

Furukawa Electric Group FY2022 Financial Results and Progress of the 2022-2025 Medium-term Management Plan (2025 Mid-term Plan)

Road to Vision 2030 *-Transform and Challenge-*

May 11, 2023

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FURUKAWA ELECTRIC CO., LTD.

Today's agenda

<FY2022 Financial Results and Progress of the 2025 Mid-term Plan>

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

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

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

	FY2022 (1 st year of the 2025 Mid-term Plan)	Directed at FY2025
Business environment	<ul style="list-style-type: none"> ● Deterioration of the global economy and automotive/ semiconductor markets ● Increased COVID-19 infections, lockdown in China 	<ul style="list-style-type: none"> ● Global economy and the automotive/ semiconductor markets will turn around after FY2023 H2 ● Mobility restrictions related to COVID-19 will end ● CN transition, 5G expansion, acceleration of CASE progress
Status of the businesses	<ul style="list-style-type: none"> ● Inability to respond to changes in the business environment ● Issues in relation to the monozukuri capability 	<ul style="list-style-type: none"> ● Strengthen the preparations for responding to risks through scenario planning ● Enhance the monozukuri capabilities though accelerated introduction of DX
Automotive Products & Batteries	<p>Increased logistics expenses and higher raw material & fuel prices (Made progress incorporating into the sales price) Lower productivity due to volatility in the orders</p>	<p>Continue to incorporate the costs in the sales price and increase productivity through automation Steadily secure more orders</p>
Functional Products	Maintained technological superiority and high earnings capability	<p>Strengthen the technological superiority by being the first to respond to technological issues Return to a growth trajectory in line with the demand recovery</p>
Communications Solutions	Improved productivity and increased sales of high value added products in North America	<p>Continue the growth centered on stable production and a shift to higher value added Accelerate the global expansion of high value added business models</p>
Energy Infrastructure	Established profitability through securing orders that incorporate the costs in the price	Steadily strengthen the business foundation directed toward medium to long-term growth
Financial results	Lower than the initial forecast due to downward revisions in Automotive Products & Batteries and Functional Products (operating income)	Maintain the financial targets in the 2025 Mid-term Plan

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

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

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

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

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

II. FY22 Financial Results and FY23 Forecast

FY22 Financial Results Highlights

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

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

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

*Announced on February 7, 2023

FY23 Forecast Highlights

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



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

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

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

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

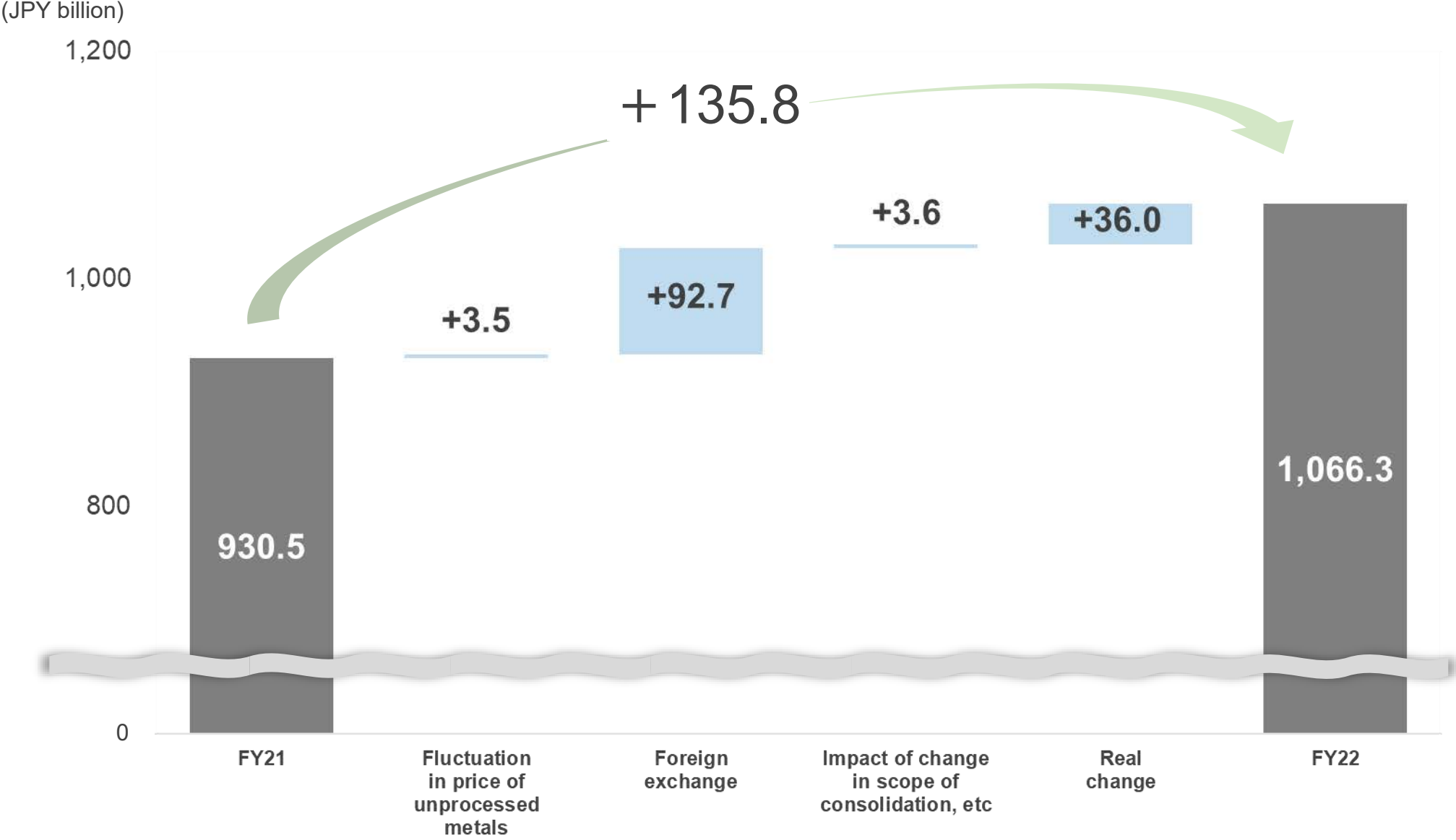
FY22 Results – P/L Summary

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

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

*Announced on February 7, 2023

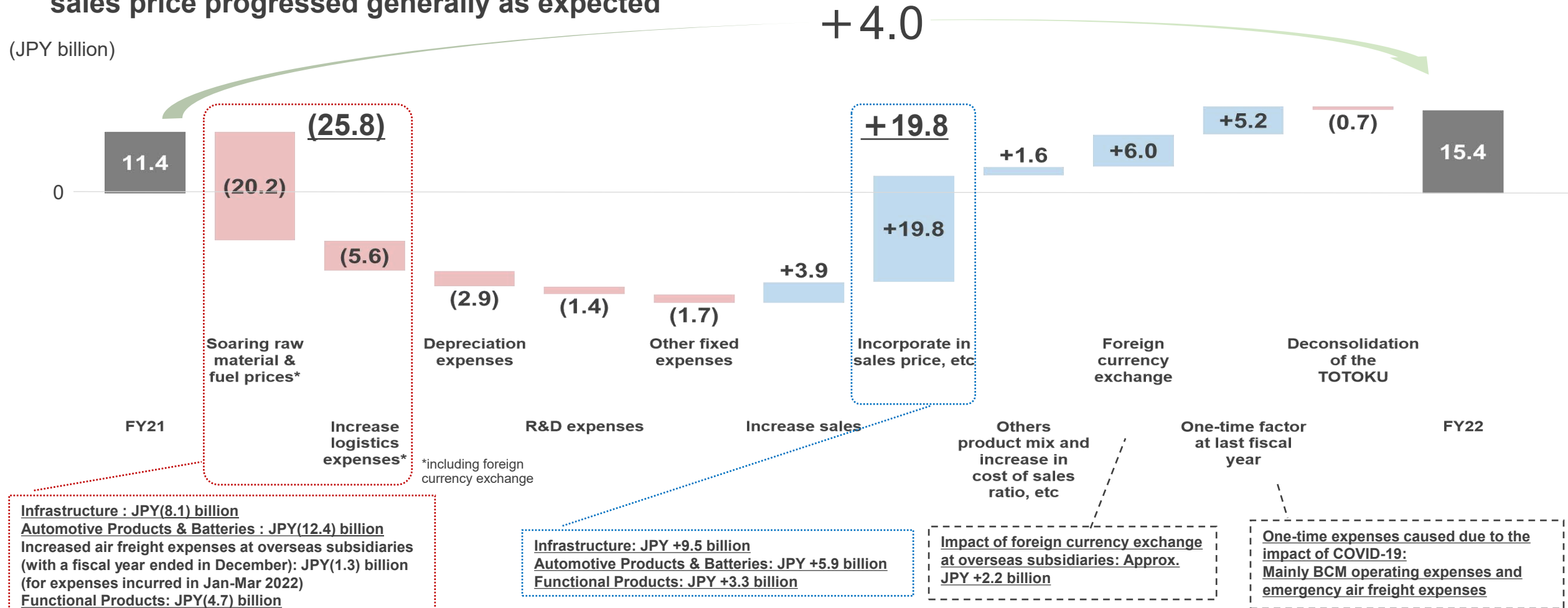
FY22 Results – Analysis of Change in Net Sales



FY22 Results

Breakdown of the Changes in Operating Income (YoY)

- Profit increased as a result of progress in incorporating the costs in the sales price, increased sales, impact of foreign currency exchange and elimination of the one-time factors that occurred last fiscal year, despite soaring raw material & fuel prices and increased logistics expenses
- In the Automotive Products business, invoicing the incurred expenses and incorporating the higher costs in the sales price progressed generally as expected



FY22 Results

Net sales & Operating Income by Segment

- Infrastructure YoY change : Increased income on higher revenue
- Change from previous forecast (operating income) : Generally as forecast

(JPY billion)

	Net Sales						Operating income						(+ increase profits / (-) decrease profit
	FY20 Results	FY21 Results	*FY22 Previous forecasts	FY22 Results	YoY change	Change from previous forecasts	FY20 Results	FY21 Results	*FY22 Previous forecasts	FY22 Results	YoY change	Change from previous forecasts	
	a	b	c	d	d-b	d-c	e	f	g	h	h-f	h-g	
Infrastructure	259.2	297.0	335.0	323.9	+27.0	(11.1)	(2.1)	5.2	8.0	8.6	+3.4	+0.6	
Communications Solutions	158.3	191.3	220.0	217.6	+26.4	(2.4)	(0.2)	3.8	6.5	6.5	+2.7	+0.0	<p>YoY</p> <ul style="list-style-type: none"> • Increased profit on higher revenue (+) Increased optical cable and networking systems revenue in the Americas (higher salesratio of high value-added products) (+) Incorporated the soaring raw material and fuel prices in the sales price (+) Increased optical cable productivity in North America (+) Impact of foreign currency exchange (yen depreciation) (-) Raw material and fuel prices continue to soar (-) Lower revenue from networking related products in Japan due to difficulty procuring semiconductors and soaring prices (-) Lower optical cable sales to Europe due to the situation involving Russia and Ukraine <p>Compared to previous forecasts</p> <ul style="list-style-type: none"> • Generally as forecast
Energy infrastructure	100.9	105.7	115.0	106.3	+0.6	(8.7)	(1.9)	1.4	1.5	2.1	+0.7	+0.6	<p>YoY</p> <ul style="list-style-type: none"> • Increased profit on higher revenue (+) Underground power cable projects in Japan and transmission components were steady (-) Lower operating levels at the subsidiary in China and customer project delays due to the COVID-19 lockdowns in China (-) Increased depreciation expenses <p>Compared to previous forecasts</p> <ul style="list-style-type: none"> • Overachieved (+) Into the end of the fiscal year, realized the benefits from incorporating the higher costs in the sales price

