

SWCC groups

Financial Results for the Fiscal Year Ended March 2021



Creating for the Future

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

May 13, 2021

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



Overview of Financial Results for FY2020

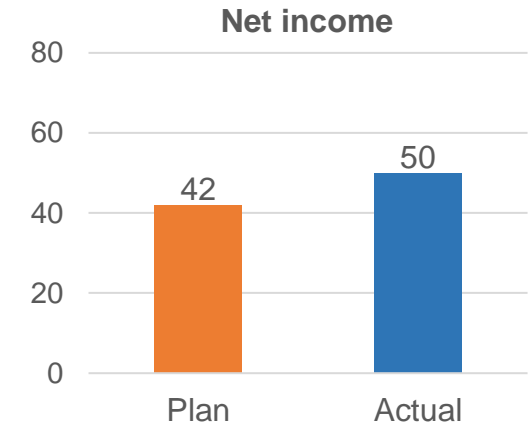
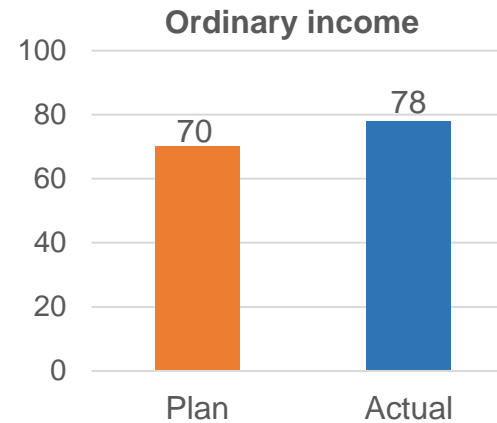
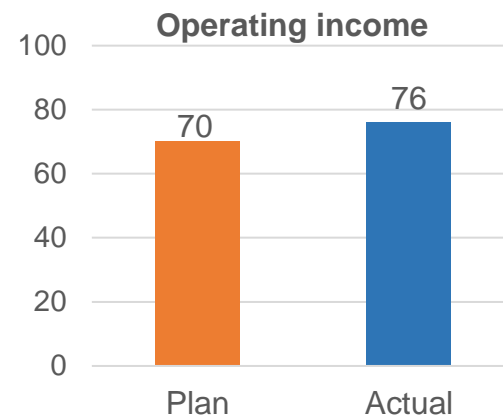
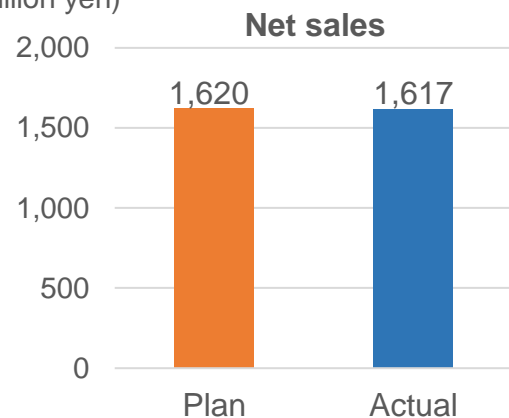
Results: Achieved the profit targets, despite the impact of COVID-19

- **Energy and Infrastructure operations:** Demand for energy infrastructure was in line with initial expectations. Demand for construction-related products also recovered gradually.
- **Communication and Industrial devices operations:** Demand for communication cable related to 5G, etc. picked up. Industrial devices recovered mainly in China.
- **Electronic equipment and components operations:** Sales declined as demand for heavy electric remained sluggish, but profits rose as demand for automobiles recovered.

Plan VS Actual (Net sales/Operating income/Ordinary income/Net income)

