

SWCC Group

Financial Results for the Second Quarter of the Fiscal Year Ending March 2019



Creating for the Future

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

November 8, 2018

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



Today's topics

1. Group Overview and History

2. FY3/19 2Q Financial Results FY3/19 Full-year Forecasts

3. Medium-term Management Strategy



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The background features a stylized illustration of a globe. The top half of the globe is green, representing land, and is topped with a city skyline including a tall tower and several buildings. Wind turbines are positioned around the city. The bottom half of the globe is blue, representing water. The sky is light blue with several white birds flying.

SWCC Group

Group Overview and History



Creating for the Future

SWCC SHOWA HOLDINGS CO., LTD.
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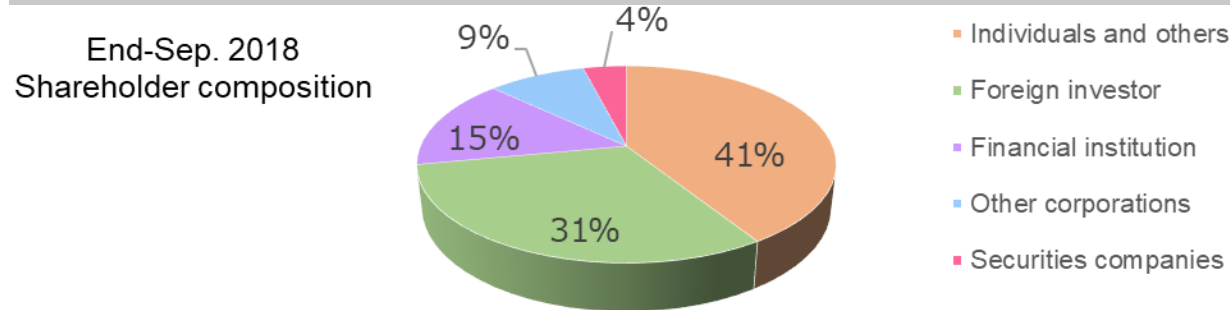
Corporate profile

Company name	SWCC SHOWA HOLDINGS CO., LTD.
Establishment	May 26, 1936
Contents of business	Management of subsidiaries engaged in the manufacture and sale of electric wires and cables, etc.
Head office	Cube Kawasaki, 1-14, Nisshin-cho, Kawasaki-ku, Kawasaki City, Kanagawa
Capital stock	24,221 million yen (Number of shareholders: 15,856 shareholders) As of March 31, 2018
Fiscal year end	March 31
Number of employees	33 (consolidated: 4,757) As of March 31, 2018
Directors	Takayo Hasegawa, President and CEO 3 other full-time directors and 3 outside directors 1 full-time auditor and 2 outside auditors
Subsidiaries	21 domestic and overseas, 4 equity-method affiliates, and 1 other



Takayo Hasegawa, President and CEO

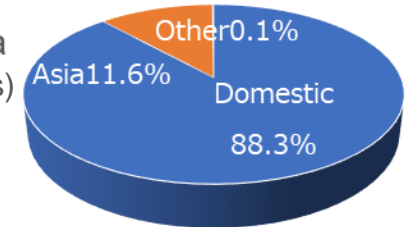
- Apr. 1984 Joined the Company
- Jun. 2005 Deputy Director of Technical Development Center and Manager of Superconducting Project
- Apr. 2010 Managing Director of SWCC SHOWA CABLE SYSTEMS CO., LTD., Corporate Officer of the Company, General Manager of The Technology Planning Office
- Jun. 2013 Director of the Company
- Jun. 2018 Representative Director and President of the Company (present)



About SWCC Group

**-Holding company-
SWCC SHOWA HOLDINGS**

Sales by area
(FY2017 results)



Electric Wire operations



電線・線材
(低圧・高圧)

SWCC Showa Cable Systems, Fuji Electric Cable, SDS, Showa Recycle, etc.

Power System operations



電力システム
(特別高圧)

SWCC Showa Cable Systems, Shoukou Equipment Industry, SDS, STEC, etc.

Magnet Wire operations



巻線

Unimac, Tamagawa Magnet wire, SDS, SWCC Showa (Shanghai)

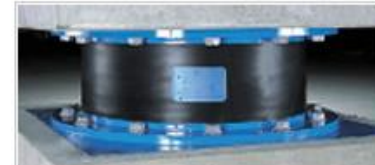
Communication System operations



コミュニケーションシステム事業

SWCC Showa Cable Systems Aomori Showa Electric Cable, SDS, AXIO, etc.

Device operations



デバイス

SWCC Showa Cable Systems, Daiji, Showa Science, SDS, Fuqing Showa Precision Electronics, etc.

Others



その他取扱い品・サービス

SWCC Showa Cable Systems, Logis-Works, etc.

Net sales



SWCC's management philosophy

- “All in the Name of Trust”

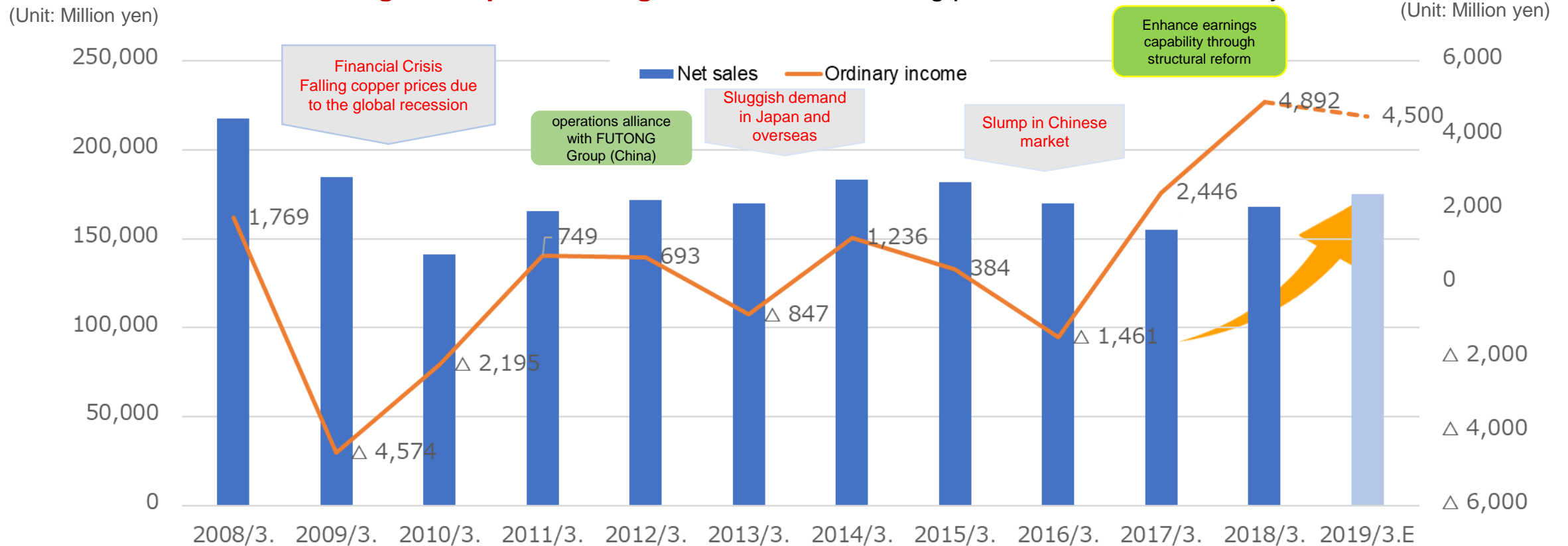


- Management philosophy
[SWCC Group expands the circle of trust.]

- Statements "Creating for the Future"
SWCC Group will create new value for a better future.

Historical performance

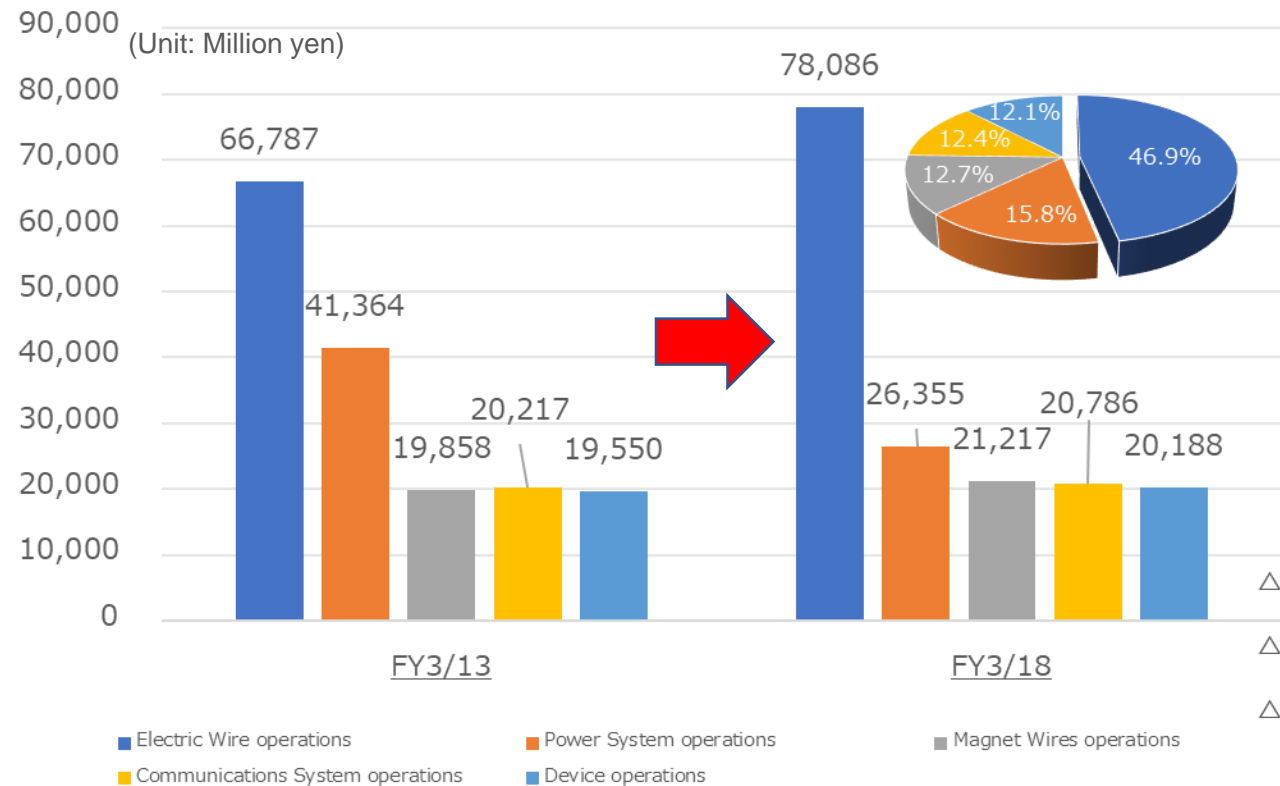
- Reduce the risk of fluctuations in earnings due to copper prices as a result of the shift to the structure that can create earnings through ongoing group structure reforms
- In FY3/19, the initial forecasts have been upwardly revised.
- **Medium-term management plan "Change SWCC2022"** is being promoted from this fiscal year



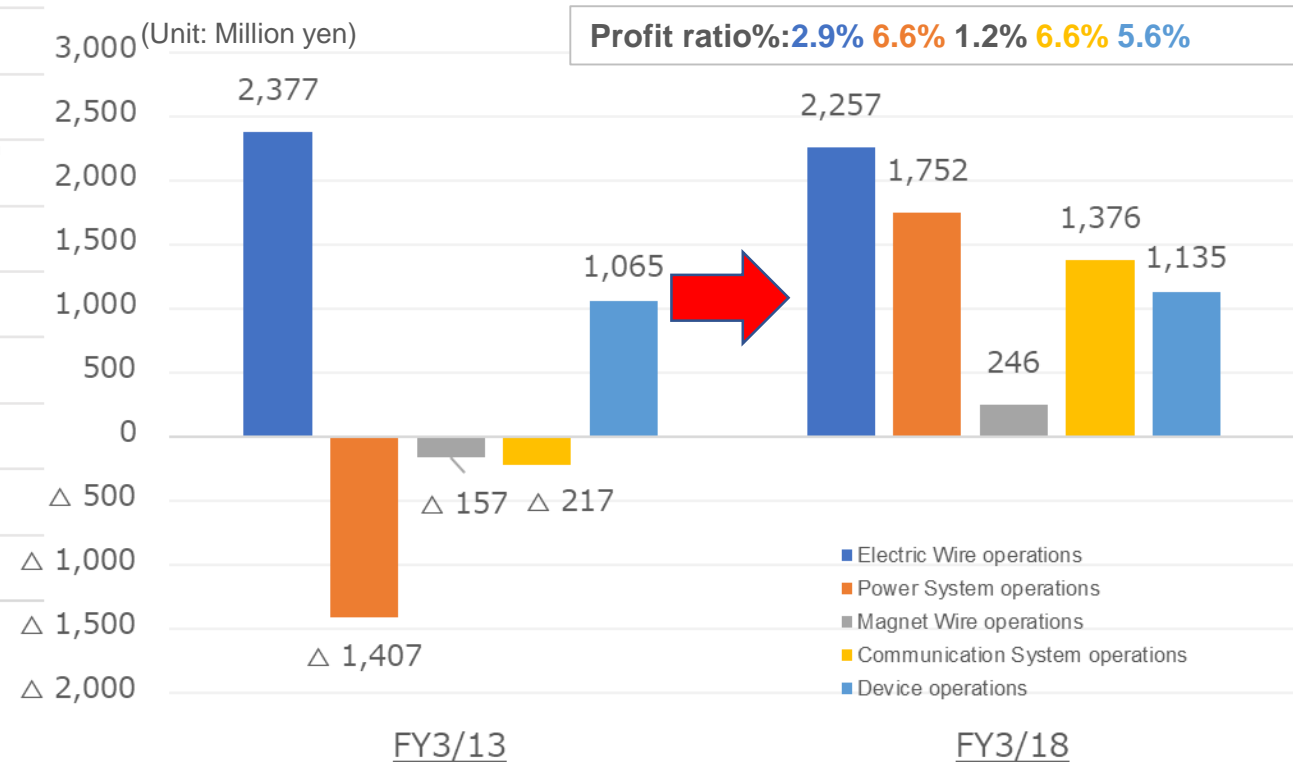
Changes in Sales and Profit by Segment

- Consistent structural reforms to build a foundation for profitability in **all segments**
- Increased profitability of highly value-added power systems, communication systems, and devices
- Acceleration of structural reform of Magnet Wire operation

