

SWCC groups

**Supplementary Material
for the Second Quarter of the Fiscal Year
Ending March 2021**



Creating for the Future

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

November 4, 2020

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



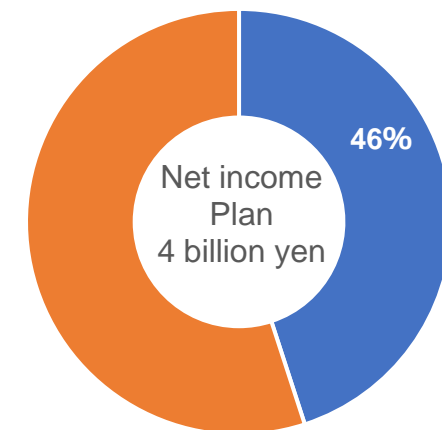
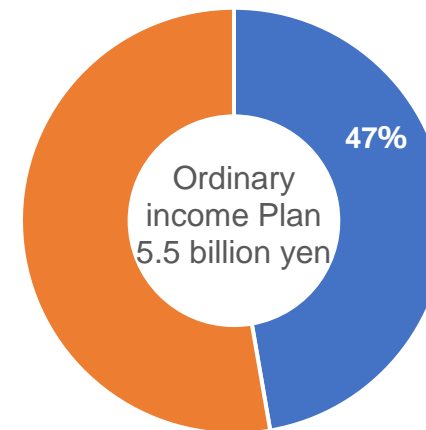
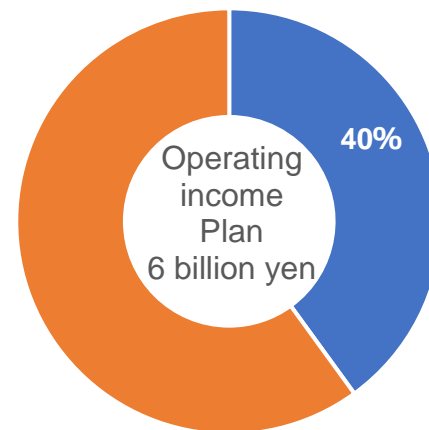
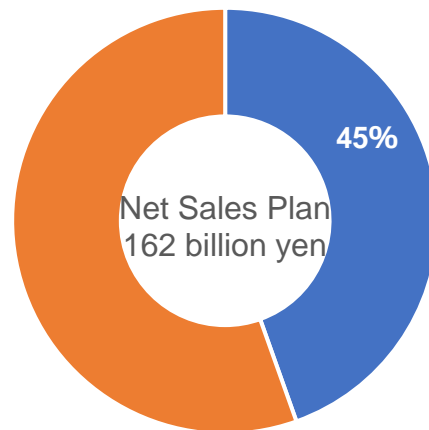
FY3/2021 2Q Overview of Financial Results

Results: Sales and profits were down YoY in all businesses affected by the 1Q results, despite the recovery trend in 2Q.

Results in 1H were almost in line with expectations and on a recovery path in 2H.

