

First Half Overview and Future Initiatives

President
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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.

■ Lower income on decreased revenue in H1

- The large losses in the first half were generally in line with expectations.
- The Automotive Products Division (Electronics & Automotive Systems segment) and Power Cable Division (Infrastructure segment) were greatly affected* by the lower operating levels at overseas subsidiaries due to COVID-19.

* Due to the fact that multiple overseas subsidiaries have adopted a fiscal year from January-December

(JPY billion)

	FY19 H1 Results	FY20 H1 Results	YoY change
Net sales	455.2	354.5	▲100.7
Operating income	10.8	▲3.3	▲14.1
Operating income margin	2.4%	▲0.9%	▲3.3

■ FY2020 full-year forecast

• In addition to lower operating income, the ordinary income and net income attributable to owners of the parent company are expected to fall significantly below last year due to the deterioration in profit/loss in equity method affiliates.

• There are no changes to the previously announced (when reporting the Q1 results) net sales and operating income forecast (some revisions have been made to the individual business segments).

(JPY billion)

	FY19 Results	FY20 Initial forecasts	FY20 Forecasts			YoY Change	Change compared to the initial forecasts
			H1 Results	H2 Forecasts	Full year Forecasts		
Net sales	914.4	780.0	354.5	425.5	780.0	▲134.4	±0
Operating income	23.6	5.0	▲3.3	8.3	5.0	▲18.6	±0
Operating income margin	2.6%	0.6%	▲0.9%	2.0%	0.6%	▲2.0	±0
Ordinary income	22.8	—	▲6.0	5.5	▲0.5	▲23.3	—
Net income attributable to owners of parent	17.6	—	1.6	1.4	3.0	▲14.6	—

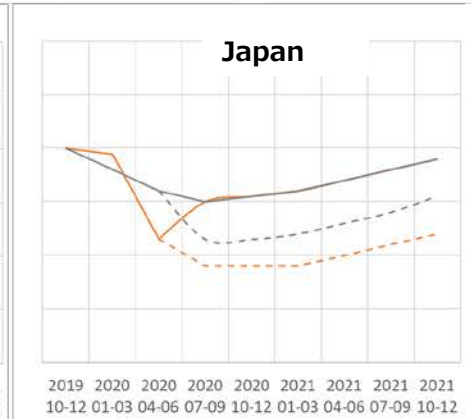
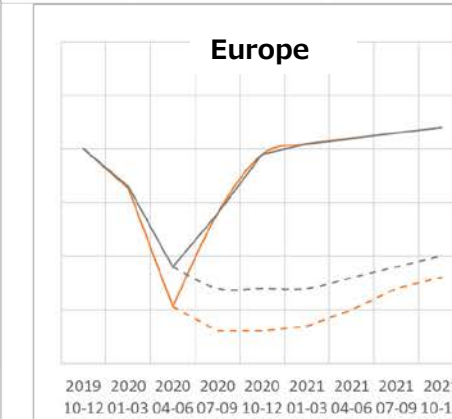
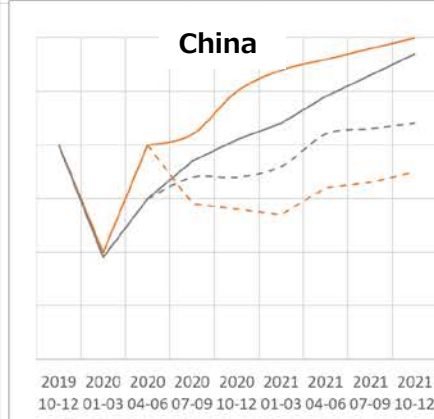
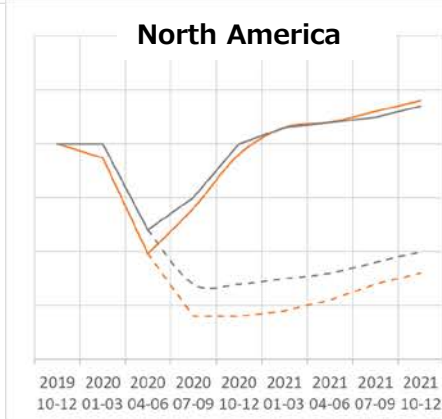
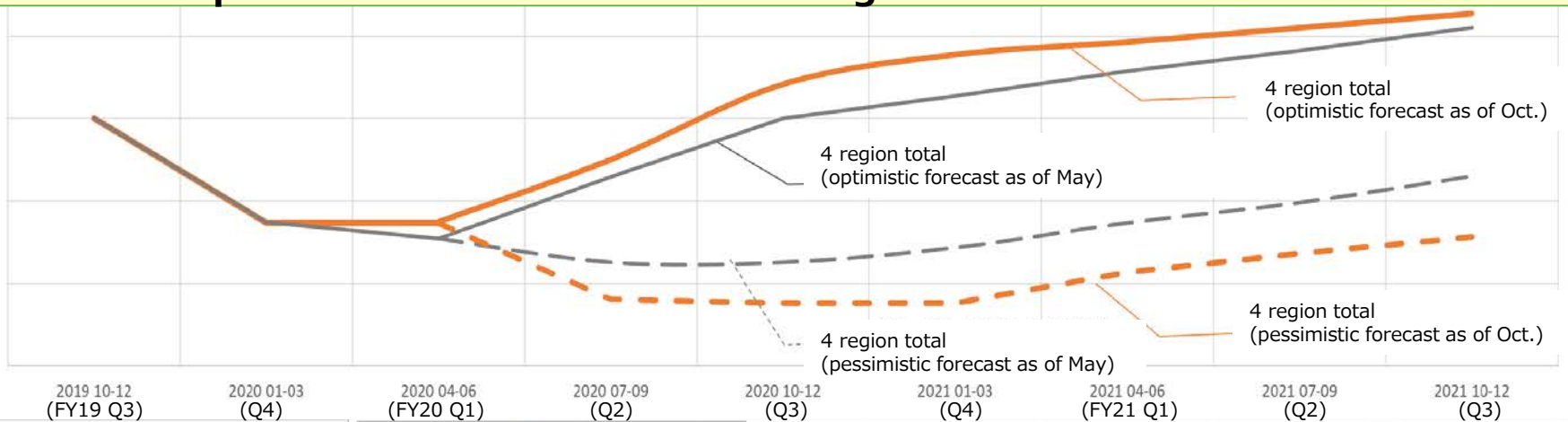
- Along with the recently robust demand for data centers and optical networks to establish the infrastructure environment, there are expectations for higher medium to long-term demand. However, optical fiber and cable supply and demand remains unbalanced in China, and **prices are expected to continue falling**.
- **Automobile production volumes, which were greatly affected by COVID-19, are starting to recover.** (Blue: positive factor, Red: negative factor)

