

Toward the Second Half of FY2021

Fujikura Ltd.

November 8, 2021

Contents

- 1. Turnaround Plan Implementation**
- 2. Core Business Initiatives**

1. Turnaround Plan Implementation

Masahiko Ito
Director, President and CEO

Message

In the first half of FY2021, we saw large impacts from cases of infection, particularly in Southeast Asia, as well as from the shortage of semiconductors. At the same we benefited from continuing tailwinds such as stay-at-home "nesting" demand and, for the most part, were able to secure profits which exceeded our initial expectations.

I believe this demonstrates the effectiveness of each of the initiatives in the turnaround plan and of our internal organizational reforms.

In particular, the decisive action taken this spring to enact organizational reforms and change our management system, and the acceleration of sound decision-making to protect governance, have had a positive impact.

At present, these structural reforms are moving forward as planned.

This is not to say that the circumstances our company is in have improved significantly. Our initial understanding was that FY2021 would be an especially important year for initiatives towards recovery. This has not changed, and I want to reiterate below what I said last time.

I want this to be a year in which we accelerate structural reform and reach the point where we are nearing completion.

I expect performance to rebound in FY2022 and beyond once the end of these reforms is in sight!

Structural Reforms Implemented in FY2020 and Initiatives in FY2021

	FY2020	FY2021 (*Changes are indicated in red)
Strengthening governance	Implemented rapid retirement (around 200 employees) Management reform (March 22)	Continuing initiatives aimed at strengthening governance Strictly managing costs incurred (to help bring the COVID-19 pandemic under control) Continuing to consider additional measures Beginning to consider the growth phase (New business creation and R&D function)
FPC	Achieved proper staffing levels, mainly in overseas locations Recognized impairment loss on manufacturing equipment	Accelerating the FPC business structural reform Pursuing consolidation of locations (N2* Plant closure and reduction in the number of personnel at each location)
Automotive wire harnesses	Consolidated/Eliminated locations in the European region Achieved proper staffing levels	Complete consolidation/elimination of locations and stabilization of the business (profitability in sight)
Energy business	Implemented structural reform of the business Effectively shut down overseas manufacturing locations Withdrew from the overseas EPC business Pursued selection and concentration	Complete structural reform of the business Pursue selection and concentration (Transfer of the power transmission components and engineering businesses)
Telecommunication systems	Pursued optical cable total solutions Exercised strict selectivity on investment in growth businesses	Pursuing optical cable total solutions Exercising strict selectivity on investment in growth businesses

(* Navanakorn Factory No. 2 in the Ayutthaya area)

Progress of Structural Reforms

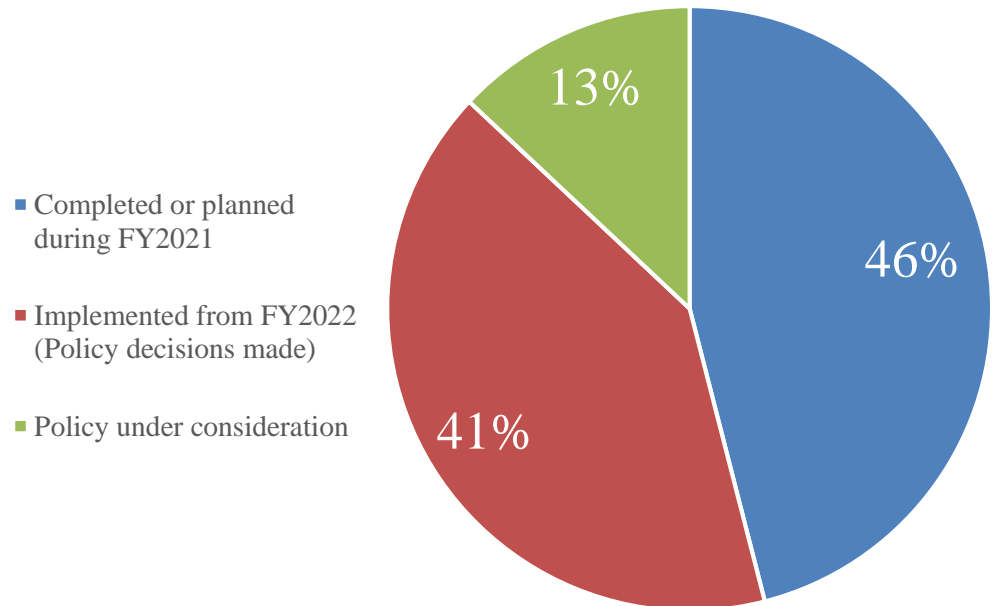
Presently, there are 112 action items relating to structural reforms.

