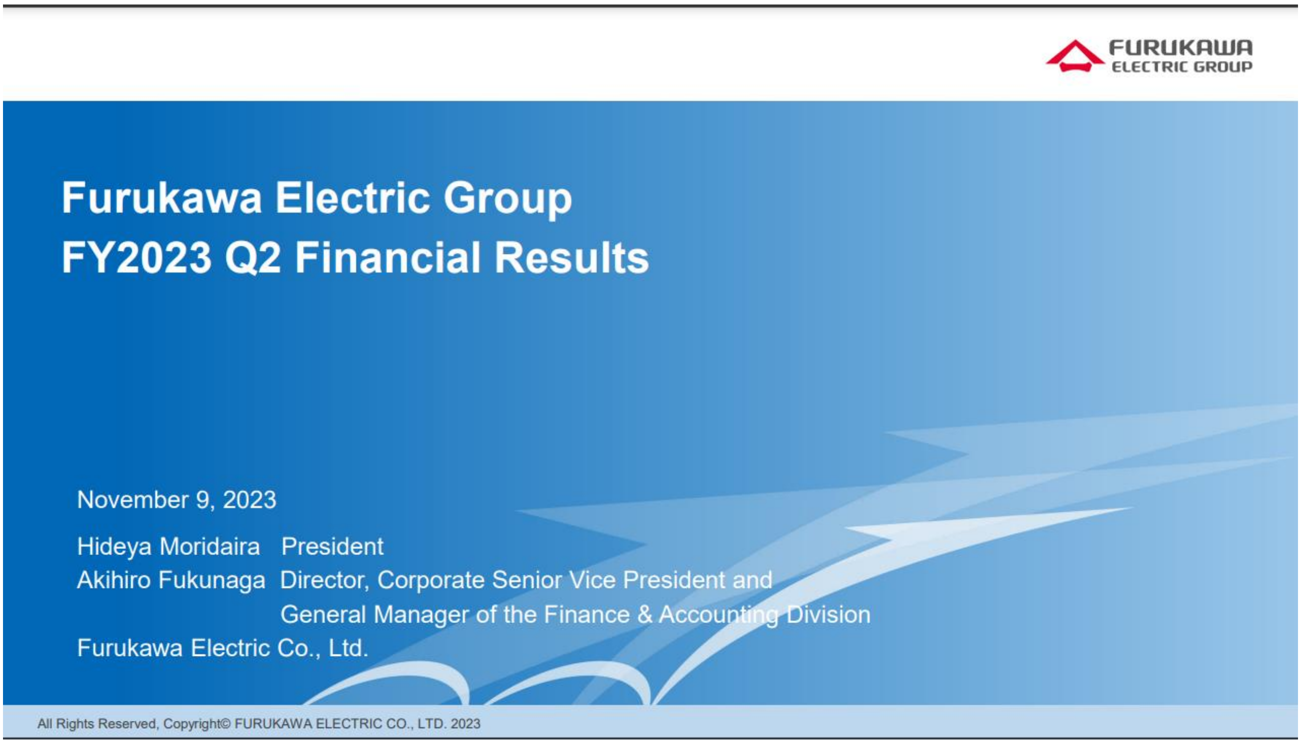
Furukawa Electric Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2024

November 9, 2023

[Number of Speakers]	2	
	Hideya Moridaira	President
	Akihiro Fukunaga	Director, Corporate Senior Vice President, and General Manager of Finance & Accounting Division



Moridaira: I would like to thank you for participating in our financial results briefing today despite your busy schedule. I am Moridaira, President of the Company. I will give an overall explanation first, and then Fukunaga, General Manager of the Finance & Accounting Division, will explain the details. Thank you.

Today's Agenda

FY2023 H1 financial results and FY2023 full-year forecasts

- FY2023 H1 financial results highlights
- Revised FY2023 full-year forecasts
- Status of the optical fiber & cable business and initiatives for reform
- Management focused on capital efficiency
- Key domains for achieving Vision 2030

- FY2023 H1 results - P/L summary
- FY2023 full-year forecasts - P/L summary
- Net sales and operating Income by segment (FY2023 H1 results)
- Net sales and operating income by segment (FY2023 full-year forecasts)
- FY2023 H1 results - B/S summary
- Results and future outlook of inventory
- CAPEX, depreciation & amortization and R&D expenses

Appendix

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Now, I'll talk you through the materials, please skip 1 page, and turn to page 3. This is today's agenda. I will talk until "Key domains for achieving Vision 2030".

FY2023 H1 financial results and full-year forecasts

Please turn to page 4. The presentation material starts here.

FY2023 H1 financial results highlights

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■ **Both sales and profits decreased year-on-year, mainly due to a large decline in the Communications Solutions business.**

(JPY billion, JPY/kg, JPY/USD)	FY22_H1 Results*	FY23_H1 Results	YoY change	(Comparison with last year)
	a	b	b-a	
Net Sales	**524.5**	**503.1**	**(21.4)**	【Higher sales】Electronics & Automotive Systems (Automotive Products & Batteries) 【Lower sales】Infrastructure, Electronics & Automotive Systems (Electronics Component Materials), Functional Products
Operating income	**4.6**	**(4.6)**	**(9.2)**	【Increased profit】Electronics & Automotive Systems (Automotive Products & Batteries) 【Decreased profit】Infrastructure, Electronics & Automotive Systems (Electronics Component Materials), Functional Products
Ordinary income	**12.1**	**(3.6)**	**(15.7)**	
Net income attributable to owners of the parent	**6.3**	**(4.1)**	**(10.5)**	
Average copper price	1,205	1,241		
Average exchange rate	134	141		

*Restated only the FY2022 financial results following the start of voluntary application of the International Financial Reporting Standards (IFRS) at the equity method affiliate UACJ Corporation (Refer to the Appendix for details)

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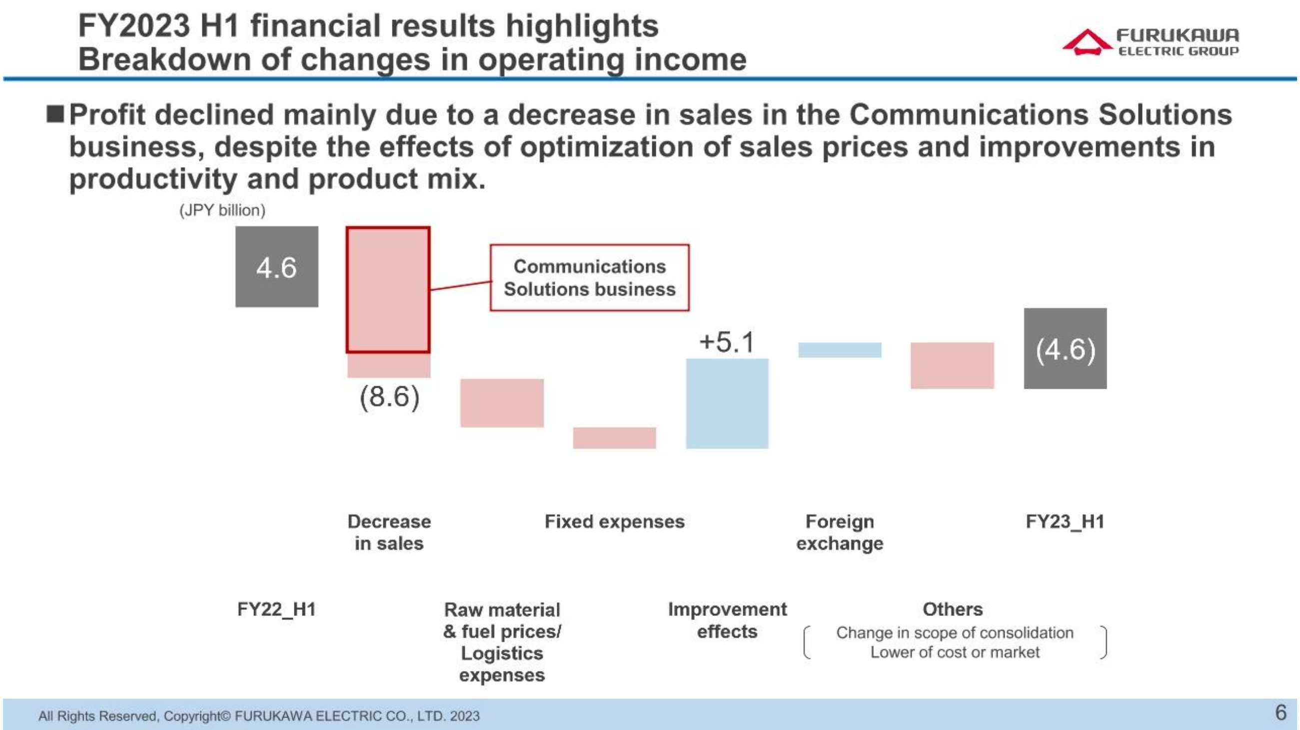
Please turn to page 5. FY2023 H1 financial results highlights is that the market environment for the Communications Solutions business was extremely unfavorable and had a significant impact on the overall performance of the company. Net sales were JPY503.1 billion, down JPY21.4 billion YoY. Operating income was a loss of JPY4.6 billion, down JPY9.2 billion YoY.