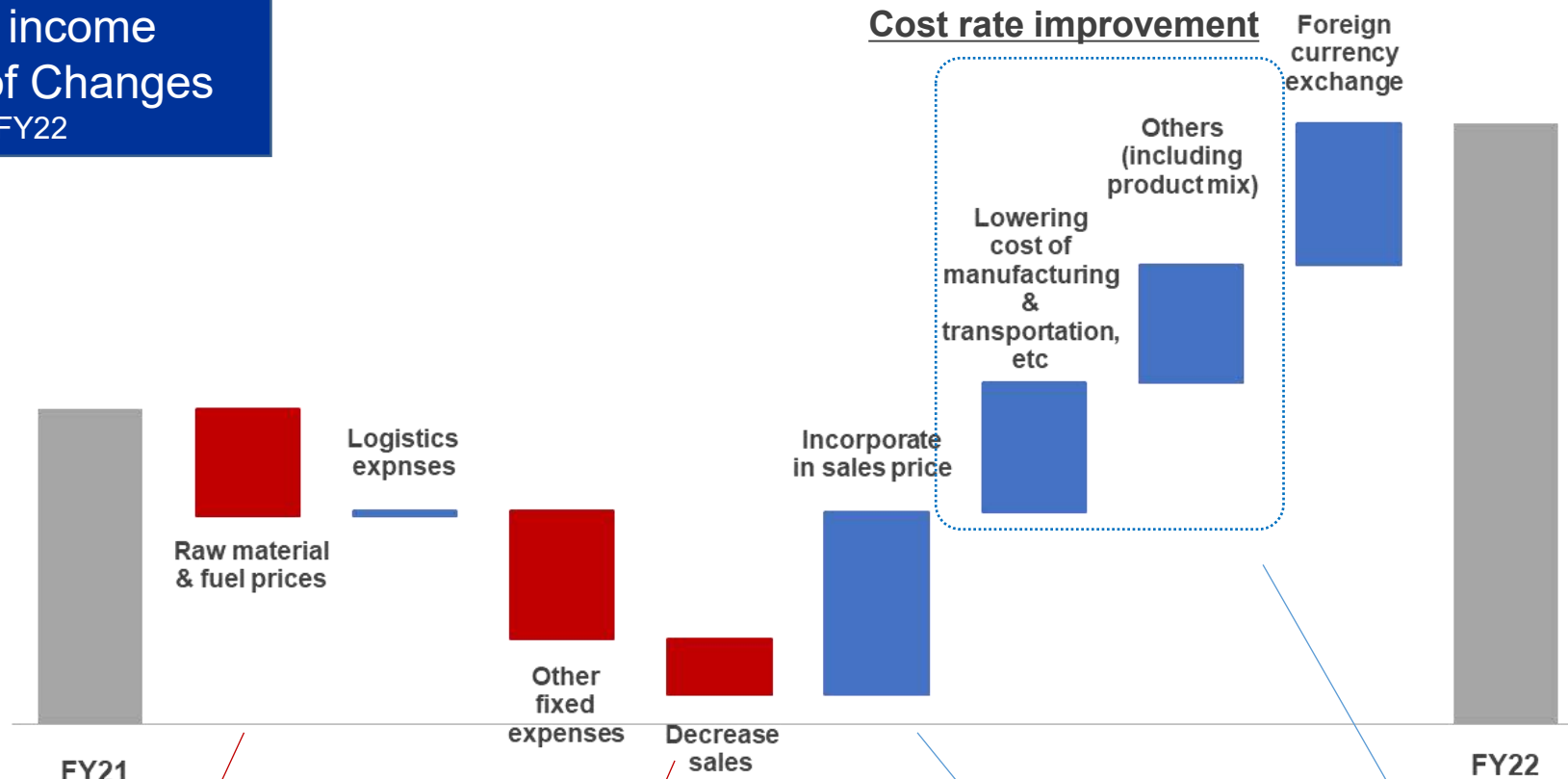
*Announced on February 7, 2023

*Announced on February 7, 2023

Infrastructure (Communications Solutions): Optical fiber and cable business

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

**Operating income
Breakdown of Changes
FY21⇒FY22**



**FY22
Summary**

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

FY22 Results

Net sales & Operating Income by Segment

- **Electronics & Automotive Systems** **YoY change** : **Increased income on higher revenue**
- Change from previous forecast (operating income)** : **Underachieved**

(JPY billion)

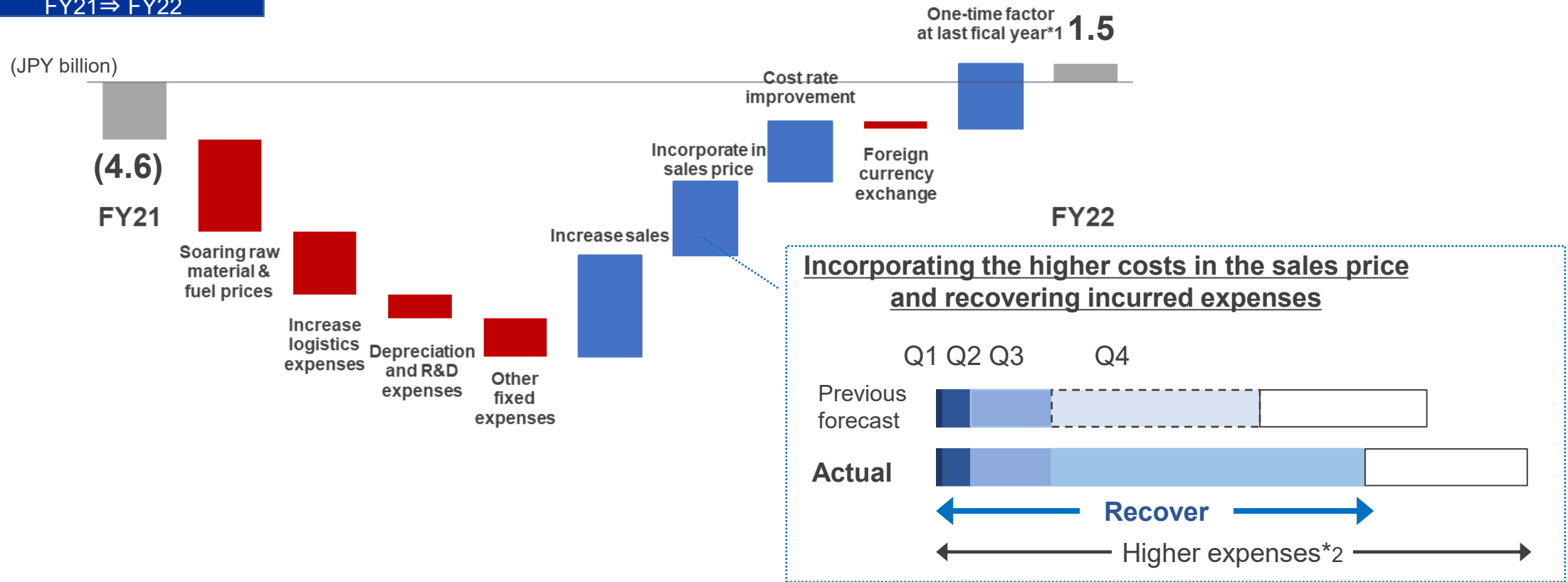
	Net Sales						Operating income						
	FY20 Results	FY21 Results	*FY22 Previous forecasts	FY22 Results	YoY change	Change from previous forecasts	FY20 Results	FY21 Results	*FY22 Previous forecasts	FY22 Results	YoY change	Change from previous forecasts	
	a	b	c	d	d-b	d-c	e	f	g	h	h-f	h-g	
Electronics & Automotive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

*Announced on February 7, 2023

*Announced on February 7, 2023

- Profit increased as a result of the increased sales, incorporate in the sales price and cost rate improvement in addition to elimination of one-time factors in the previous fiscal year, against soaring raw material & fuel price and increased logistics expenses

Operating income
Breakdown of Changes
FY21⇒FY22



*1 Increase in BCM operation costs, emergency transportation costs, etc. due to lockdown of some bases in Southeast Asia
 *2 Soaring raw materials, fuel and logistics prices, and increased logistics costs due to changes in customers' production plans

FY22 Results

Net sales & Operating Income by Segment

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

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

(JPY billion)

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

*Announced on February 7, 2023

*Announced on February 7, 2023

FY22 Results – B/S Summary

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

Inventories : Increased by JPY 8.2 billion
(including the impact of foreign currency exchange and copper prices: JPY +5.5 billion)

Strategic inventory: JPY +15.5 billion
(Secure inventory in preparation for changes in the business environment, including the semiconductor shortage and increased maritime transportation lead times)
Improvement of external factors including the lockdown: JPY (14.9) billion

Property, plant and equipment & Intangible assets :
Increased by JPY +8.8 billion

Impact of CAPEX and depreciation: JPY +4.7 billion
Sale of equity interest in TOTOKU and other sales and disposal: JPY (10.9) billion
Application of the new US GAAP lease accounting standard: JPY +6.8 billion
Impact of foreign currency exchange: JPY +8.9 billion

Total assets : Decreased by JPY 1.0 billion

Impact of foreign currency exchange: JPY +30.0 billion
Impact of new consolidation: JPY +4.7 billion
Application of the new US GAAP lease accounting standard: JPY +6.8 billion
Impact of the sale of shares of TOTOKU : JPY (26.0) billion
(Current assets: JPY (15.7) billion, Non-current assets: JPY (10.3) billion)

Other comprehensive income

Increased by JPY 9.8 billion
Foreign currency translation adjustments:
JPY +13.7 billion (impact of yen depreciation)

Net interest bearing debt

Decreased by JPY 0.6 billion
(JPY 277.0 billion → JPY 276.4 billion)

Free cash flow

FY2021	FY2022
JPY (53.3) billion Higher copper prices Increased inventories	JPY + 14.8 billion Sale of investment securities, etc

