Furukawa Electric Co., Ltd.

Q1 Financial Results Briefing for the Fiscal Year Ending March 2023

August 4, 2022

[Number of Speakers]	1	
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FY2022 Q1 Results Highlights

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■ **Net sales and operating income**

Due in part to the impact of the weaker yen and higher copper prices*, revenue increased in the Infrastructure, Electronics & Automotive Systems and Functional Products segments.

Although profit increased in the Infrastructure and Functional Products segments, consolidated operating income declined, due to the impact of the Automotive Products & Batteries business (Electronics & Automotive Systems segment), but was still generally in line with the forecast.

* Impact of foreign exchange: JPY +16.2 billion (JPY 110 /US dollar →JPY 130 /US dollar)
Impact of higher copper prices: JPY +9.4 billion (JPY 1,104 / kg → JPY 1,286 / kg)

■ **Ordinary income**

Increased due to improvement in profit/loss in equity method affiliates and foreign exchange gain resulting from the weaker yen.

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

Despite the lower extraordinary profit (JPY 2.5 billion→JPY 0.9 billion), net income attributable to owners of the parent company increased.

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

	FY20_Q1 Results	FY21_Q1 Results	FY22_Q1 Results	YoY Change
	a	b	c	c-b
Net Sales	176.5	218.8	260.3	+41.5
Operating income	▲ 1.2	3.8	1.1	▲ 2.7
Ordinary income	▲ 1.5	5.8	8.3	+2.5
Net income attributable to owners of the parent company	7.8	4.2	5.8	+1.5
Average copper price	616	1,104	1,286	
Average exhange rate	108	110	130	

Fukunaga: Yes. I am Fukunaga. Thank you very much for taking time out of your busy schedule to join us today. I will now explain the financial results for Q1 of FY2022.

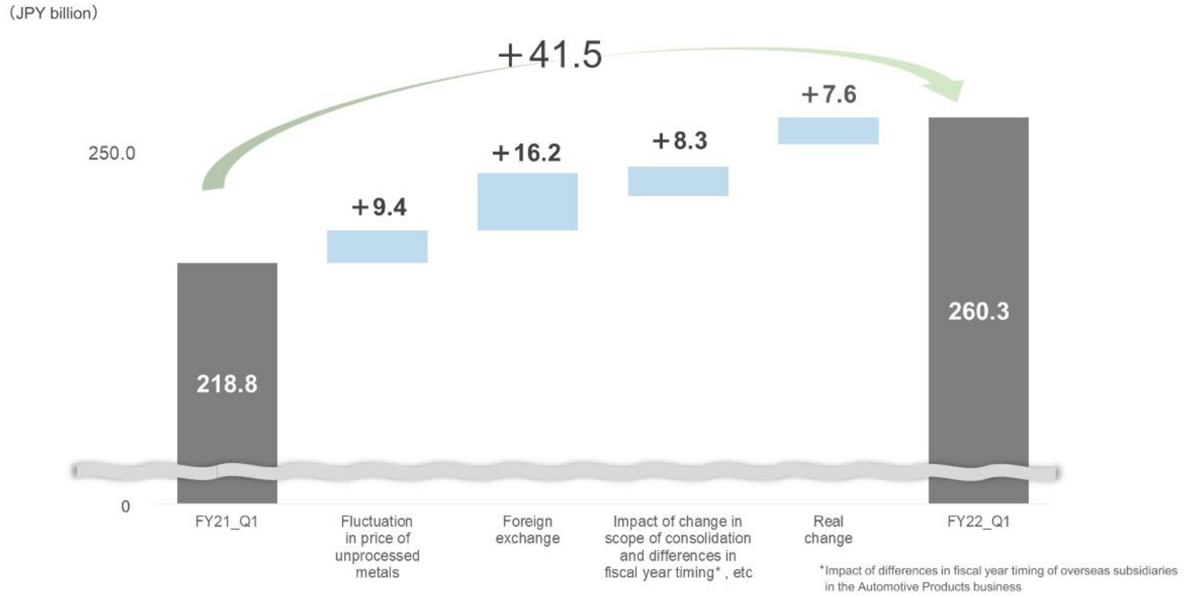
See page three. Here are the key points of Q1 results.

Q1 sales were JPY260.3 billion, operating income was JPY1.1 billion, ordinary income was JPY8.3 billion, and net income attributable to the parent company was JPY5.8 billion. Net sales and operating income increased in the infrastructure, electronics & automotive systems, and functional products segments, due partly to the weaker yen and higher copper prices. Although the infrastructure and functional products segment reported higher earnings, consolidated operating income also declined due to the impact of lower earnings in the automotive products & batteries businesses. However, the landing was almost in line with our expectations at the beginning of the year.

Ordinary income increased due to improved equity in earnings of affiliates and foreign exchange gains from the yen depreciation. Net income attributable to shareholders of the parent company also increased YoY due to the positive effect of ordinary income, despite a decrease in extraordinary income.

The yen has depreciated by approximately JPY20 against the US dollar. Copper prices rose from JPY1,104 to JPY1,286.

Analysis of Change in Net Sales (YoY)



See page five. This is the reason for the increase/decrease in sales.

This is an increase of JPY41.5 billion YoY. Looking at the details, the impact of bullion price fluctuations due to higher copper prices and the impact of exchange rate fluctuations due to a weaker yen were both significant positive factors.

The total increase was JPY8.3 billion due to changes in the scope of consolidation and the elimination of the January through December accounting period difference in the automotive & products business. Of this amount, about JPY7.0 billion will be a gap in the accounting period.

Excluding these factors, the real change was JPY7.6 billion, resulting in JPY260.3 billion in sales.

