



Furukawa Electric Co., Ltd.

Q1 Financial Results Briefing for the Fiscal Year Ending March 2025

August 6, 2024

[Number of Speakers]

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Furukawa Electric Group FY2024 Q1 Financial Results

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Furukawa Electric Co., Ltd.

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Aoshima: I am Aoshima from the Finance & Accounting Division. Thank you very much for taking time out of your busy schedule today to participate in our financial results presentation. I will now explain the financial results for Q1 of FY2024 and forecasts for the full year of FY2024.

FY24 Q1 Financial Results Highlights



- Achieved increased profit on higher revenue compared to the same period of last year.
The businesses are performing generally as expected.

(JPY billion, JPY/kg, JPY/USD)	FY23_Q1	FY24_Q1	YoY change	
	a	b	b-a	
Net sales	246.4	273.6	+27.1	Revenue increased in all segments
Operating profit	(2.8)	3.5	+6.3	Profit increased in all segments excluding Service and Developments, etc.
Ordinary profit	(1.8)	7.1	+8.9	Share of profit of entities accounted for using equity method increased
Profit attributable to owners of parent	(1.7)	4.7	+6.4	
Average copper price	1,219	1,570	+351	
Average exchange rate	137	156	+18	

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Please take a look at page 5. These are the highlights for Q1 of FY2024 financial results.

The Q1 results showed a YoY increase in both sales and profit. Progress is generally in line with the full-year forecast announced in May.

Net sales were JPY273.6 billion, operating profit was plus JPY3.5 billion, ordinary profit was plus JPY7.1 billion, and profit attributable to owners of parent was plus JPY4.7 billion.

Net sales increased in all segments, operating profit increased in all segments except the Service and Developments, etc., and ordinary profit increased mainly due to increased share of profit of entities accounted for using equity method, in addition to higher operating profit.

FY24 Q1 Results – P/L Summary



■ Full year forecasts remain unchanged

《 Announced on May 13, 2024 》

(JPY billion, JPY/kg, JPY/USD)	FY23_Q1	FY24_Q1	YoY change	Breakdown of change (Q1)	FY23 Results	FY24 Forecasts	YoY change
	a	b	b-a		c	d	d-c
Net sales	246.4	273.6	+27.1	See page 7	1,056.5	1,080.0	+23.5
Operating profit	(2.8)	3.5	+6.3	See page 8	11.2	25.0	+13.8
(Margin)	(1.1%)	1.3%	+2.4		1.1%	2.3%	+1.3
Interest income (expenses)	(1.7)	(1.9)	(0.3)		(7.4)	—	—
Share of profit (loss) of entities accounted for using equity method	1.0	4.5	+3.5		6.3	—	—
Foreign exchange gains (losses)	1.2	1.0	(0.2)		(0.1)	—	—
Ordinary profit	(1.8)	7.1	+8.9		10.3	20.5	+10.2
(Margin)	(0.7%)	2.6%	+3.3		1.0%	1.9%	+0.9
Extraordinary income (losses)	2.6	(1.8)	(4.5)	Extraordinary income (0.4) [(4.8 → 0.8)]	9.8	4.0	(5.8)
Income taxes	(2.4)	0.3	+2.7	Extraordinary losses (0.5) [(2.2 → (2.7))]	(11.6)	—	—
Profit attributable to non-controlling interests	(0.1)	(0.8)	(0.7)		(2.0)	—	—
Profit attributable to owners of parent	(1.7)	4.7	+6.4		6.5	13.0	+6.5
(Margin)	(0.7%)	1.7%	+2.4		0.6%	1.2%	+0.6
Average copper price	1,219	1,570	+351		1,262	1,155	(107)
Average exchange rate	137	156	+18		145	140	(5)

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Page 6 shows a P&L summary.

