

SWCC Group

Supplementary Material for the First Quarter of the Fiscal Year Ending March 2020



Creating for the Future

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

July 31, 2019

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



FY3/2020 1Q Overview of Financial Results

Results: Performance was steady. Sales increased by 1.6% YoY and profits increased by 35.7% YoY

- In the Energy & Infrastructure operations, construction-related demand was firm affected by demand from the Tokyo Olympic and Paralympic Games. Demand for facility upgrades for electric power infrastructure remained firm.

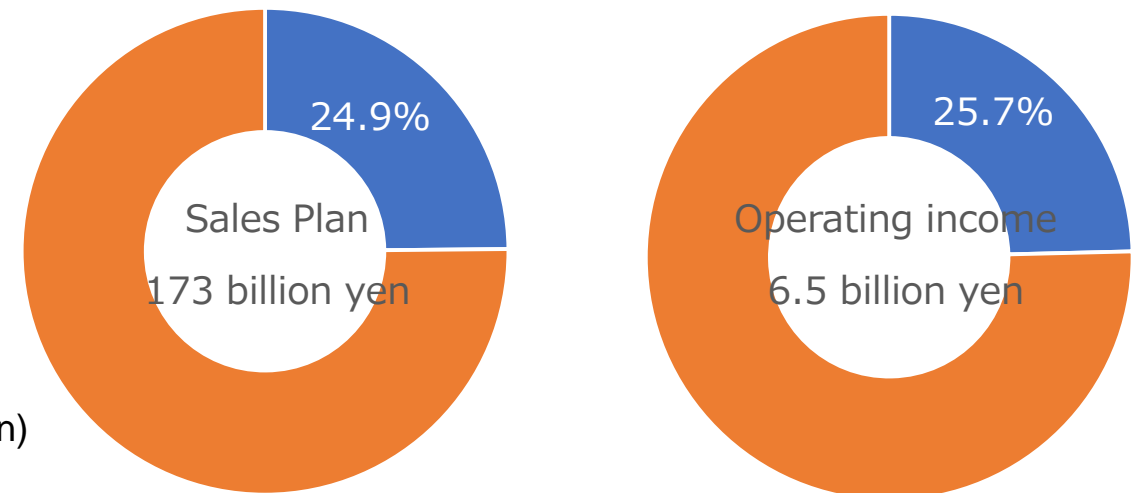
In the Communications and Industrial Devices operations, segment sales decreased due to sluggish overseas sales of optical fiber. Rollers for copiers and other products were firm, while communication cables for domestic construction-related applications were strong.

In the Electronic Devices and Components operations, sales of high-grade wire materials for electronic components were firm. Magnet Wire demand declined overall.

Strategy:

