>	<ul style="list-style-type: none"> <li>➤ <b>Fiber Laser</b>    Favorable business environment of pulse fiber lasers  Concentrating on the increasing the number of customer high power fiber lasers</li> <li>➤ <b>Active Optical Cable</b>    Entered the expanding market</li> </ul>
<b>4.Structural Reform</b>	<ul style="list-style-type: none"> <li>➤ <b>Continuously promoting structural reform of domestic infrastructure business</b></li> </ul>

## 5. Comparison between FY2015 forecasts vs 2015 Mid-term Goals

In-house companies (Unit: JPY in billion,%)		2015 Mid-term Goals		FY2015 Forecasts	
		Net Sales	OP Margin	Net Sales	OP Margin
Infrastucture		190.0		222.6	
	Optical Fiber	145.0		151.4	
Power & Telecommunication		335.0	5.4%	374.0	4.0%
Electronics Business ※1		145.0	6.0%	158.3	6.7%
Automotive Products		110.0	5.5%	139.2	2.7%
Real Estates		10.0	50.0%	10.6	48.7%
Others		4.0	-25.0%	-	-
Paving the Way to New Business Areas		-	-	7.8	-34.2%
<b>Total</b>		<b>650.0</b>	<b>6.3%</b>	<b>690.0</b>	<b>4.6%</b>

※1 Only Electronics Business's Mid-term Goal was revised due to the Thai flood. The original plan was 190.0bn 6.8%

If New Business, which was not included in 2015 Mid-term Business Plan, was excluded,	<b>682.3</b>	<b>5.2%</b>
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**The last year of 2015 Mid-term Business Plan  
OP Margin is expected to achieve 80 % of the goals.**



## 6. Actions in FY2015 2H toward 2020 Mid-term Business Plan Start

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**We expect to achieve 80% of Operating Income Margin of FY2015 Mid-term Business Plan, but there are some challenges ahead.**

**Electronics business put on the road to revival.**

**It is necessary to take actions for expanding orders in the future.**

**Infrastructure will finish structural reform in this fiscal year, and establish overseas business foundation for future growth.**

**Telecommunication will follow expansion of overseas FTTx and data center markets.**

**Automotive products will expand customer foundation while eyeing on an emission scandal .**



**We plan to formulate the next (2020) Mid-term Business Plan which includes strategies to establish foundation for profit further, and bridge to the sustainable growth, and will release it in May, 2016.**

## **II. Financial Results**

- 1. FY2015 1H Financial Results and FY2015 Forecasts**
- 2. Information by Segment**
- 3. Shareholder Return**

# **1. FY2015 1H Financial Results and FY2015 Forecasts**

# FY2015 1H Financial Results and FY2015 Annual Forecasts

(Unit: JPY in Billion)

	FY2014			FY2015			FY2015 (Released on May 8)	
	1H Results	2H Results	FY2014 Results	1H Results	2H Forecasts	FY2015 Annual Forecasts	1H	2H
Net Sales	312.8	348.7	661.5	345.2	344.8	690.0	330.0	680.0
Operating Income	10.6	14.4	25.0	17.0	15.0	32.0	13.0	30.0
Operating Income Margin (%)	3.4	4.1	3.8	4.9	4.4	4.6	3.9	4.4
Equity Method Income (Loss)	(0.0)	(0.2)	(0.3)	(0.2)	0.1	(0.1)	0.2	0.9
Ordinary Income (Loss)	9.6	11.4	21.0	14.2	10.8	25.0	10.0	25.0
Net Income (Loss) attributable to parent company shareholders	5.4	6.8	12.2	8.5	6.5	15.0	6.0	15.0
Net Income per Share (JPY)	16.87	21.06	37.93	27.77	20.95	48.72	19.41	48.52
Dividend per share (JPY)	3.50	3.50	7.00	4.00	4.00	8.00	4.00	8.00
Exchange Rate (JPY/USD)	103.01	116.82	109.76	121.88	115.00	—	115.00	115.00
CU Base ('000JPY/ton)	757	750	766	741	700	—	700	700

