SWCC GROUP Creating for the Future

SWCC Group Report

Integrated Report

2022



SWCC SHOWA HOLDINGS CO., LTD.

Management Philosophy

"The SWCC Group strives to be trusted"

- The SWCC Group will strive to earn the *trust* of our customers through technology and high-quality products and services.
- The SWCC Group will, through healthy business activities, create corporate value that will earn the trust of employees, customers, shareholders, and the local community.
- The SWCC Group will, by complying with all applicable rules and regulations and through the prioritization of safety and the regional environment, conduct *trustworthy* activities.

Mission Statement

Creating for the Future

The SWCC Group will create new value for a better future.

- We will create products and services that will earn the trust of our customers.
- We will create environmentally friendly products.
- We will create corporate value that will earn trust through healthy business activities.

SWCC Group Management Policy

The SWCC Group has established the following management policies to practice our management philosophy, "The SWCC Group strives to be trusted."

1. The SWCC Group shall give top priority to its customers and develop and provide them with products, technology, and services that are beneficial for society, environmentally friendly, good quality, and safety conscious, and contribute to the development of society.
2. The SWCC Group shall comply with all applicable domestic and foreign laws and regulations and act in accordance with social norms based on ethics.
3. The SWCC Group shall create a bright and pleasant working environment and enhance the autonomy and enthusiasm of employees based on respect for human dignity.
4. The SWCC Group shall conduct corporate activities based on fair, transparent, and free competition, and secure appropriate profits.
5. The SWCC Group shall maintain sound and normal relations with politics, government, and the local community.
6. The SWCC Group shall disclose corporate information in a timely and appropriate manner to conduct public relations activities for its shareholders as well as for the public at large, while strictly managing the acquisition, use, and disclosure of information.
7. The SWCC Group shall recognize that working on environmental issues is an essential requirement for corporate activities, and strive to create an affluent and healthy environment.
8. The SWCC Group shall conduct corporate activities in a sensible manner and respond to anti-social forces and organizations with a resolute attitude.
9. The SWCC Group shall, as a member of the international community, strive to conduct corporate activities and contribute to society, while respecting local cultures and practices.

All for the Trust



CONTENTS

History and Future of the SWCC Group
03 History of the SWCC Group
04 Launch of SWCC Corporation

A Strategy to Hone Trust and Technology to Achieve Growth
05 Greetings
11 Special Feature: Declaration of Support for the TCFD Recommendations and Information Disclosure
15 Value Creation Process
17 Financial/Non-financial Highlights
19 SWCC Group's Growth Strategy
Energy and Infrastructure Business Segment
21 Electrical Equipment and Components Business Segment
23 Communication and Industrial Devices Business Segment
25 New Business Segment
27 Promotion of DX to Accelerate Improvement of the Group's Profit Structure
28 Special Feature: SWCC Smart Stream

Efforts to Build a Business Foundation
29 Sustainability Efforts
30 Materiality
33 Efforts to Conserve the Environment
Environmental Management
34 Voluntary Environmental Action Plan
35 Topics
37 Relations with Society
Supplier Relations (Supply Chain)
39 Supplier Relations (Quality Management)
40 Quality Compliance Initiatives
41 Shareholder and Investor Relations
42 Employee Relations (Human Rights, Employment)
44 Special Feature: The Female Empowerment Project
45 Employee Relations (Safety and Health Activities)
46 Relations with Society (Social Contribution Activities)
47 Risk Management
50 Corporate Governance
55 Round-table Discussion among Outside Directors
59 Management Team (Introduction of Officers)

Financial/Company Profile Section
61 Results of Operations and Financial Analysis
65 Company Profile
66 Share and Investor Information

Editorial policy

This is a report to stakeholders on the medium- and long-term value that the SWCC Group provides through its business activities toward the realization of an enriched human society.

- In business activities, business plans for the full fiscal year, SWOT analyses, target markets, growth strategies, and progress of growth businesses are introduced for each of the three segments (Energy and Infrastructure Business, Electrical Equipment and Components Business, Communication and Industrial Devices Business) of the SWCC Group. The basic strategies of the New Business Segment and the details of the initiatives of each business are also introduced.
- CSR efforts are reported from the angles of E (Environment), S (Social), and G (Governance), based on the framework of seven core subjects that companies should address as social responsibility according to JIS Z 26000. In addition, the relationship between these initiatives and SDGs (Sustainable Development Goals) is explained.

Period of the Integrated Report
April 1, 2021-March 31, 2022 (FY2021)
However, past and recent activities are included in some cases.

Scope of the Integrated Report
SWCC Showa Holdings Co., Ltd., its consolidated subsidiaries (11 domestic companies, 7 overseas companies), and equity method affiliates (4 overseas companies)

Referenced guidelines
- IIRC (International Integrated Reporting Council), "International Integrated Reporting Framework"
- GRI (Global Reporting Initiative), sustainability reporting standards
- Japanese Standards Association, "JIS Z 26000: 2012 Guidance on social responsibility"

Month/Year published
September 2022 (next scheduled publishing date: September 2023)

Other
The company brochure, annual securities report, and other company information are available on the SWCC Group's website.



The SWCC Group is engaged in activities to support the Sustainable Development Goals (SDGs).

SWCC GROUP **Creating for the Future**



History of the SWCC Group

Becoming a trusted corporate group through “Change SWCC”

Under the management philosophy of “The SWCC Group strives to be trusted,” we have been providing the world with products centered on electric wires and cables since our establishment in 1936. The diverse technologies and products we have cultivated over the years are used in a wide variety of fields and in various places throughout society.
While leveraging this technology, we will promote further reforms and create new history for the SWCC Group on top of the history that we have built thus far.

1936

SHOWA ELECTRIC WIRE AND CABLE CO., LTD. is established (Spin off from Tokyo Electric Company: the current TOSHIBA CORPORATION)



1937

Operations commence in Kawasaki City, Kanagawa Prefecture (production and sale of bare copper wire commences)

English trademark is registered (establishment of SWCC brand)

1938

Production and sale of power and communication cables commences

1947

Production and sale of vibration-isolation rubber mount commences

Kawasaki Electric Co., Ltd. (currently SDS Corporation) is established

1949

Listed on the Tokyo Stock Exchange

1950

Construction business (electrical work) commences

1951

Technical Assistance Agreement is concluded with General Electric Company (GE), USA (polyvinyl formal enameled wires and power cables)

FUJI ELECTRIC CABLE CO., LTD. is established

1952

Tamagawa Electric Cable Co., Ltd. (currently SWCC SHOWA UNIMAC LTD. Sendai Factory) is established

1960

Operations at the Sagamihara Plant commence (production of communication cables commences)

1967

SHOUKOU EQUIPMENT INDUSTRY CO., LTD. is established



1968

Operations at the Mie Plant commence (production of magnet wire commences)

1972

Operations at the Sendai Plant commence (production of aluminum wire commences)

1974

SHOWA SCIENCE CO., LTD. is established

1976

STEC (SHOWA TECHNICAL CORPORATION) is established

1979

Production and sale of heat rollers for electronic copier commences

1986

First delivery of seismic isolation devices

1990

HUA HO ENGINEERING CO., LTD. is established as a joint venture in Kaohsiung City, Taiwan

1991

AXIO Corporation is established

TIANJIN SHOWA ENAMELED WIRE CO., LTD. (currently TIANJIN FUTONG ENAMELED WIRE CO., LTD.) is established in Tianjin, China



1995

Operations at the Aichi Factory commence (production of power cables commences)

1996

JIAXING SHOWA INTERCONNECT PRODUCTS CO., LTD. is established as a joint venture in Zhejiang Province, China

1997

ISO 9001 certification granted through company-wide integration

1998

The entire production division of the Kawasaki Office is transferred

1999

ISO 14001 certification granted at all production sites

2000

FUQING SHOWA CHENGHONG ELECTRONICS CO., LTD. (currently FUQING SHOWA PRECISION ELECTRONICS CO., LTD.) is established in Fujian Province, China

2001

UNIMAC, LTD. is established as a joint venture

Capital participation in SWCC SHOWA (H.K.) CO., LTD. in Hong Kong

2002

SWCC SHOWA (SHANGHAI) CO., LTD. is established in Shanghai, China

2005

SWCC SHOWA (VIETNAM) CO., LTD. (SVC) is established in Hanoi, Vietnam

2006

Corporate separation
Shift to a holding company structure

The company is renamed from SHOWA ELECTRIC WIRE AND CABLE CO., LTD. to SWCC SHOWA HOLDINGS CO., LTD.

SWCC GROUP
Creating for the Future

Changed head office location to Minato-ku, Tokyo

DONGGUAN SHOWA INTERCONNECT PRODUCTS CO., LTD. is established in Guangdong Province, China

LOGIS-WORKS CO., LTD. is established

Compact electric power equipment products are integrated under the SICONEX® brand

2009

Joint venture in Shandong Province, China
SHOWA-TBEA (SHANDONG) CABLE ACCESSORIES CO., LTD. is established in Shandong, China

2011

A business and capital partnership agreement is concluded with FUTONG GROUP CO., LTD. China

HANGZHOU FUTONG SHOWA WIRE & CABLE MATERIALS RESEARCH CO., LTD. is established as a joint venture in Zhejiang Province, China

FUTONG-SHOWA ELECTRIC WIRE & CABLE (TIANJIN) CO., LTD. is established as a joint venture in Tianjin, China

FUTONG SHOWA WIRE & CABLE (HANGZHOU) CO., LTD. is established as a joint venture in Zhejiang Province, China

2017

Changed head office location to Kawasaki City, Kanagawa Prefecture



Sale of high-performance oxygen-free copper wire commences under the MiDIP® brand

2018

SWCC DAIJI VIETNAM INTERCONNECT PRODUCTS CO., LTD. (currently SWCC SHOWA VIETNAM INTERCONNECT PRODUCTS CO., LTD.) is established in Hung Yen Province, Vietnam

2019

The SWCC Group changes its status from “a company with a board of statutory auditors” to “a company with an audit and supervisory committee”

Business segments are reviewed and group governance is strengthened

Showa Furukawa Cable Co., Ltd. is established as a joint venture

Launch of SWCC Corporation

SWCC GROUP SWCC Corporation

On April 1, 2023, we will absorb by merger our consolidated subsidiaries, SWCC SHOWA CABLE SYSTEMS CO., LTD. and SWCC SHOWA UNIMAC LTD., reorganize our management structure from a pure holding company to an operating company, and change our trade name.

● Regarding the reorganization of the management structure

Since our transition to a pure holding company in April 2006, we have managed the Group under a holding company structure. As originally intended, management and business operations were separated through the holding company structure, and by tackling management issues such as structural reforms of existing businesses and improving the financial position while striving for overall optimization from the perspective of group management, we were able to gain a clearer idea for overcoming these issues.

Against this backdrop, in order to reduce the distance between management strategies and business operations, and to further accelerate the speed of strategy planning and execution, we will absorb by merger the operating companies SWCC SHOWA CABLE SYSTEMS CO., LTD. and SWCC SHOWA UNIMAC LTD. and transition from a pure holding company to an operating company in April 2023.

● New trade name: SWCC Corporation

By adopting the four-letter trademark that we have been using for many years as the Group abbreviation for the new trade name, we will revamp the image of the SWCC Group and further increase our corporate value with an eye on the future beyond the new mid-term management plan “Change & Growth SWCC 2026” and the 90th anniversary of our founding in 2026, while maintaining the corporate brand that we have cultivated thus far.

● Shifting towards the creation of further social value and a growth trajectory

After the restructuring, the Company, which will become an operating company, will streamline the shared resources of the entire Group by improving the efficiency of group management, strengthening strategic functions and rationalizing the management functions, and will further increase profitability centered on business segments.

In addition, we will further strengthen cross-divisional functions such as research and development, human resources development, and production in order to deliver products that support the security, safety, and comfort of people’s lives with reliable quality.

While increasing the profitability of our business, we will streamline and simplify our operations, develop new businesses, search for knowledge, develop the individuality of all employees, and ambitiously work on reforms and improvements with job satisfaction.

Aiming for new growth strategies, we will continue to push forward with reforms, and work together as a group to earn the trust of our stakeholders and society at large, and to contribute to the sustainable development of society.

Greetings

We will switch our attention from restructuring to growth and create value for the future.

In view of the success of restructuring in recent years, the SWCC Group now aims to achieve growth by revamping Group management and pursuing new businesses. In this interview, the CEO reviews our restructuring initiatives to date and explains the direction targeted in our long-term vision and mid-term management plan.



Takayo Hasegawa

President and Group CEO
SWCC Showa Holdings Co., Ltd.

Transformation of the Company until now

Four years of restructuring and improvement of financial condition

The SWCC Group has drawn up a long-term vision, SWCC VISION 2030, for fiscal 2030, and begun implementing a five-year mid-term management plan, Change & Growth SWCC 2026 (FY2022–2026), as a first step toward achieving this vision. In explaining the future direction we are aiming for through this vision and management plan, I would like to look back on the Company's transformation so far.

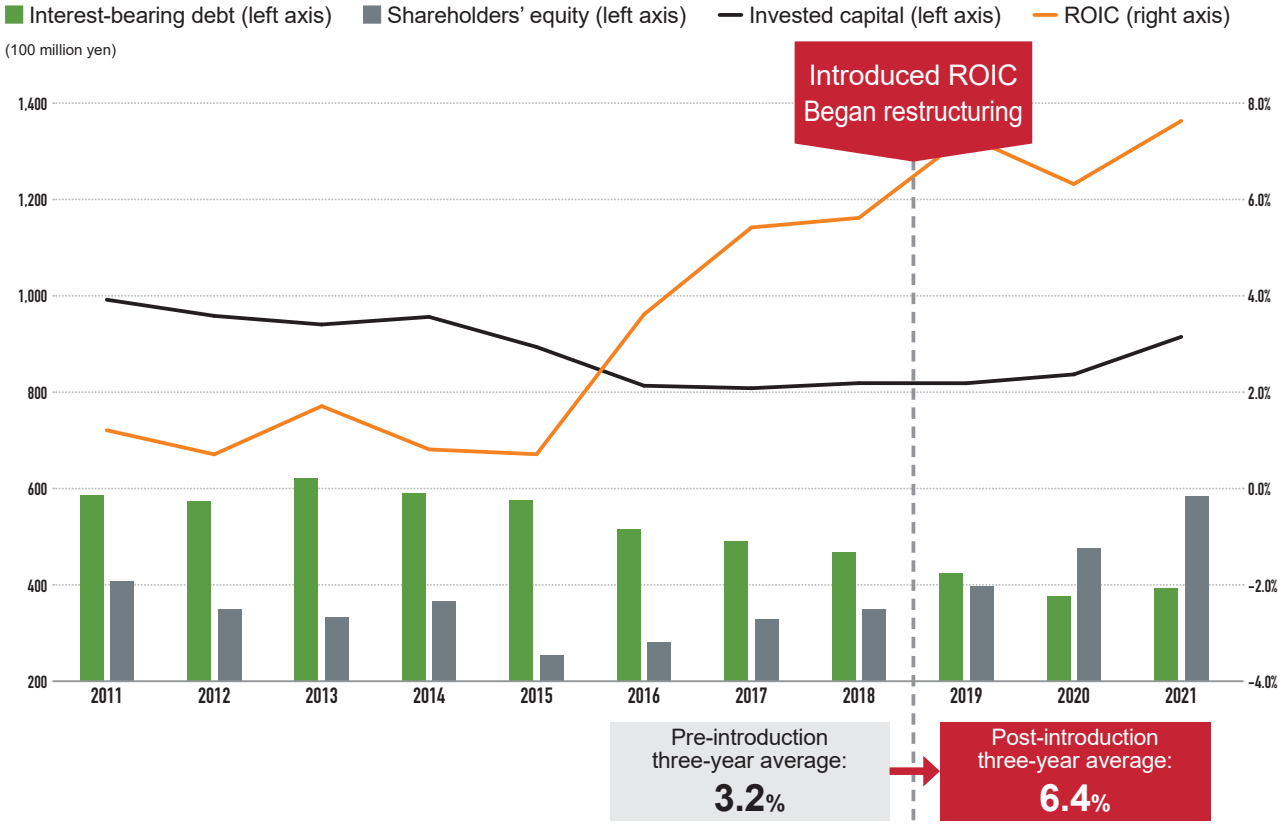
I took up the post of President four years ago in June 2018. My first year in office was a time when I thought a lot about how this company needed to change, and this culminated in me setting a new direction for it. I spent six months until December of that year envisioning what the Company should look like and making plans to achieve that. I then identified management issues and put together a structure so that we could launch a full-scale restructuring drive in fiscal 2019.

At that time, I identified low business efficiency and profitability as well as fragile financial health as standout problem areas. I believed that unless these issues were resolved, it would be impossible to work toward new growth and make major changes to the Company. Therefore, in fiscal 2019, after clarifying our business portfolio, I introduced ROIC as a management indicator and worked with the new management team to do something about businesses whose profitability was expected to be low.

In the following fiscal year, fiscal 2020, the appearance of COVID-19 dealt us a heavy blow. However, through restructuring efforts, we reoriented the SWCC Group, in which the individual companies comprising the Group had exercised a lot of power, toward Group-based management of each business segment. And by improving efficiency in numerous areas, we made a profit even amid the harsh market environment. Moreover, in fiscal 2021 our performance far outstripped our targets. The fact that a transformation like this could be accomplished at such an unprecedented speed was down to the tireless efforts of our employees, and the way we managed to overcome the trials of the COVID pandemic through these efforts has instilled everyone in the Company with confidence.

Having now got on track with restructuring and improvement of our financial position, we have finally reached the stage where we can enhance our own growth potential while creating new value for the future, as declared in our corporate statement, "Creating for the Future." Of course, the SWCC Group's business is still based on the manufacture of products that support infrastructure, and our efforts to provide safety, security, and comfort in daily life and to earn the trust of society will remain at the core of our operations. However, we cannot develop and evolve as a company if we simply stay in the same place. We need to enhance the value we provide to society through the pursuit of new businesses and expand our circle of trust even further.

Invested capital and ROIC





I myself have long experience as a researcher, and even now that I have become a corporate manager, I still feel that I have a researcher's mindset in my backbone. What that means is that I have the desire to *give shape to things that do not yet exist*. That gives me a spirit of challenge, as I am always thinking about what I should do to turn my ideas into reality, analyzing the results of my attempts, and pondering what to do next. The same is true in my management of the Company. I explore concrete steps I can take to realize my vision for the Company, put them into practice, achieve results, and craft the next plan while looking at the figures.

Another attitude I have retained since my researcher days is to *always set goals at 110%*. I believe it is important to declare goals that are neither reasonable and within reach nor unrealistic and distant. I think goals should present the opportunity to move up a level by doing one's best and not giving up. And I view it as vital for employees to all think about how to attain the goals, and to then take action together.

Transition to an operating company and change in company name

Embodying the intention to make a leap forward from existing businesses

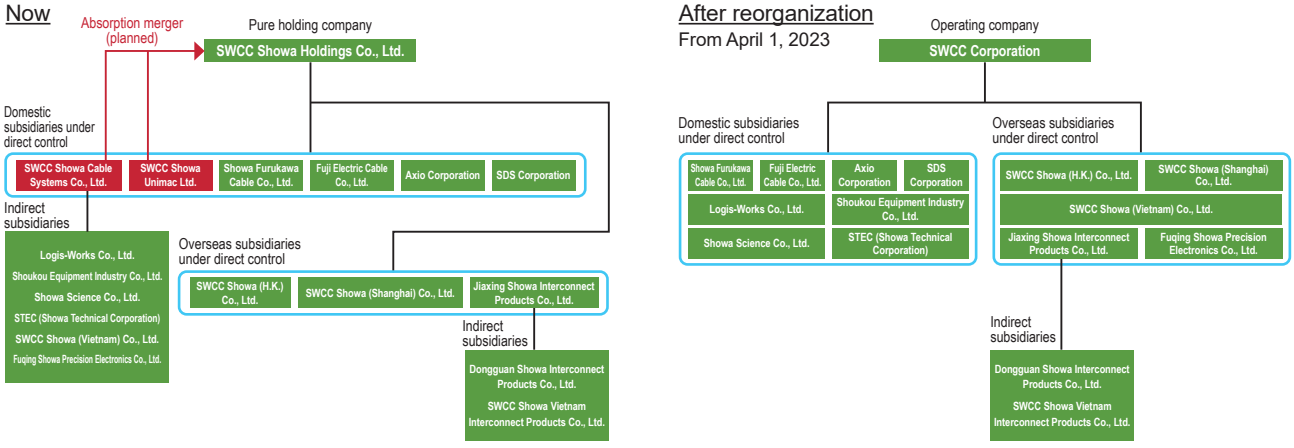
To put into practice the theme of our long-term vision, i.e., *creating value for the future*, we will proceed with the reorganization of Group operations. On April 1, 2023, the Company will absorb its two main operating companies, SWCC Showa Cable Systems Co., Ltd. and SWCC Showa Unimac Ltd., and under its new name of SWCC Corporation, the Company will make the transition from pure holding company to operating company.

The shift from a holding structure means that we are choosing a format for Group management that can be expected to deliver greater benefits in terms of increasing our value as an enterprise. The change from a holding structure is based on the current scale of the SWCC Group's business and the fact that it is not a complex entity that straddles other industries, and we have chosen a form of management that is expected to provide greater benefits from the perspective of increasing corporate value. Going forward, it will allow us to consolidate corporate functions and streamline administrative functions, and to further accelerate efficiency improvement and speed of execution while leveraging the Group's strengths established and strengthened through the segment-based business structure.

At the same time, by sharing and expanding strategic functions such as R&D, production technology, and digital transformation (DX), which are directly related to manufacturing and innovation, we will push forward with the creation of new businesses that straddle multiple segments and deepen the business of each segment. The SWCC Group is currently commercializing a construction-related human resources education program, and I believe that this reorganization of the Group's management structure is unavoidable if we are to expand our business in new directions, including through the provision of such education services, the operation of a solutions business, and the development of communication technology and charging infrastructure in the automotive field.

The change of our trade name to "SWCC Corporation" is intended to change the mindset within the Company to view us as a new company that aims to leap beyond our existing business centered on electric cables, and to communicate this aspiration widely outside the Company to gain recognition and penetration. As SWCC Corporation, we will provide greater social value and enhance our own value as an enterprise.

Group management structure before and after reorganization



FY2021 operating environment and response

Leveraging our strengths to offer added value proved successful

Looking back on business conditions in fiscal 2021, copper prices remained high in the first half of the fiscal year, and prices of petrochemicals and other raw materials also soared. We therefore worked on improving production efficiency, and from the autumn onwards, passed on the higher costs to customers by raising prices, having obtained their understanding. In terms of changes in our operating environment and our responses to them, I think this was the most significant factor.

Regarding the COVID pandemic, an outbreak of infections in Vietnam hit us especially hard, while in China lockdowns kept logistics paralyzed. As a result, the adverse effects extended to our wire harness business, which we had been endeavoring to expand overseas.

Under these circumstances, the Communication and Industrial Devices Business Segment struggled in terms of profits, but the Energy and Infrastructure Business Segment and the Electrical Equipment and Components Business Segment saw their profits rise, and as a result, our overall consolidated operating results showed higher revenues and profits than we had targeted at the start of the term. In the Energy and Infrastructure Business Segment, we moved away from business targeting long-distance power transmission in favor of total solutions centered on substations. This is an example of the way the SWCC Group has shifted to providing added value by leveraging its strengths, and I feel that our financial results indicate that this approach has been successful.

Regarding capital efficiency, ROIC increased to 7.6% in fiscal 2021 from 6.3% in the previous year. In fiscal 2018, when we introduced ROIC-based management, ROIC was 5.6%, so we have made considerable strides. Nonetheless, I believe that company-wide penetration of ROIC-based management is still insufficient, so we will aim for further improvement by setting easy-to-understand indicators and target figures for each site so that each employee can view increasing ROIC as part of their job and take action accordingly.



Using the internal newsletter to increase frontline penetration of ROIC (summer 2022 issue)

Aims of the new mid-term management plan

Endeavoring to increase operating income by 1.5 times

Our long-term vision, SWCC VISION 2030, sets “operating income of 20.0 billion yen (operating income margin of 9% or over)” as a performance target for fiscal 2030. This will constitute a doubling of operating income compared with now (fiscal 2021). In the final year (fiscal 2026) of the mid-term management plan, Change & Growth SWCC 2026, which marks the midpoint on the path to realizing the vision, we aim to achieve “operating income of 15.0 billion yen (operating income margin of 7% or over)” and “ROIC of 10% or over.” To increase operating income to 1.5 times the current level in fiscal 2026, we need to grow it by 10% every year for five years. This is not a level that can be easily achieved, and is an unattainable goal unless we change our current management structure and enhance profitability by increasing added value. We must expand the sphere in which we do business from manufacturing, which is what we have always done, to providing services and offering solutions. We need to carve out new fields with fresh ideas.

Mid-term Management Plan “Change & Growth SWCC 2026” and SWCC VISION 2030

Basic policies under the mid-term management plan

1. **Strengthen profitability of core businesses**
2. **Create new businesses**
3. **New development of overseas business**

Strategy 1 **Change** Continue to build on restructuring efforts

Strategy 2 **Growth** Transition to growth phase

Mid-term Management Plan “Change & Growth SWCC 2026”
FY2026 performance targets

Net sales	215.0 billion yen
Operating income	15.0 billion yen
Operating income margin	7% or over
ROIC	10% or over*

*The ROIC target was revised on May 12, 2022.

Creating for the Future

SWCC VISION 2030
Creating value for the future

SWCC VISION 2030
FY2030 performance targets

Net sales	220.0 billion yen
Operating income	20.0 billion yen
Operating income margin	9% or over
ROIC	10% or over

I am calling for this sort of change in mindset among our employees and encouraging them to proactively take on new challenges. Under the Change & Growth SWCC 2026 plan, we will invest 20.0 billion yen, including through M&A, over five years in new growth business areas. The SWCC Group has already made many “Changes” and we are now at the stage where we have gained a foothold for “Growth.”

Of course, new businesses will be in the upfront investment phase for the time being, so the profit growth we are aiming for over the next five years will be achieved mainly by strengthening the profitability of our core businesses, deepening our operations in each segment, and implementing a “bleed out” strategy (i.e., deploying technology, products, etc. the Company has accumulated in new areas). In addition, we expect to see a profit improvement of approximately 1 billion yen by consolidating corporate functions and streamlining administrative functions in line with the reorganization of Group management.

In the area of strengthening the profitability of our core businesses, we have positioned improving the profit margins of the electric wires business in the Energy and Infrastructure Business Segment and the communications cable business in the Communication and Industrial Devices Business Segment as a must-do task. In these segments, we completed a reorganization of domestic production sites in fiscal 2021 and the first half of fiscal 2022, and have already improved operating efficiency to some extent. But to further enhance profitability going forward, we intend to push forward with DX by integrating the entire process from order receipt to manufacturing and delivery of products to customers, and by utilizing AI for forecasting.

In the Electrical Equipment and Components Business Segment, we will accelerate our shift to high-performance products for automotive applications and increase production in anticipation of the expansion of the xEV market in Japan. In the Energy and Infrastructure Business Segment, meanwhile, we will continue to focus on delivering total solutions centered on substations, and will aim to expand earnings by deepening the business, such as by running the construction-related human resources education program I mentioned earlier.

Execution of Sustainability Strategy

Improving our ability to respond to risks to achieve sustainable growth

I view contributing to a sustainable society is an important responsibility for companies to fulfill and a condition for their continued existence in the world. At the same time, the SWCC Group regards sustainability initiatives as presenting opportunities (and also risks) that can help raise our value as an enterprise, and has set out a Sustainability Strategy in its long-term vision and mid-term management plan.

Internally, the CSR Promotion Department, which we established in 2019, has taken the lead in implementing ESG/CSR management and addressing SDGs themes, but in July 2022, we put in place a new sustainability management structure with the establishment of the Sustainability Committee.

In particular, our environmental preservation efforts, centering on decarbonization, are becoming more and more closely related to the SWCC Group’s business, as even customers are demanding that action be taken in the supply chain in the area of product supply. In February 2021, we formulated the 7th Voluntary Environmental Action Plan (FY2021–2025) based on the Green Plan 2050, which aims to achieve zero environmental impact by 2050. Among the environmental objectives contained in the Action Plan, we have already met our target for reduction of CO_2 emissions compared to fiscal 2013, but we will keep raising the bar with our targets and continue our efforts. We have been also working hard to reduce the final disposal volume of waste, cut our water use, and increase the share of renewable energy in the electricity we consume. In May 2022, we announced our endorsement of the TCFD (Task Force on Climate-related Financial Disclosure) recommendations, thereby committing to disclose information on climate change-related risks and opportunities based on the four pillars of *governance*, *strategy*, *risk management*, and *indicators and targets*.

In our efforts to address issues facing society, we place a high priority on human resource strategies. We offer programs for a succession plan to nurture the next generation of senior executives, a course called Future Leader Training to turn employees in their 30s into middle managers, and SD Seminars for young people from across the Group. We have also initiated an education program that employs DX educational materials to train construction personnel. And in 2021, we launched SWCCarat, a project to promote female empowerment that is aimed at increasing the percentage of women in management positions and conducting activities to further their careers. Alongside these initiatives, we intend to conduct employee engagement surveys and create a company that draws out the best from its talent pool.



Expressing the idea of all employees, not only women, sparkling within SWCC, by using the word “carat,” a unit of mass used for measuring gemstones

As for governance initiatives, we are also focusing on the development of structures to further strengthen the Group’s capabilities and on compliance with the Corporate Governance Code, but we view ensuring proper quality control as our number-one task. In July 2021, we discovered inconsistencies in the testing methods used with past products, so I have launched a project, under my direct control, to implement the various corrective measures we had been presented with. With this project, we are taking ongoing action to prevent any recurrence and restore trust. In addition to establishing a digital-driven quality control structure and making it more rigorous as a mechanism, we are also working to improve our corporate culture by urging all employees and workplaces to acquire an accurate understanding of our products and the levels of quality required.

By executing this Sustainability Strategy, the SWCC Group will enhance its ability to respond to various risks and deliver sustainable business growth.

