

FY2020 Q1 Financial Results

Director, Corporate Vice President, and
General Manager of the Finance & Global Management

Akihiro Fukunaga

August 6, 2020

FURUKAWA ELECTRIC CO., LTD.

Forward-Looking Statements

Projections of future sales and earnings in these materials are “forward-looking statements.” Management offers these projections in good faith and on the basis of information presently available. Information in these statements reflects assumptions about such variables as economic trends and currency exchange rates.

Forward-looking statements incorporate known and unknown risks as well as other uncertainties that include, but are not limited to, the following items.

- Economic trends in the U.S, Europe, Japan and elsewhere in Asia, particularly with regard to consumer spending and corporate expenditures.
- Changes in exchange rates of the U.S. dollar, euro, and Asian currencies.
- Furukawa Electric Group’s ability to respond to rapid advances in technology.
- Changes in assumptions involving financial and managerial matters and the operating environment.
- Current and future trade restrictions and related matters in foreign countries.
- Changes in the market value of securities held by the Furukawa Electric Group.

Due to the above factors, actual sales, earnings, and other operating results may differ significantly from Looking Statements in these materials. In addition, following the release of these materials, Furukawa Electric Group assumes no obligation to announce any revisions to forward-looking statement in these materials.

Copyrights

Furukawa Electric Co., Ltd. retains copyrights and other rights involving these materials. Copyright and otherwise reusing these materials in any way without prior consent is prohibited.

FURUKAWA ELECTRIC CO., LTD.

FY2020 Q1 Financial Results

Intentionally Blank

■ Net sales

Revenue decreased due to the major impact of COVID-19

■ Operating income

–In the Electronics & Automotive Systems segment, income decreased on lower revenue mainly in the Automotive Products Division

–In the Functional Products segment, although data center demand recovered, income declined as the result of lower revenue from functional plastics for construction and automotive applications, and copper foil for automotive batteries

■ Net income attributable to owners of the parent company

Despite recording an extraordinary loss (provision for product defect compensation and loss on the transfer of a business), income greatly increased as a result of the gain on disposal of non-current assets

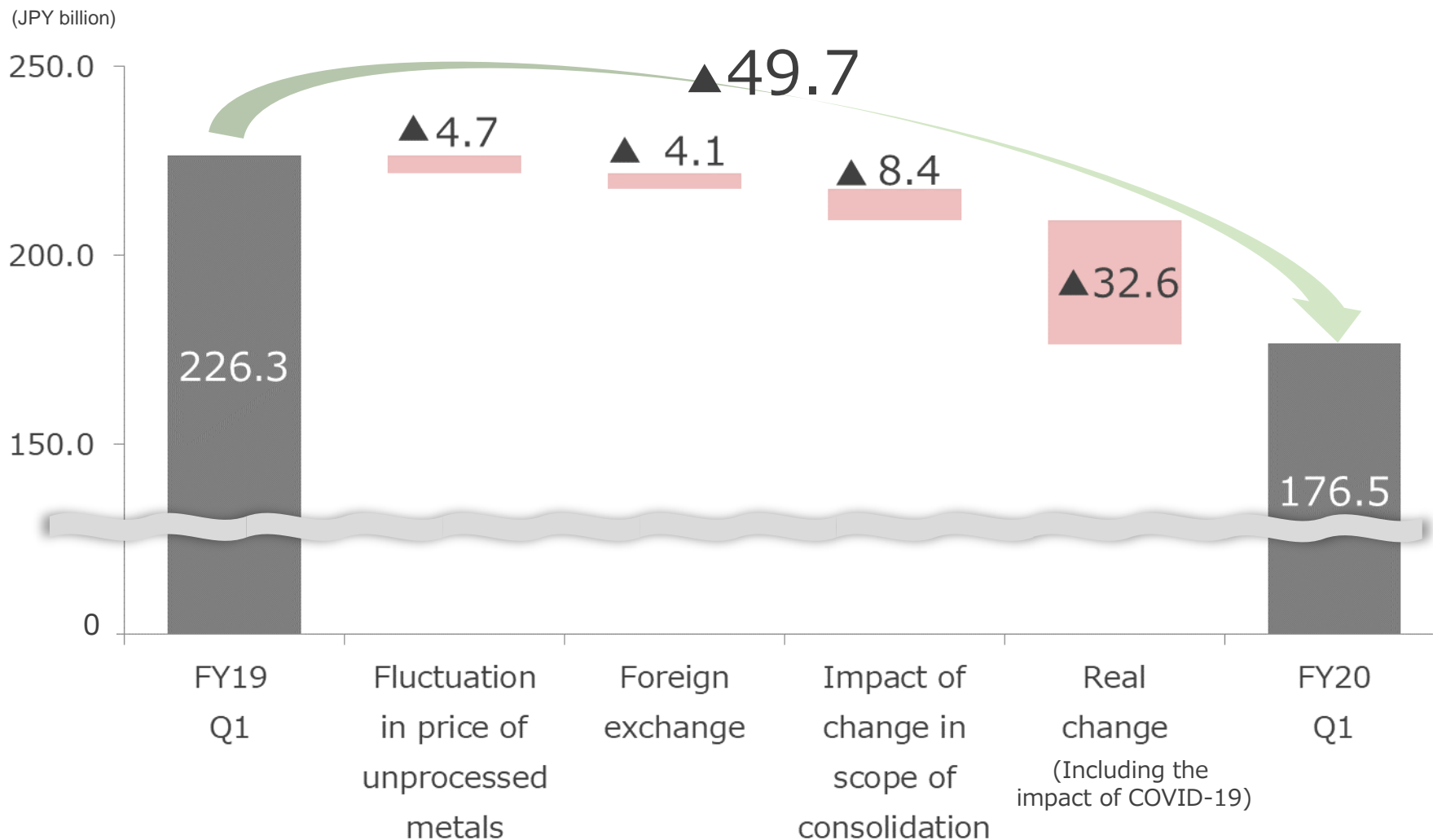
(JPY billion)	FY19Q1	FY20Q1	
			YoY
Net sales	226.3	176.5	▲49.7
Operating income	4.9	▲1.2	▲6.2
Ordinary income	3.9	▲1.5	▲5.3
Net income attributable to owners of the parent	2.3	7.8	+5.6