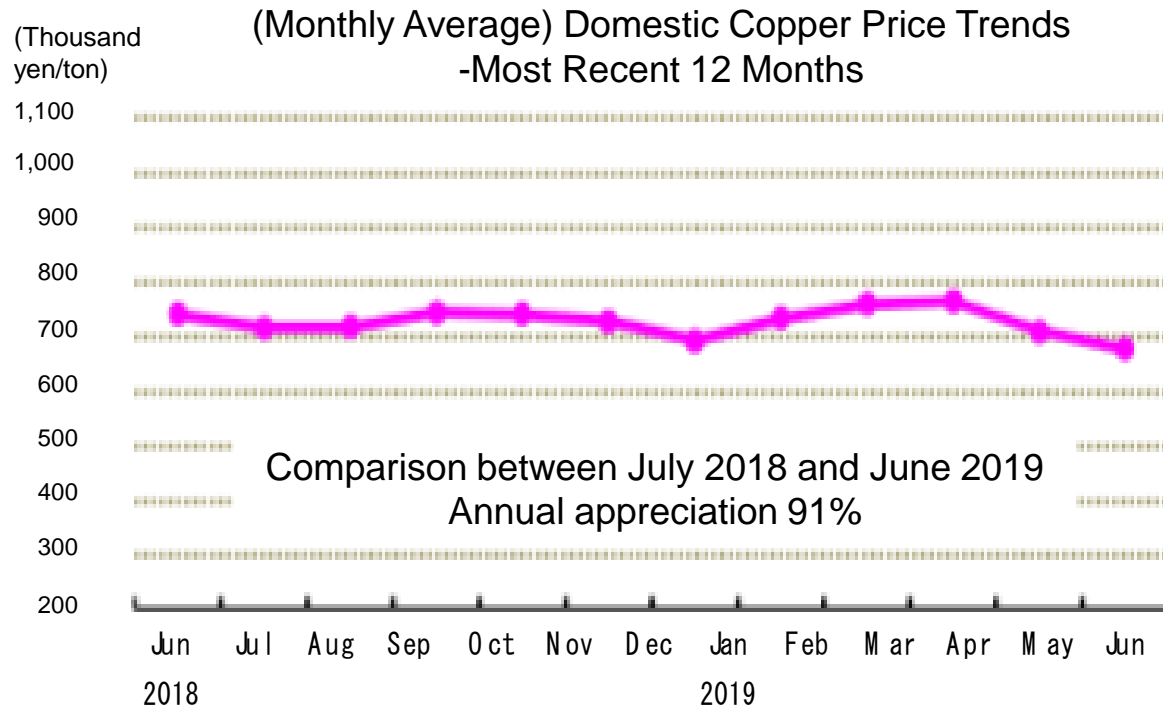
- Aim to optimize prices for construction and electronics sales.
- Power System operations are promoting a new business model.
- Promote measures to ensure a stable supply of products for automobiles.
- Cost reductions by improving operational efficiency.
- Continue to improve profitability (increase operating income margin)

1Q Rate (Net Sales/Operating Income) (Unit:100 million yen)

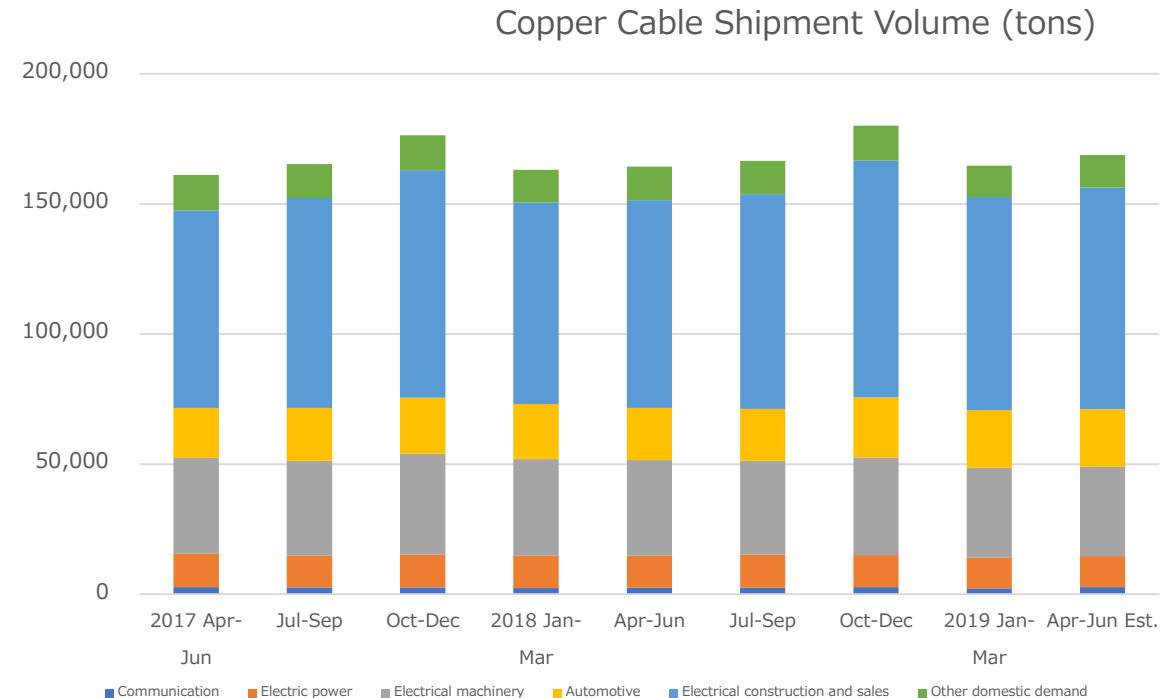


Macroeconomic environment

- Domestic copper prices (yen basis) have been on a slight downward trend since April, due in part to the slowdown in the Chinese economy. (Down by 9% from the previous year)
- Domestic shipments of copper wire remained stable, mainly in construction and electric power sales.