SWCC Group Sustainability Strategy

(At time of formulation of long-term vision and mid-term management plan)

E Action for the environment

Implementation of Green Plan 2050
Disclosure based on the TCFD framework

Purpose	Goals
Respond to climate change risks	Execute strategies based on the TCFD
Prevent global warming	Reduce CO_2 emissions by 35% in FY2030 compared with FY2013*
Use water resources effectively	Reduce water use by 50% in FY2030 compared with FY2018

*We have already achieved the initial target of 35%, so will raise the target to 50%

S Action for society

Utilization of diverse human resources
Sustainable development

Purpose	Goals
Actively manage diversity	Empower women • 8% women in middle manager positions • 10% women in section leader level and higher positions Utilize senior citizens
Develop talent	Improve the SWCC Next Generation Business Leader Succession Plan Train construction personnel using DX educational materials
Promote health and productivity management	Enhance employee engagement using health and productivity management strategy maps

G Corporate governance

Further reinforcement of the Group's capabilities
Strengthening and ensuring quality control and audit

Purpose	Goals
Fortify and rebuild the Group management structure	Complete the Group reorganization and streamline and optimize management structures
Harmonize IT and other systems within the Group	Harmonize personnel systems, IT systems, etc. throughout the Group
Strengthen quality control structures	Restore trust by enhancing quality control and ensuring thorough auditing

The SWCC Group's five materiality themes

[Categories] and themes	Action policy
[Technology] Our future	Popularize sustainable clean energy through superior technologies and innovations
	Build resilient infrastructure for future society
[Environment] Our earth	Reduce greenhouse gas emissions through tireless effort and action
	Leverage the combined power of the Group to promote recycling of all resources
	Make effective use of limited water resources
[Community] Our partnership	Value connections and develop in tandem with local communities
	Cooperate in creating value chains based on the spirits of empathy, co-existence, and co-prosperity
[People] Our people	Promote utilization of diverse human resources (Diversity & Inclusion)
	Develop talent for the future
	Enhance engagement (create jobs and workplaces that feel rewarding)
[Governance] Our governance	Monitor corporate management
	Provide good quality and safe products and services

To our stakeholders

A new step forward as SWCC Corporation

As a company that extends the circle of trust, we in the SWCC Group are intent on growing together with all our stakeholders to create a prosperous future.

Looking ahead, as we expand the range of value we provide, we will also focus on disseminating non-financial information to help more people understand our initiatives. We will strive to enhance our value as an enterprise by more proactively communicating about how we are transforming the Company, our growth strategies, as well as non-financial information.

As we take a new step forward under the name of SWCC Corporation, we hope that all our stakeholders will pay close attention to and look forward to the challenges we take on. We are counting on your continued support for many years to come.

Efforts to Build a Business Foundation

Special Feature

Declaration of Support for the TCFD Recommendations and Information Disclosure

In May 2022, we announced our support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures). While climate change poses a risk to business activities, it also leads to revenue opportunities. Based on the recognition that identifying and addressing these climate change-related risks and opportunities is an important management issue, we will proactively disclose information on the four items of “governance,” “strategy,” “risk management,” and “metrics and targets” that relate to climate change-related risks and opportunities in line with the TCFD recommendations.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance

We have established matters related to sustainability promotion activities, including climate change. The Sustainability Committee, chaired by the Group CEO and composed of the chiefs of each segment and the presidents of group companies, deliberates on important matters related to sustainability and reports decisions to the Board of Directors, under the Board of Directors’ supervisory system.

Regarding the issue of climate change, we have established a system in which the Board of Directors deliberates and decides on important matters such as environmental policies, and the Sustainability Committee, chaired by the President and Representative Director, considers responses to issues that could be management risks and opportunities. Details of deliberations are reported to the Board of Directors at least twice a year, and regarding risks, information is shared in cooperation with the Risk Management Committee.

Strategies

Since we have introduced a market-based business segment structure, we have identified risks and opportunities for each of the three main segments. Moreover, in terms of business impact, we have formulated two scenarios for each business segment: a 1.5°C scenario (realization of a decarbonized society scenario) and a 4°C scenario (progression of global warming scenario), and established a working group consisting of the Group’s environmental supervision department, the chiefs of the target business segments and external experts to conduct scenario analysis under the following conditions.

Category		Analysis conditions
Analysis target		SWCC Group’s three major business segments Energy and Infrastructure Business, Electrical Equipment and Components Business, Communications and Industrial Devices Business
Timeline		Short-term: FY2025 In line with the period specified in the 7th Voluntary Environmental Action Plan Medium-term: FY2030 In line with the period specified in the Medium- and Long-Term Environmental Plan “Green Plan 2050” Long-term: FY2050 In line with the period specified in the Medium- and Long-Term Environmental Plan “Green Plan 2050”
Qualifying financial impact	Risks	The magnitude of the impact is scored according to the following criteria, and analyzed as large, medium or small according to the evaluation score 10: Significant impact on management, 7: Visible deterioration in profit and loss, 5: Long-term decline in credibility, 3: Decline in credibility when accumulated, 1: Almost no impact
	Opportunities	Assumed using the sales scale of the business portfolio targeted for FY2030 described in the “SWCC VISION 2030,” which was formulated in conjunction with the mid-term management plan “Change & Growth SWCC 2026,” as a guideline
Reference scenario	1.5°C scenario	Scenario in which policies and regulations are introduced towards the realization of a decarbonized society by 2050, and the global average temperature rise is limited to 1.5°C above pre-industrial levels Reference: IEA Net zero by 2050 scenario, IPCC RCP2.6/SSP1-1.9 scenarios, etc.
	4°C scenario	Scenario in which policies, regulations, and social initiatives to reduce CO_2 emissions do not progress, and the global average temperature rises to 4°C above pre-industrial levels Reference: IPCC RCP8.5/SSP5-8.5 scenarios, etc.

Image of society under the 1.5°C scenario (if we transition to a decarbonized society)

It is expected that the movement toward decarbonization will advance rapidly, the introduction of renewable energy and the shift to EV will further accelerate, and raw material prices will rise due to decarbonization and a decrease in oil demand.

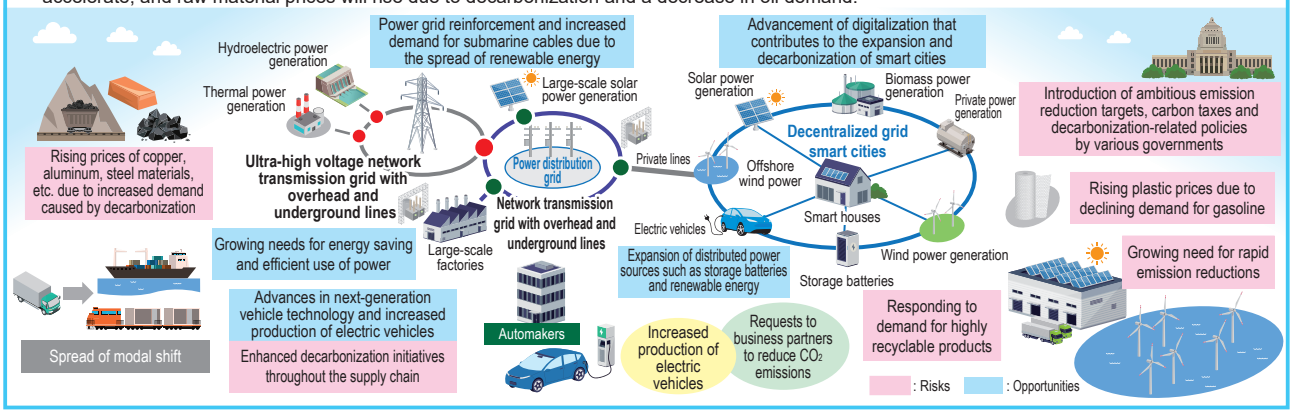
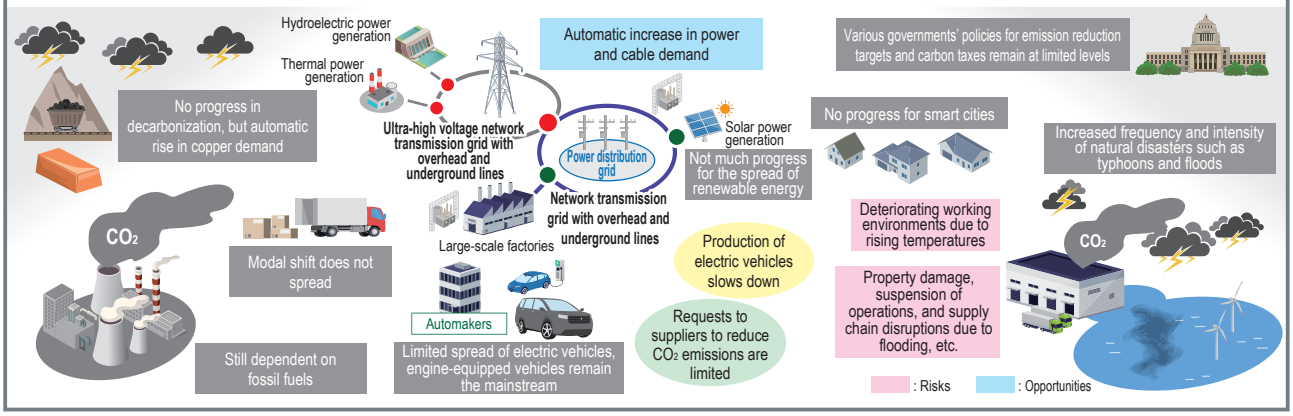


Image of society under the 4°C scenario (if decarbonization does not progress)

It is expected that efforts toward decarbonization, such as energy saving and renewable energy, will be relatively slow, and physical risks will increase.



Risks From the results of the analysis conducted for the three major segments, the common risks that have a particularly large financial impact are listed below.

Classification		Climate change risks	Impact on business	Response going forward	Timeline*1	Financial impact*2
Transition risks (1.5°C scenario)	Policies and regulations	Strengthening of CO_2 emission reduction	● Increase in renewable energy procurement costs and investment in energy-saving equipment	Technological transformation and the development and implementation of new technologies to reduce CO_2 emissions in the company-wide "Green Energy Project," which aims to reduce energy consumption at the manufacturing stage	Medium/ long-term	Large
		Introduction of carbon tax	● Increased operating costs due to the introduction of a carbon price in the Company and the upstream supply chain		Medium/ long-term	Large
	Technology	Development of a circular economy	● Possibility of lost sales opportunities due to replacement with highly recyclable competing products, etc.	Recycling of plastic resources, use of recycled materials, and development of products that are easy to recycle and reuse	Medium-term	Medium
	Market	Rising raw material prices	● Rising prices of copper, aluminum and steel ● Rising prices of plastics, synthetic rubbers, etc.	Development of alternative materials, diversification of procurement sources and shifting costs to product prices	Medium/ long-term	Medium
	Reputation	Growing demand for emission reductions from business partners	● Increased costs for response to requests from business partners to reduce CO_2 emissions	Construction of an internal information sharing system and quick response to business partners' needs	Medium/ long-term	Medium
		Increased requests for disclosure of information related to climate change	● Negative impact on corporate value and funding if proactive disclosure is not undertaken	Regular monitoring and response to various evaluation indicators	Medium/ long-term	Medium
Physical risks (4°C scenario)	Acute	Increased frequency and intensity of natural disasters such as typhoons and floods	● Damage to property such as facilities and machinery ● Delays in raw material procurement and product transportation due to supply chain disruptions ● Decrease in earnings due to suspension of business until recovery	Enhancement of BCM (Business Continuity Management) initiatives at target sites	Medium/ long-term	Medium
	Chronic	Deteriorating working environments due to rising temperatures	● Deteriorating work environments for employees	Promotion of various heatstroke countermeasures	Long-term	Medium

*1 (Timeline) Short-term: FY2025, Medium-term: FY2030, Long-term: FY2050
*2 (Financial impact) Qualitatively rated on a scale of 1-10 based on our risk evaluation criteria. Assumes that 1 to 3 are small, 4 to 6 are medium, and 7 to 10 are large.

Efforts to Build a Business Foundation

Opportunities The results of the analysis conducted on the three main segments are categorized by “degree of impact when transitioning to a decarbonized society” and “size of our business portfolios.” The highlights focusing on our top two business portfolios are described below.

Business portfolio	Degree of impact when transitioning to a decarbonized society	Portfolio size as of FY2030*3
Automobile	Large	Large
Electric power	Large	Medium
Construction	Medium	Large
Telecommunications	Medium	Small
Industrial equipment	Medium	Large
ICT	Medium	Small

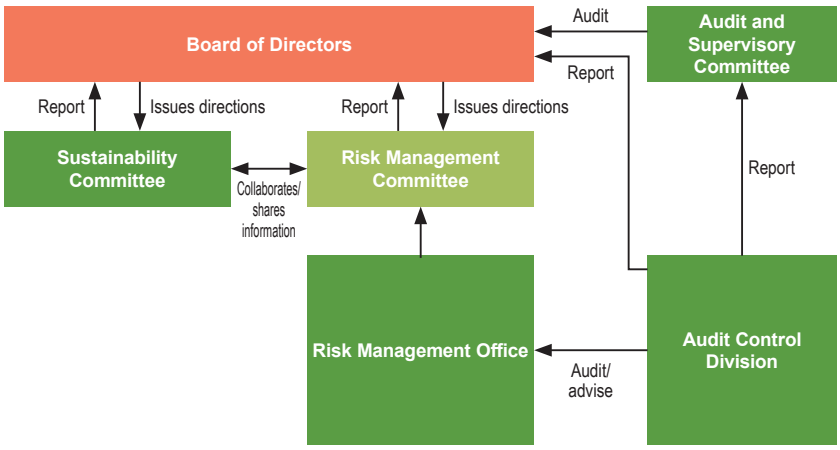
*3 (Portfolio size as of FY2030) Evaluated based on the proportion of sales of the business portfolio expected in FY2030

Classification	Future image of society	Opportunities*4	Timeline*5	Financial impact*6
Automobile	● Changes in consumer preferences ● Stricter policies in various countries (carbon taxes, ZEV regulations, etc.) ● Advances in next-generation vehicle technology (automated driving, eco-driving assist, storage batteries, etc.) ● Rapid expansion of electric vehicle ratio	**Market** ● Increased demand for high-performance products for next-generation vehicles **Products and services** ● Increased demand for oxygen-free copper MiDIP® and flat magnet wires for high-efficiency motors for xEV vehicles D ● Increased demand for high-speed transmission in-vehicle cables that realize advanced functions for automated driving C	Short- to long-term	Large
Electric power	● Expansion and sophistication of electric power infrastructure and growing needs for long-distance power transmission due to the spread of renewable energy and power storage systems ● Increased demand for power cables due to power grid reinforcement ● Growing needs for energy saving and efficient use of power	**Market** ● Increased demand for high-performance products for next-generation vehicles **Products and services** ● Increased demand for SICONEX®, which enables weight reduction and shortened construction time E ● Increased demand for SICOPLUS®, a solution business that responds to the expanding electric power market E ● Increased demand for triaxial superconducting cables with low power loss that are highly effective in reducing CO_2 emissions E	Medium/ long-term	Medium

*4 (Inherent opportunities) E Energy and Infrastructure Business, D Electrical Equipment and Components Business, C Communications and Industrial Devices Business
*5 (Timeline) Short-term: FY2025, Medium-term: FY2030, Long-term: FY2050
*6 (Financial impact) Assumed based on the sales scale of the business portfolio

● Risk Management

The Risk Management Office oversees risks for the entire Group, including risks related to climate change. Risks related to climate change are assessed by the Risk Management Committee and in-depth research is conducted in cooperation with the Sustainability Committee to evaluate the impact. In addition, as the opportunities related to climate changes are also evaluated together with the risks, the evaluation results are collected by the Sustainability Committee and the content of deliberations are reported to the Board of Directors on a regular basis (at least twice a year).



Indicators and Targets

We formulated the medium- to long-term environmental plan “Green Plan 2050” based on the key concept of zero environmental impact in 2050, and set 2030 targets to achieve our long-term vision for 2050.

Regarding greenhouse gas emission reduction targets, we have set a goal of reducing CO_2 emissions (Scope 1 + Scope 2) by 50%*7 by fiscal 2030, using fiscal 2013 as the baseline year, which is also the baseline year for CO_2 emission targets set by the Japanese government. Moreover, as a short-term target, the 7th Voluntary Environmental Action Plan, which started in fiscal 2021 as a five-year initiative, has set a target of a 45% reduction*8 by fiscal 2025. In addition, as an initiative to achieve these targets, we established the “Green Energy Project*9,” a company-wide project team that aims to further reduce CO_2 emissions at the manufacturing stage, and added a target of increasing the renewable energy introduction rate to 30% or more by fiscal 2025.

*7 Achieved the FY2030 target (35%) in FY2021, and raised the target to 50%
*8 Achieved the FY2025 target (25%) in FY2021, raised the target to 45%

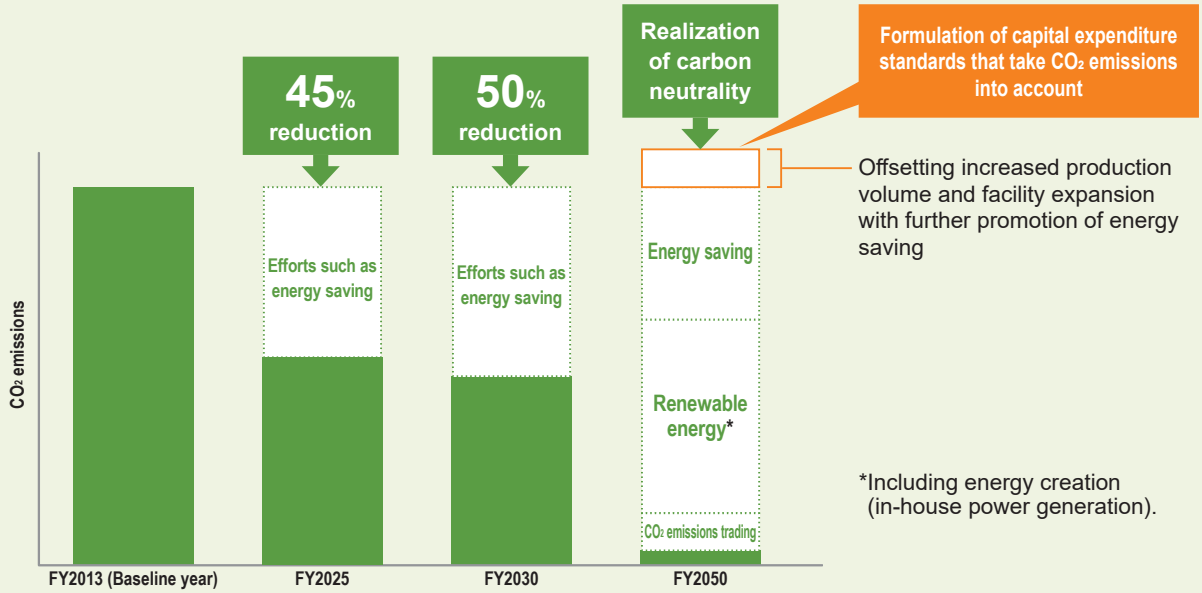
*9 **Green Energy Project**
A company-wide project team that considers sustainable energy use in the manufacturing stage. With the Sustainability Promotion Office as the secretariat, it consists of three working groups: the CO_2 Solution WG, the Energy-Saving Production WG, and the Utilization of Renewable Energy WG.

The mission of each working group is as follows.

- **CO_2 Solution WG:** CO_2 capture and reuse, development and implementation of innovative technology
- **Energy-Saving Production WG:** Review of production methods, improvement of equipment, conversion/updating to high-efficiency equipment
- **Utilization of Renewable Energy WG:** Introduction and utilization of renewable energy

Specific measures to achieve CO_2 emission reduction targets and carbon neutrality

- **Further promotion of energy-saving (upgrading equipment, reviewing manufacturing methods through technology conversion, and applying investment standards that take CO_2 into consideration)**
- **Realization of energy creation (in-house energy creation, such as the introduction of solar power generation)**
- **Expansion of the procurement of renewable energy (carbon neutral gas, electric power derived from non-fossil fuels)**
- **Introduction of new technology (capture and reuse of CO_2, such as waste heat utilization)**
- **CO_2 emissions trading (compensating for shortages)**



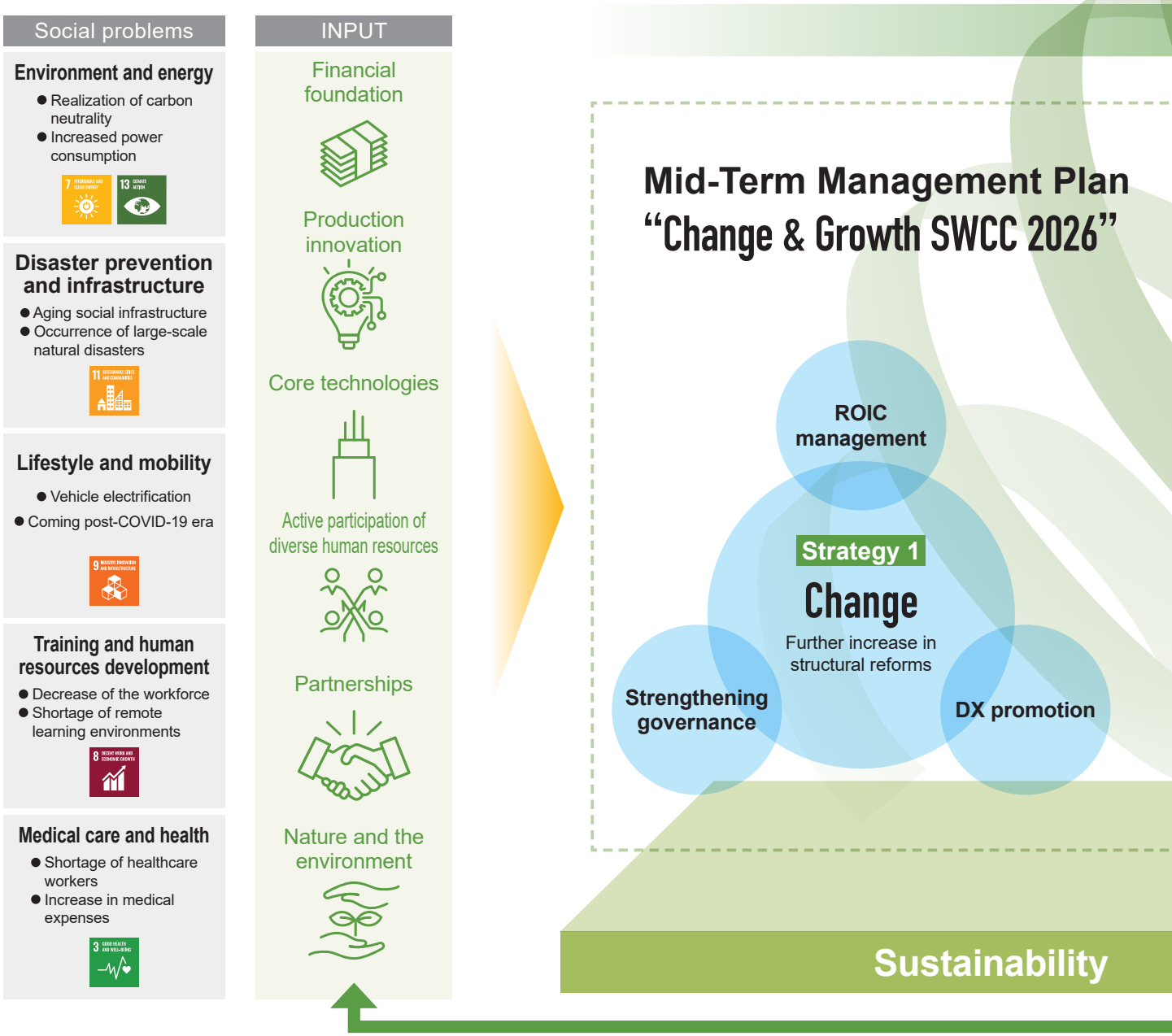
Through dialogue with our stakeholders, we will continue to promote initiatives related to climate change and contribute to the improvement of corporate value and the development of a sustainable society.

Value Creation Process

Value Creation Model

We will contribute to the achievement of a rich human society.

Through various values that the SWCC Group provides to customers, such as “outstanding technology and highly reliable products and services,” “safe and stable business activities,” and “solutions to management issues,” we will contribute to the realization of a rich human society by solving social, environmental, and industry issues in cooperation with our customers.



Creating for the Future

Economic value

Social value

SWCC VISION 2030

We create value that connects to the future

Our strengths

Basic Policy

1. Strengthen profitability of core technologies
2. New developments of overseas business
3. Creation of new businesses

Social problem-solving business

Strategy 2

Growth

Transition to growth phase

Expanded investment

Portfolio shift

management (key foundation)

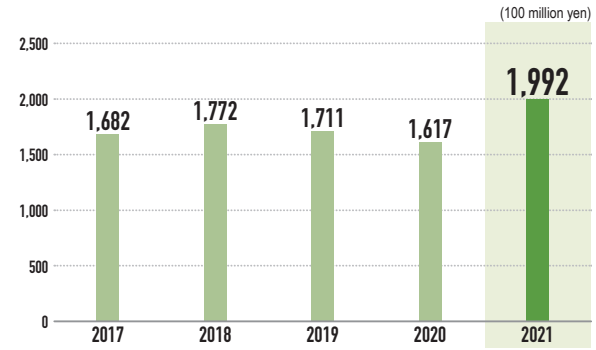
Continuous investment for growth

OUTPUT	Creation of social value
Energy and Infrastructure Business Representative brand: SICOPLUS®	
Electrical Equipment and Components Business Representative brand: MiDIP®	
Communication and Industrial Devices Business Representative brand: FLANTEC®	
+	
New Business	

Financial Highlights

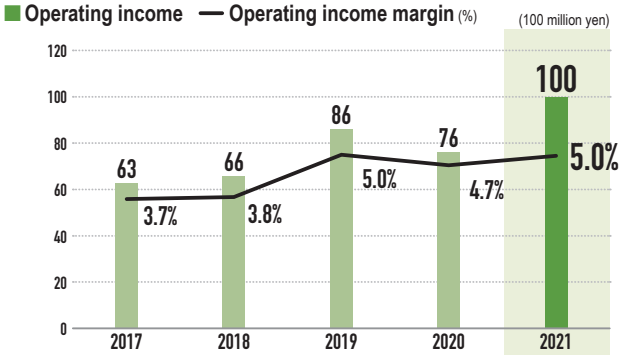
Scope of data: SWCC Showa Holdings Co., Ltd. and its consolidated subsidiaries

Net sales



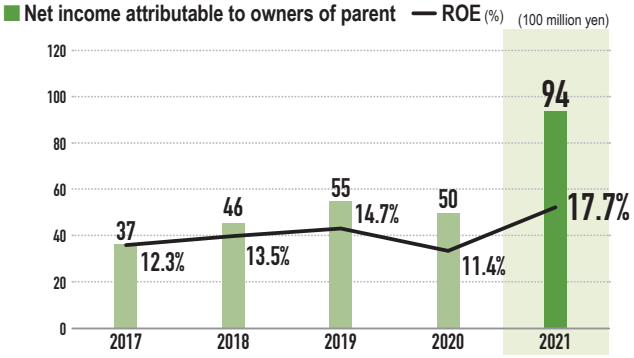
In addition to continued robust demand for domestic power infrastructure, shipments of high-performance products for domestic construction-related applications (Energy and Infrastructure Business), and automobiles and electronic components (Electrical Equipment and Components Business) increased. Net sales increased 23.2% year on year, partly due to the impact of rising copper prices.

Operating income/Operating income margin



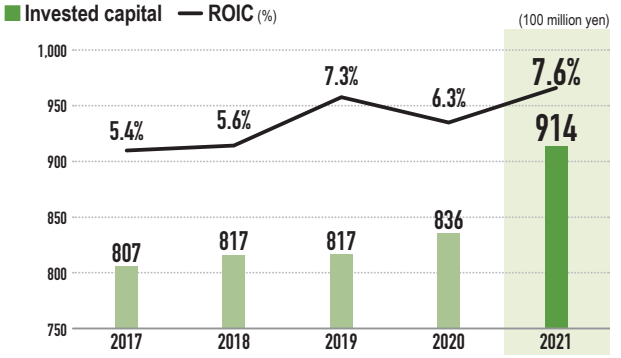
In addition to continued robust demand for domestic power infrastructure, shipments of high-performance products for domestic construction-related applications (Energy and Infrastructure Business), and automobiles and electronic components (Electrical Equipment and Components Business) increased, and operating income increased 32.3% year on year.

Net income attributable to owners of parent/ROE



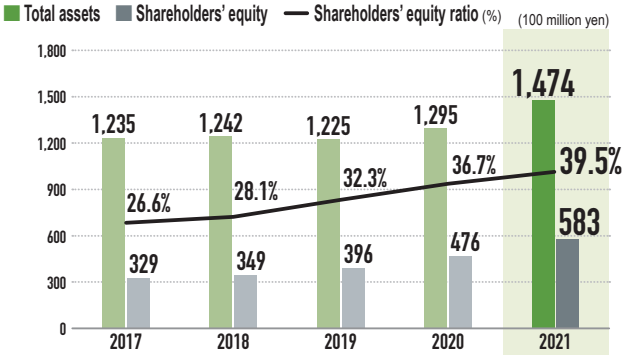
Net income attributable to owners of parent increased 88.3% year on year as a result of recording gain on sales of fixed assets associated with the sale of the Ebina Factory, in addition to the above-mentioned increase in operating income, despite the recording of business structure improvement expenses.

Invested capital/ROIC



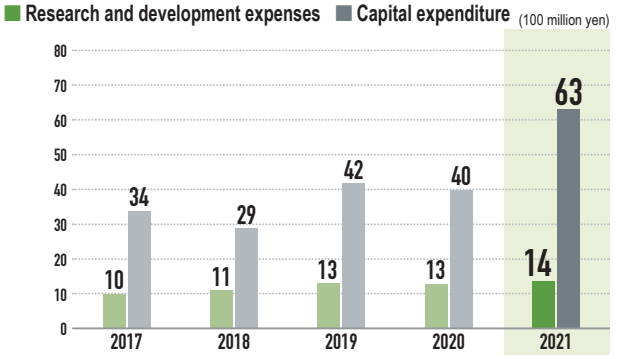
Invested capital increased due to an increase in working capital caused by soaring copper prices and investments to strengthen manufacturing facilities in Japan and overseas. However, due to the significant increase in operating income, ROIC improved by 1.3 points year on year.

