



Creating for the Future

Innovating new ideas today. Becoming the norms of tomorrow.

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

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February 2, 2024

**SWCC Corporation**

TSE PRIME: 5805

# 1. FY2023 Q3 Overview of Financial Results

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# FY2023 Q3 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 remained high against the backdrop of unstable international situations and the yen's depreciation.
- In the automobile-related market, recovery production is in full swing.
- In the electric wire and cable industry, overall demand for electric wires increased YoY.
- 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. Q3 results showed an YoY growth in sales.

[Status of Major Business Fields]

**Energy Infrastructure:** Construction and electric power construction work projects were concentrated more than anticipated in Q3.

**Automobiles:** Demand for xEV products recovered in some areas, but demand for general-purpose products for industrial machinery was sluggish.

**Industrial Devices:** Demand for offices recovered, but domestic consumer electronics demand in wire harnesses products was sluggish.

## Operating income

Operating income increased YoY due to a concentration of construction and electric power construction work project beyond expectations in Q3.

In response, the Company upwardly revised its full-year plan.

# FY2023 Q3 Consolidated Statements of Income

**We have made upward revisions to our full-year profit plan** in anticipation of strong construction and power-related earnings. **Both operating income and ordinary income are expected to be record highs.**

(Unit: 100 million yen)	FY2022 Q3 Actual	FY2023 Q3 Actual	YoY %	Progress rate %	FY2023 Full-year plan (before revision)
Net sales	1,580	1,585	5	74.8%	<b>2,120</b> (2,150)
Operating income	71	93	23	77.9%	<b>Record profits expected</b> <b>120</b> (115)
Operating income margin (%)	4.5%	5.9%	1.4%	—	<b>5.7%</b> (5.3%)
Ordinary income	69	92	23	77.8%	<b>Record profits expected</b> <b>118</b> (115)
Net income attributable to owners of parent	64	63	▲1	76.2%	<b>83</b> (75)

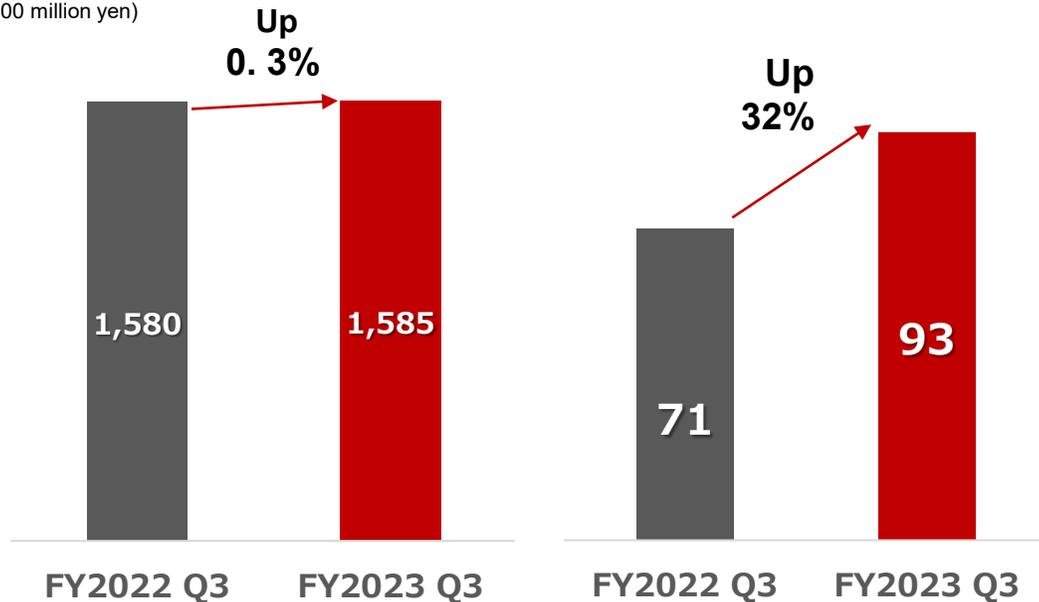
# Key Points of the Financial Results for FY2023 Q3

## Q3 YoY Change

Despite sluggish demand for industrial machinery and home appliances, **sales and operating income increased due to favorable conditions in the construction and electric power-related businesses.**

### Net sales

(Unit: 100 million yen)



### Operating income

## Q3 Progress rate

Both sales and operating income **well above** the historical averages.

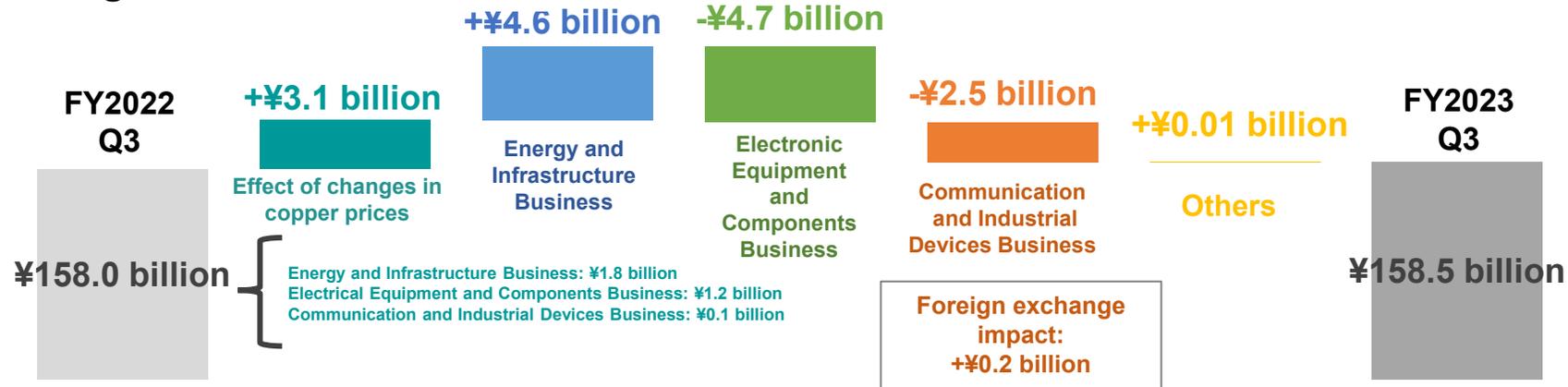
(Unit: 100 million yen)

	Full-year Plan *	FY19-22 Avg. progress rate	Q3 Progress rate
Net sales	2,120	74.1%	74.8%
Operating income	120	73.8%	77.9%

\*Upwardly revised figures.

