

(Translation)

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# Annual Securities Report

For the 201st Fiscal Year

(April 1, 2022 through March 31, 2023)

Furukawa Electric Co., Ltd.

The 201st Fiscal Year (April 1, 2022 through March 31, 2023)

# Annual Securities Report

1. This is an English translation of the Annual Securities Report (*Yukashoken Hokokusho*), which was produced based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan and filed via the Electronic Disclosure for Investors' NETWORK (EDINET) system as set forth in Article 27-30-2 of the same act. The translation includes a table of contents and pagination that are not included in the electronic filing.
2. Appended to the back of this document are English translations of the independent auditors' report attached to the Annual Securities Report when it was filed using the aforementioned method, and the internal control report and the confirmation note that were filed at the same time as the Annual Securities Report.

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## Cover

Document title	Annual Securities Report
Clause of stipulation	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director, Kanto Local Finance Bureau
Filing date	June 21, 2023
Fiscal year	The 201st fiscal year (April 1, 2022 through March 31, 2023)
Company name	Furukawa Denki Kogyo Kabushiki Kaisha
Company name in English	Furukawa Electric Co., Ltd.
Title and name of representative	Hideya Moridaira, President
Address of registered headquarters	2-6-4 Otemachi Chiyoda-ku, Tokyo
Telephone number	+81-3-6281-8500
Name of contact person	Shu Sano, Manager, Corporate Accounting Section, Finance & Accounting Department, Finance & Accounting Division
Nearest place of contact	2-6-4 Otemachi Chiyoda-ku, Tokyo
Telephone number	+81-3-6281-8500
Name of contact person	Shu Sano, Manager, Corporate Accounting Section, Finance & Accounting Department, Finance & Accounting Division
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

## Section 1 Company Information

### Item 1. Overview of Company

#### 1. Key Financial Data

(1) Consolidated financial data

Fiscal year		197th	198th	199th	200th	201st
Year ended March 31,		2019	2020	2021	2022	2023
Net sales	(million yen)	991,590	914,439	811,600	930,496	1,066,326
Ordinary profit	(million yen)	39,078	22,771	5,189	19,666	19,639
Profit attributable to owners of parent	(million yen)	29,108	17,639	10,001	10,093	17,911
Comprehensive income	(million yen)	19,137	(2,060)	27,941	27,760	30,064
Net assets	(million yen)	279,911	273,030	291,617	314,062	330,990
Total assets	(million yen)	818,021	794,616	832,044	935,876	934,837
Net assets per share	(yen)	3,513.58	3,408.86	3,686.36	3,967.08	4,312.07
Basic earnings per share	(yen)	412.98	250.25	141.88	143.40	254.45
Diluted earnings per share	(yen)	–	–	–	–	–
Equity capital ratio	(%)	30.3	30.2	31.2	29.8	32.5
Return on equity (ROE)	(%)	12.02	7.23	4.00	3.74	6.15
Price-earnings ratio	(times)	6.76	7.85	20.93	15.17	9.67
Net cash provided by (used in) operating activities	(million yen)	46,460	41,942	(479)	(13,269)	36,516
Net cash provided by (used in) investing activities	(million yen)	(31,042)	(33,119)	(1,908)	(40,074)	(21,677)
Net cash provided by (used in) financing activities	(million yen)	(19,414)	(171)	35,140	35,020	(34,475)
Cash and cash equivalents at end of period	(million yen)	46,838	55,055	87,189	67,632	51,950
Number of employees	(persons)	52,215	50,232	48,449	50,867	51,314

Notes: 1. The figures of diluted earnings per share are not presented because the Company had no potential shares.

2. The Company has established the Board Benefit Trust (BBT) for the stock remuneration plan for Directors, etc. Accordingly, for the purpose of determining net assets per share and basic earnings per share, the number of treasury shares at the end of the period and the number of treasury shares to be deducted in calculating the average number of shares outstanding during the period include the Company's shares held by the BBT trust account.

3. The Group has applied the *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the 200th fiscal year. Accordingly, the key financial data for the 200th fiscal year and thereafter are those after applying the said accounting standard, etc.

## (2) Financial data of reporting company (non-consolidated)

Fiscal year		197th	198th	199th	200th	201st
Year ended March 31,		2019	2020	2021	2022	2023
Net sales	(million yen)	473,626	440,675	392,616	292,424	305,835
Ordinary profit	(million yen)	22,619	11,991	5,591	6,461	8,686
Profit (loss)	(million yen)	21,510	18,177	24,333	(525)	25,235
Share capital	(million yen)	69,395	69,395	69,395	69,395	69,395
Total number of shares issued	(shares)	70,666,917	70,666,917	70,666,917	70,666,917	70,666,917
Net assets	(million yen)	164,075	167,901	190,070	183,515	201,845
Total assets	(million yen)	469,013	473,935	570,121	608,376	593,768
Net assets per share	(yen)	2,327.21	2,381.45	2,695.56	2,606.69	2,866.61
Dividend per share	(yen)	85.00	85.00	60.00	60.00	80.00
[Of which, interim dividend per share]	(yen)	[-]	[-]	[-]	[-]	[-]
Basic earnings (loss) per share	(yen)	305.11	257.82	345.10	(7.47)	358.40
Diluted earnings per share	(yen)	-	-	-	-	-
Equity capital ratio	(%)	35.0	35.4	33.3	30.2	34.0
Return on equity (ROE)	(%)	13.63	10.95	13.59	(0.28)	13.10
Price-earnings ratio	(times)	9.15	7.62	8.61	-	6.87
Dividend payout ratio	(%)	27.9	33.0	17.4	-	22.3
Number of employees	(persons)	3,816	3,925	4,084	4,201	4,267
Total shareholder return	(%)	50.4	37.4	56.0	43.2	49.6
[Benchmark: TOPIX Total Return Index]	(%)	[92.7]	[81.7]	[113.8]	[113.4]	[116.7]
Highest share price	(yen)	5,760	3,305	3,115	3,110	2,668
Lowest share price	(yen)	2,453	1,620	1,746	2,050	2,033

- Notes: 1. The figures of diluted earnings per share, price-earnings ratio, and dividend payout ratio are not presented for the fiscal years for which loss was reported or the Company had no potential shares.
2. The Company has established the Board Benefit Trust (BBT) for the stock remuneration plan for Directors, etc. Accordingly, for the purpose of determining net assets per share and basic earnings (loss) per share, the number of treasury shares at the end of the period and the number of treasury shares to be deducted in calculating the average number of shares outstanding during the period include the Company's shares held by the BBT trust account.
3. The Company has applied the *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the 200th fiscal year. Accordingly, the key financial data for the 200th fiscal year and thereafter are those after applying the said accounting standard, etc.
4. The highest and lowest share prices are those on the First Section of the Tokyo Stock Exchange on or before April 3, 2022 and on the Prime Market of the Tokyo Stock Exchange on and after April 4, 2022.

## 2. History

Month and year	Event
June 1896	Established as Yokohama Electric Cable Manufacturing Company.
April 1920	Acquires Nikko Copper Electrolyzing Refinery (currently Nikko Works of the Company) from Furukawa Kogyo Co., Ltd. (currently Furukawa Co., Ltd.) and the Company is renamed as current Furukawa Electric Co., Ltd.
December 1921	Acquires Kyushu Electric Cable Manufacturing Company located in Moji-shi (currently Moji-ku, Kitakyushu-shi), Fukuoka Prefecture, and renames its plant as Kyushu Cable Works (formerly Kyushu Works of the Company and currently Kyushu Plant of Furukawa Electric Industrial Cable Co., Ltd.).
November 1938	Establishes Osaka Copper Works (formerly Osaka Works and later the copper tube division of the Company) in Amagasaki-shi, Hyogo Prefecture.
May 1949	Lists the Company's shares on the Tokyo Stock Exchange.
September 1950	Establishes The Furukawa Battery Co., Ltd. to spin off the battery division.
September 1958	Establishes Hiratsuka Cable Works (currently Hiratsuka Works of the Company) in Hiratsuka-shi, Kanagawa Prefecture.
March 1961	Establishes Chiba Cable Works (currently Chiba Works of the Company) in Ichihara-cho, Ichihara-gun (currently Ichihara-shi), Chiba Prefecture.
March 1971	Establishes Mie Plant (currently Mie Works of the Company) in Kameyama-shi, Mie Prefecture.
August 1972	Lists shares of The Furukawa Battery Co., Ltd. on the First Section* of the Tokyo Stock Exchange. (*The shares of The Furukawa Battery Co., Ltd. are currently listed on the Prime Market.)
April 1981	Merges Furukawa Metal Industries Co., Ltd. to ensure future growth as a comprehensive nonferrous metal manufacturer.
February 1987	Establishes Yokohama R&D Laboratory in Nishi-ku, Yokohama-shi, Kanagawa Prefecture.
October 1993	Merges Furukawa Aluminium Industries Co., Ltd. and Fukui Rolling Co., Ltd. to strengthen and expand the business foundation by integrating manufacturing and selling functions of the light metal business.
November 2001	Acquires the optical fiber cable division (currently OFS Fitel, LLC) of Lucent Technologies Inc. (back then).
October 2003	Spins off the light metals company to have Sky Aluminium Co., Ltd. succeed to it and changes the trade name from Sky Aluminium Co. Ltd. to Furukawa-Sky Aluminium Corporation (currently UACJ Corporation).
January 2005	Transfers the power cable business to VISCAS Corporation.
December 2005	Lists shares of Furukawa-Sky Aluminium Corporation (currently UACJ Corporation) on the First Section* of the Tokyo Stock Exchange. (*The shares of UACJ Corporation are currently listed on the Prime Market.)
February 2007	Lists shares of FCM Co., Ltd. on the Hercules Market of the Osaka Stock Exchange.
March 2012	Subscribes for new shares of TOTOKU ELECTRIC CO., LTD. (currently TOTOKU INC.) issued through the third-party allotment and makes it a consolidated subsidiary of the Company.
October 2013	Furukawa-Sky Aluminium Corporation merges Sumitomo Light Metal Industries, Ltd. and is renamed as UACJ Corporation (listed on the First Section* of the Tokyo Stock Exchange). The merger results in UACJ Corporation becoming an equity-method associate of the Company. (*The shares of UACJ Corporation are currently listed on the Prime Market.)
April 2015	Takes over the overseas power cable business from VISCAS Corporation, an equity-method associate of the Company.
October 2016	Takes over the domestic power cable business from VISCAS Corporation, an equity-method associate of the Company.
December 2018	Transfers shares of FCM Co., Ltd., resulting in FCM Co., Ltd. being excluded from the scope of consolidation of the Company.
April 2020	Spins off the copper tube division to have Daishin P&T Corporation, a newly established, wholly owned subsidiary of the Company, to succeed to it.
June 2020	Transfers shares of Daishin P&T Corporation, resulting in Daishin P&T Corporation being excluded from the scope of consolidation of the Company.
October 2020	Restructures a part of the wire business by having Essex Furukawa Magnet Wire LLC succeed to the manufacturing operations of heavy magnet wires and others and making it an equity-method associate of the Company.
April 2022	Moves from the First Section to the Prime Market, following the restructuring of the Tokyo Stock Exchange market segments.
December 2022	Transfers shares of TOTOKU ELECTRIC CO., LTD. (currently TOTOKU INC.), resulting in TOTOKU ELECTRIC CO., LTD. being excluded from the scope of consolidation of the Company.

### 3. Description of Business

Furukawa Electric Co., Ltd. and its subsidiaries and associates (“Furukawa Electric Group”) is mainly engaged in manufacture and sale of products based on development and application of technologies cultivated in the Infrastructure, Electronics & Automotive Systems, and Functional Products businesses, as well as in business activities such as research and other services related to each business.

Furukawa Electric Group’s lines of business, its subsidiaries and associates involved in each of these businesses, and the relationship with the reportable segments as of the end of the fiscal year ended March 31, 2023 (the “current fiscal year” or “FY2022”) are summarized as follows:

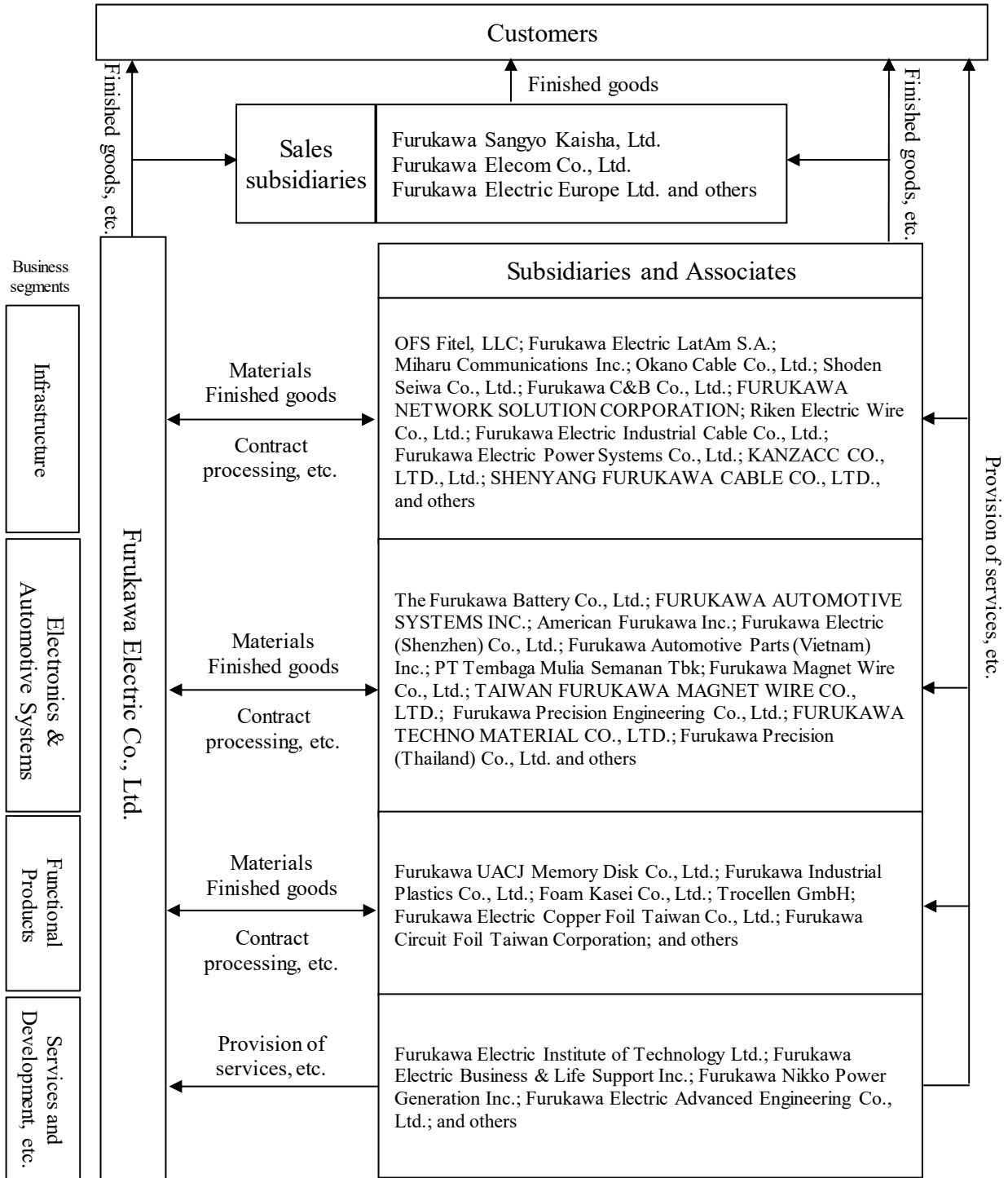
Segment name	Companies involved
Infrastructure	The Company, OFS Fitel, LLC, Furukawa Electric LatAm S.A., Furukawa Electric Industrial Cable Co., Ltd., SHENYANG FURUKAWA CABLE CO., LTD., and others are engaged in manufacture and sale.
Electronics & Automotive Systems	The Company, The Furukawa Battery Co., Ltd., Furukawa Automotive Systems Inc., Furukawa Magnet Wire Co., Ltd., and others are engaged in manufacture and sale.
Functional Products	The Company, Trocellen GmbH, Furukawa Electric Copper Foil Taiwan Co., Ltd., Furukawa Circuit Foil Taiwan Corporation, and others are engaged in manufacture and sale.
Services and Development, etc.	The Company, Furukawa Nikko Power Generation Inc., and others are engaged mainly in various service businesses and research and development of new products.

Note that sales companies are classified into relevant segments based on the type of products they mainly handle.

The following diagram summarizes the structure of the Group’s businesses as shown above.



## Business Structure Diagram



#### 4. Subsidiaries and Other Affiliated Entities

As of March 31, 2023

Company name	Address	Share capital or investments in capital (millions of yen, unless otherwise stated)	Main line of business	Ratio of voting rights held (or owned) (%)	Description of relationship
(Consolidated subsidiaries) The Furukawa Battery Co., Ltd. Note 4	Hodogaya-ku, Yokohama	1,640	Electronics & Automotive Systems	58.1 (0.8)	The Company supplies them with some of the raw materials and purchases some of their products. The Company also leases real estate and facilities. Officers serve concurrently.
KANZACC CO., LTD. Note 7	Chuo-ku, Osaka	720	Infrastructure	99.9	The Company supplies them with some of the raw materials and purchases some of their products. The Company also leases real estate. Officers serve concurrently. The Company lends funds through a cash management system (CMS).
Furukawa Sangyo Kaisha, Ltd. Note 7	Minato-ku, Tokyo	700	Sales subsidiary	100.0	They sell the Company's products and purchase some of the raw materials from the Company. The Company also leases real estate. Officers serve concurrently. The Company lends and borrows funds (CMS).
Okano Cable Co., Ltd. Note 5	Yamato, Kanagawa Pref.	489	Infrastructure	49.2	The Company supplies them with some of the raw materials and sells some of their products. Officers serve concurrently. The Company borrows funds.
Furukawa Electric Industrial Cable Co., Ltd. Note 7	Arakawa-ku, Tokyo	450	Infrastructure	100.0	The Company supplies them with some of the raw materials and purchases and sells some of their products. The Company also leases real estate and facilities. Officers serve concurrently. The Company lends funds (CMS).
FURUKAWA ELECTRIC POWER SYSTEMS CO., LTD. Note 7	Aoba-ku, Yokohama	450	Infrastructure	100.0	The Company supplies them with some of the raw materials and purchases and sells some of their products. The Company also leases real estate. Officers serve concurrently. The Company lends and borrows funds (CMS).
FURUKAWA INDUSTRIAL PLASTICS CO., LTD. Note 7.	Mihama-ku, Chiba	300	Functional Products	100.0	The Company supplies them with some of the raw materials and purchases some of their products. The Company also leases real estate. Officers serve concurrently. The Company lends funds (CMS).
FURUKAWA TECHNO MATERIAL CO., LTD. Note 7	Hiratsuka, Kanagawa Pref.	300	Electronics & Automotive Systems	100.0	The Company supplies them with some of the raw materials and sells their products. Officers serve concurrently. The Company lends funds (CMS).

Company name	Address	Share capital (millions of yen, unless otherwise stated)	Main line of business	Ratio of voting rights held (or owned) (%)	Description of relationship
Furukawa Nikko Power Generation Inc. Note 7	Nikko, Tochigi Pref.	300	Services and Developments, etc.	100.0	The Company purchases some of their electricity. The Company also leases real estate. Officers serve concurrently. The Company lends funds (CMS).
FURUKAWA NETWORK SOLUTION CORPORATION Note 7	Hiratsuka, Kanagawa Pref.	150	Infrastructure	100.0	The Company procures and manufactures on consignment, and sells their products. The Company also leases real estate. Officers serve concurrently. The Company borrows funds (CMS).
Furukawa Automotive Systems Inc... Notes 3 and 7	Inugami, Shiga Pref.	100	Electronics & Automotive Systems	100.0	The Company supplies them with some of the raw materials and sells their products. The Company also leases real estate. Officers serve concurrently. The Company lends funds (CMS).
Furukawa FITEL Optical Device Co., Ltd. Note 7	Ichihara, Chiba Pref.	100	Infrastructure	70.6	The Company supplies them with some of the raw materials and sells their products. The Company also leases real estate. Officers serve concurrently. The Company lends and borrows funds (CMS).
Furukawa Precision Engineering Co., Ltd. Note 7	Nikko, Tochigi Pref.	100	Electronics & Automotive Systems	100.0	The Company supplies them with some of the raw materials and sells their products. The Company also leases and rents real estate. Officers serve concurrently. The Company lends funds (CMS).
Riken Electric Wire Co., Ltd. Note 7	Chuo-ku, Tokyo	100	Infrastructure	100.0	The Company supplies them with some of the raw materials and purchases and sells some of their products. The Company also leases real estate and facilities. Officers serve concurrently. The Company borrows funds (CMS).
Furukawa Elecom Co., Ltd. Note 7	Chiyoda-ku, Tokyo	98	Sales subsidiary	100.0	They sell the Company's products. The Company also leases real estate. Officers serve concurrently. The Company borrows funds (CMS).
Furukawa Magnet Wire Co., Ltd. Note 7	Chiyoda-ku, Tokyo	96	Electronics & Automotive Systems	100.0	The Company supplies them with some of the raw materials and sells their products. The Company also leases real estate. Officers serve concurrently. The Company lends funds (CMS).
FURUKAWA C&B CO., LTD. Note 7	Hiratsuka, Kanagawa Pref.	90	Infrastructure	100.0	The Company sells their products. The Company also leases real estate. Officers serve concurrently. The Company lends funds (CMS).

Company name	Address	Share capital (millions of yen, unless otherwise stated)	Main line of business	Ratio of voting rights held (or owned) (%)	Description of relationship
OFS Fitel, LLC Note 3	USA	USD 362 million	Infrastructure	100.0	The Company supplies them with some of the raw materials and purchases and sells some of their products. Officers serve concurrently. The Company lends funds.
Furukawa Electric LatAm S.A. Note 3	Brazil	BRL 149 million	Infrastructure	100.0	The Company supplies them with some of the raw materials. Officers serve concurrently.
American Furukawa, Inc. Note 3	USA	USD 109 million	Electronics & Automotive Systems	100.0 (0.1)	They sell the Company's subsidiary's products. The Company's subsidiary supplies them with some of the raw materials. Officers serve concurrently. The Company lends funds.
SHENYANG FURUKAWA CABLE CO., LTD. Note 3	China	CNY 768 million	Infrastructure	100.0	The Company supplies them with some of the raw materials and sells some of their products. Officers serve concurrently. The Company lends funds.
Furukawa Electric Copper Foil Taiwan Co., Ltd.	Taiwan	NWD 1,555 million	Functional Products	100.0	The Company sells some of their products. Officers serve concurrently.
Furukawa Circuit Foil Taiwan Corporation	Taiwan	NWD 1,475 million	Functional Products	81.9	The Company's subsidiary supplies them with some of the raw materials. Officers serve concurrently. The Company lends funds.
Furukawa Electric Singapore Pte. Ltd.	Singapore	USD 3 million	Sales subsidiary	100.0	They sell the Company's products. Officers serve concurrently.
Furukawa Precision (Thailand) Co., Ltd.	Thailand	THB 169 million	Electronics & Automotive Systems	100.0 (50.0)	The Company supplies them with some of the raw materials. Officers serve concurrently.
Thai Furukawa Unicom Engineering Co., LTD.	Thailand	THB 104 million	Infrastructure	91.8 (42.8)	The Company's subsidiary supplies them with some of the raw materials. Officers serve concurrently.
Furukawa Automotive Parts (Vietnam) Inc.	Vietnam	USD 18 million	Electronics & Automotive Systems	100.0 (100.0)	The Company's subsidiary supplies them with some of the raw materials. Officers serve concurrently. The Company lends funds.
P.T. Tembaga Mulia Semanan, Tbk Note 5	Indonesia	USD 12 million	Electronics & Automotive Systems	42.4	The Company's subsidiary supplies them with some of the raw materials. Officers serve concurrently.
Trocellen GmbH	Germany	EUR 8 million	Functional Products	100.0	Officers serve concurrently. The Company lends funds.
P.T. Furukawa Indomobil Battery Manufacturing Note 3	Indonesia	IDR 899,732 million	Electronics & Automotive Systems	51.0 (51.0)	The Company's subsidiary supplies them with some of the raw materials. The Company's subsidiary purchases some of the raw materials from them.
81 other companies					

Company name	Address	Share capital (millions of yen, unless otherwise stated)	Main line of business	Ratio of voting rights held (or owned) (%)	Description of relationship
(Entities accounted for using equity method) FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO. LTD. Note 4	Kawasaki, Kanagawa Pref.	1,970	Infrastructure	20.2	They undertake construction work from the Company. Officers serve concurrently.
UACJ Corporation Note 4	Chiyoda-ku, Tokyo	52,276	Services and Developments, etc.	25.0	The Company supplies them with some of the raw materials and purchases some of the raw materials from them. They entrust a part of their business to the Company. The Company also leases and rents real estate and facilities.
YAMAKIN (JAPAN) CO., LTD. Note 4	Chiyoda-ku, Tokyo	600	Electronics & Automotive Systems	25.0	The Company purchases some of the raw materials. They sell the Company's products.
VISCAS Corporation	Ota-ku, Tokyo	10	Infrastructure	50.0	Officers serve concurrently. The Company lends funds.
Asia Vital Components Co., Ltd. Note 6	Taiwan	NWD 3,533 million	Functional Products	17.7 (2.7)	Officers serve concurrently.
Furukawa Electric (Xi'an) Optical Communication Co., Ltd.	China	CNY 227 million	Infrastructure	49.0	Officers serve concurrently.
9 other companies					

- Notes: 1. The "Main line of business" column shows the segment names.  
2. The figure in parentheses in the "Ratio of voting rights held (or owned) (%)" column shows the ratio of the voting rights the Company holds indirectly, which is included in the figure without parentheses.  
3. Furukawa Automotive Systems Inc.; OFS Fitel, LLC; Furukawa Electric LatAm S.A.; American Furukawa, Inc.; SHENYANG FURUKAWA CABLE CO., LTD.; and P.T. Furukawa Indomobil Battery Manufacturing fall under specified subsidiaries defined in the Cabinet Office Order on Disclosure of Corporate Affairs.  
4. The Furukawa Battery Co., Ltd.; FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD.; UACJ Corporation; and YAMAKIN (JAPAN) CO., LTD. have submitted Securities Registration Statements or Annual Securities Reports.  
5. Okano Cable Co., Ltd. and P.T. Tembaga Mulia Semanan, Tbk are considered as subsidiaries as they are substantially controlled by the Company, although the Company's equity share is no more than 50/100.  
6. Asia Vital Components Co., Ltd. is considered as an associate as it is substantially controlled by the Company, although the Company's equity share is less than 20/100.  
7. The Company and some of its associates have adopted a cash management system (CMS) to ensure efficient use of funds.

## 5. Employees

### (1) Information about the Group

As of March 31, 2023

Segment name	Number of employees (persons)
Infrastructure	10,051
Electronics & Automotive Systems	36,815
Functional Products	2,282
Services and Development, etc.	2,166
Total	51,314

Notes: 1. Number of employees does not include the number of temporary employees and loan employees assigned to companies outside Furukawa Electric Group.  
2. Number of employees in the Services and Developments, etc. Business segment includes the number of personnel engaged in corporate operations such as the Head Office departments of the Company.

### (2) Information about reporting company (non-consolidated)

As of March 31, 2023

Number of employees (persons)	Average age	Average length of service	Average annual salary (yen)
4,267	43 years and 7 months	19 years and 9 months	6,845,157

Segment name	Number of employees (persons)
Infrastructure	1,516
Electronics & Automotive Systems	525
Functional Products	712
Services and Development, etc.	1,514
Total	4,267

Notes: 1. Number of employees does not include the number of temporary employees and loan employees.  
2. Average annual salary includes bonuses and extra wages paid for unscheduled work.  
3. Number of employees in the Services and Developments, etc. Business segment includes the number of personnel engaged in corporate operations such as the Head Office departments of the Company.

### (3) Labor unions

Furukawa Electric Group has labor unions, including Furukawa Electric Labor Union, which belong to the Japan Federation of Electric Wire Workers' Unions (affiliated with the Japanese Trade Union Confederation) and other organizations. There are no special matters to be noted as to the relationship with the labor unions.

(4) Ratio of female workers in managerial positions, ratio of male workers taking childcare leave, and differences in wages between male and female workers

(i) Reporting company

Current fiscal year				
Ratio of female workers in managerial positions (%) (Note 1)	Ratio of male workers taking childcare leave (%) (Note 2)	Differences in wages between male and female workers (%) (Note 1)		
		All workers	Regular employment workers	Part-time and fixed-term workers
4.8	72.0	69.1	69.5	58.7

- Notes: 1. The calculation is based on the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).  
2. The calculation was made according to the method for the percentage of workers taking childcare leave, etc. as stipulated in Article 71-4, Item (i) of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991), based on the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

(ii) Consolidated subsidiaries

Current fiscal year					
Company name	Ratio of female workers in managerial positions (%) (Note 1)	Ratio of male workers taking childcare leave (%) (Note 2)	Differences in wages between male and female workers (%) (Note 1)		
			All workers	Regular employment workers	Part-time and fixed-term workers
The Furukawa Battery Co., Ltd.	3.1	14.8	84.7	86.8	73.8
Furukawa Automotive Systems Inc..	1.2	88.5	63.5	68.8	64.8
Furukawa Electric Power Systems Co., Ltd.	3.6	75.0	81.7	82.0	69.1
Furukawa Electric Business & Life Support Inc.	13.3	–	77.9	60.8	72.6

- Notes: 1. The calculation is based on the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).  
2. The calculation was made according to the method for the percentage of workers taking childcare leave, etc. as stipulated in Article 71-4, Item (i) of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991), based on the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

(iii) Reporting company and consolidated subsidiaries group in Japan

Current fiscal year				
Ratio of female workers in managerial positions (%) (Note 1)	Ratio of male workers taking childcare leave (%) (Note 2)	Differences in wages between male and female workers (%) (Note 1)		
		All workers	Regular employment workers	Part-time and fixed-term workers
3.5	56.2	59.8	63.9	42.6

- Notes: 1. The calculation is based on the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).  
2. The calculation was made according to the method for the percentage of workers taking childcare leave, etc. as stipulated in Article 71-4, Item (i) of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991), based on the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

## Item 2. Overview of Business

### 1. Management Policy, Business Environment, and Issues to Be Addressed

The forward-looking statements contained in the descriptions below are based on Furukawa Electric Group's estimates and assumptions made as of the end of the current fiscal year.

#### (1) Basic management policy

[Furukawa Electric Group Philosophy]

##### ■ Corporate Philosophy

Drawing on more than a century of expertise in the development and fabrication of advanced materials, we will contribute to the realization of a sustainable society through continuous technological innovation.

##### ■ Management Philosophy

With an eye to the future, the Furukawa Electric Group management team pledges to:

- Live up to the expectations and trust invested in us by society, with fairness and integrity.
- Apply the sum total of our expertise to satisfy our customers and grow with them.
- Continuously strive to achieve world-class technological innovation, and transform ourselves in every area of endeavor.
- Nurture diverse personnel at every level, so that we can become a more diverse and creative organization.

##### ■ Core Value

We have set the values we wish to particularly emphasize and enhance even further for the achievement of Furukawa Electric Group Philosophy and the sustainable growth of Furukawa Electric Group, as Core Value, which comprised of five integral elements of Integrity, Innovation, Addressing Reality, Ownership and Speed, and Collaboration.

##### ■ Furukawa Electric Group Vision 2030

We have formulated Furukawa Electric Group Vision 2030 (hereinafter, "Vision 2030"), which specifies target timeline and business domains, in response to rapid changes in the environment surrounding the Group's business.

Under Furukawa Electric Group's corporate philosophy, "Drawing on more than a century of expertise in the development and fabrication of advanced materials, we will contribute to the realization of a sustainable society through continuous technological innovation," and from the perspective of addressing social issues raised by "Sustainable Development Goals (SDGs\*)" adopted by the United Nations, Vision 2030 defines the ideal state of the Group in 2030 and specifies target timeline and scope to achieve the vision.

Under Vision 2030, Furukawa Electric Group aims at addressing social issues in each or in combination of the following areas: information, energy and mobility. Furthermore, in new areas as well, the Group will work on solving social issues through creating new businesses.



In order to build a sustainable world and make people's life safe, peaceful and rewarding, Furukawa Electric Group will create solutions for the new generation of global infrastructure combining information, energy and mobility.



Furthermore, Furukawa Electric Group has defined significant management issues as “material issues,” which the Group should address in order to achieve Vision 2030, and identified the material issues as below from the perspective of revenue opportunities and risks. By addressing the material issues, we will achieve Vision 2030 and contribute to achieving SDGs\* as well.



\*SDGs is an abbreviated name for Sustainable Development Goals, which are global goals adopted by the United Nations, consisting of 17 goals and 169 targets.

**(2) Business environment, medium- to long-term management strategies, and issues to be addressed**

We have formulated a new four-year Medium-term Management Plan “Road to Vision 2030: Transformation and Challenge” (hereinafter, the “2025 Medium-term Plan”) toward achieving a goal for FY2025, the final year of the 2025 Medium-term Plan. In formulating the plan, we used backcasting to get us to the goal for FY2025, a halfway point to Vision 2030.



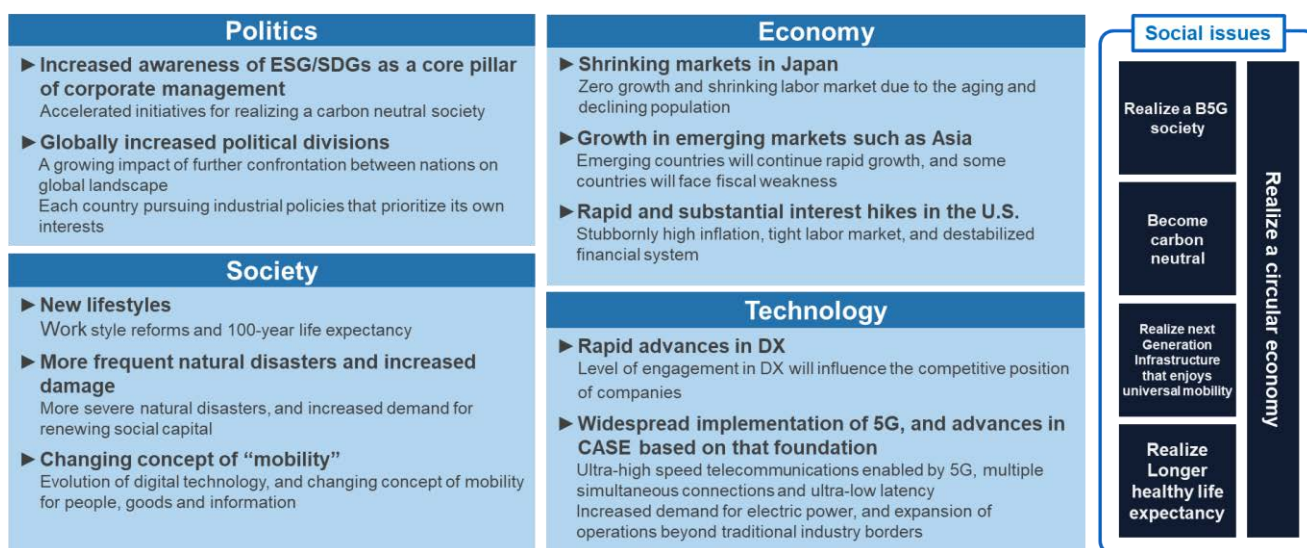
<Business Environment>

We consider that the business environment surrounding Furukawa Electric Group, which is a premise of the 2025 Medium-term Plan, will be changing in a discontinuous and irreversible manner. For example, expected changes include the following: ESG/SDGs will become a management challenge which is critical for the survival of companies; in the era of the 100-year life, a new lifestyle will emerge and become common; the domestic market will shrink due to a declining and aging population; and we will see the rapid progress of digital transformation (DX).

In such an environment, there will be growing expectations for addressing social issues, including the realization of B5G\* realization of carbon neutrality; realization of the next-generation infrastructure enabling free flow of people and goods in a safe, secure and comfortable manner; an increase in healthy life span; and the realization of the circular economy.

\*B5G (Beyond 5G) is the next generation of mobile communication systems with such features as scalability (expansion of communication areas to sky, sea, and space), ultra-low power consumption, and ultra security and reliability, in addition to the further advancement of 5G’s characteristic features (high speed and high capacity, low latency, and multiple simultaneous connections). It is also called 6G (the 6th generation mobile communication system).

The external environment is rapidly changing on many fronts, and although there is increasing risk that responding incorrectly may be fatal, the range of social issues Furukawa Electric Group can contribute to is growing



<Outlook for Market Environment in Each Business Domain>

The global economy is expected to pick up. However, inflation remains high, the financial environment unstable, and the balance of risks is on the downside. Although the future outlook is expected to remain uncertain, we anticipate continued market growth in the medium to long term in the infrastructure (communications/energy) and automotive sectors, which we have positioned as priority areas, as well as in the functional products sector related to semiconductors, which we regard as a focus business.

In the communications sector, cloud-based services such as 5G and IoT have been growing in various fields. In addition, construction of optical networks related to data centers is expected to continue due to teleworking well-established and expanded during COVID-19. Although the global supply-demand balance for optical fiber is currently deteriorating, continued market growth is expected in the medium to long term.

In the energy sector, demand for renewable energy, mainly offshore wind power, and demand from electric power companies due to their replacement needs is expected in Japan in line with the government's energy policy; whereas overseas, strong demand is expected to continue in Europe, the U.S., and emerging economies.

In the automotive sector, along with the easing of semiconductor supply constraints, Japanese automakers are accelerating their shift to battery electric vehicles (BEVs) among other factors, and continued growth is expected in this sector in the future.

In the functional products sector, demand for smartphones, personal computers, and data centers is currently declining, but continued market expansion and growth is expected in the medium to long term.

<Efforts to Achieve the 2025 Medium-term Plan (Issues to Be Addressed)>

Under the 2025 Medium-term Plan, we place an emphasis on enhancing/creating businesses that solve social issues in each or combination of Information, Energy and Mobility areas; and, as measures to increase revenue, we will work on "Maximizing revenues in existing businesses through a focus on capital efficiency" and "Building a foundation for creating new businesses by strengthening development and proposal capabilities." We will also work on "Strengthening the foundation for ESG management" to support the above-mentioned priority measures.

(i) Maximizing revenues in existing businesses through a focus on capital efficiency

We have visualized the positioning of each business from the perspective of profitability and growth potential, and will optimize allocation of investments accordingly, and accelerate business management and decision-making, including the review of our business portfolio, with a further focus on cost of capital. Furthermore, we will improve/increase sales by improving the ratio of high-value added products to total sales and rationalize product prices worth added value. Specifically, we will capture increased demand for optical fibers, etc., and strive for increasing sales of such high-value added products as rollable ribbon cables, for which we have worked on sales expansion. We will also expand the networking system business globally, taking advantage of the strength of the business model developed in Latin America. As for power cable system, we will achieve sales growth by enhancing our production capacity and construction capacity, and establishing a business foundation mainly focusing on submarine and underground cables for ensuring resilience of power networks in Japan and for renewable energy. To address the need for reducing vehicle weight alongside the shift to EV, we will take advantage of the superiority of aluminum wire harnesses, with which new types of vehicles are increasingly equipped, thus expanding the business and improving the profitability. Furthermore, since it is expected that demand for semiconductors will increase in the medium to long term, we started the construction of a new plant to begin commercial production of tapes for manufacturing semiconductors in FY2025, and aim at expanding sales by ensuring stable supply as a result of increased production capability and providing sophisticated high-quality products.

(ii) Building a foundation for creating new businesses by strengthening development and proposal capabilities

The Group will develop a foundation for creating new businesses designed to solve social issues, by drawing on 4 core technologies, namely, metal, polymer, photonics, and high-frequency technologies based on our long-standing expertise in the development and fabrication of advanced materials. While communication traffic volume is expected to increase towards a Beyond 5G society, we will take advantage of our capability to develop photonics products with high functionality by using the Company's core technologies, namely, photonics technology and high-frequency technology, along with our broad readiness to the optical communication market, thus contributing to realizing the all-optical network and a society with highly efficient energy. Furthermore, in order to become carbon neutral in 2050, we will advance the development and production of green LP gas which does not rely on fossil resources. We also develop and produce high-temperature superconducting materials for nuclear fusion, which is expected to be a next-generation energy source, thus contributing to the supply of environmental-friendly clean electric power. In addition to continuing co-creation with external partners, we will move forward with the use of digital technologies and data and develop/provide products and services designed to solve issues, aiming at creating new values.

(iii) Strengthening the foundation for ESG management

In the 2025 Medium-term Plan, we defined the ideal state in FY2025 for each identified material issue, formulated measures to realize them, and set sustainability indicators/targets to measure the progress. By working on achieving such targets, we will strengthen the foundation of ESG management. In order to conduct business activities taking into account climate change that is mandatory for the transformation to a sustainable company, we will accelerate our efforts to become carbon neutral through both capturing revenue opportunities and reducing risks, as stipulated as "Eliminate or reduce direct CO<sub>2</sub> emissions," "Eliminate or reduce CO<sub>2</sub> emissions by society," and "Capture or transform the CO<sub>2</sub> that is emitted." In order to strengthen human capital, based on "Furukawa Electric Group People Vision" which is shared beliefs on human capital at both Group and global levels, we defined the ideal state in 2030 as follows: "secure diverse personnel and support the growth of people who continually take on challenges," "aim at becoming an enterprise group where everyone plays a leading role and feels excited to work with pride," and "nurture Furukawa Electric Group's culture where teams accomplish things to the end." With such a basic policy, we will strive to strengthen "human capital organizational execution abilities." Specifically, we conducted a survey on human capital/organizational execution abilities, including elements related to employee engagement; and by using it as a monitoring tool, we will strengthen our efforts of human capital management, including the promotion of diversity & inclusion, leadership transformation activities, and measures for hiring, assigning, and developing people who contribute to carrying out management/business strategies. With respect to human rights management, we will proceed in accordance with 3 requirements in the UN's Guiding Principles on Business and Human Rights. As for "human rights due diligence" among those requirements, we regard employees and suppliers as primary stakeholders, identify presumed human rights issues for each of them, and take measures to solve and/or prevent such issues. Specifically, we plan to expand the scope of human rights training participants to managerial positions in Group companies in Japan and abroad, not limited to those in the Company, and regularly provide such education. Furthermore, in order to realize CSR procurement, including the element of human rights in the supply chain, with regard to the Self-Assessment Questionnaire (SAQ) based on "Furukawa Electric Group CSR Procurement Guidelines," we will expand the scope from major suppliers to the Company to major suppliers to Group companies in Japan and abroad in a phased manner.

### (3) Numerical management targets

To strengthen and create businesses through a focus on capital efficiency, we place emphasis on ROIC and ROE as management indicators. The target levels to be reached in the final year of the 2025 Medium-term Plan, the fiscal year ending March 31, 2026, are ROIC (after tax) of 6% or more, ROE of 11% or more, consolidated net sales of ¥1.1 trillion or more, consolidated operating profit of ¥58.0 billion or more, and consolidated profit attributable to owners of parent of ¥37.0 billion or more. In addition to these financial targets, the 2025 Medium-term Plan sets targets based on sustainability indicators (e.g., GHG emissions reduction rate, ratio of female managers, and implementation rate of human rights training for managerial positions) to realize our ideal state in FY2025 in each material issue, and we will strive to achieve these targets by implementing initiatives to enhance corporate value with regard to both revenue opportunities and risks.

We will steadily promote the 2025 Medium-term Plan to realize Furukawa Electric Group's management philosophy and Vision 2030.

FY2025 Financial Targets

ROIC (after tax)	6% or more
ROE	11% or more
Net D/E ratio	0.8 or less
Equity capital ratio	35% or more
Consolidated net sales	¥1.1 trillion or more
Consolidated operating profit	¥58.0 billion or more
Profit attributable to owners of parent	¥37.0 billion or more

FY2025 Sustainability Targets

Sales ratio of environment-friendly products	70%
R&D expense growth rate for new businesses (compared to FY2021)	125%
Implementation rate of IP landscaping for strengthening businesses and themes (*1) for creating new businesses	100%
GHG emissions reduction rate (Scopes 1&2) (compared to FY2021)	-18.7% (*2)
Ratio of renewable energy use to total consumption	30% (*3)
Employee engagement score (non-consolidated)	75 (*4)
Ratio of female managers (non-consolidated)	7%
Ratio of mid-career hires to total new staff hires (non-consolidated)	30%
Ratio of follow-up on risk management activities for all risk domains	100%
Ratio of SAQ implementation based on CSR Procurement Guidelines for major suppliers	Global 100%
Implementation rate of human rights risk training for managerial positions	Global 100%

(\*1) Themes set in FY2022

(\*2) Target value and base year were updated upon the revision of Environmental Target 2030; the revised target is equivalent to a reduction rate of minus 42% compared to the previous base year of FY2017.

(\*3) Target value was updated upon the revision of Environmental Target 2030

(\*4) Target was newly set in FY2022

## 2. Approach and Initiatives toward Sustainability

Furukawa Electric Group's approach and initiatives toward sustainability are as follows.

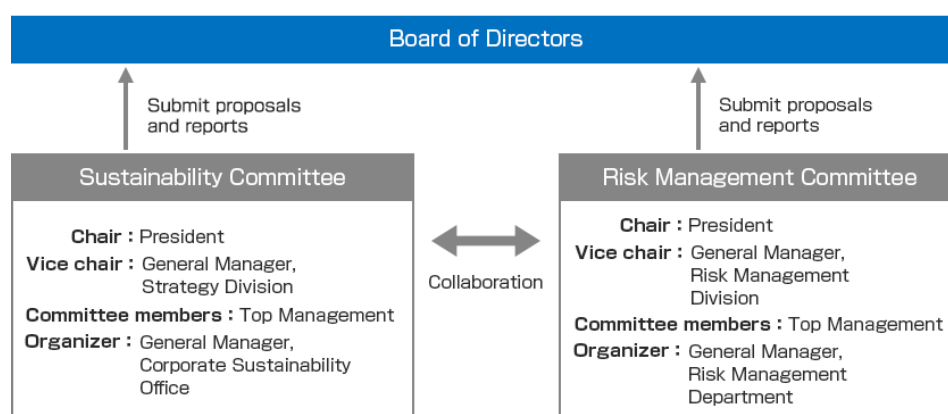
The forward-looking statements contained in the descriptions below are based on the Group's judgments made as of the end of the current fiscal year.

### (1) Sustainability in general

Under Furukawa Electric Group's corporate philosophy, "Drawing on more than a century of expertise in the development and fabrication of advanced materials, we will contribute to the realization of a sustainable society through continuous technological innovation," and from the perspective of addressing social issues raised by "Sustainable Development Goals (SDGs\*)" adopted by the United Nations, we have defined Furukawa Electric Group Vision 2030 (hereinafter, "Vision 2030") as the ideal state of the Group in 2030. In order to achieve Vision 2030, we are promoting ESG management, which aims sustainable growth of Furukawa Electric Group and medium- to long-term growth of corporate value.

#### (i) Governance

Sustainability Committee was established to consolidate discussions on sustainability within Furukawa Electric Group and further enhance the quality and speed of implementation thereof. Sustainability Committee, chaired by the President, vice-chaired by the General Manager of Strategy Division, and composed of members of top management, deliberates on issues on sustainability within Furukawa Electric Group, including sustainability-related basic policy, basic matters on material issues related to revenue opportunities and risks, and disclosure of basic information related to sustainability; checks on progress on such matters; and submits proposals and reports to the Board of Directors. Corporate Sustainability Office serves as the organizer, and the committee will generally meet twice a year. Additionally, as risk-related material issues are closely related to management strategy risks of Furukawa Electric Group, they are therefore handled in collaboration with Risk Management Committee.



Furukawa Electric Group has been accelerating its ESG management efforts since FY2018, expanding discussions related to sustainability, including climate change and human capital, at the Board of Directors, Management Committee, and Sustainability Committee meetings. In addition, the progress related to sustainability, including climate change and human capital, is reported and shared to the Board of Directors on a quarterly basis.

<Key Discussions on Sustainability within Furukawa Electric Group (FEG)>

Board of Directors	November 2018	Formulated the FEG Vision 2030
	November 2018	Formulated the FEG Vision for Our People; medium-term measures of HR Management Dept.
	Nov. 2018–Dec. 2019	Identified material issues
	April 2019	Revised the FEG CSR Code of Conduct
	February 2021	Formulated the FEG Environmental Vision 2050
	July 2021–Aug. 2021	Formulated the FEG Basic Policy on Sustainability
	May 2022	Set sustainability indicators and targets; reviewed the material issues
	December 2022	Status and direction of personnel measures in the 2025 Medium-term Management Plan
	March 2023	Partially revised sustainability targets for FY2025
Management Committee	October 2018	Medium-term measures of HR Management Dept.; formulated the FEG Vision for Our People
	Nov. 2018–May 2019	Formulated the FEG Vision 2030
	Nov. 2018–Sept. 2020	Identified material issues and disclosed them
	January 2019	Set the Environmental Targets 2030; applied for an SBT (2°C Targets) initiative certification
	April 2019	Revised the FEG CSR Code of Conduct
	January 2020	Signed the United Nations Global Compact; Formulated the FEG Human Rights Policy; Expressed support for the recommendations of TCFD
	Dec. 2020–Feb. 2021	Formulated the FEG Environmental Vision 2050
	Nov. 2021–Feb. 2022	Revised the Environmental Targets 2030; applied for an SBT (WB 2°C Targets) initiative certification
	July 2022–Aug. 2022	Formulated the FEG Basic Policy on Sustainability
	November 2022	Direction of personnel measures based on the concept of human capital management
	December 2022	Revised the Environmental Targets 2030; applied for an SBT (1.5°C Targets) initiative certification
February 2023	Activities to reinforce human capital and organizational execution abilities; disclosed human capital indicators	
Sustainability Committee	March 2022	Set sustainability indicators and targets; reviewed the material issues
	September 2022	Established the FEG Responsible Minerals Sourcing Policy
	March 2023	Partially revised sustainability targets for FY2025

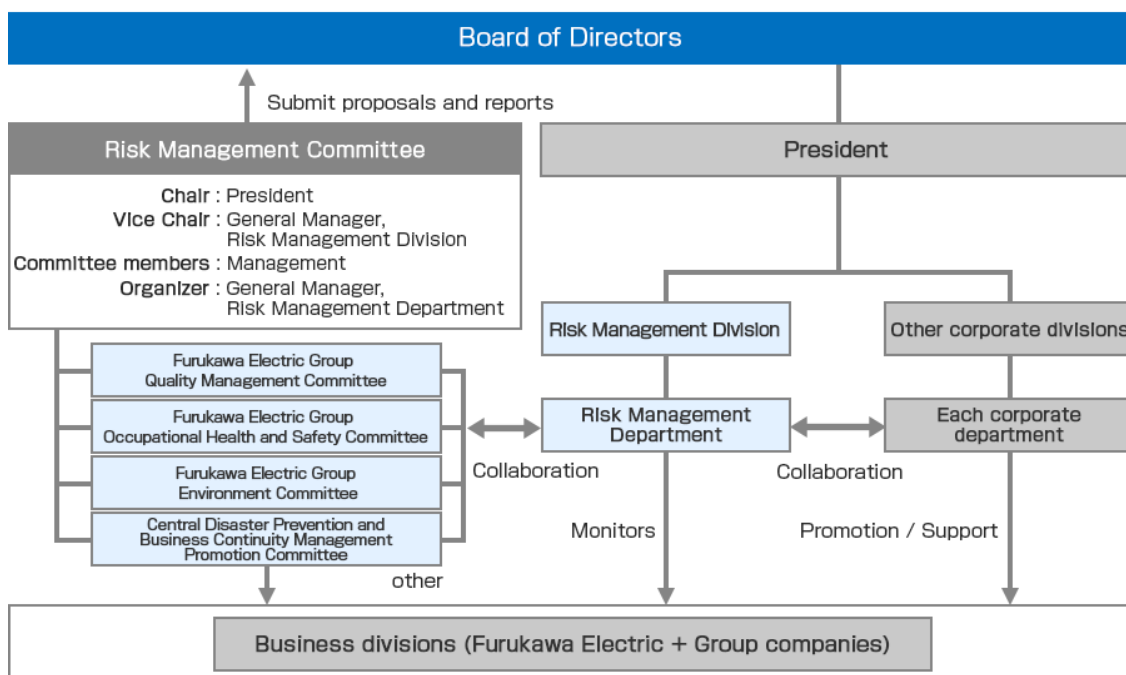
**(ii) Risk management**

Furukawa Electric Group has established Risk Management Committee, which comprises management as members, with the President as chair and the General Manager of Risk Management Division as vice chair. The committee is structured to supervise and promote risk management through deliberating issues on Furukawa Electric Group’s risk management, internal control and compliance. The committee conducts high-level assessment of risks from management and operational perspectives to define material risks that require a company-wide response, and prioritize measures to counter these risks.

We recognize “climate change” and “human capital and organizational execution abilities” as key risks from the management perspective that have a large impact and high likelihood of occurrence.

For more information, please refer to “Item 2. Overview of Business, 3 Business Risks.”

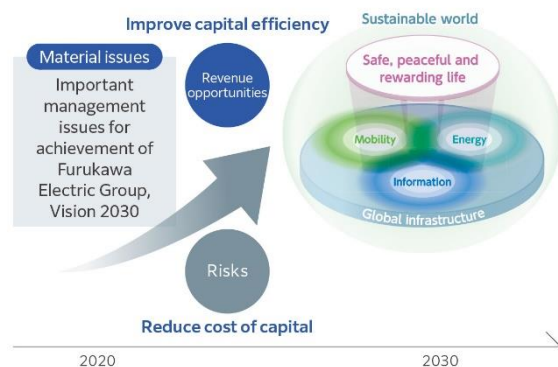
Through specialized committee activities in segment-specific areas— occupational health and safety, quality control, the environment, and disaster prevention and business continuity management—we are enhancing our system to manage risks related to our business activities. In addition to this system, important decision making is conducted by the Board of Directors and Management Committee or through the approval processing system, after the expected risks based on each case have been clearly presented and acknowledged.



**(iii) Strategy**

<Furukawa Electric Group’s ESG Management and Material Issues>

In order to achieve Furukawa Electric Group’s Vision 2030, we are promoting ESG management, which aims sustainable growth of the Group and medium- to long-term growth of corporate value. We have defined material issues (\*) as important management issues that the Group should address in order to achieve Vision 2030, and we defined material issues in terms of both revenue opportunities and risks, in accordance with the process of identifying material issues as mentioned below. We aim to achieve Vision 2030 by working on the material issues we have identified, considering that addressing the material issues in terms of revenue opportunities help improve capital efficiency whereas addressing the material issues on risks help reduce the cost of capital. We will also contribute to the achievement of the SDGs, which are closely related to the material issues.

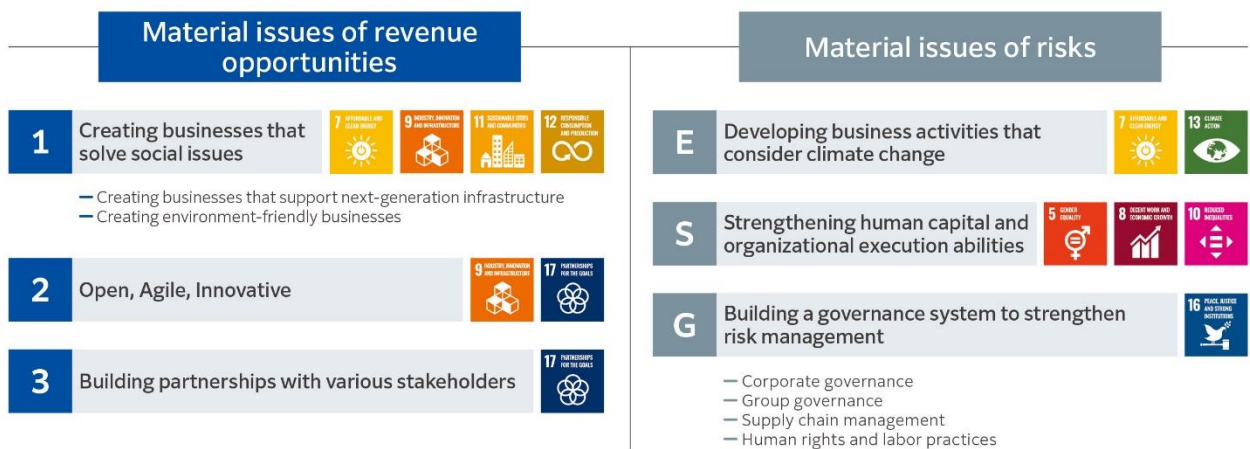


\* In Furukawa Electric Group’s ESG management, “material issues” are defined as important management issues that Furukawa Electric Group must address in order to achieve Vision 2030, and are used as a term with a meaning different from those used in the finance and accounting context, which are issues that may have an impact on business performance, financial position, etc.

<Identifying and Reviewing Material Issues>

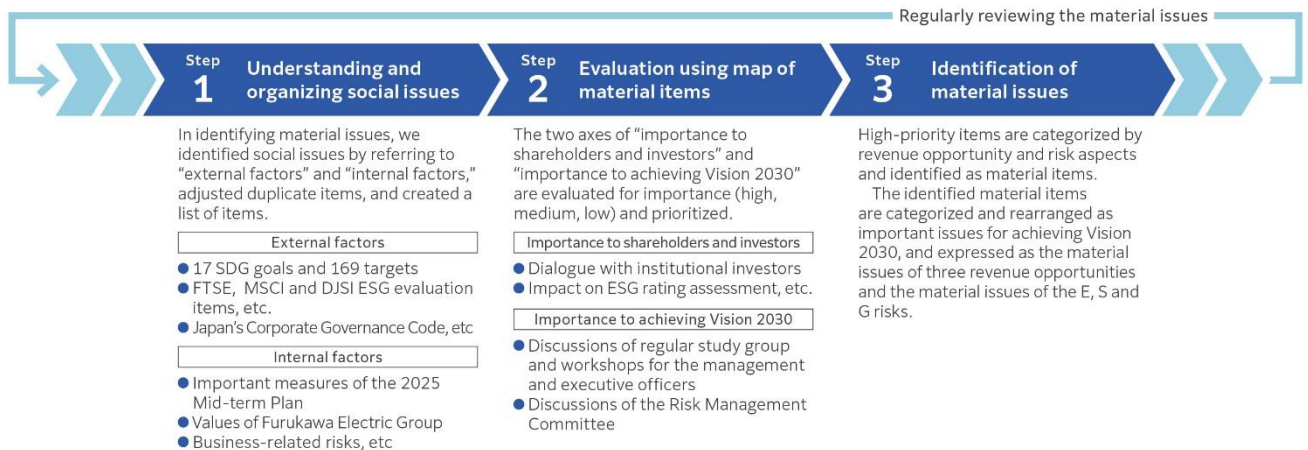
From the perspective of revenue opportunities, in order to help solve various social issues through the business activities of Furukawa Electric Group, we found it indispensable to devise a transformation from the conventional “product-out” approach to the “outside-in” approach and identified the “creation of businesses that solve social issues” as a material issue. Examples of these include the “creation of businesses that support the next generation infrastructure,” which will serve as the foundation of the society anticipated in Vision 2030, and the “creation of environment-friendly businesses,” which contribute to the realization of a carbon-free society and a recycling-based society. We are focusing on the two kinds of examples as sub-material issues of the materiality on revenue opportunities. We also accelerate the “creation of social issue-solving businesses” through the slogan “Open, Agile, Innovative,” which reflects the desire to become a company that actively transforms itself, and the “Building partnerships with various stakeholders,” focusing on co-creation with others. We will also work on improving capital efficiency, including cost of capital.

