

FY2022 Q1 Financial Results

Director, Corporate Senior Vice President, and
General Manager, Finance & Accounting Division

Akihiro Fukunaga

August 4, 2022

Furukawa Electric Co., Ltd.

This presentation materials are created for the purpose of providing information on Furukawa Electric's activities for shareholders, investors, and members of the media.

Forward-Looking Statements

Projections of future sales and earnings in these materials are "forward-looking statements."

Management offers these projections in good faith and on the basis of information presently available.

Information in these statements reflects assumptions about such variables as economic trends and currency exchange rates.

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

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

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

Copyrights

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

FURUKAWA ELECTRIC CO., LTD.

■ 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.

■ Ordinary income

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

* 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)

■ 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.

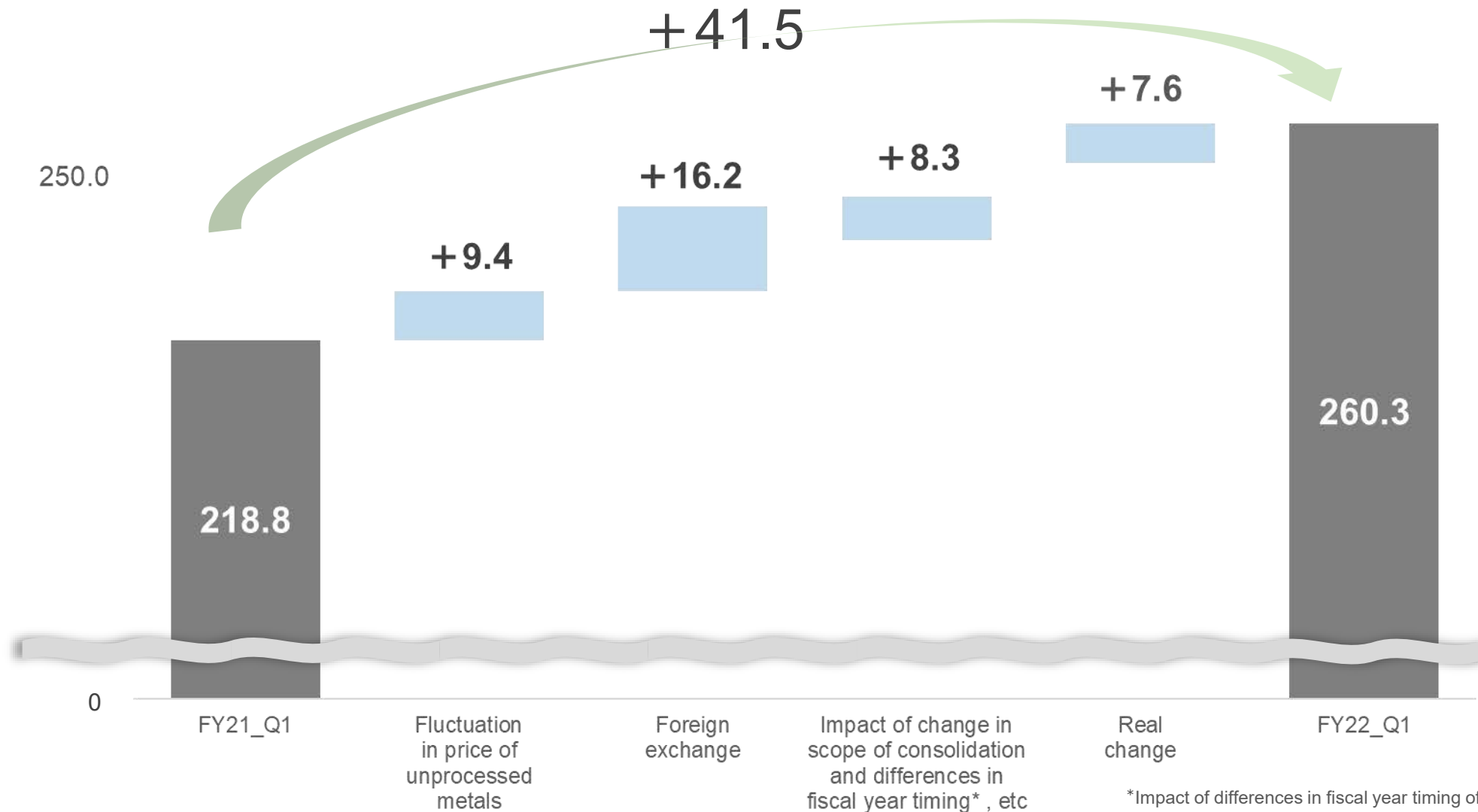
(JPY billion, JPY/kg, JPY/USD)

	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 exchange rate	108	110	130	

Intentionally Blank

Analysis of Change in Net Sales (YoY)

