

SWCC groups

# Financial Results for the Fiscal Year Ended March 2020



Creating for the Future

**SWCC SHOWA HOLDINGS CO., LTD.**  
(TSE 1: 5805)

**May 15, 2020**

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



# Overview of Financial Results for FY3/20 (FY2019)

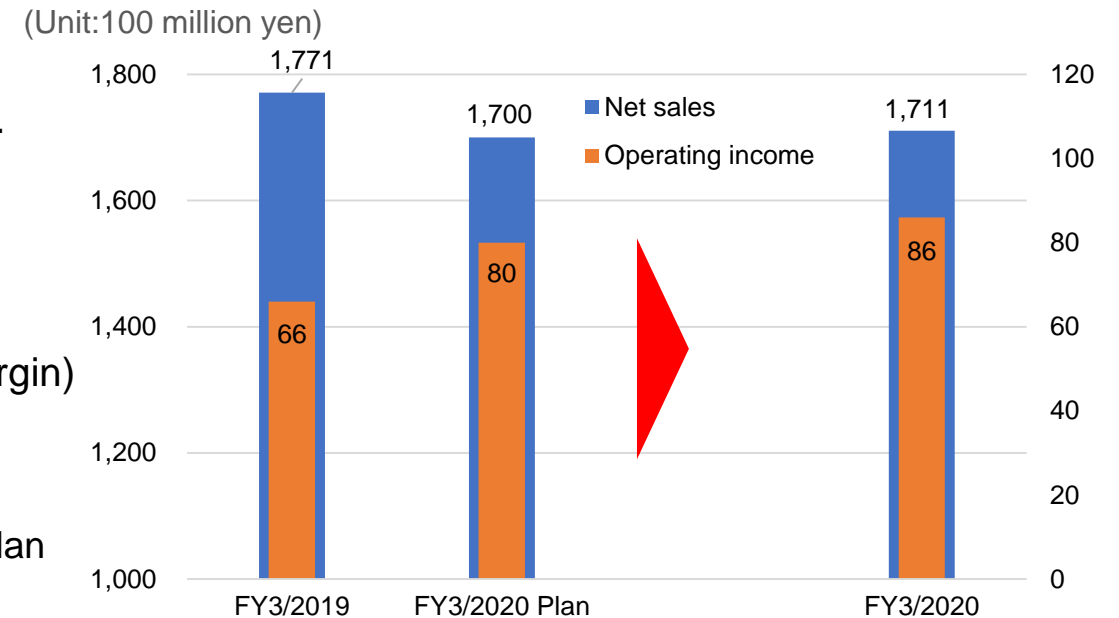
## Results: Showed strong performance. Operating income increased by 29.7% YoY.

- In the Energy and Infrastructure operations, sales and profits increased due to strong demand for construction-related applications reflecting redevelopment demands in the metropolitan area, measures against the resilience of power infrastructure, and demand for renewable energy.
- In the Communication and Industrial devices operations, sales decreased and operating income increased due to firm sales of communication cable for construction and data centers in Japan, despite sluggish sales of optical fiber in overseas markets.
- In the Electronic equipment and Components operations, sales of high-grade wire materials for electronic components were firm. Sales and profits decreased due to the continued slump in demand for magnet wires used in electrical machinery and other applications.

