



SWCC Corporation

Small Meeting

June 12, 2026

Event Summary

[Company Name]	SWCC Corporation	
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[Event Type]	Analyst Meeting	
[Event Name]	Small Meeting	
[Fiscal Period]		
[Date]	June 12, 2026	
[Number of Pages]	26	
[Time]	9:30 – 10:30 (Total: 60 minutes, Presentation: 30 minutes, Q&A: 30 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Tetsuo Komata	Executive President and Representative Director (CEO)
	Yukio Kawase	Senior Managing Executive Officer, Chief Business Officer and Head of Business Segments
	Takashi Yamamura	Executive Officer, In charge of TOTOKU's businesses and President and Representative Director of TOTOKU INC.
[Analyst Names]*	Hideto Tani	Mizuho Securities
	Ryunosuke Shibata	SBI SECURITIES

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Moderator: Good morning, everyone. Thank you very much for taking the time out of your busy schedule to participate. We will now begin the SWCC Corporation analyst briefing to discuss the business strategy for the current FY2026.

Let me introduce today's attendees: Mr. Tetsuo Komata, Executive President, Representative Director, and CEO; Mr. Yukio Kawase, Senior Managing Executive Officer, Chief Business Officer, and Head of Business Segments; and Mr. Takashi Yamamura, Executive Officer and President and Representative Director of TOTOKU INC.

Finattech will serve as moderator.

本日のアジェンダとスピーカー



1. 2026年度予想 2. 電力インフラ事業の成長戦略 3. TOTOKUの事業戦略



代表取締役 CEO
社長執行役員

小又 哲夫



専務執行役員
事業セグメント統括

川瀬 幸雄



執行役員
(株)TOTOKU 代表取締役社長

山村 隆史

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Here is today's agenda.

First, Mr. Komata will present the earnings forecast for FY2026. Next, Mr. Kawase will discuss the growth strategy for the energy and infrastructure business. Next, Mr. Yamamura will discuss TOTOKU's business strategy. Then, we will take questions from the audience.

The time allotted for the presentation is approximately 30 minutes. This session is scheduled to close by 10:30 AM.

Let's get started right away. Mr. Komata, please go ahead.

Komata: Once again, thank you all for taking the time to gather here today despite your busy schedule.

2026年度 業績計画



新中期経営計画初年度の2026年度は、成長事業の売上拡大により**増収・増益を計画**。
配当金は2025年度比**27円増配**し、**通期250円**の予定。



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First, I would like to present my forecast for this year, FY2026.

As this is the first year of our new medium-term management plan, our financial targets are designed to ensure continued growth in both revenue and profit.

Revenue will increase by 17% to JPY325 billion, but this figure takes into account the fact that current copper prices are higher than they were last fiscal year.

Operating profit will rise 4.3% to JPY28.5 billion. While this increase is slightly smaller than the growth in revenue, the Company is starting the year with a cautious outlook.

We also plan to increase the dividend by JPY27 from last year, with a payout ratio of 40%.

中東情勢

中東情勢緊迫化により世界経済の不確実性が継続。
エネルギーおよび原材料価格の高騰やサプライチェーンの混乱を懸念。なかでもケーブル用プラスチック材料への影響を注視。
原材料価格等の高騰は、販売価格への転嫁に取り組むが、既契約分への適用が一部困難なことを想定し、
一定の業績への影響を織り込み済。
一方、サプライチェーンの混乱は、不透明感が継続しているが、現時点においては、重大な影響には及ばないと想定。

サプライチェーン
の混乱は、6月に
入り緩和

事業環境認識

成長事業	電力インフラ	電力網の強靱化や再生可能エネルギー、データセンター関連が引き続き好調に推移
	通信（海外）	生成AI需要で海外HSDC（ハイパースケールデータセンター）向けが急拡大
	半導体	半導体向けはAI関連向け需要旺盛で堅調
キャッシュ・カウ事業 (エネルギー・通信)	建設	工事現場の働き方改革や資材価格高騰による需要下押しの懸念があるも底堅い需要を想定
刷新・課題事業	モビリティ	xEV向けはBEV化遅れにより低調。シートヒータは搭載率増加傾向
	産業用	需要低迷が継続。中国向けは価格競争激化

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Regarding the point I mentioned earlier about being cautious, we are seeing the impact of the situation in the Middle East on our business performance, particularly in terms of pricing, specifically, the plastic materials we use for our cables.

Given the price surges and supply chain disruptions we were observing as of May, we will pass on these higher costs to our selling prices. However, we recognize that this may be difficult to implement for contracts that have already been finalized, and we have factored this into our financial projections.

In addition, while uncertainty regarding supply chain disruptions persisted as of May, we did not anticipate that they would have a significant impact. Now that we've entered June, I recognize that supply chain disruptions and uncertainty have eased considerably, so I believe we've returned to an environment where we can begin to recover from the situation we've been monitoring closely.

In addition, we intend to drive a solid recovery in our growth businesses, namely the energy and infrastructure business, the semiconductor business overseas, and the semiconductor business.

2026年度 増減要因（前年度比）



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Factors contributing to the increase or decrease.

As I mentioned earlier, the surge in copper prices will boost sales by JPY38.3 billion. Excluding that factor, the three growth businesses I mentioned earlier will contribute JPY13.9 billion, and the question is how much further we can exceed that figure.

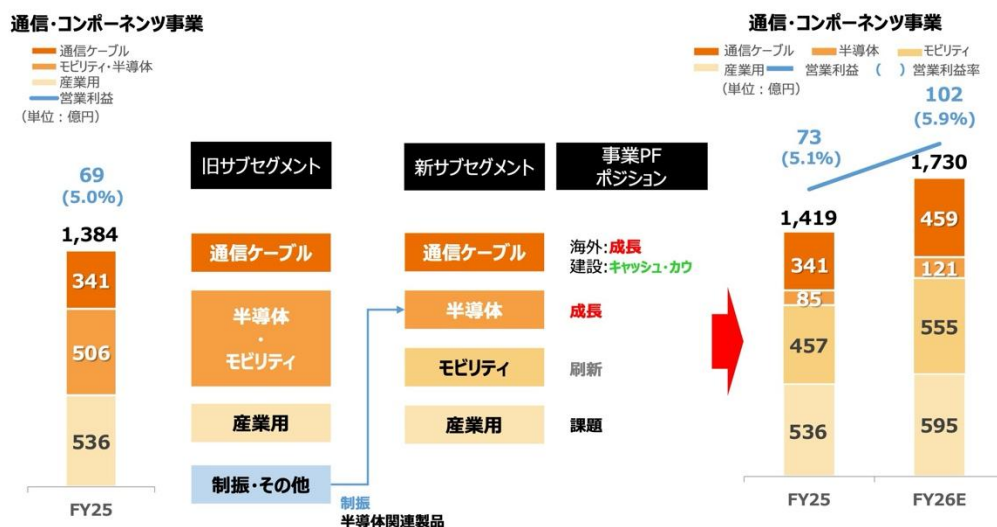
While operating profit is expected to decline by JPY4.2 billion due to the impact of the Middle East mentioned earlier, we anticipate a JPY3.7 billion increase in sales revenue. We have factored in the resulting JPY500 million difference as an impact on operating profit.

