



Furukawa Electric Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2021 (Telephone conference)

Held on May 12, 2021

[Number of Speakers]

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FY2020 Results Highlights

Compared with last year

- The economic standstill caused by COVID-19 affected the entire business, resulting in lower profit on decreased revenue.
- From Q3, operating income turned positive, and on a quarterly basis in Q4, profits were higher in the Infrastructure, Electronics & Automotive Systems and Functional Products segments compared to last year.
- Although lower profit/loss in equity method affiliates and the extraordinary loss (provision for product defect compensation and loss on the transfer of a business) were recorded, as a result of the extraordinary gain* (gain on the disposal of non-current assets), net income attributable to owners of the parent company was JPY 10.0 billion.

Compared with the previous forecast

- As a result of upturns in operating income, profit/loss in equity method affiliates and extraordinary gain, net income attributable to owners of the parent company increased by JPY 7.0 billion.

	FY2019	*FY2020 Previous forecasts	FY2020	YoY change	Change from previous forecasts
	a	b	c	c-a	c-b
Net Sales	914.4	810.0	811.6	▲ 102.8	+1.6
Operating income	23.6	6.0	8.4	▲ 15.1	+2.4
Ordinary income	22.8	0.5	5.2	▲ 17.6	+4.7
Net income attributable to owners of the parent	17.6	3.0	10.0	▲ 7.6	+7.0

*Continued to reduce strategic shareholdings. In FY2020, reduced shareholdings in 4 companies including 1 company completely eliminated shareholdings. (During the term of the 2020 Medium-term Management Plan, completely eliminated shareholdings in 17 companies)

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*Announced on February 4, 2021

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Fukunaga: Hello, I'm Fukunaga. Thank you for your participation today. I will now explain FY2020 financial results.

It is divided into 2 parts. I will explain both of them.

First, please look at the page 3. This is the highlights of the FY2020 financial statements.

The middle part of the table at the bottom shows the results of the FY2020. Net sales of JPY811.6 billion, operating income of JPY8.4 billion, ordinary income of JPY5.2 billion, and net income attributable to the parent company of JPY10.0 billion. Compared to the previous year, sales and profits decreased in general due to the impact of the stagnation of economic activities caused by the COVID-19.

However, the Company returned to operating profitability in Q3, and in Q4 the Infrastructure, Electronics & Automotive Systems, and Functional Products segments posted higher profits than in the previous year.

In terms of net income, although there was decrease in profit and loss in equity method affiliates and the extraordinary loss, we posted extraordinary gain, resulting in net income of JPY10.0 billion.

Compared to the previous forecast, operating income and profit and loss in equity method affiliates have increased, and extraordinary gain has also increased, resulting in an increase in net income attributable to owners of the parent company of JPY7.0 billion.

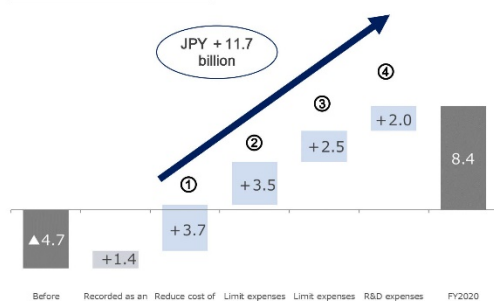
As you can see on the bottom-right, we continued to reduce the strategic shareholdings in FY2020.

Effect of the Emergency Management Responses Implemented in FY2020

■ The Emergency Response Team has implemented various responses based on the forecast for deteriorating profits caused by COVID-19, and effects exceeding the original plan* (JPY 9.0 billion) have been realized.

*Announced on August 6, 2020

Annual effect amount



	FY2020 results of effect amount (JPY billion)	Main measures
① Reduce cost of manufacturing	+ 3.7	<ul style="list-style-type: none"> Reduce depreciation expenses by revising the capital investment Reduce costs related to manufacturing
② Limit expenses (business division)	+ 3.5	<ul style="list-style-type: none"> Limit operating expenses (business trip expenses, entertainment expenses, etc.) Cancel or postpone internal events
③ Limit expenses (corporate)	+ 2.5	<ul style="list-style-type: none"> Limit operating expenses (business trip expenses, entertainment expenses, etc.)
④ R&D expenses	+2.0	<ul style="list-style-type: none"> Increase efficiency through the use of simulation analysis and online business meetings
Total	+11.7	

Please see page 5.

This is the Effect of The Emergency Management Responses Implemented in FY2020. When we explained this at the beginning of the year, we expected the effect to be JPY9 billion, but in the end, the result was JPY11.7 billion. This result is the reason for the upward revision.

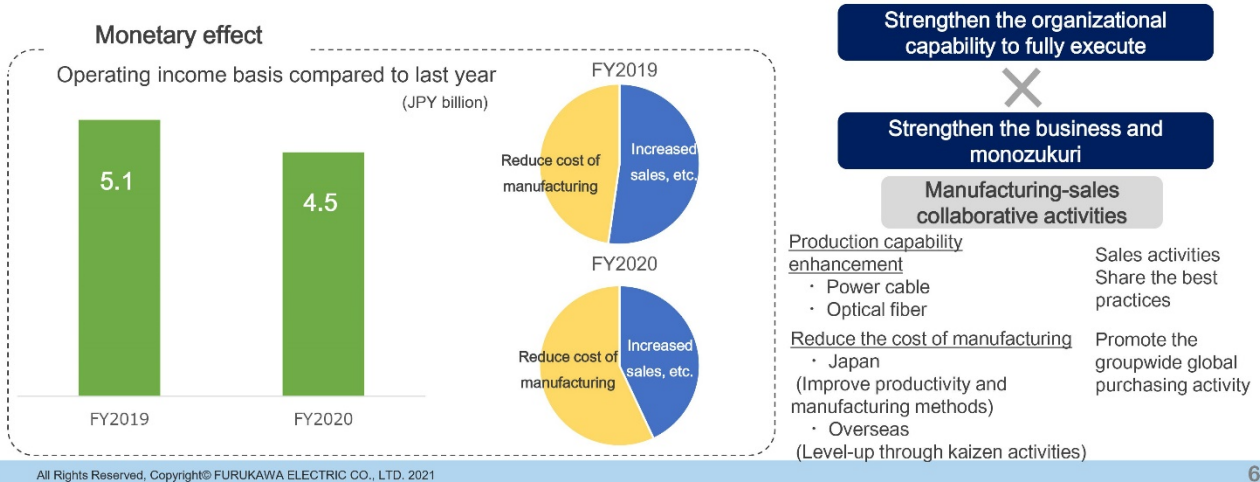
Next page, please.

Initiatives of the Transformation Division*

*The promotion activities of the Transformation Division have been transferred to the Corporate Strategy & Direction Division newly established in April 2021.



- Although the desired effects have not been realized due to COVID-19, the knowledge and insights gained from the results achieved over the past 2 years will be utilized for the continued transformation of the group in the future



On page 6, I would like to talk about the Initiatives of the Transformation Division.

The Transformation Division has been implementing various improvement activities and initiatives for the past 2 years. As we continue to strengthen our organizational capabilities to fully execute and strengthen our business and monozukuri (manufacturing) activities, we have been able to achieve a YoY increase of JPY5.1 billion in FY2019 and JPY4.5 billion in FY2020.

In FY2020, the pie chart on the right shows a relative decrease in sales expansion-related items due to the decline in sales, but the effect of cost reduction contributed to the decrease.

FY2021 Full-year Forecast

- In FY2021, will achieve higher profit on increased revenue. Operating income is forecast to be on the same level as prior to COVID-19 crisis.

(JPY billion)

	FY2019	FY2020	FY2021 Forecasts	YoY change
	a	b	c	c-b
Net Sales	914.4	811.6	880.0	+68.4
Operating income	23.6	8.4	26.0	+17.6
Ordinary income	22.8	5.2	24.0	+18.8
Net income attributable to owners of the parent	17.6	10.0	12.0	+2.0
Average copper price (JPY/kg)	682	770	1,000	-
Average exchange rate (JPY/USD)	109	106	105	-

- **Net sales**

Higher revenue in the Infrastructure, Electronics & Automotive Systems and Functional Products segments.

