Furukawa Electric Co., Ltd.

Q3 Financial Results Briefing for the Fiscal Year Ending March 2022

Held on February 3, 2022

[Number of Speakers]	1	
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Highlights

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■Through the nine months of FY2021, recorded higher profit on increased revenue compared to the same term of last year

■On a quarterly basis, a loss was recorded in each profit level of the settlement in Q3 due to the occurrence of one-time expenses (including approx. JPY 5.0 billion in emergency transportation expenses incurred from the late November due primarily to the impact of COVID-19) in the Automotive Products business

■Based on the actual results and future outlook, the full-year forecast has been revised downward

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First, let's look at page three. There are three key points in our financial results.

Both sales and profit increased YoY in the cumulative Q3 results. However, on a quarterly basis in Q3 showed a loss in each profit level due to one-time expenses in the Automotive Products business.

The full-year forecast has been revised downward in light of actual results and future prospects.

FY2021 Q3 Results Highlights

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■ **Net sales and operating income**

Despite the impact of lower customer production volumes and COVID-19 primarily in the Automotive Products business (including approx. JPY 5.0 billion incurred as emergency transportation expenses from the end of November) and higher transportation and raw material expenses groupwide, steady progress was made in capturing opportunities as demand recovered from the impact of COVID-19 last year, and profit increased on higher revenue*1 in the Infrastructure and Functional Products segments.

■ **Ordinary income**

Increased following the 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 3.3 billion following lower extraordinary loss / profit (JPY 10.4 billion → JPY 0.4 billion)*2

(JPY billion)

	FY19_Q3 Results	FY20_Q3 Results	FY21_Q3 Results	YoY change
	a	b	c	c-b
Net Sales	676.2	563.0	670.9	+107.9
Operating income	15.3	▲ 0.7	5.1	+5.8
Ordinary income	13.9	▲ 3.8	10.3	+14.0
Net income attributable to owners of the parent company	7.4	0.5	3.3	+2.9
Average copper price	689	714	1,111	
Average exhange rate	109	106	111	

*1 Impact of higher copper prices: JPY +37.5 billion (JPY 714/kg→ JPY 1,111/kg)
Impact of the adoption of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29): JPY ▲36.3 billion
*2 FY20_Q3 (cumulative) extraordinary income: JPY 22.1 billion gain on disposal of non-current assets

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Now let's get to the details. Please see page four.

As for Q3 results, net sales and operating income increased in both sales and income. Although there were production cutbacks by customers and the impact of the COVID-19 mainly in the Automotive Products business, and an increase in transportation and material expenses groupwide, we were able to capture recovering demand after the impact of the COVID-19 last year.

The Infrastructure and Functional Products segments recorded higher sales and profits.

Ordinary income increased due to an increase in operating income and, in addition, an improvement in earnings from equity in affiliates, although this was mainly due to UACJ.

Net income attributable to shareholders of the parent company increased in the first nine months of the current fiscal year compared to the previous fiscal year, despite a decrease in extraordinary income.

FY2021 Q3 Results – P/L Summary

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

	FY19Q3	10-12	FY20Q3	10-12	FY21Q3	10-12	YoY change	10-12	Breakdown of change (Q3)
	a	a'	b	b'	c	c'	c-b	c'-b'	
Net sales	**676.2**	**221.0**	**563.0**	**208.6**	**670.9**	**223.7**	**+107.9**	**+15.1**	**+107.9 (+19%)** **See page 6**
Operating income	**15.3**	**4.5**	**▲ 0.7**	**2.6**	**5.1**	**▲ 2.2**	**+5.8**	**▲ 4.8**	**+5.8**
(Margin)	2.3%	2.0%	▲ 0.1%	1.3%	0.8%	▲ 1.0%	+0.9	▲ 2.2	See page 7
Profit/loss in equity method affiliates	1.3	1.5	▲ 0.5	0.6	6.1	1.7	+6.5	+1.1	
Foreign exchange gain/loss	▲ 0.4	0.4	▲ 0.9	▲ 0.5	0.8	0.4	+1.6	+0.9	
Ordinary income	**13.9**	**5.5**	**▲ 3.8**	**2.2**	**10.3**	**▲ 0.5**	**+14.0**	**▲ 2.7**	**+14.0**
(Margin)	2.1%	2.5%	▲ 0.7%	1.0%	1.5%	▲ 0.2%	+2.2	▲ 1.3	
Extraordinary income/loss	1.1	▲ 1.0	10.4	▲ 1.1	0.4	▲ 1.9	▲ 10.0	▲ 0.8	･Extraordinary income:▲17.7 (23.1 → 5.4)
Income taxes	6.7	2.5	4.6	1.3	5.4	0.6	+0.8	▲ 0.6	･Extraordinary loss:+7.7 (▲12.7 → ▲5.0)
Net income attributable to non-controlling interests	0.9	0.7	1.6	1.0	2.0	0.9	+0.4	▲ 0.1	
Net income attributable to owners of parent company	**7.4**	**1.4**	**0.5**	**▲ 1.1**	**3.3**	**▲ 3.9**	**+2.9**	**▲ 2.7**	**+2.9(+622%)**
(Margin)	1.1%	0.6%	0.1%	▲ 0.5%	0.5%	▲ 1.7%	+0.4	▲ 1.2	
Average copper price	689	683	714	792	1,111	1,149			
Average exhange rate	109	109	106	104	111	114			

Extraordinary income :
･Social contribution refund for prior periods（1.7：Q1）
･Gain on the disposal of non-current assets（0.6：Q1）
･Gain on sales of investment securities（0.6：Q3）
Extraordinary loss :
･Business restructuring expenses（2.1：Q3）
･Losses caused by COVID-19（0.8：Q3）

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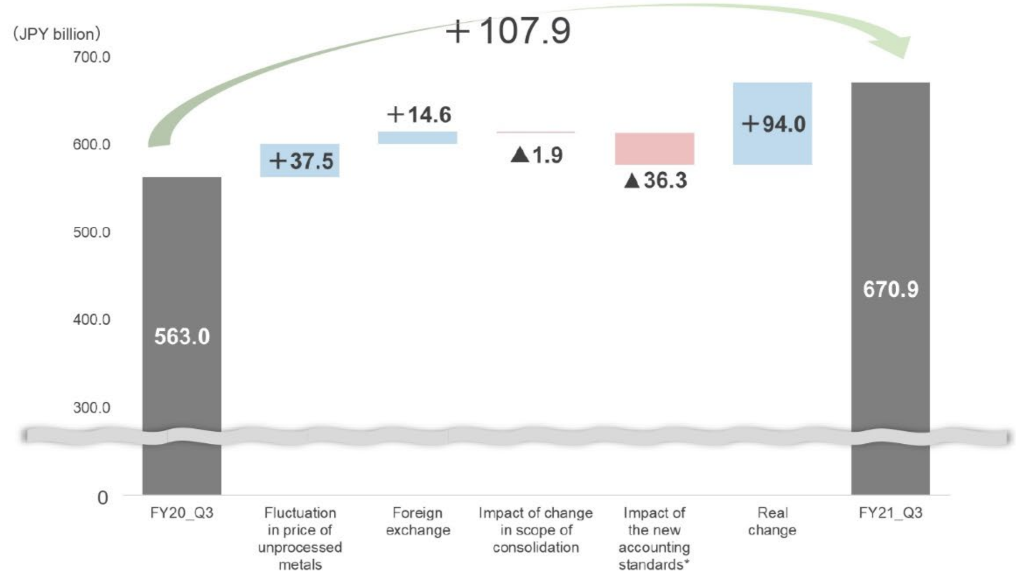
Let's go on to page five. This is a summary P/L.

Since there is some overlap in the explanation, I will skip it.

