



SWCC SHOWA HOLDINGS CO., LTD.

Financial Results Briefing for the Fiscal Year Ended March 2022

May 20, 2022

Event Summary

[Company Name]	SWCC SHOWA HOLDINGS CO., LTD.	
[Company ID]	5805-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2022	
[Fiscal Period]	FY2021 Q4	
[Date]	May 20, 2022	
[Number of Pages]	32	
[Time]	09:30 – 10:30 (Total: 60 minutes, Presentation: 35 minutes, Q&A: 25 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	1	
	Takayo Hasegawa	President and Representative Director, (Group CEO)
[Analyst Names]*	Koichi Hariya Eiji Maeda	Ichiyoshi Research Institute Inc. SMBC Nikko Securities Inc.

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Presentation

Moderator: The time has arrived, and we will now begin the financial results briefing of SWCC Showa Holdings Co., Ltd. I would like to begin by introducing today's attendees. This is Ms. Takayo Hasegawa, President and Group CEO.

Hasegawa: My name is Hasegawa. Thank you for joining us today.

Moderator: This briefing is live streaming on web as well. The questions-and-answers session is scheduled with priority given to questions from the on-site participants. Please note that online participants may enter questions at any time. Please understand that we may not be able to answer all questions due to time constraints. This briefing is scheduled to end at 10:30 AM. Please note that business cards exchange and greetings are possible after the briefing, if you wish to do so.

Hasegawa, President, will now start the presentation.

Hasegawa: Good morning. My name is Hasegawa of SWCC Showa Holdings Co., Ltd. Thank you for taking time out of your busy schedule today to attend our financial results briefing for the fiscal year ended March 31, 2022. Since there is some distance from you, I would like to give my presentation unmasked.

There are three major topics today. Let me start my explanation.

2022年3月期 決算総括

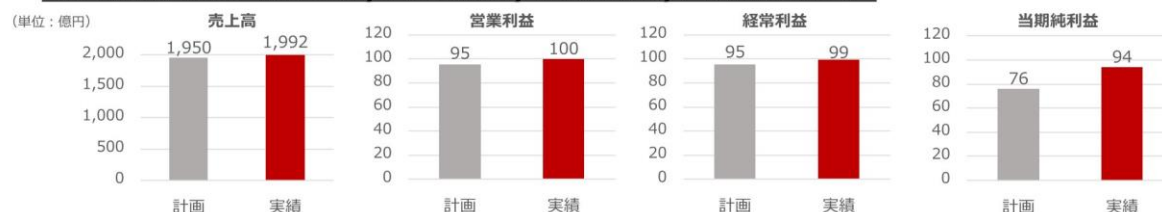


業績：原材料価格高騰等の影響があったものの前年度比で増収・増益

- ・エネルギー・インフラ事業：建設関連向けは原材料価格高騰の影響を生産の効率化や価格転嫁でカバー。電力インフラ向けは引き続き国内需要が旺盛。なお、中東電力工事案件の引当処理を実施。
- ・通信・産業用デバイス事業：産業用デバイスはサプライチェーンの混乱により一部の生産活動が停滞。通信ケーブルは建設関連向けで需要減少。海外製造移管および国内拠点再編が完了し一部は収益改善に寄与。
- ・電装・コンポーネッツ事業：第2四半期後半から自動車減産の影響が続いたものの、前年度比では自動車および電子部品向け高機能製品の需要が増加。また、銅価上昇も増収・増益要因となった。

計画達成状況（売上高/営業利益/経常利益/当期純利益）

※対11月4日発表計画



前中計「Change SWCC 2022(0-リンクプラン2019)」利益目標についても前倒し達成

4

First, let me talk about the fiscal year ended March 31, 2022, or FY2021.

The summary of the results is as follows: net sales of JPY199.2 billion, operating income of JPY10 billion, ordinary income of JPY9.9 billion, and net income of JPY9.4 billion.

The domestic electric power business had a variety of circumstances, but it was a year of steady growth from our business perspective. However, as you all know, copper price is still high, and the price of petrochemical

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products, transportation costs, and various other items rose in tandem with the soaring price of crude oil in the second half of the year. Looking back the past fiscal year, the automobile production cutback had a slight impact on our business in the second half of the year.

As for the figures for each, I have just mentioned.

2022年3月期 連結損益計算書



- 原材料価格高騰や物流価格高騰の影響を受けながらも業績は想定どおりに推移し、前年度比で増収・増益となった。

(単位：億円)	2019年度 実績	2020年度 実績	2021年度 実績	構成 %	増減額	増減率
売上高	1,711	1,617	1,992	—	+375	+23.2%
売上総利益	237	218	254	12.7%	+36	+16.5%
営業利益	86	76	100	5.0%	+24	+32.3%
経常利益	79	78	99	5.0%	+21	+27.3%
親会社株主に 帰属する 当期純利益	55	50	過去 最高益 94	4.7%	+44	+88.3%
配当金/配当性向	15円/8%	20円/12%	50円/16%		+30円	—

5

Looking at the previous fiscal year, the figures for FY2020 were significantly affected by COVID-19 and dropped, so we were able to achieve positive results in all items as a percentage of change.

The net income of JPY9.4 billion includes JPY2.2 billion gain from the sale of our Ebina plant, which is our highest record. The highest profit before that was in FY2019, so even if we did not have the profit from Ebina plant, we would have made a reasonable profit in FY2021.

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売上高・営業利益 増減要因

売上高増減要因



※収益認識基準適用影響額

営業利益増減要因



6

Let me explain a little about the increase or decrease in performance.

As I mentioned at the beginning of this presentation, copper price was high. Since more than half of our businesses use copper, there is no doubt that copper price has had a significant impact on our sales.

Compared to last year, last year, FY2020 and FY2021, sales increased by JPY37.5 billion, of which JPY29.8 billion was due to copper price. The amount of copper shipped increased compared to FY2020 and FY2021, so you can see not only that copper price has increased, but also the profitability of each business has improved.

We are often asked about the impact of copper price on each of our business segments. So we have included the impact of copper price on net sales in each segment and it is written in the material.

Operating income was affected by copper price by JPY29.8 billion in net sales, and profits were boosted by JPY1 billion with the same reason. As I have said in the past, we have been trying to manage copper business in a way that operating income is not affected by copper price fluctuations. However there is positive figure of JPY1 billion in this situation.

As I mentioned earlier, the profitability of our domestic business has been increasing, so we have JPY2 billion there. The structural reforms that have been implemented since FY2019 have resulted in positive results. However, there is an impact of resource prices, and that has come out as a negative impact. The other JPY400 million allowances means an operating income of JPY10 billion.

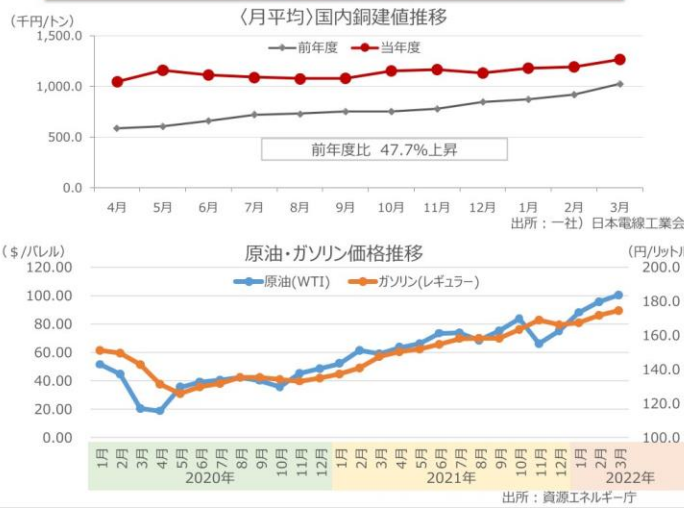
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国内銅建値／原油・ガソリン価格の推移

原材料市況



価格転嫁の当社対応事例

建設関連製品



電線・ケーブル副資材、木製ドラム、物流費等が高騰

- 対応時期 昨年から段階的に販売価格見直し
- 値上対象製品 建設用電線、高圧ケーブル等
- 値上幅 段階的に数%程度

巻線製品



ワニス等副資材エネルギーコスト物流費が高騰

- 対応時期 昨年から品種ごとに段階的に販売価格見直し
- 値上対象製品 全品種
- 値上幅 品種・サイズにより異なるが段階的に数%程度

7

I would like to talk about resources.

A chart in the upper left corner shows comparison of the copper price of FY2020 and FY2021. Our business projects were conducted with approximately 1.5 times higher copper price throughout the year. The price of crude oil, which is the basis for petrochemical products, has risen. The price of raw materials has soared by about 1.5 times compared to FY2020.

We made a policy of asking our customers to add to our prices, and we are dealing with it accordingly. We have raised our prices several times since about the second half of last year, and we announced it in writing. We disclosed our information and have strongly asked our customers to understand that we have no choice but to raise the price for various reasons.

