



## **Furukawa Electric Co., Ltd.**

Q2 Financial Results Briefing for the Fiscal Year Ending March 2022

Held on November 4, 2021

<b>[Number of Speakers]</b>	3	
	Keiichi Kobayashi	President
	Hiroyuki Ogiwara	Representative Director, Corporate Senior Executive Vice President and General Manager of Corporate Planning and Strategy Division
	Akihiro Fukunaga	Director, Corporate Senior Vice President, General Manager of Finance and Global Management Division

# FY2021 H1 Results Highlights

## ■ Increased profit on higher revenue in H1

### ○ Net sales and operating income

Although lower customer production volumes and COVID-19 lockdowns in some of the company's locations in Southeast Asia negatively impacted the Automotive Products business, profit increased on higher revenue\*1 in the Infrastructure, Electronics & Automotive Systems and Functional Products segments

### ○ Ordinary income

Increased following the higher operating income and improved profit / loss in equity method affiliates

### ○ Net income attributable to owners of the parent company

Net income attributable to owners of the parent company was JPY 7.2 billion following lower extraordinary loss / profit (JPY 11.5 billion → JPY 2.3 billion)\*2

\*1 Impact of higher copper prices:  
JPY +27.7 billion (JPY 675/kg→ JPY 1,092/kg)  
Impact of the adoption of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29):  
JPY ▲24.9 billion

\*2 FY20\_H1 extraordinary income:  
JPY 22.1 billion gain on disposal of non-current assets

	FY19_H1	FY20_H1	FY21_H1	YoY change
	a	b	c	c-b
Net Sales	455.2	354.5	447.3	+92.8
Operating income	10.8	▲ 3.3	7.2	+10.6
Ordinary income	8.4	▲ 6.0	10.8	+16.7
Net income attributable to owners of the parent	6.1	1.6	7.2	+5.6

**Fukunaga:** Yes, my name is Fukunaga. I will now explain our financial results for the second quarter of FY2021. Please look at page 3.

This is the highlight of the first half results. Net sales, operating income, ordinary income, and net income all increased from the previous fiscal year. Both sales and profits increased.

For net sales and operating income, in the first half of the fiscal year, we saw a recovery in the automotive parts business compared to last year's COVID-19 crisis, although there were some factors, such as reduced production by customers and the impact of the COVID-19. Sales and profits increased in the Infrastructure, Electronics & Automotive Systems, and Functional Products segments.

In addition to the increase in operating income, ordinary income increased due to the improvement in equity in earnings/losses of affiliates (UACJ).

Net income attributable to owners of parent company is JPY7.2 billion. This is a JPY5.6 billion increase compared to last year, which is about JPY10 billion less than the increase in ordinary income, but this is due to a JPY22 billion increase from the sale of land in Osaka last year. As a result, the profit for the current period was substantially higher than that of the previous period.

## FY2021 Full-year forecasts

### ■ Revised FY2021 full-year forecasts

- Operating income has been revised down due to lower customer production volumes caused by a shortage of semiconductors and resin and COVID-19 lockdowns in some locations in Southeast Asia mainly in the Automotive Products business, as well as groupwide soaring raw materials and transportation expenses, and the impact of logistics delays
- Also, although profit / loss in equity method affiliates is expected to improve, ordinary income and net income attributable to owners of the parent company have been revised following the downward revision to operating income

	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

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Please see page 4.

This is the full year forecast. Sales are unchanged, but operating income and other profits and losses have been revised downward.

First, customers in the automotive products business reduced production due to shortages of semiconductors and resins. Impact of lockdown of some bases in Southeast Asia due to the COVID-19. In addition, there will be a sharp rise in the cost of materials and transportation throughout the Group, as well as logistics disruptions and delays. Operating income has been revised downward by JPY6 billion.

Equity in earnings/losses of affiliates is expected to improve in the second half of the fiscal year, but due to the downward revision of operating income, ordinary income and net income have been lowered by JPY2 billion for each than previous forecasts. Net income will be JPY10 billion.

## FY2021 H1 Results – P/L Summary

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

	FY19 H1	FY20 H1	FY21 H1	YoY change	Breakdown of change (H1)
	a	b	c	c-b	
<b>Net sales</b>	<b>455.2</b>	<b>354.5</b>	<b>447.3</b>	<b>+92.8</b>	<b>+92.8 (+26%)</b> See page 7
<b>Operating income</b>	<b>10.8</b>	<b>▲ 3.3</b>	<b>7.2</b>	<b>+10.6</b>	<b>+10.6</b> See page 8
(Margin)	2.4%	▲ 0.9%	1.6%	+2.6	
Profit / loss in equity method affiliates	▲ 0.2	▲ 1.1	4.3	+5.4	
Foreign exchange gain / loss	▲ 0.8	▲ 0.4	0.4	+0.7	
<b>Ordinary income</b>	<b>8.4</b>	<b>▲ 6.0</b>	<b>10.8</b>	<b>+16.7</b>	<b>+16.7</b>
(Margin)	1.8%	▲ 1.7%	2.4%	+4.1	
Extraordinary income / loss	2.1	11.5	2.3	▲ 9.2	· Extraordinary income ▲19.5 (23.0 → 3.5)
Income taxes	4.2	3.4	4.8	+1.4	
Net income attributable to non-controlling interests	0.2	0.6	1.1	+0.5	· Extraordinary loss +10.3 (▲11.5 → ▲1.2)
<b>Net income attributable to owners of parent</b>	<b>6.1</b>	<b>1.6</b>	<b>7.2</b>	<b>+5.6</b>	<b>+5.6 (+358%)</b>
(Margin)	1.3%	0.4%	1.6%	+1.2	<b>Extraordinary income :</b> · Social contribution refund for prior periods (1.7 : Q1) · Gain on the disposal of non-current assets (0.6 : Q1)
Average copper price	692	675	1,092	-	
Average exchange rate	109	107	110	-	

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Now, please turn to the next page 5.

On page 5, you can see the details, or rather the outline, as explained earlier.

If you look at the equity in earnings/losses of affiliates, you will see that JPY5.4 billion was added, and the majority of this was for UACJ.

Extraordinary gains and losses decreased from last year. This is also an effect of the numbers I mentioned earlier. However, both extraordinary gains and losses have decreased since last year, so please be aware of that.

## FY2021 Full-year forecasts – P/L Summary

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

	FY19	FY20	*FY21 Previous forecasts	FY21 Forecasts	YoY change	Change from previous forecasts
	a	b	c	d	d-b	d-c
<b>Net sales</b>	<b>914.4</b>	<b>811.6</b>	<b>880.0</b>	<b>880.0</b>	<b>+68.4</b>	-
<b>Operating income</b>	<b>23.6</b>	<b>8.4</b>	<b>26.0</b>	<b>20.0</b>	<b>+11.6</b>	<b>▲ 6.0</b>
(Margin)	2.6%	1.0%	3.0%	2.3%	+1.2	▲ 0.7
Profit / loss in equity method affiliates	2.5	▲ 0.9	-	-	-	-
Foreign exchange gain / loss	▲ 1.0	0.5	-	-	-	-
<b>Ordinary income</b>	<b>22.8</b>	<b>5.2</b>	<b>24.0</b>	<b>22.0</b>	<b>+16.8</b>	<b>▲ 2.0</b>
(Margin)	2.5%	0.6%	2.7%	2.5%	+1.9	▲ 0.2
Extraordinary income / loss	8.0	16.1	▲ 3.5	▲ 1.5	▲ 17.6	+2.0
Income taxes	11.8	9.2	-	-	-	-
Net income attributable to non-controlling interests	1.4	2.1	-	-	-	-
<b>Net income attributable to owners of parent</b>	<b>17.6</b>	<b>10.0</b>	<b>12.0</b>	<b>10.0</b>	<b>▲ 0.0</b>	<b>▲ 2.0</b>
(Margin)	1.9%	1.2%	1.4%	1.1%	▲ 0.1	▲ 0.2
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)	

