



Furukawa Electric Co., Ltd.

Q3 Financial Results Briefing for the Fiscal Year Ending March 2024

February 8, 2024

[Number of Speakers]	1	Director, Corporate Senior Vice President, and General Manager of Finance & Accounting Division
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Furukawa Electric Group

FY2023 Q3 Financial Results

February 8, 2024

Akihiro Fukunaga
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General Manager of the Finance & Accounting Division
Furukawa Electric Co., Ltd.

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Fukunaga: My name is Fukunaga from the Finance & Accounting Division. We would like to thank you for participating in our financial results briefing today despite your busy schedule. I will now explain the details of the financial results for Q3 FY2023.

FY2023 Q3 financial results and full-year forecasts

Today's Agenda

- FY2023 Q3 financial results highlights
- FY2023 Q3 results - P/L summary
- FY2023 Q3 results - Breakdown of changes in net sales
- FY2023 Q3 results - Breakdown of changes in operating income
- FY2023 full-year forecasts - P/L summary
- Revised FY2023 full-year forecasts - operating income by segment
- Net sales and operating Income by segment
- FY2023 Q3 results - B/S summary
- CAPEX, depreciation & amortization and R&D expenses
- Directed at FY2024

Appendix

The agenda for today's briefing is listed on page three of the material.

■ Net sales declined year on year and profits declined at each stage

(JPY billion, JPY/kg, JPY/USD)	FY22_Q3*	FY23_Q3	YoY change	
	a	b	b-a	
Net Sales	785.9	765.3	(20.6)	(Comparison with last year) [Increased] Electronics & Automotive Systems (Automotive Products & Batteries) [Decreased] Infrastructure, Electronics & Automotive Systems (Electronics Component Material), Functional Products
Operating income	6.0	(0.6)	(6.6)	[Increased] Electronics & Automotive Systems (Automotive Products & Batteries) [Decreased] Infrastructure, Electronics & Automotive Systems (Electronics Component Material), Functional Products
Ordinary income	8.8	(3.0)	(11.7)	Increased interest expense Foreign exchange loss
Net income attributable to owners of the parent	10.8	(6.5)	(17.3)	Extraordinary income for the previous fiscal year: Gain on sale of equity interest in consolidated subsidiaries (JPY10.8 billion), etc.
Average copper price	1,200	1,249	+49	
Average exchange rate	136	143	+7	

*Restated only the FY2022 financial results following the start of voluntary application of the International Financial Reporting Standards (IFRS) at the equity method affiliate UACJ Corporation (Refer to the Appendix for details)

Next, please turn to page five for the key points of Q3 financial results. The cumulative results for Q3 showed a YoY decline in sales and a decrease in profit at each stage. Sales were JPY765.3 billion. Operating income was positive JPY4.1 billion in the single quarter of Q3, but negative JPY0.6 billion for the Q3cumulatively. Details of sales and operating income will be explained in later pages.

Regarding non-operating income/loss, equity gains/losses of affiliated companies improved. However, the sharp appreciation of the yen from mid-November to the end of December resulted in a foreign exchange loss compared to a foreign exchange gain in the previous year, and interest payments increased due to higher interest rates. As a result, ordinary income decreased by JPY11.7 billion from the previous year to negative JPY3.0 billion.

In addition, there were extraordinary gains due to the sale of strategic stockholdings. However, net income attributable to owners of the parent was negative JPY6.5 billion, down JPY17.3 billion from the previous year, due in part to the difference from the JPY10.8 billion gain on the sale of interests in consolidated subsidiary the TOTOKU, which was recorded in the previous year.

