

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

Date: June 5, 2024 (Wednesday) 14:30–15:15

Contents: Energy Infrastructure business

Speakers:

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Observers:

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Q: What are the reasons behind the tight supply and demand conditions for general-purpose power cable for construction and wholesalers, and what is the impact on the financial results of the company? Also, including the Power Cable business, what are the targets in the 2025 Mid-term Plan and the expected demand environment thereafter?

A: From the second half of FY23, demand for general-purpose power cable has been particularly robust, and although supply and demand continues to be tight, the situation has calmed down recently. From FY23 Q4 to FY24 Q1, there was temporarily higher demand for Rakuraku aluminum cable as a replacement product. However, we transferred general-purpose power cable business for construction and wholesalers market in Japan to the equity method affiliate Showa Furukawa Cable Co., Ltd. In 2022, so there will be no major direct impact on the financial results of the Energy Infrastructure business in FY24.

Heading into FY25, in the Power Cable business, demand for OF cable renewal is expected to continue until around 2040, and in addition to these orders, there are also orders for renewable energy projects. As a result, the business is progressing as anticipated.

Q: Is the business in China still in a downturn? What actions will you take to improve ROIC?

A: The regional economy remains weak in China, and it has not recovered as expected. While steadily working to acquire orders by leveraging our strengths such as extra-high voltage power cable, which has high added-value and few competitors, we will strive to improve the profits.

Q: I understand that power cable orders are firm in Japan, but given the potential for unexpected cost increases, have you introduced any mechanisms to ensure profitability?

A: As a response to deteriorating profit margins due to higher raw material, transportation and labor costs, these variable factors are either incorporated from the contract stage or they are negotiated with the customer after they occur. Regardless, we are working to ensure customers fully recognize the value of our products and services and understand the situation.

Q: In the Industrial Cable & Power Cable Accessories business, I understand that sales of the strategic product cable with aluminum conductor possessing excellent workability (Rakuraku aluminum cable) are increasing, but to what extent do the other strategic products (plugin connectors and other terminal connectors) account for overall net sales?

A: Including assemblies of cable with plugin connectors, net sales are around JPY 0.5 billion per year. We will increase this figure going forward. We just launched the new terminal product shown on page 24, so sales will increase as we move forward. Initially, we are aiming to achieve net sales of several hundred million yen.

Q: Since FY2018, you have doubled power cable manufacturing capacity based on the JPY 15.0 billion investment plan, and the facilities are operating at nearly full capacity. Given the continued strong orders, will it be necessary to increase installation capacity in addition to manufacturing capacity? Directed toward 2030, how much room do you feel you have to increase net sales? Also, what actions are you taking to secure a workforce for increasing installation capacity?

A: As you stated, the next issue is increasing installation capacity. The response differs for underground cable and submarine cable, but for underground cable installation capacity, we are reinforcing our installation teams through proactive hiring, as well as expanding the partnerships with partner companies. Concerning submarine power cable, we will respond to the robust demand by strengthening the partnerships with maritime companies. Also, in order to expand the offshore wind power business, we will work together with companies in a wide range of business types.

Q: I believe the business initiatives are primarily directed at Japan, but given the issue of insufficient electric power in Asia following the increased number of data centers, is there also room to expend earnings opportunities overseas?

A : Our door is always open to the overseas markets. Concerning actual orders, the decision will be made taking into account cable manufacturing capacity, installation capacity and profitability.

Q : In the Power Cable business, what is the split between Japan and overseas?

A : In FY23, net sales were almost entirely to the Japan market. For now, the policy in the 2025 Mid-term Plan is to catch up with the growing demand in Japan.

Q : Based on the business environment, including the rush to build semiconductor plants and data centers in Japan, is there any room for you to overachieve the targets set in the 2025 Mid-term Plan? Also, what assumptions were used for the forecast of increased profit on higher net sales from FY24 to FY25?

A : Out of the main target markets in the Power Cable business, the forecast for extra-high voltage underground cable in Japan is based on the long-term plan presented by the customer for replacement from OF cable to CV cable. In addition, concerning renewable energy, we are expecting a number of projects, and although it will be necessary to remain attentive to project delays, I believe that overall, the targets have been set at highly accurate levels. Concerning the Industrial Cable & Power Cable Accessories business, there should be room to overachieve the target based on increased demand for cables with plugin connectors and Rakuraku aluminum cable following the rush to build data centers.

Q : Plans have been announced to build AI related data centers in Japan. This should result in increased demand for power cable in response to the increased demand for electric power, but what is your outlook? Also, in the event demand does increase, do you expect there to be increased demand for power cable in the Industrial Cable & Power Cable Accessories business or power cable in the Power Cable business?

A : We expect demand to increase both for extra-high voltage power cable and for cable in the Industrial Cable and Power Cable Accessories business, such as cable with plugin connectors. Also, directed at alleviating electric power shortages resulting from the increased data centers, there will be a need to toughen the electric power infrastructure systems and prepare a transmission network such as wide-area interconnections to send the electric power generated from renewable energy to urban areas. In addition to the traditional overhead power lines, there will be more cases where the electric power is transmitted to urban areas through submarine and underground cable, and we will work

to definitely capture these earnings opportunities.

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