

FY2022 Q2 Financial Results

President & CEO

Keiichi Kobayashi

Director, Corporate Senior Vice President, and
General Manager, Finance & Accounting Division

Akihiro Fukunaga

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Furukawa Electric Co., Ltd.

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FURUKAWA ELECTRIC CO., LTD.

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- **Issues, responses and status of progress in relation to the main businesses (Automotive Products & Batteries business and Communications Solutions segments)**
- **Macro Indicators (Changes in the initial assumptions)**
- **Revised FY2022 Full-year Forecasts**
- **Sale of shares of a consolidated subsidiary (Listed company)**

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FY2022 H1 Results Highlights

- Higher revenue from the impact of foreign currency exchange, higher copper prices and mainly the Automotive Products & Batteries business
- Although operating income received a boost from foreign currency exchange, it declined due to soaring raw material and fuel prices at a whole group and lower customer production volumes in the Automotive Products & Batteries business
- Secured increased ordinary income and net income attributable to owners of the parent company

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

	FY20_H1	FY21_H1	FY22_H1	YoY change
	a	b	c	c-b
Net Sales	354.5	447.3	524.5	+77.3
Operating income	▲ 3.3	7.2	4.6	▲ 2.7
Ordinary income	▲ 6.0	10.8	14.0	+3.2
Net income attributable to owners of the parent	1.6	7.2	7.9	+0.7
Average copper price	675	1,092	1,205	
Average exchange rate	107	110	134	

(Comparison with last year)

Higher revenue: Infrastructure, Electronics & Automotive Systems and Functional Products segments

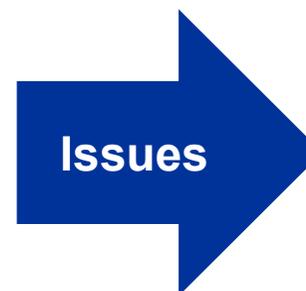
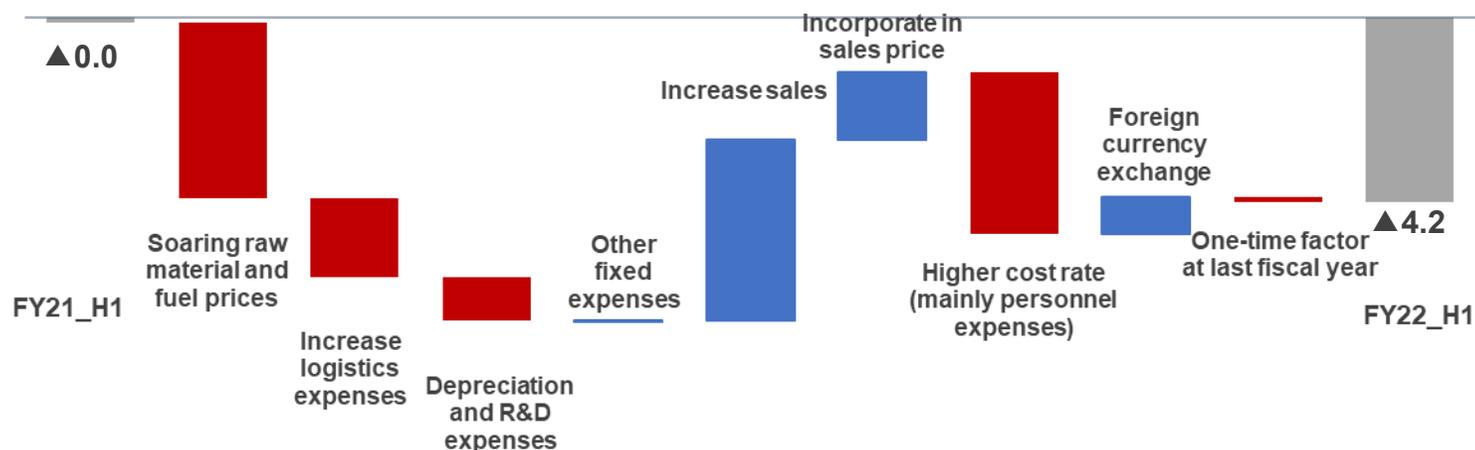
Increased income: Infrastructure and Functional Products segments
Decreased income: Electronics & Automotive Systems segment

Higher foreign currency exchange gain and equity method investment gain

Lower extraordinary profit

- Made progress in incorporating the soaring raw material and fuel prices and higher logistics expenses in the sales price, and the full effects will be realized from Q3
- Personnel expense ratio rose due to the lockdowns in China and changes to customers' production plans

【Changes in operating income (H1)】



- Soaring raw material and fuel prices and higher logistics expenses
- Longer logistics lead times
- Higher cost rate (Mainly personnel expenses)
- Persistently high inventory levels

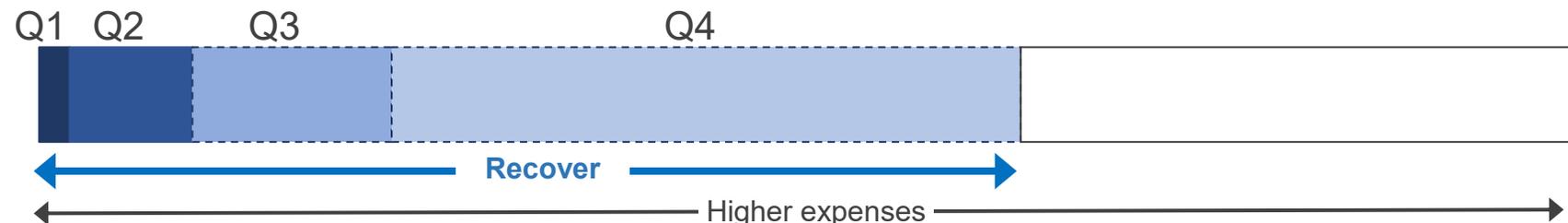
Details provided on the following pages

Automotive Products & Batteries business

: Response to the issues and status of progress

Issue	Response	Status of progress								
<p>Soaring raw material & fuel prices and higher logistics expenses</p>	<p>Incorporate the higher costs in the sales price (application of market based pricing) Discuss and negotiate with customers aimed at reaching an agreement during H1</p> <hr/> <p>Invoice the expenses incurred following changes to the production plan by the customer</p>	<p>Expect to incorporate the higher costs in the sales price as anticipated</p> <table border="1" data-bbox="1105 312 2504 648"> <tr> <td>Metals (copper/ aluminum) & resin</td> <td>Continuing negotiations directed at increasing the application rate</td> </tr> <tr> <td>Components and materials specified by the customer</td> <td>Complete</td> </tr> <tr> <td>Secondary materials (electronic components, etc.)</td> <td>Determine the share of costs through discussions with the customer (Negotiations remain ongoing)</td> </tr> <tr> <td>Logistics expenses</td> <td>Determine the share of costs through discussions with the customer (Same as above)</td> </tr> </table> <p>→ Although some expenses have been recovered from Q1, full-scale recovery including retroactively from the start of the fiscal year is expected to occur from Q3 (Negotiations and discussions remain ongoing)</p> <ul style="list-style-type: none"> • Air freights : Fully recover air freight expenses incurred due to reasons attributable to the customer (Q1-) • Warehouse expenses: Fully recover expenses incurred due to reasons attributable to the customer (Q1-) • Inventory purchases: Currently negotiating with customers 	Metals (copper/ aluminum) & resin	Continuing negotiations directed at increasing the application rate	Components and materials specified by the customer	Complete	Secondary materials (electronic components, etc.)	Determine the share of costs through discussions with the customer (Negotiations remain ongoing)	Logistics expenses	Determine the share of costs through discussions with the customer (Same as above)
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Secondary materials (electronic components, etc.)	Determine the share of costs through discussions with the customer (Negotiations remain ongoing)									
Logistics expenses	Determine the share of costs through discussions with the customer (Same as above)									

Forecast for incorporating the higher costs in the sales price and recovering incurred expenses



Automotive Products & Batteries business

: Response to the issues and status of progress

Issue	Response	Status of progress
<p>Longer logistics lead times</p>	<p>Revise the logistics routes</p>	<ul style="list-style-type: none"> Jointly use routes to the east coast for shipments to North America (Already completed from the start of the fiscal year)
	<p>Revise the transaction terms for maritime cargo</p>	<ul style="list-style-type: none"> Changed from spot contracts to annual contracts (Already completed from the start of the fiscal year)
<p>Higher cost rate (mainly personnel expenses)</p>	<p>Respond in accordance with the changes to the production plan</p>	<ul style="list-style-type: none"> In Q2, temporarily furloughed employees in Vietnam Although preparations were made in Q2 for increased production from September, the personnel expense ratio increased as a result of changes to the customers' production plans.
	<p>Increase and train personnel in preparation for increased production</p>	<ul style="list-style-type: none"> Although efforts are being made to secure skilled workers and enhance training, failed to achieve the targeted productivity level
	<p>Further promote automation through the use of DX</p>	<ul style="list-style-type: none"> Reduce labor requirements through the creation of component configuration tables by utilizing RPA* (already enacted) Reduce labor requirements by automating the inspection process (enacting) <p>*RPA : Robotic Process Automation</p>

