



Innovating new ideas today. Becoming the norms of tomorrow.

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Supplementary Material for the Second Quarter of the Fiscal Year Ending March 2024

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November 2, 2023

**SWCC Corporation**

TSE PRIME: 5805

1. FY2023 Q2 Overview of Financial Results
2. FY2023 Full Year Forecasts
3. Progress of “Towards Realization of Management that is Conscious of the Cost of Capital”

# 1. FY2023 Q2 Overview of Financial Results

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# FY2023 Q2 Overview of Financial Results

## Business Environment

- Supported by the normalization of economic activity, acceleration of wage increases, and accommodative fiscal and monetary policies.
- Raw material and energy prices remain high due to the protracted situation in Russia and Ukraine and the weakening yen.
- In the automobile-related market, recovery production is in full swing and the EV-related market is also on the road to recovery.
- In the electric wire and cable industry, overall demand for electric wires was on a par with the same quarter of the previous year.
- The average domestic quotation price for copper increased slightly from the same quarter of the previous year.

## Net sales

The business plan for the current fiscal year is slightly weighted more towards the second half of the year than usual. Q2 results **showed sales were down YoY.**

[Status of Major Business Fields]

**Energy Infrastructure:** Strong construction-related business compensates for the second-half bias in electric power construction.

**Automobiles:** Products for EVs bottomed out in Q1, but are in an adjustment phase towards a recovery in demand to "pre-pandemic" levels.

**Industrial Devices:** Partial drop in pandemic-driven demand.

## Operating income

While progress in electric power infrastructure was heavily weighted toward the second half of the year, as initially expected, **earnings increased YoY** due to solid performance in construction-related businesses. **In response, the Company upwardly revised its full-year plan.**

# FY2023 Q2 Consolidated Statements of Income

Revised full-year plan upward in anticipation of strong H1 construction-related performance and demand in H2. **Aiming for record-high operating income and ordinary income.**

(Unit: 100 million yen)	FY2022 Q2 Actual	FY2023 Q2 Actual	YoY %	Progress rate %	FY2023 Full-year plan (before revision)
Net sales	1,023	984	▲39	45.8%	2,150 (2,150)
Operating income	43	45	2	38.8%	<b>115</b> (107)
Operating income margin (%)	4.2%	4.5%	0.3%	—	<b>5.3%</b> (5.0%)
Ordinary income	44	45	1	38.9%	<b>115</b> (106)
Net income attributable to owners of parent	37	33	▲4	43.9%	<b>75</b> (70)

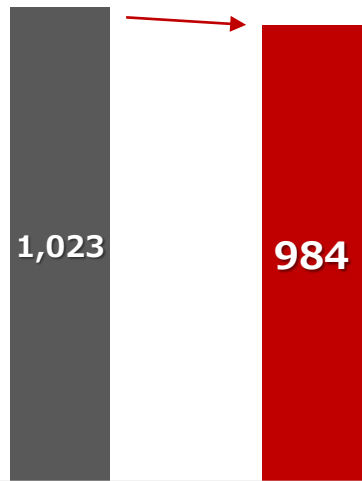
# Key Points of the Financial Results for Q2

## Q2 YoY Change

The business plan for the current fiscal year is for **lower revenues** due to a bias toward the second half of the year, but **higher incomes** due to solid performance in construction-related business.

### Net sales

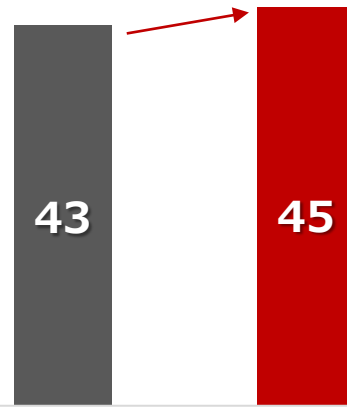
(Unit: 100 million yen)



Down  
3.8%

### Operating income

Up  
3.5%



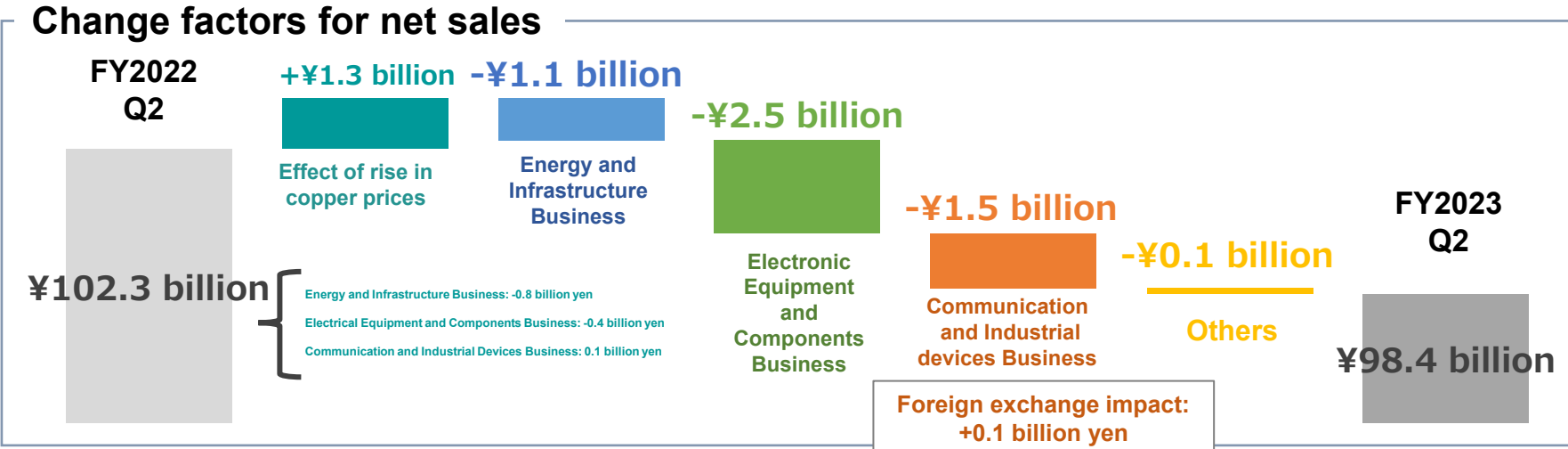
## Q2 Progress rate

Progress in sales and operating income was **stronger than initial assumptions (H1: 30%, H2: 70%), which was biased toward the second half of the fiscal year.**

(Unit: 100 million yen)	Full-year Plan	FY19-22 Avg. progress rate	Q2 Progress rate
Net sales	2,150	47.8%	45.8%
Operating income	115✕	43.1%	38.8%

\*Incomes are upwardly revised figures.

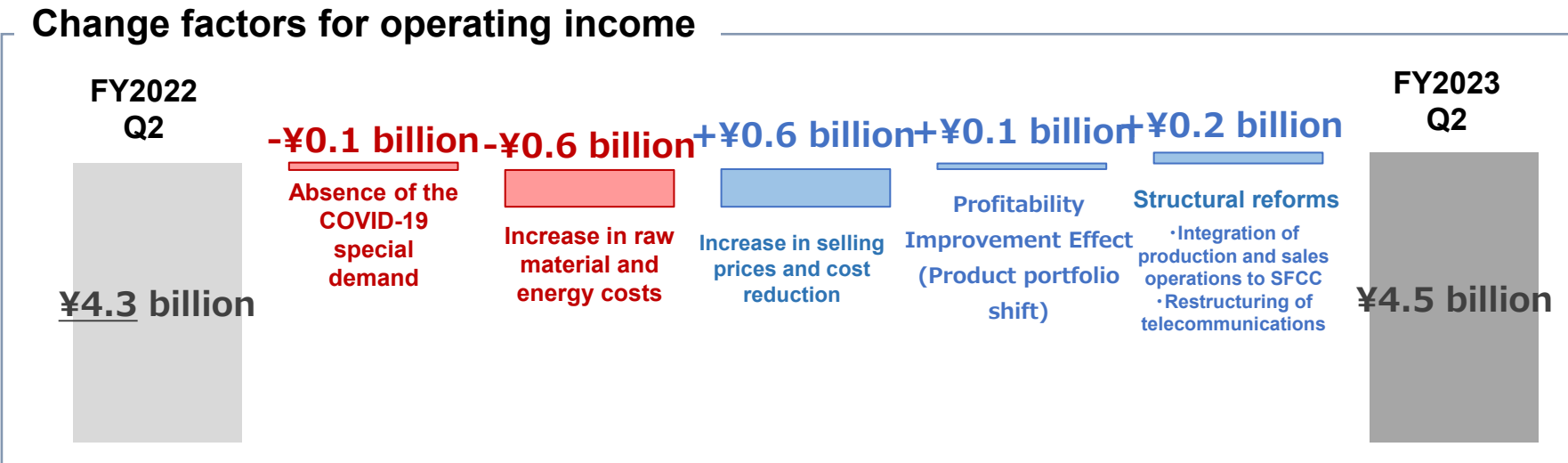
# FY2023 Q2 Change Factors (YoY)



[Change factors]

#### 1. Net sales

As expected at the beginning of the fiscal year, **sales decreased YoY** due to an adjustment phase in demand for EV products and the drop in pandemic-driven demand, while projects were generally weighted toward the second half of the fiscal year.



#### 2. Operating income

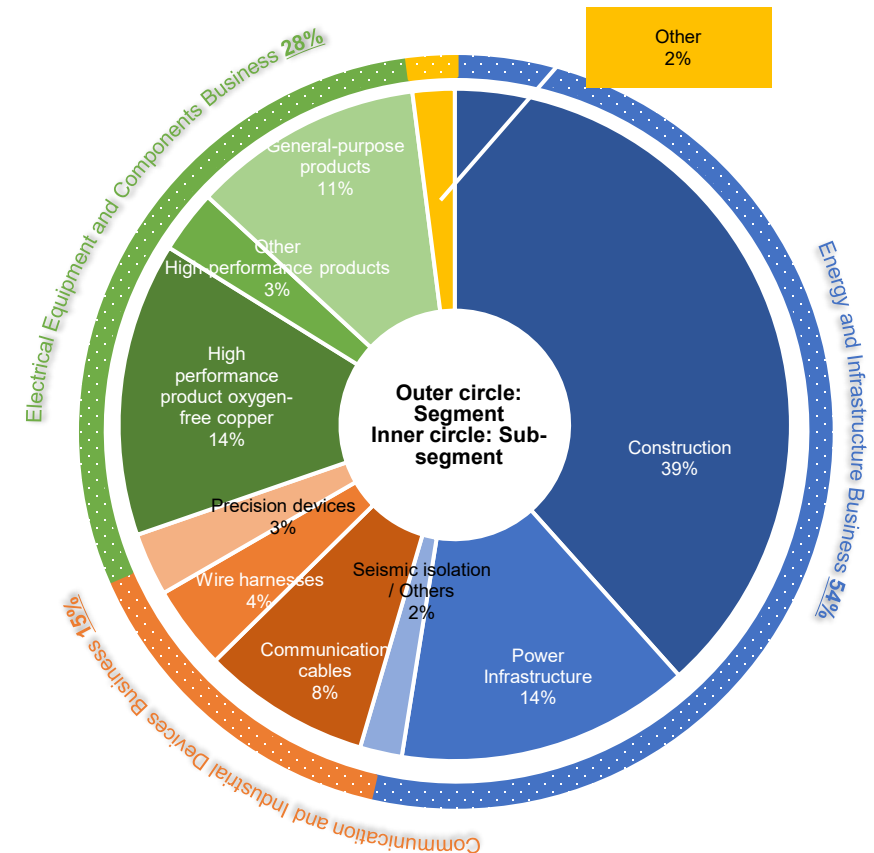
Rising raw material and energy costs are compensated for by selling price pass-through and cost reductions. **Income increased YoY** due to withdrawal from unprofitable product lines and improved profitability through structural reforms.

# FY2023 Q2 Segment Results

While the outlook is for the second half of the fiscal year to be heavily weighted toward the second half of the fiscal year, as initially expected, construction-related businesses are expected to drive overall performance (accounting for about 40% of the sales mix). Wire harnesses and precision devices, which are manufactured and sold mainly in China and Vietnam, were affected by the drop in pandemic-driven demand, but the impact on overall sales was limited (approximately 7% of the sales mix).

