

# FY2020 Q2 Financial Results

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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.

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- 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.
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**FURUKAWA ELECTRIC CO., LTD.**

# FY2020 H1 Results - P/L Summary

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

	FY19	FY20	YoY	Breakdown of
	H1	H1	change	change (H1)
	a	b	b-a	
<b>Net sales</b>	<b>455.2</b>	<b>354.5</b>	<b>▲ 100.7</b>	<b>▲100.7 (22%)</b> See page 5
<b>Operating income</b>	<b>10.8</b>	<b>▲ 3.3</b>	<b>▲ 14.1</b>	<b>▲14.1</b> See page 6
(Margin)	2.4%	▲ 0.9%	▲ 3.3	
Profit/loss in equity method affiliates	▲ 0.2	▲ 1.1	▲ 0.9	
Foreign exchange gain/loss	▲ 0.8	▲ 0.4	+0.4	
<b>Ordinary income</b>	<b>8.4</b>	<b>▲ 6.0</b>	<b>▲ 14.3</b>	<b>▲14.3</b>
(Margin)	1.8%	▲ 1.7%	▲ 3.5	
Extraordinary income/loss	2.1	11.5	+9.4	• Extraordinary income +18.3 (4.7 → 23.0)
Income taxes	4.2	3.4	▲ 0.9	• Extraordinary loss ▲8.9 (▲2.5 → ▲11.5)
Net income attributable to non-controlling interests	0.2	0.6	+0.4	
<b>Net income attributable to owners of parent</b>	<b>6.1</b>	<b>1.6</b>	<b>▲ 4.5</b>	<b>▲4.5(▲74%)</b>
(Margin)	1.3%	0.4%	▲ 0.9	
Average copper price	692	675	—	
Average exchange rate	109	107	—	

**Extraordinary income :**

• Gain on the disposal of non-current assets (22.1 : Q1 )

**Extraordinary loss :**

• Provision for product defect compensation (▲4.8 : Q1)

• Loss on the transfer of a business (▲3.7 : Q1 )

• Loss caused by COVID-19 (▲1.4 : Q2)

※ Recorded an extraordinary loss for the fixed expenses incurred while operations at several overseas subsidiaries were suspended to prevent the spread of COVID-19 infections

