

Business Briefing

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Furukawa Electric Co., Ltd.

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

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

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

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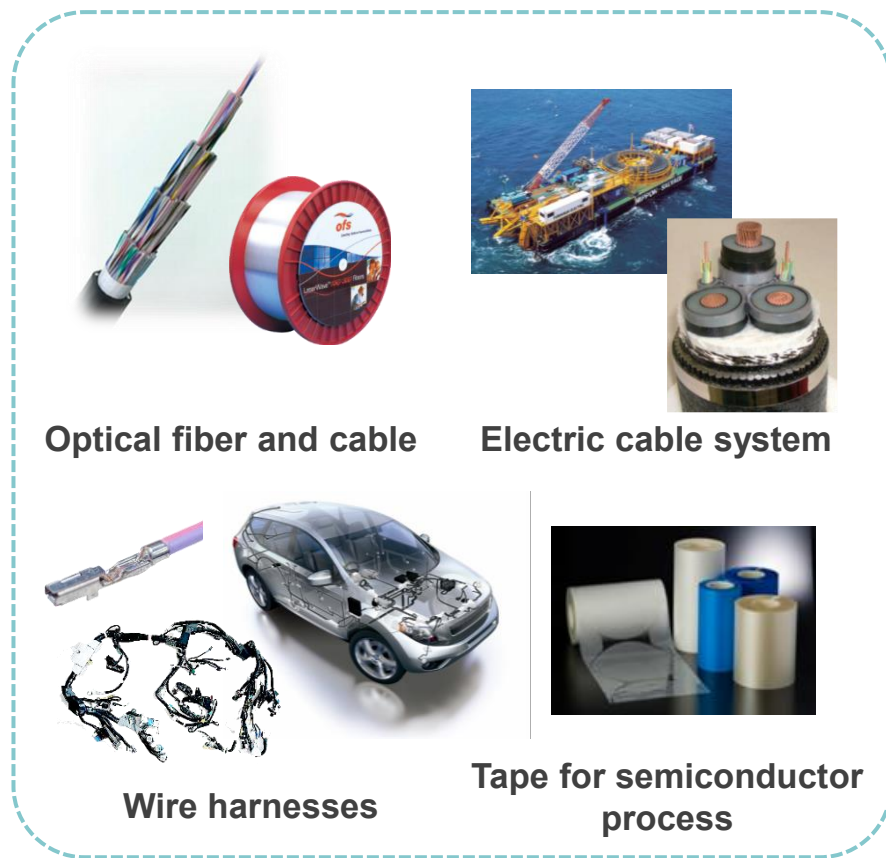
FURUKAWA ELECTRIC CO., LTD.

