



Creating for the Future

Innovating new ideas today. Becoming the norms of tomorrow.

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# Q1 FY2023 Small Meeting

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September 4, 2023

**SWCC Corporation**

TSE PRIME : 5805



# Speakers

President and Representative Director,  
Chairman of the Board of Directors  
Group CEO

Takayo Hasegawa



Managing Executive  
Officer

Tetsuo Komata



Managing Executive Officer  
Chief of Energy and Infrastructure  
Business Segment  
Yukio Kawase



Managing Executive Officer  
Chief of Electrical Equipment and  
Components Business Segment  
Takashi Yamamura



Managing Executive Officer  
Chief of Communication and Industrial  
Devices Business Segment  
Yoshinao Kodama



- 1 . FY2023 1Q Results Summary and Full Year Plan
- 2 . Key points for rolling mid-term plan by business segment



# 1 . FY2023 1Q Results Summary and Full Year Plan

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# FY 2023 Q1 Financial Results Overview

## Management Environment

- The economy has normalized due to the relaxation of movement restrictions due to COVID-19.
- Raw material and energy prices soared due to the protracted situation in Russia and Ukraine and the weakening yen.
- In the automotive-related market, the impact of automobile production cutbacks due to semiconductor shortages is recovering.
- In the electric wire industry, overall demand for electric wires increased slightly.
- The average domestic quotation price for copper declined slightly from the same quarter of the previous year.

## Net sales

The business plan for the current fiscal year is generally weighted toward the second half of the year. Q1 results showed **sales were down YoY.**

[Status of Major Business Fields]

**Energy Infrastructure:** Strong construction-related business compensates for the second-half bias in electric power construction.

**Automobile:** High-performance products for xEVs continue to be in an adjustment phase, but have bottomed out.

**Industrial Devices:** Demand is sluggish due to partial drop in pandemic special demand.

## Operating profit

Electric Power Infrastructure progressed as initially expected, with a bias toward the second half of the year. It was supported by construction-related and communication cables.

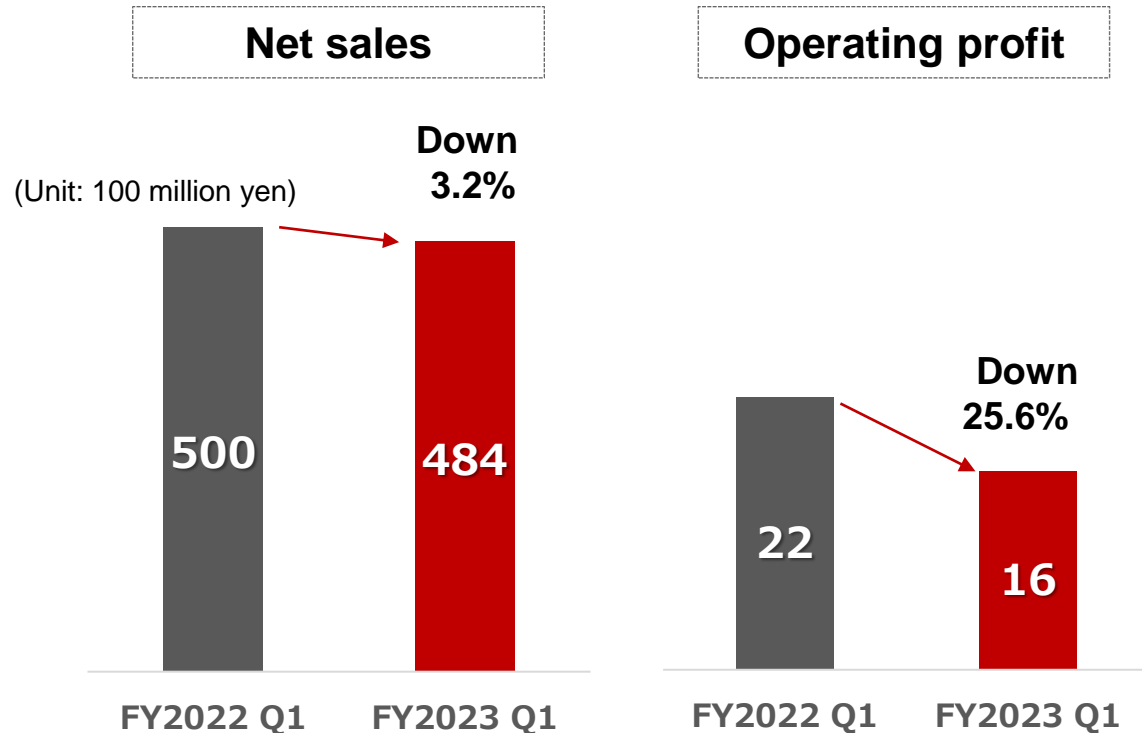
**Profit decreased from the same period of the previous year.**



# Key Points of the Financial Results for Q1

## Q1 YoY Change

Figures for the current fiscal year are assumed to be weighted toward the H2 (around 30% in the H1 and around 70% in the H2).



## Q1 Progress rate

The progress rate of sales was in line with the average, but operating profit was lower than usual due to the concentration of power construction projects in the H2.

(Unit: 100 million yen)	Full-year Plan	FY19-22 Avg. progress rate	Q1 Progress rate
Net sales	2,150	23.2%	22.5%
Operating profit	107	18.4%	15.0%

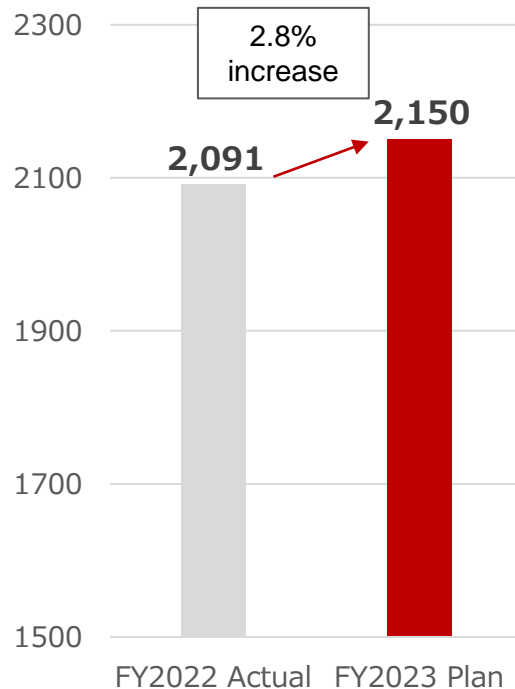


# FY2023 Full-year Forecasts

Plan to capture demand in the H2 and increase sales and profits through various measures.  
Dividends are planned to be increased by paying an interim dividend.

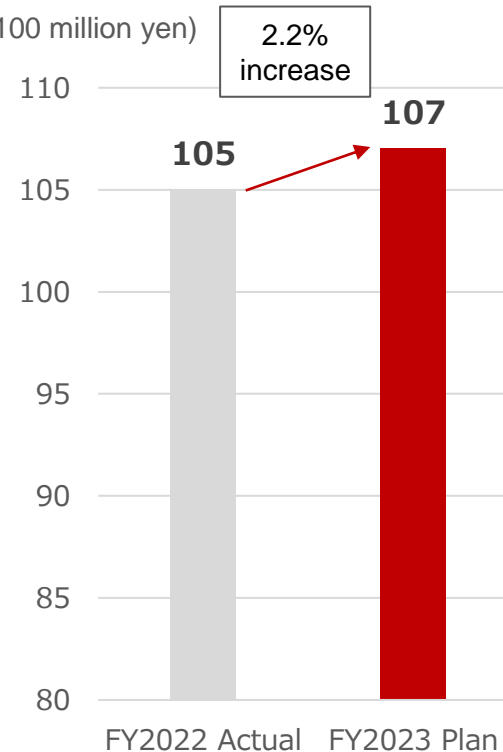
## Net sales

(Unit: 100 million yen)



## Operating profit

(Unit: 100 million yen)



## Ordinary profit

**10.6 billion yen** (YoY: 2.0% increase)

## Net income attributable to owners of parent

**7.0 billion yen** (YoY: 25.6% decrease)

## Dividend/ Payout ratio

**75 yen/32%** (YoY: 15 yen increase)

Interim: 35 yen, Year-end: 40 yen  
Total: 75 yen



# FY2023 Recognition of Business Environment

Progress in the first half is expected to be slower than usual. In the second half of the year, we expect **the highest full-year profits** due to **strong demand in the electric power and communications sectors, recovery of products for xEVs, and full-fledged launch of new businesses.**

		H1	H2
Forecast	Operating profit	<b>3.5 billion yen</b> (Q1 results: 1.6 billion yen)	<b>7.2 billion yen</b>
	Dividend	<b>35 yen</b>	<b>40 yen</b>
Recognition of Business Environment	Construction	Average for time of year	Average for time of year
	Electric power	H2 bias in power construction	Concentration of electric power projects with strong demand, such as renewable energy system development Sales expansion through increased production of SICONEX®
	Automobile	Demand for high-performance products for xEVs is expected to recover in Q2 and beyond, despite an adjustment phase in Q1.	Recovery in demand for high-performance products for xEVs
	Industrial Devices	Drop in pandemic special demand in the industrial device business	Recovery in demand for Industrial Devices Business
	Communication	Demand for high-grade LAN expands; FLANTEC® shipments for automotive applications begin.	Expansion of overseas sales of e-Ribbon® and sales of FLANTEC® for automotive applications
	New Business (ICT)	Average for time of year	ICT in full swing



