

OFS Fitel Denmark ApS

Priorparken 680, DK-2605 Brøndby

Annual Report for 1 April 2022– 31 March 2023

CVR No. 25 30 56 39

The Annual Report was
presented and adopted at the
Annual General Meeting of the
Company on 31/08/2023



Lene Kalhøj

Chairman of the General Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of OFS Fitel Denmark ApS for the financial year April 1, 2022 - March 31, 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position as of March 31, 2023 of the Company and of the results of the Company operations for 2022/23.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Brøndby, 31/08/2023

Executive Board



Christian Larsen
CEO

Board of Directors

Jane Lusa Cercena
Chairman



Michael F. Pedersen
Staff Representative

Toshio Kimura



Tommy Geisler
Staff Representative

Richard Steve Allen

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Independent Auditor's Report

To the Shareholders of OFS Fitel Denmark ApS

Opinion

We have audited the financial statements of for the financial year 01.04.2022 - 31.03.2023, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.03.2023 and of the results of its operations and cash flows for the financial year 01.04.2022 - 31.03.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed; we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 31 August 2023

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33.96 35 56

Eskild N. Jakobsen

Eskild Nørregaard Jakobsen

State Authorised Public Accountant

Identification No. (MNE) mne11681

Company Information

The Company

OFS Fitel Denmark ApS
Priorparken 680
DK-2605 Brøndby

CVR No. 25 30 56 39

Financial period: 1 April – 31 March

Municipality of reg. office: Brøndby

Board of Directors

Jane Lusa Cercena, Chairman
Toshio Kimura
Richard Steve Allen
Michael F. Pedersen
Tommy Geisler

Executive Board

Carl Christian Larsen

Subsidiary

Heraeus Comvance Denmark ApS

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 København S

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	<u>2022/23</u>	<u>2021/22</u>	<u>2020/21</u>	<u>2019/20</u>	<u>2018/19</u>
	<u>mDKK</u>	<u>mDKK</u>	<u>mDKK</u>	<u>mDKK</u>	<u>mDKK</u>
Key Figures					
Profit/Loss					
Revenue	620	501	545	637	568
Gross profit/loss	179	143	137	144	93
Operating profit/loss	132	99	91	92	48
Profit/loss before financial income and expenses	126	96	102	94	42
Net financials	9	11	-2	-22	3
Net profit/loss for the year	105	94	99	90	44
Balance Sheet					
Balance sheet total	849	799	622	543	498
Equity	586	541	447	348	258

	<u>2022/23</u>	<u>2021/22</u>	<u>2020/21</u>	<u>2019/20</u>	<u>2018/19</u>
Key Figures in %					
Gross margin	28.8%	28.5%	25.1%	22.6%	16.4%
Profit margin	20.3%	19.2%	18.7%	14.8%	7.4%
Return on assets	14.8%	12.1%	15.9%	17.3%	8.4%
Solvency ratio	69.0%	67.7%	71.9%	64.1%	51.8%
Return on equity	17.9%	19.0%	24.9%	29.7%	18.6%

The figures for 2021/22 have been updated due to the change of accounting policy for right of use assets in the financial year 2022/23. The comparison figures for the financial years 2020/21 and previous years have not been changed.

Management's Review

Financial Statements of OFS Fitel Denmark ApS for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Key activities

The objects for which the Company is established are to develop, produce and market high technology products within the fields of telecommunication and data transfer, and carry on all such other business activities as the board of directors deems to the attainment of such objects.

Development in the year

The income statement of the company for 2022/23 shows a profit of 105.0 mDKK, and as of 31 March 2023 the balance sheet of the company shows equity of 585.6 mDKK.

The past year and follow-up on development expectations from last year

The financial statements show a profit of 105.0 mDKK, which is considered being satisfying.

Special risks – operating risks and financial risks

Foreign exchange risks

Most of the sales in the company are affected in foreign currencies, and especially the development of the USD affects sales and earnings.

This risk is primarily covered by making counter purchases in USD, but it is not possible to break-even.

