



Innovating new ideas today. Becoming the norms of tomorrow.

FY2024 Q1 Small Meeting

August 27, 2024

SWCC Corporation

TSE PRIME : 5805

Today's Agenda and Speakers

1. Summary of 1Q Results
2. Energy & Infrastructure Business Future Growth Strategy



Senior Executive Vice President and
Representative Director (COO)

Tetsuo Komata



Senior Executive Officer
Chief of Energy and Infrastructure Business Segment

Yukio Kawase

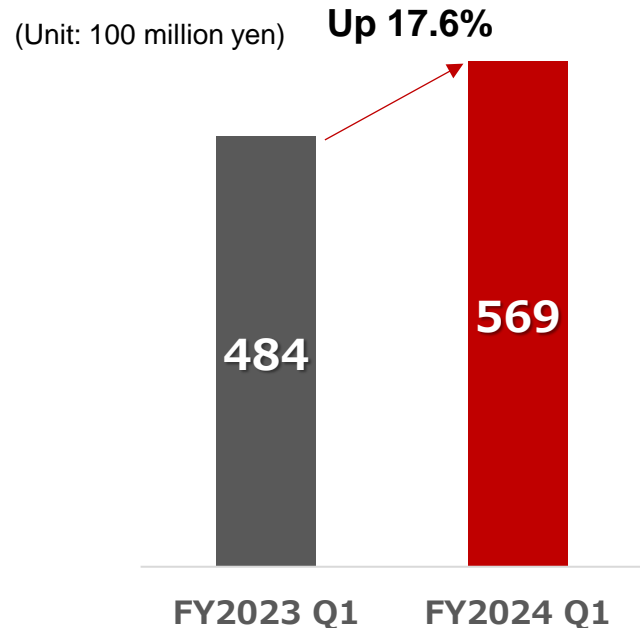
1 . Summary of 1Q Results

Key Points of the Financial Results for Q1

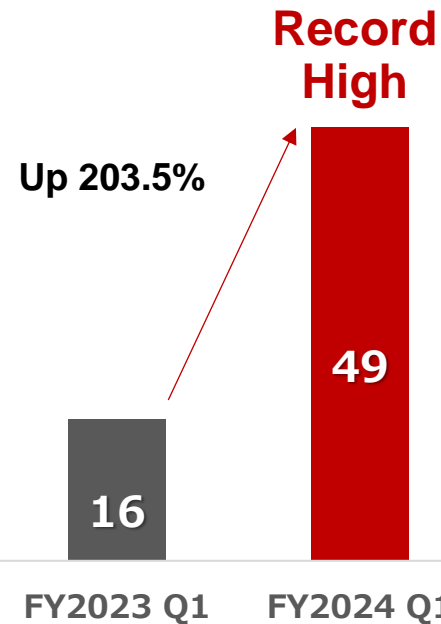
Q1 YoY Change

Sales and profits increased due to steady demand for electric wires, leveling of construction projects, and special demand for high-profit projects.

Net sales



Operating profit



Q1 Progress rate

The progress rate for net sales was on par with the previous year, but operating profit was much higher than the previous year due to special demand for high-profit projects.

	(Unit: 100 million yen)	Full-year Plan	FY19-23 Avg. progress rate	Q1 Progress rate
Net sales		2,250	23.1%	25.3%
Operating profit		135	17.2%	36.1%

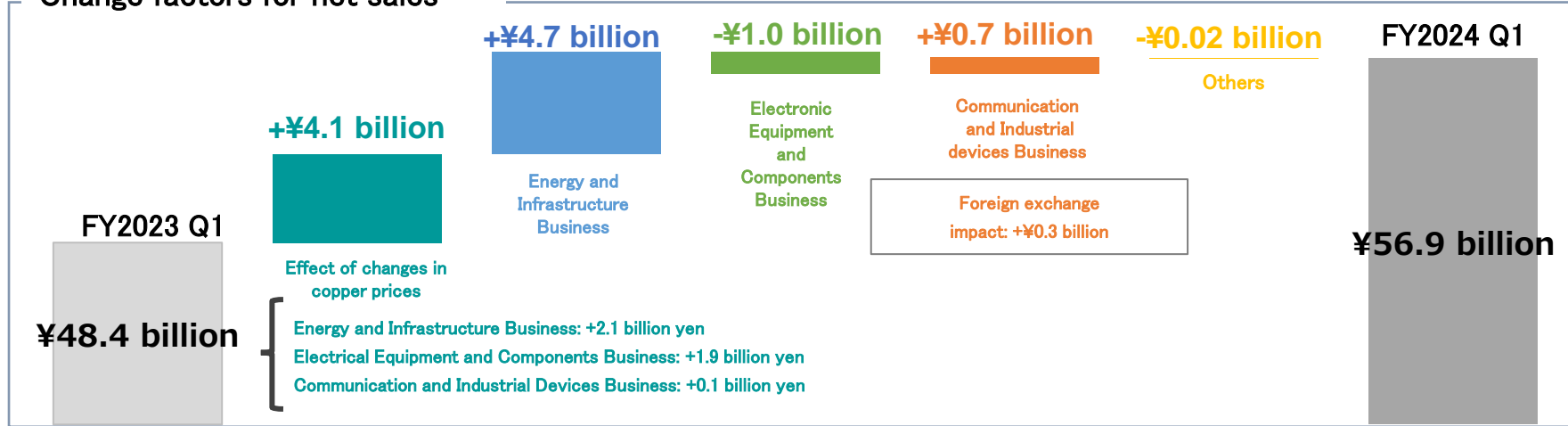
FY2024 Q1 Consolidated Statements of Income

Q1 performance in the Energy and Infrastructure Business exceeded initial expectations. Although we expect the business to remain strong in the future, it has left its full-year business forecasts unchanged as of the current quarter.

(Unit: 100 million yen)	FY2023 Q1 Actual	FY2024 Q1 Actual	FY2024 Full-year plan	YoY %	Progress rate %
Net Sales	484	569	2,250	17.6%	25.3%
Operating Income	16	49	135	203.5%	36.1%
Operating Income Margin (%)	3.3	8.5	6.0	—	—
Ordinary Income	16	46	130	189.4%	35.6%
Net income attributable to owners of parent	12	29	90	148.3%	32.5%

FY2024 Q1 Change Factors (YoY)

Change factors for net sales



[Change factors]

1. Net Sales

Sales increased YoY due to strong performance of growth-driving businesses, without the expected drop in demand for domestic construction-related products at the beginning of the period.

