



Innovating new ideas today. Becoming the norms of tomorrow.

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Small meeting for the Fiscal Year ended March 2023

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June 2, 2023

**SWCC Corporation**

TSE PRIME : 5805

- 1 . FY2022 Overview of Financial Results
- 2 . FY2023 Full Year Forecasts
- 3 . Towards Realization of Management that is Conscious of the Cost of Capital
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# 1 . FY2022 Overview of Financial Results

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# Overview of Financial Results for FY2022

**Results:** Sales and profits increased YoY, due to the **effects of structural reforms and strong business**, despite the impact of the external environment.

- **Energy and Infrastructure business**

Sales and profits increased YoY. The construction-related products captured the stable demand, as we revised sales prices in response to rising raw material prices and improved profitability by integrating the manufacturing and sales business. In products for electric power infrastructure, demand for renewal projects due to aging and renewable energy-related products remained firm.

- **Electronic equipment and Components business**

Sales and profits decreased YoY. Sales of high-performance products for automotive applications were sluggish due to the impact of reduced automobile production, which continued from 2H of the previous fiscal year, despite capturing demand for some products from Europe.

- **Communication and Industrial devices business**

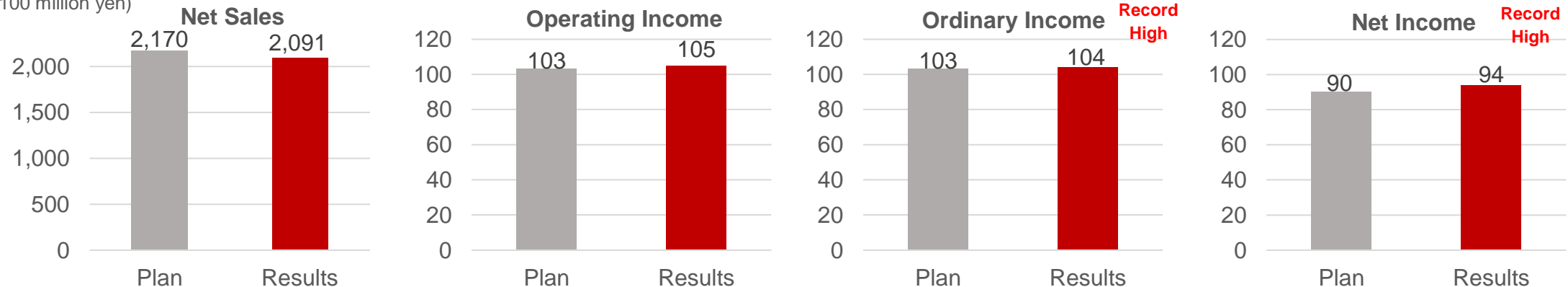
Sales increased and profits decreased YoY, although some negative effects in 1H, such as the partial delay in starting the reorganization of domestic telecommunication cable production bases and the impact of the lockdown in China on the industrial devices, improved in 2H.

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

**\* Both ordinary income and net income reached record highs**

(Reflects revised earnings forecast announced on September 22, 2022)

(Unit: 100 million yen)



# FY2022: Consolidated Statements of Income

**Sales and profits increased YoY. Profits exceeded the plan, with both ordinary income and net income reaching record highs.**

(Unit: 100 million yen)	FY2021 Actual	FY2022 Actual	YoY (%)
Net Sales	1,992	2,091	5.0
Gross Profit	254	258	1.8
Operating Income	100	105	4.3
Ordinary Income	99	Record High 104	5.2
Net income attributable to owners of parent	94	Record High 94	0.6
Dividend per share (Yen)	50	60	(Difference from previous year) 10
ROE (%)	17.7	15.0	(Difference from previous year) ▲2.7
ROIC (%)	7.6	7.1	(Difference from previous year) ▲0.5

# FY2022 Results by Segment

**Profits recovered**, despite the impact of the external environment, such as the reduced automotive production and the lockdown in China. This was **due to the strong performance of the Energy and Infrastructure Business, driven by the favorable sales of construction and power-related products, as well as the strengthening of measures in the 2H of the year.**

(Unit: 100 million yen)

		FY2021 Actual	FY2022 Actual	YoY (%)	FY2022 ROIC (%)
<b>Energy and Infrastructure Business</b>	Net sales	1,069	1,133	6.0	8.7
	Operating income	65	77	18.5	
	Operating income margin(%)	6.0	6.8	(Difference from previous year) 0.7	
<b>Electronic Equipment and Components Business</b>	Net sales	586	581	▲0.8	6.9
	Operating income	24	17	▲28.7	
	Operating income margin(%)	4.0	2.9	(Difference from previous year) ▲1.1	
<b>Communication and Industrial Devices Business</b>	Net sales	295	333	12.8	5.9
	Operating income	18	18	▲3.1	
	Operating income margin(%)	6.2	5.3	(Difference from previous year) ▲0.9	

## 2. FY2023 Full Year Forecasts

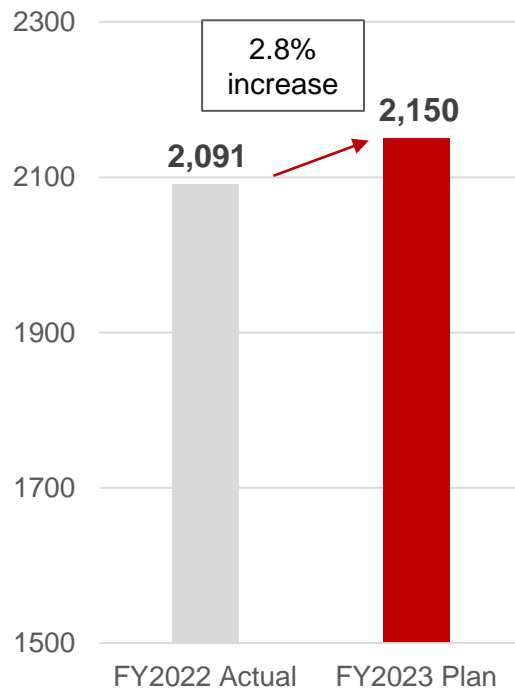
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# FY2023 Full-Year Forecasts

The forecast incorporates higher energy and other costs but **plans to increase sales and profits through various measures. We plan to increase shareholder returns by paying an interim dividend.**

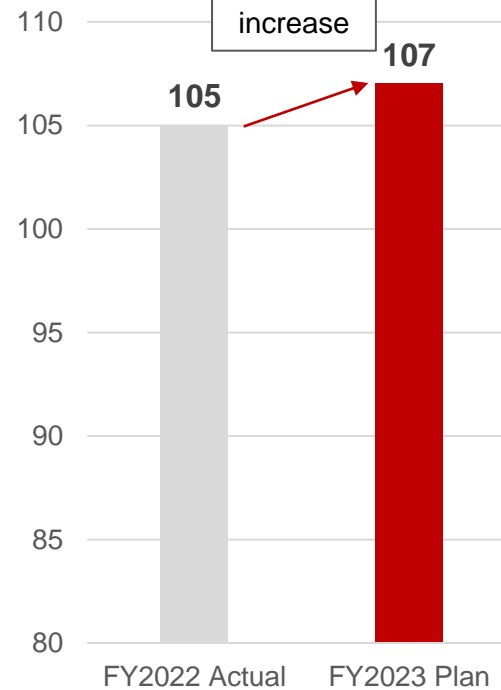
## Net sales

(Unit: 100 million yen)



## Operating income

(Unit: 100 million yen)



## Ordinary income

**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: 40yen  
Total: 75 yen

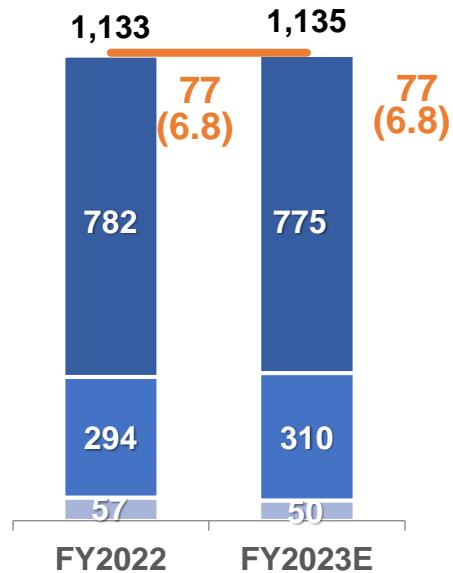


# FY2023 Plan by Segment

## Energy and Infrastructure Business

Construction Electric power infrastructure  
Seismic isolation/ Others Operating income ( ) Operating income ratio

(Unit: 100 million yen, %)



Copper price impact : Net sales up ¥0.5 billion

Positive factor

- Improved profitability by integrating production and sales in the construction-related
- Sales contribution from investment in increased production of SICONEX®

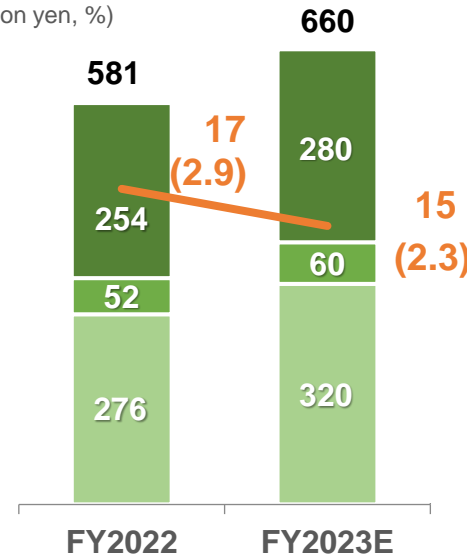
Negative factor

- Decrease in special demand for construction

## Electronic Equipment and Components Business

High-performance products oxygen free copper General-purpose products Other high-performance products Operating income ( ) Operating income ratio

(Unit: 100 million yen, %)



Copper price impact : Net sales up ¥5.0 billion

Positive factor

- Recovery of high-performance products for xEVs in 2H of the year
- Steady demand for heavy electric machinery

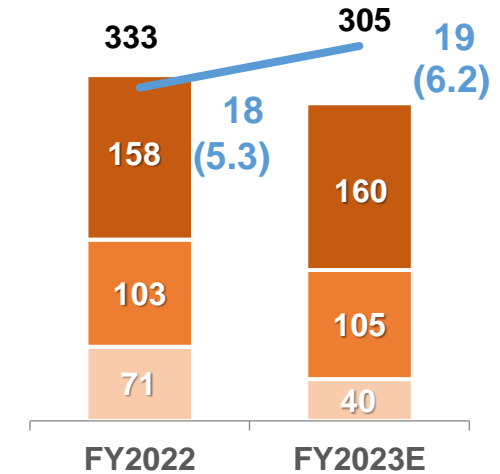
Negative factor

- Sluggish 1H sales of high-performance products for xEVs

## Communication and Industrial Devices Business

Communication cable Precision devices Wire harness Operating income ( ) Operating income ratio

(Unit: 100 million yen, %)



Copper price impact : —

Positive factor

- Maximize the effects of the reorganization of telecommunication cable production bases.
- Elimination of China lockdown

Negative factor

- Absence of the COVID-19 special demand in the Industrial Devices Business.

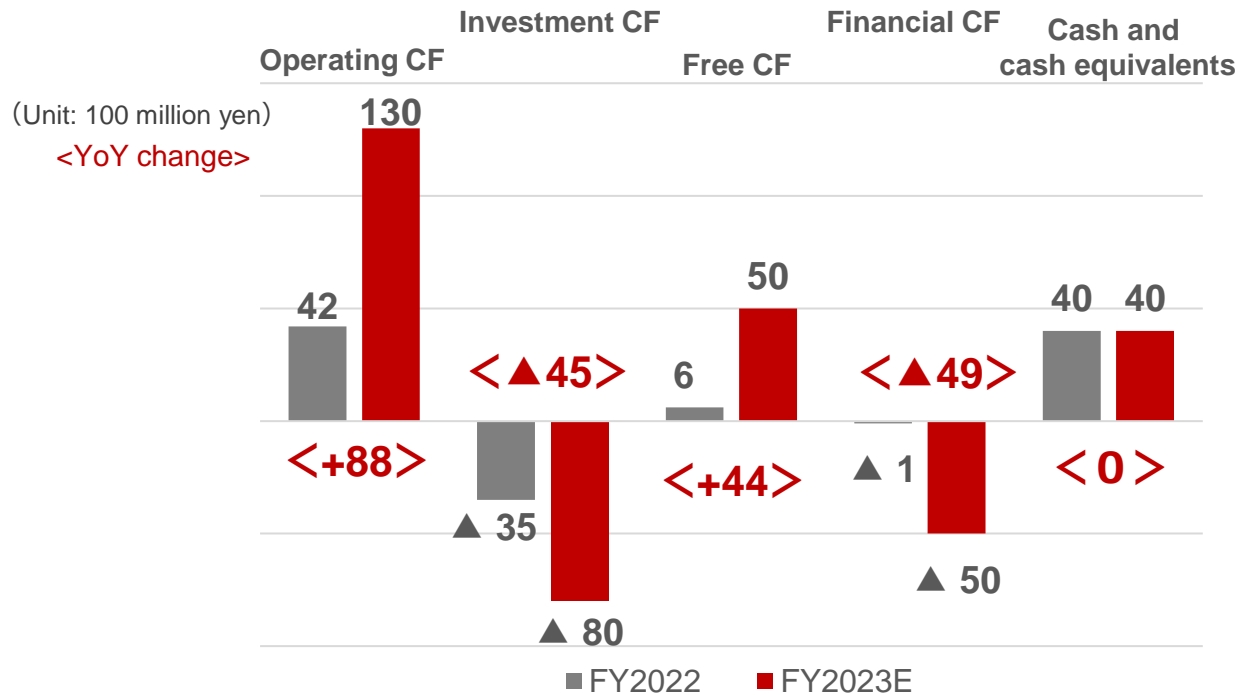
# Recognition of the Business Environment in FY2023

Progress in 1H performance is expected to be moderate compared to usual years. Profits are expected to grow for the full year due to robust demand for power and telecommunications-related products in 2H and full-scale launch of new businesses.

