



SWCC Group Q3 FY3/2023

# Progress in Financial Results for the Third Quarter and Initiatives to Achieve the Full-Year Plan

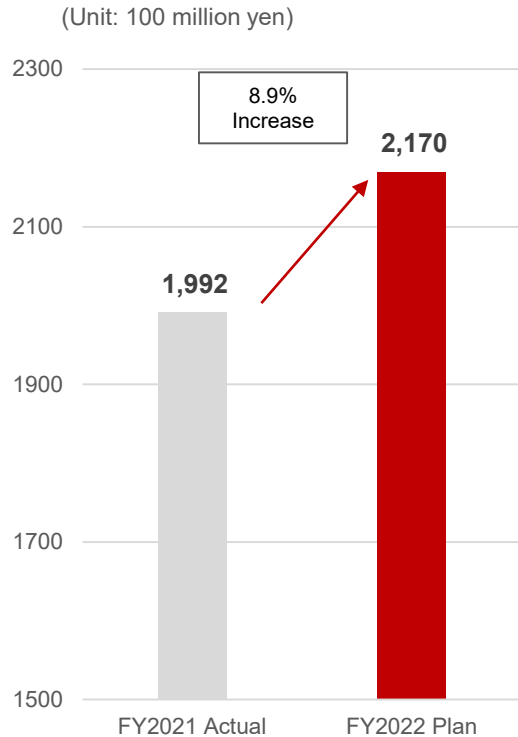
Feb 3, 2023

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

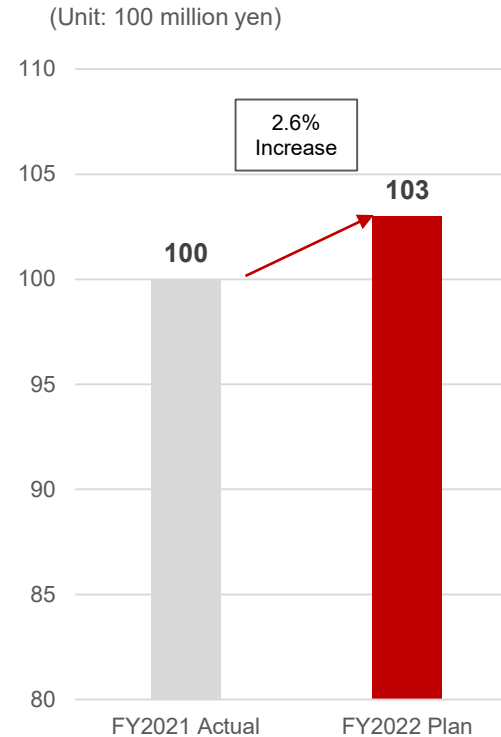
# 1. Progress in Q3 FY2022 Financial Results and Initiatives to Achieve the Full-Year Plan

# FY2022: Full-year Forecasts

## Net sales



## Operating income



## Ordinary income

**10.3 billion yen**  
(YoY : 4.2% increase)

## Net income attributable to owners of parent

**9.0 billion yen**  
(YoY : 3.8% decrease)

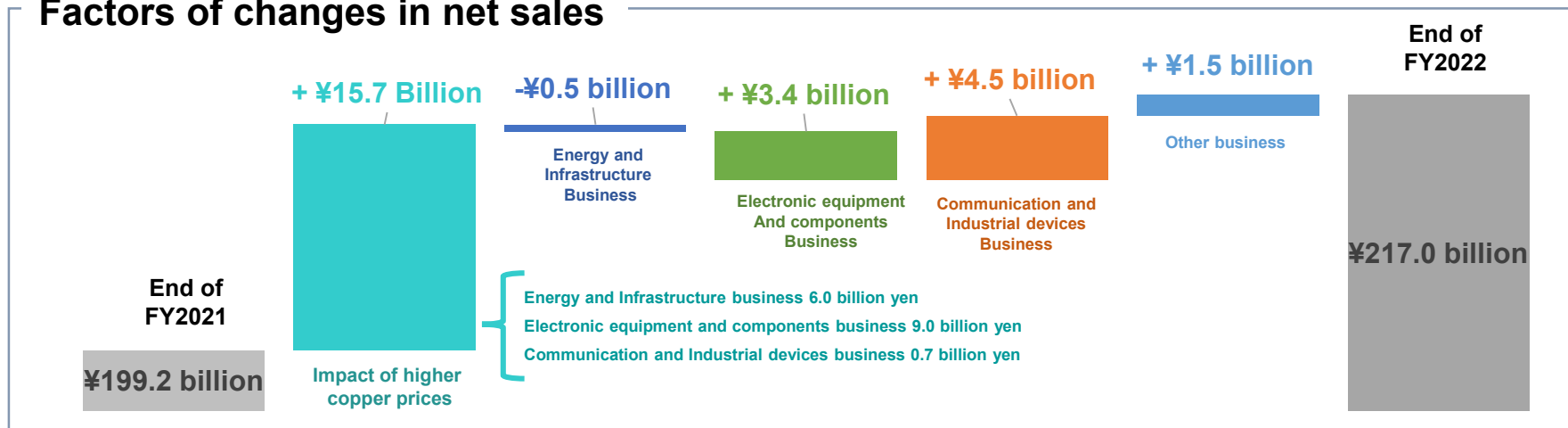
## Dividend/ Payout ratio

**60 yen / 20%**  
(YoY : 10 yen increase)

Despite the impact of further price hikes in raw materials and disruptions in the supply chain, we plan to increase profit due to the effects of various measures and structural reforms.

