

Transition to Growth Phase

Notes on Our New Business Structure

Fujikura Ltd.

Masahiko Ito

President & CEO & Representative Director

February 9, 2022

1. Transition to Growth Phase

Our Commitment as Management

With unwavering determination, we will take decisive action to implement company-wide structural reform and turn the business around to transform Fujikura into a company that can generate high corporate value.

**Portfolio management
through a process of
strict selection and
concentration**

**Promoting ROIC
management**

**Strengthening the
governance system**

Understanding of Current Situation and Completion of Structural Reforms

Objective of and Basic Policies Aimed at a Successful Business Turnaround

Objective	<p>Improve the structure with an awareness of corporate value in the Group as a whole. Take on the challenge of decisively strengthening earning power once again.</p>		
Basic Policies	Engage in strict selection and concentration to improve and increase profitability.	Optimize the sales, manufacturing, and development structure worldwide.	Slim down head office functions while turning operations around.
	<p>Accelerate management with an awareness of capital efficiency by managing through a process of strict selection and concentration through ROIC management.</p> <p>Simultaneously strengthen the governance system further to achieve discipline and transparency in the entire Group.</p>		
<p>The highest priority is to achieve an operational turnaround and structural reform in the telecommunication systems and FPC businesses where changes in the external environment are especially dramatic.</p>			



Information published June 2020

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 time 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!



Information published November 2021

Understanding of current situation

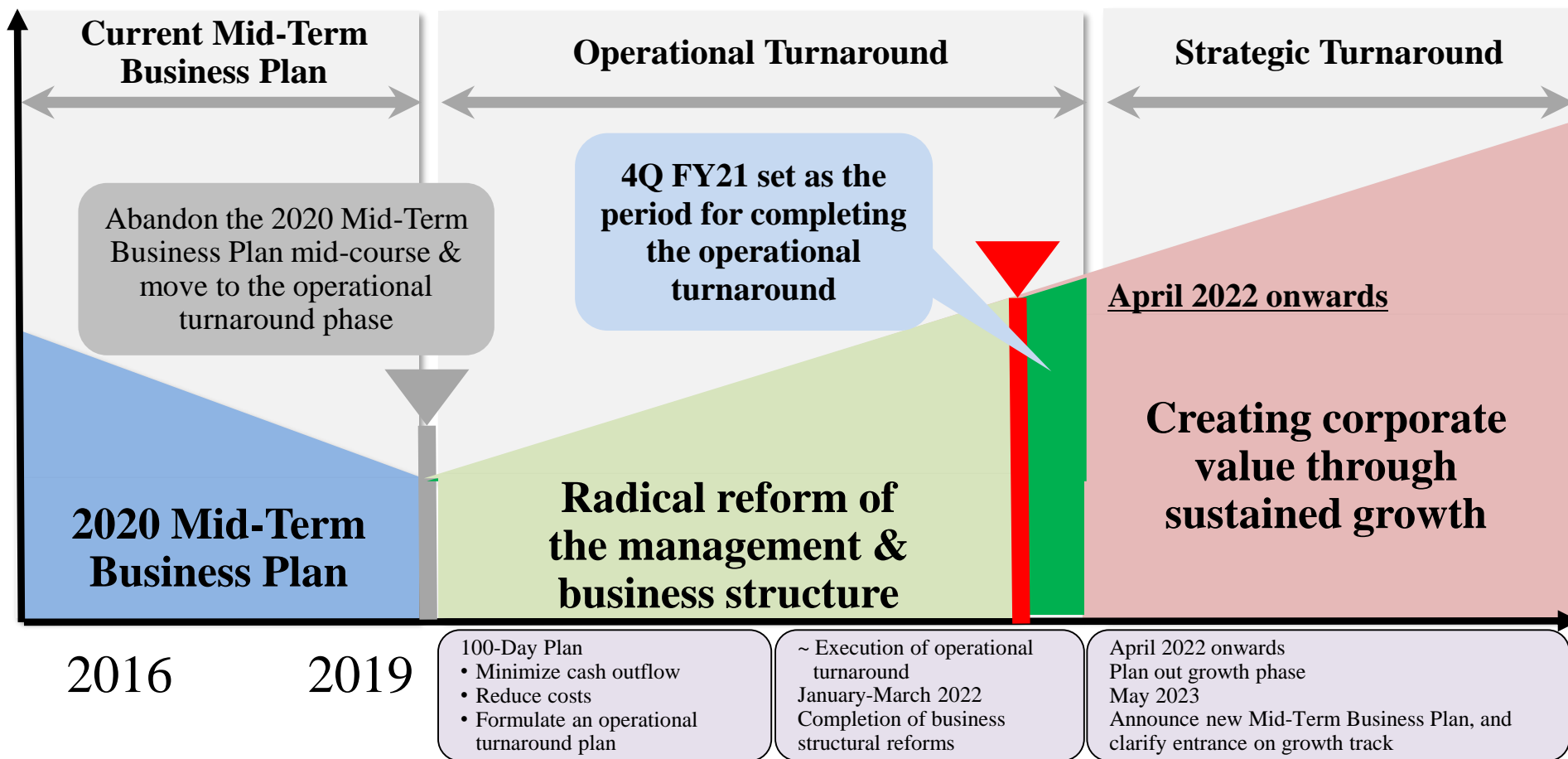
- Now that over 18 months have passed since transitioning to the operational turnaround phase, we are now beginning to see the effects of the various measures and internal structural reforms put in place. While the external business environment remains severe, we now have a clearer view of the next step for the business to take.