Reflecting on the first year of the 2025 Mid-term Plan and directed at FY25

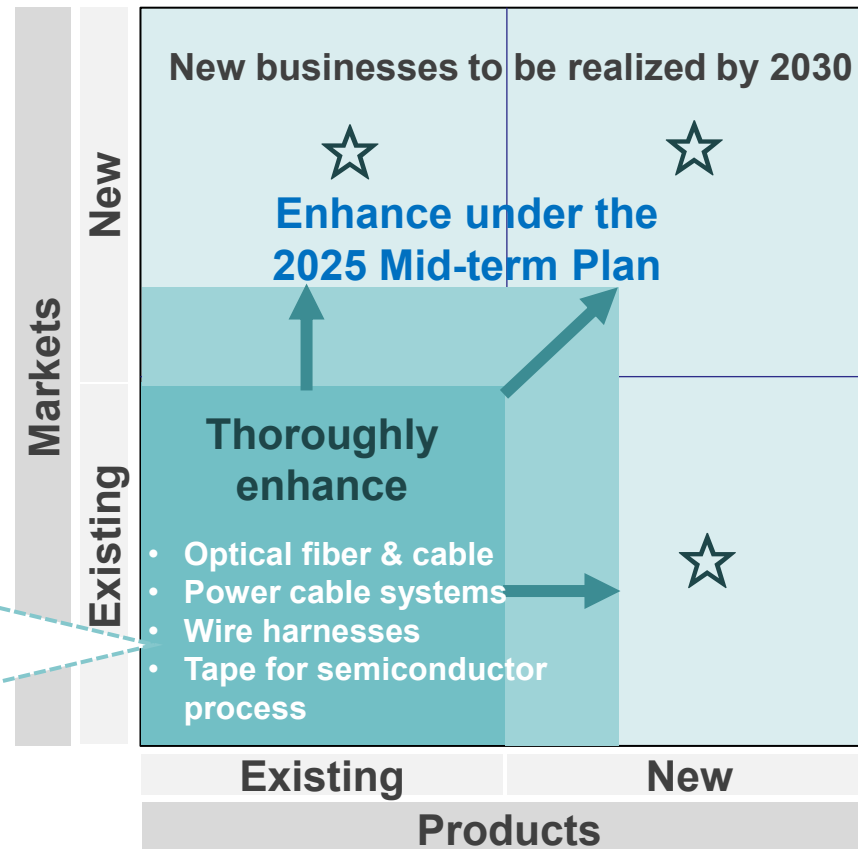
	FY22 (1 st year of the 2025 Mid-term Plan)	Directed at FY25
Business environment	<ul style="list-style-type: none"> ● Deterioration of the global economy and automotive/semiconductor markets ● Increased COVID-19 infections, lockdown in China 	<ul style="list-style-type: none"> ● Global economy and the automotive/semiconductor markets will turn around after FY23 H2 ● Mobility restrictions related to COVID-19 will end ● CN transition, 5G expansion, acceleration of CASE progress
Status of the businesses	<ul style="list-style-type: none"> ● Inability to respond to changes in the business environment ● Issues in relation to the <i>Monozukuri</i> capability 	<ul style="list-style-type: none"> ● Strengthen the preparations for responding to risks through scenario planning ● Enhance the <i>Monozukuri</i> capabilities though accelerated introduction of DX
Automotive Products & Batteries	<p>Increased logistics expenses and higher raw material & fuel prices (Made progress incorporating into the sales price) Lower productivity due to volatility in the orders</p>	<p>Continue to incorporate the costs in the sales price and increase productivity through automation Steadily secure more orders</p>
Functional Products	Maintained technological superiority and high earnings capability	<p>Strengthen the technological superiority by being the first to respond to technological issues Return to a growth trajectory in line with the demand recovery</p>
Communications Solutions	Improved productivity and increased sales of high value added products in North America	<p>Continue the growth centered on stable production and a shift to higher value added Accelerate the global expansion of high value added business models</p>
Energy Infrastructure	Established profitability through securing orders that incorporate the costs in the price	Steadily strengthen the business foundation directed toward medium to long-term growth
Financial results	Lower than the initial forecast due to downward revisions in Automotive Products & Batteries and Functional Products (operating income)	Maintain the financial targets in the 2025 Mid-term Plan