### Strategy:

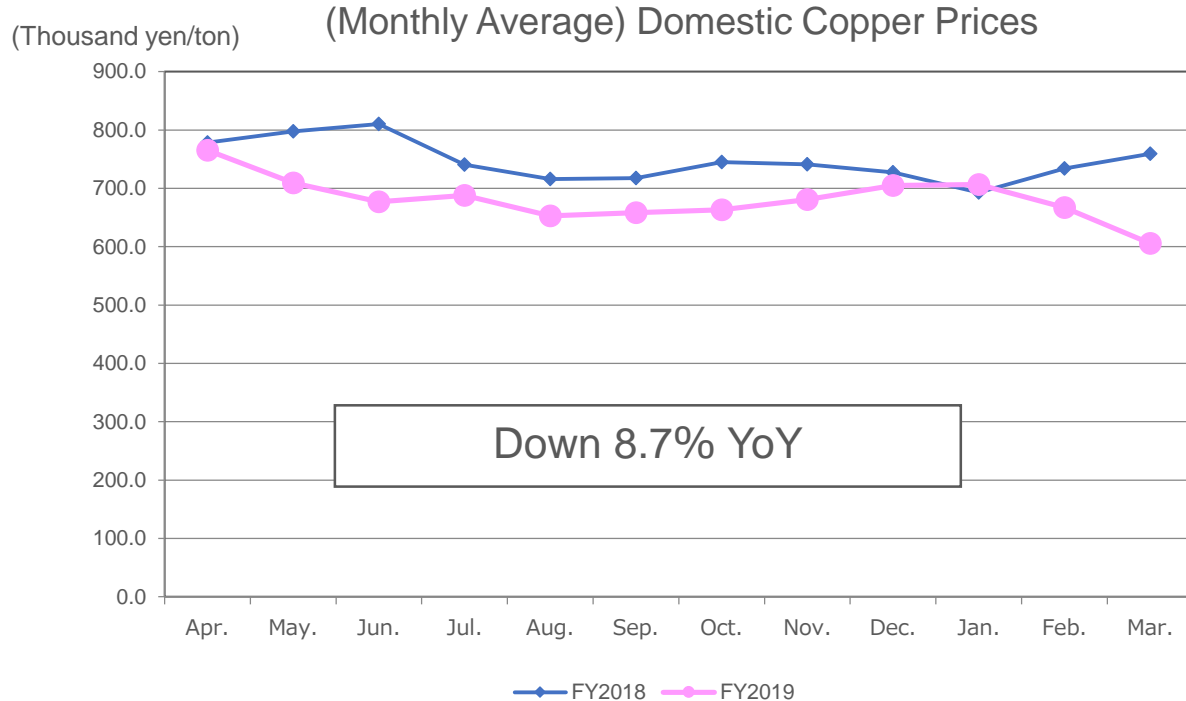
- Aim to optimize prices for construction and electronics sales.
- Power System operations are promoting a new business model.
- Promote measures to ensure a stable supply of products for automobiles.
- Cost reductions by improving operational efficiency.
- Continue to improve profitability (increase operating income margin)
- Plan to pay dividend of 15 yen per share. (7 yen in the previous fiscal year)
- Medium-Term Management Plan 「Change SWCC2022」 Rolling Plan

