

As of and for the Year Ended February 29, 2020

## Financial Results Briefing Materials

April 14, 2020

### FURUNO ELECTRIC CO., LTD.

#### Points to Note:

This document is a translation of the Japanese original. The Japanese original is authoritative.

The information listed in these materials the Company's future prospects as 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 a plan or 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).

## ◆ Net Sales: Increase

- In Japan and Asia, in the Marine Business, sales for newly-built merchant vessels increased.
- Sales up owing to strong sales of Wireless LAN Access Point for schools in the Wireless LAN Systems.

## ◆ Profit: Decrease

- The gross profit margin decreased due to production adjustment intended to reduce inventory, changes in the product mix, foreign exchange effects, and other factors.

## ◆ Inventory: Reduced

- This is due to our promoting inventory reduction through measures such as production adjustment.

# Consolidated Financial Results Highlights

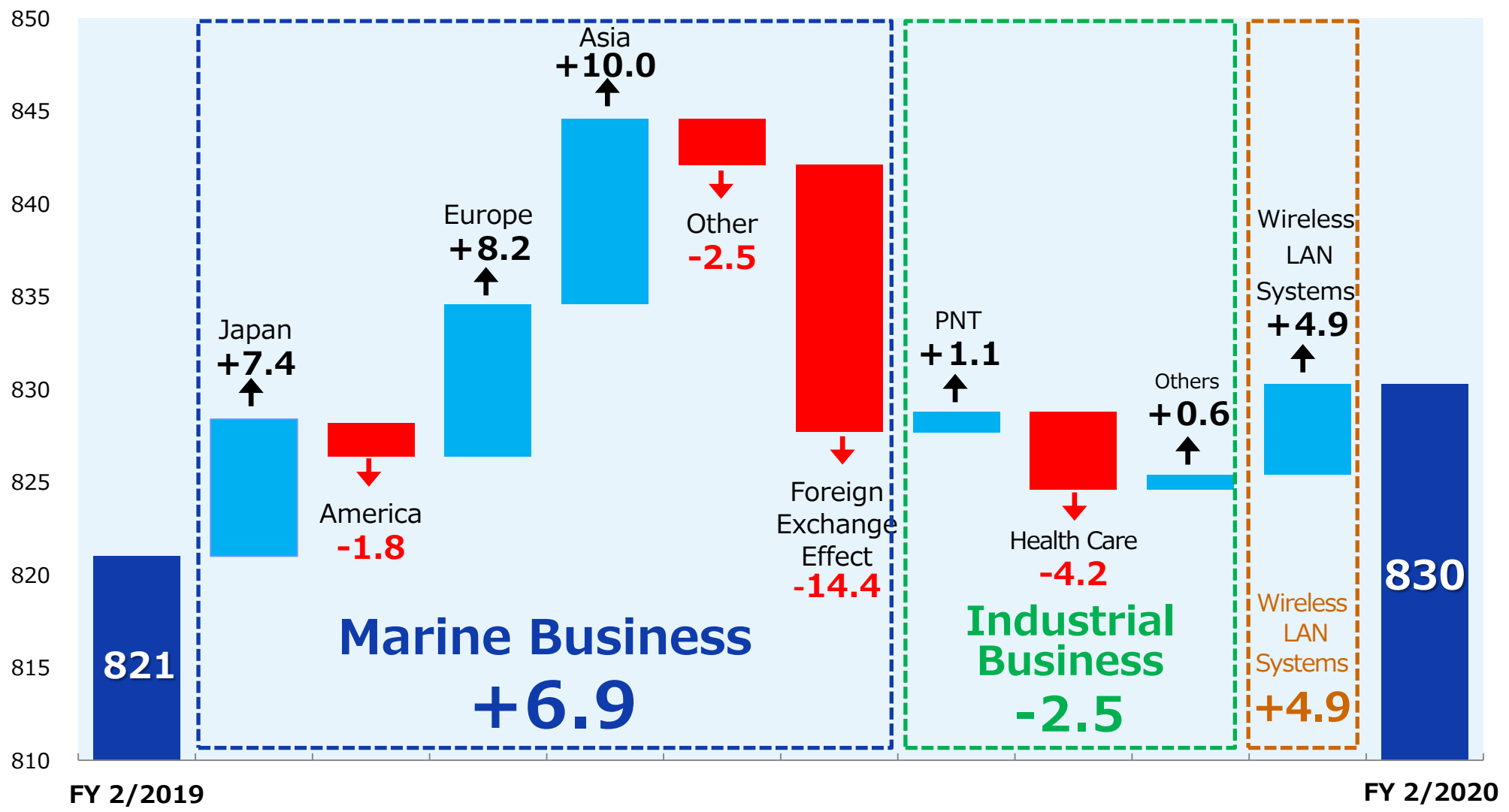