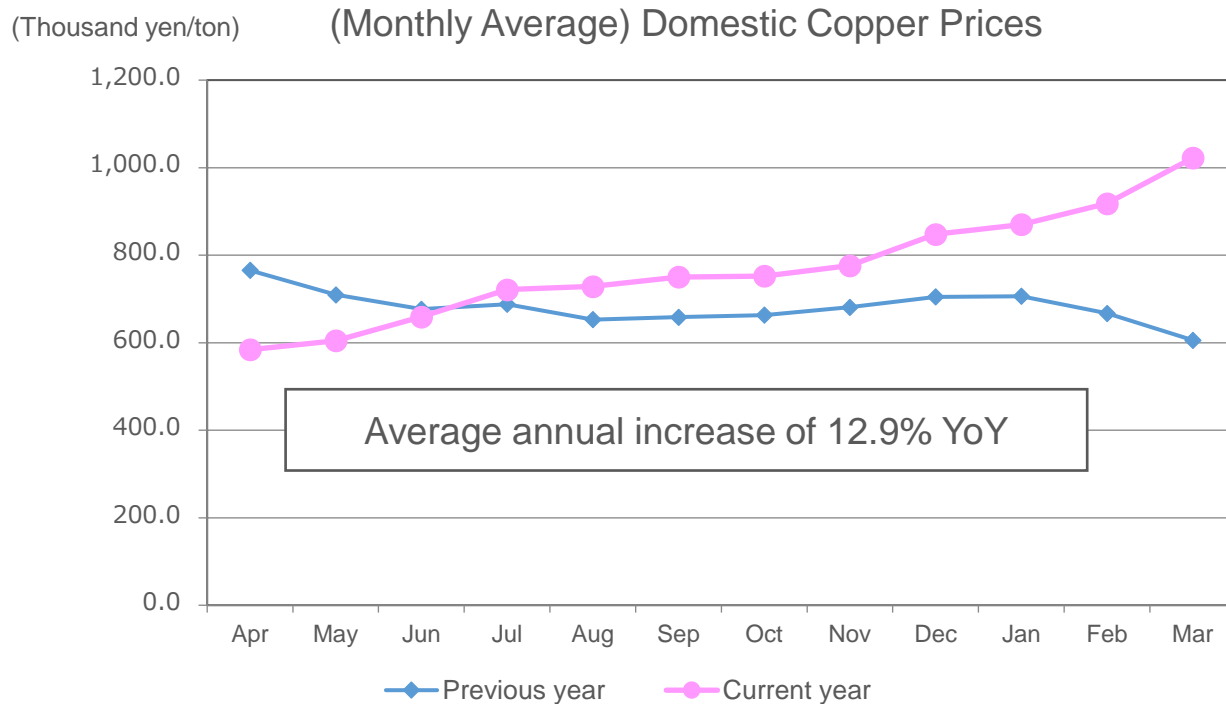
*Vs. the plan announced on February 3, 2021

(Unit:100 million yen)

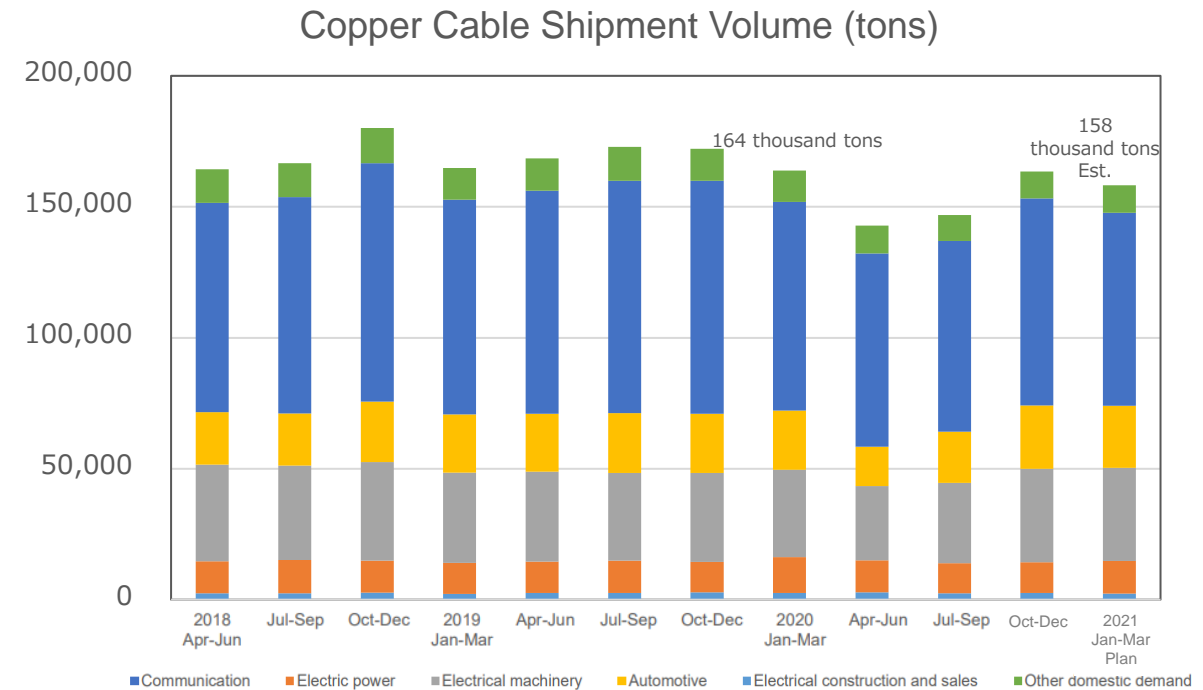


Domestic Copper Prices/Copper Wire Shipments

- The average price of domestic copper prices (on a yen basis) remained on an uptrend, partly due to the economic recovery in China, and the annual average rose by 12.9% YoY.
- Domestic copper wire shipments declined significantly, mainly in construction and electric power sales (-9.8% YoY).