(Unit: 100 million yen)	FY2022 Q2 Results		FY2023 Q2 Results	
	Net sales	Operating income (Income margin %)	Net sales	Operating income (Income margin %)
● Energy and Infrastructure Business	539	32 (6.0%)	536	33 (6.1%)
● Electrical Equipment and Components Business	299	11 (3.5%)	278	9 (3.1%)
● Communication and Industrial Devices Business	164	5 (2.8%)	150	7 (4.6%)
● Other	22	(4)	20	(4)
<b>Total</b>	<b>1,023</b>	<b>43 (4.2%)</b>	<b>984</b>	<b>4.5 (4.5%)</b>

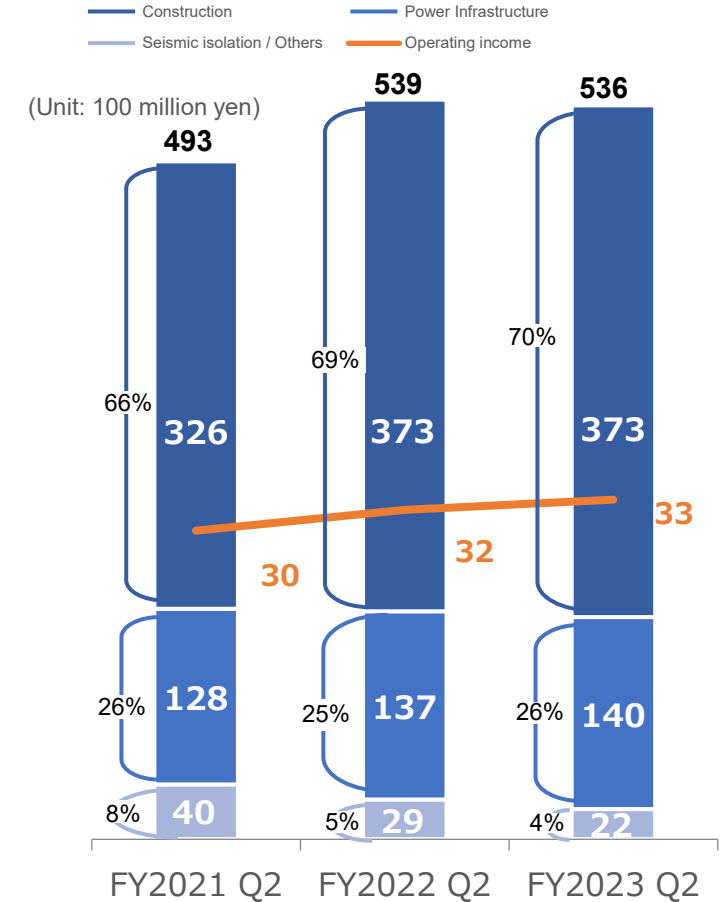
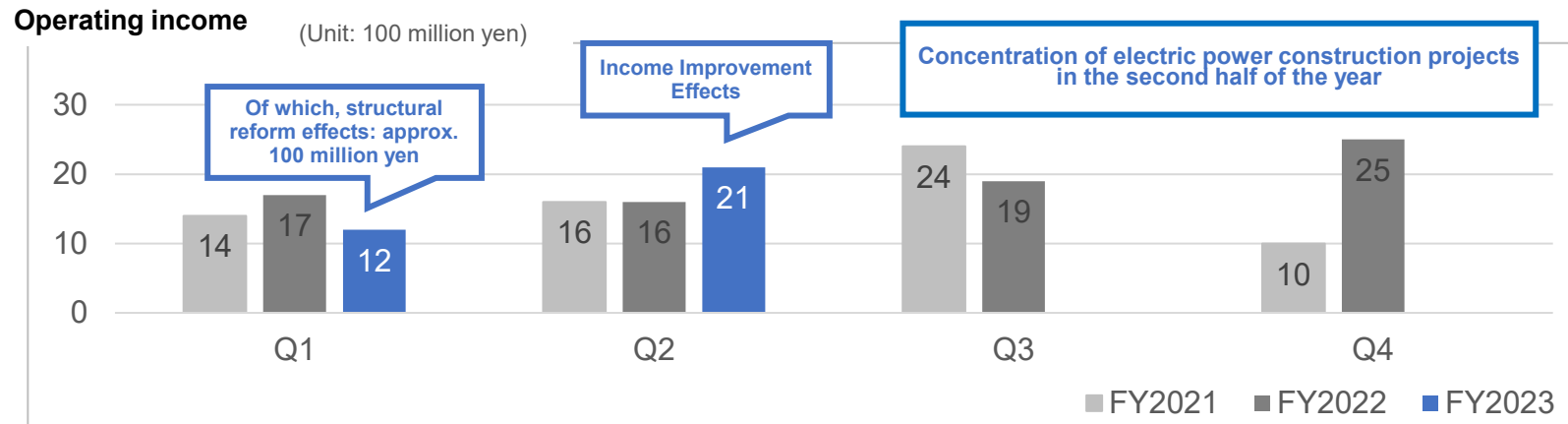
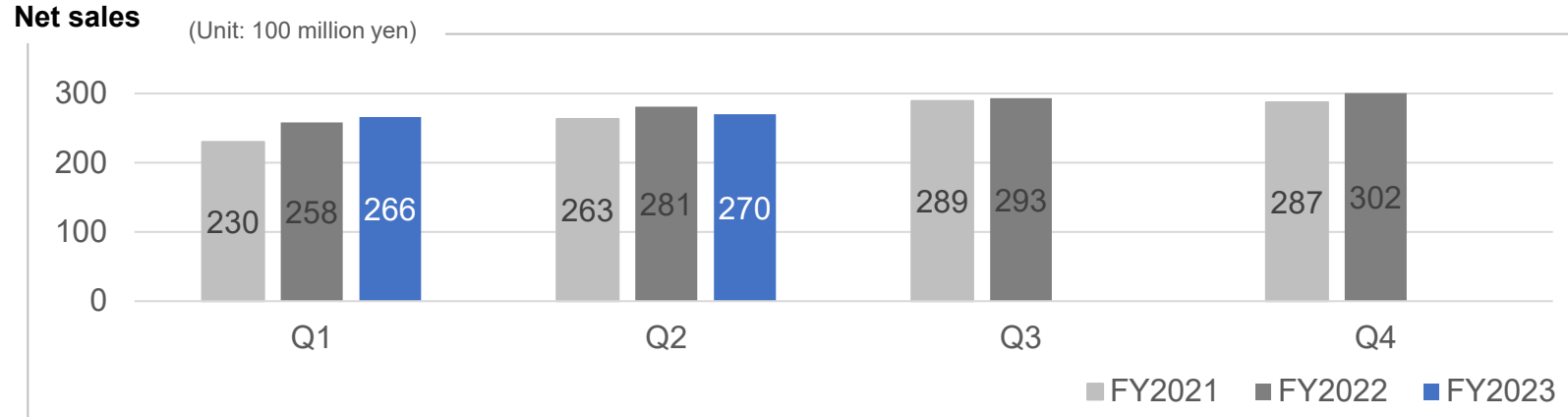
FY2023 Q2 Results Segment sales ratio





# FY2023 Q2 Energy and Infrastructure Business

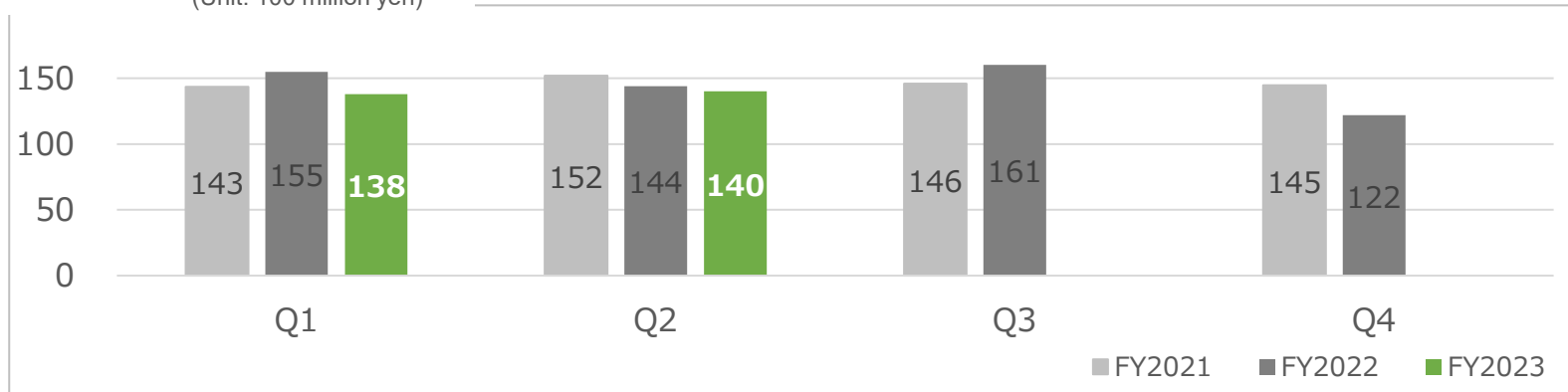
The second half bias in electric power construction will be offset by strong construction related business. **Sales decreased and income increased YoY due to various income improvement efforts, including the effect of integration of construction-related production bases.**



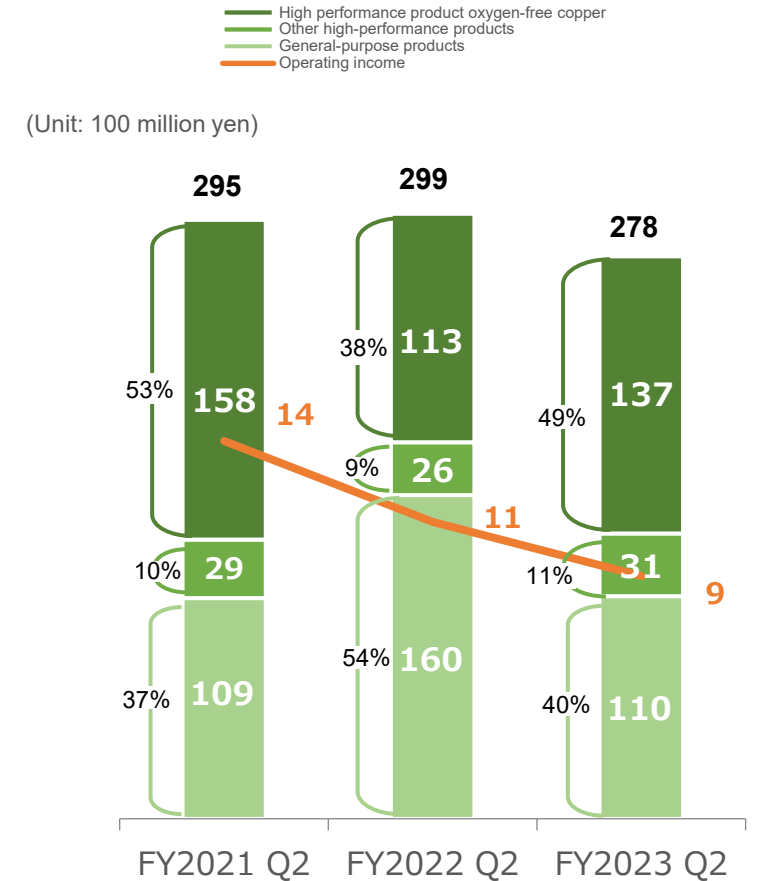
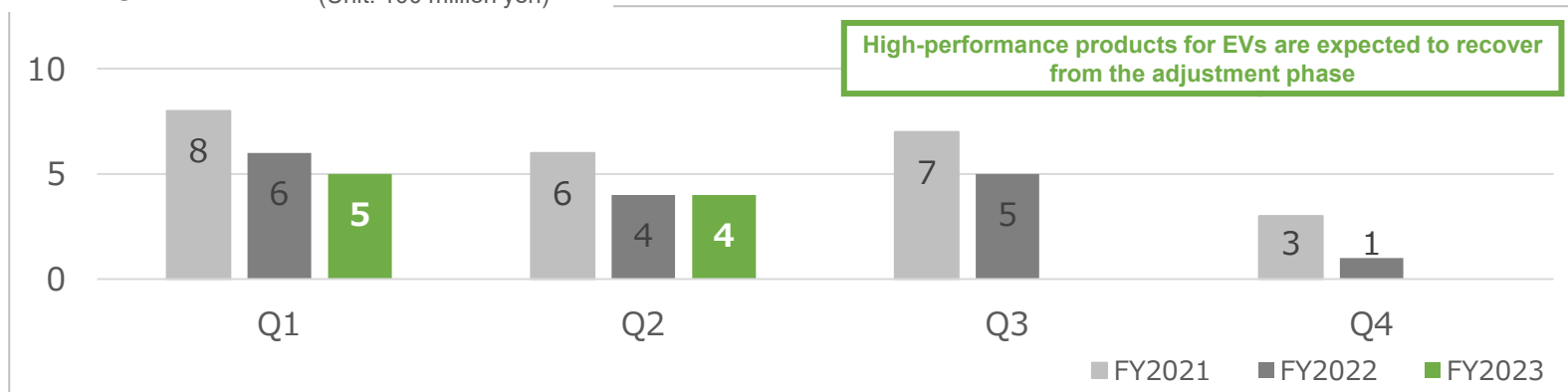
# FY2023 Q2 Electrical Equipment and Components Business

Sales of general-purpose magnet wires for heavy electrical machinery remained steady. On the other hand, **demand for products for EVs** was weak compared to the same quarter of the previous year, but **left the adjustment phase, with revenue and incomes decreasing YoY.**