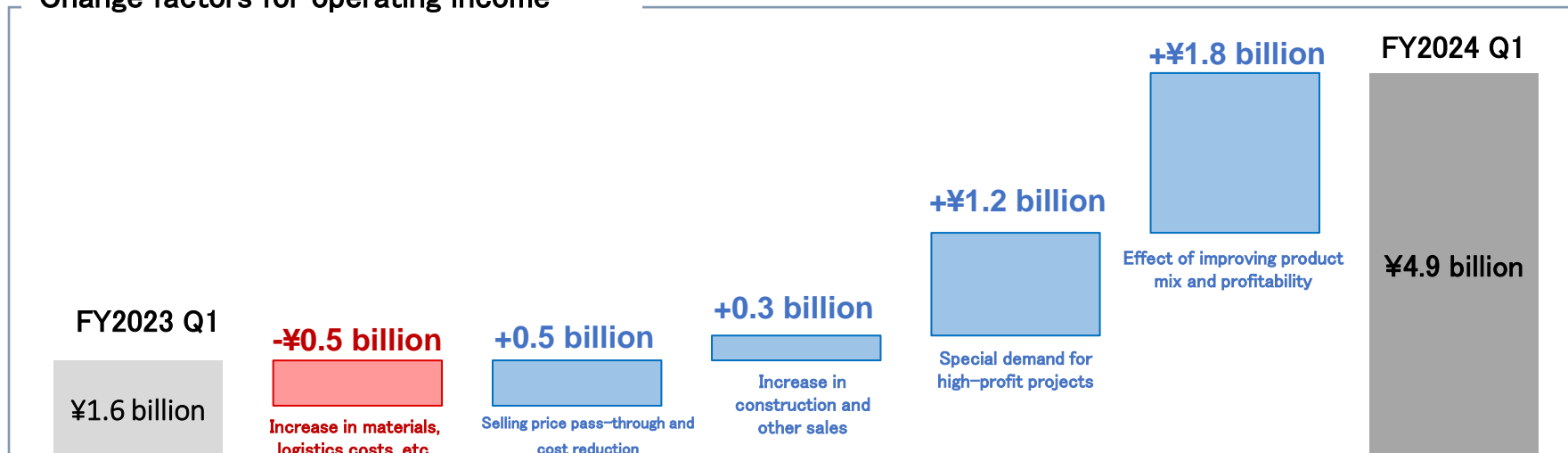
2. Operating Income

Increases in raw material prices and logistics costs are covered by pass-through of sales prices and cost reductions. **Profit increased substantially YoY** due to an increase in construction and other sales, as well as special demand for highly profitable projects and the effects of improved profitability.

[Future Initiatives]

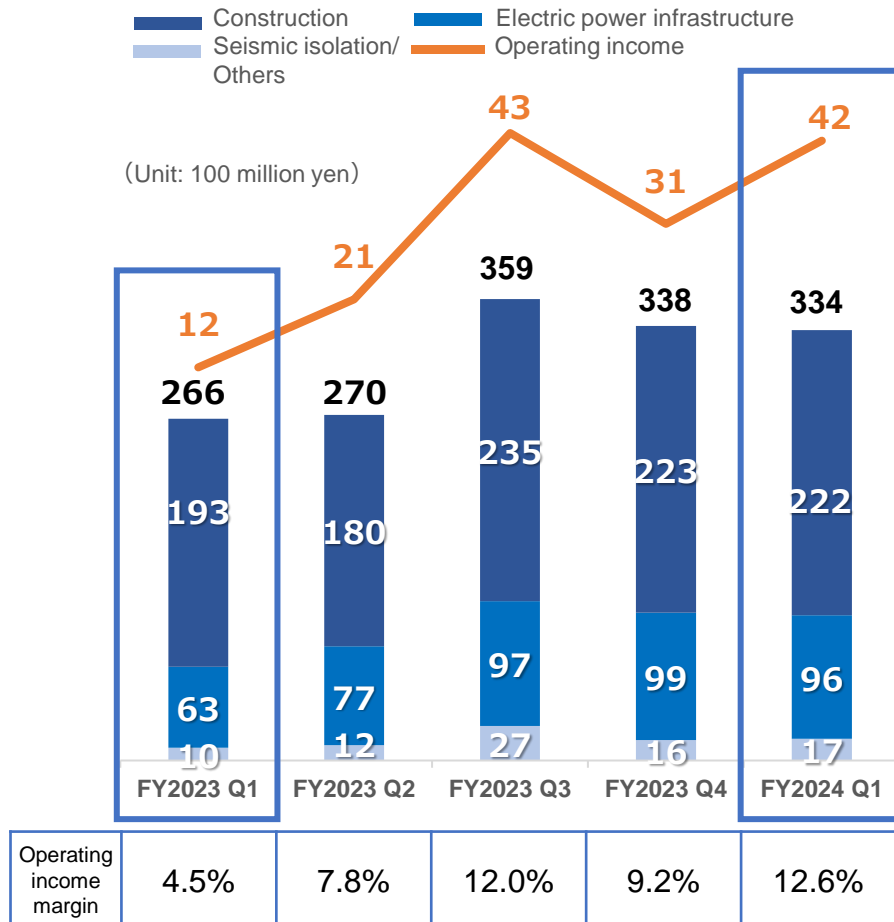
Secure appropriate inventory to prepare for shipments after Q2.

Change factors for operating income



FY2024 Q1 Results by Segment / Energy and Infrastructure Business

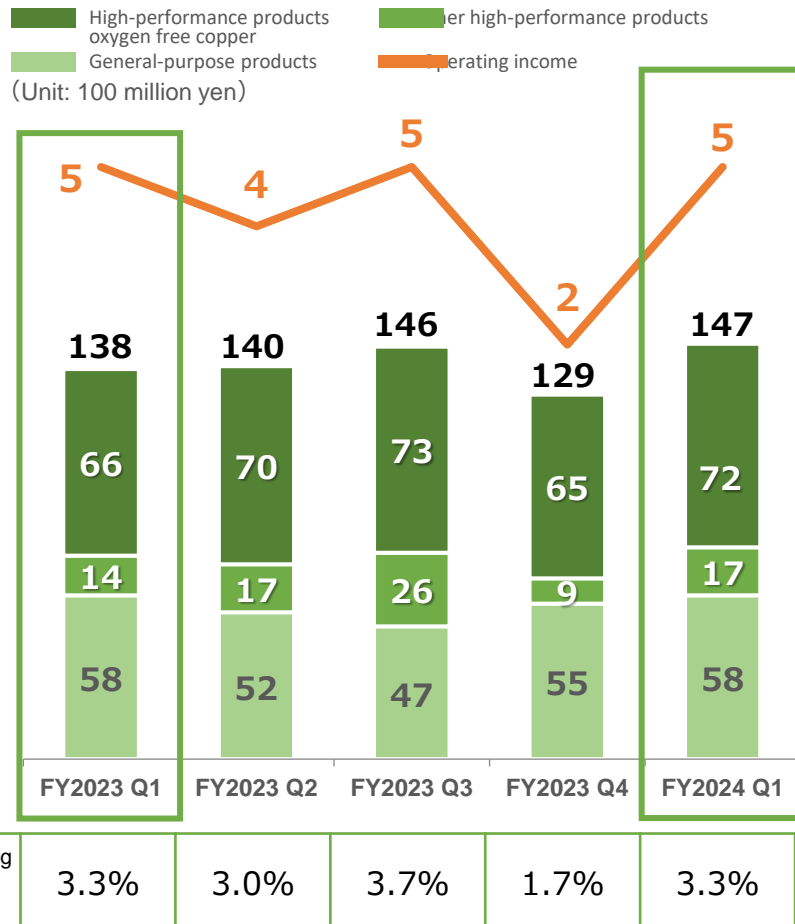
Sales increased by 25.6% YoY and profits rose by 253.9% YoY due to robust domestic construction-related electric cable demand continued from the H2 of the previous fiscal year, as well as special demand for high-profit projects for electric power infrastructure, leveling of power construction projects, and the implementation of various profit improvement measures.



