

FY2021 Q1 Financial Results

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

Akihiro Fukunaga

August 5, 2021

Furukawa Electric Co., Ltd.

This presentation materials are created for the purpose of providing information on Furukawa Electric's activities for shareholders, investors, and members of the media.

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.

Copyrights

Furukawa Electric Co., Ltd. retains copyrights and other rights involving these materials. Copyright and otherwise reusing these materials in any way without prior consent is prohibited.

FY2021 Q1 Results Highlights

■ Net sales and operating income

Increased profit on higher revenue*¹ in all segments

■ Ordinary income

Increased following higher operating income and improved profit/loss in equity method affiliates

■ Net income attributable to owners of the parent company

Net income attributable to owners of the parent company was JPY 4.2 billion following lower extraordinary income and loss (JPY 13.7→JPY 1.8 billion)*²

*¹ Impact of higher copper prices:
Approx. JPY +19.5 billion (JPY 616/kg→ JPY 1,104/kg)
Impact of the adoption of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29):
Approx. JPY ▲8.8 billion

*² FY20_Q1 extraordinary income:
JPY 22.1 billion gain on disposal of non-current assets

(JPY billion)

	FY19_Q1	FY20_Q1	FY21_Q1	YoY change
	a	b	c	c-b
Net Sales	226.3	176.5	218.8	+42.3
Operating income	4.9	▲ 1.2	3.8	+5.0
Ordinary income	3.9	▲ 1.5	5.8	+7.3
Net income attributable to owners of the parent	2.3	7.8	4.2	▲ 3.6

FY2021 Q1 Results – P/L Summary

■ There is no change to the full-year forecasts.

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

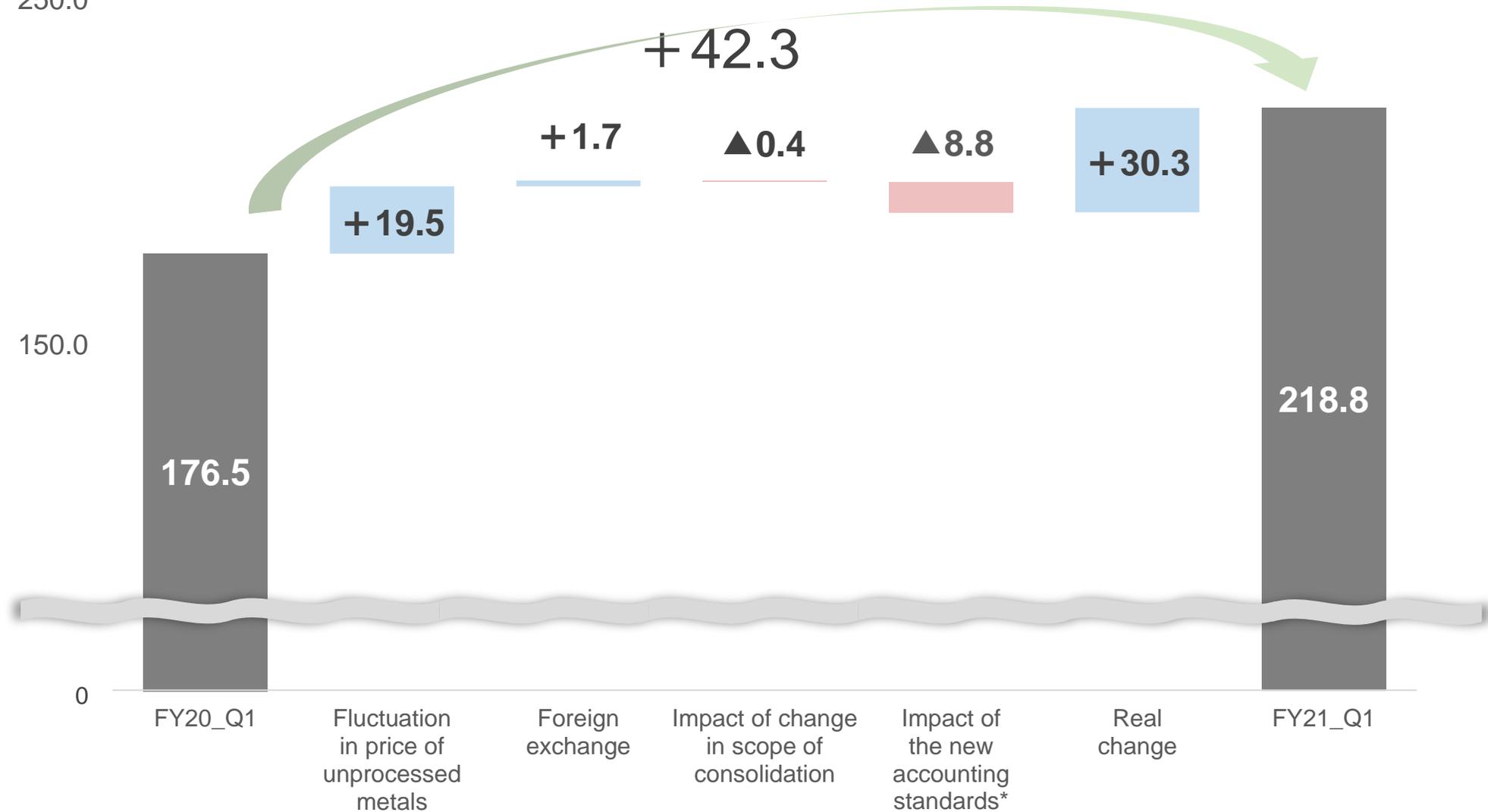
	FY19 Q1	FY20 Q1	FY21 Q1	YoY change	Breakdown of change (Q1)
	a	b	c	c-b	
Net sales	226.3	176.5	218.8	+42.3	+42.3 (+24%) See page 5
Operating income	4.9	▲ 1.2	3.8	+5.0	+5.0 See page 6
(Margin)	2.2%	▲ 0.7%	1.7%	+2.4	
Profit / loss in equity method affiliates	▲ 0.3	0.0	2.1	+2.1	
Foreign exchange gain / loss	▲ 0.4	0.1	0.2	+0.1	
Ordinary income	3.9	▲ 1.5	5.8	+7.3	+7.3
(Margin)	1.7%	▲ 0.8%	2.7%	+3.5	
Extraordinary income / loss	0.4	13.7	1.8	▲ 11.9	•Extraordinary income ▲20.4 (22.9 → 2.5)
Income taxes	2.2	4.0	2.9	▲ 1.2	•Extraordinary loss +8.4
Net income attributable to non-controlling interests	▲ 0.2	0.4	0.5	+0.1	(▲9.2 → ▲0.7)
Net income attributable to owners of parent	2.3	7.8	4.2	▲ 3.6	▲3.6 (▲46%)
(Margin)	1.0%	4.4%	1.9%	▲ 2.5	Extraordinary income : •Social contribution refund for prior periods (1.7 : Q1) •Gain on the disposal of non-current assets (0.6 : Q1)
Average copper price	717	616	1,104	—	
Average exchange rate	110	108	110	—	