**Net Sales/Operating Income**  
**(Comparison with Previous Fiscal Year and Forecast)**

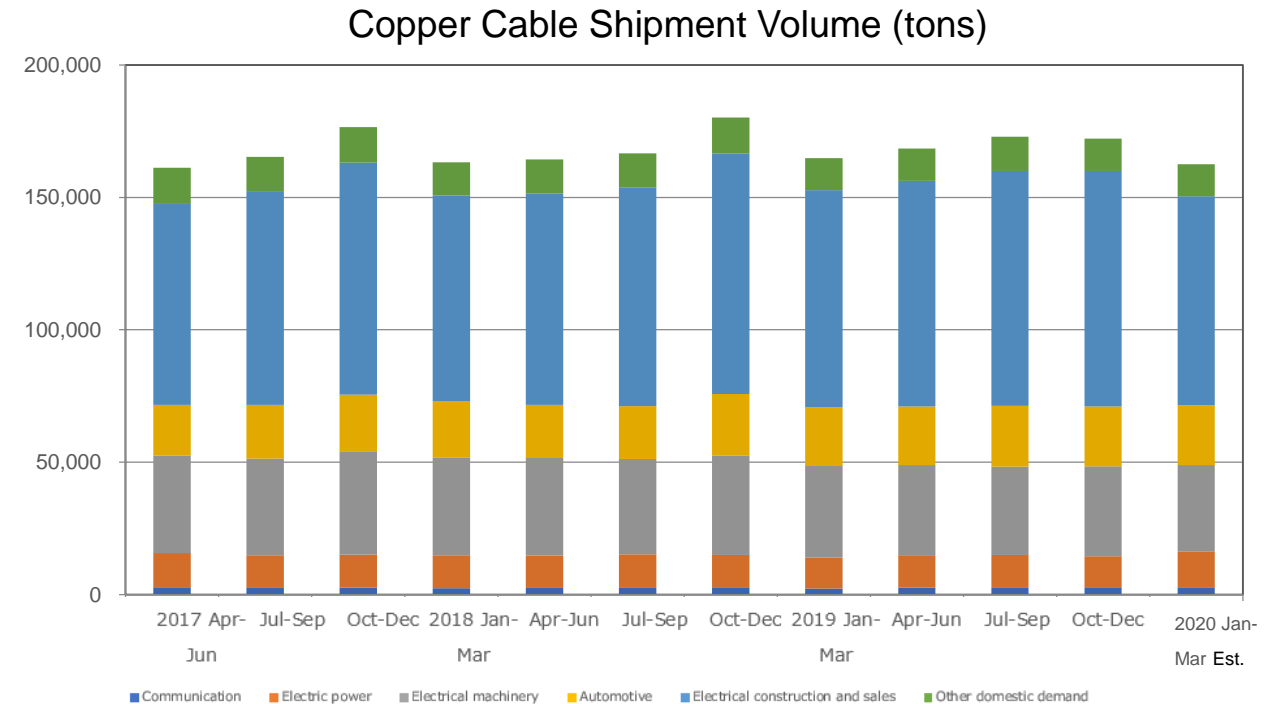


# Macroeconomic Environment

- Domestic copper prices (on a yen basis) recovered in 3Q due to the expectation of easing trade friction between the United States and China, but shifted to a downward trend in 4Q due to the impact of the new coronavirus (COVID-19).
- Domestic copper wire shipments were firm until 3Q, but demand declined in 4Q.



Source: Japan Electric Wire Manufacturers Association



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# FY3/20: Consolidated statements of income (YoY)

- Net sales decreased by 3.4% YoY and the gross margin increased by 9.3%. Operating income increased by 29.7% YoY.

(Unit:100 million yen)

	FY2018 Actual	Composition %	FY2019 Actual	Composition %	YoY %
<b>Net sales</b>	<b>1,771</b>	<b>—</b>	<b>1,711</b>	<b>—</b>	<b>△3.4%</b>
<b>Gross profit</b>	<b>217</b>	<b>12.3%</b>	<b>237</b>	<b>13.9%</b>	<b>+9.3%</b>
<b>Operating income</b>	<b>66</b>	<b>3.8%</b>	<b>86</b>	<b>5.0%</b>	<b>+29.7%</b>
<b>Ordinary income</b>	<b>56</b>	<b>3.2%</b>	<b>78</b>	<b>4.6%</b>	<b>+40.3%</b>
<b>Net income attributable to owners of parent</b>	<b>45</b>	<b>2.6%</b>	<b>54</b>	<b>3.2%</b>	<b>+19.6%</b>

# Segment Information (YoY)

- Introduced a new segment structure from this fiscal year. Sales and profits are driven by the Energy and Infrastructure operations. Sales in the Communication and Industrial Devices operations declined, but profits increased thanks to the improved profitability.

(Unit:100 million yen)

	FY2018 Results		FY2019 Results		Change	
	Net sales	Operating income (Profit margin %)	Net sales	Operating income (Profit margin %)	Net sales	Operating income
Energy and Infrastructure	867	43 (5.0%)	885	61 (6.9%)	+18	+18
Communication and Industrial Devices	327	18 (5.5%)	305	25 (8.2%)	△22	+7
Electrical equipment and Components	522	8 (1.6%)	471	6 (1.2%)	△51	△2
Others (New business)	55 (36)	△3 (1)	50 (35)	△6 (0)	△5	△3
Total	1,771	66 (3.8%)	1,711	86 (5.0%)	△60	+20

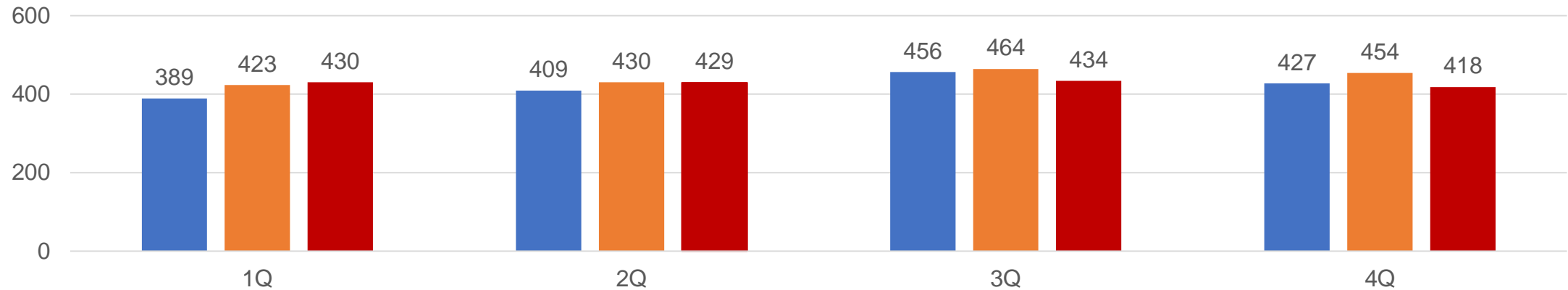
# Quarterly Performance Trends

## (Net sales: Comparison with past 3 years)

(Unit:100 million yen)