Automotive Products & Batteries business

: Response to the issues and status of progress

Issue

Persistently high inventory levels

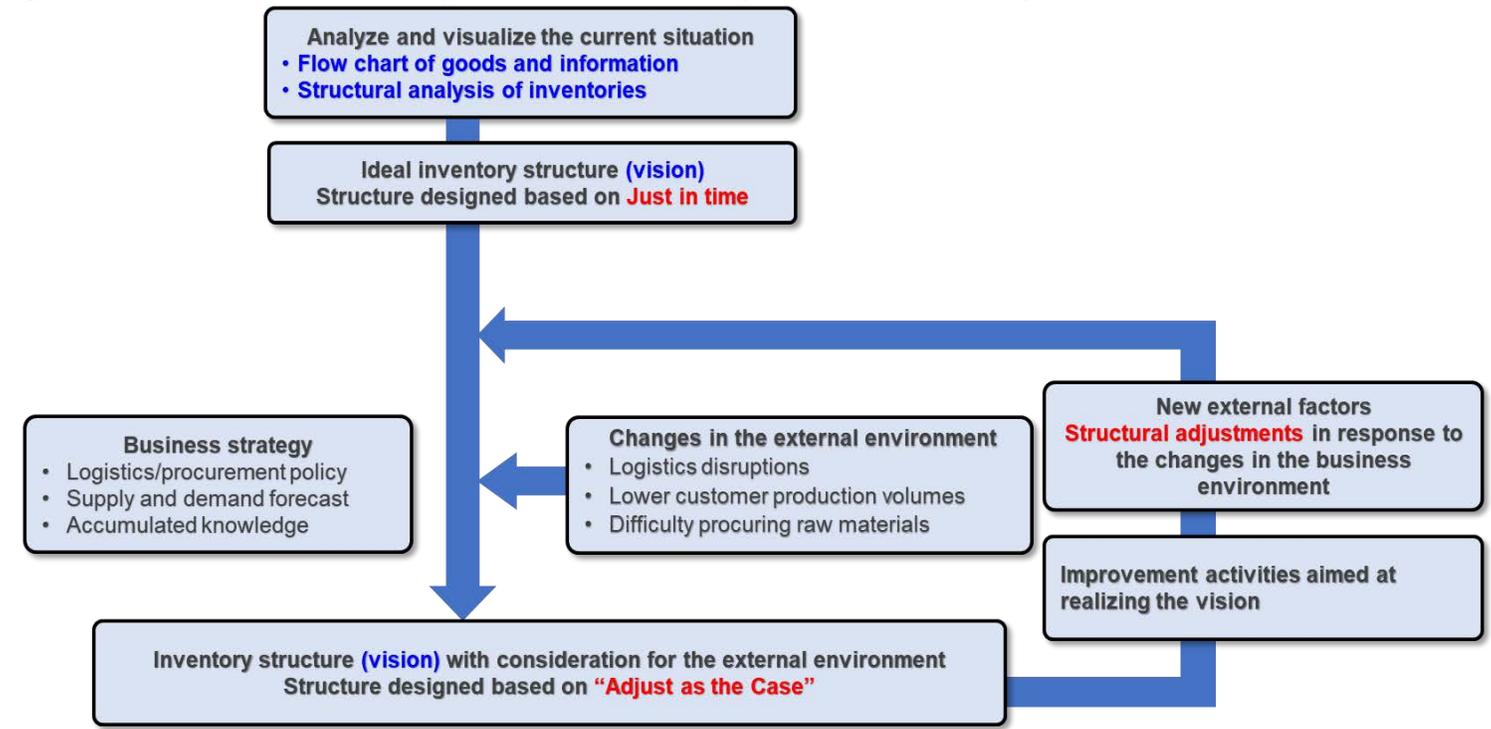
Response

Restructure and improve based on “Adjust as the Case* ”

*Concept of appropriately designing the inventory structure based on the changes in the business environment

Status of progress

Design and improvement cycle for inventory based on “Adjust as the Case”

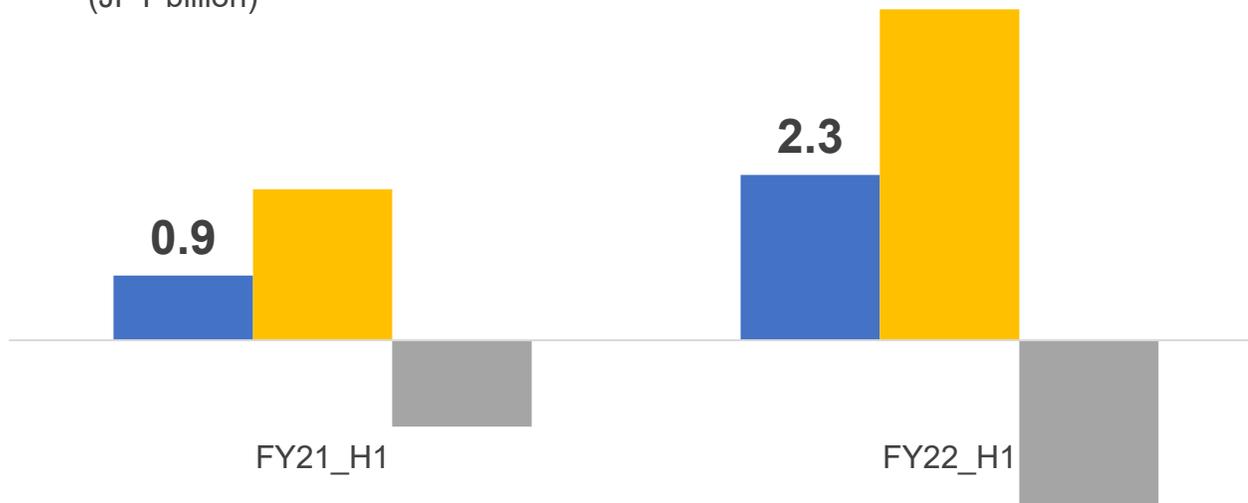


- (Actions being taken)
- Set and secure inventory levels based on conducting flexible production
 - Set and secure inventory levels based on the procurement risk factors
 - Develop and secure new overseas transportation routes
- In line with the changing business environment, constantly maintain inventory at optimum levels

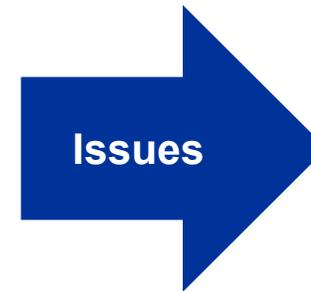
- In the overall segment, profit increased as a result of higher net sales in the optical fiber and cable business and improved productivity
- Profit deteriorated in networking system products in Japan due to factors of raw material and semiconductor. Currently implementing recovery measures

【Operating income (H1)】

(JPY billion)



- All segments
- Optical fiber and cable
- Others (including allocation of corporate expenses)



<Optical fiber and cable business>

- Higher demand in North America and Europe
- Difficulty procuring raw materials
- Soaring raw material prices and transportation expenses

<Networking system products in Japan>

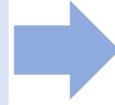
- Difficulty procuring raw materials and semiconductors
- Soaring prices

Details provided on the following pages

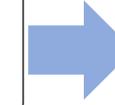
Optical fiber and cable business

: Response to the issues and status of progress

- Higher demand in North America and Europe
- Soaring raw material prices and transportation expenses



- Increase value-added products and improve productivity in North America
- Incorporate the higher costs in the sales price globally



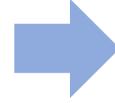
Operating income in H1 exceeded expectations

Issue	Response	Status of progress								
<p>Higher demand in North America and Europe</p>	<p>Increase sales of value-added products</p> <ul style="list-style-type: none"> • RR (Rollable ribbon) cable • Specialty fibers <p>Secure personnel directed at increasing production volumes at the optical cable manufacturing site in North America</p> <p>Increase production capacity of the optical cable site in Morocco</p>	<p>Status of progress</p> <ul style="list-style-type: none"> • Both sales volumes and component ratio of RR cable are increasing in North America (RR ratio : FY21_H1 18% → FY22_H1 34%) • Specialty fibers (for industrial and medical applications) are also performing well. <div data-bbox="1898 399 2497 756"> <p>Sales trend* of optical fiber and cable in North America</p> <table border="1"> <caption>Sales trend* of optical fiber and cable in North America</caption> <thead> <tr> <th>Period</th> <th>RR cable (%)</th> </tr> </thead> <tbody> <tr> <td>FY20_H1</td> <td>14%</td> </tr> <tr> <td>FY21_H1</td> <td>18%</td> </tr> <tr> <td>FY22_H1</td> <td>34%</td> </tr> </tbody> </table> <p>* Including exports from bases in Europe and Japan</p> </div>	Period	RR cable (%)	FY20_H1	14%	FY21_H1	18%	FY22_H1	34%
Period	RR cable (%)									
FY20_H1	14%									
FY21_H1	18%									
FY22_H1	34%									
<ul style="list-style-type: none"> • Difficulty procuring raw materials • Soaring raw material prices and transportation expenses 	<p>Stable procurement</p> <p>Incorporate the higher costs in the sales price</p>	<ul style="list-style-type: none"> • Increasing personnel as planned through new hiring. In addition, the turnover rate has improved recently • Going forward, work to improve skill levels and increase productivity. • From Q3, increase cost competitiveness in Europe by bringing the transferred equipment on line • Increase sales of RR cable for data centers and strengthen the connections with the networking systems business of FEL • Secured supply of helium from the second half of Q2 (at a higher price) • Expect the procurement environment to improve following increased supply going forward • Outstanding optical cable orders in North America are steadily declining toward reaching ideal situation • Make progress in incorporating the higher costs in the sales price in North America. Continuing the efforts to incorporate the higher costs in the sale price in all regions 								

