

FY2020 Q3 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.

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

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FURUKAWA ELECTRIC CO., LTD.

- Through the first nine months of FY2020, recorded lower profit on decreased revenue due to the impact of COVID-19 through Q2
- In Q3 (the three months from September 1 through December 31, 2020), the Electronics & Automotive Systems segment centered on automotive products recovered more than expected, and an operating income was achieved
- In the full-year forecast, net sales, operating income and ordinary income have been revised up. As a result, ordinary income, which was forecast to be a loss in the previous announcement, is now expected to be a profit

FY2020 Q3 Results - P/L Summary

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

	FY19Q3		FY20Q3		YoY change		Breakdown of change (Q3)
	a	10-12 a'	b	10-12 b'	b-a	10-12 b'-a'	
Net sales	676.2	221.0	563.0	208.6	▲ 113.1	▲ 12.4	▲113.1 (▲17%) See page 5
Operating income	15.3	4.5	▲ 0.7	2.6	▲ 16.0	▲ 1.9	▲16.0 See page 6
(Margin)	2.3%	2.0%	▲ 0.1%	1.3%	▲ 2.4	▲ 0.8	
Profit/loss in equity method affiliates	1.3	1.5	▲ 0.5	0.6	▲ 1.8	▲ 0.9	
Foreign exchange gain/loss	▲ 0.4	0.4	▲ 0.9	▲ 0.5	▲ 0.5	▲ 0.9	
Ordinary income	13.9	5.5	▲ 3.8	2.2	▲ 17.6	▲ 3.3	▲17.6
(Margin)	2.1%	2.5%	▲ 0.7%	1.0%	▲ 2.7	▲ 1.4	
Extraordinary income/loss	1.1	▲ 1.0	10.4	▲ 1.1	+9.3	▲ 0.1	•Extraordinary income +18.2 (4.9 →23.1)
Income taxes	6.7	2.5	4.6	1.3	▲ 2.1	▲ 1.2	•Extraordinary loss ▲9.0 (▲3.8 →▲12.7)
Net income attributable to non-controlling interests	0.9	0.7	1.6	1.0	+0.7	+0.3	
Net income attributable to owners of parent	7.4	1.4	0.5	▲ 1.1	▲ 7.0	▲ 2.5	▲7.0 (▲94%)
(Margin)	1.1%	0.6%	0.1%	▲ 0.5%	▲ 1.0	▲ 1.1	
Average copper price	689	683	714	792	—	—	
Average exchange rate	109	109	106	104	—	—	

Extraordinary income :

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

Extraordinary loss :

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

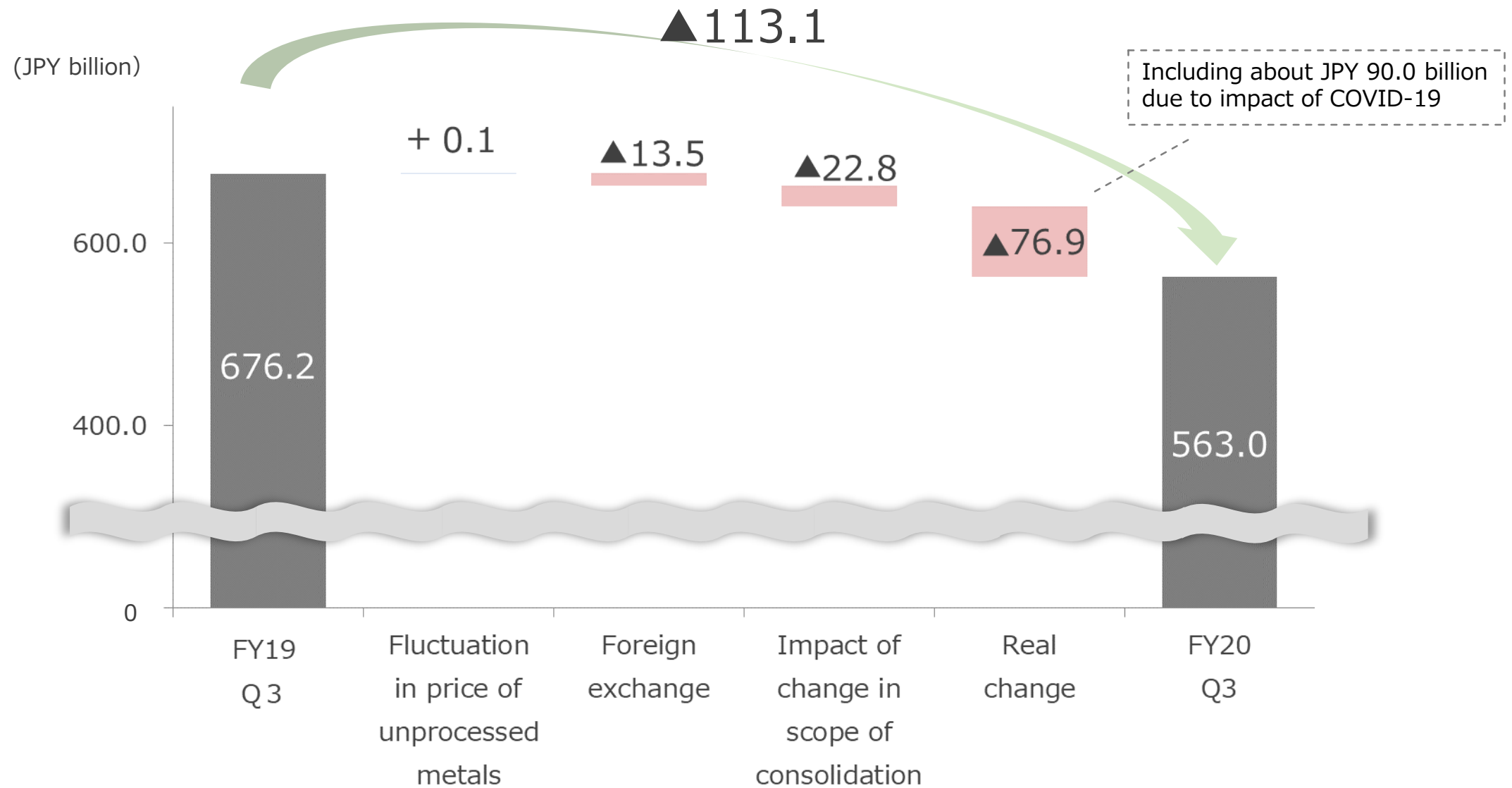
•Loss on the transfer of a business (▲3.7 : Q1)