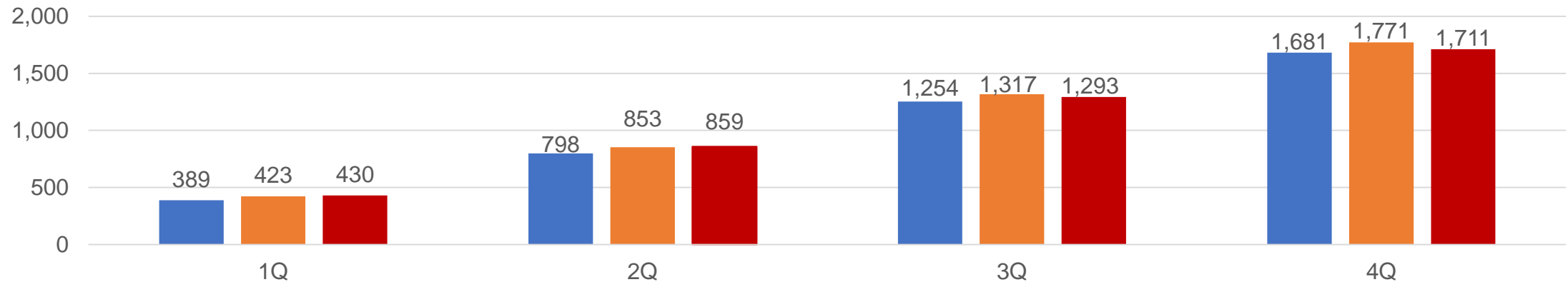
### Changes in quarterly net sales

■ FY2017 ■ FY2018 ■ FY2019



(Unit:100 million yen)