Maximize profits through a focus on capital efficiency

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



☆ Prepare to address in order to further shine



Business portfolio optimization and allocation of management resources

Establish management control and decision-making processes

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

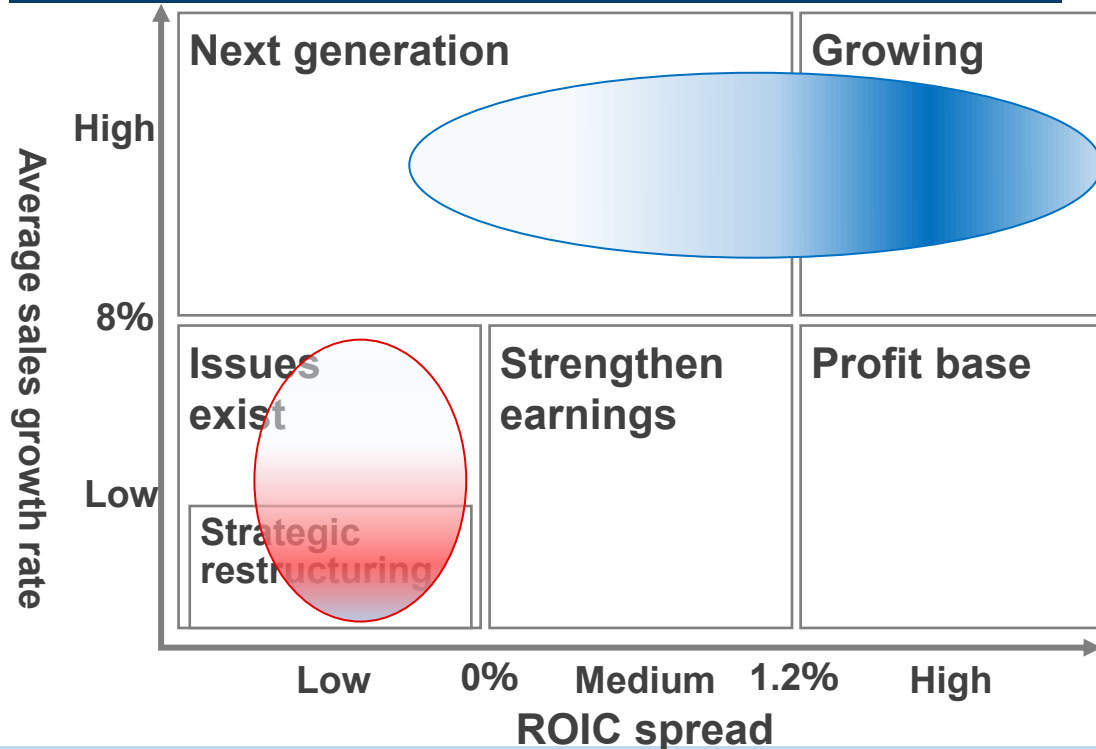
Moving into the execution phase of the ideal business portfolio toward achieving Vision 2030

1. Make the current status and positioning visible

2. Decide the allocation of management resources (investment)

Focus on achieving ROIC above cost of capital

3. Reorganize the business portfolio



(ROIC spread = ROIC – cost of capital*)
 *Cost of capital : WACC (Weighted Average Cost of Capital)

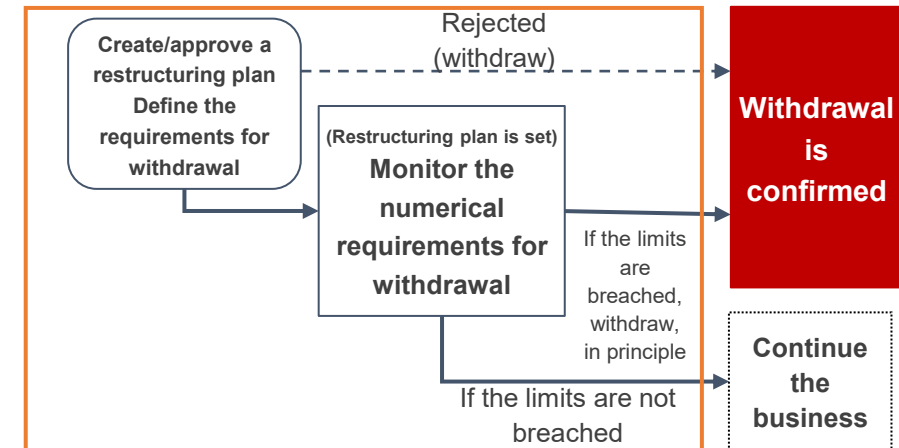


- + Potential for future growth
- + Competitive status among competitors
- + Carbon efficiency