# Revision of FY2020 Full-year Forecasts

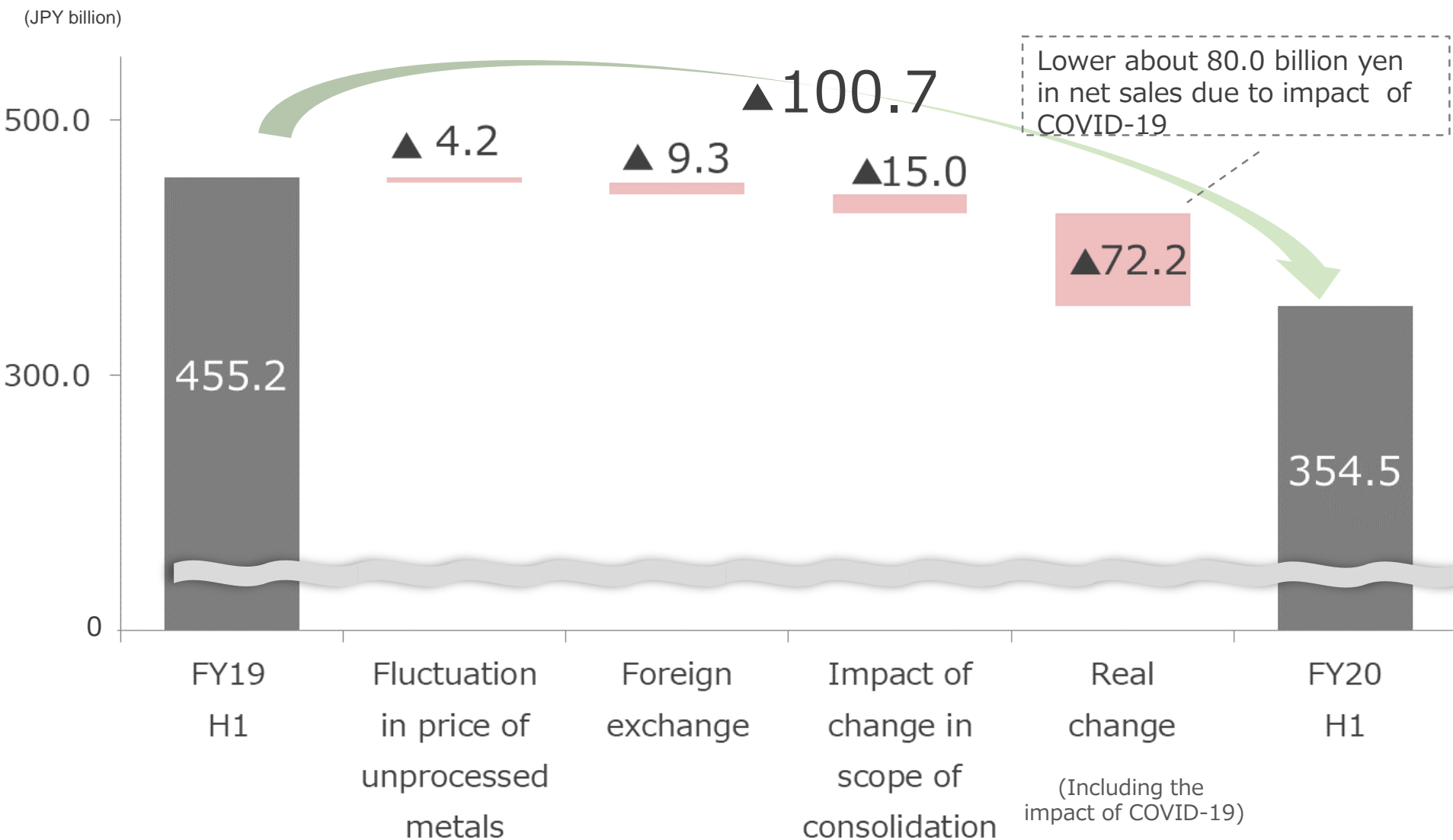
## - P/L Summary

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

	FY19 Results	*FY20 Previous Forecasts	FY20 Forecasts	YoY change	Change from previous forecasts
	a	b	c	c-a	c-b
<b>Net sales</b>	<b>914.4</b>	<b>780.0</b>	<b>780.0</b>	<b>▲ 134.4</b>	<b>0</b>
<b>Operating income</b>	<b>23.6</b>	<b>5.0</b>	<b>5.0</b>	<b>▲ 18.6</b>	<b>0</b>
(Margin)	2.6%	0.6%	0.6%	▲ 1.9	0
Profit/loss in equity method affiliates	2.5	—	—	—	—
Foreign exchange gain/loss	▲ 1.0	—	—	—	—
<b>Ordinary income</b>	<b>22.8</b>	<b>—</b>	<b>▲ 0.5</b>	<b>▲ 23.3</b>	<b>—</b>
(Margin)	2.5%	—	▲ 0.1%	▲ 2.6	—
Extraordinary income/loss	8.0	—	10.4	+2.4	—
Income taxes	11.8	—	—	—	—
Net income attributable to non-controlling interests	1.4	—	—	—	—
<b>Net income attributable to owners of parent</b>	<b>17.6</b>	<b>—</b>	<b>3.0</b>	<b>▲ 14.6</b>	<b>—</b>
(Margin)	1.9%	—	0.4%	▲ 1.5	—
Average copper price	682	634	697	(After Q3: 720)	—
Average exchange rate	109	106	106	(After Q3: 105)	—

