

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

Date: May 12, 2026 (Tuesday) 17:30-18:40

Contents: FY2025 Financial Results

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Q: The segment designations have been changed from FY2025 into FY2026, and I want to know the structure of the P/L statement. What are the changes between H1 and H2, changes in the increase in operating profit and ordinary profit and the changes in ordinary profit and net profit?

A: The organization has been restructured into new segments from FY2026. Optical Solutions domain mainly includes the previous Communications Solutions segment, and some of the businesses have been moved to Digital Infrastructure Components. The Digital Infrastructure Components domain is mainly the Functional Products related to the data center domain plus FITEL.

Concerning the change between H1 and H2 in FY2026, the realization of benefits from increased production of water-cooled products in Digital Infrastructure Components will be concentrated in H2, and this will be the main factor. Concerning the changes in operating profit from FY2025 to FY2026, the main contributions to increased profit will be JPY 16.3 billion from Optical Solutions and JPY 23.1 billion from Digital Infrastructure Components.

Concerning Optical Solutions, the extremely challenging situation in FY2025 H1 led to the increased profit in FY2026 on a YoY basis. The business recovered with the strong performance in Q4, and the forecast is based on the current status. Also, the benefits from increased production of rollable ribbon cable and MT ferrules are expected to appear during all of FY2026.

In Digital Infrastructure Components, a major factor is the investment effects for water-cooled products. Water-cooled products will launch in June 2026 and gradually contribute from H1. The benefits from increased production will largely appear in H2. On an operating profit basis, the contribution from cooling products is expected to increase by around JPY 16.0 billion from about JPY 8.0 billion in FY2025 to about JPY 24.0 billion in FY2026. Of this JPY 16.0 billion, most will be realized in H2, and this is a major factor in the change between H1 and H2 in Digital Infrastructure Components.

Concerning ordinary profit and net profit, there will be no major difference between H1 and H2 for non-operating profit and loss. For the full-year, profit and loss from entities accounted for by equity method is expected to be secured to a certain extent.

The only change will be extraordinary income and losses. The expected reduction in

cross-shareholdings has been incorporated in the forecast. Also, concerning the business risks, a loss of about JPY 4.0 billion has been incorporated. A gain on the sale of shares and business risk has been incorporated in H2.

Q: While operating profit is forecast to increase by JPY 31.1 billion, why will ordinary profit only increase by JPY 24.1 billion?

A: The reasons ordinary profit will not increase as much as operating profit include increased interest expenses caused by higher interest rates, decreased gain on differences in exchange rate and decreased dividends receivable due to the sale of cross-shareholdings. As a result of these factors, non-operating profit and loss is expected to deteriorate by about JPY 7.0 billion compared to last fiscal year.

Q: The difference between ordinary profit and net profit appears to be different from normal.

A: The FY2026 forecast incorporates an extraordinary gain from the sale of cross-shareholdings and other factors. In addition, certain business risks have been incorporated as a loss. These factors have mainly been incorporated in the second half of FY2026, and they appear as the increase in net profit.

Q: Concerning growth of Optical Solutions and Digital Infrastructure Components, which products do you foresee to grow? What do you foresee the volumes and prices of those products?

A: In Optical Solutions domain, the benefits from increased production of rollable ribbon cable and MT ferrules will contribute throughout the year in FY2026. In Digital Infrastructure Components, water-cooled products will launch in June 2026, and the benefits of increased production will be concentrated in H2.

Q: You state water-cooled products will launch in June. Will the business ramp up rapidly and will the products contribute to profits?

A: The products will launch in June 2026 and gradually start to contribute. The full-scale benefits of increased production will occur in H2. Water-cooled products are expected to contribute about JPY 16.0 billion to profits and be a major companywide factor in increased profits in FY2026.

Q: In Optical Solutions domain, is the launch of rollable ribbon cable progressing smoothly? Also, how has customer interest been?

A: Full production will commence from FY2026 Q2, and monthly production volumes are expected to increase. Concerning ultra-high fiber count cable, these products launched in FY2025 Q4, and the benefits of increased production will be realized during all of FY2026.

