



Furukawa Electric Co., Ltd.

General Overview of Medium-term Management Plan (Furukawa G Plan) / FY2021
Management Policy Briefing (Online)

Held on May 26, 2021

[Number of Speakers]	4	
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Kobayashi: Ladies and gentlemen, I am Kobayashi. Thank you very much for gathering here so late in the evening.

I would like to quickly explain the general overview of 2020 medium-term management plan and the FY2021 management policy.

1. 2020 MTMP review

(1) Concept and Key Initiatives in the 2020 Medium-term Management Plan

<Concept>

Taking the Group to New Heights

Delivering Sustained Profitable Growth

Furukawa G Plan 2020
Group Global Growth

<Key initiatives>

- Strengthen and transform the businesses
 - Strengthen such priority areas as the Infrastructure (Communications Solutions / Energy Infrastructure) and Automotive segments
 - Introduce return on operating assets and thoroughly conduct KPI management
- Expand sales in the global market
 - Based on the attributes of each area, pursue synergies within the group
 - Expand the optical fiber and cable business overseas
 - Target: Overseas sales of JPY 550 billion
- Accelerate the creation of new business
 - Growth investments in the focal segments (Infrastructure / Automotive)
 - Strengthen open innovation

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First of all, as the first item of the general overview of 2020 medium-term management plan, I would like to explain the concept and key initiatives.

Please turn to page 5.

As you can see on the left, in the 2020 medium-term management plan, we have been working to achieve solid growth and evolve into a corporate group that is a step above the rest.

As you can see in the column on the right, our key initiatives are to strengthen and transform the business, expand sales in the global market, and accelerate the creation of new businesses.

Our focus has been on the fields of Communications Solutions, Energy Infrastructure, and Automotive, as you can see on the left.

**(2) Review of the 2020 Medium-term Management Plan
Change in Business Results**

In addition to weakness in the Communications Solutions Division from the second half of FY2018, COVID-19 resulted in a challenging profit environment companywide in FY2020. However, despite these negative factors, steady improvement has been made in the financial situation.

(In March 2021, the credit rating* was raised from B to A)

	2020 Medium-term Management Plan							2020 MTMP goals	
	FY2015 Results	FY2016 Results	FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Results	Compared to 2020 MTMP goals	As of May 2016	As of May 2018
	Operating income	JPY 27.1 billion	JPY 38.6 billion	JPY 44.8 billion	JPY 40.8 billion	JPY 23.6 billion	JPY 8.4 billion	x	At least JPY 40.0 billion
Net income attributable to owners of the parent company	JPY 10.0 billion	JPY 17.6 billion	JPY 28.5 billion	JPY 29.1 billion	JPY 17.6 billion	JPY 10.0 billion	x	At least JPY 20.0 billion	At least JPY 30.0 billion
NET D/E ratio	1.2	1.0	0.9	0.8	0.8	0.79	○	—	<0.8
Equity capital ratio	24.5%	27.6%	29.0%	30.3%	30.2%	31.2%	○	—	>30%
ROE	5.5%	9.3%	12.9%	12.0%	7.2%	4.0%	x	> 8%	>10%
Return on operating assets	9.1%	12.1%	13.1%	11.2%	6.1%	2.2%	x	At least 10%	At least 10%

Achieved the milestone target of at least JPY 35.0 billion in FY2018

*Rating issued by Rating and Investment Information, Inc. (R&I)

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In this context, here are the changes in our business performance.

In 2017, we performed very well and exceeded our milestones with JPY44.8 billion. In this situation, we have been empowered. The core business has also been growing.

So, we have proceeded aiming at JPY55 billion. However, we were affected by the subsequent shrinkage of the market and the impact of COVID-19. I am very sorry to say that in FY2020, we did not achieve our targets for operating income, net income, ROE, and return on operating assets.

However, we have proceeded in the movement to finish up financial discipline. As a result, the NET D/E ratio was 0.79 and the equity capital ratio was 31.2%, achieving the targets of the medium-term management plan.

Thanks to the evaluation of these activities and our way of thinking, we were able to raise our credit rating from B to A for the first time in 19 years in March this year.

(2) Strengthen and Transform the Businesses
~Response to Low-margin / Non-core Businesses

Based on management using “return on operating assets”, with consideration for the effective use of management resources group-wide, restructure the businesses, reorganize the locations and revise the business portfolio.

	Major actions
FY2017	<ul style="list-style-type: none"> • Restructured the Shenyang power cable site in China • Closed the Changchun wire harness site in China • Withdrew from the refrigerant pipe business (Okumura Metals)
FY2018	<ul style="list-style-type: none"> • Sold shares of FCM CO., LTD.
FY2019	<ul style="list-style-type: none"> • Reorganized the power cable business for the construction and wholesalers market
FY2020	<ul style="list-style-type: none"> • Transferred the copper tube, copper tube component and copper plate business to CTJ Holdings 2 Co., Ltd. • Established a magnet wire joint venture with Superior Essex, and transferred the heavy magnet wire business to the joint venture

In addition, focus on project orders that will generate suitable profits and improving the product mix through increased sales of value added products.

The following is a chronological table of what we have been doing in this area.

Under the management using this return on operating assets, we have promoted restructure, reorganization of the locations, and business portfolio revision in this way.

In addition, as you see below, we have been working to ensure that we receive orders for projects that generate appropriate profits, and we have been focusing on project orders that will generate suitable profits and improving the product mix through increased sales of value-added products.

(2) Expand Sales in the Global Market

Based on the market characteristics and customer demand in each area, expand sales and strengthen the manufacturing & sales system.

Global

➢ Strengthen the optical fiber and cable supply network

➢ Expand orders for (aluminum) wire harnesses and strengthen the supply network

North America

- Increase production and sales of optical fiber and cable
- Expand wire harness sales

China / South Korea / Taiwan

- Expand power cable orders
- Expand wire harness sales
- Establish a marketing regional headquarters (China)

Japan

- Capture renewable energy demand
- Strengthen the industrial lasers business
- Strengthen high performance copper foil

Central and South America

- Expand the communications solutions business

EMEA

- Establish an optical cable manufacturing site (in Africa)
- Expand sales of functional plastic products (Railroad and automotive products)
- Expand power cable orders (in Middle East)

Southeast Asia / India

- Strengthen and expand wire harness manufacturing sites
- Establish a thermal management product manufacturing site
- Establish a marketing regional headquarters (Singapore)

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On the other hand, it has been difficult to promote sales in the global market.

Initially, we set a target of JPY550 billion, based on the idea that our overseas business would grow faster than our domestic business. However, in the middle of this process, the low prices in China and the saturation of the market made it difficult for us to sell our products overseas.

Despite this situation, we were able to strengthen the optical fiber and cable supply network, and expand orders for wire harnesses and strengthen the supply network.

(2) Accelerate the Creation of New Businesses

Work to create new businesses, and sow the seeds of multiple new businesses while strengthening the frameworks for co-creation.

- August 2016: Established the open laboratory FunLab® inside the Yokohama Works
- September 2017: Established the Advanced Prototyping Center (joint organization of the R&D Division and Sales Division)
- February 2018: Started a social cooperation program with The University of Tokyo
- May 2018: Started a cooperative activity with the accelerator Creww Inc. directed at strengthening the partnerships with venture companies
- August 2018: Established SVIL* research center in the Silicon Valley in the US
*SVIL: Silicon Valley Innovation Laboratories
- February 2019: Established the Future Infrastructure Technology Center
- June 2019: Opened the new FunLab®
- June 2020: Established the Digital Innovation Center



SVIL research center (US)



Open laboratory new FunLab®

Main new businesses (announced)



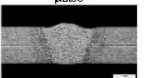




- Solutions business through the use of industrial lasers
- Waste plastic recycling business
- Research into fiber power cable and R&D for satellite power supply (jointly with JAXA)
- Creation of roadway fixture inspection maps using AI (Michiten Snap)
- Wireless electrical power transmission systems
- Technology for producing LPG with metal encapsulated zeolite™
- Bipolar storage batteries

At the same time, we have accelerated the creation of new businesses.

