



SWCC Group Purpose Formulation and Future Growth Strategy for New Company Name Change

Feb 27,2023

SWCC Corporation (TSE PRIME: 5805)

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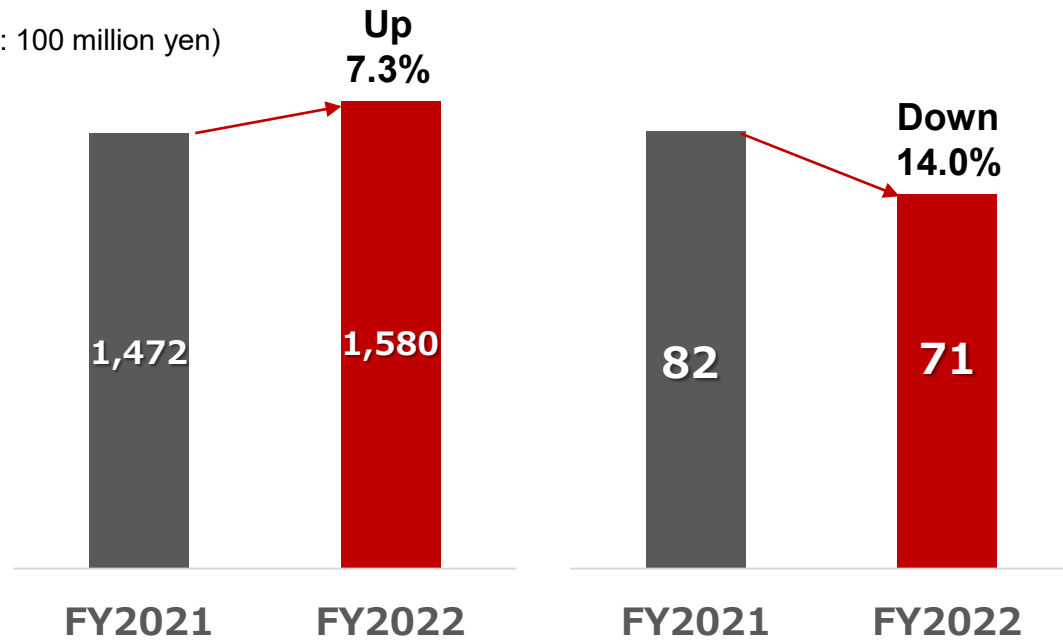
1. FY2022 Q3 Overview of Financial Results

Key Points of the Financial Results for Q3 FY2022

Q3 YoY Change

Net sales

(Unit: 100 million yen)



Operating income

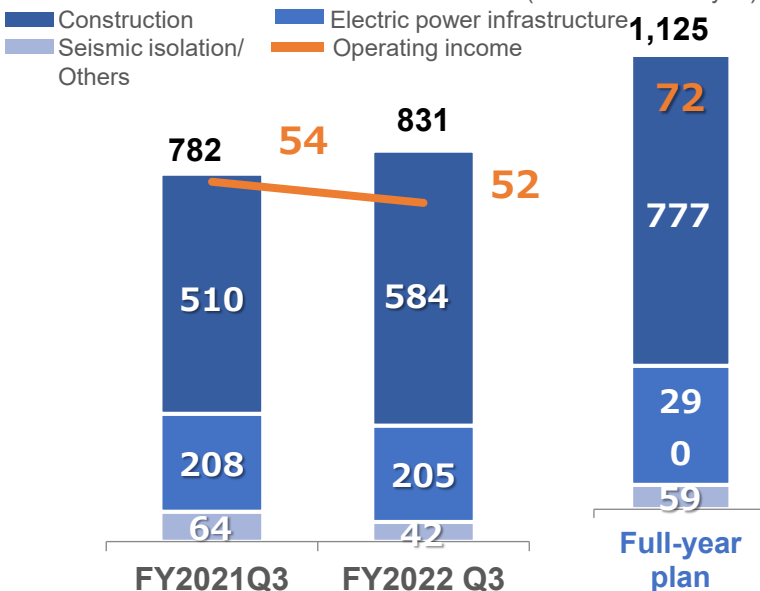
Q3 Progress rate

(Unit: 100 million yen)	Full-year Plan	FY18-21 Avg. progress rate	Q3 Progress rate
Net sales	2,170	73.8%	72.8%
Operating income	103	73.9%	68.8%
Copper prices	1,150 yen/kg (Planning assumption)	—	—

Q3 Results by Segment and Full-year Plan

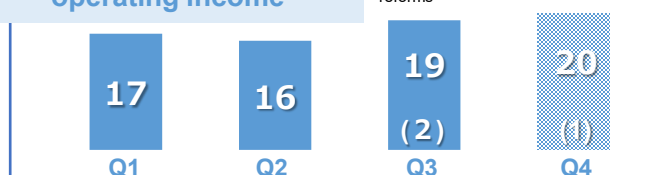
Energy and Infrastructure Business

(Unit: 100 million yen)



FY2022 Changes in operating income

Figures in parenthesis: effects of structural reforms



Positive factor

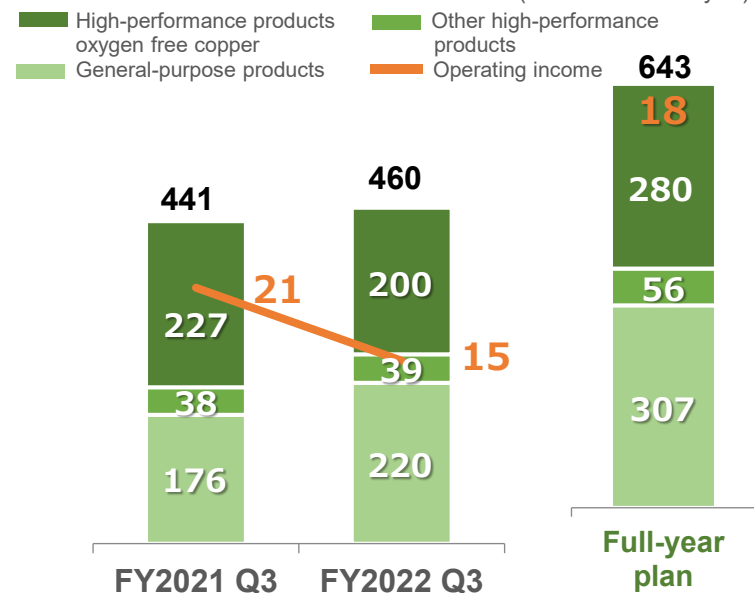
- Improved profitability by integrating production and sales in the coated wire business
- Sales contribution from investment in increased production of SICONEX®
- Steady increase in selling prices

Negative factor

- Leveling of demand for power infrastructure business

Electronic Equipment and Components Business

(Unit: 100 million yen)



FY2022 Changes in operating income

Positive factor

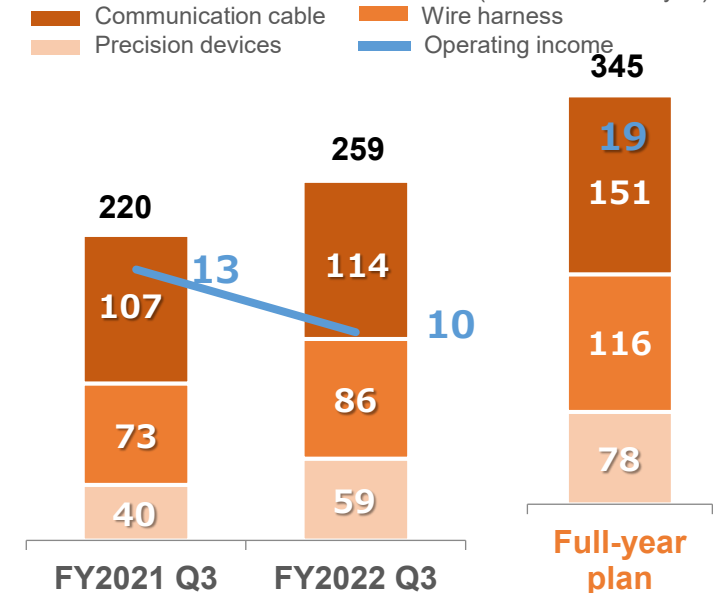
- Recovery due to capturing demand from Europe for high-performance magnet wires
- Return to domestic production of general-purpose products for heavy electrical machinery

Negative factor

- Continued decline in shipments of products for xEVs due to shortage of semiconductors

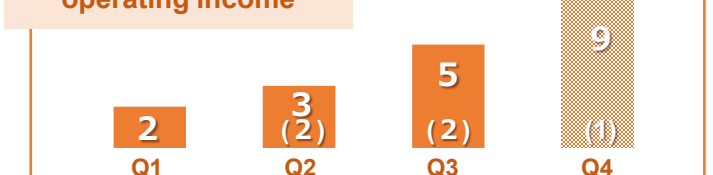
Communication and Industrial Devices Business

(Unit: 100 million yen)



FY2022 Changes in operating income

Figures in parenthesis: effects of structural reforms



Positive factor

- Effect of reorganization of domestic production bases for communication cables
- Penetration of increase in selling prices and proposals for alternative materials for wire harnesses
- Recovery of operations at production bases in China and Vietnam

Negative factor

- Delay in start-up of domestic manufacturing bases up to Q2 and increase in selling prices

2. Change to the new company name and Setting of purpose

Change to new company name

SWCC SHOWA HOLDINGS CO., LTD. will change
its name to SWCC Corporation on April 1st, 2023

"We will change our company name to express our intention to make a leap
from our existing business centered on 'electric wires'."

The purpose of the SWCC Group



We have established a purpose in conjunction with our name change, with the message of responding to the changes of the times and creating new value.