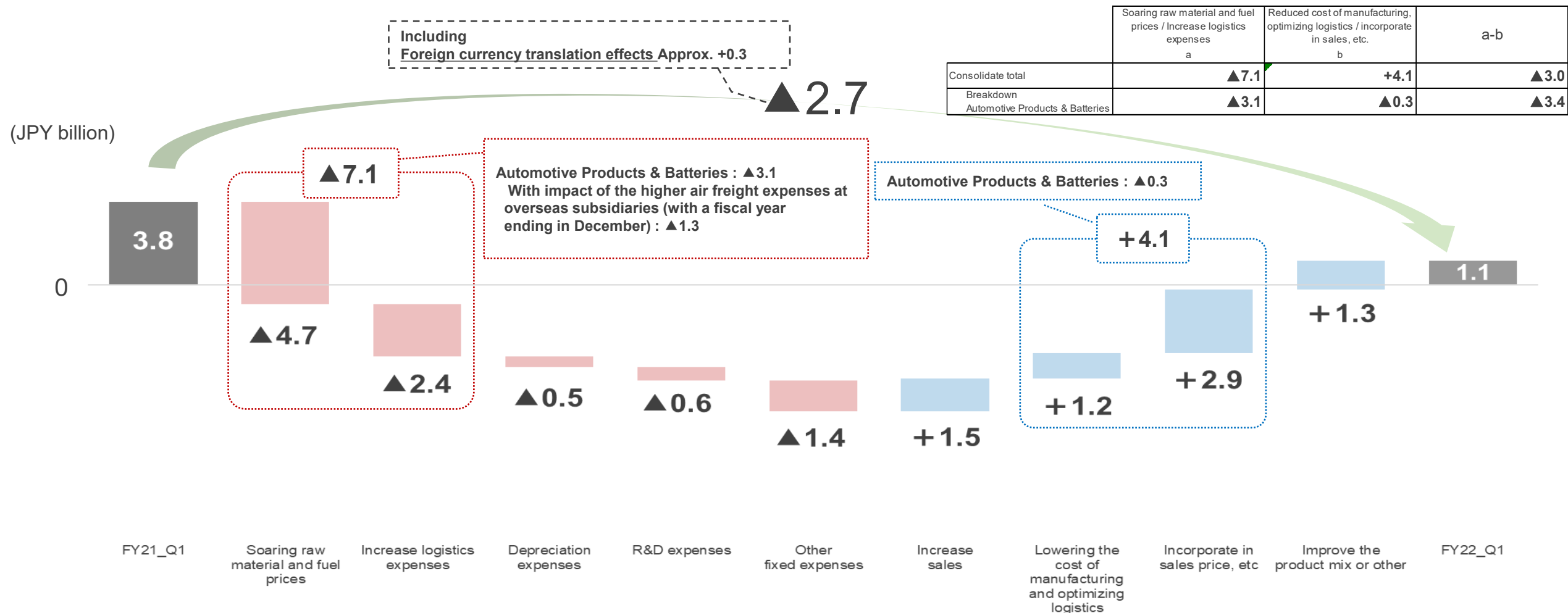
(JPY billion)



*Impact of differences in fiscal year timing of overseas subsidiaries in the Automotive Products business

Analysis of Changes in Operating Income (YoY)

- 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.



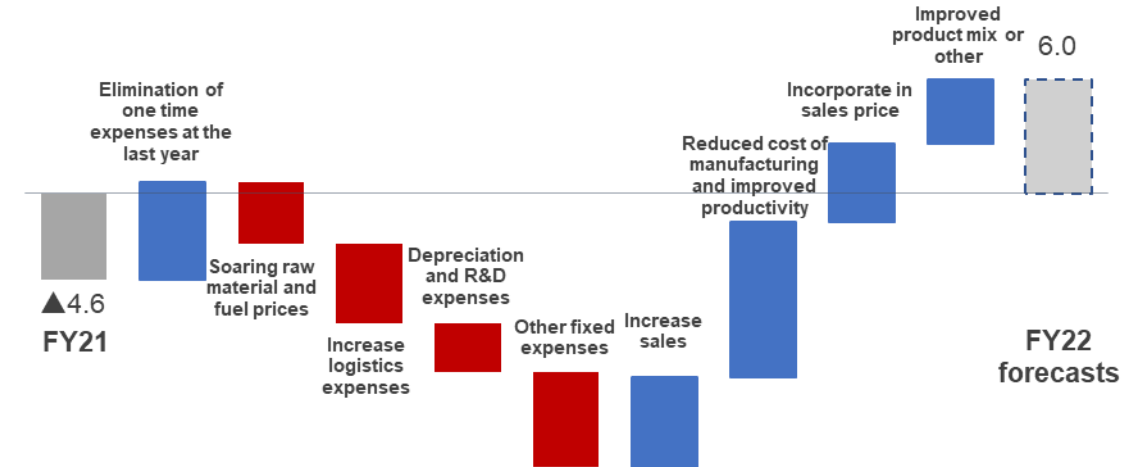
Automotive Products & Batteries business

factors in the changes in operating income and overview

FY21_Q1 Results ⇒ FY22_Q1 Results



FY21_Results ⇒ FY22_Forecasts



【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

Issue	Response
<p>Soaring raw material prices and higher logistics expenses</p>	<ul style="list-style-type: none"> ○ Incorporate the higher costs in the sales price <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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
<p>Improvement of productivity</p>	<ul style="list-style-type: none"> ○ Respond based on the changes to the production plans <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • Enhance the use of DX : Increase the accuracy of production data, automate the creation of the bill of materials and inspection process

