

Current Situation and Future Initiatives

President & CEO
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Furukawa Electric Co., Ltd.

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Forward-Looking Statements

Projections of future sales and earnings in these materials are "forward-looking statements."

Management offers these projections in good faith and on the basis of information presently available.

Information in these statements reflects assumptions about such variables as economic trends and currency exchange rates.

Forward-looking statements incorporate known and unknown risks as well as other uncertainties that include, but are not limited to, the following items.

- Economic trends in the U.S, Europe, Japan and elsewhere in Asia, particularly with regard to consumer spending and corporate expenditures.
- Changes in exchange rates of the U.S. dollar, euro, and Asian currencies.
- Furukawa Electric Group's ability to respond to rapid advances in technology.
- Changes in assumptions involving financial and managerial matters and the operating environment.
- Current and future trade restrictions and related matters in foreign countries.
- Changes in the market value of securities held by the Furukawa Electric Group.

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FURUKAWA ELECTRIC CO., LTD.

Current issues and the impact on the businesses

1. Key initiatives

- (1) Optical fiber & cable business
- (2) Automotive Products business
- (3) Expand sales and reduce the cost of manufacturing in the other businesses
- (4) Companywide activities –
Stable procurement of raw materials, Response to logistics,
Optimize inventory levels

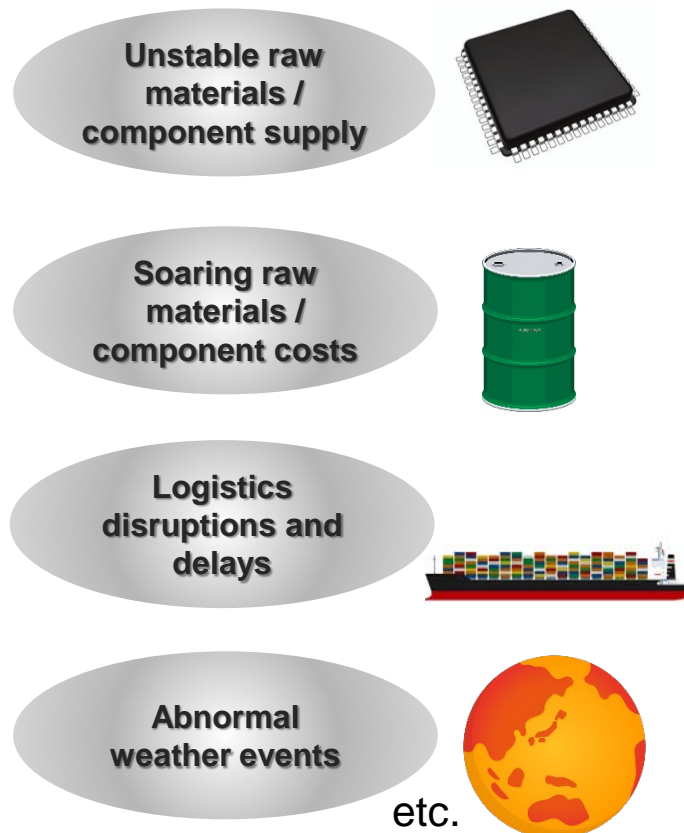
2. ESG initiatives

- (1) Environment
- (2) Social
- (3) Governance

3. Full-year financial forecast and dividend

Business environment

Halted supply due to suspended operations at partner's plants caused by natural disasters, accidents and environmental regulations and a shift to higher value added products following portfolio changes by partners



Main impact on the businesses and earnings

Communications Solutions:
Soaring optical fiber & cable raw material prices and transportation expenses

Functional Products and Energy Infrastructure:
Higher polyethylene prices

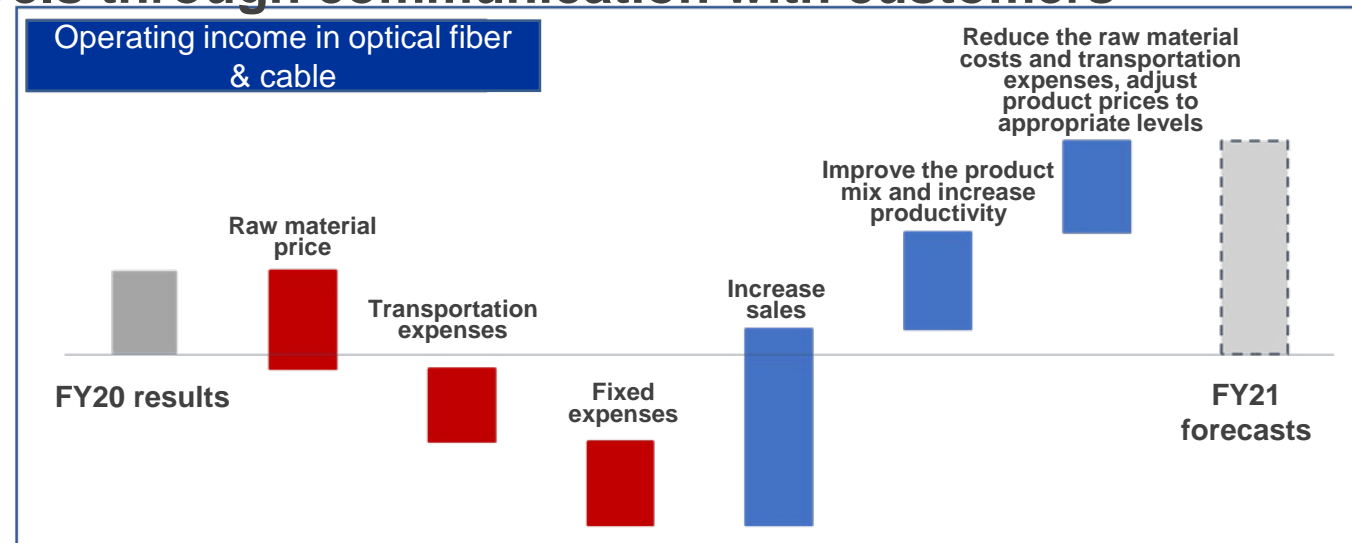
Automotive Products:
Lower customer production volumes due to the shortage of semiconductors and resin, soaring transportation expenses, logistics delays, impact of COVID-19 in Southeast Asia