Analysis of Change in Net Sales (YoY)



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

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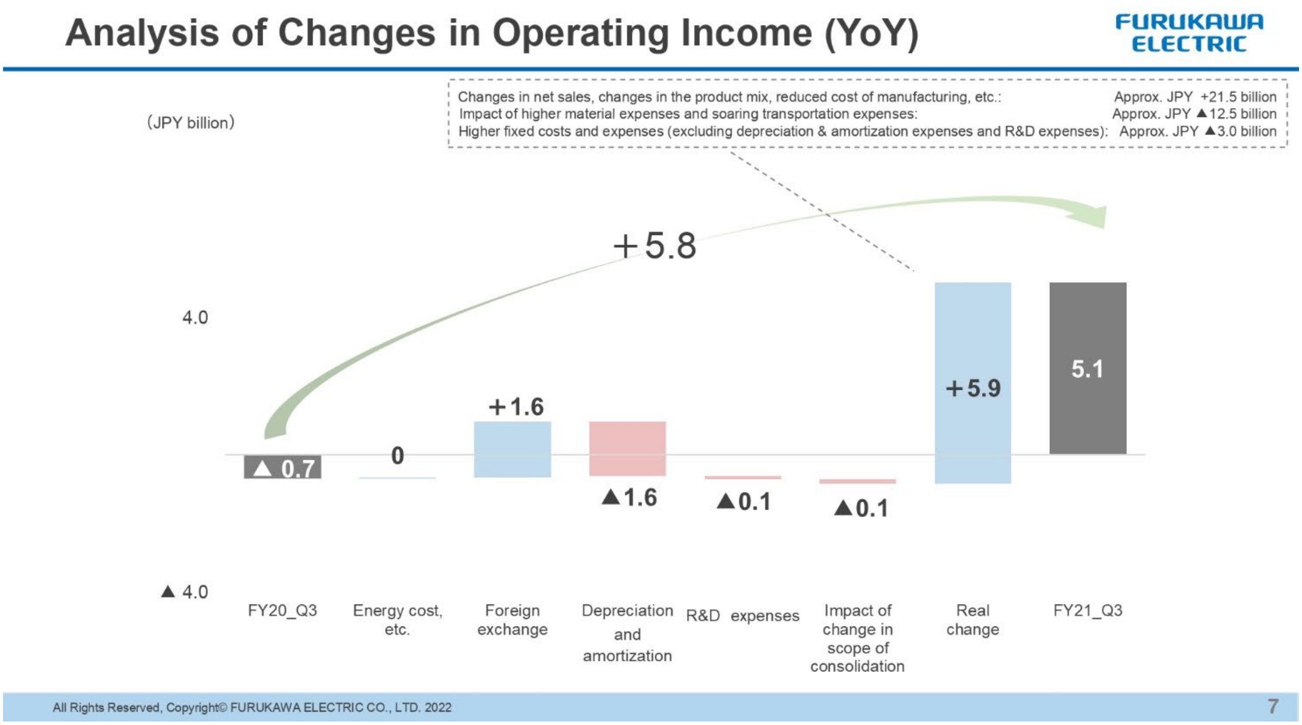
The following page, page six, shows the factors behind the increase/decrease in cumulative Q3 net sales compared with the previous year.

Net sales increased by JPY107.9 billion. The main reason for this is the impact of the change in metal prices, with the price of copper rising a very large JPY37.5 billion.

In addition, foreign exchange rates have also been positive, as foreign currency-denominated portions have appreciated as the yen has weakened and foreign currencies have appreciated.

On the other hand, the impact of changes in accounting standards had a negative impact resulting in a real change of JPY94.0 billion.



In response to this, on page seven is the waterfall of factors that contributed to the increase or decrease in operating income.

The main one is the impact of exchange rates. Our sensitivity to foreign exchange rates is such that a depreciation of JPY1 will have a positive impact of about JPY300 million. Since the yen has weakened by about JPY5, we were able to add JPY1.6 billion this time.

However, depreciation and amortization expenses were negative by almost the same amount.

As a result, the real amount of change is JPY5.9 billion. The breakdown is an increase of JPY21.5 billion due to sales, the product mix, and cost reductions.

On the other hand, soaring or increasing material and transportation costs had a negative impact of JPY12.5 billion.

In addition, fixed costs, excluding depreciation and amortization and research expenses, were a negative JPY3 billion.

As for the breakdown of material and transportation costs, material costs were approximately minus JPY5 billion, and transportation costs were minus JPY7.5 billion. Within that, automobiles accounted for a minus JPY5 billion of the total.

For fixed costs, there was no increase, and no decrease from the end of Q2.

Regarding the details, they are the same as the previous explanation, but it means that due to the recovery from the COVID-19, we have returned the number of indirect personnel, etc. at the plant to an appropriate level.

In addition, there is an increase in depreciation expenses due to the start of operation of the core system.

FY2021 Full-year forecasts

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■ Revised FY2021 full-year forecasts

○ Operating income has been revised down mainly due to higher transportation and raw material expenses and lower customer production volumes caused by a shortage of semiconductors and resin mainly in the Automotive Products business. (Refer to Page 11 for a breakdown by segment)

○ Ordinary income and net income attributable to owners of the parent company have been revised following the downward revision to operating income.

○ No change to FY2021 dividend forecast by maintaining a stable dividend policy while keeping a good balance between investment in future growth and financial health.
(Annual dividend per share (forecast) : JPY 60)

(JPY billion)

	FY19	FY20	*FY21 Previous forecasts	FY21 Forcasts	YoY change	Change from previous forecasts
	a	b	c	d	d-b	d-c
Net Sales	914.4	811.6	880.0	900.0	+88.4	+20.0
Operating income	23.6	8.4	20.0	13.0	+4.6	▲ 7.0
Ordinary income	22.8	5.2	22.0	17.5	+12.3	▲ 4.5
Net income attributable to owners of the parent company	17.6	10.0	10.0	7.0	▲ 3.0	▲ 3.0
Average copper price	682	770	1,046	1,105	(Q4 assumption : 1,085)	
Average exhange rate	109	106	107	111	(Q4 assumption : 110)	

*Announced on November 4, 2021

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Next, please look at page nine. This is the full-year forecast for fiscal year 2021.

As for the full-year forecast, as I mentioned at the beginning of this report, we are very sorry. This is a downward revision.

Net Sales are expected to increase by JPY20 billion, partly due to the rise in copper prices, but the profit and loss at each level has been revised downward.

The downward revision to operating income is mainly due to factors, such as increased transportation and material costs in the Automotive Products business and reduced production by customers due to shortages of semiconductors and resins.

In line with the downward revision of operating income, we have also revised ordinary income and net income attributable to the parent company.

As for dividends, we have not changed our policy. We will continue our policy of paying stable dividends, while maintaining a balance between investment in growth and improvement of our financial position.

The year-end dividend forecast is JPY60.

We will keep the annual figure per share unchanged.

FY2021 Full-year forecasts – P/L Summary

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（JPY billion, JPY/kg, JPY/USD）

	FY19	FY20	＊FY21 Previous forcasts	FY21 Forcasts	YoY change	Change from Previous forcasts
	a	b	c	d	d-b	d-c
Net sales	**914.4**	**811.6**	**880.0**	**900.0**	**+88.4**	**+20.0**
Operating income	**23.6**	**8.4**	**20.0**	**13.0**	**+4.6**	**▲ 7.0**
（Margin）	2.6%	1.0%	2.3%	1.4%	+0.4	▲ 0.8
Profit/loss in equity method affiliates	2.5	▲ 0.9	-	–	–	–
Foreign exchange gain/loss	▲ 1.0	0.5	-	–	–	–
Ordinary income	**22.8**	**5.2**	**22.0**	**17.5**	**+12.3**	**▲ 4.5**
（Margin）	2.5%	0.6%	2.5%	1.9%	+1.3	▲ 0.6
Extraordinary income/loss	8.0	16.1	▲ 1.5	0.2	▲ 15.9*	+1.7
Income taxes	11.8	9.2	-	–	–	–
Net income attributable to non-controlling interests	1.4	2.1	-	–	–	–
Net income attributable to owners of parent company	**17.6**	**10.0**	**10.0**	**7.0**	**▲ 3.0**	**▲ 3.0**
（Margin）	1.9%	1.2%	1.1%	0.8%	▲ 0.5	▲ 0.4
Average copper price	682	770	1,046	1,105	(Q4 assumption : 1,085)	
Average exhange rate	109	106	107	111	(Q4 assumption : 110)	

*Announced on November 4, 2021

* FY20 extraordinary income:
JPY 22.1 billion gain on disposal of non-current assets

Next, please see page 10. This is the P/L statement of the just-mentioned forecast.

I'll skip this one as well, since it also repeats a lot of content.

FY2021 Full-year forecasts – Operating Income

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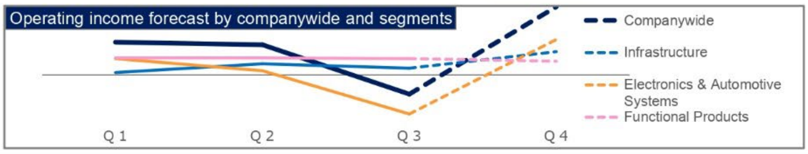
- Operating income forecast has been revised down for the Automotive Products & Batteries business (Electronics & Automotive Systems segment), Functional Products business and Communications Solutions business (Infrastructure segment). Electronics Component Materials business (Electronics & Automotive Systems segment) has been revised upward.
- The Automotive Products & Batteries business (Electronics & Automotive Systems segment) is expected to recover in Q4.

