

Progress on 2025 Mid-term Management Plan

Fujikura Ltd.

Naoki Okada, President and CEO

May 13, 2024

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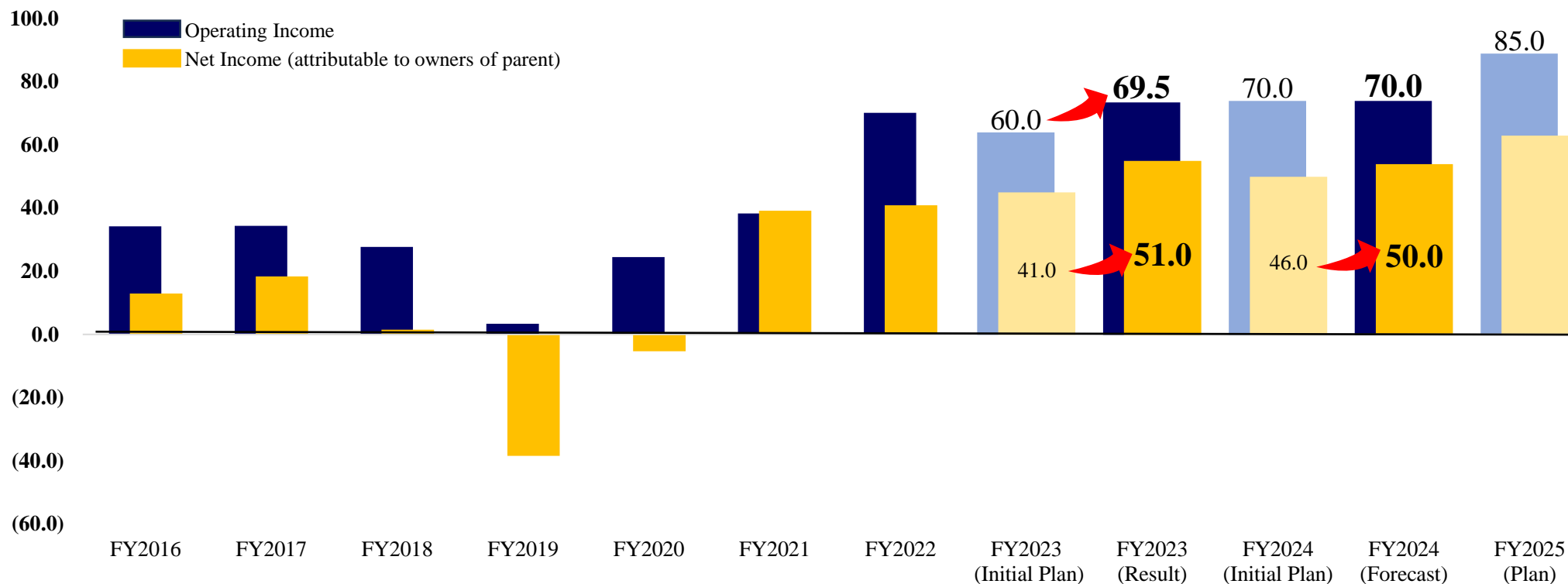
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1. 2025 Mid-term Management Plan:
Progress on Numerical Targets and KPI

2025 Mid-term Management Plan: Business Performance

While the environment was tough in FY2023, efforts to improve the sophistication of the Group's business management resulted in far outperforming the initial plan. Net income reached a record high for the third consecutive fiscal year. We will continue to respond flexibly to changes in the business environment in FY2024 and aim to achieve the Mid-term Management Plan.