FY2022 Q1 Results – P/L Summary

■ 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		-
Net income attributable to non-controlling interests	0.4	0.5	▲ 0.0	▲ 0.5	•Extraordinary loss : +0.2 (▲0.7 → ▲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 exchange rate	108	110	130	-		120

*Announced on May 12, 2022

Net Sales and Operating Income by Segment

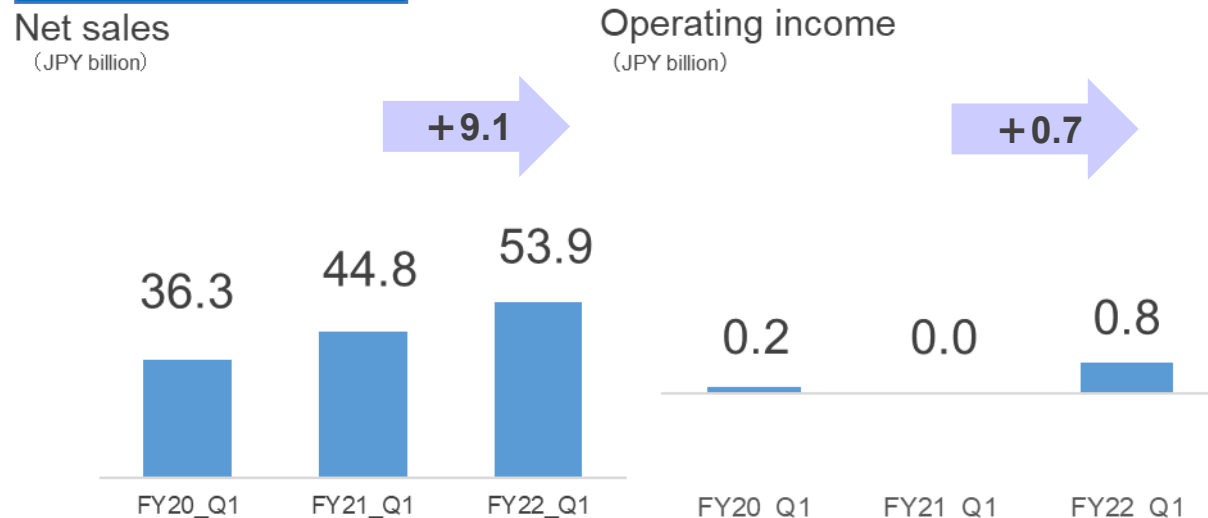
■ Full-year forecast remains unchanged

		Q1				(JPY billion)	
		FY20	FY21	FY22	YoY	Full year	*FY22
		Results	Results	Results	Change	Forecasts	Forecasts
		a	b	c	c-b	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	

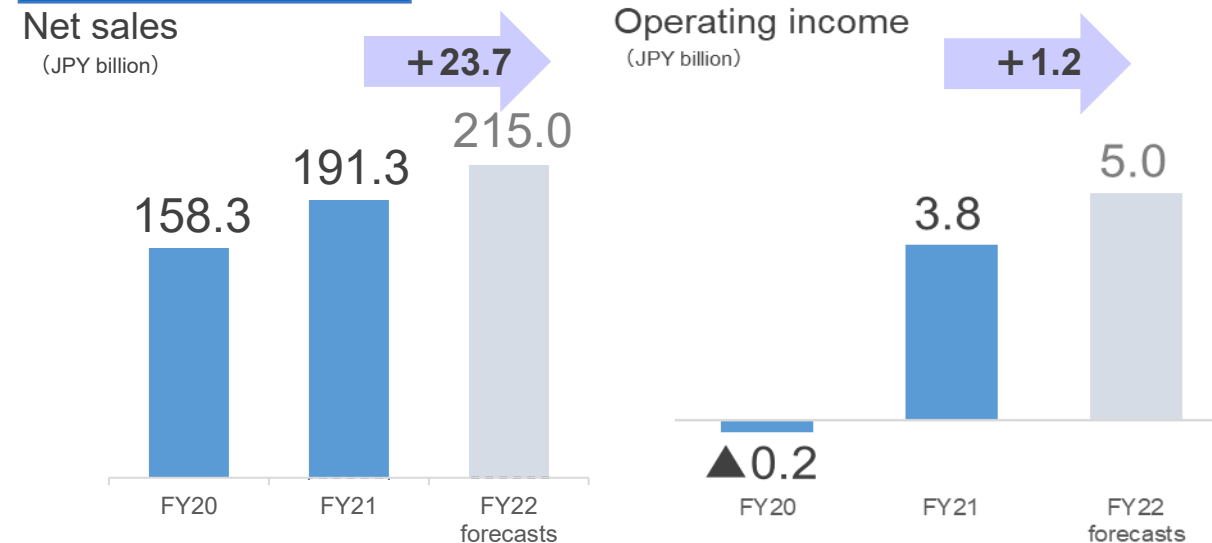
*Announced on May 12, 2022

1-(1) Infrastructure (Communications Solutions)