Targets and expectations for the year ahead

The revenue for 2023/24 is expected to drop both due to sale of activity and the general drop in market demand for fiber. As a result of the lower activity and the drop in market demand the result of activity would also drop, however the overall result is expected to be in line with current year as the sale of shares in subsidiary will offset the reduced activity.

Research and development

Research and development activities are primarily focused on product and process development within the Company's existing product areas. Efforts are being made to improve existing products and develop new ones to maintain or strengthen our strong market position. Projects are in many cases carried out in cooperation with other OFS and Furukawa companies as well as various universities.

Intellectual capital resources

The Vision of the company is: To become the most trusted and innovative provider of fiber optic solutions, inspiring employees, and customers to transform the way the world communicates, works, and lives.

The Company has a global leading position in respect of both delivery time/ability and product quality. This obviously means that it is important to retain qualified and innovative employees. The Company has succeeded in maintaining the critical knowledge of the Company and keeping the turnover of staff at a lower level.

Statement of corporate social responsibility cf. Danish Financial Statements Act §99a

Business Model

The objectives for which the Company is established are to develop, produce and market high technology products within the fields of telecommunication and data transfer. The products are produced in Denmark and sold both in Denmark and abroad.

Social conditions and employee relations

Reference is made to the OFS Group's website that describes the policies and guidelines for social conditions, employee conditions, anti-corruption, environment and respect for human rights that also apply to OFS Fitel Denmark ApS. The policies cover areas such as maintaining a safe working environment and working for equality and against discrimination, which is areas where we see the main risk for employees.

<https://www.ofsoptics.com/wp-content/uploads/OFS-Corporate-Social-Responsibility-Policy.pdf>

The company and its activities are in Denmark. The Company is therefore regularly monitoring Danish and EU legislation as part of the normal compliance procedures and obligations. When new applicable legislation is identified, the QHSE department will start the procedures to obtain the necessary level of compliance.

Emergency plans and similar are evaluated and updated regularly.

OFS Fitel Denmark ApS has a focus on prevention of safety incidents through training and a proactive safety effort. Our Employees contribute to this preventive effort by registration of all near misses and safety observations. In 2022/23 129 safety observations were registered, and work procedures were updated because of these observations. The company will continue this work in the future, and we expect the number of observations to be similar in 2023/24. The number of industrial injuries is low, which is attributable to preventive environmental and safety work carried out in the Company.

The Company believes that the measures that were taken in 2022/23 have contributed to a safe working environment and will maintain a focus on safe working environment in the future.

Human rights

Furukawa Electric group CSR Code of Conduct lays out the basis for behavior for our directors and employees: Respect the human rights of all people and do not engage in discrimination or harassment on the grounds of race, nationality, creed, religion, gender, sexual identity, sexual orientation, social origin, age, disability, academic background, or family circumstances. Using biannual employee satisfaction surveys and annual employee interviews the company interacts with the employees to work for equality and against discrimination. OFS Fitel Denmark ApS has evaluated the risk of human rights breaches to be fairly low and we are not aware of violations regarding human rights in OFS Fitel Denmark ApS in 2022/23. We will continue to monitor any potential violations in the coming year.

Environment and climate

Company policies in this area are based on the overall guidelines for OFS, supplemented with local aspects. The policies cover, among other things, continuous replacement of existing production equipment for more environmentally friendly machines and furnaces, and by reprocessing the elements in the waste materials and reusing elements from the production, including Germanium.

The company has assessed that the main risk is the company's CO2 emissions.

The company is actively working on reducing CO2 emissions and will continue to do so.

Manufacturing the Company's products does not require special environmental approval.

The Quality Management System is certified against ISO9001 (re-certification in 2022). The Health, Safety & Environmental Management System is based on Danish and European legislation and inspired by ISO14001 and ISO45001. The past years The Company has been trying to continuously improve processes and procedures to become in compliance with ISO14001 and ISO45001 we and will continue to work towards getting certification in 2024.