SWCC's Purpose

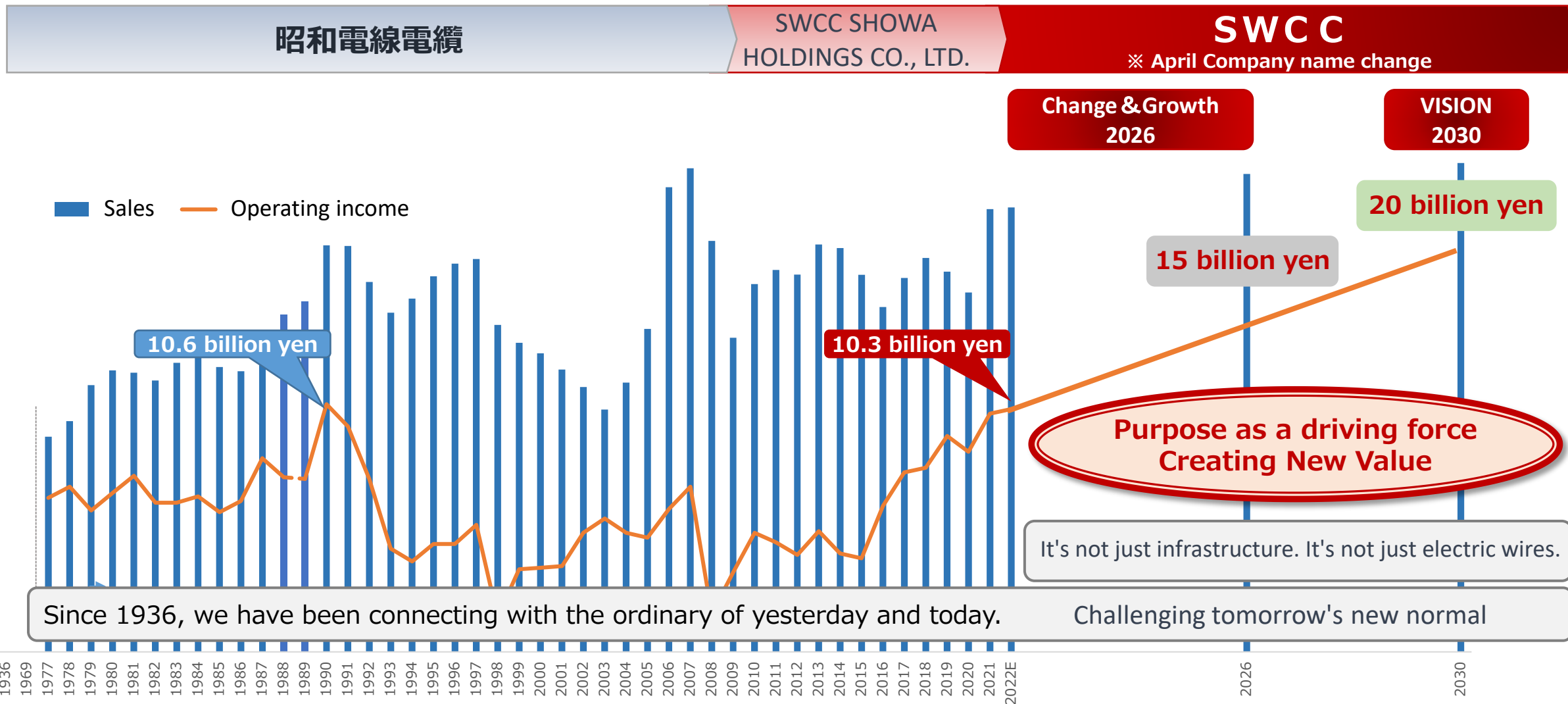
*Innovating new ideas today.
Becoming the norms of tomorrow.*

We're here to face the challenges resiliently in this changing world.
With our brilliant technology,
strong passion and sympathetic thoughts,
we ensure the highest quality and reliability of our products.
Not only with our traditional cable and wire for infrastructure,
but also with our new products and services to enrich our planet,
we will never stop challenging for a brighter future.

Organizing our Purposes and Issues

	Issue	Purpose sentence
Creating Value	<ul style="list-style-type: none"> Return to the spirit of challenge at the time of the company's founding Shift from a manufacturer of products to a manufacturer of solutions Expansion into new markets and new areas by leveraging technology and know-how cultivated over many years 	<p>Innovating new ideas today. Becoming the norms of tomorrow</p>
Social context	<ul style="list-style-type: none"> Changes in values and Contributing to the Realization of a Sustainable Society (Maximize economic value <solving social issues and sustainable growth) 	<p>We're here to face the challenges resiliently in this changing world.</p>
Contribution to society	<ul style="list-style-type: none"> Pride in infrastructure business that has been connected for 87 years (business continuity) Addressing new social issues (renewable energy, workforce shortages, etc.) Increased confidence in quality 	<p>With our brilliant technology, strong passion and sympathetic thoughts, we ensure the highest quality and reliability of our products.</p>
Change and Transformation	<ul style="list-style-type: none"> Transitioning from a stagnant period of structural reform to a growth phase and out of it Fostering a spirit of challenge without fear of change Raise the level of "earning power" through further penetration and establishment of ROIC management Aggressive investment outside of existing frameworks (M&A, internal ventures) 	<p>Not only with our traditional cable and wire for infrastructure, but also with our new products and services to enrich our planet,</p>
Human capital	<ul style="list-style-type: none"> Promoting the utilization of diverse human resources In-house systems that support a challenging spirit to cope with change and transformation Increase engagement by creating rewarding jobs and workplaces 	<p>we will never stop challenging for a brighter future.</p>

SWCC's direction with Purpose as the driving force



3. Efforts to create new value with Purpose as the driving force

Four transformations for new value creation



**Business
Domain**

Focused Areas of Strength

- Expansion into new markets and new areas based on the core business



**business
model**

Improve earning power

- Aggressive investment in new markets and new areas
- Transition to a solution-proposing business
- Improve earning power by establishing ROIC management
- Productivity Improvement through DX Promotion
- IP Strategy Initiatives
- Efforts towards carbon neutrality
- Financial and Dividend Policies



human

Adaptable to changing times Secure excellent human resources

- Linked to Management Strategy
Human Capital Strategy



Organizational

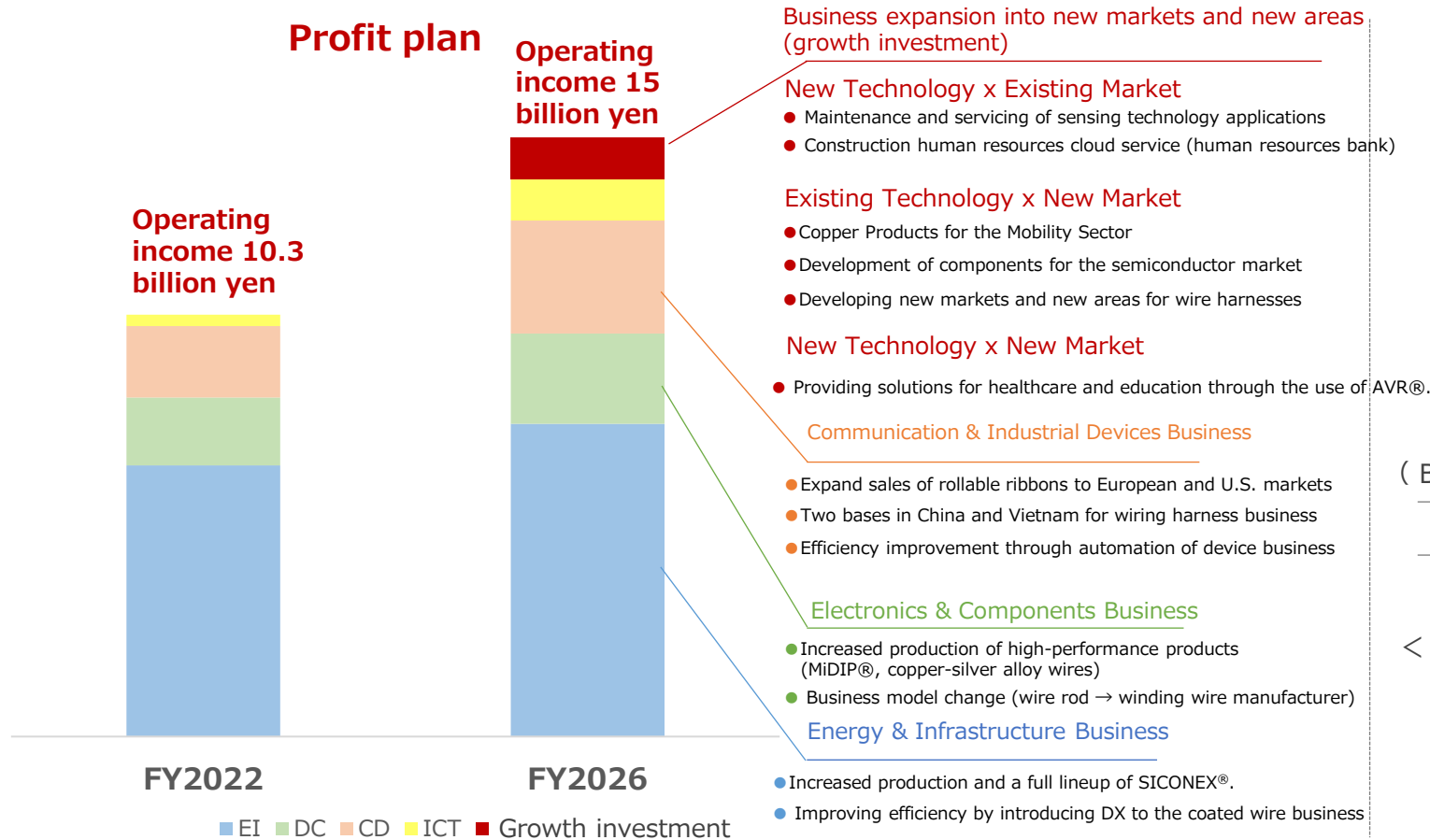
Promoting Value Creation Organizational Structure

- Strengthening the environment for innovation
- Promotion of regional management structure
- Increased confidence in quality

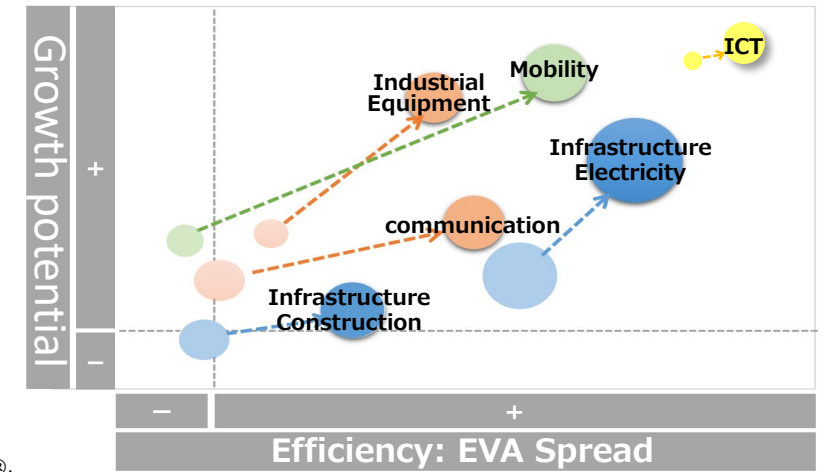
(1) Transformation of business domain

Expansion into new markets and new areas based on the core business

To achieve the operating income target of 15 billion yen for the final year of the medium-term management plan, we expect to expand growth associated with investments in new markets and new areas, in addition to our core businesses centered on infrastructure and mobility.