etc.

Accelerate the groupwide initiatives aimed at minimizing the impact

1. Key initiatives (1) Optical fiber & cable business

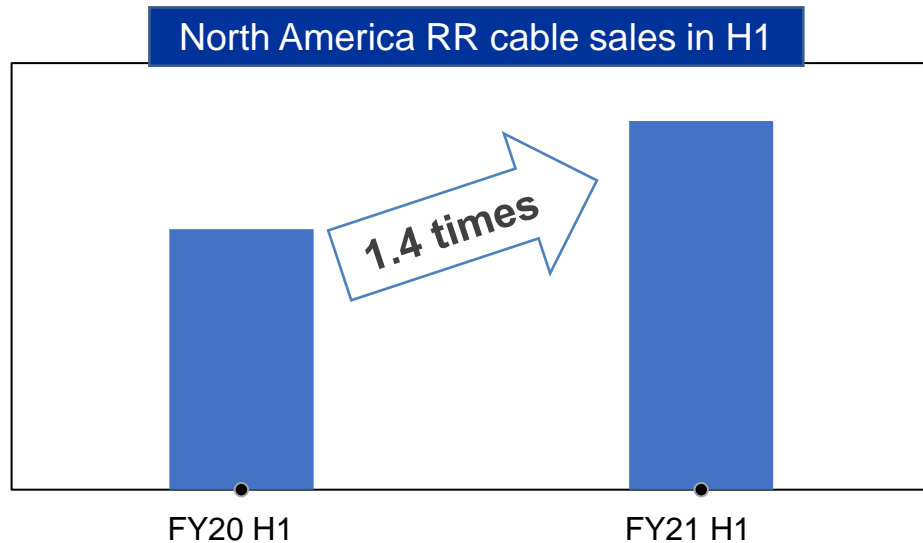
- In H1, achieved increased profit on higher revenue despite the impact of shortages and higher prices of raw materials and soaring transportation expenses. In addition to expanding sales of high value added products, increasing productivity and improving cost competitiveness, strengthen the following responses.
 - Increase sales in the strong demand environments (Americas and Japan)
 - Raw material shortages and higher prices: Revise the procurement routes (purchase from multiple companies) and consider alternative materials
 - Soaring transportation expenses: Increase efficiency by utilizing a transportation management system (Improve the logistics routes and loading efficiency)
 - Adjust product prices to appropriate levels through communication with customers



1. Key initiatives (1) Optical fiber & cable business

■ Expand sales of high value added products

- Progressively receiving orders and making deliveries of rollable ribbon cable to multiple customers mainly for data centers and the project market in North America. Sales in H1 increased 1.4 times year on year and are expected to grow by more than 1.5 times for the full year.
- Specialty fiber (telecommunications and non-telecommunications applications) revenue is also expected to increase by more than 20% and contribute to higher profits.