Anti-corruption and bribery

There may be a risk that employees unjustifiably give gifts or other means to unjustly influence a stakeholder. This could have consequences for the Company's reputation.

The Company has a zero-tolerance policy on corruption and bribery and works actively to counter this. We will continue doing so in the coming year.

The Company issues its guidelines to employees regarding corruption and organizes an information meeting where the rules on areas are reviewed.

The Company is not aware of any violations regarding corruption and bribery in OFS Fitel Denmark ApS in 2022/23 and we believe that the current actions taken against corruption and bribery by OFS Fitel Denmark is adequate.

Statement on gender composition cf. Danish Financial Statements Act 99b

The company does not have guidelines on gender composition. However, it has the focus of the company, and we do an annual evaluation of the gender composition with the aim to ensure equality between men and women.

Top management

The gender distribution among the Company's 3 board members elected on the General Meeting totaled March 31, 2023, as follows: 67% men and 33% women, which is considered equal gender representation. We do not have a specific target set for the future but strive to keep this distribution going forward.

Other management

The gender distribution among our other layers of management is today 78/22.

Increasing the share of the under-represented gender at OFS

Gender equality in management is a high priority in OFS Fitel Denmark ApS. Reflecting society at large in terms of gender composition helps us compose the best possible management, improves our competitive strengths, and enables us to achieve more success. All employees, regardless of gender, should have equal opportunities for qualifying for a given position, and we will work to promote gender equality in management by recruiting and retaining candidates of both genders.

Our objective is to increase the share of women to ensure that the company achieves gender equality in management as described in section 99 b of the Danish Financial Statements Act.

Definition of targets for increasing the share of the under-represented gender:

Current status:

Total number of members of the board of directors:	3
Share of the under-represented gender on the board of directors:	33%
 Total number of members of the executive management:	 1
Share of the under-represented gender on the executive management:	0%
 Total number of members at other levels of management:	 18
Share of the under-represented gender at other levels of management:	22%
 Target for the under-represented gender at other levels of management:	 40%
Year of target achievement:	2029

HR assesses whether the measures taken in the internal policy have the intended effect and reports back to the board of directors with a status on the initiatives to increase the share of the under-represented gender.

Statement on data ethics cf. Danish Financial Statements Act 99d

OFS Fitel Denmark ApS has a written 'databeskyttelsespolitik', as part of our overall quality system. The policy complies with both Danish and EU law on data and privacy protection. The policy describes the rules and principles for handling personal and other data. All employees sign in connection with the employment policy.

The policy is evaluated regular to ensure compliance with Danish and EU law.

Based on the above and the level of data that we work with, we have not found it necessary to develop a specific policy around data ethics.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position on 31 March, 2023 of the Company and the results of the activities of the Company for the financial year for 2022/23 have not been affected by any unusual events.

Subsequent events

End of June 2023 OFS Fitel Denmark ApS have sold the shares in Heraeus Comvance Denmark ApS to Heraeus Beteiligungsverwaltungsgesellschaft MBH.

No other events materially affecting the assessment of the Annual Report occurred after the balance sheet date.

Income Statement for 2022/23

	<u>Notes</u>	<u>2022/23 kDKK</u>	<u>2021/22 kDKK</u>
Revenue	1	620,210	501,378
Cost of sales	2	-441,378	-358,358
Gross profit/loss		178,832	143,020
Distributions expenses	2	-10,983	-11,318
Administrative expenses	2	-35,467	-32,304
Operating profit/loss		132,382	99,398
Other operating income / expenses	3	-6,589	-2,990
Profit/loss before financial income and expenses		125,793	96,408
Financial income	4	8,582	13,033
Financial expenses	5	0	-1,822
Profit/loss before tax		134,375	107,619
Tax on profit/loss for the year	6	-29,313	-13,717
Net Profit/loss for the year		105,062	93,902

