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

August 3, 2023

SWCC Corporation

TSE PRIME : 5805

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1 . FY2023 Q1 Overview of Financial Results

FY 2023 Q1 Financial Results Overview

Management Environment

- The economy has normalized due to the relaxation of movement restrictions due to COVID-19.
- Raw material and energy prices soared due to the protracted situation in Russia and Ukraine and the weakening yen.
- In the automotive-related market, the impact of automobile production cutbacks due to semiconductor shortages is recovering.
- In the electric wire industry, overall demand for electric wires increased slightly.
- The average domestic quotation price for copper declined slightly from the same quarter of the previous year.

Net sales

The business plan for the current fiscal year is generally weighted toward the second half of the year. Q1 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.

Automobile: High-performance products for xEVs continue to be in an adjustment phase, but have bottomed out.

Industrial Devices: Demand is sluggish due to partial drop in pandemic special demand.

Operating profit

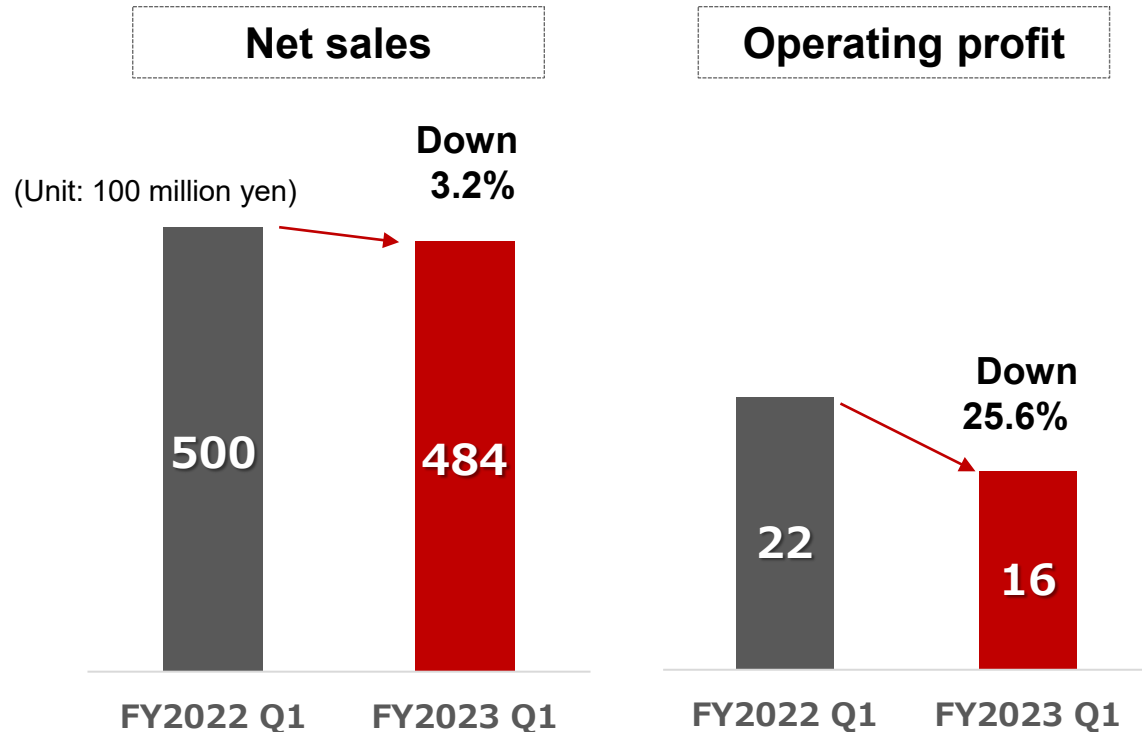
Electric Power Infrastructure progressed as initially expected, with a bias toward the second half of the year. It was supported by construction-related and communication cables.

Profit decreased from the same period of the previous year.

Key Points of the Financial Results for Q1

Q1 YoY Change

Figures for the current fiscal year are assumed to be weighted toward the H2 (around 30% in the H1 and around 70% in the H2).



Q1 Progress rate

The progress rate of sales was in line with the average, but operating profit was lower than usual due to the concentration of power construction projects in the H2.

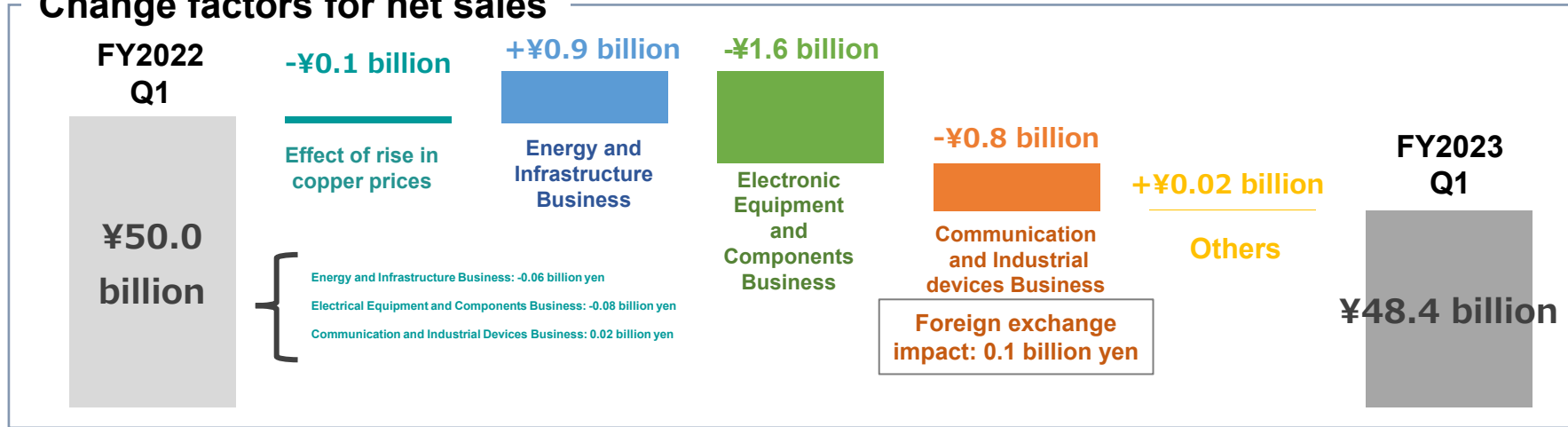
(Unit: 100 million yen)	Full-year Plan	FY19-22 Avg. progress rate	Q1 Progress rate
Net sales	2,150	23.2%	22.5%
Operating profit	107	18.4%	15.0%