Business segment	Market environment
Communications Solutions	<ul style="list-style-type: none"> • Optical fiber and cable prices are expected to continue falling worldwide • Optical fiber and cable demand environment is firm in North America • Although expectations exist for growth resulting from medium-term increases in communications traffic, there is a risk customers will delay their investments
Energy Infrastructure	<ul style="list-style-type: none"> • In Japan, underground cable is firm, and submarine cable has largely been unaffected other than delays in the commencement of some projects • In China, the market dropped significantly in Jan. – Mar., 2020, but it is recovering. There are construction delays in some regions • Demand in the construction market in Japan continues to be weak
Automotive Products & Batteries	<ul style="list-style-type: none"> • In addition to the ongoing global market weakness from FY19, COVID-19 led to lower automobile production volumes in the first half. Production volumes will start to recover in the second half
Electronics Component Materials	<ul style="list-style-type: none"> • Automotive products have bottomed and are starting to recover • Excluding some mobile communications products, the electronics market continues to be weak
Functional Products	<ul style="list-style-type: none"> • In the data center market, full-scale recovery began from FY19 Q4. In addition, the increase in working from home and online learning has resulted in robust demand worldwide • Semiconductor related products will enter an adjustment phase following the inventory buildup • Infrastructure related products (functional plastics) will continue to be affected by the suspension of operations at customer plants and the impact in relation to the distribution and supply chains

Recovery Scenarios

- Communications Solutions Industry

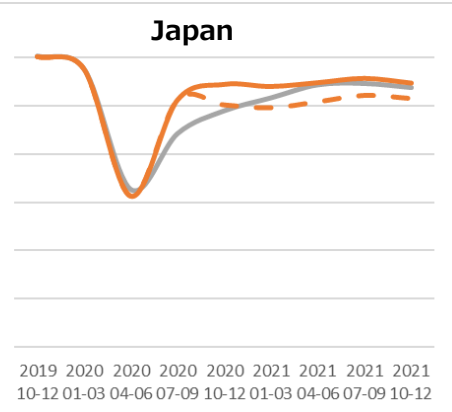
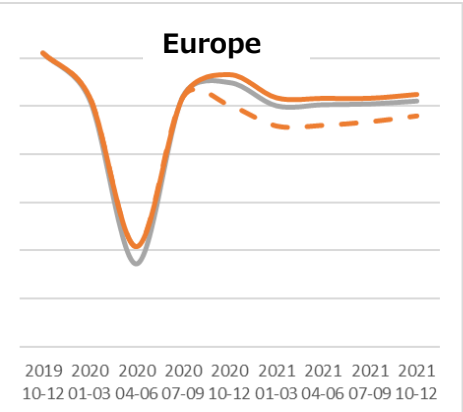
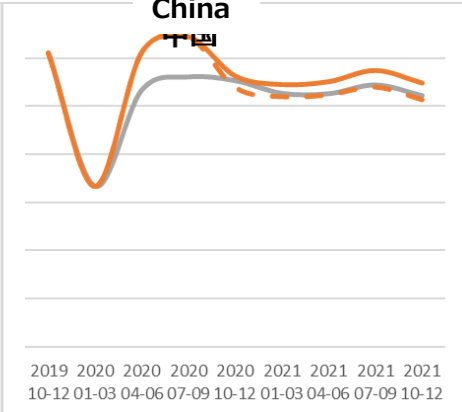
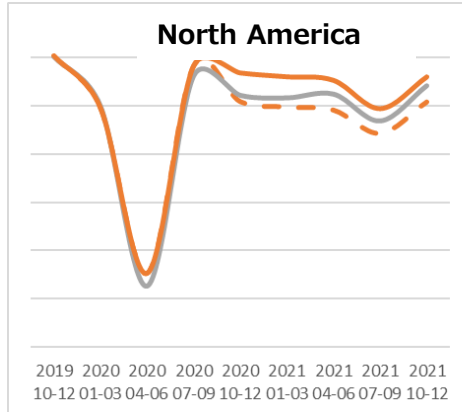
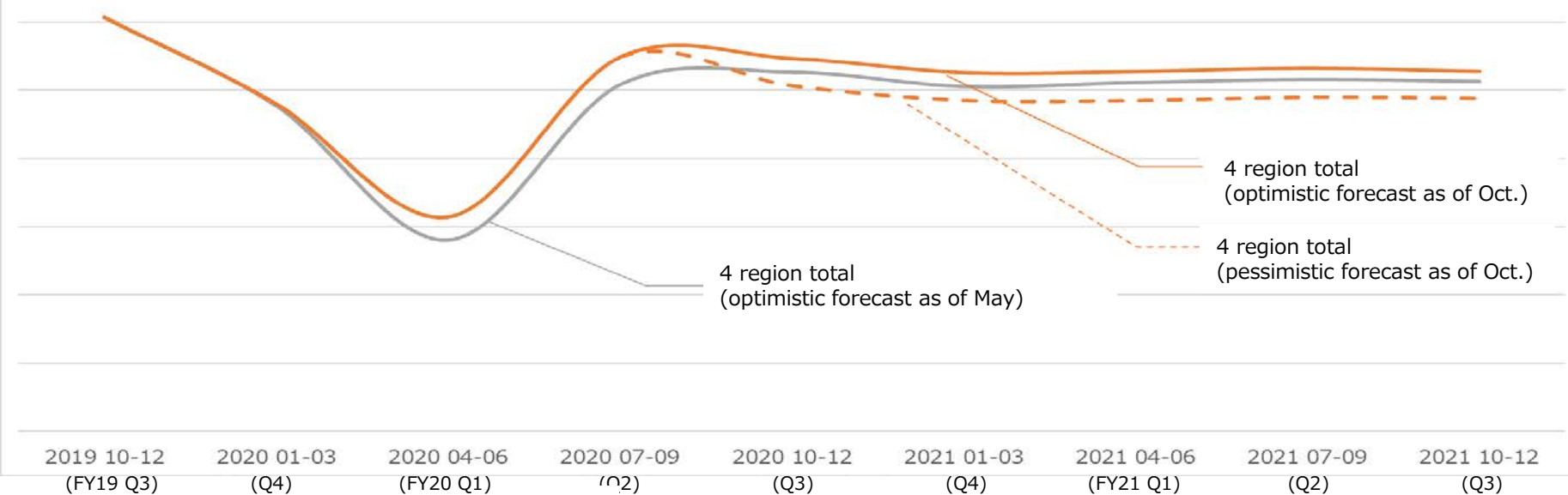
Compared to the initial forecast (May 2020), China will be quick to recover and drive the global recovery.
 On the other hand, the recovery has been slightly slower than expected in North America, Europe and Japan through Q2.
 In the recovery forecasts going forward, there is a large gap between the optimistic and pessimistic scenarios in each region.