The factors behind the increase and decrease are shown in the right half of this slide, respectively. The automobile-related sector is improving as the market recovers. However, the overall picture is that the deterioration in Communications Solutions business has outpaced this. Ordinary income was a loss of JPY3.6 billion and net income attributable to owners of the parent was a loss of JPY4.1 billion.



Please turn to page 6. Factors that may cause an increase or decrease in operating income are shown in the waterfall chart. The downturn was largely due to lower sales, with the majority of the decline in sales coming from Communications Solutions business. This was mainly due to lower sales of general-purpose optical fibers & cables in North America and Latin America, and lower sales of optical devices. This has erased the effect of increased sales of automotive and AI-related products.

On the other hand, improvement effects, such as price optimization and productivity improvement, are seen across the entire business. This trend continued during H1.

Revised FY2023 full-year forecasts

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■ **Sales declined due to worse than expected cutbacks in investment by customers and prolonged inventory adjustments in the Communications Solutions business. Accordingly, full-year forecasts for each stage profit and loss were revised downward.**

(JPY billion, JPY/kg, JPY/USD)	FY22 Results*1	FY23 Previous forecasts*2	FY23 Forecasts	YoY change	Change from previous forecasts	(Comparison with previous forecasts)
	a	b	c	c-a	c-b	
Net Sales	1,066.3	1,100.0	1,040.0	(26.3)	(60.0)	【Upward revision】Electronics & Automotive Systems 【Downward revision】Infrastructure, Functional Products
Operating income	15.4	24.0	5.0	(10.4)	(19.0)	【Upward revision】Electronics & Automotive Systems, Functional Products 【Downward revision】Infrastructure
Ordinary income	17.3	23.0	4.0	(13.3)	(19.0)	Operating income declined
Net income attributable to owners of the parent	15.9	13.0	0.0	(15.9)	(13.0)	Extraordinary income increased
Average copper price	1,209	1,180	1,191	(19)	+11	
Average exchange rate	135	130	141	+5	+11	

*2 Announced on May 11, 2023

The year-end dividend forecast of JPY60 per share announced on May 11, 2023 has been left unchanged.

*1 Restated only the FY2022 financial results following the start of voluntary application of the International Financial Reporting Standards (IFRS) at the equity method affiliate UACJ Corporation (Refer to the Appendix for details)

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Please turn to page 7. We have revised downward our previous forecast for the current fiscal year. Details will be explained later, but the main factor is that the slump in orders related to information and telecommunications in North America and Latin America is expected to be more prolonged than expected. The current year-end dividend forecast of JPY60 per share remains unchanged. The reason for this is that we recognize that this situation is now at the bottom, with the Automotive Products & Batteries, Functional Products, and Energy Infrastructure business segments on the road to recovery.

Net income is forecasted to be zero for the current fiscal year and a large reduction in the dividend could be an option based on the payout ratio of 30%. However, since we have secured the resources to pay dividends and we can expect a recovery in the future, we have decided to emphasize stable dividends. We will determine what the final figure will be and present it to our shareholders, while keeping an eye on the balance between the financial results and our activities for growth, which will be discussed later in this report.

Revised FY2023 full-year forecasts
Operating income by segment

- **Automotive Products & Batteries and Functional Products are better performance than expected**
- **Communications Solutions, Energy Infrastructure and Electronics Component Materials are downside**

(JPY billion) Segments	Sub-segments	FY22 Results	*FY23 Previous forecasts	H1 Results	H2 Forecasts	FY23 Forecasts	YoY	Change from previous forecast	Situation
Infrastructure	Communications Solutions	6.5	8.0	(6.0)	(6.5)	(12.5)	(19.0)	(20.5)	In the optical fiber & cable business, demand in North and Latin America remained sluggish
	Energy Infrastructure	2.1	2.0	(2.6)	3.6	1.0	(1.1)	(1.0)	Large-scale submarine cable projects will be delayed from next fiscal year onward, but other domestic projects will be firm
Electronics & Automotive Systems	Automotive Products & Batteries	1.5	8.5	2.3	9.2	11.5	+10.0	+3.0	Recovery accelerated
	Electronics Component Materials	3.2	4.0	0.6	1.9	2.5	(0.7)	(1.5)	Continued slow recovery in the electronics market
Functional Products		4.2	4.0	2.1	2.9	5.0	+0.8	+1.0	AI related business continued to perform well, but other businesses were slow to recover

*Announced on May 11, 2023

Please see page 8. We have broken down our full-year forecast shown in the previous section into segments. The downward revision from the previous full-year forecast is due to the fact that we do not expect other segments to be able to absorb the downturn in the Communications Solutions business. In our Q1 financial results presentation, we left our full year forecast unchanged because we were still in the process of determining how far the slump in orders for information and telecommunications in North America and Latin America would be prolonged, but we have made this decision after observing the pace of inventory declines at our customers and other factors.

Except Communications Solutions business, the large submarine power cable project scheduled for this fiscal year has been postponed to the next fiscal year or later due to customer reasons, and the slow recovery of the electronics market for home appliances, smartphones, and PCs is expected to cause the Energy Infrastructure and Electronics Component Materials businesses to slightly underperform the previous forecast.

On the other hand, the development forecast for Automotive Products & Batteries and Functional Products has been revised upward due to a recovery in automobile sales and an increase in AI-related investments.

Status of the optical fiber & cable business and initiatives for reform

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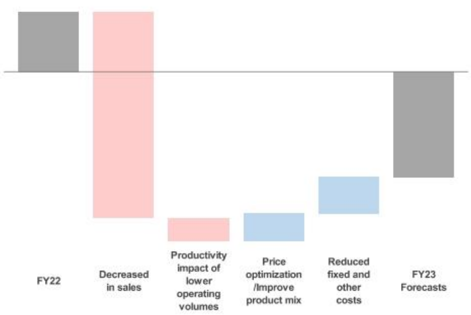
- Lower sales due to sluggish demand in the Americas
  → Continue price optimization and reducing fixed and other costs
- Growth of telecommunications traffic-Market in the Mid term is certain
  (pay close attention to the recovery period)
- Accelerate the shift to networking systems and high-value-added products

Breakdown of the changes in operating income
(FY22 results vs FY23 forecasts)



Ongoing initiatives

Reduced fixed and other costs and improved productivity	• Consolidation and closure of low-profit bases • Consolidation of operating areas and development of manufacturing system for recovery of demand (compatibility of reduction of fixed costs and human resource risk) • Utilization of DX and IoT
Higher margins due to improved product mix	• Expand solution portfolio (networking system) • Expansion of production capacity for rollable ribbon cable • Specialty optical fibers focus on three markets: Aircraft and Defense, Medical, and Communications • Expansion of customer base on the submarine line and development and mass production of next-generation products
Preparation of revenue opportunity	• Expand customer base mainly in North America (FTTH, DC) • Response to orders for BEAD* program * Broadband Equity Access and Deployment Program

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Please see page 9. Within the Communication Solutions business, I would like to explain a little more about the fiber & cable business, which had a particularly large impact of the downward revision of the full-year forecast.