Segment net sales

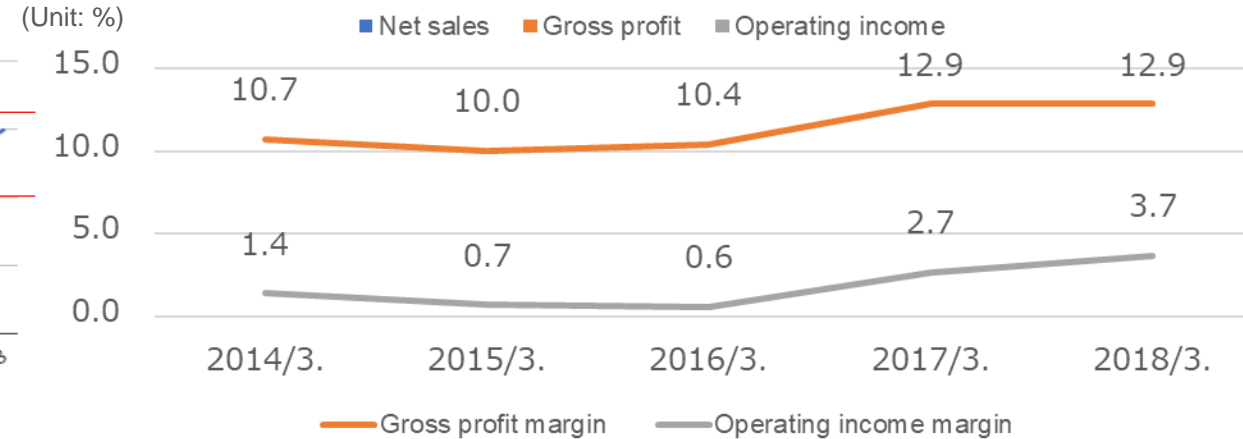
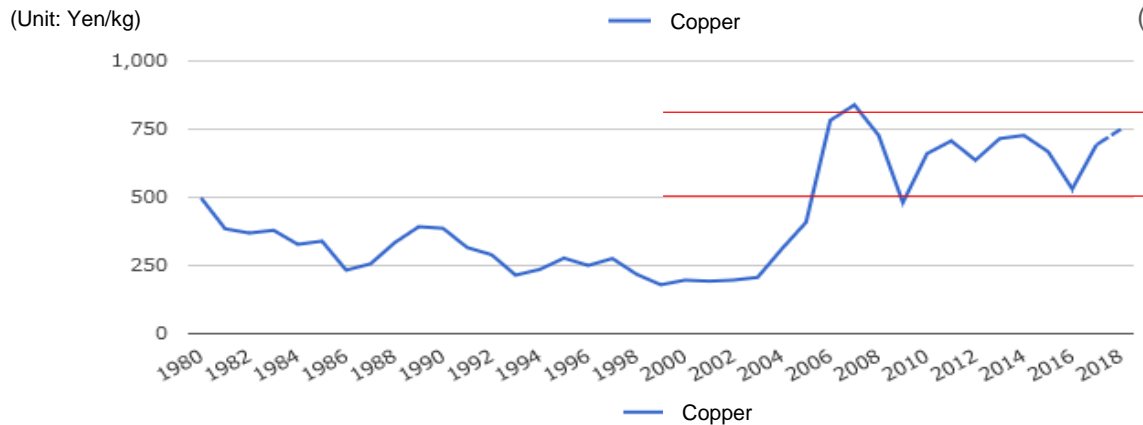
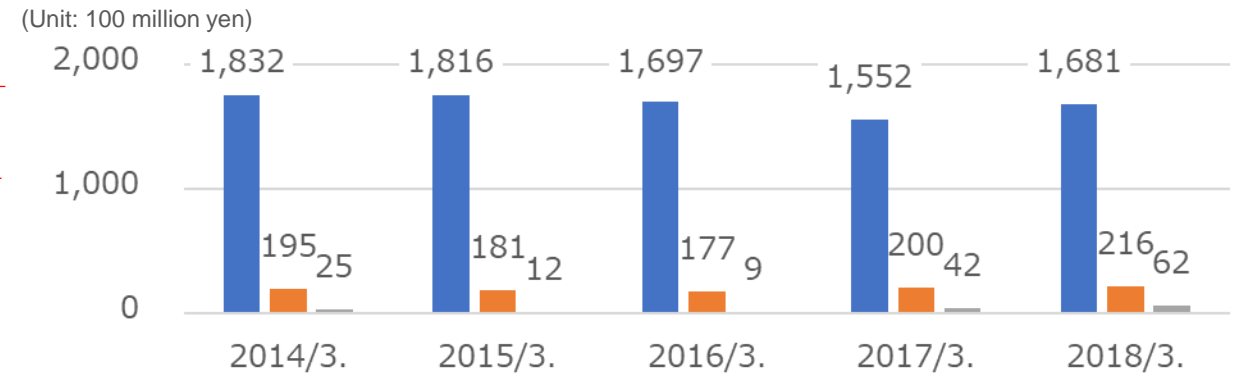
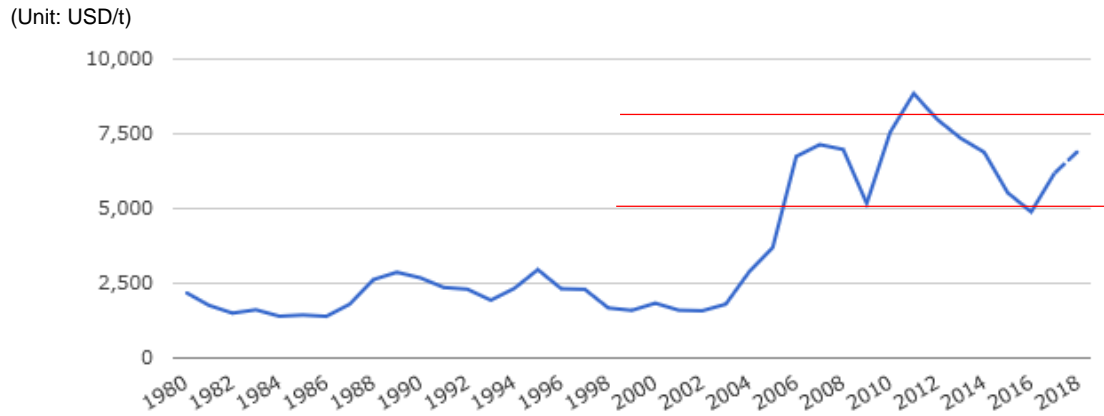


Segment profit



Copper prices and its impact on our sales

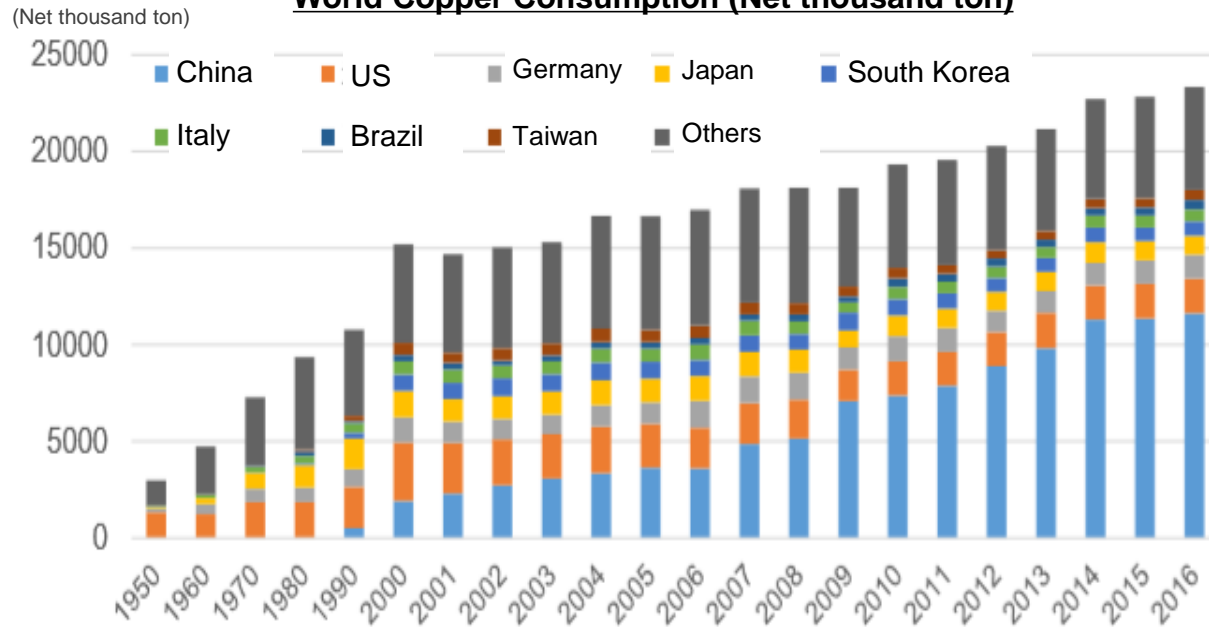
- Copper prices hover between \$5,000 and \$7,500 due to strong demand in China.
- Fluctuations in copper prices affect Electric Wire operations and the Magnet Wire operations, which account for about 60% of sales. **We are focusing on growth areas and segments that are not affected by copper price fluctuations, and are continuing to implement management structure by improving income through structural reforms.**



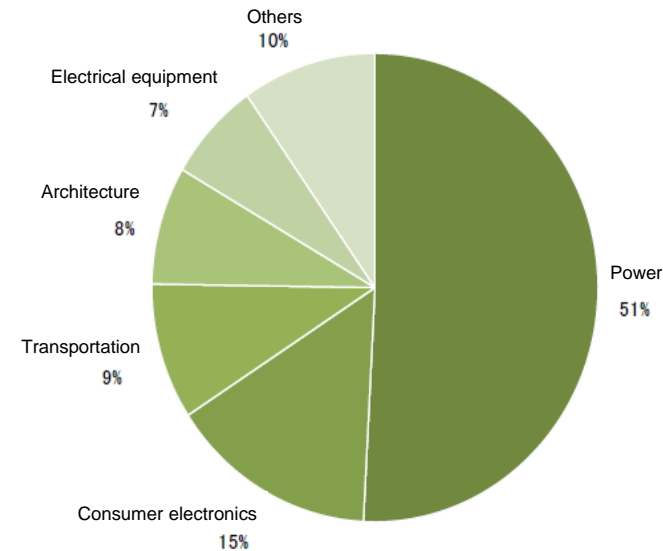
Global copper market trends

- China accounts for more than 50% of global copper consumption. By application, electricity facilities and household electrical appliances are in order.
- In June 2017, the International Copper Association (ICA, New York) announced that **copper demand is expected to increase to 1.74 million tons in 2027 (about nine times the 2017 forecast)** due to the rapid spread of electric vehicles (EVs).

World Copper Consumption (Net thousand ton)



Demand composition ratio by industry in 2016



Application

Power: Power equipment (transmission and distribution equipment) etc.
 Home Appliances: Air conditioning heat exchanger etc.
Transportation: Automobile wiring etc.
 Construction: valves, water faucet fittings, etc.
 Electronic equipment: Lead frame, plug, connector etc.

Source: Japan Oil, Gas and Metals National Corporation

Source: Sumitomo Mitsui Banking Corporation Research Report

Capital and business alliance with FUTONG Group in China

- In 2011, we entered into a capital and business alliance with FUTONG Group, one of the leading Chinese telecommunications cable companies.
- We have three new business areas: EV/Automotive, FA, Healthcare. **Particularly, accelerate expansion** in China where is the largest market for EVs and automobiles. (However, equity in earnings of the joint venture plant 49:51)



<http://www.futonggroup.com.cn/en/>(Link)



SWCC groups

FY3/19 2Q Financial Results



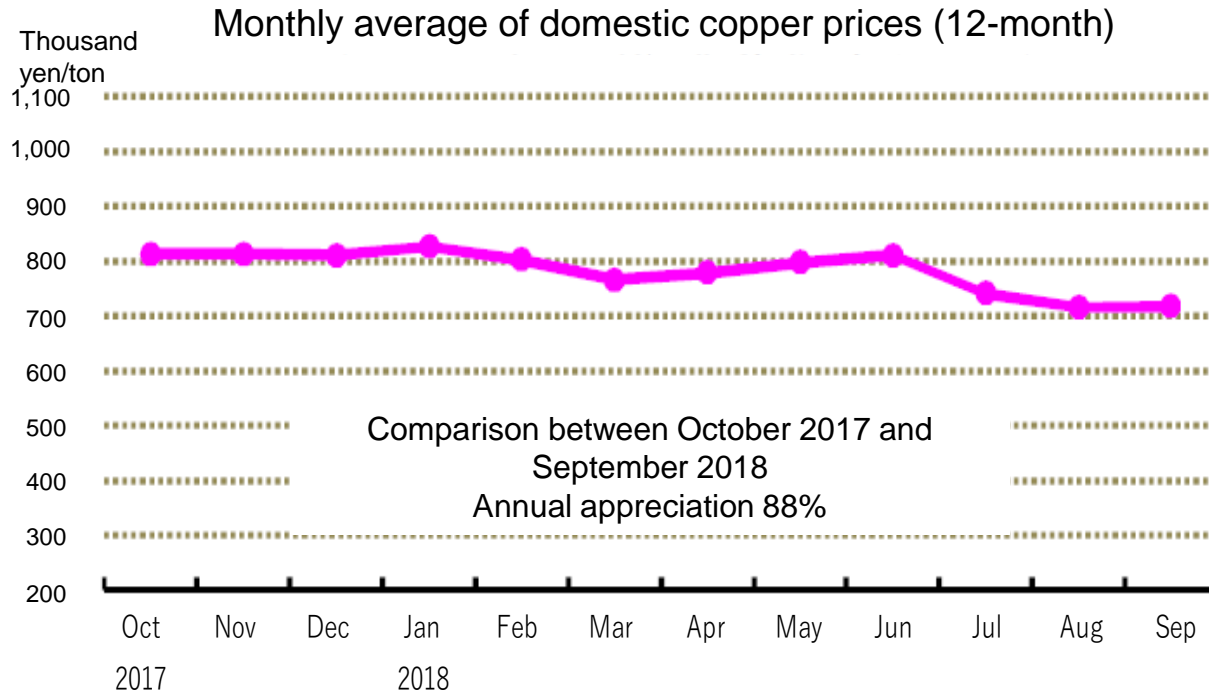
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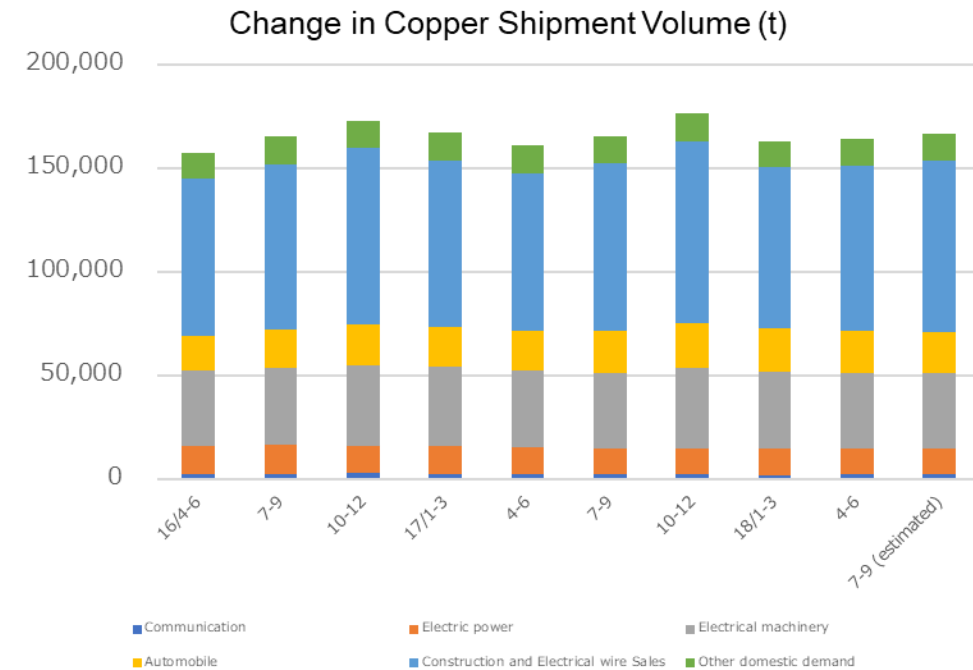
<http://www.swcc.co.jp/>

Macroeconomic environment

- Domestic copper prices rose in April-July (on a yen basis) compared with the same period of the previous year, and copper shipments remained stable in August-September despite a YoY decline.



Source: Source from Japan Electric Wire Manufacturers Association



Source: Source from Japan Electric Wire Manufacturers Association

First Half Summary

Performance: Revised upward its profit in full-year forecasts in 1H FY3/19

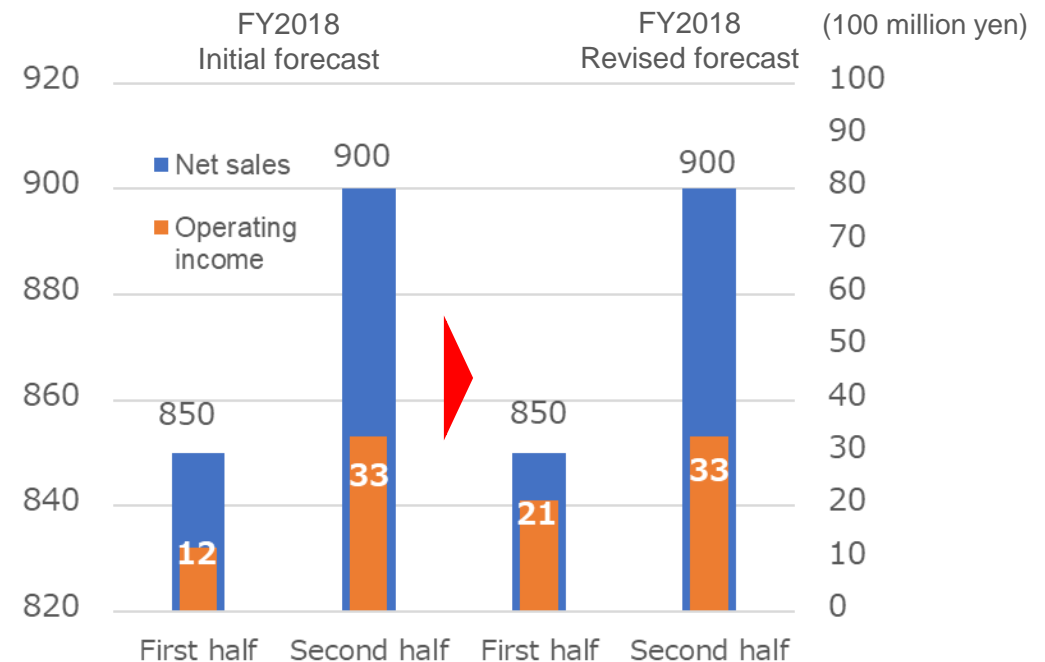
- Although price competition remains severe in the electric wire market for construction and electric power sales, other infrastructure-related demand exceeded expectations.

Sales and incomes grew in the Communication and Devices operations, which contributed to overall growth.

2Q results were basically in line with the revised forecast.

Strategy: New areas

- Steady improvement in profitability
- Responding to Growth Fields and New Fields
- Uncertainty in the external environment in 2H



Upward Revisions to Business Forecast: Please refer to the release on July 31, 2018.