## 2 . Key points for rolling mid-term plan by business segment

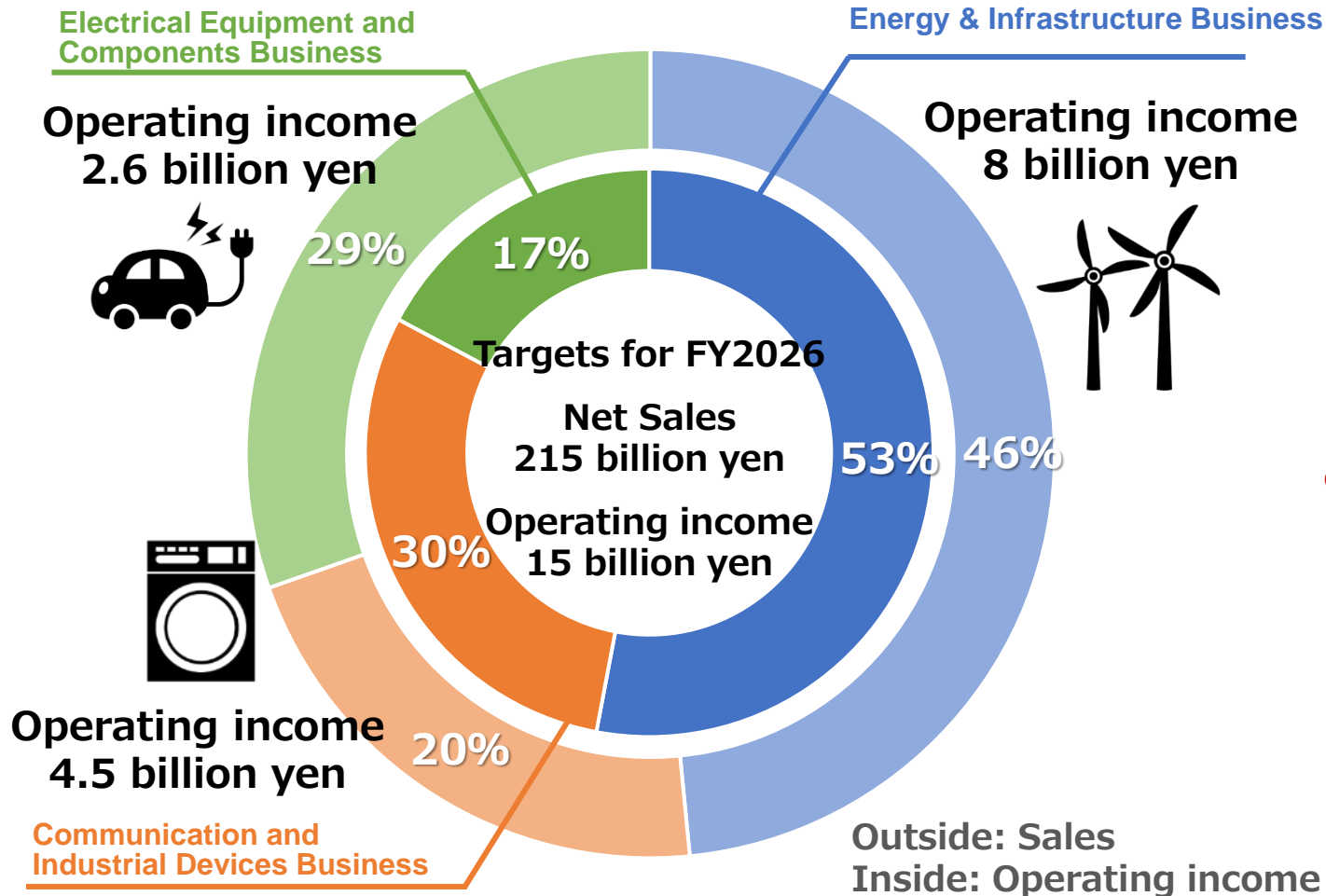
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# Final year target of the medium-term management plan

## Sales and operating income composition ratio / Financial strategy

### < Composition ratio >



### < Financial strategy >

Increase in corporate value

**ROE of 10% or more,  
Market capitalization of 100 billion yen or more, P/B ratio of 1x or more**

Cash allocation

**Growth Investment**  
Growth investment 20 billion yen  
Human capital investment  
R&D Expenditure Expansion

**Shareholder Returns**  
To achieve an annual dividend of at least 120 yen per share by the year ending March 31, 2027

Improvement of Financial Base and Profitability

**Improve capital efficiency**  
Deepen ROIC/CF management

**Ensure financial soundness**  
Optimal capital structure, obtaining credit ratings



# Energy & Infrastructure Business

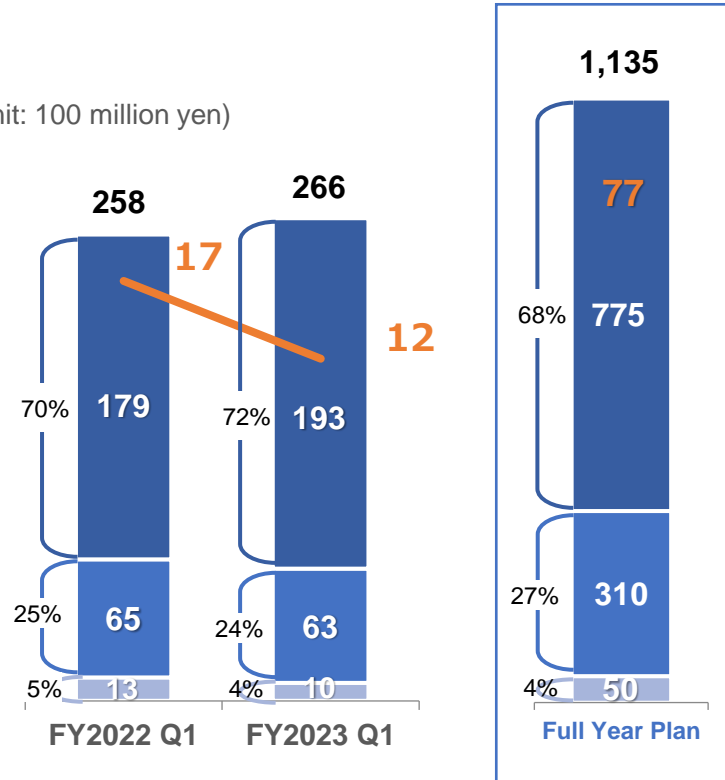
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# FY2023 Q1 Segment Results

■ Construction      ■ Electric power Infrastructure  
 ■ Seismic isolation/others      ■ Operating profit

(Unit: 100 million yen)



Operating profit ratio	6.5%	4.5%	6.8%
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## Q1 YoY change