**Net sales** (Unit: 100 million yen)

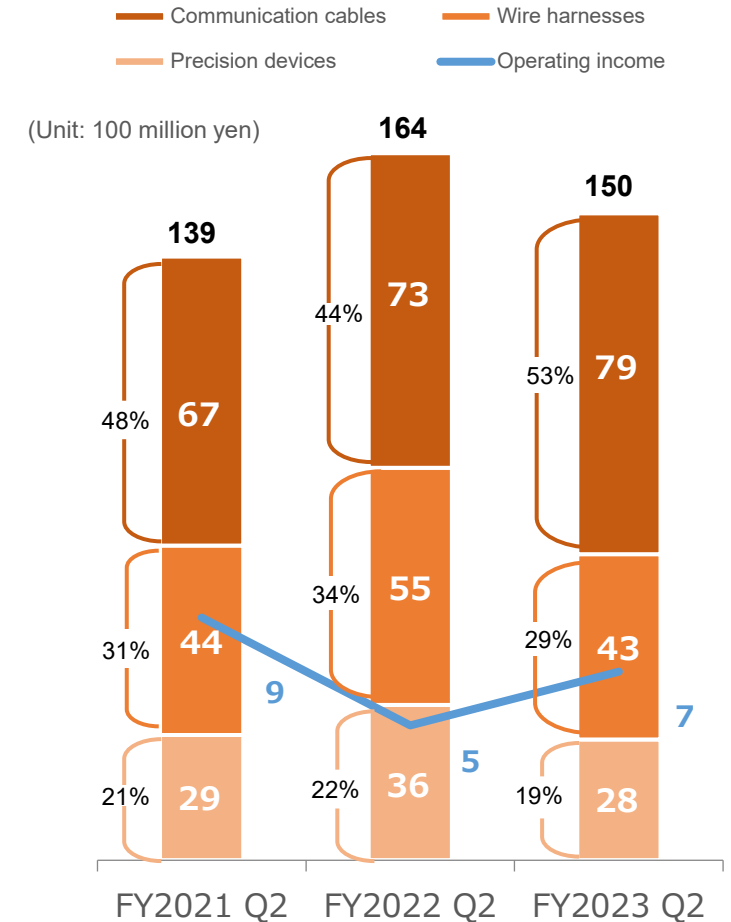
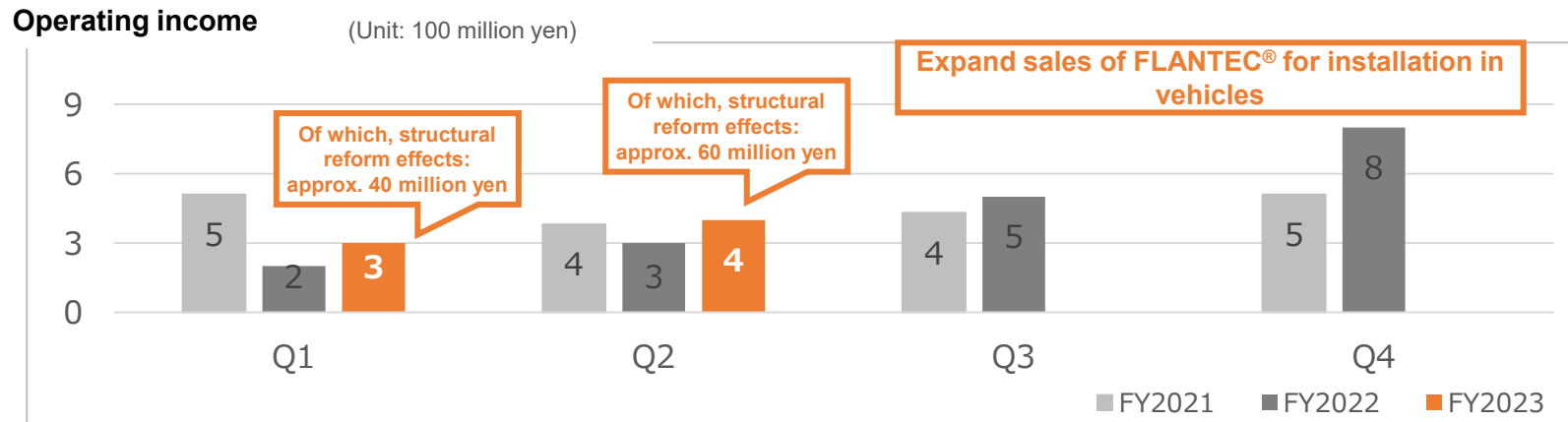
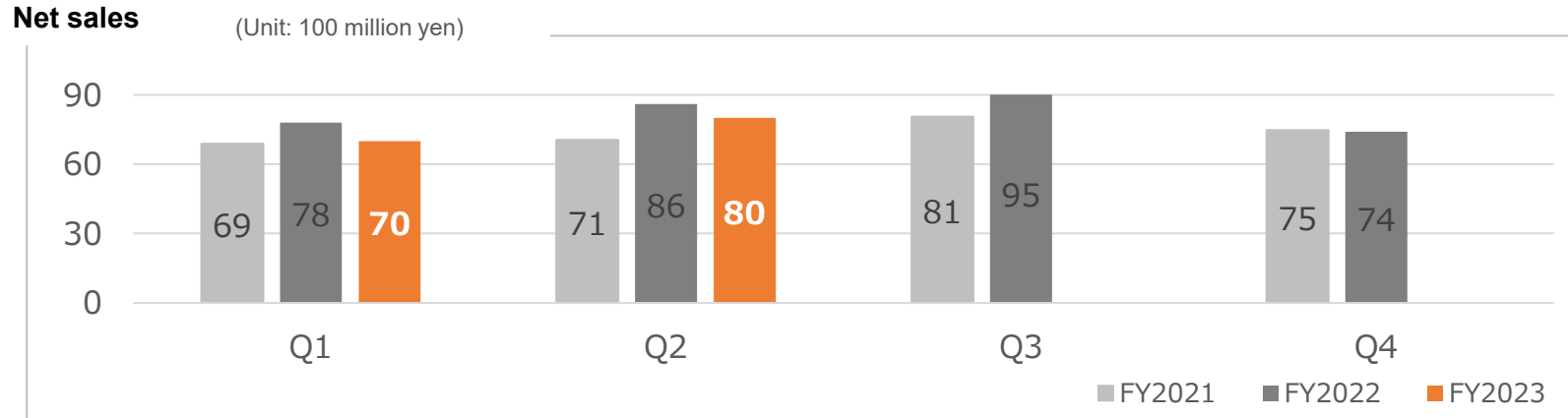


**Operating income** (Unit: 100 million yen)



# FY2023 Q2 Communication and Industrial Devices Business

Wire harnesses and Industrial Devices were partially affected by the drop in pandemic special demand, **but this was offset by increased sales of communication cables, the reorganization of domestic production bases and the effect of reasonable price sales. Sales decreased and incomes increased YoY.**



## FY2023 Q2 Consolidated Results B/S (Comparison with the end of the previous year)

(Unit: 100 million yen)	FY2022	FY2023 Q2	Change
<b>Total assets</b>	<b>1,567</b>	<b>1,518</b>	<b>▲48</b>
Trade receivables	527	482	▲45
Inventories	282	293	12
Non-current assets	646	616	▲30
<b>Total liabilities</b>	<b>883</b>	<b>811</b>	<b>▲71</b>
Trade payables	249	241	▲7
Interest-bearing debt	412	340	▲72
<b>Total net assets</b>	<b>684</b>	<b>707</b>	<b>23</b>
Equity	675	697	22
Equity ratio (%)	43.1	45.9	2.8
<b>DE ratio (%)</b>	<b>61.0</b>	<b>48.7</b>	<b>▲12.3</b>

[Inventories]

Inventories increased to secure stock in anticipation of demand growth in Q2 and beyond.

[Fixed assets]

Investment securities were sold in accordance with the policy regarding cross-shareholdings and decreased.

[Interest-bearing debt]

Interest-bearing debt decreased due to the sale of investment securities and a decrease in working capital.

[Equity ratio]

Equity ratio increased 2.8 points from the end of the previous period due to a decrease in total assets.

[DE ratio]

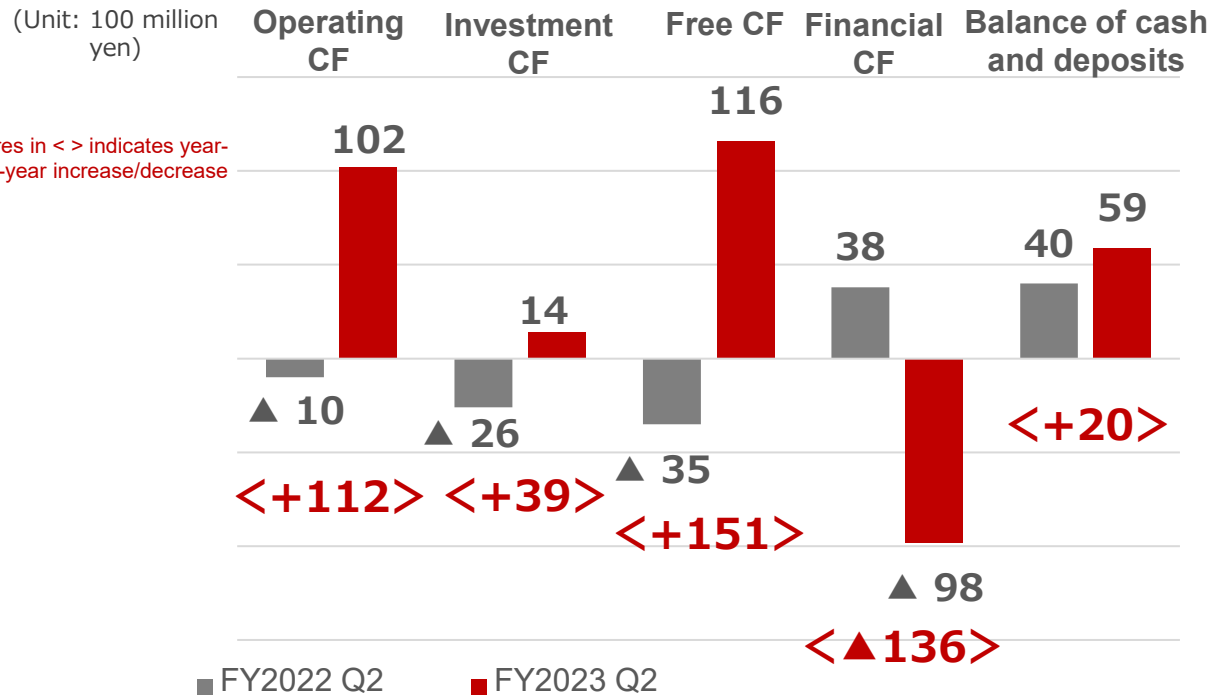
Interest-bearing debt decreased and shareholder equity increased, resulting in a 12.3-point decrease from the end of the previous fiscal year.

<Recognition of current issues and future measures>

Although BS showed improvement due to various measures, inventories increased due to the securing of inventory holdings in anticipation of soaring raw material prices and demand growth in Q2 and beyond. Continue to promote improvements by ensuring inventories at appropriate levels and shortening debt collection periods.

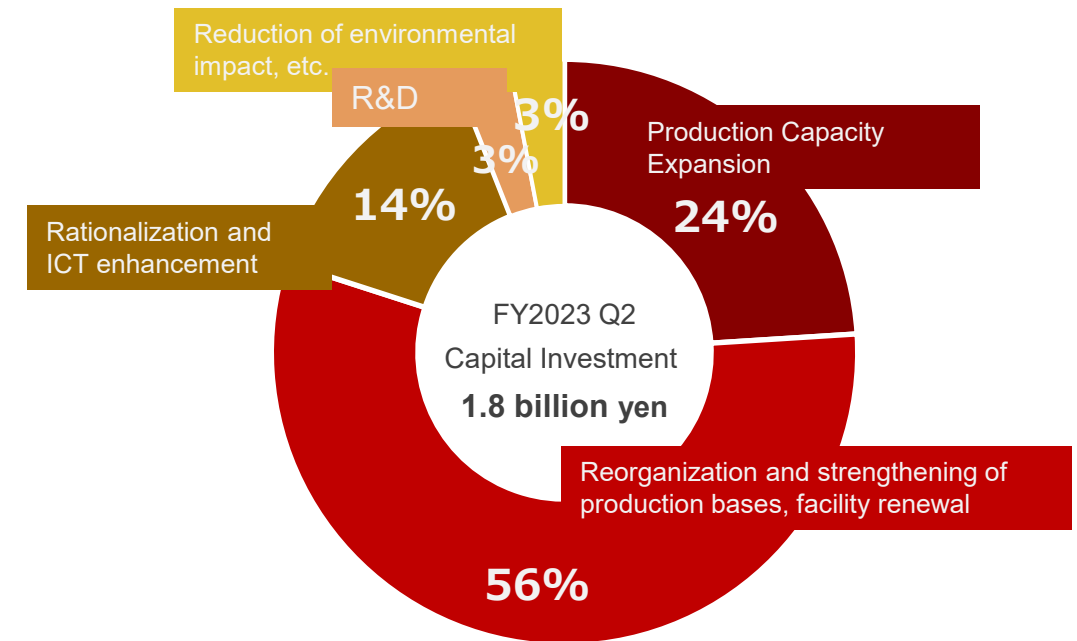
# FY2023 Q2 Consolidated Results CF and Capital Investment

## <Consolidated cash flow>



Operating CF increased mainly due to a decrease in working capital as a result of improved turnover of accounts receivable. Investment CF increased due to the sale of policy stock holdings. Financial CF decreased mainly due to repayment of debt.

