

**SWCC Group**

**Supplementary Material  
for the Third Quarter of the Fiscal Year  
Ending March 2020**



**Creating for the Future**

**SWCC SHOWA HOLDINGS CO., LTD.  
(TSE1: 5805)**

**February 3, 2020**

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



# FY3/2020 3Q Overview of Financial Results

## Results: Performance was steady. Operating income increased by 50% YoY.

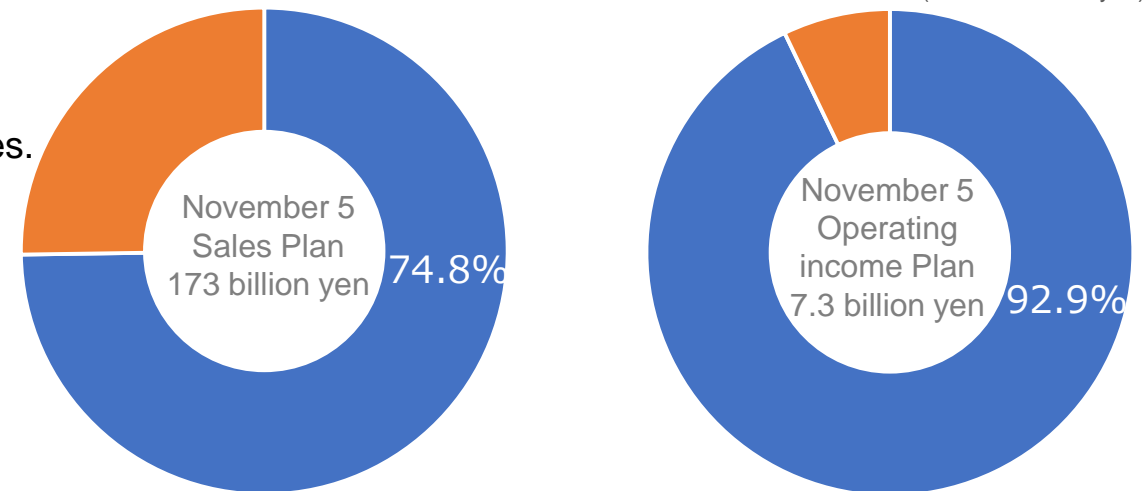
- In the Energy & Infrastructure operations, sales and profits increased due to strong demand for construction-related applications reflecting redevelopment demands in the metropolitan area, measures against the resilience of power infrastructure, and demand for renewable energy.
- In the Communications and Industrial Devices operations, segment sales decreased due to sluggish overseas sales of optical fibers.
- Sales and profits increased due to continued strong sales of communication cables for domestic construction-related applications and for data centers.
- In the Electronic Devices and Components operations, sales of high-grade wire materials for electronic components were firm. Sales and profits decreased due to the continued slump in demand for magnet wires used in electrical machinery and other applications.