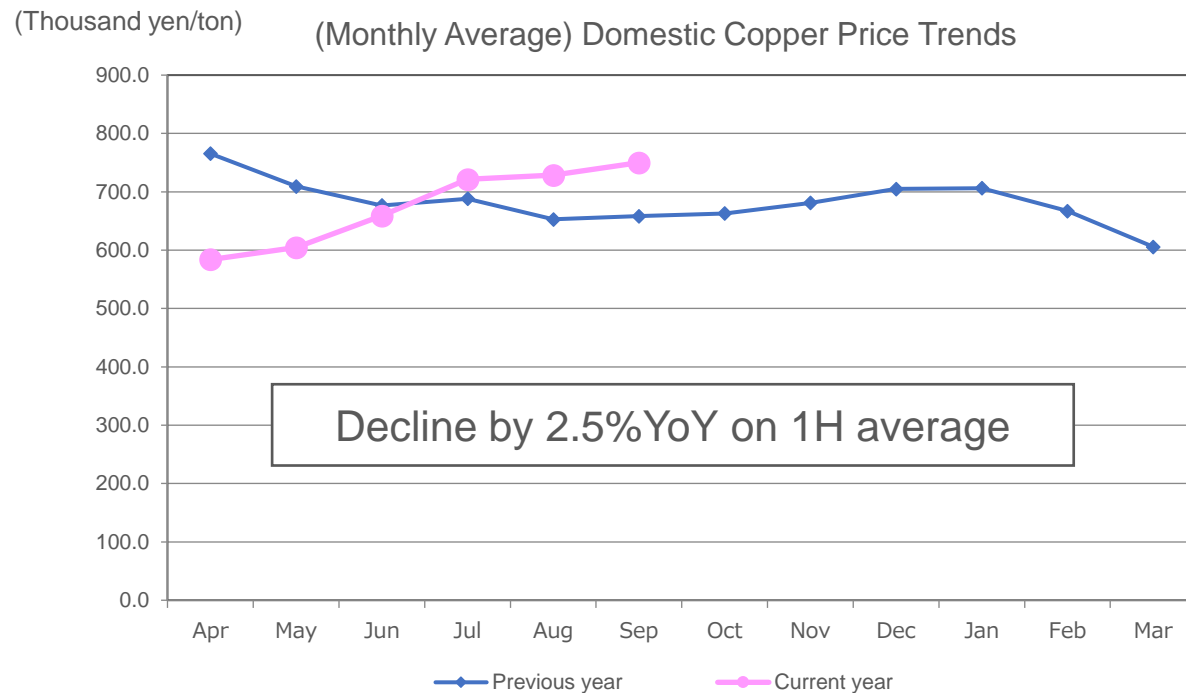
- **In the Energy and Infrastructure operations** : Demand for energy infrastructure was in line with expectations. Demand for construction-related products has gradually recovered in 2Q, but it did not reach the level of the same period of the previous year.
- **In the Communication and Industrial devices operations** : Demand for communication infrastructure picked up gradually due to 5G demand. Industrial devices showed signs of recovery, mainly in China.
- **In the Electrical equipment and Components operations** : Production adjustments by automakers due to COVID-19 and demand for general-purpose magnet wires for electrical machinery continued to be sluggish.

2Q Progress Rate (Net Sales/Operating Income/Ordinary Income/Net Income)