※The above graphs are estimated by the company, and the scales are set independently in this slide.

Recovery Scenarios Automotive Industry

Compared to the initial forecast (May 2020), the speed of the recovery has been fast in China, US and Japan.
Going forward, each region is expected to recover in line with the forecast.



※The above graphs are estimated by the company, and the scales are set independently in this slide.

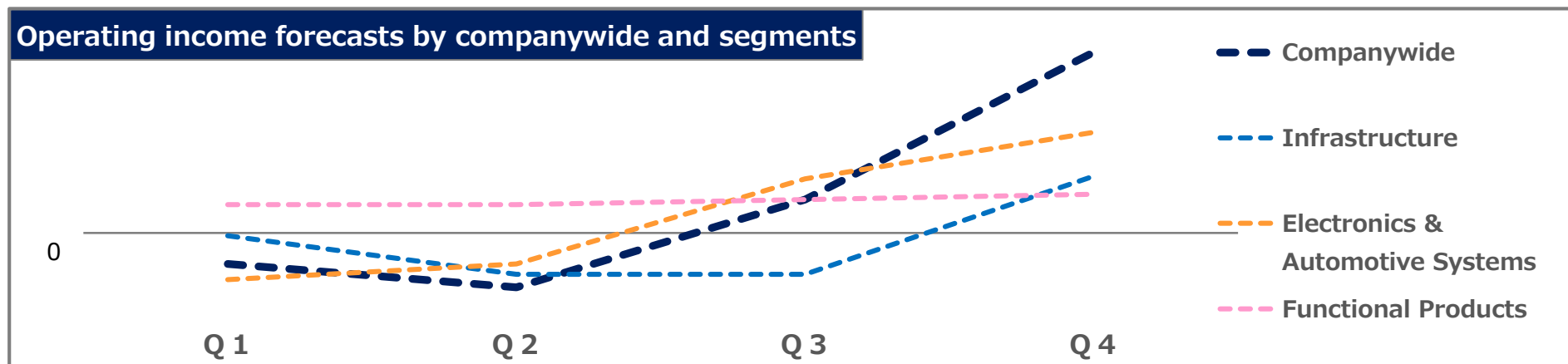
Operating Income Forecast

- Compared to the previous forecast, the figures for the Infrastructure segment have been revised down, while the Electronics & Automotive Systems segment has been revised up.

(JPY billion)

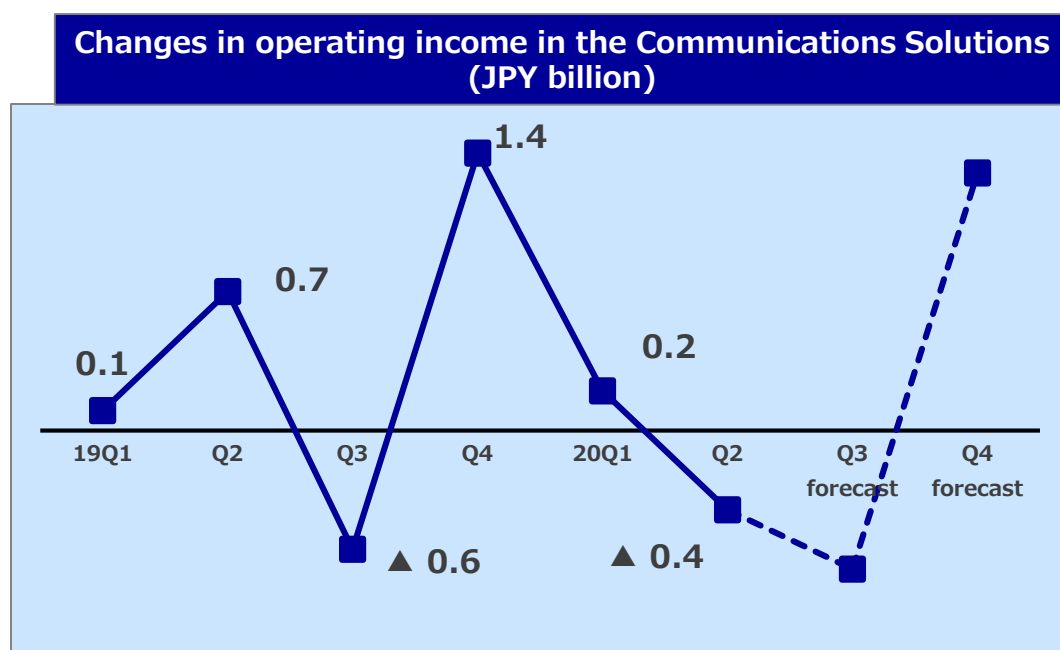
Segment	Sub-segment	Full year operating income forecast			Main factors behind the revision (business / product)
		Previous	Current	Difference	
Infrastructure	Communications Solutions	2.0	0.5	▲1.5	<ul style="list-style-type: none"> Optical fiber & cable Industrial lasers
	Energy Infrastructure	▲1.0	▲1.5	▲0.5	<ul style="list-style-type: none"> Power cable (China) General use power cable/ components for the construction market in Japan
Electronics & Automotive Systems	Automotive Products & Batteries	1.0	3.0	+2.0	<ul style="list-style-type: none"> Wire harnesses (North America / China) <p>* The upwardly revised figures include JPY 1.3 billion recorded as an extraordinary loss for the fixed expenses incurred while operations at several production sites were suspended as a measure to prevent the spread of COVID-19 infections</p>

※There are no changes to Electronics Component Materials in the Electronics & Automotive Systems segment and Functional Products segment.