Some 90% of these items have already begun, have been completed, or policy decisions concerning them have been made.

It is essential that all executive officers come together to promote these structural reforms.

Within the company, this means actively stimulating dialog, and building common awareness toward recovery.

Status of action items for structural reforms
(Based on number of items)



View on Investment and Cash Flow in Each Business During the Operational Turnaround Period

Policy on capital investments in main businesses this fiscal year and next fiscal year

Business	FY2021	View on FY2022 and Beyond
Telecommunication systems	Concentration on growth businesses	Investment based on growth strategy after turnaround
Electronics	Continued curtailment of investments	
Automotive Products	Minimum necessary	

- Telecommunication systems: Concentrate capital investment in the optical cable solution business.
- Electronics: Major cutbacks (no investment in capacity increases; investments mainly in renovation).
- Automotive wire harnesses: Mainly concentrate on relocation from Eastern Europe to North Africa. Continue strict curtailment of investment thereafter.

* This is the current view and policy. The policy for FY2022 and beyond may change, depending on changes in the future business environment.

Cash flow and profit distribution during the operational turnaround period:

We intend to reward stakeholders by being strictly selective in capital investments, financial belt-tightening, focusing on business turnaround and business selection and concentration, and by achieving a turnaround aimed at growth businesses and a rebound in corporate value.

We will prioritize replenishment of equity and will be cautious in considering resumption of dividends.

Changes to Management Structure and Situation During the First Half of the Year

The broad reforms in management structure enacted this spring have reshaped it into a form which allows governance to be much more effective as a publicly listed company and public institution. More specifically, the board of directors implemented these reforms based on multifaceted discussions over the medium to long term to make us capable of deploying management resources in a suitable form.

Since we were forced to abandon our previous medium term plan during the first half of the fiscal year, our capital investments were extremely large and we were not able to fully respond to the changes in the business environment.

To prevent careless investment in expansion, we worked to share ownership of these mistakes within the company, and to make sure to capitalize on the growth phase. This means making meaningful capital investments.

The changes to our management structure have had a positive impact in the first half of this year.

We should approach management with a strong conviction to avoid falling into the same trap of making huge capital investments that we fell into during the previous medium term plan.

Present Impact of Structural Reforms

• Updated May 14, 2021

(Billions of yen)

Category	FY2020	FY2021	FY2022	FY2023 onward
Early retirement, etc.	0.4	1.6	1.6	1.6
Structural business improvements (location reorganization, etc.)	3.3	5.1	6.0	7.8
Benefit from impairment losses in FY2019 and FY2020	4.5	7.8	7.8	7.8
Total benefit from improvement in fixed costs	8.2	14.5	15.4	17.2
Extraordinary loss posted for the above measures	20.0	6.0	4.0	2.0
Asset sales, etc.	6.0	Consider as needed in the future		

* In the materials for 1H FY2020 financial results, this was noted as “Benefit from impairment losses, etc. in FY2019.” We have revised the categories this time and factored in the latest conditions by adding impairment losses, structural business improvements, etc.

Further efforts directed at reducing fixed costs and financial stabilization

Approach Toward Dividends During the Turnaround Phase

We should take the stance of not ruling out any options in our attempt to enact operational turnaround and restore our business foundation.

Our business foundation is yet unstable and there is still a risk of losing large sums due to extraordinary loss.

We will consider whether to distribute dividends once we have reviewed our financial situation based on full-year results.

My Commitment as the CEO

Implementation of the operational turnaround plan is my commitment to all of our stakeholders.

⇒ We will operate the PDCA cycle and steadily make progress on the turnaround plan.

Additional new measures will be formulated and implemented as necessary.

We will be strictly selective in capital investments during the operational turnaround period and will continue our policy of a large reduction in total investments.

We will implement the turnaround without designating any part of our business as off-limits, and the entire company will unite as one team in working to accomplish a turnaround with unwavering determination.