In particular, construction-related wires and general windings. Although it is difficult to raise prices due to fierce competition in this area, we have passed on the cost of the product to the customer.

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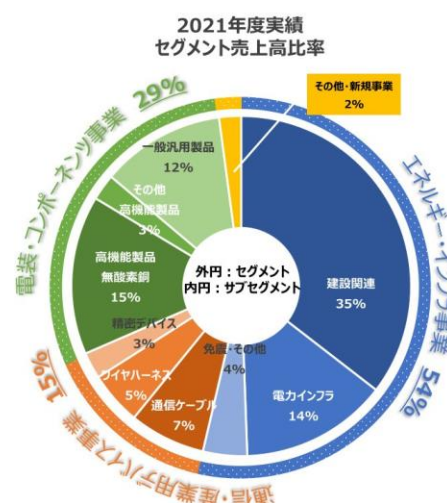
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セグメント業績 売上高構成比率

- エネルギー・インフラ事業と電装・コンポーネツ事業は増収・増益、通信・産業用デバイス事業は増収だが、利益は横ばいとなった。

	2020年度実績		2021年度実績	
	売上高	営業利益 (利益率%)	売上高	営業利益 (利益率%)
(単位：億円)				
● エネルギー・インフラ事業	865	54 (6.3%)	1,069	65 (6.0%)
● 通信・産業用デバイス事業	270	18 (6.9%)	295	18 (6.2%)
● 電装・コンポーネツ事業	431	7 (1.7%)	586	24 (4.0%)
● その他 (内 新規事業)	52 (38)	△4 (1)	42 (31)	△6 (2)
合計	1,617	76 (4.7%)	1,992	100 (5.0%)



8

The following table shows the sales of each segment by composition ratio.

In terms of sales ratios, energy and infrastructure has not changed that much. In the first half of the year, the proportion of sales of electrical equipment and components, which has a strong car business, increased a little, and the proportion of sales of communication and industrial devices, mainly communication cables and wire harnesses, has dropped a little.

In terms of earnings, the year was supported by energy and infrastructure, particularly electric power, and automotive electrical components.

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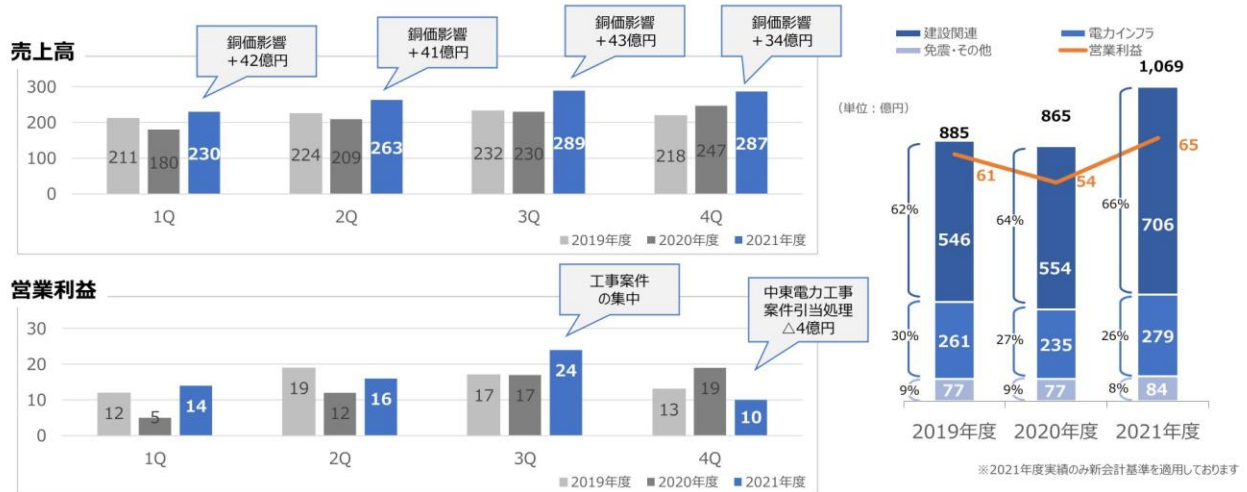
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エネルギー・インフラ事業 業績



一部、原材料価格高騰の影響を受けたものの、建設関連・電力インフラ・免震ともに増収・増益。



9

Let me explain a little about each of our businesses. The first is energy and infrastructure business.

As I mentioned, energy and infrastructure business was firm. It was because wires for construction accounted for a certain percentage and the sales have increased from the impact of copper price. However, the main source of revenue is electric power. Looking at operating income, it was very high in the third quarter when electric power construction work was concentrated.

Although it looks like decrease in the fourth quarter, we have allocated an allowance for the collection risk after reviewing the contents of the allowance since we have reached a certain point of completion for the construction projects that have been carrying out in the Middle East. With this, there was JPY400 million decrease. I hope you can see that the fourth quarter is a bit lower due to these special factors as we responded to the risks.

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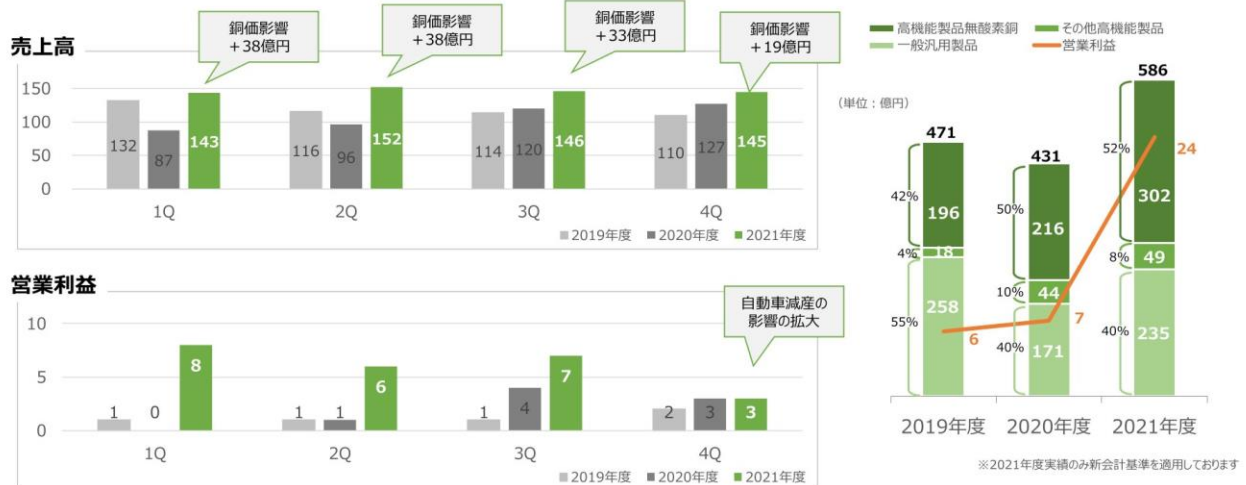
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電装・コンポーネンツ事業 業績

2Q後半から自動車減産の影響が大きくなったものの、銅価上昇の影響もあり高機能製品・一般汎用製品共に増収・増益。



10

Electrical equipment and components.

In electrical equipment and component business, we saw a very strong flow of EVs in the first half of fiscal year and copper shipments were 1.5 times higher than in FY2020. Since automobile factories were not able to operate due to shortage of semiconductors and such, we saw a slight slowdown in the second half of the year.

Sales figures are large due to copper price hike. Although windings and windings for electric power were steady and strong, there was a drop in automobile in the fourth quarter that led to less revenue.

However, the amount of copper throughout the year did not decrease compared to the FY2020 level, and the results of FY2021 show 4% increase in the amount of copper.

