



Furukawa Electric Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2025

November 7, 2024

[Number of Speakers]

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Furukawa Electric Group FY2024 Q2 Financial Results

November 7, 2024

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General Manager, Finance & Accounting Division

Furukawa Electric Co., Ltd.

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Moridaira: Hello everyone, this is Moridaira. Thank you for joining us today. Let's proceed with the explanation.

Agenda

FY24 H1 Financial Results and FY24 Forecasts

- FY24 H1 Financial Results Highlights
 - FY24 Forecast Revision
 - Operating profit by segment,
 - Year-end dividend forecast
 - Business Environment and Initiatives
 - Initiatives for Recovering the Communications Solutions Business
 - Strengthening the Product Lineup for Data Centers
 - Directed at Further Growth
- FY24 H1 Results
 - P/L Summary, Breakdown of changes (net sales & operating profit)
 - FY24 Forecasts -P/L Summary
 - Net Sales and Operating Profit by Segment
 - FY24 H1 Results -B/S Summary
 - CAPEX, Depreciation & Amortization and R&D Expenses

Appendix

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Please turn to page three of the materials. This is today's agenda.

First, I will discuss the items listed on the left, followed by Aoshima, who will go over the key points of the items on the right.



FY24 H1 Financial Results and FY24 Forecasts

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Next, please look at page four. This is regarding the financial results for H1 and the full-year forecast.

FY24 H1 Financial Results Highlights



- Achieved increased profit on higher revenue compared to the same period of last year, and the businesses are performing better than expected.

(JPY billion, JPY/kg, JPY/USD)	FY23_H1	FY24_H1	YoY change	
	a	b	b-a	
Net sales	503.1	570.4	+67.3	Revenue increased in all segments
Operating profit	(4.6)	17.5	+22.2	Profit increased in all segments excluding Service and Development, etc.
Ordinary profit	(3.6)	19.0	+22.6	
Profit attributable to owners of parent	(4.1)	11.2	+15.3	
Average copper price	1,241	1,497	+256	
Average exchange rate	141	153	+12	

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Please turn to page five. We have summarized the key points on this page.

All items, including net sales, showed positive growth YoY. As for profit, last year's loss turned into profit.

- The forecast for net sales and each stage of profit has been revised up.

(JPY billion, JPY/kg, JPY/USD)	FY23 Results	FY24 Previous forecasts*	FY24 Forecasts	YoY change	Change from previous forecasts
	a	b	c	c-a	c-b
Net sales	1,056.5	1,080.0	1,140.0	+83.5	+60.0
Operating profit	11.2	25.0	38.0	+26.8	+13.0
Ordinary profit	10.3	20.5	36.0	+25.7	+15.5
Profit attributable to owners of parent	6.5	13.0	22.0	+15.5	+9.0
Average copper price	1,262	1,155	1,396	+134	+241
Average exchange rate	145	140	146	+2	+6

H2 assumption
Copper price : JPY 1,295 /kg
Exchange rate: JPY 140/ USD

*Announced on May 13, 2024

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The full-year forecast for this fiscal year is shown here.

We have revised our previous forecast upward for net sales, operating profit, ordinary profit, and profit attributable to owners of parent.

FY24 Forecast Revision -Operating Profit by Segment



Operating profit of main segments											
(JPY billion)											
Segments	Sub-segments	H1	H2	FY23 Results	FY24 Previous forecasts*	H1	H2	FY24 Forecasts	YoY change	Change from previous forecasts	Recognition of the situation
				a	b			c	c-a	c-b	
Infrastructure	Communications Solutions	(6.0)	(6.9)	(13.0)	(6.0)	(5.8)	(0.2)	(6.0)	+7.0	—	H1: Financial results slightly exceeded expectations H2: Telecom market recovery will likely be delayed
	Energy Infrastructure	(2.6)	4.4	1.7	3.5	2.9	2.1	5.0	+3.3	+1.5	H1: Financial results exceeded expectations H2: Expected to progress as expected
Electronics & Automotive Systems	Automotive Products & Batteries	2.3	13.3	15.6	16.5	11.2	11.8	23.0	+7.4	+6.5	H1: Improved productivity resulting from stable orders H2: Situation will remain ongoing from H1
	Electronics Component Material	0.6	2.5	3.1	4.5	3.1	1.4	4.5	+1.4	—	H1: Impact of improvement to the product mix and foreign currency exchange H2: Electronics market recovery will be delayed
Functional Products		2.1	3.4	5.5	10.0	7.9	7.1	15.0	+9.5	+5.0	H1: Recovery in HDD demand occurred earlier than expected H2: Demand of data center products will continue to be strong
Consolidated total (include service and developments, etc. segment, and elimination)		(4.6)	15.8	11.2	25.0	17.5	20.5	38.0	+26.8	+13.0	