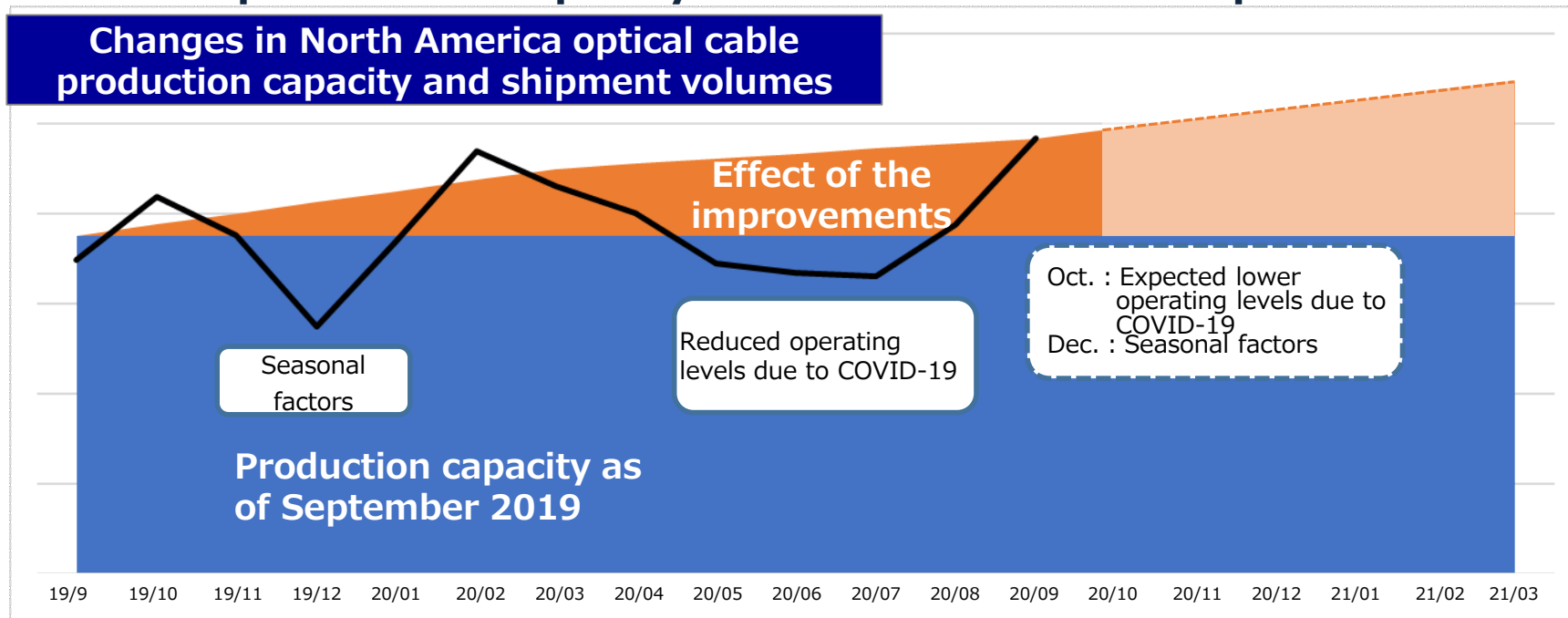
- Although the optical fiber and cable products business will achieve higher profits compared to last year, the profits will be lower than initially forecast
 - Prices will remain under pressure worldwide due to ongoing oversupply in China
 - Lower North America optical cable operating levels due to COVID-19
- In the FITEL products business, industrial lasers will decline due to limited customer investments following the deterioration of the automotive market
- In the broadband solutions business, FTTH and advanced BS (4K/8K) investments will be steady (as expected)

Operating income forecast (FY2020 full-year)		
Business division	YoY	Compared to forecast as of Q1
Optical Fiber and Cable Products		
FITEL Products		
Broadband Solutions Business		



※Communications Solutions segment includes the Optical Fiber and Cable Products, FITEL Products, and Broadband Solutions Business

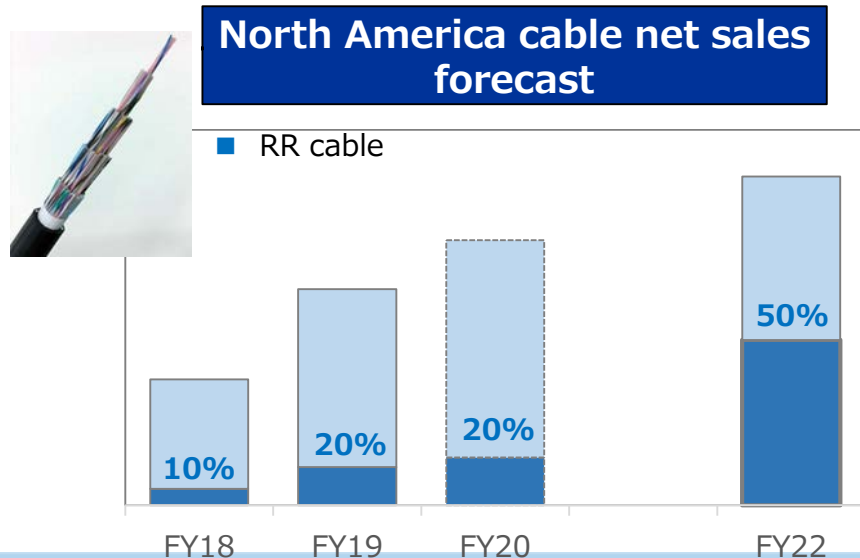
- The demand environment for optical fiber and cable in North America has remained firm. The company's shipment volumes also increased (FY20 H1: Approx. 20% increase in fiber shipment volumes to North America compared to last year).
- Although the company's optical cable production capacity in North America improved in FY19 Q4, operating levels fell this year due to COVID-19. In H2, it will be difficult to cover the dip in H1 due in part to changes in the product mix and falling fiber prices, although increased production capacity and lower costs are expected.



■ Optical cable

In particular, requests of smaller size/ improved installation features have increased for data centers, metro access networks.