# FY2023 Q3 Change Factors (YoY)

## Change factors for net sales



## [Change factors]

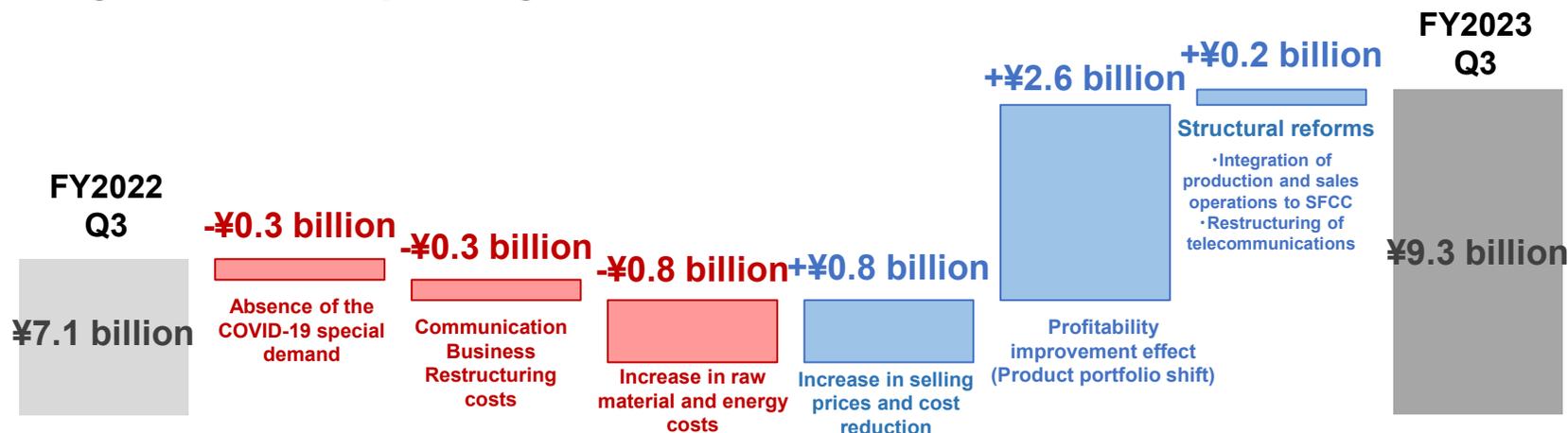
### 1. Net sales

Despite sluggish demand for industrial machinery and the absence of the COVID-19 special demand, **sales increased YoY** due to **the concentration of the Energy and Infrastructure Business projects in Q3**.

### 2. Operating income

Increases in raw materials and energy costs were offset by price pass-through and cost reductions. Despite a one-time loss stemming from the restructuring of the telecommunications business, **operating income increased YoY due to the impact of improved profitability and the concentration of highly profitable contracts in Energy and Infrastructure Business in Q3**.

## Change factors for operating income



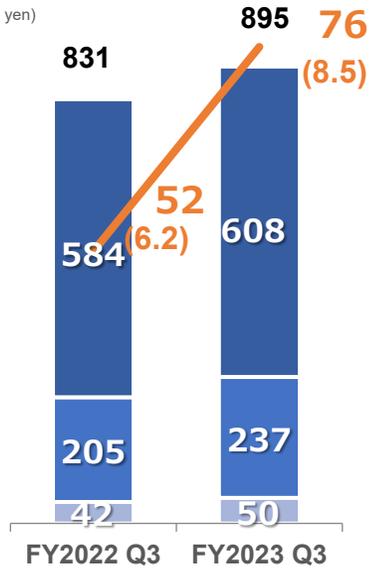
# FY2023 Q3 Segment Results

Despite sluggish demand for industrial machinery and domestic home appliances, **strong construction and electric power-related sales drove overall performance. Demand recovered in some xEV related products.**

## Energy and Infrastructure Business

- Construction
- Power infrastructure
- Seismic isolation / Others
- Operating income

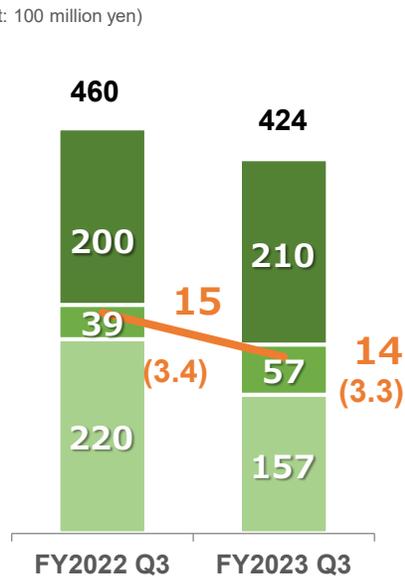
(Unit: 100 million yen)



## Electrical Equipment and Components Business

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

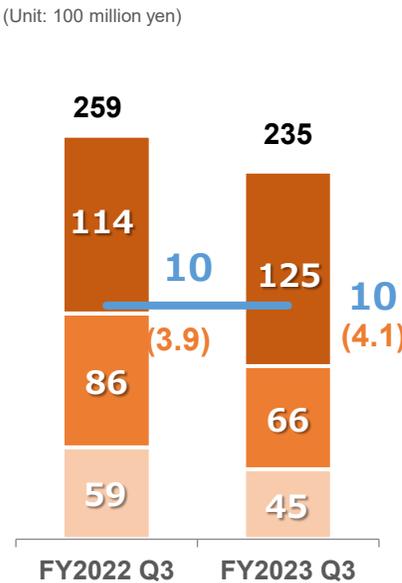
(Unit: 100 million yen)