Networking system products in Japan

:Response to the issues and status of progress

Although the CATV device market in Japan remains steady, there is difficulty procuring semiconductors / soaring prices



Secure semiconductors, switch to new models, change the design
Make progress in incorporating the higher costs in the sales price



Expect to achieve the H2 profit forecast

Issue

Difficulty procuring raw materials and semiconductors

Soaring prices

Response

- Secure strategic inventory by grasping the lead time for raw materials and components, and procure in installments through long-term advance orders
- Reduce risk by switching to new models and changing the design
- Expand procurement routes / Procure alternative materials and components

Incorporate the higher costs in the sales price (Set sales prices at appropriate levels)

Status of progress

- Successfully reducing the impact of semiconductor lead times by securing strategic inventory, placing long-term advance orders and switching to new models
- Currently expanding the procurement routes and evaluating/ procuring alternative materials

※ Conversely, the number of affected semiconductor products has expanded, and lead times have increased
Restrictions have been enacted on orders for some products
The impact resulting from the difficulty procuring semiconductors is expected to remain ongoing into FY2023

Incorporated the higher costs in the sales price for some products.
Based on further increases in raw material prices, continue to incorporate the higher costs in the sales price

- Under the 2025 medium-term management plan, further strengthen technology development, including the fusion of FTTH and wireless, and focus on increasing customer value
- Strengthen the framework for close cooperation with customers through utilization of the application laboratory established in the summer of this year

Macro Indicators (Changes from the initial assumptions)

Since the start of the fiscal year, the main economic indicators and semiconductor market environment have significantly deteriorated

	Direction of change	2022 Outlook : Initial (Apr. 2022) → Nov. 2022
World's GDP		From 3.3 to 2.9% (▲0.4%)
Japan's GDP		From 2.6 to 1.8% (▲0.8%)
U.S. economy		From 2.8 to 1.6% (▲1.2%)
Automotive market		Global production is forecast to be from 80.3 million to 79.7 million (▲0.6 million cars)
Semiconductor market		Growth rate of semiconductor shipments is forecast to increase from 13 to 6% (▲7%)

(Note) Our forecast. Japan's GDP is the annual growth rate

Revised FY2022 Full-year Forecasts (Operating income)

Compared to the previous forecast, the Infrastructure segment has been revised up and Electronics & Automotive Systems has been revised down

		(JPY billion)	Main revisions
Infrastructure	Communications Solutions	<p>5.0 8.0 ↑ +3.0</p>	(+) Incorporate the soaring raw material and fuel prices in the sales price (+) Improvements to the product mix (Optical cable, specialty fibers) (+) Foreign currency exchange
	Energy Infrastructure	(No change)	
Electronics & Automotive Systems	Automotive Products & Batteries	<p>6.0 3.0 ↓ -3.0</p>	(-) Higher personnel expense ratio caused by the lockdowns in China and changes in customers' production plans
	Electronics Component Materials	(No change)	
Functional Products	(No change)		

Revised FY2022 Full-year Forecasts

- Revised the net sales and operating income forecast for several segments (overall forecast remains unchanged)
- After incorporating the gain in the sale of shares of a consolidated subsidiary, net income has been revised up

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

	FY20	FY21	*FY22 Previous forecasts	FY22	YoY change	Change from previous forecasts	
	a	b	c	d	d-b	d-c	(Comparison with previous forecasts)
Net Sales	811.6	930.5	1,050.0	1,050.0	+119.5	—	Revised up: Infrastructure segment Revised down: Functional Products segment
Operating income	8.4	11.4	22.5	22.5	+11.1	—	Revised up: Infrastructure segment Revised down: Electronics & Automotive Systems segment
Ordinary income	5.2	19.7	26.0	28.0	+8.3	+2.0	Following the change to the exchange rate assumption, higher gain on foreign currency exchange
Net income attributable to owners of the parent	10.0	10.1	14.0	21.0	+10.9	+7.0	Incorporate extraordinary profit of JPY 10.7 billion from the sale of shares of a consolidated subsidiary
Average copper price	770	1,136	1,260	1,128 (H2 Assumption : 1,050)			
Average exchange rate	106	112	120	137 (H2 Assumption : 140)			

*Announced on May 12, 2022

※ Impact of the sale of a consolidated subsidiary
Net sales: JPY ▲4.7 billion, Operating income: JPY ▲0.7 billion

**Dividend for the fiscal year ending March 31, 2023 is unchanged
from the year-end dividend forecast of ¥60 per share announced on May 12, 2022.**

Concluded an agreement to subscribe to the tender offer for shares of TOTOKU ELECTRIC CO., Ltd.*

<Background and reason>

In accordance with the Medium-term Management Plan “Road to Vision 2030”,

- “Make the position of each business visible” and “reorganize the business portfolio through optimum investment allocation” based on the positioning of each business
- Consider the handling of listed subsidiaries in the Furukawa Electric Group



**Concentrating the group’s strengths and management resources
on domains with growth potential**

**Invest in and allocate resources to businesses that will contribute to future growth
(Domains that combine information, energy and mobility, DX, the environment, etc.)**

*TOTOKU ELECTRIC CO., LTD.: Develops and manufactures products with originality in areas such as electric wire, heater products, cable processed products and processed wire products based on technology cultivated in material development. The company is active on a global scale and became a consolidated subsidiary of Furukawa Electric Co., Ltd. in 2012

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FY2022 H1 Detailed Financial Results