On the other hand, from a risk perspective, in order to achieve sustainable growth, it is essential that companies develop business activities that take into account climate change, and we see this as a material issue for environment (E) risks. In addition, in order to become a company that actively transforms itself, we set the “strengthening of human capital and organizational execution abilities” as a material issue for social (S) risks. As for materiality of governance (G) risks, we focus on “building a governance system for strengthening risk management” including corporate governance, group governance and supply chain management as sub-material issues. We will strengthen the foundation of ESG management and reduce the cost of capital.

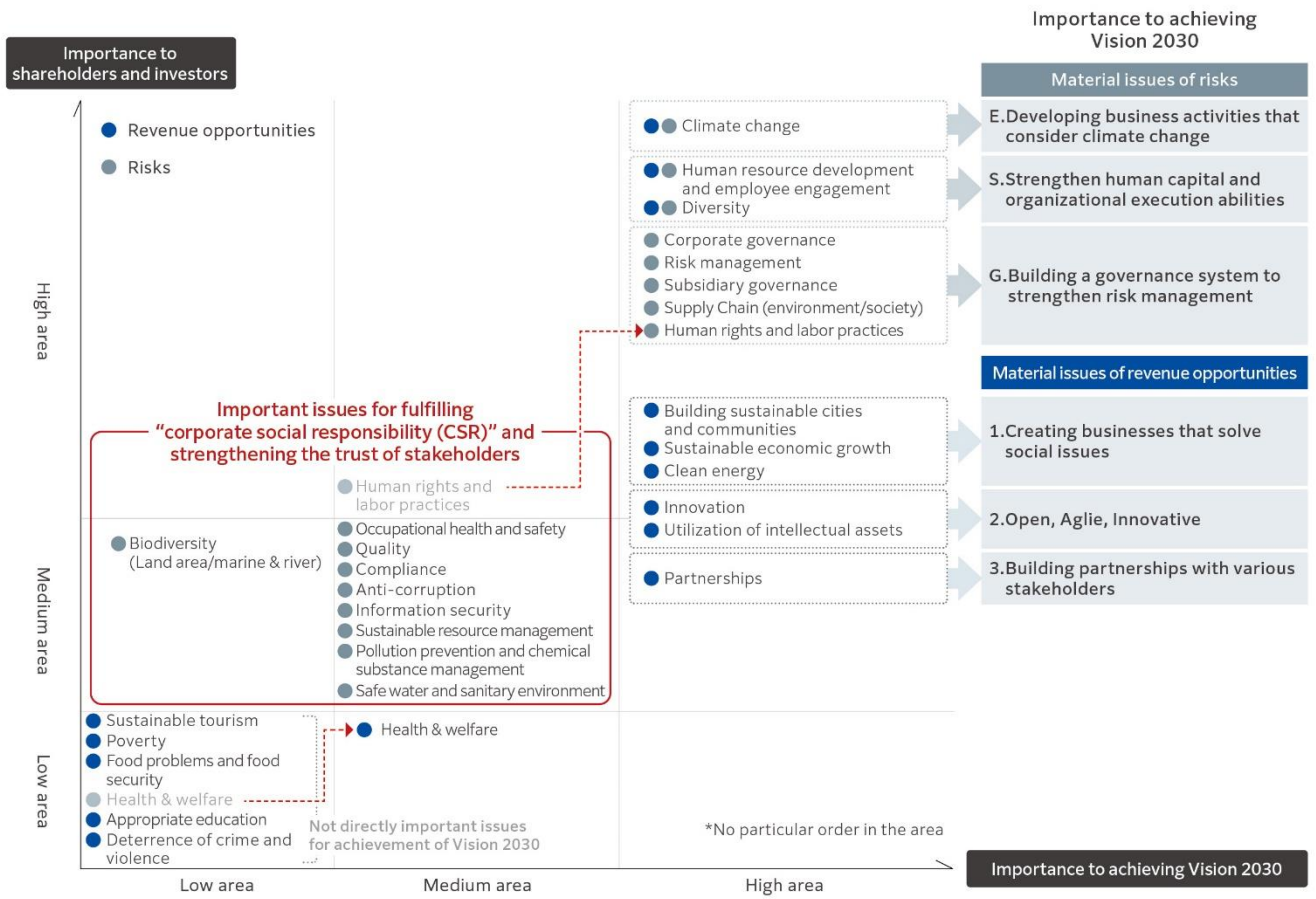


<Process of Identifying Material Issues>

Identification and review of material issues was conducted through a process of Step 1 through Step 3. First, in Step 1, we identified social issues by referring to “external factors” and “internal factors,” adjusted duplicate items, and created a list of items (currently organized into 29 items). In Step 2, the two axes of “importance to shareholders and investors” and “importance to achieving Vision 2030” are evaluated for importance (high, medium, low) and prioritized. In Step 3, high-priority items are identified as material issues. The identified material issues are categorized by revenue opportunity and risk aspects and rearranged as important issues for achieving Vision 2030, and expressed as the material issues in terms of revenue opportunities and the material issues in terms of the E (Environmental), S (Social) and G (Governance) risks.







\*With regard to materiality, we distinguish between important issues for achieving Vision 2030 and important issues for fulfilling corporate social responsibility and strengthening the trust of stakeholders.

### <Value Creation Process Directed at Achieving Vision 2030>

The Medium-term Management Plan 2022–2025 (the “2025 Medium-term Plan”) is positioned as a milestone toward realizing Vision 2030. We will surely execute the 2025 Medium-term Plan, which is formulated by the dual approach of backcasting from Vision 2030 and forward-looking from the present. In the 2025 Medium-term Plan, we defined the ideal state in FY2025 for each identified material issues, formulated measures to realize them, and set sustainability indicators/targets to measure the progress.

Furukawa Electric Group has enhanced capabilities for development and making proposals, without being limited to specific markets and with its four core technologies—metals, polymers, photonics and high-frequency—centered on capabilities to handle materials. Through these capabilities, we have gained the trust of customers.

For achieving the financial and sustainability targets set for 2025 Medium-term Plan, and for realizing sustainable growth of Furukawa Electric Group and medium- to long-term growth of corporate value, we will strengthen and create businesses mindful of capital efficiency. In addition, we will build a new business model by enhance our strengths through open innovation and cocreation with our partners, as well as utilization of intellectual property. Toward 2025, we will stabilize earnings in information, energy and mobility sectors, and realize growth through the strengthening of businesses that solve the social issues, whereby contributing to building a society with infrastructure integrating information, energy and mobility. In addition, toward 2030, we realize a leap through the creation of businesses that solve the social issues including the “creation of businesses that support the next generation infrastructure,” which would serve as the foundation of the integrated society of Vision 2030, and the “creation of environment-friendly businesses,” which contributes to the realization of carbon neutrality and a circular economy.

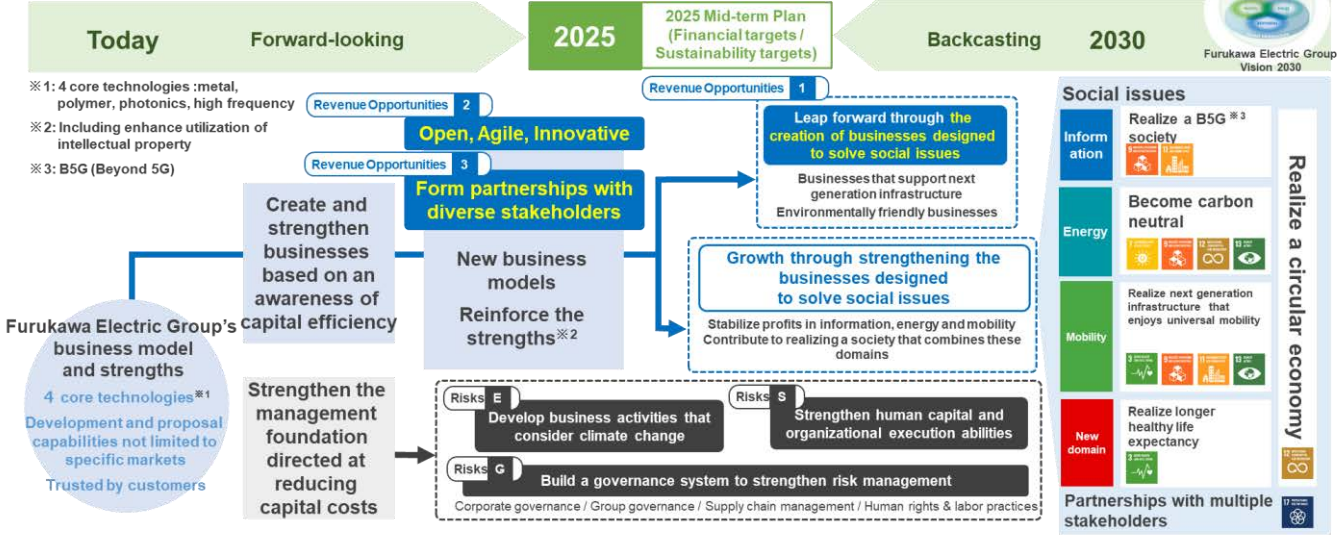
As for the strengthening of the existing businesses, we will capture increased demand for optical fibers, etc., and strive for increasing sales of such high-value added products as rollable ribbon cables, for which we have worked on sales expansion. We will also expand the networking system business globally, taking advantage of the strength of the business model developed in Latin America. As for power cable system, we will achieve sales growth by enhancing our production capacity and construction capacity, and establishing a business foundation mainly focusing on submarine and underground cables for ensuring resilience of power networks in Japan and for renewable energy. To address the need for reducing vehicle weight alongside the shift to EV, we will take advantage of the superiority of aluminum wire harnesses, with which new types of vehicles are increasingly equipped, thus expanding the business and improving the profitability. Furthermore, since it is expected that demand for semiconductors will increase in the medium to long term, we started the construction of a new plant to begin commercial production of tapes for manufacturing semiconductors in FY2025, and aim at expanding sales by ensuring stable supply as a result of increased production capability and providing sophisticated high-quality products.

As for the creation of new businesses, while communication traffic volume is expected to increase towards a Beyond 5G society, we will take advantage of our capability to develop photonics products with high functionality by using the Company’s core technologies, namely, photonics technology and high-frequency technology, along with our broad readiness to the optical communication market, thus contributing to realizing the all-optical network and a society with highly efficient energy. Furthermore, in order to become carbon neutral in 2050, we will advance the development and production of green LP gas which does not rely on fossil resources. We also develop and produce high-temperature superconducting materials for nuclear fusion, which is expected to be a next-generation energy source, thus contributing to the supply of environment-friendly clean electric power.

In order for Furukawa Electric Group to realize sustainable growth and increased corporate value over the medium- to long-term, we will strengthen the management foundation directed at reducing capital costs, while particularly recognizing climate change, human capital and organizational execution abilities, and building a governance system as material issues on risks.

In order to conduct business activities taking into account climate change that is mandatory for the transformation to a sustainable company, we will accelerate our efforts to become carbon neutral. In order to strengthen human capital, based on “Furukawa Electric Group People Vision” which is shared beliefs on human capital at both Group and global levels, we will strive to strengthen “human capital and organizational execution abilities.” Specifically, we conducted a survey on human capital and organizational execution abilities, including elements related to employee engagement; and by using it as a monitoring tool, we will strengthen our efforts of human capital management, including the promotion of diversity & inclusion, leadership transformation activities, and measures for hiring, assigning, and developing people who contribute to carrying out management/business strategies. With respect to human rights management, we will proceed in accordance with three requirements in the UN’s Guiding Principles on Business and Human Rights. As for “human rights due diligence” among those requirements, we regard employees and suppliers as primary stakeholders, identify presumed human rights issues for each of them, and take measures to solve and/or prevent such issues. Furthermore, in order to realize CSR procurement, including the element of human rights in the supply chain, we will expand the scope of the Self-Assessment Questionnaire (SAQ) based on the Furukawa Electric Group CSR Procurement Guidelines from major supplies of the Company to major suppliers of the Group companies in Japan and abroad in a phased manner.

# Furukawa Electric Group Corporate Philosophy



## The Furukawa Electric Group CSR Code of Conduct

- \*1 4 core technologies: metals, polymers, photonics, and high-frequency
- \*2 Including enhanced utilization of intellectual property
- \*3 B5G (Beyond 5G)

**(iv) Indicators and targets**

<Sustainability Indicators and Targets>

In the 2025 Medium-term Plan, we have set sustainability indicators (KPIs) and sustainability targets for FY2025 to realize our ideal state in FY2025 in each Plan material issue. We will strive to enhance corporate value in terms of both revenue opportunities and risks.

	Material issue	Sustainability indicator	Scope	Result	Target (Reference value)		
				FY2022	FY2022	FY2023	FY2025
Revenue opportunity	Creating businesses that solve the social issues	Sales ratio of environment-friendly products	Group	65.0%	64%	66%	70%
	Open, Agile, Innovative/ Building partnerships with various stakeholders	R&D expense growth rate for new businesses (compared to FY2021)	Group	116%	115%	125%	125%
		Implementation rate of IP landscaping for strengthening the businesses and themes for creating new businesses	Group	40%	30%	45%	100%*1

	Material issue	Sustainability indicator		Scope	Result	Target (Reference value)		
					FY2022	FY2022	FY2023	FY2025
Risk	Developing business activities that consider the climate change	GHG emissions reduction rate (Scopes 1&2)	(Compared to FY2017)	Group	-37% (estimate)	-17.7%	-21.2%	(-42%)*2
			(Compared to FY2021)		-	-	-	-18.7%*3
		Ratio of renewable energy use to total consumption	Group	20% (estimate)	11.5%	12.0%	30%*3	
	Strengthening human capital and organizational execution abilities	Employee engagement scores	Furukawa Electric	65	Start measuring	65*4	75*4	
		Ratio of female managers	Furukawa Electric	4.8%	4.5%	5%	7%	
		Ratio of mid-career hires in total new hires*5	Furukawa Electric	45.7%	30%*6	30%*6	30%*6	
	Building a governance system to strengthen risk management	Ratio of follow-up on risk management activities for all risk domains	Group	100%	93%	100%	100%	
		Ratio of SAQ implementation based on the CSR Procurement Guidelines for major suppliers	Group	Global 34%	Global 20%	Global 40%	Global 100%	
		Implementation rate of human rights training for managerial positions	Group	Global 100%	Start Measuring in Japan	Global 100%*7	Global 100%*7	

\*1 This means that all projects have been implemented with respect to the business enhancement and new business creation themes set as of 2022.

\*2 Base year was updated to FY2021 upon the revision of Environmental Targets 2030; the reduction target value when applied to the former base year of FY2017 is also shown for reference.

\*3 Target value for FY2025 was updated upon the revision of Environmental Targets 2030.

\*4 Target value for FY2025 was newly set in FY2022.

\*5 New hires represent new graduates and mid-career hires, covering management, career-track, and clerical positions.

\*6 This means that about 30% will be maintained in each fiscal year.

\*7 This means that 100% globally for each fiscal year will be continued.

**(2) Climate change**

In January 2020, recognizing that climate-related risks and opportunities are an important management issue, Furukawa Electric Group declared its endorsement of the Climate-related Financial Information Disclosure Task Force (TCFD). We will promote disclosure in line with the TCFD recommendations to strengthen our relationships of trust with our stakeholders.



In addition, Furukawa Electric Group has responded to questionnaires on climate change from CDP, which represents institutional investors, since FY2008. In FY2022, the Group received an A- rating for CDP Climate Change and an A rating for CDP Supplier Engagement Rating.

**(i) Governance**

Please refer to “(1) Sustainability in general, (i) Governance.”

**(ii) Risk management**

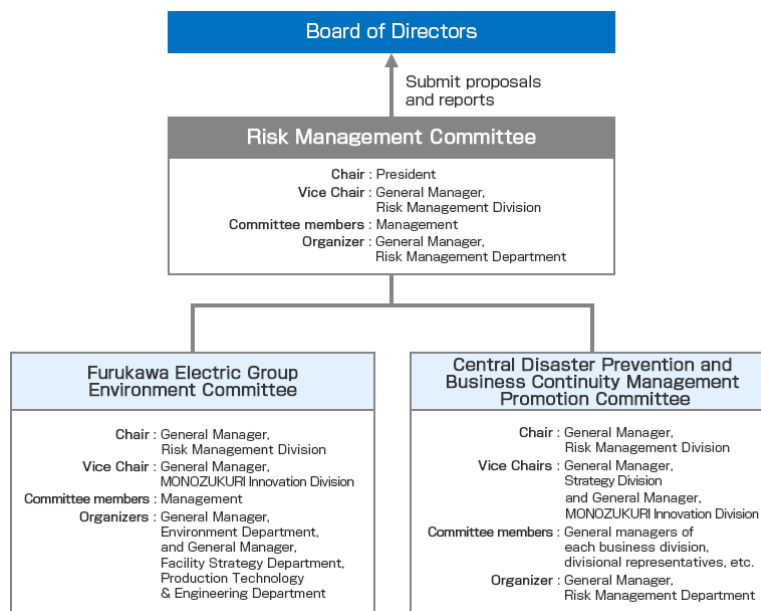
Furukawa Electric Group has established Risk Management Committee, which has the function of supervising and promoting risk management through deliberating issues on Furukawa Electric Group’s overall risk management, internal control and compliance.

For more information, please refer to “(1) Sustainability in general, (ii) Risk management.”

By considering climate-related risks such as those posed by climate change and natural disasters as the priority issue for environmental risk, we regularly discuss preliminary strategies for climate-related risks mainly at Furukawa Electric Group Environmental Committee (hereinafter, “Environmental Committee”) and business continuity measures after the occurrence of risks are discussed mainly at Central Disaster Prevention and BCM Promotion Committee.

Environmental Committee, chaired by the General Manager of Risk Management Division and composed of top management including general managers of each business division and corporate division meets every three months to discuss issues related to climate change among others, and submits proposals and reports to Management Committee and the Board of Directors. In FY2022, to accelerate our efforts toward achieving carbon neutrality by 2050, the Committee discussed the revision of the Environmental Targets 2030 and the application for an SBT (1.5°C Targets) initiative certification, and submitted proposals and reports to Management Committee. Internal carbon pricing (using a shadow price) has been calculated since FY2019. By visualizing carbon prices for each business unit, we encourage the units to be prepared to avoid climate change risks for decarbonization. Based on the quarterly evaluation and posting effects of Environmental Committee, a renewable energy introduction plan is being promoted for any unit that does not meet the target.

Central Disaster Prevention and BCM Promotion Committee, chaired by the General Manager of Risk Management Division and composed of general managers of each business division, divisional representatives, etc., meets every three months to establish Business Continuity Management (BCM), identify business continuity risks, including natural disasters, and promote and manage the identification process.



**(iii) Strategy**

<Furukawa Electric Group’s Definition of the Period to Consider Climate-related Risks (Transition Risks and Physical Risks) and Opportunities>

Medium-term	Up to FY2025	Period up to achieving the 2025 Medium-term Plan and sustainability targets
Long-term	Up to FY2030	Period up to achieving Vision 2030 and the Environmental Targets 2030
Super long-term	Up to FY2050	Period up to achieving the Environmental Vision 2050

<Scenario Analysis>

- In FY2019, we participated in the Scenario Analysis Support Project for Climate-related risks and opportunities in line with the TCFD, conducted by the Ministry of the Environment. We identified climate-related risks (transition risks and physical risks) and opportunities and conducted scenario analysis for the Infrastructure business (optical fiber and cable products of the Communications Solutions business and power cables of the Energy Infrastructure business). We then identified climate-related risks and opportunities and conducted a scenario analysis for the automotive products business in FY2020 and for the AT & functional plastics business and the copper & high-performance material products business in FY2021.
- Through FY2021, in examining the “different climate-related scenarios, including a 2°C or lower scenario” recommended by the TCFD, we examined a “2°C or lower scenario” and a “4°C scenario” step-by-step for each business field by referring to several existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC).
- In FY2022, to accelerate our efforts toward achieving carbon neutrality by 2050, we revised the Environmental Targets 2030 and applied for an SBT (1.5°C Targets) initiative certification. Accordingly, the scenarios for the business fields, for which we had been conducting scenario analysis, were revised to the “1.5°C scenario” and the “4°C scenario.”

<Assessment of Impact on Business in 2030>

Category		Identified climate related risks and opportunities	Business impact		
			1.5°C	4°C	
Risks	Transition risks	Policies and regulations	• Carbon tax on GHG emissions	Major	Minor
		Markets	• Increase in procurement costs of renewable energy • Increase in procurement costs of materials (copper, aluminum, plastics) due to carbon taxation	Major	Minor
	Physical risks	Acute	• Damage to buildings due to large-scale disasters (large typhoons, heavy rains, heavy snow, lightning strikes) caused by abnormal weather • Supply chain disruption of customers or suppliers caused by weather disaster	Minor	Minor
			• Shut-down of coastal factories caused by flooding and drought	Medium	Major
	Chronic	• Increase in air conditioning costs due to a rise in average temperature	Medium	Major	
Opportunities	Markets	• Increase in revenue and profit from accelerating development of 5G/B5G along with the construction of smart cities and the surge of communications traffic • Increase in revenue and profit from demand growth for products related to telecommunications, semiconductor memory, 5G and smartphones • Increase in revenue and profit from demand growth for submarine cables and the enhanced core transmission network along with the increase in renewable energy generation • Increase in revenue and profit from demand growth for products along with automotive electrification and weight reduction	Major	Medium	
	Products and services	• Increase in sales from demand growth for low-carbon and carbon-free products and recycled products in response to requests for carbon neutrality and circular economy	Major	Medium	

#### <Efforts toward Achieving Carbon Neutrality>

By conducting scenario analysis, we identify climate-related opportunities and risks and work to achieve carbon neutrality by both capturing revenue opportunities and mitigating risks.

As for revenue opportunities, during the period of the 2025 Medium-term Plan, we will continue to stabilize revenue from existing businesses and develop a foundation for the creation of new businesses; and we will contribute to achieving carbon neutrality by 2030 by solving social issues in each business field. For example, to strengthen our existing businesses, we are working to expand the use of renewable energy in our power cable business; to create new businesses, we are working to realize a B5G society in the communications field; and to build a social infrastructure that enables “Succession of local resources and local culture for the future”<sup>\*</sup> through the use of green LP gas.

As for risks, we have established the Environmental Vision 2050 as our super-long-term goal, with the challenge target of reducing GHG emissions (Scopes 1&2) in our business activities to zero by 2050, as well as another target of reducing GHG emissions throughout the value chain. Backcasting from these targets, we have set targets for reducing GHG emissions in the Environmental Targets 2030 and the sustainability targets in the 2025 Medium-term Plan to work toward achieving these reductions.

<sup>\*</sup> Succession of local resources and local culture for the future: This expresses passing on regional resources and cultures to the next generation in addition to local production for local consumption.

#### (iv) Indicators and targets

<Furukawa Electric Group Environmental Vision 2050> (Formulated in March 2021)

Environmental Vision 2050 embraces the contribution to the realization of a sustainable society throughout the value chain through the provision of environment-friendly products and services and recycling-based production activities. As part of our contribution to the realization of a carbon-free society, we aim to reduce GHG emissions throughout the value chain, and have set the challenge target of zero GHG emissions from our business activities (Scopes 1&2) by 2050.

<Environmental Targets 2030> (Revised in December 2022)

We have revised the Environmental Targets 2030, a milestone toward the realization of the Environmental Vision 2050. To contribute to the realization of a carbon-free society, we have updated our 2030 target as follows.

(1) Greenhouse gas emissions from business activities (Scopes 1&2): Reduce by at least 42% compared to FY2021

(2) Greenhouse gas emissions in the value chain (Scope 3): Reduce by at least 25% compared to FY2021

Scope 1: Direct emissions from own factories and offices

Scope 2: Indirect emissions from the use of electricity, heat, etc. purchased by the company

Scope 3: Indirect emissions other than Scopes 1 and 2 (emissions by other companies related to the activities of the business operator)

Furukawa Electric Group’s GHG reduction targets of 2030 obtained SBT (Science Based Targets) well-below 2°C certification in July 2022.



<Sustainability Indicators for FY2025>

The 2025 Medium-term Plan has set “Sales ratio of environment-friendly products,” “GHG emissions reduction rate (Scopes 1&2)” and “Ratio of renewable energy use to total consumption” as sustainability indicators that measure the progress of addressing material issues of “Creating environment-friendly businesses” and “Developing business activities that consider climate change.”

<Results and Targets>

Indicator ★: Sustainability indicator	Scope	Base year	Result		Target (Reference value)				Challenge target FY2050
			FY2021	FY2022	FY2022	FY2023	FY2025	FY2030	
★Sales ratio of environment-friendly products	Group	–	61.9%	65.0%	64%	66%	70%	–	–
★GHG emissions reduction rate (Scopes 1&2)	Group	2017	-29.0%	-37% (Estimate)	-17.7%	-21.2%	(-42%)*1	(-59%)*1	Zero emissions
		2021	–	–	–	–	-18.7%*2	-42%*2	
★Ratio of renewable energy use to total consumption	Group	–	10.9%	20% (Estimate)	11.5%	12.0%	30%*3	–	–
GHG emissions reduction rate (Scope 3)	Group	2019	-1.0%	(Under calculation)	-4%	-6%	(-12%)*4	(-26%)*4	–
		2021	–	–	–	–	-11%*2	-25%*2	–

\*1 Base year was updated to FY2021; the reduction target value when applied to the former base year of FY2017 is also shown for reference.

\*2 Target value for FY2025 was updated upon the revision of Environmental Targets 2030 in FY2022.

\*3 The FY2025 target value for the ratio of renewable energy use to total consumption was raised upon the revision of Environmental Targets 2030.

\*4 Base year was updated to FY2021; the reduction target value when applied to the former base year of FY2019 is also shown for reference.



**(3) Human capital (including diversity of personnel)**

**(i) Governance**

Please refer to “(1) Sustainability in general, (i) Governance.”

**(ii) Risk management**

Furukawa Electric Group has established Risk Management Committee, which is structured to supervise and promote risk management through deliberating issues on the Group’s overall risk management, internal control and compliance.

For more information, please refer to “(1) Sustainability in general, (ii) Risk management.”

**(iii) Strategy**

**■ Basic policy toward achieving Vision 2030**

Furukawa Electric Group has identified “Strengthening human capital and organizational execution abilities” as a material issue to achieve Vision 2030 and formulated three basic policies as follows:

- (1) Secure diverse personnel and support the growth of people who continually take on challenges;
- (2) Aim at becoming an enterprise group where everyone plays a leading role and feels excited to work with pride; and
- (3) Nurture Furukawa Electric Group’s culture where teams accomplish things to the end.



The people of Furukawa Electric Group are our greatest value.

We recognize that investment in the development of our people will enable sustainable long-term success of our Group.

**Role of the Individual**

- Each individual proactively and continuously develop and deliver the best of their skills and competencies through engagement and collaboration.
- As a member of both Furukawa Electric Group and the global community, each individual must work with ethics and integrity in mind, and put their effort towards making the world a better place.

**Role of the Leader**

- Leaders encourage the engagement of all people while supporting the growth of the individual.
- Leaders facilitate the transformation of the individual's skills and competencies to deliver successful organizational accomplishments.
- Leaders demonstrate behaviors that support a creative and positive organizational culture through teamwork and collaboration.

**Principles of Human Resources**

- All human resource policies, procedures and systems will reflect fairness, support diversity and encourage all of our talent to proactively challenge and develop themselves.
- By fostering on organizational culture which value people, Furukawa Electric Group will nurture each individual's confidence in the company.

■ **Human capital management strategy in the 2025 Medium-term Plan**

We will realize management and business strategies while strengthening human capital and organizational execution abilities, and promote the enhancement of governance that supports these efforts together with the entire group.

In implementing specific activities, we will set up a framework for human capital and the organization based on the four perspectives of “individuals,” “organization,” “awareness / mindset / culture,” and “actions / systems,” as well as the six elements of “engagement,” “leadership / team mindset,” “organizational culture / communication,” “abilities / skills,” “design of the organization / personnel composition,” and “flow of information, coordination and decision-making mechanism” to grasp the overall image of our activities, as well as to consciously work to improve them in the course of our daily business activities.

Specifically, we will visualize the status of human capital and the organization by conducting the Furukawa E-Survey, a survey of human capital and organizational execution abilities that includes the element of employee engagement. We then promote initiatives through the PDS cycle\*, in which we reflect improvement measures based on the results in our business activities.

\*PDS cycle: Plan-Do-See cycle



■ **Engagement (individuals × awareness / mindset / culture)**

In promoting our basic policy (2) “Aim at becoming an enterprise group where everyone plays a leading role and feels excited to work with pride,” we set targets based on the score of “sustainable engagement” in the Furukawa E-Survey as a sustainability indicator in the 2025 Medium-term Plan, and will steadily implement a variety of measures.

Engagement is closely linked to the other five of the six elements, and is therefore used as a comprehensive indicator for strengthening human capital and organizational execution abilities.

■ **Leadership and team mind (organization × awareness / mindset / culture)**

In order to achieve our basic policy (3) “Nurture Furukawa Electric Group’s culture where teams accomplish things to the end,” we are working on leadership transformation initiatives.

Aiming to become an organization that achieves results as a team, in 2020, we have established the Furukawa Electric way of Seven Principles for Leaders (Furukawa Seven), which consists of one basic mindset and six action principles for a leader to build a good working team. To put these to work, officers and department and section managers declare that they are committed to follow these principles and act according to them every day. Furthermore, our efforts on leadership transformation include 360-degree feedback surveys of the target personnel with an aim to lead to further behavioral changes. After three years of the initiative, we have seen positive changes in the awareness and actions of leaders and improved relationships among team members. Going forward, we will accelerate our efforts to further strengthen team capabilities by focusing more on the link between team activities and results.

■ **Organizational culture / communication (organization × awareness / mindset / culture)**

Based on our basic policy (1) “Secure diverse personnel and support the growth of people who continually take on challenges,” we are promoting the creation of an environment and culture that embraces diverse personnel and brings out the best in them.

(1) **Promoting diversity & inclusion (D&I)**

Positioning D&I as an important element in “strengthening human capital and organizational execution abilities,” we have established HK\* / D&I Committee under the direct supervision of the President, and are developing proactive initiatives across the company.

\*HK: *Hatarakikata Kaikaku*, or work-style reform

(a) **Promoting Women’s Careers**

We consider it particularly important to ensure diversity in the decision-making level as a foundation for corporate growth, and, setting the ratio of female managers as a sustainability indicator in the 2025 Medium-term Plan, we have been implementing such initiatives. Positioning the low number of female employees as the most important issue, we are persistently working to maintain and enhance our human capital pipeline starting from the hiring phase to developing and promoting core personnel. Concurrently, we are working to improve the company-wide organizational culture and environment by reforming the leadership of superiors, improving feedback, providing flexible work styles, and supporting autonomous career formation so that women themselves and their superiors can look forward to their career advancement.

In recognition of these efforts, the Company has been recognized as an excellent company of “Eruboshi” (highest ranking) based on the Act on Promotion of Women’s Participation and Advancement in the Workplace. Furthermore, in FY2022, the company was selected for the third time as “Nadeshiko Brand,” a listed company that excels in promoting women’s careers.



Logo symbol of “Eruboshi”



Logo symbol of “Nadeshiko Brand”

(b) Work-style reform

We are promoting a variety of measures, both in terms of “work-style reform” aimed at improving productivity and job satisfaction, and in terms of “organizational culture reform” aimed at promoting the embodiment of Furukawa Electric Group’s Core Values.

As measures to support our employees’ personal ambitions and growth, and to enable each one of them to better demonstrate their abilities, we are enhancing the systems to support balancing various life events such as pregnancy, childbirth, childcare, and nursing care with work, a variety of leave systems, flextime system, and teleworking system among others, to improve the work-life balance of our employees.



We have been proactively working to enhance our childcare support since 2007 as a business with a “Kurumin” certification, a certification for companies that are proactively working to support balancing work and childcare.

Logo symbol of “Kurumin”

(c) Promoting employment of people with disabilities

Not only to fulfill our social responsibilities, but also from the perspective of D&I, which pursues the potential of diverse personnel and organizations as a foundation for corporate growth, we are proactively working to expand the environment in which people with disabilities can work. In addition to recruiting through the group companies and our special-purpose subsidiary, Furukawa New Leaf Co., Ltd., we will further improve the workplace environment and promote work-style reforms by offering an option to work from home, barrier-free access, etc., to create a more desirable environment for people with disabilities to work in.

(2) Promoting Health and Productivity Management

Recognizing that our employees’ mental and physical health promotion is an important management issue, we established the Furukawa Electric Group Health Management Declaration in 2017. We aim to improve the well-being of each and every employee by promoting health management in which we strategically address our employees’ health management/promotion from a managerial viewpoint.

Specifically, we carry out the following unique initiatives:

- Formulated the “Five-Year Medium-term Plan for Occupational Health” toward 2025, backing up health promotion activities based on the five pillars of improving employees’ health literacy and physical functions, etc.
- Say “Stay healthy!” along with the manufacturing industry’s beloved greetings, “Stay safe!” among employees to raise each employee’s awareness of health
- Established the “Five-Year Plan for Smoking Prevention” in 2015 and achieved a total smoking ban on premises throughout the company by 2020

In recognition of these activities, the company has been recognized as a “Certified Health & Productivity Management Outstanding Organization” for seven consecutive years since 2017, and has also been certified as a “White 500” five times, which is awarded to the top 500 companies. In addition, in 2023, the company was selected as a brand for the Health & Productivity Stock Selection for the second time.”



Logo symbol of “White 500”



Logo symbol of Health and Productivity Stock Selection

### **(3) Instilling our philosophy**

We established the Furukawa Electric Group Philosophy in 2007, and have defined the value that we wish to particularly emphasize and enhance even more in order to realize the philosophy and achieve sustained growth as our “Core Value.” We hold workshops on a regular basis to instill the Group Philosophy and “Core Value” as well as review them at routine meetings, thereby continuing our efforts toward achieving this goal.

#### **■ Abilities / skills (individuals × actions / systems)**

Based on our basic policy (1), “Secure diverse personnel and support the growth of the people who continually take on challenges,” we are developing various measures from the perspective of both realizing our management and business strategies and supporting the ambitious endeavors and growth of our diverse personnel.

In our training programs, we have been focusing on leadership development, relationship building through dialogue, and problem-solving skills based on logical thinking. In addition, we have been implementing a global human resource development program on a continual basis since 2006 to nurture future management leaders.

Furthermore, we established Career Support Office in FY2021 and have been expanding our efforts to support employees’ autonomous career formation by providing career design training by age and rank as well as holding seminars useful for career formation and conducting individual career interviews.

In FY2022, besides these efforts, we started to consider reskilling measures, such as visualizing the gap between the current status and the abilities and skills needed from the perspective of the growth of both the company and individuals, and creating a mechanism for acquiring abilities and skills.

#### **■ Design of the organization / personnel composition (organization × actions / systems)**

Based on the basic policy (1), “Secure diverse personnel and support the growth of the people who continually take on challenges,” we are developing personnel management initiatives aimed at developing the systems and human resources necessary for our management and business strategies.

### **(1) Formulating succession plans and development plans**

Succession plans and development plans are formulated and implemented to develop management personnel and candidates for general managers in each organization.

Regarding management personnel, we are building a pool of candidates by utilizing external assessments and providing external training programs, and also promoting well-planned transfers, including tough assignments, based on the development plans. In addition, Nominating/Compensation Committee, in which outside directors hold a majority, monitors the appropriateness and operational status of the management personnel development system, and works methodically over multiple years on the appointment of executive officers and the succession plan for the CEO.

Expanding the scope of the succession plan to general manager level in FY2022, we are promoting periodical discussions between each division and HR division on how the organization should be and how to develop successors in order to realize the business strategy.

### **(2) Enhancing mid-career hiring**

With the intention of strengthening the expertise required to realize management and business strategies and to approach the issue from multiple perspectives, we actively promote mid-career hiring of diverse personnel.

As the number of mid-career hires increases, we are expanding our recruiting channels, overhauling our recruiting process, and refining our onboarding program to support prompt start-up and retention by preventing any mismatches at the time of hire.

#### **■ Flow of information, coordination and decision-making mechanism (organization × actions / systems)**

### **(1) Reviewing the operation of the target management system and following up**

To realize the basic policy (2), “Each employee plays a leading role and works with a feeling of pride and excitement,” we reviewed the operation of the target management system when we revised the human resource system in 2021, focusing on the following three items: (i) increasing opportunities of and improving the quality of feedback, (ii) checking the difficulty level of role expectations defined by qualification and rank as well as individual targets, and (iii) checking alignment between individual target buildup and organizational targets.

In addition, we are enhancing the follow-up support by monitoring the implementation status of target management, ensuring provision of feedback, and sharing concerns as well as good examples regarding the operation of the system. We are also working to encourage each individual to proactively take on the challenge of achieving higher goals and help them realize their own personal

growth and contribution to the organization.

**(2) Strengthening labor governance**

To reduce risks in the area of labor, we are systematically checking the status of labor compliance in accordance with the laws and regulations of each country where Furukawa Electric Group operates and providing guidance for improvement.

(iv) Indicators and targets

■ **Engagement (individuals × awareness / mindset / culture)**

Sustained engagement scores

The target for FY2030 was set at 85 with reference to the global manufacturer standard value of 83 in the relevant survey.

	FY2022	FY2024	FY2025	FY2030
Result / the Company	65	–	–	–
Target / the Company	–	70	75	85
Target / the Group	–	–	–	85

\*Group survey for the Furukawa E-Survey is conducted by groups starting in FY2023.

<Reference indicators>

	FY2022
Turnover rate / Result / the Company	3.5%

■ **Organizational culture / communication (organization × Awareness / mindset / culture)**

Promoting diversity & inclusion (D&I)

Ratio of female workers in managerial positions

	FY2022	FY2025	FY2030
Result / the Company	4.8%	–	–
Target / the Company	4.5%	7%	15%

<Reference indicators>

		FY2022 Result	
		The Company	Domestic group companies*
Share of women in employees		12.1%	17.8%
Share of women in managers		4.8%	3.6%
Share of women in manager candidates		12.0%	–
Share of women in new hires		19.3%	–
Ratio of childcare leave taken	Male / Ratio of childcare leave taken	72.0%	56.2%
	Male / Number of persons who had newborns	75 persons	–
	Male / Number of persons who took childcare leave	54 persons	–
	Male / Average number of days of leave	36 days	–
	Female / Ratio of childcare leave taken	290.0%	184.6%
	Female / Number of persons who had newborns	10 persons	–
	Female / Number of persons who took childcare leave	29 persons	–
	Female / Average number of days of leave	354 days	–

		FY2022 Results	
		The Company	Domestic group companies*
Average wages by employment category	Average of all workers	¥6,750,000	—
	Average of male workers	¥7,015,000	—
	Average of female workers	¥4,850,000	—
	Female / Male	69.1%	60.1%
	Regular employment	¥6,845,000	—
	Average of male workers	¥7,110,000	—
	Average of female workers	¥4,943,000	—
	Female / Male	69.5%	64.2%
	Non-regular employment	¥4,704,000	—
	Average of male workers	¥4,964,000	—
	Average of female workers	¥2,912,000	—
	Female / Male	58.7%	42.6%
Average years of service	Regular employees	19.9 years	—
	Male	20.3 years	—
	Female	16.8 years	—
Employment rate of people with Disabilities (as of June 2022)		2.35%	—
Ratio of non-Japanese employees		0.5%	—
Leave taken (regular employees)	Ratio of leave taken	66.0%	—
	Number of days granted	23.6 days	—
	Number of days taken	15.6 days	—
Average monthly overtime hours of regular employees		23.8 hours	—

\* Figures for domestic group companies include figures for the Company. Figures do not include some figures for employees loaned from other companies at subsidiaries and associates.

■ **Abilities/ skills (individuals × actions / systems)**

<Reference indicator>

	FY2022
Research and education expenses per capita / Result / Furukawa Electric	¥70,000

■ **Design of the organization / Personnel composition (organization × actions / systems)**

Strengthening mid-career hiring

Ratio of mid-career hires in total new hires (for management, career-track, and clerical positions)

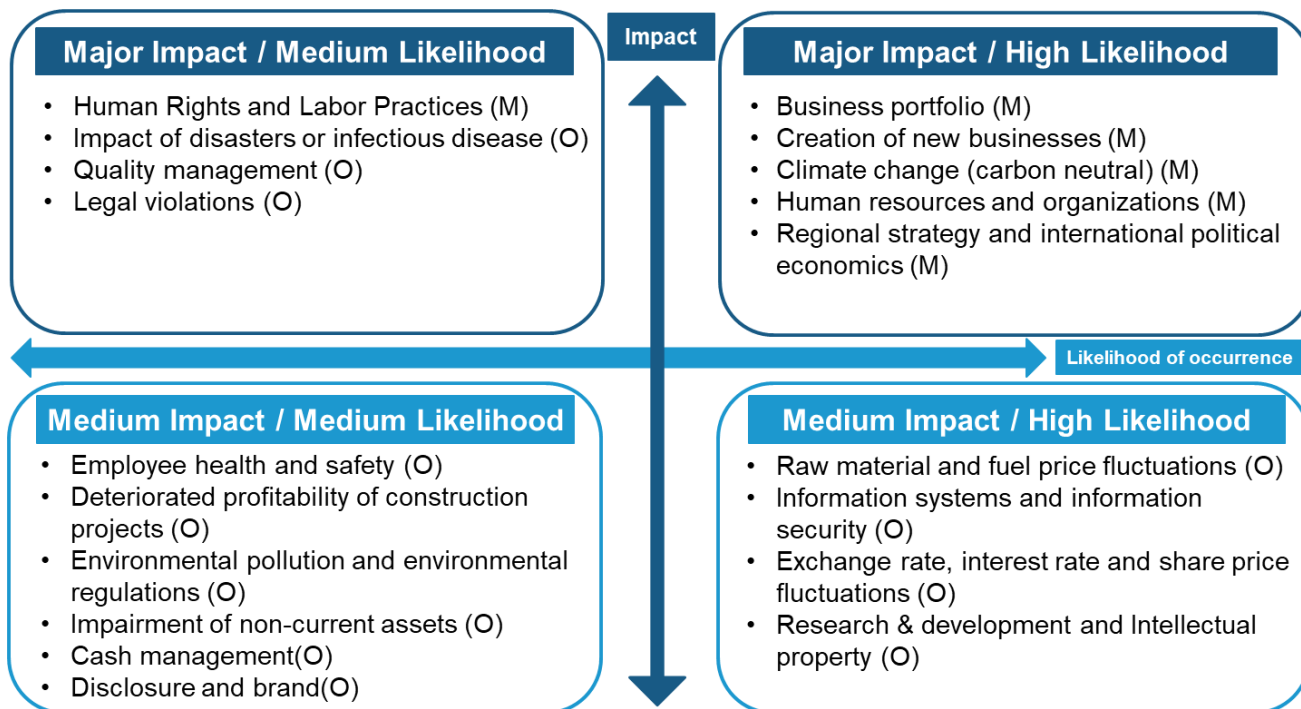
	FY2022	Through FY2030*
Result / Furukawa Electric	45.7%	—
Target / Furukawa Electric	30%	30%

\* Maintain 30% or more from FY2023 onward.

### 3. Business Risks

Furukawa Electric Group’s financial results and financial situation are affected by the economic conditions in the various markets in which the Group sells its products and provides services.

The important risks that have the potential to affect the Group’s financial results and financial situation are listed, as shown below. Risk items are defined as those with a medium or higher likelihood of occurrence and magnitude of impact, and, based on how the risks are perceived, they have been broadly categorized into “Management perspective risks” and “Operational perspective risks.” When implementing responses to each risk, particularly for the management perspective risks, rather than being independent risks, they are recognized to be mutually related. The forward-looking statements contained in the descriptions below are based on the Group’s estimates and assumptions made as of the end of the current fiscal year.



(M): Management perspective risk; (O): Operational perspective risk



Category	Risk item	Details of the risk	Main responses	Magnitude of impact	Likelihood of occurrence
Management perspective risks	Business portfolio	<ul style="list-style-type: none"> <li>Stagnation or deterioration of profitability and growth due to an inability of the business structure to respond to changes in economic trends and market environment</li> <li>Suffering from less-than-expected performance or effect due to deterioration of market environment following the conclusion of an M&amp;A transaction or external alliance</li> </ul>	<ul style="list-style-type: none"> <li>Regularly check and verify the appropriateness of the business portfolio structure at the Management Meeting and the Board of Directors, and deliberate and implement revisions as necessary</li> <li>Established Business Portfolio Review Committee as an organization to promote the transformation of the business portfolio</li> <li>Determine whether to continue, downsize, or exit a business based on internal criteria such as return on invested capital (ROIC), value added to invested capital (Furukawa Value Added, FVA), average annual growth rate of net sales, etc.</li> <li>Clarify the objective of the acquisition or alliance and get a complete picture of assets and risks in advance</li> <li>Make an acquisition or form an alliance with appropriate invested capital by considering risk and return</li> <li>Recover invested capital at an earlier stage following the conclusion of an acquisition or alliance</li> </ul>	High	High
	Creation of new businesses	<ul style="list-style-type: none"> <li>Delayed or suspended creation of new businesses due to insufficient cooperation between the sales organization and the planning and development organizations of the new business</li> </ul>	<ul style="list-style-type: none"> <li>Integrate the sales organization and the organization dedicated to creating new businesses, and accelerate co-creation with customers in the thematic area</li> </ul>	High	High
	Climate change (carbon neutral)	<ul style="list-style-type: none"> <li>As a transition risk, higher raw material procurement costs and manufacturing costs due to carbon taxes enacted based on government policies or GHG emissions targets in each country</li> <li>Exclusion from the supply chain or products, services and labor markets due to an insufficient response to climate change</li> <li>Suspension of factory operations due to an unforeseen risk of flooding or drought linked to climate change</li> </ul>	<ul style="list-style-type: none"> <li>Establish the Environmental Vision 2050, set a challenge target of eliminating GHG emissions and raise or reset the Environmental Target 2030</li> <li>Endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and conducted scenario analysis</li> <li>In addition to using hydroelectric power in the Nikko area, install solar power and switch to procuring renewable energy in Japan and overseas</li> <li>Grasp the risk of flooding and drought linked to climate change, and formulate responses</li> </ul>	High	High
	Human capital and organizations	<ul style="list-style-type: none"> <li>Inability to create new businesses due to a lack of specialist personnel and personnel capable of managing the business portfolio</li> <li>Employee engagement, which is the driver of sustainable corporate growth, remains low</li> <li>Lack of personnel numbers and sufficiently skilled personnel due to insufficient hiring, assimilation into the company and training</li> </ul>	<ul style="list-style-type: none"> <li>Based on the Furukawa Electric Group Vision for Our People, implement measures to strengthen human capital and organizational execution abilities, centered around three pillars: securing diverse personnel and supporting individual growth, improving employee engagement, and fostering a culture of achieving results as a team</li> <li>Promote diversity and inclusion activities including work-style reform</li> <li>Continue and evolve leadership transformation activities</li> <li>Strengthen various personnel management initiatives (recruitment, placement, and training) to achieve both the realization of management and business strategies and individual growth</li> <li>Monitor through surveys of human capital and organizational execution abilities including elements of employee engagement</li> </ul>	High	High
	Regional strategy and international political economics	<ul style="list-style-type: none"> <li>Supply chain disruptions caused by the impact of economic sanctions between groups of nations following the heightened repercussions of the situation involving Russia and Ukraine, etc.; supply shortages and suspensions due to dependence on supply from specific suppliers</li> <li>Collapse of international division of labor due to increased trade friction between the United States and China</li> <li>Inability to continue a business due to political instability in regions around the world and inability to import and export goods due to an improper response to economic security restrictions</li> </ul>	<ul style="list-style-type: none"> <li>Add redundancy within the supply chain (multiple suppliers, decentralization of manufacturing sites)</li> <li>Optimization of inventory quantity</li> <li>Stable procurement through long-term contracts</li> <li>Obtain, analyze, and respond quickly to information</li> <li>Comply with the laws and regulations</li> <li>Grasp the potential risks within the main international logistics routes</li> </ul>	High	High

Category	Risk item	Details of the risk	Main responses	Magnitude of impact	Likelihood of occurrence
	Human Rights and Labor Practices	<ul style="list-style-type: none"> <li>Exclusion from the supply chain or products, services and labor markets due to a potential or actual negative impact on human rights resulting from an inability to fulfill the responsibility as a company to respect human rights</li> </ul>	<ul style="list-style-type: none"> <li>Promote business activities that respect human rights based on Furukawa Electric Group's human rights policy and the Ten Principles of the UN Global Compact</li> <li>Strengthen the response to human rights risks in the supply chain by increasing awareness of the CSR procurement guidelines</li> <li>Continue to conduct human rights due diligence (human rights DD) for major suppliers of Furukawa Electric Group and Furukawa Electric</li> </ul>	High	Med.
Operational perspective risks	Impact of disasters or infectious disease	<ul style="list-style-type: none"> <li>Suspension of operations at manufacturing sites due to flooding or building damage caused by a large typhoon, etc. linked to climate change</li> <li>Disruption of a customer's or supplier's supply chain due to a large earthquake, tsunami, fire or infectious disease</li> <li>Inability to continue business operations due to the occurrence of a large cluster of infections among employees</li> </ul>	<ul style="list-style-type: none"> <li>Promote business continuity management (BCM) in accordance with ISO22301</li> <li>Designate and improve a business continuity plan and ensure employee safety through a safety confirmation system</li> <li>Establish data centers in facilities that are earthquake resistant and have a stable communications environment</li> <li>Add redundancy to the supply chain</li> <li>[Response to COVID-19]</li> <li>Maintain and strengthen customer relationships and trust through the use of remote work and other measures</li> <li>Investigate the credit standing and manufacturing sites of customers and suppliers</li> <li>Permit employees to work from home and utilize remote meetings and events</li> <li>Designate guidelines for customer visits and business meals, and formulate management &amp; reporting criteria for fevers and when feeling unwell</li> </ul>	High	Med.
	Quality management	<ul style="list-style-type: none"> <li>Unexpected future claims for damage compensation due to a defect in products and services, etc. (in particular, additional costs could be large depending on the type of defect for products related to power cable, telecommunications cable and automotive products)</li> </ul>	<ul style="list-style-type: none"> <li>Aim to realize the quality expected by customers, strive to prevent defects and continue the activities to improve problem solving ability</li> <li>Create guidelines for quality control and strengthen the quality management system in accordance with those guidelines</li> <li>In preparation for damage compensation claims, enroll in product liability insurance and product recall insurance</li> </ul>	High	Med.
	Legal violations (Note)	<ul style="list-style-type: none"> <li>Compliance violation of a law or regulation in the countries in which the group operates</li> <li>Increased costs and business restrictions due to the revision of applicable laws and regulations and the stricter interpretation of existing laws and new regulations by the regulatory authorities in the countries in which the group operates</li> <li>Following the occurrence of a legal violation, administrative actions or sanctions are levied by the regulatory authorities, claim for damage compensation is received from an associated party such as a business partner or there is a negative impact on the company's social reputation</li> <li>Risk of administrative action after exporting to an embargoed country, violation of the foreign exchange law or application of export control regulations or laws outside the region in the United States or China due to the deteriorating relationship between the United States and China</li> <li>Improper accounting or accounting fraud at an overseas site</li> <li>Tax costs due to changes in tax systems for domestic and international transactions in each country, transfer pricing taxation, etc.</li> <li>Additional tax costs due to differences in views with tax authorities in each country, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Establish a compliance system based on ethical and legal compliance through Furukawa Electric Group's Corporate Philosophy, Core Value and CSR Code of Conduct</li> <li>Along with conducting a compliance self-check every year, provide education within Furukawa Electric Group on themes including the regulations related to competition laws and preventing bribery through compliance seminars and e-learning programs</li> <li>Conduct internal audits and provide education to the related division in regards to security export controls and tariffs; coordinate with a specialist attorney for overseas export control laws</li> <li>Through the regional headquarters in Southeast Asia and China, integrate the procurement, accounting and HR operations at the locations in each region</li> <li>Conduct oversight through financial analysis using data analytics</li> <li>Raise awareness of tax compliance by establishing a basic tax policy</li> <li>Comply with tax laws and implement responses to changes in tax systems and tax administration in each country</li> </ul>	High	Med.
	Raw material and fuel price fluctuations	<ul style="list-style-type: none"> <li>Rapid fluctuations in the price of non-ferrous metals such as copper and aluminum, plastics such as polyethylene and fuels such as heavy fuel oil, LPG and LNG due to changes in supply and demand, speculative transactions and global affairs</li> </ul>	<ul style="list-style-type: none"> <li>Reflect the market prices for non-ferrous metals, plastics and fuels in the product sales price</li> <li>Implement hedges using futures contracts</li> <li>Reduce costs and conserve energy in the production activities</li> <li>Disperse the risk of price fluctuations through procurement from multiple sources</li> </ul>	Med.	High

Category	Risk item	Details of the risk	Main responses	Magnitude of impact	Likelihood of occurrence
Operational perspective risks	Information systems and information security	<ul style="list-style-type: none"> <li>Unauthorized use or system failure resulting from a data leak caused by an external or human factor, such as a cyberattack or unauthorized access</li> <li>Increased security risks caused by the use of legacy systems</li> </ul>	<ul style="list-style-type: none"> <li>Based on the basic policy for information security, strengthen security governance for the entire group, provide education and conduct support activities</li> <li>Protect information assets through measures such as enhancing network security from a zero trust perspective</li> <li>Implement medium-term initiatives to update the legacy systems</li> </ul>	Med.	High
	Exchange rate, interest rate and share price fluctuations	<ul style="list-style-type: none"> <li>Fluctuations in the yen-denominated value of overseas transactions including import and export and foreign-denominated monetary claims and debt</li> <li>Fluctuations in the yen-denominated balances in the non-consolidated financial statements prepared in local currency at overseas consolidated subsidiaries</li> </ul> <p>(Annual profit is expected to decline by about ¥0.3 billion for every ¥1 appreciation in the JPY/USD exchange rate)</p> <ul style="list-style-type: none"> <li>Increased capital procurement costs due to rising interest rates</li> </ul> <p>(Interest-bearing debt as of the end of the current consolidated fiscal year is JPY 323.8 billion)</p> <ul style="list-style-type: none"> <li>Increased retirement benefit costs and additional capital infusions from the company due to lower market value of the pension assets</li> </ul>	<ul style="list-style-type: none"> <li>Utilize forward exchange contracts</li> <li>Achieve a proper balance between yen-denominated and foreign-denominated transactions</li> <li>Limit the increase in capital procurement costs resulting from higher interest rates by procuring capital centered on long-term fixed interest rates</li> <li>Reduce interest-bearing debt based on the policy for improving the financial situation and improved capital efficiency through the cash management system (CMS)</li> <li>Structure the asset management portfolio with consideration for reducing asset management risk</li> </ul>	Med.	High
	Research & development and Intellectual property	<ul style="list-style-type: none"> <li>Delays to technology development and appearance of alternative products developed through new technology by other companies</li> <li>Litigation, decertification or decreased reputation of the company and its products due to falsification of the research and development data</li> <li>Direct damage or lost opportunities in a business due to a legal dispute with a third party following conclusion of an insufficient technology licensing agreement, or a dispute or negotiations regarding violation of a third party's intellectual property rights</li> <li>Decreased competitive advantages due to the leak of technology</li> </ul>	<ul style="list-style-type: none"> <li>Secure and train personnel with a high level of expertise</li> <li>Secure superiority in technology development through co-creation with external partners</li> <li>Acquire intellectual property rights from the design and development stage, investigate the patents held by other companies and file counter-patents to limit the use of rights by other companies</li> <li>Create and preserve technology assets, and provide education for ensuring legal and regulatory compliance in relation to intellectual property</li> </ul>	Med.	High
	Employee health and safety	<ul style="list-style-type: none"> <li>An employee suffers death, inability to work, permanent disability, long-term leave of absence or health impairment due to an occupational accident, traffic accident or illness</li> <li>Disasters associated with breakdowns due to aging equipment, caused by delays in making decisions to invest in manufacturing facilities</li> </ul>	<ul style="list-style-type: none"> <li>Definitely implement the three pillars of the safety promotion activity (provide and implement safety related knowledge through the training of safety conscious persons, make the facilities safer through activities to promote fundamental safety and establish a safety-oriented organization by improving the level of safety management)</li> <li>Maintain the occupational safety and health system centered on the occupational physician, and implement measures to increase health literacy through follow-up on the health checkup results, instruction and education</li> <li>Implement measures for smoking, metabolic syndrome, mental health, improving physical function and heat stroke at each site through the health management policy set forth every year based on the medium-term occupational health and safety plan</li> <li>Thoroughly enact measures to prevent infectious diseases and in response to persons with a fever or otherwise feel unwell through diagnosis by the occupational physician</li> <li>Improve facility maintenance level and optimize maintenance and renewal plans</li> </ul>	Med.	Med.

Category	Risk item	Details of the risk	Main responses	Magnitude of impact	Likelihood of occurrence
Operational perspective risks	Deteriorated profitability of construction projects	<p>(Domestic and overseas)</p> <ul style="list-style-type: none"> <li>Change in design, soaring of construction material and labor costs during construction.</li> <li>Incurrence of additional costs during a submarine cable laying project due to disasters, infectious diseases, and adverse ocean or weather conditions caused, for example, by a typhoon</li> <li>Payment of repair costs or compensation for damages and long-term extension of the defect warranty in the event of the occurrence of a serious defect or an accident and the resulting delay in construction</li> <li>Unexpectedly large increase in costs or incurrence of additional costs due to a lack of consortium partners' capability to carry out a project or non-performance of tasks assigned to them</li> </ul> <p>(Overseas)</p> <ul style="list-style-type: none"> <li>Changes in legal regulations, political instability, and exchange rate fluctuations in a country overseas where a construction project is carried out</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen activities to conclude contracts under reasonable conditions by strictly identifying a demarcation point, specifications and warranty coverage for each of goods and construction service, and by analyzing project-specific risks</li> <li>Mitigate risks by appropriately monitoring progress and profitability of ongoing projects</li> <li>Transfer risks through purchase of builder's risk insurance</li> <li>Clarify responsibility relations in a contract upon formation of a consortium, and thoroughly manage construction progress for the entire project including the share of partner companies</li> </ul>	Med.	Med.
	Environmental pollution and environmental regulations	<ul style="list-style-type: none"> <li>Occurrence of a problem in relation to environmental conservation due to the leak of toxic substances during the manufacturing process, and new capital expenditures or costs following a revision to an environmental law or regulation</li> <li>Restrictions on the use or disposal of land</li> <li>Additional costs following the enactment of stricter laws or regulations concerning the handling of soil contamination and toxic substances such as asbestos and PCBs that occurred during past manufacturing activities</li> <li>Losses and expenses incurred for a product recall or suspended production and sales due to a violation of a country's regulations concerning the content of chemical substances in products, such as the RoHS Directive and REACH regulation.</li> </ul>	<ul style="list-style-type: none"> <li>At Furukawa Electric Group's manufacturing sites, based on the environmental management system (ISO14001), thoroughly comply with the various environmental regulations related to the business activities and implement conservation measures</li> <li>Concerning the regulations for chemical substance content in products, issue CSR procurement guidelines and green procurement guidelines, confirm the status of compliance by business partners and conduct regular checks within Furukawa Electric Group in response to the enactment of stricter regulations</li> </ul>	Med.	Med.
	Impairment of non-current assets	<ul style="list-style-type: none"> <li>Impairment of a non-current asset due to decreased profitability caused by deteriorating market conditions or business environment</li> </ul>	<ul style="list-style-type: none"> <li>Deliberate the appropriateness of investment plan at Investment Committee meeting and Management Meeting</li> <li>Regular monitoring and follow-up after the investment</li> </ul>	Med.	Med.
	Cash management	<p>(Funds procurement)</p> <ul style="list-style-type: none"> <li>Deteriorating procurement terms and conditions or potential inability to procure capital due to deteriorating capital market environment</li> <li>Deteriorating procurement terms and conditions and potential enactment of restrictions on capital procurement due to decreased credit standing following deterioration in the financial situation of the company</li> </ul> <p>(Credit management)</p> <ul style="list-style-type: none"> <li>Occurrence of bad debt loss due to an inability to collect accounts receivable following deterioration in the financial situation or cash position of a business partner</li> </ul>	<ul style="list-style-type: none"> <li>Secure diverse means of capital procurement, and break up the repayment timing</li> <li>Establish commitment lines and secure a certain amount of cash on hand</li> <li>Increase the ratio of long-term debt while balancing with reductions to capital procurement costs</li> <li>Improve the financial situation</li> <li>Minimize the risk of delayed or inability to collect accounts receivable by checking the credit status of each client regularly and sharing credit information between the companies affiliated with Furukawa Electric Group</li> </ul>	Med.	Med.
	Disclosure and brand	<ul style="list-style-type: none"> <li>Reduced trust due to lack of appropriate information disclosure</li> <li>Lost recognition opportunities and image enhancement opportunities due to lack of consistent communication</li> </ul>	<ul style="list-style-type: none"> <li>Establish an appropriate management system and disclose information in a timely and appropriate manner, including the centralized knowledge and management of information deemed to have a significant impact on management and the selection of disclosure methods appropriate to the scale and nature of the information</li> <li>Strengthen the delivery of a unified message through the use of multiple media</li> <li>Consider a concept, slogan and logo to unify the brands</li> </ul>	Med.	Med.