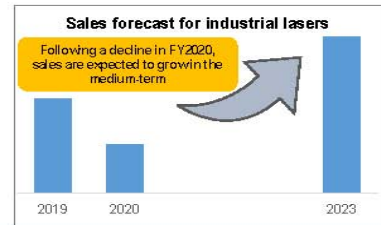
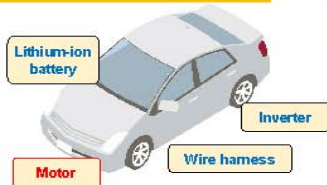
Under these circumstances, I have said several times that we will not squeeze research funds. Our basic policy is to value new technology and to do what is useful for society, and new technology in particular is a muscle itself. When we lose this, the rest is hard to follow. As a result of these efforts, we were able to launch a variety of projects as shown in the main new businesses (announced) at the bottom of this page.

Although the main ones have been launched in 2019 and beyond, the reality is that we are beginning to see the fruits of these projects. We would like to expand these businesses even further.

Through the fusion of “materials capability” and “laser machining technology”, achieve full-scale commercialization of industrial lasers. Actively promote co-creation and aim to expand the business in the future.

August 2017 Development of copper and fiber laser solutions	December 2017 Pure copper welding (Joint development with Furukawa Co., Ltd.)	April 2018 Galvanized steel plate welding	December 2018 Copper foil welding	June 2020 New laser welding solution (Blue laser x near infrared FL) (Partnership with Nichia Corporation)	December 2020 Commercialize laser welding products (Partnership with NITTOKU CO., LTD.)	January 2021 Release hybrid laser BRACE™-I (BRACE™: Trademark of Furukawa Electric (pending))
High strength, stable copper welding for vehicle batteries, motors, etc. 	Contribute to increased performance of power semiconductors 	Contribute to increased vehicle body strength 	Contribute to increased lithium-ion battery capacity 	Contribute to manufacturing process automation and increased productivity of the main components for xEV Sputterless processing of pure copper 	Laser welding machine for xEV motors 	World's highest level of quality, depth and processing speed for welding copper in the main components for xEV 

Contribute to expanding xEV demand



In this context, a major topic for us has been the full-scale commercialization of industrial lasers through the fusion of our materials capabilities and laser machining technology, as shown on page 10.

The chronological table from the left shows the technologies for welding pure copper, galvanized steel plate and copper foil, which were said to be difficult in the past. In addition, we have the idea of advancing with the new laser welding solution, which we announced in June 2020. With this, we have been able to advance many things.

As a result, as you can see in the lower right, the forecast for industrial laser sales is for a decline in FY2020, but sales are expected to grow over the medium to long term.

Full-scale implementation of ESG management directed at achieving the Furukawa Electric Group Vision 2030 and the SDGs.

	2018	2019	2020	2021
ESG overall		<ul style="list-style-type: none"> Formulated Furukawa Electric Group Vision 2030 	<ul style="list-style-type: none"> Signed the UNGC* 	<ul style="list-style-type: none"> Issued the first integrate report Identified the materiality
Environment		<ul style="list-style-type: none"> Obtained SBT certification 	<ul style="list-style-type: none"> Expressed support for TCFD recommendations 	<ul style="list-style-type: none"> Named to the CDP "Climate change A list" in 2020 for the first time Formulated Furukawa Electric Group Environmental Vision 2050
Social		<ul style="list-style-type: none"> Formulated Furukawa Electric Group People Vision 	<ul style="list-style-type: none"> Formulated Furukawa Electric Group human rights policy 	<ul style="list-style-type: none"> Formulated "Furukawa Seven"
Governance		<ul style="list-style-type: none"> Outside Directors: Increase independence (Appointed 5 independent directors) and diversity (Appointed a female director) 	<ul style="list-style-type: none"> Outside Audit & Supervisory Board members: Diversity (Appointed a female Audit & Supervisory Board member) 	<ul style="list-style-type: none"> Revised Furukawa Electric Group CSR procurement guidelines

*Since 2020, Furukawa Electric Co., Ltd. has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption.

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At the same time, ESG is important to be sustainable.

The first thing we did was in governance to strengthen the independence of our outside directors, making all 5 of them independent directors. The outside audit and supervisory Board members have also become independent. We have appointed a female director and female audit and supervisory Board member. We are proceeding with such a composition.

In addition, in terms of ESG in general, we formulated Vision 2030 in 2019, signed the UN Global Compact in 2020, and are working on an integrated report and materiality identification this year. In this context, we would like to place ESG firmly at the center of our activities.

Although there are still issues in regards to securing the earnings ability of the businesses, made progress in the key initiatives.

	Results	Issues / Future actions
(1) Strengthen and transform the businesses	<ul style="list-style-type: none"> Revised the business portfolio KPI management using return on operating assets Established the activities of the Transformation Division (Target businesses: Global Fiber & Cable, Energy Infrastructure, Copper & High Performance Material Products) 	<ul style="list-style-type: none"> Insufficient expansion of the key businesses (Communications Solutions) Response to low-margin businesses & sites (Continued) Expand the Transformation Division activities within the group
(2) Expand Sales in the Global Market	<ul style="list-style-type: none"> Expanded sales and enhanced the manufacturing sites Created a foothold for expanding the sales area through the establishment of marketing regional headquarters (in Southeast Asia, China) 	<ul style="list-style-type: none"> Insufficient net sales growth overseas (FY2020 target: JPY 550 billion) (FY2019: JPY 418.8 billion, FY2020: JPY 376.4 billion) Expand the optical fiber and cable business
(3) Accelerate the creation of new businesses	<ul style="list-style-type: none"> Strengthened the frameworks for co-creation Opened FunLab®, Established SML in the US Strengthened the creation of new businesses Established Future Infrastructure Technology Center, Digital Innovation Center Fostered new businesses through co-creation and sowed the seeds of new businesses Industrial lasers, bipolar storage batteries and metal encapsulated zeolite™ 	<ul style="list-style-type: none"> Clarify the key domains <p>Going forward, the Social Design & New Business Development Department (newly established in April 2021) will be responsible for execution, and efforts will be made to accelerate the creation of products and businesses under this new organizational framework</p>

Formulated a vision for 2030, and accelerated the full-scale measures for ESG management

We have provided a summary of the 2020 medium-term management plan here.

The vertical axis shows the following: strengthening and transforming the businesses, expanding sales in the global market, and accelerating the creation of new businesses. If you are looking at the document at hand, it is on page 12.

I would like to leave aside the results here and talk about the issues and future initiatives.

With regard to strengthening and transforming the businesses, there was an insufficient expansion of the key businesses. This is the Communications Solutions related issue that you have always been concerned about.

On the other hand, as for what we will do in the future, we have been making progress, but we need to further respond to low-margin businesses and sites. Then there are Transformation Division activities within the group. This is being carried out under the name of human resource development. This should be further and further developed.

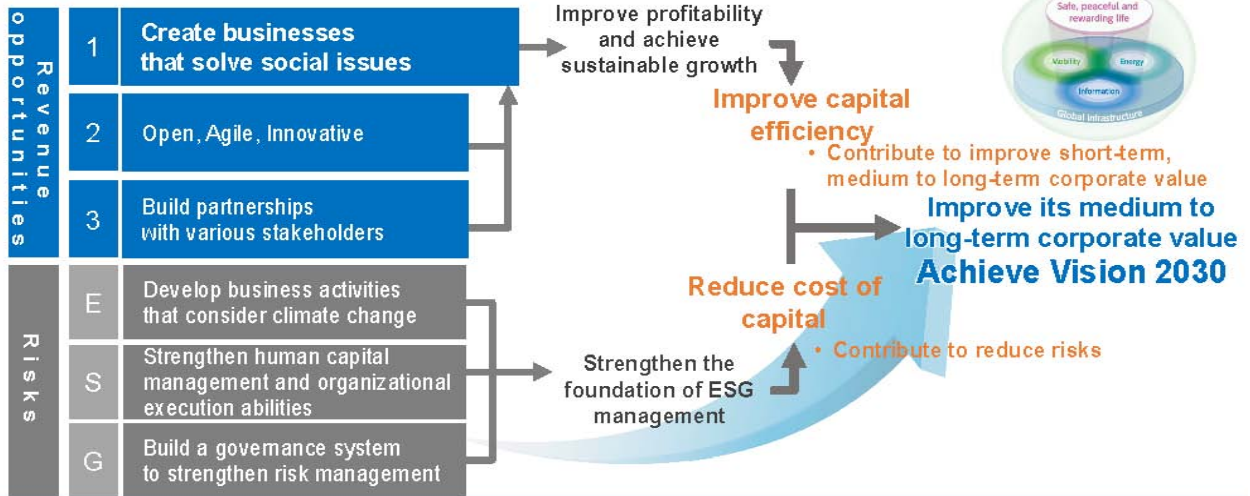
In terms of expanding sales in the global market, as I mentioned earlier, there has been a lack of growth in overseas sales. We are going to extend this. For this reason, we believe that we must firmly expand our optical fiber and cable business.