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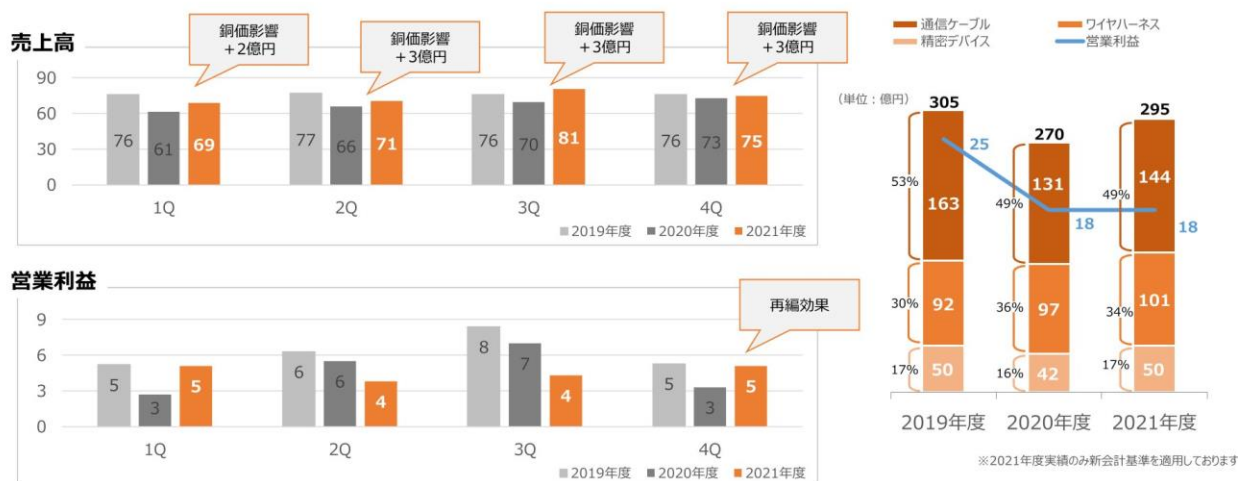
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通信・産業用デバイス事業 業績



サプライチェーン混乱や原材料価格高騰影響等を受け利益横ばいとなるも、生産拠点再編が完了し一部は収益改善に寄与。



11

Communication and industrial devices.

This was settled with flat in operating income, but I think it can be said that this was still the toughest business. FY2021 was the year of major restructuring in this business. We have just curved our a wire harness business to China and started production in our domestic wire harness business, where we make harnesses, and in Aomori business where we make wires for harnesses.

Also, we have streamlined production by consolidating metal communication-related products, which are expected to become a tougher market in the future, into one location, the Sendai branch.

Also, we have dropped production volume of copy parts-related products and curved out heavily to Vietnam. We carried out various structural reforms in FY2021. In this context, we have been working hard to keep profits stay in this business.

We are hopeful that the effects of the reorganization will start to emerge, and although it is still very small in the four quarters, we expect that the effects of the reorganization will start to emerge this year.

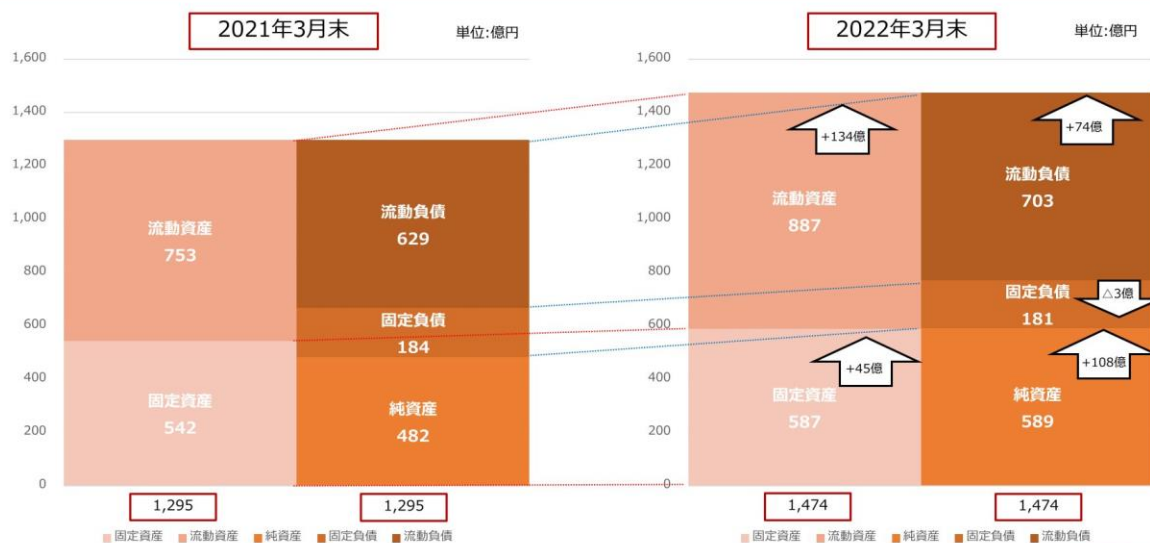
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貸借対照表（前期末比較）



12

This is a balance sheet.

As copper price has become higher, trade receivables and inventories have increased a little, and current liquid assets and accounts payable have also increased due to the copper price. Then we are allocating the fixed assets to investment side, so fixed assets are also increasing.

The balance sheet has become a little larger than before.

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前・中期経営計画「Change SWCC 2022(0-リングフロン2019)」達成状況



【営業利益】

2022年度目標：100億円
2021年度実績：100億円

【1株当たり配当金】

2022年度目標：50円以上
2021年度実績：50円

【自己資本比率】

2022年度目標：38%以上
2021年度実績：40%

【ROIC】

2022年度目標：7%以上
2021年度実績：7.6%



13

Next is about the mid-term management plan.

We issued a new medium-term management plan in last November. The mid-term management plan that was in effect until last year covered the period from 2018 to 2022, so we have been working on the plan with FY2022 as the final year.

As of the end of FY2021, we were able to achieve all profit-related items, including operating income, dividends, equity ratio, and ROIC. I believe with everyone's support that we were able to bring forward our five-year plan by one year, or rather, to settle it in four years.

The DE ratio is 67% at the end of last fiscal year.

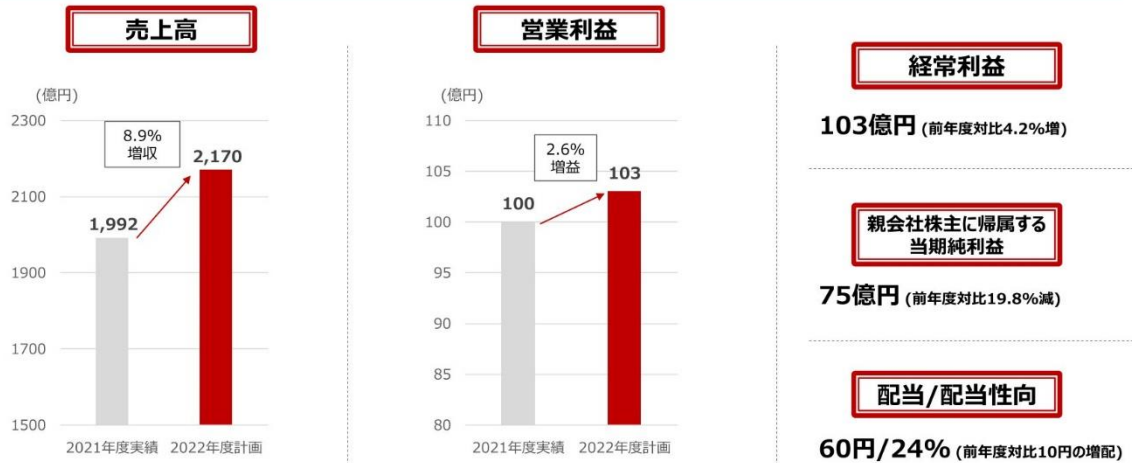
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2023年3月期 通期業績計画



原材料価格のさらなる高騰やサプライチェーン混乱の影響等を織り込むものの、各種施策と構造改革の効果により増益を計画。

15

I would like to continue to explain the outlook for this fiscal year, FY2022.

In FY2022, compared to last year, operating income is JPY10.3 billion, a figure that seems to have stalled a bit compared to last year's of JPY10 billion. Ordinary income is also JPY10.3 billion, and net income is JPY7.5 billion. We aim to raise the dividend by JPY10 and set a target of JPY60.

As I have said from the beginning, high resource prices will continue this year, and it will take some time for the automobile industry to get back on its feet. These figures are based on the assumption that there will be a certain impact on the profits of the segments and sub-segments related to them.

We appreciate your understanding that we have given these figures in consideration of the various risks involved, especially with the great pressure of raw material price hikes.

I have been in this position for four years now, and I have implemented various reforms, and the effects of these reforms have gradually emerged. These figures are drawn as an offset to various risks.

