

SWCC groups

Supplementary Material
for the First Quarter of the Fiscal Year
Ending March 2021



Creating for the Future

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

July 31, 2020

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



FY3/2021 1Q Overview of Financial Results

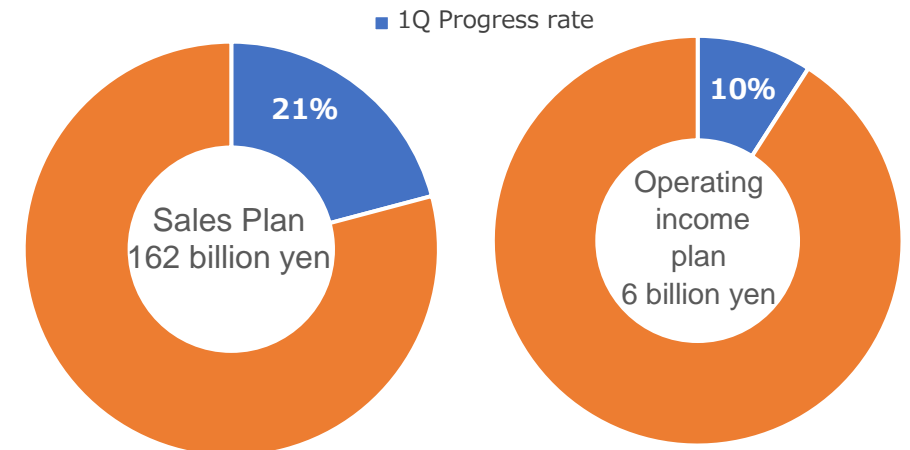
Results: Lower sales and profits YoY due to the impact of the new coronavirus (COVID-19) infections

- In the Energy & Infrastructure operations, sales and profits decreased reflecting delays in construction works due to the impact of COVID-19 in construction-related applications.
 - In the Communications and Industrial Devices operations, sales and profits decreased due to a decline in sales of construction-related applications despite steady sales of communication cable for data centers.
 - In the Electronic equipment and Components operations, sales and profits decreased due to a decline in automobile production and sluggish demand for electrical machinery applications.
- * Implemented flexible production adjustments and reduced unnecessary and non-urgent expenses by thoroughly implementing measures to prevent the outbreak of COVID-19.

Full-year policy:

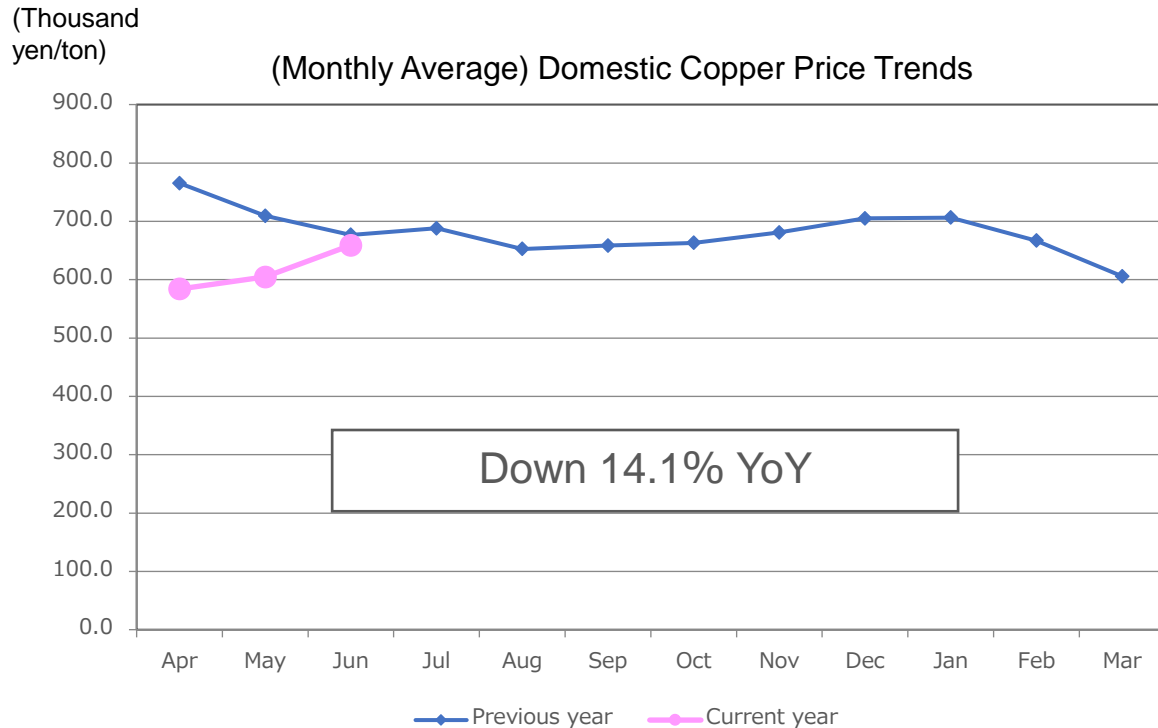
- ① Implementation of flexible and speedy judgments and measures through the integration of corporate headquarters and business segments
- ② Strengthen profitability of core businesses through business innovation
- ③ Penetration of the concept of ROIC management, promoting and strengthening business reforms with an awareness of the cost of capital
- ④ Maintain efforts to launch new businesses and lay a path for development