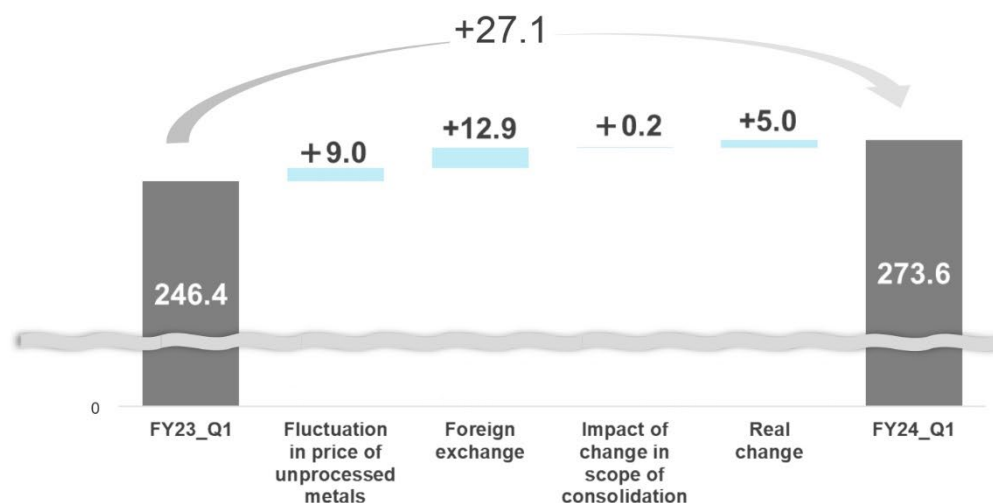
The full-year forecast remains unchanged from that announced in May. The assumption for the exchange rate is also the same as in the May announcement: JPY140 to the dollar. Regarding the Q1 results, net sales and operating profit will be explained in the increase or decrease factor section on the next page and thereafter. I will provide other supplementary explanations here.

Share of profit of entities accounted for using equity method increased approximately by JPY3.5 billion YoY. This was mainly due to increased share of profit of entities accounted for using equity method related to UACJ. Extraordinary income decreased by approximately JPY4.5 billion YoY, but this was due to the large number of sales of policy –holding shares in the previous fiscal year. Income taxes decreased approximately by JPY2.7 billion YoY, partly due to the recognition of deferred tax assets from tax effect accounting.

FY24 Q1 Results – Breakdown of Changes in Net Sales



(JPY billion)



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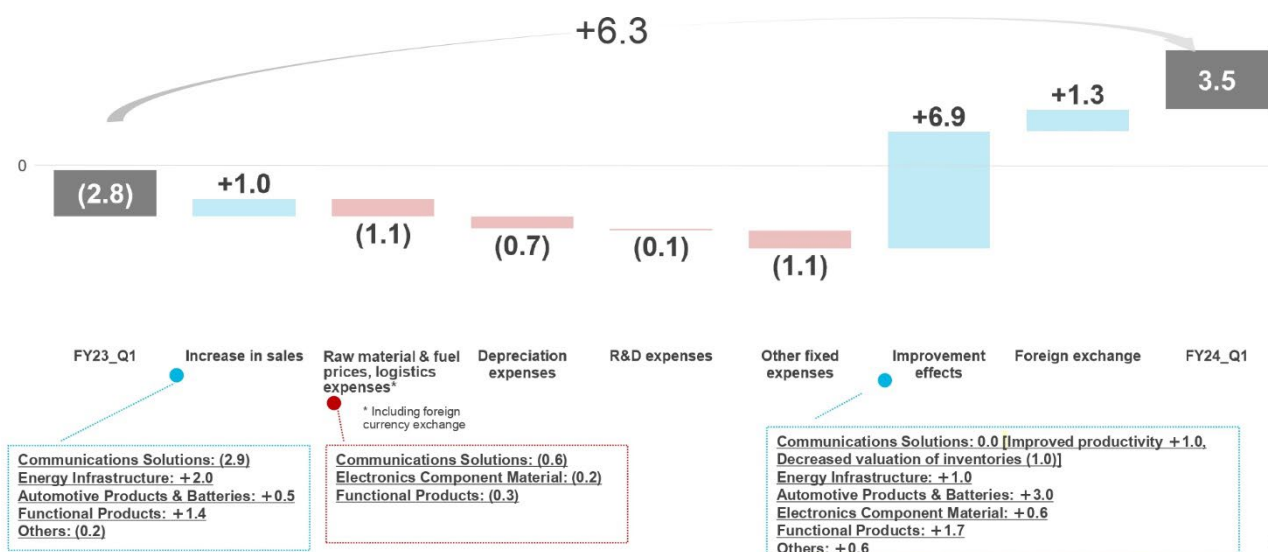
Page 7 shows the factors that contributed to the increase or decrease in net sales.