Note: We have been under investigation by the Brazilian competition law authorities concerning auto-parts cartel. In addition, the Company and its consolidated subsidiaries are the defendant in a series of class actions that seek compensation for damages caused by the auto-parts cartel in the United States. It may also be possible that the Company and its subsidiaries and associates pay compensation for civil damages to their customers including automobile manufacturers. However, the Company has reached settlement with some plaintiff and customers concerning the above mentioned on-going cases, and thus believes that it will have limited monetary impact on its financial results. We will continue to work with our corporate lawyers to resolve the issue early and minimize losses. Note that above on-going cases are all related to past violations of competition law including auto-parts cartel, and there are no such violation committed at this point in time.

## 4. Management's Discussion and Analysis of Financial Position, Operating Results and Cash Flows

### Overview of operating results, etc.

#### (1) Operating results

In the current fiscal year, with the ease of restrictions on socio-economic activities during the COVID-19 pandemic, the global economy has been in a moderate recovery trend in terms of both demand and supply. On the other hand, the economic environment has remained uncertain due to global inflation along with further tightening in monetary policy, and geopolitical tensions, among others.

The United States saw downward pressure on consumption due to continued high prices, a decline in housing investments due to sharp and repeated interest rate increases, and adverse effects on financial positions of some financial institutions due to sharp monetary policy tightening. The U.S. economy has, however, stayed resilient, as consumer spending was underpinned by improved labor market conditions. In Europe, although the region saw the recovery in consumption due to the ease of restrictions for preventing the spread of COVID-19 as well as signs of recovery in car production, the economy has slowed down because of continuously rising prices due to energy price hike/supply constraint accelerated by the impact of the Russia-Ukraine situation. In China, despite the economic growth-oriented policy, the country saw a limited economic recovery due to strict movement restrictions under zero-COVID policy for a long time, followed by a rapid spread of COVID-19 after relaxing the restrictions, as well as the downturn in its real estate market.

In Japan, although the economy has been on a moderate recovery path as socio-economic activities has been normalized, it has not entered a full-fledged recovery due to such downward factors as high prices in response to the depreciation of the yen, as well as the impact of supply instability and price increases of oil, natural gas, and various raw materials.

Under such circumstances, Furukawa Electric Group defined its ideal state in 2030 and specified relevant target timeline and scope in "Furukawa Electric Group Vision 2030" (hereinafter, "Vision 2030"); and then formulated the Medium-term Management Plan "Road to Vision 2030: Transformation and Challenges" (hereinafter, the "2025 Medium-term Plan"), looking forward from its ideal state in 2025 by backcasting from Vision 2030. Based on the 2025 Medium-term Plan, the Group has been working on "maximizing revenues in existing businesses through a focus on capital efficiency" and "building a foundation for creating new businesses by strengthening development and proposal capabilities." Furthermore, the Group has also strived for "strengthening the foundation for ESG management" as it supports the above-mentioned two initiatives.

With respect to "maximizing revenues in existing businesses through a focus on capital efficiency," the Group has visualized the positioning of each business by using indicators for growth potential and profitability, and accordingly allocated management resources to areas of growth potential in a targeted manner; and thereby promoted management with a focus on capital efficiency and reviewed the business portfolio. Under this initiative, the Company considered the positioning of its consolidated subsidiary, TOTOKU ELECTRIC CO., LTD., and sold all its shares in the subsidiary in December 2022. Furthermore, as for Communications Solutions business, the Company has strived for expanding sales of high-value-added products, and improving the productivity at its plants by securing and further nurturing human resources. As for Automotive Products business, the Company has established its production/supply structure, which has cost competitiveness and is tolerant of changes, and also strived to reduce costs through efforts for improving the operational processes, taking advantage of DX (Digital Transformation).

With respect to "building a foundation for creating new businesses by strengthening development and proposal capabilities," the Company has worked on developing a technology to synthesize green LP gas\* that does not rely on fossil resources as an initiative for creating a new business that contributes to realizing carbon neutrality. To accelerate this initiative toward practical use, in September 2022, the Company launched Sustainable Energy Succession Project Team under the concept of "Succession of local resources and local culture for the future"\*. Moreover, the Company concluded a contract with a UK client, who works on development of nuclear fusion\* power generation that is expected to be a next-generation energy source, to supply necessary high-temperature superconducting wire rods.

\* Green LP gas: LP gas produced from biogas (a mixture of methane gas, which is from the fermentation of animal manure and food waste, and carbon dioxide).

\* Succession of local resources and local culture for the future: This expresses passing on regional resources and cultures to the next generation in addition to local production for local consumption.

\* Nuclear fusion: The energy is released from nuclear fusion reactions by trapping high-temperature plasma (at several hundred million degrees), using a strong superconducting magnet. The fuel of nuclear fusion comes from seawater (deuterium=<sup>2</sup>H), so it is possible to generate power without CO<sub>2</sub> emissions and with reduced environmental burdens. Therefore, nuclear fusion power generation is attracting expectations as a next-generation energy source.

With respect to "strengthening the foundation for ESG management," the Company has been working on achieving "Furukawa Electric Group Environmental Targets 2030" (hereinafter, "Environmental Target 2030"), aiming at contributing to a carbon-free society and contributing to realizing a recycling-based society for water and resources. For the greenhouse gas (GHG) emissions reduction target thereof, the Company obtained SBT WB2°C\* certification from the SBTi (Science Based Targets initiative). In order to accelerate its initiatives for realizing carbon neutrality, in December 2022, the Company revised the GHG emissions reduction rate in FY2030 under the Environmental Target 2030 to a higher level. With this revised target, the Company applied for SBT1.5°C certification. It aims at achieving the target by saving energy during production, reviewing product designs, and using hydropower and solar power, among others.

Furthermore, the Company has been continuously working on “strengthening human capital and organizational execution abilities.” In order to monitor the current state of human resources and organizations as well as the effect of improvement measures, in July 2022, the Company conducted a survey on human capital/organizational execution abilities, including elements related to employee engagement, with the participation of employees of the Company and Group companies in Japan and abroad; and made use of the results for its subsequent activity plan. In March this year, the Company was selected as a “Nadeshiko Stock” – acknowledgement as an excellent company in terms of women’s participation and advancement in the workplace – for the third time. The Company was also selected as a “2023 Health & Productivity Stock” being a company which focuses on and strategically carries out efforts with regard to its employees’ and other workers’ health from a management perspective. In addition, the Company was also recognized as a “Certified Health & Productivity Management Outstanding Organization 2023: White 500” for the fifth time. With respect to “human rights/labor practice” which was identified as the 4th sub-material issue on governance in FY2021, Furukawa Electric Group has provided its management-level employees with human rights education as a part of human rights due diligence, and strived for establishing an objective and transparent relief mechanism by using an external point of contact for whistleblowing related to human rights.

\*WB2°C: Greenhouse gas emissions reduction target to limit the temperature increase to “well-below 2 degrees Celsius” above pre-industrial levels.

With regard to the current year’s financial results, net sales of the entire Group increased due to increased sales from optical fibers in North America in Communications Solutions business, automotive products such as wire harnesses in the Electronics & Automotive Systems business, favorable exchange rates, and copper bullion price increase. In terms of profits and losses, despite the hike of raw material and fuel prices, profit increased due to the progress in the rationalization of selling prices via cost pass-through and depreciation of the yen.

As a result, the Group recorded consolidated net sales of ¥1,066.3 billion (up 14.6% year-on-year), consolidated operating profit of ¥15.4 billion (up 35.1% yoy), and consolidated ordinary profit of ¥19.6 billion (down 0.1% yoy). Furthermore, gain on sale of investment securities of ¥15.3 billion by selling stocks of consolidated subsidiaries was recorded as extraordinary income, and loss on business of subsidiaries and associates of ¥2.3 billion was recorded as extraordinary losses. Accordingly, profit attributable to owners of parent amounted to ¥17.9 billion (up 77.4% yoy). Overseas net sales amounted to ¥549.0 billion (up 17.0% yoy), and the overseas net sales ratio was 51.5% (up 1.1 percentage points yoy).

On a non-consolidated basis, the Company recorded net sales of ¥305.8 billion (up 4.6% yoy), operating loss of ¥1.8 billion (deteriorated by 2.3 billion yoy), ordinary profit of ¥8.7 billion (up 34.4% yoy), and net income of ¥25.2 billion (improved by ¥25.8 billion yoy).

Operating results by segment are as follows:

### **Infrastructure**

Communications Solutions business recorded an increase in net sales due to strong demand for optical fibers, etc. in North America as well as improved plant productivity, despite certain impact of sales decrease in network-related products in Japan due to reduced production as a result of difficulty in procuring semiconductors, and sales decrease associated with the Russia-Ukraine situation. Despite continued increases in raw material and fuel prices, profit also increased due to the progress in cost pass-through to cover increased costs, improved product mix, and foreign exchange impacts.

As for Energy Infrastructure business, although the sales from Chinese subsidiary declined due to the impact of delay in construction for clients because of the spread of COVID-19 in China, both net sales and profit increased as a result of strong sales of underground cables in Japan, smooth recording of sales from shipment/installation of cables for the submarine cables/water pipe project, and progress in cost pass-through to cover increased raw material and fuel costs.

As a result, this segment recorded consolidated net sales of ¥323.9 billion (up 9.1% yoy), and consolidated operating profit of ¥8.6 billion (up 66.1% yoy). On a non-consolidated basis, the segment reported net sales of ¥89.8 billion (up 5.8% yoy).

With respect to Communications Solutions business, we will continue to improve the productivity of optical fiber cables in North America, and strive to expand sales of high-value-added products, aiming at increasing net sales. Regarding the networking system business in Latin America where we not only sell products such as optical fiber cables, but also provide total solutions including network design and operations support, and after-sales services, we will accelerate the expansion of this business in North America, Europe, and Asia. Furthermore, while network-related products in Japan are still affected by difficulties in procuring semiconductors, we will proceed with measures to reduce the impact of the procurement difficulties by securing strategic inventory of semiconductors, placing pre-orders to satisfy long-term demand, and switching to new models. As for Energy Infrastructure business, we will focus on the areas where market expansion is expected, such as extra-high voltage underground cables in Japan, and submarine and underground cables for renewable energy including solar and offshore wind power; strengthen our cable production capacity and construction capacity, and also expand sales of such functional products as light weight and flexible aluminum CV cables for constructions that contribute to labor-saving and increased efficiency as well as products for power transmission and distribution, aiming at increasing net sales.

## **Electronics & Automotive Systems**

With respect to Automotive Products business, despite continued increase in prices of raw materials and fuel, and increase in labor costs due to the lockdown to contain the spread of COVID-19 in China and changes of clients' production plans, both net sales and profit increased due to the following factors: strengthening sales of aluminum wire harness, which is an environment-friendly product because renewable energy is used in the manufacturing process and its weight-saving contributes to reducing CO2 emissions; progress in cost pass-through to cover increased raw material and fuel costs; and reduction in emergency transportation costs associated with lockdown of some production sites in Southeast Asia, which incurred in FY2021.

Electronics Component Materials business saw an increase in net sales, because we captured strong demand for products related to communications infrastructure and products for power semiconductors, and copper bullion prices increased. However, profit decreased, affected by continued increase in prices of raw materials and fuel as well as a decline in demand for auto components and electronics-related products in the second half of the year.

As a result, this segment recorded consolidated net sales of ¥610.3 billion (up 21.9% yoy), and consolidated operating profit of ¥4.7 billion (increased by ¥4.6 billion yoy). On a non-consolidated basis, the segment reported net sales of ¥152.7 billion (up 4.2% yoy).

With respect to Automotive Products business, we will further expand sales of aluminum wire harnesses, and strive for creating high-value added products which are safe, secure and environment-friendly. In response to further increase in prices of raw material and fuel prices, we will proceed with the rationalization of selling prices through cost pass-through. Furthermore, we will establish the system which can respond flexibly to changes in clients' production plans, and also strive to reduce costs of goods sold by improving operational processes, taking advantage of DX. With respect to Electronics Component Materials business, we will work on further cost pass-through to address the increase in raw material and fuel prices, expand sales of oxygen-free copper strips for optical submarine cables which support global communications networks and for power semiconductors, and improve the product mix.

## **Functional Products**

With respect to the Functional Products business, despite the progress of cost pass-through due to increases in raw material and fuel prices, both net sales and profit declined, because sales of tapes for semiconductor production, aluminum blank material for hard disk drives, and electrolytic copper foils were adversely affected by inventory adjustments in the supply chain associated with a decline in global demand for smartphones, personal computers, and data centers since the second half of the year.

As a result, this segment recorded consolidated net sales of ¥126.5 billion (down 2.7% yoy), and consolidated operating profit of ¥4.2 billion (down 44.9% yoy). On a non-consolidated basis, the segment reported net sales of ¥60.1 billion (up 2.1% yoy).

In the Functional Products business, we will strengthen communications with our clients to monitor inventories in the supply chain, establish a production system which can flexibly respond to a sudden change in the market, and propose/develop new products, which meet needs of the market/clients and are differentiated from competitors' products, aiming at increasing net sales. Moreover, we will continue to work on cost pass-through in response to increases in raw material and fuel prices, in order to secure net sales.

As a part of the review of the business portfolio, we sold all of our shares in our consolidated subsidiary, TOTOKU ELECTRIC CO., LTD., in last December. Consequently, the company is now excluded from our consolidated subsidiaries, yet we will maintain the trade relationship with the company.

## **Services and Developments etc.**

This segment supports Furukawa Electric Group's businesses through hydropower generation, R&D of new products, real estate leasing, and various services. In our Nikko Works, most of its necessary electric power comes from a renewable energy source (hydropower). This hydropower generation plays a role toward achieving our sustainability target "ratio of renewable energy use to total consumption: 30%" defined in the 2025 Medium-term Plan.

This segment recorded consolidated net sales of ¥31.7 billion (down 8.0% yoy), and consolidated operating loss of ¥2.1 billion (declined by ¥0.7 billion yoy). On a non-consolidated basis, the segment reported net sales of ¥3.3 billion (up 48.0% yoy).



## **(2) Cash flows**

Cash and cash equivalents at the end of the current fiscal year were ¥52.0 billion (down ¥15.7 billion from the end of the previous fiscal year).

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥36.5 billion (up 49.8 billion from the previous fiscal year) due to the recording of profit before income taxes of ¥30.3 billion, depreciation of ¥39.1 billion, loss on sale of short-term and long-term investment securities of ¥15.3 billion, and decrease in trade payables of ¥8.7 billion.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥21.7 billion (up ¥18.4 billion from the previous fiscal year) due to the recording of purchase of property, plant and equipment of ¥35.9 billion, proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation of ¥11.9 billion.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥34.5 billion (down ¥69.5 billion from the previous fiscal year) due to the recording of net decrease in commercial papers of ¥26.0 billion, proceeds from long-term borrowings of ¥10.6 billion, repayments of long-term borrowings of ¥13.0 billion, and dividends paid of ¥4.2 billion.

## **(Status of production, orders received and sales)**

Items produced/sold by Furukawa Electric Group are wide-ranging and diverse. Even the products of the same type are not necessarily uniform in capacity, construction, form or other respects. In addition, as many of its products are not produced on a made-to-order basis, we do not indicate production volume and order volume in monetary amounts or quantities by segment.

## **(Analysis of financial position, operation results, and cash flows)**

### **(1) Financial position**

Total assets at the end of the current fiscal year decreased ¥1.0 billion from the end of the previous fiscal year to ¥934.8 billion, inventories increased ¥8.2 billion, property, plant and equipment increased ¥9.1 billion, and investment securities increased ¥4.2 billion, while cash and deposits decreased ¥17.7 billion. Working capital, which is current assets less current liabilities, decreased ¥17.5 billion from the end of the previous fiscal year to ¥105.8 billion. Property, plant and equipment, and intangible assets fluctuated due to an increase of ¥43.8 billion in capital expenditures, a decrease of ¥39.1 billion in depreciation, and decreases due to sale and retirement.

Total liabilities decreased ¥18.0 billion from the end of the previous fiscal year to ¥603.8 billion, with interest-bearing debt, including borrowings, bonds, and commercial papers, having decreased ¥18.3 billion compared to the end of previous fiscal year to ¥323.8 billion.

Total net assets increased ¥16.9 billion from the end of the previous fiscal year to ¥331.0 billion. Retained earnings increased ¥14.5 billion due to factors, such as an increase in profit attributable to owners of parent, and accumulated other comprehensive income increased ¥9.8 billion. As a result, the equity capital ratio rose 2.7 percentage points to 32.5%.

For overview of cash flows, refer to “4. Management’s Discussion and Analysis of Financial Position, Operating Results, and Cash Flows (Overview of operating results) (2) Cash flows.”

### **(2) Operating results**

During FY2022, consolidated net sales increased 14.6% year on year to ¥1,066.3 billion, and consolidated operating profit increased 35.1% year on year to ¥15.4 billion. Net sales of the entire Group increased due to increased sales from optical fibers in North America in Communications Solutions business, increased sales from automotive products such as wire harnesses in the Electronics & Automotive Systems business, favorable exchange rates, and copper bullion price increase. In terms of profits and losses, despite the hike of raw material and fuel prices, profit increased due to the progress in the rationalization of selling prices via cost pass-through and depreciation of the yen.

Among non-operating expenses (income), share of profit of entities accounted for using equity method declined by ¥3.1 billion. As a result, consolidated ordinary profit decreased 0.1% year on year to ¥19.6 billion.

Extraordinary income came in at 10.7 billion yen. Specifically, the Group recognized gain on sale of investment securities of ¥15.3 billion in extraordinary income following the sale of shares in a consolidated subsidiary, etc.; and loss on business of subsidiaries and associates of ¥2.3 billion and others in extraordinary losses.

As a result of the above, profit attributable to owners of parent increased 77.4% year on year to ¥17.9 billion.

For overview of operating results by segment, refer to “4. Management’s Discussion and Analysis of Financial Position, Operating Results, and Cash Flows (Overview of operating results, etc.) (1) Operating results.”

### **(3) Funding sources of capital and liquidity of funds**

Furukawa Electric Group has funded its growth investments for continuing and developing its business activities, as well as its working capital needs through a variety of funding sources. Such sources include cash flows from operating activities, borrowings from financial institutions, debt financing through the issuance of corporate bonds and commercial papers, and securitization of assets. We determine specific methods of funding in view of market environments and the Group's balance sheet and with a view to ensuring economic rationality and stabilizing financial structure.

In Japan, China, and Thailand, we have introduced Cash Management Systems (CMS) to ensure efficient use of funds.

We have also secured a level of liquidity on hand sufficient enough to cover short-term repayments with cash on hand and committed lines of credit.

### **(Significant accounting estimates and underlying assumptions)**

The consolidated financial statements of the Group are prepared in compliance with accounting principles generally accepted in Japan. In preparing the financial statements, we use estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates and figures based on these assumptions, however, may differ from actual results.

For details of significant estimates and assumptions used in preparation of financial statements, refer to "Item 5. Financial Information, 1 Consolidated Financial Statements, etc., Notes to Consolidated Financial Statements (Significant accounting estimates)."

## **5. Material Contracts, etc.**

The Company resolved at the Board of Directors meeting held on November 8, 2022 to conclude an agreement (hereinafter, the “Agreement”) with TTC Holdings Inc. (hereinafter, “TTC”), a wholly owned company of the special limited partnership TTC Holdings, L.P. established on June 2, 2021 under the laws of the Cayman Islands that itself is an investment fund affiliated with the Carlyle Group, concerning the tender offer (hereinafter, “Tender Offer”), as part of the transaction to make it going private, for the common stock (hereinafter, “TOTOKU Common Stock”) of the Company’s consolidated subsidiary TOTOKU ELECTRIC CO., LTD. (hereinafter, “TOTOKU”) and entered into the Agreement as of the same date with TTC. Under the Agreement, the Company subscribed all TOTOKU Common Stock held by the Company to the Tender Offer.

Based on the Agreement, the Company tendered all the stock it owned in TOTOKU; the Tender Offer was closed successfully on December 21, 2022. As a result, TOTOKU ceased to be a consolidated subsidiary of the Company as at the beginning of the Tender Offer settlement on December 28, 2022.

For details, refer to “Item 5. Financial Information, 1. Consolidated Financial Statements, etc., Notes to Consolidated Financial Statements, Business combinations.”

## 6. Research and Development Activities

In a bid to create and develop new businesses through the development of new products and technologies, Furukawa Electric Group is actively engaged in research and development with a research and development organization consisting of the Company's laboratories and departments in Japan including Sustainable Technology Laboratories, Automotive Products & Electronics Laboratories, Telecommunications & Energy Laboratories, Incubator Department, and Digital Innovation Center, as well as those overseas including OFS Laboratories, LLC (United States), Furukawa Electric Institute of Technology Ltd. (Hungary), SuperPower Inc. (United States), and Silicon Valley Innovation Laboratories, Furukawa Electric (United States).

Note that, as of April 1, 2023, the Company newly established Materials Laboratory, whereby it has renamed Automotive Products & Electronics Laboratories to Electronics Laboratory, has renamed Telecommunications & Energy Laboratories to Photonics Laboratory, has renamed Digital Innovation Center to Digital Transformation & Innovation Center, and abolished Incubator Department and has transferred its functions to business divisions/other laboratories.

Research and development costs for the current fiscal year increased 12.3% year-on-year to ¥23,324 million. The following are the main results and achievements of each segment.

### (1) Infrastructure

- (i) We have worked to commence commercial production of a next generation ultra-micro, narrow linewidth tunable light source (Nano-ITLA) with a control circuit, a laser light source product used for high-capacity optical digital coherent communications. The product offers benefits of significant miniaturization; reduced power consumption; and narrower linewidth which is required for digital coherent optical communications targeting multi-level modulation used in ultra high-speed optical fiber communications. This is a key device that supports systems for optical digital coherent communications of 400Gbps or above. The development of such systems has accelerated globally in anticipation of a dramatic increase in traffic with the advent of the Beyond 5G era. We are committed to greatly improving the convenience of people's lives by continuing to develop technologies that support faster speed, larger capacity, and longer distance communications for next-generation optical fiber communications systems.
- (ii) With a widespread use of information communications services, data traffic at data centers has increased explosively, pushing up demand for next-generation network switch devices. We are now developing external laser source products for Co-Packaged Optics (CPO). This is because we believe that an architecture using CPO, an optoelectronic convergence device, will be needed for next-generation network switch devices. We will remain committed to realizing large capacity data transmission and an energy efficient society.
- (iii) We have also worked to further improve the performance of and reduce costs for optical fibers and optical fiber cables for long distance uses. In fact, as part of the research project supported by the Ministry of Internal Affairs and Communications, Japan under "Research and Development of Innovative Optical Network Technology for a Novel Social Infrastructure," the Company developed and demonstrated core technologies that increase submarine optical cable capacity with multicore fiber. In addition, as part of the R&D projects commissioned by National Institute of Information and Communications Technology (NICT), we have continued and promoted efforts to demonstrate the feasibility of technologies for manufacturing optical fibers and optical fiber cables and their performance, as well as the technologies for connecting optical fibers and multicore amplification technologies aimed at improving these technologies to ultimately implement spatial division multiplexing technologies for long-haul transmission/subscriber access applications. The R&D projects commissioned by NICT include: "Research and Development Toward Accelerating Implementation of Multi-core Fiber," "Research and Development of Spatial Division Multiplexing Optical Network and Node Technologies Supporting Beyond 5G Ultrahigh Capacity Wireless Communications," and "Research and Development of Core Optical Transmission Technologies to Control Spatial Modes toward Beyond 5G Era." Meanwhile, since optical fiber networks are expected to be larger in capacity and higher in fiber count for data center and metropolitan network applications, we will stay committed to further densification of the optical fiber cables mounted with rollable ribbons, which enable to save space.
- (iv) As part of the lineup of high-power laser for processing, we sell the "BRACE@X" Blue-IR hybrid laser that combines a high-brightness blue laser diode module and 1kW blue laser output. This product contributes to improving the productivity (quality and processing speed) in the process of welding copper, which is a conductor in lithium-ion batteries, motors, inverters, and other key components of electric mobility products, as well as labor saving in the manufacturing process. Pure copper, which is extremely high in optical reflectivity, was considered difficult to process. However, we have realized a high level of copper welding quality, depth, and welding speed with this new product. Further, we continue to develop monitoring and other technologies for controlling welding quality. Moreover, we opened Chubu Advanced Laser processing Laboratory (CALL), provided with cutting-edge laser processing equipment, in Toyota City, Aichi Prefecture, to improve laser processing technologies, as well as to build an environment which allows us to propose laser welding solutions to customers and work jointly with partners to create value. Through these R&D efforts, we will help improve the competitiveness of *MONOZUKURI* with our advanced processing technologies, including the technologies to weld hard-to-weld materials for automobiles and ships, to ultimately contribute to realizing a sustainable society.

- (v) We have also pushed forward with the development of bipolar storage batteries jointly with The Furukawa Battery Co., Ltd. in a bid to contribute to stable supply of electricity generated from renewable energy sources. The bipolar storage batteries are electricity storage batteries that are highly economical as they are simple in structure and thus are easy to achieve high capacity and reduced air conditioning costs during operation. In February 2023, we started a demonstration test focused on assessment of the performance of bipolar lead storage batteries in operation at Hiratsuka Works. In addition, to address issues arising from large-volume introduction of renewable energy and EV, we renovated our container battery system at Yokohama Works to build a demonstration environment in which solar power generation and quick EV charging & discharging systems are connected by DC. In this demonstration environment, we will develop technologies that bring competitive advantages to the Group, as well as make use of the environment as a place for co-creation with our partners.

Consequently, research and development costs for the segment amounted to ¥11,944 million.

## **(2) Electronics & Automotive Systems**

- (i) In the field of automotive parts, we have focused on developing high-voltage harnesses and high-voltage components to meet growing demand in the EV market amid the trend toward carbon neutrality. For connectors and electrical wires for EV, we have also worked to develop next generation products and materials for terminals such as those for surface treatment. For automotive wiring harnesses, we have worked to expand the range of applications of aluminum wires using our proprietary terminals to meet the growing needs for weight reduction of vehicles. In addition, to create new businesses in the domains overlapping information, energy and mobility, we have worked to develop technologies and products that contribute to evolution of vehicles that are increasingly diversified.
- (ii) We have worked on activities to expand sales of and orders for BSS® (lead battery state detection sensor). BSS® helps improve fuel efficiency by controlling overcharge and prevent batteries from dying due to overdischarge. Further, we are developing the type of products that provide lead batteries as power sources and contribute to realizing a safe, peaceful, and rewarding society, in anticipation of an expected increase in in-vehicle electronics and software updates, as well as the growing trend toward electrification and autonomous driving of vehicles.
- (iii) We have mass-produced in-vehicle 24GHz perimeter monitoring radars, which provide stable detection of obstacles even in bad weather conditions such as snow and rain. To respond to sophistication of advanced safe driving assistance systems, we upgraded their functions to enable forward monitoring as well as rear monitoring and have started the mass production of next generation products with both their size and weight reduced by about 30%. Moreover, we have started the mass production of perimeter monitoring radars for construction/agricultural machineries, taking advantage of their strong resistance against stains and dust. We will continue efforts to reduce size, improve performance, and enhance functions of these radars.
- (iv) We have succeeded in world's leading transmission of 9.1kW of power using the electric resonance coupling, a method highly promising as a new way of wireless power transmission, which is lightweight and tend not to heat foreign metals. The Company developed a wireless port charger for electric kick scooters employing the method jointly with OBAYASHI CORPORATION and is now in the process of demonstration test. We will reduce size and weight of automotive parts and make them higher capacity and more efficient so as to contribute to electrification of mobility.
- (v) We have also worked to further enhance the efficiency of research and development by making effective use of simulation and analysis technologies. We used deformation and stress simulations for automotive components, such as wiring harnesses; and vibration, thermal fluid, and electromagnetic field simulations for development of electronic devices. We also worked on model based development, etc. to create algorithms for in-vehicle software. Further, we conducted analyzes using advanced analytical equipment and methods, and gave lectures at conferences of The Japanese Society of Microscopy and Japan Institute of Copper. Furukawa Electric Institute of Technology Ltd. (Hungary) has worked to develop advanced simulation technologies, having carried out molecular dynamics simulations for catalyst structure analysis. We will continue efforts to reduce environmental impact through production of alternative prototypes by leveraging simulation and analysis technologies as well as make clear related mechanisms and optimize design.
- (vi) We have continued to develop copper alloy and precious metal plating with high strength and conductivity. Through this development, we will meet a growing demand for multi-polar and high-density connecting parts (e.g. connectors and terminals) for electronics which have become smaller in size and larger in capacity, and control their heat generation, as well as meet a growing demand for higher-voltage and higher-current electrical components (e.g. wire harnesses). In addition, we will forge ahead with the development of technologies for recycling copper scraps and plating materials toward realizing carbon neutrality.

Consequently, research and development costs for the segment amounted to ¥4,732 million.

### (3) Functional Products

- (i) Leveraging the high rigidity and lightweight characteristics of cellulose fiber as a plant-derived material, we have worked on the development of technologies to mass-produce production technologies for cellulose fiber reinforced resin, which is expected to be used for a variety of applications including vehicles, as well as on the demonstration of the resin toward its practical application. Further, for the purpose of preventing marine pollution and reduce CO2 emissions, we have developed a technology using cellulose fiber to increase the strength of plastics in the process of recycling plastic waste and have participated in the *Plastics Smart* initiative led by the Ministry of the Environment of Japan. We have also endorsed the *GX (Green Transformation) League Basic Concept* announced by the Ministry of Economy, Trade and Industry. Through the research and development activities based on the concept, we will push forward with efforts to realize carbon neutrality.
- (ii) In the information, energy and mobility domains, we have developed heat pipe type heat sink to address higher heat generation of products, and meet the need for thinner and lighter products in these domains. The Company will continue to focus on developing products that help control higher heat generation density at data centers, products that help control higher heat generation of electronics and adapt to their lighter weight, and products using thermal technologies catering to next-generation mobility.
- (iii) With the full-fledged launch of 5G services, PCBs used in routers, switches, and antennas for telecom base stations, and servers, etc. for data centers, are becoming increasingly high-frequency. As a result, the demand for copper foil, which constitutes a high-frequency PCB, is on the rise. The Company has developed and is mass-producing FOX-WS, copper foil for next-generation high-frequency PCBs. We will continue to expand the lineup of copper foil for high-frequency PCBs to meet the demand for copper foil catering to 5G and Beyond 5G high-frequency PCBs.

Consequently, research and development costs for the segment amounted to ¥2,166 million.

### (4) Services and Development, etc.

- (i) Superconducting Products Department has developed and mass-produced high-performance low-temperature superconducting wire materials, starting the mass-production and sale of new products that help customers improve the production efficiency of coils. Also, we have worked to develop new products of low-temperature and high-temperature superconducting wire materials in collaboration with SuperPower Inc. (US).
- (ii) SuperPower Inc. (US) has continued research and development of yttrium-based, high-temperature superconducting wire materials. When combined with low-temperature superconducting wire materials made by the Company, the high-temperature superconducting wire materials are expected to serve a wide range of applications, including fusion reactors, which are expected as a next-generation energy source, and high-field magnets essential to the development of new materials and advanced pharmaceuticals. The Company has been strengthening ties with high-profile customers overseas through the supply of high-temperature superconducting wire materials used in advanced prototype fusion devices. Further, for JST-Mirai Program in which the Company was entrusted with development activities from Japan Science and Technology Agency (JST), the joint research group between the Company and Kyoto University have succeeded in reducing AC loss. The group has demonstrated that the AC loss of their wires is only about one twentieth the loss of standard thin-film high-temperature superconducting wires.
- (iii) Silicon Valley Innovation Laboratories, Furukawa Electric (US) has pushed forward with open innovation jointly with stakeholders of the innovation ecosystem, consisting primarily of start-ups, with the aim of creating new technologies and businesses that solve social issues and pave the way for realizing “Furukawa Electric Group Vision 2030.” Specifically, we have entered into a partnership agreement with a local accelerator to strengthen a co-creation function, whereby we aim to create new customer experience and new value by integrating Furukawa Electric Group’s core technologies with technologies and business models of companies flocking in Silicon Valley. Moreover, with additional marketing functions including the gathering of VOC (Voice of Customer) through the local network and market survey and analysis in North America, the Laboratory has commenced activities to develop and commercialize its proprietary technologies in North America as the Company’s incubation base.
- (iv) Social Design & New Business Development Department, which is responsible for the development of both technologies and businesses, has worked to develop new businesses by leveraging the Company’s technologies in each of the following fields among others: social infrastructure maintenance and management, life science, and aerospace. In the fields such as social infrastructure maintenance and management, and life science, the market launch of similar products and services to those of the Company has accelerated, showing that such products and services have been steadfastly implemented in society. Further, in the field of aerospace, we have newly started a social collaboration course jointly with the School of Engineering, the University of Tokyo since FY2023, thereby driving the creation of new businesses.
- (v) In April 2022, one of our proprietary technologies was selected for the “Development of Technology for Producing Fuel Using CO2, etc.: Development of technology for synthesizing green LP gas without fossil fuels,” a Green Innovation Fund project of New Energy and Industrial Technology Development Organization (NEDO). We have entered into a comprehensive collaboration agreement with

Shikaoi Town, Hokkaido, a candidate demonstration location for the project, and have started co-creation. Also, while we have worked on a joint research with Hokkaido University toward reducing GHG emissions, the Company has newly opened the Laboratory of Regional Elemental Resources Utilization Engineering (endowed course) at Hokkaido University to further drive collaboration with the university. We have thus strived to develop specialists, while forging ahead with the development of technologies toward realizing a decarbonized, recycle-oriented society by making maximum use of various regional resources, such as carbon dioxide and methane.

- (vi) As the official supplier of the Ichigo Ichie Tochigi National Sports Festival and National Sports Festival for People with an Impairment, we provided green LP gas from biogas, which was used as part of the fuel for the torch at the festival. The green LP gas we provided was made from biogas derived from cow manure in a plant of the Tochigi Prefectural Livestock & Dairy Experimental Center. This green LP gas was used as 1% of the entire fuel of the torch. Going forward, we will sophisticate these technologies so we can put them into practical use.

Consequently, research and development costs for the segment amounted to ¥4,479 million.

### **Item 3. Information about Facilities**

#### **1. Overview of Capital Expenditures**

During FY2022, the Group (the Company and its consolidated subsidiaries) made capital expenditures totaling ¥43,792 million, up 14.8% compared to the previous fiscal year.

Overview of our capital expenditures by business segment is as follows.

In the Infrastructure segment, we invested primarily in expanding production capacity of optical communications devices and expanding production capacity of submarine cables and upgrading the testing equipment for Power Cable Division. As a result, capital expenditures during the current fiscal year came in at ¥12,921 million. In the Electronics & Automotive Systems segment, we invested primarily in expanding production capacity of automotive electronic components and upgrading manufacturing facilities for electronic component materials. As a result, capital expenditures during the current fiscal year came in at ¥17,822 million. In the Functional Products segment, we invested primarily in expanding production capacity of tapes for semiconductor process. As a result, capital expenditures during the current fiscal year came in at ¥5,997 million. Also, in the Services and Development, etc. segment, we invested primarily in upgrading hydroelectric power generation facilities. As a result, capital expenditures came in at ¥4,351 million, with corporate or adjusted amount of ¥2,698 million.

Major capital expenditures completed during the current fiscal year include the expansion of production capacity for automotive electronic components and the upgrading of hydroelectric power generation facilities.



## 2. Major Facilities

Major facilities for the Group (the Company and its consolidated subsidiaries) are as follows.

### (1) Reporting company

As of March 31, 2023

Names of office (location)	Name of segment	Description of facilities	Carrying amount (million yen)						Number of employees (persons)
			Land area (thousand m <sup>2</sup> )	Buildings and structures	Machinery, equipment, vehicles	Tools, etc. (incl. construction in progress)	Leased assets	Total	
Chiba Works (Ichihara-shi, Chiba Pref.)	Infrastructure, Services and Development, etc.	Manufacturing and R&D facilities for optic-related devices, power cables, etc.	3,117 (665)	10,199	6,926	5,719	3	25,966	843
Nikko Works (Nikko-shi, Tochigi Pref.)	Functional Products, Electronics & Automotive Systems, Services and Development, etc.	Manufacturing and R&D facilities for copper alloys, aluminum substrates for memory disks, etc.	462 (776)	8,049	4,197	1,992	1	14,703	579
Hiratsuka Works (Hiratsuka-shi, Kanagawa Pref.)	Infrastructure, Functional Products, Services and Development, etc.	Manufacturing and R&D facilities for products, such as functional plastics, information and communications equipment, heat dissipation products, etc.	497 (222)	4,495	3,281	1,527	0	9,802	735
Mie works (Kameyama-shi, Mie Pref.)	Infrastructure, Functional Products, Electronics & Automotive Systems	Facilities for manufacturing optical fiber cables, copper wires, copper alloys, tapes for semiconductor process	1,004 (532)	7,881	6,776	4,276	0	19,938	602
Copper Foil Division (Nikko-shi, Tochigi Pref.)	Functional Products	Facilities for manufacturing electrodeposited copper foils	1,057 (154)	679	640	72	0	2,449	146
Head Office and office reporting directly to the head office (Chiyoda-ku, Tokyo)	Corporate (corporate administration operations, sales operations)	Corporate administration, sale of products, etc.	5,873 (69)	3,628	177	1,326	51	11,057	1,109
Yokohama Works (Nishi-ku, Yokohama- shi)	Services and Development, etc. (R&D)	R&D facilities and equipment for infrastructure, functional products, electronics & automotive systems	0 (7)	1,216	197	212	–	1,626	229

## (2) Subsidiaries in Japan

As of March 31, 2023

Company name (Location)	Name of segment	Description of facilities	Carrying amount (million yen)						Number of employees (persons)
			Land area (thousand m <sup>2</sup> )	Buildings and structures	Machinery, equipment, vehicles	Tools, etc. (incl. construction in progress)	Leased assets	Total	
The Furukawa Battery Co., Ltd. (Iwaki-shi, Fukushima Pref.)	Electronics & Automotive Systems	Facilities for manufacturing storage batteries/power supply units	1,161 (100)	2,194	1,074	281	318	5,031	416
Furukawa Automotive Systems Inc.. (Inugami-gun, Shiga Pref.)	Electronics & Automotive Systems	Facilities for manufacturing automotive components	647 (72)	2,167	152	247	1	3,217	636
Furukawa Nikko Power Generation Inc. (Nikko-shi, Tochigi Pref.)	Services and Development, etc.	Facilities for electric power generation and transmission	650 (267)	3,310	3,601	117	–	7,680	40

## (3) Overseas subsidiaries

As of March 31, 2023

Company name (Location)	Name of segment	Description of facilities	Carrying amount (million yen)						Number of employees (persons)
			Land area (thousand m <sup>2</sup> )	Buildings and structures	Machinery, equipment, vehicles	Tools, etc. (incl. construction in progress)	Right-of- use assets	Total	
OFS Fitel, LLC (Norcross, USA)	Infrastructure	Facilities for manufacturing optical fibers	927 (270)	8,041	4,862	541	295	14,668	395
Furukawa Circuit Foil Taiwan Corporation (Yunlin County, Taiwan)	Functional Products	Facilities for manufacturing electrodeposited copper foils	1,202 (40)	2,228	7,110	413	294	11,250	254
Furukawa Automotive Systems Lima Philippines, Inc. (Lipa City, Philippines)	Electronics & Automotive Systems	Facilities for manufacturing wire harnesses	– (–)	4,162	3,634	85	1,053	8,936	4,667
Furukawa Automotive Parts (Vietnam) Inc. (Ho Chi Minh, Vietnam)	Electronics & Automotive Systems	Facilities for molding wire harnesses and electric cables	– (–)	1,782	4,327	234	1,029	7,374	7,599
Furukawa Electric LatAm S.A. (Curitiba, Brazil)	Infrastructure	Facilities for manufacturing communication cables	556 (282)	1,044	2,741	3,698	88	8,129	1,369

Note: Among all subsidiaries, only major ones are listed above.

### 3. Planned Addition , Retirement, and Other Changes of Facilities

The Company plans to spend ¥46,000 million in capital expenditure for one year following the end of the current fiscal year. The amount planned to be spent for each segment is as follows.

Segment name	Amount planned as of March 31, 2023 (million yen)	Description/major uses of facilities, etc.
Infrastructure	13,600	Expanding production capacity of optical communications devices Expanding production capacity of power cables, and upgrading testing equipment
Electronics & Automotive Systems	17,700	Expanding production capacity of automotive electronic components
Functional Products	8,000	Expanding production capacity of tapes for semiconductor process
Services and Development, etc.	6,700	Upgrading infrastructure shared across Works
Total	46,000	

Note: We have no plans to dispose important facilities other than disposals in the ordinary course of updating facilities.

## Item 4. Information about Reporting Company

### 1. Company's Shares, etc.

#### (1) Total number of shares

##### (i) Authorized shares

Class	Total number of shares authorized to be issued (shares)
Common stock	250,000,000
Total	250,000,000

##### (ii) Issued shares

Class	Number of issued shares as of fiscal year end (March 31, 2023) (shares)	Number of issued shares as of filing date (June 21, 2023) (shares)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stock	70,666,917	70,666,917	Prime Market of the Tokyo Stock Exchange	These are standard shares of the Company with full voting rights and no restrictions on shareholders' rights. The number of share unit is 100 shares.
Total	70,666,917	70,666,917	–	–

#### (2) Share acquisition rights

##### (i) Employee share option plans

Not applicable.

##### (ii) Rights plans

Not applicable.

##### (iii) Share acquisition rights for other uses

Not applicable.

#### (3) Exercises of moving strike convertible bonds, etc.

Not applicable.

#### (4) Changes in total number of issued shares, share capital and legal capital surplus

Date	Change in total number of shares issued (Thousands of shares)	Balance of total number of shares issued (Thousands of shares)	Change in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
October 1, 2016 (Note)	(636,002)	70,666	–	69,395	–	–

Note: As the Company carried out a 1-for-10 reverse stock split with the effective date of October 1, 2016, the total number of shares issued decreased by 636,002,262 shares to 70,666,917 shares.

**(5) Shareholding by shareholder category**

As of March 31, 2023

Category	Shareholding status (Number of shares constituting one unit: 100 shares)								Shares less than one unit (Shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	–	64	42	528	258	55	41,620	42,567	–
Number of shares held (units)	–	297,496	14,825	46,847	163,031	400	183,013	705,612	105,717
Percentage of shareholdings (%)	–	42.16	2.10	6.64	23.10	0.06	25.94	100	–

Notes: 1. Out of 50,453 shares of treasury shares, 504 share units are included in “Individuals and others” and 53 shares in “Shares less than one unit.” Note that 203,700 shares held by the trust account for the Board Benefit Trust (BBT) are not treated as treasury stock.  
2. “Other corporations” includes five share units held in the name of Japan Securities Depository Center, Incorporated.

**(6) Major shareholders**

As of March 31, 2023

Name	Address	Number of shares held (shares)	Shareholding ratio (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	11,829,200	16.75
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	4,763,900	6.75
BNYMSANV AS AGENT/ CLIENTS LUX UCITS NON TREATY 1	VERTIGO BUILDING - POLARIS 2-4 RUE EUGENE RUPPERT L-2453 LUXEMBOURG GRAND DUCHY OF LUXEMBOURG	3,154,100	4.47
Custody Bank of Japan, Ltd. (Trust Account 4)	1-8-12 Harumi, Chuo-ku, Tokyo	2,718,200	3.85
Custody Bank of Japan, Ltd. (Mizuho Trust & Banking; Employee Retirement Benefit Trust, Mizuho Bank Account)	1-8-12 Harumi, Chuo-ku, Tokyo	2,413,500	3.42
Asahi Mutual Life Insurance Company	1-6-1 Yotsuya, Shinjuku-ku, Tokyo	1,365,050	1.93
FURUKAWA CO., LTD.	2-6-4 Otemachi, Chiyoda-ku, Tokyo	1,329,045	1.88
DFA INTL SMALL CAP VALUE PORTFOLIO	PALISADES WEST 6300, BEE CAVE ROAD BUILDING ONE AUSTIN TX 78746 US	1,292,296	1.83
Custody Bank of Japan, Ltd. (Mizuho Trust & Banking; Employee Retirement Benefit Trust, FURUKAWA CO., LTD. Account)	1-8-12 Harumi, Chuo-ku, Tokyo	1,091,900	1.55
The Nomura Trust and Banking Co., Ltd (Trust Account)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	1,072,400	1.52
Total	–	31,029,591	43.94

Notes 1. In addition to the 2,413,500 shares in a retirement benefits trust mentioned above, Mizuho Bank, Ltd. has a further 173 shares in the Company, and in addition to the above-mentioned 1,365,050 shares, Asahi Mutual Life Insurance Company holds additional 1,050,000 shares in its retirement benefits trust.

2. While the Change Report, which was disclosed to the public on December 22, 2020, states that it holds the following shares as of December 15, 2020, it is not possible for us to confirm the actual status of their shareholding as of March 31, 2023.

Name of shareholders	Number of shares owned (shares)	Holding ratio (%)
Mizuho Bank, Ltd.	2,413,673	3.42
Mizuho Securities Co., Ltd.	350,100	0.50
Mizuho Trust & Banking Co., Ltd.	354,900	0.50
Asset Management One Co., Ltd.	2,099,200	2.97
Total	5,217,873	7.38

3. While the Change Report, which was disclosed to the public on July 21, 2022, states that it holds the following shares as of July 15, 2022, it is not possible for us to confirm the actual status of their shareholding as of March 31, 2023.

Name of shareholders	Number of shares owned (shares)	Holding ratio (%)
Nomura Securities Co., Ltd.	169,461	0.24
NOMURA INTERNATIONAL PLC.	45,692	0.06
Nomura Asset Management Co., Ltd.	4,859,200	6.88
Total	5,074,353	7.18

4. While the Change Report, which was disclosed to the public on August 4, 2022, states that it holds the following shares as of July 29, 2022, it is not possible for us to confirm the actual status of their shareholding as of March 31, 2023.

Name of shareholders	Number of shares owned (shares)	Holding ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	4,709,400	6.66
Nikko Asset Management Co., Ltd.	1,376,500	1.95
Total	6,085,900	8.61

**(7) Voting rights****(i) Issued shares**

As of March 31, 2023

Category	Number of shares (shares)	Number of voting rights (units)	Description
Shares with no voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (other)	–	–	–
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common stock 50,400	–	–
	(Reciprocal holding) Common stock 71,600	–	–
Shares with full voting rights (other) (Notes 1, 2)	Common stock 70,439,100	704,391	–
Shares less than one unit (Notes 3, 4)	Common stock 105,817	–	–
Total number of issued shares	70,666,917	–	–
Number of voting rights held by all shareholders	–	704,391	–

- Notes
1. “Shares with full voting rights (other)” includes 500 shares of the Company held in the name of Japan Securities Depository Center, Incorporated and “Number of voting rights” includes five units of voting rights for the shares with full voting rights held in the name of said organization.
  2. “Shares with full voting rights (other)” includes 203,700 shares of the Company held by the trust account for the Board Benefit Trust (BBT), which was established to operate the stock remuneration system for Directors, etc., and “Number of voting rights” includes 2,037 units of voting rights for the shares with full voting rights held in the name of said trust.
  3. “Shares less than one unit” includes 53 treasury shares.
  4. Out of 205 shares held by YAMAKIN (JAPAN) CO., LTD., which does not have voting rights subject to reciprocal holding restriction, through the Company’s share ownership association for business partners (Furukawadenko Kyoei Mochikabukai), 200 shares are included in the column “Reciprocal holding” and five shares, which are less than one share unit, are included in “Shares less than one unit” together with 95 shares held by said share ownership association, which were to have no voting rights in conjunction with the above five shares. Accordingly, the number of shares described in “Shares less than one unit” is 100 shares more than the number of shares described in “Shares less than one unit (shares)” in the table of (5) “Shareholding by shareholder category” above.

**(ii) Treasury shares, etc.**

As of March 31, 2023

Name of shareholder	Address of shareholder	Number of shares held in own name (shares)	Number of shares held in other’ name (shares)	Total number of shares held (shares)	Shareholding ratio (%)
(Treasury shares) Furukawa Electric Co., Ltd.	2-6-4 Otemachi, Chiyoda-ku, Tokyo	50,400	–	50,400	0.07
(Reciprocal holding) YAMAKIN (JAPAN) CO., LTD. (Note)	1-8-11 Iwamotocho, Chiyoda-ku, Tokyo	71,400	200	71,600	0.10
Total	–	121,800	200	122,000	0.17

- Note Out of 205 shares held by YAMAKIN (JAPAN) CO., LTD. in the name of the Company’s share ownership association for business partners (Name: Furukawadenko Kyoei Mochikabukai; Address: 2-6-4 Otemachi, Chiyoda-ku, Tokyo), five shares are included in “Shares less than one unit” in (i) “Issued shares” above.

## **(8) Share ownership plan for Directors, etc. and employees**

The Company introduced the performance-linked stock remuneration system for Directors, etc. upon the resolution of the 194th Annual Shareholders Meeting held on June 27, 2016 and partially amended it upon the resolution of the 197th Annual Shareholders Meeting held on June 27, 2019. (The performance-linked stock remuneration system for Directors, etc. (as partially amended) is hereinafter referred to as the “System.”) The Company also established the Board Benefit Trust (hereinafter, “Trust”) to operate the System.

### 1) Overview of the System

The System is designed so that the Company’s shares of common stock (hereinafter, “Company’s shares”) are acquired through the Trust using the money which the Company contributed to the Trust, and the Company’s shares, etc. are granted to Directors excluding Outside Directors, as well as Corporate Vice Presidents and Senior Fellows excluding Directors (hereinafter, collectively “Directors, etc.”) in accordance with the Stock Benefit Regulations for Directors, etc. predetermined by the resolution of the Board of Directors.

Directors, etc. are granted a pre-determined number of points depending on their titles/positions during their term of office every year as the basis of their rights to receive the Company’s shares, etc. The number of points to be granted to qualifying Directors, etc. for receiving the Company’s shares are finalized after an adjustment for certain cases, according to the performance evaluation criteria with a performance period of pre-determined three fiscal years. The total points granted to Directors, etc. during the performance period of three fiscal years is limited to 180,000 points (equivalent to 180,000 Company’s shares). In principle, upon their retirement, Directors, etc. receive the Company’s shares, etc. from the Trust, and the number of such shares corresponds to the number of points finalized during their term of office.

Note: For more details of the Company’s stock remuneration system for Directors, etc. including the System as mentioned above, refer to “4. Corporate Governance, (4) Remuneration for Directors, etc.”

### 2) Overview of the Trust

<At the time of introduction of the System (with the performance period of three fiscal years from April 1, 2016 to March 31, 2019)>

- (i) Name: Board Benefit Trust (BBT)
- (ii) Trustor: The Company
- (iii) Trustee: Mizuho Trust & Banking Co., Ltd. (Re-trustee: Trust & Custody Services Bank, Ltd.)
- (iv) Beneficiaries: Retired Directors, etc. who fulfill beneficiary requirements under the Stock Benefit Regulations for Directors, etc.
- (v) Trust administrator: A third party with no conflicts of interest with the Company (lawyer)
- (vi) Exercise of voting rights for shares in the Trust: The voting rights of the Company’s shares in the Trust shall not be exercised as per the instructions of the trust administrator
- (vii) Type of Trust: Trust of money other than money trust (third party benefit trust)
- (viii) Date of conclusion of the Trust Agreement: August 8, 2016
- (ix) Date of establishment of the Trust: August 8, 2016
- (x) Trust term: From August 8, 2016 to the termination of the Trust (An expiry date is not set for the Trust term, and the Trust will be maintained as long as the System is maintained.)
- (xi) Acquisition of the Company’s shares by the Trust: The Company’s shares shall be acquired using the money not more than a total of ¥350 million for three fiscal years, which the Company contributes to the Trust

<After the partial amendment of the System (with the performance period of three fiscal years from April 1, 2019 to March 31, 2022 and each subsequent period of three fiscal years after the lapse of said three fiscal years)>

- (i) Name: Board Benefit Trust (BBT)
- (ii) Trustor: The Company
- (iii) Trustee: Mizuho Trust & Banking Co., Ltd. (Re-trustee: Trust & Custody Services Bank, Ltd. (currently Custody Bank of Japan, Ltd.))
- (iv) Beneficiaries: Retired Directors, etc. who fulfill beneficiary requirements under the Stock Benefit Regulations for Directors, etc.
- (v) Trust administrator: A third party with no conflicts of interest with the Company (lawyer)
- (vi) Exercise of voting rights for shares in the Trust: The voting rights of the Company’s shares in the Trust shall not be exercised as per the instructions of the trust administrator
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- (ix) Date of establishment of the Trust: August 8, 2016
- (x) Trust term: From August 8, 2016 to the termination of the Trust (An expiry date is not set for the Trust term, and the Trust will be maintained as long as the System is maintained.)
- (xi) Acquisition of the Company’s shares by the Trust: The Company’s shares shall be acquired using the money not more than a total of ¥450 million for three fiscal years, which the Company contributes to the Trust

### 3) Number of the Company’s shares acquired through the System

The Trust acquired 203,700 shares at the end of the current fiscal year.

### 4) Scope of those eligible to receive beneficiary rights and other rights under the System

Retired Directors, etc. who fulfill beneficiary requirements under the Stock Benefit Regulations for Directors, etc.



## 2. Acquisition and Disposal of Treasury Shares

Class of shares, etc.: Acquisition of common stock under Article 155, item (vii) of the Companies Act

### (1) Acquisition by resolution of Shareholders meeting

Not applicable.

### (2) Acquisition by resolution of Board of Directors meeting

Not applicable.

### (3) Acquisition not based on resolution of Shareholders meeting or Board of Directors meeting

Acquisition of common stock under Article 155, item (vii) of the Companies Act

Category	Number of shares (shares)	Total value (yen)
Number of treasury shares acquired during the current fiscal year	667	1,605,113
Number of treasury shares acquired during the current period	63	157,689

Note: “Number of treasury shares acquired during the current period” does not include treasury shares acquired through purchase of shares less than one unit during the period from June 1, 2023 until the filing date of this Annual Securities Report.

### (4) Disposal of acquired treasury shares and number of treasury shares held

Category	Current fiscal year		Current period	
	Number of shares (shares)	Total amount of disposal (yen)	Number of shares (shares)	Total amount of disposal (yen)
Treasury shares acquired for which subscribers were solicited	–	–	–	–
Treasury shares acquired that were canceled	–	–	–	–
Treasury shares acquired that were transferred for merger, share exchange, stock issuance or company split	–	–	–	–
Other (Sold upon request for additional purchase of shares less than one unit)	–	–	–	–
Number of treasury shares held	50,453	–	50,516	–

Note: “Number of treasury shares held” during the current period does not include shares less than one unit purchased and sold during the period from June 1, 2023 until the filing date of this Annual Securities Report.

### 3. Dividend Policy

The Company's capital allocation policy is to strike a balance among investments in growth and new business opportunity, improvement of balance sheet and shareholder returns, with management priority.

The Company's capital allocation policy is to strike a balance among investments in growth and new business opportunity, improvement of balance sheet and shareholder returns, with management priority.

Based on this policy, as its shareholder return policy during the period of the Medium-term Management Plan (MTMP) "Road to Vision 2030: Transform and Challenge" ending in FY2025, the Company will focus its investment in growth segments in order to increase corporate value through profit growth, and provide a return to shareholders in a stable and continuous manner. Specifically, the Company will make performance-linked dividend distribution, which is projected to be roughly 30% of profit attributable to owners of parent.

Based on the above policy, the Company will distribute the year-end dividends of ¥80 per share when the proposal of "Dividends from surplus" (as a matter to be resolved) is approved and resolved as originally proposed at the 201st Annual Shareholders Meeting to be held on June 23, 2023.

For interim dividends, the Articles of Incorporation have a provision to the effect that it may be paid by resolution of the Board of Directors to shareholders listed in the Company's register of shareholders with the record date of September 30 each year. For year-end dividends, the decision-making body is the shareholders meeting.

Dividends of surplus for FY2022 are as follows:

Date of resolution	Total amount of dividends (millions of yen)	Dividend per share (yen)
Resolution (to be made) at the Annual Shareholders Meeting to be held on June 23, 2023	5,649	80.00

## 4. Corporate Governance

### (1) Overview of corporate governance

#### 1) Basic view on corporate governance

[The Founder's Thoughts]

Mr. Ichibei Furukawa, the founder of Furukawa Group, said, based on his wish to “brighten Japan,” that “we must value employees, value customers, value new technology, and contribute to society.”

Since its foundation in 1884, Furukawa Electric has inherited these words in its DNA and has grown. We are determined to receive and pass on these three valuable things and contribute to the realization of a sustainable society as members of society who forge the future.

[Furukawa Electric Group Corporate Philosophy]

#### ■ Corporate Philosophy

Drawing on more than a century of expertise in the development and fabrication of advanced materials, we will contribute to the realization of a sustainable society through continuous technological innovation.

#### ■ Management Philosophy

With an eye to the future, the Furukawa Electric Group management team pledges to:

- Live up to the expectations and trust invested in us by society, with fairness and integrity.
- Apply the sum total of our expertise to satisfy our customers and grow with them.
- Continuously strive to achieve world-class technological innovation, and transform ourselves in every area of endeavor.
- Nurture diverse personnel at every level, so that we can become a more diverse and creative organization.

#### ■ Core Value

We have set the values we wish to particularly emphasize and enhance even further, for the achievement of Corporate Philosophy and the sustainable growth of Furukawa Electric Group, as “Core Value,” “Integrity,” “Innovation,” “Addressing Reality,” “Ownership and Speed,” and “Collaboration.”

