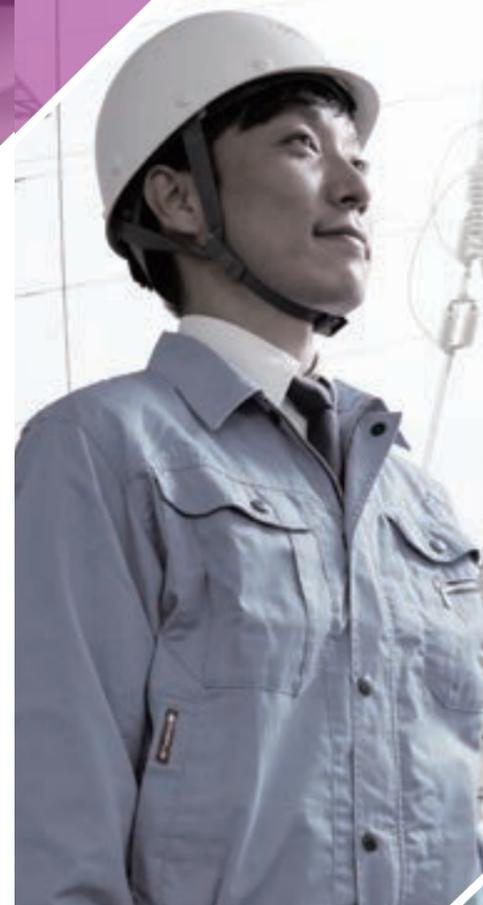


# Into the New Paradigm

More Profitable  
More Resilient  
More Powerful  
More Widely



# We are SWCC Group

The SWCC Group is Opening the Door to a New Era

In April 2023, our Company was reborn as SWCC Corporation.

In addition to further strengthening and deepening our three core business segments of Energy and Infrastructure Business, Electrical Equipment and Components Business, and Communications and Industrial Devices Business, we will also boldly transform ourselves to achieve sustainable growth.

We will report to our stakeholders on the current state of SWCC and

the company that we are aiming to become in the future.

**Taking on the challenge of creating further corporate value and moving into a new growth trajectory**

### More Profitable

#### Transforming Our Corporate Culture and Business Model

We will accelerate our growth strategy in line with the SWCC Purpose. Through growth investments, we will expand into new fields and transform ourselves into a solution-oriented company.

For details, please refer to pg. 21 to 22.

### More Powerful

#### Transforming Our People

The SWCC Group will promote a human capital strategy that is linked with our management strategy. We aim to be a diverse and talented group of people who can respond to the changing times.

For details, please refer to pg. 25 to 26.

### More Resilient

#### Strengthening Our Financial Foundation

We will improve return on capital by deepening ROIC management and strengthen our financial foundation by accumulating profits.

For details, please refer to pg. 22 to 24.

### More Widely

#### Expanding into New Markets and New Business Areas

To open up next-generation business areas, we will create new advantages for SWCC by mixing existing businesses and new business areas together.

For details, please refer to pg. 27 to 28.



# SWCC Purpose

In line with changing our corporate name to SWCC, we have formulated the SWCC Purpose to become a company that creates new value in response to the changing times.

*Innovating new ideas today.*

*Becoming the norms of tomorrow.*

**We're here to face the challenges resiliently**

**in this changing world.**

**With our brilliant technology,**

**strong passion and sympathetic thoughts,**

**we ensure the highest quality and reliability of our products.**

**Not only with our traditional cable**

**and wire for infrastructure,**

**but also with our new products**

**and services to enrich our planet,**

**we will never stop challenging for a brighter future.**

## Our Thoughts Behind the SWCC Purpose

**We're here to face the challenges resiliently in this changing world.**

### Social Background

SWCC is asked to change values and contribute to the realization of a sustainable society. In addition to maximizing economic value, we will continue to pursue solutions to societal issues and sustainable growth.

**Not only with our traditional cable and wire for infrastructure, but also with our new products and services to enrich our planet, we will never stop challenging for a brighter future.**

### Change/Transformation

SWCC will move into and out of the growth phase through structural reforms. We aim to change into a new version of SWCC by maintaining spirit of challenge without fear of change, raising the level of earning power through ROIC management, and aggressive investment beyond existing frameworks such as M&A and in-house ventures.

**We're here to face the challenges resiliently in this changing world. With our brilliant technology, strong passion and sympathetic thoughts, we ensure the highest quality and reliability of our products.**

### Social Contribution

For 87 years since its establishment, SWCC has been involved in infrastructure through its products and has continued to serve society, which is a source of great pride for SWCC. In order to contribute to society in the future as well, we will continue to address social issues (renewable energy, the labor shortage issue, etc.) and improve reliability in quality.

**Strong passion and sympathetic thoughts, we will never stop challenging for a brighter future.**

### Human Capital

The source of SWCC's growth is our human resources. By promoting the utilization of diverse human resources, development of human resources who are not afraid to change, and creation of rewarding jobs and workplaces, we aim to become a corporate group in which employees are highly engaged.

**Innovating new ideas today.**

**Becoming the norms of tomorrow.**

### Value Creation

SWCC will apply the technologies and the know-how we have cultivated over many years to new markets and new fields to create new value and common sense for the future. While maintaining the spirit of challenge since our founding, we will promote reforms such as making a shift from selling goods to selling services and changing to become solution-oriented manufacturer.

# Trajectory of Value Creation

## Trajectory of Value Creation Leading Up to the Birth of SWCC

On April 1, 2023, SWCC Showa Holdings Co., Ltd. merged with SWCC SHOWA CABLE SYSTEMS CO., LTD. and SWCC SHOWA UNIMAC LTD. to form SWCC Corporation. Since our establishment in 1936, we have been supplying the world with products, primarily electric wires and cables, aiming to be a company that supports everyone's daily life through product for infrastructure. The new SWCC Group will not limit itself to the activities of the past. We will also work to become a company capable of providing many solutions by challenging more difficult social issues using our technology and ideas.

1936~

### Dynamic Growth Phase



SWCC originated from the establishment of SHOWA ELECTRIC WIRE AND CABLE CO., LTD.

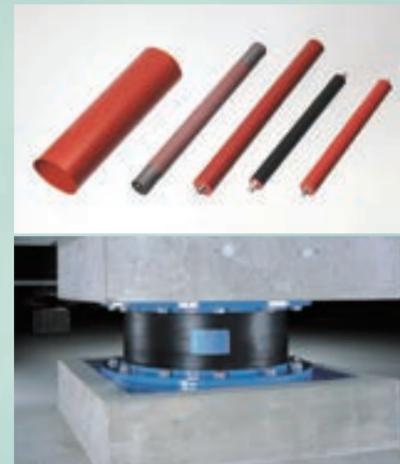
In 1936, SHOWA ELECTRIC WIRE AND CABLE CO., LTD., SWCC's predecessor, was spun off from the electric wire division of Tokyo Electric Company (currently Toshiba Corporation). We introduced the world's most advanced German-made rolling mill ahead of other companies, and started manufacturing and selling electric power and communication cables at our Kawasaki Plant (Kanagawa Prefecture).



Developing a series of initiatives to lead the cable industry forward.

In the 1940s and 1950s, the Company was on a steady growth trajectory as a result of being listed on the Tokyo Stock Exchange, technological alliances with overseas companies, and expansion of production bases. In 1969, we introduced General Electric Company's (GE) dip forming system for the first time in Japan to pursue the quality of oxygen-free copper and to save space in our manufacturing facilities.

1970s~



Utilizing our unique technologies to enter new fields in addition to deepening our existing businesses

In the 1970s, we developed products that met the needs of the times, such as superconducting wires for maglev trains and heat rollers for electronic copiers. In 1985, we also entered the laminated rubber isolator market, which are now indispensable for seismic isolation systems, by making use of technologies derived from electric wires.

2000s~

### Maturation Phase



Structured as a holding company, we developed next-generation markets with our own brands.

In 2006, the Company shifted to a holding company structure and changed its name to SWCC SHOWA HOLDINGS CO., LTD. We started to develop our own brands such as the SICONEX® line-up of compact electric power equipment products and high-performance oxygen-free copper MIDIP®, and strengthened our response to new markets that also contribute to solving social issues, including the strengthening of power infrastructure, the electrification of automobiles, and other solutions. In the 2000s, we further developed our overseas business operations that we started in the 1990s.



2023

### Start as the SWCC Group

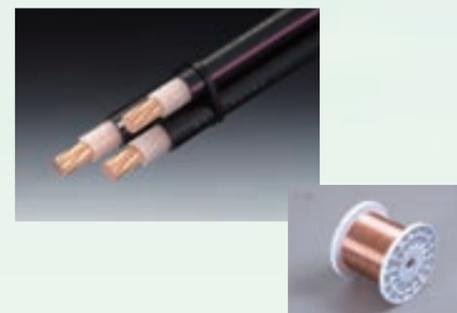


Aim to create further corporate value through more strategic group management.

The Company has reorganized its Group management structure and changed its name to SWCC Corporation. After our consolidated subsidiaries SWCC SHOWA CABLE SYSTEMS CO., LTD. and SWCC SHOWA UNIMAC LTD. were merged, we transitioned from a pure holding company to an operating company in order to accelerate the speed of strategic planning and execution. By using SWCC, the four letters that have been used for many years as an abbreviation of the Group's name, as a new trademark, we will maintain the corporate brand we have cultivated so far, renew our image, and accelerate corporate transformation and growth for the future.

#### Value Creation that Supports Social Innovation

- Since its establishment, the Company has been manufacturing power cables and communication cables, supporting the construction of social infrastructure
- Using our unique rubber blending technology, we produce seismic isolation and vibration control components that protect lives and property from earthquakes
- Started manufacturing optical fibers in anticipation of the full-fledged arrival of the information age
- Provision of electronic equipment that plays a leading role in OA and precision devices that serve as core elements of copy machines



#### Value Creation that Supports Social Innovation

- Provision of high-quality copper-silver alloy wire in cutting-edge fields such as mobility, medical care, and robotics
- Developed e-Ribbon® rollable ribbon for mass installation of optical fibers in data centers
- Developed SICOPLUS® to meet the challenges of the electric power market, which requires maintenance and enhancement of construction technology
- Developed a superconducting cable system that contributes to the effective use of generated electricity



# Business and Presence

## Business Activities and Sources of Value Creation

### SWCC's Business Areas and Strengths

## Energy and Infrastructure Business

The core business of the SWCC Group which creates social infrastructure

Through the Energy and Infrastructure Business, our core business, we have been supplying the world with products, primarily electric wires and cables, since our founding to support social infrastructure. We also offer a wide range of products that connect power plants to homes as well as products that protect people's lives and infrastructure from disasters such as earthquakes and fires. The SWCC Group pursues high-quality products and solutions that support the new era by adapting power cables, power equipment products, and seismic isolation products to the needs of the times. We are developing solutions in the electric power market based on our SICOPLUS® strategy with our core product SICONEX®.

## Communication and Industrial Devices Business

Leading the era of high-speed, high-capacity communications with a variety of solutions

In addition to communication cables essential for telecommunications, we provide devices for a wide variety of fields including wire harnesses used for the internal wiring of household appliances and electronic equipment, parts for copiers, and cables for factory automation applications. By collaborating with domestic and overseas Group companies and partner companies, we use the latest production technologies to develop various products. We live in an era where people are connected with people, people are connected with things, and things are connected with things everywhere. We will leverage our wealth of technologies and experience to promote higher quality and higher added value in a variety of device solutions to support the evolution of a connected society.