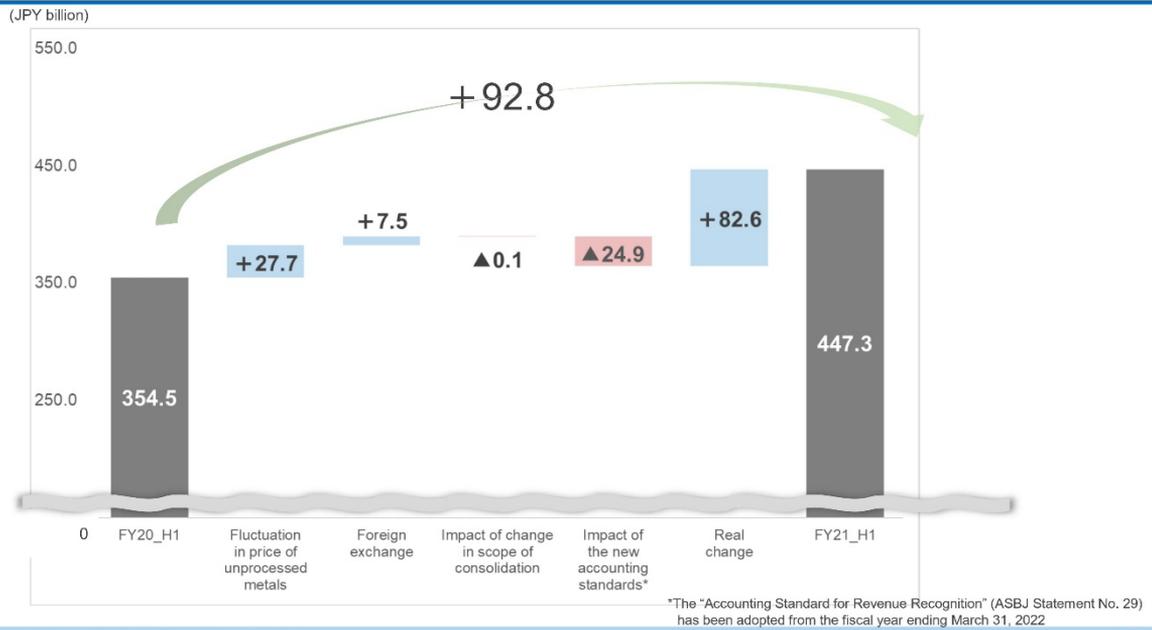
\*Announced on May 12, 2021

Please go to page 6.

Page 6 shows the full-year forecast.

We expect an extraordinary loss of JPY1.5 billion, an improvement of JPY2 billion from the previous forecast. This was due to an extraordinary profit in the first half, which was larger than expected. On the other hand, since the risk status has been left unchanged, we expect extraordinary gains and losses of minus JPY1.5 billion. It is expected to improve from the previous forecast due to the increase in special gains.

## Analysis of Change in Net Sales (YoY)



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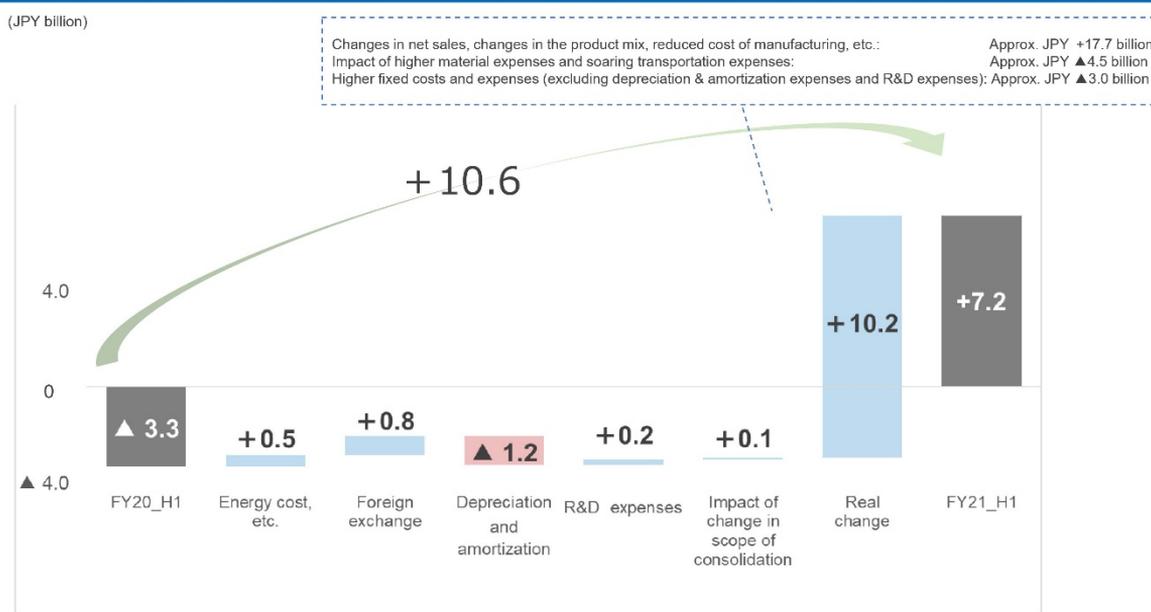
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Next, on page 7, the factors behind the increase/decrease in sales. This is the waterfall compared to the previous year.

Sales increased by JPY92.8 billion, but excluding special factors, sales increased by JPY82.6 billion. In particular, the impact of unprocessed metals is positive due to the rise in prices of unprocessed metals. In addition, the yen's depreciation against other currencies was a positive factor.

On the other hand, changes in accounting standards and revenue recognition standards have resulted in a negative impact of about JPY25 billion.

# Analysis of Changes in Operating Income (YoY)



Page 8. The following is a waterfall of factors that contributed to the increase or decrease in operating income.

This is an increase of JPY10.6 billion from the previous fiscal year. There are a few special factors, but of the JPY10.6 billion, JPY10.2 billion is considered to be a real fluctuation. However, as you can see in the square on the upper right, due to sales increase/decrease, product mix difference, cost reduction, and other factors, there was an increase of about JPY18 billion. On the other hand, material and transportation costs soared, resulting in a negative JPY4.5 billion here. Fixed costs were a negative JPY3 billion.

As for the fixed costs, as I explained in the first quarter, as operations returned to normal, the fixed costs for plant maintenance, inspection, and quality control increased by about JPY1.5 billion. In addition, in the second quarter of last year, the COVID-19 pandemic forced factories to close in many countries. As a result, JPY1.4 billion has been transferred to extraordinary losses. This is the reason for the negative impact of JPY3 billion, including the JPY1.5 billion mentioned earlier and the JPY1.4 billion from the fixed and operating costs of the plant.

# Net Sales and Operating Income by Segment

## ■ Revised FY2021 full-year forecasts

(JPY billion)

	H1				Full year						
	FY19	FY20	FY21	YoY Change	FY19	FY20	*FY21 Previous Forecasts	FY21 Forecasts	YoY Change	Change from previous forecasts	
	a	b	c	c-b	d	e	f	g	g-e	g-f	
Net Sales	<b>Infrastructure</b>	137.9	122.2	142.9	+20.8	280.9	259.2	280.0	290.0	+30.8	+10.0
	Communications Solutions	82.2	76.3	92.8	+16.6	166.4	158.3	175.0	185.0	+26.7	+10.0
	Energy Infrastructure	55.7	45.9	50.1	+4.2	114.5	100.9	105.0	105.0	+4.1	0.0
	<b>Electronics &amp; Automotive Systems</b>	254.4	175.3	238.8	+63.5	509.3	433.0	480.0	470.0	+37.0	▲ 10.0
	Automotive Products & Batteries	122.7	95.2	120.4	+25.2	257.6	235.1	260.0	245.0	+9.9	▲ 15.0
	Electronics Component Materials	131.7	80.0	118.3	+38.3	251.7	198.0	220.0	225.0	+27.0	+5.0
	<b>Functional Products</b>	58.6	52.4	63.8	+11.4	115.9	114.7	115.0	130.0	+15.3	+15.0
	<b>Service and Developments, etc.</b>	26.2	20.7	20.5	▲ 0.2	50.3	38.7	37.0	35.0	▲ 3.7	▲ 2.0
	Elimination of intra-company transactions	▲ 21.9	▲ 16.1	▲ 18.8	▲ 2.7	▲ 42.0	▲ 34.0	▲ 32.0	▲ 45.0	▲ 11.0	▲ 13.0
	<b>Total</b>	455.2	354.5	447.3	+92.8	914.4	811.6	880.0	880.0	+68.4	0.0
Operating Income	<b>Infrastructure</b>	0.6	▲ 1.7	1.5	+3.2	1.7	▲ 2.1	5.5	6.0	+8.1	+0.5
	Communications Solutions	0.8	▲ 0.2	0.9	+1.0	1.6	▲ 0.2	4.5	4.5	+4.7	0.0
	Energy Infrastructure	▲ 0.3	▲ 1.5	0.7	+2.2	0.1	▲ 1.9	1.0	1.5	+3.4	+0.5
	<b>Electronics &amp; Automotive Systems</b>	6.7	▲ 3.0	2.4	+5.5	14.8	5.9	14.0	7.0	+1.1	▲ 7.0
	Automotive Products & Batteries	5.2	▲ 2.7	▲ 0.0	+2.6	10.9	5.0	12.0	4.0	▲ 1.0	▲ 8.0
	Electronics Component Materials	1.5	▲ 0.4	2.4	+2.8	3.9	0.9	2.0	3.0	+2.1	+1.0
	<b>Functional Products</b>	3.6	2.2	4.0	+1.8	7.5	6.3	9.0	9.0	+2.7	0.0
	<b>Service and Developments, etc.</b>	▲ 0.1	▲ 0.9	▲ 0.6	+0.3	▲ 0.3	▲ 1.7	▲ 2.5	▲ 2.0	▲ 0.3	+0.5
	Elimination of intra-company transactions	▲ 0.0	0.1	▲ 0.1	▲ 0.2	▲ 0.1	0.1	0.0	0.0	▲ 0.1	0.0
	<b>Total</b>	10.8	▲ 3.3	7.2	+10.6	23.6	8.4	26.0	20.0	+11.6	▲ 6.0