**FURUNO**

Unit: Millions of Yen	FY 2/2019	FY 2/2020	Year-over-year (amount)	Year-over-year (ratio)
<b>Net sales</b>	82,108	<b>83,066</b>	+958	+1.2%
<b>Gross profit</b> (Sales ratio)	31,612 (38.5%)	<b>28,524</b> (34.4%)	▲3,088 (▲4.1)	▲9.8%
<b>Operating income</b> (Sales ratio)	4,771 (5.8%)	<b>2,411</b> (2.9%)	▲2,360 (▲2.9)	▲49.5%
<b>Ordinary income</b> (Sales ratio)	5,112 (6.2%)	<b>2,702</b> (3.3%)	▲2,410 (▲2.9)	▲47.1%
<b>Profit attributable to owners of parent</b> (Sales ratio)	4,026 (4.9%)	<b>2,041</b> (2.5%)	▲1,985 (▲2.4)	▲49.3%
<b>R&amp;D expenses</b> (Sales ratio)	4,707 (5.7%)	<b>4,266</b> (5.1%)	▲441 (▲0.6)	▲9.3%
<b>Capital investment expenses</b> (Sales ratio)	2,595 (3.2%)	<b>3,245</b> (3.9%)	+650 (+0.7)	+25.0%
<b>Depreciation expenses</b> (Sales ratio)	3,093 (3.8%)	<b>3,246</b> (3.9%)	+153 (+0.1)	+4.9%
Unit: Yen, annual average exchange rate				
<b>1USD</b>	111	<b>110</b>	▲1	▲0.9%
<b>1EUR</b>	130	<b>123</b>	▲8	▲6.0%

# Analysis of Increase/Decrease in Net Sales

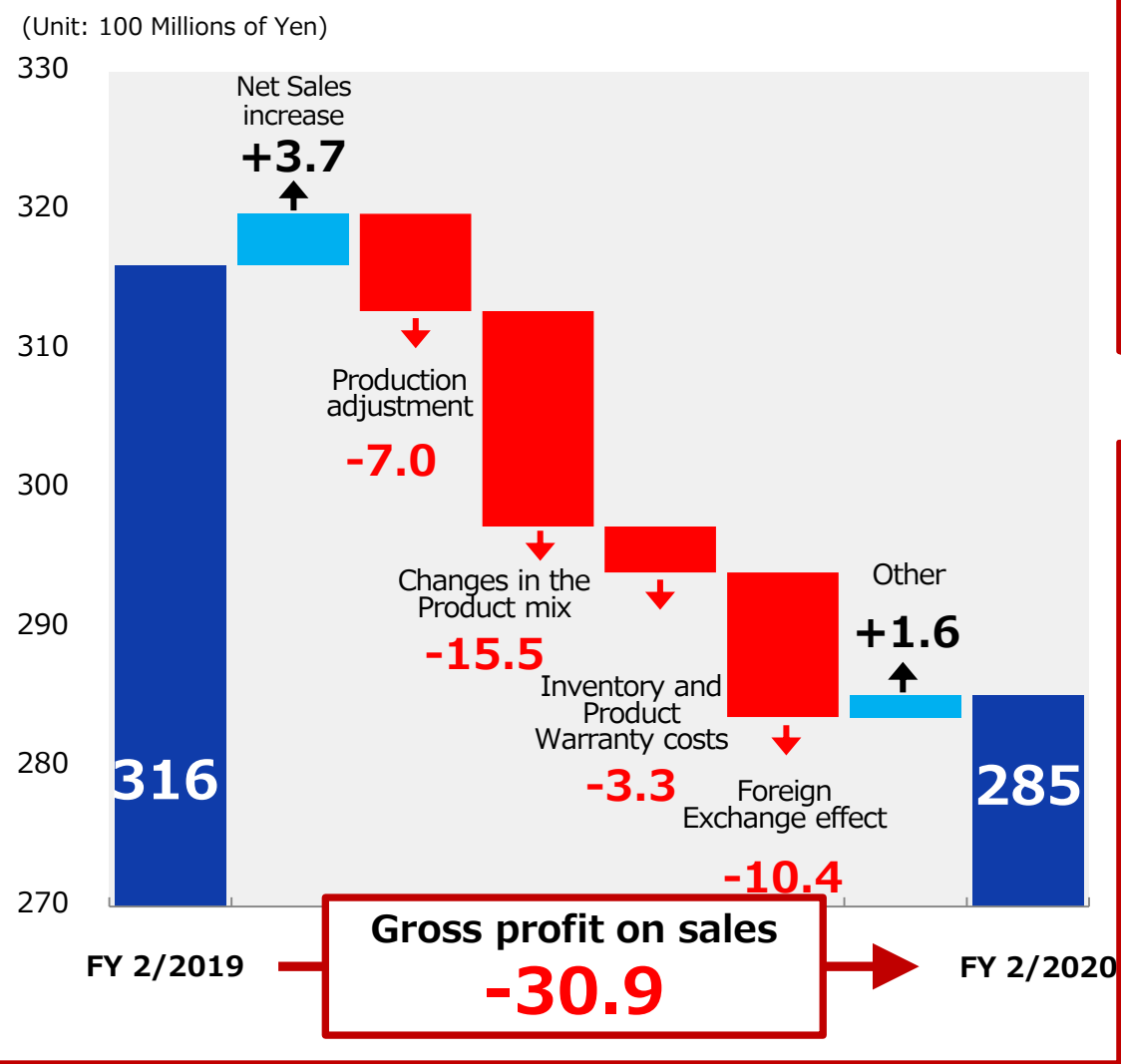


(Unit: 100 Millions of Yen)