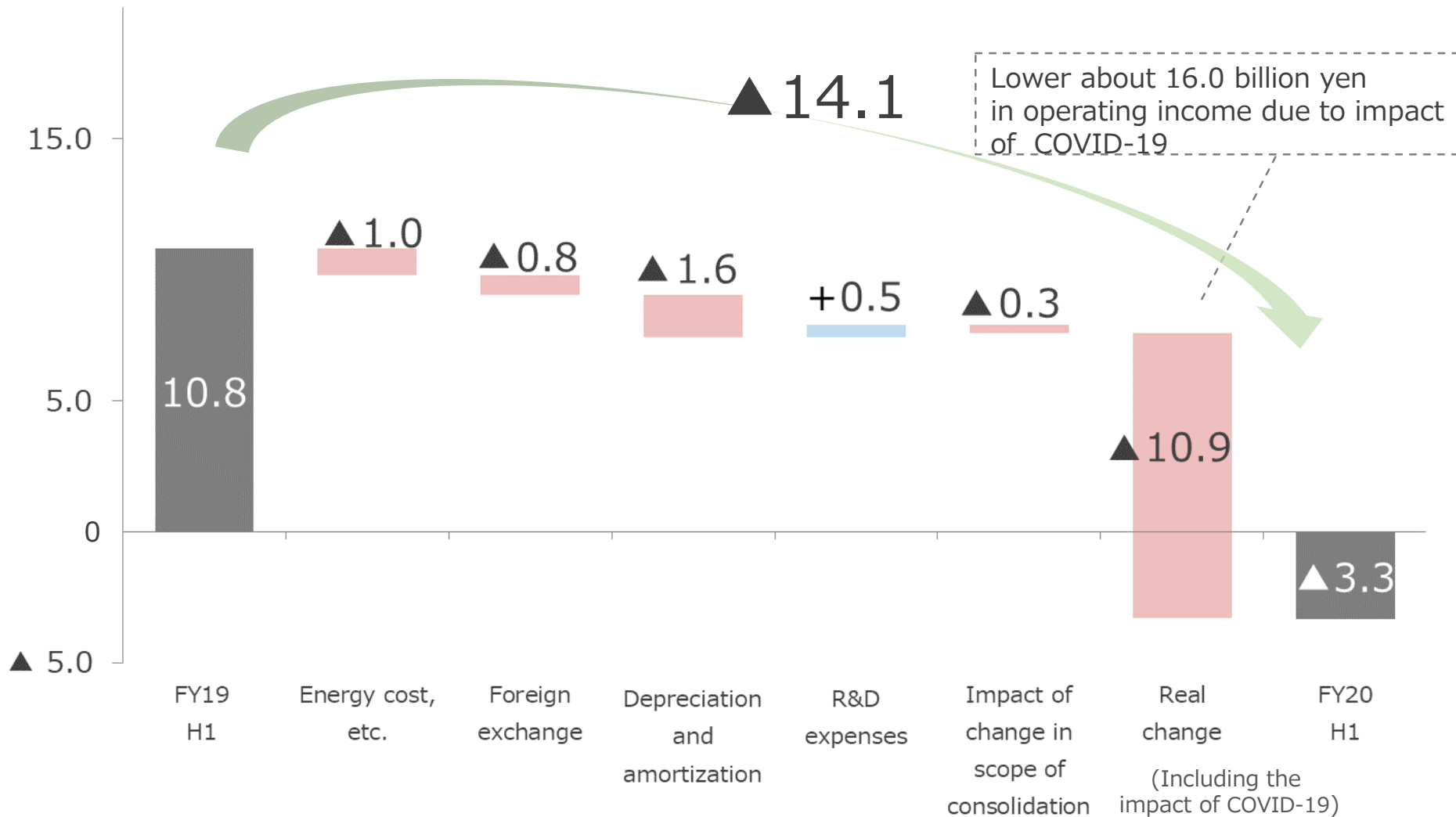
\*Announced on August 6, 2020

# Analysis of Changes in Net Sales (YoY)



# Analysis of Changes in Operating Income (YoY)

(JPY billion)



# Net Sales and Operating Income by Segment

(JPY billion)

	H1			Full-year					
	FY19 Results	FY20 Results	YoY Change	FY19 Results	*FY20 Previous Forecasts	FY20 Forecasts	YoY Change	Change from previous forecasts	
Net Sales	<b>Infrastructure</b>	<b>137.9</b>	<b>122.2</b>	<b>▲ 15.7</b>	<b>280.9</b>	<b>265.0</b>	<b>255.0</b>	<b>▲ 25.9</b>	<b>▲ 10.0</b>
	Communications Solutions	82.2	76.3	▲ 5.9	166.4	160.0	155.0	▲ 11.4	▲ 5.0
	Energy infrastructure	55.7	45.9	▲ 9.8	114.5	105.0	100.0	▲ 14.5	▲ 5.0
	<b>Electronics &amp; Automotive Systems</b>	<b>254.4</b>	<b>175.3</b>	<b>▲ 79.1</b>	<b>509.3</b>	<b>405.0</b>	<b>415.0</b>	<b>▲ 94.3</b>	<b>+10.0</b>
	Automotive Products & Batteries	122.7	95.2	▲ 27.5	257.6	235.0	245.0	▲ 12.6	+10.0
	Electronics Component Materials	131.7	80.0	▲ 51.6	251.7	170.0	170.0	▲ 81.7	0.0
	<b>Functional Products</b>	<b>58.6</b>	<b>52.4</b>	<b>▲ 6.2</b>	<b>115.9</b>	<b>105.0</b>	<b>105.0</b>	<b>▲ 10.9</b>	<b>0.0</b>
	<b>Service and Developments, etc.</b>	<b>26.2</b>	<b>20.7</b>	<b>▲ 5.5</b>	<b>50.3</b>	<b>45.0</b>	<b>45.0</b>	<b>▲ 5.3</b>	<b>0.0</b>
	Elimination of intra-company transactions	▲ 21.9	▲ 16.1	+5.8	▲ 42.0	▲ 40.0	▲ 40.0	+2.0	0.0
	<b>Total</b>	<b>455.2</b>	<b>354.5</b>	<b>▲ 100.7</b>	<b>914.4</b>	<b>780.0</b>	<b>780.0</b>	<b>▲ 134.4</b>	<b>0.0</b>

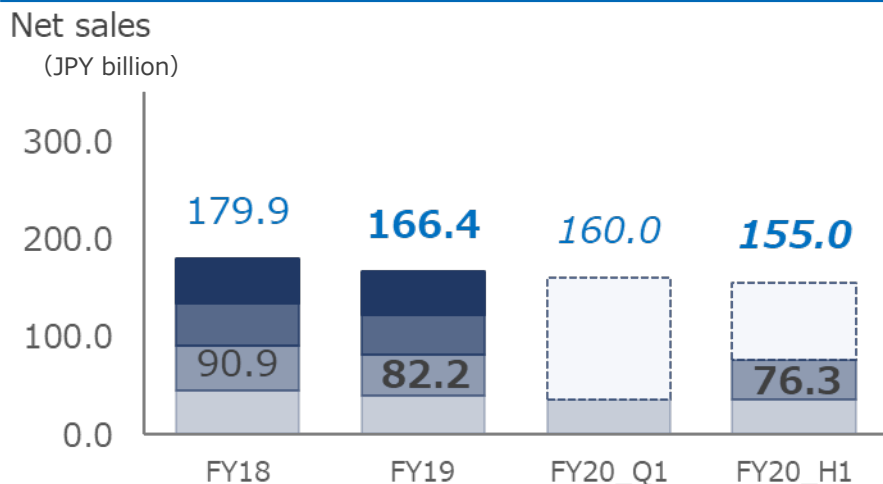
Operating Income	<b>Infrastructure</b>	<b>0.6</b>	<b>▲ 1.7</b>	<b>▲ 2.2</b>	<b>1.7</b>	<b>1.0</b>	<b>▲ 1.0</b>	<b>▲ 2.7</b>	<b>▲ 2.0</b>
	Communications Solutions	0.8	▲ 0.2	▲ 1.0	1.6	2.0	0.5	▲ 1.1	▲ 1.5
	Energy infrastructure	▲ 0.3	▲ 1.5	▲ 1.3	0.1	▲ 1.0	▲ 1.5	▲ 1.6	▲ 0.5
	<b>Electronics &amp; Automotive Systems</b>	<b>6.7</b>	<b>▲ 3.0</b>	<b>▲ 9.7</b>	<b>14.8</b>	<b>1.0</b>	<b>3.0</b>	<b>▲ 11.8</b>	<b>+2.0</b>
	Automotive Products & Batteries	5.2	▲ 2.7	▲ 7.8	10.9	1.0	3.0	▲ 7.9	+2.0
	Electronics Component Materials	1.5	▲ 0.4	▲ 1.9	3.9	0.0	0.0	▲ 3.9	0.0
	<b>Functional Products</b>	<b>3.6</b>	<b>2.2</b>	<b>▲ 1.4</b>	<b>7.5</b>	<b>5.0</b>	<b>5.0</b>	<b>▲ 2.5</b>	<b>0.0</b>
	<b>Service and Developments, etc.</b>	<b>▲ 0.1</b>	<b>▲ 0.9</b>	<b>▲ 0.8</b>	<b>▲ 0.3</b>	<b>▲ 2.0</b>	<b>▲ 2.0</b>	<b>▲ 1.7</b>	<b>0.0</b>
	Elimination of intra-company transactions	▲ 0.0	0.1	+0.1	▲ 0.1	0.0	0.0	+0.1	0.0
	<b>Total</b>	<b>10.8</b>	<b>▲ 3.3</b>	<b>▲ 14.1</b>	<b>23.6</b>	<b>5.0</b>	<b>5.0</b>	<b>▲ 18.6</b>	<b>0.0</b>

