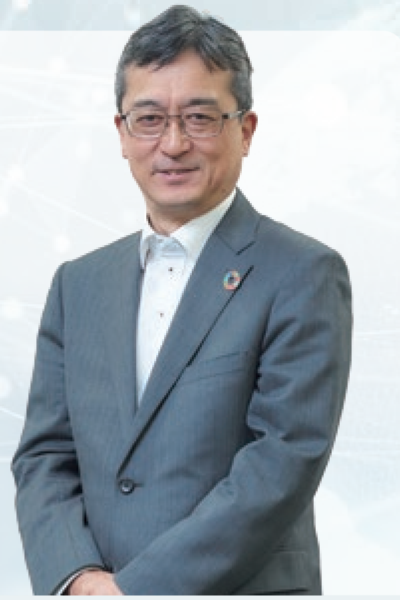
Strategy Update Message from Officer in Charge of Sustainability Promotion

SWCC's challenge for sustainable growth through value creation

Noriyuki Shiga
Executive Officer
Quality, Safety & Health,
Sustainability Officer

My Purpose

"Be the compass."



"Initiatives toward sustainability"

In 2022, we established the "Sustainability Committee" and have been working to build a system to accelerate sustainability management, as well as rolling out various measures—including formulating our "Basic Sustainability Policy" and identifying our "Materiality (Key Issues)." KPIs (Key Performance Indicators) and various measures related to Materiality are aligned with our management strategy overall. By steadily carrying out these initiatives, we aim to create synergies with our business and financial strategies and achieve sustainable growth.

Rie Inuki
General Manager of the
Sustainability Promotion Dept.

My Purpose

"Utilize each other's strengths and create time filled with emotional richness"

SWCC sustainability strategy

Aiming to create a future where people can live in tranquility, the SWCC Group is promoting a sustainability strategy that works in conjunction with its business and financial strategies. At the core of this strategy are the Materialities (Key Issues) formulated in 2022. To realize sustainable prosperity for society and enhance corporate value, we define priority themes and advance initiatives based on our action policies.

Materialities consist of five themes and sixteen indicators, with the Sustainability Committee conducting reviews of issues and monitoring progress. In the third year since formulation, many of our initiatives are proceeding smoothly toward their goals.

For the three environmental indicators (greenhouse gases, waste, and water) positioned as the final year of the new Mid-Term Plan in fiscal year 2025, we were able to achieve the KPI targets a year ahead in fiscal year 2024. On the other hand, KPI targets outside the environmental area are fundamentally linked to the new Mid-Term Management Plan, with fiscal year 2026 as the final year. However, with some indicators, we recognize challenges in achieving them due to changing business environments and the impact of group restructuring.

In fiscal year 2025, we plan to initiate a comprehensive review of Materialities in conjunction with the formulation of the next Mid-Term Management Plan.

Be a compass for the changing world

Regarding Materialities, in recent years, we have seen moves especially in the US—among certain companies and financial institutions—to reassess the importance of decarbonization and DEI (Diversity, Equity, and Inclusion). However, decarbonization is part of corporate social responsibility, and mitigating climate change is a critically important issue for companies, employees, and society. Especially for our company, which operates energy businesses, we recognize this remains a theme we must address sincerely and continuously. Similarly, on DEI, it is something we need to consider as we prepare for a future decline in the labor population, and for our company aiming to become a solution-proposal manufacturer, the presence of diverse perspectives and ideas is a source of competitiveness.

In order to realize our stated purpose— "With our brilliant technology, strong passion and sympathetic thoughts" —we will continue to uphold these policies and work on them.