## <Capital Investment >



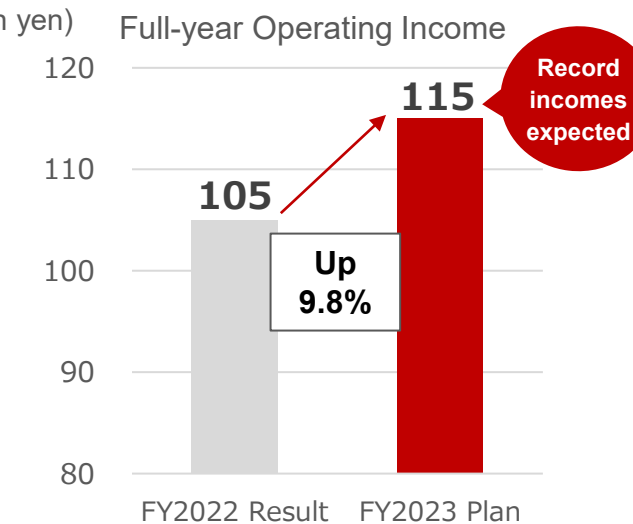
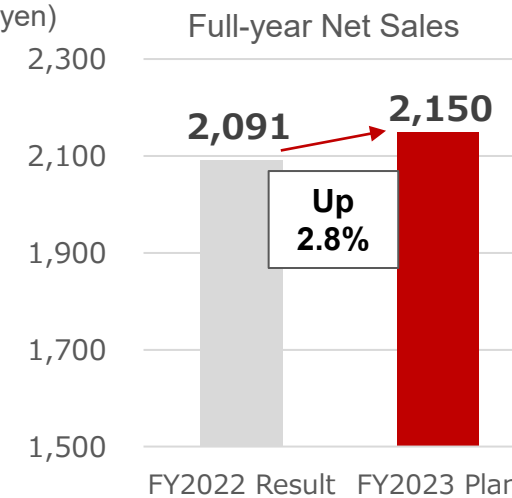
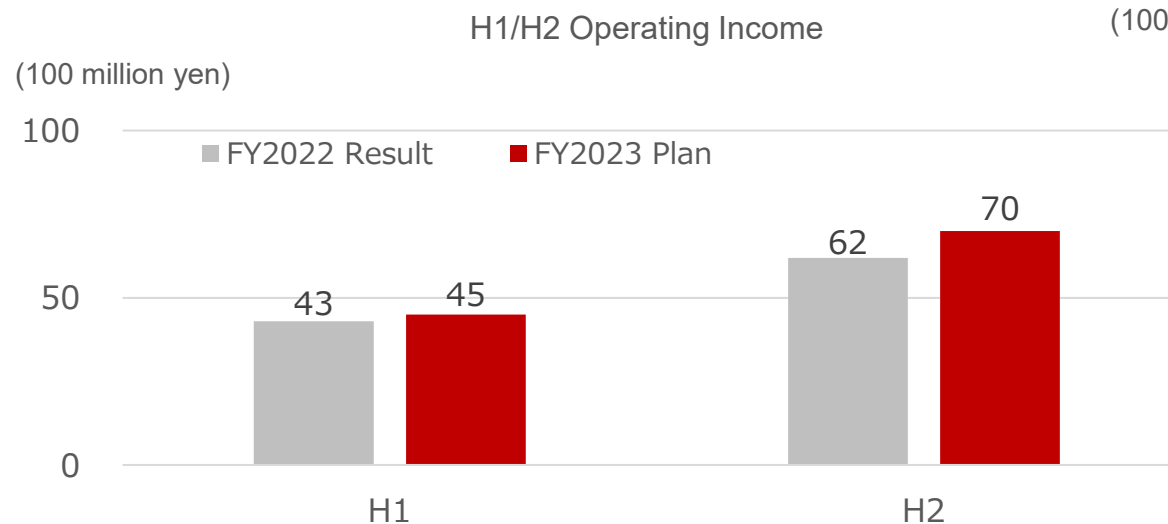
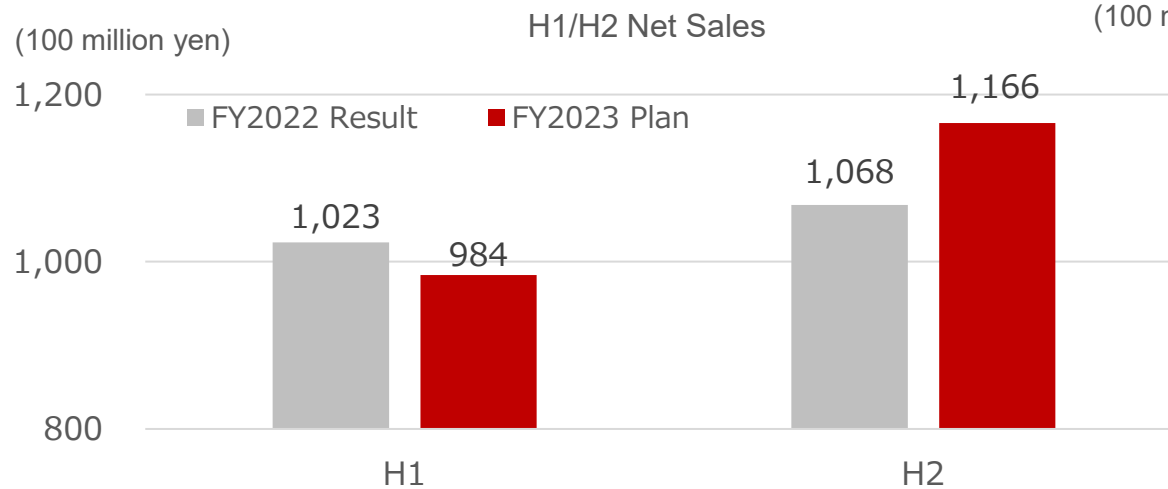
### Breakdown by Segment

Energy and Infrastructure Business Section	0.7 billion yen
Electrical Equipment and Components Business Section	0.5 billion yen
Communication and Industrial Devices Business Section	0.3 billion yen
Other	0.2 billion yen

## 2. FY2023 Full Year Forecasts

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# FY2023 Full-year Forecasts (After Upward Revision)



## Ordinary Income

**11.5 billion yen**  
(YoY: 10.6% increase)

Net income  
attributable to  
owners of parent

**7.5 billion yen**  
(YoY: 20.3% decrease)

Dividend/  
Payout ratio

**75 yen/30%**  
(YoY: 15 yen increase)

Interim: 35 yen, Year-end: 40 yen  
Total: 75 yen

# Revision of full-year plan by segment

Progress in the first half exceeded initial projections due to steady construction-related demand. **The full-year profit plan was revised upward** in anticipation of strong demand in the second half of the fiscal year.

(Unit: 100 million yen)

	FY2023 Results for the first half	FY2023 Full Year Plan (Before revision)	FY2023 Full Year Plan (After correction)	Variation
<b>Energy and Infrastructure Business</b>	Net sales	536	1,135	65
	Operating income	33	77	9
	Operating income ratio (%)	6.1%	6.8%	0.4%
<b>Electrical Equipment and Components Business</b>	Net sales	278	660	(60)
	Operating income	9	15	3
	Operating income ratio (%)	3.1%	2.3%	0.7%
<b>Communication and Industrial Devices Business</b>	Net sales	150	305	0
	Operating income	7	19	(1)
	Operating income ratio (%)	4.6%	6.2%	(0.3%)

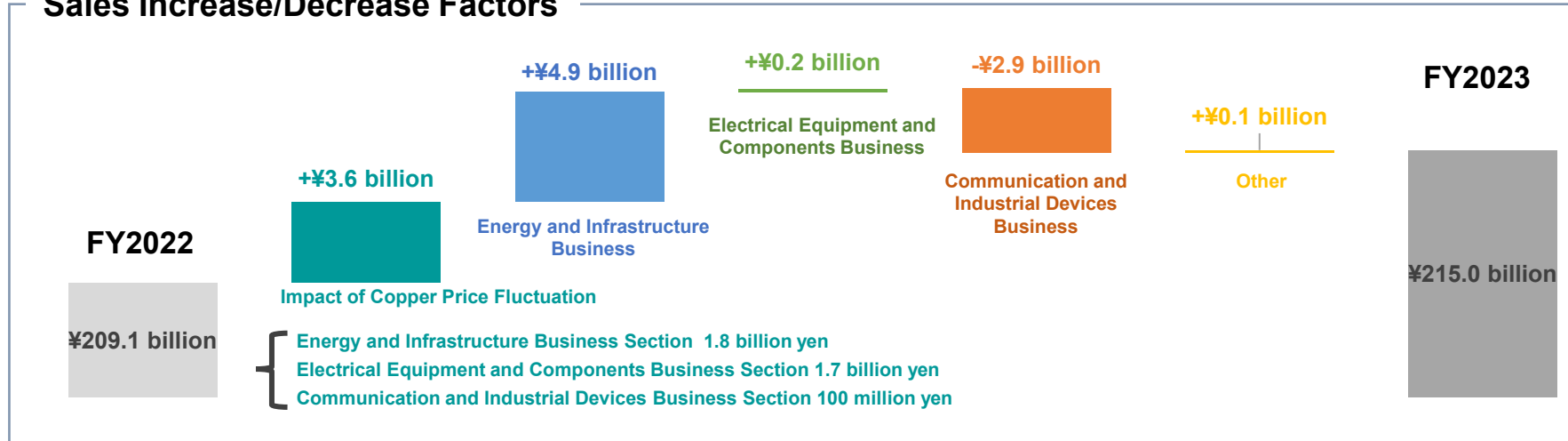


# FY2023 Recognition of Business Environment

		H1	H2
Forecast	Operating profit	<b>4.5 billion yen</b> (Initial plan: 3.5 billion yen)	<b>7.0 billion yen</b> (Initial plan: 7.2 billion yen)
	Dividend	<b>35 yen</b>	<b>40 yen</b>
Business Environment	Construction	Steady demand	Average for time of year Concentration of electric power projects with strong demand, such as renewable energy system development Sales expansion through increased production of SICONEX®
	Electric power	Second-half bias in power construction	
	Automobile	Demand for high-performance products for EVs was in an adjustment phase in Q1, but gradually recovered from Q2.	High-performance products for EVs are expected to recover from the adjustment phase
	Industrial Devices	Drop in pandemic special demand in the industrial device business	Factoring in declining demand in China and Southeast Asia
	Communication	Demand for high-grade LAN expands; FLANTEC® shipments for automotive applications begin.	Expansion of overseas sales of e-Ribbon® and sales of FLANTEC® for automotive applications
	New Business (ICT)	Average for time of year	ICT in full swing

# FY2023 Factors for change

## Sales Increase/Decrease Factors



[Change factors]

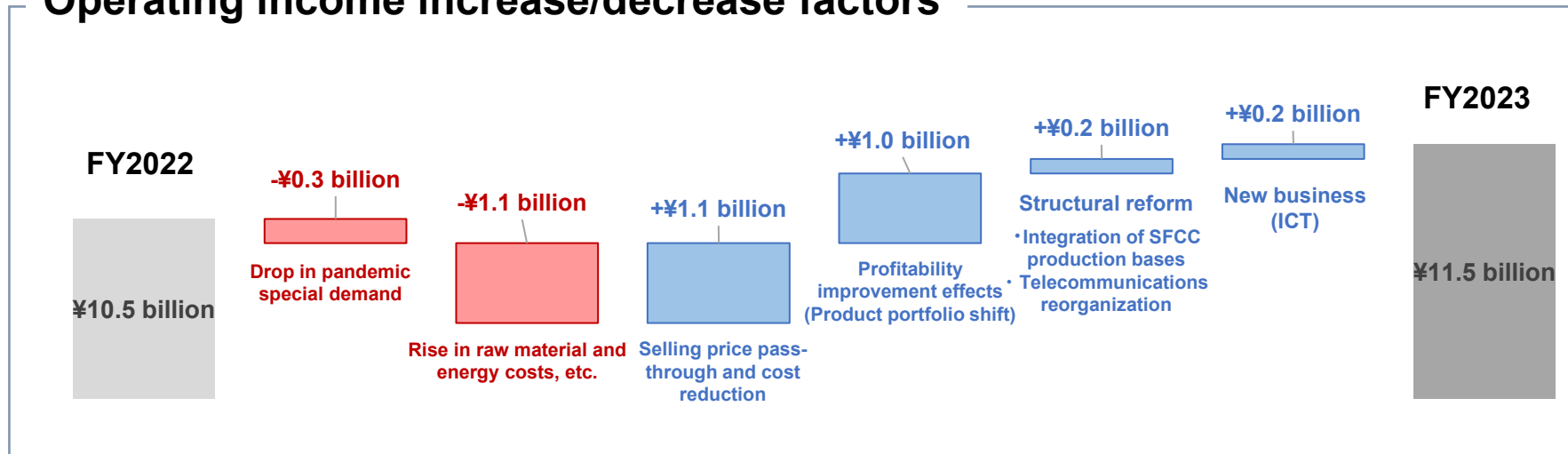
### 1. Net sales

Sales are expected to **increase** due to **strong sales in the construction and electric power sectors**, despite a drop in sales of industrial devices due to a drop in pandemic-driven demand.

### 2. Operating income

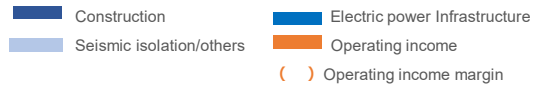
Rising raw material and energy costs were compensated for by price pass-through. In addition to **the effect of profitability improvement and structural reforms**, **income** is expected to increase due to the full-scale launch of new business (ICT).