\*Announced on August 6, 2020

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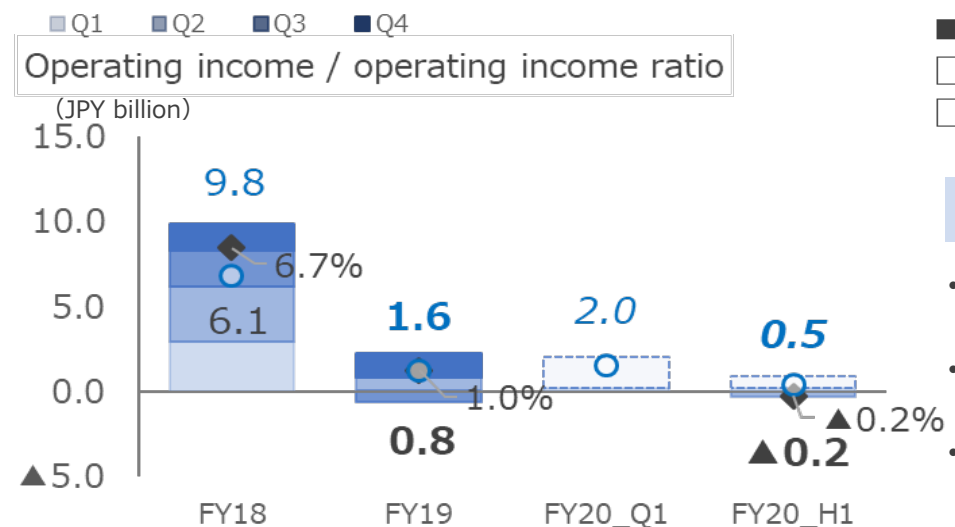
# 1 -(1) Infrastructure (Communications Solutions)



## H1 Operating income : YoY difference JPY ▲1.0 billion

□: Positive growth factors ■: Negative growth factors

- Competition in the optical fiber and cable business continued to be severe
- Lower operating levels at the optical cable plant in North America due to COVID-19
- Decreased revenue from industrial lasers and network products in Japan due to limited capital investments by customers caused by the impact of COVID-19
- Impact of currency depreciation in emerging countries (Brazilian real, etc.)
- Increased depreciation expenses
- Firm optical fiber and cable demand in North America
- Increased supply capacity of digital coherent products



