

SWCC groups

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



Creating for the Future

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

February 3, 2021

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

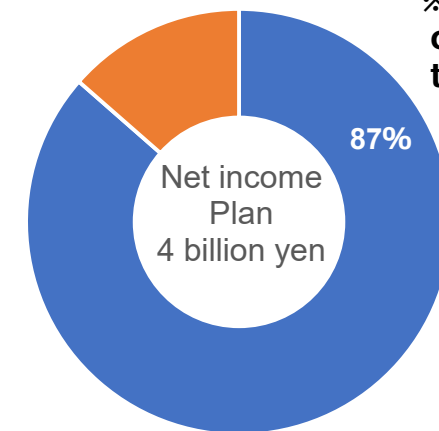
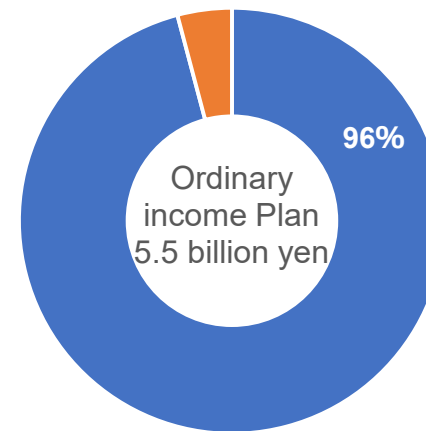
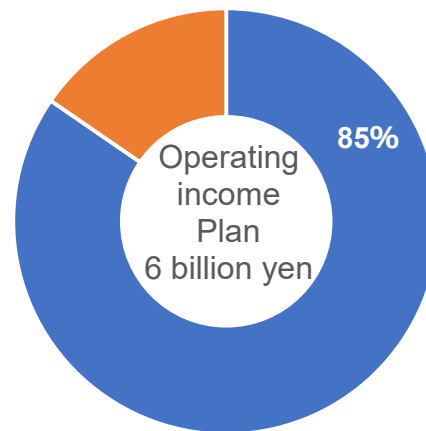
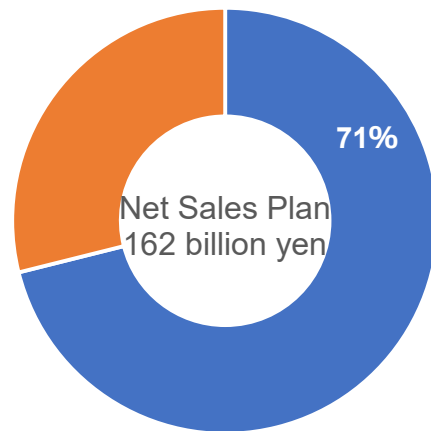


# FY3/2021 3Q Overview of Financial Results

**Results: The recovery trend in 3Q continued after 2Q.**

- **In the Energy and Infrastructure operations** : Demand for energy infrastructure was in line with initial expectations. The recovery trend of demand for construction-related products continued after 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** : Although the net sales decreased since the demand for general-purpose magnet wires for heavy electric continued to be sluggish, the net income increased due to the recovery of demand for high performance products for automobile.