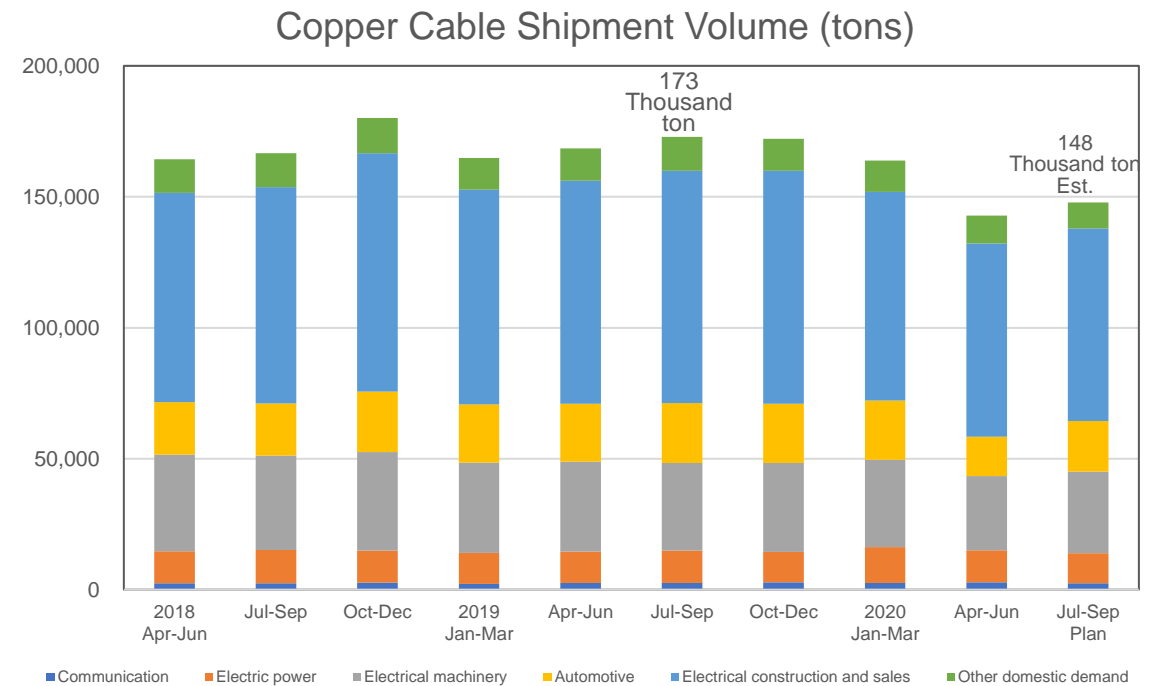


Macroeconomic Environment

- Domestic copper prices (on a yen basis) are on an upward trend due in part to the economic recovery in China, but the average price for 1H fell by 2.5%.
- Domestic copper wire shipments fell sharply, mainly in construction and electric power sales. (-15% YoY) (Sep. 24: The Japan Electric Wire Manufacturers Association revised its fiscal 2020 copper wire demand forecast to -10.8% YoY.)



Source from Japan Electric Wire Manufacturers Association



Source from Japan Electric Wire Manufacturers Association

2Q Consolidated Statements of Income

- Net sales decreased by 16.0% YoY and operating income decreased by 43.5% YoY. Sales and profits declined due to a sharp drop in demand caused by the impact of COVID-19, but it is expected to recover in 2H.
- Profits for 1H exceeded that of FY2018, partly due to the effects of structural reforms.

(Unit:100 million yen)

	FY2018 2Q Actual	FY2019 2Q Actual	FY2020 2Q Actual	Composition %	YoY %
Net sales	854	860	722	—	△ 16.0%
Gross profit	98	117	93	12.9%	△ 20.0%
Operating income	23	43	24	3.3%	△ 43.5%
Ordinary income	19	40	26	3.6%	△ 34.4%
Net income attributable to owners of parent	13	29	18	2.5%	△ 36.2%

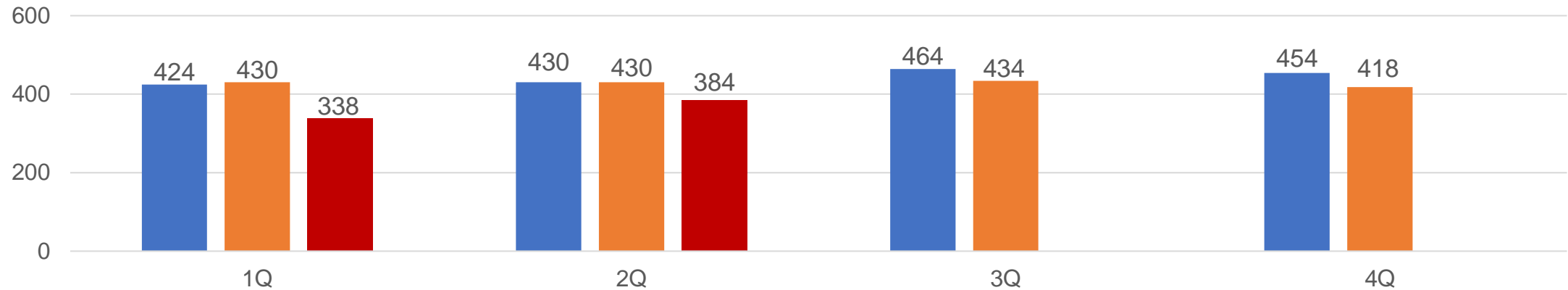
Quarterly Performance Trends

(Net sales: Comparison with past 3 years)

(Unit:100 million yen)