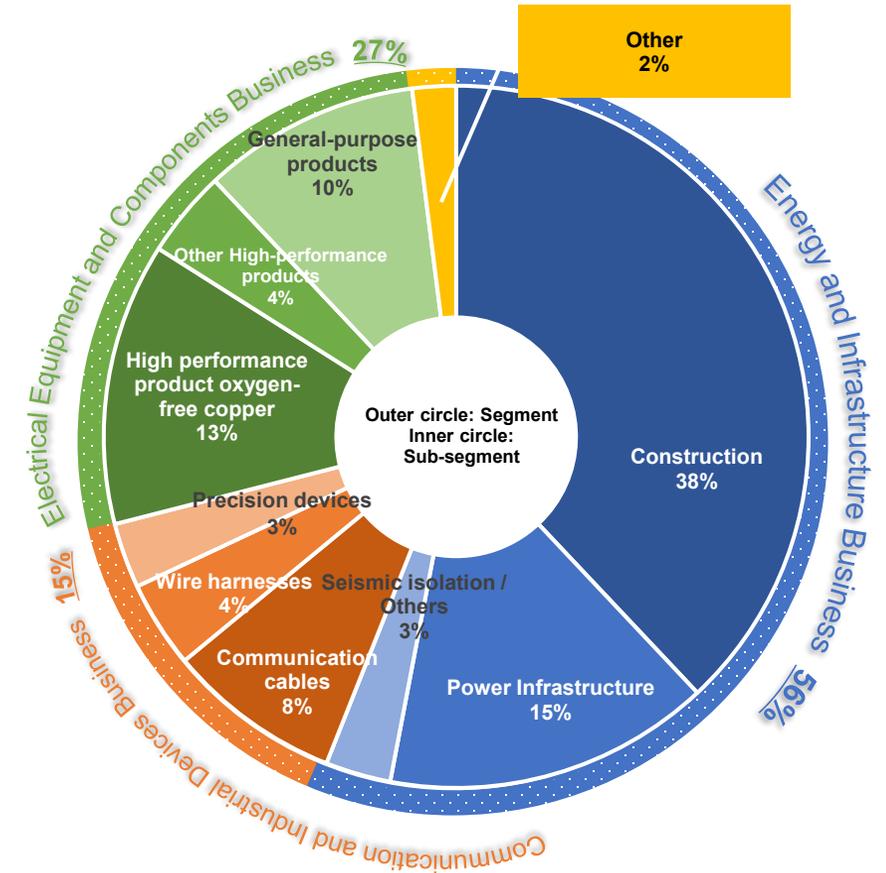
## Communication and Industrial Devices Business

- Communication cables
- Precision devices
- Wire harnesses
- Operating income

(Unit: 100 million yen)



## FY2023 Q3 Results Segment sales ratio



# Progress of Q3 Performance and Initiatives to Achieve Full-Year Plan

## Progress of Q3 Performance against Full-year Plan

### Positive factors

- Improve profitability by integrating production and sales of joint venture (coated wire business)
- Concentration of highly profitable projects in Q3
- Revision of selling prices and cost reduction initiatives

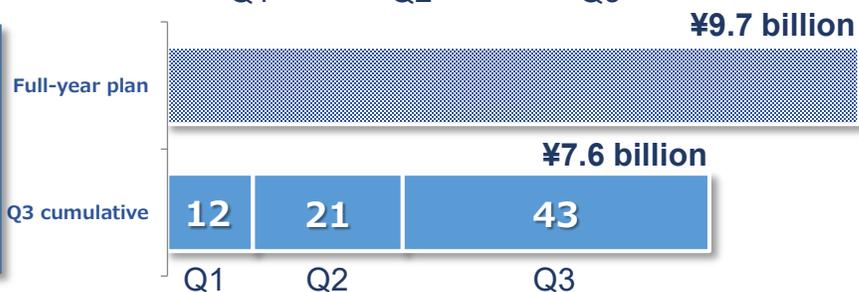
### Outlook for Q4

- As expected at the beginning of the period, we captured the large number of power construction projects in the 2H and the strong demand for construction. Aim for record-high profits.

Net sales Progress rate 74.2 %



Operating income Progress rate 78.3%



## Initiatives to Achieve the Full-Year Plan

- ◆ Promote improved profitability through digital transformation at joint venture (coated wire business)



### SFCC portal

1/23時点 全社実績進捗 (速報)			
	KPI	予算比	月初予算
銅量(%)	X,XX	XX	XX
粗利(百万円)	XXX	%	%
		%	%

1/23時点 3品種販売状況 (速報)			
	KPI	予算比	月初予算
銅量(%)	X,XX	XX	XX
粗利(百万円)	XXX	%	%
		%	%

出荷開始(%) X,XX %

ダッシュボード

生産管理/在庫管理/品質管理/設備管理/安全管理/環境管理

Introduced a system for checking shipping information and inventory status through company-owned mobile phones. This enables review of production plans and inventory plans in real time.

- ◆ SICONEX® production expansion plan



Capacity during investment to increase production

Double production capacity by improving productivity and reinforcing personnel

Facility capacity after completion

1.5x



FY2023 — FY2024 — FY2025 — FY2026

# Progress of Q3 Performance and Initiatives to Achieve Full-Year Plan

## Progress of Q3 Performance against Full-year Plan

**Positive factors**

- Demand recovered for some products for xEV.
- General-purpose products for heavy electrical machinery remained strong.

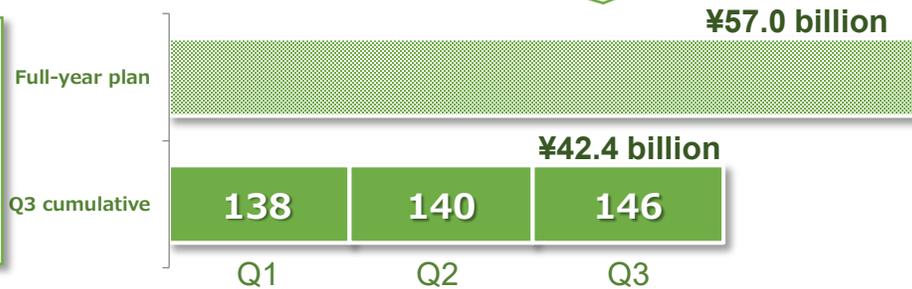
**Negative factors**

- General-purpose products for industrial machinery were sluggish.

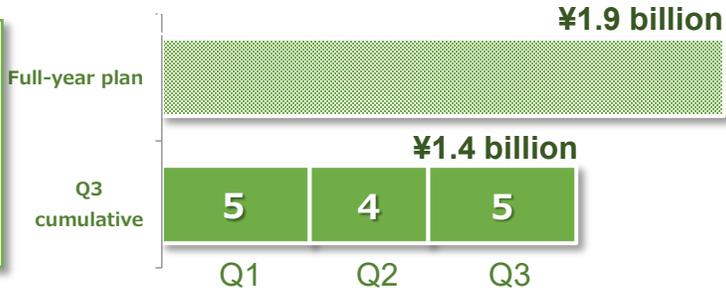
**Outlook for Q4**

- Demand for high-performance products for xEV (heater wires, etc.) was firm, mainly in North America.