# FY2022 Factors of Changes in Full-year Plan

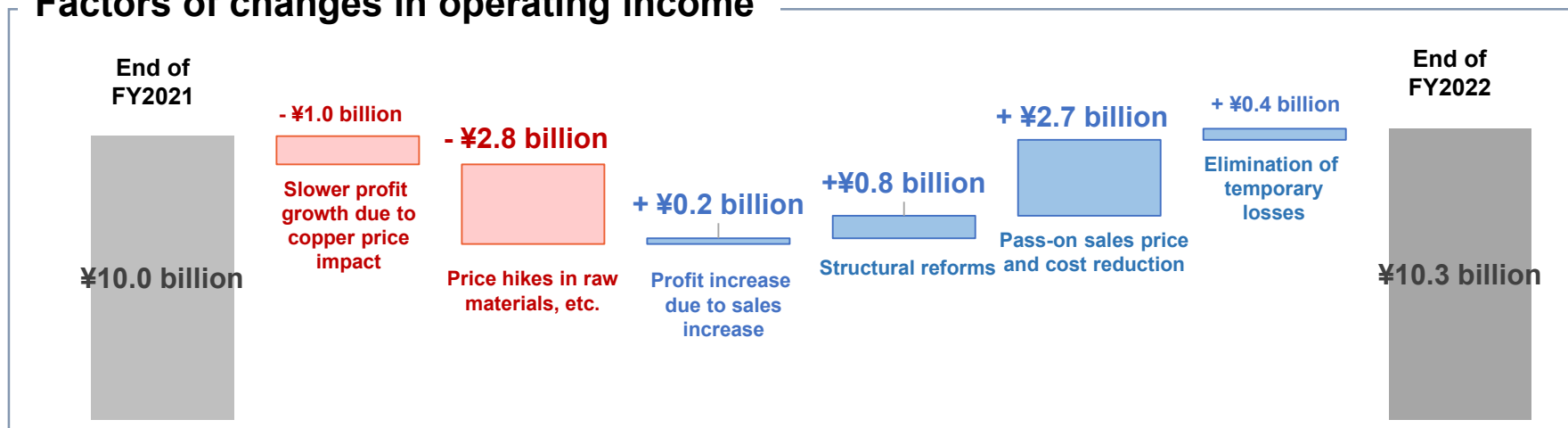
## Factors of changes in net sales



[Initiatives for the current fiscal year]

In order to achieve the profit targets, we will ensure stable demand and recover from the slower profit growth due to the impact of increase in copper prices and the push down of profit due to the soaring raw material and other prices through structural reforms, increase in selling prices and reducing costs.

## Factors of changes in operating income



In particular, we expect to see benefits from the integration of SFCC production and sales and the reorganization of telecommunication cable production bases as part of structural reforms during the period under review.

# Measures for Soaring Raw Material Prices

< Full-year plan: Expected changes in operating income >

-¥2.8bn

+¥2.7bn

Soaring raw materials, etc.

Increasing selling prices and reducing costs

The difference, which was 200 million yen at the time of Q2, recovered to 100 million yen in Q3.

## Initiatives

### Energy and Infrastructure Business (transportation/fuel/other secondary materials/electricity costs)



**Construction-related business:** Increased selling price further (including energy costs) from January  
**Power Infrastructure business:** Steadily increased selling prices to electric power companies and private-sector equipment manufacturers.  
**Seismic isolation and vibration suppression business:** Established a material supply scheme from ordering companies and price negotiations for major customers.

### Electrical Equipment and Components Business (fuel/varnish/electricity cost)



**All products:** Introduced the surcharge system to pass on the increase in prices ahead of the industry as a countermeasure to soaring energy costs related to production. Introduced the surcharge system to pass on the increase in prices ahead of the industry as a countermeasure to soaring energy costs related to production.  
**Enamel wire:** Introduced market-linked system for varnish price.

### Communication and Industrial Devices Business (copper, production costs, other secondary materials, electricity costs)



**Communication cables business:** Implemented price revisions with expanding target products to combat soaring secondary material prices and rising electricity prices.  
**Wire harness business:** Increased selling prices reflecting rising copper prices and effect of exchange rates; proposed alternative materials for wire harnesses.  
**Precision devices business:** Increased selling prices reflecting rising material and production cost.

## Progress in Q3 Results and Initiatives to Achieve Full-Year Plan

### Progress in Q3 results against full-year plan

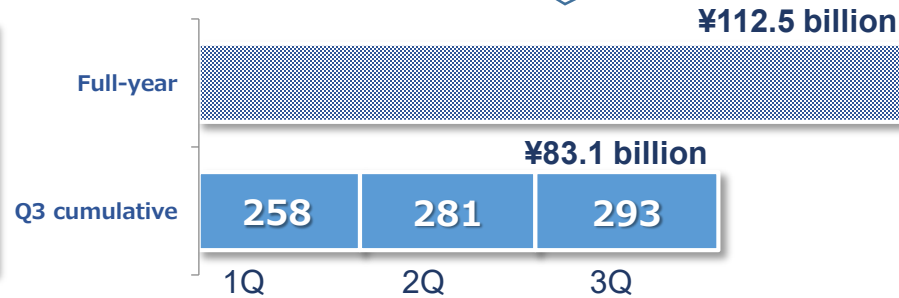
#### Positive factor

- Improved profitability by integrating production and sales of joint venture (coated wire business)
- Contributed to Q3 sales by investing in increased production of SICONEX®
- Steadily increased selling prices