Total assets/Shareholders' equity/ Shareholders' equity ratio



Total assets increased mainly due to an increase in trade notes and accounts receivable and inventories caused by the impact of soaring copper prices, and an increase in fixed assets caused by investments to strengthen manufacturing facilities in Japan and overseas. Although we paid dividends to our shareholders, we recorded a net income of 9.4 billion yen, resulting in an increase in shareholders' equity and a shareholders' equity ratio of 39.5%.

Research and development expenses/ Capital expenditure

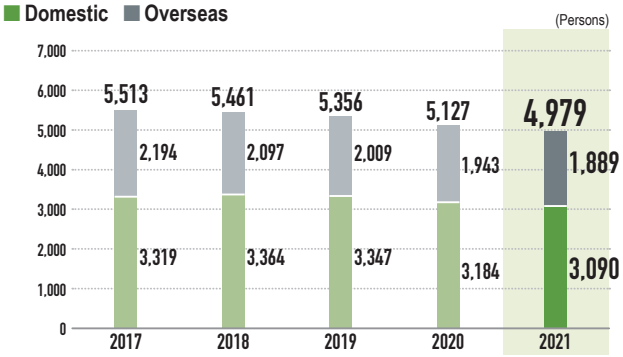


Research and development expenses increased slightly year on year. Capital expenditure increased significantly year on year due to the strengthening of manufacturing facilities in Japan and overseas as well as the strengthening of the manufacturing base through the reorganization of domestic offices.

Scope of data: SWCC Showa Cable Systems Co., Ltd.

Non-financial Highlights

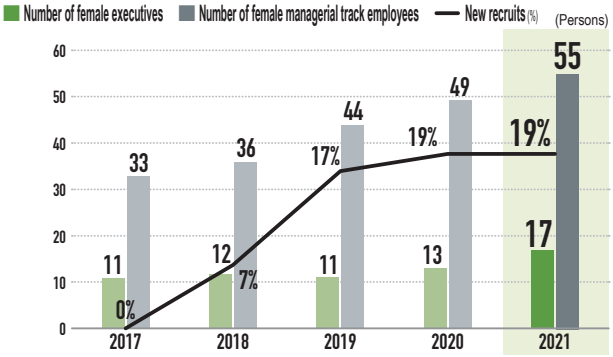
Number of employees



The number of employees of the SWCC Group decreased due to factors such as the dissolution of AOMORI SHOWA ELECTRIC CABLE CO., LTD. for the purpose of reorganizing domestic bases in the communication cables business. We will continue to strive to maintain appropriate numbers of employees both in Japan and overseas.

Scope of data: SWCC Showa Holdings Co., Ltd. and its consolidated subsidiaries

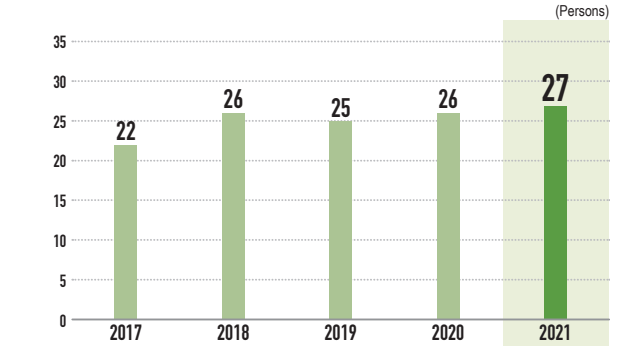
Number of female employees



We have been recruiting female employees as managerial track employees steadily every year, regardless of the form of recruitment, be it hiring new graduates or hiring immediately effective personnel in the mid-career recruitment. As we strive to improve the retention of these female employees, the number of female employees has been gradually increasing. We will continue to work on recruiting and fostering female employees.

Scope of data: SWCC Showa Holdings Co., Ltd. and SWCC Showa Cable Systems Co., Ltd.

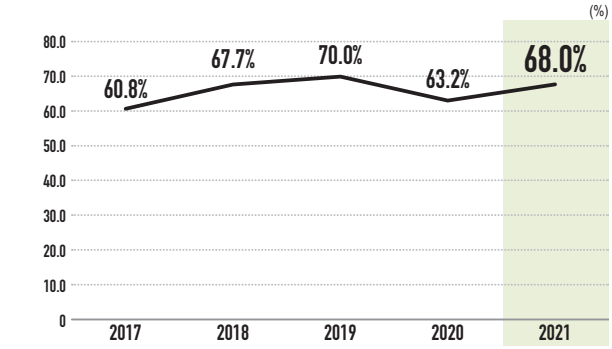
Number of non-Japanese employees (domestic)



We will continue to hire talented non-Japanese personnel to help transform the mindset within the Group by including non-traditional perspectives and values within the SWCC Group.

Scope of data: SWCC Showa Holdings Co., Ltd. and SWCC Showa Cable Systems Co., Ltd.

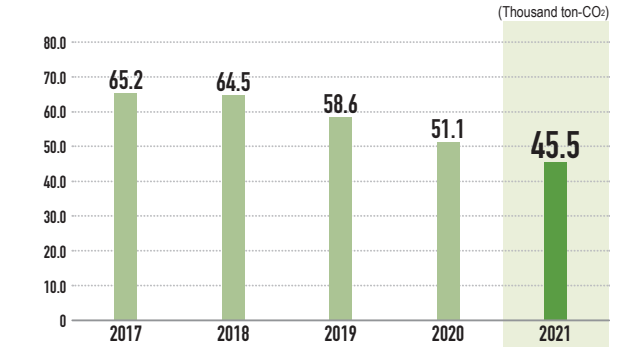
Percentage of annual paid leave taken



Compared to fiscal 2020, when there was a decline in leave taken presumably due to the operation of special leave newly established due to the impact of COVID-19 and a decrease in situations to use paid leave, fiscal 2021, a year in which we were in the process of recovering from COVID-19, saw an improvement in the percentage of leave taken.

Scope of data: SWCC Showa Holdings Co., Ltd. and SWCC Showa Cable Systems Co., Ltd.

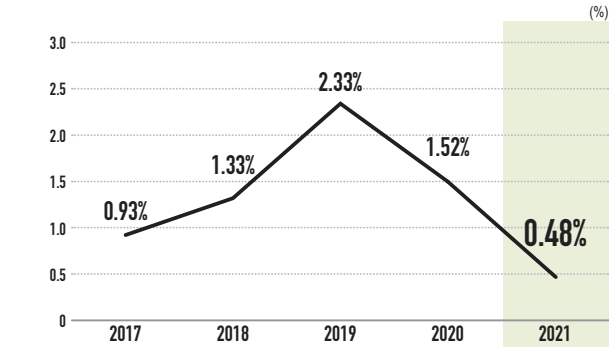
Greenhouse gas emissions



Although production volume in FY2021 increased compared to fiscal 2020, CO_2 emissions were reduced by approximately 11% compared to fiscal 2020. The reduction can be attributed to an increase in the ratio of non-fossil fuels in purchased electric power and city gas, and the results of energy-saving initiatives at each production site.

Scope of data: Production sites of domestic Group companies

Industrial waste landfill rate



The industrial waste landfill rate for fiscal 2021 achieved the target of 0.5% or less due to progress in thermal recycling of waste plastic. We will continue to sort and collect waste to improve the landfill rate.

Scope of data: Production sites of domestic Group companies

SWCC Group's Growth Strategy

Energy and Infrastructure Business Segment



The Energy and Infrastructure Business Segment comprises three businesses. The first is the electric power infrastructure business, which provides total solutions spanning power cables, power devices, installation, and maintenance for power infrastructure system networks covering electricity generation, transmission, and distribution. The second is the construction wire business, which supplies low-voltage general-purpose cables, which are indispensable for electrical wiring inside buildings, and fire extinguishing/prevention cables, which provide power to disaster-prevention equipment in the event of a fire. And the third is the seismic isolation and vibration control business, which provides seismic isolation equipment and vibration control products, which are vital for keeping people safe and minimizing damage to buildings and infrastructure networks when an earthquake strikes.

Among them, the electric power infrastructure business is driving sales while tapping demand for connection of renewable energy systems through the implementation of our unique SICOPLUS® strategy under the Japanese government's strategic plan. Moreover, in our core business, the construction wire business, we are planning to significantly improve profitability by promoting digital transformation (DX) and setting ROIC-based KPIs.

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

■ Targets for final year of medium-term management plan and full-year performance targets

Disaster prevention **Seismic isolation/other**

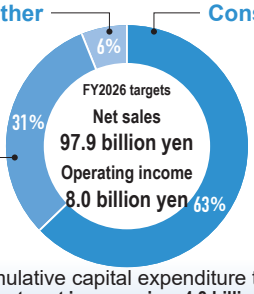


(seismic isolation equipment, etc.)

Decarbonization **Electric power infrastructure**



SICONEX
SICOPLUS



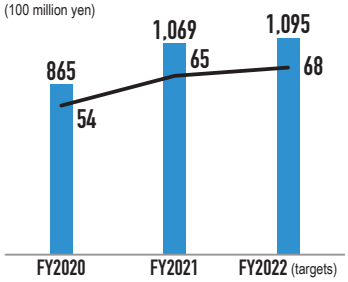
Construction-related Lifestyle infrastructure



(general-purpose wires)

Cumulative capital expenditure total
- Investment in expansion: 4.8 billion yen
- Investment in renovation: 4.2 billion yen

Full-year targets
■ Net sales — Operating income
(100 million yen)



Growth drivers
- Improve construction-related profitability through DX
- Strengthen the business model for connection of renewable energy systems
- Expand line-up of products that resolve social issues, e.g., eco-friendly products

Market outlook
- Future decline in construction demand due to aging population and low birthrate
- Increased business opportunities in area of connection of renewable energy systems

■ SWOT analysis (strategic business: SICOPLUS®)

Strengths
1. Reliable track record and large market share mainly in transformers for private-sector plants thanks to highly competitive product line-up
2. High profit margin under a business model that delivers proprietary solutions

Weaknesses
1. Difficulty in securing installation personnel due to aging population and low birthrate

Action
1. Step up cooperation with partner companies
2. Speed up training of installation personnel through the introduction of education system based on AVR®, etc.

Opportunities
1. Expansion of the power market under the Japanese government's strategic plan (renewable energy, renovation of aged equipment, investment in making electricity transmission networks more resilient, distributed power supplies, smart city concept, etc.)

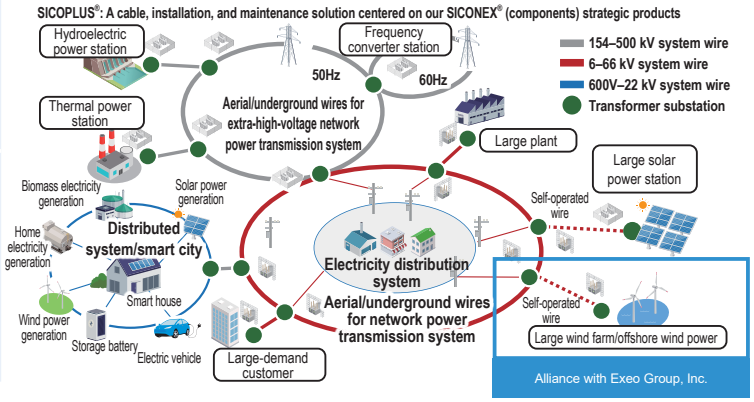
Strength x Opportunity
1. Further expansion of our share of the power market based on our track record mainly in private-sector plants and distinctive business model

Threats
1. Entry of competitors

Action
1. Make SICONEX® the de facto standard in the power market (substation field)

SICOPLUS® strategy

SICOPLUS®: A cable, installation, and maintenance solution centered on our SICONEX® (components) strategic products



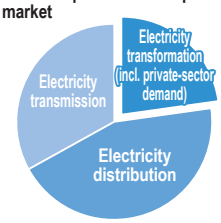
Introducing education program to increase installation personnel

■ Target market and growth strategy for the electric power infrastructure business

● Target market and future outlook

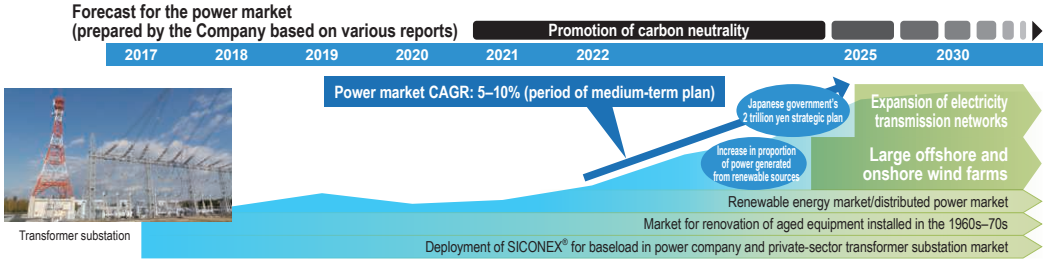
Within the power market, which comprises substation, distribution, and transmission, our main target market is the substation field. The power market is expected to expand further under the Japanese government's strategic plan, including renovation of aged equipment to make power transmission networks more resilient, expansion of renewable energy demand, construction of smart cities, and expansion of power transmission and distribution networks.

Main components of the power market



(Based on our own research)

Forecast for the power market (prepared by the Company based on various reports)



Transformer substation

● Growth strategy

Execute strategies for increasing production and securing installation personnel in anticipation of higher demand for our products and services as the market expands under the Japanese government's strategic plan

- **Cloud installation personnel strategy to hire local talent**
  We will expand our market share by cooperating with partner companies and local installation firms to secure and train installation personnel using our proprietary programs for the efficient education of personnel based on AVR®, etc.
- **Invest in increased production of the SICONEX® line-up of compact electric power equipment products**
  To meet market demand, we will put together a structure that allows for higher output, and thereby expand sales of our products.
- **Make SICONEX®, our brand of strategic products, the de facto standard in the substation market**
  We will leverage the superiority of the products, i.e., compact/lightweight, quick installation, and simple joint design, to make them the de facto standard in the substation market, and thereby expand our market share.

We will grow our share of the substation market by expanding production equipment and securing installation personnel based on our SICOPLUS® strategy. We will aim for a CAGR (compound annual growth rate) of 12% by fiscal 2026.

Our share of the substation market	
FY2021	74%
FY2026 (forecast)	80%

(Based on our own research)

● Capital expenditure plan

Category	Planned investment	Profit generated
Expansion of production equipment	Investment of 2 billion yen by FY2023	Steadily from FY2022

■ Progress of growth businesses

● Electric power infrastructure business

Secure installation personnel by providing our installation education program SICOPLUS® to partner companies

In the power market, which is expected to keep growing in the future, SWCC Showa Cable Systems Co., Ltd. is executing a strategy designed to secure installation personnel.

In May 2021, with the aim of accelerating the rollout of our connection work solutions business in the power market, we launched a new brand called SICOPLUS®, which has SICONEX® (connectors for high-voltage power cables), our brand of strategic products, at its core. This brand represents an evolution as a new connection work system that adds efficiency, labor-saving, and sustainable personnel training programs to connection technology. In addition, the Cable Installation Skills Development Center, which we established in the same year, started providing education to installation staff of partner companies in October 2021. The curriculum ran for six months, and comprised three courses: 66 kV cable handling, RBJ (component for connecting cables) assembly, and SICONEX® assembly, and all the participants passed the certification exam. By introducing our proprietary education curriculum using DX educational materials such as AVR® and through actual practice in a simulated cable tunnel, instead of the on-the-job training programs that predominated in the past, we can bring up skilled installation personnel with basic academic abilities in a short period of time. Therefore, we are steadily taking our first steps in implementing our cloud installation personnel strategy to hire local talent.







■ Strengthening the profitability of core businesses

● Business restructuring for the new SFCC (coated wire business)

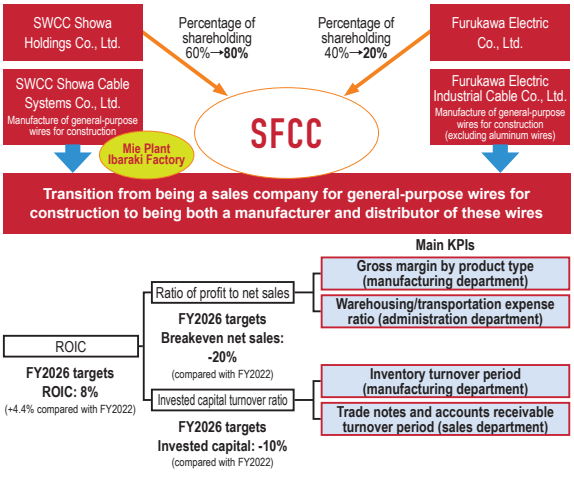
Showa Furukawa Cable Co., Ltd. is a joint sales company for general-purpose wires for the construction and electricity sales markets, and began operations in April 2020 as a joint venture between us and Furukawa Electric Co., Ltd., and in July 2022 its sales operations were integrated into the manufacturing operations of both our corporate groups.

As a result of this integration, our equity stake has risen from 60% to 80%, and the speed of business restructuring will be accelerated.

The new SFCC has declared three key pillars for business restructuring to be completed as profit doubling plan during the period of the mid-term management plan, i.e., fiscal 2022–2026.

1. **Increase profitability by offering more convenience and better service to customers**
2. **Establish a production and supply structure that keeps in step with demand**
3. **Improve business processes through the use of AI and data**

With ROIC as a base, we have determined various KPIs, and will proceed with DX and put together a *demand-linked production/supply structure* to win in the construction and electricity sales markets, which lie at the heart of the Group's business.



SWCC Group's Growth Strategy

Electrical Equipment and Components Business Segment



The Electrical Equipment and Components Business Segment comprises three businesses: the high-performance product oxygen-free copper business, which supplies products for eco-cars, the other high-performance products business, which provides superfine flat wires for copper-alloy heater wires and electronic components, and the general-purpose products business, which supplies products for heavy electric machinery and industrial equipment.

Among the products we offer, our high-performance oxygen-free copper MiDIP® which is highly conductive and resistant to hydrogen embrittlement, is driving profit growth for the segment, as demand for it is expected to expand in tandem with the growth of the xEV (i.e., vehicles with an electric motor, including HEVs, PHEVs, etc. in addition to pure battery electric vehicles) market. With vehicle heater wires, we are taking steps to boost production efficiency and manufacturing capacity by concentrating all production at the Sendai Plant. And as a fresh initiative, we have begun developing and manufacturing probe pins, and with an eye to the future growth of the semiconductor testing equipment market, we are taking action to expand their sales. As for magnet wires for vehicles, we will be expanding sales of flat magnet wires for next-generation drive motors and reactors by introducing manufacturing equipment that is effective for reducing CO_2 emissions. By expanding our line-up of highly competitive products and investing in boosting output, we will continue along the path of expanding earnings in tandem with advances not only in automobiles, but also in various CASE (connected, autonomous, shared, electric) mobility technologies.

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

Targets for final year of mid-term management plan and full-year performance targets

Lifestyle infrastructure **General-purpose products**

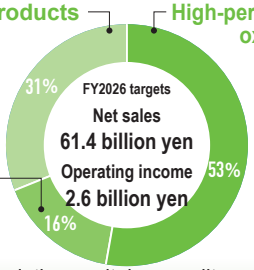


(general-purpose magnet wires)

xEV proliferation **Other high-performance products**



(copper alloys)



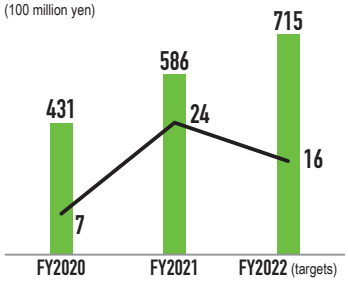
xEV proliferation **High-performance product oxygen-free copper**



(oxygen-free copper MiDIP®)

Cumulative capital expenditure total
- Investment in expansion: 3.4 billion yen
- Investment in renovation: 3.2 billion yen

Full-year targets



Growth drivers
- Expand sales of high-performance products for vehicles by reinforcing production structure
- Strengthen production structure for magnet wires for electronic components
- Step up efforts to reduce CO_2 emissions

Market outlook
- Shift to eco-cars (xEVs) will accelerate, and demand for high-performance magnet wires will rise
- Need for products that are highly effective for reducing CO_2 emissions will increase

SWOT analysis (strategic product: high-performance wire materials)

Strengths
1. Highly competitive line-up of materials for vehicles
2. Strong technological capabilities in manufacturing alloys, which are used in many fields

Weaknesses
1. Slowness in downstream development (from wire materials to processed goods)

Action
1. Strengthen partnership strategy for downstream development
2. Introduce new manufacturing equipment that enables production of processed goods to be increased

Opportunities
1. Further expansion of xEV market
2. Market needs for alloys that are both highly conductive and strong

Strength x Opportunity
1. Investment in renovation and expansion of equipment ahead of market growth
2. Development of new applied products by leveraging the excellent properties of copper alloys

Threats
1. Decline in superiority of product attributes, and emergence of rival products

Action
1. Improve the attributes of materials by employing materials informatics (MI) and process informatics (PI)
2. Develop products with customers or partners

Uses and characteristics of high-performance products in the xEV field

Oxygen-free copper (MiDIP®)

Drive motors
Requirement of slimline, highly efficient materials are to make vehicles lighter



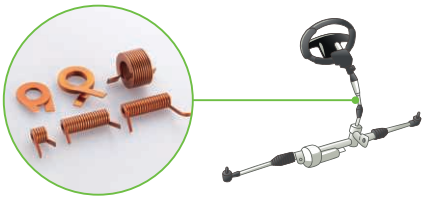
What the SWCC Group can do ...Mass production of oxygen-free copper MiDIP®

	MiDIP®	Oxygen-free copper	Tough-pitch copper
Copper content	◎	○	△
Conductivity	◎	○	○
Ease of processing (bendability, fine wires)	◎	○	△

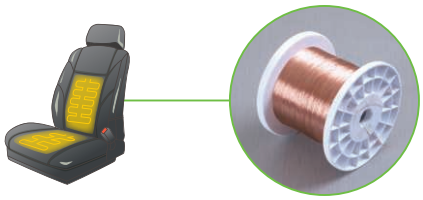
High-performance magnet wires (flat magnet wires)

EPS, motors, transformers, etc.
Requirement of broad line-up of high-performance products

What the SWCC Group can do ...
Manufacture of flat magnet wires that employ MiDIP® to deliver high output, voltage resistance, and heat resistance



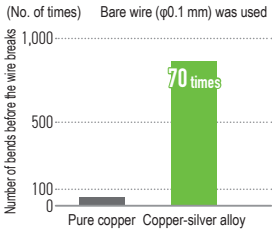
Copper alloy wires (heater wires)



Steering wheel heaters, seat heaters, and battery heaters
xEVs do not have a heat source, so large numbers of heater wires are needed to maintain comfort and performance

What the SWCC Group can do ...
Manufacture of copper alloy wires that are fine, strong, and offer excellent conductivity thanks to know-how accumulated from research on metals

Strength comparison with pure copper

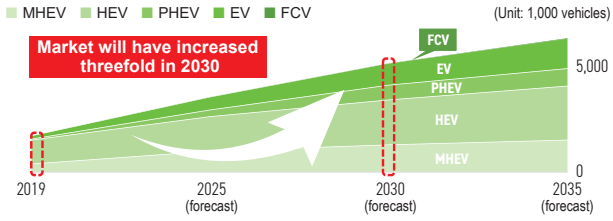


Target market and growth strategy for high-performance products

Target market and future outlook

The target market for our high-performance products is the xEV segment of the automobile market, growth of which is accelerating due to the impact of global developments and the rise of green energy. Although this market will be affected in the short term by supply-chain shocks stemming from the COVID-19 pandemic and the situation with Ukraine, it is expected to see expansion over the long run. In fact, in fiscal 2025 it is set to be around three times larger than it is now.

Forecast for the domestic xEV market



Source: Prepared by the Company based on various reports)

Growth strategy for high-performance products

To respond to stable demand in the automotive products market and future expansion of the xEV market, we will be increasing production in phases of our high-performance oxygen-free copper MiDIP®, a high-grade wire material, and high-performance magnet wires during the period of the mid-term management plan. We will also be aiming for higher earnings.

- **Increase production capacity of MiDIP®**
  To maintain and improve the competitiveness of the brand as a high-performance wire material that is highly conductive and resistant to hydrogen embrittlement, we will continue to invest in plant and equipment to ensure stable output.
- **Increase manufacturing capacity of heater wires for vehicles**
  We will improve production efficiency by consolidating production at SWCC Showa Cable Systems Co., Ltd. Sendai Plant, and will boost production capacity by increasing the number of manufacturing lines. We will also start developing and manufacturing probe pins, and expand our solutions business by leveraging the characteristics of our high-concentration copper-silver alloy.
- **Take action to expand our share of the market for in-vehicle magnet wires**
  We will expand sales of magnet wires for reactors by keeping a lid on capital expenditures and introducing manufacturing equipment that offers high thermal efficiency and is effective for reducing CO_2 emissions. We will also launch a project to develop new magnet wires for next-generation, compact, and highly efficient drive motors, with a view to expanding the product line-up.

Capital expenditure plan

Category	Planned investment	Profit generated
Investment in strengthening MiDIP®	Approx. 2 billion yen by FY2026	Output: Approx. double by FY2026
Investment in increasing heater wire production lines		Manufacturing capacity: Approx. double by FY2026

Progress of growth businesses (wire materials and magnet wires)

In-vehicle product line-up that can help accelerate the shift to xEVs

- **High-performance oxygen-free copper MiDIP®**
  Environmentally-friendly vehicles are powered by motors instead of engines, but to reduce energy consumption and extend the distance that can be traveled on a single charge, lightweight, high-output motors and materials are required. High-performance oxygen-free copper MiDIP® is manufactured using Japan's only "dip forming system" and is high-grade oxygen-free copper wire with copper purity of 99.99% or higher and oxygen content of less than 10 ppm. It is highly conductive and resistant to hydrogen embrittlement and therefore used as a material for magnet wires in motors. Because stable supplies are essential due to increasing demand as high-performance materials, we will be revamping our production lines to approximately double output capacity by fiscal 2026, the final year of the mid-term management plan, from the fiscal 2020 level.
- **Copper-silver alloy wires**
  Environmentally-friendly vehicles without engines do not have a heat source, so a heater for the vehicle's interior must be installed separately. Seat heaters, steering wheel heaters, and other features that make the driving environment comfortable, battery heaters to improve battery efficiency, and other heaters are incorporated into the design, and our copper-silver alloy wires are excellent for use as heater wires. Our copper-silver alloy wires have both high strength (1,700 MPa) and high conductivity (70%) at the world's top level, as well as excellent flexibility and good solderability. They are also recyclable and do not contain harmful substances, making them environmentally friendly. Copper-silver alloy wires are proving useful in a growing range of fields besides heater wires. These include semiconductors (probe pins, lead frames, etc.) and advanced medical devices (catheters). We are therefore executing plans to improve production efficiency through relocation and increase our production lines.
- **Fine flat magnet wires**
  As the only comprehensive manufacturer of magnet wires in Japan that offers fine to thick sized wires, we supply products to a wide range of markets including the heavy electrical market, in-vehicle market, and electronic devices market. Among them, the automotive market is expected to experience a rapid shift to environmentally-friendly vehicles. Given this backdrop, there is growing demand for electrification and electronification. To respond to the need for highly efficient and reliable magnet wires in the in-vehicle market, we will expand sales of magnet wires for reactors by introducing revolutionary horizontal furnaces that deliver high thermal efficiency and are effective for reducing CO_2 emissions. We are also launching a project to develop new magnet wires for next-generation, compact, and highly efficient drive motors, with a view to expanding the product line-up.

Significant cut in energy usage

CO_2 emissions reduction



Introduction of energy-saving equipment on the magnet wire manufacturing line at the Mie Plant

SWCC Group's Growth Strategy

Communication and Industrial Devices Business Segment



The Communication and Industrial Devices Business Segment consists of three businesses: the communication cable business, which supplies fiber-optic cables for long-distance communication and LAN cables for short-distance communication, the wire harness business, which produces the wire harnesses and electric wires used for the internal wiring of household appliances, and the precision device business, which provides roller products that are fitted inside copiers and printers.

In the wire harness business, we are expanding sales of existing products, and in January 2022 we completed construction of a new factory in Jiaxing, China to meet booming demand in China and Southeast Asia. We will increase production capacity by around 2.5 times and drive sales higher. Furthermore, we completed a realignment of our domestic communication cable operations in April 2022, and we expect the benefits of this restructuring to continue to be felt in fiscal 2022, as they were in fiscal 2021. Specifically, we are accelerating the development of new product markets by increasing business efficiency, improving ROIC, and centralizing development resources.

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

Targets for final year of mid-term management plan and full-year performance targets

Workstyle reform **Precision devices**



(copier rollers, etc.)

Comfort enhancement **Wire harnesses**

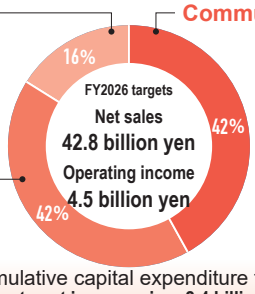


(for home appliances, industrial devices, etc.)