\*Announced on May 12, 2021

[Reference]

Net sales based on the old accounting standards

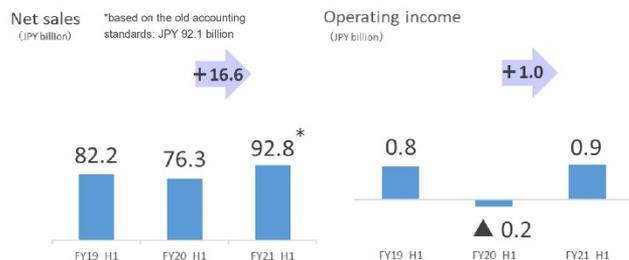
	H1		Full year	
	FY21	YoY Change	FY21 Forecasts	YoY Change
	c'	c'-b	f'	f'-e
	144.7	+22.6	298.3	+39.1
	92.1	+15.9	186.6	+28.3
	52.6	+6.7	111.7	+10.8
	258.8	+83.5	503.0	+69.9
	125.5	+30.3	249.1	+14.1
	133.2	+53.2	253.8	+55.9
	67.0	+14.6	140.2	+25.5
	20.5	▲ 0.2	35.4	▲ 3.3
	▲ 18.8	▲ 2.7	▲ 45.0	▲ 11.0
<b>Total</b>	472.3	+117.8	931.8	+120.2

Page 9. The following is a breakdown of sales and operating income by segment.

This information will be explained on the next page.

## 1-(1) Infrastructure (Communications Solutions)

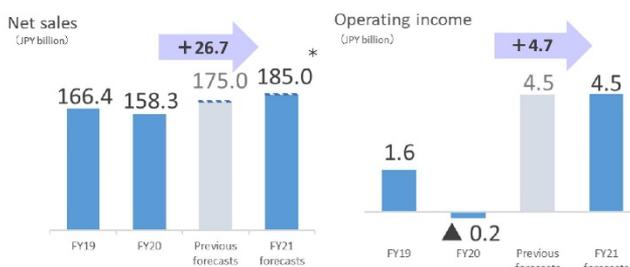
### FY21\_H1 Results



**[ H1 results: Operating income compared to last year ]**

- ( + ) Increased revenue of optical cable in North America, FTTH and LAN solutions businesses in South America
- ( + ) Improved productivity in the North America optical cable business
- ( + ) Recovery in the specialty fiber business
- ( + ) Network products in Japan were solid
- ( - ) Shortage of raw materials, higher raw material prices and soaring transportation expenses
- ( - ) Lower demand for digital coherent products due to customer inventory adjustments combined with temporarily lower operating levels due to the impact of COVID-19 in Southeast Asia
- ( - ) Increased depreciation expenses

### FY21\_Forecasts



**[ H2 forecasts ]**

- In the optical fiber and cable business, will focus on the impact that the rising prices and supply / demand balance in China and the higher raw material prices have on global market prices
- Businesses in North America (rollable ribbon cable, connectivity, etc.), South America (solutions business) and Japan will be strong
- Specialty fiber will also continue to be strong
- Digital coherent products will recover from Q3
- Respond to soaring raw material prices and transportation expenses by increasing sales, improving the product mix, reducing the cost of manufacturing, limiting expenses and adjusting product prices to appropriate levels

Page 11.

This is the status of Communications Solutions business. In the first half of the fiscal year under review, this business posted higher sales and profits. Both sales and profits are expected to increase for the full year.

The contents of this report are as follows: First half, North America Optical Cable. This is an improvement from last year in terms of volume and productivity. FTTH and LAN solutions in South America are also performing well, which is a plus. In addition, specialty fiber, which had been struggling last year due to the COVID-19 disaster, is also recovering.

On the other hand, due to the negative impact of raw material shortages, price hikes, and rising transportation costs, the actual positive impact was JPY1 billion. The details are explained in the next page.

On the right side, the forecast for the second half of the fiscal year is shown. As for optical fiber cables, as you all know, the price of China Mobile's bid increased by 1.5 times. In addition, with the increase in bidding volume, the supply-demand balance may be changing a little. In this context, we need to keep a close eye on how the rise in raw materials will affect global market prices.

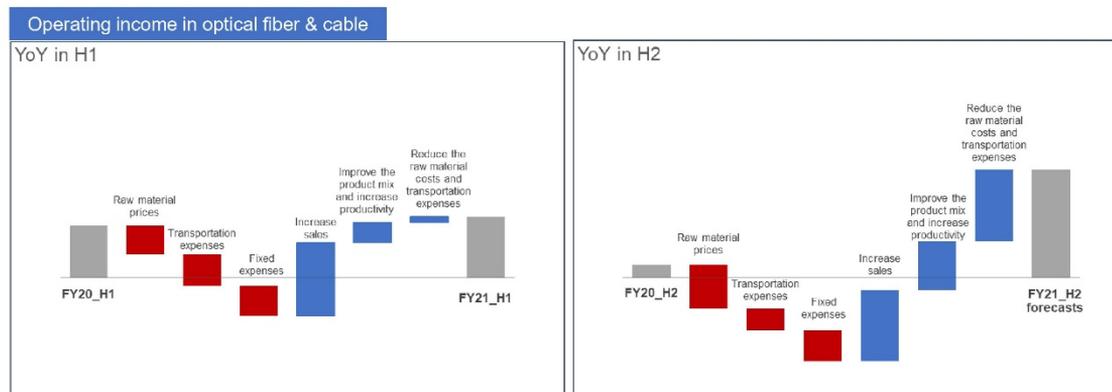
In addition, the North American market, including rollable ribbon cable and connecting components, is doing well, and the solutions business, also in South America, continues to do well in Japan.

The specialty fibers business is also expected to remain strong from the first half to the second half of the fiscal year. In the first half of the year, there were some negative impacts from digital coherent, temporary inventory adjustments, and COVID-19 effects, but we have been recovering since September. This will continue to be a positive factor in the third quarter and beyond, and we expect a positive result.

The impact of raw material prices and transportation costs will continue to be a negative factor.

**Optical fiber and cable**

- Although the business continues to be affected by raw material shortages, higher raw material prices and soaring transportation expenses, efforts will be made to increase sales and lower the cost of manufacturing by increasing productivity, improve the product mix (expand sales of high value added products) and adjust prices to appropriate levels through communication with customers



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The details are explained on the next page.

This is the YoY comparison of optical fibers and cables broken down into the first half and second half.

In the first half, raw materials, transportation costs, and fixed costs were negative. This one has a negative value of about JPY3 billion. On the other hand, sales improvements, product mix, or productivity, cost reduction of raw materials, transportation, and reviewed price level in some areas resulted in an overall increase of about JPY0.5 billion in the first half.

In the second half of the year, raw material costs, transportation costs, and fixed costs will continue to be negative as well. On the other hand, sales have been steadily improving from last year, as in the first half. For improving the product mix and productivity, we will further promote productivity in North America. For product mix, we have already increased the number of high value-added products, such as rollable ribbons, which will have an effect in the second half of the fiscal year.