1Q Progress Rate (Net Sales/Operating Income)

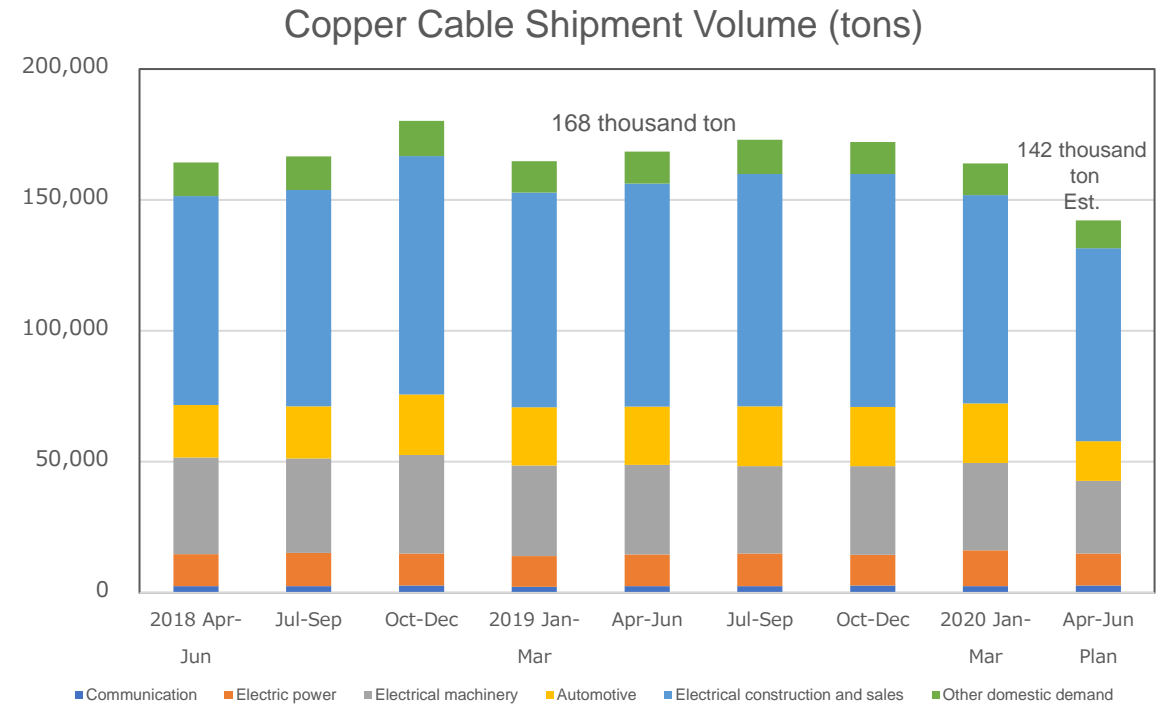


Macroeconomic Environment

- Domestic copper prices (on a yen basis) are currently on an upward trend due in part to the economic recovery in China.
- Domestic copper wire shipments declined significantly, mainly in construction and electric power sales. (-16% YoY)



Source from Japan Electric Wire Manufacturers Association



Source from Japan Electric Wire Manufacturers Association

1Q Consolidated Statements of Income (YoY)

- Net sales decreased by 21.4% YoY and operating income decreased by 62.7% YoY. Sales and profits declined due to a sharp drop in demand caused by the impact of COVID-19, but the demand will be on a recovery-trend from 2Q.