Communication cables 5G, IoT

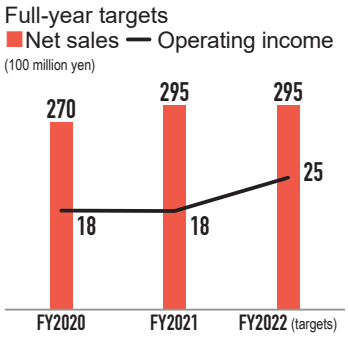


(LAN cables)



Cumulative capital expenditure total
- Investment in expansion: 2.4 billion yen
- Investment in renovation: 1.4 billion yen

Full-year targets



Growth drivers
- Tap new markets through development of high-speed communication cables
- Expand overseas production by launching a new structure for the wire harness business
- Accelerate local production and consumption through restructuring of the precision device business

Market outlook
- Demand for high-speed communication equipment for 5G services, CASE, etc., will increase
- Need for high-quality home appliances will grow as Asia's share of world GDP expands
- Demand for commercial printers will expand significantly

SWOT analysis (strategic product: wire harnesses)

Strengths
1. Relationships of trust built with Japanese home appliance makers thanks to our high quality and ability to deliver when required
2. Manufacturing sites in China and Vietnam for local production and consumption

Weaknesses
1. Production efficiency based on a labor-intensive business model

Action
1. Promote automation at the Jiaxing Plant in China

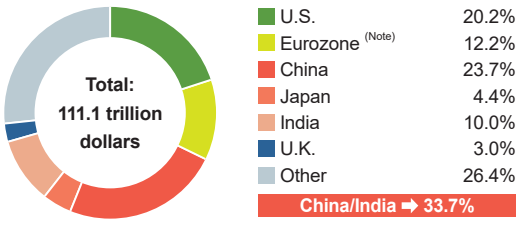
Opportunities
1. Strong demand for home appliances in China and Southeast Asia
2. Advances in harness processing as household appliances become more sophisticated

Strength x Opportunity
1. Expansion of sales through robust partnerships and strong technical capabilities

Threats
1. Economic slowdown in China due to factors such as trade friction
2. Difficulty of procuring materials due to supply chain disruptions

Action
1. Further expand production facilities in Vietnam
2. Reduce procurement risk by suggesting alternative components

Share of GDP in 2030



Source: Prepared based on OECD (2014), Economic Outlook No. 95
Note: The eurozone comprises 15 OECD member countries

Target market and growth strategy for the wire harness business

Target market and future outlook

The main target market for the wire harness business is household appliances and industrial devices.

In 2030, Asia is expected to account for 60% of the world GDP, and with strong consumption demand in Asia, the Chinese home appliance market is projected to maintain stable growth. Furthermore, Japanese manufacturers with operations in China are now planning to expand procurement of wire harnesses in response.

Growth in volume of home appliances sold in China

Product category	Drivers	CAGR (2015-2019)	CAGR forecast (2020-2025)
White goods	Penetration rate, replacement purchases, real-estate market	2.4%	2%—4%
Large kitchen appliances	Penetration rate, real-estate market	5.1%	4%—6%
Small household appliances	New innovations, penetration rate, replacement purchases	7.3%	5%—8%

(Based on our own research)

● Growth strategy for the wire harness business

1. Expand sales channels: Expand sales channels to encompass manufacturers other than home appliance makers (in-vehicle devices, office equipment, etc.) and non-Japanese local Chinese manufacturers
2. Broaden the product line-up: Expand the lineup to include convenience store terminals, commercial refrigerators, delivery vehicles, etc., while maintaining current market share in the home appliance field
3. Increase supply stability: Make supply more stable and boost cost performance by rebuilding supply chains

● Capital expenditure plan

Category	Planned investment	Profit generated
Rebuilding the Jiaxing Plant in China and concentrating production there	Completed in FY2021 (approx. 1.6 billion yen)	Production to increase from FY2022

■ Progress of growth businesses

● Operation of the Jiaxing wire harness plant

The plant went into operation in January 2022 as the SWCC Group's main overseas production base.

We increased production capacity by around 2.5 times to meet demand for wire harnesses for household appliances, industrial equipment, and in-vehicle devices, with the aim of hitting our sales target for wire harnesses of approximately 18 billion yen by fiscal 2026. In fiscal 2021, operations were impacted by the Shanghai lockdown, but from fiscal 2022 onwards, automation-driven high efficiency and labor-saving will be delivered, and we will be aiming to increase earnings from our overseas wire harness operations.

Going forward, we will add functions to the processing and technology development center, and aim to enhance added value through, for example, modularization, and ensure stable supplies of high-quality products to customers.







New wire harness plant in China



Jiaxing, Zhejiang Province (new wire harness plant)

Building floor area Approx. 15,000 m² ➡ 35,000 m²

Sales target for entire wire harness plant

FY2020: Approx. 10.5 billion yen
➡ FY2026: Approx. 18.0 billion yen (around double)

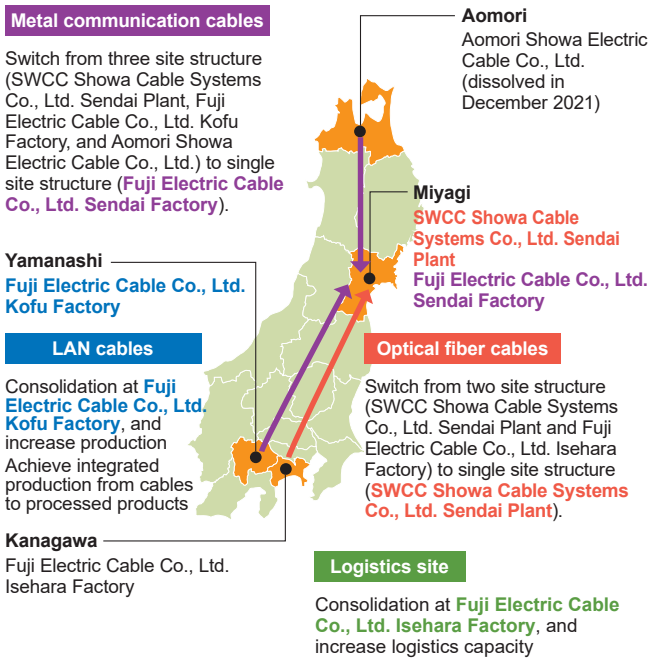
● Before and after restructuring

Reduced the number of domestic sites from four to three, consolidating production at them and delivering improved efficiency and ROIC

In April 2022, we completed our reorganization of domestic sites for communication cables with total investment of 1.4 billion yen.

With this move, we aim to further improve the efficiency of the development and production structure and improve service to ensure that we achieve the sales target of approximately 18.0 billion yen for fiscal 2026 set forth in our new mid-term management plan. Regarding the consolidation of our domestic sites, we have downscaled from four to three sites, excluding Aomori Showa Electric Cable Co., Ltd., and pursued streamlining and efficiency through the optimal allocation of manufacturing lines. Specifically, we have assigned the development and manufacturing functions for metal communication cables to the Sendai Plant, our main development and manufacturing site. Previously, these functions were performed at the Fuji Electric Cable Co., Ltd. Kofu Factory and by Aomori Showa Electric Cable Co., Ltd. And alongside the site realignment, we have made progress with enhancing the resilience of our production bases. These efforts have included disaster prevention and mitigation measures for tackling natural disasters such as earthquakes and torrential rains. The financial benefit of the site restructuring in fiscal 2021 amounts to around 0.9 billion yen.

From fiscal 2022, under the new structure, we will press ahead with the development of new products and expect to our earnings to improve even further.



SWCC Group's Growth Strategy

New Business Segment



In this business segment, we will contribute to society by using core technologies to provide products that support a smart society in fields other than electric power and communications. In the research and development business, we aim to bring new technologies to market, while in the information and communication (ICT) business, we will pursue activities focused on the safe and dependable use of data for the realization of cybersecurity and the soon-to-arrive Society 5.0.

Yoshiaki Higuchi
Executive Officer
and Chief of New Business Segment

Basic strategies: Information and Communication Technology (ICT) Business

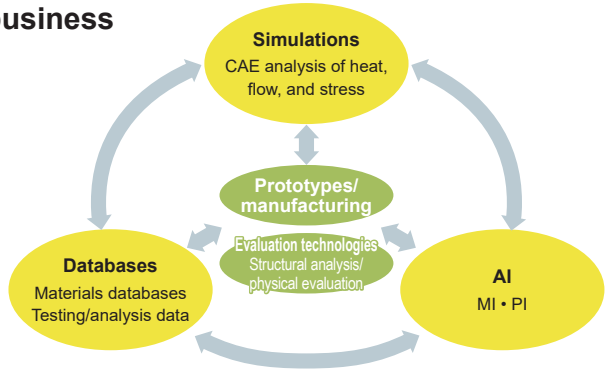
In the context of promoting the use of ICT and realizing a digital society, the growth strategies in this business segment comprise activities in new business areas in the ICT field and a shift to technology expected to be in demand.

With the establishment of the Digital Agency by the Japanese government, various regulations are being reviewed, and digitalization and DX (digital transformation) will proceed even faster going forward. The settings in which ICT is used are also expected to become more varied with the use of cloud services and the centralization of data. We will be aiming to create a smart society by offering a range of services.

Basic strategies: Research and development business

Since its establishment, the SWCC Group has cultivated core technologies, focusing on the electric wire and cable business. These technologies include metal and resin materials and processing technologies, as well as the design and evaluation technologies required for electric power and telecommunications infrastructure.

Going forward, with these technologies as a base, we will institute data-driven R&D processes that combine accumulated data assets with AI, and by swiftly proposing new technologies and products that are more useful to society and are of higher quality, we will aim to nurture new core technologies to support the future of the Company.



Contributing to society through business (information and communication technology (ICT) business)

Reviewing security measures and linkages between systems

The shift to a location-independent workstyle in line with the promotion of new workstyles and DX is making it vital to strengthen security measures. Regarding ID management and passwords, we need to enhance measures against unauthorized access and information leaks by introducing a multifactor authentication system to ensure individual identification. Also accelerating is the introduction of sophisticated authentication methods, such as facial recognition systems, in people's daily lives. In the area of cloud utilization and security measures, this backdrop is making it increasingly important to connect systems to each other for authentication and authorization purposes. We are leveraging our strengths in system design and development capability to address issues in this area.

Reviewing information infrastructure based on the *zero trust* approach

With the growing use of cloud services, entities are beginning to review their measures to ensure the security of their entire information infrastructure based on the *zero trust* approach (i.e., authorizing execution only in the case of trusted devices), which replaces the old security model of just protecting the perimeter.

And against this backdrop, a great deal of interest is being shown in the Keyspider cloud ID management service offered by Axio Corporation.

But with zero trust, ID management alone is insufficient. More action is required, such as putting together security strategies aimed at accelerating DX and exploring ways of implementing and combining the best and most effective solutions.



Website of the Zero Trust Alliance Japan, which is developing new security strategies: https://ztaj.jp/

The Zero Trust Alliance Japan (ZTAJ) was launched in March 2022 by 19 IT companies that endorse the zero trust philosophy. Axio Corporation has been involved in the ZTAJ as a board member since the beginning, and has begun working to realize new security strategies and offer solutions to customers.

Creating smart building environments —Deploying facial recognition for crime prevention amid a changing business landscape

With awareness of security and privacy growing, office environments need to be made even safer. Demand is therefore expected to increase in the realm of social infrastructure improvement, such as improving usability through the utilization of IoT and the implementation of robust crime prevention and security measures. Against this backdrop, the network-related business, which encompasses smart buildings, remained strong in fiscal 2021 despite the ongoing COVID-19 pandemic.

In this business segment, too, we are responding to the expansion of the rental office and satellite office markets, which are seeing increasing demand in society, by supporting the creation of environments that offer value. For example, we offer room entry/exit control systems based on the latest facial recognition technology. And going forward, we will use technologies and installation experience cultivated over many years as a cable manufacturer to create new network infrastructure environments for society.



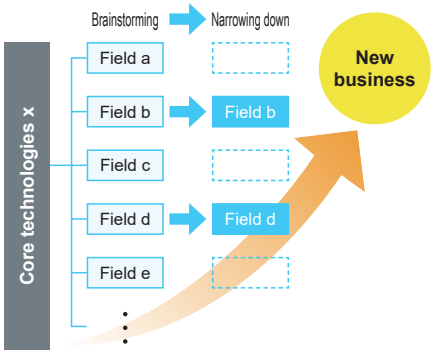
Exhibiting at TRONSHOW 2021, one of Japan's biggest IoT symposiums (view of the Axio booth)
(Facial recognition and room entry/exit management system from Suprema identifies individuals even when wearing facemasks)

Contributing to society through business (research and development business)

IP Landscape initiatives aimed at generating numerous ideas

About IP Landscape

Based on our understanding of social change, we must work to promote the development of new business models in existing businesses and the development of novel products and technologies to create new value. To advance the core technology that the SWCC Group has developed over the years into new spheres, we run a program called IP Landscape to create new businesses using intellectual property information and market data. In collaboration with various business segments, the program is generating ideas for the development of high added-value products and solutions not bound by existing frameworks and customs, and producing new businesses.



Current initiatives

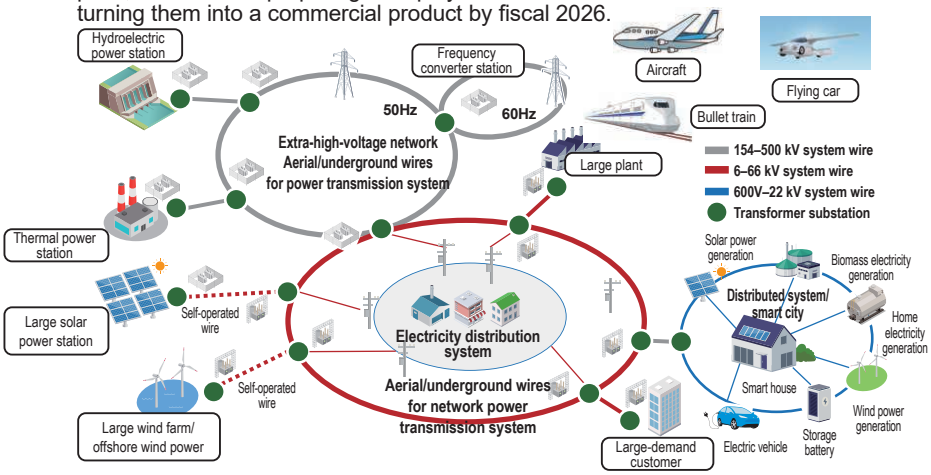
An initial phase of brainstorming, when a large number of ideas are generated, is essential if new businesses are to be created. The team members tasked with coming up with multiple proposals for new businesses are drawn from the intellectual property department and the technical departments and sales departments relevant to the themes, and the projects are implemented for fixed periods. Next, the numerous ideas generated are narrowed down after examining the suitability of each one for commercialization.

Going forward, we will continue generating proposals for new businesses that address social issues and customer needs. We will brainstorm and narrow down, and build a foundation for the creation of new businesses in the future.

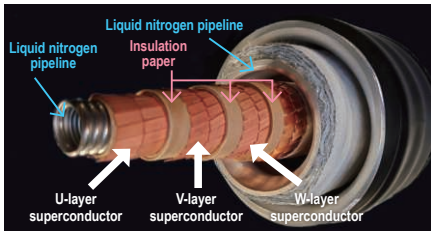
Superconducting cable system contributing to the realization of a sustainable, decarbonized society

Superconducting cables are garnering attention as a product that can help decarbonize society, as electrical resistance is zero, enabling power losses during transmission to be dramatically reduced.

In September 2021, we completed the world's first field testing at a private-sector plant, and are now preparing to deploy them in social infrastructure with a view to turning them into a commercial product by fiscal 2026.



Up to 95% cut in power lost during transmission
Tri-axial superconducting cable



When a 1 km of superconducting cable is installed in a large plant that uses 30 MW or more of electricity, annual CO_2 emissions are reduced by 554 tons.

NEDO official YouTube channel (NEDO Channel)
Completion of world's first field testing of tri-axial superconducting cable system at a private-sector plant

SWCC Group's Growth Strategy

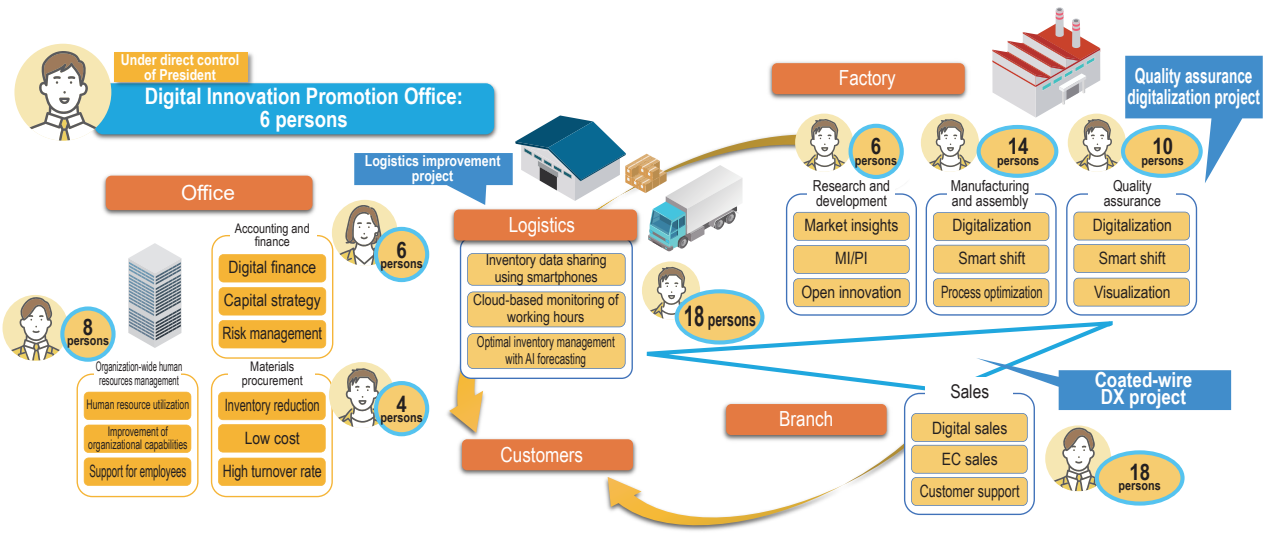
Pursuing digital transformation (DX) to expedite improvement of the Group's earnings structure

To cope with the declining workforce and to institute workstyle reform, the SWCC Group is moving forward with efforts to lighten workloads and improve productivity by automating operations and saving labor through the digitalization of each value chain.

By implementing various projects, the Group will be acting as one in endeavoring to achieve the goals of the new mid-term management plan, Change & Growth SWCC 2026, by pursuing DX to ignite change and growth.

DX execution structure

Regarding the improvement of the earnings structure of each business, because the employees in each workplace have experience and expertise, the Digital Innovation Promotion Office, which reports directly to the President, provides internal consulting services as the overall department in charge, and works with the DX leader in each section, such as manufacturing, procurement, logistics, and sales, to implement DX for the Group as a whole. A DX project has been launched for each value chain, and action is being taken to boost profitability.



Coated-wire DX project

As a mature business, the coated-wire business is in particular need of earnings-structure improvement, so it has launched a DX project to deploy IoT in business processes from manufacturing to sales in order to boost operating efficiency and strengthen profitability. Showa Furukawa Cable Co., Ltd., which handles general-purpose wires, for which manufacturing and sales were integrated in July 2022, has made production planning and inventory planning visible through the automation of and application of AI technology to manufacturing process planning, and is aiming to approximately double the ROIC of its business by fiscal 2026.

Logistics improvement project

Logis-Works Co., Ltd., a company that handles logistics, is pressing ahead with DX to optimize product shipping and make it more efficient. It is employing data in inventory management and using AI to forecast incoming orders. Specifically, employees enter the volume of inventory of each product at Logis-Works' six logistics sites and at production sites into their smartphones, with all inventory volume management conducted in the cloud. Inventory status and movements of goods are visualized in real time. In this way, the company is putting together a mechanism for optimal inventory and delivery management. Production and logistics sites communicate with each other in a timely manner. This helps make the supply of wires, which constitute indispensable social infrastructure, speedier and smarter.

Online commerce site for cables (Kaeruya)

Commercial practices have traditionally been characterized by orders frequently being placed by telephone or fax, and the Kaeruya e-commerce (EC) site was launched based on the concept that services need to be matched to an increasingly digital age.

The Kaeruya EC site for wires and electrical materials, which is administered by SDS Corporation, the SWCC Group's trading company, sells around 4,000 different types of cables and products, which are manufactured by the SWCC Group. It offers a wide variety of user-friendly features. For example, cable can be purchased in 1-m units, a wealth of technical information is presented, and the current inventory is displayed. The site name, Kaeruya, contains the Japanese word *kaeru*, which means "frog," but also means "can buy," "change" and "return." So it embodies the ideas of being able to purchase products, changing conventional business models, changing companies, and returning to basic principles.



Kaeruya
https://www.sds-kaeruya.com/shop/default.aspx

Special Feature

SWCC Smart Stream

SWCC Smart Stream business—Fusing the assets of existing businesses with DX to expand into new fields

(Energy and Infrastructure Business Segment)



Nobuyuki Sema

Executive Officer
General Manager of Smart Stream Business Promotion Office
SWCC Showa Holdings Co., Ltd.

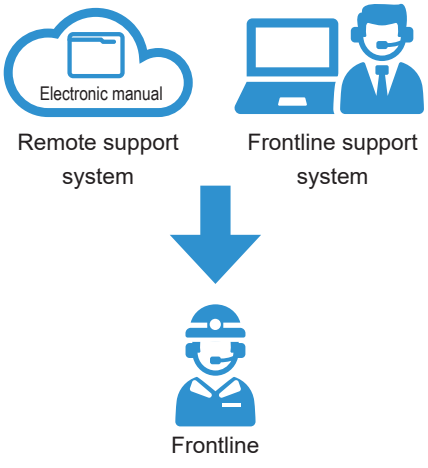
OUR VISION

The SWCC Group's new mid-term management plan, Change & Growth SWCC 2026, calls for further restructuring (change) and transition to a new phase of growth (growth), so it comprises two strategies. The SWCC Group is implementing the SWCC Smart Stream business, which combines DX with the assets of existing businesses, such as the wealth of materials data accumulated over many years and design and manufacturing technologies. It involves the deployment of new technologies such as AVR® (Advanced Virtual Reality), which represents an evolution of AR/VR, the shift from the conventional approach of selling goods to a new approach of selling services, and the establishment of footholds in new business domains.

Future action

Systems that combine the assets of existing business with DX The SWCC Smart Stream business aims to develop businesses in new spheres. In the electric power infrastructure business, aiming for passing on skills, we have already set up the Cable Installation Skills Development Center in July 2021, and launched SICOPLUS®, a system for performing cable connection work. And with the aim of improving human resource education programs and swiftly equipping personnel with skills, we are moving forward with the deployment of a *frontline support system*, which employs telecommunications, and a *remote support system*, which allows electronic manuals to be referred to. Furthermore, in December 2021 we made ACW-DEEP Corp., which possesses technology related to AVR®, a subsidiary, and are developing an education program that utilizes AVR® to simulate installation and other work in a virtual-reality setting. The simulation is close to reality, and means that participants do not need to go out to actual installation sites. We are also considering entry into new markets, such as medical/welfare facilities and entertainment, by leveraging the *shared-space* nature of AVR®.

The SWCC Group will continue with this project, and as it strives to achieve the goals of the medium-term plan, will pursue various solutions businesses in new fields.





Education program development

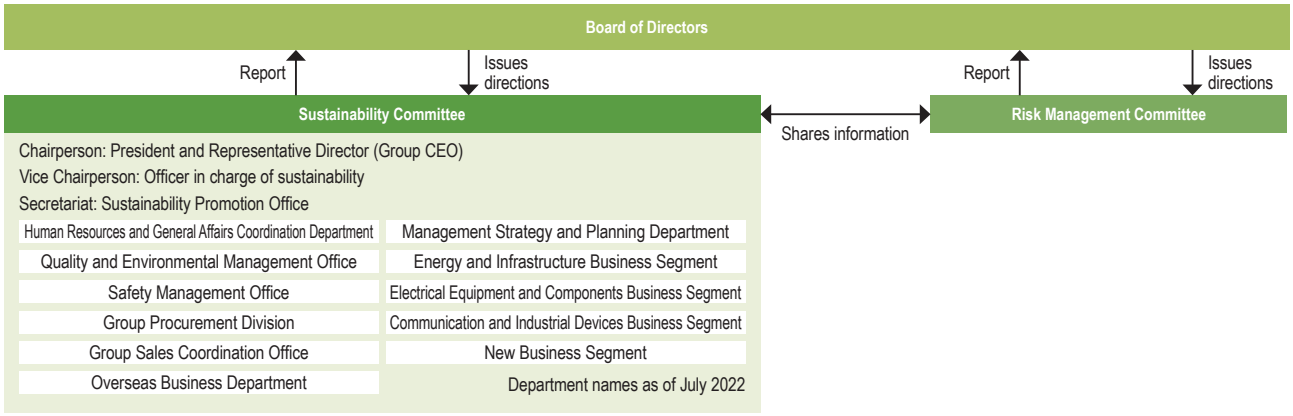
Application to medical and welfare fields

Sustainability Efforts

Organizational Structure for Promotion of Sustainability Efforts

Based on the Group's management philosophy, we have strengthened our sustainability structure and established the Sustainability Promotion Office in April 2022 as well as the Sustainability Committee in July 2022 in order to conduct sustainable corporate operations from the perspectives of the environment, society, the economy, etc.

The Sustainability Committee drafts the Group's Sustainability Basic Policy, identifies materiality (key issues), promotes sustainability strategies based on opportunities and risks, and reports and makes recommendations to the Board of Directors regarding sustainability issues and responses thereto. In principle, Sustainability Committee meetings are held at least once every six months.



Sustainability Basic Policy

In addition to strengthening our sustainability structure, we have formulated a Sustainability Basic Policy that serves as the basis for our activities. Based on this policy, we will practice corporate behavior that responds to various social issues.

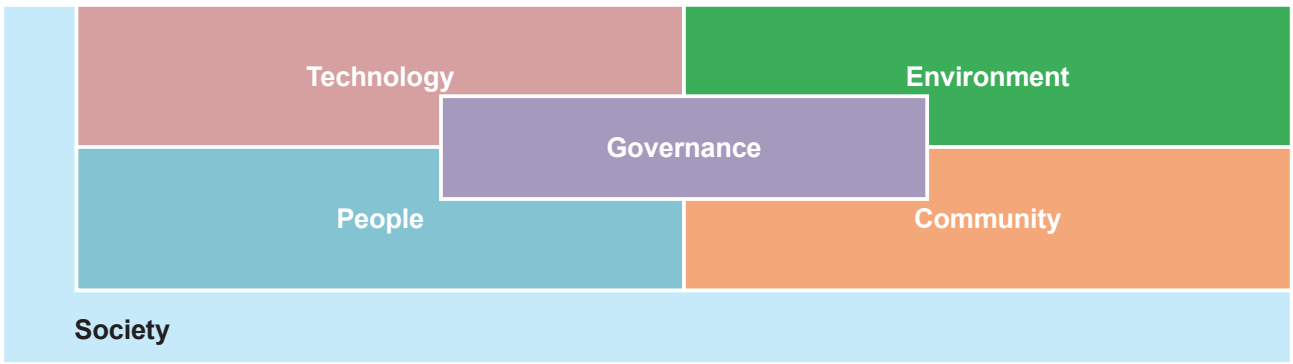
Basic Policy

Through trust and innovation, the SWCC Group aims to solve social issues and improve corporate value to create a sustainable and prosperous future society.

Overall Image

- **Provide customers with high-quality products and services through superior technology and innovation.**
- **Promote the spread of clean and green energy and strive to protect the global environment.**
- **Value our connections with local communities and the value chain in the spirit of "empathy," "coexistence," and "co-prosperity."**
- **Promote work styles that make the most of individuality and diversity, and work to improve engagement.**
- **Foster a good corporate culture by enhancing the humanity and ethics of our officers and employees.**

● Five elements of social issues



Materiality (Key Issues)

Formulation Process

In anticipation of the reorganization of the management structure in April 2023, we reviewed the priorities based on the existing CSR Basic Policy and set materiality as new key issues in August 2022.

In setting materiality, we take four steps to select social issues that have a significant impact on both the Company and stakeholders, identify priority issues, and formulates specific courses of action, indicators and KPIs for each theme. We will continue to review our key issues on a regular basis, for instance, in parallel with the formulation of the mid-term management plan.

STEP 1 Understanding, integrating, and consolidating social issues

- We surveyed approximately 300 items from various frameworks related to international social issues such as SDGs, CSR (Corporate Social Responsibility), and sustainability, and selected 40 social issues, taking into account their relevance to the SWCC Group.

STEP 2 Verifying stakeholder expectations

- Regarding the social issues selected in STEP 1, we conducted a questionnaire survey for investors, business partners (suppliers and customers), local communities, and employees about their expectations of the Company, and recognized them as being important for the stakeholders.

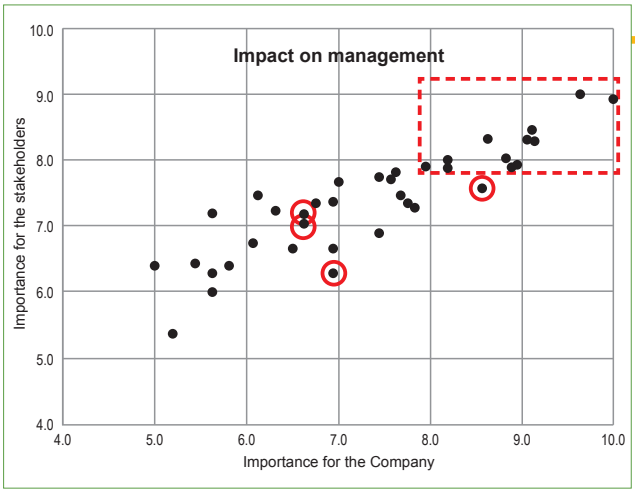
STEP 3 Selecting high-priority social issues

- We comprehensively evaluated the social issues from two standpoints of the “importance for the Company” based on the contents of our vision and management plan and the “importance for the stakeholders” collected in STEP 2. Then, we identified high-scoring items and complementary items, and determined 13 high-priority social issues.

STEP 4 Formulating materiality, courses of action, indicators and KPIs

- We grouped high-priority social issues into five items by similar field of environment, society, and governance, and identified them as materiality, establishing themes, courses of action, indicators, and KPIs.