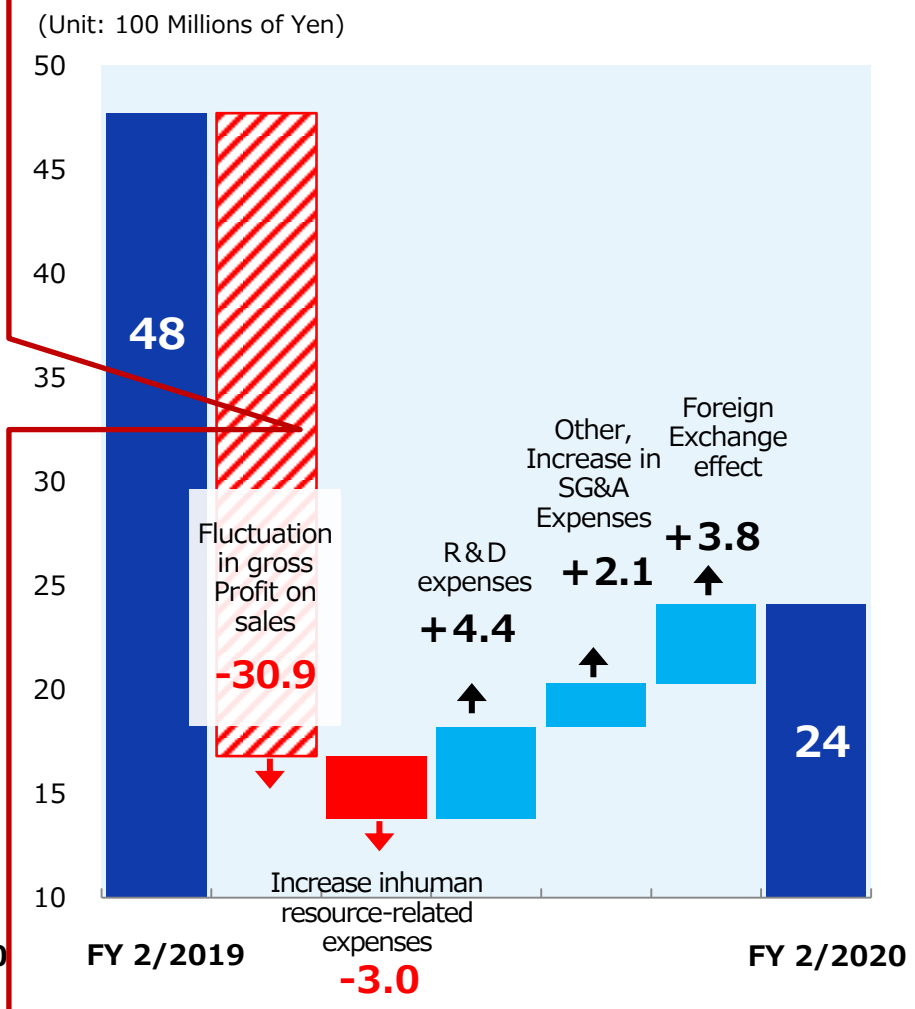


\*Exchange Rate Sensitivity (actual results as of February 29, 2020)  
 [USD] Net sales 1.1 100M yen , Operating income 0.5 100M yen  
 [Euro] Net sales 1.6 100M yen , Operating income 0.7 100M yen