(Unit:100 million yen)

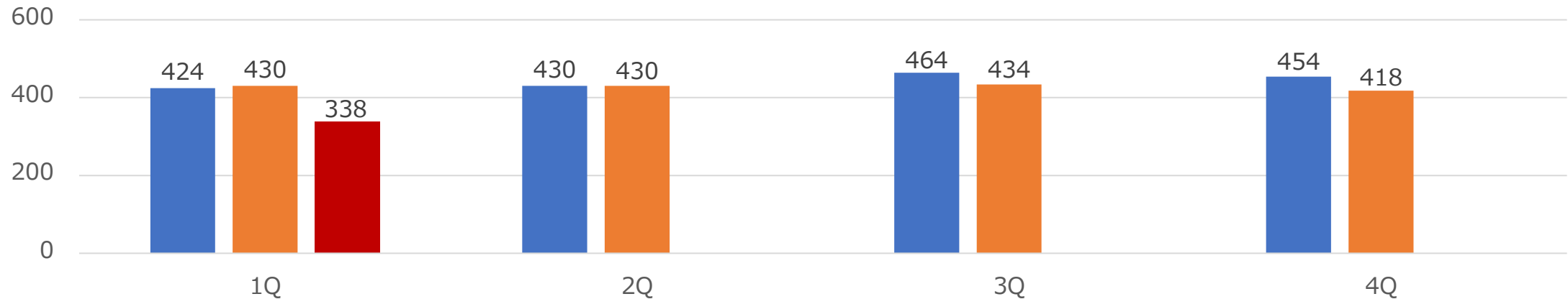
	FY2019 1 Q Actual	Composition %	FY2020 1 Q Actual	Composition %	YoY %
Net sales	430	—	338	—	△ 21.4%
Gross profit	54	12.5%	41	12.1%	△ 24.2%
Operating income	17	3.9%	6	1.8%	△ 62.7%
Ordinary income	15	3.5%	6	1.7%	△ 62.2%
Net income attributable to owners of parent	11	2.6%	4	1.2%	△ 64.6%

Quarterly Performance Trends (Net sales: Comparison with past 3 years)

(Unit:100 million yen)