FY2023 Q3 results - P/L summary

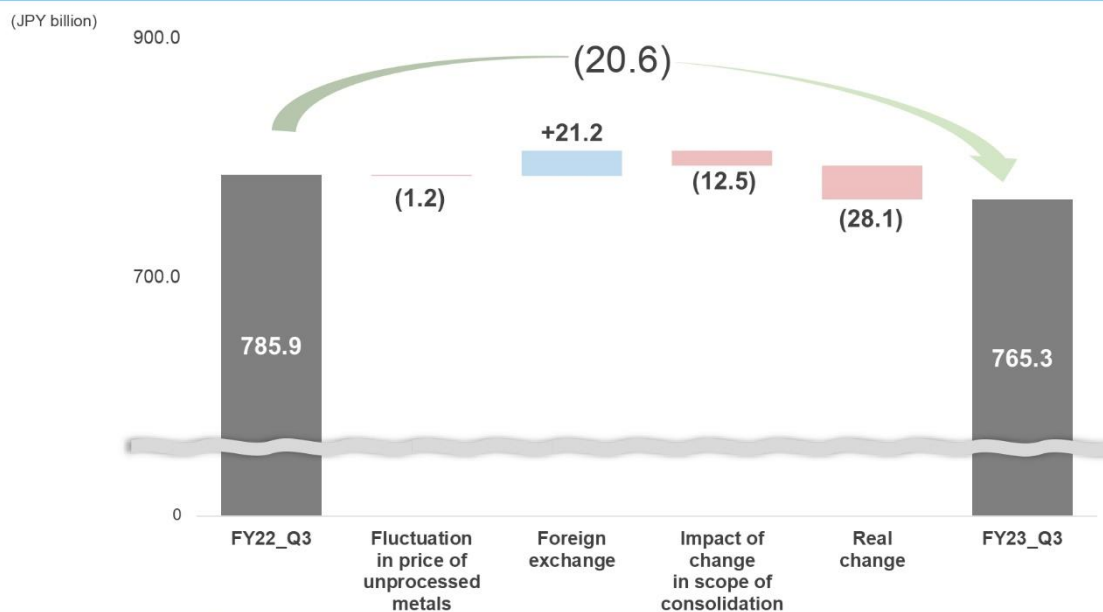


(JPY billion, JPY/kg, JPY/USD)	FY22_Q3*		FY23_Q3		YoY change		Breakdown of change (YoY in Q3)
	a	10-12	b	10-12	b-a	10-12	
		a'		b'		b'-a'	
Net sales	785.9	261.4	765.3	262.2	(20.6)	+0.8	See page 7
Operating income	6.0	1.4	(0.6)	4.1	(6.6)	+2.6	See page 8
(Margin)	0.8%	0.6%	(0.1)%	1.5%	(0.8)	+1.0	
Interest revenue/expense	(3.4)	(1.4)	(5.5)	(1.9)	(2.1)	(0.5)	
Profit/loss in equity method affiliates	3.1	(0.8)	3.6	1.4	+0.5	+2.2	
Foreign exchange gain/loss	1.2	(3.6)	(1.0)	(3.1)	(2.2)	+0.5	
Ordinary income	8.8	(3.4)	(3.0)	0.7	(11.7)	+4.0	
(Margin)	1.1%	(1.3)%	(0.4)%	0.3%	(1.5)	+1.5	
Extraordinary income/loss	11.9	11.8	2.7	(0.8)	(9.2)	(12.6)	·Extraordinary income : (8.0) [14.6 → 6.5]
Income taxes	(9.0)	(3.4)	(5.3)	(1.6)	+3.7	+1.8	·Extraordinary loss: (1.2) [(2.6) → (3.8)]
Net income attributable to non-controlling interests	(0.9)	(0.6)	(1.0)	(0.6)	(0.2)	(0.0)	
Net income attributable to owners of parent	10.8	4.5	(6.5)	(2.4)	(17.3)	(6.9)	
(Margin)	1.4%	1.7%	(0.9)%	(0.9)%	(2.2)	(2.6)	
Average copper price	1,200	1,189	1,249	1,264	+49	+75	
Average exchange rate	136	141	143	148	+7	+6	

*Restated only the FY2022 financial results following the start of voluntary application of the International Financial Reporting Standards (IFRS) at the equity method affiliate UACJ Corporation (Refer to the Appendix for details)

Page six is a summarized P/L. We will skip this page.