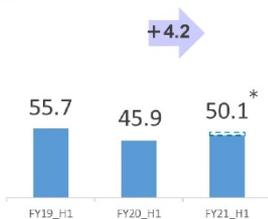
In addition, we expect to improve the second half of the fiscal year by approximately JPY3.5 billion from last year by reducing the cost of raw materials and transportation, as well as promoting price optimization.

## 1-(2) Infrastructure (Energy Infrastructure)

### FY21\_H1 Results

\*based on the old accounting standards: JPY 52.6 billion

Net sales  
(JPY billion)



Operating income  
(JPY billion)



### FY21\_Forecasts

\*based on the old accounting standards: JPY 111.7 billion

Net sales  
(JPY billion)



Operating income  
(JPY billion)



#### [ H1 results: Operating income compared to last year ]

- ( + ) Overseas submarine, Japan underground power cable projects and the subsidiary in China progressed as planned
- ( + ) Demand for the construction and wholesalers market in Japan gradually recovered
- ( + ) One-time evaluation expenses following the adoption of new materials ended in FY2020

#### [ H2 forecasts ]

As same as H1,

- Overseas submarine, Japan underground power cable projects and the subsidiary in China are expected to progress as planned at the beginning of the term
- Demand for the construction and wholesalers market in Japan continues to gradually recover. In addition, expand sales of functional cable and components and further reduce the cost of manufacturing

Page 13. It is an energy infrastructure.

Energy infrastructure, sales and profit increased in the first half. Both sales and profits will increase in the fiscal year under review.

This includes overseas submarine cable, domestic underground cable and a subsidiary in China. These are progressing as expected. Our subsidiary in China was significantly affected by the COVID-19 last year, but it is now improving and is back in the surplus.

The domestic construction and wholesalers markets are experiencing a moderate recovery in demand. During this situation, we are recovering from last year's deficit to a surplus, albeit a slight one, by promoting cost reductions and other measures.

In addition, considerable evaluation costs have been incurred due to the adoption of new materials last year. This year, we no longer have that, which is a plus for us. This impact has led to a positive improvement of JPY2.2 billion, from minus JPY1.5 billion last year to JPY0.7 billion.

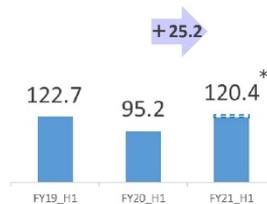
In the second half of the fiscal year, we expect the situation to remain the same as in the first half. As a result of further cost reductions, we have revised upward our forecast for annual operating income from JPY1 billion to JPY1.5 billion.

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

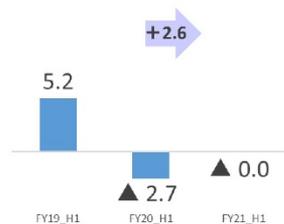
### FY21\_H1 Results

\*based on the old accounting standards: JPY 125.5 billion

Net sales  
(JPY billion)



Operating income  
(JPY billion)



### FY21\_Forecasts

\*based on the old accounting standards: JPY 249.1 billion

Net sales  
(JPY billion)



Operating income  
(JPY billion)



#### 【 H1 results: Operating income compared to last year 】

- ( + ) Increased revenue following the recovery in the automotive market
- ( - ) Impact of lower customer production volumes due to a shortage of semiconductor and resin, and soaring transportation expenses
- ( - ) Impact of COVID-19 lockdowns at some of the company's locations in Southeast Asia and expenses incurred for preventing infections and BCM operations
- ( - ) Increased depreciation expenses

#### 【 H2 forecasts 】

- Lockdowns at the company's locations in Southeast Asia will impact operations, and expenses will be incurred for measures to prevent infection and BCM operations
- The impact of the semiconductor shortage is expected to end from Q4. Efforts will be made to gather and consolidate customer information, and strategic inventory will be held in preparation for demand recovery
- Measures will be taken for the higher transportation expenses and logistics delays resulting from port congestion and shortage of containers caused by the impact of COVID-19 (including holding safety inventory and continuing to strengthen the global supply chain)

Page 14 shows the status of Automotive Products and Batteries.

For Automotive Products and Batteries business, both sales and profits increased in the first half.

In the first half, the automobile market recovered. The increase in revenue means that we are recovering from last year's COVID-19 disaster. On the other hand, customers are reducing production due to shortages of semiconductors and resins, and there are soaring transportation costs and other factors.

In addition, the impact of the lockdown in Southeast Asia due to the COVID-19 crisis is also emerging, and expenses for BCM operations have been incurred. There will also be an increase in depreciation.

In the first half of the fiscal year, we were able to increase both sales and profits. However, if I may add a little more, the fiscal year end of our overseas subsidiaries is from January to June. Therefore, after July, September, and October. Well, there was a situation through September when operations were considerably slowed down or even stopped due to the lockdown caused by the COVID-19, but the local figures have not yet been recorded in the second quarter. This will come up in the third quarter.

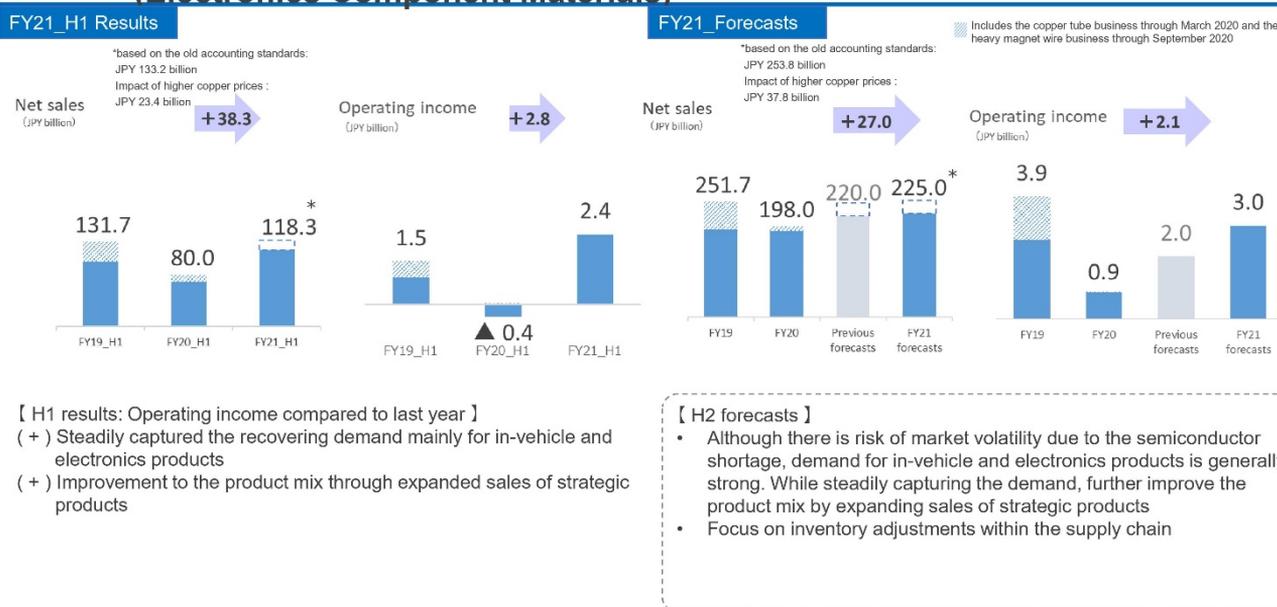
On the other hand, on the Japanese side, there is already a negative impact on sales and costs incurred to deal with the situation. Therefore, please understand that the impact of the Japanese side will be recorded in the second quarter, and the local side's cost will be recorded in the third quarter.

As for the forecast for the full year, the impact of the COVID-19 will be significant, and although sales will increase, profits will decrease.

We have lowered our sales forecast by JPY15 billion from the previous forecast. We expect this to have a significant impact on the third quarter almost immediately.

Operating income also declined from JPY12 billion to JPY4 billion, a loss of JPY8 billion. In addition to the decrease in sales, the negative factors include the increase in logistics costs and BCM operation costs.

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



Next is Electronics Component Materials.

Both sales and profits increased in the first half and the full year.

It has been performing very well. Sales of In-vehicle and electronics related products are recovering steadily, and in particular, sales of strategic products are expanding, and the product mix is improving, which is a considerable plus.