Source from Japan Electric Wire Manufacturers Association



Source from Japan Electric Wire Manufacturers Association

1Q Consolidated Statements of Income (YoY)

- Net sales increased by 1.6% YoY and the gross margin improved by 0.8 point to 12.5%.

As a result, ordinary income increased by 38.3% YoY to 1.5 billion yen, and **both sales and profits increased.**

(Unit: 100 million yen)

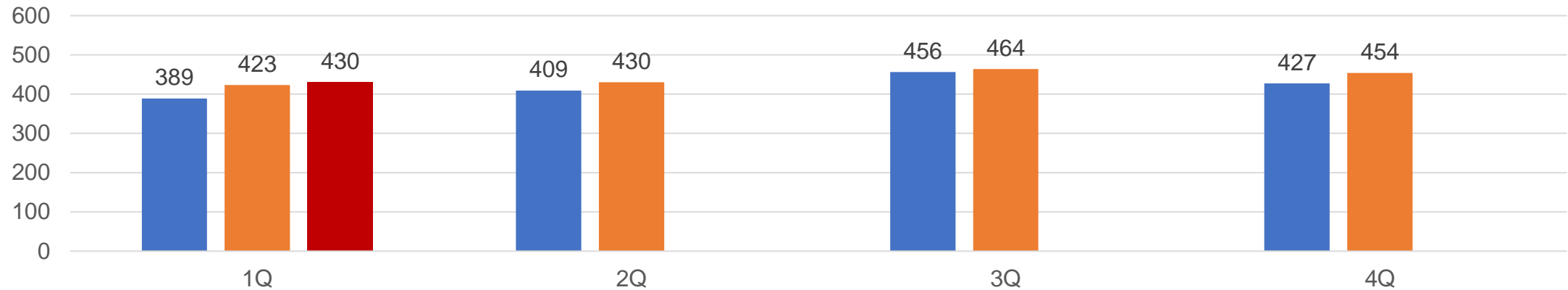
	FY2018 1Q Actual	Composition %	FY2019 1Q Actual	Composition %	YoY %
Net sales	423	-	430	-	+1.6%
Gross profit	49	11.7%	53	12.5%	+8.9%
Operating income	12	2.9%	16	3.9%	+35.7%
Ordinary income	10	2.6%	15	3.5%	+38.3%
Net income attributable to owners of parent	8	1.9%	11	2.6%	+39.0%

Quarterly Performance Trends (Net Sales: Comparison with previous Fiscal Years)

(Unit:100 million yen)

Quarterly Net Sales

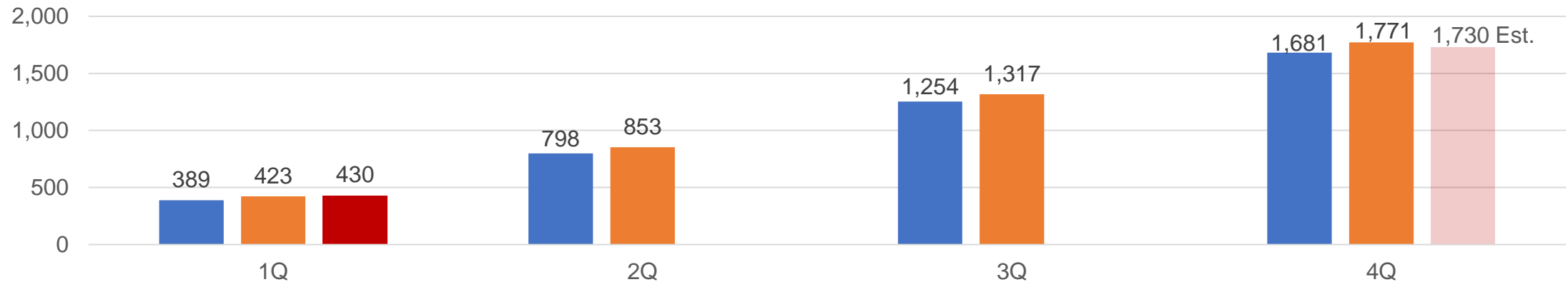
■ FY2017 ■ FY2018 ■ FY2019



(Unit:100 million yen)