In order to capitalize on the operational turnaround resulting from the initiatives and structural reforms we implemented, we will look to complete reforms and transition to a new phase of growth that lies ahead of us.

Define businesses of concern, and prepare for the coming growth phase.

Transition to Growth Phase

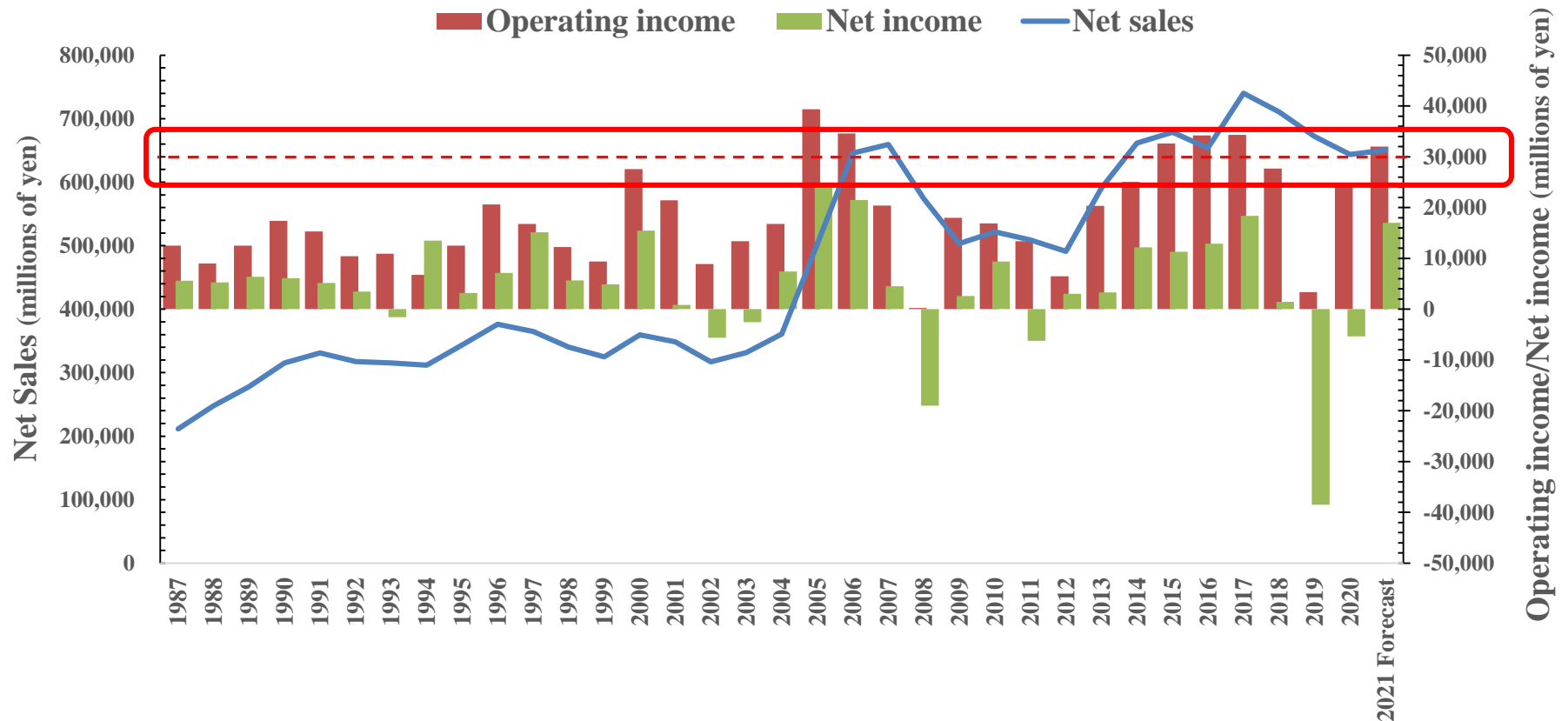
– Approaching the Final Stage of the Structural Reform Phase