FY22_Q1 Results



FY22_Forecasts



【Q1 Operating income comparison with last year】

- (+) Incorporated the soaring raw material and fuel prices in the sales price
- (+) Increased optical cable and networking systems business revenue in the Americas (higher ratio of high value-added products)
- (+) Increased optical cable productivity in North America
- (+) Specialty fibers maintain strong performance, centered on medical systems business
- (-) Soaring raw material and fuel prices
- (-) Ongoing supply chain issues (material procurement)
- (-) Decreased sales of optical cable to Europe due to the situation in Russia and Ukraine

【Focus points】

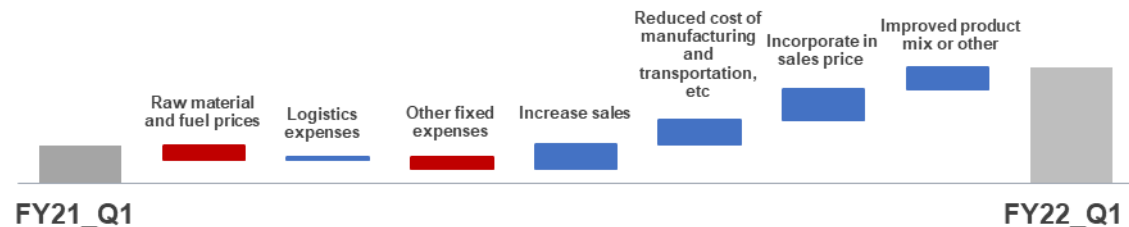
- Incorporate the soaring raw material and fuel prices and logistics expenses in the sales price, and realize stable raw material procurement
- Secure personnel directed at increasing production volumes at the optical fiber and cable manufacturing site in North America
- Continue to improve productivity (locations in Japan and North America)
- Focus on expanding the networking systems business through increased cooperation within the group
- Prepare a production system, including procurement operations, for responding to the steady demand for digital coherent products and network products in Japan

1-(1) Infrastructure (Communications Solutions)

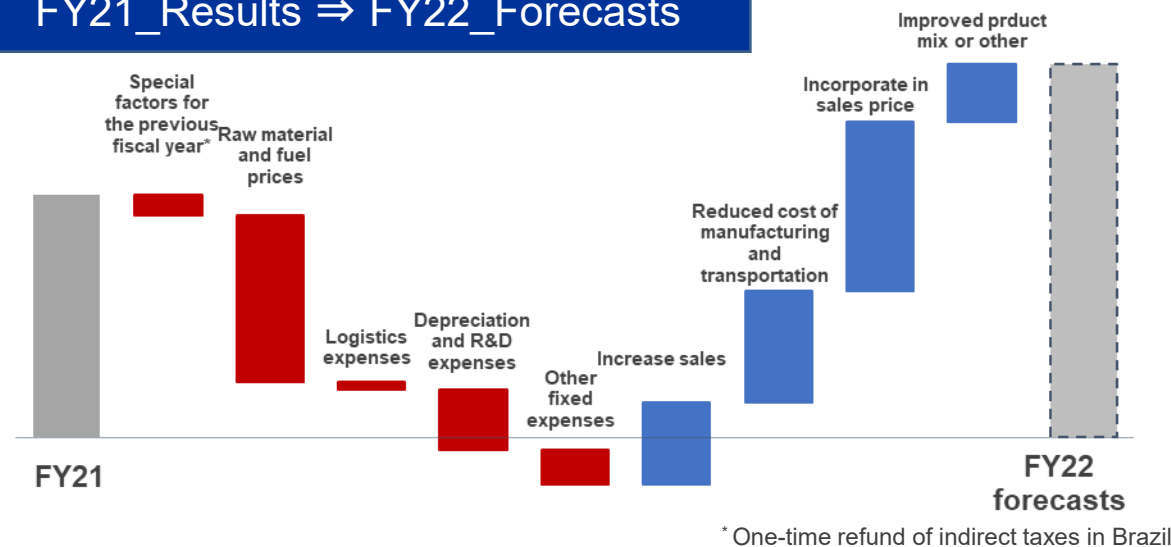
: Factors in the changes in optical fiber and cable operating income (YoY)