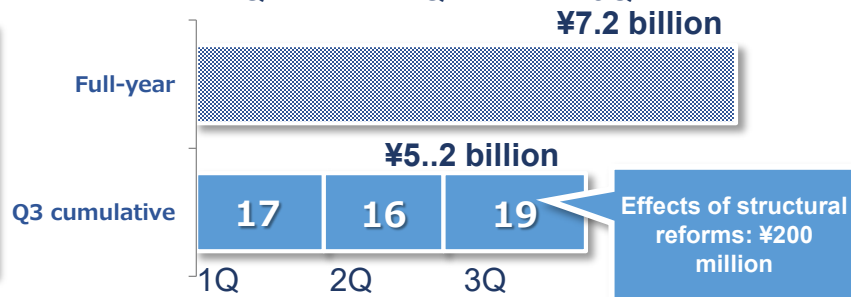
#### Q4 Outlook

- Expecting sales of projects for private-sector plants scheduled in 3Q due to leveling of demand

**Net sales**  
Progress rate:  
**73.9%**



**Operating income**  
Progress rate:  
**71.6%**



### Initiatives to achieve the full-year plan

#### ◆ Manufacturing of polyvinyl chloride (PVC) insulated wires at the Ibaraki Plant in the coated wire business

IV has consolidated production at its Ibaraki plant and started full-scale production in October. Reduce fixed costs and improved production efficiency. Copper production up 15%.



Overall effects of structural reform  
Q3: 200 million yen

#### ◆ Secure strategic inventories in anticipation of construction demand (large-scale projects) for semiconductor factories, etc. in the coated wire business

#### ◆ SICONEX® production increase plan

Production capacity increased by 2 billion yen in FY2023 to 1.5 times. Production increased in stages from Q3, contributing to sales growth as planned.



## Progress in Q3 Results and Initiatives to Achieve Full-Year Plan

### Progress in Q3 results against full-year plan

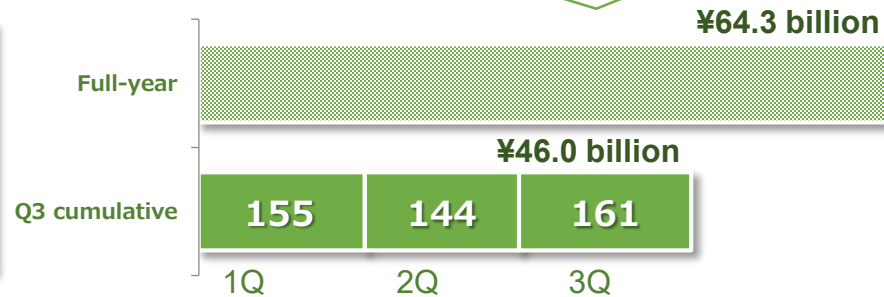
#### Positive factor

- Ensured demand from Europe for high-performance magnet wires.
- Returned to domestic production of general-purpose products for heavy electrical machinery and implemented price improvements.

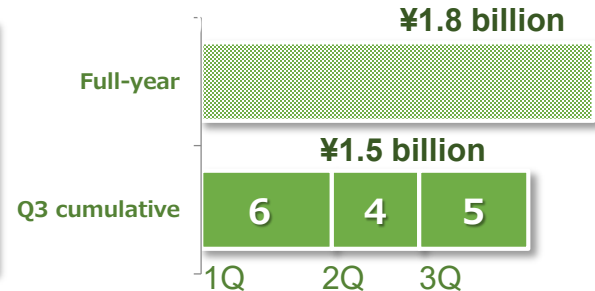
#### Negative factor

- Shipments of products for xEV continued to decline due to a shortage of semiconductors.
- Q4 outlook  
Despite the continued impact of reduced automobile production, both sales and profits are expected to meet targets in response to changes in market conditions.

**Net sales  
Progress  
rate:  
71.5%**



**Operating  
income  
Progress  
rate:  
86.0%**



### Initiatives to achieve the full-year plan

- ◆ Penetration of highly transparent systems for increasing selling prices, such as the fuel surcharge system and varnish market price linkage system.

<Structure linked to varnish market price>



- ◆ Transferred part of manufacturing of general-purpose wires to partner companies and concentrated resources on automotive products

- ◆ Prepare for a recovery in demand in xEV by reviewing the production system and promoting the introduction of new facilities

Dramatic reduction in energy consumption

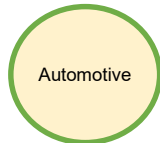
Reduction of CO2 emissions



Introduction of energy-saving equipment on winding production lines Mie Branch

## Changes in Market Conditions and Responses in FY2022

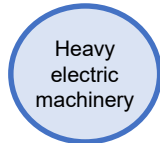
### Changes in market conditions



• Shipments decreased due to a shortage of semiconductors. However, sales of the high-performance magnet wire have recovered.



