

Furukawa Electric Group

FY2023 Q3 Financial Results

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FURUKAWA ELECTRIC CO., LTD.

Today's Agenda

FY2023 Q3 financial results and full-year forecasts

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Appendix

FY2023 Q3 financial results and full-year forecasts

FY2023 Q3 financial results highlights

■ Net sales declined year on year and profits declined at each stage

(JPY billion, JPY/kg, JPY/USD)	FY22_Q3*	FY23_Q3	YoY change	
	a	b	b-a	
Net Sales	785.9	765.3	(20.6)	(Comparison with last year) 【Increased】 Electronics & Automotive Systems (Automotive Products & Batteries) 【Decreased】 Infrastructure, Electronics & Automotive Systems (Electronics Component Material), Functional Products
Operating income	6.0	(0.6)	(6.6)	【Increased】 Electronics & Automotive Systems (Automotive Products & Batteries) 【Decreased】 Infrastructure, Electronics & Automotive Systems (Electronics Component Material), Functional Products
Ordinary income	8.8	(3.0)	(11.7)	Increased interest expense Foreign exchange loss
Net income attributable to owners of the parent	10.8	(6.5)	(17.3)	Extraordinary income for the previous fiscal year: Gain on sale of equity interest in consolidated subsidiaries (JPY10.8 billion), etc.
Average copper price	1,200	1,249	+49	
Average exchange rate	136	143	+7	

*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)