FY21_Q1 Results ⇒ FY22_Q1 Results

※Impact of foreign currency exchange has been excluded from each item



FY21_Results ⇒ FY22_Forecasts



* One-time refund of indirect taxes in Brazil

【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

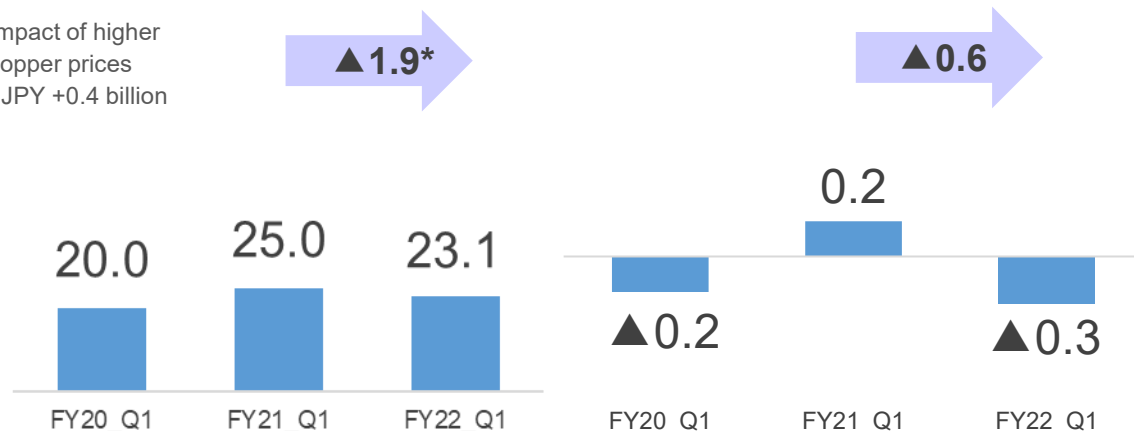
1-(2) Infrastructure (Energy Infrastructure)

FY22_Q1 Results

Net sales

(JPY billion)

* Impact of higher copper prices
: JPY +0.4 billion

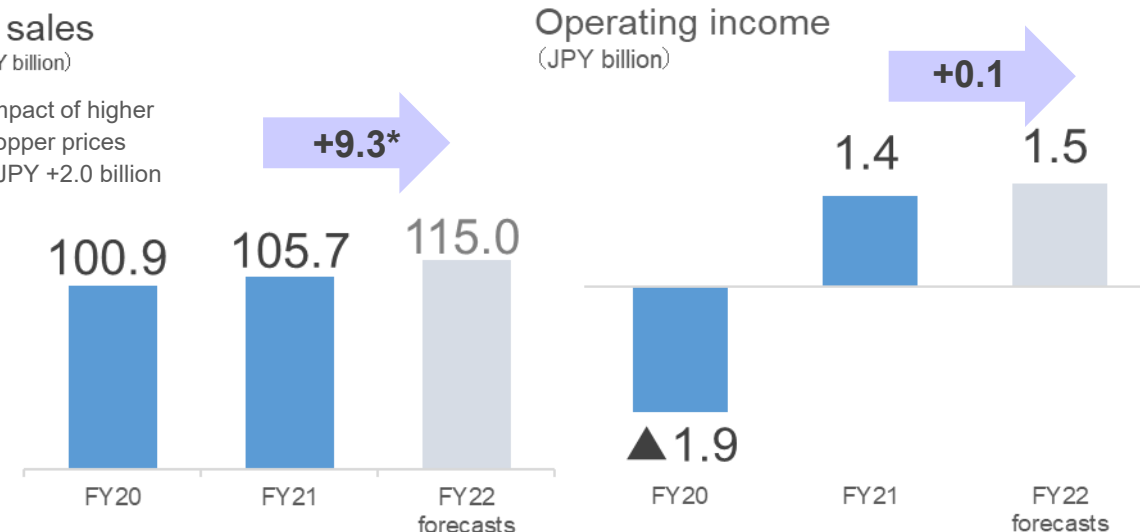


FY22_Forecasts

Net sales

(JPY billion)

