

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

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Contents: Functional Products business

Speakers:

Ryoji Ono, Corporate Executive Vice President and General Manager of the Functional Products Division

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Takashi Mori, General Manager of the Memory Disk Division

Takashi Saito, General Manager of the Copper Foil Division

Observers:

Maki Ishikawa, General Manager of the Planning & Administration Department

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Q : Especially regarding the strategy for water-cooling heat dissipation and cooling products, which are expected to launch in the second half of FY26, what is your strategic direction? How will the competitive environment, market share and profit margins change? Do you have any particular competitors in mind?

A : The basic policy is to introduce well-differentiated products into markets with large growth potential. Since the water-cooling product market is expected to grow in the future, we are carrying out product development with the customers who will lead us to the next generation and are receiving orders. We will not ignore market share, but going forward, we will continue to apply our technological capabilities to growth markets. For heat dissipation and cooling products, there is no heat transfer engineering difference between water-cooling and air-cooling. I will not state any specific competitors, but we now have competitors with water-cooling products in addition to competitors in the traditional air-cooling segment, and the number is expected to increase.

Q : What is your strategy in the Memory Disk business? In the memory disk market for the growing data center segment driven by AI, competing glass products are experiencing major growth, and I believe SSD are also becoming a competitor. What are the superior features of aluminum products, and how will you respond to this growing market going forward? What are your plans for manufacturing capacity?

A : Glass substrates are being adopted for some HDD in data centers, but I believe we can show the superiority of aluminum blanks over expensive glass substrates through increased performance including thinner blanks. SSD have also been adopted for some of the storage in data centers, but even in the same data center, HDD made with aluminum blanks tend to be used to store data that is accessed relatively infrequently. In addition, the ability to store large volumes of data at low cost is an advantage over SSD. Our equipment capacity is currently sufficient, and there will be no problems with supply for the time being. Going forward, if supply becomes insufficient due to market trends, we will increase our capacity to the necessary level.

Q : In tape for semiconductor process, I believe you have competitors including chemical companies, but what is your market share for each product? Also, in the plan for FY25, you expect demand to recover in the second half. Assuming demand recovers as expected, how much additional growth do you foresee from FY26?

A : I will refrain from stating specific market share figures, but globally, we are No. 2 in BG tape and No. 3 in DC tape. Our strengths include product design technology that leverages the plastics technology accumulated within the group. As the semiconductor manufacturing process becomes more complex and advanced, we possess the design capabilities and manufacturing capabilities to respond to these changes. Also, we possess various materials technologies other than plastics, and our ability to collaborate, including from the standpoint of manufacturing, is also a strength.

Concerning market trends, consumer demand slowed in the second half of FY22 due to reduced consumer confidence caused by inflation, but it is currently recovering. Semiconductors are essential to a wide range of products and infrastructure, and their use will definitely increase in the future. Therefore, if demand recovers as planned in FY25, we can expect further growth from FY26. In addition, as introduced on page 13, our products for cutting edge processes will also be a major strength for achieving growth.

Q : In the Copper Foil business, the demand for copper foil for AI applications is growing. How much room is there for increased net sales and profits in the future, including through increased unit use? Do you have any concerns about insufficient manufacturing capacity?

A : We are working to develop copper foil that can respond to high speed, large volume communications. We will secure profits by appropriately capturing the growing demand mainly in the AI server market. As explained on page 25, it is difficult to develop copper foil for high frequency circuit boards, but including other companies, Japanese manufacturers are

leading in this area, and it should be possible to increase profitability without falling into price competition. Concerning increases to manufacturing capacity, while making small scale investments in the current facilities, we are in the process of successively increasing the manufacturing capacity by converting the facilities to be able to manufacture copper foil for high frequency circuit boards. In the event demand is expected to further increase from FY26, while monitoring the situation, including the changes in demand for next-generation products, we will consider further increasing manufacturing capacity.

Q: In the overall Functional Products business, profit margins are expected to improve. In particular, tape for semiconductor process, heat dissipation and cooling products and electrolytic copper foil will contribute to profits, but what factors will lead to this profit improvement? What will drive the profit improvement, such as the sales price, increased net sales or changes in the product mix resulting from an increased ratio of high value-added products?

A: The data center market is active, and because we can secure margins through increased volumes, this will be a major driver. We will strive to definitely capture demand and increase sales volumes. Also, we will respond to cost increases such as higher personnel expenses by incorporating them into the sales price. We will focus on products that contribute to the forefront of each segment, including cutting edge processes in tape for semiconductor process, water-cooling in heat dissipation and cooling products, thinner blanks in aluminum blanks and copper foil for high frequency circuit boards. Through this, we will strive to maintain and increase profit margins.

Q: Concerning the impact of tariffs, what is the current situation? Given the tight market conditions, are you relatively unconcerned?

A: Tariffs will have some impact, but because they will involve changes to government policy, it is not possible to present a clear outlook at this time. We have begun negotiations with customers for any cost increases. These negotiations will not necessarily be easy, but we will remain persistent.

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