Balance Sheet 31 March 2023

Assets

	Notes	2023 kDKK	2022 kDKK
Plant and machinery		18,383	87,650
Other fixtures and fittings, tools and equipment		1,617	1,311
Leasehold improvements		13,256	90,967
Property, plant and equipment in progress		4,431	5,517
Right of use assets		60,921	68,309
Property, plant and equipment	7	98,608	253,754
Investment in subsidiary		147,525	0
Financial assets		147,525	0
Fixed assets		246,133	253,754
Inventories	8	106,687	105,582
Trade receivables		89,092	63,103
Receivables from group enterprises		390,277	337,403
Deferred tax asset	12	13,000	14,450
Prepayments	9	546	4,674
Receivables		492,915	419,630
Cash at bank and in hand		3,417	20,034
Current assets		603,019	545,246
Assets		849,152	799,000

Balance Sheet 31 March 2023

Liabilities and Equity

	Notes	2023 kDKK	2022 kDKK
Share capital	10	26,000	26,000
Retained earnings		259,617	454,555
Dividend		300,000	60,000
Equity		585,617	540,555
Deferred tax	12	0	0
Other provisions	11	34,119	34,119
Provisions		34,119	34,119
Lease debt		53,565	59,839
Long-term debt		53,565	59,839
Trade payables		51,299	38,803
Payables to group enterprises		70,454	79,638
Payable to group enterprises joint taxation		10,200	0
Lease Debt short term		8,045	8,946
Corporate company tax		4,705	3,050
Other payables		31,148	34,050
Short-term debt		175,851	164,487
Debt		229,416	224,326
Liabilities and equity		849,152	799,000
Proposed distribution of profit	13		
Contingent liabilities, liabilities and other financial obligations	14		
Related parties	15		
Fee to auditor appointed at the general meeting	16		
Subsequent events	17		
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Statement of Changes in Equity

	Share Capital kDKK	Retained earnings kDKK	Dividend kDKK	Total kDKK
Equity at 1 April 2022	26,000	454,555	0	480,555
Net profit/loss for the year	0	105,062	0	105,062
Dividend	0	-300,000	300,000	0
Equity at 31 March 2023	26,000	259,617	300,000	585,617

Notes to the Financial Statements

	2023	2022
	kDKK	kDKK
1. Revenue		
Geographical segments		
Revenue, Denmark	273	386
Revenue, exports	619,937	500,992
	620,210	501,378
Business segments		
Goods for resale	75,466	46,222
Own production	544,744	455,156
	620,210	501,378
2. Staff		
Wages and Salaries	123,904	109,429
Pensions	23,431	22,273
Other social security expenses	1,449	1,296
	148,784	132,998
Wages and Salaries, pensions and other social expenses are recognized in the following items:		
Cost of sales	120,664	109,006
Distribution expenses	10,974	10,208
Administrative expenses	17,146	13,783
	148,784	132,998
Including remuneration to the Executive Board	4,102	3,509
Average number of employees	212	212

3. Other operating income

In 2022/23 the other operating cost mainly consists of cost relating to the support on sale of part of the business.

Notes to the Financial Statements

	2023 kDKK	2022 kDKK
4. Financial income		
Interest from group enterprises	6,059	981
Other financial income	152	0
Exchange rate gains	2,371	12,052
	8,582	13,033
5. Financial expenses		
Other interest	0	50
Exchange rate loss	0	1,772
	0	1,822
6. Tax on profit/loss for the year		
Current tax for the year	20,738	3,050
Deferred tax for the year	8,610	10,550
Adjustment of tax concerning previous years	-35	117
	29,313	13,717
Tax on profit/loss for the year is calculated as follows:		
Calculated 22% tax on profit/loss for the year before tax	29,562	23,698
Tax effect of:		
Tax on non-deductible expenses and non-taxable income	-214	-1,837
Non-capitalised deferred tax	0	-8,321
Adjustment of tax concerning previous years	-35	117
	29,313	13,717

