

Q&A Summary of the Conference Call for Institutional Investors and Analysts of Furukawa Electric Co., Ltd.

Date: February 9, 2026 (Monday) 17:00-18:00

Contents: FY2025 Q3 Financial Results

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

Q: You expect operating profit in the Communication Solutions business to be JPY 10.0 billion in the second half, but is the supply capacity starting to feel tight? Would you please provide guidance on the operating ratios and capacity for the main products, as well as the QonQ changes in the topline, including Q4?

A: In the Communication Solutions business, operating profit improved by JPY 1.7 billion from Q2 to Q3. Although improvement in the loss at FFOC was a factor, increased net sales of products for data centers accounted for more than half of the improved profits. Concerning net sales, sales increased by about JPY 0.5 billion at FFOC, but consolidation elimination had a negative impact of JPY 1.0 billion. Net sales of optical cables remained unchanged, so the increased operating profit was due to changes in the product mix. The status of benefits from increased production of DFB laser chips and MT ferrules did not change much from Q2 (benefits will increase in steps as production increases), but because the production increase for Rollable Ribbon cables will start in Q4, the topline will grow going forward. Demand for all products is robust. We announced an additional investment in increased production of DFB laser chips in December, and while monitoring demand, we will consider additional investments in the future for MT ferrules and Rollable Ribbon cables.

Q: The full-year forecast for Functional Products was revised down, but how is the situation other than the underperforming businesses, which are doing well for data center business?

A: In the copper foil business, although the benefits of increasing the ratio of high performance foil are being realized, the impact of rising copper prices has exceeded these benefits. So, if copper prices stabilize, the situation could turn positive. In the thermal management products business, because we are in the middle of transitioning from air-cooling to water-cooling, there will be no increase from Q2 to Q4. Water-cooling products have been a positive factor, and the effects of increased production and recovery of the large investments already announced will begin from the second half of FY2026.

Q: Regarding the increase in profits from Q3 to Q4 in Communications Solutions, what will the trend be for each product? Also, as the pace for next year, can I assume it will be based on the level of FY25Q4 excluding the broadband business, which is weighted in the second half?

A: Concerning the breakdown of the operating profit increase of about JPY 5.0 billion from Q3 to Q4, the seasonal broadband business accounted for JPY 1.0 billion, and the remaining JPY 4.0 billion was the result of increased sales. Of this amount, optical cables accounted for JPY 2.0 billion, and MT ferrules and DFB laser chips accounted for JPY 1.0 billion each.

I will refrain from providing a detailed breakdown of optical cables, but changes to the product mix in the United States and increased production at Mie were both factors.

Concerning the pace for next year, as the changes from the first half of this year (operating profit 0), manufacturing capacity of DFB laser chips will increase by 1.5 times, the financial results at FFOC will improve (eliminate the loss) and benefits from increased production of Rollable Ribbon cables will be realized, and in addition, we are considering further increasing production of MT ferrules. I would like to indicate in May to what extent we expect to grow our profits.

Q: BEAD demand will appear in an already tight optical cables market, but do you have sufficient supply capacity? In addition to the existing sales channels for Hakusan's connectors and ferrules, I believe there will also be new routes for pre-terminated cables. Can you provide the progress of customer certification (for pre-terminated cables) and the sales outlook by sales channel, including the positioning of the recently reported investment to increase production?

A: Currently, we are optimizing the production locations of the products, and as a result, we should be able to respond to increased demand from BEAD. However, depending on the growth of data center demand, it will be necessary to consider additional investments.

There are currently no major developments in pre-terminated cable. Certification is taking time due to the customer's circumstances, but establishment of a production system is steadily progressing. We expect full-scale profit contributions from FY2026. Customers are also prioritizing the procurement of separate cables and components over pre-terminated cables.

Sales of individual ferrules are also increasing, and the investment in increasing production at Hakusan announced in January is also to respond to this. I will present the overall image of the plan to increase future production in May.

Q: Supply and demand for data center products is tight, but are you seeing higher prices as a result? Also, what impact will increasing production of thermal management products

earlier than planned and CPO have on the financial results?

A : Concerning the Communications Solutions products, tariffs are impacting some products and raw materials prices are rising. However, customers have accepted higher prices to cover these costs.

Concerning increased production of thermal management products, anticipated future sales doubled in the plant expansion news release issued in November 2025 compared for the news release for the new water-cooling products plant issued in July 2024. As a result, net sales in FY2026 should approximately double from the JPY 6.0 billion indicated in the initial news release. Demand from customers is robust, and we are currently considering further increasing production.