## 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)
- Dividend forecast revised upward to 15 yen per share.

### 3Q Progress Rate (Net Sales/Operating Income)

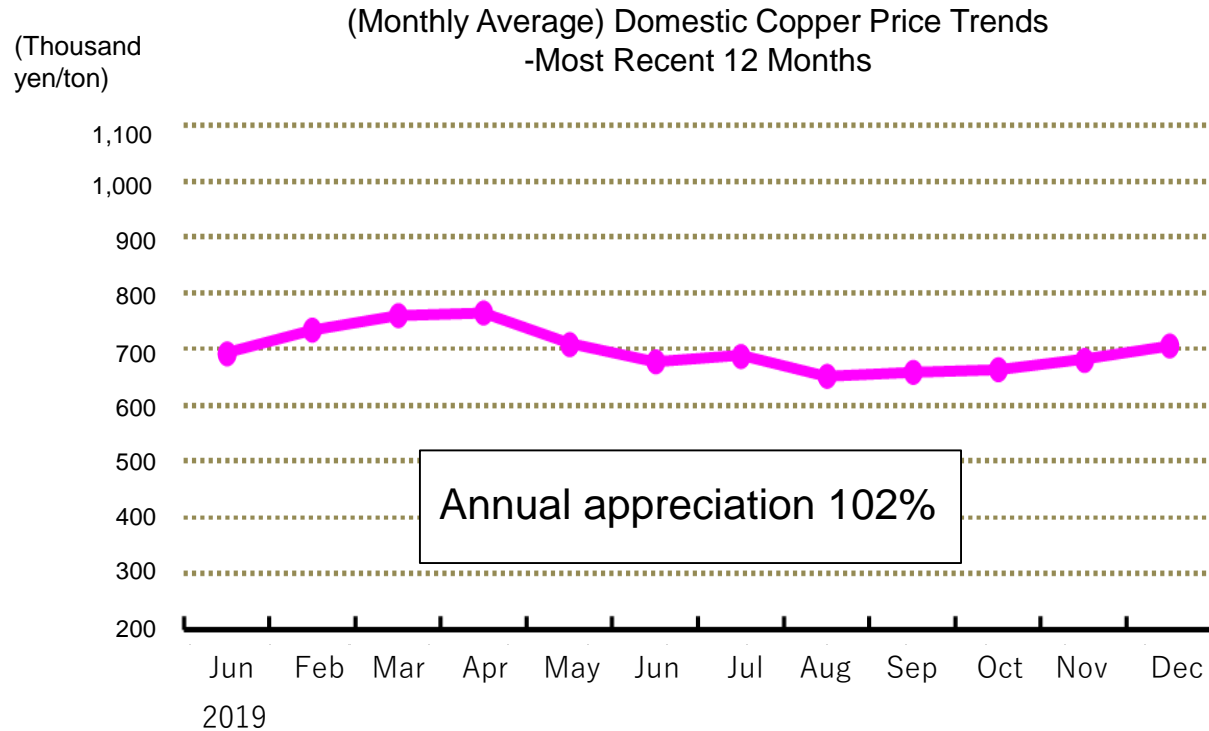
(Unit: 100 million yen)



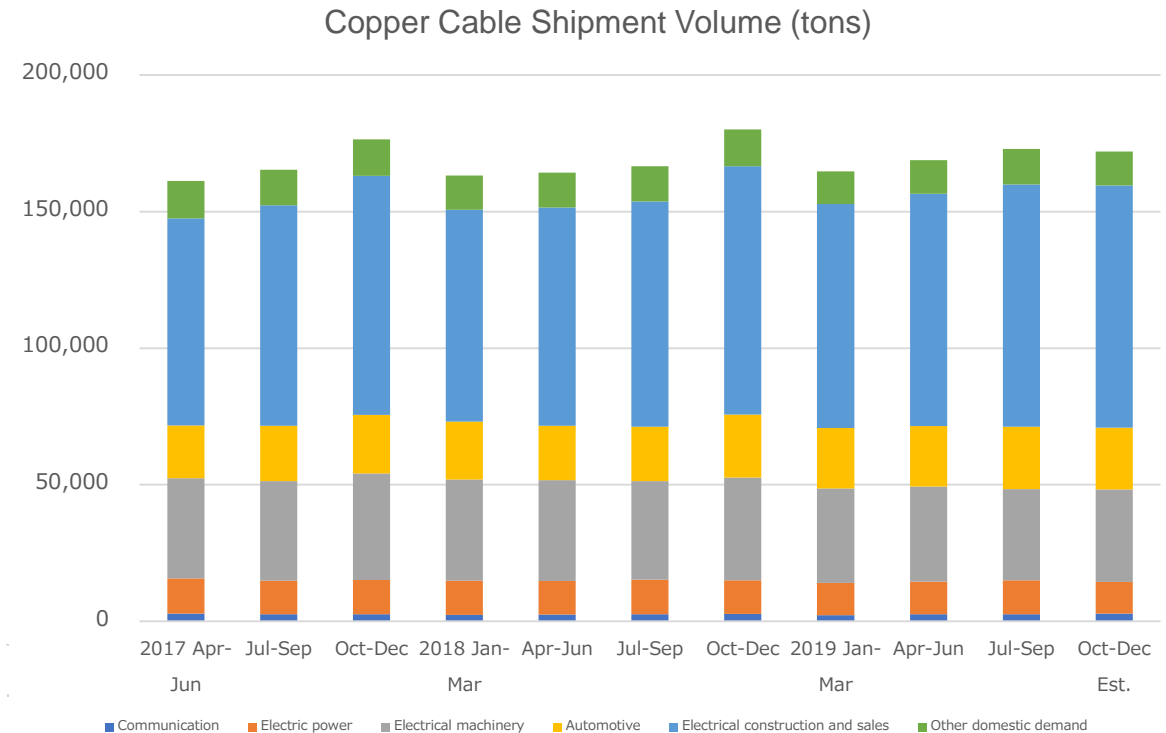
Plan to increase year-end dividend from 10 yen to **15 yen**