- Revised upward on a income basis for 1H, and full-year of FY3/19 forecasts

(Unit: Million yen)

1H (Million yen)	FY3/18 2Q Previous results	FY3/19 2Q Earnings Plan	FY3/19 2Q Results	Vs. plan Percentage change	YoY Percentage change
Net sales	79,884	Initial target 85,000 85,000	85,368	0.4%	6.9%
Operating income	2,619	1,200 2,100	2,263	7.8%	△ 13.6%
Ordinary income	2,147	700 1,700	1,861	9.5%	△ 13.4%
Net profit	1,030	500 1,200	1,305	8.8%	26.6%

Full year (Million yen)	FY3/18 Previous results	FY3/19 Initial plan	FY3/19 Revised plan	Vs. plan Percentage change	YoY Percentage change
Net sales	168,186	175,000	175,000	-	4.1%
Operating income	6,276	4,500	5,400	20.0%	△ 14.0%
Ordinary income	4,892	3,500	4,500	28.6%	△ 8.0%
Net income	3,737	2,600	3,300	26.9%	△ 11.7%

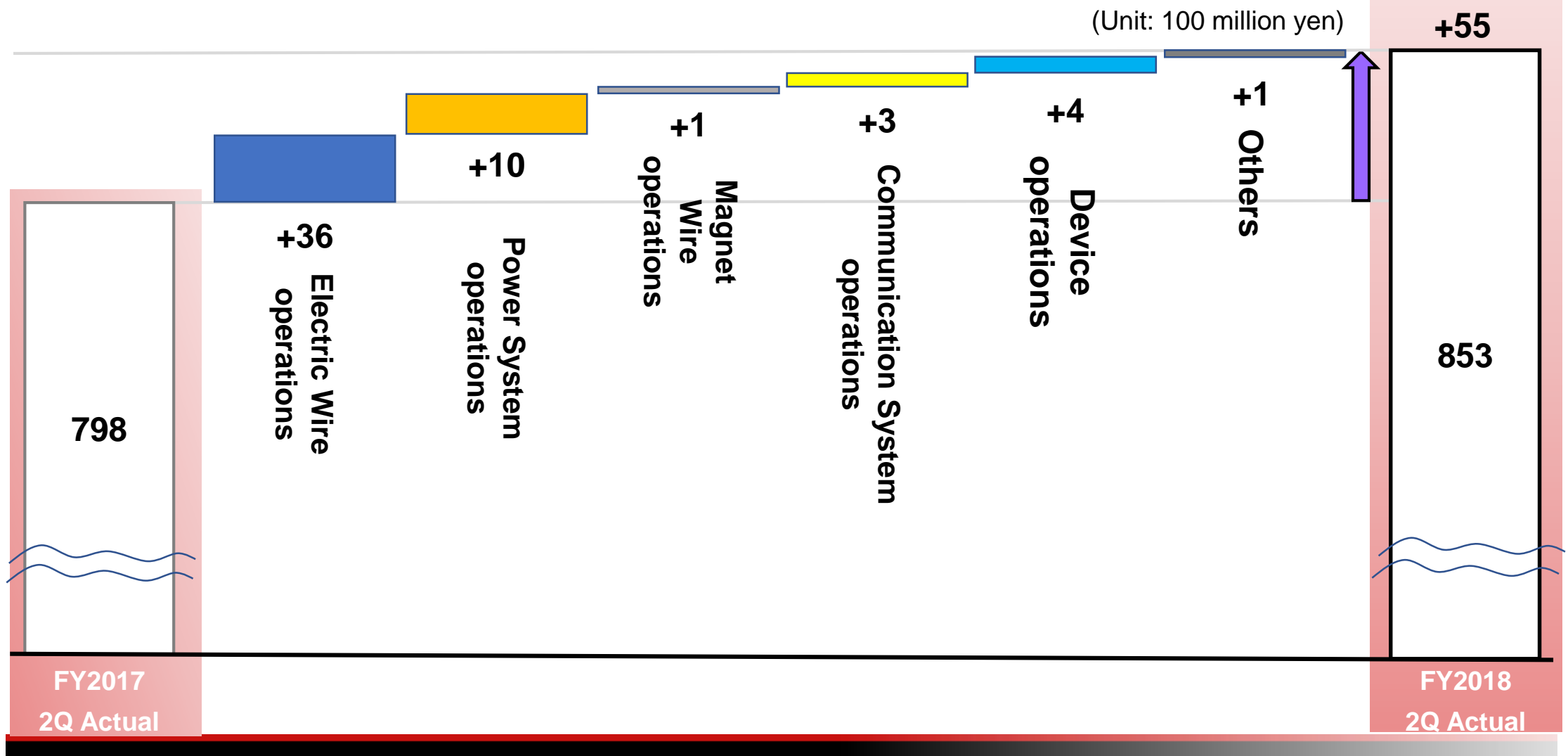
2Q consolidated statements of income (YoY)

- Net income attributable to owners of parent rose by 26.6% YoY to 1.3 billion yen.

(Unit: 100 million yen)

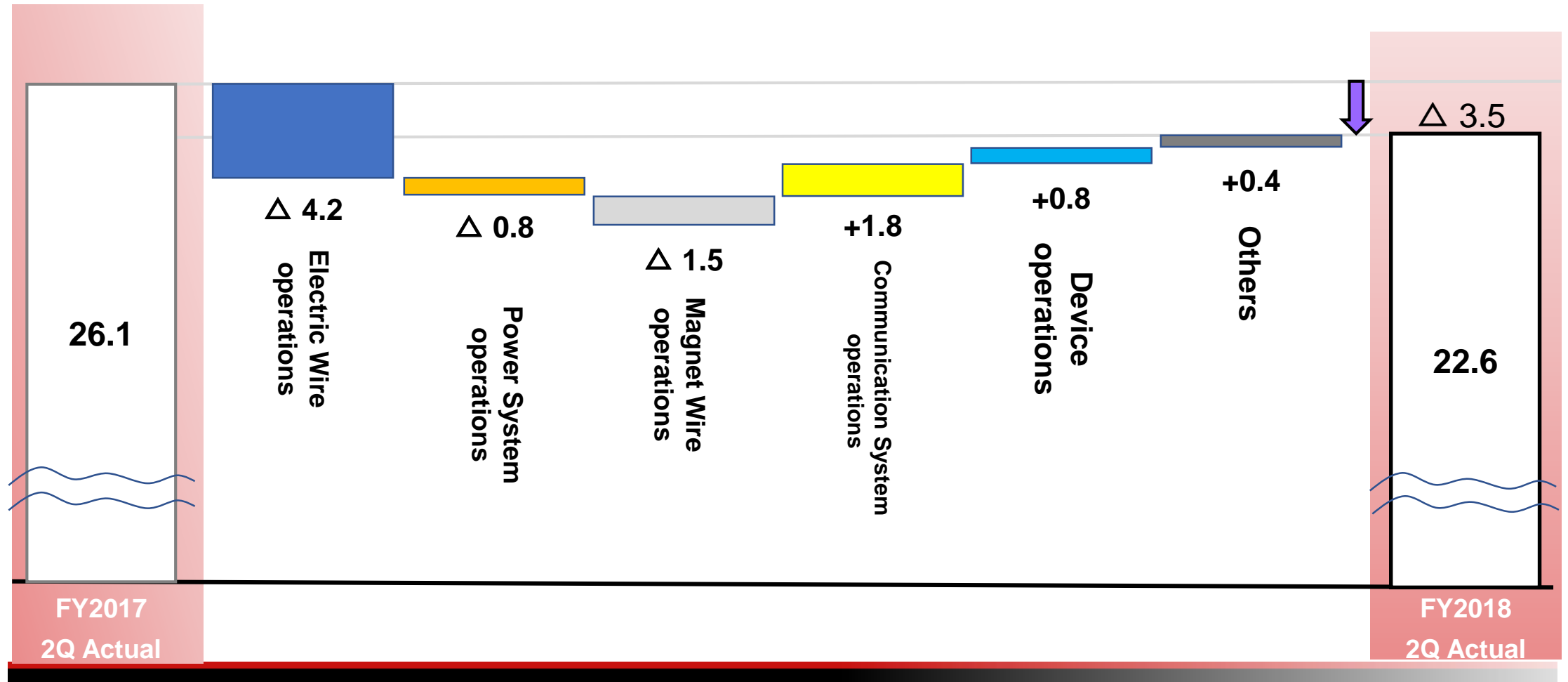
	FY2017 2Q Actual	Composition %	FY2018 2Q Actual	Composition %	YoY %
Net sales	798	-	853	-	+6.9%
Gross profit	101.9	12.8%	97.6	11.4%	△ 4.2%
Operating income	26.1	3.3%	22.6	2.7%	△ 13.6%
Ordinary income	21.4	2.7%	18.6	2.2%	△ 13.4%
Net income attributable to owners of parent	10.3	1.3%	13.0	1.5%	+26.6%

Changes in net sales (YoY)



Change in operating income (YoY)

(Unit: 100 million yen)



2Q Segment Information (YoY)

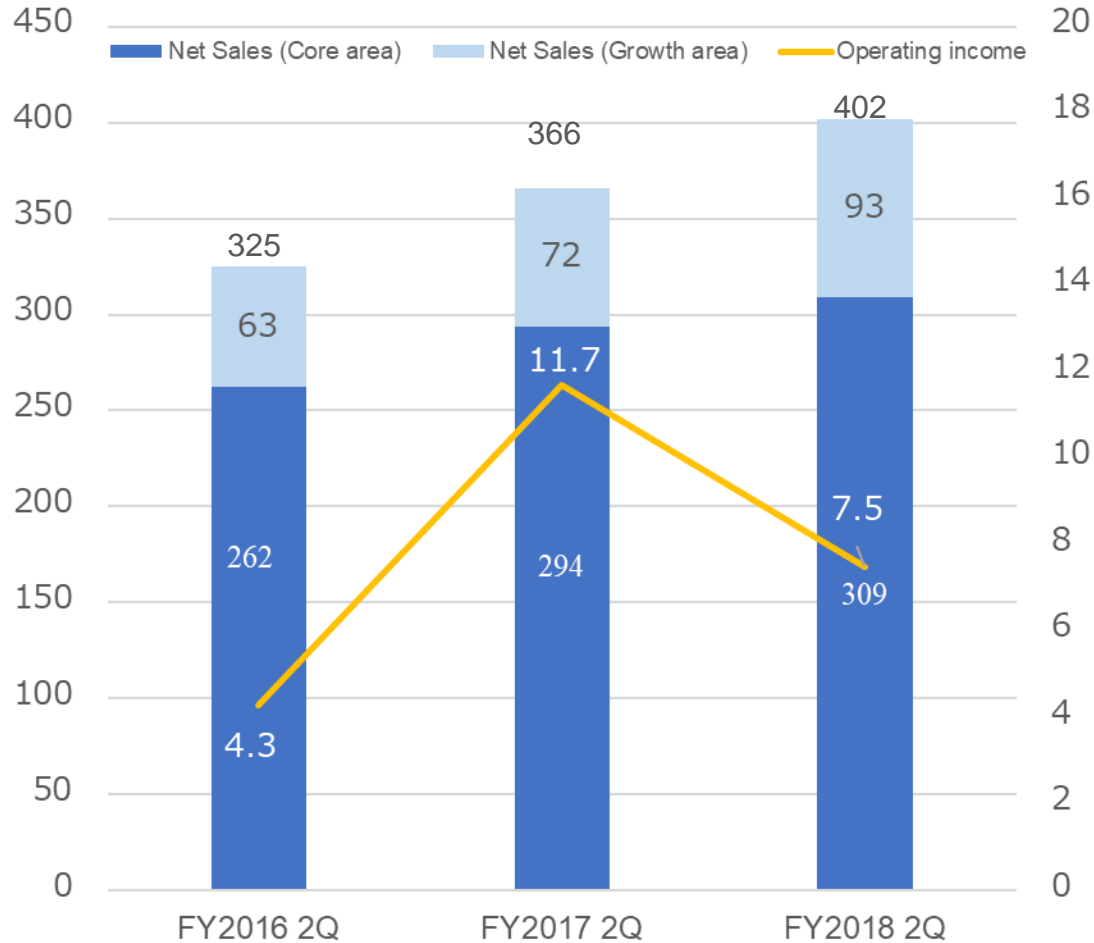
- Electric Wire, Energy System, and Magnet Wire operations recorded higher sales and lower profits
The Communication Systems and Device operations saw higher sales and profits

(Unit: 100 million yen)

	FY2017 2Q Actual		FY2018 2Q Actual		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Electric Wire	366	11.7	402	7.5	+36	△ 4.2
Power System	122	5.2	132	4.4	+10	△ 0.8
Magnet Wire	102	1.2	103	△ 0.3	+1	△ 1.5
Communication Systems	100	4.8	103	6.6	+3	+1.8
Device	100	5.2	104	6.0	+4	+0.8
Others	8	△ 2.0	9	△ 1.6	+1	+0.4
Total	798	26.1	853	22.6	+55	△ 3.5

Electric Wire operations

(Unit: 100 million yen)



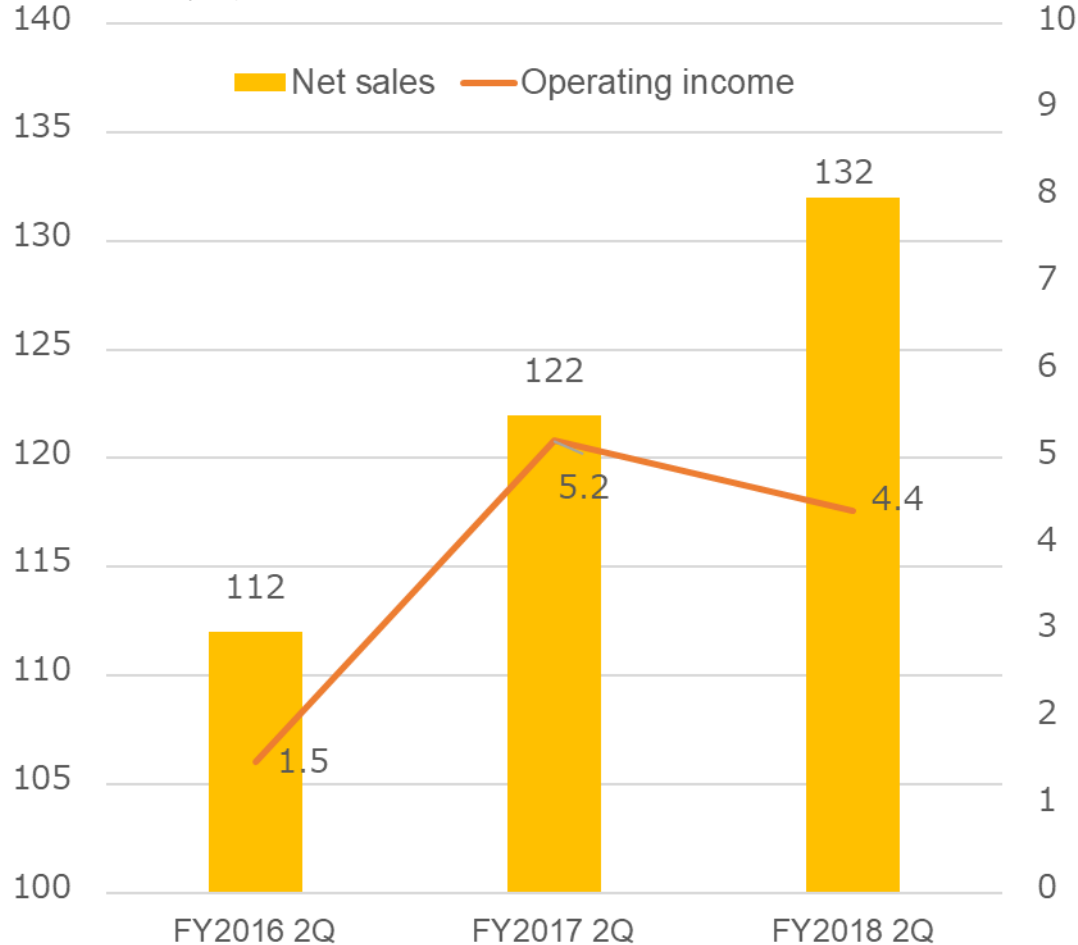
- Characteristics: There are two main business areas.
 - ① Core area: Buildings, facilities, and all other general-purpose products for use in electric wires and cables
 - ② Growth area: High-quality and High-performance wires used in automobiles, etc. (Oxygen free copper, Copper and silver alloy, etc.)

- Sales increased by 3.6 billion yen YoY to 40.2 billion yen owing to the contribution in growth area. Pricing competition in core business areas remained fierce, with operating profit falling by 420 million yen to 750 million yen.

- ① Core area: Continued strong demand for construction applications. However, operating income declined.
- ② Growth areas: Both sales and profits performed strongly in the high-performance wire rods, a growth field.