Impact of Changes in Business Environment	
Effect of changes in copper prices	+2.1 billion yen (reflecting Q1 sales)
Soaring raw material, energy, and logistics costs	Although prices continue to rise, the Company has been able to secure profitability through price pass-through and cost reductions.
Foreign exchange impact	None applicable
Full-year demand outlook	<p>In construction-related products, demand for wire continues at a high and stable level. In the electric power infrastructure application, we expect to expand its market share by boosting demand against the backdrop of the national policy and by standardizing strategic product SICONEX® as the de facto standard, and also to levelize electric power construction projects.</p> <div> <div> SICONEX® Production Volume <p>* When the actual result at the end of FY2023 is set at 100%</p> <div> <div>115 %</div> <div>140 %</div> <div>135 %</div> </div> <div> <div>Q1 Result</div> <div>Q2 Forecast</div> <div>Full-year Forecast</div> </div> </div> <div> Electric Power Construction <div> <div>Average year</div> <div>Current year</div> </div> <div> <div>↗</div> <div>→</div> </div> <div> <div>H1</div> <div>H2</div> <div>H1</div> <div>H2</div> </div> </div> </div>

FY2024 Q1 Results by Segment / Electronic Equipment and Components Business

High-performance products for EV is in an adjustment phase, but Q1 performance is recovering. General-purpose magnet wires for heavy electrical appliances also remained firm. **Sales increased by 6.3% YoY and profits increased by 6.6% YoY.**

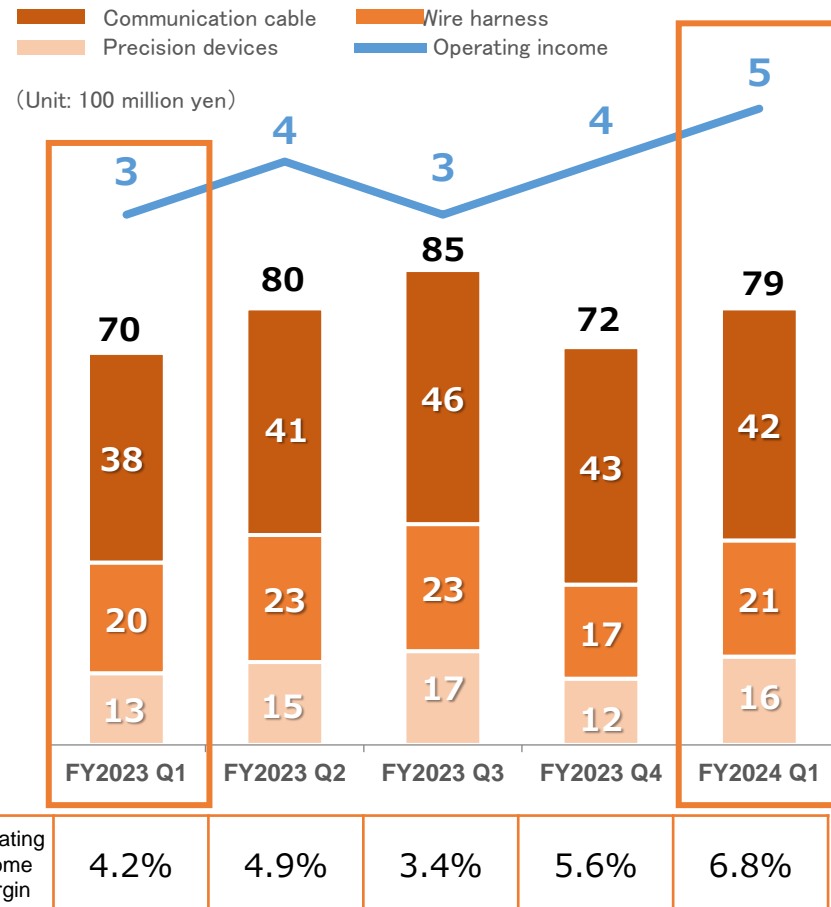


Impact of Changes in Business Environment

Effect of changes in copper prices	+1.9 billion yen (reflecting Q1 sales)
Soaring raw material, energy, and logistics costs	Although prices continue to rise, the Company has been able to secure profitability through price pass-through and cost reductions.
Foreign exchange impact	None applicable
Full-year demand outlook	<p>Demand for high-performance products for EV is expected to recover in Q1, and in Q2 it is expected to be in an adjustment phase. However, a recovery in demand is expected in H2.</p> <div> <div>Image of Shipments of High-Performance Products in the Current Fiscal Year</div> <div> <div> <div>MiDIP®</div> <div>Slight increase compared to FY2023</div> <div> </div> </div> <div> <div>Heater wire</div> <div>Slight increase compared to FY2023</div> <div> </div> </div> <div> <div>High-performance magnet wires</div> <div>Large increase compared to FY2023</div> <div> </div> </div> </div> </div>

FY2024 Q1 Results by Segment / Communication and Industrial Devices Business

Demand for both construction and automotive-related communication cables was firm. In wire harnesses, demand for precision devices recovered despite the impact of slowdown in the Chinese and domestic white goods consumer electronics markets. **Sales increased by 12.3% YoY and profits increased by 82.1% YoY.**



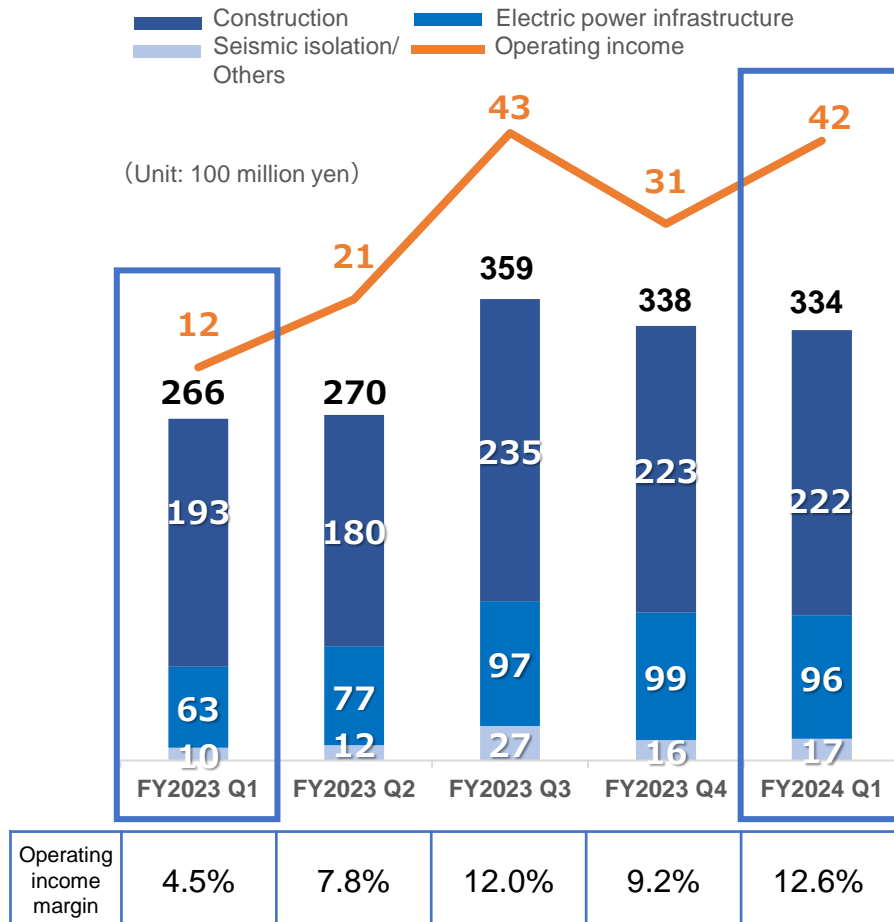
Impact of Changes in Business Environment

