

Fiscal Year 2020 (Ended February 28, 2021)

Financial Results Briefing Materials

April 14, 2021

FURUNO ELECTRIC CO., LTD.

Cautions:

This document is a translation of the Japanese original, which is authoritative.

The information listed in these materials regarding the Company's future prospects are determined by management, based on the information available at the time of announcement, and potential risks and uncertainties. It should be noted that the actual results may differ substantially from these forecasts, due to these various elements.

The numerical values shown in these materials are the monetary amounts listed in the consolidated balance sheet, consolidated profit-and-loss statement, consolidated statement of changes in shareholders' equity, and notes to consolidated financial statements. Shown values of less than one unit are truncated, and ratios and other values are rounded off.

* "E" in this material represents that the figure is an estimation or a projection for operation.

** "FY" in this material indicates the fiscal year ending February 28 (29) of the succeeding year.

*** "1Q" in this material represents the three-month period beginning on March 1 and ending on May 31, "2Q" represents the six-month period beginning on March 1 and ending on August 31, "3Q" represents the nine-month period beginning on March 1 and ending on November 30, and "4Q" represents the twelve-month period beginning on March 1 and ending on February 28 (29).

Consolidated Income Statement

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Increase in Gross profit even with decrease in Net sales. Significant increase in Operating income. Also investments for future growth.

(Unit: Millions of yen)	FY 2019	FY 2020	Year on Year (amount)	Year on Year (ratio)
Net sales	83,066	82,255	-811	-1.0%
Gross profit (Sales ratio)	28,524 (34.4%)	30,839 (37.5%)	+2,315 (+3.2)	+8.1%
Operating income (Sales ratio)	2,411 (2.9%)	3,740 (4.5%)	+1,329 (+1.6)	+55.1%
Ordinary income (Sales ratio)	2,702 (3.3%)	4,779 (5.8%)	+2,077 (+2.6)	+76.8%
Profit attributable to owners of parent (Sales ratio)	2,041 (2.5%)	3,946 (4.8%)	+1,905 (+2.3)	+93.3%
R&D expenses (Sales ratio)	4,266 (5.1%)	5,303 (6.4%)	+1,037 (+1.3)	+24.3%
Capital investment expenses (Sales ratio)	3,245 (3.9%)	4,235 (5.1%)	+990 (1.2)	+30.5%
Depreciation expenses (Sales ratio)	3,246 (3.9%)	3,160 (3.8%)	-86 (-0.1)	-2.6%

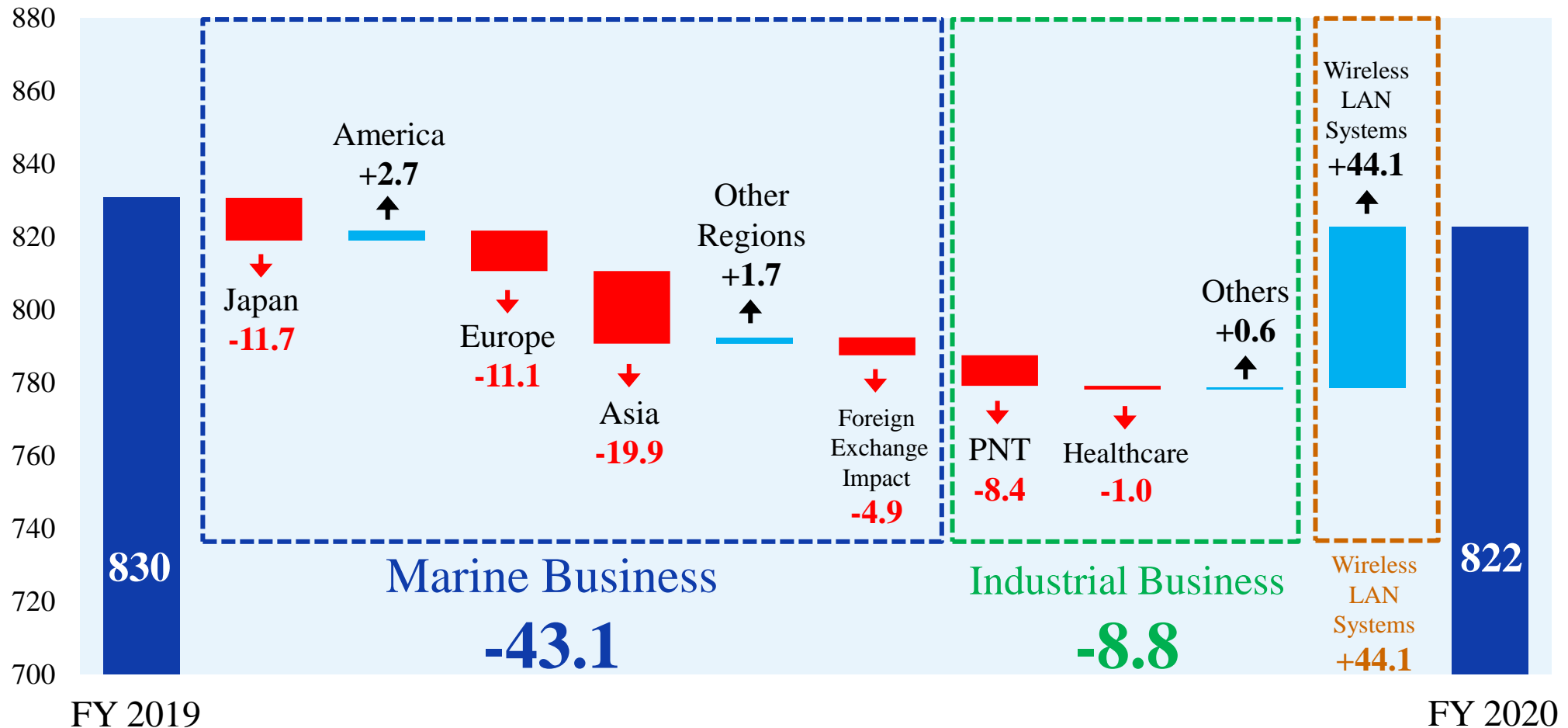
(Unit: Yen, annual average exchange rate)

