



SWCC Group

Supplementary Material for the Third Quarter of the Fiscal Year Ending March 2023

February 3, 2023

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

# 1. FY2022 Q3 Overview of Financial Results

# FY2022 Q3 Overview of Financial Results

## Business environment

- Construction-related demand recovered due to the resumption of construction work reflecting the normalization of socioeconomic activities.
- Rising raw material and energy prices worldwide and disruptions in the global supply chain continued.
- Demand for automobile-related products continued to decline due to a shortage of semiconductors.
- Overall demand for electric wire was flat YoY.
- Average domestic copper prices rose YoY.

## Net sales

**Overall sales increased YoY** due to higher copper prices, despite a decrease in copper shipments.

[Status by major business field]

**Electric power infrastructure:** Despite a slight decrease compared to the previous Q3 when the project was concentrated, demand remained firm.

**Automobiles:** Demand for high-performance products was sluggish due to the impact of automobile production cutbacks that have continued since two years ago.

**Industrial Devices:** Recovered due to revisions to material procurement and other factors, despite being affected by supply chain disruptions.

## Operating income

Operating income improved from Q3 onwards, but falls year-on-year due to delays in the reorganization of domestic production bases for communication cables up to Q2 and the continued impact of production cuts in the automotive sector.

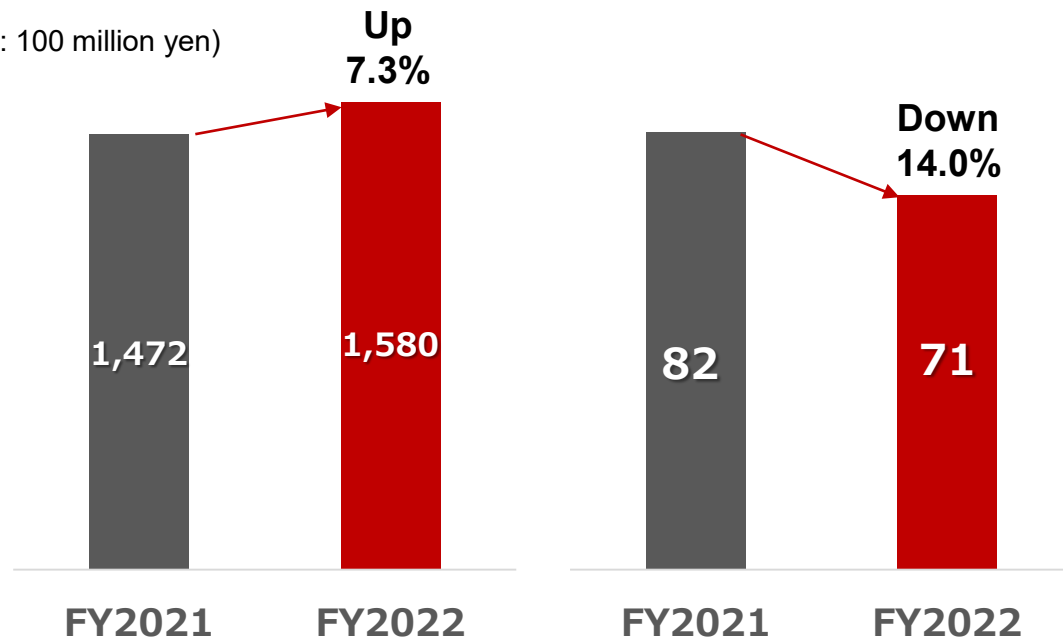
\*On January 20, 2023, we announced the "Report on the Results of Investigations Concerning Improper Quality Control of Our Group Products." The impact of this matter on our business results was deemed immaterial. Please refer to page 10 for details of our efforts to strengthen our quality control and auditing systems to prevent recurrence.