*Announced on May 13, 2024

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Please turn to page seven. This page covers the full-year forecasts by segment.

In the Communications Solutions, H1 slightly exceeded expectations. In H2, while orders are showing a recovery trend, particularly in data center demand, recovery in Europe and America telecom market is expected to lag behind initial expectations, so we have kept our full-year forecast unchanged from the previous projection. In the Energy Infrastructure, H1 exceeded expectations due to accelerated projects. We anticipate H2 will progress largely as initially expected.

In the Automotive Products and Batteries, performance has been steadily, and we expect this favorable trend to continue throughout the full year. In Electronics Component Material, due to an improved product mix and foreign exchange effects, H1 outperformed. Although the electronics market recovery is anticipated to be delayed in H2, we expect it to progress mostly in line with initial expectations.

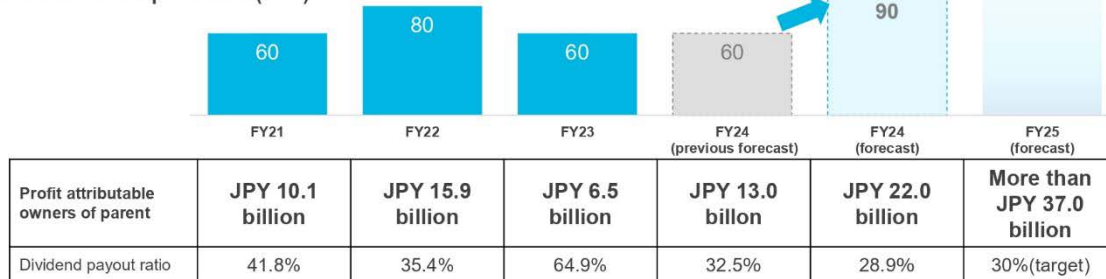
For Functional Products, H1 saw substantial growth due to the accelerated recovery in demand related to hard disk drives and the strong performance of thermal products. We expect this situation to continue throughout the full year.

FY24 Forecast Revision -Year-end Dividend Forecast



■ For the year-end dividend, we plan to issue a dividend of JPY 90 per share
(Raised by JPY 30 from JPY 60 announced on May 13, 2024)

Annual dividend per share (JPY)



Basic policy on shareholder returns

The Company's basic policy is to provide stable and continuous returns to shareholders and to link dividend payments to business performance, with a target of 30% of profit attributable to owners of parent

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Please turn to page eight.

Given the current circumstances, we have revised our forecast for the year-end dividend from the previous JPY60 per share to JPY90.

Business Environment and Initiatives

		FY2024	FY2025 and beyond
Business environment	Macroenvironment	Markets continue to be volatile due to political/economic uncertainty	
	North America telecom market	Gradual recovery	Full-scale recovery expected to occur from FY25 or beyond
	Data center/AI market	Large growth from last year	Continued growth
	Electronics market	Delay in recovery of demand of products for smartphone and PC	Gradual recovery
	Automotive market	Low vehicle production volume, especially in China market	Vehicle production volumes will gradually increase
Initiatives		Advance the initiatives for enhancing earnings capability	Strengthen and accelerate the initiatives aimed at further growth
Communications Solutions		Increase production of data center products and expand the product lineup	In addition to the factor stated on the left, capture the recovering telecom demand
Energy Infrastructure		Accept orders with a focus on profits, and increase installation capacity	In addition to the factor stated on the left, prepare to expand the wide-area interconnection business
Automotive Products & Batteries		Further improve productivity and optimize sales prices	Develop products and accelerate the response to autonomy for the electric vehicle market
Electronics Component Material		Making progress in improving the product mix and optimizing sales prices	Develop and supply high performance materials that meet customer needs
Functional Products		Capture the strong demand in growing markets (advance customer responses, prepare a production system, develop next generation products, etc.)	