**Net sales Progress rate 74.4%**



**Operating income Progress rate 74.2%**



## Initiatives to Achieve the Full-Year Plan

◆ With the acceleration of xEV (electric vehicle) adoption, there is an increasing demand for heater wires due to the growing need for thermal management. Anticipating future demand where the number of heated seats equipped per car will increase from two to four, we are preparing to accommodate this change.



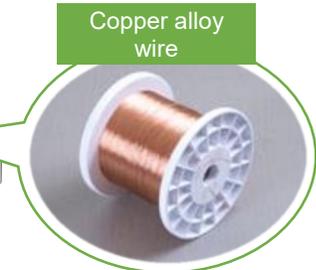
Handle heater



Seat heater



Battery heater



Copper alloy wire

For xEV vehicles without heat sources, the heater-wire reduces battery use by 20%

◆ Introduce production innovation lines (low-cost + high environmental performance) in preparation for a recovery in demand for high-performance wires in xEV market.

**MI**

Develop varnishes compatible with high-speed burning furnaces

**PI**

Maximize efficiency of productivity and quality by seeking optimal manufacturing conditions



**Linear speed: 3x**

**CO2 emissions: Reduce by 57%**

**Energy efficiency: More than double**

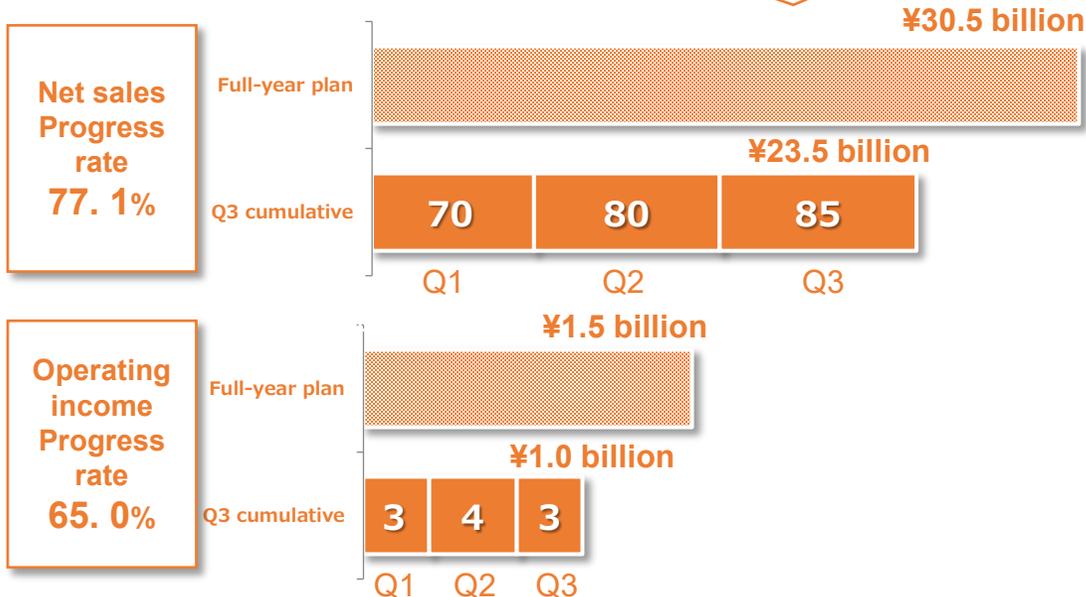
**Equipment installation cost: 25% reduction**

**Double profit margin improvement**

# Progress of Q3 Performance and Initiatives to Achieve Full-Year Plan

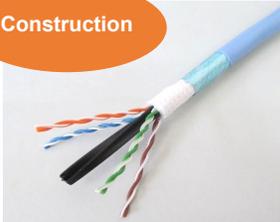
## Progress of Q3 Performance against Full-year Plan

- Positive factors**
- Reorganization of domestic manufacturing bases for communication cables and sales at appropriate prices
  - Expansion of communication cables demand for construction
  - Full-scale operation of ADAS-related Communication cables business
- Negative factors**
- Economic downturn in China and Vietnam and sluggish domestic consumer electronics demand
- Outlook for Q4**
- Expand profits in the Communication cables business, where demand is expected to increase in Q4.
- Other**
- Recording of structural reform expenses due to review of optical fiber manufacturing process.



## Initiatives to Achieve the Full-Year Plan

### ◆ Communication cables business captures strong demand for FLANTEC®



**Construction**

**Demand for replacements expanded** in response to the increase in communication capacity due to the promotion of AI, IoT use.

6A Standard Compliance TPCC @ 6A (10Giga Coil.)



**ADAS-related**

**Full-scale operation of high-speed communication cable business** to realize level 4 or higher autonomous driving

Automotive twisted pair cables

### ◆ Wire harnesses business shifted its business portfolio in line with changes in the business environment. (See detailed slide on page 25.)

- Established 2 joint ventures in China (operation started in January 2024)

Strengthen the competitiveness

Cost reduction and quality improvement

Diversification deployment

Entry into ADAS related components market

### ◆ Expand sales by capturing recovering demand in the 2H of the Precision devices business

- Demand is expected to recover from FY2024, mainly for offices.

## FY2023 Q3 Consolidated Results B/S(Comparison with the end of the previous year)

(Unit: 100 million yen)	End-FY2022	FY2023 Q3	Change
<b>Total assets</b>	<b>1,567</b>	<b>1,570</b>	<b>4</b>
Trade receivables	527	535	8
Inventories	282	281	▲1
Non-current assets	646	624	▲22
<b>Total liabilities</b>	<b>883</b>	<b>847</b>	<b>▲35</b>
Trade payables	249	257	8
Interest-bearing debt	412	345	▲67
<b>Total net assets</b>	<b>684</b>	<b>723</b>	<b>39</b>
Equity	675	712	37
Equity ratio (%)	43.1	45.3	2.2
<b>DE ratio (%)</b>	<b>61.0</b>	<b>48.4</b>	<b>▲12.6</b>

[Inventories]

Trade receivables were reduced more than the increase in sales due to the implementation of securitization of receivables.

[Fixed assets]

Investment securities decreased due to sales in accordance with the policy holding policy.

[Interest-bearing debt]

Interest-bearing debt decreased due to sales of investment securities.

[Equity ratio]

Increased by 2.2 ppt. from the end of the previous fiscal year due to an increase in net assets.