Effect of changes in copper prices	+100 million yen (reflecting Q1 sales)
Soaring raw material, energy, and logistics costs	Although prices continue to rise, the Company has been able to secure profitability through price pass-through and cost reductions.
Foreign exchange impact	+300 million yen (reflecting Q1 sales)
Full-year demand outlook	<p>Demand for communication cables for construction-related and automotive applications was firm. Sales of wire harnesses for consumer electronics were sluggish. Demand for precision devices recovered.</p> <div> <div>Image of Shipments of Communication Cables in the Current Fiscal Year</div> <div> <div>Construction-related</div> <div>Increase compared to FY2023</div> <div>H1 H2</div> </div> <div> <div>Automotive application</div> <div>Increase compared to FY2023</div> <div>H1 H2</div> </div> </div>

2 . Energy & Infrastructure Business Future Growth Strategy

FY2024 Q1 Results by Segment / Energy and Infrastructure Business

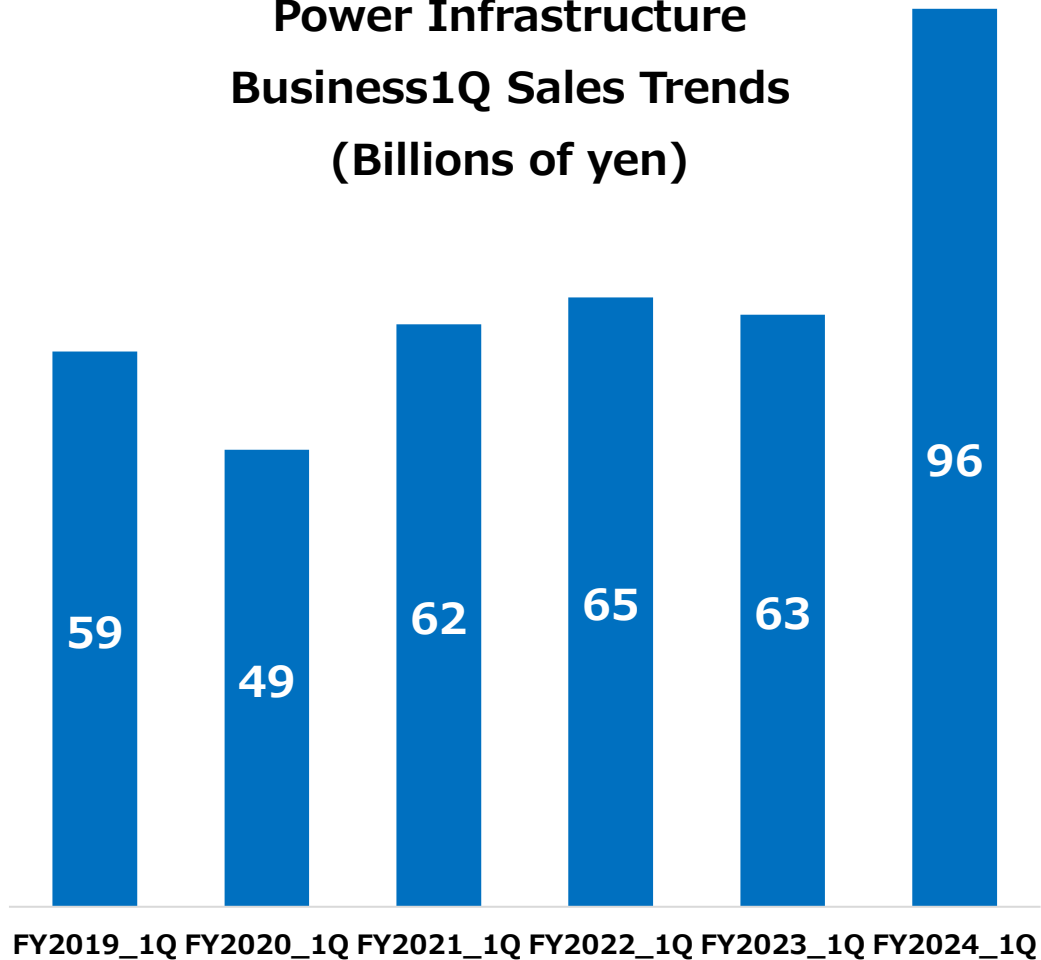
Sales increased by 25.6% YoY and profits rose by 253.9% YoY due to robust domestic construction-related electric cable demand continued from the H2 of the previous fiscal year, as well as special demand for high-profit projects for electric power infrastructure, leveling of power construction projects, and the implementation of various profit improvement measures.



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Power Infrastructure Business 1Q Analysis