Net sales were up JPY27.1 billion YoY. The fluctuation in price of unprocessed metals added JPY9.0 billion, the effect of yen depreciation on foreign exchange added JPY12.9 billion, and the real change excluding changes in the scope of consolidation, etc., added JPY5.0 billion. The breakdown of the real change was a decrease of about JPY10.0 billion in the Communications Solutions, an increase of about JPY7.0 billion in the Energy Infrastructure, an increase of about JPY1.0 billion in the Automotive Products & Batteries, an increase of about JPY6.0 billion in the Functional Products, and an increase of about JPY1.0 billion in others and eliminations, etc.

FY24 Q1 Results – Breakdown of Changes in Operating Profit



(JPY billion)



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Page 8 shows the factors for changes in operating profit.

The increase in sales added JPY1.0 billion. The breakdown was a decrease of JPY2.9 billion in the Communications Solutions, an increase of JPY2.0 billion in the Energy Infrastructure, an increase of JPY0.5 billion in the Automotive Products & Batteries, and an increase of JPY1.4 billion in the Functional Products.

Raw material & fuel prices, logistics expenses were negative JPY1.1 billion, depreciation expenses were negative JPY0.7 billion, other fixed expenses were negative JPY1.1 billion mainly due to higher labor costs, foreign exchange effects were positive JPY1.3 billion due to yen depreciation, and improvement effects were positive JPY6.9 billion including price pass through, productivity improvement, and product mix improvement.

The overall increase of JPY6.3 billion is mostly due to the improvement effects.

FY24 Forecasts – Operating Profit by Segment



- Full year forecasts remain unchanged
- We will continue to assess the demand recovery in each segment and the growth of generative AI related demand

Operating profit of main segments

Profit image compared to the last half

Segments	Sub-segments	H1	H2	FY23 Results	H1 Q1	H2	FY24 Forecasts	YoY change	Progress in Q1
				a			b	b-a	
Infrastructure	Communications Solutions	(6.0)	(6.9)	(13.0)	→ (4.0)	→	(6.0)	+7.0	Performed as expected
	Energy Infrastructure	(2.6)	4.4	1.7	→ 1.1	→	3.5	+1.8	
Electronics & Automotive Systems	Automotive Products & Batteries	2.3	13.3	15.6	→ 3.6	→	16.5	+0.9	Slightly below expectations due to delayed recovery in the electronics market
	Electronics Component Material	0.6	2.5	3.1	→ 0.5	→	4.5	+1.4	
Functional Products		2.1	3.4	5.5	→ 3.4	→	10.0	+4.5	Exceeded expectations due to strong demand for generative AI and data center related products
Consolidated total (include service and developments, etc. segment, and elimination)		(4.6)	15.8	11.2	→ 3.5	→	25.0	+13.8	

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Page 9 provides an overall view of the operating profit forecast for the full year of FY2024.

We maintain our full-year operating profit forecast for FY2024. First, let me talk about the Q1 progress from an overall perspective. When we announced our annual forecast of JPY25.0 billion in May, we said that H1 would be 30% of the total and H2 would be 70%. The Q1 results were favorable, with progress at about half the expected level for H1.

I will explain the Q1 progress by sub-segment. The Communications Solutions, Energy Infrastructure, and Automotive Products & Batteries sub-segments were in line with expectations, while the Electronics Component Material sub-segment was slightly below expectations due to a delayed recovery in the electronics market, and the Functional Products sub-segment was above expectations due to strong demand related to generative AI and data centers.

The arrows indicate the expected increase or decrease in profits in H1 and H2 compared to the previous half. The arrows in H1 represent the image of H1 of FY2024 relative to H2 of FY2023. We presented a similar image at the time of the May announcement, and I will now explain the changes we recognize at this time.