Power System operations

(Unit: 100 million yen)



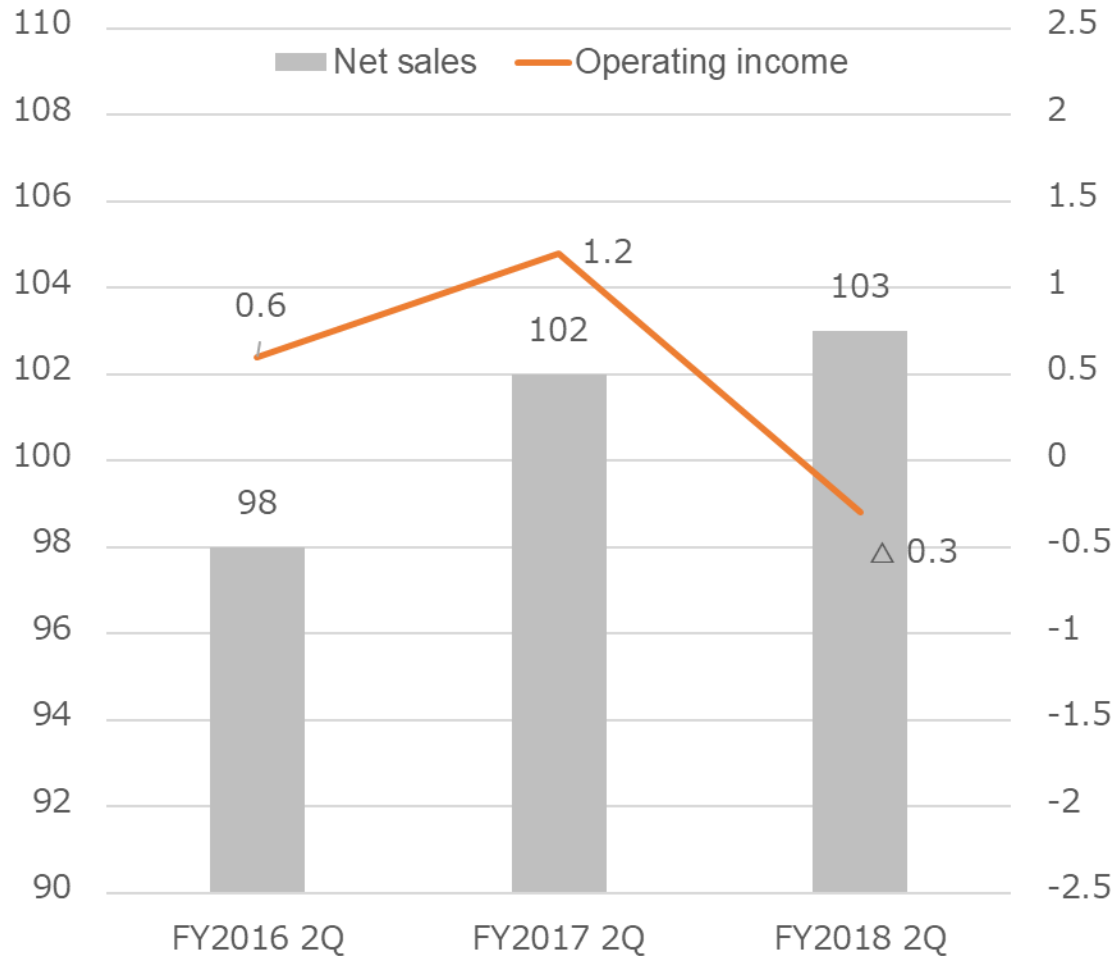
■ Characteristics: In the Power Systems operations, we are capturing substation demand, mainly for high-value-added cable connection materials, and improving profitability. Using the epoxy technologies developed in SICONEX products, we are making our products earthquake-resistant, safe, and environmentally friendly. We are offering products with excellent workability.

■ Net sales increased ¥1.0bn, up ¥1.0bn YoY, but due to the recording of additional costs that are expected to be incurred in the ongoing overseas replacement work, net sales decreased ¥80 million to ¥440 million.

■ Renewal demand from electric power companies and replacement demand from private-sector companies remained firm.

Magnet Wire operations

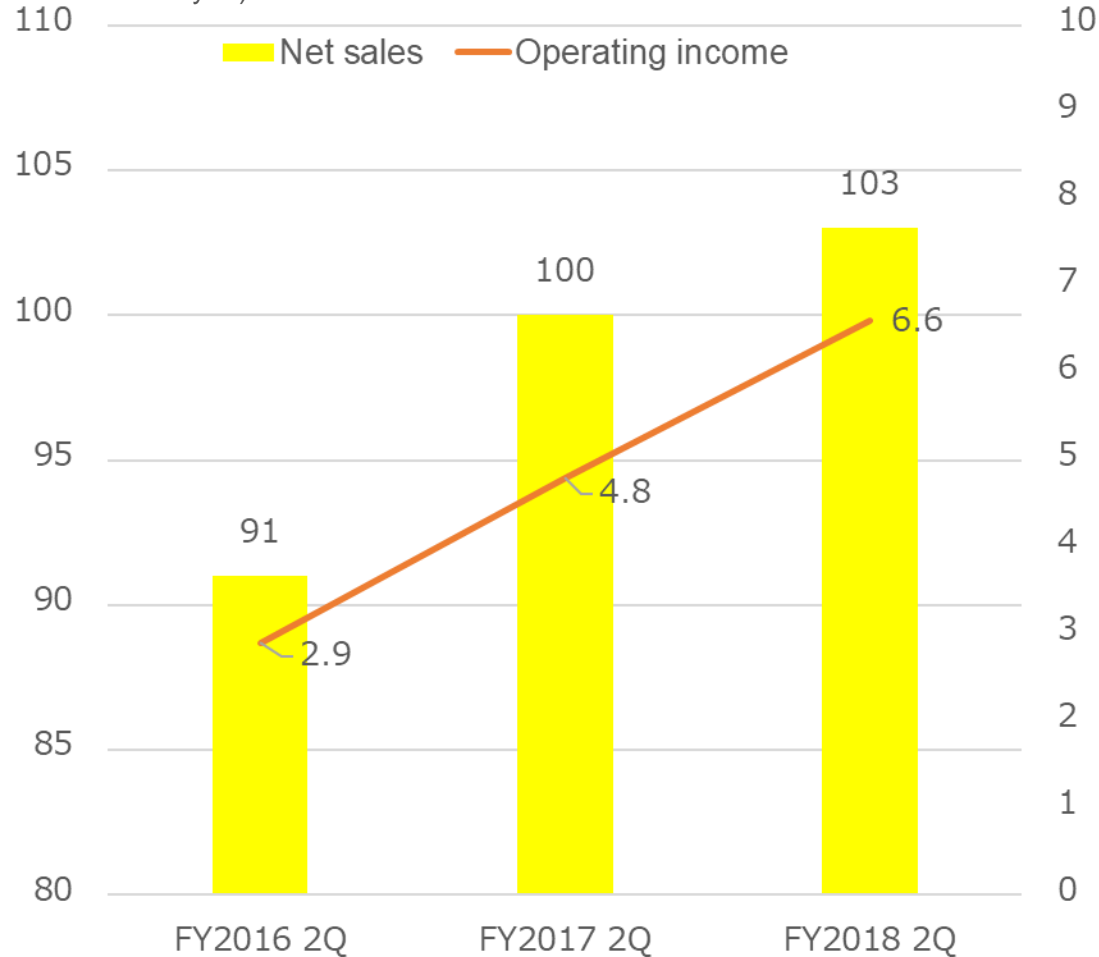
(Unit: 100 million yen)



- Characteristics:** Magnet wires are used in motors and coils in various fields. We are strengthening mass production of high-efficiency flat-angle enamel radiation for motors used in HEVs and EVs. Supply products for electronic components that are compact and thinner.
- Net sales** remained unchanged from the previous fiscal year due to the rise in copper prices, but operating income declined ¥150 million to ¥30 million due to the decrease in sales volume and the recording of allowance for doubtful accounts for receivables from a Chinese subsidiary that was excluded from the scope of consolidation.
- Demand** for heavy electric appliances was sluggish, but sales of electronic components for automobiles were firm.

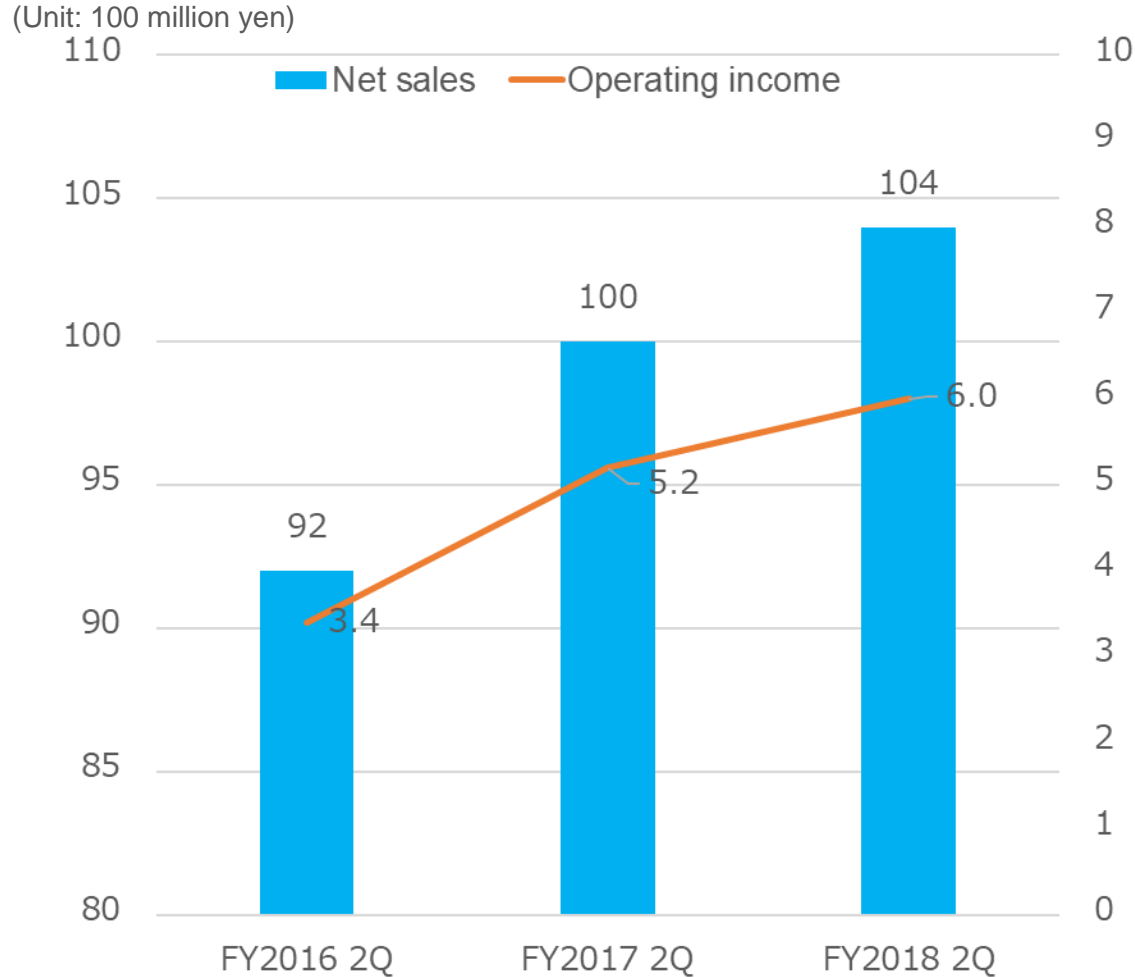
Communication System operations

(Unit: 100 million yen)



- **Characteristics:** In the Telecommunications Systems operations, for use in information and communications, it handles many products, from optical fibers to metal cables and electronic wires. With the rapid spread of IoT and the spread of FA, the company manufactures and sells various cables as electronic wire products compatible with industrial open networks. Going forward, we will promote expansion in the Chinese market through collaboration with FUTONG Group, a capital alliance partner.
- Sales increased ¥0.3bn YoY to ¥10.3bn, and operating profit rose ¥180mn to ¥660mn.
- Despite a slight decline in demand for communication cables in Japan, sales of high value-added accessories increased. Optical fibers expanded mainly to overseas markets.

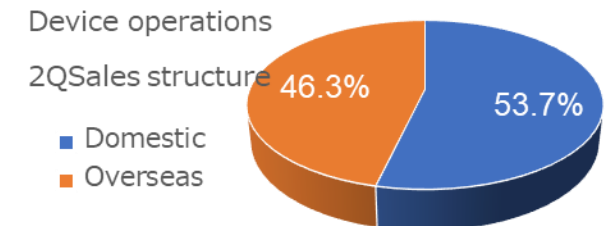
Device operations



■ **Characteristics:** In the device operations, the Company manufactures and sells rollers and wiring harnesses for copiers, and overseas sales are boosted by strong demand in the growing Southeast Asian market. Seismic isolation materials for construction are manufactured in the Seismic Isolation business. The company boasts the second largest share of the domestic market by offering a full lineup of products.

■ **Net sales** increased ¥0.4bn YoY to ¥10.4bn, and operating income rose ¥0.08bn to ¥0.6bn.

■ **Overseas demand** for copying rollers and wiring harnesses is firm. Overseas sales account for 46% of total sales in the Electronic Devices and Components segment.



Consolidated balance sheet (Comparison with the previous fiscal year-end)

- Equity ratio was 27.3% (up 0.7 points from the end of the previous fiscal year)

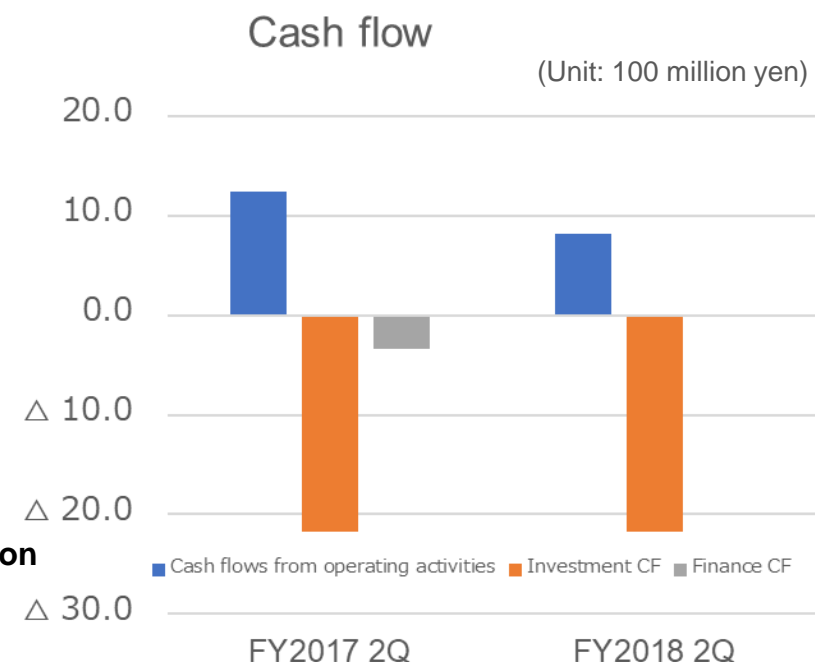
(Unit: 100 million yen)

	18/3/31*	18/9/30	Change
Cash and deposits	47	33	△ 14
Accounts receivable and other receivables	397	415	+18
Inventories	219	223	+4
Others	46	45	△ 1
Total current assets	709	716	+7
Property, plant and equipment	396	394	△ 2
Intangible assets	15	12	△ 3
Investments and other assets	115	120	+5
Property net	526	526	0
<div style="border: 1px solid black; background-color: yellow; padding: 5px; width: fit-content; margin: 0 auto;"> Interest-bearing debt 49.0 ⇒ 49.8 billion +¥0.8 billion </div>			
Total assets	1,235	1,242	+7

	18/3/31※	18/9/30	Change
Notes & accounts payable	219	201	△ 18
Short-term borrowings	344	370	+26
Others	136	142	+6
Total current liabilities	699	713	+14
Long-term debt	132	116	△ 16
Others	69	67	△ 2
Total long-term liabilities	201	183	△ 18
Total liabilities	900	896	△ 4
Capital stock	242	242	0
Capital surplus	55	55	0
Retained earnings	△ 35	△ 23	+12
Others	73	72	△ 1
Total net assets	335	346	+11
Total liabilities and net assets	1,235	1,242	+7

Investment Plan (Capital/Overseas Investment) & CF

FY2016 Result	Capital investments	¥2.9 billion in Japan and overseas	New ¥300 million	Total ¥3.2 billion
	Depreciation expense	¥2.9 billion		
FY2017 Result	Capital investments	¥3.0 billion in Japan and overseas	New ¥400 million	Total ¥3.4 billion
	Depreciation expense	¥2.9 billion		
FY2018 Forecast	Capital investments	¥3.2 billion in Japan and overseas	New ¥400 million	Total ¥3.6 billion
	Depreciation expense	¥3.2 billion		



< Major Investment Plans for FY2018 >

【Japan and overseas】Renewal of facilities, rationalization and labor saving

【New business】 Capital investments in new business

2Q investment results

¥1.92 billion

Domestic ¥1.24 billion

Overseas ¥680 million

SWCC network

Domestic bases

■ Main Offices

Kanagawa, Osaka, Nagoya, Sapporo, Sendai, Hiroshima, Fukuoka

■ Major manufacturing sites

Aomori City, Aomori Prefecture; Shibata-gun, Miyagi Prefecture; Watari-gun, Miyagi Prefecture; Sakata City, Yamagata Prefecture; Koga City, Ibaraki Prefecture; Ota Ward, Tokyo; Sagami City, Kanagawa Prefecture; Ebina City, Kanagawa Prefecture; Isehara City, Kanagawa Prefecture; Minami Alps City, Yamanashi Prefecture; Toyokawa City, Aichi Prefecture; Inabe City, Mie Prefecture; Akaiwa City, Okayama Prefecture



Sagami Office
(Sagami City, Kanagawa Prefecture)



Mie Office
(Inabe City, Mie Prefecture)



Sendai Office
(Shibata-gun, Miyagi Prefecture)



Ebina Plant
(Ebina City, Kanagawa Prefecture)



Aichi Plant
(Toyokawa City, Aichi Prefecture)



Koga Plant
(Koga City, Ibaraki Prefecture)

Overseas bases

■ Major Offices

Shanghai, Hong Kong, Taipei, Singapore

■ Major manufacturing sites

Tianjin City, China, Xintai City, Shandong Province, China, Jiaxing City, Zhejiang Province, China, Zhejiang Province, Hangzhou Fuyang District, China, Fuqing City, Fujian Province, China, Dongguan City, Guangdong Province, China, Hanoi City, Vietnam



Jiaxing Showa Interconnect Products Co., Ltd.
(Jiaxing City, Zhejiang Province, China)



Fuqing Showa Precision Electronics Co., Ltd.
(Fuqing City, Fujian Province, China)



Showa-TBEA (Shan Dong) Cable Accessories Co., Ltd.
(Xintai City, Shandong Province, China)



FUTURE SHOWA WIRE & CABLE (HANGZHOU) CO., LTD.
(Zhejiang Province, Hangzhou Fuyang District, China)



SWCC Showa (VIETNAM) Co., Ltd.
(Hanoi, Vietnam)



SWCCDAIJI VIETNAM INTERCONNECT PRODUCTS CO., LTD.
(Hanoi, Vietnam)

FY3/19 Full-year Forecast

- Unchanged from the full-year forecast disclosed on July 31 (upwardly revised)

(Unit: 100 million yen)

	FY2017 Result	Composition %	FY2018 Plans	Composition %	YoY change %
Net sales	1,681	-	1,750	-	+4.1%
Gross profit	216.4	12.9%	-	-	-
Operating income	62.7	3.7%	54	3.1%	△ 14.0%
Ordinary income	48.9	2.9%	45	2.6%	△ 8.0%
Net income attributable to owners of parent	37.3	2.2%	33	1.9%	△ 11.7%

FY3/19 Segment Forecast

(Unit: 100 million yen)

	FY2017 Result		FY2018 Plan		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Electric Wire	781	22.6	835	15.3	+54	△ 7.3
Power System	263	17.5	270	15.9	+7	△ 1.6
Magnet Wire	212	2.4	209	1.5	△3	△ 0.9
Communication System	208	13.8	222	15.8	+14	+2.0
Device	202	11.3	197	10.6	△5	△ 0.7
Others	15	△ 4.9	17	△ 5.1	+2	△ 0.2
Total	1,681	62.7	1,750	54.0	+69	△ 8.7

The background features a stylized illustration of a globe. The top half of the globe is green, representing land, and is topped with a city skyline including a tall tower and several buildings. Wind turbines are scattered across the green area. The bottom half of the globe is blue, representing water. The sky is light blue with several white birds flying.