And third, accelerating the creation of new businesses. In this regard, we have the purpose of contributing to society. We will focus on businesses that support the resolution of social issues and businesses that are used to solve social issues, and we will clarify and promote these as our focus areas.

The Social Design and New Business Development department was established in April of this year. We hope to accelerate the creation of new businesses and products.

Identify the key management issues directed at achieving the Furukawa Electric Group Vision 2030.

Materiality: Important management issues for achievement of Vision 2030



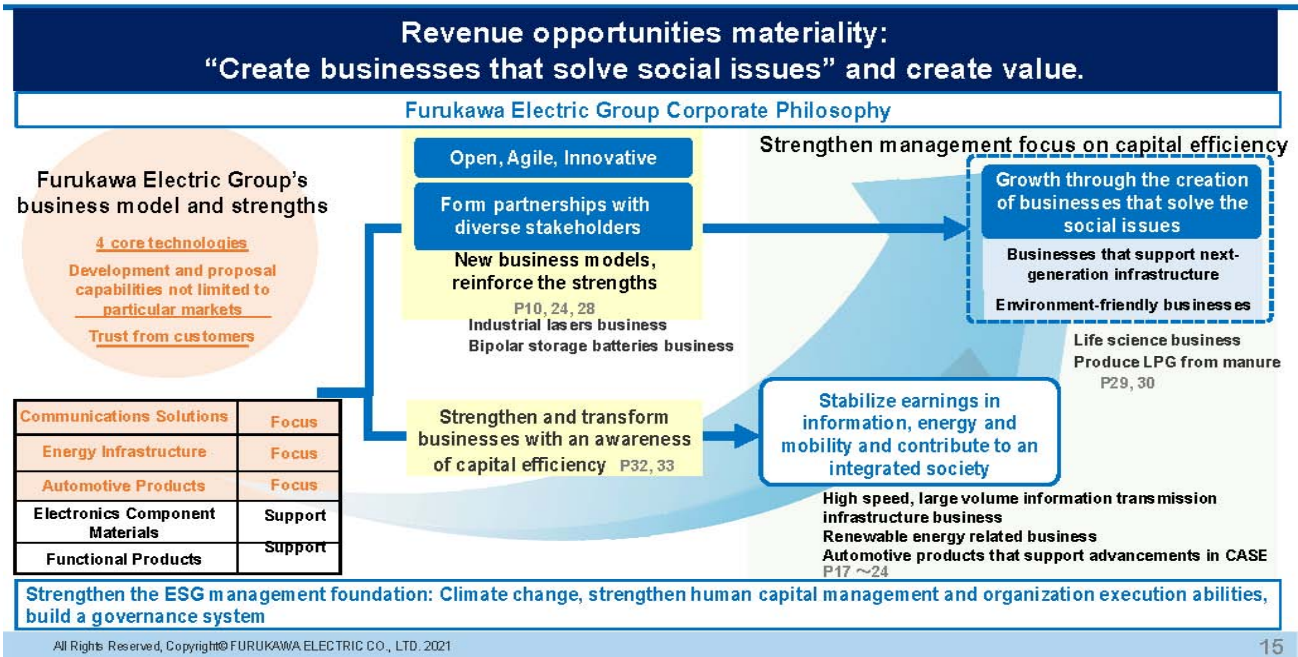
In this context, materiality is an important factor in advancing our medium-term management issues. This is an important management issue.

Page 14 shows the identification of key management issues for achieving the Vision 2030.

First, revenue opportunities. "Open, Agile, Innovative," and building partnerships with various stakeholders to create businesses that solve social issues. As we showed you earlier, this has already started. This will be further enhanced by strengthening management that emphasizes capital efficiency.

Regarding risks, we will reduce the cost of capital by strengthening the foundations of E, S and G, each of which has its own risks. Through these efforts, we will continue to improve our corporate value over the medium to long term through the integrated management of the 3 pillars, which is an important part of our business.

(2) Value Creation Process



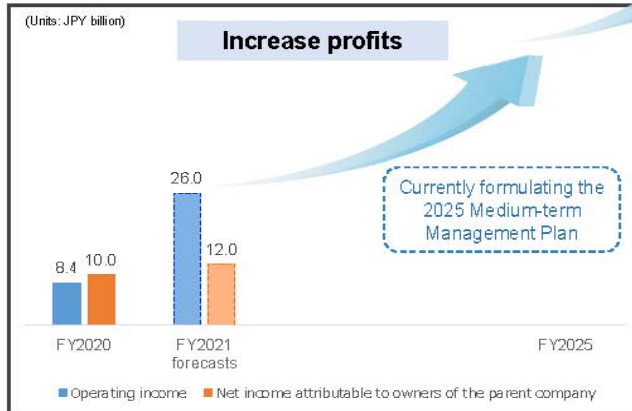
As a way of thinking about this process, what is important for us is the business model. These are our strengths.

4 core technologies: metals, polymers, photonics, and high frequency. This core technologies will be further strengthened by development and proposal capabilities that are not limited to specific markets. Through these efforts, we will enhance our new business model and strengths, and as a result, we will create and grow businesses that solve social issues.

At the same time, as I mentioned earlier, we will continue to strengthen and transform our businesses with an awareness of capital efficiency, thereby stabilizing earnings in information, energy, and mobility and contributing to an integrated society.

<FY2021 Management policy>

- Transform businesses (continued)
- Establish and foster new businesses
- Strengthen management focus on capital efficiency



Furukawa Electric Group Vision 2030

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



Now, I would like to talk about the formulation of the next medium-term management plan.

During the COVID-19 crisis last year, I inspired the entire company with the key phrase, "win and advance at all costs. It's not about surviving, it's about winning."

In this context, we cannot make a half-baked medium-term management plan under these circumstances. We want to make a medium-term management plan that will protect us at all costs. For this reason, we have decided to announce it in the spring of FY2022 instead of FY2021.

However, in order to achieve this goal, we have decided to transform our business, launch new businesses, strengthen training, and reinforce management that emphasizes capital efficiency in FY2021, and grow into a powerful company before moving on to the next plan.

(4) Strategies Directed at Growing the Main Businesses

Information Transmission Infrastructure that can Handle Increased Data Traffic

Following advances in 5G, data traffic will increase over the medium to long-term. Support the growth of information transmission infrastructure such as base stations and data centers through a wide range of products.

<p>Communications Solutions</p> <p>Optical fiber and cable (Optical cabling solutions) Rollable ribbon cable -Optical fiber fusion splicer -Multicore cable connectors</p> <p>Optical devices Digital coherent communication light sources</p>	<p>Functional Products</p> <p>Used at data centers: Aluminum blanks for HDD</p> <p>Used at data centers: Thermal management products</p> <p>Used in the semiconductor wafer process: Tape for semiconductor process</p> <p>Used in telecommunications devices such as servers and routers: Electrolytic copper foil for printed wiring boards</p>	<p>Social issues Advances in 5G/B5G, Increased communications traffic</p> <p>Sales (estimate)* (FY20: About JPY 180 billion)</p> <p>*Excluding sales of some products that are difficult to categorize</p> <p>■ Communications Solutions ■ Functional Products ■ Other</p>
<p>Energy Infrastructure (Industrial cable & power cable accessories)</p> <p>Used at data centers: Cable and connectors</p> <p>Used at data centers: Heat dissipation sheets</p>	<p>Electronics Component Materials</p> <p>Copper strips for power semiconductors and submarine optical fiber cable</p> <p>Oxygen-free copper strips (GOFC)</p>	

Now, I would like to talk about our strategy for the growth of our major businesses.

As you can see from page 17, the slightly yellowed area on the right side says "social issues." As I mentioned earlier, we support the resolution of social issues. We think of everything in terms of being used to solve social issues.

The first part of this is the advances in 5G, Beyond 5G, and the increased communications traffic. With this social issue in mind, we are working to support the growth of communication infrastructure, such as communication base stations and data centers, with a variety of products.