Headwind



• Partial return to domestic market due to customer preference for stable supply



Tailwind

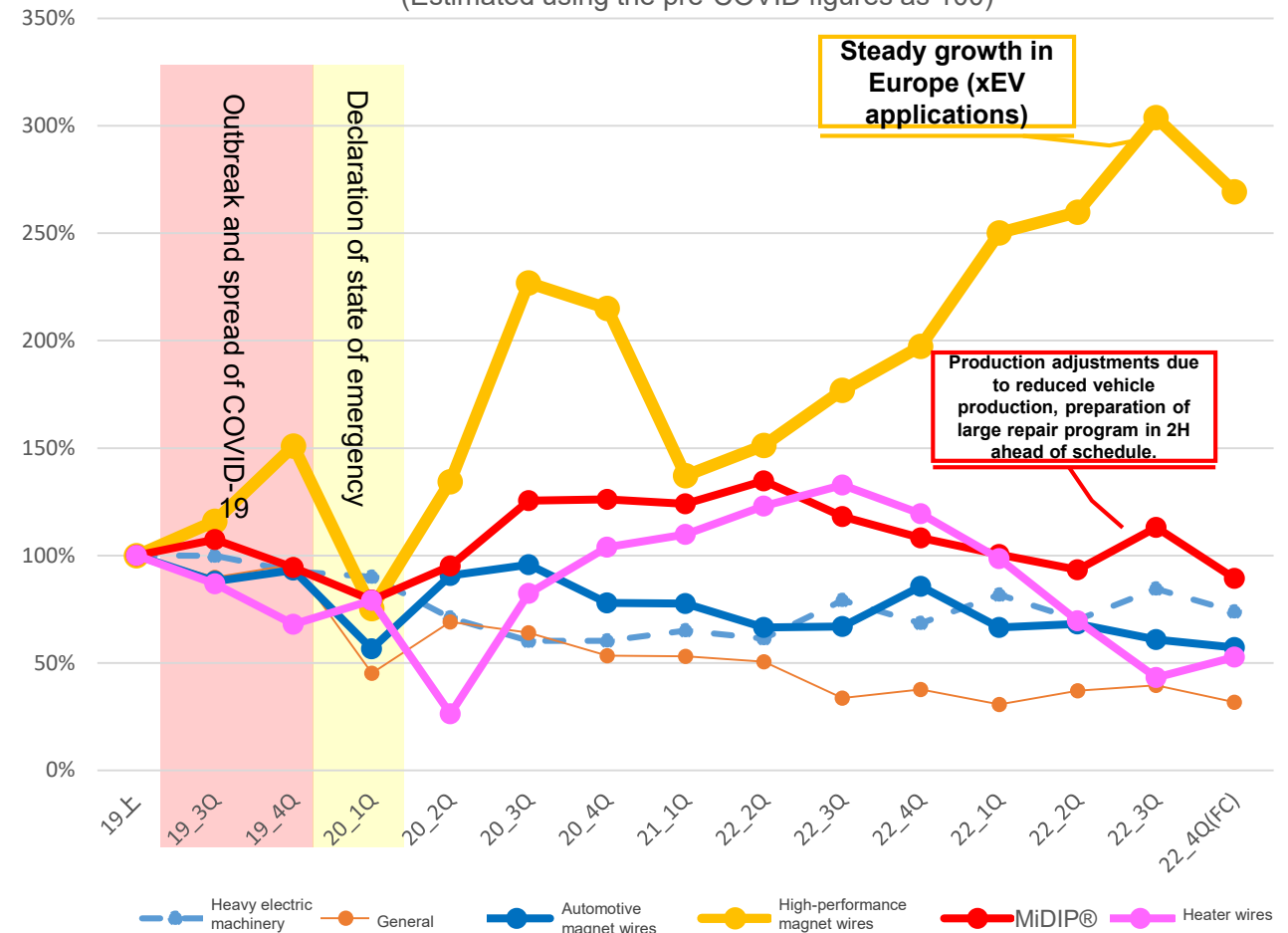
### Measures

**Shifted product portfolio in response to market changes.**  
**As a result, Q3 operating income achieved 86% of target.**

After improving prices, we increased the production volume of general-purpose products, mainly those for heavy electrical appliances. Operating income was secured by offsetting the decline in sales of automotive products. In addition, 2 years ahead of the plan, we will upgrade MiDIP<sup>®</sup> production toward the market recovery.

### Shipment by Product Category

(Estimated using the pre-COVID figures as 100)





## Progress in Q3 Results and Initiatives to Achieve Full-Year Plan

### Progress in Q3 results against full-year plan

#### Positive factor

- Effect of reorganization of domestic production bases for communication cables
- Penetration of increasing selling prices and proposals for alternative materials for wire harnesses
- Recovery of operations at production bases in China and Vietnam (relaxation of lockdown restrictions in Shanghai)

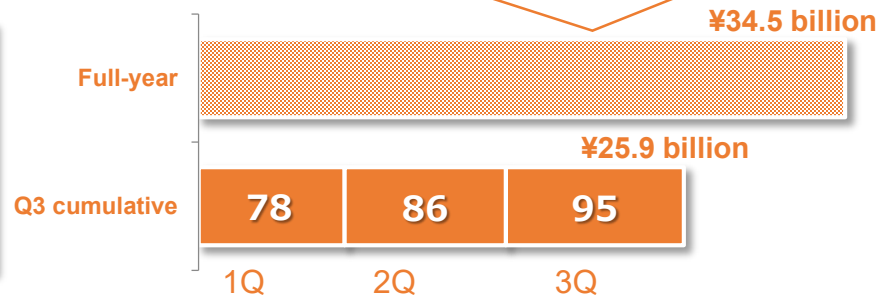
#### Negative factor

- Delay in starting up domestic manufacturing bases until Q2 and increase in selling prices

