Furukawa Electric Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2023 and Progress of 25 Mid-term Plan

May 11, 2023

[Number of Speakers]	3	
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<FY2022 Financial Results and Progress of the 2025 Mid-term Plan>

Today's agenda

I. Reflecting on the first year of the 2025 Mid-term Plan and directed at FY2025
II. FY2022 financial results and FY2023 forecast
III. Progress of the 2025 Mid-term Plan
   1. Overview of the first year of the 2025 Mid-term Plan
   2. Maximize profits in existing businesses through a focus on capital efficiency
   3. Build a foundation for creating new businesses
   4. Business portfolio optimization and allocation of management resources
   5. Strengthen the foundation for ESG management
   6. Management targets (Financial targets)

This is the content of today's explanation.

At the beginning of this presentation, I will give an overall view, and then Mr. Fukunaga, General Manager of the Finance & Accounting Division, will explain the results for FY2022 and the forecast for FY2023. Following that, I will again explain the progress of the 2025 Mid-Term Plan.

I. Reflecting on the first year of the 2025 Mid-term Plan and directed at FY25

Let me begin with a review of FY2022, the first year of the 2025 Medium-Term Management Plan, and an overall view toward FY2025.

Reflecting on the first year of the 2025 Mid-term Plan and directed at FY2025

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	FY2022 (1st year of the 2025 Mid-term Plan)	Directed at FY2025
Business environment	● Deterioration of the global economy and automotive/ semiconductor markets ● Increased COVID-19 infections, lockdown in China	● Global economy and the automotive/ semiconductor markets will turn around after FY2023 H2 ● Mobility restrictions related to COVID-19 will end ● CN transition, 5G expansion, acceleration of CASE progress
Status of the businesses	● Inability to respond to changes in the business environment ● Issues in relation to the monozukuri capability	● Strengthen the preparations for responding to risks through scenario planning ● Enhance the monozukuri capabilities though accelerated introduction of DX
Automotive Products & Batteries	Increased logistics expenses and higher raw material & fuel prices (Made progress incorporating into the sales price) Lower productivity due to volatility in the orders	Continue to incorporate the costs in the sales price and increase productivity through automation Steadily secure more orders
Functional Products	Maintained technological superiority and high earnings capability	Strengthen the technological superiority by being the first to respond to technological issues Return to a growth trajectory in line with the demand recovery
Communications Solutions	Improved productivity and increased sales of high value added products in North America	Continue the growth centered on stable production and a shift to higher value added Accelerate the global expansion of high value added business models
Energy Infrastructure	Established profitability through securing orders that incorporate the costs in the price	Steadily strengthen the business foundation directed toward medium to long-term growth
Financial results	Lower than the initial forecast due to downward revisions in Automotive Products & Batteries and Functional Products (operating income)	Maintain the financial targets in the 2025 Mid-term Plan

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In FY2022, we were impacted by the global economic slowdown, especially in the deteriorating semiconductor market. The lockdown in China and other countries due to the spread of theCOVID-19, combined with continued soaring raw material prices and transportation costs, resulted in a generally difficult business environment.

Against this backdrop, the Group revised its profit plan downward in the Automotive Products and Batteries and Functional products businesses due to a lack of responsiveness to changes in the business environment and other factors. In FY2023, we assume that we will continue with a challenging business environment.

The strong performance of the communications solutions-related business in North America is showing signs of slowing down, and we assume that improvement here will take place in H2 of FY2023 or later.

In the Functional products business, customers are continuing to adjust their inventories, and we currently expect that the earliest recovery in demand will begin in H2 of FY2023, with full-fledged recovery beginning in FY2024.

Throughout the year the Automotive Products business is expected to recover from the slump seen in FY2022, with a recovery expected from H2, as customers' semiconductor shortages will still affect the business in H1 of FY2023.

Based on the above, we will not lose our strength and will firmly capture the return of demand during the coming recovery period while aggressively pursuing measures to improve profitability that we can take on our own.

Although we are still in the process of recovery in FY2023, we anticipate a significant recovery in FY2024 and beyond, and therefore, the performance targets of the 2025 Mid-Term Plan remain unchanged at this time to ensure that we achieve these targets.

Reflecting on the first year of the 2025 Mid-term Plan and directed at FY2025

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Definitely capture the future demand rebound/growth, and work to grow the businesses directed at 2025

- In 2022, the global economy and automotive/ semiconductor markets deteriorated compared to the forecast announced at the start of the 2025 Mid-term Plan and placed downward pressure on earnings
- Although the downward pressure from the global economy and semiconductor market will continue in 2023, automobile production will recover. Moving toward 2025, the global economy and the automotive/ semiconductor markets are both forecast to turn around
- We are expanding the facilities and preparing the production sites in the automotive and semiconductor related businesses based on future demand trends, and we will definitely capture the future demand rebound/ growth

	2022		(May 2023 forecast)	
	(May 2022 Forecast)	(May 2023 Actual)	2023 Forecast	2024-25 Forecast
World GDP	3.6%	3.4%	2.8%	3.1%
Production volume by Japanese automobile manufacturers	7.5%	2.3%	3.4%	5.2%
Global semiconductor shipments (Monetary value)	13.0%	3.3%	(10.0%)	7.0%

Note: Figures are based on our forecasts of the calendar year (January to December) and a comparison with the previous year (2024-25 forecast is the 2-year average growth rate from 2023-2025)

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This page supplements what I just said.

Global GDP is expected to grow at an annual rate of about 3%, and automobiles and semiconductors are also expected to recover in the medium term.

Now, before explaining the progress of the 2025 Mid-Term Plan, Mr. Fukunaga will explain the actual results for FY2022 and the forecast for FY2023.

II. FY22 Financial Results and FY23 Forecast

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Fukunaga: I am Fukunaga. I would like to explain our FY2022 results and FY2023 forecast.

FY22 Financial Results Highlights

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- **Net sales and operating income increased and ordinary income was generally unchanged from last year, and net income attributable to owners of the parent company increased**
- **Operating income and ordinary income were in line with the previous forecast. Net income attributable to owners of the parent company exceeded the forecast**

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

	FY20 Results	FY21 Results	*FY22 Previous forecasts	FY22 Results	YoY change	Change from previous forecasts	(Comparison with last year)
	a	b	c	d	d-b	d-c	
Net Sales	811.6	930.5	1,040.0	1,066.3	+135.8	+26.3	**Impact of foreign currency exchange (yen depreciation), higher copper prices and increase in revenue due to recovery from COVID19** Increased revenue: Infrastructure and Electronics & Automotive Systems segments Decreased revenue: Functional Products segment
Operating income	8.4	11.4	15.0	15.4	+4.0	+0.4	**Despite the impact of soaring raw material & fuel prices and increased logistics expenses, operating income increased as a result of progress made in incorporating the higher costs in the sales price, impact of foreign currency exchange and elimination of the one-time costs that occurred last fiscal year** Increased income: Infrastructure and Electronics & Automotive Systems segments Decreased income: Functional Products segment
Ordinary income	5.2	19.7	20.0	19.6	(0.0)	(0.4)	**Remained the same level as the previous fiscal year due to a decrease in equity in earnings of affiliates and an increase in interest expenses**
Net income attributable to owners of the parent	10.0	10.1	15.0	17.9	+7.8	+2.9	**Increased due to the extraordinary gain:** 【Major extraordinary gain】 Gain on the sale of shares of TOTOKU ELECTRIC CO., LTD. (JPY 10.8 billion) and gain on the sale of cross-shareholdings
Average copper price	770	1,136	1,202	1,209	+73	+7	
Average exchange rate	106	112	135	135	+23	+1	

*Announced on February 7, 2023

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First, here are the key points of the FY2022 results.

For FY2022, the Company reported net sales of JPY1,066.3 billion, operating income of JPY15.4 billion, ordinary income of JPY19.6 billion, and net income attributable to owners of the parent of JPY17.9 billion. the Company

Net sales and operating income increased, ordinary income was flat YoY, and net income attributable to owners of the parent increased.

Compared with the previous forecast announced in February, operating income and ordinary income were in line with the previous forecast, while net income attributable to owners of the parent was higher.

We will explain the factors behind the fluctuation in net sales and operating income in more detail later.

Ordinary income was flat YoY due to a decrease in equity in earnings of affiliates and an increase in interest expenses.

Net income increased due to an increase in extraordinary income. The increase was due to the sale of our equity interest in TOTOKU ELECTRIC CO., LTD., cross-shareholdings, and assumed risks did not manifest.

FY23 Forecast Highlights

Impact of deconsolidation of TOTOKU ELECTRIC CO., LTD.
Net sales : JPY (12.1) billion
Operating income : JPY (2.3) billion

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The FY23 forecast is premised on a turnaround in the global economy and the automotive and semiconductor markets from the H2 of FY23

- **Net sales, operating income and ordinary income will increase on higher revenue, while net income attributable to owners of the parent company will decrease**

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

	FY21 Results	FY22 Results	FY23 Forecasts	YoY change	(Comparison with last year)
	a	b	c	c-b	
Net sales	930.5	1,066.3	1,100.0	+33.7	**Semiconductor shortages turned around from H2 of the fiscal year, resulting in increased revenues** Increased revenue: Infrastructure and Electronics & Automotive Systems segments Decreased revenue: Functional Products segment
Operating income	11.4	15.4	24.0	+8.6	**Increase due to sales increase, price optimization, and productivity improvement** Increased income: Infrastructure and Electronics & Automotive Systems segments
Ordinary income	19.7	19.6	23.0	+3.4	**Increase in income despite impact of increase in interest expenses and decrease in foreign exchange gains**
Net income attributable to owners of the parent	10.1	17.9	13.0	(4.9)	**Decrease in income compared with the previous year, when extraordinary gains from the sale of shares were recorded**
Average copper price	1,136	1,209	1,180	(29)	
Average exchange rate	112	135	130	(5)	

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The next topic is the FY2023 forecast.

For FY2023, we project net sales of JPY1,100.0 billion, operating income of JPY24.0 billion, ordinary income of JPY23.0 billion, and net income attributable to owners of the parent of JPY13.0 billion.

We have formulated our forecasts based on the assumption that the global economy and the automobile and semiconductor markets will turn around in H2 of FY2023 and beyond.

Net sales, operating income, and ordinary income will increase, while net income attributable to owners of the parent will decrease.

Sales and operating income will be explained in detail later in this report.

Ordinary income will increase despite an increase in interest expenses and a decrease in foreign exchange gains.

Net income for the current fiscal year is projected to decrease due to the fact that an extraordinary gain was recorded in the previous fiscal year from the sale of shares, but no major projects of this kind are currently expected.

Assumptions for the average copper price and exchange rate are shown near the bottom of this slide.

FY22 Results – P/L Summary

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

	FY20 Results	FY21 Results	*FY22 Previous forecasts	FY22 Results	YoY change	Change from previous forecasts	Breakdown of change (Full year YoY)
	a	b	c	d	d-b	d-c	
Net sales	**811.6**	**930.5**	**1,040.0**	**1,066.3**	**+135.8**	**+26.3**	**+135.8 [+15%]** **See page 11**
Operating income	**8.4**	**11.4**	**15.0**	**15.4**	**+4.0**	**+0.4**	**+4.0 [+35%]** **See page 12**
(Margin)	1.0%	1.2%	1.4%	1.4%	+0.2	+0.0	
Profit/loss in equity method affiliates	(0.9)	9.0	-	6.0	(3.1)	-	
Foreign exchange gain/loss	0.5	1.5	-	1.7	+0.2	-	
Ordinary income	**5.2**	**19.7**	**20.0**	**19.6**	**(0.0)**	**(0.4)**	**(0.0) [(0%)]**
(Margin)	0.6%	2.1%	1.9%	1.8%	(0.3)	(0.1)	
Extraordinary income/loss	16.1	0.8	8.5	10.7	+9.9	+2.2	･Extraordinary income : +8.1 [9.6 → 17.6] ･Extraordinary loss : +1.8 [(8.8) → (7.0)]
Income taxes	(9.2)	(7.2)	-	(10.7)	(3.5)	-	
Net income attributable to non-controlling interests	(2.1)	(3.1)	-	(1.7)	+1.4	-	
Net income attributable to owners of parent	**10.0**	**10.1**	**15.0**	**17.9**	**+7.8**	**+2.9**	**+7.8 [+77%]**
(Margin)	1.2%	1.1%	1.4%	1.7%	+0.6	+0.2	
Average copper price	770	1,136	1,202	1,209	+73	+7	
Average exhange rate	106	112	135	135	+23	+1	