#### ■ Furukawa Electric Group Vision 2030

We have formulated Furukawa Electric Group Vision 2030, which specifies target timeline and business domains, in response to rapid changes in the environment surrounding the Group's business.



In order to build a sustainable world and make people's life safe, peaceful and rewarding, Furukawa Electric Group will create solutions for the new generation of global infrastructure combining information, energy and mobility.

Based on the “Furukawa Electric Group Corporate Philosophy,” Furukawa Electric and Furukawa Electric Group enhance our management performance responding appropriately to changes in the business and market environment by prompt business decision making as well as with transparency and fairness. At the same time, we ensure sound management by developing and establishing an effective internal control system. With these, we will expand and develop our business on a sustainable basis and increase our corporate value. Furthermore, we seek to strengthen and enhance our corporate governance, in accordance with the followings:

- (i) We secure the rights and equal treatment of shareholders;
- (ii) We consider interests of stakeholders including shareholders, and cooperate appropriately with them;
- (iii) We ensure appropriate information disclosure and transparency;
- (iv) Given its fiduciary responsibility and accountability to shareholders, Board of Directors carries out effective oversight of management from objective standpoint, respecting the independent Directors' role for the oversight;
- (v) We engage in constructive dialogue with shareholders who have investment policies in accordance with interests of medium-to-long-term shareholders;

- 2) Corporate governance system
- (i) Overview of the corporate governance system and reasons for adopting such corporate governance system
- a. Overview of the corporate governance system

As of June 21, 2023 (filing date of this Annual Securities Report), the Board of Directors of the Company consists of 11 Directors, five of whom are Outside Directors (all of them are registered at the Tokyo Stock Exchange as independent officers). The Board of Directors is chaired by non-executive Chairperson of the Board who does not have representative rights. The Audit & Supervisory Board consists of six members, three of whom are Outside Members (all of them are registered at the Tokyo Stock Exchange as independent officers).

Note: The Company will make proposals of “Election of eleven (11) Directors” and “Election of one (1) Audit & Supervisory Board Member” as matters to be resolved at the 201st Annual Shareholders Meeting to be held on June 23, 2023. If these proposals are approved and resolved as originally proposed, the Board of Directors will consist of 11 Directors (including five Outside Directors, all of whom are registered with the Tokyo Stock Exchange as independent officers) and the Audit & Supervisory Board will consist of six members (including three Outside Audit & Supervisory Board Members, all of whom are registered with the Tokyo Stock Exchange as independent officers). Note that, if these proposals are approved and resolved as originally proposed and subsequently approved at the Board of Directors meeting to be held immediately after the end of the 201st Annual Shareholders Meeting, the duties of Chairperson of the Board will continue to be discharged by Chairman and Director.

The Outside Officers of the Company have extensive experience in financial institutions, trading companies, and business corporations or expert knowledge and experience in such areas as laws, finance/accounting, and industrial policies, etc. The Board of Directors, in making decisions, respects Outside Directors’ opinions and suggestions from diverse viewpoints based on their experience.

In light of its fiduciary responsibility and accountability to shareholders, the Board of Directors of the Company fulfills its responsibilities to promote sustainable corporate growth and the increase of corporate value over the medium-to-long-term, and enhance earnings power and capital efficiency; and therefore, do the following:

- (i) Determination of corporate governance-related matters;
- (ii) Establishment and amendment of business strategies and oversight of execution of such strategies and plans;
- (iii) Setting capital allocation policy;
- (iv) Appointment and removal of the Management including Representative Director and Corporate Vice Presidents, and determination of the remuneration of them (including delegating these to Nominating/Compensation Committee); (Note)
- (v) Establishment of an internal control system relating to compliance and financial reporting and risk management systems, and oversight of them;
- (vi) Decision on important business matters;
- (vii) Others prescribed by the applicable laws and regulations etc.

Note: Upon a request or delegation from Board of Directors, Nominating/Compensation Committee deliberates, determines and reports matters of nominating candidates for Directors and Compensation for Directors etc. For more details, refer to “Matters to be deliberated by Nominating/Compensation Committee” to be described later in this report.

At the Company, in order to facilitate timely and decisive decision-making on business execution, on the premise that corporate governance mechanisms, including the Board of Directors’ supervision of business execution, are working adequately, decision-making on certain matters related to business execution is delegated to the management within the scope permitted by laws and regulations. The specific scope of such delegation is defined in the standards for deliberation with respect to the Board of Directors and Management Committee, depending on the degree of significance.

Furukawa Electric Group’s business consists of 12 operating divisions; and business divisions were established for directing and overseeing multiple operating divisions which are closely related to each other. As for our business execution, under the control of President being the chief executive, operations are directed by General Managers of such business divisions as Communications Solutions Division, Energy Infrastructure Division, Electronics Component Material Division, Functional Products Division and Automotive Products Division. In addition, the Company has divisions to perform such head office functions as developing and implementing the Group’s business strategies/management plans, establishing and maintaining corporate governance, risk management, and other management systems, and conducting marketing and sales activities; and General Managers of respective divisions lead such functions. These General Managers, in the capacity of executive officers, serve as members of Management Committee, which is the highest decision-making body of business execution. Management Committee deliberates and determines major operational matters. Furthermore, the Committee members report the status of business execution on a quarterly basis to ensure effective communications among the executive officers, thus achieving integrated business execution. Furthermore, the status of business execution is reported to the Board of Directors on a quarterly basis.

In order to ensure functional interactions between the Board of Directors’ supervision over business execution and executive initiatives for developing the internal control system, the Company established Risk Management Committee and Sustainability Committee chaired by President. Risk Management Committee manages risks in implementing Furukawa Electric Group’s business strategies, as well as strives to establish and strengthen compliance and an internal control system. The internal control status is

regularly reported to the Board of Directors. Sustainability Committee deliberates Furukawa Electric Group's basic policy on sustainability, basic points concerning materiality of revenue opportunities/risks, and disclosures of basic information on sustainability, and also checks the progress of such matters. As for materiality of risks which are closely related to Furukawa Electric Group's business risk management, Risk Management Committee and Sustainability Committee work together for deliberations. While Auditing Department is responsible for internal audits in the Group, the Company established a framework for adequate and objective audits of the entire Furukawa Electric Group's internal control system through close cooperation between Auditing Department and Audit & Supervisory Board Members.

Audit & Supervisory Board Members conduct audits in accordance with the audit policy and audit plan decided by the Audit & Supervisory Board, and regularly report audit results to the Board of Directors and President. Regular meetings of the Audit & Supervisory Board are generally held at least once in every two months. Audit & Supervisory Board Members request Directors/employees of the Company and its subsidiaries to report on matters related to business operations, as necessary. Business divisions report to Audit & Supervisory Board Members about the status of establishing/implementing internal control, and the status of compliance and risk management, including those of subsidiaries, as necessary. Furthermore, each Audit & Supervisory Board Member attends the meetings of the Board of Directors, has interviews with the President and Representative Director and key Directors and Corporate Vice Presidents, and conduct on-site inspections (including remote auditing by using a web conference system) at each division of the Company, its business locations/branches, and R&D laboratories in accordance with the audit policy and audit plan decided by the Audit & Supervisory Board; and reports audit details and results to the Audit & Supervisory Board. Furthermore, full-time Audit & Supervisory Board Members attend Management Committee meetings, Risk Management Committee meetings, Sustainability Committee meetings, and other important meetings; and review requests for management approval and other important requests for approval, conduct on-site inspections (including remote auditing by using a web conference system) at Group companies in Japan and abroad; and report details and results of such inspections to the Audit & Supervisory Board. Auditing Department, which is responsible for internal auditing, monitors and verifies the management/operating system for overall management activities as well as the status of execution of duties from the perspective of legitimacy and efficiency; and based on such internal audit results, Auditing Department provides internal divisions and the Group companies with information, and offers advice and makes recommendations for the improvement and streamlining. In addition, to enhance audit functions, Audit & Supervisory Board Members, Accounting Auditor, and Auditing Department collaborate with each other, and exchange information and opinions. Upon request from Audit & Supervisory Board Members, the Company appointed two employees, whose independence from the management is secured, to assist Audit & Supervisory Board Members.

The Company has established Nominating/Compensation Committee to ensure the objectivity and transparency of deliberations and decision-making procedures concerning the nomination of Directors, etc. and their remuneration, etc. The Committee shall consist of at least five members (the majority being Outside Directors) appointed from Directors by resolution of the Board of Directors. As of June 21, 2023 (filing date of this Annual Securities Report), the Committee has eight members; namely Osamu Tsukamoto (Outside Director), Takashi Tsukamoto (Outside Director/Committee Chair), Yoshiro Miyokawa (Outside Director), Yukiko Yabu (Outside Director), Tamotsu Saito (Outside Director), Keiichi Kobayashi (Chairman and Director), Hideya Moridaira (President and Representative Director), and Mitsuyoshi Shibata (Director).

Note that the Company will make a proposal of "Election of eleven (11) Directors" as a matter to be resolved at the 201st Annual Shareholders Meeting to be held on June 23, 2023. If this proposal is approved and resolved as originally proposed and subsequently approved at the Board of Directors meeting to be held immediately after the end of the 201st Annual Shareholders Meeting, the Committee members will have seven members, namely Osamu Tsukamoto (Outside Director), Takashi Tsukamoto (Outside Director), Yoshiro Miyokawa (Outside Director), Yukiko Yabu (Outside Director), Tamotsu Saito (Outside Director), Keiichi Kobayashi (Chairman and Director), and Hideya Moridaira (President and Representative Director). In addition, Nominating/Compensation Committee will continue to be chaired by Takashi Tsukamoto (Outside Director) upon approval at Nominating/Compensation Committee to be held immediately after the Board of Directors meeting as mentioned above.

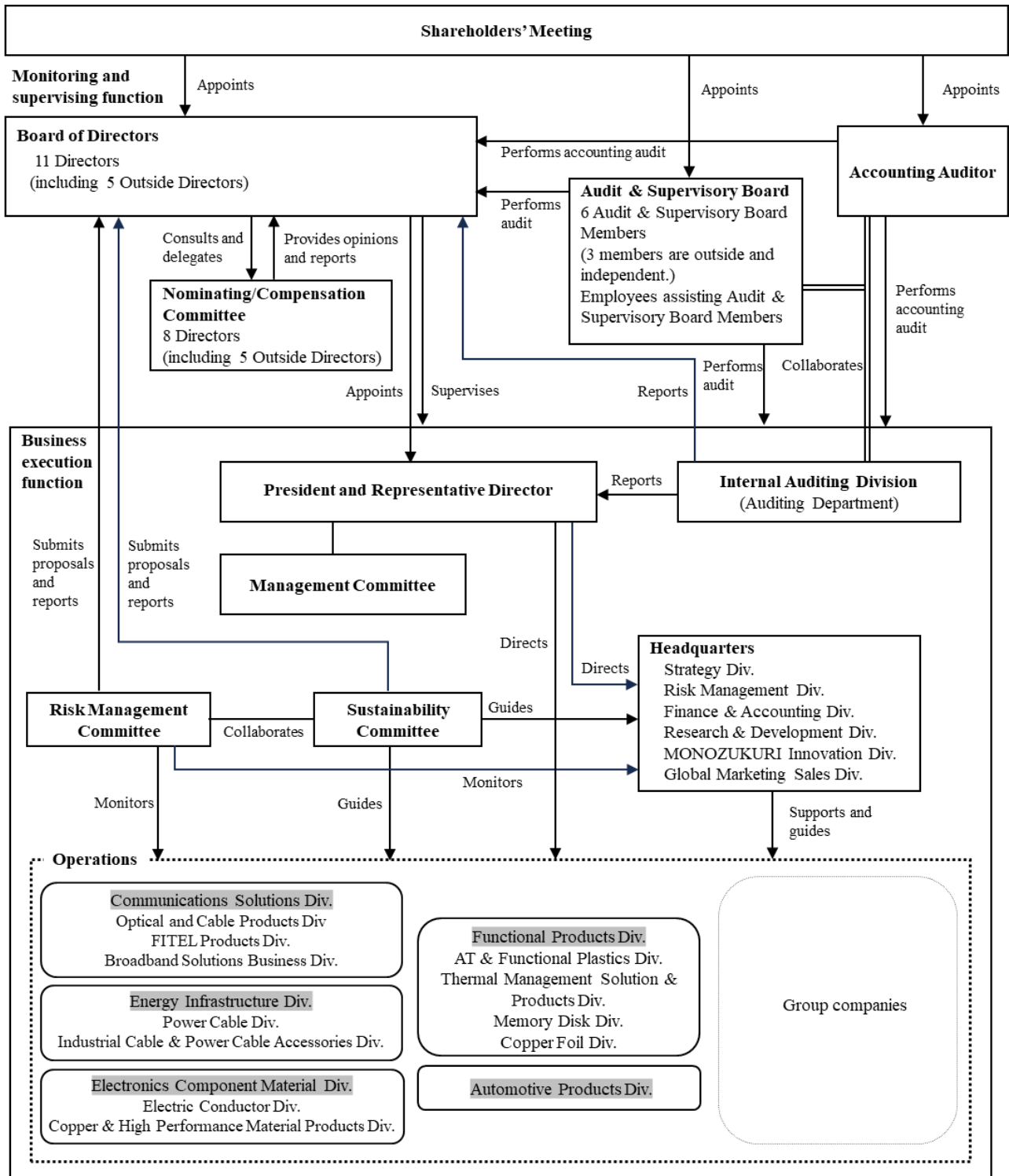
The following are the matters deliberated by Nominating/Compensation Committee.

<Matters to be deliberated by Nominating/Compensation Committee>

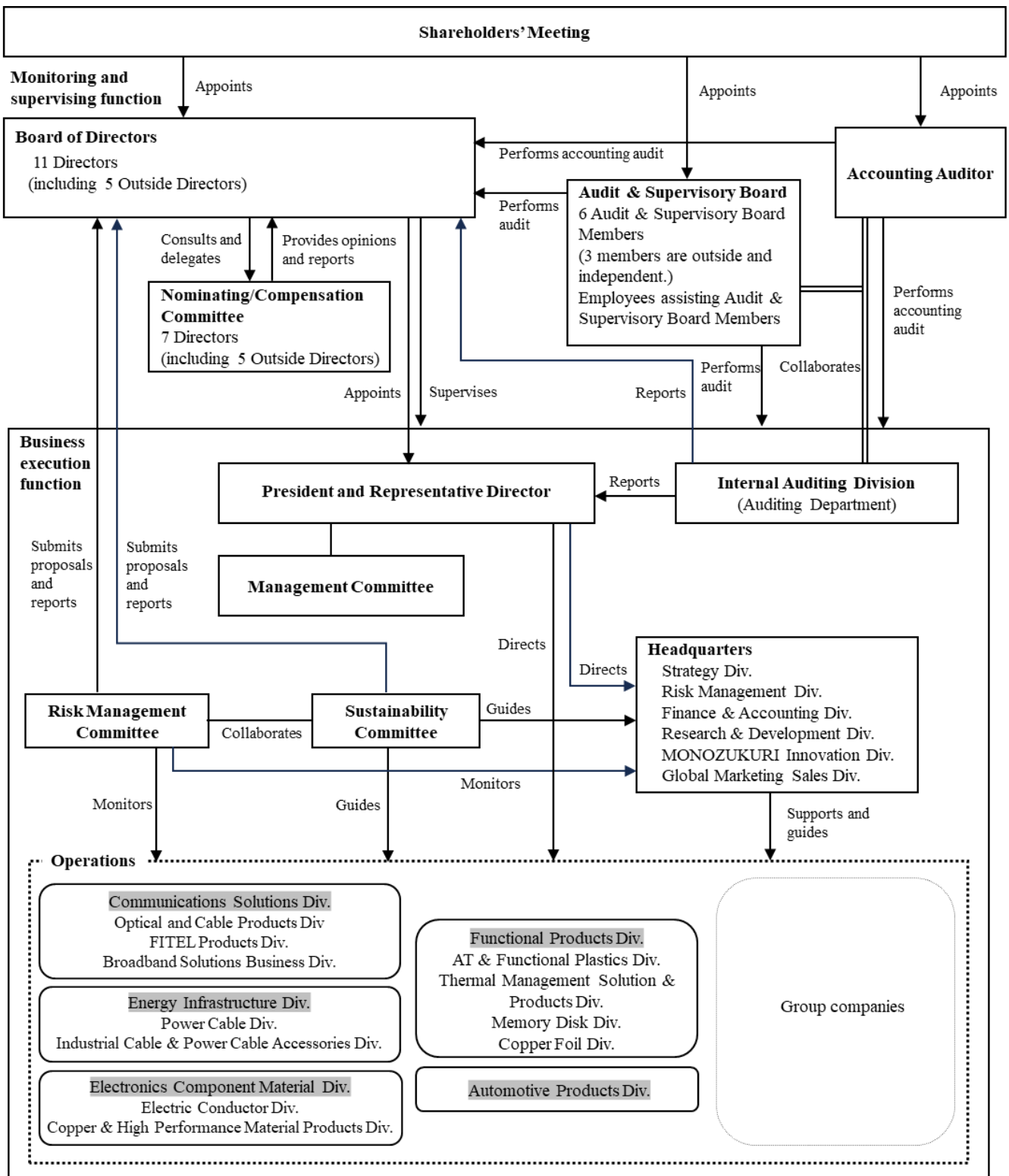
- (1) Nominating/Compensation Committee deliberates the following matters in response to inquiries from the Board of Directors, and reports the results to the Board:
  - (i) Proposal for shareholders' meeting concerning election/removal of Directors and Audit & Supervisory Board Members
  - (ii) Appointment/dismissal of Representative Director, Chairman of the Board, and President
  - (iii) Appointment/removal of Corporate Vice Presidents
  - (iv) Appointment/dismissal of senior Corporate Vice Presidents (Corporate Senior Executive Vice President, Corporate Executive Vice President, and Corporate Senior Vice President)

- (v) Policy about Remuneration of Directors and Corporate Vice Presidents
- (2) Nominating/Compensation Committee deliberates and determines the following matters delegated by the Board of Directors:
  - (i) Evaluation of Directors and Corporate Vice Presidents
  - (ii) System concerning remuneration, etc. for Directors and Corporate Vice Presidents based on the policy decided by the Board of Directors following the report set forth in item (v) of the above section (1)
  - (iii) Details of remuneration, etc. for individual Directors and Corporate Vice Presidents based on the policy decided by the Board of Directors following the report set forth in item (v) of the above section (1)
  - (iv) Proposal for shareholders' meeting concerning remuneration, etc. for Directors and Audit & Supervisory Board Members
  - (v) Guidelines on remuneration, etc. for representatives of affiliated companies
  - (vi) Policy on the term of office for Directors and Corporate Vice Presidents and the treatment after they leave office
  - (vii) Content of draft proposal on appointment/removal of Special Advisers/Honorary Advisers and their remuneration
  - (viii) Content of succession plans for the management
- (3) Nominating/Compensation Committee deliberates and determines program details and policies on training for Directors, Audit & Supervisory Board Members, and Corporate Vice Presidents.

<Schematic Diagram of Corporate Governance System as of June 21, 2023 (filing date of this Annual Securities Report)>



Note: The Company will make a proposal of “Election of eleven (11) Directors” as a matter to be resolved at the 201st Annual Shareholders Meeting to be held on June 23, 2023. If this proposal is approved and resolved as originally proposed and subsequently approved at the Board of Directors meeting to be held immediately after the end of the 201st Annual Shareholders Meeting, Nominating/Compensation Committee will consist of 7 Directors and the schematic diagram of Corporate Governance System will be as shown as below.





b. Reason for adopting the above corporate governance system

The Company adopted the current corporate governance system (in the organizational form of Company with the Audit & Supervisory Board), believing that the effectiveness of auditing Directors' execution of duties is secured by institutionally maintaining the independence of the Audit & Supervisory Board and its Members from the Board of Directors, while ensuring their cooperation with Accounting Auditor and internal audit division. Furthermore, to complement the supervisory function of the Board of Directors, the Company established Nominating/Compensation Committee. The Committee consists of at least five members (where Outside Directors comprises a majority) who are chosen among Directors by resolution of the Board of Directors; and the Committee Chair is, in principle, selected from Outside Directors by the Committee members.

(ii) Status of development of internal control system

The Company believes that internal control is intended for maintaining/improving the efficiency of execution of duties, ensuring compliance, risk management, information management and group company management, and established and implements the internal control system as follows:

a. Efficient execution of duties

After management targets are set in budgets, each executive officer fulfills his/her duties to achieve such targets, and regularly reports the progress to the Board of Directors. Such achievements are adequately reflected in his/her remuneration. As for matters to be decided by the Board of Directors or Management Committee, or by means of requests for management approval, the Company established detailed and specific standards for deliberations. The Company has in place internal rules to clarify administrative authorities of executive officers and General Managers, as well as division of duties; and also has a mechanism to constantly review them upon an organizational change and the like.

b. Compliance system

The Company regards "Furukawa Electric Group Corporate Philosophy" and "Furukawa Electric Group CSR Code of Conduct" as the basis for complying with ethical standards as well as laws and regulations; and according to the "Compliance Regulations", the Company promotes such compliance activities as internal education and programs to prevent/detect legal violations, while Risk Management Committee chaired by President and Risk Management Division play central roles. Each division appoints a risk management officer, who is responsible for effectively promoting risk management activities, including compliance, within the division. Especially, to prevent a recurrence of cartel behavior, the Company has reinforced the control over contacts with other companies in the same industry and the pricing procedures, and strengthened oversight by receiving advice from external experts from time to time. The Company also introduced a whistleblowing system, aiming at early detection and correction of compliance violations. Furthermore, Auditing Department, which is responsible for internal audits, monitors the execution of duties in each division, verifies whether the internal control system, including the compliance system, is working effectively, and reports the results to the management.

c. Risk management system

The Company stipulated its risk management system and management method in the "Basic Regulations on Risk Management and Internal Control", and Risk Management Committee identifies overall risks associated with Furukawa Electric Group's business operations, and verifies the adequacy of such risk assessment and risk management methods. The Committee focuses mainly on addressing major risks associated with compliance at affiliated companies and internal divisions, large-scale disasters, information security, and infectious diseases, etc., while putting emphasis on managing significant risks in such areas as disaster prevention & business continuity management, quality management, health & safety, and environment preservation by establishing special committees. In addition to the above-mentioned framework, when an important decision is to be made by the Board of Directors or Management Committee, or by means of requests for management approval, expected risks associated with the subject in question are clarified in the reference material, and the decision is made only upon recognizing such risks.

d. Information management system

Records and documents related to important decisions by the Board of Directors, Management Committee, or via requests for management approval are properly managed/retained in accordance with laws and regulations as well as the Company's "Regulations on Retention of Documents". As for other information on the execution of duties, from the perspective of the importance as information assets and the necessity for protection, the Company established uniform standards and has implemented an information management system.

e. Group company management

In accordance with the "Regulations on Group Management Control", an administrative manager is appointed at each Group company; and the Company requests the Group companies to regularly report information necessary for grasping their business conditions, provides guidance on business management, and requires them to obtain the Company's approval before making decisions on certain matters. Budgets are prepared for the entire Group, setting specific management targets to be achieved by subsidiaries. As for the risk management at subsidiaries, Risk Management Division plays a central role to provide training, advice, and guidance on risk management, internal control, and compliance. Subsidiaries are required to appoint their own compliance officers. The Company sends part-time officers to key Group companies, and monitors overall management, including compliance and risk management, of the Group companies through audits by the Company's Audit & Supervisory Board Members and Auditing

Department.

f. Securing appropriateness of financial reporting

In accordance with the “Basic Regulations on Risk Management and Internal Control”, the Company established “Furukawa Electric Group Basic Policy for the development and evaluation of an internal control system, to ensure the appropriateness of financial reporting” (J-SOX Core Policy), and clarified the establishment, development, and operation of the internal control system, monitoring mechanism, and responsibilities. As for preparation and submission of the Internal Control Reports stipulated in the Financial Instruments and Exchange Act, the Company established J-SOX Council for deliberations of important matters, aiming at maintaining and improving the reliability of the Group’s financial reporting.

(iii) Status of the development of risk management system

Refer to “(ii) Status of development of internal control system, c. Risk management system” as described above..

(iv) Basic views on eliminating anti-social forces

a. Basic views

As described in “Furukawa Electric Group CSR Code of Conduct”, the Company’s basic views are as follows: “Adopt a resolute approach to and cut off all relations with antisocial individuals or groups.”

b. Establishment of relevant structure

As mentioned above, the Company described its basic approach in “Furukawa Electric Group CSR Code of Conduct” and ensures that all officers and employees follow the approach. The Company designated Administration Department, Risk Management Division as the department in charge, and appointed an officer in charge of preventing unreasonable demands, who completed the training course sponsored by the Tokyo Metropolitan Public Safety Commission. Moreover, the Company is a member of the Federation on Prevention of Special Organized Crimes (TOKUBOREN) under the Tokyo Metropolitan Police Department, and collects information through TOKUBOREN bulletins and TOKUBOREN news. In addition, the officer in charge of preventing unreasonable demand participates in TOKUBOREN’s national workshop, and regional workshop and regular meetings in order to collect the latest information and closely collaborate with TOKUBOREN and neighboring companies.

(v) Outline of the limited liability agreements

The Company has agreements to limit liabilities under Article 423, paragraph (1), of the Companies Act with Outside Directors and Outside Audit & Supervisory Board Members. The upper limit of liabilities under this agreement is the statutory lower limit.

(vi) Overview of indemnity agreement

The Company has concluded an indemnity agreement set forth in Article 430-2, paragraph (1) of the Companies Act with each of Directors and Audit & Supervisory Board Members.

The indemnity agreement specifies that the Company shall compensate for expenses set forth in item (i) and losses set forth in item (ii) of paragraph (1) of the above-mentioned Article to the extent prescribed by laws and regulations. However, in the indemnity agreement, if bad faith or gross negligence on the part of officers was found in relation to their execution of duties, the Company may claim refund of compensation; as such, the Company has taken measures for maintaining the adequacy of the execution of duties of officers.

(vii) Overview of directors and officers liability insurance agreement

The Company purchased a Directors and Officers Liability Insurance (D&O Insurance) policy, which covers Directors, Audit & Supervisory Board Members, and Corporate Vice Presidents, etc. (including those who retired on March 31, 1994 and thereafter) and their successors.

This insurance policy covers claims against insured Directors, etc. on the basis of their legal liability for damages caused by their actions (including failure to act) relating to their execution of duties, and litigation expenses that are incurred due to the liability claims against Directors, etc. However, there are some exclusions, for example, a case where the insured knowingly committed an illegal act. The Company bears all of the insurance premium.

3) Number of directors and requirements for resolution to elect Directors

The Articles of Incorporation have a provision to the effect that the Company shall have no more than twenty (20) directors. In addition, the Articles of Incorporation have provisions to the effect that the resolutions for the election of directors shall be adopted when shareholders who are able to exercise their voting rights possessing one-third or more of total voting rights are present, and by the votes of a majority of voting rights of shareholders present; and that the election of directors shall not be made by cumulative vote.

- 4) Matters to be resolved at Shareholders Meeting that may be resolved by the Board of Directors and reasons therefor as well as details of changes in requirements for special resolution at Shareholders Meeting and reasons therefor
- (i) Acquisition of treasury shares  
The Articles of Incorporation have a provision to the effect that, in accordance with the provisions of Article 165, paragraph (2), of the Companies Act, the Company may acquire its own shares through market transactions and other methods by resolution by the Board of Directors pursuant to paragraph (1) of said Article for the purpose of enabling the Company to implement a flexible capital policy.
- (ii) Interim dividends  
The Articles of Incorporation have a provision to the effect that, in accordance with the provisions of Article 454, paragraph (5) of the Companies Act, the Company may be paid interim dividends by resolution of the Board of Directors to such shareholders and registered share pledgees as are entered or recorded in the latest register of shareholders on September 30 each year for the purpose of enabling the Company to implement flexible shareholder return measures.
- (iii) Exemption of liability for Directors and Audit & Supervisory Board Members  
The Articles of Incorporation have a provision to the effect that, pursuant to the provisions of Article 426, paragraph (1), of the Companies Act, the Company may indemnify Directors (including those who have served as directors in the past) and Audit & Supervisory Board Members (including those who have served as Audit & Supervisory Board Members in the past) for liabilities for damages for negligence of duty within the scope permitted by laws and regulations and upon a resolution by the Board of Directors for the purpose of enabling Directors and Audit & Supervisory Board Members to fulfill their expected roles in performing their duties.
- (iv) Requirements for special resolution at Shareholders Meeting  
The Articles of Incorporation have a provision to the effect that the special resolution provided in Article 309, paragraph (2) of the Companies Act shall be adopted when shareholders who are able to exercise their voting rights possessing one-third or more of total voting rights are present, and by the votes of two-thirds or more of voting rights of shareholders present for the purpose of operating shareholders meeting more smoothly by relaxing the quorum for special resolution at a shareholders meeting.
- 5) Activities of Board of Directors and Nominating/Compensation Committee (FY2022)
- (i) Activities of Board of Directors  
During FY2022, Board of Directors met 17 times to make decisions on important business execution, check the progress of the medium-term business plan and achievement of management targets, including fiscal budgets, and also have deliberations on corporate governance and other fundamental matters related to business management. Name and attendance to the Board of Directors meetings of each Director were as shown below.

Name	Attendance to Board of Directors meetings (number/rate of attendance)
Mitsuyoshi Shibata (Chairman and Director)	17 out of 17 (100%)
Keiichi Kobayashi (President and Representative Director)	17 out of 17 (100%)
Osamu Tsukamoto (Outside Director)	17 out of 17 (100%)
Takashi Tsukamoto (Outside Director)	17 out of 17 (100%)
Yoshiro Miyokawa (Outside Director)	17 out of 17 (100%)
Yukiko Yabu (Outside Director)	16 out of 17 (94.1%)
Tamotsu Saito (Outside Director)	17 out of 17 (100%)
Satoshi Miyamoto (Director and Corporate Executive Vice President, General Manager of Strategy Division)	17 out of 17 (100%)
Akihiro Fukunaga (Director and Corporate Senior Vice President, General Manager of Finance & Accounting Division)	17 out of 17 (100%)
Hideya Moridaira (Director and Corporate Senior Vice President, General Manager of Communications Solutions Division)	13 out of 13 (100%)
Yoshio Masutani (Director and Corporate Senior Vice President, General Manager of Global Marketing Sales Division)	13 out of 13 (100%)

Note: Since Mr. Hideya Moridaira and Mr. Yoshio Masutani were newly elected at the 200th Annual Shareholders Meeting held on June 23, 2022, the number of the eligible Board of Directors meetings is different from that for other members of the Board of Directors.

- (ii) Activities of Nominating/Compensation Committee  
During FY2022, Nominating/Compensation Committee met 9 times. The primary matters deliberated at the Committee meetings were the management execution system from April 2023 for Nomination and the executive compensation system for Compensation. Name and attendance to the Committee meetings of each member were as shown below.

Chair	Name	Attendance to Nominating/Compensation Committee meetings (number/rate of attendance)
	Osamu Tsukamoto (Outside Director)	9 out of 9 (100%)
○	Takashi Tsukamoto (Outside Director)	9 out of 9 (100%)
	Yoshiro Miyokawa (Outside Director)	9 out of 9 (100%)
	Yukiko Yabu (Outside Director)	9 out of 9 (100%)
	Tamotsu Saito (Outside Director)	9 out of 9 (100%)
	Mitsuyoshi Shibata (Chairman and Director)	9 out of 9 (100%)
	Keiichi Kobayashi (President and Representative Director)	8 out of 9 (88.9%)

**(2) Directors and other officers**

## 1) List of officers

(i) Directors and Audit &amp; Supervisory Board Members as of June 21, 2023 (filing date of this Annual Securities Report) are as follows:

Male: 15, Female: 2 (Ratio of female officers: 11.8%)

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Chairman and Director	Keiichi Kobayashi	June 24, 1959	April 1985	Joined Furukawa Electric Co., Ltd.	(Note 3)	93
			April 2014	Corporate Vice President and General Manager of Copper & High Performance Material Products Division		
			April 2015	Corporate Senior Vice President, Advisor of Automotive Electronics Material Business, and General Manager of Copper & High Performance Material Products Division		
			June 2015	Director and Corporate Senior Vice President, Advisor of Automotive Electronics Material Business, and General Manager of Copper & High Performance Material Products Division		
			April 2016	Representative Director and Corporate Executive Vice President, General Manager of Global Marketing Sales Division		
			April 2017	President and Representative Director		
			April 2023	Chairman and Director (present post)		
			Important Concurrent Post Outside Director of NTT DATA Japan Preparation Corporation (to be renamed as NTT DATA Japan Corporation on July 1, 2023)			
President and Representative Director	Hideya Moridaira	July 13, 1965	April 1990	Joined Furukawa Electric Co., Ltd.	(Note 3)	36
			March 2011	Manager of Strategic Planning Group, Intellectual Property Department		
			April 2013	Assistant Section Chief of Corporate Planning Section, Strategy Division		
			April 2014	Section Chief of Corporate Planning Section, Strategy Division		
			April 2016	General Manager of Planning & Administration Department, Communications Solutions Division		
			April 2017	Deputy General Manager of Communications Solutions Division, General Manager of Planning & Administration Department (concurrent posts)		
			Feb. 2020	General Manager of Optical Fiber & Cable Products Division in Communications Solutions Division		
			April 2020	Corporate Vice President, General Manager of Optical Fiber & Cable Products Division in Communications Solutions Division		
			April 2021	Corporate Vice President, General Manager of Communications Solutions Division, General Manager of Optical Fiber & Cable Products Division (concurrent posts)		
			May 2021	Corporate Vice President, General Manager of Communications Solutions Division		
			April 2022	Corporate Senior Vice President, General Manager of Communications Solutions Division		
			June 2022	Director and Corporate Senior Vice President, General Manager of Communications Solutions Division		
		April 2023	President and Representative Director (present post)			

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Director	Osamu Tsukamoto	June 11, 1953	April 1977	Joined the Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)	(Note 3)	5
			July 2003	Deputy Director-General for Regional Economic and Industrial Policy Group, and Agency for Natural Resources and Energy		
			June 2004	Director-General for Manufacturing Industries Bureau		
			July 2006	Deputy Director-General for Technology Policy Coordination		
			July 2008	Director-General, Kanto Bureau for Economy, Trade and Industry		
			July 2009	Director-General for Regional Economic and Industrial Policy		
			July 2010	Retire from office		
			Oct. 2010	Distinguished Professor of Tokyo University of Science		
				Advisor of Furukawa Electric Co., Ltd. (part-time)		
			June 2013	Director (Outside) of Furukawa Electric Co., Ltd. (present post)		
			March 2014	Retire from Distinguished Professor of Tokyo University of Science		
			June 2014	President of Japan Coal Energy Center (currently JAPAN CARBON FRONTIER ORGANIZATION, present post)		
			Important Concurrent Post President of JAPAN CARBON FRONTIER ORGANIZATION			

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (hundreds of shares)	
Director	Takashi Tsukamoto	August 2, 1950	April 1974	Joined The Dai-Ichi Kangyo Bank., Ltd. (currently Mizuho Bank, Ltd.)	(Note 3)	42
			April 2002	Executive Officer / General Manager of Human Resources Division of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)		
			March 2003	Managing Executive Officer / Head of Risk Management Group and Head of Human Resources Group of Mizuho Financial Group, Inc.		
			April 2004	Managing Executive Officer / Head of Europe, Middle East and Africa of Mizuho Corporate Bank, Ltd.		
			March 2006	Managing Director / Chief Strategy Officer and Chief Financial Officer of Mizuho Corporate Bank, Ltd.		
			April 2007	Deputy President of Mizuho Corporate Bank, Ltd.		
			April 2008	Deputy President-Executive Officer / Head of Financial Control and Accounting Group of Mizuho Financial Group, Inc.		
			June 2008	Deputy President / Head of Financial Control and Accounting Group of Mizuho Financial Group, Inc.		
			April 2009	President & CEO of Mizuho Financial Group, Inc.		
			June 2011	Chairman of Mizuho Financial Group, Inc. and President & CEO of Mizuho Bank, Ltd.		
			July 2013	Chairman of Mizuho Financial Group, Inc. and Chairman of Mizuho Bank, Ltd.		
			Nov. 2013	Chairman of Mizuho Financial Group, Inc.		
			April 2014	Senior Advisor of Mizuho Financial Group		
			April 2017	Honorary Advisor of Mizuho Financial Group (present post)		
			June 2017	Outside Audit & Supervisory Board Member of Furukawa Electric Co., Ltd.		
June 2021	Director (Outside) of Furukawa Electric Co., Ltd. (present post)					
Important Concurrent Post						
Honorary Advisor of Mizuho Financial Group						
Director (Outside) of Asahi Mutual Life Insurance Company						
Director (Outside) of AEON CO., LTD.						
Director (Outside) of Internet Initiative Japan Inc.						

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Director	Yoshiro Miyokawa	December 28, 1952	<p>April 1975 Jan. 2003 Sept. 2004 April 2005 Sept. 2005 April 2006 April 2008 June 2008 June 2011 June 2013 June 2017 June 2019</p>	<p>Joined Yamanouchi Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.) General Manager, Business Process Innovation Promotion Department, Yamanouchi Pharmaceutical Leader, Integration Secretariat, Merger Preparatory Committee, Group Strategy Planning Department, Yamanouchi Pharmaceutical General Manager, Integration Promotion Department, Astellas Pharma Inc. Executive Officer and General Manager, Business Innovation Department, Astellas Pharma Inc. Executive Officer and General Manager, Human Resources Department, Astellas Pharma Inc. Executive Officer and Chief Administrative Officer, Astellas Pharma Inc. Senior Executive Officer and Chief Administrative Officer, Astellas Pharma Inc. Vice President, Executive Officer and Chief Administrative Officer, Astellas Pharma Inc. Representative Director &amp; Vice President, Chief Administrative Officer, and Chief Compliance Officer, Astellas Pharma Inc. Retired from Astellas Pharma Inc. Director (Outside) of Furukawa Electric Co., Ltd. (present post)</p>	(Note 3)	27
Director	Yukiko Yabu	June 23, 1958	<p>April 1981 Jan. 2006 Jan. 2011 April 2012 April 2013 March 2014 June 2014 June 2015 June 2016 June 2019 June 2021</p>	<p>Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation) Director of Lifestyle Value Research Laboratory, R&amp;D Headquarters, Home Appliances Company, Matsushita Electric Industrial Co., Ltd. Director of Global Consumer Research Center, Corporate Brand Strategy Division, Panasonic Holdings Corporation Director of Consumer Research Center, Global Consumer Marketing Sector, Panasonic Holdings Corporation Director and Group Manager responsible for consumer research at the Global Marketing Planning Center, Appliances Company, Panasonic Holdings Corporation Retired from Panasonic Holdings Corporation Director (Outside) of DUSKIN CO., LTD. Director (Outside) of TAKARA HOLDINGS INC. Director (Outside) of DAIWA HOUSE INDUSTRY CO., LTD. (present post) Director (Outside) of Furukawa Electric Co., Ltd. (present post) Director (Outside), Audit &amp; Supervisory Committee Member of IBIDEN CO., LTD. (present post)</p>	(Note 3)	17
			<p>Important Concurrent Post Director (Outside) of DAIWA HOUSE INDUSTRY CO., LTD. Director (Outside), Audit &amp; Supervisory Committee Member of IBIDEN CO., LTD.</p>			

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Director	Tamotsu Saito	July 13, 1952	<p>April 1975   Joined Ishikawajima-Harima Heavy Industries Co., Ltd (currently IHI Corporation)</p> <p>June 2006   Executive Officer, Vice President of Aero-Engine &amp; Space Operations of Ishikawajima-Harima Heavy Industries Co., Ltd.</p> <p>Jan. 2008   Executive Officer, President of Aero-Engine &amp; Space Operations of IHI Corporation</p> <p>April 2008   Director, Executive Officer, President of Aero-Engine &amp; Space Operations of IHI Corporation</p> <p>April 2009   Director, Managing Executive Officer, President of Aero-Engine &amp; Space Operations of IHI Corporation</p> <p>April 2011   Executive Vice President of IHI Corporation</p> <p>April 2012   President, Chief Executive Officer of IHI Corporation</p> <p>April 2016   Chairman of the Board, Chief Executive Officer of IHI Corporation</p> <p>April 2017   Chairman of the Board of IHI Corporation</p> <p>April 2020   Director of IHI Corporation</p> <p>June 2020   Senior Counselor of IHI Corporation (present post)</p> <p>June 2021   Director (Outside) of Furukawa Electric Co., Ltd. (present post)</p>	<p>Important Concurrent Post</p> <p>Senior Counselor of IHI Corporation</p> <p>Director (Outside) of Oki Electric Industry Company, Limited</p> <p>Director (Outside) of KAJIMA CORPORATION</p>	(Note 3)	7
Director and Corporate Executive Vice President, and General Manager of Strategy Division	Satoshi Miyamoto	February 20, 1962	<p>April 1984   Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)</p> <p>July 1999   Director, Information Disclosure Promotion Office, Public Relations Office, Minister's Secretariat, Ministry of International Trade and Industry</p> <p>June 2001   Deputy Director, Japan External Trade Organization (JETRO) New York Center</p> <p>June 2004   Director, Commodity Derivatives Division, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry</p> <p>April 2006   CANON Inc. (exchange via Act on Personnel Exchange Between the Government Sector and Private Enterprises)</p> <p>June 2010   Counselor to the Commissioner of the Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry</p> <p>April 2011   Councilor for Policy Evaluation, Minister's Secretariat, Ministry of Economy, Trade and Industry</p> <p>Feb. 2012   Councilor, Minister's Secretariat, Ministry of Economy, Trade and Industry (Manufacturing Industries Bureau)</p> <p>June 2013   Deputy Chairman, JETRO</p> <p>Oct. 2015   Deputy Commissioner of the Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry</p> <p>June 2016   Commissioner of the Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry</p> <p>July 2017   Retired from Ministry of Economy, Trade and Industry</p> <p>Nov. 2017   Advisor (full-time), Furukawa Electric Co., Ltd.</p> <p>April 2018   Corporate Vice President, and General Manager of Administration &amp; CSR Division</p> <p>April 2019   Corporate Senior Vice President, and General Manager of Administration &amp; CSR Division</p> <p>June 2019   Director and Corporate Senior Vice President, and General Manager of Administration &amp; CSR Division</p> <p>April 2021   Director and Corporate Senior Vice President, and General Manager of Business Basis Transformation Division</p> <p>April 2022   Director and Corporate Executive Vice President, and General Manager of Strategy Division (present post)</p>		(Note 3)	33



Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Director and Corporate Senior Vice President, and General Manager of Finance & Accounting Division	Akihiro Fukunaga	January 29, 1964	April 1986 Nov. 2005 Aug. 2009 Aug. 2011 June 2013 Nov. 2013 April 2016 April 2018 April 2019 June 2019 April 2021 April 2022	Joined Furukawa Electric Co., Ltd. Senior Vice President and Chief Financial Officer of OFS Fitel, LLC Manager of Corporate Tax Section, Finance & Accounting Department Manager of Corporate Accounting Section, Finance & Accounting Department Manager of Corporate Accounting and Tax Section, Finance & Accounting Department, Finance & Procurement Division General Manager of Global Group Management Office, Global Group Management Division General Manager of Finance & Accounting Department, Finance & Procurement Division Corporate Vice President and General Manager of Global Management Division Corporate Vice President and General Manager of Finance & Global Management Division Director and Corporate Vice President and General Manager of Finance & Global Management Division Director and Corporate Senior Vice President and General Manager of Finance & Global Management Division Director and Corporate Senior Vice President and General Manager of Finance & Accounting Division (present post)	(Note 3)	50
Director and Corporate Senior Vice President, and General Manager of Global Marketing Sales Division	Yoshio Masutani	September 29, 1965	April 1989 July 1993 Oct. 1998 April 2011 April 2013 April 2015 July 2015 April 2017 April 2018 April 2020 April 2021 April 2022 June 2022	Joined Okura & Co., Ltd. Okura & Co. UK Ltd. Joined Furukawa Electric Co., Ltd. General Manager of Overseas Sales Department, Communications Company General Manager of Overseas Sales Department, Environment/Infrastructure Sales Division, Sales Marketing Division General Manager of Overseas Sales Department, Global Business Division, and General Manager of Overseas Sales Department, Environment/Infrastructure Sales Division, Sales Marketing Division Deputy General Manager of Copper Foil Division, and General Manager of Sales Department, Copper Foil Division General Manager of Planning & Administration Department, Global Marketing Sales Division General Manager of Group Marketing Department, Global Marketing Sales Division Corporate Vice President, General Manager of Business Innovation Design Department, Global Marketing Sales Division Corporate Vice President, Deputy General Manager of Corporate Strategy & Direction Division, General Manager of Social Design & New Business Development Department, General Manager of OneF Mobility Business Development Team Corporate Senior Vice President, General Manager of Global Marketing Sales Division Director and Corporate Senior Vice President, General Manager of Global Marketing Sales Division (present post)	(Note 3)	38

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Director	Mitsuyoshi Shibata	November 5, 1953	<p>April 1977 June 2008 Jan. 2009 June 2009 June 2010 April 2012 Nov. 2013 April 2016 April 2017 April 2023</p>	<p>Joined Furukawa Electric Co., Ltd. Corporate Vice President, General Manager of Corporate Planning Department Corporate Vice President and Vice President of Metals Company Corporate Senior Vice President and President of Metals Company Director and Corporate Senior Vice President, President of Metals Company President and Representative Director President and Representative Director, General Manager of Global Group Management Division President and Representative Director Chairman and Director Director (present post)</p>	(Note 3)	78
			<p>Important Concurrent Post Director (Outside) of ISUZU MOTORS LIMITED Director (Outside) of TOBU RAILWAY CO., LTD. Statutory Auditor (Outside) of Asahi Mutual Life Insurance Company</p>			
Audit & Supervisory Board Member (full-time)	Nozomu Amano	July 15, 1956	<p>April 1980 June 2004 June 2008 March 2009 June 2010 April 2012 April 2013 April 2014 April 2018 June 2018</p>	<p>Joined Furukawa Electric Co., Ltd. General Manager of Legal Department General Manager of HR &amp; Administration Department General Manager of HR &amp; Administration Department and General Manager of Corporate Business Research Department Director and Corporate Vice President, CSO Director and Corporate Vice President, CSRO Director and Corporate Vice President, General Manager of Administration &amp; CSR Division Director and Corporate Senior Vice President, General Manager of Administration &amp; CSR Division Director Audit &amp; Supervisory Board Member (present post)</p>	(Note 4)	63

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Audit & Supervisory Board Member (full-time)	Yoshiaki Mizota	April 1, 1959	April 1983	Joined Furukawa Electric Co., Ltd.	(Note 5)	56
			Sept. 2001	General Manager of Chiba Telecommunications Manufacturing Department, Optcom Business Division		
			June 2002	General Manager of Mie Telecommunications Manufacturing Department, Optcom Business Division		
			Oct. 2003	General Manager of Mie Telecommunications Manufacturing Department, Telecommunications Company		
			March 2006	General Manager of Technology Development Department, Telecommunications Company		
			March 2007	General Manager of Fiber & Cable Manufacturing Department, Telecommunications Company		
			Aug. 2010	Director and Senior Vice President, OFS Fitel, LLC		
			April 2011	Corporate Vice President of Furukawa Electric Co., Ltd., Director and Senior Vice President of OFS Fitel, LLC		
			April 2012	Corporate Vice President, General Manager of Fiber & Cable Business Division, Telecommunications Company		
			April 2013	Corporate Vice President, General Manager of the Fiber & Cable Business Division and General Manager of the Electron Beam Business Division		
			April 2015	Corporate Vice President, General Manager of Production Technology Division		
			April 2017	Corporate Vice President, General Manager of MONOZUKURI Innovation Division		
April 2018	Corporate Senior Vice President and General Manager of MONOZUKURI Innovation Division					
April 2019	Advisor, MONOZUKURI Innovation Division					
June 2019	Audit & Supervisory Board Member (full-time) (present post)					
Important Concurrent Post			Director (Outside) of ASAHI-SEIKI MANUFACTURING CO., LTD.			
Audit & Supervisory Board Member (full-time)	Masao Terauchi	October 28, 1961	April 1984	Joined Furukawa Electric Co., Ltd.	(Note 4)	44
			Oct. 2006	Production Control Group Manager of Semiconductor Devices Department, FITEL Products Division, Communications Company		
			May 2009	Assistant Manager of Procurement Department		
			June 2009	General Manager of Procurement Department		
			April 2013	Assistant Manager of Planning Unit, Electric Conductor Division		
			June 2013	President of PT Tembaga Mulia Semanan Tbk		
			April 2017	Corporate Vice President, President of PT Tembaga Mulia Semanan Tbk		
			June 2017	Corporate Vice President, General Manager of Electric Conductor Division, Electronics Component Materials Division		
			April 2018	Corporate Vice President, General Manager of Electric Conductor Division, Electronics Component Division		
			April 2020	Corporate Vice President, General Manager of Electronics Component Materials Division		
			April 2022	Advisor of Electronics Component Materials Division		
			June 2022	Audit & Supervisory Board Member (full-time) (present post)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Audit & Supervisory Board Member	Kunihiko Sakai	March 4, 1954	April 1979	Public Prosecutor, Tokyo District Public Prosecutors Office	(Note 4)	19
			July 1998	Senior Counsel, Minister's Secretariat of Ministry of Justice		
			April 2000	Public Prosecutor of Tokyo High Public Prosecutors Office and Assistant Director, Public Security Department of Tokyo District Public Prosecutors Office		
			April 2002	Director, the United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders		
			July 2005	Director, Trial Department of Tokyo High Public Prosecutors Office		
			July 2006	Public Prosecutor, Supreme Public Prosecutors Office		
			June 2007	Chief Public Prosecutor, Nara District Public Prosecutors Office		
			July 2008	Director of General Affairs Department, Supreme Public Prosecutors Office		
			June 2010	Director, Lay Judge Trial Department of Supreme Public Prosecutors' Office		
			Oct. 2010	Chief Public Prosecutor of Nagoya District Public Prosecutors Office		
			June 2012	President, Research and Training Institute, Ministry of Justice		
			July 2014	Superintending Prosecutor, Takamatsu District Public Prosecutors Office		
			Sept. 2016	Superintending Prosecutor, Hiroshima District Public Prosecutors Office		
			March 2017	Resigned Above		
			April 2017	Advisor Attorney, TMI Associates (present post)		
			June 2018	Audit & Supervisory Board Member (Outside) of Furukawa Electric Co., Ltd. (present post)		
			June 2019	Director (Outside), Audit & Supervisory Committee Member of HONDA MOTOR CO., LTD.		
June 2021	Director (Outside) of HONDA MOTOR CO., LTD. (present post)					
Important Concurrent Post		Advisor Attorney of TMI Associates				
		Director (Outside) of HONDA MOTOR CO., LTD.				
Audit & Supervisory Board Member	Sayaka Sumida	January 28, 1961	Oct. 1984	Joined Asahi Accounting Company (currently, KPMG AZSA LLC)	(Note 6)	12
			May 1988	Registered as Certified Public Accountant		
			May 2006	Partner, KPMG AZSA LLC		
			July 2010	Executive Board Member, Japanese Institute of Certified Public Accountants		
			Feb. 2017	Business Accounting Council Member, Financial Services Agency		
			March 2020	Resigned from KPMG AZSA LLC		
			June 2020	Audit & Supervisory Board Member (Outside) of The Nisshin Oillio Group, Ltd. (present post)		
				Audit & Supervisory Board Member (Outside) of Furukawa Electric Co., Ltd. (present post)		
				Director (Outside), Audit & Supervisory Committee Member of ADVANTEST CORPORATION (present post)		
			Important Concurrent Post			
		Director (Outside), Audit & Supervisory Committee Member of ADVANTEST CORPORATION				

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Audit & Supervisory Board Member	Takao Shiomi	November 27, 1952	April 1975	Joined ITOCHU Corporation	(Note 7)	-
			April 2000	General Manager of Automotive Business Strategy Office of ITOCHU Corporation		
			Feb. 2001	General Manager of Corporate Planning Department, Finance/ Real Estate/ Insurance/ Logistics Company of ITOCHU Corporation		
			June 2004	Executive Officer and General Manager of Logistics Division of ITOCHU Corporation		
			April 2005	Executive Officer and General Manager of Finance Division of ITOCHU Corporation		
			June 2006	Managing Director, and President, Finance /Real Estate / Insurance/ Logistics Company of ITOCHU Corporation		
			May 2008	Retired from ITOCHU Corporation		
			June 2008	Executive Vice President and Representative Director of Orient Corporation		
			March 2012	Retired from Orient Corporation		
			April 2012	Managing Executive Officer and President, Machinery Company of ITOCHU Corporation		
			June 2012	Representative Director, Managing Executive Officer and President, Machinery Company of ITOCHU Corporation		
			April 2014	Representative Director, Senior Managing Executive Officer and President, Machinery Company of ITOCHU Corporation		
			March 2016	Retired from ITOCHU Corporation		
			April 2016	Managing Executive Officer of ISUZU MOTORS LIMITED		
			June 2016	Executive Vice President of ISUZU MOTORS LIMITED		
			June 2018	Retired from ISUZU MOTORS LIMITED		
Aug. 2018	President, ITOCHU Corporate Pension Fund					
June 2021	Audit & Supervisory Board Member (Outside) of Furukawa Electric Co., Ltd. (present post)					
Aug. 2021	Retired from President, ITOCHU Corporate Pension Fund					
Total						620

- Notes
1. Directors Mr. Osamu Tsukamoto, Mr. Takashi Tsukamoto, Mr. Yoshiro Miyokawa, Ms. Yukiko Yabu, and Mr. Tamotsu Saito are Outside Directors under Article 2, item (xv) of the Companies Act.
  2. Audit & Supervisory Board Members Mr. Kunihiro Sakai, Ms. Sayaka Sumida, and Mr. Takao Shiomi are Outside Audit & Supervisory Board Members under Article 2, item (xvi) of the Companies Act.
  3. The term of office is from the end of the Annual Shareholders Meeting for FY2021 to the end of the Annual Shareholders Meeting for FY2022.
  4. The term of office is from the end of the Annual Shareholders Meeting for FY2021 to the end of the Annual Shareholders Meeting for FY2025.
  5. The term of office is from the end of the Annual Shareholders Meeting for FY2018 to the end of the Annual Shareholders Meeting for FY2022.
  6. The term of office is from the end of the Annual Shareholders Meeting for FY2019 to the end of the Annual Shareholders Meeting for FY2023.
  7. The term of office is from the end of the Annual Shareholders Meeting for FY2020 to the end of the Annual Shareholders Meeting for FY2024.
  8. The Company has introduced the executive officer system with 23 Corporate Vice Presidents (consisting of one Corporate Executive Vice President, seven Corporate Senior Vice Presidents, and 15 Corporate Vice Presidents), of which three serve concurrently as Directors. Among the Corporate Vice Presidents, one is female and two are non-Japanese.

9. To ensure that the Company will not lack the mandatory number of Outside Audit & Supervisory Board Members, one reserve Outside Audit & Supervisory Board Member has been elected. The career summary of the reserve Outside Audit & Supervisory Board Member is as follows.

Name	Date of birth	Career summary		Number of shares held (hundreds of shares)
Kenji Koroyasu	April 16, 1942	April 1967 April 1993 Dec. 1993 Jan. 1996 Dec. 1997  April 1999  Dec. 1999 May 2001 June 2002 Feb. 2003 June 2004 July 2004 July 2008 June 2010  June 2018	Public Prosecutor Public Prosecutor, Supreme Public Prosecutors Office Chief Public Prosecutor, Otsu District Public Prosecutors Office Chief Secretary, Ministry of Justice Director of General Affairs Department, Supreme Public Prosecutors Office Director of Criminal Affairs Department, Supreme Public Prosecutors Office Director General, Research and Training Institute of Ministry of Justice Superintending Prosecutor, Sapporo High Public Prosecutors Office Superintending Prosecutor, Nagoya High Public Prosecutors Office Superintending Prosecutor, Osaka High Public Prosecutors Office Retired as Superintending Prosecutor Joined Tokyo Eiwa Attorneys at Law Advisor Attorney, TMI Associates (present post) Outside Audit & Supervisory Board Member of Furukawa Electric Co., Ltd. Retired as Outside Audit & Supervisory Board Member of Furukawa Electric Co., Ltd.	20
		Important Concurrent Post Advisor Attorney of TMI Associates		

- (ii) The Company will make proposals of the “Election of eleven (11) Directors” and “Election of one (1) Audit & Supervisory Board Member” as matters to be resolved at the 201st Annual Shareholders Meeting to be held on June 23, 2023. If these proposals are approved and resolved as originally proposed, the members of the Board of Directors and the Audit & Supervisory Board of the Company will be as follows. Note that their official titles or positions and career summaries reflect matters to be resolved at the Board of Directors meeting and the Audit & Supervisory Board meeting to be held immediately after the end of the 201st Annual Shareholders Meeting.