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Please turn to page nine. Next, I will explain the business environment affecting our group and the initiatives we are taking in response.

Market fluctuations driven by political and economic uncertainties are expected to continue, particularly with the attention needed on the impact of the US presidential election.

In this context, the market environment for our group shows that recovery in the North American telecom market, especially in the carrier segment, is anticipated in FY2025. Meanwhile, the data center market remains strong, with continued expansion expected. The electronics market recovery is delayed but is anticipated to gradually improve. The automotive market shows stable current orders, though overall growth is limited. However, it is also expected to recover gradually.

Under these conditions, we have outlined key focus areas for our group.

For the Communications Solutions, we will continue expanding production and enhancing the lineup of data center-related products while preparing for the telecom market recovery.

In Energy Infrastructure, we are increasing our installation capacity and supporting renewable energy and the wide-area interconnection business.

The Automotive Products and Batteries focuses on improving productivity and optimizing price while accelerating efforts in EV-related product development and production process automation.

In the Electronics Component Material, we continue to optimize product mix and price, advancing the shift towards high-performance materials.

For Functional Products, we aim to capture demand growth driven by data center market expansion, maintaining our proactive development and supply of products aligned with emerging needs.

- Data center market will continue to grow, and we will work to enhance the product supply system and increase sales.
- Overseas telecom market will gradually recover, and we will work to prepare for the full-scale recovery from FY25 or beyond.

Market forecast

Data centers

Optical cable and optical component demand is strong, and the market is expected to highly grow in the future

Overseas telecom

the market will gradually recover in North America, and full-scale BEAD*1 demand will occur from FY25 H2

Central and South America markets are weak, and timing of recovery is unclear

*1 Broadband Equity Access and Deployment Program
*2 Distributed Feedback Laser

Main initiatives

- Increase production of data center products

Rollable ribbon cable



2 times

MT ferrules



More than 5 times

DFB laser^{*2} chips



More than 5 times

Manufacturing capacity in FY25
(Compared to FY23)

Grow up with Hakusan Inc.

- Continue to prepare for the recovery in telecom market demand (prepare a manufacturing system, improve productivity, strengthen sales marketing activities)

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Please turn to page 10. Here, I will explain our efforts to drive recovery in the Communications Solutions business.

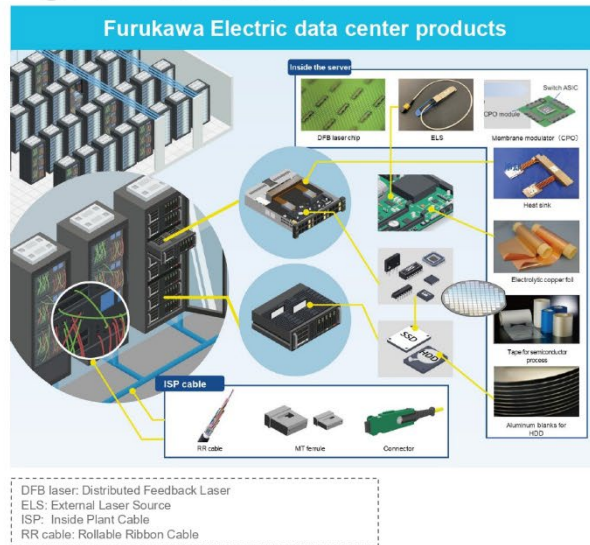
For data center demand, we are expanding the production capacity for rollable ribbon cables, with efforts to increase orders as well. As announced in today's press release, we have acquired shares in Hakusan Inc. to enhance production and supply capacity for MT ferrules. Additionally, we are improving installation efficiency by attaching MT ferrules to rollable ribbon cable terminals for sale.

Furthermore, orders for DFB laser chips, used as light sources within data centers, are increasing, and we are ramping up production accordingly.