- STEP 3 to STEP 4



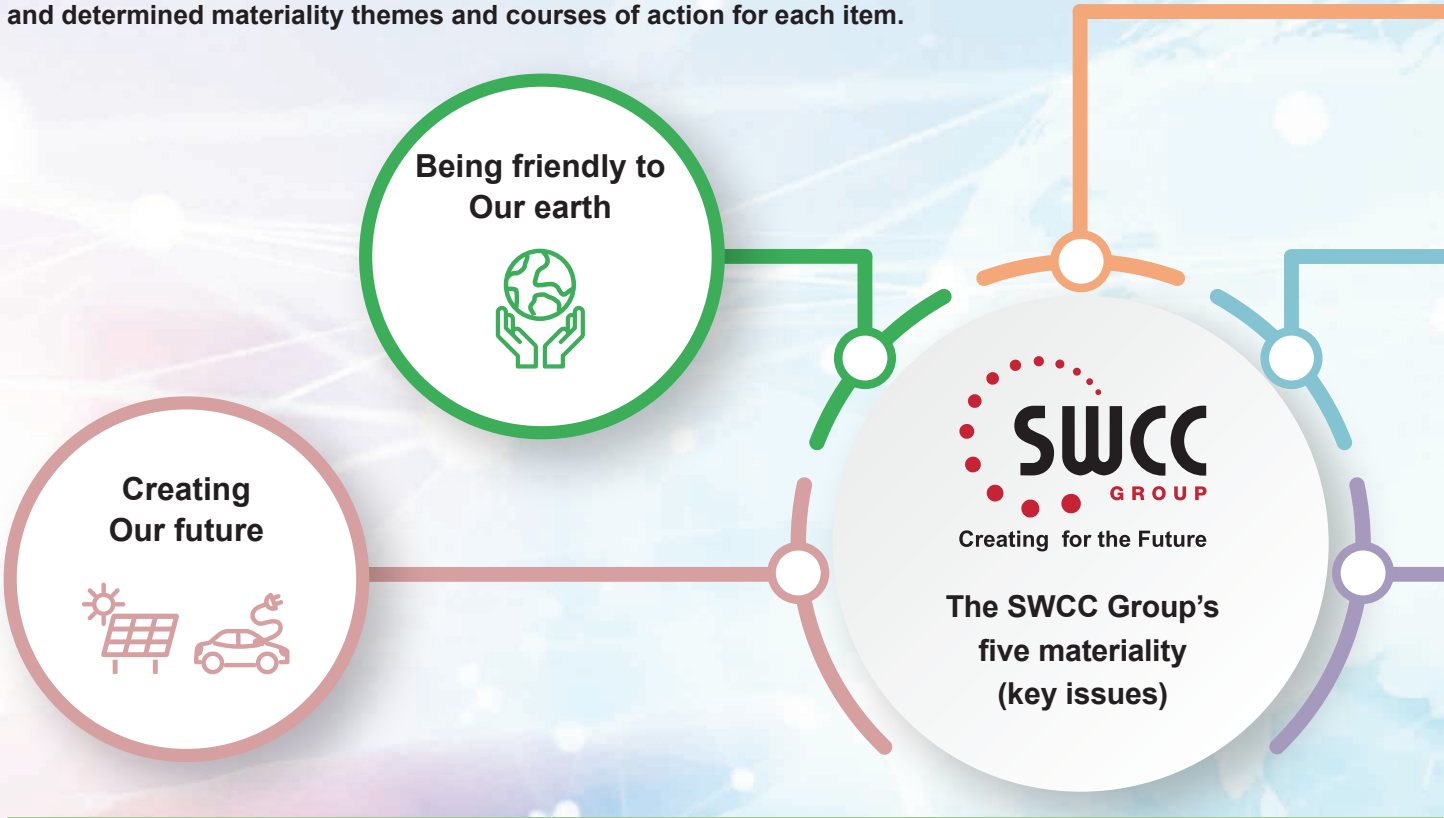
Areas enclosed in a red box: High-scoring social issue items

Red circles: Complementary social issue items

High-priority social issues	Field	
① Spread of sustainable clean energy	Environment	
② Greenhouse gas emissions		
③ Sustainable consumption and production		
④ Reduction of chemical substances and waste		
⑤ Creation of resilient infrastructure and promotion of innovation	Technology	Society
⑥ Realization of resilient and sustainable cities		
⑦ Gender equality	People	
⑧ Rewarding work		
⑨ Human resources development		
⑩ Engagement with local communities	Community	
⑪ Significant impact on business	Governance	
⑫ Product and service safety		
⑬ Information and labeling for products and services		

Materiality

We grouped high-priority social issues into five items by similar field, and determined materiality themes and courses of action for each item.



[Category] Theme		Course of action
[Technology] Creating Our future	7 AFFORDABLE AND CLEAN ENERGY, 11 SUSTAINABLE CITIES AND COMMUNITIES	Spread sustainable clean energy through superior technology and innovation
		Create resilient infrastructure for the future society
[Environment] Being friendly to Our earth	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION	Reduce greenhouse gases through relentless efforts and responses
		Promote the recycling of all resources with the collective strength of the Group
		Use limited water resources effectively
[Community] Our partnership to work together	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 17 PARTNERSHIPS FOR THE GOALS	Value connections and develop alongside local communities
		Cooperate with the value chain in the spirit of empathy, coexistence and co-prosperity
[People] Helping Our people shine	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH	Promote the utilization of diverse human resources (Diversity & Inclusion)
		Human resources development for the future
		Improve engagement (create rewarding work and workplaces)
[Governance] Our Governance for better company	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Monitor corporate management
		Provide good-quality and safe products and services

Our partnership to work together

Helping Our people shine

Our Governance for better company

Indicator and KPI	Target <year achieved>
Sales ratio of products related to xEV (electric vehicles)	20% or more <FY2026>
In-house introduction rate of renewable energy	30% or more <FY2025>
CAGR (compound annual growth rate) of SICONEX® products	12% <FY2022 to FY2026>
Number of patent applications related to SDGs goals 7 and 11	100 or more <FY2026>
Greenhouse gas (CO_2) emissions (Scope 1 + Scope 2)	45% reduction compared to FY2013 <FY2025>
Final disposal rate of waste	50% reduction compared to FY2018 <FY2025>
Water usage	20% reduction compared to FY2018 <FY2025>
Number of fund/material aids for non-profit organizations, etc. and community contribution activities (other than volunteering)	5% increase from the previous year <every year>
Sustainability Procurement Guidelines questionnaire score	4.5 or higher <FY2026>
Ratio of female executives (section leader positions)	8% (10%) <FY2026>
Average hours of training per year per employee	4 times longer than FY2021 <FY2026>
Engagement score	55 or higher <FY2026>
Lost time injury frequency rate	0.23 or less every year <every year>
Attendance rate of independent outside directors at Board of Directors meetings and committee meetings	75% or more <every year>
Failure costs due to quality	50% reduction compared to FY2021 <FY2026>
Customer satisfaction	Score higher than the previous year <every year>

Efforts to Conserve the Environment

Environmental Management

Basic Idea

Based on its management philosophy to comply with all applicable rules and regulations, consider safety and the global environment, and expand its activities to earn trust, the SWCC Group establishes its environmental philosophy, as well as annual environmental policy and priority topics, and makes a group-wide effort to engage in environmental conservation activities.

Environmental Philosophy

The SWCC Group recognizes that it is a mission for the Group as a corporate citizen to pass on our precious Earth to the next generation in a healthy state, strives to conserve the environment through all business activities, and contributes to building a society capable of achieving sustainable development.

FY2021 Environmental Policy

1. **We comply with laws, regulations and other requirements.**
2. **We will endeavor to continuously improve environmental management systems and environmental performance.**
3. **We enhance education and awareness building to raise the environmental awareness of each employee.**

FY2021 Priority Topics for Environmental Activities

1. **Environmental conservation based on compliance with laws, regulations, ordinances, and other requirements, and stricter voluntary management standards**
2. **Implementation of initiatives to achieve the 7th SWCC Group voluntary environmental action plan and medium- to long-term environmental targets**
   ❶Continuation and strengthening of the reduction of specific energy consumption ❷Reduction of final disposal volume through the promotion of recycling ❸Formulation and implementation of specific measures to reduce water usage from a long-term perspective
3. **Enhancement and promotion of environmental education**

Organizational Structure for Promotion of Environmental Management

Environmental management of the SWCC Group is promoted under the Group management council, and our Quality and Environmental Management Office, which serves as the environmental supervision department, rolls out to each Group company through the Environmental Management Working Group.

The Group's environmental policy is developed by the Quality and Environmental Management Office, deliberated by the Environmental Management Working Group, and decided by the Group management council. The Quality and Environmental Management Office periodically reviews the Group's environmental management activities, sustains and improves the entire Group's environmental management, and drives forward environmental management activities in accordance with business areas of each Group company and regional characteristics of each site.



● ISO 14001 certification

	Group company name	Year and month of certification
Domestic	SWCC SHOWA CABLE SYSTEMS CO., LTD.	Aug. 2022
	FUJI ELECTRIC CABLE CO., LTD.	Dec. 1999
	SWCC SHOWA UNIMAC LTD. SENDAI FACTORY	Mar. 2001
Overseas	SWCC SHOWA (VIETNAM) CO., LTD.	Mar. 2008
	JIAXING SHOWA INTERCONNECT PRODUCTS CO., LTD.	Oct. 2004
	DONGGUAN SHOWA INTERCONNECT PRODUCTS CO., LTD.	Jan. 2009
	FUQING SHOWA PRECISION ELECTRONICS CO., LTD.	May 2008
	SWCC SHOWA VIETNAM INTERCONNECT PRODUCTS CO., LTD.	Dec. 2019
	FUTONG SHOWA WIRE & CABLE (HANGZHOU) CO., LTD.	May 2013
	SHOWA-TBEA (SHANDONG) CABLE ACCESSORIES CO., LTD.	Dec. 2010

● Eco Action 21 certification

Group company name	Year and month of certification
STEC (SHOWA TECHNICAL CORPORATION)	May 2005
LOGIS-WORKS CO., LTD.	July 2021

Voluntary Environmental Action Plan

Medium- and Long-Term Environmental Plan "Green Plan 2050"

Recognizing that it is our mission to pass on our precious Earth to the next generation in a healthy state, we are working to solve social issues through business and environmental activities that give higher consideration to ESG and Sustainable Development Goals (SDGs).

In fiscal 2019, we formulated the Medium- and Long-term Environmental Plan "Green Plan 2050" based on the key concept of zero environmental impact in 2050, and established a long-term vision and set 2030 targets. For the realization of this long-term vision and the achievement of these 2030 targets, we set specific targets for each goal in the voluntary environmental action plan. Specifically, we will divide them into three categories, namely, further promotion of the reduction of CO_2 emissions and energy conservation (low fuel consumption, power saving) in manufacturing processes including the development of new technologies, as well as energy conversion at plants, and we will address issues through Group-wide projects.

● Medium- and Long-Term Environmental Plan "Green Plan 2050"

Environmental goal	Target for FY2030	Target for FY2050
Global warming prevention	Reduce CO_2 emissions by 50% compared to the baseline year (FY2013) results [The target has been raised as the initial target of 35% has already been achieved]	●Realize products that do not emit CO_2 or carbon neutral products ●Create products that resolve environmental issues
Effective use of resources	Reduce final waste disposal volume by 50% compared to the baseline year (FY2018) results	●Promotion of sustainable use of resources ●Achievement of zero final disposal (landfill) volume
Effective use of water resources	Reduce water consumption and wastewater volume by 50% compared to the baseline year (FY2018) results	●Promotion of sustainable use of water resources

7th Voluntary Environmental Action Plan (FY2021-FY2025)

The SWCC Group established the 7th Voluntary Environmental Action Plan in fiscal 2020 and started a 5-year initiative from fiscal 2021. Based on this plan, we will pursue business and environmental activities that give higher consideration to SDGs, as well as address social issues.

The 7th Voluntary Environmental Action Plan, which applies to all of the Group's business locations in Japan, classifies goals into the categories of global warming prevention, effective use of resources, effective use of water resources, and other, and for each category, it outlines management items and attainment targets or indices for the final fiscal year.

● FY2021 Results for the 7th Voluntary Environmental Action Plan

Environmental goal	Category	Attainment targets or indices	Results
Global warming prevention	Energy savings (CO_2 reduction)	Reduce CO_2 emissions (Scope 1 + Scope 2) by 45% by FY2025, using FY2013 results as a reference. [The target has been raised as the initial target of 25% has already been achieved]	38% reduction
Effective use of resources	Reduction of waste discharged	Reduce the amount of waste discharged at all sites by 5% by FY2025, using FY2018 results as a reference.	18% reduction
	Promotion of recycling of resources	Reduce the final waste disposal (landfill) volume at major production sites by 50% by FY2025, using FY2018 results as a reference.	70% reduction
	Reduction of plastic usage	Based on "Plastic Usage Guidelines."	Implemented improvements such as the reuse of packaging materials and the elimination of cushioning materials
Effective use of water resources	Reduction of water usage	Reduce the amount of water usage by 20% by FY2025, using FY2018 results as a reference.	0.1% increase
Other	Enhanced management of chemical substances	Based on "Green Procurement Guidelines."	VOC*1 usage reduced by 13% compared to FY2020 results
	Expansion of environmental contribution products	Based on "Environmental Contribution Product Guidelines."	Registered 12 environmental contribution products
	Conservation of biodiversity	Based on "Biodiversity Conservation Guidelines."	Promotion of regional symbiosis and ecosystem protection activities

*1 VOC: Abbreviation for Volatile Organic Compounds

● **Environmental goal: Global warming prevention**

We will work to reduce CO_2 emissions in order to prevent global warming. In fiscal 2021, we achieved our targets for fiscal 2025 and fiscal 2030 with a 38% reduction compared to fiscal 2013 results. Although the amount of production activities in fiscal 2021 increased by approximately 6% compared to fiscal 2020, CO_2 emissions were reduced by approximately 11% compared to fiscal 2020. The reduction can be attributed to the promotion of energy-saving initiatives at production sites, as well as an increase in the ratio of non-fossil fuels in purchased electric power and city gas.

In response to this steady progress in reducing CO_2 emissions, we have raised the target for fiscal 2030 to a 50% reduction compared to fiscal 2013, and set a target for fiscal 2025, the final year of the 7th Voluntary Environmental Action Plan, to reduce emissions by 45% compared to FY2013. In addition, we have added the following indicators to our 7th Voluntary Environmental Action Plan as a measure to achieve our new targets.

Additional indicators
① Increase renewable energy introduction rate to 30% by fiscal 2025
② Promote 100% electrification of company-owned passenger cars to be replaced by fiscal 2025 (electric vehicles: EV, PHV, HV)

● **Environmental goal: Effective use of resources**

We will work to promote resource recycling by reducing waste discharge volume and reducing final waste disposal (landfill) volume. In addition, in the Action Plan, we have established an index of the reduction of plastic usage based on Plastic Usage Guidelines.

The amount of waste discharged in fiscal 2021 was reduced by 18% compared to the fiscal 2018 results, achieving the fiscal 2025 target (5% reduction). Factors contributing to this reduction include increased productivity and efficiency improvements that resulted in a significant reduction in the waste discharge volume generated during manufacturing.

The final waste disposal (landfill) volume in fiscal 2021 was reduced by 70% compared to the FY2018 results, achieving the fiscal 2025 target (50% reduction). Factors contributing to this reduction include the progress in thermal recycling of waste plastic and resource recycling.

Although we achieved our fiscal 2025 targets for both waste discharge volume and final waste disposal volume, as with CO_2 emissions, a significant increase in production is expected after 2023, and there is concern about an increase in the amount of waste that will accompany this. Accordingly, we will further promote the sorting and recycling of waste and promote initiatives to reduce the amount of waste.

As an initiative to reduce plastic usage, we have promoted the reuse and recycling of plastic packaging materials used for product packaging. In addition, we have reduced plastic usage and simplified packaging by eliminating the plastic cushioning materials used in product packaging and switching to cardboard-only packaging. These measures are currently being implemented only for some products, but we will expand them to other products and strive to further reduce plastic usage.

● **Environmental goal: Effective use of water resources**

Under the 7th Voluntary Environmental Action Plan, we are newly looking at water resources and working toward sustainable water usage. As a measure for this, we will promote the circulation of cooling water and wash water, and make an effort to use water resources effectively.

The amount of water used in fiscal 2021 increased by 0.1% compared to fiscal 2018 results. In fiscal 2021, we considered specific measures to reduce water usage in the future and strengthened the monitoring of water usage. Strengthening the monitoring of water usage has led to the identification of unnecessary water usage and the early detection of water leakages. From fiscal 2022 onwards, we will promote measures to reduce water usage.

TOPICS 1 Introduction of Carbon-neutral City Gas at SWCC Showa Cable Systems Co., Ltd. Mie Plant

At the SWCC Showa Cable Systems Co., Ltd. Mie Plant, we have reached an agreement with TOHO GAS Co., Ltd. on the introduction of carbon-neutral city gas, and we have switched part of the city gas used at the Mie Plant to carbon-neutral city gas for the five years from October 2021 to September 2026. The amount introduced is one million cubic meters per year, which will contribute to reducing fuel-derived CO_2 emissions at the Mie Plant by approximately 30%. The carbon-neutral city gas that has been introduced uses carbon-neutral LNG purchased by TOHO GAS Co., Ltd. from Diamond Gas International Pte. Ltd., a wholly owned subsidiary of Mitsubishi Corporation, which offsets the CO_2 (carbon offset) generated in the processes from extraction to combustion of natural gas.



TOPICS 2 Introduction of Renewable Energy through the PPA Model at SWCC Showa Cable Systems Co., Ltd. Aichi Factory

At the SWCC Showa Cable Systems Co., Ltd. Aichi Factory, we concluded a contract to purchase and consume all the electricity generated by the solar power generation equipment installed by SMFL MIRAI Partners Company, Limited. About 20,000 m^2 of the roof space of the Aichi Factory is provided, and SMFL MIRAI Partners Company, Limited has installed solar power generation equipment with a panel capacity of 2,224 kW there. It will be possible to supply approximately 2.2 million kWh of electricity annually from the installed power generation equipment. It is expected that this will cover approximately 20% of the Aichi Factory's annual electricity consumption and reduce CO_2 emissions from the Aichi Factory by approximately 15%. The installation of the power generation equipment has been completed, and operation began in April 2022.



TOPICS 3 Obtained Highest Rating in the DBJ Environmentally Rated Loan Program from the Development Bank of Japan for Third Straight Year

The SWCC Group obtained the highest rating in the DBJ Environmentally Rated Loan Program offered by Development Bank of Japan Inc. as a company "with exceptionally advanced environmental initiatives." This is the third straight year since 2019 that the SWCC Group obtained this rating.

In this rating, the following initiatives were highly evaluated.

1. Aiming to further reduce energy consumption at the manufacturing stage, we established a company-wide project team called the Green Energy Project, and, while setting medium-term goals, we are continuously working to reduce environmental impact through our business activities, such as by increasing the number of newly registered products that contribute to environmental friendliness throughout their life cycle.
2. In fiscal 2021, we started a CSR questionnaire survey for our suppliers, and by implementing improvement guidance based on the survey results, we are practicing supply chain management that takes the environment and CSR into account.
3. In order to realize the vision "SWCC VISION 2030," with the aim of promoting social problem-solving business, we are working to expand both corporate value and social value by, for instance, promoting the use of renewable energy and developing the high-voltage power cable connection work system "SICOPLUS®," which contributes to solving the labor shortage.

DBJ Environmentally Rated Loan Program
2021

TOPICS 4 Showa Improvement Activity Presentation

In order to support such activities as quality improvement, productivity enhancement, health and safety, and environmental conservation, and to boost employees' awareness and increase the sophistication of activities, twice per year the SWCC Group holds an event to present the achievements of activities by workplace circles and improvement projects selected from our overseas and domestic sites. The best achievements are reported at companywide conferences and implemented in other areas.

At the Improvement Activity Presentation, teams selected through a global preliminary competition make presentations, and a Grand Prize, Transformation Prize, and Business Management Prize are awarded.

At the Improvement Activity Presentation held in the second half of fiscal 2021, one team from outside Japan and 10 teams from Japan participated and the team from LOGIS-WORKS Co., Ltd. was awarded the Grand Prize. Some of the plastic sheets and stretch film used in the SWCC Group's product packaging were disposed of as waste plastic after unpacking. LOGIS-WORKS Co., Ltd.'s made efforts to reduce the amount of waste plastic by promoting the collection and recycling of used plastic sheets and stretch film after unpacking, and this activity that enabled recycling and aimed at environmental conservation and the effective use of resources was highly evaluated.



Packaging material wrapped around the product drums (black sheets)



Recycled plastic sheet





Grand prize-winning team at the 2nd Half FY2021 Showa Improvement Activity Presentation LOGIS-WORKS Co., Ltd.,

Relations with Society

Supplier Relations (Supply Chain)

Basic Idea

The SWCC Group develops its Procurement Policy and endeavors to establish a good cooperative relationship with suppliers to provide a stable supply of value-added products.

SWCC Group Procurement Policy
The SWCC Group shall

1. Comply with all applicable laws and regulations along with appropriate social practices, as well as engage in fair and equitable transactions.
2. Give top priority to mutual trust with its suppliers and establish a relationship where each is the best partner for the other.
3. Appreciate stable quality and delivery times, with continued efforts to reduce costs and a constant capacity for technological development.
4. Procure earth conscious materials.
5. Never accept any inappropriate favors from suppliers.

CSR Questionnaire

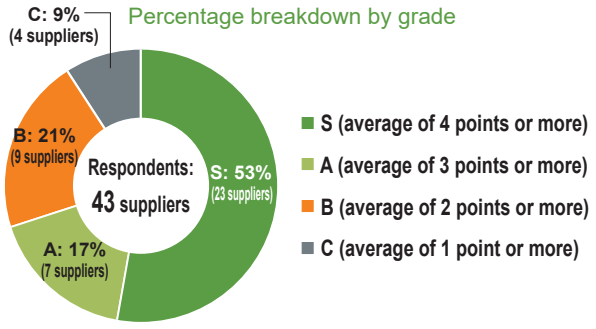
Based on societal demand, we put together the basic idea of social responsibility that should be fulfilled together with suppliers and our requests as the CSR Guidelines for Supply Chain.

The SWCC Group conducts a survey on major suppliers regarding the status of their CSR initiatives. As of this fiscal year, we adopted the Self-Assessment Questionnaire (SAQ) prepared by Global Compact Network Japan (GCNJ) for the survey. The status of all 114 items, including CSR, human rights, labor, the environment, fair corporate activities, quality and safety, information security, supply chain, and coexistence with local communities, is evaluated on a 3-point scale of 1 point, 3 points, and 5 points.

CSR Questionnaire Results

Duration of survey	June 2022
Target	50 suppliers
Return rate	86% (43 suppliers)
No. of questions	114
Average score (on a 5-point scale)	3.8 pts

Percentage breakdown by grade



Analysis of the questionnaire revealed that 70% of suppliers are of the level sought by the SWCC Group (i.e., have a grade of A or higher) in the overall evaluation.

Average scores by category



Actions According to Assessment Category

Assessment category	Number of suppliers	Actions for improvement
S (average of 4 points or more)	23	Provide feedback along with averages of all suppliers and charts for score rates by major category
A (average of 3 points or more)	7	
B (average of 2 points or more)	9	Provide feedback on scores and requests for improvement by the next time
C (average of less than 2 points)	4	Exchange opinions and implement support for improvement after a meeting

When analyzing by individual questions, “Quality and safety” scored highest, with many suppliers receiving perfect scores. However, challenges remain in “Corporate governance related to CSR,” “Human rights,” and “Coexistence with local communities.”

Next, we will examine the results of the survey in more detail, and then give feedbacks to suppliers on the results and conduct interviews with them to gain a more precise understanding of their circumstances. Especially with those suppliers with B and C grades, we will provide support for improvement, and have them establish a PDCA cycle, and thereby instill our CSR procurement policy and improve their level in cooperation with such suppliers.

The SWCC Group will continue conducting the CSR survey and engaging in efforts to build a sustainable supply chain, which includes addressing the abovementioned challenges.

Green procurement

Recognizing that it is a fundamental duty of humans living today to pass on our precious Earth to the next generation in a healthy state, we do our best to make purchases that pay due consideration to this need in our material procurement activities, and have formulated and released Green Procurement Guidelines to prioritize purchasing products with the smallest impact on the environment as possible. Furthermore, through our website we put out an open call for proposals for environmentally friendly products as follows:

1. Products and packaging that consider the following throughout the entire product lifecycle (from resource extraction to disposal).
   - Reduction of environmental pollutants
   - Conservation of resources and energy
   - Reusability
   - Recyclability
   - Use of recycled materials
   - Ease of disposal
2. Dissemination of information
   - New environmental technology
   - Presentation of specific efforts

BCP Measures in Procurement

Factors such as worldwide disruptions in logistics due to the recent COVID-19 pandemic and natural disasters throughout Japan have changed the environment surrounding materials procurement, but we are accumulating knowledge by addressing these changes and striving to achieve more stable procurement and logistics.

One example is creating a “procurement map” that shows suppliers’ production sites. It helps us respond quickly and consider alternative materials to procure when a disaster occurs. We work with manufacturing and sales departments to identify “key products,” and every few years we revise the supply system to ensure materials used in those products can be purchased from multiple regions.

Supplier Assessment System

With the aim of strengthening cooperation with excellent suppliers and improvement activities by identifying issues, we implement a Supplier Assessment System every year, in which a wide range of departments, including manufacturing, technology, quality assurance, research and development, materials, etc., evaluate important suppliers from their own perspectives. This system has been in place since 2014 and we are striving to further strengthen cooperation by presenting awards to excellent suppliers.



Excellent Supplier Award

Customer Relations (Quality Management)

Basic Idea

Based on its management philosophy to strive to deepen the relationship of trust with customers through offering superior technology and high-quality products and services, the SWCC Group establishes a quality policy and priority topics annually, and makes group-wide efforts to improve quality.

FY2021 Quality Policy

1. **Thoroughly comply with laws, regulations, and agreements with customers.**
2. **Achieve rapid technological development, services and manufacturing while working closely with customers.**
   - Fully demonstrate the Group's sales capabilities, share customer needs throughout the Group without fail, and propose new services based on a collaboration between sales, engineering, and manufacturing divisions.
   - Achieve manufacturing that prioritizes quality customers can trust.
3. **Carry out quality assurance activities to ensure all stakeholders are satisfied, including customers, employees, and the local community.**

FY2021 Priority Topics in Quality Assurance Activities

1. **Maintain and improve our quality management system that is trusted by customers.**
   (Formulate themes that address risks and opportunities and implement a PDCA cycle)
2. **Continue and strengthen initiatives to mitigate failure costs from the previous fiscal year.**
   (Make effective improvements in processes to reduce external complaints and in-process nonconformities.)
3. **Achieve manufacturing with stable quality in all processes from the inquiry and order stage to delivery.**
   (Achieve manufacturing and services that utilize cutting-edge technology)
4. **Carry out talent development to pass on and advance high-quality manufacturing expertise.**

Organizational Structure for Promotion of Quality Management

Quality management of the SWCC Group is promoted under the Group management council, and our Quality and Environmental Management Office, which serves as the quality supervision department, rolls out to each Group company through the Quality Control Working Group.

The Group's quality policy is developed by the Quality and Environmental Management Office, deliberated by the Quality Control Working Group, and decided by the Group management council. The Quality and Environmental Management Office periodically reviews the Group's quality management activities, sustains and improves the entire Group's quality management, and drives forward quality management activities in accordance with the business areas of each Group company.

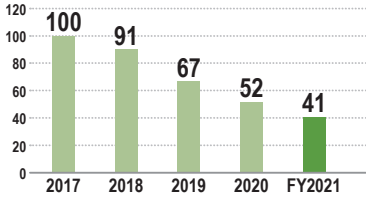


Initiatives to Mitigate Failure Costs

The SWCC Group implemented a quality cost approach in fiscal 2018 and has been carrying out quality improvement initiatives ever since. "Quality cost" consists of preventative costs to prevent nonconformities, assessment costs to evaluate conformity, and failure costs that incur when there are quality problems (i.e., nonconformities) in products and services that do not meet requirements. The approach aims to optimize the structure of costs that have incurred and improve quality.

In fiscal 2021 we carried out activities with the aim of reducing failure costs by 10% compared to fiscal 2020, and achieved a 21% reduction. Looking at the breakdown of failure costs, we reduced internal failure costs caused by in-process nonconformities that occurred internally by 15% compared to fiscal 2020, but external failure costs due to customer complaints that occurred outside the company were 43% lower than in fiscal 2020, and improvements have been made to prevent non-conforming products from being released outside the company.

● Failure costs of domestic Group companies (with FY2017 as 100%)

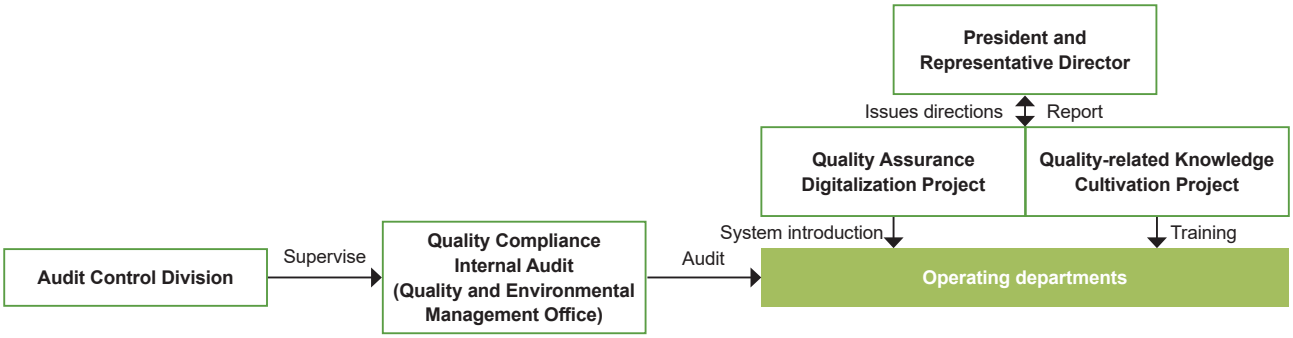


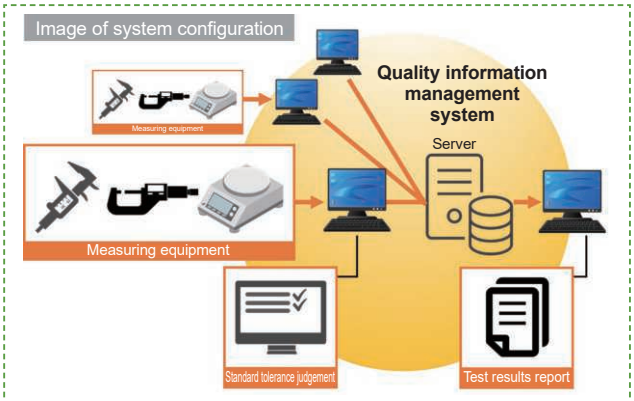
Quality Compliance Initiatives

In July 2021, we announced inconsistencies in testing with the methods determined with our customers for some products previously manufactured and sold by our group company SWCC Showa Cable Systems Co., Ltd. We sincerely apologize for the great inconvenience and concern that this incident has caused to our customers and other related parties.