FY2020 Q1 Results - P/L Summary

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

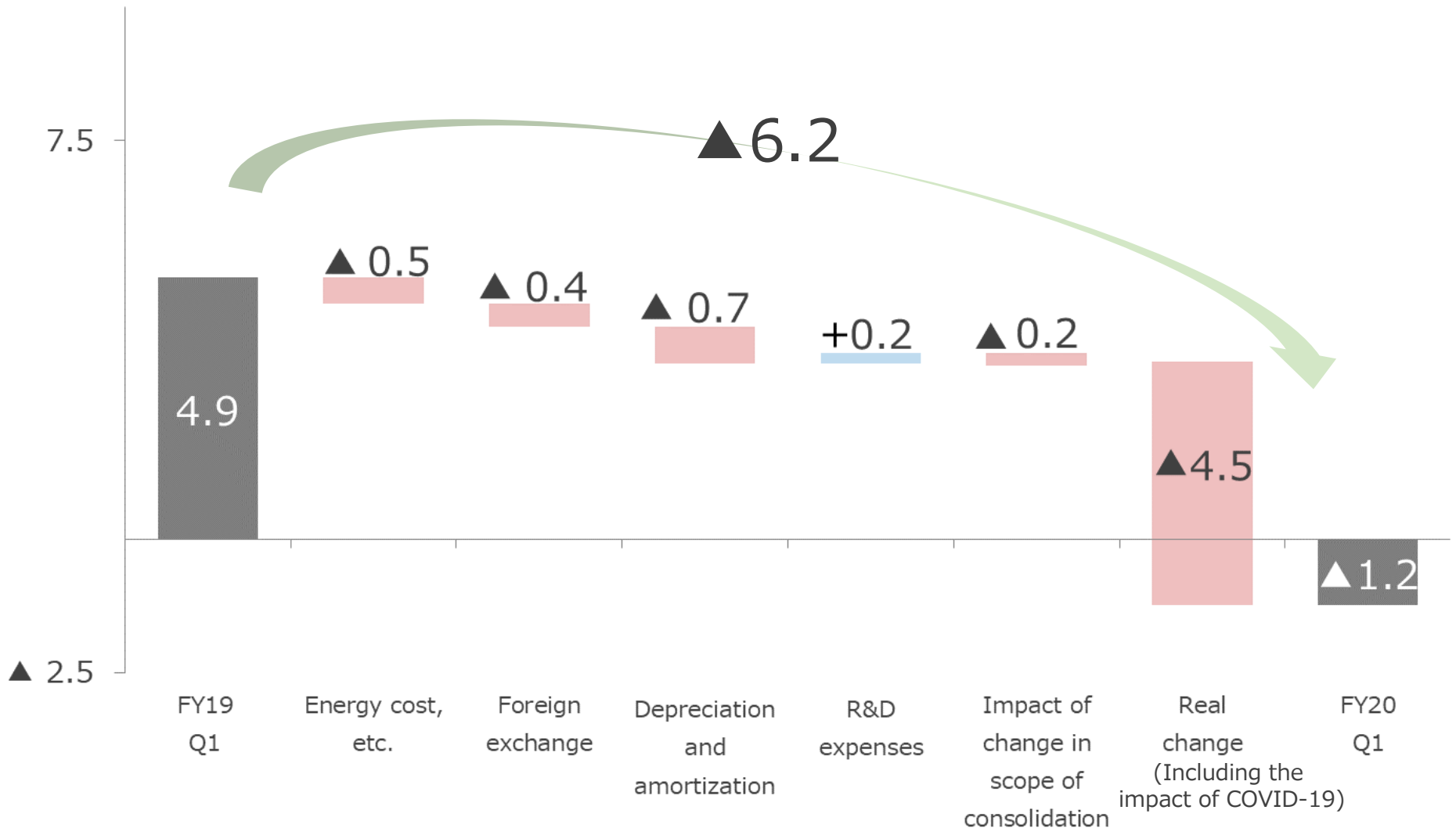
	FY19 Q1	FY20 Q1	YoY change	Breakdown of change (Q1)
	a	b	b-a	
Net sales	226.3	176.5	▲ 49.7	▲49.7 (▲22%) See page 7
Operating income	4.9	▲ 1.2	▲ 6.2	▲6.2
(Margin)	2.2%	▲ 0.7%	▲ 2.9	See page 8
Profit/loss in equity method affiliates	▲ 0.3	0.0	+0.3	
Foreign exchange gain/loss	▲ 0.4	0.1	+0.5	
Ordinary income	3.9	▲ 1.5	▲ 5.3	▲5.3
(Margin)	1.7%	▲ 0.8%	▲ 2.5	
Extraordinary income/loss	0.4	13.7	+13.3	•Extraordinary income +21.6 (1.3 → 22.9)
Income taxes	2.2	4.0	+1.8	
Net income attributable to non-controlling interests	▲ 0.2	0.4	+0.6	•Extraordinary loss ▲8.2 (▲0.9 → ▲9.2)
Net income attributable to owners of parent company	2.3	7.8	+5.6	+5.6 (+245%)
(Margin)	1.0%	4.4%	+3.4	
Average copper price	717	616	—	
Average exchange rate	110	108	—	

Analysis of Changes in Net Sales (YoY)



Analysis of Changes in Operating Income (YoY) FURUKAWA ELECTRIC

(JPY billion)

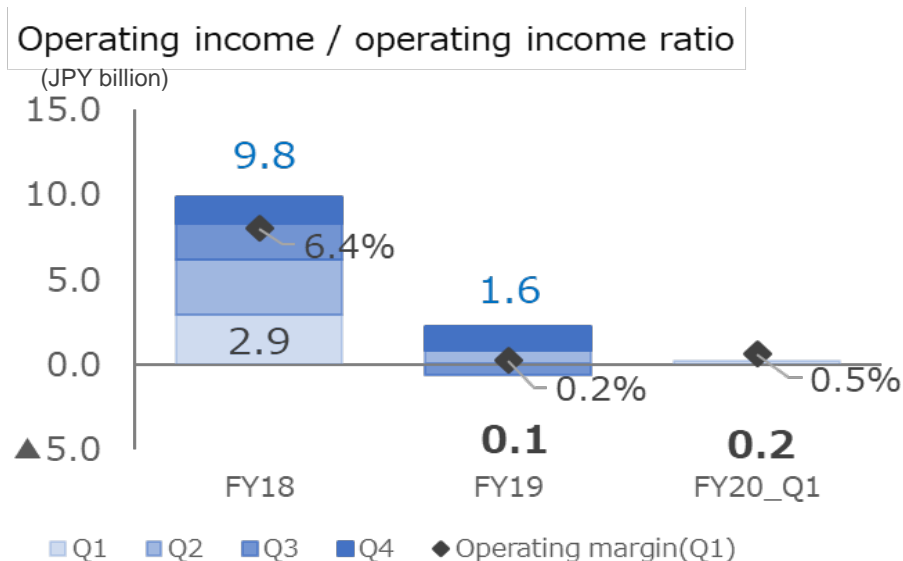
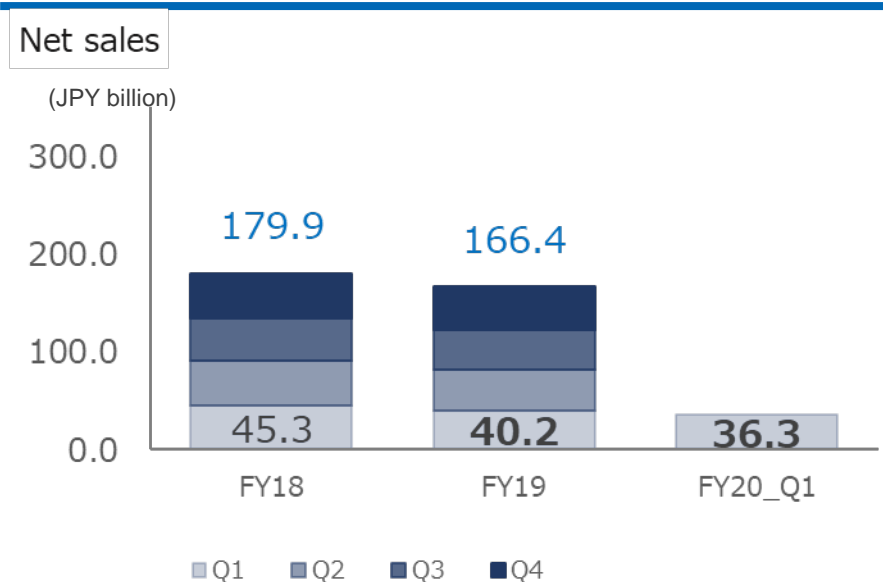


Net Sales and Operating Income by Segment

(JPY billion)