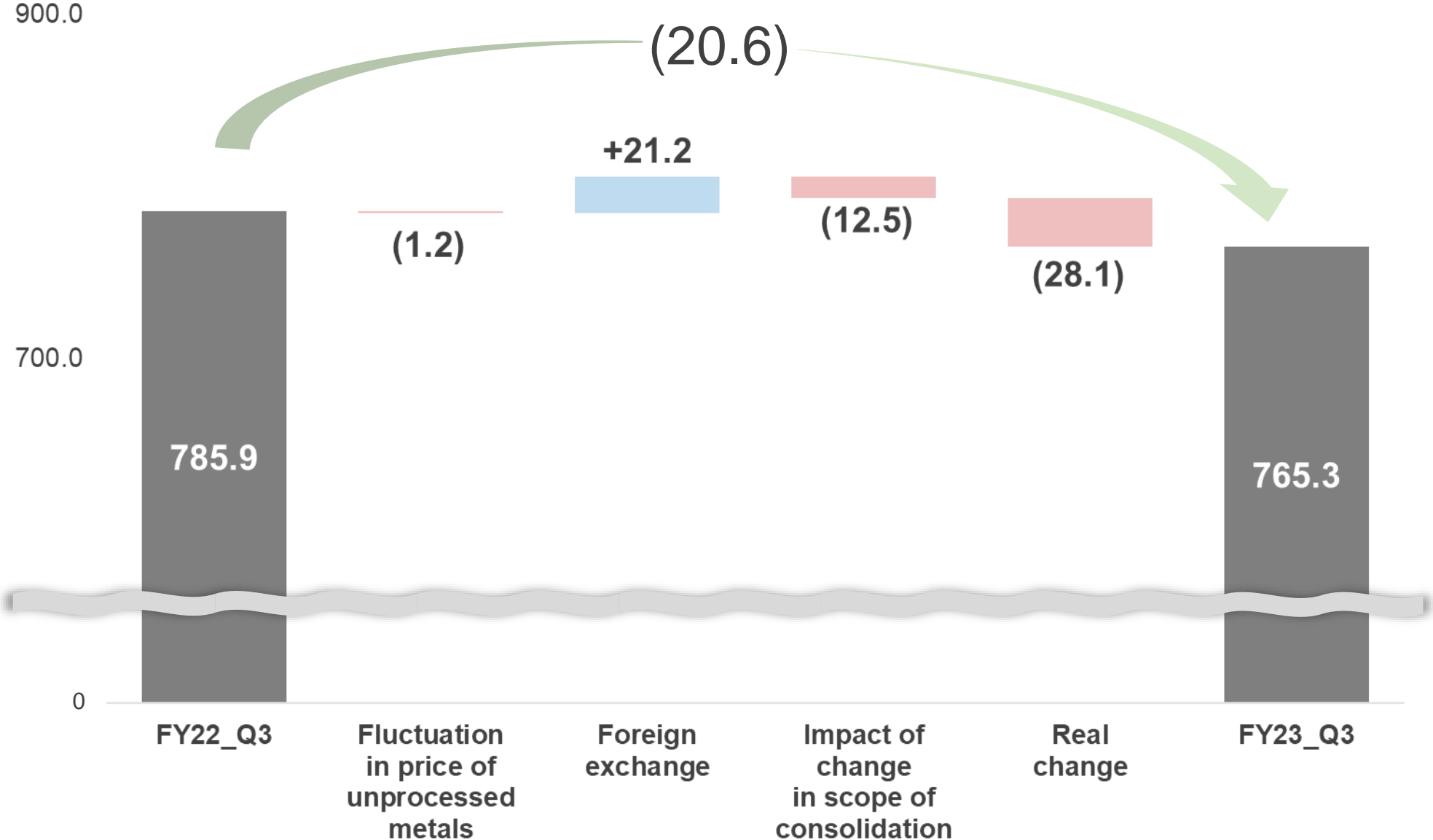
FY2023 Q3 results - P/L summary

(JPY billion, JPY/kg, JPY/USD)	FY22_Q3*		FY23_Q3		YoY change		Breakdown of change (YoY in Q3)
		10-12		10-12		10-12	
	a	a'	b	b'	b-a	b'-a'	
Net sales	785.9	261.4	765.3	262.2	(20.6)	+0.8	See page 7
Operating income	6.0	1.4	(0.6)	4.1	(6.6)	+2.6	See page 8
(Margin)	0.8%	0.6%	(0.1)%	1.5%	(0.8)	+1.0	
Interest revenue/expense	(3.4)	(1.4)	(5.5)	(1.9)	(2.1)	(0.5)	
Profit/loss in equity method affiliates	3.1	(0.8)	3.6	1.4	+0.5	+2.2	
Foreign exchange gain/loss	1.2	(3.6)	(1.0)	(3.1)	(2.2)	+0.5	
Ordinary income	8.8	(3.4)	(3.0)	0.7	(11.7)	+4.0	
(Margin)	1.1%	(1.3)%	(0.4)%	0.3%	(1.5)	+1.5	
Extraordinary income/loss	11.9	11.8	2.7	(0.8)	(9.2)	(12.6)	•Extraordinary income : (8.0) [14.6 → 6.5]
Income taxes	(9.0)	(3.4)	(5.3)	(1.6)	+3.7	+1.8	•Extraordinary loss: (1.2) [(2.6) → (3.8)]
Net income attributable to non-controlling interests	(0.9)	(0.6)	(1.0)	(0.6)	(0.2)	(0.0)	
Net income attributable to owners of parent	10.8	4.5	(6.5)	(2.4)	(17.3)	(6.9)	
(Margin)	1.4%	1.7%	(0.9)%	(0.9)%	(2.2)	(2.6)	
Average copper price	1,200	1,189	1,249	1,264	+49	+75	
Average exchange rate	136	141	143	148	+7	+6	

*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)