* Impact of higher copper prices
: JPY +2.0 billion



【Q1 Operating income comparison with last year】

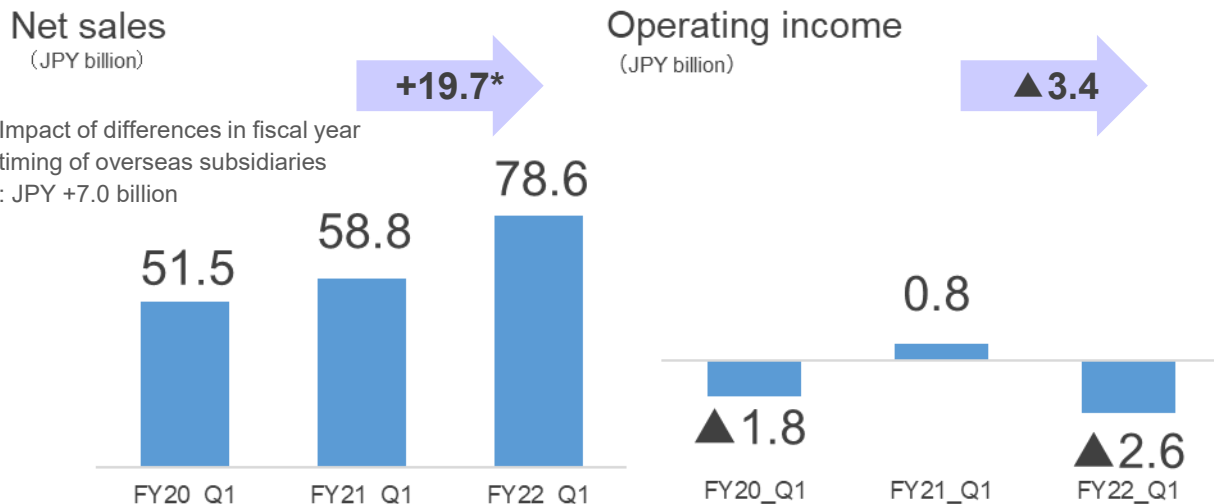
- (+) Underground cable projects in Japan and transmission components were steady
- (-) Delays to customer construction projects and lower operating levels at the subsidiary in China due to the COVID-19 lockdowns in China
- (-) Increased depreciation expenses

【Focus points】

- Acquire orders in the target markets (extra-high voltage underground cable and renewable energy in Japan)
- Promote the development of technology for offshore wind power, and enhance the manufacturing capability of submarine power cable for renewable energy
- Increase installation capability in order to respond to the demand for electric power grid renewal
- Increase sales of functional cable and transmission components such as the lightweight, flexible aluminum CV cable that contributes to less work and faster installation during construction projects

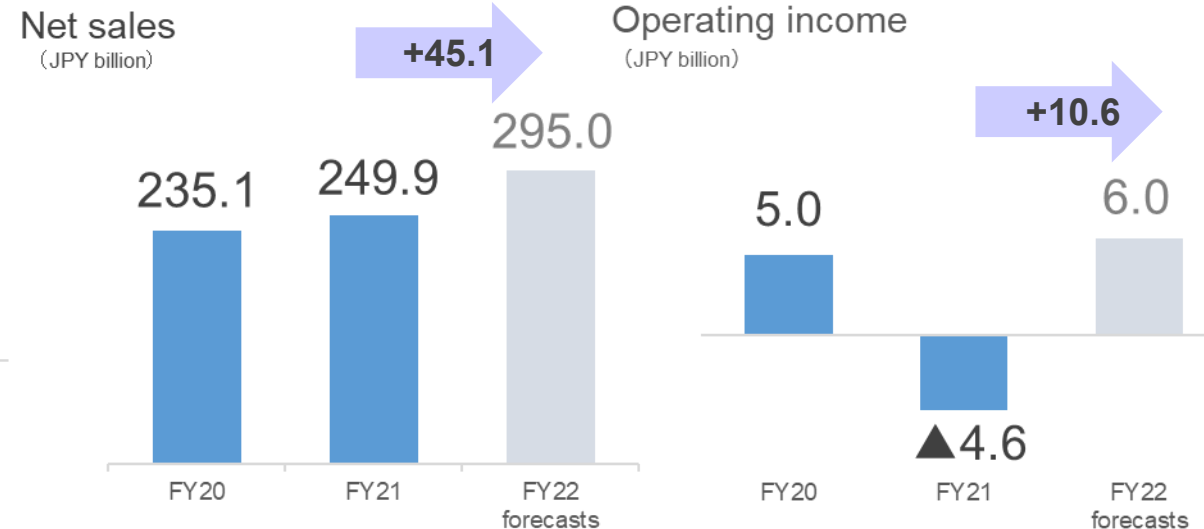
2-(1) Electronics & Automotive Systems (Automotive Products & Batteries)

FY22_Q1 Results



* Impact of differences in fiscal year timing of overseas subsidiaries : JPY +7.0 billion

FY22_Forecasts



【Q1 Operating income comparison with last year】

- (+) Differences of product mix (wire harness for new models)
- (-) Transportation delays and soaring logistics expenses Including the impact of the higher air freight expenses at overseas subsidiaries (with a fiscal year ending in December)
- (-) Increased fixed expenses (more personnel following the opening of new facility)
- (-) Soaring raw material and fuel prices

【Focus points】

- Incorporated the soaring raw material and fuel prices and logistics expenses in the sales price, including the application of market based pricing
- Thoroughly conduct MONOZUKURI and inventory control that can respond to sudden changes in the customer's production plan
- Add redundancies to the global supply chain to ensure BCM
- Initiatives directed at becoming carbon neutral
- Acquire more orders for aluminum wire harnesses for EV and functional products