## Analysis of Increase/Decrease in Gross Profit on Sales

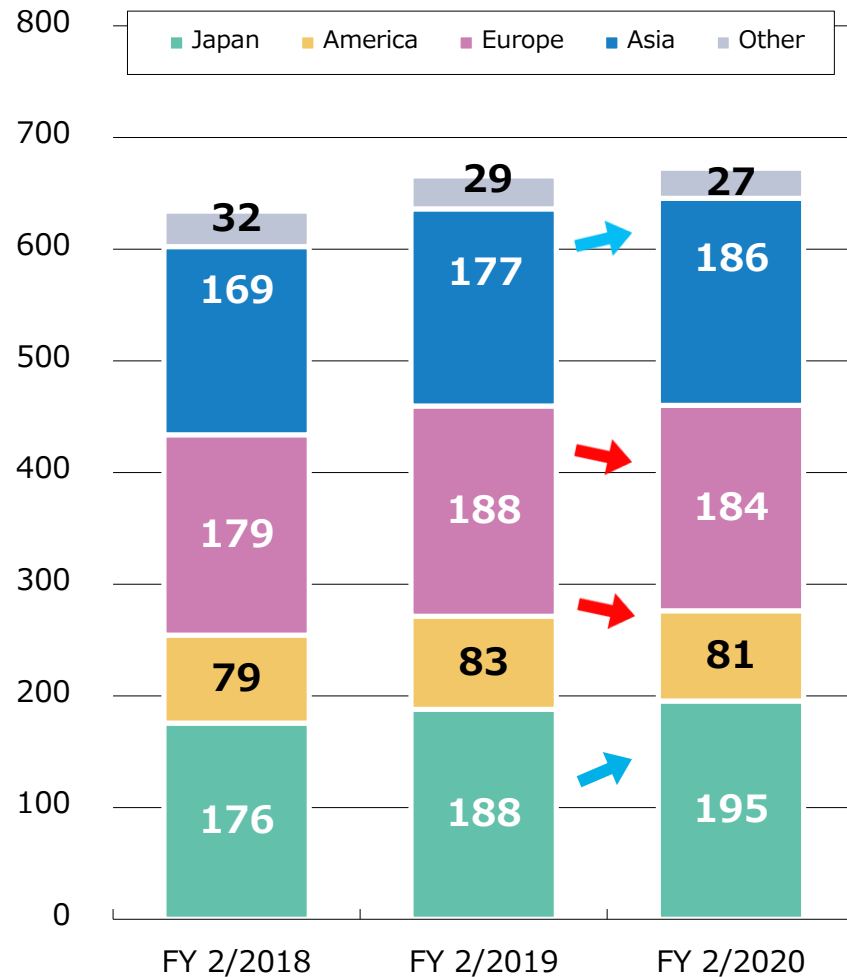


## Analysis of Increase/Decrease in Operating Income



## Net sales by Marine Business /Sales by Region

(Unit: 100 Millions of Yen)



"100M" in this material indicates 100 Million

## Marine Business:

**Net sales 673** 100M yen (+1.0% year on year)

**Segment Profit 20** 100M yen (-20 100M yen)

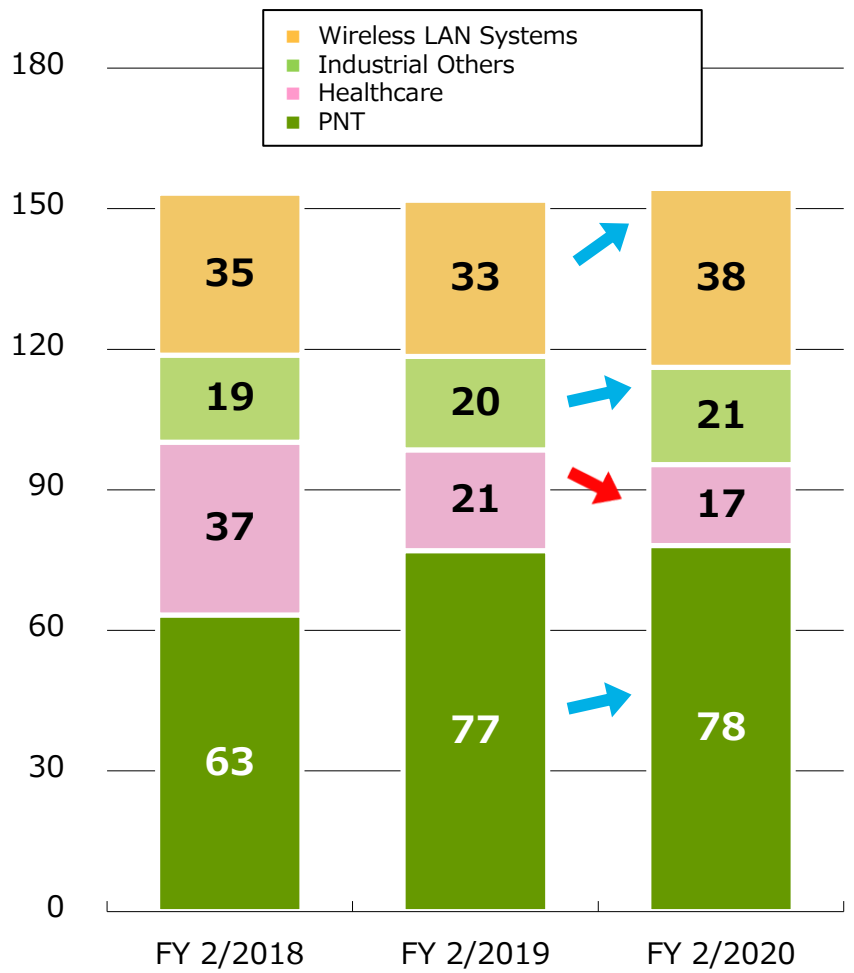
- ⇒ Revenue rose in Japan and Asia.
- ⇒ Profits down due to the effects of changes in the product mix, foreign exchange, production adjustment, and other factors.

- ◆ **Japan:** Net sales **195** 100M yen (+3.9%)
  - Increase for newly-built Merchant vessels
- ◆ **America:** Net sales **81** 100M yen (-3.1%)
  - Decrease for Pleasure Boats
- ◆ **Europe:** Net sales **184** 100M yen (-2.3%)
  - Demand for fishing vessels and existing merchant vessels remaining strong while revenue down due to foreign exchange effects (-125 100M yen)
- ◆ **Asia:** Net sales **186** 100M yen (+5.0%)
  - Increase for newly-built Merchant vessels

"100M" in this material indicates 100 Million

## Net sales by Industrial Business & Wireless LAN Access Point / Sales by Products

(Unit: 100 Millions of Yen)



### Industrial Business:

**Net sales 116** 100M yen (-2.1% year on year)

**Segment Profit -3** 100M yen (-6 100M yen )

- ⇒ Sales of products related to domestic ITS remain strong overall.
- ⇒ Healthcare declined during reform of business structure.
- ⇒ Profit decreased due to the effects of having reexamined the standards of an optimal inventory.

