



SWCC Group

Small meeting for the First Quarter of the Fiscal Year Ending March 2023

August 30, 2022

SWCC SHOWA HOLDINGS CO., LTD. (TSE Prime: 5805)

Summary of First Quarter Financial Results

FY2022 Q1 Overview of Financial Results

Business environment

- Due to the long-term situation in Russia and Ukraine and the impact of lockdowns in China and Shanghai, raw material and logistics prices have risen and the yen has depreciated, and the global supply chain continues to be disrupted
- Demand for automobile-related products declined due to a shortage of semiconductors.
- In the electric wire industry, overall demand for electric wire declined slightly.
- Average domestic copper prices rose YoY.

Net sales

Overall sales increased YoY due to higher copper prices, despite a decrease in copper shipments.
【Status by Major Business Field (YoY)】
Electric power infrastructure: Although the number of large-scale projects declined, we captured demand related to renewable energy.
Automobiles: Demand for high-performance products is sluggish due to the impact of automobile production cutbacks that have continued since last year.
Industrial Devices: Demand increased, but the impact of global supply chain disruptions continued.

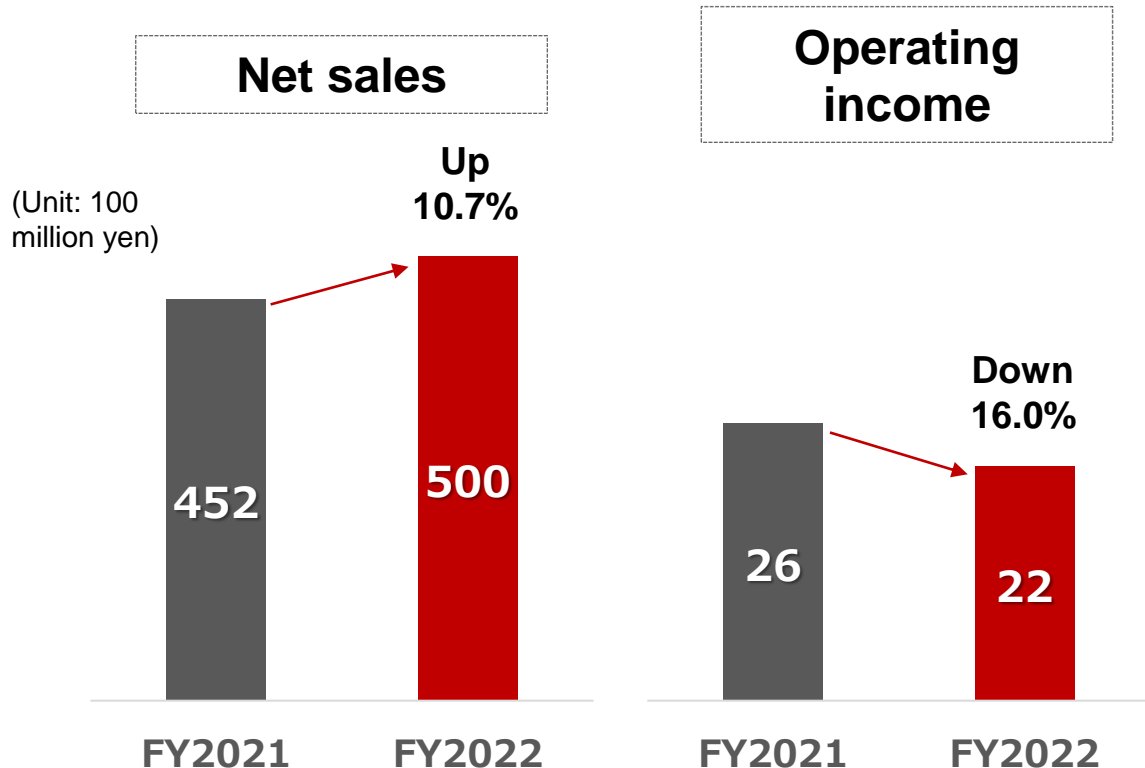
Operating income

Profits down YoY. Despite reviewing sales prices and cutting costs in response to soaring raw material prices, our performance was affected by delays in passing on higher prices for some products, reduced automobile production, and global supply chain disruptions.

Key Points of the Financial Results for Q1 FY2022

Q1 YoY Change

Sales increased but profits decreased YoY due to higher copper prices, despite a decrease in copper shipments.



Q1 Progress rate

Net sales progressed on a par with normal year. Operating income has exceeded the 4-year averages.

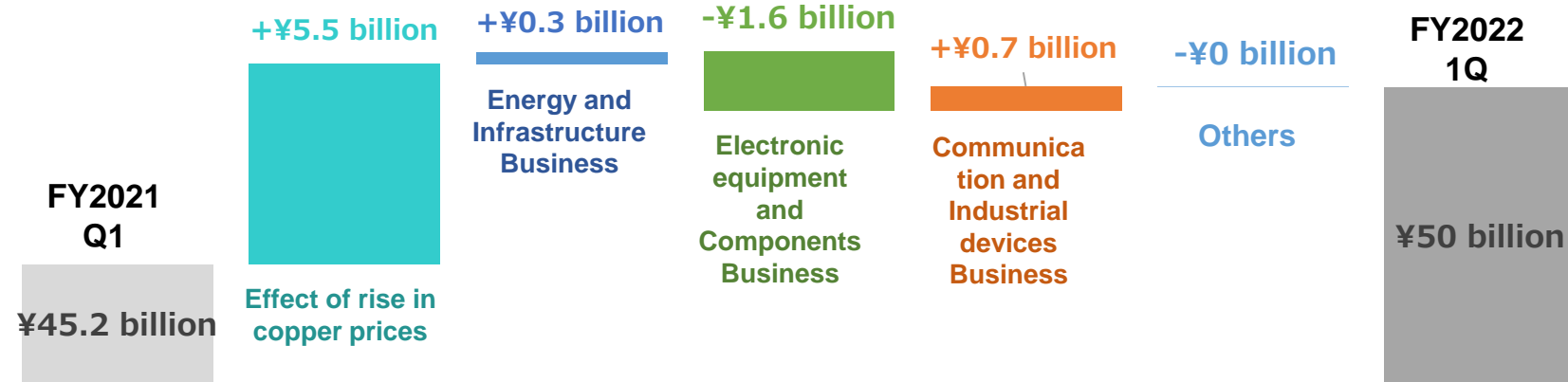
(Unit: 100 million yen)	Full-year plan	FY18-21 Avg. progress rate	Q1 progress rate
Net sales	2,170	23.2%	23.1%
Operating income	103	17.9%	20.9%

Q1 Consolidated Statements of Income

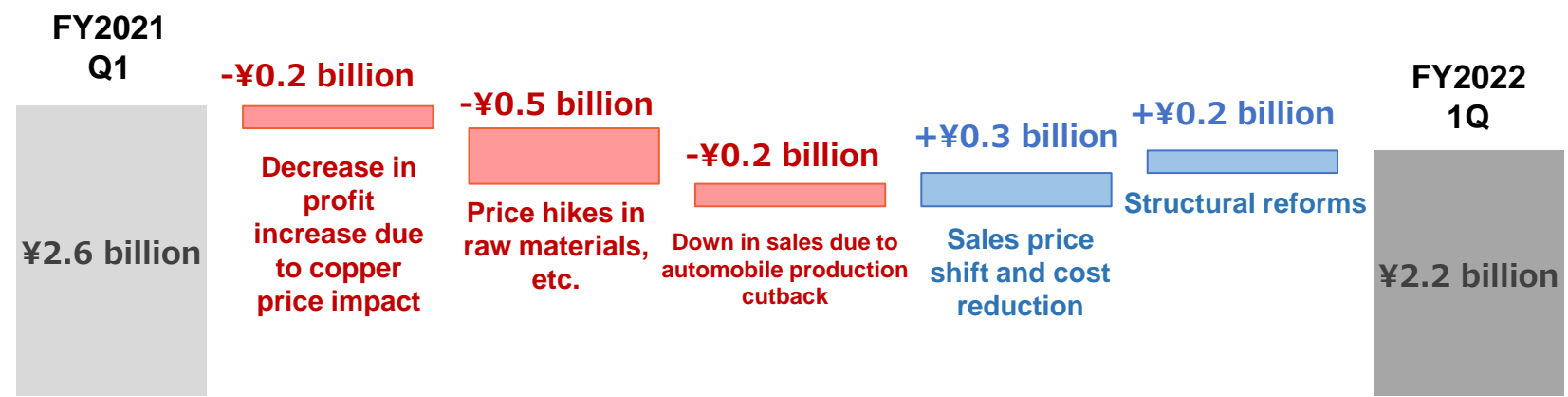
(Unit: 100 million yen)	FY2021 Q1 Actual	FY2022 Q1 Actual	FY2022 Full-year plan	YoY %	Progress rate %
Net sales	452	500	2,170	10.7	23.1
Operating income	26	22	103	▲16.0	20.9
Operating income margin (%)	5.7	4.3	4.7	—	—
Ordinary income	26	23	103	▲12.8	22.2
Net income attributable to owners of parent	17	16	75	▲4.6	21.9

1Q: Change Factors for Net sales and Operating income (YoY)

Change factors for net sales



Change factors for operating income



【Change factors】

1. Net sales
Increased mainly by passing cost increases due to higher copper prices on selling prices in a timely manner.
2. Operating income
Decreased due to delays in passing on cost increases for some products and a decrease in sales due to reduced automobile production in the Electrical Equipment and Components Business.