（JPY billion)

Segment	Sub-segment	Previous	Current	Difference	Main factors behind the revision (business / product) Red: negative factors Blue: positive factors
Infrastructure	Communications Solutions	4.5	3.5	▲1.0	･Optical Fiber and Cable Products （JAPAN, North America）※See Page13~
	Energy Infrastructure	1.5	1.5	-	–
Electronics & Automotive Systems	Automotive Products & Batteries	4.0	▲2.0	▲6.0	･Wire harness（Southeast Asia）※See Page17~
	Electronics Component Materials	3.0	4.0	+1.0	･Copper & High Performance Material Products
Functional Products		9.0	7.5	▲1.5	･Functional Plastics ※See Page20



Please see page 11. This is a breakdown of the downward revision of operating income.

In terms of sub-segments, Automotive Products and Batteries had the largest change, with a drop of JPY6.0 billion.

In other areas, outlooks for Functional Products and Communications Solutions fell by JPY1.5 billion and JPY1.0 billion, respectively.

The outlook for Electronics Component Materials was revised upward by JPY1.0 billion. The sum of these figures is the downward revision to operating income.

Net Sales and Operating Income by Segment

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■ Revised full-year forecasts

(JPY billion)

		Q3 (First 9Months) FY19	Q3 (First 9Months) FY20	Q3 (First 9Months) FY21	Q3 (First 9Months) YoY Change
		a	b	c	c-b
Net sales	Infrastructure	204.1	185.3	217.3	+32.0
Net sales	Communications Solutions	121.7	113.4	139.8	+26.4
Net sales	Energy infrastructure	82.3	71.9	77.5	+5.6
Net sales	Electronics & Automotive Systems	378.8	290.1	353.7	+63.6
Net sales	Automotive Products & Batteries	185.4	156.2	172.4	+16.2
Net sales	Electronics Component Materials	193.4	133.8	181.2	+47.4
Net sales	Functional Products	87.9	83.8	98.0	+14.2
Net sales	Service and Developments, etc.	38.8	29.3	26.9	▲ 2.4
Net sales	Elimination of intra-company transactions	▲ 33.3	▲ 25.4	▲ 24.9	+0.5
Net sales	Total	676.2	563.0	670.9	+107.9
Operating income	Infrastructure	0.3	▲ 3.7	2.3	+6.0
Operating income	Communications Solutions	0.2	▲ 1.6	1.5	+3.1
Operating income	Energy infrastructure	0.1	▲ 2.1	0.8	+2.9
Operating income	Electronics & Automotive Systems	10.0	0.6	▲ 2.1	▲ 2.7
Operating income	Automotive Products & Batteries	7.4	0.4	▲ 5.7	▲ 6.1
Operating income	Electronics Component Materials	2.6	0.2	3.6	+3.4
Operating income	Functional Products	5.4	3.7	5.9	+2.2
Operating income	Service and Developments, etc.	▲ 0.3	▲ 1.4	▲ 1.0	+0.5
Operating income	Elimination of intra-company transactions	▲ 0.1	0.1	▲ 0.1	▲ 0.2
Operating income	Total	15.3	▲ 0.7	5.1	+5.8

		Full year FY19	Full year FY20	Full year *FY21 Previous Forecasts	Full year FY21 Forcasts	Full year YoY Change	Full year Change from previous forecasts
		d	e	f	g	g-e	g-f
Net sales	Infrastructure	280.9	259.2	290.0	290.0	+30.8	0.0
Net sales	Communications Solutions	166.4	158.3	185.0	185.0	+26.7	0.0
Net sales	Energy infrastructure	114.5	100.9	105.0	105.0	+4.1	0.0
Net sales	Electronics & Automotive Systems	509.3	433.0	470.0	480.0	+47.0	+10.0
Net sales	Automotive Products & Batteries	257.6	235.1	245.0	240.0	+4.9	▲ 5.0
Net sales	Electronics Component Materials	251.7	198.0	225.0	240.0	+42.0	+15.0
Net sales	Functional Products	115.9	114.7	130.0	130.0	+15.3	0.0
Net sales	Service and Developments, etc.	50.3	38.7	35.0	35.0	▲ 3.7	0.0
Net sales	Elimination of intra-company transactions	▲ 42.0	▲ 34.0	▲ 45.0	▲ 35.0	▲ 1.0	+10.0
Net sales	Total	914.4	811.6	880.0	900.0	+88.4	+20.0
Operating income	Infrastructure	1.7	▲ 2.1	6.0	5.0	+7.1	▲ 1.0
Operating income	Communications Solutions	1.6	▲ 0.2	4.5	3.5	+3.7	▲ 1.0
Operating income	Energy infrastructure	0.1	▲ 1.9	1.5	1.5	+3.4	0.0
Operating income	Electronics & Automotive Systems	14.8	5.9	7.0	2.0	▲ 3.9	▲ 5.0
Operating income	Automotive Products & Batteries	10.9	5.0	4.0	▲ 2.0	▲ 7.0	▲ 6.0
Operating income	Electronics Component Materials	3.9	0.9	3.0	4.0	+3.1	+1.0
Operating income	Functional Products	7.5	6.3	9.0	7.5	+1.2	▲ 1.5
Operating income	Service and Developments, etc.	▲ 0.3	▲ 1.7	▲ 2.0	▲ 1.5	+0.2	+0.5
Operating income	Elimination of intra-company transactions	▲ 0.1	0.1	0.0	0.0	▲ 0.1	0.0
Operating income	Total	23.6	8.4	20.0	13.0	+4.6	▲ 7.0

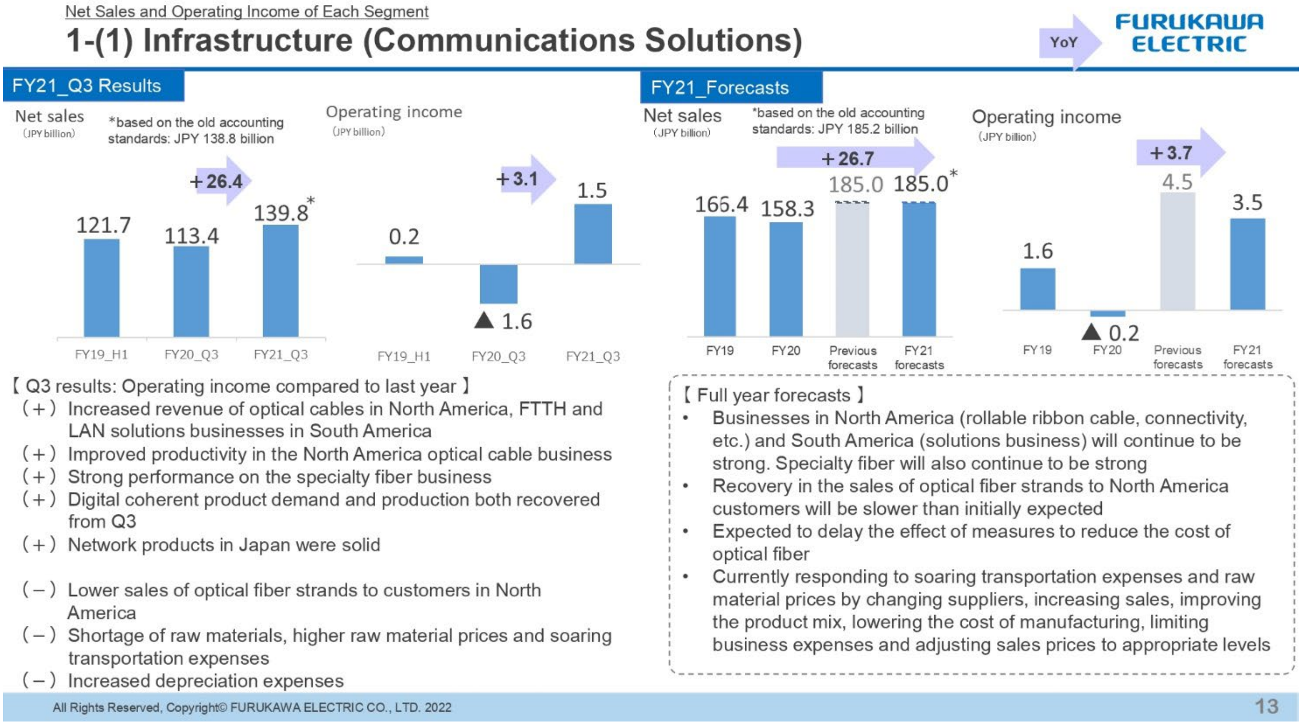
*Announced on November 4, 2021

【Reference】
Net sales based on the old accounting standards

	Q3 (First 9Months) FY21	Q3 (First 9Months) YoY Change	Full year FY21 Forcasts	Full year YoY Change
	c'	c'-b	g'	g'-e
Infrastructure	220.7	+35.4	296.1	+36.9
Communications Solutions	138.8	+25.4	185.2	+26.9
Energy infrastructure	81.9	+10.0	110.9	+10.0
Electronics & Automotive Systems	381.9	+91.8	517.6	+84.6
Automotive Products & Batteries	178.4	+22.2	248.0	+12.9
Electronics Component Materials	203.4	+69.6	269.6	+71.6
Functional Products	102.6	+18.8	136.2	+21.5
Service and Developments, etc.	27.0	▲ 2.3	35.1	▲ 3.6
Elimination of intra-company transactions	▲ 24.9	+0.5	▲ 35.0	▲ 1.0
Total	707.2	+144.2	950.0	+138.4

Next, on page 12, you will find the details of the full-year forecast by segment and sub-segment.