Last year's temporary copper-related profit uplift will reverse this year, creating a negative YoY impact. In addition, while we expect an JPY800 million decline in the structural reform and seismic isolation segments, which are driving our final sales push of the year, we plan to offset the cumulative JPY2.2 billion decline with JPY3.4 billion in growth businesses.

In particular, our energy and infrastructure business saw a JPY700 million increase in operating profit last year, and we would like to further boost this figure, which is what I'd like to discuss today.

通信・コンポーネッツ事業のサブセグメント組替

中計の事業ポートフォリオ見直しに応じた、サブセグメントへ組み替えを実施。



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Yesterday, we provided an updated overview of the reorganization of the subsegments within the communication and components business. We restructured complex existing segments and created new segments starting this year.

As a result, the semiconductor and mobility category was split into two subsegments: the semiconductor business and the mobility business. We reorganized our reporting by consolidating semiconductor-related sales, which were previously categorized under vibration control and other in energy and infrastructure, into the semiconductor subsegment of the communication and components business.

While the communication and components, semiconductors, and overseas communications segments continue to grow, we expect to increase operating profit by approximately JPY3 billion, from JPY7.3 billion last year to JPY10.2 billion.

In particular, as this marks TOTOKU's second year since joining the Group, we plan to significantly boost operating profit through synergies and other initiatives. Mr. Yamamura, the new president of TOTOKU, will discuss the details later today.

That's all from me.

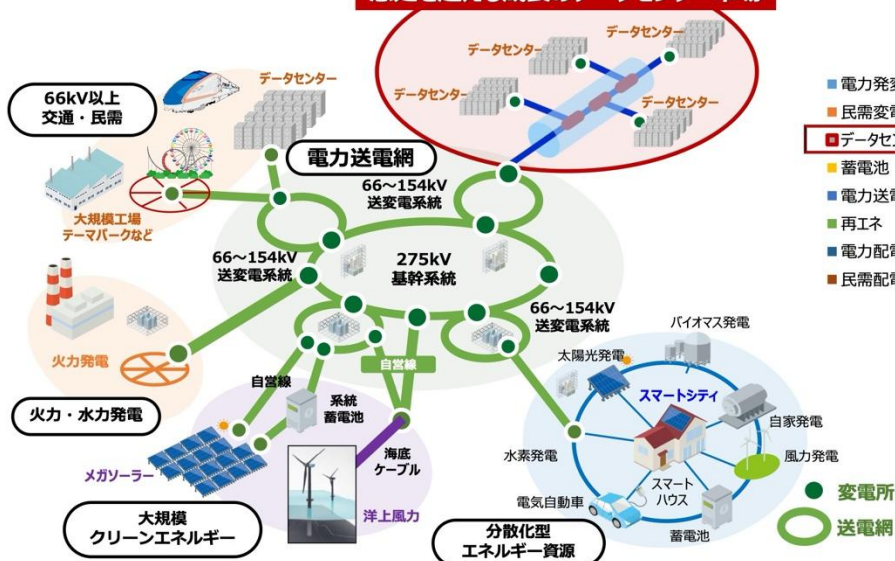
Next, Mr. Kawase will discuss our energy and infrastructure business.

電力インフラ事業の成長戦略



想定を超える成長のデータセンター市場

想定市場規模推移 ※当社想定



国内電力市場



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Kawase: I will now discuss our growth strategy for the energy and infrastructure business.

This is the diagram of the power grid, which I shared before. To reiterate, these green lines represent power transmission lines, and the green dots represent substations that connect the various transmission lines.

Today, I'd like to discuss the future of the data center market. Since we view this as the cornerstone of our growth strategy, I'd like to discuss it in detail.

In terms of market size, the domestic electricity market, including data centers, is projected to grow from JPY150 billion in 2024 to JPY244 billion by 2030. The estimate is that the data center segment will grow from JPY10.9 billion to over JPY30 billion, representing roughly a threefold increase.

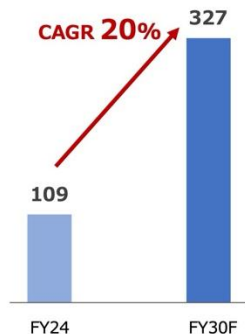
While estimates suggest that the Japanese data center market will grow by 1.5 times to 1.6 times between 2024 and 2030, we believe the power infrastructure market will grow even more significantly.

電力インフラ事業 データセンター市場への当社の強み



データセンター(DC)の増設需要が加速しており、今後はハイパースケールデータセンター(HSDC)市場も拡大傾向。

データセンター向け電力市場
※当社想定



今後はHSDCの需要が拡大

DC建設の課題

- ▶ 建設需要の急拡大
- ▶ 施工期間の短縮化
- ▶ 施工人員の確保

SICONEXシリーズ 「Y分岐接続部」



「e-Cable」



「SICOPLUS」



<当社製品の強み>



66kV国内シェア：約90%



作業時間を約1/4に短縮

SICOPLUS

短期間で技術習得が可能
教育期間3年が3か月に短縮

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Our strength in the data center market is that demand for expansion is accelerating rapidly, and the hyperscale data centers are expected to continue growing. I will discuss how to address this on the next page.

To recap, the power infrastructure market for data centers is currently valued between JPY10.9 billion and JPY32.7 billion, representing a growth rate of approximately 20%.

When it comes to data centers, one of the biggest challenges for those building them is how to ensure a reliable power supply and how to enhance communication infrastructure. Today's presentation is about how we plan to use our expertise to solve that challenge.

One of the major challenges in data center construction is that, as demand for construction surges and data centers are currently being built at a rapid pace across the country, we must figure out how to capture this trend. Other significant challenges include shortening construction timelines and securing a sufficient workforce.

One of our proposals is a Y-splitter. Our connectors are highly unique. They are extremely small, lightweight, and feature a simple design, and the fact that they require minimal assembly is a major strength of our products.

We hold about 90% of the domestic market share for systems rated at 66 kV or less. Although these products were originally developed for electric utilities, we are now leveraging this strength to expand our market share in the data center sector as well.