# FY2015 1H Financial Results and FY2015 Forecasts

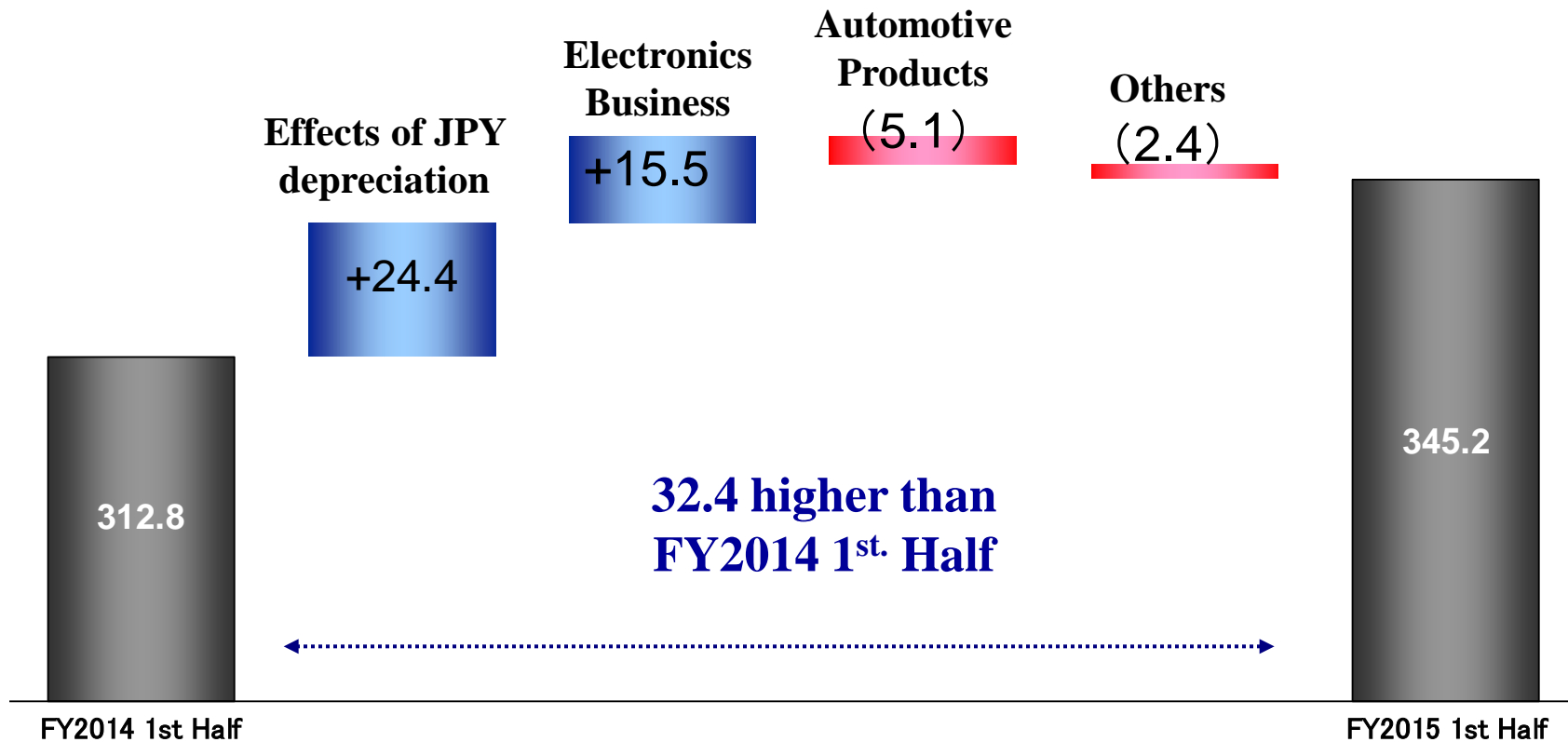
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- **Net sales increased on a YoY basis owing to the effects of depreciation of yen and sales growth of electronics business.**
- **Accordingly, operating income, ordinary income and net income increased on a YoY bases because of the effects of depreciation of yen and sales growth of electronics business.**
- **Regarding annual forecasts, we have revised operating income upward based on the 1H results, but ordinary income and net income are remained unchanged due to expected increase of non-operating expenses.**