Impact of higher copper prices	Increase	JPY 53.8 billion
Impact of the new accounting standards*	Decrease	JPY 50.2 billion

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

- **Operating income**

Although depreciation and other fixed costs will increase, after incorporating the cost of manufacturing reductions, profit will increase in the Infrastructure, Electronics & Automotive Systems and Functional Products segments.

- **Net income attributable to owners of the parent company**

While operating income and profit/loss in equity method affiliates is expected to increase, due mainly to lower extraordinary gain, net income attributable to owners of the parent company is forecast to be JPY 12.0 billion.

Next page. This is a Full-Year Forecast for FY2021.

In FY2021, we expect both sales and profits to increase, and operating income to be almost at the same level as before the COVID-19 disaster. Net sales were JPY880 billion, operating income was JPY26 billion, ordinary income was JPY24 billion, and net income attributable to the parent company was JPY12 billion.

Net sales, profit and loss each at level; sales and profit increased.

Net sales increased in the Infrastructure, Electronics & Automotive Systems, and Functional Products segments. However, there was an increase of JPY53.8 billion due to the rise in copper prices, while there was a decrease of JPY50.2 billion due to changes in accounting standards and revenue recognition standards.

Although depreciation and other fixed costs increased, operating income increased in the Infrastructure, Electronics & Automotive Systems, and Functional Products segments after incorporating the cost of manufacturing reductions.

In terms of net income attributable to the parent company, operating income and profit and loss in equity method affiliates are expected to increase, but due to a decrease in extraordinary gain, net income attributable to owners of the parent company is expected to be JPY12 billion.

CAPEX, Depreciation & Amortization and R&D Expenses

Expand business profits and strengthen the response for creating businesses that solve the social issues based on an awareness of SDGs

- CAPEX: Secure profits through new orders and strengthen the foundation for stable manufacturing
- R&D expenses: Focus on new products, technologies and manufacturing methods that will lead to higher profits in the medium to long-term

(JPY billion)

	FY2019	FY2020	FY2021 Forecasts	YoY change
	a	b	c	c-b
CAPEX	53.1	40.0	45.0	+5.0
Depreciation and amortization	29.4	32.2	37.0	+4.8
R&D expenses	21.7	20.2	22.0	+1.8

< Main areas in FY2021 >

CAPEX

- Response for accepted orders (mainly Automotive Products and Infrastructure businesses)
- Reduce business risk by strengthening the foundation for stable manufacturing
- Responses aimed at solving social issues (infrastructure for supporting high speed, large volume communications and renewable energy business)

R&D expenses

- Increase the profits in existing businesses (response to 5G/CASE, renewable energy)
- Create new businesses (next generation infrastructure, medical domain)

Breakdown of the main CAPEX

FY2019 Results

FY2020 Results

FY2021 Forecasts

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Page 8 shows the status of CAPEX, Depreciation & Amortization and R&D Expenses. We are strengthening our efforts to increase business profits and strengthen the response for creating businesses that solve the social issues based on an awareness of the SDGs.

In terms of CAPEX, we have been focusing on securing profits by responding to new orders and strengthening the foundation for stable manufacturing, given that sales would decrease, and profits would be difficult due to the impact of the COVID-19.

In terms of research and development expenses, we are focusing on new products, technologies, and manufacturing methods that will lead to increased profits in the medium- to long-term.

As for the figures, the result for FY2020 was JPY40 billion in CAPEX, which was originally planned to be JPY47 billion.

The level of JPY40 billion was set to maintain financial discipline in order to carefully examine orders, reduce costs, and eventually examine and scrutinize the timing of investments.

With regard to depreciation, in the context of increasing investment, depreciation expenses are increasing, as they are approaching the amount of CAPEX.

Research and development expenses are JPY20.2 billion, and research expenses for creating new businesses for the next generation, 5G, CASE, renewable energy, and other new businesses are continuing as they are and, in fact, are increasing.

In addition, we are trying to improve the efficiency and linkage of research. The result of our efforts to reduce costs is in FY2021, we expect CAPEX of JPY45 billion and R&D of JPY22 billion, which is on par with fiscal FY2019.

- In FY2020, although profit fell and the indicator for capital efficiency declined, fiscal strength has steadily improved.
(In March 2021, the credit rating* was raised from B to A)
Free cash flow was an outflow of JPY 2.4 billion, but cumulatively from FY2018 through FY2020, free cash flow of JPY 21.9 billion was created against the plan of JPY 10.0 – 15.0 billion.
- In FY2021, efforts will be made to further improve fiscal strength.
Also, while investing for business profit growth, appropriate working capital management and management with a focus on capital efficiency will be promoted.
Free cash flow is expected to be positive.

*Rating issued by Rating and Investment Information, Inc. (R&I)

	FY2019 Results	FY2020 Results	YoY change	FY2021 Forecasts	YoY change
	a	b	b-a	c	c-b
Equity capital ratio	30.2%	31.2%	+1.0	33%	+1.8
NET D/E ratio	0.8	0.8	▲0.0	0.8	▲0.0
Return on operating assets (Operating income / Operating assets*)	6.1%	2.2%	▲3.9	7%	+4.9
ROE	7.2%	4.0%	▲3.2	5%	+1.0

* Operating assets = inventories + tangible and intangible fixed assets

Page 9 shows the Management Indicators.

As a result of the decrease in profit in FY2020, the indicators of profit and capital efficiency have declined, but our financial structure has been steadily improving.

The capital adequacy ratio and NET debt-to-equity ratio have both improved. As a result, our credit rating was upgraded from B to A in FY2021.

As for free cash flow, it was negative JPY2.4 billion. We had said that we would provide JPY10 to JPY15 billion between FY2018 and FY2020. We were able to meet this target with JPY21.9 billion.

In FY2021, we will continue to improve our financial structure even more. We will continue to invest in the growth of our business earnings, but we will manage our working capital appropriately. We expect to generate positive free cash flow as we promote management that emphasizes capital efficiency.

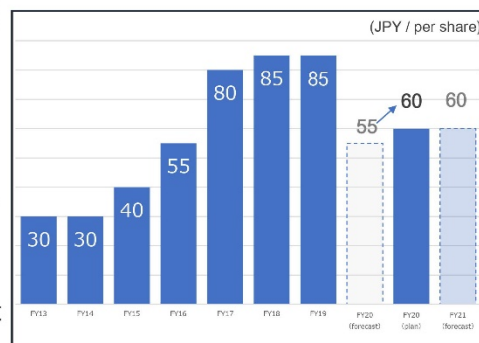
Shareholder Returns

- As the dividend for FY2020, based on the financial results, a dividend of JPY 60 per share will be issued (increase of JPY 5 from the previous forecast).

Furukawa Electric is aiming to manage the company with a focus on capital efficiency and has set forth a basic policy of balancing between providing shareholder returns and making strategic investments in future growth, fostering next generation new businesses and improving financial health.

Regarding shareholder returns, maintaining a stable dividend has been designated as one of the most important management matters.

- In FY2021, with the aim of maintaining a stable dividend, it is forecast to issue an annual dividend of JPY 60 per share.



*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

	FY2016	FY2017	FY2018	FY2019	FY2020		FY2021
	Result	Result	Result	Result	Forecast*	plan	Forecast
Annual dividend per share	55 yen	80 yen	85 yen	85 yen	55 yen	60 yen	60 yen

*Announced on November 5, 2020

Page 10 is Shareholder Returns. The dividend for FY2020 will be JPY60 per share, an increase of JPY5 from the previous JPY55 per share based on the business results for the year.