**Power Infrastructure
Business1Q Sales Trends
(Billions of yen)**



Special demand factors

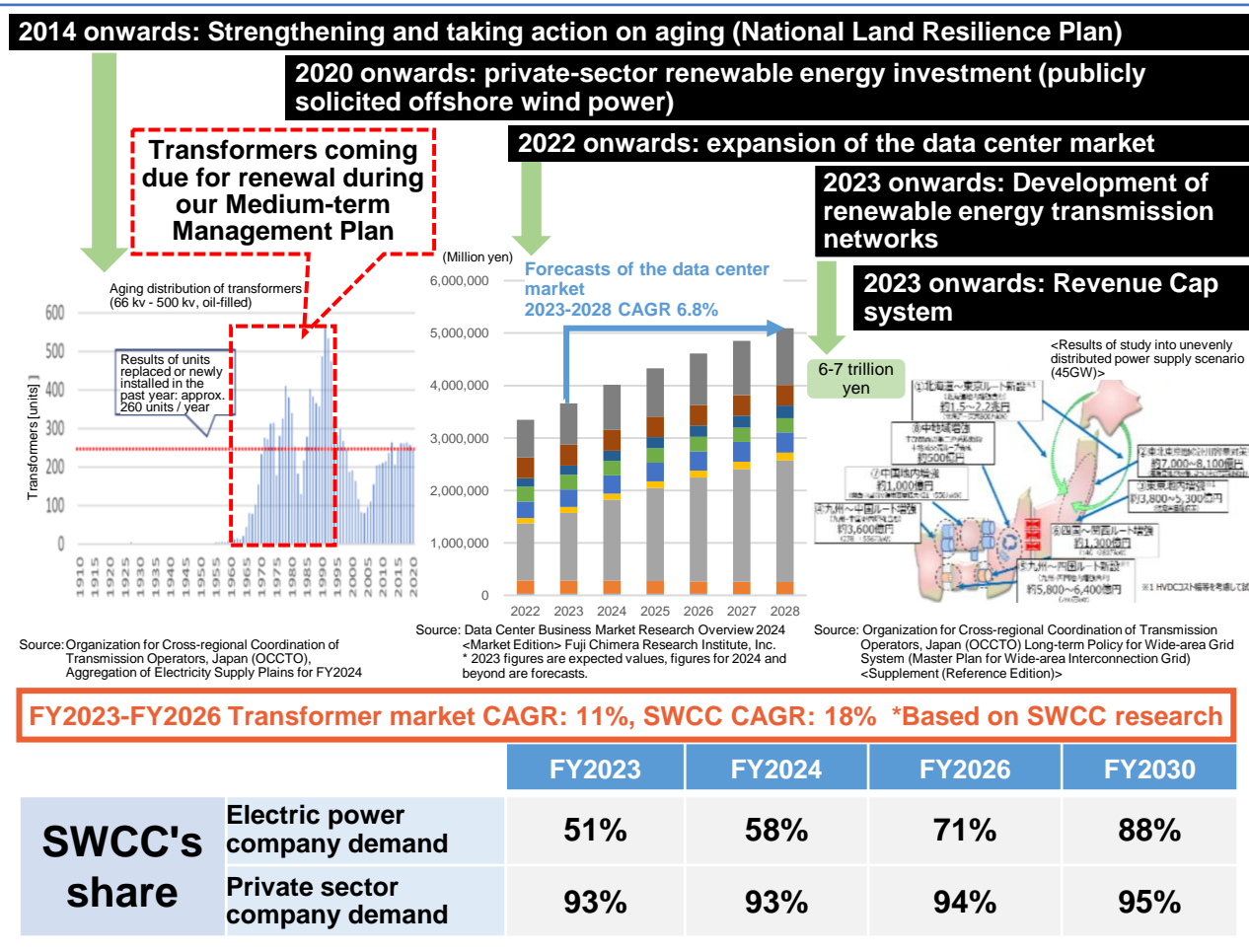
- ① Additional orders for construction projects (substation projects, etc.)
- ② Large-scale projects for plants (Private sector company demand)
- ③ Power cable for disaster countermeasures (Electric power company demand)
- ④ Re-energy subject (Private sector company demand)

Base increase factors that will continue throughout the full year

- ① Price improvement (equipment, cables, construction)
- ② Increase production of SICONEX
- ③ Increase and leveling off of construction projects
- ④ Renewable energy projects (private sector company demand)
- ⑤ Data center projects

Power Infrastructure Business Outlook for Future Business Environment

Prospects for long-term demand expansion against the backdrop of national policy.
In addition, profitability will improve due to a leveling off trend in construction.



Whole

Against the backdrop of national policy, demand is expected to increase for (1) replacement of older facilities, (2) power transmission and distribution network reinforcement, (3) renewable energy, and (4) demand for large data centers. In addition, tailwinds for the Company, such as the withdrawal of competitors and the leveling off of construction work, are expected to boost earnings.

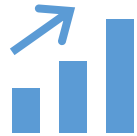
Electric power company demand

The revenue cap system has reduced the number of subject delays, disappearances, etc.

Private sector company demand

Equipment manufacturers continue to operate at full capacity. Orders are expected to be received for the next several years.

Power Infrastructure Business Further Growth Strategy



Growth Drivers

- 1 Promote de facto standards
(Expansion of SICOPUS[®] sales ratio)
- 2 Eliminate bottlenecks(further investment to increase production, shorten product LT, secure human resources)
- 3 Develop solution business leveraging DX(Monetization of Smart Stream business)

Future Discernment

- 1 Impact of competitor's business withdrawal
- 2 Data Center Demand Impact

Expansion of SmartStream business into the electric power business (promotion of solution business)

Profit expansion strategy 2

Roll out of Smart Stream to electric power companies (promotion of the solution business)

Challenges facing the electric power industry:

- Building resilience
- Extending and developing wide-area power transmission and distribution equipment
- Aging equipment
- Improving productivity and ensuring safety

Ensuring construction supply capabilities

Preventing incidents

Reducing labor required for equipment maintenance and streamlining equipment management

Developing a lineup of solutions

AVR



AI (image / forecasting)



Remote support and management

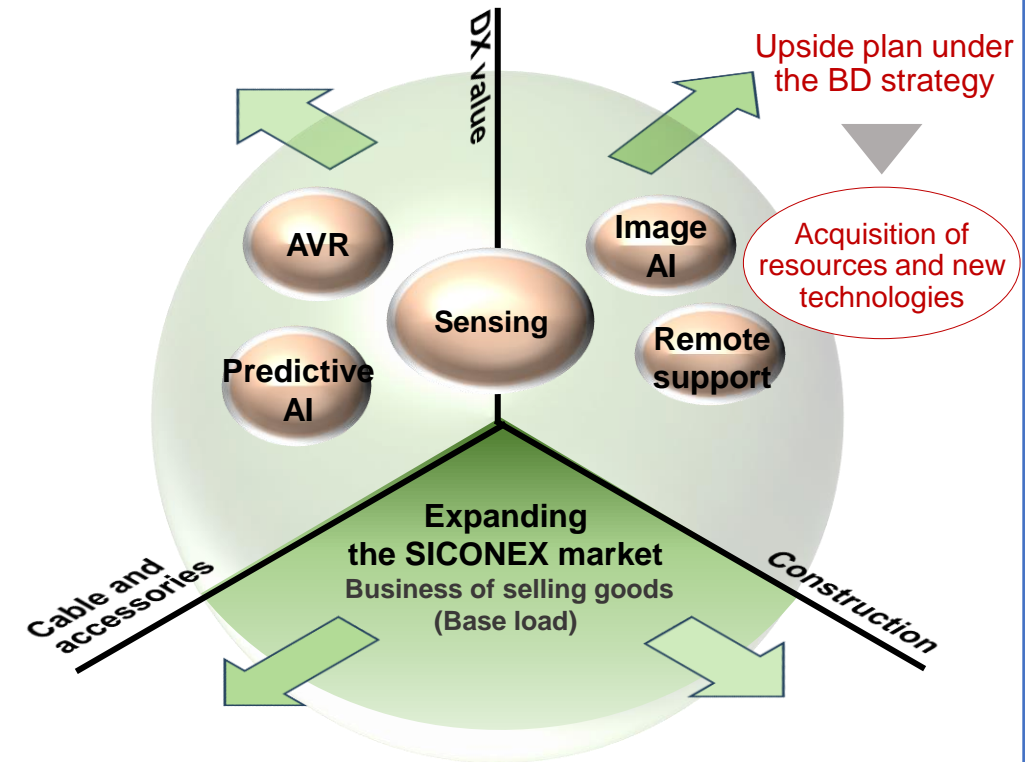


Sensing



Development of a solution business

Providing solutions offering safety and peace of mind
(technical skills transfer, improved efficiency, elimination of occupational accidents)



Progress of BD Strategy

(1) SmartStream Business (news release dated July 17)

Developed a new AVR® system: **ADTPS (Advanced Digital Transporter System)** that transfers the inspector to the site on VR through collaboration of **Volumetric technologies** owned by **Wakayama University** and **AVR® technologies** owned by **SWCC**.