# FY2015 1<sup>st</sup>. Half Net Sales by Factor (year-on-year basis)

## Net Sales

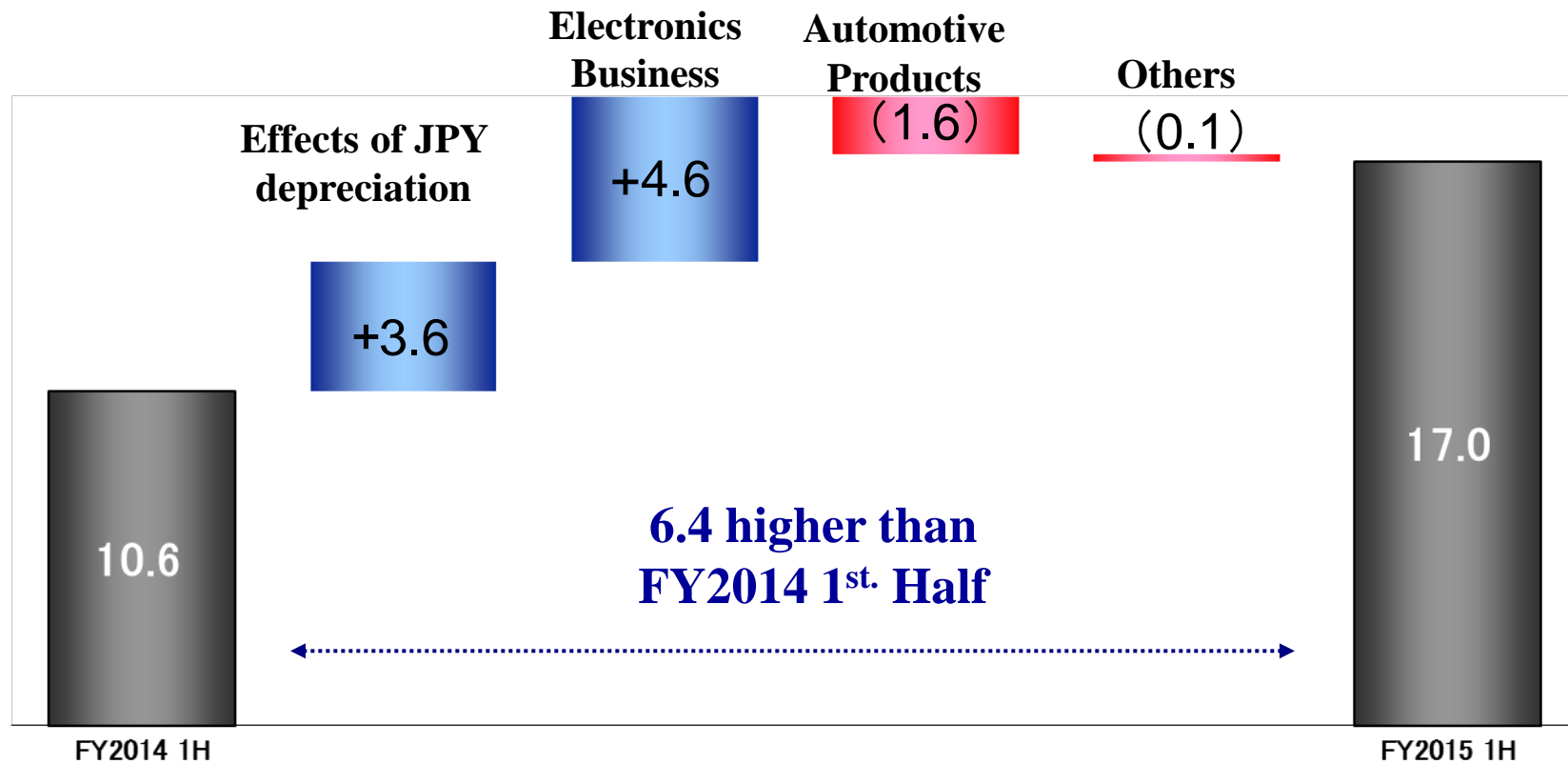
(Unit: JPY in Billion)



# FY2015 1<sup>st</sup>. Half Operating Income by Factor (year-on-year basis)

## Operating Income

(Unit: JPY in Billion)



# FY2015 1<sup>st</sup>. Half Extraordinary Profit and Loss

## Extraordinary Profit and Loss

(Unit: JPY in Billion)

	FY2014			FY2015
	1 <sup>st</sup> . Half	2 <sup>nd</sup> . Half	FY2014	1 <sup>st</sup> . Half
Operating Income	10.6	14.4	25.0	17.0
Equity Method Income	(0.0)	(0.2)	(0.3)	(0.2)
Ordinary Income	9.6	11.4	21.0	14.2
Extraordinary Gains	0.1	2.1	2.2	0.5
Extraordinary Losses	0.3	2.7	3.0	1.5
Income before Income Taxes and Minority Interests	9.4	10.7	20.2	13.3
Total Income Taxes	3.9	3.0	6.9	4.2
Minority Interests in Income	0.0	1.1	1.1	0.5
Net Income (Loss) attributable to parent company shareholders	5.4	6.7	12.2	8.5