Search for growth opportunities, including M&A

Decide the need to withdraw



Allocation of management resources based on capital and cash allocation policies

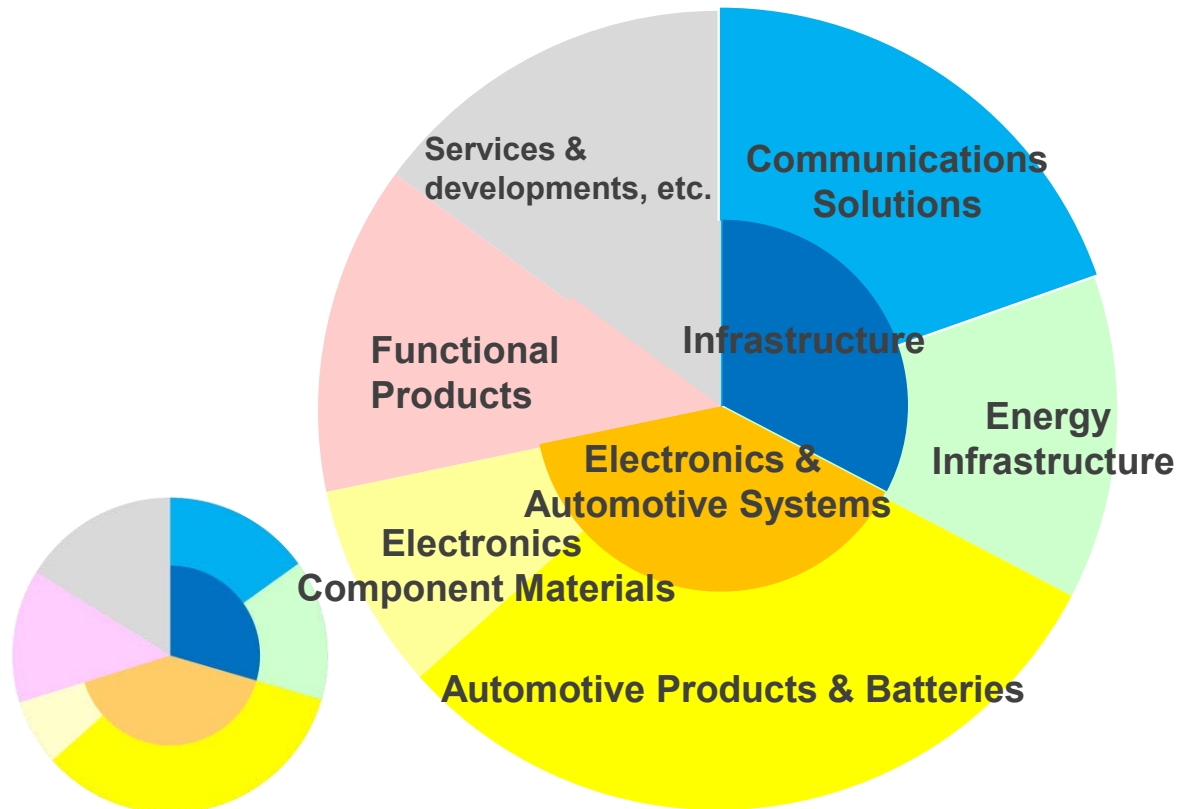
Maintain financial discipline and ensure financial soundness while investing funds generated from operating cash flow and asset sales in strategic and growth areas for future growth

