

SWCC Corporation

Q & A Sessions at the Institutional Investor Meeting (Q3 FY3/25)

Date: Monday, February 17, 2025

Session 1: 9:30 – 10:30; Session 2: 11:00 – 12:00

Location: Kabutocho, Nihonbashi, Chuo-ku, Tokyo

Company-Wide Q&A

Q What is the upside potential for operating profit in Q4 FY2024 and the risks incorporated in the forecast?

A In Q3, despite the smoothing out of construction-related projects over the fiscal year, the usual Q3 demand surge was observed this year as well. For Q4, demand in construction and power infrastructure sectors must be closely monitored. However, since demand typically stabilizes in Q4, we have maintained our initial forecast.

Q Is the FY2026 operating profit target of 24.0 billion yen, revised in the medium-term management plan, a conservative figure?

A While not an easily achievable figure, we consider it a highly attainable target.

Q The shareholder return target for FY2026 remains unchanged in the revised medium-term plan. Could you provide some comments on this?

A Our approach is to increase shareholder returns by driving profit growth rather than adjusting payout ratios and DOE.

Q Regarding the sale of part of the land at the Sagamihara facility in November, what was the original use of the site, and why was the decision made to sell rather than utilize it?

A This is the land previously housed a sports ground and a SICONEX® factory. While there was an initial plan to lease the land for warehouse use, the expected rental yield was only 1–2%, which was relatively low.

Meanwhile, as our core business now generates over 10% returns, we determined that reinvesting the funds into new business ventures would be a more efficient use of capital.

Energy and Infrastructure Business

Q Will profitability improvements in the Energy and Infrastructure Business continue through further price revisions?

A In the construction-related sector, price revisions had not progressed as expected. However, the wire shortage last year led to a growing recognition of the true value of power cables. In power infrastructure, we expect further increases in value-added offerings. Particularly, SICONEX® remains our unique competitive advantage, and we believe there is continued room for profitability improvements in this area.

Q What is the outlook for SICONEX® supply capacity?

A Production capacity expansion investments were made at the end of FY3/24. Investments have been allocated to double sales by FY2026 (compared to FY2023), but demand remains so strong that supply shortages persist. As a result, additional production expansion investments are planned, with increased supply capacity expected in H2 of FY2026. Installation capabilities will also be enhanced in parallel.

Q What is the outlook for continued strong demand in the power infrastructure sector?

A Aging substations across Japan are driving replacement demand, alongside the need to strengthen the power transmission and distribution network. There are approximately 5,700 substations nationwide, with around 260 transformers replaced annually, indicating that strong demand will persist.

Additionally, the spread of renewable energy has created further demand for transmission and substation infrastructure to deliver power from generation sites to consumption areas. Data centers, which consume large amounts of electricity, are also contributing to increased demand. Furthermore, with NGK Insulators exiting the market, demand for SICONEX® has increased even further.

Electrical Equipment and Components Business

Q Are there any plans to reduce costs in the Electrical Equipment and Components Business, such as compressing production capacity?

A Although the growth of the xEV (electric vehicle) market has been delayed, strong demand is expected in the future. As long as we time our production capacity expansion investments correctly, we believe we can meet demand without increasing costs. Additionally, our downstream strategy is becoming clearer, allowing us to improve profitability beyond xEV-related products. New demand is emerging in areas such as humanoid robots, reinforcing our strategy to diversify beyond xEVs and expand

opportunities downstream.

Communication and Industrial Devices Business

Q Despite an improved product mix, the mid-term target for operating profit in the Communication and Industrial Devices Business remains unchanged. Have any risks been factored into this decision?

A We have maintained the operating profit forecast, considering the expected decline in profitability of wire harness sales for Japanese home appliance manufacturers.

Q Why does SWCC hold a high market share for FLANTEC® in the domestic office market?

A Quality and supply capacity are our key strengths. Our high-quality standards are highly valued by customers. In terms of supply capacity, we have actively invested in production facilities for high-performance LAN cables (Cat.6A), enabling us to capture the increasing demand in the future.

Q What specific initiatives have been taken to improve productivity at the Kofu Plant?

A The Kofu Plant specializes in high-performance LAN cable manufacturing. We have developed a system to optimize costs by consolidating production lots while limiting product variations. Additionally, we are increasing the production ratio of Cat.6A cables, which are more profitable than Cat.5E cables.

Q Regarding e-Ribbon®, what does "partner" refer to? Is it a supplier or a buyer?

A "Partners" refer to buyers who have expressed interest in our products in the U.S., Europe, and Asia (excluding China). In many cases, suppliers and buyers are the same entities.

Q What is your competitive advantage for e-Ribbon® against competitors?

A We recognize that competitors primarily process and sell their own optical fibers as their strategy. In contrast, we process and sell ribbonized optical fibers from overseas partners. While we have the capability to manufacture finished products entirely in-house, we believe there is strong demand for processing customers' own optical fibers. This approach allows us to meet customer needs in terms of both pricing and performance, which is a key strength. By forming strong partnerships with major buyers, we can enhance profitability while keeping investment costs low.

Q Which markets and sectors are expected to see significant growth for e-Ribbon® by FY2026?

A Our main target market is the North American data center sector. Additionally, we have received interest from European partners, so Europe is also considered a key focus market.

Q The number of potential partners is increasing. How certain is the expected revenue? Are your projections conservative, factoring in potential risks?

A FY2025, we expect to have progressed to the stage just before actual deliveries begin. The necessary investments for delivery have already been completed, and we consider the revenue outlook to be highly certain.

Q What were the key progress points for e-Ribbon® in Q3 FY2024?

A We are currently continuing steady deliveries to data centers. Additionally, we are engaged in business negotiations with overseas partners, and technical evaluations are being finalized. Our goal is to achieve a strong start next fiscal year.

Q What is the expected sales breakdown between data centers and telecom-related applications for e-Ribbon®? Also, what is the projected share of sales to the U.S.?

A Until FY2026, the majority of sales are expected to come from the data center sector.