# Consolidated B/S (1)

(Unit: JPY in Billion)

	As of March 31, 2015	As of Sept. 30, 2015	Difference	
〈Assets〉	577.5	576.5	(1.0)	Effects of foreign exchange rate - 9.7 billion yen March, 2015 1 baht=3.69 yen Sept., 2015 1 baht=3.30 yen
<b>Current Assets</b>	<b>294.6</b>	<b>302.9</b>	<b>8.2</b>	
Cash and Deposits	35.7	32.8	(2.8)	Increase of sales of Electronics Business Company because of seasonal factor
Notes and Account Receivable	157.0	163.2	6.2	
Inventories	78.5	84.4	5.9	
<b>Fixed Assets</b>	<b>282.8</b>	<b>273.5</b>	<b>(9.3)</b>	Capital investment +13.2 billion yen Depreciation cost -13.3 billion yen Mainly due to the effect of foreign exchange rate
Tangible Fixed Assets	185.9	179.3	(6.5)	
Intangible Fixed Assets	14.4	13.5	(0.9)	
Sub Total	200.3	192.8	(7.5)	Revaluation of securities - 1.1 billion yen
<b>Total Investments and Other Assets</b>	<b>82.5</b>	<b>80.7</b>	<b>(1.7)</b>	

# Consolidated B/S (2)

(Unit: JPY in Billion)

	As of March 31, 2015	As of Sept. 30, 2015	Difference
<b>Total</b>	<b>577.5</b>	<b>576.5</b>	<b>(1.0)</b>
<b>(Treasury Stock)</b>	<b>((19.7))</b>	<b>((22.2))</b>	<b>((2.4))</b>
<b>〈Liabilities〉</b>	<b>343.0</b>	<b>345.1</b>	<b>2.0</b>
<b>Notes and Account Payable</b>	<b>78.6</b>	<b>84.7</b>	<b>6.0</b>
<b>Interest-bearing Debt</b>	<b>205.1</b>	<b>197.2</b>	<b>(7.8)</b>
<b>Other Current Liability</b>	<b>37.0</b>	<b>41.1</b>	<b>4.0</b>
<b>〈Net Assets〉</b>	<b>234.5</b>	<b>231.4</b>	<b>(3.0)</b>
<b>Shareholder's Equity</b>	<b>1,878</b>	<b>192.9</b>	<b>5.0</b>
<b>(Treasury Stock)</b>	<b>((19.7))</b>	<b>((22.2))</b>	<b>((2.4))</b>
<b>Total Valuation and Translation Adjustment</b>	<b>30.6</b>	<b>22.9</b>	<b>(7.7)</b>
<b>Minority Interests</b>	<b>15.9</b>	<b>15.6</b>	<b>(0.3)</b>

Repaid by  
operating cash flow

Decrease of foreign currency  
translation adjustment - 7.4 billion yen  
Valuation difference on available-for-  
sale securities - 0.7 billion yen

## 2. By Segment

# Financial Records and Forecasts by Segment

(Unit: JPY in Billion)