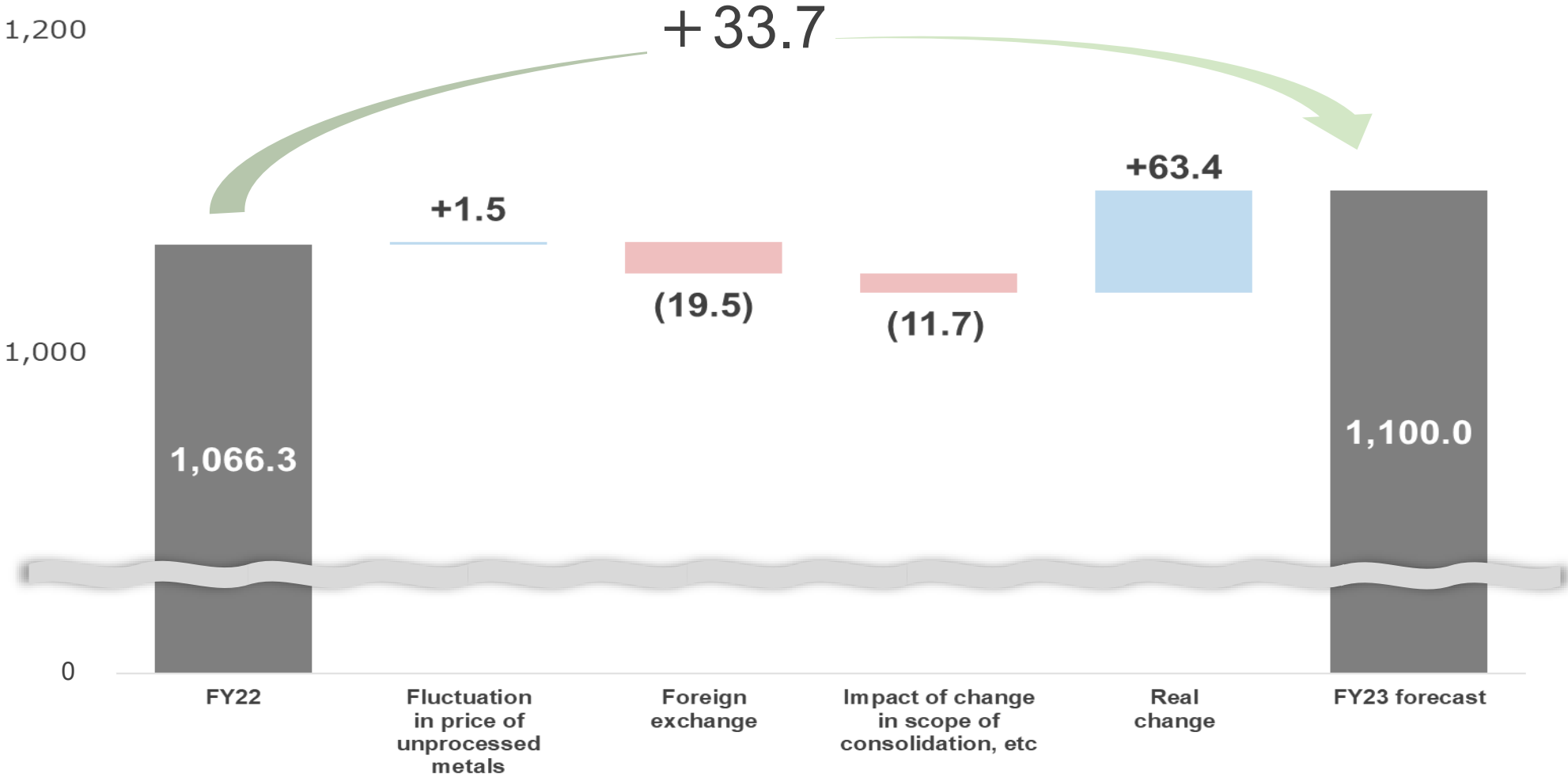
FY23 Forecasts - P/L Summary

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

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

FY23 Forecasts - Analysis of Change in Net Sales

(JPY billion)

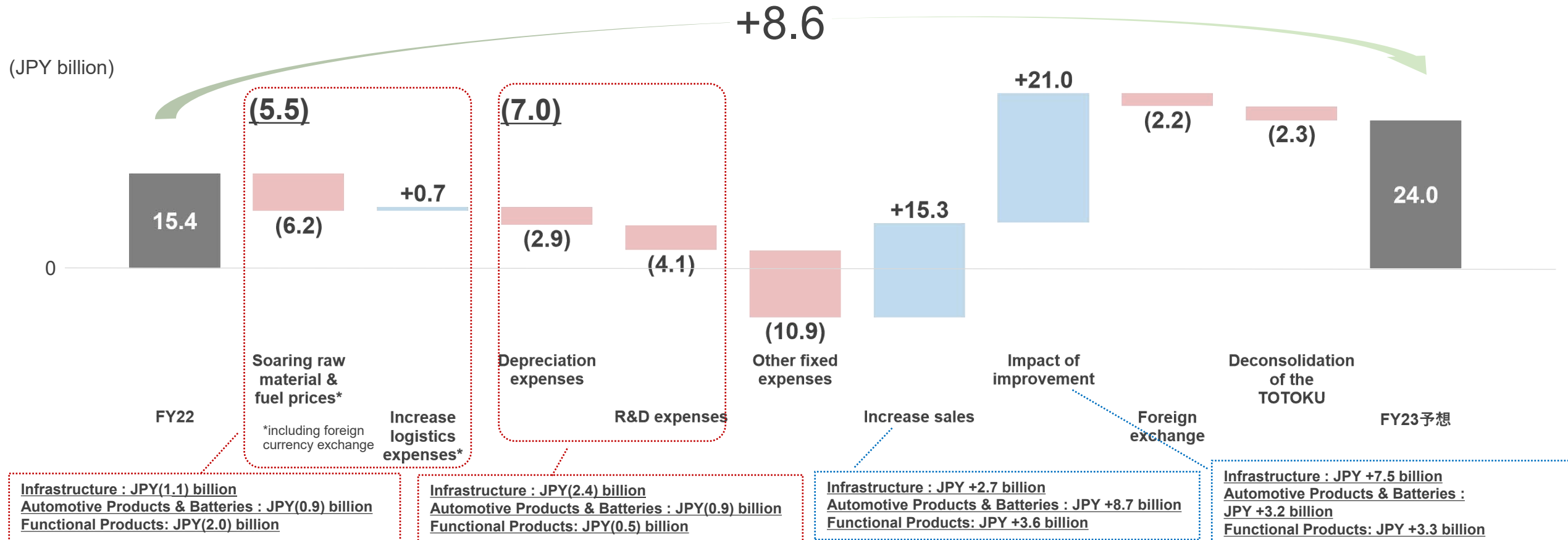


FY23 Forecasts

Breakdown of the Changes in Operating Income (YoY)

- Rising raw material & fuel costs
- Increase in depreciation and R&D expenses
- Increase in fixed costs due to higher inflation

- Increase sales
- Impact of improvement measures
 - Price optimization
 - Improvement of product mix
 - Productivity improvement



FY23 Forecasts

Net sales & Operating Income by Segment

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

(JPY billion)

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

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

1-(1) Infrastructure (Communications Solutions)

FY23_Full year forecasts

Increased profit on higher revenue

(JPY billion)

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

【Premises of the business environment】

Demand recovery in North America will begin in H2 of the year

【Factors affecting profits】

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

【Key points】

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

1-(2) Infrastructure (Energy Infrastructure)

FY23_Full year forecasts

Unchanged from FY22 (operating income)

(JPY billion)

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

【Premises of the business environment】

Elimination of customer construction delays in China from H2

【Factors affecting profits】

- (+) Increased revenue from continued strength in the Japan extra high voltage power cable project market and from submarine power cable projects in Japan and overseas
- (+) Increased sales of transmission components and functional power cable such as aluminum CV cable
- (-) Increase in depreciation expense due to investment in cable manufacturing capacity expansion

【Key points】

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

FY23_Full year forecasts

Increased profit on higher revenue

(JPY billion)

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

【Premises of the business environment】

Stabilization of customer production plan due to elimination of semiconductor shortage from H2

【Factors affecting profits】

- (+) Revenue increased due to the convergence of COVID19 and the elimination of semiconductor shortages
- (+) Productivity improvement and reduction of distribution costs and cost ratio
- (-) Rising raw material & fuel costs

【Key points】

- Leveling of production by anticipating customers' production plan information
- Holding strategic inventory against changes in customer production and shipping lead times
- Price optimization

FY23_Full year forecasts

Unchanged from FY22

(JPY billion)

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

【Premises of the business environment】

Recovery in in-vehicle and electronics product demand and completion of the inventory adjustments will occur from H2

【 Factors affecting profits】

(+) Product mix and productivity improvement

(-) Rising raw material & fuel costs

【Key points】

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

FY23_Full year forecasts

Increased profit on higher revenue

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

(JPY billion)

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

【Premises of the business environment】

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

【Factors affecting profits】

(+) Revenue increased due to demand recovery and elimination of inventory adjustments

(-) Rising raw material & fuel costs

【Key points】

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

■ Continue the activities directed at increasing business profits and realizing future growth

【CAPEX】

Make appropriate investments in line with market trends
Limit expenditures by revising the design specifications

	FY20 Results	FY21 Results	*FY22 Previous Forecasts	FY22 Results	YoY change	Change from previous Forecasts	FY23 Forecasts	YoY change
	a	b	c	d	d-b	d-c	e	e-d
CAPEX	40.0	38.1	43.0	43.8	+5.7	+0.8	46.0	+2.2
Depreciation and amortization	32.2	33.7	39.0	39.1	+5.4	+0.1	40.0	+0.9

*Announced on February 7, 2023

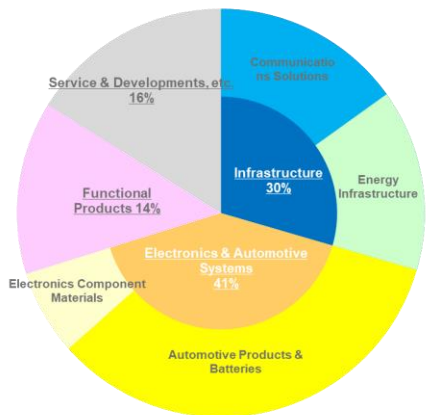
【R&D expenses】

Continue to invest in R&D aimed at future growth
Strengthen the new business domains centered on next-generation photonics

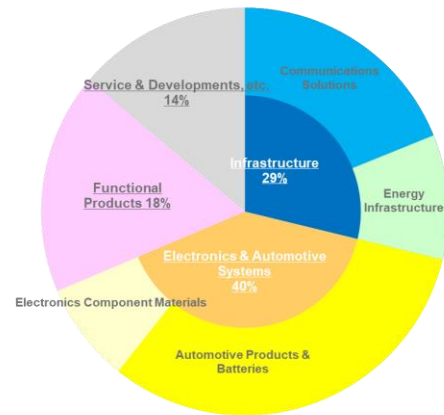
	FY20 Results	FY21 Results	*FY22 Previous Forecasts	FY22 Results	YoY change	Change from previous Forecasts	FY23 Forecasts	YoY change
	a	b	c	d	d-b	d-c	e	e-d
R&D expenses	20.2	20.8	25.0	23.3	+2.5	(1.7)	27.0	+3.7