Analysis of Changes in Operating Income (YoY)

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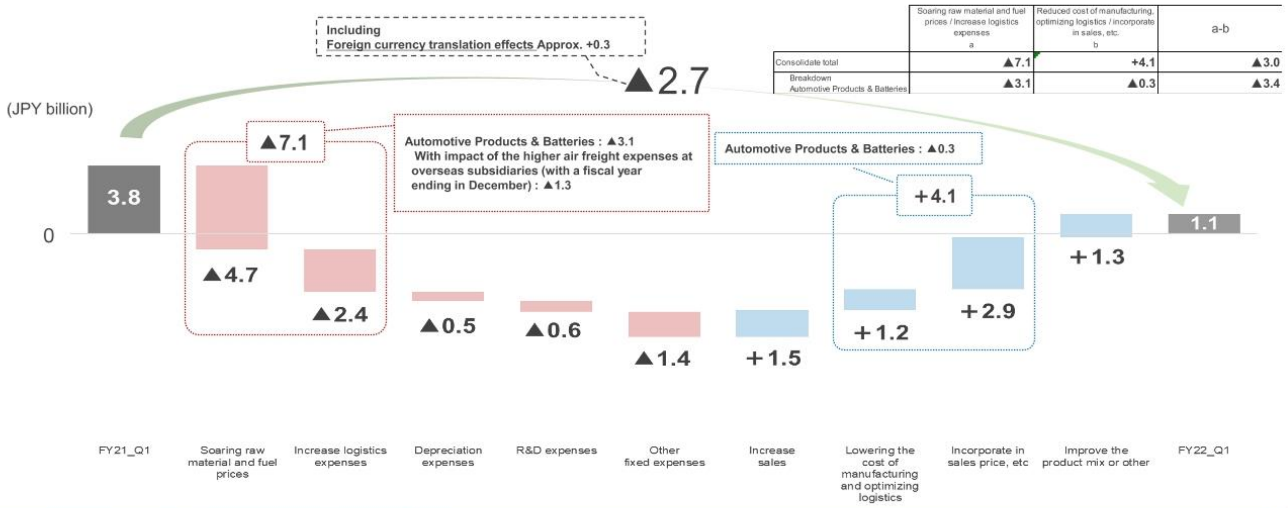
- Automotive Products & Batteries business: Profit decreased due to the inability to offset the impact of soaring raw material and fuel prices and an increase in logistics expenses by reducing cost of manufacturing and incorporating in sales price.
- Incorporating in sales price and billing for costs are under discussion and negotiation with customers in preparation for an agreement during the first half, and the effects of improvements were realized mainly in the second half.

	Soaring raw material and fuel prices / Increase logistics expenses a	Reduced cost of manufacturing, optimizing logistics / incorporate in sales, etc. b	a-b
Consolidate total	▲7.1	+4.1	▲3.0
Breakdown Automotive Products & Batteries	▲3.1	▲0.3	▲3.4



See next, page six. The factors for increase/decrease in operating income, shown here in waterfall.

This is a minus JPY2.7 billion YoY.

See left side, in red. The two items on the left are the soaring prices of raw materials and fuel, and the increase in logistics costs, which together had a negative impact of JPY7.1 billion. In contrast, the blue square on the right side shows the impact of cost reduction, optimizing logistics and incorporatng in sales price, etc., which together amounted to JPY4.1 billion, covering a JPY3.0 billion decrease in profit.

See table above right. The overall amount not covered here is minus JPY3.0 billion, of which minus JPY3.4 billion is in automotive products and batteries. In this sense, the other business sectors have been covered almost as expected, but the automotive products and batteries is still facing significant challenges, as you can see from this data.

The impact of the exchange rate conversion is about JPY0.3 billion, which is included in the waterfall.

Automotive Products & Batteries business
factors in the changes in operating income and overview

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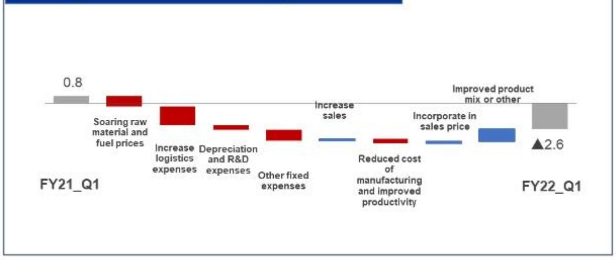

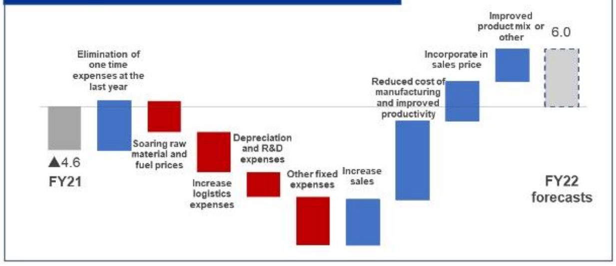

【Overview】
- Although the higher air freight expenses at overseas subsidiaries (with a fiscal year ending in December) due to the lockdowns in Vietnam continued to have an impact in Q1, these expenses will not be incurred from Q2
- In response to the higher raw material prices and logistics expenses, ongoing efforts are being made to incorporate the costs in the sales price, negotiate with the customers to bear the temporary costs of last year and optimize logistics operations
- In addition to an increase in fixed costs due to the opening of new facility in Vietnam, responding to changes in the customers' production plans has resulted in lower productivity at the overseas facility. Along with optimizing personnel numbers in line with the forecast production plan and securing/training experienced manufacturing personnel, further promote automation
- Despite the impact from lower customer production volumes caused by the semiconductor shortage, net sales were generally unchanged from last year. Going forward, continued attention will be given to customers' production plans, and efforts will be made to optimize inventory levels and limit CAPEX and fixed expenses

Next, please see page seven.

I mentioned earlier that the automotive products and batteries business is a major factor in the decline in operating income. This is a waterfall chart showing the increase/decrease between Q1 of YoY, the actual results for the fiscal year, and the forecast for the fiscal year, with the increase/decrease limited to automotive products and batteries.

As I explained earlier, we have not been able to make sufficient improvements, including soaring raw material and fuel costs, increased logistics costs, cost reductions, productivity improvements, and price transfers.

On the other hand, the product mix was positive in terms of new models starting up with new prices and high value-added products coming out here. However, even including this, the result was a decrease of JPY3.4 billion from the previous year.

In particular, in terms of the impact of the shift in the accounting period, there was a lockdown in Vietnam at the end of last year. The increase in air costs for the period from January to March was due to the lingering effects of the COVID-19, and the increase in logistics costs shown here was almost JPY2.0 billion, including temporary increase in air costs of JPY1.2 to JPY1.3 billion. These are being recovered from Q2 onward.

In addition, raw material prices, fuel costs, and logistics costs are increasing, and we are negotiating with customers to pass on these prices and one-time costs to customers. Steady improvement of logistics efficiency is also underway.