Also, concerning customer interest, demand is extremely robust.

Q: In Optical Solutions domain, including cables for data centers, MT ferrules and price improvements following optical fiber production in the US, how will these and other factors impact this fiscal year?

A: Concerning MT ferrules, including the contribution from Hakusan and Shoden Seiwa, in FY2025, they contributed to increased profit of about JPY 6.0 billion compared to the previous year. They will continue to contribute to increased profit in FY2026.

Q: Concerning Digital Infrastructure Components, DFB laser chips are also expected to improve, but what is the outlook? How much will volumes grow this year from increased production?

A: Demand is extremely robust. In FY2025, DFB laser chips had a full-year positive contribution of JPY 3.0 billion compared to the previous year. Because benefits from increased production will again be realized in FY2026, DFB related products are expected to contribute between JPY 2.0 billion and JPY 3.0 billion from FY2025 through FY2026.

Q: Concerning copper foil, is your inferior position compared to competitors likely to change this year?

A: Improvement to the product mix is progressing. Through FY2025, there were external factors including the strong Taiwan dollar and soaring copper prices, but these factors have settled down. Functional Products in FY2025 Q4 exceeded the forecast by JPY 0.4 billion, and copper foil was a major factor.

The ratio of high-performance foil has risen to about half, and the contribution to profits is increasing. Copper foil is expected to contribute JPY 2.0 billion to increased profit from FY2025 through FY2026.

Q: How have Optical Solutions and DFB laser prices been trending recently, and what is the outlook for FY2026?

A: For optical fiber, we do not intend to move forward much with outside sales. Cable prices can be understood to include the price of the optical fiber. Concerning cable prices, the current cost increases have been fully incorporated in the price, and we will also be able to fully incorporate any further cost increases that occur.

Q: Will margins improve through higher prices that exceed material cost increases and improvement in the product mix?

A: That is correct.

Q : Concerning the new Optical Solutions domain, although profit will not increase much from FY2025 H2 to FY2026 H1, profits will increase and profit margins will rise from FY2026 H1 to H2. What are the reasons behind this?

A : In the Optical Solutions domain, profits were JPY 10.0 billion in FY2025 H2, but in particular, they were JPY 8.0 billion in Q4 alone. Q4 included year-end factors and special factors, and of this JPY 8.0 billion profit, the actual profit excluding these factors was around JPY 5.5 billion. In FY2026 H1, profit is forecast to be JPY 11.0 billion, which is about double the profit of JPY 5.5 billion in Q4 last year. In the second half, broadband profit will also increase.

Q : Concerning the ratio of net sales for data centers, what was the actual figure in FY2025 and the forecast for FY2026? I believe profit margins will rise as the ratio of net sales for data centers increases, but what is the time frame of this occurring?

A : Concerning the net sales ratio, because copper prices are incorporated, it is extremely difficult to grasp. Concerning net sales for data centers in North America, the ratio in FY2026 is expected to be relatively higher. Compared to FY2025, it is expected to increase between about 5% and 10%.

Q : Concerning MT ferrules, how much are they expected to contribute to increased profit from FY2025 to FY2026?

A : They are expected to contribute between about JPY 2.0 billion and JPY 3.0 billion.

Q : From FY2025 to FY2026, what is the breakdown of year-on-year profit growth in Optical Solutions and Digital Infrastructure Components domains?

A : In Optical Solutions domain, profit is expected to increase by JPY 16.3 billion from FY2025 to FY2026. Optical cable will contribute about JPY 14.0 billion, and MT ferrules will contribute the remaining JPY 2.0 billion. From FY2026 H1 to H2, profit is expected to increase by JPY 5.0 billion. Of this increase, broadband will contribute between JPY 2.0 to 2.5 billion, and optical cable and MT ferrules will contribute the remaining JPY 2.5 billion.