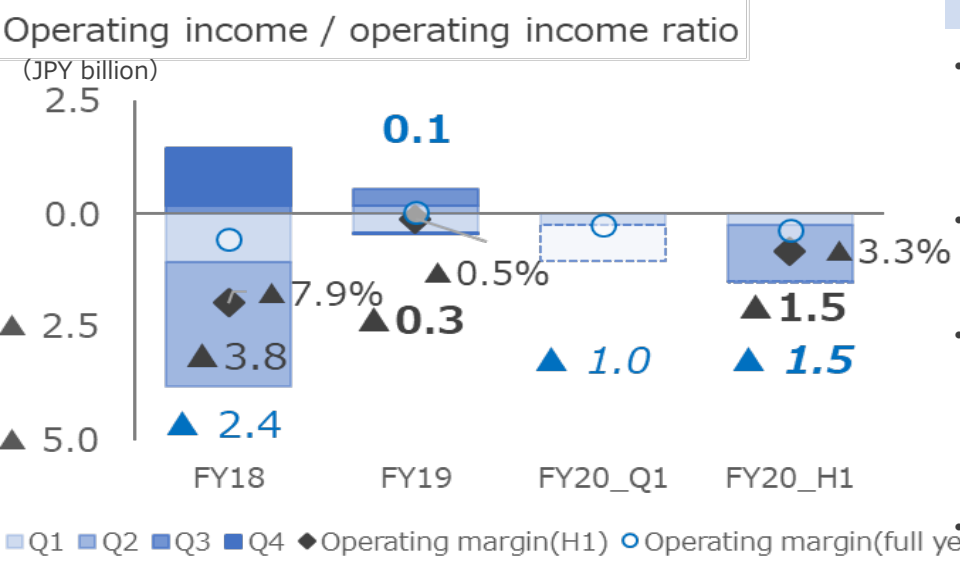
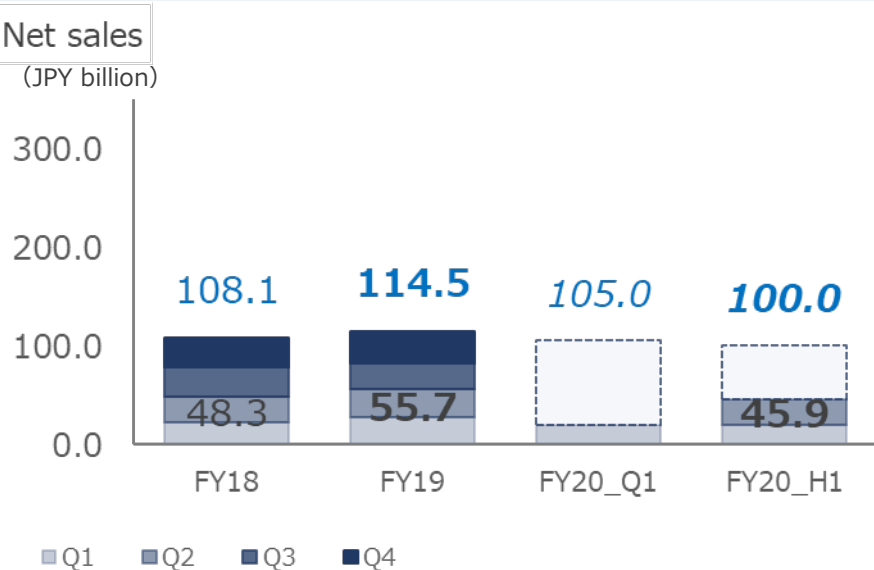
## H2 Forecast

• : Topics

- Operating levels at the North America optical cable plant are recovering
- Optical fiber will continue to be affected by falling prices in addition to changes in the product mix
- Industrial lasers will continue to be affected by limited capital investments by customers
- For network products in Japan, revenue will increase compared to H1 in line with the forecast. Although there will be factors that will increase demand, the effects will likely become visible next year

Blue : Full year Net Sales , Operating Income  
 Black : First half Net Sales , Operating Income

# 1 -(2) Infrastructure (Energy Infrastructure)



Blue : Full year Net Sales , Operating Income  
 Black : First half Net Sales , Operating Income

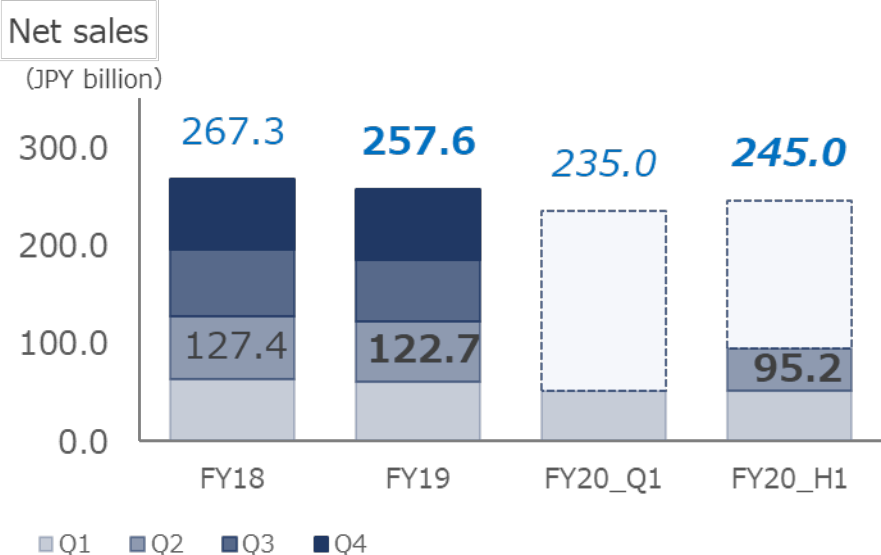
## H1 Operating income : YoY difference JPY ▲1.3 billion

- : Positive growth factors ■: Negative growth factors
- Due to the impact of COVID-19, decreased revenue from general use power cable and components for the construction market in Japan, as well as lower operating levels at the subsidiary and delays to construction projects in some regions in China
- Higher one-time evaluation expenses following the adoption of new materials
- Steady progress in the renewable energy projects in Japan and underground cable projects overseas