		Q1		
		FY19 Results	FY20 Results	YoY Change
N e t S a l e s	Infrastructure	67.7	56.2	▲ 11.5
	Communications Solutions	40.2	36.3	▲ 3.9
	Energy infrastructure	27.5	20.0	▲ 7.5
	Electronics & Automotive Systems	128.0	92.5	▲ 35.5
	Automotive Products & Batteries	60.7	51.5	▲ 9.1
	Electronics Component Materials	67.4	41.0	▲ 26.4
	Functional Products	29.4	25.7	▲ 3.8
	Service and Developments, etc.	12.3	10.3	▲ 2.0
	Elimination of intra-company transactions	▲ 11.2	▲ 8.2	+3.0
	Total	226.3	176.5	▲ 49.7
O p e r a t i n g I n c o m e	Infrastructure	▲ 0.4	▲ 0.1	+0.3
	Communications Solutions	0.1	0.2	+0.1
	Energy infrastructure	▲ 0.4	▲ 0.2	+0.2
	Electronics & Automotive Systems	3.5	▲ 1.8	▲ 5.3
	Automotive Products & Batteries	2.7	▲ 1.8	▲ 4.5
	Electronics Component Materials	0.8	▲ 0.0	▲ 0.9
	Functional Products	1.9	1.1	▲ 0.8
	Service and Developments, etc.	▲ 0.1	▲ 0.4	▲ 0.4
	Elimination of intra-company transactions	▲ 0.1	0.0	+0.1
	Total	4.9	▲ 1.2	▲ 6.2

1 -(1) Infrastructure (Communications Solutions)



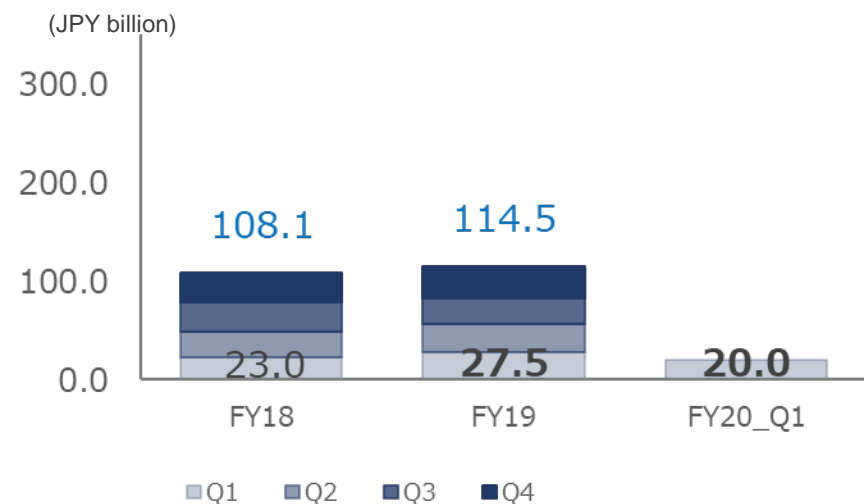
Blue : Full year Net Sales , Operating Income
Black : First 3 months Net Sales , Operating Income

**Operating income :
YoY difference JPY +0.1 billion**

- Positive growth factors
- Negative growth factors
- Increased revenue from the continued strong demand environment for optical fiber and cable in North America
- Increased revenue from improvements to the supply capacity for digital coherent products
- Competition remains severe, and due in part to lower demand resulting from the impact of COVID-19, revenue from optical fiber and cable dropped in Central and South America, Europe and Asia
- Lower operation at the cable plant in North America due to the impact of COVID-19
- Impact of currency depreciation in emerging countries (Brazilian Real, etc.)
- Increased depreciation expenses

1 -(2) Infrastructure (Energy Infrastructure)

Net sales

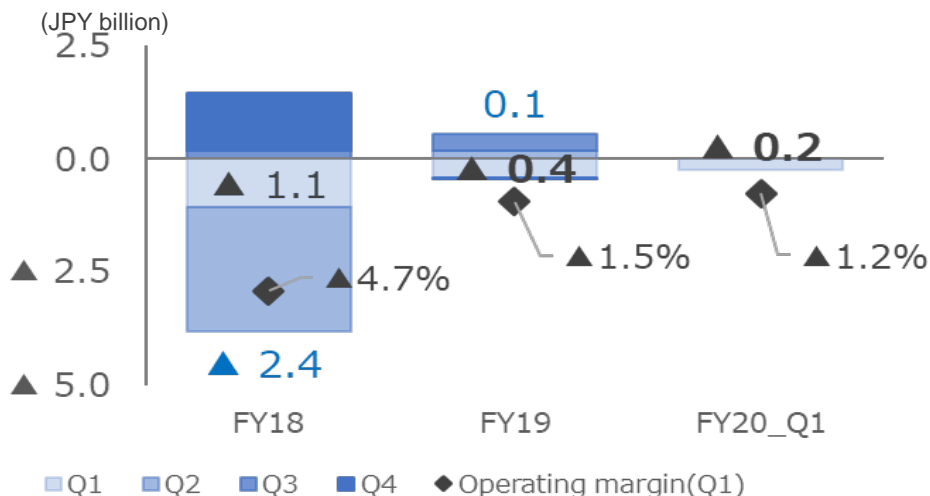


**Operating income :
YoY difference JPY +0.2 billion**

□: Positive growth factors ■: Negative growth factors

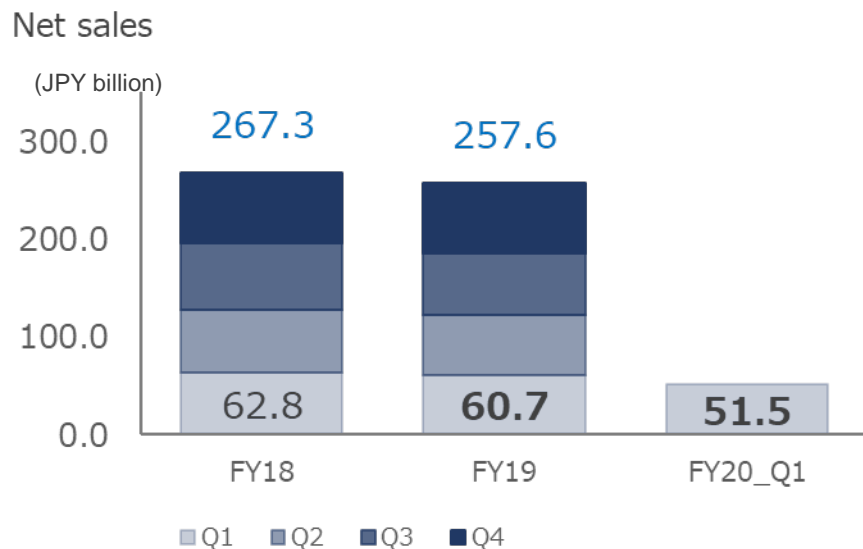
- Steady progress in the renewable energy projects in Japan and underground cable projects overseas
- Due to the impact of COVID-19, lower operations at the subsidiary in China and decreased revenue from general use power cable in Japan
- Higher one-time evaluation expenses following the adoption of new materials

Operating income / operating income ratio



Blue : Full year Net Sales , Operating Income
Black : First 3 months Net Sales , Operating Income