【Future Initiatives】

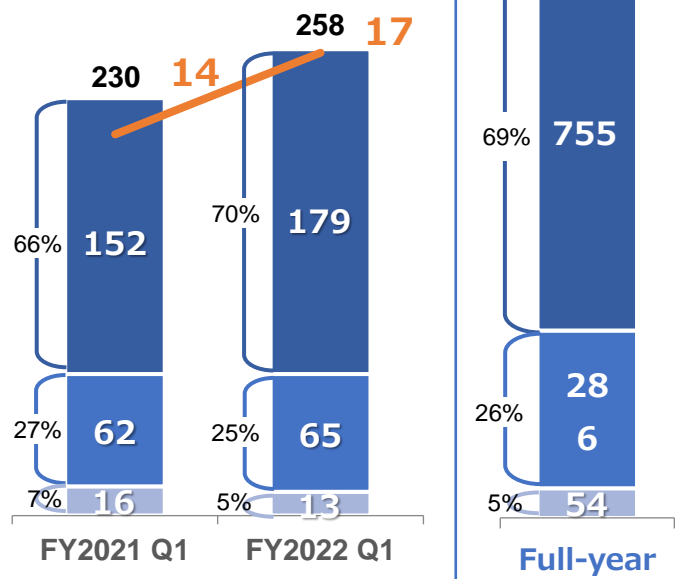
Covered mainly by measures to **pass on higher sales prices, reduce costs, and promote structural reforms** in response to the downward pressure on incomes from soaring raw material and other prices.

Q1 Results by Segment and Full-year Plan

Energy and Infrastructure Business

Construction
Electric power infrastructure
Seismic isolation/ Others
Operating income

(Unit: 100 million yen)



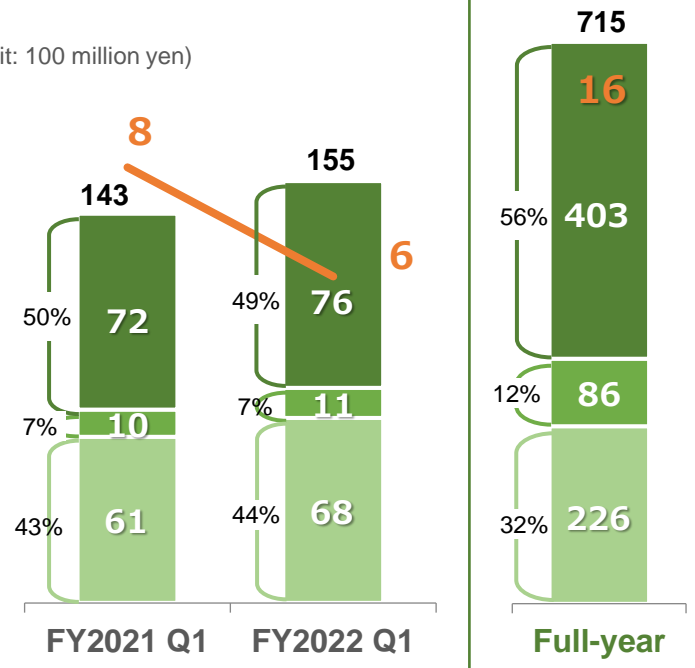
Operating income margin	6.3%	6.5%	6.2%
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Copper price impact: Net sales up by 2.5 billion yen.
Both sales and profits increased YoY due to revisions to sales prices and cost reductions to secure appropriate profits in the construction business and capturing highly profitable demand for renewable energy in the electric power infrastructure.

Electronic Equipment and Components Business

High-performance products
oxygen free copper
General-purpose products
Other high-performance products
Operating income

(Unit: 100 million yen)



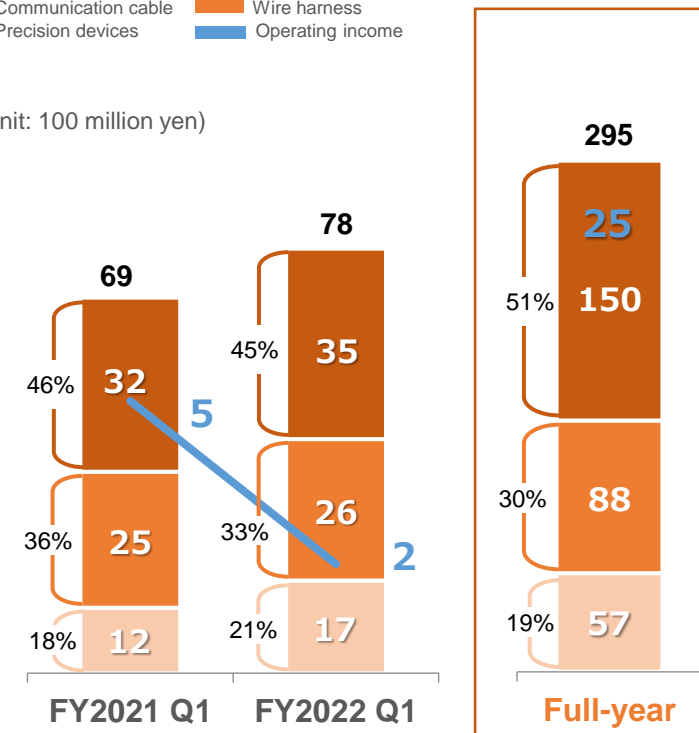
Operating income margin	5.4%	4.0%	2.2%
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Copper price impact: Net sales up by 2.8 billion yen.
Sales increased and profits decreased YoY as sales for heavy electric machinery and industrial equipment were firm, but sales of high-performance products for the automobile industry were affected by the automobile production cutbacks that continued from the previous 2Q.

Communication and Industrial Devices Business

Communication cable
Precision devices
Wire harness
Operating income

(Unit: 100 million yen)



Operating income margin	7.4%	2.2%	8.5%
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Copper price impact: Net sales up by 200 million yen.
Sales increased but profits decreased as price review was delayed despite the effect of reorganization of domestic production bases in the communication cables business. Industrial devices were also affected by supply chain disruptions.

Q1 Balance Sheet (Comparison with the previous fiscal year-end)

(Unit: 100 million yen)	March 31, 2022	June 30, 2022	Change
Total assets	1,474	1,537	64
Trade receivables	527	522	▲ 5
Inventories	260	287	27
Currents assets	587	615	28
Total liabilities	884	937	53
Interest-bearing debt	392	454	63
Total net assets	589	600	11
Shareholders equity	583	592	10
Shareholders equity ratio (%)	39.5	38.5	▲ 1
DE ratio (%)	67.2	76.7	9.5

【Fixed assets】

Increased due to various capital expenditures (upgrades and increased production). In addition, the Company contributed 2.1 billion yen in special premiums to the pension assets of the retirement plan.

【Interest-bearing debt】

Increase in working capital due to special premiums and soaring copper prices.