*Announced on February 7, 2023

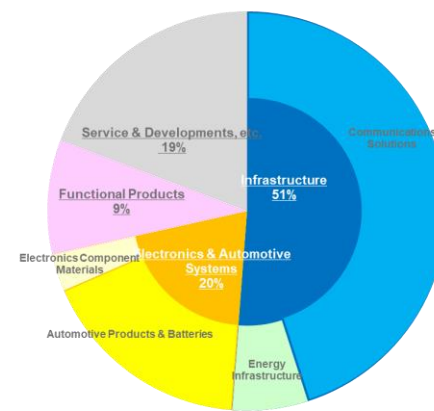
FY22 results : JPY 43.7 billion



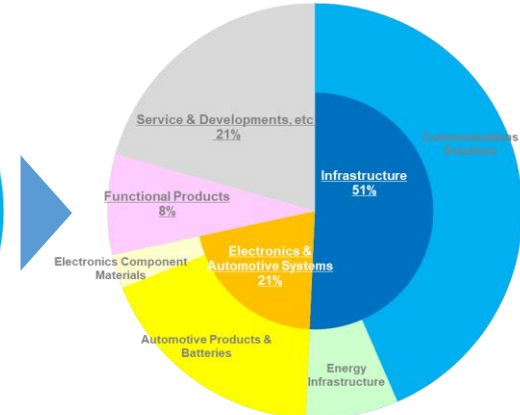
FY23 forecasts : JPY 46.0 billion



FY22 results : JPY 23.3 billion



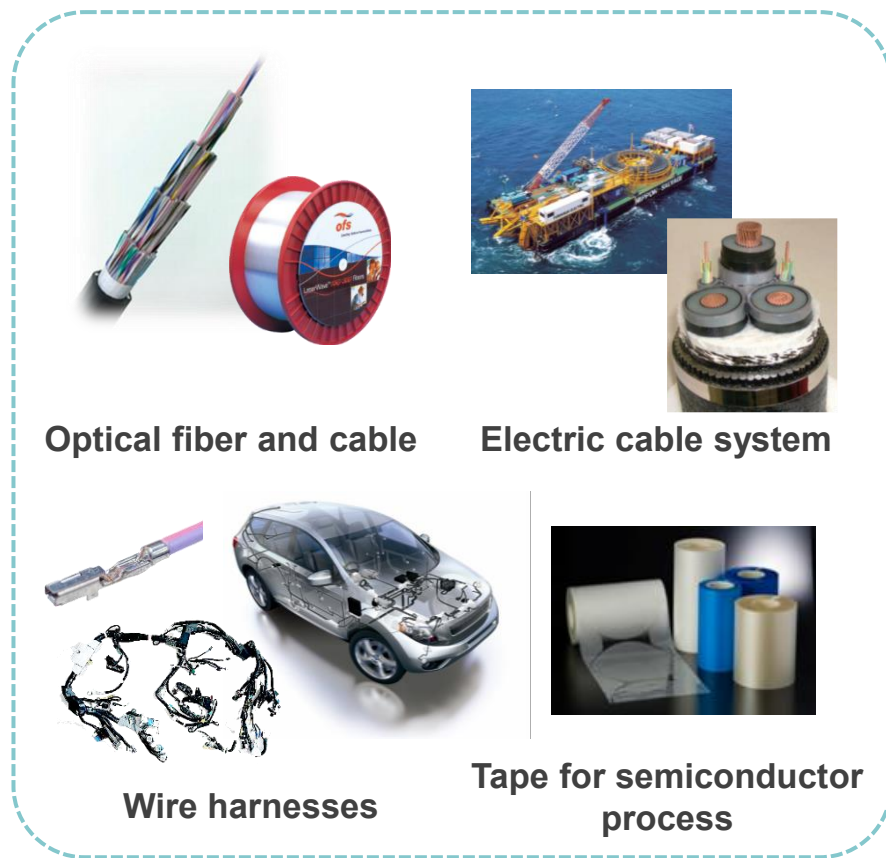
FY23 forecasts : JPY 27.0 billion



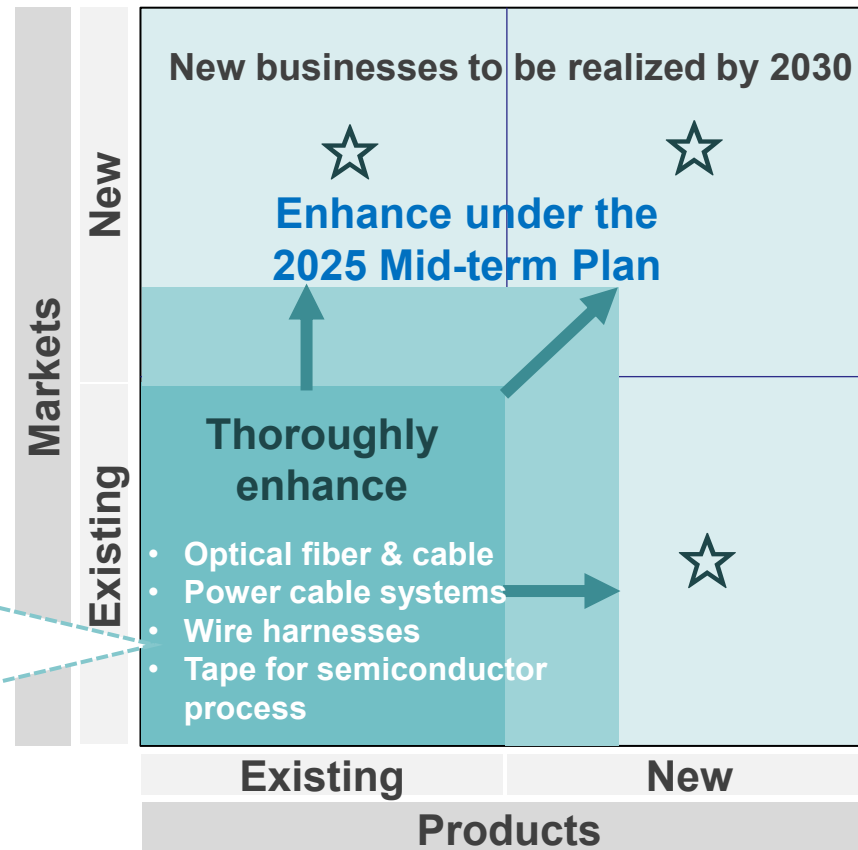
III. Progress of the 2025 Mid-term Plan

1. Overview of the first year of the 2025 Mid-term Plan

Although the financial results for the first year are underwhelming compared to when the medium-term management plan was announced, steady progress has been made in maximizing the profits in existing businesses and building a foundation for creating new businesses towards FY25



☆ Prepare to address in order to further shine



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

Maximize profits in existing businesses through a focus on capital efficiency



Realize a B5G society

【Optical fiber and cable】

FY22
(1st year of the 2025 Mid-term Plan)

Business environment

- Demand in the main markets in the Americas remained strong

Status of the businesses

- Productivity is gradually improving at the North America site
- Started full-scale cooperation within the group in the networking systems business (NWS) (Integration of the promotion function, product portfolio and brands)

Financial results

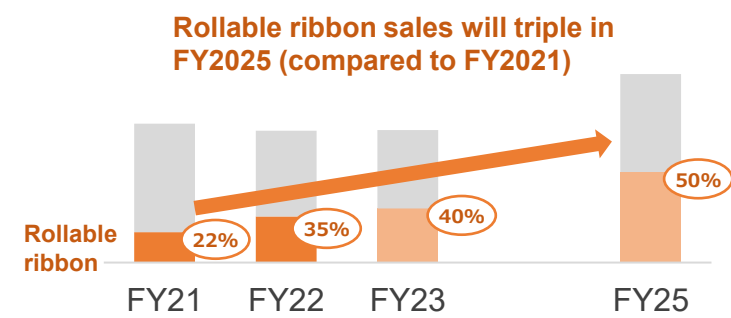
- Increased optical cable & NWS revenue in North America
- Steadily expanded earnings from high value added products

Directed at FY25

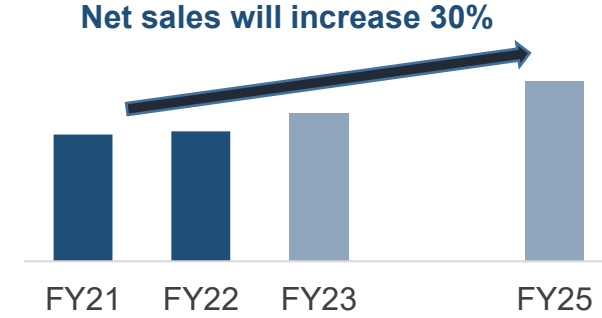
- Continue to grow steadily despite the temporary demand correction in FY23 ※CAGR5%: Furukawa Electric estimate
- Diversification of customer requests (Low cost/reduced manpower requirements, multi-core, high density and easy to install, etc.)

- Continue to improve productivity (utilize DX, etc.)
- Enhance the lineup of high value added products
- Further expand the NWS business globally (Centered on Central and South America, fully expand to the US, Europe and Asia)

North America optical cable sales (Volume)



NWS sales (Monetary value)



Maximize profits in existing businesses through a focus on capital efficiency

【Power cable systems】

FY22
(1st year of the 2025 Mid-term Plan)

Business environment

- Firm demand for trunk line renewal based on the projects for increasing grid resilience in Japan
- Delays to customer projects caused by COVID-19 in China

Status of the businesses

- Elimination of the past low-margin projects
- Expansion of the manufacturing facilities and installation capacity progressed as planned (Large turntable for submarine cable, etc.)