In the second half of the fiscal year, the situation has not changed significantly. However, we are taking a cautious look at the figures because there is a possibility that customers will be affected by the shortage of semiconductors in the future. Therefore, since our own products are in the very upstream process and the most upstream process, there is a risk that the impact of semiconductors on the final customer may be delayed, so we are watching the situation carefully.

Based on the current situation, this segment has been revised upward in terms of both sales and operating income.

### 3 Functional Products

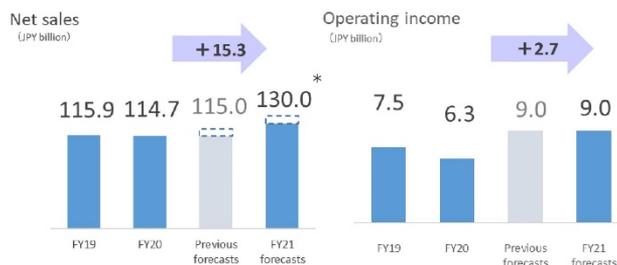
#### FY21\_H1 Results

\*based on the old accounting standards: JPY 67.0 billion



#### FY21\_Forecasts

\*based on the old accounting standards: JPY 140.2 billion



#### 【 H1 results: Operating income compared to last year 】

- ( + ) In the copper foil business, increased orders for copper foil for printed wiring boards following the restoration of production at the Taiwan plant after the fire, and recovering demand for copper foil for batteries
- ( + ) Captured the demand mainly in relation to the booming semiconductor and data center products centered on tape for semiconductor process / heat dissipation and cooling products
- ( + ) Started full-scale operations at the new heat dissipation / cooling products manufacturing location in the Philippines
- ( - ) Impact of soaring transportation expenses and higher raw material prices

#### 【 H2 forecasts 】

- Although demand for 5G and data center related products will be strong, there are concerns about the impact of semiconductor and raw material shortages
- Continue to definitely capture demand in the markets with strong growth
- The impact of soaring transportation expenses and higher raw material prices will remain ongoing longer than initially expected. Minimize this impact by expanding sales in key markets

#### Page 16, Functional Products.

Both sales and profit increased in the first half and full year. In the copper foil business, the recovery from the fire in Taiwan was almost completed in September and is expected to make a further positive contribution in the future. In addition, tape for semiconductor manufacturing and products for data centers are performing well.

On the other hand, transportation costs and raw material prices are rising as well. This is a negative impact.

The outlook for the full year remains about the same. In particular, the impact of the sharp rise in transportation costs and raw material prices is expected to last longer than expected. Amid this, we will naturally expand sales in our priority markets, and by promoting price optimization, we plan to maintain our operating income forecast of JPY9 billion.

## FY2021 H1 Results – B/S Summary

(JPY billion)			
	End of FY20_Q4	End of FY21_H1	Change
	a	b	b-a
<b>Current assets</b>	<b>429.8</b>	<b>434.8</b>	<b>+5.0</b>
Cash and bank deposits	84.4	53.5	▲ 30.9
Notes and accounts receivable trade	191.9	200.8	+8.9
Inventories	120.8	146.8	+26.0
<b>Non-current assets</b>	<b>402.2</b>	<b>413.8</b>	<b>+11.6</b>
Tangible fixed assets	246.7	252.2	+5.5
Intangible fixed assets	20.3	19.9	▲ 0.3
Investments and other assets	135.2	141.7	+6.5
<b>Total Assets</b>	<b>832.0</b>	<b>848.7</b>	<b>+16.6</b>
<b>Current liabilities</b>	<b>315.2</b>	<b>315.5</b>	<b>+0.3</b>
<b>Non-current liabilities</b>	<b>225.2</b>	<b>234.0</b>	<b>+8.8</b>
<b>Total Liabilities</b>	<b>540.4</b>	<b>549.5</b>	<b>+9.1</b>
Shareholders' equity	260.4	263.0	+2.6
Accumulated other comprehensive income	▲ 0.5	3.5	+4.0
Net income attributable to non-controlling interests	31.7	32.7	+0.9
<b>Total Net assets</b>	<b>291.6</b>	<b>299.2</b>	<b>+7.5</b>
<b>Total Liabilities and Net assets</b>	<b>832.0</b>	<b>848.7</b>	<b>+16.6</b>
Interest-bearing liabilities	290.6	301.7	+11.1
Capital ratio	31.2%	31.4%	+0.2
NET D/E ratio	0.8	0.9	+0.1

**Cash and deposits**  
Decreased by JPY 30.9 billion  
Return to the same level as the end of FY2019 Q4 (JPY 54.5 billion)

**Inventories**  
Increased by JPY 26.0 billion  
Secure inventory needed to ensure continuous supply despite the logistics disruptions and in preparation for recovering demand in the automotive products business in the second half  
Construction and other projects that are expected to be recorded as net sales in the future  
Impact of foreign exchange, copper prices and new consolidation : JPY +4.6 billion

**Tangible / intangible non-current assets**  
Increased by JPY 5.2 billion  
Impact of CAPEX and depreciation : JPY ▲0.5 billion  
Impact of foreign exchange and new consolidation : JPY+6.4 billion

**Total Assets**  
Increased by JPY 16.6 billion  
Impact of foreign exchange : JPY +12.4 billion  
Impact of new consolidation : JPY +2.9 billion

**NET interest-bearing debt**  
Increased by JPY 42.0 billion  
(JPY 206.3 billion → JPY 248.3 billion)

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This is followed by the balance sheet on page 17.

In the balance sheet, the lower part from the middle, slightly colored, is the total assets. This is an increase of JPY16.6 billion, but the impact of foreign exchange and new consolidation accounted for JPY15.3 billion.

For the details, inventories increased by JPY26 billion. In particular, it is important to secure inventory to prevent supply disruptions due to logistics delays. In the second half of the year, there will be a rapid recovery in the automotive products business. We have stock in preparation. In addition, there are inventories related to construction work for the future, and there is also an increase due to the rise in copper prices. Due to these factors, the increase is JPY26 billion.

In the second half of the fiscal year, we will of course continue to control inventories to an appropriate level.

NET interest-bearing debt also increased by JPY42 billion, due to the significant impact of the increase in inventories. As a result, the NET debt-to-equity ratio has worsened slightly, from 0.8 to 0.9.

There was a slight improvement in the capital adequacy ratio.

## FY2021 H1 Results

### - CAPEX, Depreciation & Amortization and R&D Expenses

■ Results were generally as forecast, and there is no change to the full-year forecasts.

(JPY billion)

	FY19_H1	FY20_H1	FY21_H1	YoY change	FY21 Forecasts
	a	b	c	c-b	d
CAPEX	26.2	18.2	16.6	▲ 1.6	45.0
Depreciation and amortization	14.2	15.8	17.0	+1.2	37.0
R&D expenses	10.9	10.4	10.1	▲ 0.3	22.0

\*Announced on May 12, 2021

Page 18 shows the status of capital investment, depreciation, and R&D expenses for the first half of the fiscal year.

The progress here is almost as expected. We have not revised our forecast for the current fiscal year. However, in terms of capital investment, the timing of some investments has been slightly delayed due to the impact of the COVID-19. By carefully examining these factors, we are trying to keep the number slightly low.

That's all I have to say.

**Moderator:** Yes, thank you very much. Our president, Mr. Kobayashi, will now give an explanation. President Kobayashi, please.

## 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

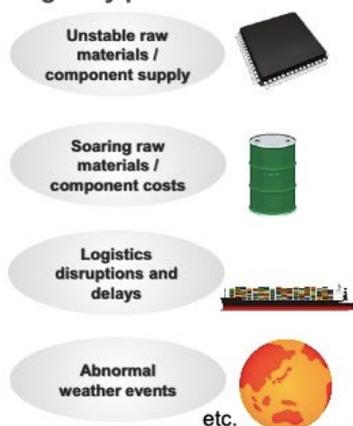
**Kobayashi:** Yes, I am Kobayashi. It's been a while since I've seen you. Thank you very much for taking time out of your busy schedules to join us today. I would like to explain the current situation and future initiatives.

Page 3 shows the contents of today's presentation. What I would like to tell you is what is happening now, how we are dealing with it, how we are evaluating the results, and how we are moving forward with activities that will lead to the next step.

# Current issues and the impact on the businesses

## 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**

Now please look at the next page 4.

