

SWCC SHOWA HOLDINGS.

Institutional Investors Meeting (About New Company Name Change and Future Growth Strategy) Q&A

Date and time of implementation: Monday, February 27, 2023

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

Q1. Please tell us about the progress of each segment, the degree of certainty of achievement of the full-year plan, and the outlook for the next fiscal year.

A There are 3 segments with shades. The telecommunications and industrial devices business is struggling the most. The company reorganized its domestic production bases for telecommunications cable, which operates domestically, but struggled in the 1H because of difficulties in launching the system and in passing on higher costs. In the device business, which is being developed overseas, Shanghai Lockdown did not reach the planned point. Both have been recovering from the 2H of the year. At last, in 3Q, the Company earned 500 million yen in the 1H of the fiscal year, and 4Q is aiming for a further recovery of 900 million yen. The next struggle is in the electrical equipment and components business. The company continues to struggle with a slow recovery in automobile production cuts. On the other hand, the Energy & Infrastructure Business is performing well. Demand for electric power infrastructures was firm, particularly in SICONEX®, while demand for cover lines for construction-use was firm in the mainstay sub-segment. While each of these is in the shade, the company is working to achieve its full-year forecasts in 4Q. In the fiscal year, plans will somehow reach the operating income target of 10.3 billion yen. In the next fiscal year, the key will be when the electrical equipment and components business will recover to xEV customers. There is a view that recovery will be difficult until the 1H of the next fiscal year. The telecommunications and industrial devices business struggled in the current fiscal year, but this sense of recovery will lead to the next fiscal year.

Q2. In the Telecommunications and Industrial Devices Business, operating income recovered from 500 million yen to 900 million yen from 3Q toward 4Q, but at the time of 3Q there were still negative factors, such as the fact that problems at the time of the reorganization of domestic bases had not settled down. I want you to tell me in detail.

A 3Q is no longer seeing a mistake in reorganizing its domestic manufacturing bases. The impact of the Shanghai Lockdown is 2Q in foreign countries, so it has been eliminated in 3Q. 3Q has also been understood by customers in terms of passing on higher prices for telecommunications cable materials. The further improvement in 4Q to 3Q is due to the builder demand for domestic telecommunications cable in 4Q.

Q3. The Electrical Equipment and Components business has been left unchanged. Why is 4Q such a poor outlook?

A Although the image of operating income will be slightly reversed in 3Q, the content is a transient that has been taken over by a particular customer. Overall, shipments were not growing due to a shortage of semiconductors. As a result, 4Q outlook has yet to recover. In general-purpose products, demand for heavy electrical machinery recovered domestically, but 4Q we do not expect to accumulate operating income because of anticipated inventory cutbacks by customers.

Q4. In the electric power infrastructure business, I would like to ask you to tell us whether the number of construction personnel can be secured without any problems, and what form of business will lead to profits.

A With regard to the training of construction personnel, which began with the collaboration with the Exeo Group, some of the companies cooperate with us and constantly send students to the program. Those who came to receive the education return to the partner company, but when we gathered a lot of construction projects, if we can afford the construction personnel of the partner company, we are contracted to perform the construction. The area of 66kv described in slide 36 is a business close to power distribution and can be constructed by those who have been trained by us. The more skilled 1 can also construct the area of 154kv. There is a trough in the number of orders received for construction, and it has been impossible to carry a lot of personnel in the company until now. It was possible to undertake work that could not have been undertaken in the past because personnel from other companies were able to help even at the low level of the power class alone. Even in the construction work of other companies, because we use our parts and cable, the shipment volume of our products will increase, and it will be positive to our profits. Highly volatile areas, such as 275kv, require very advanced techniques and have high added value. We believe that increasing the volume of product shipments and allowing us to move our hands to higher value-added areas, which had previously been dispersed across the volatility class, are very important points in our electricity strategy going forward.

Q5. Adopted by Hokuriku Electric Power in 275kv field, please tell about the future growth-vision of the electric power infrastructure business.

A The conventional method was to assemble the ceramic material at the site, and the construction period was long. We need to shorten the construction period because we only connect with a plugging-in in the field. The evaluation was made that the construction period was short and simple. Other inquiries are increasing.

Q6. Please tell us about time horizon for investing in future growth. Will 20 billion yen be spent during the period of this medium-term management plan?

A Currently, new technologies x investment in existing markets is the main focus. In the future, we intend to make full-scale investments in existing technologies x new markets. M&A is also an option, and the company sees this need for a certain amount of investment. By FY2026, the final year of the medium-term management plan, we believe we must start with a timing to contribute. Since the cash allocation of 20 billion yen is 20 billion yen after accumulating free cash flow, it is possible that in the middle of the medium-term management plan it will become a little more leveraged. We will consider returning profits to shareholders if the surplus is eventually generated, but will first use it to achieve the medium-term plan.

Q7.What are your thoughts on the timeliness of capital spending? Are they in the first half because of the renewal of aging facilities ? Are they accelerating the launch of the renewable energy market in anticipation?

A In 2022 and FY2023, it will invest in increased production of SICONEX[®]. Some have already increased capacity, but it will actually start operating at full capacity from 4Q of FY2023. Although there is a 66kv~275kv full lineup, there are numerous inquiries for SICONEX[®] as renewable energy and solar power generation are becoming more popular, and we do not think there is a need to wait until FY2026 for the timing of investment. In addition, we will invest in the renovation of aging power plants, mainly substations, and the upgrading of power plants through the strengthening of the transmission network. This does not mean that the company is relying on renewable energy for capital investment.