•Loss caused by COVID-19 (▲1.4 : Q2)

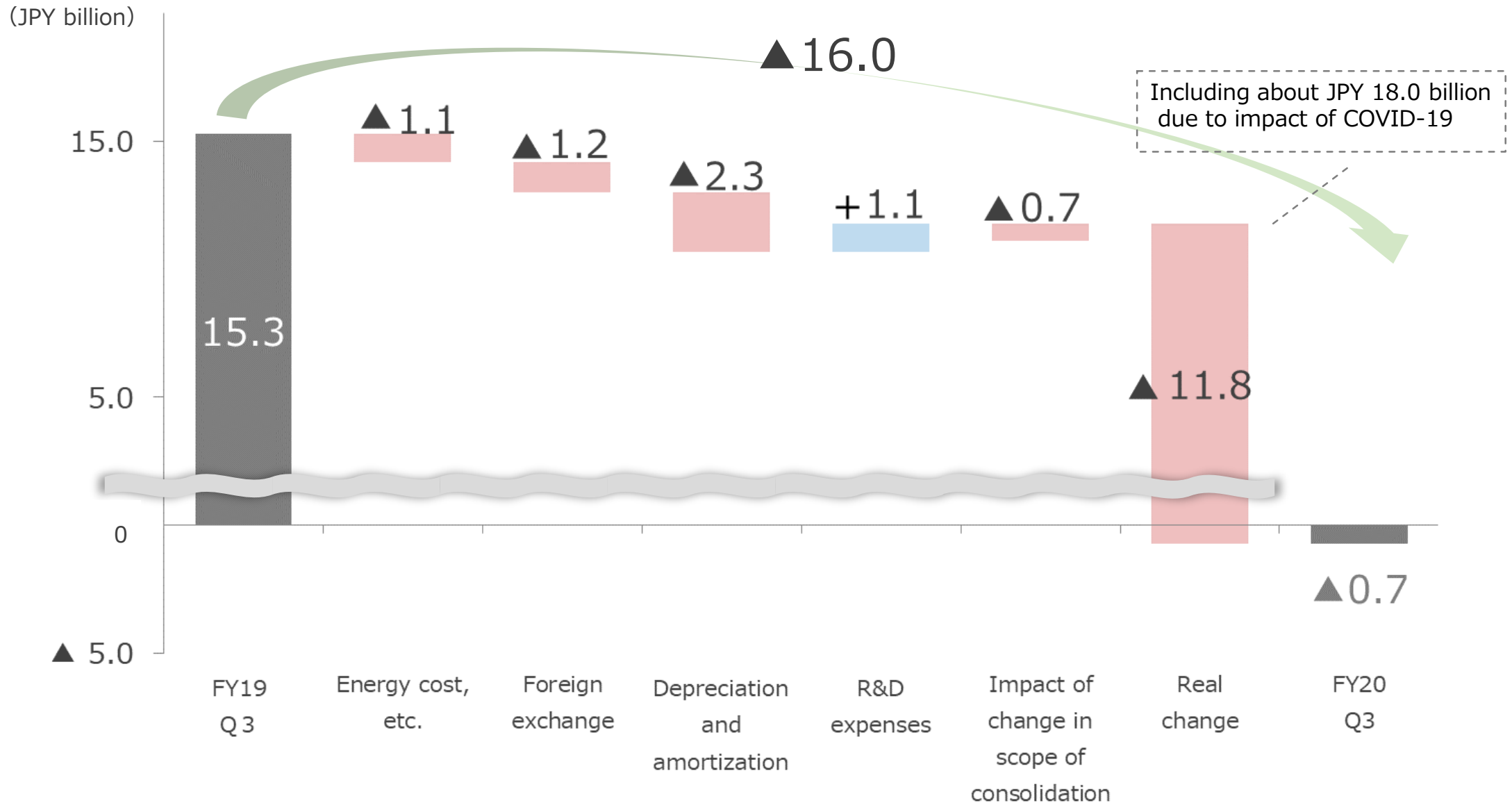
* Recorded an extraordinary loss for the fixed expenses incurred while operations at several overseas subsidiaries were suspended to prevent the spread of COVID-19 infections

•Loss on changes in equity (heavy magnet wire)
(▲0.5 : Q3)

Analysis of Changes in Net Sales (YoY)



Analysis of Changes in Operating Income (YoY)



Revision of FY2020 Full-year Forecasts

- Operating income has been revised up due to the greater than expected recovery primarily in the Electronics & Automotive Systems segment
- Ordinary income has been revised up following the increased operating income
- After taking into consideration factors such as income taxes and net income attributable to non-controlling interests, net income attributable to owners of the parent company has been left unchanged

(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
Net sales	914.4	780.0	810.0	▲ 104.4	+30.0
Operating income	23.6	5.0	6.0	▲ 17.6	+1.0
(Margin)	2.6%	0.6%	0.7%	▲ 1.8	+0.1
Profit/loss in equity method affiliates	2.5	—	—	—	—
Foreign exchange gain/loss	▲ 1.0	—	—	—	—
Ordinary income	22.8	▲ 0.5	0.5	▲ 22.3	+1.0
(Margin)	2.5%	▲ 0.1%	0.1%	▲ 2.4	+0.1
Extraordinary income/loss	8.0	10.4	12.0	+4.0	+1.6
Income taxes	11.8	—	—	—	—
Net income attributable to non-controlling interests	1.4	—	—	—	—
Net income attributable to owners of parent	17.6	3.0	3.0	▲ 14.6	—
(Margin)	1.9%	0.4%	0.4%	▲ 1.6	—
Average copper price	682	697	720	(After Q4:740)	—
Average exchange rate	109	106	106	(After Q4:105)	—