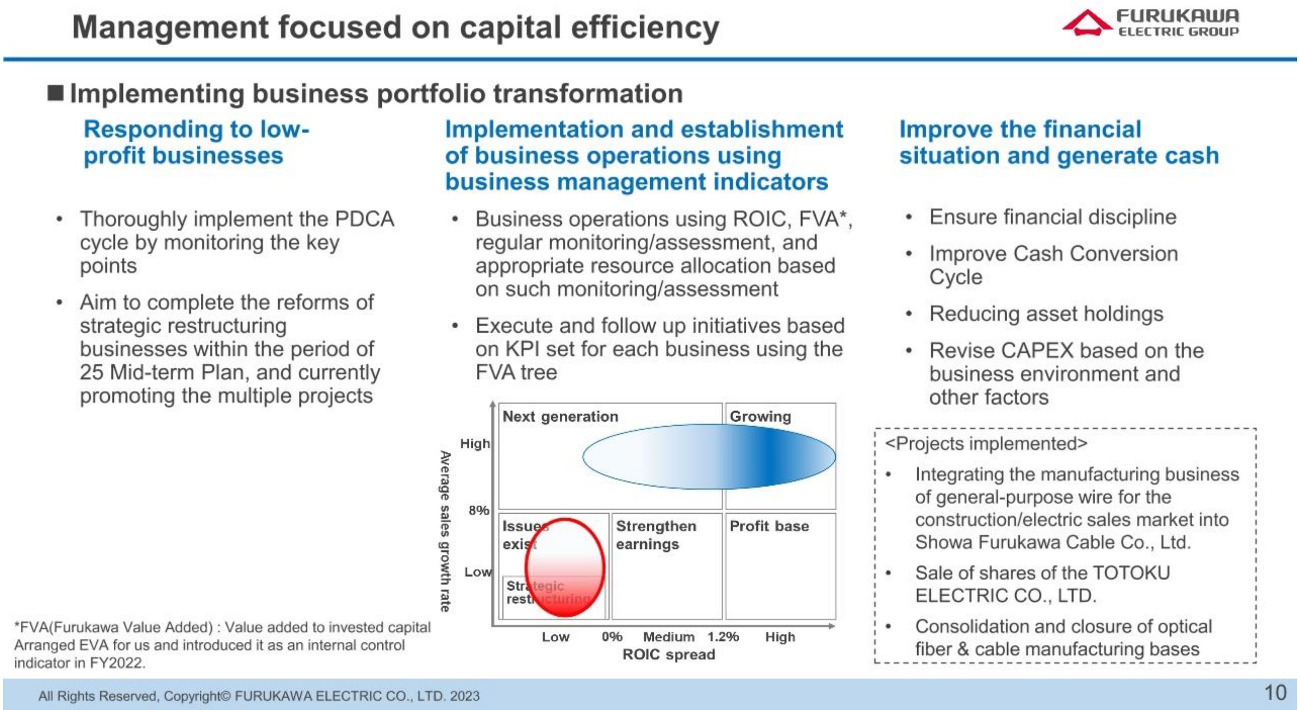
The waterfall chart shows the factors behind the change in operating income between the previous year’s results and this year’s full-year forecast, and as can be seen, the decrease in sales is a factor in the decline in income. In the North American market, our main customers, the Tier 2 and 3 regional telecommunications carriers, have excess inventories of optical cables sold during the COVID-19 pandemic, and are holding back on purchases due to the Buy American policy, where the BEAD program of government subsidies is being evaluated. Our analysis also attributes the situation to the tendency to hold back on investment due to inflation. Latin American carriers have been experiencing a similar trend, and while we had expected this recovery to occur in H2 of the current fiscal year in general, we now expect it to begin in the next fiscal year.

In the mid- to long-term, the market is expected to recover and return to a growth trajectory, and we are determined to capture this recovery. However, low-cost exports of general-purpose fibers & cables from China and India, as well as the acceleration of local production in North America and other regions, are putting increasing pressure on prices in the general-purpose products market, and cost competition is expected to intensify further, including in markets outside the Buy American policy in North America.

We have already achieved a certain level of reductions of fixed and other costs, and productivity improvements, but we will further strengthen these efforts and focus on improving the product mix, not by capturing general-purpose products through a major expansion of existing manufacturing infrastructure, but by focusing on our strengths in rollable ribbon cables, high-performance fibers, specialty fibers, submarine fibers, and networking system.

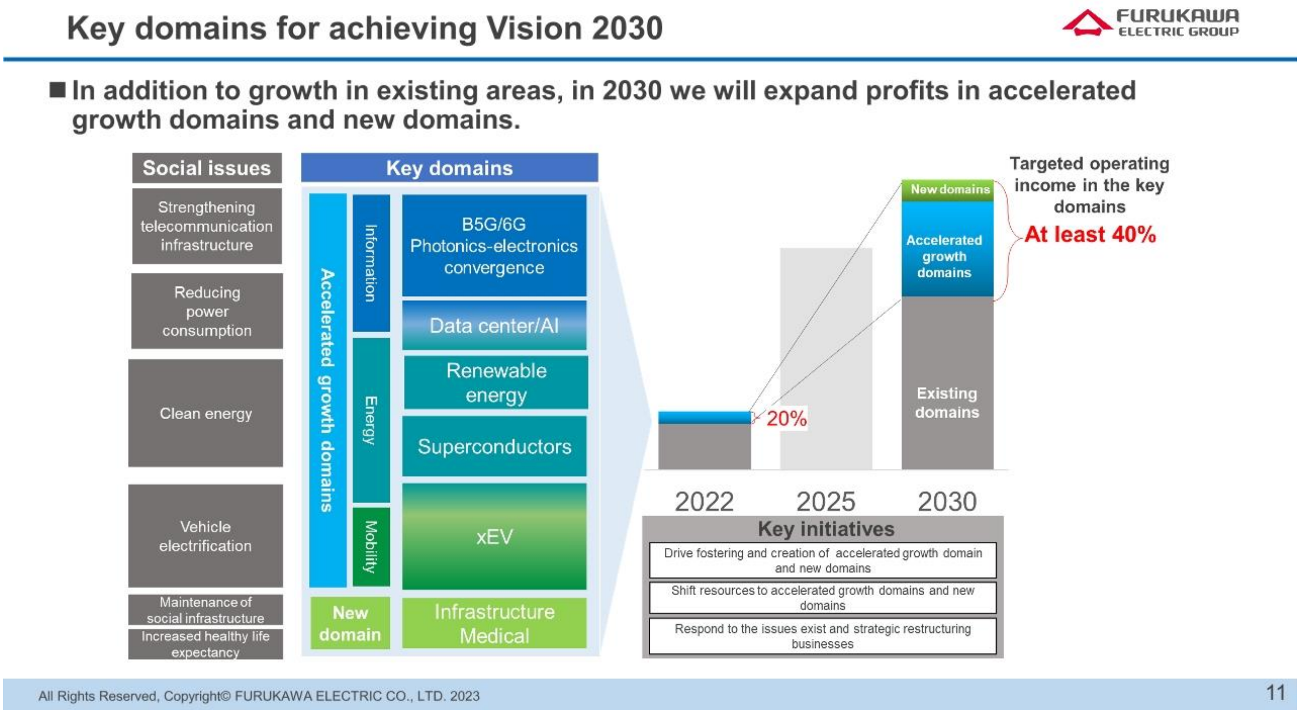
In the area of optical devices, recovery is likely to be faster than in the area of fibers & cables, and there are signs of an increase in orders, driven by investment related to AI and other factors. We will focus on growing businesses related to next-generation telecommunications infrastructure, such as photonics-electronics convergence and IOWN, to transform the current structure of the

Communications Solutions business, which is centered on overseas general-purpose optical fibers & cables.



Please see page 10. With respect to management focused on capital efficiency, the entire Group has been working on the transformation of its business and product portfolios. In particular, for low-profit businesses, we have been proactively improving profitability at the product group level through price pass-on measures and withdrawing from products for which this is difficult to achieve. We are also considering the integration of manufacturing bases, and plan to begin concrete moves by the end of this fiscal year. Of course, we will continue to accelerate our ongoing structural transformation.

FVA and its constituent requirements will be represented in tree-form, each indicator will be monitored, points for improvement identified, and measures implemented. We will then proceed with a shift to positive figure of FVA by reorganizing unprofitable products and focusing on product groups in which we have strengths. We will not invest in businesses in which this is difficult, and which do not offer future growth prospects, and will downsize or withdraw from these businesses. In addition, the timing and details of capital investments have been changed, reduced, or cancelled in consideration of the current business situation.



Please see page 11. Here are some of the areas we will be focusing on. In our Vision 2030, we advocate becoming a corporate group that is indispensable in solving social issues. The targeted societal issues are strengthening telecommunication infrastructure, reducing power consumption, clean energy, vehicle electrification, maintenance of social infrastructure, and increased healthy life expectancy, as shown here.