We begin work on outlining the plan for the growth phase.

May 2023

New Medium-term Business Plan to be Announced. (NEW)

2. Core Business Initiatives

Naoki Okada
Director and COO

Message

- **Individual Businesses**

Prioritize structural reform and make business stabilization the top priority.

- ✓ Printed circuit (PC) business and automotive products business

- FPC: The basic steps are to curtail investment, achieve the proper scale, and focus on profitability

- Automotive wire harnesses:

Structural reform completion stage

Handle the immediate changes in the business environment

- ✓ Connector business and electronic components business

- Achieved stable business operation
- Access new business areas **hereafter to create core businesses**
- Recognize that it will take time to manifest presence

- ✓ Telecommunication systems

- Core area of Fujikura (to concentrate management resources)

Points to Heed in Business Operation

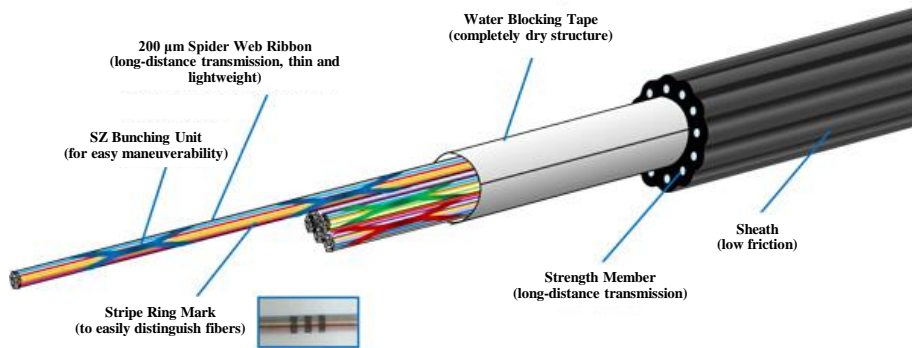
- Business activities are in motion every day.
- The following are the main points to heed when thinking about deviation in 2H results.

Business	Description
Telecommunication systems-related	Trend in fiber price in China Trend in DC and FTTx investment in different countries
Electronics-related	Smartphone demand for main customers Trend in stay-at-home “nesting” demand Spread and quieting down of the semiconductor shortage
Automotive wire harness-related	Timing of the end of the semiconductor shortage
Other	Control over the COVID-19 pandemic (changes in costs incurred and impact on logistics) Valuation gain/loss on copper inventory at the end of the fiscal year (copper price level) Impact of increases in the price of raw materials and changes in exchange rates

*New additions are indicated in red)

Key Initiatives in Telecommunication Systems (1): Reducing TCO with SWR/WTC

Our strategic product, Wrapping Tube Cable with Spider Web Ribbon (SWR/WTC), helps to reduce the total cost of ownership to customers in the optical cable installation solutions business.

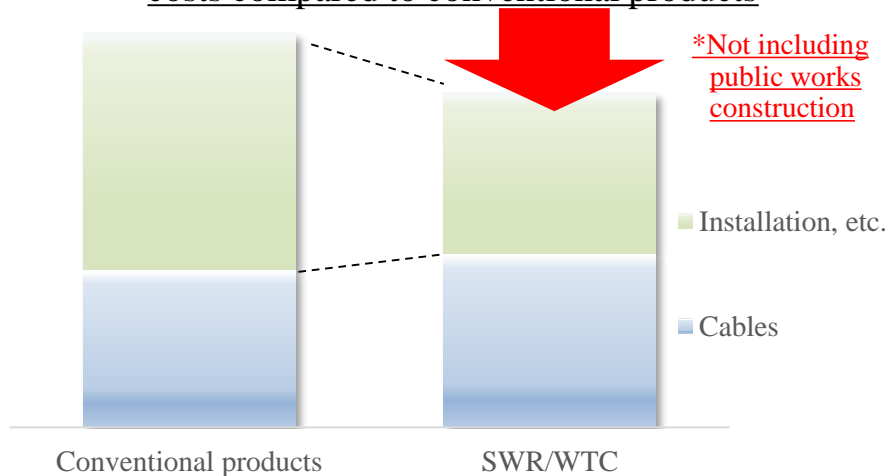


Special features of SWR/WTC product

Slim and lightweight

- Competition for conduit space (makes it possible to install cables with a higher fiber count)
- Effective use of existing equipment (does not require additional public works construction)
- Easy to install, possible to install long lengths, and in a small drum

Illustration of communications equipment installation costs compared to conventional products



The cost of laying cable accounts for a large percentage of construction costs.