FY2023 Q1 Consolidated Statements of Income

(Unit: 100 million yen)	FY2022 Q1 Actual	FY2023 Q1 Actual	FY2023 Full-year plan	YoY %	Progress rate %
Net sales	500	484	2,150	▲3.2	22.5%
Operating profit	22	16	107	▲25.6	15.0%
Operating profit margin (%)	4.3	3.3	5.0	—	—
Ordinary profit	23	16	106	▲30.0	15.1%
Net income attributable to owners of parent	16	12	70	▲28.0	16.9%

FY2023 Q1 Change Factors (YoY)

Change factors for net sales



[Change factors]

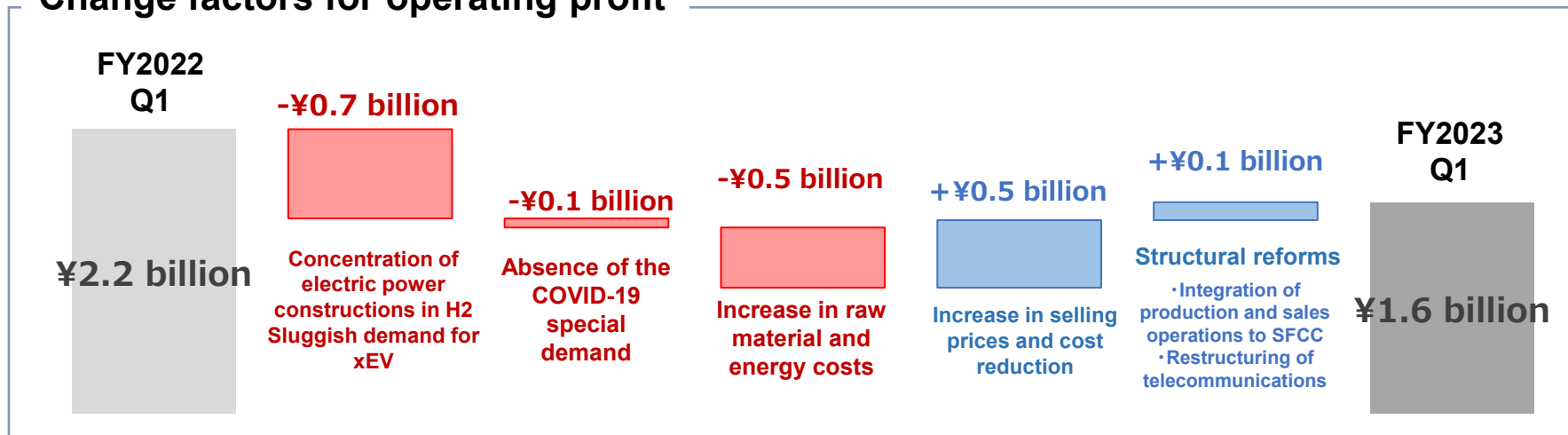
1. Net sales
In line with initial forecasts, overall sales decreased due to sluggish demand for xEV and the absence of the COVID-19 special demand, while projects are generally concentrated in the H2.

2. Operating profit
Profitability improved through structural reforms and sales at reasonable prices in response to rising raw material and energy costs, but profits declined as electric power constructions are concentrated in the H2.

[Future Initiatives]

Secure personnel and inventory to recover demand in the H2.

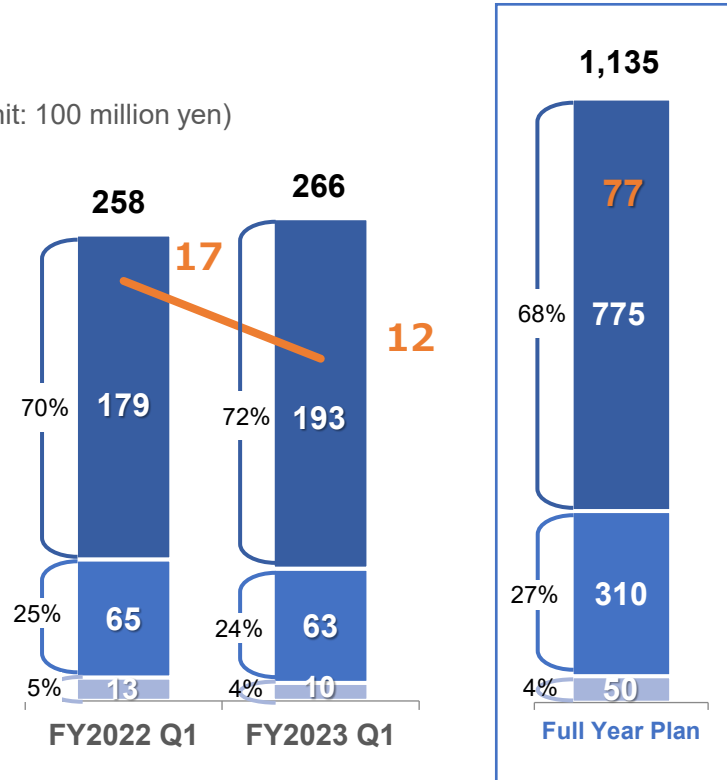
Change factors for operating profit



FY2023 Q1 Segment Results - Energy & Infrastructure Business

■ Construction ■ Electric power Infrastructure
■ Seismic isolation/others ■ Operating profit

(Unit: 100 million yen)



Operating profit ratio	6.5%	4.5%	6.8%
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Q1 YoY change

The second half bias in electric power construction will be offset by strong construction-related business. Implemented various profit improvement measures. Sales increased (+3.2%) and income decreased (-29.4%) compared with the same period of the previous year.