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



※percentage changes from the initial plan

# FY3/2021 Revision to Full-year Business Forecast and Dividend Forecast

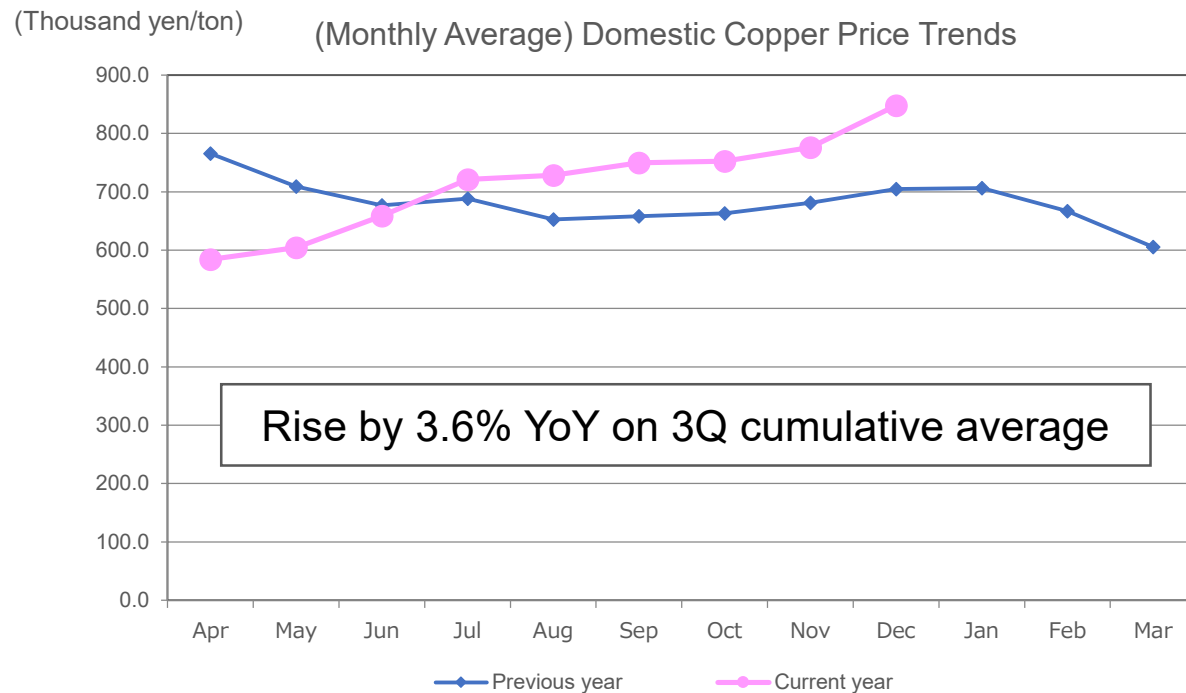
- Since the impact of COVID-19 was limited and less than the estimated, the consolidated earnings and dividend forecast were revised on February 3.
- The extraordinary losses due to the structural reforms on reorganization of domestic bases including communication cable operations etc., were estimated in the net income.

(Unit: 100 million yen)