Male: 15, Female: 2 (Ratio of female officers: 11.8%)

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Chairman and Director	Keiichi Kobayashi	June 24, 1959	April 1985	Joined Furukawa Electric Co., Ltd.	(Note 3)	93
			April 2014	Corporate Vice President and General Manager of Copper & High Performance Material Products Division		
			April 2015	Corporate Senior Vice President, Advisor of Automotive Electronics Material Business, and General Manager of Copper & High Performance Material Products Division		
			June 2015	Director and Corporate Senior Vice President, Advisor of Automotive Electronics Material Business, and General Manager of Copper & High Performance Material Products Division		
			April 2016	Representative Director and Corporate Executive Vice President, General Manager of Global Marketing Sales Division		
			April 2017	President and Representative Director		
			April 2023	Chairman and Director (present post)		
		Important Concurrent Post Outside Director of NTT DATA Japan Preparation Corporation (to be renamed as NTT DATA Japan Corporation on July 1, 2023)				
President and Representative Director	Hideya Moridaira	July 13, 1965	April 1990	Joined Furukawa Electric Co., Ltd.	(Note 3)	36
			March 2011	Manager of Strategic Planning Group, Intellectual Property Department		
			April 2013	Assistant Section Chief of Corporate Planning Section, Strategy Division		
			April 2014	Section Chief of Corporate Planning Section, Strategy Division		
			April 2016	General Manager of Planning & Administration Department, Communications Solutions Division		
			April 2017	Deputy General Manager of Communications Solutions Division, General Manager of Planning & Administration Department (concurrent posts)		
			Feb. 2020	General Manager of Optical Fiber & Cable Products Division in Communications Solutions Division		
			April 2020	Corporate Vice President, General Manager of Optical Fiber & Cable Products Division in Communications Solutions Division		
			April 2021	Corporate Vice President, General Manager of Communications Solutions Division, General Manager of Optical Fiber & Cable Products Division (concurrent posts)		
			May 2021	Corporate Vice President, General Manager of Communications Solutions Division		
			April 2022	Corporate Senior Vice President, General Manager of Communications Solutions Division		
June 2022	Director and Corporate Senior Vice President, General Manager of Communications Solutions Division					
April 2023	President and Representative Director (present post)					

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Director	Osamu Tsukamoto	June 11, 1953	April 1977	Joined the Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)	(Note 3)	5
			July 2003	Deputy Director-General for Regional Economic and Industrial Policy Group, and Agency for Natural Resources and Energy		
			June 2004	Director-General for Manufacturing Industries Bureau		
			July 2006	Deputy Director-General for Technology Policy Coordination		
			July 2008	Director-General, Kanto Bureau for Economy, Trade and Industry		
			July 2009	Director-General for Regional Economic and Industrial Policy		
			July 2010	Retire from office		
			Oct. 2010	Distinguished Professor of Tokyo University of Science		
				Advisor of Furukawa Electric Co., Ltd. (part-time)		
			June 2013	Director (Outside) of Furukawa Electric Co., Ltd. (present post)		
			March 2014	Retire from Distinguished Professor of Tokyo University of Science		
			June 2014	President of Japan Coal Energy Center (currently JAPAN CARBON FRONTIER ORGANIZATION, present post)		
			Important Concurrent Post President of JAPAN CARBON FRONTIER ORGANIZATION			



Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (hundreds of shares)
Director	Takashi Tsukamoto	August 2, 1950	<p>April 1974 Joined The Dai-Ichi Kangyo Bank., Ltd. (currently Mizuho Bank, Ltd.)</p> <p>April 2002 Executive Officer / General Manager of Human Resources Division of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>March 2003 Managing Executive Officer / Head of Risk Management Group and Head of Human Resources Group of Mizuho Financial Group, Inc.</p> <p>April 2004 Managing Executive Officer / Head of Europe, Middle East and Africa of Mizuho Corporate Bank, Ltd.</p> <p>March 2006 Managing Director / Chief Strategy Officer and Chief Financial Officer of Mizuho Corporate Bank, Ltd.</p> <p>April 2007 Deputy President of Mizuho Corporate Bank, Ltd.</p> <p>April 2008 Deputy President-Executive Officer / Head of Financial Control and Accounting Group of Mizuho Financial Group, Inc.</p> <p>June 2008 Deputy President / Head of Financial Control and Accounting Group of Mizuho Financial Group, Inc.</p> <p>April 2009 President &amp; CEO of Mizuho Financial Group, Inc.</p> <p>June 2011 Chairman of Mizuho Financial Group, Inc. and President &amp; CEO of Mizuho Bank, Ltd.</p> <p>July 2013 Chairman of Mizuho Financial Group, Inc. and Chairman of Mizuho Bank, Ltd.</p> <p>Nov. 2013 Chairman of Mizuho Financial Group, Inc.</p> <p>April 2014 Senior Advisor of Mizuho Financial Group</p> <p>April 2017 Honorary Advisor of Mizuho Financial Group (present post)</p> <p>June 2017 Outside Audit &amp; Supervisory Board Member of Furukawa Electric Co., Ltd.</p> <p>June 2021 Director (Outside) of Furukawa Electric Co., Ltd. (present post)</p>	(Note 3)	42
			<p>Important Concurrent Post</p> <p>Honorary Advisor of Mizuho Financial Group</p> <p>Director (Outside) of Asahi Mutual Life Insurance Company</p> <p>Director (Outside) of AEON CO., LTD.</p> <p>Director (Outside) of Internet Initiative Japan Inc.</p>		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Director	Yoshiro Miyokawa	December 28, 1952	<p>April 1975 Jan. 2003 Sept. 2004 April 2005 Sept. 2005 April 2006 April 2008 June 2008 June 2011 June 2013 June 2017 June 2019</p>	<p>Joined Yamanouchi Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.) General Manager, Business Process Innovation Promotion Department, Yamanouchi Pharmaceutical Leader, Integration Secretariat, Merger Preparatory Committee, Group Strategy Planning Department, Yamanouchi Pharmaceutical General Manager, Integration Promotion Department, Astellas Pharma Inc. Executive Officer and General Manager, Business Innovation Department, Astellas Pharma Inc. Executive Officer and General Manager, Human Resources Department, Astellas Pharma Inc. Executive Officer and Chief Administrative Officer, Astellas Pharma Inc. Senior Executive Officer and Chief Administrative Officer, Astellas Pharma Inc. Vice President, Executive Officer and Chief Administrative Officer, Astellas Pharma Inc. Representative Director &amp; Vice President, Chief Administrative Officer, and Chief Compliance Officer, Astellas Pharma Inc. Retired from Astellas Pharma Inc. Director (Outside) of Furukawa Electric Co., Ltd. (present post)</p>	(Note 3)	27
Director	Yukiko Yabu	June 23, 1958	<p>April 1981 Jan. 2006 Jan. 2011 April 2012 April 2013 March 2014 June 2014 June 2015 June 2016 June 2019 June 2021</p>	<p>Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation) Director of Lifestyle Value Research Laboratory, R&amp;D Headquarters, Home Appliances Company, Matsushita Electric Industrial Co., Ltd. Director of Global Consumer Research Center, Corporate Brand Strategy Division, Panasonic Holdings Corporation Director of Consumer Research Center, Global Consumer Marketing Sector, Panasonic Holdings Corporation Director and Group Manager responsible for consumer research at the Global Marketing Planning Center, Appliances Company, Panasonic Holdings Corporation Retired from Panasonic Holdings Corporation Director (Outside) of DUSKIN CO., LTD. Director (Outside) of TAKARA HOLDINGS INC. Director (Outside) of DAIWA HOUSE INDUSTRY CO., LTD. (present post) Director (Outside) of Furukawa Electric Co., Ltd. (present post) Director (Outside), Audit &amp; Supervisory Committee Member of IBIDEN CO., LTD. (present post)</p>	(Note 3)	17
			<p>Important Concurrent Post Director (Outside) of DAIWA HOUSE INDUSTRY CO., LTD. Director (Outside), Audit &amp; Supervisory Committee Member of IBIDEN CO., LTD.</p>			

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (hundreds of shares)
Director	Tamotsu Saito	July 13, 1952	<p>April 1975   Joined Ishikawajima-Harima Heavy Industries Co., Ltd (currently IHI Corporation)</p> <p>June 2006   Executive Officer, Vice President of Aero-Engine &amp; Space Operations of Ishikawajima-Harima Heavy Industries Co., Ltd.</p> <p>Jan. 2008   Executive Officer, President of Aero-Engine &amp; Space Operations of IHI Corporation</p> <p>April 2008   Director, Executive Officer, President of Aero-Engine &amp; Space Operations of IHI Corporation</p> <p>April 2009   Director, Managing Executive Officer, President of Aero-Engine &amp; Space Operations of IHI Corporation</p> <p>April 2011   Executive Vice President of IHI Corporation</p> <p>April 2012   President, Chief Executive Officer of IHI Corporation</p> <p>April 2016   Chairman of the Board, Chief Executive Officer of IHI Corporation</p> <p>April 2017   Chairman of the Board of IHI Corporation</p> <p>April 2020   Director of IHI Corporation</p> <p>June 2020   Senior Counselor of IHI Corporation (present post)</p> <p>June 2021   Director (Outside) of Furukawa Electric Co., Ltd. (present post)</p> <p>Important Concurrent Post Senior Counselor of IHI Corporation Director (Outside) of Oki Electric Industry Company, Limited Director (Outside) of KAJIMA CORPORATION</p>	(Note 3)	7
Director and Corporate Executive Vice President, and General Manager of Strategy Division	Satoshi Miyamoto	February 20, 1962	<p>April 1984   Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)</p> <p>July 1999   Director, Information Disclosure Promotion Office, Public Relations Office, Minister's Secretariat, Ministry of International Trade and Industry</p> <p>June 2001   Deputy Director, Japan External Trade Organization (JETRO) New York Center</p> <p>June 2004   Director, Commodity Derivatives Division, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry</p> <p>April 2006   CANON INC. (exchange via Act on Personnel Exchange Between the Government Sector and Private Enterprises)</p> <p>June 2010   Counselor to the Commissioner of the Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry</p> <p>April 2011   Councilor for Policy Evaluation, Minister's Secretariat, Ministry of Economy, Trade and Industry</p> <p>Feb. 2012   Councilor, Minister's Secretariat, Ministry of Economy, Trade and Industry (Manufacturing Industries Bureau)</p> <p>June 2013   Deputy Chairman, JETRO</p> <p>Oct. 2015   Deputy Commissioner of the Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry</p> <p>June 2016   Commissioner of the Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry</p> <p>July 2017   Retired from Ministry of Economy, Trade and Industry</p> <p>Nov. 2017   Advisor (full-time), Furukawa Electric Co., Ltd.</p> <p>April 2018   Corporate Vice President, and General Manager of Administration &amp; CSR Division</p> <p>April 2019   Corporate Senior Vice President, and General Manager of Administration &amp; CSR Division</p> <p>June 2019   Director and Corporate Senior Vice President, and General Manager of Administration &amp; CSR Division</p> <p>April 2021   Director and Corporate Senior Vice President, and General Manager of Business Basis Transformation Division</p> <p>April 2022   Director and Corporate Executive Vice President, and General Manager of Strategy Division (present post)</p>	(Note 3)	33

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Director and Corporate Senior Vice President, and General Manager of Finance & Accounting Division	Akihiro Fukunaga	January 29, 1964	April 1986 Nov. 2005 Aug. 2009 Aug. 2011 June 2013 Nov. 2013 April 2016 April 2018 April 2019 June 2019 April 2021 April 2022	Joined Furukawa Electric Co., Ltd. Senior Vice President and Chief Financial Officer of OFS Fitel, LLC Manager of Corporate Tax Section, Finance & Accounting Department Manager of Corporate Accounting Section, Finance & Accounting Department Manager of Corporate Accounting and Tax Section, Finance & Accounting Department, Finance & Procurement Division General Manager of Global Group Management Office, Global Group Management Division General Manager of Finance & Accounting Department, Finance & Procurement Division Corporate Vice President and General Manager of Global Management Division Corporate Vice President and General Manager of Finance & Global Management Division Director and Corporate Vice President and General Manager of Finance & Global Management Division Director and Corporate Senior Vice President and General Manager of Finance & Global Management Division Director and Corporate Senior Vice President and General Manager of Finance & Accounting Division (present post)	(Note 3)	50
Director and Corporate Senior Vice President, and General Manager of Global Marketing Sales Division	Yoshio Masutani	September 29, 1965	April 1989 July 1993 Oct. 1998 April 2011 April 2013 April 2015 July 2015 April 2017 April 2018 April 2020 April 2021 April 2022 June 2022	Joined Okura & Co., Ltd. Okura & Co. UK Ltd. Joined Furukawa Electric Co., Ltd. General Manager of Overseas Sales Department, Communications Company General Manager of Overseas Sales Department, Environment/Infrastructure Sales Division, Sales Marketing Division General Manager of Overseas Sales Department, Global Business Division, and General Manager of Overseas Sales Department, Environment/Infrastructure Sales Division, Sales Marketing Division Deputy General Manager of Copper Foil Division, and General Manager of Sales Department, Copper Foil Division General Manager of Planning & Administration Department, Global Marketing Sales Division General Manager of Group Marketing Department, Global Marketing Sales Division Corporate Vice President, General Manager of Business Innovation Design Department, Global Marketing Sales Division Corporate Vice President, Deputy General Manager of Corporate Strategy & Direction Division, General Manager of Social Design & New Business Development Department, General Manager of OneF Mobility Business Development Team Corporate Senior Vice President, General Manager of Global Marketing Sales Division Director and Corporate Senior Vice President, General Manager of Global Marketing Sales Division (present post)	(Note 3)	38

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Director and Corporate Vice President, and General Manager of Risk Management Division	Toshio Yanagi	January 26, 1966	April 1988 April 2003 Feb.2008 April 2013 April 2016 April 2018 April 2020 April 2021 June 2023	Joined Furukawa Electric Co., Ltd. Manager of Planning & Administration Unit, FITEL Products Division Assistant Manager of Corporate Planning Department Senior Manager of Planning Unit, Copper Foil Division General Manager of Corporate Planning Department, Strategy Division General Manager of Corporate Planning Department, Strategy Division Corporate Vice President, General Manager of Copper Foil Division, Functional Products Division Corporate Vice President, General Manager of Risk Management Division (present post) Director and Corporate Vice President, General Manager of Risk Management Division (scheduled)	(Note 3)	29
Audit & Supervisory Board Member (full-time)	Nozomu Amano	July 15, 1956	April 1980 June 2004 June 2008 March 2009 June 2010 April 2012 April 2013 April 2014 April 2018 June 2018	Joined Furukawa Electric Co., Ltd. General Manager of Legal Department General Manager of HR & Administration Department General Manager of HR & Administration Department and General Manager of Corporate Business Research Department Director and Corporate Vice President, CSO Director and Corporate Vice President, CSRO Director and Corporate Vice President, General Manager of Administration & CSR Division Director and Corporate Senior Vice President, General Manager of Administration & CSR Division Director Audit & Supervisory Board Member (present post)	(Note 4)	63

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Audit & Supervisory Board Member (full-time)	Masao Terauchi	October 28, 1961	April 1984	Joined Furukawa Electric Co., Ltd.	(Note 4)	44
			Oct. 2006	Production Control Group Manager of Semiconductor Devices Department, FITEL Products Division, Communications Company		
			May 2009	Assistant Manager of Procurement Department		
			June 2009	General Manager of Procurement Department		
			April 2013	Assistant Manager of Planning Unit, Electric Conductor Division		
			June 2013	President of PT Tembaga Mulia Semanan Tbk		
			April 2017	Corporate Vice President, President of PT Tembaga Mulia Semanan Tbk		
			June 2017	Corporate Vice President, General Manager of Electric Conductor Division, Electronics Component Materials Division		
			April 2018	Corporate Vice President, General Manager of Electric Conductor Division, Electronics Component Division		
			April 2020	Corporate Vice President, General Manager of Electronics Component Materials Division		
April 2022	Advisor of Electronics Component Materials Division					
June 2022	Audit & Supervisory Board Member (full-time) (present post)					
Audit & Supervisory Board Member (full-time)	Hiroyuki Ogiwara	February 18, 1961	April 1983	Joined Furukawa Electric Co., Ltd.	(Note 5)	73
			Dec. 2003	Vice President and Chief Financial Officer of OFS Fitel, LLC		
			Nov. 2005	Manager of Tax & Accounting Department		
			June 2009	General Manager of Finance & Accounting Department		
			April 2013	General Manager of Finance & Accounting Department, Finance & Procurement Division		
			April 2014	Corporate Vice President General Manager of Finance & Procurement Division		
			June 2014	Director and Corporate Vice President, General Manager of Finance & Procurement Division		
			April 2016	Director and Corporate Senior Vice President, General Manager of Finance & Procurement Division and General Manager of Global Group Management Division		
			April 2017	Director and Corporate Executive Vice President, General Manager of Finance & Procurement Division and General Manager of Global Group Management Division		
			April 2018	Director and Corporate Executive Vice President, General Manager of Finance & Procurement Division		
			April 2019	Representative Director and Corporate Senior Executive Vice President, Chief of Transformation Division		
			April 2021	Representative Director and Corporate Senior Executive Vice President, General Manager of Corporate Strategy & Direction Division		
			April 2022	Director and Corporate Senior Executive Vice President		
June 2022	Corporate Senior Executive Vice President					
April 2023	Advisor (present post)					
June 2023	Audit & Supervisory Board Member (full-time) (scheduled)					

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Audit & Supervisory Board Member	Kunihiko Sakai	March 4, 1954	April 1979	Public Prosecutor, Tokyo District Public Prosecutors Office	(Note 4)	19
			July 1998	Senior Counsel, Minister's Secretariat of Ministry of Justice		
			April 2000	Public Prosecutor of Tokyo High Public Prosecutors Office and Assistant Director, Public Security Department of Tokyo District Public Prosecutors Office		
			April 2002	Director, the United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders		
			July 2005	Director, Trial Department of Tokyo High Public Prosecutors Office		
			July 2006	Public Prosecutor, Supreme Public Prosecutors Office		
			June 2007	Chief Public Prosecutor, Nara District Public Prosecutors Office		
			July 2008	Director of General Affairs Department, Supreme Public Prosecutors Office		
			June 2010	Director, Lay Judge Trial Department of Supreme Public Prosecutors' Office		
			Oct. 2010	Chief Public Prosecutor of Nagoya District Public Prosecutors Office		
			June 2012	President, Research and Training Institute, Ministry of Justice		
			July 2014	Superintending Prosecutor, Takamatsu District Public Prosecutors Office		
			Sept. 2016	Superintending Prosecutor, Hiroshima District Public Prosecutors Office		
			March 2017	Resigned Above		
			April 2017	Advisor Attorney, TMI Associates (present post)		
			June 2018	Audit & Supervisory Board Member (Outside) of Furukawa Electric Co., Ltd. (present post)		
			June 2019	Director (Outside), Audit & Supervisory Committee Member of HONDA MOTOR CO., LTD.		
June 2021	Director (Outside) of HONDA MOTOR CO., LTD. (present post)					
Important Concurrent Post		Advisor Attorney of TMI Associates				
		Director (Outside) of HONDA MOTOR CO., LTD.				
Audit & Supervisory Board Member	Sayaka Sumida	January 28, 1961	Oct. 1984	Joined Asahi Accounting Company (currently, KPMG AZSA LLC)	(Note 6)	12
			May 1988	Registered as Certified Public Accountant		
			May 2006	Partner, KPMG AZSA LLC		
			July 2010	Executive Board Member, Japanese Institute of Certified Public Accountants		
			Feb. 2017	Business Accounting Council Member, Financial Services Agency		
			March 2020	Resigned from KPMG AZSA LLC		
			June 2020	Audit & Supervisory Board Member (Outside) of The Nisshin OilliO Group, Ltd. (present post)		
				Audit & Supervisory Board Member (Outside) of Furukawa Electric Co., Ltd. (present post)		
				Outside Director (Audit & Supervisory Committee Member) of ADVANTEST CORPORATION (present post)		
			Important Concurrent Post			
		Director (Outside), Audit & Supervisory Committee Member of ADVANTEST CORPORATION				

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (hundreds of shares)
Audit & Supervisory Board Member	Takao Shiomi	November 27, 1952	April 1975	Joined ITOCHU Corporation	(Note 7)	-
			April 2000	General Manager of Automotive Business Strategy Office of ITOCHU Corporation		
			Feb. 2001	General Manager of Corporate Planning Department, Finance/ Real Estate/ Insurance/ Logistics Company of ITOCHU Corporation		
			June 2004	Executive Officer and General Manager of Logistics Division of ITOCHU Corporation		
			April 2005	Executive Officer and General Manager of Finance Division of ITOCHU Corporation		
			June 2006	Managing Director, and President, Finance /Real Estate / Insurance/ Logistics Company of ITOCHU Corporation		
			May 2008	Retired from ITOCHU Corporation		
			June 2008	Executive Vice President and Representative Director of Orient Corporation		
			March 2012	Retired from Orient Corporation		
			April 2012	Managing Executive Officer and President, Machinery Company of ITOCHU Corporation		
			June 2012	Representative Director, Managing Executive Officer and President, Machinery Company of ITOCHU Corporation		
			April 2014	Representative Director, Senior Managing Executive Officer and President, Machinery Company of ITOCHU Corporation		
			March 2016	Retired from ITOCHU Corporation		
			April 2016	Managing Executive Officer of ISUZU MOTORS LIMITED		
			June 2016	Executive Vice President of ISUZU MOTORS LIMITED		
			June 2018	Retired from ISUZU MOTORS LIMITED		
			Aug. 2018	President, ITOCHU Corporate Pension Fund		
June 2021	Audit & Supervisory Board Member (Outside) of Furukawa Electric Co., Ltd. (present post)					
Aug. 2021	Retired from President, ITOCHU Corporate Pension Fund					
Total						588

- Notes
1. Directors Mr. Osamu Tsukamoto, Mr. Takashi Tsukamoto, Mr. Yoshiro Miyokawa, Ms. Yukiko Yabu, and Mr. Tamotsu Saito will be Outside Directors under Article 2, item (xv) of the Companies Act.
  2. Audit & Supervisory Board Members Mr. Kunihiro Sakai, Ms. Sayaka Sumida, and Mr. Takao Shiomi will be Outside Audit & Supervisory Board Members under Article 2, item(xvi) of the Companies Act.
  3. The term of office will be from the end of the Annual Shareholders Meeting for FY2022 to the end of the Annual Shareholders Meeting for FY2023.
  4. The term of office will be from the end of the Annual Shareholders Meeting for FY2021 to the end of the Annual Shareholders Meeting for FY2025.
  5. The term of office will be from the end of the Annual Shareholders Meeting for FY2022 to the end of the Annual Shareholders Meeting for FY2026.
  6. The term of office will be from the end of the Annual Shareholders Meeting for FY2019 to the end of the Annual Shareholders Meeting for FY2023.
  7. The term of office will be from the end of the Annual Shareholders Meeting for FY2020 to the end of the Annual Shareholders Meeting for FY2024.
  8. The Company has introduced the executive officer system with 23 Corporate Vice Presidents (consisting of one Corporate Executive Vice President, seven Corporate Senior Vice Presidents, and 15 Corporate Vice Presidents), of which four serve concurrently as Directors. Among the Corporate Vice Presidents, one is female and two are non-Japanese.



9. To ensure that the Company will not lack the mandatory number of Outside Audit & Supervisory Board Members, it will make the proposal of “Election of one (1) Reserve Audit & Supervisory Board Member” as a matter to be resolved at the 201st Annual Shareholders Meeting to be held on June 23, 2023. If this proposal is approved and resolved as originally proposed, the career summary of the reserve Audit & Supervisory Board Member will be as follows.

Name	Date of birth	Career summary		Number of shares held (hundreds of shares)
Kenji Koroyasu	April 16, 1942	April 1967 April 1993 Dec. 1993 Jan. 1996 Dec. 1997 April 1999 Dec. 1999 May 2001 June 2002 Feb. 2003 June 2004 July 2004 July 2008 June 2010 June 2018	Public Prosecutor Public Prosecutor, Supreme Public Prosecutors Office Chief Public Prosecutor, Otsu District Public Prosecutors Office Chief Secretary, Ministry of Justice Director of General Affairs Department, Supreme Public Prosecutors Office Director of Criminal Affairs Department, Supreme Public Prosecutors Office Director General, Research and Training Institute of Ministry of Justice Superintending Prosecutor, Sapporo High Public Prosecutors Office Superintending Prosecutor, Nagoya High Public Prosecutors Office Superintending Prosecutor, Osaka High Public Prosecutors Office Retired as Superintending Prosecutor Joined Tokyo Eiwa Attorneys at Law Advisor Attorney, TMI Associates (present post) Outside Audit & Supervisory Board Member of Furukawa Electric Co., Ltd. Retired as Outside Audit & Supervisory Board Member of Furukawa Electric Co., Ltd.	20
		Important Concurrent Post Advisor Attorney of TMI Associates		

2) Status of Outside Officers

(i) Numbers of Outside Officers

The Company has five Outside Directors and three Outside Audit & Supervisory Board Members as of June 21, 2023 (filing date of this Annual Securities Report). The Company will make proposals of “Election of eleven (11) Directors” and “Election of one (1) Audit & Supervisory Board Member” as matters to be resolved at the 201st Annual Shareholders Meeting to be held on June 23, 2023, but even after these proposals will be approved and resolved as originally proposed, the above numbers will remain unchanged.

(ii) The Company’s views on functions and roles of outside officers to be fulfilled in corporate governance, standards and policies for their independence, and their appointment

Outside Directors and Outside Audit & Supervisory Board Members of the Company have fulfilled their functions and roles of further strengthening management supervision by the Board of Directors and auditing by Audit & Supervisory Board Members by means of actively expressing their opinions and making recommendations based on their extensive knowledge at the Board of Directors, the Audit & Supervisory Board, and other occasions.

The Company has set forth the independence standards to appoint outside officers as follows.

<Independence Standards for Outside Officers>

If none of the following attributes are applicable to the relevant outside Directors and outside Audit & Supervisory Board Members (including candidates), the Company considers that they are independent Directors and Audit & Supervisory Board Members without the possibility of creating any conflict of interest with general shareholders.

- (a) Person belonging to a company whose main clients include the Company (a client who provides products or services to the Company and whose amount of transactions with the Company is equivalent to more than 2% of the client’s annualized total net sales in the most recent fiscal year) or who engages in such operations.
- (b) Person belonging to a company which is one of the Company’s main clients (a client to whom the Company provides products or services and whose amount of transactions with the Company is equivalent to more than 2% of the Company’s annualized total net sales in the most recent fiscal year) or who engages in such operations.
- (c) Person who engages in operations at a financial institution which is a main lender to the Company (a lender whose amount of loans is equivalent to more than 2% of the Company’s total assets in the most recent years).
- (d) Person who receives monetary or other economic benefits from the Company of JPY 10 million or more a year, over and above officer’s remuneration, in the capacity of such an expert as a consultant, accountant, lawyer, or who belongs to any legal entity which receives JPY 100 million a year from the Company.
- (e) Person who has fallen under items (a) to (d) during any period within the past three years.
- (f) Relative of the person who falls under items (a) to (e) above, within the second degree of kinship.
- (g) Any other person in breach of standards for independence set out by Tokyo Stock Exchange, Inc.

\* Even if items (a) to (g) are not applicable, the Company may determine that the person is not independent depending on factors such as the amount of transactions at subsidiaries of the Company or those of the relevant client to which the person belongs.

(iii) Outside Officers and their relationship with the Company

The status of outside officers and their relationship with the Company are as follows.

<p>Outside Director Osamu Tsukamoto</p>	<p>Mr. Osamu Tsukamoto has many years of experience especially in the environment and energy fields at the Ministry of Economy, Trade and Industry as well as his extensive knowledge since he appointed outside Director, despite the fact that he has not been involved in corporate management other than serving as an outside director of the Company. Since he assumed the position of Outside Director of the Company, he has actively provided advice and suggestions mainly on research &amp; development, business strategy, and product quality, taking into account the government's economic policies and market trends. While Furukawa Electric Group will further focus on developing new technologies and new businesses, his advice and recommendations backed by his in-depth insights into industry policies, especially in the environment and energy areas, will be extremely useful. In addition, the Company expects that he will contribute to strengthening the oversight function of the Board of Directors from an independent viewpoint. Therefore, the Company requests his re-election as an Outside Director.</p> <p>An advisory contract was entered into by and between Mr. Tsukamoto and the Company in October 2010. Since then, the Company has been receiving professional advice from him on the business fields of Furukawa Electric Group. After he became an Outside Director in June 2013, the Company continued to pay compensations for his advice in his area of expertise in addition to the remuneration for Outside Director and will continue to do so after he is re-elected as a Director. The amount of the compensation which the Company has paid to him so far and will pay this year is less than ¥5 million, which is lower than the threshold specified in the Company's Independence Standards.</p> <p>In light of the independence standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that he is independent from the Company.</p>
<p>Outside Director Takashi Tsukamoto</p>	<p>Mr. Takashi Tsukamoto has held several leadership positions, including Director in charge of Finance and Representative Director, in a financial institution, and has a wealth of experience and extensive knowledge of overall corporate management, including finance and accounting. Since he assumed the position of Outside Director of the Company in 2021, he has actively provided advice and recommendations mainly on business strategy, group management, financial policies and investor relations from the perspectives of Furukawa Electric Group's global management as well as shareholders and other stakeholders. Furthermore, he has demonstrated his leadership as the chairperson of Nominating/Compensation Committee as well as Outside Officers Committee, while taking initiative as the lead outside officer by sharing the recognition of the Company's management challenges among outside officers and by ensuring cooperation between outside officers and the management/Audit &amp; Supervisory Board (Members). As such, he has significantly contributed to improving the Company's corporate governance. As the Group will work on strengthening the corporate governance system and promoting global corporate management, his advice and recommendations on corporate management and finance/accounting based on his experience and expertise, as well as his leadership will be extremely beneficial for the Company. In addition, the Company expects that he will contribute to strengthening the oversight function of the Board of Directors from an independent viewpoint. Therefore, the Company requests his re-election as an Outside Director.</p> <p>Mizuho Bank, Ltd., where Mr. Takashi Tsukamoto served as President &amp; CEO in the past, and Furukawa Electric Group borrowed ¥68,359 million in FY2022. Mr. Tsukamoto, however, retired from the executive position in June 2013.</p> <p>In light of the independence standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that he is independent from the Company.</p>
<p>Outside Director Yoshiro Miyokawa</p>	<p>Mr. Yoshiro Miyokawa assumed prominent administrative positions and served as Representative Director &amp; Vice President at a large pharmaceutical company and has extensive experience and in-depth insight in corporate management, compliance, and corporate governance. Since he assumed the position of Outside Director of the Company, he has actively provided advice and recommendations mainly on corporate governance, business strategy, and personnel development to improve governance of the entire Furukawa Electric Group. While the Company will work on enhancing the group governance system for the entire Furukawa Electric Group, his advice and recommendations on corporate management and compliance based on his experience and expertise will be extremely useful. In addition, the Company expects that he will contribute to strengthening the oversight function of the Board of Directors from an independent viewpoint. Therefore, the Company requests his re-election as an Outside Director.</p> <p>In light of the independence standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that he is independent from the Company.</p>

<p>Outside Director Yukiko Yabu</p>	<p>Ms. Yukiko Yabu has served as outside director of several listed companies including our Company, although she has not engaged in corporate management in any other capacity; and has a wealth of experience and advanced knowledge of customer-oriented marketing and product development based on her experience with a leading electrical appliance manufacturer. Since she assumed the position of Outside Director of the Company, she has actively provided advice and recommendations mainly on business strategy, marketing, and diversity from a broad perspective. While Furukawa Electric Group will accelerate global sales expansion, her advice and recommendations based on her experience and expertise in marketing and product development, among others, will be extremely useful. In addition, the Company expects that she will contribute to strengthening the oversight function of the Board of Directors from an independent viewpoint. Therefore, the Company requests her re-election as an Outside Director.</p> <p>Between the Company and Panasonic Corporation, for which Ms. Yukiko Yabu worked until March 2014, there is a business relationship where the Company sells metal products to Panasonic Corporation. However, the total trading amount in FY2022 was approx. ¥2,083 million, and therefore, the amount is quite small.</p> <p>In light of the independence standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that he is independent from the Company.</p>
<p>Outside Director Tamotsu Saito</p>	<p>Mr. Tamotsu Saito has held several leadership positions including President &amp; Representative Director and Chairperson of one of Japan's leading heavy manufacturers, and has a wealth of experience and extensive expertise of global corporation management and overall manufacturing (monozukuri). Since he assumed the position of Outside Director of the Company, he has actively provided advice and recommendations mainly on business strategy, manufacturing (monozukuri), and financial policies from the perspective of the Group's global management. While Furukawa Electric Group plans to further expand business as a manufacturer in the future, his advice and recommendations based on his experience and expertise in corporate management and manufacturing will be extremely useful. In addition, the Company expects that he will contribute to strengthening the oversight function of the Board of Directors from an independent viewpoint. Therefore, the Company requests her re-election as an Outside Director.</p> <p>In light of the independence standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that he is independent from the Company.</p>
<p>Outside Audit &amp; Supervisory Board Member Kunihiko Sakai</p>	<p>Although Mr. Kunihiko Sakai does not have direct experience in corporate management, he has long years of experience as a legal professional including overseas experience, and has significant insights into such areas as corporate governance, legal risk management, and compliance. Since he assumed the position of Outside Audit &amp; Supervisory Board Member of the Company, he has actively expressed his opinions mainly on legal regulations in various countries and responses to legal actions at Board of Directors meetings and Audit &amp; Supervisory Board meetings from the perspective of risk management. Furthermore, through his experience as an Outside Audit &amp; Supervisory Board Member of the Company, he has profound knowledge of how Furukawa Electric Group's compliance system was established and the current situation of our business operations. Accordingly, the Company expects that he will make appropriate points and express appropriate opinions for maintaining/improving its internal control system, including risk management, and maintaining sound management. The Company expects that he will provide appropriate advice and opinions to contribute to strengthening the Company's audit system. Therefore, the Company appointed him as Outside Audit &amp; Supervisory Board Member, believing that he is qualified for the position.</p> <p>Mr. Sakai has served as Advisor Attorney of TMI Associates since April 2017. There is a transaction related to legal consultation between the Company and TMI Associates in the amount of approximately ¥6 million per year for FY2022, which is lower than the threshold specified in the Company's Independence Standards. The transaction was of a one-time nature related to legal consultation rather than of a continuous nature under an adversary contract, and Mr. Sakai was not involved in the transaction.</p> <p>In light of the independence standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that he is independent from the Company.</p>

<p style="text-align: center;">Outside Audit &amp; Supervisory Board Member Sayaka Sumida</p>	<p>Although Ms. Sayaka Sumida does not have direct experience in corporate management, she has extensive familiarity with audits of financial statements and audits of internal control from her long experience as a certified public accountant. Besides, as Executive Board Member of the Japanese Institute of Certified Public Accountants, she has engaged in developing and revising Japanese audit standards which are aligned mainly with the International Standard on Auditing (ISA), and has also served as a member of Business Accounting Council of the Financial Services Agency, and thus has a wealth of experience in and extensive knowledge of finance and accounting. Since she assumed the position of Outside Audit &amp; Supervisory Board Member of the Company, she has actively expressed her opinion mainly on group company management and finance/accounting at Board of Directors meetings and Audit &amp; Supervisory Board meetings from the perspective of risk management. The Company expects that her experience and knowledge will contribute to strengthening the Company's audit system, and therefore, appointed her as Outside Audit &amp; Supervisory Board Member, believing that she is qualified for the position.</p> <p>Ms. Sayaka Sumida had served as Partner of KPMG AZSA LLC ("KPMG") until March 2020. The Company has a business relationship with KPMG where it provides financial and accounting consulting services to the Company. The annual trade value in FY2022 was approx. ¥33 million, which is less than the threshold set forth in the Company's Independence Standards. KPMG, to which she used to belong, has never been engaged in auditing of the Company, and she was not involved in accounting audits of the Company during her service at KPMG. Furthermore, she has never been involved in the business between the Company and KPMG with regard to financial and accounting consulting services. In light of the independence standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that he is independent from the Company.</p>
<p style="text-align: center;">Outside Audit &amp; Supervisory Board Member Takao Shiomi</p>	<p>Mr. Takao Shiomi has experience in corporate management in various industries, including a large trading company, financial institution, and manufacturer. He has a wealth of experience in and profound knowledge of overall corporate management, including finance and accounting. Since he assumed the position of Outside Audit &amp; Supervisory Board Member of the Company, he has actively expressed his opinions mainly on enterprise management at Board of Directors meetings and Audit &amp; Supervisory Board meetings from the perspective of risk management. The Company expects that his experience and knowledge will contribute to strengthening the Company's audit system, and therefore, appointed him as Outside Audit &amp; Supervisory Board Member, believing that he is qualified for the position.</p> <p>Mr. Takao Shiomi served as a director of ITOCHU Corporation ("ITOCHU") from June 2012 to March 2016. Between ITOCHU and the Company, there is a business relationship where our subsidiary sells its products to overseas customers using ITOCHU as its agent, but the annual trade value in FY2022 was as small as approx. ¥3,823 million. In addition, Mr. Takao Shiomi served as a director of ISUZU MOTORS LIMITED ("ISUZU") from June 2016 to June 2018. Between ISUZU and the Company, there is a business relationship where the Company sells automotive parts, etc. to ISUZU. The annual trade value in FY2022 was approx. ¥8,987 million. Furthermore, since June 2018, Mr. Mitsuyoshi Shibata (who retired from the position of the Company's director at the end of its annual shareholders meeting held on June 23 of this year) has served as an outside director of ISUZU, where Mr. Shiomi used to serve as a director.</p> <p>In light of the independence standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that he is independent from the Company.</p>

Note: The Company will make proposals of "Election of eleven (11) Directors" and "Election of one (1) Audit & Supervisory Board Member" as matters to be resolved at the 201st Annual Shareholders Meeting to be held on June 23, 2023, but even after these proposals will be approved and resolved as originally proposed, the descriptions in the table above remain unchanged.

(iv) Mutual cooperation between supervision or auditing by outside officers and internal auditing, and their relationship with internal control division

The Company has full-time Audit & Supervisory Board Members, Outside Audit & Supervisory Board Members and Auditing Department conduct on-site inspections (including remote auditing by using a web conference system). Outside Audit & Supervisory Board Members receive reports from full-time Audit & Supervisory Board Members on the outline of the on-site inspections and also the outline of important meetings at which Outside Audit & Supervisory Board Members were not present. Furthermore, Outside Audit & Supervisory Board Members receive an annual audit plan, results of quarterly reviews, an audit report and other documents from Accounting Auditor and actively exchange opinions with them.

To help Outside Directors perform their supervisory duties or Outside Audit & Supervisory Board Members to perform their auditing duties, results of audits by Audit & Supervisory Board Members and Auditing Department are regularly reported to the Board of Directors. In addition, in cases where, for example, deficiencies in the internal control system are detected, results of monitoring by Risk Management Department and Auditing Department are also reported to the Board of Directors. Opinions expressed by outside officers at the Board of Directors meetings are fully considered in improving the internal control system and implementing subsequent audits.

### (3) Audits

- 1) Audit by Audit & Supervisory Board Members
- (i) Organization and staffing for audits by Audit & Supervisory Board Members

The organization and staffing for audits by Audit & Supervisory Board Members as of June 21, 2023 (filing date of this Annual Securities Report) are as follows.

The Company has six Audit & Supervisory Board Members, of which three are Outside Audit & Supervisory Board Members. Among the six Audit & Supervisory Board Members, three members have considerable expertise in finance and accounting. Specifically, one member has the experience of engaging in tax and accounting services as an employee of the Company, another member has the professional experience in the field of finance and accounting with a certified public accountant designation, and yet another member has the experience of corporate management including financial and accounting. Also, the Company has assigned two staff members who assist Audit & Supervisory Board Members in performing their duties.

The name and career history of each Audit & Supervisory Board Member are as follows.

Name	Career history, etc.
Nozomu Amano (Audit & Supervisory Board Member (full-time))	Mr. Nozomu Amano has held key posts such as General Manager of Legal Department and General Manager of Administration & CSR Division. He has significant insight into the Company's corporate governance and compliance, as well as expertise in finance and accounting based on his experience in accounting services.
Yoshiaki Mizota (Audit & Supervisory Board Member (full-time))	Mr. Yoshiaki Mizota has been engaged in manufacturing/development for telecommunications business over the years, and has a wealth of experience in and advanced knowledge of business management in other countries and MONOZUKURI or manufacturing through his experience as an executive of the U.S. subsidiary and General Manager of Production Technology Division, and General Manager of MONOZUKURI Innovation Division.
Masao Terauchi (Audit & Supervisory Board Member (full-time))	Mr. Masao Terauchi has worked in divisions in charge of production control/business planning and procurement, and also served as President of a listed subsidiary in Asia and General Manager of Electronics Component Materials Division. As such, he has experience and expertise in overseas business management as well as energy segment.
Kunihiko Sakai (Outside Audit & Supervisory Board Member)	Mr. Kunihiko Sakai has a wealth of experience and advanced knowledge in areas such as corporate governance, management of legal risks, and compliance through long years of experience including experience overseas as a legal professional.
Sayaka Sumida (Outside Audit & Supervisory Board Member)	Ms. Sayaka Sumida has extensive familiarity with audits of financial statements and internal control, from her long years of experience as a certified public accountant. Besides, she has served as Executive Board Member of the Japanese Institute of Certified Public Accountants and also as a member of Business Accounting Council of the Financial Services Agency, and thus, has a wealth of experience in and advanced knowledge of finance and accounting.
Takao Shiomi (Outside Audit & Supervisory Board Member)	Mr. Takao Shiomi has experience in corporate management in various industries, including a large trading company, financial institutions, and a manufacturer. He has a wealth of experience in and advanced knowledge of overall corporate management, including finance and accounting.

Note: The Company will make a proposal "Election of one (1) Audit & Supervisory Board Member" as a matter to be resolved at the 201st Annual Shareholders Meeting to be held on June 23, 2023. If this proposal is approved and resolved as originally proposed, the Company will have six Audit & Supervisory Board Members, of which three are Outside Audit & Supervisory Board Members. Among the six Audit & Supervisory Board Members, four members will have considerable expertise in finance and accounting. Specifically, one member has the experience of engaging in tax and accounting services as an employee of the Company, another member has the experience as a corporate officer in charge the finance division at Furukawa Electric Group, another member has the professional experience in the field of finance and accounting with a certified public accountant designation, and yet another member has the experience of corporate management including financial and accounting. Also, the Company has assigned two staff members who assist Audit & Supervisory Board Members in performing their duties.

Name and career history, etc. of each Audit & Supervisory Board Member are as follows.

Name	Career history, etc.
Nozomu Amano (Audit & Supervisory Board Member (full-time))	Mr. Nozomu Amano has held key posts such as General Manager of Legal Department and General Manager of Administration & CSR Division. He has significant insight into the Company's corporate governance and compliance, as well as expertise in finance and accounting based on his experience in accounting services.
Masao Terauchi (Audit & Supervisory Board Member (full-time))	Mr. Masao Terauchi has worked in divisions in charge of production control/business planning and procurement, and also served as President of a listed subsidiary in Asia and General Manager of Electronics Component Materials Division. As such, he has experience and expertise in overseas business management as well as energy segment.
Hiroyuki Ogiwara (Audit & Supervisory Board Member (full-time))	Mr. Hiroyuki Ogiwara has held various positions in Furukawa Electric Group, including CFO of our U.S. subsidiary, General Manager of Finance & Accounting Department, General Manager of Finance & Accounting Department and Procurement Division Head of the Company. He has garnered a wealth of experience and advanced knowledge in finance/accounting and the Group management through his experience leading the Group's transformation activities and serving as Corporate Senior Executive Vice President.
Kunihiko Sakai (Outside Audit & Supervisory Board Member)	Mr. Kunihiko Sakai has a wealth of experience and advanced knowledge in areas such as corporate governance, management of legal risks, and compliance through long years of experience including experience overseas as a legal professional.
Sayaka Sumida (Outside Audit & Supervisory Board Member)	Ms. Sayaka Sumida has extensive familiarity with audits of financial statements and internal control, from her long years of experience as a certified public accountant. Besides, she has served as Executive Board Member of the Japanese Institute of Certified Public Accountants and also as a member of Business Accounting Council of the Financial Services Agency, and thus, has a wealth of experience in and advanced knowledge of finance and accounting.
Takao Shiomi (Outside Audit & Supervisory Board Member)	Mr. Takao Shiomi has experience in corporate management in various industries, including a large trading company, financial institutions, and a manufacturer. He has a wealth of experience in and advanced knowledge of overall corporate management, including finance and accounting.

(ii) Activities of Audit & Supervisory Board Members and Audit & Supervisory Board (for FY2022)

<Activities of Audit & Supervisory Board Members>

(Audit & Supervisory Board Member (full-time): ◆ Outside Audit & Supervisory Board Member: ◇)

Activities		Roles
Attendance of important meetings	Board of Directors	◆◇
	Management Committee	◆
	Outside Officers Committee	◇
	Risk Management Committee, Sustainability Committee, etc.	◆
Hearing with individual officers		◆◇
Information sharing and exchange of opinions with Chairman and Director (non-executive director without representative rights) and President (chief executive officer)		◆
Information sharing and exchange of opinions with Accounting Auditor		◆◇
Information sharing and exchange of opinions with Auditing Department		◆◇
Debriefing from and exchange of opinions with General Manager of Risk Management Department, Risk Management Division		◆
Debriefing from part-time Audit & Supervisory Board Members of group companies in Japan		◆
Information sharing and exchange of opinions with Audit & Supervisory Board Members, etc. of major subsidiaries in Japan		◆
Review important requests for approval		◆
On-site inspection (including remote auditing by using a web conference system) of each department at each division of the Company, its business locations/branches, and R&D laboratories		◆◇
On-site inspection (including remote auditing by using a web conference system) of Group companies in Japan and abroad		◆
Attendance of regular meetings with Accounting Auditor and internal audit division, etc. to reinforce the three-way audit system		◆
Review in cases where audit or other firms within the Deloitte Tohmatsu Group to which Accounting Auditor of the Company belong provide non-audit services to Furukawa Electric Group companies		◆

Notes: 1. Each Audit & Supervisory Board Member performs audit based on the auditing policy and plan set forth by the Audit & Supervisory Board and reports its details and results to the Audit & Supervisory Board. The auditing policy and plan of the Audit & Supervisory Board are explained at the Board of Directors and the results and status of audit are also reported regularly to the Board of Directors and President.

2. For matters assigned to full-time Audit & Supervisory Board Members only, full-time Audit & Supervisory Board Members report results, etc. of audit implementation at the Audit & Supervisory Board for Outside Audit & Supervisory Board Members to share

information.

<Attendance status of individual Audit & Supervisory Board Members to the Audit & Supervisory Board meetings and the Board of Directors meetings (in FY2022)>

The Company held 9 Audit & Supervisory Board meetings and 17 Board of Directors meetings in FY2022.

Name	Attendance at the Audit & Supervisory Board meetings (number of attendance and attendance ratio)	Attendance at the Board of Directors meetings (number of attendance and attendance ratio)
Nozomu Amano (Audit & Supervisory Board Member (full-time))	9 out of 9 (100%)	17 out of 17 (100%)
Yoshiaki Mizota (Audit & Supervisory Board Member (full-time))	9 out of 9 (100%)	17 out of 17 (100%)
Masao Terauchi (Audit & Supervisory Board Member (full-time))	7 out of 7 (100%)	13 out of 13 (100%)
Kunihiko Sakai (Outside Audit & Supervisory Board Member)	9 out of 9 (100%)	17 out of 17 (100%)
Sayaka Sumida (Outside Audit & Supervisory Board Member)	9 out of 9 (100%)	17 out of 17 (100%)
Takao Shiomi (Outside Audit & Supervisory Board Member)	9 out of 9 (100%)	17 out of 17 (100%)

Note: Mr. Masao Terauchi was newly elected at the 200th Annual Shareholders Meeting held on June 23, 2022, and thus, the numbers of the eligible Board of Directors meetings and the Audit & Supervisory Board meetings are different from other Audit & Supervisory Board Members.

<Specific matters deliberated on at Audit & Supervisory Board meetings>

Month	Overview
May	<ul style="list-style-type: none"> <li>• Debriefing from and exchange of opinions with Accounting Auditor on results of year-end accounting audit</li> <li>• Evaluation of Accounting Auditor and judgment on appropriateness of audit by Accounting Auditor</li> <li>• Debriefing from and exchange of opinions with Accounting Auditor on the final draft of Key Audit Matters (KAM)</li> <li>• Review of the results of audit regarding internal control system</li> <li>• Report from full-time Audit &amp; Supervisory Board Members on their audit activities</li> <li>• Preparation of audit report of the Audit &amp; Supervisory Board</li> <li>• Judgment on whether to consent to the proposal for election of Audit &amp; Supervisory Board Members</li> <li>• Judgment on whether to reappoint Accounting Auditor</li> <li>• Discussions about the treatment of proposals submitted to Annual Shareholders Meeting</li> </ul>
June	<ul style="list-style-type: none"> <li>• Election of Chair of Audit &amp; Supervisory Board</li> <li>• Election of full-time Audit &amp; Supervisory Board Members</li> <li>• Determination of the audit policies as well as audit plan and job assignment for FY2022</li> <li>• Discussions about the remuneration for Audit &amp; Supervisory Board Members</li> </ul>
August	<ul style="list-style-type: none"> <li>• Debriefing from and exchange of opinions with Accounting Auditor on the audit plan and quarterly review plan</li> <li>• Debriefing from and exchange of opinions with Accounting Auditor on results of the first quarter closing review</li> <li>• Report on the status of the non-audit services contract from Accounting Auditor</li> <li>• Judgment on whether to consent to the proposed compensation for Accounting Auditor</li> <li>• Decision on which officers to invite for an individual hearing</li> <li>• Report from full-time Audit &amp; Supervisory Board Members on their audit activities</li> </ul>
September	<ul style="list-style-type: none"> <li>• Report from full-time Audit &amp; Supervisory Board Members on their audit activities</li> </ul>
November	<ul style="list-style-type: none"> <li>• Debriefing from and exchange of opinions with Accounting Auditor on results of the second quarter closing review</li> <li>• Discussion with Accounting Auditor about KAM</li> <li>• Report on the status of the non-audit services contract from Accounting Auditor</li> <li>• Report from full-time Audit &amp; Supervisory Board Members on their audit activities</li> </ul>
December	<ul style="list-style-type: none"> <li>• Report from full-time Audit &amp; Supervisory Board Members on their audit activities</li> <li>• Determination of schedule for Audit &amp; Supervisory Board meetings and hearing with individual officers in FY2023</li> </ul>
February	<ul style="list-style-type: none"> <li>• Debriefing from and exchange of opinions with Accounting Auditor on results of the third quarter closing review</li> <li>• Discussion with Accounting Auditor about KAM</li> <li>• Report on the status of the non-audit services contract from Accounting Auditor</li> <li>• Report from full-time Audit &amp; Supervisory Board Members on their audit activities</li> </ul>
March	<ul style="list-style-type: none"> <li>• Debriefing from and exchange of opinions with Accounting Auditor on the year-end audit plan</li> <li>• Debriefing from and exchange of opinions with Accounting Auditor on the drafted document of KAM</li> <li>• Interim evaluation on Accounting Auditor</li> <li>• Report from full-time Audit &amp; Supervisory Board Members on their audit activities</li> </ul>



2) Internal audit

<Organization and staffing for internal audit>

Internal audits are performed by Auditing Department, which directly reports to the President. Auditing Department, consisting of six full-time staff and eight part-time staff, monitors each department's status of business execution regularly and whenever necessary depending on changes in environment and reports the results to the relevant department and management. When monitoring each department, Auditing Department perform monitoring from the perspectives of the internal control system and risk management. More specifically, Auditing Department engages in internal auditing activities by focusing on status of compliance, departmental risk management, and group-wide risk management as well as effectiveness and efficiency of operations at each department in the Company, status of control and storage of documents and information used for decision-making, status of development, effectiveness and compliance of internal regulations.

<Cooperation among internal audit, audit by Audit & Supervisory Board Members and accounting audit and relationship with internal control division>

Audit & Supervisory Board Members, Auditing Department and Accounting Auditor work closely with each other through regular information sharing and discussion on annual audit planning and audit reports to reinforce the three-way audit system. Audit & Supervisory Board Members hold liaison meetings with their counterparts of major group companies to improve the auditing function of the Group as a whole through mutual information sharing.

Risk Management Department of Risk Management Division, which is responsible for managing and promoting internal control activities over financial reporting (in conformity with J-SOX), closely communicates with Accounting Auditor on matters such as the status of internal audit, and also report the progress of establishment and development of the internal control system and relevant issues whenever necessary to Audit & Supervisory Board Members and Auditing Department.

<Initiatives for securing the effectiveness of internal audit>

To secure the effectiveness of internal audit, Auditing Department is placed under the direct control of the President as described above. We have also built a scheme whereby Auditing Department periodically reports the results of audit to the Board of Directors and Audit & Supervisory Board Members. In cases where the management (Executive Directors including Representative Director, and Corporate Vice Presidents) is suspected of being involved in a fraud, deficiency, or problem, reporting to Audit & Supervisory Board Members shall be given priority.

3) Accounting audit

a. Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

b. Years of continuous auditing

Five years starting from FY2018

c. Certified public accountants who performed the audit engagement

Mr. Koichi Yano, Mr. Takahiro Ikeda, and Mr. Daijiro Furutani

d. Composition of assistants of audit engagement

Besides the certified public accountants described in Item c. above, the audit engagement for the Company was assisted by 25 certified public accountants and 51 other individuals.

e. Policy and reasons for appointing the audit firm

The Audit & Supervisory Board comprehensively reviewed the number of years of continuous auditing by the current audit firm, as well as its independence, expertise, appropriateness and quality management system in accordance with the standards prescribed by the Audit & Supervisory Board. As a result of the review, the Audit & Supervisory Board decided to reappoint Deloitte Touche Tohmatsu LLC as Accounting Auditor because it was assessed to be the most appropriate audit firm.

The Audit & Supervisory Board has determined the following policies on making decisions on dismissing or not reappointing Accounting Auditor.

The Audit & Supervisory Board shall, based on the consent of all Audit & Supervisory Board Members, dismiss the Accounting Auditor after reviewing a case if it determines that the circumstance falls under any of the items set forth in Article 340, paragraph (1) of the Companies Act. In this case, an Audit & Supervisory Board Member designated by the Audit & Supervisory Board shall report the dismissal of the Accounting Auditor and the reasoning at the first Annual Shareholders Meeting convenes following the

dismissal.

In the event that the Audit & Supervisory Board determines that the execution of duties by the Accounting Auditor has been disrupted due to incomplete independence, audit structure and quality control structure, etc., or it is appropriate to further enhance the reliability/appropriateness of an audit, the Board shall consider the dismissal or non-reappointment of the Accounting Auditor and determine proposals related to the dismissal and non-reappointment of the Accounting Auditor to be submitted to the Annual Shareholders Meeting if determined necessary.

f. Evaluation of audit firm by Audit & Supervisory Board Members and the Audit & Supervisory Board

In accordance with the evaluation standards prescribed by a resolution of the Audit & Supervisory Board, Audit & Supervisory Board Members and the Audit & Supervisory Board of the Company evaluate Accounting Auditor from the viewpoints of quality management of the audit engagement by the audit firm as Accounting Auditor, cooperation with the auditors of our group companies, and response to fraud risks, in addition to the independence, expertise, and appropriateness of Accounting Auditor.

As a result of the evaluation, the Audit & Supervisory Board of the Company has resolved not to submit a proposal for the selection or dismissal of Accounting Auditor since the accounting audit by the audit firm as Accounting Auditor for FY2022 was deemed to have been conducted appropriately and its audit system was deemed to be functioning effectively.

4) Details of audit fees, etc.

a. Audit fees paid to auditing certified public accountants

Classification	Previous fiscal year		Current fiscal year	
	Audit fees (million yen)	Non-audit fees (million yen)	Audit fees (million yen)	Non-audit fees (million yen)
Reporting company	119	1	129	–
Consolidated subsidiaries	132	–	135	–
Total	251	1	265	–

Note: During the previous fiscal year, fees for non-audit services for the reporting company were those for preparation of comfort letters.

b. Audit fees paid to Deloitte Touche Tohmatsu Limited and its group firms that belong to the same network as auditing certified public accountants, etc. (excluding fees specified in the item a. above)

Classification	Previous fiscal year		Current fiscal year	
	Audit fees (million yen)	Non-audit fees (million yen)	Audit fees (million yen)	Non-audit fees (million yen)
Reporting company	–	1	–	3
Consolidated subsidiaries	145	51	149	55
Total	145	53	149	58

Notes: 1. Fees for non-audit services were those for assisting with trade operations during the previous fiscal year and for database usage during the current fiscal year.

2. The details of non-audit services provided to the Company's consolidated subsidiaries are tax advisory service and other for both the previous and current fiscal years.

c. Details of fees for other significant audit certification services

(Previous fiscal year)

Not applicable.

(Current fiscal year)

Not applicable.

d. Policy for determining audit fees

Regarding the policy for determining the amount of fee to be paid to auditing certified public accountants, etc., the amount of fee is reasonably calculated in consideration of the business type, business scale, and characteristics of the Company and its group companies, and is based on an audit man-hour estimate that has been thoroughly discussed and verified with the business execution departments in consideration of past results and statistical indicators. Finally, the amount is determined after approval by the Board of Directors and consent by the Audit & Supervisory Board under Article 399 of the Companies Act.

e. Reason for Audit & Supervisory Board to have agreed to remuneration of Accounting Auditors

Audit & Supervisory Board received explanations from the accounting auditors regarding the overview of their audit plan, including estimated audit time and audit fees, and checked the adequacy and appropriateness of the estimated audit time. The estimated audit time increased as a result of considering continuously increasing number of additional man-hours because audit is increasingly becoming complicated due to the changing business environment and responses to regulations. Consequently, the Board judged that sufficient audit time is secured for high-quality auditing services, and the unit price of audit fees is appropriate in light of the fees paid in the previous fiscal year, and therefore, expressed agreement as set forth in Article 399, paragraph (1) of the Companies Act.

**(4) Remuneration for Directors, etc.**

1) Policies for determining remuneration, etc. for Directors, etc.

The Company’s policies for determining remuneration, etc. for Directors, etc. are as stated below:

(i) Policy for determining remuneration for Directors, etc.

The remuneration for Directors, etc. shall be determined in a way that encourages individual Directors, etc. to exert his/her abilities to the maximum level and proactively fulfill his/her duties so that Furukawa Electric Group will increase its corporate value and achieve sustainable growth while contributing to the society through its business activities.

(ii) Policy for determining remuneration for individual officer by element

In accordance with the above-mentioned policy, the Board of Directors resolved to approve the policy for determining remuneration for individual Directors, etc. (hereinafter, “Individual Remuneration Policy”). Nominating/Compensation Committee confirms adequacy, effectiveness and appropriateness of plan design and level of remuneration every year, by means of outside survey that is comparing the Company’s remuneration level with those of other similar size 30 manufacturing companies.

The Company’s remuneration for Directors, etc. consists of base salary, short-term performance-linked remuneration (on an individual level), short-term performance-linked remuneration (on the company level) and Medium-to-long-term performance-linked remuneration; and the Individual Remuneration Policy for determining an amount of each remuneration element is as follows:

Element of remuneration	Overview	Recipient			
		Director except Outside Director	Outside Director	Corporate Vice President and Senior Fellow, except Director	Audit & Supervisory Board Member
Base salary	This element is paid in cash in a fixed amount every month, and the amount is determined depending on his/her role (e.g. management oversight or business execution) and official position.	●	●	●	●
Short-term performance-linked remuneration (individual)	This element is paid in cash every month, and the amount paid to individual Directors, etc. is determined by Nominating/Compensation Committee upon comprehensively evaluating achievements* <sup>1</sup> of the relevant business plan in the previous fiscal year, such as operating profit and inventory balance in the division(s) he/she is in charge of, and the status of relevant measures.	●	—	●	—
Short-term performance-linked remuneration (company level)	This element is paid in cash once a year, and the amount is fixed according to the evaluation criterion* <sup>2</sup> based on consolidated operating profit, as defined by Nominating/Compensation Committee.	●	—	●	—
Medium-to-long-term performance-linked remuneration	This is the stock remuneration program* <sup>3</sup> , under which Directors, etc. are paid with the Company’s stocks acquired by the Trust that was funded by the Company.	●	—	●	—

Notes: 1. Short-term performance-linked remuneration (on an individual level) is designed for comprehensively evaluating achievements of individual business(es). For the evaluation, score is used for measuring achievements versus planned operating profit and inventory reduction, achievements versus safety and quality targets, etc., and risk readiness, and an evaluation is made based on a total score.  
 2. For short-term performance-linked remuneration (on the company level), we adopted consolidated operating profit as an indicator for ensuring the Company’s performance in a relevant fiscal year is appropriately and clearly reflected to the remuneration. The following table shows remuneration amount corresponding to consolidated operating profit, which is the evaluation criterion here, and official position. Nominating/Compensation Committee regularly checks and reviews this table to ensure the remuneration levels are adequate, taking into account consolidated operating profit in the past several years.

- Short-term performance-linked remuneration table corresponding to consolidated operating profit and official position (on the company level)

(Unit: JPY thousand per year)

Classification of Director, etc.	Operating Profit						
	650~ (JPY 100 million)	550~650 (JPY 100 million)	450~550 (JPY 100 million)	350~450 (JPY 100 million)	250~350 (JPY 100 million)	150~250 (JPY 100 million)	~150 (JPY 100 million)
Chairman of the Board	19,500	16,088	12,675	9,750	7,800	4,875	–
President (Representative)	34,000	28,050	22,100	17,000	13,600	8,500	–
Corporate Senior Executive Vice President	20,800	17,160	13,520	10,400	8,320	5,200	–
Corporate Executive Vice President	16,500	13,613	10,725	8,250	6,600	4,125	–
Corporate Senior Vice President	10,000	8,250	6,500	5,000	4,000	2,500	–
Corporate Vice Presidents / Senior Fellows	5,400	4,455	3,510	2,700	2,160	1,350	–

Note that the Company has partially amended the remuneration system for Directors, etc. mainly for the purpose of the remuneration for Directors, etc. other than Outside Directors and Audit & Supervisory Board Members more explicitly reflecting the results of initiatives toward ESG-related matters. The amended remuneration system for Directors, etc. is scheduled to come into effect in July 2023.