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

CAPEX (FY22-25 cumulative total)

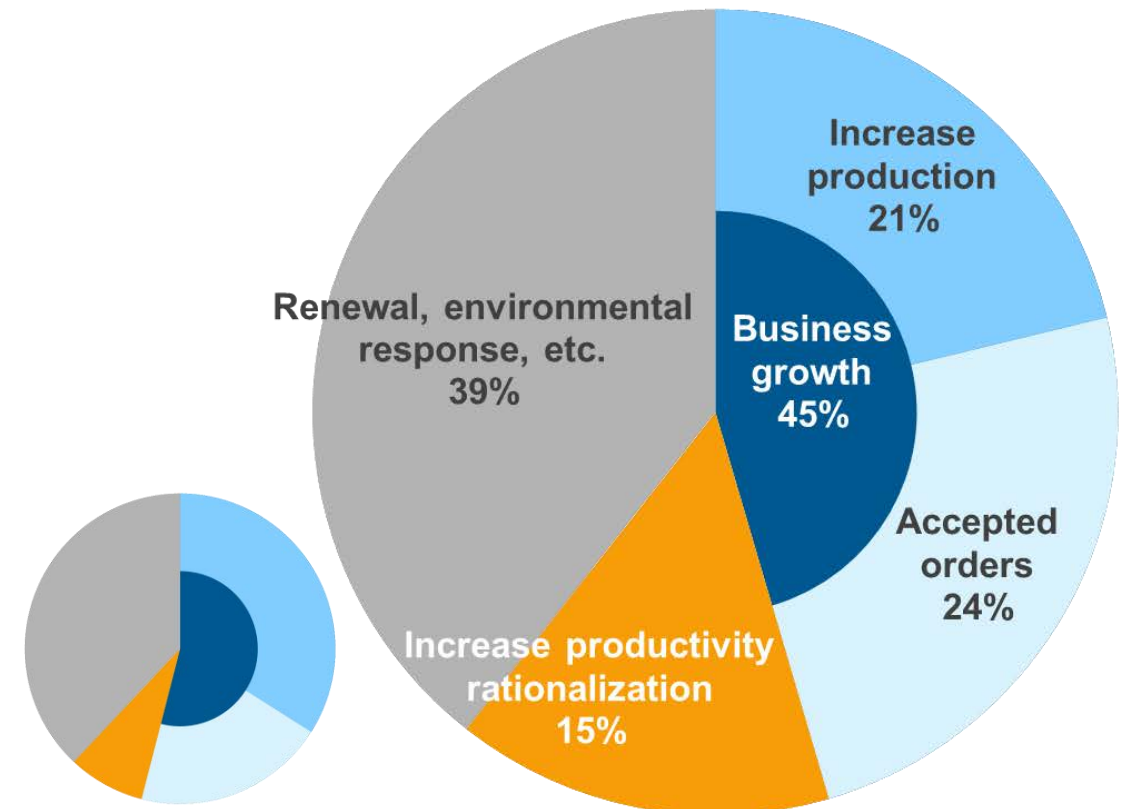
- Make appropriate investments in line with market trends
- CAPEX in increasing production will peak in FY22-23. During the period covered by the 2025 Mid-term Plan, increase investments in rationalization, improving productivity and renewing the facilities that support *Monozukuri*