【Shareholders equity ratio】

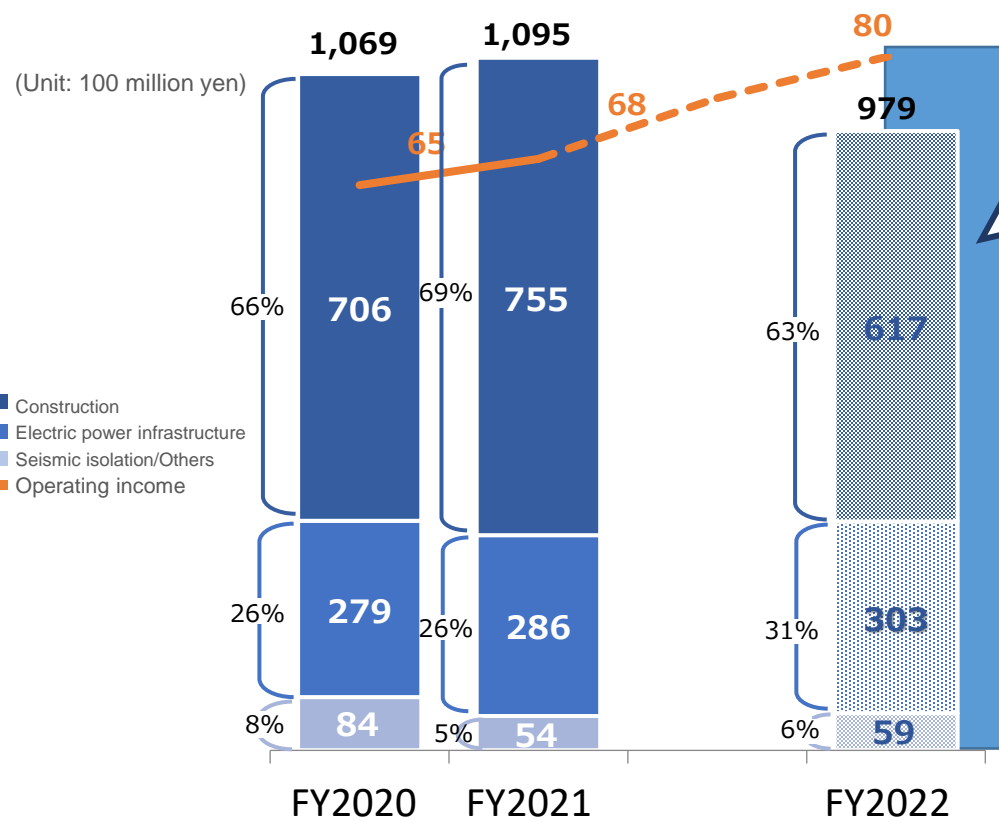
Despite an increase in shareholders' equity, total assets decreased 1% from the end of the previous fiscal year due to an increase in total assets.

【DE ratio】

Shareholders' equity increased, but interest-bearing debt also increased, resulting in a 9.5% increase from the end of the previous fiscal year.

Energy and Infrastructure Business
Growth Strategy

Energy and Infrastructure Business Growth Strategies to Achieve the Medium-Term Management Plan

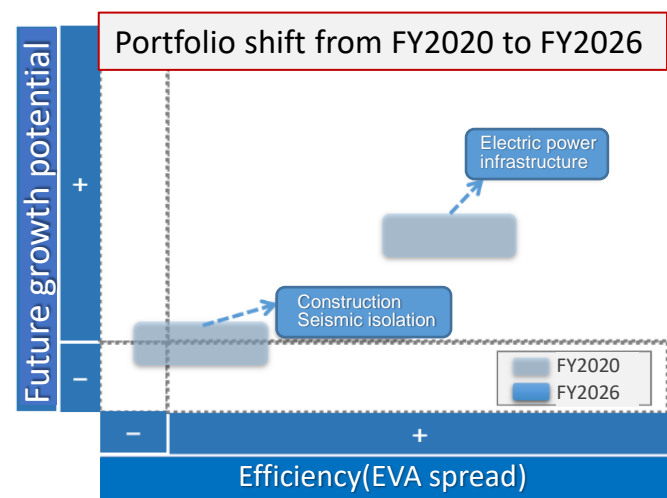


Operating income margin after taking into account the impact of copper prices is more than 7%.

Operating income margin (%)	6.0	6.2	8.2
Copper value (¥/kg)	1,136	1,150※	870※

※Planning assumptions

- Reinforcement of Electric Power Infrastructure Business Strategies for increasing production and securing human resources in anticipation of market expansion**
 - De facto standardization of strategic products "SICONEX®".
 - Investment plan to increase production of strategic product "SICONEX®".
 - Locally produced and locally consumed cloud construction human resources strategy
- Improvement of Profit Structure of Coated Wire Business Structural Reforms to Strengthen Market Competitiveness**
 - Gross profit improvement through improved customer convenience and service
 - Establishment of a demand-linked, production and supply system.
 - Improve business processes through AI and data utilization.