## Operating income increase/decrease factors

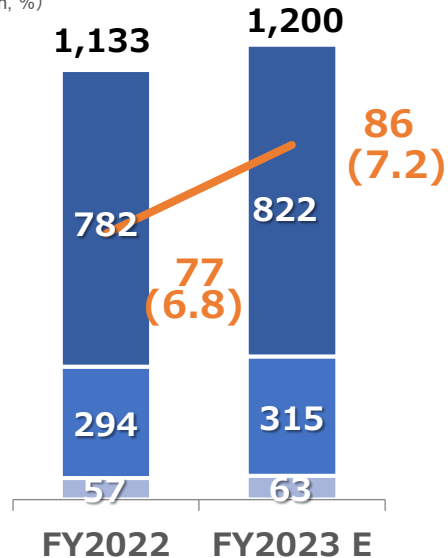


# FY2023 Business Plan by Segment

## Energy and Infrastructure Business



(Unit: 100 million yen, %)

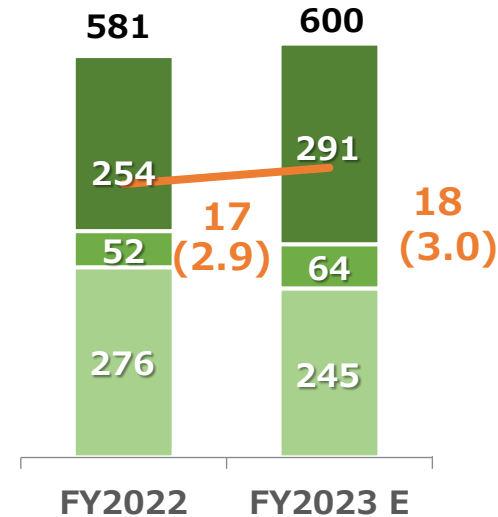


Copper price impact: Net sales up 1.8 billion yen  
 + Factor ● Profitability improvement through integration of construction-related manufacturing and sales businesses  
 ● Contribution to sales from investment in increased production of SICONEX®

## Electronic Equipment and Components Business

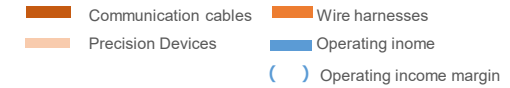


(Unit: 100 million yen, %)

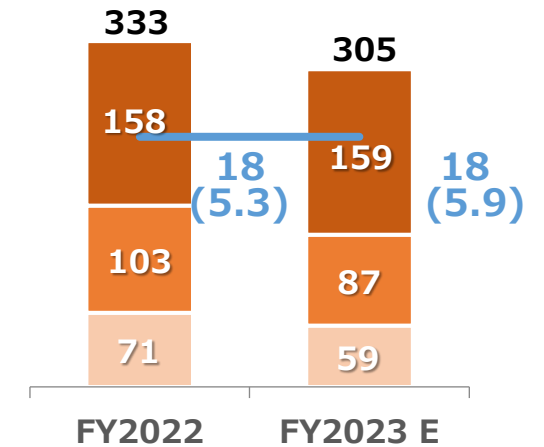


Copper price impact: Net sales up 1.7 billion yen  
 + Factor ● Recovery of high-performance products for EVs in the second half of the year  
 ● Demand for heavy electric machinery is strong  
 - Factor ● Adjustment phase of high performance products for EVs in H1

## Communication and Industrial Devices Business



(Unit: 100 million yen, %)



Copper price impact: Net sales up 100 million yen  
 + Factor ● Maximization of the effects of integrating communication cable production bases  
 ● Elimination of China's lockdown  
 - Factor ● Drop in pandemic-driven demand for industrial devices

# Efforts to resolve labor shortages in anticipation of the 2024 problem

With the "2024 problem" of the application of overtime work hour caps looming on the horizon, the Company is **promoting labor-saving, manpower-saving, and work efficiency improvements.**

Product

## Universal Design Promotion

### Skill-less connection method



Free-stripping outer conductor

The introduction of universal design has made cable processing, which conventionally required skilled techniques, a **skill-less process.**

Provide products that are easy to handle for the elderly and women

Lowering of product weight

We were the **first in the industry** to review product weights based on the weight reduction needs highlighted in a survey.

Persons

## Sustainable Human Resource Education

### Establishment of Construction Human Resource Development Center



Simulated service tunnel

AVR®

**Secured excellent human resources** by establishing an early training program for engineers (utilization of DX materials, simulated facility training, knowledge acquisition and on-the-job training).

### Local consumption market model cloud human resource strategy

Human resources trained at the above centers are now **expanding nationwide, from Hokkaido to Okinawa.** Enables flexible receipt of orders.

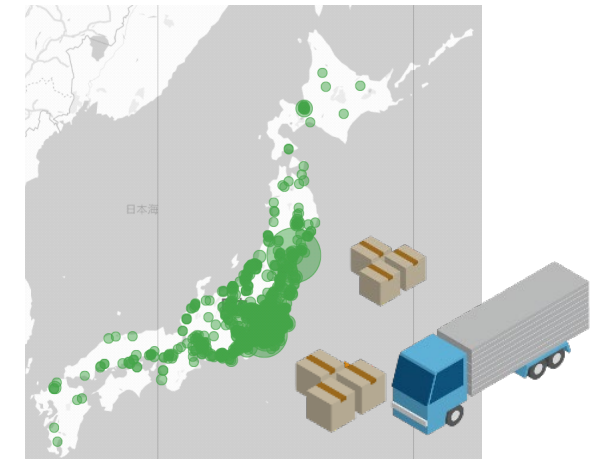
### SICOPLUS® Human Resource Cloud



Logistics

## Promotion of Logistics DX

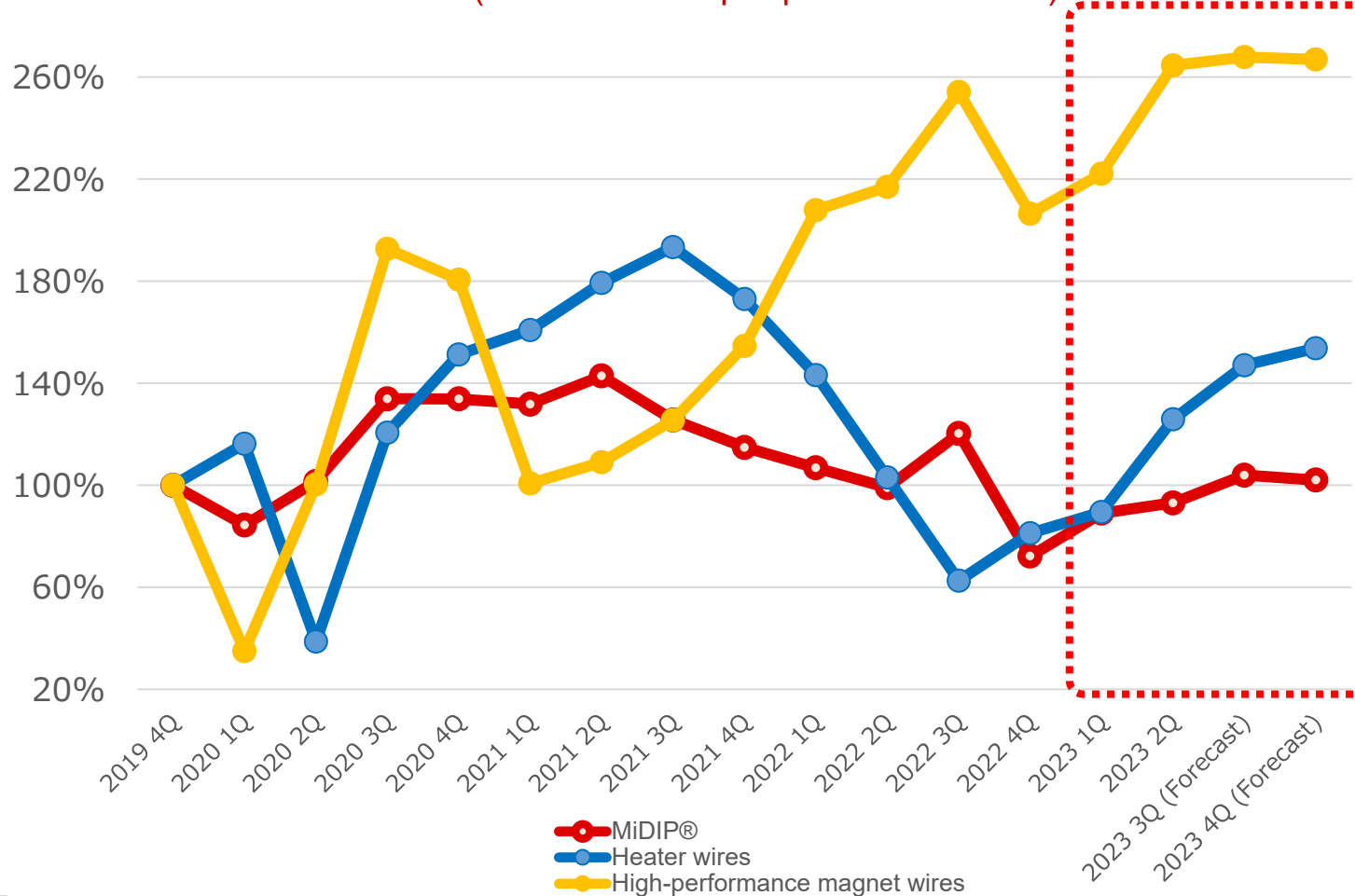
### Visualization of optimum route and loading capacity



DX of logistics system centered on subsidiary LOGIS-WORKS. **Promoting operational efficiency in vehicle dispatch management** by sharing the delivery status of distribution centers nationwide via cloud computing and smartphones.

# Recovery in EVs related demand expected this fiscal year

**Shipment Volume Trends by High-Performance Product Category**  
(Estimated with pre-pandemic as 100)



**● High-performance magnet wires**

Thanks to demand from Europe, the increasing trend has continued since Q1.

**● Heater wire**

Recovery trend toward the second half of the fiscal year due to the elimination of backlogged interim inventories and increased production of EVs.

**● MiDIP®**

Demand is expected to recover to pre-pandemic levels in H2 due to the resolution of the semiconductor shortage and increased EVs production.

# FLANTEC® product lineup by main industries and future growth projections

**Expanding business performance in more profitable product areas** by leveraging the Company's brand power and technological capabilities with **40% share of the domestic LAN cable market.**

## Twisted pair cables for automotive use



As driver assistance systems become more sophisticated, higher speeds are required in in-vehicle transmission networks. Developed twisted pair cables for automotive applications that **enable high-speed transmission. Shipment will begin in H1.**

## Cat. 6A standard TPCC® 6A (10 Giga coil)



The GIGA school concept has led to a significant increase in demand for 10-Gigabit transmission. In addition, the recent **increase in communication capacity due to the advancement of AI and IoT utilization has led to a significant expansion of replacement demand.**

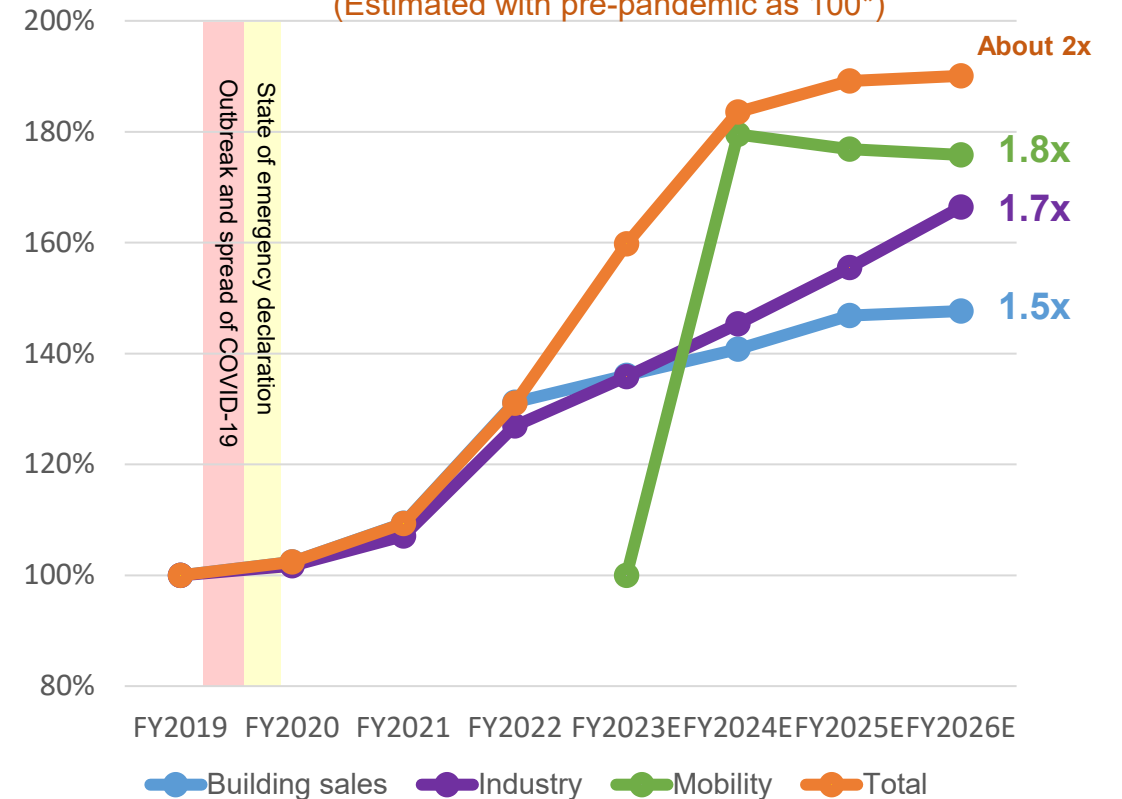
## Cat. 8 standard twisted pair cable for LAN



Stable electrical characteristics in the frequency band up to 2,000 MHz – **four times that of Cat. 6A.** High-speed, large-capacity transmission at 40 Gbps is possible. **Demand is expected to increase for future increases in communication capacity.**