		1H	2H
Recognition of the Business Environment	Construction	Same level as usual year	Same level as usual year
	Electric Power	Power-related projects tend to be weighted toward 2H	Concentration of power-related projects with strong demand, such as renewable energy developments Expand sales by increasing SICONEX ® production
	Automobiles	High-performance products for xEV enter a correction phase toward recovering demand	Recovery in demand for high-performance products for xEV
	Industrial Devices	Absence of the COVID-19 special demand in the Industrial Devices Business	Recovery in demand in the Industrial Devices Business
	Communication	Same level as usual year	Expand overseas sales of e-Ribbon ®, expand sales of FLANTEC ® for automotive applications
	New Business (ICT)	Same level as usual year	Full-fledged implementation of ICT

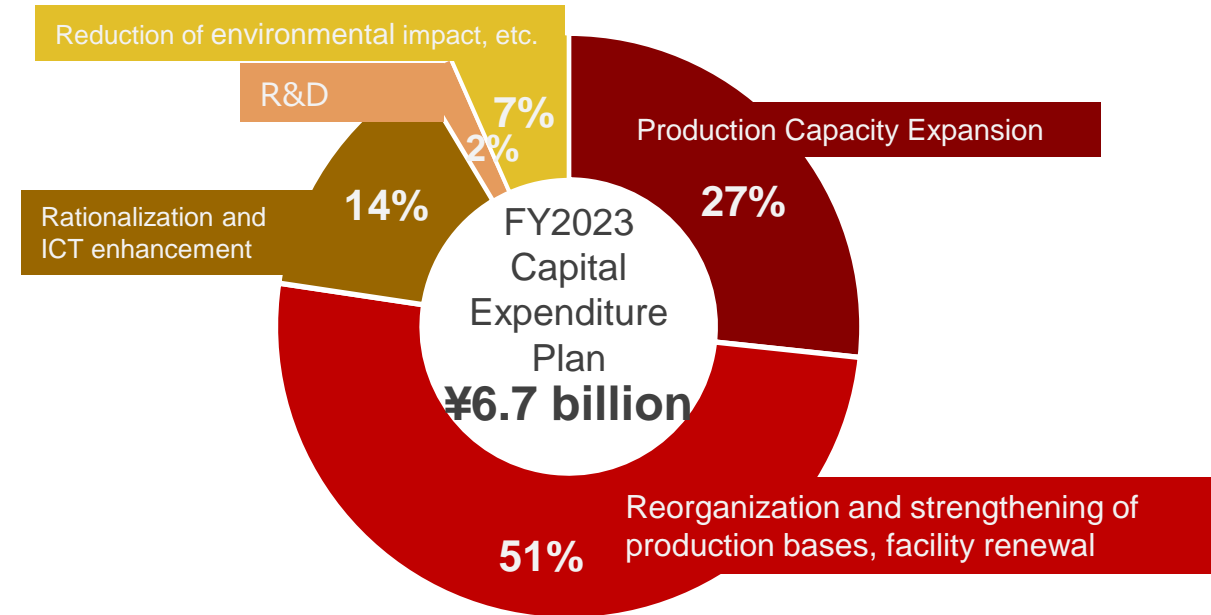
# FY2023 Consolidated Results CF Forecast and Capital Expenditure Plan

## < Consolidated CF >



Operating CF increased in FY2023 due to a reduction in working capital.  
Investment CF increased due to increased capital investment.

## < Capital Expenditure Plan >



### Breakdown by Segment

Energy and Infrastructure Business	¥2.5 billion
Electronic Equipment and Components Business	¥1.8 billion
Communication and Industrial Devices Business	¥1.0 billion
Others	¥1.4 billion

### 3 . Towards Realization of Management that is Conscious of the Cost of Capital

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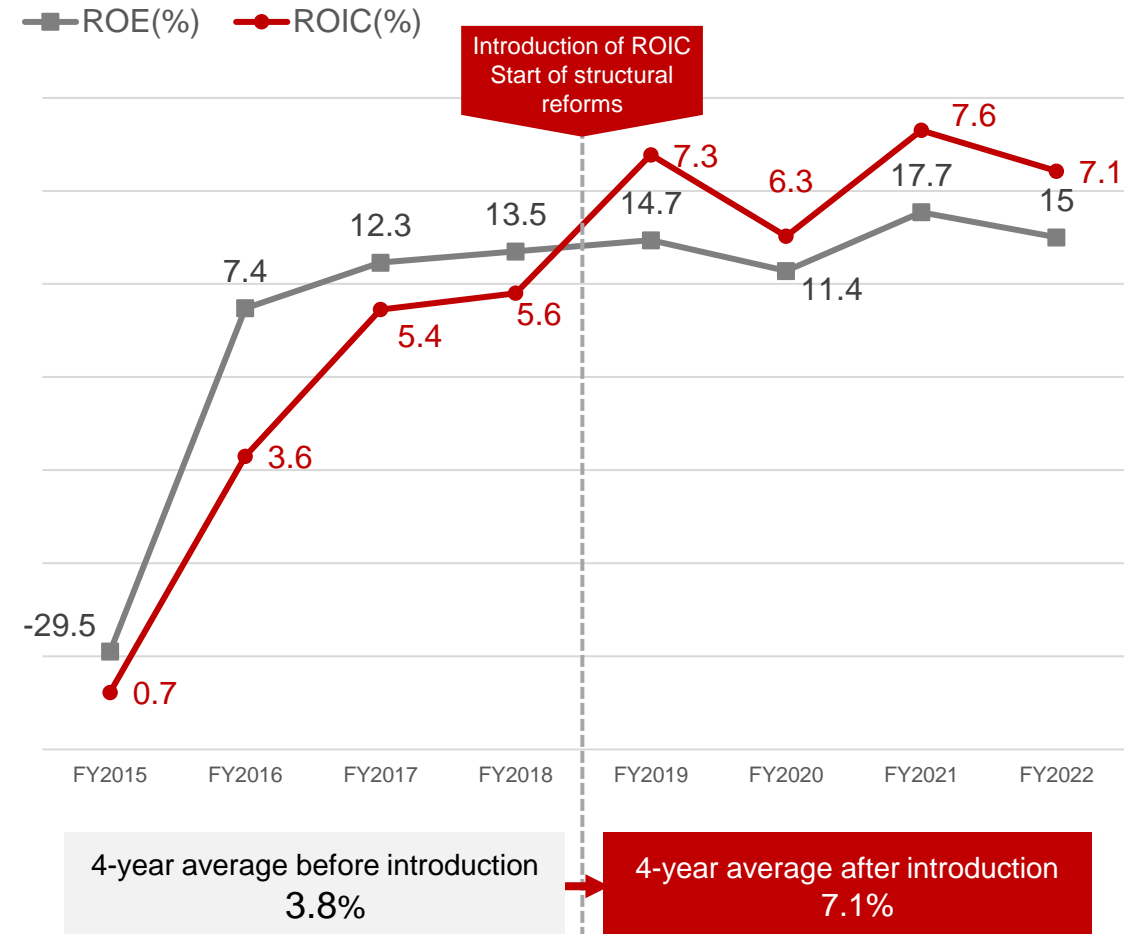
# Analysis of Current Situation (1): Changes in Profitability Improvement through Structural Reforms Based on Capital Efficiency

Profitability, **ROE and ROIC** have improved steadily since the introduction of ROIC and the start of structural reforms in FY 2019.

## Reorganization of major domestic production bases and withdrawal from unprofitable businesses

FY2019: SWCC SHOWA UNIMAC LTD. made a wholly-owned subsidiary  
 FY2020: Tamagawa Electric Cable merged into SWCC SHOWA UNIMAC LTD.  
 Sold the rubber wire business  
 Dissolved DAIJI  
 FY2021: Transferred the anti-seismic and anti-noise business to Showa Science  
 Showa Recycle merged into LOGIS-WORKS CO., LTD  
 Reorganized the domestic production bases for communication cables and dissolved Aomori Showa Electric Cable  
 Sold the Ebina Factory  
 FY2022: Integrated SFCC's construction-related manufacturing and sales businesses

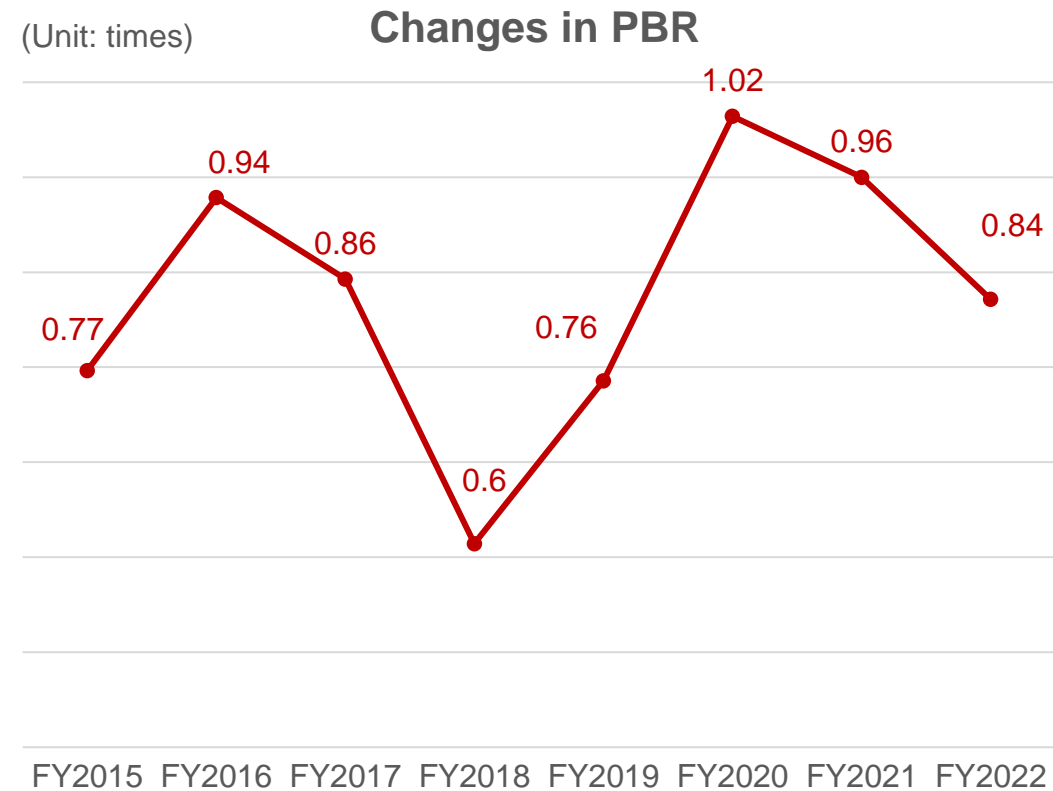
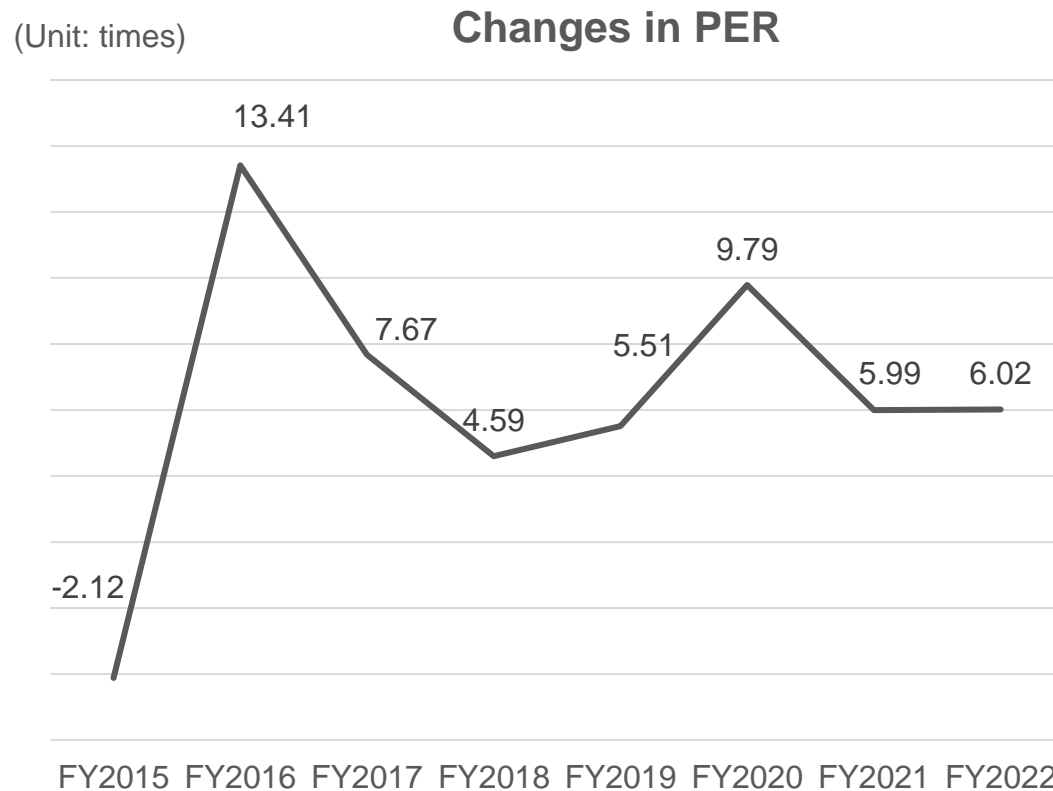
<Profit Improvement Results>	FY2020	FY2021	FY2022	Cumulative total
Integration of anti-seismic and anti-noise businesses		1	1	2
Integration of SFCC's manufacturing and sales operations			3	3
Rationalization of magnet wire business	3	3	3	9
Shifting wire harness business overseas	5	7	7	19
Reorganization of communication cable production bases		3	8	11
Total (Unit: 100 million yen)	8	14	22	44



## Analysis of Current Situation (2): Changes in Market Valuation

Both PER and PBR are improving due to higher capital earnings, but PBR has not reached the 1x recently.

