

SWCC Corporation

Summary of Q&A about Financial Results Briefing for Fiscal Year Ended March 2025

Date: Monday, May 19, 2025

Location: Marunouchi, Chiyoda-ku, Tokyo

Q Am I correct in understanding that your FY2025 forecast for the Energy and Infrastructure Business is a conservative forecast?

A It is a forecast that factors in and fully considers the negative impact of construction delays and other factors in the construction sector, which started becoming evident from Q4 FY2024.

Q Are you still implementing initiatives to increase profitability by shifting to higher voltage products and solutions under the SICOPUS® (SICONEX®, cable equipment and construction projects) business model?

A Our strategy is still to assign our own construction engineers to the ultra high voltage classes of 154kV and 275kV, which are requirements for more sophisticated construction technologies, and to have the construction engineers of our partner companies take charge of the voltage classes of 66kV, 77kV and lower. Our construction training program for partner company engineers has now reached its seventh intake. The voltage classifications for connecting large wind power projects to the grid are increasing as a result of the larger output capacities of these projects and the application of 154kV voltage level equipment is increasing. We are working with the construction engineers of our partner companies to build a framework enabling us to undertake construction projects. Taking the rate of progress of large wind power projects into consideration, we believe it will be some time before we reap the rewards of our efforts. In addition to measures related to construction work, we are also taking measures to improve the way we hold intermediate stock and the way we purchase materials in connection with the production of power cables and SICONEX® products. Through this, we intend to reduce inventories and bring about improvement in cash flow.

Q What is the demand trend and outlook for SICONEX®?

A At the beginning of FY2024 when we started up production facilities built in the first phase of expansion, we faced an uphill struggle; nonetheless, if net sales of SICONEX® in FY2023 equalled 100, then net sales in FY2024 were 150. We expect demand for SICONEX® to continue growing in the future, and there is no downside at present. This fiscal year, we will demonstrate our actual production capacity by capturing demand, increasing staff and taking

other necessary action and believe we can aim for net sales on the same basis of 180 or more. From FY2025, we will make a start on the replacement of equipment within Sagamihara Office and the second phase of expansion of production facilities, and expect to be able to expand sales on the same basis to 220 in FY2026.

Q What is the outlook for core products in the Communication and Components Business?

A In the Communication Cables category, while we have made good progress improving profitability, we intend to boost profitability still further in FY2025 through overseas sales expansion of e-Ribbon® products. Net sales of e-Ribbon® products amounted to hundreds of millions of yen in FY2024, but we intend to increase sales to several billions of yen this fiscal year. We will also see to it that FLANTEC®, which is a brand of LAN cables, contributes further to profit, with emphasis on sales for automotive applications. The Mobility and Semiconductors category is the area in which we have highest expectations of TOTOKU. We expect further expansion in overseas business through the creation of synergies with us.

Q Is there any difference in demand trends for the products of SWCC and those of TOTOKU?

A The demand trends are different. For example, in the case of automotive seat heater products, whereas our products used in luxury brands produced by Japanese automakers, TOTOKU's products also target mass market brands and are strong in overseas markets as well. Also in the case of probe pins for the semiconductor testing equipment market, the processes in which our products and those of TOTOKU are used are different, and TOTOKU has probe pin processing technology which we did not have, opening up the range of proposals we can make to customers.

Q What is the impact of triple insulated wire on financial results? Is there room for growth?

A We ship triple insulated wire to a major switching power supply manufacturer. While this is a niche market, with the global market leader as our customer, we expect triple insulated wire to contribute to our performance both in terms of sales and profit alongside market growth.

Q Am I right in understanding that the subsegments where growth is expected in the future are “Power infrastructure,” “Communication cables” and “Mobility and semiconductor products?” Is there scope for improvement in the profit margin in each of these subsegments?

A Yes, your understanding is right. In the Energy and Infrastructure Business, demand for power infrastructure is not something that is going to fade in the next few years. We believe it is demand that will continue long into the future, underpinned by themes such as the upgrading of aging transmission networks, resilience, and carbon neutrality. However, we believe that we need to further expand the scope of targeted markets in order to achieve further growth, and we will explain this in more detail in our Medium-term Management Plan to be announced in February 2026.

In the Communication and Components Business, we will achieve growth through overseas expansion of e-Ribbon® products. In Japan, where the installation rate of optical fiber is high and growth has plateaued, we were unable to grow this business. In FY2024, when we started getting inquiries from countries around the world, our sales reached hundreds of millions of yen, and this fiscal year, we will aim for billions of yen in sales and also expect this business to contribute to profit.

In addition, we also intend to achieve growth in high-speed communication cable products for automotive applications. We completed capital investment in 2023, and began seeing sales and profit contributions from FY2024. We think that, in FY2025, we will have more inquiries and will be able to achieve further growth.

Q Can you still achieve selling price pass-through in a weak demand environment?

A If demand is weak, price negotiations become more difficult, but we intend to continue countering price increases going forward.