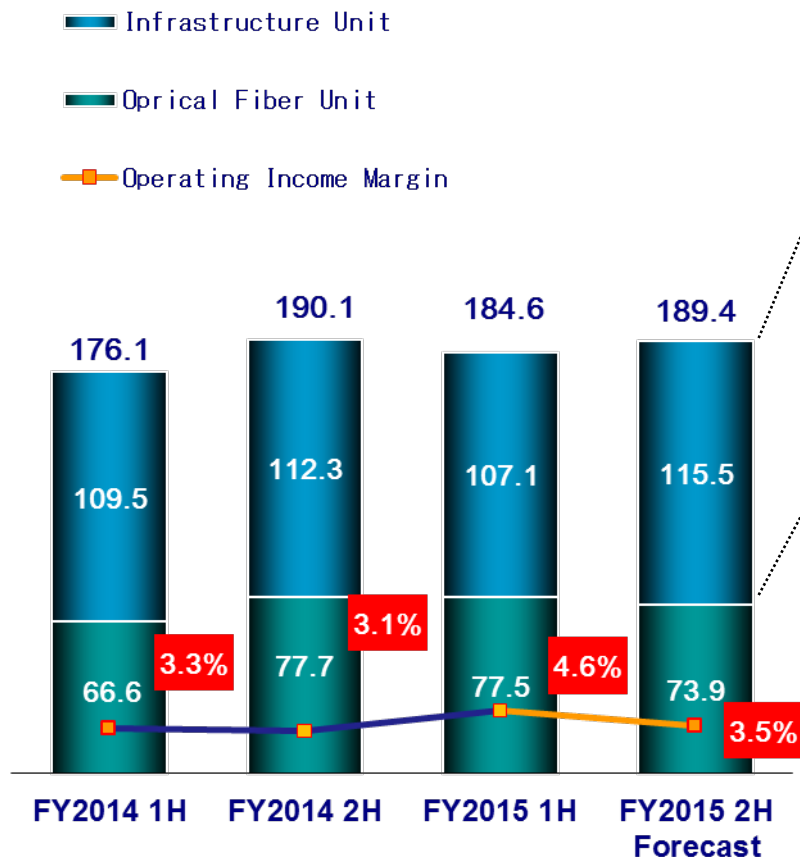
Net Sales					Operating Income and Margin			
Segment	FY2014	FY2015	Difference	FY2015	FY2014	FY2015	Difference	FY2015
	1st. Half Results	1st. Half Results		2H Forecasts	1st. Half Results	1st. Half Results		2H Forecasts
<b>Power &amp; Tele-communication Systems Company</b>	176.1	184.6	8.5	189.4	5.7	8.4	2.7	6.6
					3.3%	4.6%	1.3%	3.5%
<b>Electronics Business Company</b>	62.2	84.8	22.6	73.5	1.5	6.9	5.4	3.7
					2.5%	8.2%	5.7%	5.1%
<b>Automotive Products Company</b>	66.7	67.2	0.5	72.0	1.8	0.5	(1.3)	3.3
					2.7%	0.8%	(1.9%)	4.6%
<b>Real Estate Business Company</b>	5.4	5.4	0.0	5.2	2.7	2.7	0.0	2.5
					49.4%	51.7%	2.2%	47.4%
<b>Others</b>	2.3	3.1	0.8	4.7	(1.1)	(1.6)	(0.5)	(1.1)
<b>Total</b>	312.8	345.2	32.4	344.8	10.6	17.0	6.4	15.0
					3.4%	4.9%	1.5%	4.4%

# Power & Telecommunication Systems Company

- In FY2015 1H, both net sales and operating income increased on a YoY basis owing to effects of foreign exchange rate and favorable sales of telecommunication business including optical fibers, optical devices and fusion splicers.
- In FY2015 2H, net sales is expected to increase, but operating income is to decrease in total, because sales of Infrastructure is expected to increase owing to seasonal factor, while sales of Optical Fiber is expected to decrease due to intensified competition, product mix etc.

(Unit: JPY in Billion)

## Net sales & Operating Income Margin



### Infrastructure

- In 2015 1H, it remained unchanged on a YoY basis.
- In 2015 2H, net sales is expected to increase partly owing to seasonal factor of domestic construction.

### Optical Fiber

- In 2015 1H, net sales increased owing to effects of foreign exchange rates
- In 2015 2H, net sales is expected to decrease due to intensified competition, product mix etc.

#### Comments

Above: FY2015 1H Results (YoY basis)