## Electrical Equipment and Components Business

Accelerating the evolution of the world by utilizing the advantages of our proprietary technologies

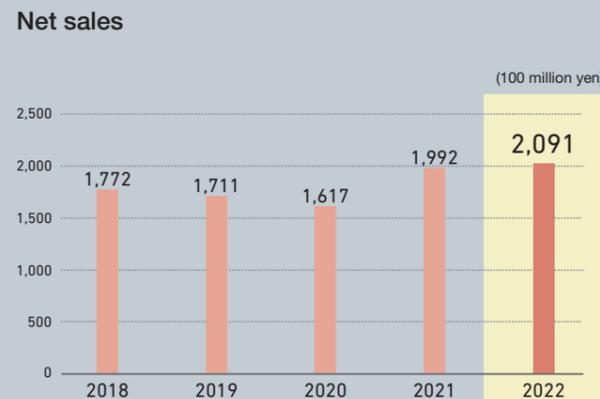
We are taking on the challenge of establishing dominant positions in growing markets with our high-quality performance material technologies at the core. (MiDIP®, an oxygen-free copper produced by Japan's only dip forming system, is highly regarded in the automotive field, and copper-silver alloy, which offers high strength, high conductivity,) and bending resistance, is highly regarded in the medical care field. SWCC will continue to strengthen our product competitiveness not only in domestic market but also in overseas markets. Through Group-company collaboration, we meet customers' expectations and demands while innovating quality, cost, and speed by bringing all three together.

## New Business

Developing growth markets that bring innovation to society

We offer creative products utilizing our core technologies in growth fields such as automotive, factory automation, medical care, AI, and robotics. In the automotive field, where the shift to electric vehicles and autonomous driving is progressing rapidly, we have developed aluminum cables for automobiles, wireless power transfer coils, and high-speed transmission cables. In the future, we will expand our range of products for next-generation bullet trains and promote efforts toward the commercialization of superconductor products. In collaboration with other business segments, the New Business segment is developing high added value products and solutions not bound by existing frameworks and customs to create new possibilities for the SWCC Group.

### SWCC's Presence

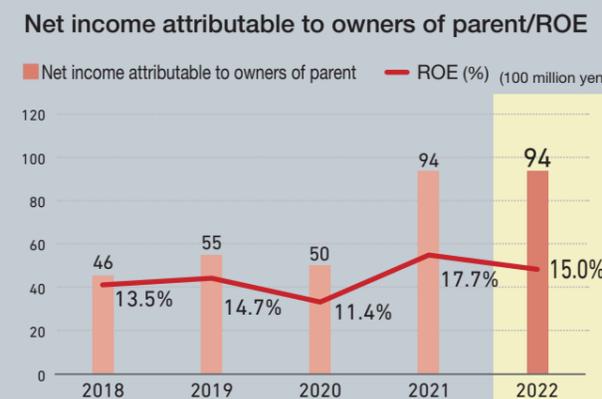


There were increases in shipments due to stable demand from the domestic electric power infrastructure and stable demand from the construction-related sector (Energy and Infrastructure Business) in Japan. Although there was a decrease in shipments due to the impact of automobile production cutbacks, partly due to the impact of rising copper prices, net sales increased 5.0% year on year.

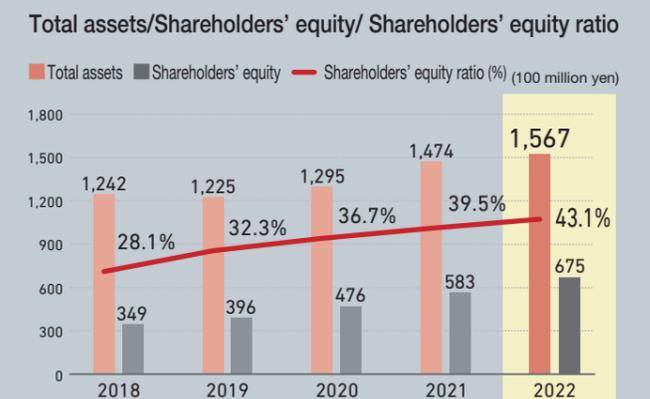
Scope of data: The former SWCC Showa Holdings Co., Ltd. and its consolidated subsidiaries



In addition to stable demand for domestic power infrastructure, the domestic construction-related industry (Energy and Infrastructure Business) saw improved earnings and stable demand due to the integration of manufacturing and sales of joint ventures, and operating income increased 4.3% over fiscal 2021, despite the impact of reduced automobile production on earnings (Electrical Equipment and Components Business) and other factors.



In the current consolidated fiscal year, net income attributable to owners of the parent increased slightly from FY2021 as a result of the aforementioned increase in operating income as well as a gain on the return from the retirement benefit trust despite the recording of a settlement payment and business structure improvement expenses.

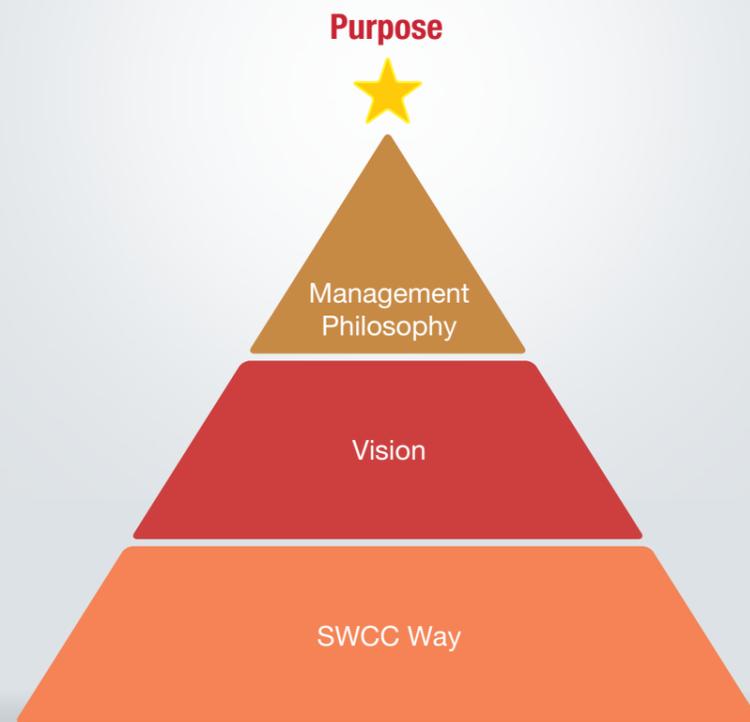


Total assets increased mainly due to an increase in fixed assets caused by an increase in inventories due to the impact of soaring copper prices and an increase in investment securities due to the return from the retirement benefit trust. Although we paid dividends to our shareholders, we recorded a net income of 9.4 billion yen, resulting in an increase in shareholders' equity and a shareholders' equity ratio of 43.1%.

# Management Philosophy

The SWCC Group strives to be trusted

## SWCC Group's Philosophy Structure



Management Philosophy .....The SWCC Group strives to be trusted

Vision .....SWCC aims to become a solution-oriented manufacturer!

SWCC Way (code of conduct) ..... Realize value creation through swiftness, being passionate about our work, and thinking before acting

### Swiftness

- We are always conscious of time as an important management resource and act with an emphasis on speed
- Reporting, communication, and consultation are done promptly
- When a problem arises, we will promptly resolve it, analyze the true cause, and prevent recurrence

### Passion

- We are not afraid of failure and constantly challenge ourselves to change
- We act with the courage to break away from customs that do not fit the times
- We value the trust of our customers and respond with sincerity and care

### Thinking before acting

- We think and act proactively on our own without being bound by precedent or waiting for instructions
- We are always aware of compliance and are committed to performing work and actions that we can proudly tell our customers and family members about
- We will create a rewarding working environment for each and every employee by always remembering to be considerate of others

### Editorial policy

This is a report to stakeholders on the medium- and long-term value that the SWCC Group provides through its business activities toward realization of an enriched human society. The 2023 edition presents an image of the corporate entity that the SWCC Group wants to become through the newly formulated SWCC Purpose, value creation, four transformations, business activities, and sustainability management initiatives.

#### ■ Period of the Integrated Report

April 1, 2022 to March 31, 2023 (FY2022)

#### ■ Scope of the Integrated Report

SWCC Corporation, its consolidated subsidiaries (8 domestic companies, 7 overseas companies), and equity method affiliates (4 overseas companies)

#### ■ Referenced guidelines

- IIRC (International Integrated Reporting Council), "International Integrated Reporting Framework"
- GRI (Global Reporting Initiative), Sustainability Reporting Standards
- Japanese Standards Association, "JIS Z 26000: 2012 Guidance on Social Responsibility"

#### ■ Month/Year published

September 2023 (next scheduled publishing date: September 2024)

#### ■ Other

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

### From the publisher on issuance of the SWCC Group Report, Integrated Report 2023

On April 1, 2023, the Company took a new step forward in a new corporate form: SWCC Corporation. Under the name "SHOWA ELECTRIC WIRE AND CABLE", which people have been familiar with for 87 years since our founding, we have connected social infrastructure with electric cables at the core. From here on, we will support a sustainable society with various solutions. In addition, we have formulated the SWCC Purpose along with our change in corporate structure. "Innovating new ideas today. Becoming the norms of tomorrow." This year's Integrated Report begins with the information on the thoughts behind the SWCC Purpose, information on the new SWCC way and then provides details on the progress of the mid-term management plan and the deepening of sustainability management. I hope that this Integrated Report will help deepen your understanding of the Company and look forward to your continued support of the SWCC Group in its new form.

Noriyuki Shiga  
September 2023

SWCC Corporation Fellow  
General Manager of Sustainability  
Promotion Department, Corporate Strategy Division

### Forward-looking Statements

The Company's current plans and strategies and our outlook for the future in this Integrated Report are based on information currently available to us that we consider to be reasonable at this time, and involve risks and uncertainties. Actual results may differ from those predicted by the forward-looking statements due to various factors.

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The SWCC Group is Opening the Door to a New Era

Bouncing with new corporate brand, advancing into a new growth.



長谷川 隆子

SWCC Corporation  
President and Representative Director

Into the **New Paradigm**

## Looking Back on the Five Years Since Becoming President

I became President of the Company in June 2018. At that time, the Company was on the verge of getting out of a prolonged slump in business performance due to the large losses it incurred in FY2015. However, due to its weak financial position, we were in a situation where we needed to further increase the speed of management reform to achieve a true recovery in business performance.

Until then, I had served as a director of an affiliate company as well as an Executive Officer and Director of the Company. However, I felt a variety of challenges in Group management reform and was very frustrated that it did not proceed as I expected. When I was asked to become President, I felt that I was entrusted with the mission to “We must first transform the governance of decision-making.” I am the first female President of the Company since the founding and also the first president who has a background in research and development, so I understood that I was recommended to become the President with an expectation that reform would be different from the reforms of the past.

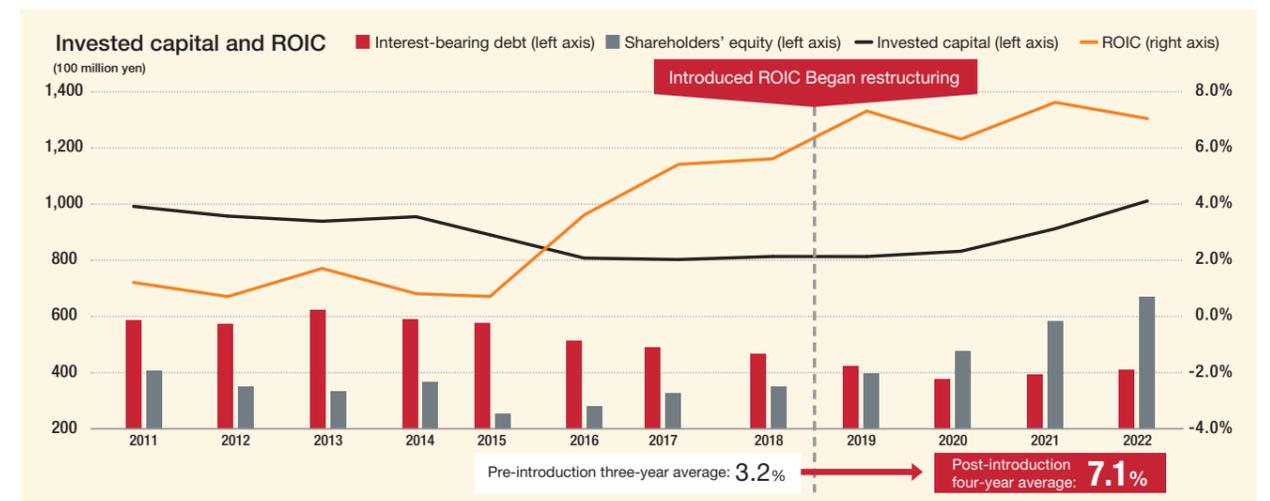
As President, I started by reviewing our financial data to sort out and identify issues. I thought, “We must first transform the governance of decision-making” in order to solve these problems. This is because in order for a company to formulate a mid-term management plan and achieve management reform, it is necessary to have a strong will on the executive side to lead the reform and a system of the Board of Directors to support and supervise it. To this end, we changed the institutional design from a company with a board of statutory auditors to a company with an audit and supervisory committee, giving the executive side the authority and responsibility to reform with a sense of speed, and having outside directors with the supervisory function and authority to

support the reform.