Support

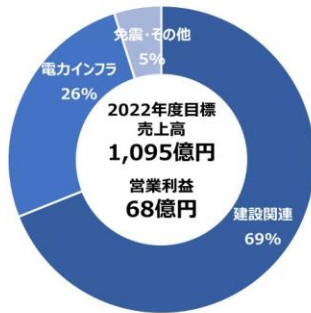
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2023年3月期 セグメント別業績計画(売上比率グラフ)

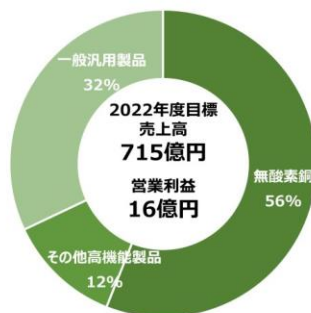


エネルギー・インフラ事業



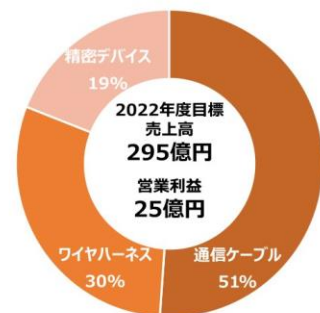
市場	・再生可能エネルギーの促進 ・送配電網増強政策
施策	・SICOPLUS™によるソリューション展開 ・建設関連子会社(SFCC)製販統合
リスク	・原材料価格等の更なる高騰 ・建設資材高騰による工事件名の延期

電装・コンポーネツ事業



市場	・xEVシフトの加速 ・重電分野の国内調達需要増
施策	・車載向け高機能製品の増産投資 ・原材料価格、燃料費高騰分の価格転嫁
リスク	・原材料価格等の更なる高騰 ・自動車減産の長期化

通信・産業用デバイス事業



市場	・中国、東南アジアでの家電需要拡大 ・通信トラフィック増大に対するインフラ投資増加
施策	・サプライチェーン改善による家電需要捕捉 ・生産拠点再編による収益改善の最大化
リスク	・原材料価格等の更なる高騰 ・サプライチェーンの混乱による部材調達難

I would like to talk about each segment.

Operating income of JPY6.8 billion for energy and infrastructure. As I mentioned earlier, price competition for construction cables is intensifying, but the market for electric power, which is the main pillar of our earnings, is very strong. Therefore, the strategy of SICONEX, in which we sought to earn more money by proposing services and packages rather than by earning copper volume, and SICOPLUS, which includes construction work, will continue to be applied this year as it was three years ago.

Electrical equipment and components. Operating income is JPY1.6 billion, a bit lower than last year. As I mentioned earlier, this is based on the assumption that the auto industry will probably stand still for a little longer.

However, as you are all aware, the trend toward EVs and xEVs, including plug-in hybrids, has stalled in various areas, but I believe it is steady along with the trend toward decarbonization. We believe that with the rise of the automotive industry, our products and our sales will increase effectively.

Then, communication and industrial devices. We are expecting operating income of JPY2.5 billion as the reforms are taking effect. However, the biggest negative impact of this business is the lockdown in China. Since we have shifted our production base to China, it would be a little stressful if that base did not operational at 100%, so we have taken that into account in the figures we have given you.

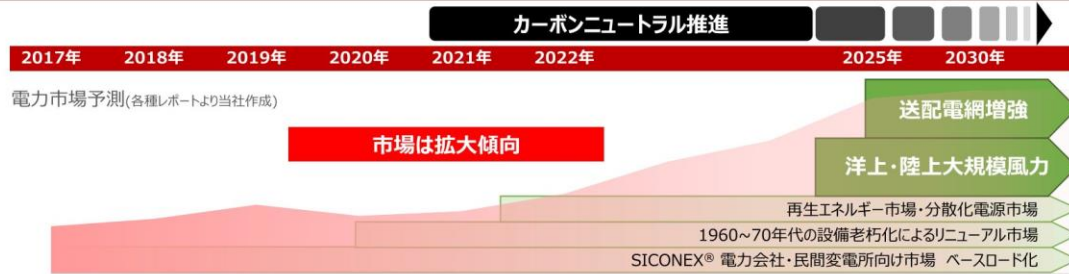
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エネルギー・インフラ事業戦略 電力インフラ市場戦略



2022年度施策

①SICOPLUS™によるソリューション展開の加速

- a)再生可能エネルギー市場への適用拡大
- b)エクシオグループとの協業本格化
- c)AVR™を活用した施工教育メニュー拡充と施工人員の増強

②SICONEX®の増産 (2020年度対比50%増)

I would like to talk about detailed strategy and main aspects of each segment.

Energy and infrastructure. I mentioned earlier that electric power is firm, and I am certain that the market will continue to expand over the long term.

Three or four years ago, I remember that there was a discussion about the domestic electric power market would not grow, but there has been a move toward renewable energy and the strengthening of the power grid, which the Prime Minister mentioned. At the time we created our medium-term business plan, we had not yet included the impact of strengthening the power grid, but we did include a portion of market expansion through renewable energy. This business is growing more than we expected with those trends.

In light of this, we will continue to strengthen SICOPLUS and SICONEX to make our business model stronger. I believe that FY2022 is a year to prepare for this. We are in the process of increasing production capacity for the SICONEX factory in Sagami-hara. We expect the factory to be completed by the middle of 2023, which will enable us to increase production by 1.5 times compared to the previous year.

However the number of electricians has been declining due to Japan's declining population and various other factors. Last year, in cooperation with the EXIO Group, we established a training center for construction personnel. The first term students have successfully graduated, and the second term students started this month. We are determined to continue with this kind of strategy to increase production while increasing the number of construction workers.

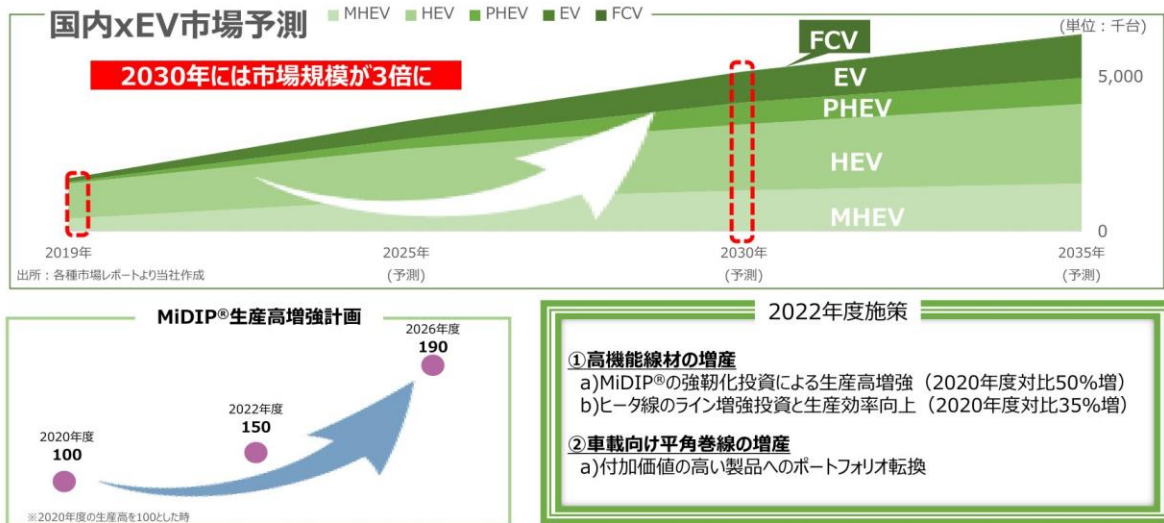
For construction training, we acquired a company earlier this year that makes full use of AVR, or virtual reality, and we would like to incorporate AVR technology into our training system for more efficient training.

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Then there is electrical equipment and components.

As I mentioned earlier in regard to electrical equipment and components, I am certain that the EV market will be expanding. We wanted to make sure that our facilities were up to par while the market is sluggish like now. We will renovate the dip-forming facility to produce oxygen-free copper in May, and expand the heater wire line at the Sendai Plant. We are currently making materials for heaters for car seats and steering wheels, and we are preparing to increase these by 35% this summer, and construction is underway.

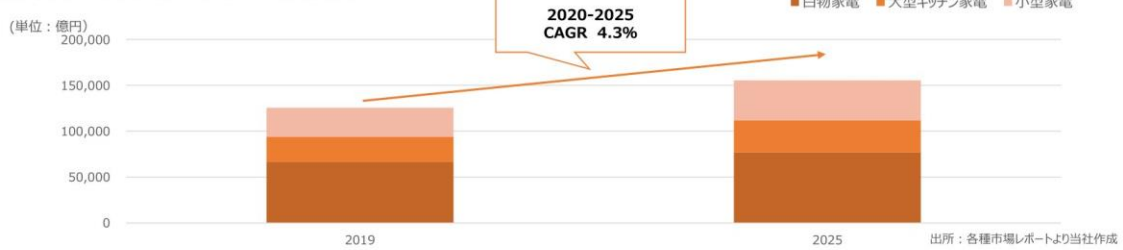
Also, we are trying to do a solid winding wires jobs for automobiles, and while developing new manufacturing methods, we are adding new colors under the concept of making products efficiently, without making large investments as we have done in the past.

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白物家電の中国市場での年平均成長率



ワイヤハーネス中国新工場

建屋面積
約15,000㎡ ⇒ 約35,000㎡

ワイヤハーネス全体の売上計画
2020年度 約105億円 ⇒ 2026年度 約180億円

2022年度施策

- ①外部環境に左右されない家電需要の捕捉
 - a)調達先の拡大および輸送効率改善
 - b)柔軟な生産体制構築
 - c)生産能力の最大活用
- ②コストアップ分の確実な価格転嫁

Communication and industrial devices.