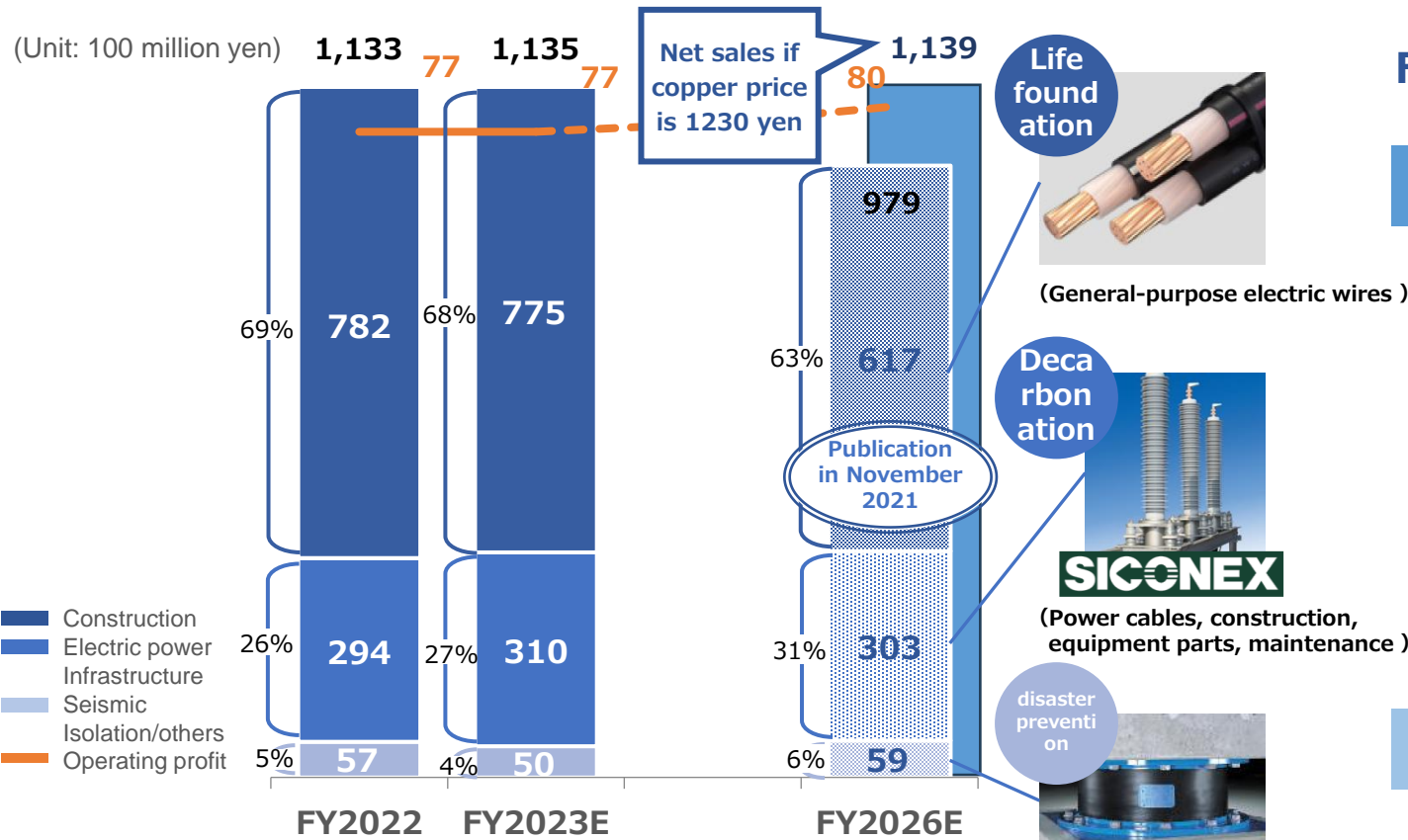
The second half bias in electric power construction will be offset by strong construction-related business. Implemented various profit improvement measures. Sales increased (+3.2%) and income decreased (-29.4%) compared with the same period of the previous year.

## Impact of Changes in Business Environment

Impact of Copper Price Fluctuation	Net sales decreased by 60 million yen.
Soaring raw material, energy, and logistics costs	Although prices continue to rise, the Company has been able to secure profitability through price pass-through and cost reductions. Logistics is preparing to address the 2024 problem.
Changes in demand	Although demand for both domestic construction-related and electric power infrastructure is strong, electric power construction work is heavily weighted toward the second half of the fiscal year under review.



# Growth Strategies to Achieve the Medium-Term Management Plan



Operating Profit Margin	6.8%	6.8%※	...	—
copper price	1,209yen/kg	1,230yen/kg※	...	870yen/kg※
Capital Expenditure	1.5 billion yen	2.5 billion yen※	...	FY22-26 total 9 billion yen※

※ planned figure

## Future Business Environment Outlook

### Tailwinds

- ① Implementing a plan for renewal of aging facilities at thermal power plants through the introduction of a revenue cap system
- ② Publication by the government of a plan for the development of a wide-area power grid (expansion of renewable energy)
- ③ Continued demand for power resilience as a disaster countermeasure

### Headwinds

- ① Rising energy and transportation costs
- ② Shortage of construction personnel  
(low birthrate, aging population, FY2024 problem, etc.)

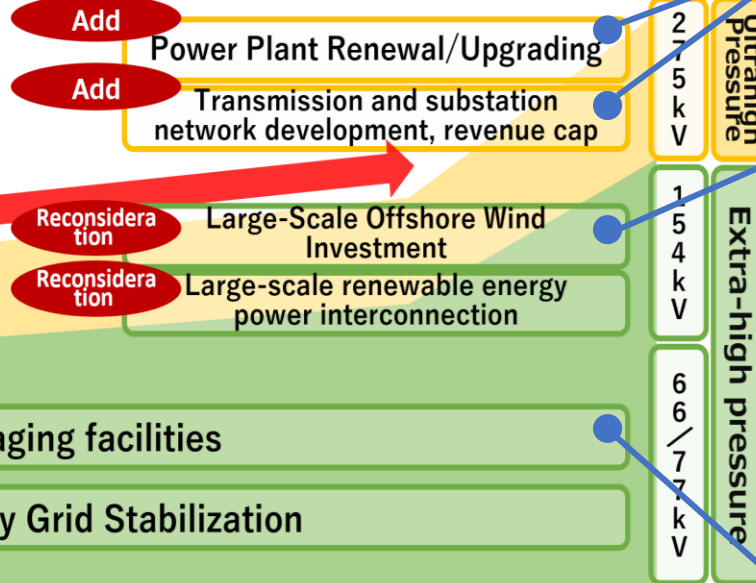


## Timing of profit contribution from tailwinds (key point for rolling mid-term plan)

# SICOPUS

FY2022 FY2023 FY2024 FY2025 FY2026 ~FY2030

Electricity market CAGR: 5-10%  
※ Our assumption  
Aim for 12% CAGR in our sales



1 Demand for renewal of aging thermal power plants will increase from 2025. Planned orders are expected to gradually increase from 2024.

2 Profit contributions related to large-scale offshore wind power are not expected until FY2026 or later.

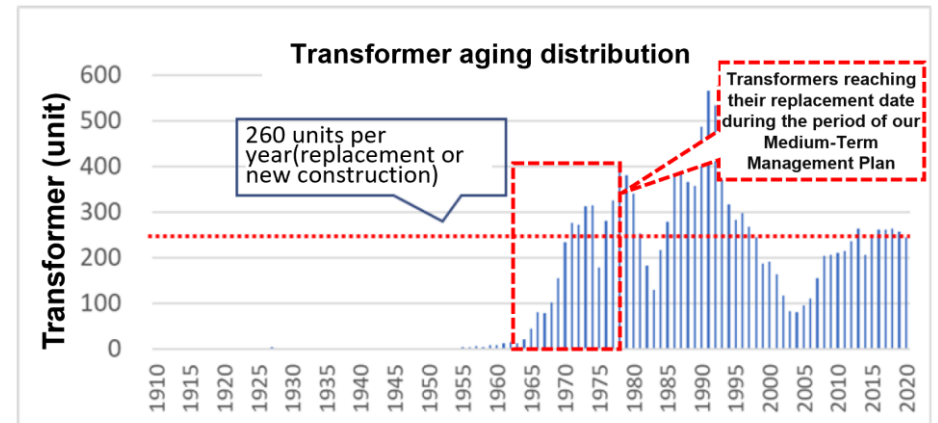
3 Demand for power reinforcement as a disaster countermeasure has already started to contribute to profits. Long-term demand is expected to continue.

### Products Strategy

- Promote de facto standardization in the substation market by leveraging product superiority
- Promotion of universal design, reinforcement of production increase system, full lineup including ultra-high pressure

### Human Resources Strategy

- Expanding alliances with educational and cooperative companies through the Construction Human Resource Development Center
- Shift of our construction workforce to ultra-highpressure construction