Changes in quarterly net sales

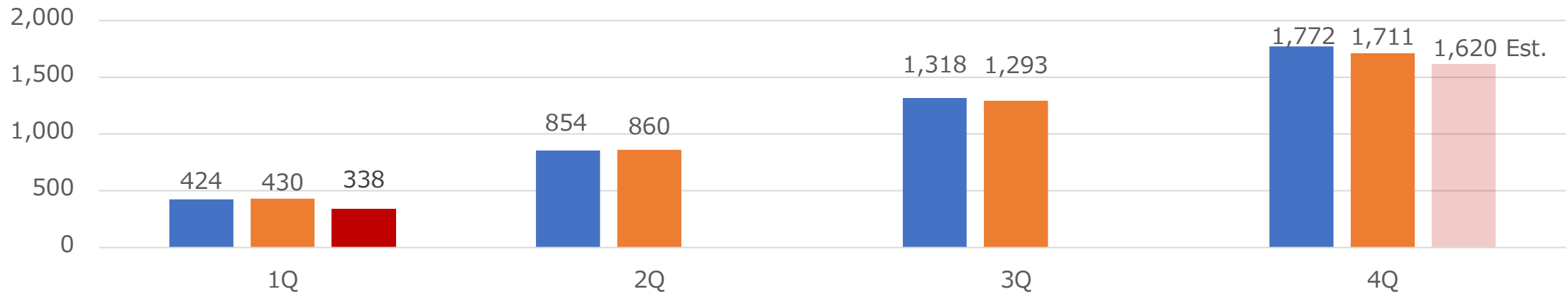
■ FY2018 ■ FY2019 ■ FY2020



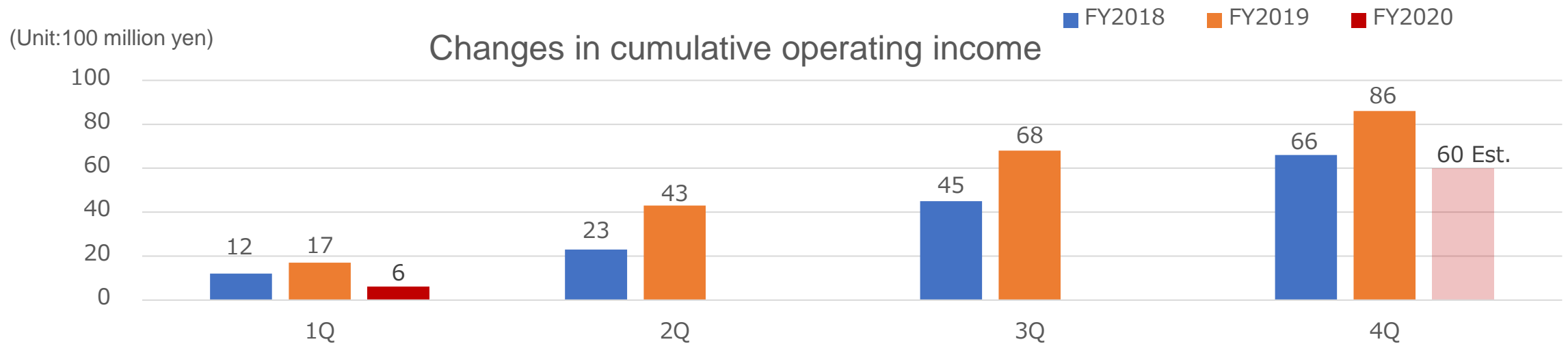
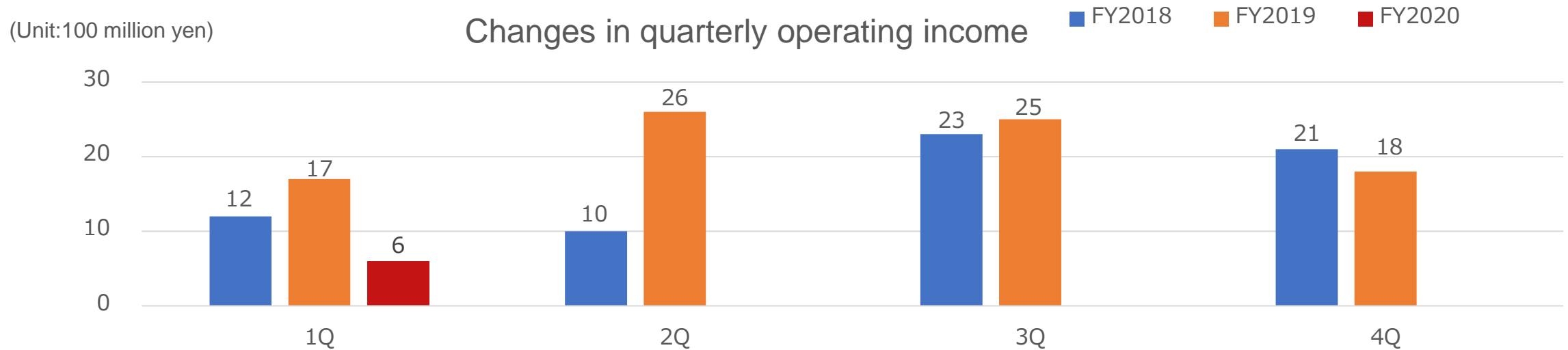
(Unit:100 million yen)

Changes in Cumulative Net sales

■ FY2018 ■ FY2019 ■ FY2020



Changes in Quarterly Business Results (Operating income: Comparison with past 3 years)