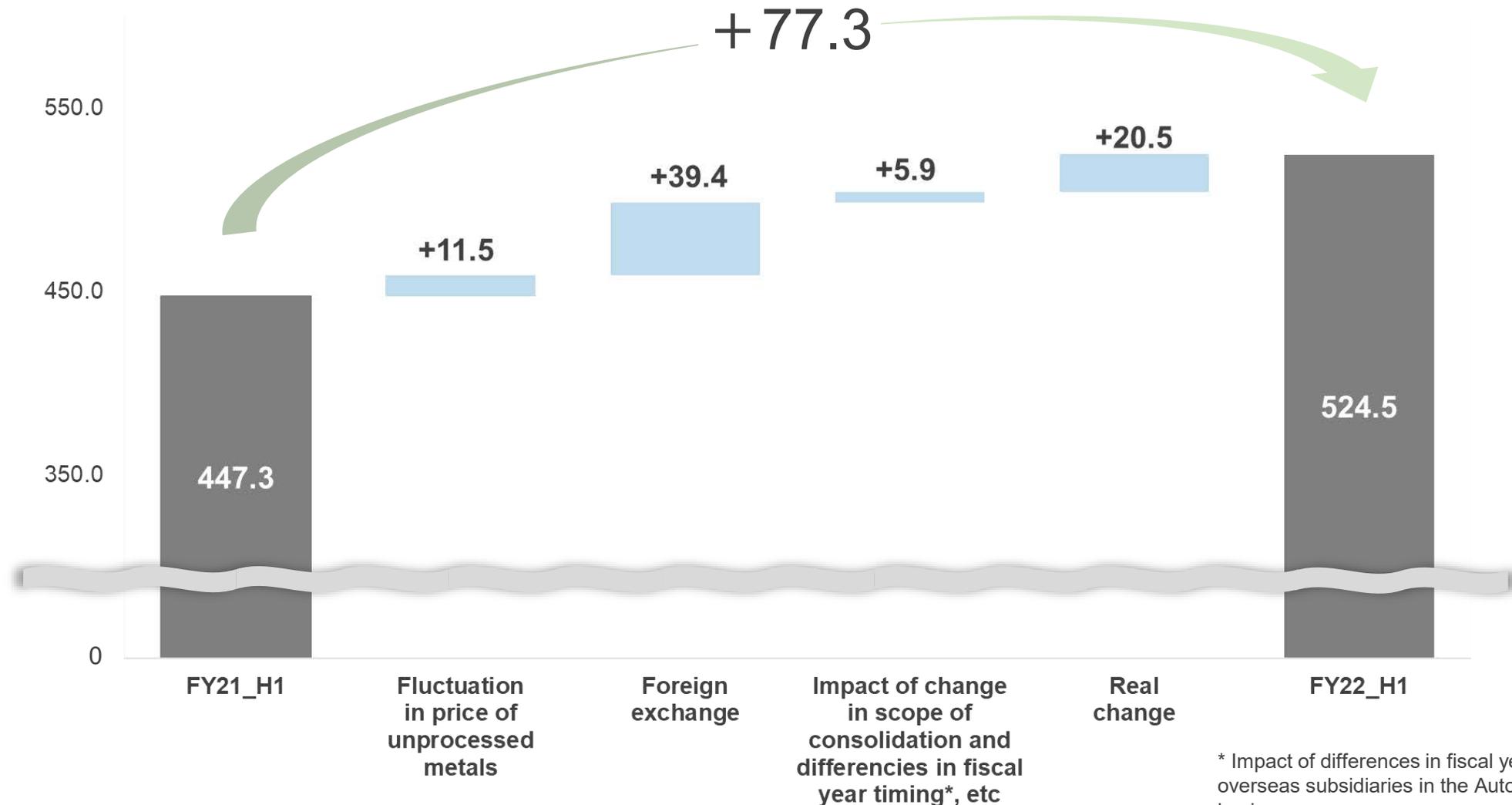
FY2022 H1 Results – P/L Summary

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

	FY20_H1	FY21_H1	FY22_H1	YonY change	Breakdown of change (FY21_H1⇒FY22_H1)
	a	b	c	c-b	
Net sales	354.5	447.3	524.5	+77.3	+77.3 (+17%) See page 19
Operating income	▲ 3.3	7.2	4.6	▲ 2.7	▲2.7 (▲37%) See page 20
(Margin)	▲ 0.9%	1.6%	0.9%	▲ 0.7	
Profit/loss in equity method affiliates	▲ 1.1	4.3	5.7	+1.4	
Foreign exchange gain/loss	▲ 0.4	0.4	4.7	+4.4	
Ordinary income	▲ 6.0	10.8	14.0	+3.2	▲3.2 (+30%)
(Margin)	▲ 1.7%	2.4%	2.7%	+0.3	
Extraordinary income/loss	11.5	2.3	0.1	▲ 2.2	•Extraordinary income ▲2.2 (3.5 → 1.3)
Income taxes	▲ 3.4	▲ 4.8	▲ 5.9	▲ 1.1	
Net income attributable to non-controlling interests	▲ 0.6	▲ 1.1	▲ 0.3	+0.8	•Extraordinary loss +0.0 (▲1.2 → ▲1.2)
Net income attributable to owners of parent	1.6	7.2	7.9	+0.7	+0.7 (+10%)
(Margin)	0.4%	1.6%	1.5%	▲ 0.1	
Average copper price	675	1,092	1,205	–	
Average exchange rate	107	110	134	–	

Analysis of Changes in Net Sales (YoY)

(JPY billion)

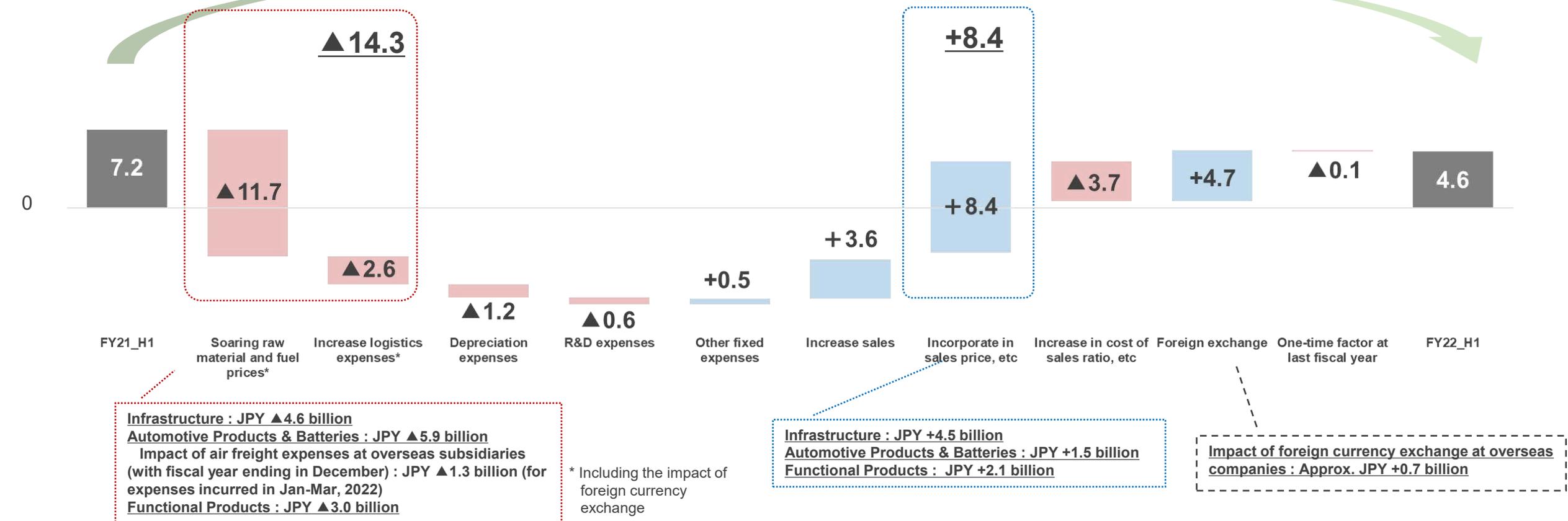


Analysis of Changes in Operating Income (YoY)

- Lower profit due to an inability to fully cover the soaring raw material and fuel* prices and increased logistics expenses through price revisions and lowering the cost of manufacturing
- Discussions and negotiations are ongoing with customers concerning price revisions and invoicing incurred expenses in the Automotive Products business. Expect improvements to be realized mainly in Q4

▲2.7

(JPY billion)



FY2022 Full-year Forecasts – P/L Summary

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

	FY20	FY21	*FY22 Previous forecasts	FY22 forecasts	YonY change	YonY change	
	a	b	c	d	d-b	d-c	(Comparison with previous forecasts)
Net sales	811.6	930.5	1,050.0	1,050.0	+119.5	-	
Operating income	8.4	11.4	22.5	22.5	+11.1	-	Change to foreign currency exchange rate levels and copper price
(Margin)	1.0%	1.2%	2.1%	2.1%	+0.9	+0.0	
Profit/loss in equity method affiliates	▲ 0.9	9.0	-	-	-	-	
Foreign exchange gain/loss	0.5	1.5	-	-	-	-	
Ordinary income	5.2	19.7	26.0	28.0	+8.3	+2.0	
(Margin)	0.6%	2.1%	2.5%	2.7%	+0.6	+0.2	
Extraordinary income/loss	16.1	0.8	▲ 3.0	7.9	+7.1	+10.9	
Income taxes	▲ 9.2	▲ 7.2	-	-	-	-	Extraordinary profit
Net income attributable to non-controlling interests	▲ 2.1	▲ 3.1	-	-	-	-	Gain on the sale of shares of a consolidated subsidiary of JPY 10.7 billion
Net income attributable to owners of the parent	10.0	10.1	14.0	21.0	+10.9	+7.0	
(Margin)	1.2%	1.1%	1.3%	2.0%	+0.9	+0.7	Tax cost incurred due to recording extraordinary profit
Average copper price	770	1,136	1,260	1,128	(H2 Assumption : 1,050)		
Average exchange rate	106	112	120	137	(H2 Assumption : 140)		

*Announced on May 12, 2022

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Net Sales and Operating Income by Segment (H1)

(JPY billion)

	Net sales				Operating income			
	FY20	FY21	FY22	YoY	FY20	FY21	FY22	YoY
	a	b	c	c-b	d	e	f	f-e
Infrastructure	122.2	142.9	159.8	+16.9	▲ 1.7	1.5	2.5	+1.0
Communications Solutions	76.3	92.8	108.0	+15.1	▲ 0.2	0.9	2.3	+1.4
Energy infrastructure	45.9	50.1	51.8	+1.7	▲ 1.5	0.7	0.2	▲ 0.4
Electronics & Automotive Systems	175.3	238.8	293.2	+54.5	▲ 3.0	2.4	▲ 1.8	▲ 4.2
Automotive Products & Batteries	95.2	120.4	157.9	+37.5	▲ 2.7	▲ 0.0	▲ 4.2	▲ 4.2
Electronics Component Materials	80.0	118.3	135.3	+17.0	▲ 0.4	2.4	2.4	+0.0
Functional Products	52.4	63.8	70.2	+6.3	2.2	4.0	4.9	+0.9
Service and Developments, etc.	20.7	20.5	14.8	▲ 5.7	▲ 0.9	▲ 0.6	▲ 1.0	▲ 0.4
Elimination of intra-company transactions	▲ 16.1	▲ 18.8	▲ 13.5	+5.3	0.1	▲ 0.1	▲ 0.0	+0.1
Total	354.5	447.3	524.5	+77.3	▲ 3.3	7.2	4.6	▲ 2.7

Net Sales and Operating Income by Segment (Full-year forecast)

(JPY billion)