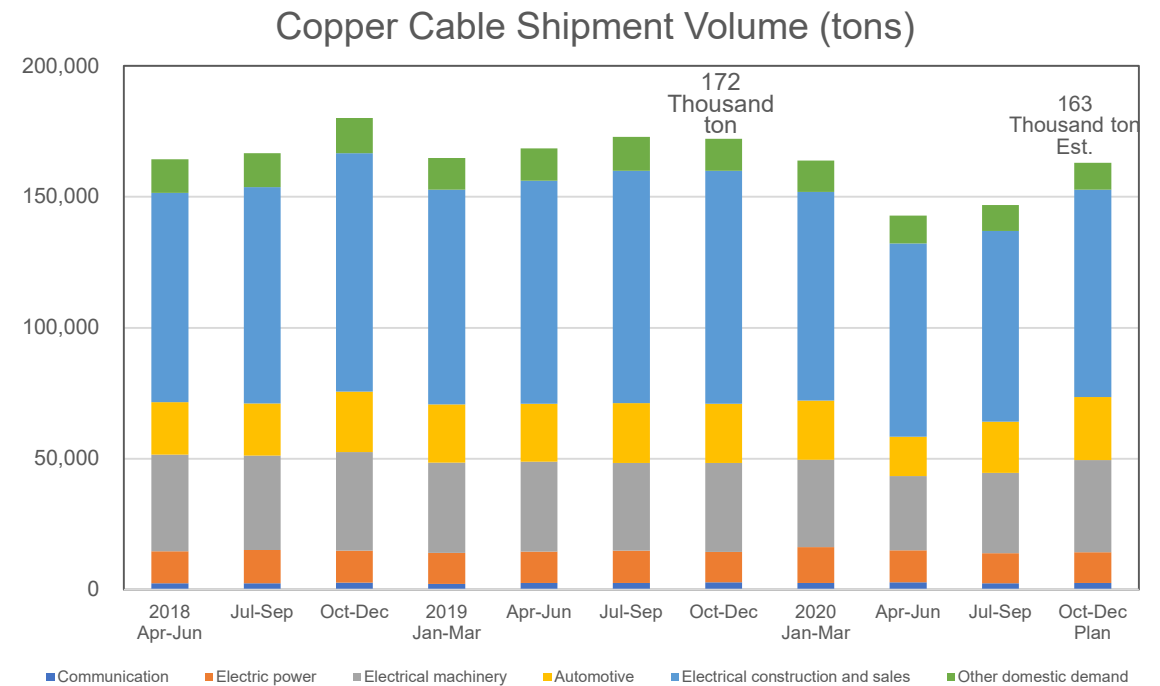
	FY2019 Result	Composition %	FY2020 Plan	Composition %	FY2020 Revised plan	Composition %	Revised amount	Change %
<b>Net sales</b>	<b>1,711</b>	—	<b>1,620</b>	—	<b>1,620</b>	—	—	—
<b>Operating income</b>	<b>86</b>	5.0%	<b>60</b>	3.7%	<b>70</b>	4.3%	<b>+10</b>	<b>+16.7%</b>
<b>Ordinary income</b>	<b>79</b>	4.6%	<b>55</b>	3.4%	<b>70</b>	4.3%	<b>+15</b>	<b>+27.3%</b>
<b>Net income attributable to owners of parent</b>	<b>55</b>	3.2%	<b>40</b>	2.5%	<b>42</b>	2.6%	<b>+2</b>	<b>+5.0%</b>
<b>Dividend/Dividend Payout Ratio</b>	<b>15 yen per share</b>	8.2%	<b>15 yen per share</b>	11.2%	<b>20 yen per share</b>	14.2%	<b>+5yen</b>	—

# Macroeconomic Environment

- Due in part to the economic recovery in China, the average price of domestic copper prices (on a yen basis) for 3Q cumulative period rose by 3.6%.
- Domestic copper wire shipments fell sharply, mainly in construction and electric power sales. (-11.9% YoY)



Source from Japan Electric Wire Manufacturers Association



Source from Japan Electric Wire Manufacturers Association

# 3Q Consolidated Statements of Income

- Net sales decreased by 11.0% YoY and operating income decreased by 25.1% YoY. The recovery trend in 2H continued.
- Profits for 3Q cumulative period exceeded that of FY2018, partly due to the structural reforms on changes of business portfolio etc..

(Unit:100 million yen)

	FY2018 3Q Actual	FY2019 3Q Actual	FY2020 3Q Actual	Composition %	YoY %
<b>Net sales</b>	<b>1,318</b>	<b>1,293</b>	<b>1,152</b>	—	△ <b>11.0%</b>
<b>Gross profit</b>	<b>158</b>	<b>179</b>	<b>155</b>	<b>13.4%</b>	△ <b>13.8%</b>
<b>Operating income</b>	<b>45</b>	<b>68</b>	<b>51</b>	<b>4.4%</b>	△ <b>25.1%</b>
<b>Ordinary income</b>	<b>39</b>	<b>63</b>	<b>53</b>	<b>4.6%</b>	△ <b>16.5%</b>
<b>Net income attributable to owners of parent</b>	<b>28</b>	<b>46</b>	<b>35</b>	<b>3.0%</b>	△ <b>24.2%</b>