(Unit: Billions of yen)

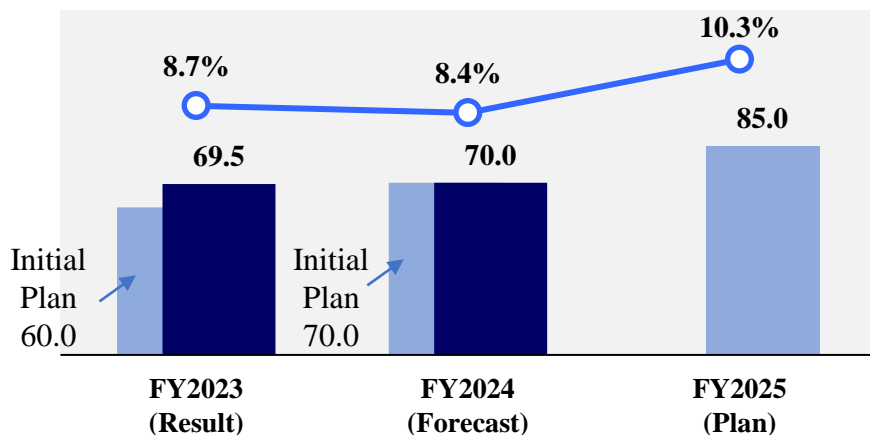


2025 Mid-term Management Plan: Main Indicators

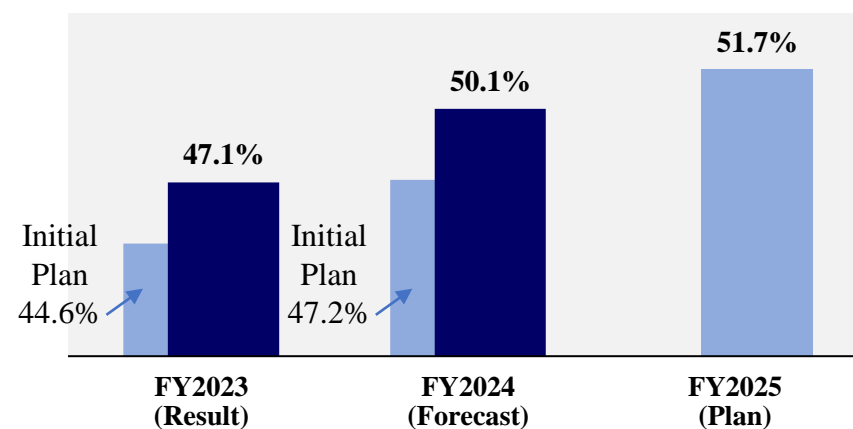
In FY2024, we will continue to allocate management resources based on our capital allocation policy as we balance investment in sustained growth with ensuring a sound financial base.