Image of ADTPS

By incorporating holograms with volumetric technology in the AVR® space, it is possible to transfer the inspector to a remote or past space in real time, just like a “door that can go anywhere”.



<For infrastructure construction sites>

- Transfer inspectors from conference rooms to limited infrastructure construction sites, such as in narrow manholes and on steel towers
- Resolving social issues such as labor shortages and improved safety

Commercialization
(target to launch in FY2025)

◆ News release dated July 17

https://www.swcc.co.jp/jpn/news/detail/2024/news_6539.html

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Reaction on Smart Stream Business

Articles have appeared in various media. As a solution business, it is expected to continue to attract attention and needs in the future.

<8/8 List of main news releases published >

Aug. 08, 2024

Asahi Shimbun Digital "Joint Verification for Prevention of Workplace Accidents through the Use of AI Technology"

Aug. 08, 2024

Sankei Electronic Edition "Joint Verification for Preventing Workplace Accidents by Using AI Technology"

Aug. 08, 2024

Jiji.com "Joint Verification of the Use of AI Technology to Prevent Occupational Accidents"

Aug. 09, 2024

Nihon Keizai Shimbun, "Tohoku Electric Power Network and Hokuriku Electric Power Company to Use AI to Prevent Workplace Accidents"

Aug. 09, 2024

The Denki Shimbun "Tohoku NW, Hokuriku Transmission and Distribution, and SWCC use AI to prevent work-related accidents/Analyze past cases".

Aug. 10, 2024

Canaloco, "SWCC and two electric power companies jointly verify the use of AI to prevent work-related accidents".

Aug. 21, 2024

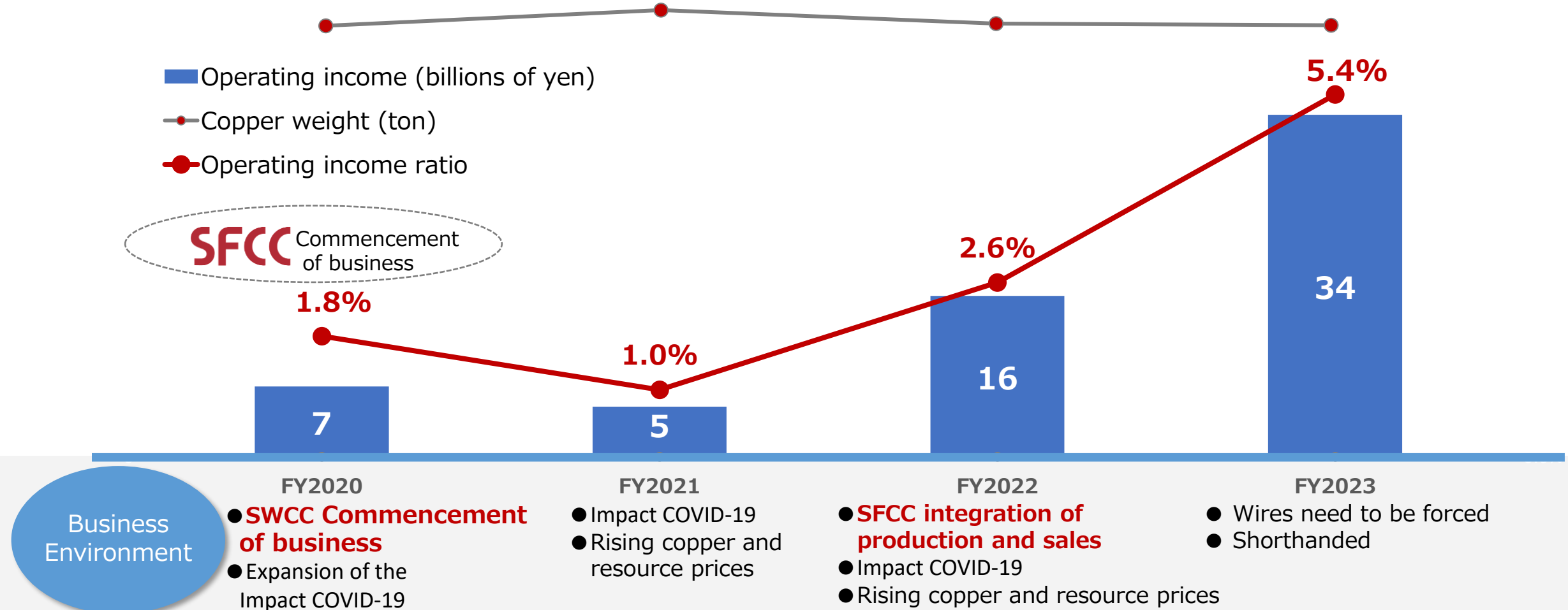
Kankyo Shimbun Online "Verification of AI to prevent industrial accidents by three companies including Tohoku Den-net"

Aug. 22, 2024

Tekkou Shimbun "SWCC and two major power transmission and distribution companies jointly verify AI technology"

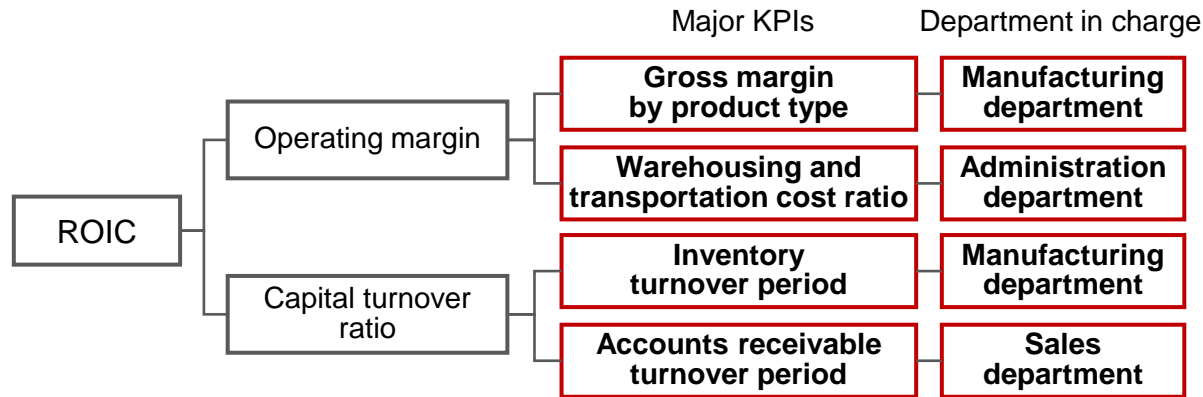
Construction-Related Business SFCC Performance Trends

Significantly improved profitability through various measures in the business, which had been operating at an operating margin in the 1% range. The business has grown into a cash cow business.