*Announced on February 7, 2023

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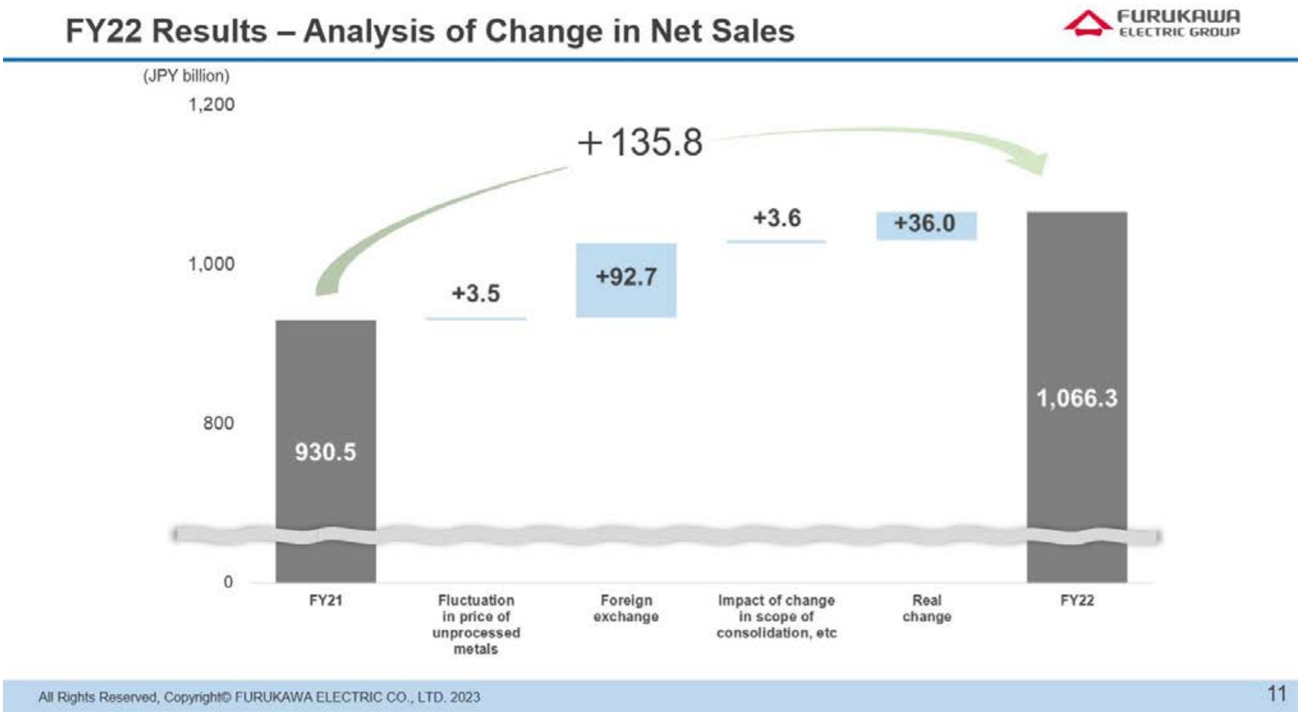
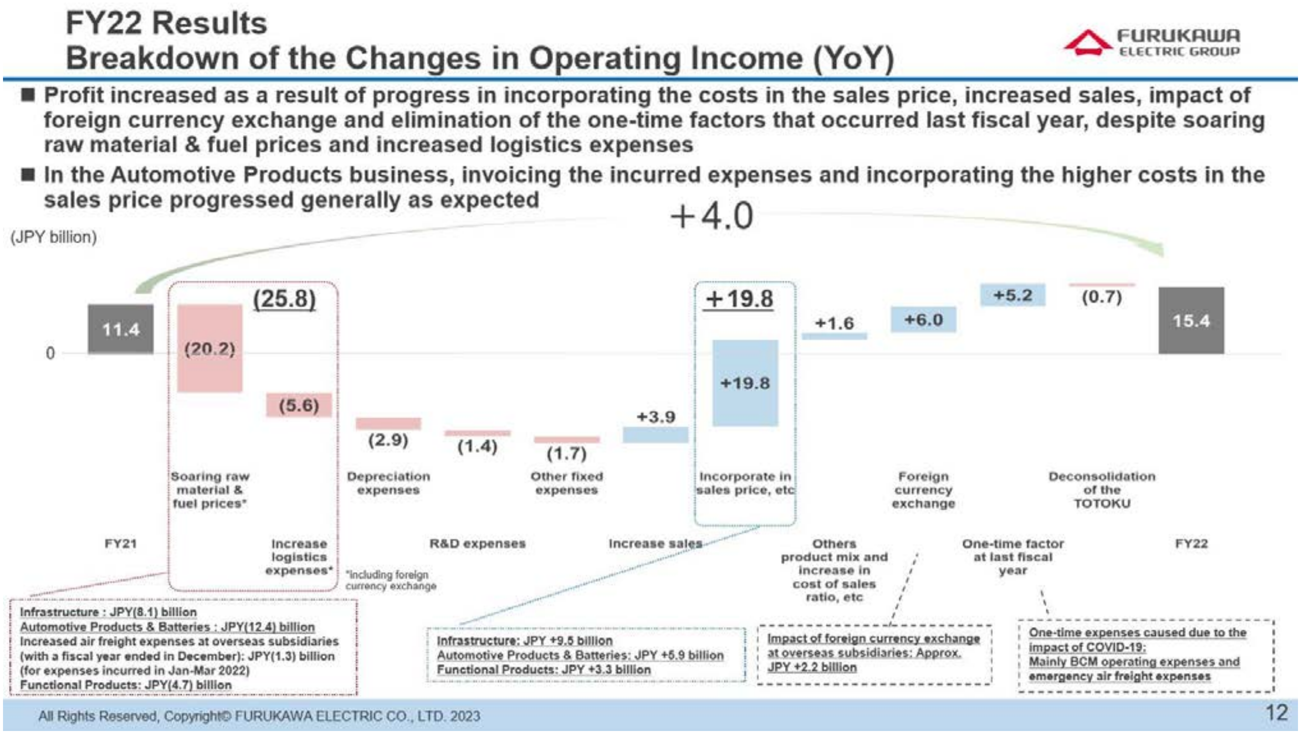
Here is a summary P/L of the results.

I will not go into the details, as they overlap with the previous explanation.



This page shows the factors that contributed to YoY increase or decrease in FY2022 actual sales.

This is an increase of JPY135.8 billion from the previous year. The actual change was JPY36.0 billion, but there was a JPY92.7 billion increase due to the impact of exchange rate fluctuations, especially the significant depreciation of the yen. This results in a change in actual results of JPY36.0 billion.



Here is a waterfall chart of factors that caused an increase or decrease in operating income.

This shows an increase of JPY4.0 billion from the previous year.

Although there were soaring raw material and fuel prices and higher distribution costs, the increase in profit was due to sales growth, price pass-through, the foreign exchange impact of yen depreciation, and the elimination of one-time factors in the previous fiscal year.

In addition, price pass-through and cost-sharing claims in the Automotive Products business generally progressed as expected.

Looking at the waterfall chart, soaring raw material and fuel prices and increased in logistics costs had a negative impact of JPY25.8 billion.

On the other hand, price pass-through, etc., progressed by JPY19.8 billion, and the recovery rate, or price-transfer rate, to counter the impact of price hikes, etc., was almost 77%. Steady progress was made, rising from 59% at the end of Q2 and 67% at the end of Q3.

Depreciation and amortization expenses and research expenses increased.

Other fixed costs also showed a negative trend due to wage increases and the impact of inflation, but efforts to control them resulted in only a slight negative impact.

Foreign exchange impact created a gain of JPY6.0 billion. The impact of one-time factors was a JPY5.2 billion increase due to the elimination of the impact of lockdowns in Vietnam in the year before last.

FY22 Results
Net sales & Operating Income by Segment

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■ Infrastructure YoY change : Increased income on higher revenue

Change from previous forecast (operating income) : Generally as forecast

(JPY billion)

	Net Sales						Operating income						(+) increase profits / (-) decrease profit
	FY20 Results	FY21 Results	*FY22 Previous forecasts	FY22 Results	YoY change	Change from previous forecasts	FY20 Results	FY21 Results	*FY22 Previous forecasts	FY22 Results	YoY change	Change from previous forecasts	
	a	b	c	d	d-b	d-c	e	f	g	h	h-f	h-g	
Infrastructure	259.2	297.0	335.0	323.9	+27.0	(11.1)	(2.1)	5.2	8.0	8.6	+3.4	+0.6	
Communications Solutions	158.3	191.3	220.0	217.6	+26.4	(2.4)	(0.2)	3.8	6.5	6.5	+2.7	+0.0	YoY: ・Increased profit on higher revenue (+) Increased optical cable and networking systems revenue in the Americas (higher salesratio of high value-added products) (+) Incorporated the soaring raw material and fuel prices in the sales price (+) Increased optical cable productivity in North America (+) Impact of foreign currency exchange (yen depreciation) (-) Raw material and fuel prices continue to soar (-) Lower revenue from networking related products in Japan due to difficulty procuring semiconductors and soaring prices (-) Lower optical cable sales to Europe due to the situation involving Russia and Ukraine Compared to previous forcasts: ・Generally as forecast
Energy infrastructure	100.9	105.7	115.0	106.3	+0.6	(8.7)	(1.9)	1.4	1.5	2.1	+0.7	+0.6	YoY: ・Increased profit on higher revenue (+) Underground power cable projects in Japan and transmission components were steady (-) Lower operating levels at the subsidiary in China and customer project delays due to the COVID-19 lockdowns in China (-) Increased depreciation expenses Compared to previous forcasts: ・Overachieved (+) Into the end of the fiscal year, realized the benefits from incorporating the higher costs in the sales price

*Announced on February 7, 2023　　*Announced on February 7, 2023

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This is the FY2022 results and status by segment.

As for the Infrastructure segment, both sales and income increased from the previous year, and operating income was almost in line with the previous forecast.

As of the end of Q3, there are no major changes in content from the previous announcement, so I will omit the details.

Net Sales and Operating Income by Segment

Infrastructure (Communications Solutions): Optical fiber and cable business

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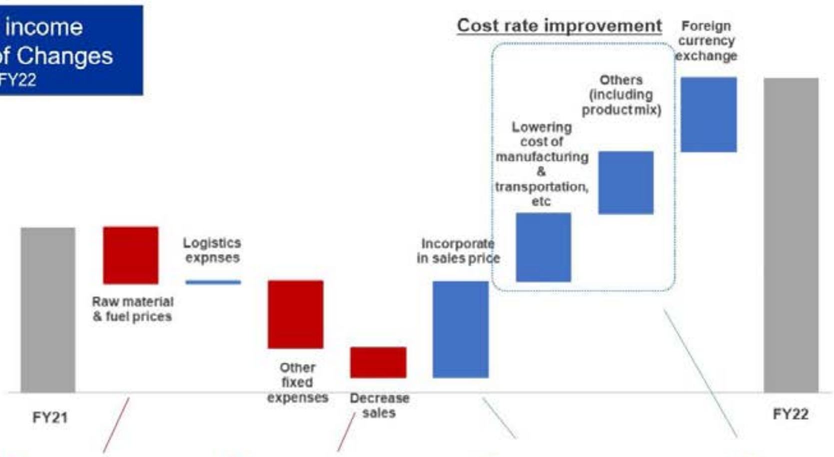
■ **Increased profit through incorporating the higher costs in the sales price and improvements to the product mix and productivity**

Operating income Breakdown of Changes
FY21⇒ FY22



FY22 Summary

- Raw material and fuel prices continued to soar
- Lower optical cable sales to Europe due to the situation in Russia and Ukraine
- Incorporating the higher costs in the sales price progressed generally as planned
- Higher revenue from networking systems and optical cable, including high value-added products

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This is a presentation of the fiber and cable business specifically within the Communications Solutions segment.

The fiber and cable business has been slow to improve due to the delay in improvement in North America, but from FY2021 to FY2022, the fiber and cable business has almost doubled in terms of operating income. The trend is similar to the improvement trend seen through Q3.

Although we have been affected by soaring raw material and fuel prices, labor costs, and inflation, especially in the US, we have been able to pass these costs on to consumers, reduce costs and transportation costs, and improve the product mix. In addition to this, the result gained a tailwind from the exchange rate.

FY22 Results
Net sales & Operating Income by Segment

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■ Electronics & Automotive Systems

YoY change : Increased income on higher revenue

Change from previous forecast (operating income) : Underachieved

(JPY billion)

	Net Sales						Operating income						(+) increase profits / (-) decrease profit
	FY20 Results	FY21 Results	*FY22 Previous forecasts	FY22 Results	YoY change	Change from previous forecasts	FY20 Results	FY21 Results	*FY22 Previous forecasts	FY22 Results	YoY change	Change from previous forecasts	
	a	b	c	d	d-b	d-c	e	f	g	h	h-f	h-g	
Electronics & Automotive Systems	433.0	500.7	590.0	610.3	+109.6	+20.3	5.9	0.1	6.5	4.7	+4.6	(1.8)	
Automotive Products & Batteries	235.1	249.9	330.0	337.4	+87.4* *Impact of foreign currency exchange : JPY +37.6 billion	+7.4	5.0	(4.6)	3.0	1.5	+6.1	(1.5)	YoY: ・Decreased profit on higher revenue (+) Differences in the product mix (wire harnesses for new vehicle models) (+) Eliminated the one-time expenses that occurred in FY21Q3 (BCM operating expenses, emergency air freight expenses, etc.) (-) Soaring raw material and fuel prices Compared to previous forcasts: ・Underachieved (-) Delays in improving productivity at overseas subsidiaries
Electronics Component Materials	198.0	250.8	260.0	273.0	+22.2* *Impact of foreign currency exchange : JPY +19.3 billion	+13.0	0.9	4.8	3.5	3.2	(1.5)	(0.3)	YoY: ・Decreased profit on higher revenue (-) Lower demand for in-vehicle and electronics products (-) Soaring raw material and fuel prices and logistics expenses (+) Incorporate the soaring raw material and fuel prices and logistics expenses in the sales price Compared to previous forcasts: ・Generally as forecast

*Announced on February 7, 2023

*Announced on February 7, 2023

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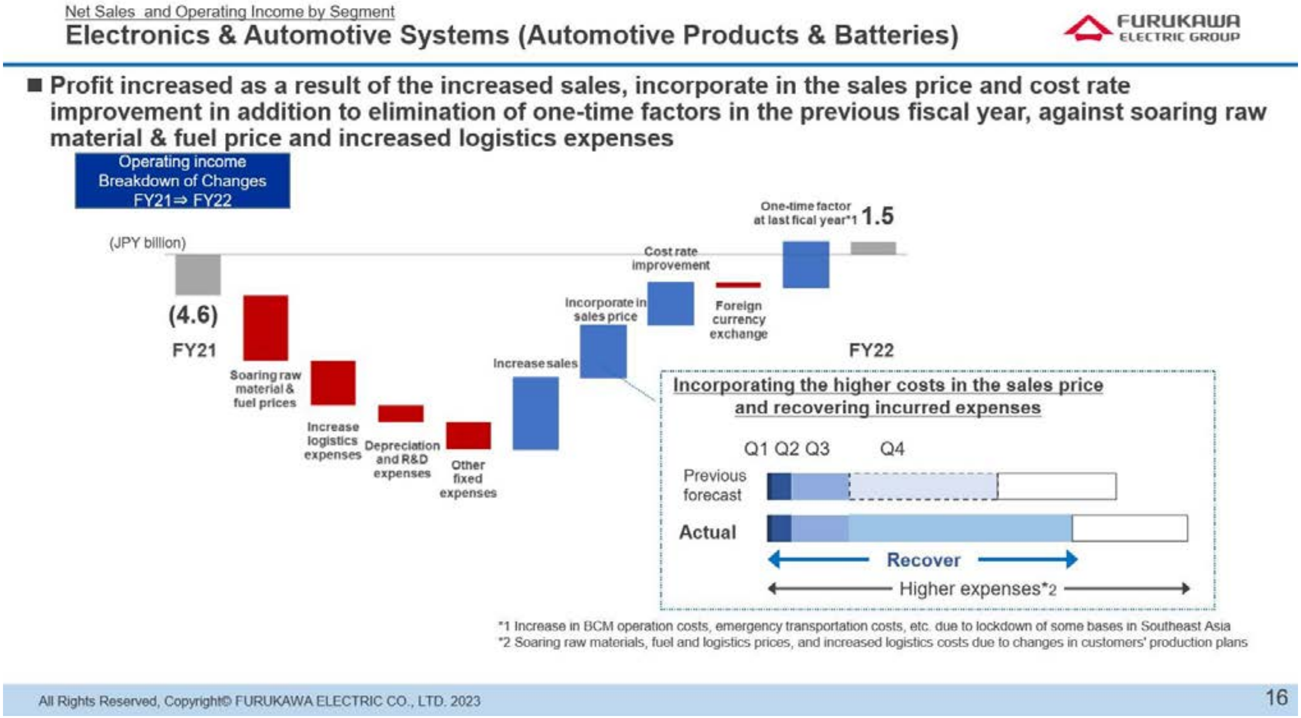
Next is Electronics and Automotive Systems.

Both sales and income increased here, while operating income was lower than the previous forecast. The main reason for the downward swing is the delay in productivity improvement in the Automotive Products and Batteries business.

In Q4, although there was a significant improvement compared to Q3, there are still fluctuations in customer demand. In some of these areas, productivity improvements did not proceed as expected. However, steady improvement is being made, and we will continue this improvement into FY2023.



Here is a waterfall diagram of operating income for Automotive Products and Batteries.

