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SWCC Corporation

Q&A about Financial Results Briefing for the Fiscal Year Ending March 2026

Date: Monday, May 18, 2026

Location: 1-chome, Marunouchi, Chiyoda-ku, Tokyo

[Q]: I have two questions. First, regarding the industrial business within the communications and components segment, mainly concerning the actual results for Q4, there appears to have been some downside, and I assume a large portion of the JPY900 million shortfall came from this area. Previously, I believe this included businesses such as wire harnesses, general-purpose winding wire, and precision devices. Could you elaborate a bit more on where exactly the shortfall occurred?
JPY900 million feels somewhat significant, so regarding the next fiscal year, you introduced measures aimed at improving profitability. How should we think about the extent to which these improvements are being factored in?

[A]: Regarding Q4 of last year, as explained earlier, the main reason we did not meet the plan was that the industrial business did not finish as planned, and more than half of the JPY900 million shortfall came from there.

One factor was the wire harness business within industrial applications. We mainly serve Japanese home appliance manufacturers, but we have not yet fully adapted to the reforms being undertaken by Japanese customers. As a result, we have been somewhat delayed in securing orders for products destined for the Chinese domestic market.

Accordingly, we have formulated a plan to reorganize our production bases, which is one of the major initiatives this year. We aim to reorganize our bases within China, as well as improve production efficiency including Vietnam, while acquiring new customers and improving profits this year.

Another area continuing to struggle is general-purpose winding wire. Motors are used in machine tools and various industrial equipment, and this business mainly handles standard winding wire products.

Demand has not been recovering sufficiently, especially in Japan, and operations at our Yamamoto facility in Miyagi have significantly declined. As mentioned earlier, we plan to close the facility during this fiscal year and conduct a last-buy initiative. Manufacturing will be outsourced to partner companies, and at the same time, we will identify additional unprofitable products and ask customers to make final purchases, thereby improving low-margin areas.

There is no doubt that improving the industrial business this year is one of our key challenges. That is all.

[Q]: Understood. Thank you. My second question concerns semiconductors. There are several components within this business, but I assume contact probes will drive growth this year. Regarding the expectation that contact probes will double this fiscal year, during the February presentation you mentioned expanding share in front-end applications and focusing on MEMS, which is currently a hot area. Could you explain in

more detail where this expected doubling in growth will come from? I also recall that it was mentioned the Chinese market is particularly active.

[A]: As we explained during the mid-term management plan presentation in February, TOTOKU is pursuing an all-direction strategy. Originally, TOTOKU specialized in testing package substrates in the back-end process, but we are now also expanding into front-end processes involving MEMS, cantilever, cobra, and other products, covering a wide variety of silicon wafer substrate inspection applications.

As you may have seen in recent news, including developments at Kioxia, the AI semiconductor market has become extremely active. Our strength lies mainly in logic semiconductors, but we are now also building an environment where our products can be used for memory applications. We intend to focus heavily on these areas.

In particular, after FY2026, we expect very significant growth in FY2027 and FY2028, and we intend to pursue this growth through our all-direction strategy. That is all.

[A]: To add to that, the driver behind doubling sales is currently the back-end process area, where demand and inquiries have become extremely strong. The back-end process business that TOTOKU had already been operating is seeing strong sales growth in China, and that will be the main driver behind the doubling. Demand is so strong that we are considering accelerating capacity expansion investments in China ahead of schedule.

[Q]: My first question concerns power infrastructure. Looking at pages 18 and 20, power infrastructure sales are expected to rise from JPY44.7 billion last year to JPY48 billion this year, but the explanation for profit growth indicates only a JPY700 million increase.

Ordinarily, one might expect greater profit growth, so is this simply a conservative assumption as mentioned earlier? Or is it because aggressive growth initiatives are leading to higher depreciation and other costs? Could you explain the sense behind this?

[A]: Overall, the assumptions are somewhat conservative. As explained on page 16, we are factoring in approximately JPY500 million in risk related to the impact of the Strait of Hormuz situation, because it may be difficult to fully pass on all costs to customers.

We have incorporated all of this into the energy and infrastructure segment, which is a significant factor. In addition, although sales are increasing significantly due to copper price impacts, there was also approximately JPY900 million in temporary gains during FY2025, which is the largest factor affecting comparisons.

Another point concerns SICONEX, which is expected to grow 1.2x YoY as shown on page nine. SICONEX accounts for around 40% of sales in this area, so while it is growing, there are also some impacts from other areas, resulting in the current level of growth. I hope you understand it in that context.

[A]: However, from around H2 FY2025 onward, power infrastructure demand grew beyond our expectations.

One reason was labor shortages at electric utilities, which made it difficult for construction work to proceed. We responded to customer needs by offering products such as SICONEX and our newly launched easy-installation e-Cable solutions, which reduce labor requirements and simplify construction. This became a major strength for us. Additionally, demand from data centers has continued to rise, and through strategic products such as SICONEX, we have been able to supply that demand effectively.

We expect these two factors to remain strong in FY2026, and since our capital investments have progressed smoothly, our supply system is now in place, allowing us to respond appropriately to this demand.

