

Q&A Sessions at the Small Meeting (FY3/2024)

Date and time of implementation: Monday, June 3, 2024, Part 1, 14:30-15:30, Part 2, 16:00-17:00

Implementation site: Nihonbashi Kabutocho, Chuo-ku, Tokyo

■ FY2024 Results

Q What are the factors behind the changes in earnings forecasts and the image of the quarterly changes in earnings for the current fiscal year?

A In FY2023, the construction-related business of the Energy & Infrastructure Business was affected by panic-like demand due to a shortage of supplies, and as a reaction to this, the impact of ▲500 million yen has been factored into operating income this fiscal year. The impact of the steep rise in material logistics costs is expected to be ▲2.2 billion yen, but this will be covered entirely by self-help efforts such as passing on higher sales prices and reducing costs. In FY 2023, the product mix and the effect of improving profitability were 2.9 billion yen, but in FY 2024, the effect of 1 billion yen is expected to be added to these factors. Temporary deduction of ▲300 million yen in restructuring expenses for the telecommunications business, which was recorded in last year's 3Q, is one event, and there are no plans to book it this fiscal year. Quarterly earnings trends are not disclosed. This fiscal year, as usual, progress is expected in first half 4: second half 6.

■ Medium-Term Plan Rolling Plan

Q In the rolling plan of the current medium-term management plan, what business fields, industries are considered as targets for M&A?

A The operating profit target of 17 billion yen for FY 2026 is expected to be achieved only through organic growth. As early as FY2026 and no later than FY2030, we would like to add inorganic growth with positive alpha to operating profit. The company plans to invest more than 20 billion yen in growth-targeting areas from existing businesses. In the Energy/Infrastructure business, the company intends to develop Smart Stream businesses for the electricity market. When the commercialization of a Smart Stream requires digital technologies that we do not have, M&A and other measures will become an option. For Smart Stream, we have been conducting M&A for businesses with AVR® skills. In the Electronics and Components segment, M&A is required to shift the company's positioning from oxygen free copper to high-value-added products such as probe pins used in semiconductor inspection equipment. In the telecommunications and industrial devices business, it is still undecided regarding M&A strategy, but e-Ribbon® intends to develop its foreign partnership strategy. In wire harnesses

and precision devices, where the company has already developed its overseas business, it will also explore opportunities utilizing overseas partnerships.

Q When will the profit contribution from inorganic growth be?

A Regarding inorganic growth, the company was moving from FY 2023 to produce results from FY 2024 to FY 2026, but there were no projects that fit our aspirations, and when viewed from outside, it felt that nothing happened and that one year had passed. Rather than pursuing M&A to achieve the medium-term management plan targets unreasonably, the company will vigorously engage in this business with staffs over the next 3 years and develop it as a new business by 2030.

Q Will operating income target of 25 billion yen for FY2030 be achieved through organic growth alone?

A It plans to accumulate 25 billion yen solely from organic growth.

■ **Energy & Infrastructure Business**

Q What elements are incorporated into the figures and what are not incorporated into the growth strategy for the Energy & Infrastructure business?

A Regarding the projects related to resilience and deterioration countermeasures, orders have been received for a considerable amount of time and have already been factored in, but not all of the projects related to data center-related demand and the re-energy transmission network have been factored in. However, we believe that there will be a case for them around this fiscal year.

Q Despite investing in increased production in SICONEX®, is the shortage of electricity-infrastructure sales in FY2026 due to the bottleneck in the number of construction personnel?

A Sales in SICOPLUS®, including SICONEX®, are around 30-40% of electricity infrastructure. The company plans to withdraw from the aluminum overhead transmission line business, which also comprises electricity infrastructure, and is reviewing its portfolio. As a result, sales of electricity infrastructure as a whole are not so growing.

Q What is the background to the increase in market share for electric power companies?

A It is expected that the market shares will increase due to the penetration through the de facto standardization of ultra-high voltage SICONEX® currently being promoted and the withdrawal from some competitors.

■ Businesses and Components

Q What are your thoughts on the slow progress in expanding revenues from xEV products compared to when the medium-term plan was first formulated in 2021?

A Up to the present time, the Company has expanded sales, mainly in MiDiP®, but it was inadequate in terms of profitability due to upstream products. Currently, the Company is planning to increase production of flat winding wire, which is a higher value-added product, and by making up-front investments it is preparing for the rapid expansion of demand from 2025 onward.

■ Policy on Distributing Profits to Shareholders

Q What is the future implementation and timing of share buybacks?

A The Company's basic policy is to provide shareholder returns centered on dividends. In the previous fiscal year, the company bought 1 billion yen of its own shares, but this was due to a cash inflow from the sale of its strategic shareholdings.

Q What is the idea of cash balance when earnings and cash flows are exceeded, and financials become too good?

A Fundamentally, the company focuses on growth investments and does not manage in excess capital. We will return profits to shareholders if we determine that we do not have an appropriate investee.

■ External Environment

Q Regarding the impact of copper prices, what measures will be taken when copper prices fluctuate significantly in the future?

A The company reserves procurement prices when it receives orders from customers and prepares for major fluctuations by making good use of derivatives.

■ Management Structure

Q What is the background to the two-representative system of directors?

A In order to achieve further growth in the future, in addition to existing businesses, it is necessary to execute duties and make management decisions in a wide range of areas, including M&A in each business, and to accelerate the Company's management, which has become broader in scope, the Company has adopted a structure of two representative directors.

Q How do you feel about a double increase in stock prices as of March 6 in the last six months?

A I am very pleased that our investors have appreciated the company change in our position. Over the past 5 years, the company has worked on management reforms, instilling an awareness of income throughout the company, and undertaking thorough efforts within the company to achieve the budget. In May 2023, the Company disclosed "measures to realize management that is conscious of the cost of capital and stock price." In addition to widely disseminating the Company's efforts to improve stock value, the Company believes that improving profitability has led to the rise in stock prices. However, management is not satisfied with this, and there is still room for improvement in earnings, shareholder returns, and growth. Looking ahead, we would like to see how we will utilize the capital that we have accumulated to achieve further growth.