

Furukawa Electric Group

FY2023 Q1 Financial Results

August 3, 2023

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Furukawa Electric Co., Ltd.

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Projections of future sales and earnings in these materials are “forward-looking statements.”

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FURUKAWA ELECTRIC CO., LTD.

Today's Agenda

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Appendix

FY2023 Q1 Financial Results and FY2023 Forecasts

FY2023 Q1 Financial Results Highlights

■ Profit decreased on lower revenue compared to the same period last year due to weaker demand of Communications Solutions in the Americas and global electronics demand

(JPY billion, JPY/kg, JPY/USD)	*FY22_Q1 Results	FY23_Q1 Results	YoY change	
	a	b	b-a	
Net Sales	260.3	246.4	(13.9)	Although automotive business is recovering, inventory cutbacks and lower demand for Communication Solutions in the Americas and Functional Products such as tapes for semiconductor manufacturing and aluminum blanks for HDD 【Higher revenue】 Electronics & Automotive Systems (Automotive Products & Batteries) 【Lower revenue】 Infrastructure, Functional Products
Operating income	1.1	(2.8)	(3.8)	Lower net sales 【Increased profit】 Electronics & Automotive Systems (Automotive Products & Batteries) 【Decreased profit】 Infrastructure, Functional Products
Ordinary income	7.7	(1.8)	(9.5)	Lower investment gain in equity method affiliates, lower foreign currency exchange gain and increased interest expenses
Net income attributable to owners of the parent	5.3	(1.7)	(7.0)	Operating income and ordinary income declined
Average copper price	1,286	1,219	(67)	
Average exchange rate	130	137	+8	

*Restated only the FY2022 financial results following the start of voluntary application of the International Financial Reporting Standards (IFRS) at the equity method affiliate UACJ Corporation (Refer to the Appendix for details)

FY2023 Q1 Results – P/L Summary

■ Full-year forecasts remain unchanged

(JPY billion, JPY/kg, JPY/USD)	*FY22 Q1	FY23 Q1	YonY change	Breakdown of change (Q1)
	a	b	b-a	
Net sales	260.3	246.4	(13.9)	See page 7
Operating income	1.1	(2.8)	(3.8)	See page 8
(Margin)	0.4%	(1.1%)	(1.5)	
Profit/loss in equity method affiliates	3.7	1.0	(2.6)	
Foreign exchange gain/loss	3.0	1.2	(1.8)	
Ordinary income	7.7	(1.8)	(9.5)	
(Margin)	3.0%	(0.7%)	(3.7)	
Extraordinary income/loss	0.4	2.6	+2.2	• Extraordinary income +3.9 [0.9 → 4.8]
Income taxes	(2.9)	(2.4)	+0.5	• Extraordinary loss
Net income attributable to non-controlling interests	0.0	(0.1)	(0.1)	(1.7) [(0.5) → (2.2))
Net income attributable to owners of parent	5.3	(1.7)	(7.0)	
(Margin)	2.0%	(0.7%)	(2.7)	
Average copper price	1,286	1,219	(67)	
Average exchange rate	130	137	+8	