[DE ratio]

Interest-bearing debt decreased by 12.6 ppt. from the end of the previous fiscal year due to a decrease in interest-bearing debt and an increase in shareholders' equity.

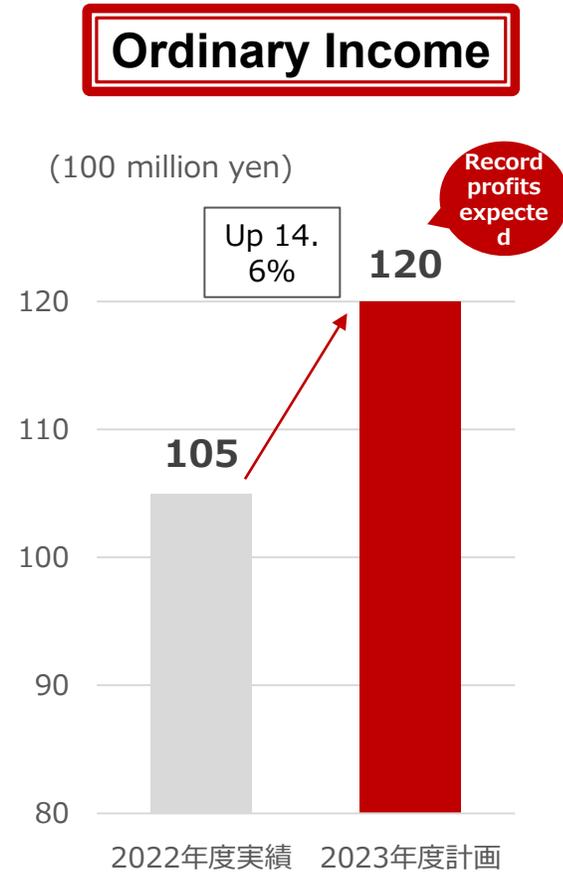
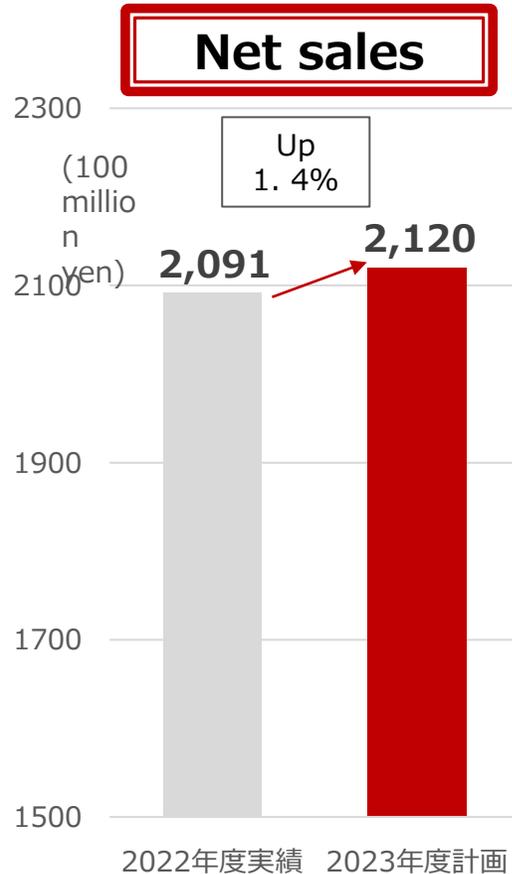
<Recognition of current issues and future measures>  
Various measures have led to an improvement in the balance sheet. We will continue to enhance this improvement by ensuring a proper level of inventory and shortening the accounts receivable collection period.

## 2. FY2023 Full Year Forecasts

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# FY2023 Full-year Forecasts (After Upward Revision)

堅調な建設および電力関連需要の取り込みと、各種収益改善施策により**増収・増益を計画**。株主還元は**増配予定**。



### Ordinary Income

**11.8 billion yen**  
(YoY: 13.5% increase)

Record profits expected

### Net income attributable to owners of parent

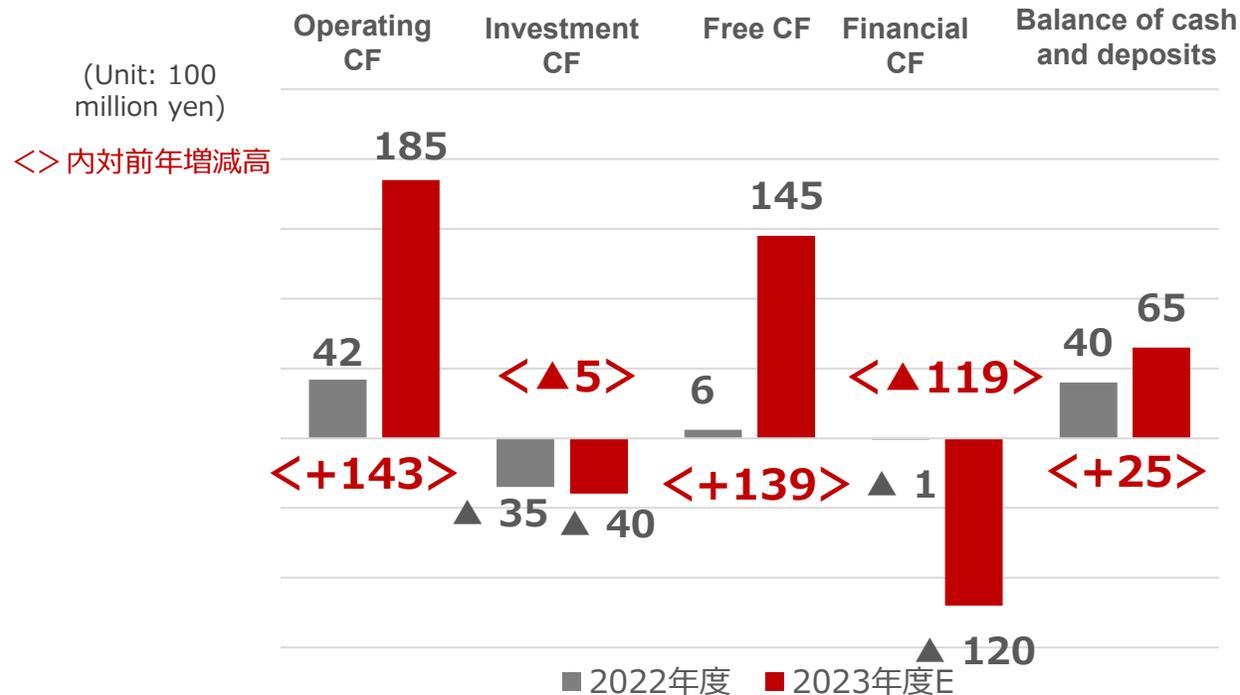
**8.5 billion yen**  
(YoY: 11.8% decrease)