In terms of business governance, we have changed from a structure that has prioritized individual management of affiliated companies to a management structure centered on business segments so that the business can be seen from the market. We decided to manage our business from the perspective of the market, not from the products we offer.

This kind of management reform began in earnest in FY2019. FY2020 was a difficult period due to the impact of the COVID-19 pandemic. However, management reforms had already progressed to a certain extent and a flexible production system centered on business segments had been functioning, allowing us to achieve a certain level of profit.

One of the things that I place importance on when thinking about management is numbers. My experience as an engineer taught me that all results are in the numbers. When you do not achieve the numbers you expect, your way of thinking and efforts are wrong. Therefore, it is important to always look at the latest numbers to see if you are heading in the right direction. With this in mind, I have been committed to making sure that people throughout the Company understand the current status of our business in numerical terms. Although the results of numerically-oriented management, such as the introduction of ROIC management, have been steadily showing results, there is still some way to go. I would like to further promote management that aims to enable both employees on the front lines of business and executives involved in management decisions to grasp the figures they need to see in real time and with the accuracy required, and to be able to make immediate course corrections in response to the business environment.



## New Company Name, New Management Structure, and What We Will Strive to Achieve through the New SWCC Purpose

Before I talk about the new name of the Company, I would like to talk about the transition from a holding company structure to an operating company structure that took place in April 2023 when the company name was changed. This is one of the reforms that I wanted to implement since becoming President.

As for our size in terms of number of employees, the SWCC Group employs about 2,400 people in Japan and about 4,000 people in total when including employees at our overseas bases. In addition, considering the scale of earning of each business and the overlapping business areas of several subsidiaries, the question of adopting a holding structure arises. As is well known, a holding structure consists of several operating companies under a pure holding company. Although this is effective for managing each company and keeping track of earnings, it often causes problems such as centrifugal forces often being at work and high management costs, and also makes governance more complicated. When I assumed the position of President, I wanted to change the structure of the Company. Since we recently made progress in improving our financial position, we have transitioned from a pure holding company to an operating company.



The new company name, SWCC, is an abbreviation of Showa Electric Wire & Cable Co., Ltd., the name that we used for a long time. In addition, all senior executives made the decision for us to make this transition in the hope that the Company will develop new businesses without being limited to the electric wire business in the new era so that the Company will continue to grow sustainably. We are proud of the fact that we have supported infrastructure through our electric wire business during our 87-year history and would like to grow while taking on the challenges of the new world by utilizing the core technologies we have developed in that field. In order not to limit our potential by calling ourselves an “electric wire company,” we decided to use the new company name which expresses our hope for the next 10 to 20 years and beyond.

As the new SWCC sets sail, we have decided to establish the SWCC Purpose, which explains how our Company connects with society and the future. The SWCC Purpose, which opens with the phrase “Innovating new ideas today. Becoming the norms of tomorrow.”, was not created in a top-down manner but was the result of discussions over a period of about six months among employees of various departments, occupations, and ages who gathered from across the Group. We are currently in the process of deeply disseminating the SWCC Purpose throughout the Company, and the members that were involved in formulating it are visiting bases nationwide talking about its message. Hearing the real voices of colleagues at SWCC, who are in the same boat as I am, expressing their thoughts on their work and life in the SWCC Purpose seems to resonate with each and every one of our employees and help them to make it their own.

However, just because we have established the SWCC Purpose does not mean that all employees can immediately head in the same direction and foster a sense of unity. It will take a certain amount of time for the SWCC Purpose to take root within the Group to serve as a guideline for SWCC for overcoming the high uncertainty of the times and achieving sustainable growth.

## Business Environment and Progress of Mid-Term Management Plan “Change & Growth SWCC 2026”

We achieved the performance targets of the previous mid-term management plan “Change SWCC 2022” in FY2021, one year ahead of schedule. The Company achieved an operating income margin of 5% and operating income of 10 billion yen by improving its financial position,

which can be said to be the result of promoting change, the theme of the plan. In mid-term management plan Change & Growth SWCC 2026, which started in FY2022, the word “growth” is included in addition to “change.” Growth means that we must become a better company and that the next

### Mid-Term Management Plan Change & Growth SWCC 2026

FY2026 performance targets

Net sales	215 billion yen
Operating income	15 billion yen
Operating income margin	7% or over
ROIC	10% or over*

Note: ROIC target was revised on May 12, 2022.

step is to create a new phase of growth.

Under the previous mid-term management plan “Change SWCC 2022,” we introduced ROIC management, reviewed our business portfolio based on this change, and adopted a policy of increasing profit margins while maintaining Group-wide sales to a certain degree. As a result, we are selling, withdrawing from, and shrinking businesses with low profitability as well as relocating them overseas. The next goal should be to expand our business scale and increase market capitalization while using ROIC as an indicator. To make this happen, we need to reach an operating income performance target of 15 billion yen in FY2026 as well as an operating income performance target of 20 billion yen and ROIC of 10% in FY2030.

In 2019, we introduced ROIC management, broken down into an ROIC tree for each business, and have been working on improvement drivers at the frontline level. I would like for the Company to achieve its goals by swiftly moving through the PDCA cycle for each initiative.

Looking at our three core businesses as examples, the

promotion of businesses that solve social issues by utilizing core value (high value-added strategic products) has already produced growth buds in various businesses.

In the electric power business, we are promoting a business model focusing on the SICONEX® brand of electric power equipment that responds to the demand for decarbonization of society and the renovation of aging social infrastructure. In addition to being lightweight and very easy to install, SICONEX® is eco-friendly and safe because it does not use insulating oil and has a high level of seismic resistance against large earthquakes. In addition, we offer value such as labor saving and simplification of construction work to address the labor shortage. It can be said that the electric power business will surely contribute to society from the perspective of the spread of renewable energy, which is a national issue, and power grid enhancement.

In terms of contributing to a decarbonized society, the business for xEVs (electric vehicles) is promising. SWCC has been producing oxygen-free copper through continuous casting for many years and delivering it to customers under the brand name MiDIP®. In addition, magnet wire, which is made by copper wire drawing and covered with high-performance insulation, is used for xEV motors and inverters. It is clear that demand for environmentally-friendly vehicles will increase in the future. As part of the mid-term management plan, we plan to expand our magnet wire business for xEVs, evolve from a current wire rod manufacturer to magnet wire manufacturer, and shift to a business model with a higher degree of processing quality and higher profit margins.

By constantly monitoring investment efficiency indicators such as ROIC and WACC and rolling out mid-term management plan “Change & Growth SWCC 2026,” we hope to better ensure the achievement of our goals.



## Basic approach to sustainability management

The most important matter to the SWCC Group is sustainability management. Based on this approach, we have established KPIs for ESG initiatives and are promoting them.

With regard to “E” (environment), we have been promoting the Group Voluntary Action Plan on the Environment (Voluntary Plan) since 1993 and are fulfilling our corporate responsibility by setting numerical targets for reduction of CO<sub>2</sub> emissions, reduction of waste, and effective use of water resources, which we are continuously working to achieve. In business, we are developing products that lead to decarbonization, such as high-performance magnet wires used in xEVs. Therefore, I believe that we can also contribute to the preservation of the global environment by expanding such businesses.

We must also strengthen our factory infrastructure in order to ensure our own continued operations. Based on this approach, we will renovate each of our production sites in anticipation of natural disasters, which have become increasingly severe in recent years, and promote measures to ensure that we can fulfill our responsibility to support infrastructure and ensure the safety of our employees and their families in the event of a disaster.

For “S” (society), the importance of initiatives focusing on human resources is increasing. Against the backdrop of a shrinking workforce and intensifying competition for human resources, managers are faced with the question of how SWCC can become an attractive company that allows its limited human resources to work safely with peace of mind while highly motivated and demonstrating a high level of performance. I would like to deepen mutual communication between management and employees so that they can understand the Company’s strategy and approach, and provide growth opportunities that employees seek to make the Company a rewarding place to work. I think it is also necessary to promote diversity in order to improve engagement. Although the ratio of female employees and female managers in the SWCC Group is still low, we have a diversity promotion project under the direct control of the President in which we conduct activities to foster mindset through the introduction of various work styles and seminars. In addition, we are promoting the creation of comfortable

workplaces based on the results of employee questionnaires and promoting the use of childcare leave by male employees. Women’s empowerment is not equivalent to diversity. All employees, regardless of gender, age, or nationality, can talk with each other from the same standpoint to build a better company. I would like to see the Company realize the essence of diversity in the SWCC Group.

From the perspective of sustainability, it is also necessary to match business strategies with human resource strategies. Based on the concept of placing the right people in the right jobs, we will continue to promote the concentration of human resources in strategic businesses, career recruitment, and acceptance of overseas personnel, but we must also look ahead to a time when human resources will be in short supply. To overcome this, we will actively promote labor saving and robotization of production using IoT. In addition, we need to make drastic progress in transforming our operations through DX and AI. This will be led by the Digital Innovation Promotion Office which was launched in 2020.

“G” (governance) is a management issue that I have been most conscious of since being appointed President, and my approach to governance in management reform is as I mentioned at the beginning. In addition, I believe that one of the most important aspects of “G” should be an outside perspective. This is because the value of a company is determined by outside parties such as shareholders and other investors. When we listen to various opinions through SR and IR activities, we see business possibilities and risks from points that are significantly different from those within the Company. Therefore, I believe that the presence of outside directors on the Board of Directors has value in day-to-day management. We have people with various specialties and corporate management experience, such as investment, manufacturing technology, sales, overseas business, and IT, who participate in management as outside directors. Serving as President as well as Chairman of the Board of Directors, I feel that meaningful discussions have been stimulated by the opinions of the Outside Directors based on their diverse knowledge, leading to appropriate management decisions.

Various KPIs related to ESG initiatives	Target for FY2025	Target for FY2030	Target for FY2050
CO <sub>2</sub> emissions reduction (baseline year: FY2013)	45%	50%	Realization of carbon neutrality
Reduction of final waste disposal volume (baseline year: FY2018)	80%	85%	Achievement of zero final disposal volume
Reduction of water usage (baseline year: FY2018)	20%	50%	Promotion of sustainable use of water
Renewable energy adoption rate	30% or more		
Female empowerment (baseline year: FY2020) Ratio of female managers/section managers and above	Target for FY2026 8%/10%		

## Message for our stakeholders

I am always aware that my mission is to enhance the corporate value and shareholder value of the SWCC Group.

Our Group is still in the process of management reform, and there is room for further improvement of our financial foundation and profit growth in the future. Since we also have businesses that contribute to solving social issues and are useful to people, I believe that we can concentrate our resources in such areas and expect growth through the expansion of businesses centered on our core technologies.