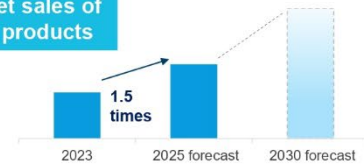
In parallel with these actions, we are enhancing our production, sales, and marketing framework to prepare for the anticipated recovery in telecom demand in North America and other regions.

Strengthen the Product Lineup for Data Centers

- We will work to increase net sales in the data center market, which will continue to grow in the future.



Change in net sales of data center products



Main initiatives (Functional Products)

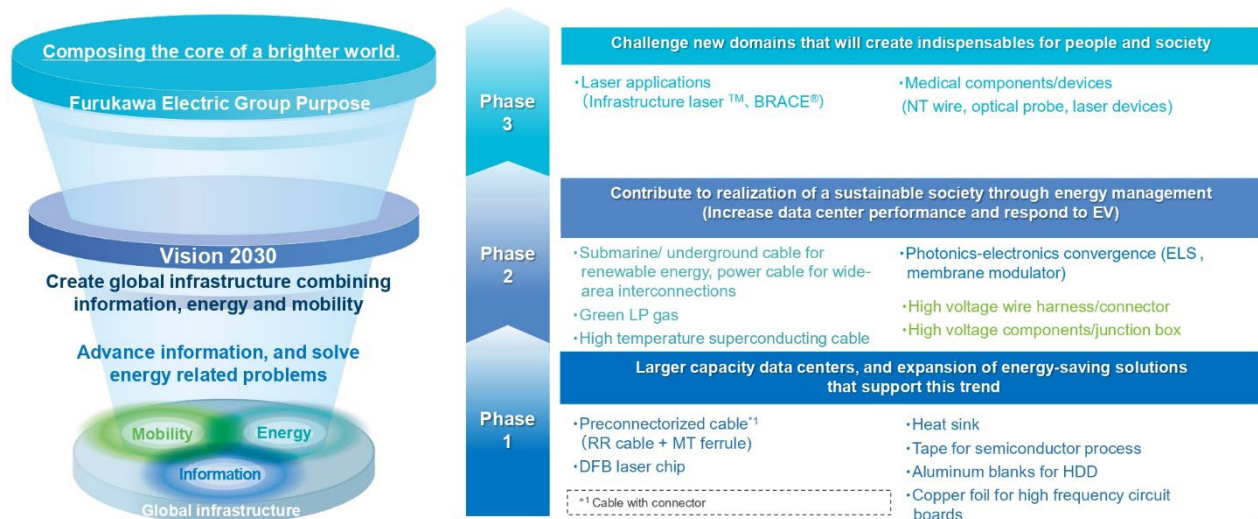
Heat sink	Prepare a supply system for air cooling products for which demand is expected to remain strong, and build a new plant for water cooling products (plan to start mass production in FY26)
Electrolytic copper foil	Increase supply capacity of copper foil for high frequency circuit boards
Tape for semiconductor process	Increase the supply capacity of high value-added products by starting operation of the No. 2 plant at the Mie Works (start mass production in FY25)
Aluminum blanks for HDD	Nimble respond to the demand recovery/ changes, and achieve differentiation through thinner blanks

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Please turn to page 11. Here, we have displayed our group's data center-related products.

Currently, demand is particularly strong in the Functional Products segment, and we are implementing measures to expand this area further. In addition, we are also advancing the capacity enhancement and order expansion of the Communications Solutions related products discussed earlier. For next fiscal year, we anticipate data center-related product sales to reach 1.5 times the FY2023 level, with further growth projected toward FY2030.

- By achieving Vision 2030 and embodying the Purpose, we will address a wide range of social issues.



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Please turn to page 12. Regarding our group's Vision 2030, we envision the following phases.

In the near term, as Phase I, we will promote the expansion of our product lineup, contributing to data centers' increased capacity and energy efficiency, as mentioned previously. In Phase II, we will leverage opportunities in the energy management-related market to introduce products such as power cables for renewable energy, including submarine and underground cables and power cables for wide-area interconnections. Additionally, we plan to launch Photonics-electronics convergence devices, automotive products like high-voltage wire harnesses, connectors, and junction boxes, as well as products related to high-temperature superconducting wires and green LP gas.