In the H1 forecast, the outlook for the Electronics Component Material has changed slightly downward due to a lower-than-expected recovery in the electronics market, while the outlook for the Functional Products is stronger upward than initially expected. Regarding the arrows for H2, there is no change in the perception that H2 will be up against H1 in all segments.

We will continue to assess the recovery of demand in each segment and the growth of demand related to generative AI.

FY24 Forecasts – Net Sales and Operating Profit by Segment



《 Announced on May 13, 2024 》

(JPY billion)	Net sales			Operating profit			Net sales			Operating profit		
	FY23_Q1	FY24_Q1	YoY change	FY23_Q1	FY24_Q1	YoY change	FY23 Results	FY24 Forecasts	YoY change	FY23 Results	FY24 Forecasts	YoY change
	a	b	b-a	c	d	d-c	e	f	f-e	g	h	h-g
Infrastructure	68.7	68.8	+0.1	(3.2)	(2.9)	+0.3	278.2	290.0	+11.8	(11.3)	(2.5)	+8.8
Communications Solutions	46.8	39.9	(6.9)	(1.7)	(4.0)	(2.3)	168.0	175.0	+7.0	(13.0)	(6.0)	+7.0
Energy Infrastructure	21.9	28.9	+7.0	(1.5)	1.1	+2.6	110.2	115.0	+4.8	1.7	3.5	+1.8
Electronics & Automotive Systems	149.7	167.2	+17.5	0.2	4.1	+3.9	653.7	650.0	(3.7)	18.7	21.0	+2.3
Automotive Products & Batteries	88.2	94.1	+6.0	0.1	3.6	+3.5	379.8	385.0	+5.2	15.6	16.5	+0.9
Electronics Component Material	61.5	73.1	+11.6	0.1	0.5	+0.4	273.9	265.0	(8.9)	3.1	4.5	+1.4
Functional Products	27.5	35.9	+8.4	0.7	3.4	+2.6	115.4	135.0	+19.6	5.5	10.0	+4.5
Service and Developments, etc.	6.5	8.0	+1.5	(0.6)	(1.0)	(0.4)	31.6	30.0	(1.6)	(1.9)	(3.5)	(1.6)
Elimination of intra-company transactions	(5.9)	(6.3)	(0.4)	0.1	(0.1)	(0.2)	(22.4)	(25.0)	(2.6)	0.1	0.0	(0.1)
Consolidated total	246.4	273.6	+27.1	(2.8)	3.5	+6.3	1,056.5	1,080.0	+23.5	11.2	25.0	+13.8

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Page 10 shows net sales and operating profit by segment.

The status of sub-segments will be explained on the next page and thereafter, so I will omit the explanation here.

1-(1) Infrastructure (Communications Solutions)

FY24_Q1

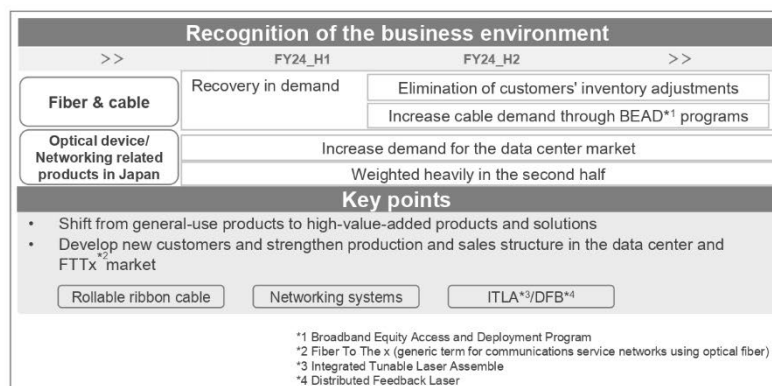
Decreased profit on lower revenue

(JPY billion)	FY23_Q1	FY24_Q1	YoY change
	a	b	b-a
Net sales	46.8	39.9	(6.9)
Operating profit	(1.7)	(4.0)	(2.3)

【Factors affecting profits】

(-) Decreased telecom related demand

(+) Increase in data center related orders



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Page 11 is about the Communications Solutions.