Each of these is explained in the following pages.



Next, please see page 13. This is the status of Communications Solutions.

Both net sales and operating income increased YoY in the first nine months of the fiscal year. For the full year, we forecast increased net sales and operating income compared to the previous year.

However, as I said, we have revised our forecast downward by JPY1.0 billion from the previous forecast of JPY4.5 billion to JPY3.5 billion.

The statement on the lower left shows the YoY comparison of operating income in the first nine months of the fiscal year. The trend here is almost the same as in Q2.

Sales of optical fiber cables in North America, and FTTH and LAN solutions in South America increased. The productivity of optical cables in North America is also improving compared to the previous year.

In addition, specialty fibers, such as those used for medical and industrial applications, other than telecommunications, which were quite depressed last year due to the impact of the COVID-19, have recovered and are performing very well this fiscal year.

Digital coherent and domestic networks are also performing well.

On the other hand, we have been continuing our efforts in North America in products for customers. Due to the situation where our customers are unable to procure materials, they are not able to operate their factories very much.

As a result, demand for optical fibers is decreasing, and sales of optical fiber strands to our customers are decreasing.

In addition, there is a shortage of raw materials. Instability in the procurement of raw materials is continuing, and the effects of soaring prices and transportation costs are continuing across the board.

In addition, the increase is not stopping, so this upward trend is continuing.

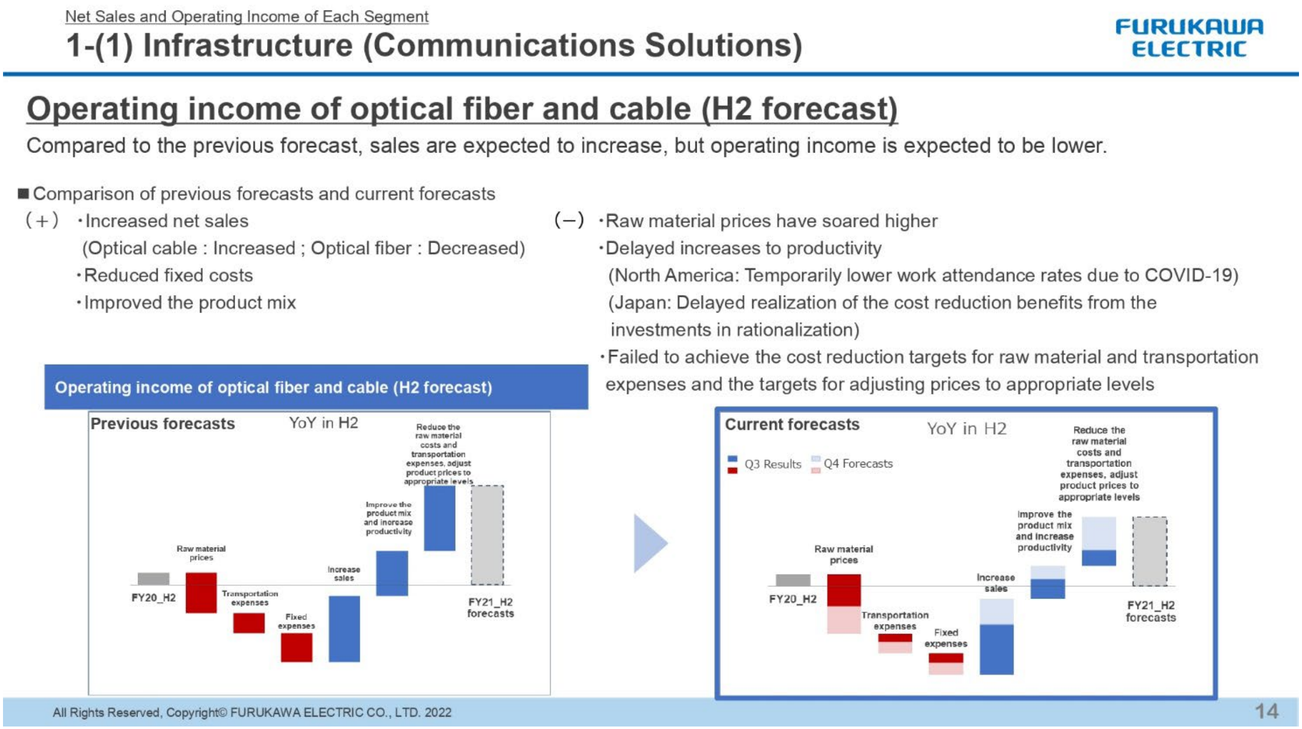
Depreciation and amortization expenses were negative by about JPY400 million.

With regard to the outlook for the full year, we expect that the situation in North America will continue to improve from what it was until Q3. South America is also expected to remain relatively strong. The same applies to specialty fibers.

However, sales of optical fiber strands to customers in North America have been a negative factor, and the forecast for the return of the strands in Q4 is that it will take longer than estimated in the initial projection.

Another negative factor was the delay in the realization of the effects of cost reduction measures for optical fiber, which were originally expected to take effect in the latter half of Q3 or in Q4.

To cope with soaring raw material prices and transportation costs, we are working on two-company purchasing, changing suppliers, improving the sales and product mix, lowering the cost of manufacturing, and curbing expenses, as well as optimizing sales price levels.



Please see page 14 for details on the content of that.

Regarding the downward revision of operating income from optical fiber cables in the second half of the fiscal year, I would like to explain what is happening, what the details are, and what measures are being taken.

In terms of the comparison between the previous and current forecasts, the waterfall shown in the previous forecast is on the left, and the current forecast is on the right.

The bar graphs in this starting point are all figures in the first half of last year. As you can see, the increase in sales is on the positive side. If you look at the blue area in the middle of the graph on the right, you can see the increase in sales.

As for optical cables, they are increasing. On the other hand, due to the circumstances I mentioned earlier, optical fiber will decrease, although in net terms it be an increase.

In addition, we are making progress in controlling fixed costs and improving the product mix, mostly as planned or even better than planned.

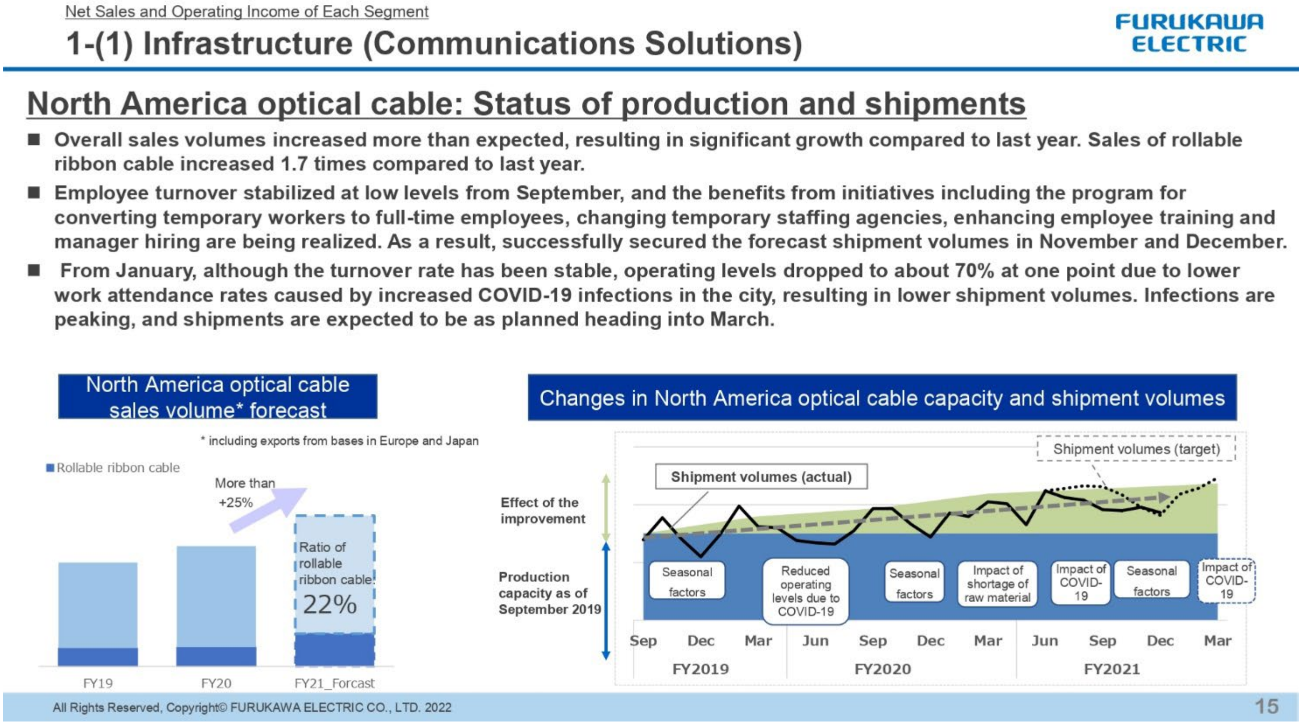
On the other hand, the jump in prices of raw materials is not abating, and the rising trend continues.

