



SWCC SHOWA HOLDINGS CO.,LTD.

3Q Financial Results and ESG Briefing

March 3, 2022

Event Summary

[Company Name]	SWCC SHOWA HOLDINGS CO.,LTD.	
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[Number of Speakers]	3	
	Takayo Hasegawa	President and Representative Director (Group CEO)
	Futoshi Yamaguchi	Executive Corporate Officer
	Kiyoshi Togawa	Outside Director, Chairman of the Audit and Supervisory Committee
[Analyst Names]*	Koichi Hariya	Ichiyoshi Research Institute Inc.
	Hiroyuki Kajiyama	Asset Management One Inc.
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*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Presentation

Moderator: Thank you for your patience. SWCC SHOWA HOLDINGS CO., LTD. will begin its small meeting to explain the Q3 financial results and ESG.

Thank you very much for taking time out of your busy schedule to join us today.



Today's Agenda and Speakers

1. Summary of Third Quarter Financial Results

2. ESG Initiatives

3. From the Outside Director's Perspective Governance of SWCC



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

Takayo Hasegawa



Managing Executive Officer

Futoshi Yamaguchi



Director Chairman of the Audit
and Supervisory Committee

Kiyoshi Togawa

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Let me now introduce today's speakers. Ms. Takayo Hasegawa, President and Representative Director (Group CEO). Mr. Futoshi Yamaguchi, Executive Corporate Officer. Mr. Kiyoshi Togawa, Outside Director, Chairman of the Audit and Supervisory Committee. Finantec will serve as the moderator. Thank you for your cooperation.

First, the three will give a 40-minute presentation, and then we will move on to the Q&A session.

Now, let us begin. First, President Hasegawa will give an overview of the Q3 financial results. President, could you begin, please?

Hasegawa: I am Hasegawa from SWCC SHOWA. Thank you for taking time out of your busy schedule to join us today.

We have held several small meetings in this manner, but we have always focused on business performance, and we have never had a chance to discuss ESG issues in depth. So this is the first time for us to do this.

As we reported on the Q3 results at the beginning of February, I will report on that part before we get into ESG.

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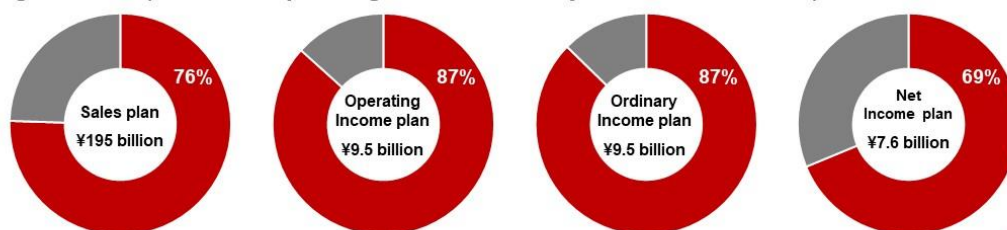


FY2021 Q3 Overview of Financial Results

Results : Sales and profits increased YoY, despite the impact of soaring raw material prices

- **Energy and Infrastructure Business** : Despite a decrease in demand for construction-related products, shipments for large-scale projects were firm, but the impact of soaring prices of raw materials such as petrochemical products became apparent. Demand for electric power infrastructure remained robust.
- **Communication and Industrial Devices Business** : Demand for industrial devices recovered YoY. Although there was a 5G demand for telecommunication infrastructure, there was a decline in demand for construction-related products and the impact of soaring raw material prices.
- **Electronic Equipment and Components Business** : Demand for high-functional products for automobiles and electronic components recovered YoY, despite the impact of reduced automobile production. There was also the impact of the rising copper prices.

Q3 Progress Rate (Net Sales/Operating Income/Ordinary Income/Net Income)



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Next page, please. As I mentioned earlier, we have reported our Q3 results, and at the end of H1, we made an upward revision, reporting an 87% progress rate toward the JPY9.5 billion in operating income.

I will explain the three core segments. The energy and infrastructure segment continues to support our company's foundation, which has remained unchanged through Q3. Although the demand for construction-related products were solid due to large-scale projects, the impact of recent soaring prices in raw materials resulting from high resource prices are now becoming apparent in Q3 and Q4.

However, the demand for electric power infrastructure remains strong, thanks to a shift in the business model to include construction, rather than sales of goods.

In the communication and industrial devices business, demand for construction-related products has been sluggish since H1, and there has been downward pressure from raw materials.

The electrical equipment and components business, which is related to automobiles, was doing very well in H1, but now we are seeing the impact of the semiconductor shortage from car manufacturers, and we have just entered a state of inventory adjustment. In Q4, the speed of the supply chain is very fast, so there are some ups and downs.

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Q3 Consolidated Statements of Income



- Performance was in line with forecasts despite the impact of soaring raw material prices and logistics costs, with sales and profits up YoY

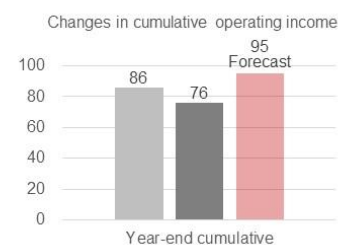
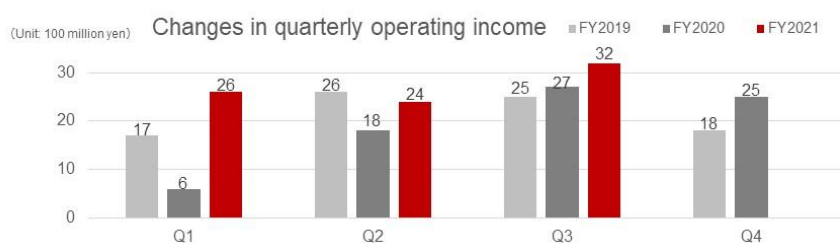
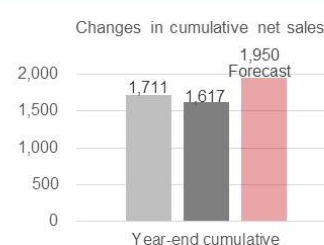
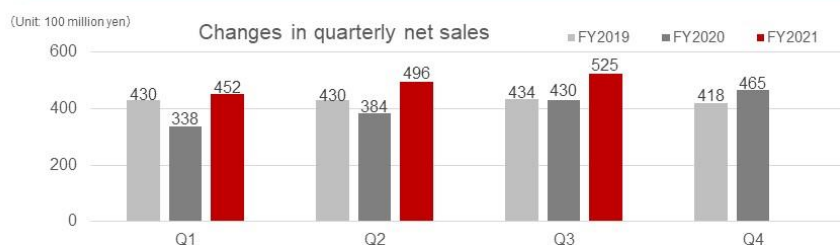
(Unit: 100 million yen)	FY2019 Q3 Actual	FY2020 Q3 Actual	FY2021 Q3 Actual	Composition %	YoY %
Net sales	1,293	1,152	1,472	–	27.8%
Gross profit	179	155	191	13.0%	23.9%
Operating income	68	51	82	5.6%	62.2%
Ordinary income	63	53	83	5.6%	57.3%
Net income attributable to owners of parent	46	35	52	3.5%	51.1%

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In this context, net sales were JPY147.2 billion and operating income was JPY8.2 billion at the end of Q3.