FY2023 Q3 results - Breakdown of changes in net sales



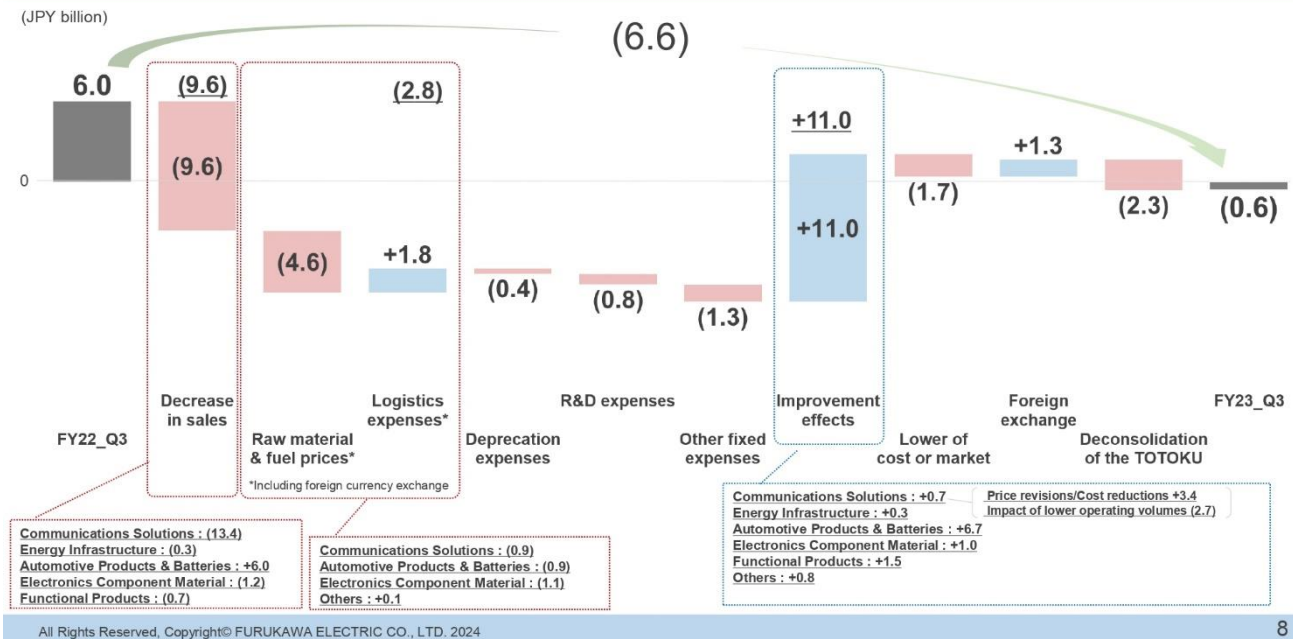
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Page seven shows a waterfall chart of YoY sales increase/decrease for the cumulative Q3. Excluding fluctuation in price of unprocessed metals, foreign exchanges, and impact of changes in the scope of consolidation, the real change was a decrease of JPY28.1 billion. Of the changes in the scope of consolidation, JPY12.2 billion was due to the sale of equity interest in the TOTOKU in the previous fiscal year.

The breakdown of the real fluctuation is as follows: Communications Solutions, down about JPY42.0 billion; Electronics Component Material, down about JPY9.0 billion; Functional Products, down about JPY6.0 billion; and Energy Infrastructure, down about JPY3.0 billion. On the other hand, Automotive Products & Batteries increased by about JPY27.0 billion, and others, such as eliminations, increased by about JPY5.0 billion.

FY2023 Q3 results - Breakdown of changes in operating income



Page eight shows a waterfall chart of YoY operating income for the cumulative Q3. The impact of the decrease in sales was very large, down JPY9.6 billion. Of this amount, JPY13.4 billion was negative in Communications Solutions. On the other hand, Automotive Products & Batteries had positive JPY6.0 billion. Others had negative JPY2.0 billion.

Although raw material and fuel prices continue to rise, logistics expenses are falling, and together, these costs are a negative JPY2.8 billion. Depreciation and R&D expenses increased due to the depreciation of JPY, and other fixed costs similarly rose due to the impact of the weaker JPY and higher unit labor costs, but the increase was controlled through substantial spending restraints and reductions.

In contrast, positive JPY11.0 billion was due to price optimization including price pass-through and improvement effects from product mix, productivity improvement, and cost reductions, but this was not enough to cover the negative effects.

The negative impact of the lower-of-cost-or-market method in the Energy Infrastructure and the exclusion from consolidation through the sale of equity interests of the TOTOKU in the previous fiscal year, resulted in a JPY6.6 billion decrease YoY despite the positive effect of foreign exchange due to the weaker yen.

FY2023 full-year forecasts - P/L summary



■ Full-year forecasts remain unchanged

(JPY billion, JPY/kg, JPY/USD)	FY22 Results* ¹	FY23 Previous forecasts* ²	FY23 Forecasts	YoY change	Change from previous forecasts
	a	b	c	c-a	c-b
Net sales	1,066.3	1,040.0	1,040.0	(26.3)	-
Operating income	15.4	5.0	5.0	(10.4)	-
(Margin)	1.4%	0.5%	0.5%	(1.0)	-
Interest revenue/expense	(5.2)	-	-	-	-
Profit/loss in equity method affiliates	3.6	-	-	-	-
Foreign exchange gain/loss	1.7	-	-	-	-
Ordinary income	17.3	4.0	4.0	(13.3)	-
(Margin)	1.6%	0.4%	0.4%	(1.2)	-
Extraordinary income/loss	10.7	8.3	9.9	(0.8)	+1.6
Income taxes	(10.3)	-	-	-	-
Net income attributable to non-controlling interests	(1.7)	-	-	-	-
Net income attributable to owners of parent	15.9	0.0	0.0	(15.9)	-
(Margin)	1.5%	0.0%	0.0%	(1.5)	-
Average copper price	1,209	1,191	1,243	+34	+52 (Q4 assumption : 1,225)
Average exchange rate	135	141	144	+8	+3 (Q4 assumption : 145)

*¹ Restated only the FY2022 financial results following the start of voluntary application of the International Financial Reporting Standards (IFRS) at the equity method affiliate UACJ Corporation (Refer to the Appendix for details)

*² Announced on November 9, 2023

Page nine is a summary P/L of the FY2023 full-year forecast. The full-year forecast remains unchanged.