In terms of productivity improvement, the details of North America will be explained on the next page.

The temporary drop in worker attendance, due to the impact of COVID-19, has been a more negative factor than initially anticipated.

Also in Japan, the delay in the onset of the effects of the fiber cost reduction measures I mentioned earlier has delayed the onset of positive factors that were previously expected.

In addition, as I mentioned earlier, we are trying to reduce the cost of raw materials and transportation and to optimize the price level, but we have not been able to catch up with the continuing price increases.



Next, please see page 15. This shows the production and shipment status of optical cables in North America.

As you can see in the graph on the lower left, the sales volume of optical cables in North America has grown by approximately 25%. This growth is due to productivity improvements and the fact that we have been able to increase our production capacity and meet demand in the very active market conditions in North America.

The ratio of rollable ribbon also increased by 1.7 times from the previous year, as the overall growth rate is increasing, the ratio is also increasing, and the volume is also increasing considerably.

As supplementary information, 22% is a figure averaged over the fiscal year, but the backlog of orders for rollable ribbons has reached 30% as of the end of December, which is relatively back in line with our plan.

We have also been struggling with the issue of not being able to secure and retain a stable workforce, which has prevented us from increasing productivity. This has been stable since September with a low turnover rate, so is currently stable.

Due to measures such as a program to turn existing workers into full employees, changing the staffing agency, increased training, and the hiring of managers, in November and December, we were able to achieve shipment volume as planned or slightly above the plan. That was despite a decrease in operating days due to seasonality and seasonal factors amid the holiday season.

The turnover rate has remained stable since January. The important trend was that after the Christmas vacation and the holiday season, there were concerns about how the new year would turn out, but the situation here has remained unchanged.

On the other hand, over the year-end and New Year holidays, the Omicron variant began to infect people in the United States earlier than in Japan. Therefore, the spread of the infection caused a drop in the attendance rate, and operation temporarily dropped to about 70%.

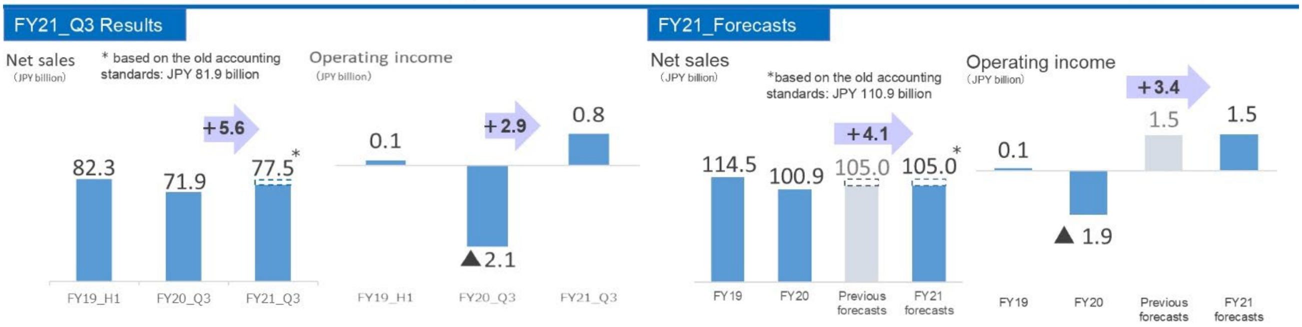
It has been recovering since the middle of January, and since the US has passed its peak, employee numbers had almost recovered by the end of January to the middle of February.

While it is difficult to make up for January's losses in one fell swoop, for March, we expect shipments to be in line with the plan as the current situation continues.

Net Sales and Operating Income of Each Segment

1-(2) Infrastructure (Energy Infrastructure)

YoY FURUKAWA ELECTRIC



【 Q3 results: Operating income compared to last year 】

(+) Overseas submarine, Japan underground power cable projects and the subsidiary in China progressed as planned

(+) Increased productivity and realized the benefits of focusing on acquiring profitable projects

(+) One-time evaluation expenses following the adoption of new materials ended in FY2020

【 Full year forecasts 】

- Overseas submarine, Japan underground power cable projects and the subsidiary in China are expected to continue progressing as planned
- Industrial Cable & Power Cable Accessories business will achieve profitability by expanding sales of functional cable and components and further reducing the cost of manufacturing

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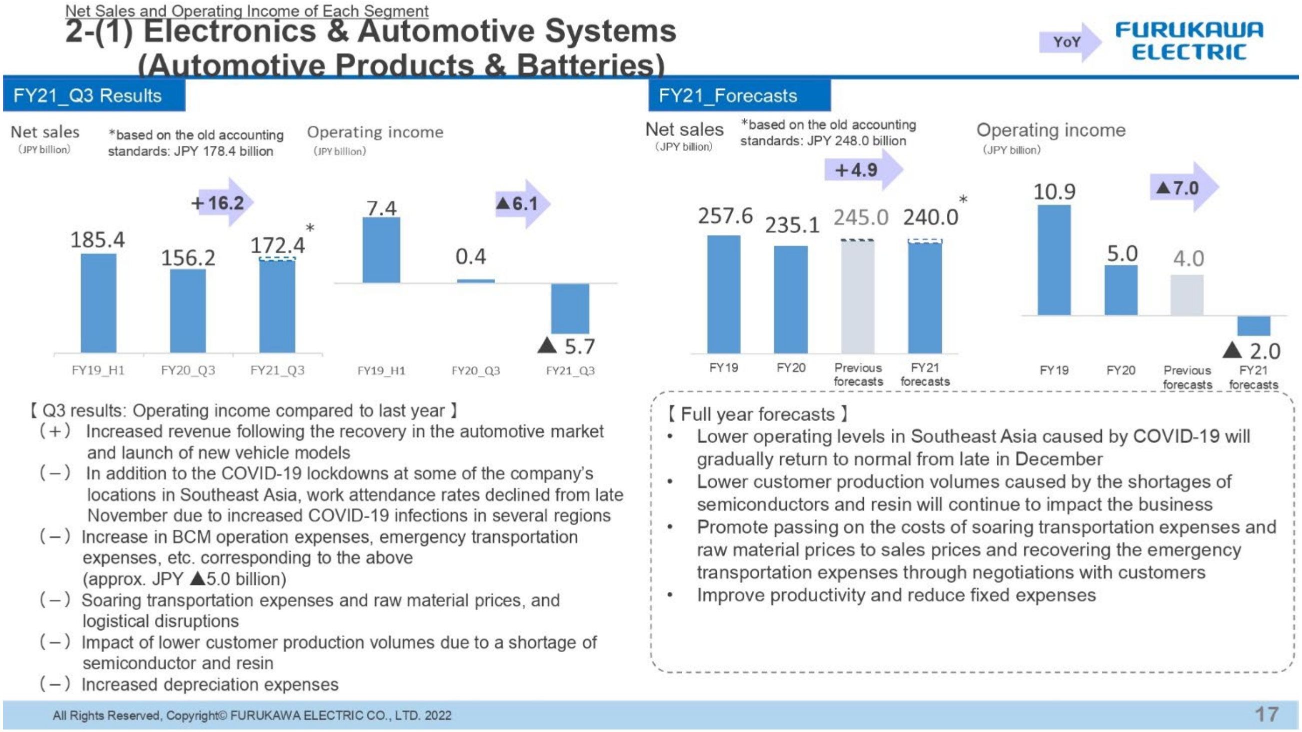
The next page, number 16, looks at Energy Infrastructure.

Net Sales and Operating income here are progressing almost as planned. The content is almost the same as the previous report.

However, Energy Infrastructure has also been affected by the increase in materials and transportation costs.

Despite this environment, we expect it to be in line with our expectations overall, as electric power sales rise and industrial equipment sales, while struggling, are turning profitable.



Next, on page 17, we have Automotive Products and Batteries.

Net sales of Automotive Products and Batteries are increasing in the cumulative results for Q3. This is partly due to the recovery from the COVID-19 in the automobile market and partly due to the launch of our new models. As a result, although net sales increased, operating income decreased significantly.