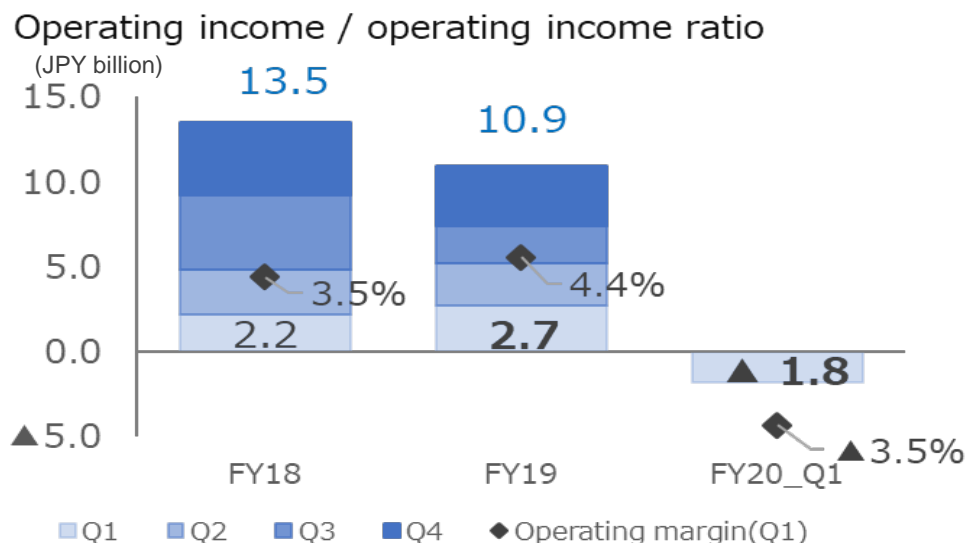
2-(1) Electronics & Automotive systems (Automotive Products & Batteries)



**Operating income :
YoY difference JPY ▲4.5 billion**

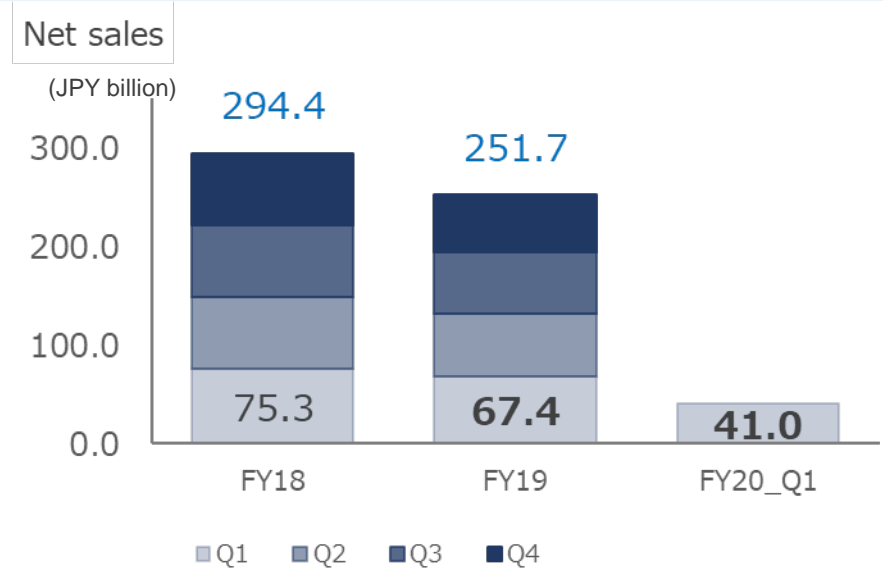
□: Positive growth factors ■: Negative growth factors

- Temporary suspension of operations and lower operating rates after reopening at the overseas plants due to the impact of COVID-19, and increased transportation expenses and alternate production expenses
- Increased facility depreciation on the investments for the accepted project orders
- Increased income from batteries due in part to productivity improvements at the overseas subsidiary



Blue : Full year Net Sales , Operating Income
Black : First 3 months Net Sales , Operating Income

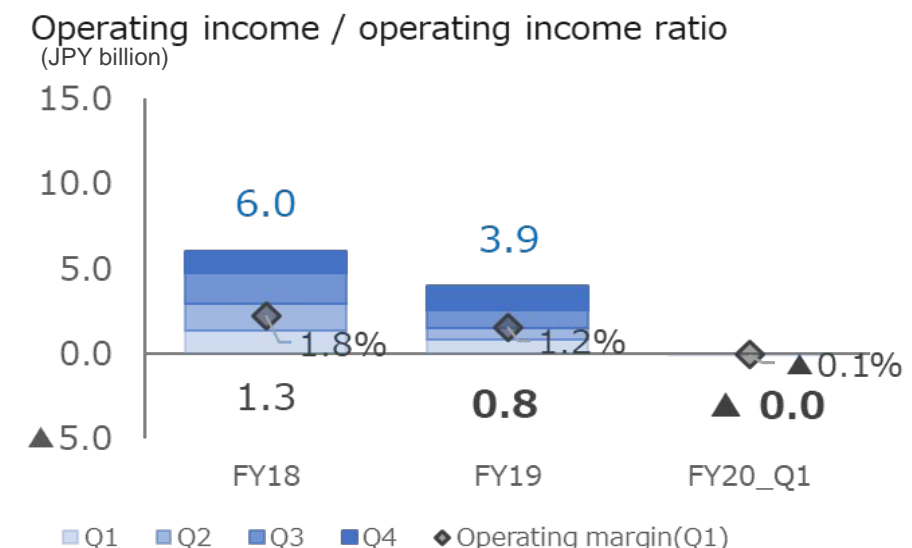
2-(2) Electronics & Automotive Systems (Electronics Component Materials)



**Operating income :
YoY difference JPY ▲0.9 billion**

□: Positive growth factors ■: Negative growth factors

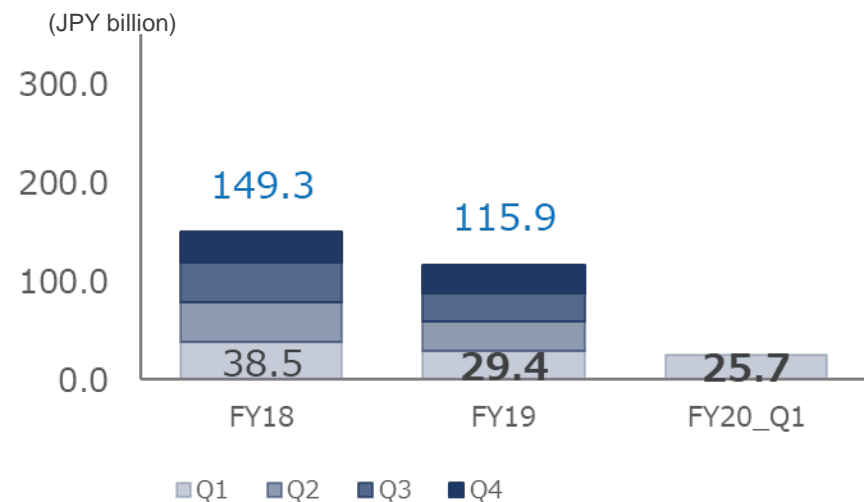
- Decreased revenue mainly from products for automotive applications
- Impact of the business reorganization (Transfer of the copper tube business)
- Following the expansion of working from home, strong demand for mobile devices such as tablets



Blue : Full year Net Sales , Operating Income
Black : First 3 months Net Sales , Operating Income