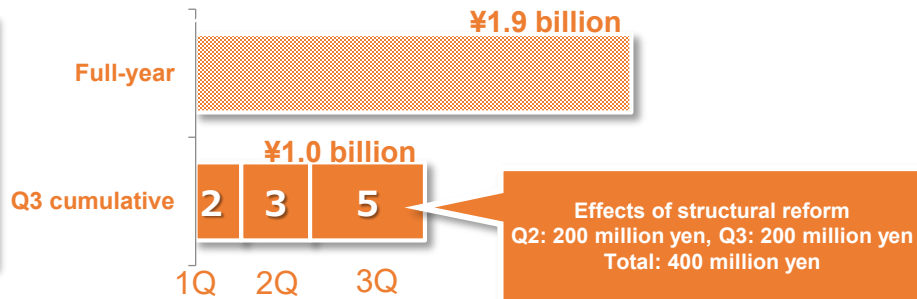
#### Q4 outlook

- Expand profits in the communication cables business, where demand is expected to increase in Q4
- Further increase selling prices to combat price increases, including energy costs

Net sales  
Progress  
rate:  
74.8%



Net sales  
Progress  
rate:  
53.0%

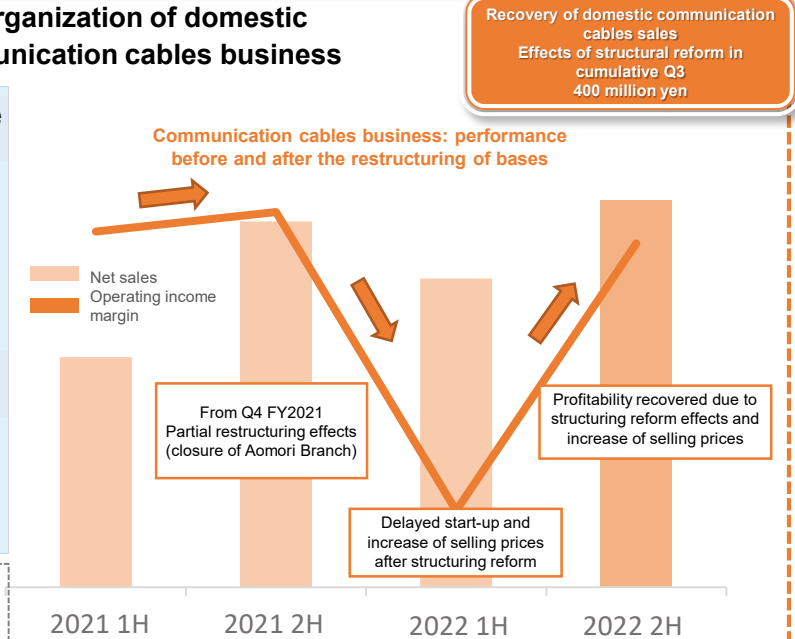


### Initiatives to achieve the full-year plan

#### Expanding the effects of reorganization of domestic production bases in the communication cables business



Improved productivity, including reduced material and transportation costs, due to consolidation of bases



#### Recovery from supply chain disruption in the wire harness business

- Penetration of proposals for alternative materials
- Cost reduction (reduction in subcontracted processing costs) due to the end of disruption

#### Capture recovery demand in precision device business and expand sales

- Construction of a production system to support vertical start-up

Overseas:  
Recovery of industrial device

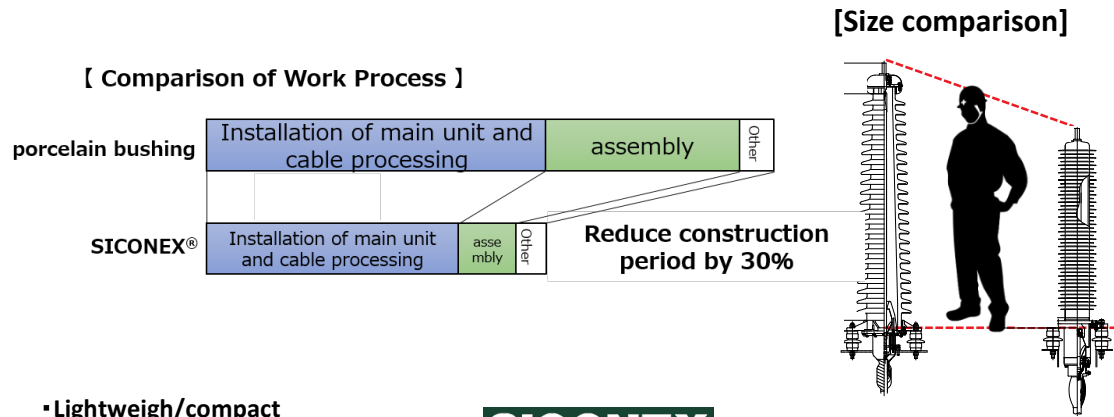
## 2. Growth Strategies by Segment to Achieve the Medium-term Management Plan

# Growth Strategies ① Outline of SICOPLUS® Strategy

**SICOPLUS®**: Cable/construction/maintenance solutions centered on strategic product SICONEX® (components)

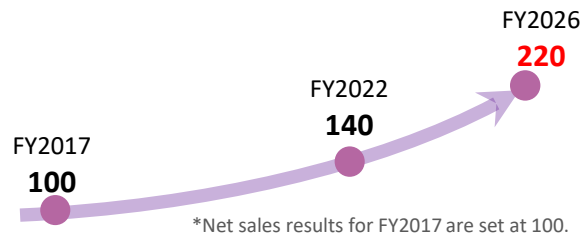
**Products**

## De facto standardization strategy for SICONEX®



- Lightweight/compact
- Shortening of construction time
- Aim to expand market share by leveraging product advantages such as simplified joint design.