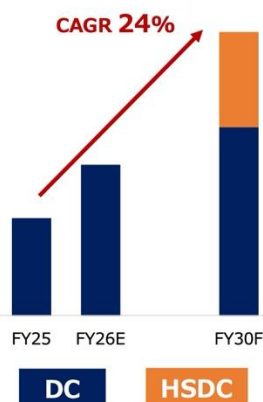
The other one is e-Cables. This greatly simplifies the cable installation process. You can acquire the skills needed to perform the work easily, even without prior experience, and in a very short period of time. Our approach is to address the challenges in this market by developing SICOPLUS, a system that enables rapid skill acquisition, while providing cables and connectors that are easy to install.

電力インフラ事業 HSDC市場への成長戦略



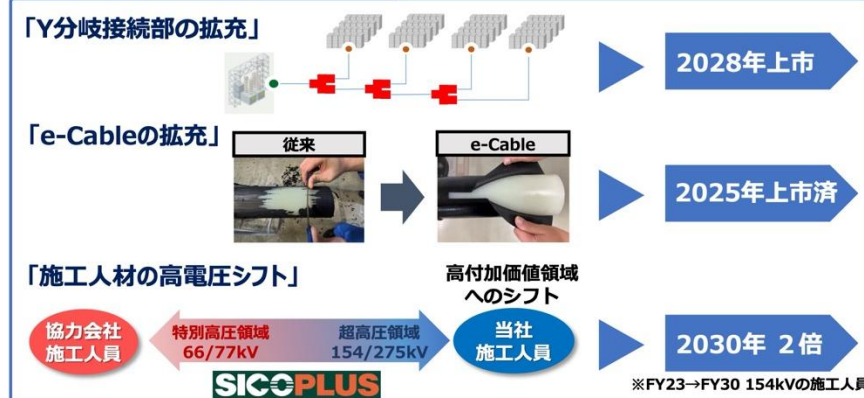
HSDC建設にて超高压(154kV)電源が拡大するニーズに対し
154kV製品を開発し高付加価値の獲得を目指す。

データセンター向け売上予想



当社の154kVソリューション

	DC	HSDC
必要電力量比※現状を1	1	4~5
受電電圧階級	66kV	154kV



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Earlier, I discussed the 66 kV system, but now, let's talk about hyperscale data centers, which require 4 times to 5 times more power than typical data centers.

4 times to 5 times that amount is roughly equivalent to the power output of a single small-scale power plant. However, this means that the voltage must be upgraded from the current 66 kV to a higher voltage class, specifically a 154 kV transmission system, in order to meet the demand. We would like to address this issue as well.

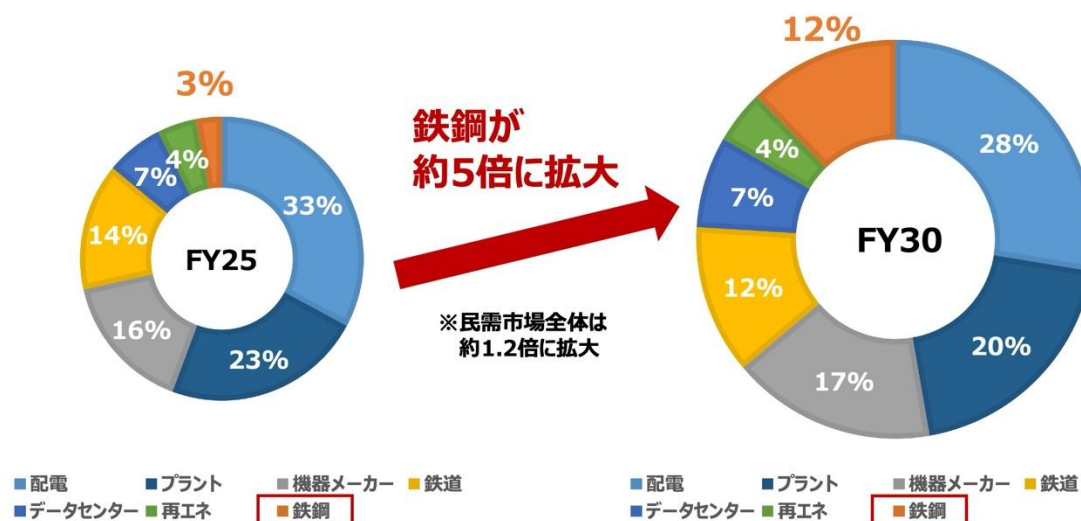
Based on our internal data, we anticipate that by 2030, revenue from hyperscale data centers will account for roughly 60% of the total, while other revenue will make up the remaining 40%.

We are currently developing a unique Y-splitter connection, which I described earlier, that supports voltages up to 154 kV, and we aim to launch this version in 2028. The e-Cable mentioned earlier was already launched last year.

Installation of 154 kV requires specialized skills, and we plan to allocate our construction staff to the job. As noted previously, we intend to entrust the 66kV extra-high voltage work to partner companies, while our staff will handle the higher-voltage 154kV work.

We are currently implementing initiatives to double our workforce by 2030.

民需市場における当社売上構成と比率



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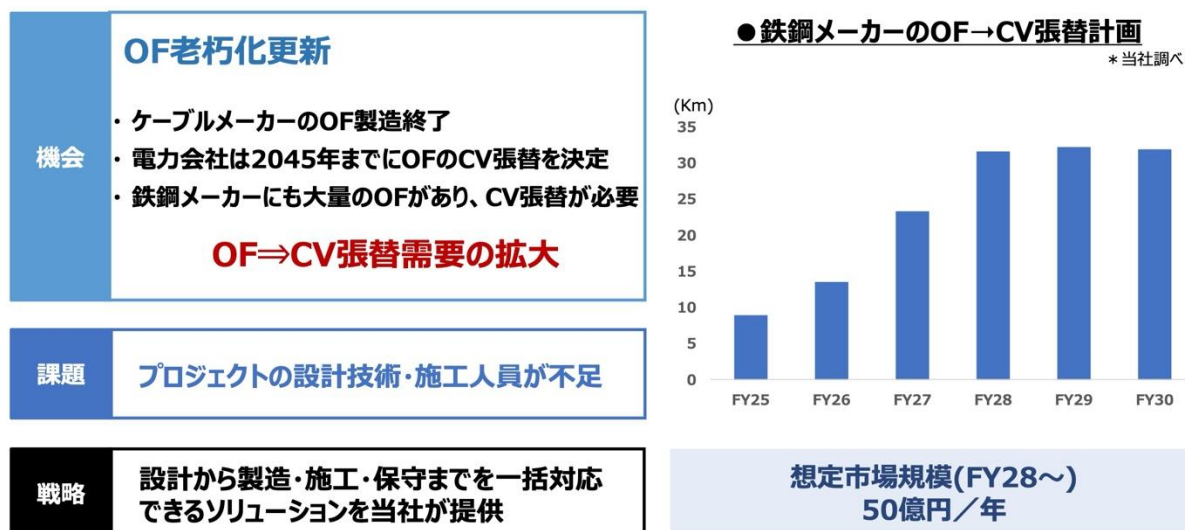
This is something I haven't covered before.