Changes in Cumulative Net sales

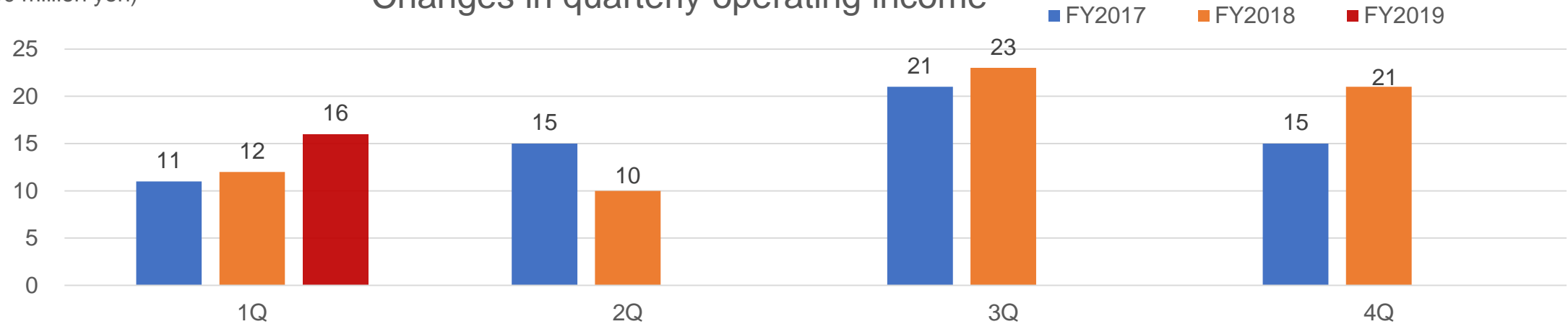
■ FY2017 ■ FY2018 ■ FY2019



Changes in Quarterly Business Results (Operating income: Comparison with previous Fiscal Years)

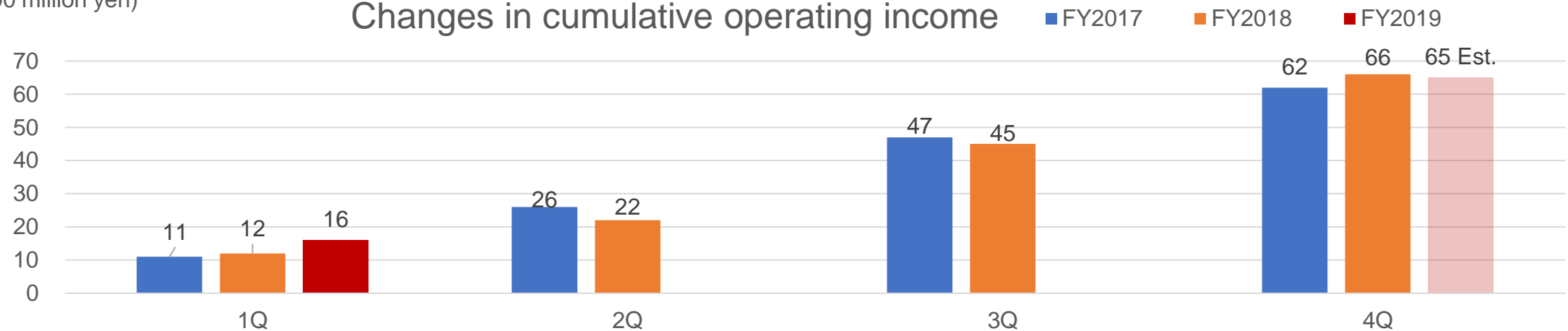
(Unit:100 million yen)