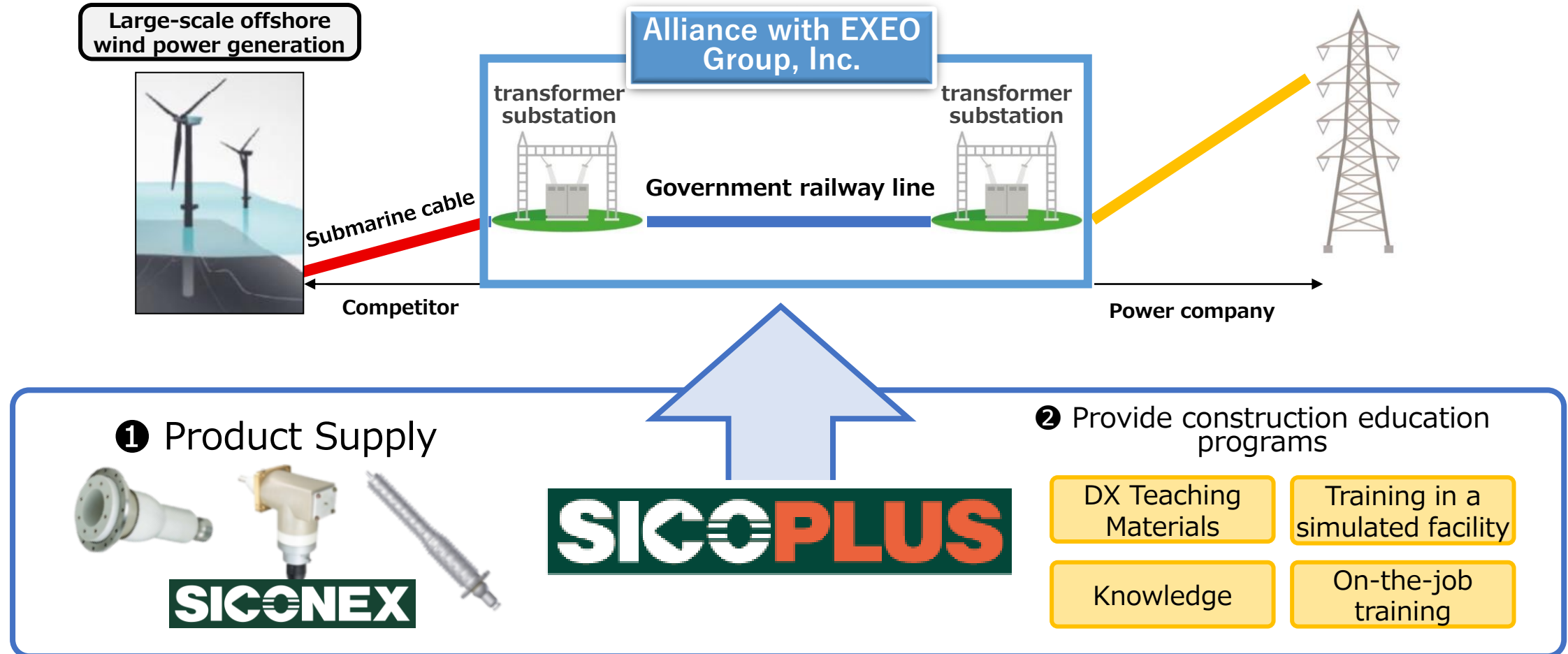


Source: Organization for Cross-regional Coordination of Transmission Operators, Japan "Aggregation of Electricity Supply Plans for FY 2023"



# Initiatives for Large-Scale Offshore Wind-Related Demand

In response to the expanding offshore wind power market, competitors are focusing on the submarine cable sector. We enter the market in cooperation with collaborating companies.





## Ultrahigh pressure shift of our construction workforce through cloud of construction personnel

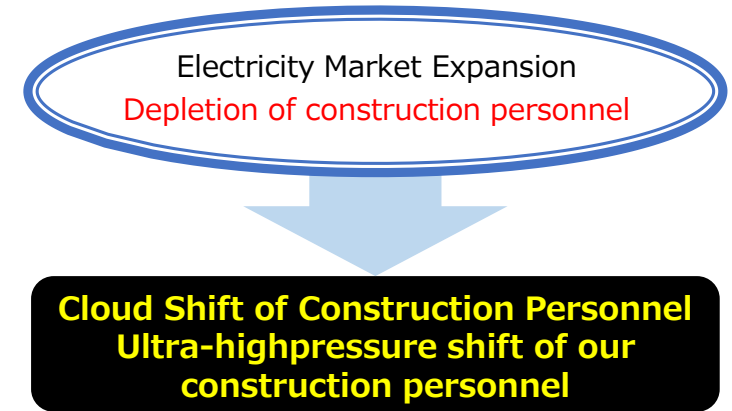
Expanding the circle of cloud construction personnel from Hokkaido to Okinawa and even to offshore wind power. We are now able to shift our construction workforce from 66/77kV, which has been our main domain, to the more profitable field of ultra-high voltage construction.

**SICOPUS****Products Strategy**

- De facto standard
- Universal design
- Full lineup
- Production increase

**Human Resources Strategy**

- Alliance expansion





# Construction-related business (SFCC Co., Ltd. coated wire)

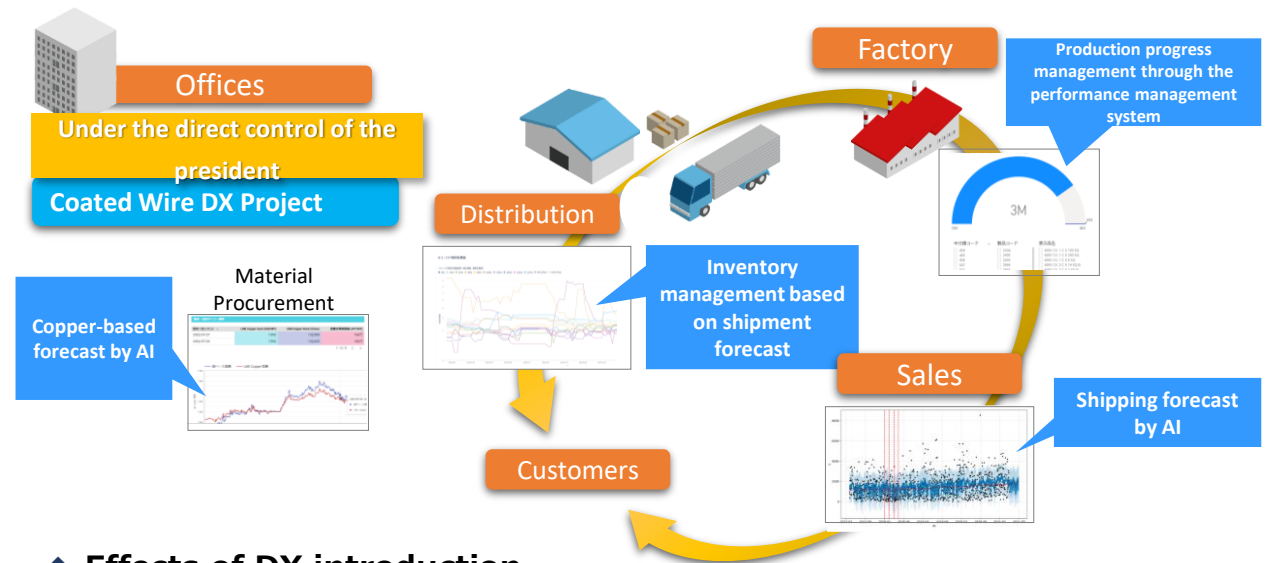
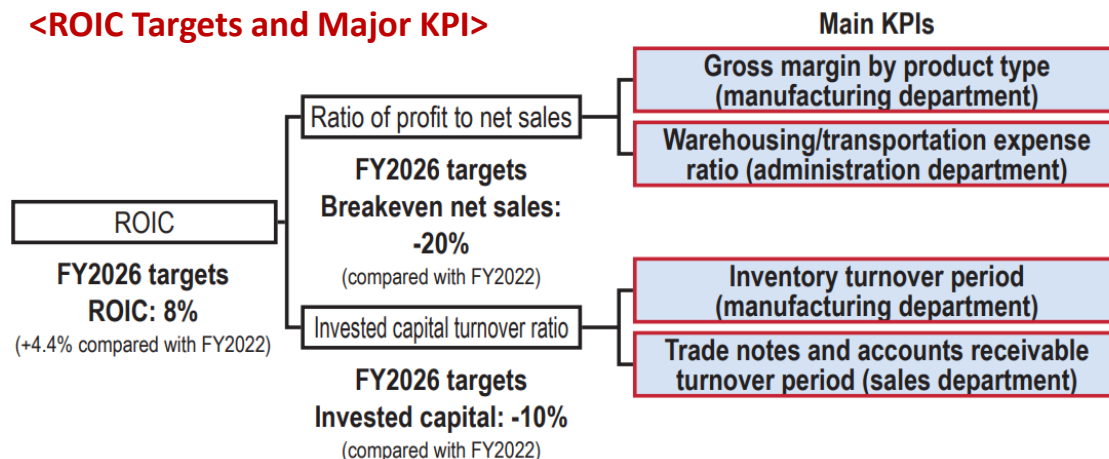
## Efforts to improve profitability

Improved profitability of construction-related business, which accounts for 40% of group sales, by utilizing DX with ROIC as an indicator. Expand contribution to group profits.

### 3 Measures for the New SFCC

1. Improve gross profit by improving customer convenience and service
2. Build a demand-linked production and supply system
3. Improve business processing by utilizing AI and data

#### <ROIC Targets and Major KPI>



#### ◆ Effects of DX introduction

	FY2021	FY2022	FY2026 Target
Inventory turnover days	45 days	42 days	36 days
Cost reduction (profit contribution)	-	500 million yen	1 billion yen
CCC	85 days	82 days	72 days

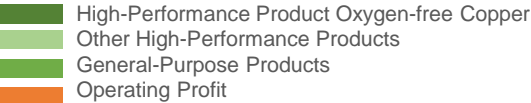


# Electrical Equipment and Components Business

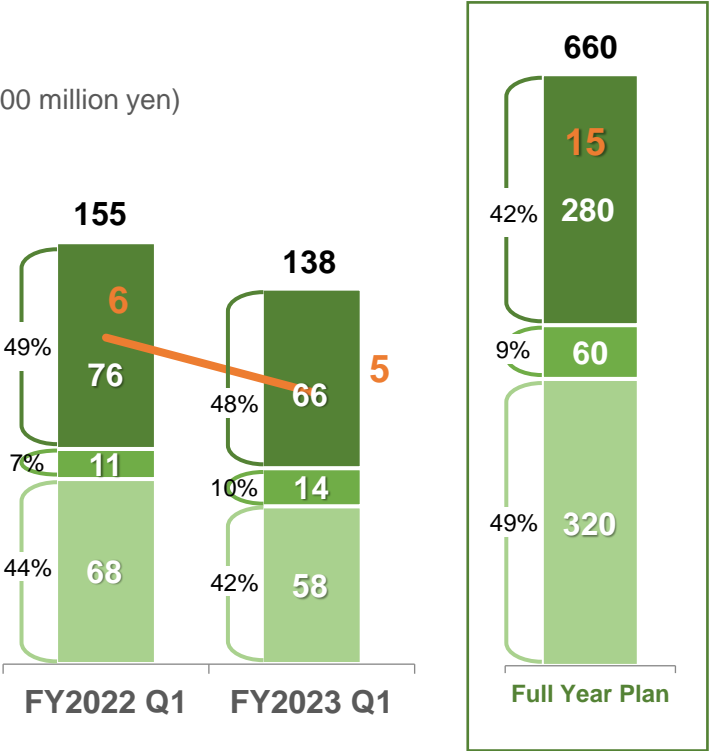
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FY2023 Q1 Segment Results