Company-wide activities for becoming a "value creation manufacturer"

The SWCC Way (Code of Conduct) advocates achieving value creation through "Swiftness," "Passion," and "Thinking before acting." As we spread the term "value creation" throughout the company, many employees have raised the question of "What constitutes value?" In addition to financial metrics such as sales, profit margin, stock price, and ROIC, the very concept of value is diversifying to include safety, environment, and employee engagement. Based on this background, the SWCC Group has started efforts to restructure company-wide activities to further reinforce sustainable growth. This is an important framework to clarify our corporate purpose as we respond to changing societal demands and values, enabling all employees to unite in creating value.

Looking back on our history, from the days of our predecessor Showa Electric Wire & Cable, we've actively promoted bottom-up improvement activities such as proposal campaigns and small group activities since soon after World War II. These activities are rooted in the spirit of the Japanese concept of "KAIZEN"—never being satisfied with the status quo and always aiming for better—and have become the foundation of our corporate culture.

Meanwhile, since the early 1990s, top-down business reforms focused on performance improvement have become mainstream, and KAIZEN activities have gradually shifted toward pursuing "hard savings" in monetary effects.

Reflecting these trends, our company has systematized company-wide activities aimed at value creation, launching the new "SWCCVQ (ValueQuest) activity," which was named via an internal public contest. The name of this activity reflects the philosophy of thinking for oneself and seeking out new value (ValueQuest), as well as our basic stance of respecting human resources. Going forward, through these activities, we aim to draw out employees' autonomy and creativity, working to rebuild a corporate culture that supports sustainable growth.

Sustainability promotion structure

Based on the SWCC Group's Management Philosophy, we have established a Sustainability Committee, chaired by the CEO and President, to promote sustainable corporate management from the perspectives of ESG (Environment, Society, and Governance). The committee consists of executive officers and fellows appointed by the chairperson from each business department as well as executive officers responsible for administrative departments such as human resources, environment, and procurement.

With regard to management issues connected to sustainability, the Sustainability Promotion Department, which serves as the secretariat, consolidates issues and responses from both business and administrative departments. Based on discussions of these matters in the Sustainability Committee, it then formulates a Basic Sustainability Policy, identifies materialities (key issues), promotes strategies based on opportunities and risks, and reports and makes recommendations on sustainability issues and responses to them to the Board of Directors.

Sustainability promotion structure

Board of Directors

Reporting ↑ ↓ Instruction Reporting ↑ ↓ Instruction

Sustainability Committee ←→ Risk Management Committee

Chair: President and CEO
Secretariat: Sustainability Promotion Department

Collaboration/informationsharing

↕

Operating Departments and Administrative Departments

Sustainability Basic Policy

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

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

Status of activities

In accordance with the "Basic Sustainability Policy," we have identified Materiality in five themes— "Technology," "Environment," "Region," "People," and "Governance"—and established action policies for each.

Additionally, we have set 16 KPIs based on these action policies, established medium-term and annual targets for each KPI, and continue management and improvement through the PDCA cycle. In fiscal year 2024, we confirmed progress toward the set KPIs, identified issues and examined countermeasures, and established our desired vision for 2030 as our KGI (Key Goal Indicator). In fiscal year 2025, in addition to continuing KPI progress management, we will work on integrating Materiality with TOTOKU Inc., which became a Group company in March 2025.

SWCC Group Human Rights Policy and Multi-Stakeholder Policy

The SWCC Group has established a human rights policy in accordance with the UN's "Guiding Principles on Business and Human Rights" and introduced human rights due diligence. Once a year, we conduct human rights risk assessments for employees and business partners and implement improvement measures. Within the company, we provide education for all employees on harassment prevention, compliance, and diversity. We have also developed an internal whistleblowing system that allows for anonymous consultations, and are working to build a system for swift and appropriate response. In March 2025, we formulated the "Multi-Stakeholder Policy." Based on our Management Philosophy, we promote trust-building and cooperation with customers, shareholders, employees, business partners, and local communities, and foster relationships of empathy, coexistence, and mutual prosperity. Specific examples are introduced in our integrated report.