Construction-Related Businesses History of SFCC's Profit Improvement Measures

◆ Leading to improved ROIC



◆ Accelerate profit improvement through DX implementation (visualization of inventory)



Enables real-time review of production and inventory plans via company pay cell phones.

	FY2021	FY2022	FY2023
CCC	103days	82days	72days
Number of days for inventory turnover	45days	42days	42days
ROIC	3.6%	8.6%	14.3%

◆ Sales Price and Transaction Improvement Measures

- FY2021**
 - Withdrawal of low-priced products
 - Sales price revision due to soaring sub-material prices
- FY2022**
 - Sales price revision due to soaring sub-material prices
 - Sales price revision due to soaring energy costs
- FY2023**
 - Sales price revision due to soaring energy costs
- FY2024**
 - Sales price revision due to soaring logistics costs

Construction-Related Business SFCC Medium-Term Plan Rolling Priority Measures

Profit expansion strategy 1

Cost reductions through increased factory production capacity



Until now

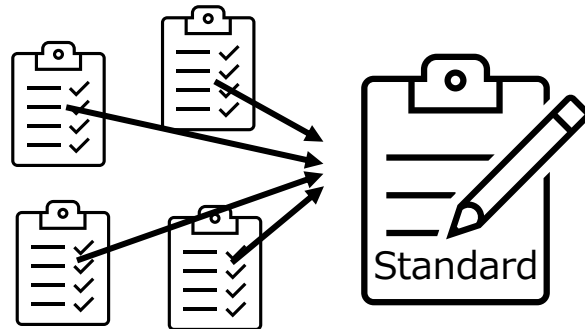
- Step 1. Wire drawing at Sendai Works
- Step 2. Transported from Sendai Works to Ibaraki Plant for cabling

Future

- Step 1. Integrated Production of Wire Drawing and Cables Now Possible at Ibaraki Plant

Profit expansion strategy 2

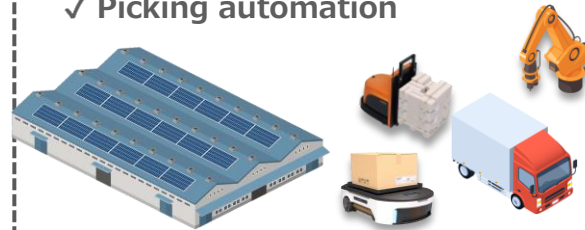
Consolidation into standard specifications



Profit expansion strategy 3

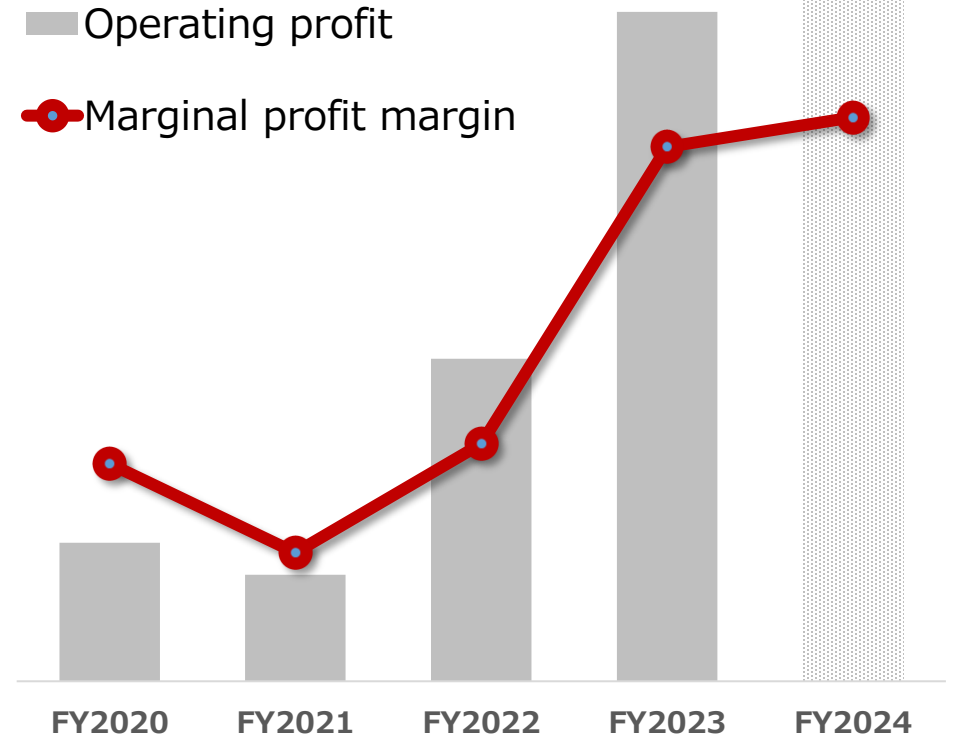
Labor and manpower saving in factories

- ✓ Automated transport
- ✓ Automated warehouse
- ✓ Labor saving maturing facilities
- ✓ Picking automation



Driving Group performance as by far the strongest business by improving efficiency and productivity of business processes

SFCC Marginal Profit Margin Trends



Efforts to resolve labor shortages in anticipation of the 2024 problem

With the "2024 problem" of the application of overtime work hour caps looming on the horizon, the Company is **promoting labor-saving, manpower-saving, and work efficiency improvements.**

Product

Universal Design Promotion

Skill-less connection method



The introduction of universal design has made cable processing, which conventionally required skilled techniques, a **skill-less process**.

Provide products that are easy to handle for the elderly and women

Lowering of product weight

We were the **first in the industry** to review product weights based on the weight reduction needs highlighted in a survey.

Persons

Sustainable Human Resource Education

Establishment of Construction Human Resource Development Center



Secured excellent human resources by establishing an early training program for engineers (utilization of DX materials, simulated facility training, knowledge acquisition and on-the-job training).

Local consumption market model cloud human resource strategy

Human resources trained at the above centers are now **expanding nationwide, from Hokkaido to Okinawa**. Enables flexible receipt of orders.

