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SWCC Corporation

Q&A Sessions at the Small Meeting

Date: Thursday, September 10, 2026

Location: Marunouchi, Chiyoda-ku, Tokyo



[Q]: I have one broad question. Looking at both your annual guidance and the somewhat longer-term perspective of the medium-term management plan, your results have continued to significantly exceed your forecasts. When formulating this guidance and the medium-term management plan, what kinds of discussions actually take place among internal directors, outside directors, and people on the front lines?

Is it simply a tendency to consistently take a cautious view of risks, or has the external environment been significantly stronger than you expected?

In particular, your investor base has recently expanded beyond Japanese investors to include more overseas investors. We have heard concerns that overly conservative plans or guidance could lead to volatility in the share price. Could you explain how you discuss both the short-term outlook and the medium- to long-term outlook internally?

[A]: Thank you for your question. I will answer that.

First, regarding the medium-term management plan, when we formulated the new plan that we launched in February this year, as Mr. Sakakura mentioned earlier, we held executive retreats twice a year, and much of the medium-term management plan was developed through discussions at those retreats.

We held retreats in April and again in the fall of last year. We began with management presenting the external environment based on qualitative data, explaining the environment we believed we were operating in. Based on that, we first discussed our target sales, the direction of our business strategies, and how those strategies should be structured. We then quantified those discussions toward the fall retreat. Before disclosure, we further discussed potential upside and risks, and the plan was ultimately approved and determined by the Board of Directors.

Regarding our FY2026 guidance for the first year of the plan, conditions changed from when we had discussed the medium-term management plan. From the disclosure in February through late February and into March, market stress and risks increased significantly due to factors including the situation in the Middle East. We discussed the risks perceived by management and those perceived by the outside directors.

Ultimately, regarding materials affecting our power infrastructure business, particularly the procurement of naphtha-derived materials, where uncertainty was extremely high, we applied a certain degree of stress to our assumptions. We also assumed that copper prices would not rise significantly from those levels. Based on those assumptions, we ultimately established the outlook announced in May.

On the other hand, over the subsequent three months, some of the stress factors we had anticipated eased. In addition, regarding higher material prices, I believe our sales activities got off to a very strong start in passing those increases on through selling prices.

As those concerns eased, this led to the upward revision to our fiscal year outlook that we explained today. In other words, we formulate our outlook by incorporating the latest available information into our discussions at each point in time.

I believe your question also implies that our current FY2026 operating profit forecast of JPY33 billion represents very strong initial progress toward the JPY40 billion operating profit target for FY2030 under the medium-term management plan. It is true that we now expect to build profit more strongly from the first year than we initially anticipated.

Our medium-term management plan covers five years, and we generally review it on a rolling basis around the midpoint, taking changes in circumstances into account. Given the current situation, we recognize that around the midpoint of the plan, we may need to review our FY2030 performance targets based on our progress at that time.

In addition, as we explained today, we are advancing our inorganic growth and business development strategy, including M&A. If potential transactions continue to progress, we will also need to take those into consideration. That's all from me.

[Q]: Thank you. Since we have this valuable opportunity, if Mr. Sakakura could also comment on this point, I would appreciate it.

[A]: This is Sakakura, Outside Director.

The Board of Directors frequently discusses our performance forecasts and actual results. At the Board meeting for the Q1 financial results, particularly regarding the energy & infrastructure segment, we discussed the fact that the budget formulated in February had to be revised upward only five months later, with actual performance significantly exceeding the original forecast. We have been asking management for quite some time, not only on this occasion, how these performance forecasts are formulated.

Naturally, we understand management's explanations to a reasonable extent. If you ask whether that means 100%, it is difficult to say. However, given factors such as the timing of specific contracts within the business and the extremely high volatility in resource prices recently, particularly copper and energy prices, I think it is inevitable that forecasts need to be somewhat conservative.

At the same time, investors may perceive those forecasts as overly conservative. I think that dilemma is quite difficult to resolve. As outside directors, rather than simply saying that an upward revision is a good thing, we intend to continue asking management to provide forecasts that are as accurate and highly probable as possible. That's all.

[Q]: I have two main questions.

First, regarding the outlook for the e-Ribbon business, could you provide an update on the growth potential of demand and your outlook for expanding the scope of the business into optical cables? At the same time, is there a risk that your customers could bring ribbon processing in-house? Could you provide an update on that point as well?

Second, since we have this opportunity, I would like to ask Mr. Sakakura a question. You have an M&A investment budget of JPY80 billion for inorganic growth.