**The need to enhance disclosure regarding the Company's growth story in order to improve the market valuation** is recognized.



# Initiatives for Future Growth

**SWCC Group Purpose**  
Innovating new ideas today. Becoming the norms of tomorrow.

In conjunction with changing the Company's name, the Group formulated our Purpose which contains the message of "responding to the changing times and creating new value."

We will contribute to the creation of a sustainable and better future through our business.

**Create sustainable "corporate value" and "shareholder value" based on the Purpose**

**Aiming to promptly achieve ROIC of 10% or more, PBR of 1x or more, and a dividend of 120 yen or more, with a lower limit of 10% for ROE.**

## **Business Strategy**

- Promotion of businesses that solve social issues
- Optimization of the business portfolio
- Investment and profit contribution timeline

## **Financial Strategy**

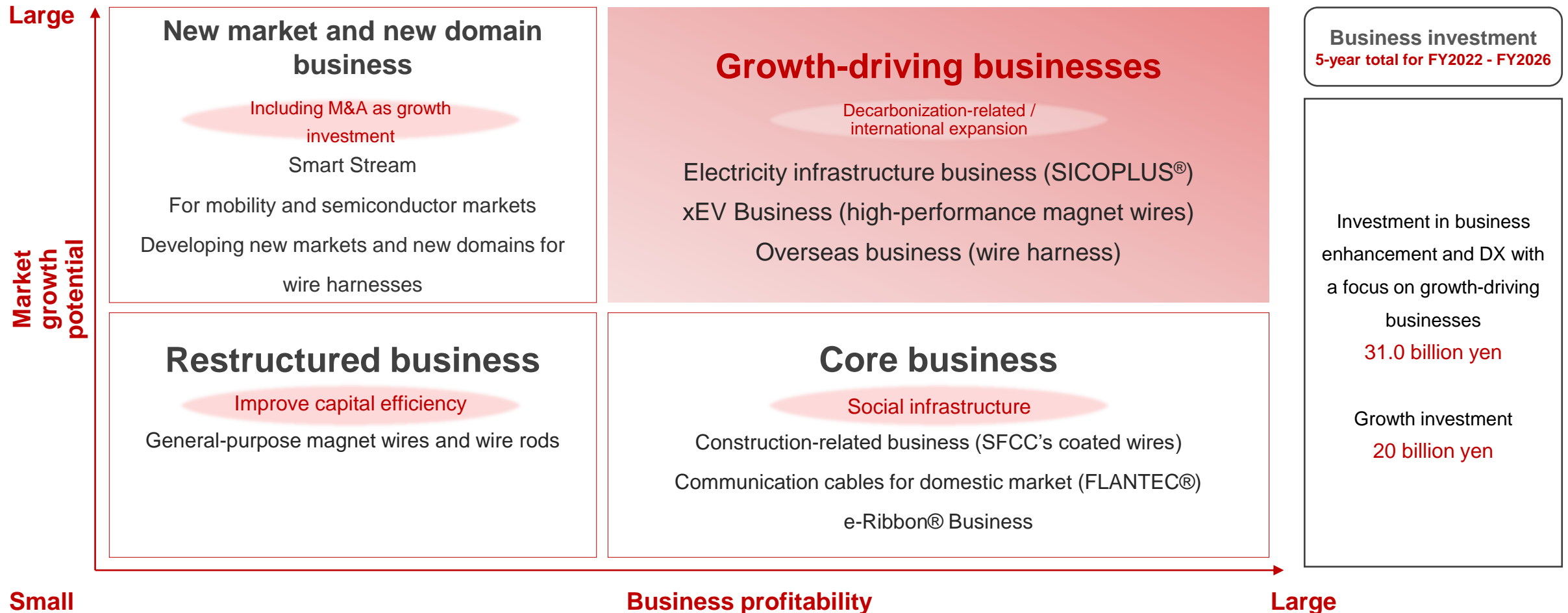
- Cash allocation
- Further improvement of capital efficiency
- Maintain and improve financial soundness and shareholder returns

## **Non-Financial Strategy**

- Promotion of human capital strategies that support sustainable growth
- Contribution to a decarbonized society

# Business Strategy: Optimization of the Business Portfolio

We aim to generate further profits by promoting **concentrated investment in growth-driving and core businesses** and **by promoting the structural reform of the businesses**. We will also develop businesses **for new markets and domains based on our core technologies**. We will expand our business through **open innovation, internal ventures and M&A**.





# Business Strategy: Business Investment Aimed at Achieving the Medium-Term Business Plan and Profit Contribution Timeline

## Business investment 5-year total for FY2022 - FY2026

Investment in business enhancement and DX with a focus on growth-driving businesses

**31.0 billion yen**

### <Breakdown>

Production capacity expansion: 12.0 billion yen

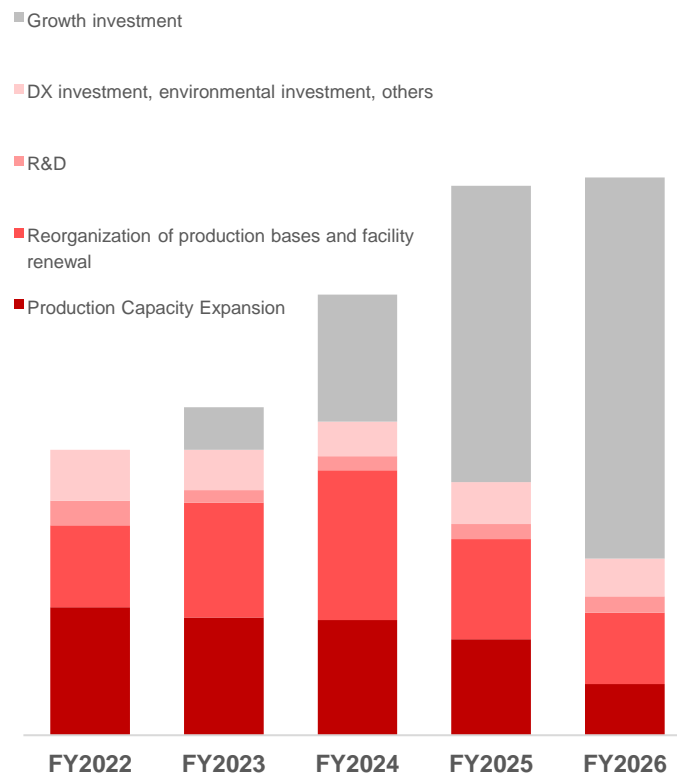
Reorganization of production bases and facility upgrades: 12.2 billion yen

Research and Development: 2.0 billion yen

DX investment, environmental investment, others: 4.8 billion yen

Growth investment

**20.0 billion yen**



## Profit plan

Operating income 10.5 billion yen

Operating income 15 billion yen

FY2022

FY2026



# Business Strategy: Investment in Increased Production for Growth-Driving Businesses and Profit Contribution Timeline

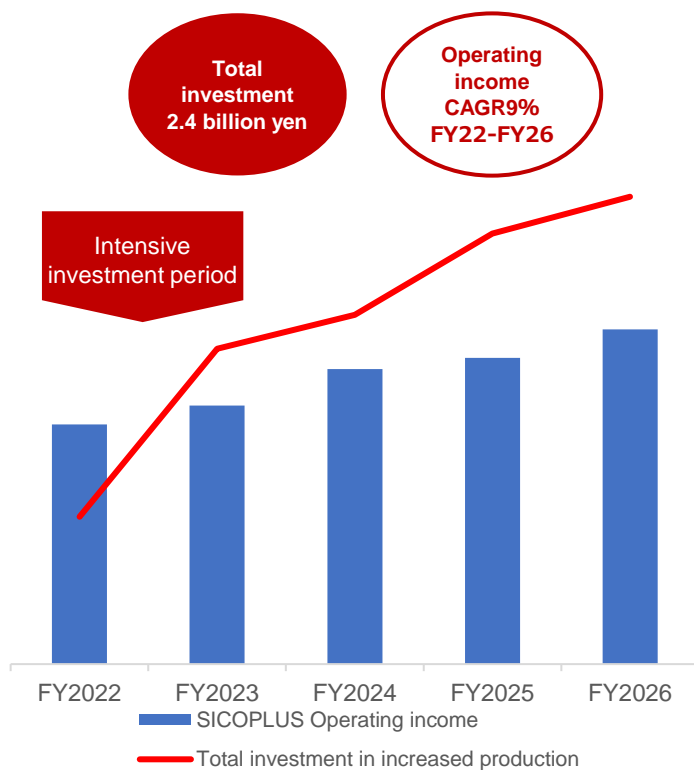
Strategic Products

Growth Strategy

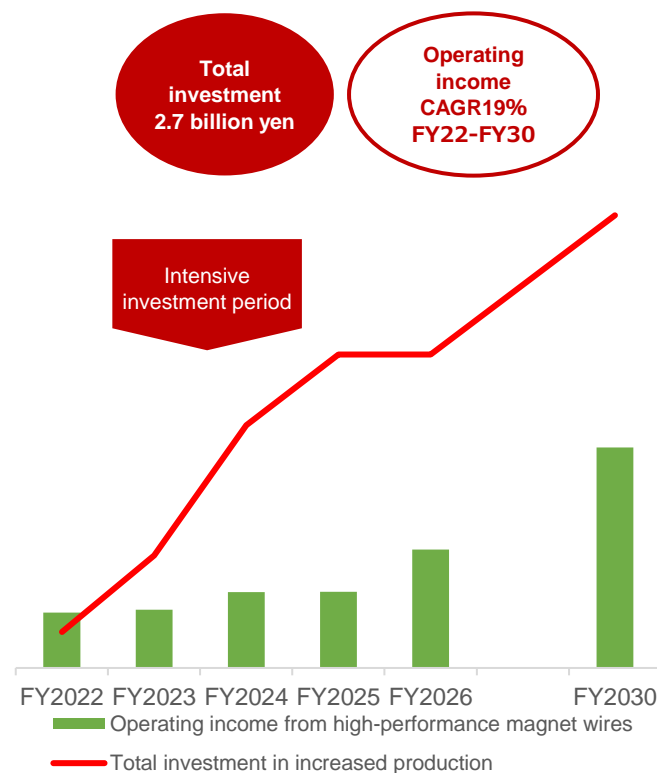
## Decarbonization-related

### SICOPLUS®

Renewal of aging substations and promotion of renewable energy introduction

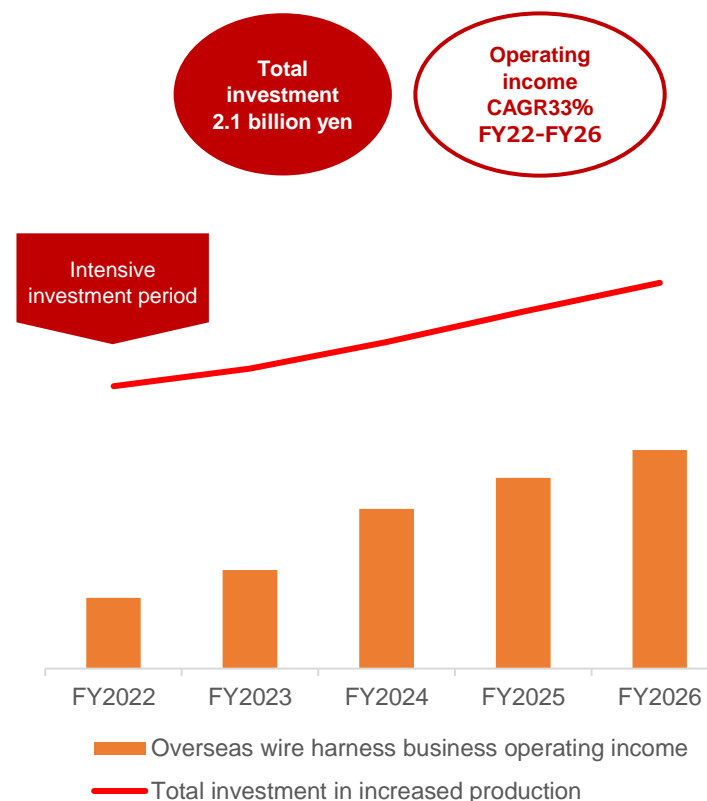


### High-performance magnet wires Promotion of xEVs



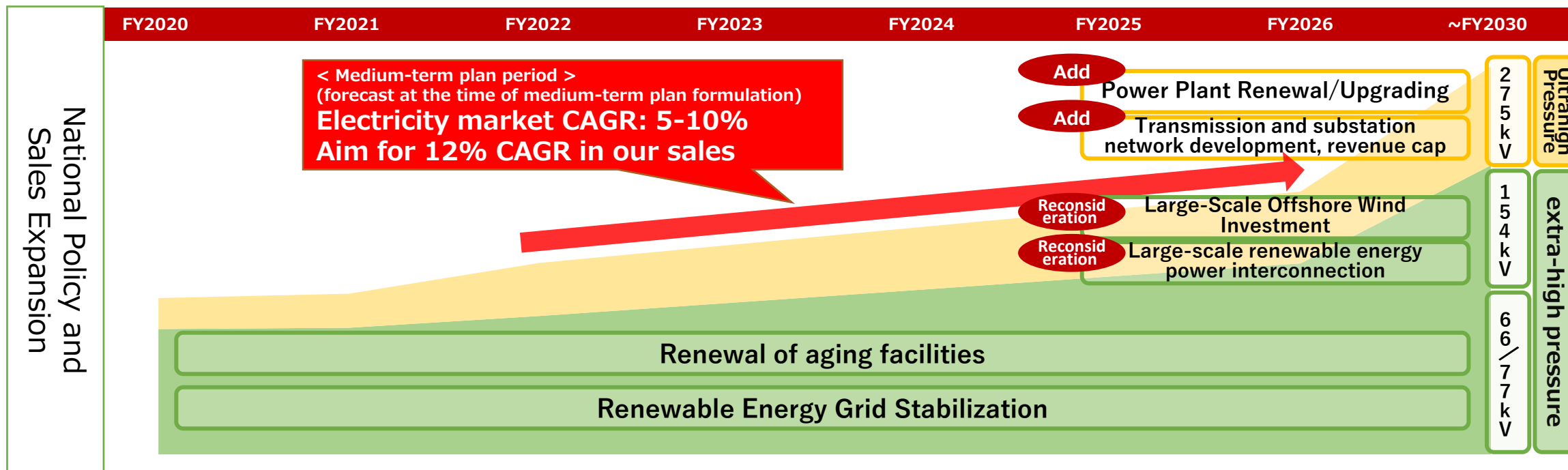
## Overseas expansion

Wire harnesses  
Enter the industrial device and automotive markets and promote China Plus One



# Growth Driving Business: SICOPLUS® Growth Strategy (key points of rolling mid-term plan)

Developing strategies in terms of both "products" and "human resources" for the expanding market against the backdrop of national policies. Rolling out this fiscal year, taking into account national policies that had not been incorporated when the medium-term business plan was announced. To be disclosed in the next fiscal year.