Revised FY2023 full-year forecasts - operating income by segment

■ Compared to the previous forecast, Communications Solutions has been revised down and Automotive Products & Batteries has been revised up

(JPY billion)

Segments		Main revision		Main reason for the revision	
		Previous	Current		
Infrastructure	Communications Solutions	(12.5)	(14.5)	(-2.0)	(-) Delayed demand recovery in the Americas in the optical fiber & cable business (+) Increased orders from recovering data center related demand
	Energy Infrastructure	(No change)		-	-
Electronics & Automotive Systems	Automotive Products & Batteries	11.5	13.0	+1.5	(+) Recovering sales and increased productivity (-) Changes to customer production plans (-) Recorded additional provision for product compensation costs
	Electronics Component Material	(No change)		-	-
Functional Products		(No change)		-	-

* Service & developments, etc.: Through limiting corporate expenses +0.5

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Please turn to page 10. Although the overall full-year forecast remains unchanged, operating income by segment has been revised. For operating income, the forecast for Automotive Products & Batteries has been revised upward by JPY1.5 billion due to sales recovery and productivity improvement, despite negative factors such as changes in customers' production plans and additional provision for product compensation costs.

On the other hand, in Communications Solutions, although there is a recent recovery in orders for data center-related products, the downward revision of JPY2.0 billion is made due to a delay in the recovery of demand in the optical fiber and cable business in North and Central/South America.

In addition, we expect positive JPY0.5 billion in Service and Developments, etc., due in part to the control of corporate expenses.

Net sales and operating Income by segment (cumulative Q3)



(JPY billion)	Net sales			Operating income		
	FY22_Q3	FY23_Q3	YoY change	FY22_Q3	FY23_Q3	YoY change
	a	b	b-a	c	d	d-c
Infrastructure	238.2	198.9	(39.2)	3.6	(13.2)	(16.8)
Communications Solutions	159.2	122.9	(36.3)	2.9	(11.7)	(14.7)
Energy Infrastructure	79.0	76.0	(3.0)	0.7	(1.4)	(2.1)
Electronics & Automotive Systems	444.7	474.7	+30.0	(1.1)	10.2	+11.3
Automotive Products & Batteries	241.4	276.3	+34.9	(4.0)	8.3	+12.3
Electronics Component Material	203.3	198.4	(4.9)	2.9	1.9	(1.0)
Functional Products	101.2	85.5	(15.7)	5.2	3.9	(1.3)
Service & Developments, etc.	22.1	23.2	+1.1	(1.6)	(1.6)	+0.0
Elimination of intra-company transactions	(20.3)	(17.0)	+3.3	(0.0)	0.1	+0.1
Total	785.9	765.3	(20.6)	6.0	(0.6)	(6.6)

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Net sales and operating Income by segment (full-year forecasts)



(JPY billion)	Net sales					Operating income				
	FY22 Results	FY23 Previous forecasts*	FY23 Forecasts	YoY change	Change from previous forecasts	FY22 Results	FY23 Previous forecasts*	FY23 Forecasts	YoY change	Change from previous forecasts
Infrastructure	323.9	270.0	265.0	(58.9)	(5.0)	8.6	(11.5)	(13.5)	(22.1)	(2.0)
Communications Solutions	217.6	165.0	160.0	(57.6)	(5.0)	6.5	(12.5)	(14.5)	(21.0)	(2.0)
Energy Infrastructure	106.3	105.0	105.0	(1.3)	-	2.1	1.0	1.0	(1.1)	-
Electronics & Automotive Systems	610.3	655.0	660.0	+49.7	+5.0	4.7	14.0	15.5	+10.8	+1.5
Automotive Products & Batteries	337.4	395.0	395.0	+57.6	-	1.5	11.5	13.0	+11.5	+1.5
Electronics Component Material	273.0	260.0	265.0	(8.0)	+5.0	3.2	2.5	2.5	(0.7)	-
Functional Products	126.5	120.0	120.0	(6.5)	-	4.2	5.0	5.0	+0.8	-
Service & Developments, etc.	31.7	30.0	30.0	(1.7)	-	(2.1)	(2.5)	(2.0)	+0.1	+0.5
Elimination of intra-company transactions	(26.1)	(35.0)	(35.0)	(8.9)	-	0.1	0.0	0.0	(0.1)	-
Total	1,066.3	1,040.0	1,040.0	(26.3)	-	15.4	5.0	5.0	(10.4)	-

*Announced on November 9, 2023

*Announced on November 9, 2023

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Page 11 shows the cumulative Q3 total for net sales and operating income by segment, and page 12 shows its full-year forecast. Individual businesses are described on subsequent pages.