Equipment Investment

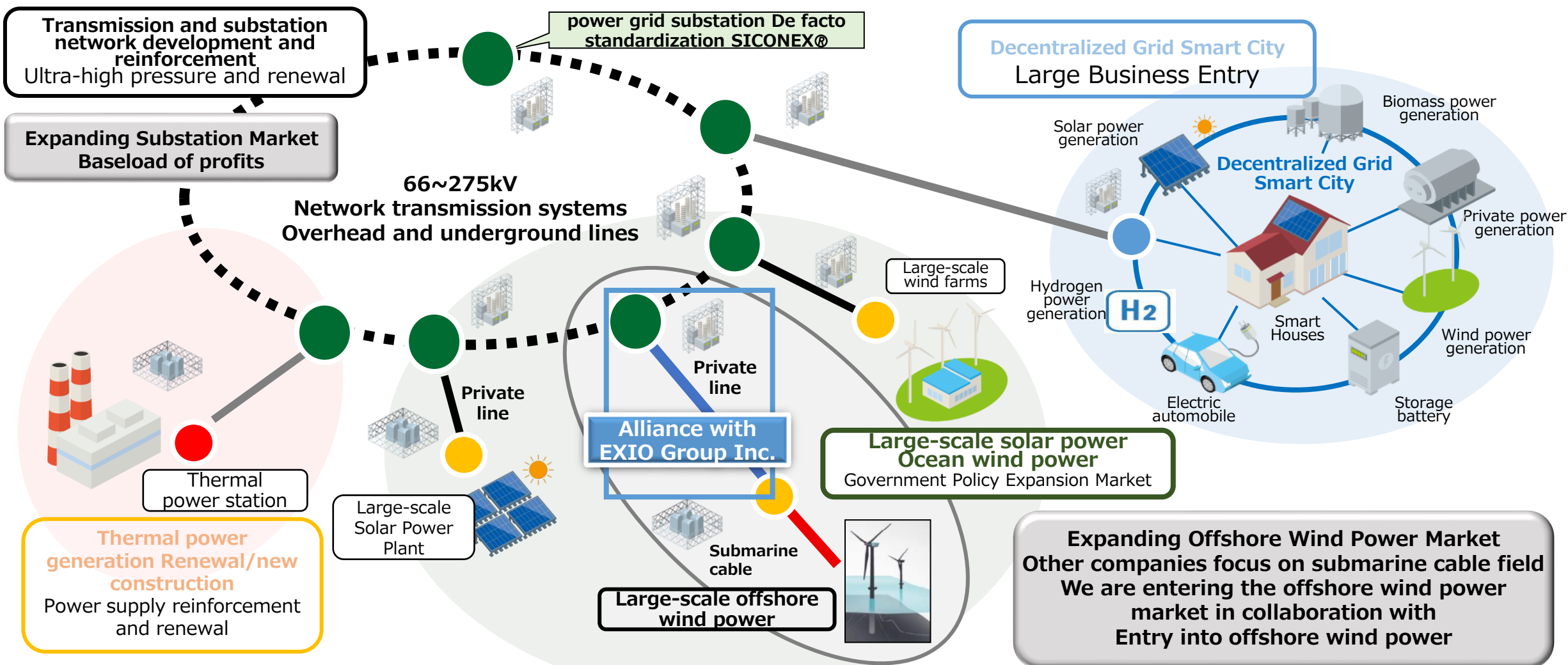
Further investment

4.8 billion yen

Replacement investment

4.2 billion yen

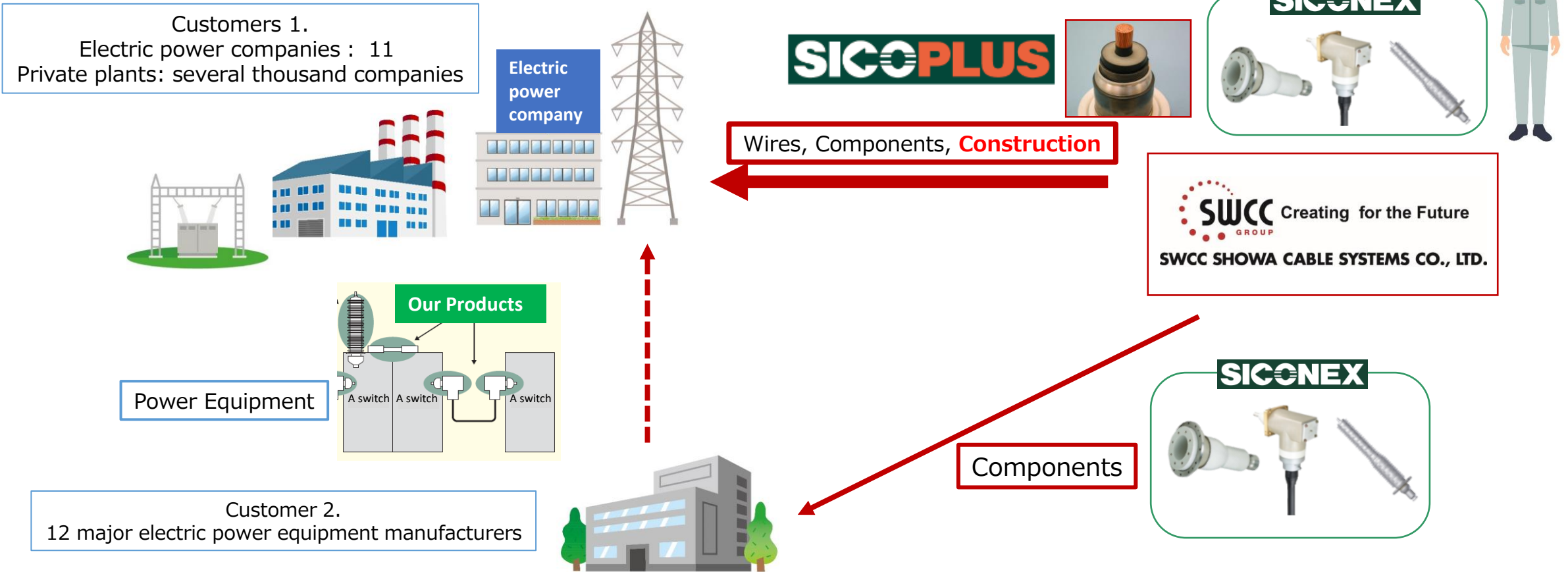
Target Market of Electric Power Infrastructure Business



• 14 government-initiated solicitation-type projects (14 trillion yen in total)

Target Customers and Sales Channels for Power Infrastructure Business

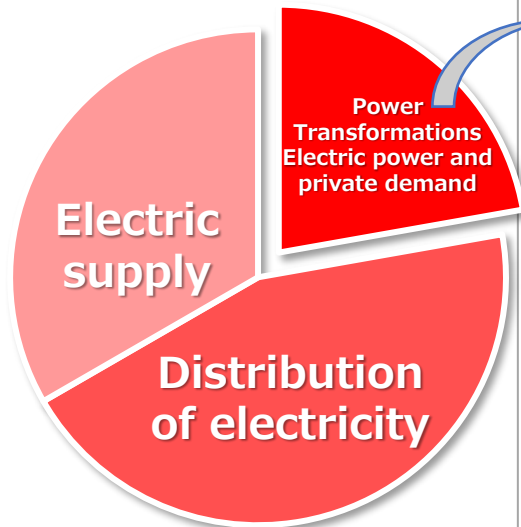
We have two sales routes: 1) direct delivery of wires, components, and installation to electric power companies and private plants with substation facilities, and 2) indirect delivery of power components to electric power companies and private plants with substation facilities through electric power equipment manufacturers.



SICOPLUS® Market Share Trends in the Substation Market

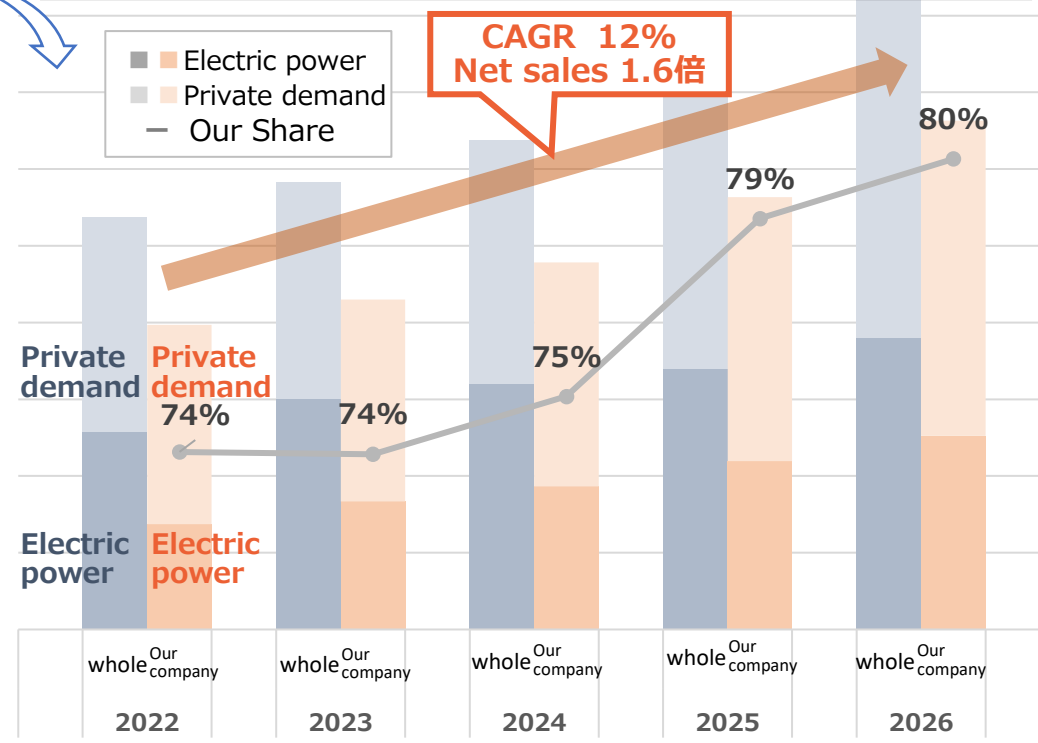
SICOPLUS® strategy will focus on the substation market while capturing demand for renewable energy interconnection. We aim to achieve a CAGR of 12% by FY2026 by expanding our share of the substation market.

Major components of the electricity market



※Our target electric power market Based on our research of the FY2022 assumptions for our target electricity market.

Substation market (domestic electric power and private demand) share transition

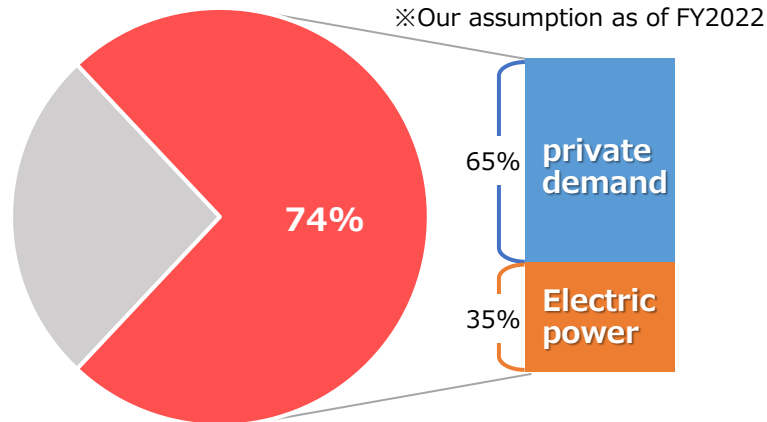


*Company research

Making the strategic product "SICONEX®" the de facto standard in the substation market

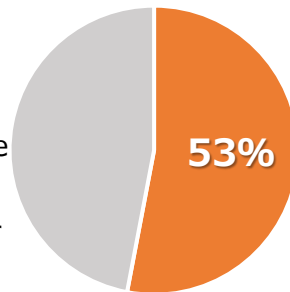
Taking advantage of the product's superiority in terms of light weight, compactness, short installation time, and simple joint design, we will promote de facto standardization (standard specifications) in the substation and private demand markets to expand its market share.