In other words, we would like to achieve this through businesses in Communications Solutions, Functional Products, Energy Infrastructure, and Electronics Component Materials.

(4) Strategies Directed at Growing the Main Businesses

Information Transmission Infrastructure that can Handle Increased Data Traffic

Strengthen the Optical Fiber and Cable Business in Europe and the Americas, and Increase Profits

■ Accelerate profit growth in the Americas by securing a local production and sales network and customer base.

⇒ Increase productivity and cost competitiveness

Enhance the product portfolio - High value added products such as rollable ribbon cable

(For data centers, for submarine power cable, for non-telecommunications applications)

Expand the solutions services - Fusion of optical components, connectivity and wireless

Support telecommunications technology and social developments

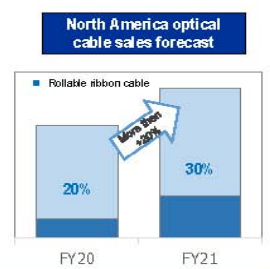
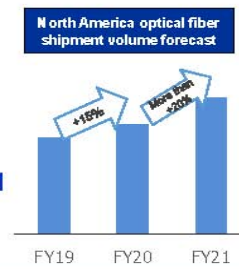
Improve optical cable profits in North America

In FY2020, due to decreased attendance caused by COVID-19, it was difficult to improve skill levels and improve productivity at the plant, resulting in an inability to achieve the profit targets.

- As vaccinations progress, attendance is expected to improve (Maintain the measures to prevent infection)
- Continue to provide technical support from Japan

Increase production + Enhance employee training

Sales are forecast to increase more than 20% in FY2021
Ratio of rollable ribbon products will also increase



1 of the issues is the optical fiber and cable, which has always been a major concern for us. I think the question is, how are we going to strengthen our business in Europe and the US and expand our profits?

Last year, due to the impact of COVID-19, we struggled to improve the skill levels and productivity of the entire plant due to a decline in the attendance, as you can see at the bottom of this page. We did not achieve our revenue target. However, as vaccination progresses, we expect to see an improvement in the attendance. Technical support from Japan is also continuing.

As you can see in the graph on the right, the forecast for optical fiber shipment volume in North America is more than 20% of the FY2020 level, and the forecast for optical cable sales in North America is also more than 20% of the FY2020 level, thanks to the promotion of increased production and the enhancement of employee training. The product technology of the rollable ribbon is also expected to be improved.

In this context, we will firmly accelerate profit growth in North America and Latin America, or Americas, as described in the upper row. To this end, we will continue to improve productivity and cost competitiveness, enhance our product portfolio, and expand our solutions services.

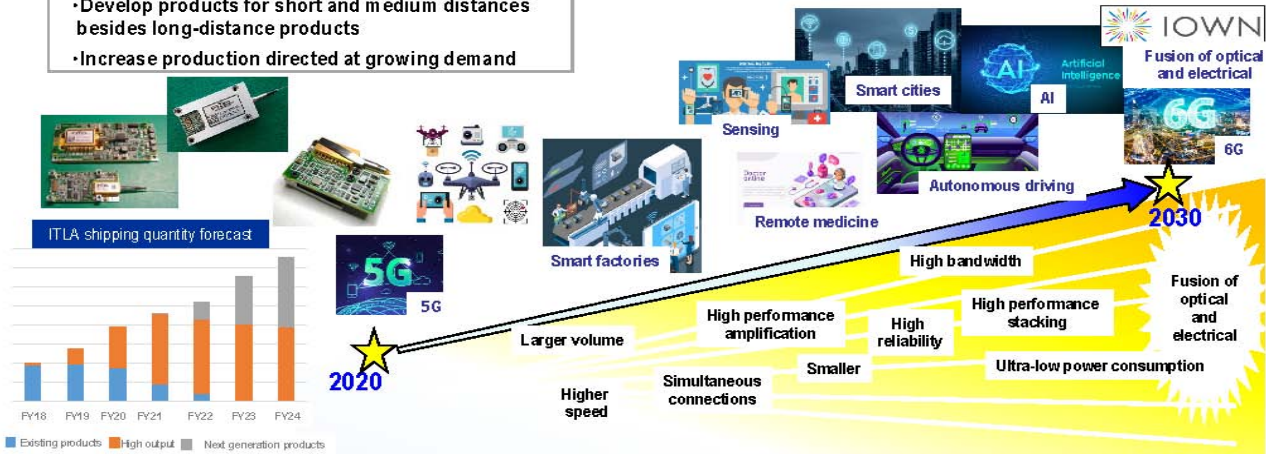
(4) Strategies Directed at Growing the Main Businesses

Information Transmission Infrastructure that can Handle Increased Data Traffic

By continuing to launch new optical device products and providing stable supply, support the optical communications infrastructure that is evolving toward a fusion of optical and electrical, and continue to grow the business.

ITLA (Variable wavelength light source)

- Develop products for short and medium distances besides long-distance products
- Increase production directed at growing demand



The second is the information transmission infrastructure that can handle increased data traffic.

We are now facing various challenges such as multiple connections in the area of 5G. This will lead to a society that is expected to be IOWN, a fusion of optical and electrical, a society called Beyond 5G or 6G.

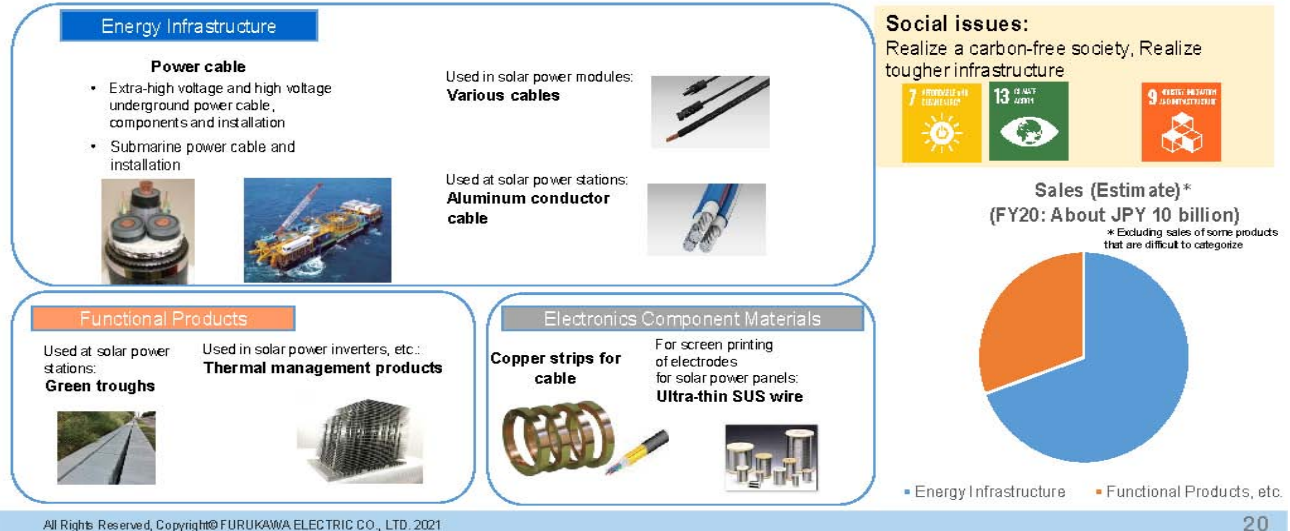
Now, the ITLA (variable wavelength light source) is expected to contribute to data centers, and to expand from long-distance to medium-to-short distance applications in the future. This ITLA will become increasingly important.

We are working hard to increase production to meet this growing demand, but as you can see in the figure below on the left, existing products are being replaced by higher and higher output or next-generation products. The sales forecast and volume forecast will increase as shown in this figure.

On top of the figure shows the next generation products that will be put on the market in FY2021. We will continue to expand these areas.

(4) Strategies Directed at Growing the Main Businesses Focus on Renewable Energy Related Business

Directed at achieving carbon neutral in 2050, based on a policy of maximizing the use of renewable energy, mainly offshore wind power installation will expand in Japan. Provide a product lineup that supports this growing market, including solar power.



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The next step is to focus on renewable energy related business.