The trend here is similar. We had assumed that price pass-through and cost recovery would make significant progress in Q4, and they did progress almost according to plan.

In reality, there was a higher-than-expected rise in raw material and fuel prices, as well as a sudden increase in production by our customers. Although transportation costs increased in these areas, we made sure that we were able to recover these costs by passing them on in our prices or asking our customers to pay for them.

I mentioned that previously we had recovery rates of just under 70% and 66%, but this time ended up with a recovery ratio of 68%, which is almost as expected, or slightly better than expected.

FY22 Results
Net sales & Operating Income by Segment

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■ **Functional Products** **YoY change** : **Decreased income on lower revenue**
Change from previous forecast (operating income) : **Generally as forecast**

※ TOTOKU ELECTRIC CO., LTD. was deconsolidated from Q4 following the sale of the equity holdings
[Net sales: JPY (4.7) billion, Operating income: JPY (0.7) billion]

(JPY billion)

	Net sales						Operating income						(+) increase profits / (-) decrease profit	
	FY20 Results	FY21 Results	*FY22 Previous forecasts	FY22 Results	YoY change	Change from previous forecasts	FY20 Results	FY21 Results	*FY22 Previous forecasts	FY22 Results	YoY change	Change from previous forecasts		
Functional Products	114.7	130.0	125.0	126.5	(3.5)	+1.5	6.3	7.6	3.5	4.2	(3.4)	+0.7	YoY	・Dncreased profit on lower revenue (-) Global demand for smartphones and PCs and demand for data centers declined from the H2 of Q2 (-) Rapid and prolonged inventory adjustments in the supply chain (-) Soaring raw material and fuel prices and logistics expenses (+) Incorporated the soaring raw material and fuel prices in the sales price (+) Impact of foreign currency exchange (yen depreciation)
													Compared to previous forcasts	・Generally as forecast

*Announced on February 7, 2023 *Announced on February 7, 2023

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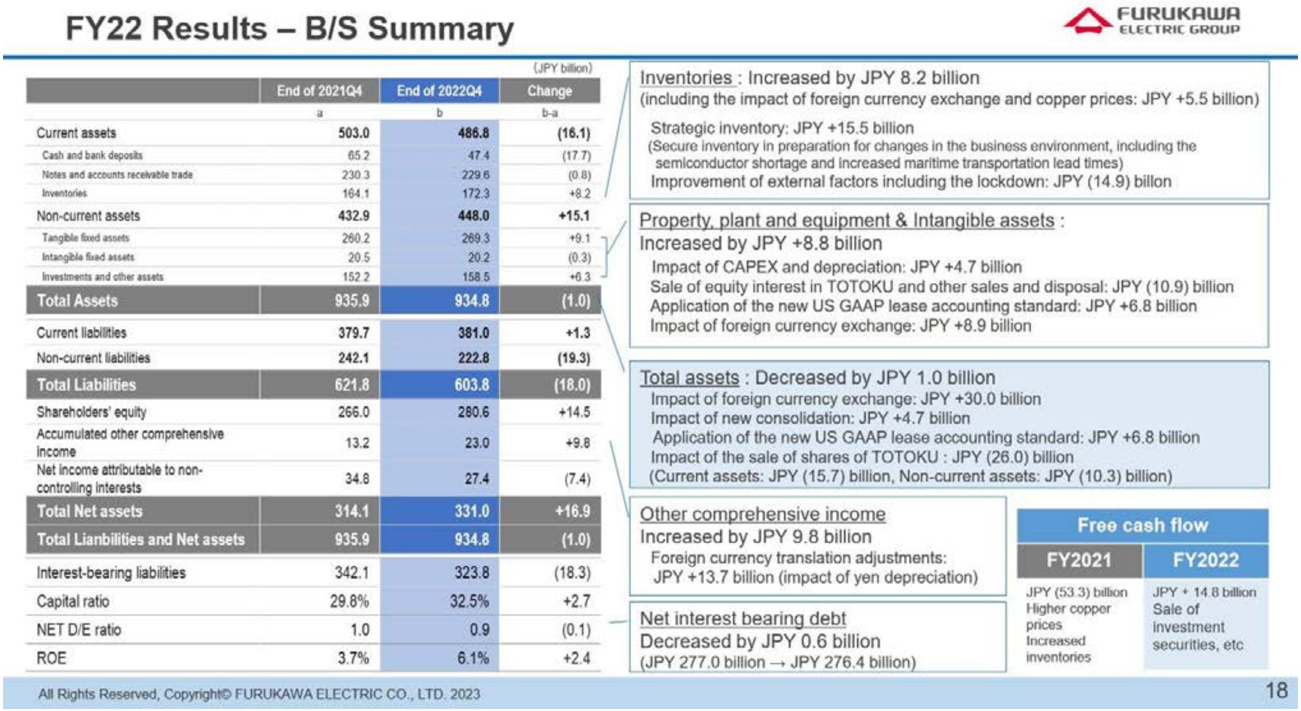
This shows Functional products.

Sales and profits of Functional products decreased, while operating income was almost in line with the previous forecast. Included in this category is TOTOKU ELECTRIC, which has been excluded from consolidation since Q4. This had a negative impact on sales of JPY4.7 billion. Operating income was negatively impacted by JPY0.7 billion. This figure was assumed in advance.

Since the latter half of Q2, we have been in a phase of declining demand worldwide for smartphones, PCs, and data centers, and inventory adjustments within the supply chain.

The impact of these factors continued to be felt in Q4, and although the results were almost in line with the forecast, the profit was lower than the previous year's level.



	End of 2021Q4	End of 2022Q4	Change
	a	b	b-a
Current assets	503.0	486.8	(16.1)
Cash and bank deposits	65.2	47.4	(17.7)
Notes and accounts receivable trade	230.3	229.6	(0.8)
Inventories	164.1	172.3	+8.2
Non-current assets	432.9	448.0	+15.1
Tangible fixed assets	260.2	269.3	+9.1
Intangible fixed assets	20.5	20.2	(0.3)
Investments and other assets	152.2	158.5	+6.3
Total Assets	935.9	934.8	(1.0)
Current liabilities	379.7	381.0	+1.3
Non-current liabilities	242.1	222.8	(19.3)
Total Liabilities	621.8	603.8	(18.0)
Shareholders' equity	266.0	280.6	+14.5
Accumulated other comprehensive income	13.2	23.0	+9.8
Net income attributable to non-controlling interests	34.8	27.4	(7.4)
Total Net assets	314.1	331.0	+16.9
Total Lianbilities and Net assets	935.9	934.8	(1.0)
Interest-bearing liabilities	342.1	323.8	(18.3)
Capital ratio	29.8%	32.5%	+2.7
NET D/E ratio	1.0	0.9	(0.1)
ROE	3.7%	6.1%	+2.4

This is followed by a summary balance sheet as of the end of FY2022.

Looking at total assets, we see a decrease of JPY1.0 billion. There was a large positive increase due to foreign exchange effects; the effect of new consolidation; the introduction of new lease accounting standards in the US, which increased the value by about JPY40.0 billion; the effect of the sale of an equity interest in TOTOKU ELECTRIC to resolve governance issues from the perspective of a parent-subsidiary share listing; and the sale of strategically held shares. Factors that caused an increase were external factors, but the decrease of JPY1.0 billion was the result of streamlining, albeit slightly.

Looking at the contents of assets, cash and deposits have decreased to the point where they have almost returned to the pre-coronavirus level, as the situation around COVID-19 has settled down.

Inventories increased, but the increase includes a JPY5.5 billion impact from foreign exchange and copper prices. In addition, there was a positive JPY15.5 billion to secure inventories in preparation for changes in the business environment, such as a shortage of semiconductors and longer ocean freight lead times. Improvement of external factors, such as from lockdowns, was minus JPY14.9 billion, which was almost offset by other factors.

Compared to last year, sales increased in Q4, and inventories increased accordingly.

As for other comprehensive income, the depreciation of the yen had a positive impact of JPY13.7 billion.

The lower left-hand section shows various financial indicators. Interest-bearing debt, capital ratio, NET D/E ratio, and ROE have all improved. ROE has returned to a level above 6%.

Free cash flow is shown in the lower right-hand corner of the slide. Last fiscal year, FY2021, the free cash flow was a negative JPY53.3 billion, a very tough result. But in FY2022, it was a positive JPY14.8 billion, partly due to the sale of marketable securities, but also due to efforts to improve working capital and increase profits.

FY23 Forecasts - P/L Summary

FURUKAWA ELECTRIC GROUP

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

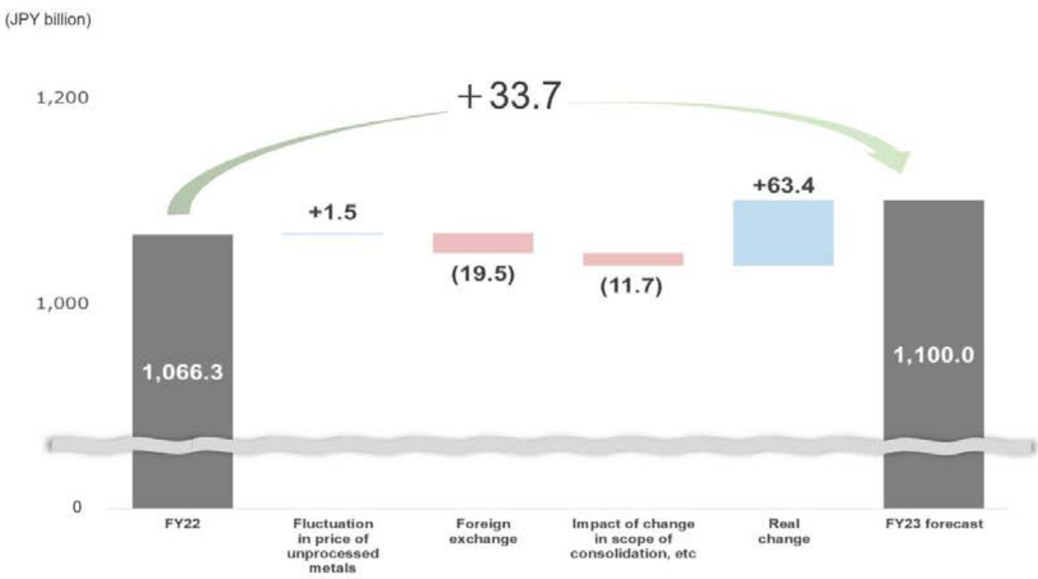
	FY21 Results	FY22 Results	FY23 Forecasts	YonY change	Breakdown of change (Full year YoY)
	a	b	c	c-b	
Net sales	**930.5**	**1,066.3**	**1,100.0**	**+33.7**	**+33.7 [+3%]** **See page 20**
Operating income	**11.4**	**15.4**	**24.0**	**+8.6**	**+8.6 [+55%]** **See page 21**
(Margin)	1.2%	1.4%	2.2%	+0.7	
Profit/loss in equity method affiliates	9.0	6.0	–	–	
Foreign exchange gain/loss	1.5	1.7	–	–	
Ordinary income	**19.7**	**19.6**	**23.0**	**+3.4**	**+3.4 [+17%]**
(Margin)	2.1%	1.8%	2.1%	+0.2	
Extraordinary income/loss	0.8	10.7	(0.5)	(11.2)	
Income taxes	(7.2)	(10.7)	–	–	
Net income attributable to non-controlling interests	(3.1)	(1.7)	–	–	
Net income attributable to owners of parent	**10.1**	**17.9**	**13.0**	**(4.9)**	**(4.9) [(27%)]**
(Margin)	1.1%	1.7%	1.2%	(0.5)	
Average copper price	1,136	1,209	1,180	(29)	
Average exhange rate	112	135	130	(5)	

 19

This is the summary P/L for FY2023.

This also overlaps with the previous explanation, so I will omit it.

FY23 Forecasts - Analysis of Change in Net Sales



 20

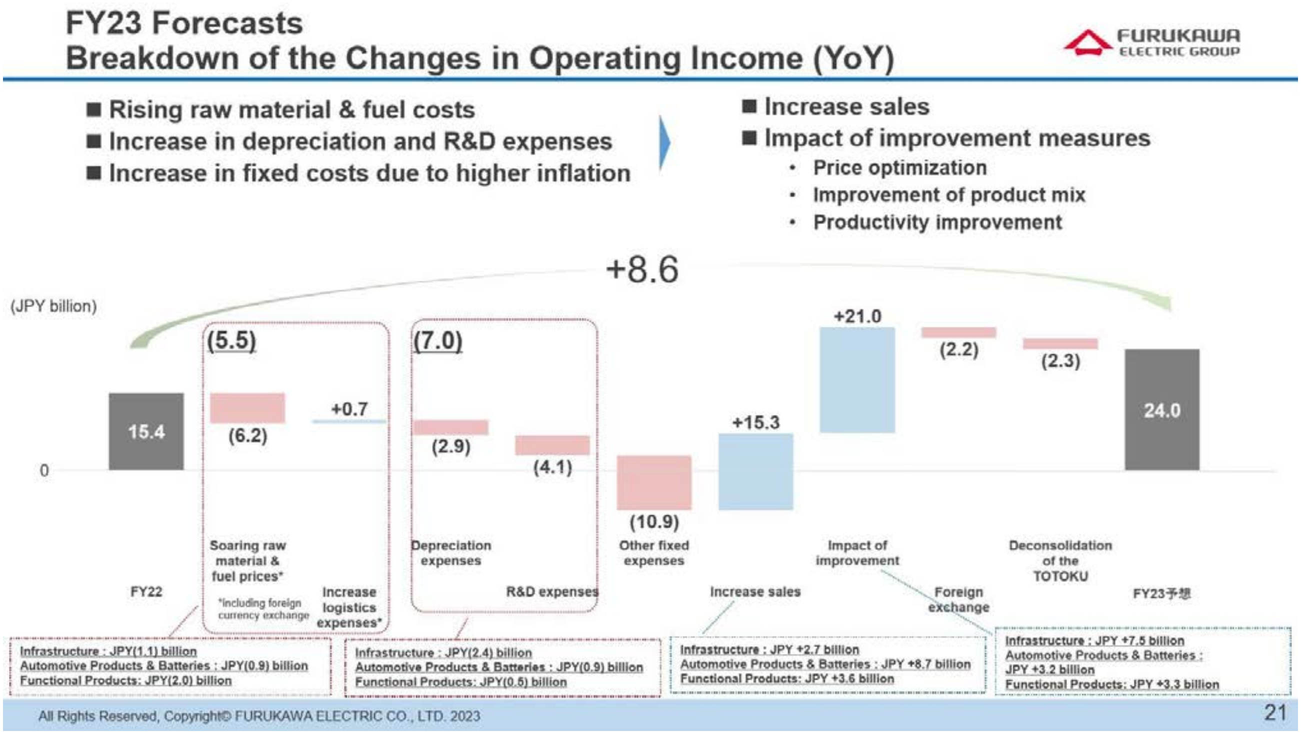
Next are the factors behind fluctuations in the sales forecast for FY2023.

Fluctuations in unprocessed metals prices, etc., are not so large here.

