

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

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Contents: Energy Infrastructure business

Speaker:

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Q: The power cable market is growing in Japan, but why do you expect your sales here to be generally unchanged from last year?

A: Including renewable energy, the business is progressing as planned in FY2020 and FY2021. There are no major delays to the (planned) projects, and from FY2023, the demand for offshore wind power will enter the full-scale growth phase. Moreover, that growth is expected to further accelerate from FY2025.

Q: Including the manufacturing for the overseas projects, there is little worry that operating rates will fall, and do you expect the current project orders to (greatly) contribute to net sales in 2 years from now?

A: We are continuing to remain on-time with the deliveries for renewable energy projects. Regarding future growth, your assessment is correct.

Q: What is your outlook for profits and profit margins in 2025 and 2030? For example, in 2030, will you aim for profit on the 10 billion yen level and a double digit profit margin?

A: While obtaining understanding from the customers, we will work to secure suitable profits. The national government has indicated its policy for the energy mix directed at 2030, and as demand definitely increases, we will establish a solid presence within the market. The large overseas projects with low profit margins for which orders were received in the past have mostly ended in FY2020, and presently, we are securing orders at prices sufficient for

continuation of the business. Directed at positioning Energy Infrastructure as one of the pillars of the group, we will aim to secure profits on the 10 billion yen level.

Q: Based on the current expectations for increased renewable energy demand, how is the process conducted from submitting a bid to receiving an order? Will it be possible to maintain a 50% share of the demand in Japan?

A: Regarding the round 1 offshore wind projects in the general sea zones, public bidding for selecting the power producer began in November 2020, and we have received requests for talks from both the businesses provider and EPC in each sea zone. While there are multiple business providers bidding for each project, we are participating in every project. We are making proposals with the aim of being selected as the cable supplier regardless of who wins the bidding. Round 2 is expected to be too large for us to respond to all of the demand, so we will likely focus on the projects in which we can leverage our strengths.

Q: I understand you will strengthen intangible sales, but specifically, what initiatives will you implement?

A: In the offshore wind power projects, prior to laying the submarine cable, we will conduct route surveys and propose the cable specifications, including conductor size, to the customer. After laying the cable, we are currently strengthening our framework for handling to everything from operations to maintenance, including status monitoring and quickly restoring power generation in the event of an accident.

Q: What are your strengths and weaknesses compared to competitors?

A: In the target renewable energy market (particularly offshore wind power), the submarine cable needs to be long-length, high voltage and large capacity. In addition to possessing a 6,000 ton turntable, which is one of the largest in Japan, we are planning to install facilities to realize longer lengths and higher capacity as part of the current investment plan. Concerning submarine cable, we have accumulated manufacturing and design technology and understand the unique characteristics of the sea area around Japan. I believe we can strongly leverage these strengths.

Q: What are your thoughts concerning the power cable manufacturing site in China?

A: In FY2020, the business deteriorated significantly in the first half due to COVID-19, and a recovery was not possible in the early part of the second half due to a labor shortage and

construction delays in China. In January – March, the results exceeded the plan, and currently, the company is operating at full capacity just to respond to the market in China. Going forward, we will continue to look at the overall network in China and Japan and work to optimize the activities directed at the target markets.

Q: There are plans to install 45GW of offshore wind power. Assuming 1GW is installed each year, how large will the power cable market be?

A: It depends on the voltage and wind turbine arrangement, but the current market scale of JPY 10 billion is expected to quintuple to JPY 50 billion in FY2025 and grow 10 fold to JPY 100 billion in FY2030 (double in size compared to FY2025). We will be unable to respond to this demand based on our current capacity, so as the next step, it will likely be necessary to consider expansion and alliances.

Q: Concerning the wide-area grid, do you have sufficient experience in direct current high voltage power cable?

A: Concerning direct current submarine cable, we still do not have experience with extruded insulation cable, but in OF cable, we have experience with cable up to 500kV. Also, in the area of extruded insulation alternating current submarine cable, we have experience both in Japan and overseas, including long lengths. Although the materials differ slightly between alternating current and direct current cable, the differences are not very large in terms of manufacturing and cable-laying, and it will not be a problem to supply high quality products. We believe that we can also contribute to the wide-area power grid in the future.

Q: Will demand from electrical power companies for replacing OF cable with CV cable increase?

A: Following the transmission cable fire that occurred in Niiza City in October 2016, the electrical power companies presented a long-term plan for replacing the OF cable trunk lines. The plan has not changed, and we will fully support that plan. As shown in the image on the right hand side of pg. 17, we have established an installation alliance with 2 other companies, and work will begin from replacing the cable judged to be high risk as a result of the deterioration assessment. Also, the replacement speed is expected to increase every year.

Q: What are the strengths and weaknesses of Furukawa Electric's power cable?

A: Following the installation of the large turntable, we have superiority in terms of long-length

and winding equipment. Also, as floating wind turbines become more widespread in Japan, the riser cable needs to have mechanical strength, and we have gained experience through participation in the Fukushima Offshore Project. In addition, we have been selected by the English company Carbon Trust and are conducting a simulation aimed at increasing the voltage level of the cable. On the other hand, we still have insufficient experience in direct current power cable, including overseas.

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