Source: Japan Electric Wire Manufacturers Association



Source: Japan Electric Wire Manufacturers Association

FY2020: Consolidated Statements of Income

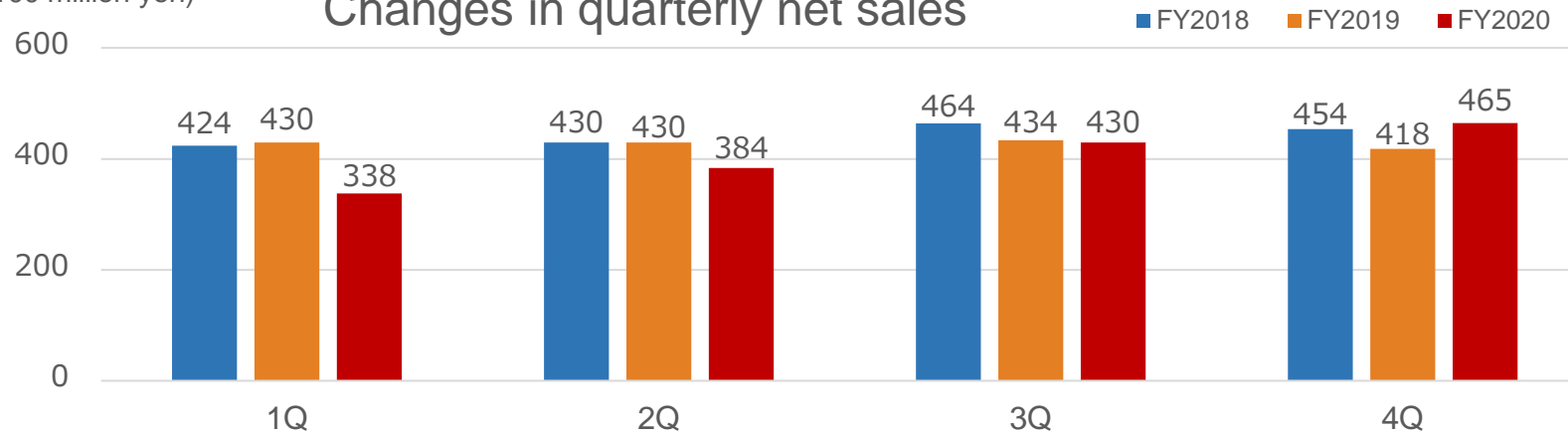
- Net sales decreased by 5.5% YoY and the gross margin decreased by 11.8%. The performance fell in 1Q due to the impact of COVID-19 but began to recover since 2Q.
- Maintain a profit level above FY2018 for the full fiscal year, partly due to the effects of structural reforms.

| (Unit:100 million yen) | FY2018 Actual | FY2019 Actual | FY2020 Actual | Composition % | YoY % |
|--|---------------------|----------------------|-----------------------|------------------|----------|
| Net sales | 1,772 | 1,711 | 1,617 | — | △5.5% |
| Gross profit | 217 | 237 | 218 | 13.5% | △8.3% |
| Operating income | 66 | 86 | 76 | 4.7% | △11.8% |
| Ordinary income | 56 | 79 | 78 | 4.8% | △1.3% |
| Net income attributable to owners of parent | 46 | 55 | 50 | 3.1% | △9.1% |
| Dividend/ Payout ratio | 7 yen 5% | 15 yen 8% | 20 yen 12% | +5 yen | — |

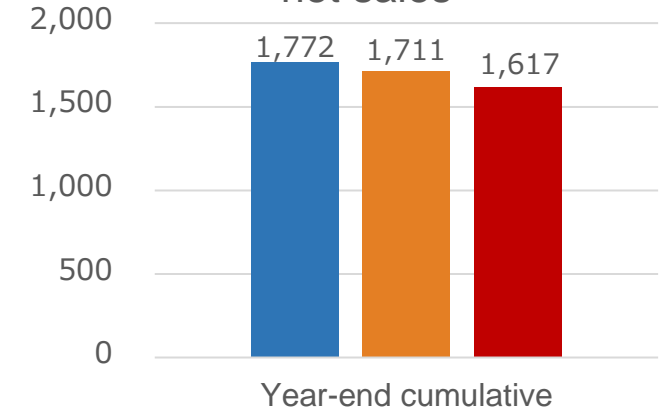
Quarterly Performance Trends (Last 3 years)

(Unit:100 million yen)