The key domains related to these areas are defined as shown here. The markets of all of these areas are expected to grow and are areas where we can take advantage of our resources. We will accelerate investments in R&D, capital investments, acquiring and training human resources, strengthening our customer base, or co-creation with customers, and develop these areas as pillars of our earnings. We will also implement measures such as M&A to achieve these target levels.

The current environment in the telecommunications market is not good for our group. However, we are beginning to see recovery in other markets. Through these positive changes in the external environment and the internal initiatives I have mentioned, we will steadily improve our financial results.

Fukunaga, General Manager of the Finance & Accounting Division, will now explain the details.

FY2023 H1 results - P/L summary

（JPY billion, JPY/kg, JPY/USD）	*FY22_H1	FY23_H1	YonY change	Breakdown of changes (H1)
	a	b	b-a	
Net sales	**524.5**	**503.1**	**(21.4)**	**See page 15**
Operating income	**4.6**	**(4.6)**	**(9.2)**	**See page 16**
(Margin)	0.9%	(0.9%)	(1.8)	
Profit/loss in equity method affiliates	3.9	2.2	(1.7)	
Foreign exchange gain/loss	4.7	2.1	(2.7)	
Ordinary income	**12.1**	**(3.6)**	**(15.7)**	
(Margin)	2.3%	(0.7%)	(3.0)	
Extraordinary income/loss	0.1	3.5	+3.4	・Extraordinary income : +5.0 [1.3 → 6.3] ・Extraordinary loss : (1.6) [(1.2) → (2.8)]
Income taxes	(5.6)	(3.6)	+2.0	
Net income attributable to non-controlling interests	(0.3)	(0.4)	(0.1)	
Net income attributable to owners of parent	**6.3**	**(4.1)**	**(10.5)**	
(Margin)	1.2%	(0.8%)	(2.0)	
Average copper price	1,205	1,241	+36	
Average exhange rate	134	141	+7	

*Restated only the FY2022 financial results following the start of voluntary application of the International Financial Reporting Standards (IFRS) at the equity method affiliate UACJ Corporation (Refer to the Appendix for details)

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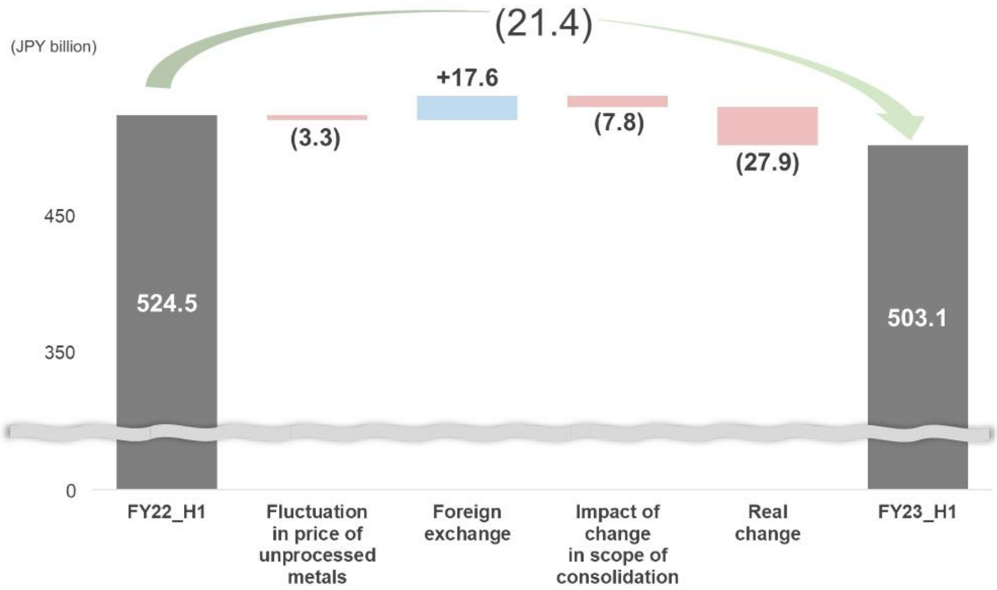
Fukunaga: I am Fukunaga from the Finance & Accounting Division. I will now explain the details.

Please turn to page 14. This is the summary P/L for H1. I will explain the operating income and sales in the following pages.

Non-operating profit and loss includes equity in earnings of affiliates, mainly a decrease in UACJ Corporation, a decrease in foreign exchange gains due to smaller yen depreciation compared to the previous year, and higher interest rates. As a result, ordinary income decreased by JPY15.7 billion from the previous year to a loss of JPY3.6 billion. Although there were extraordinary gains due to the sale of policy stock holdings, net income attributable to the parent company also decreased by JPY10.5 billion from the previous year to a loss of JPY4.1 billion.

FY2023 H1 results
Breakdown of changes in net sales



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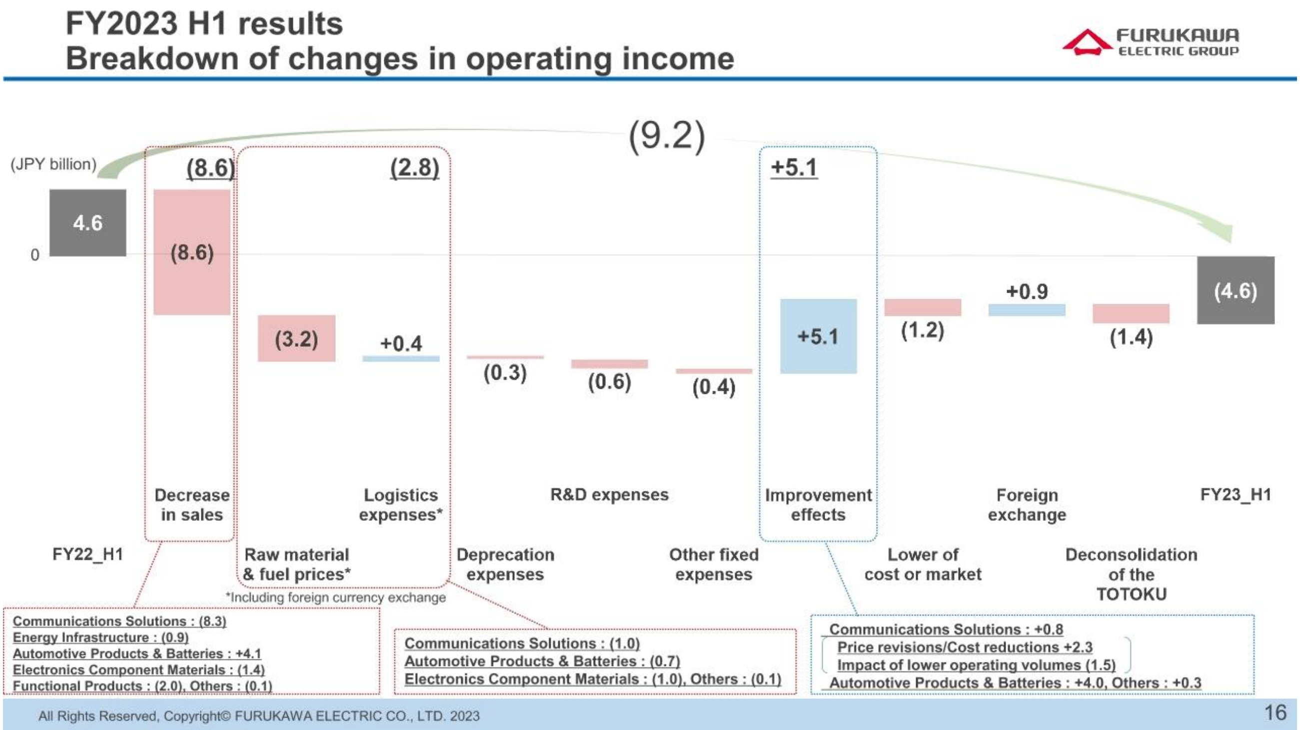
Page 15 shows a waterfall chart of YoY changes in sales for H1. Excluding changes in price of unprocessed metal, foreign exchange, and change in the scope of consolidation, the real change was a decrease of JPY27.9 billion. Of the changes in the scope of consolidation, JPY7.7 billion was due to the sale of equity interest in TOTOKU ELECTRIC CO., LTD. in the previous fiscal year. The main breakdown of the real change was a decrease of about JPY26.0 billion in Communications Solutions business and a decrease of about JPY8.0 billion in Electronics Component Materials and Functional Products businesses, respectively, while an increase of about JPY14.0 billion was recorded in Automotive Products & Batteries business.