# Macroeconomic Environment

- Domestic copper prices (on a yen basis) were on a recovery trend (2% YoY) due to expectations of easing of the U.S.-China trade friction, but are currently on a downward trend due to a decline in demand caused by the new type of infectious diseases.
- 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

# 3Q Consolidated Statements of Income (YoY)

- Net sales decreased by 1.9% YoY and the gross margin improved by +1.9 point to 13.9%. As a result, operating income increased by 50% YoY.

(Unit: 100 million yen)

	FY2018 3Q Actual	Composition %	FY2019 3Q Actual	Composition %	YoY %
<b>Net sales</b>	<b>1,317</b>	—	<b>1,293</b>	—	△1.9%
<b>Gross profit</b>	<b>158</b>	12.0%	<b>179</b>	13.9%	+13.2%
<b>Operating income</b>	<b>45</b>	3.4%	<b>67</b>	5.2%	+50.0%
<b>Ordinary income</b>	<b>38</b>	2.9%	<b>63</b>	4.9%	+62.7%
<b>Net income attributable to owners of parent</b>	<b>27</b>	2.1%	<b>45</b>	3.5%	+65.7%

# 3Q 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 3Q Results		FY2019 3Q Results		Change	
	Net sales	Operating income (Profit margin %)	Net sales	Operating income (Profit margin %)	Net sales	Operating income
Energy and Infrastructure	632	25 (4.0%)	667	48 (7.2%)	+35	+23
Communication and Industrial Devices	249	17 (6.7%)	229	19 (8.6%)	△20	+2
Electrical equipment and components	399	6 1.6%	361	3 (0.9%)	△38	△3
Others (New business)	37 (22)	△3 (△1)	36 (22)	△3 (△1)	△1	△0
<b>Total</b>	<b>1,317</b>	<b>45 (3.4%)</b>	<b>1,293</b>	<b>67 (5.2%)</b>	<b>△24</b>	<b>+22</b>

# FY3/2020 Revision to Full-year Business Forecast and Dividend Forecast

- Full-year results and dividend forecast revisions in light of the results up to Q3

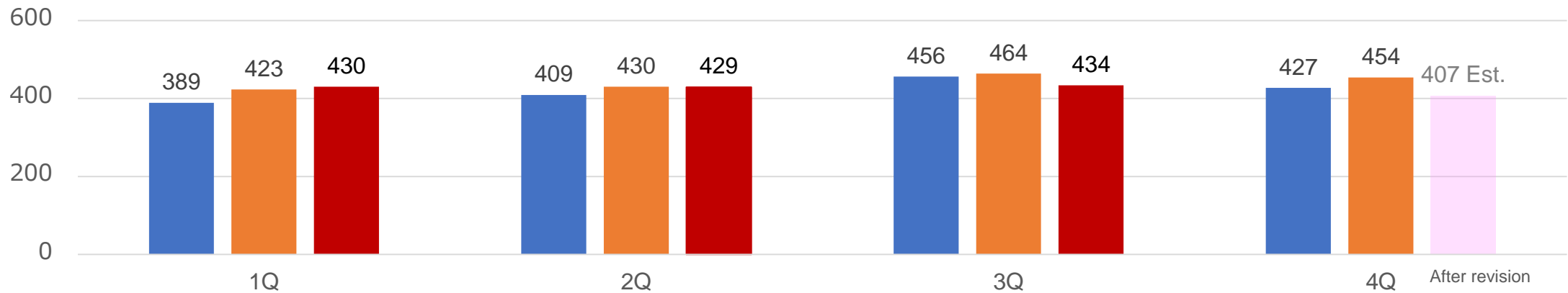
(Unit:100 million yen)	FY2018 Result	Composition %	FY2019 Plan	Composition %	FY2019 Revised plan	Composition %	Revised amount	Change %
<b>Net sales</b>	<b>1,771</b>	—	<b>1,730</b>	—	<b>1,700</b>	—	△30	△1.7%
<b>Operating income</b>	<b>66</b>	3.8%	<b>73</b>	4.2%	<b>80</b>	4.7%	+7	+9.6%
<b>Ordinary income</b>	<b>56</b>	3.2%	<b>66</b>	3.8%	<b>73</b>	4.3%	+7	+10.6%
<b>Net income attributable to owners of parent</b>	<b>45</b>	2.6%	<b>48</b>	2.8%	<b>48</b>	2.8%	—	—
<b>Dividend</b>	<b>7 yen per share</b>	—	<b>10 yen per share</b>	—	<b>15 yen per share</b>	—	<b>+5yen</b>	—