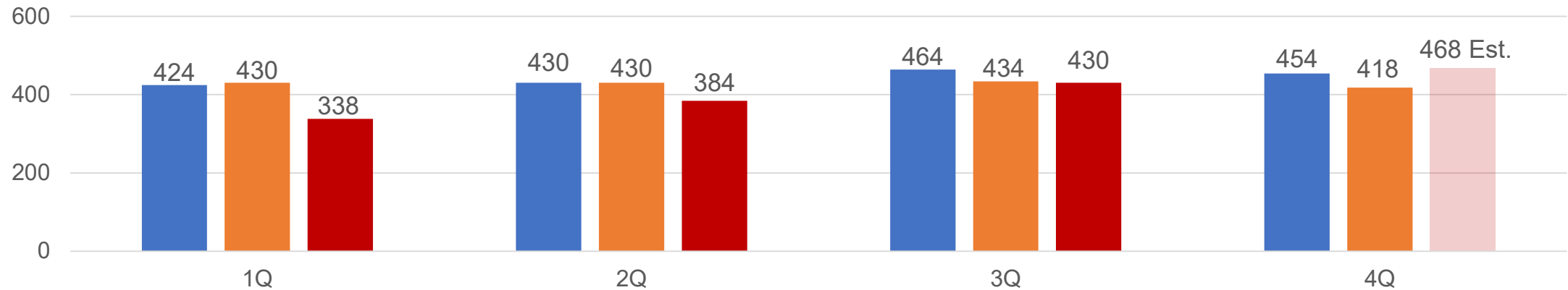
# Quarterly Performance Trends

## (Net sales: Comparison with past 3 years)

(Unit: 100 million yen)

### Changes in quarterly net sales

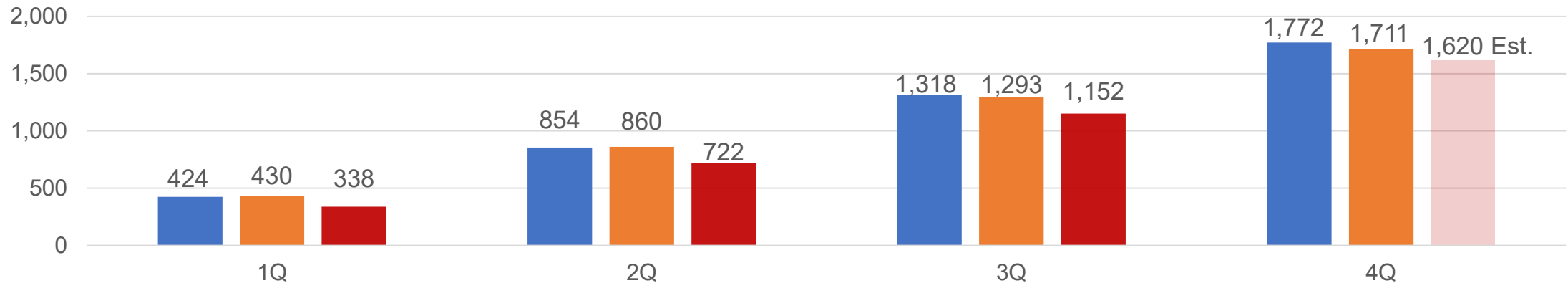
■ FY2018 ■ FY2019 ■ FY2020



(Unit: 100 million yen)