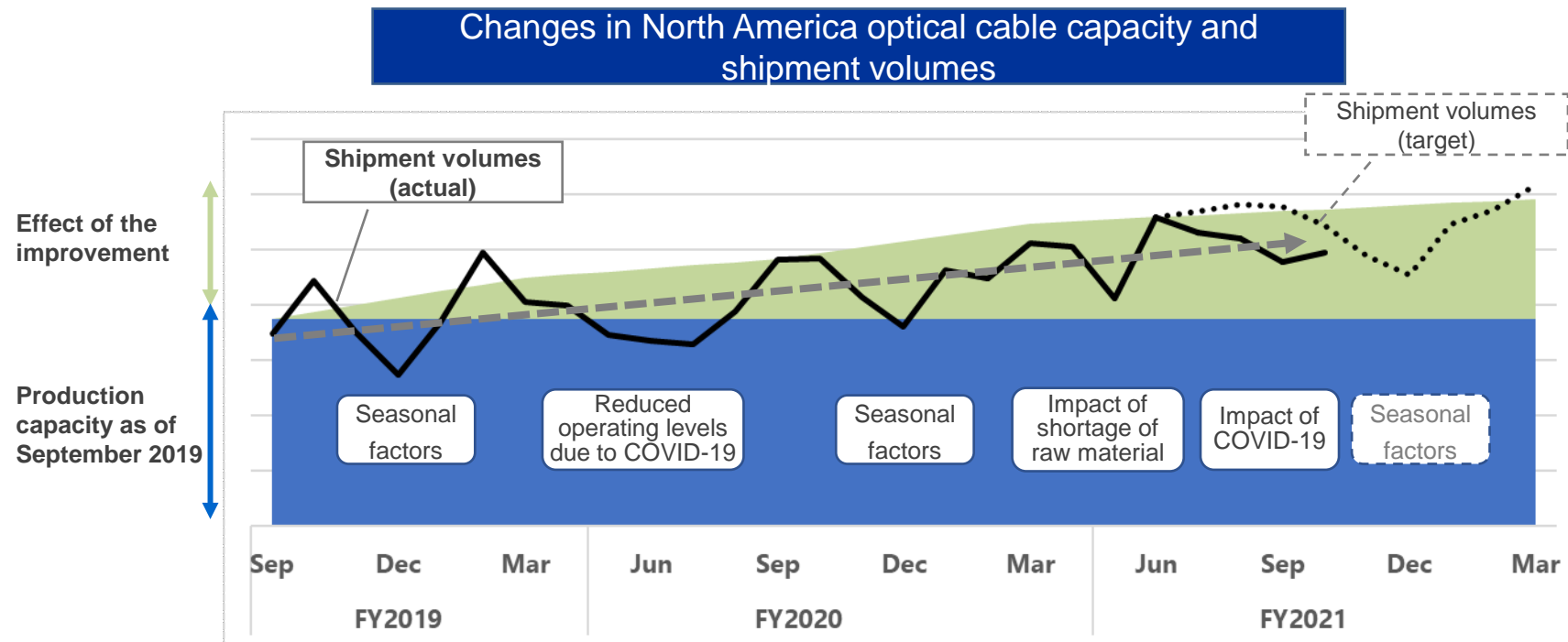


1. Key initiatives (1) Optical fiber & cable business

■ Increase productivity and improve cost competitiveness

- In the North America optical cable business, although production and shipments are improving, it was not possible to achieve the target volumes due to the continued temporary drop in work attendance caused by COVID-19 in Q2. Gradual progress is being made in increasing skill levels plant-wide through enhanced employee training and continued & stronger technical support from Japan.

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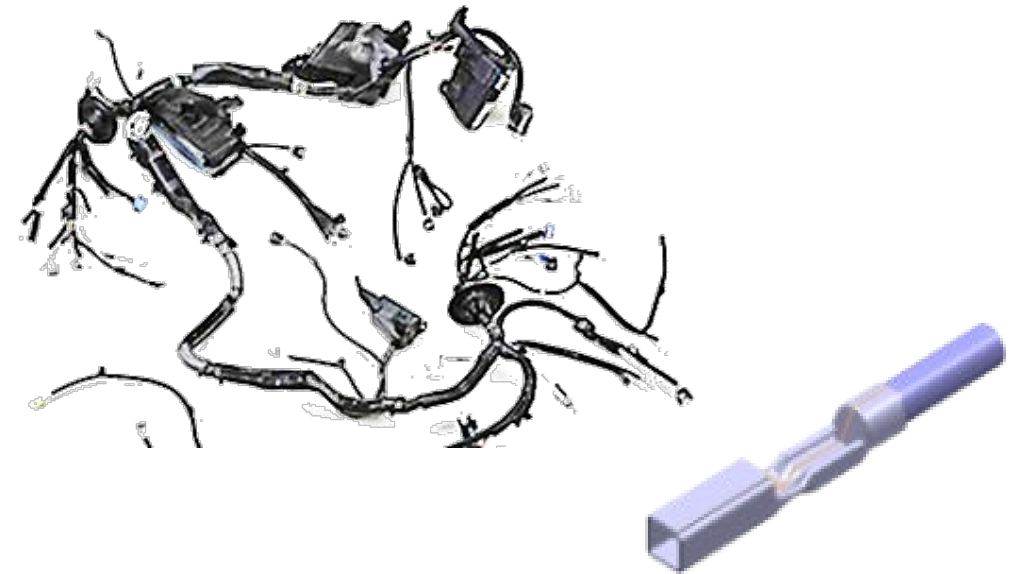
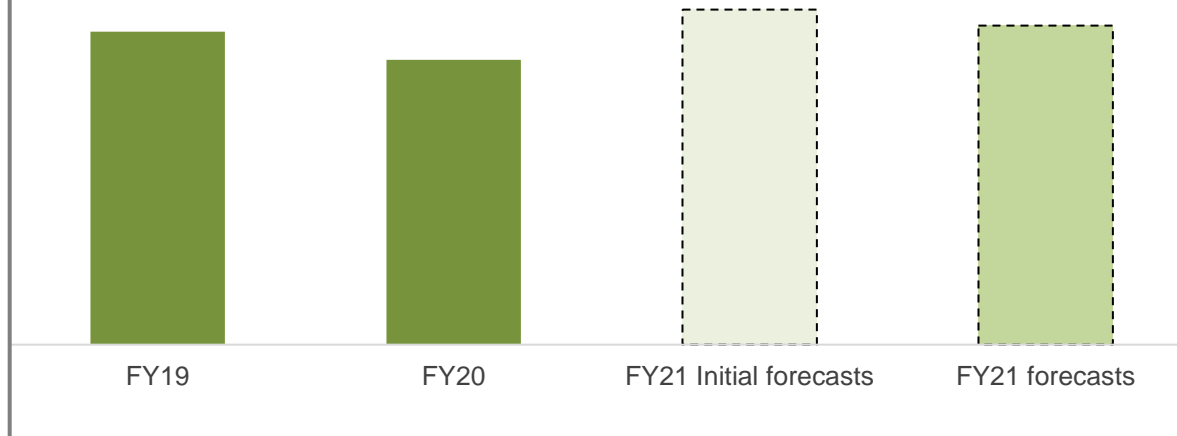