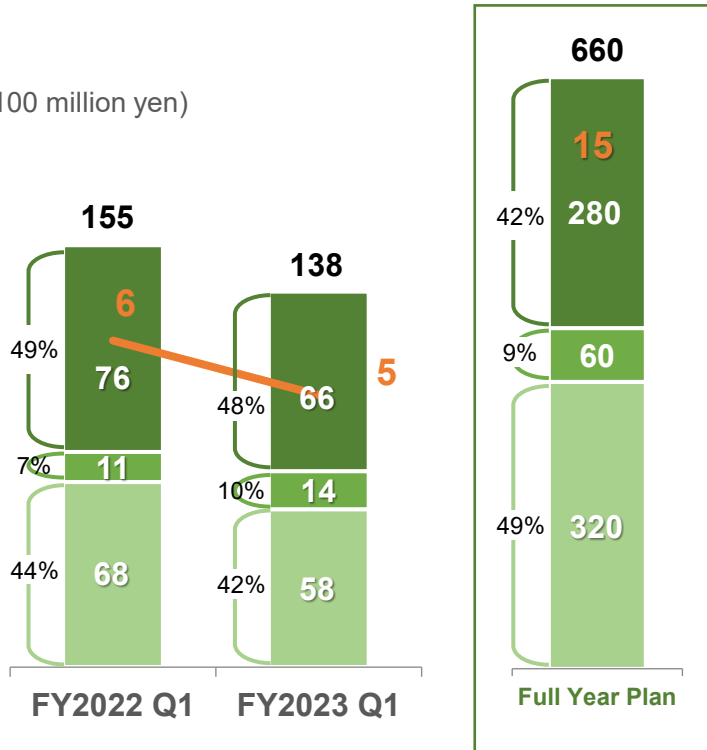
Impact of Changes in Business Environment

Impact of Copper Price Fluctuation	Net sales decreased by 60 million yen.
Soaring raw material, energy, and logistics costs	Although prices continue to rise, the Company has been able to secure profitability through price pass-through and cost reductions. Logistics is preparing to address the 2024 problem.
Changes in demand	Although demand for both domestic construction-related and electric power infrastructure is strong, electric power construction work is heavily weighted toward the second half of the fiscal year under review.

FY2023 Q1 Segment Results - Electrical Equipment and Components Business

- High-Performance Product Oxygen-free Copper
- Other High-Performance Products
- General-Purpose Products
- Operating Profit

(Unit: 100 million yen)



Operating profit ratio	4.0%	3.3%	2.3%
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Q1 YoY change

High-performance products for xEVs continue to be in an adjustment phase as demand recovers, but general-purpose magnet wires for heavy electric machinery remain strong. Sales decreased (-10.7%) and income decreased (-26.7%) compared with the same period of the previous year.

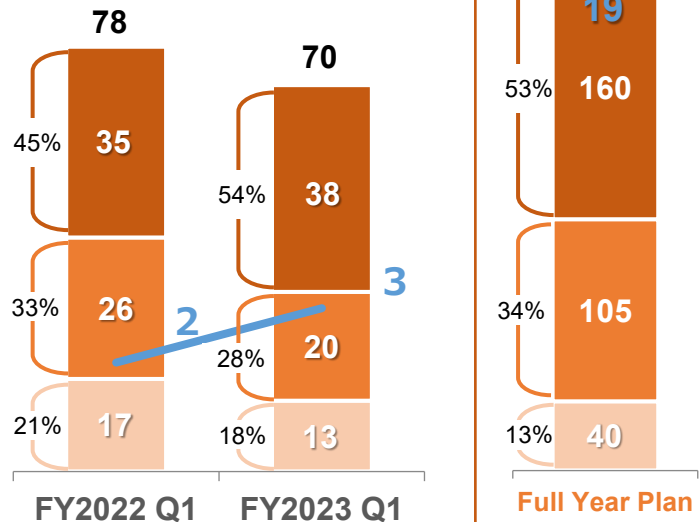
Impact of Changes in Business Environment

Impact of Copper Price Fluctuation	Net sales decreased by 80 million yen.
Soaring raw material, energy, and logistics costs	Although prices continue to rise, the Company has been able to secure profitability through price pass-through and cost reductions. Logistics is preparing to address the 2024 problem.
Changes in demand	Demand for high-performance products for xEVs is expected to recover in Q2 and beyond, despite an adjustment phase in Q1.

FY2023 Q1 Segment Results - Communication and Industrial Devices Business

■ Communication cables ■ Wire harnesses
■ Precision Devices ■ Operating profit

(Unit: 100 million yen)



Operating profit ratio	2.2%	4.2%	6.2%
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Q1 YoY change

Industrial Devices was 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 (-10.2%) and income increased (+67.2%) compared with the same period of the previous year.

Impact of Changes in Business Environment

Impact of Copper Price Fluctuation	Net sales increased by 20 billion yen.
Soaring raw material, energy, and logistics costs	Although prices continue to rise, the Company has been able to secure profitability through price pass-through and cost reductions. Logistics is preparing to address the 2024 problem.
Changes in demand	<p>Demand for communication cables was firm for construction-related applications.</p> <p>Consumer electronics and personal printers lost some of the pandemic special demand.</p>

FY2023 Q1 Consolidated Results B/S (Comparison with the end of the previous year)

(Unit: 100 million yen)	FY2022E	FY2023 Q1	Change
Total assets	1,567	1,547	(20)
Trade receivables	527	484	(42)
Inventories	282	302	21
Non-current assets	646	648	2
Total liabilities	883	861	(21)
Trade payables	249	261	12
Interest-bearing debt	412	386	(25)
Total net assets	684	685	2
Equity	675	677	2
Equity ratio (%)	43.1	43.8	0.7
DE ratio (%)	61	57	(4)

[Inventories]

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

[Non-current assets]

Investment securities increased due to soaring stock prices, although the company proceeded with sell offs in accordance with its policy holding policy.

[Interest-bearing debt]

Interest-bearing debt decreased due to a decrease in working capital.

[Equity ratio]

Equity ratio increased 0.7 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 4-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.