I will continue to promote our growth strategy, deepen communication with our shareholders and investors, and fulfill my responsibilities as a corporate manager. At present, there is a strong demand for corporate management that emphasizes equity value, as, for example, evidenced by the Tokyo Stock Exchange’s request for improvement measures for companies with P/B ratios below 1x. At the financial results briefing for the fiscal year ended March 31, 2023, we provided an analysis of the current state of the Group and its initiatives for future growth as measures to realize management with an awareness of the cost of capital. In FY2023, we will revise our mid-term management plan in order to ensure that it is solid. I would like to actively communicate the growth story of the SWCC Group through the plan.

In addition to being a manager, I am also an engineer. Before you know it, technologies in uncharted areas where



the world’s engineers are ruthlessly competing will be used by people around the world as the norm. This is the greatest joy for researchers, engineers, and others who create things. “Innovating new ideas today. Becoming the norms of tomorrow.” I ask for your continued support as we will aim to further create corporate value and stock value while firmly conveying to everyone the SWCC Group’s future challenges.

SWCC Group Purpose

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

In line with changing our corporate name, the SWCC Group formulated the SWCC Purpose to convey the message that **we will create new value in response to the changing times.** Through our businesses, we will contribute to the creation of a better and more sustainable future.

Based on our Purpose, we will sustainably create **corporate value** and **shareholder value**

**With a minimum ROE of 10%,  
we aim to achieve a ROIC of 10% or more, P/B ratio of 1x or more,  
and dividend of 120 yen or more as soon as possible**

#### Business Strategy

- Optimize business portfolio
- Establish investment and profit contribution timeline
- Create a growth strategy for each business

#### Financial Strategy

- Cash allocation
- Further improve capital efficiency
- Maintain and improve financial soundness and provide returns to shareholders

#### Non-financial Strategy

- Promote a human capital strategy that supports sustainable growth
- Contribute to the realization of a decarbonized society

# Value Creation Story

In April 2023, our Company was reborn as SWCC Corporation. In addition to further strengthening and deepening our three core business segments of Energy and Infrastructure Business, Electrical Equipment and Components Business, and Communications and Industrial Devices Business, we will also boldly transform ourselves to achieve sustainable growth.

### Current Businesses

- Energy and Infrastructure Business**
  - Extra high-voltage cables
  - Electric power equipment parts (SICONEX®)
  - Overhead power lines
  - Industrial wires and cables
  - Fire extinguishing/prevention cables
  - Electrical materials
  - Seismic isolation, vibration control and isolation
- Electrical Equipment and Components Business**
  - High-performance oxygen-free copper MIDIP®
  - Copper alloys
  - Various types of magnet wires
  - Litz wire
- Communication and Industrial Devices Business**
  - Optical fiber cables
  - LAN cables
  - Wire harnesses
  - Heat rollers for copiers
- New Business**
  - Zero trust security
  - SWCC Smart Stream
  - Superconducting cable system

## Business Portfolio Transformation

### Mid-Term Management Plan Change & Growth

# SWCC 2026

## Change

Further increase in structural reforms

- Increase profitability through penetration of ROIC management
- Value chain reform and business model transformation through DX
- Strengthen corporate governance system

## Growth

Transition to growth phase

- Promotion of social solution-oriented businesses
- Shift of business portfolio focusing on growth businesses
- Transition to growth phase by expanding investments

### Sustainability management that supports reforms

#### Five Materiality Themes

**01**  
Our future

Our future

**02**  
Our earth

Our earth

**03**  
Our partnership

Our partnership

**04**  
Our people

Our people

**05**  
Our governance

Our governance

## The Company We Want to Be

# Creating for the Future

The SWCC Group will create new value for a better future (SWCC VISION 2030)

### Values of the SWCC Group

We aim to be a corporate group that continuously enhances corporate value by leveraging the advantages we have cultivated through a variety of products, primarily wires and cables. In order to create new value that will lead to a better future, we will continue to pursue products and services that enhance customer trust, environmentally-friendly products, and corporate value that is trusted created through sound business activities.

### The Value We Want to Bring to Society

SWCC will provide value that contributes to a sustainable society through its unique products and services.

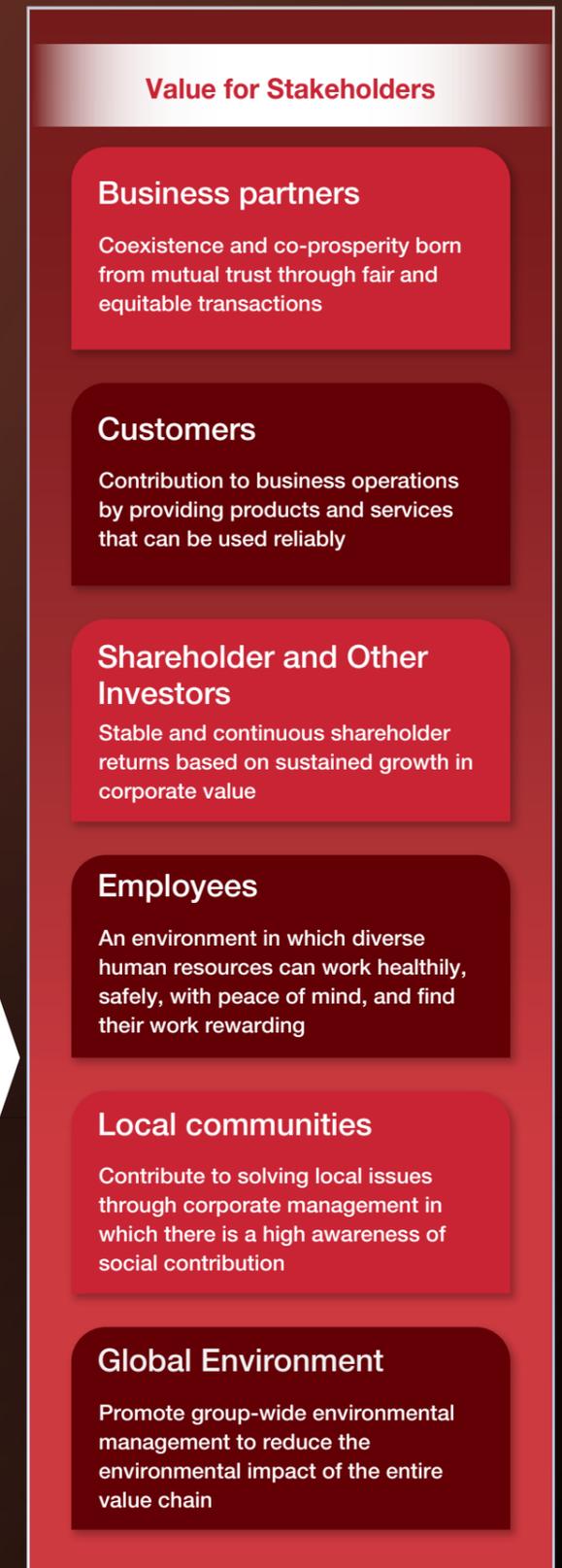
- Aiming for a safe and prosperous society, we will support social infrastructure by taking measures against intensifying natural disasters and the worsening deterioration of buildings and equipment.
- We will promote the use of renewable energy, the shift to electric vehicles, and safe and comfortable autonomous driving, which will lead to the realization of a decarbonized society, the goal of all mankind.
- We will develop our business with a view to solving problems in the fields of education and medical care, which are indispensable for people's rich and healthy lives, as well as a shortage of working populations due to the advent of a declining birthrate and aging society.

# Value Creation Process



The SWCC Group leverages the strength of its accumulated capital to create value for the future through its business.

The value created by SWCC in the energy, device, communications, and other fields that support economic and social activities is shared with all stakeholders. This value creation process is a continuous cycle aimed at maximizing corporate value.



Message from Officers of the Corporate Strategy Division

# More Profitable

Transforming Our Corporate Culture and Business Model



**Tetsuo Komata**  
Managing Executive Officer  
In charge of Management Strategy

**Toshiharu Kamijo**  
Executive Officer  
In charge of Capital Strategy

## Transforming into a Solution-oriented Manufacturer

In conjunction with aggressive growth investments, the SWCC Group will evolve to become a solution-oriented manufacturer by looking at the entire value chain and creating business models with higher added value.

The SWCC Group is promoting the SWCC Smart Stream Business as part of its efforts to take on the challenge of new businesses, and is working to develop new solution services that integrate the Group's technologies and data with DX. For example, the SWCC Group is already developing an educational program that incorporates DX, allowing trainees to gain experience at virtual work sites in the area of power cable connection work, an area where the SWCC Group has know-how. Furthermore, we aim to apply this technology to the medical care field and other fields.

In April 2023, we launched an in-house venture system as a mechanism to make it possible to propose new ideas that are not bound by existing businesses.

## Categorization Based on the Four Quadrants of the Growth Strategy



# More Resilient

Strengthening Our Financial Foundation



## Deepening ROIC Management for Taking the Next Step

### Improving Return on Capital by Deepening ROIC Management

The SWCC Group incorporated ROIC into its management in FY 2019 and has been promoting ROIC management that emphasizes not only P/L indicators but also the balance sheet. The average ROIC over the four years since adopting ROIC management has improved to 7.1% (3.8% before adoption), a significant achievement. We will continue to further evolve ROIC management into a form of management that emphasizes the balance sheet and cash flow.

When ROIC management was adopted in FY2019, we identified low-profit businesses and decisively implemented various structural reforms to improve ROIC. Moving forward, in addition to structural reform of unprofitable businesses, we will focus on achieving improvement targets by lowering the

ROIC tree to the frontline level in each business segment with the aim of raising the earning power of the overall business. Through these initiatives, we will strengthen not only profitability but also cash flow generation capabilities, such as improving the cash conversion cycle by optimizing inventories.

The essence of ROIC management is to lower WACC and obtain an ROIC spread. Reducing the cost of shareholders' equity, which is one of the components of WACC, will lead to the expansion of the ROIC spread. In addition to strengthening our financial constitution, the beta value used in calculating the cost of shareholders' equity has been decreasing in recent years. We believe it is important to maintain an appropriate WACC level by controlling the balance between shareholders' equity and interest-bearing debt.

## We Will Accelerate Our Growth Strategy in Line with the SWCC Purpose

### SWCC Aims to Reach Even Higher Heights

On April 1, 2023, SHOWA ELECTRIC WIRE AND CABLE transitioned from a pure holding company to an operating company and was reborn under a new company name, SWCC. Together with changing our corporate name, the SWCC Group formulated the SWCC Purpose to convey the message that we will create new value in response to the changing times.

The SWCC Purpose serves as a guidepost for reaching the goals set forth in the mid-term management plans "Change & Growth SWCC 2026" and "SWCC VISION 2030," conveying the Company's aspiration for growth strategies such as expansion into new markets and new business areas by transitioning into the growth phase.

To transition into the growth phase, we have also established a new Corporate Strategy Division to accelerate our efforts to become a more profitable corporate group by promoting financial, business, and sustainability strategies as an integrated unit.

### Expanding into New Business Areas through Growth Investments

The SWCC Group is currently promoting a new growth strategy while transforming its business portfolio and corporate culture. First, business areas are categorized into four quadrants based on market, product/service and whether it is an existing or new business area. In addition, for each category, we set investment criteria such as profit targets, the timing of the start of contribution to profit, and the period of return on investment, and select investment projects while prioritizing them. Among these categories, growth investments will be made in the following categories in which we are gradually entering and expanding into: Existing Technologies x New Markets, New Technologies x Existing Markets, and New Technologies x New Markets. We will develop business into new fields through M&A and investing in start-up companies.