(Unit: 100 million yen)



Operating profit ratio	4.0%	3.3%	2.3%
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Q1 YoY change

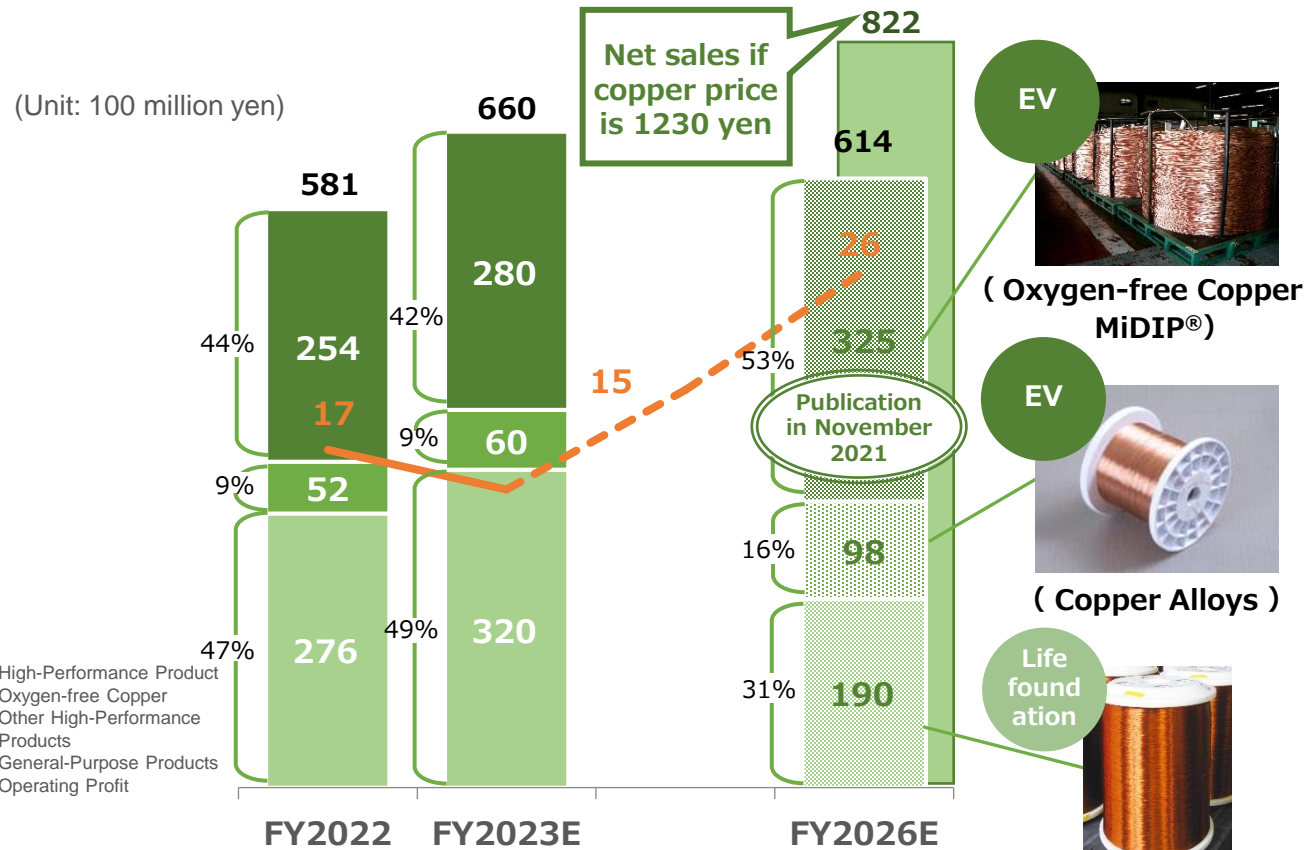
High-performance products for xEVs continue to be in an adjustment phase as demand recovers, but general-purpose magnet wires for heavy electric machinery remain strong. Sales decreased (-10.7%) and income decreased (-26.7%) compared with the same period of the previous year.

Impact of Changes in Business Environment

Impact of Copper Price Fluctuation	Net sales decreased by 80 million yen.
Soaring raw material, energy, and logistics costs	Although prices continue to rise, the Company has been able to secure profitability through price pass-through and cost reductions. Logistics is preparing to address the 2024 problem.
Changes in demand	Demand for high-performance products for xEVs is expected to recover in Q2 and beyond, despite an adjustment phase in Q1.



# Growth Strategies to Achieve the Medium-Term Management Plan



Operating Profit Margin	2.9%	2.3%※	...	—
copper price	1,209yen/kg	1230yen/kg※	...	870yen/kg※
Capital Expenditure	1billion yen	1.8billion yen※	...	FY22-26 total 6.6 billion yen※

※ planned figure

## Future Business Environment Outlook

### Tailwinds

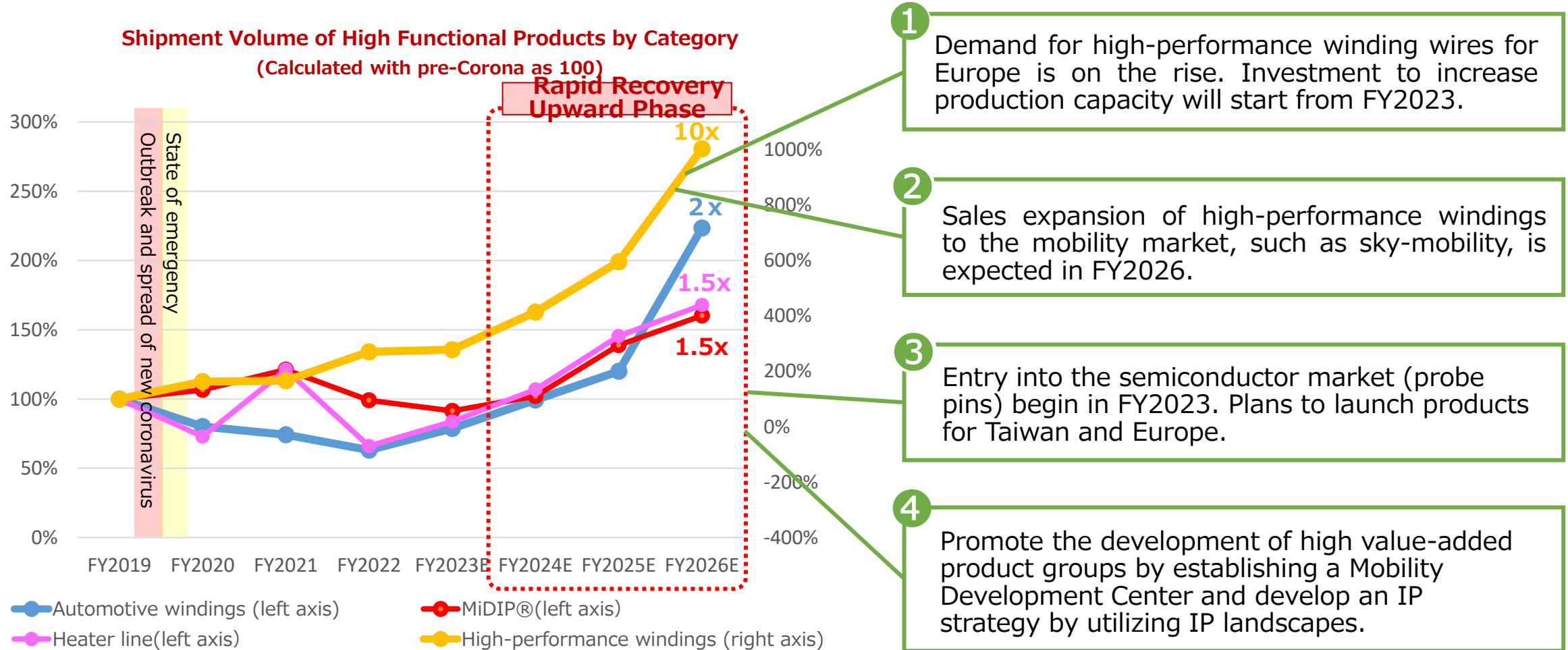
- ① Increased use of our products and commercial opportunities due to accelerated shift to EVs
- ② Promote electrification of non-automotive mobility
- ③ Market expansion of semiconductor field product lines due to CASE diffusion