FY21 forecasts
d
880.0
26.0
3.0%
—
—
24.0
2.7%
▲ 3.5
—
—
12.0
1.4%
1,000
105

*Announced on May 12, 2021

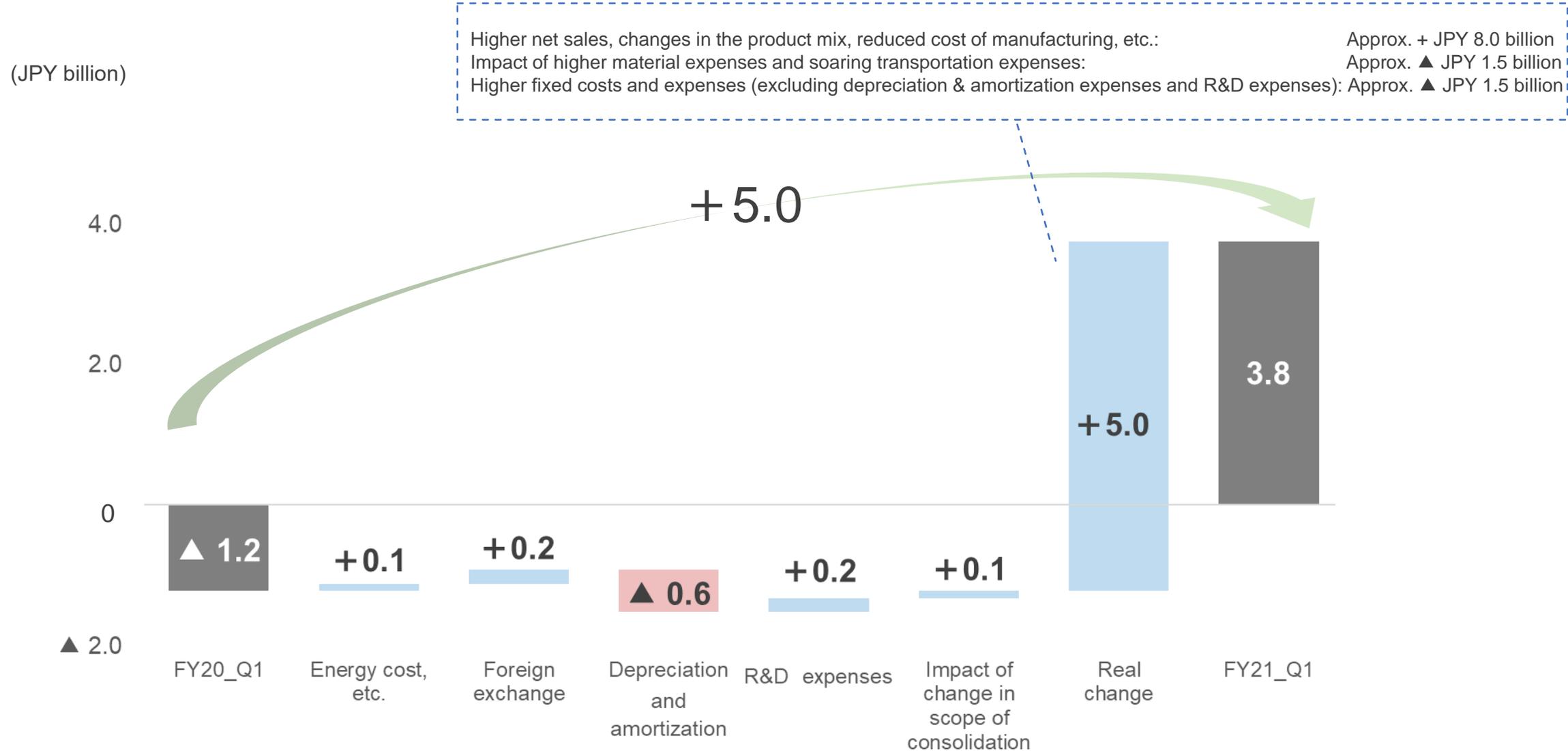
Analysis of Change in Net Sales (YoY)

(JPY billion)
250.0



*The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) has been adopted from the fiscal year ending March 31, 2022

Analysis of Changes in Operating Income (YoY)



Net Sales and Operating Income by Segment

■ There is no change to the full-year forecasts.

(JPY billion)

[Reference]
Net sales based on the old
accounting standards

[Reference]
Net sales based on the old
accounting standards

	Q1			
	FY19 Results	FY20 Results	FY21 Results	YoY Change
	a	b	c	c-b
Infrastructure	67.7	56.2	69.8	+13.5
Communications Solutions	40.2	36.3	44.8	+8.5
Energy infrastructure	27.5	20.0	25.0	+5.0
Electronics & Automotive Systems	128.0	92.5	118.2	+25.7
Automotive Products & Batteries	60.7	51.5	58.8	+7.3
Electronics Component Materials	67.4	41.0	59.4	+18.4
Functional Products	29.4	25.7	29.9	+4.3
Service and Developments, etc.	12.3	10.3	10.5	+0.2
Elimination of intra-company transactions	▲ 11.2	▲ 8.2	▲ 9.6	▲ 1.4
Total	226.3	176.5	218.8	+42.3

Q1	
FY21 Forecasts	YoY Change
c'	c'-b
71.4	+15.1
44.8	+8.6
26.5	+6.6
123.9	+31.4
60.8	+9.3
63.1	+22.1
31.6	+5.9
10.3	▲ 0.0
▲ 9.6	▲ 1.4
227.6	+51.0

Full year			
FY19 Results	FY20 Results	FY21 Forecasts	YoY Change
a	b	c	c-b
280.9	259.2	280.0	+20.8
166.4	158.3	175.0	+16.7
114.5	100.9	105.0	+4.1
509.3	433.0	480.0	+47.0
257.6	235.1	260.0	+24.9
251.7	198.0	220.0	+22.0
115.9	114.7	115.0	+0.3
50.3	38.7	37.0	▲ 1.7
▲ 42.0	▲ 34.0	▲ 32.0	+2.0
914.4	811.6	880.0	+68.4

Full year	
FY21 Forecasts	YoY Change
c'	c'-b
288.2	+29.0
176.5	+18.2
111.7	+10.8
512.6	+79.6
264.4	+29.3
248.2	+50.2
124.0	+9.3
37.4	▲ 1.3
▲ 32.0	+2.0
930.2	+118.6