The Q1 results show a decrease in both sales and profits YoY. The sluggish demand in North America that had continued since the beginning of FY2023 bottomed out in Q3, but telecom-related demand remained weak in Q1 of FY2024. Orders for data center-related services are showing positive results, but this has not yet been sufficient to offset the overall decline in demand, resulting in a decrease in profit.

As shown here, there have been no major changes in our perception of the business environment since the May announcement.

1-(2) Infrastructure (Energy Infrastructure)

FY24_Q1

Increased profit on higher revenue

(JPY billion)

	FY23_Q1	FY24_Q1	YoY change
	a	b	b-a
Net sales	21.9	28.9	+7.0
Operating profit	(1.5)	1.1	+2.6

【Factors affecting profits】

(+) Increase in sales of domestic extra-high voltage, renewable energy projects, functional power cable, etc.

Recognition of the business environment			
>>		FY24_H1	FY24_H2 >>
Domestic extra-high voltage	Demand such as domestic renewal and renewable energy projects /construction projects concentrated in the second half		
Submarine lines			
China	Moderate economic recovery		
Functional power cable/components	Steady demand		
Key points			
<ul style="list-style-type: none">Secure orders with a focus on profits, and optimize sales pricesIncrease cable manufacturing and installation capacity<ul style="list-style-type: none">Domestic extra-high voltage and submarine linesRenewable energy projectsIncreased sales by promoting marketing activities<ul style="list-style-type: none">Rakuraku aluminum cable®Transmission and distribution components			

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Page 12 is about the Energy Infrastructure.

The Q1 results show an increase in both sales and profit YoY. The increase in sales of domestic extra-high voltage, renewable energy projects, and functional power cable was the main reason for the increase in profit.

There has been no major change in our perception of the business environment since the May announcement.

FY24_Q1**Increased profit on higher revenue**

(JPY billion)

	FY23_Q1	FY24_Q1	YoY change
	a	b	b-a
Net sales	88.2	94.1	+6.0
Operating profit	0.1	3.6	+3.5

【Factors affecting profits】

- (+) Improved productivity through stable orders
- (+) Slight increase in sales volumes

Recognition of the business environment			
>>	FY24_H1	FY24_H2	>>
Automotive Products	Customer production plans are generally stable Slight increase in automobile production Increase in the number of models equipped with aluminum wire harnesses		
Batteries	Both automotive and industrial sales concentrated in the second half		
Key points			
<ul style="list-style-type: none">Develop products and respond to autonomy for the electric vehicle market			
Aluminum wire harness (including high-voltage products)			

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Page 13 is about the Automotive Products and Batteries.

The Q1 results show an increase in both sales and profit YoY. The increase in profit was due to improved productivity at our company, through the stabilization of production at Japanese OEMs, our main customers.

There has been no change in our perception of the business environment since the May announcement.

FY24_Q1**Increased profit on higher revenue**

(JPY billion)

	FY23_Q1	FY24_Q1	YoY change
	a	b	b-a
Net sales	61.5	73.1	+11.6*
Operating profit	0.1	0.5	+0.4

【Factors affecting profits】

(+) Improved product mix

*Including the impact of changes in copper prices and foreign currency exchange

(preference)

Average copper price: JPY / kg

Average exchange rate: JPY/USD

FY23_Q1	FY24_Q1
1,219	1,570
137	156

Recognition of the business environment		
>>	FY24_H1	FY24_H2 >>
Demand for automotive-related products are firm		
Recovery in electronics-related demand		
Key points		
<ul style="list-style-type: none"> Promote and expand sales of high-value-added products <ul style="list-style-type: none"> Heat-resistant oxygen-free copper strips (for power semiconductors/heat dissipation components) Ribbon cable and ultra fine flat wire (for 5G telecommunications) High performance products (resistance materials) Optimize sales prices and withdraw from low-margin products 		

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Page 14 is about the Electronics Component Material.