### Changes in cumulative net sales

■ FY2018 ■ FY2019 ■ FY2020

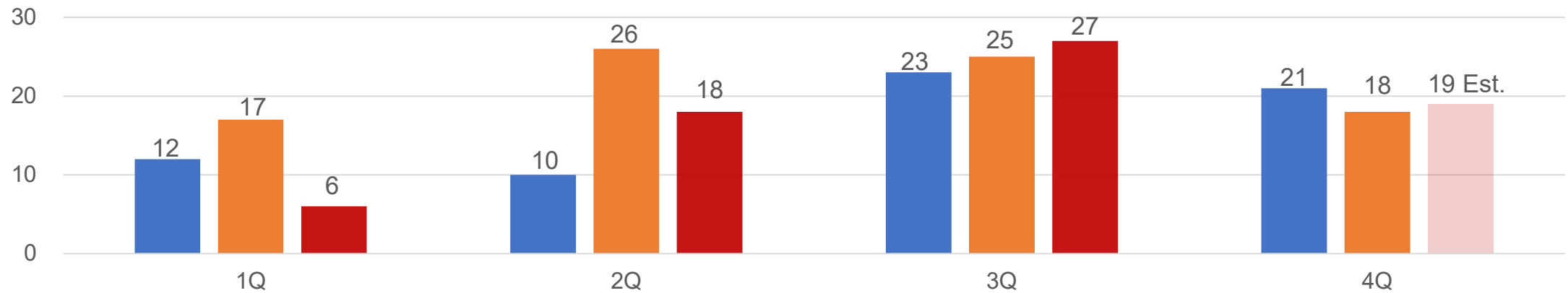


# Changes in Quarterly Business Results (Operating income: Comparison with past 3 years)

(Unit:100 million yen)

## Changes in quarterly operating income

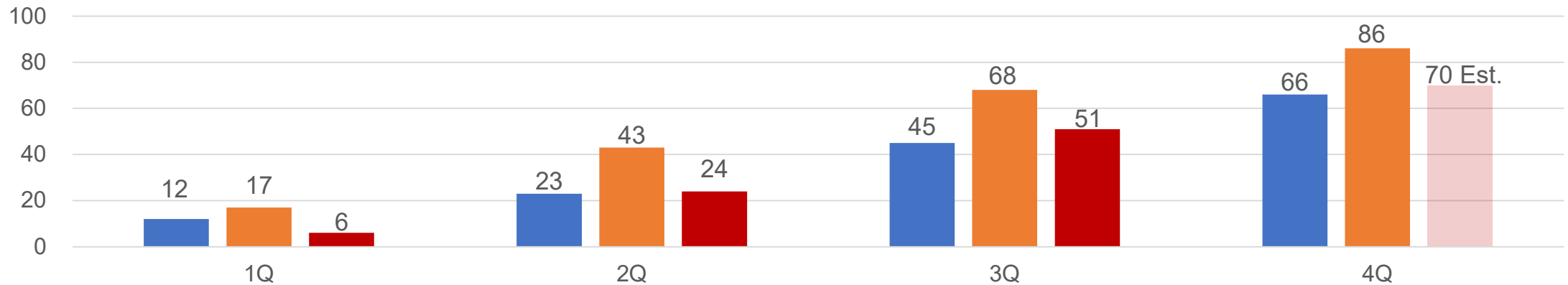
FY2018 FY2019 FY2020



(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 recovered in 2Q, and the recovery continued in 3Q.

(Unit:100 million yen)

	FY2018 3Q Results		FY2019 3Q Results		FY2020 3Q Results	
	Net sales	Operating income (Profit margin %)	Net sales	Operating income (Profit margin %)	Net sales	Operating income (Profit margin %)
Energy and Infrastructure	632	25 (4.0%)	667	48 (7.2%)	618	35 (5.7%)
Communication and Industrial devices	249	17 (6.7%)	229	20 (8.6%)	197	15 (7.7%)
Electrical equipment and Components	399	6 (1.6%)	362	3 (0.9%)	304	5 (1.6%)
Others (New Business)	37 (22)	△3 (△2)	36 (22)	△4 (△1)	33 (23)	△4 (△0)
<b>Total</b>	<b>1,318</b>	<b>45</b> (3.4%)	<b>1,293</b>	<b>68</b> (5.2%)	<b>1,152</b>	<b>51</b> (4.4%)



# Energy and Infrastructure operations Results & Forecast



## 3Q Results

### ◆ Construction

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

From 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.

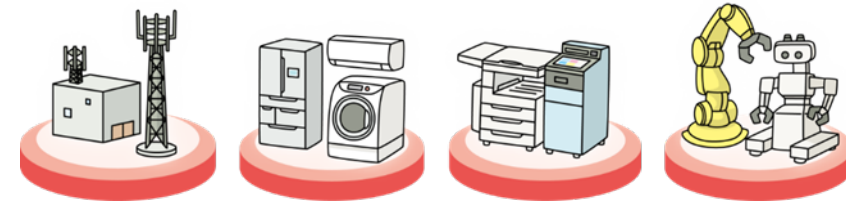
## Full-year forecast

Demand for electric power infrastructure moved as expected. Demand for construction work projects recovered, but did not reach the level of the same period last year.