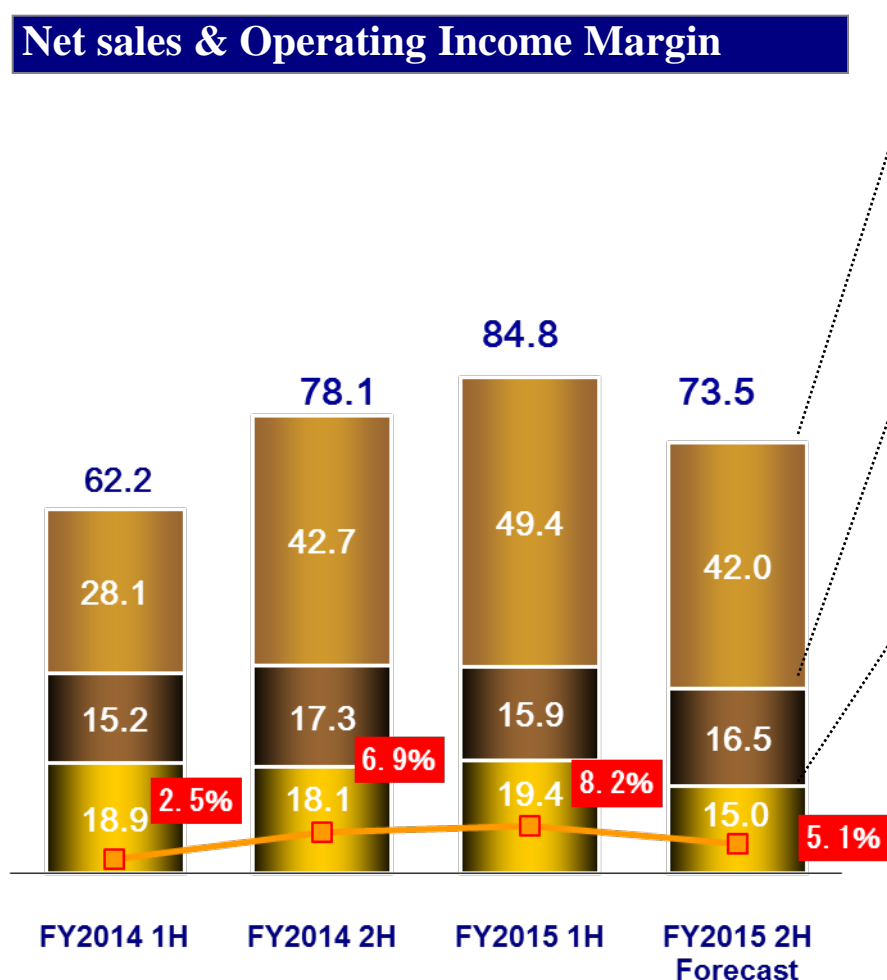
Below: FY2015 2H Forecasts

# Electronics Business Company

- In FY2015 1H, both net sales and operating income drastically increased partly owing to FPC.
- In FY2015 2H, both net sales and operating income are expected to decrease compared to 1H due to decrease of demands by seasonal factors.

(Unit: JPY in Billion)

## Net sales & Operating Income Margin



FPC
<ul style="list-style-type: none"> <li>■ In 2015 1H, net sales increased on YoY basis because of strong demands for smartphones.</li> <li>■ In 2015 2H, net sales is expected to decreased compared to 1H due to decrease of demands by seasonal factors.</li> </ul>
Connector
<ul style="list-style-type: none"> <li>■ In 2015 1H, it remained unchanged on a YoY basis.</li> <li>■ In 2015 2H, it is expected to be the same trend with 1H.</li> </ul>
Others
<ul style="list-style-type: none"> <li>■ In 2015 1H, it remained unchanged on a YoY basis.</li> <li>■ Net sales is expected to decrease compared to 1H due to disappearance of a temporary factor in 1H and shrink of PC market regarding HDD.</li> </ul>

### Comments

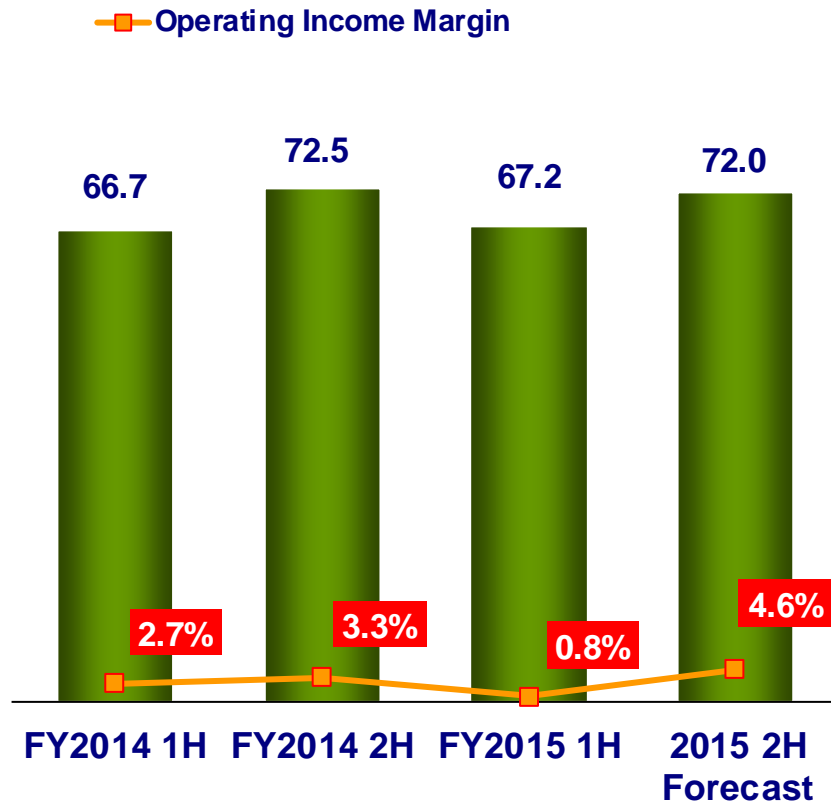
Above: FY2015 1H Results (YoY basis)  
 Below: FY2015 2H Forecasts

# Automotive Products Company

- In FY2015 1H, both net sales and operating income are expected to decrease due to reduction in production of Chinese customers aside from effects of foreign exchange rate.
- In FY2015 2H, both net sales and operating income are expected to increase owing to launch of new models in European region and cost reduction including Asian region.