In addition, a new base in Vietnam was opened last year. Furthermore, we are increasing production to meet future orders. In this context, there is an increase in fixed costs due to an increase in the number of indirect factory staff. This is the increase in other fixed costs. The figure is about minus JPY1.0 billion.

In addition, changes in customers' production plans are occurring quite frequently. This is one of the factors that have led to a temporary deterioration in the productivity of our overseas sites. We will optimize our workforce in line with the outlook of the production plan, secure and train skilled manufacturing personnel, and promote automation in addition to the above.

Sales were on par with the previous year, although there was a shortage of semiconductors, etc. The Company will strive to optimize inventories and curb increases in capital investment and fixed costs by closely monitoring future customer production plans.

Orders from customers have been gradually increasing since June. On the other hand, since there will be another production cutback in August, we expect a full-fledged recovery to begin in September and return in H2.

Automotive Products & Batteries business issues and responses

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Issue	Response
Soaring raw material prices and higher logistics expenses	○ **Incorporate the higher costs in the sales price** • Adoption of market based pricing: Currently holding discussions and negotiations with customers aimed at reaching an agreement during H1 (Expect the new pricing to be retroactively applied from April) ○ **Request customers to bear the expenses resulting from changes to the production plan** • Air freight expenses: Expect to recover the full amount generated by customers of such expenses from this fiscal year • Warehouse expenses and inventory purchases: Currently discussing and negotiating with customers (Some have reached an agreement) ○ **Optimize logistics operations and reduce risk** • Revise the logistics routes to improve lead time : Combined route around the east coast for North America • Revise the type of service agreement of sea freight : Switch from spot agreements to annual agreements
Improvement of productivity	○ **Respond based on the changes to the production plans** • Optimize personnel numbers when the customer decreases production : Furlough excess personnel • Prepare for increased production in H2 : Increase personnel (secure experienced manufacturing personnel)/prepare training programs ○ **Further promote automation** • Enhance the use of DX : Increase the accuracy of production data, automate the creation of the bill of materials and inspection process

See next, page eight. We have written a few details on specific measures.

We are currently discussing and negotiating with customers to reach an agreement during H1 of the fiscal year on price shifting through the application of a sliding price scale. As a result, we expect to see this effect from Q2 onward, and mainly in H2. Naturally, we are continuing negotiations with our customers to have them recognize the added value of our new products, including aluminum wire harnesses.

Regarding the one-time increase in expenses, air expenses, incurred due to a change in the customer’s production plan. In these cases, the full amount will be collected starting this year.

Regarding warehousing costs, it has been agreed that customers will generally be billed for any increase in warehousing costs. Discussions and negotiations are ongoing regarding the purchase of inventory.

In terms of optimizing logistics and risk reduction, we are reviewing our logistics routes, particularly to avoid delays caused by disruptions at North American ports, and we are now using east coast routes in addition to west coast routes.

With regard to the revision of transaction conditions for marine transportation, we have changed to a form that allows us to secure vessels on an annual contract and transport at a certain expected price, so as not to be unable to send vessels when we want to under a spot contract, resulting in the use of air cargo.

With regard to productivity improvement, we are strengthening our response to changes in production plans. We have created a system that allows us to respond flexibly, for example, by temporarily sending excess personnel home in a manner that is in line with operations, by optimizing personnel when customers reduce production.

Although there was a temporary decrease in production, we expect to increase production in H2. To do so, we must increase the number of employees. To this end, we are preparing to secure and train skilled workers and to make firm progress in improving productivity as production volume returns.

In terms of promoting automation, we will continue to strengthen the use of DX.

FY2022 Q1 Results – P/L Summary

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■ Full-year forecast remains unchanged

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

	FY20 Q1	FY21 Q1	FY22 Q1	YoY Change	Breakdown of change (Q1)	*FY22 Forecasts
	a	b	c	c-b		
Net sales	**176.5**	**218.8**	**260.3**	**+41.5**	**+41.5 (+19%)** See page 5	**1,050.0**
Operating income	**▲ 1.2**	**3.8**	**1.1**	**▲ 2.7**	**▲2.7 (▲72%)**	**22.5**
(Margin)	▲ 0.7%	1.7%	0.4%	▲ 1.3	See page 6	2.1%
Profit/loss in equity method affiliates	0.0	2.1	4.2	+2.1		-
Foreign exchange gain/loss	0.1	0.2	3.0	+2.9		-
Ordinary income	**▲ 1.5**	**5.8**	**8.3**	**+2.5**	**+2.5 (+42%)**	**26.0**
(Margin)	▲ 0.8%	2.7%	3.2%	+0.5		2.5%
Extraordinary income/loss	13.7	1.8	0.4	▲ 1.4	・Extraordinary income : ▲1.6 (2.5 → 0.9)	▲ 3.0
Income taxes	4.0	2.9	3.0	+0.1	・Extraordinary loss : +0.2 (▲0.7 → ▲0.5)	-
Net income attributable to non-controlling interests	0.4	0.5	▲ 0.0	▲ 0.5		-
Net income attributable to owners of parent	**7.8**	**4.2**	**5.8**	**+1.5**	**+1.5 (+36%)**	**14.0**
(Margin)	4.4%	1.9%	2.2%	+0.3		1.3%
Average copper price	616	1,104	1,286	–		1,260
Average exhange rate	108	110	130	–		120

*Announced on May 12, 2022

See next, page nine.

The automotive business, which faced particularly difficult conditions in Q1, has been left unchanged for the year as expected. We expect the overall business to progress almost as planned, and we have left our full year forecast unchanged.

The copper price is JPY1,260.

With regard to the exchange rate, we are looking at the year based on the assumption of JPY120.