	Q1			
	FY19 Results	FY20 Results	FY21 Results	YoY Change
	a	b	c	c-b
Infrastructure	▲ 0.4	▲ 0.1	0.3	+0.3
Communications Solutions	0.1	0.2	0.0	▲ 0.1
Energy infrastructure	▲ 0.4	▲ 0.2	0.2	+0.5
Electronics & Automotive Systems	3.5	▲ 1.8	1.9	+3.7
Automotive Products & Batteries	2.7	▲ 1.8	0.8	+2.6
Electronics Component Materials	0.8	▲ 0.0	1.1	+1.1
Functional Products	1.9	1.1	2.0	+0.9
Service and Developments, etc.	▲ 0.1	▲ 0.4	▲ 0.3	+0.1
Elimination of intra-company transactions	▲ 0.1	0.0	▲ 0.1	▲ 0.1
Total	4.9	▲ 1.2	3.8	+5.0

Full year			
FY19 Results	FY20 Results	FY21 Forecasts	YoY Change
a	b	c	c-b
1.7	▲ 2.1	5.5	+7.6
1.6	▲ 0.2	4.5	+4.7
0.1	▲ 1.9	1.0	+2.9
14.8	5.9	14.0	+8.1
10.9	5.0	12.0	+7.0
3.9	0.9	2.0	+1.1
7.5	6.3	9.0	+2.7
▲ 0.3	▲ 1.7	▲ 2.5	▲ 0.8
▲ 0.1	0.1	0.0	▲ 0.1
23.6	8.4	26.0	+17.6

*Announced on May 12, 2021

Intentionally Blank

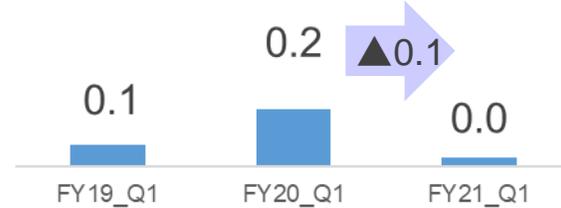
1-(1) Infrastructure (Communications Solutions)

FY21_Q1 Results

Net sales
(JPY billion) *based on the old accounting standards: JPY 44.8 billion



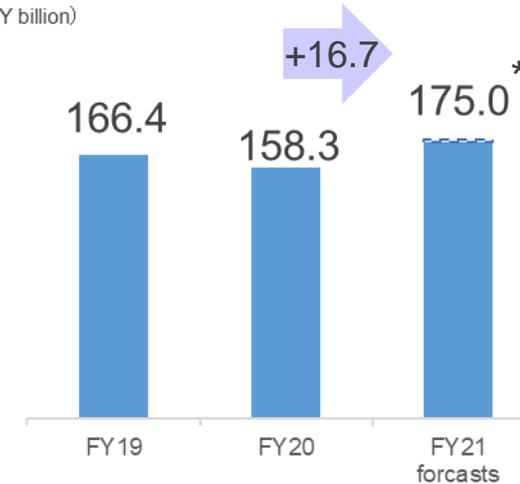
Operating income
(JPY billion)



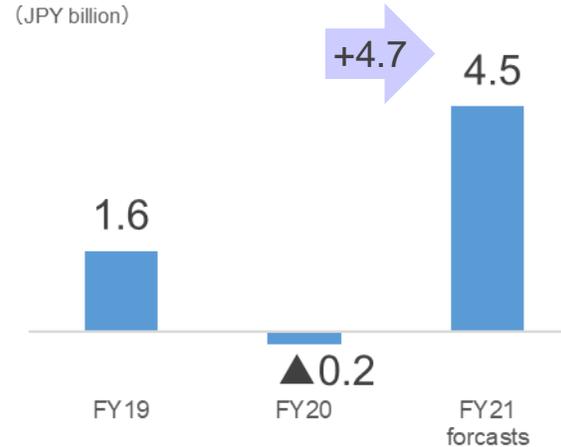
FY21_Forecasts

*based on the old accounting standards: JPY 176.5 billion

Net sales
(JPY billion)



Operating income
(JPY billion)



【 Q1 results: Operating income compared to last year 】

- (+) Increased revenue of optical cable in the North America, FTTH and LAN solutions businesses in South America
- (+) Improved productivity in the North America optical cable business
- (+) Network products in Japan were solid
- (-) Shortage of raw materials, higher raw material prices and soaring transportation expenses
- (-) Temporary decline in the sales volume of core optical fiber to customers in North America
- (-) Lower demand for digital coherent products due to customer inventory adjustments
- (-) Increased depreciation expenses