Page 16 is a waterfall chart of YoY H1 operating income. The impact of the decrease in sales was very large, down JPY8.6 billion. Of this amount, Communications Solutions business was down JPY8.3 billion, while Automotive Products & Batteries business gained about JPY4.0 billion and others were down JPY4.5 billion. Raw materials & fuel prices also had a negative impact of JPY2.8 billion.

Depreciation and research expenses increased due to the depreciation of JPY, and other fixed costs similarly rose due to the impact of the weaker JPY and higher unit labor costs, but the increase was controlled through substantial spending restraints and reductions. This was supplemented by positive JPY5.1 billion due to price optimization including price pass-through, product mix, productivity improvements, and cost reductions. However, this does not fully cover the negative amount.

The negative impact of the lower of cost or market in the Energy Infrastructure business and the exclusion from the equity method through the sale of equity interests of TOTOKU ELECTRIC CO., LTD. in the previous fiscal year, resulted in a JPY9.2 billion decrease YoY despite the positive effect of foreign exchange due to the weaker JPY.

FY2023 full-year forecasts - P/L summary

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(JPY billion, JPY/kg, JPY/USD)	*1 FY22 Results	*2 FY23 Previous forecasts	FY23 Forecasts	YonY change	Change from previous forecasts	
	a	b	c	c-a	c-b	
Net sales	**1,066.3**	**1,100.0**	**1,040.0**	**(26.3)**	**(60.0)**	
Operating income	**15.4**	**24.0**	**5.0**	**(10.4)**	**(19.0)**	
(Margin)	1.4%	2.2%	0.5%	(1.0)	(1.7)	
Profit/loss in equity method affiliates	3.6	-	-	-	-	
Foreign exchange gain/loss	1.7	-	-	-	-	
Ordinary income	**17.3**	**23.0**	**4.0**	**(13.3)**	**(19.0)**	
(Margin)	1.6%	2.1%	0.4%	(1.2)	(1.7)	
Extraordinary income/loss	10.7	(0.5)	8.3	(2.4)	+8.8	Sale of strategic stockholdings
Income taxes	(10.3)	-	-	-	-	
Net income attributable to non-controlling interests	(1.7)	-	-	-	-	
Net income attributable to owners of parent	**15.9**	**13.0**	**0.0**	**(15.9)**	**(13.0)**	
(Margin)	1.5%	1.2%	0.0%	(1.5)	(1.2)	
Average copper price	1,209	1,180	1,191	(19)	+11	Changes in exchange rates and copper price (H2 assumption : 1,140)
Average exhange rate	135	130	141	+5	+11	(H2 assumption : 140)

*2 Announced on May 11, 2023

*1 Restated only the FY2022 financial results following the start of voluntary application of the International Financial Reporting Standards (IFRS) at the equity method affiliate UACJ Corporation (Refer to the Appendix for details)

Page 17 is a summary P/L of the FY2023 full-year forecasts. Sales of the Automotive Products & Batteries business were on a positive trend, but sales of Communications Solutions business were negative due to prolonged sluggish demand for fiber cables and optical devices. A large-scale project for Energy Infrastructure business, which was scheduled for booking in H2 of the fiscal year, was also postponed due to customer reasons. The Electronics Component Materials business are also negative due to a delayed recovery in the electronics market. As a result, total net sales is down JPY60.0 billion from the previous forecast to JPY104.0 billion. Operating income also declined by JPY19.0 billion to JPY5.0 billion due to the significant impact of the sales decline, despite the implementation of improvement measures. Operating income is also revised downward by JPY19.0 billion.

Net income attributable to the parent company is also revised downward to JPY0.0, a decrease of JPY13.0 billion, due to an expected increase in extraordinary gains as a result of the sale of policy stock holdings and further streamlining of assets. The exchange rate for H2 of the fiscal year is assumed to be JPY140 to the dollar.

Net sales and operating income by segment (FY2023 H1 results)

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(JPY billion)	Net sales			Operating income		
	FY22_H1 Results	FY23_H1 Results	YoY change	FY22_H1 Results	FY23_H1 Results	YoY change
	a	b	b-a	c	d	d-c
Infrastructure	**159.8**	**134.8**	**(25.0)**	**2.5**	**(8.7)**	**(11.2)**
Communications Solutions	108.0	86.2	(21.8)	2.3	(6.0)	(8.3)
Energy Infrastructure	51.8	48.6	(3.2)	0.2	(2.6)	(2.9)
Electronics & Automotive Systems	**293.2**	**308.7**	**+15.4**	**(1.8)**	**2.9**	**+4.7**
Automotive Products & Batteries	157.9	180.4	+22.5	(4.2)	2.3	+6.5
Electronics Component Materials	135.3	128.3	(7.0)	2.4	0.6	(1.8)
Functional Products	**70.2**	**55.7**	**(14.5)**	**4.9**	**2.1**	**(2.8)**
Service & Developments, etc.	**14.8**	**15.5**	**+0.7**	**(1.0)**	**(1.1)**	**(0.1)**
Elimination of intra-company transactions	(13.5)	(11.5)	+2.0	(0.0)	0.1	+0.1
Total	**524.5**	**503.1**	**(21.4)**	**4.6**	**(4.6)**	**(9.2)**

Net sales and operating income by segment (FY2023 full-year forecasts)

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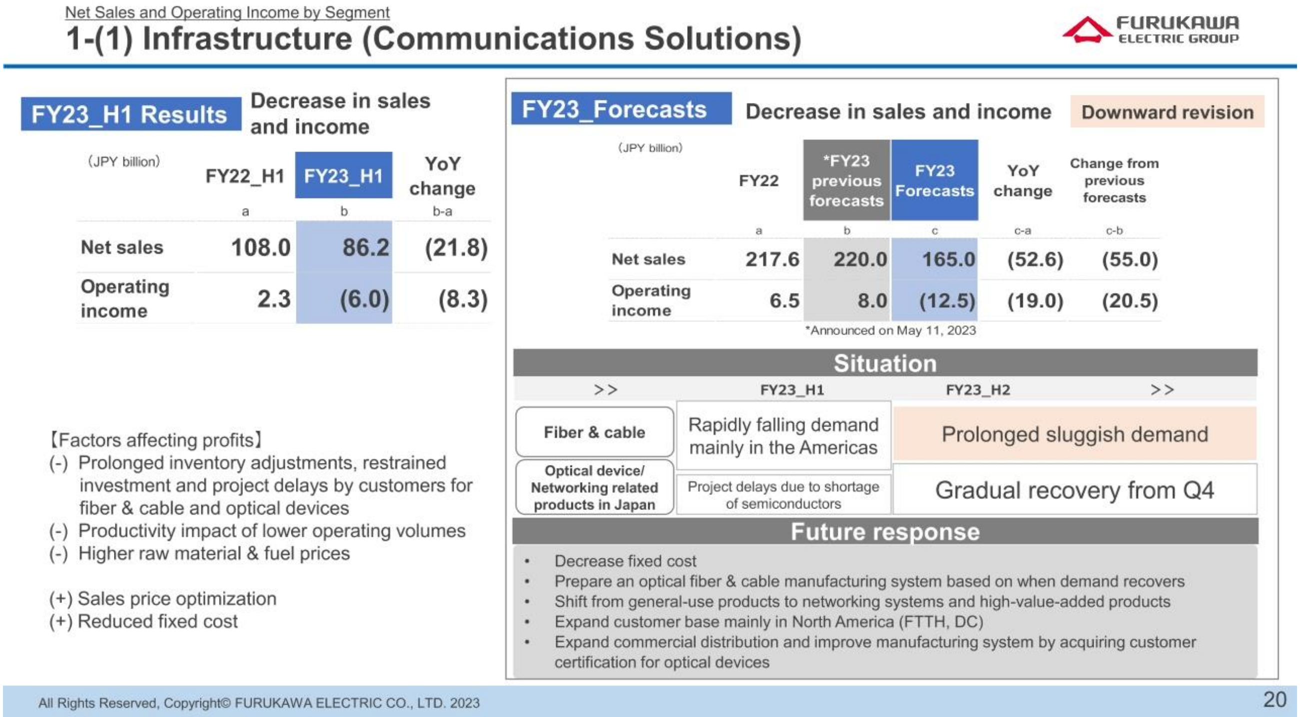
(JPY billion)	Net sales					Operating income				
	FY22 Results	*FY23 Previous Forecasts	FY23 Forecasts	YoY	Change from previous forecasts	FY22 Results	*FY23 Previous Forecasts	FY23 Forecasts	YoY	Change from previous forecasts
Infrastructure	**323.9**	**335.0**	**270.0**	**(53.9)**	**(65.0)**	**8.6**	**10.0**	**(11.5)**	**(20.1)**	**(21.5)**
Communications Solutions	217.6	220.0	165.0	(52.6)	(55.0)	6.5	8.0	(12.5)	(19.0)	(20.5)
Energy Infrastructure	106.3	115.0	105.0	(1.3)	(10.0)	2.1	2.0	1.0	(1.1)	(1.0)
Electronics & Automotive Systems	**610.3**	**645.0**	**655.0**	**+44.7**	**+10.0**	**4.7**	**12.5**	**14.0**	**+9.3**	**+1.5**
Automotive Products & Batteries	337.4	375.0	395.0	+57.6	+20.0	1.5	8.5	11.5	+10.0	+3.0
Electronics Component Materials	273.0	270.0	260.0	(13.0)	(10.0)	3.2	4.0	2.5	(0.7)	(1.5)
Functional Products	**126.5**	**125.0**	**120.0**	**(6.5)**	**(5.0)**	**4.2**	**4.0**	**5.0**	**+0.8**	**+1.0**
Service & Developments, etc.	**31.7**	**30.0**	**30.0**	**(1.7)**	**-**	**(2.1)**	**(2.5)**	**(2.5)**	**(0.4)**	**-**
Elimination of intra-company transactions	(26.1)	(35.0)	(35.0)	(8.9)	-	0.1	**0.0**	0.0	(0.1)	-
Total	**1,066.3**	**1,100.0**	**1,040.0**	**(26.3)**	**(60.0)**	**15.4**	**24.0**	**5.0**	**(10.4)**	**(19.0)**