Net Sales and Operating Income by Segment

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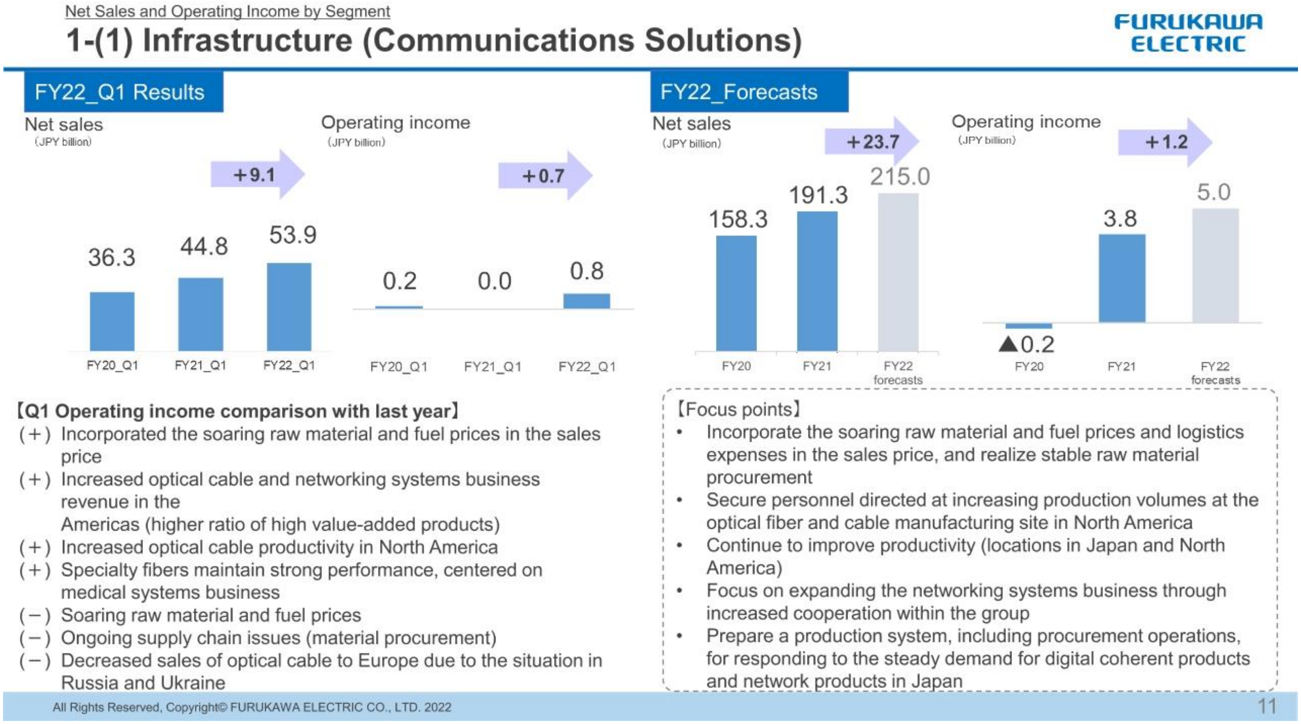
■ Full-year forecast remains unchanged

(JPY billion)

		Q1 FY20 Results (a)	Q1 FY21 Results (b)	Q1 FY22 Results (c)	Q1 YonY Change (c-b)	Full year *FY22 Forecasts (d)
Net sales	**Infrastructure**	**56.2**	**69.8**	**77.0**	**+7.2**	**330.0**
	Communications Solutions	36.3	44.8	53.9	+9.1	215.0
	Energy infrastructure	20.0	25.0	23.1	▲ 1.9	115.0
	Electronics & Automotive Systems	**92.5**	**118.2**	**147.7**	**+29.5**	**575.0**
	Automotive Products & Batteries	51.5	58.8	78.6	+19.7	295.0
	Electronics Component Materials	41.0	59.4	69.1	+9.7	280.0
	Functional Products	**25.7**	**29.9**	**34.7**	**+4.8**	**155.0**
	Service and Developments, etc.	**10.3**	**10.5**	**8.0**	**▲ 2.4**	**30.0**
	Elimination of intra-company transactions	▲ 8.2	▲ 9.6	▲ 7.1	+2.5	▲ 40.0
	Total	**176.5**	**218.8**	**260.3**	**+41.5**	**1,050.0**
Operating income	**Infrastructure**	**▲ 0.1**	**0.3**	**0.4**	**+0.2**	**6.5**
	Communications Solutions	0.2	0.0	0.8	+0.7	5.0
	Energy infrastructure	▲ 0.2	0.2	▲ 0.3	▲ 0.6	1.5
	Electronics & Automotive Systems	**▲ 1.8**	**1.9**	**▲ 1.3**	**▲ 3.2**	**10.0**
	Automotive Products & Batteries	▲ 1.8	0.8	▲ 2.6	▲ 3.4	6.0
	Electronics Component Materials	▲ 0.0	1.1	1.3	+0.2	4.0
	Functional Products	**1.1**	**2.0**	**2.2**	**+0.2**	**8.5**
	Service and Developments, etc.	**▲ 0.4**	**▲ 0.3**	**▲ 0.2**	**+0.1**	**▲ 2.5**
	Elimination of intra-company transactions	0.0	▲ 0.1	▲ 0.1	+0.0	0.0
	Total	**▲ 1.2**	**3.8**	**1.1**	**▲ 2.7**	**22.5**

*Announced on May 12, 2022

Next is page 10. Sales and operating income by segment. This will be explained on the next page and beyond.



See page 11. communications solutions.

Sales increased by JPY9.1 billion. Operating income also increased by JPY0.7 billion from last year.

As for the factors that may cause an increase or decrease in sales and operating income, there is the negative factor of the sharp rise in raw material and fuel prices. On the other hand, price pass-through of surging raw material and fuel prices is proceeding almost as planned. In addition, optical cable, and networking systems in North, Central and South America, and the Americas also saw increased revenues. The ratio of rollable ribbons and other high value-added products has also increased.

In addition, specialty fibers, mainly medical fibers, which recovered from the COVID-19 last year, are continuing to do well.

On the other hand, as for negative factors, there is the soaring raw material and fuel prices I mentioned earlier, and supply chain challenges are still ongoing.

Although the situation that disrupted production plans has been resolved to a large extent, as you will see on a later page, the production plan in Japan has also been affected by the difficult situation regarding the procurement of helium. However, helium is secured for the time being at the moment.

In addition, due to the situation in Russia and Ukraine, our plants in Russia have been shut down. This has had a negative impact on sales to Europe.

As for the outlook for the FY2022, we expect net sales to increase to JPY23.7 billion. Operating income is expected to be JPY5.0 billion, an increase of JPY1.2 billion.

As for key points of focus, as in the past, we will continue to firmly promote price shifting and stable procurement of raw materials. The North American optical fiber and cable business will continue to secure human resources and improve productivity in order to increase production volume.