Our basic policy is to strike a balance between investment, new business development, improvement of financial position, and shareholder return, while aiming for management that emphasizes capital efficiency. In such a situation, we have decided to pay a stable dividend of JPY60. For FY2021, we expect to pay a dividend of JPY60 per share to maintain a stable dividend.

FY2020 Results – P/L Summary

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

	FY2019		*FY2020 Previous Forecasts	FY2020		YoY change		Change from previous forecasts	Breakdown of change (Full year)
	Results	Q4		Results	Q4	c-a	c'-a'		
	a	a'	b	c	c'	c-a	c'-a'	c-b	
Net sales	914.4	238.3	810.0	811.6	248.6	▲ 102.8	+10.3	+1.6	▲102.8 (▲11%) See page 13
Operating income	23.6	8.3	6.0	8.4	9.1	▲ 15.1	+0.9	+2.4	▲15.1 (▲64%) See page 14
(Margin)	2.6%	3.5%	0.7%	1.0%	3.7%	▲ 1.5	+0.2	+0.3	
Profit/loss in equity method affiliates	2.5	1.2	–	▲ 0.9	▲ 0.4	▲ 3.4	▲ 1.6	–	
Foreign exchange gain/loss	▲ 1.0	▲ 0.6	–	0.5	1.4	+1.5	+2.0	–	
Ordinary income	22.8	8.9	0.5	5.2	9.0	▲ 17.6	+0.1	+4.7	▲17.6 (▲77%)
(Margin)	2.5%	3.7%	0.1%	0.6%	3.6%	▲ 1.9	▲ 0.1	+0.6	
Extraordinary income/loss	8.0	6.8	12.0	16.1	5.7	+8.1	▲ 1.1	+4.1	·Extraordinary income +18.5 (14.9 → 33.4)
Income taxes	11.8	5.1	–	9.2	4.6	▲ 2.5	▲ 0.5	–	·Extraordinary loss ▲10.3 (▲7.0 → ▲17.3)
Net income attributable to non-controlling interests	1.4	0.5	–	2.1	0.5	+0.7	+0.0	–	
Net income attributable to owners of parent	17.6	10.2	3.0	10.0	9.5	▲ 7.6	▲ 0.7	+7.0	▲7.6 (▲43%)
(Margin)	1.9%	4.3%	0.4%	1.2%	3.8%	▲ 0.7	▲ 0.4	+0.9	
Average copper price	682	660	720	770	937				
Average exchange rate	109	109	106	106	106				

*Announced on February 4, 2021

Extraordinary income :

- Gain on the disposal of non-current assets (22.1 : Q1)
- Gain on the sale of investment securities (9.5 : Q4)

Extraordinary loss :

- Provision for product defect compensation (+4.8 : Q1)
- Loss on the transfer of a business (+3.7 : Q1)
- Impairment loss on non-current assets (+2.5 : Q4)
- 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

- Loss on changes in equity (heavy magnet wire) (+0.5 : Q3)

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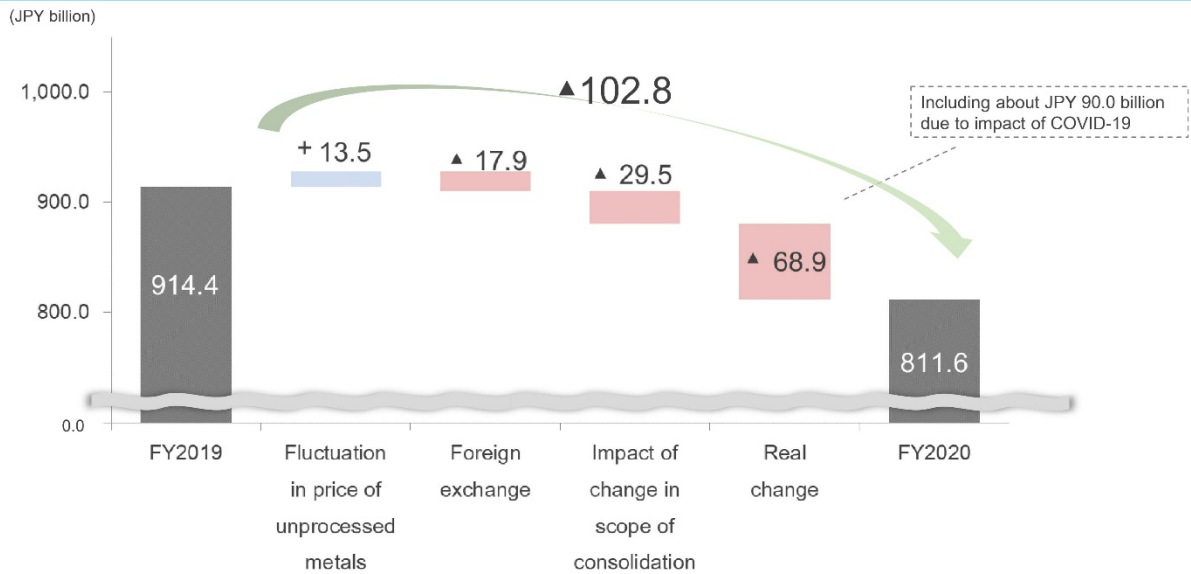
Now, let me go on to talk about the details of the financial results for FY2020. This is a summary of P&L. The actual figures for FY2020 are as I explained earlier.

As you can see the figures of Q4 sales and profits have increased compared to the previous year.

In terms of operating income and below, P&L loss in equity method affiliates deteriorated considerably from the previous year. This was due to the fact that UACJ's business here had a large negative impact, or that the optical cable subsidiary in China had a negative impact. That's the effect.

As I mentioned earlier, we were able to secure a triple-digit net profit of JPY10 billion through extraordinary income, income taxes, and other factors.

Analysis of Changes in Net Sales (YoY)



Page 13 is the waterfall chart of sales.

In the current fiscal year, FY2020, we have seen a significant decrease in revenue by JPY102.8 billion, from JPY914.4 billion to JPY811.6 billion. This includes a JPY13.5 billion increase in unprocessed metals, a negative impact from foreign exchange, and a negative impact from changes in the scope of consolidation. The change in the scope of consolidation is due to the impact of copper tubes and magnet wire.

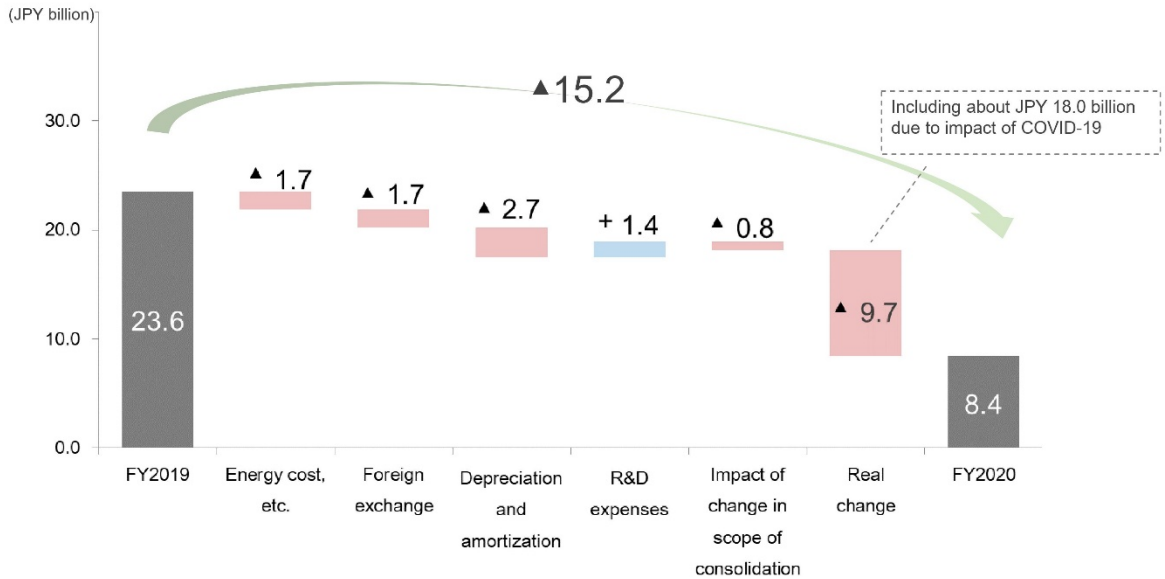
Excluding these effects, the actual change is minus JPY68.9 billion. However, the impact of COVID-19 is estimated to be negative JPY90 billion, which is about JPY20 billion. On the other hand, this is a real plus.