3 Functional Products

Net sales

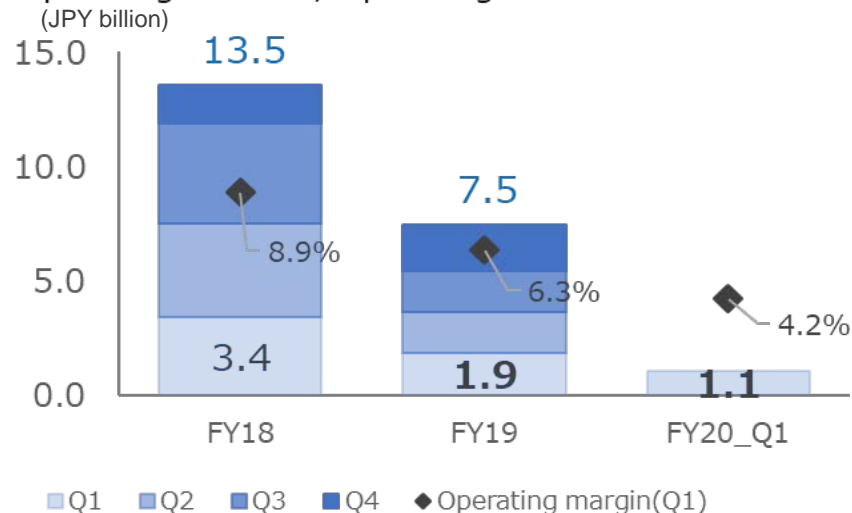


Operating income :
YoY difference JPY ▲0.8 billion

□: Positive growth factors ■: Negative growth factors

- Decreased revenue from functional plastics due to the weaker automotive demand overseas and delays in civilian construction projects in Japan triggered by COVID-19
- Decreased revenue from tape for semiconductor process due to weak smartphone sales
- Decreased demand for copper foil for automotive batteries
- Compared to the limited investments last year, demand in the data center segment recovered
- Following the expansion of working from home, strong demand for laptops

Operating income / operating income ratio



Blue : Full year Net Sales , Operating Income
 Black : First 3 months Net Sales , Operating Income

FY2020 Q1 Results - B/S Summary

(JPY billion)

	End of 19Q4	End of 20Q1	Change
	a	b	b-a
Current assets	386.2	422.4	+36.2
Cash and bank deposits	54.4	112.8	+58.4
Notes and accounts receivable trade	192.5	157.7	▲ 34.9
Inventories	115.9	122.2	+6.4
Non-current assets	408.4	397.9	▲ 10.5
Tangible fixed assets	254.2	248.4	▲ 5.8
Intangible fixed assets	16.1	17.2	+1.1
Investments and other assets	138.1	132.3	▲ 5.8
Total Assets	794.6	820.3	+25.7
Current liabilities	319.6	334.6	+14.9
Non-current liabilities	201.9	215.4	+13.4
Total Liabilities	521.6	550.0	+28.4
Shareholders' equity	256.7	258.5	+1.8
Accumulated other comprehensive income	▲16.4	▲16.9	▲ 0.5
Net income attributable to non-controlling interests	32.8	28.8	▲ 4.0
Total Net assets	273.0	270.4	▲ 2.6
Total Liabilities and Net assets	794.6	820.3	+25.7
Interest-bearing liabilities	251.1	296.1	+45.0
Capital ratio	30.2%	29.5%	▲ 0.7
NET D/E ratio	0.8	0.8	▲0.1

Cash and deposits

Increased the liquidity of cash on hand

Increased by 58.4 billion yen

Inventories

Increased by 6.4 billion yen

Impact of COVID-19

Impact of projects and construction work that are planned to be recorded as sales in the future

Impact of the business transfer
▲4.3 billion yen

Tangible / intangible non-current assets

Decreased by 4.7 billion yen

Impact of decreased CAPEX
▲0.2 billion yen

Impact of the business transfer
▲2.2 billion yen

NET interest-bearing debt

Decreased by 13.4 billion yen
(196.7 billion yen → 183.3 billion yen)

FY2020 Q1 Results

–CAPEX, Depreciation & amortization and R&D expenses

(JPY billion)

	FY19 Q1 Results	FY20 Q1 Results	YoY
	a	b	b-a
CAPEX	12.2	7.6	▲ 4.6
Depreciation and amortization	7.1	7.8	+0.7
R&D expenses	5.4	5.2	▲ 0.2

FY2020 Full Year Forecast

■ Net sales

Expect greatly lower revenue in the Electronics & Automotive Systems segment mainly in the automotive business

■ Operating income

Despite the companywide efforts to lower the cost of manufacturing, cut business expenses and reduce fixed expenses, expect greatly lower income due to the impact of the drop in revenue and increased depreciation expenses

■ Ordinary income and net income attributable to owners of the parent company

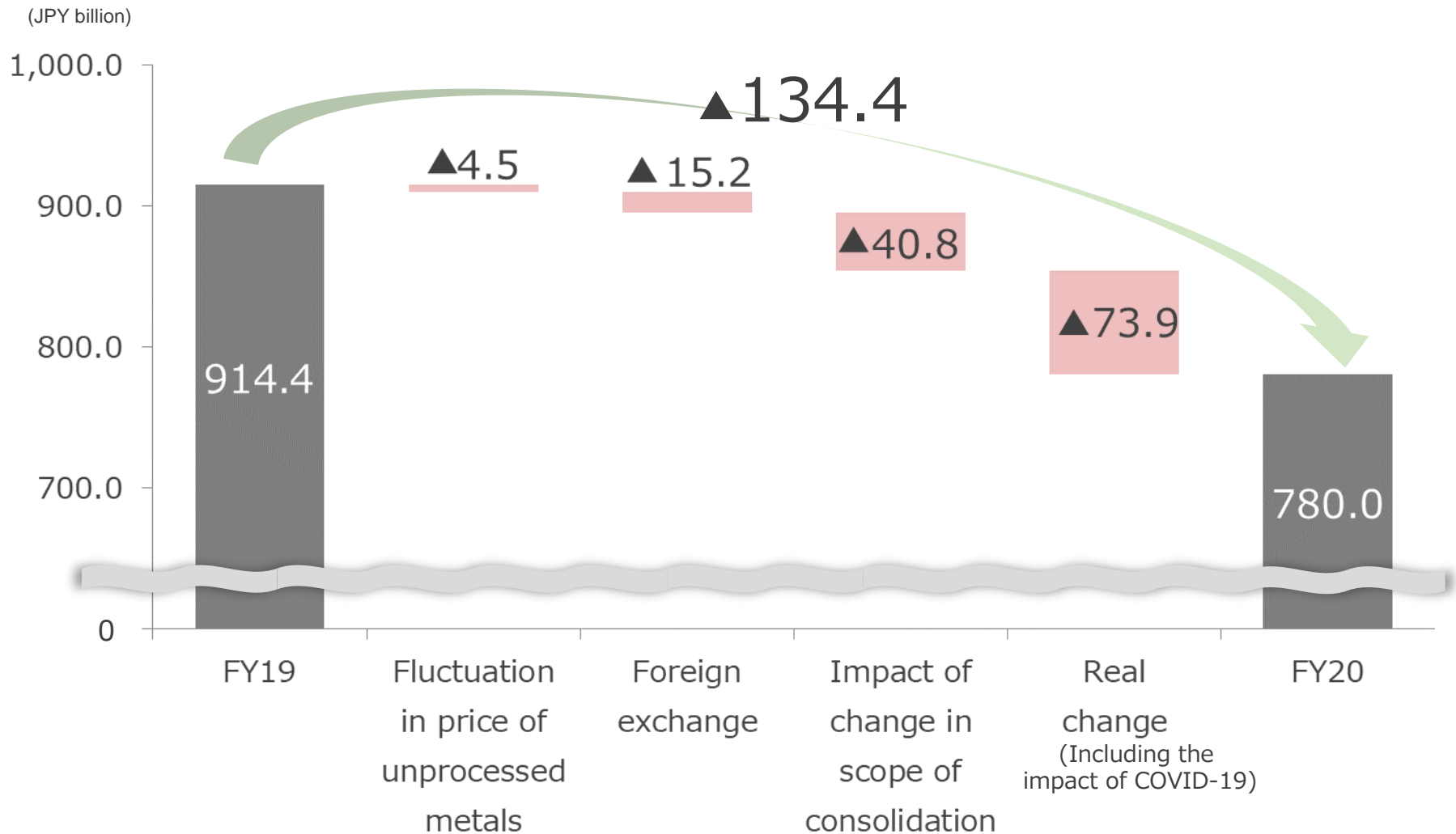
Several of the company's equity method affiliates have not issued a full-year forecast, making it difficult for the company to formulate a rational estimate at this time. Therefore, these profit items are still undetermined.