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

(Unit:100 million yen)

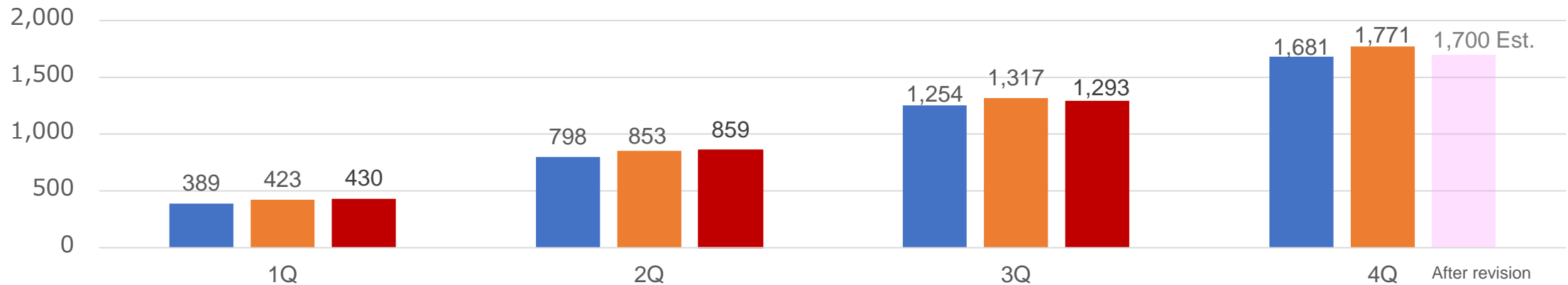
### Changes in quarterly net sales

FY2017 FY2018 FY2019



(Unit:100 million yen)

### Changes in Cumulative Net sales

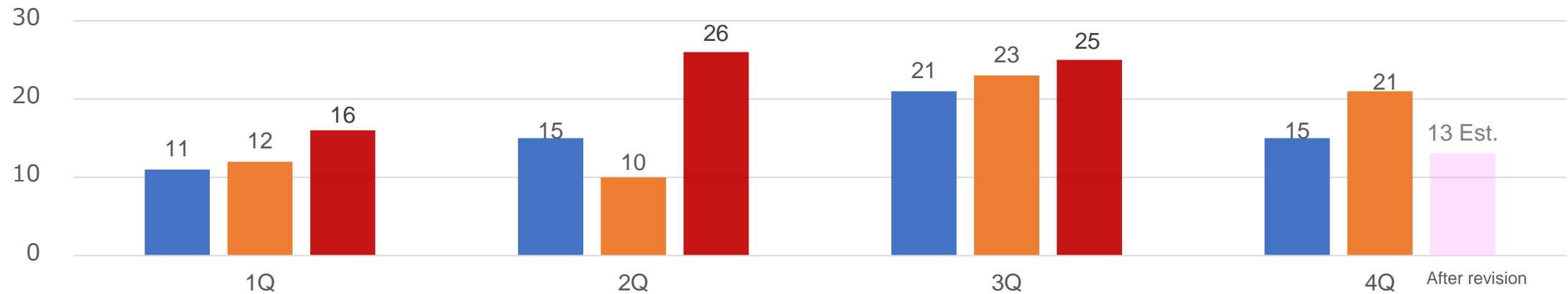


# Changes in Quarterly Business Results (Operating income: Comparison with past 3 years)

(Unit:100 million yen)