1USD	110	107	-3	-2.3%
1EUR	123	122	-1	-0.4%

Analysis of Increase/Decrease in Net Sales

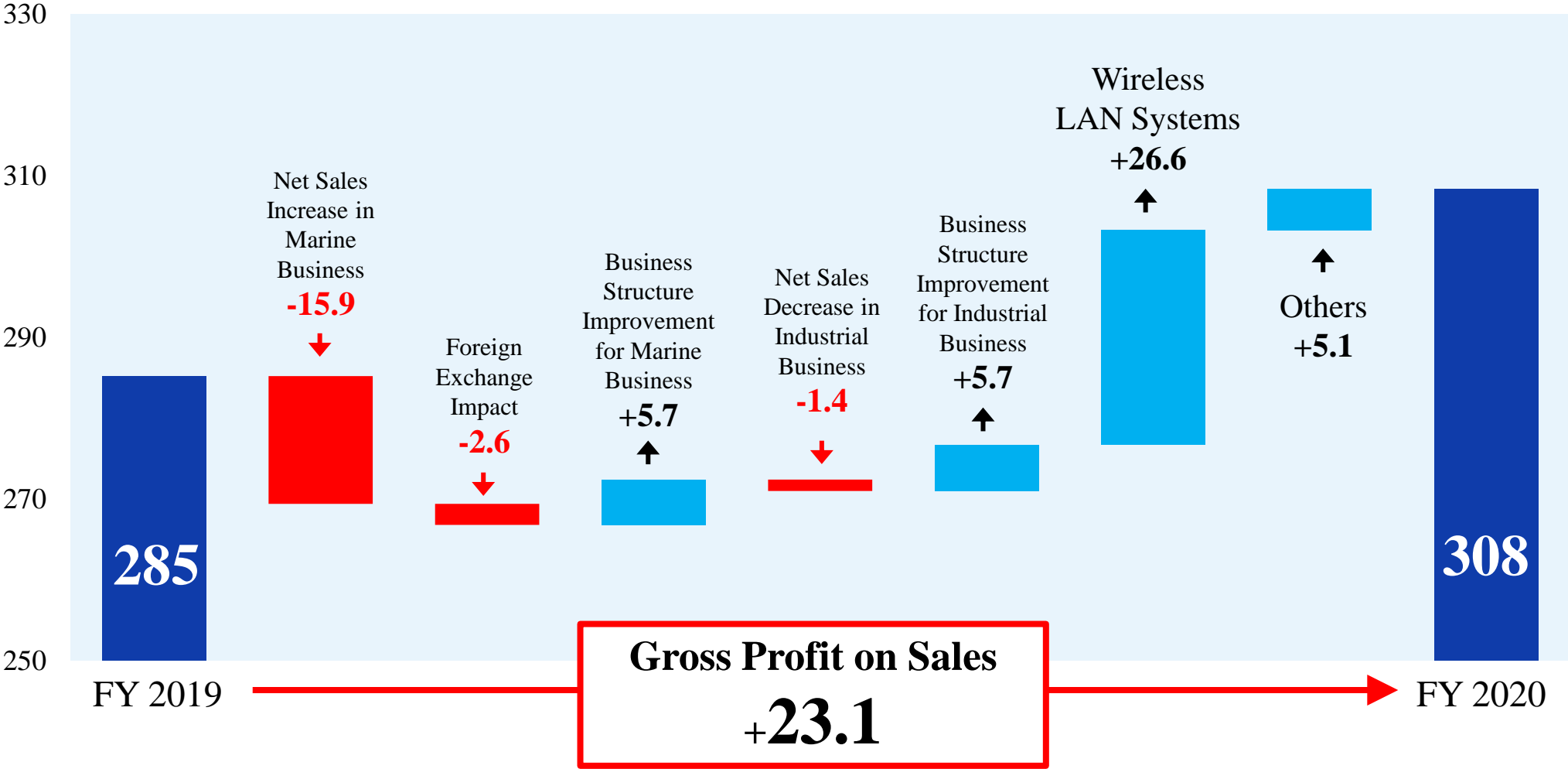
**Decrease in Sales for Marine Business and Industrial Business.
Significant increase in Sales for Wireless LAN Systems.**