Changes in quarterly net sales

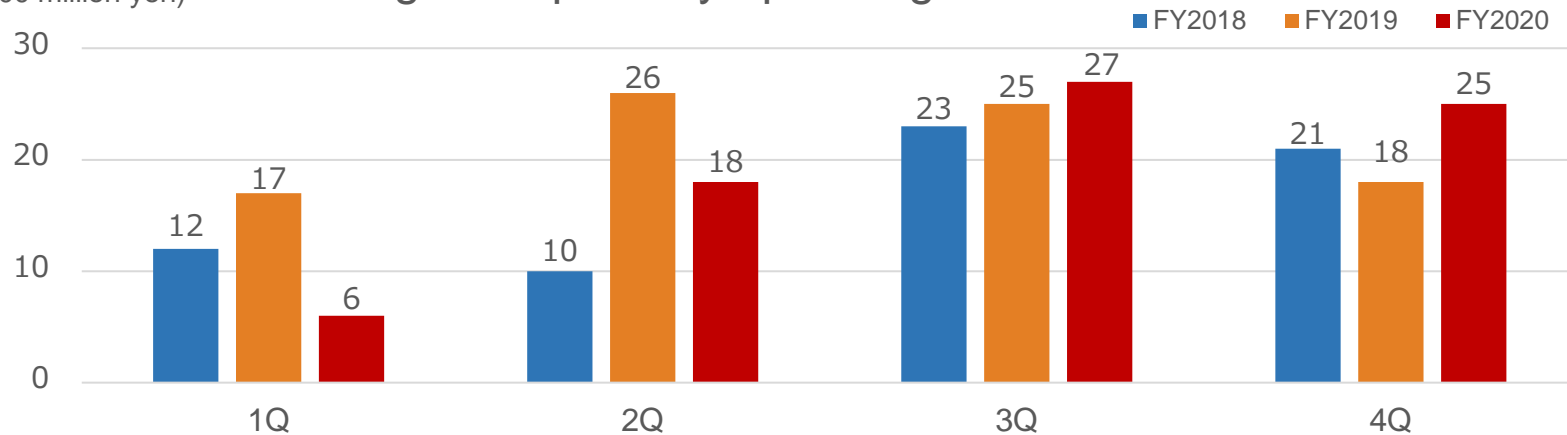


Changes in cumulative net sales

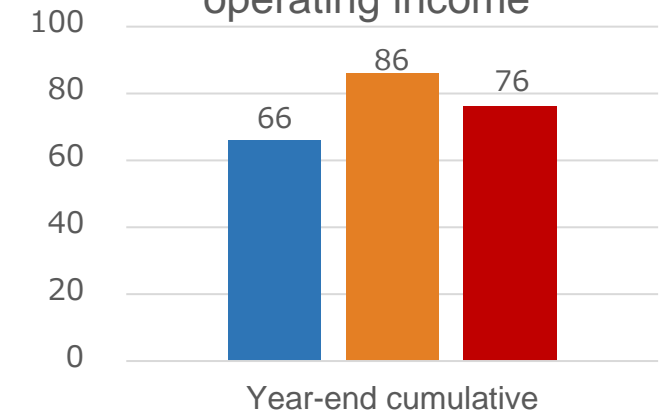


(Unit:100 million yen)

Changes in quarterly operating income



Changes in cumulative operating income



Results by Segment

- The recovery trend began in 2Q, and the profit level exceeded that of FY2018.