- The operational turnaround period is seen as coming to an end
- We will shift to a new growth phase in April 2022, and prepare a new Mid-Term Business Plan

Fujikura Business Performance

Fujikura business performance
 (FY1987~FY2021 *Including forecasted performance)



Following structural reforms, we will look to achieving sustainable growth as a profit-focused company without pursuing scale!

2. Notes on Our New Business Structure

New Business Structure Overview

- Change in President
 - COO Okada to be appointed President (April 1)
 - President Ito to serve as Chairman of the Board
- Organizational reforms
 - FPC business to be spun off from Fujikura Ltd.
 - Power Systems Business to be spun off from Fujikura Ltd.

Notes on the Change in President

- Change in President (April 1)

COO Okada → To lead Fujikura Group as the new President

President Ito → To step away from business operations and provide support as the new Chairman of the Board

Structural reforms are on track

→ Transition to a new growth phase in FY22

Proposal approved following an exhaustive review process by the Nominating Advisory Committee consisting of a majority of Outside Directors, and the Board of Directors where Outside Directors make up half the number of Directors on the Board

Organizational Reforms in the Fujikura Group

- Organizational reforms

Decision on spinning off FPC business (planned for May 1, 2022)

Decision made to look into spinning off the Power Systems Business from Fujikura Ltd. (Target date of October 1, 2022)

Taking an additional step away from the conventional divisional system approach.

Integrate, spin-off, and reorganize related business functions of Fujikura and Group companies as a **single enterprise**

Look to pave the way for swift decision making and increased transparency of cost structures, etc.

Understanding of Current Situation and Initiatives Aimed at Completing Structural Reforms Concerning the FPC and Power Systems Businesses

FPC

Awareness of current situation

- While Fujikura transitioned to a profit-focused work for order strategy and introduced structural reforms to reduce fixed costs in response to intensifying competition and fluctuating demand resulting from plateauing demand for smartphones from major customers, profitability concerns remain

Direction taken with structural reforms

- FPC positioned as a self-sustaining business, consolidating functions and spun-off as a separate company
 - ✓ Integrate, spin-off, and reorganize related business functions of Fujikura and Group companies → Company split to be determined May 1, 2022
 - ✓ Wide-reaching cost reduction achieved through structural reviews, reducing invested capital, and maximizing efficiency

Power Systems

Awareness of current situation

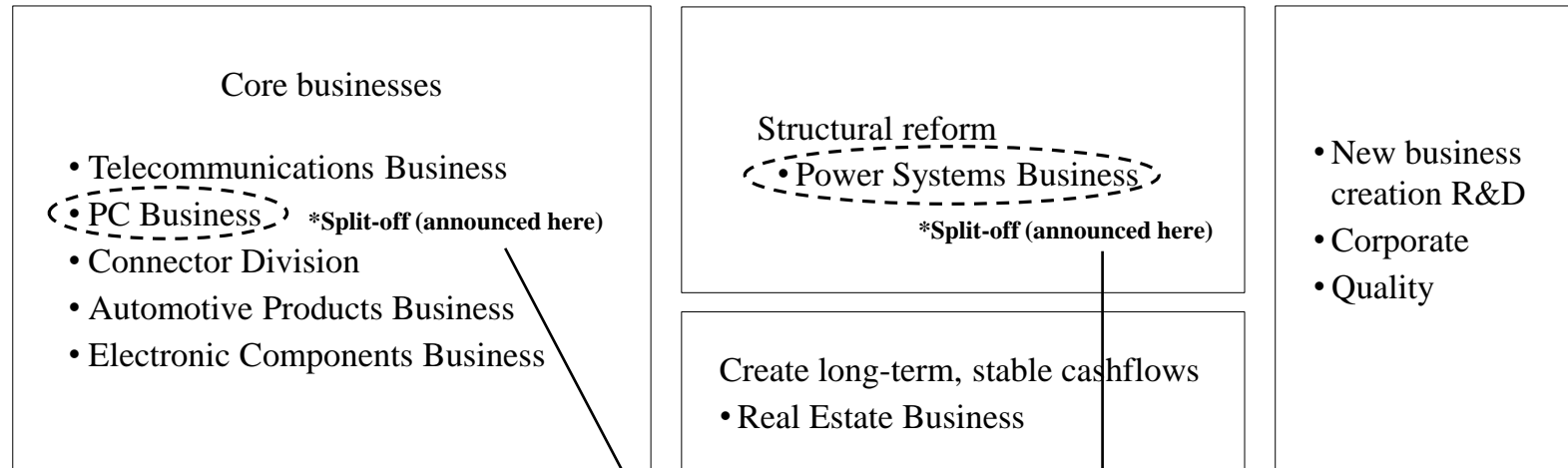
- Further improvements to profitability in the company's business (primarily focused on wires for general industrial applications and overhead power transmission equipment) is seen as a challenge

