

SWCC Corporation (5805)

Q&A Sessions at the Small Meeting (FY3/25)

Date and time of implementation: Tuesday, June 10, 2025

Part I 14:30-15:30/Part II 16:00-17:00

Implementation site: Nihonbashi Kabutocho, Chuo-ku, Tokyo

Financial Results for FY2024

Q Please tell us about the outline of financial results for FY2024.

A It was a year that was driven by the energy infrastructure business. Sales, operating profit, and recurring profit all exceeded plans. YoY, sales increased, operating profit increased, and the operating profit margin improved 2.8pt. On the other hand, recurring profit has not grown because the parent company of the joint venture in China has fallen into financial difficulties and has set aside more than 9 billion yen for investment losses. Net income reached a record high, and the dividend per share was also able to increase by ¥16 at the end of the fiscal year. ROE and ROIC, which are key KPI, reached 14.3% and 11.9%, respectively, achieving the targets set for the final year of the medium-term management plan of schedule earlier.

By segment, the Energy & Infrastructure segment posted operating profit of 18.1 billion yen, which was the driving force the company's performance. Meanwhile, in the Electronics and Components segment, the company worked to strengthen its products for xEV, but operating profit was 1.4 billion yen, which was lower than the previous year's result, leaving an issue for products for Japanese automakers. The Telecommunications and Industrial Devices segment was able to significantly increase operating profit to 2.8 billion yen, and the operating profit margin improved to 7.9%. However, it is still small compared to the Energy & Infrastructure segment. We will integrate the electrical equipment and components business with the telecommunications and industrial devices business and add TOTOKU business to make it the second pillar of growth.

Energy Infrastructure Business

Q Regarding the sub-segment "Electric Power Infrastructure" of the Energy & Infrastructure Business, I think there is a tendency toward the smoothing out of construction over the year. However, is it possible to capture replacement demand for transformers in areas where there is room for the operation of construction personnel in the 1H of the annual year?

A The reason for the assumption that this period will be weighed toward 2H is that "Construction-related" is expected to be in a demand adjustment phase in 1H, and "Construction-related" large-scale plants and data center projects are expected to emerge from 2H. Electricity Infrastructure is progressing as planned in 1Q. As you are aware, we are continuing to upgrade our transformers,

and we will invest in increased production of SICONEX[®] to ensure that we do not lag the industry-wide trends.

Q Learn about SICOPLUS[®] sharing, planning to expand manufacturing capacity, and measures to ensure human resources.

A SICOPLUS[®] refers to the entirety of SICONEX[®], which includes 3 products of construction and cabling that accompany it. Although the shares listed in the materials are for SICONEX[®] only, it is acceptable to consider the share of SICONEX[®] as the share of SICOPLUS[®] as it is often accompanied by cabling and construction when SICONEX[®] is sold. In 2024, it captured a large market share of 58% for electric power companies and 93% for private companies. In 2030, it will continue to expand sales aiming for a market share of nearly 90% for electric power companies. In terms of expanding manufacturing capacity, the Company is making capital investments of 2 billion yen to increase production from the second half of FY2026. Including the benefits of increased production from this 2H, SICONEX[®]'s sales in FY2026 are expected to be 2.2 times the FY2023 investment. Securing personnel is the most important issue for securing human resources. Though it is possible to attempt efficiency improvement by automation, labor saving and utilization of DX in the plant, it is difficult to rely on these measures in the construction. For this company, we are educating the construction personnel of partner companies at an early stage to increase the number of companies that can cooperate with our construction. In 2024, the number of cooperating companies increased to 6, and plans are in place to increase the number to a dozen more by 2030.

Q Regarding SICONEX[®], are future sales trends due to the increase in sales volume? Is it due to improved selling prices?

A This figure considers not only the increase in sales volume but also the improvement in sales prices. In addition, the revision of the composition of the varieties is also considered.

Communications and Components Business

Q Why does e-Ribbon[®] appear to stretch less when I look at the "communications" of subsegments?

A Net sales for the sub-segment "Communications" are expected to increase by ¥1.3 billion YoY, but this is due to the impact of changes in some copper prices and ▲800-million-yen impact of withdrawals from unprofitable products, in addition to the expansion of sales for most e-Ribbon[®]. As for e-Ribbon[®], it is highly likely that sales will expand further in the future, so we will aim for the Upside.

Q Tell us about the changes in assumptions other than e-Ribbon® in the telecommunications business, a subsegment of the telecommunications and components business.

A Regarding LAN Cables for offices, the domestic market share is around 40%, and demand is also growing. In particular, the product-mix will improve as the more profitable Cat.6A is scheduled to grow. Demand for automotive high-speed communication cables used for automobile back view monitors, etc. is expected to be on par with the previous fiscal year, but there have been quite a few new inquiries. They are expected to contribute to sales from FY2026, and the company is considering investments to increase production from FY2026 onward. The company's growth-oriented strategy remains unchanged in that it will increase LAN cable Cat.6A and automotive high-speed telecommunications cable.