1. Key initiatives (2) Automotive Products business

- During H1, external factors such as soaring transportation expenses, logistics delays, lower customer production volumes due to a shortage of semiconductors and resin, and COVID-19 lockdowns at several of the company's locations in Southeast Asia had a major impact on net sales and profits, mainly in the wire harness business.

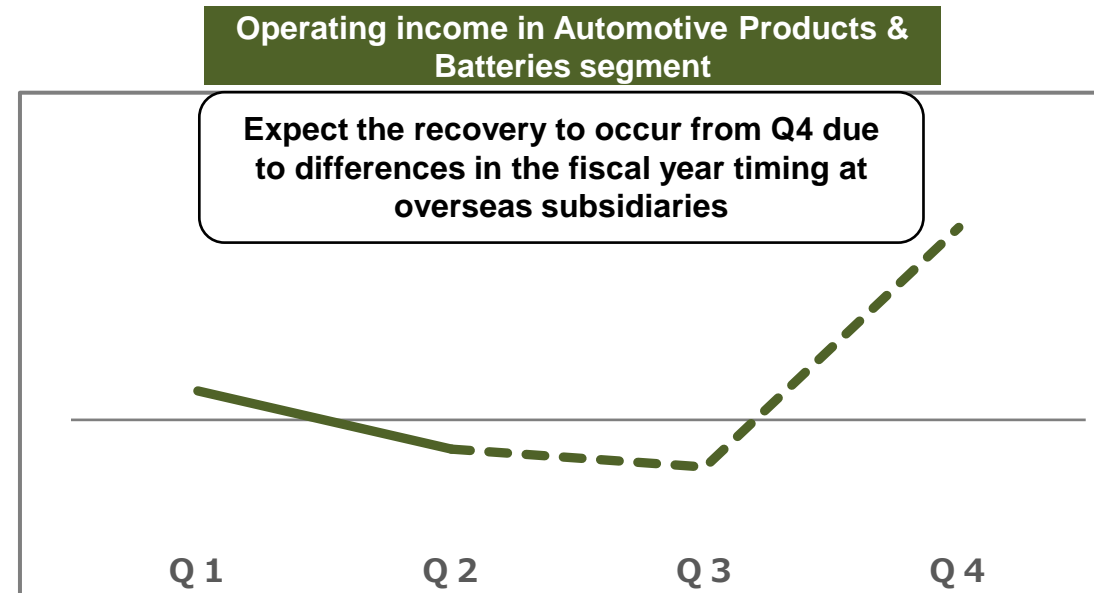
Wire harness net sales

Although sales are expected to recover from the impact of COVID-19 last year, it will likely be difficult to achieve the initial forecast



1. Key initiatives (2) Automotive Products business

- Although it is still unclear when the semiconductor procurement issues will be resolved, the impact of the lockdowns has recently eased and ended. Through the following initiatives, the business is expected to recover from Q4
 - Add additional layers to the supply chain
(streamline the wire harness manufacturing locations and logistics)
 - Increase the accuracy of customer demand forecasts and enhance the ability to handle fluctuations
(Gather and consolidate customer information, make preparations for demand recovery by holding strategic inventory)
 - Reduce the impact of soaring transportation expenses and raw material costs
(Adjust prices to appropriate levels through communication with customers)
- Directed at maintaining high quality, continue to promote automation of the wire harness manufacturing process
- Steadily expand the use of aluminum wire harnesses in new vehicle models