While we do serve electric utilities, our strength also lies in the commercial market, and today I'd like to discuss our approach to that sector.

In the private sector market, steel companies are currently preparing to make significant investments, which are expected to drive overall growth in the private sector market by about 120%.

In the steel industry, steel companies are making various investments and upgrading their furnaces. Since upgrading the furnaces requires upgrading the electrical equipment, the steel market is likely to grow by about five times. We consider that to be our target.

民需市場：鉄鋼でのOF_{※1}⇒CV_{※2}張替への戦略



※1 OFケーブル (Oil Filled Cable) : 導体の周りに油をしみこませた紙を巻き、金属パイプの中に納めて隙間を油で満たすことで絶縁するケーブル
 ※2 CVケーブル (Cross-linked polyethylene cable) : 導体を架橋ポリエチレンで覆って絶縁するケーブル

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There have been two changes in the commercial market.

First, steel companies have been unable to get around to upgrading their cables. This is called an OF cable, as described here. It's a cable filled with oil, and replacing it with a CV cable is our first strategy.

Of course, since our cable manufacturing division has already discontinued OF cable production, customers effectively have no choice but to transition to CV cables.

In addition, while power utility companies have already committed to replacing their CVs by 2045, steel manufacturers are now facing the same urgency. We are entering a market where demand for CV replacement is set to grow rapidly.

One issue that emerged is a shortage of engineering and construction resources in the steel companies. How should we handle this?

Our strength lies not only in the design of cables and joints, but also in our ability to provide comprehensive solutions in multiple areas, including installation and maintenance. We are currently offering these services, and we are receiving a steady stream of inquiries from major steel companies.

On average, the market size is equivalent to about 30 km of cable per year. Over a 10-year period, that amounts to approximately 300 km. To give you an idea of the scale, TEPCO has replaced approximately 700 km of overhead power lines in the past. So, I think you can imagine that a distance of 300 km is quite substantial.

In terms of revenue, that amounts to about JPY5 billion annually, so we're looking to capture a share of that market.

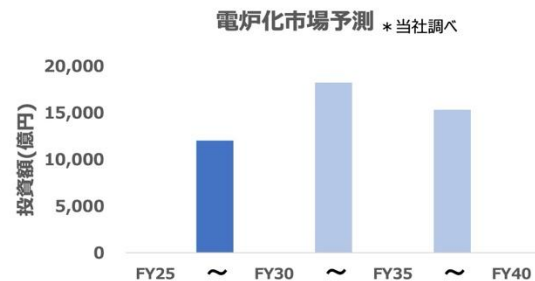
民需市場：鉄鋼での電炉化への戦略

機会	高炉から電炉化へ GX政策による電炉化が進む 電炉 1 基≒発電所 1 基の大容量電源が必要 超高压需要の拡大
	課題 プロジェクトの設計技術・施工人員が不足
	戦略 設計から製造・施工・保守までを一括対応できるソリューションを当社が提供

●国内大手 電炉化投資計画

国内で2030年までに1.2兆円規模

10年以上継続見込み



想定市場規模(FY28~)
50~100億円/年

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Another factor is the strategy to transition to electric arc furnaces. Under the government's GX policy, this transition will move forward in the future.

A single electric furnace requires a power supply with the same capacity as a power plant, and as demand for ultra-high voltage increases, there will be a growing need for even higher voltages, such as 154 kV.

The challenge remains the same as before, but based on our domestic research, we estimate the market size to be around JPY1.2 trillion through 2030.

Furthermore, with the transition to electric arc furnaces expected to continue for more than a decade through 2035 and 2040, we hope to enter this market, which is projected to be worth between JPY5 billion and JPY10 billion.

As I mentioned earlier, we intend to continue expanding our energy and infrastructure business by capitalizing on the significant growth potential of this power infrastructure market, including the data centers I mentioned earlier.

We will also aim to penetrate the private-sector market, where we have a strong track record, particularly among steel manufacturers.

That's all from me.

TOTOKU新体制における取り組み



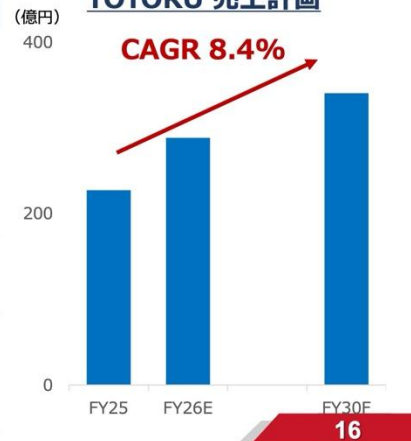
3つの施策

「新製品開発および売上拡大」
「価格適正化と顧客ポートフォリオの最適化」
「構造改革と人材の最適配置」

SWCCグループ
資源を最大限に
活用

サブセグメント	用途	製品
半導体	半導体検査治具 半導体検査装置配線 AIサーバー	コンタクトプローブ RUOTA TIW
モビリティ	車載用シート	シートヒータ線
産業用	電気毛布・カーペット 便座	ヒータ線、加工品

TOTOKU 売上計画



Yamamura: Next, I, Yamamura, will discuss TOTOKU's business strategy.

First of all, TOTOKU joined the Group last year, and as the vice president transferred from SWCC, I worked closely with the previous management team for a year.

This year marks our second year as part of the Group, and I believe it will be a year that truly tests the value of this integration under the new management team. I am committed to ensuring the success of this integration.

Here are TOTOKU's three initiatives for this fiscal year.

One is TOTOKU's ability to develop new products and expand sales, particularly in the semiconductor sector.

Another key area is price rationalization and customer portfolio optimization. Since this is an area where SWCC excels, we at TOTOKU are planning to try implementing what SWCC has been doing successfully.

Another key point is that, by joining the SWCC Group, we plan to focus on structural reforms and the optimal allocation of personnel.