1-(1) Infrastructure (Communications Solutions)

FY23_Q3			
Decrease in sales and income			
(JPY billion)	FY22_Q3	FY23_Q3	YoY change
	a	b	b-a
Net sales	159.2	122.9	(36.3)
Operating income	2.9	(11.7)	(14.7)

【Factors affecting profits】

- (-) Prolonged inventory adjustments, restrained investment and project delays by customers in the Americas
- (-) Productivity impact of lower operating volumes
- (-) Higher raw material & fuel prices
- (+) Sales price optimization
- (+) Reduced fixed cost
- (+) Increased orders from recovering data center related demand

FY23_Forecasts					
(JPY billion)	FY22 Results	FY23 previous forecasts*	FY23 Forecasts	YoY change	Downward revision
	a	b	c	c-a	Change from previous forecasts
Net sales	217.6	165.0	160.0	(57.6)	(5.0)
Operating income	6.5	(12.5)	(14.5)	(21.0)	(2.0)

*Announced on November 9, 2023

Situation

	FY23_H1	FY23_H2
Fiber & cable	Rapidly falling demand mainly in the Americas	Delayed demand recovery
Optical device/Networking related products in Japan	Project delays due to shortage of semiconductors	Gradual recovery from Q4

Future response

- Shift from general-use products to high-value-added products
- Promote sales expansion in data centers and FTTX

Rollable ribbon cable
Networking systems
ITLA*1/DFB*2 chips

- Prepare an optical fiber & cable manufacturing system based on when demand recovers

*1 Integrated Tunable Laser Assemble
*2 Distributed Feedback

Please turn to page 13. First are Communications Solutions. Sales and profits for the cumulative Q3 are down YoY. Negative factors include reduced investment by customers in North, Central, and South America; prolonged inventory adjustments; lower sales due to delays in the FTTX project; the resulting impact on productivity due to significantly lower capacity utilization; and higher raw material and fuel prices. In response, we are promoting sales price optimization and cost reductions, including fixed costs. In addition, there are signs of sales growth from a recovery in orders received due to a recent rebound in data center-related demand. However, the situation has not yet reached a full-fledged recovery, which has not made up for the negative results.

Regarding the downward revision of the full-year forecast, the change in the perception of the situation since the last time is highlighted in pink. At the beginning of the year, we expected a gradual recovery in optical fiber and cable in H2 and certain level of recovery in Q4. However, due to the prolonged sluggishness of demand, we made a substantial downward revision at the time of the announcement of H1. Since the recovery is now expected to be further delayed, we have further revised downward our forecasts for net sales and operating income to JPY5.0 billion and JPY2.0 billion, respectively.

We will continue to promote cost reduction and other improvement measures, shift from general-purpose products to high-value-added products and improve our optical fiber and cable manufacturing system in anticipation of the data center demand recovery period.

1-(2) Infrastructure (Energy Infrastructure)

FY23_Q3		Decrease in sales and income	
(JPY billion)	FY22_Q3	FY23_Q3	YoY change
	a	b	b-a
Net sales	79.0	76.0	(3.0)
Operating income	0.7	(1.4)	(2.1)

[Factors affecting profits]

- (-) Decrease in sales and application of the lower of cost or market method* (large-scale projects delay to next fiscal year and beyond)
- (-) Increased depreciation expenses
- (-) Product compensation costs were incurred
- (+) Strong demand of functional power cable (Rakuraku aluminum cable®, etc.)

*Because projects are concentrated in H2, expect a recovery in FY23 Q4

FY23_Forecasts		FY23 previous forecasts*		FY23 Forecasts		YoY change		No revision	
(JPY billion)	FY22 Results	FY23 previous forecasts*	FY23 Forecasts	FY22 Results	FY23 Forecasts	FY22 Results	FY23 Forecasts	FY22 Results	FY23 Forecasts
	a	b	c	a	c	a	c	a	c
Net sales	106.3	105.0	105.0	106.3	105.0	(1.3)	(1.3)	-	-
Operating income	2.1	1.0	1.0	2.1	1.0	(1.1)	(1.1)	-	-

*Announced on November 9, 2023

Situation	
>>	FY23_H1
Japan extra-high voltage	Stable demand, construction projects concentrated in the H2
Submarine lines	Project delay
China	Market downturn
Functional power cable	Increased sales of Rakuraku aluminum cable® / Strong demand