The cost of the cable itself is higher than conventional products, but other costs can be significantly reduced.

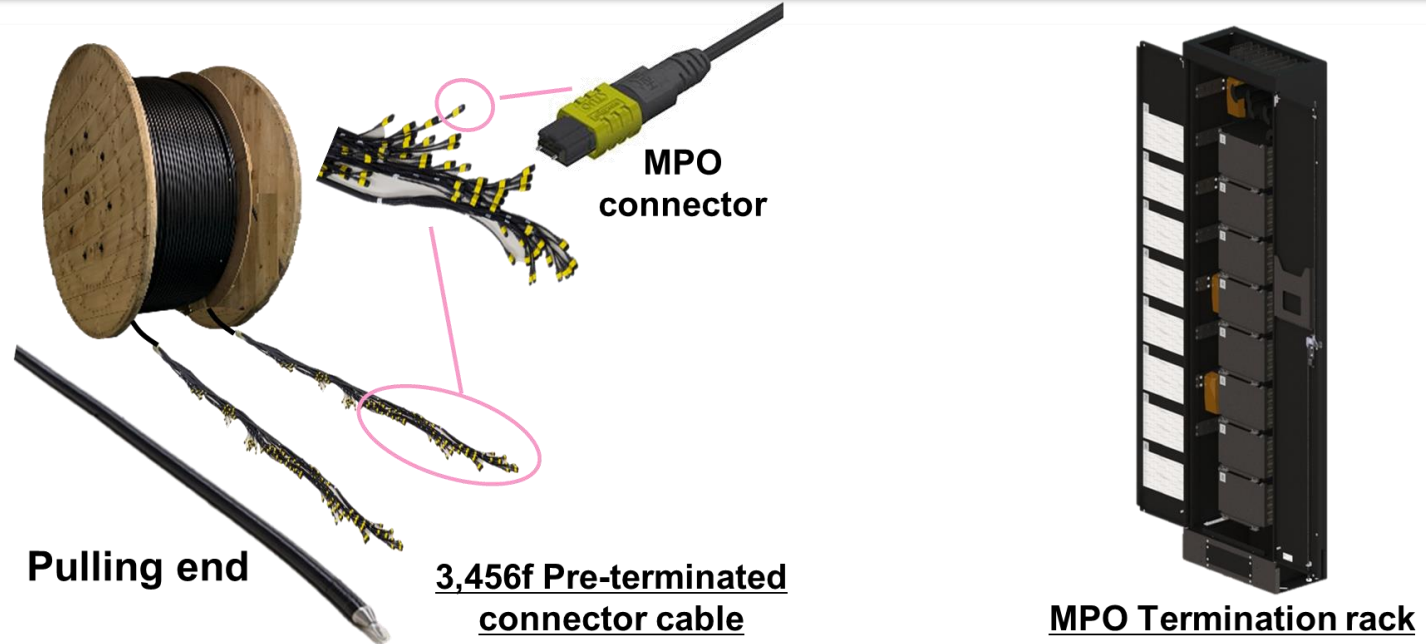
The effects of synergy not only with cables but with other peripheral equipment helps to reduce TCO

Furthermore, if public works construction can be avoided the effective reduction in TCO is an order of magnitude greater.

Key Initiatives in Telecommunication Systems (2): Developing Peripheral Solutions

Our optical cable installation solutions centered around SWR/WTC meet the demands of our customers. Going forward, we want to continue to develop products and solutions intended to be a half a step ahead of our customers.

Example Products



Special Features

- Offers an ultra-high density connector cable through the use of SWR/WTC cable and MPO connectors.
- Greatly reduces work time and labor costs required for connections on-site
- Since you do not need to perform fusion splicing, connection work can be carried out on-site even without highly skilled technicians

From a customer point of view, our product solutions can reduce TCO and shorten construction lead times (early monetization). And they lessen the environmental impact of both our company and our customers.