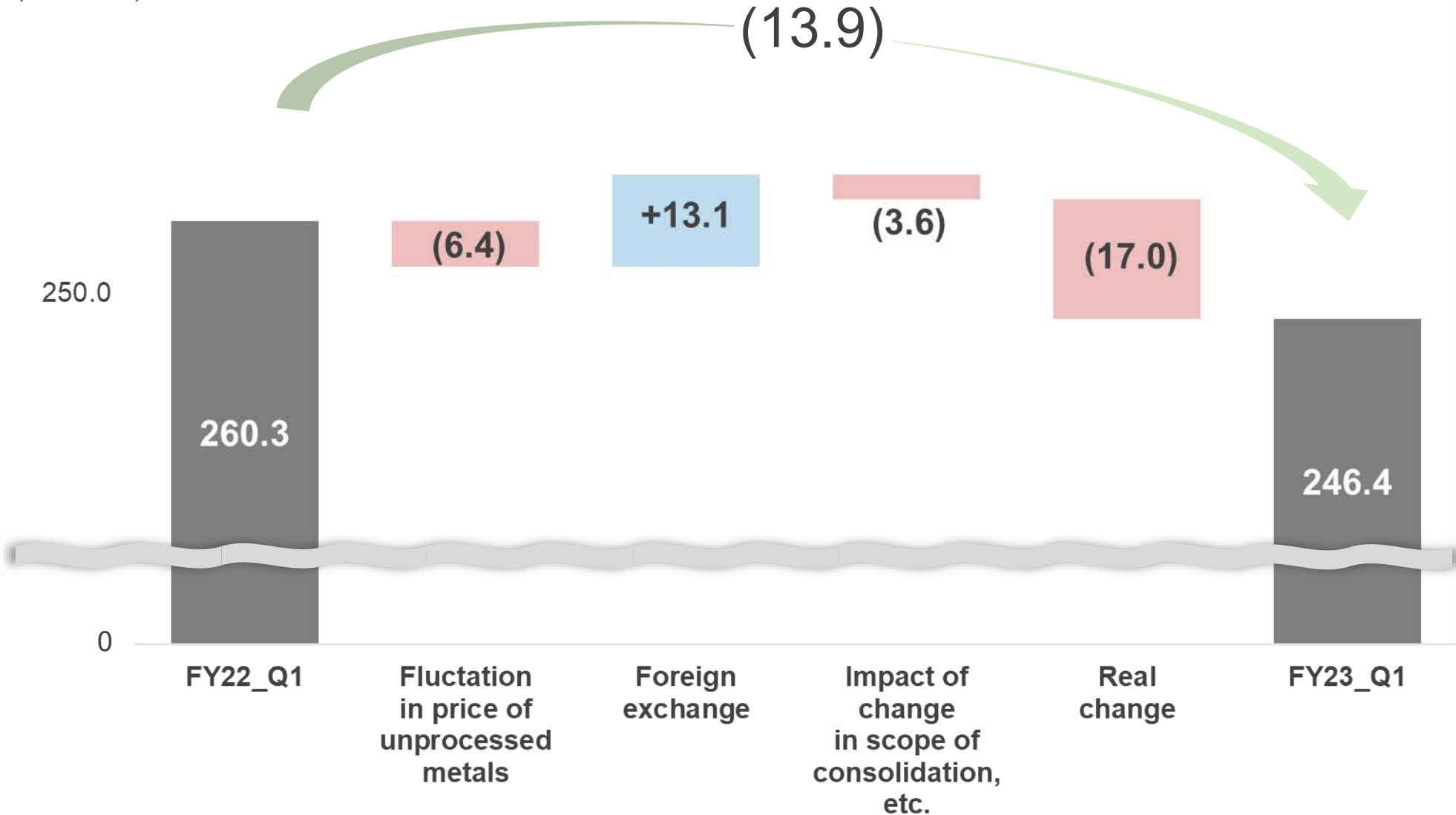
《Announced on May 11, 2023》

FY22 Results	FY23 Forecasts	YonY change
1,066.3	1,100.0	+33.7
15.4	24.0	+8.6
1.4%	2.2%	+0.7
3.6	-	-
1.7	-	-
17.3	23.0	+5.7
1.6%	2.1%	+0.5
10.7	(0.5)	(11.2)
(10.3)	-	-
(1.7)	-	-
15.9	13.0	(2.9)
1.5%	1.2%	(0.3)
1,209	1,180	(29)
135	130	(5)

*Restated only the FY2022 financial results following the start of voluntary application of the International Financial Reporting Standards (IFRS) at the equity method affiliate UACJ Corporation (Refer to the Appendix for details)