The amended short-term performance-linked remuneration table corresponding to consolidated operating profit and official position (on the Company level) is as follows:

(Unit: JPY thousand per year)

Classification of Director, etc.	Operating Profit						
	650~ (JPY 100 million)	550~650 (JPY 100 million)	450~550 (JPY 100 million)	350~450 (JPY 100 million)	250~350 (JPY 100 million)	150~250 (JPY 100 million)	~150 (JPY 100 million)
Chairman of the Board	15,100	12,458	9,815	7,550	6,040	3,775	–
President (Representative)	29,600	24,420	19,240	14,800	11,840	7,400	–
Corporate Senior Executive Vice President	18,000	14,850	11,700	9,000	7,200	4,500	–
Corporate Executive Vice President	14,100	11,633	9,165	7,050	5,640	3,525	–
Corporate Senior Vice President	8,200	6,765	5,330	4,100	3,280	2,050	–
Corporate Vice Presidents / Senior Fellows	4,200	3,465	2,730	2,100	1,680	1,050	–

- For Medium-to-long-term performance-linked remuneration, we adopted the Company's stock price as an indicator, in order to appropriately reflect increased corporate value to remuneration amounts, and to share incentives for increasing corporate value with shareholders. In this stock remuneration program, three fiscal years constitute a performance period and the Company contributes funds up to the maximum amount of ¥450 million per performance period to the Trust as remuneration for Directors, etc. Directors, etc. are granted a pre-determined number of points depending on their titles/positions every year as the basis of their rights to receive the Company's stocks. After the end of each performance period, the number of points qualifying Directors, etc. for receiving the Company's stocks are finalized after an adjustment for certain cases, according to the criteria for comparing changes in the Company's stock prices with those of TOPIX during the period. (The actual points to be granted are calculated by multiplying the payout ratio, which is determined by multiplying the degree of divergence of the volatility of the Company's stock price and volatility of TOPIX by the cumulative total points granted during the evaluation period.) In case any of Directors, etc. retire from the position during the period, in principle, an adjustment is to be made in a similar manner.

- Medium-to-long-term performance-linked remuneration: point table by official position (from April 1, 2022 to March 31, 2025)

The maximum total number of points granted to Directors, etc. in a performance period is 180,000, and 1 point is convertible into 1 share unit of the Company's common stock.

Classification of Directors, etc.	Number of Point Granted	Number of Stock Granted per period
Chairman of the Board	7,640	29,796
President (Representative)	9,340	36,426
Corporate Senior Executive Vice President (Director)	4,800	18,720
Corporate Senior Executive Vice President	3,930	15,327
Corporate Executive Vice President (Director)	3,930	15,327
Corporate Executive Vice President	3,060	11,934
Corporate Senior Vice President(Director)	2,190	8,541
Corporate Senior Vice President	1,310	5,109
Corporate Vice President (Director)	1,310	5,109
Corporate Vice President / Senior Fellow	660	2,574

[Medium-to-long-term performance-linked remuneration: Formula for calculating the degree of divergence]

Degree of divergence = Volatility of the Company's stock price / Volatility of TOPIX

Volatility of the Company's stock price = average stock price of the Company in the final year of the evaluation period / average

stock price of the Company in the year prior to the start of the evaluation period  
Volatility of TOPIX = average TOPIX in the final year of the evaluation period / average TOPIX in the year prior to the start of the evaluation period

■ Medium-to-long-term performance-linked remuneration: Rate correspondence table for each degree of deviation

Deviation (Scope)	Rate (%)
$X \geq 1.3$	130
$1.2 \leq X < 1.3$	120
$1.1 \leq X < 1.2$	110
$0.95 \leq X < 1.1$	100
$0.85 \leq X < 0.95$	90
$0.75 \leq X < 0.85$	80
$0.65 \leq X < 0.75$	70
$0.55 \leq X < 0.65$	60
$0.2 \leq X < 0.55$	50
$0.2 > X$	0

■ Medium-to-long-term performance-linked remuneration: Formula for determining the number of points granted to individuals during a performance period

Finalized points = (cumulative total points granted to each Director, etc. during the evaluation period) x (payout ratio for the evaluation period)

“Payout ratio” represents the percentage of change in the actual remuneration amount as a result of performance evaluation, where the standard amount of the medium-to-long-term performance-linked remuneration is 100%.

At the time of their retirement, Directors, etc. receive the Company’s stocks and money calculated by the following formula as the medium-to-long-term performance-linked remuneration from the Trust.

- Number of the Company’s shares to be granted = (cumulative total points as of the vesting date x payout ratio – number of points corresponding to a fraction of shares) x 0.7
  - If there is a fraction of shares of the Company upon calculation by the above formula, such shares will be disregarded.
- Amount of money to be paid = (Number of points convertible into share units x 0.3 + number of points corresponding to a fraction of shares) x market value of the Company’s stock as of the vesting date
  - “The number of points convertible into share units” is defined as (cumulative total points as of the vesting date x payout ratio – the number of points corresponding to a fraction of shares).
  - If there are any points corresponding to a fraction of shares upon calculation by the formula “the number of points convertible into share units x 0.3”, such a fraction will be rounded up to a share unit and added to the number of share units.
  - The vesting date is defined as the first end date of June after the retirement of Directors, etc., and after the closing of the last fiscal year, in which he/she is eligible for receiving points.

(iii) Policy of Determining the Percentage of Remuneration Paid to Each Individual for Each Remuneration System

In terms of a percentage of each component of remuneration, it is designed as follows: the higher the rank of Directors, etc., the larger the percentage of performance-linked remuneration. When the aggregate total of the standard percentage of each component is 100%, the percentage of each component is shown below:

Classification of Directors, etc.	Base salary	Short-term performance-linked remuneration		Medium-to-long-term performance-linked remuneration	Total
		(Individual level)	(the Company level)		
Chairman of the Board	55%	12%	12%	21%	100%
President (Representative)	51%	15%	15%	19%	100%
Director and Corporate Senior Executive Vice President	55%	15%	15%	15%	100%
Director and Corporate Executive Vice President	58%	14%	14%	14%	100%
Director and Corporate Senior Vice President	68%	11%	11%	11%	100%
Corporate Senior Executive Vice President	54%	16%	16%	14%	100%
Corporate Executive Vice President	56%	15%	15%	14%	100%
Corporate Senior Vice President	67%	13%	13%	8%	100%
Corporate Vice President / Senior Fellow	71%	16%	8%	5%	100%

2) Matters concerning the delegation of the determination of remuneration by resolution of the Board of Directors

At the Company, the Board of Directors determines the Individual Remuneration Policy for determining remuneration for individual Directors, etc. From the perspective of ensuring the objectivity, fairness and transparency, the Board of Directors partially delegates the authorities related to the matters for deliberation, including the determination of remuneration for individual Directors, etc., to Nominating/Compensation Committee comprising a majority of Outside Directors. The details of the authorities delegated to said committee are described in Item (2) of “<Matters to be deliberated by Nominating/Compensation Committee>” included in “(1) Overview of corporate governance, 2) Corporate governance system, (i) Overview of the corporate governance system and reasons for adopting such corporate governance system, a. Overview of the corporate governance system.”

The Committee comprises seven members, and five members, including the chairperson, are Outside Directors.

The following table shows the Committee composition as of the date when remuneration for individual Directors and Corporate Vice Presidents was determined for the current fiscal year (June 23, 2022).

Name	Position
Osamu Tsukamoto	Outside Director
Takashi Tsukamoto	Outside Director (Chairman of Nominating/Compensation Committee)
Yoshiro Miyokawa	Outside Director
Yukiko Yabu	Outside Director
Tamotsu Saito	Outside Director
Mitsuyoshi Shibata	Chairman of the Board and Director
Keiichi Kobayashi	President and Representative Director

The activities of the Board of Directors and Nominating/Compensation Committee in the process of determining the amount of remuneration of Directors, etc. during the fiscal year under review are as follows

Meeting Date / Body	Overview
June 9, 2022 Nominating/Compensation Committee	Discussed/evaluated performance of Directors, etc. during FY2021
June 23, 2022 Board of Directors	Resolved on delegating the decision on a remuneration amount for each Director and Corporate Vice President to Nominating/Compensation Committee
June 23, 2022 Nominating/Compensation Committee	Determined the remuneration amount for each Director and Corporate Vice President for the fiscal year ending March 2023

The Board of Directors has received a report from Nominating/Compensation Committee that the content and method of determining individual director remuneration, etc. determined by the Committee are in line with the decision policy. We have determined that the content of remuneration for each individual is in line with the decision policy.

3) Remuneration for Directors and Audit & Supervisory Board Members in the fiscal year under review

The total amount of remuneration for Directors and Audit & Supervisory Board Members for the fiscal year under review is as follows.

Officer classification	Total remuneration (JPY millions)	Total remuneration by type (JPY millions)				Number of subject officers (persons)
		Base salary	Short-term performance-linked remuneration (Individual level)	Short-term performance-linked remuneration (the Company level)	Medium-to-long-term performance-linked remuneration	
Directors (excluding outside directors)	362	234	25	25	77	8
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	92	92	–	–	–	4
Outside Officers	110	110	–	–	–	8
Outside directors	74	74	–	–	–	5
Outside Audit & Supervisory Board Members	36	36	–	–	–	3

- Notes: 1. The amounts and numbers of officers in the above table include two Directors and one Audit & Supervisory Board Member who retired from the positions due to the expiry of their terms at the end of the 200th Annual Shareholders Meeting held on June 23, 2022 as well as amounts of their remuneration.
2. Short-term performance-linked remuneration (on the company level) amounting to ¥25 million will be paid to eight Directors (excluding Outside Directors) in July 2023.
3. The amount of medium-to-long-term performance-linked remuneration in the above table is calculated by deeming the number of shares corresponding to the number of points granted for the current fiscal year under the stock remuneration program as the remuneration for the year.
4. Short-term performance-linked remuneration (on the company level) falls under the category of performance-linked remuneration. For this remuneration, the Company adopted consolidated operating profit as an indicator to appropriately and clearly reflect the Company's business performance during a relevant fiscal year to the remuneration. The Company's consolidated operating profit in the current year was ¥15,441

million.

5. Medium-to-long-term performance-linked remuneration falls under the categories of performance-linked remuneration as well as non-monetary remuneration. For this remuneration, the Company adopted its stock price, in order to appropriately reflect increased corporate value to remuneration amounts, and to share incentives for increasing corporate value with shareholders. Actual deviation was 0.93 (a reference value calculated by using numerical value in FY2022).

4) Matters concerning the resolution of remuneration, etc. for Directors, etc. at Annual Shareholders Meeting

The resolutions of remuneration, etc. for Directors, etc. at Annual Shareholders Meeting is as follows.

[Directors, etc.]

Date of resolution of shareholders meeting	Detail of resolution	Resolution about Directors numbers	Remuneration type under the current system
184th Annual Shareholders Meeting (held on June 29, 2006)	Directors' remuneration shall not exceed ¥600 million per year. The above-mentioned maximum amount does not include salaries for employees who serve as Director.	11	<ul style="list-style-type: none"> <li>• Base salary</li> <li>• Short-term performance-linked remuneration (individual)</li> <li>• Short-term performance-linked remuneration (company level)</li> </ul>
197th Annual Shareholders Meeting (held on June 27, 2019)	The maximum amount, which the Company can additionally contribute to the Trust established under the performance-linked stock remuneration program for Directors (excluding Outside Directors) as well as Corporate Vice Presidents and Senior Fellows who are not directors, shall be ¥450 million in every three fiscal years.	26 (7 Directors, 17 Corporate Vice Presidents, and 2 Senior Fellows)	<ul style="list-style-type: none"> <li>• Medium-to-long-term performance-linked remuneration</li> </ul>

- Notes
1. The determination on the amount of remuneration for each director is delegated by the Board of Directors to Nominating/Compensation Committee.
  2. The number of Directors, etc. subject to the resolutions in the above table is the number of those at the end of the respective Annual Shareholders Meetings concerned. The number of eligible Directors, etc. about each remuneration type at the end of 201st Annual Shareholders Meeting is as follows.

Remuneration type under the current system	Number of eligible directors about each Remuneration type at the end of 201st Annual Shareholders Meeting
Base salary Short-term performance-linked remuneration (individual) Short-term performance-linked remuneration (company level)	11
Medium-to-long-term performance-linked remuneration	29 (6 Directors, 20 Corporate Vice Presidents, and 3 Senior Fellows)

[Audit & Supervisory Board Members]

Date of resolution of shareholders meeting	Detail of resolution	Resolution about Audit & Supervisory Board Members numbers
192nd Annual Shareholders Meeting (held on June 25, 2014)	Directors' remuneration shall not exceed ¥130 million per year, and an amount of remuneration for each Audit & Supervisory Board Member is determined by mutual agreement of the Board of Audit & Supervisory Board Members.	6

Note: The number of Audit & Supervisory Board Members subject to the resolution in the above table is the number of those at the end of the Annual Shareholders Meeting concerned. The number of eligible Audit & Supervisory Board Members about Remuneration at the end of 201st Annual Shareholders Meeting is 6.

5) Total amount of consolidated remuneration by Director, etc.

The disclosure is omitted since no one received the consolidated remuneration exceeding ¥100 million.



## (5) Shareholdings

### (i) Standards for and views on classification of investment shares

The Company classifies investment shares held for the purpose of gaining returns from share price fluctuations or dividends from shares as “investment shares held for pure investment purposes,” and those not held for purposes of gaining returns from share price fluctuations or dividends from shares, but held for policy purposes due to quantitative or qualitative reasons other than the above as “investment shares held for purposes other than pure investment.”

### (ii) Shareholding policy of investment shares held for purposes other than pure investment and details of verification of the rationale for shareholding

#### a. Shareholding policy, method for verifying the rationale for shareholdings, and details of verification by the Board of Directors, etc. of the appropriateness of shareholdings in individual issues

We hold the shares if they are deemed to be significant from the viewpoint of improving capital efficiency or from need for the Company's business activities, and reduce the shares if they are deemed to be unsuitable for holding.

Each year, the Board of Directors shall conduct a verification of the validity of holding all listed shares among “investment shares held for purposes other than pure investment.” The verification shall be conducted from a comprehensive perspective, including the creation of business opportunities, the maintenance and strengthening of business relationships and cooperative relationships in business, as well as the comparison of quantitative benefits derived from the holdings of shares with the market value of the shares and cost of capital. For details of verification by the Board of Directors, etc. of the appropriateness of shareholdings in individual stocks, refer to “Overview of purposes of shareholdings, business alliances, etc.; quantitative effect of shareholdings; and reasons why the number of shares increased” in “c. Number and carrying amount by issue of specified investment shares and shares deemed to be held by the Company” as described later in this report.

We exercise all the voting rights of shares we hold after examining details of each proposal and determining whether or not the proposal contributes to improving the issuer's shareholder value. In cases where a proposal could undermine its shareholder value, we may consider voting against the proposal.

#### b. Number of issues and carrying amount

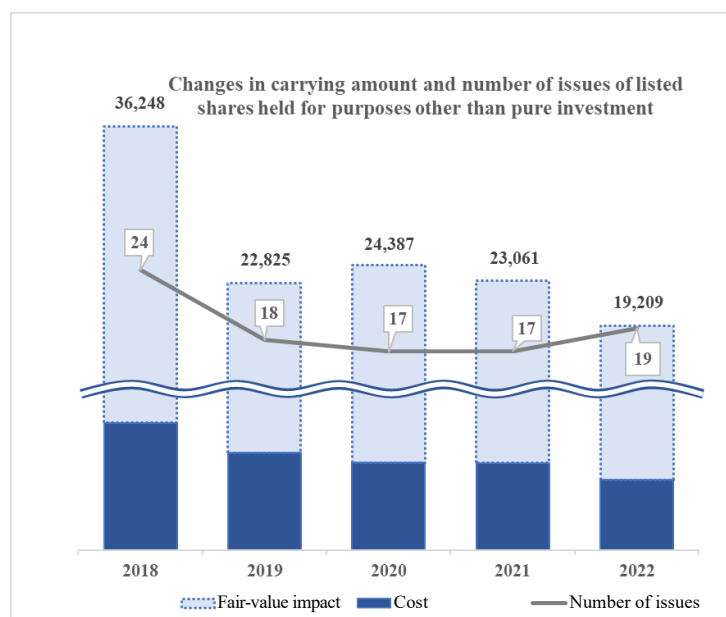
	Number of issues (issues)	Total carrying amount on balance sheet (million yen)
Shares not listed	74	5,595
Shares other than those not listed	19	19,209

#### Issues whose number of shares increased during the current fiscal year

	Number of shares (issues)	Total cost (million yen)	Reason for acquisition
Shares not listed	1	200	Because the Company determined that the investment would contribute to enhancing its corporate value from a medium-to-long-term perspective after fully examining the rationale and necessity of the investment
Shares other than those not listed	–	–	–

#### Issues whose number of shares decreased during the current fiscal year

	Number of issues (issues)	Total proceeds from sale (million yen)
Shares not listed	2	0
Shares other than those not listed	5	5,435



c. Number and carrying amount by issue of specified investment shares and shares deemed to be held by the Company

Specified investment shares

Issuer	Current fiscal year	Previous fiscal year	Overview of purposes of shareholdings, business alliances, etc.; quantitative effect of shareholdings; and reasons why the number of shares increased	Holding of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount on balance sheet (million yen)	Carrying amount on balance sheet (million yen)		
ZEON CORPORATION	1,831,500	2,731,500	The rationale for holding the shares was verified at the Board of Directors meeting held in December 2022 and other meetings, and we determined that the holding of the shares was significant from a comprehensive perspective though it is difficult to describe the quantitative holding effect. We will continue to determine the appropriateness of holding the shares from the perspectives of the significance and effect of holding the shares.	Yes
	2,562	3,725		
AICHI ELECTRIC CO., LTD.	565,540	565,540	As a result of verifying the rationale for holding the shares at the Board of Directors meeting held in December 2022 and other meetings, we determined to continue holding the shares because we quantitatively and qualitatively assessed that it was necessary to maintain and strengthen the business relationship and cooperative relationship with the issuer to strengthen business in our Electronics & Automotive Systems segment and the Functional Products segment. However, quantitative holding effects will not be described due to the nature of the relationship with the issuer.	Yes
	2,041	1,543		
East Japan Railway Company	250,000	250,000	As a result of verifying the rationale for holding the shares at the Board of Directors meeting held in December 2022 and other meetings, we determined to continue holding the shares because we quantitatively and qualitatively assessed that it was necessary to maintain and strengthen the business relationship and cooperative relationship with the issuer to strengthen business in our Infrastructure segment. However, quantitative holding effects will not be described due to the nature of the relationship with the issuer.	No
	1,833	1,777		

Issuer	Current fiscal year	Previous fiscal year	Overview of purposes of shareholdings, business alliances, etc.; quantitative effect of shareholdings; and reasons why the number of shares increased	Holding of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount on balance sheet (million yen)	Carrying amount on balance sheet (million yen)		
PT SUPREME CABLE MANUFACTURING & COMMERCE Tbk	24,275,640	24,275,640	As a result of verifying the rationale for holding the shares at the Board of Directors meeting held in December 2022 and other meetings, we determined to continue holding the shares because we quantitatively and qualitatively assessed that it was necessary to maintain and strengthen the business relationship and cooperative relationship with the issuer to strengthen business in our Electronics & Automotive Systems segment and the Infrastructure segment and to further expand sales in the global markets. However, quantitative holding effects will not be described due to the nature of the relationship with the issuer.	No
	1,814	2,119		
The Yokohama Rubber Company, Limited	564,366	1,464,366	The rationale for holding the shares was verified at the Board of Directors meeting held in December 2022 and other meetings, and we determined that the holding of the shares was significant from a comprehensive perspective though it is difficult to describe the quantitative holding effect. We will continue to determine the appropriateness of holding the shares from the perspectives of the significance and effect of holding the shares.	Yes
	1,578	2,477		
ADEKA CORPORATION	511,792	511,792	The rationale for holding the shares was verified at the Board of Directors meeting held in December 2022 and other meetings, and we determined that the holding of the shares was significant from a comprehensive perspective though it is difficult to describe the quantitative holding effect. We will continue to determine the appropriateness of holding the shares from the perspectives of the significance and effect of holding the shares.	Yes
	1,155	1,383		
FURUKAWA CO., LTD.	877,727	877,727	The rationale for holding the shares was verified at the Board of Directors meeting held in December 2022 and other meetings, and we determined that the holding of the shares was significant from a comprehensive perspective though it is difficult to describe the quantitative holding effect. We will continue to determine the appropriateness of holding the shares from the perspectives of the significance and effect of holding the shares. etc. of the shareholding in the future.	Yes
	1,120	1,131		
ASAHI-SEIKI MANUFACTURING CO., LTD.	455,800	455,800	As a result of verifying the rationale for holding the shares at the Board of Directors meeting held in December 2022 and other meetings, we determined to continue holding the shares because we quantitatively and qualitatively assessed that it was necessary to maintain and strengthen the business relationship and cooperative relationship with the issuer to strengthen business in our Electronics & Automotive Systems segment. However, quantitative holding effects will not be described due to the nature of the relationship with the issuer.	No
	1,094	934		
FUJI ELECTRIC CO., LTD.	207,775	407,775	The rationale for holding the shares was verified at the Board of Directors meeting held in December 2022 and other meetings, and we determined that the holding of the shares was significant from a comprehensive perspective though it is difficult to describe the quantitative holding effect. We will continue to determine the appropriateness of holding the shares from the perspectives of the significance and effect of holding the shares.	Yes
	1,080	2,511		

Issuer	Current fiscal year	Previous fiscal year	Overview of purposes of shareholdings, business alliances, etc.; quantitative effect of shareholdings; and reasons why the number of shares increased	Holding of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount on balance sheet (million yen)	Carrying amount on balance sheet (million yen)		
Mizuho Financial Group, Inc.	575,200	1,150,331	The rationale for holding the shares was verified at the Board of Directors meeting held in December 2022 and other meetings, and we determined that the holding of the shares was significant from a comprehensive perspective though it is difficult to describe the quantitative holding effect. We will continue to determine the appropriateness of holding the shares from the perspectives of the significance and effect of holding the shares.	Yes
	1,080	1,802		
TOKAI Holdings Corporation	920,000	920,000	As a result of verifying the rationale for holding the shares at the Board of Directors meeting held in December 2022 and other meetings, we determined to continue holding the shares because we quantitatively and qualitatively assessed that it was necessary to maintain and strengthen the business relationship and cooperative relationship with the issuer to strengthen business in our Infrastructure segment. However, quantitative holding effects will not be described due to the nature of the relationship with the issuer.	Yes
	803	793		
INABADENKI SANGYO CO., LTD.	275,200	275,200	As a result of verifying the rationale for holding the shares at the Board of Directors meeting held in December 2022 and other meetings, we determined to continue holding the shares because we quantitatively and qualitatively assessed that it was necessary to maintain and strengthen the business relationship and cooperative relationship with the issuer to strengthen business in our Functional Products segment. However, quantitative holding effects will not be described due to the nature of the relationship with the issuer.	Yes
	795	683		
KANTO DENKA KOGYO CO., LTD.	750,000	750,000	The rationale for holding the shares was verified at the Board of Directors meeting held in December 2022 and other meetings, and we determined that the holding of the shares was significant from a comprehensive perspective though it is difficult to describe the quantitative holding effect. We will continue to determine the appropriateness of holding the shares from the perspectives of the significance and effect of holding the shares.	Yes
	773	810		
The Shibusawa Warehouse Co., Ltd.	223,360	223,360	The rationale for holding the shares was verified at the Board of Directors meeting held in December 2022 and other meetings, and we determined that the holding of the shares was significant from a comprehensive perspective though it is difficult to describe the quantitative holding effect. We will continue to determine the appropriateness of holding the shares from the perspectives of the significance and effect of holding the shares.	Yes
	496	516		
NIPPON DENSETSU KOGYO CO., LTD.	307,871	307,871	As a result of verifying the rationale for holding the shares at the Board of Directors meeting held in December 2022 and other meetings, we determined to continue holding the shares because we quantitatively and qualitatively assessed that it was necessary to maintain and strengthen the business relationship and cooperative relationship with the issuer to strengthen business in our Infrastructure segment. However, quantitative holding effects will not be described due to the nature of the relationship with the issuer.	Yes
	487	487		

Issuer	Current fiscal year	Previous fiscal year	Overview of purposes of shareholdings, business alliances, etc.; quantitative effect of shareholdings; and reasons why the number of shares increased	Holding of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount on balance sheet (million yen)	Carrying amount on balance sheet (million yen)		
LONGWELL COMPANY	839,678	839,678	As a result of verifying the rationale for holding the shares at the Board of Directors meeting held in December 2022 and other meetings, we determined to continue holding the shares because we quantitatively and qualitatively assessed that it was necessary to maintain and strengthen the business relationship and cooperative relationship with the issuer to strengthen business in our Infrastructure segment. However, quantitative holding effects will not be described due to the nature of the relationship with the issuer.	No
	252	188		
Fujitsu Limited	9,466	9,466	The rationale for holding the shares was verified at the Board of Directors meeting held in December 2022 and other meetings, and we determined that the holding of the shares was significant from a comprehensive perspective though it is difficult to describe the quantitative holding effect. We will continue to determine the appropriateness of holding the shares from the perspectives of the significance and effect of holding the shares.	Yes
	168	174		
Transphorm Inc	129,132	–	As a result of verifying the rationale for holding the shares at the Board of Directors meeting held in December 2022 and other meetings, we determined to continue holding the shares because we quantitatively and qualitatively assessed that it was necessary to maintain and strengthen the business relationship and cooperative relationship with the issuer in order to maintain the license contract with the issuer. However, quantitative holding effects will not be described due to the nature of the relationship with the issuer.	No
	68	–		
Nuburu Inc	1,897	–	We have sold all its shareholdings in the issuer as of the filing date of this Annual Securities Report.	No
	0	–		

## Deemed holdings of investment shares

Issuer	Current fiscal year	Previous fiscal year	Overview of purposes of shareholdings, business alliances, etc.; quantitative effect of shareholdings; and reasons why the number of shares increased	Holding of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount on balance sheet (million yen)	Carrying amount on balance sheet (million yen)		
FUJI ELECTRIC CO., LTD.	936,720	936,720	We hold the authority to give instructions on the exercise of voting rights for the shares of the issuer. The rationale for holding the shares was verified at the Board of Directors meeting held in December 2022 and other meetings, and we determined that the holding of the shares was significant from a comprehensive perspective though it is difficult to describe the quantitative holding effect. We will continue to determine the appropriateness of holding the shares from the perspectives of the significance and effect of holding the shares.	Yes
	4,870	5,770		
The Yokohama Rubber Company, Limited	1,321,200	1,321,200	We hold the authority to give instructions on the exercise of voting rights for the shares of the issuer. The rationale for holding the shares was verified at the Board of Directors meeting held in December 2022 and other meetings, and we determined that the holding of the shares was significant from a comprehensive perspective though it is difficult to describe the quantitative holding effect. We will continue to determine the appropriateness of holding the shares from the perspectives of the significance and effect of holding the shares.	Yes
	3,695	2,235		
ZEON CORPORATION	1,953,000	1,953,000	We hold the authority to give instructions on the exercise of voting rights for the shares of the issuer. The rationale for holding the shares was verified at the Board of Directors meeting held in December 2022 and other meetings, and we determined that the holding of the shares was significant from a comprehensive perspective though it is difficult to describe the quantitative holding effect. We will continue to determine the appropriateness of holding the shares from the perspectives of the significance and effect of holding the shares.	Yes
	2,732	2,663		
Central Japan Railway Company	82,000	82,000	We hold the authority to give instructions on the exercise of voting rights for the shares of the issuer. The rationale for holding the shares was verified at the Board of Directors meeting held in December 2022 and other meetings, and we determined that the holding of the shares was significant from a comprehensive perspective though it is difficult to describe the quantitative holding effect. We will continue to determine the appropriateness of holding the shares from the perspectives of the significance and effect of holding the shares.	No
	1,296	1,309		

Note: Investment shares and shares deemed to be held by the Company are not included in the above carrying amount when selecting high-ranking issues in terms of the carrying amount.

## (iii) Investment shares held for pure investment purposes

The Company does not hold investment shares held for pure investment purposes.

## **Item 5. Financial Information**

### **1. Basis for Preparation of Consolidated and Non-consolidated Financial Statements**

- (1) The consolidated financial statements of Furukawa Electric Co., Ltd. (the “Company”) are prepared in accordance with the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976).
- (2) The non-consolidated financial statements of the Company are prepared in accordance with the “Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc.” (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter, the “Ordinance on Financial Statements, etc.”)

The Company falls under the company allowed to file specified financial statements and prepares its financial statements pursuant to the provision of Article 127 of the Ordinance on Financial Statements, etc.

### **2. Audit Certificate**

The Company’s consolidated and non-consolidated financial statements for the fiscal year from April 1, 2022 to March 31, 2023 were audited by Deloitte Touche Tohmatsu LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

### **3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements, etc.**

The Company has made special efforts to ensure the appropriateness of the consolidated financial statements, etc. Specifically, the Company is a member of the Financial Accounting Standards Foundation and participates in seminars and training programs organized by external organizations in order to develop a system that allows the Company to understand accounting standards and other pronouncements properly and adapt to their changes appropriately.

# 1. Consolidated Financial Statements, etc.

## (1) Consolidated financial statements

### (i) Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	65,153	47,432
Notes and accounts receivable - trade, and contract assets	*1 230,326	*1 229,550
Securities	3,257	5,127
Merchandise and finished goods	59,932	65,755
Work in process	40,116	38,556
Raw materials and supplies	64,067	67,985
Other	41,157	33,803
Allowance for doubtful accounts	(1,048)	(1,389)
Total current assets	502,963	486,821
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2 246,887	247,121
Machinery, equipment and vehicles	475,919	491,387
Tools, furniture and fixtures	75,229	76,458
Land	*2 35,935	33,473
Leased assets	1,273	1,169
Right-of-use assets	15,078	23,099
Construction in progress	20,074	23,069
Accumulated depreciation	(610,235)	(626,488)
Total property, plant and equipment	260,163	269,288
Intangible assets		
Goodwill	573	211
Other	19,947	20,024
Total intangible assets	20,520	20,236
Investments and other assets		
Investment securities	*3 116,767	*3 120,920
Investments in capital	*3 6,082	*3 4,262
Deferred tax assets	7,899	9,428
Retirement benefit asset	8,127	8,900
Other	14,264	15,894
Allowance for doubtful accounts	(912)	(915)
Total investments and other assets	152,228	158,490
Total non-current assets	432,912	448,015
Total assets	935,876	934,837



(Millions of yen)

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	127,988	125,409
Short-term borrowings	*2 115,000	141,281
Commercial papers	54,000	28,000
Income taxes payable	2,649	4,730
Provision for product warranties	3,045	2,238
Other	*4 77,033	*4 79,365
<b>Total current liabilities</b>	<b>379,716</b>	<b>381,025</b>
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term borrowings	133,120	114,547
Provision for environmental measures	9,343	9,284
Retirement benefit liability	43,806	38,239
Asset retirement obligations	1,485	1,588
Other	14,340	19,161
<b>Total non-current liabilities</b>	<b>242,097</b>	<b>222,821</b>
<b>Total liabilities</b>	<b>621,813</b>	<b>603,846</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	69,395	69,395
Capital surplus	23,178	23,179
Retained earnings	174,346	188,847
Treasury shares	(901)	(871)
<b>Total shareholders' equity</b>	<b>266,018</b>	<b>280,550</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,446	10,546
Deferred gains or losses on hedges	2,963	204
Foreign currency translation adjustment	817	14,541
Remeasurements of defined benefit plans	(3,024)	(2,296)
<b>Total accumulated other comprehensive income</b>	<b>13,201</b>	<b>22,996</b>
Non-controlling interests	34,843	27,442
<b>Total net assets</b>	<b>314,062</b>	<b>330,990</b>
<b>Total liabilities and net assets</b>	<b>935,876</b>	<b>934,837</b>

(ii) Consolidated statements of income and consolidated statements of comprehensive income  
Consolidated statements of income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net sales	*1 930,496	*1 1,066,326
Cost of sales	*3,*4 791,804	*3,*4 909,622
Gross profit	138,691	156,703
Selling, general and administrative expenses		
Selling expenses	38,850	47,732
General and administrative expenses	*3 88,413	*3 93,530
Total selling, general and administrative expenses	*2 127,263	*2 141,262
Operating profit	11,428	15,441
Non-operating profit		
Interest income	549	1,095
Dividend income	1,611	1,423
Share of profit of entities accounted for using equity method	9,045	5,991
Foreign exchange gains	1,496	1,668
Other	1,807	3,267
Total non-operating profit	14,510	13,447
Non-operating expenses		
Interest expenses	3,375	6,334
Other	2,897	2,914
Total non-operating expenses	6,272	9,248
Ordinary profit	19,666	19,639
Extraordinary income		
Gain on disposal of non-current assets	*5 2,082	*5 1,158
Gain on sale of investment securities	1,859	*6 15,279
Insurance claim income	*7 2,051	–
Settlement income	–	800
Refund of social contribution on net income (CSLL) for past years	*8 2,722	–
Other	864	404
Total extraordinary income	9,580	17,642
Extraordinary losses		
Loss on disposal of non-current assets	*9 1,296	*9 1,187
Impairment losses	*10 1,489	*10 402
Loss on business of subsidiaries and associates	–	*11 2,322
Business restructuring expenses	*12 2,303	*12 1,307
Other	3,727	1,758
Total extraordinary losses	8,816	6,979
Profit before income taxes	20,430	30,302
Income taxes	5,673	9,455
Income taxes - current	1,517	1,198
Income taxes - deferred	7,190	10,654
Profit	13,239	19,648
Profit attributable to non-controlling interests	3,145	1,737
Profit attributable to owners of parent	10,093	17,911

Consolidated statements of comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Profit	13,239	19,648
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,853)	(2,329)
Deferred gains or losses on hedges	(205)	(2,639)
Foreign currency translation adjustment	10,876	10,168
Remeasurements of defined benefit plans, net of tax	638	613
Share of other comprehensive income of entities accounted for using equity method	5,065	4,602
Total other comprehensive income	<sup>*1,*2</sup> 14,521	<sup>*1,*2</sup> 10,416
Comprehensive income	27,760	30,064
Comprehensive income attributable to:		
Owners of parent	23,814	27,605
Non-controlling interests	3,946	2,459

## (iii) Consolidated statements of changes in equity

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	69,395	23,028	168,542	(576)	260,388
Cumulative effects of changes in accounting policies			(30)		(30)
Restated balance	69,395	23,028	168,511	(576)	260,358
Changes during period					
Dividends of surplus			(4,237)		(4,237)
Profit attributable to owners of parent			10,093		10,093
Net effect of increase in consolidated subsidiaries			111		111
Net effect of increase in entities accounted for using equity method			56		56
Net effect of changes in fiscal year end of entities accounted for using equity method			(190)		(190)
Purchase of treasury shares				(360)	(360)
Disposal of treasury shares		(0)		35	35
Change in ownership interest of parent due to transactions with non-controlling interests		150			150
Net changes in items other than shareholders' equity					
Total changes during period	-	150	5,834	(324)	5,659
Balance at end of period	69,395	23,178	174,346	(901)	266,018

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	13,929	2,677	(13,295)	(3,829)	(518)	31,747	291,617
Cumulative effects of changes in accounting policies							(30)
Restated balance	13,929	2,677	(13,295)	(3,829)	(518)	31,747	291,587
Changes during period							
Dividends of surplus							(4,237)
Profit attributable to owners of parent							10,093
Net effect of increase in consolidated subsidiaries							111
Net effect of increase in entities accounted for using equity method							56
Net effect of changes in fiscal year end of entities accounted for using equity method							(190)
Purchase of treasury shares							(360)
Disposal of treasury shares							35
Change in ownership interest of parent due to transactions with non-controlling interests							150
Net changes in items other than shareholders' equity	(1,483)	286	14,112	805	13,720	3,095	16,815
Total changes during period	(1,483)	286	14,112	805	13,720	3,095	22,475
Balance at end of period	12,446	2,963	817	(3,024)	13,201	34,843	314,062

Current fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	69,395	23,178	174,346	(901)	266,018
Changes during period					
Dividends of surplus			(4,237)		(4,237)
Profit attributable to owners of parent			17,911		17,911
Net effect of increase in consolidated subsidiaries			826		826
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		(0)		34	34
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes in items other than shareholders' equity					
Total changes during period	-	0	14,501	30	14,532
Balance at end of period	69,395	23,179	188,847	(871)	280,550

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	12,446	2,963	817	(3,024)	13,201	34,843	314,062
Changes during period							
Dividends of surplus							(4,237)
Profit attributable to owners of parent							17,911
Net effect of increase in consolidated subsidiaries							826
Purchase of treasury shares							(4)
Disposal of treasury shares							34
Change in ownership interest of parent due to transactions with non-controlling interests							0
Net changes in items other than shareholders' equity	(1,899)	(2,758)	13,724	727	9,795	(7,400)	2,394
Total changes during period	(1,899)	(2,758)	13,724	727	9,795	(7,400)	16,927
Balance at end of period	10,546	204	14,541	(2,296)	22,996	27,442	330,990

## (iv) Consolidated statements of cash flows

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
<b>Cash flows from operating activities</b>		
Profit before income taxes	20,430	30,302
Depreciation	33,721	39,098
Interest and dividend income	(2,160)	(2,519)
Interest expenses	3,375	6,334
Share of loss (profit) of entities accounted for using equity method	(9,045)	(5,991)
Foreign exchange losses (gains)	1,309	(1,612)
Loss (gain) on disposal of non-current assets	(786)	29
Loss (gain) on sale of short-term and long-term investment securities	(1,513)	(15,279)
Insurance claim income	(2,051)	–
Settlement income	–	(800)
Refund of social contribution on net income (CSLL) for past years	(2,722)	–
Impairment losses	1,489	402
Loss on valuation of inventories	373	725
Loss on business of subsidiaries and associates	–	2,322
Business restructuring expenses	2,303	1,307
Decrease (increase) in trade receivables and contract assets	(28,208)	5,775
Decrease (increase) in inventories	(36,005)	(3,419)
Increase (decrease) in trade payables	11,922	(8,656)
Increase (decrease) in retirement benefit liability	(1,049)	(3,997)
Increase (decrease) in provision for product warranties	(796)	(986)
Other, net	3,478	717
Subtotal	(5,934)	43,751
Interest and dividends received	2,473	5,296
Interest paid	(3,429)	(6,442)
Income taxes refund (paid)	(6,867)	(6,529)
Proceeds from insurance income	2,051	–
Settlement received	–	800
Payments of business restructuring expenses	(1,563)	(359)
Net cash provided by (used in) operating activities	(13,269)	36,516
<b>Cash flows from investing activities</b>		
Decrease (increase) in time deposits	(645)	179
Purchase of investment securities	(2,353)	(1,200)
Proceeds from sale and redemption of investment securities	2,462	6,613
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	*2 595	*2 11,943
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(266)	–
Purchase of property, plant and equipment	(36,493)	(35,878)
Purchase of intangible assets	(3,521)	(3,378)
Proceeds from sale of non-current assets	2,220	2,302
Decrease (increase) in short-term loans receivable	72	(155)
Other, net	(2,144)	(2,104)
Net cash provided by (used in) investing activities	(40,074)	(21,677)

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	17,085	1,857
Net increase (decrease) in commercial papers	24,000	(26,000)
Proceeds from long-term borrowings	16,049	10,568
Repayments of long-term borrowings	(24,776)	(13,000)
Proceeds from issuance of bonds	10,000	–
Purchase of treasury shares	(359)	(1)
Dividends paid	(4,240)	(4,234)
Dividends paid to non-controlling interests	(825)	(1,204)
Other, net	(1,912)	(2,461)
Net cash provided by (used in) financing activities	35,020	(34,475)
Effect of exchange rate change on cash and cash equivalents	(1,815)	2,750
Net increase (decrease) in cash and cash equivalents	(20,139)	(16,885)
Cash and cash equivalents at beginning of period	87,189	67,632
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	582	1,197
Increase in cash and cash equivalents resulting from merger	–	6
Cash and cash equivalents at end of period	*1 67,632	*1 51,950

## Notes to Consolidated Financial Statements

### *Significant accounting policies for preparing consolidated financial statements*

#### 1. Scope of consolidation

##### (1) Number of consolidated subsidiaries: 111 companies

Names of consolidate subsidiaries are omitted as they are presented in “Item 1, Overview of Company, 4. Subsidiaries and Other Affiliated Entities.”

Furukawa Automotive Systems Asia Pacific Co., Ltd., Furukawa Automotive Systems Management (Shanghai) Co., Ltd., Furukawa Sangyo Shanghai Co., Ltd., and Furukawa Electric Trading SZ Ltd. are included in the scope of consolidation due to their increased materiality, and Trocellen Automotive Hungary Co., Ltd., Furukawa Automotive Systems Deutschland GmbH, OFS UTD2 ApS were newly established and included in the scope of consolidation. Jiangsu OFS Hengtong Optical Technology Co., Ltd., TOTOKU ELECTRIC CO., LTD. and its subsidiaries, TOTOKU (ZHEJIANG) Co., Ltd. and TOKUDENPROSELL Co., Ltd., were excluded from the scope of consolidation due to transfer of all shares held, and HT Italia Holding S.r.l. was excluded due to liquidation.

##### (2) Unconsolidated subsidiaries

Furukawa New Leaf Co., Ltd., and other companies

##### Reason for excluding the companies from the scope of consolidation

Unconsolidated subsidiaries are excluded because they are small in terms of total assets, net sales, profit and loss (amount corresponding to the Company’s equity interest) and retained earnings (amount corresponding to the Company’s equity interest) and do not have a material impact on the consolidated financial statements as a whole.

#### 2. Application of equity method

##### (1) Number of associates accounted for using the equity method: 15 companies

Names of significant associates accounted for using the equity method are omitted for they are presented in “Item 1. Overview of Company, 4. Subsidiaries and Other Affiliated Entities.”

The Group has included the newly established OPTEX Company, Limited in the scope of application of the equity method.

##### (2) Unconsolidated subsidiaries and associates not accounting for using the equity method

Ichibo Co., Ltd., and other companies

##### Reason for excluding the companies from the scope of application of the equity method

Unconsolidated subsidiaries and associates not accounting for using the equity method are excluded because they are small in terms of profit and loss (amount corresponding to the Company’s equity interest) and retained earnings (amount corresponding to the Company’s equity interest) and do not have a material impact on the consolidated financial statements as a whole.

#### 3. Fiscal years of consolidated subsidiaries

Of the consolidated subsidiaries, Taiwan Furukawa Electric Co., Ltd., Furukawa FITEL (Thailand) Co., Ltd., Tianjin Jinhe Electric Engineering Co., Ltd., Polifoam Plastic Processing, Co. Ltd., Furukawa AVC Electronics (Suzhou) Co., Ltd., Shenyang Furukawa Cable Co., Ltd., Furukawa (Thailand) Co., Ltd., Furukawa Thai Holdings Co., Ltd., Thai Fiber Optics Co., Ltd., Furukawa Electric Singapore Pte. Ltd., American Furukawa Inc., Furukawa Precision (Thailand) Co., Ltd., Furukawa Auto Parts (Huizhou) Co. Ltd., and 37 other companies have a fiscal year ending December 31 and are consolidated using their financial statements as of December 31. Adjustments necessary for consolidation are made for significant transactions that occurred between December 31 and March 31, the consolidated balance sheet date.

Five of the associates not accounting for using the equity method have a different closing date from that of the Company, but their financial statements as of their respective closing dates are used. Adjustments necessary for consolidation are made for significant transactions that occurred between the closing dates of those companies and the consolidated balance sheet date.

For the current fiscal year, Furukawa Automotive Parts (Vietnam) Inc., Furukawa Automotive Systems Vietnam Inc., Furukawa Automotive Systems Lima Philippines, Inc., Furukawa Automotive Systems Vinh Long Vietnam Inc., Furukawa Electric Autoparts (Philippines) Inc. have changed their fiscal year end from December 31 to March 31, the consolidated balance sheet date.

The accounting period of those subsidiaries is 15 months for the current fiscal year, with profit and loss of three months from January 1, 2023 to March 31, 2023 adjusted through the statements of income. The effect of this change on the consolidated financial statements is immaterial.



4. Accounting policies applied to foreign subsidiaries and associates

The Group applies the “Revised Practical Solution on Accounting for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18 issued on June 28, 2019) and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (ASBJ PITF No. 24 issued on September 14, 2018) and makes necessary adjustments to consolidate foreign subsidiaries and associates.

5. Accounting policies

(1) Valuation basis and method for significant assets

(i) Inventories

Stated primarily at cost determined using the weighted average method (with the amount of inventories in the consolidated balance sheets being written down based on a decrease in profitability).

(ii) Securities

*Held-to-maturity debt securities:*

Stated primarily at amortized cost.

*Available-for-sale securities:*

*Securities other than equity securities, etc. that do not have a quoted market price in an active market:*

Stated at fair value (with any unrealized gain or loss being recognized directly in net assets and the cost of securities sold being determined using the moving-average method).

*Equity securities, etc. that do not have a quoted market price in an active market:*

Stated primarily at cost using the moving-average method.

(iii) Derivatives

Stated at fair value.

(2) Accounting policy for depreciation/amortization of significant assets

(i) Property, plant and equipment (excluding leased assets and right-of-use assets)

Depreciated on a straight-line basis.

(ii) Intangible assets (excluding leased assets and right-of-use assets)

Amortized on a straight-line basis.

Software for internal use is amortized on a straight-line basis over the estimated useful life as internally determined (5 to 10 years).

(iii) Leased assets

Leased assets in finance lease transactions that transfer ownership:

Depreciated using the same method as applied for owned property, plant and equipment.

Leased assets in finance lease transactions that do not transfer ownership:

Depreciated on a straight-line basis using the lease term as the useful life and with zero residual value.

(iv) Right-of-use assets

Depreciated on a straight-line basis using the shorter of the lease term or the useful life of the asset as the useful life.

(3) Accounting policy for significant deferred assets

(i) Share issuance costs

The full amount is expensed when incurred.

(ii) Bond issuance costs

The full amount is expensed when incurred.

(4) Accounting policy for significant allowances and provisions

(i) Allowance for doubtful accounts

To provide for possible bad debt losses on monetary receivables, allowance for doubtful accounts is provided for the estimated uncollectible amount based mainly on the historical bad debt loss ratio for general receivables and on an individual assessment of collectability for specific receivables such as doubtful receivables.

(ii) Provision for product warranties

Provision for product warranties is provided at an amount deemed necessary to cover possible compensation costs.

(iii) Provision for environmental measures

Provision for environmental measures, mainly to remove Poly Chlorinated Biphenyl (PCB) and to improve soil conservation, is provided to cover estimated future costs.

(5) Accounting policy for retirement benefits

(i) Method of attributing estimated retirement benefits to accounting periods

In calculating retirement benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to periods up to the end of the current fiscal year.

(ii) Method of accounting for actuarial gains and losses and prior service cost

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 1 year through 10 years), which are shorter than the average remaining years of service of the employees.

Actuarial gains and losses are amortized in the year following the year in which the gains and losses are recognized primarily by the straight-line method over periods (mainly 1 year through 10 years), which are shorter than the average remaining years of service of the employees.

Unrecognized actuarial gains and losses and unrecognized prior service cost are recorded as adjustments for retirement benefits in accumulated other comprehensive income within net assets after adjusting for tax effects.

(6) Accounting policy for significant revenues and expenses

The details of the main performance obligations in the major businesses related to revenue from contracts with the customers of the Company and its subsidiaries (hereinafter, the "Group") and the timing at which the Group typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

(i) Manufacture and sale of products

The main business of the Group is the manufacture and sale of infrastructure products, such as information and telecommunications network components and power cables, electrical and electronics products such as automobile parts and copper products for electronic equipment materials, and functional products processed from resin and nonferrous metals.

The Group has determined that its main performance obligation is to deliver finished products to customer. The Group has comprehensively determined that legal title to the asset, the significant risks and rewards of ownership of the assets, transfer of physical possession of the assets, and the right to receive payment of consideration for the asset shall arise at the time of delivery of the product to the customer. For domestic transactions, control over products is transferred to customer at the time of delivery of the product to the customer, and a performance obligation is considered to have been satisfied. However, since the period from the date of shipment of the product to the date of delivery is a normal period of time, the Group recognizes revenue when the product is shipped based on its significance as selecting the alternative treatment. For trade transactions, the Group recognizes revenue when the risk-bearing is transferred to customer, mainly based on the terms of trade stipulated by Incoterms and other agreements.

For buy-sell transaction, no inventories are recognized because the Group does not obtain control over raw materials and other products, but only record the net amount equivalent to the processing fees as sales. The Group deducts the amount of the consideration to be paid to customer, such as volume discount and sales incentive, from the transaction price, unless such a consideration to be received from the customer is related to distinct goods or services received from the customers.

(ii) Maintenance services

The Group provides chargeable maintenance support services after sales of products, in mainly the Infrastructure business. For maintenance services, the Group has determined that it has a performance obligation to always have the services available and on standby so that customer can utilize the maintenance services when the customer desires throughout the performance period. The Group recognizes revenue at the percentage of time elapsed to the period in which the services are to be provided because the maintenance services are identified as distinct performance obligations and are performed over a certain period of time, including standby status period.

(iii) Construction contract

The Group performs construction works, such as design, construction, installation, and other work based on contracts with customer in the Infrastructure business. Since the Group transfers control over underlying goods and services over time and satisfies a performance obligation, it recognizes revenue over time. Measuring progress towards satisfaction of a performance obligation is based on the proportion that the cost incurred by the end of each reporting period to the total expected costs incurred (input method).

In cases where the Group may not be able to reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred in satisfying the performance obligation, the Group recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For construction contracts with short durations, the Group recognizes revenue at the point of time when a performance obligation is fully satisfied.

(iv) Transactions entered into as an agent

The Group does not manufacture products and only makes transactions of procurement arrangements on behalf of its customers. If the Group does not control products before transferring it to customer, revenue is recognized on the net amount received from the customer less the amount paid to supplier. The following are considered in determining whether the Group controls over products or services before these are provided to customer.

- (a) Its primary responsibility for the performance of its promise to provide goods or services
- (b) The inventory risk before goods or services are provided to customer or after control has been transferred to customer
- (c) Discretion in establishing the price of goods or services.

The payment after satisfying the Group's performance obligation does not include any significant financing component since the payment will be made generally within one year from that time when such a satisfaction.

(7) Accounting policy for translating significant assets and liabilities denominated in foreign currency into Japanese yen

Monetary receivables and payables denominated in foreign currency are translated into Japanese yen at the spot exchange rate on the consolidated balance sheet date, and exchange differences are accounted for as profit or loss. Meanwhile, assets and liabilities of foreign subsidiaries are translated into Japanese yen at the spot exchange rates on the consolidated balance sheet date whereas their revenue and expenses are translated into Japanese yen at average exchange rates for their respective fiscal years, and translation adjustments are included in "Foreign currency translation adjustment" and "Non-controlling interests" under net assets.

(8) Hedge accounting

(i) Hedge accounting method

Deferred hedge accounting is applied. Assignment accounting (special treatment for foreign exchange forward contracts) is applied to currency and interest rate swap transactions, and special treatment is applied to interest rate swaps, if they meet the requirements.

(ii) Hedging instruments and the hedged items

Interest rate swap: borrowings

Currency swap: borrowings

Foreign exchange forward contracts: Receivables and payables denominated in foreign currency, etc.

Metal forward contracts: Raw materials and work in process

(iii) Hedging policy

The Group hedges its borrowing obligations and definitive trading contracts and the like to avoid risks associated with fluctuations in interest rates, foreign exchange rates, and raw material prices.

(iv) Assessments of hedge effectiveness

Cumulative market fluctuations or cash flow fluctuations of hedged items are compared with cumulative market fluctuations or cash flow fluctuations of hedging instruments, and effectiveness is determined based on the amounts of fluctuation of both, excluding the portion not attributable to the basic value of price.

(9) Accounting policy for goodwill

Goodwill is amortized evenly over the period in which its effects are expected to be realized (within 20 years after recognition). However, if the amount of goodwill is immaterial, it is amortized at once in the year in which it arises.

(10) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand; deposits that can be withdrawn on demand; and short-term investments that are readily convertible to cash, averse to price fluctuation risk, and redeemable within three months from the date of acquisition.

(11) Application of group tax sharing system

The Group applies a group tax sharing system.

## Significant accounting estimates

### 1. Estimates and judgments based on the future business plan

Although it is extremely difficult to accurately predict when the impact of COVID-19 pandemic and the Russia-Ukraine situation will return to normal, we assume that the impact of COVID-19 will be minor in the next fiscal year, but that the impact of the Russia-Ukraine situation on soaring raw material and fuel prices and increased logistics costs will continue for a certain period of time.

Future changes in uncertain economic conditions may have a material impact on impairment losses of non-current assets and the valuation of deferred tax assets in the consolidated financial statements.

#### (1) Recoverability of deferred tax assets

##### (i) Amount recorded in consolidated financial statements as of March 31, 2022 and 2023

	Millions of yen	
	2022	2023
Deferred tax assets	¥ 7,899	¥ 9,428

##### (ii) Details of significant accounting estimates of recognized items

Deferred tax assets are recognized based on future taxable income estimated by the future business plan with certain assumptions as described above.

The timing and amount of taxable income may be affected by uncertain future fluctuations in economic conditions. If the timing and amount of the deferred tax are different from the estimation, this may have a significant impact on the amount of deferred tax assets recognized in the following consolidated fiscal year.

#### (2) Impairment of non-current assets

##### (i) Amount recorded in consolidated financial statements as of March 31, 2022 and 2023

	Millions of yen	
	2022	2023
Property, plant and equipment and intangible assets (total amount reported on consolidated balance sheets)	¥ 280,684	¥ 289,525
of which asset group included in (ii) below	12,214	10,865

##### (ii) Details of significant accounting estimates of recognized items

If any impairment indicators exist based on the operating profit/loss at the end of each reporting year, the Group assesses whether to recognize an impairment loss. The Group groups its assets based on the business unit and recognizes an impairment loss by reducing the carrying amount to the recoverable amount if the carrying amount of an asset or asset group exceeds the total amount of the undiscounted future cash flows generated from the asset or asset group under the business plan formulated based on the remaining economic useful life and the net selling price at some future point in time. If recognition of impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount and is recorded as an impairment loss. The net selling value is calculated based on the amount obtained from outside experts, such as the real estate appraisal value in a real estate appraisal report.

In the current fiscal year, the Group assessed whether any indication of impairment existed mainly for the asset group of which operating profit/loss was lower than the original budget and became negative due to a decrease in sales from difficulty in procuring semiconductors and the Russia-Ukraine situation, as well as the impact of soaring raw material and fuel prices. As a result, the Group determined that an indication of impairment existed in a certain asset group of the Infrastructure segment (¥10,865 million) of property, plant and equipment and intangible assets). However, based upon a future supply and demand trends and production planning assumptions, the Group concluded that the recognition of impairment loss was not necessary since the total amount of the undiscounted future cash flows generated from the asset group exceeded the carrying amount.

In estimating the total undiscounted future cash flows, the Group used some assumptions, such as sales volumes, unit sales price, market forecast, and disposal value of the non-current assets at some future point in time. If uncertain future changes in economic conditions cause the demand forecast to deviate, necessitating business plans and disposal value of the non-current assets to be revised, an impairment loss may be recognized in the next fiscal year.

2. Provision for product warranties

(i) Amount recorded in consolidated financial statements

	Millions of yen	
	2022	2023
Provision for product warranties	¥ 3,045	¥ 2,238

(ii) Details of significant accounting estimates of recognized items

Provision for product warranties is provided at an amount deemed necessary to cover possible compensation costs. In particular, the provision for vehicle recalls is recognized based on the reasonably estimated loss to be incurred if the customer repairs a malfunction of the vehicle in which some parts manufactured by the Company's consolidated subsidiaries in the past are used.

This amount is calculated by multiplying each of the following factors:

- (a) Number of target vehicles
- (b) Repair costs per unit
- (c) Expected rate of market recovery measures (recall)
- (d) Repair cost sharing ratio with customers

Items (b) and (c) are estimated based on past recall results and Item (d) is estimated based on the status of negotiations with customers. These estimates contain uncertainty, and as a result of the situation changes, an additional or reversal of provision may be required. No significant new projects were identified.

### ***Changes in accounting policies***

#### *Application of “Implementation Guidance on Accounting Standard for Fair Value Measurement”*

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021; hereinafter, the “Fair Value Measurement Guidance”) from the consolidated financial statements as of the end of the reporting period, and will prospectively apply the new accounting policy stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This does not affect the consolidated financial statements.

#### *Adoption of US GAAP ASU 2016-02, Leases*

Effective from the beginning of the current fiscal year, foreign consolidated subsidiaries that have adopted U.S. GAAP applied ASU No. 2016-02, *Leases*, a U.S. GAAP accounting standard. As a result, all leases as lessee in such foreign consolidated subsidiaries are, in principle, recognized as assets and liabilities on the balance sheet. Such foreign consolidated subsidiaries recognized the cumulative effect of applying this accounting standard at the date of initial application, which is permitted as a transitional measure.

As a result, right-of-use assets, other of current liabilities, and other of non-current liabilities increased by ¥5,333 million, ¥608 million, and ¥4,721 million, respectively, in the consolidated balance sheet for the current fiscal year. There is no effect on the beginning balance of retained earnings in the current fiscal year. The application effect on the consolidated statement of income and per share information for the current fiscal year is immaterial.

#### ***Standards issued but not yet adopted***

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27 issued on October, 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25 issued on October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28 issued on October 28, 2022)

##### (1) Overview

The standards and guidance establish the classification of income taxes to be charged against other comprehensive income and the treatment of tax effects on sale of shares of subsidiaries and other securities under a group taxation regime.

##### (2) Scheduled date of adoption

The Group is scheduled to adopt the standards and guidance from the beginning of the fiscal year ending March 31, 2025.

##### (3) Impact of adoption of the accounting standards and guidance

The impact of the adoption is currently being evaluated in preparing these consolidated financial statements.

## **Changes in presentation**

### *Consolidated statements of income*

1. “Gain on valuation of derivatives” of “Non-operating profit,” which was separately presented for the previous fiscal year, is included in “Other” for the current fiscal year because of a decreased materiality of amount. To reflect this change in presentation, the consolidated statement of income for the previous consolidated fiscal year has been reclassified. As a result, “Gain on valuation of derivatives” of ¥72 million and “Other” of ¥1,735 million, which were included in “Non-operating profit” in the consolidated statement of income for the previous fiscal year, have been reclassified as “Other” of ¥1,807 million.
2. “Provision for product warranties,” “Loss on transfer of business,” and “Loss on COVID-19,” which were separately presented under “Extraordinary losses” for the previous fiscal year, are included in “Other” for the current fiscal year because of a decreased materiality of amount. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified. As a result, “Provision for product warranties” of ¥703 million, “Loss on transfer of business” of ¥120 million, “Loss on COVID-19” of ¥780 million, and “Other” of ¥2,123 million, which were included in “Extraordinary losses” in the consolidated statement of income for the previous fiscal year has been reclassified as “Other” of ¥3,727 million.