Changes in quarterly net sales

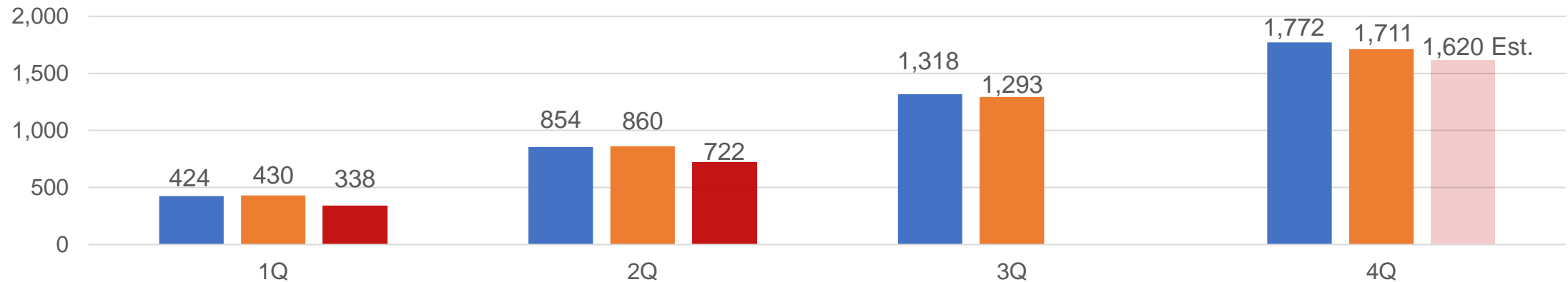
■ FY2018 ■ FY2019 ■ FY2020



(Unit:100 million yen)

Changes in cumulative net sales

■ FY2018 ■ FY2019 ■ FY2020

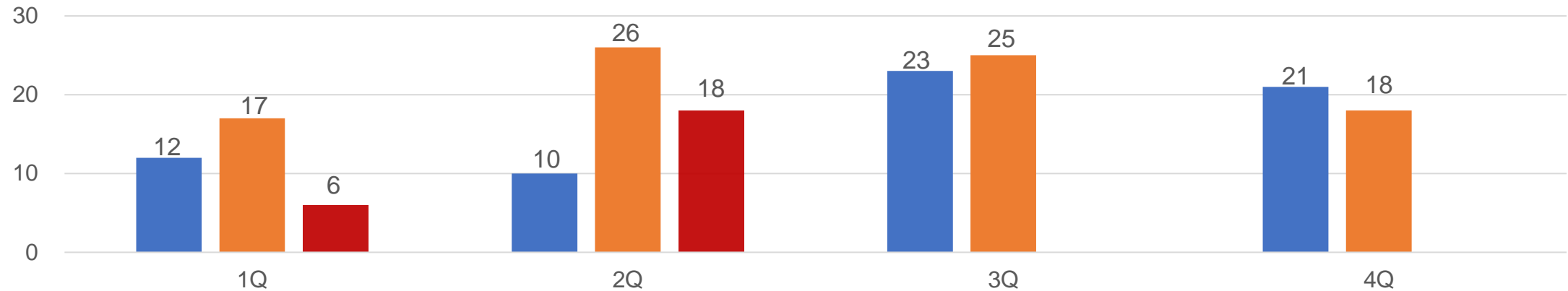


Changes in Quarterly Business Results (Operating income: Comparison with past 3 years)

(Unit:100 million yen)