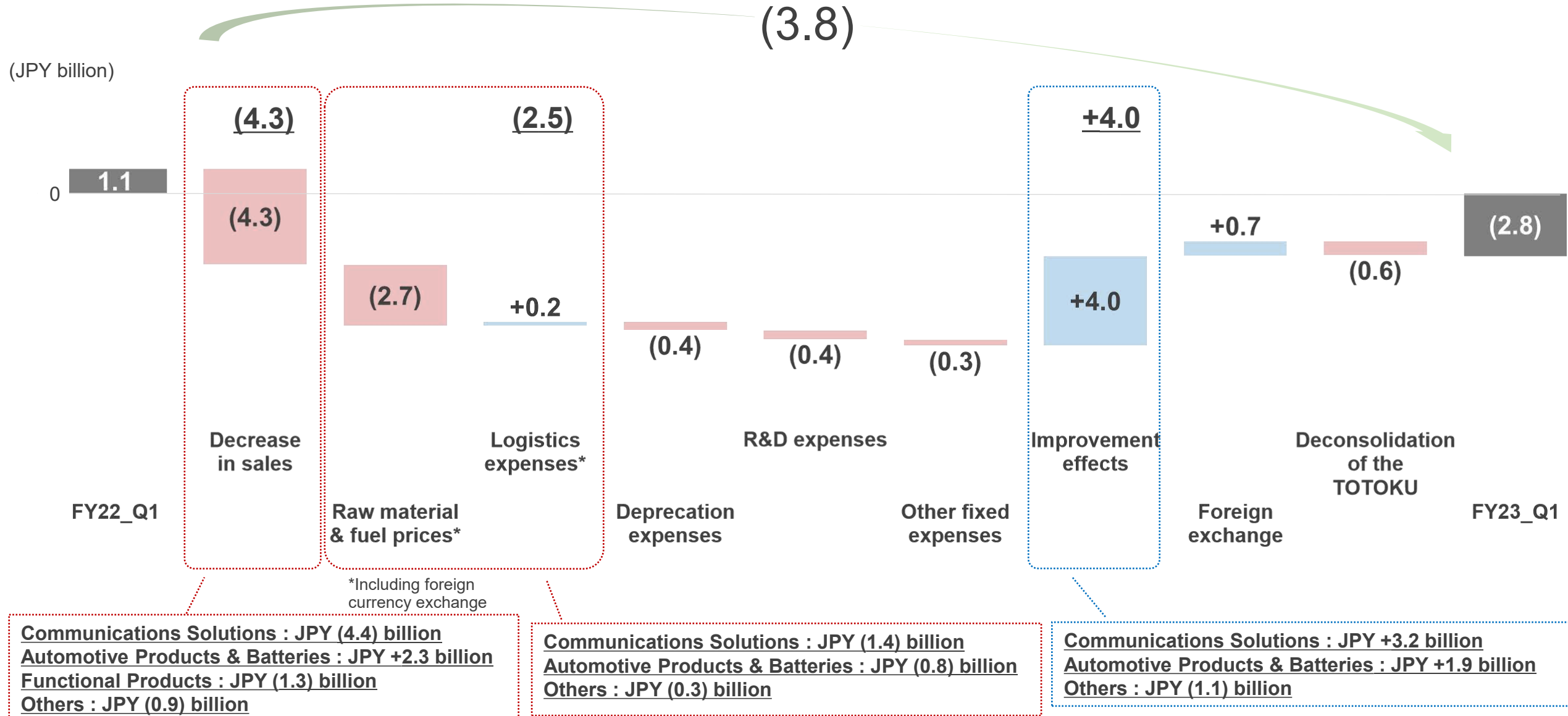
FY2023 Q1 Results – Breakdown of Changes in Net Sales

(JPY billion)



FY2023 Q1 Results

Breakdown of Changes in Operating Income



FY2023 Q1 Results

Net Sales and Operating Income by Segment

■ Full-year forecasts remain unchanged

(JPY billion)	Net sales			Operating income		
	FY22_Q1 Results	FY23_Q1 Results	YoY change	FY22_Q1 Results	FY23_Q1 Results	YoY change
	a	b	b-a	c	d	d-c
Infrastructure	77.0	68.7	(8.3)	0.4	(3.2)	(3.6)
Communications Solutions	53.9	46.8	(7.1)	0.8	(1.7)	(2.5)
Energy Infrastructure	23.1	21.9	(1.2)	(0.3)	(1.5)	(1.1)
Electronics & Automotive Systems	147.7	149.7	+2.0	(1.3)	0.2	+1.5
Automotive Products & Batteries	78.6	88.2	+9.6	(2.6)	0.1	+2.6
Electronics Component Materials	69.1	61.5	(7.6)	1.3	0.1	(1.1)
Functional Products	34.7	27.5	(7.2)	2.2	0.7	(1.5)
Service & Developments, etc.	8.0	6.5	(1.6)	(0.2)	(0.6)	(0.4)
Elimination of intra-company transactions	(7.1)	(5.9)	+1.2	(0.1)	0.1	+0.1
Total	260.3	246.4	(13.9)	1.1	(2.8)	(3.8)