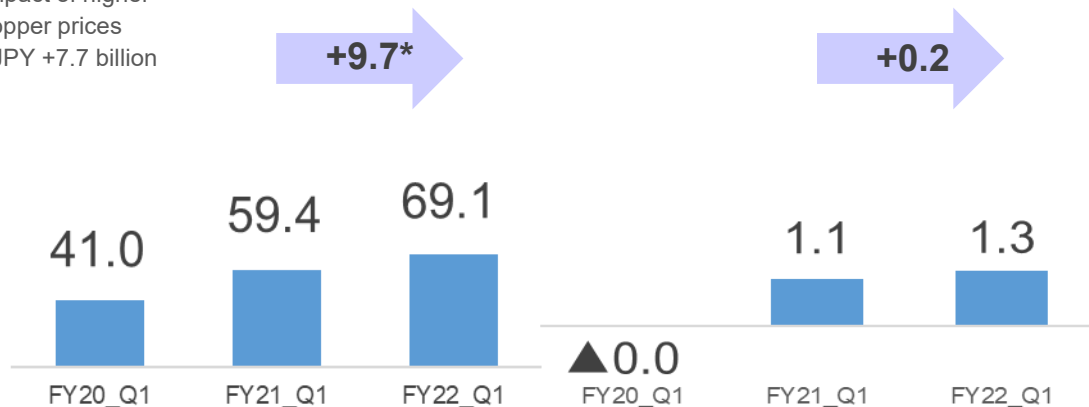
2-(2) Electronics & Automotive Systems (Electronics Component Materials)

FY22_Q1 Results

Net sales

(JPY billion)

* Impact of higher copper prices : JPY +7.7 billion



Operating income

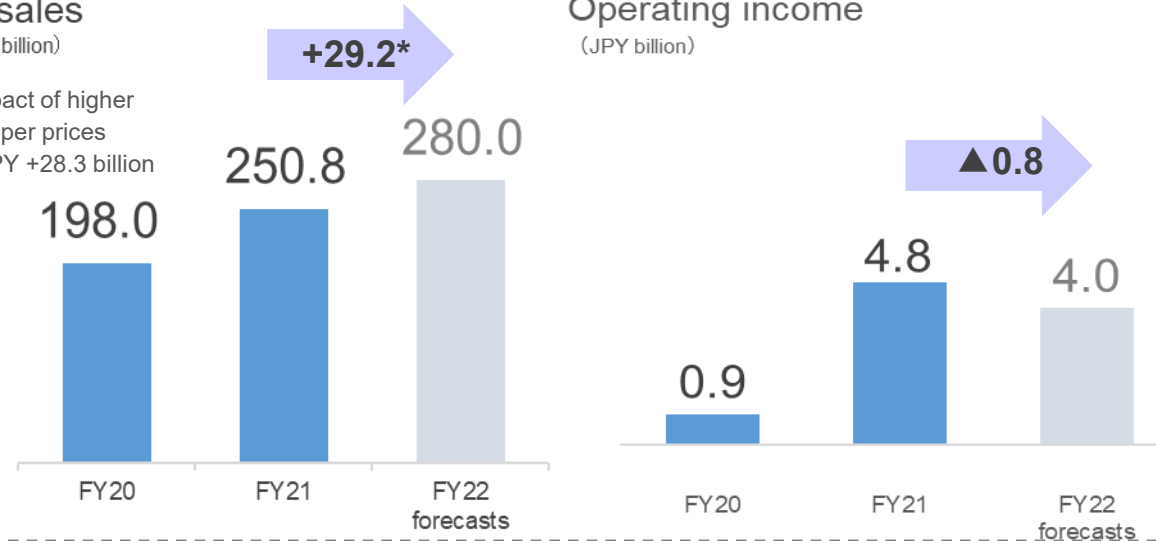
(JPY billion)

FY22_Forecasts

Net sales

(JPY billion)

* Impact of higher copper prices : JPY +28.3 billion



Operating income

(JPY billion)