As for the content of the report, although the situation in the field of Communications Solutions was severe, fiber cables in North America, the volume is increasing.

Also, sales of products related to FITEL are increasing as new products are being launched. The Automotive Products is also beginning to see the effects of increased production.

As for Functional Products, growth in sales for data centers has led to an increase in sales.

Analysis of Changes in Operating Income (YoY)



Page 14 is a factor of increase and decrease in operating income. The real fluctuation, excluding special factors, was minus JPY9.7 billion.

However, we estimate that the impact of COVID-19 will be approximately JPY18 billion. In this report, it is said that the impact of the COVID-19 added about JPY8 billion.

This is partly due to the effects of the activities of the Transformation Division and the activities of the Emergency Response Team to curb expenses, and partly due to the effects of increased sales as I mentioned earlier. As a result, operating income was JPY8.4 billion.

Net Sales and Operating Income by Segment (1)

- Although profit declined year-on-year through Q3 due to COVID-19 crisis, all segments overperformed compared to the previous forecast

	Net sales					Operating income					(+) Increase profits / (-) decrease profits
	FY2019	*FY2020 Previous Forecasts	FY2020	YoY Change	Change from previous forecasts	FY2019	*FY2020 Previous Forecasts	FY2020	YoY Change	Change from previous forecasts	
	a	b	c	c-a	c-b	d	e	f	f-d	f-e	
Infrastructure	280.9	255.0	259.2	▲ 21.7	+4.2	1.7	▲ 3.0	▲ 2.1	▲ 3.8	+0.9	
Communications Solutions	166.4	155.0	158.3	▲ 8.1	+3.3	1.6	▲ 0.5	▲ 0.2	▲ 1.9	+0.3	YoY (+) Firm demand for optical fiber, optical cable in North America and digital coherent products (-) Although the FTTH solution business in South America is performing well and revenue increased on a local currency basis, profit decreased due to the impact of foreign exchange (depreciation of the Brazilian real) (-) Optical fiber and cable competition continued to be severe in Asia (-) Increased depreciation expenses (-) Decreased profit from network products in Japan and industrial lasers due to depressed customer capital investments caused by COVID-19 Compared to previous forecast - Slightly overperformed
Energy infrastructure	114.5	100.0	100.9	▲ 13.6	+0.9	0.1	▲ 2.5	▲ 1.9	▲ 2.0	+0.6	YoY (+) Steady progress continued to be made in relation to renewable energy in Japan and underground cable projects in Japan and overseas (-) Due to the impact of COVID-19, decreased revenue from products for the construction and wholesalers market in Japan and railroad market, as well as deferred sales at the subsidiary in China due to construction project delays (-) Higher one-time evaluation expenses following the adoption of new materials Compared to previous forecast - Slightly overperformed

*Announced on February 4, 2021

*Announced on February 4, 2021

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The following pages provide detailed information on Sales and Operating Income by Segment.

On page 15, the results for Communications Solutions And Energy Infrastructure, both of which are slightly higher than the previous forecast. In terms of YoY comparisons, all of the effects continue to be similar to those seen through 3 quarters.

However, if we look at the previous forecast, positive factors have emerged more than expected, and the negative factors have been covered.

Net Sales and Operating Income by Segment (2)

	Net sales					Operating income					(+) Increase profits / (-) decrease profits
	FY2019	*FY2020 Previous Forecast	FY2020	YoY Change	change from previous forecasts	FY2019	*FY2020 Previous Forecasts	FY2020	YoY Change	change from previous forecasts	
	a	b	c	c-a	c-b	d	e	f	f-d	f-e	
Electronics & Automotive Systems	509.3	440.0	433.0	▲ 76.3	▲ 7.0	14.8	5.5	5.9	▲ 9.0	+0.4	
Automotive Products & Batteries	257.6	250.0	235.1	▲ 22.6	▲ 14.9	10.9	5.0	5.0	▲ 5.9	▲ 0.0	YoY (-) Impact of COVID-19 resulted in the temporary suspension of operations and lower operating levels after reopening at overseas factories, as well as increased transportation costs and alternative production expenses. Transportation costs continued to be higher from Q3 due to soaring container shipping costs and typhoons (-) Increased facility depreciation expenses on the investments for the accepted orders (+) In the batteries business, improved productivity at the overseas subsidiary and recovering automotive battery demand in Japan Compared to previous forecast - Generally unchanged
Electronics Component Materials	251.7	190.0	198.0	▲ 53.7	+8.0	3.9	0.5	0.9	▲ 3.0	+0.4	YoY (-) Decreased revenue due to lower automotive, construction and electric appliance demand caused by COVID-19 (-) Impact of the business reorganization: transfer of the copper tube and heavy magnet wire businesses - Slightly overperformed
Functional Products	115.9	110.0	114.7	▲ 1.2	+4.7	7.5	5.5	6.3	▲ 1.2	+0.8	YoY (+) Robust demand for data center products, which started a full-scale recovery from FY2019 Q4 (-) In the functional plastic product business, delays to civilian construction projects in Japan caused by COVID-19 (-) Decreased revenue from tape for semiconductor process due to weak smartphone demand and customer inventory adjustments in H1 (-) Although demand for copper foil for automotive batteries recovered from H2, demand was lower in H1 due to COVID-19. Decreased profit due in part to the impact differences in the product mix of copper foil for circuits Compared to previous forecast - Slightly overperformed
Service and Developments, etc.	50.3	45.0	38.7	▲ 11.6	▲ 6.3	▲ 0.3	▲ 2.0	▲ 1.7	▲ 1.4	+0.3	YoY (-) Decreased revenue from service due to the impact of COVID-19, the impact of the business transfer, etc.
Eliminator of inter-company transactions	▲ 42.0	▲ 40.0	▲ 34.0	+8.0	+6.0	▲ 0.1	0.0	0.1	+0.2	+0.1	
Total	914.4	810.0	811.6	▲ 102.8	+1.6	23.6	6.0	8.4	▲ 15.1	+2.4	

*Announced on February 4, 2021

*Announced on February 4, 2021

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Page 16 is about Electronics & Automotive Systems, Functional Products, and Service Development. Compared to the previous forecast, the result was almost the same or slightly higher than expected.

In terms of YoY comparisons, the same situation continued throughout the fiscal year as in the case of Infrastructure. The negative impact of H1 of the fiscal year was still significant.

I would like to add one more point. Compared to the previous forecast, sales in the Services and Development segment were down significantly. On the other hand, consolidated eliminations have increased compared to the previous forecast. This is because there was a slight change in the content, and I hope you can understand the impact of the revision in Q4 of this fiscal year.