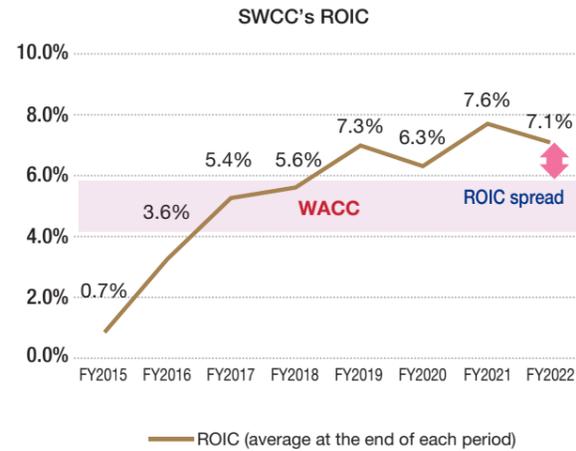
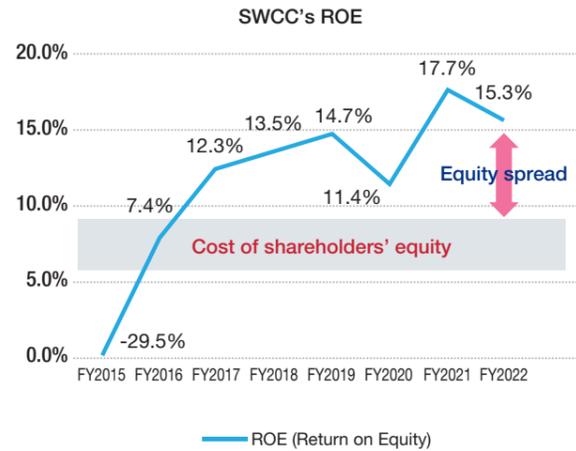
Growth investments will also include investments in overseas markets, including cross-border M&A and joint ventures with overseas companies for businesses that we believe have a greater affinity for developing new areas of business in overseas markets.

It goes without saying that we will also achieve steady organic growth in our existing business areas while aggressively investing in increased production and R&D.

At present, there is a growing demand for measures to realize management that takes into account cost of capital and stock price. The SWCC Group is also pursuing a financial strategy with a PBR of 1x or more by securing an ROIC spread with the aim of achieving management with higher capital efficiency.

While PBR is broken down into ROE and PER, the SWCC Group's ROE has risen due to the success of our ROIC management. It has been at a level above 10% since the fiscal

year ended March 31, 2018 and was 15.3% in the fiscal year ended March 31, 2023. Our ROE is high compared to the 8% indicated in the Ito Report and higher than other companies in the same industry. On the other hand, PER remained at a low level. By further reducing the cost of shareholders' equity and clarifying the growth strategy, we aim to raise the expected profit growth rate and raise PER.



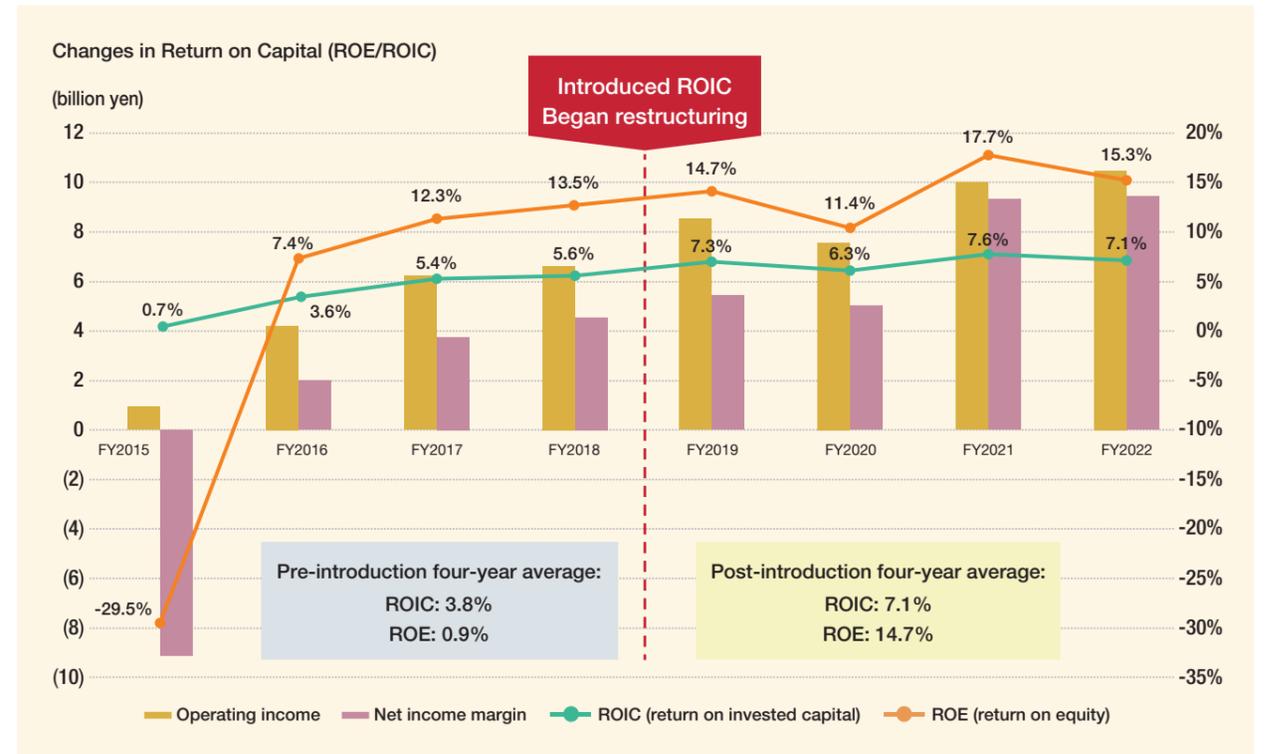
### Strengthening Our Financial Base by Accumulating Profits

The basic policy of the SWCC Group's financial strategy is to strengthen its financial base by enhancing its equity capital, focusing on the accumulation of profits from business operations. The Company's earnings recognition over the past several years has led to a reduction in interest-bearing debt, and in its most recent financial results, the equity ratio improved to 43.1% and the debt-to-equity ratio to 61%. Shareholders' equity has accumulated reaching 67.5 billion yen. We aim to acquire a credit rating of A- or higher by

further enhancing our shareholders' equity while steadily improving profitability as set forth in the mid-term management plan. This will help reduce financing costs and diversify financing method. We will continue to further strengthen our financial base through sound financial discipline.

### Aiming to Reach a Market Capitalization of 100 Billion Yen

The SWCC Group has set a market capitalization target of 100 billion yen after achieving a P/B ratio of 1x or more during the mid-term management plan period extending to FY2026. With regard to capital policy, we will control the balance sheet, raise funds, and allocate cash based on capital efficiency with the aim of increasing corporate value over the medium to long term. In particular, we will improve capital efficiency by reviewing non-business assets such as cross shareholdings and idle real estate. With regard to cash allocation, we are working to allocate appropriate cash allocation to growth investment, human capital investment, research and development investment and shareholder returns. With regard to shareholder returns, our basic policy is to provide stable and continuous returns, taking into account our financial base and cash flow conditions. The dividend per share was 50 yen per share for the fiscal year ended March 31, 2022 and 60 yen per share for the fiscal year ended March 31, 2023. In the fiscal year ending March 31, 2024, we plan to increase the dividend to 75 yen and start paying an interim dividend. The dividend payout ratio is expected to exceed 30%.



(unit: billion yen)	FY2020 performance	FY2021 performance	FY2022 performance	FY2023 target	FY2026 mid-term management plan target
Operating income	7.6	10.0	10.5	10.7	15.0
(operating income margin)	(4.7%)	(5.0%)	(5.0%)	(5.0%)	(7.0%)
Net income	5.0	9.4	9.4	7.0	10.0
Dividend per share (yen)	20.0	50.0	60.0	75.0	120~
Dividend payout ratio	12.0%	16.0%	19.1%	32.0%	35%~
Shareholders' equity	47.6	58.3	67.5	72~	90~
Shareholders' equity ratio	36.7%	39.5%	43.1%	45%~	50%~
DE ratio	79%	67%	61%	50%~	~50%

**PBR 1x or more**  
**Market capitalization**  
**100 billion yen**

### Together with Our Shareholders and Other Investors around the World

The SWCC Group holds IR and SR meetings with institutional investors and shareholders not only in Japan but also around the world. Through overseas roadshows, we actively communicate our financial strategies, growth strategies, and initiatives for corporate transformation to promote deeper understanding. In addition, the questions and requests that we receive at such events are provided to management as feedback and reflected as much as possible in IR activities and information disclosure. The SWCC Group will enhance the dissemination of financial and non-financial information more than ever before, and through IR/SR activities that are closely tailored to shareholders and investors, will lead to the enhancement of corporate and shareholder value.



Message from the Officer in Charge of Human Resources

# More Powerful

Transforming Our People



Futoshi Yamaguchi  
Managing Executive Officer  
In charge of Human Resources

## Toward the Development of a Highly Effective Human Capital Strategy

### Human Capital Management and Materiality

With the SWCC Purpose as the driving force, the Group is developing a human capital strategy that is linked with our management strategy. In FY2022, we established "Helping our people shine" as one of our materiality themes with "Promote the utilization of diverse human resources," "Human resources development for the future," and "Improve engagement" as courses of action to support the effort. Among them, we believe that the answers to "Helping our people shine" are concentrated in "Improve engagement." We will increase employee engagement and make it a driving force for corporate transformation by making various measures related to human resources function synergistically, such as recruiting, providing educational opportunities, and reforming work styles to support our growth strategy.

### Human resources development for the future

Although many of the SWCC Group's personnel are diligent and reserved when viewed individually, I believe that they



also have the dexterity to flexibly adapt to the structural reforms and changes in the business environment that have taken place over the past few years. However, I recognize that there is still room for improvement in their ability to set their own goals for the future and work toward achieving them. We need to develop leaders who have foresight and a sense of balance, are not afraid of change or risk, and have a spirit of challenge. In order to secure the human resources necessary for our growth and development from a limited number of people, we need to improve the accuracy of our training. We have developed a succession plan to nurture the next generation of executives and leaders, and are promoting a development program that connects young employees, mid-career employees, managers, and Executive Officer candidates. These programs have been in operation for several years and have produced some results, including preparing Executive Officer candidates who have already served as Executive Officers.

In addition, human resource development requires not only learning opportunities but also opportunities to experience success in which they can actually demonstrate their abilities. In succession plan training programs, participants also make recommendations to management, link excellent ideas with actual commercialization and systemization. Proposers of ideas are then entrusted with related operations. We also invite young employees to participate in projects under the direct control of the President, providing opportunities for diverse human resources to realize their ideas. However, when participating in a project while also performing one's primary work duties, the workload increases so appropriate support is required. In order to secure time to focus on new value creation, we are promoting measures such as the adoption of shared services, improving operations, and teleworking.

### Human Capital Strategy Framework



### Human Resource Portfolio Transformation

The basic concept behind our human resource portfolio is to place the right people in the right jobs. We will work to break away from a mindset that tends to just fill vacancies, and to change our human resource portfolio so that it can change flexibly in line with the transformation of our business portfolio into high-value-added businesses, which is being promoted under our mid-term management plan "Change & Growth SWCC 2026". As a first step, we are working to visualize human capital so that it is possible to understand where human resources with what skills and experience are located within the Group. Since the system has already been introduced, I want to see us achieve its effective operation as soon as possible.

### Fair and impartial evaluation/treatment system

The Company is promoting the introduction of a treatment system that is linked to the results of our work. Starting with managerial positions, we have expanded the system to include career-track positions and in FY2023 we expanded it to include standard work positions. Next, we are also considering including skilled workers at manufacturing sites. Although it is not easy to measure and reward the work performance of skilled workers who are responsible for accurately performing their assigned tasks according to procedures, we will explore a new approach to performance evaluation that appropriately recognizes their efforts and further motivates them. We will develop an evaluation system that is fair, impartial, and satisfactory for evaluating job type based performance.