# Key Points of the Financial Results for Q3 FY2022

## Q3 YoY Change

### Net sales

(Unit: 100 million yen)



### Operating income

## Q3 Progress rate

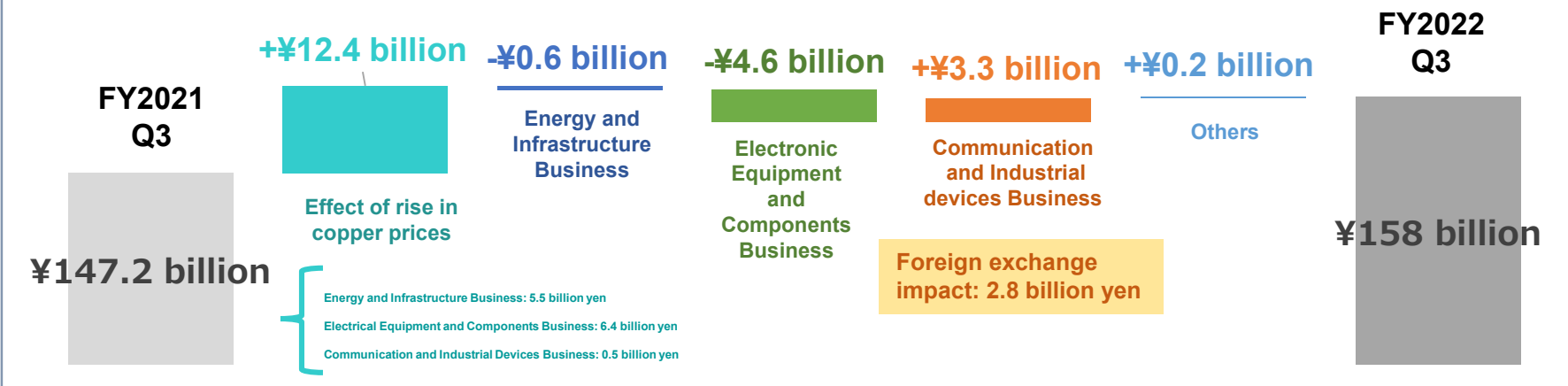
(Unit: 100 million yen)	Full-year Plan	FY18-21 Avg. progress rate	Q3 Progress rate
Net sales	2,170	73.8%	72.8%
Operating income	103	73.9%	68.8%
Copper prices	1,150 yen/kg (Planning assumption)	—	—

# Q3 Consolidated Statements of Income

(Unit: 100 million yen)	FY2021 Q3 Actual	FY2022 Q3 Actual	FY2022 Full-year plan	YoY %	Progress rate %
<b>Net sales</b>	<b>1,472</b>	<b>1,580</b>	<b>2,170</b>	<b>7.3</b>	<b>72.8</b>
<b>Operating income</b>	<b>82</b>	<b>71</b>	<b>103</b>	<b>▲14.0</b>	<b>68.8</b>
<b>Operating income margin (%)</b>	<b>5.6</b>	<b>4.5</b>	<b>4.7</b>	<b>-</b>	<b>-</b>
<b>Ordinary income</b>	<b>83</b>	<b>69</b>	<b>103</b>	<b>▲17.0</b>	<b>66.8</b>
<b>Net income attributable to owners of parent</b>	<b>52</b>	<b>64</b>	<b>90</b>	<b>22.7</b>	<b>71.3</b>

