

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

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Contents: Metal Solutions

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Q: In Metal Solutions, as you shift to high value-added products, the earnings structure for materials used in heat sinks seems to be weighted toward downstream businesses. For electric conductors, this segment appears to be positioned like a development center, but how does the segment seek to expand its profits as an individual segment (including internal accounting)? Also, can you provide an overview of the data center related business opportunities and profit contributions?

A: We are positioned as the upstream process for supplying the copper material used in heat sinks, and mainly we supply products to Digital Infrastructure Components. We generally view profits not as an individual segment but rather as an entire group. This makes it difficult to provide an explanation of the detailed profit structure in this segment alone, but we contribute to profits within the entire group as the upstream process.

Q: When aiming to increase profits in this segment, is it correct that you will accumulate profits through sales of products such as copper strips?

A: The segment itself contributes to profits through products made from copper, and these products have been designated as high value-added products. Going forward, we will work to increase profits as a segment by focusing on these products.

Q: Is the copper for heat sinks a unique material that cannot be easily imitated by other companies?

A: Although it is not a particularly unique material, our copper possesses excellent composition control, and this high quality with minimal variation is a strength. By leveraging this quality, we supply materials to other segments within the group and contribute to increasing the competitive position of the final products.

Q: Concerning high-temperature superconducting wire, what are your strengths and market position compared to other companies in the industry, and which areas will you pursue? Also, what factors

are behind the decision to invest in increasing production?

A: We provide Rare-Earth Barium Copper Oxide (REBCO) high-temperature superconducting wire, and the ability to maintain world-class level at critical current density is a strength. This high current density increases the magnetic properties, providing advantages from the standpoint of contributing to smaller nuclear fusion devices. Also, we are one of the few manufacturers who can supply the required volumes for nuclear fusion applications.

Q: What is the definition of high value-added products, and specifically, what products are included?

A: High value-added products refer to the product portfolio that possess competitive advantages from the perspective of profitability, growth potential and differentiation. Specifically, they include oxygen-free copper such as GOFC and TOFC, resistance material products in the EFCR® series and magnet wire for inductors.

Q: What is your view of the current copper strips business and outlook for the future?

A: The market is currently on a moderate recovery trend year on year, and despite exiting low-profit businesses, production volume in FY2026 is expected to remain in line with the previous year, supported by volume expansion and market recovery.

Q: What is your view on the medium to long-term growth potential, particularly in areas such as data centers?

A: Concerning data center-related applications, we aim to capture growth by participating as an upstream supplier to Digital Infrastructure Components, while also expecting demand expansion in the automotive field going forward.

Q: The ratio of high value-added products is expected to remain at 15% in 2028, but how do you view this progressing toward FY2030? Also, are there any bottlenecks in supply capacity for cold plates?

A: While we intend to keep increasing the high value-added products going forward, given the characteristics of the capital-intensive industry, it is also necessary to maintain the existing businesses that possess a certain volume. We will aim to achieve growth while balancing both of these. Concerning the supply capacity for cold plates, we have sufficient capacity at this time, and we will make a decision on appropriate CAPEX based on future demand growth.

Q: Going forward, what types of investments may be necessary?

A: These may include investments in core equipment for processing copper, including mainly a rolling mill and annealing furnace.

Q: What specific measures will you take to improve profit margins in the medium to long-term, including the impact of inflation and copper prices?

A: Because the business is easily impacted by changing copper prices, we will focus on increasing profits earned rather than the absolute profit margin, and from the perspective of ROIC, we will work to limit invested capital. Also, we will respond to inflation-related cost increases by incorporating these costs into the sales price. In addition, we intend to accumulate profits by increasing sales of high value-added products.

Q: What are your thoughts concerning the direction of upstream and downstream synergies and increasing the ratio of in-house manufacturing?

A: Basically, we intend to enhance in-house synergies and are focusing on internal supply and collaboration. On the other hand, we must comply with the customer's procurement policy, so it will be difficult to raise the ratio of all in-house manufacturing. Although we have not set any specific targets, we intend to strengthen the internal partnerships in the general direction.

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