Even for the fiscal year, this results in an increase in net sales and decrease in operating income.

Furthermore, the forecast was revised downward from the previous forecast by a significant JPY6.0 billion.

As for the explanation on the lower left, I mentioned the positive factors earlier, but I would like to add something about the negative factors.

This regards the second line, which is the first negative factor, lockdown of some bases in Southeast Asia due to the COVID-19. From the end of June or July of last year to September, the Delta variant strains spread throughout Southeast Asia, and some sites went into lockdown.

We expected that the situation would come under control, that things would return to normal, and that customers would recover from the semiconductor shortage. However, since the latter half of November, some of the sites, which are in Vietnam, actually, have seen a significant increase in community-acquired infections in some areas within Vietnam.

Although it was not a cluster in the factory itself, employees were not coming to work for fear of being infected, resulting in a significant drop in the attendance rate.

I will explain the situation, current status, and future outlook on the next page.

In response to this, we took it as a matter of course that we had to fulfill our responsibility to supply our customers and not stop their production lines.

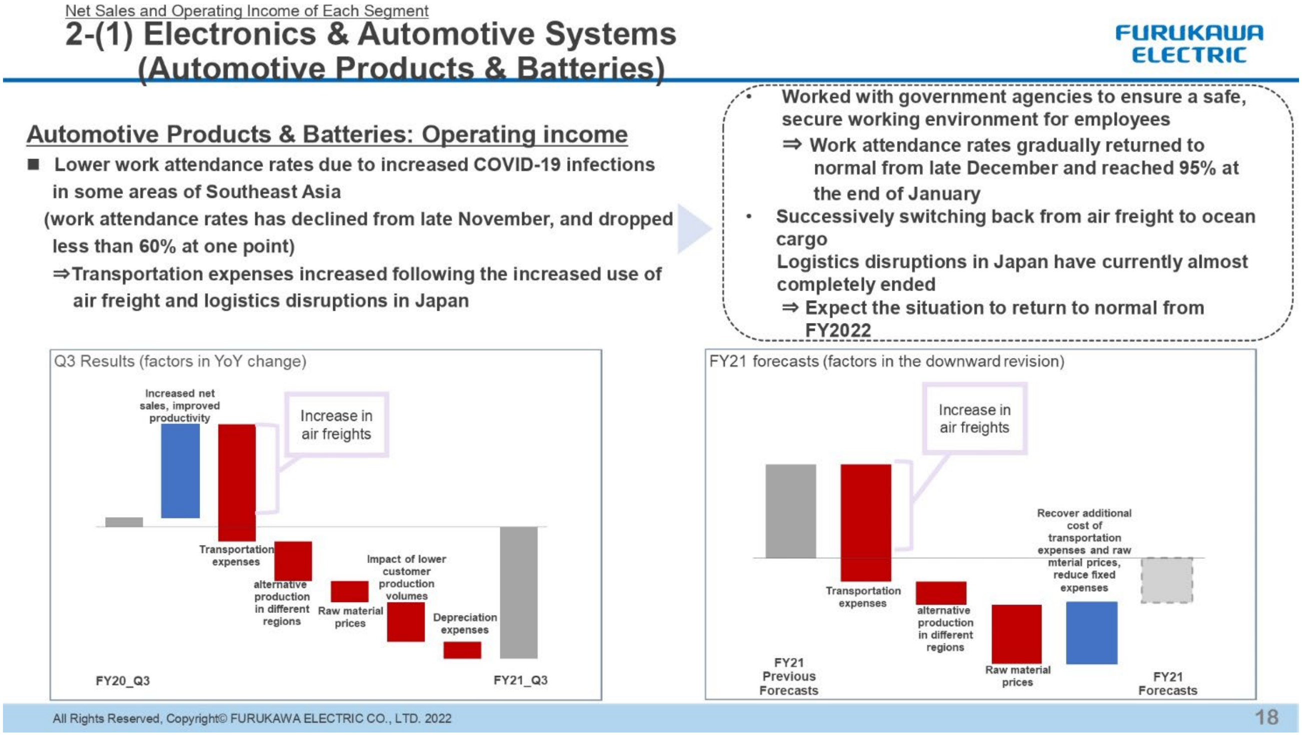
Consequently, through business continuity management, BCM, substitute production was carried out in alternative regions, such as Japan and the Philippines, which spurred extra costs. In addition, emergency transportation costs, which are actually air freight costs, increased in order to meet delivery deadlines even though production volume had fallen. The impact of this was a negative JPY5.0 billion, which is a very large figure.

Also, in a general note, soaring transportation costs, raw material prices, and logistics disruptions are affecting the Automotive business itself.

In addition, due to the shortage of semiconductors and resins, customers are experiencing unstable operations and production cuts, as reported in the newspapers and other media.

On top of this, depreciation and amortization expenses were negative by about JPY700 million.

As for the outlook for the full year, we will be working to recover from the negative factors listed on the left.



For more information on this, please see page 18. This refers to the operating income of the Automotive Products and Batteries business.

Infection spread rapidly from late November, causing a drop in worker attendance, with the attendance rate temporarily dropping below 60%. In order to cope with this, in a BCM response, to send goods from the local area or from an alternative location amid the drop in production volume, we increased the number of air freights.

But there was also disorder in domestic logistics after their arrival in Japan. As a result, transportation costs increased significantly in the first nine months of the current fiscal year.

At the same time, in response to this, we have been working with the government to implement measures to ensure that our employees, and employees in areas where the infection has spread, can work with peace of mind.

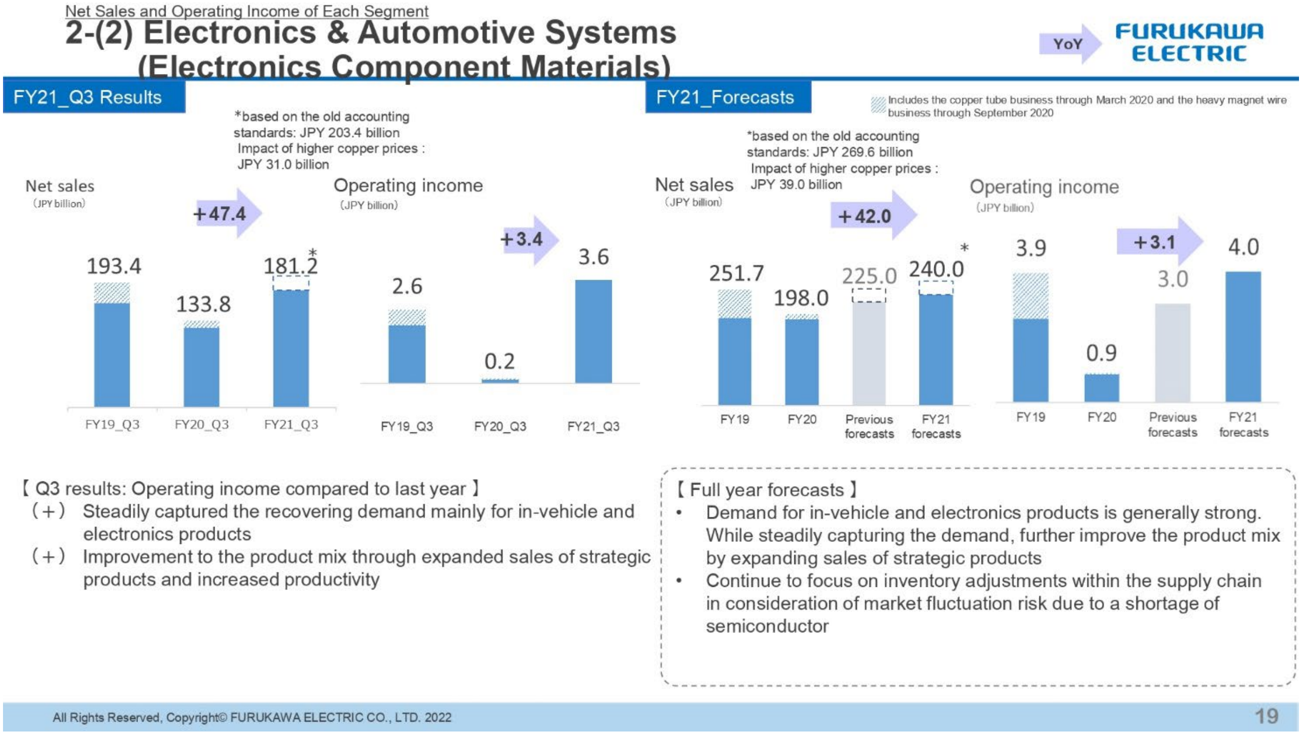
The vaccination rate in the area was low, but by cooperating with the government, we were able to increase the vaccination rate and actually provide vaccinations. We have also taken various measures, including inspections, to deal with the COVID-19 infections in the factory.

