

FY2021 Initiatives

Fujikura Ltd.

May 14, 2021

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1. Turnaround Plan Implementation

Masahiko Ito
Director, President and CEO

Message

Although automotive wire harnesses took a hit from the COVID-19 pandemic and the shortage of semiconductors in FY2020, Fujikura was able to achieve substantial improvement in operating income compared to FY2019, even when the temporary impact of the marginal profit on the price of copper is excluded.

The initiatives aimed at emergency measures and recovery have resulted in a certain measure of success.

However, this does not mean that there has been a significant upturn in the environment surrounding the company and we recognize that turnaround initiatives will be especially important in FY2021.

The organizational restructuring on March 31, 2021 increased the percentage of outside directors. This could drive greater disciplined structural reform as we target completion of the turnaround phase.

I want this to be a year in which we accelerate structural reform and reach the point where we are nearing completion. I expect the decline in FPC sales accompanying the structural reform to bottom out in FY2021 and for performance to rebound in FY2022 and beyond once the end of the reforms is in sight!

Structural Reforms Implemented in FY2020 and Initiatives in FY2021

	FY2020	FY2021
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	Consolidation/Elimination of 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 (May 13: Transfer of power transmission components business)
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)

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 concentrated in relocation from Eastern Europe to North Africa. Continued 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.

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

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 will begin work on outlining the plan for the growth phase. (NEW)

2. Core Business Initiatives

Naoki Okada
Corporate Officer 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
- ✓ Connector business and electronic components business
 - Achieved stable business operation
 - Access new business areas to create business pillars of the future
 - 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 full-year 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
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)

Key Initiatives in Telecommunication Systems (1): Status of SWR/WTC

We have decided to concentrate management resources in the optical cable installation solution business, mainly in SWR/WTC 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.

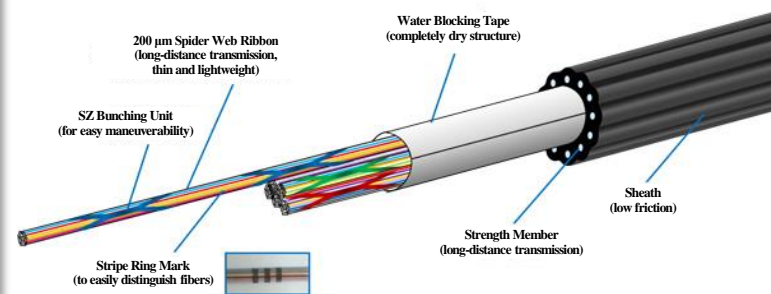
FTTx: Air-blown WTC (inserted separately) is highly acclaimed in the European and U.S. markets and order inquiries are growing.
We will expand the types of products and customize them to expand sales, mainly in Europe and the U.S.

We are expanding WTC production capacity and will launch local production in the UK in 2021.

Special Features

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



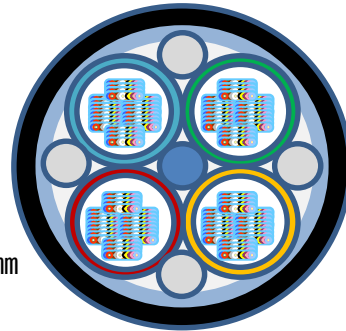
* Air blown slim high density fiber ribbon cable
Launch in the UK is having a good impact from many perspectives.

Key Initiatives in Telecommunication Systems (2): Contribution to ESG Initiatives

SWR/WTC **contributes to reduction of negative environmental impacts** through use of lighter weight cables with a smaller external diameter, reduction in manufacturing processes, and use of a small-diameter drum.

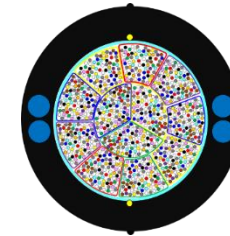
Overview

1,728-fiber ribbon loose tube cable



Outer diameter: $\phi 31.5\text{mm}$
Weight: 749 kg/km

1,728-fiber Wrapping Tube Cable (WTC)



Outer diameter: $\phi 23.0\text{mm}$
Weight: 356kg/km

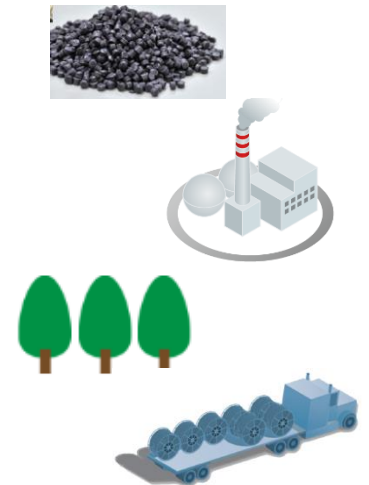
Special Features

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

Percentage reduction in electricity used by improving product manufacturing efficiency: **78%**

Percentage reduction in lumber used due to a smaller diameter wooden drum: **23%**