FY2020 Results – B/S Summary

	End of 2019Q4	End of 2020Q4	Change	
	a	b	b-a	(JPY billion)
Current assets	386.2	429.8	+43.6	
Cash and bank deposits	54.4	84.4	+30.0	Cash and deposits
Notes and accounts receivable trade	192.5	191.9	▲ 0.6	Increased by JPY 30.0 billion
Inventories	115.9	120.8	+5.0	Increased the liquidity of cash on hand
Non-current assets	408.4	402.2	▲ 6.2	Inventories
Tangible fixed assets	254.2	246.7	▲ 7.5	Increased by JPY 5.0 billion
Intangible fixed assets	16.1	20.3	+4.2	Construction and other projects that are expected to be recorded as net sales in the future
Investments and other assets	138.1	135.2	▲ 2.9	Secure appropriate inventory levels following the recovery in automotive product demand
Total Assets	794.6	832.0	+37.4	Impact of higher copper prices
Current liabilities	319.6	315.2	▲ 4.4	Impact of the business transfer
Non-current liabilities	201.9	225.2	+23.3	JPY ▲6.9 billion
Total Liabilities	521.6	540.4	+18.8	Tangible / intangible non-current assets
Shareholders' equity	256.7	260.4	+3.7	Decreased by 3.3 billion
Accumulated other comprehensive income	▲ 16.4	▲ 0.5	+15.9	Impact of increased / decreased CAPEX
Net income attributable to non-controlling interests	32.8	31.7	▲ 1.0	JPY + 7.8 billion
Total Net assets	273.0	291.6	+18.6	Impact of the business transfer
Total Liabilities and Net assets	794.6	832.0	+37.4	JPY ▲8.1 billion
Interest-bearing liabilities	251.1	290.6	+39.5	Impairment loss / disposal
Capital ratio	30.2%	31.2%	+1.0	JPY ▲4.0 billion
NET D/E ratio	0.8	0.8	▲ 0.0	NET interest-bearing debt
Return on operating assets	6.1%	2.2%	▲ 3.9	Increased by JPY 9.5 billion
ROE	7.3%	4.0%	▲ 3.3	(JPY 196.7 billion → JPY 206.3 billion)

Free cash flow
FY2020
JPY ▲2.4 billion
FY2018-FY2020 total amount
JPY + 21.9 billion

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Next is the summarized B/S on page 17.

The balance sheet shows an increase of JPY37.4 billion in total assets and an increase of JPY18.6 billion in net assets.

Cash and deposits have been reduced compared to the beginning of the year, but from the perspective of liquidity on hand, we have secured a slightly larger amount at the end of this fiscal year.

In terms of inventories, we naturally had a balance of projects and construction projects for the future.

In addition we secured of adequate inventories in line with the recovery in automobile-related demand and there was the rise in copper prices. Then, inventories were increased by JPY5 billion. The actual number of rotations has been improving.

Tangible fixed assets decreased by JPY3.3 billion and NET interest-bearing debt increased by JPY9.5 billion. The NET debt-to-equity ratio was 0.8, which is actually below 0.8 at 0.79.

The capital adequacy ratio improved by 1 point to 31.2%. The free cash flow is as I mentioned earlier.

FY2020 Results - CAPEX, Depreciation & Amortization and R&D Expenses

	(JPY billion)					
	FY2018	FY2019	*FY2020 Previous forecasts	FY2020	YoY change	Change from previous forecasts
	a	b	c	d	d-b	d-c
CAPEX	50.0	53.1	47.0	40.0	▲ 13.1	▲ 7.0
Depreciation and amortization	26.3	29.4	32.5	32.2	+2.8	▲ 0.3
R&D expenses	21.1	21.7	20.5	20.2	▲ 1.5	▲ 0.3

*Announced on August 6, 2020

CAPEX

- In FY2020, efforts were made to limit capital expenses by reducing costs during the implementation stage and re-assessing the demand trends and operational situation. These efforts resulted in lower capital expenses both year-on-year and compared to the previous forecast
- Cumulative amount from FY2018 – FY2020 were generally as planned (Planned: JPY 140.0 billion, Actual: JPY 143.1 billion)

R&D expenses

- In FY2020, the priority of the research themes was revised with consideration for with-COVID-19 / post-COVID-19 and based on the changes within the markets and society. Also, the efficiency of the research activities was increased by promotion of working from home and utilization of simulation and digital technologies, resulting in lower R&D expenses both year-on-year and compared to the previous forecasts
- Cumulative amount from FY2018 – FY2020 were less than the planned amount (Planned: JPY 70.0 billion, Actual: JPY 63.0 billion)

Page 18 shows CAPEX, Depreciation and Amortization, and Research And Development Expenses.

Since most of this information is the same as what I mentioned at the beginning, I would like to talk about the comparison between the planned and actual figures for the period from FY2018 to FY2020. The planned amount was JPY140 billion, and the capital investment was JPY143.1 billion, which was almost in line with the plan.

As for R&D expenses, we have JPY70 billion planned and JPY63 billion actual. As I mentioned, we have been increasing the amount of research related to new businesses since FY2018. We plan to increase and strengthen the number of research projects in fiscal 2021 and beyond, but we will also review research themes in areas related to projects.

The situation in the world has been moved by Covid-19 and post-Covid-19. That's what we have been reviewing. As a result, the actual number of R&D expenses was reduced from the original plan by improving efficiency such as the promotion of remote work and the use of simulation and digital technology.

FY2021 Full-year Forecasts

- In FY2021, will achieve higher profit on increased revenue. Operating income is forecast to be on the same level as prior to COVID-19 crisis.

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

	FY2019	FY2020	FY2021 Forecasts	YoY change	Breakdown of change
	a	b	c	c-b	
Net sales	914.4	811.6	880.0	+68.4	+68.4 (+8%) See page 21 · Including impact of the new accounting standards* +50.2
Operating income	23.6	8.4	26.0	+17.6	+17.6 (+208%) See page 22
(Margin)	2.6%	1.0%	3.0%	+1.9	
Profit/loss in equity method affiliates	2.5	▲ 0.9	-	-	
Foreign exchange gain/loss	▲ 1.0	0.5	-	-	
Ordinary income	22.8	5.2	24.0	+18.8	+18.8 (+363%)
(Margin)	2.5%	0.6%	2.7%	+2.1	
Extraordinary income/loss	8.0	16.1	▲ 3.5	▲ 19.6	
Income taxes	11.8	9.2	-	-	
Net income attributable to non-controlling interests	1.4	2.1	-	-	
Net income attributable to owners of parent	17.6	10.0	12.0	+2.0	+2.0(+20%)
(Margin)	1.9%	1.2%	1.4%	+0.1	
Average copper price	682	770	1,000	-	
Average exchange rate	109	106	105	-	

*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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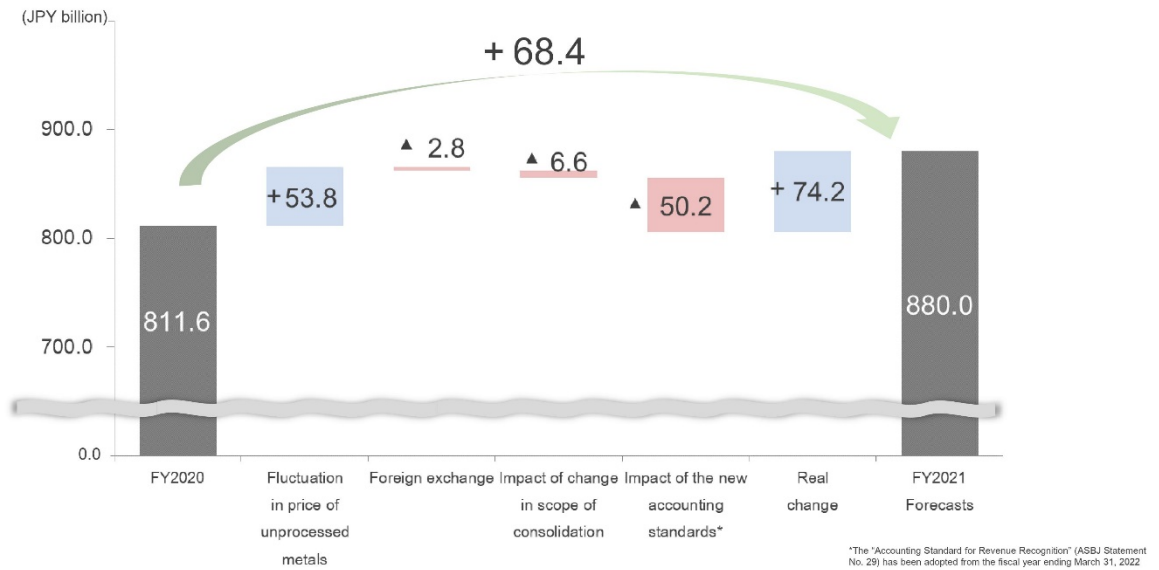
Page 20 is the Full-Year Forecast for FY2021.