Foreign exchange accounts for about minus JPY20.0 billion due to appreciation of the yen.

Although the change in the scope of consolidation, which is mainly due to TOTOKU ELECTRIC, will create a negative JPY11.7 billion, the real change is a positive JPY63.4 billion.

As a result, we forecast a JPY33.7 billion increase in revenue to JPY1.1 trillion in FY2023.



This is followed by an analysis of projected fluctuation factors in operating income for FY2023.

As raw material and fuel prices continue to rise, depreciation and research expenses are increasing, and fixed costs are rising due to inflation and higher wages, we will steadily promote sales growth and the effects of improvement measures that include optimization of selling prices, improvement of the product mix, and improvement of productivity.

As a result, we forecast JPY24.0 billion for the next fiscal year.

FY23 Forecasts
Net sales & Operating Income by Segment

FURUKAWA ELECTRIC GROUP

- **The global economy and the automotive & semiconductor markets will improve from H2 of FY23**
- **Q1 is expected to be a more difficult start than the previous year**

(JPY billion)

	Net sales				Operating income			
	FY21 Results (a)	FY22 Results (b)	FY23 Forecasts (c)	YoY change (c-b)	FY21 Results (d)	FY22 Results (e)	FY23 Forecasts (f)	YoY change (f-e)
Infrastructure	**297.0**	**323.9**	**335.0**	**+11.1**	**5.2**	**8.6**	**10.0**	**+1.4**
Communications Solutions	191.3	217.6	220.0	+2.4	3.8	6.5	8.0	+1.5
Energy infrastructure	105.7	106.3	115.0	+8.7	1.4	2.1	2.0	(0.1)
Electronics & Automotive Systems	**500.7**	**610.3**	**645.0**	**+34.7**	**0.1**	**4.7**	**12.5**	**+7.8**
Automotive Products & Batteries	249.9	337.4	375.0	+37.6	(4.6)	1.5	8.5	+7.0
Electronics Component Materials	250.8	273.0	270.0	(3.0)	4.8	3.2	4.0	+0.8
Functional Products*	**130.0**	**126.5**	**125.0**	**(1.5)**	**7.6**	**4.2**	**4.0**	**(0.2)**
Service and Developments, etc.	**34.5**	**31.7**	**30.0**	**(1.7)**	**(1.4)**	**(2.1)**	**(2.5)**	**(0.4)**
Elimination of intra-company transactions	(31.6)	(26.1)	(35.0)	(8.9)	(0.1)	0.1	0.0	(0.1)
Total	**930.5**	**1,066.3**	**1,100.0**	**+33.7**	**11.4**	**15.4**	**24.0**	**+8.6**

*Impact of deconsolidation of TOTOKU ELECTRIC CO., LTD. [Net sales: JPY (12.1) billion, Operating income: JPY (2.3) billion]

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Here is a summary of sales and operating income by segment for FY2023.

As we have repeatedly stated, we expect the global economy and the automotive and semiconductor markets to turn around in H2 of FY2023 and beyond. Especially in Q1, we are facing difficult conditions in the current North American market and fiber cable market.

So, we expect a tougher start than usual and one that is even tougher than the previous year. The effect of the exclusion of TOTOKU ELECTRIC from consolidation will also be included.

Net Sales and Operating Income by Segment

1-(1) Infrastructure (Communications Solutions)

FURUKAWA ELECTRIC GROUP

FY23_Full year forecasts **Increased profit on higher revenue**

(JPY billion)

	FY21 Results	FY22 Results	FY23 Forecasts	YoY change
	a	b	c	c-b
Net sales	191.3	217.6	220.0	+2.4
Operating income	3.8	6.5	8.0	+1.5

【Premises of the business environment】
Demand recovery in North America will begin in H2 of the year

【Factors affecting profits】
(+) Increased sales of high value-added products (Rollable ribbon cable, specialty fiber)
(+) Improved optical fiber and cable productivity in North America
(+) Increased revenue of networking related products in Japan
(-) Inventory adjustments, project delays, etc. of customers in North America
(-) Telecom operators in Brazil curbing investment
(-) Rising raw material & fuel costs

【Key points】
- Enhance the lineup of high value-added products and expand the range of customers
- Further improvement through securing personnel and continued training
- Respond to firm demand by optimizing inventory levels and sales prices
- Immediate response system when demand recovers
- Price optimization

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Here is the forecast for Communication Solutions for FY2023.

We expect an increase in both sales and profit here.

While demand in North, Central and South America is expected to recover in H2 or later, we will promote sales expansion of high value-added products. We will also continue to improve productivity at our North American optical fiber and cable operations. In addition, although network-related products in Japan struggled considerably in the previous fiscal year, we are making steady progress in changing the design to one that makes it easier to procure semiconductors. Demand is very strong. We expect this to lead to a solid increase in revenues.

Inventory adjustments by North American customers, project delays, and restrained investment by Brazilian telecommunications carriers are all underway. We will make sure that we have an immediate response system in place to prepare for this recovery. In response to rising raw material prices, we will continue to promote the optimization of selling prices, including price pass-throughs.

Net Sales and Operating Income by Segment

1-(2) Infrastructure (Energy Infrastructure)

FURUKAWA ELECTRIC GROUP

FY23_Full year forecasts **Unchanged from FY22 (operating income)**

(JPY billion)	FY21 Results	FY22 Results	FY23 Forecasts	YoY change
	a	b	c	c-b
Net sales	105.7	106.3	115.0	+8.7
Operating income	1.4	2.1	2.0	(0.1)

【Premises of the business environment】
Elimination of customer construction delays in China from H2

【Factors affecting profits】
(+) Increased revenue from continued strength in the Japan extra high voltage power cable project market and from submarine power cable projects in Japan and overseas

(+) Increased sales of transmission components and functional power cable such as aluminum CV cable

(-) Increase in depreciation expense due to investment in cable manufacturing capacity expansion

【Key points】
- Secure orders in the target markets
 (Japan extra high voltage underground power cable and renewable energy projects in Japan)
- Increase cable manufacturing and installation capacity
- Promote marketing activities (aluminum CV, transmission components)
- Conduct sales activities with a focus on profits and adjust sales prices to appropriate levels

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Next is the Energy Infrastructure segment.

Energy Infrastructure is almost on par with last year with respect to operating income.

Net sales are projected to increase. This will have a positive impact of about JPY1.5 billion on operating income. However, there will be an increase in amortization expenses or in research expenses by about the same amount, which is about the same as the increase in the previous year.

Fiscal term of our subsidiary in China are January-December, so the start of the fiscal year is January-March. Consequently, we expect full recovery and recovery in China to begin in H2 of the fiscal year, since there are still some residual effects from the construction delays caused by COVID-19in China in December, and even until April.

Net Sales and Operating Income by Segment

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

FURUKAWA ELECTRIC GROUP

FY23_Full year forecasts **Increased profit on higher revenue**

(JPY billion)

	FY21 Results	FY22 Results	FY23 Forecasts	YoY change
	a	b	c	c-b
Net sales	249.9	337.4	375.0	+37.6
Operating income	(4.6)	1.5	8.5	+7.0

【Premises of the business environment】
Stabilization of customer production plan due to elimination of semiconductor shortage from H2

【Factors affecting profits】
(+) Revenue increased due to the convergence of COVID19 and the elimination of semiconductor shortages
(+) Productivity improvement and reduction of distribution costs and cost ratio

(-) Rising raw material & fuel costs

【Key points】
- Leveling of production by anticipating customers' production plan information
- Holding strategic inventory against changes in customer production and shipping lead times

- Price optimization

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In the Automotive Products and Batteries business, we expect an increase in both sales and income, with net sales of JPY37.6 billion and an improvement in operating income of JPY7.0 billion.

We expect an improvement of about JPY12.0 billion due to increased sales, improved productivity, and other factors.

On the other hand, SG&A expenses, or fixed costs, have been increasing due to inflation, rising labor costs, and operations' return to normal.

The increase in raw material and fuel costs will be covered by optimizing selling prices, but some impact will remain.

The net effect of these factors is expected to be a negative impact of about JPY5.0 billion, resulting in an estimated net increase of JPY7.0 billion to JPY8.5 billion in operating income.

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

FURUKAWA ELECTRIC GROUP

FY23_Full year forecasts **Unchanged from FY22**

(JPY billion)

	FY21 Results	FY22 Results	FY23 Forecasts	YoY change
	a	b	c	c-b
Net sales	250.8	273.0	270.0	(3.0)
Operating income	4.8	3.2	4.0	+0.8

【Premises of the business environment】
Recovery in in-vehicle and electronics product demand and completion of the inventory adjustments will occur from H2

【Factors affecting profits】
(+) Product mix and productivity improvement

(-) Rising raw material & fuel costs

【Key points】
- Continued improvement in the product mix resulting from increased sales of high value-added products
  - Heat-resistant oxygen-free copper strips for power semiconductors and heat dissipation components
  - Original alloys that support increased electronic device Performance
  - Magnet wire used in inductors for 5G telecommunications infrastructure and automotive ECU
- Price optimization

Electronics Component Materials.

Net sales decreased, while operating income was slightly positive at JPY0.8 billion. As for operating income, it will be almost the same level as the previous year.

The decrease in net sales is mostly due to the impact of foreign exchange rates. Excluding the negative impact of the foreign exchange valuation of overseas subsidiaries, which is also negative, net sales are essentially on a par with the previous year.

As for the business environment, we expect demand for automotive and electronics-related products to recover and inventory adjustments to be resolved in H2 or later, as is the case with other businesses.

Meanwhile, we will continue to improve the product mix and productivity.

In addition, there will be an increase in raw material and fuel prices, but we will ensure that sales prices are appropriate in this business as well.

By improving the product mix and expanding sales of high value-added products, we expect to achieve the same level as the previous year, or even a slight increase, as shown here.

Net Sales and Operating Income by Segment

3 Functional Products

FY23_Full year forecasts **Increased profit on higher revenue**

excluding the impact of the deconsolidation of TOTOKU ELECTRIC CO., LTD. (FY22 Q4)
[Impact on net sales: JPY (12.1) billion and operating income: JPY (2.3) billion]

(JPY billion)	FY21 Results	FY22 Results	FY23 Forecasts	YoY change
	a	b	c	c-b
Net sales	130.0	126.5	125.0	(1.5)
Operating income	7.6	4.2	4.0	(0.2)

【Premises of the business environment】
Recovery in demand for smartphones, personal computers, and data centers and elimination of inventory adjustments in the supply chain from H2

【Factors affecting profits】
(+) Revenue increased due to demand recovery and elimination of inventory adjustments

(-) Rising raw material & fuel costs

【Key points】
- Increased sales of high value-added products for the 5G, data center and renewable energy markets
  - Tape for semiconductor process, high performance heat dissipation and cooling products, thin HDD blanks, copper foil for high frequency circuit boards
- Framework for responding when demand recovers
- Price optimization

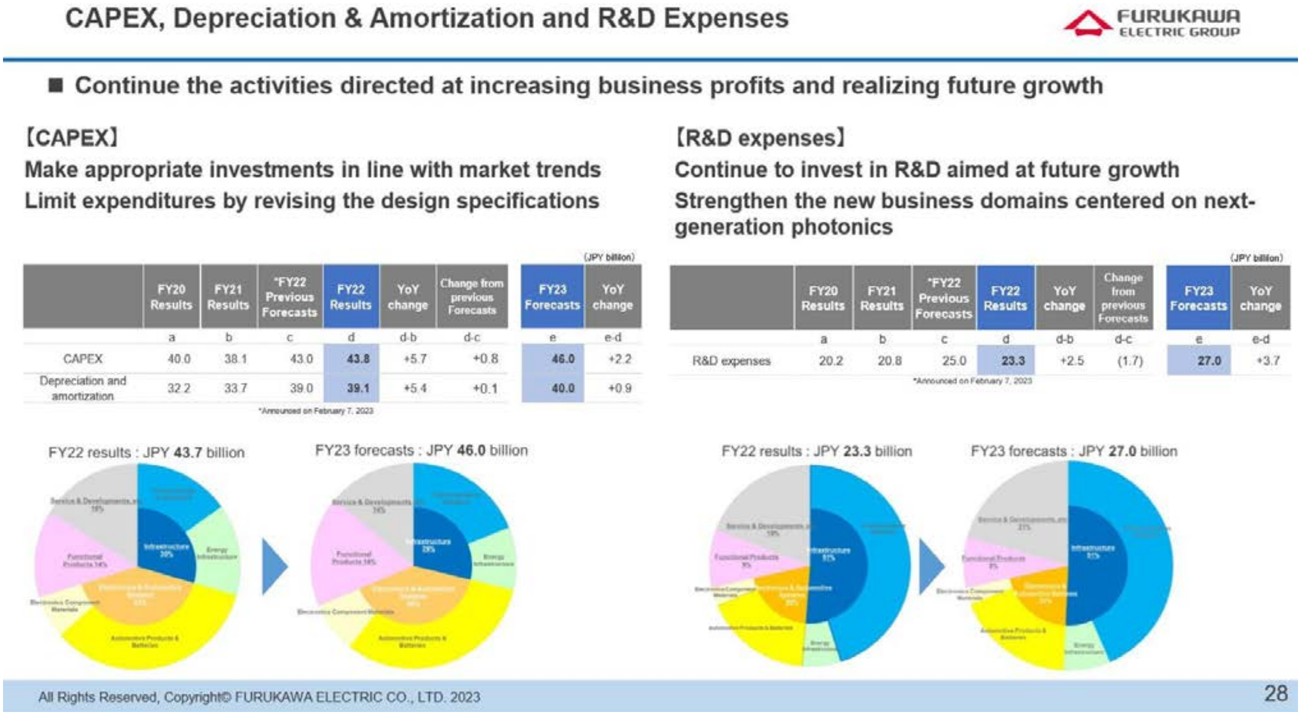
This shows Functional Products.

Although the figures themselves show declines in both sales and income, excluding the effect of the exclusion of TOTOKU ELECTRIC from consolidation, both sales and income increased. The increase in revenue will be JPY10.6 billion and the increase in income will be JPY2.1 billion.

Here also we expect demand for smartphones, PCs, and datacenters to recover, inventory adjustments in the supply chain to be resolved, and, although it will differ a little depending on the product group, we expect that to happen sometime in H2 of the fiscal year or later.

In this context, by establishing a steady system for when the demand recovery phase arrives, we expect a recovery in H2 and beyond, and a resulting increase in revenues.

The same is true for raw materials and fuel price increases. We will steadily promote optimization.



This is the status of capital expenditure, depreciation and R&D expenses.

The figures for FY2022 are almost in line with those announced in February. Capital expenditures totaled JPY43.8 billion, and depreciation and amortization totaled JPY39.1 billion.

The implementation of appropriate and well-timed investments in line with market trends and the curbing of expenditures by reviewing design specifications were pursued in FY2022 and will continue to be pursued in FY2023.

Against this backdrop, our forecast for capital investment in FY2023 is JPY46.0 billion, and depreciation and amortization are expected to be JPY40.0 billion.