◆ **PNT Business:** Net sales **78** 100M yen (+1.4%)  
 \*Reviewing business fields, and changing the name from Communications & GNSS Solutions

◆ **Healthcare:** Net sales **17** 100M yen (-20%)

### Wireless LAN Systems:

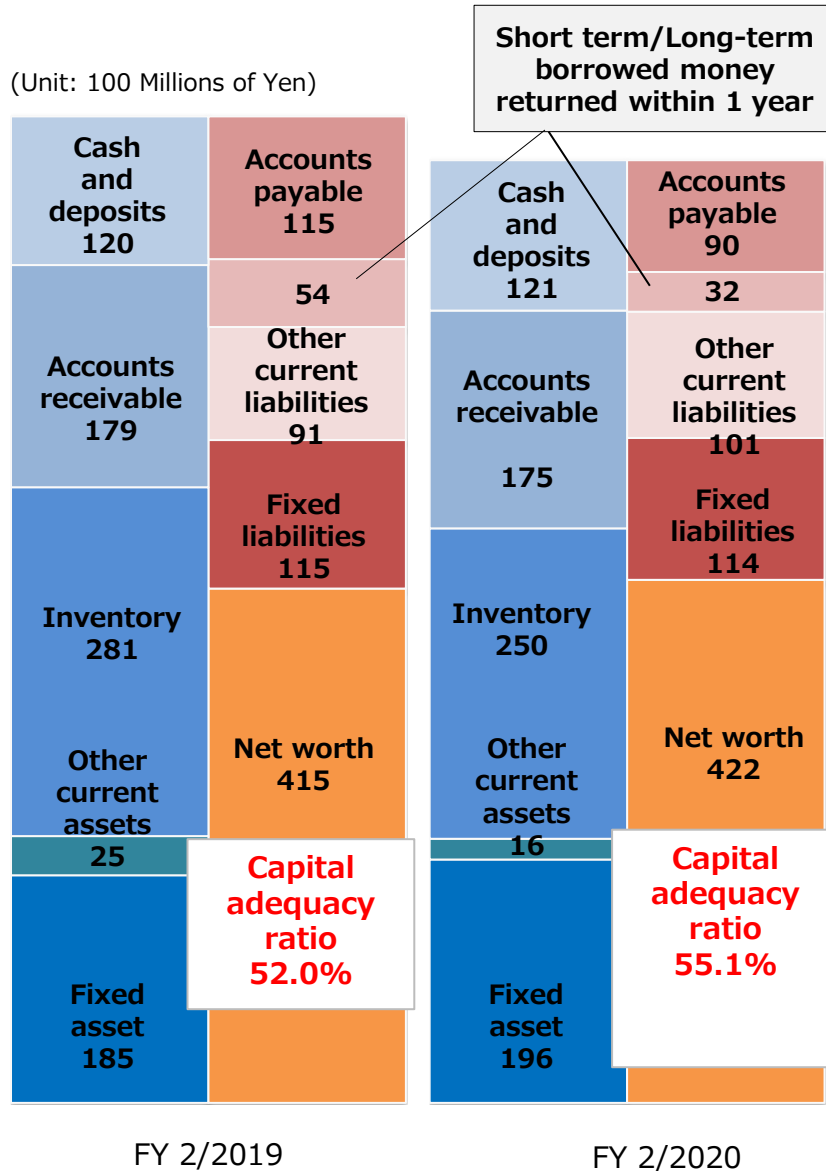
**Net sales 38** 100M yen (14.5% year on year)

**Segment Profit 7** 100M yen (+0.2 100M yen )

- ⇒ **Wireless LAN Access Point keep performing well.**

# Analysis of Financial Condition

(Unit: 100 Millions of Yen)



- ◆ Due to our promoting stock reduction through measures such as production adjustment, inventory was reduced by 31 100M yen compared to the end of the previous year.
- ◆ In accordance with suppression of purchases due to production adjustment, accounts payable were reduced by 25 100M yen compared to the end of the previous year.
- ◆ With the increase in surplus, the capital adequacy ratio rose by 3.1 pt compared to the previous year.



## 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 2/2031 ; consolidated net sales of **1,200** 100M yen,  
operating margin of **10%**,  
new business composition ratio of **30%**

## Achieving our goal in 3 phases

### **【Phase 1・・・Advance】** (FY 2/2021-2/2023)

Procure resources and strengthen our capabilities by improving the structure of our businesses.

### **【Phase 2・・・Connect】** (FY 2/2024-2/2026)

Take action toward building a profitable structure and the pillars of our technologies and businesses.

### **【Phase 3・・・Transform】** (FY 2/2027-2/2031)

Realize an appropriate corporate scale, profitability and business structure.

## Basic policy; Advance

Procure resources and strengthen our capabilities by improving the structure of our businesses.

## Targets for FY 2/2023

Build a management foundation that can stably achieve the followings.