Concerning CPO, we are developing CPO related products and technology. Specific examples include ELSFP (External Laser Small Form Factor Pluggable) as an external light source for CPO and small multi-core optical connectors suited for CPO. Movements in the scale-up & scale-out network market we are targeting seem to be getting faster, and we expect mass production and contributions to profits to start from FY2028, ahead of scheduled that was planned to start in 2030.

Q : Concerning shareholder returns, despite the dividend increase, the payout ratio is still at 20.9%. Are you thinking about raising the dividend in the future?

A : This year, we are making investments at a level exceeding depreciation. Data center related CAPEX is expected to continue. Our policy is to actively invest in growth domains, and we intend to direct cash in this direction. The current dividend was decided based on a balanced allocation of profit from the standpoint of 1)Investments in future growth, 2)Shareholder returns and 3)Improvement to financial health (reduce interest bearing debt).

Q : In the Communications Solutions business, why did operating profit increase despite net sales remaining flat from Q2 to Q3? I believe it is due to changes in the product mix, but how much has the proportion of data center related products increased? And how much growth do you expect from Q3 to Q4?

A : Consolidation elimination had an impact. Actual shipment volumes are growing, but the growth was not large from Q2 to Q3 (enough to cover the consolidation elimination).

Net sales of data center related products account for over 30% of the total Communications Solutions business.

Concerning the breakdown of the increase in net sales of JPY 20.0 billion from Q3 to Q4, broadband will account for JPY 4.0 billion, FFOC will account for JPY 1.0 billion, DFB laser chips will account for JPY 4.0 billion and optical cables will account for the remainder.

Q: What is the reason for the large increase in the full-year forecast for the Automotive Products & Batteries segment?

A: Of the forecast revision for operating profit of JPY 4.0 billion, growth of wire harnesses mainly in Japan will account for JPY 1.0 billion, limited fixed expenses will account for JPY 1.0 billion and negotiations with customers regarding the impact of foreign exchange, labor expenses and other cost increases will account for JPY 2.0 billion.

Q: Concerning optical components, you expect sales of DFB laser chips to increase by JPY 4.0 billion from Q3 to Q4, but what is the status of production? Also, you announced a major investment in increased production in December. Have you secured a long-term contract from a customer?

A: In addition to the realization of benefits from investing in increased production, productivity is also improving. In addition, because many sales are to overseas destinations, due in part to the impact of foreign exchange, we are able to cover our fixed expenses and secure a profit.

Concerning the investment in increased production announced in December, although there is no long-term contract, the plan is based on the strong demand from customers.

Q: Have you implemented any responses to the risk of Chinese export restrictions on rare earth minerals such as germanium and indium phosphide?

A: Concerning the two metals you mentioned, we are already procuring them from multiple sources. In addition, for raw materials and components with procurement risk, we will continue to monitor the situation and take appropriate responses.

Q: Is the Communications Solutions net sales forecast of JPY 75.6 billion in Q4 the true value (and not the impact of consolidation elimination)? Can I assume the benefits from increased production of Rollable Ribbon cables have been fully reflected in the Q4 figure, and how much of a boost do you think we can expect for next year?

A: The impact of consolidation elimination is not included in the Q4 net sales forecast. Concerning increased production of Rollable Ribbon cables, because mass production will start going forward, the full contribution will not occur in Q4. It will be a fully contributing factor for the full-year in FY2026.

Q: Concerning Functional Products, can the currently struggling tapes for semiconductor process and copper foil businesses be expected to contribute to increased profits next year?

A: In the copper foil business, the shift to high performance copper foil is progressing and has already risen to 50% of total sales. We plan to further raise this ratio in FY2026.

Appreciation of the Taiwan dollar has relaxed, and concerning the impact of copper prices (although there is a time lag), the impact will start to even out later. Copper foil is expected to contribute to profits next year.

In the tapes for semiconductor process business, we are currently expanding sales to new customers, and if customer certification progresses, it should contribute to profits.

Q : Concerning the factors for the profit increase from Q3 to Q4 in the Communications Solutions business, are there any factors other than those mentioned already?

Will there be any impact from price hike on optical cables or increased shipments to the telecom customers?

A : Profits increase of JPY 2.0 billion is not entirely due to increased sales of Rollable Ribbon cables, but rather due to changes in the product mix. The Mie plant manufactures high count multi-core cables, and the US plant manufactures cables with fewer cores, which contributes to increased profits. Rather than an increase in shipments to telecommunications customers, there is a price pass-through effect from tariffs and other factors, but this does not account for a large proportion of the JPY 2.0 billion.

Q : It was announced in the news in January that NVIDIA's water-cooling server can use room temperature water. Are there any concerns this will lead to decreased demand for thermal management products?

A : Our water-cooling module also supports room temperature water, so there will be no impact, including on the future investment plan.

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