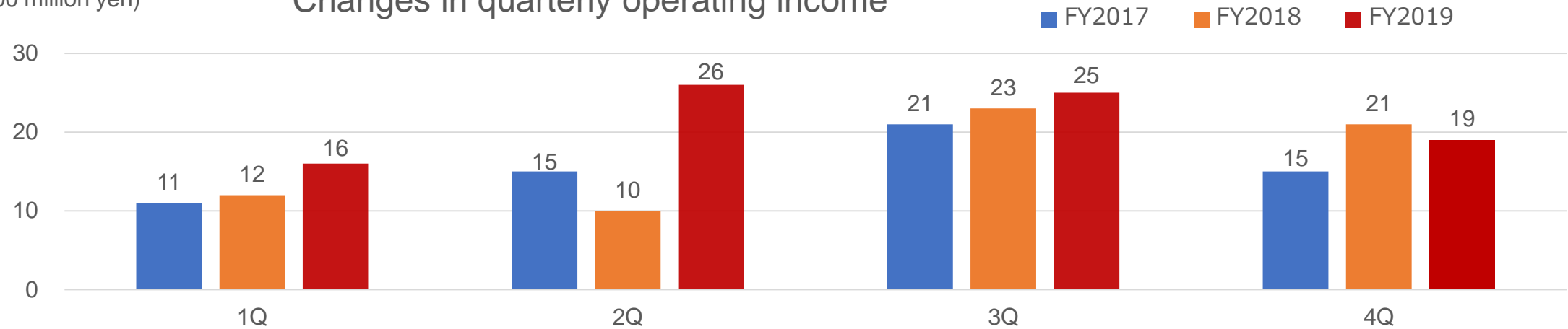
### Changes in Cumulative Net sales



# Changes in Quarterly Business Results (Operating income: Comparison with past 3 years)

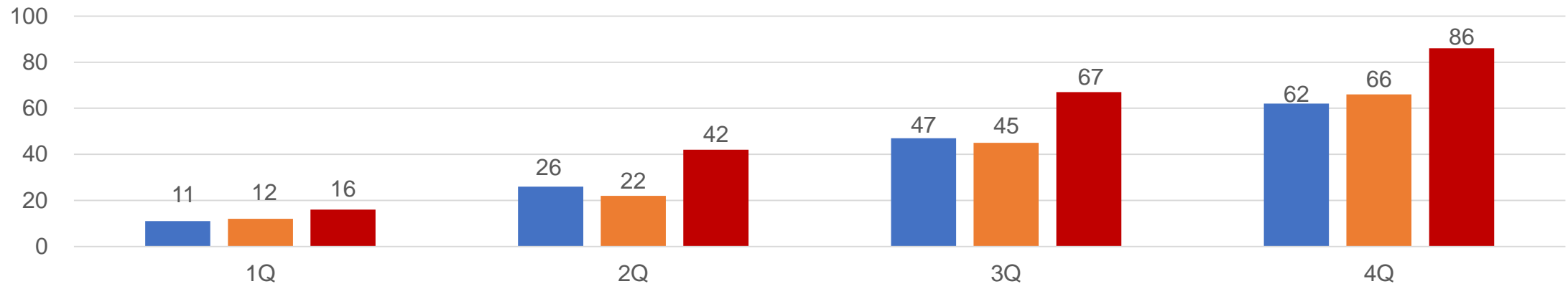
(Unit:100 million yen)

## Changes in quarterly operating income



(Unit:100 million yen)

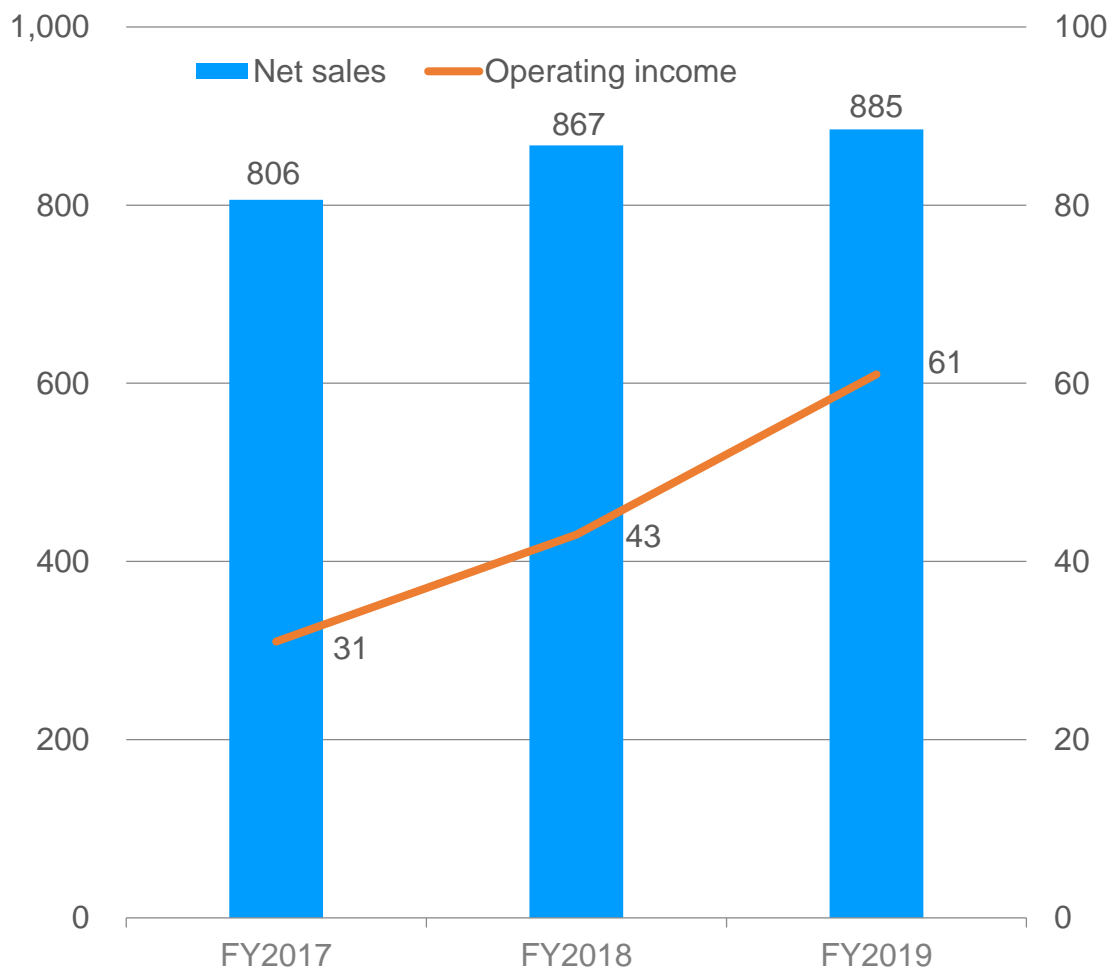
## Changes in cumulative operating income



# Energy and Infrastructure Operations Results



(Unit:100 million yen)



- Figures for FY2017 are based on simple calculations by our company.
- The Company has partially recategorized its segments from FY3/2019 3Q.