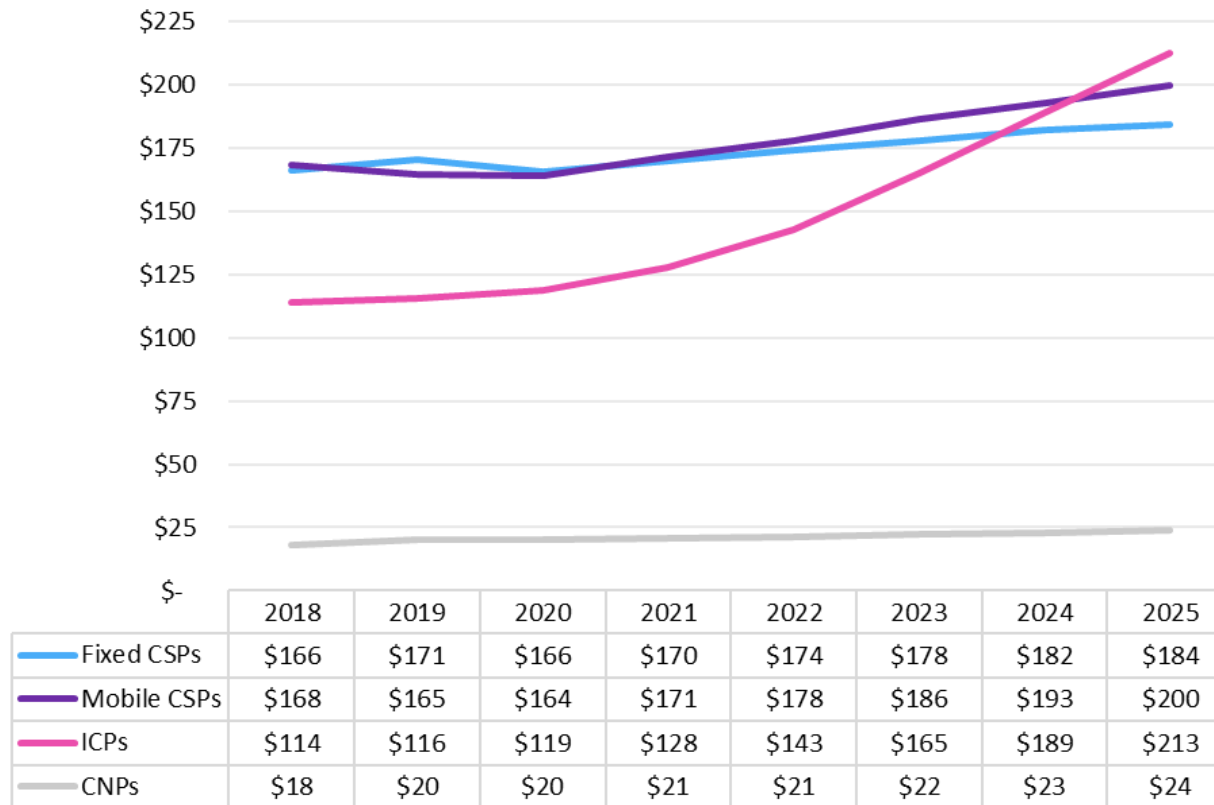
Percentage reduction in CO₂ emissions by improving transport efficiency: **47%**



Key Initiatives in Telecommunication Systems (3): Market Awareness

We see the expansion of investment in HSDC and FTTx by many companies as a great business opportunity for Fujikura.

Capex by communications provider type (\$bn)



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

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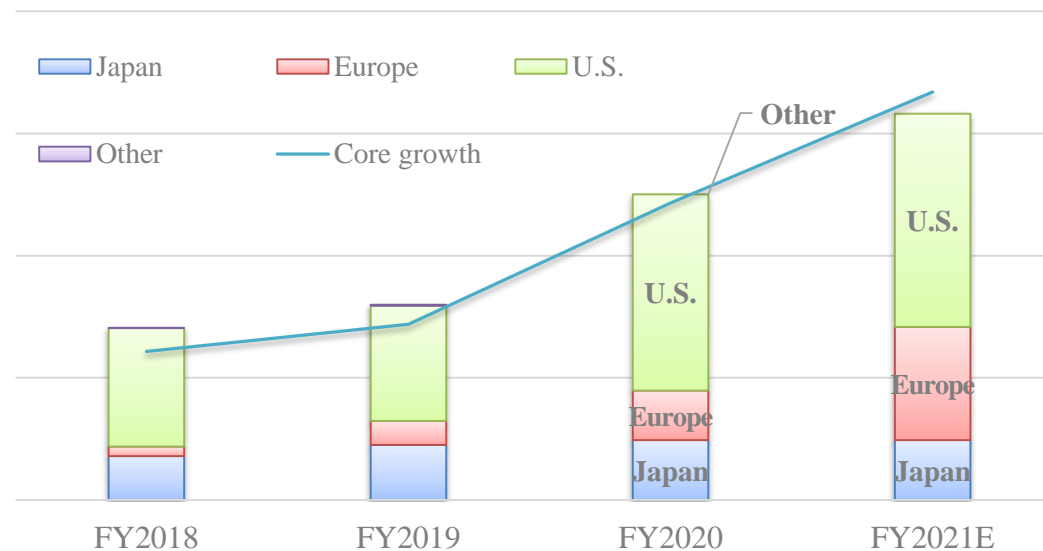
Key Initiatives in Telecommunication Systems (4): Expansion in Europe & the U.S.

The SWR & WTC business is growing rapidly and making progress **in the FTTx, CATV, 5G, and HSDC markets** in North America and Europe.

Determination of locations for expansion:

- Technology & product development: Japan
- Cable manufacturing: Japan, U.S., and Europe
- Marketing: Japan, U.S., and Europe
- * High-performance fiber manufactured in Japan

Trend in SWR/WTC Sales by Region



My Commitment as the COO

We have formulated a turnaround plan to achieve a rapid recovery in performance.

First, we will naturally put effort into achieving the 100-Day Plan established last year.

It is my responsibility as the COO to lead business operations in the future and achieve a turnaround in performance with a sense of urgency.

Furthermore, I intent 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.