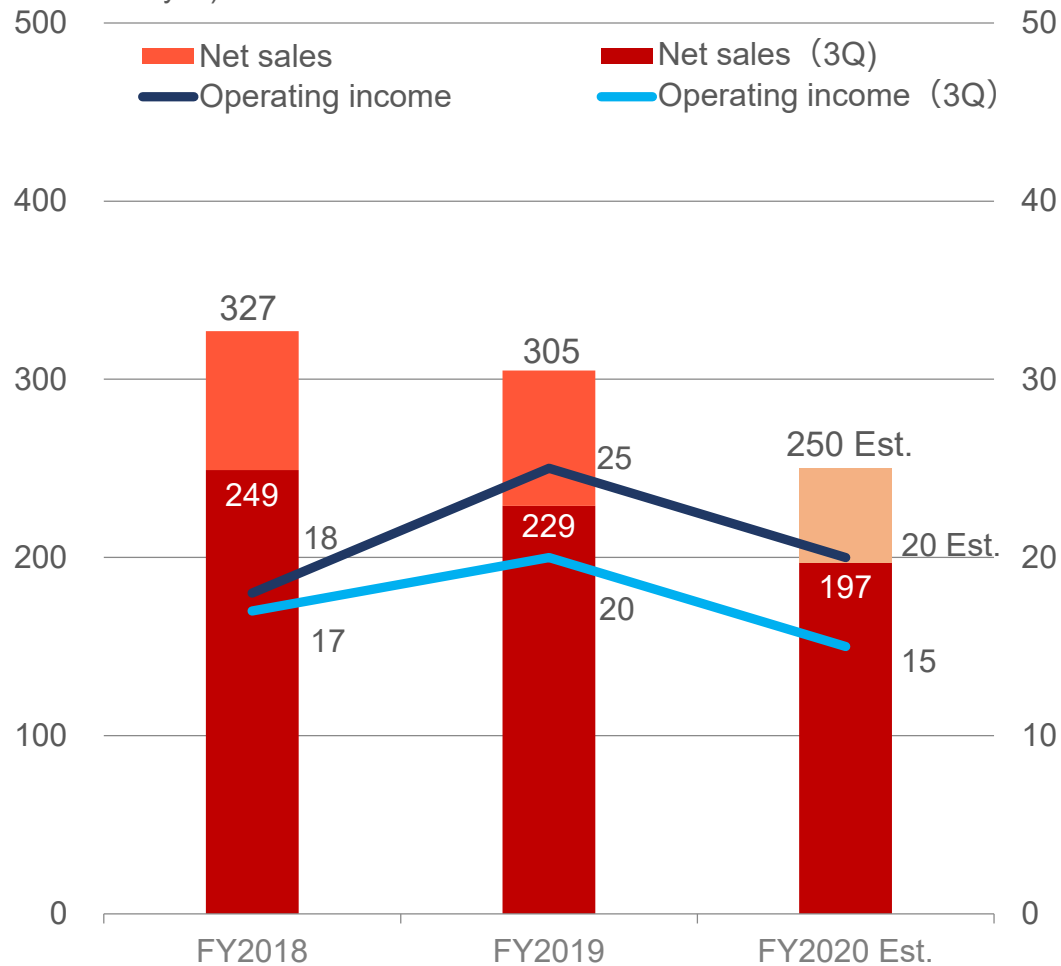
The planned net sales of 86.8 billion yen and operating income of 4.7 billion yen.