## H2 Forecast      · : Topics

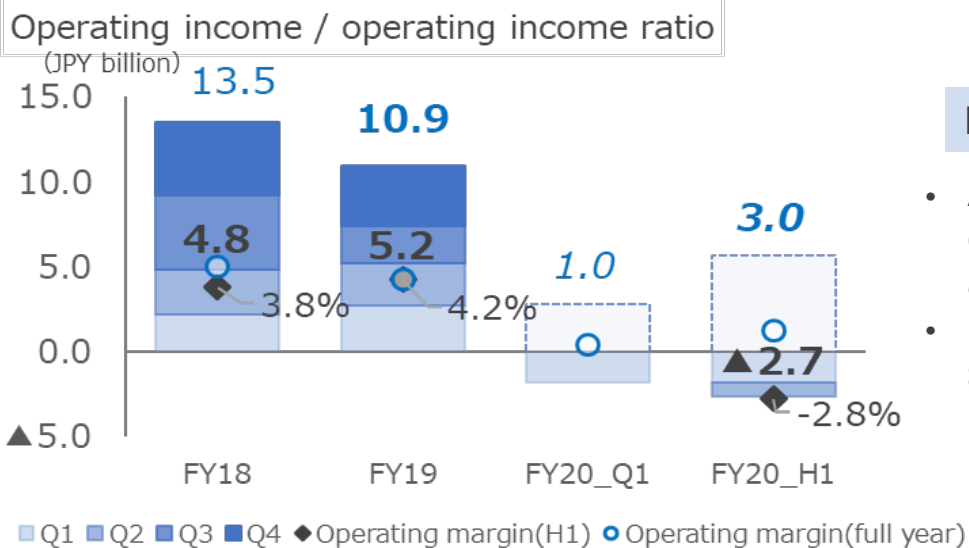
- COVID-19 is no longer having a major impact on the subsidiary in China, but the impact on delays to construction projects will remain ongoing and performance will be generally unchanged from last year
- Revenue from general use power cable for the construction market in Japan will continue to be depressed
- Revenue from the power cable business in Japan will increase compared to H1. Full-year forecast will be generally in line with the forecast, although there will be delays to some of the underground cable and renewable energy projects in Japan
- Higher one-time evaluation expenses following the adoption of new materials will continue through the end of the current fiscal year

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



**H1 Operating income :**  
YoY difference JPY ▲7.8 billion

- : Positive growth factors ■: Negative growth factors
- Impact of COVID-19 resulted in the temporary suspension of operations and lower operating levels after reopening at overseas subsidiaries, as well as increased transportation expenses and alternate production expenses
- Increased facility depreciation on the investments for accepted project orders
- Increased income from batteries due in part to productivity improvements at the overseas subsidiary

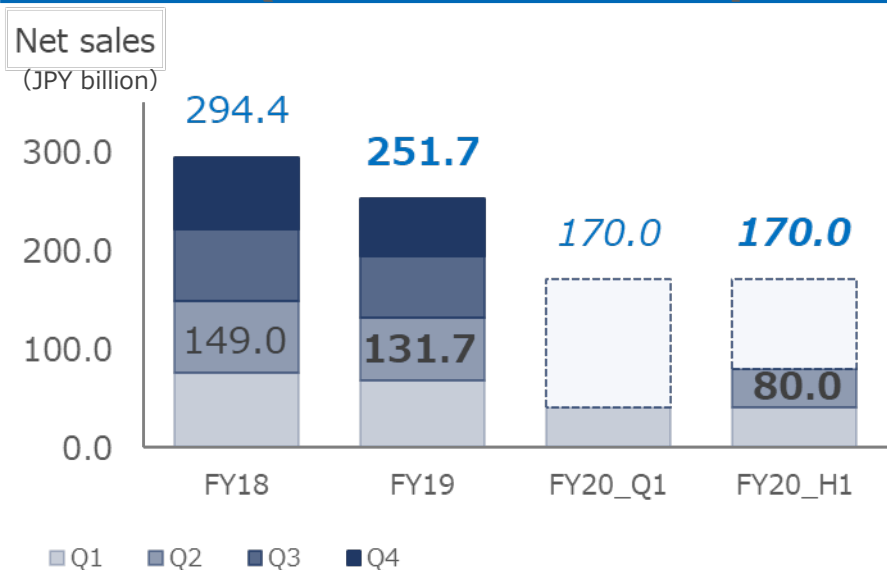


**H2 Forecast**      · : Topics

- Automotive products market will greatly recover compared to H1 and exceed the forecast announced in Q1
- Increased revenue from batteries due in part to seasonal factors
- ※ Multiple subsidiaries have adopted a fiscal year from January - December
- ※ Recorded an extraordinary loss for the fixed expenses incurred while operations at several overseas subsidiaries were suspended to prevent the spread of COVID-19 infections (JPY 1.3 billion)

Blue : Full year    Net Sales , Operating Income  
Black : First half   Net Sales , Operating Income

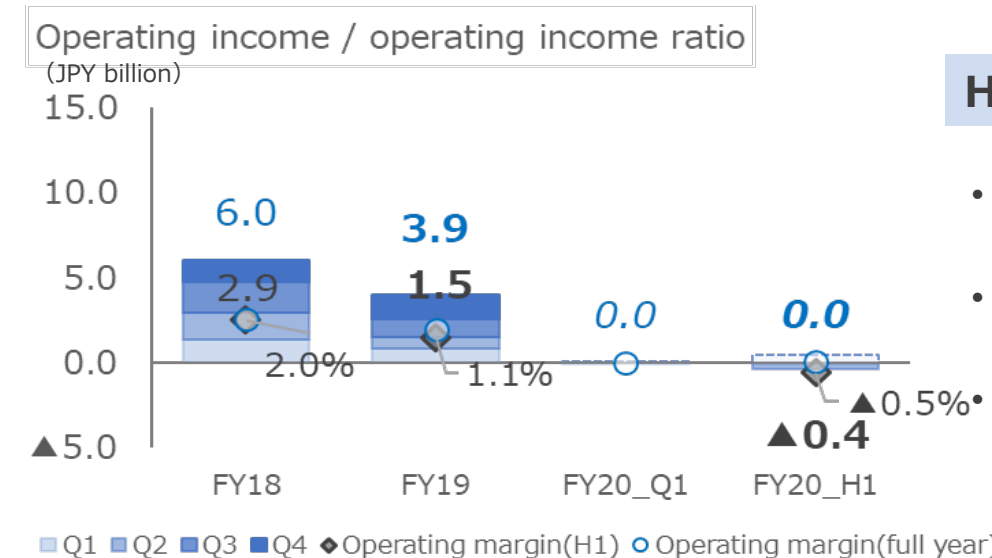
# 2-(2) Electronics & Automotive Systems (Electronics Component Materials)