## ■ Characteristics: Our Core Businesses

- ① Power cables connecting from power stations to houses
- ② SICONEX<sup>®</sup>, our proprietary power device component
- ③ Electric wires and seismic isolation components used in buildings

■ In the electric power infrastructure use, demand for measures to strengthen national land resilience and renewable energy was firm. In 3Q, demand for construction-related services, such as the redevelopment of the metropolitan area, peaked, and began to decreasing in 4Q.

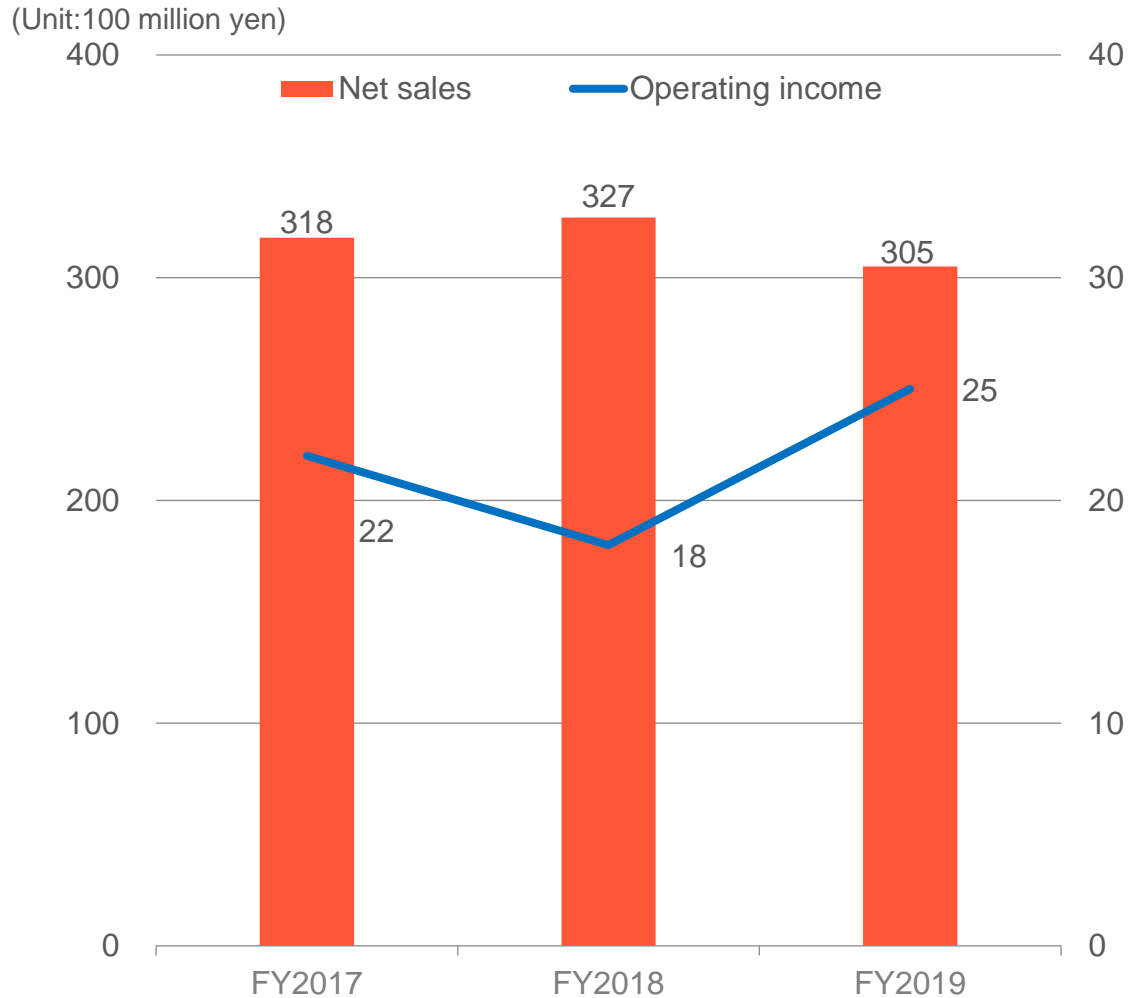
Net sales: 88.5 billion yen (YoY +2.1%)

Operating income: 6.1 billion yen (YoY +42.4%)