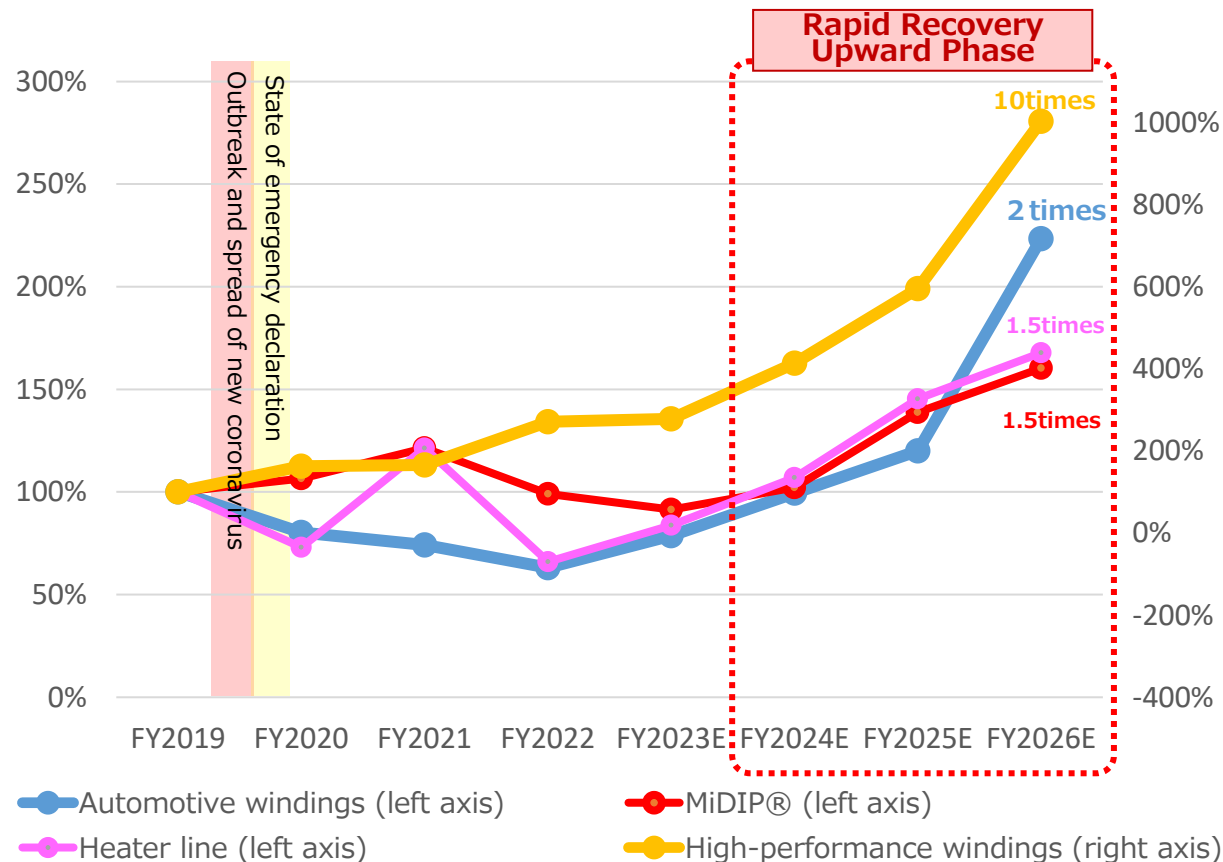


Strategy	Pro	Promoting de facto standardization in the substation market by leveraging product advantages such as light weight, compactness, reduced installation time, and simple joint design	Promotion of universal design, reinforcement of production increase system, full lineup including ultra-high pressure
	Per son	Expanding alliances with educational and cooperative companies through the Construction Human Resource Development Center	

# Growth Driving Business: High Functional Winding Wire Growth Strategy (Key Points of Rolling Mid-term Plan)

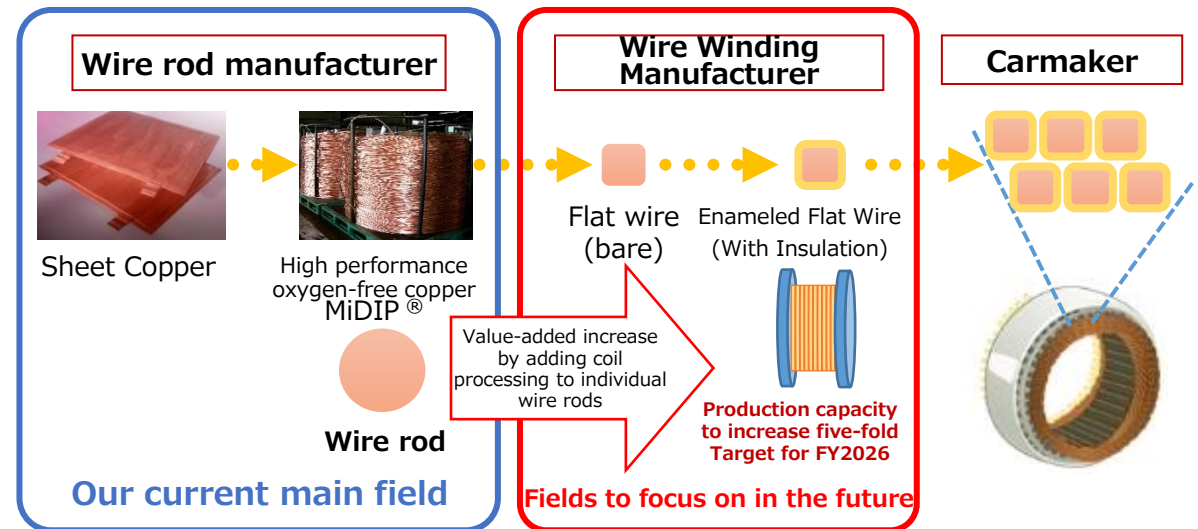
Shipment volume up to the mid-term plan is estimated based on various reports on the business environment and customer information. Preparing for a rapid recovery from FY2024 onward.

## Shipment Volume by Product Category (Calculated with pre-Corona as 100)



## Shift to a high value-added business model with an eye on future markets

Market forecasts indicate a rapid increase in demand for windings in FY2024 and beyond. Shift to a more highly processed and profitable business model by leveraging the brand power of MiDIP® high-performance wire rods. Expand sales destinations and product lineups to promote electrification of cars, automated driving, and comfortable spaces.



# Growth Driving Business: Wire Harness Growth Strategy (Key Points of Medium-Term Plan Rolling)

## Structural Reforms to Date

- ① Diversification of production sites
- ② Promote local procurement and local production for local consumption  
(Jiaxing, Dongguan Local procurement rate: 74%)



Dissolution in September 2020  
September 2020 Manufacturing and development relocation

**Daiji**

April 2020 Domestic Sale

**SDS**

For Automotive Wire Harnesses

Responding to ADAS demand in addition to consumer electronics

Investment 1.6 billion yen

中国

**Jiaxing Showa**

**Interconnect products**

Plant to start operation in January 2022



Reduced electricity costs and CO<sup>2</sup> emissions by introducing solar power generation

Total floor area Approx. 35,000 m<sup>2</sup>

Allow for flexibility in supply

ベトナム

**SWCC SHOWA VIETNAM INTERCONNECT PRODUCTS CO., LTD.**

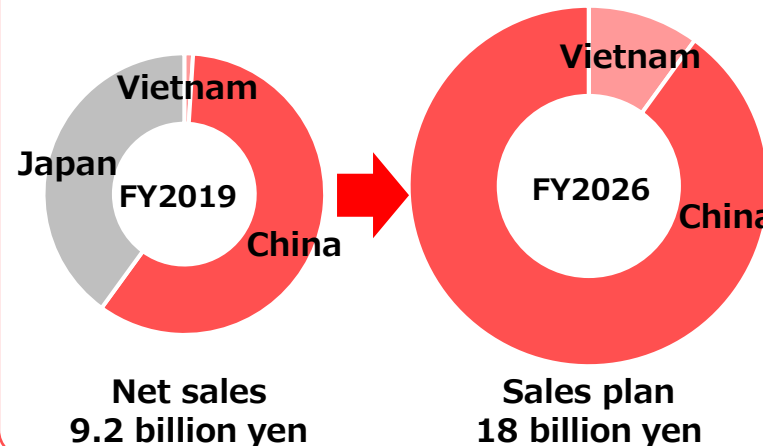
Plant relocation in April 2023



Twice the current Total floor area

Total floor area Approx. 5,700 m<sup>2</sup>

## Change in the ratio of production bases before and after structural reforms



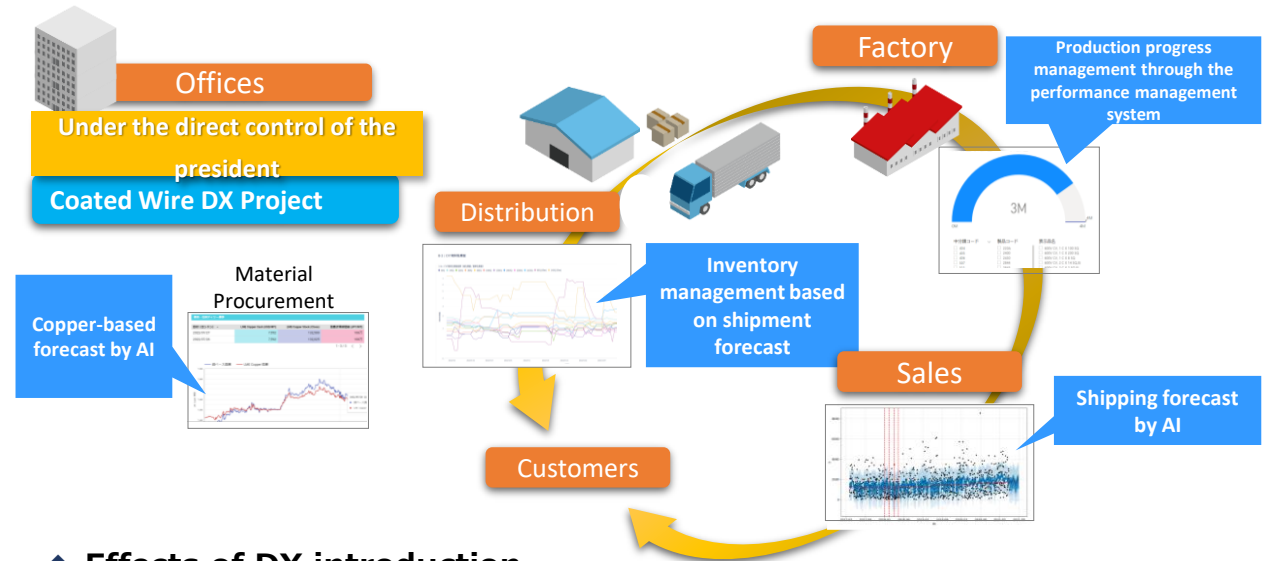
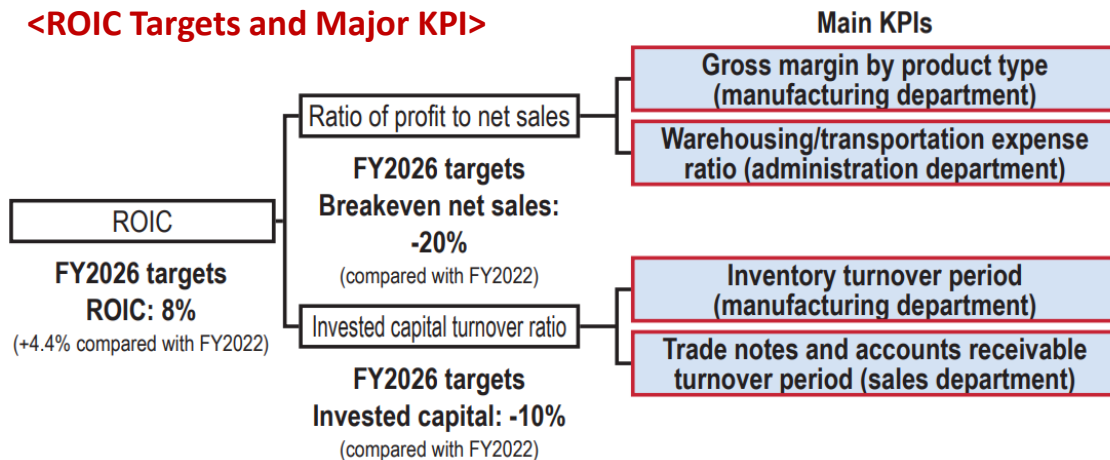
# Base business: Construction-related business (SFCC Co., Ltd. coated wire) Efforts to improve profitability