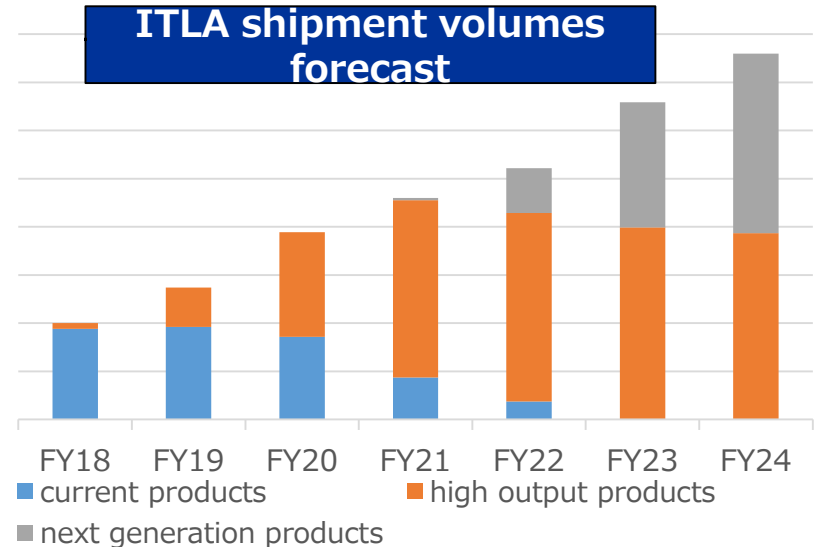
Efforts will be made to expand and increase the earnings in the ultra-high count multi-core rollable ribbon (RR) cable, multi-core connector and multi-core fusion splicer businesses.



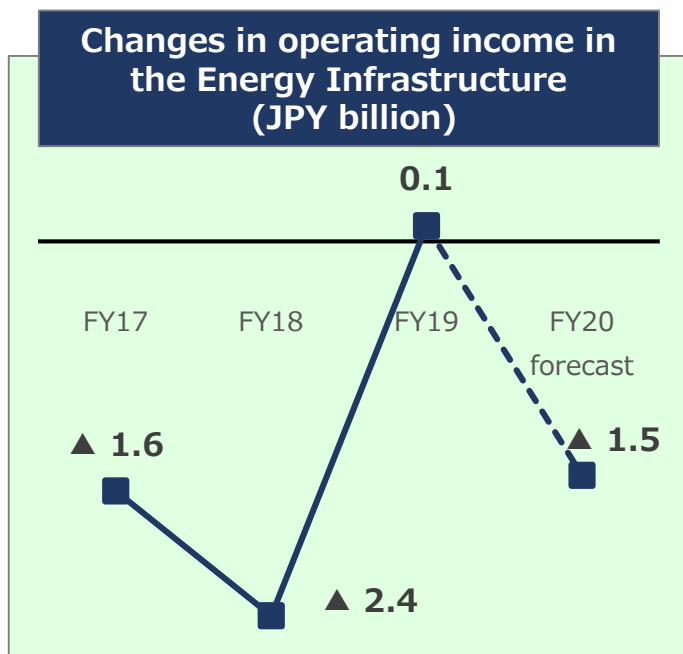
■ Integrable tunable laser assemble (ITLA)

Steady increase in shipment volumes.

Along with progress in expanding shipments of high output products, definite advances will be made in replacing the existing line-up with next generation products (high value-added products).

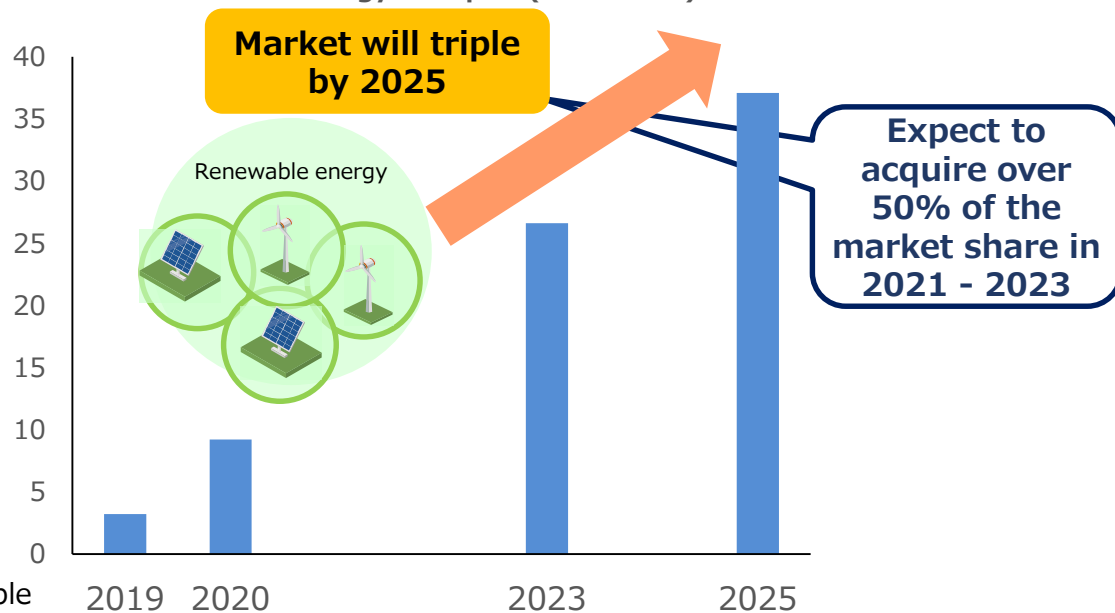


- This year, COVID-19 is expected to result in decreased profits due to lower revenue from general use power cable and components for the construction market in Japan and reduced operating levels at the power cable subsidiary and delays in customer projects in China.
- There is no change to the medium to long-term growth scenario based on increased demand for renewable energy applications in Japan. Set the segment on a course to achieve profits and earnings growth next year by continuing to aggressively acquire cable orders, expand production capacity, increase installation capabilities and carry out technology development.



※Energy Infrastructure segment includes the Power Cable and Industrial Cable & Power Cable Accessories business

Forecast of submarine cable demand for renewable energy in Japan (JPY billion)



※Demand forecast created by the Company

- Lower operating levels at the overseas subsidiaries due to COVID-19 had a major impact*, and earnings fell significantly in the first half.