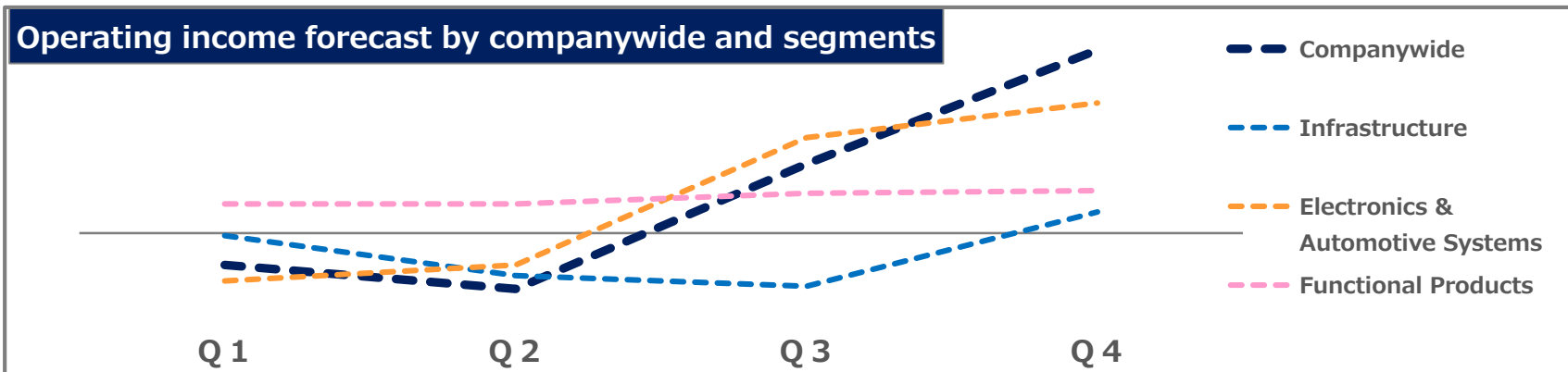
*Announced on November 5, 2020

FY2020 Full-year Operating Income Forecast

- Compared to the previous forecast, the Electronics & Automotive Systems and Functional Products segments have been revised up, and the Infrastructure segment has been revised down

(JPY billion)

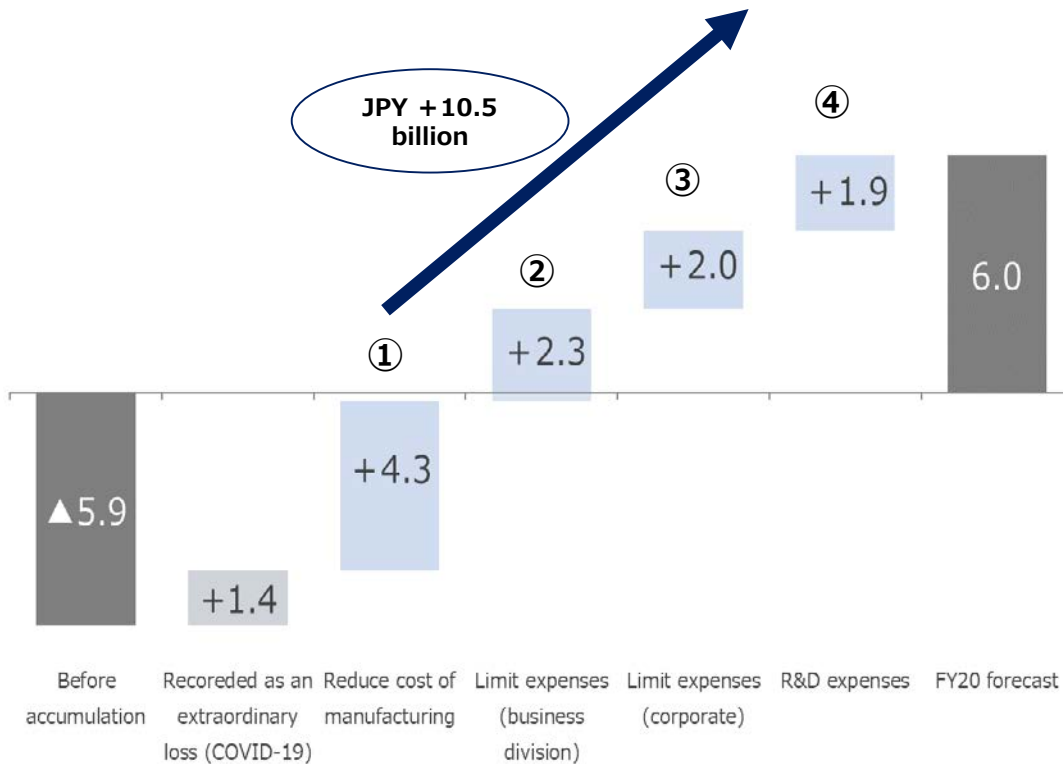
Segment	Sub-segment	Previous	Current	Difference	Main factors behind the revision (business / product) Red: negative factors Blue: positive factors
Infrastructure	Communications Solutions	0.5	▲0.5	▲1.0	<ul style="list-style-type: none"> Specialty fiber: medical and industrial Devices for amplifiers Network products in Japan
	Energy Infrastructure	▲1.5	▲2.5	▲1.0	<ul style="list-style-type: none"> Products for the construction and electric appliance market in Japan and railroad market Power cable (China)
Electronics & Automotive Systems	Automotive Products & Batteries	3.0	5.0	+2.0	<ul style="list-style-type: none"> Wire harnesses (North America / China) Batteries
	Electronics Component Materials	0	0.5	+0.5	<ul style="list-style-type: none"> Products for automotive applications
Functional Products		5.0	5.5	+0.5	<ul style="list-style-type: none"> Specialty wire for automotive and electronics applications



Progress of the Emergency Management Responses FURUKAWA ELECTRIC

- The Emergency Response Team is implementing various responses based on the forecast for deteriorating profits caused by COVID-19
 - The execution of additional measures aimed to reducing costs and limiting business expenses is progressing as planned