**Operating margin : 6.9% ( 5.0% in the previous fiscal year )**



# Communications and Industrial Devices Operations Results



## ■ Characteristics: Provide communication cables, industrial devices, and office equipment components in global markets

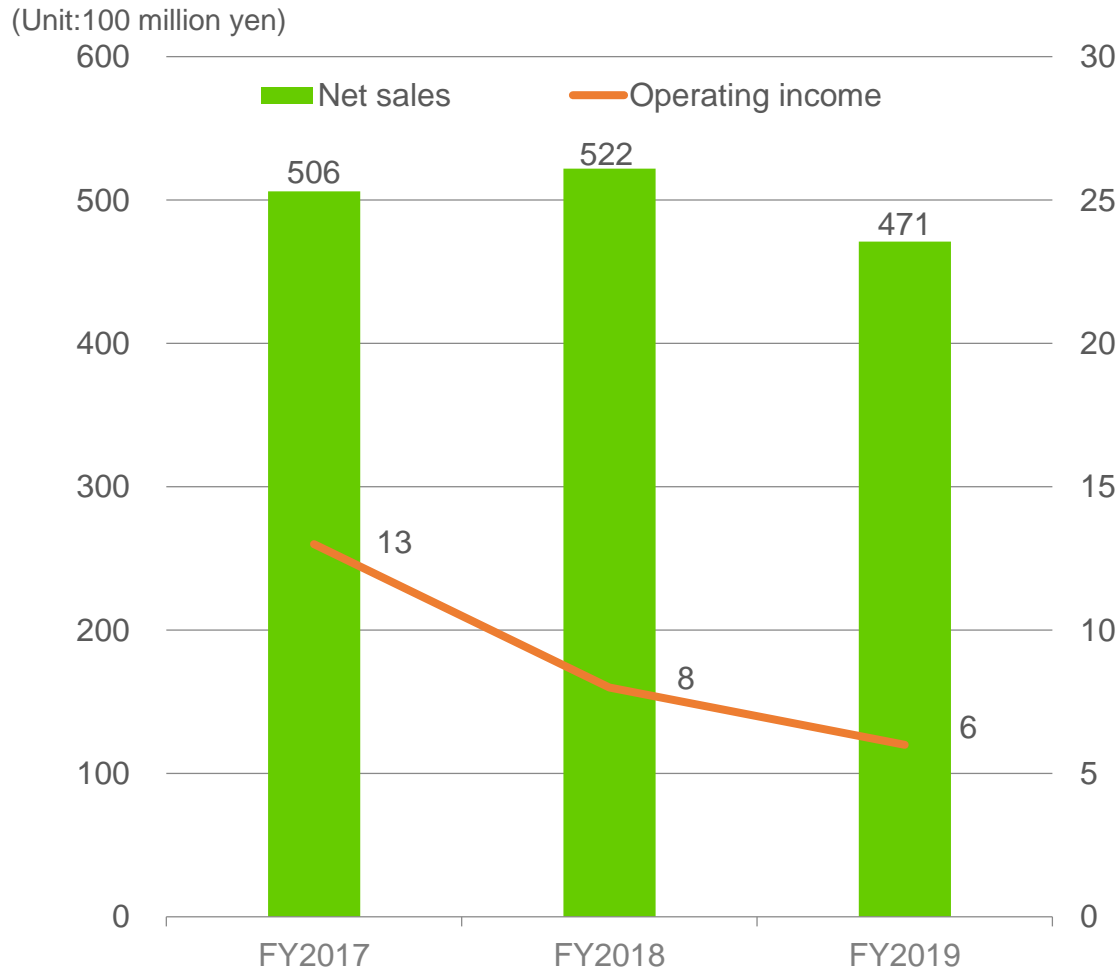
- Sales of communication cable for construction and data centers in Japan remained strong. Improved profitability by shifting production to domestic products. Sales of optical fiber cables for overseas remained sluggish. In wire harnesses, we are promoting structural reforms to dissolve DAIJI and reinforce overseas operations. In precision devices, we began working to reorganize bases in Japan and overseas.

Net sales: 30.5 billion yen ( -6.8% YoY)  
 Operating income: 2.5 billion yen (+38.7% YoY)

**Operating margin: 8.2% (5.5% in the previous fiscal year)**

- Figures for FY2017 are based on simple calculations by our company.
- The Company has partially recategorized its segments from FY3/2019 3Q.