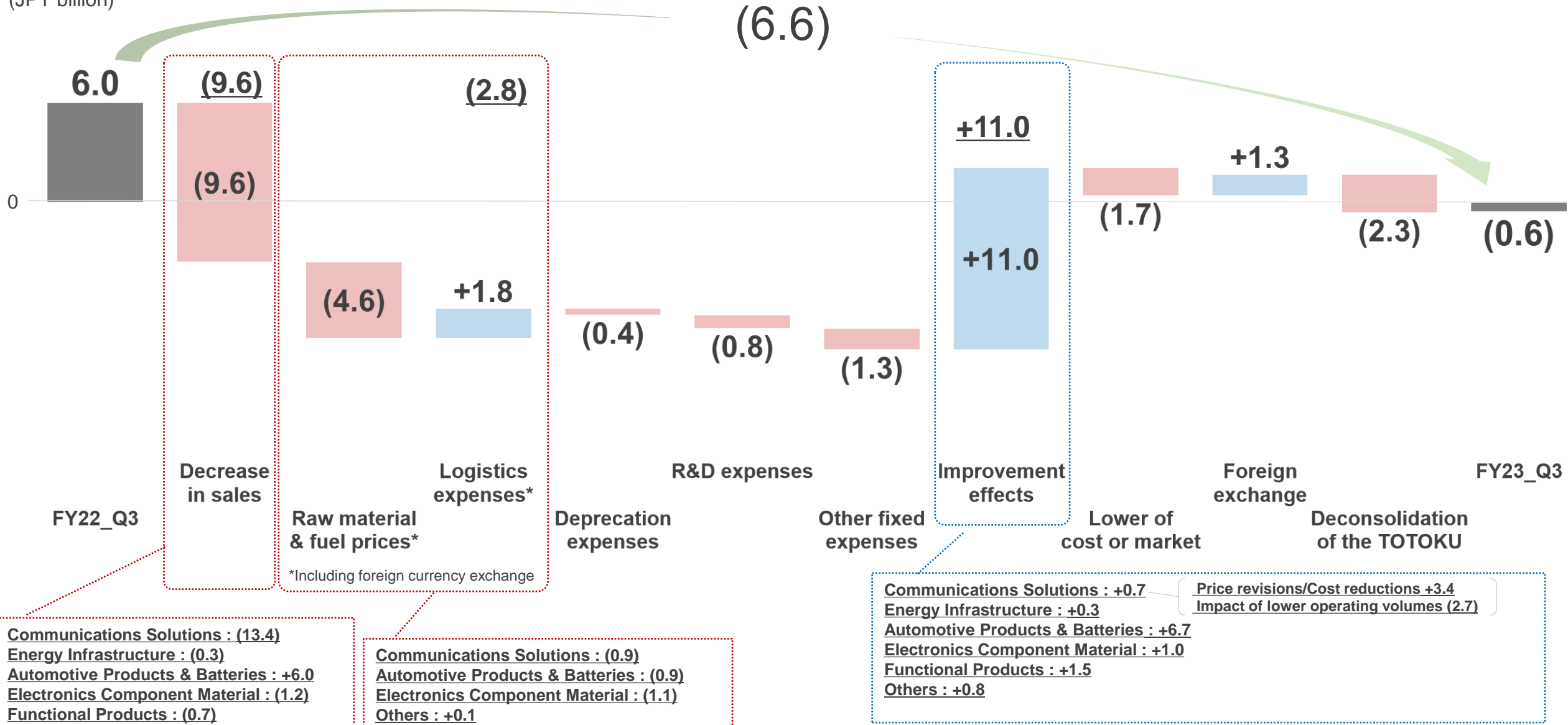
FY2023 Q3 results - Breakdown of changes in net sales

(JPY billion)



FY2023 Q3 results - Breakdown of changes in operating income

(JPY billion)



■ Full-year forecasts remain unchanged

(JPY billion, JPY/kg, JPY/USD)	FY22 Results*1	FY23 Previous forecasts*2	FY23 Forecasts	YoY change	Change from previous forecasts
	a	b	c	c-a	c-b
Net sales	1,066.3	1,040.0	1,040.0	(26.3)	-
Operating income	15.4	5.0	5.0	(10.4)	-
(Margin)	1.4%	0.5%	0.5%	(1.0)	-
Interest revenue/expense	(5.2)	-	-	-	-
Profit/loss in equity method affiliates	3.6	-	-	-	-
Foreign exchange gain/loss	1.7	-	-	-	-
Ordinary income	17.3	4.0	4.0	(13.3)	-
(Margin)	1.6%	0.4%	0.4%	(1.2)	-
Extraordinary income/loss	10.7	8.3	9.9	(0.8)	+1.6
Income taxes	(10.3)	-	-	-	-
Net income attributable to non-controlling interests	(1.7)	-	-	-	-
Net income attributable to owners of parent	15.9	0.0	0.0	(15.9)	-
(Margin)	1.5%	0.0%	0.0%	(1.5)	-
Average copper price	1,209	1,191	1,243	+34	+52 (Q4 assumption : 1,225)
Average exchange rate	135	141	144	+8	+3 (Q4 assumption : 145)





*2 Announced on November 9, 2023

*1 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)

Revised FY2023 full-year forecasts - operating income by segment

- Compared to the previous forecast, Communications Solutions has been revised down and Automotive Products & Batteries has been revised up