Financial results

- Established profitability through a focus on acquiring profitable orders

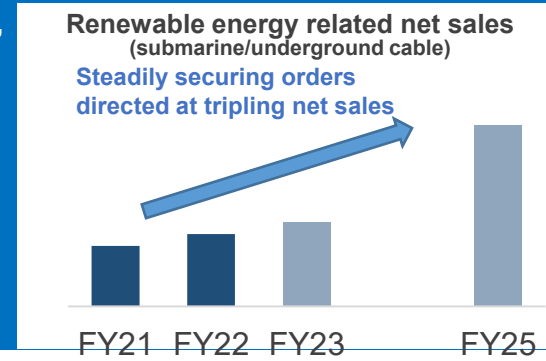


Realize a carbon free society Realize tougher infrastructure Realize a recycling-based society

Directed at FY25

- Continued demand for trunk line renewal
- Accelerating growth of the carbon neutral market in Japan (Increased offshore wind power projects, launch of DC/ wide-area interconnection projects)
- Construction delays in China will be resolved from FY23 H2
- Application of the Labor Standards Act to the construction division will begin from FY24

- Continue to acquire orders and secure profits in the target segments*
*Japan: Extra high voltage underground cable & renewable energy, Asia: Submarine cable
- Expand the manufacturing facilities and increase installation capacity ※Double in FY25 compared to FY17
(Increase the personnel on Furukawa Electric teams, expand the partnerships with partner companies, utilize DX)
- With consideration for demand growth and peak timing, considering capacity increases after 2025



Maximize profits in existing businesses through a focus on capital efficiency

【Wire harnesses】



Realize next-generation infrastructure that enjoys universal mobility

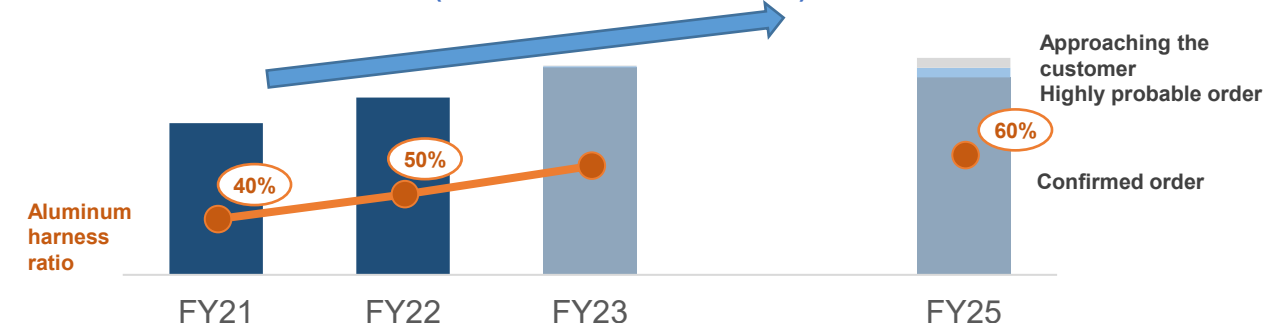
Directed at FY25

	FY22 (1st year of the 2025 Mid-term Plan)
Business environment	<ul style="list-style-type: none"> Changes to customer production plans due to the semiconductor shortage Increased COVID-19 infections, lockdown in China
Status of the businesses	<ul style="list-style-type: none"> In response to the increased logistics expenses and higher raw material and fuel prices, made progress incorporating the higher costs in the sales price and recouping the expenses Productivity fell due to volatility in the orders
Financial results	<ul style="list-style-type: none"> Significant downturn due to volatility in the orders

- Semiconductor shortage will be gradually resolved from FY23 H2
- Increased needs for lighter weight following the accelerating shift to EV
- Increasing BCM requirements for production and supply systems

- Continue to incorporate the costs in the sales price
- Improve the cost rate and decrease logistics expenses by stabilizing orders
- Increase the orders for vehicle models equipped with aluminum wire harnesses
- Promotion of multiple-site production (Sharing of production lines and automation through simple new structure design)

Wire harness net sales
70 models of 6 manufacturers at the end of FY22 will increase to 100 models of 8 manufacturers in FY24 (ahead of the FY25 forecast)



Maximize profits in existing businesses through a focus on capital efficiency

【Tape for semiconductor process】

FY22
(1st year of the 2025 Mid-term Plan)

Business environment

- Weak smartphone demand globally and sweeping inventory adjustments by customers (H2)

Status of the businesses

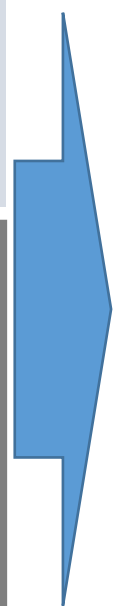
- Securing a system for stable supply by increasing production capacity (Started construction of a new building in September 2022)

Constructing a new building within the Mie Works Investment JPY 7.0 billion from FY22 through FY25



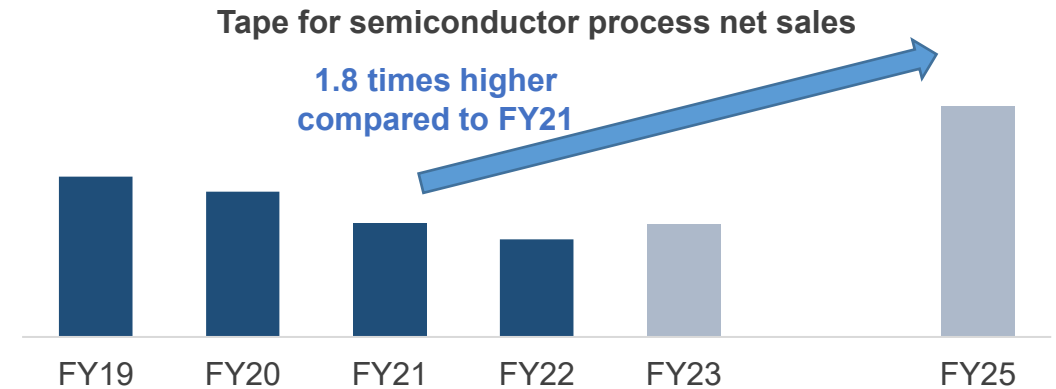
Financial results

- Decreased profit on lower revenue due to falling demand



Directed at FY25

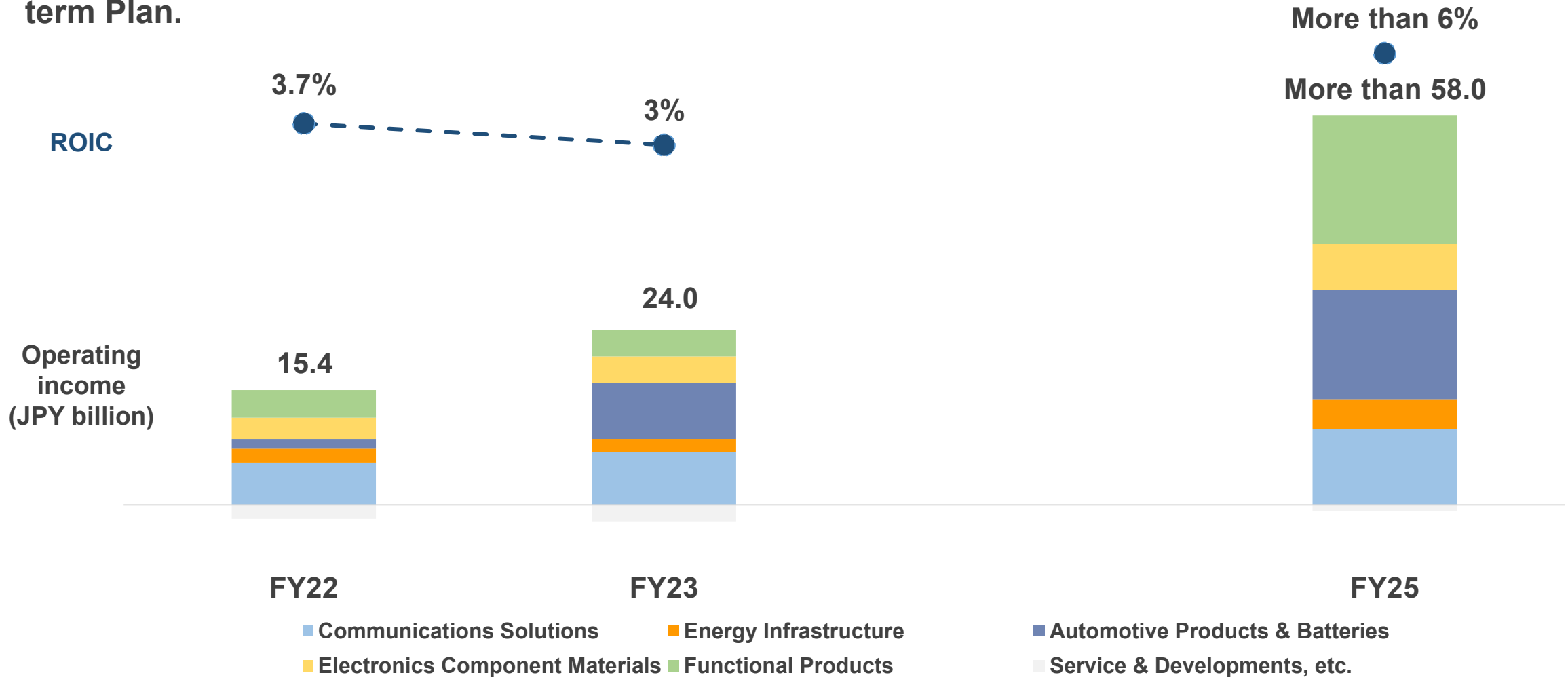
- Semiconductor demand will gradually recover from FY23 H2 and continue to grow long-term thereafter
- Further progress in the performance and technological innovation of semiconductors
- Establish a system for stable production directed at the market recovery and increased demand (start mass production from April 2025)
- Be the first to respond to technological issues, and continue to provide high performance, well-differentiated products



※FY21; The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 31, 2020) has been adopted

Maximize profits in existing businesses through a focus on capital efficiency

In FY23, earnings improvement will be accelerated mainly in the Automotive Products & Batteries and Communications Solutions businesses, and from FY24 onward in the Functional Products business. Aim for ROIC of 6% or more and operating income of JPY58.0 billion or more as stated in the 2025 Mid-term Plan.



3. Build a foundation for creating new businesses

Build a foundation for creating new businesses

【Maintenance and management of social infrastructure / Life sciences】



Realize longer healthy life expectancy



Realize tougher mobility infrastructure

FY22
(1st year of the 2025 Mid-term Plan)

Directed at FY25

Business environment

- Labor shortages as the population further declined
- Infrastructure deterioration
- Importance of increasing healthy life expectancy due to population aging, and requests to alleviate the burden on medical practitioners and patients

Status of the businesses

<Maintenance and management of social infrastructure>

- Expanded the maintenance/inspection support solution for road business*
- Developed the maintenance/inspection support solution for railway business
- Launched an infrastructure laser brand

<Life sciences>

- Established MFOPTEX and began cooperation

*Commercialized in FY21

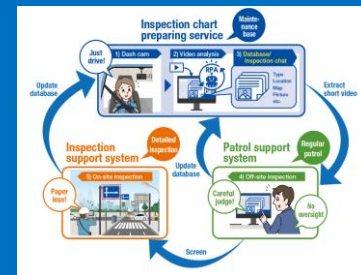


- Apply the maintenance/inspection support solution for road to various segments
- Launch and expand the maintenance/inspection support solution for railway business
- Accelerate co-creation involving the infrastructure laser
- Strengthen the cooperation with MFOPTEX

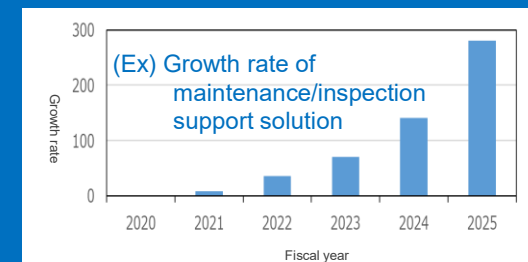
<Space business>

- Making preparations directed at launching in 2025

✳️ Considering strategic investments



maintenance/inspection support solution



Build a foundation for creating new businesses

【 Green LP gas 】



Realize carbon neutral

Town planning for mitigating disasters

Regional revitalization and stimulation of regional economies

FY22
(1st year of the 2025 Mid-term Plan)