Changes in quarterly operating income



(Unit:100 million yen)

Changes in cumulative operating income



1Q Segment Information (YoY)

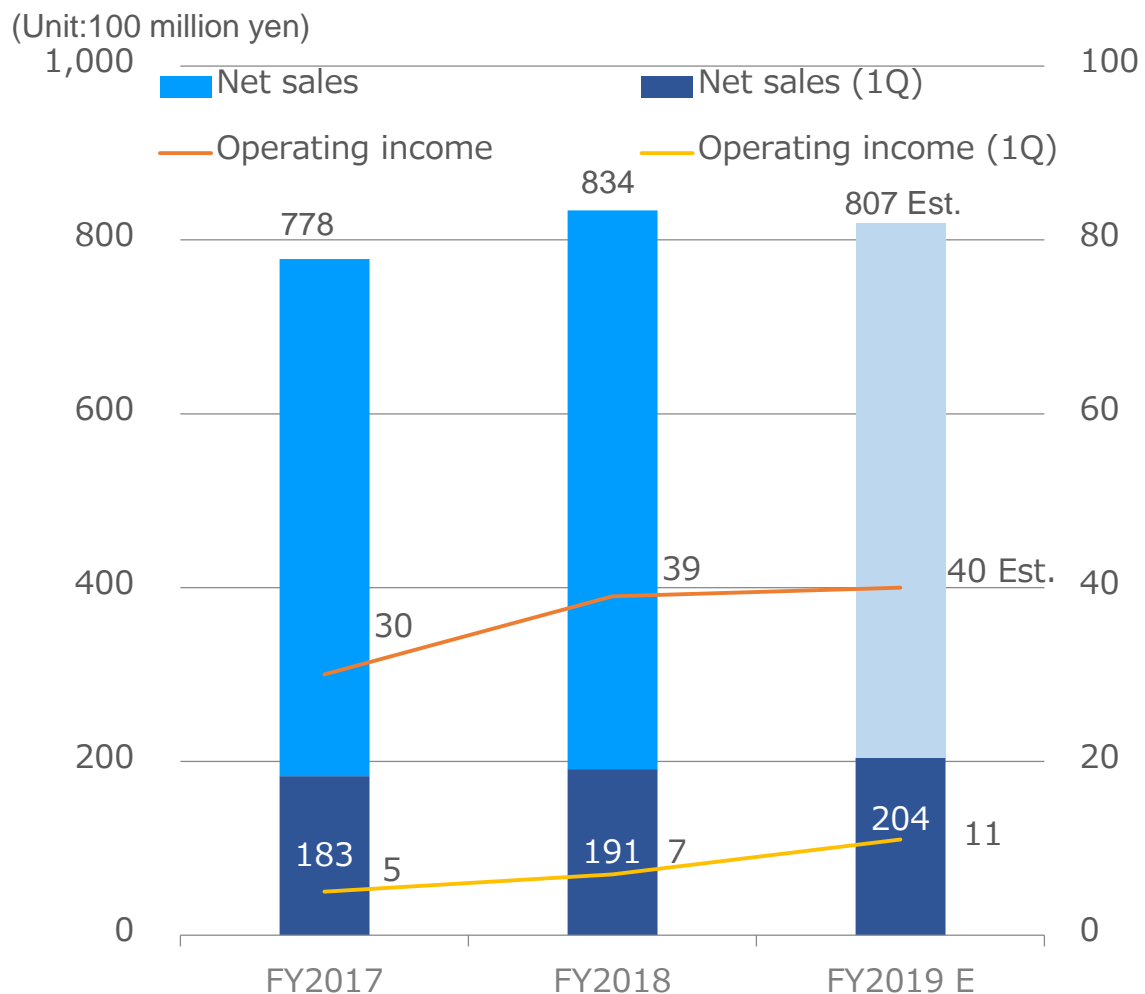
- Introduced a new segment structure from this fiscal year. Sales and profits are driven by the Energy and Infrastructure operations.