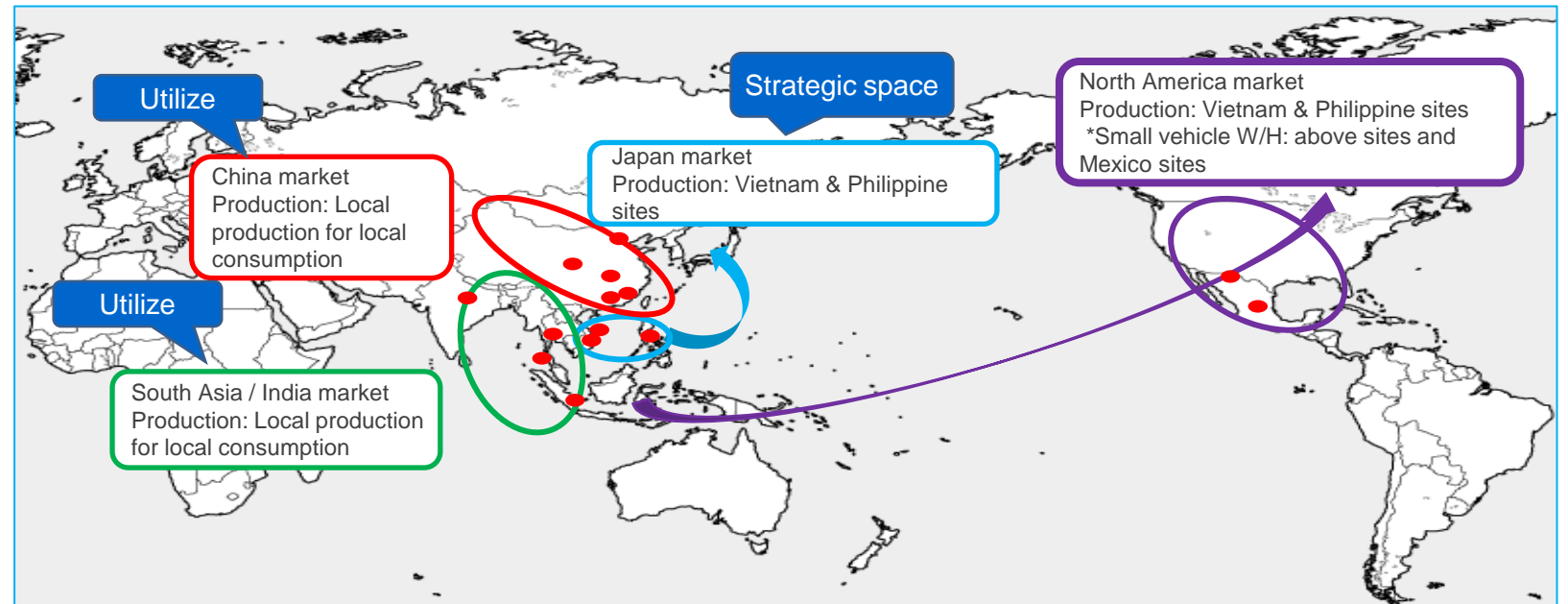
1. Key initiatives (2) Automotive Products business

■ Add additional layers to the supply chain : Wire harness manufacturing locations

- Following the COVID-19 lockdowns last year, “strategic space” has been secured mainly at major locations in the Philippines and Vietnam in order to enable alternative production in different regions.

During the lockdown in Vietnam during Q2, locations in the Philippines, Thailand and China were utilized to manufacture some of the products.

- Regarding facilities, reduce the lead time by procuring from multiple suppliers



1. Key initiatives (2) Automotive Products business

■ Steadily securing adoption in new models and new orders.

In particular, by accelerating the shift to aluminum wire harnesses, contribute to reducing vehicle weight and environmental burden.

<New models>

April 2021 “Equipped in the new Land Cruiser 300 Series”

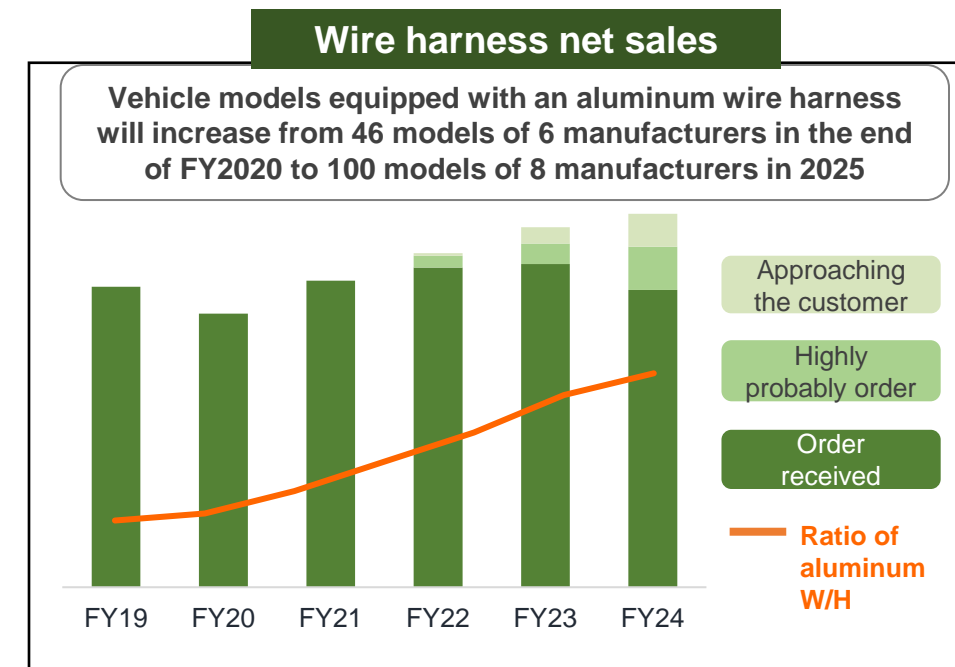
- TOYOTA AUTO BODY - Aluminum wire harnesses for the body and floor
- TOYOTA BOSHOKU - Aluminum wire harnesses for seats

In addition, it is planned to secure adoption in multiple vehicle models of 3 manufacturers in H2