The Q1 results show an increase in both sales and profit YoY. Although net sales increased significantly YoY, it was mainly due to soaring copper prices and the weak yen, so in real terms, net sales were almost the same level as the previous fiscal year.

The increase in profit was mainly due to an improved product mix.

In terms of our perception of the business environment, there is no change in our belief that electronics-related demand will recover in H2 or later. However, we will continue to monitor the situation closely as there are signs of a slight delay in the recovery.

FY24_Q1

Increased profit on higher revenue

(JPY billion)	FY23_Q1	FY24_Q1	YoY change
	a	b	b-a
Net sales	27.5	35.9	+8.4
Operating profit	0.7	3.4	+2.6

【Factors affecting profits】

(+) Increased net sales of generative AI and HDD related products

Recognition of the business environment			
>>	FY24_H1	FY24_H2	>>
Moderate recovery in global demand for smartphones and PCs. related products			
Inventory adjustments in the supply chain for HDD related products is ending sooner than originally expected			
Generated AI-related investments continue to be brisk			
Key points			
<ul style="list-style-type: none"> Continue to increase sales of high value-added products for data center and renewable energy markets 			
Tape for semiconductor process	High performance heat dissipation and cooling products	Aluminum blanks for HDD	Copper foil for high frequency circuit boards
<ul style="list-style-type: none"> Establish a manufacturing structure to meet the growing demand for generative AI and semiconductor-related products 			

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Page 15 is about the Functional Products.

The Q1 results show an increase in both sales and profit YoY. Demand for products related to generative AI was strong, and the increase in net sales of thermal products and aluminum blanks for HDD contributed to the increase in profit.

As for our perception of the business environment, investments related to generative AI have continued to be brisk since last year, and data center-related demand has also been active, driven by generative AI. Accordingly, inventory adjustments in the supply chain for aluminum blanks for HDD have been resolved earlier than expected.

FY24 Q1 Results – B/S Summary



(JPY billion)	End of 23Q4*	End of 24Q1	Change
	a	b	b-a
Current assets	517.8	532.7	+14.9
Cash and deposits	48.9	43.5	(5.4)
Notes and accounts receivable - trade, and contract assets	245.7	248.1	+2.4
Total inventories	183.6	200.2	+16.6
Non-current assets	467.2	440.2	(27.0)
Property, plant and equipment	278.6	281.7	+3.1
Intangible assets	20.3	19.9	(0.4)
Investments and other assets	168.3	138.6	(29.7)
Total assets	985.0	972.9	(12.1)
Current liabilities	400.9	417.3	+16.4
Non-current liabilities	225.9	215.9	(9.9)
Total liabilities	626.8	633.2	+6.5
Shareholders' equity	284.9	260.6	(24.3)
Accumulated other comprehensive income	43.4	48.4	+5.0
Non-controlling interests	29.9	30.6	+0.7
Total net assets	358.2	339.6	(18.6)
Total liabilities and net assets	985.0	972.9	(12.1)
Equity capital ratio	33.3%	31.8%	(1.5)
Net interest-bearing debt	284.1	287.7	+3.5
Net D/E ratio	0.87	0.93	+0.06

*Restated the FY23 financial results following changes to the accounting standards for corporate taxes, municipal taxes and business taxes (refer to the Appendix)

Inventories Increased by JPY 16.6 billion
(including the impact of foreign currency exchange and copper prices of JPY + 6.8 billion)

Projects and construction planned to be recorded as net sales in the future
(Increased by JPY 4.3 billion compared to the end of FY23Q4)

Property, plant and equipment, and intangible assets
Increased by JPY 2.7 billion

Impact of CAPEX and depreciation: JPY (2.2) billion
Impact of foreign currency exchange: JPY +5.2 billion
Retirement, etc.: JPY (0.3) billion

Investments and other assets Decreased by JPY 29.7 billion

Investment securities: JPY (30.3) billion
*Mainly due to the reclassification of UACJ shares
(Shares of subsidiaries and associates → Shares of a non-affiliated company)

Total assets Decreased by JPY 12.1 billion

Impact of change in scope of consolidation : JPY (30.5) billion *Mainly UACJ
Impact of foreign currency exchange: JPY +15.6 billion

Shareholders' equity Decreased by JPY 24.3 billion

Retained earnings: JPY (24.3) billion *Mainly sale of UACJ shares

Accumulated other comprehensive income Increased by JPY 5.0 billion

Valuation difference on available-for-sale securities: JPY +11.0 billion
*Mainly due to the gain on mark-to-market valuation of UACJ
Foreign currency translation adjustment: JPY (5.6) billion

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Page 16 shows a summary B/S.