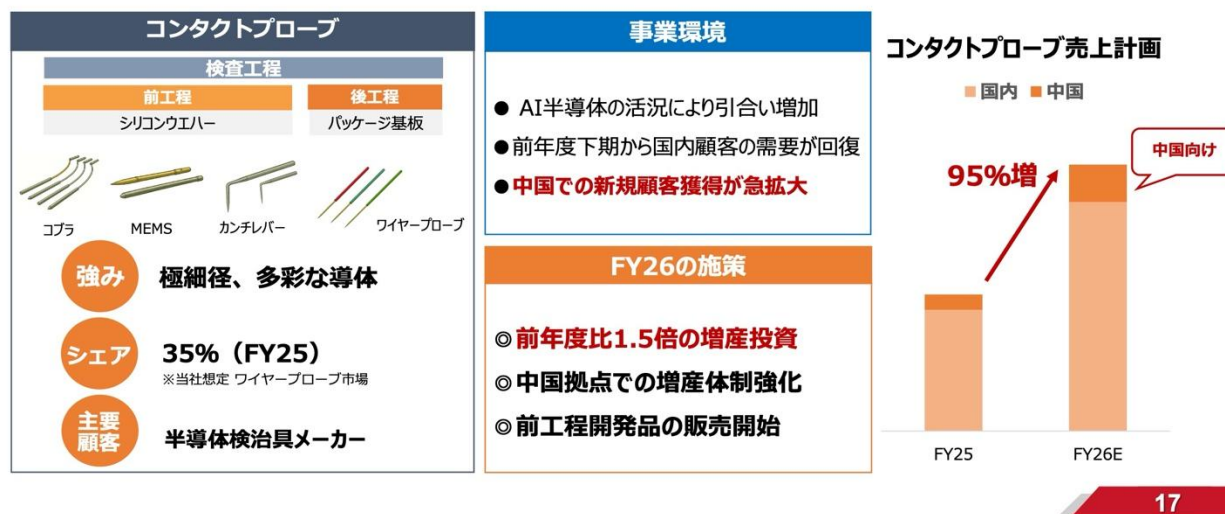
Specifically, regarding [inaudible], an area of expertise held by SWCC, SWCC will take the lead on that, while TOTOKU will allocate all its resources and [inaudible] to our growth businesses. This is the approach we intend to take this fiscal year.

As you know, TOTOKU has three subsegments: semiconductors, mobility, and industrial. As you are aware, the semiconductor market is currently booming, particularly in the areas of AI servers and AI semiconductors.

Today, I would like to focus primarily on three key products within our semiconductor business: contact probes, RUOTA, and TIW.

半導体事業の戦略製品 ①コンタクトプローブ

AI半導体の需要増に対し、素材×加工技術を活かした全方位展開と増産体制の構築を加速。



First, let's look at contact probes for the semiconductor business.

As mentioned earlier, in response to the growing demand for AI semiconductors, we intend to leverage the materials and processing technologies of SWCC and TOTOKU to accelerate our comprehensive expansion and the establishment of a production capacity expansion framework.

To recap, a contact probe is a very fine needle used in testing equipment. TOTOKU specializes in these straight-type wire probes, which are used in packaged circuit boards—a segment traditionally referred to as the “back-end process”—and holds approximately 35% of the global market share in this sector.

As we look to expand further, we intend to boldly tackle this upstream process, which we haven't touched before, by leveraging SWCC's technology.

On the right-hand side here, we have set a very ambitious sales target for contact probes this year: a 95% increase compared to last year.

The business environment is currently very favorable. Although the market was slow to take off during our first year after joining the Group last year, it has become very active since H2 of last year, and we've seen a significant increase in inquiries.

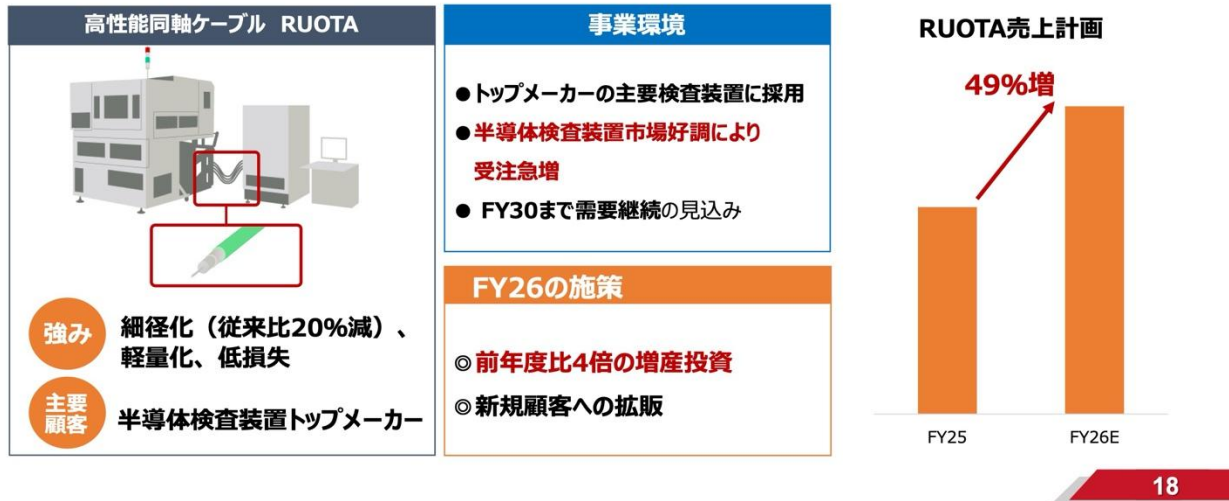
Another major factor is that our diligent sales efforts in China have finally paid off, resulting in a significant increase in orders and shipments to that market. This is the current business environment.

In contrast, for the current fiscal year, we are implementing production investment that is 1.5 times higher than the previous fiscal year. We are enhancing our production capacity by utilizing our facilities in China, as our customer base there has been growing, and then launching the products developed in the earlier phase I mentioned earlier.

We hope to grow our semiconductor business in a way that meets customer expectations.

半導体事業の戦略製品 ②高性能同軸ケーブル RUOTA

半導体検査装置トップメーカーの需要増。さらなる増産に向け設備投資強化。



Here's another unique product. There is a product called RUOTA, a high-performance coaxial cable.

As you can see in the image on the left, this is equipment from a major test equipment manufacturer. The interconnected cables linking these devices are our RUOTA coaxial cables.

The strengths of this product include the 20% thinner width compared to conventional models and a lightweight and low-loss profile. As a result, the use of this type of connecting cable is currently on the rise. A too-thick cable is not compatible with some products, which is why we're currently seeing a significant increase in inquiries about this RUOTA from TOTOKU.

As I mentioned earlier, regarding our business environment, a leading manufacturer of semiconductor inspection equipment has adopted our product for use in its mainframe systems. Although it took about ten years to meet the various specifications required for inclusion, we have finally succeeded, and this has led to significant growth.