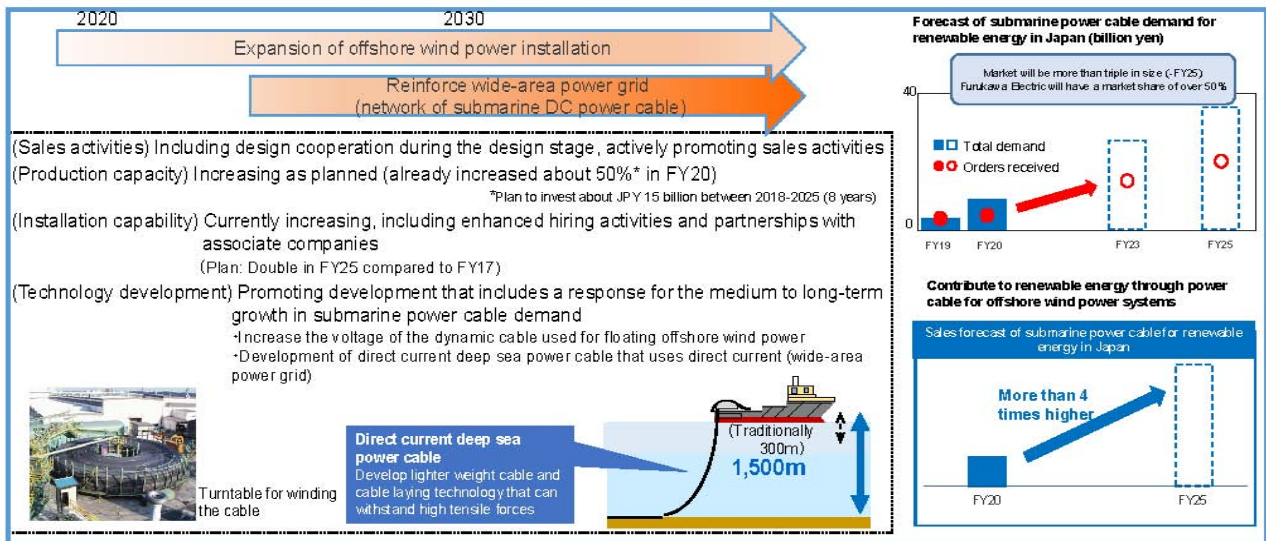
The issues that need to be resolved are the realization of a carbon-free society and tougher infrastructure.

Under the policy of maximum introduction of renewable energy, the introduction of these technologies will expand in Japan, especially offshore wind power. We will provide products for growing markets including solar power generation.

We would like to make further contributions with copper strips for cables in electronics component materials, as well as for Energy Infrastructure and Functional Products.

As you may have wondered, the copper strips for cables on page 20 are so-called shielding strips. Power cables are always wrapped with copper tape called shielding strips. This is a very important component that we supply to different wire manufacturers. We will contribute to these and other areas.

Directed at the growing power cable demand for offshore wind power, continue to conduct sales activities, expand production and develop technology.



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In this context, the revised law concerning the promotion of the measures to cope with global warming was passed by the House of Councilors today. It became clear that the missions are to expand solar power generation, increase offshore wind power generation, and store CO2 in the ground.

In that sense, please look at the upper figure on the right side of this page. The blue histogram shows the total demand. As of the current forecast, we are expecting the number to increase from the results in FY2019 and FY2020 to FY2023 and FY2025. Our share of the market is over 50%, as you can see from the dots on our orders received on the left.

Due to these circumstances, we expect domestic sales of submarine power cable for renewable energy to more than quadruple. In order to achieve this, we are working on the activities shown in the left column, which are sales activities, production capacity, installation capability, and technology development.

There is a picture of the turntable for winding the cable at the bottom left. This is 1 of the largest turntables in Japan, with a capacity of 6,000 tons, and we are currently installing even heavier turntables as part of our JPY15 billion investment over the next 8 years, from 2018 to 2025.

In addition, on the right side, the deep-sea power cable, which used to be 300 meters long, is now being made to withstand up to 1,500 meters. This is exactly what we are thinking about when we build floating offshore wind turbines. In the deeper state, as Japan's coastline suddenly gets deeper. Unlike in Europe, offshore wind power systems are not in shallow waters. In order to respond to such needs, we are developing this deep-sea power cable.

Another example is the storage of CO2 in the ground, as mentioned earlier. In fact, we are proud of the high technology of our so-called deep-water pumping hose, which is used in various ways. We are moving forward with this project because it can be used for CO2 storage, which will also be a business opportunity for us.

(4) Strategies Directed at Growing the Main Businesses
 Expand and Create Automotive Products that Support Advances in Vehicle Electrification and Autonomous Driving

In response to the demands to protect the environment and ensure safety, contribute to lightweight, power supply management and vehicle electrification through product lineups that include materials technology.



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The next challenge is to realize a carbon-free society and tougher traffic infrastructure. This is related to the reduction of traffic accidents.

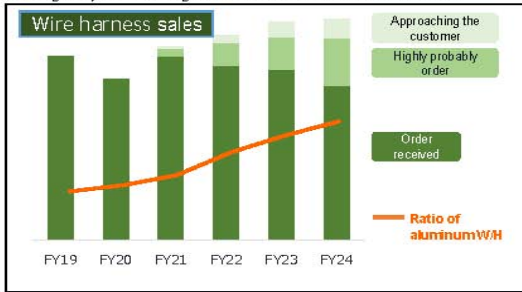
As you can see here, we are working to meet the demands to protect the environment and ensure safety, through aluminum wire harnesses and other automotive parts, as well as the electronics component materials underneath.

Increase orders for aluminum wire harnesses that support reduced vehicle weight and develop new applications for peripheral monitoring radar that supports safety.

Aluminum wire harnesses



- Steadily accumulating orders. Expect to increase use from 46 vehicle models of 6 manufacturers to 88 models of 8 manufacturers in 2025.
- Ensure BCP by strengthening the supply chain, steadily establish the new site in Vietnam and work to increase earnings by obtaining a return on the investments.



Peripheral monitoring radar



- Leveraging the fact that it is negligibly affected by bad weather (rain, snow, fog), currently working to expand sales for new applications, including agricultural and construction machinery and traffic infrastructure. (Already started deliveries for agricultural and construction machinery from June 2020)
- For vehicle applications, aim to further increase orders through the development of smaller, higher performance products.



In this context, we are expanding orders for aluminum harnesses that meet the needs for lightweight, as described next, and developing applications for peripheral monitoring radars that support safety.

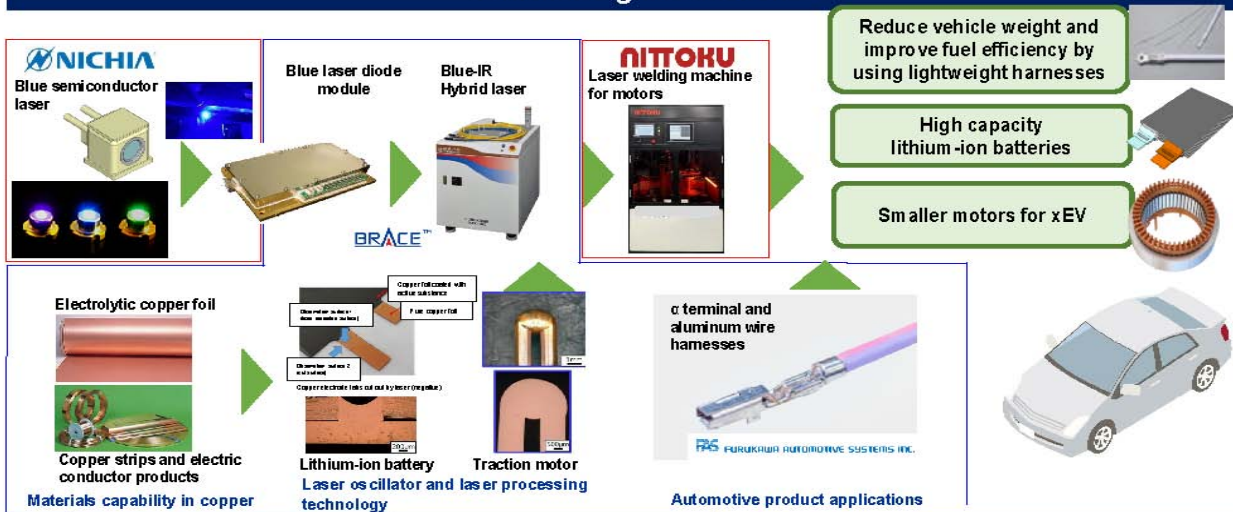
First of all, on the left side, I am sorry to say that the numbers change every time, but the number of wire harnesses is expected to increase to 88 models of 8 manufacturers in 2025. The ratio of aluminum is also expected to increase rapidly, and we are determined to make a contribution to this.