Directed at FY25

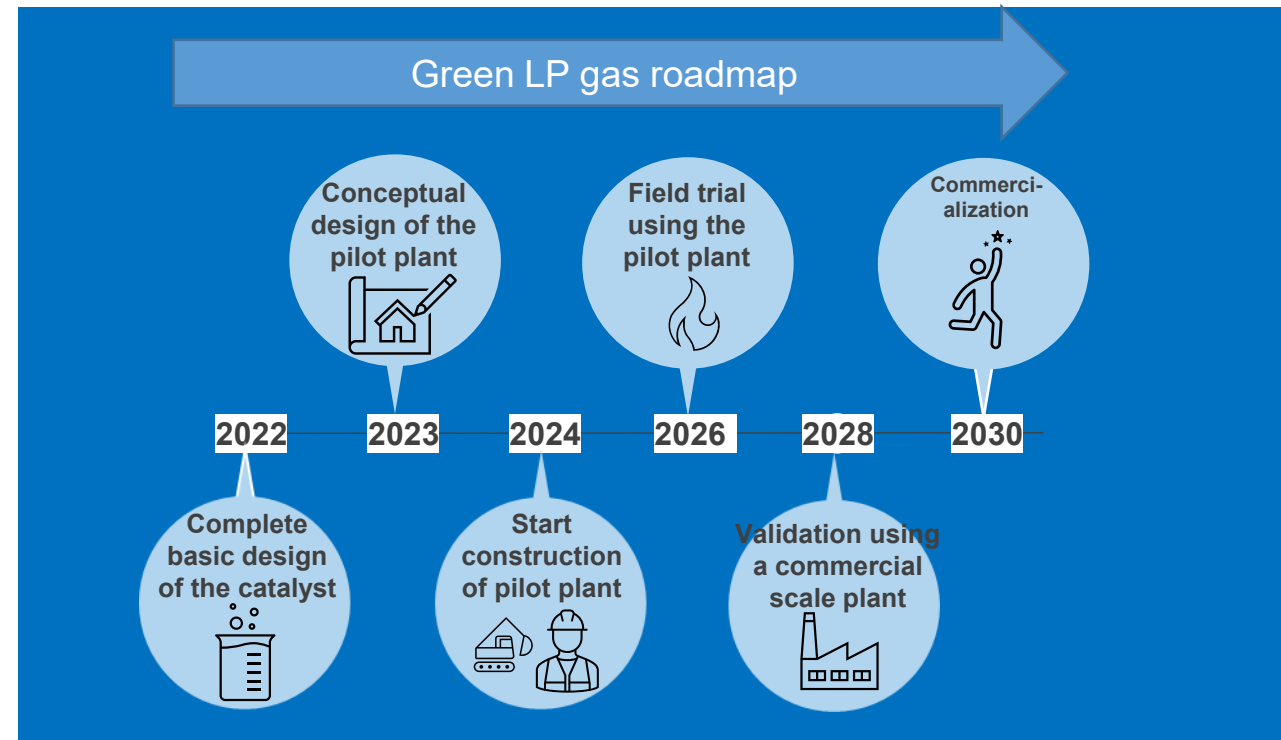
Business environment

- Realization of a carbon-neutral and recycling-based society
- Increased importance of preparation for natural disaster and energy self-sufficiency

Status of the businesses

- Selected as a NEDO Green Innovation Fund project
- Concluded a comprehensive partnership agreement with Shikaoi Town, Hokkaido (Field trial candidate location)
- Developing catalyst technology in partnership with Hokkaido University and Shizuoka University
- Established a new organization “Sustainable Energy Succession* Project Team” directed at commercialization
- Provided green LP gas for part of the fuel used for the torch at the Ichigo-Ichie Tochigi Sporting Event

*Sustainable Energy Succession:
Passing down the local resources and culture to future generations





Realize carbon neutral

【 Superconducting wire】

FY22
(1st year of the 2025 Mid-term Plan)

Directed at FY25

Business environment

- Growing international demand for stable and sustainable new energy sources (away from fossil fuels)

Status of the businesses

- Supplied wire for fusion reactors
 - SuperPower* started shipments to Tokamak Energy in the UK
 - Concluded a supply agreement with Tokamak Energy

*SuperPower: Furukawa Electric subsidiary headquartered in New York

- Plan to supply several hundred kilometers of superconducting wire over the next few years
- Install facilities for increasing production by the end of the year, and accelerate deliveries
- In order to supply wire for commercial fusion reactors in the future, starting consideration of plans for further increasing production



High temperature superconducting wire



High temperature superconducting magnet coil undergoing testing
(Image provided by Tokamak Energy)

4. Business portfolio optimization and allocation of management resources

Business portfolio optimization and allocation of management resources

Establish management control and decision-making processes

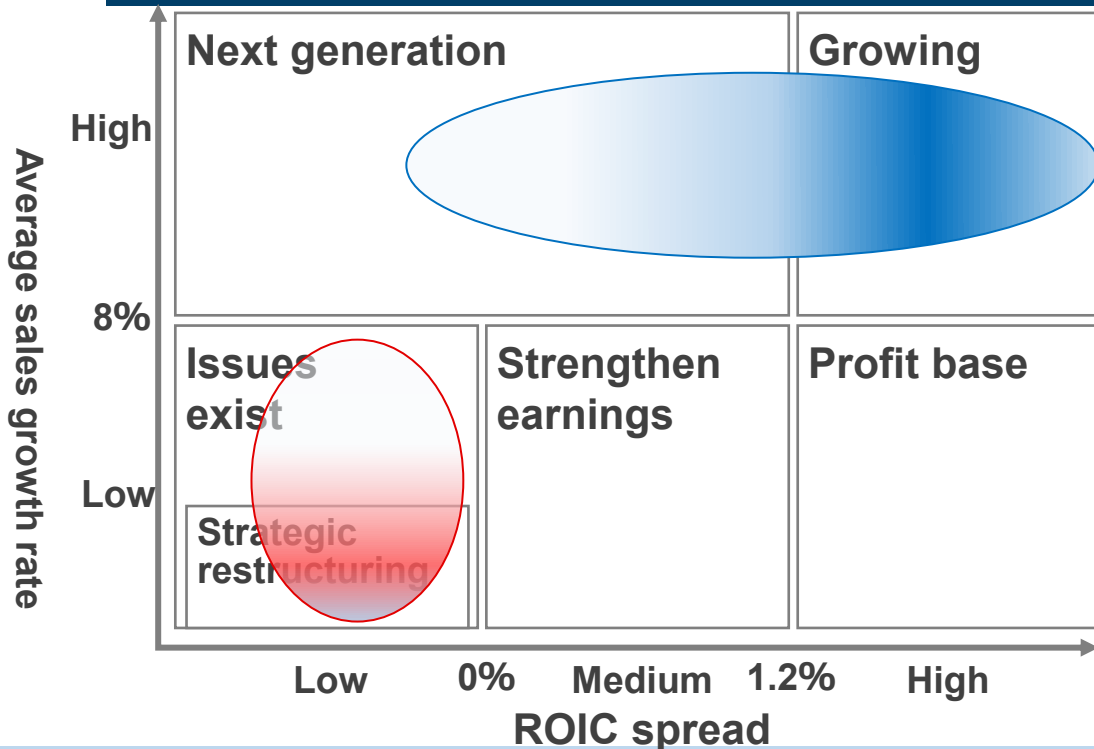
- Growth business : Identify categories and list potential strategic investments
- Strategic restructuring business : Identify strategic KPIs and follow up progress of rehabilitation plan
- All businesses : Verify and review the positioning of the business

Moving into the execution phase of the ideal business portfolio toward achieving Vision 2030

1. Make the current status and positioning visible

2. Decide the allocation of management resources (investment)

3. Reorganize the business portfolio

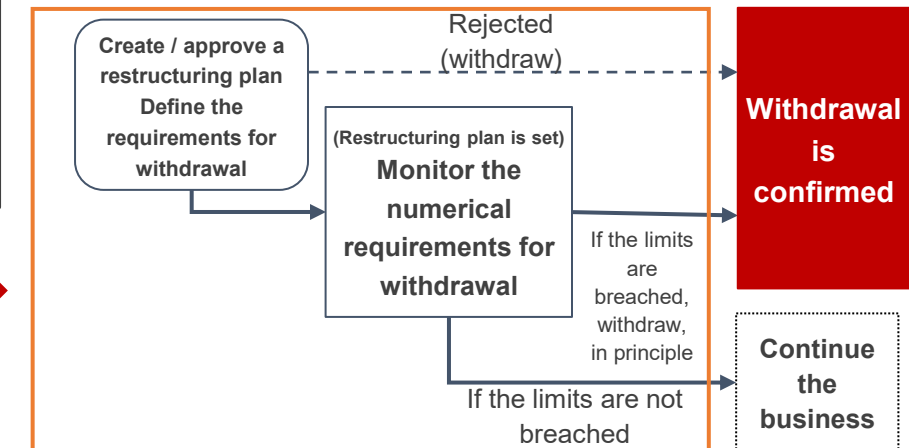


- + Potential for future growth
- + Competitive status among competitors
- + Carbon efficiency



Search for growth opportunities, including M&A

Decide the need to withdraw



Allocation of management resources based on capital and cash allocation policies

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

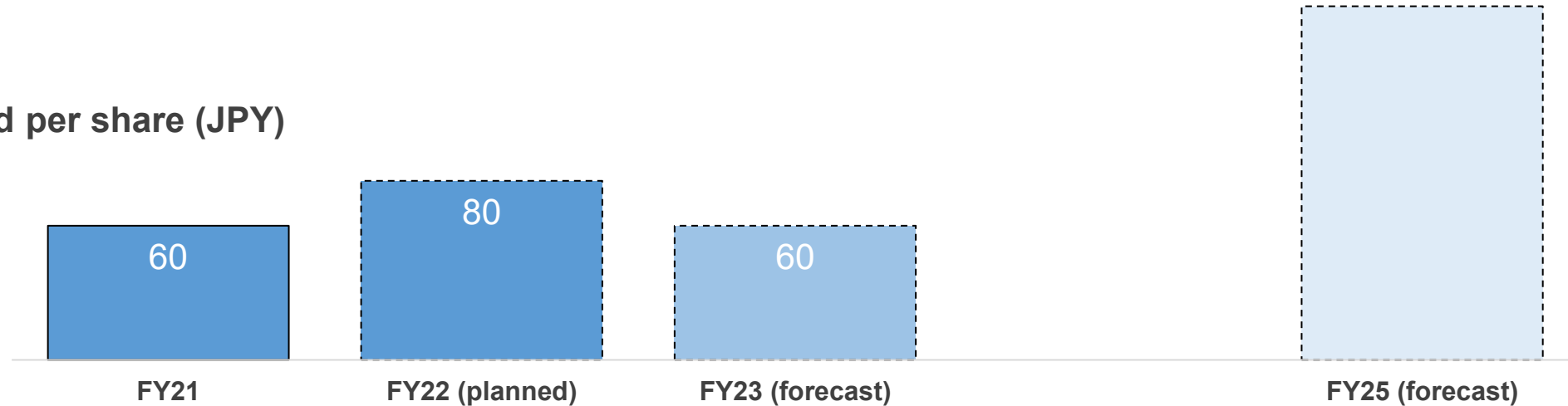
- Improved financial position in FY22 (Net D/E ratio, Equity ratio, etc.)
- Capital expenditure will be curbed by reviewing the timing of implementation and design specifications in light of market trends
Revised cumulative capital expenditures of the 2025 Mid-term Plan (22-25 years)
(At the time of formulating the 2025 Mid-term plan) JPY 190.0 billion → (Revised) JPY 180.0 billion
- The Company's basic policy is to provide stable and continuous returns to shareholders and to link dividend payments to business performance, with a target of 30% of consolidated net income attributable to shareholders of the parent company