### Dividend/Payout ratio

**85 yen/30.2%**  
(YoY: 25 yen increase)

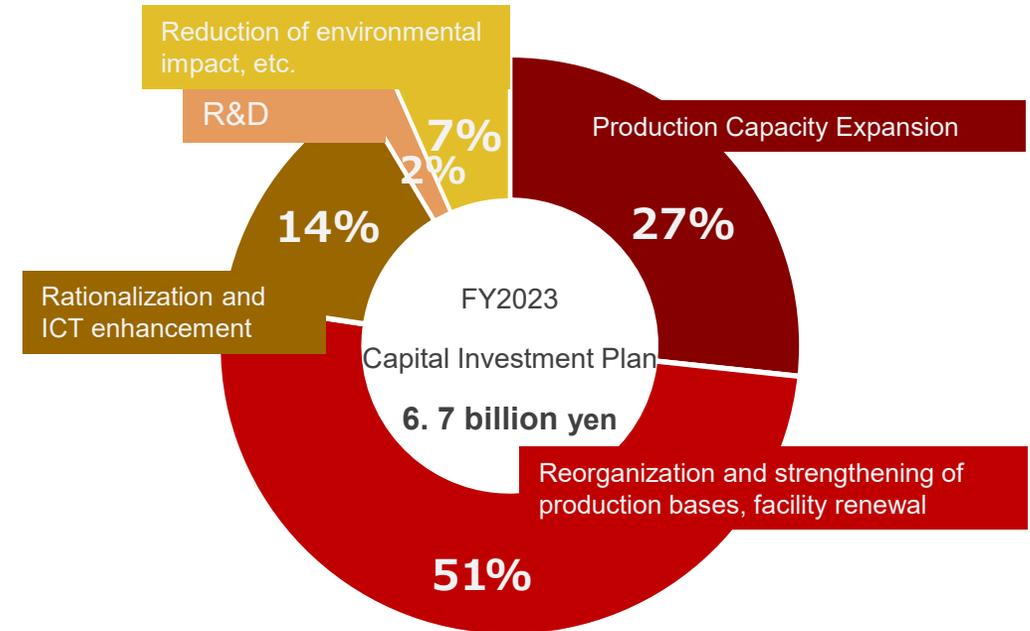
Interim: 35 yen, Year-end: 50 yen  
Total: 85 yen