For the post-2030 phase, we aim to broaden our offerings to include medical components and devices utilizing laser applications and expand support for aging infrastructure maintenance.

That concludes my presentation.

Next, Aoshima will provide additional details and supplementary explanations regarding the financial results and related matters.

Aoshima: This is Aoshima from the Finance and Accounting Division. I will now provide details of the financial results for H1 of FY2024 and the full-year forecast for FY2024.

FY24 H1 Results -P/L Summary



- Achieved increased profit on higher revenue compared to the same period last year, and the businesses are performing better than expected.

(JPY billion, JPY/kg, JPY/USD)	FY23_H1	FY24_H1	YoY change	Breakdown of change
	a	b	b-a	
Net sales	503.1	570.4	+67.3	See page 15
Operating profit	(4.6)	17.5	+22.2	See page 16
(Margin)	(0.9%)	3.1%	+4.0	
Interest income (expenses)	(3.6)	(4.0)	(0.4)	
Share of profit (loss) of entities accounted for using equity method	2.2	6.2	+4.0	
Foreign exchange gains (losses)	2.1	(2.6)	(4.6)	
Ordinary profit	(3.6)	19.0	+22.6	
(Margin)	(0.7%)	3.3%	+4.0	
Extraordinary income (losses)	3.5	(3.1)	(6.6)	·Extraordinary income : (4.8) [6.3 → 1.5]
Income taxes	(3.6)	(3.1)	+0.5	·Extraordinary loss : (1.8) [(2.8) → (4.6)]
Profit attributable to non-controlling interests	(0.4)	(1.6)	(1.2)	
Profit attributable to owners of parent	(4.1)	11.2	+15.3	
(Margin)	(0.8%)	2.0%	+2.8	
Average copper price	1,241	1,497	+256	
Average exchange rate	141	153	+12	

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Please turn to page 14. This is a summary of the P&L for H1 of FY2024.

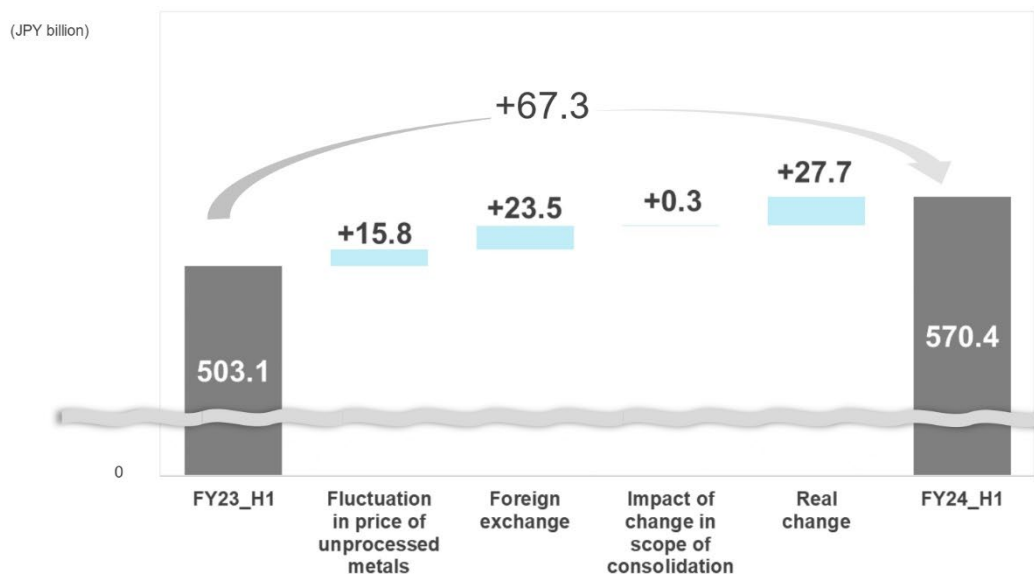
For the YoY comparison of net sales and operating profit, I will explain the factors for increases and decreases on the following pages.

Equity in earnings of affiliates in non-operating income increased by approximately JPY4.0 billion YoY, mainly due to an increase in share of profit entities accounted for using equity method from UACJ.

Extraordinary income/losses decreased by JPY6.6 billion YoY, primarily due to significant sales of policy-holding stocks in the previous year.