The main issue is starting operation at the production base in China.

We are now in a very difficult situation due to the lockdown, and we are trying to diversify our procurement by having multiple logistics routes instead of the single route we had before, so that logistics will not be disrupted in the event of a lockdown somewhere.

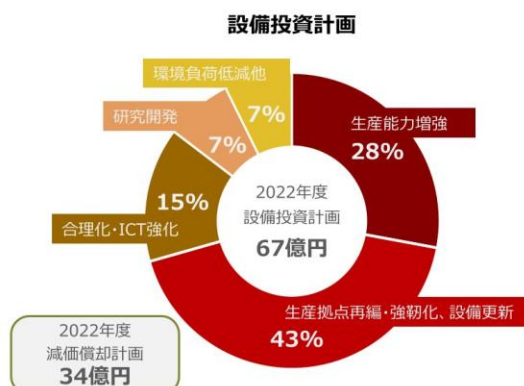
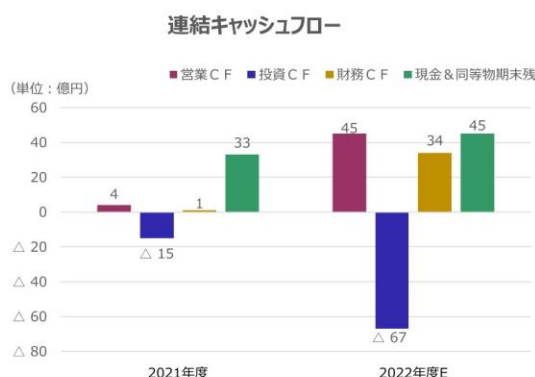
I think it is a time to be patient.

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キャッシュフロー計画と設備投資計画



- ・2021年度、営業CFは売上債権増加を増益効果で相殺、投資CFは固定資産売却により設備投資増加による支出を圧縮
- ・2022年度、投資CFは設備投資計画増額により支出増加

- エネルギー・インフラ事業： 25億円
- 通信・産業用デバイス事業： 10億円
- 電装・コンポーネンツ事業： 11億円
- 他、拠点強靱化、システム投資等： 21億円

20

Cash flow.

Cash flow in FY2021. Copper price has risen significantly and operating cash flow. The increase in trade receivables has caused a slight drop here.

We plan to make capital investment of JPY6.7 billion in FY2022, which you can see here.

As for the investments for this year, there are many things to be done [about], such as global warming, as well as the enhancement of each project. We need to strengthen our bases, reinforcing earthquake resistance, then reinforcing infrastructure, so that even if something goes wrong, we will still be able to make solid products.

We have also budgeted a small amount of money to establish a rational system in FY2022.

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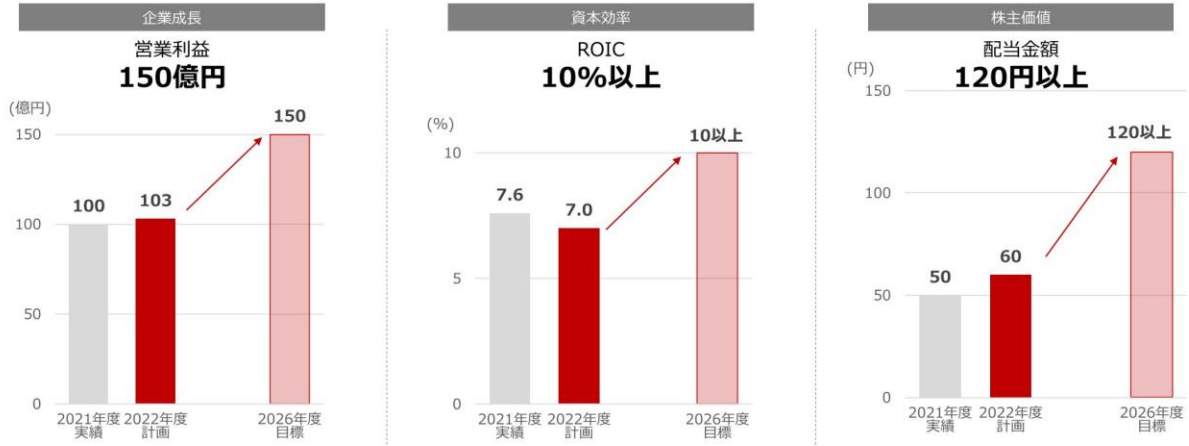
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中期経営計画 Change & Growth SWCC 2026 主要KPI



- 当社グループでは、営業利益・ROIC・配当金額を主要KPIと定め、中期経営計画を推進してまいります。



21

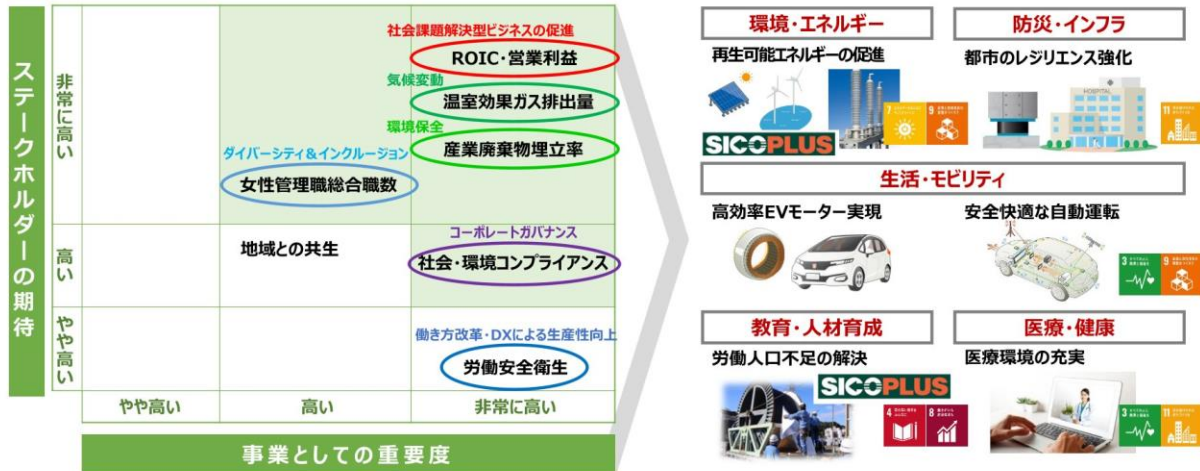
The medium-term management plan is as announced in November. Looking at FY2022, as I mentioned earlier, the situation seems to have stalled a bit, but we will continue to operate with a firm focus on our goals.

E S G



サステナビリティ重要課題

事業で培った技術と経験を活かして社会課題解決型ビジネスを促進し、持続的な社会の実現と企業価値向上を目指します。



23

Next, I would like to talk a little bit about ESG. Since we are involved in many businesses related to social infrastructure, we believe that we have solutions for various social issues.

Although we operate in segments, we try to provide a business model that is consistent with social issues throughout the segments. Given the importance of the project and the expectations of our stakeholders, we are now managing the project by implementing various measures one by one.

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ESGの取り組みに関する 各種KPI

	2025年度目標	2030年度目標	2050年度目標
CO ₂ 排出削減 基準年2013年度	25%削減	35%削減	カーボンニュートラル実現
廃棄物最終処分量削減 基準年2018年度	50%削減	50%削減	最終処分量ゼロ
水使用量削減 基準年2018年度	20%削減	50%削減	持続可能な利用の推進
再エネ導入率	30%導入		
女性活躍推進 基準年2020年度 管理職/課長職以上 比率	2026年度目標 8%/10%		

2022年5月
TCFD賛同表明(予定)

ESG targets and figures are announced in various places, but they can be a bit confusing, so I have laid out here. CO₂ emissions, then the problem of waste, mainly plastics, then the problem of water consumption, then the rate of adoption of renewable energy, and the percentage of female managers.

We have listed the numerical values for the FY2025 target, the mid-term target for FY2030, and the long-term target for FY2050.

As for TCFD, we are putting it together now, and we expect to be able to disclose it, probably next week.