Also, perimeter monitoring radar. I have already told you that the Furukawa Electric Group's radar was the first to be installed in a domestic car. 1 of the features of this radar is that it is not susceptible to bad weather. Taking advantage of these features, we are expanding sales to new applications such as agricultural machinery, construction machinery and traffic infrastructure, and we have already started delivery in June.

In the area of automotive applications, we are aiming to win more orders through the development of smaller and higher performance products.

(4) Strategies Directed at Growing the Main Businesses
Expand and Create Automotive Products that Support Advances in Vehicle Electrification and Autonomous Driving

Develop industrial laser technology, and conduct co-creation throughout the value chain
Streamline the production process for mobility, and accelerate vehicle electrification and vehicle weight reduction.



In addition, we have already announced this industrial laser technology.

We also written about NICHIA and NITTOKU, who are co-creators of this project. 1 of the key features of this co-creation is that it holds the entire value chain together.

In addition to the various welding technologies I mentioned earlier, we also have our own materials, such as the laser oscillator and laser processing technologies described below. By using these products, we can reduce vehicle weight and improve fuel efficiency by using lightweight harnesses, as shown on the right. We are working to increase the capacity of lithium-ion batteries and reduce the size of xEV motors.

Our mission is to accelerate the efficiency of production processes, electrification, and weight reduction through these efforts.

■ In FY2021, become a stronger company and make definite preparations for the 2025 Medium-term Management Plan

● Transform the businesses

Strengthen the key businesses and continue to revise the business portfolio through responses to the low-margin and non-core businesses

● Establish and foster new businesses

Create environment-friendly businesses and businesses that solve social issues

● Strengthen management focus on capital efficiency

Evolve the “return on operating assets” used as an indicator in the 2020 Medium-term Management Plan, and shift to target management with a focus on capital efficiency and greater awareness of “cost of capital”

I would now like to explain our management policy for FY2021 under the following titles.

The concept is to prepare for the 2025 medium-term management plan, as I mentioned earlier. It is important to bring the Company to a powerful state to ensure that the 2025 medium-term management plan can be realized.

We will transform the businesses, establish and foster new businesses, and strengthen management focus on capital efficiency.

(2) Transform the Businesses (Continued)

Continue to revise the business portfolio, including responses to low-margin / non-core businesses and partnerships with other companies.

Response to low-margin / non-core businesses	Establish and foster new business / Strengthen the key businesses
<p><Executed (including planned execution)></p> <ul style="list-style-type: none"> • Power cable business for the construction and wholesalers market • Copper tube business • Heavy magnet wire business • Converted Furukawa Logistics Corp. into an equity method affiliate (Concluded an agreement on April 27, 2021 and plan to transfer the shares during 2021) <p><Under consideration or commenced></p> <ul style="list-style-type: none"> • Project A • Project B <p><i>*Also considering / conducting reorganizations to multiple other sites</i></p>	<p><Executed (including projects in development and preparation stage prior to commercialization)></p> <ul style="list-style-type: none"> • Industrial lasers business (Partnerships with Nichia Corporation and NITTOKU CO., LTD.) • Reinforced plastic business (Partnerships with Tetra Pak and Veolia) • Bipolar storage batteries (Joint development with the Furukawa Battery Co., Ltd.) • Life sciences business (Co-creation with Atonarp Inc.) • Space business (Co-creation with JAXA) • Technology for producing LPG <p><Under consideration or commenced> (M&A directed at strengthening the business)</p> <ul style="list-style-type: none"> • Project a • Project b

This page includes the process so far. We will continue to revise the business portfolio, including responses to low-margin and non-core businesses and partnerships with other companies.

First, on the left side, we have already implemented these measures for low-margin and non-core businesses. However, there are a number of things that have been under consideration or commenced.

On the right-hand side, as for establishing and fostering new business and strengthening the key businesses, we have announced a number of new projects, but there are still some that are under consideration or commenced, and we will continue to work on.

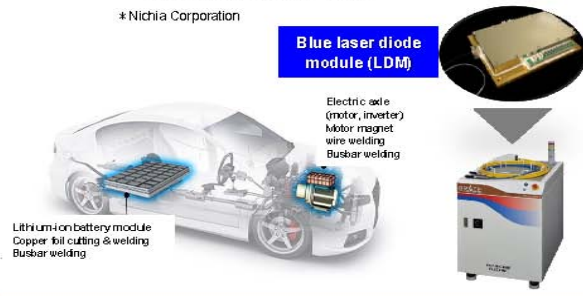
Commercialize technology that contributes to achieving carbon neutral.

Industrial lasers

Directed at further market penetration of xEV, aim to be the de facto standard for copper processing through co-creation with Nichia Corporation.

Business alliance: With consideration for a potential JV in the future, consolidate module manufacturing to Tokushima
 Joint development: Develop a next generation blue laser diode module
 Joint operations: Establish and operate a joint laboratory within the Yokohama Research Center*

* Nichia Corporation



Bipolar storage batteries

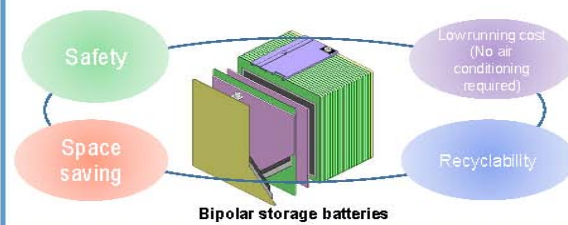
In order to achieve carbon neutral, demand for storage batteries will increase as a key device for the efficient use of renewable energy.

The joint development with the Furukawa Battery Co., Ltd. is progressing according to plan.

Schedule:

FY2021 Start shipping samples

FY2022 Start shipping actual products



In this context, we are strengthening our efforts to establish and foster new businesses, but we are not trying to do all sorts of things.

Our basic philosophy is to contribute to a truly sustainable society through continuous technological innovation based on the material technologies that we have cultivated over the centuries. And what we are going to do must stick to protecting the health of people and social infrastructure and supporting growth.

Then, what is it? The first is to utilize our core technology to create a business in a market that is different from the one we have been in, and that meets the objectives and purpose that we have mentioned.

Second, as mentioned earlier in the fiber laser, to build a specially coordinated value chain that would not be possible without Furukawa.

Third, to create an eco-system that considers the product from birth to after use?

And fourth, to create a solid barrier.

Fifth, we will not pursue the scale, but we will match the scale of the market. Be sustainable with our customers.

First, we run it through a filter like this. I am about to explain what have come through on that filter. This includes the industrial lasers I mentioned earlier, and the bipolar storage batteries shown on the right.

This project is currently proceeding as scheduled. As you know, the recycling rate of lead is extremely high in terms of bipolar batteries and eco-systems. Conversely, with the lead-acid battery that is currently in stationary storage, we can make 2 bipolar storage batteries.

And when they reach the end of their useful life, they will come back, be regenerated and enter again. The ecosystem is completed.

Challenge life sciences businesses directed at “Good Health and Well-being”.

Life sciences business

In preparation for the era of “100 year life expectancy”, utilize the core technologies to protect human “health”.

- Utilizing **photonics technology**, focus on the three areas of “**Find** using light, **measure** using light and **cauterize** using light”
- Including the partnership with Atonarp Inc., strengthen the co-creation alliances with industry and academia

Find using light
Medical device for internal detection

Power feeder for position detection

Can visually confirm the location of the device from outside the body.

Measure using light
OCT (optical coherence tomography)

Nobody will find me here

Oh no! You found me!

Before After

Cauterize using light
Ablation treatment

Before After

Catheter

Cauterize the issue

Next is the Life Science business, which was recently announced.

Among the photonics technologies that are our core technologies, what are the ones that match these keywords of finding, measuring, and cauterizing using light? We have explored it in many ways.

In this context, we are strengthening our partnership with Atonarp Inc. This is a technology that uses light to measure blood glucose levels without causing pain or injury, as we announced just 2 days ago.