2. FY2023 Full Year Forecasts

FY2023 Recognition of Business Environment

Progress in the first half is expected to be slower than usual. In the second half of the year, we expect **the highest full-year profits** due to **strong demand in the electric power and communications sectors, recovery of products for xEVs, and full-fledged launch of new businesses.**

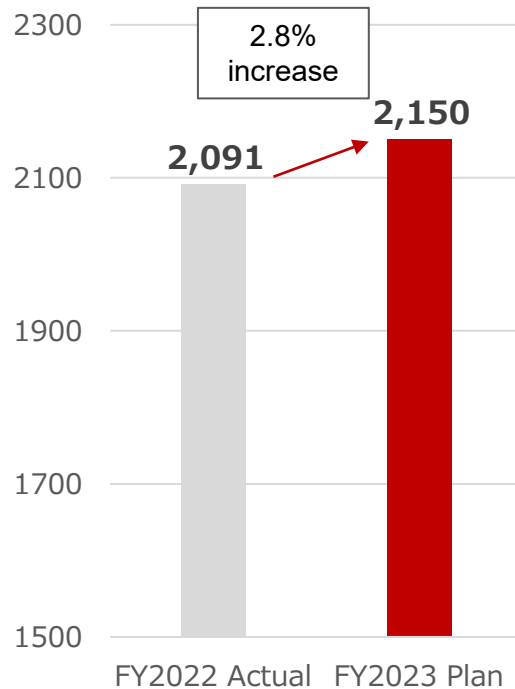
		H1	H2
Forecast	Operating profit	3.5 billion yen (Q1 results: 1.6 billion yen)	7.2 billion yen
	Dividend	35 yen	40 yen
Recognition of Business Environment	Construction	Average for time of year	Average for time of year
	Electric power	H2 bias in power construction	Concentration of electric power projects with strong demand, such as renewable energy system development Sales expansion through increased production of SICONEX®
	Automobile	Demand for high-performance products for xEVs is expected to recover in Q2 and beyond, despite an adjustment phase in Q1.	Recovery in demand for high-performance products for xEVs
	Industrial Devices	Drop in pandemic special demand in the industrial device business	Recovery in demand for Industrial Devices Business
	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 Full-year Forecasts

Plan to capture demand in the H2 and increase sales and profits through various measures. Dividends are planned to be increased by paying an interim dividend.

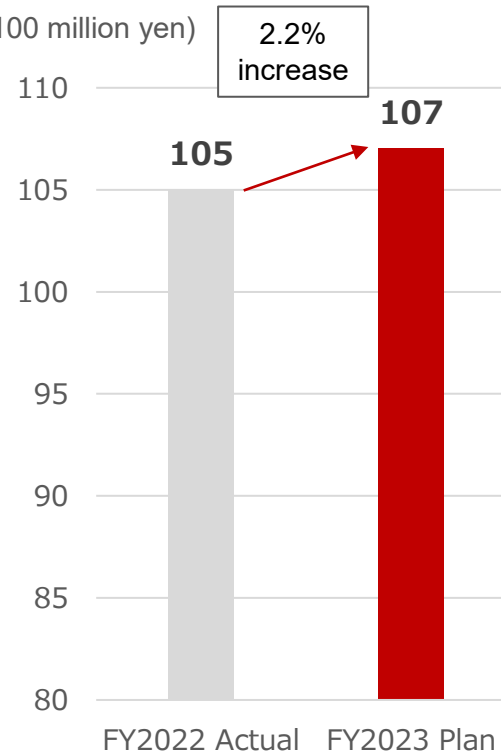
Net sales

(Unit: 100 million yen)



Operating profit

(Unit: 100 million yen)



Ordinary profit

10.6 billion yen (YoY: 2.0% increase)

Net income attributable to owners of parent

7.0 billion yen (YoY: 25.6% decrease)

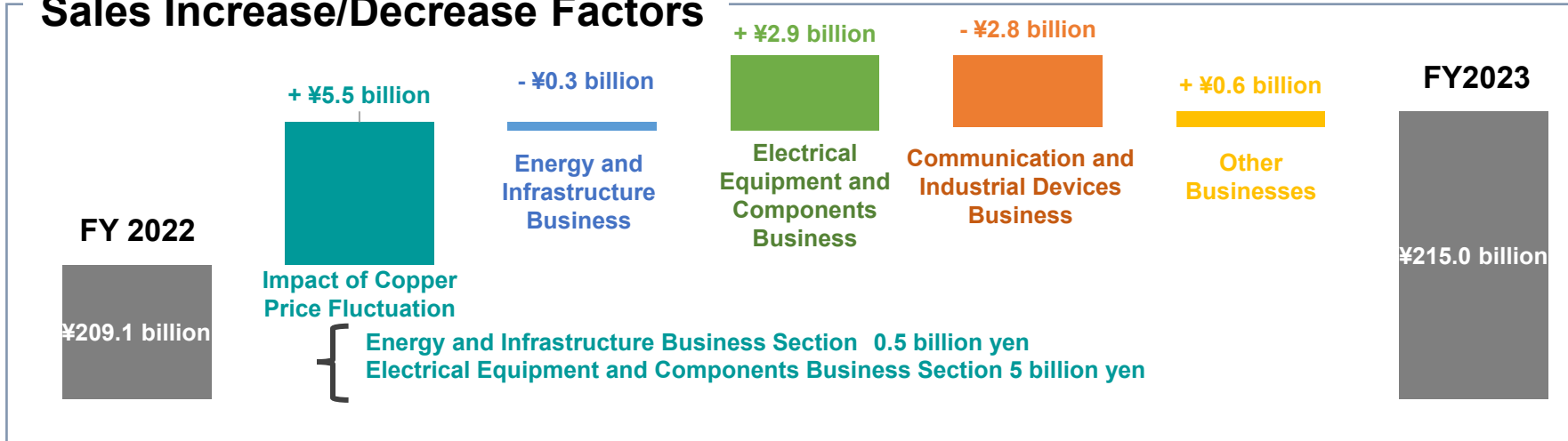
Dividend/ Payout ratio

75 yen/32% (YoY: 15 yen increase)