【 Full-year forecasts 】

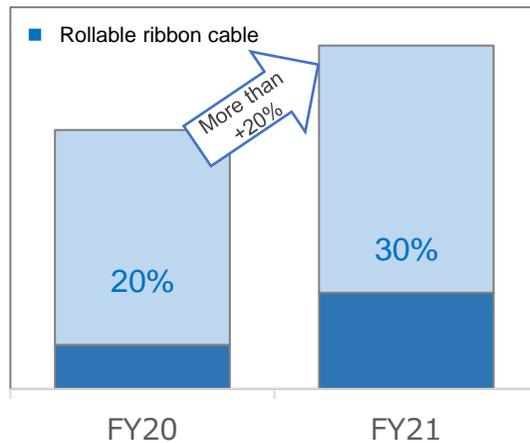
- In optical fiber and cable businesses, strong orders in North America (rollable ribbon cable, connectivity, etc.), South America (solutions business) and Japan. Specialty fiber orders will also be strong.
- Orders of core optical fiber for customers in North America are recovering in Q2
- Optical cable productivity in North America is steadily improving
- Digital coherent products will recover from Q2
- Strong orders for network products in Japan (net sales will be concentrated in H2)
- Respond to higher raw material prices and soaring transportation expenses by improving the product mix, reducing the cost of manufacturing and limiting expenses

1-(1) Infrastructure (Communications Solutions)

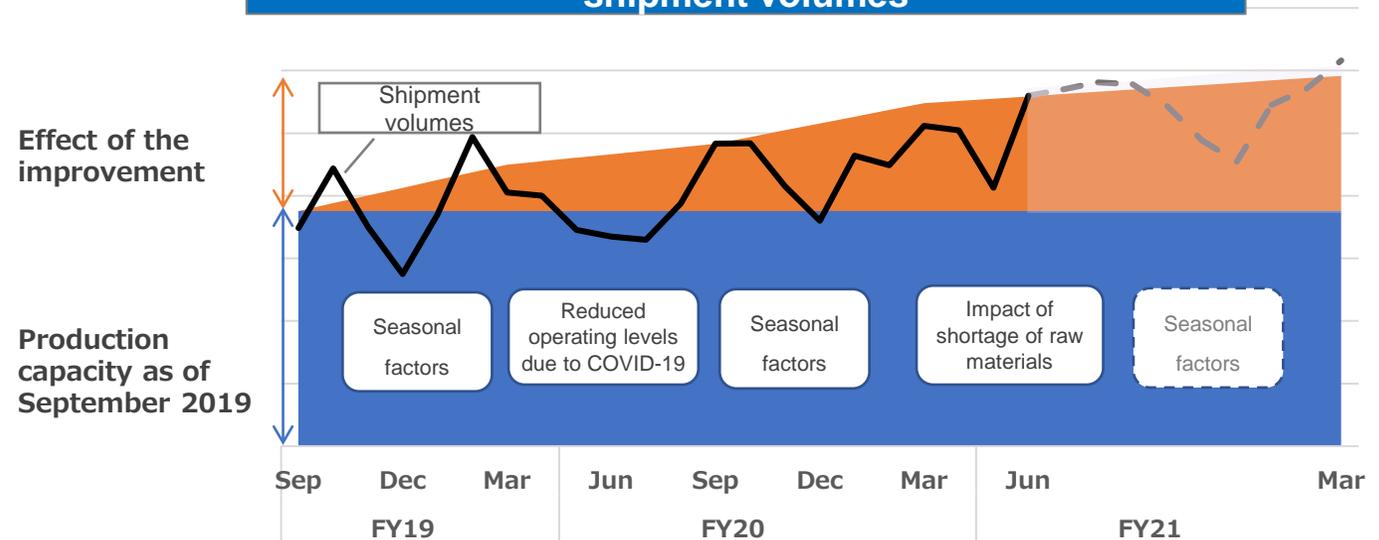
Status of optical cable business in North America

- Orders for rollable ribbon cable in North America have been as planned
- Although the improvement to production capacity was impacted by a shortage of raw materials, steady improvements were made

North America optical cables sales volume forecast



Changes in North America optical cable capacity and shipment volumes



1-(2) Infrastructure (Energy Infrastructure)