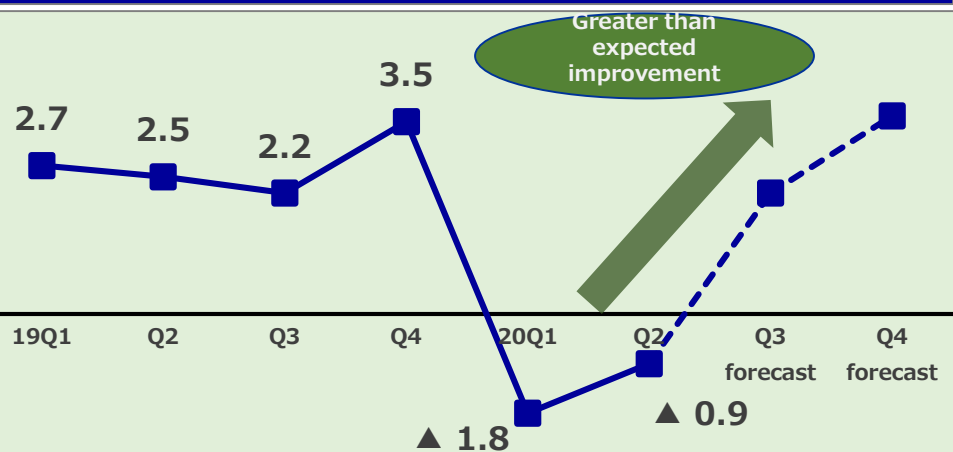
* Due to the fact that multiple overseas subsidiaries have adopted a fiscal year from January-December

- Efforts will be made to strengthen the supply chain network based on customer requests.

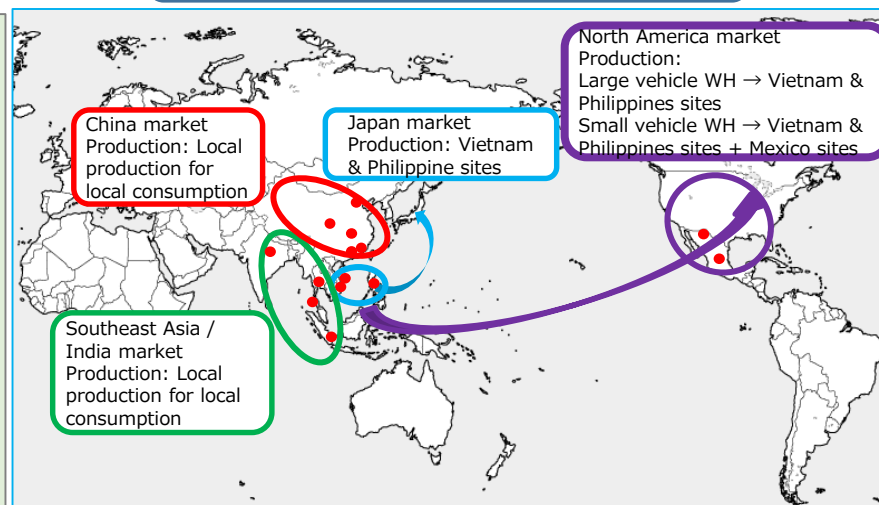
In addition to opening the Vietnam plant aimed at expanding the aluminum wire harness business, the company will move forward with an awareness of responding through a global supply chain.

- Following the recovery in the automotive market, earnings in the second half will exceed the forecast and be generally unchanged from last year.

Changes in operating income in the Automotive Products & Batteries (JPY billion)



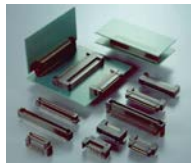
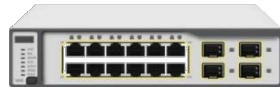
Strengthen the supply chain and network



※Automotive Products & Batteries segment includes the Automotive Products and Batteries Business

- Execute the business reorganization this year
(June: Copper tube business, October: Heavy magnet wire business)
- View the recovery in the electronics and automotive markets and the advances in new digitalization (IoT, AI, etc.) and CASE (vehicle electrification, autonomous driving, etc.) as a business opportunity, and strengthen sales of high value-added products that respond to the changing material requirements for communications devices, control devices, sensors and passive components, which are expected to grow in the future.

Products for the electronics market



High purity copper tubes
(Oxygen free copper, GOFC)

Copper alloy strips
for board to board
connectors

Triple insulated
winding wire



Lead frame materials

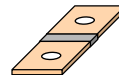
Ribbon wire (magnet wire)

Products for the automotive market



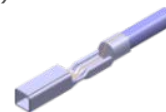
Conductors
(copper /
aluminum) for
wire harnesses

Electric motors
(oxygen free
copper)



Shunt resistors

BSS terminals



Anti-corrosion
(a) terminals

Products for the healthcare market



Guide wires using NT
alloy wires in the core



NT alloy tubes



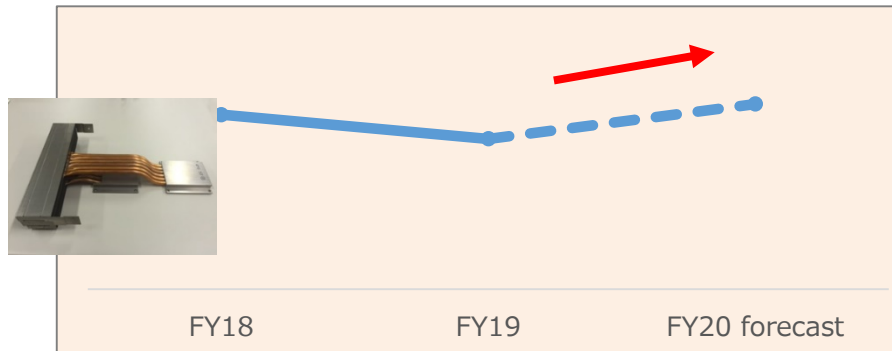
Tubes machined into stents

- Following the recovery in the data center market, earnings are expected to improve in the thermal products and memory disk businesses. Currently focusing on the “development of next generation products” that respond to the increased demand for data.

