

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

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Contents: Automotive Products business

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Q: On page 23, you show an image of net sales by product lineup in 2030 in which you aim to increase sales of aluminum wire harnesses, α terminals and high voltage products. I believe you will work to achieve this plan while advancing automation and local consumption of local production, but how do you expect profit margins to change? Will profit margins decline due to the upfront investments? Also, I remember that in the plan presented 5 or 6 years ago, you intended to grow net sales well above current levels for BSS (lead battery state sensor) and peripheral monitoring radar. What is the current status of these products?

A: Aluminum wire harnesses and α terminals themselves will not raise the profit margin. Instead, we intend to increase net sales and profit margins by increasing our competitiveness as a result of recognition from the customer that our wire harnesses reduce vehicle weight with high performance and minimized costs, as well as reduce the impact on the environment.

On the other hand, for high voltage products, which is an area we are working to expand, because they are less affected by changes in personnel expenses and transportation costs compared to wire harnesses, we believe there is relatively low risk in regards to securing profit margins.

Concerning BSS and peripheral monitoring radar, although net sales growth has been low, the range of applications has expanded. For example, BSS are used in electric vehicles in addition to gasoline powered vehicles. In addition, it is also being used to monitor the battery for maintaining a comfortable interior environment. Peripheral monitoring radar is starting to be used in construction equipment and infrastructure. However, these markets will not become large markets until after 2030. Until then, we view this period to be our preparatory

phase, so the increased sales from new applications and other factors have not been reflected in the graph.

Q : Concerning the impact of the US tariffs, if they lead to increased costs, I believe you plan to request customers to allow these increased costs be included in the sales price. Given this, what is your current outlook on the situation, such as altering your response depending on the features of the product or customer? Also, in the Automotive Products business, will costs increase in the first half when you initially pay the tariffs before then recovering this amount by including it in the sales price in the second half?

A : In the Automotive Products business, net sales to the US amount to about JPY 60.0 billion. Not all of this amount is handed over in the US, so although tariffs will not be charged to this full amount, there will still be a major impact. Because we first import the products to our location in the US before selling them to local customers, we will provisionally be forced to bear the tariffs, leading to higher costs. In response to this, we have already started holding discussions with almost all of our customers, including both Japanese and foreign manufacturers. The negotiation process will differ for each customer, so I would like to report at a later date when the outlook is clearer.

Q : Concerning the shift to aluminum wire harnesses shown on page 9, what is your relationship with other competitors, and do you have a firm outlook on orders?

A : Directed at reducing GHG emissions during the vehicle's useful life, we believe that the customer recognize the importance of transition to aluminum. In this process, we are competing with other companies to provide highly reliable aluminum wire harnesses. Through the use of our α terminals, we can realize usability on par with existing terminals along with high anti-corrosion performance and minimum cost. As a result, customers recognize that this will make it possible to maximize the use of aluminum. Concerning aluminum electrical wire, we are competing with other companies within the same environment, but our competitors do not possess any products or technology on par with the anti-corrosion performance of our α terminals.

Q : In FY24, production stabilized and productivity improved. In addition, revenue from the customer was received for the increased costs, and I believe profits greatly improved. What factors played a role in your successful negotiations? I am concerned that negotiations may become more difficult given the unstable macro environment.

A : In FY24, improved productivity was a huge factor, and it is true we also received compensation from the customer for the higher costs. Concerning the compensation from the customer, discussions did not simply begin last year. Multiple discussions were held over a

period of three years, and as a result, we were able to reach an agreement with the customer on a framework for sustainably sharing risk, including increased costs caused by the impact of foreign exchange and soaring raw material and personnel costs. I believe this cooperation will continue going forward.

Q : As a long-term strategy, are you thinking about any changes to the customer base, such as approaching customers other than Japanese manufacturers? Also, in the image of net sales in 2030 shown on page 23, is it based on transactions with currently envisioned customers, or does it also include new customers you intend to foster in the future?

A : For wire harnesses, there is no change to the focus on Japanese customers. Currently, most transactions are for Japan, North America, China and Southeast Asia, and going forward, we may consider expanding to Japanese manufacturers in Europe and South America.

Concerning components, in addition to Japanese manufacturers, we are expanding the business to customers around the world, including Europe, North America and China, and we are working to increase sales in Europe by establishing a sales location there.

In the wire harness business, there is generally a time lag of several years from when the order is received until net sales are recorded. The higher net sales shown on page 23 is linked to some extent to customer orders, and even if there are slight changes to the customer's planned production volume, we have a generally firm outlook in term of the order. Also, future expansion to the customer base is not reflected in this forecast.

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