Breakdown by segment



Actual investments in FY22

Breakdown by objective



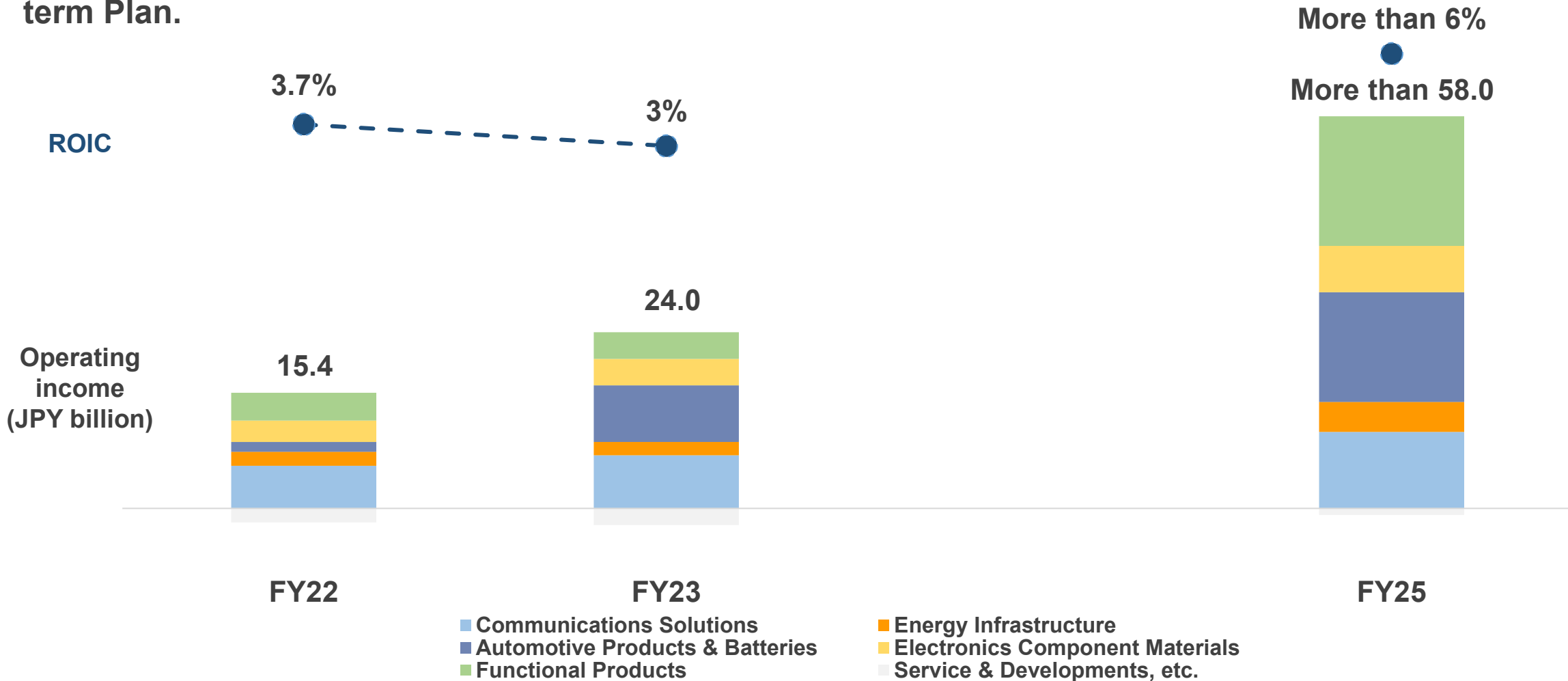
Actual investments in FY22

Maximize profits through a focus on capital efficiency

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



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



Maximize profits through a focus on capital efficiency

	FY23	FY25
Average copper price	1,180	1,085
Average exchange rate	130	110



Communications Solutions

JPY billion		
	FY23 Forecast	FY25 Target
Net sales	220.0	230.0
Operating income	8.0	11.5

Directed at FY25

Strategic Product

Optical fiber and cable

Current situation

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

*Solution-type business that provides not only products such as cables and connection materials, but also total packages including design operation support and after-sales service.

Energy Infrastructure

JPY billion		
	FY23 Forecast	FY25 Target
Net sales	115.0	130.0
Operating income	2.0	4.5

Strategic Product

Power cable systems

Current situation

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

Maximize profits through a focus on capital efficiency

	FY23	FY25
Average copper price	1,180	1,085
Average exchange rate	130	110



Automotive Products & Batteries

JPY billion

	FY23 Forecast	FY25 Target
Net sales	375.0	330.0
Operating income	8.5	16.5

Directed at FY25

Strategic Product

Wire harnesses

Current situation

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

Functional Products

JPY billion

	FY23 Forecast	FY25 Target
Net sales	125.0	165.0
Operating income	4.0	19.5

Strategic Product

Tape for semiconductor process

Current situation

- Establish a system for stable production directed at the market recovery and increased demand (start mass production from April 2025)
- Be the first to respond to technological issues, and continue to provide high performance, well-differentiated products

Electronics Component Materials

JPY billion

	FY23 Forecast	FY25 Target
Net sales	270.0	260.0
Operating income	4.0	7.0









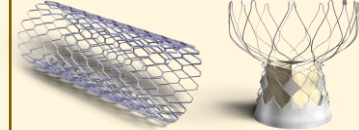
	FY23	FY25
Average copper price	1,180	1,085
Average exchange rate	130	110

Directed at FY25

<p>Business strategy</p>	<p>Contribute to the realization of a sustainable society through the development of high performance materials and clean <i>Monozukuri</i></p> <ul style="list-style-type: none"> Contribute to vehicle electrification through increased sales of oxygen free copper and copper alloy products Contribute to the growing electronic component market by increasing production capacity of enamel wire Increase added value by expanding the copper alloy and plated products and improving the product mix Contribute to advanced medicine by increasing the production capacity of NT* products and developing new products <p>*NT: Nickel and titanium alloy</p>	<p>Current situation</p>	<p>Continue to improve the product mix by increasing sales of high value added products</p> <ul style="list-style-type: none"> Oxygen free heat resistant copper strips for power semiconductors and thermal dissipation components Original alloys that support increased performance of electronic devices Magnet wire for inductors for 5G telecommunications infrastructure and vehicle ECUs <p>Adjust sales prices to appropriate levels</p> <ul style="list-style-type: none"> Incorporate the soaring raw material and fuel prices in the sales price
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Electronics Component Materials