Sales in the Communication and Industrial Devices operations declined, but profits increased thanks to the improved profitability.

(Unit: 100 million yen)

	FY2018 1Q Results		FY2019 1Q Results		Change	
	Net sales	Operating income (Profit margin %)	Net sales	Operating income (Profit margin %)	Net sales	Operating income
Energy and Infrastructure	191	7 3.5%	204	11 5.5%	+13	+4
Communication and Industrial Devices	86	4 4.5%	83	6 7.0%	△3	+2
Electrical Components	134	2 1.9%	132	1 0.9%	△2	△1
Others (New business)	12 (7)	△1 (△1)	11 (6)	△2 (△1)	△1	△1
Total	423	12 (2.9%)	430	16 (3.9%)	+7	+4

Energy and Infrastructure Operations Results & Forecast



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

■ Characteristics: Our Core Businesses

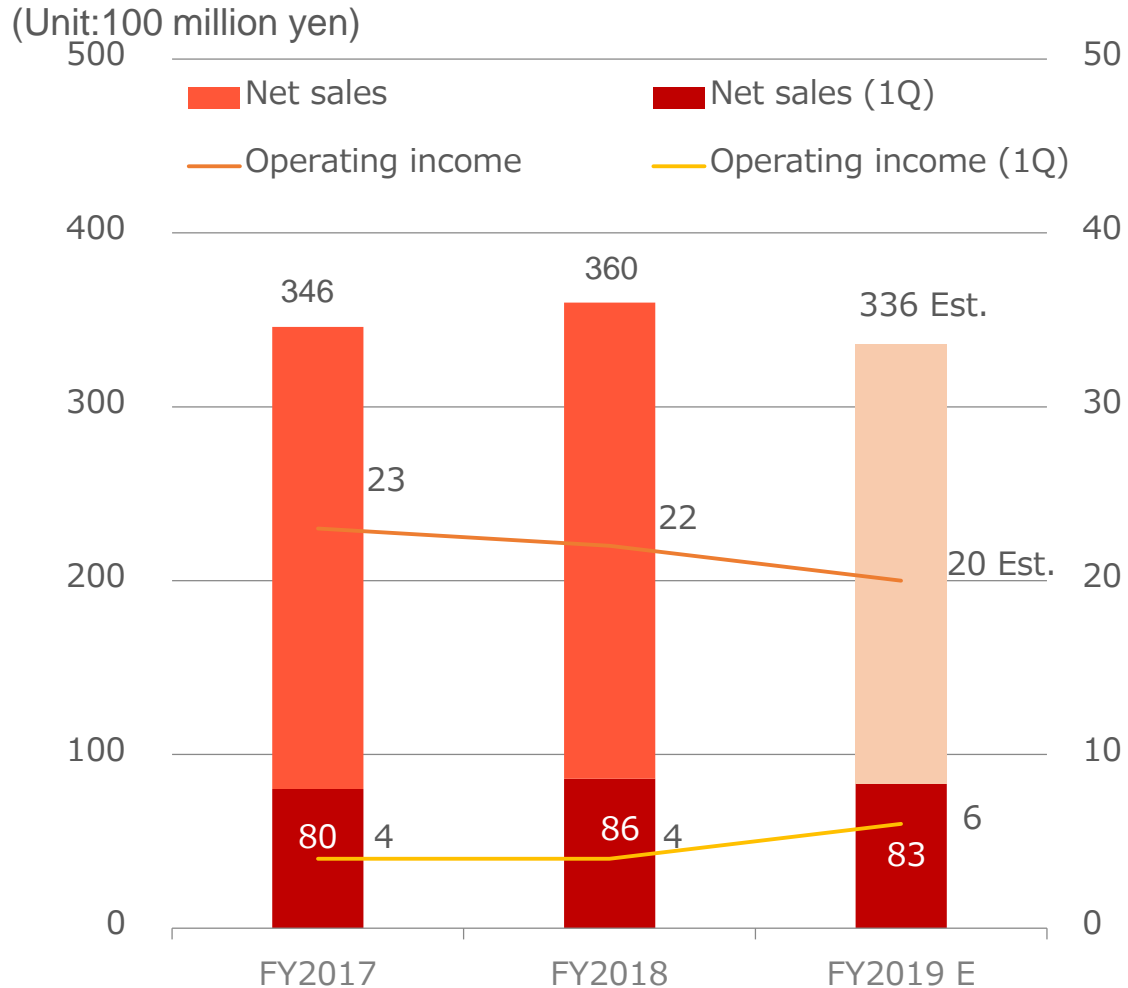
- ① Power cables connecting from power stations to houses
- ② SICONEX®, our proprietary power device component
- ③ Electric wires and seismic isolation components used in buildings