### *Consolidated statements of cash flows*

“Loss (gain) on transfer of business,” “Loss on COVID-19,” “Loss on COVID-19 paid,” which were separately presented under “Cash flows from operating activities,” are included in “Other” for the current fiscal year because of a decreased materiality of amount. To reflect this change in presentation, the consolidated statement of cash flows for the previous fiscal year has been reclassified. As a result, “Loss (gain) on transfer of business” of ¥120 million, and “Loss on COVID-19” of ¥780 million, “Loss on COVID-19 paid” of minus ¥755 million, and “Other” of ¥3,333 presented under the “Cash flows from operating activities” for the previous fiscal year have been reclassified as “Other” of ¥3,478 million.

## **Additional information**

### Board Benefit Trust (BBT)

Based upon a resolution of the 194th Ordinary General Meeting of Shareholders on June 27, 2016, the Company has introduced a Performance-Linked Stock Compensation System (Board Benefit Trust, hereafter the “BBT”) to a part of remuneration for Directors (excluding Outside Directors), Corporate Vice Presidents other than Directors, and Senior Fellows (collectively “Directors, etc.”) to have Directors, etc. contribute to higher corporate value on a medium- to long-term basis by making stronger linkage of their compensation to the Company’s business performance.

#### (1) Overview

In accordance with the Stock Benefit Regulations for Directors, etc. (hereinafter, the “Regulation”), previously set out by the Company, points are granted to Directors, etc. during their term in office and the number of shares equivalent to the accumulated points that are granted at the time of their retirement, are provided after adjusting down points linked to the Company’s business performance. If Directors, etc. who receive the benefits meet the requirements of the Regulation, money in an amount equivalent to a certain portion of those points granted to the Directors shall be provided to them instead of the Company’s shares.

The shares to be provided to Directors, etc. including the shares to be provided for their future services, have been acquired using monetary assets contributed previously by the Company to the BBT. Those shares are managed separately as an asset in BBT.

#### (2) Accounting treatment

The Gross method has been applied in accordance with “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF No. 30 issued on March 26, 2015).

#### (3) The Company’s shares remaining in the BBT

The Company’s shares owned by the BBT are accounted for as treasury shares under net assets at the carrying amounts in the BBT (excluding acquisition-related costs). The book value and the number of shares on treasury stock are ¥605 million and 215,500 shares as of March 31, 2022, and ¥571 million and 203,700 shares as of March 31, 2023.

**Consolidated balance sheets**

- \*1. Of notes and accounts receivable – trade, and contract assets, receivables and contract assets arising from contracts with customers as of March 31, 2022 and 2023 were as follows:

	Millions of yen	
	2022	2023
Notes receivable - trade	¥ 20,539	¥ 20,172
Accounts receivable - trade	202,980	203,724
Contract assets	6,797	5,654

- \*2. Assets pledged as collateral and secured debts

Assets pledged as collateral as of March 31, 2022 and 2023 were as follows:

	Millions of yen	
	2022	2023
Buildings and structures	¥ 353	¥ –
Land	13	–
Total	¥ 366	¥ –

Secured debts as of March 31, 2022 and 2023 were as follows:

	Millions of yen	
	2022	2023
Shor-term borrowings	¥ 144	¥ –
Total	¥ 144	¥ –

- \*3. Assets relating to unconsolidated subsidiaries and associates as of March 31, 2022 and 2023 were as follows:

	Millions of yen	
	2022	2023
Investment securities (equity securities)	¥ 84,035	¥ 93,268
Investments in capital	5,946	4,149

- \*4. Contract liabilities included in other of current liabilities as of March 31, 2022 and 2023 were as follows:

	Millions of yen	
	2022	2023
Contract liabilities	¥ 2,807	¥ 3,051



## 5. Contingent liabilities

### (1) Guarantee obligation

The Group provides debt guarantees for borrowings and the like from financial institutions for companies other than its consolidated subsidiaries. Contingent liabilities as of March 31, 2022 and 2023 were as follows:

(Millions of yen)					
	2022		2023		
	Total amount guaranteed	Amount guaranteed by Furukawa Electric Group	Total amount guaranteed	Amount guaranteed by Furukawa Electric Group	
Furukawa Electric (Xi'an) Optical Communication Co., Ltd.	¥ 1,887	¥ 1,887	Furukawa Electric (Xi'an) Optical Communication Co., Ltd.	¥ 1,903	¥ 1,903
Essex Furukawa Magnet Wire LLC	1,170	1,140	Essex Furukawa Magnet Wire Japan Co., Ltd.	1,170	1,147
VISCAS Corporation	1,060	1,060	Birla Furukawa Fibre Optics Private Ltd.	1,057	1,057
Birla Furukawa Fibre Optics Private Ltd.	590	590	VISCAS Corporation	1,030	1,030
TTI Laguna Philippines Inc.	501	501	Furukawa Sangyo Kaisha Philippines Inc.	291	291
Others	767	767	Other	43	43
<b>Total</b>	<b>¥ 5,977</b>	<b>¥ 5,947</b>	<b>Total</b>	<b>¥ 5,495</b>	<b>¥ 5,473</b>

Notes: 1. Guarantees related to VISCAS Corporation include guarantee obligations for bonds and the like related to construction, which was ¥1,032 million as of March 31, 2022 and ¥1,026 million as of March 31, 2023.

2. The total amount guaranteed related to Essex Furukawa Magnet Wire LLC as of March 31, 2022 and 2023 are both the guarantee obligation in the form of stand-by L/C issued by financial institutions upon the Company's request for the company's borrowing obligations to financial institutions.

### (2) Repurchase obligation of the securitization of receivables as of March 31, 2022 and 2023

	Millions of yen	
	2022	2023
Repurchase obligation of the securitization of receivables	¥ 4,729	¥ 5,141

### (3) Other

The Company and its subsidiaries and associates are now negotiating compensations for damage with a part of automobile manufacturers in connection with the violation of the Competition Act by automobile wire harness cartels.

### Consolidated statement of income

\*1. Revenues from contracts with customers

Revenues from contracts with customers and other revenues are not separately presented under net sales. Revenues from contracts with customers are presented in “Notes to Consolidated Financial Statements, Revenue recognition, 1. Revenues from contracts with customers on a disaggregated basis.”

\*2. The main components of selling, general and administrative expenses for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Packing and transportation costs	¥ 21,050	¥ 25,891
Sales commissions	1,582	2,567
Salaries and allowances and welfare expenses	46,433	51,008
Retirement benefit expenses	1,829	1,578
Depreciation	3,771	5,172
Research and development costs	17,213	19,304

\*3. Total research and development costs

Research and development costs included in general and administrative expenses and manufacturing costs for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
	¥ 20,761	¥ 23,324

\*4. The amount of inventories for normal sales that were written down due to a decrease of profitability for the fiscal years ended March 31, 2022 and 2023 was as follows:

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cost of sales	¥ 373	¥ 725

\*5. Gain on disposal of non-current assets

For the fiscal year ended March 31, 2022:

Mainly due to the sale of dormitories and company houses by the Company

For the fiscal year ended March 31, 2023:

Mainly due to the sale of land by the Company

\*6. Gain on sale of investment securities

For the fiscal year ended March 31, 2023:

Mainly due to transfer of all shares of TOTOKU ELECTRIC CO., LTD., a consolidated subsidiary, to TTC Holdings Inc.

\*7. Insurance claim income

For the fiscal year ended March 31, 2022:

This mainly represents insurance claims for the fire accident that occurred on June 18, 2019 at our consolidated subsidiary, Furukawa Electric Copper Foil Taiwan Co., Ltd.

\*8. Refund of social contribution on net income (CSLL) for past years

For the fiscal year ended March 31, 2022:

Furukawa Electric LatAm S.A., a consolidated subsidiary in Brazil, was in dispute for a refund of social contribution on net income (CSLL) owed by companies in Brazil. As a result of a court ruling on the tax base amount, a refund of the overpaid CSLL and the amount equivalent to the interest was recorded as income in this fiscal year.

\*9. Loss on disposal of non-current assets  
 For the fiscal year ended March 31, 2022:  
 Loss on disposal of machinery, equipment and vehicles of ¥322 million, and buildings and structures of ¥103 million.

For the fiscal year ended March 31, 2023:  
 Loss on disposal of buildings and structures of ¥183 million, and machinery, equipment and vehicles of ¥143 million.

\*10. Impairment losses  
 For the fiscal year ended March 31, 2022:  
 The Group has recognized impairment losses of the following asset groups for the fiscal year ended March 31, 2022. The Group classifies non-current assets into groups by company, business or business unit, each of which is deemed to generate independent cash flows, and idle properties by individual property.

(Millions of yen)			
Location	Usage	Type of asset	Impairment loss
Voronezh, Russia	Assets for business use of the “Infrastructure” segment	Buildings, machinery and equipment, and others	¥ 673
Haryana, India	Other assets of the “Electronics & Automotive Systems” segment	Goodwill	471
Jiangsu Province, China	Assets for business use of the “Infrastructure” segment	Buildings	204
Other	Assets for business use of the “Infrastructure” segment	Machinery and equipment, buildings, tools, furniture and fixtures, and others	139

The carrying amount of assets for business use in Russia was reduced to its recoverable amount due to a significant deterioration in the business environment, resulting in a decline in profitability and uncertainty about the prospects for future recovery. The impairment losses consisted of ¥417 million for buildings, ¥189 million for machinery and equipment, and ¥66 million for others.

The unamortized balance of goodwill incurred at the time of acquisition of the subsidiary in India was recorded as an impairment loss due to the decline in collectability to generate the anticipated earnings.

The recoverable amounts of assets for business use in China were less than their carrying amounts due to continuing loss from operating activities and lower recoverability from future cash flows. Accordingly, the carrying amounts of such assets were reduced to the recoverable amounts.

The recoverable amounts of the asset groups were mainly evaluated based on the net realizable value.

For the fiscal year ended March 31, 2023:  
 This information is omitted due to immateriality.

\*11. Loss on business of subsidiaries and associates  
 For the fiscal year ended March 31, 2023:  
 Mainly due to the reversal of foreign currency translation adjustment related to OFS RUS Fiber Optic Cable Company, a consolidated subsidiary of the Company.

\*12. Business restructuring expenses  
 For the fiscal year ended March 31, 2022:  
 Business restructuring expenses were mainly special severance payments and other payments associated with personnel rationalization implemented at overseas consolidated subsidiaries as part of business restructuring mainly in the Communications Solutions Business and loss on valuation of inventories due to withdrawal from some of the Company’s businesses.

For the fiscal year ended March 31, 2023:  
 Business restructuring expenses were mainly special severance payments and other payments associated with personnel rationalization implemented at overseas consolidated subsidiaries as part of business restructuring mainly in the Communications Solutions Business.

*Consolidated statements of comprehensive income*

\*1. Reclassification adjustments relating to other comprehensive income for the fiscal years ended March 31, 2022 and 2023

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Valuation difference on available-for-sale securities:		
Amount arising during the year	¥ (942)	¥ 722
Reclassification adjustments	(1,739)	(4,089)
Total	¥ (2,682)	¥ (3,367)
Deferred gains or losses on hedges:		
Amount arising during the year	¥ 6,015	¥ (2,691)
Reclassification adjustments	(1)	–
Adjustments for amounts transferred to assets' acquisition costs	(6,285)	(1,198)
Total	¥ (281)	¥ (3,890)
Foreign currency translation adjustment:		
Amount arising during the year	¥ 10,876	¥ 6,856
Reclassification adjustments	–	3,311
Total	¥ 10,876	¥ 10,168
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the year	¥ 231	¥ 520
Reclassification adjustments	457	358
Total	¥ 689	¥ 878
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the year	¥ 5,196	¥ 4,877
Reclassification adjustments	(131)	(274)
Total	¥ 5,065	¥ 4,602
Subtotal before tax effects	¥ 13,667	¥ 8,392
Tax effects	854	2,023
Total other comprehensive income	¥ 14,521	¥ 10,416

\*2. Tax effects relating to other comprehensive income for the fiscal years ended March 31, 2022 and 2023

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Valuation difference on available-for-sale securities:		
Before tax effect adjustment	¥ (2,682)	¥ (3,367)
Tax effect	828	1,037
After tax effect adjustment	¥ (1,853)	¥ (2,329)
Deferred gains (losses) on hedges		
Before tax effect adjustment	¥ (281)	¥ (3,890)
Tax effect	75	1,251
After tax effect adjustment	¥ (205)	¥ (2,639)
Foreign currency translation adjustment		
Before tax effect adjustment	¥ 10,876	¥ 10,168
After tax effect adjustment	¥ 10,876	¥ 10,168
Remeasurements of defined benefit plans		
Before tax effect adjustment	¥ 689	¥ 878
Tax effect	(50)	(264)
After tax effect adjustment	¥ 638	¥ 613
Share of other comprehensive income of entities accounted for using equity method		
Before tax effect adjustment	¥ 5,065	¥ 4,602
After tax effect adjustment	¥ 5,065	¥ 4,602
Total other comprehensive income		
Before tax effect adjustment	¥ 13,667	¥ 8,392
Tax effect	854	2,023
After tax effect adjustment	¥ 14,521	¥ 10,416

### Consolidated statements of changes in equity

For the fiscal year ended March 31, 2022:

#### 1. Shares issued

	Thousand shares			Number of shares at end of year
	Number of shares at beginning of year	Increase	Decrease	
Common stock	70,666	–	–	70,666

#### 2. Treasury shares

	Thousand shares			Number of shares at end of year
	Number of shares at beginning of year	Increase	Decrease	
Common stock	171	123	12	282

Notes: 1. The increase of 123 thousand treasury shares of common stock represents repurchases of 0 thousand shares through compulsory acquisition of odd-lot shares upon request, an increase attributable to the Company of 0 thousand shares of the Company held by YAMAKIN (Japan) Co., Ltd., and purchase of 123 thousand shares by the Board Benefit Trust (BBT).  
 2. The decrease of 12 thousand treasury shares of common stock represents a decrease of 0 thousand shares due to requests for additional purchase of odd-lot shares and a decrease of 12 thousand shares due to stock transfer from the Stock Benefit Trust (BBT) to eligible persons.  
 3. The number of treasury shares of common stock at end of the fiscal year includes 215 thousand shares of the Company held in Board Benefit Trust (BBT).

#### 3. Share acquisition rights

Not applicable.

#### 4. Dividends

##### (1) Dividend payment

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders Meeting held on June 24, 2021	Common stock	¥4,237	¥60.00	March 31, 2021	June 25, 2021

Note: The total amount of dividends revolved at the Annual Shareholders Meeting held on June 24, 2021 includes dividends of ¥5 million paid for the Company's shares held by the trust account for the Board Benefit Trust (BBT).

##### (2) Dividends with a record date in the current fiscal year, but an effective date in the following fiscal year

Resolution	Type of shares	Funds for dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders Meeting held on June 23, 2022	Common stock	Retained earnings	¥4,237	¥60.00	March 31, 2022	June 24, 2022

Note: The total amount of dividends revolved at the Annual Shareholders Meeting held on June 23, 2022 includes dividends of ¥12 million paid for the Company's shares held by the trust account for the Board Benefit Trust (BBT).

For the fiscal year ended March 31, 2023:

1. Shares issued

	Thousand shares			Number of shares at end of year
	Number of shares at beginning of year	Increase	Decrease	
Common stock	70,666	–	–	70,666

2. Treasury shares

	Thousand shares			Number of shares at end of year
	Number of shares at beginning of year	Increase	Decrease	
Common stock	282	1	11	272

- Notes:
1. The increase of 1 thousand shares of common stock represents repurchases of 0 thousand shares through compulsory acquisition of odd-lot shares upon request and an increase of 0 thousand shares of treasury stock (the Company's shares) held by YAMAKIN (Japan) Co., Ltd. that is attributable to the Company.
  2. The decrease of 11 thousand shares of common stock represents a decrease of 11 thousand shares due to stock transfer from the Stock Benefit Trust (BBT) to eligible persons.
  3. The number of shares of treasury stock at end of the fiscal year includes 203 thousand shares of the Company held in Board Benefit Trust (BBT).

3. Share acquisition rights

Not applicable

4. Dividends

(1) Dividend payment

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders Meeting held on June 23, 2022	Common stock	¥4,237	¥60.00	March 31, 2022	June 24, 2022

Note: The total amount of dividends revolved at the Annual Shareholders Meeting held on June 23, 2022 includes dividends of ¥12 million paid for the Company's shares held by the trust account for the Board Benefit Trust (BBT).

(2) Dividends with a record date in the current fiscal year, but an effective date in the following fiscal year

Resolution	Type of shares	Funds for dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders Meeting held on June 23, 2023	Common stock	Retained earnings	¥5,649	¥80.00	March 31, 2023	June 26, 2023

Note: The total amount of dividends revolved at the Annual Shareholders Meeting held on June 23, 2023 includes dividends of ¥16 million paid for the Company's shares held by the trust account for the Board Benefit Trust (BBT).

### Consolidated statements of cash flows

- \*1. The reconciliation of ending balance of cash and cash equivalents with account balances per consolidated balance sheets as of March 31, 2022 and 2023 is as follows:

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash and bank deposits	¥ 65,153	¥ 47,432
Time deposits with an original maturity of more than 3 months	(778)	(609)
Highly liquid securities	3,257	5,127
Cash and cash equivalents	¥ 67,632	¥ 51,950

- \*2. Summary of assets and liabilities of companies which ceased to be a consolidated subsidiary as a result of sale of shares

For the fiscal year ended March 31, 2022:

The following is the summary of the assets and liabilities of Furukawa Logistics Corp. and its subsidiary, Yokohama Drum Manufacturing Co., Ltd, at the time of sale of shares, whereby they ceased to be consolidated subsidiaries, and the selling price and the proceeds from the sale of shares.

	Millions of yen	
	For the fiscal year ended March 31, 2022	
Current assets	¥ 3,862	
Non-current assets	1,552	
Current liabilities	(3,987)	
Non-current liabilities	(300)	
Investment account after sale of shares	(376)	
Gain on sale of shares of subsidiaries and associates	115	
Selling price of shares	¥ 865	
Cash and cash equivalents	(270)	
Proceeds from sale of shares	¥ 595	

For the fiscal year ended March 31, 2023:

- (1) The following is the summary of the assets and liabilities of TOTOKU ELECTRIC CO., LTD. and its subsidiaries, TOTOKU (ZHEJIANG) Co., Ltd. and TOKUDENPROSELL Co., Ltd., at the time of sale of shares, whereby they ceased to be consolidated subsidiaries, and the selling price and the proceeds from the sale of shares.

	Millions of yen	
	For the fiscal year ended March 31, 2023	
Current assets	¥ 16,378	
Non-current assets	10,925	
Current liabilities	(4,991)	
Non-current liabilities	(2,347)	
Foreign currency translation adjustment	(551)	
Valuation difference on available-for-sale securities	(140)	
Remeasurements of defined benefit plans	126	
Non-controlling interests	(8,391)	
Gain on sale of shares of subsidiaries and associates	10,846	
Selling price of shares	¥ 21,855	
Cash and cash equivalents	(9,483)	
Proceeds from sale of shares	¥ 12,371	



- (2) The following is the summary of the assets and liabilities of Jiangsu OFS Hengtong Optical Technology Co., Ltd., at the time of sale of shares, whereby it ceased to be a consolidated subsidiary, and the selling price and the proceeds from the sale of shares.

	Millions of yen
	For the fiscal year ended March 31, 2023
Current assets	¥ 1,711
Non-current assets	357
Current liabilities	(100)
Foreign currency translation adjustment	(26)
Non-controlling interests	(953)
Gain on sale of shares of subsidiaries and associates	78
Selling price of shares	¥ 1,068
Cash and cash equivalents	(1,496)
Proceeds from sale of shares	¥ (428)

### Leases

#### 1. Finance leases

Finance lease transactions that do not transfer ownership:

##### (i) Leased assets

Property, plant and equipment (mainly machinery, equipment and vehicles)

##### (ii) Depreciation method of leased assets

Leased assets in finance lease transactions that do not transfer ownership are depreciated on a straight-line basis using the lease term as the useful life and with zero residual value.

#### 2. Operating leases

Future lease payments under non-cancellable operating leases:

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Due within one year	¥ 2,322	¥ 1,064
Due after one year	10,985	8,252
Total	¥ 13,308	¥ 9,317

- Notes: 1. Since foreign subsidiaries comply with International Financial Reporting Standards (IFRS) apply IFRS 16 *Leases*, operating leases are presented in right-of-use assets of non-current assets in the consolidated balance sheets.
2. Since foreign subsidiaries comply with U.S. GAAP apply ASU No. 2016-02 *Leases* from the current fiscal year, operating leases are presented in right-of-use assets of non-current assets in the consolidated balance sheets.
3. The above minimum lease payments include amount equivalent to the stipulated damages.

## ***Financial instruments***

### 1. Status of financial instruments

#### (1) Policy on financial instruments

The Group has basic policy of safe fund management with no loss of principal. The necessary fund is obtained through borrowings from banks and other financial institutions and issuances of commercial papers and corporate bonds. The Group shall not enter into derivative transactions for speculative purposes.

#### (2) Nature and risk of financial instruments and risk management system

Notes and accounts receivable - trade arising from operations are exposed to credit risk of customers. The Group carries out the practice of keeping track of due dates and outstanding balances of each customer under the credit management rules, as well as monitoring major customers' credit status on a regular basis in order to minimize credit risk.

Marketable securities and investment securities are mainly equity securities and exposed to the risk of changes in market price. These securities are primarily the shares of companies with which the Group has business relationship, and the fair value of these securities are evaluated on a regular basis.

Trade notes and accounts payable arising from operations normally have payment terms of less than one year.

Short-term and long-term borrowings, commercial paper, and bonds are mainly utilized for working and capital investments. The interest rate risk of a certain portion of those borrowings is hedged using interest rate swaps as hedging instruments.

Derivative transactions include foreign exchange forward contracts used to hedge foreign currency risk associated with trade receivables and payables denominated in foreign currency, interest rate swaps used to hedge interest rate risk associated with borrowings, metal forward contracts used to hedge price fluctuation risk of raw materials and work in process. Details of hedge accounting, including hedging instruments and hedged items, hedging policy, and effectiveness of hedge transactions are explained in "5. Accounting policies, (8) Hedge accounting" above. Execution and management of derivative transactions are subject to related internal rules.

Although trade payable and borrowings are exposed to liquidity risk, they are managed by such means as cash flow projections prepared in a timely manner.

#### (3) Supplementary information on the fair value of financial instruments

The estimated fair values of financial instruments would not be fixed due to variety of factors and assumptions. In addition, the contractual amounts of the derivative transactions set out in the notes to "Derivatives" are not in themselves an indicator of the market risk associated with derivative transactions.

2. Fair value of financial instruments

Carrying amount and fair value of financial instruments and their difference as of March 31, 2022 and 2023 were as follows:

As of March 31, 2022

	Millions of yen					
	2022					
	Carrying amount <sup>(*3)</sup>		Fair value <sup>(*3)</sup>		Difference	
(1) Marketable securities and investment securities						
(i) Held-to-maturity debt securities	¥	3,257	¥	3,257	¥	–
(ii) Available-for-sale securities		27,115		27,115		–
(iii) Shares of unconsolidated subsidiaries and associates		74,680		65,118		(9,561)
Total assets	¥	105,054	¥	95,492	¥	(9,561)
(1) Bonds payable		(40,000)		(39,641)		358
(2) Long-term borrowings		(133,120)		(132,332)		787
Total liabilities	¥	(173,120)	¥	(171,974)	¥	1,145
Derivative transactions <sup>(*4)</sup>						
(i) Derivative transactions to which hedge accounting is not applied	¥	(1,091)	¥	(1,091)	¥	–
(ii) Derivative transactions to which hedge accounting is applied		4,198		4,198		–
Total derivative transactions	¥	3,106	¥	3,106	¥	–

(\*1) Cash is omitted because it is cash, and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, short-term borrowings, and commercial papers are omitted because they are settled in a short period of time and their fair values approximate their carrying amounts.

(\*2) Equity securities, etc. that do not have a quoted market price in an active market are not included in (1) Marketable and investment securities. Carrying amount of such equity instruments were as follows:

	Millions of yen	
	2022	
Unlisted equity securities	¥	14,971
Investments in capital		6,082

(\*3) Carrying amounts and fair values of items reported in liabilities are shown in parentheses.

(\*4) Receivables and payables arising from derivative transactions are shown in net amounts, and those with negative net totals are shown in parentheses.

As of March 31, 2023

	Millions of yen					
	2023					
	Carrying amount <sup>(*3)</sup>		Fair value <sup>(*3)</sup>		Difference	
(1) Marketable securities and investment securities						
(i) Held-to-maturity debt securities	¥	5,127	¥	5,127	¥	–
(ii) Available-for-sale securities		21,983		21,983		–
(iii) Shares of unconsolidated subsidiaries and associates		83,359		78,029		(5,330)
Total assets	¥	110,469	¥	105,139	¥	(5,330)
(1) Bonds payable	¥	(40,000)	¥	(39,257)	¥	742
(2) Long-term borrowings		(114,547)		(113,632)		915
Total liabilities	¥	(154,547)	¥	(152,889)	¥	1,657
Derivative transactions <sup>(*4)</sup>						
(i) Derivative transactions to which hedge accounting is not applied	¥	(350)	¥	(350)	¥	–
(ii) Derivative transactions to which hedge accounting is applied		304		304		–
Total derivative transactions	¥	(46)	¥	(46)	¥	–

(\*1) Cash is omitted because it is cash, and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, short-term borrowings, and commercial papers are omitted because they are settled in a short period of time and their fair values approximate their carrying amounts.

(\*2) Equity securities, etc. that do not have a quoted market price in an active market are not included in (1) Marketable securities and investment securities. Carrying amount of such equity instruments were as follows:

	Millions of yen	
	2023	
Unlisted equity securities	¥	15,578
Investments in capital		4,262

(\*3) Carrying amounts and fair values of items reported in liabilities are shown in parentheses.

(\*4) Receivables and payables arising from derivative transactions are shown in net amounts, and those with negative net totals are shown in parentheses.

(\*5) Investments in associations and equivalent entities in which the Group has a net equity interest on the consolidated balance sheets are not included in (1) Short-term and long-term investment securities in accordance with the treatment prescribed in paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued on June 17, 2021). The amount of such investments in the consolidated balance sheet were ¥745 million.

Note 1: Redemption schedule of monetary receivables and securities with contractual maturities after the consolidated balance sheet date as of March 31, 2022 and 2023 is as follows:

As of March 31, 2022

	Millions of yen							
	2022							
	Within 1 year		Over 1 year to 5 years		Over 5 years to 10 years		Over 10 years	
Deposits	¥	62,160	¥	–	¥	–	¥	–
Notes and accounts receivable - trade		223,535		–		–		–
Marketable securities and investment securities								
Government bonds, municipal bonds and other		3,257		–		–		–
Total	¥	288,953	¥	–	¥	–	¥	–

As of March 31, 2023

	Millions of yen							
	2023							
	Within 1 year		Over 1 year to 5 years		Over 5 years to 10 years		Over 10 years	
Deposits	¥	41,228	¥	–	¥	–	¥	–
Notes and accounts receivable - trade		223,912		–		–		–
Marketable securities and investment securities								
Government bonds, municipal bonds and other		5,127		–		–		–
Total	¥	270,268	¥	–	¥	–	¥	–

Note 2: Repayment schedule of commercial papers, bonds payable and long-term borrowings after the consolidated balance sheets date as of March 31, 2022 and 2023 is as follows:

As of March 31, 2022

	Millions of yen											
	2023											
	Within 1 year		Over 1 year to 2 years		Over 2 years to 3 years		Over 3 year to 4 years		Over 4 years to 5 years		Over 5 years	
Commercial papers	¥	54,000	¥	–	¥	–	¥	–	¥	–	¥	–
Bonds payable		–		–		–		10,000		30,000		–
Long-term borrowings		–		28,240		21,158		28,721		17,000		38,000
Total	¥	54,000	¥	28,240	¥	21,158	¥	28,721	¥	27,000	¥	68,000

As of March 31, 2023

	Millions of yen											
	2023											
	Within 1 year		Over 1 year to 2 years		Over 2 years to 3 years		Over 3 year to 4 years		Over 4 years to 5 years		Over 5 years	
Commercial papers	¥	28,000	¥	–	¥	–	¥	–	¥	–	¥	–
Bonds payable		–		–		–		10,000		10,000		20,000
Long-term borrowings		–		24,300		30,646		17,300		18,800		23,500
Total	¥	28,000	¥	24,300	¥	30,646	¥	27,300	¥	28,800	¥	43,500

### 3. Financial Instruments categorized by fair value hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs for measuring fair value:

Level 1 fair value: Fair value determined by using quoted prices (unadjusted) in active markets for identical assets or liabilities as the inputs for measuring observable fair value

Level 2 fair value: Fair value determined by using inputs for measuring observable fair value other than Level 1 inputs

Level 3 fair value: Fair values determined by using inputs for measuring unobservable fair value

If multiple inputs are used that have a significant impact on the measurement of fair value, the fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

#### (1) Financial assets and liabilities measured at fair value as of March 31, 2022 and 2023

As of March 31, 2022

	Millions of yen							
	2022							
	Level 1		Level 2		Level 3		Total	
Marketable securities and investment securities:								
Available-for-sale securities:								
Equity securities	¥	27,115	¥	–	¥	–	¥	27,115
Derivative transactions:								
Currency		–		1,554		–		1,554
Commodity		–		4,081		–		4,081
Total assets	¥	27,115	¥	5,635	¥	–	¥	32,751
Derivative transactions								
Currency	¥	–	¥	(1,762)	¥	–	¥	(1,762)
Commodity		–		(766)		–		(766)
Total liabilities	¥	–	¥	(2,529)	¥	–	¥	(2,529)

(\*) Items reported in liabilities are shown in parentheses.

As of March 31, 2023

	Millions of yen							
	2023							
	Level 1		Level 2		Level 3		Total	
Marketable securities and investment securities:								
Available-for-sale securities:								
Equity securities	¥	21,983	¥	–	¥	–	¥	21,983
Derivative transactions								
Currency		–		213		–		213
Commodity		–		793		–		793
Total assets	¥	21,983	¥	1,006	¥	–	¥	22,989
Derivative transactions								
Currency	¥	–	¥	(939)	¥	–	¥	(939)
Commodity		–		(113)		–		(113)
Total liabilities	¥	–	¥	(1,053)	¥	–	¥	(1,053)

(\*) Items reported in liabilities are shown in parentheses.

## (2) Financial assets and liabilities not measured at fair value as of March 31, 2022 and 2023

As of March 31, 2022

	Millions of yen							
	2022							
	Level 1	Level 2	Level 3	Total				
Marketable securities and investment securities:								
Held-to-maturity debt securities								
Government bonds, municipal bonds and other	¥	–	¥	3,257	¥	–	¥	3,257
Shares of unconsolidated subsidiaries and associates		65,118		–		–		65,118
Total assets	¥	65,118	¥	3,257	¥	–	¥	68,376
Bonds payable	¥	–	¥	(39,641)	¥	–	¥	(39,641)
Long-term borrowings		–		(132,332)		–		(132,332)
Total liabilities	¥	–	¥	(171,974)	¥	–	¥	(171,974)

(\*) Fair values of items reported in liabilities are shown in parentheses.

As of March 31, 2023

	Millions of yen							
	2023							
	Level 1	Level 2	Level 3	Total				
Marketable securities and investment securities:								
Held-to-maturity debt securities:								
Government bonds, municipal bonds and other	¥	–	¥	5,127	¥	–	¥	5,127
Shares of unconsolidated subsidiaries and associates		78,029		–		–		78,029
Total assets	¥	78,029	¥	5,127	¥	–	¥	83,156
Bonds payable	¥	–	¥	(39,257)	¥	–	¥	(39,257)
Long-term borrowings		–		(113,632)		–		(113,632)
Total liabilities	¥	–	¥	(152,889)	¥	–	¥	(152,889)

(\*) Fair values of items reported in liabilities are shown in parentheses.

Note: A description of the valuation techniques and inputs used in the fair value measurements:

Marketable securities and investment securities

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1. As the municipal bonds and corporate bonds are not considered to be in active markets due to low market transactions, the fair values of municipal bonds and corporate bonds are measured by using discounted present value techniques considering observable inputs such as interest rates, and categorized as Level 2.

Derivatives

The fair values of interest rate swaps, foreign currency forward contracts, foreign currency swaps, and commodity forward contracts are measured by using prices quoted by counterparty financial institutions and brokers, and are categorized as Level 2.

Bonds payable

Bonds issued by the Company are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

Long-term borrowings

The fair values of long-term borrowing are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

## Securities

### 1. Held-to-maturity debt securities as of March 31, 2022 and 2023 As of March 31, 2022

	Millions of yen		
	2022		
	Carrying amount	Fair value	Difference
Securities whose fair value does not exceed the carrying amount:			
Government bonds, municipal bonds and other	¥ 3,257	¥ 3,257	–
Total	¥ 3,257	¥ 3,257	–

### As of March 31, 2023

	Millions of yen		
	2023		
	Carrying amount	Fair value	Difference
Securities whose fair value does not exceed the carrying amount:			
Government bonds, municipal bonds and other	¥ 5,127	¥ 5,127	–
Total	¥ 5,127	¥ 5,127	–

### 2. Available-for-sale securities as of March 31, 2022 and 2023 As of March 31, 2022

	Millions of yen		
	2022		
	Carrying amount	Fair value	Difference
Securities whose carrying amount exceeds the cost:			
Equity securities	¥ 25,189	¥ 6,732	¥ 18,456
Other	–	–	–
Subtotal	¥ 25,189	¥ 6,732	¥ 18,456
Securities whose carrying amount does not exceed the cost			
Equity securities	¥ 1,926	¥ 2,139	¥ (212)
Total	¥ 27,115	¥ 8,871	¥ 18,244

### As of March 31, 2023

	Millions of yen		
	2023		
	Carrying amount	Fair value	Difference
Securities whose carrying amount exceeds the cost:			
Equity securities	¥ 21,928	¥ 7,001	¥ 14,927
Other	5	5	0
Subtotal	¥ 21,934	¥ 7,006	¥ 14,927
Securities whose carrying amount does not exceed the cost			
Equity securities	¥ 48	¥ 58	¥ (9)
Total	¥ 21,983	¥ 7,065	¥ 14,917



3. Securities sold during the fiscal years ended March 31, 2022 and 2023

For the fiscal year ended March 31, 2022

	Millions of yen		
	For the fiscal year ended March 31, 2022		
	Selling price	Gross realized gain	Gross realized loss
Equity securities	¥ 2,047	¥ 1,744	¥ (3)
Total	¥ 2,047	¥ 1,744	¥ (3)

For the fiscal year ended March 31, 2023

	Millions of yen		
	For the fiscal year ended March 31, 2023		
	Selling price	Gross realized gain	Gross realized loss
Equity securities	¥ 5,682	¥ 4,074	¥ (0)
Total	¥ 5,682	¥ 4,074	¥ (0)

4. Securities for which impairment losses were recognized

In the fiscal year ended March 31, 2022 an impairment loss of ¥32 million was recognized for securities (¥32 million for equity securities classified as investment securities).

In the fiscal year ended March 31, 2023 an impairment loss of ¥356 million was recognized for securities (¥356 million for equity securities classified as investment securities).

## Derivatives

### 1. Derivative transactions to which hedge accounting is not applied

#### (1) Foreign currency related transactions as of March 31, 2022 and 2023

As of March 31, 2022

	Millions of yen			
	2022			
	Notional amount	Portion over 1 year	Fair value	Unrealized gain (loss)
Off-market transactions:				
Foreign currency forward contracts:				
Sell:				
U.S. dollar	¥ 8,104	¥ –	¥ (615)	¥ (615)
Yen	1,455	–	16	16
Euro	3,837	–	(206)	(206)
Taiwan dollar	4,735	–	(39)	(39)
Indonesian rupiah	2,853	–	(32)	(32)
Chinese yuan	1,298	–	(20)	(20)
Other	1,708	–	(136)	(136)
Buy:				
U.S. dollar	2,907	–	223	223
Other	326	–	3	3
Currency Swaps				
Receiving yen, paying Philippine peso	747	–	(86)	(86)
<b>Total</b>	<b>¥ 27,974</b>	<b>¥ –</b>	<b>¥ (892)</b>	<b>¥ (892)</b>

As of March 31, 2023

	Millions of yen			
	2023			
	Notional amount	Portion over 1 year	Fair value	Unrealized gain (loss)
Off-market transactions:				
Foreign currency forward contracts:				
Sell:				
U.S. dollar	¥ 14,606	¥ –	¥ (25)	¥ (25)
Yen	4,002	–	9	9
Euro	4,861	–	(100)	(100)
Taiwan dollar	4,596	–	(91)	(91)
Indonesian rupiah	4,374	–	(94)	(94)
Chinese yuan	1,117	–	(21)	(21)
Other	204	–	2	2
Buy:				
U.S. dollar	3,525	–	28	28
Other	684	–	7	7
Currency Swaps				
Receiving yen, paying Philippine peso	867	–	(22)	(22)
<b>Total</b>	<b>¥ 38,840</b>	<b>¥ –</b>	<b>¥ (306)</b>	<b>¥ (306)</b>

(2) Commodity related transactions as of March 31, 2022 and 2023

As of March 31, 2022

	Millions of yen			
	2022			
	Notional amount	Portion over 1 year	Fair value	Unrealized gain (loss)
Market transactions:				
Forward contracts:				
Sell:	¥ 10,497	¥ –	¥ (309)	¥ (309)
Buy:	4,722	–	109	109
Total	¥ 15,219	¥ –	¥ (199)	¥ (199)

As of March 31, 2023

	Millions of yen			
	2023			
	Notional amount	Portion over 1 year	Fair value	Unrealized gain (loss)
Market transactions:				
Forward contracts:				
Sell:	¥ 9,983	¥ –	¥ (163)	¥ (163)
Buy:	5,231	–	119	119
Total	¥ 15,214	¥ –	¥ (44)	¥ (44)

2. Derivative transactions to which hedge accounting is applied  
 (1) Foreign currency related transactions as of March 31, 2022 and 2023  
 As of March 31, 2022

Hedged items		Millions of yen		
		2022		Fair value (Note 1)
		Notional amount	Portion over 1 year	
Normal accounting method:				
Foreign currency forward contracts:				
Sell:				
U.S. dollar	Trade receivable (Forecast transactions)	¥ 14,507	¥ 1,718	¥ (599)
Euro	Trade receivable (Forecast transactions)	267	2	(20)
Taiwan dollar	Trade receivable (Forecast transactions)	–	–	–
Other	Trade receivable (Forecast transactions)	819	–	(2)
Buy:				
U.S. dollar	Trade payable (Forecast transactions)	23,507	881	1,140
Euro	Trade payable (Forecast transactions)	172	–	23
Taiwan dollar	Trade payable (Forecast transactions)	6,863	–	140
Other	Trade payable (Forecast transactions)	76	–	2
Assignment accounting (special treatment for foreign exchange forward contracts):				
Foreign currency forward contracts:				
Sell:				
U.S. dollar	Trade receivable	7,211	–	–
Other	Trade receivable	362	–	–
Buy:				
U.S. dollar	Trade payable	50	–	–
Total		¥ 53,839	¥ 2,601	¥ 684

Note 1: The fair value of foreign currency related transactions subject to assignment accounting (special treatment for foreign exchange forward contracts) is accounted for together with the underlying trade receivable or trade payable subject to hedging.

As of March 31, 2023

Hedged items		Millions of yen		
		2023		
		Notional amount	Portion over 1 year	Fair value (Note 1)
Normal accounting method:				
Foreign currency forward contracts:				
Sell:				
U.S. dollar	Trade receivable (Forecast transactions)	¥ 16,160	¥ 367	¥ (277)
Euro	Trade receivable (Forecast transactions)	209	–	(25)
Taiwan dollar	Trade receivable (Forecast transactions)	5,658	–	(1)
Other	Trade receivable (Forecast transactions)	1,094	–	24
Buy:				
U.S. dollar	Trade payable (Forecast transactions)	21,237	557	(105)
Euro	Trade payable (Forecast transactions)	1,199	–	5
Taiwan dollar	Trade payable (Forecast transactions)	6,584	–	(35)
Other	Trade payable (Forecast transactions)	1,751	–	(4)
Assignment accounting (special treatment for foreign exchange forward contracts):				
Foreign currency forward contracts:				
Sell:				
U.S. dollar	Trade receivable	1,174	–	–
Other	Trade receivable	–	–	–
Buy:				
U.S. dollar	Trade payable	392	–	–
Total		¥ 55,463	¥ 924	¥ (419)

Note 1: The fair value of foreign currency related transactions subject to assignment accounting (special treatment for foreign exchange forward contracts) is accounted for together with the underlying trade receivable or trade payable subject to hedging.

## (2) Commodity related transactions as of March 31, 2022 and 2023

As of March 31, 2022

Hedged items		Millions of yen			
		2022		Fair value	
		Notional amount	Portion over 1 year		
Normal accounting method:					
Metal forward contracts:					
Sell:	Raw materials and work in process	¥ 5,459	¥ –	¥	(316)
Buy:	Raw materials and work in process	23,861	492		3,830
Total		¥ 29,320	¥ 492	¥	3,514

As of March 31, 2023

Hedged items		Millions of yen			
		2023		Fair value	
		Notional amount	Portion over 1 year		
Normal accounting method:					
Metal forward contracts:					
Sell:	Raw materials and work in process	¥ 5,712	¥ –	¥	(104)
Buy:	Raw materials and work in process	25,340	162		828
Total		¥ 31,052	¥ 162	¥	723

## Retirement benefits

### 1. Overview of retirement benefit plans adopted by the Group

The Company and its consolidated subsidiaries (hereinafter, the “Group”) have funded and/or unfunded defined benefit pension plans and/or defined contribution plans. The defined benefit plans consist of Employees’ Pension Fund Plan, defined benefit corporation pension plan and lump-sum payment plan.

There are cases where additional retirement benefits are paid at the time of retirement of employees. The Company has established an employees’ retirement benefit trust and certain consolidated subsidiaries have joined multi-employer employees’ pension fund. The plans, which are not possible to reasonably compute the amounts of plan assets corresponding to their own contribution amounts, are accounted for in the same way as the defined contribution plan.

On the defined benefit pension plans and lump-sum payment plans of certain consolidated subsidiaries, retirement benefit liability and retirement benefit expenses are calculated by using the simplified method.

### 2. Defined benefit plans

#### (1) Reconciliation of opening and ending balances of retirement benefit obligations (excluding plans using the simplified method) for the fiscal years ended March 31, 2022 and 2023

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Balance at beginning of year	¥ 104,922	¥ 103,702
Service cost	4,067	3,838
Interest cost	970	1,126
Actuarial gains and losses	(1,122)	(2,885)
Benefits paid	(6,959)	(8,389)
Net effect resulting from business combinations	–	(3,229)
Foreign currency translation adjustment	1,823	340
Balance at end of year	¥ 103,702	¥ 94,503

#### (2) Reconciliation of opening and ending balances of plan assets (excluding plans using the simplified method) for the fiscal years ended March 31, 2022 and 2023

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Balance at beginning of year	¥ 68,943	¥ 69,580
Expected return on plan assets	1,782	682
Actuarial gains and losses	(572)	(1,175)
Contributions from the Company	1,286	1,503
Benefits paid	(3,322)	(3,382)
Net effect resulting from business combinations	–	(1,199)
Foreign currency translation adjustment	1,462	651
Balance at end of year	¥ 69,580	¥ 66,661

- (3) Reconciliation of opening and ending balances of retirement benefit liability under the plans using a simplified method for the fiscal years ended March 31, 2022 and 2023

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Balance at beginning of year	¥ 1,675	¥ 1,556
Retirement benefit expenses	628	759
Benefits paid	(360)	(654)
Contributions to fund	(202)	(199)
Net effect resulting in change in scope of consolidation	(184)	—
Net effect resulting from business combinations	—	34
Balance at end of year	¥ 1,556	¥ 1,496

- (4) Reconciliation of the ending balances of retirement benefit obligations and plan assets and defined benefit liability and asset recorded in the consolidated balance sheet as of March 31, 2022 and 2023

	Millions of yen	
	2022	2023
Funded retirement benefit obligation	¥ 98,046	¥ 88,443
Plan assets	(73,857)	(70,493)
	24,189	17,950
Unfunded retirement benefit obligation	11,489	11,389
Net liability for defined benefit obligation	35,678	29,339
Retirement benefit liability	43,806	38,239
Retirement benefit asset	(8,127)	(8,900)
Net liability for defined benefit obligation	¥ 35,678	¥ 29,339

Note: The above items include plans using the simplified method.

- (5) The components of retirement benefit expenses for the fiscal years ended March 31, 2022 and 2023

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Service cost	¥ 4,067	¥ 3,838
Interest cost	970	1,126
Expected return on plan assets	(1,782)	(682)
Amortization of actuarial gains and losses	496	346
Amortization of prior service cost	21	26
Retirement benefit expenses calculated on a simplified method	628	759
Total retirement benefit expenses	¥ 4,401	¥ 5,415

- (6) Remeasurements of defined benefit plans under other comprehensive income

The components of remeasurements of defined benefit plans (before tax) under other comprehensive income for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Service cost	¥ 66	¥ 76
Interest cost	622	802
Total retirement benefit expenses	¥ 689	¥ 878



(7) Remeasurements of defined benefit plans under accumulated other comprehensive income

The components of remeasurements of defined benefit plans (before tax) under accumulated other comprehensive income as of March 31, 2022 and 2023 were as follows:

	Millions of yen	
	2022	2023
Unrecognized prior service cost	¥ (120)	¥ (196)
Unrecognized actuarial gains and losses	3,692	2,889
Total	¥ 3,571	¥ 2,693

(8) Plan assets

(i) Major components of plan assets

The components of plan assets as of March 31, 2022 and 2023 were as follows:

	2022	2023
Equity securities	36 %	37 %
Debt securities	30 %	30 %
Assets in a life-insurer's general account	18 %	16 %
Cash and deposits	3 %	2 %
Others	13 %	15 %
Total	100 %	100 %

Note: The above plan assets included 17% and 18% of assets held by the retirement benefit trust set up for the retirement benefit plan as of March 31, 2022 and 2023, respectively.

(ii) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.

(9) Actuarial assumptions

Major actuarial assumptions used for the fiscal years ended March 31, 2022 and 2023 are as follows:

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Discount rate	0.4%–6.9 %	0.4%–7.3 %
Long-term expected rate of return on plan assets	1.0%–5.0 %	1.0%–5.0 %

3. Defined contribution plans

Required contributions for defined contribution plans for the fiscal years ended March 31, 2022 and 2023 were ¥500 million and ¥542 million, respectively.

4. Multi-employer plan

Amounts related to the multi-employer plan for which required contributions are accounted for as retirement benefit expenses are as follows.

(1) The funded status of the multi-employer plan as of March 31, 2022 and 2023, was as follows:

	Millions of yen	
	2022	2023
Plan assets	¥ 85,944	¥ 86,086
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	90,345	88,763
Net balance	¥ (4,401)	¥ (2,676)

(2) The contribution ratio of the Group in the multi-employer plan for the fiscal years ended March 31, 2022 and 2023

	2022	2023
Contribution ratio of the Group in the multi-employer plan	0.7 %	0.7 %

(3) Supplementary explanation

The above net balance resulted mainly from past service cost under the plan in pension actuarial valuation and special reserve. The ratios above do not represent the actual actuarial liability ratio of the Group.

## Tax effect accounting

### 1. Significant components of deferred tax assets and liabilities as of March 31, 2022 and 2023

	Millions of yen			
	2022		2023	
Deferred tax assets				
Retirement benefits liability	¥	15,719	¥	14,395
Provision for environmental measures		2,926		2,844
Unrealized profits on non-current assets		792		787
Tax loss carryforward (Note 2)		47,012		48,888
Excess amount over limitation of taxable provisions for bonuses		3,173		2,961
Accrued enterprise tax		198		453
Excess amount over limitation of non-current assets depreciation		2,956		3,086
Impairment losses		8,010		7,894
Loss on valuation of inventories		1,103		1,091
Unrealized profits on inventories		317		580
Retirement benefits for Directors and other officers		155		144
Loss on valuation of securities		1,223		1,432
Provision for product warranties		888		724
Other		11,692		14,432
Subtotal	¥	96,170	¥	99,719
Less valuation allowance for tax loss carryforward (Note 2)	¥	(41,319)	¥	(42,515)
Less valuation allowance for total of future deductible temporary differences, etc.		(26,117)		(28,558)
Total valuation allowance (Note 1)	¥	(67,436)	¥	(71,073)
Total deferred tax assets	¥	28,734	¥	28,646
Deferred tax liabilities				
Valuation difference on available-for-sale securities	¥	(5,464)	¥	(4,440)
Reserve for tax purpose reduction entry of non-current assets		(28)		(28)
Revaluation difference on land		(708)		(181)
Undistributed earnings of subsidiaries and associates		(10,776)		(11,918)
Deferred gains on hedges		(1,413)		(163)
Other		(5,006)		(5,549)
Total deferred tax liabilities		(23,397)		(22,282)
Deferred tax assets (liabilities), net	¥	5,336	¥	6,364

Note 1: There were no material changes in the valuation allowance.

Note 2: Tax loss carryforward and the related deferred tax assets by time to expiration as of March 31, 2022 and 2023 were as follows:

As of March 31, 2022

	Millions of yen													
	2022													
	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total							
Deferred tax assets relating to tax loss carryforward <sup>(*)</sup>	¥	1,576	¥	5,837	¥	5,890	¥	5,305	¥	633	¥	27,768	¥	47,012
Less valuation allowance for tax loss carryforward		(874)		(3,997)		(5,011)		(3,986)		(377)		(27,074)		(41,319)
Deferred tax assets		702		1,839		879		1,319		256		694		<sup>(*)</sup> 5,693

(\*) Tax loss carryforward is calculated by applying the effective statutory tax rate.

(\*) Net deferred tax assets of ¥5,693 million were recognized for tax loss carryforward of ¥47,012 million (calculated by applying the effective statutory tax rate). Valuation allowances have not been recognized for the part of the tax loss carryforward expected to be collectible considering future taxable income.

As of March 31, 2023

	Millions of yen							Total
	2023							
	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 year to 4 years	Over 4 years to 5 years	Over 5 years		
Deferred tax assets relating to tax loss carryforward <sup>(*)1</sup>	¥ 4,513	¥ 6,725	¥ 5,378	¥ 955	¥ 3,051	¥ 28,263	¥ 48,888	
Less valuation allowance for tax loss carryforward	(2,420)	(5,432)	(4,247)	(362)	(2,254)	(27,797)	(42,515)	
Deferred tax assets	2,093	1,293	1,131	592	796	466	<sup>(*)2</sup> 6,373	

(\*)1 Tax loss carryforward is calculated by applying the effective statutory tax rate.

(\*)2 Net deferred tax assets of ¥6,373 million were recognized for tax loss carryforward of ¥48,888 million (calculated by applying the effective statutory tax rate). Valuation allowances have not been recognized for the part of the tax loss carryforward expected to be collectible considering future taxable income. Assumptions for estimating future taxable income is stated in “Item 5 Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated financial statements, Notes to Consolidated Financial Statements, Significant accounting estimates.”

2. Reconciliation between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect for the fiscal years ended March 31, 2022 and 2023

	2022		2023	
Normal effective statutory tax rate	30.6	%	30.6	%
Adjustments:				
Expenses not deductible for income tax purposes (e.g. entertainment expenses)	2.5	%	2.8	%
Share of profits (losses) of investments accounted for using the equity method	(15.8)	%	(7.4)	%
Tax credits of experimentation and research expenses	(0.6)	%	(3.7)	%
Valuation allowance	9.4	%	3.2	%
Tax rate differences with foreign consolidated subsidiaries	(6.1)	%	(0.9)	%
Amortization of goodwill	0.7	%	0.4	%
Undistributed earnings of subsidiaries and associates	8.4	%	3.4	%
Unrecognized tax effects relating to unrealized profits	1.9	%	(0.7)	%
Consolidation adjustments relating to sale of businesses	0.4	%	7.6	%
Expired tax loss carryforward	3.5	%	0.2	%
Other	0.2	%	(0.2)	%
Actual effective tax rate after applying tax effect accounting	35.2	%	35.2	%

*Change in presentation*

“Consolidation adjustments relating to sale of businesses,” which was included in “Other” for the fiscal year ended March 31, 2022, is separately presented from the fiscal year ended March 31, 2023 due to the increased materiality. To reflect the change in presentation, the reconciliation has been reclassified from that of the fiscal year ended March 31, 2022.

As a result, the 0.6% presented in “Other” for the fiscal year ended March 31, 2022 has been reclassified as “Consolidation adjustments relating to sale of businesses” of 0.4% and “Other” of 0.2%.

3. Accounting for income taxes and local income taxes or the related tax effects

The Company and some of its subsidiaries in Japan have applied the group tax sharing system from the fiscal year ended March 31, 2023, and in accordance with “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Solution No. 42 issued on August 12, 2021), account for and disclose income taxes and local income taxes or the related tax effects.

## **Business combinations**

### *Transfer of shares of consolidated subsidiaries*

On November 8, 2022, the Company entered into an agreement to transfer all shares of its consolidated subsidiary, TOTOKU ELECTRIC CO., LTD. (hereinafter, TOTOKU) and actually transferred the shares on December 28, 2022.

### Business divestiture

#### (1) Summary of the transaction

##### (i) Divested enterprise

TTC Holdings Inc.

##### (ii) Description of the divested business

The transferred consolidated subsidiary: TOTOKU ELECTRIC CO., LTD.

Business thereof: Manufacture and sale of electric wire and device products

##### (iii) Reason for carrying out the business divestiture

TOTOKU was established in 1940 in Taito-ku, Tokyo for the purpose of manufacturing and selling resistance wires and various electric wires. In 1954, TOTOKU listed its stock on the Tokyo Stock Exchange, and in 2012 it became a consolidated subsidiary of the Company. TOTOKU is active on a global scale and develops and manufactures products with originality in areas such as electric wire, heater products, cable processed products and processed wire products based on technology cultivated in material development. In the 2025 Medium-term Management Plan announced in 2021, TOTOKU has established its basic policy to further strengthen profitability while becoming a company that continues to grow by providing technologies and products that contribute to the environment and society in order to create value for customers.

Meanwhile, in May 2022, the Company announced our Medium-term Management Plan, “Road to Vision 2030: Transform and Challenge.” Under this Medium-term Management Plan, the Company is working to review its business portfolio by visualizing the positioning of its businesses and optimizing the allocation of investments accordingly, with the aim of achieving Furukawa Electric Group Vision 2030. At the same time, it has been discussing the handling of listed subsidiaries in the Group.

We have examined the positioning of TOTOKU in these efforts and have determined that it is best to transfer the shares to a partner that can strongly promote TOTOKU’s efforts for the following reasons: (1) Even if we focus our management resources on TOTOKU’s business, it is not highly probable that the increase in the value of our group will be commensurate with or exceed that allocation; (2) On the other hand, further growth can be expected in TOTOKU by improving its competitiveness through the investment of management resources and strengthening its R&D capabilities, and by expanding its sales network and product lineup.

##### (iv) Date of the business divestiture

December 28, 2022

##### (v) Other outline of the business divestiture including the legal form thereof

Share transfer for which consideration received in cash

#### (2) Outline of implemented accounting treatment

##### (i) Amount of gain or loss on transfer

Gain on sale of investment securities: ¥10,846 million

##### (ii) The fair carrying amount of the assets and liabilities of the transferred business, and the major components thereof

	Millions of yen	
Current assets	¥	16,378
Non-current assets		10,925
Total assets	¥	27,304
Current liabilities	¥	4,991
Non-current liabilities		2,347
Total liabilities	¥	7,338

##### (iii) Accounting treatment

The difference between the consolidated carrying amount and the selling price of the shares transferred is recorded as gain on sales of investment securities under extraordinary income.

(3) Reportable segment that the divested business belonged  
Functional products

(4) Estimated amount of earnings of the divested business, which is recorded on the consolidated statement of income for the fiscal year  
ended March 31, 2023

Net sales: ¥13,390 million

Operating profit: ¥3,691 million

## Revenue recognition

### 1. Revenues from contracts with customers on a disaggregated basis for the fiscal years ended March 31, 2022 and 2023

Fiscal year ended March 31, 2022

	Millions of yen								
	For the fiscal year ended March 31, 2022								
	Infrastructure			Electronics & Automotive Systems			Functional products	Service and Development, etc.	Total
Communi-cations Solutions	Energy infrastructure	Subtotal	Automotive Products & Batteries	Electronics Component Materials	Subtotal				
Revenues from contracts with customers	¥ 189,062	¥ 104,666	¥ 293,729	¥ 254,422	¥ 234,018	¥ 488,441	¥ 123,697	¥ 23,905	¥ 929,773
Other revenue <sup>(*)</sup>	44	–	44	408	–	408	17	252	722
Net sales to external customers	¥ 189,106	¥ 104,666	¥ 293,773	¥ 254,831	¥ 234,018	¥ 488,849	¥ 123,715	¥ 24,157	¥ 930,496

(\*) Rent income of real estate

Fiscal year ended March 31, 2023

	Millions of yen								
	For the fiscal year ended March 31, 2023								
	Infrastructure			Electronics & Automotive Systems			Functional products	Service and Development, etc.	Total
Communi-cations Solutions	Energy infrastructure	Subtotal	Automotive Products & Batteries	Electronics Component Materials	Subtotal				
Revenues from contracts with customers	¥ 214,797	¥ 105,242	¥ 320,039	¥ 345,075	¥ 254,122	¥ 599,198	¥ 120,239	¥ 26,201	¥ 1,065,678
Other revenue (*)	41	–	41	297	–	297	50	258	647
Net sales to external customers	¥ 214,838	¥ 105,242	¥ 320,080	¥ 345,373	¥ 254,122	¥ 599,496	¥ 120,289	¥ 26,459	¥ 1,066,326

(\*) Rent income of real estate

### 2. Basis for understanding revenue from contracts with customers

Notes are omitted because the same information is presented in “Item 5 Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated financial statements, Notes to Consolidated Financial Statements, Significant accounting policies for preparing consolidated financial statements, 5. Accounting policies, (6) Accounting policy for significant revenues and expenses.”

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in subsequent periods from contracts with customers that existed at the end of current fiscal year

(1) Balances of contract assets and liabilities

	Millions of yen			
		2022		2023
Receivables from contract with customers at beginning of year	¥	187,580	¥	223,520
Receivables from contract with customers at end of year		223,520		223,897
Contract assets at beginning of year		4,759		6,797
Contract assets at end of year		6,797		5,654
Contract liabilities at beginning of year		2,290		2,807
Contract liabilities at end of year		2,807		3,051

Contract assets is a right to the consideration in exchange for performance obligations satisfied, which are calculated by degree of progress, as of the end of the reporting period in connection mainly with construction contracts, excluding receivables. Contract assets is reclassified to receivables at the time when the right to considerations of the Group become unconditional only with the passage of time.

Contract liabilities is the portion of a liability for which consideration has been received from customers but performance obligations have not been satisfied. It increases when consideration is received from customer before transferring goods or services to customer under contracts with customer, such as construction contracts, and decreases when the performance obligations are satisfied.

The amount of revenue recognized in the previous fiscal year that was included in the contract liability balance at beginning of year was ¥2,105 million. The main reason for the increase in contract assets in the previous fiscal year was due to the recognition of revenue under construction contracts. There were no material changes in contract liabilities during the previous fiscal year.

The amount of revenue recognized in the current fiscal year resulting from performance obligations satisfied in prior periods was ¥612 million.