Substation market Our share and breakdown

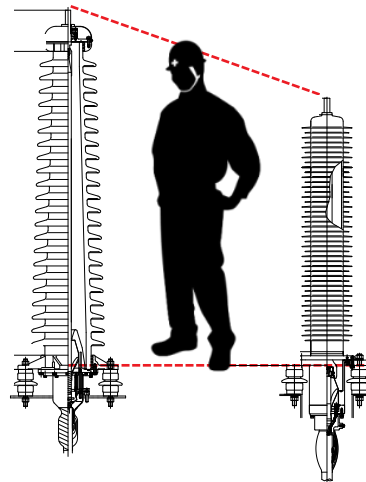


Our Share in the Electric Power Industry

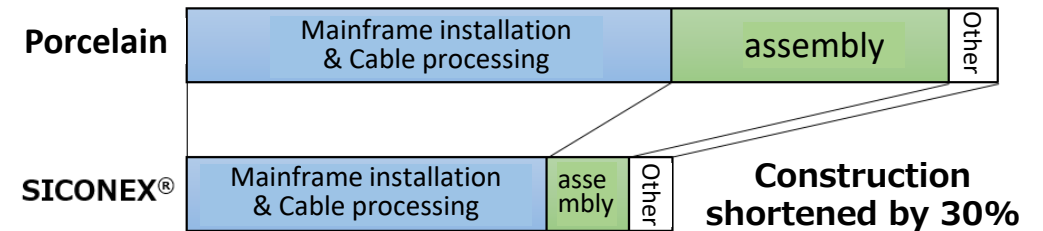
While our share of private demand is 90%, the electric power company share is 50% in the FY2022 assumption. By becoming the de facto standard further expansion of market share is expected.



【 Size Comparison 】

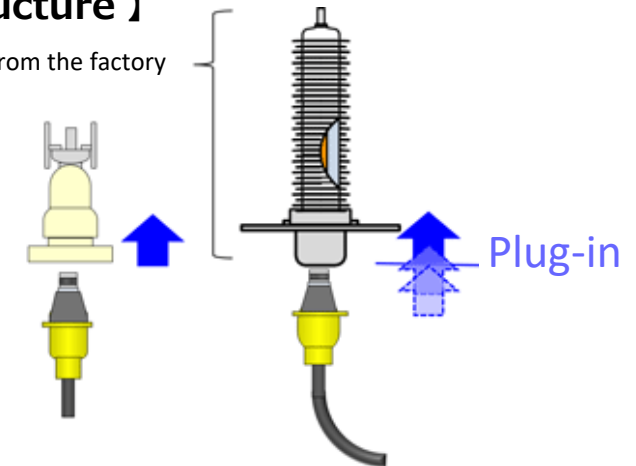


【 Operational Engineering Comparison 】

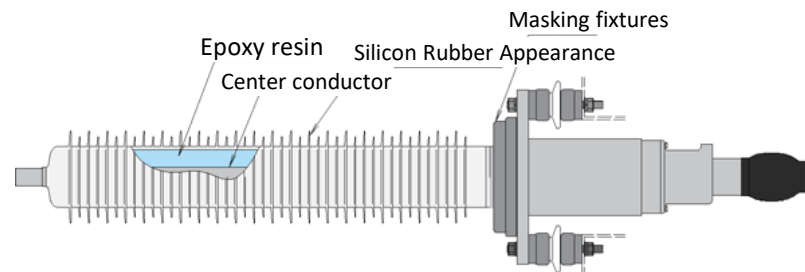


【 Plugin structure 】

Pre-assembled and shipped from the factory

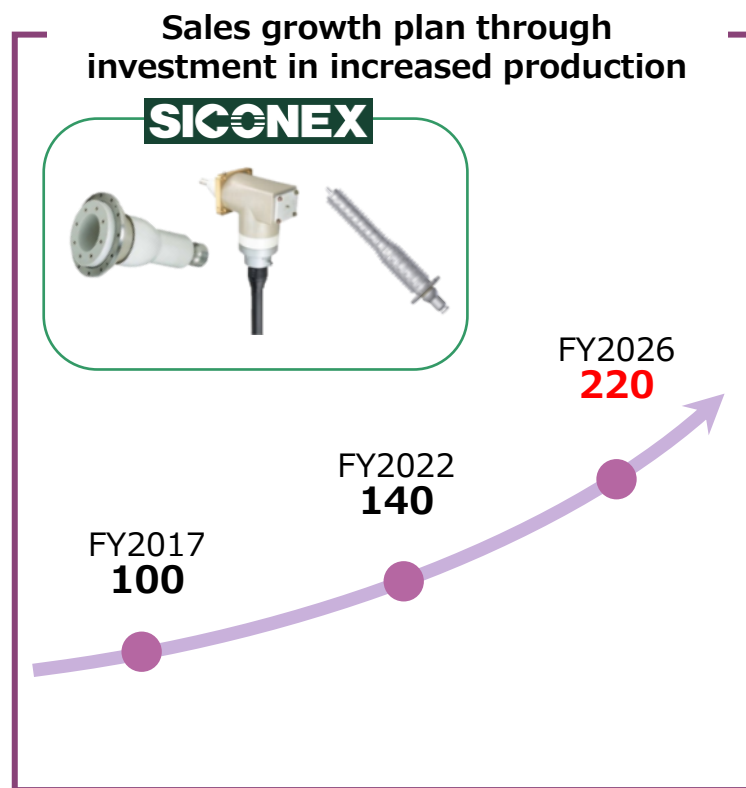


【 Completely dry construction 】



Investment plan to increase production of strategic products "SICONEX®"

Established a system to increase production to meet the growing demand in the electric power market against the backdrop of the national strategy. Investment of 2 billion yen to increase production capacity by 1.5 times in FY2023, with phased production increase starting in the second half of 2022, contributing to sales expansion. In addition, the Sagamihara Plant, which is investing in increased production, plans various initiatives to improve production efficiency, such as automation.



※ Actual sales for FY2017 as 100.

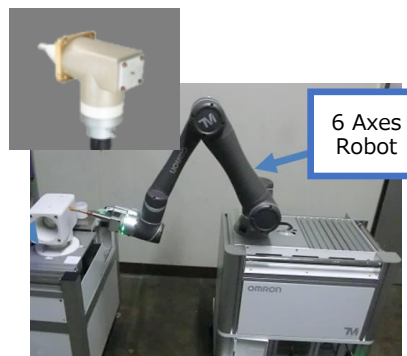
Efforts to Improve Production Efficiency

【 Shielded room for inspection 】



Sequentially from September 2022 onward Increase in the number of inspections with high accuracy

【 Automatic product dispensing system 】



Scheduled to be introduced in 2023 Labor-saving and skilled skill-less

【 Automated warehouse 】



Scheduled to be introduced in July 2023 Capable of storing long products

【 Automated forklift truck 】



Scheduled to be introduced in July 2023 Unattended delivery to automated warehouse

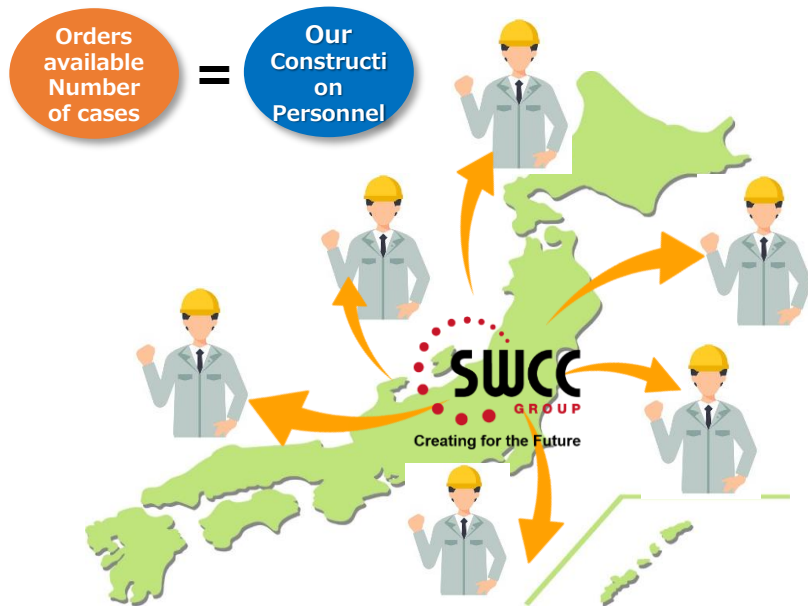
Investment effect of increased production: **1.3 times the output per worker is expected**

Efforts to secure orders through a locally produced and consumed cloud construction human resources strategy

As part of the SICOPPLUS® strategy, we are also addressing the shortage of construction personnel due to the declining birthrate and aging population. Through efficient human resource training programs using our proprietary AVR® technology (a proprietary technology that overlays live-action images on virtual reality images) and others, we will work with collaborating companies and local construction companies to secure construction personnel throughout Japan and respond to future order growth.