Details are available on our website.
https://www.swcc.co.jp/jpn/sustainability/esg/society/human_rights.html

Strategy Update

Materiality Promotion

About the status of the promotion of materialities

We have identified five materialities based on our four-step formulation process, and we set indices and KPIs according to action guidelines and regularly check the progress thereof. The Sustainability Department regularly checks the progress, while the Sustainability Committee organizes the planning and results thereof and reports and recommendations to the Board of Directors. The progress of each item is presented below.

[Technology] Create the future

Ideal state (KGI)

Provide value that contributes to a sustainable society through our unique products and services

High-priority social issues

- Spread of sustainable clean energy
- Creation of resilient infrastructure and promotion of innovation
- Realization of resilient and sustainable cities

Specific reason

There are social issues that have a significant impact on both our company and our stakeholders. We will strive to enhance both social value and corporate value through our core business.

Action Policy: Spreading sustainable clean energy through superior technology and innovation

Indicator and KPI			Target	Initiatives for FY2025
Sales ratio of products related to xEV (electric vehicles)			20% or over (FY2026)	Automotive heat-resistant, flame-retardant coated flat wire features not only superior heat and flame resistance but also better insulation layer stripping performance compared to competitors, and is being promoted as a new type of electrical component mindful of the environment (recyclability) for market development and penetration. In addition, for xEV winding wires, we aim to increase the proportion of high-performance flat winding wires produced using high-efficiency, environmentally-friendly equipment, thereby increasing the ratio of xEV automotive products.
FY2022	FY2023	FY2024	Progress	
13%	14%	13%	△	

Action Policy: Create resilient infrastructure for the future society

Indicator and KPI			Target	Initiatives for FY2025
SICONEX product CAGR (Compound Annual Growth Rate)			12% or over (FY2021~FY2026)	Capture new demand (such as replacement demand due to aging infrastructure at substations by SICONEX and SICOPLUS strategies, the advancement of acquiring new power formats, etc.), capture demand from switching to Direct Molded Products due to withdrawal of competitors, and establish a production system capable of responding to expanded orders.
FY2022	FY2023	FY2024	Progress	
18% (FY2021 to FY2022 average)	11% (FY2021 to FY2023 average)	12% (FY2021 to FY2024 average)	○	

Indicator and KPI			Target	Initiatives for FY2025
Number of patent applications			100 or more (FY2026)	We will map patent portfolios to promote invention and creation activities that foster the uniqueness of our own technologies, while suppressing the strengths of competitors' technologies and focusing on market trends.
FY2022	FY2023	FY2024	Progress	
70 cases	71 cases	81 cases	○	

Impact on society

The development of key technologies to solve social problems will lead to a more affluent society and improve people's lives.

Impact on business

With its competitive advantages, the Company is able to develop new markets and seize new business opportunities.

[Environment] Earth friendly

Ideal state (KGI)

Promote utilization of renewable energy and recycling of resources in order to realize a decarbonized society

High-priority social issues

- Greenhouse gas emissions
- Reduction of chemical substances and waste

Specific reason

It is important to play a role in the supply chain and value chain for the environment. In addition, delays in environmental measures have a significant impact on business management, such as the occurrence of additional costs and reputation risks.

Action Policy: Reduce greenhouse gases through relentless efforts and responses

Indicator and KPI			Target	Initiatives for FY2025
Greenhouse gas (CO_2) emissions Including offsets (Scope 1 + Scope 2)			Reduction of at least 50% compared to FY2013 (FY2025)	We will thoroughly pursue energy conservation and improve production efficiency to reduce emissions, while also increasing the adoption rate of renewable energy through measures such as expanding solar power generation and using electricity from non-fossil fuel sources. Monitor the reduction effect of solar power generation at the Mie Business Site and Sendai Business Site, which started operation in 2024.
FY2022	FY2023	FY2024	Progress	
37% from FY2013	38% from FY2013	50% from FY2013	○	