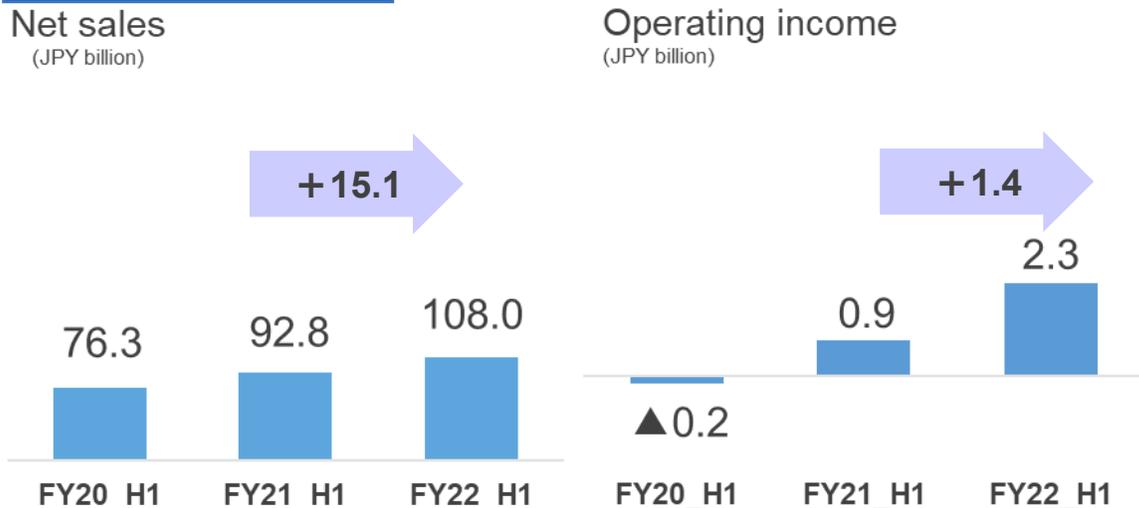
	Net sales						Operating income					
	FY20	FY21	*FY22 Previous Forecasts	FY22	YoY	Change from previous forecasts	FY20	FY21	*FY22 Previous Forecasts	FY22	YoY	Change from previous forecasts
	a	b	c	d	d-b	d-c	e	f	g	h	h-f	h-g
Infrastructure	259.2	297.0	330.0	345.0	+48.0	+15.0	▲ 2.1	5.2	6.5	9.5	+4.3	+3.0
Communications Solutions	158.3	191.3	215.0	230.0	+38.7	+15.0	▲ 0.2	3.8	5.0	8.0	+4.2	+3.0
Energy infrastructure	100.9	105.7	115.0	115.0	+9.3	-	▲ 1.9	1.4	1.5	1.5	+0.1	-
Electronics & Automotive Systems	433.0	500.7	575.0	575.0	+74.3	-	5.9	0.1	10.0	7.0	+6.9	▲ 3.0
Automotive Products & Batteries	235.1	249.9	295.0	305.0	+55.1	+10.0	5.0	▲ 4.6	6.0	3.0	+7.6	▲ 3.0
Electronics Component Materials	198.0	250.8	280.0	270.0	+19.2	▲ 10.0	0.9	4.8	4.0	4.0	▲ 0.8	-
Functional Products	114.7	130.0	155.0	140.0	+10.0	▲ 15.0	6.3	7.6	8.5	8.5	+0.9	-
Service and Developments, etc.	38.7	34.5	30.0	30.0	▲ 4.5	-	▲ 1.7	▲ 1.4	▲ 2.5	▲ 2.5	▲ 1.1	-
Elimination of intra-company transactions	▲ 34.0	▲ 31.6	▲ 40.0	▲ 40.0	▲ 8.4	-	0.1	▲ 0.1	0.0	0.0	+0.1	-
Total	811.6	930.5	1,050.0	1,050.0	+119.5	-	8.4	11.4	22.5	22.5	+11.1	-

*Announced on May 12, 2022

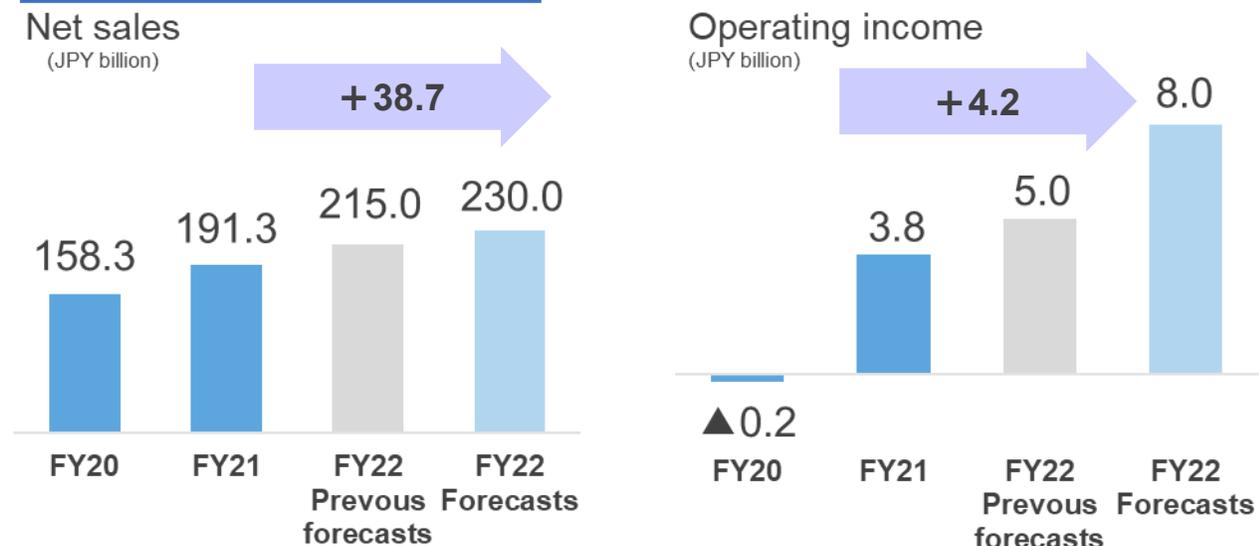
*Announced on May 12, 2022

1-(1) Infrastructure (Communications Solutions)

FY22_H1 Results



FY22_Full-year forecasts



[H1 Operating income compared to last year]

- (+) Increased optical cable and networking systems business revenue in the Americas (higher ratio of high value-added products)
- (+) Incorporated the soaring raw material and fuel prices in the sales price
- (+) Increased optical cable productivity in North America
- (+) Impact of foreign currency exchange
- (-) Raw material and fuel prices continue to soar
- (-) Despite the steady CATV market in Japan, difficulty procuring semiconductors and soaring prices
- (-) Lower optical cable sales to Europe due to the situation involving Russia and Ukraine

[H2 Forecasts]

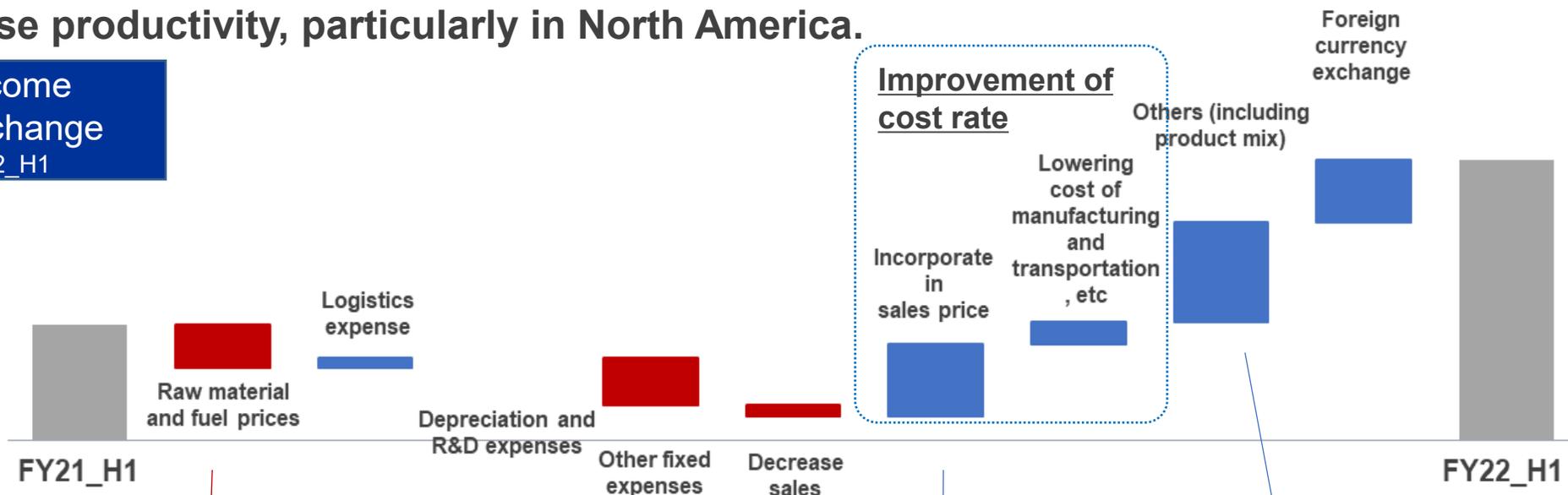
- Optical fiber and cable demand is expected to remain strong in the Americas (Expect a temporary decline in Q3 due to seasonal factors)
- Specialty fibers (for industrial and medical applications) will also be strong
- Secure personnel directed at increasing optical fiber and cable production volumes in North America, and improve skill levels
- Further incorporate the soaring raw material and fuel prices in the sales price
- Expect increased revenue from digital coherent products and networking system products in Japan (seasonal factors)

1-(1) Infrastructure (Communications Solutions)

: Analysis of changes in optical fiber and cable operating income (YoY)

- Increased profit through incorporating the higher costs in the sales price, improvements to the product mix and increased productivity.
- Directed at achieving the full-year forecast, continue to incorporate the higher costs in the sales price and further increase productivity, particularly in North America.