FY2020→FY2026 Portfolio Comparison

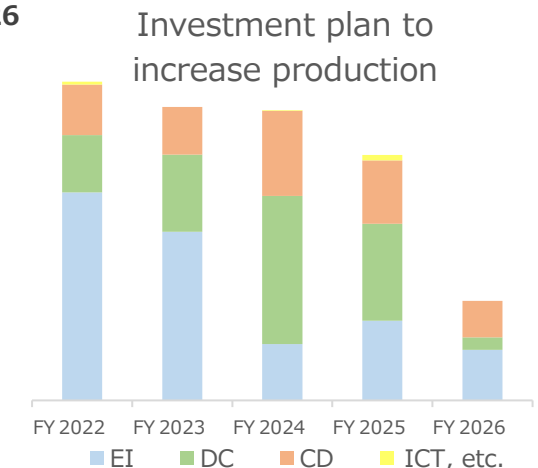


FY2022~2026 Accumulated investment (Billion yen)

Growth investment	200
investment to increase production	120

< Breakdown >

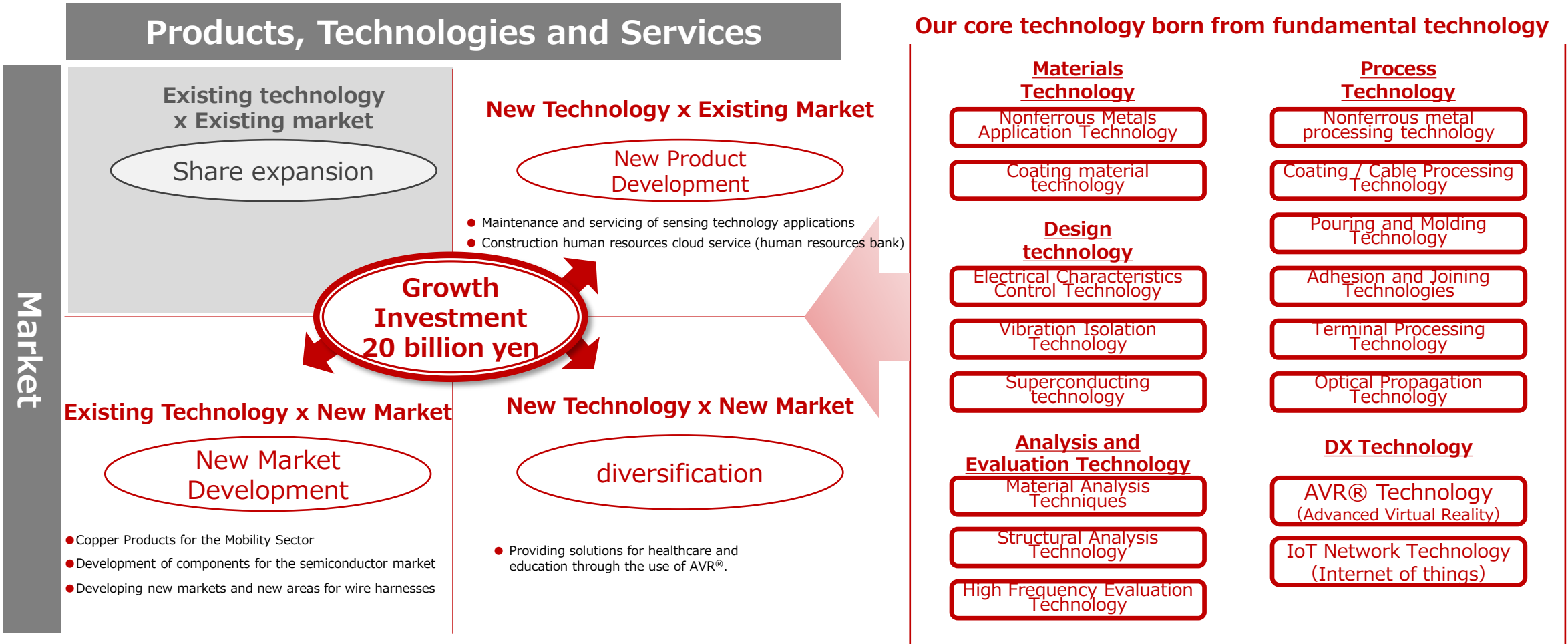
EI Business	48
DC Business	34
CD Business	24
ICT, etc.	14



(2) Business Model Transformation

Aggressive growth investment in new markets and new areas

Based on our core technologies, we develop our business for new markets and new areas. We expand our business by compensating for shortfalls through open innovation, in-house ventures, and M&A.



Shift to a solution-proposing business (power infrastructure)

Existing technology x Existing market

Expanding alliances of builders

Openness in Skillless Construction Technology & Development of Human Resource Education Section

Eliminate bottlenecks (construction human resources)

SICOPUS

New Technology x Existing Market

Establishment of Construction Human Capital Cloud Business

SICOPUS® talent pool

Development and sales of educational content using AI, AVR®, etc.

Practical training in virtual reality with AVR®.

Development and sales of remote support and monitoring systems

Development and sales of maintenance solution systems

Imaged figure of sensing

New Technology x New Market

Providing solutions for healthcare and education through the use of AVR®.

Solutions Utilizing Space Sharing Technology

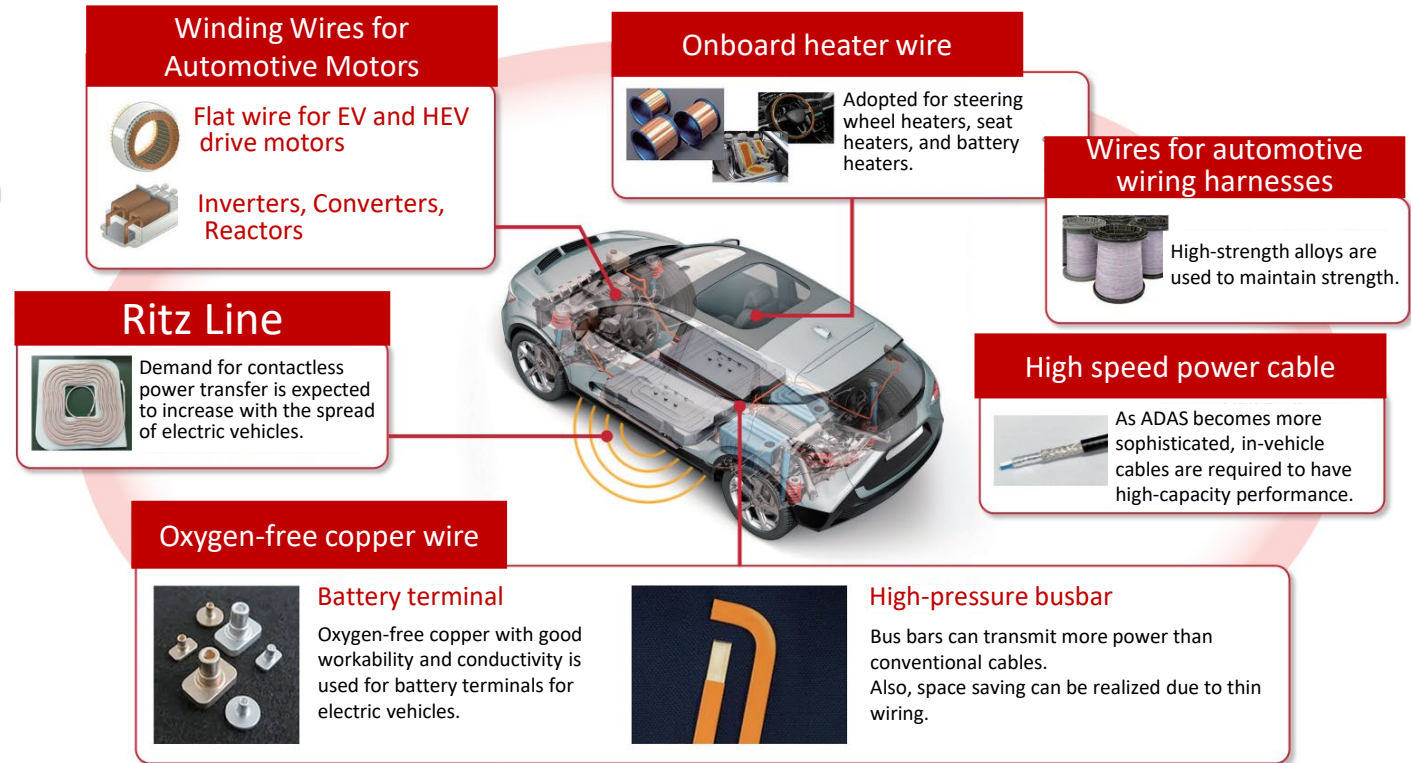
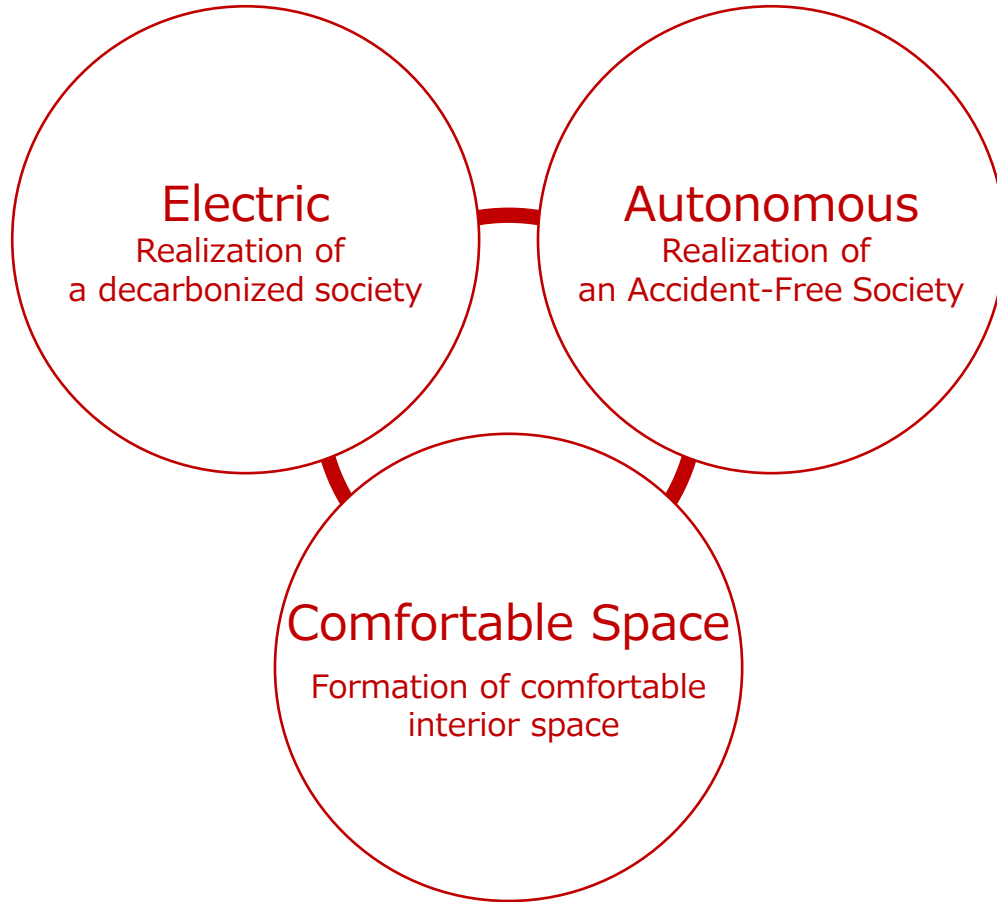
User A User B

AVR® System

Experience sharing the same space by photographing each person in different locations.