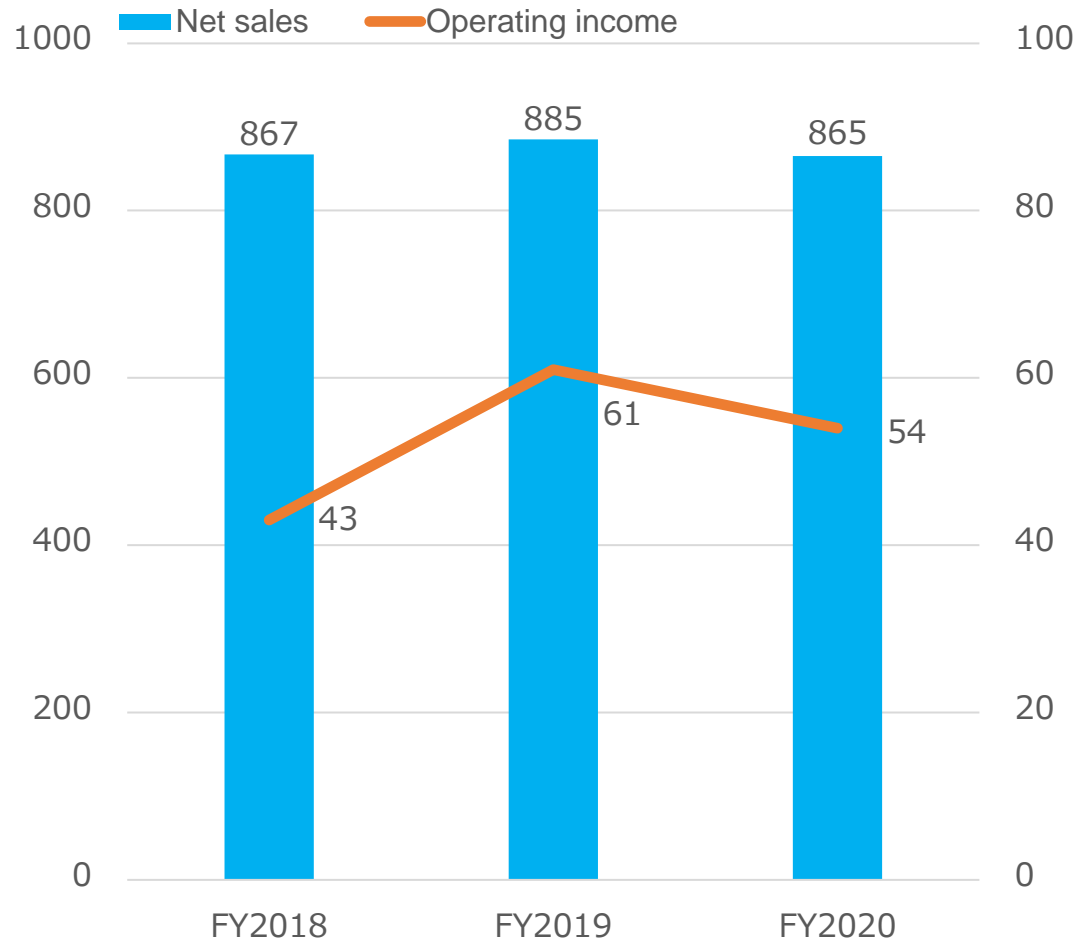
(Unit:100 million yen)

| | FY2018 Actual | | FY2019 Actual | | FY2020 Actual | |
|---|------------------|--|------------------|--|------------------|--|
| | Net sales | Operating income (Profit margin %) | Net sales | Operating income (Profit margin %) | Net sales | Operating income (Profit margin %) |
| Energy and Infrastructure | 867 | 43 (5.0%) | 885 | 61 (6.9%) | 865 | 54 (6.3%) |
| Communication and Industrial devices | 327 | 18 (5.5%) | 305 | 25 (8.2%) | 270 | 18 (6.9%) |
| Electrical equipment and components | 523 | 8 (1.6%) | 471 | 6 (1.2%) | 431 | 7 (1.7%) |
| Others (New Business) | 55 (36) | △3 (1) | 50 (35) | △6 (0) | 52 (38) | △4 (1) |
| Total | 1,772 | 66 (3.8%) | 1,711 | 86 (5.0%) | 1,617 | 76 (4.7%) |

Energy and Infrastructure Operations

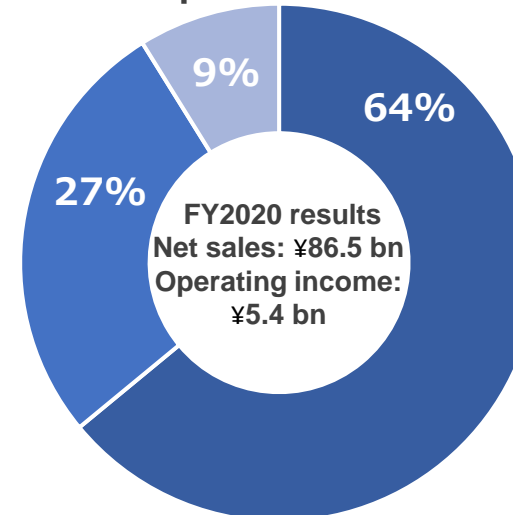


(Unit: 100 million yen)



| Product category | Results |
|---|--|
| <ul style="list-style-type: none"> ◆ Construction General-purpose electric cables | Demand for construction work projects recovered from 2Q but did not reach the level of FY2019. |
| <ul style="list-style-type: none"> ◆ Seismic isolation/Others Seismic isolation devices, Anti-seismic / Anti-shock | |
| <ul style="list-style-type: none"> ◆ Electric power infrastructure Power cables, construction, Power device component (SICONEX®) | Progressed in line with the forecast made at the beginning of the year. |