In Digital Infrastructure Components domain, profit is expected to increase by JPY 23.1 billion. Water-cooled products will boost profit by about JPY 16.0 billion. Concerning the remaining JPY 7.0 billion, copper foil including improvement in high-performance foil will account for about JPY 2.0 billion, FIBEL products including DFB laser chips will account for about JPY 2.5 billion and the development of new customers in the tape for semiconductor process business will account for about JPY 2.0 billion.

Q : Concerning the waterfall chart, given the large increase in CAPEX, how will you cover the

increased fixed expenses? As improvement effects, you state JPY 8.1 billion from Optical Solutions and JPY 2.1 billion from Digital Infrastructure Components, but what are the details of the factors other than increased profit from higher net sales?

A: The increase in net sales is shown as "Increase in sales" in the waterfall chart. Because air-cooled products have a similar profit base as water-cooled products, the shift to water-cooled products is not viewed as improvement in the product mix. The contribution from increased production is expressed as increased net sales.

Of the increase of other fixed expenses of JPY 25.0 billion, the expenses other than increased personnel expenses will be about JPY 13.0 billion. Of this, Digital Infrastructure Components will account for JPY 7.0 billion. Fixed expenses will be incurred in relation to design for increasing production, quality responses, and so on.

The increase in depreciation expenses of JPY 2.8 billion from FY2025 to FY2026 will mainly be for water-cooled products.

While increasing sales and covering the design and quality related fixed expenses aimed at the future, we will secure profits.

Concerning the improvement effects, improved productivity and price revisions of existing products have been reflected in these effects.

Q: In the improvement effects, for Optical Solutions and Digital Infrastructure Components, is it correct to understand that mainly the effects of productivity, yield and cost control have been included and there will not be much change in terms of prices?

A: In Optical Solutions, improvement in the product mix has also been partially included. When selling products for data centers, which can be sold at higher prices than traditional products, there will be a positive effect other than the regular marginal profit margin.

Q: From FY2025 to FY2026, is it correct to understand that the profit growth of about JPY 16.0 billion will almost entirely be from water-cooled modules? To what extent has FY2026 net sales of water-cooled modules been incorporated?

In the water-cooled modules investment plan disclosed at the end of March, net sales were revised up to over JPY 100.0 billion in FY2027 and JPY 400.0 billion in FY2030. What factors were behind this upward revision and the outlook for sales to grow faster than initially expected?

A: Profit growth will almost entirely be from water-cooled modules.

We will aim for sales of over JPY 100.0 billion in FY2027. The launch in FY2026 is progressing smoothly, and if the business launches as planned in June, it should be possible to achieve in FY2026 sales close to those expected for FY2027.

Q: Recently, spot optical fiber prices are rising, but will this improve your bottom line and

have a positive impact? Also, concerning increased preforms and fiber capacity, can you confirm your current outlook?

A : There will be a positive impact. Particularly, in North America, the revision to optical fiber prices and the price of cable including fiber is expected to contribute and be a factor in higher profit. Supply and demand is extremely tight.

Concerning fiber capacity and increased production, when including preforms, future fiber demand is very tight. Concerning increased production, a disclosure will be made when the preparations are complete.

The FY2026 CAPEX of JPY 150.0 billion includes to a certain extent the figures for the plan to increase production of optical fiber and cable.

Q : Concerning water-cooled modules, as of November last year, sales were planned to be JPY 100.0 billion in 2030, but in the March announcement, this figure has been significantly revised up to JPY 400.0 billion in 2030. Will it be easy to agilely increase production earlier than expected? What factors led to the current investment?

A : We have been acquiring customers from the design and product development phase. Also, customers trust our air-cooled products, and this has led to continued inquiries for our water-cooled products.

Because orders are received on a data center project basis, net sales are expected to jump higher in the plan. As a company, we go after projects, and once we are prepared to accept project orders, we will disclose the benefits from increased production, investments, and future net sales. The reason for net sales increasing by several hundred billion yen is that there is a high probability of receiving a certain project order.

Q : Concerning rollable ribbon cable and MT ferrules, what is the actual net sales figure, and what amount will be profit?

A : We do not disclose this information, so I am unable to provide a response.

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