Business portfolio optimization and allocation of management resources

Basic policy on shareholder returns and dividends for FY22 and FY23

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

Annual dividend per share (JPY)



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

FY25 (forecast)
More than JPY 37.0 billion
30%

5. Strengthen the foundation for ESG management

Strengthen the foundation for ESG management

Commencement of operation of sustainability indicators and targets

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

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

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

Strengthen the foundation for ESG management

Status of progress in FY22 (Risk factors)

E Develop business activities that consider climate change

- **GHG emissions volume (Scope 1, 2)**
 - Revised the Environmental Targets 2030
 - Upwardly revised FY25 sustainability targets
- **Ratio of renewable energy use to total consumption**
 - Upwardly revised FY25 sustainability targets

S Human capital management and organizational execution abilities

- **Employee engagement score**
 - Started the Furukawa E-Survey (survey of human capital management and organizational execution abilities)
 - New sustainability targets for FY25

G Build a governance system to strengthen risk management

- **Corporate governance**
 - Introduced ESG elements for corporate officer remuneration (implement from the FY23 climate change indicators)
 - Reduced cross-shareholdings
- **Group governance**
 - Sold a listed subsidiary
- **Supply chain management**
 - Set forth a responsible minerals sourcing policy
- **Human rights and labor practices**
 - Continued human right due diligence

Strengthen the foundation for ESG management

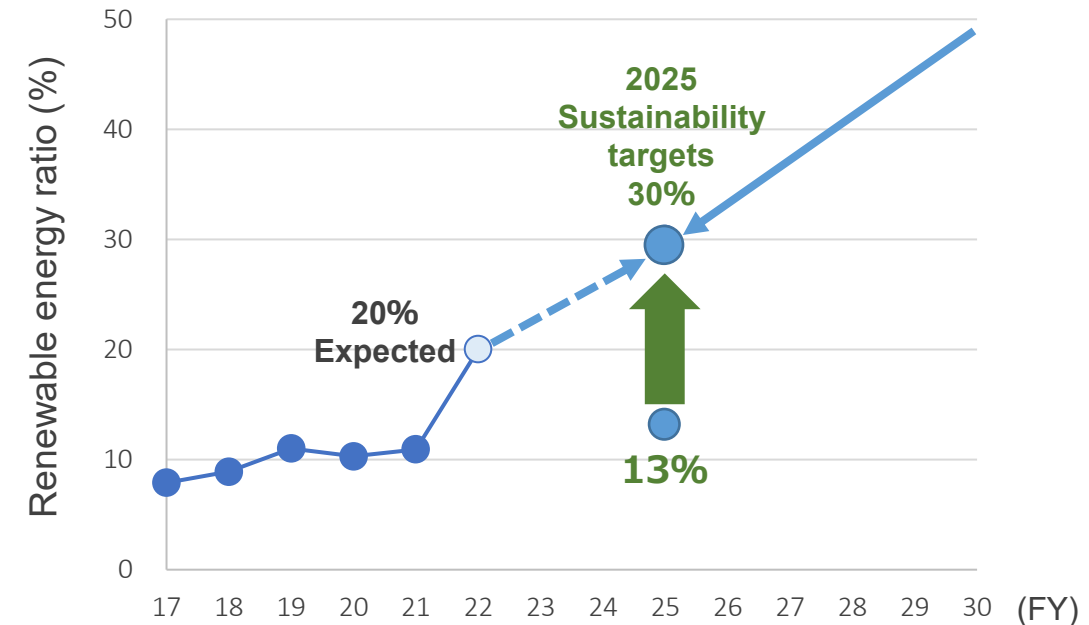
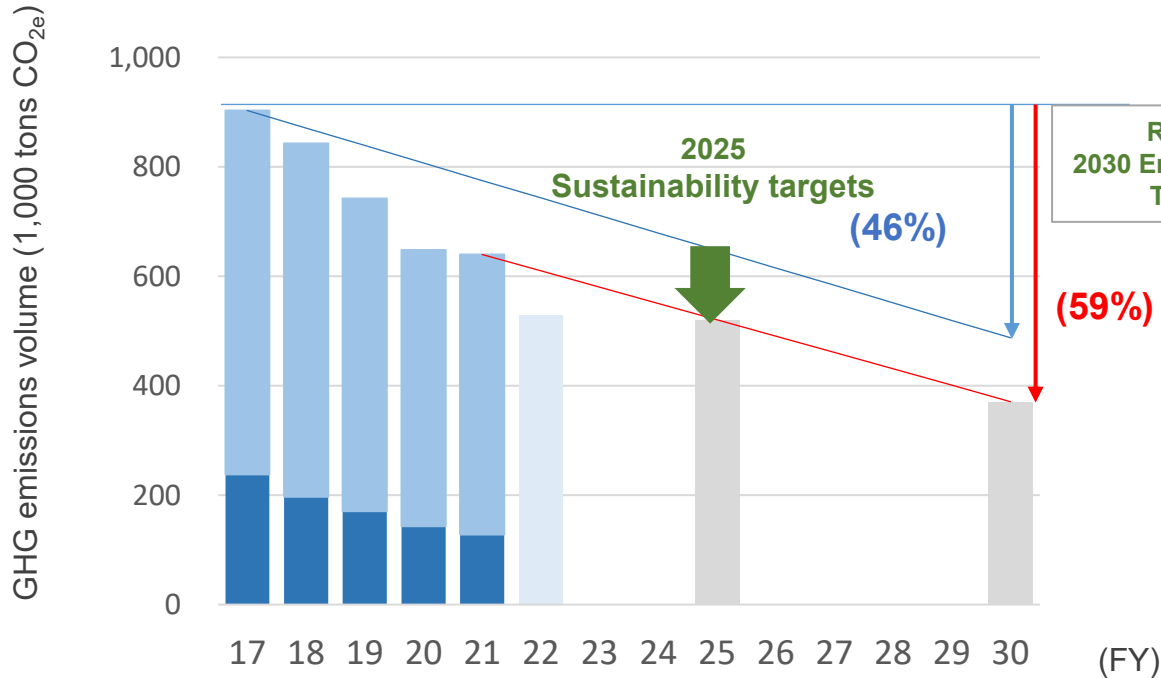
Upward revision of environment-related sustainability indicators and targets

GHG emissions reduction (Scope1,2)

- **Revised 2030 Environmental Targets**
Reduce by 42% compared to FY21
Reduce by 46% to 59% compared to FY17
- Apply for SBT1.5°C certification
- Upwardly revised FY25 sustainability targets

Ratio of renewable energy use

- In order to achieve the Environmental Targets 2030, it is necessary to shift about half of total energy consumption to renewable energy
- Upwardly revised FY25 sustainability targets
13%→30%



Sale of shares of “TOTOKU ELECTRIC CO., LTD. (TOTOKU)” (Completed in December 2022)

The decision to sell was based on the criteria of
“Whether sufficient synergies can be created with our core business”
“Whether or not we are the best owner for TOTOKU's further competitiveness and growth”



Concentrating the group's strengths and management resources on domains with growth potential
Invest in and allocate resources to businesses that will contribute to future growth
(Domains that combine information, energy and mobility, DX, the environment, etc.)

*TOTOKU ELECTRIC CO., LTD.: 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. The company is active on a global scale and became a consolidated subsidiary of Furukawa Electric Co., Ltd. in 2012

6. Management targets (Financial targets)

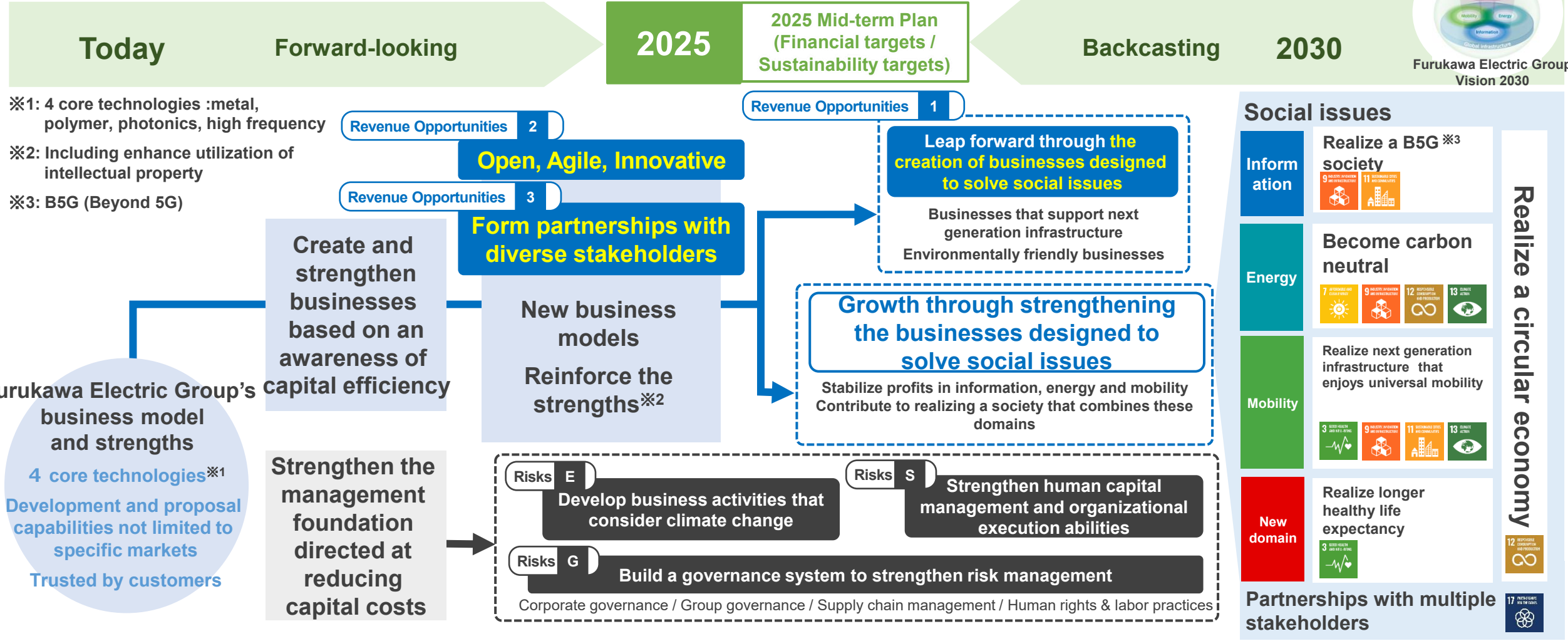
Management targets (Financial targets)