Notes to the Financial Statements

	Plant and machinery kDKK	Other fixtures and fittings, tools and equipment kDKK	Leasehold improve- ments kDKK	Property, plant and equipment in progress kDKK	Right of use assets kDKK	Total kDKK
7. Property, plant and equipment						
Cost at 1 April	627,229	17,760	433,990	5,517	76,685	1,161,181
Adjustment to opening balance	25	534	-458			101
Additions for the year	5,708	1,772		3,906		11,386
Disposals for the year	-117,261	-13,912	-99,117			-230,290
Transfers for the year	4,992			-4,992		0
Cost at 31 March	520,693	6,154	334,415	4,431	76,685	942,378
Depreciation at 1 April	539,578	16,448	343,024		8,376	907,426
Adjustment to opening balance	-355	241	44			-70
Depreciation for the year	15,839	1,760	7,813		7,388	32,800
Depreciation of sold assets for the year	-52,749	-13,912	-29,725			-96,386
Depreciation at 31 March	502,313	4,537	321,156	0	15,764	843,770
Carrying amount at 31 March	18,380	1,617	13,259	4,431	60,921	98,608
Leased assets	688	0	0	0	0	688

	2023 kDKK	2022 kDKK
Depreciation and impairment of property, plant and equipment assets are recognized in the following items:		
Cost of sales	32,800	35,867
	32,800	35,867

Notes to the Financial Statements

	2023	2022
	kDKK	kDKK
8. Inventories		
Raw materials and consumables	86,408	90,546
Work in progress	798	976
Finished goods and goods for resale	19,481	14,060
	106,687	105,582

9. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

10. Equity

The share capital consists of 26,000 shares of a nominal value of KDKK 1,000. No shares carry any special rights.

	2023	2022
	kDKK	kDKK
11. Other provisions		
Other provisions	34,119	34,119
	34,119	34,119

At the balance sheet date, the restoration obligation according to the lease of the premises amounts to KDKK 34,119.

12. Deferred tax asset

Deferred tax asset at 1 April	14,450	25,000
Change in deferred tax regarding transfer of business within the group	7,160	0
Amounts recognized in the income statement for the year	-8,610	-10,550
Deferred tax asset at 31 March	13,000	14,450

Notes to the Financial Statements

	2023	2022
	kDKK	kDKK
13. Proposed distribution of profit		
Retained earnings	-194,938	33,902
Dividend	300,000	60,000
	105,062	93,902

14. Contingent assets, liabilities, and other financial obligations

The Company has provided bank guarantees in favor of 3rd parties of total kDKK 32,872 (2022: KDKK 23,966).

The Group companies of OFS Fitel Denmark ApS jointly and severally liable for tax on the jointly taxed incomes etc. in these companies. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liabilities. OFS Fitel Denmark Aps are the administration company for the joint tax in Denmark.

15. Related parties

Controlling interest	Basis
Furukawa Electric Co., Tokyo, Japan	Ultimate controlling shareholder
OFS Fitel, LLC, Norcross, USA	Immediate controlling shareholder

Other related parties

Jane Lusa Cercena	Chairman of the Board
Richard Steve Allen	Member of the Board
Toshio Kimura	Member of the Board
Tommy Geisler	Member of the Board
Michael F. Pedersen	Member of the Board

Notes to the Financial Statements

15. Related parties (continued)

Transactions

During the year, the Company had the following transactions with its ultimate Parent Company and its subsidiaries:

Corporate allocation fee for the year amounts to kDKK 14,848 (2022: kDKK 15,277).

Acquisition of goods from associates, kDKK 133,258 (2022: kDKK 85,652)

Sales of goods to group enterprises, kDKK 220,603 (2022: kDKK 203,714)

Receivables from group enterprises, kDKK 47,875 (2022: kDKK 42,392)

Payable to group enterprises, kDKK 70,454 (2022: kDKK 79,638)

Sale of business unit to Heraeus Comvance Denmark ApS, kDKK 147,525

Joint tax fee, 10,200 kDKK

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Furukawa Electric Co., Ltd.	Japan
OFS Fitel, LLC, Norcross, USA	USA

The Group Annual Report of Furukawa Electric Co., Ltd. May be obtained at following address:

Furukawa Electric Co., Ltd.