Indicator and KPI			Target	Initiatives for FY2025
In-house introduction rate of renewable energy			30% or over (FY2025)	Promote the planned introduction of renewable energy and carbon offset gas, including expanding solar power generation and using electricity from non-fossil fuel sources.
FY2022	FY2023	FY2024	Progress	
6%	7%	24%	○	

Action Policy: Promote the recycling of all resources with the collective strength of the Group

Indicator and KPI			Target	Initiatives for FY2025
Final waste disposal volume			Reduction of at least 90% compared to FY2018 (FY2025)	Expand the valuable chemical recycling introduced at the Aichi Factory to other business sites to reduce waste emissions. Promote the reduction of final disposal volume by switching landfill disposal of waste to thermal and material recycling (both valuable and non-valuable).
FY2022	FY2023	FY2024	Progress	
75% from FY2018	69% from FY2018	90% from FY2018	○	

Action Policy: Use limited water resources effectively

Indicator and KPI			Target	Initiatives for FY2025
Water usage			Reduction of at least 35% compared to FY2018 (FY2025)	Promote reductions through measures such as recycling, leakage prevention, and waste elimination.
FY2022	FY2023	FY2024	Progress	
9% from FY2018	28% from FY2018	35% from FY2018	○	

Impact on society

Through our own environment responses, and by contributing to the environmental responses of our customers and business partners, we can contribute to easing global climate change.

Impact on business

- Businesses can be developed to address the migration risks that come with climate change.
- We win social trust as a company that is proactive about the environment.

[Region] Living together

Ideal state (KGI)

Coexisting with society and contributing to mutual development with business partners

High-priority social issues

- Engagement with local communities
- Safety for products and services
- Information and labeling for products and services

Specific reason

In order to conduct sustainable business activities, it is necessary to build good relationships with local communities. In order to resolve social issues, it is important to strengthen communication and relationships with partner companies.

Action Policy: Value connections and develop together with local communities

Indicator and KPI			Target	Initiatives for FY2025
Number of cases of funds/material aid for non-profit organizations, etc. and community contribution activities			Reduction of at least 5% compared to the previous fiscal year (Every year)	Main activities include neighborhood cleanups, accepting hands-on learning and internships, and donations or gifts to local events and educational institutions. Since activities differ by region, examples from each site are shared within the group to promote diversity in activities.
FY2022	FY2023	FY2024	Progress	
Compared to FY2021 5% increase	Compared to FY2022 25% increase	Compared to FY2023 60% increase	○	

Action Policy: Cooperation with the value chain in the spirit of empathy, coexistence, and co-prosperity

Indicator and KPI			Target	Initiatives for FY2025
Score of Questionnaire on Sustainability Procurement Guidelines			Maintain 4.5% or higher (Out of 5 points)	Promote the permeation of the Sustainability Procurement Policy and work jointly with suppliers to raise standards. The sustainability questionnaire is reviewed for target companies, extracting business partners that can cover 80% of purchase amount establishing a system for regular monitoring. Companies rated 1 point on the 3 items identified as human rights risk will undergo hearings. Plans are also in place to follow up on response methods that reflect actual conditions.
FY2022	FY2023	FY2024	Progress	
3.8	4.0	4.0	△	

Impact on society

Contributing to the realization of sustainable communities will lead to the revitalization of local communities.

Impact on business

A strong local presence will increase awareness of the SWCC brand and earn additional trust.

[Persons] People shine

Ideal state (KGI)

Foster a corporate climate that induces innovation, challenges, and growth to create a highly productive organization where each employee can perform high value-added work

High-priority social issues

- Gender equality
- Rewarding work
- Human resources development

Specific Reason

Based on the recognition that this is an issue that should be prioritized as one for society, initiatives aimed at DE&I and efforts to improve engagement will lead to securing talented human resources and improving productivity. In turn, this will drive our transformation and growth, and help us achieve a stage of growth not seen until now.