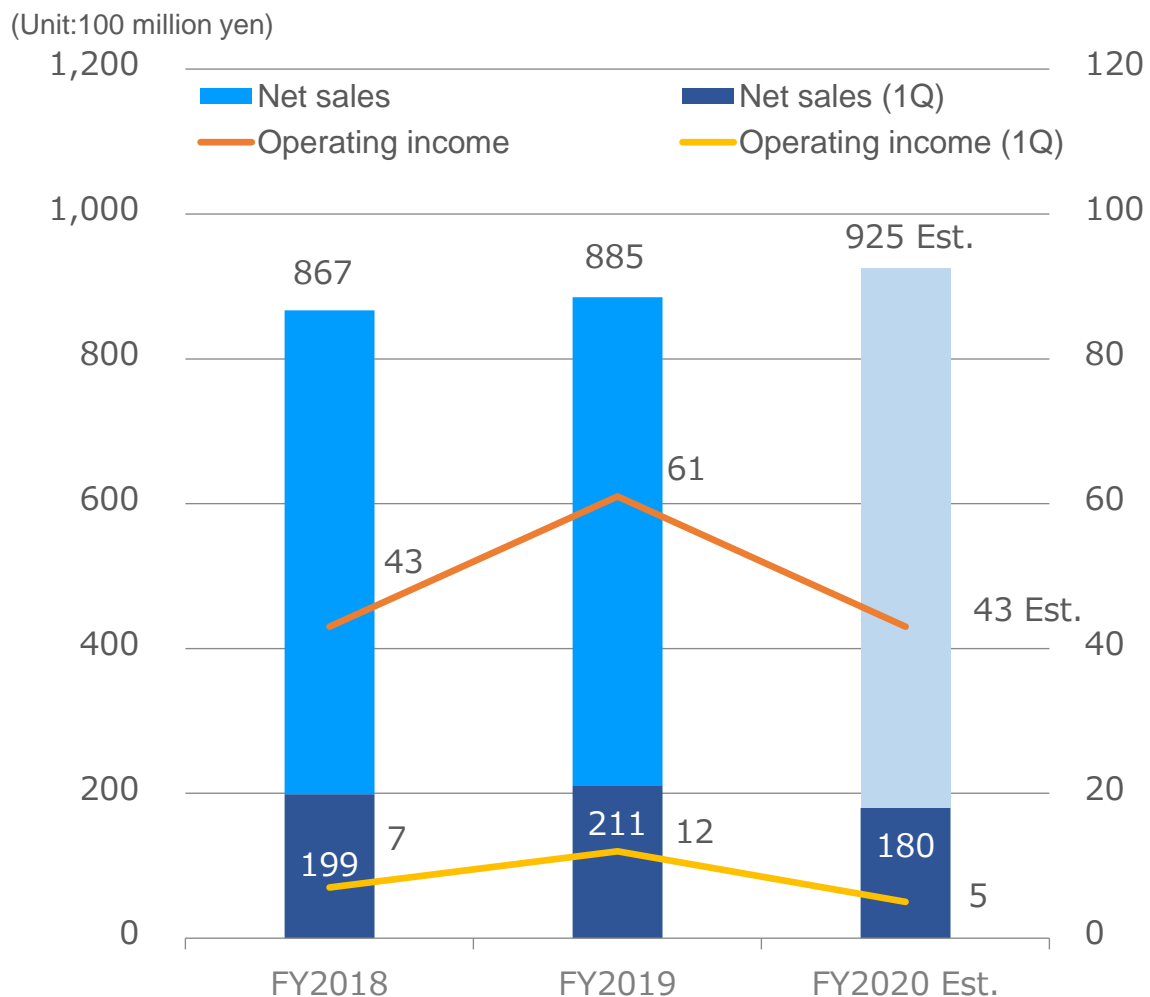
Segment Information (YoY)

- Sales and profits fell in each segment due to the impact of COVID-19. After 2Q, we will be on a recovery-trend.

(Unit:100 million yen)

	FY2019 1Q Results		FY2020 1Q Results		Change	
	Net sales	Operating income (Profit margin %)	Net sales	Operating income (Profit margin %)	Net sales	Operating income
Energy and Infrastructure	211	12 (5.6%)	180	5 (3.1%)	△32	△6
Communication and Industrial Devices	76	5 (6.8%)	61	3 (4.4%)	△14	△2
Electrical equipment and Components	132	1 (0.9%)	87	0 (0.4%)	△44	△1
Others (New business)	11 (7)	△2 (△1)	10 (6)	△2 (△1)	△1	△1
Total	430	17 (3.9%)	338	6 (1.8%)	△92	△10

Energy and Infrastructure operations Results & Forecast



* The Company has partially recategorized its segments from FY3/2019 3Q.

■ 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

*Established a joint venture sales company with Furukawa Electric Co., Ltd. from this term (our shareholding ratio: 60%)

- ◆ Demand for construction-related applications declined reflecting the postponement of construction works due to COVID-19.
 - ◆ Demand for electric power infrastructure applications declined temporarily due to construction plans in line with the Tokyo Olympic and Paralympic Games.
- Full-year forecast: Demand for capital investment and housing starts is expected to decline due to the impact of the COVID-19, but demand for electric power infrastructure, warehouses, and data centers applications is expected to recover in the 2H of the fiscal year.