No revision of financial targets for FY25

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

Value creation process directed at 2030

Furukawa Electric Group Corporate Philosophy



The Furukawa Electric Group CSR Code of Conduct

Thank you very much for your attention

Bound to  ***Innovate***

Appendix

- Net sales and Operating income by segment (FY22, 23, 25)
- ROIC by segment (FY22, 25)
- Capital expenditure and R&D expenses (FY22~25 cumulative)
- Segments and Business Divisions

Appendix

2025 Mid-term plan target (net sales, operating income) by segment

(JPY : billion)

	FY22 results			FY23 forecasts			FY25 targets		
	Sales	Operating income	Ratio	Sales	Operating income	Ratio	Sales	Operating income	Ratio
Infrastructure	323.9	8.6	2.7%	335.0	10.0	3.0%	360.0	16.0	4.4%
Communications Solutions	217.6	6.5	3.0%	220.0	8.0	3.6%	230.0	11.5	5.0%
Energy Infrastructure	106.3	2.1	2.0%	115.0	2.0	1.7%	130.0	4.5	3.5%
Electronics & Automotive Systems	610.3	4.7	0.8%	645.0	12.5	1.9%	590.0	23.5	4.0%
Automotive Products & Batteries	337.4	1.5	0.4%	375.0	8.5	2.3%	330.0	16.5	5.0%
Electronics Component Materials	273.0	3.2	1.2%	270.0	4.0	1.5%	260.0	7.0	2.7%
Functional Products	126.5	4.2	3.3%	125.0	4.0	3.2%	165.0	19.5	11.8%
Service and Developments, etc.	31.7	(2.1)	(6.6%)	30.0	(2.5)	(8.3%)	40.0	(1.0)	(2.5%)
Total	1,066.3	15.4	1.4%	1,100.0	24.0	2.2%	1,115.0	58.0	5.2%

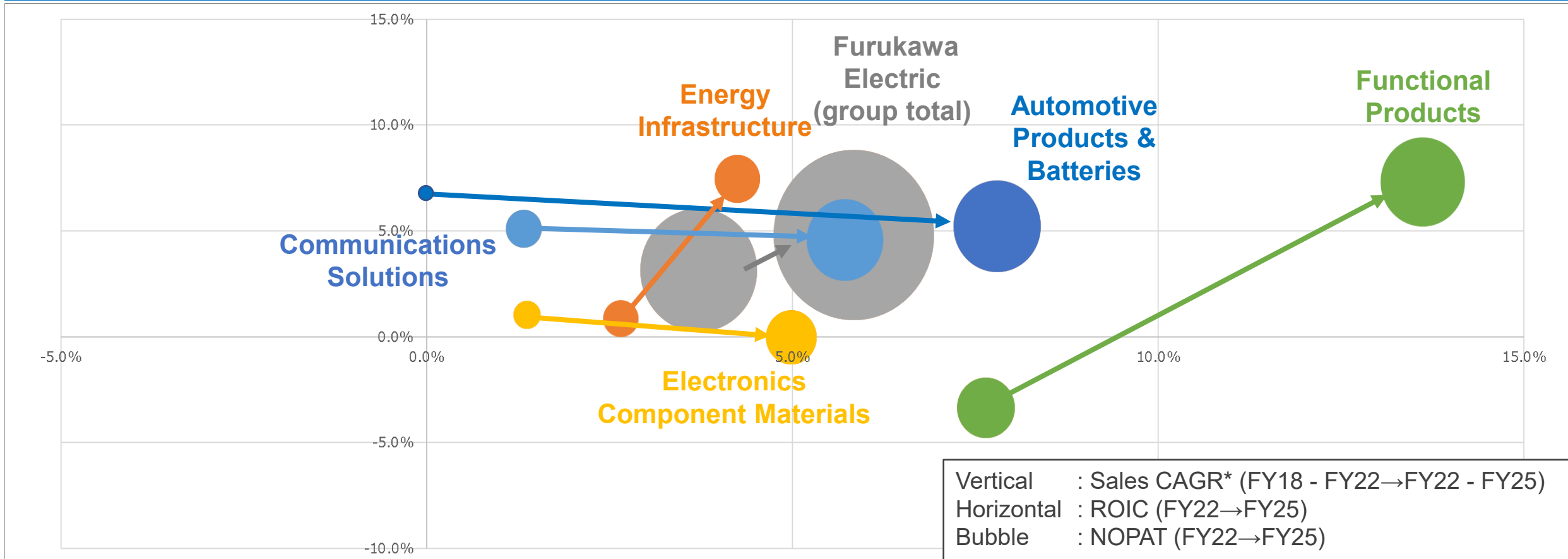
	JPY	FY22	FY23	FY25
Average copper price		1,209	1,180	1,085
Average exchange rate		135	130	110

Appendix

2025 Mid-term plan target (ROIC) by segment

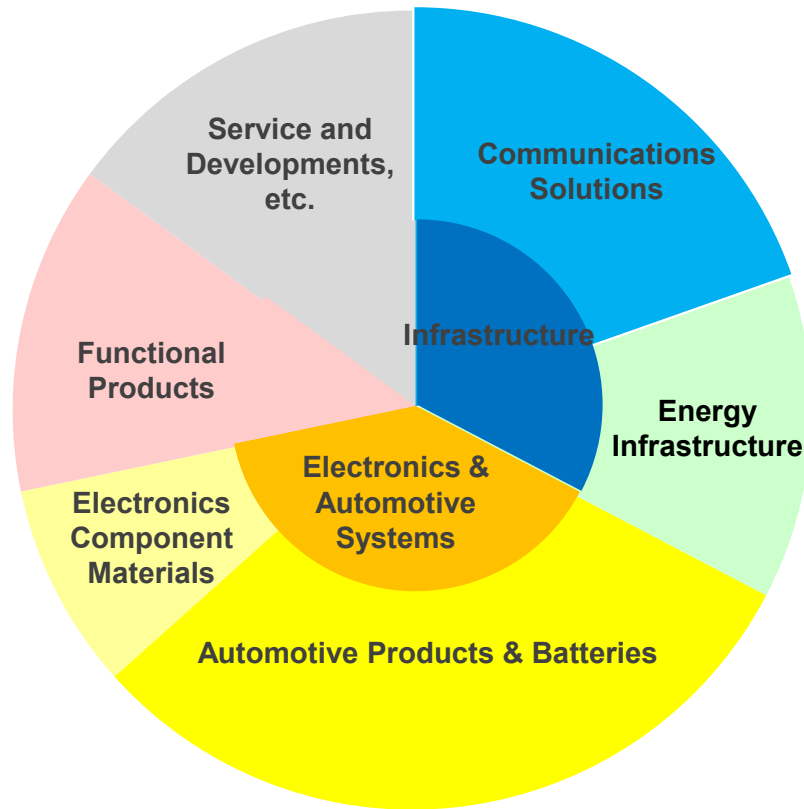
Steadily optimize the business portfolio, and aim to achieve ROIC of at least 6% by FY25

Furukawa Electric (group total) and each sub-segment (FY2022 actual → FY2025 target)



※ Net sales and invested capital in FY24 and FY25 have been adjusted based on the FY23 forecast average market price of copper and average exchange rate
 ※ The lower ROIC for Functional Products (compared to when the 2025 Mid-term Plan was announced in May 2022) is due to the impact of the sale of TOTOKU ELECTRIC.
 ※ CAGR: Compound annual growth rate, ROIC: Return on invested capital (after taxes), NOPAT: Calculated as net income + interest expenses after tax in accordance with IFRS

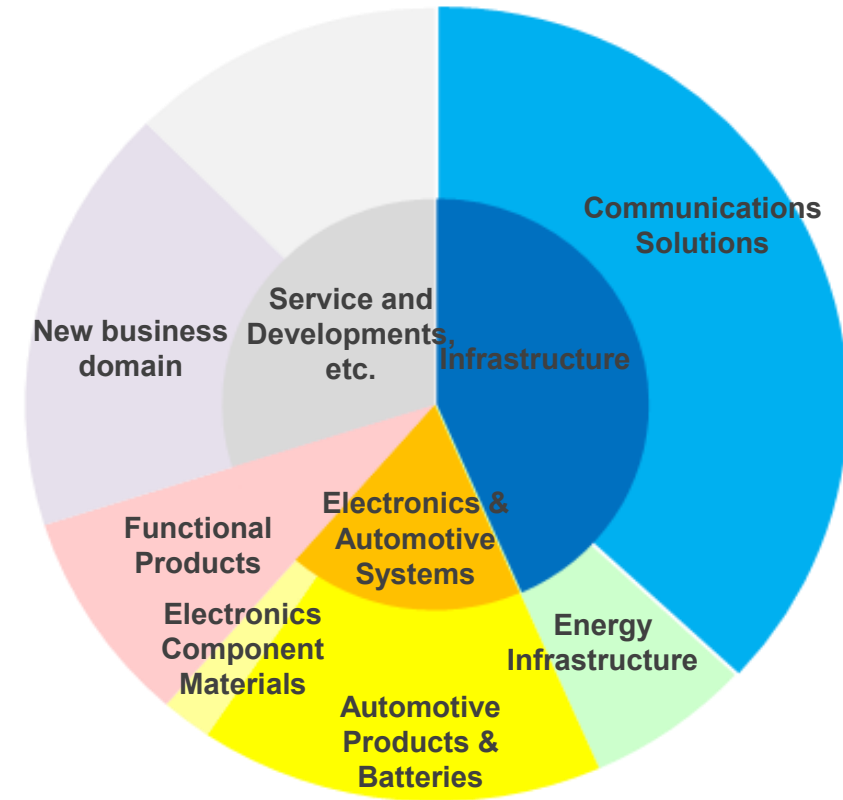
CAPEX : JPY 180.0 billion



【Focus areas】

- Communications Solutions : Increase of optical device production, rationalization of optical fibers and cables
- Energy Infrastructure : Longer cable length
- Automotive Products : Increase production of wire harnesses (including BCP)
- Functional Products : Increased production of tape for semiconductor process

R&D expenses : JPY 100.0 billion



【Focus areas】

- Communications Solutions : RR cable, optical device, networking system related
- Automotive Products : Wire harness, SRC, peripheral monitoring radar
- Functional Products : Data center related products
- New business : [New domain] Life science, DX for social infrastructure
[Information/Energy/Mobility] Fusion of photonics & electronics, Hybrid laser, Wireless power transmission

Appendix Segments and Business Divisions

Segment	Sub-segment	Business Division
Infrastructure	Communications Solutions	Optical Fiber and Cable Products
		FITEL Products
		Broadband Solutions Business
	Energy Infrastructure	Power Cable
		Industrial Cable & Power Cable Accessories
Electronics & Automotive Systems	Automotive Products & Batteries	Automotive Products
		Batteries
	Electronics Component Materials	Electric Conductor (including fine magnet wire)
		Copper & High Performance Material Products
Functional Products	AT & Functional Plastics	
	Thermal Management Solution & Products	
	Memory Disk	
	Copper Foil	
Service and Developments, etc.		