In response to the facts and causes identified by a Special Investigation Committee including outside attorneys and an Internal Investigation Committee, we are working to strengthen the quality control system, thoroughly implement quality audits and compliance, renew the SWCC Group's quality culture, and create a system that will not relapse.

As part of this, we have set up the Quality Assurance Digitalization Project (hereinafter referred to as the "Digitalization Project") and the Quality-related Knowledge Cultivation Project (hereinafter referred to as the "Knowledge Cultivation Project") directly under the president. In the Digitalization Project, we will introduce digital tools to quality assurance inspection operations, improve the reliability of the process, and build a system that centrally manages all data related to quality assurance. Moreover, in the Knowledge Cultivation Project, we create training tools for the knowledge necessary for manufacturing, quality assurance, design and technology departments, knowledge about management methods, and knowledge about compliance, and we conduct mobile training for group employees according to job grade. In addition to these two projects, we are enhancing the oversight of our operating departments through quality compliance internal audits conducted by the Quality and Environmental Management Office.







Mobile training through the Knowledge Cultivation Project

For quality compliance internal audits, we have formed an investigation team that is independent from the operating departments centered on the Company, and continuously and comprehensively confirm whether there is any inappropriate act related to quality compliance. Investigation results are reported through the Group management council.

In fiscal 2021, we conducted audits of 10 departments at 4 domestic companies with increased accuracy, including preliminary written surveys and interviews with workers. As a result of the audits, we identified 48 "items requiring correction." Although all cases satisfied the requirements of laws and customers, there were inconsistencies with internal rules and there were deficiencies in the rules themselves, and the audit team followed up on corrective actions to prevent serious inappropriate acts. On the other hand, if there are cases requiring improvement in terms of quality or issues with the inspection system, securing human resources, or passing down skills, we present them as "items requiring improvement" and propose proactive improvement initiatives.

Shareholder and Investor Relations

■ Information Disclosure Policy

To be a company correctly understood, evaluated, trusted, and sympathized with by all stakeholders, including shareholders and investors, the SWCC Group has developed the Disclosure Policy to actively disclose information.

The Group discloses information in accordance with the Financial Instruments and Exchange Act, as well as the Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities (hereinafter referred to as the “Timely Disclosure Rules”) established by the Tokyo Stock Exchange. In addition, information that affects investment decisions by shareholders and investors is actively disclosed on a constant basis in accordance with the Group’s “SWCC Group Rules on Information Disclosure,” even if the information is not subject to the Timely Disclosure Rules. We strive for fair and timely information disclosure by avoiding selective disclosure of unpublished important information to a specific institution or individual.

We have also established a “quiet period” before each financial results announcement to prevent the leakage of financial results information and ensure fairness. We refrain from commenting or answering questions on our financial results during the quiet period.

■ Organizational Structure for IR

In the SWCC Group, the executive officer responsible for the management strategy and planning department also serves as the executive officer in charge of IR.

Led by the executive officer in charge of IR, dedicated IR staff in the management strategy and planning department serve as the contact personnel and exchange information and routinely cooperate with finance and accounting, legal, and sustainability promotion departments as necessary. The Group thus strives to enhance dialogue with shareholders and investors.

■ Dialogue with Shareholders and Investors

The company convenes the Ordinary General Meeting of Shareholders in June each year, where it receives questions and opinions from shareholders. The Group also strives to distribute financial information and press releases through newsletters for shareholders and the website.

For investors, briefing sessions for analysts are held twice a year (at the end of the second quarter and fiscal year), and videos of these briefing sessions are distributed. In addition, the Group strives to facilitate communication between a larger number of investors and our management team by holding small meetings four times a year (every quarter). At these meetings, we also offer programs to match the themes of interest to our investors, with content such as briefings on each business by the chief of the relevant business segment and ESG briefings attended by outside directors.

One-to-one meetings are also conducted actively, both in Japan and overseas, upon the request of investors, except during the “quiet period.”



The 126th Ordinary General Meeting of Shareholders


Briefing session for analysts

Employee Relations (Human Rights, Employment)

The human resources initiatives under the sustainability strategy outlined in the SWCC Group Mid-Term Management Plan "Change & Growth SWCC 2026" are as follows.

■ Efforts for Human Resources Development

At the SWCC Group, we have formulated the SWCC Next Generation Business Leader Succession Plan to ensure sustainable growth and maintain and build a solid management structure from a medium to long term perspective. We use the following process to help define our image of the qualities required of corporate officers.

- Next generation business leader selection process
  The process applies to two types of candidates: "next generation business leaders" and "future leaders." Next generation business leader candidates represent a pool of talent that shows promise to be entrusted to run a Group company now. Future leaders represent a pool of talent that shows promise to be selected to be next generation business leader candidates in the next five years or so.
  Candidates for the next fiscal year are nominated by the Group CEO by the end of the current fiscal year and chosen by the Nominating Committee.
- Next generation business leader development process
  The following training programs are offered to develop next generation business leaders.
  ❶ SD Seminar (Showa Director's Seminar, a business management seminar taught by directors)
  Note: The SD Seminar has been held since 2017 for select young employees who have been nominated by the business segment chief and approved by the Group CEO.
  ❷ Future Leader Training
  ❸ Next Generation Business Leader Training
  ❹ Cross-industry Networking Training

■ Efforts to Promote Health and Productivity Management

Health and productivity management is an initiative that aims to improve corporate value and business performance by giving consideration to the health of employees. The concept of the initiative is to consider health management from a management perspective and strategically put it into practice.

2022 健康経営優良法人 Health and productivity

Maintaining and improving the mental and physical health of employees can lead to enhancement of the company's competitive strength through improvement in labor productivity and in employee's creativity by securing a healthy and stable workforce. Thus, in April 2019, we formulated the SWCC Group health management declaration and disclosed it publicly on our website. The SWCC Group actively engages in activities to support health as the foundation to creating an environment that enables every employee to have rewarding jobs and work energetically with healthy minds and bodies.

Specifically, we are engaging in health and productivity management efforts by strengthening cooperation with the SWCC health insurance association and establishing a group-wide health management organization system that is led by the President.

We have identified issues such as health guidance, passive smoking, infectious disease prevention, overworking, and mental health, and are moving forward with a wide range of activities to support the health of employees in collaboration with industrial physicians and public health nurses. In recognition of these efforts, SWCC Showa Holdings Co., Ltd. and SWCC Showa Cable Systems Co., Ltd. have been certified as a Health & Productivity Management Outstanding Organization (large enterprise category), jointly selected by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, for three consecutive years.

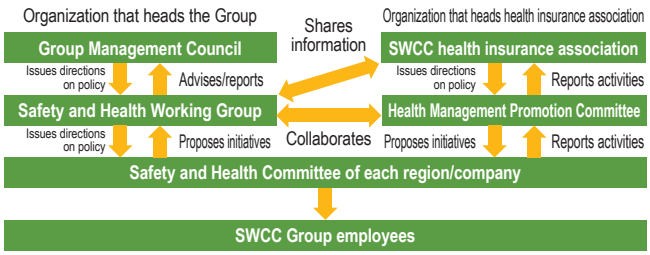
[Change in awareness to improve health]
We have expanded health services to raise the health awareness of everyone, support healthy activities, and created an environment that enables everyone to work healthily and with peace of mind.
[Promoting provision of health guidance]
We have tried to improve our employees' health through measures including provision of health guidance, based on the results of reexaminations and close examinations after regular health checks.
[Promoting the total prohibition of smoking in our company facilities (target for smoke-free declaration: FY2023)]
We have launched measures to provide totally smoke-free workplaces during working hours, based on a mutual understanding between the views of smokers and non-smokers.
[COVID-19 countermeasures]
We have worked to prevent the spread of COVID-19 through measures such as the establishment of a special leave system and the distribution of PCR testing kits.

[Efforts to maintain and promote female health]
We engaged in maintaining and promoting female health through measures such as assistance for gynecological health checks and examinations (including cancer screening) and the creation of environments that make it easier to take menstrual leave (including disseminating information on the program, distributing booklets, etc.).
[Promoting new work styles under COVID-19]
We encouraged flexible and diverse work styles through measures such as the expansion of telework conditions and the promotion of working at satellite offices.
[Recognized as a Sports Yell Company 2022]
We were selected as a Sports Yell Company 2022 in recognition of our active efforts to implement sports, not just as sporting competitions but also as a way to improve the health of our employees.

At the SWCC Group, we are engaged in a wide range of initiatives centered on key measures based on our health management declaration.

We will continue to work actively to create workplaces where all employees can engage in their jobs with health and vigor.

● SWCC Group's Organizational Structure for Promotion of Health and Productivity Management



■ Efforts for Diversity Management

The SWCC Group aims to be an organization that flexibly accepts and capitalizes on diverse personalities of employees such as different attributes and working conditions. We recruit diverse human resources with different backgrounds.

As the labor shortage is expected to worsen due to the decline in the workforce, we will further work on measures to strengthen our organizational capabilities while taking advantage of our diversity.

● Programs for Senior Employees

While Japan's birthrate is declining and its population aging, we operate our senior employment program to provide workplaces for those who are willing to keep working after retirement. Recognizing the need to maintain and improve motivation to lead to more active participation, in fiscal 2021 we increased career patterns and expanded options to accommodate diverse work styles by creating multiple career patterns that take into account roles and duties besides the existing senior employment program.

Career patterns

1. Standard Senior Program (for managerial track employees, skilled workers, and clerical staff) :
   Standard course for employees who wish to be reemployed after reaching the retirement age of 60, upon agreement between the company and employee
2. Specialist Program (senior management and senior experts; for managerial track employees, management, and equivalent): New program
   Course for professionals with outstanding managerial capabilities and/or specialized knowledge and experience
3. Short-time work, for which second job is permitted (for managerial track employees, skilled workers, and clerical staff): New program
   Course with reduced working hours that permits employees to take a second job for those who wish to broaden their horizons
4. Career Change Support Program (for managerial track employees): New program
   Course that provides support to establish a life plan for employees who choose to retire and start a second life, such as starting their own business or becoming reemployed

● Female Empowerment

In line with the basic principles of the Basic Act for Gender Equal Society and the Act on the Promotion of Female Participation and Career Advancement in the Workplace, we launched the Female Empowerment Project "SWCCarat" in fiscal 2021. Directly under the control of the President, the purpose of the project is to drive initiatives to enable female employees to fully demonstrate their individuality and capabilities, and participate even more actively in the workplace.

Under this project, we conducted an awareness survey of female employees in fiscal 2021. Based on the results of this survey, we held a lecture by President Hasegawa on envisaging careers for female employees lacking confidence, and submitted written requests to the SWCC Human Resources Department and presidents of each Group company on matters concerning the personnel system. In addition to being recognized as a leading company for female empowerment under the "SMBC Nadeshiko Loans" offered by the Sumitomo Mitsui Banking Corporation, we obtained *"Eruboshi"* mark certification based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace in July 2022.
(Please refer to the Special Feature page in this Integrated Report for details of the project activities.)

There is still ample room for the SWCC Group to raise the ratio of female employees and the ratio of women in management positions. In view of this situation, we will engage in initiatives focused on women, actively provide recommendations and support for the creation of systems to enable diverse work styles, and implement a range of measures aimed at achieving comfortable working environments for all employees.

(Female Empowerment Target) By FY2026, achieve:
- 8% women in management positions, and
- 10% women in section leader level and higher positions

(Ratio of Women in Management Positions at the End of Each Fiscal Year)
FY2021: 4.8%
FY2020: 3.7%
FY2019: 3.0%

30 Challenge
#HereWeGo203030

SMBC NADESHIKO Finance

女性が活躍しています！

Special Feature

The Female Empowerment Project
—Our First Step Towards Organizational Development to Utilize Diverse Perspectives—

SWCCarat

Developing our organization by leveraging diversity is a key challenge for us, as we aim to grow into a highly competitive company that can respond flexibly to a range of different needs. Due to the nature of the male-dominated wire and cable industry, the SWCC Group has a low ratio of female employees and suffers from a resulting lack of women in management positions. We also face a scarcity of female engineers in the SWCC Group's business domains. In view of this situation, we launched the Female Empowerment Project (nicknamed "SWCCarat") in April 2021, directly under the control of the President. We have embarked on the full-scale implementation of measures for female empowerment, aiming for a ratio of women in management positions of 8% and a ratio of women in section leader level and higher positions of 10% by fiscal 2026.

We have been engaged for some time in enhancing programs to help employees to balance work with child-raising or nursing. According to the results of the awareness survey conducted under SWCCarat, however, we feel the need to eliminate unconscious bias, establish systems to support career development and build networks among female employees, and create ample opportunities for each individual female employee to grow and develop with confidence. As an initial awareness-raising activity, we held a lecture on "Envisaging Your Career" by President Hasegawa. The message that "we want you to concentrate on grasping the opportunities in front of you and doing your best, without limiting yourself because you are a woman" resounded with many female employees, and provided a good opportunity for them to think about their own careers. In fiscal 2022, we have planned training for each age level, intergenerational and interdepartmental social gatherings for female employees, and awareness-raising events. We will support employees as they learn approaches to the active consideration of careers in management and ways to overcome life-stage changes and difficulties, and assist in creating environments where they can continue to work with a genuine sense of mutual growth through various interactions.


Lecture

SWCCarat
A portmanteau of "SWCC" (the SWCC Group) and "carat," a unit of weight for precious stones, representing employees' potential to shine. The name embodies our hope that all of the Group's employees, not just women, will radiate their own brilliance through their work.

We also submitted written requests on matters concerning the personnel system. For example, some of our clerical staff, who comprise 70% of all female employees, called for better evaluation criteria. SWCCarat requested the Human Resources Department to further clarify the contribution made by clerical staff and implement systems and other measures to reflect this in their treatment and remuneration. Revising the evaluation system in this way and clarifying the requirements for changing career track would create an environment where ambitious employees can take on challenges on an equal basis with others. At the same time, to enhance organizational strength, it is important to create environments where employees mutually respect the value perceptions and standpoints of their supervisors and other employees around them, and help them to make full use of their abilities. We will work with the Human Resources Department to enhance systems to respond flexibly to employee needs, implement training courses to deepen understanding of diversity and build a system for individual follow-up interviews. In addition to these initiatives, we intend to continue to disseminate information to the local community and proactively recruit women in an effort to expand the absolute number of female employees.

Under SWCCarat, we aim to continue to ensure the opinions of our employees reach the ears of senior management and, importantly, that they are reflected in action, to create environments that are comfortable and rewarding for all employees, not only women.

We will promote the following measures.

Supporting Women's Career Development
- ☑ Training for each age level
- ☑ Encouragement for women to actively embrace careers as leaders
- ☑ Intergenerational and interdepartmental networks for female employees
- ☑ Follow-up interviews with supervisors

Cultivating and Raising Awareness
- ☑ Lectures to help raise motivation
- ☑ Dissemination of information to the local community and participation in Riko-challe (supporting the development of female science students in junior high school and high school)
- ☑ Endeavor to expand the absolute number of female employees

Employee Relations (Safety and Health Activities)

Basic Idea

To build safe and comfortable workplace environments and expand its efforts to provide society with security and trust, the SWCC Group promotes safety and health activities by complying with laws and regulations, and internal rules, and based on the premise that “safety takes precedence over all” as well.

FY2021 Safety and Health Policy

1. **Comply with laws and regulations, and internal rules such as work standards and work procedures.**
2. **Implement thorough education and training drills to raise the safety awareness of each employee.**
3. **Take proactive measures to prevent accidents.**
4. **Promote health of both mind and body.**

FY2021 Priority Topics for Safety and Health Activities

1. **Confirm rules such as work standards and procedures, and check level of compliance.**
2. **Strengthen education to raise the abilities of section heads and safety supervisors.**
3. **Accident prevention (efforts to mitigate risks).**
   ① Practice KYT and KYK centered on young and inexperienced employees.
   ② Conduct patrols based on a check list and make improvements accordingly
   ③ Make rounds of workplaces and enhance safety guidance by supervisors.

Organizational Structure for Promotion of Safety and Health Management

In April 2022, we established an independent Safety Management Office based on our fundamental philosophy that “safety takes precedence over all.” Safety and health management is now promoted through the Safety Management Office, which receives instructions from the Group management council, and rolls out measures to each Group company through the Safety and Health Working Group.

The Group’s safety and health activity policy is developed by the Safety Management Office, deliberated by the Safety and Health Working Group, and decided by the Group management council. The Safety Management Office regularly reviews the safety and health activities of each Group company, and facilitates problem-solving and accident and disease prevention. Furthermore, each Group company establishes safety and health management systems based on the Industrial Safety and Health Act and other relevant laws, and carries out safety and health activities in accordance with their business areas.



Current State of Industrial Accidents in FY2021 and Next Steps

The number of industrial accidents in the SWCC Group in fiscal 2021 was as follows: 30 in Japan, including four requiring leaves of absence, and 1 requiring leave of absence abroad. This is an increase from fiscal 2020. In terms of age group, the proportion of people involved in industrial accidents who were 29 years old and under decreased from 46% to 27%, but in terms of group by experience, 43% of those involved had five years of experience or less, and accident countermeasures for inexperienced workers remain a challenge. At SWCC Showa Cable Systems Co., Ltd., the activities of the Safety and Health Promotion Offices established in fiscal 2020 showed results, such as a reduction in accidents among young workers. However, the total number of industrial accidents has not decreased, and further prevention activities will be implemented. From the perspective of health and productivity management, we have held regular meetings of the Health Subcommittee from the second half of the fiscal year to promote the “health of both mind and body.”


A safety patrol

In fiscal 2022, we established the Safety Management Office as an independent section to strengthen safety and health activities across the Group. We also plan to establish a training center aimed at cultivating safety awareness among all employees, and we will promote safety education and training drills.

Relations with Society (Social Contribution Activities)

Basic Idea

The SWCC Group has formulated a Social Contribution Activity Policy as the basis to widely carry out activities that contribute to society. Based on this policy, we will gradually develop an internal foundation for initiatives such as a social contribution support system, in order to become a company that earns the trust of and inspires stakeholders.

SWCC Group Social Contribution Activity Policy

The SWCC Group strives to instill a high awareness of social contribution among employees, and carries out a wide range of worthwhile activities through its products and services and actions of its employees to achieve a sustainable society.

Introduction of Social Contribution Activities Leave

The SWCC Group introduced social contribution activities leave in May 2022 as part of the Group's social contribution. This measure is designed to support employees to directly and voluntarily undertake social contribution activities.

Specifically, employees are allowed to take up to five days of accumulated leave[*1] per year to participate in activities related to the five key fields designated under the SWCC Group Social Contribution Activity Policy, as well as external seminars and lectures related to the SDGs and CSR.

*1 Up to 50 days of expired annual paid leave may be accumulated for use under the accumulated leave system

Five key fields	Examples	Definition of social contribution activities
1. Security and safety	Assistance in disaster recovery	● Activities that contribute to enhancing the future social value, and consequently the economic value, of the SWCC Group in accordance with the 17 goals defined under the SDGs. ● This contribution may be provided either directly or indirectly.
2. Environmental conservation	Environmental beautification and conservation activities	
3. Developing the next generation	Educational activities	
4. Invigoration of the local community	Sports volunteering Participation in community events	
5. Technological assistance	Pro bono activities	

Permanent employees of SWCC Showa Holdings Co., Ltd. and SWCC Showa Cable Systems Co., Ltd. (a total of approximately 1,400 employees) are eligible for this leave. We plan to expand the eligibility to include other Group companies in the future.

With the introduction of social contribution activities leave, we aim to encourage and support employees who undertake concrete initiatives and cultivate a corporate culture that emphasizes social contribution activities.

Community Contribution Activities

Volunteer activities to reduce food wastage and assist various users are undertaken through initiatives to deliver food donated by companies and individuals to these users. At the SWCC Group, we endorse these activities, and have donated items such as confectionery, emergency food, and masks.

We will continue to actively drive activities to address a variety of social issues.

● SWCC SHOWA CABLE SYSTEMS CO., LTD. Mie Plant and SWCC SHOWA UNIMAC LTD.

In August 2021, we endorsed the "Food Waste Reduction Initiative" undertaken by the Inabe City Council of Social Welfare, and donated confectionery and masks that had been stored for an emergency.

● SWCC SHOWA CABLE SYSTEMS CO., LTD. Ebina Factory

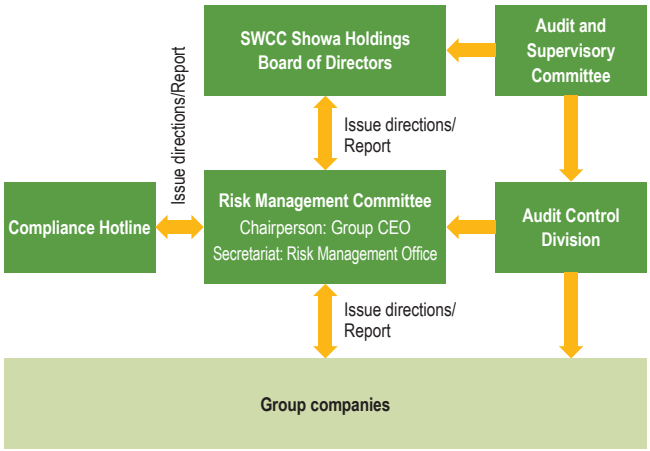
In January 2022, through the food bank activities of Food Bank Kanagawa, we donated emergency food that had been stored at factories closed due to relocation.



Risk Management

Risk Management

As the environment surrounding corporate management undergoes dramatic changes, accurately identifying and assessing increasingly complex and diverse risks, and preparing solutions, are crucial elements in managing a company. We believe that building a sound risk management system and creating and seizing business opportunities by taking appropriate risks will lead to sustainable growth for the Group. The SWCC Group carries out group-wide risk management based on three lines of defense: operating departments (first line), administration departments (second line), and audit departments (third line). Specific activities are carried out through the Risk Management Committee, in which the Group CEO serves as chairperson, and directors and executive officers of the company and presidents of major operating companies serve as members. Examples of the committee's activities include assessing risks, developing risk management plans and solutions, and tracking progress of risk measures throughout the year. The committee's proceedings are reported to the Board of Directors in a timely manner.



Furthermore, we are striving to strengthen our group-wide risk management system, which is essential for the continued development of our businesses. We established the Risk Management Office within the Business Management Coordination Department as a risk control department. The office supervises risk management of the entire Group, which includes handling administrative operations of the Risk Management Committee, formulating rules and guidelines, providing training, and monitoring risks.

● Risk Management Training

In October 2021 we provided risk management training for Group officers and line managers. We welcomed Mr. Kiyotaka Kawasaki, Mr. Taku Ito, and Ms. Yui Takagi, attorneys at Midosuji LPC Attorneys at Law, as instructors at the training. They lectured on issues such as corporate ethics and scandal case studies, on the themes of "corporate governance" for officers and "compliance risk" for line managers. We will continue to provide regular training courses on risks and compliance, and strive to increase employees' knowledge and awareness of risks.


Risk Management Training

● Major Identified Risks

Whether or not any risk falls under a major risk that could have significant impact on investors' decisions is determined by the Risk Management Committee through identification, analysis, and evaluation of risks. Specifically, the Committee quantifies risks listed by Group companies in accordance with their level of impact and probability of occurring. Based on this, the SWCC Group assesses any risk that could have significant impact as a major risk and takes measures against it. The following have been assessed as major risks.

FY2021 Major Risks

Risk category	Details of identified risks	Major initiatives	Remaining risks
Natural disasters	● Suspension of operations, shutdown of logistics functions, and other problems at manufacturing sites caused by the following disasters: • Natural disasters such as massive earthquake, typhoon, and flooding • Accidents such as fire	• Formulated Business Continuity Plan (BCP) that includes the supply chain to ensure smooth initial response against anticipated risks • Made systematic investments to strengthen infrastructure equipment at manufacturing sites • Purchased fire and other insurance	• If substantial restrictions in planned production activities occur, such as prolonged deterioration of social infrastructure functions caused by power shortages, logistics delays, and other problems, it would have a huge impact on performance.
Changes in raw material prices	● Changes in prices of copper, which is the key raw material ● Changes in prices of petrochemical products such as polyethylene	• Enhanced management via organization that oversees group procurement • Reduced inventory through planned, stable procurement • Shifted costs to product prices • Hedged risk of copper price fluctuation by utilizing futures trading, etc.	• If shifting costs to product prices is difficult or loss occurs due to a dramatic drop in market prices, it would have a significant impact on our performance.

Risk category	Details of identified risks	Major initiatives	Remaining risks
Pandemic	● Impact of COVID-19	• Actions taken by the COVID-19 Emergency Response Center (confirm safety of employees, prevent infection within and outside the company, etc.) • Built a business continuity system that uses online tools, etc.	• Shrinkage of the market, disruptions in the supply chain, and constraints in business activities caused by the continuing pandemic will have a significant impact on our financial position and results of operations.
Supply chain disruptions and breakdowns	● Stoppages and delays in the supply of raw materials due to supply chain disruptions and breakdowns	• Mitigated risks by diversifying procurement sources and engaging in multiple purchasing • Thoroughly managed individual procurement sources (manage risks of closure and business discontinuation)	• Impact of stoppages and delays in the procurement of raw materials on business activities and operating results • Rise in procurement costs resulting from procurement difficulties
Quality issues	● The emergence of quality issues (faults and defective products) ● Manufacturing and selling products that violate product standards, laws, regulations, or agreements with customers	• Monitoring by the Quality and Environmental Management Office and audits by the Audit Control Division • Ensured thorough quality control and prevent violations through the promotion of the digitalization of quality assurance • Rolled out a group-wide education program • Purchased liability insurance	• Compensation for damages and product liability claims arising from quality issues • Damage to trust and reputation from quality issues
Compliance	● Risk of violating laws, regulations, and rules concerning the tax system ● Risk of violating obligations under contracts or transactions with business partners or others ● Loss of trust due to behavior by officers or employees that is unacceptable based on social norms	• Fostered group-wide compliance awareness and strengthened the system of checks by the Legal Office. • Implemented training and workshops concerning compliance • Worked to detect any violations through the use of the internal reporting system	• Disciplinary measures, sanctions, or other penalties imposed by regulatory authorities • Possibility of claims for damages or demands for the cessation of transactions from business partners and other relevant parties • Damage to trust or reputation due to being considered lacking in compliance awareness
Environment and climate change	● Impact on business from delays and other problems in responding to environmental and climate change issues ● Growing cost of reducing CO_2 emissions ● Rise in energy-related procurement costs	• Strengthened our response to environmental and climate change issues and actively disclosed related information • Rolled out group-wide environmental projects • Considered capital expenditure standards taking environmental response into account	• Loss of trust and negative impact on recruitment or business results from delays in responding to environmental and climate change issues • Decline in profitability due to ballooning manufacturing costs in the medium and long term

Information Security

The SWCC Group has established its Information Security Policy, and revises its countermeasures against the constantly-growing risk of cyber-attacks and information leakage, providing annual training for employees based on these. The SWCC Group recognizes the investment in security as a key management issue and is making proactive efforts on security.

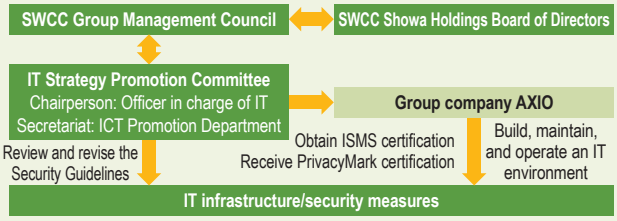
● Information Security Policy

We recognize that information handled within the company includes important information on business activities, such as customer information, management information, technical and production information, and employees' personal information. Thus, we strive to comply with laws and regulations and to improve the system and IT environment that enable appropriate management.

In addition, we have formulated Information Security Guidelines and prepared an IT environment with greater reliability so that confidentiality, integrity, and availability are ensured to help customers and employees use information assets securely. We will continue to maintain these guidelines and this environment at all Group companies.

● Information Security System

The IT Strategy Promotion Committee is a committee organization consisting of IT administrators of operating companies under the Group's direct supervision, and develops IT security measures, plans and implements training on security, and proposes investments in security measures. AXIO Corporation, an operating company under the Group's direct supervision, operates the Committee, assuming responsibility for the building, maintenance, and operation of IT infrastructure.



● FY2021 Initiative Results

We provided training on information security to all employees in the Group, including officers, from December 2021 to February 2022. In September 2021 and March 2022, we conducted email drills on all Group companies in Japan (fake spam was sent to randomly chosen employees to determine whether they were able to take the correct action) as a cybersecurity measure against targeted email attacks that have become more sophisticated in recent years. The email drills we have conducted since fiscal 2020 have resulted in a decrease in the proportion of fake spam email that employees open, compared to the result of the drill in early days. The rate of computer virus infection relative to the number of spam emails is also in a declining trend, showing the effectiveness of these email drills.

● FY2022 Initiative Plan
In fiscal 2022 we plan to provide information security training and conduct two email drills. Previous email drills were conducted with the aim of reducing the proportion of spam emails that employees open. However, partly due to the successful results of these drills, in the fiscal 2022 drills, we will establish a process to take to deal with any spam email that they have opened and system of notification in such a case, and train them to take the proper measures after opening such an email. Through these initiatives, we plan to progressively improve CSIRT throughout the Group.
The SWCC Group is committed to enhancing and ensuring compliance through continuation of these initiatives.

BCM (Business Continuity Management)

The SWCC Group must fulfill its social responsibilities, including the responsibility to continue supplying in emergencies by overcoming unexpected situations such as disasters that may occur during business activities. We must similarly restore operations in a quick and planned manner to continue business. For that reason, during non-emergency times, we steadily work on BCM (Business Continuity Management), which is intended to maintain and improve capacity to continue organizational business.

The Group reviews the disaster prevention system at each site, selects priority business operations within the Group in time of emergency, and examines strategies and measures to continue business and restore it quickly.