(Unit: 100 Millions of Yen)



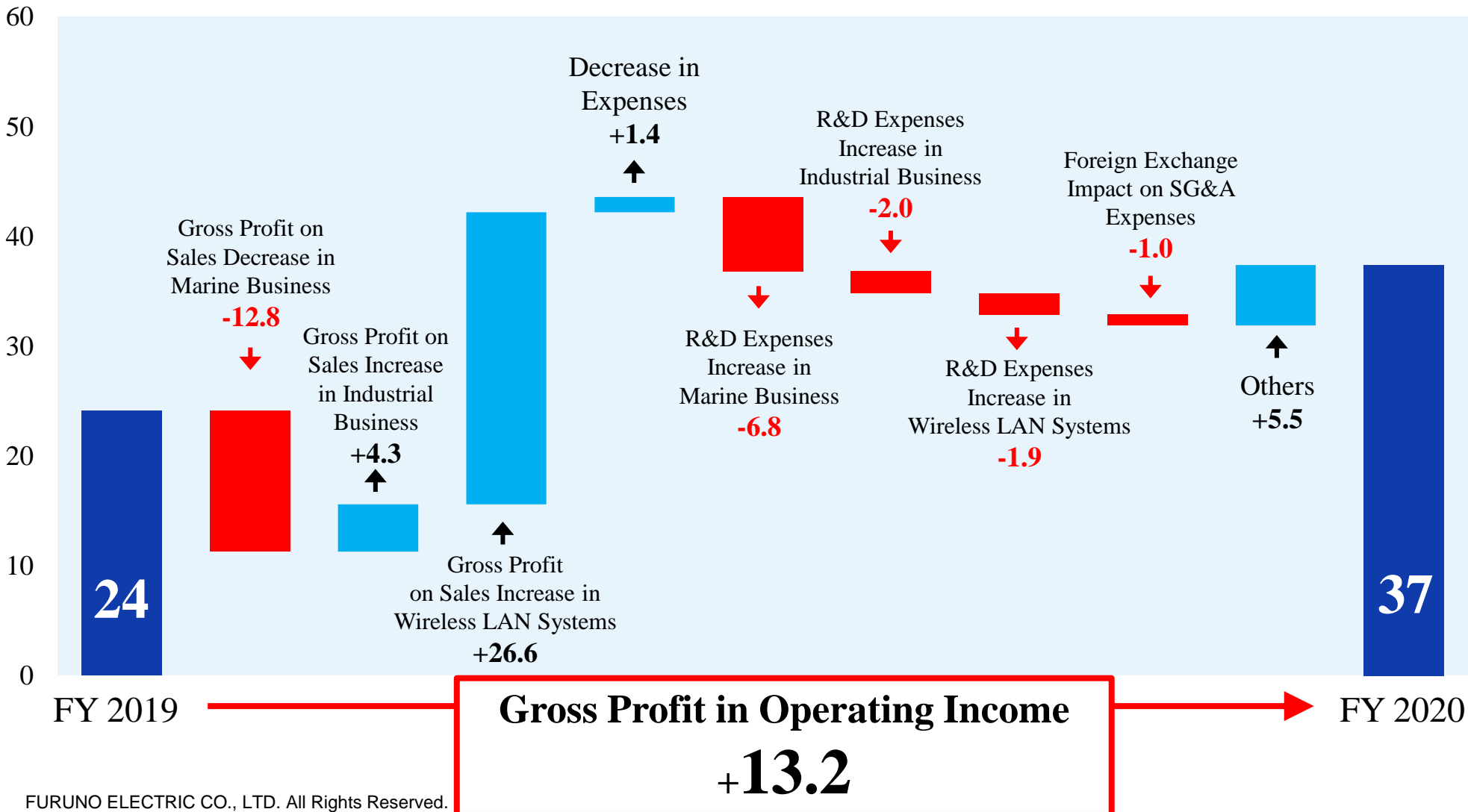
Increase in Gross profit on sales mainly due to increase in Profit for Wireless LAN Systems and the result of Business Structure Improvement.

(Unit: 100 Millions of Yen)



Increase in Operating income due to increase in Gross profit on sales and decrease in Expenses.