Changes in quarterly operating income

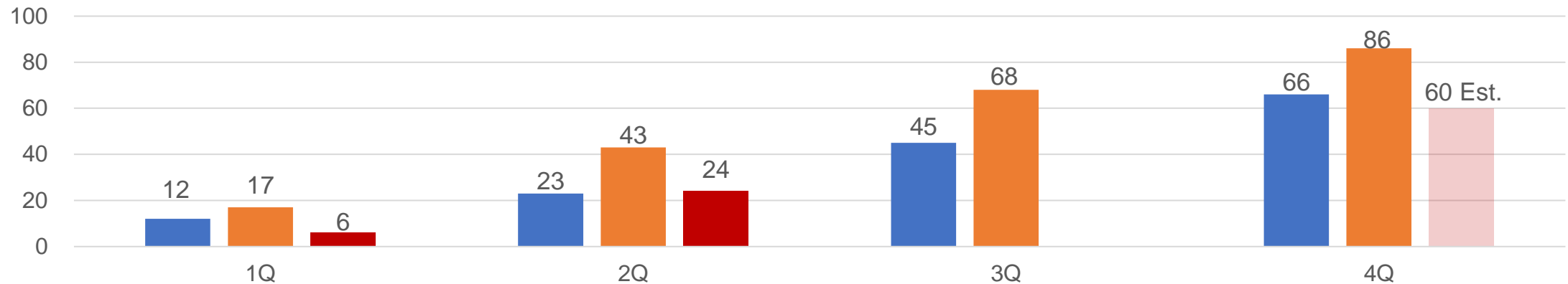
■ FY2018 ■ FY2019 ■ FY2020



(Unit:100 million yen)