By digging deeper into social issues,
build new social infrastructure and business models.

Produce clean energy (LP gas) from livestock manure



Through metal catalyst adhesion technology utilizing the company's core **metal** and **polymer** technology, successfully developed technology for converting biogas into LP gas

- Contribute to realizing a carbon free society
- By producing clean LP gas that can be consumed locally, build a low cost carbon neutral society that uses existing infrastructure
- Provide a fossil fuel that does not rely on foreign sources
- Plan to build an ecosystem with companies that possess existing infrastructure, and commercialize in 2030

In addition, we are often asked why Furukawa deals with manure, but this is also a core technology.

Core technologies in metals and polymers. As the result of these development, we are working on manure, and we produce clean gas from manure.

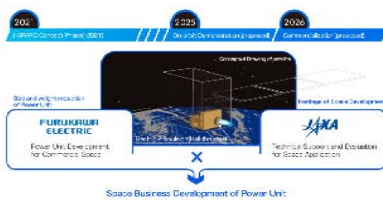
That energy is used to power the various machines on the farm. In addition, it can be used as an energy source in times of disaster, or as an energy source for households in this region. We would like to create such an ecosystem.

(4) Pursue new business opportunities

Create technology that will be used to solve social issues.

Pursue technology in the space domain

- Utilize the core technologies developed for land-based infrastructure in space.
- Solve social issues on earth from space.
- Co-creation with JAXA and Interstellar Technologies Inc.



Use DX to maintain and manage social infrastructure

- Utilizing proprietary image analysis technology, maintain and manage roadway fixtures such as road signs and light poles.
- Pursue additional applications, such as for railroads.



Promote the use of DX in primary industries

- Utilize image analysis technology and AI to realize smart agriculture.
- As a NARO project, currently developing technology through industry-academia collaboration for simultaneously monitoring a herd of nursing calves.
- Establish a course on creating industries with Hokkaido University.



On the other hand, we are pursuing new business opportunities.

I will talk about the space domain, social infrastructure, and primary industry.

As shown on page 31, this project started with the idea of utilizing the core technologies developed for land-based infrastructure in space, but conversely, we would like to apply the technologies used in space to social issues on the ground.

On the other hand, the promotion of DX through the maintenance and management of social infrastructure is just beginning, and we would like to expand it in various ways.

(5) Strengthen Management Focus on Capital Efficiency **FURUKAWA ELECTRIC**

Shift to management (ROIC+ α) that is focused on capital efficiency and has increased awareness of “cost of capital”.

- ⇒ By shifting to business PF based on capital efficiency, promote better and faster improvement
- ⇒ Work to establish business activities with an awareness of capital efficiency at each division and workplace

2020 MTMP indicator (current)

Return on operating assets
: Operating income / (Inventory + Non-current assets)

Results	<ul style="list-style-type: none"> • Identify the low-margin businesses • Follow up in series
Issues	<ul style="list-style-type: none"> • Difficult to compare with cost of capital (WACC) • Difficult to conduct target management with an awareness of corporate value • Weak as a reason for shifting to business PF

ROIC
+ α

(From FY2022)

2025 MTMP indicator (New indicator: ROIC & Internal management indicator: FVA)

Return on invested capital (ROIC) & Value added to invested capital (FVA)
: NOPAT ÷ Invested capital : NOPAT – Cost of capital (Invested capital x WACC)

Target management based on cost of capital	Based on WACC targets set for each division, manage performance targets directed at creating corporate value in excess of the cost of capital
Business PF management focused on corporate value	Based on corporate value creation (ROIC spread & FVA), thoroughly manage investment allocation and business PF
Link division activities and corporate value	Using an “FVA tree”, clarify the links between the division activity indicators and value creation (FVA)

In order to realize these goals, it is important to strengthen management focus on capital efficiency.

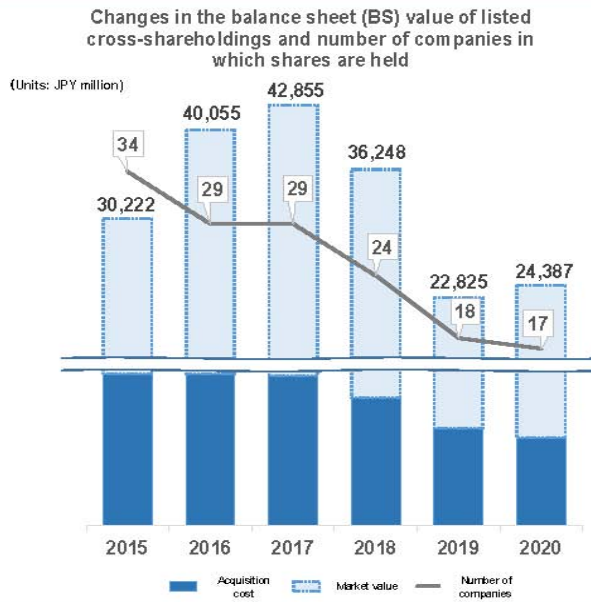
Even though we are talking about ESG, first and foremost it is important to have a solid capital efficiency-oriented management. In the 2020 medium-term management plan, we have been identifying low-margin businesses and following up in series, based on return on operating assets.

However, as we proceeded with the project, we found it difficult to compare with cost of capital, WACC, which is written on the left side. It's difficult to manage goals with corporate value in mind. We found that this was weak as a reason for shifting to business portfolio.

So, we examined various indicators, and adopted return on invested capital, or ROIC, and value added to invested capital, which we call FVA. With these indicators, by managing its goals based on the cost of capital, managing its business portfolio with an emphasis on corporate value, and linking departmental activities to corporate value, the Company will be truly sustainable and always profitable. To create a state with spread, we have changed our thinking and are now working on how to manage with the spread.

I would like to talk about what kind of situation we will be in at the next medium-term management plan in May next year.

(5) Strengthen Management Focus on Capital Efficiency **FURUKAWA ELECTRIC**



During the 5 years of the 2020 Medium-term Management plan, reduce listed cross-shareholdings.

Going forward, will decide whether or not to continue holding the shares based on factors such as the meaning of and benefits from such shareholdings.

***In FY2020, continued to reduce listed cross-shareholdings.**

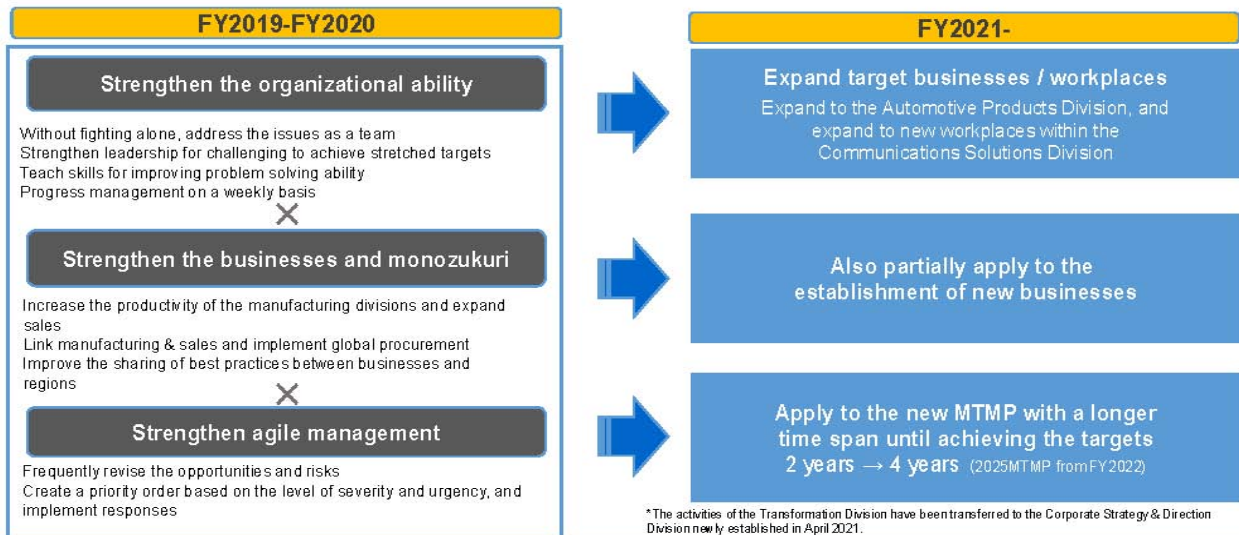
In FY2020, BS value increased due to a rise in stock prices, but shareholdings decreased on an acquisition cost basis.