<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>



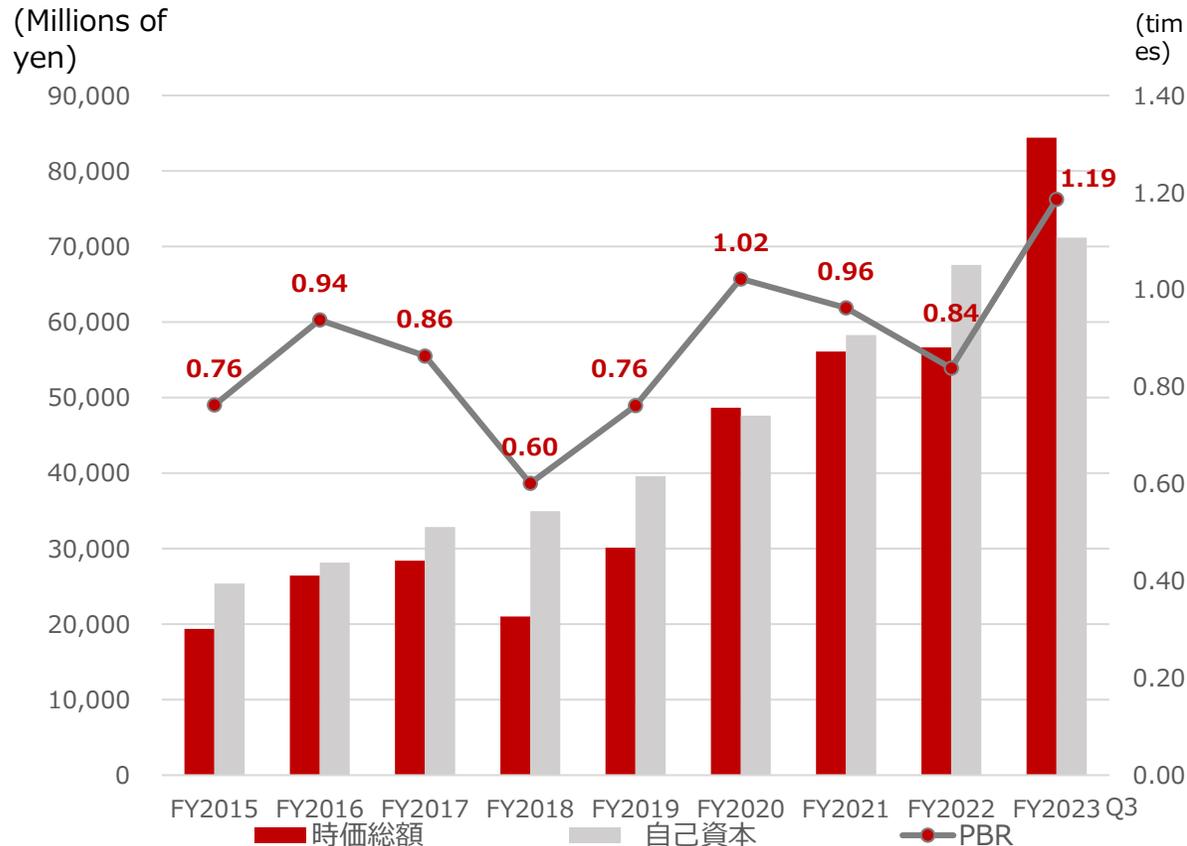
**Breakdown by Segment**

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

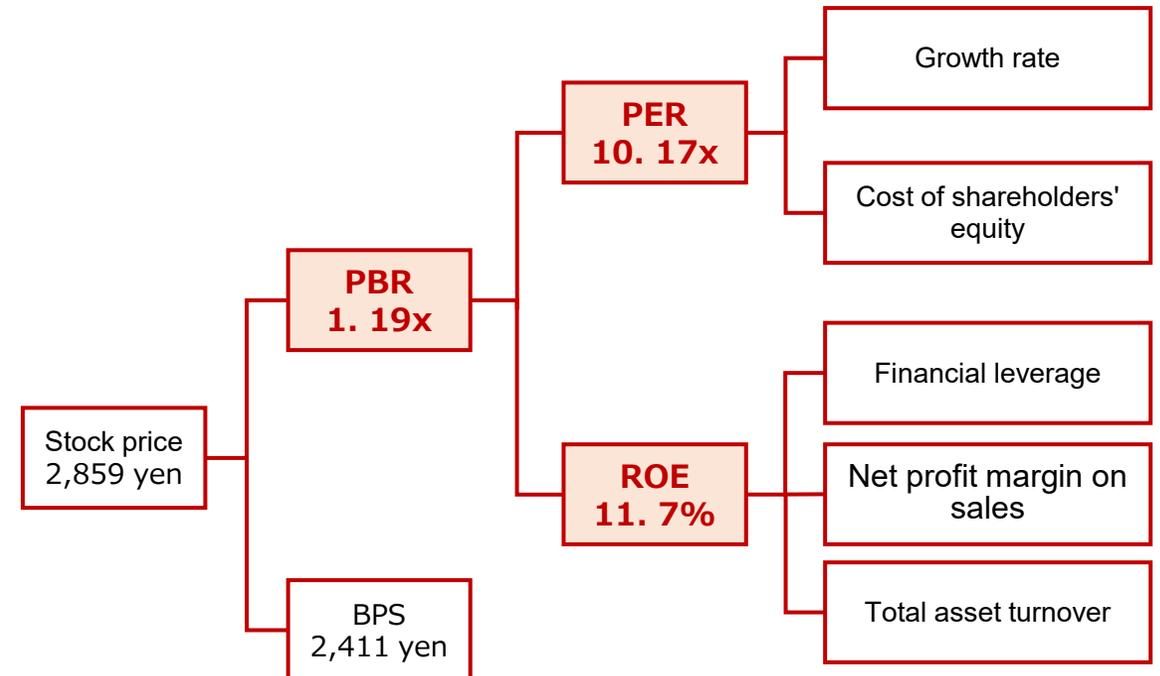
# Current status analysis: Market valuation transition and decomposition of PBR factors

PBR has improved due to improved profitability and dialogue with investors. Going forward, the company will focus on communicating further growth stories to maintain a stable P/B ratio of 1x or more.

### Market capitalization, equity capital, PBR



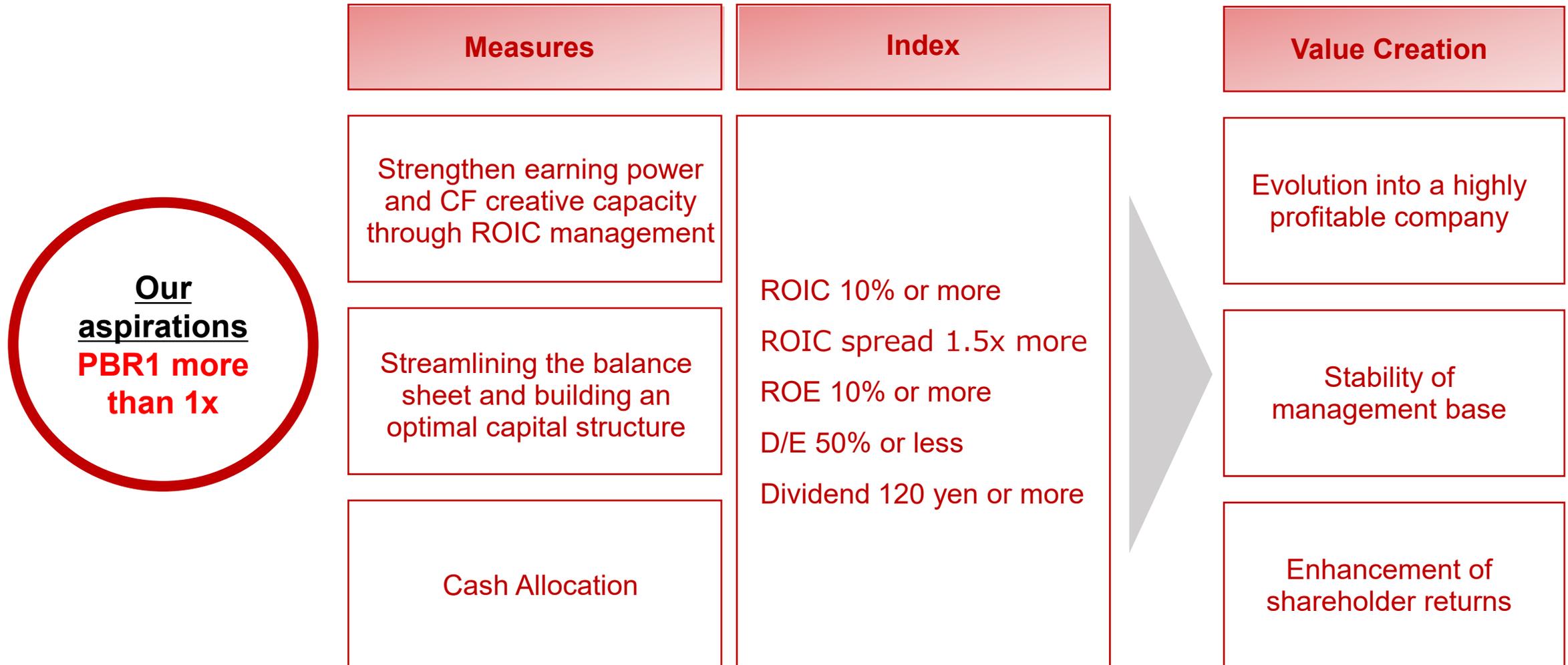
### PBR factor decomposition



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

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

# "Financial Strategy" Overall financial and capital strategy



## ■ 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.

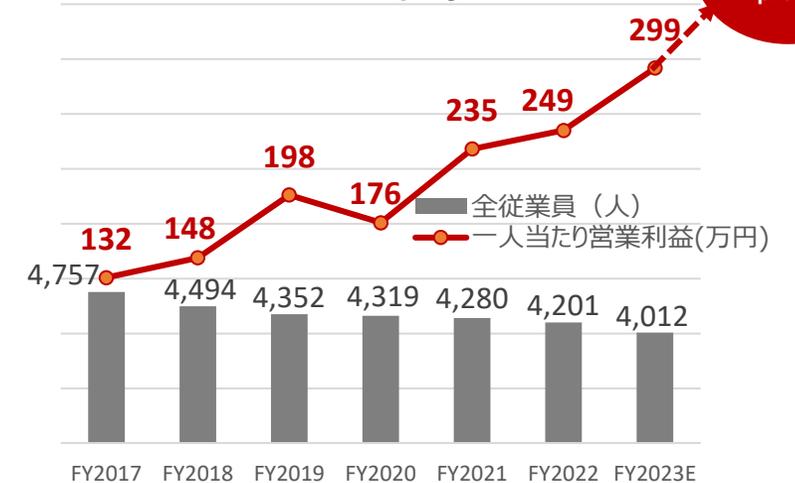
### ● Creating a comfortable working environment