### Human Resource Recruitment and Utilization of External Personnel

As competition for human resources intensifies, our recruitment activities must change as well. In order to evolve into new areas, we will look more aggressively than ever at

hiring external personnel and enhance the practice of hiring by job type targeting human resources that can be immediately effective and highly specialized human resources with skills in specific areas such as DX. In addition, since we refrained from hiring during a period of sluggish business performance, we are facing a situation where the workforce in their late 30s to 40s is shrinking. Therefore, when following the conventional career step process, there is concern that there may be positions that may not function properly due to a shortage of human resources. To address this concern, we will eliminate the seniority-based personnel system and introduce a position skipping system in which employees can be promoted to become senior staff or managers at an early stage. Through such efforts, we will respond to a new career step process, including the timing of the implementation of training programs.

### Corporate Management That Leverages Diversity

The Group's diversity initiatives have progressed from promoting women's empowerment to promoting diversity, which creates opportunities and systems for employees to demonstrate their abilities regardless of age, gender, or nationality. Currently, we are focusing on efforts to raise awareness about unconscious bias (unconscious prejudice and discrimination) among employees. However, in order to make essentials of diversity to take root, I would like to see the Company instill awareness about taking advantage of the benefits of diversity. For example, the diverse knowledge, experience, and wisdom of diverse personnel circulate in a fluid manner throughout the Group as a result of personnel rotations. If such a mechanism works, I believe that it will revitalize various workplaces, allowing both individuals and the Company to grow together.

We will continue to promote diversity to support the growth of the Group and strengthen human capital management.



Message from the Officer of the Research & Development HQ

# More Widely



Yuichi Morishita

Fellow, In charge of Technology Planning, R&D, and Intellectual Property Strategy

Expanding into New Markets and New Business Areas

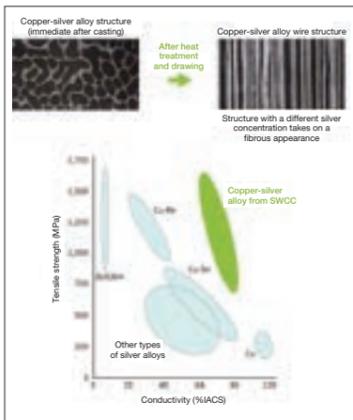
## Businesses that Open the Door to the Future

I will introduce distinctive examples of and basic strategies behind SWCC's research and development, which is focused on the future of not only existing markets but also unknown markets and society as a whole as we refine manufacturing technologies and incorporate the latest digital technologies.

### Existing Technologies × New Markets

#### Bringing Copper-silver Alloy, One of Our Core Technologies, to New Markets

High-strength, high-conductivity copper-silver alloy wire, which has a proven track record in the mobility field for its use in seat heaters, etc., is one of the SWCC Group's important core technologies. We are further advancing our copper-silver alloy wire technology to enter the semiconductor market, which is a new field for us. High-strength, high-conductivity copper-silver alloy wire is best suited to be used as probe pins used during inspections of semiconductor devices, which keep increasing in transistor capacity.



### New Technologies × Existing Markets

#### Solving Issues Associated with Realizing a Decarbonized Society Using New Technologies

In order to achieve a decarbonized society, the SWCC Group has been working on the deployment of our superconducting cable system, which the Group has been working on for many years, in social infrastructure. Superconductivity is the ultimate energy-saving technology that achieves zero electrical resistance, minimizing power transmission loss. Using this superconducting system technology, we are advancing the development of technologies that will contribute to the realization of carbon neutrality.



### New Technologies × New Markets

#### Creating Experiential Content Using DX Technology

Utilizing AVR® (Advanced Virtual Reality), a proprietary new technology of the SWCC Group, we are developing and demonstrating experiential content to expand into new market areas. We are proposing and providing content for new markets including education, medical care, and entertainment by taking advantage of the characteristics of spatial sharing using AVR® which allows users to experience as if they were in one space by synthesizing people at a distance or people filmed in advance in 3D, without the need for large-scale equipment or VR goggles.



## Creating Future Value by Combining Technology and Markets

### Improving Our Core Technologies to Improve Our Competitiveness

Headed for a new stage of growth, SWCC is engaged in research and development to lead business expansion into new markets and new areas with its Vision "SWCC aims to become a solution-oriented manufacturer!" In addition to promoting the development of basic and fundamental technologies that will serve as seeds leading to next-generation technologies, new products and new businesses, we are further strengthening common fundamental technologies such as analysis, evaluation, and parsing technologies, which are common fundamental technologies of the SWCC Group. In addition, we are promoting the acquisition of intellectual property and the use of this information to make business proposals. In this way, while strengthening our in-house development system, we are strengthening our core technologies and promoting business creation as we incorporate open innovation.

### Create and Strengthen New Businesses Using Intellectual Property Information

The SWCC Group has also started an activity called "IP Landscapes: Intellectual Property" to create value based on our core technologies. Using IP landscapes, we utilize and analyze information contained in intellectual property such as patents to propose business and technology strategies. Through these IP landscapes, we can see the position of our technologies from an intellectual property standpoint and use them to gain business advantages, create new businesses, or search for collaborative partners.

### Open Innovation for New Manufacturing

In addition to creating new businesses with new technologies, the SWCC Group is evolving its R&D approach to become more data-driven. As part of this effort, we have established a development process for high-performance copper alloy

through joint development with the National Institute of Advanced Industrial Science and Technology (AIST). By utilizing process informatics to find the optimal manufacturing method for the developed material in the shortest possible time, we aim for efficient development by AI that does not rely on trial and error. The goal of data-driven R&D is to increase business competitiveness by increasing speed.



### Organizational Structure and New Strategies Focusing on Next-generation Markets

In response to the once-in-a-century change in the mobility market, the SWCC Group has been promoting solutions-based businesses through the manufacture of in-vehicle heater wires, litz wires, and coated flat square wires for busbars for electric components designed for xEVs (electric vehicles). Since research and development activities were conducted separately in each business segment, the distribution of development resources has become an issue. However, from April 2023, development functions have been consolidated at the Mobilities Development Center, accelerating the launch and sales expansion of new products through synergies between products.

## SWCC's Core Technologies

Material technologies	Design technologies	Analysis/Evaluation technologies	Process technologies	DX technologies
Non-ferrous metals application technology	Electrical property control technology	Material analysis technology	Non-ferrous metal processing technology	AVR® Technology (Advanced Virtual Reality)
Coating material technology	Seismic isolation, vibration control, and isolation technologies	Structural analysis technology	Coating/Cable processing technology	IoT network technology (Internet of things)
	Superconductor technology	High frequency evaluation technology	Casting/Molding technology	
			Bonding/Joining technology	
			Terminal processing technology	
			Light propagation technology	

Strategies and Progress by Business Segment

# Energy and Infrastructure Business

We support social infrastructure by providing a wide variety of electric power infrastructure solutions that connect power plants to homes as well as products and services that protect lives and infrastructure from disasters such as earthquakes and fires.

The Energy and Infrastructure Business Segment comprises three businesses. The first is the electric power infrastructure business, which provides total solutions for electric power infrastructure system networks connecting power plants to homes, including cables and equipment as well as their installation and maintenance. The second is the construction wire business, which provides general-purpose electric cables essential for electrical wiring inside buildings and fire cables to supply power to disaster prevention equipment in the event of a fire. The third is the seismic isolation and vibration control business, which provides products necessary to ensure the safety of people and minimize damage to buildings and infrastructure networks in critical facilities such as high-rise buildings, hospitals, and distribution warehouses in the event of an earthquake.



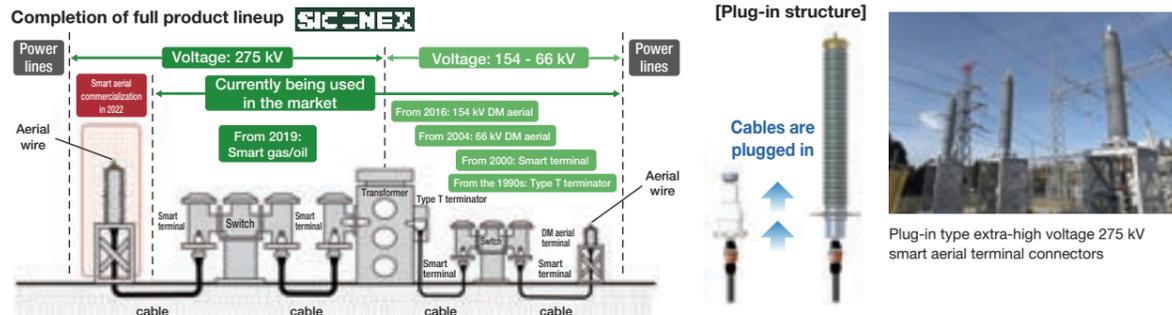
## Progress of growth businesses

### SICOPLUS® strategy (electric power infrastructure business)

With the SICONEX® connector for environmentally friendly high-voltage power cables using innovative insulation technology at its core, we will capture vigorous demand in the electric power market backed by the national strategy through the SICOPLUS® strategy, which adds sustainable human resource development programs.

#### A de facto standardization strategy that takes advantage of product superiority

SICONEX®, our strategic product, boasts a market share of more than 70% (as of FY2022) in the substation and private sectors due to its product advantages such as its lightweight, compact design, ability to shorten construction time, and simple joint design. In February 2023, a plug-in type extra-high voltage 275 kV smart aerial terminal connection was put into practical use and a full product lineup supporting voltages from 66kV to the extra-high voltage of 275 kV was completed. We will continue to leverage the superiority of the products, to make them the de facto standard in the substation market, and thereby expand our market share.

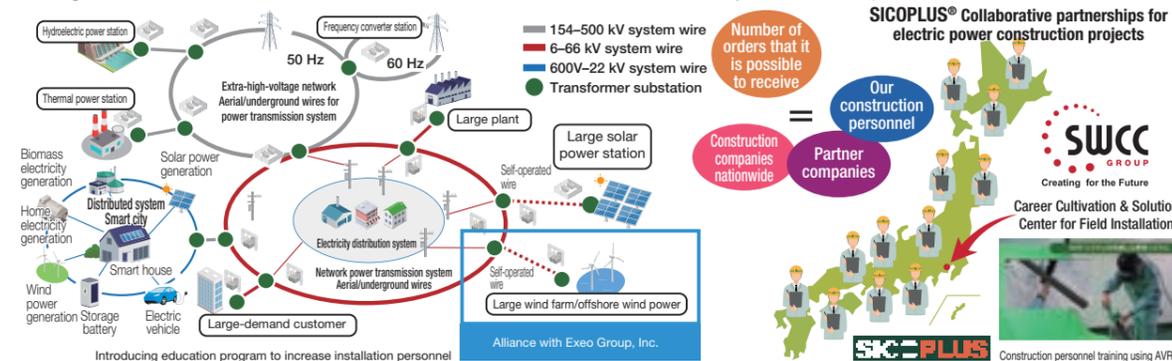


- Product Features**
1. Implementation of products pre-assembly at the factory (this shortens the construction period (construction shortened by about 30%) and improves reliability)
  2. Implementation of plug-in type system for power cable connections (results in labor saving and simplification of construction work)

#### Efforts to secure orders through a partner strategy for construction companies based on local production for local consumption

In the power market, which is expected to keep growing in the future due to various national policies, we are executing a strategy designed to secure installation personnel.

At the Career Cultivation & Solution Center for Field Installation located in the Sagami-hara Plant, by introducing our proprietary education curriculum using DX educational materials such as AVR® and through actual practice in a simulated cable tunnel, instead of the on-the-job training programs that predominated in the past, we can train skilled installation personnel in a short period of time, providing them with basic knowledge and skills. We have secured personnel from all over Japan who have studied at the center as electric power construction partners. The network of local production for local consumption construction company partners is already expanding from Hokkaido to Okinawa, enabling us to secure orders without bottlenecks in our construction workforce with an eye on the "2024 problem."