Transition to a solution-proposing business (mobility)

Aiming to realize electrification of cars, automated driving, and comfortable spaces (Space IV), as well as taking on the challenge of emerging mobility*.



*Emerging mobility: "personal mobility", "ultra-compact mobility", and "flying cars".

Improve earning power by establishing ROIC management

Introduced ROIC by business segment from this fiscal year, broken down by ROIC tree to determine the division in charge and clarify each person's initiatives. The details of each segment's initiatives are shared with the entire group through internal newsletters and other means.

エネルギー・インフラ事業 編

具体的な取り組みの例 /

主な改善ドライバー	取り組み
売上高営業利益率	GVA率: 高付加価値製品・サービス(SICOPLUS®)の拡販(営業部門)
	製造固定費率: 茨城工場に銅伸線工程を取り込み輸送コストを削減(茨城製造部門)
	製造固定費率: 顧客目線の設計提案力により売上拡大および材料ロス低減(製造部門、営業部門)
投下資本回転率	固定資産回転率: AI活用、デジタル化推進により需要連動の生産体制構築(DX企画、製造部門)
	運転資金回転率: AIを活用した自動発注による棚卸資産回転日数の短縮(IT部門)
	固定資産回転率: 戦略製品への増産投資(生産管理部門)
	立体自動倉庫の導入(生産管理部門、IT部門)

エネルギー・インフラ事業 セグメント長 常務執行役員 川瀬 幸雄 さん

事業別ROIC浸透に向けて

電力事業では、市場拡大を背景に、戦略製品SICONEX®(サイコネックス)の需要増を踏まえた増産投資を実施します。AI活用による自動化や省力化にも注力し、生産工程の効率化や棚卸資産の適正管理も実現していきます。被覆線事業では、生産工程集約による固定費削減とともに、DXを推進し、製造・販売・物流を通じた効率的な生産・供給体制の構築に注力していきます。

具体的な取り組み例について取材しました!

取り組み1.


茨城工場の生産能力向上、被覆線DXで投下資本効率、利益率を改善

取り組み内容

古河電気工業(株)との合併により営業を開始したSFCC(被覆線事業)は、今年7月より製販統合し、新たにスタート。今後は茨城工場に伸線設備を導入してコスト競争力を高め、西の三重工場、東の茨城工場の2拠点の能力を最大限発揮できるよう、AI活用、デジタル化を推進。需要連動の生産供給体制を構築し、基盤事業として当社グループへ貢献します。

期待される効果

茨城工場は製販統合により生産品種が増加。さらに銅伸線工程を内製することで、これまでCS仙台事業所を経由することで発生していた輸送コストとCO2排出を削減し、コスト競争力を向上。柔軟な生産対応、銅伸線の在庫低減が期待できます。また被覆線DXプロジェクトで取り組んでいる需要予測や生産在庫計画で、販売機会の増加、在庫の適正化につなげていきます。



SFCC 取締役 高橋 真人 さん

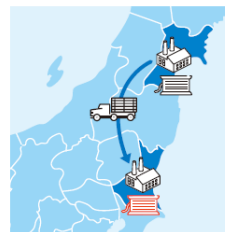
バックグラウンドが異なる人材が集結したSFCC。営業スタッフが培った改善マインドを製造にも浸透させて、ROICを指標に収益性を向上していきます。

今まで

Step1. 仙台事業所で伸線加工
Step2. 仙台事業所から茨城工場に輸送してケーブル化

今後

Step1. 茨城工場で一括して伸線加工・ケーブル生産が可能に



茨城工場の増強、被覆線DXプロジェクトで需要連動の生産・供給体制を構築

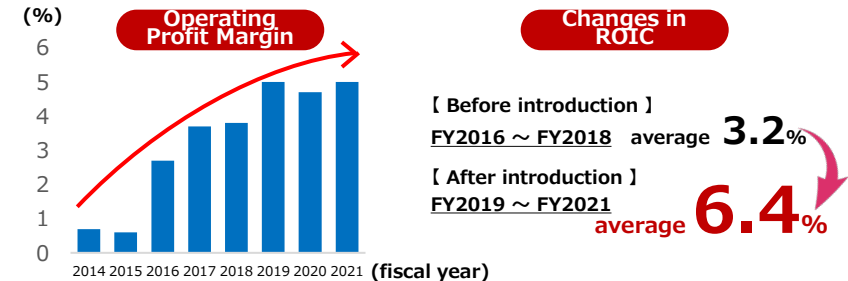
FY 2026 ROIC target 10% or more

ROIC Formula

Company-wide ROIC = Income from operations after taxation ÷ Invested capital (own capital + liabilities)

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

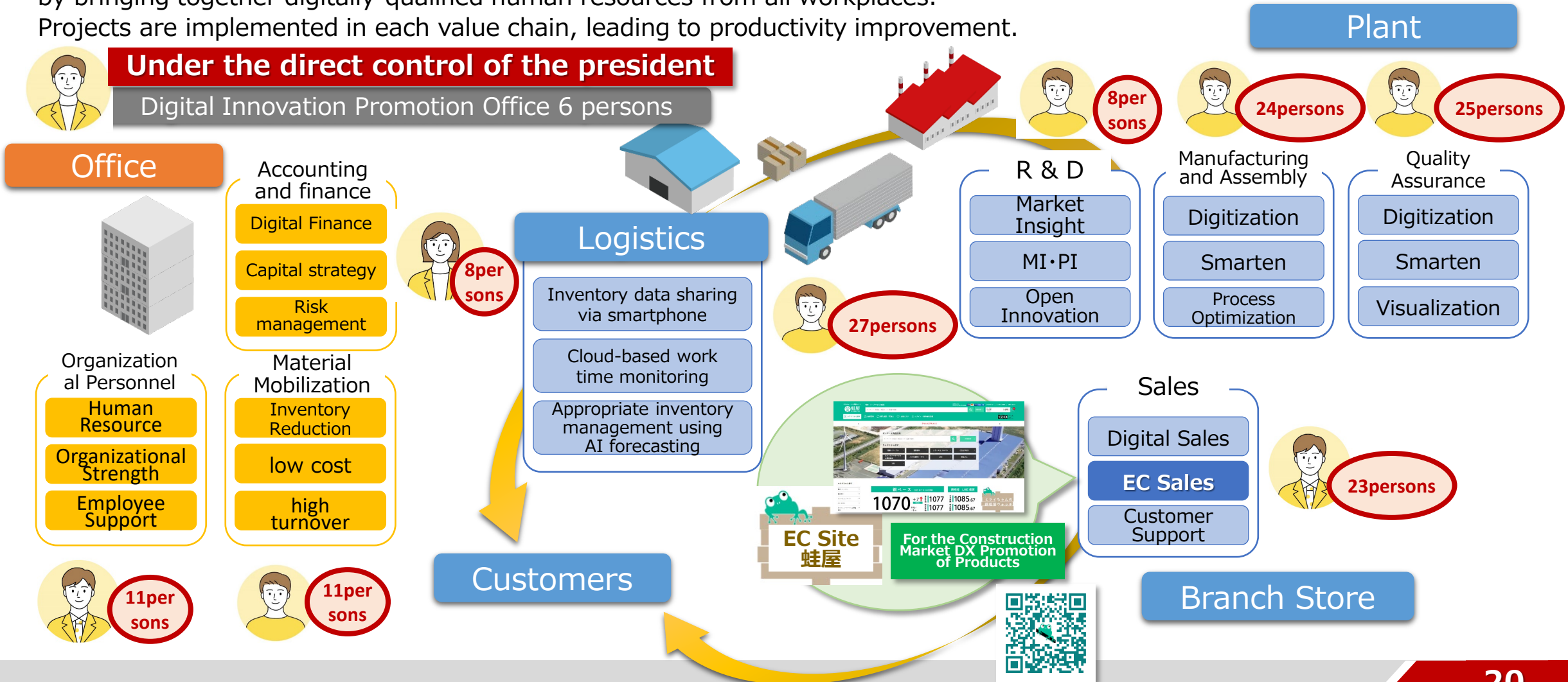
After introducing ROIC, our company can generate steady profits.



Productivity Improvement through DX Promotion

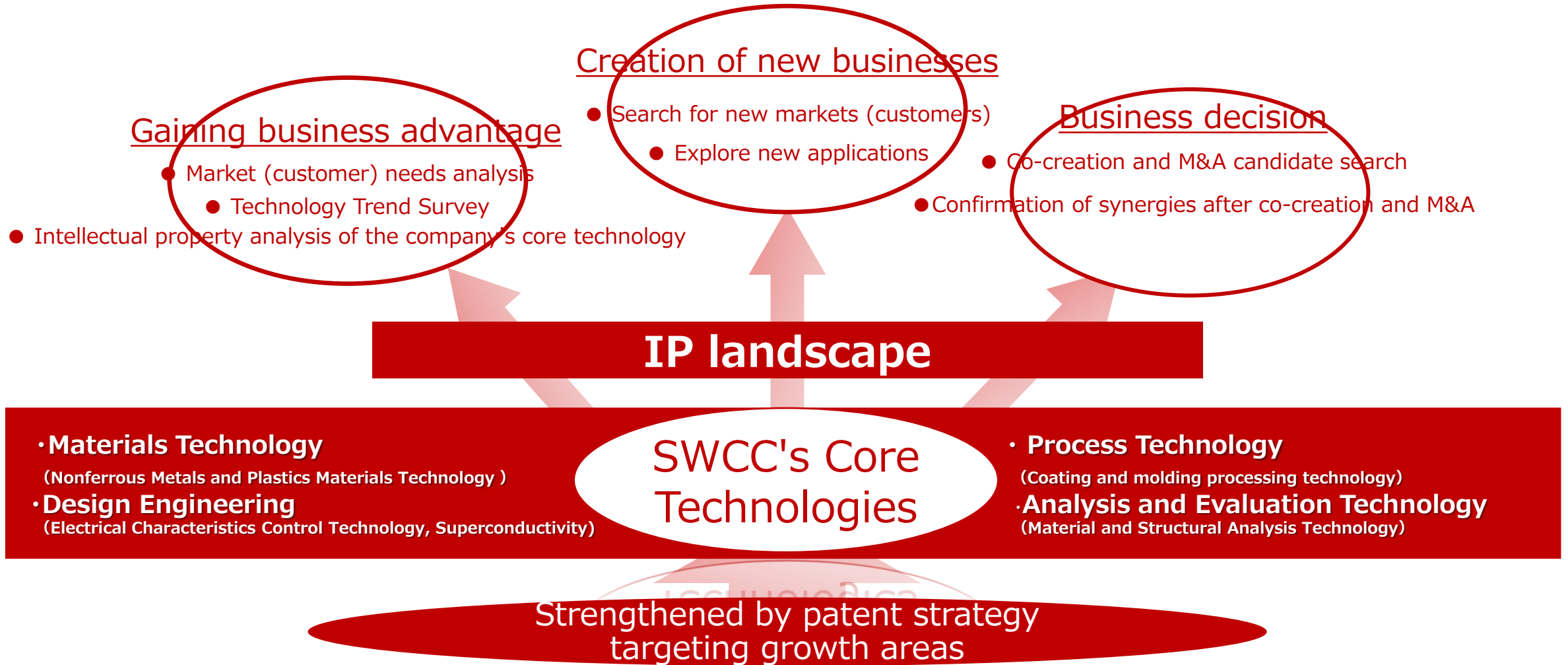
The Digital Innovation Promotion Office, under the direct control of the president, will play a central role in promoting activities by bringing together digitally-qualified human resources from all workplaces.