Concerning the dividend for FY2020, due to the current inability to formulate a rational estimate of the net income attributable to owners of the parent company, the dividend is undetermined. An announcement will be made as soon as it becomes possible to set the planned dividend.

(JPY billion)	FY19 Results	FY20 Forecast	
			YoY
Net sales	914.4	780.0	▲134.4
Operating income	23.6	5.0	▲18.6
Ordinary income	22.8	TBD	—
Net income attributable to owners of the parent	17.6	TBD	—
Average copper price (JPY/kg)	682	Q1 results : 616, After Q2 : 640	
Average exchange rate (JPY/USD)	109	Q1 results : 108, After Q2 : 105	

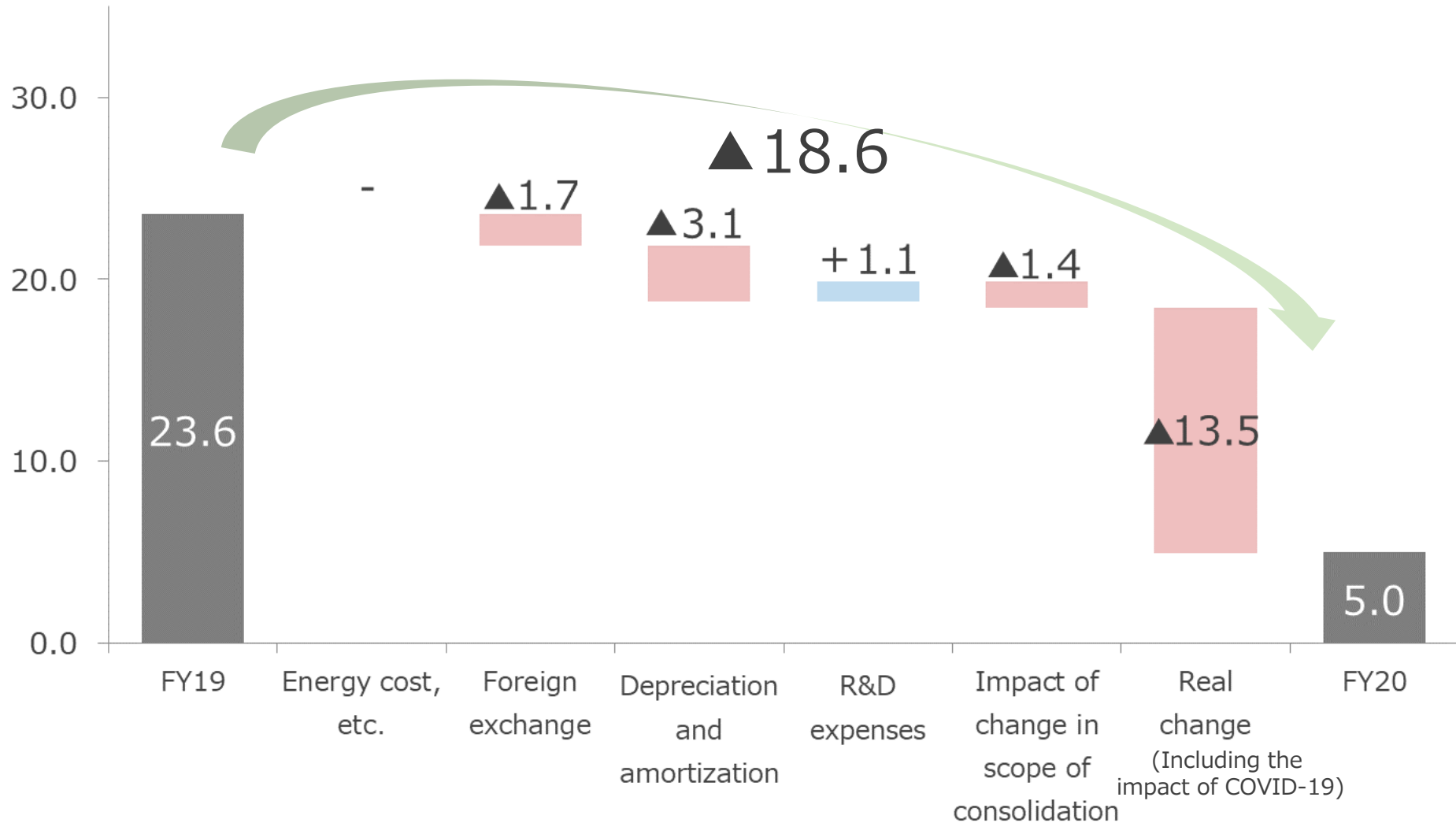
FY2020 forecast includes the impact of the business reorganization (transfer of the copper tube business and transfer of the heavy magnet wire business)

Analysis of Changes in Net Sales (YoY)



Analysis of Changes in Operating Income (YoY)

(JPY billion)



Net Sales and Operating Income Forecast by Segment **FURUKAWA ELECTRIC**

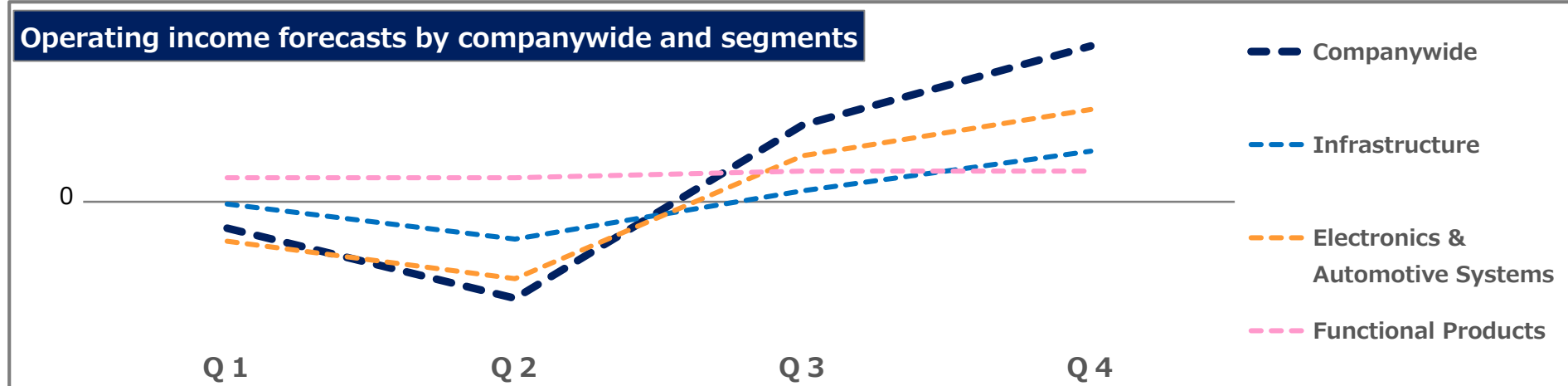
(JPY billion)