**Operating income
Breakdown of change
FY21_H1⇒FY22_H1**



● Soaring raw material and fuel prices remain ongoing

● Lower optical cable sales to Europe due to the situation in Russia and Ukraine

● Incorporating the higher costs in the sales price is progressing generally as planned

● Higher revenue from networking systems and optical cable, including value-added products

**H1
Summary**

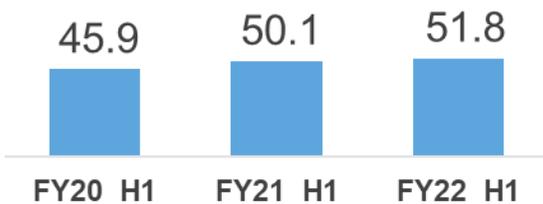
1-(2) Infrastructure (Energy Infrastructure)

FY22_H1 Results

Net sales
(JPY billion)

*Impact of higher copper prices
: JPY +0.8 billion

+1.7*



Operating income
(JPY billion)

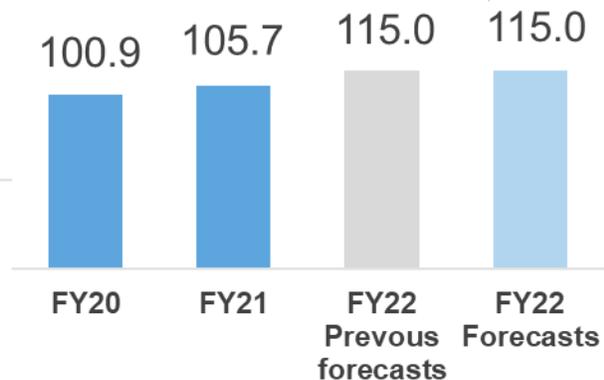
▲0.4



FY22_Full-year forecasts

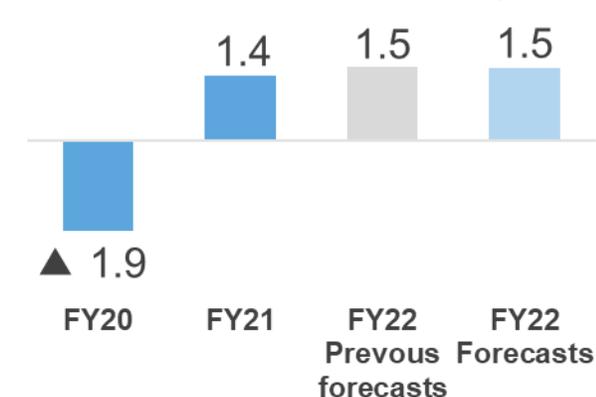
Net sales
(JPY billion)

+9.3



Operating income
(JPY billion)

+0.1



[H1 Operating income compared to last year]

- (+) Underground cable projects in Japan and transmission components were steady
- (-) Delays to customer construction projects and lower operating levels at the subsidiary in China due to the COVID-19 lockdowns in China
- (-) Increased depreciation expenses

[H2 Forecasts]

- Similar to H1, expect progress as planned in underground cable, submarine cable and water pipe projects in Japan
- Although customer projects in China will continue to be delayed, a recovery is expected in H2
- Realize the benefits from incorporating the soaring raw material and fuel prices in the sales price

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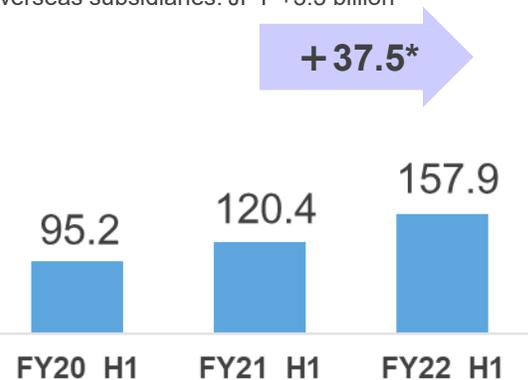
2-(1) Electronics & Automotive Systems (Automotive Products & Batteries)

FY22_H1 Results

Net sales

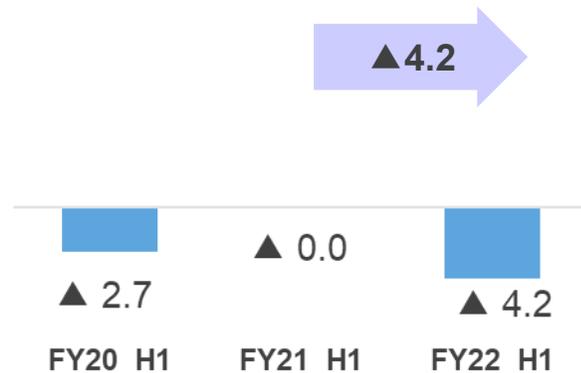
(JPY billion)

*Impact of differences in fiscal year timing of overseas subsidiaries: JPY +3.3 billion



Operating income

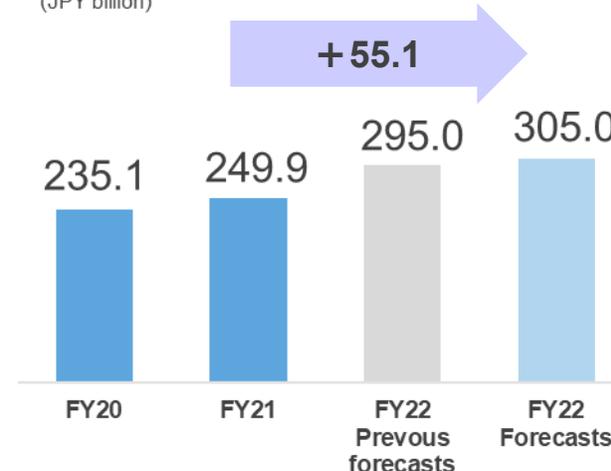
(JPY billion)



FY22_Full-year forecasts

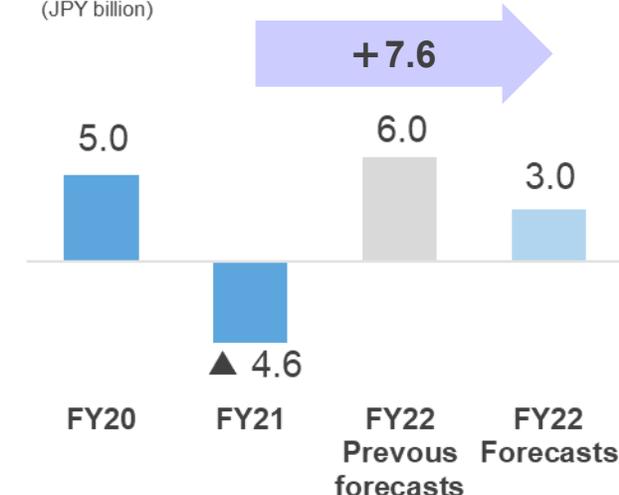
Net sales

(JPY billion)



Operating income

(JPY billion)



[H1 Operating income compared to last year]

- (+) Differences in the product mix (wire harnesses for new vehicle models)
- (-) Soaring raw material and fuel prices
- (-) Higher costs for BCM initiatives following the lockdown in Vietnam last year
- (-) Higher cost rate caused by the lockdowns in China and changes in customers' production plans (mainly personnel expense)
- (-) Impact of air freight expenses (incurred in Q1) due to differences in the fiscal year timing of overseas subsidiaries (with a fiscal year ending in December)

[H2 Forecasts]

- Improve cost rate
- Progress will be made in incorporating the higher raw material and fuel costs and logistics expenses in the sales price
- Increase sales
- Downward revision to customers' production plans caused by the semiconductor shortage
- Impact of the sporadic lockdowns at facilities in China
- Batteries business will improve in H2

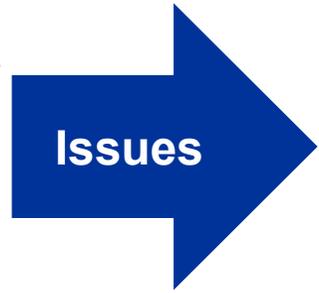
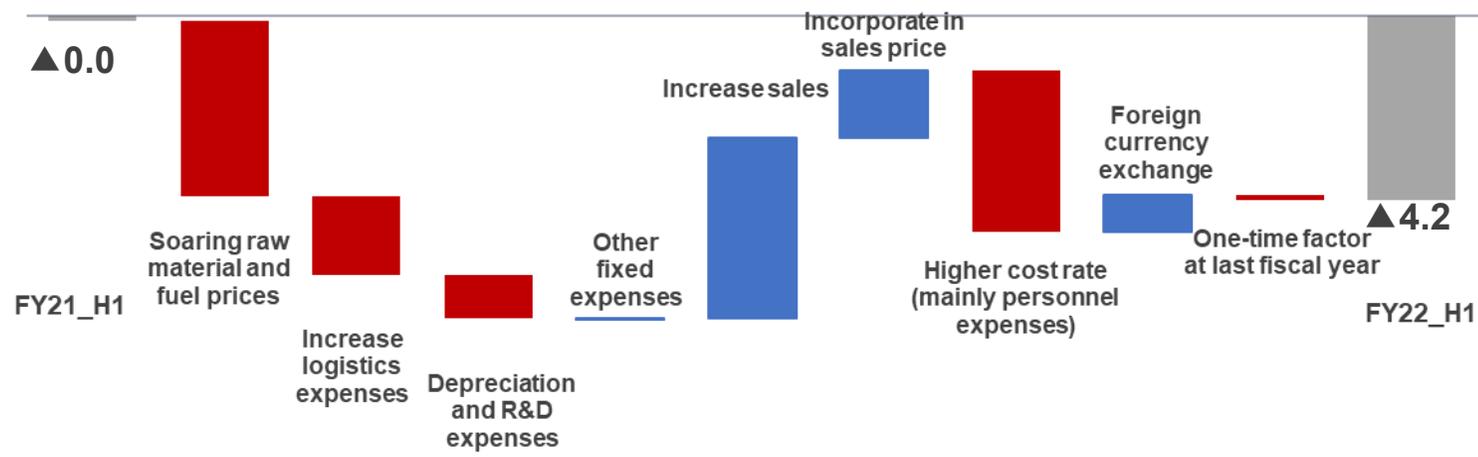
2-(1) Electronics & Automotive Systems (Automotive Products & Batteries)