(JPY billion)

Segments		Main revision	Main reason for the revision
Infrastructure	Communications Solutions	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>Previous</p>  <p>(12.5)</p> </div> <div style="text-align: center;"> <p>Current</p>  <p>(14.5)</p> </div> <div style="text-align: center;"> <p>(2.0)</p> </div> </div>	<p>(-) Delayed demand recovery in the Americas in the optical fiber & cable business</p> <p>(+) Increased orders from recovering data center related demand</p>
	Energy Infrastructure	(No change)	-
Electronics & Automotive Systems	Automotive Products & Batteries	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>11.5</p>  </div> <div style="text-align: center;"> <p>13.0</p>  </div> <div style="text-align: center;"> <p>+1.5</p> </div> </div>	<p>(+) Recovering sales and increased productivity</p> <p>(-) Changes to customer production plans</p> <p>(-) Recorded additional provision for product compensation costs</p>
	Electronics Component Material	(No change)	-
Functional Products		(No change)	-

* Service & developments, etc.: Through limiting corporate expenses +0.5

Net sales and operating Income by segment (cumulative Q3)

(JPY billion)	Net sales			Operating income		
	FY22_Q3	FY23_Q3	YoY change	FY22_Q3	FY23_Q3	YoY change
	a	b	b-a	c	d	d-c
Infrastructure	238.2	198.9	(39.2)	3.6	(13.2)	(16.8)
Communications Solutions	159.2	122.9	(36.3)	2.9	(11.7)	(14.7)
Energy Infrastructure	79.0	76.0	(3.0)	0.7	(1.4)	(2.1)
Electronics & Automotive Systems	444.7	474.7	+30.0	(1.1)	10.2	+11.3
Automotive Products & Batteries	241.4	276.3	+34.9	(4.0)	8.3	+12.3
Electronics Component Material	203.3	198.4	(4.9)	2.9	1.9	(1.0)
Functional Products	101.2	85.5	(15.7)	5.2	3.9	(1.3)
Service & Developments, etc.	22.1	23.2	+1.1	(1.6)	(1.6)	+0.0
Elimination of intra-company transactions	(20.3)	(17.0)	+3.3	(0.0)	0.1	+0.1
Total	785.9	765.3	(20.6)	6.0	(0.6)	(6.6)

Net sales and operating income by segment (full-year forecasts)

(JPY billion)	Net sales					Operating income				
	FY22 Results	FY23 Previous forecasts*	FY23 Forecasts	YoY change	Change from previous forecasts	FY22 Results	FY23 Previous forecasts*	FY23 Forecasts	YoY change	Change from previous forecasts
Infrastructure	323.9	270.0	265.0	(58.9)	(5.0)	8.6	(11.5)	(13.5)	(22.1)	(2.0)
Communications Solutions	217.6	165.0	160.0	(57.6)	(5.0)	6.5	(12.5)	(14.5)	(21.0)	(2.0)
Energy Infrastructure	106.3	105.0	105.0	(1.3)	-	2.1	1.0	1.0	(1.1)	-
Electronics & Automotive Systems	610.3	655.0	660.0	+49.7	+5.0	4.7	14.0	15.5	+10.8	+1.5
Automotive Products & Batteries	337.4	395.0	395.0	+57.6	-	1.5	11.5	13.0	+11.5	+1.5
Electronics Component Material	273.0	260.0	265.0	(8.0)	+5.0	3.2	2.5	2.5	(0.7)	-
Functional Products	126.5	120.0	120.0	(6.5)	-	4.2	5.0	5.0	+0.8	-
Service & Developments, etc.	31.7	30.0	30.0	(1.7)	-	(2.1)	(2.5)	(2.0)	+0.1	+0.5
Elimination of intra-company transactions	(26.1)	(35.0)	(35.0)	(8.9)	—	0.1	0.0	0.0	(0.1)	-
Total	1,066.3	1,040.0	1,040.0	(26.3)	-	15.4	5.0	5.0	(10.4)	-

*Announced on November 9, 2023

*Announced on November 9, 2023

1-(1) Infrastructure (Communications Solutions)

FY23_Q3

Decrease in sales and income

(JPY billion)	FY22_Q3	FY23_Q3	YoY change
	a	b	b-a
Net sales	159.2	122.9	(36.3)
Operating income	2.9	(11.7)	(14.7)

