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

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Contents: Functional Products business

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Q: Concerning tape for semiconductor process, you have not made many capital expenditures in the past. What factors were behind your recent investment decision, such as market growth or expanding the customer base?

A: We will expand our customer base to include logic semiconductors in addition to the current semiconductor memory applications.

Q: For the Functional Products business as a whole, you have set aggressive targets for FY2025, but what is your growth scenario for the main products? Also, the demand environment has improved recently compared to the past. What key changes have occurred over the last several years?

A: In the tape for semiconductor process business, we will respond to the higher semiconductor performance, including applications other than memory. In the thermal management business, as the market continues to grow, including customer AI projects, we will supply well-differentiated products. We will respond (directed at achieving growth) for each individual business and product. In particular, we are focusing on the IT infrastructure market, including data centers. We will make the necessary investments in expanding the products we have developed to date and in the products with insufficient manufacturing capacity. The thermal management business site in the Philippines is one example.

Q: You have set the target of increasing tape for semiconductor process net sales 1.8 times in FY2025 (compared to FY2021). Do you already have your sights set on potential orders? Also, will the profit margins further increase?

A: The target was set based mainly on growing demand for 5G, IoT and smart cities. The latent growth markets exploded due in part to stay-at-home measures during the COVID-19 pandemic, and we decided to make the capital expenditure in order to respond to the requests from our customers. Mass production is planned to start in April 2025, but the facility will not immediately operate at full capacity. The investments were planned based on responding to further demand growth thereafter. We should also be able to increase profit margins in the future.

Q: Functional plastic products and copper foil for batteries have an image of being general-use products, but are your products superior to those of your competitors? Also, from the perspective of improving ROIC, will any of the businesses or products be downsized?

A: We will continue to make our decisions (about narrowing down each business and products) based on the situation. We are considering how much longer to provide thick aluminum blanks in the memory disk business, and we will likely almost completely withdraw from heat pipes for personal computers in the thermal management business. We will make a decision at the appropriate time based on the situation. Similar decisions will also be made for copper foil and functional plastic products.

Q: Other Japanese foil manufacturers are also focusing on copper foil for high frequency circuit boards. What are the main points that differentiate you from your competitors?

A: The ability to work with and accommodate original resins possessed by the CCL manufacturers who are the direct customers. We excel in our ability to customize the copper foil in response to these materials.

Q: In the memory disk business, although the product mix has improved, costs have also increased for responding to new products. Will you be able to continue earning appropriate profits?

A: In the memory disk market, because the thin products have appropriately high profit margins, it will be possible to improve profitability by shifting to thinner products.

Q: Are your actions to achieve Carbon Neutral in the copper foil business being assessed by customers as one of the conditions for selection?

A: This feels like the first time for the response to Carbon Neutral to be used as a trigger for increased adoption by customers, and the number of inquiries from customers is increasing. The level of commitment to Carbon Neutral is high among end customers in North America and other regions, and going forward, our only option is to respond diligently.

Q: Given the transition in memory disks to glass mainly for the high capacity products, how much demand will there continue to be for aluminum blanks? Also, is it possible the demand for aluminum will disappear due to the use of glass?

A: Advances in the transition to glass have been talked about for years, but due to issues including price, supply capability, handling properties and investments in the aluminum plating process by the end customer, the demand for aluminum blanks is expected to continue in the future.

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