■ In 1Q, we are steadily capturing demand for electricity and construction sales. As a result, net sales were 20.4 billion yen (+6.6% YoY) and operating income was 1.1 billion yen (+68.7% YoY). Operating income margin was 5.5% (+2.0Points YoY)

■ Full-year forecasts: Sales of electric wires for domestic electric power and electric wire for construction and electric power sales were firm. Sales are expected to decrease by 2.7 billion yen in the previous fiscal year to 80.7 billion yen due to a decrease in seismic separation materials and electrical equipment. Operating income is expected to increase by 100 million yen to 4 billion yen.

Operating margin: 5.0% (4.7% in the previous fiscal year)

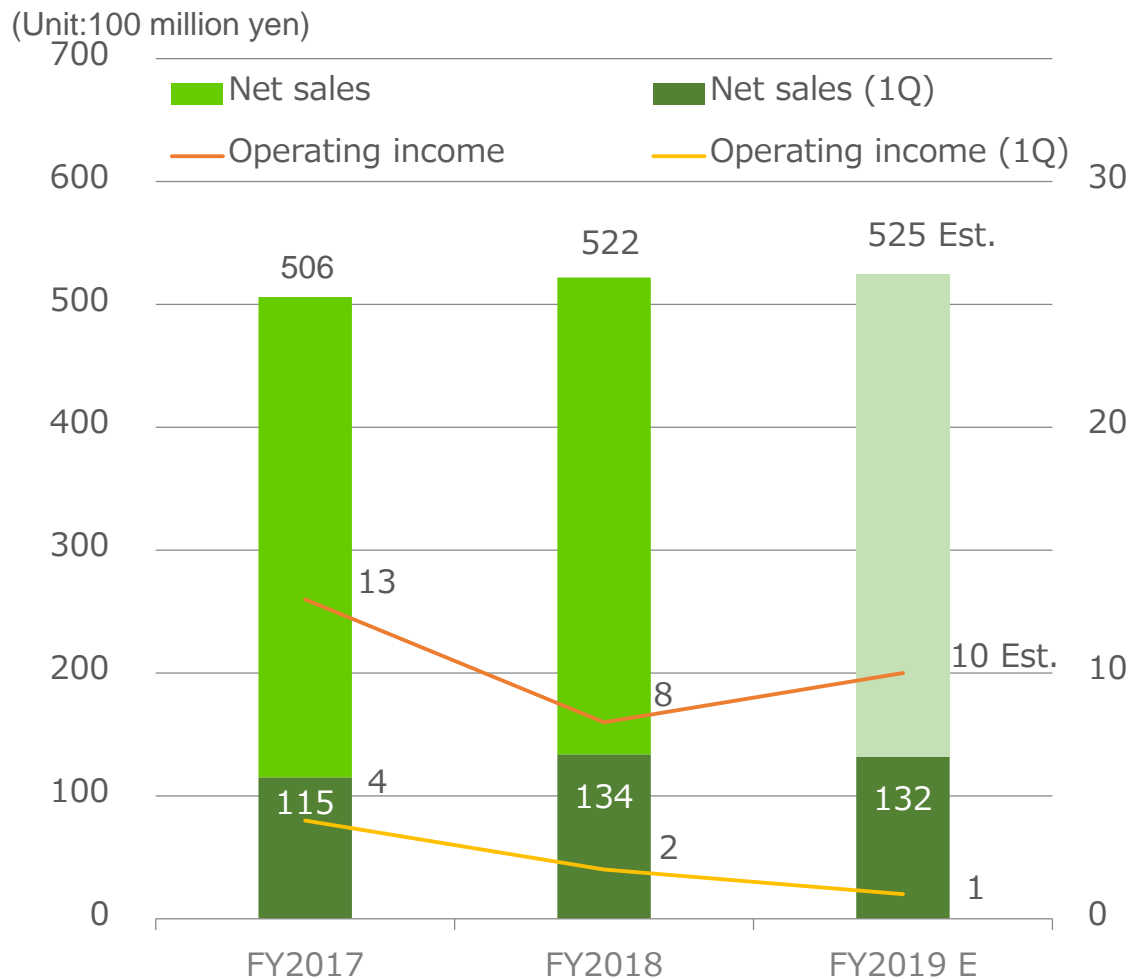
Communications and Industrial Devices Operations Results & Forecast