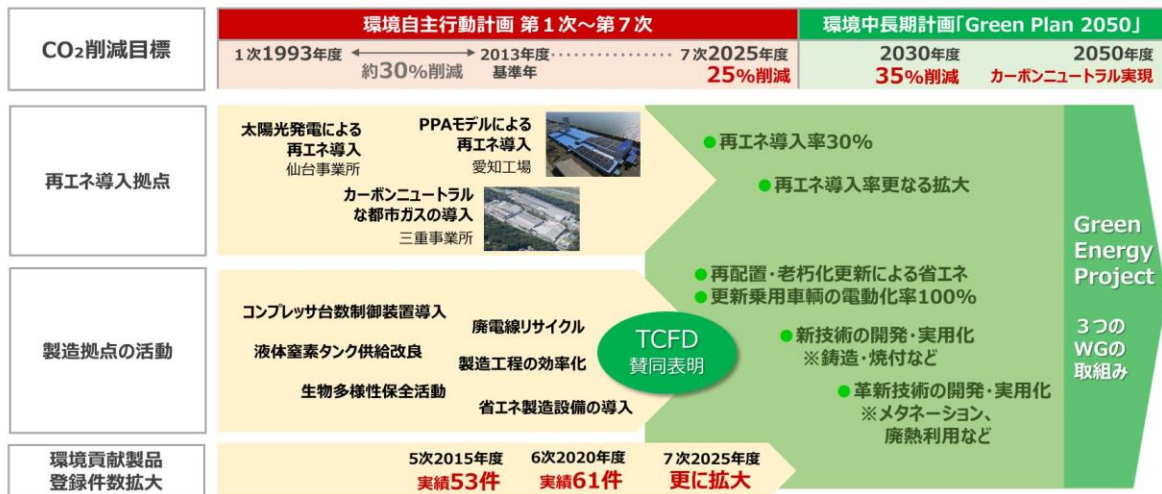
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2050年度カーボンニュートラルへのロードマップ^o

※下記削減目標は、日本政府のCO₂排出目標基準年度（2013年度対比）で算出。



25

CO2 reduction.

This is the area getting the most attention.

We have been involved in CO2 reduction activities since 1993, and have been gradually reducing CO2 emissions by setting internal targets under a voluntary plan.

Between 1993 and 2013, we reduced CO2 emissions by about 30%.

In response, we have set a mid-term target of 35% by 2030, and a long-term target of 25% by 2025 years after the end of the Voluntary Plan, with the goal of becoming carbon neutral by 2050.

One of the indicators is how to use renewable energy, and we also want to use new technologies, including how to replace old equipment with more efficient energy-saving equipment. We are now in the process of creating and promoting a project while considering these issues.

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 Asia's Meetings, Globally

持続的企業価値向上に向けた人的資本マネジメントの取り組み

新人事制度の導入

能力主義の人事制度を総合職全体に拡大。また、定年後も継続して就労を希望するシニア層に対し活躍の場を提供する制度を導入。

能力と役割による
組織への転換を促進

管理職

一般社員
(総合職)

シニアスタッフ
(総合職)

人材開発への取り組み

従業員の力は会社の力という考えのもとに階層別に教育・研修制度を運営。

- 次世代経営者育成研修
- ネクストリーダー研修
- 異業種交流研修
- SDセミナー
- 管理者(ライン長、現場管理者)教育
- 階層別教育



社外取締役によるSDセミナーの開催

女性活躍推進

2021年4月社長直轄の女性活躍推進プロジェクトを発足。意識調査をもとに制度や教育改革を加速。

2026年度までの目標

管理職の割合8%
(2020年度対比約2倍)

課長職以上の割合10%
(2020年度対比約7倍)



プロジェクト名

社内公募の上「SWCCarat (カラット)」に決定。女性に限らず、全従業員が自分だけの輝きを放つことを願う思いが込められています。

健康経営の推進

健康経営戦略マップを活用し、従業員エンゲージメントを高め、着実に当社の健康課題を解決。

健康投資

健康投資効果

労働生産性・創造性の向上

Then there is the “S.”

We are implementing various measures.

In particular, we have introduced a new personnel system that we treat employees in a matrix that matches their job responsibilities and abilities and abolish the seniority system from 2019.

This new personnel system is implemented in manager class to start with. In the last fiscal year, we have been working to change our personnel system so as not to lower the motivation of our senior staff, and also to improve benefit to support various ways of life.

As for promoting women in active roles, we started this last fiscal year, although it was a late start. The percentage of female employees in management positions is not very high, in fact there are not many female employees to begin with. Among them, the percentage of managers and line managers.

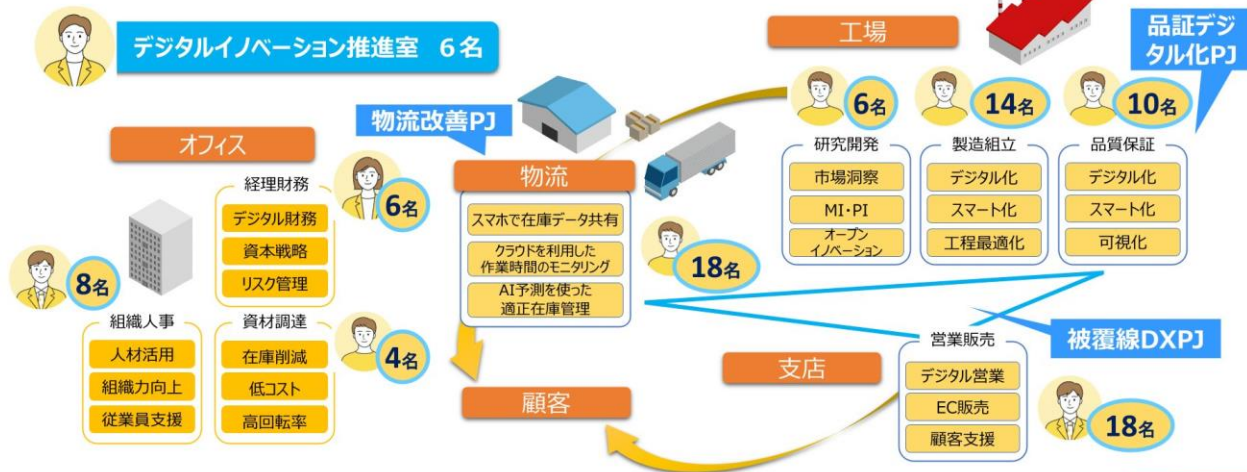
With certain goals in mind, we now need to educate, and not only educate our female staff, but also educate our male employees in various ways and have them take it. We are now in the process of making progress.

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社内業務のデジタル化、DX化の試行・推進を担う「デジタルイノベーション推進室」が中核となり、各セクションの担当者と連携してグループ全体のDX化を推進。並行して、バリューチェーン毎に各プロジェクトを始動。



Then there is the DX promotion system.

Our company must move forward with DX. We started with factory DX to begin with, and we are in the process of introducing IoT rather than DX in various areas after three years of factory DX.

The Digital Innovation Promotion Office was established directly under the President, and the members of this office are playing a central role in increasing the number of personnel involved in various digital innovations in the factory, sales, logistics, and office areas.

By the end of 2021, we started with six personnel in this office and now we have total of 90 [inaudible] key personnel. We are currently working on digital innovation with the idea of expanding and connecting them.

One of the things I think we need to do properly this year is to digitize the product certificates. We disclosed our quality problems last year, which caused concern to many of you, but we are now focusing on digitalization of quality certification and quality assurance without human intervention.

Then there is the covered line, which is the cash cow in our portfolio. As I mentioned earlier, sales of construction wires are still not that high, although the rate of return is now gradually increasing.

It is true that we have not yet reached our company-wide profit target. We are still doing business in a conventional manner, so we would like to do this a cash cow business with high efficiency by connecting it to DX and logistics.

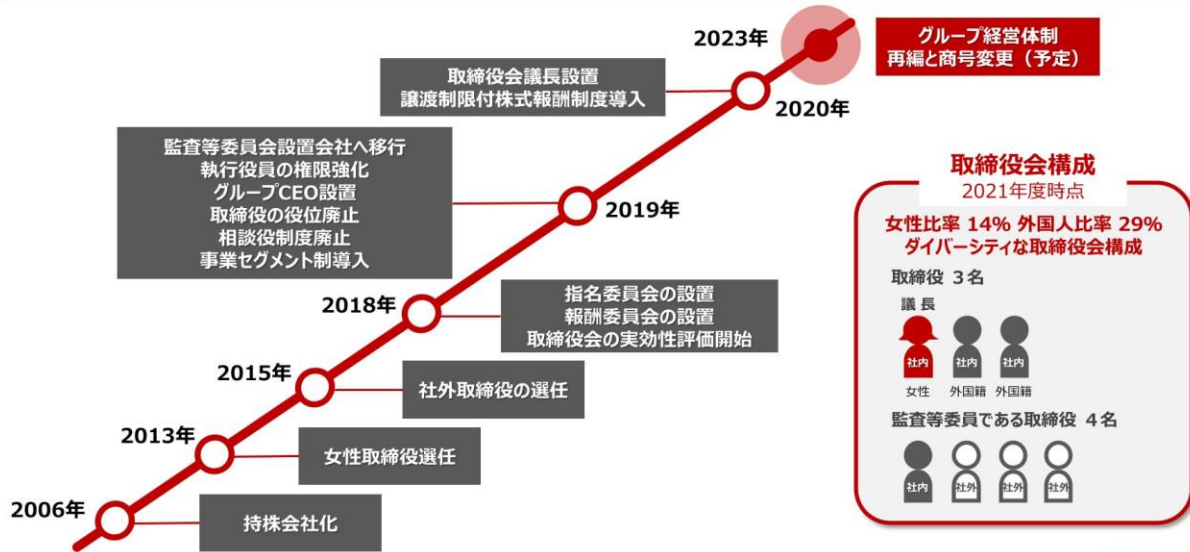
There are many areas that need work, but there are still many areas where we can improve efficiency, so we are now considering starting this year in earnest.