FY21_Q1 Results

FY21_Forecasts

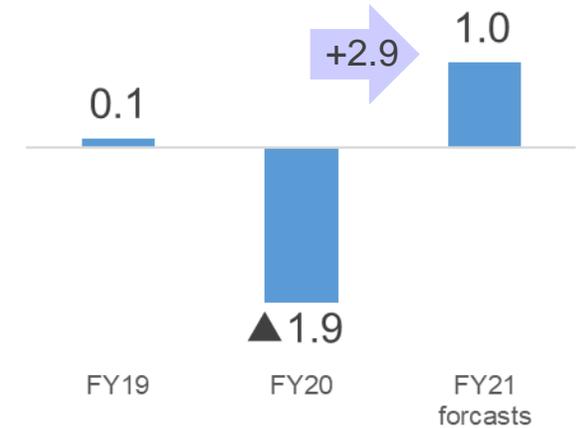
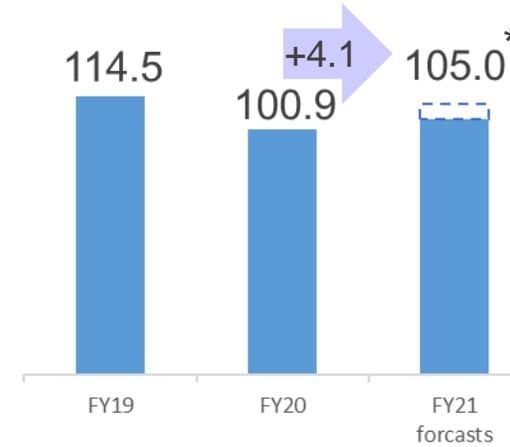
*based on the old accounting standards: JPY 111.7 billion

Net sales
(JPY billion) *based on the old accounting standards: JPY 26.5 billion

Operating income
(JPY billion)

Net sales
(JPY billion)

Operating income
(JPY billion)



【 Q1 results: Operating income compared to last year 】

- (+) Overseas submarine and Japan underground power cable projects progressed as expected
- (+) Strong results at the subsidiary in China
- (+) Demand for the construction and wholesalers market in Japan gradually recovered

【 Full-year forecasts 】

- Overseas submarine and Japan underground power cable projects are expected to progress as initially forecast
- Demand for the construction and wholesalers market in Japan will continue gradually recovering. Expand sales of functional power cable and further reduce the cost of manufacturing.
- One-time evaluation expenses following the adoption of new materials ended in FY2020

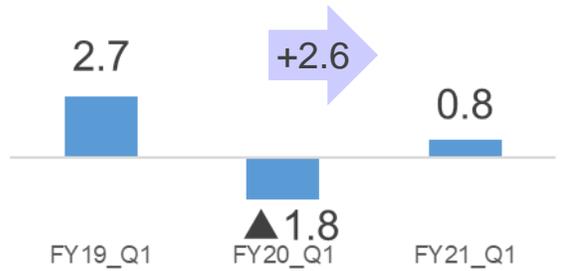
2-(1) Electronics & Automotive Systems (Automotive Products & Batteries)

FY21_Q1 Results

Net sales
(JPY billion) *based on the old accounting standards: JPY 60.8 billion

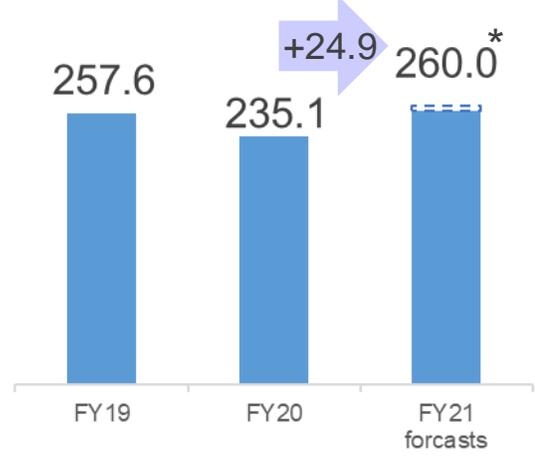


Operating income
(JPY billion)

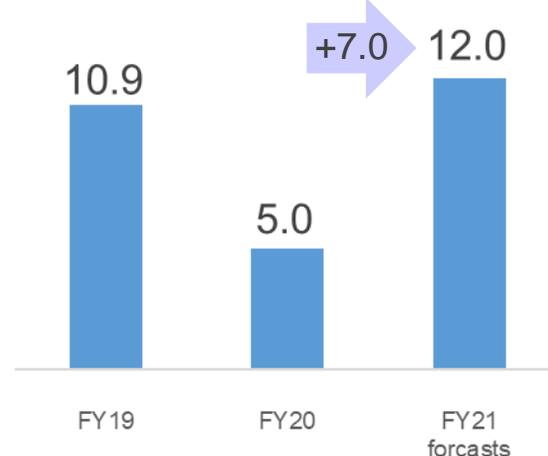


FY21_Forecasts

Net sales
(JPY billion) *based on the old accounting standards: JPY 264.4 billion