《Announced on May 11, 2023》

Net sales			Operating income		
FY22 Results	FY23 Forecasts	YoY change	FY22 Results	FY23 Forecasts	YoY change
323.9	335.0	+11.1	8.6	10.0	+1.4
217.6	220.0	+2.4	6.5	8.0	+1.5
106.3	115.0	+8.7	2.1	2.0	(0.1)
610.3	645.0	+34.7	4.7	12.5	+7.8
337.4	375.0	+37.6	1.5	8.5	+7.0
273.0	270.0	(3.0)	3.2	4.0	+0.8
126.5	125.0	(1.5)	4.2	4.0	(0.2)
31.7	30.0	(1.7)	(2.1)	(2.5)	(0.4)
(26.1)	(35.0)	(8.9)	0.1	0.0	(0.1)
1,066.3	1,100.0	+33.7	15.4	24.0	+8.6

FY2023 Full-year Forecasts

- Although the Communications Solutions business is expected to underachieve, efforts will be made to cover this downturn through the Functional Products and Automotive Products & Batteries businesses that have started to recover
- Currently, the full-year forecasts remain unchanged

FY23 Operating income

JPY billion		*FY23 Forecasts	Progress and Projection of operating income		
Segments	Sub-segments		Q1	Q2	H2
Infrastructure	Communications Solutions	8.0	(1.7)	Same level as Q1	Scrutinizing
	Energy Infrastructure	2.0	(1.5)	Same level as Q1	Recovery from Q3
Electronics & Automotive Systems	Automotive Products & Batteries	8.5	0.1	Improvement	Further improvement
	Electronics Component Materials	4.0	0.1	Same level as Q1	Recovery from Q3
Functional Products		4.0	0.7	Same level as Q1	Recovery from Q3

*Announced on May 11, 2023

1-(1) Infrastructure (Communications Solutions)

FY23_Q1

Decrease in sales and income

(JPY billion)

	FY22_Q1	FY23_Q1	YoY change
	a	b	b-a
Net sales	53.9	46.8	(7.1)
Operating income	0.8	(1.7)	(2.5)

【Factors affecting profits】

- (-) Decreased revenue due to customer inventory adjustments and project delays in North America
- (-) Decreased revenue due to limited investments by telecommunications companies in Brazil
- (-) Higher raw material & fuel prices
- (+) Improvement effects
 - *Price optimization, Improved productivity, Increased sales of high value-added products

Situation

Optical fiber & cable products and optical devices

FY23_Q1-

Rapidly falling demand in the Americas

- Excessive customer inventories
- Project delays
- Limited customer investments



Scrutinizing

Future response

- Enhance the lineup of high value-added products, and expand the range of customers
- Decreased fixed expenses
- Allocate personnel in accordance with operating levels
- Establish an immediate response system for when demand recovers
- Optimize inventory levels and sales prices

1-(2) Infrastructure (Energy Infrastructure)

FY23_Q1

Decrease in sales and income

(JPY billion)

	FY22_Q1	FY23_Q1	YoY change
	a	b	b-a
Net sales	23.1	21.9	(1.2)
Operating income	(0.3)	(1.5)	(1.1)

【Factors affecting profits】

- (-) Continued delays to customer construction projects due to slowdown in Chinese economic recovery
- (-) Increased depreciation expenses following the investments in increasing cable manufacturing capacity
- (-) Product compensation costs incurred

- (+) Functional power cable, including aluminum CV, was steady

Situation

FY23_Q1

Q3 -

Delayed recovery in the China market



Moderate recovery

Projects for both overseas submarine lines and Japan extra-high-voltage underground power cable will be concentrated in the second half of the year, more than usual.

Functional power cable was steady

Future response

- Secure orders with a focus on profits, and optimize sales prices in target markets (Japan underground extra-high voltage power cable and renewable energy projects)
- Increase cable manufacturing and installation capacity
- Promote marketing activities (aluminum CV cable, transmission components)

FY23_Q1

Increase in sales and income

(JPY billion)