Although we had a very difficult time last year due to the impact of COVID-19, our main goal before the start of this fiscal year was to exceed the FY2019 level. In FY2019, we achieved the highest net income for our company, and so far this year we have accumulated profits that exceed that level.

Quarterly Performance Trends



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Next page, please. You are viewing the quarterly trend.

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We have received comments from shareholders and investors that we are being too cautious, as we had been doing well up to Q3 and still did not change our full-year forecast of JPY9.5 billion.

However, as I mentioned earlier, in H1, the impact of raw materials had a downward impact of approximately JPY200 million on profits, but in Q3 and Q4, raw materials prices have been rising steadily, so we have taken this risk a little more seriously and have not changed our forecast, including the risk.

Results by Segment (3-year changes)



- Sales and income increased in Energy & Infrastructure and Electronic Equipment & Components Business
- Sales increased and income decreased in Communication & Industrial Devices Business

(Unit: 100 million yen)	FY2019 Q3 Actual		FY2020 Q3 Actual		FY2021 Q3 Actual	
	Net sales	Operating income (Profit margin / %)	Net sales	Operating income (Profit margin / %)	Net sales	Operating income (Profit margin / %)
Energy and Infrastructure Business	667	48 (7.2%)	618	35 (5.7%)	782	54 (6.9%)
Communication and Industrial Devices Business	229	20 (8.6%)	197	15 (7.7%)	220	13 (6.0%)
Electronic Equipment and Components Business	362	3 (0.9%)	304	5 (1.6%)	441	21 (4.7%)
Others (New Business)	36 (22)	△4 (△1)	33 (23)	△4 (△0)	29 (20)	△6 (△0)
Total	1,293	68 (5.2%)	1,152	51 (4.4%)	1,472	82 (5.6%)

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Next page, please. This is the results by segment.

The energy and infrastructure business has been very strong so far, supporting our business.

65% of our operating income is generated from energy and infrastructure. In terms of sales, energy and infrastructure accounts for 53%, and in profit, it accounts for 65%, so the rate of return is still very high. And as I mentioned earlier, it is also evident in the financial results that the downward pressure of high material prices has eased considerably due to the change in business model centered on SICONEX.

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Notice of Revision to Year-end Dividend Forecast for FY2021 (Increase in Dividend)



To achieve the numerical targets (KPIs) in the medium-term management plan ahead of schedule, we have decided to revise the year-end dividend forecast to 50 yen per share, an increase of 10 yen, as a result of comprehensively taking into account current business performance and other factors.

This amount is equivalent to the target of the current medium-term management plan for FY2022.

We will continue to strive for stable and continuous dividends by enhancing profitability and improving our financial position.

	Annual dividend per share			Dividend payout ratio
	End-Q2	Year-end	Total	
Previous forecast	–	40.00 yen	40.00 yen	16%
Revised forecast		50.00 yen	50.00 yen	20%
Current results	0.00 yen	–	–	–
(Reference) Results for dividend per share for the previous fiscal year	0.00 yen	20.00 yen	20.00 yen	12%

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Next page, please. This is the announcement we made in February regarding the revision of the year-end dividend amount or the dividend increase.

The initial plan was JPY40 per share with a payout ratio of 16%, but in light of the current profit situation, we have revised the plan upward to JPY50 per share with a payout ratio of 20%.

The company has set a target dividend of JPY50 per share for FY2022 in its medium-term management plan. We are very grateful to all of you for your support, which has enabled us to reach this point in the current fiscal year, one year ahead of schedule. Thank you very much.

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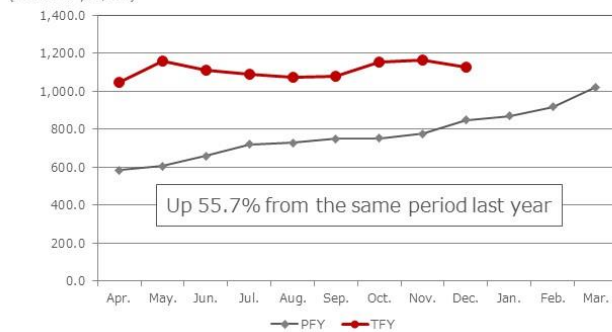
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Domestic Copper Value / Trends in Copper Wire Shipments

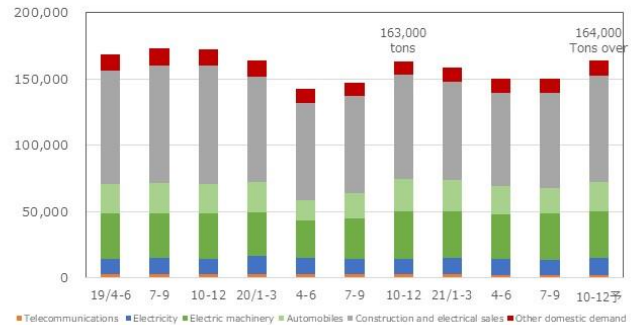
- Domestic copper quotations remained high.
- Domestic copper wire shipments are recovering mainly in the electrical machinery and automobile sectors, although the recovery in the construction and electrical sales sectors is weak. (Up 2.2% from the previous year)

〈Monthly average〉 Trend in domestic copper construction value



Source: Data from The Japanese Electric Wire & Cable Makers' Association

Trends in Copper Wire Shipments (t)



Source: Data from The Japanese Electric Wire & Cable Makers' Association

Next page, please. The impact of copper prices is described here.

Copper prices have remained high since the beginning of this year, and we have been asked whether we will lose money or make a profit due to the effects of copper prices.

It has been almost a year now since the price of copper has exceeded JPY1 million per ton. On average, the copper price has increased by 55.7% on average in Q3 YoY, which means that the copper price has increased by approximately 1.5 times compared to last year.

We have been managing our business in such a way as to buy and sell copper to offset various effects of copper prices as much as possible, and the price remains high, so we are still struggling in this area. However, we think that the impact of the copper price on management is not so great at the moment.

Shipments of electric wires also dropped for a time due to COVID-19, but are now returning to normal.

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Our Response to Soaring Raw Material Prices



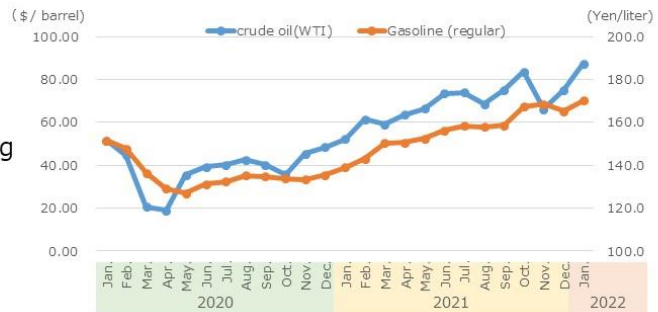
● Newspaper Report

The Nikkei Morning Edition dated 1/25/2022
Domestic Electric Wire Prices Rise on Ripple Effect of Higher Raw Material Prices

[Our Response]

- Ongoing price pass-through to customers
- Price pass-through is progressing in the industry as a whole.

● Crude oil and gasoline prices



Source: Agency for Natural Resources and Energy

[Raw material price hikes]

- Petrochemical products soared due to rising crude oil prices
- Logistics prices soared due to rising gasoline prices

Next page, please. As I have already mentioned, what has been troubling us is the sharp rise in the price of raw materials, especially petrochemical products.