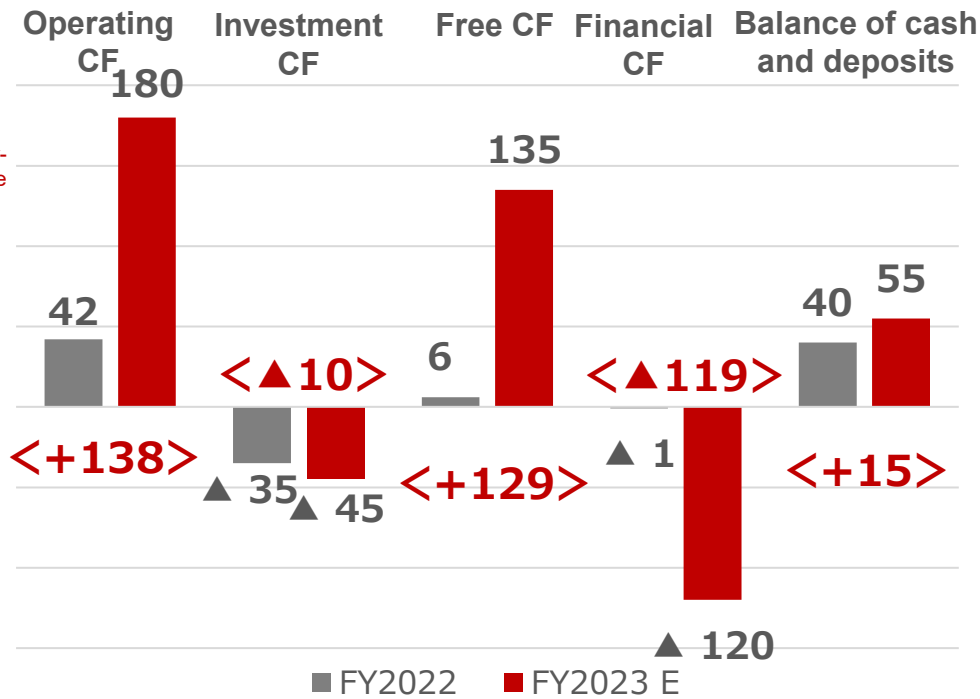
## Sales Growth Trends

(Estimated with pre-pandemic as 100\*)



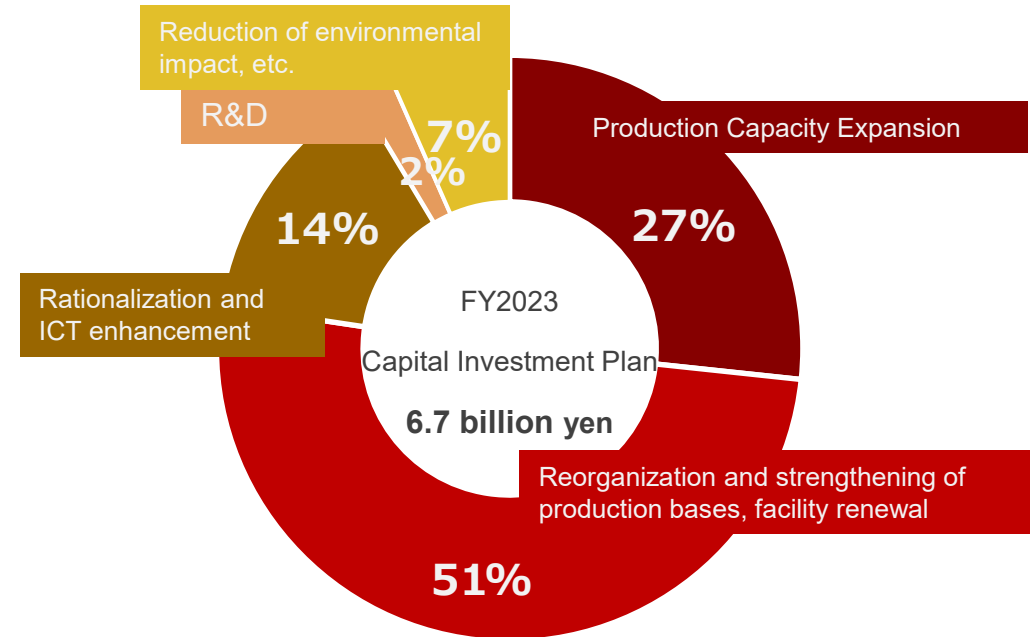
\* Mobility sales are estimated at 100 for FY2023, as they will be generated from FY2023.

<Consolidated cash flow>



Operating CF in FY2023 will increase due to reduction of working capital  
 Investment CF will increase due to increased capital investment

<Capital Investment Plan>



Breakdown by Segment

Energy and Infrastructure Business Section	2.5 billion yen
Electrical Equipment and Components Business Section	1.8 billion yen
Communication and Industrial Devices Business Section	1.0 billion yen
Other	1.4 billion yen

### 3. Progress of “Towards Realization of Management that is Conscious of the Cost of Capital”

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# Initiatives for Future Growth

**SWCC Group Purpose**  
Innovating new ideas today. Becoming the norms of tomorrow.

In conjunction with changing the Company's name, the Group formulated our Purpose which contains the message of "responding to the changing times and creating new value."

We will contribute to the creation of a sustainable and better future through our business.

**Create sustainable "corporate value" and "shareholder value" based on the Purpose**

**Aiming to promptly achieve ROIC of 10% or more, PBR of 1x or more, and a dividend of 120 yen or more, with a lower limit of 10% for ROE.**

## Business Strategy

- Promotion of businesses that solve social issues and optimization of business portfolio

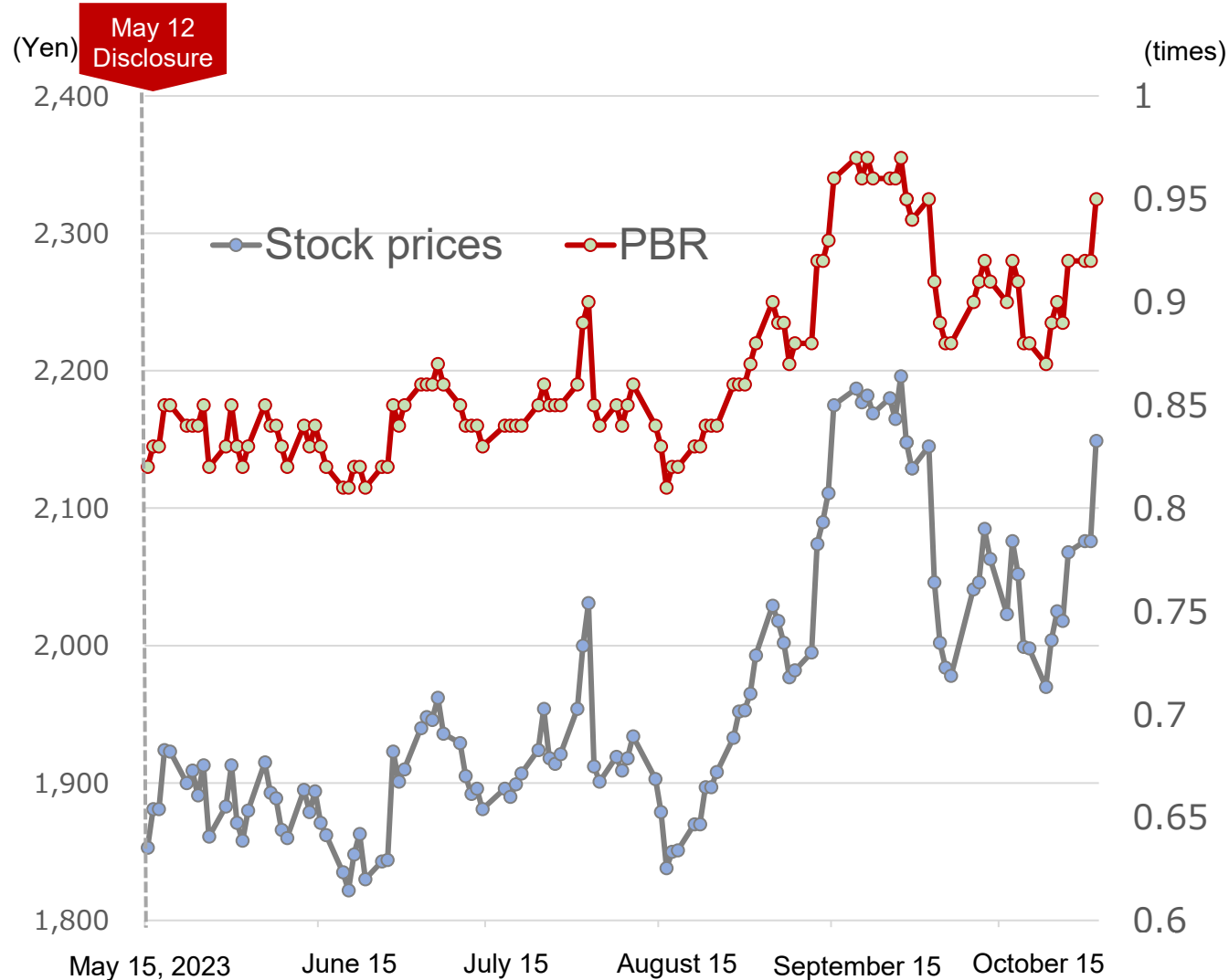
## Financial Strategy

- Overall financial and capital strategy
- Investment strategy and shareholder return policy

## Non-Financial Strategy

- Promotion of human capital strategies that support sustainable growth
- Contribution to a decarbonized society

# Measures and share price trends after the May disclosure of "Towards Realization of Management that is Conscious of the Cost of Capital"



## Major initiatives after May 12 disclosure

### 9/4 **Briefing session on "Key Points of Medium-Term Management Plan Rolling" held**

Explain the Group's future growth strategy to investors. Archived on the Company website.

### 9/11 **Sale of Policy Shareholdings**

Sold some of the Company's policy holdings and reduced its consolidated net asset ratio to less than 10%.

### 9/29 **Integrated Report published**

Discloses the Group's business activities and sources of value creation with a focus on non-financial information.

### 11/2 **Resolution to pay interim dividends**

Resolved to pay a dividend of 35 yen per share of common stock (full-year dividend of 75 yen planned).

### 11/2 **Initiatives to improve capital efficiency and enhance shareholder returns through share repurchases**

A portion of the funds acquired through capital efficiency improvement measures (sale of policy shareholdings) will be returned to shareholders.

### 11/2 **ESOP introduction initiatives**

Introduced to enhance the welfare program for employees and to provide incentives to enhance the medium- to long-term corporate value of the Group.

# Analysis of Current Situation (1):

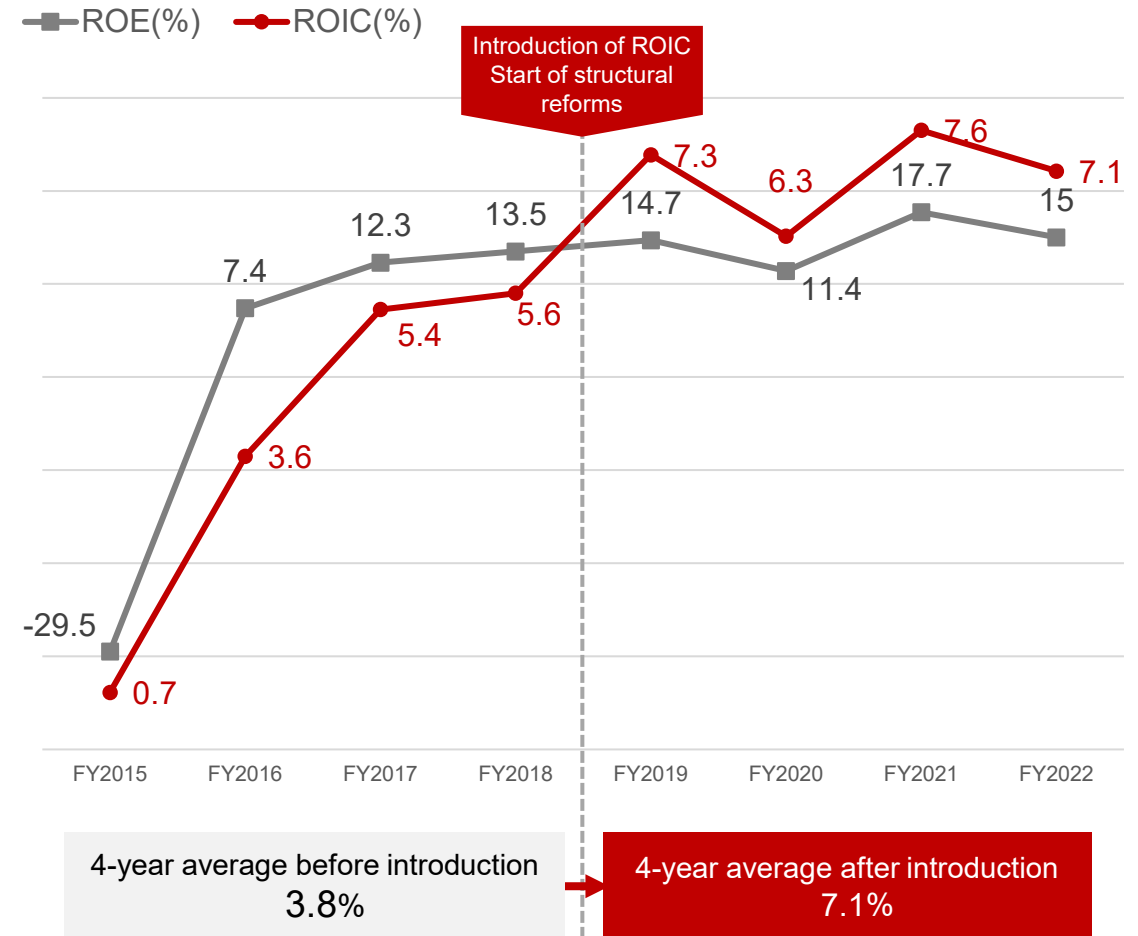
## Changes in Profitability Improvement through Structural Reforms Based on Capital Efficiency

Profitability, **ROE and ROIC have improved** steadily since the introduction of ROIC and the start of structural reforms in FY 2019.