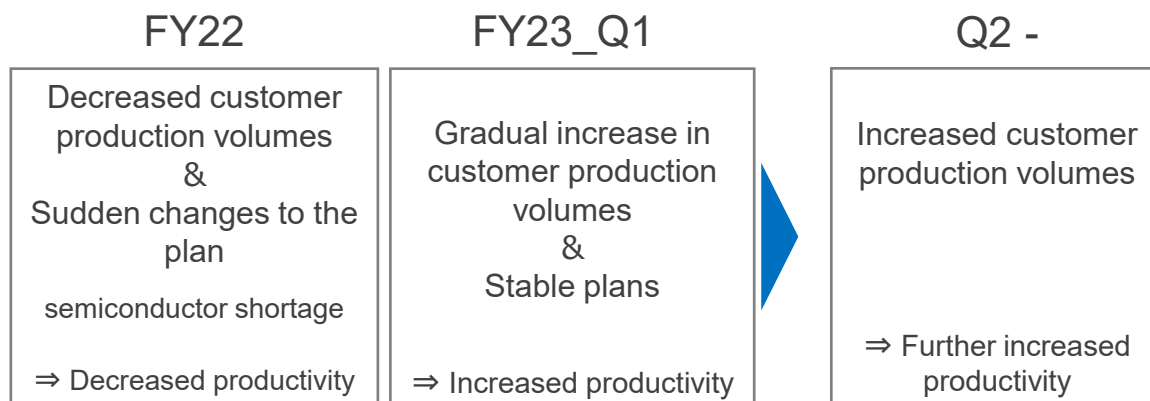
	FY22_Q1	FY23_Q1	YoY change
	a	b	b-a
Net sales	78.6	88.2	+9.6
Operating income	(2.6)	0.1	+2.6

【Factors affecting profits】

- (+) Increased revenue due to improvement of the impact of COVID-19 and semiconductor shortage affecting customers
- (+) Improvement effects
 - *Improved productivity, Price optimization, and curving air freight expenses
- (-) Higher raw material and fuel prices
- (-) Product compensation costs incurred
- (-) Slowdown for Japanese OEM operating in the Chinese market

Situation

Automotive Products



Batteries

Sales of both automotive and industrial batteries concentrated in the second half

Future response

- Leveling of production by anticipating customers' production plan information
- Holding strategic inventory for responding to volatility in customer production volumes and shipping lead time
- Optimize sales prices

FY23_Q1

Decrease in sales and income

(JPY billion)

	FY22_Q1	FY23_Q1	YoY change
	a	b	b-a
Net sales	69.1	61.5	(7.6)
Operating income	1.3	0.1	(1.1)

【Factors affecting profits】

(-) Demand for automotive and electronics-related products declined

(+) Sales price optimization

Situation

FY22_Late Q2 -

Slowing demand for automotive and electronics-related products

Q3 -

Moderate recovery

Future response

- Continued improvement of the product mix resulting from increased sales of high value-added products
 - Heat-resistant oxygen-free copper strips for power semiconductors and heat dissipation components
 - Original alloys that support increased electronic device performance
 - Magnet wire used in inductors for 5G telecommunications and automotive ECU
- Continued optimization of sales prices

3 Functional Products

FY23_Q1

Decrease in sales and income

(JPY billion)

	FY22_Q1 a	*FY22_Q1 (Excluding special factor) a'	FY23_Q1 b	YoY change b-a'
Net sales	34.7	31.1	27.5	(3.6)
Operating income	2.2	1.6	0.7	(0.9)