OP* / OP Margin

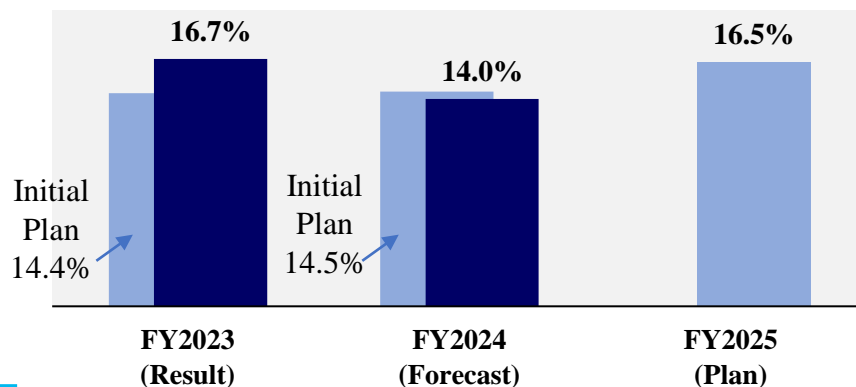
* Unit: Billions of yen



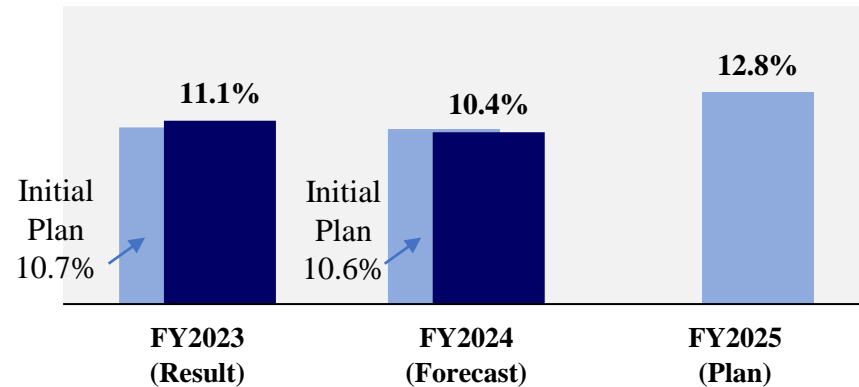
Equity Ratio



ROE

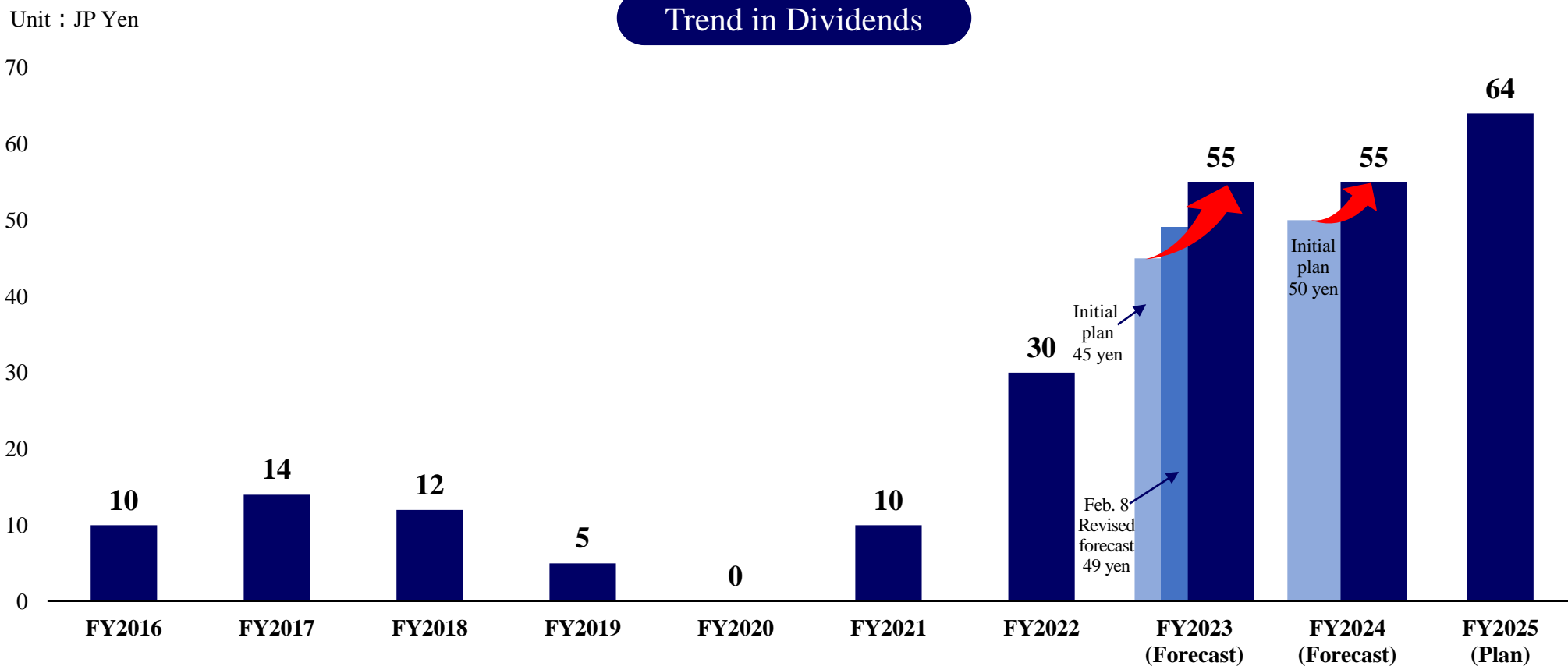


ROIC



2025 Mid-term Management Plan: Shareholder Return

Ensure a balance between financial soundness and investment for growth and **target a dividend payout ratio of 30%**. The year-end dividend forecast for FY2023 was **revised upward to 32.5 yen per share**, in accordance with the basic policy. We therefore anticipate annual dividends of **55.0 yen per share** in FY2023, a **record high**.