About e-Ribbon®

Q Is it OK to recognize that the overseas partner who sells e-Ribbon® is the overseas cable manufacturer?

A As you recognize.

Q Regarding e-Ribbon®, although the number of partner companies has not changed since the last small meeting held in February, what is the background to the sales in the outlook for sales?

A There is no change in the number of partner companies, but this is due to an increase in demand from major partners.

Q What level of e-Ribbon® net sales should be imaged in FY2026?

A We will refrain from answering specific figures.

Q Tell us the timeline and scale of capacity enhancement for e-Ribbon®.

A Manufacturing capacity is adequate in terms of the scale of demand in FY2025. Since demand is expected to increase further in FY2026, we will discuss with overseas partners the details of contracts and future production volume and will proceed to increase capacity by the latter half of FY2025. At present, domestic production is considered.

Q For major e-Ribbon® customers, please let us know their attributes, such as application-specific or area-specific.

A The application is for data centers, but details such as regions are not disclosed.

Q Regarding e-Ribbon® income, will the marginal income increase in FY 2025 and FY 2026, or will fixed costs increase to a certain extent?

A Marginal profit is also expected to increase in line with net sales. Fixed costs will increase to some extent, but we believe that the operating margin will be able to secure the current level of 10% or more.

Q In terms of e-Ribbon[®], what is the current availability of manufacturing facilities? Is it possible to manufacture within capacity?

A Currently, it is manufactured in capacity, but it is operating at a high load condition. We will advance discussions with overseas partners with a view to investment in the current fiscal year.

Q Regarding e-Ribbon[®], is there any possibility of incomes squeeze from rising fixed costs when investing in increased production?

A The investment amount is kept to a minimum and the fixed cost increase is kept. It is considered that it will be able to secure the current profit level in FY2026 as well.

Q Are e-Ribbon[®] being evaluated for customization as to whether they compete with the cost of mass production?

A Overseas partners are highly regarded for our customization capabilities, and we can segregate these capabilities from competitors that have strengths in mass production.

TOTOKU

Q Please tell us about the current issues and the status of PMI with TOTOKU.

A 2 months have passed since PMI was launched, but I feel that the 2 companies have developed a mutual understanding. The industry is the same, so mutual understanding is quick. We will work on generating synergies but expect to be able to achieve results in the remaining period.

Q How will DBJ and governance-based system for PMI with TOTOKU be established?

A It is a scheme of joint investment with DBJ, but the majority have with us. Our management is also entrusted to us, and we have appointed our personnel as officers.

Q Is PMI with TOTOKU highly compatible with SWCC? Is there an agreement on the direction to be taken in the future?

A The 2 years that Carlyle has been under its control have brought about advantages in terms of governance and other aspects. However, the company has tried to increase its corporate value in a short period of time, and there are some areas that need to be revised in terms of the policy duration. We will aim for further growth by identifying differences from ours, which are aimed at sustainable growth. Regarding the affinity between TOTOKU and us, the concept of the Components Business is consistent and has a high affinity. Both companies changed their

company names with the intention of becoming a component manufacturer from a wire manufacturer and are working on mobility and the semiconductor market as growth areas. It is also a major factor that has led to M&A.

Q Do you intend to increase the manufacturing capacity of TOTOKU in the next 1-2 years?

A There are 3 main TOTOKU products-sheet heater wire, 3-layer insulated wire, and contact probe-but there is still some excess capacity in terms of manufacturing capacity, and it is not in full operation. However, the company believes that it will need to discuss enhancement while exchanging views with global-leading customers and will discuss this with TOTOKU in PMI going forward.

Q If we find a business that is less than ROIC level defined by SWCC for TOTOKU, can restructuring occur?

A TOTOKU has not ROIC management, but TOTOKU also has a history of abandoning the electric wire business. The idea of improving profitability is consistent, so we will consider it as needed.

Q Regarding TOTOKU, the impression was that there were many good products, but there were issues with some products and marketing capabilities. The company also recognizes that there were times when it was strongly influenced by the parent company and had less freedom of management. However, the company recognizes that the operating profit margin was high at around 15%, so it is expected that it will be able to reach 20-30% going forward. What are your thoughts on these?

A We had a certain understanding of this issue. Prior to the acquisition by Carlyle, net sales were more than 30 billion yen, but there was a past of around 20 billion due to the contraction of unprofitable businesses. The Company is currently in the process of PMI while assessing room to improve profitability and prices.

While there are still issues related to marketing capabilities, there is a technological capability that reflects customer needs in products. We expect to be able to capture more needs while also leveraging our customer base and network. Going forward, the future believes that utilizing the technologies of both companies and conducting joint development will lead to synergies.

Regarding management flexibility, the Company will proceed with a structure that will enable TOTOKU to grow its strengths through PMI and create synergies.