As for the full-year forecast for FY2021, the figures are as I mentioned at the beginning of this report. In terms of profit and loss in equity method affiliates, the major positive factor is the recovery of UACJ, which was significantly negative in FY2020.

As for extraordinary profit and loss, as I mentioned at the beginning of this report, we have not included any major extraordinary profit at this time. On the other hand, we have included a minus JPY3.5 billion figure to factor in a certain amount of special loss risk. As a result, we are forecasting net income attributable to owners of the parent company to be JPY12.0 billion.

As a special note, the price of copper has been rising recently. The copper price is expected to exceed JPY1,000, and we have set our forecast at JPY1,000 for copper price. The exchange rate is set at JPY105, which is about the same as the previous year.

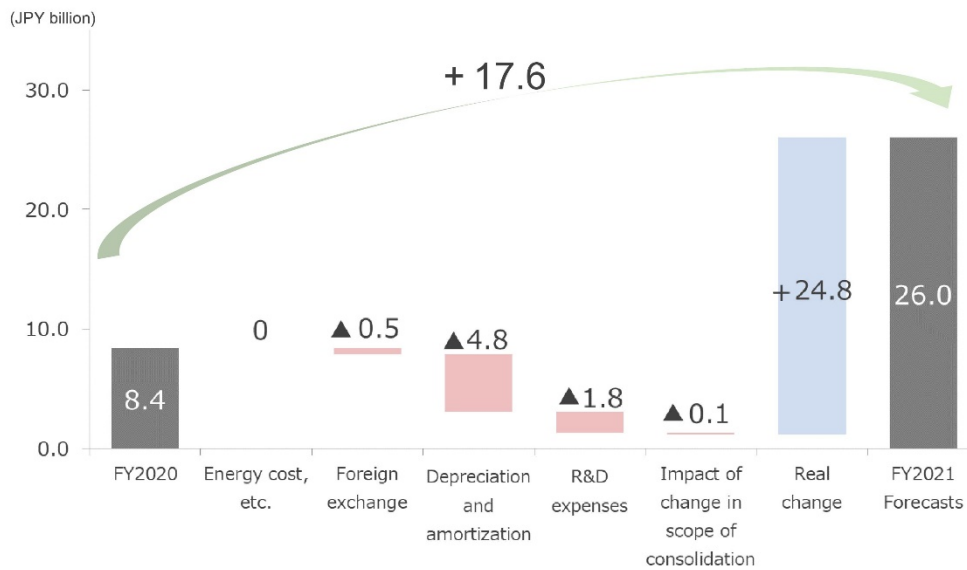
Analysis of Changes in Net Sales (YoY)



Page 21, factors for increase/decrease in net sales, compared to the previous year.

The positive effect of the change in prices for unprocessed metals is due to the increase in copper prices, as I mentioned earlier. On the other hand, there was a negative JPY50.2 billion due to the impact of the new accounting standards. As a result, the real fluctuation will be positive JPY74.2 billion, and the forecast for FY2021 is JPY880 billion.

Analysis of Changes in Operating Income (YoY)



Page 22 shows analysis of increase/decrease in operating income.

The total amount is expected to be JPY8.4 billion in FY 2020 to JPY26 billion in FY 2021. In terms of fixed costs, there will be an increase in depreciation and R&D costs. On the other hand, the real fluctuation is JPY24.8 billion, of which about 70% is due to the increase in sales, and the rest is due to the increase in fixed costs such as personnel expenses.

In such a situation, we will reduce costs, change the product mix, and of course, even though fixed costs will increase, we will firmly control costs, and the remaining approximately JPY7.5 billion is expected to produce results in terms of figures. The overall feeling is that the amount of JPY26 billion is based on the expectation that we will produce solid results.

Net Sales and Operating Income Forecasts by Segment

(JPY billion)

		FY2019	FY2020	FY2021 Forecasts	YoY Change	【Reference】 Net sales based on the old accounting standards	
		a	b	c	c-b	FY2021 Forecasts	YoY Change
						c'	c'-b
N e t s a l e s	Infrastructure	280.9	259.2	280.0	+20.8	288.2	+29.0
	Communications Solutions	166.4	158.3	175.0	+16.7	176.5	+18.2
	Energy infrastructure	114.5	100.9	105.0	+4.1	111.7	+10.8
	Electronics & Automotive Systems	509.3	433.0	480.0	+47.0	512.6	+79.6
	Automotive Products & Batteries	257.6	235.1	260.0	+24.9	264.4	+29.3
	Electronics Component Materials	251.7	198.0	220.0	+22.0	248.2	+50.2
	Functional Products	115.9	114.7	115.0	+0.3	124.0	+9.3
	Service and Developments, etc.	50.3	38.7	37.0	▲ 1.7	37.4	▲ 1.3
	Elimination of intra-company transactions	▲ 42.0	▲ 34.0	▲ 32.0	+2.0	▲ 32.0	+2.0
	Total	914.4	811.6	880.0	+68.4	930.2	+118.6
O p e r a t i n g I n c o m e	Infrastructure	1.7	▲ 2.1	5.5	+7.6		
	Communications Solutions	1.6	▲ 0.2	4.5	+4.7		
	Energy infrastructure	0.1	▲ 1.9	1.0	+2.9		
	Electronics & Automotive Systems	14.8	5.9	14.0	+8.1		
	Automotive Products & Batteries	10.9	5.0	12.0	+7.0		
	Electronics Component Materials	3.9	0.9	2.0	+1.1		
	Functional Products	7.5	6.3	9.0	+2.7		
	Service and Developments, etc.	▲ 0.3	▲ 1.7	▲ 2.5	▲ 0.8		
	Elimination of intra-company transactions	▲ 0.1	0.1	0.0	▲ 0.1		
	Total	23.6	8.4	26.0	+17.6		

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On page 23 is Sales and Operating Income by Segment. This is the trend since FY2019.

I will explain the details on the individual pages, but as a reference material, I have included the sales figures under the old accounting standards.

With the change in accounting standards this time, sales appear to have decreased considerably, but if you look at them under the old standards for FY2021, they are JPY930.2 billion, an increase of JPY118.6 billion from the previous year.

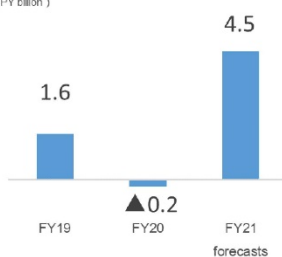
Despite the impact of copper prices and other factors, sales are expected to increase compared to FY2019. As for the change from the old accounting standards to the new accounting standards, we hope that you will recognize that the impact on operating income will be negligible.

1-(1) Infrastructure (Communications Solutions)

Net sales
(JPY billion)



Operating income
(JPY billion)



■FY2021 Net sales (yoy) JPY +16.7 bil. (JPY+18.2 bil.)
Operating income (yoy) JPY +4.7 bil.

- (+) Steadily capture optical fiber and cable demand through improved productivity in North America
- (+) Network products in Japan and industrial lasers will improve following a recovery in the depressed customer capital investments caused by COVID-19
- (-) Increase in depreciation expenses

Focus points

- Differentiate the products and improve cost competitiveness as initiatives in optical fiber and cable
- Enhance the product lineup and accelerate sales for data centers
- Develop next generation products directed at the realization of Society 5.0
- In addition to Central and South America, expand the solutions business in the other regions

Next is the FY2021 forecast for Communication Solutions on page 25.