SWCC groups

Mid-Term Management Plan



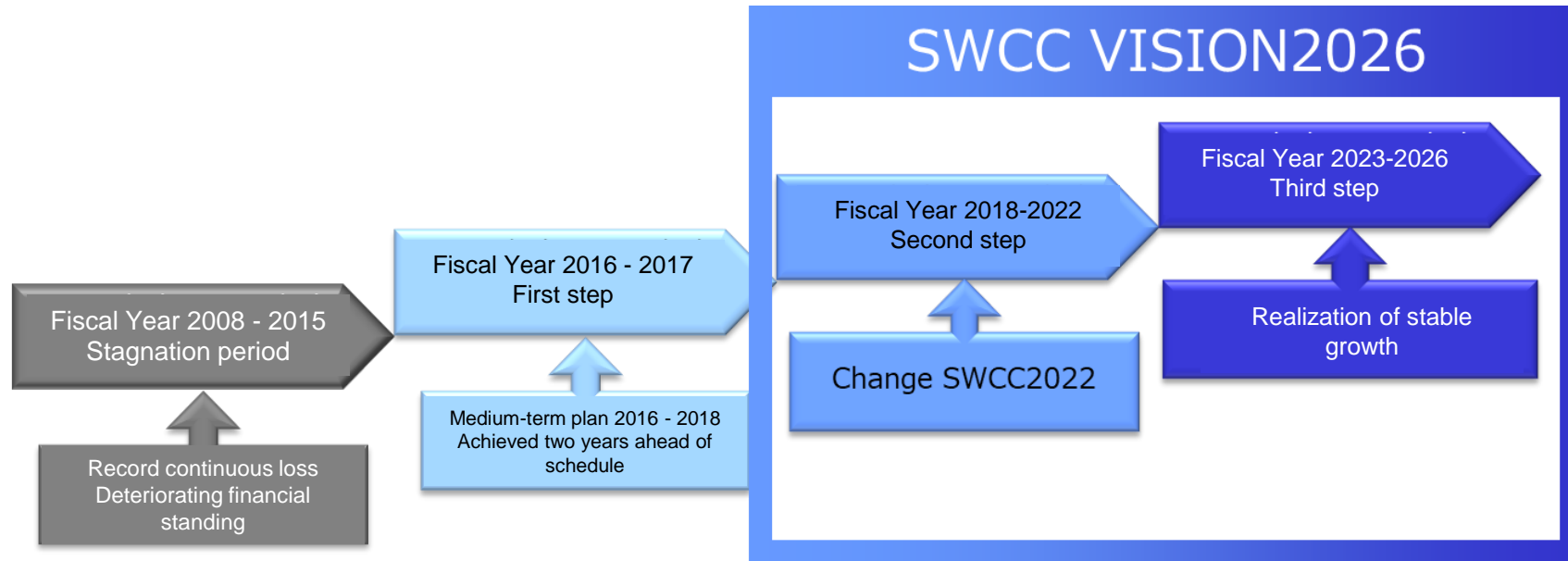
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Vision "SWCC VISION2026"

Medium-Term Management Plan "Change SWCC2022"



Company that can change according to the environment and maximize its corporate value

First Step (Fiscal Year 2016 - 2017)
Mid-Term Plan 2016 - 2018 【Structural Reform, Recovery of Trust and Establishment of Existing Business】

Second Step (FY 2018 - 2022)
Change SWCC 2022 【Structural Reform, Growth Strategy】

To fulfill our social mission while achieving stable growth

SWCC VISION 2026

Mission (raison d'etre: purpose for the business)

**Providing solutions that are needed by society and
that support people's lives**

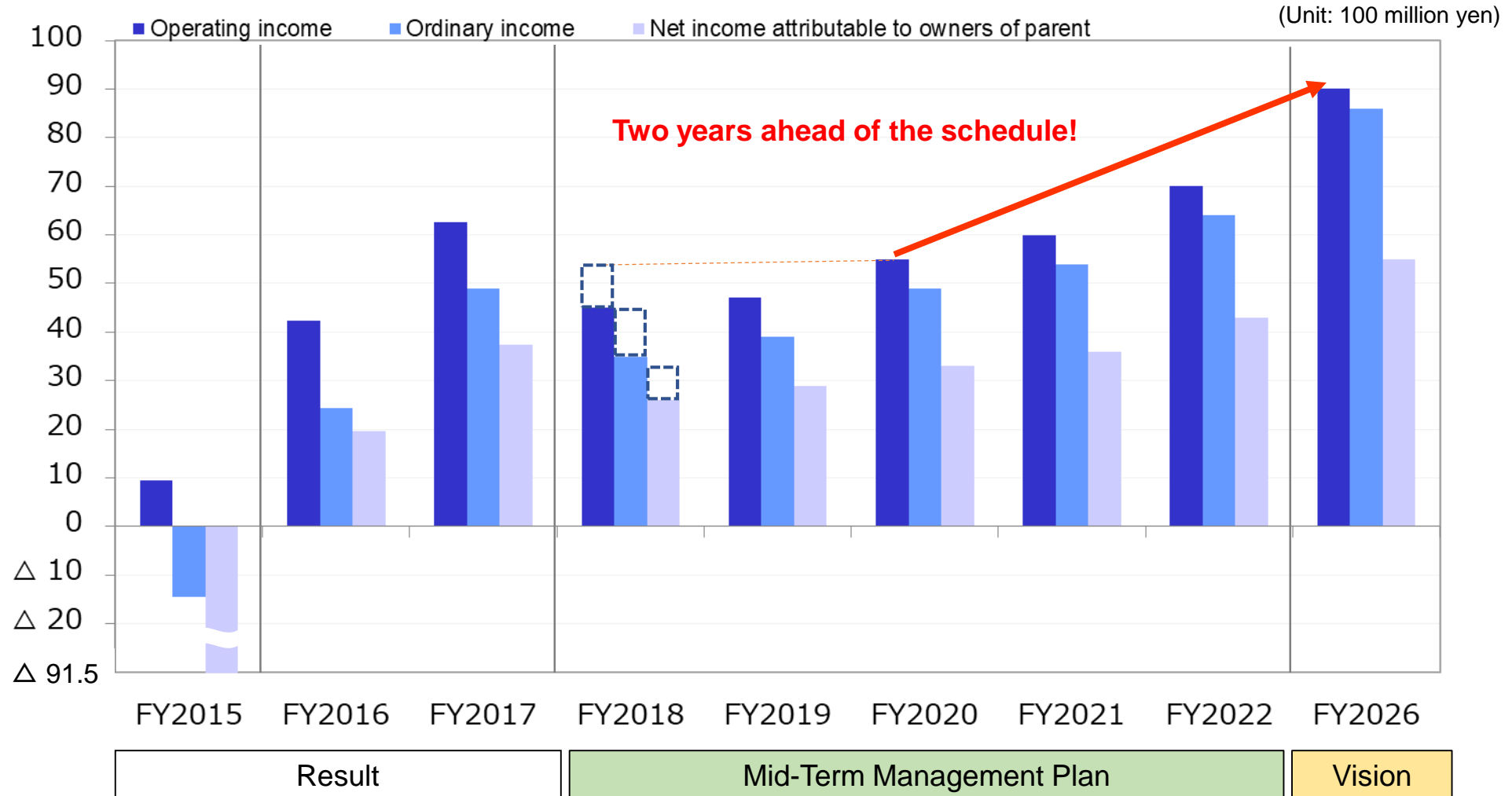
Value

(Employee Values: Attitudes toward the Realization of Our Mission)

Identify customers' needs through

[Fast], [Passion], and [Thinking]

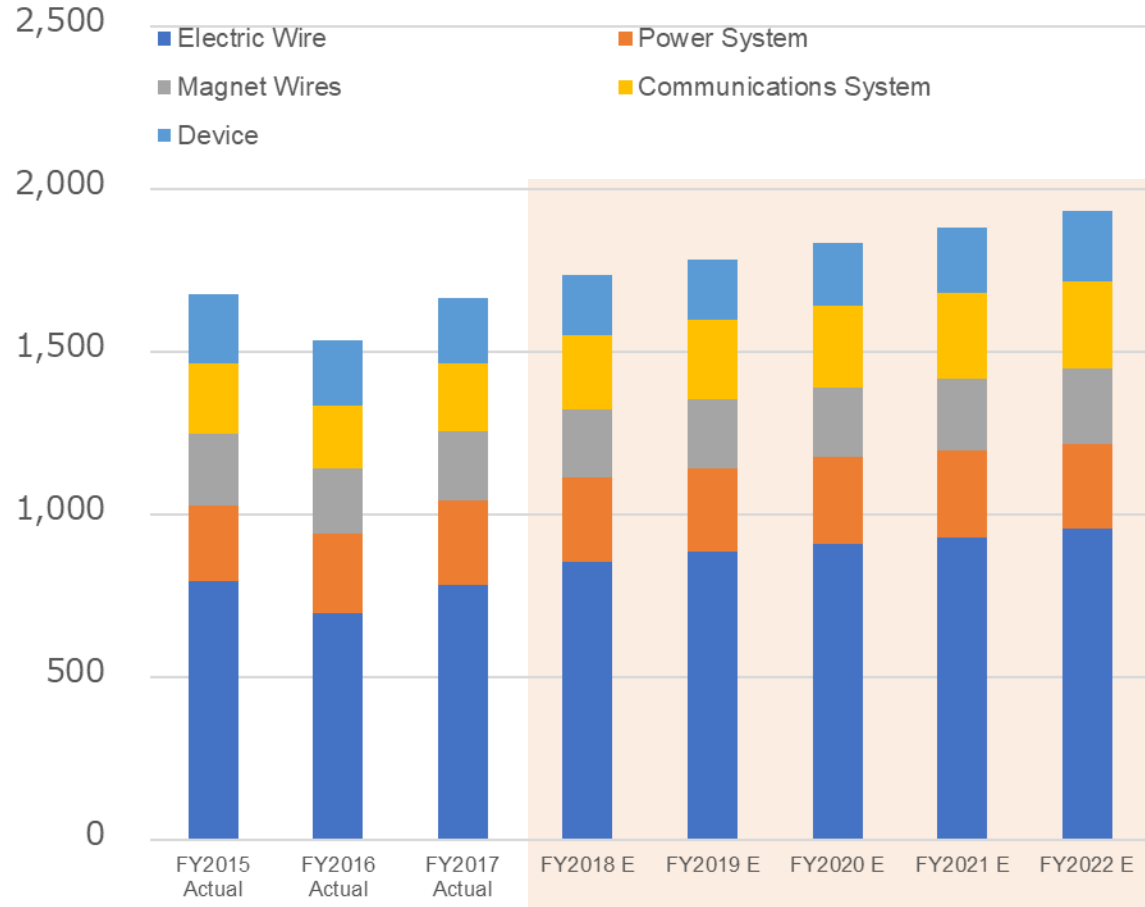
Medium-Term Management Plan: Earnings Plan



Medium-Term Management Plan: Segment Sales/Operating Income Plan

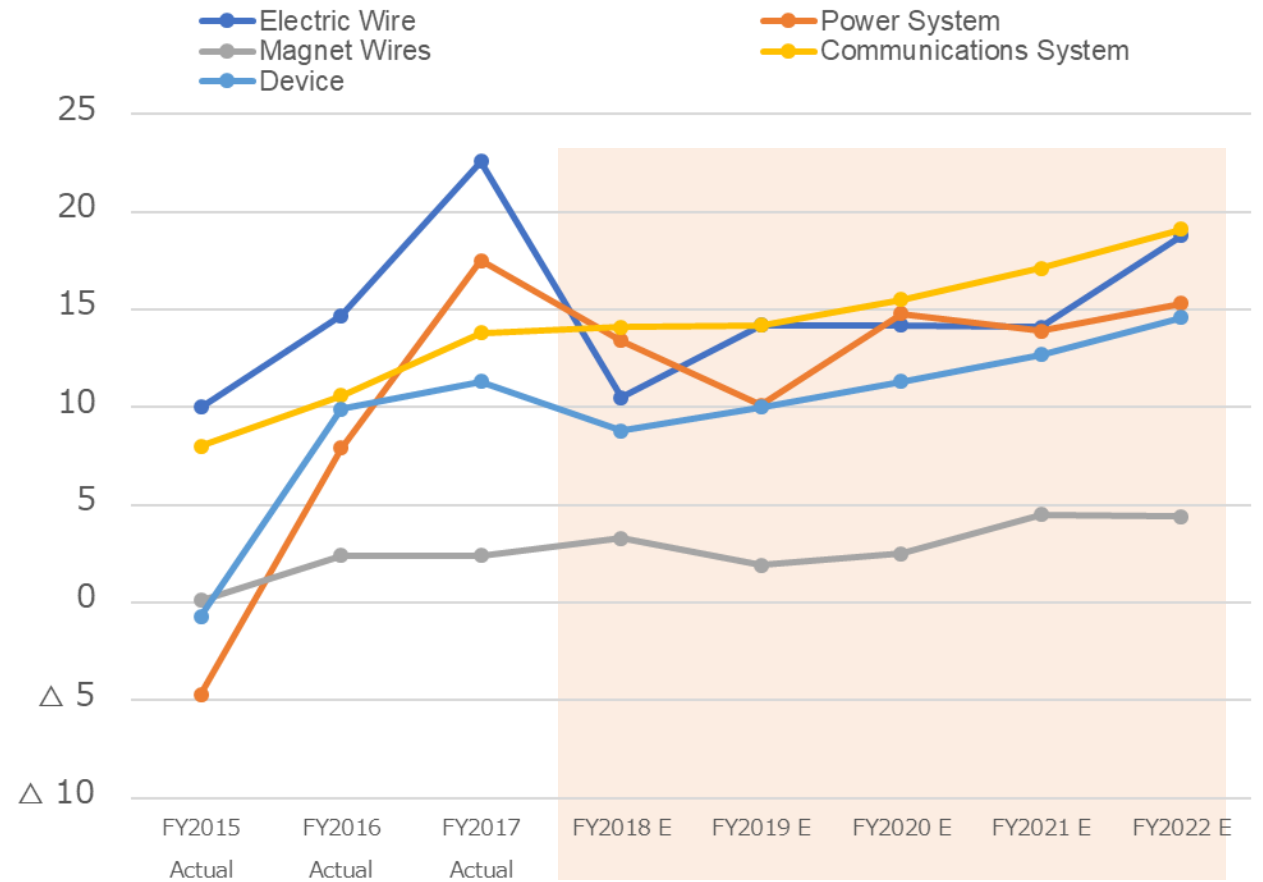
(Unit: 100 million yen)