# Q3 Change Factors for Net sales and Operating income (YoY)

## Change factors for net sales

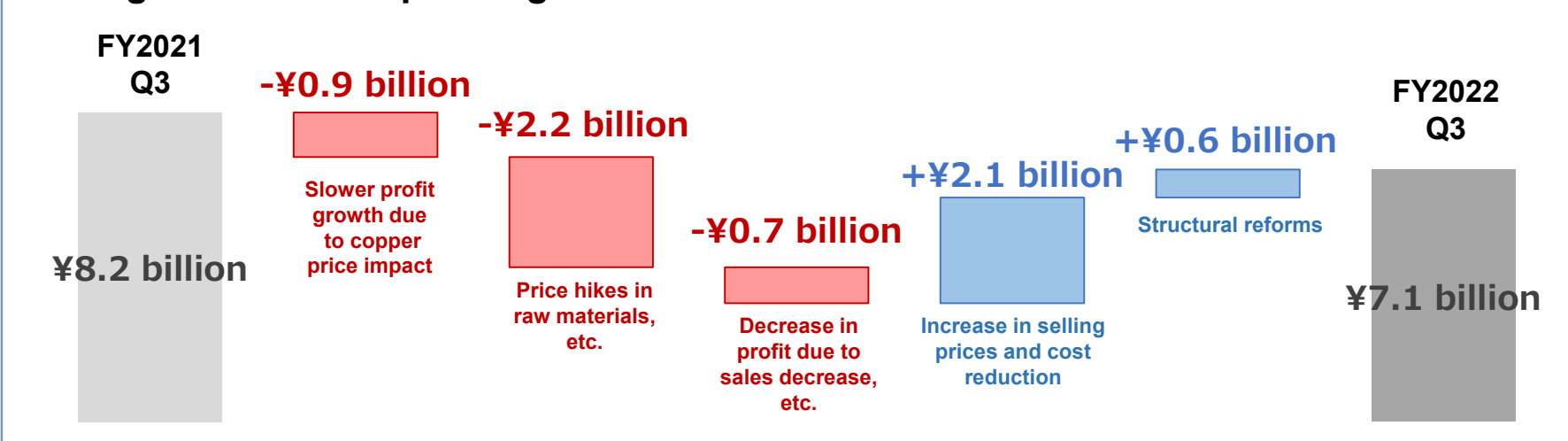


### [Change factors]

1. Net sales  
Increased mainly by passing cost increases due to higher copper prices on selling prices in a timely manner. Foreign exchange effects include about 2.8 billion yen in the Communication and Industrial Devices Business.

2. Operating income  
Decreased due to delays in increase in selling prices for some products until Q2 and a decrease in sales due to reduced automobile. Foreign exchange impact was minimal, adding 900 million yen.

## Change factors for operating income



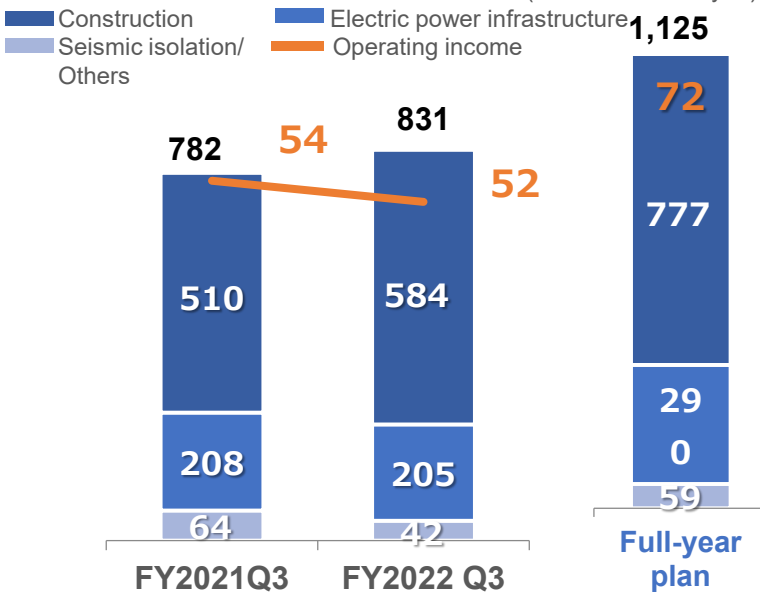
### [Future Initiatives]

In order to achieve the profit targets, we are working to secure stable demand from Q4 onwards and are taking various measures to combat the soaring raw material prices, such as increase in selling prices, reducing costs, and restructuring.

# Q3 Results by Segment and Full-year Plan

## Energy and Infrastructure Business

(Unit: 100 million yen)