Annual effect amount



	Q3 result of effect amount (JPY billion)	Main additional measures
① Reduce cost of manufacturing	+2.7	<ul style="list-style-type: none"> • Reduce depreciation expenses by revising the capital investment • Reduce costs related to manufacturing
② Limit expenses (business division)	+2.4	<ul style="list-style-type: none"> • Limit operating expenses (business trip expenses, entertainment expenses, etc.) • Cancel or postpone internal events
③ Limit expenses (corporate)	+1.6	<ul style="list-style-type: none"> • Limit operating expenses (business trip expenses, entertainment expenses, etc.)
④ R&D expenses	+1.2	<ul style="list-style-type: none"> • Increase efficiency through the use of simulation analysis and online business meetings
Total	+7.9	

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Net Sales and Operating Income by Segment

(JPY billion)

		Q3 (First 9Months)			Full-year				
		FY19 Results	FY20 Results	YoY Change	FY19 Results	*FY20 Previous Forecasts	FY20 Forecasts	YoY Change	Change from previous forecasts
Net Sales	Infrastructure	204.1	185.3	▲ 18.8	280.9	255.0	255.0	▲ 25.9	0
	Communications Solutions	121.7	113.4	▲ 8.3	166.4	155.0	155.0	▲ 11.4	0
	Energy infrastructure	82.3	71.9	▲ 10.4	114.5	100.0	100.0	▲ 14.5	0
	Electronics & Automotive Systems	378.8	290.1	▲ 88.7	509.3	415.0	440.0	▲ 69.3	+25.0
	Automotive Products & Batteries	185.4	156.2	▲ 29.2	257.6	245.0	250.0	▲ 7.6	+5.0
	Electronics Component Materials	193.4	133.8	▲ 59.5	251.7	170.0	190.0	▲ 61.7	+20.0
	Functional Products	87.9	83.8	▲ 4.1	115.9	105.0	110.0	▲ 5.9	+5.0
	Service and Developments, etc.	38.8	29.3	▲ 9.5	50.3	45.0	45.0	▲ 5.3	0
	Elimination of intra-company transactions	▲ 33.3	▲ 25.4	+7.9	▲ 42.0	▲ 40.0	▲ 40.0	+2.0	0
	Total	676.2	563.0	▲ 113.1	914.4	780.0	810.0	▲ 104.4	+30.0
Operating Income	Infrastructure	0.3	▲ 3.7	▲ 4.0	1.7	▲ 1.0	▲ 3.0	▲ 4.7	▲ 2.0
	Communications Solutions	0.2	▲ 1.6	▲ 1.8	1.6	0.5	▲ 0.5	▲ 2.1	▲ 1.0
	Energy infrastructure	0.1	▲ 2.1	▲ 2.2	0.1	▲ 1.5	▲ 2.5	▲ 2.6	▲ 1.0
	Electronics & Automotive Systems	10.0	0.6	▲ 9.4	14.8	3.0	5.5	▲ 9.3	+2.5
	Automotive Products & Batteries	7.4	0.4	▲ 7.0	10.9	3.0	5.0	▲ 5.9	+2.0
	Electronics Component Materials	2.6	0.2	▲ 2.4	3.9	0.0	0.5	▲ 3.4	+0.5
	Functional Products	5.4	3.7	▲ 1.7	7.5	5.0	5.5	▲ 2.0	+0.5
	Service and Developments, etc.	▲ 0.3	▲ 1.4	▲ 1.2	▲ 0.3	▲ 2.0	▲ 2.0	▲ 1.7	0
	Elimination of intra-company transactions	▲ 0.1	0.1	+0.2	▲ 0.1	0.0	0.0	+0.1	0
	Total	15.3	▲ 0.7	▲ 16.0	23.6	5.0	6.0	▲ 17.6	+1.0

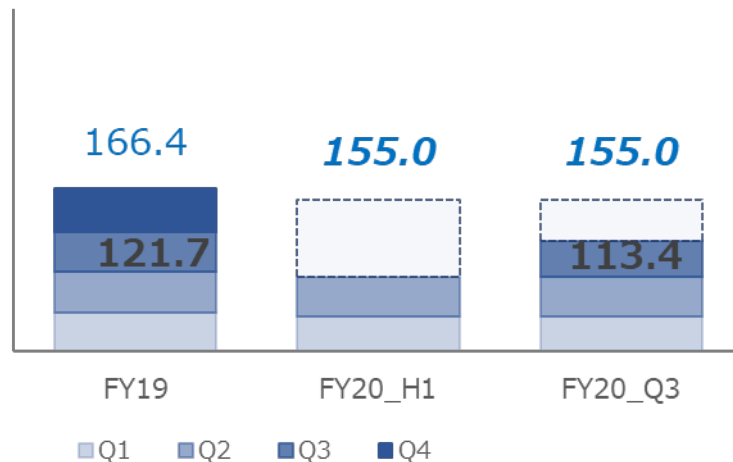
*Announced on November 5, 2020

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1-(1) Infrastructure (Communications Solutions)

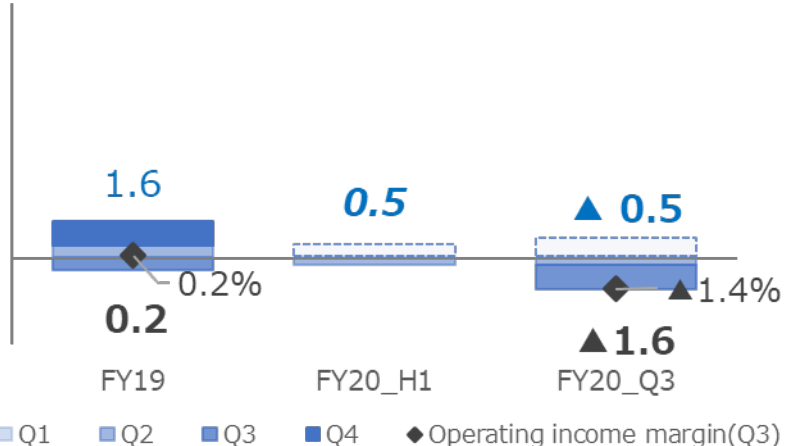
Net sales

(JPY billion)



Operating income / operating income margin

(JPY billion)



Blue : Full year Net Sales, Operating Income
Black : First 9 months Net Sales, Operating Income

■ Results through Q3 Net sales (yoy)

JPY ▲8.3 bil.