Composition of sales



FY2020 results
Net sales: ¥86.5 bn
Operating income: ¥5.4 bn

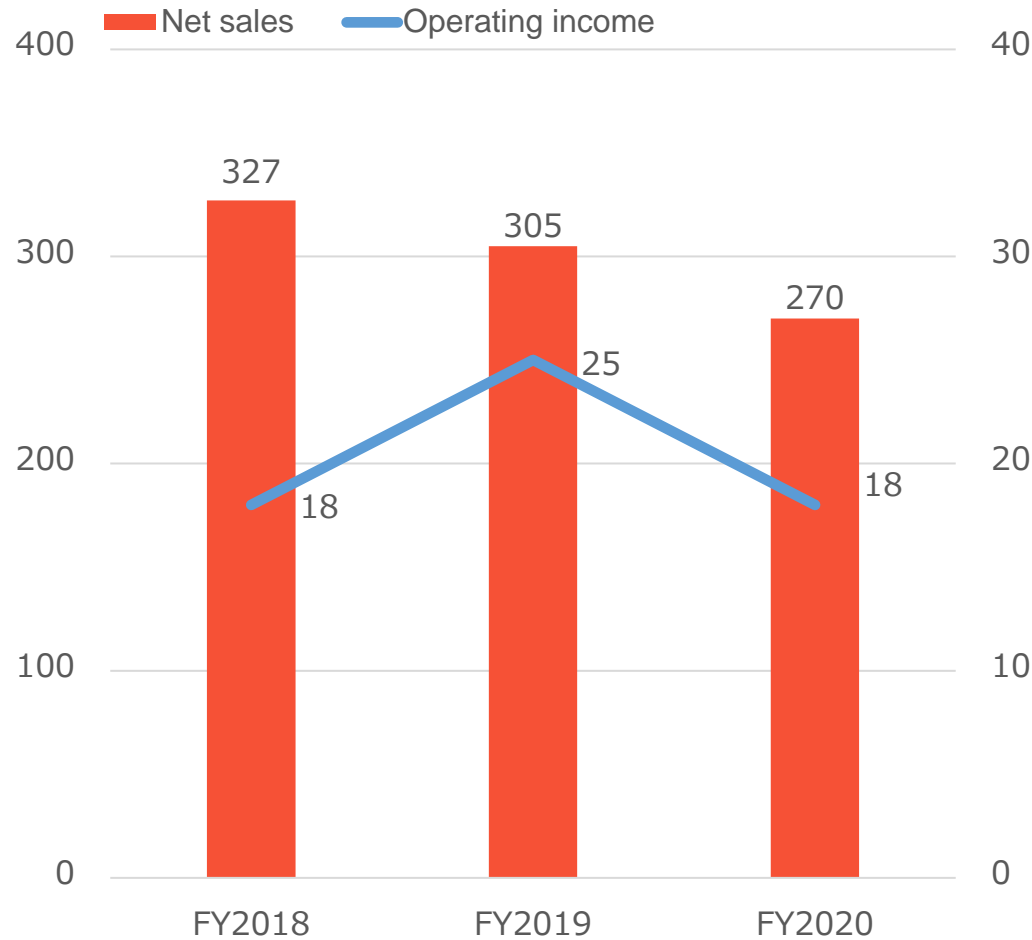
- Construction
- Electric power infrastructure
- Seismic isolation/Others

- **Operating income margin: 6.3%**
 - **ROIC: 7.2%**
 - **Capital expenditure: 1.4 billion yen**
- *ROIC by segment is a reference value for internal management purposes.

Communications and Industrial Devices Operations

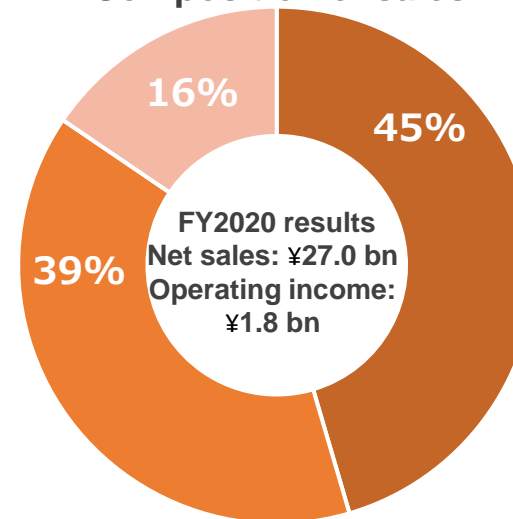


(Unit: 100 million yen)



| Product category | Results |
|--|--|
| ◆ Communication cable (Construction) Metal cables, optical cables | Although there was a demand for communication infrastructures, such as 5G services, the total demand did not reach the level of the previous year's. |
| ◆ Communication cable (Communication infrastructure) LAN cables, optical cables | |
| ◆ Wire harness (Home and industrial equipment, etc.) | Although the supply chain turmoil was subsided and demand was recovered, especially in China, the total demand did not reach the level of the previous year's. |
| ◆ Precision devices (Copy machine, etc.) | |