The previous forecast for R&D investment was JPY25.0 billion, but the result was JPY23.3 billion. As with capital investment, we have been able to curb the amount compared to the FY2022 plan by reviewing the timing appropriately and improving the efficiency of research and development itself.

At the same time, we continue to invest steadily in R&D for future growth. This will continue in FY2023, with JPY27.0 billion planned. This is an increase of JPY3.7 billion from the previous year. We will strengthen new business fields, especially next-generation photonics.

That is all from me.

III. Progress of the 2025 Mid-term Plan

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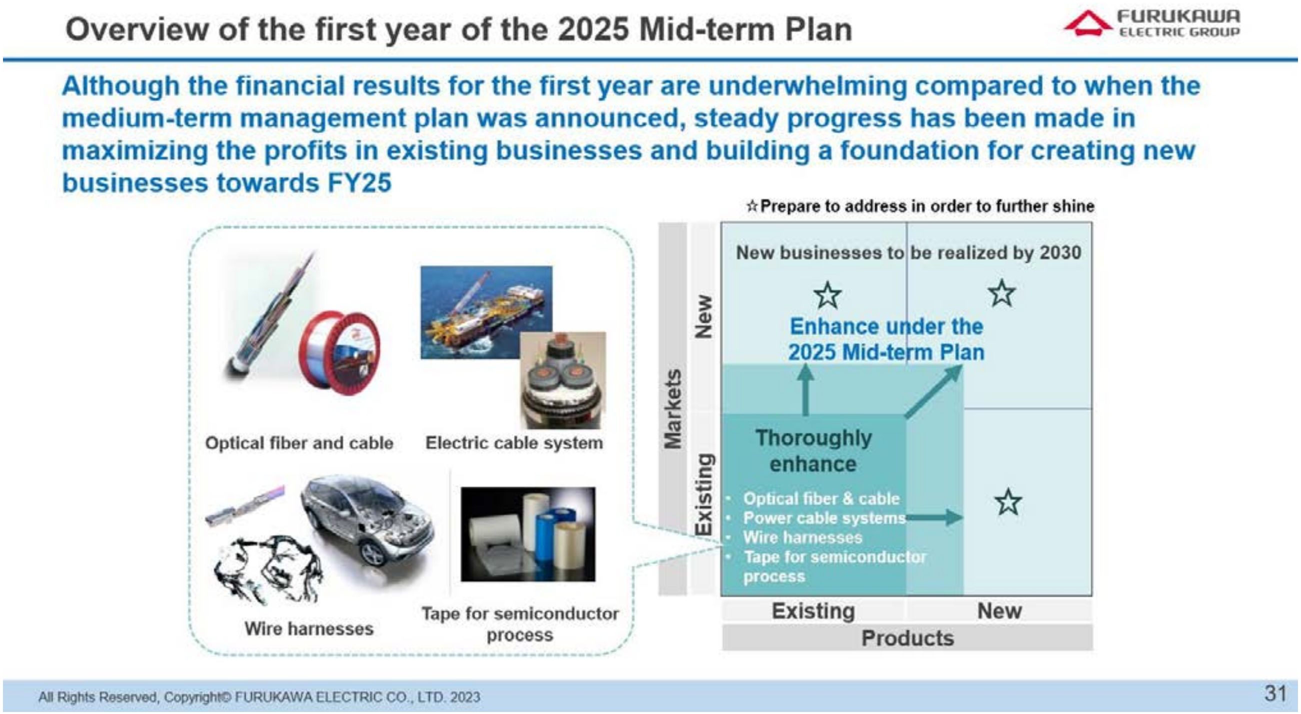
Moridaira: Now, I will again explain the progress of the 2025 Medium-Term Management Plan.



This figure is a reprint of the material presented when we previously explained the 2025 Mid-Term Plan.

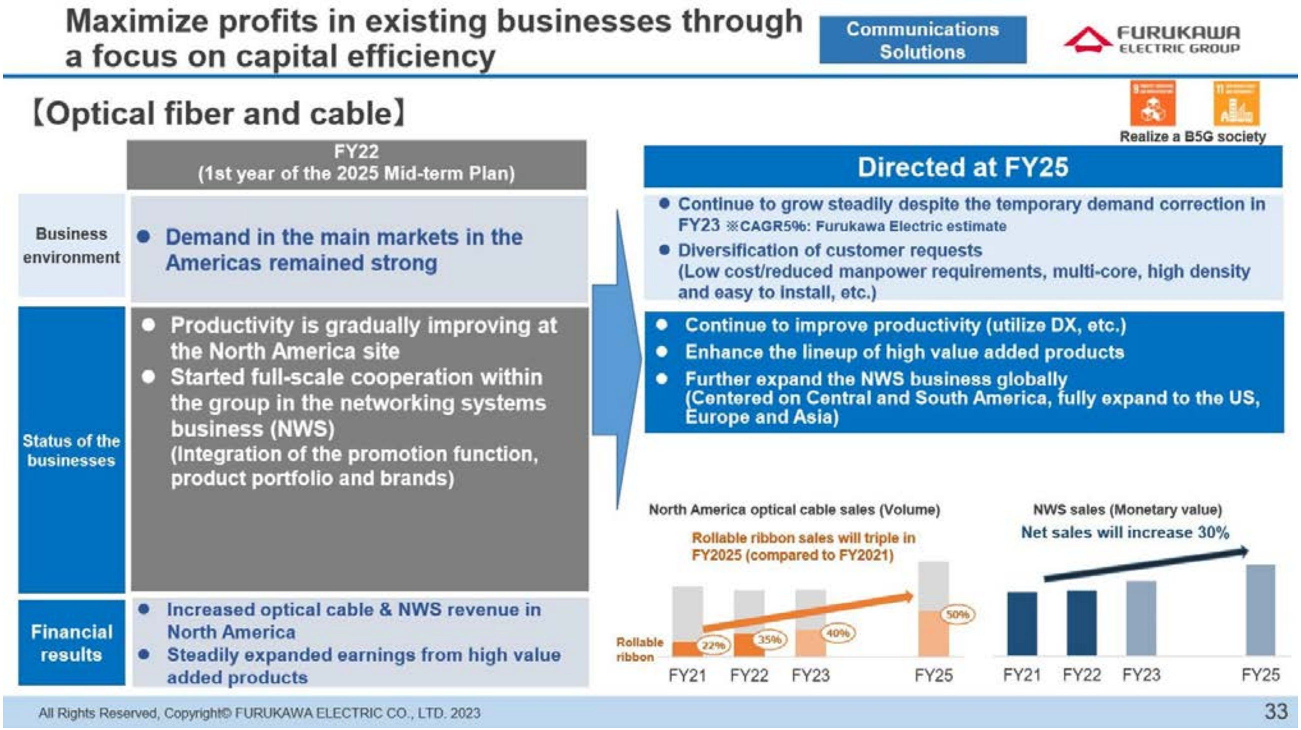
Although the business environment has not always been favorable for the four existing businesses that we are focusing on, we have made steady progress in their value and expansion.

The optical fiber and cable area has been deepening cooperation within the Group in order to accelerate global development of the networking system business.

In electric cable systems, we are continuously investing and improving productivity in order to double our cable manufacturing and installation capacity in FY2025 compared to FY2017. We are making steady progress in the following areas: the accelerated shift to aluminum for wire harnesses, the development and improvement of products related to EVs and automated driving in automotive components, and the construction of a new plant for semiconductor manufacturing tape, which is scheduled to start operation in April 2025.

2. Maximize profits in existing businesses through a focus on capital efficiency

Let me explain these four businesses in more detail.



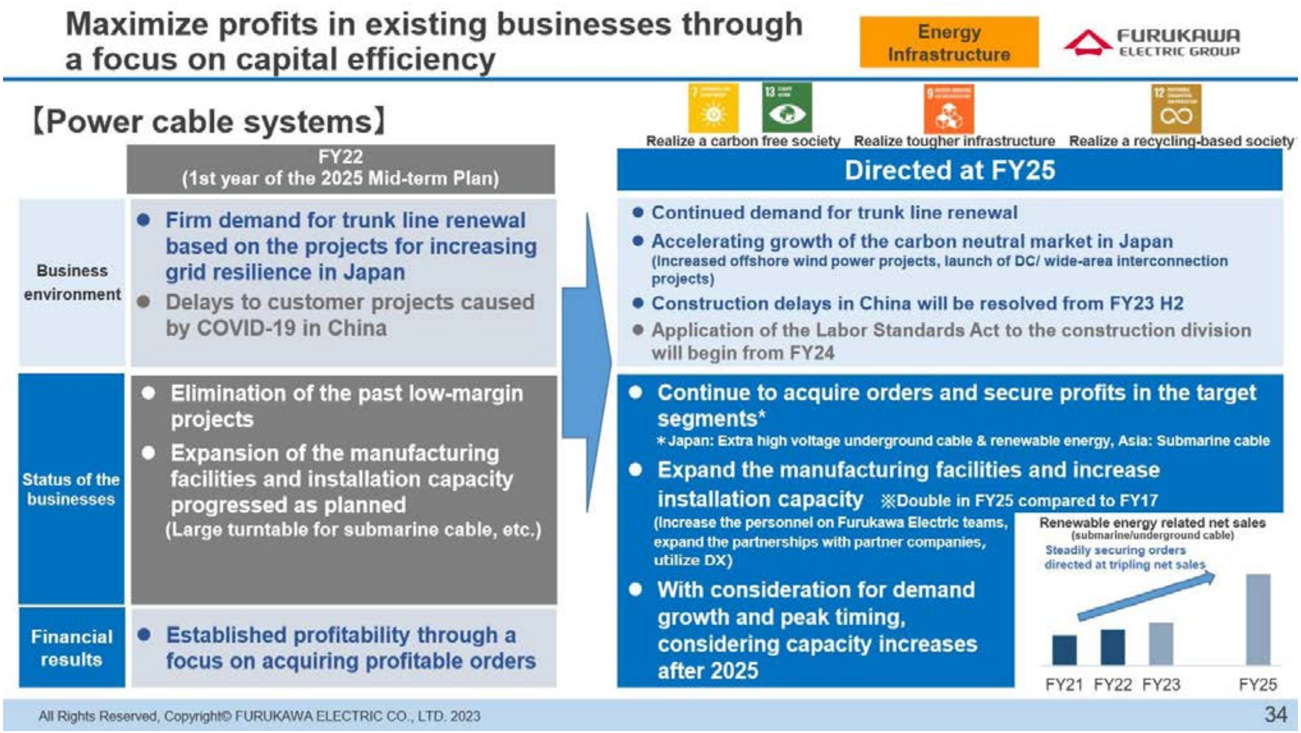
The first is the optical fiber and cable business.

Demand in the North, Central, and South American markets remained strong in FY2022, and productivity at the Group's North American manufacturing facilities improved. In the networking systems business, which had been promoted mainly in South America, collaboration with OFS has begun in earnest, and in addition to Southeast Asia, where it is already underway, it is being promoted in Europe, Africa, North America, and other regions.

As a result of these factors, performance is now largely in line with expectations.

The market environment is expected to experience a temporary demand adjustment in FY2023, but market expansion is also expected to continue over the medium term based on strong telecommunications traffic growth.

At the same time, we expect to see diversification of customer demands, and the Group will continue its efforts to improve productivity in parallel, focusing on expanding its lineup of high value-added products, which is one of its strengths, and on global expansion of the networking systems business, to achieve the goals of the 2025 Mid-Term Plan.



With regard to power cable systems, in FY2022, demand for trunk line renewal remained firm due to the strengthening of the power transmission and distribution network in Japan.

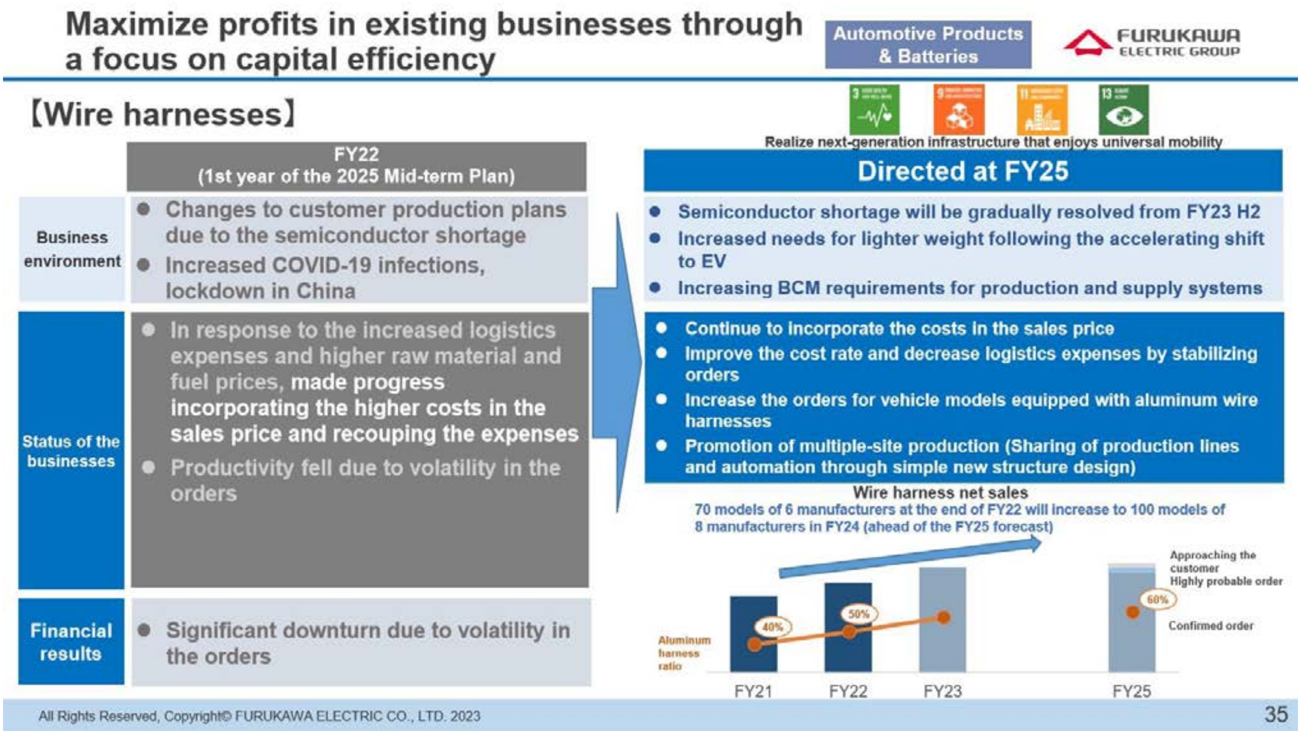
On the other hand, customers postponed construction works due to the spread of the COVID-19 in China and there was impact on operations due to lockdowns.

As for our group, past low-profit projects have been settled and we have proceeded to increase manufacturing and construction capacity as planned, along with profit-oriented orders. As a result, a profitable structure has been established.

Toward FY2025, along with continued demand for trunk line renewal in Japan, we expect an increase in offshore wind projects to achieve carbon neutrality, as well as increased demand associated with the startup of DC and wide-area interconnection line projects.