**H1 Operating income :**  
YoY difference JPY ▲1.9 billion

□: Positive growth factors ■: Negative growth factors

- Due to the impact of COVID-19, decreased revenue mainly from products for automotive applications
- Impact of the business reorganization (Transfer of the copper tube business)



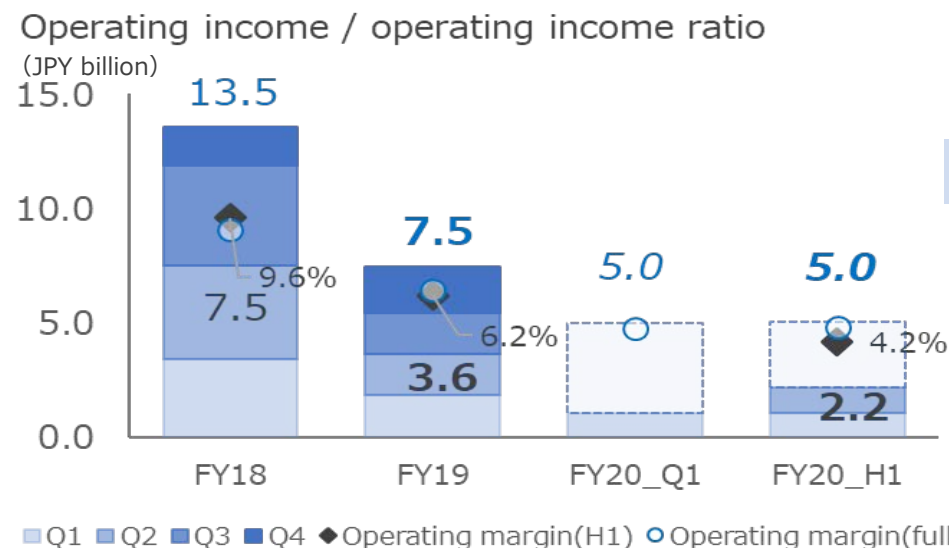
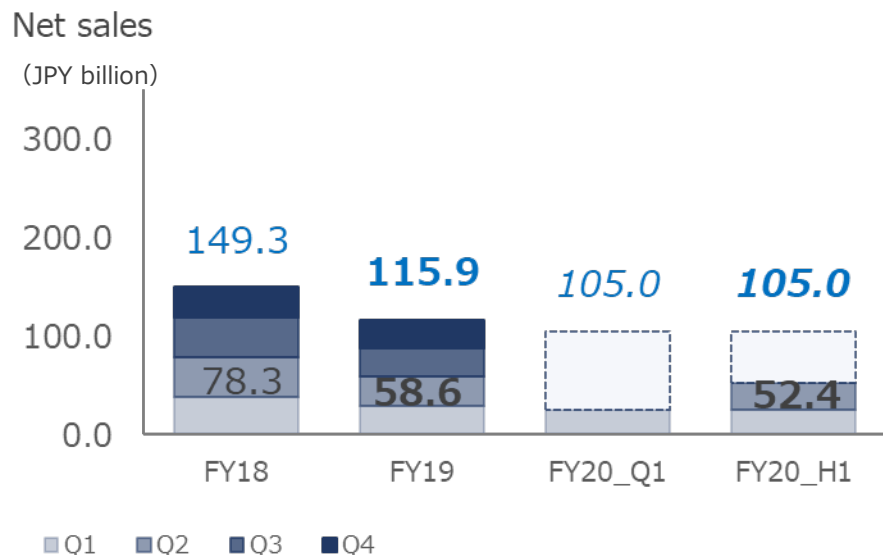
## H2 Forecast

• : Topics

- Products for automotive applications will bottom and start to recover
- Strong sales of nickel-titanium alloy products for medical use
- Impact of the business reorganization (Transfer of the heavy magnet wire business)

Blue : Full year Net Sales , Operating Income  
Black : First half Net Sales , Operating Income

# 3 Functional Products



Blue : Full year Net Sales , Operating Income  
 Black : First half Net Sales , Operating Income

## H1 Operating income : YoY difference JPY ▲1.4 billion

□: Positive growth factors ■: Negative growth factors

- Decreased revenue from functional plastics due to delays in civilian construction projects in Japan and weaker automotive demand overseas caused by COVID-19
- Decreased revenue from tape for semiconductor process due to weak smartphone demand and customer inventory adjustments
- Decreased demand for copper foil for automotive batteries
- Data center market started a full-scale recovery from FY19 Q4. In addition, demand has been robust worldwide due to the expansion of working from home and online learning

## H2 Forecast

• : Topics

- Data center demand will be firm
- Demand for copper foil for automotive batteries will recover
- In functional plastics, although demand will return for some products, demand related to civilian construction projects in Japan will remain slow
- Tape for semiconductor process will be affected by customer inventory adjustments