Total assets amounted to JPY972.9 billion, down JPY12.1 billion YoY. Foreign exchange impact from yen depreciation increased overall assets by JPY15.6 billion. On the other hand, in investments and other assets, UACJ shares were reclassified from shares of subsidiaries and associates to shares of a non-affiliated company, resulting in a decrease of approximately JPY30.0 billion.

Shareholders' equity in net assets also decreased by JPY24.3 billion, mainly due to a change in the classification of UACJ stock holdings, resulting in a total decrease in net assets of JPY18.6 billion. The deterioration in the equity capital ratio and net D/E ratio indicators is due to special factors resulting from changes in the classification of UACJ stock holdings.

CAPEX, Depreciation & Amortization and R&D Expenses



■ Full year forecasts remain unchanged

				《 Announced on May 13, 2024 》		
(JPY billion)	FY23_Q1 Results	FY24_Q1 Results	YoY change	FY23 Results	FY24 Forecasts	YoY change
	a	b	b-a	c	d	d-c
CAPEX	8.5	6.9	(1.6)	39.0	48.0	+9.0
Depreciation and amortization	9.5	10.1	+0.7	39.0	41.0	+2.0
R&D expenses	6.4	6.4	+0.1	24.5	26.0	+1.5

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Page 17 shows capital expenditures, depreciation and amortization, and R&D expenses.

There is no change in capital expenditures, depreciation and amortization, and R&D expenses from the figures announced in May. Capital expenditures decreased approximately by JPY1.6 billion YoY. The main reason for this fiscal year's reduction was the inspection of a large project in Q1 of the previous fiscal year.

Depreciation and amortization increased by JPY0.7 billion YoY, mainly due to foreign exchange effects.

R&D expenses will remain at the same level as in the previous fiscal year.

Initiatives to Optimize the Business Portfolio



Overview of the groupwide reorganization	Completion	Main objective
<p>Establish a global holding company for the optical fiber and cable businesses*</p> <p><small>*Subsidiary business companies: Newly established corporation (Japan), OFS (US), FEL (Brazil)</small></p>	April 2025	<div>Profit improvement</div> <div>Growth strategy</div> <ul style="list-style-type: none"> Promote efficiency in business operations and deepen synergies by leveraging the features and strengths of the businesses in each region, and capture global business opportunities
<p>Merge the metal power cable business into Furukawa Electric Industrial Cable Co., Ltd.*</p> <p><small>*Business included in the merger: KANZACC Co., Ltd., and part of Furukawa Electric Co., Ltd., Riken Electric Wire Co., Ltd. and Okano Cable Co., Ltd.</small></p>	October 2025	<div>Transform the business portfolio</div> <div>Profit improvement</div> <ul style="list-style-type: none"> Promote efficiency in business operations Specialize in product lineups that are competitive in the market
<p>Transfer shares of The Furukawa Battery Co., Ltd. and reinvest in the storage battery business through partner companies</p>	April 2025 (Expected)	<div>Transform the business portfolio</div> <div>Corporate governance</div> <ul style="list-style-type: none"> Grow and develop The Furukawa Battery Co., Ltd. under the direction of the best owner Eliminate the situation of both the parent and subsidiary being listed companies

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Lastly, I will discuss initiatives to optimize our business portfolio.

I will not go into detail, but here is a summary of our recent announcements related to the reorganization. Although none of them will affect our FY2024 financial results, we will continue our efforts to improve capital efficiency in order to achieve our Vision 2030 and 2025 Mid-term Plan.

That is all from me.