Profit attributable to owners of parent increased due to higher operating profit.

FY24 H1 Results -Breakdown of Changes in Net Sales

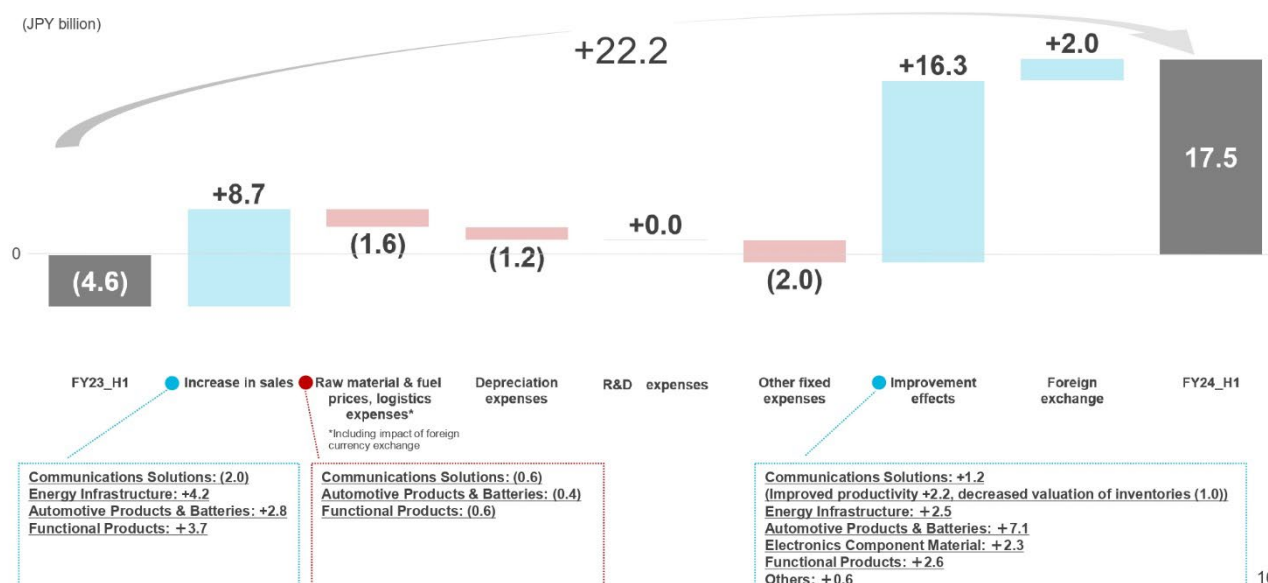


15

Page 15 shows the factors behind changes in net sales.

Net sales increased by JPY67.3 billion YoY. Excluding fluctuations in metal prices and foreign exchange impacts, the actual increase was JPY27.7 billion. The breakdown is as follows: Communications Solutions decreased by approximately JPY7.0 billion, Energy Infrastructure increased by approximately JPY12.0 billion, Automotive Products and Batteries increased by approximately JPY5.0 billion, Electronics Component Material increased by approximately JPY5.0 billion, and Functional Products increased by approximately JPY12.0 billion.

FY24 H1 Results -Breakdown of Changes in Operating Profit



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Page 16 shows the factors behind changes in operating profit.

Operating profit increased by JPY22.2 billion YoY. This was mainly due to two factors. An increase of JPY8.7 billion due to higher sales and an improvement of JPY16.3 billion from improvement effects, which include price optimization, productivity improvements, and product mix enhancement.

FY24 Forecasts -P/L Summary



■ The forecasts for net sales and each stage of profit have been revised up.