### Reorganization of major domestic production bases and withdrawal from unprofitable businesses

FY2019: SWCC SHOWA UNIMAC made a wholly-owned subsidiary  
 FY2020: TAMAGAWA MAGNET WIRE merged into SWCC SHOWA UNIMAC  
 Sold the rubber wire business  
 Dissolved DAIJI  
 FY2021: Transferred the anti-seismic and anti-noise business to SHOWA SCIENCE  
 SHOWA RECYCLE merged into LOGIS-WORKS  
 Reorganized the domestic production bases for communication cables and dissolved AOMORI SHOWA ELECTRIC CABLE  
 Sold the Ebina Factory  
 FY2022: Integrated SFCC's construction-related manufacturing and sales businesses

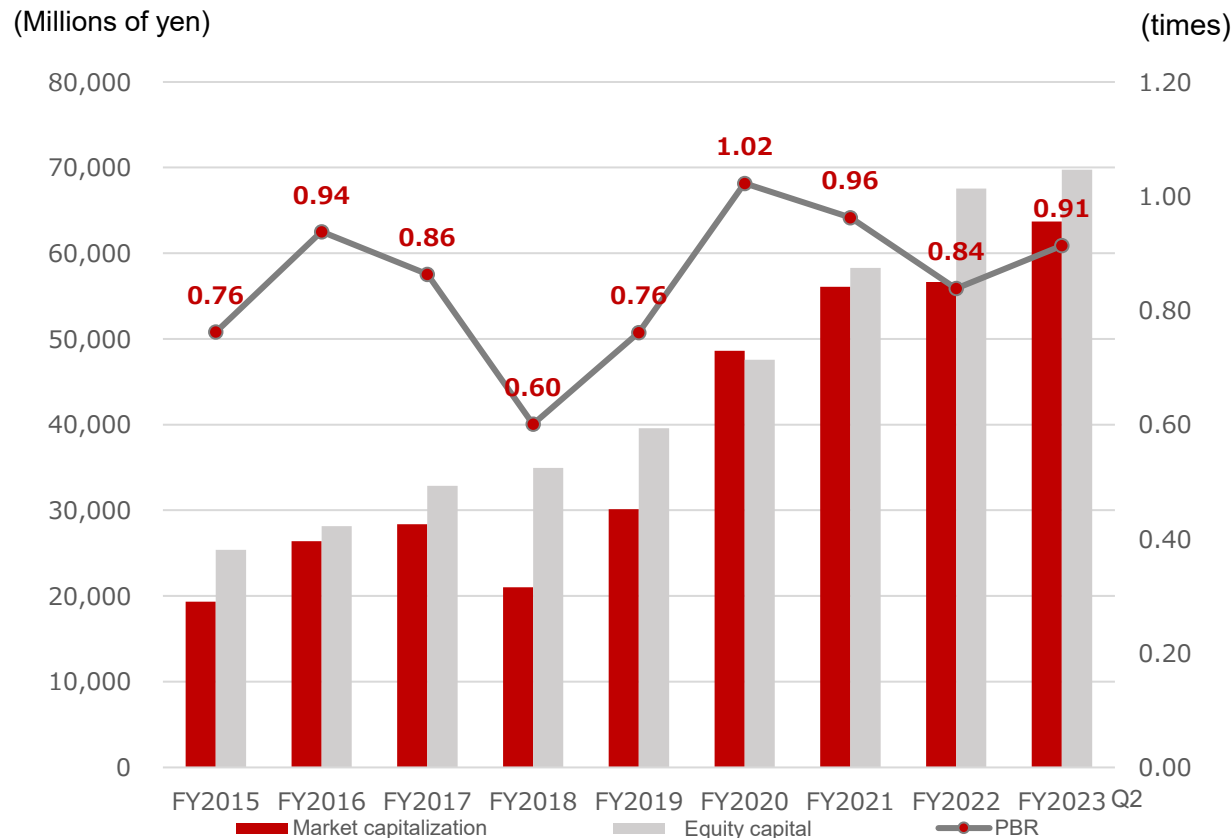
<Profit Improvement Results>	FY2020	FY2021	FY2022	Cumulative total
Integration of anti-seismic and anti-noise businesses		1	1	2
Integration of SFCC's manufacturing and sales operations			3	3
Rationalization of magnet wire business	3	3	3	9
Shifting wire harness business overseas	5	7	7	19
Reorganization of communication cable production bases		3	8	11
<b>Total (Unit: 100 million yen)</b>	<b>8</b>	<b>14</b>	<b>22</b>	<b>44</b>



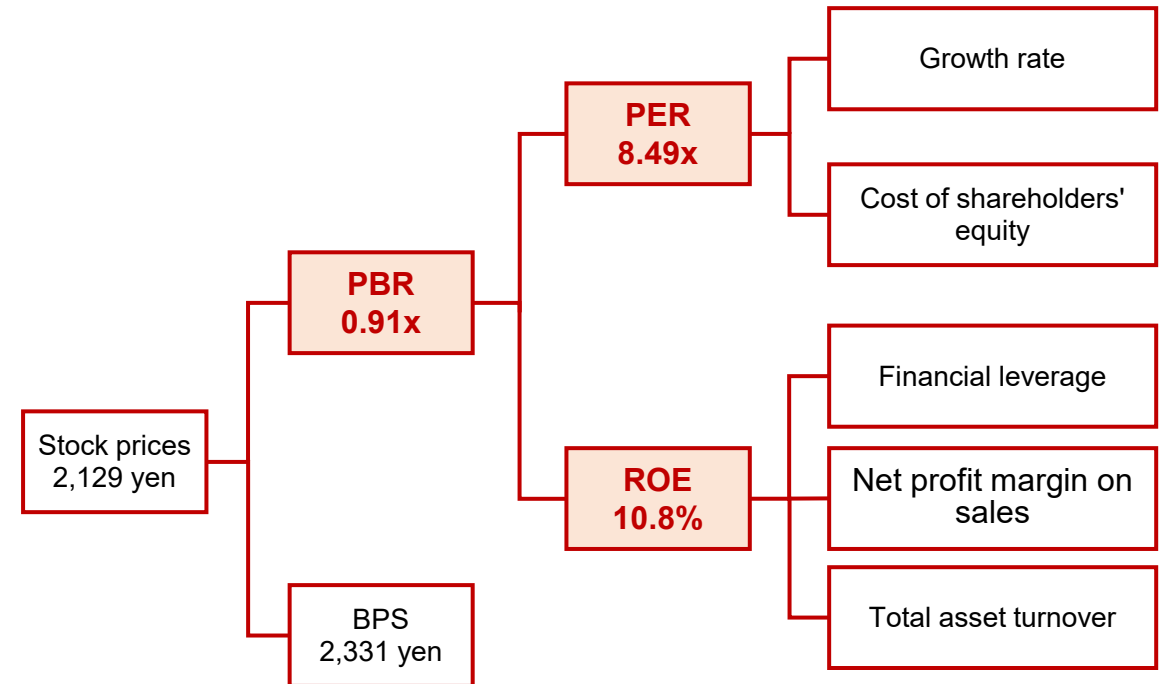
# Current status analysis (2): Market valuation transition and decomposition of PBR factors

PBR ratios are rising as profitability improves, but are still below 1x recently. In addition, the market is expected to have a low evaluation of the Company's growth potential based on the level of PER.

### Market capitalization, equity capital, PBR



### PBR factor decomposition

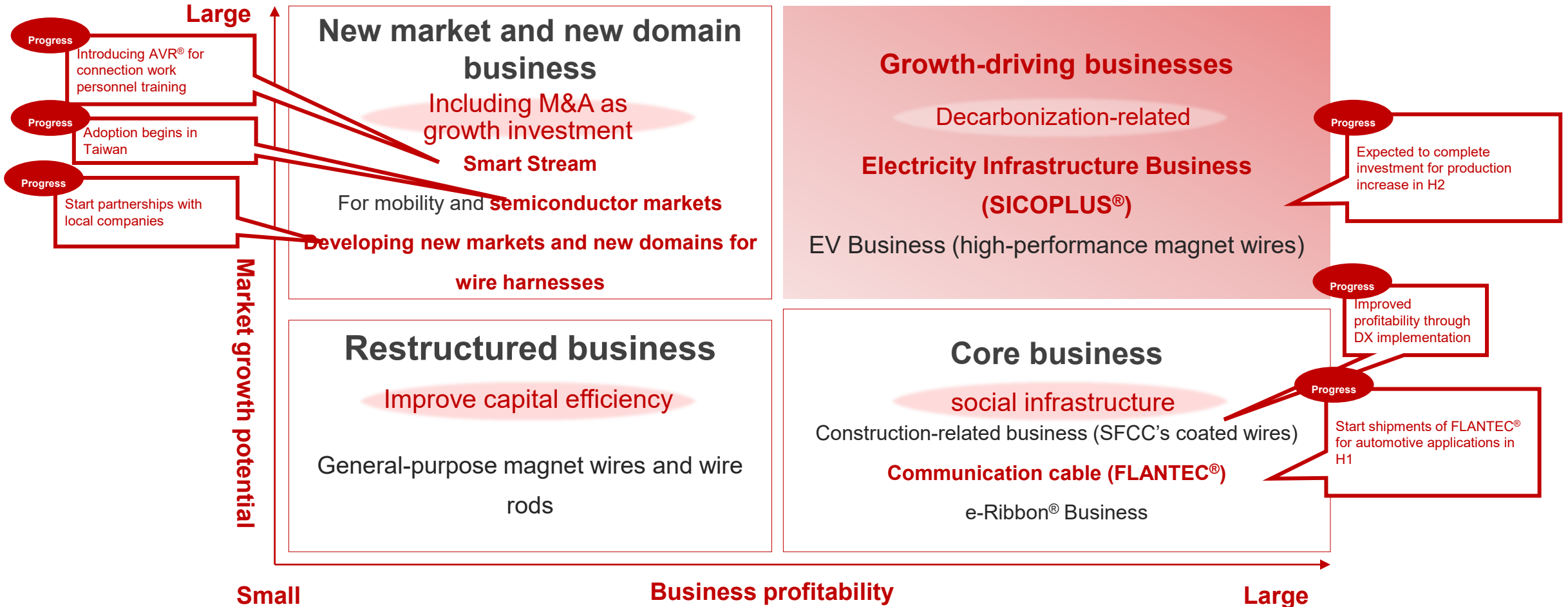


\* Share prices are closing prices on September 29, 2023.

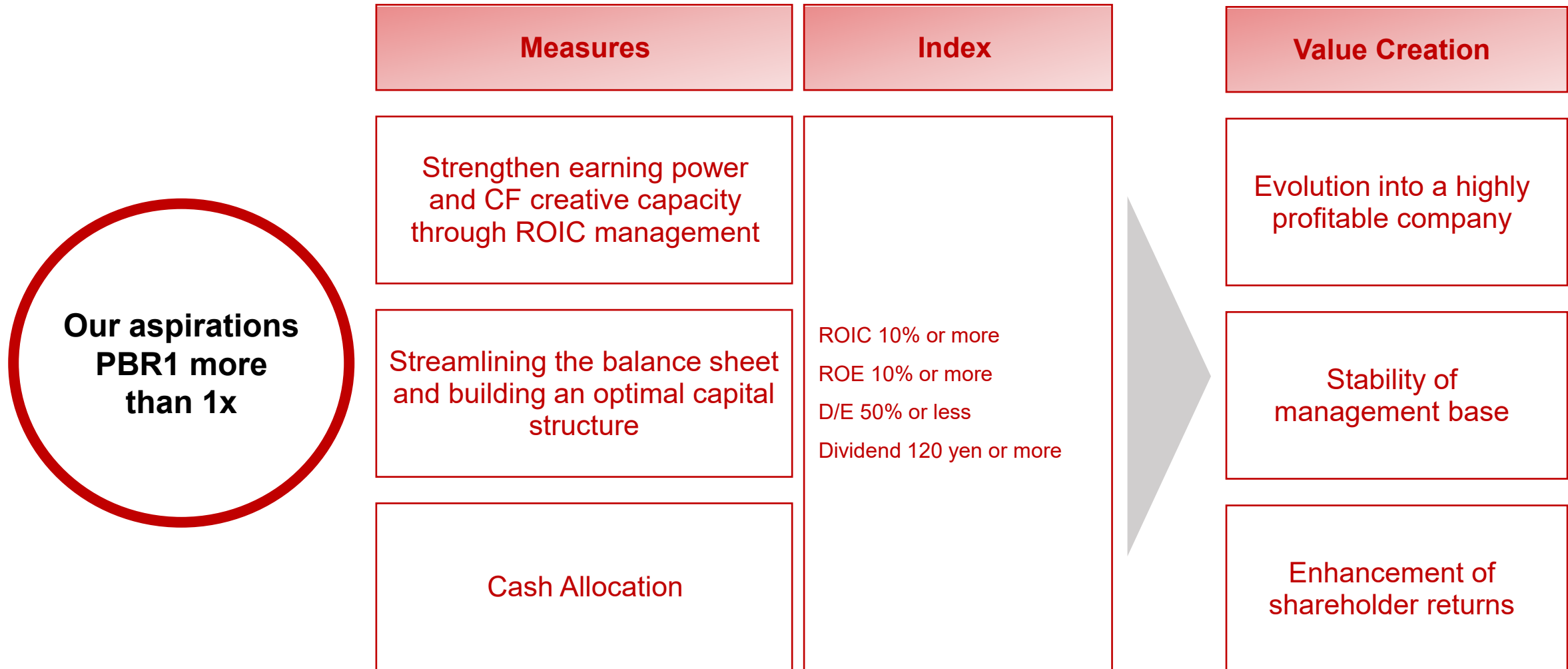
\* All indicators are based on the balance at the end of September. However, profit ratios are the figures announced for the full year.