Operating income
(JPY billion)



- 【 Q1 results: Operating income compared to last year 】
- (+) Increased revenue following the recovery in the automotive market
 - (-) Increased depreciation expenses on the investments for accepted orders
 - (-) Impact of lower customer production volumes due to a shortage of semiconductor chips and resin, and soaring transportation expenses
 - (-) Impact of lockdowns at some locations in Southeast Asia due to COVID-19

- 【 Full-year forecasts 】
- Start production for new vehicle models and reduce the cost of manufacturing
 - Measures will be taken in response to the higher transportation expenses and logistics delays resulting from the port congestion and shortage of containers caused by the impact of COVID-19 (including building up safety inventory and continuing to strengthen the global supply chain)
 - Pay attention to the impact on operations of the lockdowns at the company's locations in Southeast Asia

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

FY21_Q1 Results

Net sales
(JPY billion)

*based on the old accounting standards:
JPY 63.1 billion
Impact of higher copper prices :
Approx. JPY 17.5 billion



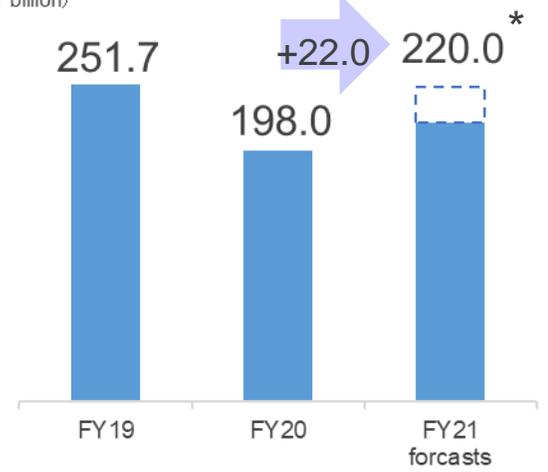
Operating income
(JPY billion)



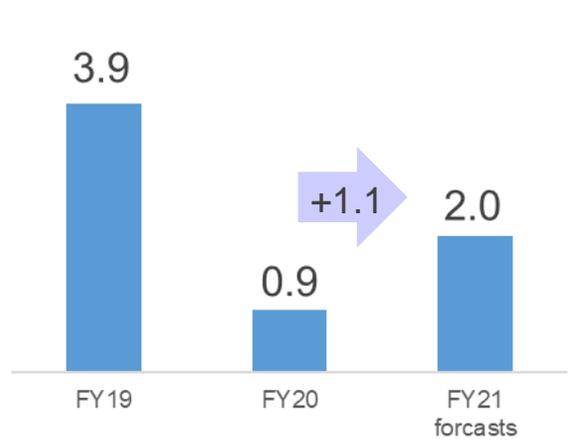
FY21_Forecasts

Net sales
(JPY billion)

*based on the old accounting standards:
JPY 248.2 billion
Impact of higher copper prices :
Approx. JPY 44.9 billion



Operating income
(JPY billion)



【 Q1 results: Operating income compared to last year 】
(+) Steadily captured the recovering demand mainly for in-vehicle products and electronics

- 【 Full-year forecasts 】
- Demand for in-vehicle and electronics products is expected to progress generally as initially forecast, and while steadily capturing the demand, further improve the product mix
 - Flexibly control inventory volumes in preparation for customer inventory adjustments resulting from the shortage of semiconductor chips and the impact of COVID-19 at the locations in Southeast Asia
 - Incorporated the risks based on the market uncertainties from Q2

3 Functional Products

FY21_Q1 Results

Net sales
(JPY billion)

*based on the old accounting standards: JPY 31.6 billion



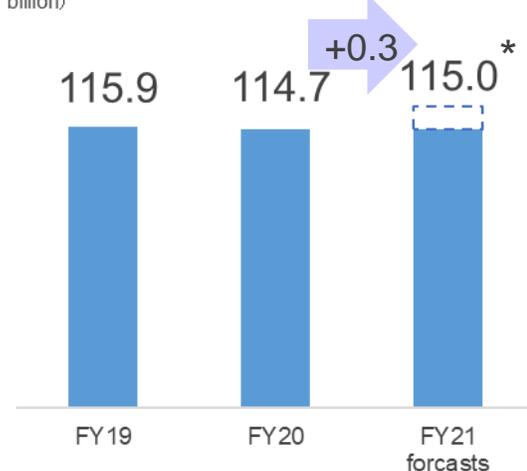
Operating income
(JPY billion)