Action Policy: Promotion of the utilization of diverse human resources (Diversity Equity & Inclusion)

Indicator and KPI			Target	Initiatives for FY2025
Ratio of female managers (section managers)			8% (10%) (FY2026)	Formulate recruitment plans to secure female managers. Establish organizational structures and workplace environments that reflect diversity, and work on eliminating unconscious bias. Support for balancing work and family life, creating systems where women can work comfortably, support for women's advancement to management, individual career counseling, and training programs.
FY2022	FY2023	FY2024	Progress	
6% (3%)	6% (4%)	7% (5%)	△	

Action Policy: Human resources development for the future

Indicator and KPI			Target	Initiatives for FY2025
Average hours of training per year per employee			40 hours or more (FY2026)	Classify training hours into in-house and self-learning etc., and streamline management systems. Strengthen management by establishing new selection training for managers and training after chief promotion before management roles. Promote e-learning and in-house application-based training as well. Revamp next-generation management training and accelerate company-wide talent development.
FY2022	FY2023	FY2024	Progress	
14 hours	16 hours	23 hours	△	

Action Policy: Enhancing Engagement (Create rewarding work and workplaces)

Indicator and KPI			Target	Initiatives for FY2025
Engagement score			National survey deviation score of 46 or higher	In addition to cross-sectional measures such as improving "facility environment" and "transparency of evaluation criteria," we address individual issues at each site and work to resolve them.
FY2022	FY2023	FY2024	Progress	
46	46	44	△	

Indicator and KPI			Target	Initiatives for FY2025
Lost time injury frequency rate			0.23 or less every year	Carry out health and safety activity diagnoses, education, and workplace patrols to raise employee safety awareness and promote knowledge enhancement among managers. We also focus on new awareness activities, such as proper distribution of notification documents and issuing monthly safety reports.
FY2022	FY2023	FY2024	Progress	
0.68	0.90	0.66	△	

Impact on society

Make it possible to provide ongoing and equal employment opportunities to many people and increase their motivation to work.

Impact on business

Increasing the value of human resources will enable us to increase the value of the company, which will stimulate business and ensure stable corporate activities.

[Governance] Toward a better company

Ideal state (KGI)

Gain recognition as a trustworthy company through our sound business activities

High-priority social issues

- Significant impact on business

Specific reason

We will strengthen governance, risk management, and compliance in order to operate without damaging corporate value. By promoting these initiatives, we can gain the trust of our stakeholders.

Action Policy: Monitoring of corporate management

Indicator and KPI			Target	Initiatives for FY2025
Attendance rate of independent outside directors at Board of Directors meetings and committee meetings			75% or over (Every year)	Maintain a high attendance rate by adjusting the schedules for Board of Directors and committee meetings and thoroughly communicating them.
FY2022	FY2023	FY2024	Progress	
100%	100%	100%	○	

Provide good-quality and safe products and services

Indicator and KPI			Target	Initiatives for FY2025
Failure costs due to quality			Reduction of at least 50% compared to FY2021	As incidents caused by human factors and aging equipment are increasing, we are promoting measures such as pointing and calling, double-checking, and checklists, and considering prevention using equipment and sensors.
FY2022	FY2023	FY2024	Progress	
10% decrease compared to FY2021	5% increase compared to FY2021	35% decrease compared to FY2021	△	

Indicator and KPI			Target	Initiatives for FY2025
Customer satisfaction			Maintain score of at least 4.0 (out of 5 points)	Evaluation of delivery lead time has significantly improved due to the resolution of wire shortages. We will continue efforts to improve customer satisfaction by implementing PDCA cycles.
FY2022	FY2023	FY2024	Progress	
4.2	4.1	4.2	○	

Impact on society

By devoting ourselves to sound management practices, we can continue to provide value to society as a good corporate citizen.

Impact on business

Improving corporate value stably and continuously can be achieved by sticking to sound management through strengthening governance.