- Increased revenue from optical fiber and cable products when excluding the impact of foreign exchange (mainly Brazilian real depreciation)
- Decreased revenue from network products in Japan and industrial lasers due to COVID-19

Operating income (yoy)

JPY ▲1.8 bil.

- (+) Firm optical fiber and cable demand in North America
- (+) Increased supply capacity of digital coherent products
- (-) Competition in the optical fiber and cable business continued to be severe
- (-) Decreased revenue from network products in Japan, industrial lasers and specialty fibers for medical and industrial due to depressed customer capital investments caused by COVID-19
- (-) Increased depreciation expenses
- (-) FTTH solution business in South America is performing well. Increased revenue on the local currency basis, but lower profit due to the impact of foreign exchange

■ FY20 forecast Net sales (vs. previous forecast)

No change

Operating income (vs. previous forecast)

JPY ▲1.0 bil.

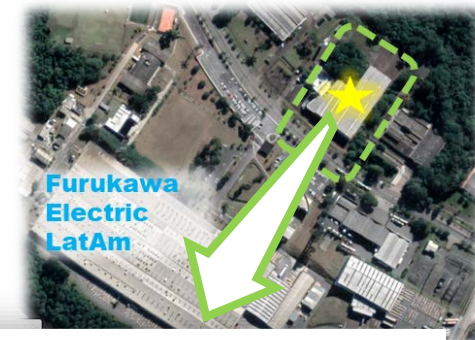
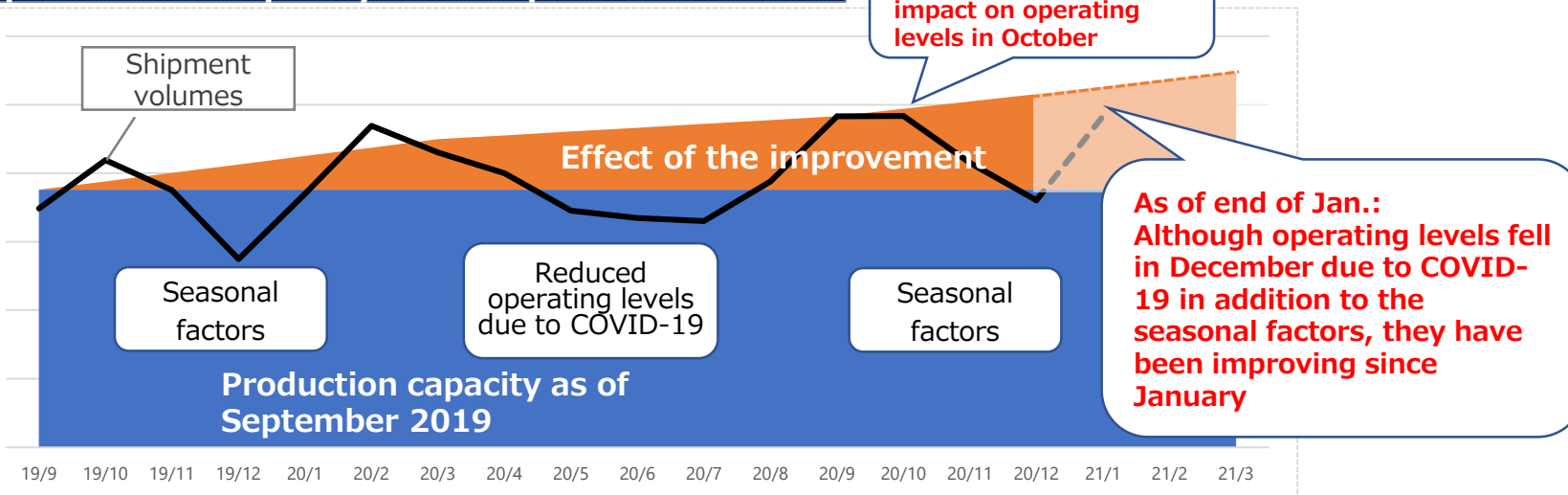
- (-) Decrease revenue from specialty fibers
- (-) Network products in Japan will be affected by project delays
- (-) Decrease demand in devices for amplifiers by new construction slowdown due to COVID-19

* Digital coherent products, and the FTTH solutions business in South America continue to be performing well

1-(1) Infrastructure (Communications Solutions)

- Optical fiber and cable demand in North America continues to be strong, and our shipment volumes have increased
(Total through FY2020 Q3: Optical fiber shipment volumes to North America: approximately +15% compared to last year)
- Although optical cable production in North America was affected by COVID-19 in addition to the seasonal factors in November and December, production has been improving since January. Continued efforts will be made to increase production and lower costs
- Operations started in January 2021 at the new FTTH solutions plant in South America

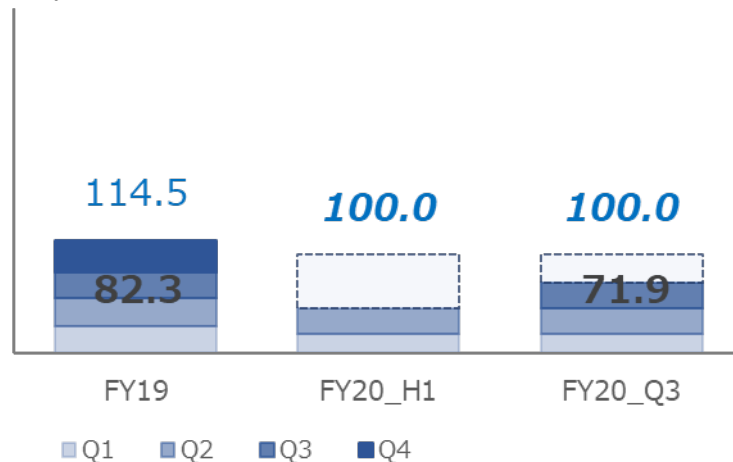
Changes in North America optical cable production capacity and shipment volumes