The lower right-hand corner describes the movement of crude oil prices, and the price of polyethylene, vinyl chloride, and various other products has gone up along with it. Then the utility costs, logistics costs, and various other costs have been rising.

As I mentioned, we began to see the impact of the sharp rise in raw material prices in H2. In H2, we asked our customers to raise the prices of electric wires for construction twice. Since the beginning of this year, the steep rise in prices has not come to a halt, and in February, we disclosed a price increase of around 5% for electric wires for construction.

Although we have a mechanism in place to offset the cost of copper through sales and purchases, regarding the surge in costs of plastic materials and delivery, we are a manufacturer and our basic approach is to consult with our customers and ask them to share the costs.

In Q4, there are concerns about a slight downward pressure on prices due to price hikes and a gap in the price pass-through to customers. However, our customers know that prices of various items have been steadily rising, so we will continue to persistently ask for higher prices.

This concludes the explanation of the Q3 financial results.

Moderator: Next, Executive Corporate Officer Yamaguchi will explain the ESG initiatives. Please go ahead.

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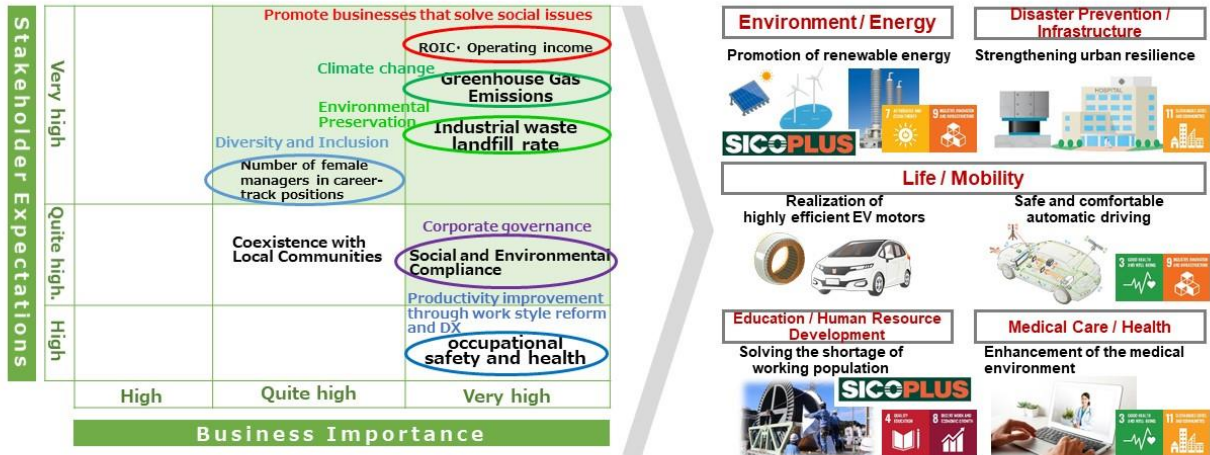
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ESG Management Priorities / Promotion of Businesses that Solve Social Issues

Based on our management philosophy of "Trust," we will focus on the following priority items. We will also promote businesses that solve social issues by leveraging the technology and experience we have accumulated in our business operations, aiming to realize a sustainable society and increase our corporate value.



Yamaguchi: This will be the first time for us to explain our ESG initiatives in detail. I, Yamaguchi, will explain them to you.

Next page, please. The table on the left summarizes important ESG items in our company with reference to the GRI Standards. We will explain the content of promoting businesses that solve social issues, responding to environmental issues such as climate change and environmental protection, diversity and inclusion, improving work styles and productivity through DX, and furthermore, corporate governance that supports this.

First of all, as you can see on the right side, we are promoting businesses that solve social issues as a company that supports infrastructure. As we have explained in the medium-term business plan, in the field of environment and energy, we will promote renewable energy through SICOPLUS, which is based on our SICONEX and combines construction work, as the number of renewable energy sources, especially power plants is increasing. We believe that we can contribute to their connection to the grid, which is our specialty.

For disaster prevention and infrastructure, we can contribute with seismic isolators and fire extinguishing cables.

In the area of lifestyle and mobility, we believe that our MIDIP and other fields such as alloy wires and windings can contribute to the shift to EVs in automobiles, which is also a decisive factor for decarbonization. In addition, high-speed communications will be necessary for automated driving in the future, so we are also working on this development.

In terms of social issues such as the declining birthrate and aging population, SICOPLUS is a solution to the shortage of the working population, combining existing technologies and digital technologies in the areas of education and human resource development.

Furthermore, in the field of medical care, we are moving forward with catheters and other new initiatives to contribute to the enhancement of the medical environment.

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CO₂ Emission Reduction Initiatives

Major product lines that contribute to greening



Use of renewable energy

Carbon neutral Introduction of city gas

Mie Plant
Reduced annual fuel-derived CO₂ emissions by approximately 30%



SWCC SHOWA CABLE SYSTEMS CO.,LTD. (Mie Plant)
SWCC SHOWA UNIMAC LTD. (Head Office & Factory)

Based on the PPA Model Introduction of Renewable Energy



Aichi Plant
Annual CO₂ emissions
Reduction of approx 15%

SWCC SHOWA CABLE SYSTEMS CO.,LTD. (Aichi Plant)

Next page, please. I will explain the key points of our products as a response to the current environment, especially CO₂ reduction and climate change.

We have SICONEX, or MIDIP and other products for EVs, and we are also developing products that can contribute to improved transportation efficiency in the telecommunications field. In addition, we are moving toward the practical application of superconducting cables, and we completed a demonstration experiment at the end of last year.

On the right side, you can see the cases of renewable energy use, both of which were announced in our press releases. We are introducing carbon-neutral city gas at our Mie Plant and renewable energy through the PPA model. We expect that these two introductions will result in a 6% reduction in our CO₂ emissions.

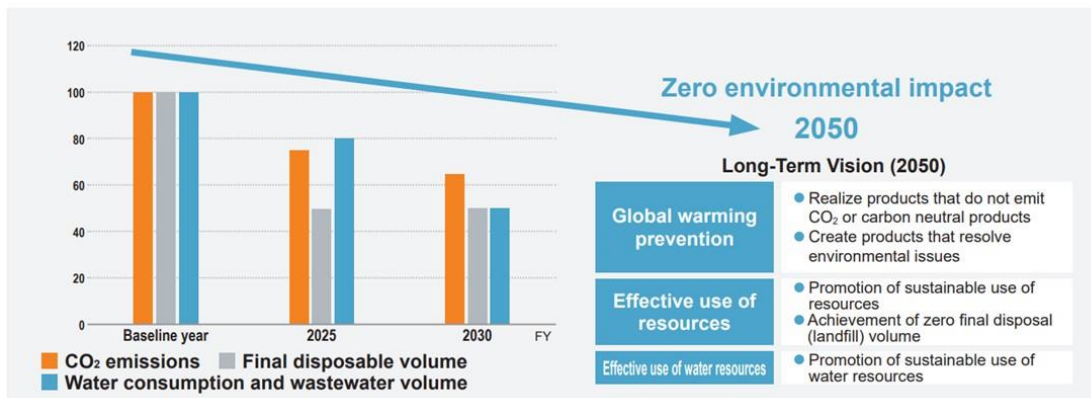
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Green Plan 2050 (Medium- to Long-term Environmental Plan)

We have established a long-term vision with the keyword of zero environmental impact in 2050. To achieve this goal, we are promoting the reformation of our internal infrastructure and taking initiatives to achieve both environmental friendliness and economic efficiency.