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

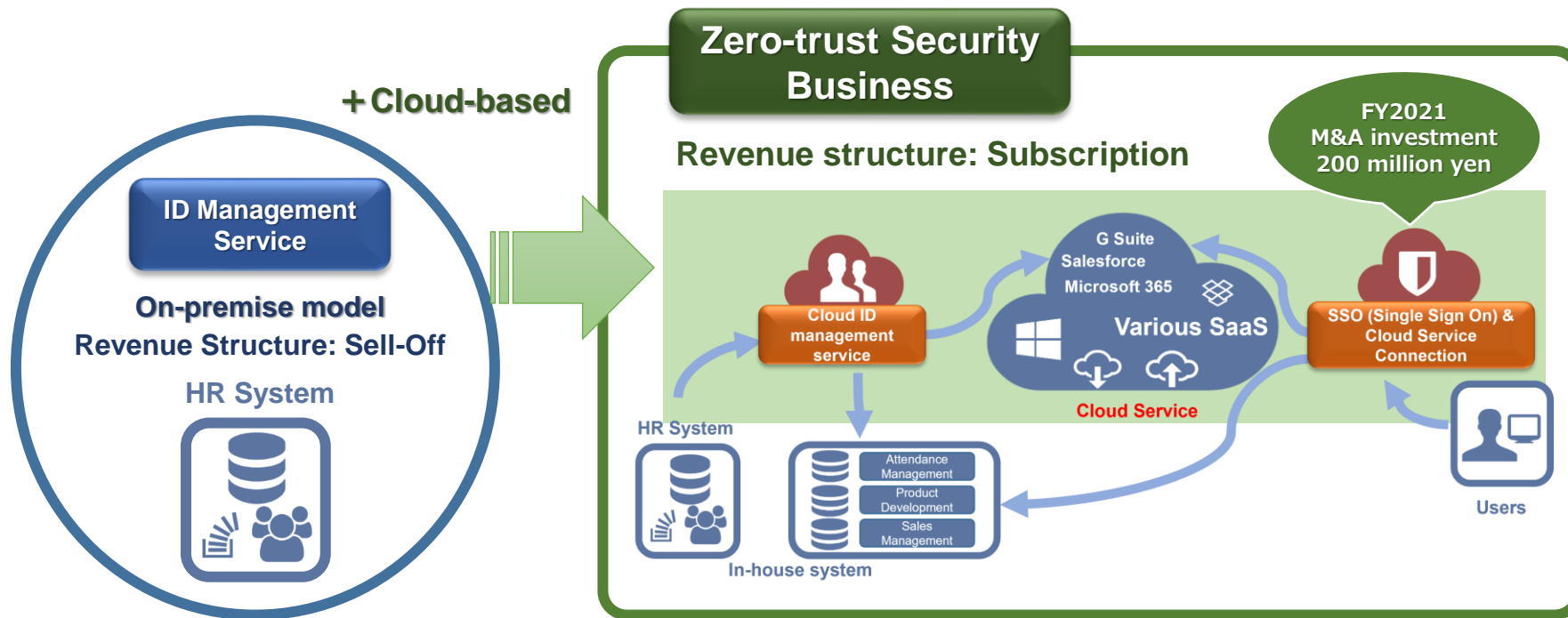
	FY2021	FY2022	FY2026 Target
Inventory turnover days	45 days	42 days	36 days
Cost reduction (profit contribution)	-	500 million yen	1 billion yen
CCC	85 days	82 days	72 days

## New Markets and New Business Domains: Growth Strategy for ICT Business (AXIO corporation.)

Shifted to a highly profitable business model by shifting the revenue structure from a "sell-out" type to a "subscription" type, with the Zero Trust business as the main pillar. From FY2023, the new business will finally become profitable.

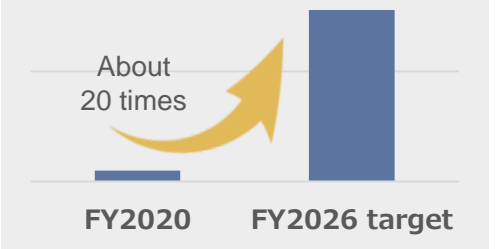
### <Background of Business Growth>

Customers' needs are shifting from on-premise systems with high operational and management burdens to cloud-based systems.



※Zero Trust is the concept of taking strong security measures based on the premise of trusting nothing.

### Net sales target



Operating income ratio: approx. 3 times

### Estimated number of companies in 2023

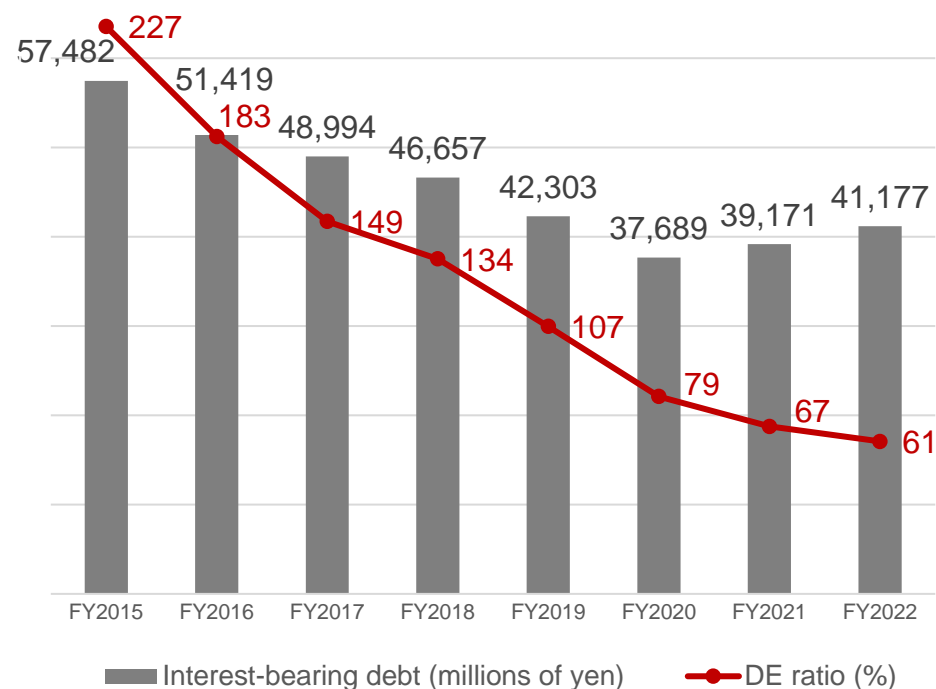




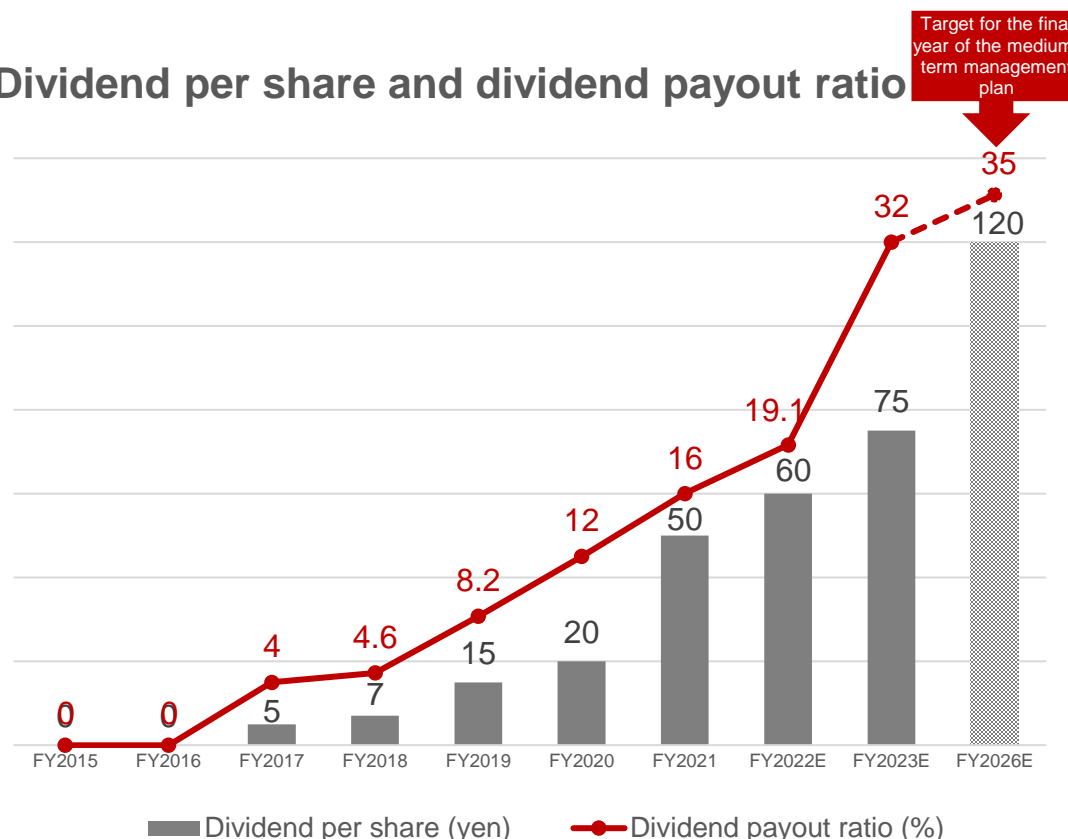
## Financial Strategy: Maintain and Improve Financial Soundness and Shareholder Returns

We will maintain and improve our financial soundness and aim to **achieve a dividend of 120 yen or more as soon as possible**, while maintaining a balance with growth investments.

### Interest-Bearing Debt and DE Ratio



### Dividend per share and dividend payout ratio





## 4 . Appendix

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# Financial Strategy: Cash Allocation

Appropriately allocate generated cash to the **strengthening of core businesses, growth investment in new markets and business domains, and returns to shareholders.**

## Cash generation

Five years from FY2022 to FY2026

Generation of operating cashflow

**61.7 billion yen or more**

## Cash Allocation Strategy

### Business investment

Investment in business enhancement and DX with a focus on growth-driving businesses

**31.0 billion yen**

Growth investment in new markets and business domains

**20 billion yen**

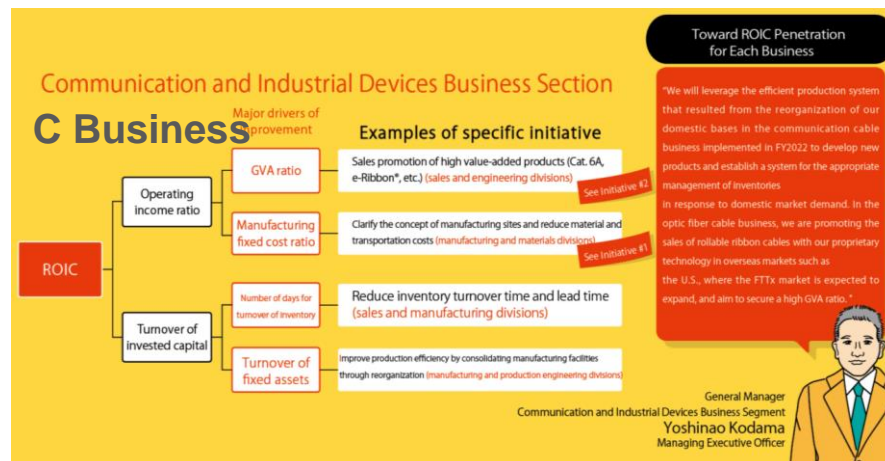
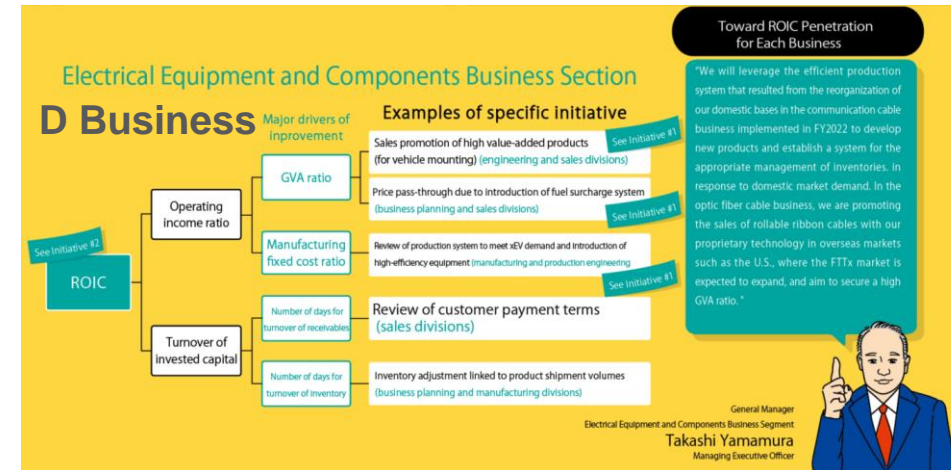
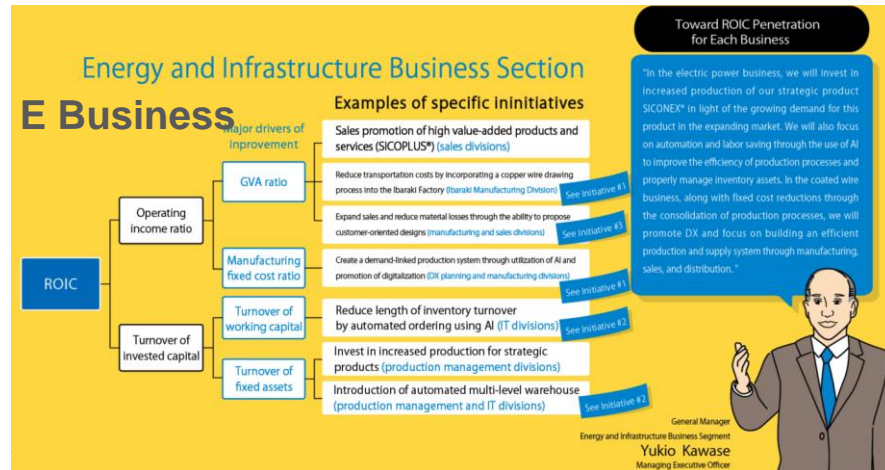
### Shareholder returns

Stable and continuous dividends through balance with growth investments

**10.7 billion yen**

# Financial Strategy: Further Improvement of Capital Efficiency

ROIC by business segment has been established from FY2022. It is broken down in an ROIC tree and disseminated to the operational level of each department through the use of the company newsletter, etc., and will be thoroughly utilized in the review of business portfolio optimization and investment decisions. (The following is an excerpt from an article in the fall issue of the company newsletter)



**Target for FY2026: Company-wide ROIC 10% or more**  
**FY2022 Results: Company-wide ROIC 7.1%**

**Segment ROIC: E Business = 8.7%; D Business = 6.9%**  
**C Business = 5.9%**

## ROIC Formula

Company-wide ROIC = Operating income after tax / invested capital (equity capital + interest-bearing debt)

ROIC by Business = Operating income after tax / invested capital (working capital + fixed assets)

## [Human Resources Portfolio Management]

In **promoting structural reforms and transitioning to the growth phase**, the following measures are being promoted in order to **respond to changes in the required human resource skills**.