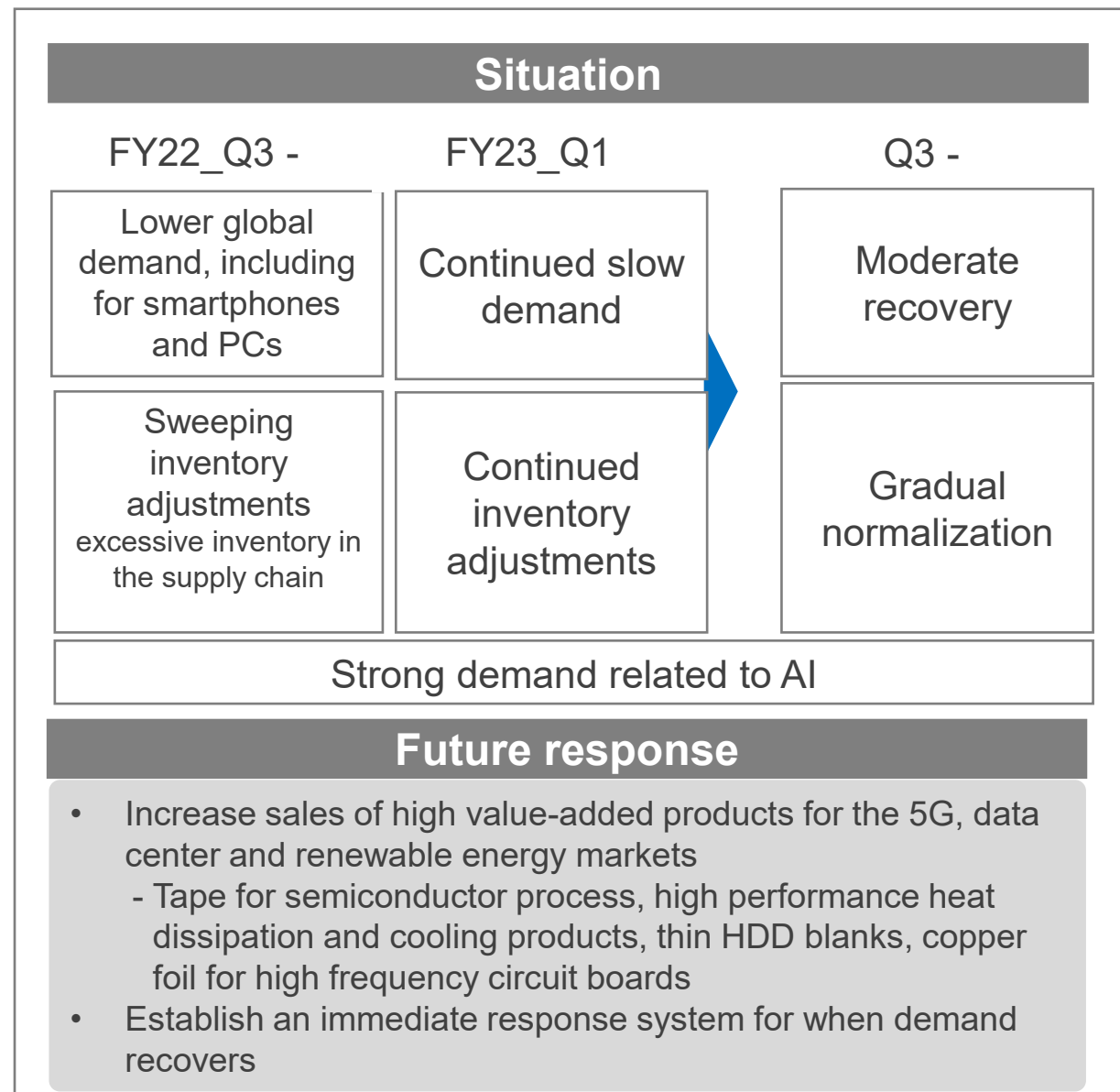
*special factor = the effect of deconsolidation of the TOTOKU

【Factors affecting profits】

(-) Lower demand for smartphone, PC and data center products, and inventory adjustments in the supply chain

*Decreased revenue from aluminum HDD blanks, which experienced particularly robust demand last year

(+) Strong demand related to AI



FY2023 Q1 Results – B/S Summary

(JPY billion)	*End of FY22Q4	End of FY23Q1	Change
	a	b	b-a
Current assets	486.8	509.3	+22.5
Cash and bank deposits	47.4	55.8	+8.4
Notes and accounts receivable trade	229.6	227.8	(1.8)
Inventories	172.3	186.4	+14.1
Non-current assets	446.6	452.2	+5.6
Tangible fixed assets	269.3	274.1	+4.8
Intangible fixed assets	20.2	20.1	(0.1)
Investments and other assets	157.1	158.1	+0.9
Total Assets	933.5	961.6	+28.1
Current liabilities	381.0	400.7	+19.6
Non-current liabilities	223.3	227.0	+3.7
Total Liabilities	604.4	627.7	+23.3
Shareholders' equity	283.5	276.3	(7.1)
Accumulated other comprehensive income	18.2	30.0	+11.8
Net income attributable to non-controlling interests	27.4	27.5	+0.0
Total Net assets	329.1	333.8	+4.7
Total Liabilities and Net assets	933.5	961.6	+28.1
Interest-bearing liabilities	323.8	342.5	+18.7
Capital ratio	32.3%	31.9%	(0.4)
NET D/E ratio	0.9	0.9	+0.0

*Restated only the FY2022 financial results following the start of voluntary application of the International Financial Reporting Standards (IFRS) at the equity method affiliate UACJ Corporation (Refer to the Appendix for details)

Inventories

Increased by JPY 14.1 billion (including the impact of foreign currency exchange and copper prices of JPY +6.0 billion)