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Next page, please. As for the environment, we have the Green Plan 2050, which we announced in 2019, with the goal of zero environmental impact by 2050.

In order to take immediate action before we reach the goal of zero emissions by 2050, we have established the seventh voluntary plan and set a target for 2025, and beyond that, including the Paris Agreement, we are preparing a plan with 2030 as the next milestone.

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7th Voluntary Environmental Action Plan (FY2021-FY2025)

Environmental goal	Activity	Attainment targets or indices
Global warming prevention	Energy savings (CO ₂ reduction)	Reduce CO ₂ emissions (Scope 1 + Scope 2) by 25% by FY2025, using FY2013 results as a reference.
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.
	Promotion of recycling of resources	Reduce the final waste disposal (landfill) volume at all 10 production sites by 50% by FY2025, using FY2018 results as a reference.
	Reduction of plastic usage	Based on "Plastic Usage Guidelines."
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.
Other	Reduction of the use of hazardous chemicals	Based on "Green Procurement Guidelines."
	Expansion of environmental contribution products	Based on "Environmental Contribution Product Guidelines."
	Contribution to biodiversity	Based on "Biodiversity Conservation Guidelines."

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Next page, please. The seventh voluntary action plan for the environment has been prepared as an initiative for 2025, before 2050.

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This voluntary action plan for the environment was launched in 1993 as the first phase, and in terms of CO2 reduction, we have reduced emissions by about half compared to the amount of CO2 emissions at the time of the plan's initial launch.

This time, the plan for energy saving is to achieve a 25% reduction in CO2 emissions by 2025, based on the Paris Agreement standards for FY2013.

In the area of effective utilization of resources, as mentioned earlier in the long-term plan, we have set the final disposal volume of waste at 50%, with the standard set for FY2018. We are proceeding with this plan.

Furthermore, in terms of reduction of water consumption, the target is a 20% reduction by 2025, which is also based on the FY2018 standard.

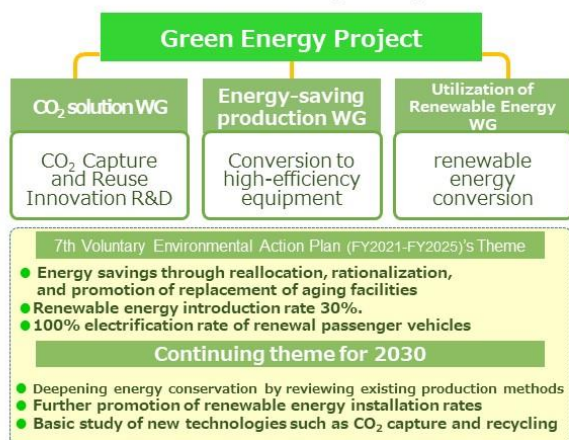
In the past, we wanted to go without setting a big goal for the amount of water used, so this is our initiative from now on. We are now at the stage of organizing what needs to be done first toward 2025.

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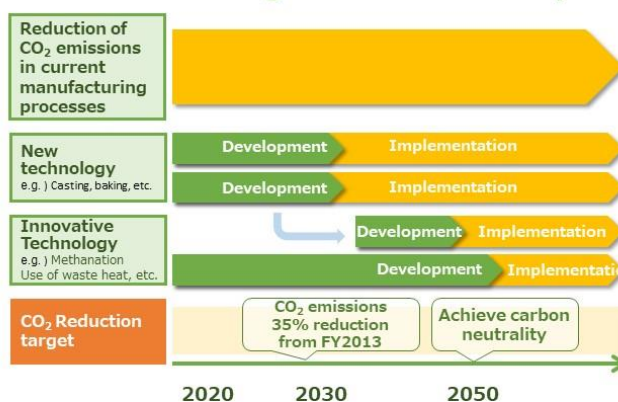
「Green Energy Project」



Established the Green Energy Project, a company-wide project team, to further reduce energy consumption in the manufacturing stage. We aim to achieve both environmental friendliness and economic efficiency in order to achieve our medium- and long-term plans.



Global Warming Prevention Roadmap



Next page, please. In this way, we are continuing to follow up on the existing voluntary action plan. However, we are aware that we will not be able to achieve our targets for 2030 and 2050 by extending our existing activities, so last year in 2021, we launched the Green Energy Project aiming to further reduce energy consumption in the manufacturing stage. We have set up a project team across the entire group and are currently working on the specifics of the project.

Three working groups have been set up to study specific projects, including the introduction of CO2 solutions, further promotion of energy saving, and the use of renewable energy.

In this context, the theme of the current seventh voluntary action plan for the environment is energy saving measures, including renewal of aging facilities, as mentioned in the previous plan. As for renewable energies, we will achieve the introduction rate for 2025 of 30%, which is currently about 6% as mentioned earlier, and we are actually thinking up specific items to further increase this rate.

We are also working on a plan to increase the electrification rate of renewal passenger vehicles to 100%.

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The theme for 2030 includes the continuation of the current theme, but it also includes basic research on new technologies such as CO2 capture and recycling, as well as the further promotion of renewable energy introduction rate.

On the right side is a roadmap for the prevention of global warming toward 2050. We are planning to achieve the 2030 target through CO2 recovery and reuse as mentioned earlier, and by introducing innovative equipment for casting and baking, introducing energy-saving manufacturing in a way that is different from the conventional way of making things.

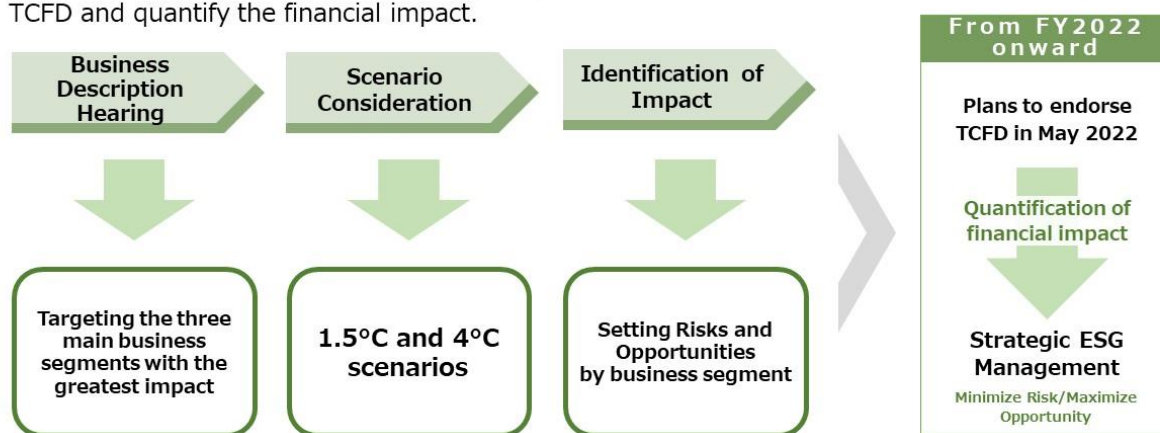
In 2050, the target will be zero environmental impact, so we are discussing how we can make practical use of methanation and waste heat. We will continue to monitor developments in this area and respond accordingly.