### Headwinds

- ① Further price hikes in materials (copper, resins)
- ② The Rise of Chinese Manufacturers in the Japanese Market



## Timing of profit contribution from tailwinds (key point for rolling mid-term plan)



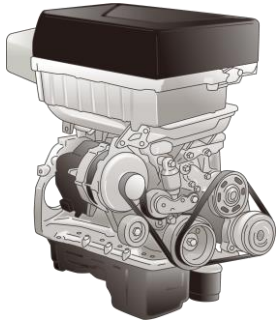
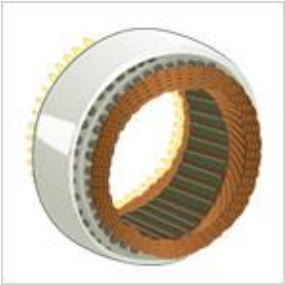


Increased use of our products and commercial opportunities due to accelerated shift to EVs

【 Drive motor ・MG】

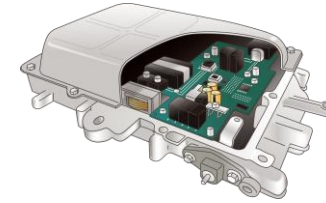
【 Auxiliary motor ・ISG 】

**Thick-film  
flat-angle**



**motor**

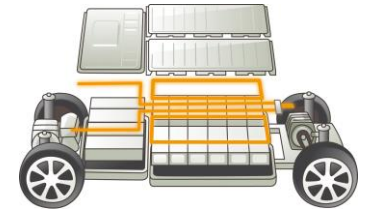
【 DC - DC converter 】



**Thin  
flat-angle**

**Auxiliary  
converter**

【 Busbar 】



**Inverter  
Various  
sensors**

**Magnetic clutch**

**Boostcon  
verter**

【 Various ECUs and power chokes 】



**Thin  
flat-angle**

**Superfine  
flat-angle**

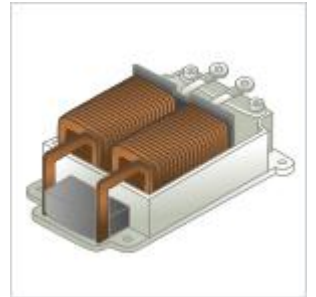
【 Magnetic clutch 】



**Double-coated  
round wire**

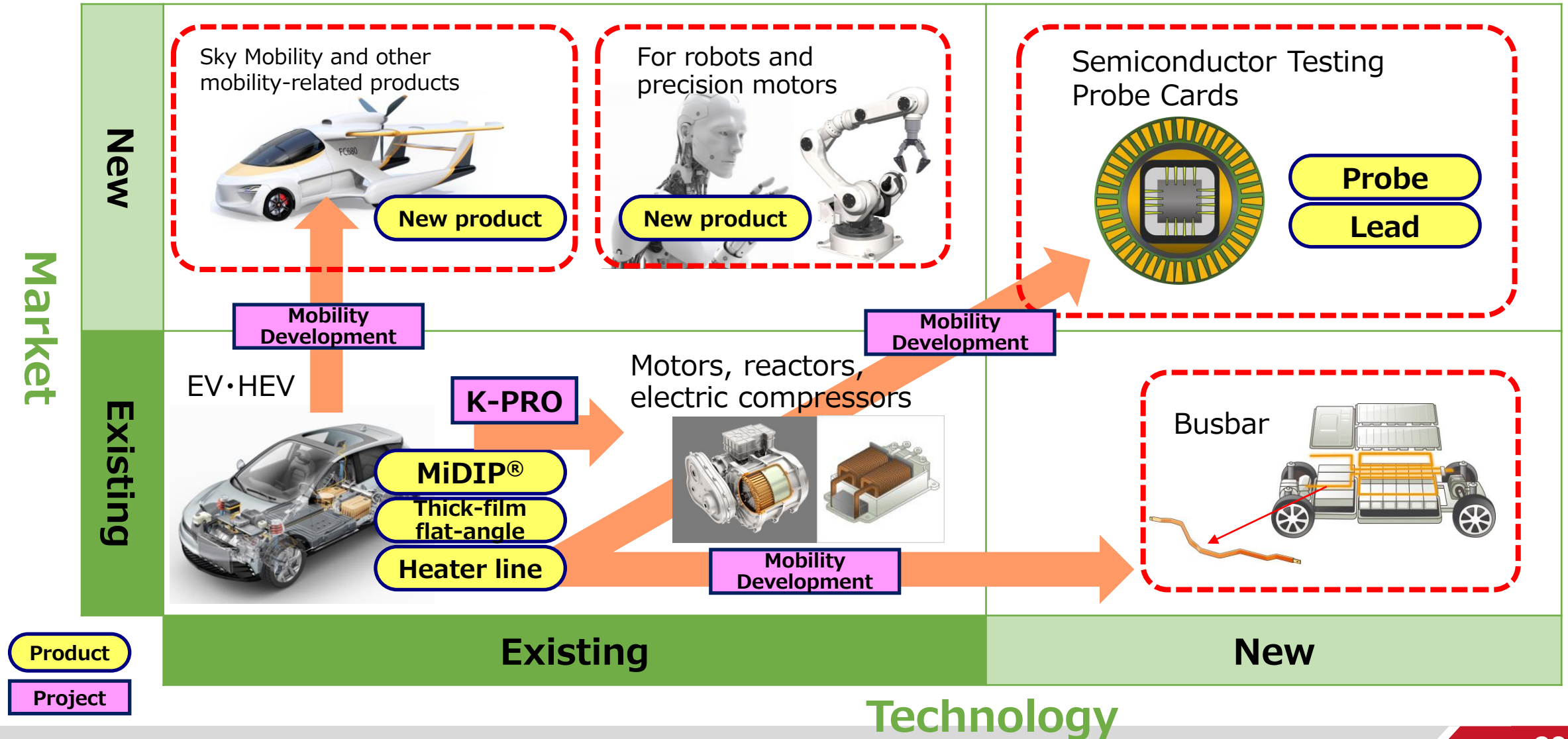
【 Reactor 】

**Wide width  
flat-angle**



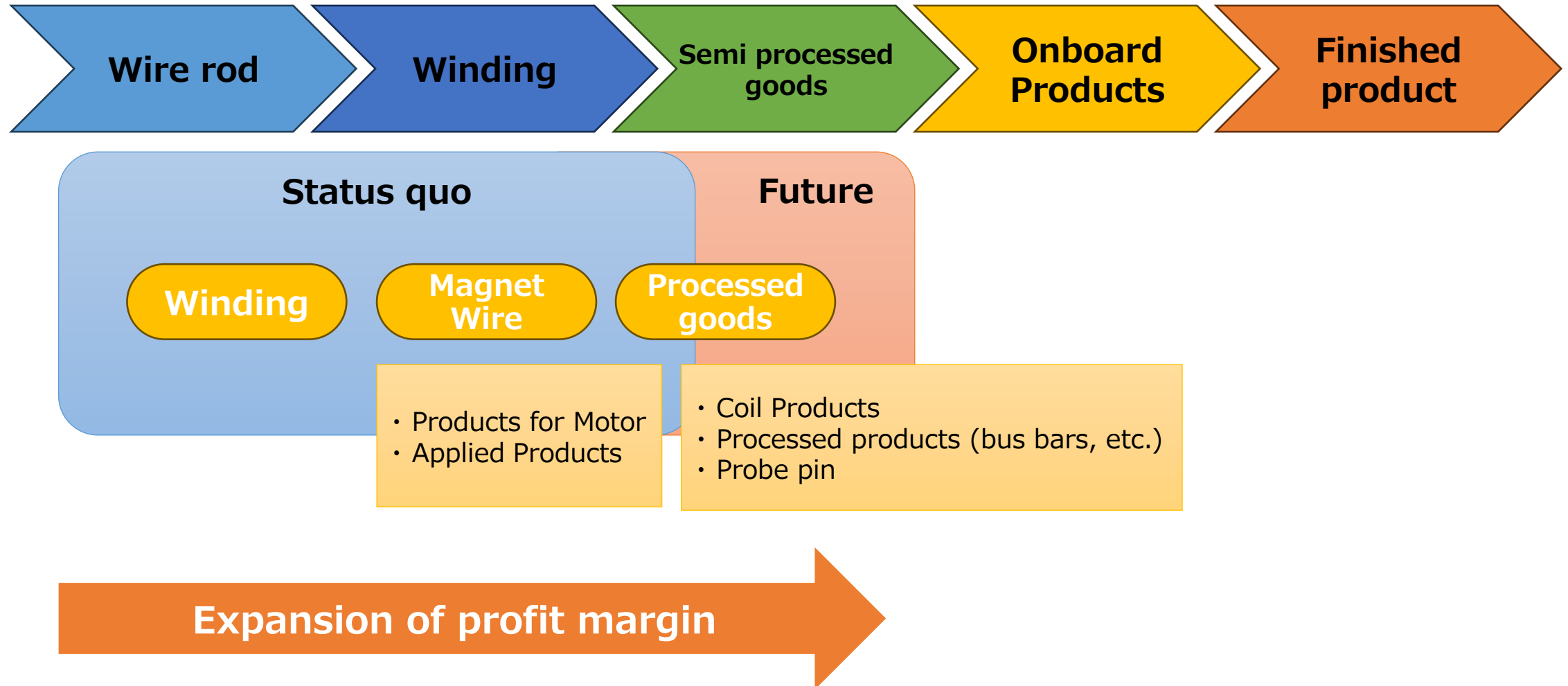


Expansion into new technology application fields (expansion into pneumatic mobiles, semiconductors, robotics, etc.)





