SWCC Corporation (5805)

Q&A Sessions at the Small Meeting (Q1 FY3/26)

Date and time of implementation: Friday, August 22, 2025

Part I 9:30-11:00/Part II 11:00-12:00

Implementation site: Nihonbashi Kabutocho, Chuo-ku, Tokyo

Synergies with TOTOKU

Q **Regarding the acquisition of TOTOKU, could you explain the status of the DD process and PMI?**

A We determined the valuation of TOTOKU in the course of conducting due diligence prior to the acquisition. We carried out PMI Day 100 focusing on business and governance, but the most significant synergies are on the business side. In particular, in the mobility and semiconductor fields, there is no customer overlap, which allows us to capture the market broadly through cross-selling and stronger marketing. We are also working on developing new products, and plan to incorporate numerical targets into the new medium-term management plan scheduled to be disclosed in February 2026. As a target image, we aim to achieve 0.5 billion yen in operating profit synergies, and we are working to reach that level in the next fiscal year.

Q **From TOTOKU's perspective, what do you see as SWCC's strengths and areas for improvement?**

A We recognize SWCC's strengths as its material capabilities and its strong talent base, which TOTOKU does not have. As for areas for improvement, we believe it lies in both companies deepening their understanding of each other's businesses and refining the business models together.

Performance

Q **Which businesses are expected to grow in the second half and beyond?**

A Both sales and profit are planned to increase in the second half for both segments. In the Energy and Infrastructure Business, the main drivers are "Construction Cables" and "Power Infrastructure." For "Construction Cables," we are not assuming the same level of demand as in the first half of last year. We expect it to recover to last year's second-half level. Last year in the first half, we anticipated a reactionary decline due to a shortage of electric wires, but demand did not fall as expected, and results exceeded our assumptions. This year in the first half, however, the impact of the "2024 problem" has become apparent, with construction site activity not increasing on weekends, which affected results. We expect activity to return to last

year's levels in the second half as responses to this issue progress. Large development projects have been building up over the past few years, and results in the second half of last year and the outlook for this year's second half are rising to the same level. Sales

Q **Regarding TOTOKU, the profit balance between the first and second halves appears heavily weighted toward the second half when looking at the Q1 results. Could you explain in more detail?**

A In Q1, results tend to be somewhat weak due to the impact of the Chinese New Year. For semiconductors, market inventories are expected to be absorbed toward the second half. In addition, seat heaters are expected to increase in line with automobile demand. Therefore, at this point, we continue to see steady progress.

Communication and Components Business

Q **Regarding the Communication and Components Business portfolio on slide 9, could you break down the resolution and comment on the contribution and growth rate by product?**

A We are currently reviewing the figures for the new medium-term management plan, including synergies with TOTOKU, in order to set targets. With the addition of TOTOKU, seat heaters now have a 30% global market share. For heater wires, installation volume is increasing in both EVs and non-EVs. In addition, seat heaters are being adopted more widely beyond just seats to improve in-vehicle comfort, and we expect demand to continue growing. With such a significant share, our relationships with seat manufacturers are also strong, enabling steady growth. For contact probes, in addition to having a high global market share of 35%, SWCC has strong material development capabilities. We are currently providing samples to customers, and demand is increasing. TOTOKU's contact probes are the thinnest in the world and of high quality. Triple insulated winding wires are also expected to increase in line with rising demand for switching power supplies, and we have high expectations for growth.

Q **You mentioned that "Industrial Applications" will not pursue a sales expansion strategy, but how much room is there for margin improvement?**

A We are reviewing low-profitability businesses while considering synergies with TOTOKU. Some areas are still under review, but for winding wires for industrial machinery, for example, although global competition is intensifying with the rise of Chinese manufacturers, we are examining whether operating profit can be maintained by leveraging synergies and improving production efficiency, including overseas production bases (TOTOKU: Indonesia, the Philippines, China; SWCC: China, Vietnam).

Q **Within Communication Cables, what percentage of sales come from high value-added products?**

A About 30% of Communication Cables are high value-added products, such as FLANTEC® and e-Ribbon®.

Q **Within Communication Cables, what percentage of sales come from FLANTEC® and e-Ribbon®?**

A FLANTEC® accounts for about 20% and e-Ribbon® accounts for about 10%.
Increasing these ratios is important for driving the growth of the Communication and Components Business.

Q **Could you explain the challenges in profitability and the measures being taken for the Communication and Components segment?**

A One challenge we recognize is the operating margin, particularly in Mobility and Semiconductors. SWCC has long had a strategic product for drive motors called MiDiP®, but its profitability has not improved. With TOTOKU products now added to a portfolio that is about 80% MiDiP® and rectangular winding wires, sales increase by several billions of yen, and profitability can be raised by leveraging high-margin products such as probe pins. This will serve as one of the growth drivers. In addition, while we hold around a 40% domestic market share in LAN cables within Communication Cables, that alone does not raise profitability. By expanding FLANTEC® into different domains, we will enhance earnings. Although e-Ribbon® has very advanced technology, the challenge lies in the fact that the market is global. Now that the e-Ribbon® product name has begun to gain recognition, we are focusing on our strongest area—converting customer-specified fibers into e-Ribbon®. This model allows us to attach high margins.

e-Ribbon®

Q **What is the outlook for the future sales scale, profitability, and possibility of multiple contracts for e-Ribbon® for U.S. data centers?**

A We expect sales to account for about 10% of FY3/26 full-year sales in Communication Cables, and we believe the operating margin can exceed 10%. Regarding future contracts, we will proceed while considering the balance between our production capacity and demand trends.