Sales plan

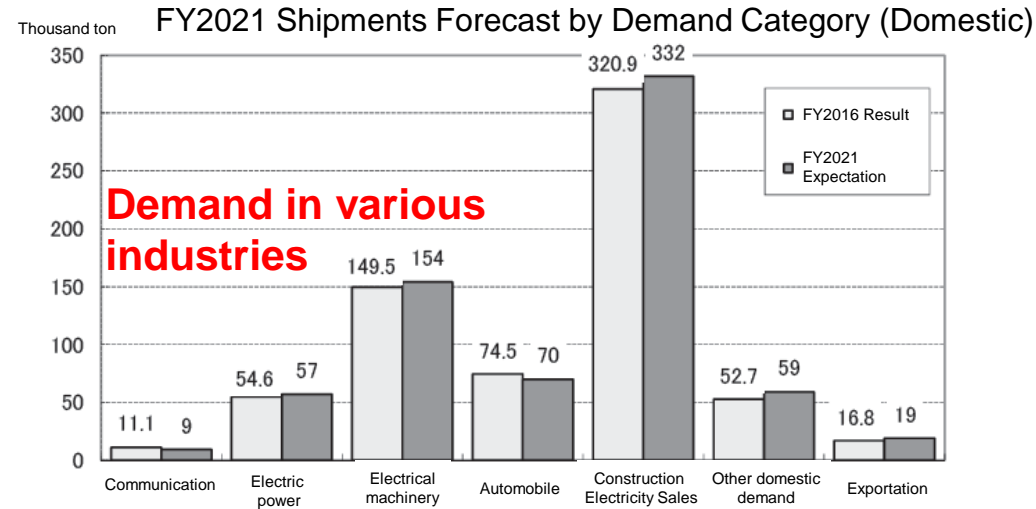


(Unit: 100 million yen)

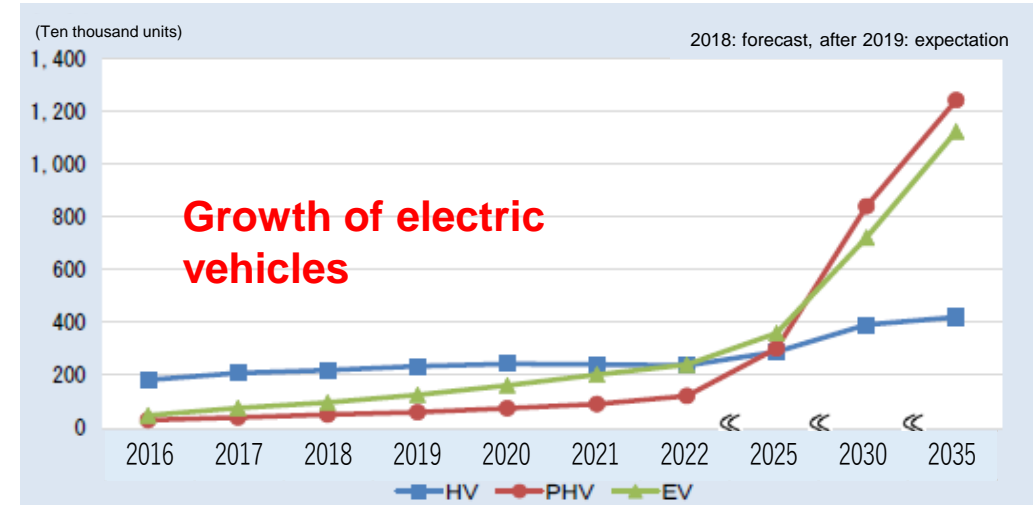
Operating income plan



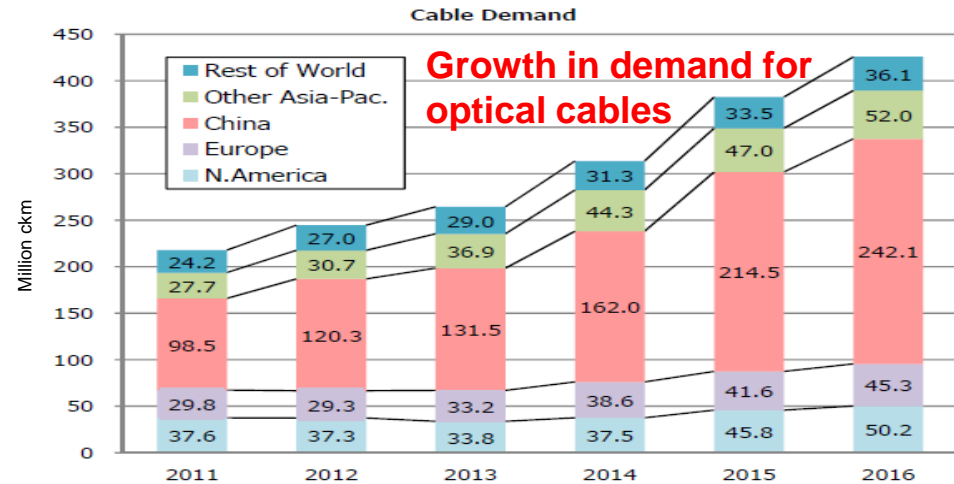
Forecast for electric wire and cable-related demand



Source: Electric wire telegram "FY2017 Revised Cable Demand Outlook and FY2021 Medium-Term Cable Demand Outlook"



Source: Fuji Keizai's Global Market Survey of HV, PHV, and EV



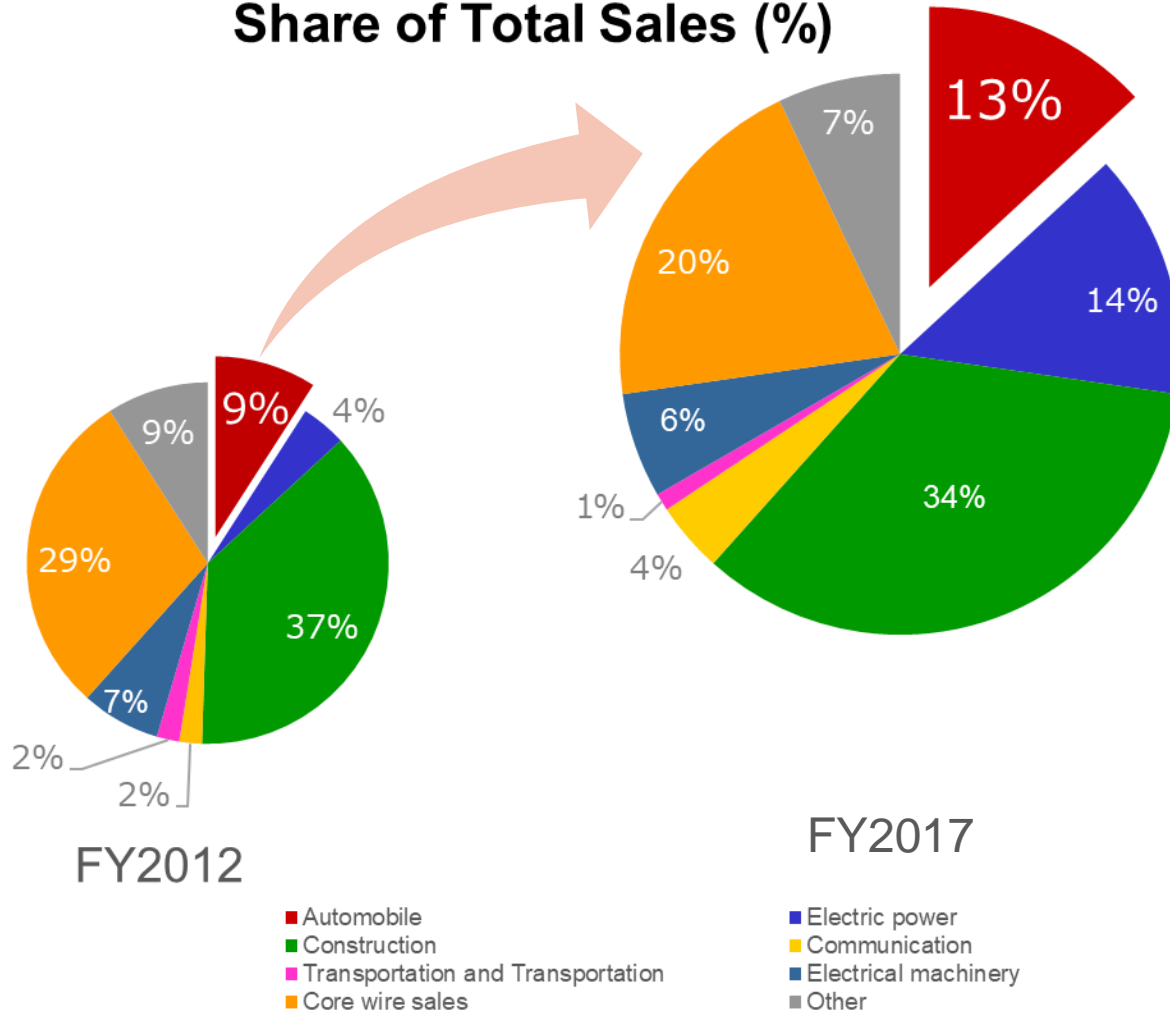
Source: Prepared by CRU Monitor Optical Fibre and Cable
SWCC Creating for the Future



Source: 2017 Nomura Research Institute
 [Expansion of the IoT market and utilization of IoT in Japan]

Composition of Net Sales (Major Companies by Demand Division)

Share of Total Sales (%)



- Automobiles: Capturing demand due to the **evolution of EV**
- For electric power: Capturing demand in growth fields by promoting shift to **renewable energy**
- For construction: **Capturing Stable Demand** for redevelopment and renewal of buildings
- Transportation: Capturing demand through use of ICT in the **railway sector**, energy conservation and environmental measures, and responses to natural disasters
- Electrical machinery: Capturing new demand from **IoT, FA & robotization, and healthcare**
- Core wire sales: Respond to industry needs
- Others: Promoting R&D including sales to logistics companies and superconducting

Awareness of the External Environment: Business Activities for Sustainable Growth

Global Trends: Keyword Infrastructure Renewal, Fourth Industrial Revolution, Renewable Energy

1. COP21 adopts the Paris Agreement, an international rule on global warming countermeasures
2. United Nations adopts the Sustainable Development Goals (SDGs)

Transformation of the electricity market through separation of power generation and transmission

Spread of AI

Expansion of IoT

Make logistics more efficient

Labor shortages due to the declining birthrate and aging population

Increase in EV and HV cars

Measures against aging of infrastructure

Improvement of the work environment

Practical application of automatic operation

Core business

Growth business

New business



Medium-Term Management Plan 2022 Basic Policy

Continuous Structural Reforms

1. Optimize group structure
2. Reorganize production bases based on medium-to long-term demand trends
3. Reform low-profit, unprofitable businesses
4. Early restructure overseas businesses

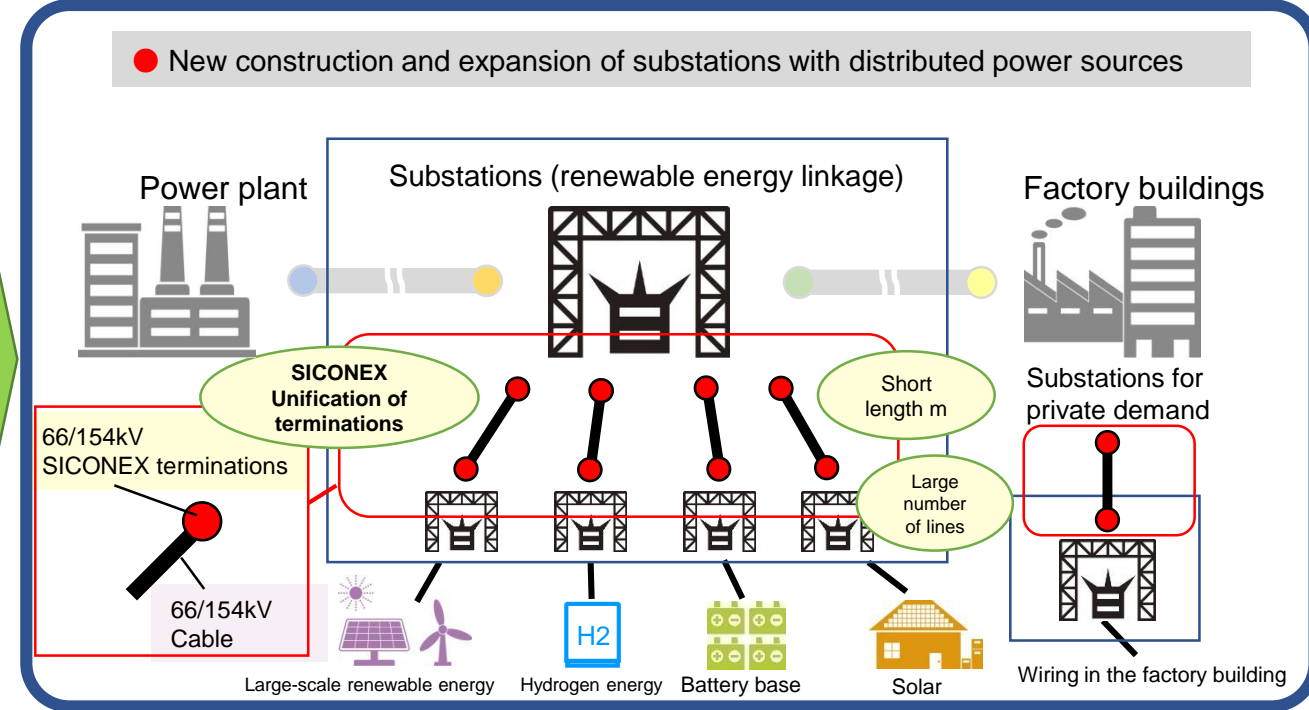
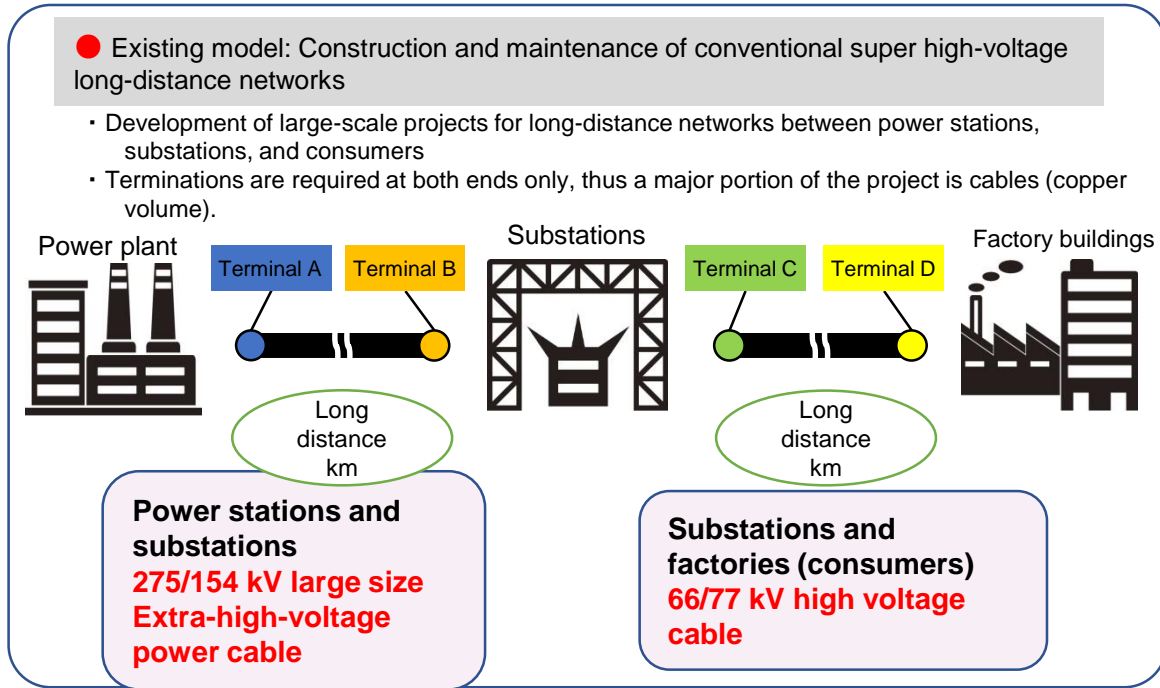


Basic Policy of Medium-Term Management Plan 2022

1. Improving profitability
2. Creation of new business activities
3. New development of overseas businesses

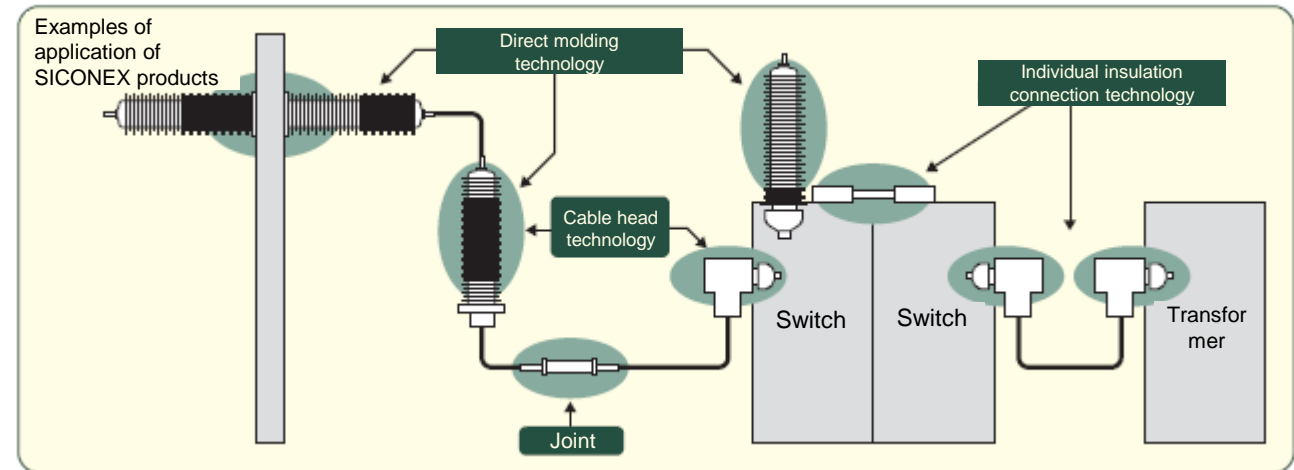
Mid-term Management Plan 2022: Strengthen business profitability

- **Rapid changes in the electricity market environment due to the paradigm shift.** Demand for long-distance ultra-high voltage cables will not grow due to the diversification of power sources. On the other hand, the number of high-voltage cable connections for the expansion of equipment in substations increased due to the increase in cooperation with renewable energy. While the route length is short, the number of circuits and terminations are increasing, and by unifying the routes into SICONEX terminations, it is possible to save manpower and shorten the construction period, and it is aiming to strengthen profitability.