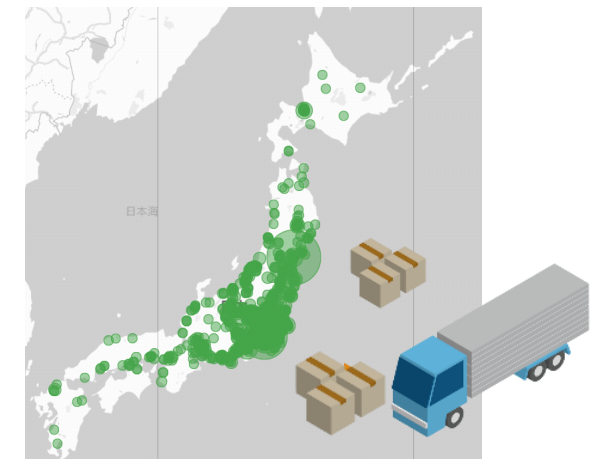
SICOPLUS® Human Resource Cloud



Logistics

Promotion of Logistics DX

Visualization of optimum route and loading capacity



DX of logistics system centered on subsidiary LOGIS-WORKS. **Promoting operational efficiency in vehicle dispatch management** by sharing the delivery status of distribution centers nationwide via cloud computing and smartphones.

Rolling Plan 2024: Growth Strategy for the Energy and Infrastructure Business

Market Forecast FY2024-FY2026

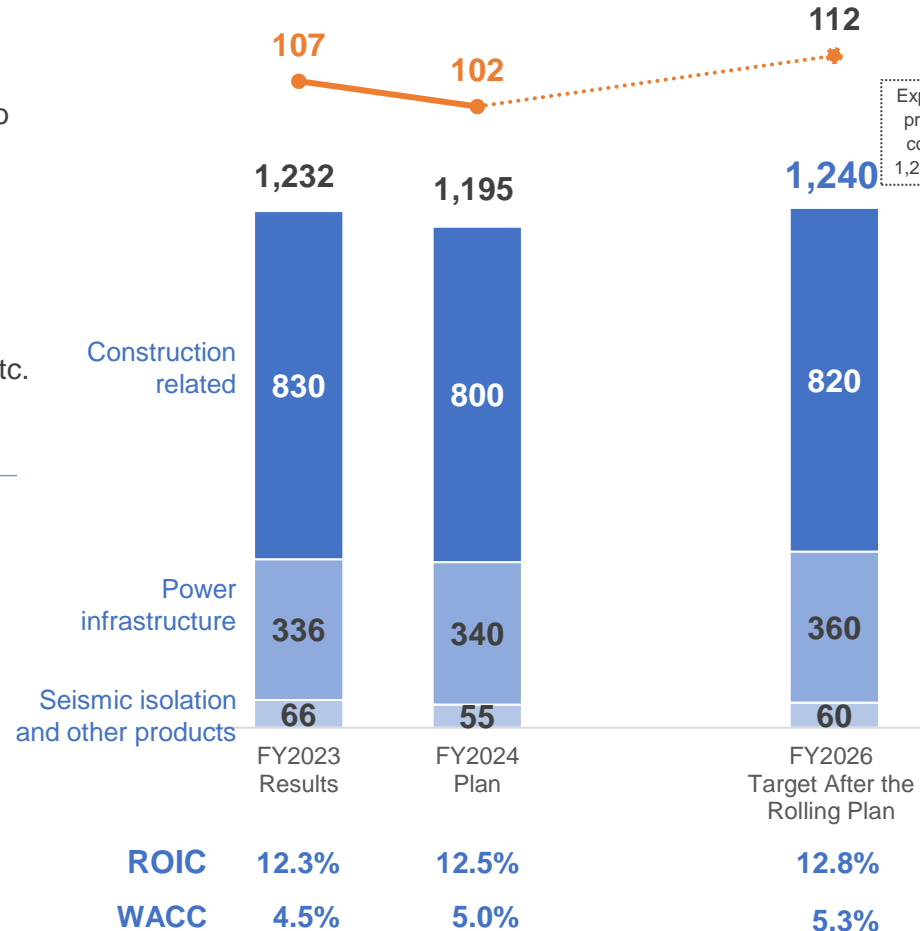
- Construction**
- Increased demand due to redevelopment activities in the Tokyo metropolitan area
 - Higher demand for new factory construction and the Osaka Expo
 - Lengthened construction schedules due to labor shortages
- Electricity**
- Expanded demand to upgrade aging equipment
 - Growth in demand to expand power transmission and distribution networks
 - Withdrawal of competitors
 - Expansion of demand for offshore wind, etc.
 - Growth in demand for large-scale data centers

Basic Strategy

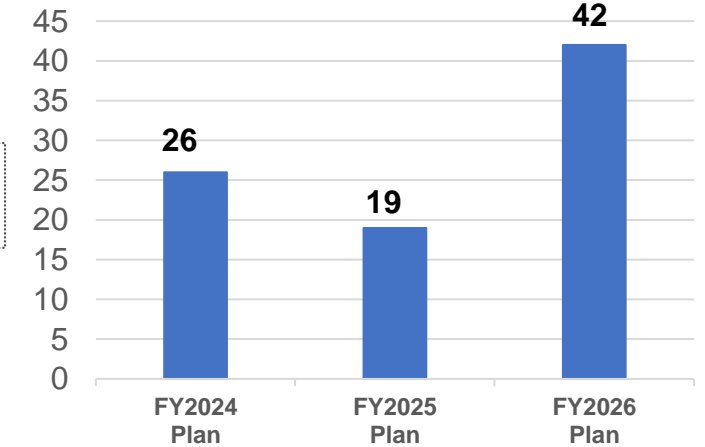
- Construction**
- Raise profitability with differentiating products (high-end disaster resilient cables, workload-reducing cables)
 - Improve profitability by implementing
- Electricity**
- Maximize contributions from investments in increased production of SICONEX® connectors for high-voltage power cables
 - Promotion of human resources training
 - Promotion of solution-oriented businesses (Smart Stream)

Medium-term Rolling Plan Targets

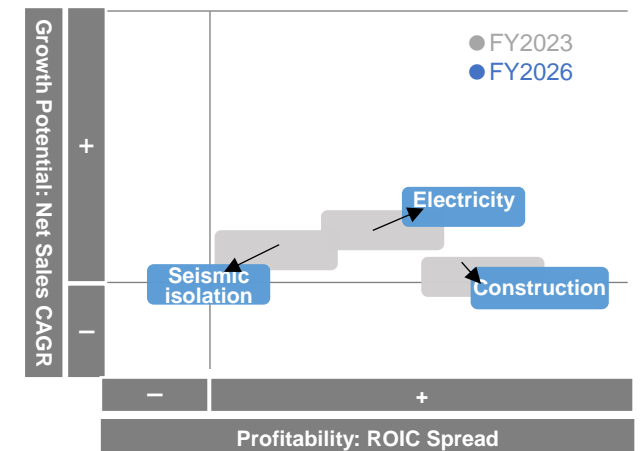
Net sales and operating income (100 million yen)



Capital Investment Plan (100 million yen)



Comparison of FY2023 and FY2026 Portfolios





SWCC Corporation

<https://www.swcc.co.jp/eng/company>

Forward-looking statements in this document are based on information available at the time of publication and contain potential risks and uncertainties.

Therefore, actual results may differ materially from those projected in the forward-looking statements as a result of various factors.

Factors that could influence actual results include economic conditions, demand trends, raw material prices, and exchange rate fluctuations, as well as other items not limited to the above.