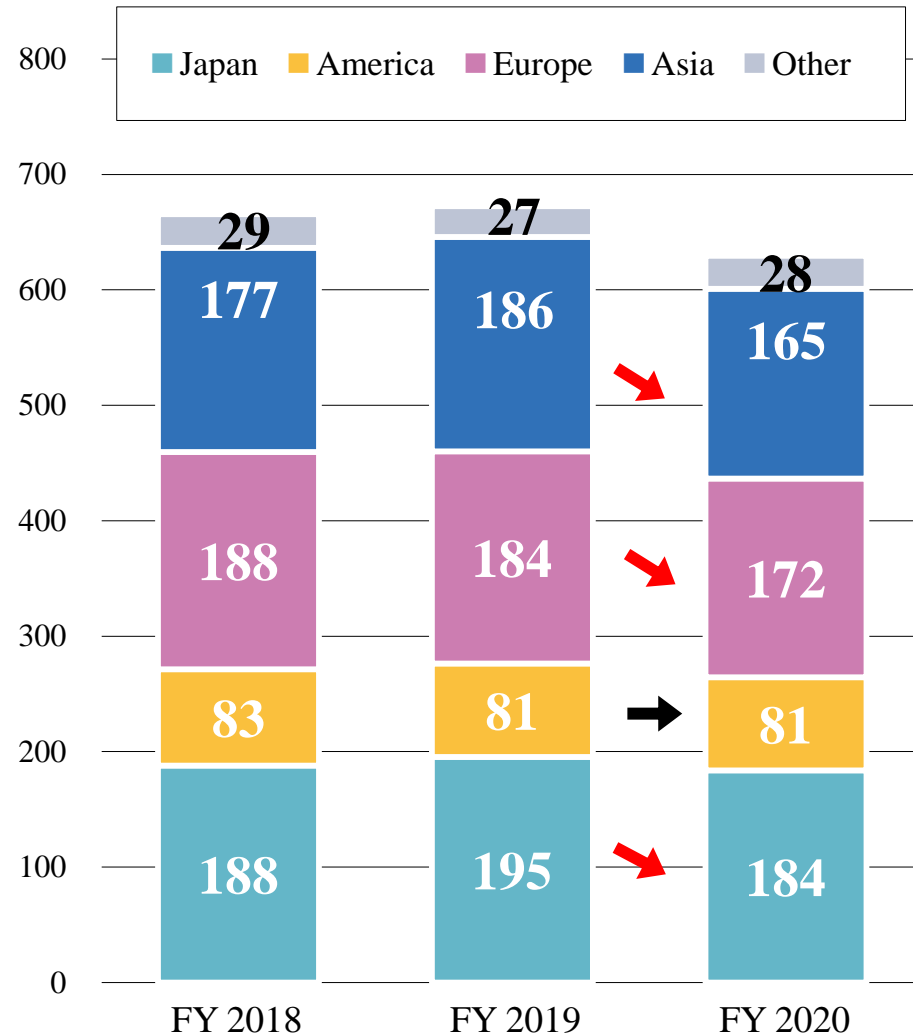
(Unit: 100 Millions of Yen)



“100M” stands for 100 Million

Marine Business Consolidated Sales (by Region)

(Unit: 100 Millions of Yen)



Marine Business:

Net Sales **629** 100M yen (-6.4% year on year)

Segment Profit **7.4** 100M yen (-12.2 100M yen)

- **Significant decrease in sales and profit for merchant vessels due to a slump in new-build market**

◆ **Japan:** Net sales **184** 100M yen (-6.0%)

- Limited impact of COVID-19 on demand for fishery market

◆ **America:** Net sales **81** 100M yen (-0.2%)

- Increase in demand for Pleasure Boats growing faster than before COVID-19

◆ **Europe:** Net sales **172** 100M yen (-6.4%)

- Decrease in fishing and existing merchant vessels demand, but on the recovery

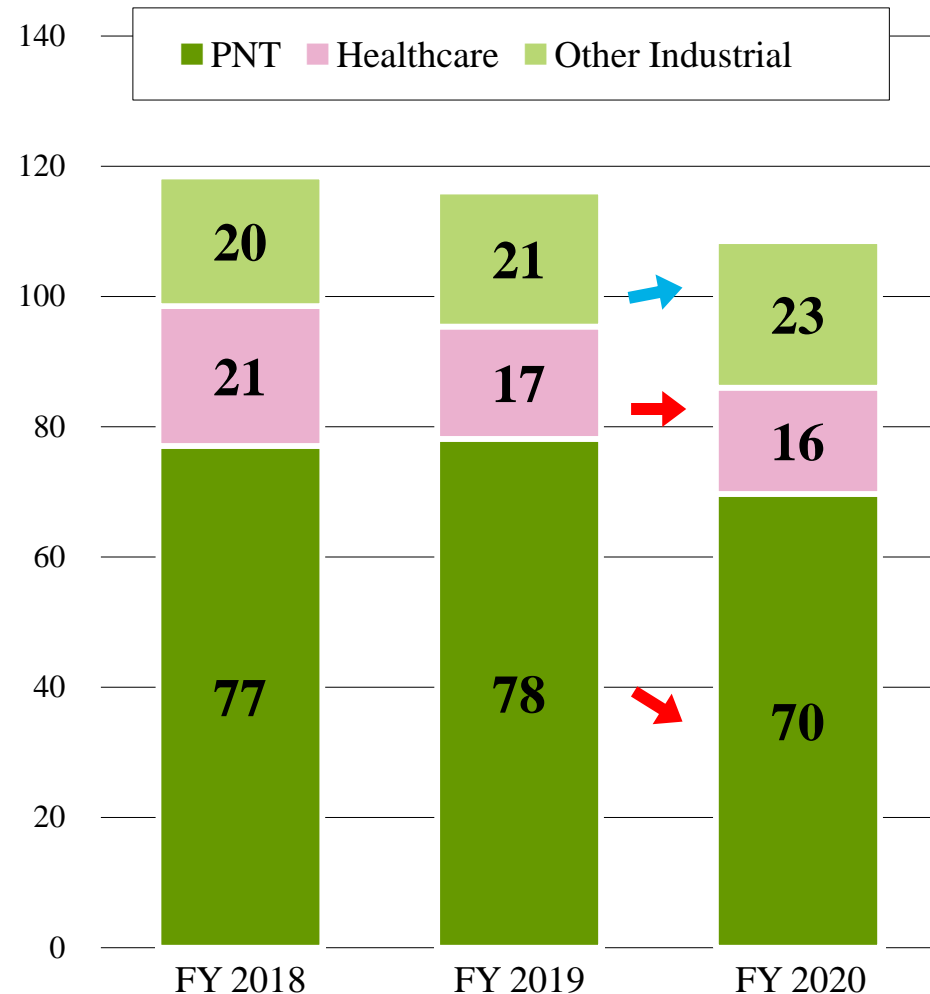
◆ **Asia:** Net sales **165** 100M yen (-11.3%)