Breakdown of change in operating income

- Made progress in incorporating the soaring raw material and fuel prices and higher logistics expenses in the sales price, and the full effects will be realized from Q3
- Personnel expense ratio rose due to the lockdowns in China and changes to customers' production plans

**Operating income
Breakdown of change
FY21_H1⇒FY22_H1**

(JPY billion)



- Soaring raw material and fuel prices and higher logistics expenses
- Longer logistics lead times
- Higher cost rate (Mainly personnel expenses)
- Persistently high inventory levels

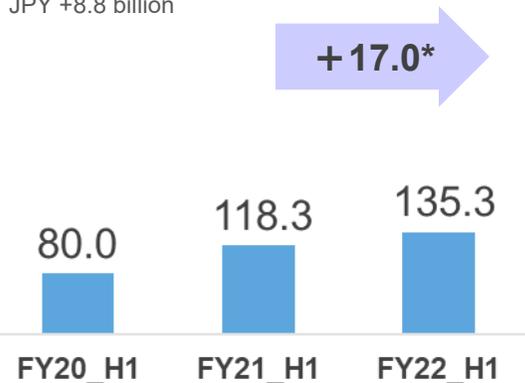
2-(2) Electronics & Automotive Systems (Electronics Component Materials)

FY22_H1 Results

Net sales

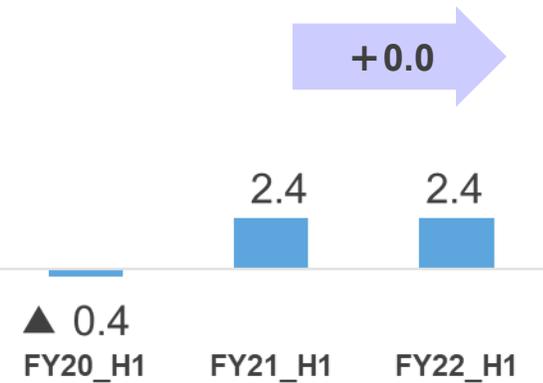
(JPY billion)

*Impact of higher copper prices:
JPY +8.8 billion



Operating income

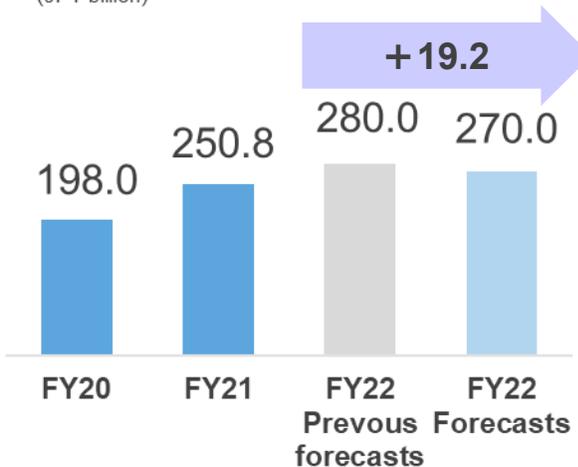
(JPY billion)



FY22_Full-year forecasts

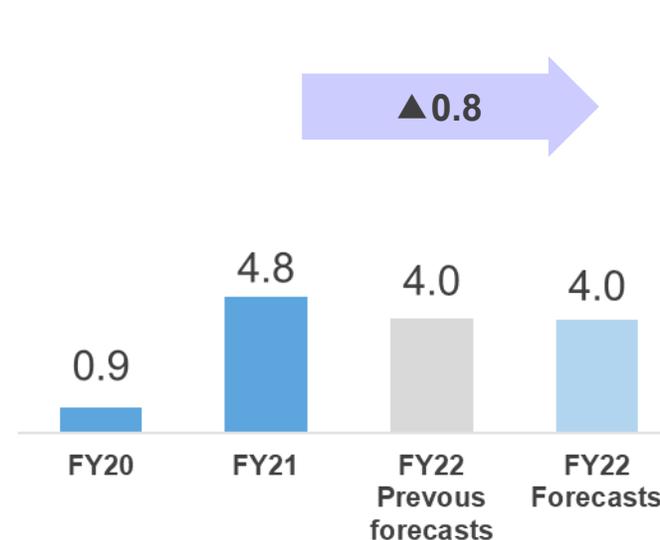
Net sales

(JPY billion)



Operating income

(JPY billion)



[H1 Operating income compared to last year]

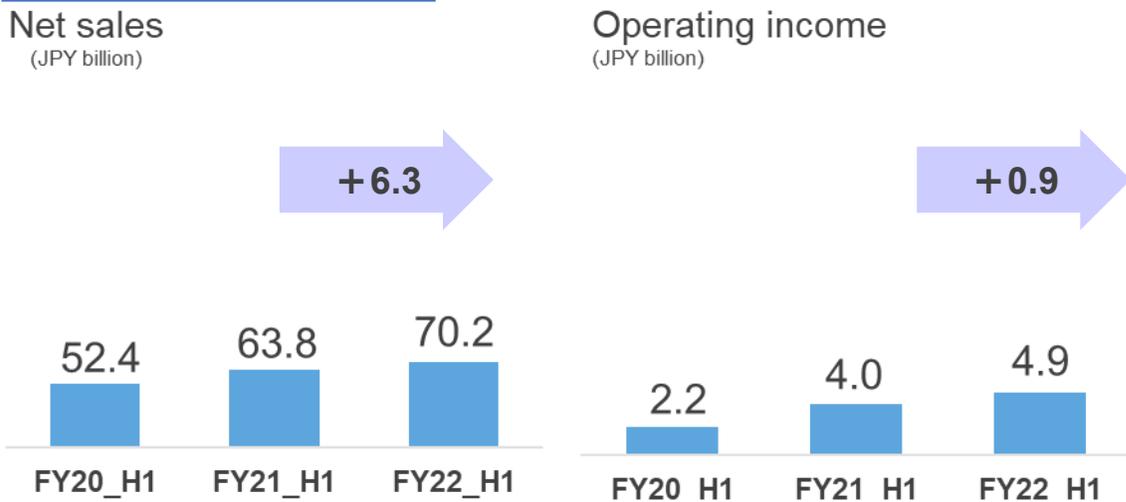
- (+) Steadily captured demand for in-vehicle, electronics, semiconductor and communications infrastructure products
- (+) Incorporate the soaring raw material and fuel prices and logistics expenses in the sales price
- (-) Soaring raw material and fuel prices and logistics expenses

[H2 Forecasts]

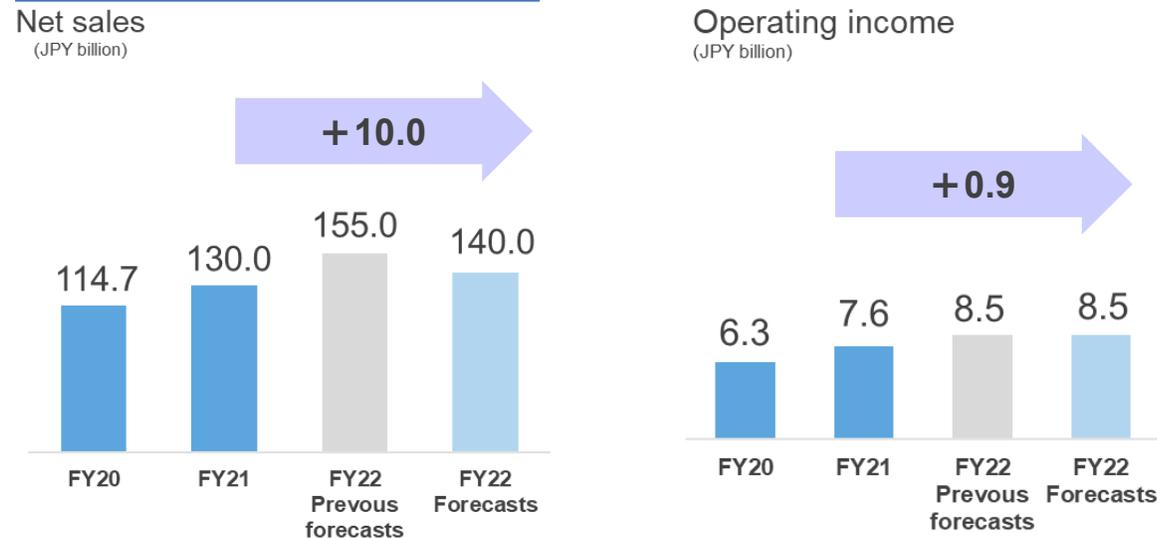
- Demand for communications infrastructure and power semiconductor products will be steady
- In-vehicle and electronics product demand will enter a correction phase
- Benefits from further incorporation in sales price and improvements to the product mix

3 Functional Products

FY22_H1 Results



FY22_Full-year forecasts



[H1 Operating income compared to last year]

- (+) Products for data centers were steady
- (+) Incorporated the soaring raw material and fuel prices in the sales price
- (+) Impact of foreign currency exchange
- (-) Soaring raw material and fuel prices and logistics expenses

[H2 Forecasts]

- Robust investment sentiment in North America, the main data center market
- Demand noticeably declined from the second half of Q2 due to customer inventory adjustments caused by the impact of the recession in China, global economic slowdown following global inflation and soaring raw material and fuel prices and the worldwide difficulty securing semiconductors
- Smartphone demand will continue to be weak
- Continuously incorporate the soaring raw material and fuel prices in the sales price

※ Sale of shares of a consolidated subsidiary
 (Q4 : Net sales ▲4.7 billion, Operating income ▲0.7 billion) *TOTOKU ELECTRIC CO., LTD.