- **Strengthen job-based recruitment**

Strengthen the recruitment of the necessary human resources with specific skills for immediate results and highly specialized human resources.

- **Expand systems to match the needs of the Company and employees**

In order to realize the placement of the right person in the right job, the job challenge system and internal recruitment system will be expanded and enhanced.

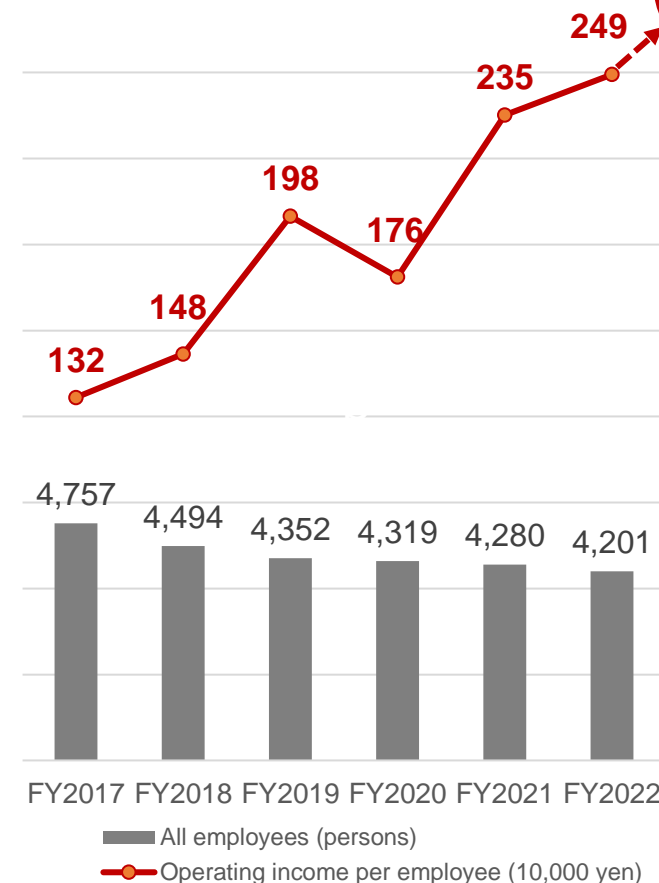
- **Establish a compensation system that encourages challenges**

Transition to a compensation system that more appropriately reflects the efforts and achievements of employees who take on challenges.

- **Shift human resources to growth businesses**

Intensive allocation of human resources to strengthen growth businesses.

Operating income per employee and number of employees



Further  
growth  
phase

## [Diversity Management]

We are promoting the **creation of diversity-oriented systems and organizations** with the aim of being a highly competitive company that **can flexibly respond to the changing needs of customers**.

- **From a "Women's Participation Promotion Project" to a "Diversity Promotion Project"**

The project, which was launched in April 2021, has added male members from April 2023 to promote efforts to raise awareness of unconscious bias.

- **Promote the taking of childcare leave, etc. that is not limited to women**

Promotion of an understanding of childbirth and childcare through the establishment of a personnel system and in-house training programs.

- **Extend the retirement age and introduce an optional retirement system**

Creation of an environment in which experienced and seasoned employees can work with confidence.

### Women's Participation Promotion Project Initiatives



To create an environment where the values and individuality of each employee is valued and they can fully demonstrate their abilities and shine

- An event co-sponsored with Keidanren, the Cabinet Office, and the Ministry of Education, Culture, Sports, Science and Technology to nurture female junior high and high school science and engineering students.

In March 2023, a lecture introducing case studies from the Company was given at the request of the Cabinet Office in recognition of our innovations, such as attracting customers through local governments.

- **Started social media campaigns**

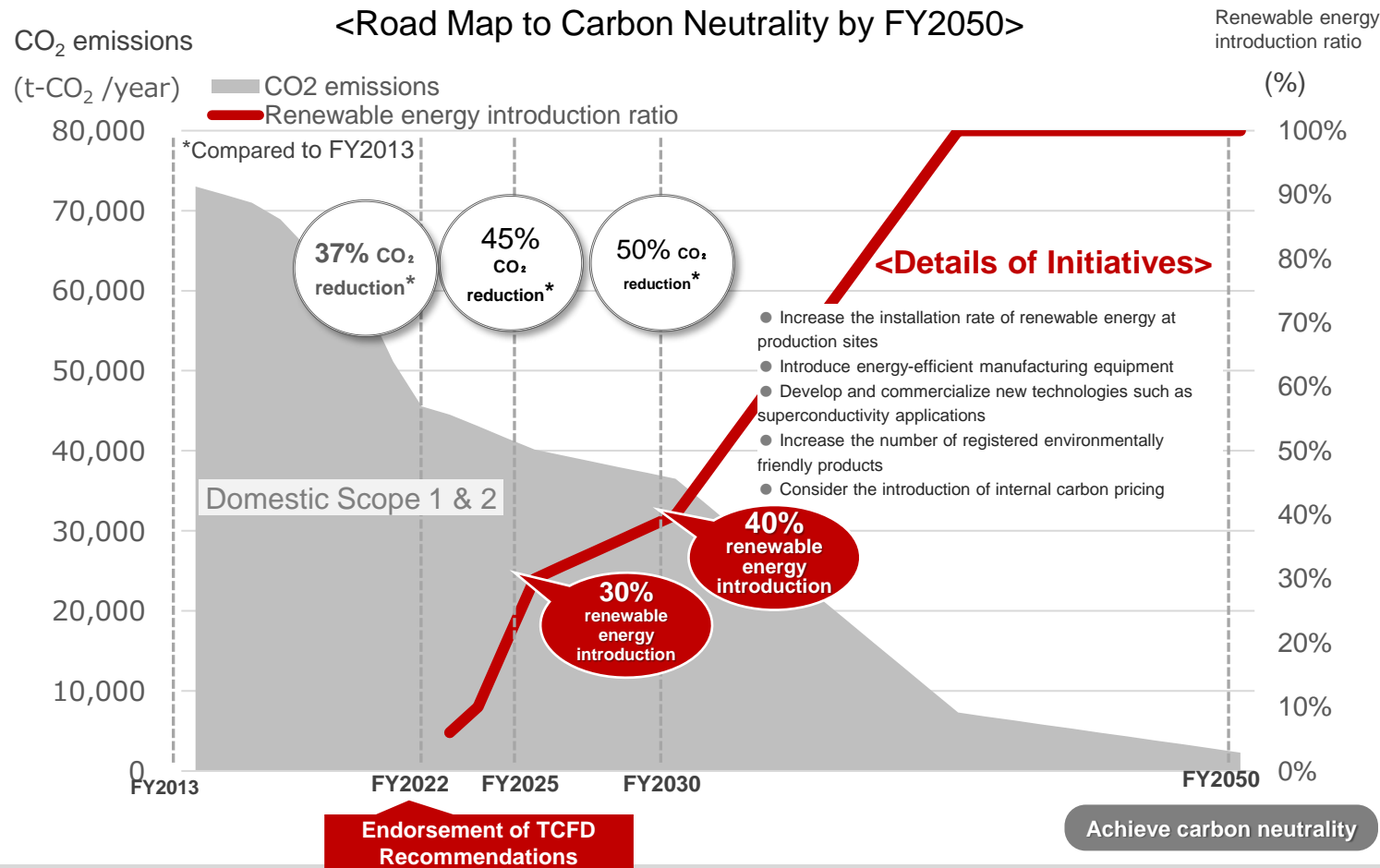
Started strengthening recruitment through Instagram, which is familiar to the younger generation. **Video views exceeded 100,000.**





# Non-Financial Strategy: Contribution to a Decarbonized Society

Under the Green Energy Project, the company aims to **achieve carbon neutrality by 2050** by implementing various measures, including the introduction of renewable energy at domestic and overseas manufacturing bases, promotion of procurement of non-fossil energy, and the introduction of high-efficiency, energy-saving equipment using new technologies.



## Initiatives to introduce renewable energy at manufacturing sites



**Aichi Factory**

Introduction of renewable energy through the PPA model  
Annual emissions reduction of 956 t-CO<sub>2</sub>  
Equivalent to approximately 20% of annual electricity use



**Mie Plant**

Introduction of carbon neutral city gas  
Reduction of approximately 30% of fuel-derived CO<sub>2</sub> emissions (approx. 13,000 t)



**China Jiaxing Factory**

Introduction of renewable energy through solar power generation  
Annual emissions reduction of 728 t-CO<sub>2</sub>  
Equivalent to about 40% of annual electricity use



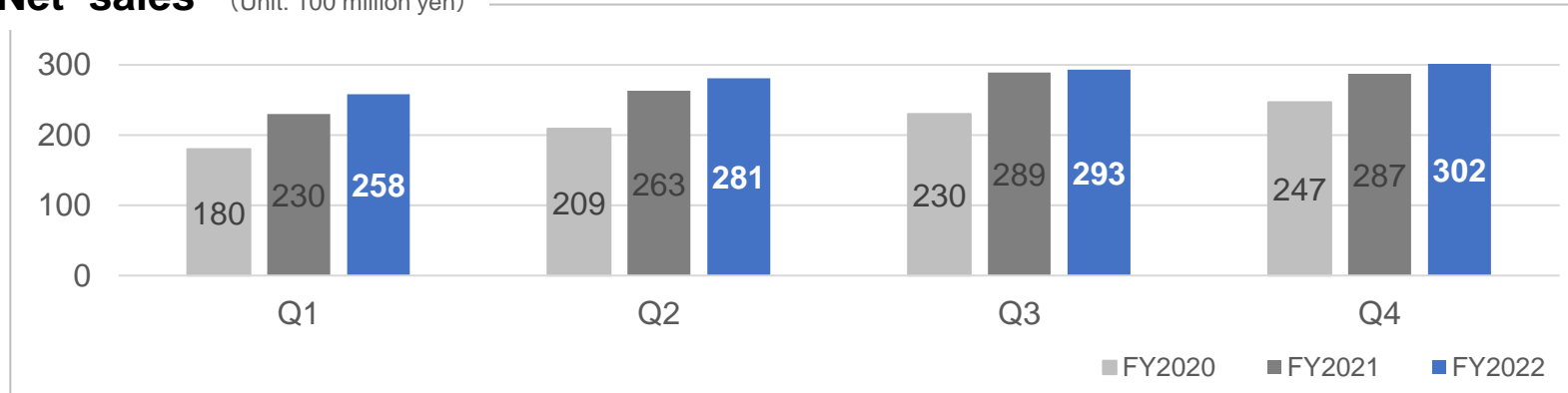
**Sendai Plant**

Introduction of renewable energy through solar power generation  
Annual electricity sales equivalent to 50 million yen