Direction taken with structural reforms

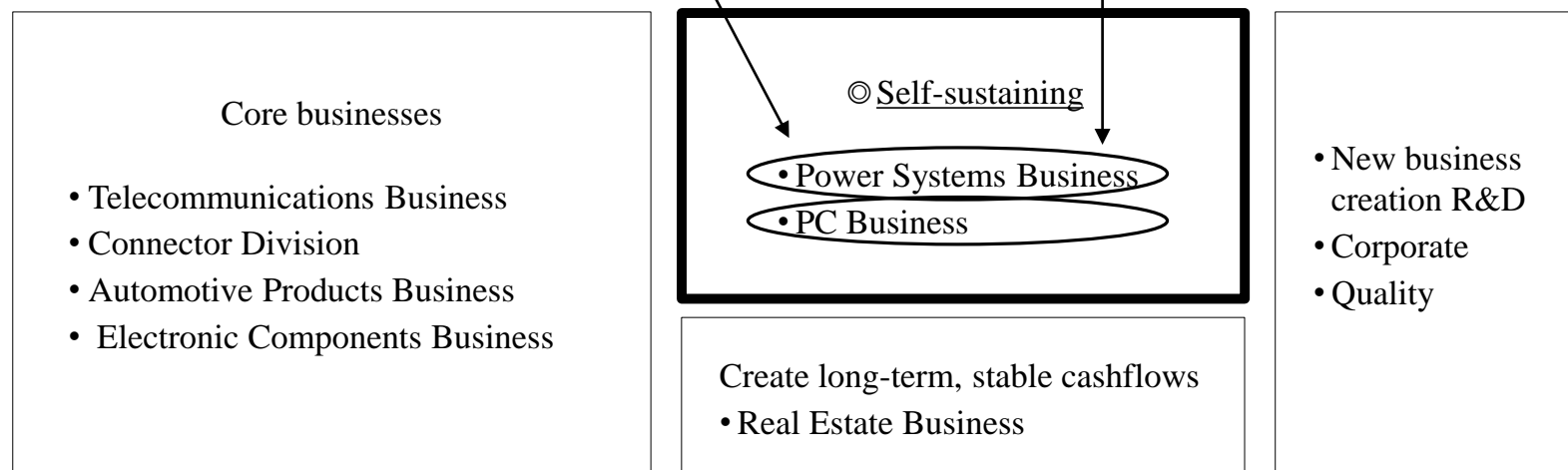
- Existing domestic Power Systems Business to be spun-off as a self-sustaining business
 - ✓ Decision on spinning off the Company's remaining transmission equipment and telecommunication cable business to be made October 1, 2022
 - ✓ Develop a robust business framework through broad-reaching streamlining
- This marks a major turning point in the ongoing business structural reforms concerning the Power Systems Business

Changes to the Business Operating Structure

○ Existing business structure



○ Growth phase (from FY22) business structure



Aims of Changes to the Business Operating Structure

- Power Systems Business/PC Business
 - Spun-off with the intent of being self-sustaining businesses
(*Look to pave the way for swift decision making and increased transparency of cost structures, etc.)
- Automotive Products Business
 - Viewed as a promising market, will work to capture market share
Concentrate efforts to stabilize existing businesses (WH) within Fujikura

Impact of Structural Reforms

We will report further on the impact of completing structural reforms on Fujikura's business performance metrics when these details come to light

Declaration on Sustainable Growth

At Fujikura, creating value for customers and contributing to society through the use of unique technologies lies at our core. This is the only way forward for us as a company.

To usher forth a new Fujikura, we will act so as to continually facilitate innovation, and contribute to society by connecting outstanding technologies to value creation for customers

We believe these efforts will result in increased profitability through shared prosperity with customers and other stakeholders



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.