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

FY2023 Factors for change

Sales Increase/Decrease Factors



[Change factors]

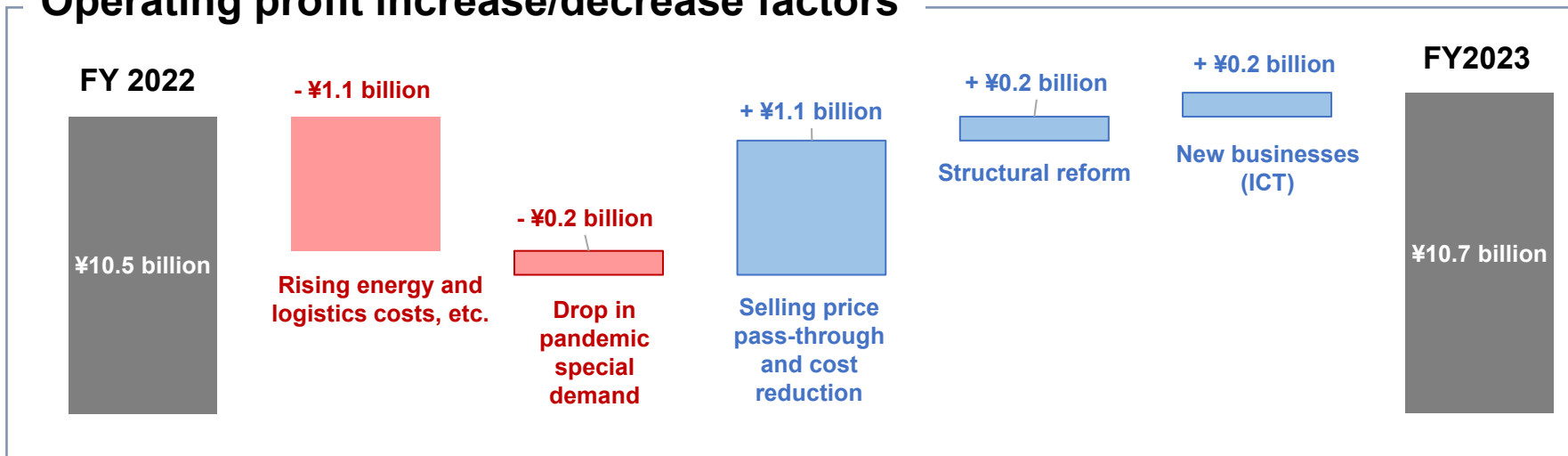
1. Net sales

Sales are expected **to increase** mainly by sliding cost increases due to higher copper prices into sales prices in a timely manner.

2. Operating profit

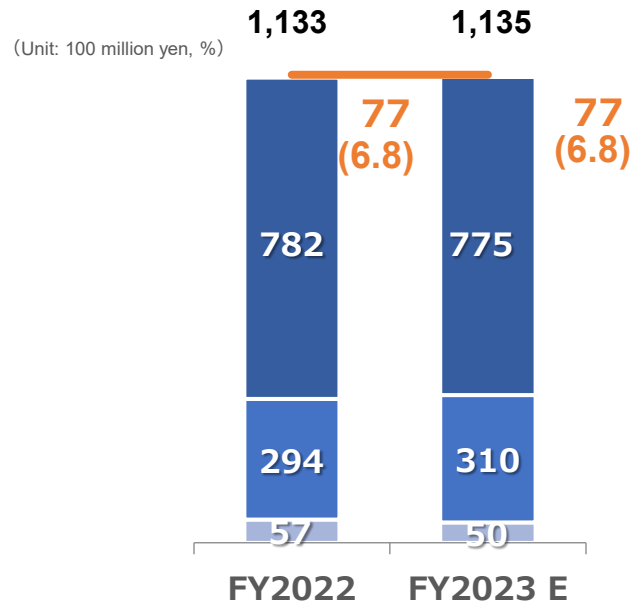
Rising energy and logistics costs were compensated for by reviewing sales prices and reducing costs. In addition to **the effect of structural reforms of 200 million**, profit is expected **to increase** due to **the full-scale launch of new business (ICT)**.

Operating profit increase/decrease factors



FY2023 Business Plan by Segment

Energy and Infrastructure Business



Copper price impact: +0.5 billion yen in sales

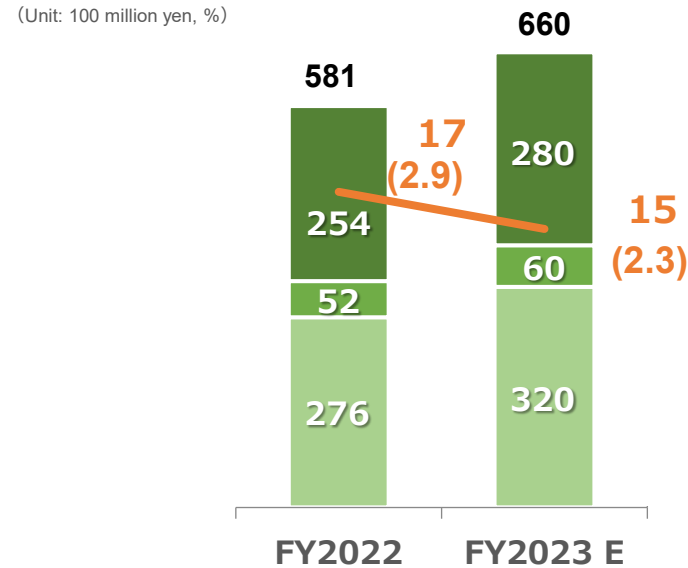
Positive factor:

- Improved profitability by integrating construction-related manufacturing and sales businesses
- Sales contribution from investment in increased production of SICONEX®.