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ガバナンス強化の取り組み



28

Then there is governance. I became President in June 2018, and we have been implementing major structural and governance reforms from 2019 to today.

グループ経営体制の再編および当社商号の変更

戦略立案と実行スピードのさらなる加速化を目指し、連結子会社を吸収合併。純粋持株会社から事業会社へ移行。

再編により期待される効果として
10億円の利益改善を目指す

1. 経営の効率化

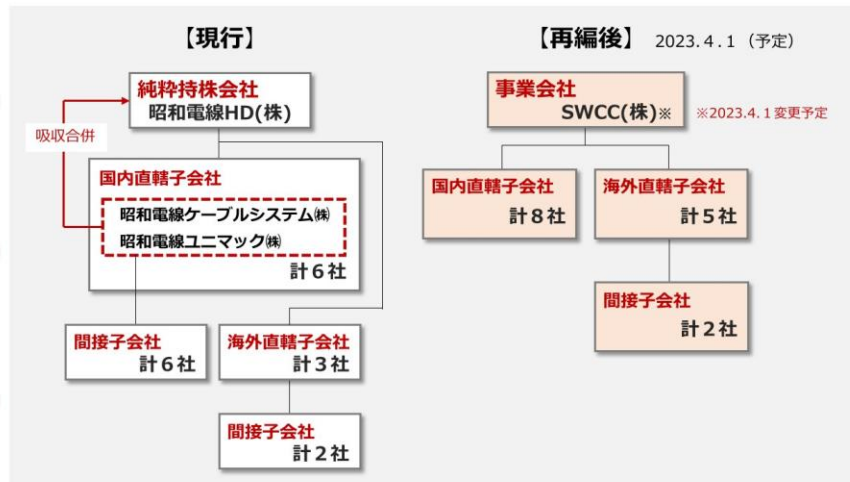
持株会社と事業会社間で分散・重複していた
共有リソースであるコーポレート機能をスリム化

2. 戦略機能の強化

モノづくりやイノベーションに直結する戦略機能の
追加・拡充（研究開発、生産技術、DX推進）

3. 管理機能の合理化

グループ内共通業務の標準化や制度統一化を促進



29

We are considering changing from a holding company structure to an operating company structure in order to change the way once again from our group management that we announced in March.

The details are as follows.

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Currently, there are six subsidiaries under the direct control of Holdings, of which Cable Systems, which handles electric power, and Unimac, which handles in-vehicle equipment, will be merged into Holdings. We are preparing to start a new operating company under the name of SWCC Corporation in April next year.

There are many companies that are now adopting a holding company structure, but we are in the process of returning to an operating company structure. We are often asked why. Considering our business, we have divided it into segments, each segment and the six individual companies directly controlled. They are quite multi-layered in terms of business area.

If these areas are placed under a holding structure, it will be difficult to speed up management reform especially the indirect divisions and integration of various areas. It is difficult to take a control in these area since we have to do DX in the future. We have been working here for three years with a very strong governance system, and we would like to speed up the process, increase efficiency, and make the Company more profitable.

We are also streamlining our indirect departments in the form of shared services. We believe that there are still many areas where we can do more, and we would very much like to make this happen in this integration.



サステナビリティに関する第三者評価



ESG投資指数の構成銘柄に選定



**FTSE Blossom
Japan Sector
Relative Index**

日本政策投資銀行の「DBJ環境格付」を取得



3年連続、最高ランクを取得

「健康経営優良法人」に認定



3年連続認定

「SMBCなでしこ融資」に認定



女性活躍先進企業
として評価

「くるみん」に認定



子育てサポート企業
として評価

30

This is the last slide.

We are finally beginning to receive various evaluations from outside the Company in the form of third-party assessments of our sustainability performance.

As I said, there are various good and bad points in the business, and also various areas that need to be improved in governance. We have a lot of things to do, but we would like to continue to operate our business with the aim of achieving a corporate structure that will be increasingly valued by our customers and increase the value of the Company.

I would like to end my presentation. Thank you very much.

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Question & Answer

Moderator [M]: We will now move on to the questions-and-answers session.

Hariya [Q]: My name is Hariya from Ichiyoshi Research Institute Inc. I would like to ask three major questions, so I will separate each question. The first question is about your operating income forecast for the current fiscal year. It is a slight increase to JPY10.3 billion YoY.

On page six, you have listed the factors that contributed to the increase or decrease in operating income in the last fiscal year. With the forecast of JPY300 million increase in profit for this fiscal year, do you have any thoughts on these other than the factors on the list? For example, copper price is rising. What are your plans for this fiscal year, given that you gained JPY1 billion last year?

Also, there was JPY600 million effect for the structure reform. What your thought about this for this fiscal year? I know the construction project allocation for the Middle East will be eliminated, but do you have any thoughts in this area?

Hasegawa [A]: Thank you. We do not consider including copper marginal gains when budgeting. Some smelters and various other companies are disclosing the trend of copper price for this year. Some manufacturers say that copper price is flat as they are now, while others say that they are likely to drop in the second half of the year. It is only to be understood that we do not include copper margins in our planning for the year, so this part of the plan is not included.

As for structural reforms, last year's total was JPY600 million, but the largest portion was in the communications and industrial device business. We believe that a certain amount will contribute to the increase in profit there. Since the number of such projects has been increasing every year, we do not expect to see a large increase from last year, but we expect the total to be the same this year as well.

Hariya [Q]: I understand. To change my question a bit, you mentioned earlier that you considered various risks and stresses in preparing the forecast for this fiscal year. Could you tell us a little more specific that what kind of risk was most important to you when you created the budget.

Hasegawa [A]: The most important issue we focused on this year was the rising cost of raw materials. In particular, the price hike of materials for construction wire which is in the fierce competition and little difference to tell between superior and inferior products. The sales price has been gradually rising as we have asked our customers to swallow, but our salespeople have been in a really bad time for a long time, so it has been difficult to change their mindset to raise the prices. We are well versed in the fact that we have to discuss with our customers and raise the price under the current circumstances. Therefore, we believe that the biggest negative impact of material price hikes is on electric wires for construction.

Another area of major stress was in the area of automotive in electrical equipment and components. As expected, the copper volume in the third and fourth quarters, as well as in the year before last, is down compared to FY2020. Looking at the full year, the first half of the year was very strong as I mentioned earlier, so there was no decline in copper volume for the year as a whole, but a quarter analysis shows a decline in copper volume in the third and fourth quarters.

As you all know, that is not the case when it comes to the first quarter and whether there has been a dramatic V-shaped recovery, so we are putting a lot of stress on that under the expectation that this situation may continue for the first quarter, or even until the summer or so. Then there is the lockdown in China. It is possible that logistics may not come around for some time after the lockdown is lifted.

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These are three points that we are stressing about.

Hariya [Q]: Okay, thank you. The second question is about the electrical equipment and components that you just mentioned. In particular, in the area of oxygen-free copper, I have calculated sales for the current fiscal year and it will be about JPY40 billion, which is increase of JPY10 billion from the JPY30 billion sales of the previous fiscal year.

The increase in the price of copper may be a factor, but as you mentioned earlier, the Company has announced that it will increase production capacity by 50%. The first quarter may not be a big deal, but I wonder if you are looking at an increase in production from the second or third quarter. I would like to confirm if my understanding is correct.

In addition, I believe that this segment is actually planned to increase revenues but decrease profits. What will be the factors for lower profits in that area? Can you tell us about that area?

Hasegawa [A]: Thank you. As Mr. Hariya just mentioned, the overall trend toward to EV has not changed, so once automakers' plants start operating, the situation should be similar to the first half of last fiscal year. So I think it is about the timing when they start operation. We are ready for mass production, so once the business is properly turned around in a certain way, we will return to the original. I believe that the situation will return to what it was in the first half of last year.

One reason for this is that copper price is high, so even though the volume of copper shipped is the same, it appears to be an increase in revenue. Also, the current stagnation in terms of profit decline. In FY2021, copper marginal gain was generated as a result, and operating income increased due to copper price. Since electric equipment and components have a great deal [to do] with copper, it does [impact] sales and profit in that business and I have mentioned that we are seeing it as flat. Considering this situation, we are forecasting an increase in sales but a decrease in profit; although it is not right to call it a target, rather forecast.