**Operating margin: 5.4% (6.9% in the previous fiscal year)**

# Communication and Industrial devices operations Results & Forecast



(Unit: 100 million yen)



## 3Q 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.

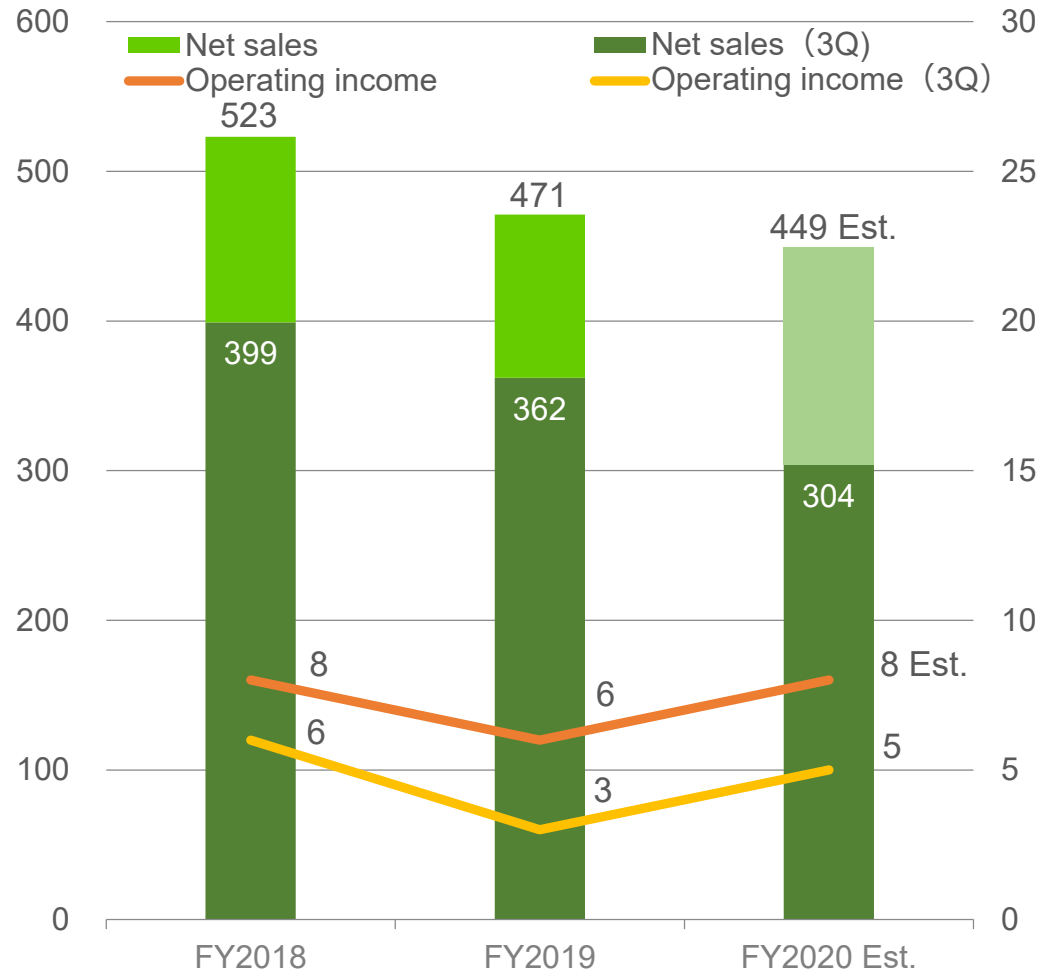
The planned net sales of 25 billion yen and operating income of 2 billion yen.

**Operating margin: 7.9% (8.2% in the previous fiscal year)**

# Electrical equipment and Components operations Results & Forecast



(Unit:100 million yen)



## 3Q Results

### ◆ Automobile

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

Demand for high performance products for automobile recovered in 2H.

### ◆ Electrical machinery applications etc.

General-purpose magnet wires

Demand for general-purpose magnet wires for heavy electric 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. The profit was improved due to the automobile market recovery, production increase of Oxygen free copper MiDIP®, copper alloys and magnet wire for automobile in 2H.