FY2024 Business Environment

Although we need to keep a close eye on changes in demand from and investment trends in the European and U.S. communication carrier and smartphone manufacture markets, we will use Fujikura's strengths in advanced technological capabilities and productivity to steadily capture demand and tie this demand to profit growth.

Information Infrastructure

For telecommunications carriers in Europe and the U.S.



Future demand for broadband investment expected to increase despite postponement of investment aimed at operational launch of BEAD* and postponement of investment due to rising interest rates.
*Broadband Equity, Access, and Deployment Program

For North American transmission line business



Firm demand for replacement of power grid transmission lines

Information Storage

For hyperscale data center (HSDC) business



Acceleration of investment in infrastructure in HSDCs due to explosive proliferation of generative AI

Information Terminals

For the smartphone, tablet and PC market



Firm demand anticipated despite concerns over increased competition in some products

For wearables and drone market



Increased adoption in various field

For automobile market



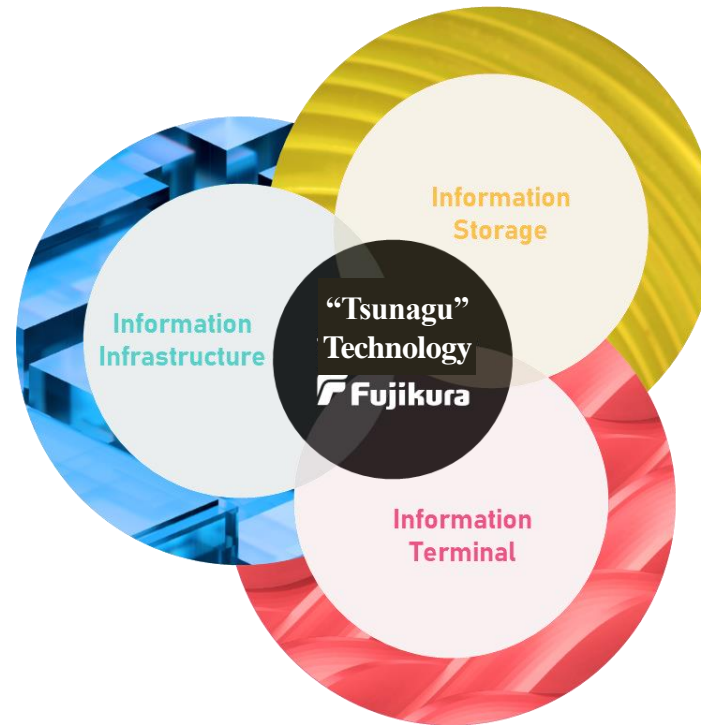
Recovery of automobile production, acceleration of CASE* initiatives
* Connected, Autonomous, Shared and Electric

2. Initiatives in Core Business Areas

Core Business Areas in the 2025 Mid-term Management Plan

Information Infrastructure

We will contribute to building the foundational infrastructure to realize an information-intensive society through optical cable installation solutions based on innovative optical technologies and future high-speed wireless communication technologies.



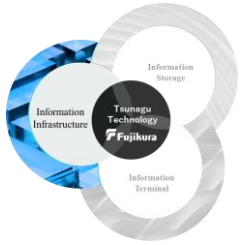
Information Storage

We will contribute to the construction of data centers to store massive amounts of data, using unique electronic components and ultra-high-density optical wiring technologies.

Information Terminals

We will contribute to the evolution of high-speed, high-capacity and high-function information terminals through high-definition electronic components and wiring and mounting technology. We also see next-generation vehicles as information terminals.

Aiming to create customer value and contribute to society as Fujikura, a company known for its technology, using information infrastructure, information storage, and information terminals as “tsunagu” (connecting) technology.



Accessing New Markets and New Customers



- We will **begin producing SWR™ in the U.S. by the fall** to obtain "BABA-compliant" approval and prepare for the full-scale commencement of the Broadband Equity, Access, and Deployment (BEAD) Program in the latter half of FY2024.
- **We have obtained product certification for small-diameter Air Blown WTC™ for a major U.S. telecommunication company. The company has begun to introduce this to the communication networks it is building.**
- We are exploring strategic alliances with U.S. companies to expand SWR™/WTC™ share of the U.S. market.