The increase in net sales is JPY16.7 billion, but the increase is JPY18.2 billion under the old accounting standards. Operating income will improve by JPY4.7 billion.

We will steadily capture the demand for optical fiber cables in this demand environment by improving the productivity of cables in North America. Although customer capital investment has been depressed due to the impact of COVID-19, domestic network-related products and industrial lasers will gradually return. This forecast is based on the assumption that the economy will return to a certain level in H2 of the year.

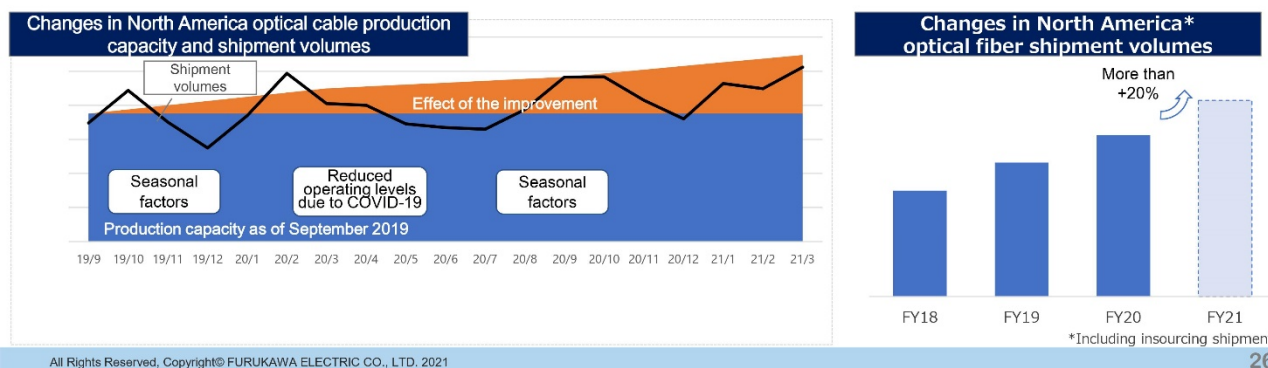
We are working hard to capture such demand. On the other hand, there is an increase in depreciation expenses.

The focus points will remain unchanged. Enhance the cost competitiveness of optical fibers and cables, differentiate products, and expand the product line for data centers.

We will also develop next-generation products and expand the solutions business that we are running in Brazil. Of course, there are also medium- and long-term projects. In addition, sales and profits are increasing steadily in Central and South America, so I believe that this will contribute to the positive effects in the next fiscal year.

- Strong demand in North America for optical fiber and cable has remained ongoing, and Q4 (January - March) optical fiber shipments increased by more than 20% compared to Q3.
- In FY2021, based on continued economic stimulus measures by the US government (RDOF*), continued efforts will be made to increase production volumes through improved productivity and reduce costs, and optical fiber shipments are forecast to increase by more than 20% for the year.

*RDOF : Rural Digital Opportunity Fund



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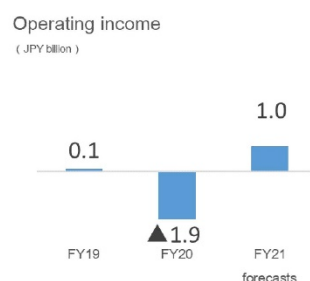
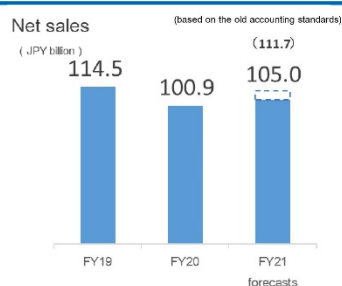
Page 26 shows the status of fiber optic cables in North America. Since the beginning of the year or since last year, we have been struggling with our production capacity.

In December of Q3 we were not able to make sufficient shipments due to seasonal factors, but in Q4 the situation improved quite steadily. Under such circumstances, the shipment volume of optical fibers in the Q4 from January to March increased by more than 20% compared to the Q3.

Furthermore, in the next fiscal year, the government of North America will promote productivity improvement through the RDOF stimulus package, which has already been partially effective since this fiscal year. The Company aims to increase fiber shipment volume by more than 20% per year by increasing production volume and reducing costs.

I would also like to add one more point. I have already explained the impact of COVID-19 and the fact that we struggled last year. However, in the US, vaccination is progressing quite well, and the situation in terms of infection risk is becoming much safer. In this context, we are now in a situation where we can proceed with employee education and training, and I believe that we are in a secure situation in terms of improving production capacity in the future.

1-(2) Infrastructure (Energy Infrastructure)



■FY2021 Net sales (yoy) JPY +4.1 bil. (JPY+10.8 bil.)
(based on the old accounting standards)

Operating income (yoy) JPY +2.9 bil.

- (+) Acquire underground cable projects in Japan and overseas and projects related renewable energy in Japan
- (+) One-time evaluation costs following the adoption of new materials will not be incurred in FY2021
- (+) At the subsidiary in China, the construction projects delays caused by COVID-19 will end
- (+) Although no major recovery is foreseen in the industrial power cable and power cable accessories market, expect to realize improvements through increased sales of functional power cable and other products and reductions to the cost of manufacturing

Focus points

- Acquire project orders in the target markets (renewable energy in Japan and extra-high voltage underground cable)
- Enhance cable manufacturing capability of submarine cable for the growing renewable energy market
- Enhance installation capability in order to definitely capture the demand for the electric power grid renewal
- Expand sales of lightweight and flexible aluminum CV cable / functional power cable that contributes to less work and faster installation during construction projects

On page 27 is the Energy Infrastructure.

An increase of JPY4.1 billion in sales, or an increase of JPY10.8 billion under the old accounting standards. Operating income improved by JPY2.9 billion.

The first is the inclusion of domestic and overseas underground line projects and domestic renewable-energy-related policies, which we have been working on for some time. In addition to this, there are 3 more. In FY2020, the impact was very negative and significant.

Evaluation costs associated with the adoption of new materials were completed in FY2020. There will not be any in FY2021. Our subsidiary in China experienced delays in customer work due to the effects of COVID-19, but this has been resolved. The fiscal year ends in December and the results are available from January to March.

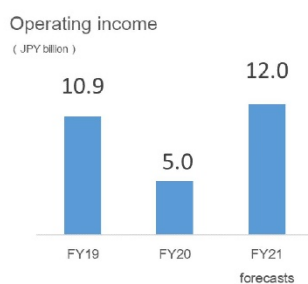
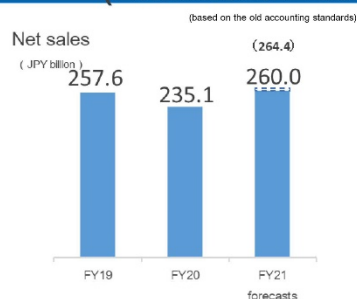
In this context, we are starting to see that we are making steady improvements. The market for industrial power cable and power cable accessories also fell due to the impact of COVID-19. We were not able to respond sufficiently to this situation, which was a negative factor, but we will try to make improvements by expanding sales of functional products and anticipating the effects of cost reductions.

With the elimination of such negative factors, we expect to see an improvement in earnings of about JPY2.5 billion.

In addition to this, we will add JPY2.9 billion by expanding domestic and overseas underground cables, projects related renewable energy, and other such items. We are now in a situation where we can see a JPY1 billion increase to some extent, so we will proceed with these 3 measures.

The focus points will remain unchanged. We will continue to expand our manufacturing capacity and increase our construction capacity. In the area of industrial power cable, aluminum CV cables have been highly evaluated, and we will continue to expand them. We are also trying to extend the functional power cable in general.

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



■FY2021 Net sales (yoy) JPY +24.9 bil. (JPY+29.3 bil.)
(based on the old accounting standards)

Operating income (yoy) JPY +7.0 bil.