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Using TCFD Scenario Analysis to Solve Climate Change Challenges

Identified climate-related "risks" and "opportunities" by business segment under multiple scenarios this year. In the next fiscal year and beyond, we will announce our endorsement of the May 2022 TCFD and quantify the financial impact.



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For these initiatives, we are now preparing to support the TCFD recommendations in the area of climate change. We are currently organizing the information in preparation for the announcement in May 2022. We will disclose this information when it is finalized.

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Diversity Management and Sustainable Human Resource Development Initiatives

Amidst an expected worsening shortage of workers, we are working to develop sustainable human resources while promoting the creation of an organization that can flexibly accept, utilize, and adapt to the diverse personalities of its employees, including differences in attributes and working conditions.

<p>Senior Human Resource Active System</p> <p>This system provides opportunities for motivated individuals who wish to continue working after retirement.</p> <p>Carrier setting pattern</p> <ol style="list-style-type: none"> General Senior System Subject : Comprehensive and technical positions. General positions professional system Subject : Equivalent to general management positions Short-time working Subject : Comprehensive and technical positions. General positions Turnaround Support System Subject : Career-track positions 	<p>Promotion of women's activities</p> <p>In April 2021, a project to promote women's activities under the direct control of the president was launched.</p> <p>Targets by FY2026</p> <p>Percentage of management positions 8%. (approximately double the FY2020 level)</p> <p>Percentage of managers and above 10%. (approximately seven times the FY2020 level)</p> <p>#HereWeGo203030</p> <p>Obtained "SMBC Nadeshiko Loan" certification in February 2022 for being an advanced company in women's activities ⇒</p> 	<p>Promotion of Health Management</p> <p>Using the Health Management Strategy MAP to increase employee engagement and steadily solve our health challenges.</p> <p>Health Investment</p> <p>↓</p> <p>health investment effect</p> <p>↓</p> <p>Increased labor productivity and creativity</p> <p>Recognized as an excellent health management corporation for two consecutive years ⇒</p> 	<p>人材開発への取り組み</p> <p>We operate education and training programs by rank based on the idea that the power of the employee is the power of the company.</p> <ul style="list-style-type: none"> ● Next Generation Management Succession Plan ● SD Seminar ● Next Leader Training ● Next Generation Management Development Training ● Cross-industry exchange training  <p>SD seminars by outside directors</p>
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Next page, please. So far we have discussed the environment. I would now like to start explaining the S, the social aspect.

In terms of diversity, we have been enhancing our system for the utilization of senior human resources over the past several years. It includes the role of a general senior specialist, the enhancement of a system that treats employees according to their evaluations, or the introduction of a system that allows for short-time work. Furthermore, for those who wish to move on to the next stage of their careers, we are working to enhance our career change support system.

In April 2021, we launched a project to promote the advancement of women under the direct supervision of the President, as shown on the right side. We are proceeding with this project in support of the Japan Federation of Economic Organizations' challenge to achieve 30% by 2030. Since there are fewer needs for female workers in our company, so our goal is to increase the percentage of managers, as you can see here.

One of our major goals is to increase the number of female workers, and after that, we will develop an education system to change mindsets, and improve the working system for women. This project is to make recommendations on how management should address this issue, including the fact that a great working system for women could be a great working system for men as well.

As written below, the activities of this project have also been highly evaluated, and we have obtained SMBC Nadeshiko Finance certification.

Next to that, we have been certified as Health and Productivity Management Organization for two consecutive years. We would like to be certified as a White 500 Company if possible, and we are in the process of continuing to strengthen our efforts in areas where there are shortfalls.

Regarding sustainable human resource development, we have been focusing on human resource development for the past several years. In particular, we have created a succession plan for the next generation of managers, and we are working to enhance the education and systems to achieve this plan, as well as systems to foster the next-generation leaders.

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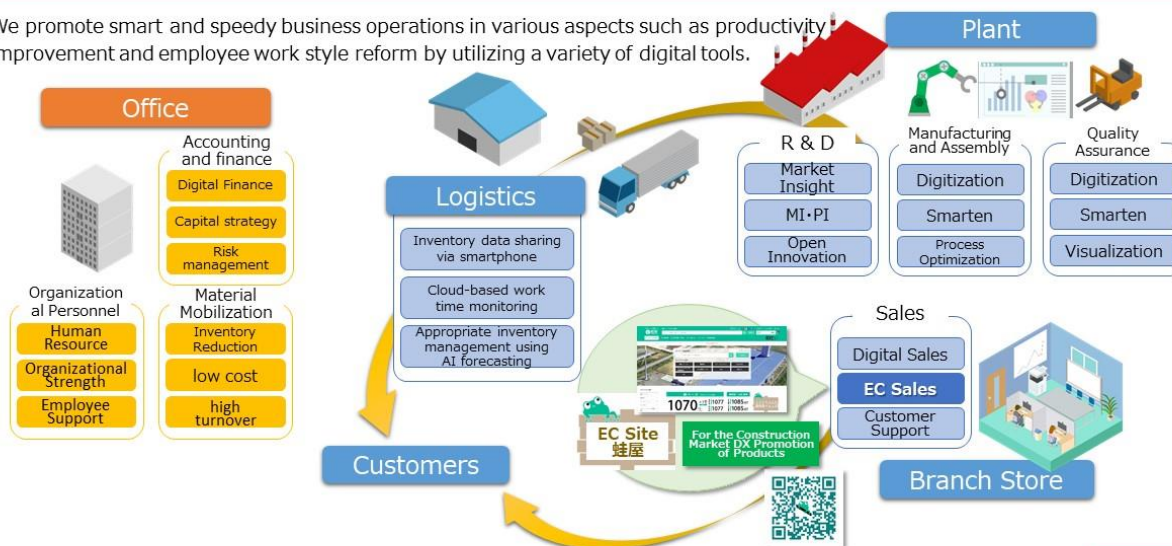
In each of these training sessions, we have introduced a system of reporting on a specific theme. Some of these reports have led to new corporate activities, as I will explain in the next section.

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Efforts to Enhance Corporate Value through DX Promotion



We promote smart and speedy business operations in various aspects such as productivity improvement and employee work style reform by utilizing a variety of digital tools.



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Next page, please. The DX promotion originally started with a report on the use of data, including AI, from the briefing sessions of next generation of managers, as I mentioned earlier, which was adopted and is now being organized to promote DX as the champion.

Furthermore, the idea for the e-commerce site KAERUYA, which you can see at the bottom right, is one that came out of the training and has been adopted and is now open.

In addition, we are currently utilizing data to automate manufacturing and assembly lines, to manage inventory, and to improve logistics efficiency. We are now expanding the scope of our response.

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Governance Transition and Current Structure

In fiscal 2019, We transitioned to a company with an Audit Committee.

Beginning in FY2020, three of the four directors who are members of the Audit Committee have been outside directors, thereby strengthening the advisory and monitoring functions of the Company's management.

■ Changes in Governance

Year	2006	2016	2018	2019	2020	2021
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 (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	

※ The above numbers are as of the end of March.