The amount of revenue recognized in the current fiscal year included in the balance of contract liabilities at beginning of year was ¥1,714 million. The decrease in contract assets for the current fiscal year was mainly due to the progress and completion of work under construction contracts. There were no material changes in contract liabilities during the fiscal year ended March 31, 2023.

The amount of revenue recognized in the current fiscal year from performance obligations satisfied in past periods was ¥759 million.

(2) Transaction amount allocated to remaining performance obligations

The Group do not subject contracts with an original expected contract term of one year or less to notes, applying the practical expedient in noting the transaction price allocated to the remaining performance obligations.

The total transaction amount allocated to performance obligations that are unsatisfied as of March 31, 2022 was ¥38,402 million, which is expected to be recognized as revenue generally within 11 years.

The total transaction amount allocated to performance obligations that are unsatisfied as of March 31, 2023 was ¥42,508 million, which is expected to be recognized as revenue generally within 10 years.

## ***Segment information, etc.***

### *Segment information*

#### 1. Outline of reportable segments

The reportable segments of the Company are components for which the financial information can be obtained separately from its other components, and the Board of Directors reviews such reportable segments on a regular basis in order to decide allocations of managerial resources and evaluate business performance.

The Group establishes divisions by type of product and service, and each division draws up their comprehensive strategy on the products sold and services performed in domestic and overseas market.

Products and services of main business on each segment are as follows:

##### (1) Infrastructure

Optical fiber, optical fiber cable, metal communication cable, optical components, semiconductor optical devices, optical fiber fusion splicer, industrial lasers, network equipment, CATV system, radio products, power transmission cable and connecting components, power transmission cable accessories and insulations, industrial wire, transmission components, electronic material products, etc.

##### (2) Electronics & Automotive Systems

Automotive components (wire harness, steering roll connector, battery state sensor, perimeter monitoring radar, etc.), automotive batteries / batteries for industrial use, copper/aluminum wires, magnet wires, copper and copper alloy products, functional surface products (plating), processed products for electronic parts, special metal materials (shape-memory/super-elastic alloys), etc.

##### (3) Functional Products

Cable conduits, foaming products, UV tapes for semiconductor manufacturing, electronic components materials, heat-dissipation products, hard disc drive (HDD) aluminum blank material, electrodeposited copper foils, etc.

##### (4) Service and Development, etc.

Supporting service for each business of the Group such as hydraulic power generation, driving of R&D for new products, and real-estate leasing

#### 2. Method for calculating net sales, income or loss, assets and other items by reportable segment

Segment profit (loss) is based on operating profit.

In addition, intersegment sales or transfers are based mainly on market prices.



3. Information on net sales, income or loss, assets and other items for each reportable segment as of March 31, 2022 and 2023

Fiscal year ended March 31, 2022

	Millions of yen							
	For the fiscal year ended March 31, 2022							
	Reportable segments					Adjustment (Notes 1, 3, 4, 5)	Total (Note 2)	
Infrastructure	Electronics & Automotive Systems	Functional Products	Service and Development, etc.	Total				
Net sales								
Net sales to external customers	¥ 293,773	¥ 488,849	¥ 123,715	¥ 24,157	¥ 930,496	¥ –	¥ 930,496	
Inter-segment sales or transfers	3,177	11,863	6,283	10,321	31,645	(31,645)	–	
Total	¥ 296,950	¥ 500,713	¥ 129,998	¥ 34,479	¥ 962,141	¥ (31,645)	¥ 930,496	
Segment profit (loss)	¥ 5,184	¥ 123	¥ 7,583	¥ (1,368)	¥ 11,522	¥ (94)	¥ 11,428	
Segment assets	283,283	348,381	120,729	110,487	862,881	72,994	935,876	
Others								
Depreciation	11,046	13,715	5,341	1,524	31,628	2,093	33,721	
Amortization of goodwill	–	122	38	345	505	–	505	
Investments in entities accounted for using equity method	8,122	9,323	9,781	58,360	85,588	–	85,588	
Increase in property, plant and equipment and intangible assets	11,384	15,494	5,790	1,415	34,085	4,059	38,144	

- Notes: 1. Adjustment of ¥94 million for segment profit (loss) includes mainly elimination of unrealized profits.  
2. Segment profit (loss) is adjusted with operating profit in the consolidated statements of income.  
3. Adjustment of ¥72,994 million for segment assets includes corporate assets of ¥81,558 million, which are not allocated to each reportable segment and offsetting elimination of receivables and payables of negative ¥8,564 million.  
4. Adjustment of ¥2,093 million for depreciation includes depreciation relating to corporate assets.  
5. Adjustment of ¥4,059 million for increase in property, plant and equipment and intangible assets includes increase in corporate property, plant and equipment and intangible assets.

Fiscal year ended March 31, 2023

	Millions of yen							
	For the fiscal year ended March 31, 2023							
	Reportable segments					Adjustment (Notes 1, 3, 4, 5)	Total (Note 2)	
Infrastructure	Electronics & Automotive Systems	Functional Products	Service and Development, etc.	Total				
Net sales								
Net sales to external customers	¥ 320,080	¥ 599,496	¥ 120,289	¥ 26,459	¥ 1,066,326	¥ –	¥ 1,066,326	
Inter-segment sales or transfers	3,827	10,850	6,191	5,275	26,146	(26,146)	–	
Total	¥ 323,908	¥ 610,347	¥ 126,481	¥ 31,735	¥ 1,092,472	¥ (26,146)	¥ 1,066,326	
Segment profit (loss)	¥ 8,609	¥ 4,694	¥ 4,179	¥ (2,109)	¥ 15,374	¥ 66	¥ 15,441	
Segment assets	296,652	364,255	96,213	121,983	879,105	55,732	934,837	
Others								
Depreciation	12,341	16,575	5,896	1,427	36,240	2,857	39,098	
Amortization of goodwill	–	–	16	341	358	–	358	
Investments in entities accounted for using equity method	10,776	7,591	12,524	63,405	94,297	–	94,297	
Increase in property, plant and equipment and intangible assets	12,921	17,822	5,997	4,351	41,094	2,698	43,792	

- Notes: 1. Adjustment of ¥66 million for segment profit (loss) includes mainly elimination of unrealized profit.  
2. Segment profit (loss) is adjusted with operating profit in the consolidated statements of income.  
3. Adjustment of ¥55,732 million for segment assets includes corporate assets of ¥63,176 million, which are not allocated to each reportable segment and offsetting elimination of receivables and payables of negative ¥7,443 million.  
4. Adjustment of ¥2,857 million for depreciation includes depreciation relating to corporate assets.  
5. Adjustment of ¥2,698 million for increase in property, plant and equipment and intangible assets includes increase in corporate property, plant and equipment and intangible assets.

*Information on reportable segments*

Fiscal year ended March 31, 2022

1. Information for each product or service

This information is omitted as the same information is presented in “Segment information.”

2. Information for each region

(1) Net sales

Millions or yen					
For the fiscal year ended March 31, 2022					
Japan	Asia (excluding China)	North and Central America	China	Other	Total
¥ 461,450	¥ 190,877	¥ 91,716	¥ 100,457	¥ 85,994	¥ 930,496

Note: Net sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

Millions or yen				
2022				
Japan	Asia	America	Other	Total
¥ 140,983	¥ 74,411	¥ 33,290	¥ 11,477	¥ 260,163

3. Information for each of main customers

This information is omitted because no external customer accounts for 10 or more of net sales in the consolidated statement of income.

Fiscal year ended March 31, 2023

1. Information for each product or service

This information is omitted as the same information is presented in “Segment information.”

2. Information for each region

(1) Net sales

Millions or yen					
For the fiscal year ended March 31, 2023					
Japan	Asia (excluding China)	North and Central America	China	Other	Total
¥ 517,358	¥ 224,931	¥ 127,793	¥ 104,326	¥ 91,915	¥ 1,066,326

Note: Net sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

Millions or yen				
2023				
Japan	Asia	America	Other	Total
¥ 141,416	¥ 76,739	¥ 38,902	¥ 12,230	¥ 269,288

3. Information for each of main customers

This information is omitted because no external customer accounts for 10 or more of net sales in the consolidated statement of income.

Information on impairment losses on non-current assets for each reportable segment

Fiscal year ended March 31, 2022

	Millions of yen						
	For the fiscal year ended March 31, 2022						
	Reportable segments					Adjustments	Total
Infrastructure	Electronics & Automotive Systems	Functional Products	Service and Development, etc.	Subtotal			
Impairment loss	¥ 1,017	¥ 471	¥ –	¥ –	¥ 1,489	¥ –	¥ 1,489

Fiscal year ended March 31, 2023

	Millions of yen						
	For the fiscal year ended March 31, 2023						
	Reportable segments					Adjustments	Total
Infrastructure	Electronics & Automotive Systems	Functional Products	Service and Development, etc.	Subtotal			
Impairment loss	¥ 224	¥ 177	¥ –	¥ –	¥ 402	¥ –	¥ 402

Information on amortized and unamortized balances of goodwill for each reportable segment

Fiscal year ended March 31, 2022

	Millions of yen						
	For the fiscal year ended March 31, 2022						
	Reportable segments					Adjustments	Total
Infrastructure	Electronics & Automotive Systems	Functional Products	Service and Development, etc.	Subtotal			
Depreciation/Amortization for the year	¥ –	¥ 122	¥ 38	¥ 345	¥ 505	¥ –	¥ 505
Balance at end of year	–	–	84	489	573	–	573

Fiscal year ended March 31, 2023

	Millions of yen						
	For the fiscal year ended March 31, 2023						
	Reportable segments					Adjustments	Total
Infrastructure	Electronics & Automotive Systems	Functional Products	Service and Development, etc.	Subtotal			
Depreciation/Amortization for the year	¥ –	¥ –	¥ 16	¥ 341	¥ 358	¥ –	¥ 358
Balance at end of year	–	–	67	144	211	–	211

***Related parties***

1. Related party transactions

Fiscal year ended March 31,2022

(1) Transactions between the Company filing consolidated financial statements and related parties

(a) Officers and major shareholders (limited to individuals) of the Company filing consolidated financial statements  
None.

(b) Non-consolidated subsidiaries and associates of the Company filing consolidated financial statements  
None.

(2) Transactions between the Company filing consolidated financial statements and its consolidated subsidiaries and associates

Officers and major shareholders (limited to individuals) of the Company filing consolidated financial statements  
None.

Fiscal year ended March 31,2023

(1) Transactions between the Company filing consolidated financial statements and related parties

(a) Officers and major shareholders (limited to individuals) of the Company filing consolidated financial statements  
None.

(b) Non-consolidated subsidiaries and associates of the Company filing consolidated financial statements  
None.

(2) Transactions between the Company filing consolidated financial statements and its consolidated subsidiaries and associates

Officers and major shareholders (limited to individuals) of the Company filing consolidated financial statements  
None.

2. Information on the parent company and significant associates

(1) Parent company information

None.

(2) Summarized financial information of significant associates

The summarized financial information of significant associates, UACJ Corporation and Asia Vital Components Co., Ltd. as of March 31, 2022 and 2023 is as follows:

UACJ Corporation:	Millions of yen	
	2022	2023
Total current assets	¥ 394,618	¥ 409,868
Total non-current assets	434,111	450,230
Total current liabilities	322,136	338,603
Total non-current liabilities	259,004	252,236
Total net assets	247,589	269,258
Net sales	782,911	962,885
Profit before income taxes	50,114	7,166
Profit attributable to owners of parent	32,054	4,703
Asia Vital Components Co., Ltd.:	Millions of yen	
	2022	2023
Total current assets	¥ 160,319	¥ 196,954
Total non-current assets	50,770	64,897
Total current liabilities	116,099	142,369
Total non-current liabilities	36,537	44,040
Total net assets	58,452	75,441
Net sales	185,998	246,943
Profit before income taxes	18,736	28,605
Profit attributable to owners of parent	11,398	18,348

### Per share information

	Yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net assets per share	¥ 3,967.08	¥ 4,312.07
Basic earnings per share	143.40	254.45

Notes: 1. Diluted earnings per share is not presented because there are no dilutive potential shares.  
2. The Company's shares held by the Trust Account for the Stock Benefit Trust (BBT) are included in treasury shares, which are deducted from the number of shares at end of year and the average number of shares during the year, in the calculation of net assets per share and basic earnings per share. The number of such treasury shares excluded from the calculation of net assets per share and basic earnings per share and the average number of shares during the year were 215,500 shares and 208,383 shares, respectively, for the fiscal year ended March 31, 2022, and 203,700 shares and 206,650 shares, respectively, for the fiscal year ended March 31, 2023.

3. Basis for calculation of basic earnings per share is as follows.

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit attributable to owners of parent	¥ 10,093	¥ 17,911
Profit not attributable to common shareholders	–	–
Profit attributable to common shareholders of parent	10,093	17,911

	Thousand shares	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Average number of shares of common stock during the year	70,391	70,392

4. Basis for calculation of net assets per share

	Millions of yen	
	2022	2023
Total net assets	¥ 314,062	¥ 330,990
Deduction from total net assets	34,843	27,442
[of which non-controlling interests]	[34,843]	[27,442]
Net assets applicable to common stock at end of year	¥ 279,219	¥ 303,547

	Thousand shares	
	2022	2023
Number of shares of commons stock at end of year used for the calculation of net assets per share	70,384	70,394

### Significant subsequent events

Not applicable.

(v) *Consolidated supplementary schedules*  
*Schedule of corporate bonds*

(Millions of yen, unless otherwise stated)

Issuing company	Name of bond	Issue date	Balance at beginning of year	Balance at end of year	Interest rate (%)	Security	Redemption date
The Company	46th Unsecured Bond	July 15, 2016	¥ 10,000	¥ 10,000	0.43	None	July 15, 2026
The Company	47th Unsecured Bond	July 14, 2017	10,000	10,000	0.53	None	July 14, 2027
The Company	48th Unsecured Bond	July 25, 2019	10,000	10,000	0.44	None	July 25, 2029
The Company	49th Unsecured Bond	September 16, 2021	10,000	10,000	0.30	None	September 16, 2031
Total	–	–	¥ 40,000	¥ 40,000	–	–	–

Note: Scheduled repayment amounts within five years of the consolidated balance sheet date are as follows:

(Millions of yen)				
Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
–	–	–	¥ 10,000	¥ 10,000

*Schedule of borrowings and other debts*

(Millions of yen, unless otherwise stated)

	Balance at beginning of year	Balance at end of year	Average interest rate (%)	Payment due
Short-term borrowings	¥ 102,820	¥ 112,821	2.9	–
Commercial papers	54,000	28,000	0.0	–
Current portion of long-term borrowings	12,179	28,459	1.7	–
Current portion of lease obligations	143	113	–	–
Current portion of lease liabilities	1,409	2,526	3.1	–
Long-term borrowings (excluding current portion)	133,120	114,547	1.0	2024–2031
Lease obligations (excluding current portion)	516	401	–	2024–2031
Lease liabilities (excluding current portion)	7,076	12,146	3.5	2024–2049
	¥ 311,267	¥ 299,016	–	–

- Notes: 1. Average interest rate is based on the interest rate and balance at end of year.  
2. Average interest rate of lease obligations is not stated because lease obligations are recorded in the consolidated balance sheet at the amount before deducting the amount equivalent to interest included in total lease payments.  
3. The scheduled repayment amounts of long-term borrowings, lease obligations, and lease liabilities (excluding current portion) within 5 years from the consolidated balance sheet date are as follows:

(Millions of yen)				
	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term borrowings	¥ 24,300	¥ 30,646	¥ 17,300	¥ 18,800
Lease obligations	83	74	67	58
Lease liabilities	4,026	1,392	1,067	937

*Schedule of asset retirement obligations*

This information is omitted as the beginning and ending balances of asset retirement obligations for the fiscal year ended March 31, 2023 were one percent or less of the total beginning and ending balances of liabilities and net assets of the fiscal year.

**(2) Other information**

Quarterly information of the fiscal year ended March 31, 2023

	(Millions of yen, unless otherwise stated)							
(Cumulative period)	Q1		Q2		Q3		Fiscal year	
Net sales	¥	260,293	¥	524,527	¥	785,920	¥	1,066,326
Profit before income taxes		8,706		14,113		22,613		30,302
Profit attributable to owners of parent		5,750		7,938		12,433		17,911
Basic earnings per share (Yen)		81.70		112.78		176.64		254.45

(Accounting period)	Q1		Q2		Q3		Q4	
Basic earnings per share (Yen)	¥	81.70	¥	31.09	¥	63.86	¥	77.81



## 2. Non-consolidated Financial Statements, etc.

### (1) Non-consolidated financial statements

#### (i) Balance sheets

(Millions of yen)

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	15,832	6,850
Notes receivable - trade	*1 2,354	*1 922
Electronically recorded monetary claims - operating	7,780	9,433
Accounts receivable - trade	*1 101,984	*1 96,514
Contract assets	6,968	4,294
Income taxes refund receivable	1,194	–
Merchandise and finished goods	9,150	10,265
Work in process	18,392	17,205
Raw materials and supplies	13,296	14,759
Prepaid expenses	*1 1,384	*1 1,612
Short-term loans receivable	*1 79,391	*1 84,562
Accounts receivable - other	*1 25,428	*1 21,831
Other	2,426	1,302
Allowance for doubtful accounts	(21)	(17)
Total current assets	285,565	269,540
Non-current assets		
Property, plant and equipment		
Buildings	31,706	32,384
Structures	3,459	3,763
Machinery and equipment	20,114	22,048
Vehicles	135	149
Tools, furniture and fixtures	3,112	3,181
Land	12,391	12,013
Leased assets	84	57
Construction in progress	9,618	11,945
Total property, plant and equipment	80,621	85,544
Intangible assets		
Software	12,532	12,438
Other	247	243
Total intangible assets	12,780	12,681
Investments and other assets		
Investment securities	28,483	24,804
Shares of subsidiaries and associates	99,432	95,318
Investments in capital of subsidiaries and associates	44,899	44,899
Long-term loans receivable from subsidiaries and associates	64,059	68,728
Prepaid pension costs	5,517	6,245
Deferred tax assets	4,129	5,081
Other	*1 5,054	*1 5,184
Allowance for doubtful accounts	(22,167)	(24,259)
Total investments and other assets	229,409	226,003
Non-current assets	322,811	324,228
Total assets	608,376	593,768

(Millions of yen)

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes payable - trade	947	941
Accounts payable - trade	*1 80,685	*1 76,939
Short-term borrowings	*1 52,954	*1 71,307
Commercial papers	54,000	28,000
Accounts payable - other	*1 14,319	*1 11,487
Accrued expenses	*1 16,318	*1 17,167
Contract liabilities	1,205	1,747
Provision for product warranties	387	387
Provision for environmental measures	214	6
Provision for loss on construction contracts	53	397
Income taxes payable	–	2,539
Other	4,737	4,118
Total current liabilities	225,824	215,041
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term borrowings	127,100	107,000
Provision for retirement benefits	20,715	18,494
Provision for environmental measures	9,333	9,280
Provision for loss on business of subsidiaries and associates	234	492
Provision for share awards for directors and other officers	468	452
Asset retirement obligations	508	500
Other	*1 677	*1 662
Total non-current liabilities	199,036	176,881
Total liabilities	424,861	391,922
<b>Net assets</b>		
Shareholders' equity		
Share capital	69,395	69,395
Capital surplus		
Other capital surplus	21,466	21,466
Total capital surplus	21,466	21,466
Retained earnings		
Legal retained earnings	3,495	3,919
Other retained earnings	78,188	98,763
Retained earnings brought forward	78,188	98,763
Total retained earnings	81,684	102,682
Treasury shares	(860)	(829)
Total shareholders' equity	171,685	192,715
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	10,833	9,179
Deferred gains or losses on hedges	996	(48)
Total valuation and translation adjustments	11,829	9,130
Total net assets	183,515	201,845
Total liabilities and net assets	608,376	593,768

## (ii) Statements of income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net sales	*2 292,424	*2 305,835
Cost of sales	*2 250,922	*2 264,176
Gross profit	41,501	41,658
Selling, general and administrative expenses	*1 41,000	*1 43,420
Operating profit (loss)	501	(1,761)
Non-operating profit		
Interest income	*2 1,192	*2 2,823
Dividend income	*2 9,150	*2 11,318
Foreign exchange gains	1,504	608
Other	671	357
Total non-operating profit	12,520	15,108
Non-operating expenses		
Interest expenses	*2 964	*2 1,868
Provision of allowance for doubtful accounts	4,810	2,003
Other	785	789
Non-operating expenses	6,560	4,660
Ordinary profit	6,461	8,686
Extraordinary income		
Gain on disposal of non-current assets	*2 1,761	*2 432
Gain on sale of shares of subsidiaries and associates	623	17,854
Gain on sale of investment securities	427	3,958
Other	261	820
Total extraordinary income	3,074	23,065
Extraordinary losses		
Loss on disposal of non-current assets	555	524
Loss on valuation of shares of subsidiaries and associates	6,485	327
Other	1,364	73
Total extraordinary losses	8,406	925
Profit before income taxes	1,129	30,826
Income taxes - current	805	5,351
Income taxes - deferred	849	239
Total income taxes	1,655	5,590
Profit (loss)	(525)	25,235

## (iii) Statements of changes in equity

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity					
	Share capital	Capital surplus		Retained earnings		
		Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings brought forward	Total retained earnings
Balance at beginning of period	69,395	21,467	21,467	3,071	83,358	86,430
Cumulative effects of changes in accounting policies					17	17
Restated balance	69,395	21,467	21,467	3,071	83,375	86,447
Changes during period						
Dividends of surplus					(4,237)	(4,237)
Provision of legal retained earnings				423	(423)	–
Profit (loss)					(525)	(525)
Purchase of treasury shares						
Disposal of treasury shares		(0)	(0)			
Net changes in items other than shareholders' equity						
Total changes during period	–	(0)	(0)	423	(5,186)	(4,762)
Balance at end of period	69,395	21,466	21,466	3,495	78,188	81,684

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(537)	176,755	11,743	1,570	13,314	190,070
Cumulative effects of changes in accounting policies		17				17
Restated balance	(537)	176,772	11,743	1,570	13,314	190,087
Changes during period						
Dividends of surplus		(4,237)				(4,237)
Provision of legal retained earnings		–				–
Profit (loss)		(525)				(525)
Purchase of treasury shares	(359)	(359)				(359)
Disposal of treasury shares	35	35				35
Net changes in items other than shareholders' equity			(910)	(574)	(1,485)	(1,485)
Total changes during period	(323)	(5,086)	(910)	(574)	(1,485)	(6,572)
Balance at end of period	(860)	171,685	10,833	996	11,829	183,515

Current fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity					
	Share capital	Capital surplus		Retained earnings		
		Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance at beginning of period	69,395	21,466	21,466	3,495	78,188	81,684
Changes during period						
Dividends of surplus					(4,237)	(4,237)
Provision of legal retained earnings				423	(423)	–
Profit (loss)					25,235	25,235
Purchase of treasury shares						
Disposal of treasury shares		(0)	(0)			
Net changes in items other than shareholders' equity						
Total changes during period	–	(0)	(0)	423	20,574	20,998
Balance at end of period	69,395	21,466	21,466	3,919	98,763	102,682

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(860)	171,685	10,833	996	11,829	183,515
Changes during period						
Dividends of surplus		(4,237)				(4,237)
Provision of legal retained earnings		–				–
Profit (loss)		25,235				25,235
Purchase of treasury shares	(1)	(1)				(1)
Disposal of treasury shares	33	33				33
Net changes in items other than shareholders' equity			(1,654)	(1,044)	(2,698)	(2,698)
Total changes during period	31	21,029	(1,654)	(1,044)	(2,698)	18,330
Balance at end of period	(829)	192,715	9,179	(48)	9,130	201,845

## Notes to Non-consolidated Financial Statements

### *Significant accounting policies*

1. Valuation basis and method for securities
  - (1) Held-to-maturity debt securities  
Stated at amortized cost.
  - (2) Shares of subsidiaries and associates  
Stated at cost using the moving average method.
  - (3) Available-for-sale securities  
*Securities other than equity securities, etc. that do not have a quoted market price:*  
Stated at fair value (with any unrealized gain or loss being recognized directly in net assets and the cost of securities sold being determined using the moving-average method).  
*Equity securities, etc. that do not have a quoted market price in an active market:*  
Stated at cost using the moving-average method.
2. Valuation basis and method for derivatives  
Stated at fair value.
3. Valuation basis and method for inventories  
Stated at cost determined mainly using the weighted average method (with the amount of inventories in the non-consolidated balance sheets being written down based on a decrease in profitability).
4. Depreciation method for non-current assets
  - (1) Property, plant and equipment (excluding leased assets)  
Depreciated on a straight-line basis.
  - (2) Intangible assets (excluding leased assets)  
Amortized on a straight-line basis.  
Software for internal use is amortized on a straight-line basis over the estimated useful life as internally determined (5 to 10 years).
  - (3) Leased assets (leased assets in finance lease transactions that do not transfer ownership)  
Depreciated on a straight-line basis using the lease term as the useful life and with zero residual value.
5. Accounting for deferred assets  
*Bond issuance costs*  
The full amount is expensed when incurred.
6. Accounting for provision
  - (1) Allowance for doubtful accounts  
To provide for possible bad debt losses

on monetary receivables, allowance for doubtful accounts is provided for the estimated uncollectible amount based on the historical bad debt loss ratio for general receivables and on an individual assessment of collectability for specific receivables such as doubtful receivables.

- (2) Provision for product warranties  
Provision for product warranties is provided at an amount deemed necessary to cover possible compensation costs.
- (3) Provision for environmental measures  
Provision for environmental measures, mainly to remove Poly Chlorinated Biphenyl (PCB) and to improve soil conservation, is provided to cover estimated future costs.

(4) Provision for loss on construction contracts

To provide for losses on construction projects, the Company recognizes estimated losses in the following fiscal year and thereafter on construction projects that have not been delivered as of the end of the current fiscal year and for which losses are expected to incur and the amount of such losses can be reasonably estimated as of the end of the current fiscal year.

(5) Provision for retirement benefits

To provide for retirement benefits for employees, the Company recognizes estimated amount that is deemed to be incurred as of the end of the current fiscal year based on the estimated amounts of retirement benefit obligations and pension assets as of the end of the current fiscal year.

(i) Method of attributing estimated retirement benefits to accounting periods

In calculating retirement benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to periods up to the end of the current fiscal year.

(ii) Method of accounting for actuarial gains and losses

Actuarial gains and losses are amortized in the year following the year in which the gains and losses are recognized primarily by the straight-line method over periods (10 years), which are shorter than the average remaining years of service of the employees.

(6) Provision for loss on business of subsidiaries and associates

To provide for expected losses associated with business engaged by subsidiaries and associates, the Company recognizes the amount of deficiency of net assets that exceeds the amount of allowance for doubtful accounts provided for the relevant subsidiaries and associated in consideration of their financial situation.

(7) Provision for share awards for directors and other officers

To provide for award of the Company's shares to Directors, etc. of the Company in accordance with the Stock Benefit Regulations for Directors, etc., the Company recognizes estimated amount of share awards obligation as of the end of the current fiscal year.

7. Accounting policy for revenues and expenses

The details of the main performance obligations in the major businesses related to revenue from contracts with the customers of the Company and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

(1) Manufacture and sale of products

The main business of the Company is the manufacture and sale of infrastructure products, such as information and telecommunications network components and power cables, electrical and electronics products such as automobile parts and copper products for electronic equipment materials, and functional products processed from resin and nonferrous metals.

The Company has determined that its main performance obligation is to deliver finished products to customer. The Company has comprehensively determined that legal title to the asset, the significant risks and rewards of ownership of the assets, transfer of physical possession of the assets, and the right to receive payment of consideration for the asset shall arise at the time of delivery of the product to the customer. For domestic transactions, control over products is transferred to customer at the time of delivery of the product to the customer, and a performance obligation is considered to have been satisfied. However, since the period from the date of shipment of the product to the date of delivery is a normal period of time, the Company recognizes revenue when the product is shipped based on its significance as selecting the alternative treatment. For trade transactions, the Company recognizes revenue when the risk-bearing is transferred to customer, mainly based on the terms of trade stipulated by Incoterms and other agreements.

For buy-sell transaction, no inventories are recognized because the Company does not obtain control over raw materials and other products, but only record the net amount equivalent to the processing fees as sales. The Company deducts the amount of the consideration to be paid to customer, such as volume discount and sales incentive, from the transaction price, unless such a consideration to be received from the customer is related to distinct goods or services received from the customers.

(2) Maintenance services

The Company provides chargeable maintenance support services after sales of products, in mainly the Infrastructure business. For maintenance services, the Company has determined that it has a performance obligation to always have the services available and on standby so that customer can utilize the maintenance services when the customer desires throughout the performance period. The Company recognizes revenue at the percentage of time elapsed to the period in which the services are to be provided because the maintenance services are identified as distinct performance obligations and are performed over a certain period of time, including standby status period.

(3) Construction contract

The Company performs construction works, such as design, construction, installation, and other work based on contracts with customer in the Infrastructure business. Since the Company transfers control over underlying goods and services over time and satisfies a performance obligation, it recognizes revenue over time. Measuring progress towards satisfaction of a performance obligation is based on the proportion that the cost incurred by the end of each reporting period to the total expected costs incurred (input method). In cases where the Company may not be able to reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred in satisfying the performance obligation, the Company recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. For construction contracts with short durations, the Company recognizes revenue at the point of time when a performance obligation is fully satisfied.

(4) Transactions entered into as an agent

The Company does not manufacture products and only makes transactions of procurement arrangements on behalf of its customers. If the Company does not control products before transferring it to customer, revenue is recognized on the net amount received from the customer less the amount paid to supplier. The following are considered in determining whether the Company controls over products or services before these are provided to customer.

(a) Its primary responsibility for the performance of its promise to provide goods or services

(b) The inventory risk before goods or services are provided to customer or after control has been transferred to customer

(c) Discretion in establishing the price of goods or services.

The payment after satisfying the Company's performance obligation does not include any significant financing component since the payment will be made generally within one year from that time when such a satisfaction.

8. Accounting policy for translating assets and liabilities denominated in foreign currency into Japanese yen

Monetary receivables and payables denominated in foreign currency are translated into Japanese yen at the spot exchange rate on the balance sheet date, and exchange differences are accounted for as profit or loss.

9. Hedge accounting

(1) Hedge accounting method

Deferred hedge accounting is applied. Assignment accounting (special treatment for foreign exchange forward contracts) is applied to currency and interest rate swap transactions, and special treatment is applied to interest rate swaps, if they meet the requirements.

(2) Hedging instruments and the hedged items

Interest rate swap: borrowings

Currency swap: borrowings

Foreign exchange forward contracts: Receivables and payables denominated in foreign currency, etc.

Metal forward contracts: Raw materials and work in process

(3) Hedging policy

The Company hedges its borrowing obligations and definitive trading contracts and the like to avoid risks associated with fluctuations in interest rates, foreign exchange rates, and raw material prices.

(4) Assessments of hedge effectiveness

Cumulative market fluctuations or cash flow fluctuations of hedged items are compared with cumulative market fluctuations or cash flow fluctuations of hedging instruments, and effectiveness is determined based on the amounts of fluctuation of both, excluding the portion not attributable to the basic value of price.

10. Accounting for retirement benefits

The method of accounting for unrecognized actuarial gains or losses for retirement benefits differs from that used to prepare the consolidated financial statements.

11. Group tax sharing system

The Company applies the group tax sharing system.



### *Significant accounting estimates*

Estimates and judgments based on the future business plan

Although it is extremely difficult to accurately predict when the impact of COVID-19 pandemic and the Russia-Ukraine situation will return to normal, we assume that the impact of COVID-19 will be minor in the next fiscal year, but that the impact of the Russia-Ukraine situation on soaring raw material and fuel prices and increased logistics costs will continue for a certain period of time.

Future changes in uncertain economic conditions may have a material impact on impairment losses of non-current assets and the valuation of deferred tax assets in the non-consolidated financial statements.

(1) Recoverability of deferred tax assets

(i) Amount recorded in non-consolidated financial statements as of March 31, 2022 and 2023

	Millions of yen	
	2022	2023
Deferred tax assets	¥ 4,129	¥ 5,081

(ii) Details of significant accounting estimates of recognized items

The description is omitted as the same information is disclosed in “Notes to Consolidated Financial Statements, Significant accounting estimates, 1. Estimates and judgments based on the future business plan, (1) Recoverability of deferred tax assets.”

(2) Impairment of non-current assets

(i) Amount recorded in non-consolidated financial statements as of March 31, 2022 and 2023

	Millions of yen	
	2022	2023
Property, plant and equipment and intangible assets (total amount reported on balance sheets)	¥ 93,402	¥ 98,225
of which asset group included in (ii) below	12,214	10,865

(ii) Details of significant accounting estimates of recognized items

The description is omitted as the same information is disclosed in “Notes to Consolidated Financial Statements, Significant accounting estimates, 1. Estimates and judgments based on the future business plan, (2) Impairment of non-current assets.”

### **Changes in accounting policies**

#### *Application of “Implementation Guidance on Accounting Standard for Fair Value Measurement”*

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021; hereinafter, the “Fair Value Measurement Guidance”) from the non-consolidated financial statements as of the end of the reporting period, and will prospectively apply the new accounting policy stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This does not affect the non-consolidated financial statements.

### **Changes in presentation**

#### *Statements of income*

“Business restructuring expenses,” which was separately presented under “Extraordinary losses” for the previous fiscal year, is included in “Other” for the current fiscal year because of a decreased materiality of amount. To reflect this change in presentation, the statement of income for the previous fiscal year have been reclassified.

### **Additional information**

#### Board Benefit Trust (BBT)

The description is omitted as the same information is disclosed in “Notes to Consolidated Financial Statements, Additional information.”

### **Balance sheets**

#### \*1. Assets and liabilities associated with subsidiaries and associates as of March 31, 2022 and 2023

Other than separately presented items, the following amounts are included in each of the items below.

	Millions of yen	
	2022	2023
Short-term monetary claims	¥ 135,789	¥ 137,073
Long-term monetary claims	2	0
Short-term monetary obligations	67,728	65,945
Long-term monetary obligations	0	0

#### \*2. Contingent obligations

##### (1) Guarantee obligation as of as of March 31, 2022 and 2023

	Millions of yen	
	2022	2023
Debt guarantees for borrowings from financial institutions [of which guaranteed by the Company]	¥ 67,960 [50,915]	¥ 69,846 [53,356]
Debt guarantees for lease transactions	1,647	1,553
Debt guarantees for bonds related to construction	1,032	1,026

##### (2) Repurchase obligation of the securitization of receivables as of March 31, 2022 and 2023

	Millions of yen	
	2022	2023
Repurchase obligation of the securitization of receivables	¥ 4,729	¥ 5,141

##### (3) Other

The Company is now negotiating compensations for damage with a part of automobile manufacturers in connection with the violation of the Competition Act by automobile wire harness cartels.

### *Statements of income*

**\*1. Selling, general and administrative expenses**

The composition rates of selling expenses and general and administrative expenses were 23.9% versus 76.1% for the previous fiscal year and 22.3% versus 77.7% for the current fiscal year.

The main components of selling, general and administrative expenses for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Packing and transportation costs	¥ 8,917	¥ 8,489
Salaries and allowances and welfare expenses	11,275	11,287
Research and development costs	7,872	8,735
Outsourcing expenses	4,375	4,460

**\*2. Transactions with subsidiaries and associates**

Transactions with subsidiaries and associates for the fiscal years ended March 31, 2022 and 2023 were as follows:

	Millions of yen	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Amount of operating transactions		
Net sales	¥ 130,328	¥ 127,594
Purchases	196,385	224,881
Amount of non-operating transactions	9,516	13,264

## Securities

Shares of subsidiaries and associates as of March 31, 2022

Classification	Millions of yen				
	2022				
	Carrying amount		Fair value		Difference
Shares of subsidiaries	¥	5,168	¥	36,978	¥ 31,810
Shares of associates		27,529		59,308	31,778
Total	¥	32,697	¥	96,286	¥ 63,588

Shares of subsidiaries and associates as of March 31, 2023

Classification	Millions of yen				
	2023				
	Carrying amount		Fair value		Difference
Shares of subsidiaries	¥	1,247	¥	22,219	¥ 20,972
Shares of associates		27,291		71,391	44,099
Total	¥	28,539	¥	93,611	¥ 65,072

Note: Carrying amounts of shares, etc. without a quoted market price that are not included in the shares above as of March 31, 2022 and 2023

	Millions of yen			
	2022		2023	
	¥		¥	
Shares of subsidiaries	¥	63,498	¥	63,165
Shares of associates		3,236		3,613
Investments in capital		44,928		44,928

## Tax effect accounting

### 1. Significant components of deferred tax assets and liabilities as of March 31, 2022 and 2023

	Millions of yen			
	2022		2023	
Deferred tax assets				
Excess amount over limitation of provision for doubtful accounts	¥	6,794	¥	7,433
Provision for loss on business of subsidiaries and associates		71		150
Provisions for bonuses		1,416		1,375
Excess amount over limitation of provision for retirement benefits		10,126		9,710
Loss on valuation of shares of subsidiaries and associates		27,685		26,726
Excess amount over limitation of non-current assets depreciation (including impairment losses)		3,556		3,450
Other		5,307		5,792
Subtotal	¥	54,957	¥	54,639
Less valuation allowance for total of future deductible temporary differences, etc.		(41,321)		(40,826)
Total valuation allowance	¥	(41,321)	¥	(40,826)
Total deferred tax assets	¥	13,636	¥	13,813
Deferred tax liabilities				
Valuation difference on available-for-sale securities	¥	(4,781)	¥	(4,051)
Other		(4,725)		(4,680)
Total deferred tax liabilities	¥	(9,507)	¥	(8,731)
Deferred tax assets (liabilities), net	¥	4,129	¥	5,081

### 2. Reconciliation between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect for the fiscal years ended March 31, 2022 and 2023

	2022	2023
Normal effective statutory tax rate	30.6 %	30.6 %
Adjustments:		
Expenses not deductible for income tax purposes (e.g. entertainment expenses)	39.6 %	1.2 %
Tax credits of experimentation and research expenses	– %	(2.5) %
Income not taxable for income tax purposes (e.g. dividends received)	(192.9) %	(9.0) %
Valuation allowance	266.6 %	(1.6) %
Inhabitant tax on per capita basis	3.5 %	0.1 %
Other	(0.8) %	(0.7) %
Actual effective tax rate after applying tax effect accounting	146.6 %	18.1 %

### 3. Accounting for income taxes and local income taxes or the related tax effects

The Company has applied the group tax sharing system from the fiscal year ended March 31, 2023, and in accordance with “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Solution No. 42 issued on August 12, 2021), account for and disclose income taxes and local income taxes or the related tax effects.

***Revenue recognition***

Notes on the basis for understanding revenue from contracts with customers are omitted as the same information is disclosed in “Notes to Consolidated Financial Statements, Revenue recognition.”

***Subsequent events***

Not applicable.

## (iv) Non-consolidated supplementary schedules

**Schedule of non-current assets**

(Millions of yen)

Classification	Type of asset	Balance at beginning of year	Increase during period	Decrease during period	Depreciation during period	Balance at end of year	Accumulated depreciation
Property, plant and equipment	Buildings	¥ 108,581	¥ 3,286	¥ 1,645	¥ 2,453	¥ 110,222	¥ 77,837
	Structures	13,191	628	28	321	13,790	10,027
	Machinery and equipment	181,807	6,804	2,248	4,849	186,362	164,314
	Vehicles	1,620	74	7	59	1,687	1,537
	Tools, furniture and fixtures	21,380	1,406	1,233	1,311	21,553	18,371
	Land	12,391	–	378	–	12,013	–
	Leased assets	221	9	–	37	231	174
	Construction in progress	9,618	14,552	12,225	–	11,945	–
	Total property, plant and equipment	¥ 348,812	¥ 26,762	¥ 17,767	¥ 9,032	¥ 357,806	¥ 272,262
Intangible assets	Software	¥ 15,778	¥ 1,970	¥ 703	¥ 1,964	¥ 17,045	¥ 4,606
	Other	262	1	4	1	258	15
	Total intangible assets	¥ 16,040	¥ 1,971	¥ 707	¥ 1,965	¥ 17,303	¥ 4,622

- Notes 1. “Balance at beginning of year” and “Balance at end of year” are stated at cost.  
2. Major causes for “Increase during period” of “Construction in progress” are building projects at Chiba Works (¥6,448 million), Mie Works (¥3,125 million), Nikko Works (¥2,222 million), Hiratsuka Works (¥1,563 million).  
3. A major cause for “Increase during period” of “Software” is costs related to an enterprise system (¥484 million).

**Schedule of allowances and provisions**

(Millions of yen)

Line item	Balance at beginning of year	Increase during period	Decrease during period	Balance at end of year
Allowance for doubtful accounts	¥ 22,188	¥ 2,093	¥ 6	¥ 24,276
Provision for product warranties	387	–	–	387
Provision for environmental measures	9,547	–	261	9,286
Provision for loss on construction contracts	53	382	38	397
Provision for loss on business of subsidiaries and associates	234	348	90	492
Provision for share awards for directors and other officers	468	143	159	452

**(2) Details of major assets and liabilities**

The description is omitted as the Company prepares the consolidated financial statements.

**(3) Other**

Not applicable.



**Item 6. Outline of Share-related Administration of Reporting Company**

Fiscal year	From April 1 to March 31
Annual Shareholders Meeting	To be held in June
Record date	March 31
Record dates of dividends of surplus	March 31 and September 30
Number of shares constituting one unit	100 shares
Purchase or additional purchase of shares of less than one unit	
Handling office	(Special Account) Corporate Agency Division, Mizuho Trust & Banking Co., Ltd. 1-3-3 Marunouchi, Chiyoda-ku, Tokyo
Shareholder register administrator	(Special Account) Mizuho Trust & Banking Co., Ltd. 1-3-3 Marunouchi, Chiyoda-ku, Tokyo
Forwarding office	–
Purchase or additional purchase fee	Free of charge
Method of public notice	The method of public notice by the Company shall be electronic public notice; provided, however, that when electronic public notice cannot be used due to an accident or any other unavoidable reason, the public notices shall be given in The Nihon Keizai Shimbun published in Tokyo.
Special benefits for shareholders	Not applicable.

## Item 7. Reference Information of Reporting Company

### 1. Information about Parent of Reporting Company

The Company does not have a parent company, etc. as prescribed in Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act.

### 2. Other Reference Information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, the Company filed the following documents:

- (1) Annual Securities Report, attached document thereof and Confirmation Letter  
For the 200th fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on June 21, 2022
- (2) Internal Control Report and attached documents thereof  
For the 200th fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on June 21, 2022
- (3) Quarterly Securities Reports and Confirmation Letter  
For the first quarter of the 201st fiscal year ended March 31, 2023 (from April 1, 2022 to June 30, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on August 9, 2022  
For the second quarter of the 201st fiscal year ended March 31, 2023 (from July 1, 2022 to September 30, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on November 11, 2022  
For the third quarter of the 201st fiscal year ended March 31, 2023 (from October 1, 2022 to December 31, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on February 10, 2023
- (4) Amended Shelf Registration Statements  
Filed with the Director-General of the Kanto Local Finance Bureau on June 28, 2022  
Filed with the Director-General of the Kanto Local Finance Bureau on November 8, 2022  
Filed with the Director-General of the Kanto Local Finance Bureau on January 11, 2023
- (5) Extraordinary Reports  
Extraordinary Report pursuant to the provisions of Article 19, paragraph (2), item (ix)-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (result of the resolution made at the Annual Shareholders Meeting) Filed with the Director-General of the Kanto Local Finance Bureau on June 28, 2022  
Extraordinary Report pursuant to the provisions of Article 19, paragraph (2), items (xii) and (xix) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (an event which may have serious effects on the financial position, operating results and cash flow status of a reporting company and the relevant consolidated companies) Filed with the Director-General of the Kanto Local Finance Bureau on November 8, 2022  
Extraordinary Report pursuant to the provisions of Article 19, paragraph (2), item (ix) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (change to representative director) Filed with the Director-General of the Kanto Local Finance Bureau on January 11, 2023

**Section 2 Information about Reporting Company's Guarantor, etc.**

Not applicable.

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

June 21, 2023

To the Board of Directors of  
Furukawa Electric Co., Ltd.:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Koichi Yano

Designated Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Takahiro Ikeda

Designated Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Daijiro Furutani

### Audit of Financial Statements

#### *Opinion*

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Furukawa Electric Co., Ltd. and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2022 to March 31, 2023, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(TRANSLATION)

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our firm stated that "Assessment of impairment loss recognition regarding fixed assets in the Infrastructure segment" was identified as a key audit matter in our audit of the consolidated financial statements for the previous fiscal year.

Although there were some improvements regarding the deterioration of profitability of a certain asset group in the Infrastructure segment that was caused by shortages of raw materials, soaring raw material prices and transportation costs, as well as lack of improvement in productivity, we will continue to identify this as a key audit matter in our audit of the consolidated financial statements for this fiscal year as these conditions continue to exist.

In addition, Furukawa Electric Co., Ltd. (the "Company") has recorded an operating loss in the current period as a result of a deterioration in profitability due to (i) lower revenue resulting from inventory adjustments in the supply chain following a global decline in demand for smartphones, PCs, and data centers, as well as difficulties in procuring semiconductors, and (ii) the raw material and fuel price inflation. As the degree of uncertainty regarding the future taxable income of the Group is increasing, we identified "Recoverability of deferred tax assets related to the Applicable Group under the Group Tax Sharing System" as a key audit matter in our audit of the consolidated financial statements for this fiscal year.

<b>Assessment of impairment loss recognition regarding fixed assets in the Infrastructure segment</b>	
<b>Key Audit Matter Description</b>	<b>How the Key Audit Matter Was Addressed in the Audit</b>
<p>As of March 31, 2023, tangible fixed assets balance was 269,288 million yen and intangible fixed asset balance was 20,236 million. Fixed assets classified as a certain asset group under in the Group's Infrastructure segment ("the asset group") was 10,865 million yen.</p> <p>Such fixed assets are depreciated and amortized consistently. If any impairment indicators exist, the Group assesses whether to recognize an impairment loss by comparing the total amount of undiscounted future cash flows generated from the asset group to the carrying amount. If recognition of impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount and the reduction is recorded as an impairment loss.</p>	<p>Our audit procedures related to testing the appropriateness of the assessment of impairment loss recognition regarding the fixed assets classified to a certain asset group that are included in the Group's Infrastructure segment included the following, among others:</p> <p>(1) Evaluation of controls</p> <ul style="list-style-type: none"><li>• We evaluated the design and operating effectiveness of controls related to the assessment of impairment loss recognition for fixed assets, specifically focusing on controls over the estimation of the undiscounted future cash flows.</li></ul>

<p>As stated in "(2) Impairment of non-current assets" under "1. Estimates and judgments based on the future business plan" of "Notes to Consolidated Financial Statements (Significant Accounting Estimates)," the Group identified an impairment indicator and tested whether an impairment loss should be recognized for the asset group not meeting the operating income or loss within the original budget and became unprofitable due to a decrease in production volume, which was caused by difficulties in procuring semiconductors, a decrease in revenue due to the conflict in Russia and Ukraine, and the rising cost of raw material and fuel. As a result, the Group concluded that the recognition of impairment loss was not necessary since the total amount of the undiscounted future cash flows generated from the asset group exceeded the carrying amount.</p> <p>The estimated undiscounted future cash flows used for testing whether an impairment loss needs to be recognized were based on the future business plans which include significant assumptions made by management involving uncertainties, such as sales volume, sales price per unit, market forecast, and disposal value of the fixed assets.</p> <p>We identified the assessment of impairment loss recognition on the fixed assets in the asset group as a key audit matter because (1) the fixed assets in the asset group were quantitatively material and (2) significant assumptions used in the estimation of the undiscounted future cash flows involve uncertainties and significant judgments made by management.</p>	<p>(2) Evaluation of the reasonableness of the estimated undiscounted future cash flows</p> <p>We tested whether the methods used to estimate the undiscounted future cash flows as well as significant assumptions and data used in developing the future business plans and calculating the disposal value of fixed assets were in accordance with the applied financial framework. We also tested whether management appropriately addressed the estimation uncertainty in the undiscounted future cash flows by performing the following:</p> <ul style="list-style-type: none"><li>• We assessed the consistency of the approved future business plans used as a basis for the undiscounted future cash flows. We also evaluated the degree of reliability in management's estimates with uncertainty by comparing the budgets and the future business plans in past years with the actual results.</li><li>• To evaluate the degree of reliability in management's estimates with uncertainty, we performed a stress test on the estimated undiscounted future cash flows.</li><li>• For sales volume and sales price per unit, which are significant assumptions used in the estimation of the future business plans, we inquired of management and the employees responsible for preparing the future business plans. As part of the sales order testing, we examined sales contracts and orders received to be fulfilled in future periods. Further, we also inspected the consistency of the information such as sales volume and sales price per unit on the sales contracts against other relevant data and information from the customers such as price lists. For the market forecast, we performed a comparison of the forecast with available external data and peer companies and analyzed the historical trend of the financial results.</li><li>• With the assistance of our valuation specialists, we tested the valuation methodology and results of management's valuation of the disposal value of fixed assets.</li></ul>
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(TRANSLATION)

<b>Recoverability of deferred tax assets related to the Applicable Group under the Group Tax Sharing System</b>	
<b>Key Audit Matter Description</b>	<b>How the Key Audit Matter Was Addressed in the Audit</b>
<p>The amount of deferred tax assets recorded on the consolidated balance sheet as of March 31, 2023, was 9,428 million yen. As stated in the "Notes to Consolidated Financial Statements (Tax Effect Accounting)," the amount of deferred tax assets before offsetting deferred tax liabilities was 28,646 million yen and a valuation allowance of 71,073 million yen was recorded to reduce the gross amount of deferred tax assets related to deductible temporary differences and loss carryforwards was 99,719 million yen. The Group applies the Group Tax Sharing System to its domestic affiliates in Japan, so the recorded amount of deferred tax assets related to the applicable domestic companies under the Group Tax Sharing System (hereinafter "Applicable Group") was 18,806 million yen, a net of a valuation allowance and before offsetting deferred tax liabilities.</p> <p>The Group records the amount of deferred tax assets expected to be recovered based on the estimated future taxable income (before considering tax loss carryforwards) over the next five years. In determining the recoverability of the Applicable Group's deferred tax assets, the estimated future taxable income of the Company has a significant impact on this determination as it is approximately half of the total future taxable income of the Applicable Group.</p> <p>The estimated future taxable income of the Company includes significant assumptions used by management, such as sales volume, sales price per unit, and market forecast within the future business plans, and such assumptions involve uncertainties.</p> <p>Moreover, the Company has recorded an operating loss in the current period as a result of a deterioration in profitability due to (i) lower revenue resulting from inventory adjustments in the supply chain following a global decline in demand for smartphones, PCs, and data centers, as well as difficulties in procuring semiconductors, and (ii) the raw material and fuel price inflation. Thus, the degree of uncertainty regarding the future taxable income of the Company is getting comparatively higher.</p>	<p>Our audit procedures evaluated the reasonableness of the estimated future taxable income of the Company related to the Applicable Group's recoverability of the deferred tax, which was approximately half of the total amount of the estimated future taxable income of the Applicable Group, included the following, among others:</p> <p>(1) Evaluation of controls</p> <ul style="list-style-type: none"> <li>• We evaluated the design, implementation, and operating effectiveness of the controls related to the estimation of future taxable income of the Company, specifically focusing on controls related to the determination of the recoverability of deferred tax assets.</li> </ul> <p>(2) Evaluation of the reasonableness of estimated future taxable income</p> <p>With respect to major business units that are expected to have significant impacts on the Company's future taxable income, we tested whether the methods and significant assumptions used to estimate the future taxable income and the data used in developing the future business plans were appropriate in accordance with the applied financial framework. We also tested whether management appropriately addressed the uncertainty in estimation of the future taxable income by performing the followings:</p> <ul style="list-style-type: none"> <li>• We assessed the consistency of the approved future business plans used as a basis for the estimated future taxable income. We also evaluated the degree of reliability and uncertainty in management's estimates by comparing the budgets and the future business plans for past years with the actual results.</li> <li>• To evaluate the degree of reliability and uncertainty in management's estimates, we performed a stress test on the estimated future taxable income.</li> </ul>

(TRANSLATION)

<p>We identified the recoverability of deferred tax assets related to the Applicable Group under the Group Tax Sharing System as a key audit matter because (1) the recorded amount of deferred tax assets related to the Applicable Group was quantitatively material and (2) significant assumptions used in the estimation of the future taxable income involve uncertainties and significant judgments made by management.</p>	<ul style="list-style-type: none"><li>• For the sales volume and sales price per unit, which are significant assumptions used in the estimation of the future business plans, we inquired of management and employees responsible for preparing the future business plans. As part of the sales order testing, we examined sales contracts and orders received to be fulfilled in future periods. Further, we also inspected the consistency of the information such as sales volume and sales price per unit on the sales contracts against other relevant data and information from the customers such as price lists. For the market forecast, we performed a comparison of the forecast with available external data and peer companies and analyzed the historical trend of the financial results.</li></ul>
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#### *Other Information*

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



(TRANSLATION)

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Audit of Internal Control**

### *Opinion*

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Furukawa Electric Co., Ltd. as of March 31, 2023.

(TRANSLATION)

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Furukawa Electric Co., Ltd. as of March 31, 2023, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

*Basis for Opinion*

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for Report on Internal Control*

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

*Auditor's Responsibilities for the Internal Control Audit*

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.
- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

(TRANSLATION)

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

June 21, 2023

To the Board of Directors of  
Furukawa Electric Co., Ltd.:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Koichi Yano

Designated Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Takahiro Ikeda

Designated Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Daijiro Furutani

### Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the nonconsolidated financial statements of Furukawa Electric Co., Ltd. (the "Company") included in the Financial Section, namely, the nonconsolidated balance sheet as of March 31, 2023, and the nonconsolidated statement of income for the 201st fiscal year from April 1, 2022 to March 31, 2023, and a summary of significant accounting policies and other explanatory information, and the supplementary schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the nonconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the nonconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(TRANSLATION)

*Assessment of impairment loss recognition regarding fixed assets classified to a certain asset group in the Infrastructure segment*

We have omitted descriptions on this due to overlap with the key audit matter ("Assessment of impairment loss recognition regarding fixed assets classified to a certain asset group in the Infrastructure segment") described in our audit report on the consolidated financial statements.

*Recoverability of deferred tax assets*

We have omitted descriptions on this due to overlap with the key audit matter ("Recoverability of deferred tax assets related to the Applicable Group under the Group Tax Sharing System") described in our audit report on the consolidated financial statements.

**Other Information**

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the nonconsolidated financial statements and our auditor's report thereon.

Our opinion on the nonconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the nonconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the nonconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Nonconsolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

(TRANSLATION)

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the nonconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

#### Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

## Cover

Document title	Internal Control Report
Clause of stipulation	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director, Kanto Local Finance Bureau
Filing date	June 21, 2023
Company name	Furukawa Denki Kogyo Kabushiki Kaisha
Company name in English	Furukawa Electric Co., Ltd.
Title and name of representative	Hideya Moridaira, President
Title and name of chief financial officer	Akihiro Fukunaga, Director and Corporate Senior Vice President, General Manager of Finance & Accounting Division
Address of registered headquarters	2-6-4 Otemachi Chiyoda-ku, Tokyo
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

(Translation)

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

## 1. Basic Framework of Internal Control over Financial Reporting

Hideya Moridaira, President; and Akihiro Fukunaga, Director and Corporate Senior Vice President, General Manager of Finance & Accounting Division, are responsible for the development and operation of internal control over financial reporting of Furukawa Electric Co., Ltd. (the “Company”).

The Company has developed and operated internal control over financial reporting in accordance with “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

Internal control over financial reporting may not completely prevent or detect misstatements of financial reporting.

## 2. Scope, Date and Procedures of Evaluation

We evaluated the effectiveness of our internal control as of March 31, 2023, the end of the fiscal year under review. In evaluating internal control over financial reporting, we followed the evaluation standards for internal control over financial reporting generally accepted in Japan.

Based on the Furukawa Electric Group Basic Policy for the Development and Evaluation of Internal Control Over Financial Reporting (resolved by the Board of Directors on January 31, 2007) and the FY2022 Policy for Response to J-SOX (resolved by the Board of Directors on June 9, 2022), we evaluated the development and operation status of company-level controls. Given the results of the evaluation, we analyzed the business processes within the scope of internal controls to be evaluated, identified key controls that may have a material impact on the reliability of financial reporting, and evaluated whether the basic components of internal control are operating with regard the identified key controls.

We determined the required scope of evaluation of internal controls over financial reporting in light of the degree of impact on the reliability of financial reporting.

Regarding the procedures and methods for determining the scope of evaluation, we first identified company-level controls with a material impact on overall financial reporting and period-end financial reporting processes to be evaluated from a company-wide perspective. We then performed procedures, such as inquiries to relevant personnel and verification of records, covering all the business locations other than those that do not have a material impact, after appropriately understanding and analyzing the internal controls as a whole. In doing so, we evaluated the development and operation status of the internal control, as well as the degree of their impact on process-level controls.

In evaluating process-level controls, we selected significant business locations subject to evaluation based on their consolidated sales in light of their degree of quantitative and qualitative materiality for financial reporting, and the result of the above-mentioned evaluation of the company-level controls. Specifically, significant business locations were selected in descending order of sales until their combined amount reached approximately two-thirds of total consolidated sales. Then, in the selected business locations, we included in the scope of evaluation of process-level controls all the business processes that affect the accounts (namely sales, accounts receivable, and inventory) that are closely associated with our business objectives. In addition, business processes with a significant impact on financial reporting were individually added to the scope of evaluation.

For business processes subject to evaluation, we first analyzed each of the business processes, and selected risks that would have a material impact on the reliability of financial reporting and corresponding control activities and other key controls. We then applied procedures including inquiries to appropriate staff personnel on internal controls, review of relevant records, observation of the application of specific controls, and examination of records regarding the operation of internal controls. In doing so, we evaluated development and operation status of the internal control.

Furthermore, where automated internal controls using IT are in place in the business processes subject to evaluation, we first understood the IT infrastructure and identified evaluation units. We then applied procedures including inquiries to appropriate staff personnel on internal controls, review of relevant records and data, and examination of records regarding the operation of internal controls, with respect to IT general controls and IT application controls. In doing so, we evaluated development and operation status of the internal control.

## 3. Result of Evaluation

Based on the evaluation procedures described above, the management concluded that the internal control over financial reporting of the Company as of March 31, 2023 was effective.

## 4. Supplementary Information

Not applicable.



5. Other Information for Special Attention

Not applicable.

## Cover

Document title	Confirmation Note
Clause of stipulation	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director, Kanto Local Finance Bureau
Filing date	June 21, 2023
Company name	Furukawa Denki Kogyo Kabushiki Kaisha
Company name in English	Furukawa Electric Co., Ltd.
Title and name of representative	Hideya Moridaira, President
Title and name of chief financial officer	Akihiro Fukunaga, Director and Corporate Senior Vice President, General Manager of Finance & Accounting Division
Address of registered headquarters	2-6-4 Otemachi Chiyoda-ku, Tokyo
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

(Translation)

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

#### 1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report

Hideya Moridaira, Representative Director, President and Akihiro Fukunaga, Director and Corporate Senior Vice President, General Manager of Finance & Accounting Division, confirmed that statements contained in the Annual Securities Report for the 201st fiscal year (from April 1, 2022 to March 31, 2023) were adequate under the Financial Instruments and Exchange Act of Japan.

#### 2. Special Notes

Not applicable.