FY23_Forecasts

(JPY billion)

	FY22 Results	FY23 previous forecasts*	FY23 Forecasts	YoY change	Change from previous forecasts
	a	b	c	c-a	c-b
Net sales	217.6	165.0	160.0	(57.6)	(5.0)
Operating income	6.5	(12.5)	(14.5)	(21.0)	(2.0)

*Announced on November 9, 2023

Downward revision

Change from previous forecasts

【Factors affecting profits】

- (-) Prolonged inventory adjustments, restrained investment and project delays by customers in the Americas
- (-) Productivity impact of lower operating volumes
- (-) Higher raw material & fuel prices

- (+) Sales price optimization
- (+) Reduced fixed cost
- (+) Increased orders from recovering data center related demand

Situation



Future response

- Shift from general-use products to high-value-added products
 - Promote sales expansion in data centers and FTTX
- | | | |
|-----------------------|--------------------|--------------------|
| Rollable ribbon cable | Networking systems | ITLA*1/DFB*2 chips |
|-----------------------|--------------------|--------------------|
- Prepare an optical fiber & cable manufacturing system based on when demand recovers

*1 Integrated Tunable Laser Assemble

*2 Distributed Feedback

1-(2) Infrastructure (Energy Infrastructure)

FY23_Q3

Decrease in sales and income

(JPY billion)	FY22_Q3	FY23_Q3	YoY change
	a	b	b-a
Net sales	79.0	76.0	(3.0)
Operating income	0.7	(1.4)	(2.1)

【Factors affecting profits】

- (-) Decrease in sales and application of the lower of cost or market method*
(large-scale projects delay to next fiscal year and beyond)
- (-) Increased depreciation expenses
- (-) Product compensation costs were incurred
- (+) Strong demand of functional power cable
(*Rakuraku* aluminum cable[®], etc.)

*Because projects are concentrated in H2, expect a recovery in FY23 Q4

FY23_Forecasts

(JPY billion)

	FY22 Results	FY23 previous forecasts*	FY23 Forecasts	YoY change	No revision Change from previous forecasts
	a	b	c	c-a	c-b
Net sales	106.3	105.0	105.0	(1.3)	-
Operating income	2.1	1.0	1.0	(1.1)	-

*Announced on November 9, 2023

Situation

	FY23_H1	FY23_H2
Japan extra-high voltage	Stable demand, construction projects concentrated in the H2	
Submarine lines		Project delay
China	Market downturn	Slow recovery
Functional power cable	Increased sales of <i>Rakuraku</i> aluminum cable [®] / Strong demand	

Future response

- Secure orders with a focus on profits, and optimize sales prices
 Japan underground extra-high voltage power cable Renewable energy projects
- Increase cable manufacturing and installation capacity
- Promote marketing activities
 Rakuraku aluminum cable[®] Transmission components

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

FY23_Q3

Increase in sales and income

(JPY billion)	FY22_Q3	FY23_Q3	YoY change
	a	b	b-a
Net sales	241.4	276.3	+34.9
Operating income	(4.0)	8.3	+12.3

【Factors affecting profits】

(+) Increase in automobile production

(+) Improvement effects

- Improve productivity and reduce air expenses by stabilizing customers' production plans
- Sales price optimization

(-) Product compensation costs were incurred

(-) Higher raw material and fuel prices

(-) Increased depreciation and R&D expenses

(-) Slowdown for Japanese OEM operating in the Chinese market

FY23_Forecasts

(JPY billion)

	FY22 Results	FY23 previous forecasts*	FY23 Forecasts	YoY change	Upward revision Change from previous forecasts
	a	b	c	c-a	c-b
Net sales	337.4	395.0	395.0	+57.6	-
Operating income	1.5	11.5	13.0	+11.5	+1.5

*Announced on November 9, 2023

Situation

	>>	FY23_H1	FY23_H2	>>
Automotive Products		Decrease in production Rapid change in the plan	Gradually stabilize	Increase production
		Productivity deterioration	Improve productivity	
Batteries		Both automotive and industrial sales concentrated in the H2		

Future response

- Develop products and respond to autonomy for expansion of the electric vehicle market