In fiscal 2021, based on the BCM system that we have established at each of our sites in Japan, we conducted facility inspections in accordance with the plan, took precautionary measures, verified their effects through regular drills, and reviewed the BCP manual to ensure that it was appropriate for the current situation. We also expanded deliberations on applicable natural disasters to include typhoons and torrential rains in addition to earthquakes and tsunamis while referring to local hazard maps, and carried out activities to enable each site to operate more independently in line with its location.

Recent years have seen the frequent occurrence of weather-related disasters. For flooding, in particular, unheard-of amounts of rainfall are being recorded across Japan due not only to typhoons growing in scale and intensity, but also to localized torrential rain and lengthy periods of rain. To prepare for disasters such as these, we have prepared a flood response timeline determining “what action to take and when to take it, in the event that heavy rain is forecast.” We are also reviewing other responses necessary for business continuity, including updating information on disaster forecasts such as the flooding of factory buildings and equipment and transport network disruptions due to landslides and mudflows, and reflecting this information in our countermeasures in advance of the disaster occurring.

Furthermore, in order to combat the spread of COVID-19, we have centralized the Group’s communication system related to COVID-19 around SWCC Showa Holdings Co., Ltd. In addition, as a company involved in infrastructure, we facilitated teleworking and staggered working hours at sales locations and offices, while our manufacturing and business sites continued business activities by carrying out exhaustive infection prevention measures. We also put a teleworking environment in place, which includes introducing smartphones for the internal phone system, converting to a non-territorial office system, expanding the use of mobile computers and Wi-Fi, facilitating online meeting systems, utilizing satellite offices, and implementing workflows. And we formulated and carried out the New Business Practice Guidelines to enable business to continue during the pandemic.

In fiscal 2022 we will continue to carry out exhaustive measures to prevent the spread of COVID-19 and strive to promote diverse work styles and improve operational efficiency even further, with a focus on business continuity in times of emergency.

Compliance

The SWCC Group considers compliance to be one of its most important management issues and takes various measures internally to comply with laws and regulations. Specific measures are planned and formulated mainly at the Risk Management Committee, and then implemented by the Corporate Legal Services Division.

Compliance with antitrust laws is an especially critical and high-priority issue for the SWCC Group. We conduct internal audits focused on antitrust laws as well as hold sessions for personnel in charge of sales on a regular basis each year. In addition, we implement compliance training programs during the sessions and rank-based programs (e.g. training programs for new employees and executives) on laws and regulations related to the SWCC Group’s business, such as the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors and the Construction Business Act, to promote compliance widely.

The SWCC Group operates a Group-wide internal reporting system (Compliance Hotline) by establishing contact offices internally and externally (an attorney’s office). We prepare a system to prevent compliance violations and detect any that occur.

In fiscal 2021 we worked to boost compliance awareness further by addressing the issues learned from a compliance questionnaire survey conducted after the previous fiscal year’s sessions and reflecting them to this fiscal year’s sessions and training.

The SWCC Group is committed to enhancing and ensuring compliance through continuation of these initiatives.

Corporate Governance

Basic Idea

Based on our management philosophy, in which the keyword is “trust”, our basic policy for corporate governance is to conduct activities with the recognition that speeding up and streamlining management as well as enhancing relevant monitoring functions are universal challenges for all companies.

The SWCC Group is committed to actively developing a system required to ensure appropriate operations of the Group while fulfilling its corporate social responsibility (CSR).

Changes in Governance

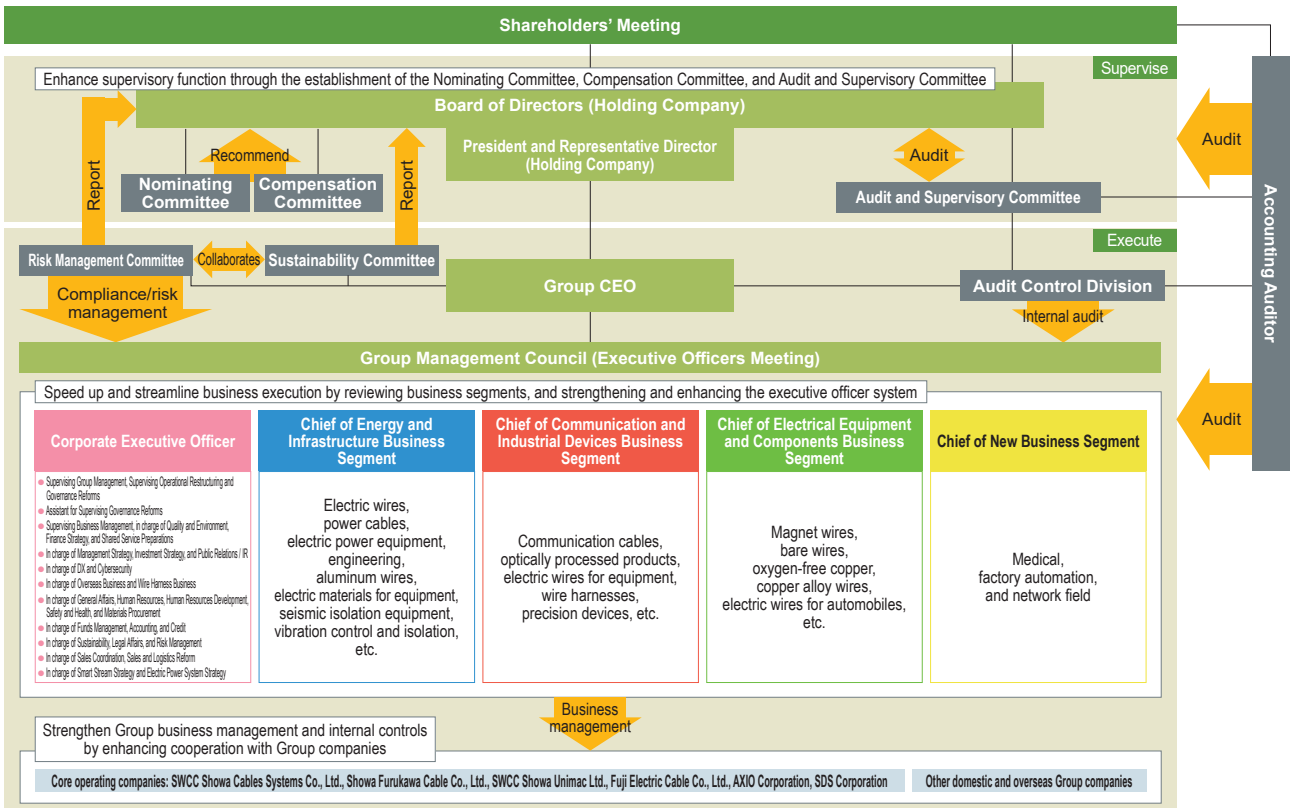
Year	2006	2016	2018	2019	2020	2022
Organizational design	Company with a board of statutory auditors (to June 2019)			Company with an audit and supervisory committee (from June 2019)		
Total number of officers	13	14	10	7	7	7
Directors	9	10	7	7	7	7
Outside directors	0	2	2	3	3	3
Auditors	4	4	3	—	—	—
Outside auditors	3	3	2	—	—	—
Topics	•Changes to holding company	•Appoints outside directors (from June 2015)	•Establishes Nominating Committee (December 2018) •Establishes Compensation Committee (December 2018) •Starts evaluating effectiveness of the Board of Directors	•Strengthens authority of executive officers (April 2019) •Establishes Group CEO (June 2019) •Abolishes position of director •Abolishes advisor system	•Establishes Chairman of the Board of Directors (April 2020) •Implements restricted share-based remuneration plan	

Current System

We adopt the system of a company with an audit and supervisory committee as part of our organizational design. The purpose of this adoption is as follows.

1. By delegating substantial decision-making authority for the execution of business operations to the executive officers, we aim to increase the efficiency and speed of business execution.
2. Based on the above 1, at the meetings of the Board of Directors, we will further enhance the deliberations on important themes such as management strategy.
3. The Audit and Supervisory Committee will play a central role in strengthening the auditing and supervisory functions.

● Corporate Governance System Diagram



Board of Directors FY2021 Held 21 times

President Inside Outside

Purpose and authority	Composition
To deliberate and decide on matters regarding the management policies and business execution of the company and its Group companies, and supervise to ensure that the execution of directors' duties is duly and efficiently conducted.	**3 directors** **4 directors who are Audit and Supervisory Committee members**

Audit and Supervisory Committee FY2021 Held 17 times

Purpose and authority	Composition
To audit and supervise the execution of directors' duties through monitoring and verification of the internal control system and effective cooperation with an accounting auditor, the internal audit department, and other departments, in accordance with the audit policy and plans set forth by the Audit and Supervisory Committee.	**4 directors**

Nominating Committee FY2021 Held 8 times

Purpose and authority	Composition
To deliberate the nomination of candidates for directors, executive officers, and others, and succession planning and other plans, and return a report based on consultation with the Board of Directors.	**3 directors**

Compensation Committee FY2021 Held 7 times

Purpose and authority	Composition
To deliberate the determination of the remuneration system and program and individual remuneration amounts for directors, executive officers, and others, and return a report based on consultation with the Board of Directors.	**5 directors*** *Increased by 1 in July 2022

Risk Management Committee FY2021 Held 3 times

Purpose and authority	Composition
To further enhance the SWCC Group's corporate governance system by supervising compliance and risk management of the entire Group and continuing to identify and correct issues thereof.	**1 chairperson** **17 committee members**

Sustainability Committee: Newly established in June 2022

Purpose and authority	Composition
To strengthen the sustainability structure with the aim of conducting sustainable corporate operations from the perspectives of the environment, society, and the economy, based on the SWCC Group's management philosophy.	**1 chairperson** **14 committee members**

Policy on the Structure of the Board of Directors

Based on our management philosophy, in which the keyword is “trust”, our basic policy for corporate governance is to conduct activities with the recognition that speeding up and streamlining management as well as enhancing relevant monitoring functions are universal challenges for all companies.

In accordance with this policy, we appoint people as directors who exhibit excellent character and insight, and can supervise and manage the company. And in order to strengthen the monitoring function, we require directors to have experience running a company, and appoint people with extensive knowledge and experience in a wide range of different fields including sales, finance, and manufacturing to ensure a well-balanced team. A skill matrix presenting the composition of the Board of Directors and the knowledge and experience possessed by each director is shown below, together with the reason for selecting each skill.

Directors’ Skill Matrix

Name	Essential skill: Corporate management	ESG	Industrial insight	Overseas business	Sales	Accounting & Finance	Research	Manufacturing
Takayo Hasegawa	●	●	●				●	
Dongcheng Zhang	●	●	●	●	●			
Guoqiang Hu	●	●	●	●		●		
Kiyoshi Togawa	●	●		●	●			
Yuji Sakakura	●	●		●		●		
Seiichiro Ichikawa	●	●						●
Takashi Togawa	●	●	●			●		

Reason for Selecting Each Skill

Skills	Reasons for selection
Corporate management	Directors possessing robust knowledge and experience in corporate management, who can promote the sustainable growth of the SWCC Group’s corporate value, are essential to achieve the goals of the mid-term management plan “Change & Growth SWCC 2026.”
ESG	Directors possessing robust knowledge and experience in issues such as climate change, sustainability, and strengthening corporate governance are essential for us to aim to promote a social problem-solving business, realize a sustainable society and improve corporate value based on our accumulated technologies and experience in the business, pivoting on the axis of trust as stated in our management philosophy.
Industrial insight	In order to swiftly grasp the changes in the business environment surrounding the company and achieve sustainable growth in areas such as the Energy and Infrastructure Business, Communication and Industrial Devices Business, and Electrical Equipment and Components Business, directors possessing robust knowledge and experience in the industries relevant to aforementioned businesses are essential.
Overseas business	Directors possessing experience in overseas business management and robust knowledge and experience in overseas business environments are essential to sustainably grow overseas businesses.
Sales	Directors possessing robust knowledge and experience in grasping and analyzing market trends and formulating sales strategies are essential to provide high value-added products.
Accounting & Finance	Directors possessing robust knowledge and experience in accounting and finance are essential to implement growth investment aimed at sustainably enhancing corporate value, as well as promoting management that will improve capital efficiency based on the key management indicator of ROIC (return on invested capital).
Research	Directors possessing robust knowledge and experience in a wide range of research and development activities, including fundamental research, are essential to solve social issues in fields such as the environment and energy, disaster prevention and infrastructure, and lifestyles and mobility.
Manufacturing	Directors possessing robust knowledge and experience in product manufacturing technologies and know-how are essential to manufacture products with appropriate quality.

Evaluation of the Effectiveness of the Board of Directors

We conduct analysis and evaluation of the effectiveness of the Board of Directors each fiscal year to verify that Board functions properly. Specifically, based on the answers to the questionnaire for all directors, the Board of Directors shares the results of the evaluation and issues found, and holds a constructive discussion on the ideal state of the Board going forward.

This year's evaluation is carried out from multiple perspectives, such as the composition and operation of the Board of Directors and agenda items.

To summarize the results of evaluation, it was first determined that the operation of the Board of Directors is being conducted appropriately by the Chairman of the Board of Directors and deliberations are being held in an atmosphere of candor and openness. Next, several issues were determined regarding agenda items and other matters, that opinions ascertained from IR and other activities are sufficiently discussed as agenda items at Board meetings, and that sufficient follow-up has been made regarding the status of execution and results about the proposals deliberated by the Board. In addition, it was determined that the Nominating Committee and Compensation Committee are functioning effectively. Therefore, as the results for each evaluation item were mostly favorable, it was determined that, on the whole, the Board of Directors is functioning appropriately and that its effectiveness is ensured.

On the other hand, we also recognize that further examination is needed. Regarding the operation of the Board of Directors, the evaluation revealed that we need to further examine ways to improve effectiveness through more efficient operation and enhance the deliberation of agenda items and other matters related to the broader direction of the company, such as management strategy, etc. We also need to cultivate deeper discussions on corporate governance. We will continue working to make improvements.

Officers' Remuneration

The Board of Directors has resolved on the decision-making policy regarding matters such as directors' individual remuneration. To ensure independence and objectivity, this resolution was based on deliberation and reporting by the voluntary Compensation Committee that includes independent outside directors.

Furthermore, the Board of Directors determined that directors' individual remuneration for the current fiscal year was in line with the decision-making policy because it was confirmed that the method for determining remuneration details and the decided remuneration details were consistent with said decision-making policy and recognizing the report from the Compensation Committee.

The details of the decision-making policy related to matters such as directors' individual remuneration are as follows.

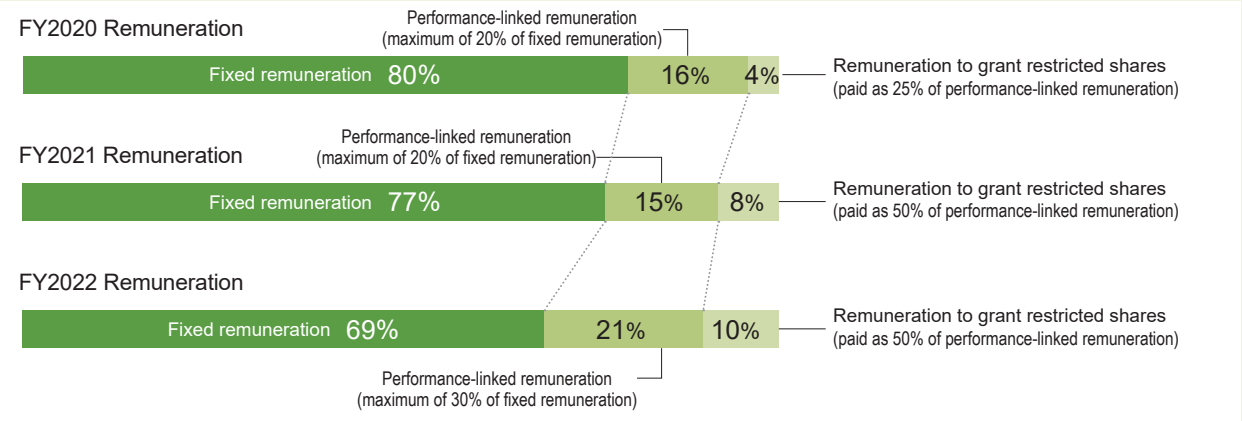
Composition of Remuneration

The remuneration for directors (excluding directors who are Audit and Supervisory Committee members) is comprised of a fixed remuneration and performance-linked remuneration.

Type	Category	Details
Fixed remuneration		This consists of a basic remuneration and additional job-based remuneration that is dependent on the director's duties and responsibilities.
Performance-linked remuneration		This is calculated uniformly based on the following indicators and formula taking into account the balance of short- and mid-term target incentives, the maximum amount of which is equal to a certain percentage of the fixed remuneration. Directors who do not perform executive duties (including directors who are Audit and Supervisory Committee members) are not paid performance-linked remuneration. ❶**Indicators:** • Operating income achievement ratio (A)= (current operating income outlook ÷ current operating income target) x 100% • Mid-term operating income achievement ratio (B)= {(operating income 2 years prior + operating income 1 year prior)÷ (operating income target 2 years prior + operating income target 1 year prior)} x 100% • ROIC achievement ratio (C) = (current ROIC outlook ÷ current ROIC target) x 100% ❷**Reasons for selecting indicators:** The operating income achievement ratio and mid-term operating income achievement ratio have been set as indicators of profitability, and the ROIC achievement ratio has been set as an indicator of capital efficiency. It has been determined that providing incentive to achieve these targets will lead to improving mid- to long-term corporate value. ❸**Performance regarding indicators:** For this fiscal year, each target set for each indicator has been achieved. ❹**Formula** Performance-linked remuneration = Maximum performance-linked remuneration amount × (A × 40% + B × 30% + C × 30%)
	Remuneration to grant restricted shares	Remuneration to grant restricted shares is paid in order to accelerate value sharing between directors and shareholders. A certain percentage of the performance-linked remuneration is uniformly paid in the form of remuneration to grant restricted shares. Directors who do not perform executive duties (including directors who are Audit and Supervisory Committee members) are not paid the remuneration to grant restricted shares.

● Percentage Breakdown of Remuneration

The percentage of fixed remuneration, performance-linked remuneration, and remuneration to grant restricted shares that make up total remuneration are reevaluated by the Compensation Committee each time. Furthermore, the total amount of remuneration for directors (excluding directors who are Audit and Supervisory Committee members) shall not exceed ¥300 million per year. Remuneration for fiscal 2022 shall be paid as follows: performance-linked remuneration shall be paid up to a maximum of 30% of fixed remuneration, and an amount equivalent to 50% of said performance-linked remuneration shall be paid as remuneration to grant restricted shares.



● Payment Schedule

Monetary remuneration combining fixed and performance-linked remuneration for the fiscal year shall be paid in equal amounts each month starting the first month of the fiscal year. Remuneration to grant restricted shares shall be paid by the month following the Shareholders' Meeting of that fiscal year, under the condition that the director has been appointed or reappointed at said meeting.

● Process to Decide Remuneration

The amount of individual remuneration for directors (excluding directors who are Audit and Supervisory Committee members; the same applies hereinafter in this section) is decided by the President and Representative Director of the company, Takayo Hasegawa, within the total amount of directors' remuneration established at the Shareholders' Meeting, under the condition of considering factors such as the report by the Compensation Committee, policy for deciding remuneration of directors and others established by the company, and the assessment results based on the performance reviews of directors.

Objectivity and transparency in the process to decide the remuneration is ensured by consideration of perspectives such as the reports issued by the voluntary Compensation Committee that includes independent outside directors, compliance with the policy on deciding remuneration of directors and others established by the company, and assessment results based on the performance reviews of directors conducted by the voluntary Nominating Committee, majority of which comprises independent outside directors. Measures are also taken to ensure authority is exercised properly without arbitrary decision-making.

The reason the President and Representative Director was delegated is that it was determined that said person has thorough knowledge of matters such as the environment that surrounds the company and its business conditions, and is suitable for making assessments that take into account the directors' duties and abilities.

The remuneration for directors who are Audit and Supervisory Committee members is decided based on discussion among directors who are Audit and Supervisory Committee members, within the maximum amount established at the Shareholders' Meeting, in accordance with Paragraph 3, Article 361 of the Companies Act of Japan.

Discussion by Outside Directors

We will support the new SWCC in its challenge to pursue sustainability management and deliver growth.

Our three outside directors, who come from a variety of backgrounds, namely corporate management at a manufacturer, finance, and production technology, give their assessment of the SWCC Group's operations and talk about their expectations for the future.



Yuji Sakakura
Outside Director, Audit and Supervisory Committee Member

Kiyoshi Togawa
Outside Director, Chairman of the Audit and Supervisory Committee

Seiichiro Ichikawa
Outside Director, Audit and Supervisory Committee Member

Sustainability management as seen from an external perspective

Togawa: Since Ms. Hasegawa took on the role of President and CEO, restructuring has been ongoing, and at the same time efforts to pursue ESG management have made progress. For example, regarding environmental themes, awareness of carbon footprints has risen, and we have started to see proactive developments such as supplying eco-friendly materials for EVs. As for human resource-related themes, the SWCCarat project to empower women is getting lots of things done. This fiscal year saw the launch of the Sustainability Promotion Office, marking the beginning of a management approach based on sustainability, with the Company endorsing the TCFD recommendations and setting up the Sustainability Committee. We outside directors also join the other officers on management retreats*, where we take part in discussions on sustainability strategy.

For me, when pursuing sustainability management, it's important to ask the employees who are putting it into practice what sort of concrete action they are taking, and how they are weaving that into initiatives on the frontline. With the SWCCarat project, I think it's hugely valuable that the people involved are pressing for change internally as they carry out their work on the frontline.

Sakakura: For a company, the goal of sustainability management is to achieve sustainable growth and development of its business, and I think preservation of the earth's environment and the sustainability of social infrastructure are given consideration so as to achieve that goal. To ensure the sustainable growth and development of the business, what's important is to take action in the area of human resources, and in the SWCC Group, what I am especially focused on is succession planning. The Company has put in place mechanisms for building up its personnel foundation. Future Leader Training, which seeks to nurture not only the next generation of senior managers, but also candidates for middle-manager posts from among employees who have been with the Company for about 15 years, is one such example of this. Another is SD Seminar, which caters to younger employees. I really rate the way that the employees who have participated in these programs are now acting as change makers, driving incremental improvements on the frontline.

Since last year I've been serving as an SD Seminar lecturer, and when I exchange views with personnel managers, I tell them about issues with the selection of

* Management retreat: Opportunity for all directors (including outside directors), executive officers, and fellows to get together to exchange opinions on the various management issues facing the SWCC Group in a focused and constructive manner

themes that I have noticed in my work as a lecturer. There is room for improvement. For example, themes could be chosen that encourage action by younger employees as *change makers*. Even so, for some of them, their participation in the SD Seminar has led them to take steps that have paved the way to the rollout of new businesses, such as Kaeruya, an EC site for selling electric wires and materials, so I think it's a really useful initiative.

Ichikawa: Even compared with other companies, I think succession planning is being conducted to an adequate degree. Although the initiative has only just got started, I'm looking forward to the results it produces in the future.

Togawa: When I took up the post of an outside director of the Company seven years ago, it was impossible to see where and what sort of human resources existed. Now that Future Leader Training and SD Seminar have been launched, human capital has become more visible, so going forward it will be important to think about what sort of tasks to assign promising people, and what sort of output to require them to produce.

Sakakura: Even in the SWCC Group, I feel that a seniority-based approach is still deeply rooted in places. So how can that be swiftly overcome, and transformed into job-centered motivation, sense of mission, and engagement? Creating jobs and a company that draw personnel with careers and talent into the SWCC Group will likely be the key to human capital-driven sustainability, and I think the chance to do that is now.

Ichikawa: Meanwhile, in the area of governance, as an outside director I am paying close attention to how the quality problems that occurred last year are being dealt with. An investigation committee chaired by an outside attorney has been set up, and even after reporting its findings, it is continuing to investigate the matter. Quality and compliance audits are also being conducted internally, and I feel that the overall response has been appropriate and that governance has proved effective.

At the same time, action is being taken to improve the situation going forward. For example, quality operations are being digitalized to prevent recurrences, the opinions of frontline employees are being heard, and a "knowledge deepening project" to sit people down and get them talking about *monozukuri* (manufacturing) and quality is underway. And when I visit workplaces, I notice that these sorts of initiatives have been truly accepted not just by the higher-ups but also by young personnel.

Togawa:I also hold the steps you've just mentioned in high regard, but I'm concerned that there's a disconnect between the management frontline in terms of governance awareness. Words such as materiality and ESG come first, and even if mechanisms and structures are put in place, unless people put their heart and soul into them, they are pointless. More effort is needed to shrink the distance from the frontline.

Sakakura: The SWCC Group has a serious culture, and I feel that sincere effort is also being made in the area of governance, but perhaps Group-based management has created a sense of distance from the frontline. I hope that the next term's reorganization of the Group to center it on SWCC Corporation will lead to a greater feeling of unity within the Group.

Ichikawa: While there are no problems with governance structures and direction, these days speedy responses are required, so it's vital to properly check whether the frontline side is keeping up with comprehending and absorbing the awareness of the importance of governance on the management side.

Birth of the new SWCC and future governance

Togawa: The SWCC Group has followed a long path as an old-established electric wire manufacturer, and was once blessed with a stable market environment and great customers, most of which were large corporations. This led to the lack of responsiveness in adjusting growth strategy, which I think was what caused its financial condition to weaken. Subsequently, discussions took place on how to restructure the Group to ensure its survival, but the ideas generated somehow never made it to the implementation stage. It was only when Ms. Hasegawa took over the reins that concrete action started to be taken. A Group management structure based on business segments was put in place, and with operating efficiency and profitability improving, the next topic to come up was whether the holding company structure was really needed. For outsiders, the holding company acted as a shield for the Group, making it difficult to peer in and see what was going on at the operating companies. This was the background that led to the recently announced switch from a pure holding company to an operating company.

Of course, the ROIC management approach and business portfolio revamp instituted by President Hasegawa have delivered spectacular results even under the holding company structure, with the Group booking its highest profit on record in fiscal 2021, yet in financial terms, the SWCC Group is still saddled with numerous health issues. Going forward, a detailed analysis will need to be conducted to find out the profit margins for each product category and labor productivity in each business entity and division.

Sakakura: Two years ago, when took up my post as an outside director of the Company, the first thing I noticed was that the Company had a huge number of subsidiaries, even though the fields in which it was operating were not all that diverse.

President Hasegawa declared her management policy to be to *strengthen core businesses* and *revamp the business portfolio through thorough ROIC-based management*, and thereby *improve financial health*, and over the past two years, she has made steady progress with executing this policy. Now the Company is going to transition to an operating company, and absorb its two main operating companies, SWCC Showa Cable Systems Co., Ltd. and SWCC Showa Unimac Ltd., but what this really means is that Group-based management will be achieved and decision-making will be speeded up and made more transparent. I see that as the true intention behind the move.

Ichikawa:I've been working as an outside director since last year, and even with the holding structure, my impression has been that the internal structure of the Group is complicated. I felt that unless things were sorted out, it would be difficult for governance to impact the Group as a whole. So while I don't know whether the recently announced new SWCC structure will get the Group into perfect shape, I hope that it will deliver a substantial improvement in the SWCC Group's governance.

Although some are wary that expanding the powers of business segment heads will exert a centrifugal force, and could actually heighten governance risk, because the SWCC Group is a manufacturer, and its sales teams and frontline manufacturing personnel are in possession of the most information, making speedy and precise judgements on the frontline is going to be crucial. In that sense, I believe that the benefits from empowering the frontline will be enormous.



I want people to think about what they can do for the Company as they tackle their work.

Kiyoshi Togawa

Became an outside director in June 2015 and has served as Chairman of the Audit and Supervisory Committee since June 2019. Spent more than 40 years at a chemicals manufacturer, where he oversaw departments such as sales and corporate strategy. Possessing such profound insight, he took up the post of Chairman of the Audit and Supervisory Committee, and in this capacity plays the central role in monitoring the Company's management.

Togawa: This reorganization of the Group's management has been under discussion by the Board of Directors for about a year, and for some time I had been of the opinion that the Company should revert from a holding company to an operating company, so when the business execution side came up with the proposal, I stated my views on how swiftly and smoothly it would be possible to make the transition.
Sakakura: I had the same opinion as Mr. Togawa, and I felt that the holding company structure had more or less fulfilled its original purpose, and that to make the jump to the next stage of growth, now would be a good time to change it. So I didn't have an objections to the proposal.
Ichikawa: I was only able to get involved in the discussions in the autumn of last year, and to be honest, I didn't really understand the situation to begin with. I wondered what they were trying to do. But later, after the management retreat, I got a sense of the issues and direction. The transition needs to be executed swiftly, and at the same time I think it will be necessary to get the frontline employees on board, so that everyone can bring about the transformation together. Doing that will also help allay concerns about governance risk stemming from centrifugal force.

I think financial health will be substantially stabilized, so I want tenacious efforts to be made to achieve new growth.

Support for formulation of mid-term management plan and its successful execution

Togawa: As the new mid-term management plan was being put together, I was involved from the kick-off at the management retreat, and I was encouraged to express my various opinions at each checkpoint of the formulation process.

My biggest concern was that elements of the old corporate structure still remain, and that in setting performance targets, the SWCC Group has not completely freed itself of the mindset of building on the products it offers right now. With changes in the world becoming increasingly dramatic, and occurring at an accelerating pace, I felt that the SWCC Group's movements are extremely sluggish, so I urged the execution side to set numerical targets that are as high as possible and to aim to reach them in a short space of time. Take operating income margin, for example. The initial discussions centered on targets of 7% or 8% in fiscal 2026, but I communicated that I wanted them to draw up a plan that would enable more value to be added to products or a shift to higher added-value products to be accomplished, and I asked them to raise their earnings targets.
Sakakura: We outside directors verified the process of finalizing the plan presented by the execution side, and approved it after stating our opinions, so naturally I am 100% confident that the targets can be hit.

The name of the previous medium-term management plan was Change SWCC 2022, while the name this time is Change & Growth SWCC 2026, and as that name indicates, the plan is all about pivoting from change to growth. Charles A. O'Reilly's innovation theory of "ambidextrous organizations" presents two concepts, *deepening knowledge* and *exploring knowledge*, and if these are applied to the SWCC Group, it should deepen existing businesses to increase added value and grow profits. That's already happening, but as for what can be achieved by exploring Growth, new challenges are essential. When pursuing business lines that the SWCC Group has not built up experience of, I think it will be essential to craft a growth strategy that involves great business partners, rather than the Company proceeding on its own.