On the other hand, with the application of the Labor Standards Law to the domestic construction work sector beginning in FY2024, fixed costs in terms of employment are expected to increase.

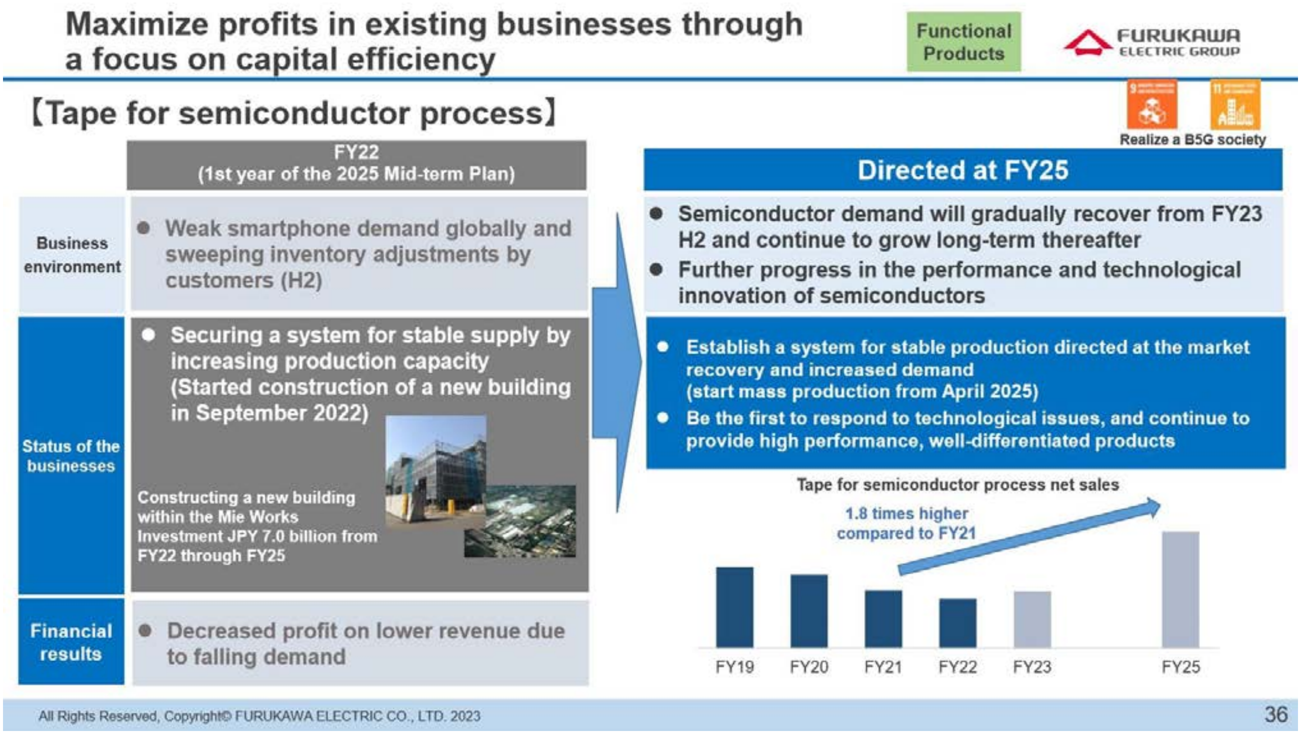
The Group will continue to secure orders and earnings in targeted segments such as domestic extra-high-voltage underground lines, renewable energy, and submarine lines in Asia, while considering future demand peak-outs and considering and promoting the expansion of manufacturing and construction execution capacity.



In the automotive wire harness business, orders received in FY2022 fluctuated significantly due to customers' production plan changes caused by the shortage of semiconductors and the lockdown in China caused by the spread of COVID-19, and although we aggressively implemented measures to pass on increased distribution and raw material and fuel costs to selling prices, our results fell far short of the plan.

Toward FY2025, the shortage of semiconductors will gradually begin to be resolved, and in addition, the acceleration of the shift to EVs and the growing need for lighter weight automobiles will become even more apparent. In addition, requests for BCM for stable supply will increase.

The Group will continue to promote the optimization of selling prices, as well as the diversification of production bases by improving the cost ratio, controlling distribution costs, increasing orders for models equipped with aluminum harnesses, and automating facilities by simplifying the product structure.

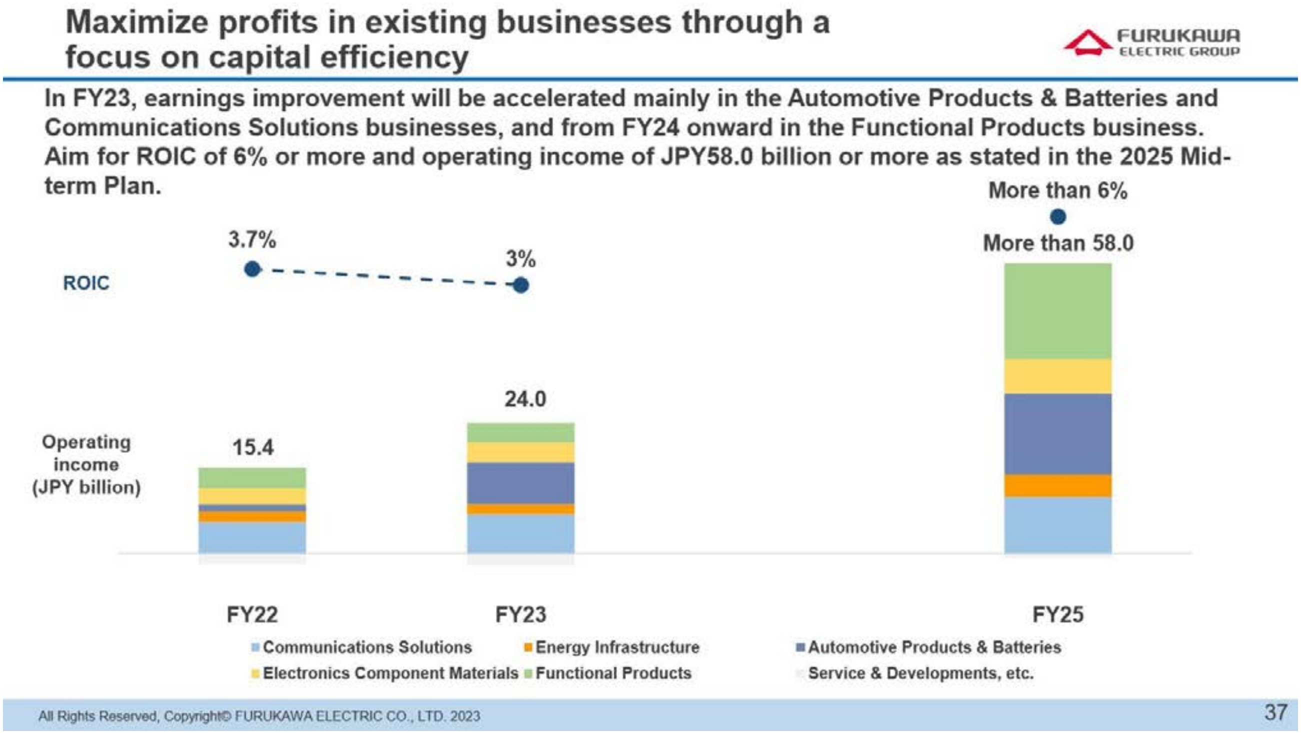


In the area of tape for semiconductor manufacturing, the Group was affected by a temporary adjustment in demand in FY2022 due to a global decline in smartphone demand and rapid inventory adjustments at customers.

However, since future increases in demand will undoubtedly occur, we are expanding our trade area and constructing a new plant to increase production in FY2025, and this is proceeding as planned.

At the same time, we will respond to anticipated technological challenges ahead of time and continue to provide highly functional differentiated products.

These factors have resulted in a temporary decline in sales at this time, but we intend to expand this to 1.8 times the FY2021 level.



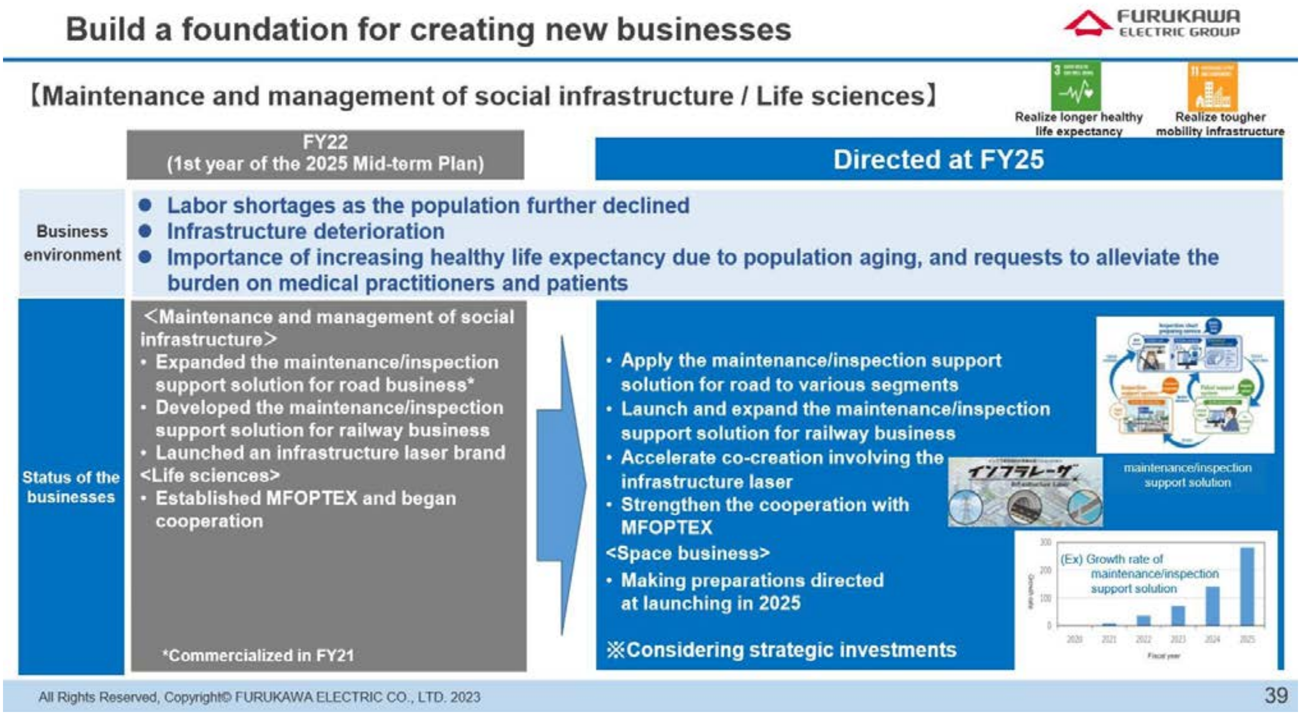
The expansion and maximization of earnings in the existing businesses focused on above will be promoted by ensuring a return on investment, as well as by including a focus on capital efficiency.

Operating income and ROIC of JPY15.4 billion and 3.7%, respectively, for FY2022 are projected to increase to JPY24.0 billion and 3% for FY2023, and to JPY58.0 billion and 6% for FY2025.

As shown in the graph, based on the forecasted market recovery, we will first achieve a significant earnings recovery in Automotive Products and Batteries in FY2023, and then build up earnings from Communications Solutions and Functional Products toward FY2025.

3. Build a foundation for creating new businesses

Next, I will explain our activities for new business creation.



The new business areas described here are shown in the upper and right sides of the diagram shown on page 31 of the materials, i.e., business expansion into new products and new markets. We are currently studying the development of various themes, and today we would like to introduce three of them.

First is the maintenance and management of social infrastructure and life sciences businesses.

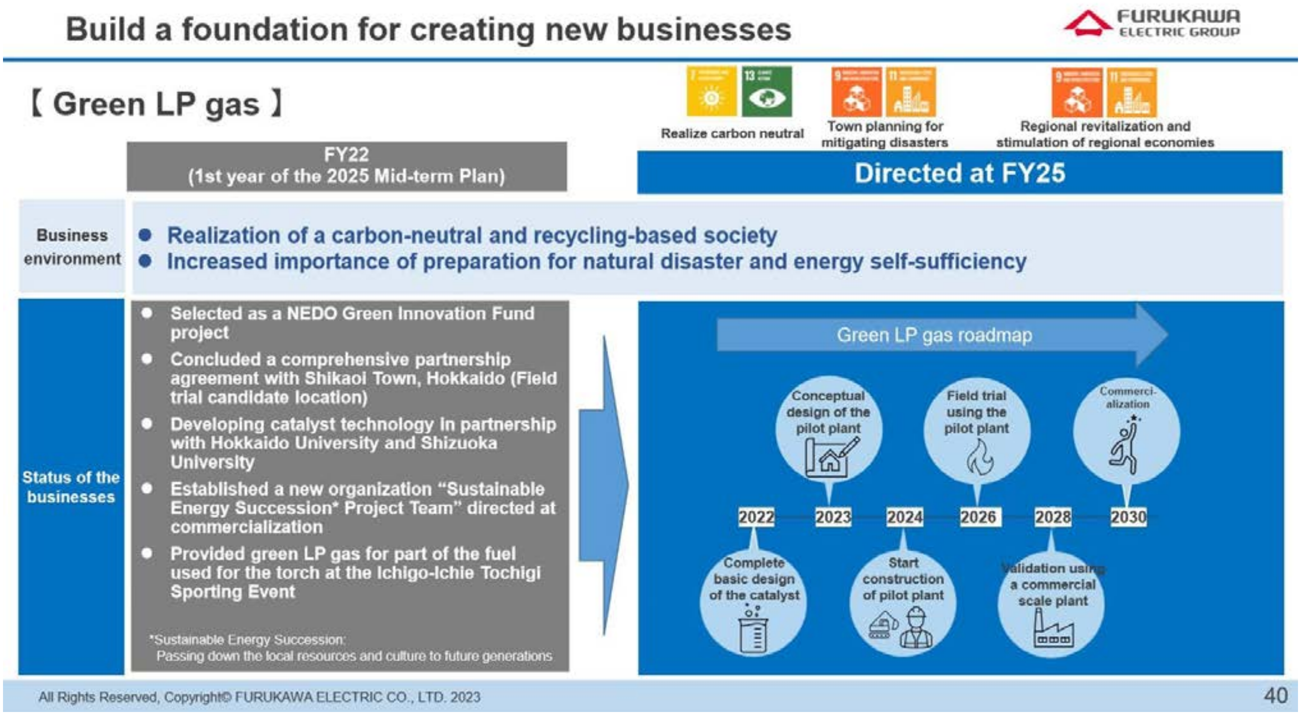
These are areas that are oriented toward solving social issues such as labor shortages and aging infrastructure associated with the expected arrival of societies with declining populations, especially in developed countries, as well as the importance of extending healthy life expectancy and the increasing demand to reduce the burden on medical professionals and patients due to the aging of society.

