

SWCC Corporation

Summary of Q&A Session at Financial Results Briefing for the Fiscal Year Ended March 31, 2024

Implementation date: Tuesday, May 21, 2024

Location: Marunouchi 1-chome, Chiyoda-ku, Tokyo



Energy and Infrastructure Business

[Q] : While the demand environment is favorable, the sales and profit outlook for the fiscal year 2026 feels insufficient. Could you please explain, considering the forecasts for each market, whether these figures take into account an adjustment phase in the 'construction sector' and a slowdown in the expansion of demand for 'power infrastructure'?

[A] : Regarding the outlook for the energy infrastructure business, we have also received feedback from other investors suggesting that it might be pessimistic. Regarding the performance of the 'construction sector' in the fiscal year 2024, we have factored in an adjustment phase and have taken a cautious outlook. On the other hand, for 'power infrastructure,' we believe there are still markets that have not been factored into the outlook. Regarding demand for data centers, although a certain level of demand is included in the medium-term rolling plan, there is a possibility that demand may increase further. Regarding "seismic isolation and others," we consider them as challenging projects in our portfolio. We will evaluate these projects over the next three years, until the fiscal year 2026.

[Q] : Could you please explain what kind of business model you envision for expanding solution businesses in the "electric power infrastructure" sector?

[A] : The primary target for our solutions is electric power companies. These companies are already highly aware of issues such as labor shortages and have a strong desire for improvement. By leveraging the good relationships we have built with these electric power companies, we aim to offer solutions for streamlining equipment maintenance and preventing incidents before they occur.

[Q] : Could you please let us know if there are any factors that have emerged which might negatively impact this year's performance outlook for "construction-related" compared to the previous year, or if this is simply a conservative estimate?

[A] : Regarding "construction-related" matters, the numbers reflect an anticipated decrease following the surge in demand in Q3 of the fiscal year 2023. Whether such an adjustment phase will actually occur remains to be seen, and we believe it requires close monitoring for some time.

[Q] : Despite the full-scale realization of increased production investment effects for SICONEX® starting this fiscal year, why is the product mix and profitability improvement effect for the fiscal year 2024 only +1 billion yen?

[A] : The +1 billion yen effect from product mix and profitability improvement naturally includes the increased production effects of SICONEX®. However, it does not include changes in the mix of other products or the profitability improvements in the construction-related sector that were already realized in the fiscal year 2023.

[Q] : Could you please explain the expected timeline for the transfer of the wire drawing line, digital transformation (DX), and profitability improvements in the "construction-related" sector leading up to the fiscal year ending March 2027?

[A] : By enhancing ROIC through digital transformation (DX) and focusing on stable production rather than increased production, we will make capital investments within the current depreciation framework to evolve the "construction-related" sector into a cash cow business. Additionally, we aim to reduce inventory by simplifying processes through the transfer of the wire drawing line, with investments planned for the second half of 2024.

Electronic Equipment and Components Business

[Q] : In the automotive parts manufacturing sector, price revisions are often closely linked to profitability improvements. Could you please provide information on the price transfer situation for fiscal years 2023 and 2024? Also, I would like to know if there will be any retroactive effects of price transfers.

[A] : The automotive parts market is known for its highly competitive pricing environment. However, in fiscal year 2023, the approximately 1.1 billion yen increase in costs incurred across the entire company, including automotive products, has been addressed through a combination of price transfers and internal efforts to reduce costs. For fiscal year 2024, we have been able to promptly approach customers regarding cost increases and engage in negotiations. Given our timely implementation of price transfers, we do not anticipate any retroactive effects of price transfers.

Communication and Industrial Devices Business

[Q] : I would like to know more about e-Ribbon®'s partnership strategy.

[A] : While competitors have already expanded overseas, we have faced challenges in manufacturing in Japan and exporting due to cost considerations. Finally, in North America and Europe, the technical superiority of our e-Ribbon® is beginning to be recognized, and we have received several inquiries in this regard. Currently, we are in the process of advancing discussions towards building partnerships to leverage local resources. At this stage, we cannot provide specific details, but we hope to disclose more in the future.

[Q] : We have set out to enhance competitiveness through a joint venture with a Chinese company for wire harnesses. Could you please provide an update on the progress and prospects for enhancing profitability in the future?

[A] : To expand our presence from white goods appliances to automotive applications, we established a joint venture in January 2024. This fiscal year, we are working on optimizing the production environment for automotive wire harnesses, aiming to achieve certain results and further expansion within the medium-term plan period.

Profit contribution from inorganic growth

[Q] : Will there be profit contributions from inorganic growth by the fiscal year 2026 within the medium-term plan period? Or is the medium-term period considered as a sowing period, with profit contributions expected from fiscal year 2027 onwards?

[A] : In preparation to achieve profit contributions from inorganic growth by 2030, we are progressing with preparations during the medium-term planning period. Meanwhile, to exceed the planned figures for fiscal year 2026, we are actively advancing activities for inorganic growth. While there is nothing currently disclosed, we aim to build upon these efforts to enhance our performance in 2026.

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This document contains descriptions and information regarding future, strategies, and performance forecasts and projections. These statements are based on outlooks determined from the information available at the present time. Therefore, please be aware that actual performance may differ from the information described and included in this document due to various external factors.