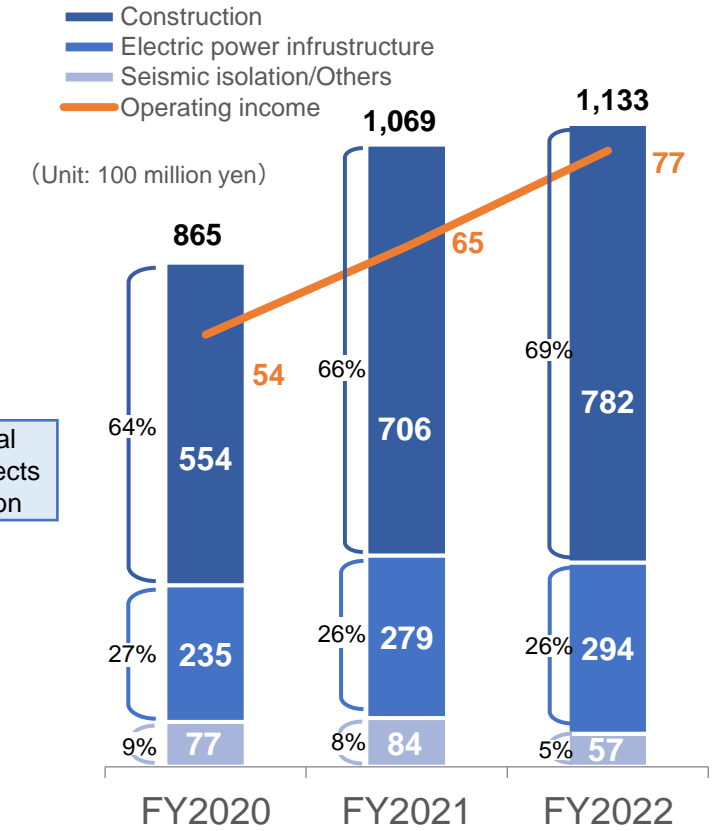
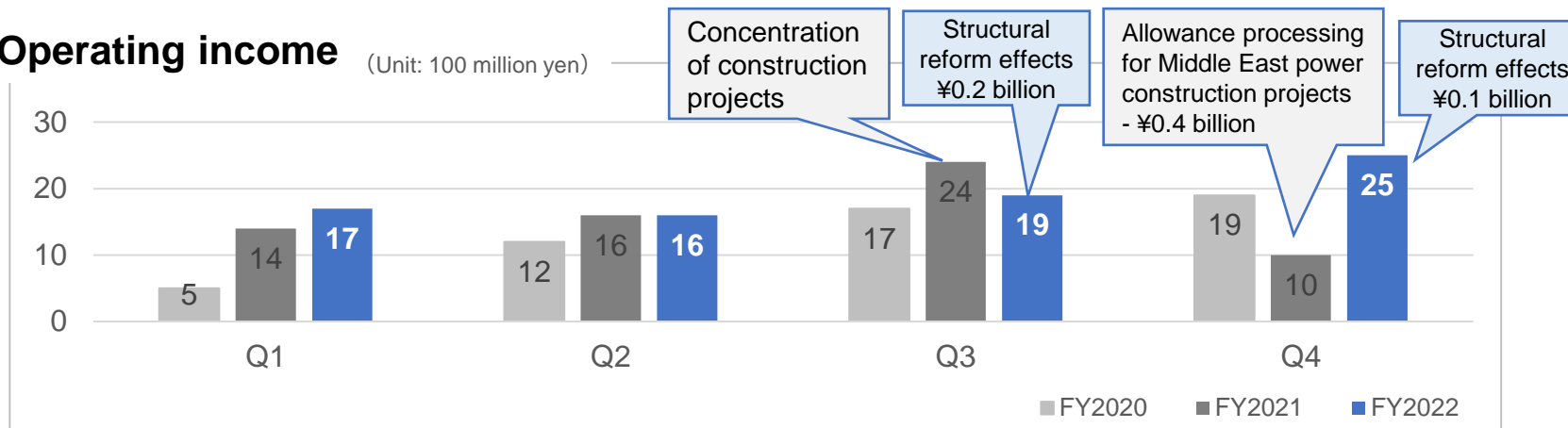
# FY2022 Results by Segment / Energy and Infrastructure Business

Sales and profits increased YoY, backed by improved profitability through the integration of the construction-related manufacturing and sales businesses and firm demand for renewal projects due to aging and renewable energy-related products.

## Net sales (Unit: 100 million yen)



## Operating income (Unit: 100 million yen)

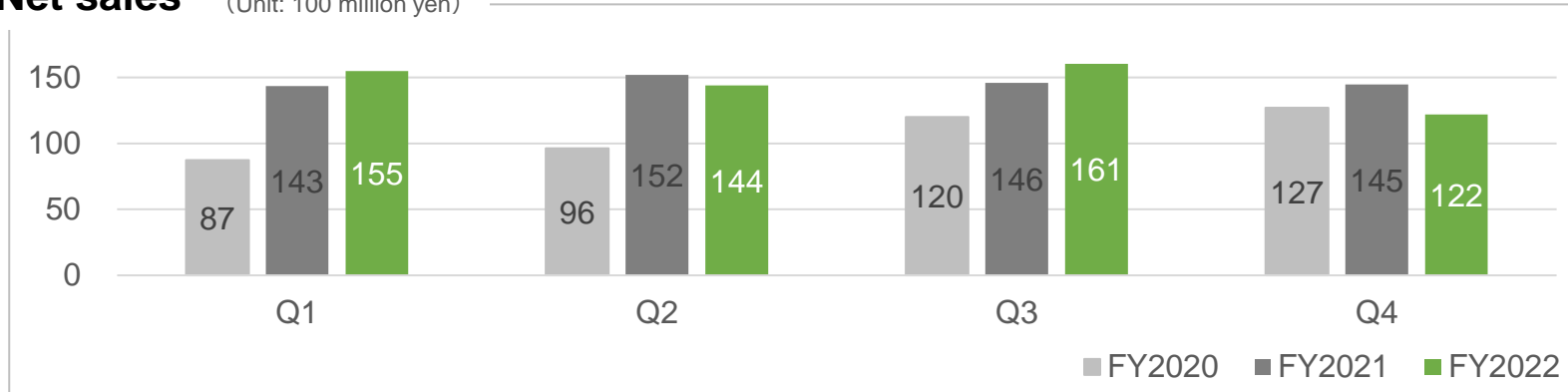


# FY2022 Results by Segment / Electronic Equipment and Components Business

Sales and profits of high-performance products decreased YoY due to the impact of reduced automobile production, which continued from 1H of the previous fiscal year, despite capturing demand for some products from Europe.

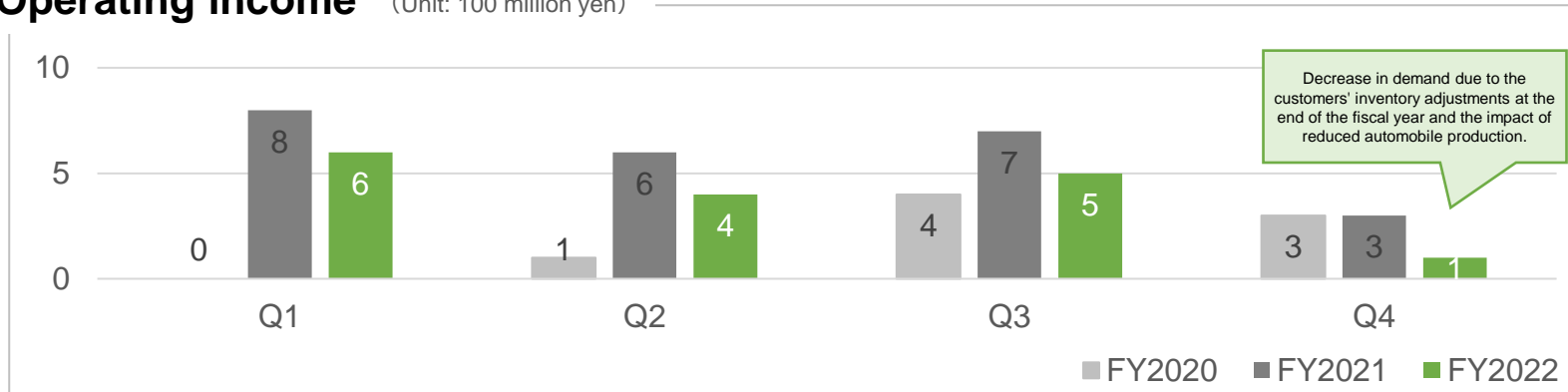
## Net sales

(Unit: 100 million yen)



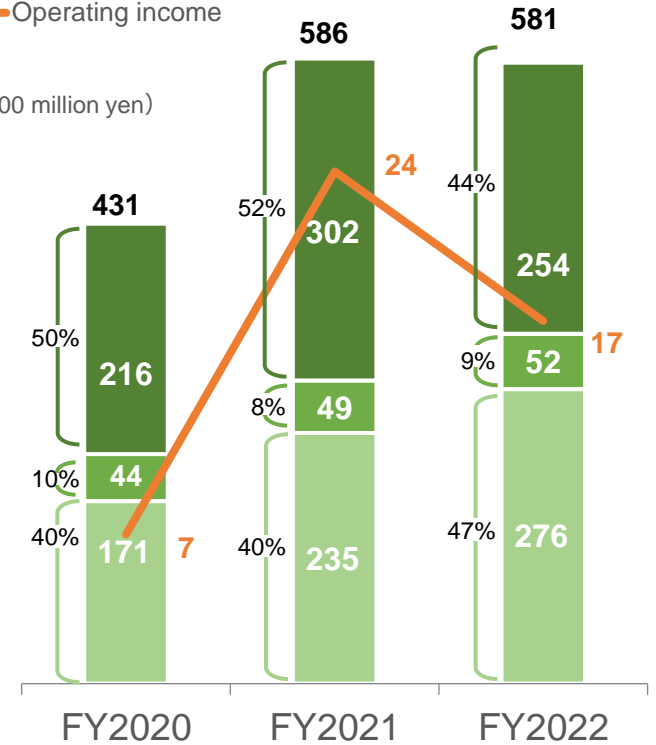
## Operating income

(Unit: 100 million yen)



■ High-performance products oxygen free copper  
 ■ Other high-performance products  
 ■ General-purpose products  
 — Operating income

(Unit: 100 million yen)



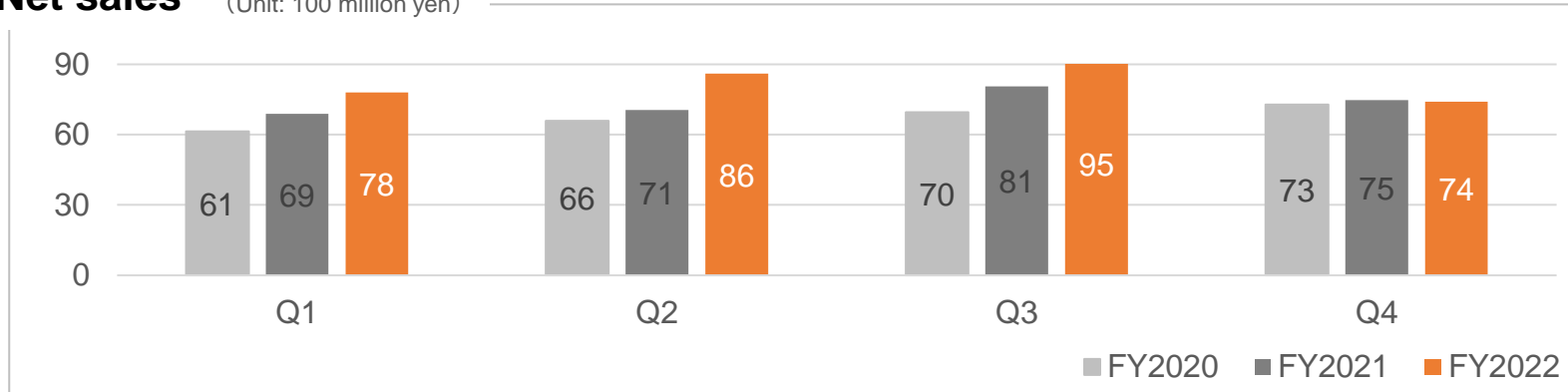


# FY2022 Results by Segment / Communication and Industrial Devices Business

Sales increased and profits decreased YoY, although some negative effects in 1H, such as the partial delay in starting the reorganization of domestic telecommunication cable production bases and the impact of the lockdown in China, improved in 2H.

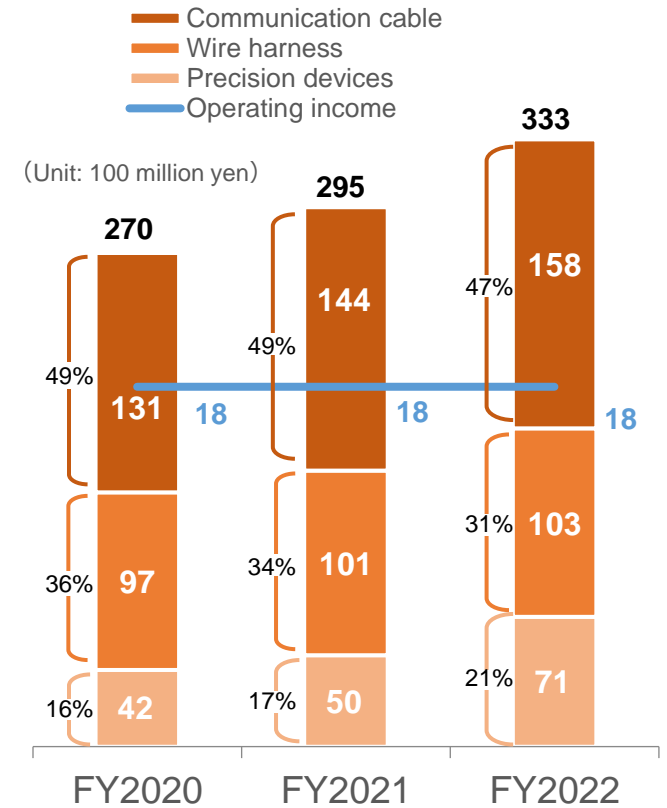
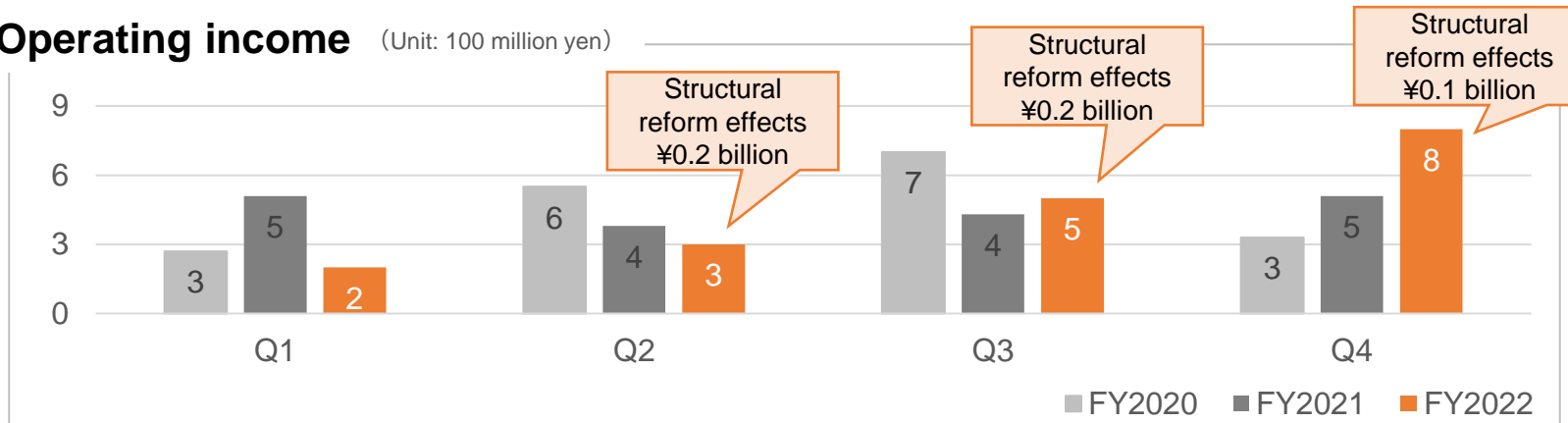
## Net sales