In addition, the Group as a whole will expand its networking system business by strengthening cooperation within the Group, with a focus on Brazil and FEL. In addition, although customers are currently reducing production due to the shortage of semiconductors, we are preparing our production system to firmly respond to digital coherent-related products, which are expected to recover in H2, and domestic network-related products, which are originally designed for H2.

1-(1) Infrastructure (Communications Solutions)
:Factors in the changes in optical fiber and cable operating income (YoY)

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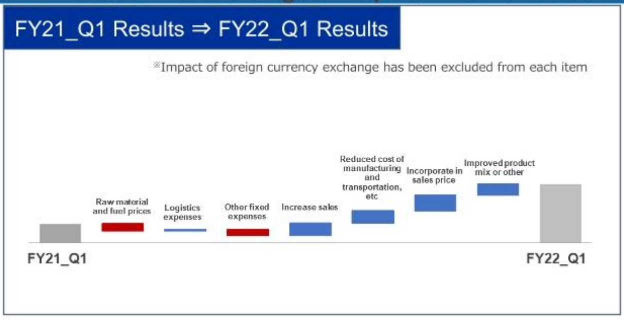
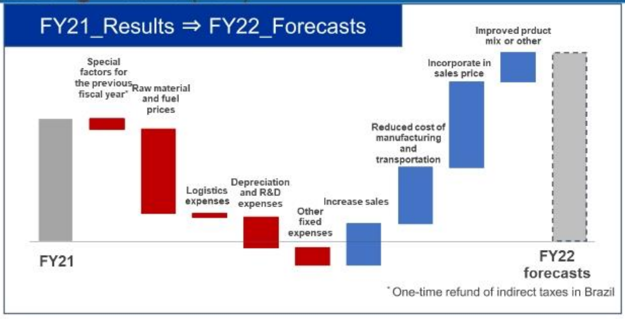




【Current status in Q1 and initiatives directed at achieving the full-year forecast】

- Increased net sales mainly in North America. Sales of value added products are also steadily increasing (Doubled the component ratio of rollable ribbon cable and making steady progress directed at increasing the ratio to 35% for the full-year. FY21_Q1 : 16% → FY22_Q1 : 33%)
- Currently working to incorporate the costs in the sales price in all regions(Optimize the outstanding orders at the end of this fiscal year accepted in the past in North America for which it is difficult to raise the price)
- Although production volumes at the optical cable site in North America are increasing as the result of improved productivity, securing and establishing personnel continues to be a major issue
  Efforts are being made to improve the situation by developing new hiring routes, revising wage levels and enhancing the training system
- Recently, the inability to stably procure raw materials such as helium has affected operating levels in Japan, but from H2, the benefits from the efforts to reduce the cost of manufacturing will appear following improvement in the procurement situation

See page 12. This chart shows the progress of operating income for fiber and cable in the communications solutions. On the right are the actual results for the fiscal year and a comparison with the forecast for the fiscal year. This is the same as previously presented.

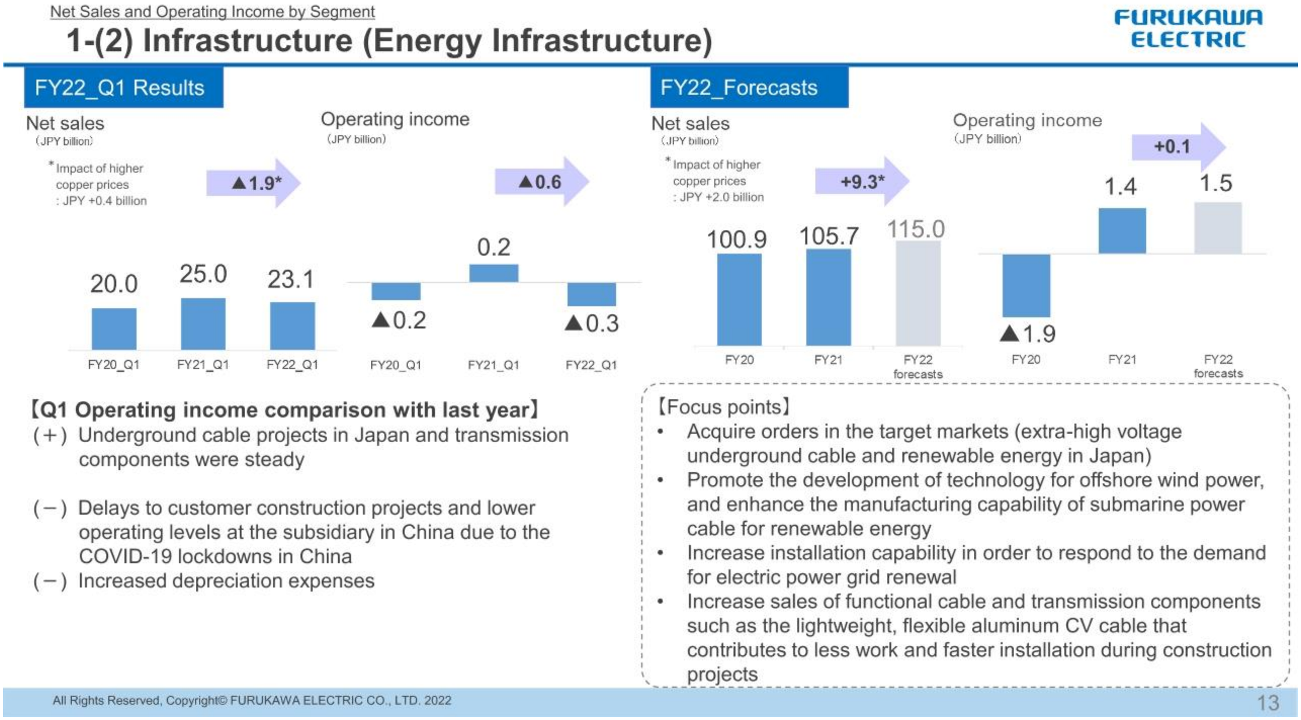
The left-hand side compares Q1 to Q1 of the previous year. As you can see from the height of the bar, progress in Q1 was almost as expected. We have already achieved a little more than a quarter of our goal, so I hope you will agree that we are making good progress.

As for value-added products, as I mentioned earlier, the ratio of rollable ribbons, which accounted for 16% in the same period last year, has increased to 33% this year.