- The Swindon Plant in the UK was closed in light of the current competitive environment. **We will restore domestic production with superior technological capabilities and production capacity, and strengthen cost-competitiveness.**
- **A new type of Air Blown WTC is being developed to further increase installation efficiency for major UK telecommunication companies. We aim to launch it during FY2024.**



- **A major telecommunication company in the Middle East is using SWR/WTC for broadband networks.** We are using this as a foothold to strengthen proposals for broadband networks in the Middle East and African regions.
- We are **pursuing higher fiber counts in WTC through a technology alliance with a local cable manufacturer in Taiwan.**



Characteristics of SWR



Taking on the Challenges of New Business Models

We are taking on the challenge of creating a new business model in North America, using our strength in being able to provide one-stop solutions ranging from manufacturing optical fiber, optical cable, optical components, and optical fiber fusion splicers to designing and installing networks.

We aim to grow revenues and profit in the area of Information Infrastructure.

1 Canada: Dark fiber provider business

Overview

- Establish an operating company to begin building and operating an FTTx business in Canada
- Provide FTTx networks to major Canadian telecommunication company

Strengths

- Providing one-stop solutions ranging from optical products to network design and installation
- Have built fiber networks totaling 850,000 lines over the past 10 years

Business scale

- Build a network connecting **330,000 homes** over the next five years

Net sales (Plan)

- Approximately **120 billion yen in total over five years** (including sales of products, engineering and dark fiber wholesale rates for network usage*)

* An equity method affiliate will execute the dark fiber wholesale offering.

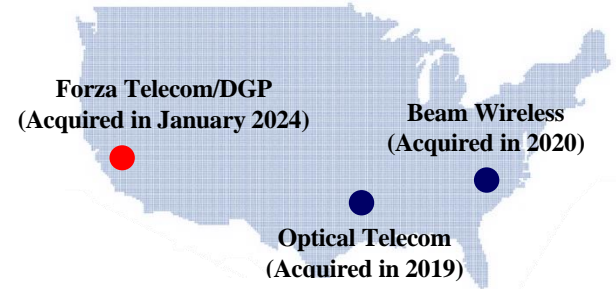




Taking on the Challenges of New Business Models

2 U.S.: DAS-Local 5G Business

Build a framework covering the main areas in the U.S. through an M&A strategy.



Target Markets

- Stadiums holding more than 20,000 people: Approx. **250**
- Large indoor sports venues: Approx. **100**
- Airports in major cities: Approx. **64**

Business Opportunities

- Increase in demand for **improving user experience** on the sports event sponsor side
- Tailwind from **global sports events scheduled** from 2025 through 2028



Net Sales (Plan)