Projects are implemented in each value chain, leading to productivity improvement.



IP Strategy Initiatives

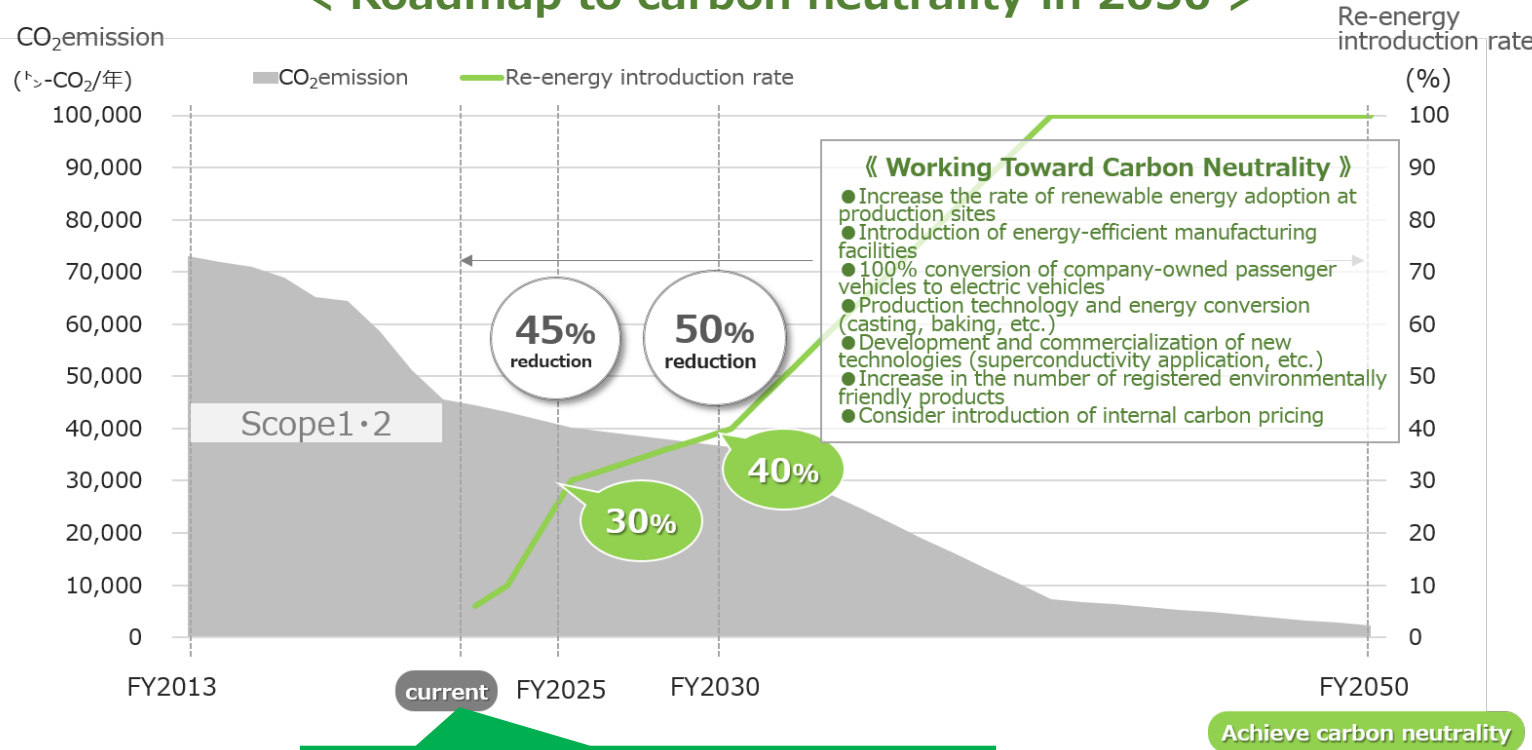
Creating new value by developing and evolving SWCC's core technologies into new areas through IP landscaping



Working Toward Carbon Neutrality

Aiming to achieve carbon neutrality by 2050 by increasing the introduction rate of renewable energy at production sites and introducing high-efficiency equipment.

< Roadmap to carbon neutrality in 2050 >



Efforts to reduce CO₂ emissions in manufacturing processes



Sendai Plant

Introduction of renewable energy through solar power generation



Aichi Plant

Introduction of renewable energy through solar power generation



Mie Plant

Introduction of carbon-neutral city gas



Introduction of energy-saving equipment to winding production line



China Jiaxing Factory

Introduction of renewable energy through solar power generation

Sendai (city)	Annual electricity sales equivalent to 50 million yen
Aichi Prefecture	Reduction of 956 t CO ₂ emissions per year
Mie prefecture	Approx. 30% of fuel-derived CO ₂ Emissions Reduction
Jiaxing	Reduction of 728 t CO ₂ emissions per year

Financial Policy

Strengthen the financial base by enhancing equity capital, mainly through the accumulation of earnings from business operations. Allocate the generated cash flow to aggressive growth investments in new markets and areas (prioritize R&D and human capital as well) to improve capital efficiency.

Medium- to long-term cash allocation

(100 million yen)

FY2017-FY2021 Total			
Operating income	362	Tax	69
		Others	66
		Capital investment	224
		Change in working capital	59
Depreciation and amortization	173	Borrowing repayment	103
		Dividends	14
		FCF	117
EBITDA	535		535

(100 million yen)

FY2022-FY2026 Total			
Operating income	610	Tax	184
		Others	9
		Capital investment	310
		Growth investment	200
		Change in working capital	30
Depreciation and amortization	231	Borrowing repayment	1
		Dividends	107
		FCF	108
EBITDA	841		841

● capital investment Investments in increased production and high-efficiency equipment, mainly in the base business, as well as investments to improve production efficiency through DX promotion

- ① Production Capacity Expansion 12 billion yen
- ② Reorganization of production bases and upgrading of facilities 12.2 billion yen
- ③ Rationalization and ICT enhancement 3.5 billion yen
- ④ Research and Development 2 billion yen
- ⑤ Reduction of environmental impact, etc. 1.3 billion yen

● Investment in new growth areas (M&A, etc.)

Investing ¥20 billion in new markets and new business areas, with core businesses as the core

● Dividend Improve financial health, reduce debt repayment, and increase dividends

● EBITDA Generate operating cash flow by improving profitability
A cumulative EBITDA of 84.1 billion yen is expected for the medium-term management plan period.

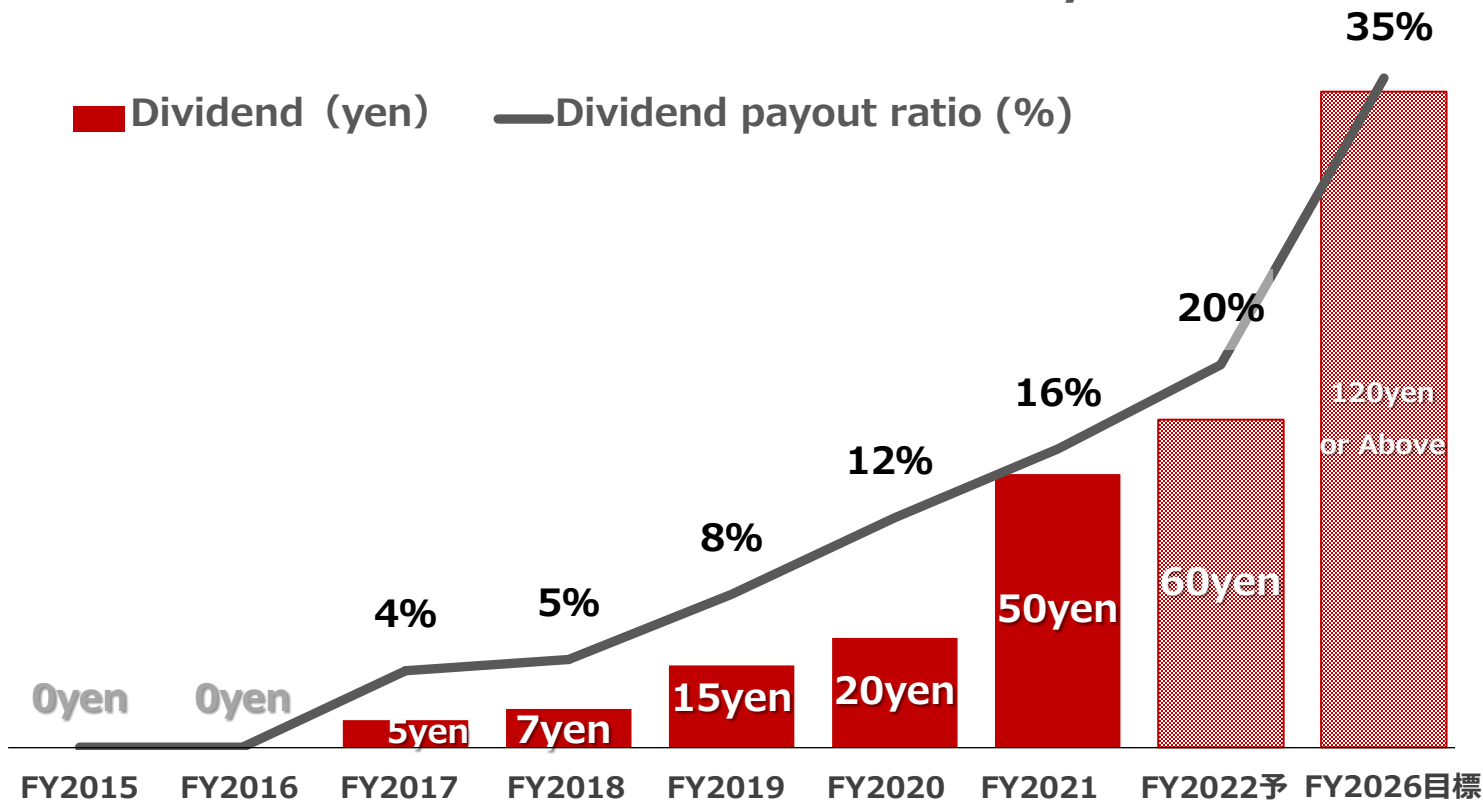
● Balance sheet KPI

Strengthen financial soundness as a foundation for growth
Financial soundness: Capital adequacy ratio of 50% or more, DE ratio of 50% or less
Capital efficiency: ROE over 10%, ROIC over 10% (ROIC-based business and investment management)

Shareholder Return Policy

Our policy is to return profits to shareholders while maintaining profitability and financial soundness through the core KPIs outlined in the medium-term management plan "Change & Growth SWCC 2026". At the same time, we will strike a balance with growth-oriented investments.