Changes in cumulative operating income

■ FY2018 ■ FY2019 ■ FY2020



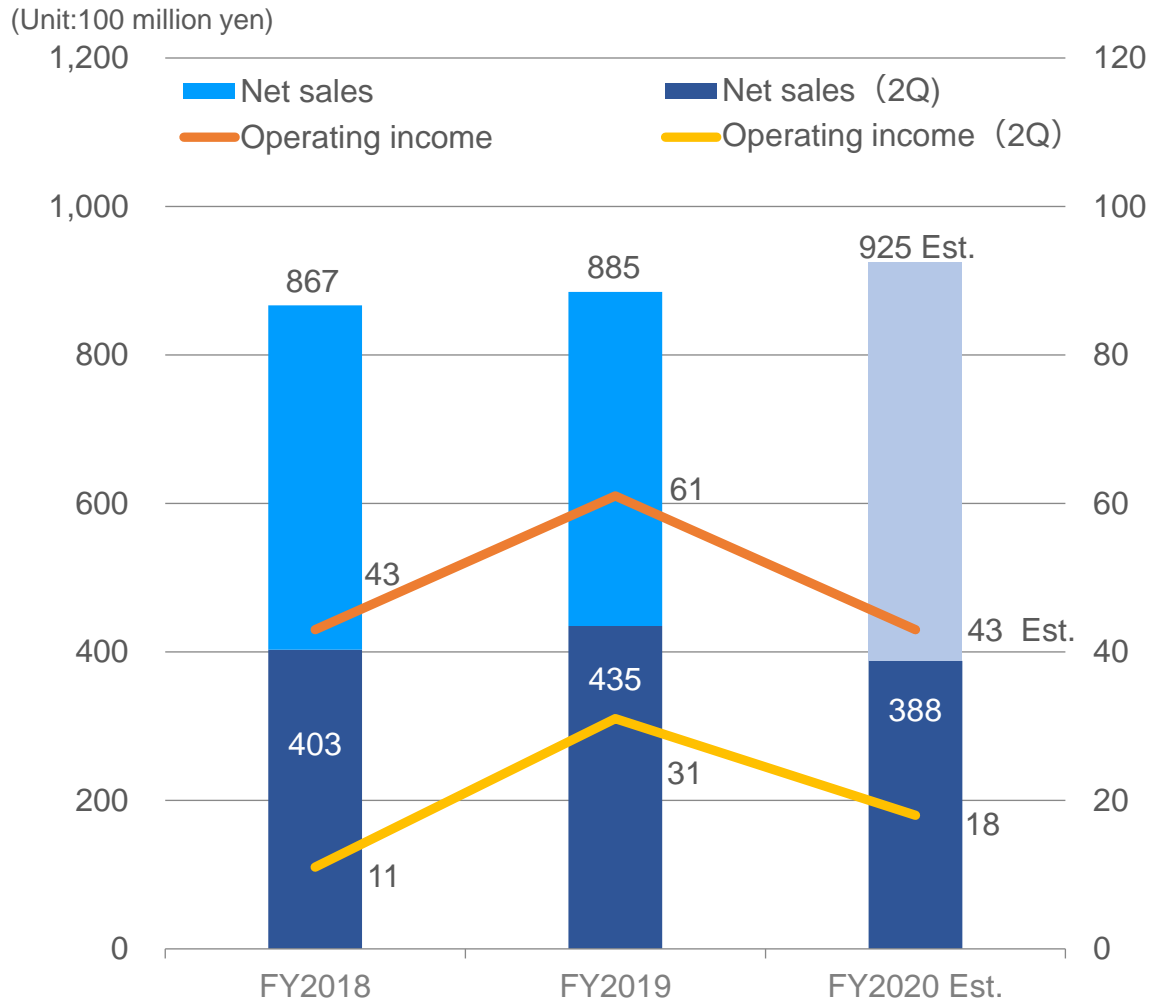
Segment Information

- Sales and profits fell sharply in 1Q due to the impact of COVID-19, but with the exception of Electrical equipment and Components, sales and profits are expected to recover in 2Q. We expect a recovery in 2H of the fiscal year.

(Unit:100 million yen)

	FY2018 2Q Results		FY2019 2Q Results		FY2020 2Q Results	
	Net sales	Operating income (Profit margin %)	Net sales	Operating income (Profit margin %)	Net sales	Operating income (Profit margin %)
Energy and Infrastructure	403	11 (2.8%)	435	31 (7.1%)	388	18 (4.6%)
Communication and Industrial devices	160	9 (5.5%)	153	11 (7.5%)	127	8 (6.5%)
Electrical equipment and Components	265	4 (1.4%)	248	2 (0.8%)	183	1 (0.6%)
Others (New Business)	25 (15)	△1 (△1)	24 (14)	△2 (△1)	23 (16)	△3 (△0)
Total	854	23 (2.7%)	860	43 (5.0%)	722	24 (3.3%)

Energy and Infrastructure operations Results & Forecast



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

2Q Results

◆ Construction

General-purpose electric cables, Seismic isolation devices, Anti-seismic / Anti-shock

In 2Q, demand for construction work projects recovered, but did not reach the level of the same period last year.

◆ Electric power infrastructure

Power cables, construction, Power device component (SICONEX®)

Progress was in line with the forecast made at the beginning of the period.

Full-year forecast

Demand for electric power infrastructure was strong. Demand for capital investment and housing starts fell due to the effects of COVID-19, but the worst period would come to an end and we expect a recovery in 2H.

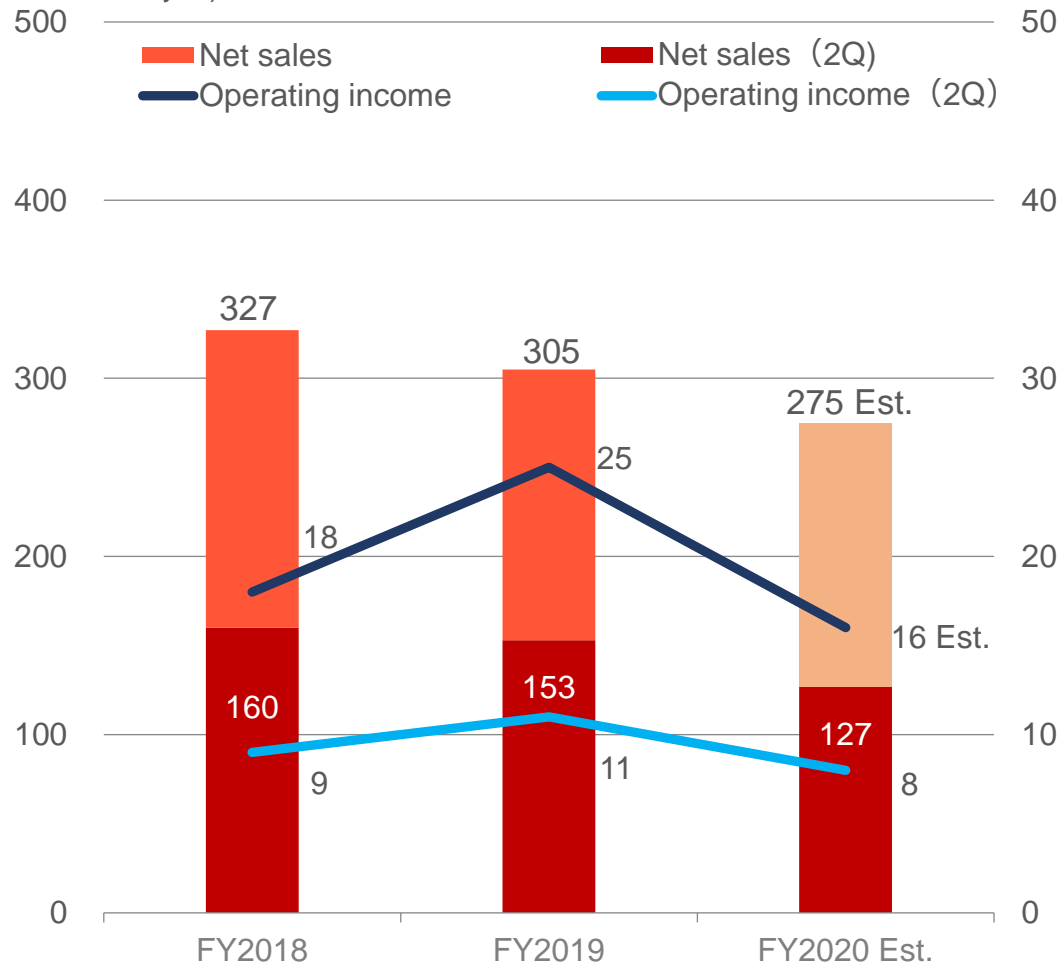
The planned net sales of 92.5 billion yen and operating income of 4.3 billion yen.