SWCC Cable Systems: SICONEX

- SICONEX, a component for electric power equipment, has been downsized to reduce weight. Reduction of space and parts can save manpower and shorten the construction period.

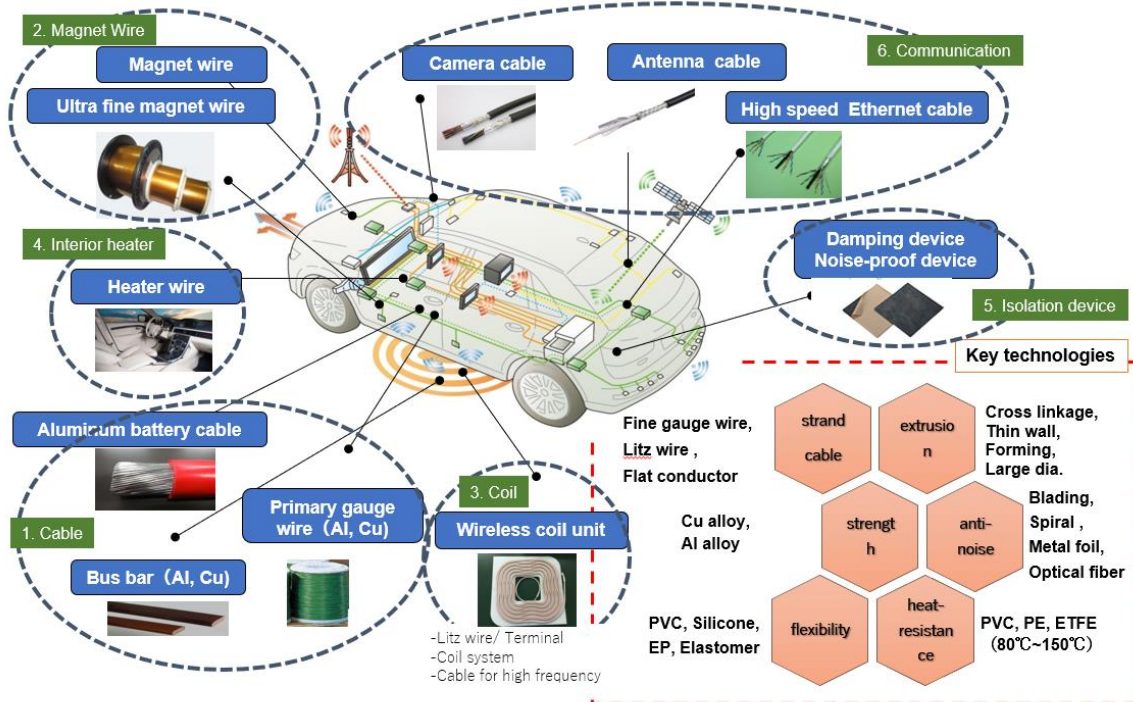


Medium-Term Management Plan 2022: Creation of New Businesses

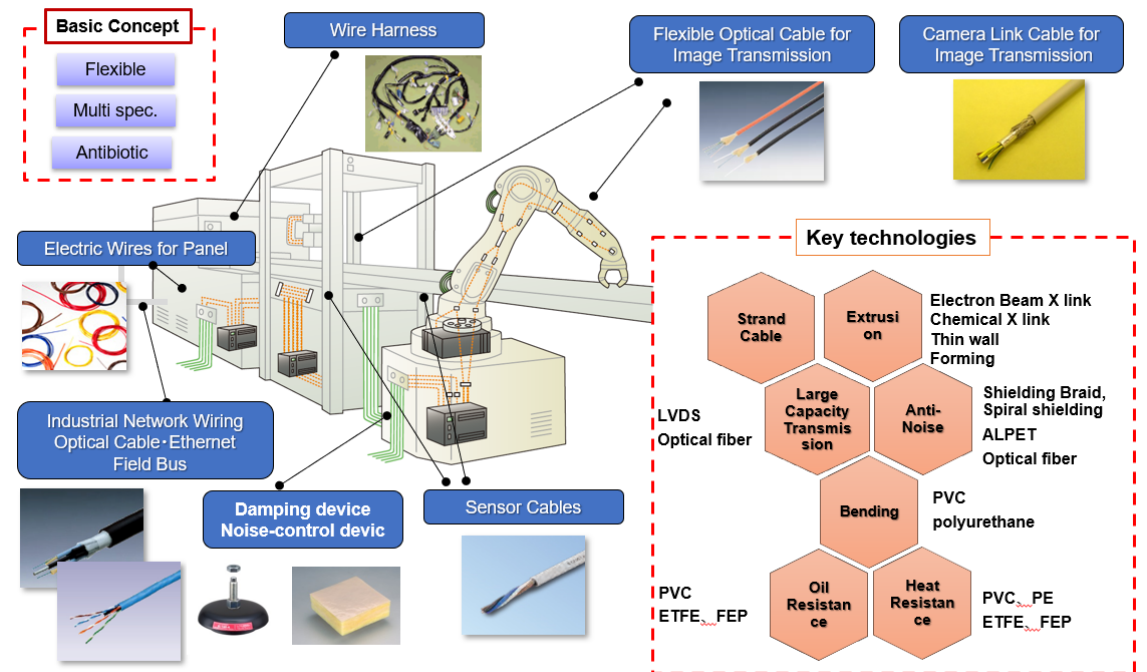
~ In addition to concentrating the Group's management resources to create new businesses, expand business domains through Open Innovation, technology collaboration and M&A

① EV/Automotive-related ② FA ③ Medical

Key technologies for Automobile



Key technologies for Factory Automation





SWCC “Oxygen free copper”

- Oxygen-free copper, which has a high conductivity of 99.99% and excellent machining performance with “the Dip Forming System”, the only available production method in Japan
- Diverse applications not only for electric wires and cables, but also automotive components



【Comparison table of common tough pitch copper and MiDIP®】

	Tough pitch copper	MiDIP® OFC
Before hydrogen embrittlement	Many copper oxides (Black part is copper oxide) 	Less copper oxide 
After hydrogen embrittlement	Bubbles and gaps are formed at grain boundaries 	No bubbles and gaps 
Bending test	Cracks tend to occur from grain boundaries due to bending after hydrogen embrittlement 	Cracking due to bending hardly occurs even after hydrogen embrittlement 

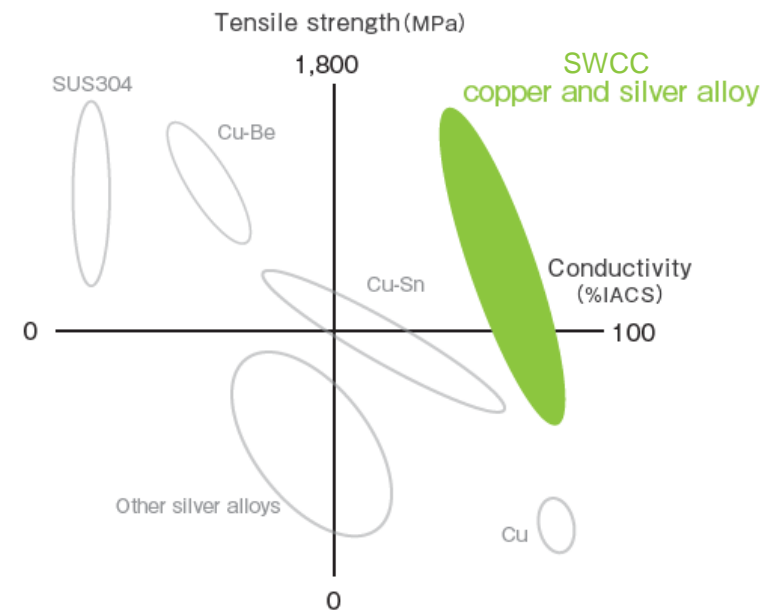
•MiDIP is a registered trademark of SWCC Showa Cable Systems Co., Ltd. (We only have trademark rights in Japan)

SWCC “Copper and silver alloy”

- Balance between high strength and high electric power factor, and flexibility and ultra-fine machinability
- Diverse applications, including automobiles, medical devices, semiconductors, factory automation and industrial robots



【Balance chart of high strength and high conductivity】



Developing new technologies

• Development of superconducting cable system

- Development of efficient transmission cable system in response to the global demand for conversion to renewable energy. Approximately 5% of the total power generated in Japan is lost due to electrical resistance.
- We jointly built a superconducting cable in Tianjin, China, with the FUTONG Group. A yttrium-based superconducting wire was used to pass the model test of the International High Power Systems Council (CIGRE). We will promote the practical use of superconducting transmission technology to make effective use of electric energy, which has been lost as heat due to the electrical resistance of transmission lines.



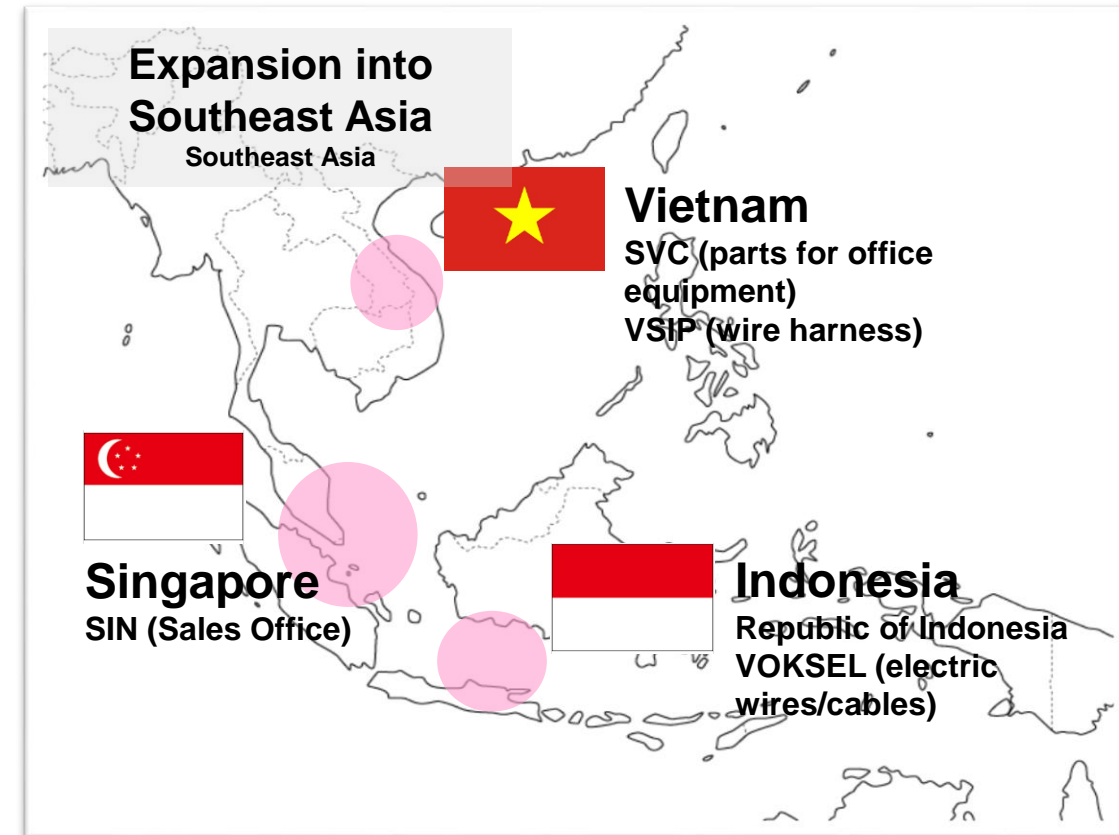
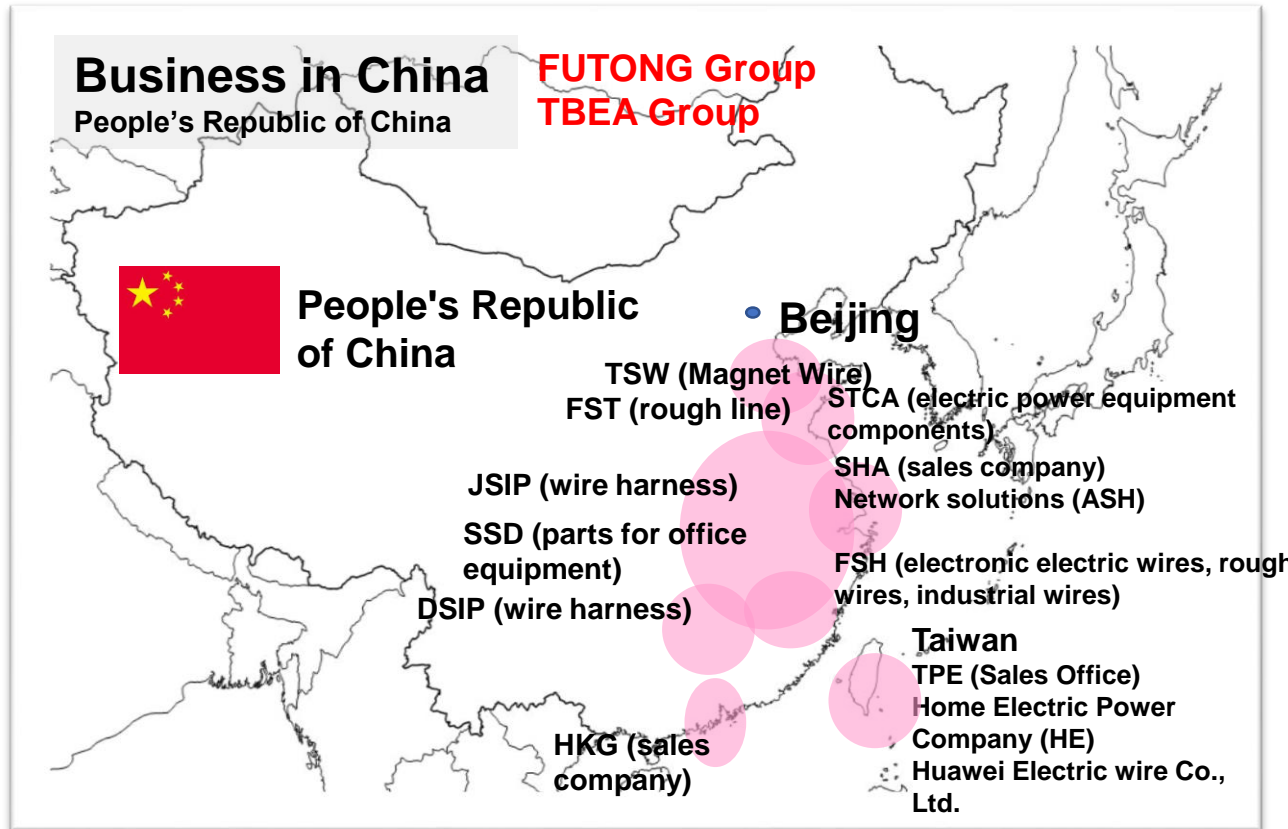
Superconducting cables and terminations operating in Tianjin