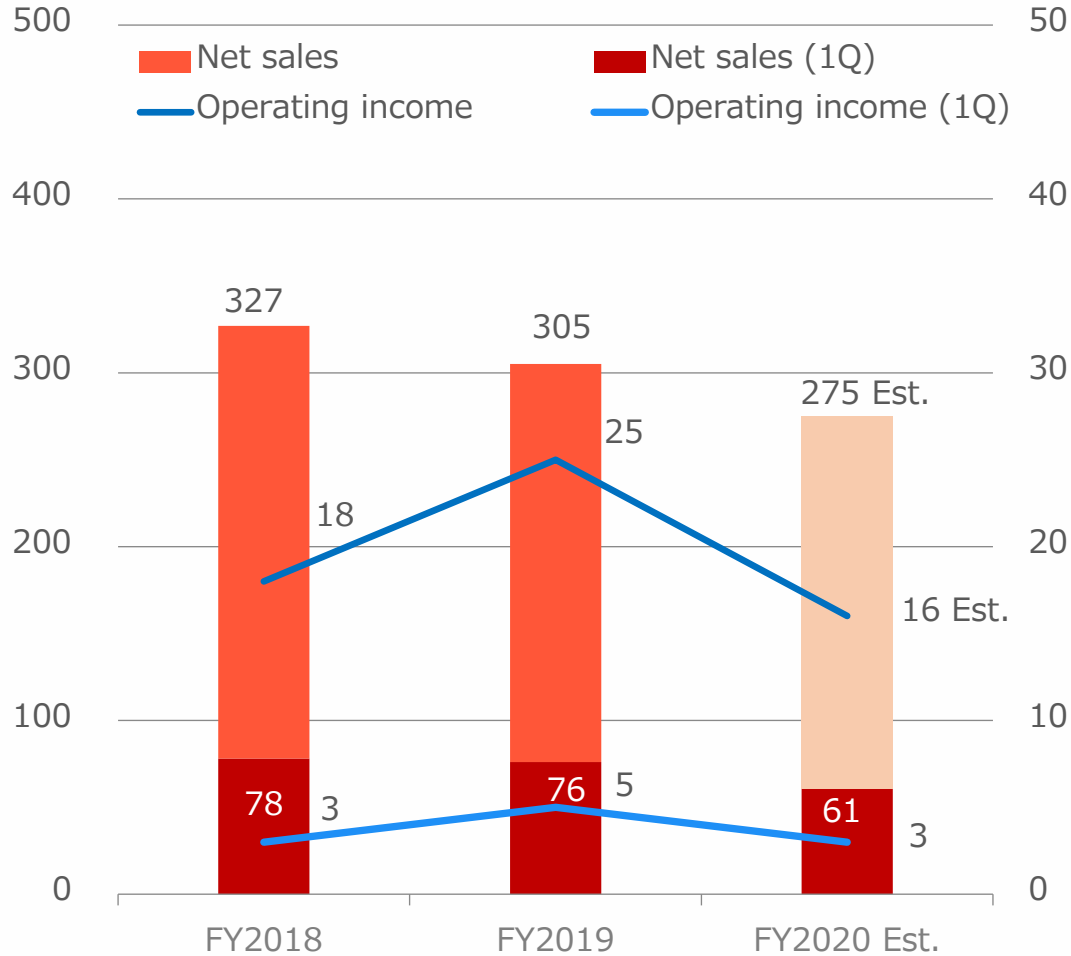
The planned net sales of 92.5 billion yen and operating income of 4.3 billion yen.

Operating margin: 4.6% (6.9% in the previous fiscal year)

Communications and Industrial Devices operations Results & Forecast



(Unit: 100 million yen)



* The Company has partially recategorized its segments from FY3/2019 3Q.

■ Characteristics: Global provider of communication cables and industrial devices

- ◆ Demand for telecommunications cable for domestic 5G services was firm, but construction-related application demand fell due to the postponement of construction work due to COVID-19.
- ◆ Industrial device-related application sales decreased due to the impact of the business suspension of customer plants caused by the worldwide spread of COVID-19.

- Full-year forecast: Domestic telecommunication infrastructure has been expanded, and the GIGA School Project became active. In precision devices, promote structural reform in response to changes in the supply chain due to COVID-19.

The planned net sales of 27.5 billion yen and operating income of 1.6 billion yen.