Board of Directors FY2020 Held 20 times / Audit and Supervisory Committee FY2020 Held 17 times

Nominating Committee FY2020 Held 16 times / Compensation Committee FY2020 Held 9 times / Risk Management Committee FY2020 Held 3 times

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The governance reforms have been underway all along as a base to support such activities. I would like to leave the details, or the evaluative aspects, to Director Togawa's explanation. Let me briefly explain what we have been doing.

The trigger, or rather the start, was the appointment of outside directors in 2015, which was probably the catalyst for a major change in our company. This was an opportunity for us to incorporate various insights from outside the Company, rather than the traditional internal discussions.

Furthermore, after Ms. Hasegawa became President, there was the establishment of the Nomination and Compensation Committee and the transition to a company with an Audit Committee. In particular, I feel that the transition to the segmentation system from 2019, especially where we have clarified the roles of directors and executive officers, was a major change.

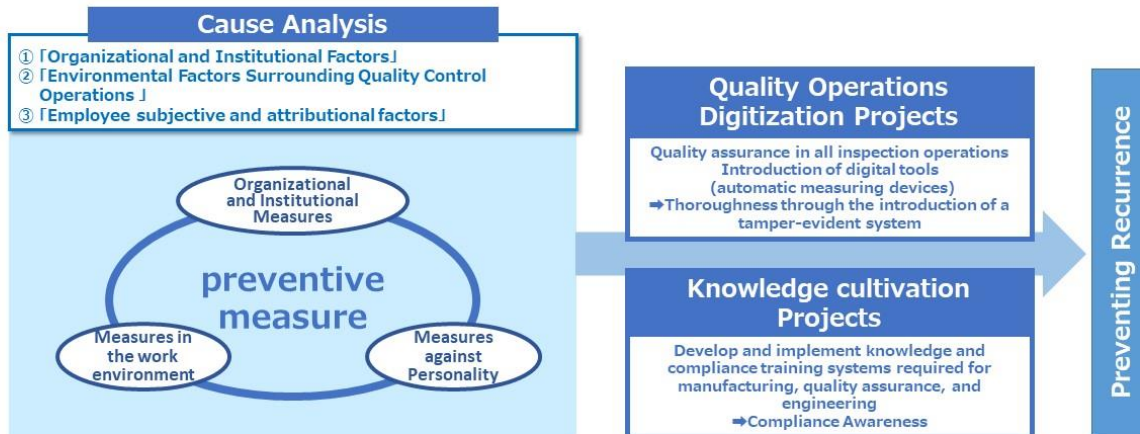
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New Quality Control System

In order to conduct another objective investigation of the products subject to investigation that were pointed out by an outside party, an investigation was conducted by a committee chaired by a lawyer who is an outside expert. Based on the results of the investigation, we have analyzed the causes and implemented the following new measures to prevent recurrence.



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While the governance structure is being developed in this way, I would like to apologize again for the great concern we caused you last year in the form of inconsistencies in quality.

The Investigation Committee analyzed the causes and pointed out that there were organizational factors such as inadequate systems to prevent tampering, environmental factors in quality control operations such as insufficient personnel in the quality department, and subjective and human factors such as a lack of awareness of compliance among employees.

In order to prevent recurrence, we have launched the two projects on the right side. One is a project to digitalize quality operations and the other is a project to deepen knowledge.

Regarding the digitalization of quality operations, we are basically trying to introduce a tamper-evident system in the form of measuring inspection data without human intervention. The project to deepen knowledge will start with basic knowledge of quality and compliance awareness, including compliance education. We have started these projects with a strong desire to spread these efforts and prevent the recurrence of any issues.

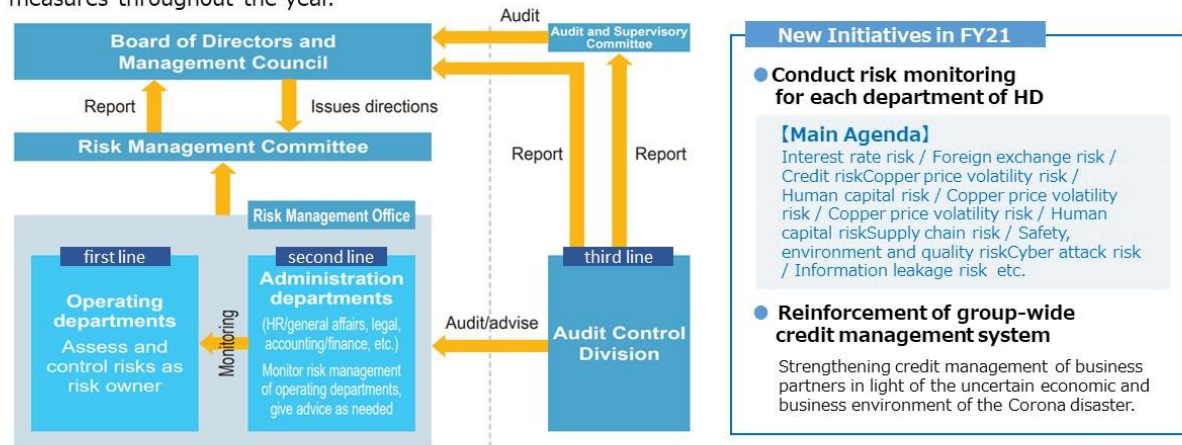
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Risk Management

Company-wide risk management with three lines of defense: business divisions (first line), administrative divisions (second line), and audit divisions (third line). The Risk Management Committee, chaired by the Group CEO, conducts risk assessment, risk management plans, response measures, and progress management of risk measures throughout the year.



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We have also strengthened our risk management system in response to the quality problems. The contents described here may be generally considered to be obvious, but we established the Risk Management Office last year and invited people from financial institutions that are more advanced in risk management than we are to work in the office.

We have further strengthened our risk management and will continue to do so in the future as we enhance our ability to respond to various risks.

This concludes the explanation of our ESG initiatives. Thank you very much.

Moderator: Thank you, Executive Corporate Officer Yamaguchi. Next, Outside Director Togawa will give a presentation on the governance of SWCC SHOWA HOLDINGS. Please go ahead.

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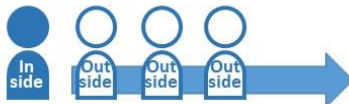
Efforts to Improve the Effectiveness of the Board of Directors

7 members (ratio of women: 14%, ratio of foreigners: 29%)
/ 20 meetings in FY2020

3 directors



4 directors who are Audit and Supervisory Committee members



Governance Reform Practices Conducting board effectiveness evaluations

Role of Outside Directors

1. management questions and advice

Effective questioning and advice to the executive team to improve the Group's medium- and long-term corporate value

2. Management and oversight of management and conflicts of interest

Involvement in the selection and dismissal of senior management.
Management and oversight of management's execution of operations and conflicts of interest.

3. reflection of stakeholder views

The opinions of stakeholders, including minority shareholders, are Board of Directors



The remote meeting of the
Board of Directors

Board of Directors Purpose and Authority

To deliberate and decide on matters related to management policy and business execution, as well as to manage and supervise the directors to ensure that their duties are performed legally and efficiently, in order to achieve sustainable growth and increase the corporate value of our group.

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Togawa: This is Kiyoshi Togawa.