At some point going forward, I assume the Board will discuss a major M&A transaction. As an Outside Director, what criteria would you use in making such a decision? What would you place the greatest importance on? Those are my two questions.

[A]: Thank you for your questions. I will answer the first question regarding e-Ribbon.

e-Ribbon began increasing sales significantly from H2 of last year, and we expect sales to grow substantially further this fiscal year and continue growing toward FY2030. Under the medium-term management plan, we have announced growth investments to increase production

capacity to seven times the FY2025 level. This is the first year of that initiative, and demand itself remains extremely strong.

To achieve our FY2030 plan, we believe it is important to make capacity expansion investments at an early stage, establish the production structure needed to reach seven times capacity as soon as possible, and reliably capture the demand inquiries we are currently receiving.

You also mentioned expanding into cables. SWCC is an electric wire manufacturer and has cable manufacturing capabilities in addition to ribbon processing. First, we intend to utilize our existing equipment to manufacture cables for customers who request delivery in cable form.

At the same time, it would be a significant missed opportunity to limit ourselves solely to the capacity of our existing equipment. We believe we are now at the stage of considering whether we can further expand cable sales by making additional investments on top of the growth investments currently planned and presented here.

Demand is strong, but it remains important to secure optical fiber procurement carefully and reliably while broadly diversifying and hedging procurement risks.

You also asked about the risk that customers purchasing our e-Ribbon could bring production in-house. I do not think we can say that there is absolutely no such risk.

However, this product requires a very high level of technical capability. It is based on technology originating in Japan that we have refined over time, including patented technologies and production technologies that provide high productivity. We therefore believe there are certain barriers to entry.

We also intend to maintain the competitive advantage of our e-Ribbon by further improving our technology, including enhancing the productivity of our existing technologies. That's all.

[A]: This is Sakakura.

Regarding the criteria I would use as an Outside Director when evaluating M&A, the most important point is whether the transaction is aligned with the direction SWCC aims to pursue over the medium to long term, and whether it will enhance shareholder value over the medium to long term. That is the fundamental criterion.

Another point is management's commitment. When we acquired TOTOKU, I repeatedly asked Chairman Hasegawa and President Komata whether they were truly committed to the transaction as top management.

Simply saying, "This opportunity came to us and the valuation looks reasonable, so let's buy it," would be completely unacceptable. The most important consideration is whether the transaction is consistent with the direction the Company is pursuing toward FY2030 and FY2036.

Another consideration is that JPY80 billion is a very large amount for our company, so I believe we need to diversify transactions to some extent. M&A is often said to have a high failure rate. While there may be short-term failures, I do not necessarily believe that M&A has a high failure rate over the medium to long term. Nevertheless, I do not think it would be appropriate to undertake a single transaction that could have an excessive impact on our financial position.

We are currently seeking to expand into areas such as global markets and semiconductors, so I believe we should pursue several transactions. In addition, when managing newly acquired companies, whether the people in those companies fit with SWCC's chemistry is also surprisingly important, even though it is not something that can be assessed through purely economic measures. I hope that answers your question.

[Q]: I have two main questions. First, regarding the semiconductor business, could you provide your latest outlook? What level of profit growth do you currently expect through FY2030? Looking at today's materials, I get the impression that your outlook has become somewhat more positive again. Could you share your latest view?

[A]: Thank you for your question. Regarding semiconductor growth, certainly in FY2026, which is TOTOKU's second year within the Group, demand, inquiries, and orders have exceeded our expectations since Q1, particularly for semiconductor probe pins and TIW. TIW is categorized within the semiconductor business, although it is actually a product for AI servers.

Orders for both probe pins and TIW continue to accumulate beyond our expectations, so we are certainly seeing stronger momentum than anticipated. For probe pins, our immediate priority is determining how much of this demand we can fulfill. TOTOKU is currently increasing production of pins for semiconductor back-end processes.

This is relatively labor-intensive, so we are using TOTOKU's operations in China to increase production by adding personnel. However, there are limits to how much can be achieved through labor alone, so we are also proceeding with capital investment in parallel. As I mentioned earlier, we are considering whether we can bring those investments forward. We are

also beginning to believe that the level of investment currently planned through FY2030 may not be sufficient, so we are reviewing that as well.

At the same time, in terms of growth potential, products developed by SWCC for front-end processes are also increasingly expected to generate a meaningful level of sales this year. That is another factor behind the more positive tone of our outlook. Profitability is also improving. There are various sizes of probe pins, and generally, the thinner the pin, the higher its added value. In particular, as AI semiconductors become increasingly miniaturized, thinner pins are required. We are currently seeing growth in these higher-margin products. We believe this demonstrates that we are successfully capturing demand associated with AI and semiconductors.