Aluminum wire harness (including high-voltage products)

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

FY23_Q3

Decrease in sales and income

(JPY billion)	FY22_Q3	FY23_Q3	YoY change
	a	b	b-a
Net sales	203.3	198.4	(4.9)
Operating income	2.9	1.9	(1.0)

FY23_Forecasts

(JPY billion)

	FY22 Results	FY23 previous forecasts*	FY23 Forecasts	YoY change	Revision of copper price Change from previous forecasts
	a	b	c	c-a	c-b
Net sales	273.0	260.0	265.0	(8.0)	+5.0
Operating income	3.2	2.5	2.5	(0.7)	-

*Announced on November 9, 2023

【Factors affecting profits】

- (-) Demand for electronics-related declined
- (-) Higher raw material and fuel prices

- (+) Sales price optimization
- (+) Limited fixed expenses

Situation

>>	FY23_H1	FY23_H2	>>
Slowing demand for automotive and electronics-related products	Gradual recovery for automotive products		
	Delayed recovery for electronics-related markets		

Future response

- Promote and expand sales of high-value-added products (continue to improve product mix)

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

3 Functional Products

FY23_Q3

Decrease in sales
Increase in income

(JPY billion)	FY22_Q3	FY22_Q3 (Excluding special factor) ^{*1}	FY23_Q3	YoY change
	a	a'	b	b-a'
Net sales	101.2	88.9	85.5	(3.4)
Operating income	5.2	2.8	3.9	+1.1

^{*1}special factor : the effect of deconsolidation of the TOTOKU

【Factors affecting profits】

(+) Strong demand for AI and renewable energy related products

(-) Lower demand for smartphones, PCs and hard-disk drive (HDD) related products, and inventory adjustments in the supply chain

FY23_Forecasts

(JPY billion)	FY22 Results	FY22 Results (Excluding special factor) ^{*1}	FY23 previous forecasts ^{*2}	FY23 Forecasts	YoY change	No revision Change from previous forecasts
	a	a'	b	c	c-a'	c-b
Net sales	126.5	114.2	120.0	120.0	+5.8	-
Operating income	4.2	1.8	5.0	5.0	+3.2	-

^{*2} Announced on November 9, 2023

Situation

>> FY23_H1 FY23_H2 >>

Active investment related to AI

Lower global demand for smartphones and PCs	Prolonged sluggish demand
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Inventory adjustments in the supply chain	Prolonged inventory adjustments and weak demand (Aluminum blanks for HDD)
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Future response

- Capture the rapidly growing demand related to generative AI
- 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
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- Establish a production system for when demand increases

FY2023 Q3 results - B/S summary

(JPY billion)	End of FY22*	End of FY23Q3	Change
	a	b	b-a
Current assets	486.8	510.8	+24.0
Cash and deposits	47.4	48.9	+1.5
Notes and accounts receivable	229.6	226.5	(3.0)
Inventories	172.3	194.3	+22.0
Non-current assets	446.6	454.4	+7.7
Property, plant & equipment	269.3	273.4	+4.1
Intangible assets	20.2	19.7	(0.5)
Investments and other assets	157.1	161.2	+4.1
Total Assets	933.5	965.2	+31.7
Current liabilities	381.0	400.9	+19.9
Non-current liabilities	223.3	233.8	+10.5
Total Liabilities	604.4	634.7	+30.4
Shareholders' equity	283.5	271.7	(11.8)
Accumulated other comprehensive income	18.2	30.2	+12.0
Non-controlling interests	27.4	28.5	+1.1
Total Net assets	329.1	330.4	+1.3
Total Liabilities and Net assets	933.5	965.2	+31.7
Interest-bearing debt	323.8	352.9	+29.1
Capital ratio	32.3%	31.3%	(1.0)
NET D/E ratio	0.9	1.0	+0.1

Inventories
Increased by JPY 22.0 billion (including the impact of foreign currency exchange and copper prices of JPY +7.3 billion)

- External factors including sudden changes in net sales
- 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

Property, plant and equipment & Intangible assets
Increased by JPY 3.6 billion

- Impact of CAPEX and depreciation: JPY (0.6) billion
- Impact of foreign currency exchange: JPY +8.5 billion
- Impact of deconsolidation: JPY (3.0) billion