Operating margin: 5.8% (8.2% in the previous fiscal year)

Electrical equipment and Components operations Results & Forecast



- **Characteristics: Strategic products of Oxygen free copper MiDIP® and copper-silver alloys manufactured by the one and only dip forming systems available in Japan.**
- ◆ Demand fell sharply due to production adjustments by automobile manufacturers caused by the impact of the corona problem.
- ◆ Demand for general-purpose magnet wires for electrical machinery applications, such as capital investment, decreased due to COVID-19.
- Full-year forecast: Progress is underway to transform business from conventional general-purpose products to focus on high-value-added products. We expect the market to recover in the 2H of the fiscal year and an increase in the ratio of eco-friendly vehicles. We aim to improve profitability by expanding sales of its strategic products for Oxygen free copper MiDIP® and copper alloys, and by increasing production of magnet wire for automobile.

The planned net sales of 36 billion yen and operating income of 0.5 billion yen

Operating margin: 1.4% (1.2% in the previous fiscal year)

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

- Equity ratio was 33.1% (up 0.8 points from the end of the previous fiscal year)

(Unit:100 million yen)

	March 31, 2020	June 30, 2020	Change
Cash and deposits	43	46	+3
Accounts receivable and other receivables	412	372	△40
Inventories	217	221	+4
Others	45	48	+3
Total current assets	717	687	△31
Property, plant and equipment	399	399	△0
Intangible assets	14	14	△1
Investments and other assets	94	95	+1
Total fixed assets	508	508	△0
Total assets	1,225	1,194	△31

	March 31, 2020	June 30, 2020	Change
Notes & accounts payable	186	174	△12
Short-term borrowings	295	305	+9
Others	157	139	△18
Total current liabilities	638	617	△21
Long-term debt	119	109	△10
Others	68	68	+0
Total long-term liabilities	187	178	△9
Total liabilities	825	795	△30
Capital stock	242	242	0
Capital surplus	57	57	+0
Retained earnings	62	62	△0
Others	38	39	+0
Total net assets	400	400	△0
Total liabilities and net assets	1,225	1,194	△31

Impact of COVID-19

- The impact on 1Q performance was limited within the scope of assumption at the time of the announcement of the financial results in May.
- It is expected that the market will gradually recover from 2Q and begin a full-fledged recovery from the 2H of the fiscal year.

	Market Environment (1H)		Measures
Energy and Infrastructure	Domestic	<ul style="list-style-type: none"> • Construction work temporarily postponed in 1Q resumes • Strong demand for power infrastructure 	<ul style="list-style-type: none"> • Production system to respond to demand fluctuations • Strengthening the renewable energy grid interconnection business model
Communication and Industrial Devices	Domestic	<ul style="list-style-type: none"> • Construction work temporarily postponed in 1Q resumes • Demand for expansion and improvement of telecommunications infrastructure increases. 	<ul style="list-style-type: none"> • Capturing demand from 5G startup, GIGA School Project, etc. • Structural reform of new supply chains and local production for local consumption (China, Southeast Asia)
	Overseas	<ul style="list-style-type: none"> • Demand is recovering from 2Q although it was sluggish in 1Q 	
Electrical equipment and Components	Domestic Overseas	<ul style="list-style-type: none"> • Automobile manufacturers continue to make production adjustments • Increase in the proportion of eco-friendly vehicles in the future 	<ul style="list-style-type: none"> • Strengthen the production system to respond to structural changes in the automobile industry and an increase in the proportion of eco-friendly automobiles
Others (New business)	Domestic	<ul style="list-style-type: none"> • Demand for telework-compatible systems is strong • Increase in demand due to the acceleration of telemedicine and Smart Work 	<ul style="list-style-type: none"> • Reinforcement of telework-compatible system products • Strengthen sales promotions in response to increase demand for medical materials, systems and services due to the acceleration of telemedicine and smart work

FY3/21 Full-year Forecast

- Full-year business forecasts remain unchanged from the announcement on May 15.

(Unit:100 million yen)

	FY2019 Actual	Composition %	FY2020 Plan	Composition %
Net sales	1,711	—	1,620	—
Gross profit	237	13.9%	—	—
Operating income	86	5.0%	60	3.7%
Ordinary income	79	4.6%	55	3.4%
Net income attributable to owners of parent	55	3.2%	40	2.5%



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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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