You can therefore understand that we are beginning to see potential for performance to move another step above what we originally presented under the medium-term management plan. That's all.

[Q]: My second question concerns your approach to businesses facing challenges, particularly following the sale of AXIO. In the medium-term management plan announced at the beginning of the year, I believe you stated that you would assess these businesses within two years. Could you discuss the progress so far? Also, if Mr. Sakakura could comment on how the Board is discussing this issue from an Outside Director's perspective, I would appreciate it.

[A]: Thank you for your question. I believe you are referring to the progress of businesses we identified as challenged businesses and businesses requiring transformation within our business portfolio management reforms under the medium-term management plan.

First, as Mr. Kamijo explained earlier, through our ROIC-based management, we assess profitability using the ROIC-WACC spread for each business. We also assess the growth potential of each business using sales CAGR. We plot these on two axes across four quadrants. For profitability, we have established a 3% ROIC spread as the threshold for identifying businesses where we see challenges or believe transformation is necessary.

Below or around that threshold, mobility has been classified as a challenged business, as has Industrial.

These businesses contain a variety of products, so over a two-year period we are taking measures such as discontinuing low-profit products, raising prices, and consolidating sites to

improve productivity. By the end of FY2027, we intend to determine whether these businesses can firmly achieve an ROIC spread above 3%.

In addressing these challenges, if we conclude that no matter what we do, SWCC is not the best owner, then naturally a sale becomes one option. AXIO, which you mentioned, is one example. AXIO was an IT solutions business operating within our group as an electric wire manufacturer.

As Mr. Sakakura explained earlier, we concluded from the perspective of whether we could manage the business appropriately that SWCC was not the best owner, and we therefore sold it. A sale could similarly become one option for resolving issues in other challenged businesses under the same approach.

At the same time, these two businesses alone account for approximately 30% of sales. Naturally, we will make every possible effort to improve their profitability while considering other options in parallel. Mr. Sakakura?

[A]: This is Sakakura, Outside Director. We have said that we will assess progress within two years, but that does not mean that the Board or outside directors will simply close our eyes for two years. Nor does it mean that if a business has not improved after exactly two years, we will automatically discontinue it.

Whether it's a business restructuring, a business facing challenges, or a newly acquired venture, the Board of Directors would like to monitor the direction and measures being taken by management—specifically, how they view the current situation and how they intend to address it.

For example, even if a business is currently struggling, if management presents a clear plan showing that there is an opportunity to recover in the future and explains what actions will be taken to achieve that, I do not believe the Board or outside directors would simply oppose it.

As we seek to enhance value over the medium to long term, whether a transformation business or a challenged business, businesses with the potential to improve will improve, while those that cannot will deteriorate. We want to carefully assess management's approach to determining which is which. I hope that answers your question.

[Q]: If the equity ratio consistently exceeds 50%, is there a possibility that you would flexibly conduct share repurchases to prevent your currently high ROE from declining? I understand, of course, that there are various considerations, such as maintaining sufficient funds to make growth investments whenever opportunities arise.

[A]: Our performance has improved considerably from the difficult periods we experienced in the past, and we are now in a growth phase. Operating profit has accumulated significantly, and as a result, our capital base has also strengthened considerably.

In absolute terms, shareholders' equity has exceeded JPY100 billion, and the equity ratio is also rising.

If this trend continues, there is a possibility that the equity ratio will rise further.

Regarding shareholder returns, as we have currently indicated, operating profit has been increasing, so we are primarily returning profits to shareholders through dividends.

From the perspective of the relationship between debt and equity, as CFO, I also need to manage the cost of capital and WACC. If equity continues to accumulate and the proportion of debt declines, WACC will increase. We therefore intend to manage this appropriately by optimizing our cost of capital.

There are various ways to do this on the shareholder return side, such as share repurchases or increasing dividends further. At the same time, because we are in a growth phase, I believe the more fundamental approach is to make appropriate use of debt.

Under our cash allocation plan, we have indicated that we plan JPY25 billion of debt financing during the medium-term management plan period. As I mentioned earlier, given the current growth potential of our businesses and the increasing need for additional growth investment, we may use our improving cash flow to fund some of these investments. However, if that is insufficient, we may also need to increase debt financing further.

With that in mind, rather than allowing equity to accumulate unilaterally, we intend to utilize a certain level of debt and maintain the equity ratio as much as possible. If there are no investment opportunities, we may need to reconsider how we return capital to shareholders. The question is how we use the cash we have on hand.