We've been told that orders from other testing equipment manufacturers are on the rise, and that this demand is expected to continue at least until 2030.

To that end, we are currently working hard on our production expansion plan. Since inquiries have been steadily increasing recently, we have revised our investment plan to quadruple production, up from our initial target of doubling it compared to last year, and we are working diligently to achieve this goal.

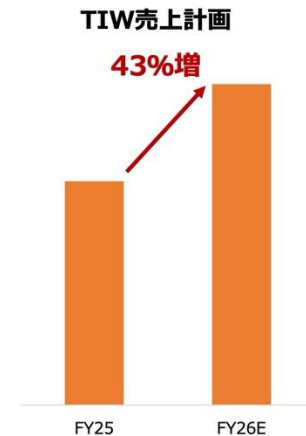
We've also been receiving various inquiries from new customers, so we plan to continue expanding our sales in these areas as well.

半導体事業の戦略製品 ③三層絶縁電線 (TIW)

AIサーバーの需要が急増。大容量電源トランスの小型化により、細径化、高耐熱であるTIWの需要増。



事業環境
● AIサーバー市場の急拡大による ・電力量の増加 ・大容量電源トランスの小型化 ・高耐熱の需要増 ● 当初想定を上回る受注
FY26の施策
◎ 前年度比1.5倍の増産投資 ◎ 中国拠点での生産体制構築検討



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The third product is TIW, a three-layer insulated wire designed for power transformers in AI servers, or more specifically, for the semiconductor industry.

Demand for servers is extremely strong, and when it comes to AI servers in particular, it seems that high-capacity power transformers must be made smaller, thinner, and more heat-resistant. TOTOKU's TIW product is designed to meet these needs, and sales of this product are currently on the rise.

TIW is characterized by its small diameter and high heat resistance. Since these are used exclusively for servers, we estimate that power transformers account for about 35% of the global market share, and as that share grows, so will demand for this TIW.

As I just mentioned, the current demand in our core business is such that, with the AI server market expanding rapidly, demand for compact, heat-resistant high-capacity power transformers exceeds our expectations, and we have received orders amounting to about 40% of last year's total.

While this is a happy cry of being unable to keep up with demand, as I just mentioned, we plan to increase our investment in production capacity by 1.5 times as part of our FY2026 initiatives. Since we also have a base in China, we intend to make effective use of that facility as well to meet our customers' needs.

TOTOKUの成長戦略と構造改革

成長事業の売上拡大と製造体制の強化、組織のスリム化により営業利益成長を図る。



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Finally, looking at TOTOKU's business strategy for this year, a key feature is the balance between growth strategies and structural reforms.

TOTOKU has had several owners over the years, which has caused some confusion.

However, while we are steadily implementing structural reforms, we possess highly unique and outstanding technologies and products, and our client base includes some of the world's leading companies. We therefore aim to drive growth in operating profit by focusing on these areas.

Looking at revenue growth in this expanding business, one key area is the semiconductor sector, as mentioned earlier. Our growth strategy involves integrating SWCC's material technology with TOTOKU's microfabrication technology to achieve comprehensive expansion in the semiconductor testing equipment market and to build capacity through investment in increased production.

On the other hand, the mobility sector is currently at a standstill. TOTOKU and SWCC offer similar seat heater wires, while TOTOKU's production volume is significantly higher. Consolidating the SWCC-side heater wire operations into the TOTOKU facility to enhance the synergy effect is currently in our plan.

Another key point is streamlining the organization and leveraging the Group's management resources. As I mentioned earlier, we plan to have SWCC handle whatever they can, with a focus on the [inaudible] department.

I want to do my best to drive the growth of our business as the engine of the Group, leveraging TOTOKU's technical expertise and our customer base. Specifically, this fiscal year, we intend to do our utmost to achieve a JPY1.5 billion improvement over last year's results.

That's all from me.

Question & Answer

Moderator [M]: We'd like to move on to the Q&A session now.

We have received two questions in advance, so I'll start by reading them out loud.

From Mr. Katsuyama at Goldman Sachs Asset Management.

Katsuyama [Q]: I understand that your company sources fiber from external suppliers. Have you encountered any issues with procurement? Also, regarding the businesses you have identified as requiring improvement, do you expect profitability to improve primarily starting next year, with performance for the current fiscal year remaining on par with the previous year?

Kawase [A]: All right, I'll answer that.

First, regarding the procurement of fiber, as is well known, there is a global shortage of optical fiber, but we have a diverse supply chain and have secured procurement channels from various fiber manufacturers, so we are not currently experiencing any procurement issues.

The second question was about whether profitability for the challenging projects will improve next year or later. We are currently addressing these challenges by implementing various measures, but you can expect our profitability trends for this fiscal year to be on par with those of the previous year.

The wire winding business, which has been identified as an area requiring improvement, will result in the closure of one of our factories. We have decided to close the Yamamoto plant in Miyagi Prefecture and are currently making preparations for its closure later this year.

In addition, the market for general-purpose windings is facing intense price pressure, and we are taking steps to improve profitability through negotiations with customers by securing better pricing terms.

The next area identified as requiring improvement is wire harnesses. Although we manufacture wire harnesses at our facilities in China and Vietnam, the top priority in our structural reforms is the consolidation and reorganization of our production sites, and we have already begun taking steps in this regard.

In addition, regarding our relationships with wire harness customers, particularly through our efforts to engage with local Chinese home appliance manufacturers, we are working to improve profitability, as these initiatives gain momentum. We won't see the results until next year or later.

Moderator [M]: Thank you. The next question is from Mr. Nakao at Tokio Marine Asset Management.

Nakao [Q]: Could you give me an idea of the sales volume and profitability of contact probe pins?

Yamamura [A]: Thank you for the question. This is Yamamura, and I would like to offer my answer.

First, this is what a contact probe looks like. Please note that annual sales for this product are approximately JPY4 billion.

As for profitability, in this industry, profitability tends to increase, as products become increasingly smaller. While we are certainly working to increase production volume, we are also focusing on ramping up production

of ultra-fine products, said to be as small as 15 microns, which only TOTOKU can currently produce. We aim to improve our profitability through these efforts.

Moderator [M]: Thank you. Next, Mr. Tani from Mizuho Securities, please go ahead with your question.

Tani [Q]: I am Tani from Mizuho Securities. Thank you for the presentation. I have two questions regarding the energy and infrastructure business and the semiconductor business.

First, regarding the power sector, you have outlined various sales expansion initiatives. I would appreciate your explanation of the potential for improving profitability and profit margins. Given that the volume growth driven primarily by SICONEX and SICOPUS has likely been highly profitable, it seems that profit margins have risen to a very favorable level.