Future response	
• Secure orders with a focus on profits, and optimize sales prices	Japan underground extra-high voltage power cable Renewable energy projects
• Increase cable manufacturing and installation capacity	
• Promote marketing activities	Rakuraku aluminum cable® Transmission components

Page 14 is about Energy Infrastructure. Sales and profits for the cumulative Q3 are down YoY. There was a decrease in revenue due to the postponement of a large project worth just under JPY10.0 billion, which had been planned, to the next fiscal year or later for client reasons. In addition, there is a negative impact from the application of the lower-of-cost-or-market method due to the associated decline in profitability. This negative figure under the lower-of-cost-or-market method is expected to recover in Q4 due to improved earnings and inventory reductions resulting from higher sales. Other negative factors include an increase in depreciation and amortization expenses and a product compensation expense incurred in Q1. On the other hand, functional power cable such as Rakuraku aluminum cable® performed well.

Regarding the full-year forecast, orders for domestic extra-high voltage cable are firm. The construction projects will remain unchanged, concentrated in Q4. In addition, we will continue to ensure profit-oriented orders, sales price optimization, and expansion of cable manufacturing and installation capacity.

FY23_Q3			
Increase in sales and income			
(JPY billion)	FY22_Q3	FY23_Q3	YoY change
	a	b	b-a
Net sales	241.4	276.3	+34.9
Operating income	(4.0)	8.3	+12.3

[Factors affecting profits]

- (+) Increase in automobile production
- (+) Improvement effects
 - Improve productivity and reduce air expenses by stabilizing customers' production plans
 - Sales price optimization
- (-) Product compensation costs were incurred
- (-) Higher raw material and fuel prices
- (-) Increased depreciation and R&D expenses
- (-) Slowdown for Japanese OEM operating in the Chinese market

FY23_Forecasts					
(JPY billion)	FY22 Results	FY23 previous forecasts*	FY23 Forecasts	YoY change	Upward revision Change from previous forecasts
	a	b	c	c-a	c-b
Net sales	337.4	395.0	395.0	+57.6	-
Operating income	1.5	11.5	13.0	+11.5	+1.5

*Announced on November 9, 2023

Situation				
	>>	FY23_H1	FY23_H2	>>
Automotive Products	Decrease in production Rapid change in the plan	Gradually stabilize	Increase production	
	Productivity deterioration	Improve productivity		
Batteries	Both automotive and industrial sales concentrated in the H2			

Future response

- Develop products and respond to autonomy for expansion of the electric vehicle market
 - Aluminum wire harness (including high-voltage products)

Page 15 is for Automotive Products & Batteries. Sales and profits for the cumulative Q3 are up YoY. Automotive production is recovering and increasing. To keep up with this trend, we have been improving productivity and have also significantly reduced air costs that were incurred in the previous year due to sharp fluctuations in production plans. Price pass-through including formulization, against rising raw material and fuel prices, is progressing according to plan. On the other hand, there are negative factors such as product compensation expenses and sluggish sales to Japanese OEMs in the Chinese market, but these are covered by positive factors.

The full-year forecast has been revised upward from the previous forecast by further improving productivity. In the future, we will promote product development and autonomy of aluminum harnesses, including high-voltage-compatible products, for the expanding market of electric vehicles.

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

FY23_Q3			
Decrease in sales and income			
(JPY billion)	FY22_Q3	FY23_Q3	YoY change
	a	b	b-a
Net sales	203.3	198.4	(4.9)
Operating income	2.9	1.9	(1.0)

【Factors affecting profits】
 (-) Demand for electronics-related declined
 (-) Higher raw material and fuel prices

 (+) Sales price optimization
 (+) Limited fixed expenses

FY23_Forecasts					
(JPY billion)	FY22 Results	FY23 previous forecasts*	FY23 Forecasts	YoY change	Revision of copper price Change from previous forecasts
	a	b	c	c-a	c-b
Net sales	273.0	260.0	265.0	(8.0)	+5.0
Operating income	3.2	2.5	2.5	(0.7)	-

*Announced on November 9, 2023

Situation		
>>	FY23_H1	FY23_H2 >>
Slowing demand for automotive and electronics-related products	Gradual recovery for automotive products	
	Delayed recovery for electronics-related markets	
Future response		
<ul style="list-style-type: none"> Promote and expand sales of high-value-added products (continue to improve product mix) 		
Heat-resistant oxygen-free copper strips (for power semiconductors/heat dissipation components)	Ribbon cable and ultra fine flat wire (for 5G telecommunications)	High performance products (resistance materials)
<ul style="list-style-type: none"> Optimize sales prices and withdraw from low-margin products 		

Page 16 is for Electronics Component Material. Sales and profits for the cumulative Q3 are down. Although demand for automotive applications is on a recovery trend, the main factor is a decrease in demand for electronics-related products. In addition, although raw material and fuel prices are rising, we are compensating for this by optimizing selling prices and curbing fixed costs.