Negative factor:

- Decrease in construction-related special demand

Electronic Equipment and Components Business



Copper price impact: +5.0 billion yen in sales

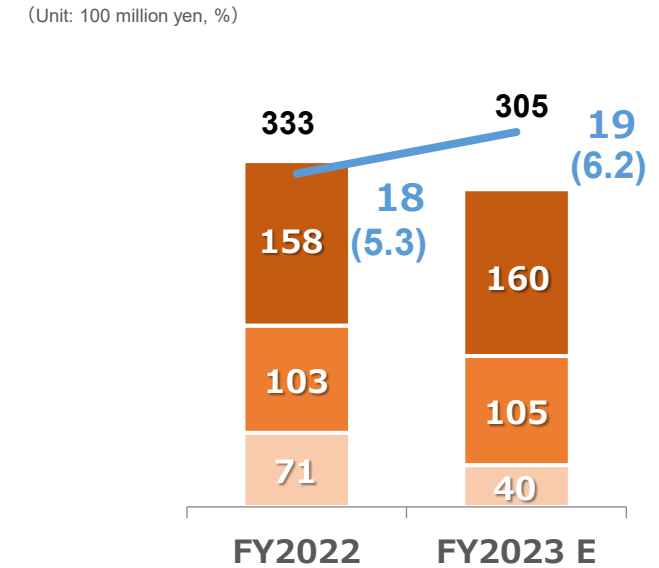
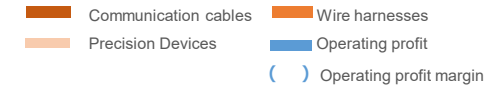
Positive factor:

- Recovery in high-performance products for xEV in 2H
- Strong demand for heavy electrical equipment

Negative factor:

- Adjustment phase of high-performance products for xEVs in Q1

Communication and Industrial Devices Business



Copper price impact: —

Positive factor:

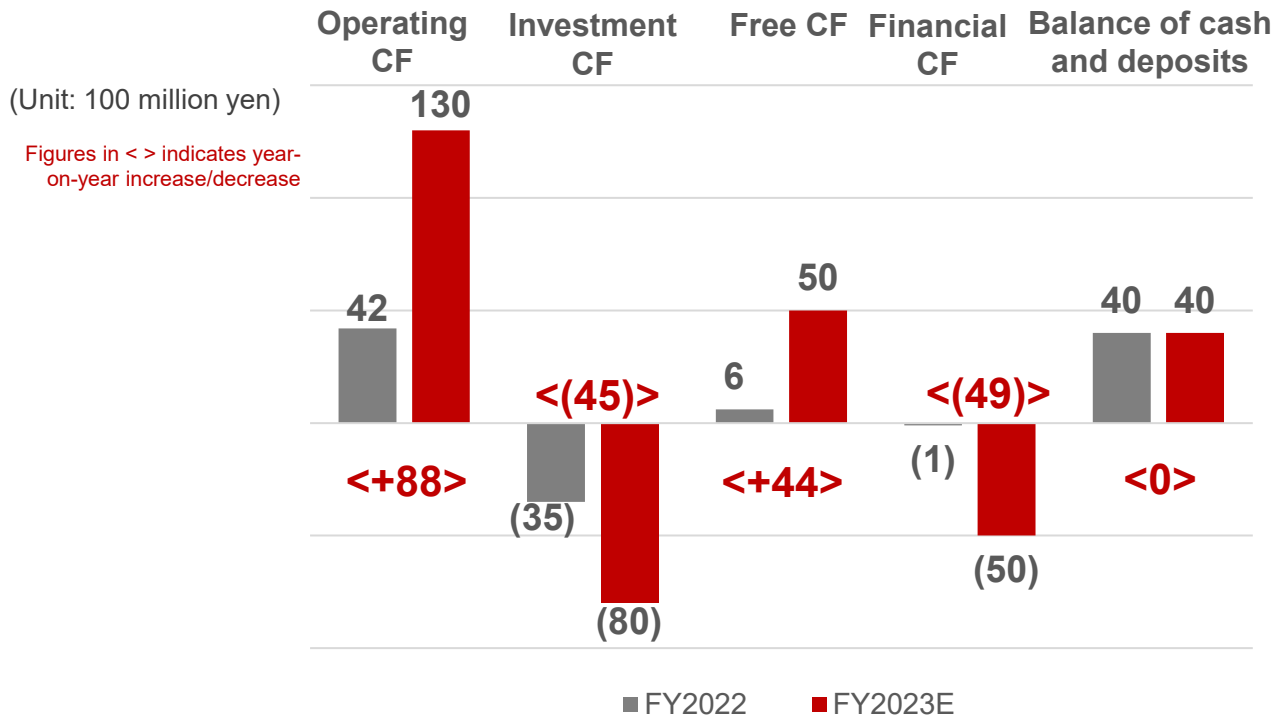
- Maximize the effects of integration of communication cable production bases
- Rifting of the lockdown in China

Negative factor:

- Absence of COVID-19 special demand for industrial devices

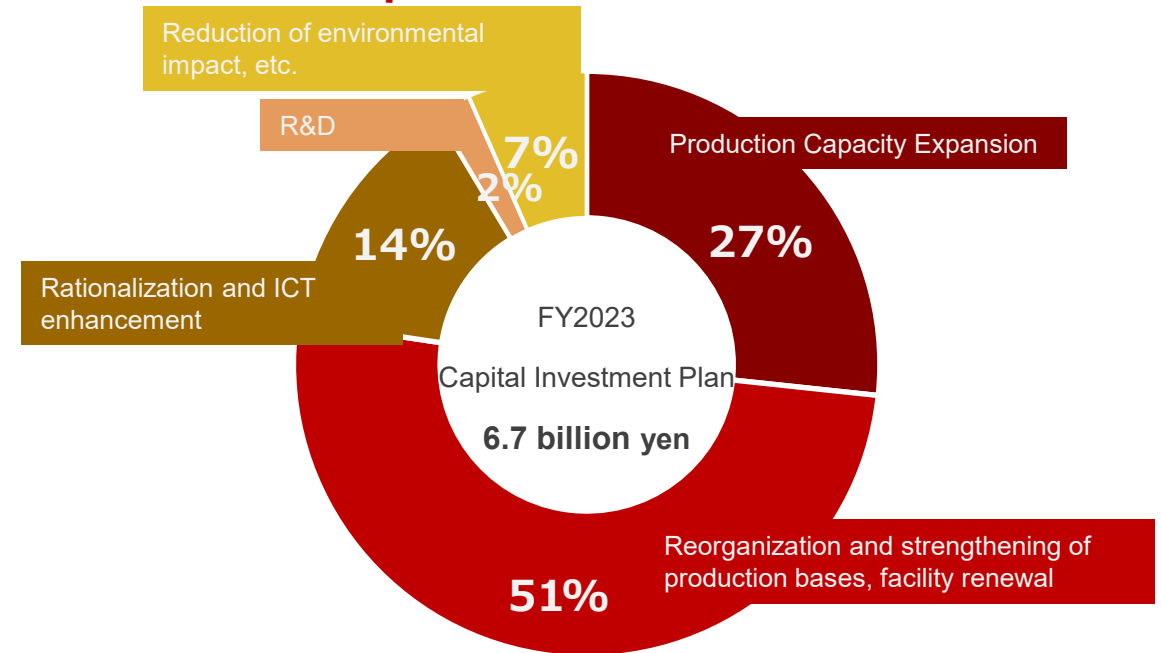
FY2023 Consolidated Results CF Forecast and Capital Investment Plan