【Trends in Dividends and Dividend Payout Ratio】



Core KPIs (FY2026 Targets)

1. Dividend payout ratio: Approx. 35%

2. ROE: 10% or above

3. ROIC: 10% or above

(3) Transformation of human (human capital)

Human capital strategy linked to management strategy

Develop a human capital strategy linked to the management strategy, with Purpose as the driving force. Toward an unprecedented stage of growth, we will implement initiatives to develop a diverse and talented workforce based on materiality.

Clarification
of Purpose

Clarification of
management
strategy

Highly Effective
Human Capital
Strategy

Now, to make what we think is new eventually seem ordinary.



We have established a purpose in conjunction with our name change, with the message of responding to the changes of the times and creating new value.

Mid-term Management Plan Change & Growth SWCC 2026

The further build-up of structural reforms and transition to the growth phase

(Operating margin of 7% or more / ROIC of 10% or more)

Setting Materiality

1. Promoting the utilization of diverse human resources
2. Human Resource Development for the Future
3. Increased engagement

Human resource development and utilization of external human resources

Fair and equitable system (performance-based)

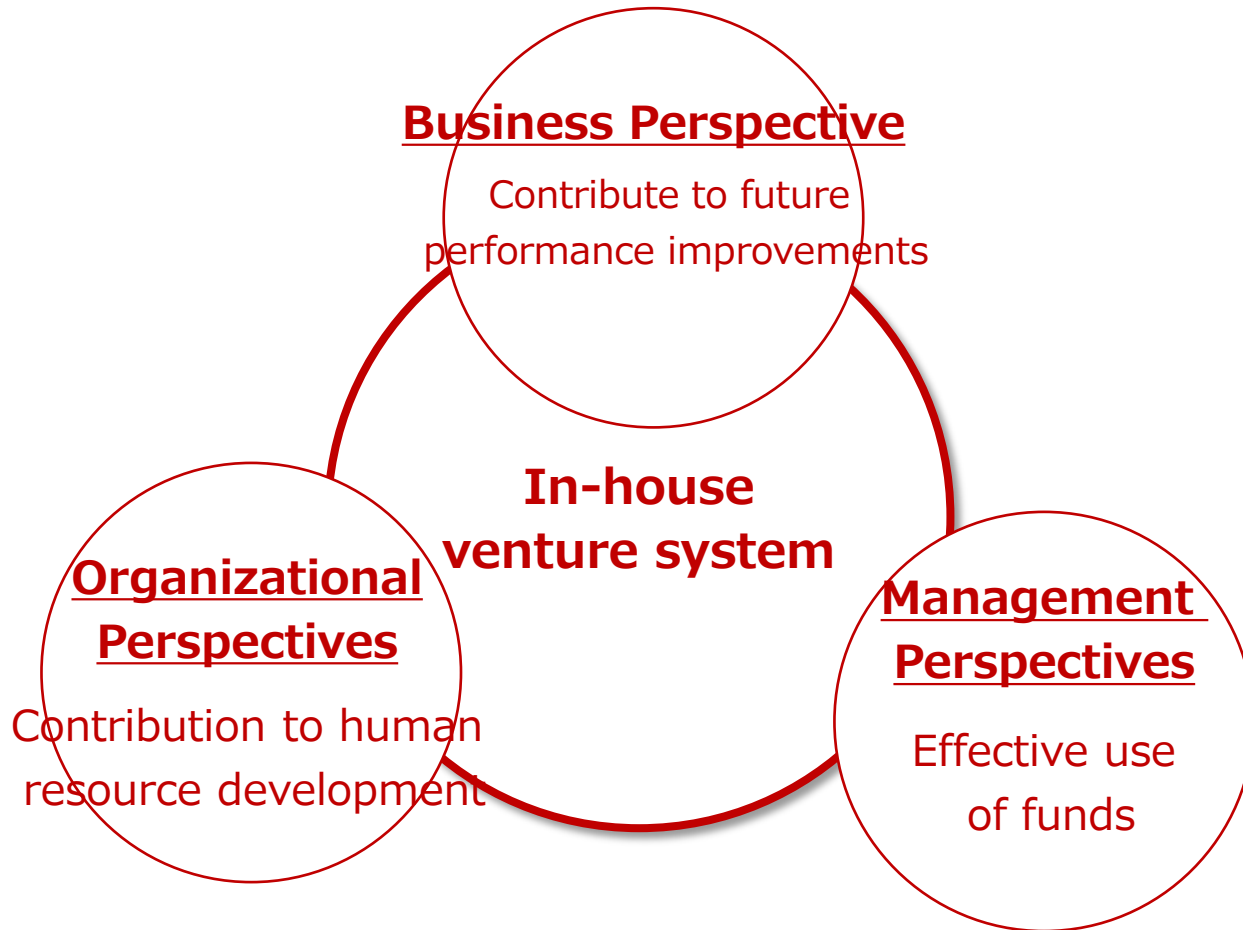
From Business Portfolio Change to Human Resource Portfolio Change

Increased engagement

(4) Organizational Transformation

Strengthening the environment for innovation creation

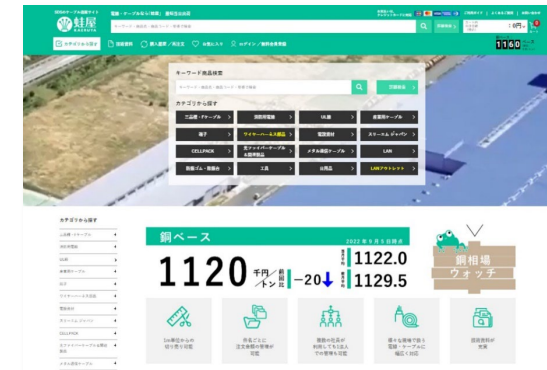
We will introduce an internal venture system to create a system for rapidly commercializing employee ideas and establish a framework for generating new business models that do not currently exist within the company.



In the past, business started from in-house training

Cable shopping site "Kaeruya"

Started with the concept that services would need to be tailored to today's increasingly digital world.



The Group's various cables and products can be purchased in 1-meter increments, and the company offers a variety of user-friendly functions, such as an inventory display function. Sales are steadily increasing through media exposure and SNS utilization.

Promotion of regional management structure

Promoted a regional management structure to make prompt management decisions and respond to geopolitical risks and business opportunities.

Developing Global Human Resources

Population expansion

Overseas Risk Management



- Creation and expansion of global human resources list by segment
- Creation and presentation of career plans
- Pre-assignment training

Utilization of Local Talent



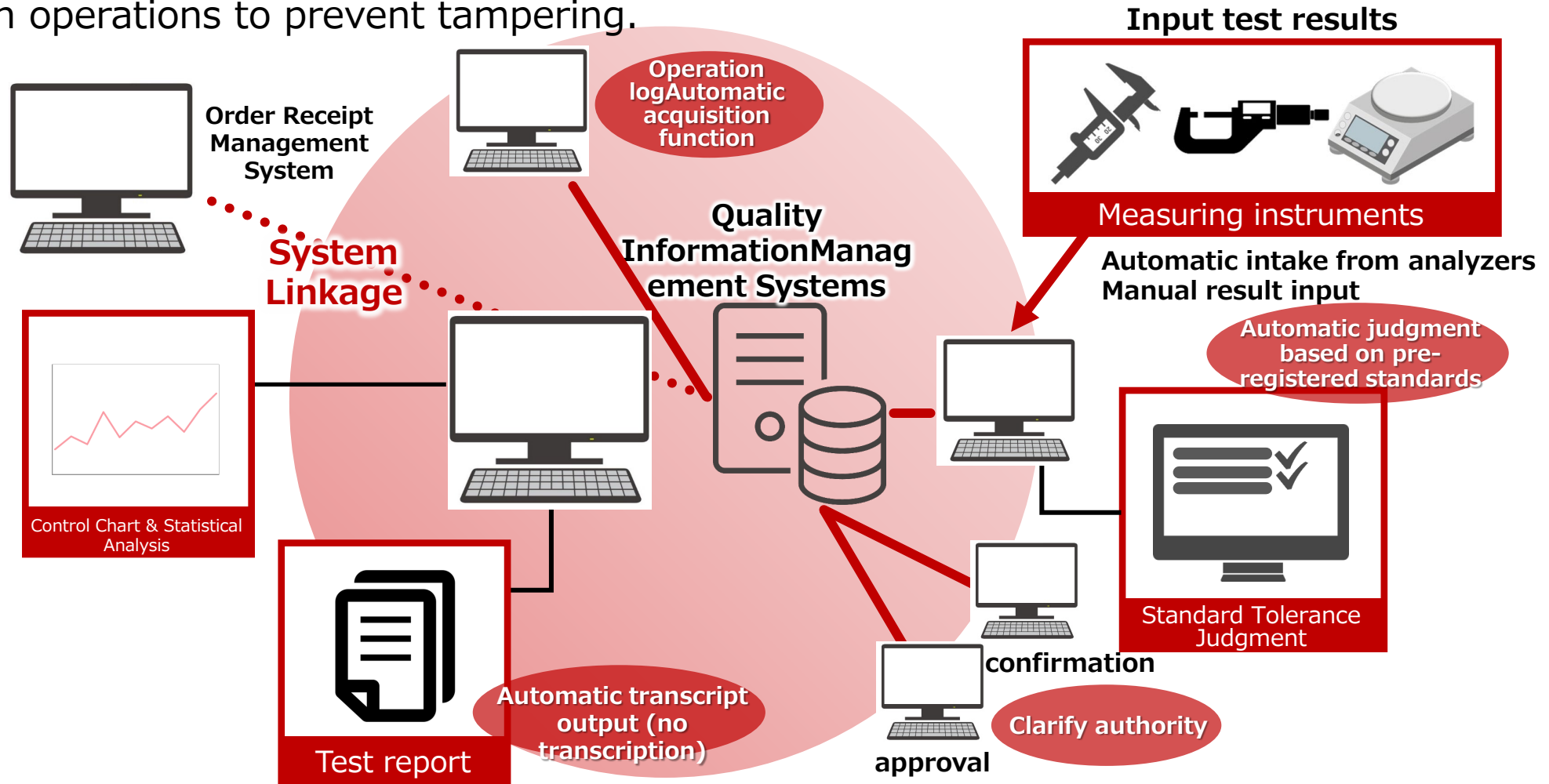
Localization of Management

Global Compensation System

- Creation of a Succession Plan to train and promote executives from overseas subsidiaries.
- Presentation of the global compensation system and unification of evaluations
- Development of personnel systems for overseas offices