FY2022 H1 Results –B/S Summary

(JPY billion)

	End of FY21Q4	End of FY22H1	Change
	a	b	b-a
Current assets	503.0	512.0	+9.1
Cash and bank deposits	65.2	61.8	▲ 3.3
Notes and accounts receivable trade	230.3	230.1	▲ 0.3
Inventories	164.1	182.1	+18.0
Non-current assets	432.9	468.2	+35.3
Tangible fixed assets	260.2	281.3	+21.1
Intangible fixed assets	20.5	20.1	▲ 0.4
Investments and other assets	152.2	166.8	+14.6
Total Assets	935.9	980.2	+44.4
Current liabilities	379.7	401.2	+21.5
Non-current liabilities	242.1	244.0	+1.9
Total Liabilities	621.8	645.1	+23.3
Shareholders' equity	266.0	270.6	+4.6
Accumulated other comprehensive income	13.2	27.8	+14.6
Net income attributable to non-controlling interests	34.8	36.7	+1.9
Total Net assets	314.1	335.1	+21.0
Total Liabilities and Net assets	935.9	980.2	+44.4
Interest-bearing liabilities	342.1	359.6	+17.5
Capital ratio	29.8%	30.4%	+0.6
NET D/E ratio	1.0	1.0	+0.0

Inventories

Increased by JPY 18.0 billion
(including the impact of foreign currency exchange and copper prices JPY +10.2 billion)

- Lower customer production volumes, lockdowns and increased logistics lead times: JPY +4.3 billion
- Strategic inventory (adjustments in response to the business environment): JPY +13.8 billion

Property, plant and equipment & Intangible assets

Increased by JPY 20.7 billion

- Impact of CAPEX and depreciation : JPY ▲0.6 billion
- Application of the new lease accounting standard at affiliates adopting US GAAP : JPY +6.2 billion
- Impact of foreign currency exchange : JPY +15.2 billion

Total assets

Increased by 44.4 billion

- Impact of foreign currency exchange: JPY +48.7 billion
- Impact of new consolidation: JPY +6.3 billion
- Application of the new lease accounting standard at affiliates adopting US GAAP: JPY +6.2 billion

Other comprehensive income

Increased by 14.6 billion

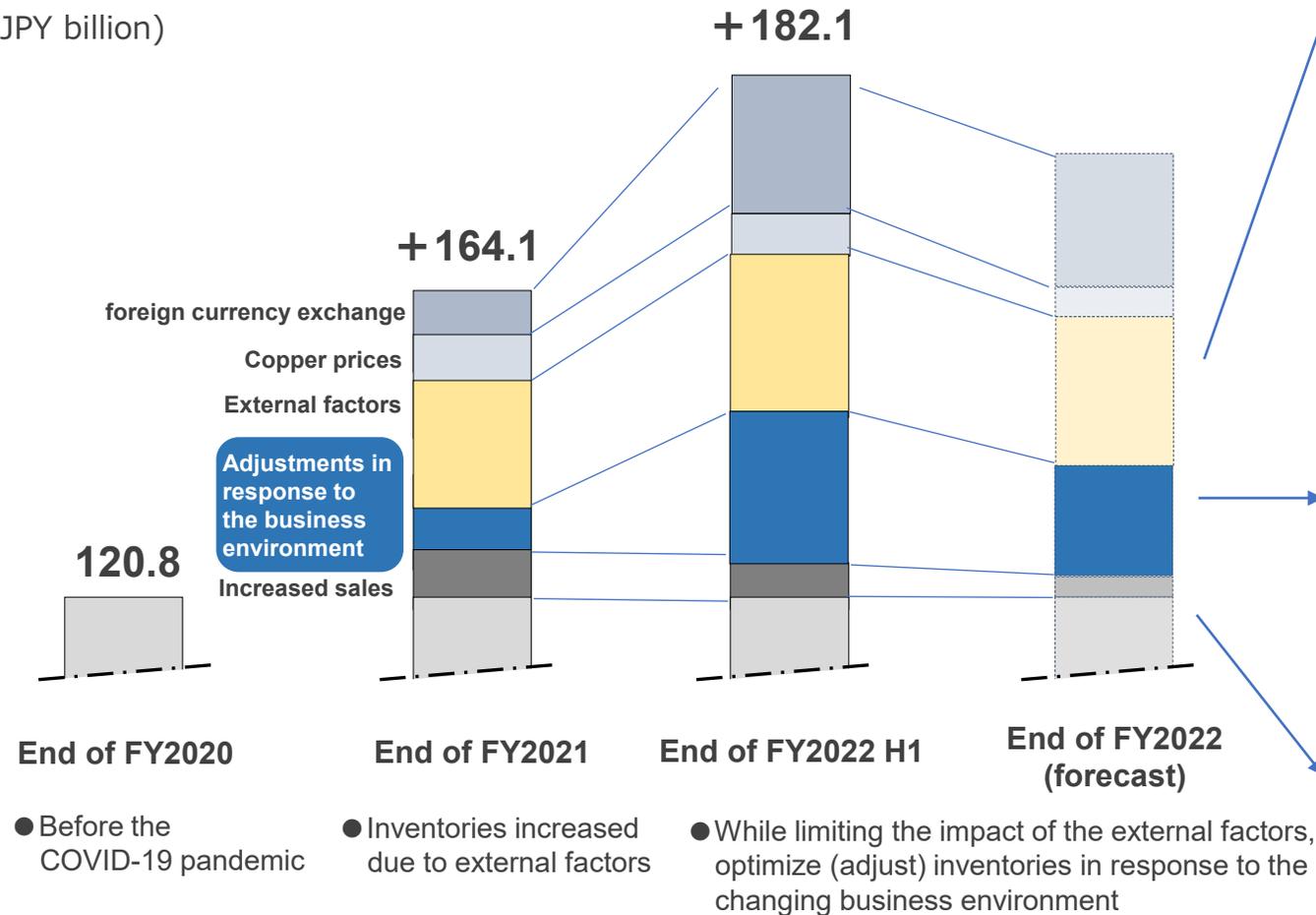
- Foreign currency translation adjustments : +18.1 billion (impact of Yen depreciation)

Net interest bearing debt

Increased by JPY 20.8 billion
(JPY 277.0 billion→ JPY 297.8 billion)

Make improvements based on the concept of “Adjust as the Case” aimed at continuously adjusting inventories to optimum levels in response to the changes in the business environment

(JPY billion)



External factors

- Temporary increase due to sudden reductions in customer production volumes
- Temporary increase due to the lockdowns triggered by COVID-19 outbreaks
- Temporary increase in shipping lead times due to logistics disruptions

⇒ **Minimize the impact**

- Establish a system for rapidly adjusting operating levels when the customer suddenly reduces production
- Develop multiple logistics routes
- Production at multiple sites

Adjust in response to the business environment

- Secure raw materials in response to procurement difficulties
- Increase product inventory in response to logistics disruptions
- Establish product inventory on the customer’s premises directed at shortening the lead time

Appropriately manage baseline inventories with consideration for increased net sales

- Improve days inventory outstanding

FY2022 H1 Results

CAPEX, Depreciation & Amortization and R&D Expenses

Full-year CAPEX forecast remains unchanged

(JPY billion)

	FY20_H1	FY21_H1	FY22_H1	YoY change	*FY22 Previous Forecasts	FY22 Forecasts	Change from previous forecasts	(Full-year forecast)
	a	b	c	c-b	d	e	e-d	
CAPEX	18.2	16.6	17.8	+1.1	47.0	47.0	—	Increase: Due to foreign currency exchange Decrease: Revise CAPEX execution timing based on market trends
Depreciation and amortization	15.8	17.0	18.9	+1.9	38.0	38.0	—	Limit expenditures by revising the design specifications
R&D expenses	10.4	10.1	11.8	+1.7	24.0	25.0	+1.0	Increase: Due to foreign currency exchange

*Announced on May 12, 2022

Thank you very much
for your attention



Appendix Segments and Business Divisions

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