

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

Date: June 10, 2022 (Friday) 13:00–14:00

Contents: Automotive Products business

Speaker:

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Observers:

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Director, Corporate Senior Vice President, and General Manager of the Finance & Accounting Division

Q: I understand you will shift to market based pricing for the raw materials and logistics expenses. How much progress has been made, and what are your thoughts?

A: We are working to reduce costs, but we are also currently in discussions with customers about market based pricing. We expect to reach an agreement during the first half and apply this pricing system retroactively to the start of the year (in April). The industry as a whole is moving in this direction, and I feel we will be able to obtain understanding from the customers.

Q: I understand the shift to aluminum will continue in the harness business into FY2025, but what will drive growth thereafter?

A: The shift to aluminum will continue for power supply harnesses due to requirements for lighter weight, and in communications harnesses, the shift to smaller diameter copper wire will continue.

Q: In FY2021, the lower automobile production volumes and soaring raw material prices and logistics expenses were likely unexpected events, but are the numerical targets for the final year in the 2025 Medium-term Management Plan (FY2025) based on overcoming the impact of these events?

A: The numerical targets take into account incorporating the higher costs in the sales price to a certain extent, but given the current risks, I feel it is a relatively conservative plan.

Q: I believe you will be able to increase share in the harness market heading into FY2025, but what is your strategy thereafter? What is your strategy for expanding the customer base, as well as for the products and supply?

A: I believe our aluminum harnesses and α terminals are a game changer (in the wire harness business). As explained on page 12, we are developing high voltage harness and connectors directed at 2025 with the aim of adoption by customers. They will be our next game changing products.

Q: As European and American wire harness manufacturers move to sell their businesses due to the difficulty in securing profits, their stance seems to be different compared to the stance of Japanese wire harness manufacturers. What is your opinion as to the reason for this difference? Also, why does Furukawa Electric believe wire harnesses will continue to be a profitable business?

A: I do not have any direct knowledge on the current stance of European and American manufacturers, but we are working to absorb the costs in the wire harness business through automation and fewer people. I believe the business will continue to be profitable.

Q: How are you competitively superior in the areas of radar and high voltage wire harnesses?

A: In regards to radar, our quasi-millimeter wave radar offers superiority in terms of close range visual recognition and negligible impact of weather events. We will work to differentiate ourselves from other millimeter wave radar manufacturers in other areas.

In regards to high voltage wire harnesses, we will leverage our strengths in terms of material capabilities and differentiate ourselves from the other companies. Including our material, joining, assembly and processing technology for metals and polymers, our ability to perform all of the processes in-house is highly regarded by customers, and including the response to lighter weight and lower cost, we should be able to make the optimum proposals to customers.

Q: Concerning wire harnesses, while the number used is declining due to ECU integration and requirements for lighter weight, the number of circuits in each harness is increasing due to the trend toward EV. What is your outlook for future demand?

A: There is a trend toward reducing the number of wire harnesses used by automobile manufacturers who are actively integrating the ECU, but Japanese automobile manufacturers mainly design each system separately. For this reason, we do not anticipate a decline in wire harness demand for the time being. Concerning future impact (on wire harness) resulting from ECU design, there is a possibility that a change may occur around 2035, and we will consider such together with our customers.

Q: I believe higher net sales will be the driver for achieving an operating income margin on the 5% level in FY2025, but as fixed expenses are increasing, how will you control costs, such as through reducing the cost of sales?

A: It is premised on maintaining current personnel numbers while increasing net sales. Through training for local employees and further factory automation, we will work to reduce the cost of sales.

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