Improvement of confidence in quality. Quality Assurance Digitization System

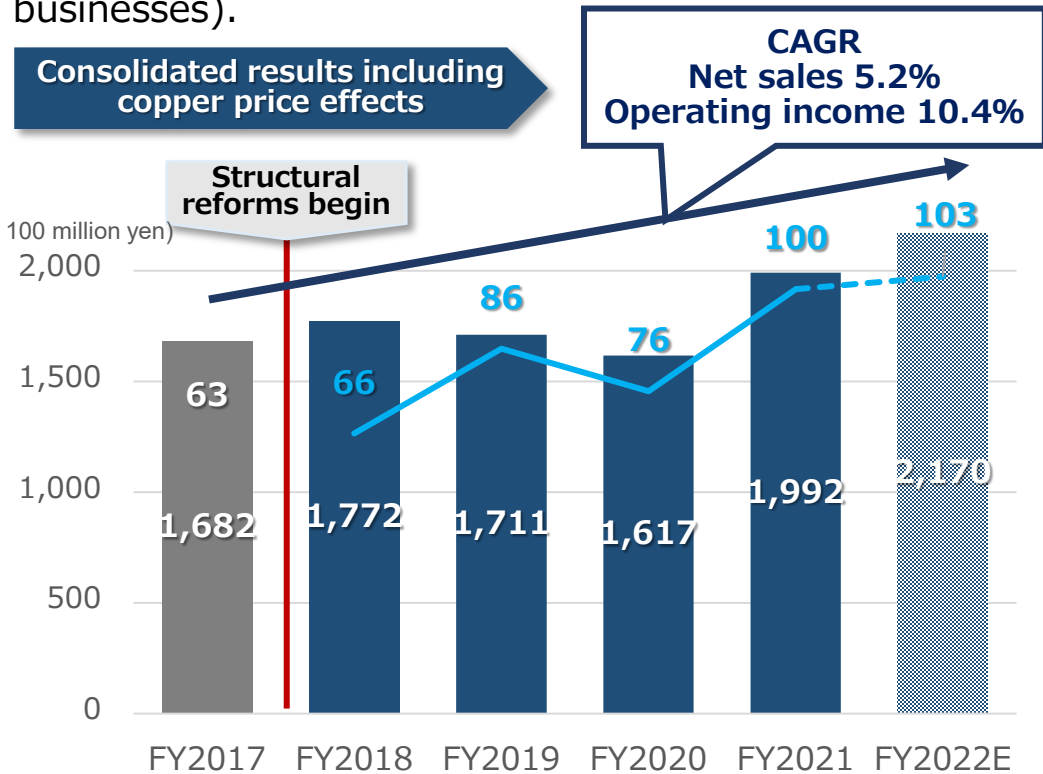
Introduction of digital tools (automatic measuring devices) in all quality assurance inspection operations to prevent tampering.



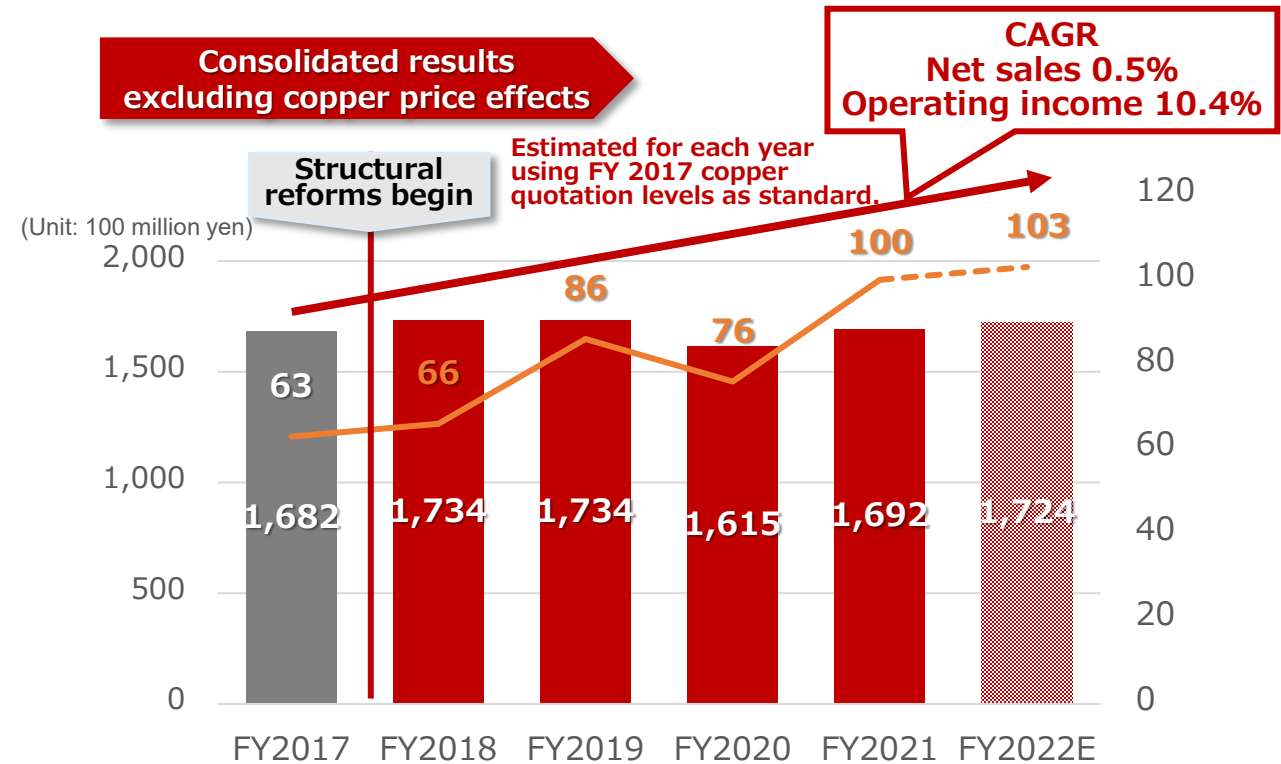
4. Appendix

Copper Price Impact on Our Business

The impact of copper price fluctuations on our business is minimal, except in the case of extreme fluctuations, due to our past efforts to reduce the impact of copper price fluctuations ((1) Immediately reflecting copper market fluctuations in product prices and optimizing inventories, (2) Expanding copper futures trading for future projects, and (3) Investing in growth in non-copper businesses).



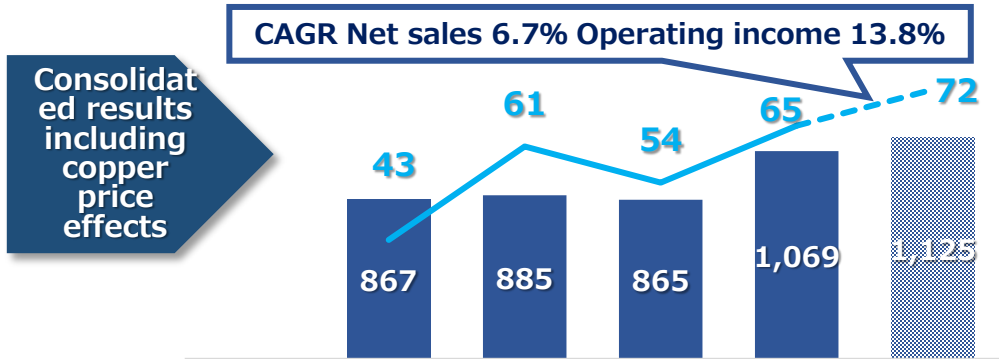
OPM (%)	3.7	3.8	5.0	4.7	5.0	4.7
Copper value (¥/kg)	757	747	682	770	1,136	1,150



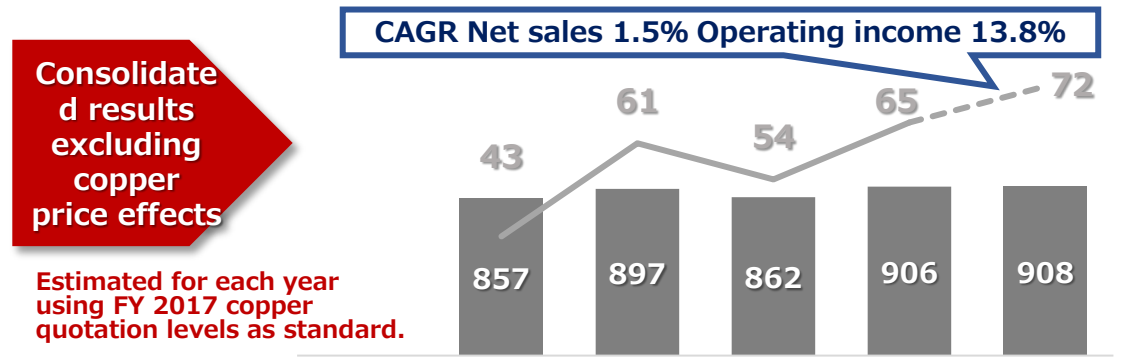
OPM (%)	3.7	3.8	5.0	4.7	5.9	6.0
Copper value (¥/kg)	757	757	757	757	757	757

Impact of Copper Price Fluctuations by Segment

Energy & Infrastructure Business

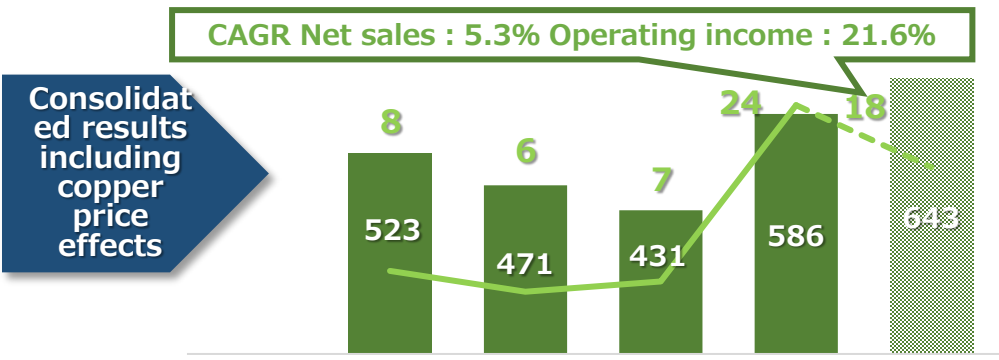


	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022E
OPM (%)	-	5.0	6.9	6.3	6.0	6.4
Copper value (¥/kg)	757	747	682	770	1,136	1,150

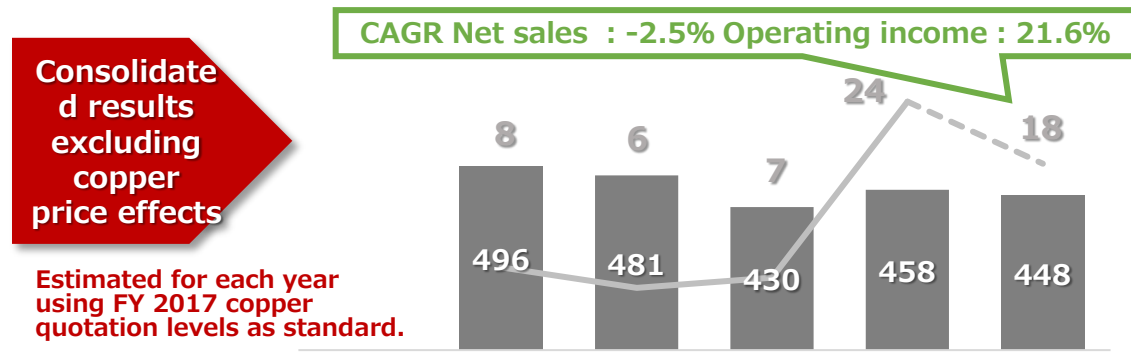


	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022E
OPM (%)	-	5.0	6.8	6.3	7.1	7.9
Copper value (¥/kg)	757	757	757	757	757	757