# Electrical equipment and Components Operations Results



■ **Characteristics: Strategic products of Oxygen free copper MiDIP<sup>®</sup> and copper-silver alloys manufactured by the one and only dip forming systems available in Japan.**

■ Demand for Oxygen-free copper MiDIP<sup>®</sup> was strong due to firm demand for environmentally friendly automobiles and other applications. Demand for magnet wires for electrical machinery and others largely decreased. In magnet wire operations, profitability improved by implementing business structural reforms.

Net sales: 47.1 billion yen ( -9.8% YoY)  
 Operating income: 0.6 billion yen (-30.9% YoY)

**Operating margin: 1.2% (1.6% in the previous fiscal year)**

• Figures for FY2017 are based on simple calculations by our company.

# Consolidated Balance Sheet

## (Comparison with the previous fiscal year-end)

- Equity ratio was 32.3% (up 4.2 points from the end of the previous fiscal year) (Unit:100 million yen)

	March 31, 2019	March 31, 2020	Change
Cash and deposits	49	43	△6
Accounts receivable and other receivables	434	412	△22
Inventories	213	217	+4
Others	45	45	0
<b>Total current assets</b>	<b>741</b>	<b>717</b>	<b>△24</b>
Property, plant and equipment	392	399	+7
Intangible assets	12	14	+2
Investments and other assets	96	94	△2
<b>Total fixed assets</b>	<b>500</b>	<b>508</b>	<b>+8</b>
<b>Total assets</b>	<b>1,241</b>	<b>1,225</b>	<b>△16</b>

	March 31, 2019	March 31, 2020	Change
Notes & accounts payable	212	186	△26
Short-term borrowings	335	295	△40
Others	150	157	+7
<b>Total current liabilities</b>	<b>697</b>	<b>638</b>	<b>△59</b>
Long-term debt	121	119	△2
Others	67	68	+1
<b>Total long-term liabilities</b>	<b>188</b>	<b>187</b>	<b>△1</b>
<b>Total liabilities</b>	<b>885</b>	<b>825</b>	<b>△60</b>
Capital stock	242	242	0
Capital surplus	55	57	+2
Retained earnings	10	62	+52
Others	49	38	△11
<b>Total net assets</b>	<b>356</b>	<b>400</b>	<b>+44</b>
<b>Total liabilities and net assets</b>	<b>1,241</b>	<b>1,225</b>	<b>△16</b>

# FY2019 KPI

(Unit:100 million yen)

	FY2017 Result	FY2018 Result	FY2019 Forecast (Announced on Feb.3,2020)	FY2019 Result
<b>Net sales</b>	1,681	1,771	1,700	1,711
<b>Operating income</b>	62	66	80	86
<b>Ordinary income</b>	48	56	73	78
<b>Net income attributable to owners of parent</b>	37	45	48	54
<b>Operating income</b>	3.7%	3.8%	4.7%	5.0%
<b>Dividend/Dividend Payout Ratio</b>	5 yen (4.0%)	7 yen (4.6%)	15 yen (9.3%)	15 yen (8.2%)
<b>Interest-bearing liabilities</b>	490	466	430	423
<b>DE ratio ※</b>	149%	134%	108%	107%
<b>Net assets</b>	334	356	404	400
<b>Equity Ratio</b>	26.5%	28.1%	32.5%	32.3%
<b>ROE</b>	12.3%	13.5%	12.8%	14.7%
<b>ROIC</b>	5.4%	5.6%	6.8%	7.3%

※ Debt-to-equity ratio is calculated based on shareholders' equity.

# FY3/21 Full-year Forecast

- In FY2020, our performance bottomed out in 1Q due to the outbreak of COVID-19, and although it will gradually recover from 2Q, it is estimated that the impact will remain until 4Q.  
Sales and profits are expected to decrease due to a decline in demand.

(Unit:100 million yen)	FY2019 Result	Composition %	FY2020 Plan	Composition %
<b>Net sales</b>	<b>1,711</b>	<b>—</b>	<b>1,620</b>	<b>—</b>
<b>Gross profit</b>	<b>237</b>	<b>13.9%</b>	<b>—</b>	<b>—</b>
<b>Operating income</b>	<b>86</b>	<b>5.0%</b>	<b>60</b>	<b>3.7%</b>
<b>Ordinary income</b>	<b>78</b>	<b>4.6%</b>	<b>55</b>	<b>3.4%</b>
<b>Net income attributable to owners of parent</b>	<b>54</b>	<b>3.2%</b>	<b>40</b>	<b>2.5%</b>



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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.