# Positioning shifts in the value chain





# Response to Soaring Raw Material Prices

## ① Introduction of surcharge system

Introduce a transparent price pass-through mechanism such as a fuel surcharge system and varnish market linkage

< Varnish Market  
Linkage Mechanism >



## ② Introduction of high-efficiency equipment

Introducing equipment with high thermal efficiency that significantly reduces both energy consumption and CO<sub>2</sub> emissions

<Comparison with conventional models >

CO<sub>2</sub> emissions reduced by 57%

Energy efficiency more than doubled

Energy usage  
Significant cuts

CO<sub>2</sub> Emissions  
Reduction



Introduction of energy-saving equipment to winding production line Mie Plant



# Communication and Industrial Devices Business

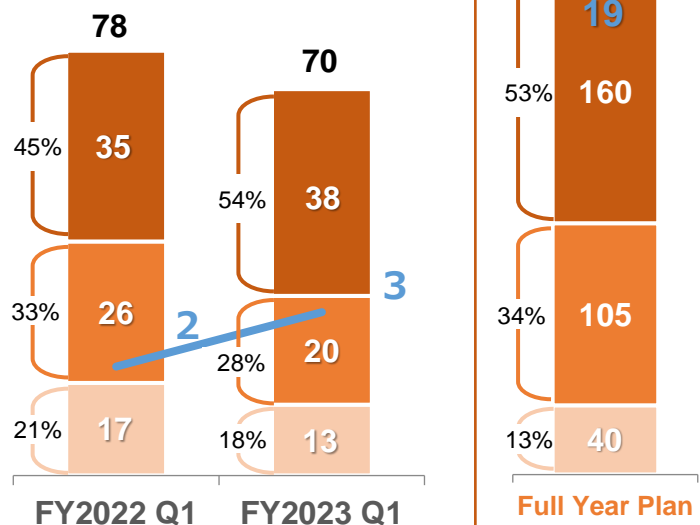
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## FY2023 Q1 Segment Results

■ Communication cables
 ■ Wire harnesses
 ■ Precision Devices
 ■ Operating profit

(Unit: 100 million yen)



Operating profit ratio	2.2%	4.2%	6.2%
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### Q1 YoY change

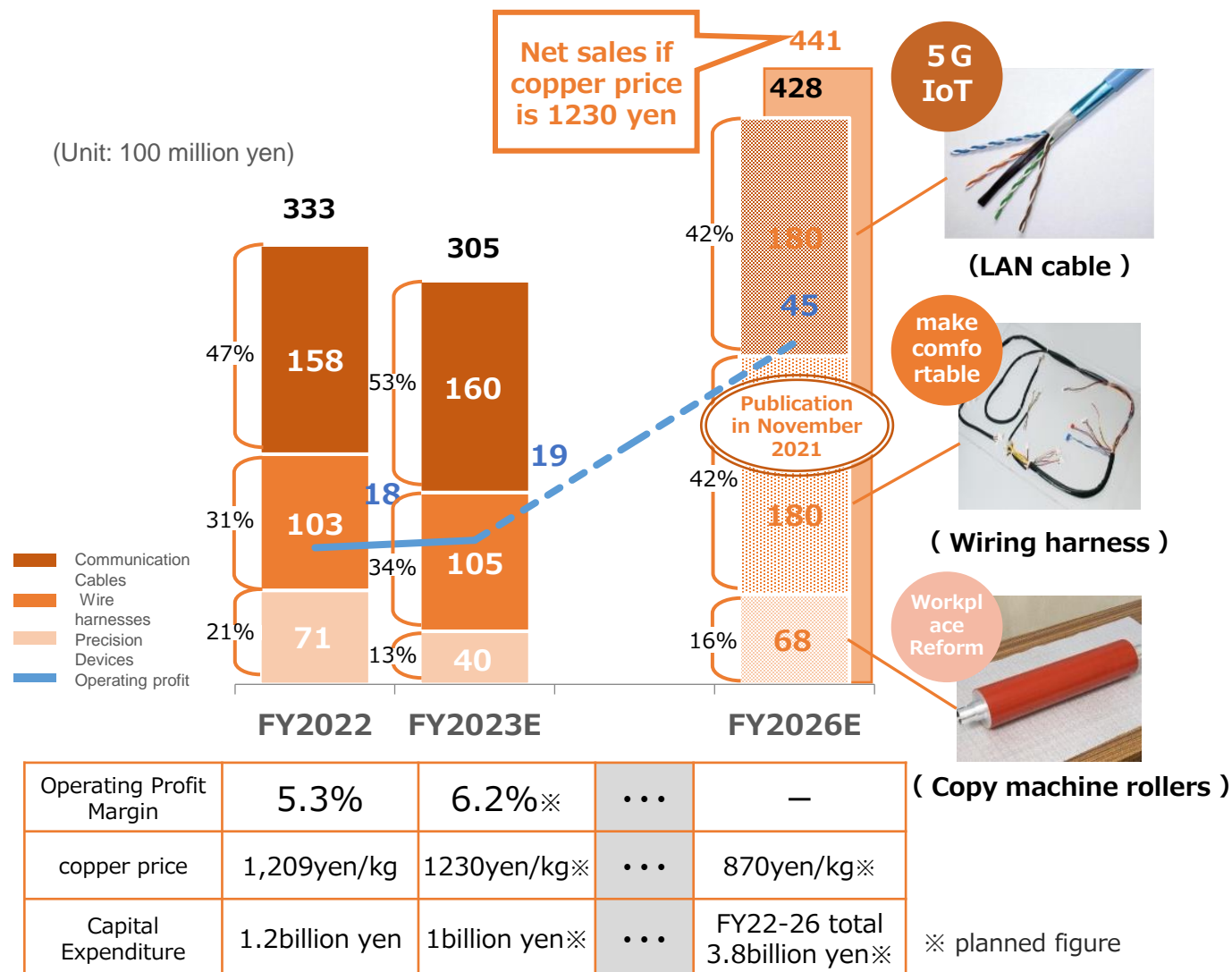
Industrial Devices was partially affected by the drop in pandemic special demand, but this was offset by increased sales of communication cables, the reorganization of domestic production bases and the effect of reasonable price sales. Sales decreased (-10.2%) and income increased (+67.2%) compared with the same period of the previous year.

### Impact of Changes in Business Environment

Impact of Copper Price Fluctuation	Net sales increased by 20 billion yen.
Soaring raw material, energy, and logistics costs	Although prices continue to rise, the Company has been able to secure profitability through price pass-through and cost reductions. Logistics is preparing to address the 2024 problem.
Changes in demand	Demand for communication cables was firm for construction-related applications. Consumer electronics and personal printers lost some of the pandemic special demand.



# Growth Strategies to Achieve the Medium-Term Management Plan



## Future Business Environment Outlook

### Tailwinds

- 1 Increase in communication capacity by promoting the use of AI and IoT
- 2 Increased opportunities to enter new markets such as automotive
- 3 Growing demand for high-function home appliances in response to increasingly sophisticated social environments and living standards

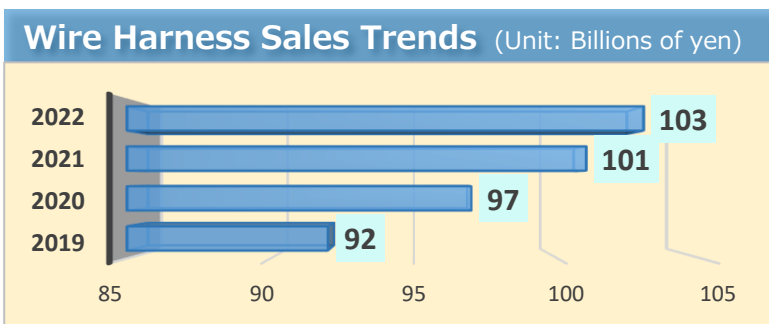
### Headwinds

- 1 Cost impact due to underdeveloped supply chain in emerging countries (materials and logistics)
- 2 Rise of local harness makers
- 3 China's economic slowdown



# Structural Reforms in the Wire Harness Business to Date

- ① Diversification of production bases (2 in China and 1 in Vietnam)
- ② Promote local procurement and local production for local consumption (Jiaxing, Dongguan Local procurement rate 74% in FY2022)





# Business model change in the wiring harness business

Leveraging the effects of structural reforms to date, the company has entered the local market for consumer electronics and the expected expansion of the automated driving market, expanding its business performance.