1-(2) Infrastructure (Energy Infrastructure)

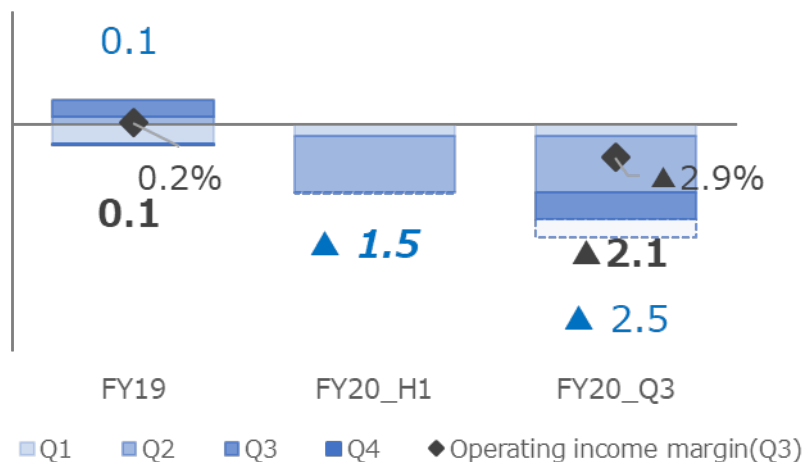
Net sales

(JPY billion)



Operating income / operating income margin

(JPY billion)



Blue : Full year Net Sales, Operating Income
Black : First 9 months Net Sales, Operating Income

■ Results through Q3 Net sales (yoy)

JPY ▲10.4 bil.

Operating income (yoy)

JPY ▲2.2 bil.

- (+) Steady progress continues 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 electric appliance market in Japan and railroad market, as well as deferred sales due to construction project delays at the subsidiary in China
- (-) Higher one-time evaluation expenses following the adoption of new materials

■ FY20 forecast Net sales (vs. previous forecast)

No change

Operating income (vs. previous forecast)

JPY ▲1.0 bil.

- (-) Recovery from the impact of COVID-19 in the construction and electric appliance market in Japan and railroad market will be slower than expected
- (-) Construction project delays caused by COVID-19 at the subsidiary in China

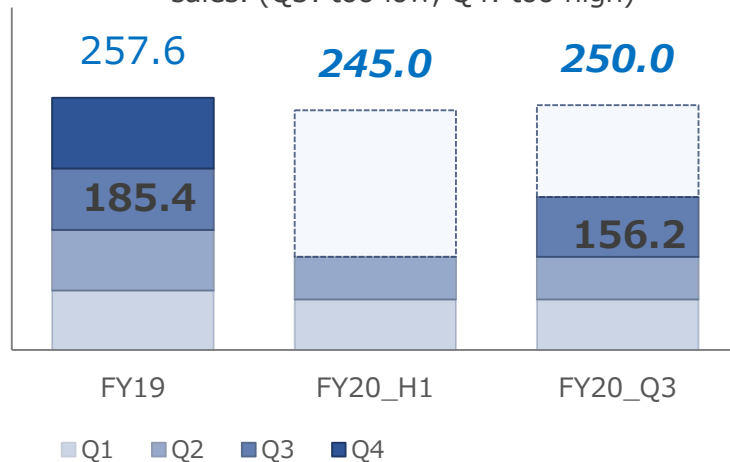
* Although the renewable energy projects in Japan and the underground cable projects in Japan and overseas have progressed fairly smoothly, some projects have been delayed due to the impact of COVID-19

Net Sales and Operating Income of Each Segment

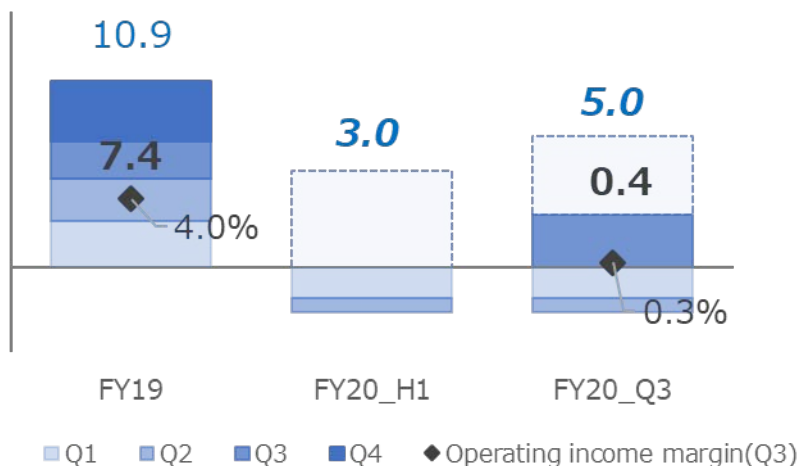
2-(1) Electronics & Automotive Systems (Automotive Products & Batteries)

Net sales (JPY billion)

*Difference of the fiscal year-end of overseas subsidiaries resulted in a transfer of about JPY 10 billion to the quarterly consolidated elimination of sales. (Q3: too low, Q4: too high)



Operating income / operating income margin (JPY billion)



Blue : Full year Net Sales, Operating Income
Black : First 9 months Net Sales, Operating Income

■ Results through Q3 Net sales (yoy) JPY ▲29.2 bil.
Operating income (yoy) JPY ▲7.0 bil.

- (-) 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 alternative production expenses. Increased transportation costs due to higher container shipping costs and typhoons continued from Q3
- (-) 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

* Recovery in automotive products market from Q3

■ FY20 forecast Net sales (vs. previous forecast) JPY +5.0 bil.
Operating income (vs. previous forecast) JPY +2.0 bil.