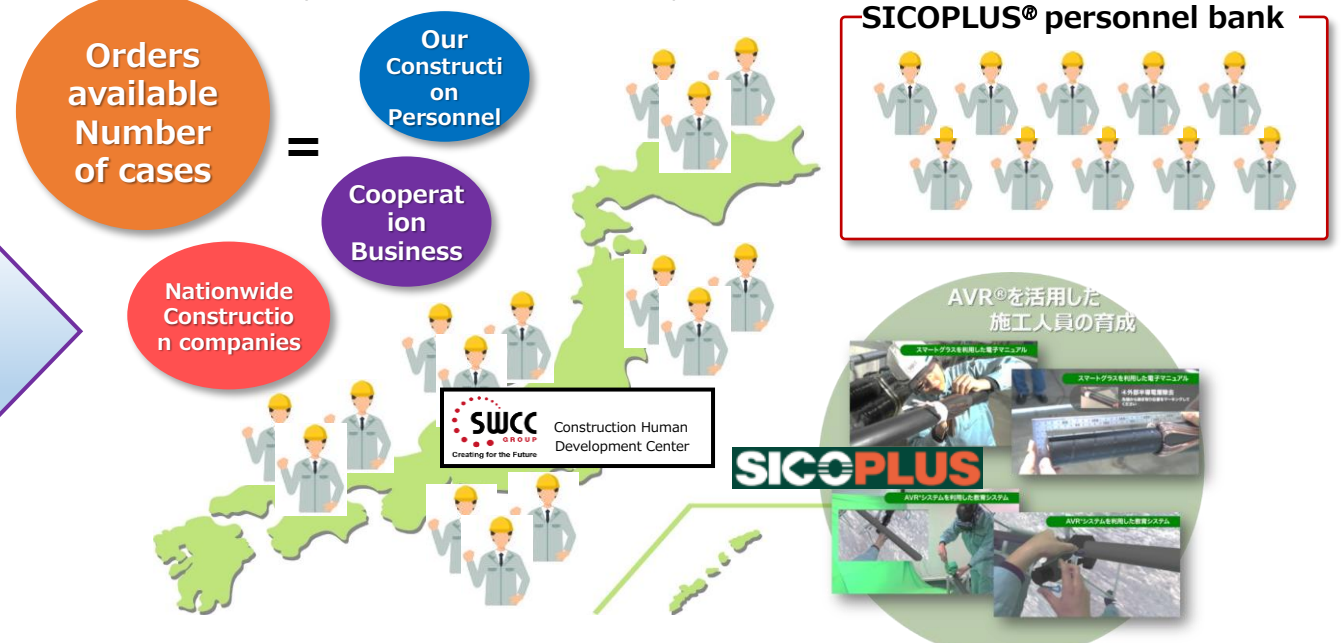
Current state

Dispatch Kanagawa construction personnel to sites throughout Japan. The number of possible construction orders = the number of construction personnel we have and has become a bottleneck.



Prospects

Construction personnel from all over Japan who have studied at the Construction Human Resource Development Center in Sagami-hara are registered in our human resource bank to secure personnel for cooperative companies and local construction companies nationwide. This enables us to secure orders without being limited by the number of construction personnel we have.



SFCC's Growth Strategy for
Manufacturing and Sales Integration

New Structural Reforms

➤ Structural reforms aimed at enhancing market competitiveness of the covered wire business

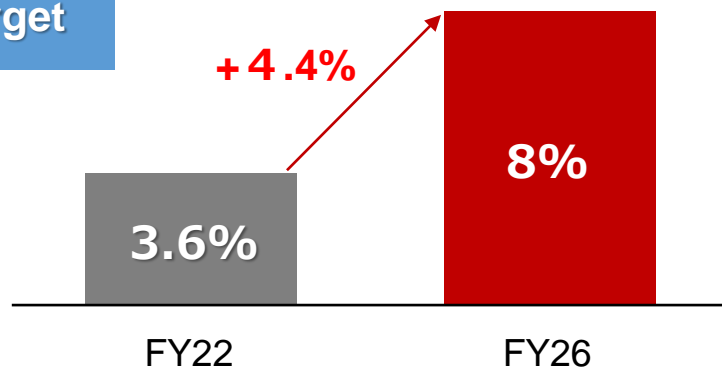
SFCC



Equity stake increased from 60% to 80%

Shift from sales companies to manufacturing and sales companies

ROIC Target



3 Initiatives of the new SFCC

1. Improve gross profit by improving customer convenience and services

Priority Initiatives

- ✓ Expand sales of merchandises with reduced impact on construction
- ✓ Enhance delivery services

2. Construction of demand-linked, production and supply systems

Priority Initiatives

- ✓ Shortening production, inventory, procurement planning, and manufacturing LT in line with demand
- ✓ Logistics reform

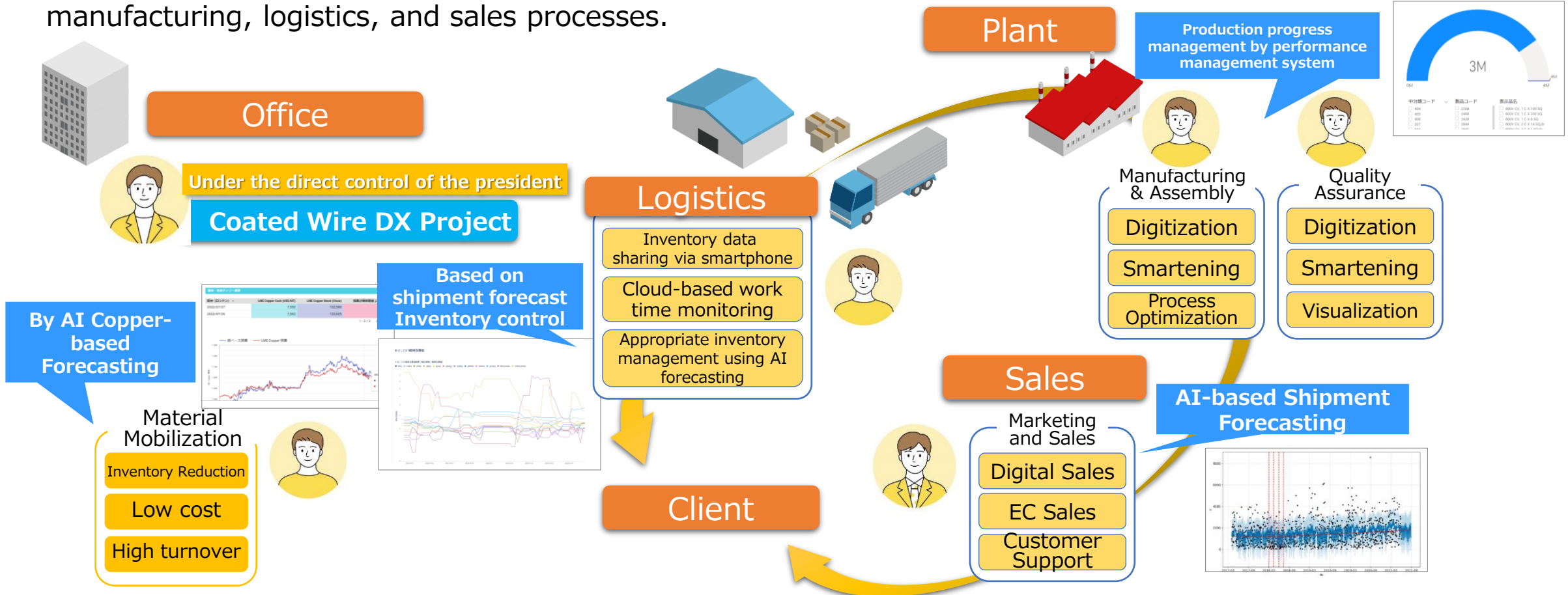
3. Improve business processes through AI and data utilization

Priority Initiatives

- ✓ Automation of manufacturing process planning
- ✓ Visualization of production plans and inventory plans

New SFCC's Efforts to Improve Business Processes through the Use of AI and Data

Collaboration between the head office and the field to promote the coated wire DX project. Implemented initiatives to improve operations and efficiency through the use of AI and data in material procurement, manufacturing, logistics, and sales processes.