Electronics & Components Business



	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022E
OPM (%)	-	1.6	1.2	1.7	4.0	2.8
Copper value (¥/kg)	757	747	682	770	1,136	1,150



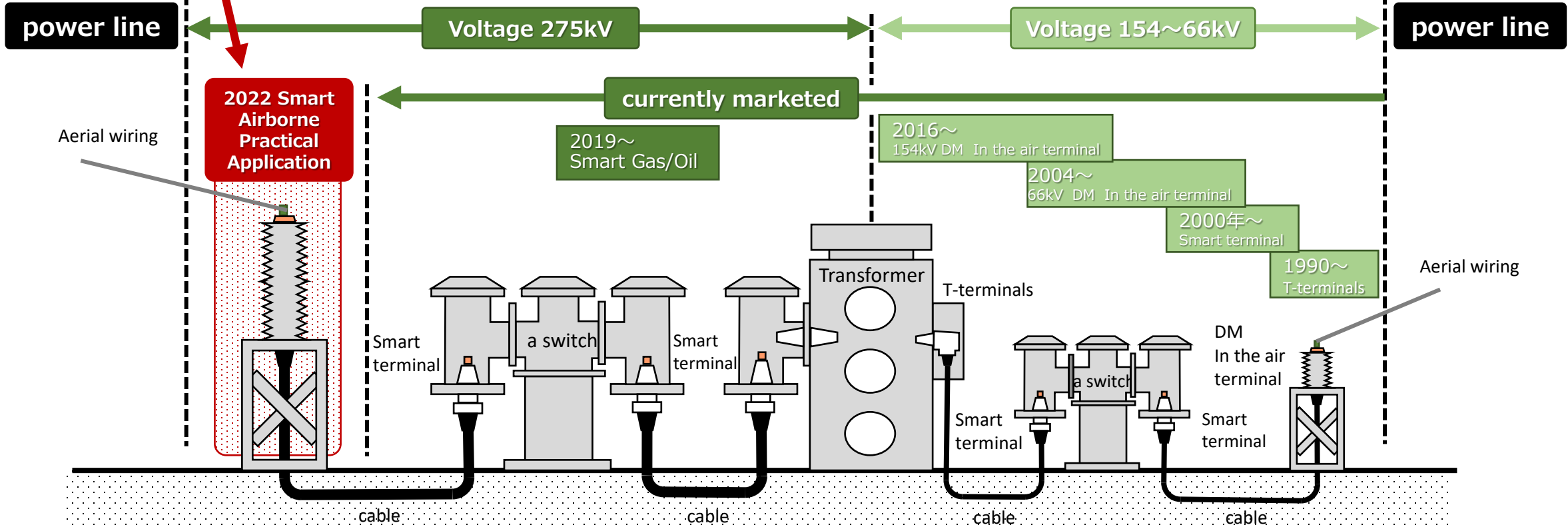
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022E
OPM (%)	-	1.7	1.2	1.7	5.2	4.0
Copper value (¥/kg)	757	757	757	757	757	757

Power connection terminal Completion of the full lineup of strategic brand SICONEX® 66 to 275 kV

Delivery of our products to electric power companies
Transmission of electricity to begin on February 23, 2023

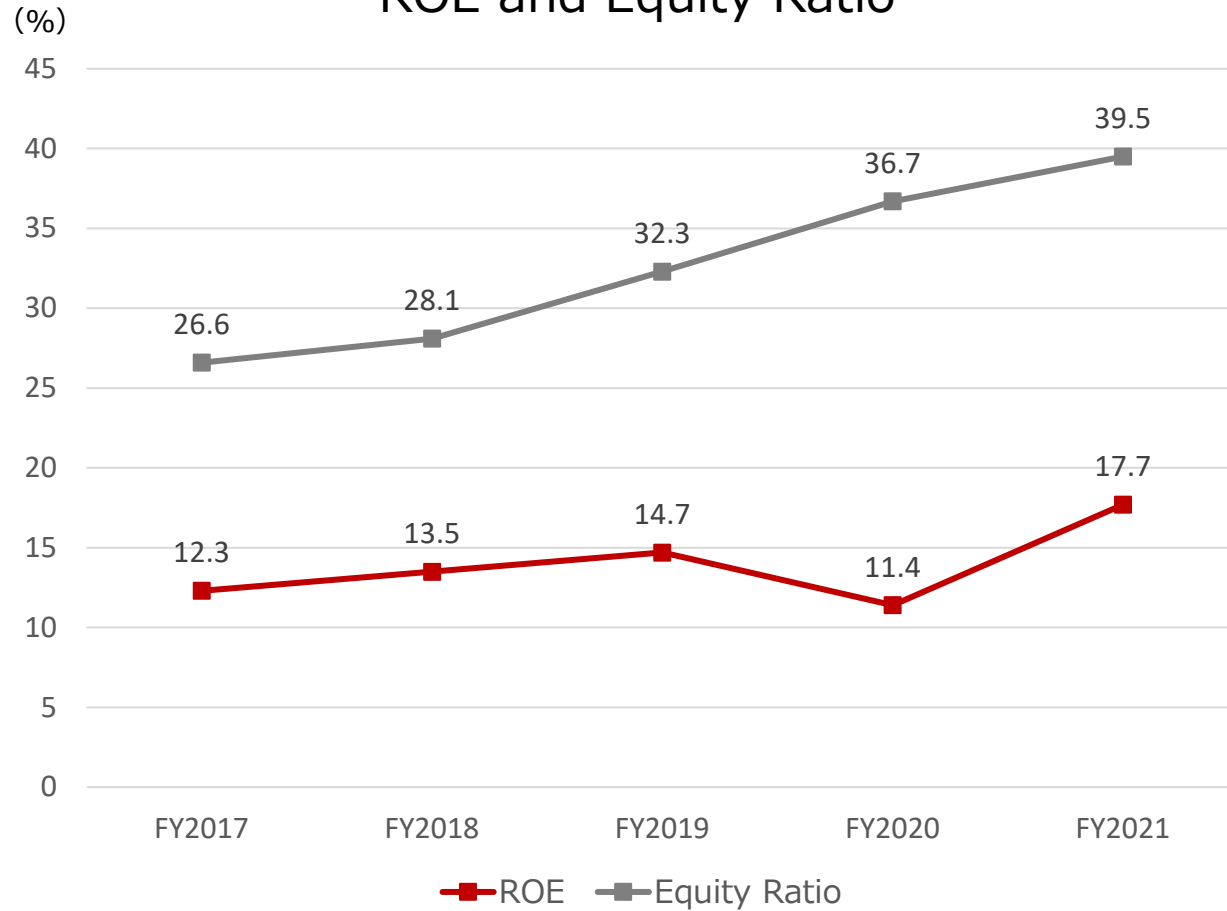
With the full line-up of the business model of supplying cables and construction work with SICONEX® in the substation market, this business model will be applied to the entire substation market.

Transformer substation **SICONEX** de facto standardization

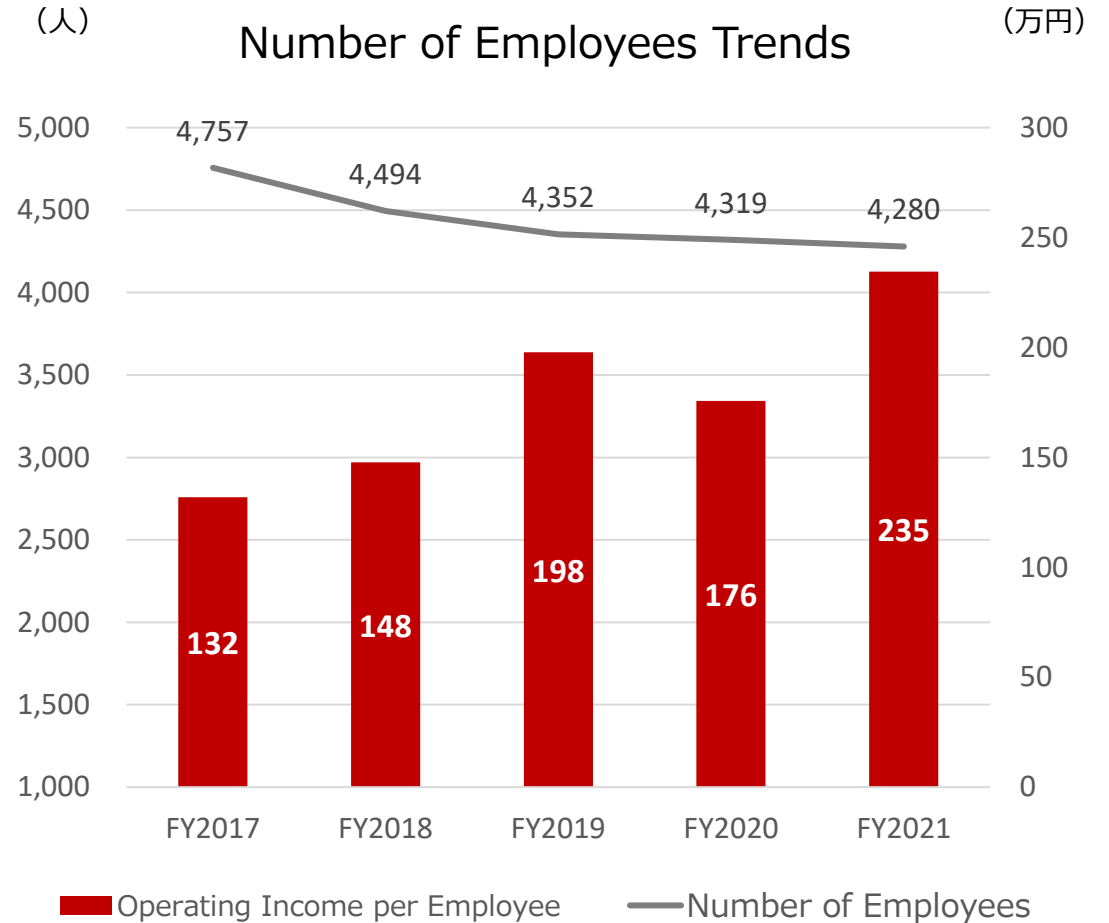


Changes in Key Management Indicators

ROE and Equity Ratio



Operating Income per Employee and Number of Employees Trends





Forward-looking statements in this document are based on information available at the time of publication and contain potential risks and uncertainties.

Therefore, actual results may differ materially from those projected in the forward-looking statements as a result of various factors.

Factors that could influence actual results include economic conditions, demand trends, raw material prices, and exchange rate fluctuations, as well as other items not limited to the above.

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