This was around the time SICONEX launched and expanded sales of products like e-Cables and Y-splitters, which would lead to further improvements in profit margins, and they were already making good progress. Could you share your thoughts on whether there is still room to improve profitability further?

Kawase [A]: Thank you.

When it comes to profitability, SICONEX is our key strength. SICONEX has significantly improved its profitability by leveraging its unique strengths in weight reduction and miniaturization, which other companies cannot replicate.

Another area we are currently focusing on is the shift toward high-voltage work among our construction personnel, as shown at the bottom of the document. Up until now, we have focused primarily on 66 kV and 77 kV systems.

However, when it comes to higher-voltage systems, such as 154 kV and 275 kV, we can obviously increase profit margins by leveraging the SICONEX technology, and by shifting our construction personnel to these projects, we can shift our focus toward the higher-margin segments.

Given this, I believe we can expect our profit margins to increase by another 1 percentage point or 2 percentage points.

Tani [Q]: So, improving the configuration within SICONEX is the key to that, isn't it? I think the expansion of the e-Cable lineup and the Y-splitter connectors will contribute to increased sales volume and revenue, but when it comes to efforts to improve profit margins, will SICONEX be the one to take the lead?

Kawase [A]: The Y-splitter connector is also based on SICONEX technology. So, although I've placed it in a separate category, you can think of this as part of SICONEX as well.

Tani [Q]: Regarding the semiconductor business, you mentioned contact probes, RUOTA, and TIW. You've been discussing increasing production, and I get the feeling that your current capacity for each product is probably pretty tight. You are planning to quadruple RUOTA production compared to last year, but with other companies aiming for a 1.5-fold increase as well, looking at such a growth rate, I imagine demand can quickly outpace the supply before long.

Do you have sufficient capacity to meet that level of demand? If you plan to increase production volume further in the future, please advise whether this can be achieved simply by adding production lines without expanding the facility, and whether it is possible to do so while keeping lead times relatively short.

Yamamura [A]: Thank you for the question. I would like to address the question.

As I mentioned earlier, with production orders increasing rapidly, our initial investment plan is proving to be insufficient. As you pointed out, we're also facing space constraints, so we're currently working on installing equipment while making the most of the available space.

In this case, the Ueda district of TOTOKU will be primarily responsible for capital investment. In addition, TOTOKU has a subsidiary in Zhejiang Province called TOTOKU Zhejiang—some people refer to it as “Mini-Ueda”—and basically, anything that can be produced at the Ueda plant can also be produced at that factory in Zhejiang.

Therefore, we plan to make effective use of these resources, invest in the necessary equipment to meet the demand we're seeing, and shorten lead times to better serve our customers.

Tani [Q]: While you anticipate an increase in fixed costs, given the current rapid expansion in demand, do you have a system in place that allows you to negotiate prices effectively enough to fully absorb those costs? Or perhaps this is an area where price negotiations are tough due to long-term contracts. Could you just confirm that for me?

Yamamura [A]: I see. While all three of our main products have their own strengths, the RUOTA product in particular has generated such strong demand from customers that they are asking us to increase production. This means we will be able to fully recoup the costs of this investment through the product's price. That is one key point.

As I mentioned earlier, in the industry, contact probes with a diameter of 40 microns or less are classified as thin, while those with a diameter of 70 microns or more are classified as thick, and the price difference between the two is 2 times to 3 times. The narrower it gets, the higher the price; in other words, the greater the added value.

Other companies handle thicker materials, but when it comes to 40 microns, there are only TOTOKU and maybe one or two others. Therefore, we plan to focus our investment efforts here and improve profitability by increasing production in this area.

Tani [M]: Understood. Thank you.

Yamamura [M]: Thank you.

Moderator [M]: Thank you. The next question comes from Mr. Ko from UBS Securities.

Ko [Q]: This is Ko from UBS Securities. Thank you for the presentation.

First, let me ask you a few questions about the contact probe. You previously mentioned that the adoption of the four-terminal method would serve as a tailwind for the future growth of the contact probe market. I would like to ask about the current status of your company's technological advantages in this market, as well as the adoption and progress of the four-terminal method.

Yamamura [A]: Thank you for the question, Mr. Ko. I'd like to answer your question.

As you say, as the market for contact probes grows alongside the development of chips that are even smaller than the so-called four-terminal chips, we are seeing a surge in the production of ultra-fine contact probes—those measuring 30 microns or less. Another major feature is that the number doubles when it becomes a four-terminal system.

This is an area where we intend to focus our efforts, so as I mentioned earlier, we plan to expand our production capacity, with a focus on small items, to meet this demand.

Ko [Q]: Is it correct to understand that the four-terminal market is expanding steadily?

Yamamura [A]: As you may know, the Nikkei recently published an article reporting that production has begun on Google's TPU, a tensor AI chip. Since devices like those are also made up of extremely thin, microscopic chips, we expect the use of four-terminal configurations to expand in that area as well.

Ko [Q]: Also, regarding the expansion of your front-end operations, given the competitive landscape in that sector, the samples you've provided, and the fact that sales are set to begin this year, I'd like to hear your thoughts on the market response, as well as your outlook on how much market share you expect to gain.

Yamamura [A]: We've already received orders for this product, known as COBRA, and customers are asking us to ramp up production as soon as possible. Given that these products are sure to sell once they're made, we're working intensively to establish mass production techniques and expand our production facilities, and COBRA will play a central role in this effort.

As for cantilever-type devices and this MEMS technology, demand is already emerging in the field of new testing equipment. As I mentioned earlier, this is where SWCC's material technology comes into play.

Therefore, by effectively leveraging synergies with these partners, we hope to bring this project to fruition within this fiscal year.

Since the concept has already taken shape to some extent, we plan to continue producing samples and establish a system to supply them to our customers.

Ko [Q]: One last question: Could you share the current sales figures for three-layer insulated cables, even if it's just a percentage of TOTOKU's total sales?

Yamamura [A]: TIW is a product characterized by the process of twisting together enameled wires, commonly known as burned-in wires, and then insulating them in three layers with tape in this manner.

I suppose our annual sales are currently somewhere between JPY2 billion and JPY3 billion? As I've been saying, I think it would be fair to think of this as an increase of about 40%.

Ko [M]: Understood. Thank you.

Yamamura [M]: Thank you.

Moderator [M]: Thank you. Next, Mr. Nakanishi from Iyasaka Asset Management.

Nakanishi [Q]: Thank you for the presentation.

I'd also like to ask about TOTOKU. I'd like to get a better sense of the customers who buy this wire probe from your organization. Since the focus is currently on back-end processes, I get the impression that your main customers are likely different from the typical wafer-level test probe card manufacturers.