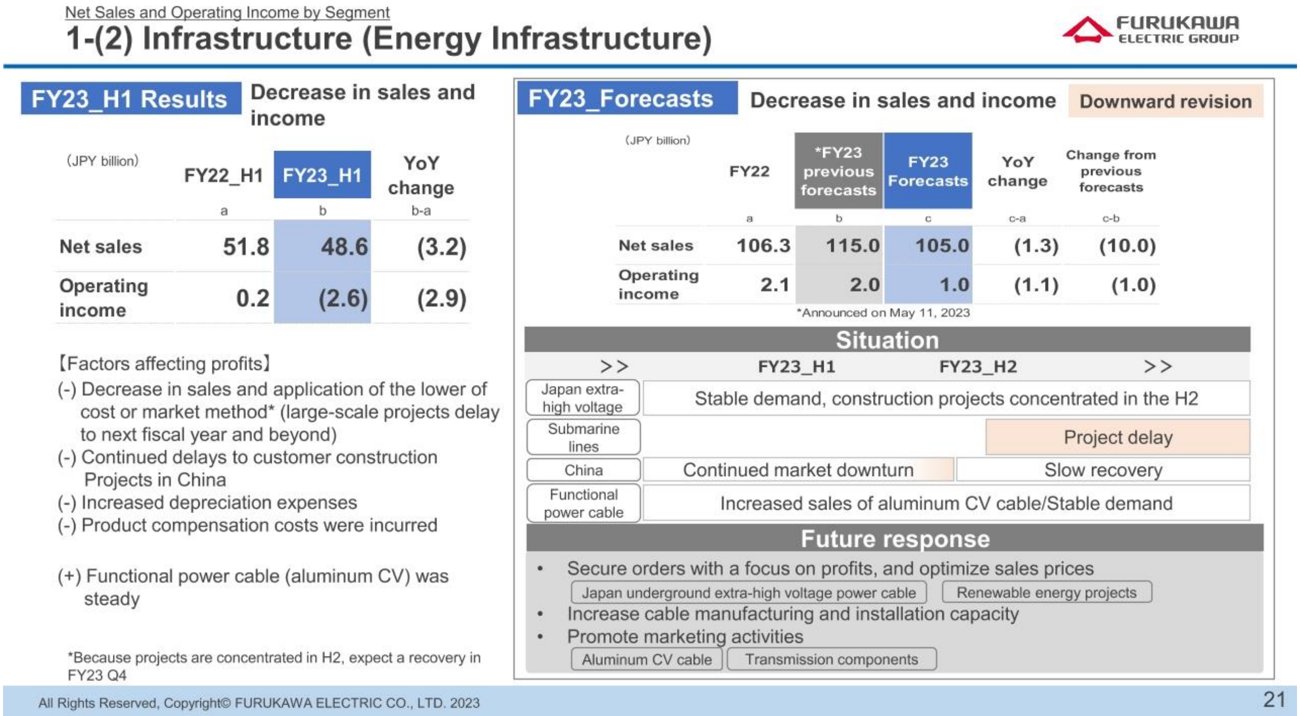
*Announced on May 11, 2023   *Announced on May 11, 2023

Page 18 shows H1 and Page 19 shows the numerical forecast of net sales and operating income by segment. Individual projects are described on subsequent pages.



Please see page 20. First is Communications Solutions business. We have been trying to cover the negative factors of the decrease in sales, the impact on productivity due to lower capacity utilization, and the rise in raw material and fuel prices by optimizing selling prices and reducing costs, but these efforts have not been enough to compensate for the YoY decrease in sales and profit.

We have also revised our full year forecast downward, and the recognition of this situation is the change shown in pink in the middle column on the right. We had expected fiber & cables and optical devices to recover gradually, to recover to some extent from Q4, but the current situation has led us to expect a prolonged slump in demand. We will continue to promote improvement measures such as further fixed cost reductions, while at the same time, we will continue to improve our fiber & cable manufacturing system in anticipation of a period of recovery in demand.


Net Sales and Operating Income by Segment

1-(2) Infrastructure (Energy Infrastructure)

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FY23_H1 Results Decrease in sales and income

(JPY billion)	FY22_H1	FY23_H1	YoY change
	a	b	b-a
Net sales	51.8	48.6	(3.2)
Operating income	0.2	(2.6)	(2.9)

【Factors affecting profits】
(-) Decrease in sales and application of the lower of cost or market method* (large-scale projects delay to next fiscal year and beyond)
(-) Continued delays to customer construction Projects in China
(-) Increased depreciation expenses
(-) Product compensation costs were incurred

(+) Functional power cable (aluminum CV) was steady

*Because projects are concentrated in H2, expect a recovery in FY23 Q4

FY23_Forecasts Decrease in sales and income **Downward revision**

(JPY billion)	FY22	*FY23 previous forecasts	FY23 Forecasts	YoY change	Change from previous forecasts
	a	b	c	c-a	c-b
Net sales	106.3	115.0	105.0	(1.3)	(10.0)
Operating income	2.1	2.0	1.0	(1.1)	(1.0)

*Announced on May 11, 2023

Situation

>>	FY23_H1	FY23_H2 >>
Japan extra-high voltage	Stable demand, construction projects concentrated in the H2	
Submarine lines		Project delay
China	Continued market downturn	Slow recovery
Functional power cable	Increased sales of aluminum CV cable/Stable demand	

Future response

- Secure orders with a focus on profits, and optimize sales prices
  - Japan underground extra-high voltage power cable / Renewable energy projects
- Increase cable manufacturing and installation capacity
- Promote marketing activities
  - Aluminum CV cable / Transmission components

 21

Page 21 is Energy Infrastructure business. Here, sales and profits are also down YoY. There was a negative impact from the application of the lower of cost or market method due to a decrease in revenue as a result of the postponement of large projects to the next fiscal year and beyond, and the associated decline in profitability. This negative effect of the lower of cost or market method is expected to improve in the current the fiscal year due to improved earnings in the H2. Negative factors such as the continued extension of customer construction schedules due to the economic slowdown in China, higher depreciation expenses, and product compensation costs incurred in Q1 also had an impact. On the other hand, functional power cables, such as aluminum CVs remained steady.