### FY2022 Changes in operating income

Figures in parenthesis: effects of structural reforms



#### Positive factor

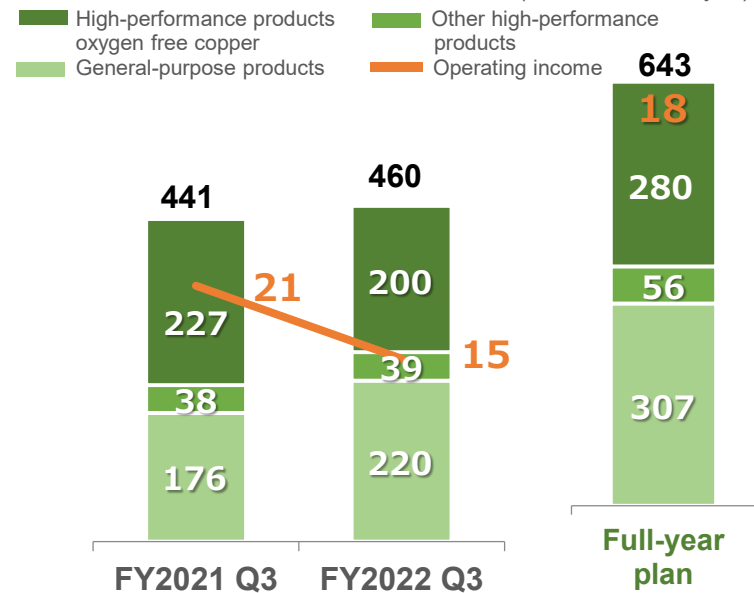
- Improved profitability by integrating production and sales in the coated wire business
- Sales contribution from investment in increased production of SICONEX®
- Steady increase in selling prices

#### Negative factor

- Leveling of demand for power infrastructure business

## Electronic Equipment and Components Business

(Unit: 100 million yen)



### FY2022 Changes in operating income

#### Positive factor

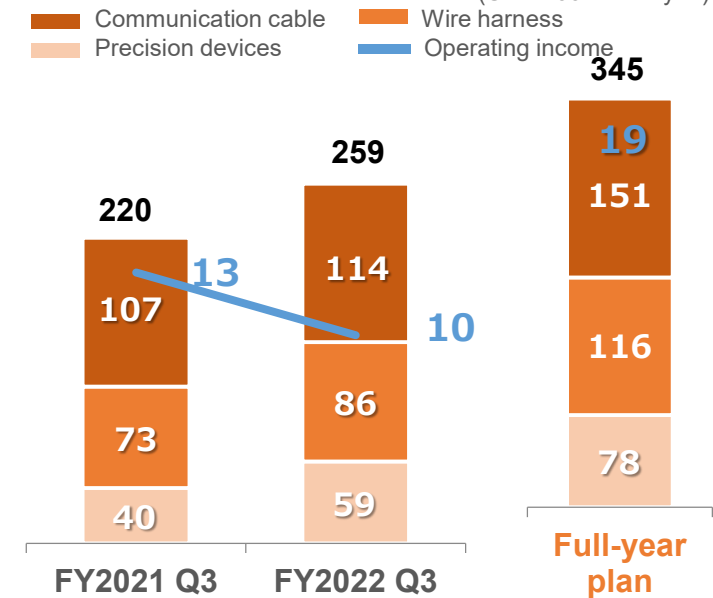
- Recovery due to capturing demand from Europe for high-performance magnet wires
- Return to domestic production of general-purpose products for heavy electrical machinery

#### Negative factor

- Continued decline in shipments of products for xEVs due to shortage of semiconductors

## Communication and Industrial Devices Business

(Unit: 100 million yen)



### FY2022 Changes in operating income

Figures in parenthesis: effects of structural reforms



#### Positive factor

- Effect of reorganization of domestic production bases for communication cables
- Penetration of increase in selling prices and proposals for alternative materials for wire harnesses
- Recovery of operations at production bases in China and Vietnam

#### Negative factor

- Delay in start-up of domestic manufacturing bases up to Q2 and increase in selling prices

# Q3 Balance Sheet (Comparison with the previous fiscal year-end)

(Unit: 100 million yen)	March 31, 2022	December 31, 2022	Change
<b>Total assets</b>	<b>1,474</b>	<b>1,571</b>	<b>97</b>
Trade receivables	527	537	9
Inventories	260	291	30
Current assets	587	624	37
<b>Total liabilities</b>	<b>884</b>	<b>924</b>	<b>39</b>
Trade payables	267	250	▲17
Interest-bearing debt	392	456	65
<b>Total net assets</b>	<b>589</b>	<b>647</b>	<b>58</b>
Shareholders equity	583	639	56
Shareholders equity ratio (%)	39.5	40.7	1.2
<b>DE ratio (%)</b>	<b>67.2</b>	<b>71.4</b>	<b>4.2</b>

## 【Fixed assets】

Increased due to various capital expenditures and higher foreign exchange rates for fixed assets at overseas subsidiaries.