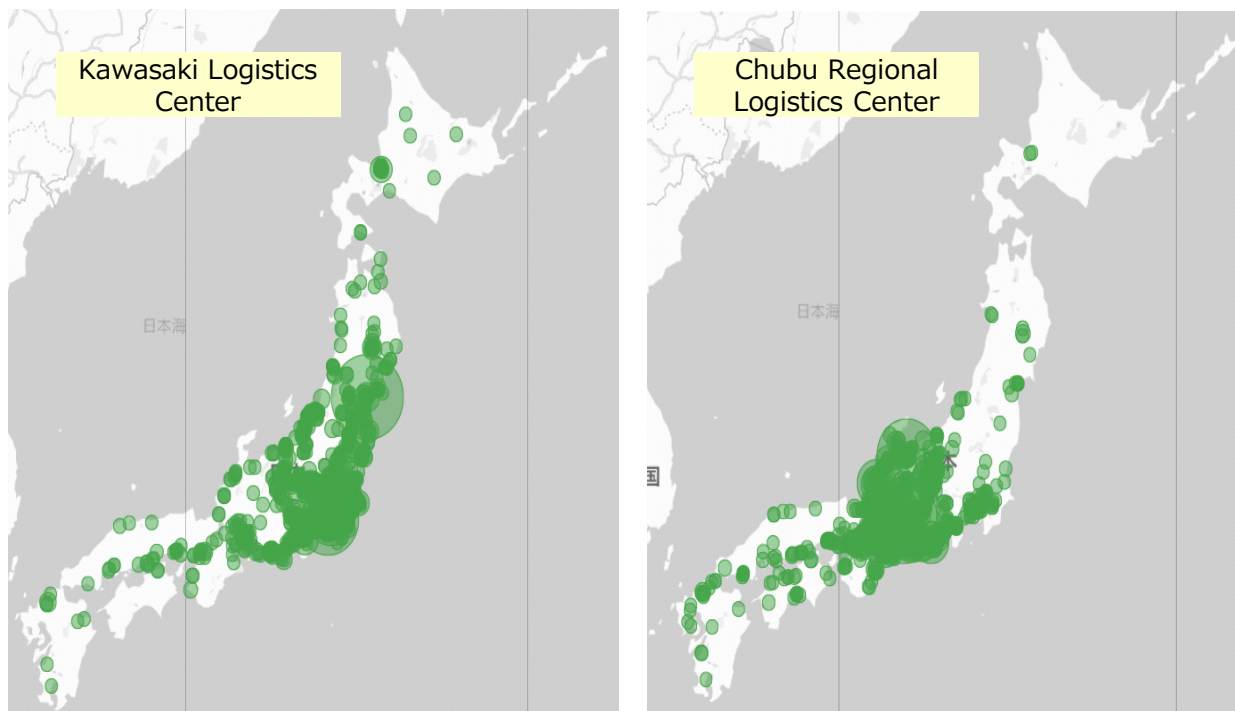


New SFCC Logistics Improvement Initiatives

Promote various initiatives to improve the overall efficiency of logistics management operations. Promoted the digitalization of logistics management, visualized the actual status of six logistics centers nationwide, and improved the operational efficiency of vehicle dispatch management.

Visualization of delivery performance

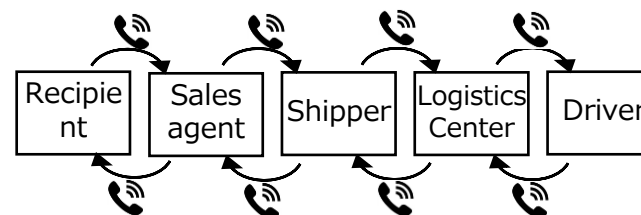
Sharing the delivery status of distribution centers across the country in the cloud. This will help visualize the actual situation and lead to improvements, such as reviewing delivery areas.



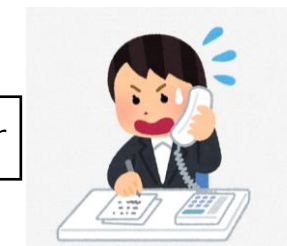
Improving operational efficiency of vehicle dispatch management

Share driver arrival schedule information in the cloud to improve the efficiency of vehicle dispatch management operations, such as by reducing the number of inquiries.

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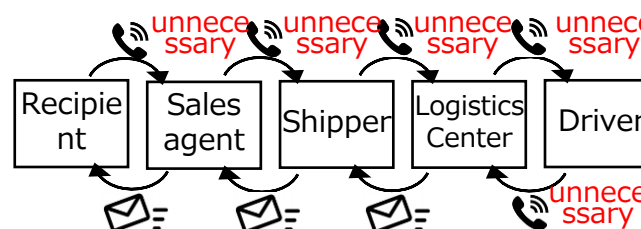


Confirmation by phone or fax



Suspended operations

< Future Flow >



Delivery schedule information sent via email

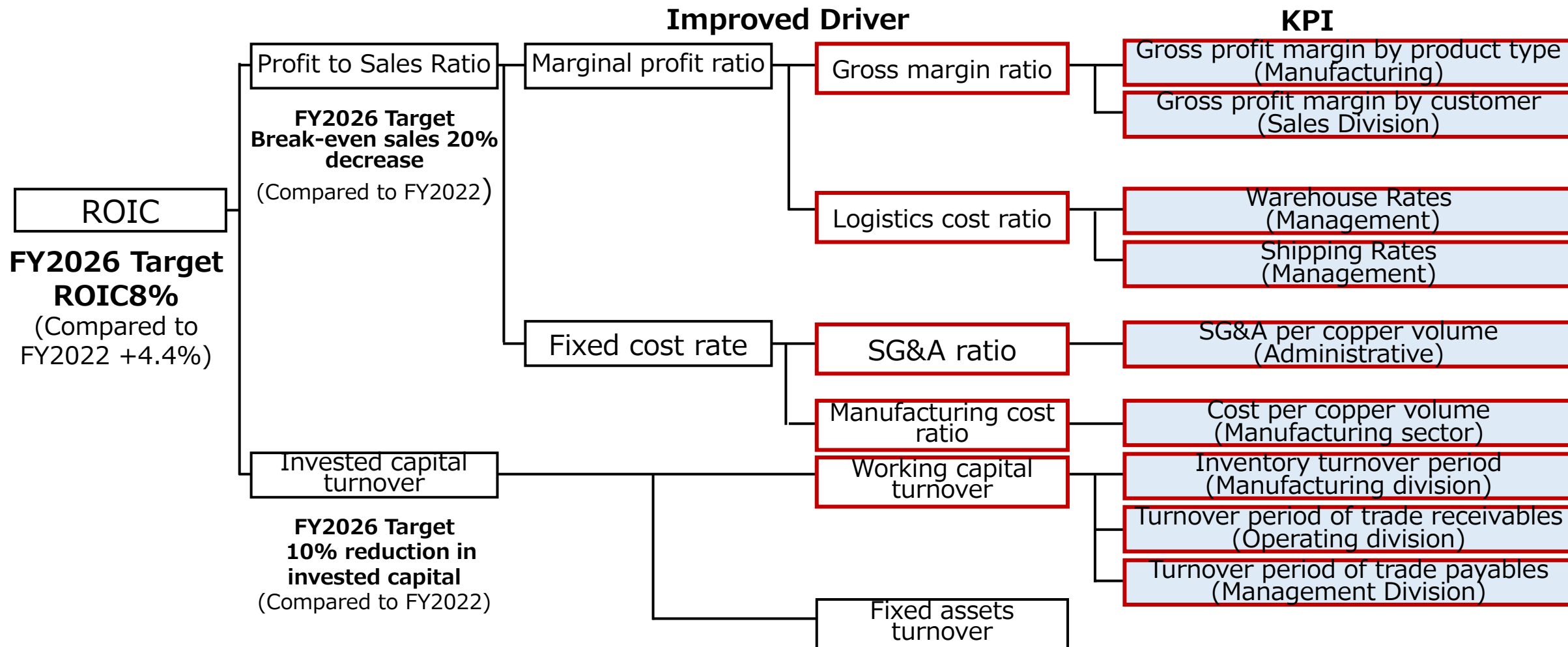


Decreased call handling

※Details of the above initiatives will be published in the June 2022 issue of "Logistics Business Monthly".

New SFCC Business Structure Reform ROIC Tree and Key KPI

The department in charge is responsible for managing KPIs to establish a profit structure that is not affected by copper price fluctuations.