<New orders>

- Currently approaching customers for models that will be launched from 2025

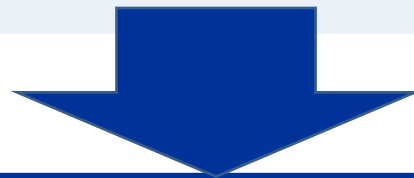
Have already secured orders equal to about 70% of the 2025 sales plan



1. Key initiatives (3) Expand sales and reduce the cost of manufacturing in the other businesses

■ Examples of the main initiatives

- **Energy Infrastructure (Power Cable / Industrial Cable & Power Cable Accessories)**
 - Focus sales activities on responding to profitable orders
 - Increase productivity and reduce lead time by enhancing the power cable plant (including long-length cable production)
 - Expand sales of high value added functional cable
- **Electronics Component Materials (Copper & High Performance Material Products)**
 - Improve the product mix by expanding sales of strategic products
 - Increase the manufacturing capability (productivity)



Cover the impact of the business environment changes through independent efforts such as expanding sales and reducing the cost of manufacturing, and revise the full-year profit forecast up for both segments

1. Key initiatives (4) Companywide activities - Stable procurement of raw materials

- The risk of halted operations at partners' plants due to natural disasters, accidents and environmental regulations (regulations on greenhouse gas emissions) has been realized. In addition, the risk of halted supply due to a shift to higher value added products following portfolio revisions by partners is becoming more apparent.

⇒ Shift procurement to multiple suppliers, and continue the stable supply of products to customers

<Measures to mitigate procurement risks (examples)>

- ① Cold waves in North America: For wire coating material A procured from the United States, expand procurement to suppliers in Japan and other countries
- ② Power supply restriction in China: For chemical B being procured from suppliers in China and Japan, increase the ratio procured in Japan
- ③ Portfolio changes by partners: For resin C being procured in Japan, expand procurement to other suppliers in Japan and other countries
- ④ Changes to the environmental policies in China : For additive D being procured from China and the United States, increase the ratio procured from the United States
- ⑤ Logistics disruptions: For additive E being procured from Europe, start also procuring from China

1. Key initiatives (4) Companywide activities - Stable procurement of raw materials

① Cold waves in North America

Start procuring wire coating material A from Japan and Southeast Asia in addition to the United States

② Power supply restriction in China

For chemical B, increase the ratio procured in Japan in order to supplement the reduced supply from China

③ Portfolio changes by partners

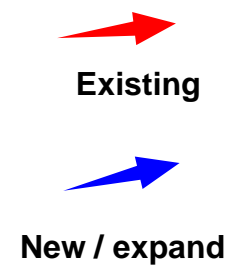
In preparation for product portfolio changes by Japanese manufacturers resulting from the inflow of foreign products and aging facilities, expand overseas procurement of resin C

④ Changes to the environmental policies in China

In preparation for sudden environmental regulations, start procuring additive D from the United States in addition to China

⑤ Logistics disruptions

In response to the logistics disruptions caused by COVID-19, start procuring additive E from China in addition to Europe



1. Key initiatives (4) Companywide activities - Response to logistics

- Logistics disruptions due to long vessel waiting time at ports and a shortage of containers caused by the impact of COVID-19

⇒ Strengthen the initiatives aimed at realizing stable logistics

- Make the logistics structure visible, and respond to the growing risks in global logistics
- Increase the resilience of the group's logistics through cooperation with the SBS Group

Promote a response to the risks in international logistics

Make the logistics structure visible

- Identify the high risk logistics routes

Process for responding to risk

- Formulate risk scenarios

Increase the resilience of international logistics

Create synergies with SBS

- Share the SBS logistics network and logistics systems

Increase the resilience of the group's logistics

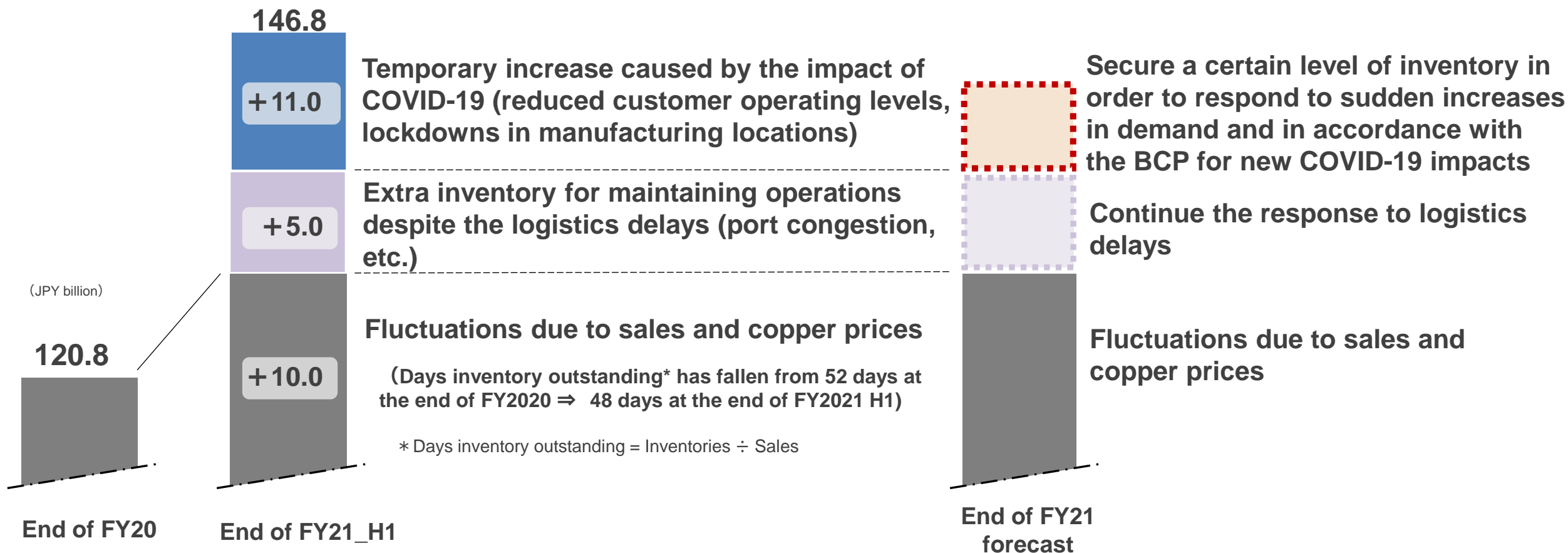
- Create a process framework for responding to risk