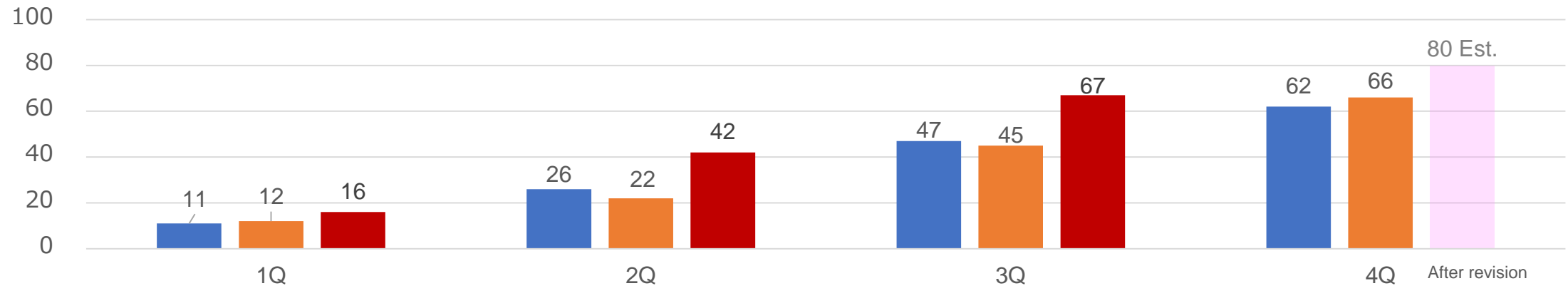
## Changes in quarterly operating income

■ FY2017 ■ FY2018 ■ FY2019



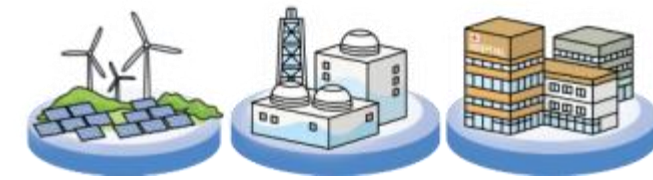
(Unit:100 million yen)