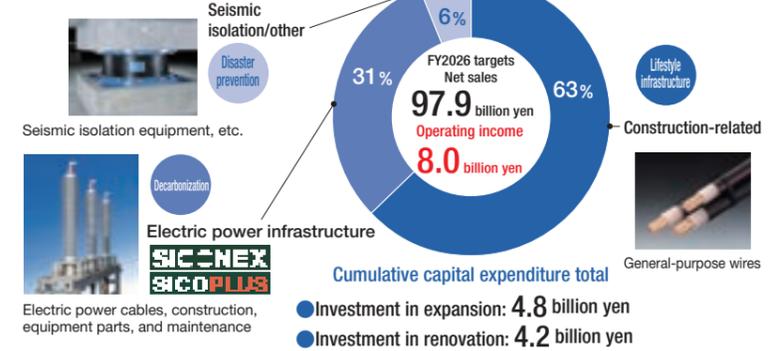
## Future Business Outlook

In this business segment, we have increased sales of cables, connection materials, and installation work based on the advantages of SICONEX® (connectors for high-voltage power cables), our brand of strategic products, to the expanding electric power market based on demand for renewable energy such as power grid reinforcement and offshore wind power. In order to capture demand as the market expands under the Japanese government's strategic plan, we will develop growth strategies from both product and human resources. With the completion of the full lineup of SICONEX® products with voltage capacities ranging from 66 kV to 275 kV, we will finally proceed with the development of products capable of supporting extra-high voltages. In regard to human resources, we will strategically secure construction personnel as future construction capacity shortages are expected to become a bottleneck for business growth due to the declining workforce in the cable connection construction sector. Taking into account the growing demand for renewal of aging thermal power plants and the expected construction of substations in the onshore interconnected sections of large-scale offshore wind power generation, we will shift our in-house construction staff from performing 66/77 kV range work to the higher value-added extra-high voltage construction field. We will continue to leverage the competitive advantage of our products and services to steadily supplement demand in the expanding electric power market and aim to expand our business performance.



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

#### Mid-Term Management Plan (FY2022 to FY2026)



#### Growth drivers

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

#### Market outlook

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

## Initiatives to Achieve Mid-Term Management Plan Targets

### Efforts to improve profitability of construction-related business (Showa Furukawa Cable Co., Ltd. coated wire business)

In the construction-related business, which accounts for approximately 40% of Group sales, we will further improve business efficiency through ROIC management. In FY2022, business improvement activities such as the introduction of DX with ROIC as an indicator contributed to a significant improvement in profit margin. We will continue to promote this initiative to further develop business.

#### ROIC target and main KPIs for the coating wire business

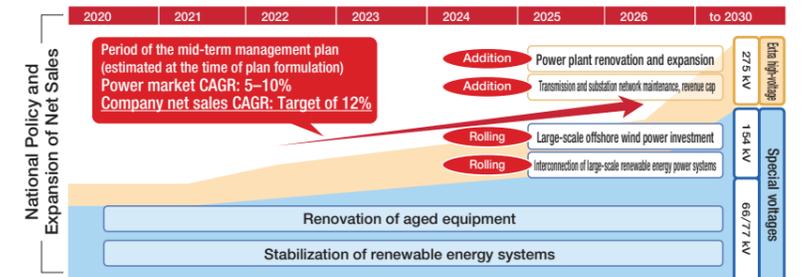
<b>ROIC</b> FY2026 targets ROIC 8% (+4.4% compared with FY2022)	<b>Ratio of profit to net sales</b> FY2026 targets Breakeven net sales: -20% (compared with FY2022)	<b>Main KPIs</b> Gross margin by product type (Manufacturing Department) Warehousing/transportation expense ratio (Administration Department) Inventory turnover period (Manufacturing Department) Trade notes and accounts receivable turnover period (Sales Department)
	<b>Invested capital turnover ratio</b> FY2026 targets Invested capital -10% (compared with FY2022)	

#### Effects of DX adoption

	FY2021 performance	FY2022 performance	FY2026 target
Inventory turnover period	45 days	42 days	36 days
Cost reduction (profit contribution)	—	0.5 billion yen	1.0 billion yen
CCC	85 days	82 days	72 days

#### Mid-Term Management Plan Rolling Points

With regard to the impact of the national policy (the Japanese government's renewable energy transmission network development plan: Investment of around 6 to 7 trillion yen) on the electric power infrastructure business, which was not announced at the time of the formulation of the current mid-term management plan announced in 2021, we believe it is necessary to review the matter with a view to the upside in the future because demand for SICONEX®, our strategic product, is expected to increase.



#### Future business environment outlook—Tailwinds and headwinds

Tailwinds	Timing of profit contribution from tailwinds
<ul style="list-style-type: none"> <li>• Implementation of plans to replace aging thermal power plants through the introduction of a revenue cap system</li> <li>• Announcement of a plan for the development of a wide-area power transmission network (expansion of renewable energy)</li> <li>• Continued demand for power infrastructure strengthening as a disaster countermeasure</li> </ul>	<ul style="list-style-type: none"> <li>• Demand for replacement of aging thermal power plants will increase from FY2025. We expect to receive project orders gradually from 2024</li> <li>• Profit contribution related to large-scale offshore wind power is expected to start in FY2026</li> <li>• Demand for power infrastructure strengthening as a disaster countermeasure has already started contributing to profits. Long-term demand is expected to continue</li> </ul>
Headwind events	Responses to headwind events
<ul style="list-style-type: none"> <li>• Soaring energy and transportation costs</li> <li>• Shortage of construction workers (declining birthrate and aging population, the "2024 problem," etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Continued efforts to revise sales prices and reduce costs</li> <li>• Develop strategy for the cable connection work system SICOPLUS® that adds efficiency, labor-saving, and sustainable personnel training programs to connection technology</li> </ul>

Strategies and Progress by Business Segment

# Electrical Equipment and Components Business

The Electrical Equipment and Components Business is contributing to the accelerating shift to xEVs in order to help realize a decarbonized society through the manufacture and sale of high-performance products for eco-cars. This business segment comprises three businesses: the high-performance product oxygen-free copper business featuring MiDIP®, which is manufactured using Japan's only "dip forming system," highly conductive, and resistant to hydrogen embrittlement; the other high-performance products business, which provides heater wires made from copper alloy and superfine flat wires for electronic components and is moving forward with efforts to improve production efficiency and increase manufacturing capacity through integrated production at the Sendai Plant; and the general-purpose products business, which supplies products for heavy electric machinery and industrial equipment.

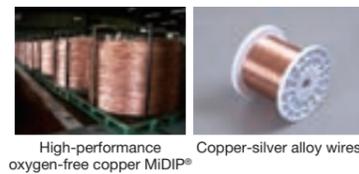


## Progress of growth businesses

### In-vehicle product line-up that contribute to the accelerating shift to EVs

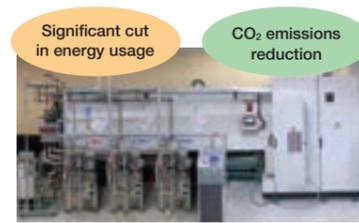
#### High-performance oxygen-free copper MiDIP®

Environmentally-friendly vehicles are powered by motors instead of engines, but to reduce energy consumption and extend the distance that can be traveled on a single charge, lightweight, high-output motors and materials are required. High-performance oxygen-free copper MiDIP® is manufactured using Japan's only "dip forming system," and is a high-grade oxygen-free copper wire with copper purity of 99.99% or higher and oxygen content of less than 10 ppm. It is highly conductive and resistant to hydrogen embrittlement and therefore used as a material for magnet wires in motors.



#### Fine flat magnet wires

The automotive market is expected to experience a rapid shift to environmentally-friendly vehicles. Given this backdrop, there is growing demand for electrification and electronification. To respond to the need for highly efficient and reliable magnet wires in the in-vehicle market, we will expand sales of magnet wires for reactors by introducing revolutionary furnaces that deliver high thermal efficiency and are effective for reducing CO<sub>2</sub> emissions. We are also launching a project to develop new magnet wires for next-generation, compact, and highly efficient drive motors, with a view to expanding the product line-up.



#### Copper-silver alloy wires

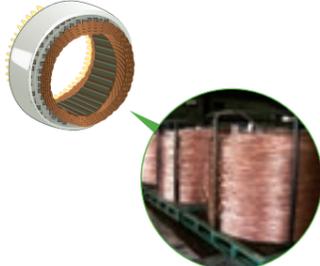
Environmentally-friendly vehicles without engines do not have a heat source, so a heater for the vehicle's interior must be installed separately. Seat heaters, steering wheel heaters, and other features that make the driving environment comfortable, battery heaters to improve battery efficiency, and other heaters are incorporated into the design, and our copper-silver alloy wires are excellent for use as heater wires. Our copper-silver alloy wires have both high strength (1,700 MPa) and high conductivity (70%) at the world's top level, as well as excellent flexibility and good solderability.

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

#### Oxygen-free copper (MiDIP®)

##### Drive motors

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



##### What SWCC can do ...

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

#### High-performance magnet wires (flat magnet wires)

##### Motors, inverters, transformers, etc.

Requirement of broad line-up of high-performance products  
**What SWCC can do ...**  
 Manufacture of flat magnet wires that employ MiDIP® to deliver high output, voltage resistance, and heat resistance



#### Copper alloy wires (heater wires)

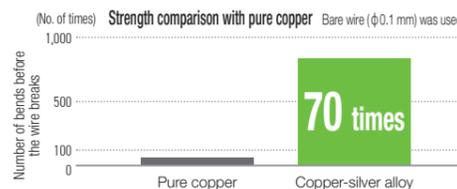
##### Steering wheel heaters, seat heaters, and battery heaters

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



##### What SWCC can do ...

Manufacture of copper-silver alloy wires that are fine, strong, and offer excellent conductivity thanks to know-how accumulated from research on metals



## Future Business Outlook

By expanding our line-up of highly competitive products and investing in boosting output, the Electrical Equipment and Components Business will continue along the path of expanding earnings in tandem with advances not only in automobiles, but also in various CASE (connected, autonomous, shared, electric) mobility technologies. Heading toward FY2026, the final year of the mid-term management plan, we will shift to a business model that offers a higher level of processing quality and higher profit margins by utilizing the brand power of MiDIP®, a high-performance oxygen-free copper. At the same time, we will actively expand into new markets that have high growth potential.

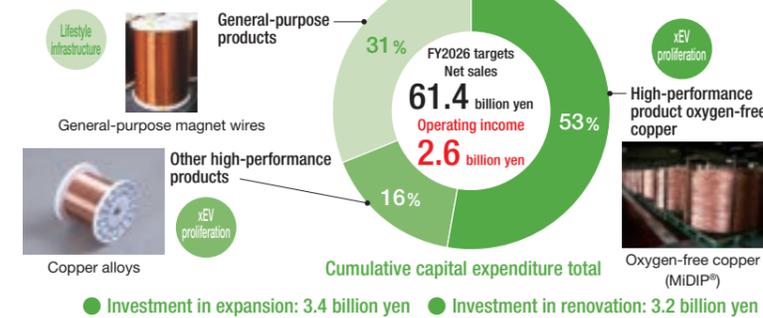
Specifically, this segment will develop products including composite conductor products for the air mobility market and probe pins for the semiconductor testing equipment market to build a high value-added and highly profitable business model looking at new markets and new business areas. We will also promote production innovation projects to support new business models. The segment will prepare for the automation of its manufacturing processes aiming to start automation in FY2026.