The full-year forecast has also been revised downward due to the impact of the postponement of major projects. Most of the JPY10.0 billion in reduced revenues is attributable to these projects. In domestic extra-high voltage, orders are firm and construction projects are expected to concentrate in H2, while China is currently on the road to recovery and is expected to continue its gradual recovery. In addition, we will continue to ensure profit-oriented orders, sales price optimization, and expansion of cable manufacturing and installation capacity.

Net Sales and Operating Income by Segment

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

FURUKAWA ELECTRIC GROUP

FY23_H1 Results Increase in sales and income

(JPY billion)	FY22_H1	FY23_H1	YoY change
	a	b	b-a
Net sales	157.9	180.4	+22.5
Operating income	(4.2)	2.3	+6.5

【Factors affecting profits】
(+) Increase in automobile production
(+) Improvement effects
- Improve productivity and reduce air expenses by stabilizing customers' production plans
- Sales price optimization

(-) Higher raw material and fuel prices
(-) Product compensation costs were incurred
(-) Slowdown for Japanese OEM operating in the Chinese market

FY23_Forecasts Increase in sales and income **Upward revision**

(JPY billion)	FY22	*FY23 previous forecasts	FY23 Forecasts	YoY change	Change from previous forecasts
	a	b	c	c-a	c-b
Net sales	337.4	375.0	395.0	+57.6	+20.0
Operating income	1.5	8.5	11.5	+10.0	+3.0

*Announced on May 11, 2023

Situation

	>>	FY23_H1	FY23_H2 >>
Automotive Products	Decrease in production Rapid change in the plan	Gradually stabilize	Increase production
	Productivity deterioration	Increased productivity	Further improvement
Batteries	Both automotive and industrial sales concentrated in the H2		

Future response
- Production leveling and inventory optimization by anticipating customers' production plan
- Develop products and respond to autonomy for expansion of the electric vehicle market

 22

Page 22 is for Automotive Products & Batteries business. Both sales and income increased YoY. This was due to an increase in automobile production, productivity improvements to accompany and keep pace with this increase, and a significant reduction in air freight expenses incurred in the previous fiscal year due to sudden changes in production plans. Price pass-through including formularization, against rising raw material and fuel prices, is progressing according to plan.

On the other hand, there are negative factors such as product compensation expenses and sluggish sales to Japanese OEMs in the Chinese market, but these are covered by the positive factors.

The full-year forecast has been revised upward from the previous forecast because the risk of lower sales due to semiconductor procurement difficulties by customers had been expected H2, but its concern has been resolved, and productivity improvement is also progressing. We will continue to promote production leveling and optimization of inventory levels, as well as product development and automation for the future expansion of the electric vehicle market.

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

FURUKAWA ELECTRIC GROUP

FY23_H1 Results Decrease in sales and income

(JPY billion)	FY22_H1 (a)	FY23_H1 (b)	YoY change (b-a)
Net sales	135.3	128.3	(7.0)
Operating income	2.4	0.6	(1.8)

【Factors affecting profits】
(-) Demand for automotive and electronics-related products declined
(-) Higher raw material and fuel prices

(+) Sales price optimization
(+) Limited fixed expenses

FY23_Forecasts Decrease in sales and income **Downward revision**

(JPY billion)	FY22 (a)	*FY23 previous forecasts (b)	FY23 Forecasts (c)	YoY change (c-a)	Change from previous forecasts (c-b)
Net sales	273.0	270.0	260.0	(13.0)	(10.0)
Operating income	3.2	4.0	2.5	(0.7)	(1.5)

*Announced on May 11, 2023

Situation

>> FY23_H1 FY23_H2 >>

Slowing demand for automotive and electronics-related products

Gradual recovery for automotive products

Delayed recovery for electronics-related markets

Future response

- Continued improvement of the product mix resulting from increased sales of high value-added products

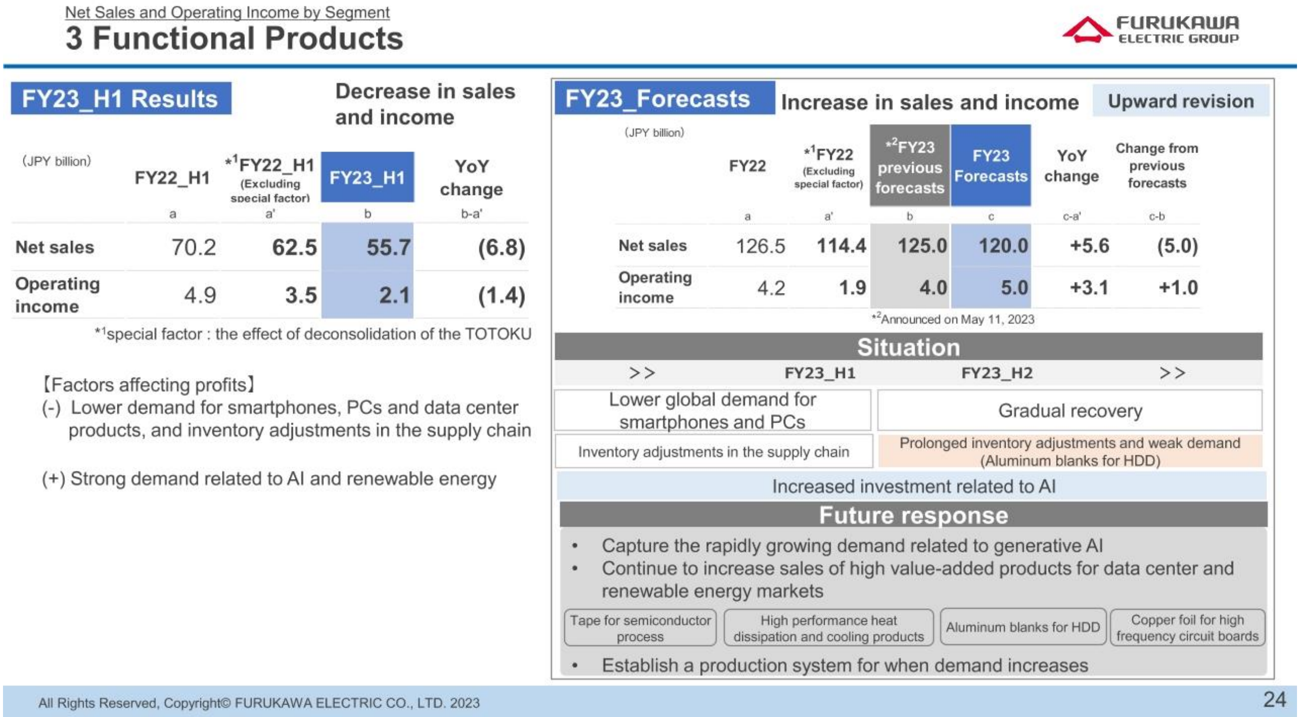
Heat-resistant oxygen-free copper strips (for power semiconductors/heat dissipation components) | Ribbon cable and ultra fine flat wire (for 5G telecommunications) | High performance products (resistance materials)

- Expand lineup of high performance products
- Optimize sales prices and withdraw from low-margin products

 23

Page 23 is for Electronics Component Materials business. Both sales and profits declined in the H1. The main reason is a decrease in demand related to automotive and electronics. However, there is a gradual recovery trend in the automotive-related sector. In addition, although raw material and fuel prices are rising, we are compensating for this by optimizing selling prices and curbing fixed costs.

The full-year forecast has been revised downward due to a delay in recovery of electronics related markets, which we expected to recover in the second half of H1. This business is upstream and is characterized by a delay of a quarter or 6 months from downstream market trends. We have judged that the current situation in the electronics market will make it difficult for the market to recover during this fiscal year. Going forward, we will continue to improve the product mix by shifting to high value-added products to enhance profitability.



Page 24 is for Functional Products business. Please note that the previous year's results include TOTOKU ELECTRIC CO., LTD, so this comparison excludes that factor. Both sales and income decreased in H1. Markets related to smartphones, PCs, and data centers, which were very strong in H1 of the previous fiscal year, have been affected by declining demand and inventory adjustments since H2 of the previous fiscal year. On the other hand, AI products, such utility products, and products for renewable energy, are performing very well.

For the full year forecast, we expect AI-related investments to remain very active in H2. It is expected to exceed the previous forecast. On the other hand, demand for aluminum blanks for HDDis expected to remain sluggish longer than expected.

Overall, the positives more than offsets this, which is why operating income has been revised upward. The downward revision in sales is due to the impact of the product mix within the segment. In the future, the Company will work to capture the growing demand related to generative AI and improve its production system to meet the increasing demand for sales expansion of high-value-added products.