## Changes in cumulative operating income

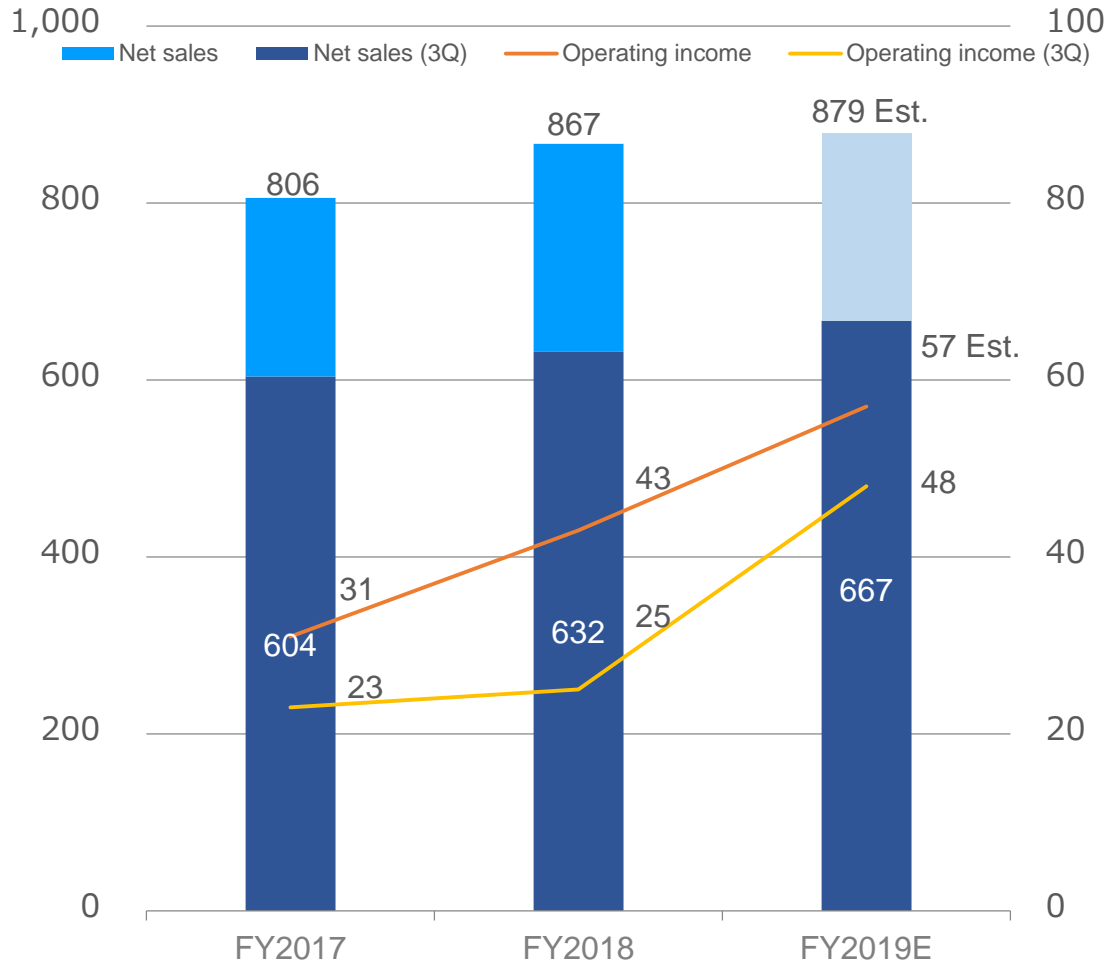




# Energy and Infrastructure Operations Results & Forecast



(Unit:100 million yen)



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

Forecast for FY2019 E is the revised figures.

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

■ Demand for construction-related applications due to the redevelopment demand in the metropolitan area, measures against the resilience of the power infrastructure, and demand for renewable energy continued to be strong.

Net sales: 66.7 billion yen (+5.5% YoY)

Operating income: 4.8 billion yen (+90.3% YoY)

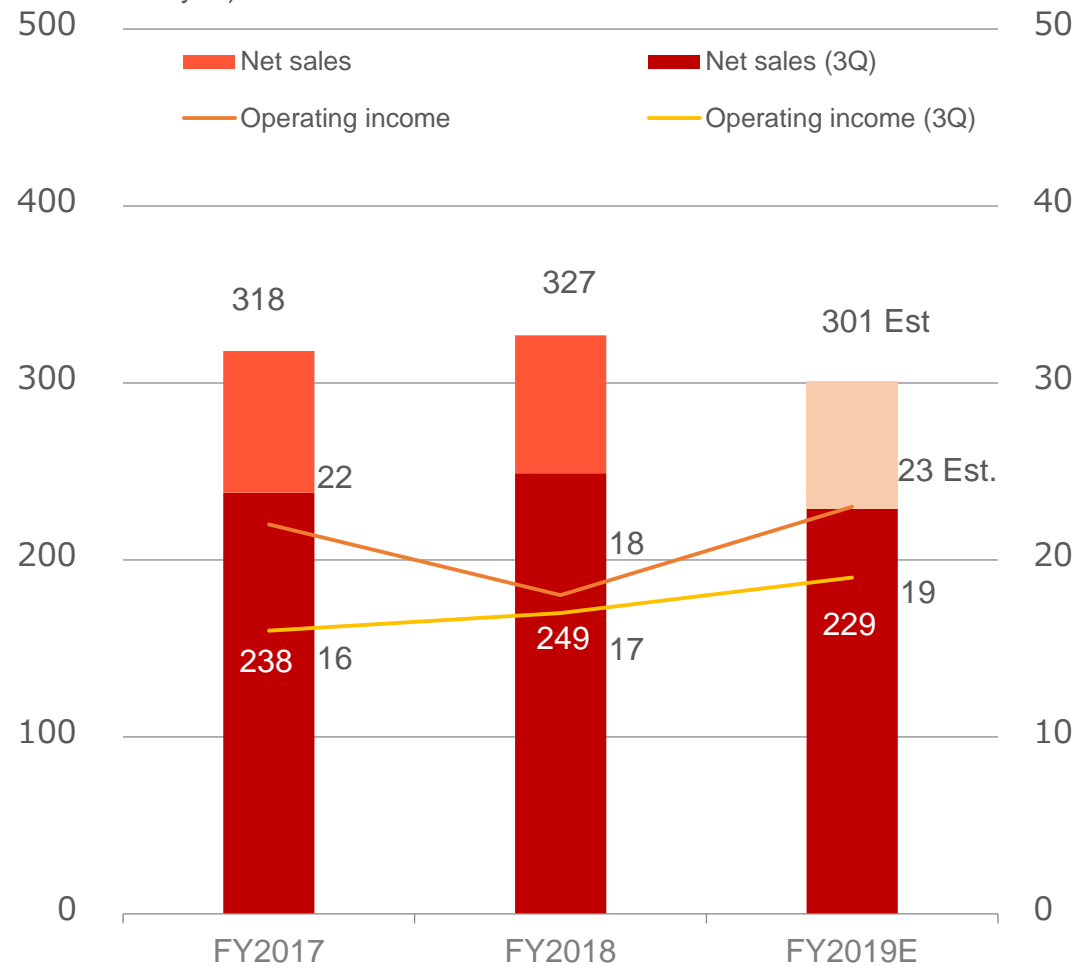
■ Full-year forecast: Net sales increased by 1.2 billion yen YoY to 87.9 billion yen as demand for construction-related applications and electric power infrastructure remained strong. Operating income is expected to increase by 1.4 billion yen to 5.7 billion yen.