Until now, in existing business domains, there have been cases of the Company forging partnerships and producing results by deepening the business, but exploration in new business areas calls for stronger partnerships, which could mean that the Company's share of the profits is limited. But even so, it needs to identify businesses worth pursuing and take on the challenge of producing new growth. Having improved its financial health, it is now well positioned for exploration, and I expect us to see numerous project proposals come in from outside the Company going forward. I want the potential of these projects to be swiftly and accurately evaluated, and then executed, with decision-making delegated to personnel close to the frontline in some cases.
Ichikawa: The partnership with ACW-Deep, which has been made a subsidiary, represents a new field being pursued as a smart stream business. It involves the application of AVR technology to human resource education programs. The other day, I had the chance to try it out at the Sagamihara Plant of SWCC Showa Cable Systems Co., Ltd. The



The Company's financial condition has been improved, and a structure for exploring new businesses is now in place to a sufficient degree.

Yuji Sakakura

Became an outside director and Audit and Supervisory Committee member in June 2020. Has served as the president of a securities company and the CFO of an M&A advisory firm. This has equipped him with expert knowledge and response skills in the areas of finance, capital markets, and M&A, which he employs to audit and oversee the Company's management and actively offer opinions.

technology is effective for developing installation personnel, and it's a truly unique initiative. As a solution for supporting the installation frontline and addressing the problem of a shortage of installation personnel, which is an issue faced by society as a whole, I really hope it produces results.

In addition, as a champion of open innovation, the Company possesses numerous elemental technologies developed jointly with research institutes, so we can probably expect to see some new businesses coming out of that over the medium to long term.

Togawa: Efforts to put together mechanisms to aim for future growth are making steady progress, and a task going forward will be to narrow the gap between senior management and the frontline so that these mechanisms can be put into practice. As Mr. Sakakura said earlier, I think it's important to answer the question of what sort of motivation individual employees have as they work. I want them to ask *not what the Company will do for them, but what they themselves can do for the Company*. And as an outside director, I will be supporting them in their efforts.

Sakakura: In recent years, the SWCC Group has been focused on improving its financial health, and in some ways not much progress has been made in considering capital policy. The valuation of a company in the stock market does not depend solely on returning profits through higher shareholder dividends and the like. The markets also ask about the company's philosophy and concrete plans concerning capital policy. They are focused on that. I would like to utilize my experience to contribute to discussions on capital policy from that perspective.

Ichikawa: The Group management structure of the new SWCC should be fantastic, even when compared to that of the SWCC Group of the past. I believe that to ensure this new structure has soul, communication with the frontline will be important. This means going out to workplaces and monitoring how the Company's policies are being conveyed and implemented, and providing support for the achievement of the goals of the mid-term management plan and the long-term vision.

I hope that the new SWCC structure will improve the Group's governance.



Seiichiro Ichikawa

Became an outside director and Audit and Supervisory Committee member in June 2021. Spent many years at a food product manufacturer, running factories and executing business for the production technology department. He is expected to use his wealth of accumulated experience and knowledge to contribute to strengthening the Company's governance.

Management Team (Introduction of Officers)

Directors and Audit and Supervisory Committee Members (as of June 24, 2022)



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

Takayo Hasegawa

Supervising Group Management
Supervising Operational Reforms and
Governance Reforms

Career summary

Apr.	1984	Joined SHOWA ELECTRIC WIRE AND CABLE CO., LTD.
June	2013	Director of the Company
June	2018	Representative Director, President and Director of the Company
Apr.	2019	President and Representative Director, Group CEO of the Company
Apr.	2020	President and Representative Director, Chairman of the Board of Directors Group CEO of the Company (to present)



Representative Director
Senior Executive Officer

Dongcheng Zhang

Assistant to President
Assistant for Supervising Governance Reforms

Career summary

Apr.	1993	Joined SHOWA ELECTRIC WIRE AND CABLE CO., LTD.
June	2015	Director of the Company
June	2017	Executive Managing Director of the Company
Apr.	2019	Director, Senior Executive Officer of the Company
Apr.	2020	Representative Director, Senior Executive Officer of the Company (to present)



Director

Guoqiang Hu

Career summary

Oct.	1995	Joined FUTONG SHOWA WIRE & CABLE (HANGZHOU) CO., LTD.
May	2008	Director of FUTONG GROUP CO., LTD.
June	2018	Outside Director of the Company
June	2020	Director of the Company (to present)



Outside Director
Chairman of the Audit and Supervisory
Committee

Kiyoshi Togawa

Career summary

Apr.	1971	Joined Hitachi Chemical Co., Ltd. (current Showa Denko Materials Co., Ltd.)
Apr.	2007	Senior Vice President and Executive Officer of Hitachi Chemical Co., Ltd.
June	2015	Outside Director of the Company
June	2018	Outside Director (Audit and Supervisory Committee Member) of UKC Holdings Corporation (current Restar Holdings Corporation) (to present)
June	2019	Outside Director (Audit and Supervisory Committee Member) of the Company (to present)

Executive Officers (as of April 1, 2022)

Managing Executive Officer

Futoshi Yamaguchi

Supervising Business Management, in charge of Quality and Environment, Finance Strategy, and Shared Service Preparations

Managing Executive Officer

Tetsuo Komata

In charge of Management Strategy, Investment Strategy, and Public Relations / IR

Managing Executive Officer

Yukio Kawase

Chief of Energy and Infrastructure Business Segment
President and Representative Director of SWCC SHOWA CABLE SYSTEMS CO., LTD.

Managing Executive Officer

Yoshinao Kodama

Chief of Communication and Industrial Devices Business Segment
President and Representative Director of FUJI ELECTRIC CABLE CO., LTD.

Managing Executive Officer

Takashi Yamamura

Chief of Electrical Equipment and Components Business Segment
President and Representative Director of SWCC SHOWA UNIMAC LTD.

Executive Officer

Yoshiaki Higuchi

Chief of New Business Segment
In charge of DX and Cybersecurity



Outside Director
Audit and Supervisory Committee Member

Yuji Sakakura

Career summary

Apr.	1974	Joined Nissho Iwai Corporation (current Sojitz Corporation)
June	1999	President and Representative Director of Nissho Iwai Securities Co., Ltd.
May	2006	Director and Chief Financial Officer of GCA Corporation
June	2020	Outside Director (Audit and Supervisory Committee Member) of the Company (to present)



Director
Full-time Audit and Supervisory Committee Member

Takashi Togawa

Career summary

Apr.	1980	Joined Tokyo Shibaura Electric Co., Ltd. (current Toshiba Corporation)
June	2011	Director of the Company
June	2014	Executive Managing Director of the Company
June	2020	Director (Full-time Audit and Supervisory Committee Member) of the Company (to present)



Outside Director
Audit and Supervisory Committee Member

Seiichiro Ichikawa

Career summary

Apr.	1976	Joined Sapporo Breweries Limited
Mar.	2013	Director (Member of the Board) and Senior Managing Executive Officer of Sapporo Breweries Limited
June	2021	Outside Director (Audit and Supervisory Committee Member) of the Company (to present)

(Note) “The Company” in the career summary stands for SWCC SHOWA HOLDINGS CO., LTD.

Executive Officer

Kiyoshi Otake

In charge of Overseas Business and Wire Harness Business
Chairman of SWCC SHOWA (SHANGHAI) CO., LTD.
Chairman of SWCC SHOWA (H. K.) CO., LTD.
Chairman of JIAXING SHOWA INTERCONNECT PRODUCTS CO., LTD.
Chairman of DONGGUAN SHOWA INTERCONNECT PRODUCTS CO., LTD.

Executive Officer

Mikio Sugai

In charge of General Affairs, Human Resources, Human Resources Development, Safety and Health, and Materials Procurement

Executive Officer

Nobutaka Imai

In charge of Funds Management, Accounting, and Credit

Executive Officer

Toshiharu Kamijo

In charge of Sustainability, Legal Affairs, and Risk Management

Executive Officer

Kazuhiko Inoue

In charge of Sales Coordination, Sales and Logistics Reform

Executive Officer

Nobuyuki Sema

In charge of Smart Stream Strategy and Electric Power System Strategy

Results of Operations and Financial Analysis

Key Financial Data for the Past 10 Years

Fiscal year	FY2012	FY2013	FY2014
Consolidated Results of Operations (millions of yen)			
Net sales	169,798	183,289	181,693
Gross profit	18,503	19,561	18,161
Selling, general and administrative expenses	(17,376)	(17,009)	(16,925)
Operating income	1,126	2,552	1,236
Interest expense	(1,042)	(1,090)	(1,060)
Equity in earnings (loss) on equity-method	(184)	(271)	(208)
Foreign exchange gain (loss)	44	11	260
Ordinary income	(847)	1,236	384
Net income attributable to owners of parent	(6,365)	195	228
Comprehensive income	(5,866)	1,600	3,213
Depreciation	3,169	2,947	3,489
Capital expenditure	3,812	4,460	4,998
Research and development expenses	1,247	1,097	1,238
Information on Consolidated Cash Flows (millions of yen)			
Cash flows from operating activities	5,385	(1,208)	5,624
Cash flows from investing activities	(3,913)	(4,567)	(2,027)
Cash flows from financing activities	(718)	4,734	(3,493)
Cash and cash equivalents at end of year	8,223	7,604	7,968
Consolidated Financial Position (millions of yen)			
Total assets	136,890	140,371	138,023
Net assets	35,349	33,578	36,921
Interest-bearing debt	57,177	62,105	58,963
Shareholders' equity	35,057	33,281	36,616
Per Share Information (consolidated basis) (yen)			
Net income	(206.55)	6.33	7.43
Net assets	1,137.62	1,080.04	1,188.29
Dividend	0.00	0.00	0.00
Dividend payout ratio (consolidated basis)	—	—	—
Key Financial Indicators (consolidated basis)			
Operating income margin	0.7%	1.4%	0.7%
ROA (Return on assets)	-0.6%	0.9%	0.3%
ROE (Return on equity)	-16.8%	0.6%	0.7%
Shareholders' equity ratio	25.6%	23.7%	26.5%
DE ratio	163%	187%	161%
Overseas sales ratio	12.2%	13.2%	13.4%

Notes:
1. Effective October 1, 2017, the company carried out a 10-to-1 share consolidation of its common stock. Accordingly, net income per share and net assets per share are calculated assuming that the share consolidation was carried out at the beginning of fiscal 2012.
2. The company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) since the beginning of fiscal 2018. Figures for fiscal 2017 are ones after this accounting standard has been applied retrospectively.

FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
169,712	155,232	168,186	177,174	171,142	161,697	**199,194**
17,728	20,099	21,646	21,718	23,733	21,759	**25,357**
(16,778)	(15,865)	(15,370)	(15,077)	(15,123)	(14,168)	**(15,318)**
949	4,234	6,276	6,640	8,609	7,590	**10,039**
(965)	(852)	(841)	(805)	(669)	(398)	**(363)**
(644)	(83)	(415)	(476)	(2)	248	**484**
(304)	(202)	36	(75)	(36)	19	**37**
(1,461)	2,446	4,892	5,603	7,864	7,765	**9,882**
(9,151)	1,976	3,737	4,569	5,465	4,966	**9,353**
(11,196)	2,938	5,722	2,314	4,584	8,628	**11,332**
3,699	2,928	2,877	3,011	3,099	3,183	**3,345**
3,983	3,244	3,391	2,944	4,186	3,969	**6,303**
1,045	927	1,046	1,119	1,255	1,276	**1,414**
4,545	7,842	6,804	6,901	8,696	8,882	**428**
(3,846)	(2,218)	(4,051)	(3,552)	(4,144)	(3,358)	**(1,519)**
(2,289)	(6,506)	(3,295)	(2,970)	(4,879)	(5,661)	**64**
6,282	5,192	4,603	4,721	4,225	4,086	**3,279**
123,069	119,528	123,518	124,165	122,521	129,460	**147,356**
25,724	28,655	33,477	35,628	39,981	48,169	**58,932**
57,482	51,419	48,994	46,657	42,303	37,689	**39,171**
25,371	28,150	32,857	34,943	39,576	47,568	**58,273**
(296.98)	64.14	123.93	153.22	183.27	166.49	**313.44**
823.37	913.60	1,101.71	1,171.66	1,327.04	1,594.63	**1,952.73**
0.00	0.00	5.00	7.00	15.00	20.00	**50.00**
—	—	4.0%	4.6%	8.2%	12.0%	**16.0%**
0.6%	2.7%	3.7%	3.8%	5.0%	4.7%	**5.0%**
–1.1%	2.0%	4.0%	4.5%	6.4%	6.2%	**7.1%**
–29.5%	7.4%	12.3%	13.5%	14.7%	11.4%	**17.7%**
20.6%	23.6%	26.6%	28.1%	32.3%	36.7%	**39.5%**
227%	183%	149%	134%	107%	79%	**67%**
11.2%	11.5%	11.8%	9.7%	8.2%	9.2%	**9.2%**

Consolidated Financial Statements

Consolidated Balance Sheet (Millions of yen)

	FY2020	FY2021
ASSETS		
Current Assets:		
Cash and time deposits	4,165	**3,357**
Trade notes and accounts receivable	43,859	**—**
Notes receivable - trade	—	**11,790**
Accounts receivable - trade	—	**39,696**
Contract assets	—	**1,245**
Merchandise and finished goods	9,889	**11,665**
Work in process	7,130	**8,360**
Raw materials and supplies	4,522	**6,021**
Other	5,716	**6,569**
Allowance for doubtful accounts	(13)	**(12)**
Total current assets	75,269	**88,693**
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	6,909	**9,272**
Machinery, equipment and tools	5,982	**7,237**
Tools, furniture and fixtures (net)	1,145	**1,090**
Land	23,159	**22,382**
Other	2,500	**1,445**
Total property, plant and equipment	39,697	**41,428**
Intangible assets	1,357	**1,340**
Investments and other assets:		
Investment securities	6,584	**7,790**
Deferred tax assets	1,125	**740**
Net defined benefit asset	4,256	**6,193**
Other	1,303	**2,032**
Allowance for doubtful accounts	(133)	**(863)**
Total investments and other assets:	13,135	**15,893**
Total fixed assets	54,190	**58,662**
Total assets	129,460	**147,356**

(Millions of yen)

	FY2020	FY2021
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	22,368	**26,674**
Current portion of bonds payable	60	**60**
Short-term debt	24,611	**26,189**
Other accounts payable	9,144	**10,187**
Accrued income taxes	624	**1,929**
Provision for loss on construction contracts	69	**68**
Contract liabilities	—	**1**
Provision for business structure improvement expenses	234	**232**
Provision for product repair costs	289	**190**
Other	5,536	**4,805**
Total current liabilities	62,939	**70,339**
Long-term liabilities:		
Bonds payable	150	**90**
Long-term debt	11,939	**12,011**
Deferred tax liabilities	114	**59**
Deferred tax liabilities related to land revaluation	4,157	**4,155**
Net defined benefit liability	732	**791**
Other	1,257	**976**
Total long-term liabilities	18,351	**18,084**
Total liabilities	81,290	**88,424**
NET ASSETS		
Shareholders' equity:		
Common stock	24,221	**24,221**
Capital surplus	5,700	**5,704**
Retained earnings	10,563	**18,321**
Treasury stock	(910)	**(900)**
Total shareholders' equity	39,575	**47,347**
Accumulated other comprehensive income:		
Unrealized holding gains on other securities	637	**735**
Variance of land revaluation	5,784	**6,850**
Foreign currency translation adjustments	1,022	**2,226**
Remeasurements of defined benefit plans	548	**1,114**
Total accumulated other comprehensive income	7,993	**10,926**
Non-controlling interests	600	**658**
Total net assets	48,169	**58,932**
Total liabilities and net assets	129,460	**147,356**

Consolidated Statement of Operations

(Millions of yen)

	FY2020	FY2021
Net sales	161,697	**199,194**
Cost of sales	139,937	**173,837**
Gross profit	21,759	**25,357**
Selling, general and administrative expenses	14,168	**15,318**
Operating income	7,590	**10,039**
Other income:		
Interest income	103	**98**
Dividend income	61	**77**
Equity in gain of affiliates	248	**484**
Foreign exchange gain	19	**37**
Subsidies for employment adjustment	211	**55**
Reversal of allowance for doubtful accounts	269	**—**
Other	217	**213**
Total other income	1,129	**967**
Other expenses:		
Interest expense	398	**363**
Other	556	**760**
Total other expenses	954	**1,123**
Ordinary income	7,765	**9,882**
Extraordinary income:		
Gain on sales of fixed assets	51	**2,266**
Gain on sales of investment securities	24	**41**
Total extraordinary income	75	**2,308**
Extraordinary losses:		
Loss on impairment of fixed assets	725	**—**
Extra retirement payments	291	**—**
Business structure improvement expenses	93	**879**
Total extraordinary losses	1,110	**879**
Income before income taxes and non-controlling interests	6,730	**11,312**
Income taxes - current	1,756	**2,707**
Income taxes - deferred	(187)	**(857)**
Total income taxes	1,569	**1,850**
Net income	5,161	**9,461**
Net income attributable to non-controlling interests	195	**108**
Net income attributable to owners of parent	4,966	**9,353**

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2020	FY2021
Net income	5,161	**9,461**
Other comprehensive income:		
Unrealized holding gains on other securities	83	**93**
Variance of land revaluation	24	**1**
Foreign currency translation adjustments	(31)	**725**
Remeasurements of defined benefit plans	3,339	**566**
Share of other comprehensive income of affiliates in equity method	51	**484**
Total other comprehensive income	3,466	**1,871**
Comprehensive income	8,628	**11,332**
Comprehensive income attributable to		
Owners of parent	8,431	**11,221**
Non-controlling interests	196	**111**

Consolidated Statement of Cash Flows

(Millions of yen)

	FY2020	FY2021
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	6,730	**11,312**
Depreciation and amortization	3,183	**3,345**
Loss on impairment of fixed assets	725	**—**
Gain on sales of investment securities	(24)	**(41)**
Increase (decrease) in allowance for doubtful accounts	(260)	**728**
Increase (decrease) in reserve for construction loss	(5)	**(0)**
Increase (decrease) in provision for product repair costs	(114)	**(99)**
Increase (decrease) in provision for net defined benefit liability	29	**59**
Extra retirement payments	291	**—**
Interest and dividend income	(164)	**(175)**
Interest expense	398	**363**
Foreign exchange (gain) loss	52	**278**
Business structure improvement expenses	93	**879**
Subsidies for employment adjustment	(211)	**(55)**
Loss (gain) on sale of non-current assets	51	**(2,266)**
Equity in losses (gain) of affiliates	(248)	**(484)**
(Increase) decrease in trade notes and accounts receivable	(2,651)	**(8,853)**
(Increase) decrease in inventories	183	**(4,899)**
Increase (decrease) in trade notes and accounts payable	3,857	**3,860**
(Increase) decrease in other current assets	(795)	**(731)**
Increase (decrease) in other current liabilities	783	**(459)**
Other	406	**(496)**
Sub-total	12,311	**2,260**
Interest and dividends received	186	**239**
Interest paid	(400)	**(366)**
Business structure improvement expenses paid	(93)	**(453)**
Extra retirement payments	(184)	**—**
Proceeds of subsidies for employment adjustment	203	**55**
Income taxes paid	(3,140)	**(1,306)**
Net cash provided by (used in) operating activities	8,882	**428**
Cash flows from investing activities:		
Purchases of investment securities	(254)	**(254)**
Proceeds from sales of investment securities	86	**118**
Purchase of property, plant and equipment	(3,253)	**(4,565)**
Proceeds from sales of property, plant and equipment	316	**3,495**
Purchases of intangible assets	(263)	**(302)**
(Increase) decrease in short-term loans receivable	(1)	**(12)**
Other	10	**1**
Net cash provided by (used in) investing activities	(3,358)	**(1,519)**
Cash flows from financing activities:		
Increase (decrease) in short-term bank borrowings	(4,685)	**1,375**
Proceeds from long-term debt	6,890	**6,523**
Repayment of long-term debt	(6,880)	**(6,805)**
Redemption of bonds	(60)	**(60)**
Purchase of treasury stocks	(0)	**(1)**
Cash dividends paid	(447)	**(596)**
Other	(476)	**(370)**
Net cash provided by (used in) financing activities	(5,661)	**64**
Effect of exchange rate changes on cash and cash equivalents	(1)	**219**
Net increase (decrease) in cash and cash equivalents	(139)	**(807)**
Cash and cash equivalents at beginning of year	4,225	**4,086**
Cash and cash equivalents at end of year	4,086	**3,279**

Company Information (as of March 31, 2022)

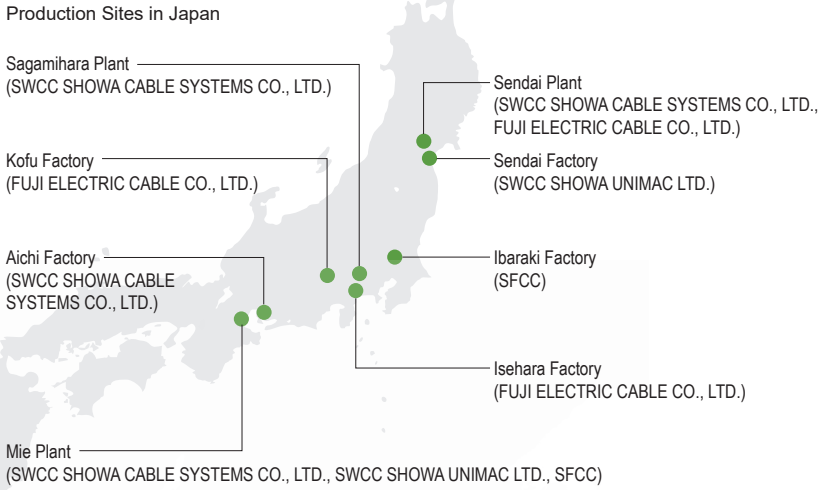
Company Profile

Corporate Name	SWCC SHOWA HOLDINGS CO., LTD.
Date of Establishment	May 26, 1936
Paid-in Capital	24,221 million yen
Head Office	JMF-Bldg. Kawasaki 01, 1-14, Nissin-cho, Kawasaki-ku, Kawasaki-city, Kanagawa 210-0024, Japan +81-44-223-0520
Number of Employees (consolidated basis)	4,280
Stock Exchange Listing	Tokyo Stock Exchange, Inc. (TSE First Section) “SWCC SHOWA HOLDINGS CO., LTD. (5805.T)” Note: Moved to the Tokyo Stock Exchange, Inc. (Prime Market) on April 4, 2022.
Line of Business	Holding company
Fiscal Year End	March 31, every year

Principal Group Companies (as of September 1, 2022)

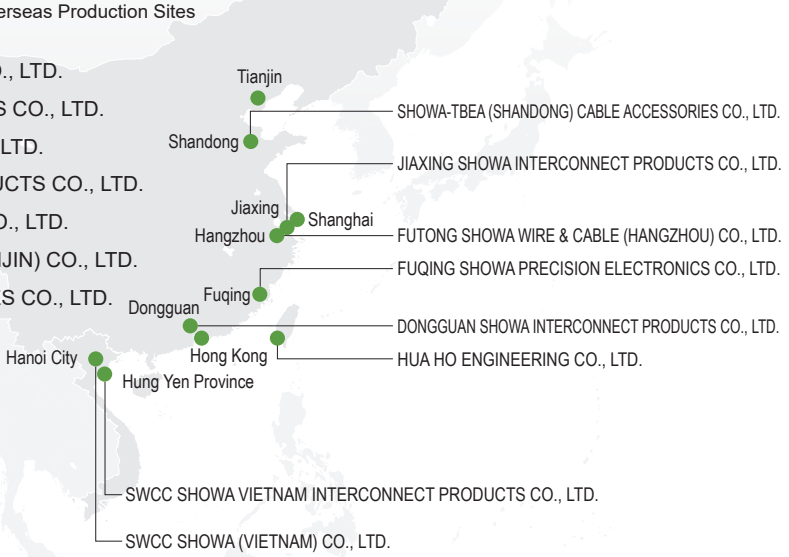
Domestic

- SWCC SHOWA CABLE SYSTEMS CO., LTD.
- SHOWA FURUKAWA CABLE CO., LTD.
- SWCC SHOWA UNIMAC LTD.
- FUJI ELECTRIC CABLE CO., LTD.
- AXIO Corporation
- SDS Corporation
- LOGIS-WORKS CO., LTD.
- SHOUKOU EQUIPMENT INDUSTRY CO., LTD.
- SHOWA SCIENCE CO., LTD.
- STEC (SHOWA TECHNICAL CORPORATION)



Overseas

- SWCC SHOWA (H. K.) CO., LTD.
- SWCC SHOWA (SHANGHAI) CO., LTD.
- SWCC SHOWA (VIETNAM) CO., LTD.
- JIAXING SHOWA INTERCONNECT PRODUCTS CO., LTD.
- DONGGUAN SHOWA INTERCONNECT PRODUCTS CO., LTD.
- FUQING SHOWA PRECISION ELECTRONICS CO., LTD.
- SWCC SHOWA VIETNAM INTERCONNECT PRODUCTS CO., LTD.
- FUTONG SHOWA WIRE & CABLE (HANGZHOU) CO., LTD.
- FUTONG-SHOWA ELECTRIC WIRE & CABLE (TIANJIN) CO., LTD.
- SHOWA-TBEA (SHANDONG) CABLE ACCESSORIES CO., LTD.
- HUA HO ENGINEERING CO., LTD.



Stock and Investor Information (as of March 31, 2022)

Status of Stock

Total Number of Authorized Shares	70,000,000 shares
Total Number of Issued Shares	30,826,861 shares
Number of Shareholders	13,155

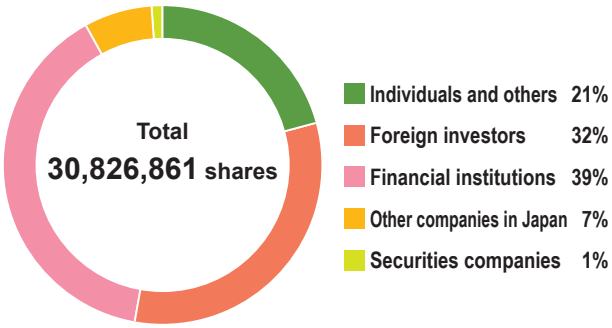
Principal Shareholders (Top 10)

Name of shareholders	Number of shares held (Thousand shares)	Percentage of shareholding (%)
The Master Trust Bank of Japan, Ltd. (trust account)	6,207	20.8
Custody Bank of Japan, Ltd. (trust account)	3,712	12.4
NIHK WMD CLIENT OMNIBUS 10 PER TAX	3,090	10.3
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/ JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS	1,315	4.4
ENEOS Holdings, Inc.	979	3.2
Fukoku Mutual Life Insurance Company	772	2.5
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	434	1.4
THE BANK OF NEW YORK MELLON 140044	429	1.4
GOLDMAN SACHS INTERNATIONAL	365	1.2
JP MORGAN CHASE BANK 380646	353	1.1

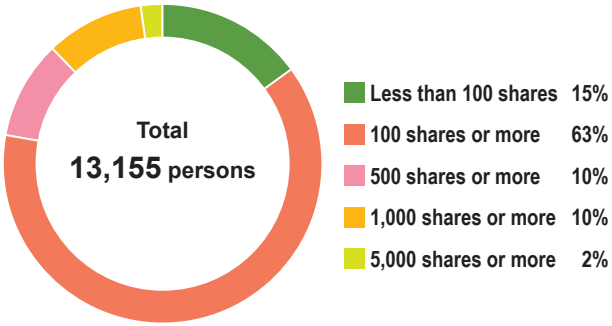
*Besides the above, there are 984,598 shares of treasury stock held by the Company.
*The percentage of shareholding is calculated after deducting the number of treasury stock from the total number of issued shares.

Distribution of Shares

Distribution of Shares by Type of Ownership



Distribution of Shareholders by Number of Shares Held

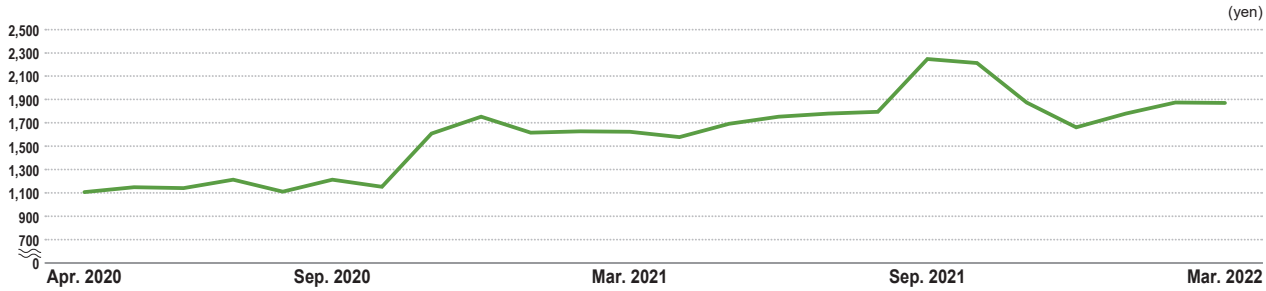


External ESG Assessment

Newly selected for inclusion in the FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index

Stock Price Movements



From the publisher on issuance of the "SWCC Group Report, Integrated Report 2022"

Thank you very much for reading the "Integrated Report 2022."
At the SWCC Group, we have strengthened our efforts for sustainability this fiscal year, such as launching the Sustainability Committee and establishing a new Sustainability Basic Policy. Likewise, in this integrated report, we have presented information on the Group's sustainability activities in as much detail as possible, including disclosure based on the TCFD recommendations and the identification of materiality (key issues). The new "SWCC Corporation" will be born in April 2023. We will continue to convey financial and non-financial information to our stakeholders in an easily understandable format, and strive to make the Group's initiatives to solve social issues and enhance corporate value better understood.

September 2022

Toshiharu Kamijo
Executive Officer, General Manager of Business Management Coordination Department
SWCC SHOWA HOLDINGS CO., LTD.

SWCC SHOWA HOLDINGS CO., LTD.

Sustainability Promotion Office, Administrative Management Division

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SWCC GROUP Creating for the Future