This page shows the current issues and the impact of the project. On the left is the business environment, and on the right is the main impact on business and earnings.

The first risk for us, as shown in the figure on the left, is the increase in the price of raw materials and transportation, which will affect our various businesses. Secondly, the reemergence of the COVID-19 infection and the shortage of semiconductors, which particularly affected the Automotive Products business. The third is to reform our suppliers' portfolios by addressing natural disasters, aging facilities, and carbon neutrality. There are procurement risks associated with this. And fourth, the geopolitical shakeup of supply chains. For example, operations are halted due to inability to respond to changes in environmental regulations. As a result, it may cause anxiety that the supply is not available.

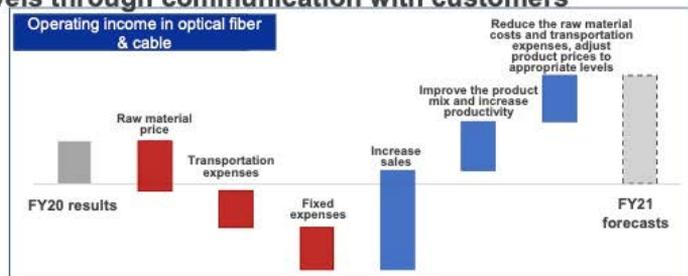
In other words, these things have become very apparent in the past year. Last year, we adopted new materials for power cables, and the recent situation is that the expected problems have become very apparent.

# 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



In this context, I would like to continue to explain our priority initiatives. See the next page 5.

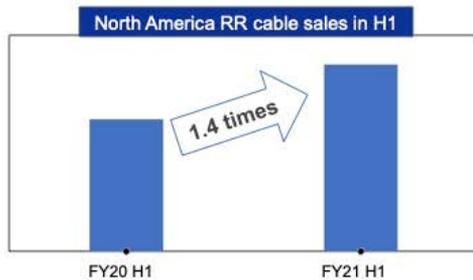
First, let's look at the optical fiber and cable business.

As we mentioned earlier, in the first half of the fiscal year, we were affected by the shortage of raw materials, price hikes, and soaring transportation costs, but we were able to increase sales and profits. Expand sales of high value-added products and improve productivity and cost competitiveness. This is, of course, but the 4 items with white circle below. We are also reinforcing these efforts to increase sales under strong demand.

# 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.



Now please turn to the next page 6.

First, the status of sales expansion of high value-added products is shown here.

First, orders and deliveries of rollable ribbon cables to several customers, mainly in the North American project market and data centers, are progressing. In the first half of the year, sales grew by 1.4 times compared to the previous year, and for the full year, sales have grown by more than 1.5 times.

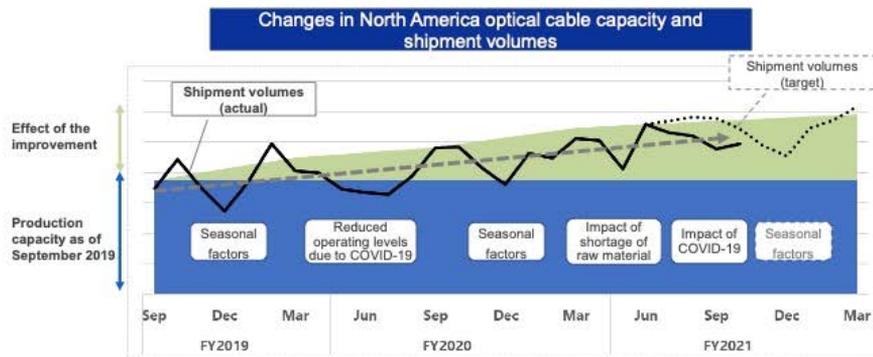
Specialty fibers are also expected to increase by more than 20%, contributing to the increase in profit.

# 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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Please turn to the next page 7.

This is the biggest challenge for us: improving productivity and cost competitiveness. As you can see in the figure below, it's still a bit bumpy, but it's getting better.

You may think why the situation in Furukawa is so difficult. I would like to explain a few things, one of which is the characteristics of the region.

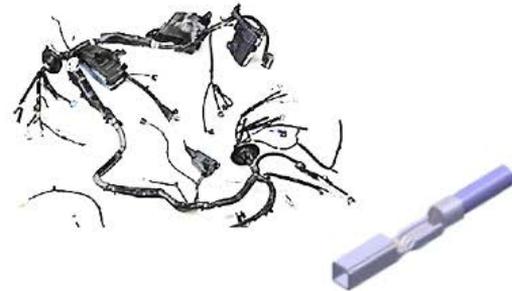
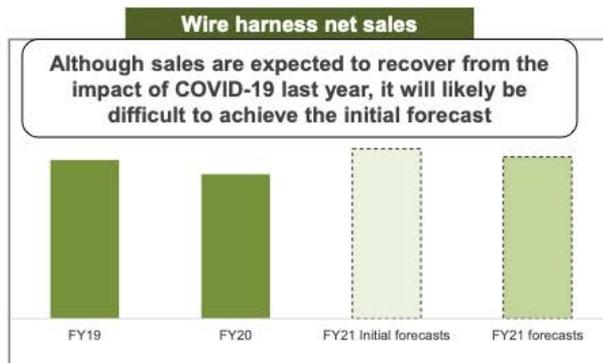
Vaccination rates in the United States as a whole. In Georgia, the state where Carrollton is located, the vaccination rate is 48%. It is one of the ten worst in the 50 states of the United States. Furthermore, especially in the county where Carrollton is located, the percentage is less than 30%. As a result, the number of infected people in the fourth wave, which peaked in August and September in the US, decreased compared to the third wave in January at the beginning of the year, but the level was almost the same in Georgia itself.

In this situation, there is one more hurdle: the unemployment rate. In Georgia, the rate was 3.2%, and in Carroll County, where Carrollton is located, the rate was 2.9%. In other words, on the one hand, it was very difficult to secure recruits.

However, as I mentioned earlier, we have started to receive orders from a variety of customers. Therefore, to deliver the product at all costs, we will add further incentives to the operators. There are companies that are not only a traditional temp agency, but also have a position in the US and do a very good job of following up with us. By signing contracts with these companies as well, the so-called "turnover rate" has gradually decreased. In addition, thanks to the technical support from Japan, we have been able to confirm that the situation is almost on the upswing, and we are confident about it.

# 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.



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Please see page 8.

I would now like to explain about our Automotive Products business.

In the first half of the fiscal year, as I explained, there were production cutbacks at our customers, soaring transportation costs and logistics delays, as well as the lockdown of some bases in Southeast Asia due to the impact of the COVID-19. The accounting period of many subsidiaries is January to December, so this has an impact on sales for 3Q.

However, this is not only for automotive products, but also for the Furukawa Electric Group, which has 123 bases around the world. Not a single cluster was found at any of the 123 sites. This is the result of a great effort by us, the employees of the sites, and the members from Japan. As a result, we have had zero shutdowns due to our own fault.

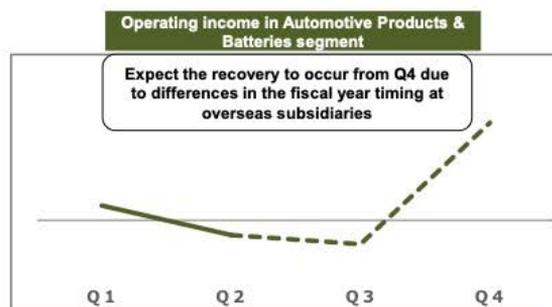
# 1. Key initiatives (2) Automotive Products business

■ 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



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Please see page 9.

In this environment, our customers are facing the problem of semiconductor procurement. There is still a sense of uncertainty about the future. However, the lockdown has been eased and dissipated now. Given this situation, we expect a recovery from the fourth quarter, but there are 3 things that we need to work on: the 3 circled items below.

Further promotion of supply chain multiplexing. Improve the accuracy of customer demand forecasts and enhance the ability to respond to fluctuations. Of course, we are working on reducing the impact of rising transportation and material costs.

Unfortunately, as I mentioned earlier, most subsidiaries have a closing date of January-December, so as you can see in the figure on the lower right, we are anticipating a rapid recovery starting in 4Q.