(JPY billion, JPY/kg, JPY/USD)	FY23	FY24	FY24	YoY change	Change from
	Results	Previous forecasts*	Forecasts		previous forecasts change
	a	b	c	c-a	c-b
Net sales	1,056.5	1,080.0	1,140.0	+83.5	+60.0
Operating profit	11.2	25.0	38.0	+26.8	+13.0
(Margin)	1.1%	2.3%	3.3%	+2.3	+1.0
Interest income (expenses)	(7.4)	-	-	-	-
Share of profit (loss) of entities accounted for using equity method	6.3	-	-	-	-
Foreign exchange gains (losses)	(0.1)	-	-	-	-
Ordinary profit	10.3	20.5	36.0	+25.7	+15.5
(Margin)	1.0%	1.9%	3.2%	+2.2	+1.3
Extraordinary income (losses)	9.8	4.0	0.0	(9.8)	(4.0)
Income taxes	(11.6)	-	-	-	-
Profit attributable to non-controlling interests	(2.0)	-	-	-	-
Profit attributable to owners of parent	6.5	13.0	22.0	+15.5	+9.0
(Margin)	0.6%	1.2%	1.9%	+1.3	+0.7
Average copper price	1,262	1,155	1,396	+134	+241
Average exchange rate	145	140	146	+2	+6

Capture growing demand in the strong market environment
Energy Infrastructure
Automotive Products & Batteries
Functional Products

Increase share of profit of entities accounted for using equity method

H2 assumption
Copper price: JPY 1,295 /kg
Exchange rate: JPY 140/ USD

* Announced on May 13, 2024

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Page 17 provides a summary of the P&L for the full-year forecast for FY2024.

The assumptions for copper prices and foreign exchange rates for H2 are shown in the bottom right.

Net sales have been revised upward by JPY60.0 billion, reflecting increased demand due to a favorable market environment and rising copper prices. Operating profit has been revised upward by JPY13.0 billion across the three segments listed here. In non-operating income, share of profit of entities for using equity method has been reviewed, and extraordinary income/loss has been adjusted based on losses incurred in H1. Profit attributable to owners of parent has been revised upward by JPY9.0 billion to JPY22.0 billion.

Operating Profit by Segment



- In FY24 H1, profit increased compared to the same period last year in all segments excluding Service and Developments, etc., and the businesses are performing better than expected.

Operating profit of main segments

Segments	Sub-segments	H1			Breakdown of change (YoY)		Full-year		
		FY23	FY24	YoY			FY24 Previous forecasts*	FY24 Forecasts	Change from previous forecasts
		a	b	b-a			c	d	d-c
Infrastructure	Communications Solutions	(6.0)	(5.8)	+0.2	• Increased net sales of data center products • Stagnant orders for telecom products	Slightly exceed expectations	(6.0)	(6.0)	—
	Energy Infrastructure	(2.6)	2.9	+5.6	• Increase in sales of domestic extra-high voltage, renewable energy projects, functional power cable, etc.	Exceed expectations	3.5	5.0	+1.5
Electronics & Automotive Systems	Automotive Products & Batteries	2.3	11.2	+8.9	• Improved productivity through stable orders • Optimized battery prices	Exceed expectations	16.5	23.0	+6.5
	Electronics Component Material	0.6	3.1	+2.5	• Improved product mix • Impact of foreign currency exchange	Slightly exceed expectations	4.5	4.5	—
Functional Products		2.1	7.9	+5.8	• Increased net sales of data center products	Exceed expectations	10.0	15.0	+5.0
Consolidated total (include service and developments, etc. segment, and elimination)		(4.6)	17.5	+22.2			25.0	38.0	+13.0

*Announced on May 13, 2024

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We will skip page 18 and proceed to explain the operating profit by segment on page 19.

Operating profit for H1 increased YoY across all sub-segments, excluding services and developments, etc segment.

The factors contributing to profit growth are as follows: in the Communications Solutions, despite a slowdown in telecom-related orders, increased sales of data center-related products led to profit growth. In the Energy Infrastructure, higher sales of domestic extra-high-voltage and renewable energy-related products, as well as functional power cables, contributed to profit growth. In the Automotive Products and Batteries, productivity improvements and price optimization at Furukawa Battery contributed to profit growth. In the Electronics Component Material, improvements in product mix and foreign exchange impacts resulted in profit growth. In the Functional Products, increased sales of data center-related products led to profit growth.

The comments enclosed in this box reflect performance relative to our forecast for H1. Given that Energy Infrastructure, Automotive Products and Batteries, and Functional Products exceeded expectations, we have revised our annual forecast for operating profit upward by JPY13.0 billion, bringing the full-year forecast to JPY38.0 billion.