- Over **15 billion yen** in FY2024
- CAGR **higher than 10%** by FY2028



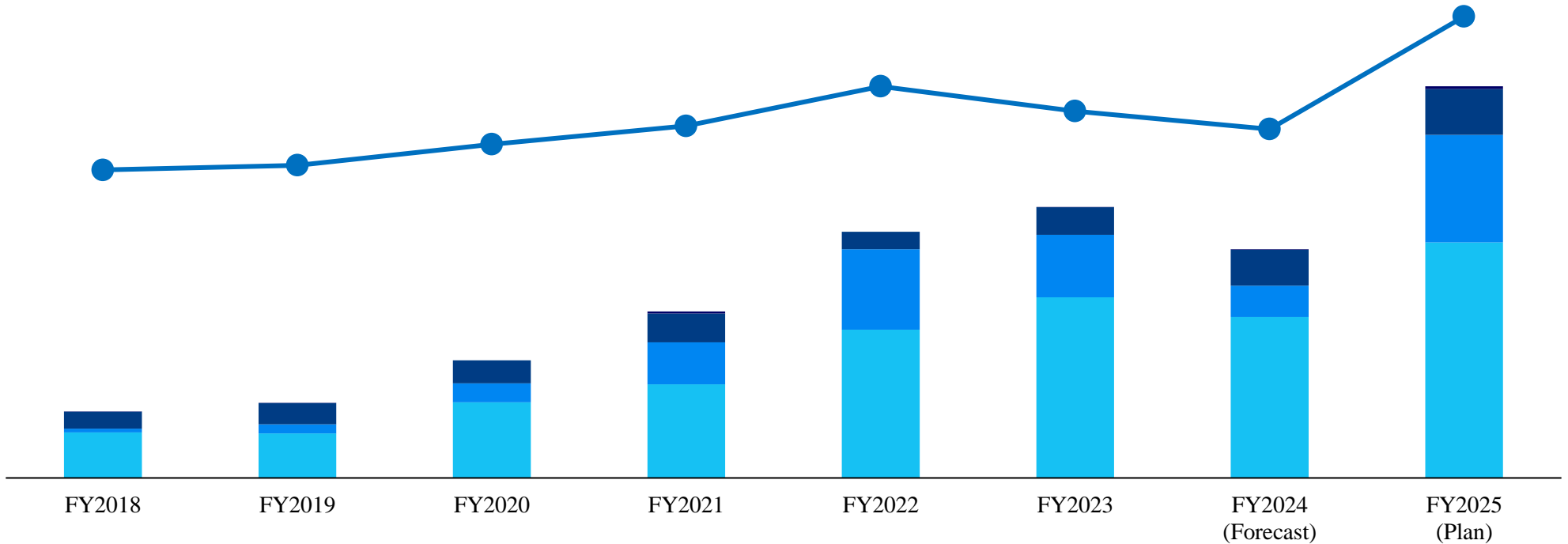
* DAS: Distributed Antenna System



Trend in SWR™/WTC™ Sales by Region

Despite the holding pattern caused by postponement of investment projects by telecommunication companies in FY2024, we will strive to **restore revenue growth in FY2025 and beyond** through the rapid launch of new business models such as the dark fiber provider business.

U.S. Europe Japan Other Fiber Q'ty





Information Storage

Capture the Increase Investment in Data Centers by the Proliferation of Generative AI and Expand Share

Strengthening the optical component production structure

1

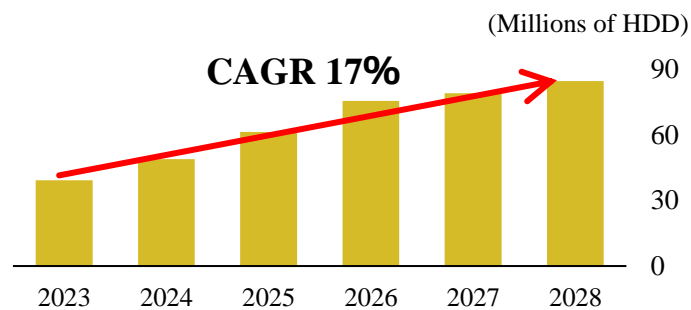
- **Dramatic increase in demand for MT ferrules and MMC connectors for HSDCs. We have decided to invest in increased production capacity in Japan as well.**
- Construction to expand the plant in Monterrey, Mexico is complete. From FY2024, expand production volume.

HDD: Developing new products and gaining customers

2

- **Pursue development of technology for new magnetic recording methods**
- Implement initiatives aimed at **innovation in production** at the plant in Thailand to handle the increase in demand.
- Utilize the **high ratings of technology and quality** by existing customers to expand customer share.

High-capacity HDD Demand Forecast

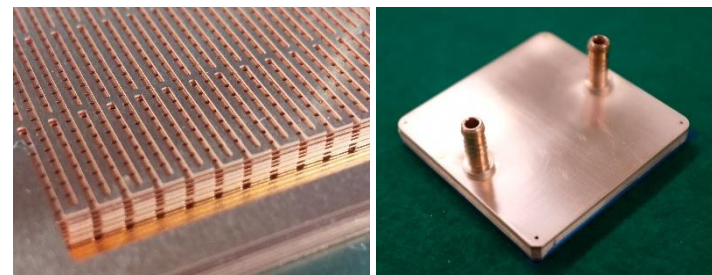


* Source: TRENDFOCUS, Inc.