Price shifting is also progressing. In North America, we had a backlog of orders in the past, which made it difficult to pass on prices, but this problem is also being resolved steadily. We expect the price shift to be quite strong at the end of the fiscal year through optimization, especially after Q4.

Productivity improvements at our North American optical cable locations continue to progress. No major problems have arisen in Q1. Production volume is also increasing. However, securing and retaining human resources continues to be a challenge. We will continue to develop recruitment channels, optimize salary levels, and enhance our training system.

In addition, the unstable procurement of helium and other raw materials I mentioned earlier has affected our operations in Japan. Helium, in the US, has not had a significant impact, which means that it is a domestic impact. ,We will stabilize procurement by firmly controlling procurement sources, etc., to achieve cost reduction effects from H2 of the fiscal year onward.



Next is page 13, energy infrastructure.

The energy infrastructure businesses reported net sales of minus JPY1.9 billion and operating income of minus JPY0.6 billion for Q1.

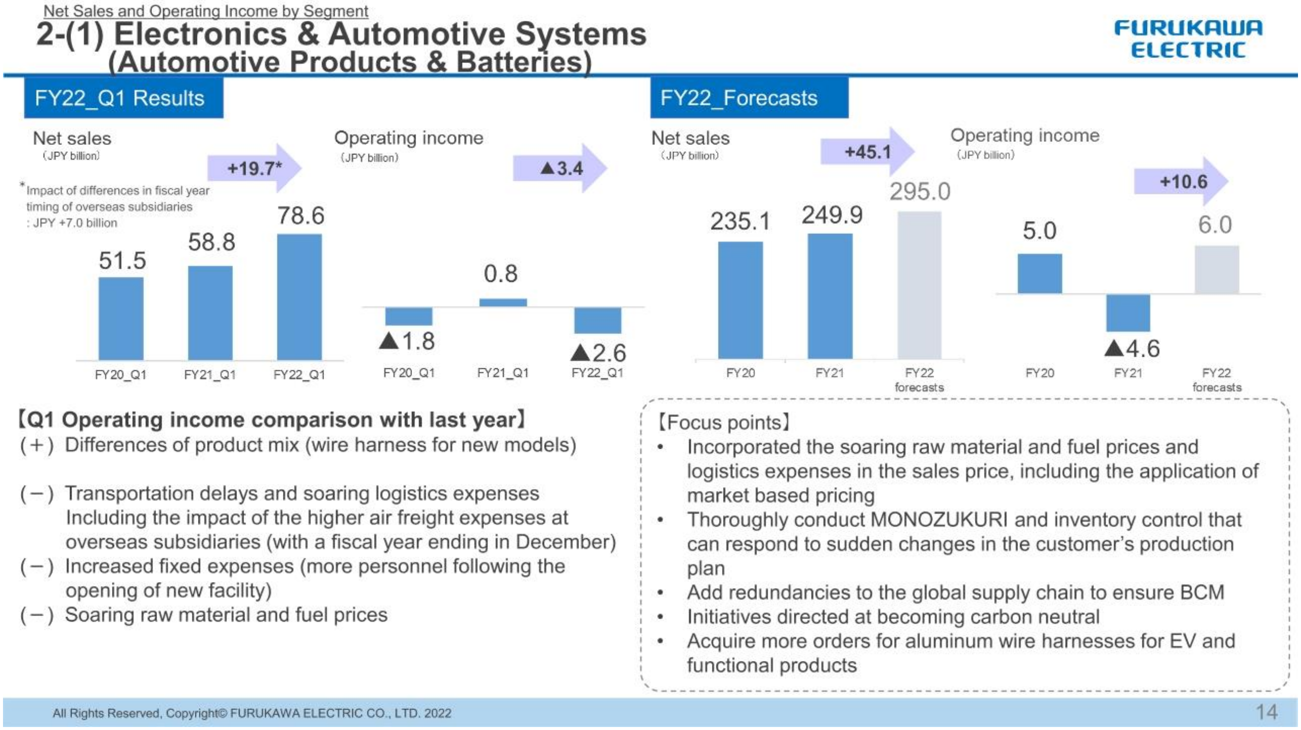
The main reasons for the negative JPY0.6 billion are the customer construction delays caused by the COVID-19 lockdown in China and the slowdown of operations at our Chinese subsidiary. This impact was almost negative JPY0.6 billion. This number, as it is, is negative.

Depreciation expenses increased, but this was covered by the domestic underground line project and power transmission components.

For the full year, we expect sales to be plus JPY9.3 billion and operating income to be plus JPY0.1 billion, on par with last year. Although the negative impact of COVID-19 in China was greater than expected, we believe that the situation is basically covered by the fact that orders are coming in steadily in our domestic target markets.

