

Q&A Summary of Conference Call for Institutional Investors and Analysts of Furukawa Electric Co., Ltd.

Date: November 5, 2020 (Thursday) 17:00 – 18:00

Content: FY2020 Q2 Financial Results

Speakers:

Keiichi Kobayashi, President

Hiroyuki Ogiwara, Representative Director, Corporate Executive Vice President, and General Manager of the Transformation Division

Akihiro Fukunaga, Director, Corporate Vice President, and General Manager of the Finance and Global Management Division

Q : Despite the strong optical fiber and cable market in North America during Q2, why was your growth weak? Also, I have heard that multi-core optical cable is growing at a high rate in the market. What is the status of Furukawa Electric's products?

A : Because we were unable to fully respond to customer needs as a result of lower operating levels at the optical cable plant in North America caused by the impact of COVID-19, costs such as transportation expenses for supplying products from other manufacturing sites and personnel expenses for hiring back-up personnel at the plant were incurred. If operating levels return to normal, the situation is expected to improve as a result of higher sales and lower costs.

Also, some customers have requested general-use fiber, and the product mix is expected to deteriorate. Going forward, we will strengthen our sales of high-performance products.

It is somewhat difficult to define within industry what a multi-core cable is, but we were definitely late to introduce our 400 core cables into the market. On the other hand, we have received project orders for our 6,912 core cable, which we refer to as an ultra-high count multi-core cable, and we are building an increased presence in the market.

Q : In the United States, the government is planning stimulus measures for communications infrastructure demand in rural areas. What impact will this have?

A : I have heard that bidding has already begun, but the effects are not expected to appear in the business results until next year. Investments in expanding FTTH in rural areas will be a tailwind for us.

Q : In the Automotive Products Division, including wire harnesses, will the results improve

in the January-March period compared to the October-December period?

A : Although Chinese New Year will have a certain impact during the January-March period, this impact should be covered by the other regions, and the business performance is expected to improve.

Q : What are the factors behind the full-year forecast for lower profits in the Communications Solutions segment?

A : Similar to last year, prices are expected to fall by 5-10%, and this will have a negative impact of about JPY 1.0 billion compared to last year. Besides, in the second half, the price negotiations currently underway with some customers will likely result in a negative impact of several hundred million yen. Also, although profit will increase compared to last year, which was a difficult year due to the impact of the optical cable productivity issues, it is expected to be about JPY 1.5 billion below the initial forecast.

Q : What is the sales ratio of optical fiber to optical cable?

A : It is about 4:6.

Q : I understand that you have generated cash (free cash flow) in line with expectations. Given the policy of providing a stable dividend, why was the dividend forecast lowered by JPY 30 this year? What are your thoughts about next year and beyond?

A : Much thought was given to this year's dividend level. It was decided that firmly securing the JPY 55 dividend at the same level as the dividend in FY2016, which was the first year of the current Mid-term Management Plan and a year of improved business performance, would be a stable dividend. We will continue to work hard to increase the dividend next year and beyond.

Q : Although overall demand is growing, such as optical fiber and cable in North America and the automotive industry, there is still the impression that you have not made the most of the opportunities due to factors unique to your company. What is your view on this point as a company? In particular, there were factors such as the alternate production expenses for automotive products and the new materials in the Energy Infrastructure segment.

A : In FY2019, we were made brutally aware that we do not yet have the strength to overcome changes in the external environment. Furthermore, we have been greatly impacted

by COVID-19 this year. There are definitely high hurdles to achieving Vision 2030. However, directed at 2025, 2030 and the trends in society toward 5G and vehicle electrification, I do not think the individual initiatives we have advanced up to now are wrong, and we are not second guessing our actions.

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