As a result, the attendance rate has been gradually recovering since the latter half of December. As of the end of December, the rate had recovered to about 90%.

We have made further progress in this area, and as of January, the rate was 95%, almost back to normal. Consequently, some items that had to be flown by air are gradually returning to shipping, and we are gradually making the switch.

The disruptions in domestic logistics are now almost back under control, and according to the current plan, we will gradually switch systems over January, February, and March. As a result, we will be able to switch to shipping services by the beginning of April.

I hope you will understand that Q4 is a turning point, or a period of improvement.



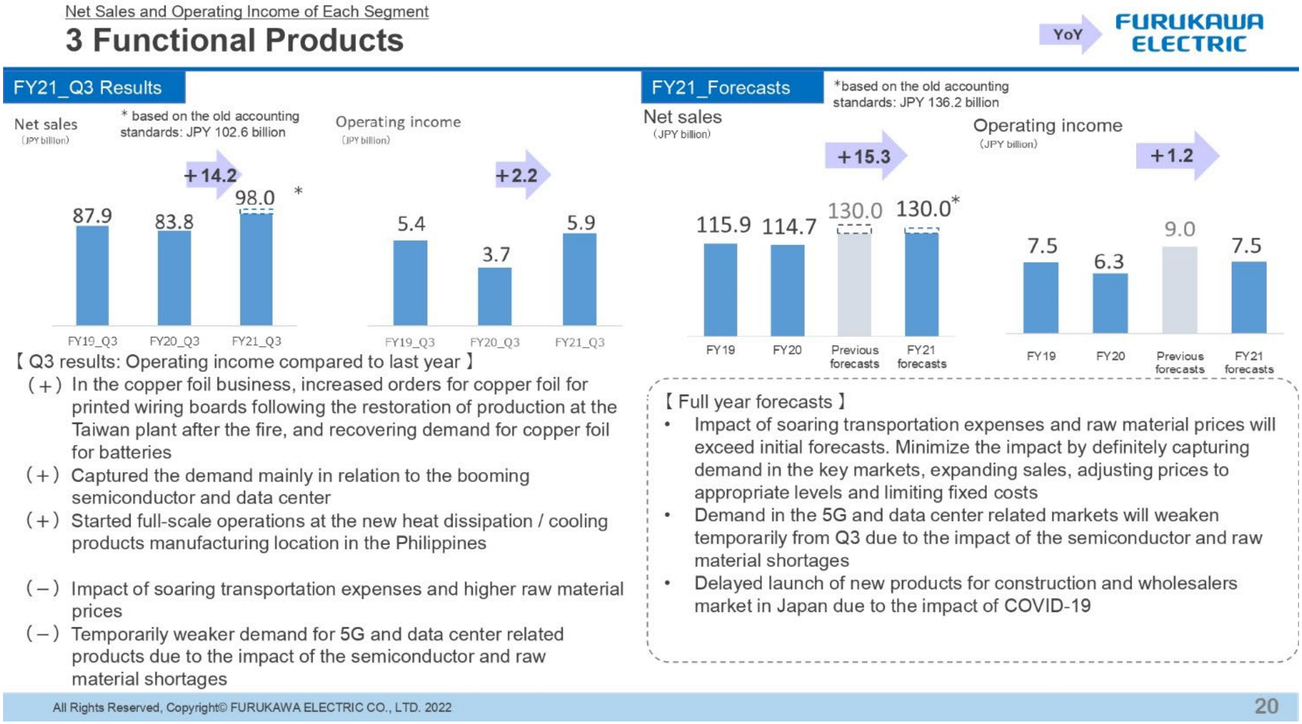
Next, please see page 19. This is about wiring Electronics Component Materials.

The situation here has remained almost the same as in Q2. The business is performing well.

However, I would like to repeat that our business is in the upstream process of the supply chain. For this reason, we are aware that we have to be cautious about the impact of shortages of semiconductors and other products, as these businesses experience a delay in the effects of market changes.

Therefore, we have estimated the fiscal year in a rather conservative manner.

Nevertheless, we have increased the profit outlook by JPY1.0 billion from JPY3.0 billion to JPY4.0 billion.



Page 20 refers to the Functional Products.

In the area of Functional Products, both cumulative Q3 net sales and full-year forecasts show increased net sales and operating income compared to the previous year.

However, we have revised the forecast, down JPY1.5 billion from the previous forecast, from JPY9.0 billion to JPY7.5 billion. As for the positive factors shown on the lower left side, the situation is almost the same as in Q2, and positive factors have been accumulating.

On the other hand, the soaring rise in prices of transportation and raw materials did not abate, even though we anticipated that they would settle down in Q3 and be balanced in Q4. As you can see on the right, the price hikes have not stopped, so we have to pass on the price increases again in Q4.

Naturally, we will continue to implement cost containment and cost improvement measures, but the rise in prices has been higher than expected.

In addition, the shortage of semiconductor materials, which had previously affected automobile and electronic equipment manufacturers, began to affect data centers in Q3. This situation is expected to continue in Q4.

As for when this will be resolved, demand from customers themselves is very strong. If the procurement environment and the customer side improve here, we expect the situation to return to normal, but we expect this to be delayed until the next fiscal year or later.

Please understand that Q4, after factoring in this impact, has led to the downward revision of JPY1.5 billion.

FY2021 Q3 Results – B/S Summary

FURUKAWA ELECTRIC

(JPY billion)

	End of FY20_Q4	End of FY21_Q3	Change
	a	b	b-a
Current assets	429.8	467.9	+38.1
Cash and bank deposits	84.4	64.4	▲ 20.0
Notes and accounts receivable trade	191.9	209.6	+17.7
Inventories	120.8	155.2	+34.3
Non-current assets	402.2	416.0	+13.7
Tangible fixed assets	246.7	251.7	+5.0
Intangible fixed assets	20.3	19.7	▲ 0.6
Investments and other assets	135.2	144.6	+9.3
Total Assets	**832.0**	**883.9**	**+51.9**
Current liabilities	315.2	348.5	+33.3
Non-current liabilities	225.2	239.8	+14.6
Total Liabilities	**540.4**	**588.3**	**+47.9**
Shareholders' equity	260.4	259.2	▲ 1.2
Accumulated other comprehensive income	▲ 0.5	2.9	+3.4
Net income attributable to non-controlling interests	31.7	33.5	+1.7
Total Net assets	**291.6**	**295.6**	**+4.0**
Total Lianbilities and Net assets	**832.0**	**883.9**	**+51.9**
Interest-bearing liabilities	290.6	325.8	+35.2
Capital ratio	31.2%	29.7%	▲ 1.5
NET D/E ratio	0.8	1.0	+0.2

Notes, accounts receivable-trade and contract assets
Increased by JPY 17.7 billion
Increase in sales, Impact of foreign exchange, Impact of higher copper prices

Inventories
Increased by JPY 34.3 billion
Secure inventory needed to ensure continuous supply despite the logistics disruptions and temporary increase due to the impact of COVID-19 in the Automotive Products business
Construction and other projects that are expected to be recorded as net sales in the future
Impact of foreign exchange, copper prices and new consolidation：JPY ＋8.6 billion

Tangible / intangible non-current assets
Increased by JPY 4.4 billion
Impact of CAPEX and depreciation： JPY ▲0.9 billion
Impact of foreign exchange and new consolidation： JPY+5.5 billion

Total Assets
Increased by JPY 51.9 billion
Increased inventory：JPY +34.3 billion
Impact of foreign exchange：JPY +15.8 billion
Impact of new consolidation：JPY +2.6 billion

NET interest-bearing debt
Increased by JPY 55.2 billion
（JPY 206.3 billion→ JPY 261.5 billion）

Page 21 is the summary balance sheet.