I would like to proceed with our discussion on the governance of SWCC SHOWA HOLDINGS from the viewpoint of outside directors.

First, we are working to improve the effectiveness of the Board of Directors. Currently, the Board consists of seven directors, and as you can see, the Board is very diverse, with 14% of the Board members being women and 29% being non-Japanese.

In 2015, I was appointed as outside director, and at that time, the Board of Directors consisted of one foreigner and one woman, and I had the impression that the board of directors was very diverse as far as the company image was concerned. However, when it came time to join the Board of Directors, these two people rarely made comments. These days, those two people and another foreign director have a very significant voice in today's board meetings, and I feel that governance has improved considerably.

In terms of evaluating the effectiveness of the Board of Directors, we conduct a questionnaire survey of all directors every year, particularly regarding the composition and operation of the board of directors, as well as the content of matters to be discussed and how to support the board of directors.

Four of the seven members are audit committee members, and we currently have one audit committee member in the Company, Director Takashi Togawa, whose name happens to be very similar to mine, but he is not my brother. Each of the three outside directors has experience in the management of a business company. One came from the finance department, one came from the manufacturing department, and I came from the sales department, so we can say that we cover those three areas as attributes of the outside directors as well.

The role, purpose and authority of outside directors are described here. In the photo, you can see a board meeting at which all outside directors participated remotely.

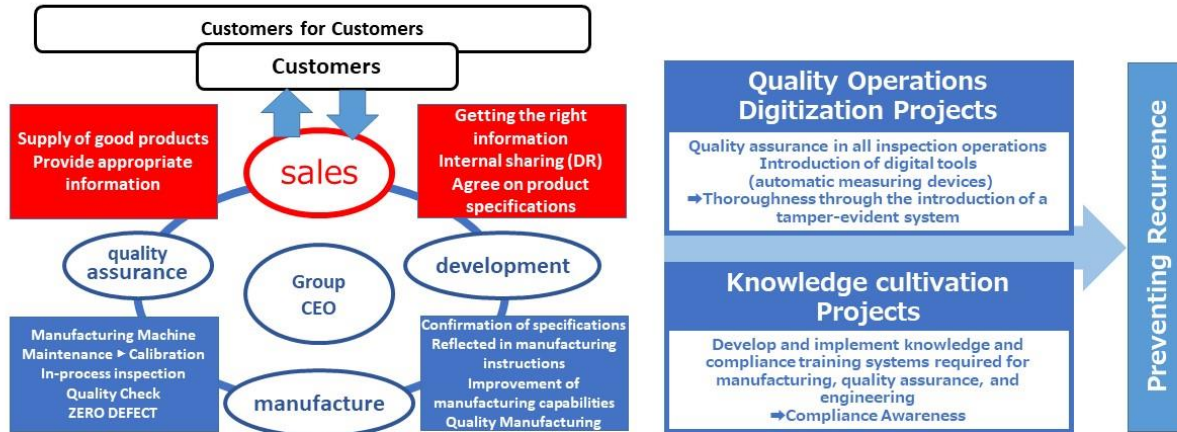
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New Quality Control System Recognizing the importance of sales as the starting point for quality control

Reaffirmed the importance of sales as the starting point for quality control. At the same time as reviewing the internal quality control process, an objective investigation was conducted on the products subject to investigation that were pointed out by an external party, and based on the results, measures to prevent recurrence are being implemented.



Executive Corporate Officer Yamaguchi mentioned earlier about the quality control system, and here I would like to talk about the quality control system from the viewpoint of an outside director in particular.

I mentioned earlier that I come from a sales background, and I myself was taught during my working years that the starting point for quality control should be the sales department.

Especially in BtoB work, the sales department, which has the closest relationship with the customer, should share the information received from the customer, such as design information and product specifications, through DR, or design reviews internally. After examining them in the development department, they are incorporated into manufacturing instructions, and we provide good products to customers while controlling quality in the manufacturing process.

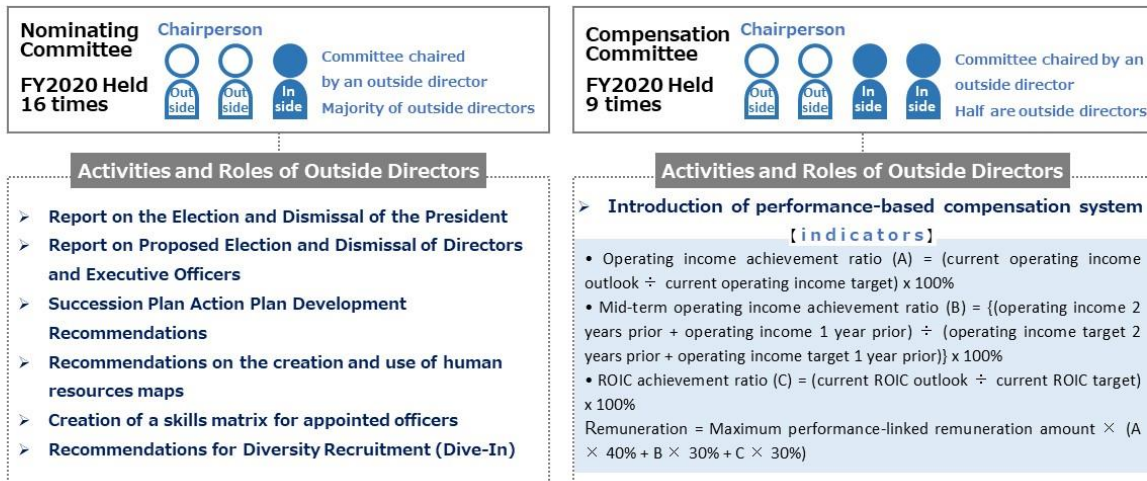
At that time, after all, the sales department is the only point of contact to supply good products, and we must provide appropriate information. Last year, we conducted an objective investigation of the surveyed items that were pointed out to us by an outside party. Based on the results, we understand that the Company is currently implementing measures to prevent recurrence as described to the right.

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Activities of the Nominating and Compensation Committees



Next page, please. The Company has established a Nomination Committee and a Compensation Committee on a voluntary basis.

The Nomination Committee consists of two outside directors and one inside director, and I am the chair of the Nomination Committee.

In particular, the report on the selection and dismissal of the president is required by the Corporate Governance Code. The Nomination Committee has the executive officer of human resources and the president provide with information on what kind of human resources are available within the Company, and who are the candidates for the next president, directors or executive officers.

The other is the Compensation Committee. SWCC SHOWA Group's history over the years has been that it is not a company with high salaries compared to the other companies, and the compensation of executive officers has not been high for a long time.

By establishing this Compensation Committee, we have introduced a performance-linked compensation system, as shown here, in order to determine fair and just compensation for executive officers. In addition to this, we have specifically started granting restricted shares.

