

Q&A Summary of the Discussion Meeting Between Outside Directors and Analysts of Furukawa Electric Co., Ltd.

Date: December 18, 2025 (Thursday) 14:45 – 16:00

Contents: Discussion meeting between outside directors and analysts

Speakers: **Takashi Tsukamoto**, Outside Director

Sayaka Sumida, Outside Director (Audit & Supervisory Committee Member)

8 Sell-side analysts

Observer: **Koji Aoshima**, Representative Director, Corporate Senior Vice President and General Manager of the Finance & Accounting Division

Q : 【From the questions received in advance】 This year is the final year of the Medium-term Management Plan. Concerning the details of the initiatives in the plan and progress in achieving the targets, can you provide an overview and assessment from the perspectives of ① Decision making and execution capability of executive management, ② Deliberations by the Board of Directors and ③ Personal outlook as an outside director?

A : (Tsukamoto) Both the financial results and strategy appear to be in a very good place. From the previous stagnant condition, the various actions taken are starting to lead to results, and I feel the company is transitioning from the recovery to the growth phase. Including in the Communications Solutions business that has fallen behind our competitors, setting a clear policy of focusing resources on the growing data center market has led to the recent announcement of large-scale investments. Executive management are still aiming to achieve the Medium-term Management Plan target for operating profit of JPY 58.0 billion. The benefits of the large-scale investments will be realized beyond 2025, but regardless of achieving the Medium-term Management Plan target, I believe the momentum for growth will continue. Based on quick management decisions, while implementing initiatives for medium to long-term growth, actions are also being taken to stop the bleeding, change direction or halt the businesses with poor performance. Deliberations at Board of Directors Meetings are also lively. Through the changes to institutional design, there is further awareness from the standpoints of execution and supervision, and Board of Directors Meetings have become a place for deliberations on the major direction of management. The asymmetry in information compared to inside directors is supplemented through open discussions during the advance explanations and exchanges of opinions, and efforts are made to reduce the reports and spend more time on deliberations.

(Sumida) The current Medium-term Management Plan was formulated when the business environment was difficult to foresee due to factors such as the supply chain disruptions caused by the COVID-19 pandemic, but the intent to conduct management with a focus on capital efficiency is clear, and WACC have been set for each business division. The businesses have been classified using common measurements such as ROIC and FVA (refers to an internal indicator based on EVA), and clear investment policies have been set for each category. As a result, it was hoped this would lead to a dramatic revision to the business portfolio. However, during the first half of the plan, the financial results were weak and included a number of downward revisions, and we were forced to initially focus on generating profits. There was a major gap to the target (from the perspective of capital efficiency), and I also made recommendations to change the target to a more realistically achievable target. At that time, executive management did not give up achieving the target, so I decided to stay silent. During the second half, the foundation started to firm, and self-confidence became more visible. In the past, I felt executive management was sometimes slow to act, but the speed has started to increase. Today, the preparations for growth are complete, and I believe we are starting to take off.

Q : 【From the questions received in advance】 At recent Board of Directors Meetings, what kind of topics have been discussed and matters deliberated? Also, following the changes to institutional design, what changes do you feel have occurred from the standpoint of faster management decisions, enhanced execution capability and stronger, more advanced supervisory function?

A : (Sumida) Successive large-scale investments have continued recently, so deliberations have focused on why they are necessary and sharing information in advance. We have finally entered the investment phase, and given the limitations on free cash flow, decision-making based on management with a focus on capital efficiency is accelerating, including moving forward with the sale of assets.

(Tsukamoto) Following the changes to institutional design, the separation between the Management Committee Meeting and Board of Directors Meeting has become more firmly established. At Board of Directors Meetings, efforts are made to make decisions following deliberations from a perspective that is different from the Management Committee Meeting. As an outside director, I strive to understand the tendencies in internal thinking and provide hard to hear opinions to the extent possible. I am aware of conducting deliberations on a corporate level from a multi-faceted perspective.

Q : Successive large-scale investments have been announced recently, including HVDC cable and DFB laser chips, but including overseas competitors, what is your outlook in terms

of the competitive status of the company?

A : For HVDC cable, the business will focus on Japan and Asia, and we are discussing how the business can be differentiated as a Japanese manufacturer.

In the Communications Solutions business, in the past, flat discussions were held on the occurring situation and response, but they were not always fundamental, strategic discussions. I pointed this out. It is important to create a story of how to win. In the data center market, the topic was how to enter the hyperscaler ecosystem. Currently, while viewing competitor analyses and user/market data, broad discussions are being held concerning the strategy, such as what are the company's strengths in the data center market value chain. The main elements of a business include technological capability, production capability and marketing, and these elements are combined not through addition but rather through multiplication. The company possessed adequate technological capability but struggled with issues in production capability and marketing. However, conversely, if this point can be corrected, I believe there is potential for major growth.

Q : Looking at past performance of the company, I feel that management's ability to execute was weak, including the inability to achieve multiple targets and failure to launch production functions (after investing in increased production), but how is this viewed as a problem?

A : Concerning management's weak ability to execute, this issue has also been discussed at the Board of Directors Meetings, and executive management is aware. In the past, symptomatic explanations were often given, but this is changing. I continue to raise questions about manufacturing capability, and the explanations have become more proactive directed at improvement.