Another important aspect of strengthening governance is the reduction of policy shareholdings.

The figure on the left side of page 33 shows that from 2015 to 2020, the number of stocks on the line graph was halved from 34 to 17. The market value impact of the stock price went up in FY2020, but if you look at the acquisition price, you will see that it has been reduced.

We will continue to assess the appropriateness of this project from the perspective of the significance and the effects of ownership, and proceed accordingly.

Actively use the “stronger organizational execution abilities” obtained by reforming the business through the Transformation Division* activities.



Now, we will proceed with group transformation activities with confidence.

Page 34 shows the status of our activities of the Transformation division, which we started in FY2019. On the left side: strengthening the organizational ability, strengthening the business and manufacturing, and strengthening agile management.

This is exactly what human resource development is all about. Therefore, in the course of these activities, we have been working diligently to strengthen our leadership, which is described below "strengthen the organizational ability."

In FY2020, COVID-19 made rapid progress in remote work. 1 of the biggest challenges in remote work is communication loss. Lack of communication causes mental problems, et cetera, and we hear about it all the time.

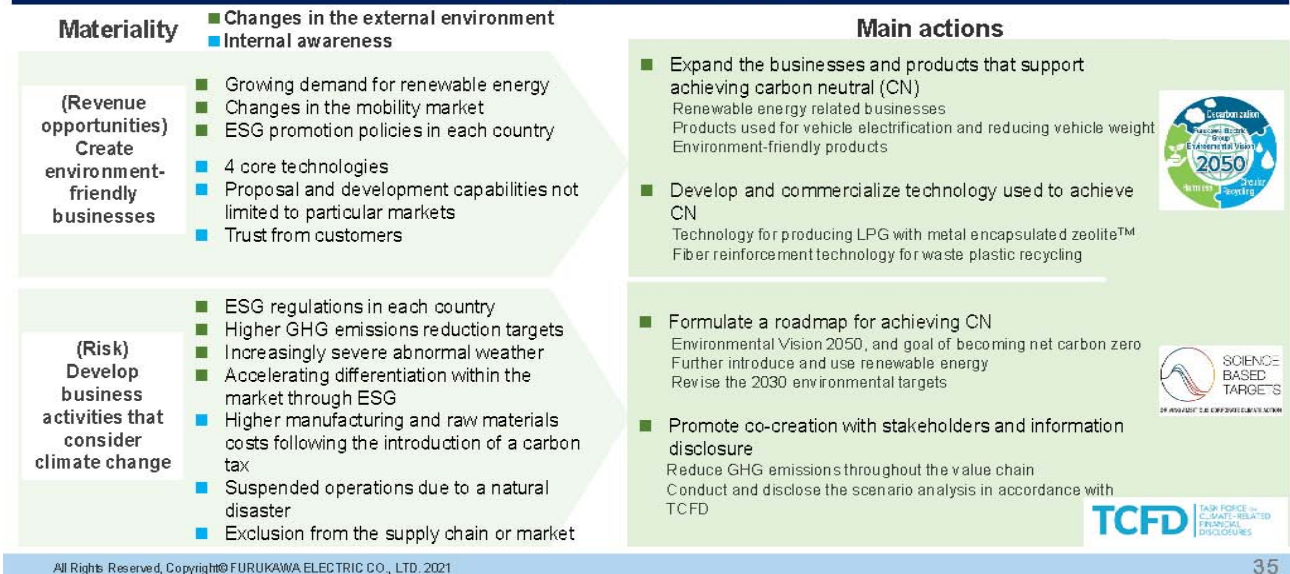
When the attendance rate at our head office was at its toughest, it was 6%. In this situation, as a result of this leadership training, we had close communication. We have been in a situation where the mental health-related morbidity is lower than usual. I believe this is exactly one of the results of the Transformation division, and as I have mentioned before, we have been able to achieve various improvements of nearly JPY10 billion over the past 2019 and 2020.

However, we still have a lot of work to do, and as you can see on the right, we are expanding the number of target businesses and workplaces from FY2021. We have also partially applied these to the establishment of new businesses. We are also considering the application to the new medium-term management plan with a longer time span until achieving the target.

I hope you will look forward to it.

(7) Accelerate ESG management – Initiatives to address climate change

Grasp both the “revenue opportunities” and “risks” of the materiality for climate change, and strengthen the initiatives.

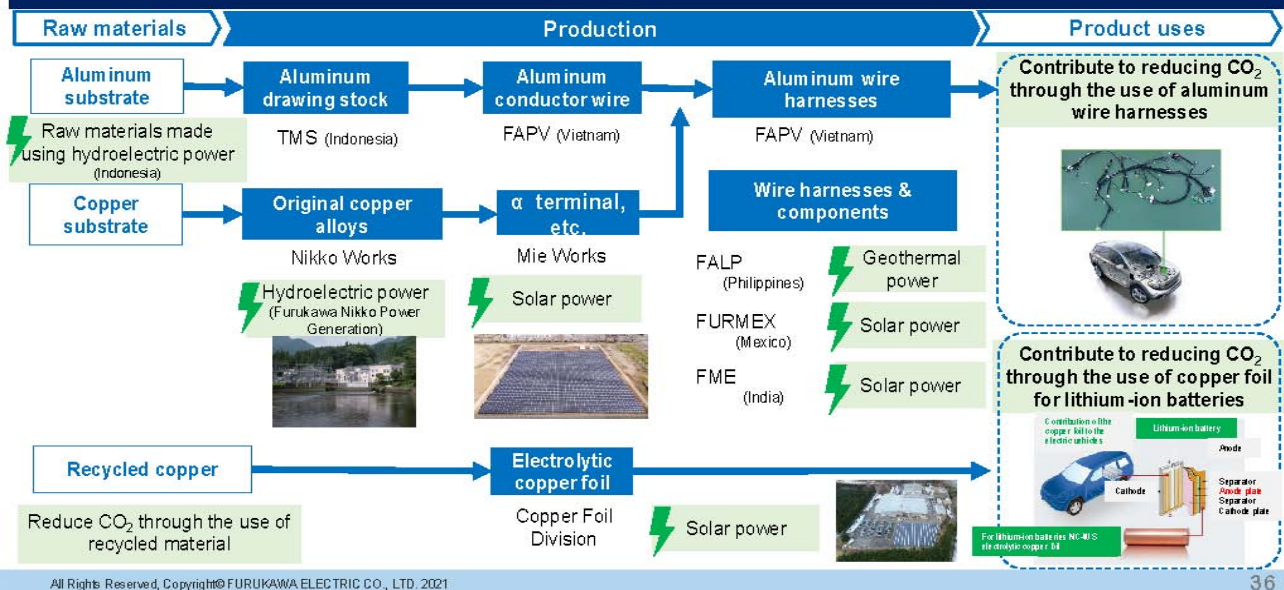


In addition, we are accelerating our ESG initiatives and are working on climate change.

With regard to materiality and profit opportunities, the main initiatives are carbon neutrality, and the expansion of businesses and products that support this. Development and commercialization of technology used to achieve carbon neutral. As for risks, we are working to formulate a roadmap for achieving carbon neutrality, as well as to promote co-creation with stakeholders and information disclosure.

**(7) Accelerate ESG management
– Initiatives to address climate change**

Promote initiatives that contribute to reducing CO2 emissions throughout the value chain.



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This is just one example, but the situation is accelerating.

Examples of product use include aluminum wire harnesses and copper foil for lithium-ion batteries. These are just a few examples of how to use hydroelectric power, increase solar power, and increase usage volume. We are working hard on how to use renewable energy for incoming energy by utilizing geothermal power, solar power, and so on.

Currently, our renewable energy usage rate is 18% in Japan. The average rate in Japan is said to be 16%, so the rate is already high, but we are trying to raise it further this year by proceeding with several projects.



We are always promoting these activities in accordance with our philosophy.

In other words, value employees, value customers, value new technology and contribute to society. This is a phrase left by Ichibei Furukawa, the founder of the Company, and it fits perfectly with the SDGs.

With this as our starting point, we will continue to weave this together and aim to do something useful for society.

That is all. Thank you very much.