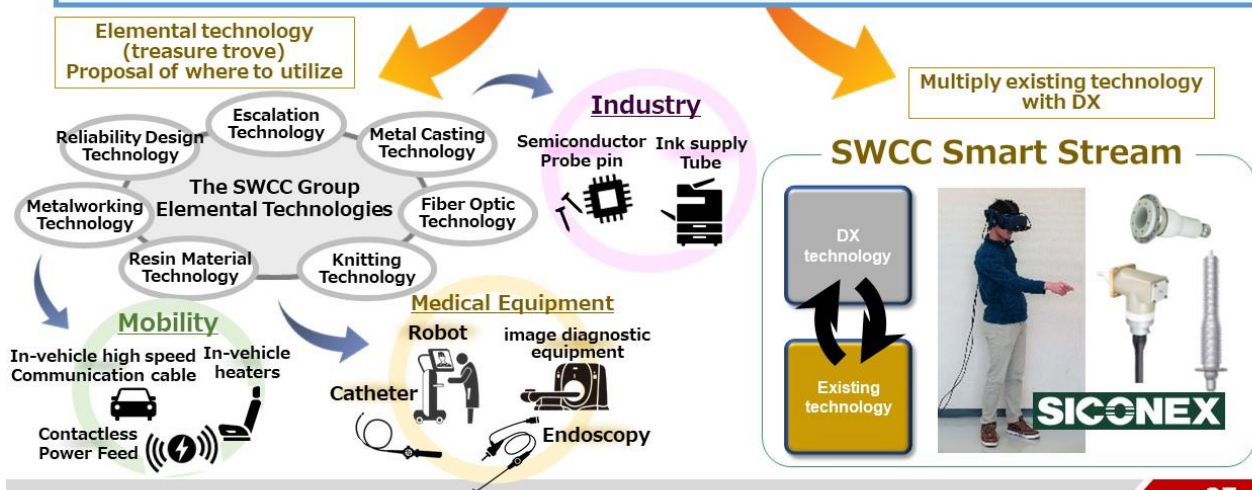
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Role of Outside Directors in Achieving the Goals of the Medium-Term Management Plan

Lobbying for the creation of stable, high value-added business models



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Next page, please. Now, the outside directors are most concerned in the achievement of the goals of the medium-term management plan. We already explained about the mid-term plan earlier, but the very important point is to create a stable, high value-added business model. If you look inside our company, there are so many elemental technologies.

In addition to the technologies shown here, more fundamental technologies, such as high-voltage processing, for example, have been cultivated as elemental technologies in the course of our long history of business activities. We are currently discussing with our internal new business group and each segment to see if we can utilize or apply such technologies in the future growth areas of mobility and medical devices.

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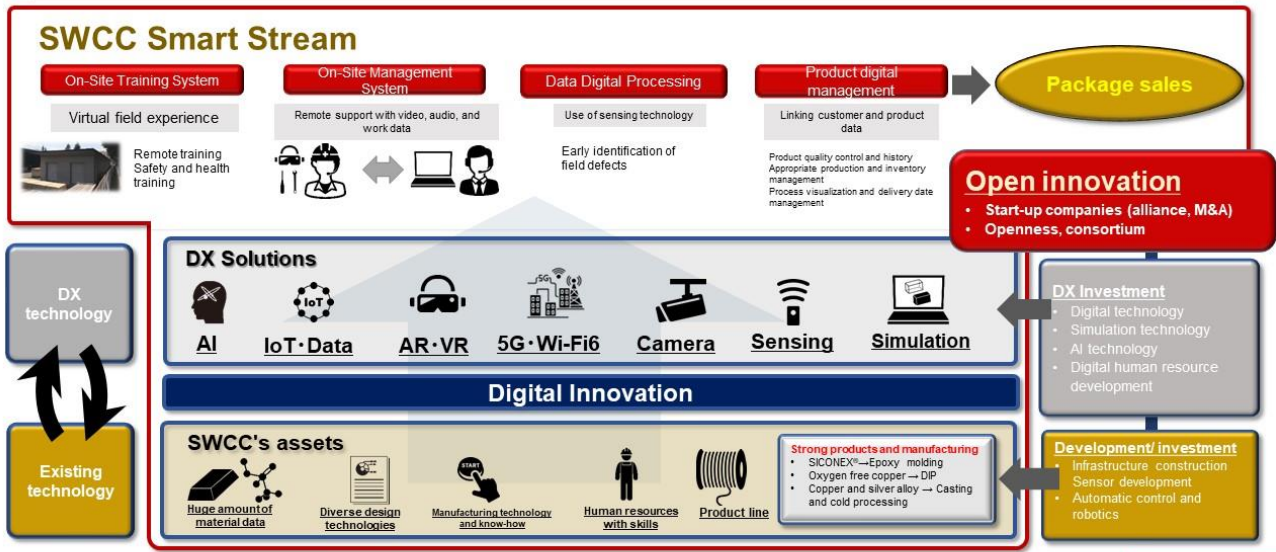
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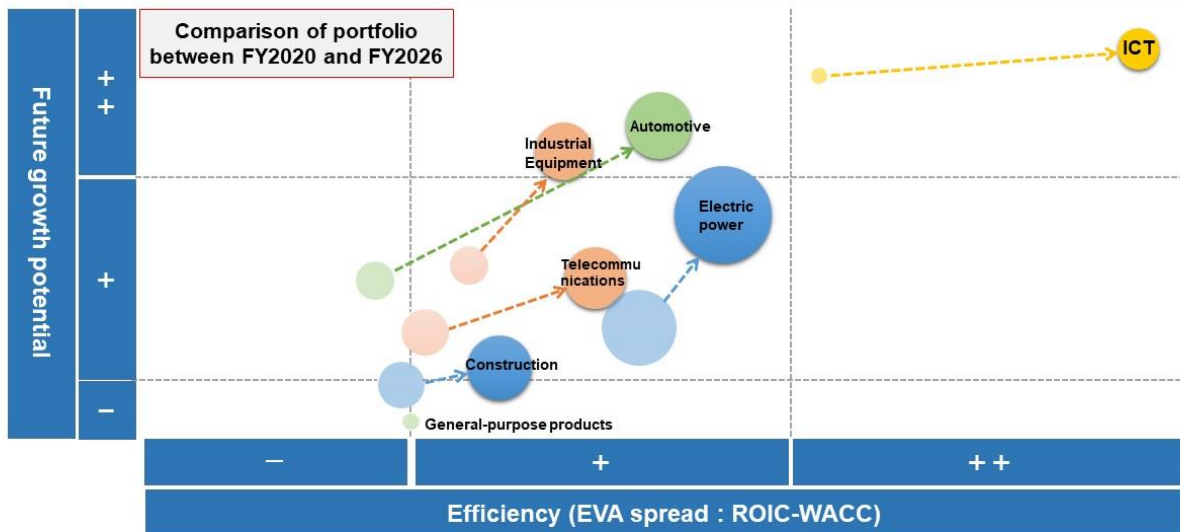
 Asia's Meetings, Globally

Commercialization of SWCC Smart Stream through DX solutions



Next page, please. As Executive Corporate Officer Yamaguchi mentioned DX solutions earlier, SWCC Smart Stream is one of the main features to promote manufacturing that utilizes DX or IoT technology. From our outside director's point of view, what exactly is a DX solution? We believe that this is only meaningful if the DX is accompanied by structural reforms, and we offer such advice.

Shift Portfolio to Growth Businesses



Next page, please. This is the last page. This image of the portfolio for growth business is a common picture, with growth potential on the vertical axis and efficiency on the horizontal axis. At any rate, our executive team is thinking of aiming for the upper right quadrant, so we would like to keep a close eye on that.

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That concludes my explanation. Thank you very much for your attention.

Moderator: Thank you, Director Togawa.

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