Appendix

Copper Price Impact on Our Business

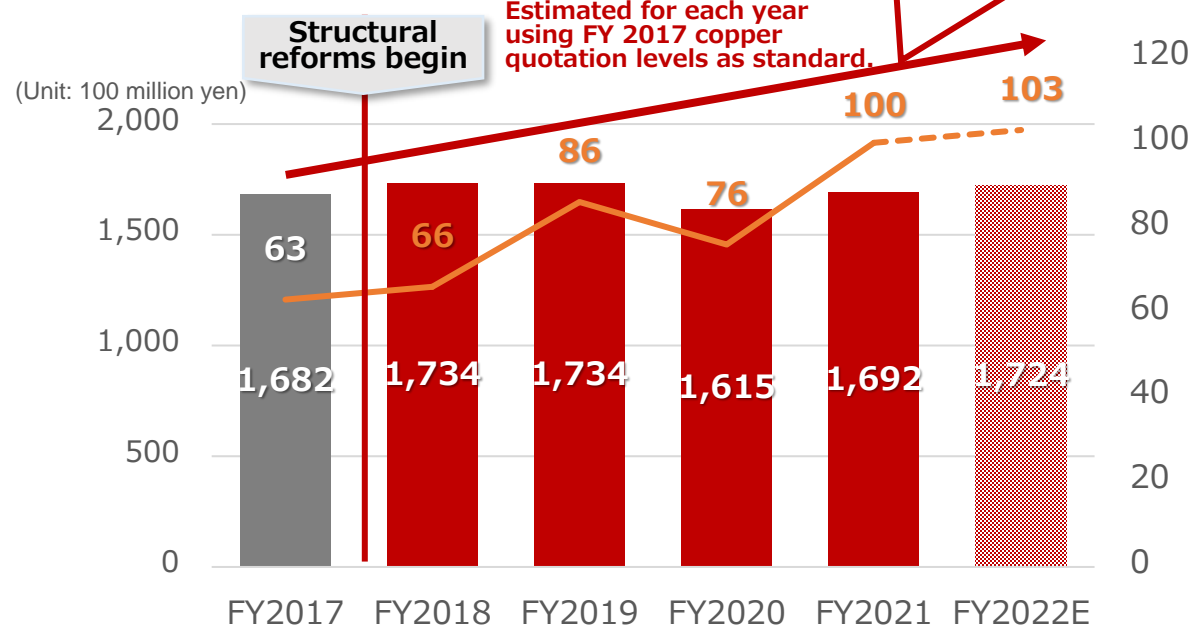
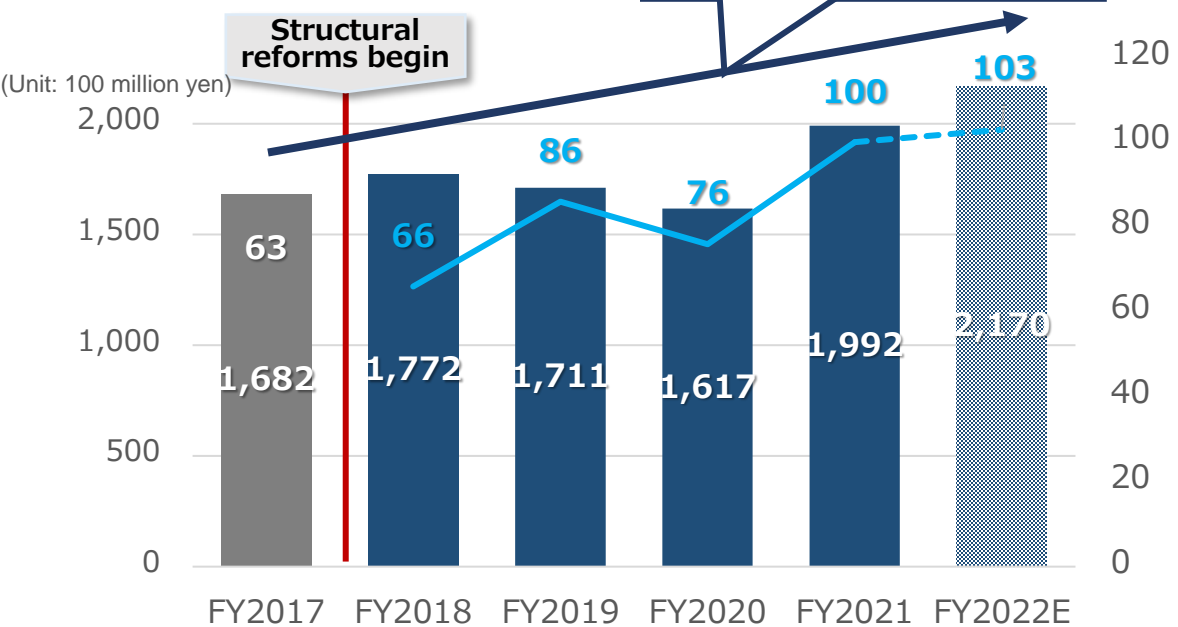
The impact of copper price fluctuations on our business is minimal, except in the case of extreme fluctuations, due to our past efforts to reduce the impact of copper price fluctuations ((1) Immediately reflecting copper market fluctuations in product prices and optimizing inventories, (2) Expanding copper futures trading for future projects, and (3) Investing in growth in non-copper businesses).

Consolidated results including copper price effects

CAGR Net sales 5.2% Operating income 10.4%

Consolidated results excluding copper price effects

CAGR Net sales 0.5% Operating income 10.4%



OPM (%)	3.7	3.8	5.0	4.7	5.0	4.7
Copper value (¥/kg)	757	747	682	770	1,136	1,150

OPM (%)	3.7	3.8	5.0	4.7	5.9	6.0
Copper value (¥/kg)	757	→				

History with FUTONG GROUP CO., LTD. China and future business development

History

Since 1993, we have been promoting technical cooperation and joint ventures with Futong Group Co., Ltd. (hereinafter referred to as "Futong Group") in the areas of telecommunication cables, optical devices, electronic wires, and copper wire rods.



In May 2011, the Company entered into a capital and business alliance with Futong Group in conjunction with the Group's business development in China.



Amidst the drastic changes in the business environment surrounding the two groups, we have continued to study and discuss the details of the alliance.



Capital tie-up •• The initial objective has been achieved, and the common understanding has been confirmed that the Futong Group intends to reduce its indirect holdings of the Company's shares.

Business partnership •• Shared a vision of continued collaboration on a joint venture with the Futong Group to expand its copper business in China, including oxygen-free copper for xEV.

Future business development



High marketing, sales, and material procurement capabilities in China.



SWCC SHOWA HOLDINGS CO., LTD.
Technological capabilities and track record in Japan as a comprehensive wire manufacturer in Japan.

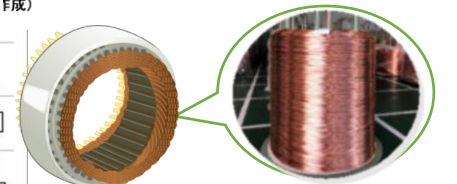
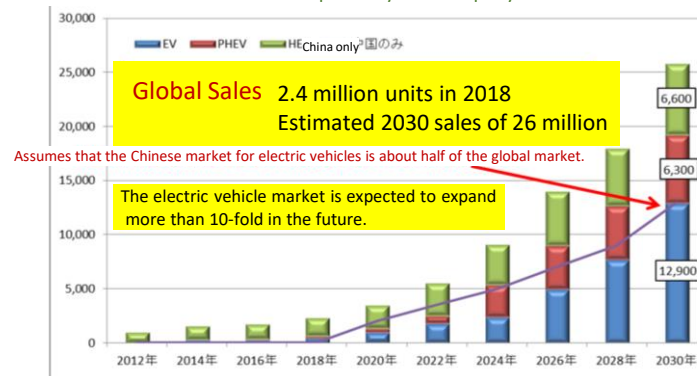
※Futong Group's voting rights ratio
18.58% in May 2011 → 6.07% in August 2022

< Oxygen-free copper business expansion for xEV >

To date, the copper joint venture with the Futong Group has been profitable and has secured stable earnings. Continued collaboration in the copper business for the xEV market in China, which is expected to continue to grow.

Global Electric Vehicle Sales Forecast

Publication: Prepared by the Company from various data. (作成)



Driving motor





Forward-looking statements in this document are based on information available at the time of publication and contain potential risks and uncertainties.

Therefore, actual results may differ materially from those projected in the forward-looking statements as a result of various factors.

Factors that could influence actual results include economic conditions, demand trends, raw material prices, and exchange rate fluctuations, as well as other items not limited to the above.

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