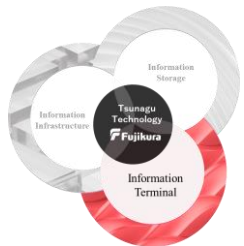
Thermal: Accessing the data center market

3

- **Pursue development of a new type of laminated cold plate** for data center semiconductors that are generating more heat due to the expansion of generative AI.
- Begin shipping samples targeted at commercialization.



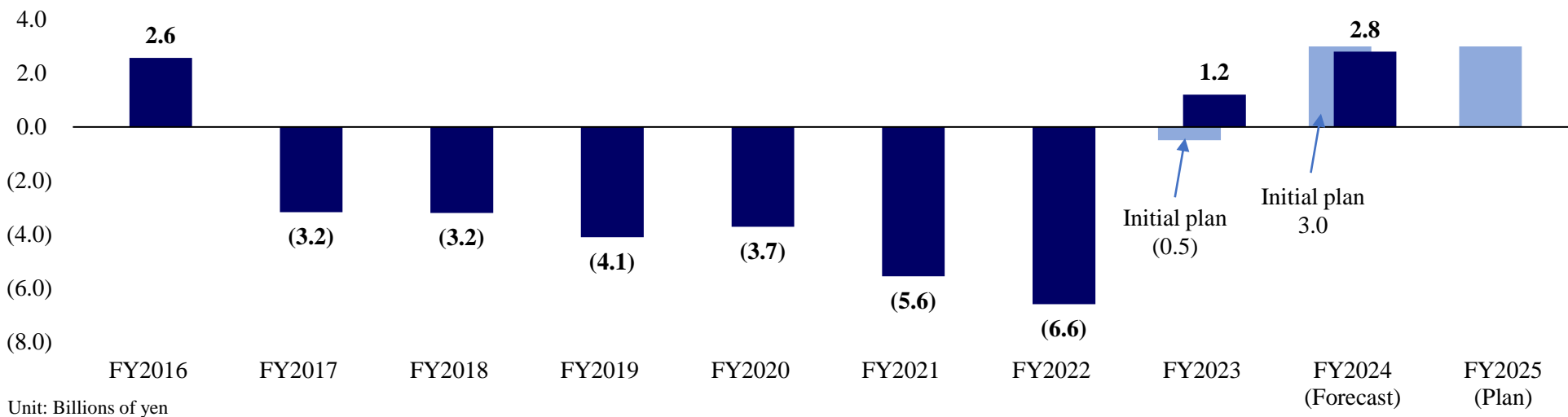
Laminated CP



Structural Reform of the Automotive Products Business

- **We are implementing structural reforms to adapt to changes in the external environment.**
 Site in Asia: Closed the Wuhu Plant in China.
 Site in Europe: Shut down production at the Comrat Plant and Chişinău Plant in Moldova.
- **Sites in North and South America are making progress on improving production and recorded a profit in FY2023 for the first time in seven years.**
- **Initiatives in FY2023 were successful and the profit plan for FY2024 is expected to be almost the same level as the initial plan.**
- **We will continue to pursue structural reforms and target even higher profitability from FY2025 onward.**

Automotive Products Business: Trend in Operating Income (Loss)



Unit: Billions of yen

3. Initiatives Targeting Increase in Corporate Value

[Beyond 2025] Realizing a Sustainable Society

As one of the initiatives targeting the sustainable development goals (SDGs), carbon neutrality provides a good opportunity to create new businesses.

Superconducting wire



Contributes to solving energy problems through advances in nuclear fusion technology

Fiber lasers



Higher energy-efficiency than other processing methods contributes mitigation of environmental impact

Electric vehicles (EV)



Ultra-fast charging technology facilitates the proliferation of electric vehicles

[Beyond 2025] Superconducting: Initiatives in Fusion Energy

1

Pursuing collaboration with KYOTO FUSIONEERING LTD.



- We have invested capital in a participatory stake in **KYOTO FUSIONEERING LTD.**, a start-up company originated at Kyoto University, which is performing R&D on equipment and systems for fusion energy plants and plant engineering.
- Fujikura is jointly pursuing research on the area of superconducting magnets for nuclear fusion reactors with **KYOTO FUSIONEERING LTD.**, which received an order from the UK Atomic Energy Authority (UKAEA), and is responsible for magnet design and manufacturing.