**Operating margin: 6.5% (5.0% in the previous fiscal year)**

# Communications and Industrial Devices Operations Results & Forecast



(Unit: 100 million yen)



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

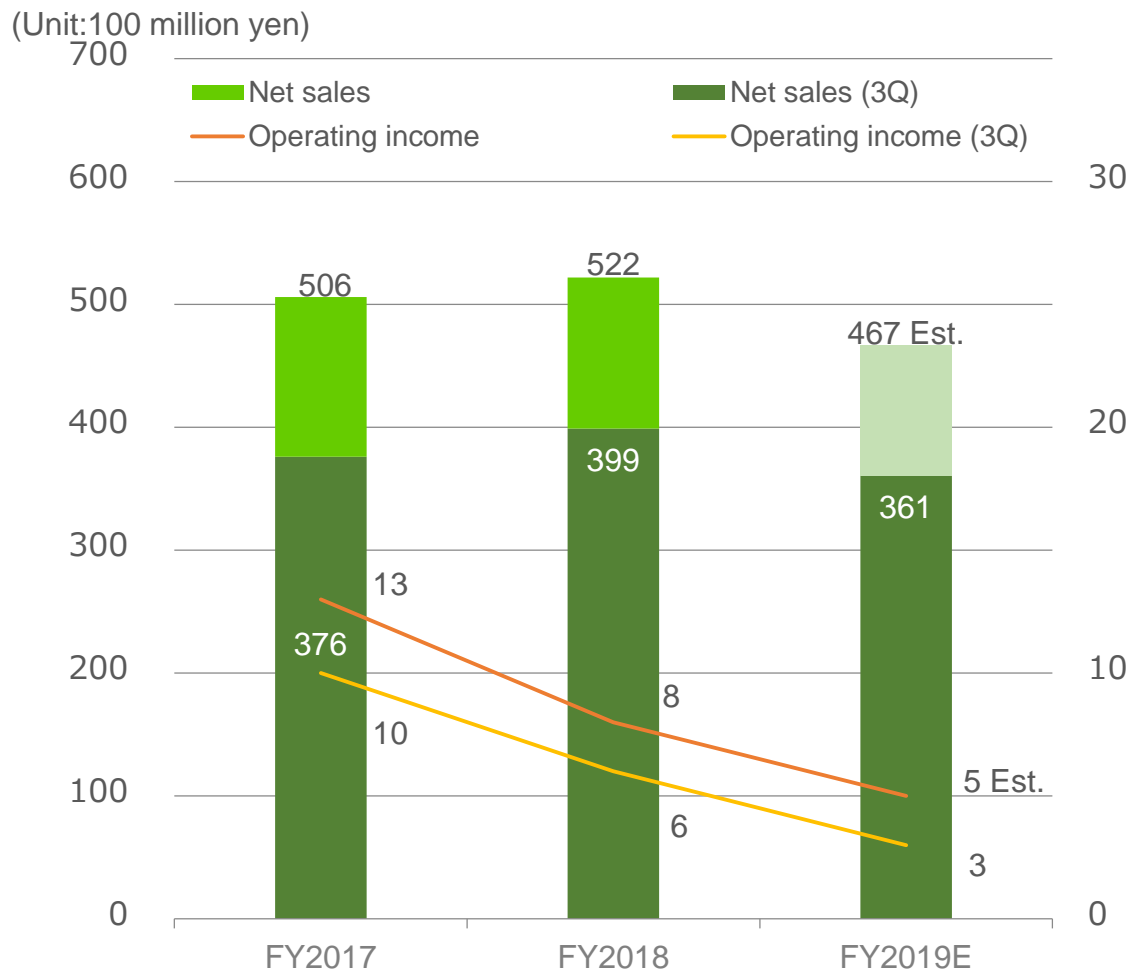
Forecast for FY2019 E is the revised figures.