- (+) Automotive products market will recover beyond the forecast announced at the end of H1

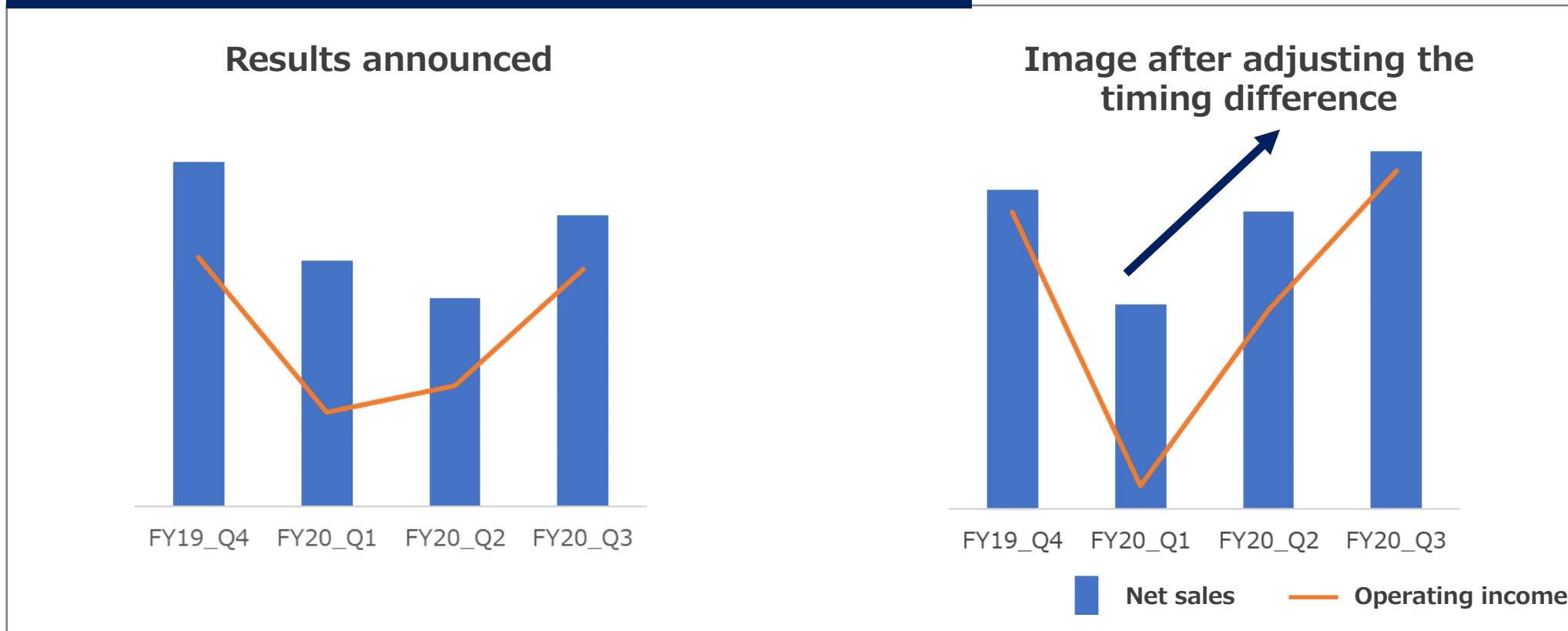
* limited impact despite ongoing concerns about the lower automobile production due to a shortage of semiconductor chips, and higher container shipping costs

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

- When the timing difference in reporting at overseas subsidiaries is adjusted, the business is recovering after bottoming in FY2020 Q1

(In the automotive products & batteries segment, most of overseas subsidiaries have adopted a fiscal year ended December 31, so in relation to the reporting timing, the recovery appears to be delayed)

Comparison of net sales and operating income trends

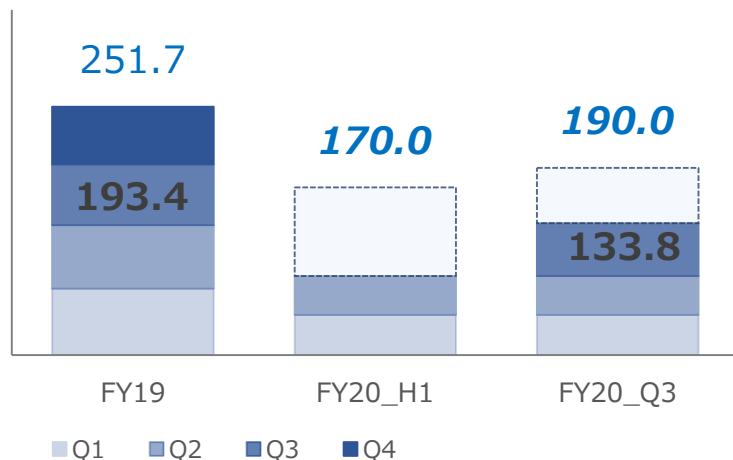


Net Sales and Operating Income of Each Segment

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

Net sales

(JPY billion)



■ Results through Q3

Net sales (yoy)

JPY ▲59.5 bil.

Operating income (yoy)

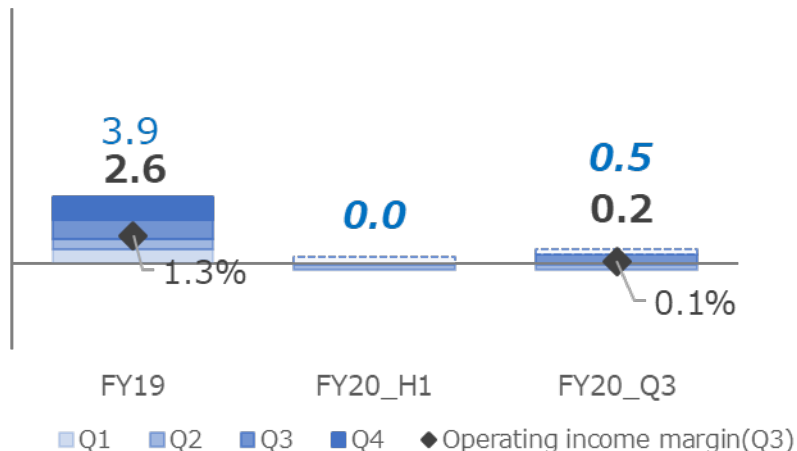
JPY ▲2.4 bil.

