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

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Contents: FY2026H1 Financial Results

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Q: What were the results and forecasts for Optical Solutions by product?

A: Operating profit increased by approximately JPY 23.0 billion year on year. The improvement comprised JPY 16.0 billion from higher sales, pricing, and an improved product mix for optical fiber cables; JPY 5.5 billion from specialty fibers; and JPY 3.0 billion from MT ferrules, partly offset by a JPY 1.0 billion decrease in broadband network products.

Compared with the previous forecast, operating profit was revised upward by approximately JPY 10.0 billion. Optical fiber cables accounted for JPY 9.0 billion of the revision. The previous forecast had assumed that the benefits of price revisions would emerge from Q4, but those benefits began to materialize in Q2. MT ferrules and specialty fibers each exceeded the previous forecast by JPY 0.5 billion.

Q: The earnings forecast for Digital Infrastructure Components remains unchanged. What is the actual situation in each business in the segment?

A: Digital Infrastructure Components as a whole is performing well and remains within the assumptions underlying the previous forecast.

Orders for tapes for semiconductor process slowed temporarily but are gradually recovering.

The Memory disk business remains strong, supported by robust HDD demand. We are increasing production by adding shifts and raising capacity utilization.

The product mix for copper foil continues to improve. Copper foil for high-frequency printed wiring boards now accounts for approximately half or more of total sales.

Production of DFB laser chips is expanding steadily, and customer inquiries remain strong.

Production of water-cooling products has commenced, and the first lot has been shipped. Sales are expected to grow substantially in the second half.

In functional plastic products, conduit products used for cable installation around data centers and in other applications remain solid.

Q: Please break down the factors behind the latest upward revision for Optical Solutions, including price revisions and product mix improvements. What was each factor’s contribution, how substantial were the price revisions, and is there further upside from pricing or product mix?

A: Of the JPY 10.0 billion upward revision, we estimate that pricing contributed approximately JPY 4.5

billion and product mix improvements approximately JPY 4.5 billion. We expect the improvement effect in Q2 and Q3 to be broadly similar. Our Q4 assumptions are largely unchanged from the previous forecast.

Price revisions have progressed substantially through negotiations with customers, and their benefits are expected to become more evident in the second half. Price increases are generally in line with our assumptions, although some have exceeded them. We cannot disclose specific revision rates, but in some cases we have achieved double-digit percentage increases. These increases also include the pass-through of higher costs. We continue to negotiate pricing while monitoring market supply and demand.

In terms of product mix, the proportion of ultra-high-fiber-count cables has increased. At the same time, demand for lower-fiber-count cables manufactured by our U.S. manufacturing base is also strong. Overall, the mix is shifting toward higher-value-added products.

Q: Which capacity expansions were increased, and by how much (page 5 of the presentation materials)? The plan for Rollable Ribbon Cables appears unchanged. In addition, capital expenditures (page 21) are unchanged from the amount announced in May. How are they expected to change going forward?

A: The capacity expansion for Rollable Ribbon Cables, covering FY2026 through FY2028, is the plan announced on August 4, 2026. We have expanded production of submarine optical fiber through FY2026 and plan to increase capacity further to four times the level at the beginning of FY2026 by FY2029.

The investments shown on page 5 are not expected to have a significant impact on capital expenditures for the current fiscal year. Regarding the investments, a certain amount of CAPEX had already been incorporated into the plan in anticipation of these investments, and full-scale spending will begin from the next fiscal year onward.

Q: If the five-year investment plan of JPY 500.0 billion in growth areas and JPY 650.0 billion overall is accelerated or increased, how will medium-term cash flow be affected? Also, as production of Rollable Ribbon Cables and submarine optical fibers increases, how will the shares of data center and telecommunications carrier applications within Optical Solutions change?

A: Investment will progress over the next two to three years, with cash outflows preceding returns. We therefore expect cash flow to remain tight in FY2027 and FY2028. The JPY 500.0 billion investment plan for growth areas and the impact of earnings growth on cash flow may change going forward. We will provide an updated explanation when material changes occur. At present, the contribution to earnings is materializing earlier than initially expected.

Rollable Ribbon Cables and data center-related products are expected to continue making the largest contribution to earnings.

Q: What quarterly growth trajectory do you expect for water-cooling products in the Thermal Management business?

A: The customer's assembly plant has not yet fully ramped up, and some products have therefore remained in our inventory. Shipments have recently begun to move, and we expect them to continue steadily.

We expect sales to increase in stages from Q3 through Q4.