(Unit: JPY in Billion)

## Net sales & Operating Income Margin



## Automotive Products

- In FY2015 1H, operating income decreased due to decrease of net sales by downward revision of Chinese customers' production plan and the rise of overseas production costs by weak yen.
- In FY2015 2H, both net sales and operating income are expected to increase owing to launch of new models in European region and cost reduction including Asian region.

### Comments

Above: FY2015 1H Results (YoY basis)

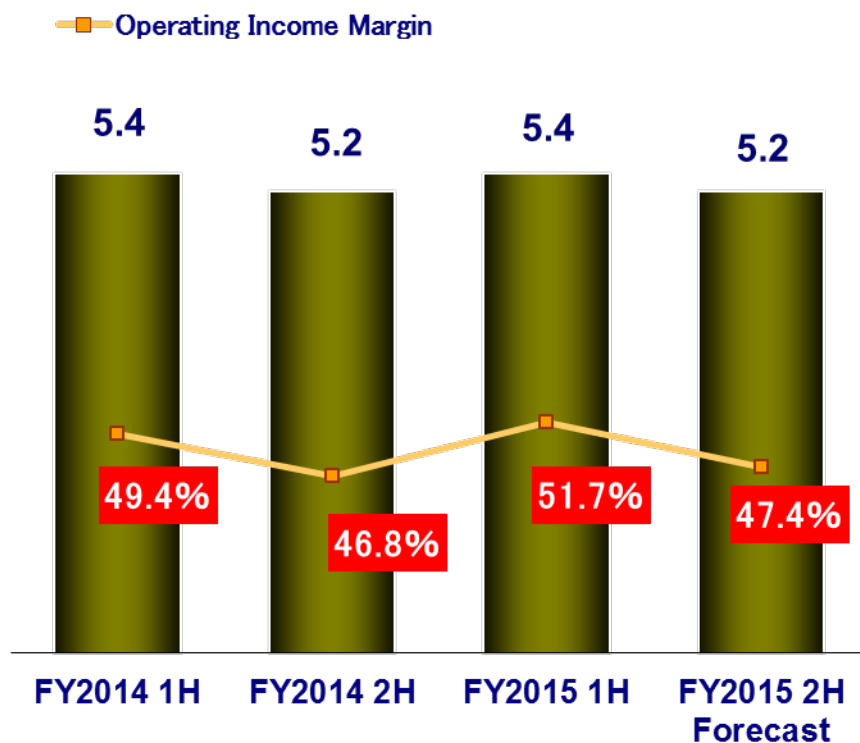
Below: FY2015 2H Forecasts

# Real Estate Business Company

- Revenues of leasing real estate properties continue to contribute to consolidated operating income.

(Unit: JPY in Billion)

## Net sales & Operating Income Margin



## Real Estates

- Stable rental revenues are continuously expected.



# CAPEX and Depreciation

(Unit: JPY in Billion)

	FY2014			FY2015	FY2015 Forecasts (May 8)
	1H	2H	FY2014	1H	
<b>CAPEX</b>	<b>12.2</b>	<b>12.4</b>	<b>24.6</b>	<b>13.2</b>	<b>29.0</b>
(for manufacturing business)	12.1	12.3	24.4	13.1	28.4
(for real estate business)	0.1	0.0	0.1	0.0	0.6
<b>Depreciation Cost</b>	<b>12.8</b>	<b>15.4</b>	<b>28.2</b>	<b>13.3</b>	<b>29.0</b>
(for manufacturing business)	11.9	14.3	26.2	12.4	27.3
(for real estate business)	0.9	1.0	1.9	0.6	1.7

Note: The above figures include leasing costs.