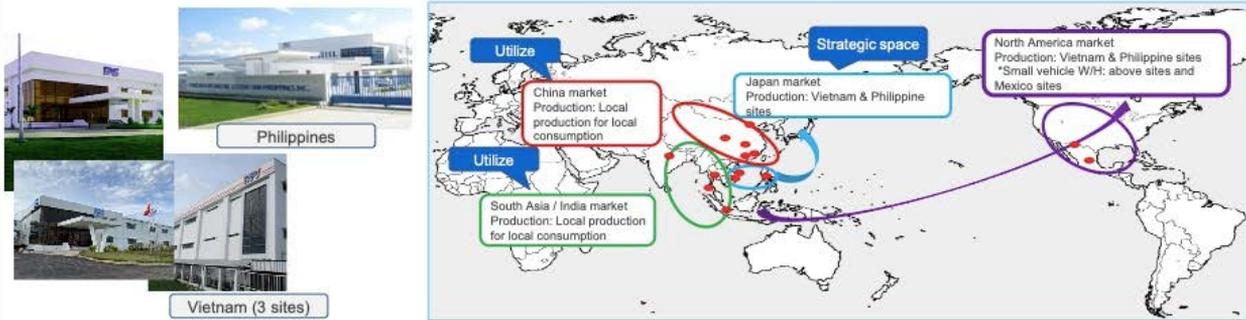
# 1. Key initiatives (2) Automotive Products business

## ■ 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



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Please see page 10.

The most important of these is the promotion of multiplexing of the supply chain.

We took the opportunity of last year's lockdown to secure strategic space in the Philippines, Vietnam, and other key locations where alternative production is possible in other regions. It means that we free up space and set up so-called workbenches to produce parts and materials that have been produced at other locations at any given time.

As a matter of reality, during the lockdown in Vietnam in the second quarter, we used our bases in the Philippines, Thailand, and China to deliver some of our products.

This is not our only effort. As I mentioned earlier, we tried not to create our own clusters. As we exchanged information, we received a very high level of engagement from our customers. As a result, we are confident that we were able to minimize the inconvenience caused by our company because we were able to work as a team with the customer through close communication. We are moving to use this experience to further strengthen our relationship of trust with our customers.

# 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

**Wire harness net sales**

Vehicle models equipped with an aluminum wire harness will increase from 46 models of 6 manufacturers in the end of FY2020 to 100 models of 8 manufacturers in 2025

Fiscal Year	Order received	Highly probably order	Approaching the customer	Ratio of aluminum WH
FY19	Low	Low	Low	Low
FY20	Low	Low	Low	Low
FY21	Low	Low	Low	Low
FY22	Low	Low	Low	Low
FY23	Low	Low	Low	Low
FY24	Low	Low	Low	Low

Please go to the next page.

This is the status of the acceleration of the use of aluminum wire harnesses for us.

The first is to install on the new Land Cruiser 300, as described in this column. In 2 places below, it says aluminum wire harness for seats of TOYOTA BOSHOKU Corporation. These are the drives.

Completely waterproof. This is wire made with Furukawa Electric's material technology. From there, we designed the alloy to meet the required shape, copper strips for sunlight, and fiber laser welding to make it completely waterproof. We have grown by gaining the trust of our customers through the integrated provision of our products, including these caulking technologies.

As you can see in the graph on the right, the number of vehicles equipped with aluminum wire harnesses is expected to grow from 6 companies and 46 models at the end of FY2020 to 8 companies and 100 models in the future.

# 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**

Please see the next page.

I have already explained about optical fiber cables and automotive products, but I would like to explain the status of our sales expansion and cost reduction activities that we have been promoting in other businesses.

Here is the status of energy infrastructure business due to this very thorough response to orders with an emphasis on profitability. It shows Electronics Component Materials, with which we are working on improving the product mix.

In the energy infrastructure business, this includes so-called construction sales, etc., but it also includes our extra high voltage, underground cables, submarine cables, etc. In copper strips business, the product mix is improving. Improvement of the product portfolio within power cable and copper strips businesses. As a result of these efforts, the operating profit margin has improved to around 5% in these business alone, despite the current very high copper prices.

This is the kind of transformational work that we do. I would like to show you here first that we are making solid progress on this.

## 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)>

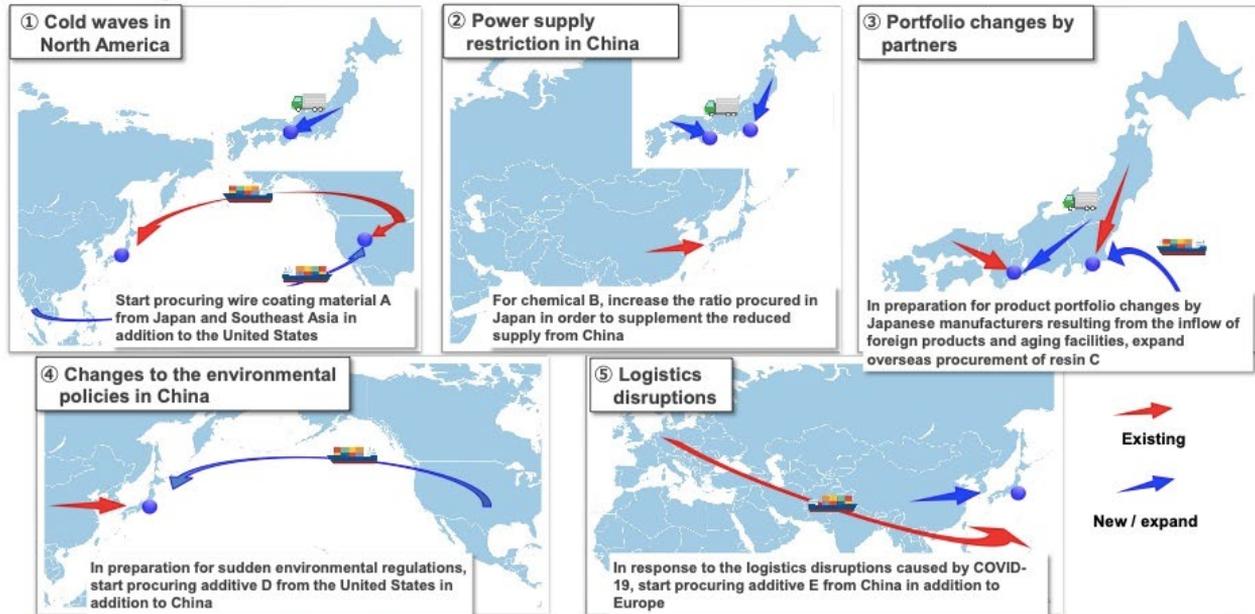
- ① Cold waves in North America: For wire coating material A procured from the United States, expand procurement to suppliers in Japan and other countries
- ② Power supply restriction in China: For chemical B being procured from suppliers in China and Japan, increase the ratio procured in Japan
- ③ Portfolio 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

See the next page.

Page 13 shows the stable procurement of materials for company-wide activities.

I would like to explain more visually what I mentioned earlier about dealing with risks in the box below.

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



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Please see page 14.

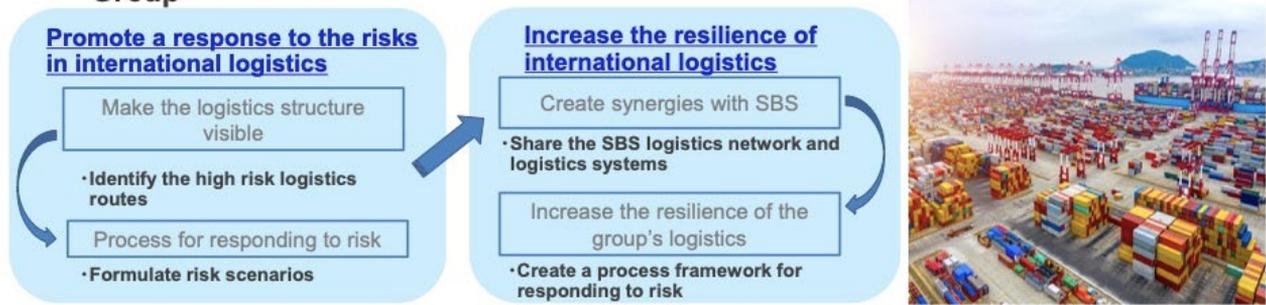
As you can see here, there is a cold wave in North America and power supply restrictions in China. Traditionally, the supply chain has been a single chain, and the goal of this activity is to achieve a tightly connected state. However, when there are various procurement risks, such as the current one, procurement should be multiplied. It is important to be able to procure goods under any circumstances through so-called networking. The technical team had a hard time with multiple purchasing and adopting materials from various locations, but thanks to their efforts, we have been able to achieve stable procurement of these materials.