Q **On slide 14, are the FY3/26 and FY3/27 sales plans for e-Ribbon® based on actual customer needs, and is there a risk that SWCC's production capacity will become a**

bottleneck? Also, the plan mentions capital investment for increased production—does the FY3/27 sales forecast incorporate this investment?

A The graph is calculated based on customer inquiries. We are considering investments for increased production, but at this point we cannot disclose specific amounts. We plan to make an announcement once the details are finalized.

Q **For e-Ribbon®, are the assumed partners construction companies or optical fiber cable manufacturers? And does the term "Asia market" include China?**

A The assumed partners are companies engaged in optical fiber, cable, and connector processing. There are many companies worldwide that handle optical fiber ribbons, but the 7–8 companies we refer to here are cable companies in North America, Europe, and parts of Asia (excluding Japan).

Q **Regarding e-Ribbon®, are the main end-users data centers for generative AI, or other types of data centers? And which products are used?**

A The main end-users are generative AI data centers. In generative AI data centers, e-Ribbon® is used, while in other data centers, high-performance LAN cables (Cat.6A) are used.

Q **Regarding e-Ribbon®, you mentioned plans for capital investment to increase production toward FY3/27. In FY3/26, is it possible to increase production volumes depending on the number of inquiries received?**

A Even at present, we are working to improve production efficiency by enhancing manufacturing processes, so it is possible to increase output.

FLANTEC®

Q **Regarding FLANTEC®, I get the impression that there are many similar competing products. Since those competitors' margins are in the 10% range, doesn't SWCC also have room to improve from 6% to 10%?**

A Many of our products are centered on domestic office applications, but as we move into new fields such as mobility, we will also face competitors. We will leverage our strength in high-speed transmission technology of FLANTEC® to improve margins.

Q **Could you tell us about the strengths of high-performance LAN cables (Cat.6A) and the competitive landscape?**

A Our strength lies in having the high-speed technology of Cat.6A, which we want to leverage for further expansion. Domestically, there are two or three competing companies. Overseas

competitors also exist, but many cable makers there do not meet the standards. The strengths of our cables are compactness and flexibility. In addition, they are certified as compliant with Cat.6A standards through performance evaluation testing by the Japan Electric Cable Technology Center (JECTEC).

Q **Do you have any plans to expand high-performance LAN cables (Cat.6A) overseas? Compared with other companies' products with the same standards, is there added value?**

A Our strengths are superior features such as size and flexibility. Overseas expansion requires compliance with overseas standards, which is a hurdle. We will consider this going forward.

Q **FLANTEC® is divided into Hi-Speed, Industry, and Mobility. Which has the highest margin?**

A General-purpose LAN cables (Cat.5E) do not have particularly high margins. However, high-performance LAN cables (Cat.6A) have about twice the operating margin of general-purpose LAN cables, as only a limited number of manufacturers can produce genuine products, and we can manufacture them fully in-house. FLANTEC® Mobility and FLANTEC® Industry also require high performance, and therefore are highly profitable.

Contact Probes

Q **Could you tell us about the sales scale, profitability, past growth rate, and expected future growth rate for contact probes?**

A We do not disclose sales for contact probes individually, but they are at the several billion yen level. From a market perspective, semiconductor growth has outpaced testing processes, so demand remains strong. Since contact probes are consumables, production capacity (volume) is more important than price, and it is a relatively high-margin business.

Q **You mentioned that demand for contact probes is strong and volume is critical. What is the current utilization rate, and do you have plans for capacity expansion? How does your production capacity compare with competitors?**

A When TOTOKU built its new plant, we expanded capacity in anticipation of demand, so we currently see no need for further expansion. Utilization rates are relatively high because of orders from China. Unlike competitors that mainly manufacture pins, TOTOKU has facilities based on electric wire production, and its production methods differ. While it is difficult for pin-manufacturing competitors to mass-produce, TOTOKU has strength in mass production and holds high competitiveness. Since SWCC alone does not yet have a sufficient mass-

production structure, when synergies, cross-selling, and new products are realized, there may be a need for expansion. We also aim to steadily increase sales of high-margin products such as contact probes.

Triple Insulated Winding Wire (TIW)

Q **What growth do you expect for triple insulated winding wires? Looking at optical data centers, growth of 20–30% is projected, but your long-term assumption of 5–6% seems low. Why is that? Is it used differently?**

A Our triple insulated winding wires are used in a wide range of end markets and end-use industries, such as communication terminals and semiconductor manufacturing equipment, in addition to AI servers. Growth depends on how much our customers win in their respective markets, so we are taking a conservative view. That said, we currently expect stronger growth than this baseline.

Q **Where are triple insulated winding wires used in AI servers?**

A They are used inside AI data centers, supplied through switching power supply manufacturers. Since data centers operate on direct current, switching power supply manufacturers use our triple insulated winding wires (TIW) in the conversion from alternating current to direct current. Our three-phase insulated wires are used in switching power supplies, and with their high heat resistance, energy-saving performance, and miniaturization technology, they are highly suitable for power-hungry data centers.