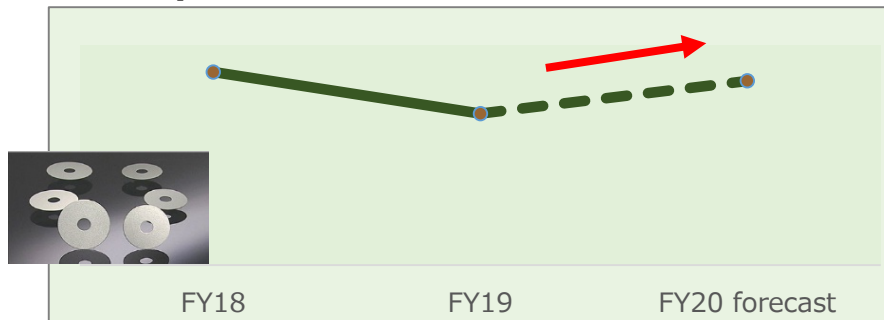
Net sales

Thermal products

Expected to recover to
FY18 levels



Memory disk



Higher thermal emissions from data center processors
⇒ Propose solutions using differentiated technology

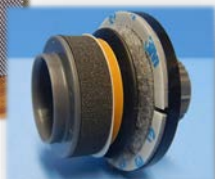
Larger capacity HDD for data center use
⇒ Respond to the trend toward thinner substrates

- Functional plastics will continue to face a challenging market environment due to delays in civil construction projects in Japan and lower automotive demand overseas caused by COVID-19. Strengthen sales of “skill-free products” that respond to the lack of skilled construction workers.
- Earnings are expected to deteriorate in tape for semiconductor process due to the impact of weak smartphone demand and customer inventory adjustments.
- In the copper foil business, lower automotive demand and decreased production capacity of copper foil for circuits due to the fire at the Taiwan plant last year will be the main negative earnings factors. Continued efforts will be made to strengthen sales of “high value-added foil for circuits”.

Skill-free products



Evacuation shelter mats

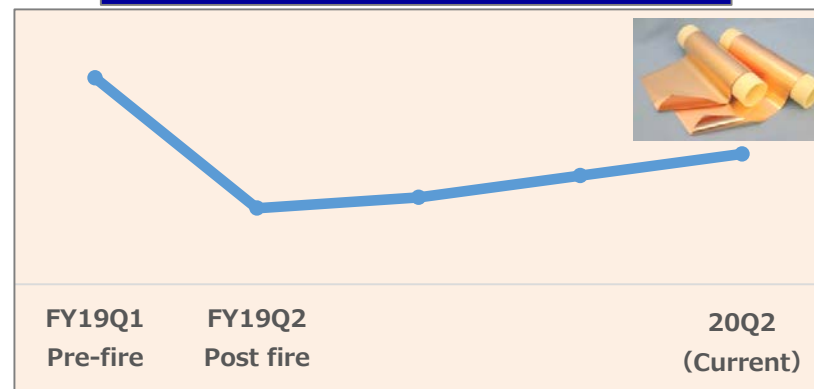


External wall penetration sleeve



“Taika Neo” material for penetrations in fireproof compartments

Copper foil (for circuits) production capacity at the Taiwan plant



Progress of the Emergency Management Responses

Based on the forecasted earnings deterioration due to the COVID-19 pandemic, measures are being implemented companywide under the direction of the Emergency Management Response Team.

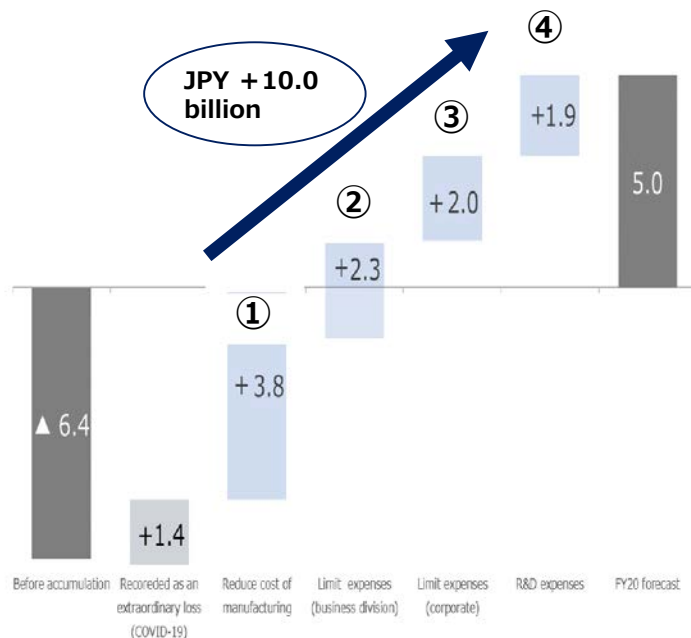
■ Inventory:

(End of Q2 last year: JPY 125.2 billion/ 50 days, End of Q1: JPY 122.2 billion/ 63 days, End of Q2: JPY 118.4 billion/ 61 days*)

- Throughout the first half, days in inventory primarily of automotive products increased compared to the same period last year.
- In addition to the improvements in sales and operating situation, it has already been confirmed that the companywide activities (strengthen management of days in inventory) have led to inventory returning to appropriate levels recently (October). The activities will be further promoted into the end of the fiscal year.

* Days in inventory: Based on net sales in Q2 (July-September)

■ Improve the profit forecast by executing a wide range of measures in relation to reducing the cost of manufacturing and limiting expenses.