2

Determining investment in manufacturing facilities

- Demand for superconducting wires is increasing with progress on initiatives in nuclear fusion power generation in Japan, the U.S., and Europe. We decided to increase equipment capacity to accommodate the growth in demand.
- **Plan to invest roughly 4 billion yen in increasing production capacity (tripling the capacity in FY2023).**

3

Contributing to development of the nuclear fusion power generation industry in Japan

- Fujikura is participating as a founding member of the Japan Fusion Energy Council (J-Fusion), an organization for collaboration by industry, government, and academia, launched under the guidance of the Cabinet Office.

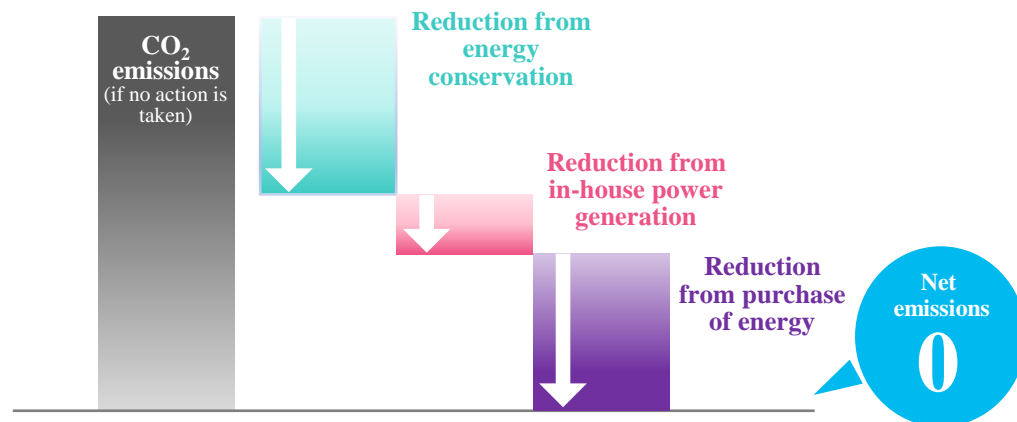
Initiatives in Carbon Neutrality

- Achieve carbon neutrality for the first time in Fujikura at the new SWR™ plant at Sakura Works, to achieve zero CO₂ emissions at the plant.

▼ Perspective drawing of new SWR™ plant when complete



▼ New plant under construction



We have begun to consider issuing Green bonds for the first time to help achieve carbon neutrality at the plant and reduce capital cost

Fujikura Group Long-term Environmental Vision 2050

Promote zero CO₂ emissions at plants by 2050



Reduction in the Weighted Average Cost of Capital (WACC)

Reduce debt cost.
Reduce capital cost through financial leverage.

Strengthening Group Governance

◆ Incident Involving Improper Acts at America Fujikura Ltd. (AFL)

This incident, which occurred at Fujikura's consolidated subsidiaries AFL and AFLT*, involved the misappropriation of real estate, credit cards, checks, aircraft, and other assets for personal use by the former CEO.

Factor #1

Concentration of authority
in the former CEO

Factor #2

Lack of effective checks

AFL strengthened governance, under the guidance of Fujikura

Details

- **Authority was decentralized and the authority of the CEO and other officers was clarified.**
- **AFL governance system, internal controls, etc. were reformed.**
 - ✓ Clarified and codified decision-making authorities at AFL, consistent with Fujikura's decision-making authority matrix.
 - ✓ Drastically reformed and established new committees that report to the AFL Board of Directors.

My Commitment as the CEO

- Creating value for customers and contributing to society through “tsunagu” (connecting) technologies as Fujikura, a company known for its technology, is Fujikura’s purpose and the raison d’être.
- I regard FY2024 as the year for strategic positioning of Fujikura to achieve the 2025 Mid-term Management Plan and sustained growth beyond that. We will accelerate investment in growth and strategic investments in core business areas and the key initiatives described in Beyond 2025.



Disclaimer:

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