The Group has developed a tool system that utilizes optical and laser technologies for checking and managing transportation infrastructure, which we call "maintenance/inspection support solution for road business" or "maintenance/inspection support solution for railway business," as a solution for social infrastructure maintenance and management. We have started providing it to local governments. In addition, the Company has established the brand Infrastructure Laser and will provide products and services that contribute to the measurement, management, or maintenance of structures and other objects using lasers.

Also, with the aim of expanding our business into the life sciences field, we are strengthening our collaboration with MFOPTEX Co., which was established last year with Mitsubishi Cable Industries, Ltd.

In addition, with space as a new area where we intend to deploy laser technology, we are also promoting co-creation activities with the University of Tokyo and other organizations.

These will be studied for commercialization in the future, and necessary investments will be made using the strategic investment framework.

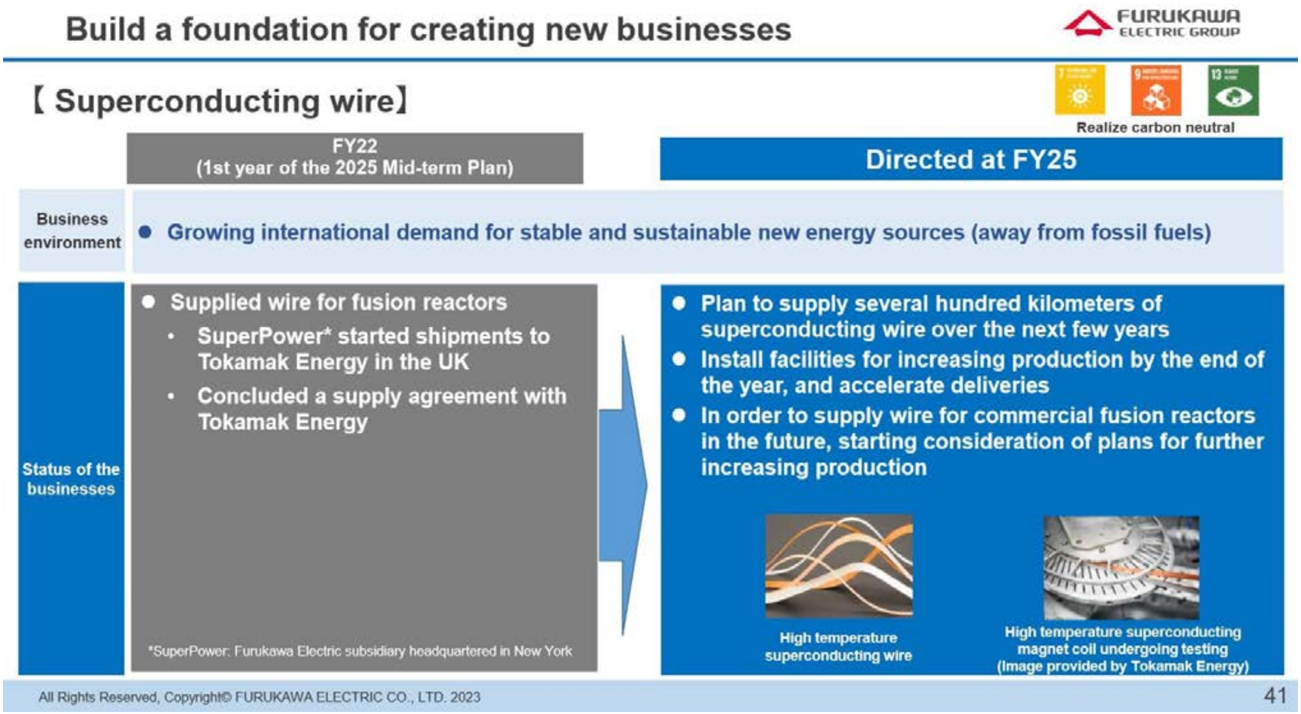


The second area is the Green LP gas business.

As a measure to address social issues such as carbon neutrality and a circular economy, our group has already introduced a business that converts CO2 generated from livestock manure, etc., into liquefied propane gas using catalyst technology that we have jointly developed with Hokkaido University and Shizuoka University.

The project has been adopted as a NEDO Green Innovation Fund project, and we have concluded a comprehensive collaboration agreement with the town of Shikaoi in Hokkaido. We are now preparing for a verification experiment. It was also used as part of the gas for torchlight at last year's Ichigo-Ichie Tochigi National Athletic Meet and Tochigi Games.

The schedule for the future is shown here.



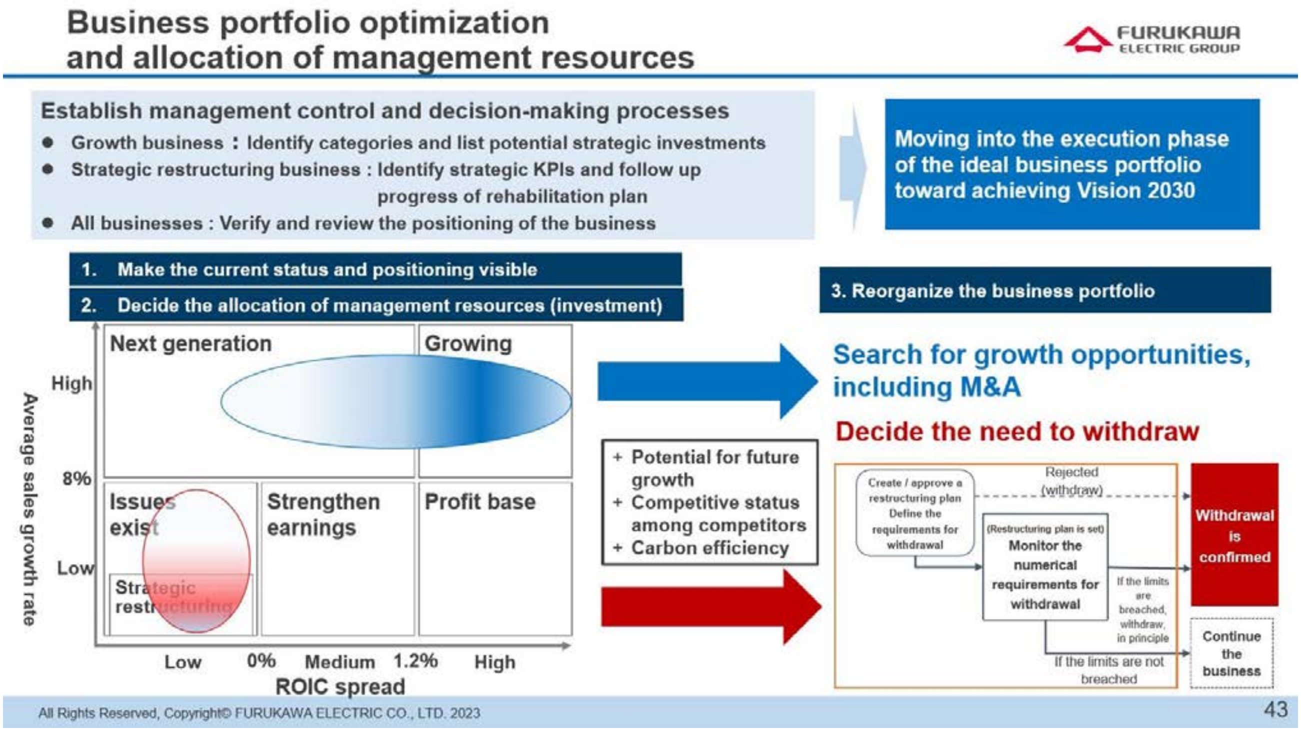
The third area is the superconducting wire business.

Regarding the expectation that nuclear fusion will replace fossil fuels as a stable and sustainable new energy source, we have continued technological development and product supply of plasma-producing superconducting wire that is essential to fusion reactors, including through our group's acquisition in the 2010s of SuperPower Inc. Last year, we signed a contract with Tokamak Energy of the UK to supply superconducting wire and have begun shipments.

Over the next few years, we plan to supply several hundred kilometers of wire. Furthermore, we will consider further production increase in order to supply wire to commercial fusion reactors in the future.

4. Business portfolio optimization and allocation of management resources

Next, I will explain the status and future direction of business portfolio optimization and management resource allocation, which is one of the key issues of the 2025 Mid-term Plan.



It is essential for the Group to optimize its product portfolio to improve profitability and capital efficiency.

Although activities have been ongoing for some time, the 2025 Mid-term Plan clarified the management methods and decision-making process for portfolio review, as shown in this matrix. In FY2022, the first year of operation, we are beginning to move in this direction, promoting the penetration and establishment of this management method, etc.

In order to achieve Vision 2030, we will continue to develop our business portfolio into what we want it to be, while maintaining an optimal balance between the positive aspects of our multi-portfolio and selection and concentration.

In existing businesses, we will shift to more profitable and promising high value-added products on a product group basis and move in the direction where synergies can be generated. At the same time, we will downsize or withdraw from unprofitable products and make decisions on restructuring or withdrawing from businesses as necessary.

On top of that, we aim to see the combined areas of information, energy, and mobility, as well as the new business areas I just described, become major pillars of our business portfolio.

And by 2030, we will transform ourselves into a corporate group that can consistently generate more than JPY50.0 billion in operating income every year, and a corporate group with a business structure that can generate more than JPY100.0 billion in operating income annually when the economy is strong.

Business portfolio optimization and allocation of management resources

FURUKAWA ELECTRIC GROUP

Allocation of management resources based on capital and cash allocation policies

Maintain financial discipline and ensure financial soundness while investing funds generated from operating cash flow and asset sales in strategic and growth areas for future growth

- **Improved financial position in FY22 (Net D/E ratio, Equity ratio, etc.)**

- **Capital expenditure will be curbed by reviewing the timing of implementation and design specifications in light of market trends**
  Revised cumulative capital expenditures of the 2025 Mid-term Plan (22-25 years)
  (At the time of formulating the 2025 Mid-term plan) JPY 190.0 billion → (Revised) JPY 180.0 billion

- **The Company's basic policy is to provide stable and continuous returns to shareholders and to link dividend payments to business performance, with a target of 30% of consolidated net income attributable to shareholders of the parent company**

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While adhering to financial discipline and ensuring financial soundness, we have maintained our policy of investing profits for future growth and have made steady progress in improving our financial position.

On the other hand, capital investment has continued to exceed the level of depreciation and amortization. However, in light of the current business situation, we have decided to curb the scale of investment as originally envisioned in the 2025 Mid-term Plan by reviewing the timing of implementation and optimizing the content of projects to be implemented.

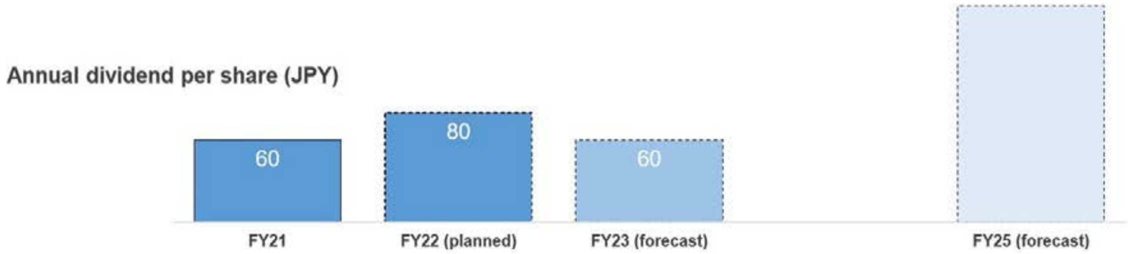
However, to ensure that this does not affect the achievement of Vision 2030, we will strike a balance between investment in growth and shareholder returns and will provide stable and continuous shareholder returns. Specifically, as indicated as a quantitative target in the 2025 Mid-term Plan, we plan to pay dividends linked to actual results, with a target of 30% of consolidated net income attributable to shareholders of the parent company.

Business portfolio optimization and allocation of management resources

FURUKAWA ELECTRIC GROUP

Basic policy on shareholder returns and dividends for FY22 and FY23

- **For FY22, the dividend will be JPY 80 per share (increased by JPY 20 per share from previous forecast of JPY60 per share)**
- **For FY23, we plan to issue a dividend of JPY 60 per share**



	FY21	FY22 (planned)	FY23 (forecast)	FY25 (forecast)
Consolidated net income attributable to owners of the parent	JPY 10.1 billion	JPY 17.9 billion	JPY 13.0 billion	More than JPY 37.0 billion
Dividend payout ratio	41.8%	31.4%	32.6%	30%

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In accordance with the aforementioned policy, we plan to pay a dividend of JPY80 per share for FY2022. This corresponds to a dividend payout ratio of slightly more than 31%.

For FY2023, we currently forecast consolidated net income of JPY13.0 billion due to the absence of large extraordinary gains such as the gain on the sale of our equity interest in TOTOKU in FY2022. If we achieve this figure, we currently forecast a dividend payout ratio of 32%, or JPY60 per share. We will make a judgment and decision on this matter while observing future trends.

5. Strengthen the foundation for ESG management

Finally, I would like to talk about strengthening the foundation of ESG management.