[Q]: My second question concerns the communications segment on page 18. Among the various initiatives listed on the right-hand side, could you elaborate further on the first and second items, to the extent possible?

[A]: You are referring to the e-Ribbon business in communications overseas.

Regarding the first point, we have been making major capacity expansion investments this year. As previously announced, we expanded production in Sendai by approximately threefold, and the effects are expected to contribute during H1 this year.

It is already May, and these investments have begun contributing to sales in stages. During H1, we intend to bring this expanded capacity fully into sales contribution, which will be the main driver behind the projected 4.5x sales growth this year.

Looking toward 2030, we believe this alone will not be sufficient as we continue expanding long-term agreements and increasing the number of partners and customers. Domestic production alone is beginning to reach capacity limits, which is why we have decided to invest overseas. Since negotiations with partners are still ongoing, we cannot yet disclose where or how much investment will occur.

Regarding the second point, we have already secured long-term agreements with multiple companies and intend to further expand these, thereby increasing the certainty of future sales and related capital investments toward 2030.

Supporting these initiatives is this year's JPY1.4 billion investment plan, which is not excessively large. We are concentrating expansion investments on e-Ribbon optical fiber, where we believe we have the strongest competitive advantage. We are not planning massive new facility construction but instead focusing on areas where invested capital can be recovered quickly under our ROIC management approach.

In addition, as a cable manufacturer, we possess expertise and capabilities in producing high-density optical cables. Therefore, beyond supplying e-Ribbon optical fibers themselves, we also plan to increase added value downstream by converting them into cables, and this is fully incorporated into this year's business plan. That is all.

[Q]: I have two questions. Regarding power infrastructure, you already explained the conservative assumptions and upside potential.

Looking at last year's results, you mentioned that you were able to win projects by leveraging your strengths amid labor shortages at utilities. This year, you also seem to be planning further share expansion in high-voltage areas. Could you elaborate further on where upside potential may exist and whether you expect to continue leveraging your strengths in utility-related projects?

[A]: As mentioned earlier, data center projects are currently expanding. Based on our market research, the market itself may grow around 10% YoY, and we are currently refining those assumptions, but we believe this area will continue growing.

Another factor is utility infrastructure renewal. We have previously discussed replacing aging oil-filled cables that have been in use for decades with solid-insulated CV cables. Through discussions with utilities, we are beginning to see these plans more clearly. We also previously announced that our affiliate Estec possesses a unique removal method for old oil-filled OF cables. Estec removes the existing cables, and we install new cables using methods such as SICONEX and SICOPLUS. We believe this area could provide upside potential.

[Q]: Regarding SICOPLUS initiatives, is progress proceeding smoothly this year as well, including personnel expansion, and will this contribute to these projects?

[A]: Regarding SICOPLUS, as discussed during the mid-term management plan presentation, we are utilizing affiliated and partner companies for lower-voltage work, while we ourselves focus on ultra-high-voltage construction projects of 154 kV and above. Progress is proceeding largely according to plan.

[Q]: Next, regarding contact probes in the communications and components segment, are there any supply constraints emerging? If demand increases further, will supply be sufficient, and can production be expanded flexibly?

[A]: We are already proceeding with capital investments in this area. Capacity will increase by approximately 1.5x this summer. We already have a considerable order backlog, and although we will initially expand capacity by 1.5x this summer, we have already begun discussions regarding bringing forward additional investments. At present, we believe we are building a system capable of meeting demand appropriately.

[Q]: I also have two questions.

First, regarding e-Ribbon, you have already provided explanations, but concerning the cable business that you are now launching in addition to the original e-Ribbon business, could you share, to the extent possible, when you expect the cable business to ramp up?

Also, in terms of sales scale, how should we think about the ratio between the businesses this fiscal year and next fiscal year? Even a qualitative explanation would be helpful.

[A]: We plan to expand by supplying cables to companies already purchasing e-Ribbon products from us.

Therefore, rather than dealing directly with hyperscalers ourselves, we view this as an extension of the e-Ribbon business ecosystem we have already built.

As for the cables themselves, the market includes products with extremely high fiber counts, even numbering in the tens of thousands. Initially, however, we are starting with products in the 1,000-fiber range based on our existing achievements and capabilities, targeting both inter-data center and intra-data center applications, particularly in relatively lower fiber count segments. We have included a certain amount of sales contribution in this fiscal year's plan, but the amount is still relatively modest.

As mentioned earlier, if customers purchasing e-Ribbon request more cable products, then naturally, the ratio could increase. At this stage, we are aiming to establish actual sales performance around H2 this year, but we are not yet assuming a large scale. Again, if customer demand increases, we would like to expand further, and we believe cables offer higher added value.

[Q]: My second question concerns the semiconductor-related business. You mentioned very strong inquiries from Chinese customers, but how do you view trends among customers outside China and your potential for further market share expansion in the new fiscal year?

[A]: As you mentioned, our current focus is China. TOTOKU has affiliated companies and local subsidiaries in China, and we are currently strengthening those operations, so China remains our primary focus.

Of course, we are considering global expansion and gathering information from various perspectives, but for now, we are focusing primarily on Japan and China.