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

Communication and Industrial devices operations Results & Forecast



(Unit: 100 million yen)



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

2Q Results

◆ Construction Metal cables, optical cables	Demand was sluggish compared to the same period of the previous year, despite demand associated with the expansion of communication infrastructure, such as for 5G services.
◆ Communication infrastructure LAN cables, optical cables	
◆ Home and industrial equipment Wire harness	Supply chain disruptions were resolved and demand recovered, especially in China, but demand was sluggish compared to the same period last year.
◆ Copy machine Precision devices	

Full-year forecast

Capture demand for domestic telecommunication infrastructure has been expanded, and the GIGA School Project.
In precision devices, promote structural reform in response to changes in the supply chain due to COVID-19.

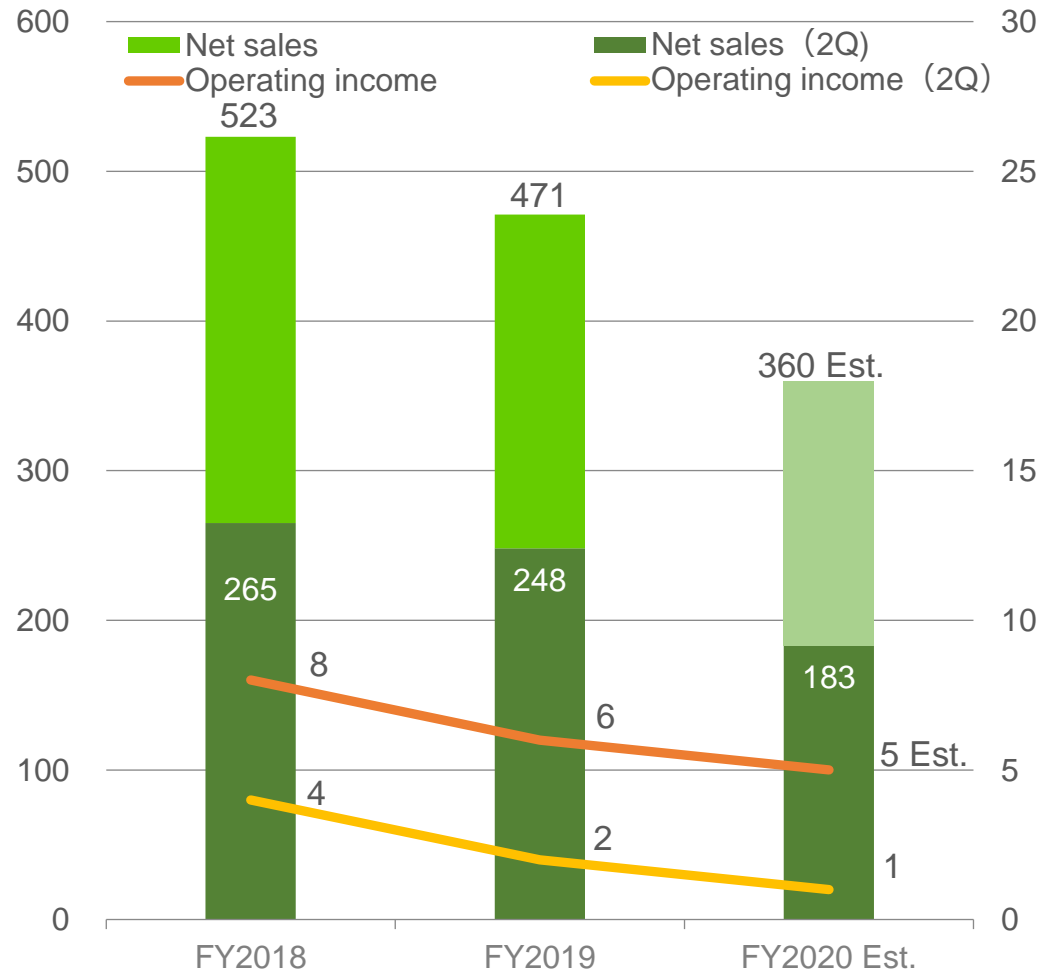
The planned net sales of 27.5 billion yen and operating income of 1.6 billion yen.