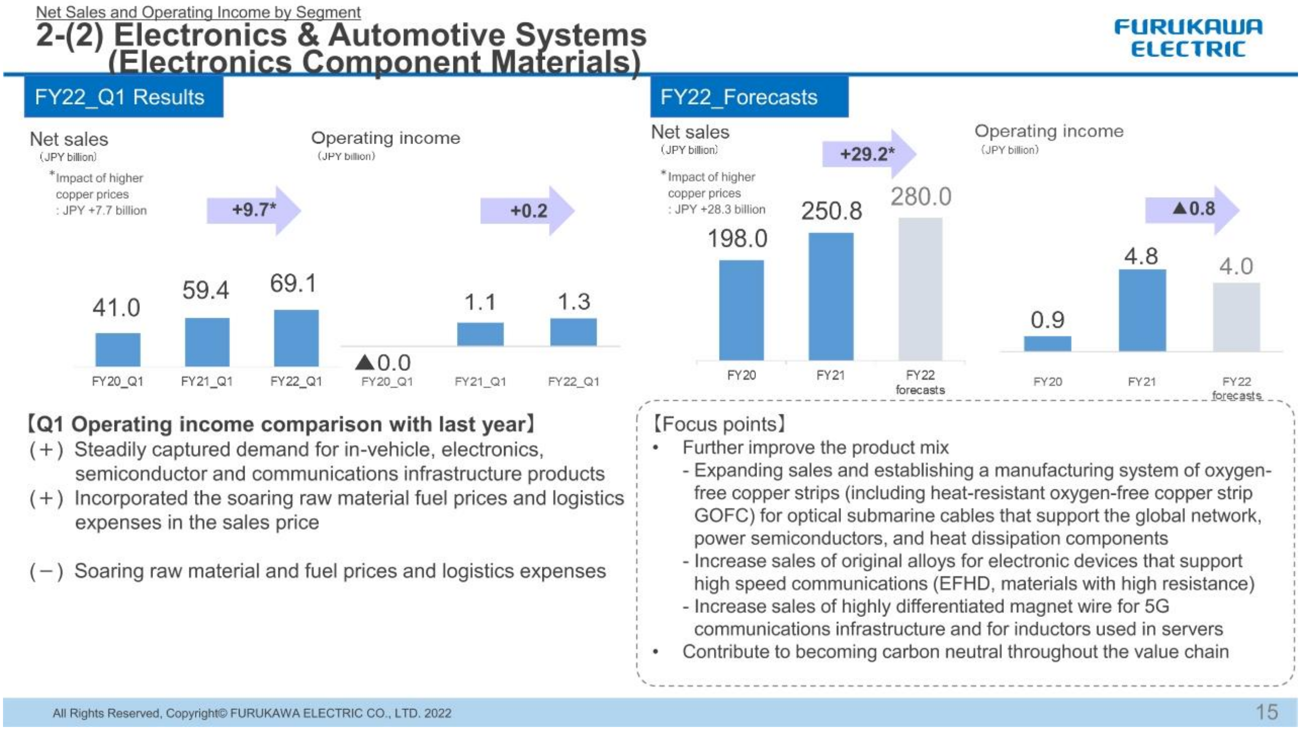
Also, offshore wind-related technologies. This is also being promoted through the Green Innovation Fund, etc. We will also continue to expand cable manufacturing capacity for submarine lines. The expansion of construction execution capacity is also proceeding as planned.

As for industrial wires, we are expanding sales of aluminum CV cables, which are known as Rakuraku Aluminum Cable, and we are also expanding sales of power transmission and distribution components. Profitability of industrial wires has also turned profitable, and we plan to further improve this situation.



Page 14, automotive products, and batteries.

I have already explained this in detail in another form, so I will omit the explanation.



Next is page 15, electronics component materials.

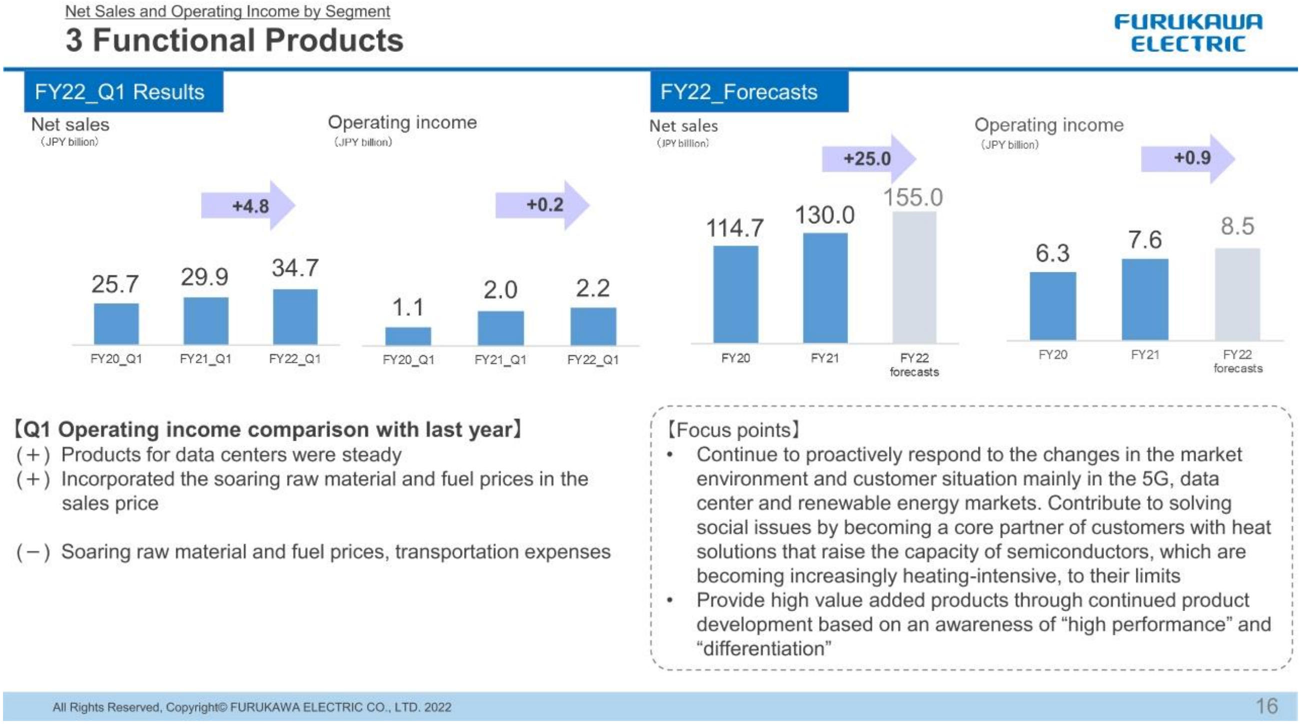
Net sales were plus JPY9.7 billion. Operating income was plus JPY0.2 billion. As for sales, there is a JPY7.7 billion increase in copper prices. There is also the effect of foreign exchange rates for overseas subsidiaries. As a result, it is almost the same level as last year. Operating income was JPY1.1 to JPY1.3 billion, about the same as last year.

The product mix in the automotive, electronics, semiconductor, and telecommunications infrastructure sectors is steadily advancing. Here, the situation is positive at the JPY0.5 billion to JPY0.6 billion level.

On the other hand, we are also trying to cover the effects of price hikes by passing on the cost of materials for electronics component materials. We have already been able to pass on a significant portion of the increase from last year. However, as the price continues to rise, we are in the process of making another round of price revisions in H2.

We will continue to improve the product mix going forward. This will result in annual sales of JPY29.2 billion, about the same as last year because of the copper price. Operating income was JPY4.8 billion to JPY4.0 billion, in line with our initial forecast, but down JPY0.8 billion from last year.