Q : Can management's weak execution capability change in a short period of time? Given the situation, what are your thoughts about continuing to make large-scale investments?

A : Concerning manufacturing capability, the problem lies more with the management practices in the workplace rather than management strategy, and discussions are being held on strengthening them. Execution capability in the workplace is key to differentiation in addition to the strategy, and even for investments, this issue is being raised at Board of Directors Meetings and discussed.

Q : Concerning the financial results of the company, given net sales exceeding JPY 1 trillion, operating profit should be JPY 80 billion and must be JPY 60 billion at a minimum. There is frustration in the market at the inability to reach this level. Even looking at M&A, the company is selling profitable businesses and buying bad businesses, and there have been

many news releases on investments in increased production and R&D. I want Furukawa Electric to act similar to other companies and focus on one area, fully utilize the assets and increase profit margins.

A : At Furukawa Electric, despite a culture that is slow to respond to change, a straightforward decision indicator called FVA was introduced for making decisions, and discussions are being held on whether to maintain each product lineup. There will not be any drastic changes, such as on the business segment level, but while viewing data centers to be a driver of growth, resources will be focused on the businesses and product lineups with strengths in this market.

Q : What did you mean by the “tendencies in executive management discussions” mentioned earlier?

A : Discussions are basically positive and seek to address the issue head on. There are a strict process and strong criteria for decision-making following the discussions. However, there is a tendency of proceeding unwaveringly toward the decided direction. This in itself is not bad, but it is also necessary to zoom out a little and think about other possibilities, hidden risks and better ways. Looking at the minutes from recent Management Committee Meetings, such discussions have become much more regular. There is some hesitation in decision making. Often, there is a buildup toward the decision, but there are also times when it is necessary to make the decision in other ways.

Q : From the perspective of investment discipline, I feel there is little focus on obtaining appropriate pricing and profits.

A : I believe there is some truth to that. From an external standpoint, I feel the company should more strongly negotiate in relation to the contract terms and price optimization, and I have expressed this. Following the changes to institutional design, the number of directors has been reduced (to 11), and a majority (6) are outside directors. As a result, it is easier for each director to express opinions, and active discussions are being held based on such.

Q : In the opening address, you expressed confidence that the company is on a path to growth, and although I feel you are on the same page with executive management, the market does not fully feel this way, resulting in differing awarenesses. Why do you feel this is the case?

A : I believe the market’s unforgiving outlook is based on the past performance of the company. We are not completely confident, but because executive management has expressed their desire, I intend to observe the progress. I am not simply being optimistic, and although it is qualitative, I feel the atmosphere within the company has changed and

momentum is building. Concerning the management vision and business plan, too, the president often raises these issues to the Board of Directors, and the speed of executive management is accelerating.

Q : Why do you feel the company has been able to change so rapidly over the past 1-2 years?

A : In addition to the end of the COVID-19 pandemic, I believe it is due to the sense of mission possessed by the president and the speed at which decisions are being made and informed throughout the company.

Q : The company is undergoing a major transition from crisis to opportunity, but as the supervisory function, do you possess a firm outlook from the perspective of applying the brakes?

A : We also observe based on this perspective, but in order to increase the profit base, it is necessary to take risks and invest. If the investment does not go as planned, the true cause is investigated, and depending on the situation, we will express the strong opinion that the investment “should be stopped”. Because executive management is operating the businesses with serious determination, we are determined to respond with the same attitude.

Q : Under the current medium-term management plan, Furukawa Electric is the only company whose financial results are underperforming in the communications solutions segment. Do you believe the late recognition of and actions for the data center market are the cause, and will the company be able to catch up?

Concerning the FITELE products and copper foil businesses, do you feel there is an atmosphere towards further narrowing down to the strong products? I believe the company intends to prepare a full product lineup, but do you think the product lineups should be narrowed down to those products with which the company can further succeed?

A : The late recognition of the data center market compared to competitors is a major reason the communications solutions business has fallen behind. However, the areas where the company can fight in this market have been identified, and investments will be made in these areas. Going forward, in order to consistently realize operating profit of JPY 50.0 billion and JPY 100.0 billion in good years, I believe it is necessary to revise and narrow down the product lineups. I believe it is inappropriate for the company to be unable to generate profits due to factors such as aging facilities despite possessing good technology.

Q : Reflecting on the past, are there any patterns in the success and failure of the businesses?

A : Furukawa Electric has traditionally operated a number of low-margin businesses as a materials manufacturer, but going forward, we will identify the high performance, high-margin businesses. The company possesses cutting-edge technology, but there needs to be ideas that will lead to structuralizing this technology into profits. To achieve this, while making the necessary investments, we will strive to stop the activities that waste cash flow.

Also, the company possesses business with different timespans until they will start generating profits, so it will be important to skillfully manage the profit cycles and make investments in the future. There is nothing wrong with having a lot of businesses, and I believe that now is the time to properly assemble these businesses and plant the seeds for surviving in the future.

Address by Takashi Tsukamoto

The function of IR is to show a life-size image of the company. I believe it is necessary to convey the dynamic momentum occurring within the company in addition to the static image such as the financial results. I also believe there is meaning in conveying the feedback from everyone in the capital markets to management and then incorporating this feedback in measures following reflection by management. I hope to receive your honest opinions again in the future.

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