6-1, Marunouchi, 2-chome, Chiyoda-ku

Tokyo 10-8322

Japan

The Group Annual Report of OFS Fitel, LLC, Norcross, USA may be obtained at the following address:

OFS Fitel, LLC

200 Northeast Expressway

Norcross, GA 30071

USA

Notes to the Financial Statements

	2023	2022
	<u>kDKK</u>	<u>kDKK</u>
16. Fee to auditors appointed at the general meeting		
Deloitte		
Audit fee	<u>496</u>	<u>485</u>
	<u>496</u>	<u>485</u>

17. Subsequent events

End of June 2023 OFS Fitel Denmark ApS have sold the shares in Heraeus Comvance Denmark ApS to Heraeus Beteiligungsverwaltungsgesellschaft MBH.

Notes to the Financial Statements

18. Accounting Policies

The Annual Report of OFS Fitel Denmark ApS for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies have been changed from last year to include the IFRS15 and IFRS16 rules, and therefore we have reclassified amounts on the previous year balance sheet statement none of which has any effect on profit or equity but resulted in an increase of 68.309 KDKK of assets and liabilities per 31st March 2022.

Connected to the acquisition and disposal of equity interest controlled by Parent Company, the booked value is applied and meaning that the comparative figures are not restated.

The Financial Statements for 2022/23 are presented in kDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Furukawa Electric Co., Ltd., Japan, the Company has not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized cost are recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortized cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortized cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortization of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement consider predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Notes to the Financial Statements

18. Accounting Policies (continued)

Leases

Leases is following the rules of IFRS16, and this has been changed in the financial year 2022/23.

All leases have been recognized in the balance sheet with the corresponding lease liability. Leased assets are depreciated over the lease term based on the original cost e.g. no increase is made on the asset and liability amount in terms of rental cost increase. Payments are allocated between installments on the lease obligation and other leasehold costs.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognized in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognized directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognized in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognized asset or a recognized liability are recognized in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

instruments that are designated and qualify as hedges of expected future transactions are recognized in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognized in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognized in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognized. The amount is recognized in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognized directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognized in the income statement.

Notes to the Financial Statements

18. Accounting Policies (continued)

Segment information on revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

The revenue is following the rules of IFRS15, and this has been changed in the financial year 2022/23.

Revenue from the sale of goods is recognized when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably, and it is probable that the economic benefits relating to the sale will flow to the Company.

Services are recognized at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognized exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labor costs and indirect production costs such as maintenance and depreciation, etc., as well as operation, administration and management of factories.

Cost of sales also includes research and development costs that do not qualify for capitalization as well as amortization of capitalised development costs. Furthermore, amortization of goodwill is included to the extent that goodwill relates to production activities. Finally, provisions for losses on contract work are recognized.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortization of goodwill is also included to the extent that goodwill relates to distribution activities.

Notes to the Financial Statements

18. Accounting Policies (continued)

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortization of goodwill is also included to the extent that goodwill relates to administrative activities.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labor, materials, components and sub-suppliers.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognized in cost over the period of construction. All indirectly attributable borrowing expenses are recognized in the income statement.

Notes to the Financial Statements

18. Accounting Policies (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery 3-15 years

Other fixtures and fittings, tools and equipment 3-5 years

Leasehold improvements 7-15 years

The depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortization and depreciation.

If so, the asset is written down to its lower recoverable amount.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realizable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realizable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labor with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labor as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are recognized in the balance sheet at amortized cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Notes to the Financial Statements

18. Accounting Policies (continued)

Provisions

Provisions are recognized when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation, and it is probable that economic benefits must be given up settling the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes based on the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured based on the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallize as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement or in equity if the deferred tax relates to items recognized in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognized in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on account taxation scheme are recognized in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortized cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

Gross margin

$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Profit margin

$$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$$

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$