- Significant decrease in sales for merchant vessels due to a slump in new-build market

“100M” stands for 100 Million

Industrial Business Consolidated Sales (by Product)

(Unit: 100 Millions of Yen)



Industrial Business:

Net Sales **108** 100M yen (-6.7% year on year)

Segment Profit **3.2** 100M yen (+6.0 100M yen)

- **Decrease in sales for automotive market due to economic activities restriction in Q1 caused by COVID-19**
- **Increase in revenue due to removal of inventory-related costs during previous fiscal year**

◆ **PNT Business:** Net sales **70** 100M yen (-10.8%)

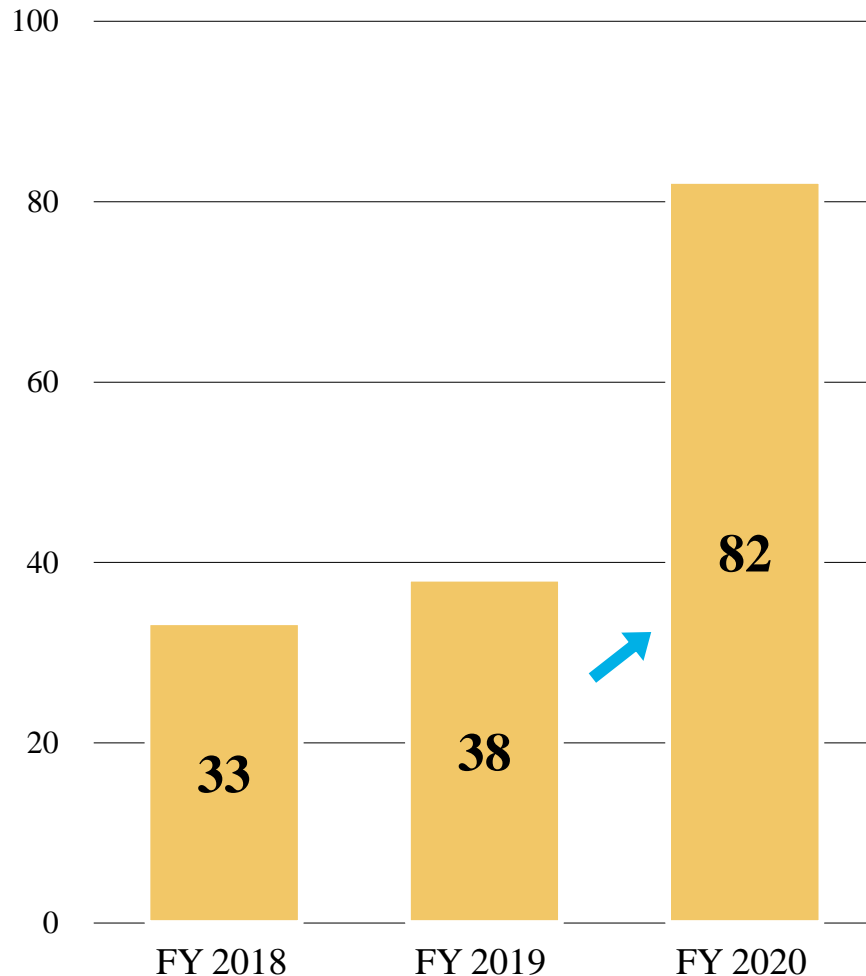
- Decrease in sales for ETC on-board devices, but on the recovery since Q2
- Increase in sales for frequency generators

◆ **Healthcare:** Net sales **16** 100M yen (-5.4%)

- Although a decrease in OEM sales for biochemical analyzers, increase in sales for own-brand products, including reagents, resulting in only a slight decrease in sales