Total assets
Increased by JPY 31.7 billion

- Impact of foreign currency exchange: JPY +29.2 billion
- Impact of new consolidation: JPY +0.6 billion

Other comprehensive income
Increased by JPY 12.0 billion

Foreign currency translation adjustments: JPY +12.2 billion (impact of yen depreciation)

Net interest bearing debt
Increased by JPY 27.6 billion (From JPY 276.4 billion to JPY 304.0 billion)

*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)

■ Full-year forecast remains unchanged

(billion yen)	FY22_Q3	FY23_Q3	YoY change	FY22 Results	*FY23 Previous Forecasts	FY23 Forecasts	YoY change	Change from previous forecasts
	a	b	b-a	c	d	e	e-c	e-d
CAPEX	26.0	26.0	(0.0)	43.8	43.0	43.0	(0.8)	-
Depreciation and amortization	28.5	28.9	+0.4	39.1	39.0	39.0	(0.1)	-
R&D expenses	17.9	18.6	+0.8	23.3	26.0	26.0	+2.7	-

*Announced on November 9, 2023

■ Overall demand is expected to recover

- Continue to pay attention to changes in the supply chain caused by natural disasters and geopolitical risk, and changes to customer plans

■ Continue management with a focus on capital efficiency, and steadily improve profits

Image of operating income in FY2024

Segments	Sub-segments	FY22 Results	FY23 Forecasts		FY24 Forecasts	Premise
			H1	H2 Forecast		
Infrastructure	Communications Solutions	6.5	(14.5)	(6.0)	(8.5)	<ul style="list-style-type: none"> • North and Latin America markets will recover <u>after H2</u> (including demand creation from the BEAD* Program) • Growing data center demand • Increased sales of high value-added products <p>* Broadband Equity Access and Deployment Program</p>
	Energy Infrastructure	2.1	1.0	(2.6)	3.6	<ul style="list-style-type: none"> • Continued firm demand for Japan underground cable projects • Progress in the projects postponed from FY2023 • Strong demand for functional power cable (<i>Rakuraku</i> aluminum cable®, etc.)
Electronics & Automotive Systems	Automotive Products & Batteries	1.5	13.0	2.3	10.7	<ul style="list-style-type: none"> • Increased adoption of our aluminum wiring harnesses
	Electronics Component Material	3.2	2.5	0.6	1.9	<ul style="list-style-type: none"> • Firm demand for automotive products • Demand for electronics-related products will recover <u>after H2</u>
Functional Products		4.2	5.0	2.1	2.9	<ul style="list-style-type: none"> • Growing demand for data center related products (strong demand for AI related products, recovering demand for semiconductor related products) • Firm demand for renewable energy related products

Thank you very much for your attention

Bound to Innovate

The slogan "Bound to Innovate" in a bold, italicized sans-serif font, with a red swoosh underline that starts under "Bound" and extends under "Innovate", ending in a sharp arrowhead pointing to the right.

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_Q3		FY22	
Net sales	785.9	785.9	1,066.3	1,066.3
Operating income	6.0	6.0	15.4	15.4
(Margin)	0.8%	0.8%	1.4%	1.4%
Interest revenue/expense	(3.4)	(3.4)	(5.2)	(5.2)
Profit/loss in equity method affiliates	5.0	3.1	6.0	3.6
Foreign exchange gain/loss	1.2	1.2	1.7	1.7
Ordinary income	10.7	8.8	19.6	17.3
(Margin)	1.4%	1.1%	1.8%	1.6%
Extraordinary income/loss	11.9	11.9	10.7	10.7
Income taxes	(9.3)	(9.0)	▲ 10.7	▲ 10.3
Net income attributable to non-controlling interests	(0.9)	(0.9)	▲ 1.7	▲ 1.7
Net income attributable to owners of parent	12.4	10.8	17.9	15.9
(Margin)	1.6%	1.4%	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 FY2022	End of FY2022
		(JPY billion)
Current assets	486.8	486.8
Cash and deposits	47.4	47.4
Notes and accounts receivable	229.6	229.6
Inventories	172.3	172.3
Non-current assets	448.0	446.6
Property, plant & equipment	269.3	269.3
Intangible 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
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 debt	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 Material	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.		