# 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



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.

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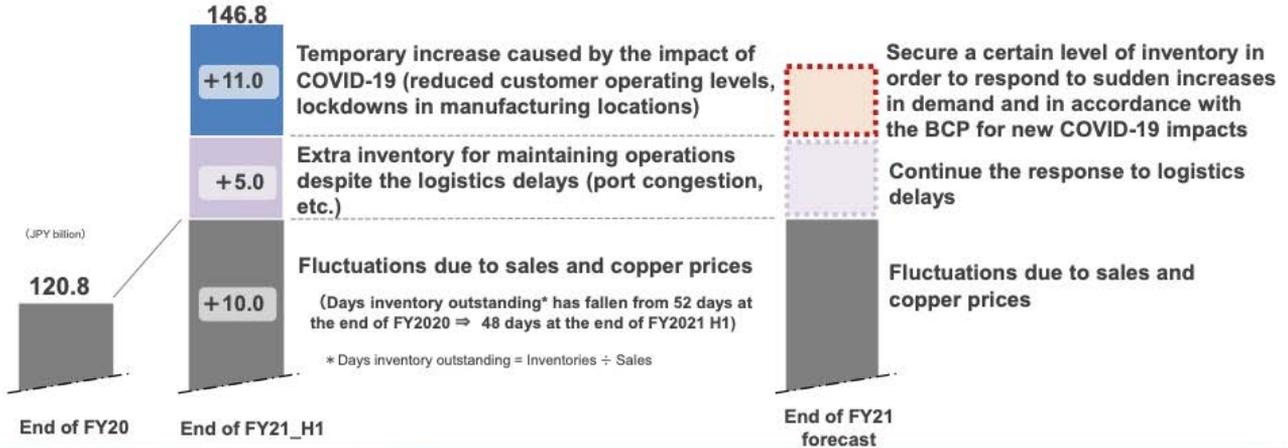
15

In addition, please see page 15.

For strengthening our efforts to realize stable logistics, we are also working with the SBS Group to enhance the logistics of our group.

# 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.



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See next page.

This is the status of inventory management.

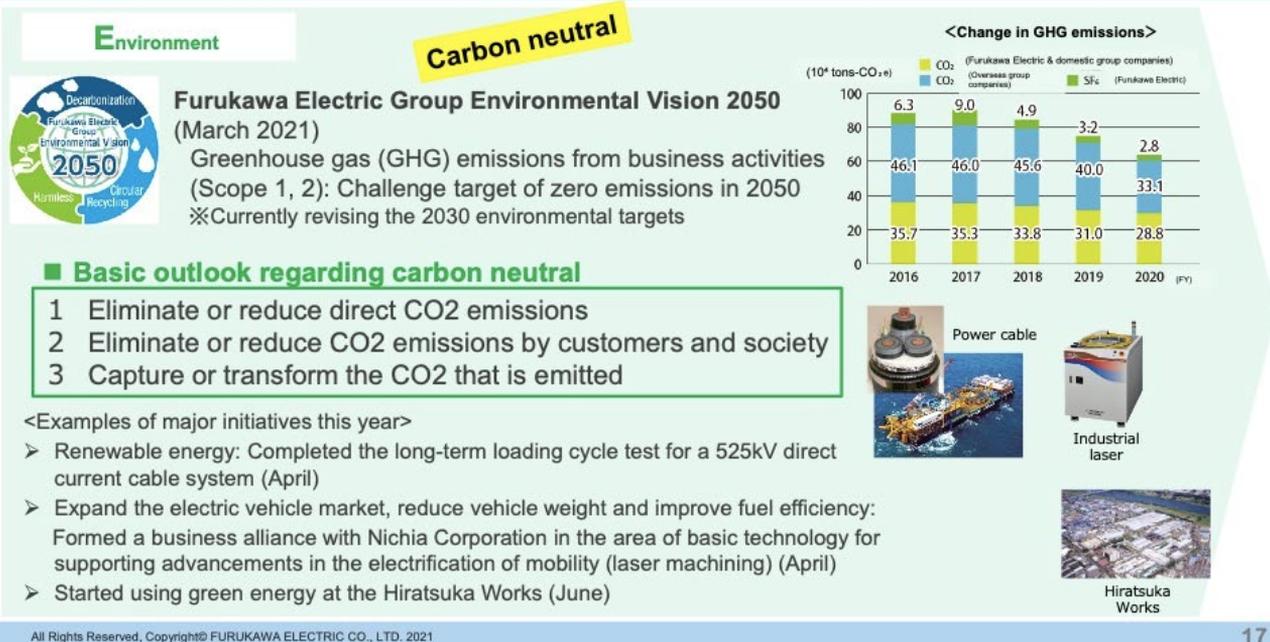
The left bar shows as of the end of FY2020. The next one is as of the first half of FY2021, and the one on the right is as of the end of FY2021.

The gray graph at the bottom shows an increase of JPY10 billion due to changes in sales and copper prices. However, in terms of the number of turnover days, 52 days at the end of the fiscal year and 48 days at the end of the first half are well managed.

Temporary increase due to logistics delays in purple and then the impact of the COVID-19 in dark blue. This is an intentional decision, and we will continue to reduce and improve it through close exchange of information with our customers and market conditions.

Under such circumstances, we have been able to improve the accuracy of our inventory management.

## 2. ESG initiatives (1) Environment



I will explain ESG in the next page.

ESG is an environment. Scopes 1 and 2 in the Furukawa Electric Group Environmental Vision 2050. We are committed to the challenge goal of zero by 2050.

The basic concept of carbon neutrality is the activity of not emitting or reducing one's own CO2 emissions. The second is activities to reduce or eliminate CO2 emissions for customers and society. Thirdly, there are activities to store and change the CO2 emitted.

The activity of not emitting or reducing CO2 in our company. One is to improve the yield rate, and another is to reform the manufacturing process, such as energy conservation and gas conversion. Another is the use of renewable energy through the introduction of green power and in-house facilities. These are some of the things we do.

Second, activities to reduce or eliminate CO2 emissions for customers and society. This is exactly what we are doing with our products. In addition to so-called "systems," we will also contribute to the development of offshore wind power, bipolar storage batteries, aluminum wire harnesses, and industrial lasers.

In terms of storing and changing the CO2 emitted, we have water pipes that have been used to pump deep-sea water. We are promoting the use of this for CCS.

On the other hand, we have been announcing the Ramune catalyst in various places recently. The Ramune catalyst, which has been developed based on polymer and metal technologies, is used to turn so-called methane gas into highly resilient LPG gas. We are working on this.

## 2. ESG initiatives (2) Social

**Social**



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

Response to human rights



Formulated a human rights policy (January 2020)



WE SUPPORT  
UN GLOBAL COMPACT



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.

Please turn to the next page. This is about society.

Regarding society, we have been revising our CSR code of conduct from the left, and in March 2021, we revised our CSR procurement guidelines. And from this September, we have started to conduct due diligence on human rights.

## 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

**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

Chairman of the Board  
(not executive without the representative rights)

Executive Directors: 5 Members  
Outside Directors: 5 Members  
All 11 members are independent

partial excerpt

No.	Sex	Age	Academic Qualification	Field of Expertise	Industry Experience (years)	Company Experience (years)	Other	Other	Other	Other
1	Male	61	○					○		
2	Male	60	○					○	○	
3	Male	60	★				○			
4	Male	58	★	○	○					○
5	Male	58	○			○				
6	Male	58	★						○	○
7	Male	58	○					○		

### 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  
 Kelichi Kobayashi

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

Please turn to the next page. This is the governance.

As you can see on the left side of the report, we reduced the number of internal directors by one, and the number of executive directors and outside directors are now equal. Similarly, we have disclosed the skill matrix. In addition, in August, we established the Basic Sustainability Policy and established the Sustainability Committee to promote our activities.

This is the status of our activities as described above.

### 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

Please turn to the next page.

Lastly, I would like to explain our annual earnings forecast and dividends.

As for the financial forecast, as explained by Fukunaga earlier, the dividend for FY2021 is expected to be JPY60 per share, unchanged from the initial forecast.

I have explained above. Thank you.