Composition of sales



- Communication cable
- Wire harness
- Precision devices

Overseas sales composition
in this segment (FY2020)

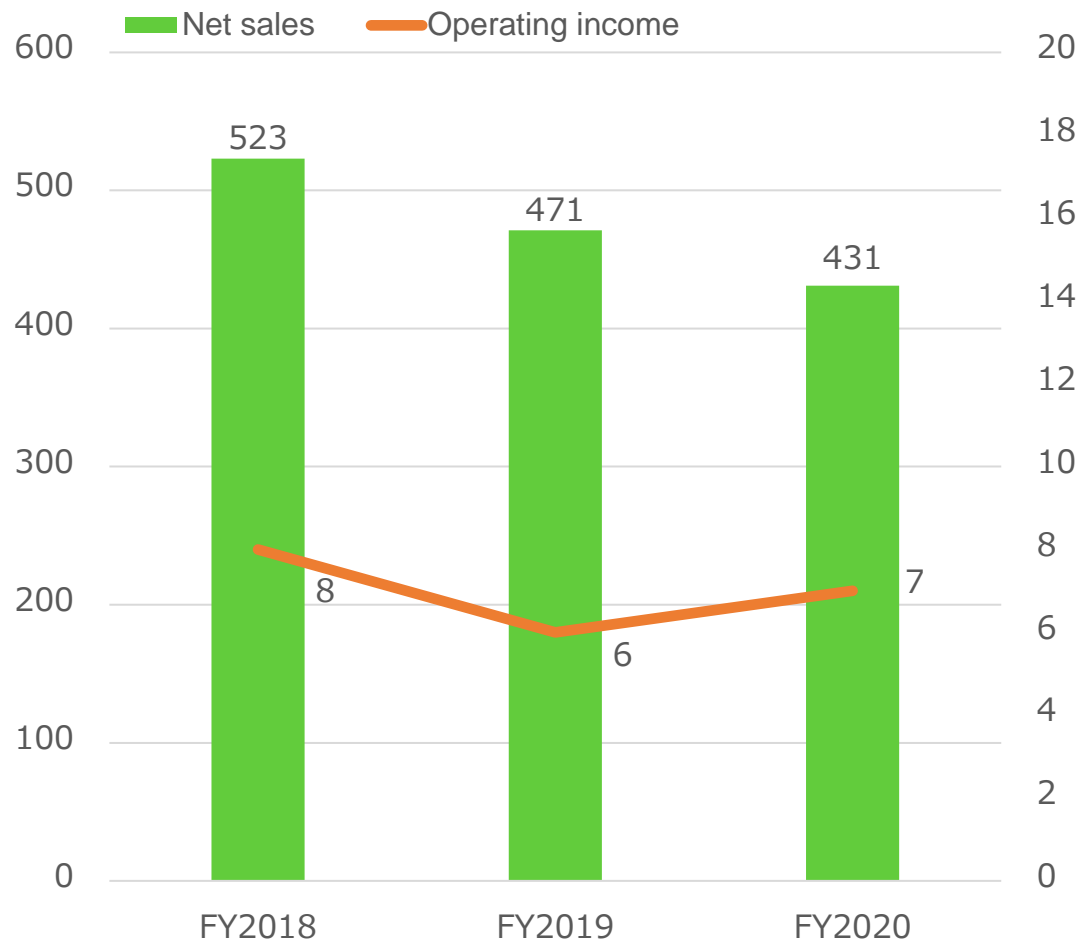
32.7%

- Operating income margin: 6.9%
 - ROIC: 6.1%
 - Capital expenditure: 9 billion yen
- *ROIC by segment is a reference value for internal management purposes.

Electrical equipment and components Operations

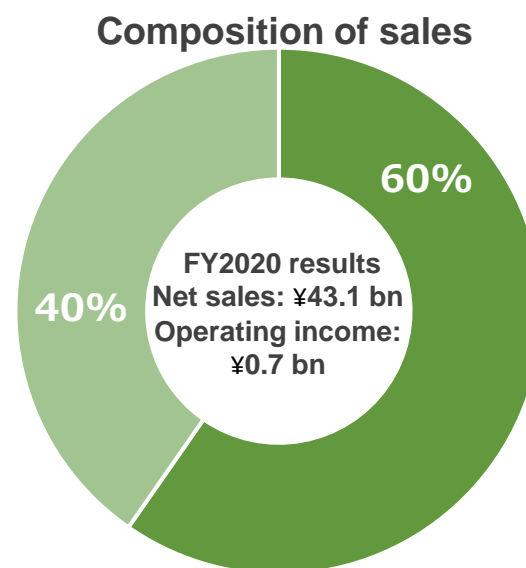


(Unit:100 million yen)



| Product category | Results |
|--|---|
| ◆ High-performance products (Automobile, electrical equipment, etc.) Oxygen free copper MiDIP®, Copper Alloy, High performance magnet wire | Demand for high-performance products for automobiles increased from 3Q. |
| ◆ General-purpose products (Electrical machinery applications etc.) General-purpose magnet wires | Demand for general-purpose magnet wires for heavy electronics continued to be sluggish. |