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

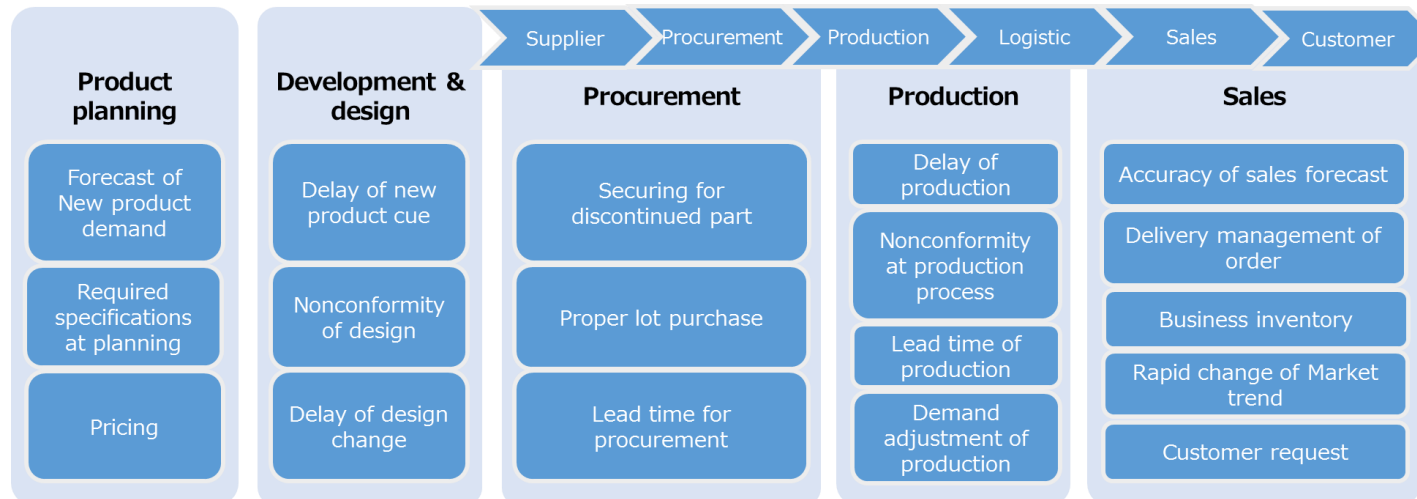
Payout ratio : **30% or higher**

**Various efforts to strengthen capabilities and improve structure achieved through implementation of individual business strategies.**

- (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**

**All relevant divisions will work together to reduce inventory, including not just sales, logistics, and manufacturing, but also planning, designing, development, procurement, services, quality assurance, and more.**

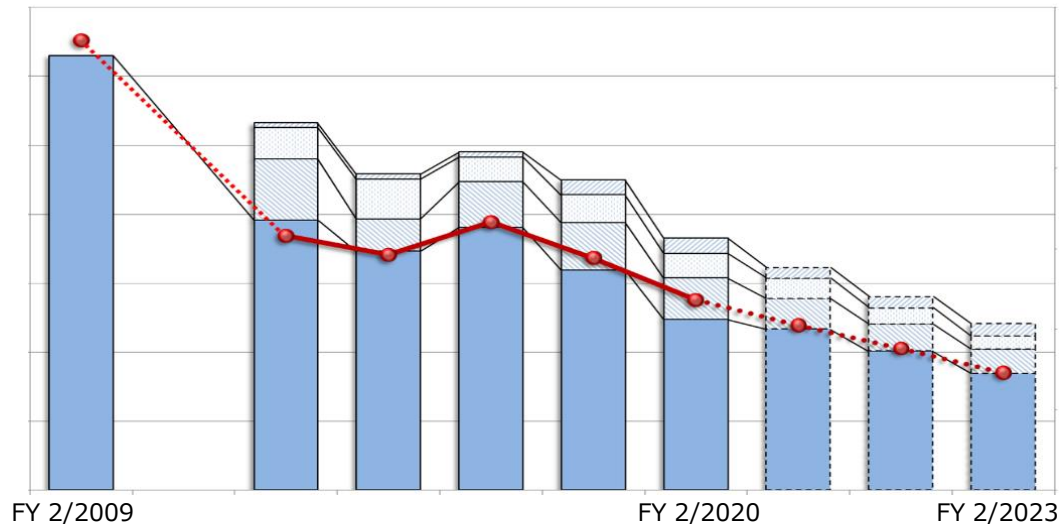
- Raise our ability to respond to a discontinuation of production and shorten the procurement lead time.
- Raise our ability to respond to a change in production planning and shorten the production lead time.
- Raise our sales forecast accuracy, optimize our sales office inventory, and optimize logistics bases.



**Under our philosophy of prioritizing quality over all else, we will strive to reexamine our back-to-basics quality processes, and, without impeding progress, aim for further improvement.**

- Formulation and steady execution of a product quality business plan in each business unit.
- Upgrading of a product quality education system.

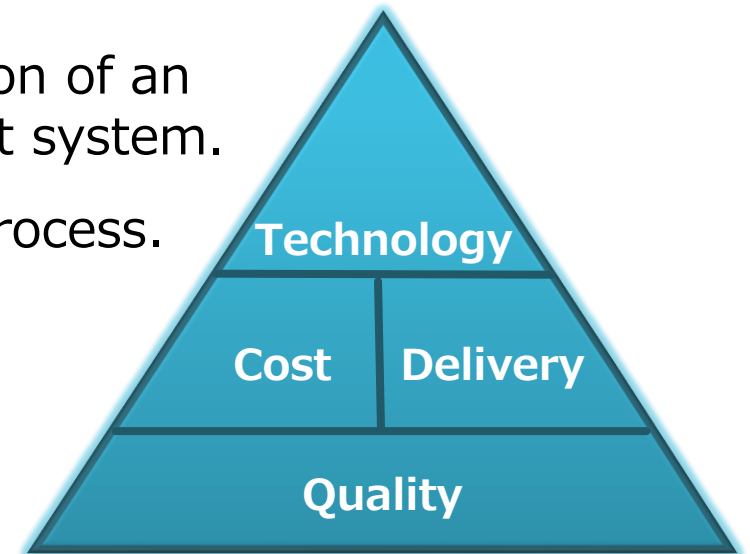
## Los Cost caused by quality problem



**While continuing our efforts to improve quality, we will strive to achieve both cost reduction and compliance with deadlines, bring them into effect throughout the company, and transform them into a solid structure that supports the foundations of our company.**