### SICONEX Net Sales Growth Plan\*



Production capacity to increase by 2 billion in FY2023: 1.5 times

**People**

## Local production for local consumption type Cloud-based human resources strategy



Register the construction personnel learned at this center nationwide in the human resources bank to secure the personnel of cooperating companies and local construction companies nationwide.

# Growth Strategies② SICOPPLUS® Strategy Business Roadmap

## Skillless connection method



Realizing labor-saving and skill-less connection work  
From 2020

## Construction using robots

Our unique new construction method reduces construction time to 1/7 and construction cost to half.  
From 2022



Local production for local consumption type  
Cloud-based human resources strategy

Sharing the personnel trained at the Construction Personnel Development Center and conducting construction nationwide

## SICOPPLUS® human resources banks



From 2023

## Establishment of Construction Personnel Development Center



Securing excellent human resources and building a program for early training of construction engineers

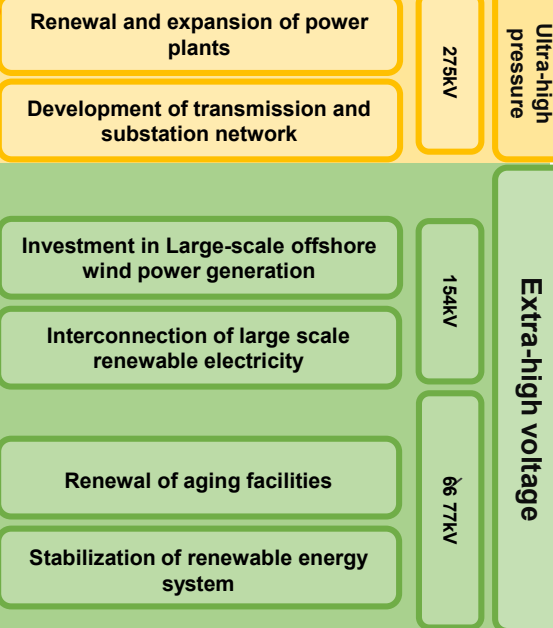
2021 Year ~

## Promote de facto standards



Expand market share by leveraging product advantages

Compared to FY2020  
Approx. 3 times



(Period of the Medium-Term Management Plan)  
CAGR of Electric Power Market :5-10%  
Aiming for our net sales CAGR of 12%

Net sales  
Construction personnel

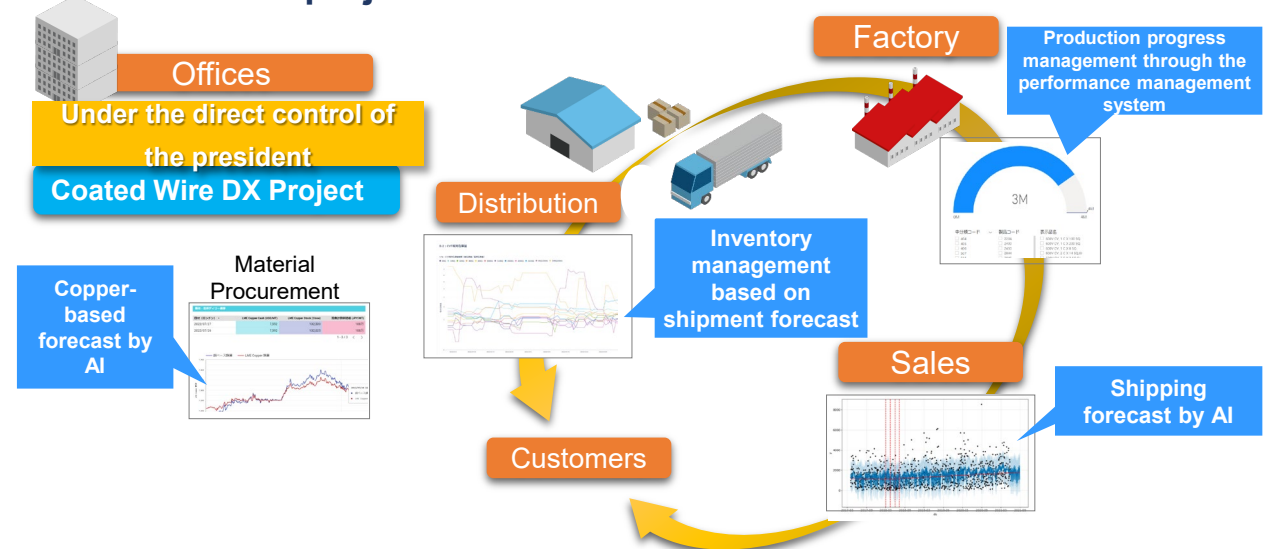


## Growth Strategies Improve Profitability by Restructuring with ROIC

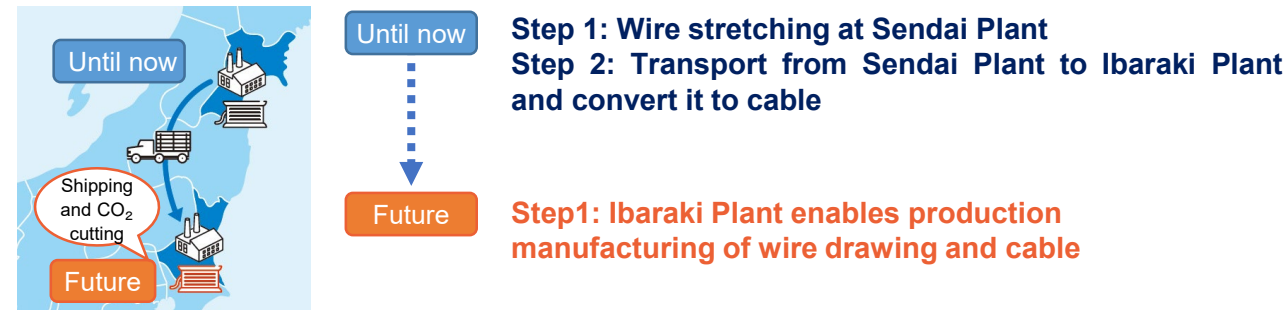
### 3 Measures for the New SFCC

1. Improve gross profit by improving customer convenience and service
2. Build a demand-linked production and supply system
3. Improve business processing by utilizing AI and data