Just to give us a hint, what kind of particular products do semiconductor fixture manufacturers typically produce?

Yamamura [A]: Thank you for your question, Mr. Nakanishi.

While I am unable to disclose the company's name, but as you mentioned, our major clients include manufacturers that produce jigs for testing equipment.

In addition, since these contact probes are consumables that need to be replaced after a certain amount of use, there are two scenarios: either the fixture manufacturer purchases replacement pins, or the tester manufacturer purchases them directly.

Is that a sufficient answer?

Nakanishi [Q]: Regarding the applications driving demand right now, is it correct to understand that both logic and memory are contributing significantly rather than one dominating?

Yamamura [A]: It used to be mainly logic, originally, but recently memory has also been growing strongly. With both segments expanding, demand for test pins like these has been increasing.

Nakanishi [Q]: Looking at the situation among probe card manufacturers, I understand that HBM is a major driver of the significant growth in the memory market. Is it correct to assume that HBM is also a major driver of memory demand for TOTOKU's wire probes?

Yamamura [A]: Yes. As for HBM, we're seeing a significant increase in inquiries for the so-called fine-pitch products—those with pitch sizes of 40 microns, 30 microns, and smaller—so I believe this is likely evidence of growth in the HBM market.

Nakanishi [Q]: So that's playing a major driving role, then.

Finally, you mentioned earlier that the increasing number of terminals is a major driver for these wire probes. Is the underlying reason for this increase in the number of terminals the miniaturization of semiconductors?

Yamamura [A]: My understanding is that both miniaturization and higher capacity play roles. In short, given the need to process massive amounts of data and the inevitable trend toward larger semiconductors, we view the adoption of four-terminal technology as one of the means to achieve further miniaturization.

Nakanishi [Q]: So, increasing the number of terminals increases the capacity, right?

Yamamura [A]: Correct. That is my understanding.

Nakanishi [M]: Very clear. Thank you. That's all from me.

Moderator [M]: Thank you. Next, we have Mr. Shibata from SBI SECURITIES. Thank you for joining us.

Shibata [Q]: Good morning. This is Shibata from SBI SECURITIES. Thank you for the presentation. I have two questions.

First, I would like to confirm this. I'm surprised to hear about the steel industry and other topics today, something that was not covered before. Could you please confirm whether this growth in the steel sector has been properly factored into the medium-term management plan?

That's my first question.

Kawase [A]: Of course, we factored that into the medium-term management plan. I've also included some figures. However, we are currently receiving far more inquiries than we can handle. However, since the actual implementation won't take place until next year or the year after, we are currently in the planning stage.

We've included figures through 2030, but as I mentioned earlier, I imagine the actual results will likely exceed those projections.

Shibata [Q]: One more question, please. I'd like to ask about e-Ribbon, as there wasn't much information provided in today's briefing, but given the current cable shortage, could you tell us how your company views this situation?

For example, please let us know if there are any specific cases where there might be business opportunities—or where there might not be—or where your company could capitalize on the current cable shortage among major wire manufacturers to maximize potential gains.

Kawase [A]: As discussed previously, the main pillar of our business model is the sale of e-Ribbon.

We have two business models. One involves sourcing fiber, shaping it into ribbon form using our proprietary technology, and then our customers will apply it to assemble cables. The other involves cable manufacturing, where we produce and deliver finished cables directly to our customers.

Our core business is the sale of e-Ribbon.

Shibata [Q]: For example, with so many cloud service providers out there, major cable manufacturers are already at full capacity. In such cases, are they turning to SWCC more often than before, or has that not changed? What's your take on that?

Kawase [A]: We are currently in the process of making capital investments, and we are receiving a wide variety of requests from our customers. We are currently planning and implementing investments to meet those needs.

Shibata [M]: That's all. Thank you.

Moderator [M]: Thank you. Now, Mr. Ko from UBS Securities, please go ahead.

Ko [Q]: Sorry to ask another question.

Considering the e-Ribbon figures mentioned earlier, as well as this fiscal year's sales targets and the plan to increase production sevenfold by 2025 outlined in the medium-term management plan, I believe the targets set in the medium-term management plan are already on the low side, or rather, there is room for them to exceed expectations. Could you please discuss your thoughts on this, including the current situation?

Kawase [A]: Thank you.

As we discussed during the presentation on our medium-term management plan, we anticipate that e-Ribbon's revenue will grow at a CAGR of 38% from the current 2026 revenue level. You can expect that e-Ribbon will account for roughly 70% of our total revenue of JPY35 billion.

Ko [Q]: So, is it fair to say you are making progress at a pace exceeding your plan?

Kawase [A]: That's fine. Based on our current sales projections, we are planning to invest JPY3 billion between FY2026 and FY2030, and we are working toward that goal.

Ko [M]: Understood. Thank you.

Moderator [M]: Thank you. That concludes the Q&A session.

Komata [M]: This is Komata.

I didn't cover e-Ribbon in today's presentation materials, and I received some questions about it. Regarding the point about cable manufacturing that Mr. Shibata raised earlier, our e-Ribbon technology, which utilizes a ribbon-like structure, is indeed our most competitive offering, and we are planning to increase production of this product sevenfold starting from current levels as part of this medium-term management plan.

We've started receiving inquiries about cables, and there's been talk that if we can produce e-Ribbon this year, we should expand to cables as well, so that's been included in this year's plans. Therefore, if production of e-Ribbon continues to increase, we can expect to expand into cables and increase added value, as outlined in our medium-term management plan.

We've seen some growth in that area this year as well, and if we pursue it more aggressively, I'd like to add that, as Mr. Ko mentioned in his earlier question regarding the 2030 sales, revenue and added value will both increase in the cable sector, so we'd like to view that as an upside opportunity.

Moderator [M]: Mr. Komata, would you like to add something else?

Komata [M]: [inaudible], but according to the outlook for this fiscal year that I just discussed, profits are still expected to increase by 4.3%.

As I mentioned today, while the power infrastructure market itself remains very robust, we maintain a slightly cautious view, particularly regarding the supply chain, due to certain issues related to the Middle East.

However, as I mentioned earlier, the situation has been easing, and I feel we're starting to see more positive trends in terms of sales and inquiries.

In addition to its high-growth semiconductor business, TOTOKU also operates the core cash-cow businesses as well as the industrial sector. We've made significant progress in improving that area through structural reforms, so I believe this will be a year where we'll see how much further we can raise the figure, starting from a baseline of JPY28.5 billion, and I hope you'll look forward to seeing the results.

Thank you for your attention today.

Moderator [M]: That concludes the analyst briefing.

We appreciate your continued support of SWCC. Thank you for your participation.

[END]

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