	Net sales			Operating income			<input type="checkbox"/> Positive growth factors / <input checked="" type="checkbox"/> Negative growth factors
	FY19 Results	FY20 Forecast	YoY	FY19 Results	FY20 Forecast	YoY	
Infrastructure	280.9	265.0	▲ 15.9	1.7	1.0	▲ 0.7	
Communications Solutions	166.4	160.0	▲ 6.4	1.6	2.0	+0.4	<ul style="list-style-type: none"> <input type="checkbox"/> Steadily capture the strong demand for optical fiber and cable in North America and digital coherent products <input checked="" type="checkbox"/> Severe competition will remain ongoing in Central and South America, Europe and Asia <input checked="" type="checkbox"/> Increased depreciation expenses, Impact of currency depreciation in emerging countries (Brazilian Real, etc.)
Energy Infrastructure	114.5	105.0	▲ 9.5	0.1	▲ 1.0	▲ 1.1	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Due to the impact of COVID-19, operations were temporarily declined at the subsidiary in China <input checked="" type="checkbox"/> Higher one-time evaluation expenses following the adoption of new materials <input checked="" type="checkbox"/> Decreased revenue from general use power cable in Japan <input type="checkbox"/> Japan renewable energy projects and underground cable projects will progress as planned
Electronics & Automotive Systems	509.3	405.0	▲ 104.3	14.8	1.0	▲ 13.8	
Automotive Products & Batteries	257.6	235.0	▲ 22.6	10.9	1.0	▲ 9.9	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Temporary suspension of operations and lower operating rates after reopening at the overseas plants due to COVID-19, and increased transportation expenses and alternate production expenses <input checked="" type="checkbox"/> Changed product mix <input checked="" type="checkbox"/> Increased facility depreciation on the investments for the accepted project orders
Electronics Component Materials	251.7	170.0	▲ 81.7	3.9	0.0	▲ 3.9	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Decreased revenue due to weak demand for automotive applications and construction <input checked="" type="checkbox"/> Impact of the business reorganization (copper tube and heavy magnet wire businesses) <input type="checkbox"/> Firm demand for nickel / titanium alloy products for medical use
Functional Products	115.9	105.0	▲ 10.9	7.5	5.0	▲ 2.5	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Continued weak automotive demand overseas and civilian construction projects in Japan <input checked="" type="checkbox"/> Decreased revenue from tape for semiconductor process due to weak demand for smartphones and automotive applications <input type="checkbox"/> Data center demand will recover compared to last year
Service and Developments, etc.	50.3	45.0	▲ 5.3	▲ 0.3	▲ 2.0	▲ 1.7	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Decreased revenue from service due to the impact of COVID-19
Elimination of intra-company transactions	▲ 42.0	▲ 40.0	+2.0	▲ 0.1	0.0	+0.1	
Total	914.4	780.0	▲ 134.4	23.6	5.0	▲ 18.6	

Operating Income Forecast (Trends by Segment) **FURUKAWA ELECTRIC**

- Although a major loss is forecast for the first half, profits are expected to recover from Q3
- The impact * of the lower operation at overseas subsidiaries in the Automotive Products Division (Electronics & Automotive Systems segment) and Power Cable Division (Infrastructure segment) due to COVID-19 is expected to be clearly apparent in Q2
 - * Due to the fact that multiple overseas affiliates adopt a fiscal year from January - December
- Forecast from Q3 (Compared to the first half: by business segment)

Infrastructure	Although the global optical fiber and cable price competition caused by unbalanced supply and demand resulting from weak demand in the China market will remain ongoing, the overall Communications Solutions business will improve, including the optical fiber and cable business in North America Energy Infrastructure business will also recover in both Japan and overseas
Electronics & Automotive Systems	Expect improvement due to the recovery in the automotive industry and increased operating rates at overseas subsidiaries
Functional Products	Data center demand is expected to remain strong, and the smartphone and Japanese construction markets will recover



- Based on the forecast for lower income due to the impact of COVID-19, measures in response to the situations are being advanced companywide under the leadership of the Emergency Management Response Team
- Accumulate expected income by executing various measures, including those related to lowering the cost of manufacturing and cutting costs

○ Lower the cost of manufacturing (increase productivity, reduce purchase prices, etc.)

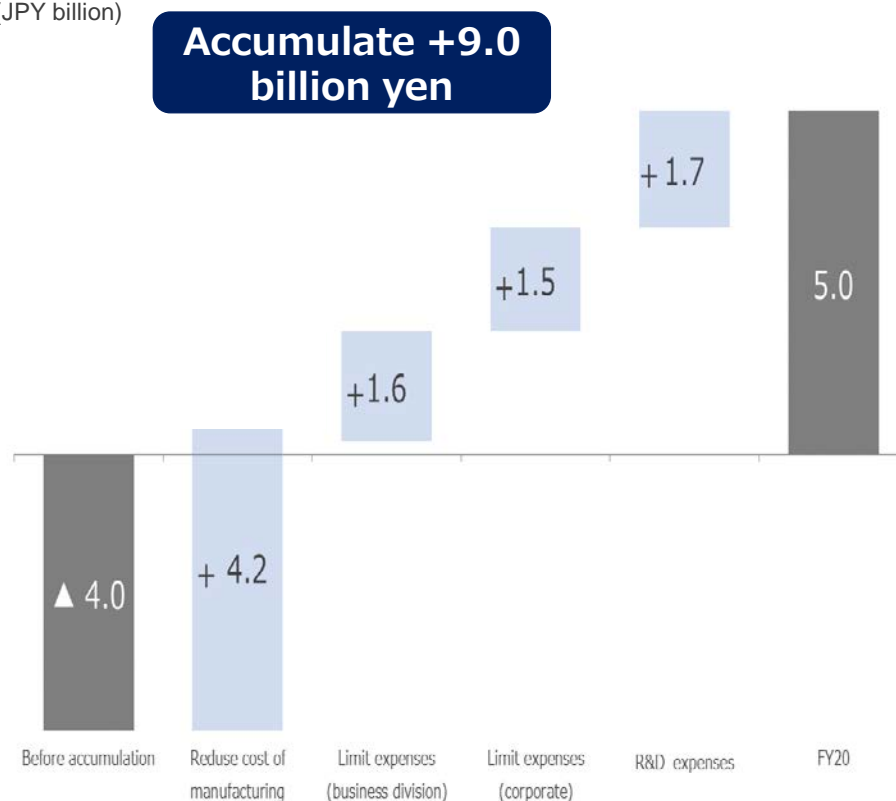
- Initiatives by the main businesses in partnership with the Transformation Division
 - Global fiber and cable business
 - Energy infrastructure business
 - Copper & high performance material products business
- Roll out the above measures to each business division

○ Limit miscellaneous business expenses

○ R&D expenses

- Revise the priority themes
- Streamline the activities

(JPY billion)



CAPEX, Depreciation and R&D Expenses Forecast **FURUKAWA ELECTRIC**

- **CAPEX:** Focus on the investments for the orders already received and IT infrastructure under the leadership of the Emergency Response Team
- **R&D expenses:**
 - Revise the priority research themes in accordance with the market and social changes resulting from COVID-19
 - Streamline the research activities through the promotion of working from home and utilization of simulation and digital technology