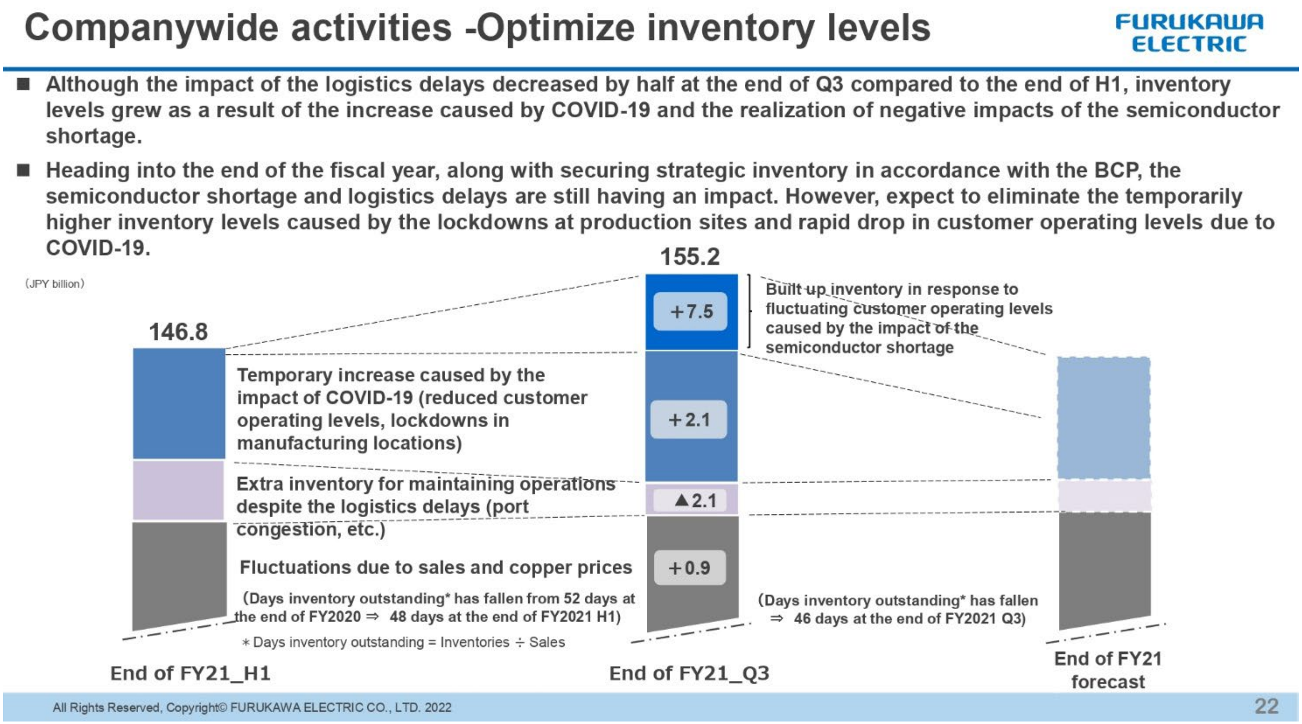
The second box from the bottom on the right side, which is lightly colored, shows an increase of JPY51.9 billion in total assets. Even if we exclude the impact of foreign exchange rates and the effect of new consolidations, the increase will be about JPY34.0 billion.

The largest item in this breakdown is the second item from the top, which is the increase in inventories. This will be explained on the next page.

In addition, due to the increase in net sales, the impact of exchange rates, and the rise in copper prices, notes and accounts receivable have also increased.

As a result, free cash flow will become negative, and net interest-bearing debt will increase by JPY55.2 billion as of Q3.

The capital adequacy ratio is fulfilled figures, as profits have slowly accumulated while assets have grown significantly, and because of an increase in interest-bearing debt, the net interest-bearing debt and net debt-to-equity ratio have also deteriorated since the previous fiscal year.



A detailed explanation of inventories is on page 22.

Inventories at the end of the first half were JPY146.8 billion, as shown in the graph. Compared with the end of FY2020, the impact of the COVID-19, which is shown in the top row, is about JPY11.5 billion. We had explained that JPY5.0 billion was due to logistics delays.

This situation at the end of Q3 is shown in the bar graph in the middle. This means that the effect of the disruption of logistics fell about JPY2.0 billion, from JPY5.0 billion to JPY3.0 billion.

On the other hand, in addition to effects from the COVID-19 spread, there is a shortage of semiconductors and more inventory buildup to cope with fluctuations in customer operations. Especially in the automobile industry, there are areas that are rising rapidly.

We have to keep up with it. So, as a measure for that, we are accumulating. The idea is to make sure that the Company can respond to a rapid recovery in the Automobile business.

In addition, there has been some disruption in logistics recently. We have strategically increased by JPY7.5 billion, the amount for securing raw materials in the face of risks, such as sudden stoppage of operations due to natural disasters, which may affect procurement.

Impact from the COVID-19 is increasing because the automobile industry has been disrupted. By the end of FY2021, we plan to return this level to that at the end of the first half of FY2021.

The bar graph at the bottom shows that sales are increasing, and copper prices are rising, which we are monitoring and controlling as part of our activities to optimize inventories.

This is an annual increase of JPY11.0 billion from the end of last fiscal year.

FY2021 Q3 Results and Full year forecasts
- CAPEX, Depreciation & Amortization and R&D Expenses

FURUKAWA ELECTRIC

■ **Concerning capital expenditures, review the timing based on the demand trends, reduce the investment amount by reassessing the details of the investment and lower the full-year forecast**

(JPY billion)

	FY20_Q3	FY21_Q3	YoY change	FY20	*FY21 Previous Forecasts	FY21 Forecasts	YoY change	Change from previous forecasts
	a	b	b-a	c	d	e	e-c	e-d
CAPEX	28.2	**24.8**	▲ 3.4	40.0	45.0	38.0	▲ 2.0	▲ 7.0
Depreciation and amortization	24.0	**25.6**	+1.6	32.2	37.0	35.0	+2.8	▲ 2.0
R&D expenses	15.5	**15.6**	+0.1	20.2	22.0	22.0	+1.8	-

*Announced on May 12, 2021

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Page 23 shows capital expenditures, depreciation, and R&D expenses. Capital investment was reduced by JPY7.0 billion following a review of the timing of implementation and re-examination of investment details in light of recent demand trends. The amount has been revised to JPY38.0 billion.

As a result, depreciation is due to decrease by JPY2.0 billion, from JPY37.0 billion to JPY35.0 billion. On the other hand, we are proceeding with JPY22.0 billion for research and development, as planned.

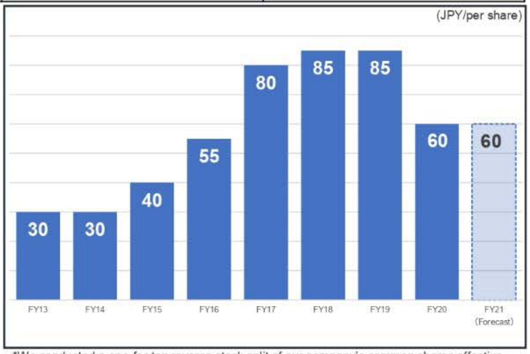
Dividend forecast

FURUKAWA ELECTRIC

■ The FY2021 dividend forecast will be JPY 60 per share（no change）

(JPY)	FY19 Results	FY20 Results	FY21 Forecast (announced on May 14, 2021)
Annual dividend per share	85	60	60

We will maintain a stable dividend policy while keeping a good balance between investment in future growth and financial health



*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

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Next, on page 24, I would like to explain the dividend forecast.

I explained this earlier. JPY60. This is a stable dividend, which means that we will leave it unchanged.

Directed at FY2022

FURUKAWA ELECTRIC

- Improve profits by eliminating the temporary negative factors occurring in the Automotive Products & Batteries business (Electronics & Automotive Systems segment) this year, improving the issues impacting the Communications Solutions business (Infrastructure segment) and steadily capturing the growing demand in each business
- Although there continue to be uncertainties such as the semiconductor and raw material shortages and COVID-19, and the transportation and raw material expenses remain high, quickly and accurately respond to the changes in the external business environment

FY2022 Operating income image

JPY billion Segment	Sub-segment	FY20 Result	FY21 Forecast	FY22 Forecast	Assumptions
Infrastructure	Communications Solutions	▲0.2	3.5		Further improve the product mix and increase optical fiber and cable productivity Steadily capture demand centered on the North America market Adjust sales prices to appropriate levels Realize the benefits of the investments in rationalization
	Energy Infrastructure	▲1.9	1.5		Steadily acquire orders for underground and submarine power cable projects in Japan and overseas Expand the lineup of renewable energy and data center power supply related products (power cable and components)
Electronics & Automotive Systems	Automotive Products & Batteries	5.0	▲2.0		Forecasting growth following the elimination of the temporary negative factors caused by COVID-19 and deliveries for new vehicle models
	Electronics Component Materials	0.9	4.0		Demand for in-vehicle and electronics products is generally strong Improve the product mix
Functional Products		6.3	7.5		Steadily capture the demand in the semiconductor and data center markets Adjust the sales price of resin related products to appropriate levels

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Lastly, let’s go to page 25. It states that these measures will be completed by FY2022.

We are currently in the process of formulating a mid-term plan for the period from FY2022 to FY2025, which we will announce next fiscal year.

I can't tell you the details of the figures, but I can show you what we are trying to do, and how we expect the numbers to grow.

Sales of electronics wiring materials are expected to remain steady at the current level.

Other businesses will make solid improvements through measures such as those that promote improvement and those that promote improvement from the temporary impact of the current COVID-19 effects.

That ends my explanation.

Thank you very much for your attention.