Strengthen the foundation for ESG management
Commencement of operation of sustainability indicators and targets

FURUKAWA ELECTRIC GROUP

The first year of target management was successful. Upwardly revised FY25 environment-related targets. New engagement score targets were established

			FY22 Target	FY22 Result	FY23 Target	FY25 Target
Revenue Opportunities	**Create businesses that solve social issues**					
	Sales ratio of environmentally friendly products	Consolidated	64%	**64%** (Expected)	66%	**70%**
	Open, Agile, Innovative / Build partnerships with various stakeholders					
	R&D expense growth rate for new businesses (compared to FY21)	Consolidated	115%	**116%**	125%	**125%**
	Implementation rate of IP landscaping for strengthening the businesses and themes for creating new businesses	Consolidated	30%	**40%**	45%	**100%** ※1
Risks	**E Develop business activities that consider climate change**					Upward revision Compared to FY21
	GHG emissions reduction rate (Scope1,2) (compared to FY17)	Consolidated	(17.7%)	**(37%)** (Expected)	(21.2%)	**(18.7%)**
	Ratio of renewable energy use to total consumption	Consolidated	11.5%	**20%** (Expected)	12%	**30%**
	S Strengthen human capital management and organizational execution abilities					New setting
	Employee engagement scores	Non-consolidated	Start measuring	**65**	65 ※2	**75**
	Ratio of female managers	Non-consolidated	4.5%	**4.8%**	5.0%	**7%**
	Ratio of career track hiring among total new staff hiring (managers, generalist, specialist)	Non-consolidated	30%	**46%**	30%	**30%** ※3
	G Build a governance system to strengthen risk management					
	Ratio of follow-up on risk management activities for all risk domains	Consolidated	93%	**100%**	100%	**100%**
	Ratio of SAQ implementation based on the CSR Procurement Guidelines for major suppliers	Consolidated	Global 20%	**34%**	40%	**100%**
	Implementation rate of human rights training for managerial positions	Consolidated	Start in Japan	**Global 100%**	100%	**100%**

※1 Full implementation for the themes set in FY22 ※2 Expanded measurement range ※3 Maintain at about 30% every fiscal year

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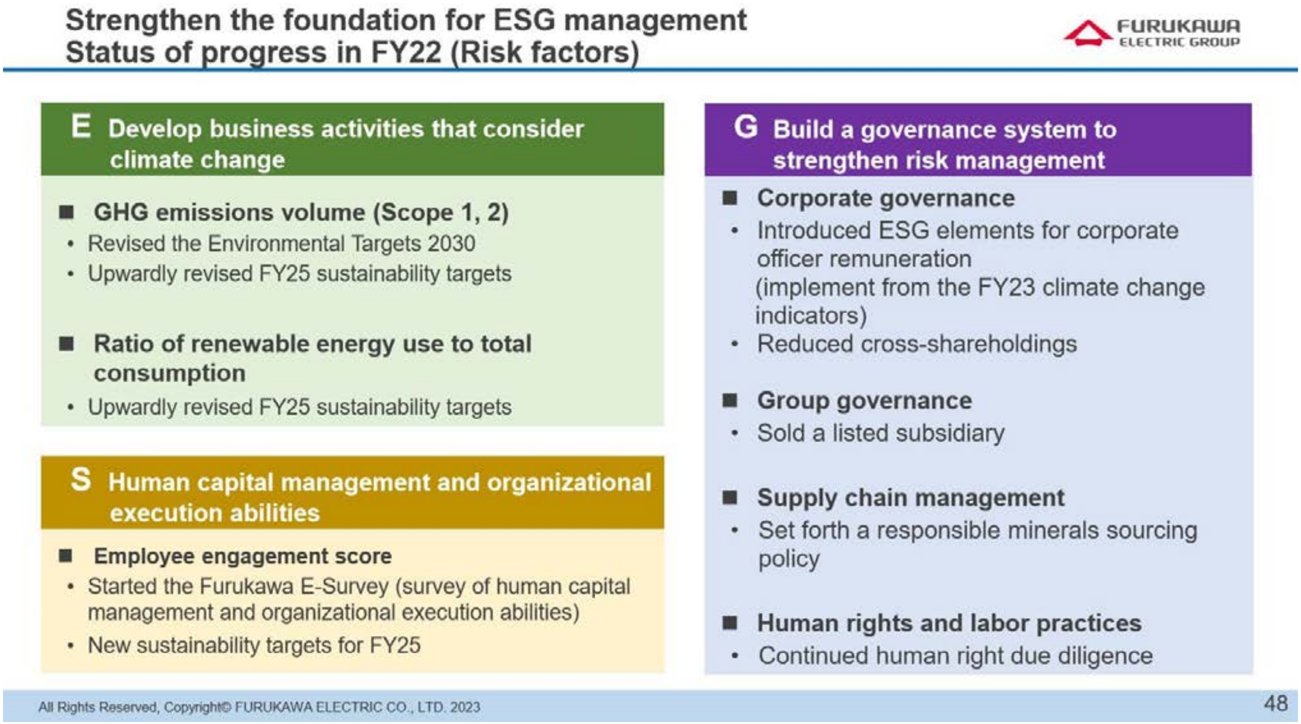
In line with materialities, we have introduced non-financial indicators, or Sustainability Indices, and set a target for FY2025.

The first year has progressed successfully. In addition, we have revised our environmental indicators upward for FY2022, and we have also established a new employee engagement score. In FY2023, we will continue to implement the PDCA cycle to achieve these goals.

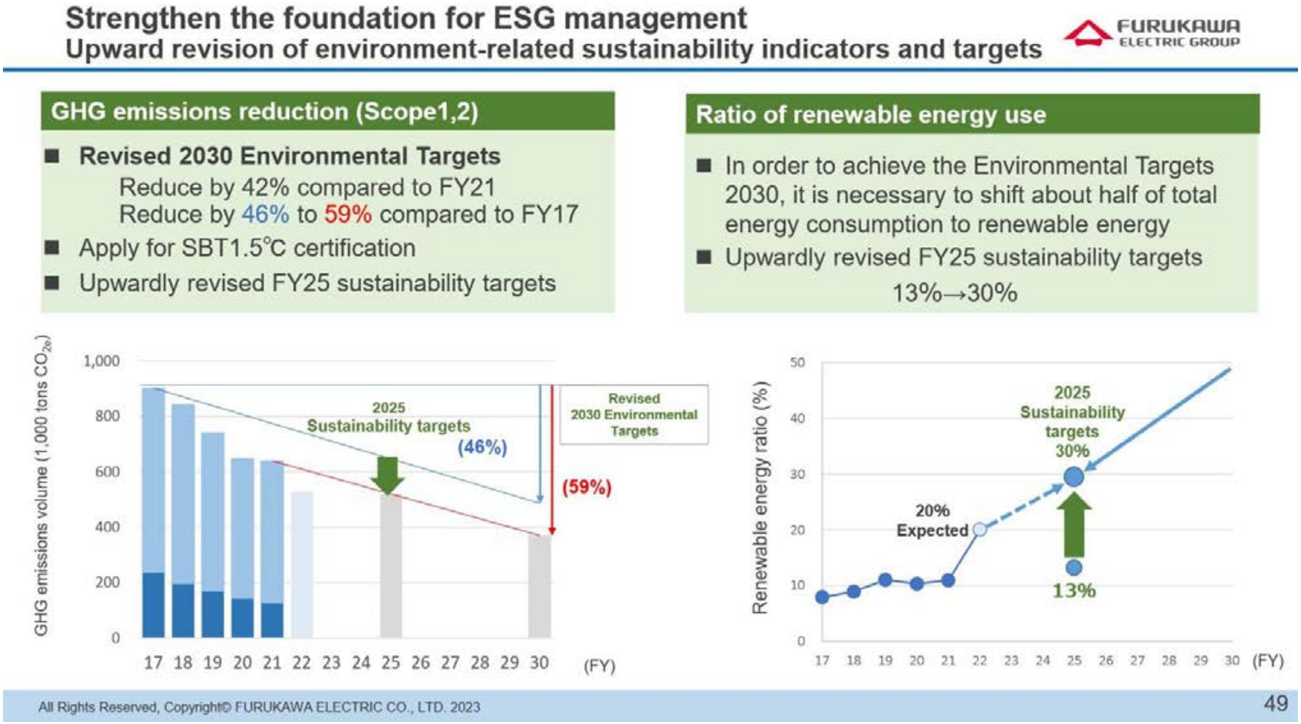


In FY2022, progress was made in addressing materialities, particularly on the risk side, and we have again summarized the key points.

With regard to the environment, we have revised our greenhouse gas emission targets for 2030 to be even stricter, and in addition, we have revised upward the ratio of renewable energy.

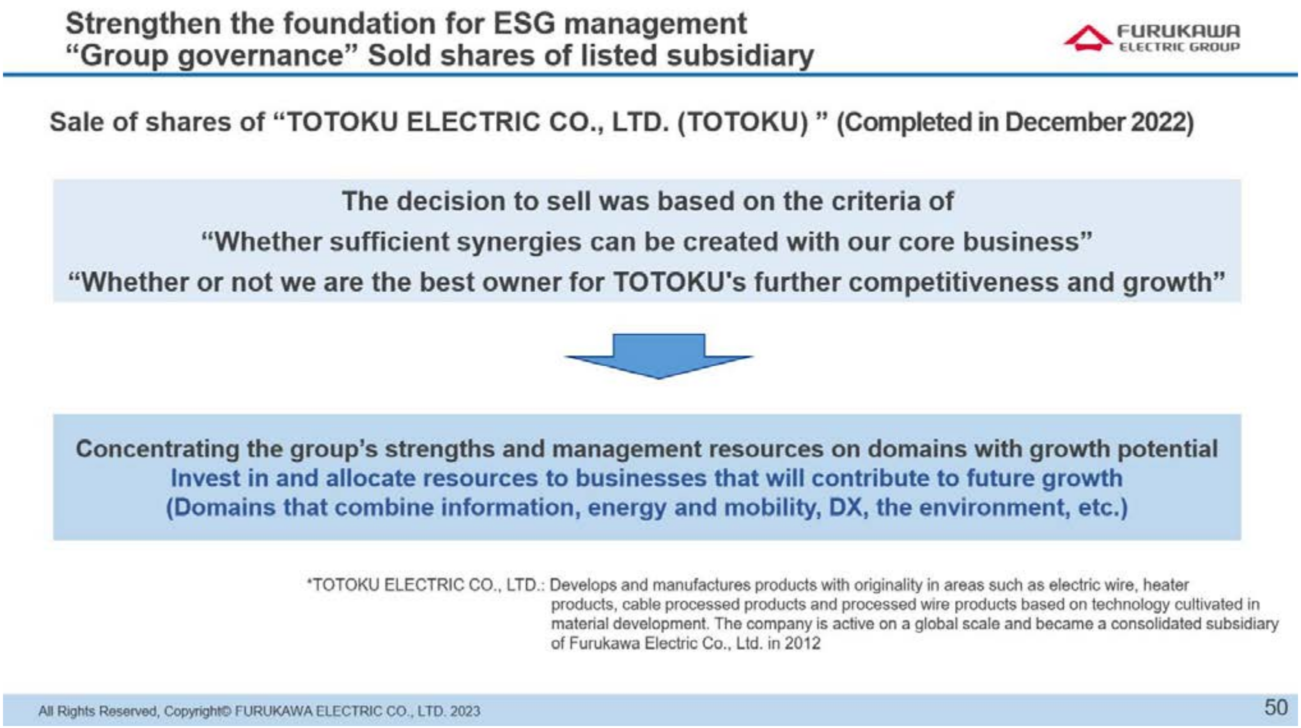
For society, we conducted a survey on employee engagement called the Furukawa E-Survey to measure actual employee engagement scores and set targets for FY2025. We will continue our efforts to improve our human resource and organizational execution capabilities by continuing the Furukawa E-Survey, analyzing its results, and take action to improve engagement.

Regarding governance, climate change indicators will be reflected in executive compensation beginning in FY2023. In addition, the Company sold listed subsidiaries in FY2022 in order to strengthen group governance.



With regard to the environment, which is undergoing remarkable change, we have revised our greenhouse gas emission targets for 2030. Greenhouse gas emissions for Scope 1 and 2 have been revised to correspond to a 59% reduction from 2017, compared with the previous standard of a 46% reduction. Accordingly, the 2025 reduction target has also been revised upward, from a 28% reduction compared to 2017 to a 42% reduction.

In order to meet our strict environmental goals, approximately half of our electricity consumption must come from renewable energy sources. Backcasting from this target has resulted in an upward revision of the renewable energy ratio for FY2025 from 13% to 30%. We will continue to work toward these more demanding goals.



In order to strengthen group governance, from the perspective of the best owner, last December we sold our interest in the listed subsidiary TOTOKU ELECTRIC CO., LTD.

We will use the cash we generated from this in areas where we expect future growth, such as the convergence of information, energy, and mobility that we aim for in Vision 2030, infrastructure improvements such as DX, and new business areas. We will solidify and disclose this information as soon as possible.

FURUKAWA ELECTRIC GROUP

6. Management targets (Financial targets)

Finally, we would like to display our financial statement again.

Management targets (Financial targets)

No revision of financial targets for FY25

	FY22 (result)	FY23 (forecast)		FY25 (target)
ROIC (after tax)	3.7%	3%	▶	More than 6%
ROE	6.1%	4%	▶	More than 11%
Net D/E ratio	0.9	1.0	▶	Less than 0.8
Capital ratio	32.5%	33%	▶	More than 35%
Sales	JPY 1,066.3 billion	JPY 1,100.0 billion	▶	More than JPY 1,100.0 billion
Operating income	JPY 15.4 billion	JPY 24.0 billion	▶	More than JPY 58.0 billion
Net income attributable to owners of the parent	JPY 17.9 billion	JPY 13.0 billion	▶	More than JPY 37.0 billion
Average copper price (JPY/Kg)	1,209	1,180		1,085
Average exchange rate (JPY/dollar)	135	130		110

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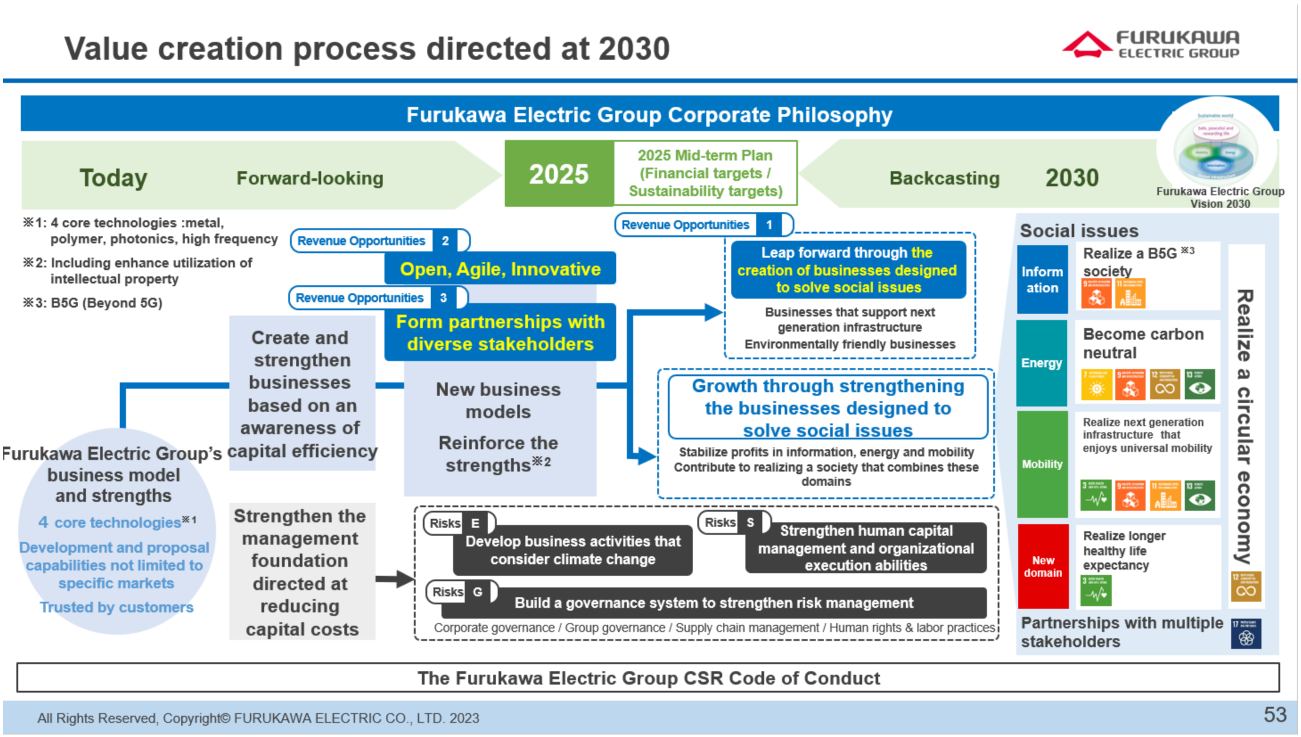
As I mentioned at the outset, there is no change to the FY2025 targets.



I will not give an explanation of this page.

Thank you very much for your attention

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This concludes my explanation. Thank you very much for your kind attention.