The planned net sales of 44.9 billion yen and operating income of 0.8 billion yen

**Operating margin: 1.7% (1.2% in the previous fiscal year)**

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

- Equity ratio was 34.8% (up 2.5 points from the end of the previous fiscal year) (Unit:100 million yen)

	March 31, 2020	December 31, 2020	Change
Cash and deposits	43	47	+4
Accounts receivable and other receivables	412	407	△5
Inventories	217	221	+4
Others	45	51	+6
<b>Total current assets</b>	<b>717</b>	<b>726</b>	<b>+8</b>
Property, plant and equipment	399	400	+1
Intangible assets	14	12	△2
Investments and other assets	94	99	+5
<b>Total fixed assets</b>	<b>508</b>	<b>512</b>	<b>+4</b>
<b>Total assets</b>	<b>1,225</b>	<b>1,238</b>	<b>+12</b>

	March 31, 2020	December 31, 2020	Change
Notes & accounts payable	186	198	+12
Short-term borrowings	295	272	△24
Others	157	129	△28
<b>Total current liabilities</b>	<b>638</b>	<b>599</b>	<b>△40</b>
Long-term debt	119	133	+14
Others	68	70	+2
<b>Total long-term liabilities</b>	<b>187</b>	<b>203</b>	<b>+16</b>
<b>Total liabilities</b>	<b>825</b>	<b>801</b>	<b>△24</b>
Capital stock	242	242	0
Capital surplus	57	57	0
Retained earnings	62	92	+30
Others	38	45	+6
<b>Total net assets</b>	<b>400</b>	<b>436</b>	<b>+36</b>
<b>Total liabilities and net assets</b>	<b>1,225</b>	<b>1,238</b>	<b>+12</b>

# Measures against COVID-19

Regulated on  
May 25, 2020

## Five stages of crisis management by regions in domestic 「Guidelines on new working style in the workplaces」

- Explicit directions on the five stages of crisis management
- Utilization of contact network of all the Group subsidiaries (i.e. Emergency contact app)
- Web conference system installation which all of the employees can access
- Prohibition of discrimination against infected people, and protection of personal information
- Implementation of education on the guidelines etc.

Strengthen  
measures

## Measures for the state of emergency declaration in January 2021

- Aiming to reduce **the attendance rate from 50% to 30%** in the specified regions under the state of emergency declaration  
(Excluding plant offices, factories, logistics centers, construction business)
- Measures to prevent infection based on the new normal
- Request to **refrain from nonessential and non-urgent outings**, and Web conference system is recommended to utilize
- All employees are required to **take and record temperature**
- Visitors are asked to **check temperature**
- **Any Business dinners**, internally or externally, **are forbidden** etc.

# Market Outlook for the Second Half

- Recovering trend from 2H continued, but it can't be prejudged due to the re-spread of infection.

	Market Environment		Measures
<b>Energy and Infrastructure</b>	Construction		<ul style="list-style-type: none"> <li>• Production system to respond to demand fluctuations</li> <li>• Strengthening the renewable energy grid interconnection business model</li> <li>• Promotion of structural reform of vibration control and sound control business</li> </ul>
	Electric power infrastructure		
	Seismic isolation & Others		
<b>Communication and Industrial devices</b>	Telecommunications cable		<ul style="list-style-type: none"> <li>• Capturing demand from 5G startup, GIGA School Project, etc.</li> <li>• Structural reform of new supply chains and local production for local consumption (China, Southeast Asia)</li> <li>• Launching a new wiring harness system and strengthening overseas investment</li> </ul>
	Wire harness		
	Precision devices (for copy machine)		
<b>Electrical equipment and Components</b>	High performance products (Automobile etc.)		<ul style="list-style-type: none"> <li>• Strengthen the production system to respond to structural changes in the automobile industry and an increase in the proportion of eco-friendly automobiles</li> </ul>
	General-purpose products		
<b>Others (New Business)</b>	IoT Solution		<ul style="list-style-type: none"> <li>• Reinforcement of telework-compatible system products</li> <li>• Strengthen sales promotions in response to increase demand for medical materials, systems and services due to the acceleration of telemedicine and smart work</li> </ul>
	Industry(Medical etc.)		



**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>