Key Initiatives in Telecommunication Systems (3): Market Awareness

<FTTH>

USA

Regional Carriers and ISPs

... Active expansion of telecommunications investment utilizing government programs

Major Carriers

... Continued large-scale investment over several years in support of FTTH and 5G

The same is true for Canada, but on a different scale

United Kingdom

BT

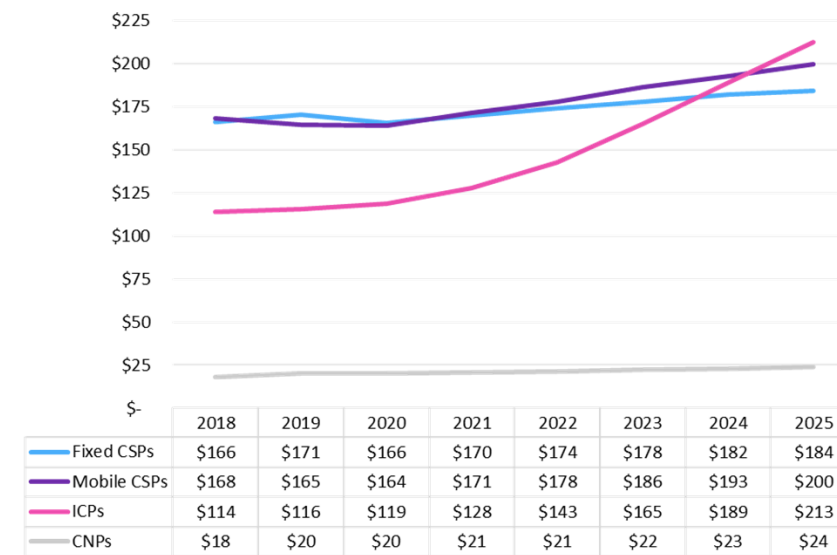
... 25 million home paths to be built by 2026 *5.2 million at present

All analog lines will be converted to All-IP within the next five years

<HSDC: Primarily in North America>

Major carriers are each making large investments in infrastructure and continually building direct connections

Capex by communications provider type (\$bn)



(*Reprint: Graph published May 14th, 2021)

CSP: Communications Service Providers (telephone companies, telecommunications operators)

ICP: Integrated Communications Providers (OTT, cloud, digital media, hyperscale)

CNP: Carrier Neutral Providers (tower operators, multi-tenant data centers)

Source: Omdia

© 2020 Omdia

The field to which HSDC belongs will experience a compound annual growth rate of 8 to 9% between 2019 and 2026 (See graph above)

*This is expected to be limited by immediate supply chain problems, but the long-term trend remains unchanged.

High-density ultra-high-fiber-count cable market is still in the creation stage, but based on current inquiries and other data, I believe that this business area will grow by around 15% CAGR over the next five years.

Concerning maintenance of our production system, we plan to make previously announced investments of 3.8 billion yen in Europe and the U.S., in addition to 2.2 billion yen of capital investment. This will allow us to meet demand for roughly the next two years.

Hereafter, we will continue to diligently invest in growth fields in response to trends in demand.

Key Initiatives in Telecommunication Systems (4): Expansion in Europe & the U.S.

Initiatives in each region of Europe and the U.S.

North American Region

We have built up a large catalog of FTTH projects for communications carriers alongside the Canadian telecommunications operator Telus.

For HSDC customers this includes SWR/WTC and peripheral products.

Our development of solutions that are a half-step ahead is bearing fruit.

United Kingdom

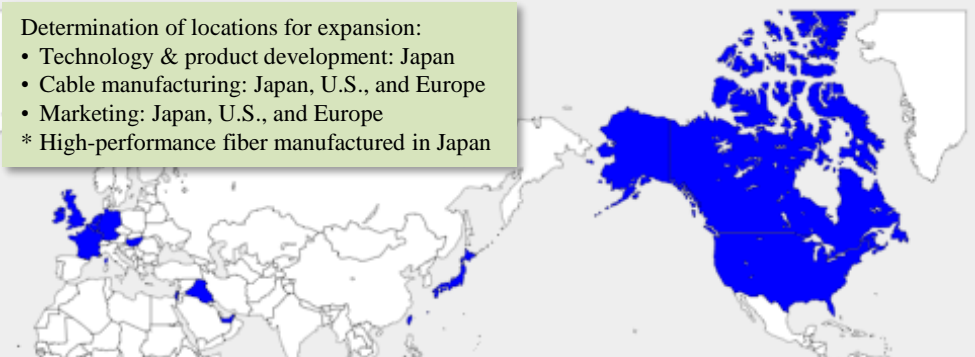
BT's FTTH plan has been in an expansionary phase for several years.