Wireless LAN Systems Consolidated Sales

(Unit: 100 Millions of Yen)



“100M” stands for 100 Million

Wireless LAN Systems:

Net Sales **82** 100M yen (+**115.4%** year on year)

Segment Profit **27.6** 100M yen (+**21.0** 100M yen)

- **Rapid increase in demand for wireless LAN access points for education market in correlation with the GIGA School Initiative, which promotes the shift to ICT in education**
- **Significant increase in profit due to significant increase in sales**

Target Management Indicators (KPI)

Goal: Build a management foundation that can stably achieve the followings for FY 2022

	FY 2020 Results	FY 2022 Goals
ROE (based on operating income)	8.6%	10% or higher
Payout Ratio	31.9%	30% or higher

Continue to aim for our goals by executing “Major Initiatives to Improve and Strengthen our Business Structure” and “Individual Business Strategies” set forth in the mid-term management plan

Sales decrease for Wireless LAN Systems, but recovery in Marine Business, sales increase for Industrial Business and effect of Major Measures, resulting in growth in sales forecast

(Unit: Millions of yen)	FY 2020 Results	FY 2021 Forecast
Net sales	82,255	84,000
Operating income (Sales ratio)	3,740 (4.5%)	2,500 (3.0%)
Ordinary income (Sales ratio)	4,779 (5.8%)	3,000 (3.6%)
Profit attributable to owners of parent (Sales ratio)	3,946 (4.8%)	2,500 (3.0%)

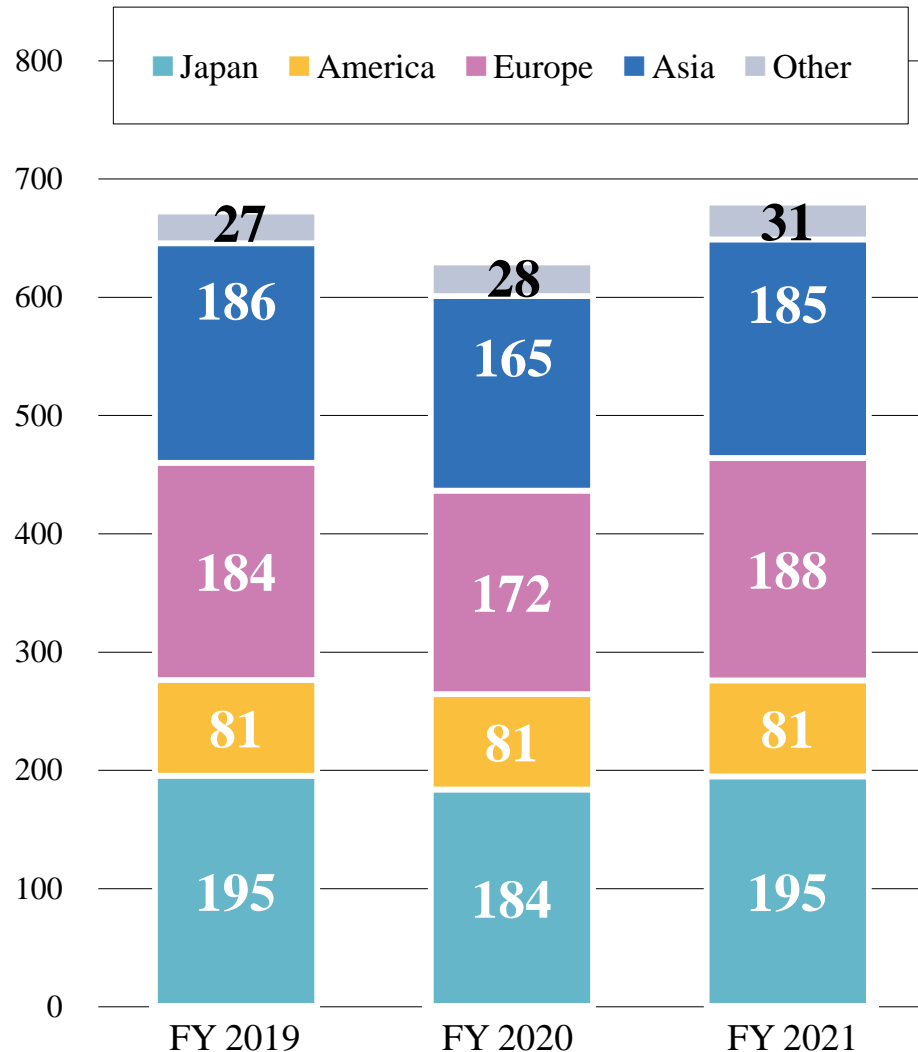
Decrease in dividend, but Payout Ratio forecast over 30%

(Unit: Millions of yen)	2 nd Quarter	End of Term	Full Year	Payout Ratio
FY 2021	10	30	40	31.9%
FY 2022	10	15	25	31.5%

Results Forecast by Segment

Net Sales for Marine Business (by Region)

(Unit: 100 Millions of Yen)



FY 2021 Forecast

“100M” stands for 100 Million

Marine Business:

Net Sales **680** 100M yen

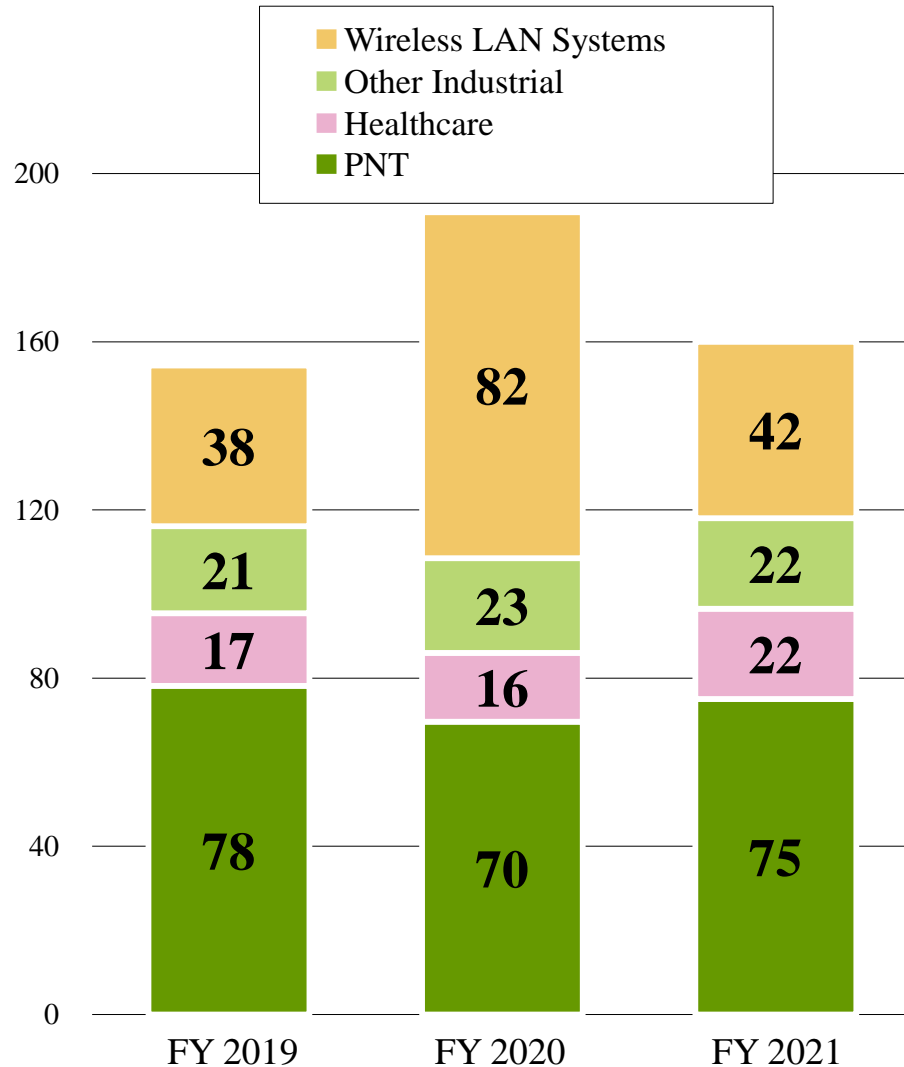
Segment Profit **17** 100M yen

- ◆ **Japan:** Net sales **195** 100M yen
 - Promotion of high-value-added systems to support resource management in fisheries
- ◆ **America:** Net sales **81** 100M yen
 - Expansion of sales for Pleasure Boats
- ◆ **Europe:** Net sales **188** 100M yen
 - Recovery expected for fishing and existing merchant vessels demand
- ◆ **Asia:** Net sales **185** 100M yen
 - Recovery of demand for new-build ships in line with increase in marine transport volume, and response to various upfront investments in the shipping and shipbuilding industries

Results Forecast by Segment

Net Sales for Industrial Business & Wireless LAN Systems (by Product)

(Unit: 100 Millions of Yen)



FY 2021 Forecast

“100M” stands for 100 Million

Industrial Business:

Net Sales **118** 100M yen

Segment Profit **3** 100M yen

◆ **PNT Business:** Net sales **75** 100M yen

- Provision of attractive solutions that use our strengths of technologies, such as communications and GNSS

◆ **Healthcare:** Net sales **22** 100M yen

- Sales expansion, especially in Southeast Asia

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Wireless LAN Systems:

Net Sales **42** 100M yen

Segment Profit **5** 100M yen

Expansion in new markets other than education

Decrease in Inventories due to Inventory Reduction Initiatives.