Concluded an agreement with SBS Holdings Inc. in April 2021 for the partial transfer of shares of the company's wholly-owned subsidiary Furukawa Logistics Corp. The share transfer is scheduled to be completed by the end of this year, and going forward, cooperation and integration with the comprehensive logistics provider SBS Group will be advanced.

1. Key initiatives (4) Companywide activities - Optimize inventory levels

- In addition to the fluctuations due to sales / copper prices and the temporary increase caused by the impact of COVID-19, implement responses for the logistics delays
- Eliminate the temporary increase caused by the impact of COVID-19 by the end of the current fiscal year, and secure a certain level of inventory in order to respond to sudden increases in demand and in accordance with the BCP for new COVID-19 impacts.



2. ESG initiatives (1) Environment

Environment

Carbon neutral



Furukawa Electric Group Environmental Vision 2050 (March 2021)

Greenhouse gas (GHG) emissions from business activities (Scope 1, 2): Challenge target of zero emissions in 2050
 ※Currently revising the 2030 environmental targets

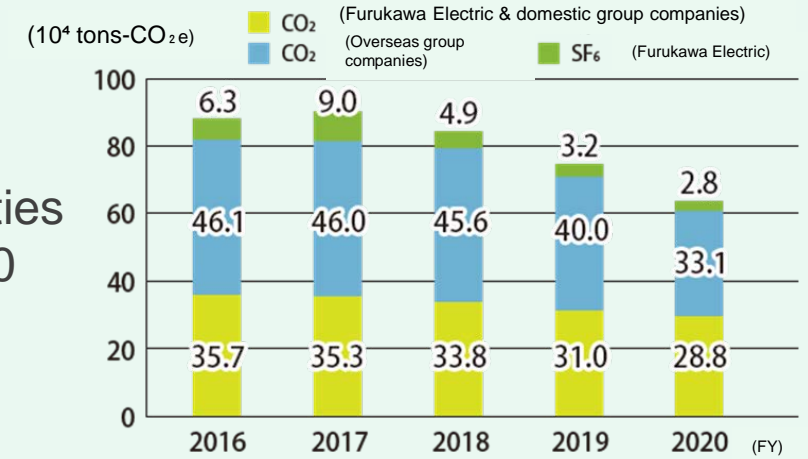
Basic outlook regarding carbon neutral

- 1 Eliminate or reduce direct CO2 emissions
- 2 Eliminate or reduce CO2 emissions by customers and society
- 3 Capture or transform the CO2 that is emitted

<Examples of major initiatives this year>

- Renewable energy: Completed the long-term loading cycle test for a 525kV direct current cable system (April)
- Expand the electric vehicle market, reduce vehicle weight and improve fuel efficiency: Formed a business alliance with Nichia Corporation in the area of basic technology for supporting advancements in the electrification of mobility (laser machining) (April)
- Started using green energy at the Hiratsuka Works (June)

<Change in GHG emissions>



Power cable



Industrial laser

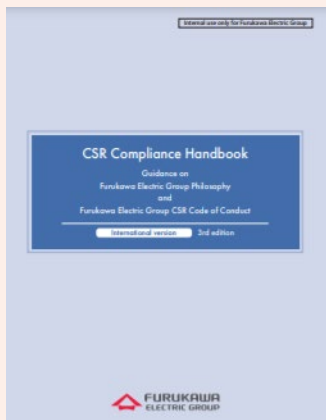


Hiratsuka Works

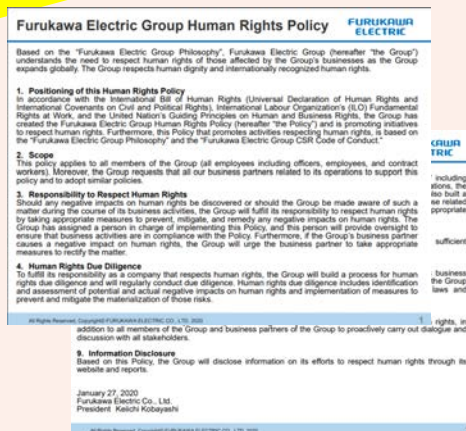
2. ESG initiatives (2) Social

Social

Response to human rights



Revised the CSR Code of Conduct (2019)
 Revised the CSR Compliance Handbook (2019)