(billion yen)

	FY18 Results	FY19 Results	FY20 Forecast	YoY
CAPEX	50.0	53.1	47.0	▲6.1
Depreciation and amortization	26.3	29.4	32.5	+3.1
R&D expenses	21.1	21.7	20.5	▲1.1

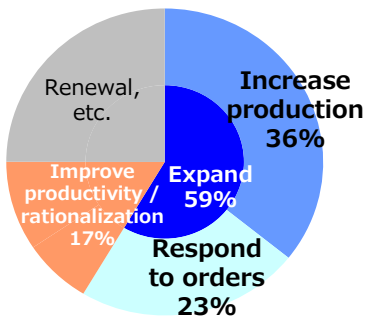
<Focus area in FY2020>

■ CAPEX

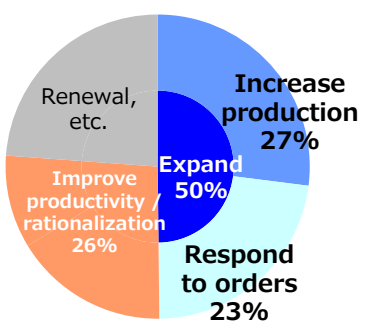
- Respond to the orders already received (mainly in the Automotive Products Division and Power Cable Division)
- Investments to increase productivity and rationalization including IT infrastructure investments directed at the new work styles that were triggered by COVID-19

Breakdown of the major capital investments

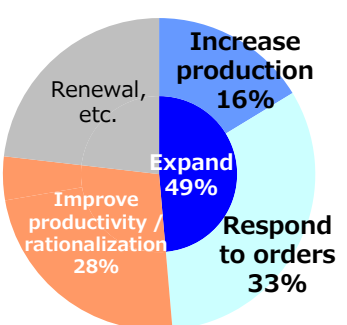
FY18 Results



FY19 Results



FY20 Forecasts

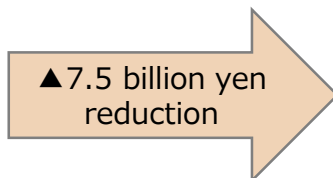


■ R&D expenses

- Focus on telecommunications (5G and digital), next generation infrastructure and the medical domain

Thoroughly assess the changes in the demand environment and necessity of each project, and reduce the investments

Before considering reductions
54.5 billion yen



FY20 forecast
47.0 billion yen

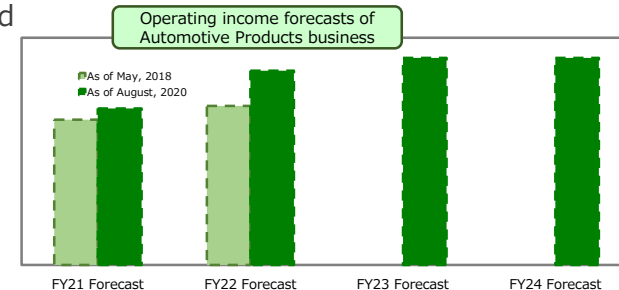
Main reductions

- Revised the timing and scale of the investments to expand production in accordance with the demand trends: Optical fiber manufacturing capital expenditures, etc.
- Reconfirm the details and specifications of each investment: Reduce the cost by revising the specifications of the automotive product manufacturing facilities
- Assess the timing of the renewal investment execution based on the operating status: Delay the renewal of common infrastructure at multiple workplaces

<FY18-20 CAPEX: Difference compared to the forecast issued in May 2018>

	FY20 Forecast	FY18-20 Cumulative Forecast (as of August, 2020)	FY18-20 Cumulative Forecast (as of May, 2018)	Difference
Total	47.0	150.1	140.0	+10.1
Infrastructure	14.2	56.6	64.5	▲7.9
Electronics & Automotive Systems	17.5	55.1	43.5	+11.6
Functional Products	6.3	16.3	15.0	+1.3
Service and Developments, Adjustment or Corporate	9.0	22.1	17.0	+5.1

- Increased
 - Electronics & Automotive Systems (Automotive Products Division): Respond to increased new model orders following the improved competitive strength of aluminum wire harnesses
 - Functional Products: Facility restoration following the fire at the Taiwan subsidiary in the copper foil business
 - Service and development: IT infrastructure investments
- Decreased
 - Infrastructure (Communications Solutions business): Limited the investments in expanding production based on the falling prices and lower global demand



Thank you very much
for your attention.



(Appendix) Focus Point by Segment

Communications Solutions (Infrastructure)

- ✓ Stable operation of the optical cable plant in North America affected by COVID-19
- ✓ As measures against the increasingly competitive environment, improve cost competitiveness and differentiate the products
- ✓ Expand the product line-up for data centers and accelerate sales
- ✓ Develop next generation products directed at the establishment of 5G networks, and accelerate the solutions business

Net sales			Operating income		
FY19Result	FY20Forecast	YoY	FY19Result	FY20Forecast	YoY
166.4	160.0	▲ 6.4	1.6	2.0	+0.4

Automotive Products & Batteries (Electronics & Automotive Systems)

- ✓ Strengthen the global supply chain to enable BCP to function
- ✓ Actively work to capture the demand for lighter weight in response to CASE, including vehicle electrification and autonomous driving
- ✓ Invest at the appropriate timing in increasing Asia production of wire harnesses for North America
- ✓ Start mass production of high performance BSS

Net sales			Operating income		
FY19Result	FY20Forecast	YoY	FY19Result	FY20Forecast	YoY
257.6	235.0	▲ 22.6	10.9	1.0	▲9.9

Functional Products

- ✓ Develop next generation products that will form the foundation of new revenue mainly in the data center market
- ✓ Develop new markets and propose new applications
- ✓ Improve further productivity and strengthen the ability to respond to market changes

Net sales			Operating income		
FY19Result	FY20Forecast	YoY	FY19Result	FY20Forecast	YoY
115.9	105.0	▲ 10.9	7.5	5.0	▲2.5

Energy Infrastructure (Infrastructure)

- ✓ Steadily capture the demand for Extra high voltage and renewable energy in Japan
- ✓ Strengthen the installation capabilities and the facilities for submarine cables
- ✓ Reduce costs through increased productivity
- ✓ Expand sales of the lightweight, flexible (easy to install) aluminum CV cable and components

Net sales			Operating income		
FY19Result	FY20Forecast	YoY	FY19Result	FY20Forecast	YoY
114.5	105.0	▲ 9.5	0.1	▲1.0	▲1.1

Electronics Component Materials (Electronics & Automotive Systems)

- ✓ Expand sales of heat-resistant oxygen-free copper strips for power semiconductors and heat dissipation materials
- ✓ Expand sales of original alloys that support the increasingly higher performance of electronic devices
- ✓ Expand sales of differentiated magnet wire for 5G infrastructure and inductors for servers
- ✓ Establish a structure for steadily capturing the demand for nickel/titanium alloy products for medical use

Net sales			Operating income		
FY19Result	FY20Forecast	YoY	FY19Result	FY20Forecast	YoY
251.7	170.0	▲ 81.7	3.9	0.0	▲3.9

(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
		Magnet Wire
		Copper & High Performance Material Products
		Copper Tube
Functional Products	AT & Functional Plastics	
	Thermal Management Solution & Products	
	Memory Disk	
	Copper Foil	
Service and Developments, etc.		