Hariya [Q]: Just to confirm, when the price of copper goes up, sales naturally go up. Last fiscal year, the Company as a whole benefited from the copper price hike of about JPY1 billion, which fell quite a bit in the electrical equipment and component division. You do not expect that to be the case this fiscal year. But basically, copper price increases can be reflected in product prices, so although there are issues such as time lags and inventory stock, you are talking somewhat not essential. Is my understanding correct?

Hasegawa [A]: Yes, that's what I mean.

Hariya [Q]: Third and last question. I would like to know about energy and infrastructure. As I mentioned earlier, SICONEX will be increasing production in earnest next year. Even before all the talk about restructuring the power transmission and distribution network and the shortage of electricity, you were making plans to increase production. On the other hand, I have heard that there will be a talk from government about reorganization of the power grid around June this year.

In such a situation, depending on the content, I wonder if there will be some kind of measures for further medium to long-term growth in the future. I am wondering if there is a possibility. Could you tell us about it?

Hasegawa [A]: Thank you. This is a very difficult question to answer, but as you say, the med-term plan does not consider the expansion of the power transmission and distribution network. That's where this came from, equipment enhancement for manufacturing. We have increased the volume of the first batch by 50% to begin with, but we are aware that depending on the trend, we may have to consider another increase in production.

Then again, the most difficult part is personnel for power construction. We can make things by adding facilities, but it is very difficult to train people because we have to train technicians who have high expert knowledge.

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How can we create a cooperative system, or teamwork in a sense, in which people are allocated to our business, especially in the substation business? That is exactly what we are now examining and strategizing about.

There are many reports from various committees and official minutes from the government, so we have formed a special team to read various related documents. We are in the process of examining how much we should increase production volume and what kind of teamwork is needed. I hope to be able to speak with you again at this kind of meeting once the policy has been finalized within the Company.

Hariya [M]: I understand. Thank you very much.

Moderator [M]: We will now continue to have questions from participants on-site. Please raise your hand if you have any questions. Then, please.

Abe [Q]: My name is Abe from Daiwa Securities. I would appreciate if you answered three major questions. The first question is about the JPY800 million impact of material price hikes that you disclosed on page six, and how much of that was covered by price pass-through and price increases this fiscal year? Also, how much of the impact of this material price hike is expected to be reflected in the new fiscal year's plan, and how much of it is expected to be passed on? Please tell us about your assumption. This is the first question.

Hasegawa [A]: Thank you. Last fiscal year, we asked our customers to raise prices several times because we were just in a phase of material price hikes. It is same for our company, but price does not go up right away, or from this month, when we asked to do so. There is always a delay. In such a situation, where everything could not be transferred, it appears in this form.

In terms of the current fiscal year, we have been able to pass on the cost of last year's request from this year. However in terms of the current price of materials for petrochemical products, we expect the cost of materials to remain at a high level this year with various measures taken last year, and it will give an impact on profit gain/loss in this year.

We expect the impact to be about double of the one in last year, and we will pass this on in our prices. Even so, we expect some impact from the high cost of raw materials, but our current policy is to pass on the cost to our customers as much as possible. We are not only asking our customers for help, but we also need to think about how we can innovate production within our own company. We are also working to improve efficiency in areas that we have yet to tackle, such as the DX of coated wires I mentioned earlier, while working to pass on prices.

Abe [Q]: Thank you very much. I have a feeling that it is easy to pass on the cost of the product in the industry, but do you have a feeling that it is accepted by customers?

Hasegawa [A]: Since the end of last year or around the beginning of the new year, since price increases this high, the more customers are willing to accept it. Since it is difficult for sales person to talk about price raise in person, so the Company issued a letter or disclosed in public in the end by clearly stating this as a company policy. With this effort, we feel it becomes easier to gain understanding from customer.

However, the point is that although last year's price hikes have settled down, we will be in a similar price hike phase again this year, so we will be following up closely on this. As for the atmosphere, I think customer understand it.

Abe [Q]: Thank you very much. The second question is about the new factory in China. I think there was talk that production being delayed a bit due to a shortage of materials in the past, but what about in light of the lockdown add on to it? Is it better to assume that it is not operating at all?

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Hasegawa [A]: No, it is up and running.

Abe [Q]: It's the degree of operation.

Hasegawa [A]: In terms of operation capacity, it is not at 100%, but is operating. Since last year, it has been quite difficult to procure supplies from Japan, and we have been instructed to increase the local procurement rate. Especially the terminals, the materials used. Originally, we procured electric wires in China, but it was difficult for us to gain the understanding of our customers regarding terminals because we had to compete with them.

By explaining this to our customers and assuring them of the quality of our products, we have been able to gain understanding from customer to use the terminals procured in China for a certain percentage. In such a situation, the operation rate is maintained at a certain level. This is not at the level of not operating at all, or that the Chinese operations are in the red.

There are some circumstances like lockdown is suddenly declared by the authorities. So we are creating multiple logistics routes and distributing production bases in several locations. We are taking various measures to ensure that operations do not come to a halt.

Abe [Q]: Thank you very much. Lastly, I think you mentioned the ROE target of 10% or more in your mid-term plan. I think the idea is to improve the financial structure at the same time. Do you envision ROE to be maintained at around 10% during the medium-term management plan period?

Hasegawa [A]: Yes, you are right. In FY2019, ROE increased slightly to about 17%. As we take various measures in the mid-term plan, we will obtain various figures for this area, but one of our important KPI items is to maintain 10% or more, and we will not compromise on this point.

Abe [M]: Thank you, that's all.

Moderator [M]: We continue to take questions from participants on-site. Please raise your hand if you have any questions. Then, please.

Maeda [Q]: My name is Maeda from SMBC Nikko Securities. Thank you for your presentation. I have one question. In the forecast for the new fiscal year, I think that harnesses, in particular, have more weighted profits in the second half of the year. I would like to know how much differences for other businesses in the business environment and profit generation from the first to second half of the year.

Hasegawa [A]: Thank you. In the past, electric power business was profitable by completion of construction, but we have revised the profit standard, so that it is not so much biased toward either the second half or first half of the year, but is somewhat equalized in the quarter. This is electric power business.

The other two areas that will suffer in the first half of the year due to economic situation are automobiles, as I mentioned earlier, electrical equipment and components, and harnesses, where Chinese lockdown is involved. We think it will be quite difficult in the first half of the year, especially the first quarter.

Maeda [Q]: Thank you. Also, you mentioned that automobile production is expected to return after the summer, but automobile manufacturers have continued to lower their production plans this year, so how much of a risk buffer have you factored that in?

Hasegawa [A]: I cannot give you an exact figure here, but we are in close contact with our customers, and we will decide on production volume based on demand trends for the months ahead. I've heard various stories and it will be in May, June, or July, maybe even into the second quarter. Our company is quite close to

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upstream production and materials, so there are places where automobile manufacturers' plants start to move and various intermediate inventories are in place and coming up.

On the other hand, when it falls, it falls at the last. We are not sure if it is going to grow a lot from in the first quarter to a little out of the it, although there will be a little time lag. The production volume of automobile manufacturers changes in various environments. We have an oxygen-free copper dip system in place, so we are ready to start mass production when we are asked.

Maeda [M]: I understand very well. Thank you very much.

Moderator [Q]: We will continue with questions from online participants. We have a question from Mr. Nakanishi of Iyasaka Asset Management. SG&A expenses increased approximately JPY650 million from the third to fourth quarter. The increase seems somewhat larger than in previous years. Please indicate the main factors.

Hasegawa [A]: I understand that you are talking about FY2021, and I would like to answer your question. There are many things in SG&A expenses, but from the first quarter to the second quarter, or the third quarter, the second half of the year is the time we were just starting to see an uptick in activity after ease of the pandemic. Demand has also risen a bit. In this area, SG&A expenses have been rising.

Some of the expenses related to the business reorganization, or relocation, are included in SG&A expenses, although some of them are recorded as an extraordinary loss. So, I hope you understand that SG&A expenses have risen including these expenses.

Moderator [Q]: We have another question from the same person. Regarding the lockdown in China, you have explained the impact on the production side, but if there is also an impact on the demand side, please let us know.

Hasegawa [A]: Thank you. So far, not much has changed in terms of demand and market. If anything, the demand from customers is strong, with production not being possible due to a shortage of parts. We cannot accommodate with customer's demand, as we do not have enough parts. We are doing with understanding from customers, but for those customers who insist on it, we transport parts by air or use days off and produce. It uses cost. So there is no drop in demand at all right now, and we are still in a situation where production is stagnant.

Moderator [M]: The time has come so Q&A is now closed. Now we would like to end the financial results briefing for SWCC SHOWA HOLDINGS CO., LTD. Thank you very much for taking time out of your busy schedule to join us today.

Hasegawa [M]: Thank you very much.

[END]

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