FY2023 H1 results - B/S summary

FURUKAWA ELECTRIC GROUP

(JPY billion)	*End of FY22	End of FY23H1	Change
	a	b	b-a
Current assets	**486.8**	**507.3**	**+20.5**
Cash and bank deposits	47.4	53.8	+6.4
Notes and accounts receivable trade	229.6	227.1	(2.5)
Inventories	172.3	187.7	+15.4
Non-current assets	**446.6**	**459.7**	**+13.0**
Tangible fixed assets	269.3	277.1	+7.8
Intangible fixed assets	20.2	19.8	(0.4)
Investments and other assets	157.1	162.8	+5.7
Total Assets	**933.5**	**967.0**	**+33.5**
Current liabilities	**381.0**	**401.5**	**+20.5**
Non-current liabilities	**223.3**	**229.7**	**+6.3**
Total Liabilities	**604.4**	**631.2**	**+26.8**
Shareholders' equity	283.5	274.1	(9.4)
Accumulated other comprehensive income	18.2	33.5	+15.3
Net income attributable to non-controlling interests	27.4	28.2	+0.8
Total Net assets	**329.1**	**335.9**	**+6.8**
Total Lianbilities and Net assets	**933.5**	**967.0**	**+33.5**
Interest-bearing liabilities	323.8	343.5	+19.6
Capital ratio	32.3%	31.8%	(0.5)
NET D/E ratio	0.9	0.9	+0.0

*Restated only the FY2022 financial results following the start of voluntary application of the International Financial Reporting Standards (IFRS) at the equity method affiliate UACJ Corporation (Refer to the Appendix for details)

Inventories
Increased by JPY 15.4 billion (including the impact of foreign currency exchange and copper prices of JPY +8.3 billion)

- Strategic inventory (Secure inventory in preparation for changes in the business environment, including the semiconductor shortage and increased maritime transportation lead times)
- Projects and construction planned to be recorded as net sales in the future
- External factors including sudden changes in net sales

Property, plant and equipment & Intangible assets
Increased by JPY 7.3 billion

- Impact of CAPEX and depreciation: JPY (0.6) billion
- Impact of foreign currency exchange: JPY +11.0 billion
- Impact of deconsolidation: JPY (3.0) billion

Total assets
Increased by JPY 33.5 billion

- Impact of foreign currency exchange: JPY +34.8 billion
- Impact of new consolidation: JPY +0.5 billion

Other comprehensive income
Increased by JPY 15.3 billion

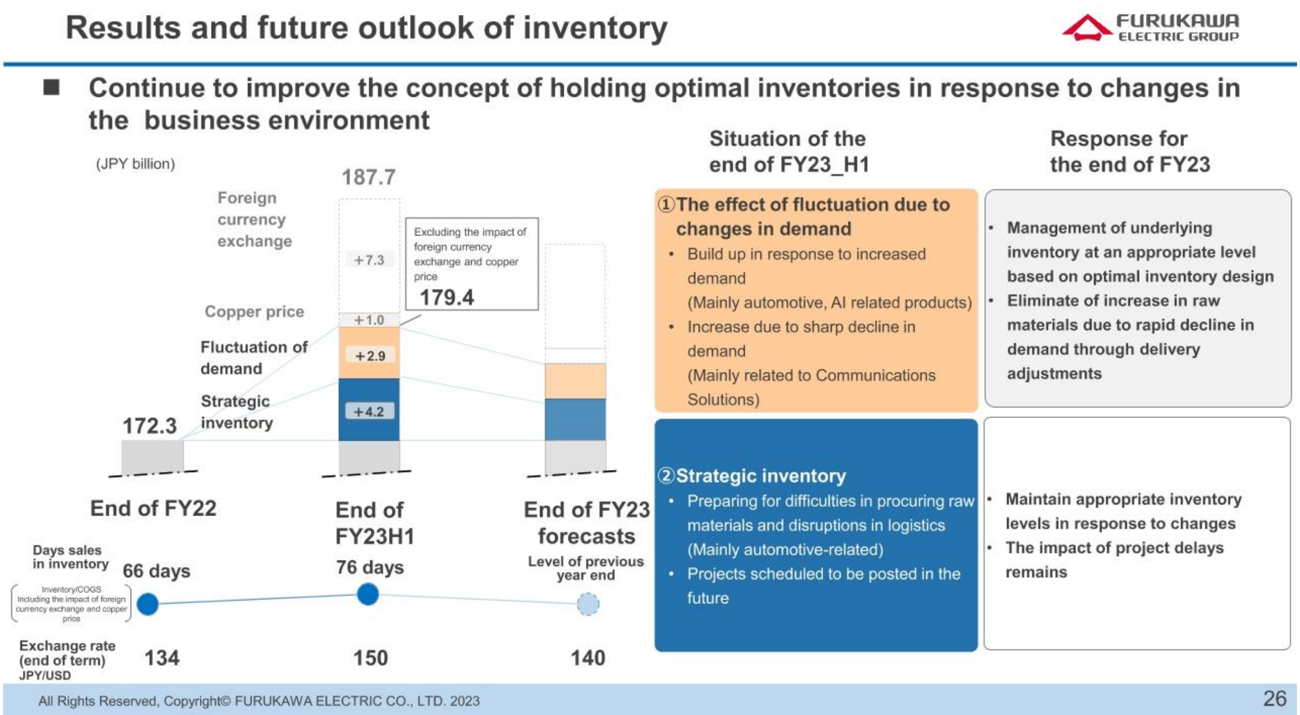
Foreign currency translation adjustments: JPY +14.3 billion (impact of yen depreciation)

Net interest bearing debt
Increased by JPY 13.2 billion (JPY 276.4 billion→JPY 289.6 billion)

 25

Page 25 is a summary B/S at the end of H1 of FY2023. Total assets increased by JPY33.5 billion, of which foreign exchange impact was JPY34.8 billion. The breakdown shows a JPY15.4 billion increase in inventories, an increase of JPY7.1 billion excluding the impact of foreign exchange rate and copper prices. I will add to this on the next page.

In net assets, foreign currency translation adjustments in other comprehensive income increased due to the effect of JPY depreciation. Net interest-bearing debt increased by JPY13.2 billion, partly due to sluggish profits.



Page 26 shows actual and projected inventories. Excluding the increase in foreign exchange rate and copper prices at the end of H1, the increase was JPY7.1 billion, of which JPY2.9 billion was due to changes in demand. JPY4.2 billion of strategic inventories are to prepare for raw material procurement difficulties and logistics disruptions, and for projects to be booked in the future.

Inventories resulting from changes in demand are basically linked to increases or decreases in sales, but they will temporarily increase if a decrease in demand occurs in a shorter period of time than the procurement lead time. H1 was affected by this. This will be eliminated for H2. We will continue to properly manage the base inventory based on optimal inventory design. Regarding strategic inventories, the impact of project postponements will remain, but other than that, we will maintain appropriate levels in accordance with changes.

CAPEX, depreciation & amortization and R&D expenses

FURUKAWA ELECTRIC GROUP

■Revised the full-year CAPEX, depreciation & amortization and R&D expenses forecast

(JPY billion)	FY22_H1 Results	FY23_H1 Results	YoY change	FY22 Results	*FY22 Previous Forecasts	FY23 Forecasts	YoY change	Change from previous forecasts	(Comparison with previous forecasts)
	a	b	b-a	c	d	e	e-c	e-d	
CAPEX	17.8	**16.9**	(0.9)	43.8	46.0	43.0	(0.8)	(3.0)	(Increase) Impact of foreign currency exchange
Depreciation and amortization	18.9	**19.2**	+0.3	39.1	40.0	39.0	(0.1)	(1.0)	(Decrease) Cost control by reviewing the implementation period in line with market trends and design specifications
R&D expenses	11.8	**12.4**	+0.6	23.3	27.0	26.0	+2.7	(1.0)	(Increase) Impact of foreign currency exchange (Decrease) Cost control by reviewing the implementation period in line with market trends and improving efficiency

*Announced on May 11, 2023

 27

Page 27 is the last page, for capital expenditures, depreciation, and R&D expenses. They will be reduced from the original plan by reviewing the timing of implementation in line with market trends, reviewing design specifications, and improving efficiency, although there is an upward impact due to the foreign exchange rates.

That is all from me. Thank you very much for your attention.