We are also steadily building a reputation for maintenance of telecommunications networks that include other telecommunications operators.

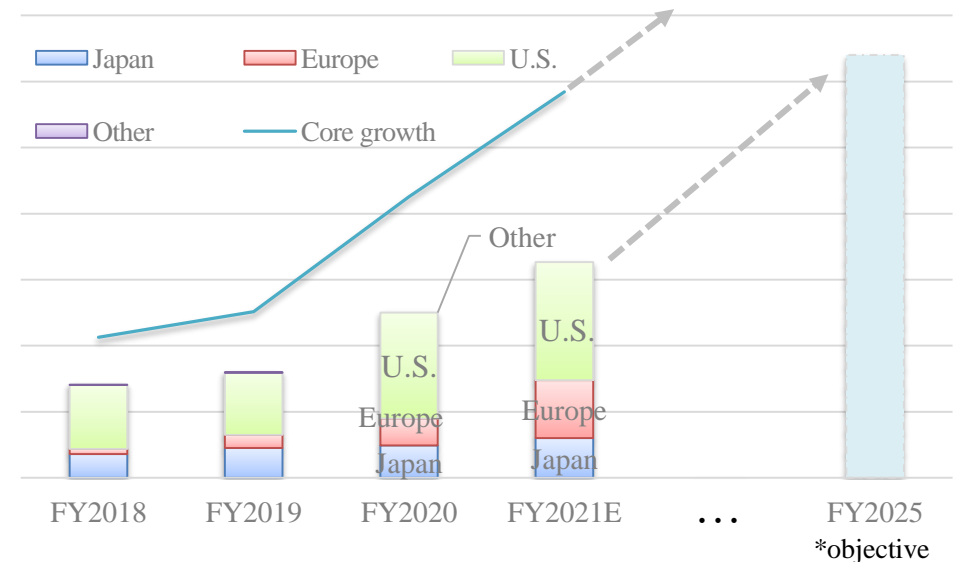
I feel that the increase in environmental awareness is raising expectations for our products, which excel at reducing the burden on the environment.

Although we face challenges from aspects such as the external environment, we expect to progress in a manner that is close to our initial plans.

We are steadily expanding into Europe and the U.S. to support **FTTx, CATV, 5G, and HSDC.**



Trend in SWR/WTC Sales by Region



My Commitment as the COO

While I must, of course, strive to accomplish the turnaround plan that I have devised and formulated, it is also my responsibility as the COO to lead business operations and achieve a turnaround in performance with a sense of urgency.

Also, when making capital investments my goal is to increase productivity through innovation, and not simply increase capacity.

Furthermore, I intend to re-analyze Group strengths and manage the Fujikura's business, including new businesses, strategically to prepare for the growth phase after the operational turnaround phase.

I want to rebuild the “Fujikura of Technology” brand and make it a company that is able to make new contributions to society and create new value for customers.



Disclaimer: These materials contain Fujikura's management policy (intentions) for FY2021. Statements about sales, profits, and other forward-looking statements about FY2021 and future fiscal years are based on market decisions made according to the latest information available at the time. Fujikura's intentions in regard to investments have been quantified, but may change at some point in the future due to changes in the business environment or other factors.

Reference (1) SWR/WTC

We have decided to concentrate management resources in the optical cable installation solution business, with a focus on SWR/WTC and peripheral products, and mainly in Europe and the U.S.

⇒ This business is a core area for Fujikura.

Overview

We continue to receive many good impressions from customers and will work to expand the business by creating even more product differentiation.

DC market: Expand business through proposal of installation solutions.

Pursue development of product groups that are compatible with next-generation DC architecture.