(Unit: 100 million yen)



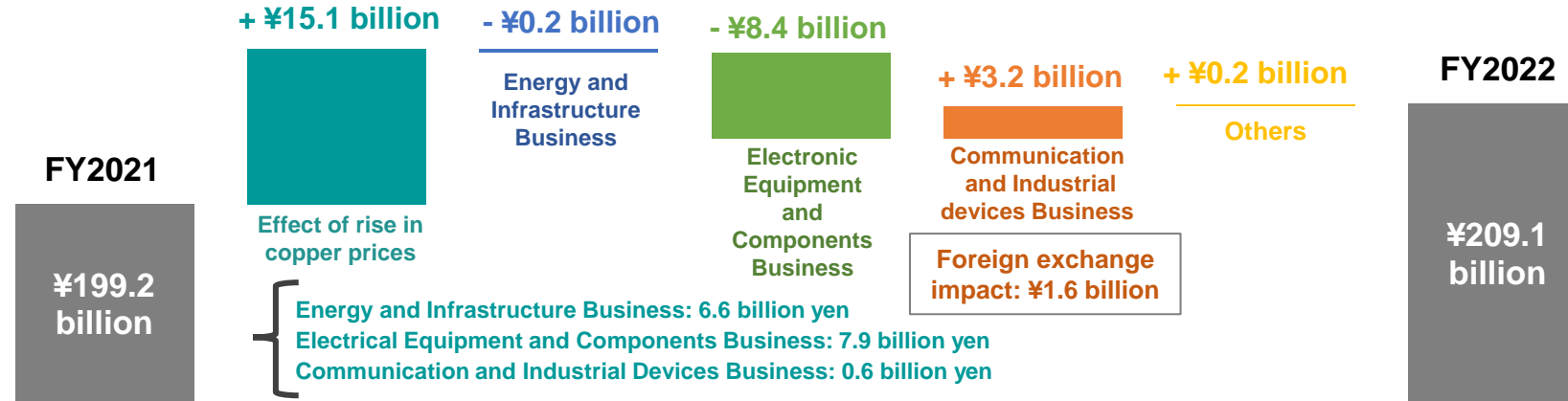
## Operating income

(Unit: 100 million yen)



# FY2022 Change Factors

## Change factors for net sales

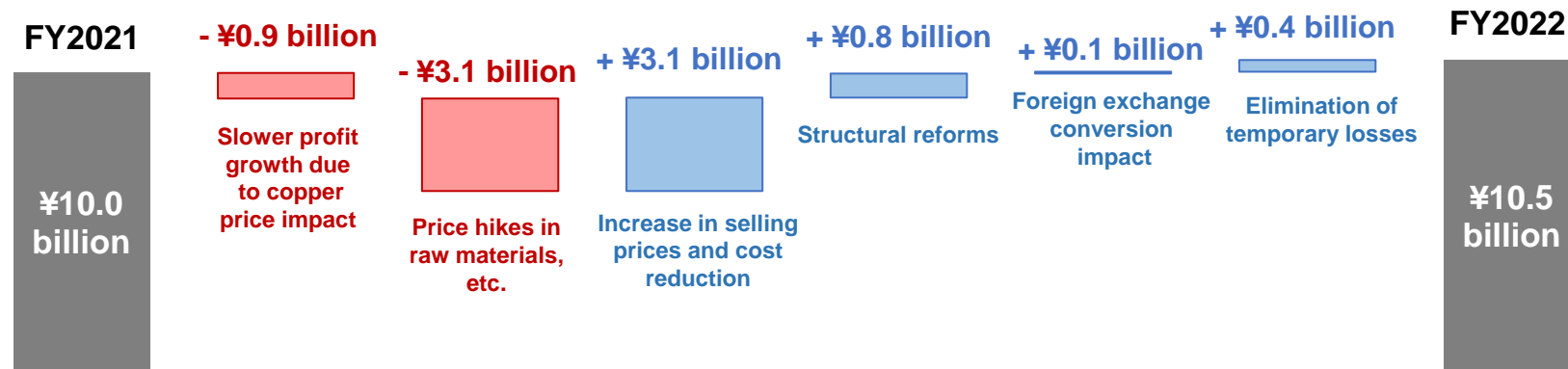


[Change factors]

### 1. Net sales

**Increased** mainly by passing cost increases due to higher copper prices on selling prices promptly. Foreign exchange effects include about 1.6 billion yen in the Communication and Industrial Devices Business.

## Change factors for operating income

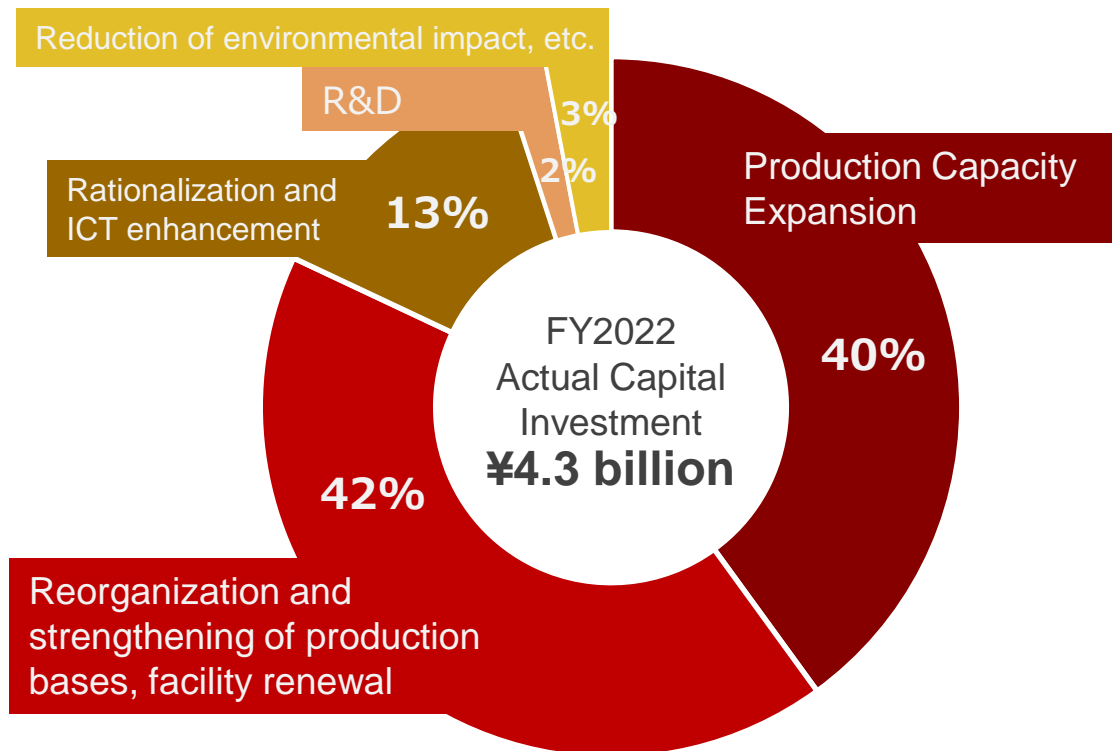


### 2. Operating income

The rise in raw material prices was covered by sales price revisions and cost reductions. **Profits increased** thanks to the **restructuring benefit of 800 million yen** and the foreign exchange gain of 100 million yen.

# Actual Capital Investment in FY2022

## < Actual Capital Investment >

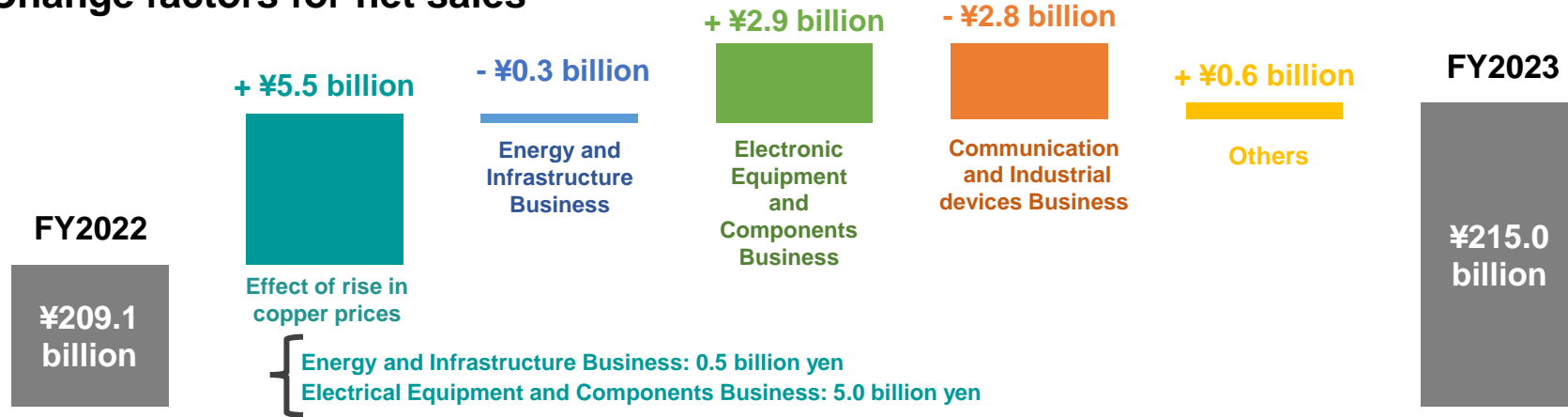


### Breakdown by Segment

<b>Energy and Infrastructure Business</b>	1.5 billion yen
•Expansion of coated wire manufacturing facilities and power equipment manufacturing facilities, etc.	
<b>Electronic Equipment and Components Business</b>	1.0 billion yen
•Expansion of winding manufacturing facilities	
<b>Communication and Industrial Devices Business</b>	1.2 billion yen
•Expansion of telecommunication cable manufacturing facilities	
<b>Others</b>	0.6 billion yen
•Business site strengthening and system-related	

# FY2023 Change Factors

## Change factors for net sales



[Change factors]

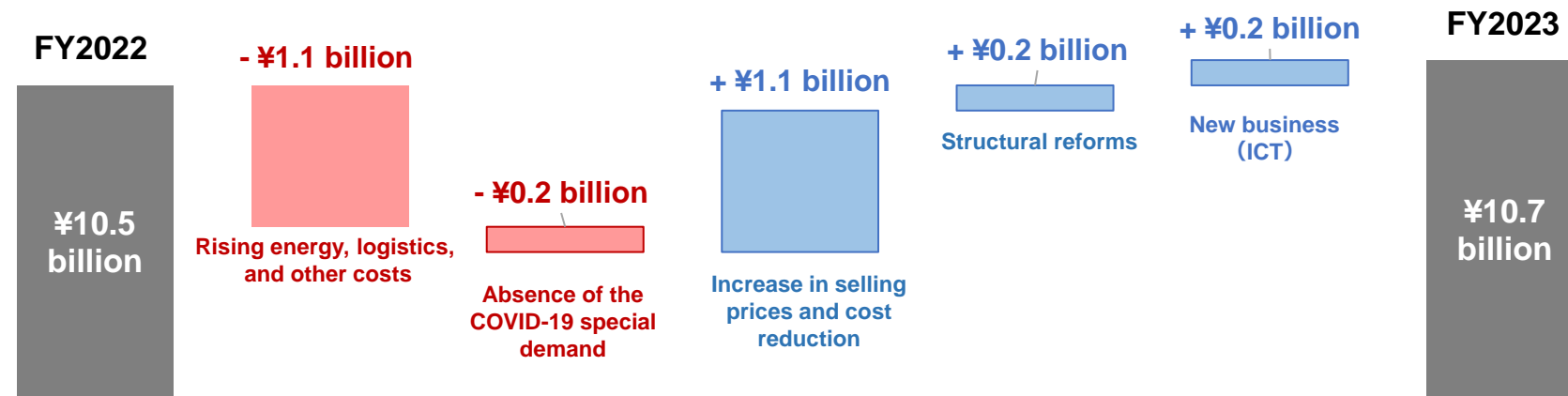
### 1. Net sales

Expected to **increase** mainly by passing cost increases due to higher copper prices on selling prices in a timely manner.

### 2. Operating income

The higher energy and logistics costs will be covered by sales price revisions and cost reductions. **Profits are expected to increase** due to the full-fledged launch of new businesses (ICT), in addition to the 200 million yen restructuring impact.

## Change factors for operating income





## **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.