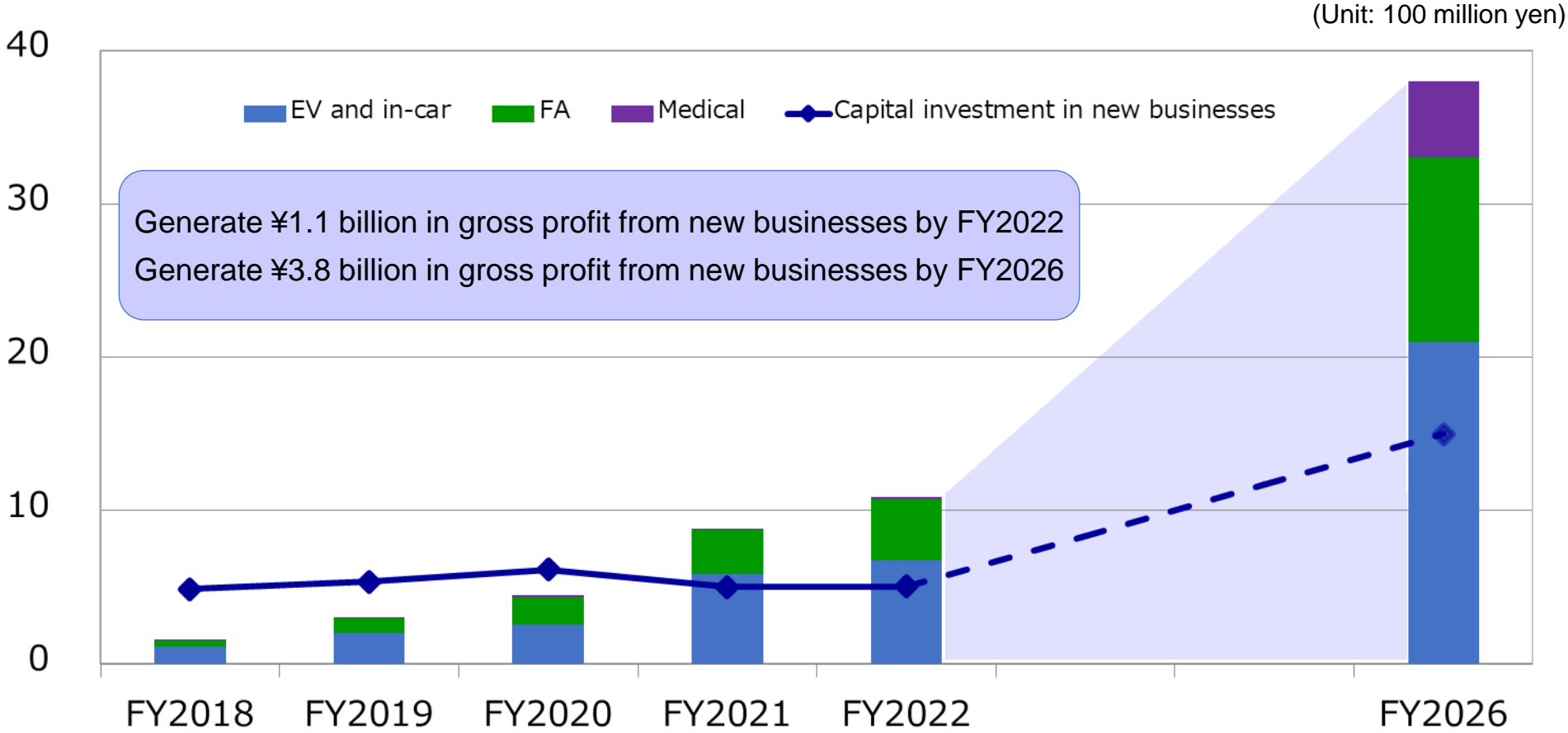
35 kV superconducting yttrium-based superconducting cable

Medium-Term Management Plan 2022: Expansion of Overseas Business

- **Maintain and strengthen relationships with overseas partners (expand into Southeast Asia)**
 - ~ Promoting the deepening of transactions with local companies other than Japanese companies



Profit targets and capital investment in new business



Generate ¥1.1 billion in gross profit from new businesses by FY2022
 Generate ¥3.8 billion in gross profit from new businesses by FY2026

Cumulative investment in new businesses of ¥5 billion or more by FY2026

Coefficient target for FY2026: KPI

(Unit: 100 million yen)

	FY2015 Result	FY2017 Result	FY2022 Mid-Term Management Plan	VISION 2026
Net sales	1,697	1,681	1,950	1,950
Operating income	9.4	62.7	70.0	90.0
Ordinary income	△ 14.6	48.9	64.0	86.0
Net income attributable to owners of parent	△ 91.5	37.3	43.0	55.0

Operating income margin	0.6%	3.7%	3.6%	4.6%
Dividends/Payout Ratio	-	5 yen (4.0%)	20 yen or more (about 20%)	50 yen or more (about 30%)
Interest-bearing liabilities	575	490	400 or less	300 or less
DE ratio ※	227%	149%	Not more than 90%	Not more than 50%
Net assets	257	334	470 or more	600 or more
Equity Ratio	20.6%	26.5%	35% or more	40% or more

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

ESG Initiatives: 2018 CSR Report



昭 and 電線ホールディングス株式会社

<http://www.swcc.co.jp/environment/report/pdf/2018/csr1800.pdf>

- The Group will celebrate its 90th anniversary in 2026. As we reach this milestone, we are striving to fulfill our social mission and achieve stable growth, with the **goal of becoming a company that can change in accordance with the environment and maximize its corporate value.**

E

- Contributing to environmental protection and sustainable development of society through company business
- Reduction of CO2 and VOC
- Effective use of resources
- Promoting the development and commercialization of environmentally-friendly products
- Actions for Biodiversity Conservation

S

- Implementation of occupational health and safety activities
- Sustained improvement of quality management effectiveness
- Promoting Employee Work-Life Balance and Creating an Environmentally Friendly Work Environment
- Maintain and improve good communication with stakeholders

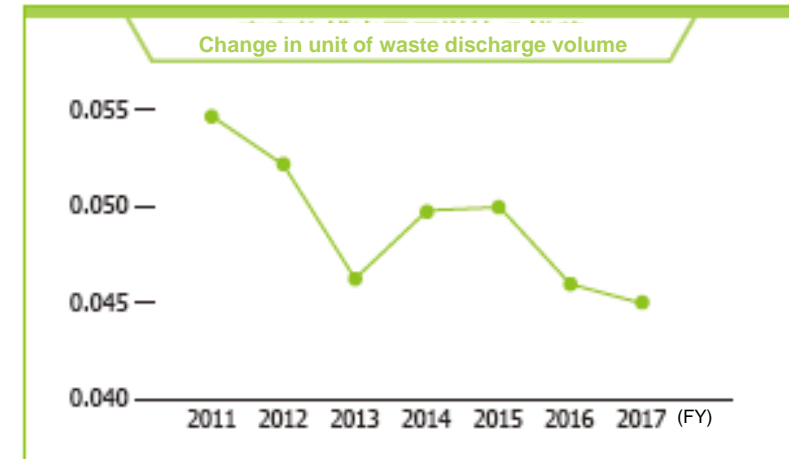
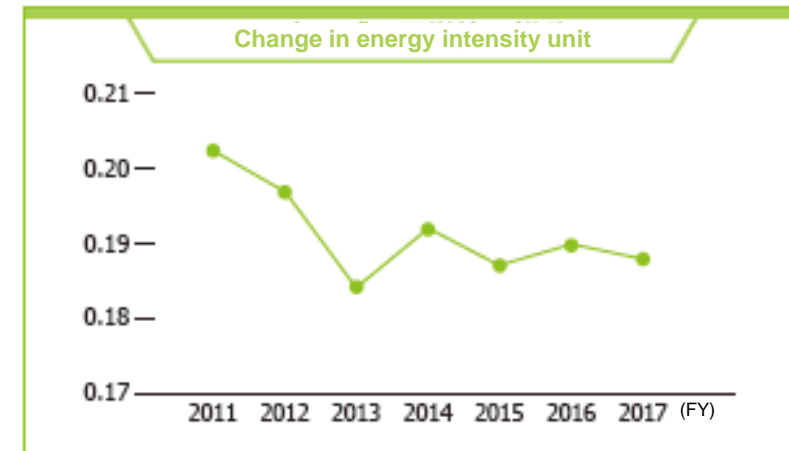
G

- Thorough compliance
- Strengthening cyber security measures
- To manage and reduce important risks in business activities
- Improving Transparency through Information Disclosure

Results of FY2017 Environmental Conservation Activities

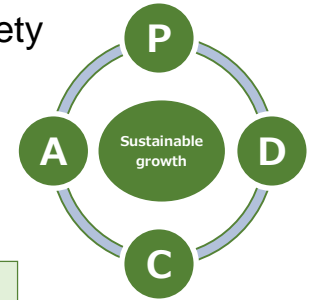
- In fiscal 2017, we were able to achieve our targets, except for the promotion of zero emissions, as shown in the table below.

Activity Items	FY2017 Targets	Result	Evaluation
Energy saving (CO2 reduction)	Reduce unit energy consumption by 2% or more from the standard value	2.1%	○
	Reduce energy consumption by at least 1.3% of the standard value through energy conservation improvement measures	1.5%	○
Reduce waste generation	Reduce emissions per unit of production by at least 2% from the standard value	4.9%	○
Promotion of zero emission	Maintain zero emissions at all production sites (10 sites). (Reduce the final disposal rate of waste to 0.5% or less of the amount discharged)	Not achieved in 2 sites	×
Enhancement of control on chemical substances	Reduce atmospheric VOC emissions by 7.2% or more from the standard value.	27.2%	○
Increase Environment-Contributing Products	More than 12 new registers of environment-contributing products.	12	○
Biodiversity Conservation	Promote initiatives based on the Biodiversity Guidelines.	Implemented measures	○



Fulfilling our social mission through our business activities

1. Fulfilling our social mission through our business activities and contributing to the sustainable development of society
2. Supporting a Safe and Secure Society through Environmentally Conscious Product Development Activities
3. Complying with laws and regulations and building good relationships with all stakeholders



World movement

Global Efforts to Curtail Climate Change (Paris Agreement)

Establishment of Sustainable Development Goals (Initiatives for the United Nations SDGs)

Evaluating ESG as a company,
Be used for investment decisions

Improvement of the work environment through work style reform

Our business activities

[Infrastructure & Electronic Devices Business]

Electric power cables, components, construction
Cables for electrical construction and sales
Communication cables/optical fibers
Seismic isolation materials and systems
Parts for copiers
Harnesses for home appliances and industrial equipment
IT solutions

New business

High-performance, oxygen-free copper, in-vehicle heater wires
Wires for in-vehicle electric cables and windings for in-vehicle/electronic components
Special electric wires for medical purposes and composite cables

Contributing to Environment & Society

Through our business activities

Contributing to the sustainable development of the environment and society

- Reduction of CO2 and VOC
- Effective use of resources
- Promoting the development and commercialization of environmentally-friendly products
- Actions for Biodiversity Conservation
- Implementation of occupational health and safety activities
- Work-life balance of employees
- Promoting activities and creating a comfortable working environment
- In good relations with stakeholders
- Maintain and improve communication

Governance

- To ensure thorough compliance and strengthen cyber security measures
- Management of important risks in business activities and improvement of transparency through reduction and disclosure of information, etc.

SDGs Initiatives



In September 2015, the 2030 Agenda for Sustainable Development was unanimously adopted at the UN Summit. The agenda consists of 17 goals and 169 targets. This goal is defined not only as a company, but also as an effort by industrialized countries, developing countries, governments, schools, and individuals. Based on the philosophy of "no one is left behind," by 2030, we will work to resolve social issues such as poverty, hunger, education, and health. At the same time, we will take comprehensive measures to address a wide range of issues, including climate change countermeasures and environmental protection, in order to realize a sustainable society.

The SWCC Group will also promote SDGs initiatives.



Creating for the Future

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

Contact

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Corporate Planning Department, Business
Strategy Division
TEL:044-223-0520
E-mail:kouho@hd.swcc.co.jp

An illustration of a globe showing the Americas. On top of the globe is a green landmass with a city skyline including a tall tower, several buildings, and two wind turbines. The sky is light blue with several white birds flying. The globe itself is dark blue with white outlines of continents.

Forward-looking statements in this document are based on information available at the time of publication and contain potential risks and uncertainties. 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.

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

<Appendix>



Creating for the Future

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


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Structural Reforms under the Previous Medium-Term Management Plan

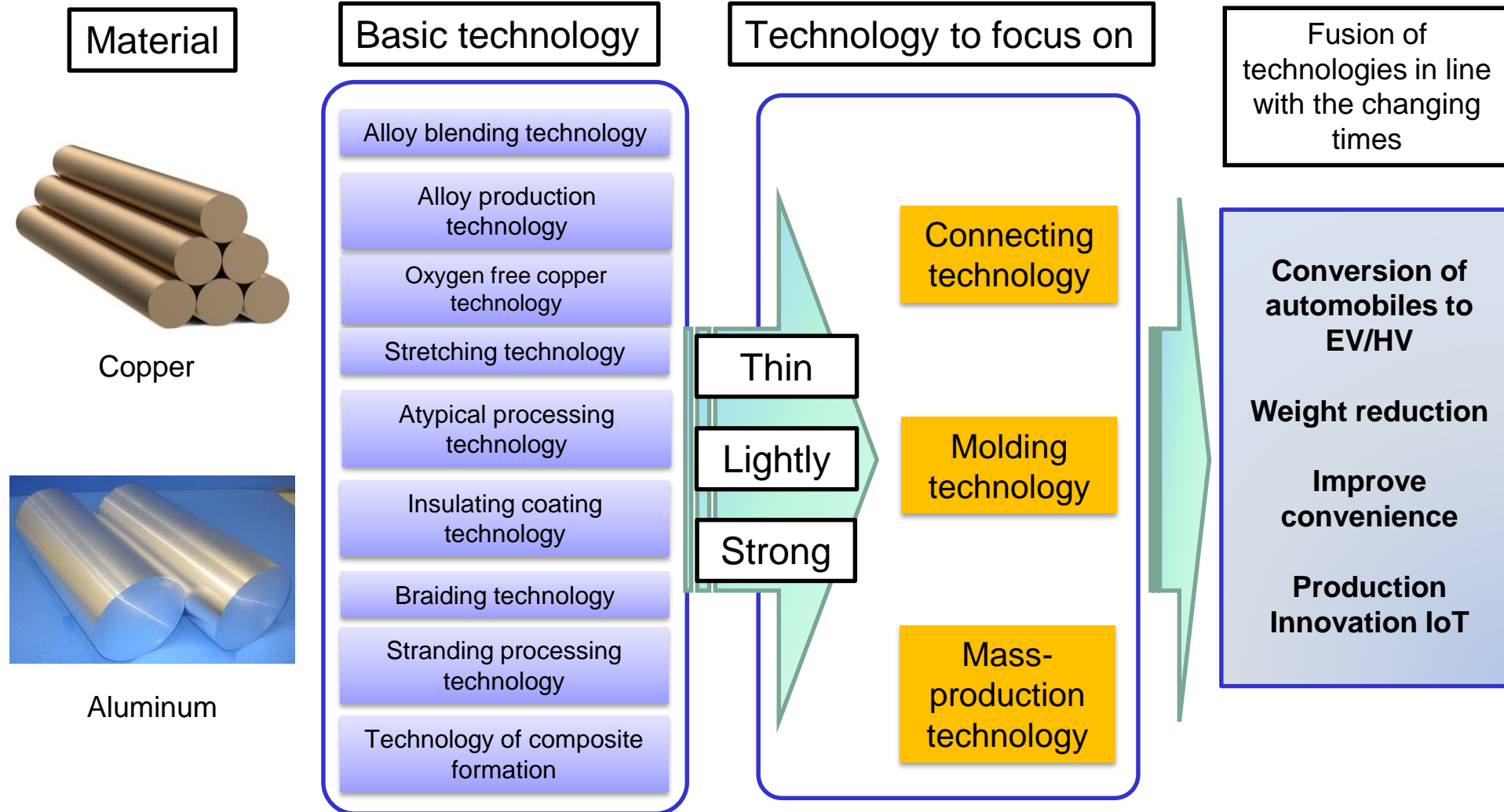
	Comment
Reorganization and Streamlining	<ul style="list-style-type: none"> ① Reviewing the holding company functions and streamlining the organization ② Reorganization of operating companies ⇒ Integration of three domestic consolidated operating companies ③ Continue structural reforms of the electric power system ⇒ Focus on domestic demand and improve profitability ④ Restructuring of Wire Harness ⇒ Reduction of Fixed Costs and Revision of Overseas Production Structure ⑤ Relocated head office functions (Minato-ku, Tokyo ⇒ Kawasaki City)
Effective use of assets	<ul style="list-style-type: none"> ① Utilization of idle facilities and land (electric power system) ② Consolidation of group bases (distribution warehouses, sales offices) ③ Sale of assets (investment securities)
Toward Recovery of unprofitable operations	<ul style="list-style-type: none"> ① Achieved profitability in all business segments
Toward Recovery of Overseas business	<ul style="list-style-type: none"> ② Overseas Magnet Wire subsidiaries continue to restructure with joint venture partners

Achieved the medium-term plan one year ahead of schedule

Mid-term Management Plan 2022: Strengthen business profitability

	Item
Strengthening business profitability	<ol style="list-style-type: none">1. Consolidation of Group management resources [Structural reforms]<ol style="list-style-type: none">① To build a more efficient operation system② Consolidation and reorganization of production and distribution bases③ Consolidation, reorganization, and streamlining of group companies2. Tie-ups with other companies Effective use of facilities through business tie-ups, outsourcing of production, consignment, etc.3. Improvement of labor productivity IT-based business improvement [Work process improvement ⇒ Work style reform]
	 <p data-bbox="690 1136 2188 1262">[Downsizing or withdrawal from unprofitable businesses]</p>

Medium-Term Management Plan 2022: Group's Core Technologies



Medium-Term Management Plan 2022: Expansion of Overseas Business

**New
development
of overseas
business**

Item

① Growth strategy of the joint venture in China

Partnership with FUTONG SHOWA WIRE & CABLE (HANGZHOU) CO., LTD.
Capturing EV-related demand in China



② Growth strategy of the Device segment

[Expansion to industrial equipment and automotive applications]

March 2018 Established a new company in Vietnam for the wire harness business

③ Cooperation with overseas partners



Operating income of overseas subsidiaries: 440 million yen in FY2017 ⇒ 650 million yen in FY2022
Income of overseas equity method affiliates: -420 million yen in FY2017 ⇒ 400 million yen in FY2022

<MEMO>