# "Business Strategy" Promotion of businesses that solve social issues and optimization of business portfolio

We aim to generate further profits by promoting concentrated investment in growth-driving and core businesses and by promoting the structural reform of the businesses. We will also develop businesses for new markets and domains based on our core technologies. We will expand our business through open innovation, internal ventures and M&A.

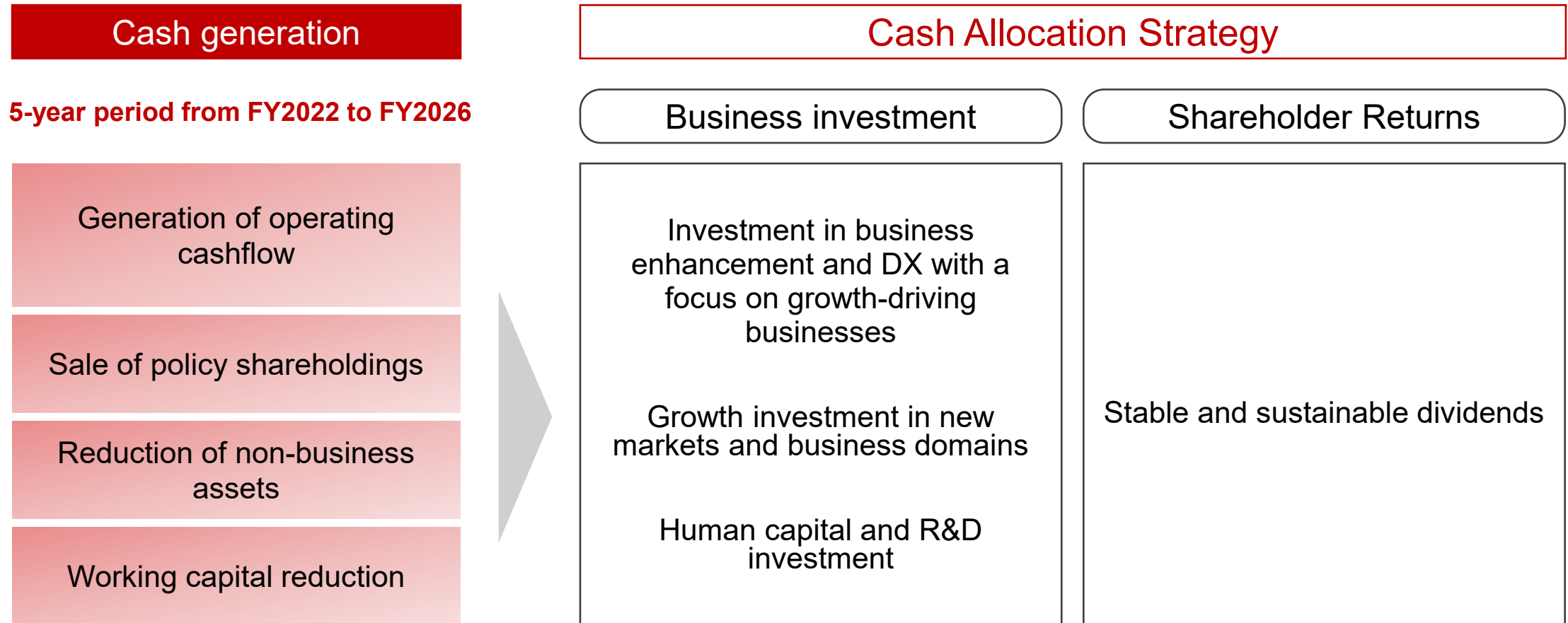


# "Financial Strategy" Overall financial and capital strategy



# "Financial Strategy" Investment Strategy and Shareholder Return Policy

Appropriately allocate generated cash to the strengthening of core businesses, growth investment in new markets and business domains, and returns to shareholders.



## ■ Diversity Management

### ● From a "Women's Participation Promotion Project" to a "Diversity Promotion Project"

- The project, which was launched in April 2021, has added male members from April 2023 to promote efforts to raise awareness of unconscious bias.

### ● Extend the retirement age and introduce an optional retirement system

- Creation of an environment in which experienced and seasoned employees can work with confidence.

## ■ Increase engagement

### ● Expand systems to match the needs of the Company and employees

- In order to realize the placement of the right person in the right job, the job challenge system and internal recruitment system will be expanded and enhanced.

### ● Establish a compensation system that encourages challenges

- Transition to a compensation system that more appropriately reflects the efforts and achievements of employees who take on challenges.

### ● Creating a comfortable working environment

- Promotion of teleworking and flexible work hours. Introduced health promotion app and thanks points.

### Evaluation by external organizations

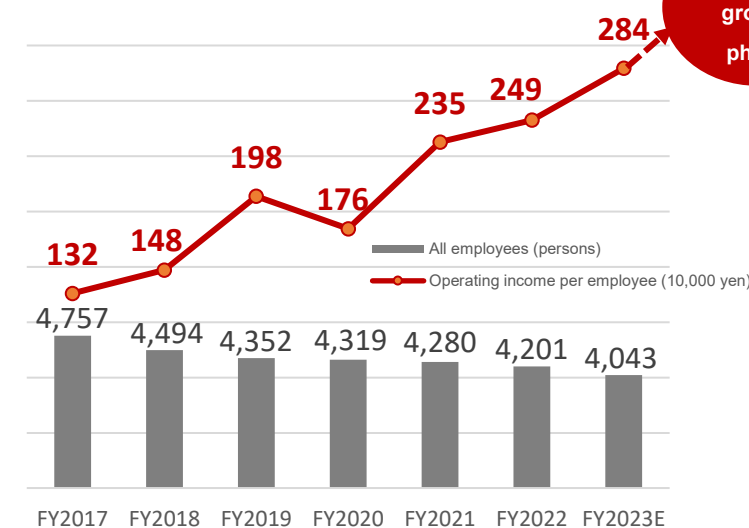


Eruboshi certification based on the Law for the Promotion of Women's Success as stipulated by the Ministry of Health, Labour and Welfare.



Recognised as an excellent health company under the excellent health company recognition system organised by the Ministry of Economy, Trade and Industry and the Japan Health Council.

Operating income per employee and number of employees



\*Number of people in FY2023 estimated as at end-September 2023.

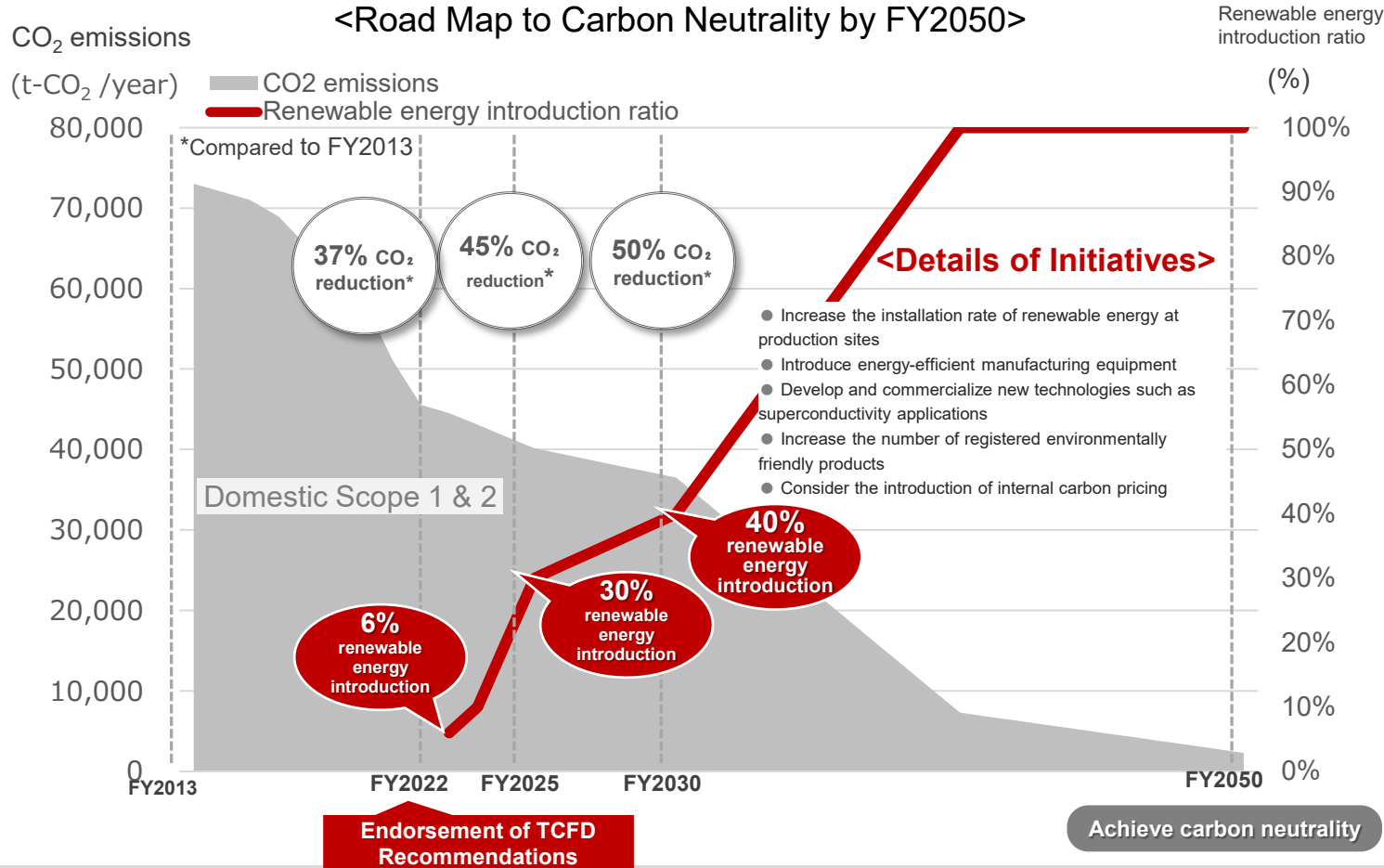
Further growth phase



# Non-Financial Strategy: Contribution to a Decarbonized Society

We aim to achieve carbon neutrality by 2050 by implementing various measures, including the introduction of renewable energy at domestic manufacturing sites, promotion of procurement of non-fossil energy, introduction of high-efficiency and energy-saving equipment using new technologies, and reduction of material-derived emissions through cooperation with suppliers.

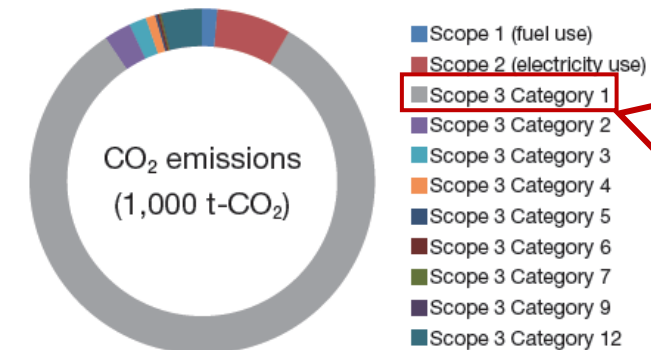
## <Road Map to Carbon Neutrality by FY2050>



## FY2022 Results

GHG Protocol Scopes for Calculation		CO <sub>2</sub> emissions (1,000 t-CO <sub>2</sub> )
Scope 1 (fuel use) <sup>5</sup>		8.8
Scope 2 (electricity use) <sup>5</sup>		40.5
Scope 3	Category 1 Purchased goods and services	478.3
	Category 2 Capital goods	15.4
	Category 3 Fuel and energy-related activities not included in Scope 1 and Scope 2	9.7
	Category 4 Upstream transportation and distribution	4.1
	Category 5 Waste generated in operations	1.8
	Category 6 Business travel	0.8
	Category 7 Employer commuting	0.9
	Category 9 Downstream transportation and distribution	0.1
	Category 12 End-of-life treatment of sold products	21.8

\*5: All bases in Japan



Material-derived emissions are highest. In cooperation with our suppliers, we will strengthen reductions in the future.



**Creating for the Future**

# **SWCC Corporation**

<https://www.swcc.co.jp>

The forward-looking statements in this presentation are based on information available at the time of publication and involve potential risks and uncertainties.

Therefore, please be aware that a variety of factors could cause the actual results to differ materially from those projected in the statements.

Such factors that may affect actual results include economic conditions, demand trends, and fluctuations in raw material prices and exchange rates.

Factors that may affect business performance include, but are not limited to, the following.