- (-) Decreased revenue primarily in relation to automotive and construction demand caused by COVID-19
- (-) Impact of the business reorganization : Transfer of the copper tube and heavy magnet wire businesses

* Recovery primarily in products for automotive applications and electronics from Q3

Operating income / operating income margin

(JPY billion)



■ FY20 forecast

Net sales (vs. previous forecast)

JPY +20.0 bil.

Operating income (vs. previous forecast)

JPY +0.5 bil.

- (+) Recovering demand primarily for products for automotive applications and electronics

Blue : Full year Net Sales, Operating Income
Black : First 9 months Net Sales, Operating Income

FY2020 Q3 Results – B/S Summary

	(JPY billion)		
	End of 19Q4	End of 20Q3	Change
	a	b	b-a
Current assets	386.2	407.0	+20.8
Cash and bank deposits	54.4	76.3	+21.9
Notes and accounts receivable trade	192.5	178.2	▲ 14.3
Inventories	115.9	120.5	+4.7
Non-current assets	408.4	402.6	▲ 5.8
Tangible fixed assets	254.2	243.8	▲ 10.4
Intangible fixed assets	16.1	19.4	+3.3
Investments and other assets	138.1	139.4	+1.3
Total Assets	794.6	809.6	+15.0
Current liabilities	319.6	333.0	+13.3
Non-current liabilities	201.9	207.7	+5.8
Total Liabilities	521.6	540.7	+19.1
Shareholders' equity	256.7	250.8	▲ 5.9
Accumulated other comprehensive income	▲ 16.4	▲ 12.2	+4.2
Net income attributable to non-controlling interests	32.8	30.3	▲ 2.5
Total Net assets	273.0	268.9	▲ 4.1
Total Liabilities and Net assets	794.6	809.6	+15.0
Interest-bearing liabilities	251.1	289.0	+37.9
Capital ratio	30.2%	29.5%	▲ 0.7
NET D/E ratio	0.8	0.9	+0.1

Cash and deposits

Increased by JPY 21.9 billion

Increased the liquidity of cash on hand

Inventories

Increased by JPY 4.7 billion

Construction and other projects that are expected to be recorded as net sales in the future
Secure appropriate inventory levels following the recovery in automotive product demand
(Compared to end of 19Q3: JPY ▲11.9 billion)
Impact of the business transfer
JPY▲6.9 billion

Tangible / intangible non-current assets

Decreased by JPY 7.1 billion

Impact of increased/decreased CAPEX
JPY +4.2 billion
Impact of the business transfer
JPY ▲8.1 billion
Impact of foreign exchange
JPY ▲3.4 billion

NET interest-bearing debt

Increased by JPY 16.0 billion

(JPY 196.7 billion → JPY 212.7 billion)

FY2020 Q3 Results

–CAPEX, Depreciation & amortization and R&D expenses

(JPY billion)

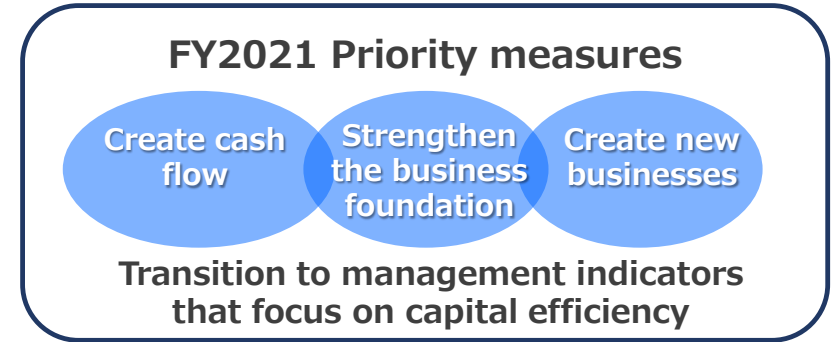
	FY19 Q3 Results	FY20 Q3 Results	YoY change	FY20 Forecasts
	a	b	b-a	
CAPEX	37.1	28.2	▲ 8.9	47.0
Depreciation and amortization	21.7	24.0	+ 2.3	32.5
R&D expenses	16.5	15.5	▲ 1.0	20.5

* No change to FY2020 full-year forecast

* Further limit CAPEX by reducing costs and assessing the demand trends and operating status when making investments

■ Become a “powerful company” by definitely strengthening the backbone of the company and planning the 2025 Mid-Term Management Plan

- Expect increased operating income in all segments in FY2021



		Assumption
Infrastructure	Communications Solutions	<ul style="list-style-type: none"> • Increased cost competitiveness in optical fiber and cable • Capture the rural digitalization investments in North America and data center demand • Recovery in the industrial laser market
	Energy Infrastructure	<ul style="list-style-type: none"> • Capture underground cable demand in Japan and submarine cable projects including for renewable energy projects • In the industrial cable business, although there are concerns the market will continue to deteriorate, focus on expanding sales of functional power cable (aluminum CV cable)
Electronics & Automotive Systems	Automotive Products & Batteries	<ul style="list-style-type: none"> • Market will recover to the pre-COVID-19 level • Gradually start mass production of wire harnesses for new vehicle models (percentage of shift to aluminum will be improved) • Concerns about the impact of lower automobile production due to a shortage of semiconductor chips
	Electronics Component Materials	<ul style="list-style-type: none"> • Capture demand in line with recovery in automotive and electronics markets • Expand sales of high value-added products
Functional Products		<ul style="list-style-type: none"> • Capture the strong demand in the 5G / data center market and mobile terminal market • Concerns about trade friction between Japan / South Korea and US / China

Thank you very much
for your attention.

Bound to  ***Innovate***

Appendix Segments and Business Divisions

Segment	Sub-segment	Business Division	
Infrastructure	Communications Solutions	Optical Fiber and Cable Products	
		FITEL Products	
		Broadband Solutions Business	
	Energy Infrastructure	Power Cable	
Industrial Cable & Power Cable Accessories	Electronics & Automotive Systems	Automotive Products & Batteries	Automotive Products
Batteries			
Electronics Component Materials		Electric Conductor (including fine magnet wire)	
		Copper & High Performance Material Products	
Functional Products	AT & Functional Plastics		
	Thermal Management Solution & Products		
	Memory Disk		
	Copper Foil		
Service and Developments, etc.			