We will skip the explanations for pages 20 to 24.

FY24 H1 Results -B/S Summary



(JPY billion)	End of FY23*	End of FY24H1	Change	
	a	b	b-a	
Current assets	517.8	535.4	+17.7	
Cash and deposits	48.9	51.7	+2.9	
Notes and accounts receivable - trade, and contract assets	245.7	247.1	+1.3	
Total inventories	183.6	196.3	+12.7	Inventories Increased by JPY 12.7 billion (including the impact of foreign currency exchange and copper prices of JPY 3.7 billion) Increased in net sales (Increased by JPY 5.7 billion compared with the end of FY23) Projects and construction planned to be recorded as net sales in the future (Increased by JPY 3.3 billion compared with the end of FY23)
Non-current assets	467.2	440.4	(26.9)	
Property, plant and equipment	278.6	273.8	(4.8)	Property, plant and equipment, and intangible assets Decreased by JPY 5.1 billion Impact of CAPEX and depreciation: JPY (3.9) billion Impact of foreign currency exchange: JPY (0.7) billion Retirement, etc.: JPY (0.5) billion
Intangible assets	20.3	20.0	(0.3)	
Investments and other assets	168.3	146.5	(21.8)	Investments and other assets Decreased by JPY 21.8 billion Investment securities: JPY (19.2) billion *Mainly due to the reclassification of UACJ shares (Shares of subsidiaries and associates → Shares of a non-affiliated company)
Total assets	985.0	975.8	(9.2)	Total assets Decreased by JPY 9.2 billion Impact of change in scope of consolidation: JPY (18.6) billion *Mainly UACJ Impact of foreign currency exchange: JPY +7.9 billion
Current liabilities	400.9	401.3	+0.4	
Non-current liabilities	225.9	221.3	(4.6)	
Total liabilities	626.8	622.5	(4.2)	
Shareholders' equity	284.9	267.2	(17.8)	Shareholders' equity Decreased by JPY 17.8 billion Retained earnings: JPY (17.8) billion *Mainly sale of UACJ shares
Accumulated other comprehensive income	43.4	56.6	+13.2	Accumulated other comprehensive income Increased by JPY 13.2 billion Valuation difference on available-for-sale securities: JPY +18.4 billion *Mainly due to the gain on mark-to-market valuation of UACJ Foreign currency translation adjustment: JPY (3.2) billion
Non-controlling interests	29.9	29.5	(0.4)	
Total net assets	358.2	353.3	(5.0)	
Total liabilities and net assets	985.0	975.8	(9.2)	
Equity capital ratio	33.3%	33.2%	(0.1)	
Net interest-bearing debt	284.1	279.8	(4.4)	
Net D/E ratio	0.87	0.86	(0.01)	

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

Free cash flow	
FY23_H1	FY24_H1
JPY (1.3) billion	JPY +9.1 billion

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Page 25 provides a summary of the B/S for H1 of FY2024.

Total assets stood at JPY975.8 billion, a decrease of JPY9.2 billion compared with the end of FY2023. Due to the depreciation of the Japanese yen, there was an increase of JPY7.9 billion across total assets. Meanwhile, in investments and other assets, shares of UACJ were reclassified from equity-method affiliate shares to general stock, resulting in a reduction of approximately JPY18.0 billion.

Shareholders' equity in net assets also decreased by JPY17.8 billion, partly due to the reclassification of UACJ shares.

Net interest-bearing debt decreased by JPY4.4 billion due to improvements in operating cash flow.

CAPEX, Depreciation & Amortization and R&D Expenses



■ Full year forecasts remain unchanged

《 Announced on May 13, 2024 》

(JPY billion)	FY23_H1 Results	FY24_H1 Results	YoY change	FY23 Results	FY24 Forecasts	YoY change
	a	b	b-a	c	d	d-c
CAPEX	16.9	15.0	(1.9)	39.0	48.0	+9.0
Depreciation and amortization	19.2	20.4	+1.2	39.0	41.0	+2.0
R&D expenses	12.4	12.4	(0.0)	24.5	26.0	+1.5

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Page 26 covers capital investment, depreciation, and R&D expenses.

These figures remain unchanged from those announced in May.

That concludes my explanation.