<Consolidated cash flow>



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

<Capital Investment Plan>



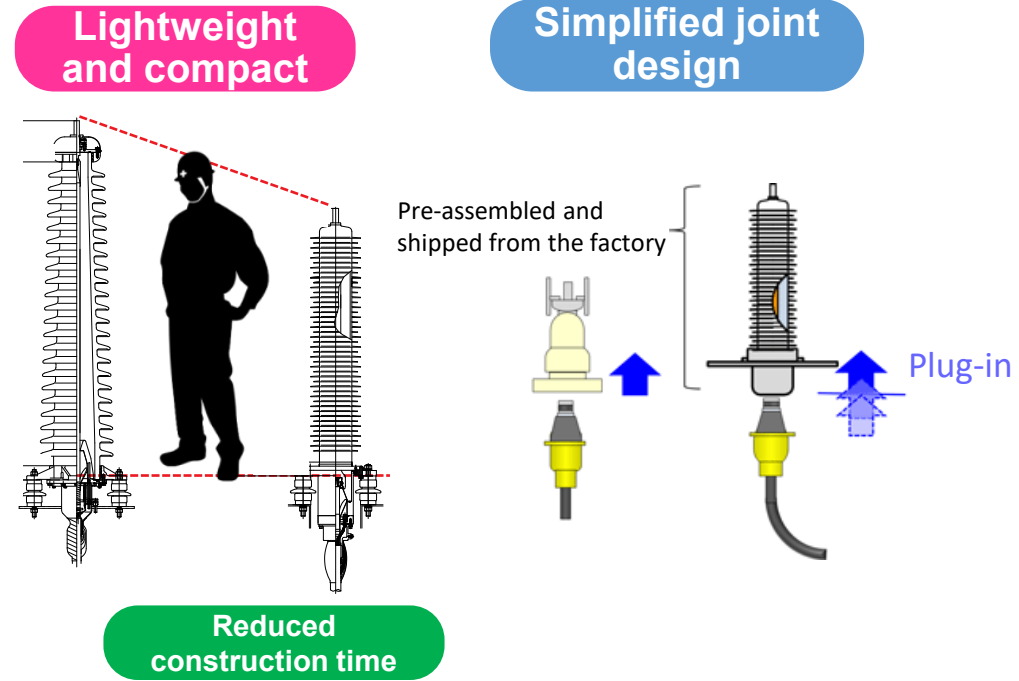
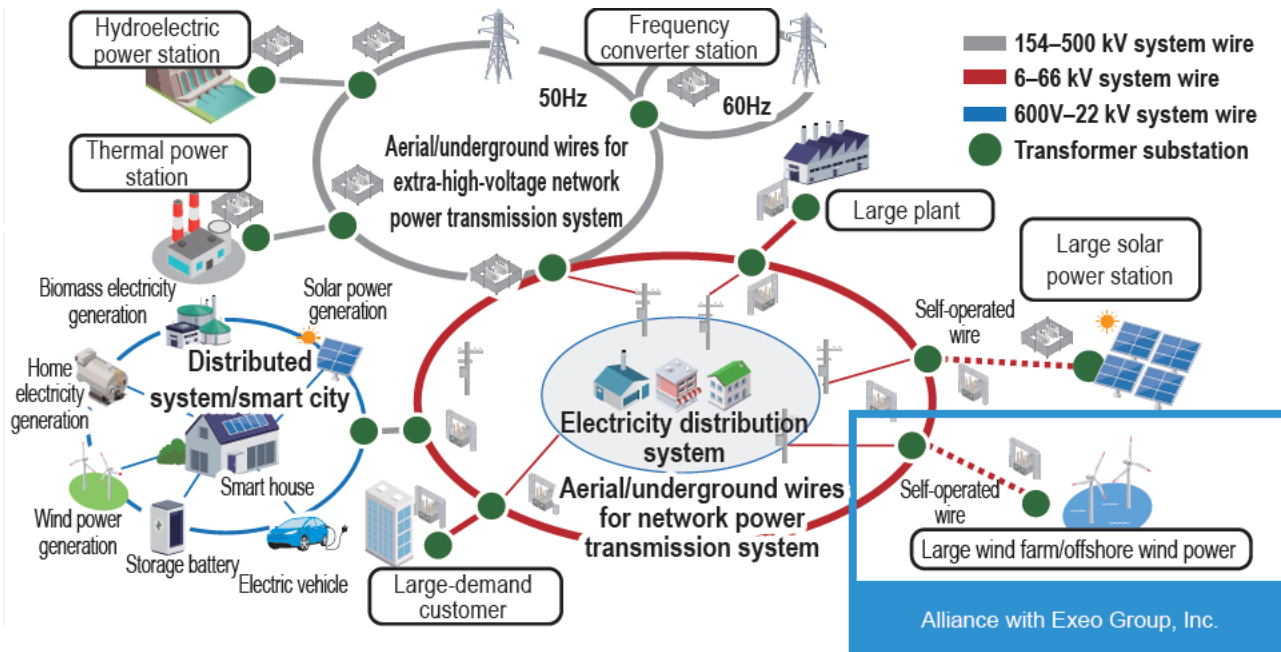
Breakdown by Segment

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 billion yen
Other	1.4 billion yen

3. Appendix

Energy and Infrastructure Business - Strategic Products and Business Environment

SICONEX® power connection components are indispensable in connecting power plants to factories, buildings, and homes via substations. We support social infrastructure by taking advantage of our product superiority in terms of light weight, compactness, reduced construction time, and simple joint design.