The full year forecast for sales has been revised upward to an increase of JPY5.0 billion due to a review of copper prices, but there is no impact on P/L, so operating income remains unchanged. We will continue to improve profitability by shifting to high-value-added products to improve the product mix, optimize selling prices, and withdraw from low-margin products.

3 Functional Products

FY23_Q3		Decrease in sales Increase in income		
(JPY billion)	FY22_Q3	FY22_Q3 (Excluding special factor) ¹	FY23_Q3	YoY change
	a	a'	b	b-a'
Net sales	101.2	88.9	85.5	(3.4)
Operating income	5.2	2.8	3.9	+1.1

¹Special factor : the effect of deconsolidation of the TOTOKU

【Factors affecting profits】

(+) Strong demand for AI and renewable energy related products

(-) Lower demand for smartphones, PCs and hard-disk drive (HDD) related products, and inventory adjustments in the supply chain

FY23_Forecasts		FY23 previous forecasts ²		FY23 Forecasts		YoY change	No revision
(JPY billion)	FY22 Results	FY22 Results (Excluding special factor) ¹	b	c	c-a'	c-b	
	a	a'					
Net sales	126.5	114.2	120.0	120.0	+5.8	-	
Operating income	4.2	1.8	5.0	5.0	+3.2	-	

² Announced on November 9, 2023

Situation			
>>	FY23_H1	FY23_H2	>>
Active investment related to AI			
Lower global demand for smartphones and PCs	Prolonged sluggish demand		
Inventory adjustments in the supply chain	Prolonged inventory adjustments and weak demand (Aluminum blanks for HDD)		
Future response			
<ul style="list-style-type: none"> Capture the rapidly growing demand related to generative AI Continue to increase sales of high value-added products for data center and renewable energy markets 			
Tape for semiconductor process	High performance heat dissipation and cooling products	Aluminum blanks for HDD	Copper foil for high frequency circuit boards
<ul style="list-style-type: none"> Establish a production system for when demand increases 			

Page 17 is for Functional Products. Please note that the previous year's results include the TOTOKU, so this comparison excludes that factor.

For the cumulative Q3, sales declined and profits increased. Please understand that the increase in profit despite the decrease in revenue is due to the composition of the increase and decrease in business within the segment. Smartphone, PC, and hard-disk-drive related products, which were very strong in H1 of the previous fiscal year, have seen a decline in demand since H2 of the previous fiscal year, and inventory adjustments in the supply chain continue to have an impact. On the other hand, demand for heat dissipation related products and other products for AI and renewable energy, especially related to products for generative AI, continued to be strong from H1.

The full-year forecast remains unchanged as there is no change in the perception of the situation. We will continue to capture the growing generative AI related business, expand sales of high- value-added products for data centers and renewable energy, and improve our production system to meet increasing demand.

FY2023 Q3 results - B/S summary

(JPY billion)	End of FY22*	End of FY23Q3	Change
	a	b	b-a
Current assets	486.8	510.8	+24.0
Cash and deposits	47.4	48.9	+1.5
Notes and accounts receivable	229.6	226.5	(3.0)
Inventories	172.3	194.3	+22.0
Non-current assets	446.6	454.4	+7.7
Property, plant & equipment	269.3	273.4	+4.1
Intangible assets	20.2	19.7	(0.5)
Investments and other assets	157.1	161.2	+4.1
Total Assets	933.5	965.2	+31.7
Current liabilities	381.0	400.9	+19.9
Non-current liabilities	223.3	233.8	+10.5
Total Liabilities	604.4	634.7	+30.4
Shareholders' equity	283.5	271.7	(11.8)
Accumulated other comprehensive income	18.2	30.2	+12.0
Non-controlling interests	27.4	28.5	+1.1
Total Net assets	329.1	330.4	+1.3
Total Liabilities and Net assets	933.5	965.2	+31.7
Interest-bearing debt	323.8	352.9	+29.1
Capital ratio	32.3%	31.3%	(1.0)
NET D/E ratio	0.9	1.0	+0.1

*Restated only the FY2022 financial results following the start of voluntary application of the International Financial Reporting Standards (IFRS) at the equity method affiliate UACJ Corporation (Refer to the Appendix for details)

Inventories

Increased by JPY 22.0 billion (including the impact of foreign currency exchange and copper prices of JPY +7.3 billion)