20
18
16
14
12
10
8
6
4
0



■ High-performance products
 ■ General-purpose products

- **Operating income margin: 1.7%**
 - **ROIC: 4.9%**
 - **Capital expenditure: 1.0 billion yen**
- *ROIC by segment is a reference value for internal management purposes.

FY2020 : Consolidated Balance Sheet/Other KPIs

(Unit:100 million yen)

| | March 31, 2019 | March 31, 2020 | March 31, 2021 |
|-------------------------------------|----------------|----------------|----------------|
| Current assets | 741 | 717 | 753 |
| Fixed assets | 500 | 508 | 542 |
| Current liabilities | 698 | 638 | 629 |
| Fixed liabilities | 188 | 187 | 184 |
| Capital stock | 242 | 242 | 242 |
| Capital surplus | 55 | 57 | 57 |
| Retained earnings | 10 | 62 | 106 |
| Total assets | 1,242 | 1,225 | 1,295 |
| Interest-bearing liabilities | 467 | 423 | 377 |
| DE ratio | 134% | 107% | 79% |
| Equity Ratio | 28.1% | 32.3% | 36.7% |
| | FY2018 | FY2019 | FY2020 |
| ROIC | 5.6% | 7.3% | 6.3% |
| ROE | 13.5% | 14.7% | 11.4% |

*The DE ratio is calculated using equity capital.

Medium-term Management Plan Numerical Targets (KPIs)

(Unit: 100 million yen)

| | FY2020 Actual | FY2021 Plan (Before adoption of Revenue Recognition Standard) | FY2021 Plan (After adoption of Revenue Recognition Standard) | FY2022 Mid-term Plan (Before adoption of Revenue Recognition Standard) | VISION2026 (Before adoption of Revenue Recognition Standard) |
|--|--------------------------|--|---|---|---|
| Net sales | 1,617 | 2,000 | 1,800 | 2,000 | 2,100 |
| Operating income | 76 | 86 | 86 | 100 | 150 |
| Ordinary income | 78 | 83 | 83 | 95 | 150 |
| Net income attributable to owners of parent | 50 | 68 | 68 | 66 | 100 |
| Operating income margin | 4.7% | 4.3% | 4.8% | Over 5% | Over 7% |
| Dividend/Payout Ratio | 20 yen (12%) | 40 yen (18%) | 40 yen (18%) | Over 50 yen (About 20%) | Over 120 yen (About 35%) |
| Interest-bearing liabilities | 377 | 390 | 390 | Under 380 | Under 300 |
| DE ratio | 79% | 73% | 73% | Under 70% | Under 40% |
| Net assets | 482 | 543 | 543 | Over 550 | Over 800 |
| Equity Ratio | 36.7% | 38.4% | 38.4% | Over 38% | Over 50% |
| ROE | 11.4% | 13.5% | 13.5% | Over 10% | Over 10% |
| ROIC | 6.3% | 6.7% | 6.7% | Over 7% | Over 9% |

*As a result of the application of the "Accounting Standard for Revenue Recognition," the Group's consolidated business forecasts for the fiscal year ending March 2022 after the application of the said standard is presented as "FY2021 Plan (after the application of Revenue Recognition Standard).

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

FY2021 : Forecast

- While there are concerns that the impact of COVID-19 will continue, the Company plans to increase sales and profit in FY2021 by capturing demand for environment-conscious products.

(Unit: 100 million yen)

| | FY2020 Actual | Composition % | FY2021 Plan | Composition % | Change | Change % |
|--|------------------|------------------|----------------|------------------|----------------|---------------|
| Net sales | 1,617 | — | 1,800 | — | +183 | +11.3% |
| Gross profit | 218 | 13.5% | — | — | — | — |
| Operating income | 76 | 4.7% | 86 | 4.8% | +10 | +13.3% |
| Ordinary income | 78 | 4.8% | 83 | 4.6% | +5 | +6.9% |
| Net income attributable to owners of parent | 50 | 3.1% | 68 | 3.8% | +18 | +36.9% |
| Dividend/ Payout ratio | 20 yen | 12% | 40 yen | 18% | +20 yen | — |



Creating for the Future

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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.