【Q1 Operating income comparison with last year】

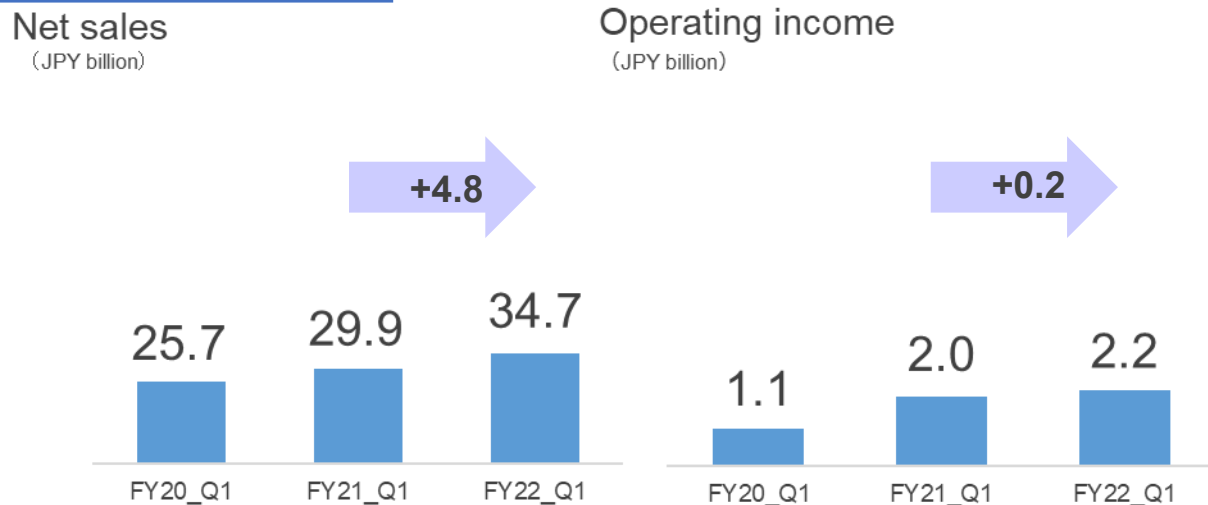
- (+) Steadily captured demand for in-vehicle, electronics, semiconductor and communications infrastructure products
- (+) Incorporated the soaring raw material fuel prices and logistics expenses in the sales price
- (-) Soaring raw material and fuel prices and logistics expenses

【Focus points】

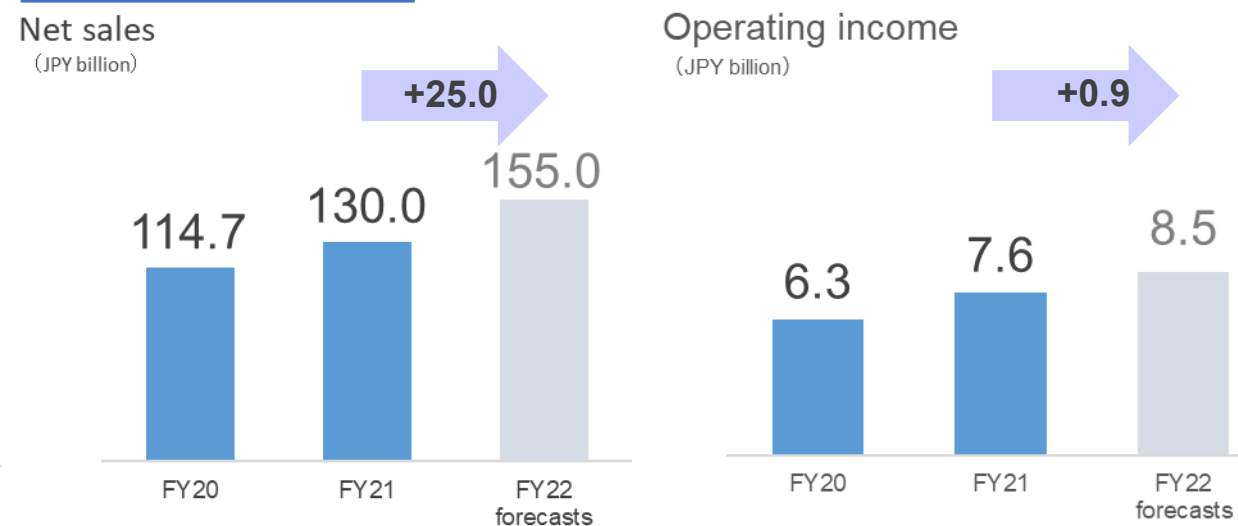
- Further improve the product mix
 - Expanding sales and establishing a manufacturing system of oxygen-free copper strips (including heat-resistant oxygen-free copper strip GOFC) for optical submarine cables that support the global network, power semiconductors, and heat dissipation components
 - Increase sales of original alloys for electronic devices that support high speed communications (EFHD, materials with high resistance)
 - Increase sales of highly differentiated magnet wire for 5G communications infrastructure and for inductors used in servers
- Contribute to becoming carbon neutral throughout the value chain

3 Functional Products

FY22_Q1 Results



FY22_Forecasts



【Q1 Operating income comparison with last year】

- (+) Products for data centers were steady
- (+) Incorporated the soaring raw material and fuel prices in the sales price
- (-) Soaring raw material and fuel prices, transportation expenses

【Focus points】

- Continue to proactively respond to the changes in the market environment and customer situation mainly in the 5G, data center and renewable energy markets. Contribute to solving social issues by becoming a core partner of customers with heat solutions that raise the capacity of semiconductors, which are becoming increasingly heating-intensive, to their limits
- Provide high value added products through continued product development based on an awareness of “high performance” and “differentiation”

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 Liabilities 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)

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

(JPY billion)

	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

Thank you very much
for your attention



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.		