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

- Characteristics: Providing communication cables for various markets and industrial devices on a global basis**
- In 1Q, although overseas demand for optical fibers has continued to slow down since the second half of the previous fiscal year, communication cables for domestic construction-related applications are performing well. Net sales were 8.3 billion yen (-3.0% YoY) and operating income was 600 million yen (+49.5% YoY). Operating income margin was 7.0% (+2.5Points YoY)
- Full-year forecasts: Sales of communications cables and industrial devices for the domestic market were firm. The market for optical fiber for overseas markets is expected to remain sluggish, and we are forecasting a decline of 2.4 billion yen from the previous fiscal year to 33.6 billion yen. Operating income is expected to be 2 billion yen.**
Operating margin: 5.8% (6.1% in the previous fiscal year)

Electrical Components Operations Results & Forecast



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

■ **Characteristics: Strategic products of Oxygen free copper MiDIP® and copper-silver alloys manufactured by the Japan's only dip forming systems**

■ In 1Q, demand for high-grade wire for electric appliances was firm, but overall demand for wire was sluggish due to the impact of the global economic slowdown, particularly in the Chinese market.

Sales were 13.2 billion yen (-2.1% YoY) and operating income was 100 million yen (-51.7% YoY).
Operating margin: 0.9% (-1.0Points YoY)

■ Full-year forecast: Sales are forecast to increase by 300 million yen to 52.5 billion yen, with recovery expected from the second half onward. Profitability is expected to improve and operating profit is forecast to be 1 billion yen due to the expansion of sales of strategic products such as Oxygen free copper and copper-silver metals and high-grade magnet wires.

Operating income margin: 1.8% (1.6% in the previous fiscal year)

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

- Equity ratio was 29.3% (up 1.2 points from the end of the previous fiscal year)

(Unit:100 million yen)

	March 31, 2019	June 30, 2019	Change
Cash and deposits	49	37	△12
Accounts receivable and other receivables	434	422	△12
Inventories	213	220	+7
Others	45	43	△2
Total current assets	741	722	△19
Property, plant and equipment	392	393	+1
Intangible assets	12	11	△1
Investments and other assets	96	108	+12
Total fixed assets	500	512	+12
Total assets	1,241	1,234	△7

	March 31, 2019	June 30, 2019	Change
Notes & accounts payable	212	203	△9
Short-term borrowings	335	347	+12
Others	150	137	△13
Total current liabilities	697	687	△10
Long-term debt	121	114	△7
Others	67	66	△1
Total long-term liabilities	188	180	△8
Total liabilities	885	867	△18
Capital stock	242	242	0
Capital surplus	55	55	0
Retained earnings	10	19	+9
Others	49	51	+2
Total net assets	356	367	+11
Total liabilities and net assets	1,241	1,234	△7

FY3/2020 Full-year Forecast

- FY2019 results are expected to be at the same level as FY2018.

(Unit:100 million yen)	FY2018 Result	Composition %	FY2019 Plan	Composition %
Net sales	1,771	-	1,730	-
Gross profit	217	12.3%	-	-
Operating income	66	3.8%	65	3.8%
Ordinary income	56	3.2%	58	3.4%
Net income attributable to owners of parent	45	2.6%	45	2.7%



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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.

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