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

- Characteristics: Providing communication cables for various markets and industrial devices on a global basis**
- Overseas demand for optical fibers continued to decelerate from the 2H of the previous fiscal year. Communication cables for domestic construction-related applications and data centers remained strong.  
 We are undergoing structural reform for wire harnesses.  
 Net sales: 22.9 billion yen (-8.2% YoY)  
 Operating income: 1.9 billion yen (+18.3% YoY)
- Full-year forecast: Net sales were 30.1 billion yen, a decrease of 2.6 billion yen YoY, due to sluggish demand caused by trade frictions between the U.S. and China.**  
 Operating income is expected to increase 500 million yen YoY to 2.3 billion yen due to strong demand for domestic communication cables.

**Operating margin: 7.6% (5.5% in the previous fiscal year)**

# Electrical equipment and components Operations Results & Forecast



\*Figures for FY2017 are based on simple calculations by our company.  
Forecast for FY2019 E is the revised figures.

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

■ Sales of high-grade wire materials for electronic components were firm, but demand for wires for electrical machinery and other applications remained sluggish.

We aim to improve profitability by accelerating structural reforms.

Net sales: 36.1 billion yen (-9.4% YoY)

Operating income: 300 million yen (-48.3% YoY)

■ Full-year forecasts: Demand for high-grade wire continues to be firm, but we cannot expect a rebound in demand for the current fiscal year. As a result, net sales are expected to decrease by 5.5 billion yen YoY to 46.7 billion yen. Operating income was 500 million yen, a decrease of 300 million yen from the previous fiscal year.

**Operating margin: 1.1% (1.6% in the previous fiscal year)**

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

- Equity ratio was 31.8% (up 3.7 points from the end of the previous fiscal year)

(Unit:100 million yen)

	March 31, 2019	December 31, 2019	Change
Cash and deposits	49	55	+6
Accounts receivable and other receivables	434	402	△32
Inventories	213	233	+20
Others	45	44	△1
<b>Total current assets</b>	<b>741</b>	<b>734</b>	<b>△7</b>
Property, plant and equipment	392	396	+4
Intangible assets	12	11	△1
Investments and other assets	96	110	+14
<b>Total fixed assets</b>	<b>500</b>	<b>517</b>	<b>+17</b>
<b>Total assets</b>	<b>1,241</b>	<b>1,251</b>	<b>+10</b>

	March 31, 2019	December 31, 2019	Change
Notes & accounts payable	212	198	△14
Short-term borrowings	335	317	△18
Others	150	143	△7
<b>Total current liabilities</b>	<b>697</b>	<b>658</b>	<b>△39</b>
Long-term debt	121	126	+5
Others	67	65	△2
<b>Total long-term liabilities</b>	<b>188</b>	<b>191</b>	<b>+3</b>
<b>Total liabilities</b>	<b>885</b>	<b>849</b>	<b>△36</b>
Capital stock	242	242	0
Capital surplus	55	57	+2
Retained earnings	10	53	+43
Others	49	50	+1
<b>Total net assets</b>	<b>356</b>	<b>402</b>	<b>+46</b>
<b>Total liabilities and net assets</b>	<b>1,241</b>	<b>1,251</b>	<b>+10</b>



**Creating for the Future**

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

**Contact**

SWCC SHOWA HOLDINGS CO., LTD.  
Corporate Planning Department,  
Business Strategy Division  
TEL:044-223-0520

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.

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