# Interest-bearing Debts, Net Financial Profit and Free Cash Flow

(Unit: JPY in Billion)

	FY2014			FY2015
	1st. Half	2nd. Half	FY2014	1st. Half
Interest-bearing Debts	198.3	205.1	205.1	197.2
Net Financial Profit/Loss	(0.8)	(0.8)	(1.6)	(0.8)
Free Cash Flow	(11.0)	8.6	(2.4)	7.6

**Free Cash Flow = Cash Flow by Operating Activities + Interests Paid + Investing Cash Flow**

# 3. Shareholder Return

# Profit Return

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■ **Basic Policy**    **Total Return Ratio**                      **30% or more**

■ **FY2015 Forecast**

◆ **Dividends 8.0 yen per share**

**(Interim 4.0 yen per share, Year-end 4.0 yen per share, 2.4 billion yen)**

FY2014 7.0 yen per share ( Interim 3.5 yen per share , Year-end 3.5 per share)

(1.0 yen of increase compared to FY2014)

◆ **Repurchase of own shares 3.8 million shares/ 2.4 billion yen**

<b>Dividend Payout Ratio</b>	<b>16.3%</b>
<b>Total Return Ratio</b>	<b>32.5%</b>



*Special Notes:*

*Statements in this presentation that relate to future results and events (including statements regarding Fujikura's revenue and earnings guidance) are based on Fujikura's current expectations. Actual results in future periods may differ materially from those currently expected because of a number of risks and uncertainties. These factors include the effects of general economics on the level of demand for Fujikura's products and services, and on Fujikura's ability to manage supply and delivery logistics; the level and intensity of competition in the electronic and telecommunication equipment industries, the pricing pressures that result, the ability of Fujikura to timely and effectively manage product transitions, component/material availability and cost; the ability of Fujikura to develop new products based on new or evolving technology; and the ability of Fujikura to manage its inventory levels to minimize excess inventory.*

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Net Sales and Operating Income by segment

Net Sales records and estimation by segment

(Unit: JPY in Billion)

	FY2014							FY2015					FY2015 Original released on May 8
	1Q	2Q	3Q	4Q	1H	2H	Fiscal Year	1Q	2Q	1H	2H (Est.)	Fiscal Year (Est.)	1H(Est.)
Infrastructure	52.9	56.6	58.6	53.7	109.5	112.3	221.8	52.8	54.3	107.1	115.5	222.6	103.3
Optical Fiber	33.0	33.6	37.7	40.0	66.6	77.7	144.3	39.1	38.4	77.5	73.9	151.4	74.2
Power & Telecommunication	85.8	90.4	96.4	93.7	176.1	190.1	366.2	91.9	92.7	184.6	189.4	374.0	177.5
FPC	10.8	17.3	23.2	19.5	28.1	42.7	70.8	19.9	29.5	49.4	42.0	91.4	40.6
Connector	7.1	8.1	9.8	7.5	15.2	17.3	32.5	7.8	8.1	15.9	16.5	32.4	15.8
Others	10.0	8.9	9.0	9.1	18.9	18.1	37.0	9.8	9.6	19.4	15.0	34.4	17.9
Electronics Business Company	27.9	34.3	42.0	36.0	62.2	78.1	140.4	37.6	47.2	84.8	73.5	158.3	74.4
Automotive Products Company	34.6	32.1	36.9	35.5	66.7	72.5	139.2	34.4	32.8	67.2	72.0	139.2	69.4
Real Estate Company	2.6	2.8	2.6	2.6	5.4	5.2	10.6	2.7	2.7	5.4	5.2	10.6	5.4
Others	1.0	1.2	1.0	1.5	2.3	2.5	4.8	1.6	1.5	3.1	4.7	7.8	3.3
Total	152.1	160.7	179.1	169.6	312.8	348.7	661.5	168.4	176.8	345.2	344.8	690.0	330.0

Operating Income record and estimation by segment

Power & Telecommunication	3.3	2.4	3.3	2.7	5.7	6.0	11.7	4.4	4.0	8.4	6.6	15.0	6.3
Electronics Business Company	0.0	1.4	3.4	1.9	1.5	5.4	6.9	2.1	4.8	6.9	3.7	10.6	3.3
Automotive Products Company	1.5	0.3	1.9	0.4	1.8	2.4	4.2	0.7	(0.2)	0.5	3.3	3.8	2.3
Real Estate Company	1.3	1.3	1.2	1.2	2.7	2.4	5.1	1.3	1.4	2.7	2.5	5.2	2.7
Others	(0.5)	(0.6)	(0.9)	(1.0)	(1.1)	(1.9)	(3.0)	(0.8)	(0.8)	(1.6)	(1.1)	(2.7)	(1.7)
Total	5.7	4.9	9.0	5.4	10.6	14.4	25.0	7.8	9.2	17.0	15.0	32.0	13.0

Fujikura Ltd.