Formulated a human rights policy (January 2020)



The Ten Principles of the UN Global Compact

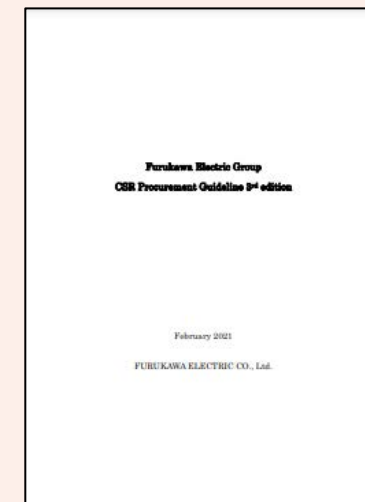
Human Rights
 Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence;
 Principle 2: make sure that they are not complicit in human rights abuses.

Labour
 Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 Principle 4: the elimination of all forms of forced and compulsory labour;
 Principle 5: the effective abolition of child labour; and
 Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment
 Principle 7: Businesses should support a precautionary approach to environmental challenges;
 Principle 8: undertake initiatives to promote greater environmental responsibility; and
 Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption
 Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Signed the UN Global Compact's Ten Principles (February 2020)



Revised the CSR Procurement Guideline (March 2021)

Start initiatives for human rights due diligence (September 2021)

Based on the Furukawa Electric Group CSR Procurement Guideline, started conducting SAQ (Self Assessment Questionnaire) surveys at group companies in Japan and overseas (79 companies) and at major suppliers (about 50 companies). It is planned to successively expand the scope of these surveys.

2. ESG initiatives (3) Governance

Governance

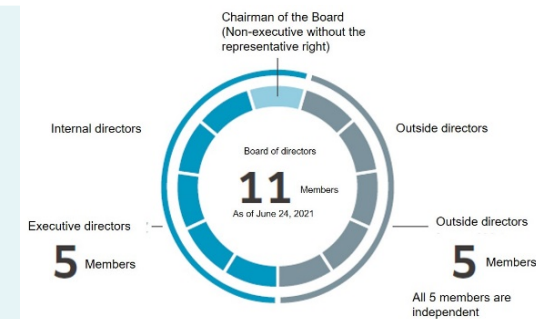
- Reduced the number of inside directors by 1 (June 2021)
The number of executive directors and outside directors are the same

- Disclosed the skills matrix of the Directors and Audit & Supervisory Board Members (June 2021)

- Set forth a Basic Policy on Sustainability and established a Sustainability Committee (August 2021)

Furukawa Electric Group Basic Policy on Sustainability

Sets forth the basic concept for responding to rapid changes in the business environment and realizing sustainable growth of the group



partial excerpt

	Name	Independency	Company management	Financial, accounting	Legal affairs, compliance	Environment / energy	Technology / IT	Sales / marketing	World-wide experience / knowledge
1	Mitsuyoshi Shibata		○				○		
2	Keiichi Kobayashi		○				○	○	
3	Osamu Tsukamoto	★				○	○		
4	Takashi Tsukamoto	★	○	○					○
5	Yoshiro Miyokawa	★	○		○				
6	Yukiko Yabu	★					○	○	
7	Tamotsu Saito	★	○				○		

Board of Directors

↑ Make proposals / reports

Sustainability Committee

Chair : President
 Vice chair : General Manager, Business Basis Transformation Division
 Members : Executive Officers
 Organizer : General Manager, Corporate Sustainability Office

Issued the Integrate Report

October 2021



By positioning ESG at the center of management, we will transform into a corporate group that not only fulfills the expectations of our stakeholders but is also viewed as trustworthy.
 President & CEO
 Keiichi Kobayashi

Enhance the contents to further deepen the understanding of ESG management at the Furukawa Electric Group

3. Full-year financial forecast and dividend

- The full-year financial forecast has been revised as follows. Concerning the dividend for FY2021, there is no change to the initial forecast, and it is still planned to issue a dividend of JPY 60 per share.

(JPY billion)

	FY19	FY20	*FY21 Previous forecasts	FY21 Forecasts	YoY change	Change from previous forecasts
	a	b	c	d	d-b	d-c
Net Sales	914.4	811.6	880.0	880.0	+68.4	—
Operating income	23.6	8.4	26.0	20.0	+11.6	▲ 6.0
Ordinary income	22.8	5.2	24.0	22.0	+16.8	▲ 2.0
Net income attributable to owners of the parent	17.6	10.0	12.0	10.0	▲ 0.0	▲ 2.0
Average copper price	682	770	1,000	1,046	(Q3-Q4 assumption: 1,000)	
Average exchange rate	109	106	105	107	(Q3-Q4 assumption: 105)	

*Announced on May 12, 2021

Thank you very much
for your attention.

Bound to  ***Innovate***