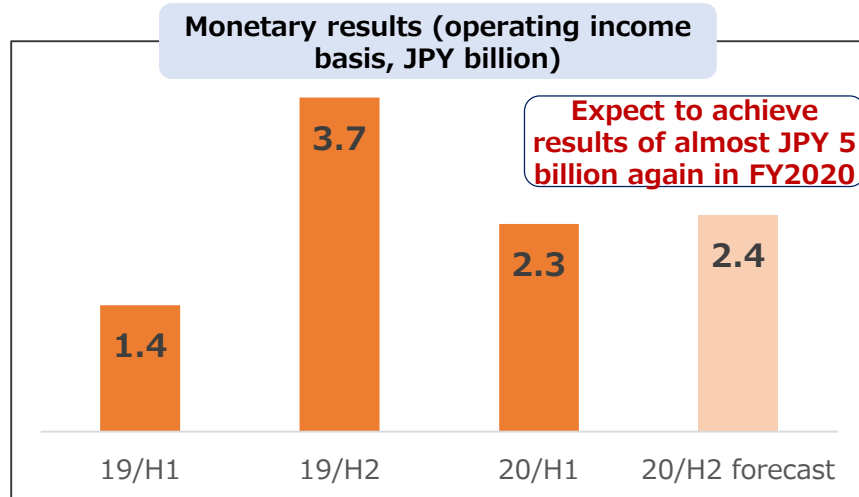


	H1 results (JPY billion)	Main measures
① Reduce the cost of manufacturing	+ 1.6	<ul style="list-style-type: none"> • Reduce depreciation expenses by revising the capital investment plan • Reduce energy costs
② Limit expenses (business division)	+ 2.0	<ul style="list-style-type: none"> • Limit operating expenses (business trip expenses, entertainment expenses, etc.) • Cancel or postpone internal events
③ Limit expenses (corporate)	+ 0.9	<ul style="list-style-type: none"> • Limit operating expenses (business trip expenses, entertainment expenses, etc.)
④ R&D expenses	+0.7	<ul style="list-style-type: none"> • Increase efficiency through the use of simulation analysis and online business meetings
Total	+ 5.2	

Actively promoting the transformation activities even during the COVID-19 pandemic. Continue to advance the transformations from next year with the aim of making them part of the Furukawa Electric Group's culture

Effect and response to the activities to date

- Increased feeling of ownership for each task
- As a result of working as a team, generated results that exceeded the initial targets
- Executed initiatives thought to be impossible



Future objectives

Based on the knowledge and know-how acquired over the past 2 years and in accordance with Vision 2030, expand the targeted divisions and carry out further transformations

Strengthen the organizational capability to fully execute

Personnel training through leadership development

Acquire comprehensive business skills

Improve problem solving ability



Strengthen the business and monozukuri

Manufacturing-sales collaborative activities

Production capability enhancement

- Power cable
- Optical fiber

Sales activities
Share the best practices

Reduce the cost of manufacturing

- Japan
(Improve productivity and manufacturing methods)
- Overseas
(Level-up through kaizen activities)

Promote the groupwide global purchasing activity

Promote the “work style reforms” companywide with an eye on the post-COVID world

Streamline and strengthen operation of the internal programs

Strengthen the infrastructure

Reform employee awareness

Remote work

- Newly establish a new telework allowance (implement on a trial basis from the head office and branch offices)

- Prepare the ICT environment
Expand the communication lines
Strengthen the remote tools

- Executive management will set the example for implementing remote work
- Set a limited attendance target



Head office target: 40%
(Oct. actual: about 30%)

Establish new work styles

- Revise the functions of the new head office (plan to move in July 2021) with an eye on the post-COVID world

Concept of the new head office project



- Strengthen the use of the web site and Social Networking Service for customer communications and external announcements

- Activities to promote establishment of the Furukawa Electric's 7 Key Mindsets for Superiors in the Workplace (Furukawa Seven)

Measures to prevent infections

- Follow through with the group and global measures

- Use face shields and partitions manufactured in-house



Desk partitions

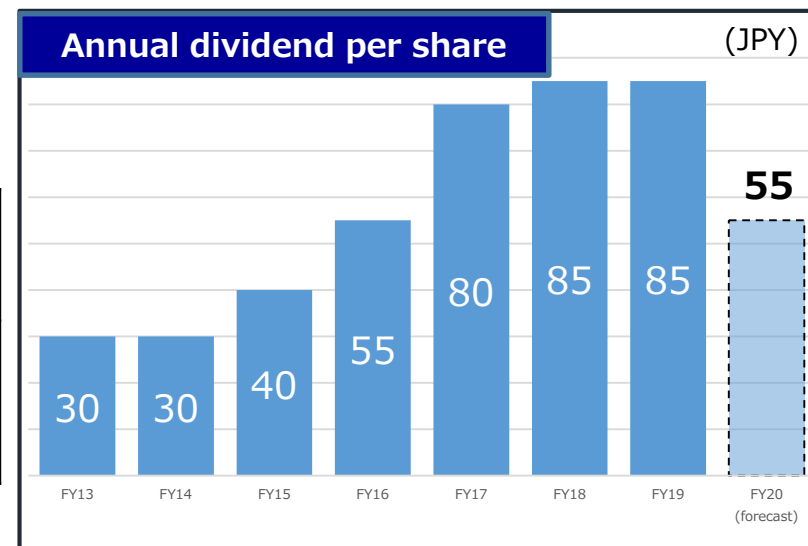


Face shields

■ Shareholder returns

• FY20 dividend forecast : JPY 55

	FY16 Result	FY17 Result	FY18 Result	FY19 Result	FY20 Forecast
Annual dividend per share	55 yen	80 yen	85 yen	85 yen	55 yen



※ We conducted a one-for-ten reverse stock split of our company's common shares effective October 1, 2016. Therefore, the dividends per share for FY2013 to 2015 shown in the graph have been increased 10 fold to make them comparable to the dividends following the reverse stock split

The company is aiming to implement management focused on capital efficiency under a basic policy of balancing between strategic growth investments, fostering next generation new businesses, improving fiscal strength and providing shareholder returns.

Concerning the return of profits to shareholders, while taking into account factors including the fiscal situation and business results, continuing to provide a stable dividend has been designated as one of the top management priorities. Based on this policy, it is planned to issue a dividend of JPY 55 per share.

- 2025 Mid-Term Management Plan will cover the 4 years from FY2022 through FY2025

Given the major changes in the business environment due to COVID-19 and the trade war between the US and China, it is currently difficult to foresee the business environment over the medium to long-term. In FY2021, strengthen the backbone of the company, and designate the year as the period for definitely planning the 2025 Mid-Term Management Plan

- Priority measures when formulating the FY2021 annual business plan

- Create cash flow (control capital investments, consider the optimum working capital)
- Promote ESG management, and strengthen the business foundation by renewing the core systems
- Make advance preparations for executing the mid-term management plan from FY2022

(Transition to management indicators that focus on capital efficiency, work to create new businesses)

⇒ Directed at achieving the 2025 Mid-Term Management Plan, become a “powerful company”

Thank you very much
for your attention.

Bound to  ***Innovate***