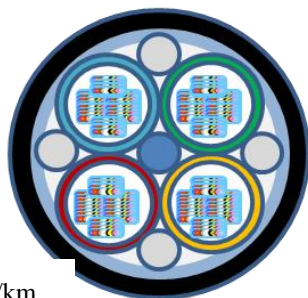
FTTx: Air-blown WTC (inserted separately) is highly acclaimed in the European and U.S. markets and order inquiries are growing.

We will expand the types of products and customize them to expand sales, mainly in Europe and the U.S.

We are also expanding WTC production capacity. (We plan to roll out operations for the UK and the US in 2H FY2021)

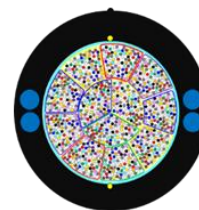
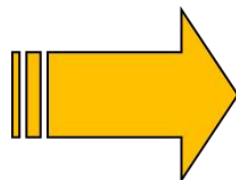
Special Features

1,728-fiber ribbon loose tube cable



Outer diameter:
φ31.5 mm
Weight: 749 kg/km

1,728-fiber Wrapping Tube Cable (WTC)



Outer diameter:
φ23.0 mm
Weight: 356kg/km

Percentage reduction in amount of plastic used in product: **56%**

Improving product manufacturing efficiency
→ Percentage reduction in electricity used: **78%**

A smaller diameter wooden drum
→ Percentage reduction in lumber used: **23%**

Improving transport efficiency
→ Percentage reduction in CO₂ emissions: **47%**

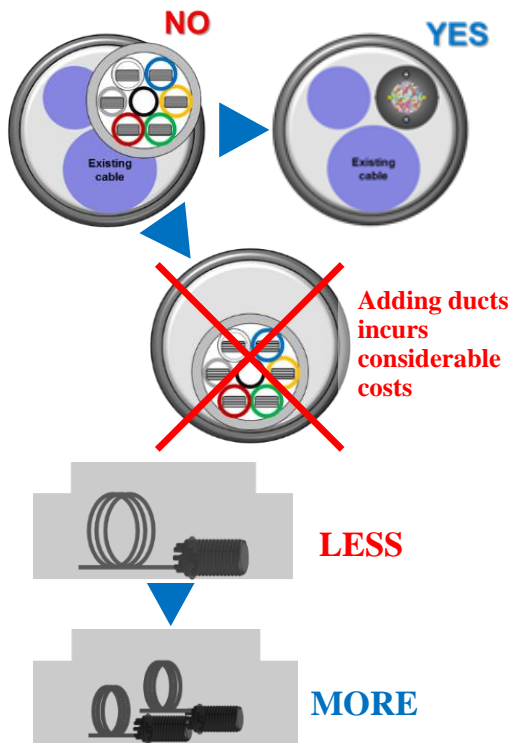
Slim and lightweight (makes it possible to install cables with a higher fiber count, and does not require additional public works construction)

• Easy to install. Possible to install long lengths, and on small rolls. Contributes to the reduction of negative environmental impacts.

Reference (2) Reducing TCO with Ultra-high-density Cables

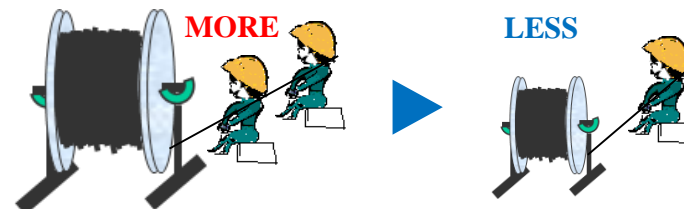
Ducts / Handholes

- When increasing fiber capacity, storage infrastructure is naturally required as well
- This allows existing ducts to be reused, eliminating the cost of installing additional ducts.



Advantages in Handling

- Since the cable is small and light, fewer workers are needed to handle it.



Advantages for transport

- A smaller, lighter cable helps to reduce the cost of physical distribution.



Advantages of fewer connection points

- Because the cable is thinner, longer lengths can be wrapped around the same size of reel

▶ Using longer lengths of cable means fewer cables need to be connected together, helping to reduce both costs and light attenuation.

When looking at the breakdown of costs for laying cable, construction costs are the largest expense. We expect the large reduction in construction costs made possible by thinner, lighter cables to lead to the replacement of existing cables.