(Unit: Millions of yen)

	FY 2019	FY 2020	YoY (amount)	YoY (ratio)
Current assets	56,477	60,770	+4,293	+7.6%
(Cash or equivalents)	(12,143)	(15,301)	(+3,158)	(+26.0%)
(Inventories)	(25,066)	(24,028)	(-1,038)	(-4.1%)
Fixed assets	19,655	21,478	+1,823	+9.3%
(Tangible fixed assets)	(10,152)	(11,184)	(+1,032)	(+10.2%)
(Intangible fixed assets)	(4,195)	(4,645)	(+450)	(+10.7%)
(Investments and other assets)	(5,307)	(5,648)	(+341)	(+6.4%)
Total Assets	76,133	82,248	+6,115	+8.0%
Current liabilities	22,429	22,930	+501	+2.2%
Long-term liabilities	11,459	13,626	+2,167	+18.9%
Total Liabilities	33,889	36,556	+2,667	+7.9%
Shareholders' equity	45,004	48,333	+3,329	+7.4%
Others	-3,079	-2,973	106	+3.4%
Non-controlling interests	319	332	+13	+4.1%
Total Equity	42,244	45,692	+3,448	+8.2%
Total Liabilities and Equity	76,133	82,248	+6,115	+8.0%
Equity Ratio	55.1%	55.1%	+0.0P	

Appendix: Consolidated Cash Flow Statement

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Increase in Cash Flow from Operating Activities due to increase in Profit.

Increase in Cash Flow from Investing Activities due to new R&D Work Space Construction.

(Unit: Millions of yen)

	FY 2019	FY 2020	YoY (amount)	YoY (ratio)
Cash Flow from Operating Activities	8,041	8,512	+471	+5.9%
Cash Flow from Investing Activities	-3,175	-4,553	-1,378	-43.4%
Free Cash Flow	4,866	3,959	-907	-18.6%
Cash Flow from Financing Activities	-4,194	-850	+3,344	+79.7%
Cash and cash equivalents (end of year)	11,675	14,804	+3,129	+26.8%

FURUNO GLOBAL VISION NAVINEXT 2030

Business Vision:

Achieve better safety, security, and **comfort**, to bring about a society and sea navigation that considers the needs of **people** and the environment

Human Resources and Corporate Culture Vision:

VALUE through **GLOBALIZATION** and **SPEED**

SUSTAINABLE DEVELOPMENT GOALS



Growth Targets for FY 2030:

- Consolidated Net Sales of 120 billion Yen
- Operating Margin of 10%
- New Business Composition Ratio of 30%

We will progressively and promptly work toward realizing the FURUNO GLOBAL VISION “NAVI NEXT 2030” through the following three phases.



Strengthening Capabilities and Improving Structure

- (1) Dramatic Reduction of Inventory**
- (2) Further Increase in Quality Level**
- (3) Optimization of Product Development Functions**
- (4) Optimization of Comprehensive Manufacturing Functions**
- (5) New Strategic Investment Quota**

Targets for Fiscal Year 2022:

ROE (based on operating income): **10% or higher**

Payout Ratio: **30% or higher**

(1) Dramatic Reduction of Inventory

Promote the reduction of inventories in all areas of the value chain by working together to refine production plans by improving the demand forecasts accuracy, review logistics systems by optimizing distribution bases, and shortening procurement and production lead times.

(2) Further Increase in Quality Level

Based on the “Quality Before Everything” mentality, **we aim to further reduce the cost of quality loss** by reviewing and steadily implementing back-to-basics quality processes in each business division, fostering quality management human resources by upgrading the quality education system, and fostering the corporate culture.

(3) Optimization of Product Development Functions

Improve development efficiency by optimizing the global development system, promoting common design, utilizing simulation, and automating the inspection process.

(4) Optimization of Comprehensive Manufacturing Functions

Further evolve FPS* activities, which have been continuously implemented since 2012, to optimize the global production system, automate production processes, expand configured production, etc., and thoroughly eliminate waste and **promote 1/2 manufacturing.**

(5) New Strategic Investment Quota

Investment for future growth in Phase 2 and beyond, including fostering new businesses, R&D including advanced technology areas, business expansion into peripheral areas of existing businesses, and infrastructure development.



New R&D Work Space (completion scheduled September 2021)



Aquaculture Support Business

“Profitable aquaculture business” and “visible aquaculture business” together with customers, based on stable fishery management and succession training.



Building Construction Site using “Waveguide LAN System™”

Provide a robust and comfortable communication environment for the entire building during construction progress, using construction unit section pipes as waveguides to build a wireless LAN environment.

Since commercializing the **world's first Fish Finder** in 1948, FURUNO has supplied many types of products for the marine electronics market. By using its exclusive knowledge of ultrasonic and electronics technologies, FURUNO has developed a wide array of products that have been world firsts and Japan firsts.



As of February 28, 2021

Company Name	FURUNO ELECTRIC CO., LTD.
Headquarters	Nishinomiya City, Hyogo, Japan
Incorporated	May 23, 1951
Business	Manufacturing and sale of maritime and industrial electronic products
Paid-in Capital	¥7,534 million
President	Yukio Furuno

Investor Relations: <http://www.furuno.co.jp/en/ir/>

Products Site: <http://www.furuno.com/en/>

Corporate Movie: <http://www.furuno.com/special/en/corporatemovie/>

Achieve better safety, security and comfort to bring about a society and sea navigation that considers the needs of people and the environment