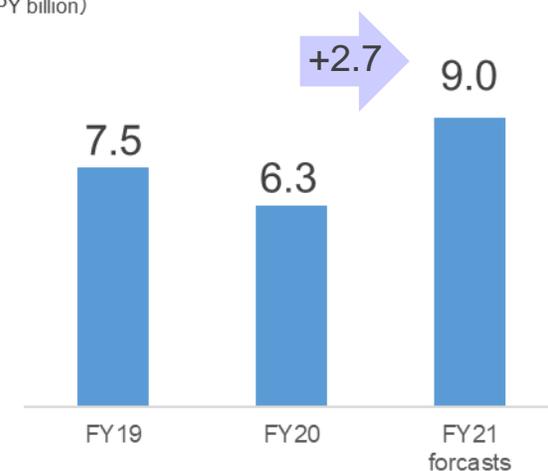
FY21_Forecasts

Net sales
(JPY billion)

*based on the old accounting standards: JPY 124.0 billion



Operating income
(JPY billion)



【 Q1 results: Operating income compared to last year 】

- (+) In the copper foil business, increased orders for copper foil for printed wiring boards following the restoration of production at the Taiwan plant following the fire, and recovering demand for copper foil for batteries
- (+) Captured the demand mainly in relation to the booming semiconductor and data center products centered on tape for semiconductor process/ heat dissipation and cooling products
- (+) Started full-scale production at the new heat dissipation/ cooling products manufacturing location in the Philippines
- (-) Impact of soaring transportation expenses and higher raw material prices

【 Full-year forecasts 】

- Demand for 5G and data center related products is exceeding expectations
- Continue to definitely capture demand in the markets with strong growth
- Limit the impact of soaring transportation expenses and higher raw material prices by the above measures

FY2021 Q1 Results – B/S Summary

(JPY billion)

	End of FY20_Q4	End of FY21_Q1	Change
	a	b	b-a
Current assets	429.8	465.0	+35.2
Cash and bank deposits	84.4	87.3	+2.9
Notes and accounts receivable - trade and contract assets	191.9	200.5	+8.6
Inventories	120.8	138.1	+17.3
Non-current assets	402.2	409.8	+7.6
Tangible fixed assets	246.7	250.3	+3.5
Intangible fixed assets	20.3	20.4	+0.1
Investments and other assets	135.2	139.2	+3.9
Total Assets	832.0	874.8	+42.8
Current liabilities	315.2	351.9	+36.7
Non-current liabilities	225.2	225.3	+0.0
Total Liabilities	540.4	577.1	+36.7
Shareholders' equity	260.4	260.0	▲ 0.4
Accumulated other comprehensive income	▲ 0.5	5.7	+6.2
Net income attributable to non- controlling interests	31.7	32.0	+0.3
Total Net assets	291.6	297.7	+6.1
Total Liabilities and Net assets	832.0	874.8	+42.8
Interest-bearing liabilities	290.6	318.6	+28.0
Capital ratio	31.2%	30.4%	▲ 0.8
NET D/E ratio	0.8	0.9	+0.1

Cash and deposits

Increased by JPY 2.9 billion

Increased the liquidity of cash on hand

Inventories

Increased by JPY 17.3 billion

Impact of higher copper prices
Construction and other projects that are expected to be recorded as net sales in the future
The increase of safety inventory in preparation for the risk of supply chain disruptions

Tangible / intangible non-current assets

Increased by 3.7 billion

Impact of increased / decreased CAPEX
JPY ▲1.2 billion
Foreign exchange, impact of the new consolidation
JPY + 5.4 billion

NET interest-bearing debt

Increased by JPY 25.1 billion

(JPY 206.3 billion → JPY 231.4 billion)

FY2021 Q1 Results

CAPEX, Depreciation & Amortization and R&D Expenses

- Results were generally as forecast, and there is no change to the full-year forecasts.

(billion yen)

	FY19_Q1	FY20_Q1	FY21_Q1	YoY change	FY21 Forecasts
	a	b	c	c-b	d
CAPEX	12.2	7.6	7.2	▲ 0.4	45.0
Depreciation and amortization	7.1	7.8	8.4	+0.6	37.0
R&D expenses	5.4	5.2	5.0	▲ 0.2	22.0

*Announced on May 12, 2021

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 Materials	Electric Conductor (including fine magnet wire)
		Copper & High Performance Material Products
Functional Products	AT & Functional Plastics	
	Thermal Management Solution & Products	
	Memory Disk	
	Copper Foil	
Service and Developments, etc.		