

Q&A Summary of the IR Business Briefing of Furukawa Electric Co., Ltd.

Date: June 10, 2022 (Friday) 15:15–16:00

Contents: Global Marketing Sales Division (new businesses)

Speaker:

Yoshio Masutani,

Corporate Senior Vice President and General Manager of the Global Marketing Sales Division

Observers:

Koji Kawano,

General Manager of the Planning and Administration Department, Global Marketing Sales Division

Kazutaka Nara,

General Manager of the Social Design & New Business Development Department

Akihiro Asai,

General Manager of the Sales Promotion Department, Global Marketing Sales Division

Akihiro Fukunaga,

Director, Corporate Senior Vice President, and General Manager of the Finance & Accounting Division

Q: What internal framework have you established directed at creating new businesses?

A: In FY2021, the Social Design & New Business Development Department was established as the organization designated to lead the creation of new businesses, and this year, the department was transferred to the Global Marketing Sales Division. With the aim of creating new businesses, we will consistently continue to develop new technology, conduct marketing, incubate together with the markets and scale up the businesses. Based on feedback from the market and customers, we will decide what needs to be done (business themes) for the new domains and secure the necessary resources and capabilities. This includes acquiring the required specialist personnel from outside the company. We will manage progress at each stage gate, conduct demonstration projects, address customer needs, incubate new technology and scale up the businesses.

Q: I understand that you will focus on solving the social issues and increasing capital efficiency, but to what extent do you expect the new businesses will contribute to profits?

A: Basically, we have set an operating income margin of 10-20% as the bottom line for the new businesses. From the perspective of marketing, business plans are formulated for each

new business. In total, we expect the new businesses to have net sales of JPY 20.0 billion in FY2025 and JPY 100.0 billion in 2030.

Q: I don't think it will be easy to achieve an operating income margin of 10-20%. How long is your time frame for these margins, and how do you conduct the assessments?

A: Offering CV ports as an example, we estimate the market in Japan to be about JPY 5.0 billion each year (equivalent to 100,000 units) and the global market to be 10 times larger. Our strategy is to supply components to all CV port manufacturers rather than conducting development together with a specific manufacturer (layer master strategy). Given this, it is necessary to have a firm technological foundation and strong business plan, and I believe these are important as the strategy story.

Q: What do you feel is your mission and role as the General Manager of the Global Marketing Sales Division?

A: In addition to being responsible for the net sales of the entire Furukawa Electric Group, I believe marketing for both the strategy and sales is also an important mission. Strategy marketing refers to considering "where (which domain) and how to compete" and proposing a strategy in partnership with the Research & Development Division and business divisions. Sales marketing focuses on "securing quality orders". In addition, I feel working to scale up the new businesses is also an important role.

Q: I understand you are in the progress of establishing a social infrastructure business. Including the other businesses, what is your time frame for each step in commercialization (material development → identify applications → commercialization) directed at 2030?

A: Each new business has its own unique characteristics, so we have scenarios (milestones, stage gates, etc.) for the commercialization of each business. Because each is different, I would like to discuss this topic more at a later date.

Q: You have been involved in superconductors for many years, but including the contribution to carbon neutral, how will this business be positioned based on a time frame extending to around 2030?

A: We are addressing the business from the standpoint of marketing and sales responsibilities. We are preparing to open a new plant for low-temperature superconductors in Japan and for high-temperature superconductors overseas (SPI (SuperPower Inc.)). We will incubate

the business with the aim of achieving profitability and significant business scale in 2030. Because it has zero CO2 emissions and a high level of safety, advances are being made in the development of small-scale nuclear fusion (using superconducting materials) in Europe and America directed at the 2030s, and we anticipate the market scale will be around JPY 20.0 billion.

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