Q8.Please tell us about 's medium-to long-term Chinese risks (economic and political) and its response policies.

A The risk in China is difficult to forecast including the construction market. It is necessary to take a good look at this in March, including the National People's Congress. We plan to divide our business between China and businesses outside of China. Including customers, there are cases where factories are operated mainly in Vietnam. As China Plus 1, we will adopt a system that will enable us to respond even outside of China. The electric power infrastructure business is quite active in our business for China. Growth is steadily rising, particularly in the south. The company is also steadily expanding its ascendant-free copper, which is probably for EV use. Its policy is to assemble it while considering geopolitical risks.

Q9.Would you tell us about your strategy for expanding sales to Europe and North America?

A Demand for e-Ribbon[®] high-density fiber optics for data centers in Europe and the United States is very active, and this year we have been conducting activities to acquire this certification. The company has been exploring various ways to expand its business to meet brisk demand. Certification and business have reached the point where they can do something after FY 2023. While the domestic telecommunications infrastructure business is sluggish, the U.S. and Europe are brisk, so we hope to stay there as well. As for automobiles, the Japanese market

is falling while Europe is rising. The European trend toward EV is strong, and we will aggressively work with our customers to achieve this trend. Demand for cars in China is also strong, and when viewed globally, it is slightly different from the market in Japan.

Q10. In future, there has been a talk about expanding non-copper products. How do we develop with an emphasis on what kind of basic technologies?

A Until now, the business has been considered as an extension, focusing on the characteristics of the production method of DIP-FORMING. Beyond that, when thinking about other things, we have received inquiries about areas that are unique to electric vehicles that are overwhelmingly highly processable and that can take advantage of their superiority. Going forward, we intend to process and sell oxygen-free copper in fields that are unique to electric vehicles, rather than directly selling it. Another is the processing technology for ultra-thin lines. There is a very distinctive technique of stretching copper alloys to extremely fine dimensions. However, as they are used for a small number of electronic components, we will strengthen sales expansion in these areas. It directs the development of downstream products with higher profits and other business fields from businesses with a bias toward copper.

Q11. Please tell us about 's future human resources strategy.

For example, please tell us about whether you have established a CHRO (Chief Human Resources Officer), the most important KPI of the company-wide management issues and linked to them, the basis for the selection, and the risks you are aware of.

A Currently, there is a director in charge of human resources, but it does not mean that he is appointed as a CHRO. Our (Holdings) executives see the personnel of the entire group. Until now, recruitment and education in response to the demands of the business side have been important issues. Going forward, from FY2023, the Company's policy is to implement human resource strategies that are in line with the businesses and strategies that it should grow. Regarding KPI, we are able to respond to all 19 items that are required to be included in our financial reports. However, our diversity initiatives are as described on p. 38. Currently, the Company is focusing its efforts on promoting the active participation of women, but in the future, it will promote initiatives for diversity inclusion in a wider range of areas in addition to project members as well as men. In addition, the Company will promote initiatives to raise the engagement score, initiatives to reduce occupational accidents, and human resource development (P39~40).

Regarding risks, the labor shortage is regarded as a clear risk. Not all labor saving and automation can be done by DX promotion alone.

Q12 Please tell us about.'s potential for improving profitability through future restructuring. Also, please tell us about the status of measures to achieve the FY2026 Mid-term Management Plan and the confidence of the president.

A I did not think that the targets in the medium-term management plan could be easily achieved, but I believe that there is a way of doing so. However, due to changes in the environment, such as Russia's invasion of Ukraine, there are some parts that have not progressed as expected. The division is asking to review its product lineup and other aspects. Structural reforms will settle once it shifts from a holding company structure to an operating company in April, but it will lay the groundwork for future growth. In its copper-based business model, the Company's policy is to develop the business into one that adds more value, as costs remain high.

Q13.Approximately 5 years after becoming president of. Looking back, I think we have been able to do well, and do you think we have not made progress yet, respectively.

A ROIC improved because we stopped unprofitable businesses and dropped the assets associated with them. In addition, I thought that the holding company structure was extremely inefficient from the beginning when I became president. I have done this with the idea that the 3 segments should be built vertically and firmly, and that these 3 segments will become a reliable source of earnings. That place has been very well built. Later, we are thinking about how to improve the efficiency of the inefficiency of the back office. On the other hand, the point that I think is not progressing is the change in mindset of employees. Proposals for business proposals and corporate reforms have emerged, particularly among young people, but there is no question whether the mindset is such that the company can take on challenges. Engagement scores are falling in divisions where a large percentage of employees are engaged in the field. Since the concept of new management is not sufficiently conveyed to the manufacturing frontline, efforts to secure human resources, improve skills, and reduce occupational accidents must be strengthened. We are also starting a town meeting, but we feel that it is still inadequate.

As a manifestation of the mind change, there are voices that young mid-career employees want to do in-house ventures, and ideas that do not fall within the 3 segments are emerging, but the top layer is still overlapping. I think it will take time for young mid-career employees to work hard and change because they are also looking at upper-level employees, but I think that their understanding will progress. I believe that the key to advancing the mind change of employees is to give opportunities to people who have drastic ideas, and to listen carefully to the opinions of the workplace. I feel that it is necessary to listen, understand, and understand what everything is not about how much to think about.

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