This has not been particularly affected by the current situation, but there have been production reductions in the automotive industry. Because of the possibility of delays and impacts, we are originally cautious about the future outlook, which is JPY4.8 billion to JPY4.0 billion. Please understand that this is not something that is causing any real problems.



Page 16, functional products.

As for functional products, Q1 sales increased JPY4.8 billion and operating income increased JPY0.2 billion. The major impact is the sharp rise in raw material and fuel prices and logistics costs. This is compensated for by passing on higher raw material and fuel prices.

We have been able to pass on most of last year’s price increases, but as I mentioned earlier, we are currently promoting a second round of price increases and price pass-on, just as we did with the electronics component materials business.

For the full year, we see operating income of JPY8.5 billion, roughly the level of Q1, continuing throughout the year. Sales to data centers were also strong in Q1. The Company is making steady progress. We expect this to continue to be a steady trend.

The environment surrounding markets and customers is changing, especially in the 5G, data center, and renewable energy-related markets, and we will become a core part of our customers’ businesses and contribute to solving social issues by utilizing our thermal solution technologies.

In addition, as in the past, we will provide high value-added products through continued product development with an awareness of high functionality and differentiation, which are our keywords. We believe that this will enable us to achieve our forecasted results for the current fiscal year.

FY2022 Q1 Results – B/S Summary

(JPY billion)

	End of FY21_Q4	End of FY22_Q1	Change
	a	b	b-a
Current assets	**503.0**	**515.6**	**+12.6**
Cash and bank deposits	65.2	58.7	▲ 6.4
Notes and accounts receivable trade	230.3	234.2	+3.9
Inventories	164.1	182.6	+18.5
Non-current assets	**432.9**	**454.9**	**+22.0**
Tangible fixed assets	260.2	272.4	+12.2
Intangible fixed assets	20.5	20.2	▲ 0.3
Investments and other assets	152.2	162.3	+10.0
Total Assets	**935.9**	**970.5**	**+34.6**
Current liabilities	**379.7**	**394.3**	**+14.6**
Non-current liabilities	**242.1**	**249.8**	**+7.7**
Total Liabilities	**621.8**	**644.2**	**+22.4**
Shareholders' equity	266.0	268.4	+2.3
Accumulated other comprehensive income	13.2	22.5	+9.3
Net income attributable to non-controlling interests	34.8	35.5	+0.6
Total Net assets	**314.1**	**326.3**	**+12.2**
Total Lianbilities and Net assets	**935.9**	**970.5**	**+34.6**
Interest-bearing liabilities	342.1	357.9	+15.8
Capital ratio	29.8%	30.0%	+0.2
NET D/E ratio	1.0	1.0	+0.0

Inventories

Increased by JPY +18.5 billion

Rapid movement in currency exchange rates and changes in customers' automobile production plans had a major impact

- Impact of foreign currency exchange : JPY +4.9 billion
- Impact of new consolidation : JPY +1.4 billion
- Lower customer production volumes caused by the semiconductor shortage and lockdowns : JPY +6.5 billion
- Safety and strategic stock accumulated in preparation for raw material procurement risks : JPY +4.4 billion
- Construction and other projects planned to be recorded as net sales in the future : JPY +1.3 billion

Property, plant and equipment & Intangible assets

Increased by JPY +11.9 billion

- Impact of CAPEX and depreciation : JPY ▲2.8 billion
- Application of the new lease accounting standard at affiliates adopting US GAAP : JPY +6.1 billion
- Impact of foreign currency exchange : JPY +8.8 billion

Total assets

Increased by JPY +34.6 billion

- Impact of foreign currency exchange : JPY +26.0 billion
- Impact of new consolidation : JPY +5.0 billion
- Application of the new lease accounting standard at affiliates adopting US GAAP : JPY +6.1 billion

Net interest bearing debt

Increased by JPY +22.2 billion
(JPY 277.0 billion → JPY 299.2 billion)

Then, page 17. This is a summary of balance sheet at the end of Q1.

As for the end of Q1, if we talk about total assets, the area highlighted in a little blue on the right side, total assets amounted JPY34.6 billion. Here, the foreign exchange impact is a plus of JPY26.0 billion. Plus, JPY5.0 billion in newly consolidated companies. In addition, the introduction of new lease accounting standards in the US resulted in an increase of JPY6.1 billion in fixed lease assets.

This impact of JPY34.6 billion can be explained, but actually, looking at the breakdown, inventories increased by JPY18.5 billion from the end of the previous fiscal year.

This includes the effect of exchange rates. There is also the impact of new consolidation. However, except for these, there is a shortage of semiconductors, lockdowns, etc., and the impact of reduced production by customers due to this, as well as safety in the midst of unstable raw material procurement and holding strategic inventories. In the case of project-related items, there will be an increase in work-in-progress for future sales.

We have been able to analyze the contents. As in the past, we will continue to optimize inventories by carefully analyzing the structure of inventories and optimizing them by holding those that are necessary and naturally not holding those that are unnecessary.

Interest-bearing debt in the lower row shows an increase of JPY22.2 billion in NET interest-bearing debt. This is partly linked to an increase in inventories. It also includes valuation increases due to foreign exchange.

The capital adequacy ratio and net debt-to-equity ratio are 30% and 1.0, respectively, which are almost in line with our annual targets.

In addition, we have not changed our forecasts for ROIC of 3% and ROE of 5%, which we set at the beginning of the year, and I hope you will agree that we are making progress almost in line with our expectations.

FY2022 Q1 Results CAPEX, Depreciation & Amortization and R&D Expenses

FURUKAWA ELECTRIC

■ **The results were generally in line with the forecast. The full-year forecast remains unchanged.**

(JPY billilon)

	FY20_Q1 Results	FY21_Q1 Results	FY22_Q1 Results	YoY Change	*FY22 Forecasts
	a	b	c	c-b	d
CAPEX	7.6	7.2	**6.4**	▲ 0.8	47.0
Depreciation and amortization	7.8	8.4	**9.2**	+0.9	38.0
R&D expenses	5.2	5.0	**5.9**	+0.9	24.0

*Announced on May 12, 2022

Page 18, capital expenditures, depreciation, and research.

Since these results are generally in line with our expectations, we have left our full-year forecasts unchanged. However, we will exercise appropriate control based on a careful assessment of market trends, changes in customers' plans, and other such factors.

That is all for explanation. Thank you for your attention.