**We will also, simultaneously, strive to establish a technology base and a development base. that will lead to growth and expansion of our business in the future.**

- Promoting design changes to bring down the cost of existing machines.
- Speeding up the PDCA cycle by introduction of an integrated development cost management system.
- Promoting automation of the inspection process.



**We are eliminating waste with FPS activities\*  
and continuously promoting “1/2 manufacturing.”**

\* FPS stands for “Furuno Production System.” It has been continually implemented since 2012.

- Optimization of the global production structure.  
(Miki Plant, Dongguan Plant, other cooperating factories)
- Automation of the production process.
- Expansion of configuration production.





## Make investment for future growth in Phase 2 and later

- Cultivation of new businesses
- Research and development including in the advanced technology area
- Development of various infrastructure



New building for research & development work space scheduled to be completed in September 2021

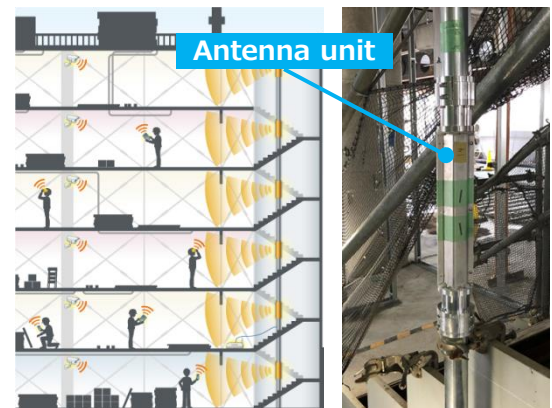
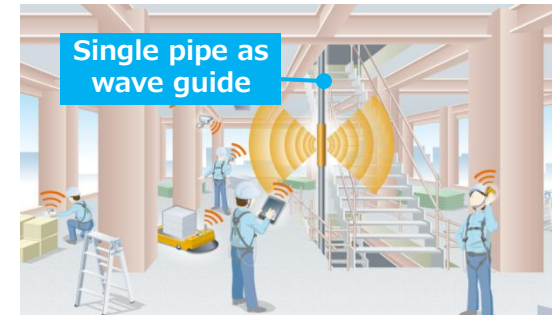
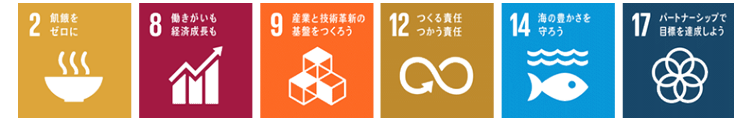
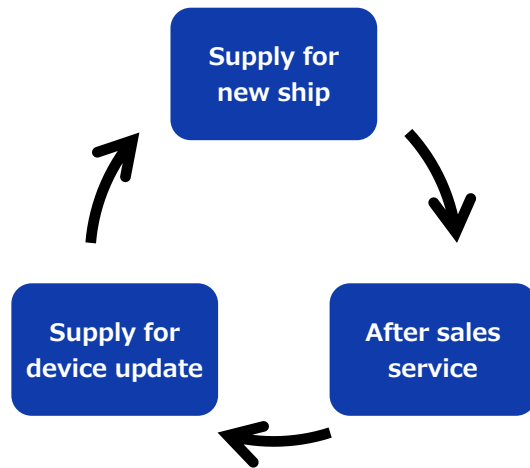


Image of building construction site utilizing "Waveguide LAN System™" scheduled for commercialization in 2020



## Businesses targeting merchant vessels Development of life cycle support and more

While expanding our share of the new shipbuilding market and promoting, on a global scale, full “life cycle support” that includes after-sales service and meeting the demand for device updates, we will accelerate actions for autonomous and remote-controlled ships, including digitalization inside vessels.



### Digitalization





## Businesses targeting fishing vessels

“Visualization of intuition and experience” to support fishing industry workers on both hard and soft fronts

We will aim to raise our profitability, not just by providing various devices held by the fisheries industry, which is where the FURUNO Group started, but also by providing, on a global scale, solutions to the various problems surrounding the industry.

### Challenges and direction of Japanese fisheries

- Scientifically and effectively assessing and managing resources that are internationally comparable
- Conversion from intuition-based and experience-based operations to data-based fishing and aquaculture
- Establish a competitive distribution structure in terms of quality, cost, etc. that contributes to increasing the income of fishermen
- Establishing an environment for securing players and enhancing investment

Source: Japan Fisheries Agency “About efforts for social implementation of smart fisheries”



## Businesses targeting pleasure boats

# Striving to recapture our market share by dramatic reexamination of the business structure

In order to regain our share in the global market, we will restructure our business structure and speed up the launch of products from the perspective of the customer.