# FY2020 H1 Results - B/S Summary

	(JPY billion)		
	End of 19Q4	End of 20H1	Change
	a	b	b-a
<b>Current assets</b>	<b>386.2</b>	<b>385.2</b>	<b>▲ 1.0</b>
Cash and bank deposits	54.4	81.8	+27.4
Notes and accounts receivable trade	192.5	157.6	▲ 34.9
Inventories	115.9	118.4	+2.5
<b>Non-current assets</b>	<b>408.4</b>	<b>401.2</b>	<b>▲ 7.2</b>
Tangible fixed assets	254.2	249.5	▲ 4.7
Intangible fixed assets	16.1	18.8	+2.7
Investments and other assets	138.1	132.9	▲ 5.2
<b>Total Assets</b>	<b>794.6</b>	<b>786.4</b>	<b>▲ 8.2</b>
<b>Current liabilities</b>	<b>319.6</b>	<b>310.4</b>	<b>▲ 9.2</b>
<b>Non-current liabilities</b>	<b>201.9</b>	<b>208.5</b>	<b>+6.6</b>
<b>Total Liabilities</b>	<b>521.6</b>	<b>518.9</b>	<b>▲ 2.6</b>
Shareholders' equity	256.7	252.1	▲ 4.5
Accumulated other comprehensive income	▲ 16.4	▲ 14.1	+2.3
Net income attributable to non-controlling interests	32.8	29.5	▲ 3.3
<b>Total Net assets</b>	<b>273.0</b>	<b>267.5</b>	<b>▲ 5.6</b>
<b>Total Liabilities and Net assets</b>	<b>794.6</b>	<b>786.4</b>	<b>▲ 8.2</b>
Interest-bearing liabilities	251.1	287.5	+36.4
Capital ratio	30.2%	30.3%	+0.1
NET D/E ratio	0.8	0.9	+0.0

## Cash and deposits

Increased the liquidity of cash on hand

Increased by 27.4 billion yen  
(Compared to end of 20Q1:  
decreased by 31.0 billion yen)

## Inventories

Increased by 2.5 billion yen  
Impact of COVID-19

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

(Compared to end of 20Q1:  
decreased by 3.9 billion yen)

Impact of the business transfer  
▲4.3 billion yen

## Tangible / intangible non-current assets

Decreased by 2.0 billion yen

Impact of increased/decreased CAPEX

+2.4 billion yen

Impact of the business transfer  
▲2.2 billion yen

## NET interest-bearing debt

Increased by 9.0 billion yen  
(196.7 billion yen → 205.7 billion yen)

# FY2020 H1 Results

–CAPEX, Depreciation & amortization and R&D expenses

(JPY billion)

	FY19 H1 Results	FY20 H1 Results	YoY change	FY20 Forecasts
	a	b	b-a	
CAPEX	26.2	18.2	▲ 8.0	47.0
Depreciation and amortization	14.2	15.8	+ 1.6	32.5
R&D expenses	10.9	10.4	▲ 0.5	20.5

※ No change in FY20 forecast

# FY2020 Management Index

	FY18 Results	FY19 Results	FY20 Forecasts	YoY change
		a	b	b-a
Equity capital ratio	30.3%	30.2%	<b>30%</b>	▲0.2
NET D/E ratio	0.8	0.8	<b>0.9</b>	+0.1
Return on operating assets (Operating income/ Operating assets*)	11.2%	6.1%	<b>1%</b>	▲5.1
ROE	12.0%	7.3%	<b>1%</b>	▲6.3

\*Operating assets = inventories + tangible and intangible fixed assets



Thank you very much  
for your attention.



# (Appendix) Focus Point by Segment

## Communications Solutions (Infrastructure)

- ✓ 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 realization of Society 5.0

Net sales			Operating income		
FY19Result	FY20Forecast	YoY	FY19Result	FY20Forecast	YoY
166.4	155.0	▲ 11.4	1.6	0.5	▲ 1.1

## 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
- ✓ \*Battery state detection sensor

Net sales			Operating income		
FY19Result	FY20Forecast	YoY	FY19Result	FY20Forecast	YoY
257.6	245.0	▲ 12.6	10.9	3.0	▲ 7.9

## 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)

- ✓ Expand the manufacturing capacity of submarine and other cable directed at the rapidly growing demand in the renewable energy market
- ✓ Strengthen the installation capabilities in order to definitely capture the demand for replacing the electric power grid trunk lines
- ✓ Expand sales of the lightweight, flexible aluminum CV cable that will contribute to reduced manpower and increased efficiency at construction sites

Net sales			Operating income		
FY19Result	FY20Forecast	YoY	FY19Result	FY20Forecast	YoY
114.5	100.0	▲ 14.5	0.1	▲ 1.5	▲ 1.6

## 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
<b>Infrastructure</b>	<b>Communications Solutions</b>	Optical Fiber and Cable Products
		FITEL Products
		Broadband Solutions Business
	<b>Energy Infrastructure</b>	Power Cable
		Industrial Cable & Power Cable Accessories
<b>Electronics &amp; Automotive Systems</b>	<b>Automotive Products &amp; Batteries</b>	Automotive Products
		Batteries
	<b>Electronics Component Materials</b>	Electric Conductor
		Copper & High Performance Material Products
<b>Functional Products</b>	AT & Functional Plastics	
	Thermal Management Solution & Products	
	Memory Disk	
	Copper Foil	
<b>Service and Developments, etc.</b>		