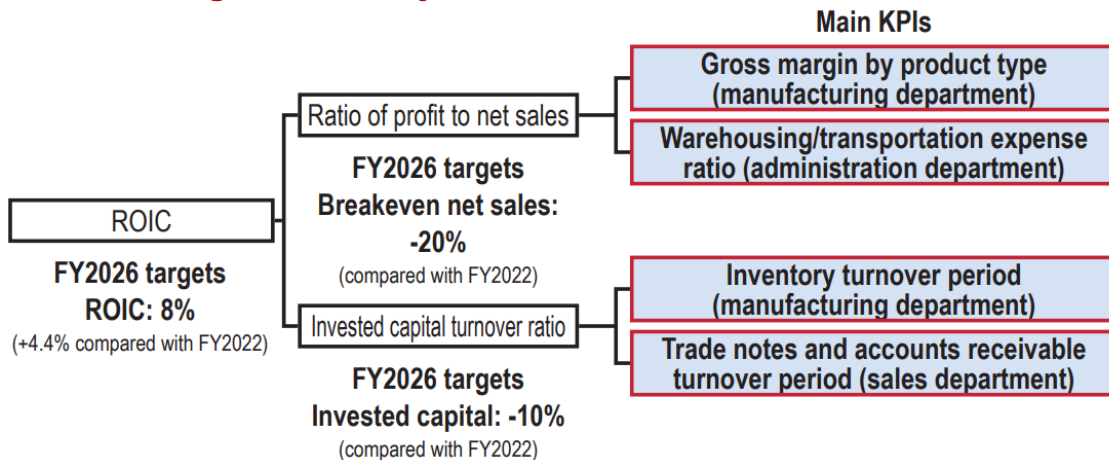
◆ Construct a demand-linked production/supply system through a coated wire DX project.



◆ Reduce costs (transportation costs, etc.) by improving production capacity at the Ibaraki Plant