**NavNet TZtouch3**

The latest model of the network compatible navigation equipment "NavNet" series, which is scheduled to be sold domestically in June 2020.



**DRS NXT series**

New solid-state radar sensor scheduled for release in the fall of 2020



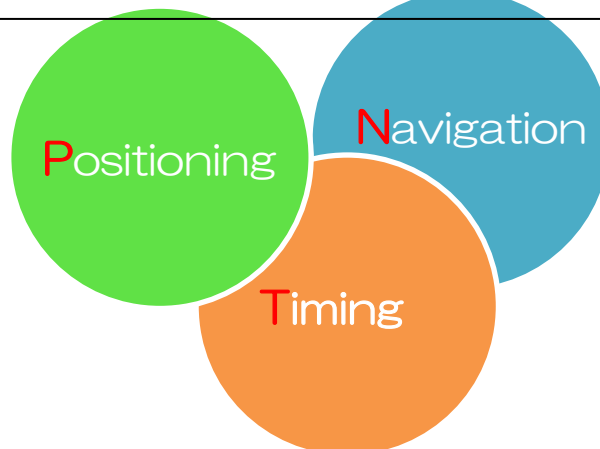
## PNT\* Business (ITS Business Unite)

Striving for evolution of in-house products and solutions and global expansion

In the three fields of “Positioning,” “Navigation,” and “Timing,” we will accelerate customer POV-centered development of products and solutions, in addition to beginning initiatives toward a full-fledged global expansion starting with the timing business.

\*Reviewing business fields, and changing the name from Communications & GNSS Solutions

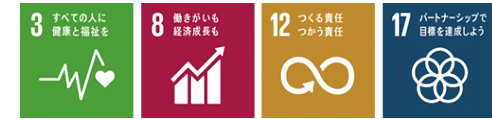
**Customer POV-centered**



**Global expansion**







## Healthcare Business

Expanding our business by concentrated investment in corporate management resources for key areas

We will focus on China and Southeast Asia, whose markets are expected to grow, as priority regions, and strive to expand our business by providing products that are suited to the characteristics of each region.

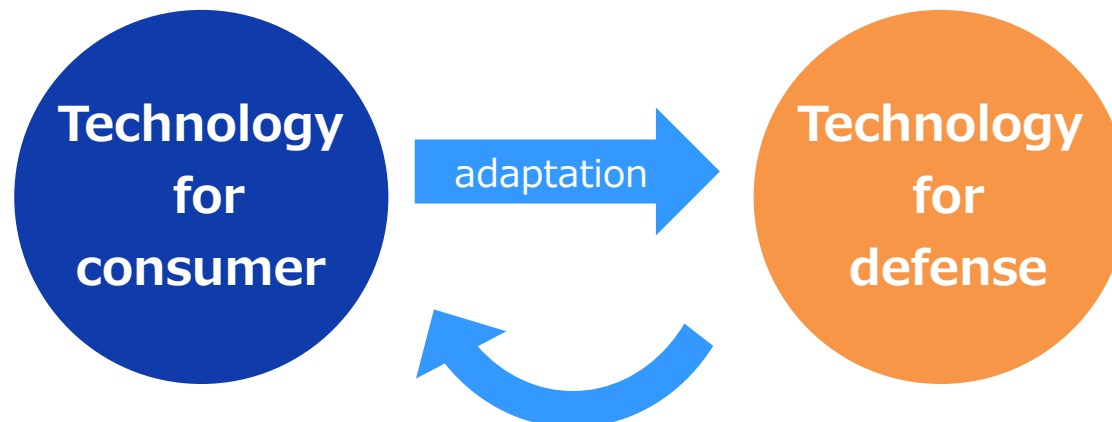




## Defense Equipment Business

Anticipatory investment for future growth by diversion of consumer technology

We aim to achieve growth from a long-term perspective, by promoting the adaptation of technologies cultivated in the consumer field to defense applications.



Understanding changes in needs and trends



## Wireless LAN System Business

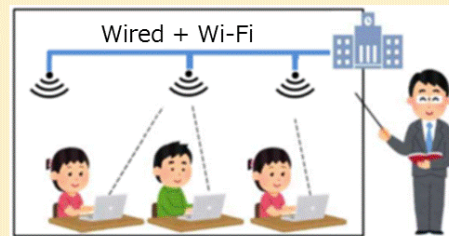
Procurement of corporate management resources in businesses targeting in the educational market and anticipatory investment for future growth

We will continue to cultivate new markets and develop new businesses while maintaining our top share in the educational market, which has been expanding in recent years.

### Realization package of GIGA school concept

Educational ICT environment that is optimized for each child and fosters their creativity

- High speed, large capacity, high confidentiality and Inexpensive network maintenance



**New market cultivation**  
**New business development**

Source : Japan Ministry of Education, Culture, Sports, Science and Technology  
"GIGA School Plan Realization Package"



**The consolidated business forecast for the fiscal year ending February 2021 is undecided because it is difficult at this stage to reasonably calculate the impact of the novel coronavirus.**

**Dividends for the next fiscal year are also undecided.**

**We will promptly disclose them together with the full-year earnings forecast when earnings can be more accurately predicted.**

# Corporate Profile

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 Feb 29, 2020

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