- Strategic inventory (Secure inventory in preparation for changes in the business environment, including the semiconductor shortage and increased maritime transportation lead times)
- Projects and construction planned to be recorded as net sales in the future
- External factors including sudden changes in net sales

Property, plant and equipment & Intangible assets

Increased by JPY 4.7 billion

- Impact of CAPEX and depreciation: JPY 0.0 billion
- Impact of foreign currency exchange: JPY +7.1 billion
- Impact of deconsolidation: JPY (3.0) billion

Total assets

Increased by JPY 28.1 billion

- Impact of foreign currency exchange: JPY +21.5 billion
- Impact of new consolidation: JPY +0.4 billion

Other comprehensive income

Increased by JPY 11.8 billion

Foreign currency translation adjustments: JPY +11.1 billion (impact of yen depreciation)

Net interest bearing debt

Increased by JPY 10.3 billion (JPY 276.4 billion→JPY 286.7 billion)

■ Full-year forecasts remain unchanged

(billion yen)	FY22_Q1 Results	FY23_Q1 Results	YoY change	*FY23 Forecasts	YoY change
	a	b	b-a		
CAPEX	6.4	8.5	+2.2	46.0	+2.2
Depreciation and amortization	9.2	9.5	*+0.2	40.0	+0.9
R&D expenses	5.9	6.4	+0.4	27.0	+3.7

*JPY 0.4 billion increase excluding the effect of deconsolidation of TOTOKU

*Announced on May 11, 2023

Thank you very much for your attention

Bound to Innovate

Appendix

■ UACJ Corporation (equity method affiliate) started voluntary application of the International Financial Reporting Standards (IFRS)

As a result of the above change, the financial results for FY2022 have been restated

(JPY billion)

	FY22_Q1		FY22	
Net sales	260.3	260.3	1,066.3	1,066.3
Operating income	1.1	1.1	15.4	15.4
(Margin)	0.4%	0.4%	1.4%	1.4%
Profit/loss in equity method affiliates	4.2	3.7	6.0	3.6
Foreign exchange gain/loss	3.0	3.0	1.7	1.7
Ordinary income	8.3	7.7	19.6	17.3
(Margin)	3.2%	3.0%	1.8%	1.6%
Extraordinary income/loss	0.4	0.4	10.7	10.7
Income taxes	(3.0)	(2.9)	(10.7)	(10.3)
Net income attributable to non-controlling interests	0.0	0.0	(1.7)	(1.7)
Net income attributable to owners of parent	5.8	5.3	17.9	15.9
(Margin)	2.2%	2.0%	1.7%	1.5%

Appendix Changes from FY2023 – B/S

■ UACJ Corporation (equity method affiliate) started voluntary application of the International Financial Reporting Standards (IFRS)

As a result of the above change, the financial results for FY2022 have been restated

	End of FY22Q4	End of FY22Q4
		(JPY billion)
Current assets	486.8	486.8
Cash and bank deposits	47.4	47.4
Notes and accounts receivable trade	229.6	229.6
Inventories	172.3	172.3
Non-current assets	448.0	446.6
Tangible fixed assets	269.3	269.3
Intangible fixed assets	20.2	20.2
Investments and other assets	158.5	157.1
Total Assets	934.8	933.5
Current liabilities	381.0	381.0
Non-current liabilities	222.8	223.3
Total Liabilities	603.8	604.4
Shareholders' equity	280.6	283.5
Accumulated other comprehensive income	23.0	18.2
Net income attributable to non-controlling interests	27.4	27.4
Total Net assets	331.0	329.1
Total Liabilities and Net assets	934.8	933.5
Interest-bearing liabilities	323.8	323.8
Capital ratio	32.5%	32.3%
NET D/E ratio	0.9	0.9
ROE	6.1%	5.5%

Appendix Segments and Business Divisions

Segment	Sub-segment	Business Division
Infrastructure	Communications Solutions	Optical Fiber and Cable Products
		FITEL Products
		Broadband Solutions Business
	Energy Infrastructure	Power Cable
Industrial Cable & Power Cable Accessories		
Electronics & Automotive Systems	Automotive Products & Batteries	Automotive Products
		Batteries
	Electronics Component Materials	Electric Conductor (including fine magnet wire)
		Copper & High Performance Material Products
Functional Products	AT & Functional Plastics	
	Thermal Management Solution & Products	
	Memory Disk	
	Copper Foil	
Service and Developments, etc.		