Tailwind

- Current market: Demand for renewal of aging power grids
- Future market: Renewable-energy electricity grid development

Strategy

[Products]: Investment in increased production and expansion of market share by leveraging product superiority

[HR]: Expanding alliances with educational and cooperative companies through the Construction Human Resources Development Center

Porcelain	Mainframe installation & Cable processing	assembly	Other
SICONEX®	Mainframe installation & Cable processing	assembly	Other

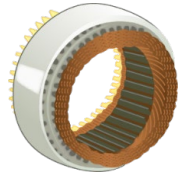
Construction shortened by 30%

Electrical Equipment and Components Business - Strategic Products and Business Environment

Against the backdrop of a decarbonized society, we are **expanding our xEV-related business performance**, centered on the **high-performance oxygen-free copper MiDIP®**, which is manufactured using the **only DIP forming method in Japan** and has **low oxygen content, high electrical conductivity, and excellent processability**. High-performance products are expanding their horizons not only domestically but also overseas to enhance product competitiveness.

Applications and features of high-performance products in xEVs

Oxygen-free copper (MiDIP®)



Drive motors

High-performance magnet wire (Straight angle magnet wire)



Motors, inverters, transformers, etc.

Copper alloy wire (heater wire)



Handle heaters

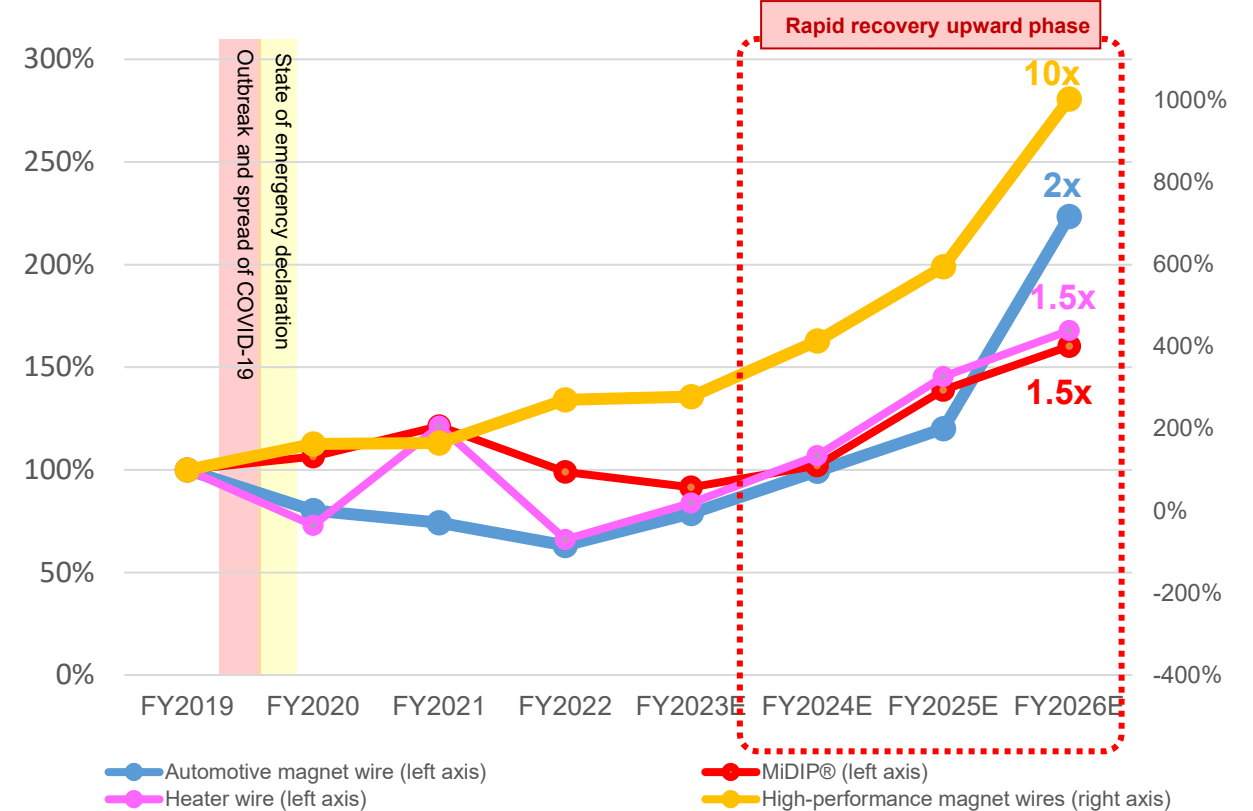
Seat heater

	MiDIP®	Oxygen-free copper	Tough pitch copper
Oxygen content	◎	○	△
Electrical conductivity	◎	○	○
Processability (Bending, thinness)	◎	○	△



Shipment Volume Trends by High-Performance Product Category

(Estimated with pre-pandemic as 100)



Communication and Industrial Devices Business - Strategic Products and Business Environment

We have expanded our business from consumer electronics to industrial equipment and wire harnesses for xEV vehicles, which are expected to expand in the future, and have **three bases in China and Vietnam**, taking advantage of production methods that achieve **high efficiency and labor savings through automation**.



Structural reforms to date

- (1) Diversification of production bases
- (2) Promote local procurement and local production for local consumption
(Jiaxing and Dongguan: 74% local procurement rate in FY2022)

Business environment as a tailwind

- (1) Growing demand for high-performance consumer electronics in response to increasingly sophisticated social environments and living standards
- (2) Expansion of China's economic zone and expansion of local manufacturers' business areas
- (3) Optimization of local production systems, commercial distribution, and customer development in response to the above changes in the environment



SWCC Corporation

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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.