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

### Evaluation by external organizations



### Operating income per employee and number of employees



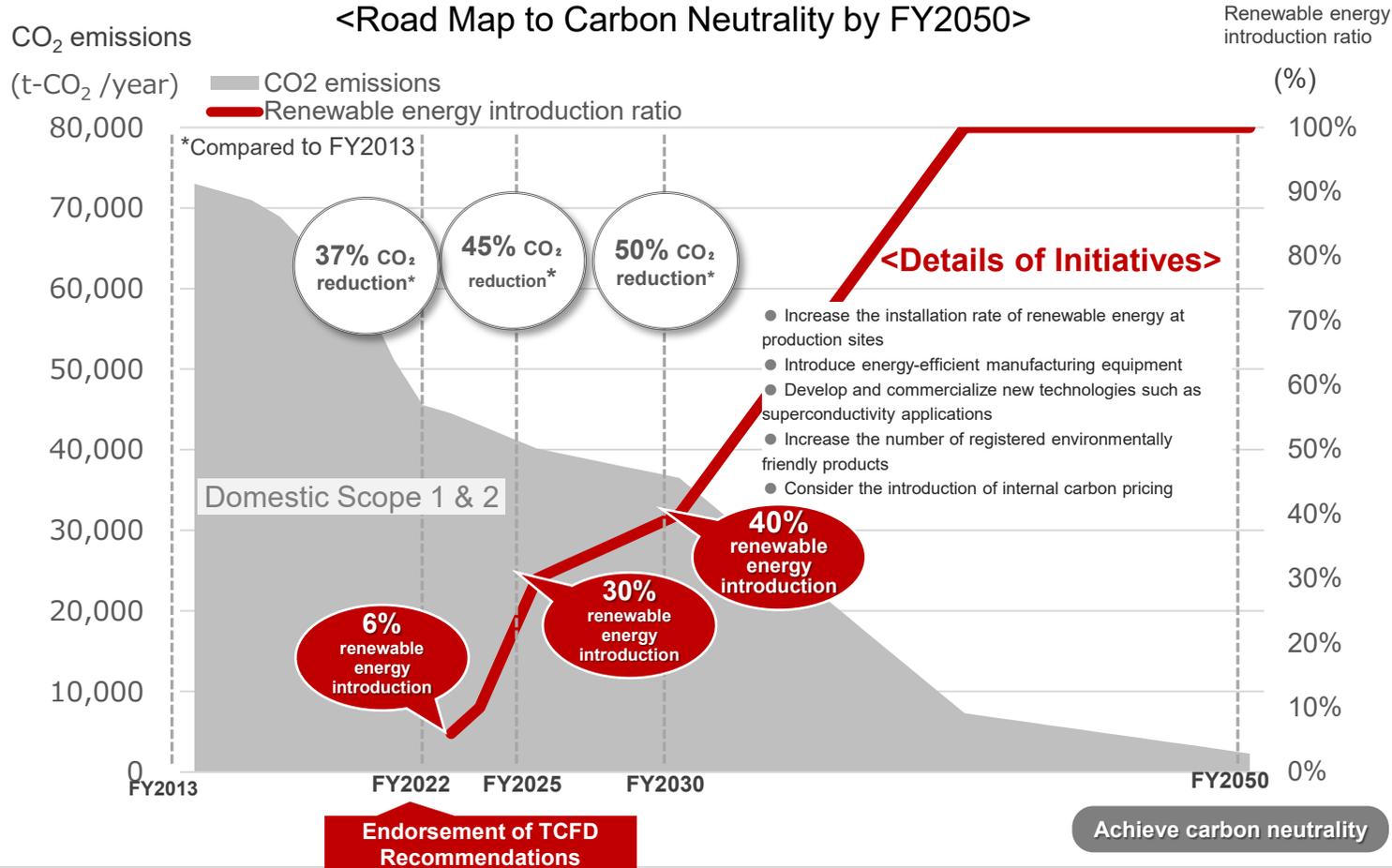
\*Number of people in FY2023 estimated as at end-December 2023.

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.

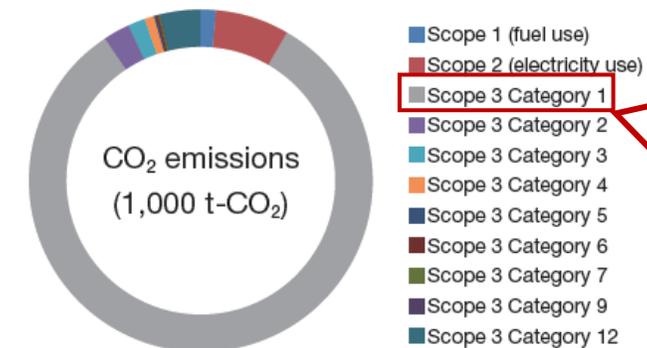
## <Road Map to Carbon Neutrality by FY2050>



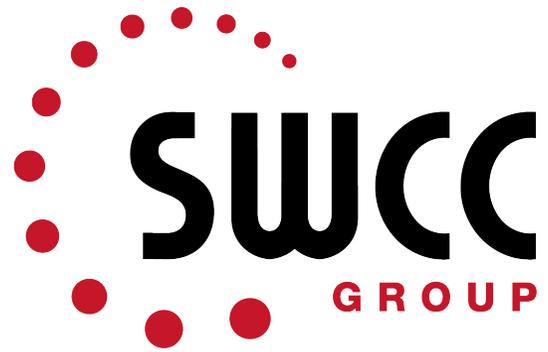
## FY2022 Results

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.