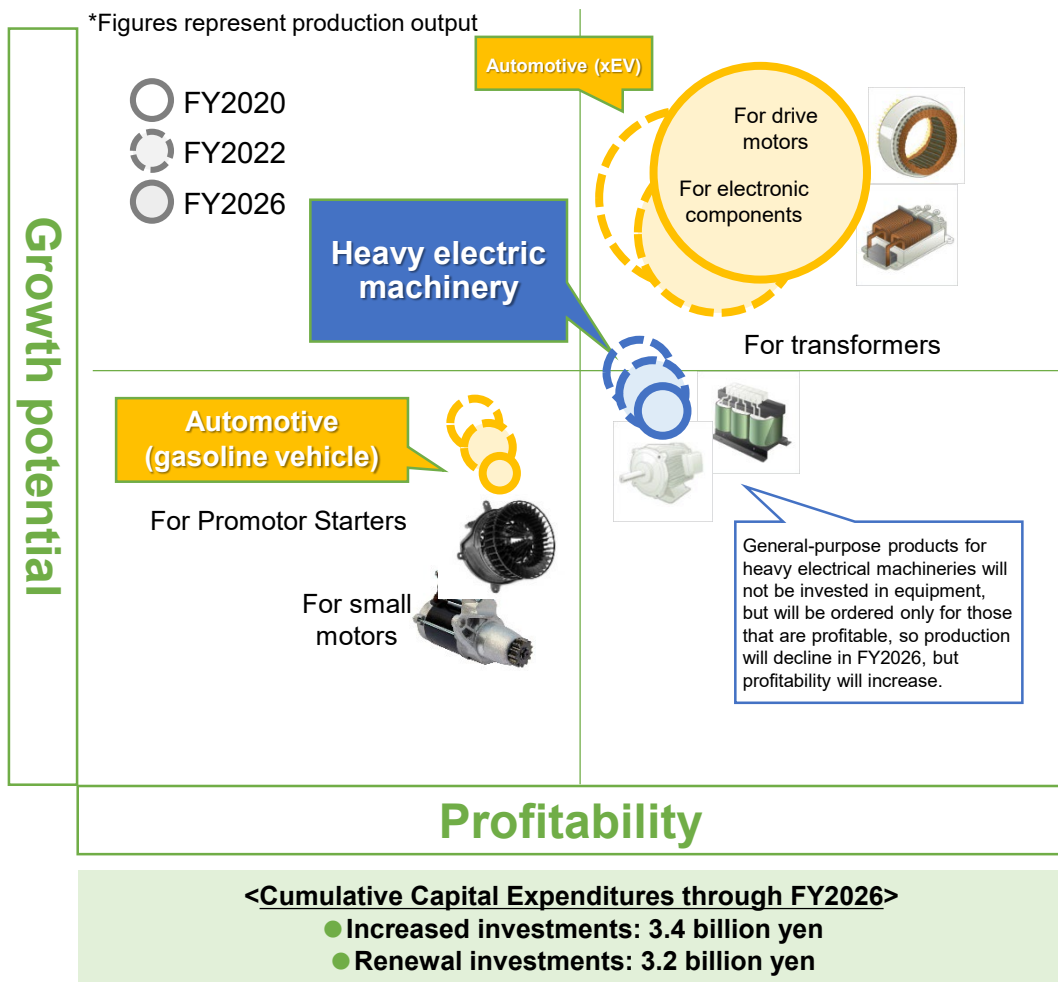


### <ROIC Targets and Major KPI>



## Growth Strategy

### Product-portfolio shifting from FY2020 to FY2026



### Initiatives to recover demand in xEV market

#### [Efficiency production]

- In sectors with declining demand, break-even points improve by attracting, solidifying, or stopping

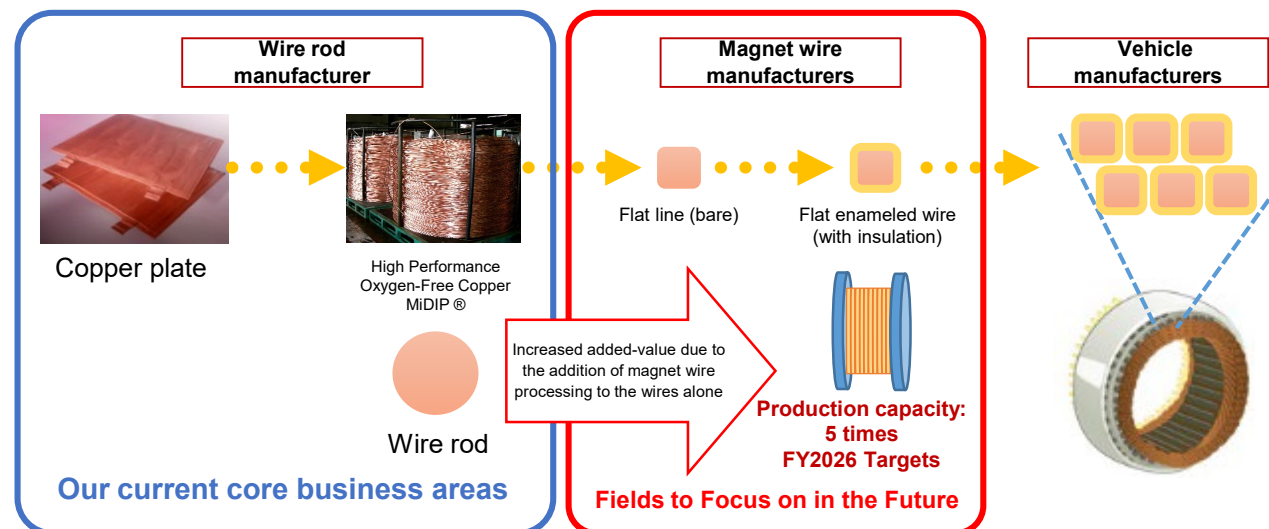
#### [Reserve for increased production]

- Advance implementation of capital expenditure plans (Heater Wire, MiDIP®)
- **Early introduction of flat-angle magnet wires mass production line**

#### [Technology Development]

- Full-scale use of sensor technology
- Expansion of products for new areas of application (e.g. busbar for BEVs).

### Shift to a higher-margin business model



# Overseas: Progress in Restructuring the Wire Harness Business

- ① Distribution of supply chains
- ② Diversification of production bases
- ③ Promotion of local procurement and local production for local consumption



Dissolved in September 2020  
 Sep. 2020 Transfer of manufacturing and development operations

DAIJI

Apr. 2020 Domestic sales operations

SDS

¥1.6 bn of investment

China

**JAXING SHOWA INTERCONNECT PRODUCTS CO., LTD.**

Factory started operation in January 2022



Introduction of solar power generation to reduce electricity and CO2 emissions

Total floor area Approx. 35 thousandm<sup>2</sup>

Ensure supply flexibility

Vietnam

**SWCC SHOWA VIETNAM INTERCONNECT PRODUCTS CO., LTD.**

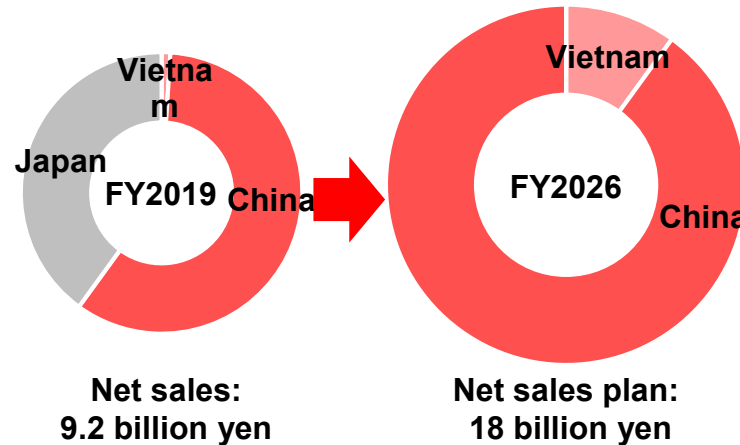
Planned relocation of plant in April 2023



Double the current total floor space

Total floor area Approx. 5700m<sup>2</sup>

Changes in the ratio of production sites before and after structural reforms





Creating for the Future

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.

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