In addition, we contributed 2.1 billion yen in special premiums to the pension assets of the retirement plan.

## 【Interest-bearing debt】

Increase in working capital due to soaring raw material prices and soaring copper prices.

## 【Shareholders' equity ratio】

Total assets increased, but shareholders equity increased due to an increase in retained earnings and foreign currency translation adjustments. As a result, total assets increased 1.2% compared to the previous fiscal year-end.

## 【DE ratio】

Shareholders' equity increased, but interest-bearing debt also increased, resulting in a 4.2% increase from the end of the previous fiscal year.

## <Recognition of current issues and future measures>

Inventories increased due to soaring copper prices and securing inventories in anticipation of large-scale projects in the 2H. Continue to optimize working capital by ensuring inventories at appropriate levels and promoting shorter debt collection periods.



## 2. Initiatives to Strengthen Quality Management and Auditing Systems

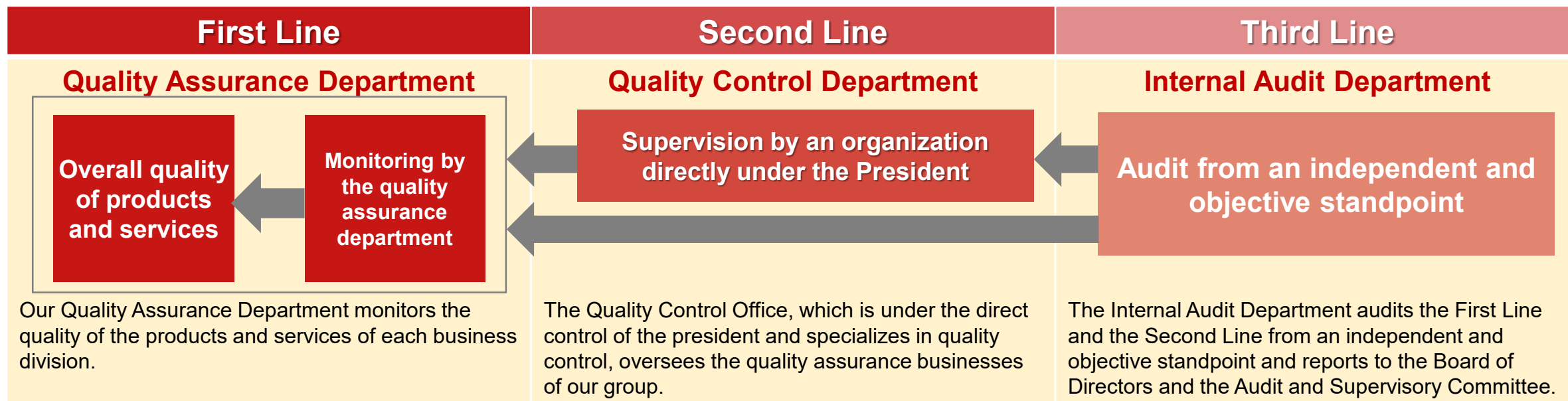
# Initiatives to Strengthen Quality Management and Auditing Systems

The following preventive measures are described in "Report of Investigation Results Regarding Improper Quality Control of Our Group Products" dated January 20, 2023.

## ● Major Initiatives to Prevent Recurrence

Major measures to prevent recurrence include the introduction of a measurement data management system that automatically records test data, the rationalization of personnel and appropriate personnel rotation throughout the Quality Assurance Division, the establishment and implementation of an education system, and the formulation of basic compliance policies. In the future, we will also develop reporting lines for promptly reporting to the top management of the Group regarding inappropriate conduct related to quality, and strengthen our quality control and auditing systems in line with our transition to an operating company as of April 1, 2023.

## ● Strengthen quality control and auditing systems (from April 1, 2023)





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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