In the past, in 2023, we conducted a share repurchase. At that time, our share price was significantly lower than it is today, at approximately JPY2,500, and our PBR was below 1x. We considered the shares undervalued and therefore conducted the repurchase.

We make decisions about how to use available funds from various perspectives, including whether to effectively invest in our own company through share repurchases, invest in businesses, or repay borrowings. At present, however, as I have mentioned, we are in a growth

phase. Our organic businesses continue to grow, and we also believe there are ample opportunities for inorganic investment.

Accordingly, we intend to control the equity ratio while increasing debt to some extent. Regarding shareholder returns, we intend to increase operating profit and return profits to shareholders through dividends based on our dividend payout ratio. That is our current thinking.

[Q]: I have 1 question regarding SICONEX, which you have discussed previously, specifically its overseas expansion. I believe this topic has been discussed since around 2 thematic briefings ago, and it may also relate to the investment discipline discussed on page 19 of today's materials.

SICONEX has achieved a very strong track record in Japan, established competitive advantages, and increasingly become a de facto standard. However, the overseas environment will differ from Japan. In Japan, you have sold SICONEX together with installation work as SICOPUS, whereas you have previously indicated that the overseas business model may be different.

Could you provide an update on the discussions that have led you to consider making investments overseas, particularly whether you believe you can establish a similar competitive advantage, increase volumes, and achieve a similar level of profitability overseas?

[A]: Thank you.

Under the current medium-term management plan, we have finally identified overseas expansion as a strategic direction for SICONEX. SICONEX is a product with competitive advantages in addressing social issues in Japan, and we have been able to significantly increase its domestic market share. Expanding into overseas markets is one of the strategies we have set under the medium-term management plan.

As I mentioned earlier, however, there is a gap between a product that is highly competitive in Japan and one that can immediately solve challenges overseas. We are currently conducting marketing activities to identify the countries where SICONEX's advantages can be utilized and where its functionality will be properly recognized. That is currently the central focus of our discussions and marketing activities.

In any case, the product is designed to Japanese standards, so we first need to develop versions that comply with overseas standards. That will take time. Taking the development period into account, we would like to begin establishing a track record during the latter half of the medium-term management plan, around FY2029 and FY2030.

As you mentioned, in Japan we have enhanced our competitive advantage by combining 3 elements: SICONEX, power cables, and installation work. Overseas, however, if we attempt to include all 3 elements in the service from the outset, the scale and scope of development would become much larger. We therefore expect to initially enter overseas markets with SICONEX as a standalone product.

A major factor in the investment decision will be where to manufacture the product. We need to determine whether manufacturing in Japan and exporting will be competitive, or whether local production for local consumption will be necessary. Where to manufacture will therefore be a key factor in our investment decision. As I mentioned earlier, we are proceeding by first carefully identifying which countries and markets we should target. That's all.

[Q]: In your discussion of Board effectiveness, you mentioned strengthening risk management, internal controls across the Group, and governance.

As you increase growth investments and expand your business domains into areas such as e-Ribbon, semiconductors, and related overseas businesses, have there been any changes in your risk monitoring framework, the KPIs you monitor, or your internal control systems? Also, are there any areas that you believe need to be strengthened further going forward? I would appreciate your comments on this opportunity.

[A]: This is Sakakura. It is certainly not the case that only outside directors or Audit & Supervisory Committee Members are responsible for auditing. We work in close coordination among the Internal Audit Department, the accounting auditor, and the Audit & Supervisory Committee through the three-party audit framework. As the Group grows, as you mentioned, risks will likely emerge that we would never previously have considered as an electric wire manufacturer.

If you ask whether we currently have specific KPIs established for each of those risks, I cannot say that we do. However, from a qualitative perspective, we are working to prevent problems by strengthening coordination among the accounting auditor, Audit & Supervisory Committee

Members, outside directors, and the Internal Audit Department across a wide range of areas. We intend to strengthen these efforts further going forward.

Global expansion in particular is currently one of our major challenges. During the many years when the Company faced difficult conditions, we did not significantly expand our overseas businesses, so in some respects this remains unfamiliar territory for us. However, many of our outside directors, including myself, have extensive overseas experience. In fact, most of us do. We intend to make use of that experience in providing oversight.

I mentioned CEO succession planning earlier, but another important issue is succession planning for outside directors. From that perspective as well, we intend to continue appointing outside directors who have the ability to assess these issues, the capability to address them, and the commitment required to do so. That's all.