## So far

## Prospects

### Net sales

**10.3 billion yen**

( FY2022 Results )

**18 billion yen**

(Medium Final Targets)

### Partner

**Japanese top manufacturer**

( High quality products )

**Japanese & Local Company**

( Provide requirement-optimized quality )

### System

**Varies from country to country**

**Unification of production control and quality assurance systems**

### Market

**Japan, China**

For Home Appliances

**Japan, China, Southeast Asia**

For high-performance home appliances

For general home appliances

For Automated Driving

### Product





## FLANTEC®Products Lineup by Main Industries and Future Growth Projections

Expanding business performance in more profitable product areas by leveraging our brand power and technological capabilities with a 40% share of the domestic LAN cable market.

### Automotive twisted pair cables



As driver assistance systems become more sophisticated, higher speeds are required in in-vehicle transmission network. We have developed a twisted pair cable for in-vehicle use that enables high-speed transmission.

### Cat.6A standards compliance TPCC® 6A(10Giga coil)



The GIGA school concept has led to a significant increase in demand for 10 Gigabit transmission-capable devices. In addition, the recent increase in communication capacity due to the promotion of AI and IoT utilization has led to a significant expansion of replacement demand.

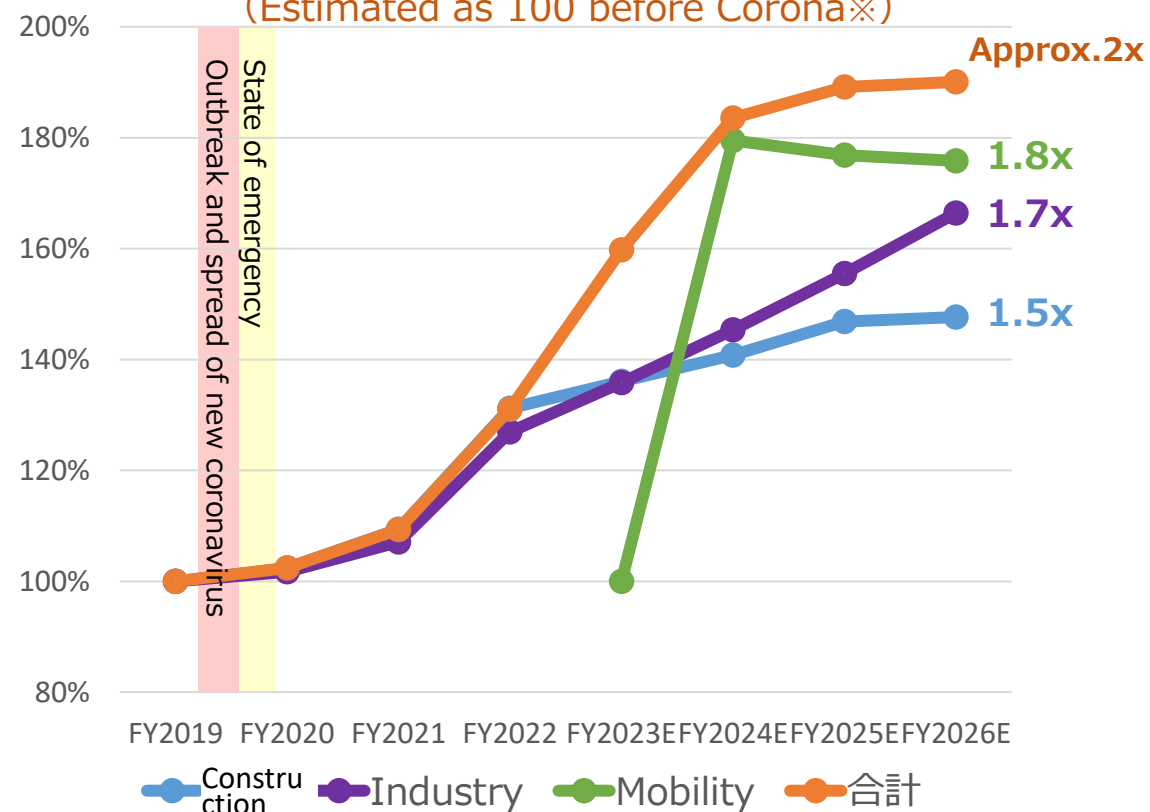
### Cat.8 standards compliance Twisted pair cable for LAN



Stable electrical characteristics in the frequency band up to 2,000 MHz, four times that of Cat.6A, enabling high-speed, large-capacity transmission at 40 Gbp. Demand is expected to increase with the future increase in communication capacity.

## Sales Growth Trends

(Estimated as 100 before Corona※)

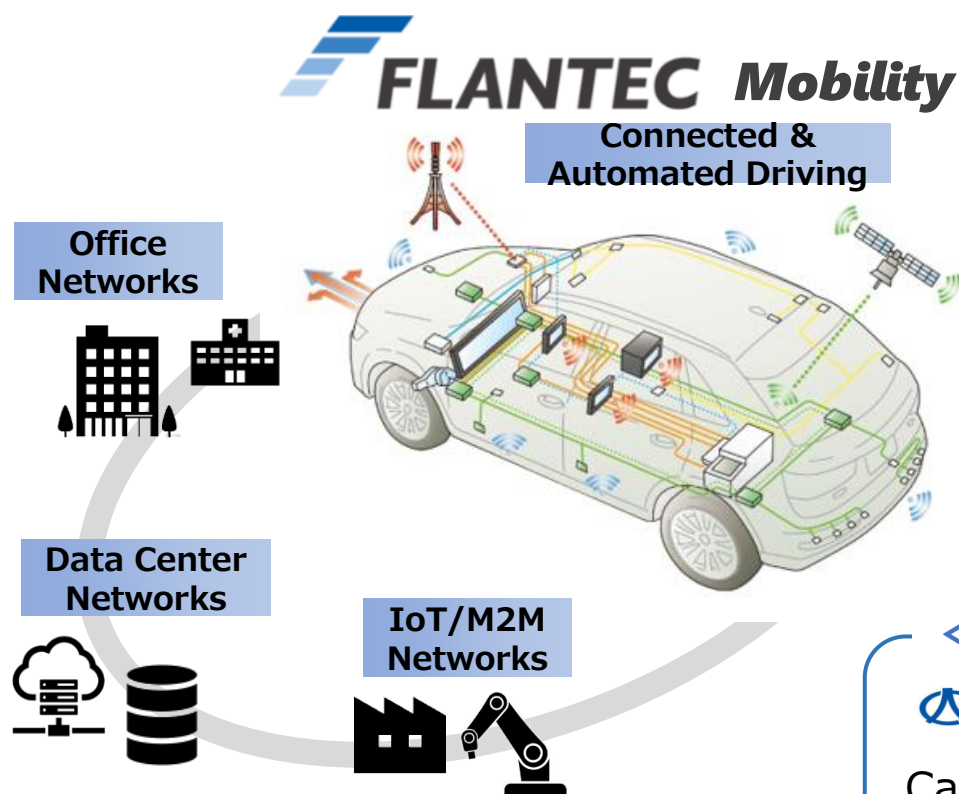


※ Mobility sales are estimated with FY2023 as 100 because Mobility sales will be generated from FY2023.

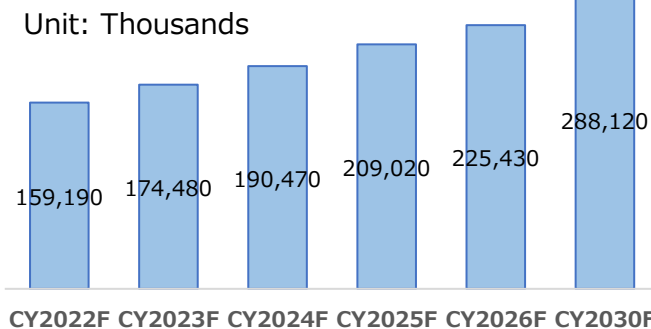


# Full-scale operation of FLANTEC® for automotive applications

Deployment of high-speed Ethernet technology for high-precision cameras and other devices that enable Level 4 or higher automated driving in line with the expansion of the ADAS market.



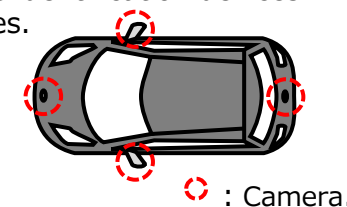
**In-vehicle camera market forecast  
(global unit sales)**



Source: Fuji Chimera Research Institute, Ltd. Automotive Electronics Devices & Components Survey 2023 (Volume 1) <Systems and Devices>

## Tailwind

2021 Ministry of Land, Infrastructure, Transport and Tourism announces mandatory installation of "real-view vehicle identification devices" in vehicles.



## < Sales Flow >







## **SWCC Corporation**

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

The forward-looking statements in this presentation are based on information available at the time of publication and involve potential risks and uncertainties.

Therefore, please be aware that a variety of factors could cause the actual results to differ materially from those projected in the statements.

Such factors that may affect actual results include economic conditions, demand trends, and fluctuations in raw material prices and exchange rates.

Factors that may affect business performance include, but are not limited to, the following.