Respond to the various needs in the electronics and automobile markets

	Electric Conductor			Copper Strips		
						
Electrification (CASE)	●	●	●	●	●	
Carbon neutral	●	●		●	●	
5G/B5G			●	●	●	
Medical						●
Main products	● Copper wire and aluminum wire	● Oxygen free copper strips	● Thin magnet wire	● Copper alloy strips and thin plates	● Oxygen free copper strips ● GOFC	● Ni-Ti alloy (wire, tubes)
Main applications	<ul style="list-style-type: none"> ● Various cables ● Wire harnesses 	<ul style="list-style-type: none"> ● Magnet wire for alternators ● Magnet wire for EV motors 	<ul style="list-style-type: none"> ● Inductors for mobile phones ● (General use & in-vehicle) relays 	<ul style="list-style-type: none"> ● Terminals for mobile phones ● Anti-corrosion terminals for automobiles ● Semiconductor lead frames 	<ul style="list-style-type: none"> ● Shielding strips ● Thermal dissipation substrates 	<ul style="list-style-type: none"> ● Stents & guidewire 
Main customers	● Electrical wire manufacturers	● Magnet wire manufacturers ● Motor manufacturers	● Electronic component manufacturers	● Terminal manufacturers ● Semiconductor component manufacturers	● Electrical wire manufacturers ● Power semiconductor manufacturers	● Medical product manufacturers

Management targets (Financial targets)

No revision of financial targets for FY25

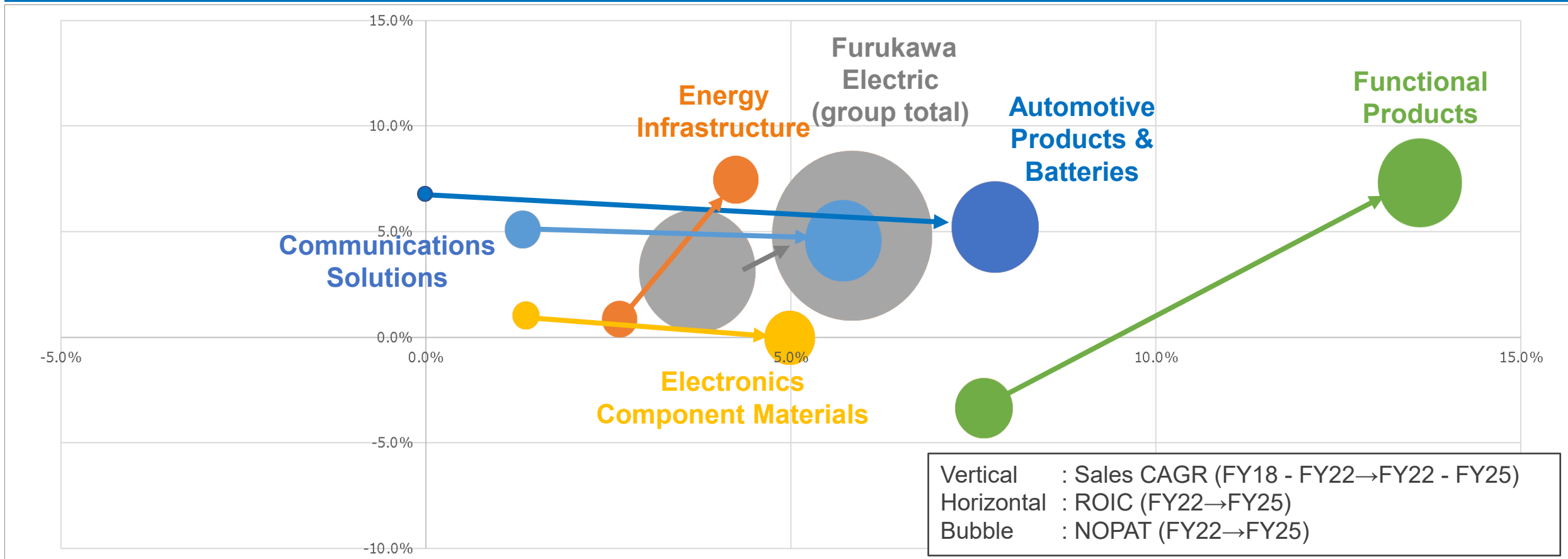
	FY22 (result)	FY23 (forecast)		FY25 (target)
ROIC (after tax)	3.7%	3%	▶	More than 6%
ROE	6.1%	4%	▶	More than 11%
Net D/E ratio	0.9	1.0	▶	Less than 0.8
Capital ratio	32.5%	33%	▶	More than 35%
Sales	JPY 1,066.3 billion	JPY 1,100.0 billion	▶	More than JPY 1,100.0 billion
Operating income	JPY 15.4 billion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

Appendix

2025 Mid-term plan target (ROIC) by segment

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

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



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

Thank you very much for your attention

Bound to Innovate