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

Electrical equipment and Components operations Results & Forecast



(Unit:100 million yen)



2Q Results

◆ Automobile

Oxygen free copper MiDIP®,
Copper Alloy,
High performance magnet wire

Demand was sluggish caused by the impact of production adjustments by automakers due to COVID-19.

◆ Electrical machinery applications etc.

General-purpose magnet wires

Demand for general-purpose magnet wires for electric machinery such as those used in capital investment continued to be sluggish.

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 34.3% (up 2.0 points from the end of the previous fiscal year) (Unit:100 million yen)

	March 31, 2020	September 30, 2020	Change
Cash and deposits	43	40	△3
Accounts receivable and other receivables	412	382	△30
Inventories	217	212	△5
Others	45	52	+7
Total current assets	717	686	△31
Property, plant and equipment	399	401	+2
Intangible assets	14	13	△1
Investments and other assets	94	96	+2
Total fixed assets	508	510	+2
Total assets	1,225	1,196	△29

	March 31, 2020	September 30, 2020	Change
Notes & accounts payable	186	182	△4
Short-term borrowings	295	291	△4
Others	157	133	△23
Total current liabilities	638	607	△31
Long-term debt	119	106	△12
Others	68	68	△1
Total long-term liabilities	187	174	△13
Total liabilities	825	781	△44
Capital stock	242	242	0
Capital surplus	57	57	0
Retained earnings	62	76	+14
Others	38	40	+2
Total net assets	400	416	+16
Total liabilities and net assets	1,225	1,196	△29

Market Outlook for the Second Half

- Recovering trend in the automotive market is expected from 2H.

	Market Environment (2H)		Measures
Energy and Infrastructure	Construction		<ul style="list-style-type: none"> • Production system to respond to demand fluctuations • Strengthening the renewable energy grid interconnection business model • Promotion of structural reform of vibration control and sound control business
	Electric power infrastructure		
	Seismic isolation & Others		
Communication and Industrial devices	Telecommunications cable		<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) • Launching a new wiring harness system and strengthening overseas investment
	Wire harness		
	Precision devices (for copy machine)		
Electrical equipment and Components	High performance products (Automobile etc.)		<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
	General-purpose products		
Others (New Business)	IoT Solution		<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
	Industry(Medical etc.)		

FY3/2021 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%
Dividend/Dividend Payout Ratio	15 yen	8.2%	15 yen	11.2%



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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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