Q: Given that Optical Solutions' earnings historically have been weighted toward the second half of the fiscal year, could second-half profit exceed the current plan? Please also explain why the second-half sales plan for Optical Solutions was revised slightly downward. In addition, with fiber volume constrained, what improvement drivers remain, including price revisions and a higher proportion of Rollable Ribbon Cables?

A: In the second half, we expect operating profit to increase by JPY 3.0 billion in broadband network products and by JPY 3.0 billion in optical fiber cables. Because the previous forecast had already incorporated some benefits from second-half price revisions and other measures, the increase versus the previous forecast may appear limited. It is also necessary to take into account the impact of the Christmas holiday period in the United States and elsewhere during Q3.

Further price revisions are difficult for customers with whom pricing under multi-year contracts has already been agreed. For other customers, there may still be scope to pass through higher costs, and we will negotiate as appropriate. However, it is difficult to provide a specific outlook at this stage.

Demand remains strong, while our supply capacity is insufficient. We will pursue further upside through productivity improvements and a better product mix. The share of ultra-high-fiber-count Rollable Ribbon Cables has increased, and rollable ribbon technology is also being applied more widely to lower-fiber-count cables. As a result, the overall proportion of Rollable Ribbon Cables is rising.

Q: The previous sales plan for Digital Infrastructure Components was JPY 130.0 billion, but actual sales were slightly below plan. What caused the shortfall? In addition, you indicated that consolidation adjustments had a JPY 10.0 billion impact. What was the underlying business situation?

A: A JPY 10.0 billion consolidation adjustment was recorded in Q2. This resulted from a review of the method used for consolidation eliminations associated with differences in fiscal year-ends between the parent company and subsidiaries. It did not reflect a decline in underlying demand.

Water-cooling products were slightly below plan in the first half because the customer's assembly plant ramp-up was delayed. However, we have sufficient visibility to recover the shortfall in the second half and have therefore maintained the full-year forecast.

Q: How should we view optical cable pricing for the next fiscal year, including the balance between spot and long-term contracts?

A: Although we cannot disclose precise figures, some transactions have already commenced at price levels for the next fiscal year. Pricing has been largely determined for more than half, while the remainder remains subject to change. That remainder could also vary significantly depending on additional projects and changes in customers' requested product types or volumes, so the actual outcome will depend on market conditions. Nevertheless, a meaningful portion is covered by medium- to long-term orders, and it is reasonable to expect that more than half of the volume subject to completed price revisions will be supplied on a stable basis.

Q: There has been discussion that data center investment could slow due to factors including the recent U.S. midterm elections. Have you considered measures to address a potential change in market conditions?

A: At present, we see no signs of a decline in customer inquiries.

The appropriate response would depend on the extent of any slowdown in demand.

One measure is to capture demand from customers outside the United States as the data center market becomes increasingly global.

We also supply a broad range of products for both inter-building and intra-building data center applications. Because the timing, location, and customer base for these products are diversified, we can respond to fluctuations in demand by reallocating resources to areas where demand remains strong.

Another measure is to pursue opportunities in markets outside data centers, including automotive products and power cables. We will continue working to increase sales and profit in the businesses.

Q: As visibility into volumes and pricing improves, to what extent has earnings predictability increased? Please also comment on the implications for managing the business.

A: Last year, confidence in the growth of data center demand was high, and our primary focus was on securing orders. More recently, the number of factors requiring consideration has increased, including volatility in the data center market, and managing the business has not become easier. Although there has been no negative impact on orders, accurately assessing underlying market conditions remains an important management priority.

Q: Even if data center demand declines, do your contracts require customers to take a certain volume, thereby limiting the risk of a sharp deterioration in supply-demand conditions?

A: Supported by strong purchasing interest among buyers, we seek to include minimum purchase commitments or financial compensation provisions in medium- to long-term supply agreements. As a result, even if data center demand temporarily plateaus, we should be able to continue manufacturing and delivering products for a certain period.

Our most important mission at present is to deliver the capacity increases we have committed to.

Q: Please provide the latest update on copper foil, including customer trends, competitor activity, pricing, and product mix.

A: We are expanding production of copper foil for high-frequency printed wiring boards, particularly HVLP4-grade copper foil. Rather than constructing a new plant, we are responding by changing the product mix at existing plants.

The copper foil business previously faced difficult conditions but is now on a growth trajectory in both sales and profit. The additional investment announced today is intended to reinforce that growth trajectory.

We understand that competitors supply the types of copper foil in which each has particular strengths, while we are competing primarily with HVLP4 copper foil. Our production expansion is driven less by competitors' actions than by the need to respond as fully as possible to strong customer demand.

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