- (+) Recovery in the automotive market
- (+) Start deliveries of wire harnesses for global vehicle models, and realize the benefits of investing in increased production
- (-) Increase in depreciation expenses on the capital investments for accepted orders
- (-) Increase in transportation costs
- (-) Impact of lower customer production volumes due to the semiconductor shortage

Focus points

- Strengthen the global supply chain to ensure BCP
- Establish a framework for increasing production in Asia directed at higher wire harness volumes for North America
- Utilize the capabilities in aluminum and other materials to proactively capture demand for lighter weight and smaller size in response to CASE, including vehicle electrification and autonomous driving
- Develop new applications for peripheral monitoring radar (agricultural machinery, construction machinery, traffic infrastructure, etc.)
- Start mass production of high performance BSS® for electric vehicles
- Initiatives aimed at becoming carbon neutral

Next is Automotive Products and Batteries on page 28.

Net sales increased by JPY24.9 billion, an increase of JPY29.3 billion under the old accounting standards, and an increase of JPY7 billion in operating income.

The automobile market is recovering steadily, and we will continue to increase sales in this market. In addition, we will start delivering harnesses for global car models, so that we can reap the benefits of our investment in increased production.

On the other hand, we have been investing in projects for which we have received orders. In such a situation, there is an increase in depreciation expenses. There are concerns about the increase in transportation costs and the impact of customers' production cutbacks due to the current semiconductor shortage.

Although this is not clearly visible, we have factored in a certain level of risk in our sales and operating income because we believe it is a risk that needs to be anticipated.

In terms of focus points, the supply chain has been affected by the COVID-19 disaster and caused major problems. In such a situation, we have been working to strengthen the global supply chain in the sense of making it possible to respond to the needs of multiple locations.

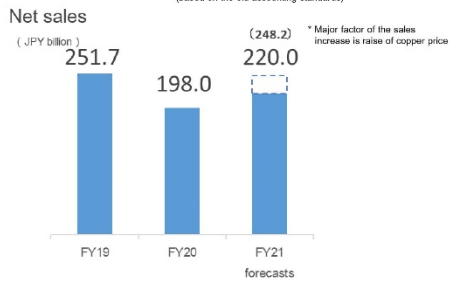
For wire harnesses for the North American market, we have established a system to increase production in Asia, and we will continue to expand this system in the future. We are also making steady progress in the use of aluminum.

The Perimeter Monitoring Radar has been developed for new applications, not only in the automotive industry, but also in new fields such as agricultural machinery, construction machinery, and traffic infrastructure. In terms of electric vehicles, the high-performance BSS is also a contributing product.

In addition, in terms of carbon neutrality, we are also promoting efforts toward carbon neutrality in areas such as the conversion to EVs, weight reduction, and the use of renewable energy in terms of manufacturing.

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

(based on the old accounting standards)



■ FY2021

Net sales (yoy)

JPY +22.0 bil. (JPY+50.2 bil.)

(based on the old accounting standards)

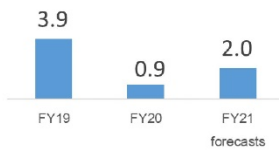
Operating income (yoy)

JPY +1.1 bil.

- (+) Steadily capture recovering demand mainly for electronics and in-vehicle products
- (+) Realize the benefits of investing in increased production of nickel titanium alloy products

Operating income

(JPY billion)



Focus points

- Increase sales of heat-resistant oxygen-free copper strips for power semiconductors and heat dissipation materials
- Increase sales of original alloys that support higher performance electronic devices
- Increase sales of well-differentiated magnet wire for server inductors and 5G communications infrastructure
- Steadily capture demand for medical devices that use nickel titanium alloy products

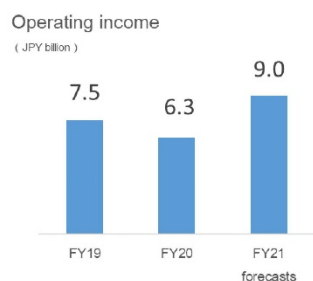
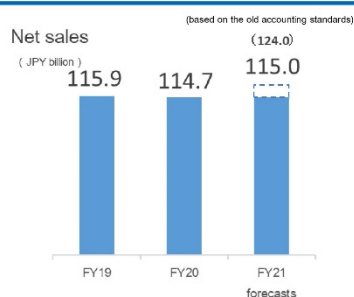
Page 29, Electronics Component Materials.

An increase of JPY22 billion in net sales or increase of JPY50.2 billion under the old accounting standards. Operating income is expected to be positive JPY1.1 billion. This is related to in-vehicle electronics.

In FY2020, the impact of COVID-19, especially in H1 of the year, was very bad, but we will work to capture steady demand as demand recovers. The benefits of investing in increased production of nickel-titanium alloys will be also realized. In FY2021, we are expecting these 2 effects.

The focus will be on expanding sales of oxygen-free copper strips and heat dissipation materials. The other thing we need to do is to develop the original alloy, as I have already mentioned. 5G, servers, data centers, and expanding sales of magnet wires. We are steadily incorporating nickel and titanium into our business for medical devices.

3 Functional Products



■FY2021 Net sales (yoy) JPY +0.3 bil. (JPY+9.3 bil.)
(based on the old accounting standards)

Operating income (yoy) JPY +2.7 bil.

- (+) Capture the active semiconductor and data center product demand, mainly tape for semiconductor process and heat dissipation / cooling products
- (+) In the copper foil business, along with progressively restoring the Taiwan Plant, focus on high value added products
- (+) Increase sales of disaster prevention and skill-free products

Focus points

- Develop, propose and introduce next generation products that will be a new source of earnings primarily in 5G, data centers and renewable energy markets
- Cultivate new markets and propose new applications including existing products
- Strengthen a system for development, manufacture and sales to steadily and flexibly respond to any market change such as further increase volumes of data traffic
- Establish a system for mass production at the Philippines Plant with the aim of capturing the demand for heat dissipation / cooling products for data centers

Page 30, Functional Products.

Last but not least, increased by JPY300 million. Under the old accounting standards the increase was JPY9.3 billion. Operating income was up JPY2.7 billion, mainly due to semiconductor manufacturing tapes and heat dissipation products. This is about capturing the booming demand for semiconductors and data center-related products.

In the copper foil business, we struggled in some areas in FY2020. However, the recovery of our Taiwan base is progressing smoothly. Naturally, there are products in which sales are increasing. In the field of high value-added products, or high frequency, we expect to increase those products that are profitable in FY2021.

We will also continue to expand sales of disaster prevention and skill-free products.

The focus will be on the 5G, data center, and renewable energy markets. This is also the same as what we have traditionally focused on. We will continue to develop new applications and markets for existing products as well.

In the midst of further increases in data traffic as the market is changing very rapidly, and we need to establish a development, manufacturing, and sales system that can respond quickly and flexibly. In this context, we have recently released a press release about our plant in the Philippines, and we will firmly establish a system here to capture the demand for data centers.

■ In FY2021, definitely strengthen the backbone of the company and plan the 2025 Medium-term Management Plan

● Reform the businesses

Continue to revise the business portfolio by strengthening the key businesses and responding to the low-margin and non-core businesses

● Establish and better foster new businesses

Create environment-friendly businesses and businesses that solve the social issues

● Strengthen management with a focus on capital efficiency

Evolve the “return on operating assets” indicator in the 2020 Medium-term Management Plan, and shift to target management focused on capital efficiency with increased awareness of the “cost of capital”

Page 31. In FY2021, we will make it a year to strengthen our business structure and make sure that the preparations for the FY2025 medium-term business plan are carried out. Although our medium-term plan has been delayed by 1 year to start in FY2022, we will in effect be making good preparations for the next medium-term plan. We will proceed firmly in the form of the zero year of the next medium-term management plan.

We will continue to reform our business, launch new businesses, strengthen our business development, and reinforce management that emphasizes capital efficiency. We will be giving a presentation on medium-term management plan on May 26. That's all from me.