- External factors including sudden changes in net sales
- Strategic inventory (Secure inventory in preparation for changes in the business environment, including the semiconductor shortage and increased maritime transportation lead times)
- Projects and construction planned to be recorded as net sales in the future

Property, plant and equipment & Intangible assets

Increased by JPY 3.6 billion

- Impact of CAPEX and depreciation: JPY (0.6) billion
- Impact of foreign currency exchange: JPY +8.5 billion
- Impact of deconsolidation: JPY (3.0) billion

Total assets

Increased by JPY 31.7 billion

- Impact of foreign currency exchange: JPY +29.2 billion
- Impact of new consolidation: JPY +0.6 billion

Other comprehensive income

Increased by JPY 12.0 billion

Foreign currency translation adjustments: JPY +12.2 billion (impact of yen depreciation)

Net interest bearing debt

Increased by JPY 27.6 billion (From JPY 276.4 billion to JPY 304.0 billion)

Page 18 is a summarized BS at the end of Q3 FY2023. Total assets increased by JPY31.7 billion. Of this amount, impact of foreign currency exchange was significant at JPY29.2 billion. The breakdown shows that inventories increased by JPY22.0 billion, and excluding the JPY7.3 billion impact of foreign currency exchange and copper prices, inventories increased by JPY14.7 billion. This is due to an increase in strategic inventories in preparation for changes in the business environment and projects and construction projects to be booked in the future, which are planned to decrease toward the end of the fiscal year to an appropriate level.

In net assets, foreign currency translation adjustments in other comprehensive income increased JPY12.2 billion due to the effect of yen depreciation. Net interest-bearing debt increased by JPY27.6 billion, partly due to sluggish profits.

■ Full-year forecast remains unchanged

(billion yen)	FY22_Q3	FY23_Q3	YoY change	FY22 Results	*FY23 Previous Forecasts	FY23 Forecasts	YoY change	Change from previous forecasts
	a	b	b-a	c	d	e	e-c	e-d
CAPEX	26.0	26.0	(0.0)	43.8	43.0	43.0	(0.8)	-
Depreciation and amortization	28.5	28.9	+0.4	39.1	39.0	39.0	(0.1)	-
R&D expenses	17.9	18.6	+0.8	23.3	26.0	26.0	+2.7	-

*Announced on November 9, 2023

Page 19 shows the status of capital expenditures, depreciation and amortization, and R&D expenses. This forecast is unchanged from the previous forecast.

■ Overall demand is expected to recover

- Continue to pay attention to changes in the supply chain caused by natural disasters and geopolitical risk, and changes to customer plans

■ Continue management with a focus on capital efficiency, and steadily improve profits

Image of operating income in FY2024

Segments	Sub-segments	JPY: billion	FY22 Results	FY23 Forecasts		FY24 Forecasts	Premise
				H1	H2 Forecast		
Infrastructure	Communications Solutions	6.5	(14.5)	(6.0)	(8.5)	➔	<ul style="list-style-type: none"> • North and Latin America markets will recover <u>after H2</u> (including demand creation from the BEAD* Program) • Growing data center demand • Increased sales of high value-added products
	Energy Infrastructure	2.1	1.0	(2.6)	3.6	➔	<ul style="list-style-type: none"> • Continued firm demand for Japan underground cable projects • Progress in the projects postponed from FY2023 • Strong demand for functional power cable (<i>Rakuraku</i> aluminum cable®, etc.)
Electronics & Automotive Systems	Automotive Products & Batteries	1.5	13.0	2.3	10.7	➔	<ul style="list-style-type: none"> • Increased adoption of our aluminum wiring harnesses
	Electronics Component Material	3.2	2.5	0.6	1.9	➔	<ul style="list-style-type: none"> • Firm demand for automotive products • Demand for electronics-related products will recover <u>after H2</u>
Functional Products		4.2	5.0	2.1	2.9	➔	<ul style="list-style-type: none"> • Growing demand for data center related products (strong demand for AI related products, recovering demand for semiconductor related products) • Firm demand for renewable energy related products

Page 20 is the last page. This is the direction of the outlook for each business for FY2024. Plans for FY2024 and FY2025 are currently being formulated, but demand is expected to recover in general. As for the North, Central, and South American market for Communications Solutions, demand generation by the BEAD program is expected to start in H2.

Electronics Component Material is an upstream business in the supply chain. Therefore, since there is a time lag between the recovery of the electronics-related product market and the recovery of orders, we expect recovery to begin in H2.

In this environment, we will steadily improve profits by promoting business portfolio transformation through capital efficiency management-oriented initiatives. I will be sure to explain the specifics of our progress in May, along with our future plans, so please bear with us. This is all from me. Thank you very much for your attention.