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

Takashi Yamamura



### Targets for final year of mid-term management plan (FY2022 to FY2026)



#### Growth drivers

- Expansion sales of high-performance products for vehicles by reinforcing production structure
- Strengthening of production structure for magnet wires for electronic components
- Strengthening of efforts toward CO<sub>2</sub> emissions reduction

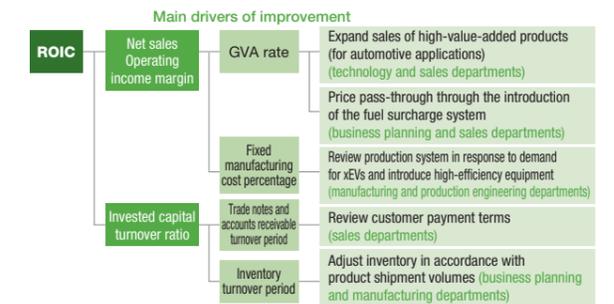
#### Market outlook

- Accelerated shift to eco-cars (xEVs) and rising demand for high-performance magnet wires
- Increasing needs for products that are highly effective for reducing CO<sub>2</sub> emissions

## Initiatives to Achieve Mid-Term Management Plan Targets

Demand is expected to increase for oxygen-free copper and flat magnet wires for vehicles with the recovery of xEV demand expected from FY2024 onward.

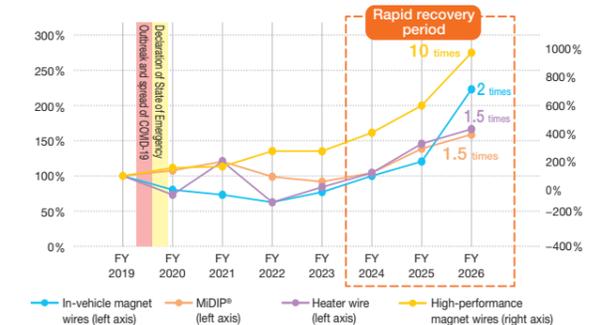
Using ROIC as an indicator, we will shift our portfolio to products for high value-added mobility and electronic components to enhance our lineup of products that provide us with a significant competitive advantage, and will also establish a high-speed, high-quality production line that is effective in reducing CO<sub>2</sub> emissions to strengthen our manufacturing capabilities and realize the creation of efficient manufacturing processes.



### Mid-Term Management Plan Rolling Points

Based on the xEV market forecast reports and customer forecasts, we expect a rapid recovery in demand from FY2025 onwards. Utilizing the brand power of MiDIP®, a high-performance wire material, we aim to shift to a business model that offers a higher level of processing quality and higher profit margins. We also plan to enter the semiconductor testing equipment market and the mobility market, including the air mobility market, and increase our business performance by expanding the number of our sales partners and product lineup.

### Shipment volume by high-performance product (base of 100% (pre-COVID-19))



### Future business environment outlook — Tailwinds and headwinds

Tailwinds	Timing of profit contribution from tailwinds
<ul style="list-style-type: none"> <li>Increase in magnet wire usage and business opportunities due to the accelerated shift to xEVs</li> <li>Promotion of the electrification of non-automotive mobility products</li> <li>Expansion of the semiconductor product market due to the proliferation of CASE (connected, autonomous, shared, electric) mobility technologies</li> </ul>	<ul style="list-style-type: none"> <li>Growing demand for high-performance magnet wires in Europe. Investment to increase production capacity to start in FY2023</li> <li>Sales of high-performance magnet wires in the mobility market, including the air mobility market, are expected to expand in FY2026</li> <li>Entry into the semiconductor market with our probe pin products to start in FY2023. We plan to launch these products in Taiwan and Europe</li> </ul>
Headwind events	Responses to headwind events
<ul style="list-style-type: none"> <li>Further soaring material prices (copper and resin)</li> <li>The rise of Chinese car manufacturers in the Japanese market</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the surcharge system for electricity and varnish costs</li> <li>Promotion of expansion to OEMs in Japan</li> <li>Application of new technologies to other fields</li> <li>► Mobility fields such as air mobility ► Expand into the semiconductor and robotics fields</li> </ul>

## Strategies and Progress by Business Segment

# Communication and Industrial Devices Business

SWCC is supporting the era of high-speed, high-capacity communications with a variety of device-based solutions. We will leverage our wealth of technologies and experience to promote higher quality and higher added value to support the evolution of a connected society.

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



## Progress of growth businesses

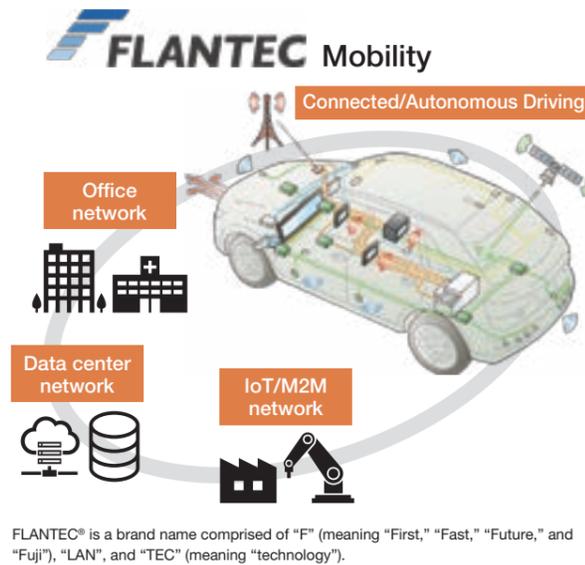
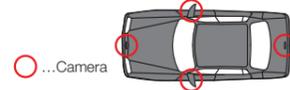
### Full-scale deployment of FLANTEC® LAN cables for in-vehicle use

In 2021, the SWCC Group's LAN cable business was integrated into the new brand FLANTEC®, and full-scale deployment of LAN cables for in-vehicle use will start in FY2023.

In addition to the office network market, which we have been offering services in with advanced technology, this brand aims to develop its business into new markets such as industrial networks in the expanding FA field and high-speed transmission for automobiles. In fiscal 2023, we will begin sales of FLANTEC® LAN cables for in-vehicle use, and in line with the expansion of the ADAS market, we will develop high-speed Ethernet technologies including high-precision cameras that realize autonomous driving at level 4 or higher.

#### Tailwinds

In 2021, Ministry of Land, Infrastructure, Transport and Tourism announces that it will be mandatory install rear-view cameras, etc. to confirm the immediate rearward position of the vehicle when backing up



## Wire harness business

We have established a three-base structure with two bases in China and one in Vietnam backed by a demand for geopolitical risk diversification. With a production method that realizes high efficiency and labor saving through automation and a high local procurement rate built in response to the COVID-19 pandemic, we will focus not only on home appliances but also on the markets for industrial equipment and automobiles, which are expected to expand in the future.



### Structural reforms to date

1. Diversification of production bases
  2. Promotion of local procurement and local production for local consumption
- (Jiaxing and Dongguan FY2022 local procurement rate: 74%)



Total floor area: Approximately 35,000 m<sup>2</sup>

Reduced electricity costs and CO<sub>2</sub> emissions by introducing photovoltaic power generation



Total floor area: Approximately 5,700 m<sup>2</sup>

## Future Business Outlook

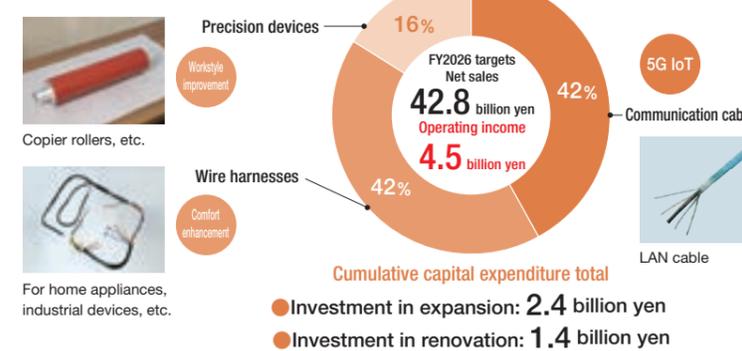
In this business segment, all departments, such as the cable, wire harness, and roller departments, operate globally. We recognize that the role of this business segment is to firmly establish the SWCC brand around the world.

Until now, we have grown by providing high-quality products to Japanese manufacturers with bases mainly in China and Vietnam as a proposal-oriented and response-oriented business that solves customers' problems through products. However, in the future, in addition to retaining existing customers, we aim to further expand our business performance by developing a broader market, such as industrial equipment and automotive applications, while building partnerships with local companies as a manufacturer with a "demand-optimized quality system" that enables flexible production systems, processes, and designs to meet diverse market and customer needs.



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

### Mid-Term Management Plan (FY2022 to FY2026)



### Growth drivers

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

### Market outlook

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

## Initiatives to Achieve Mid-Term Management Plan Targets

In the communication cable business, we will take advantage of the efficient production system resulting from the reorganization of domestic bases in fiscal 2022 to develop new products and establish a system for proper inventory management in response to market demand.

In the optical cable business, we aim to secure a high GVA ratio by expanding sales of rollable ribbon cables with unique technologies in overseas markets where the FTtx market is expected to expand.

Main drivers of improvement			
ROIC	Operating income margin	GVA rate	Promote high value-added product sales (Cat.6A, e-Ribbon®, etc.) (Sales Department and Technology Department)
		Fixed manufacturing cost percentage	Clarify the concept of the manufacturing base to reduce material and transportation costs (Manufacturing Department and Material Department)
Invested capital turnover ratio	Inventory turnover period	Inventory turnover period	Reduce number of inventory turnover months and lead times (Sales Department and Manufacturing Department)
		Fixed asset turnover ratio	Improve production efficiency by consolidating manufacturing facilities as a result of restructuring (Manufacturing Department and Production Engineering Department)

### Mid-Term Management Plan Rolling Points

Taking advantage of the structural reforms we have undertaken to date which are "Diversification of production bases," "Promotion of local procurement and local production for local consumption," and utilization of a "production method that realizes high efficiency and labor saving through automation," we will enter the local market for wire harnesses for home appliances as well as the industrial equipment and vehicle markets, which are expected to expand in the future, with the aim of expanding our business performance.

### Change in the ratio of production bases before and after structural reforms



### Future business environment outlook — Tailwinds and headwinds

Tailwinds	Timing of profit contribution from tailwinds
<ul style="list-style-type: none"> <li>● Increase in communication capacity due to promoting the use of AI and IoT</li> <li>● Increase in opportunities to enter new markets, such as the in-vehicle market</li> <li>● Demand for high-performance home appliances is increasing due to the advancement of the social environment and living standards</li> </ul>	<ul style="list-style-type: none"> <li>● As communication capacity increases in educational settings and offices, there is a growing demand to replace LAN cables with LAN cables that support faster data transmission speeds. Demand is expected to continue.</li> <li>● Inquiries from local automotive manufacturers are increasing. We expect this to contribute to our business performance during the period of the mid-term management plan.</li> <li>● In addition to increasing the functionality of general home appliances, demand for high-performance products such as ENE-FARM fuel cells is expected to contribute to earnings during the period of the mid-term management plan.</li> </ul>
Headwind events	Responses to headwind events
<ul style="list-style-type: none"> <li>● Cost impact caused by supply chains in underdeveloped emerging countries (materials and logistics)</li> <li>● Rise of local wire harness manufacturers (increase of business expansion through technological improvements)</li> <li>● Economic slowdown in China</li> </ul>	<ul style="list-style-type: none"> <li>● Promote operational efficiency by unifying production management and quality assurance systems that differ from country to country</li> <li>● Shift the business model from providing "high quality only" to a "demand-optimized quality system."</li> <li>● Improve the local procurement rate of materials through collaboration with customers</li> </ul>

Expanding Business Domains

# Pushing DX Promotion within the SWCC Group Forward

## Digital Innovation Promotion Office

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

Regarding DX, the Digital Innovation Promotion Office, which reports directly to the President, provides internal consulting services as the overall department in charge, and works with the DX leader in each section, such as manufacturing, procurement, logistics, and sales, to implement DX for the Group as a whole. As for "Innovating new ideas today. Becoming the norms of tomorrow," which is part of the SWCC Purpose, we believe that DX promotion is a low-cost and efficient way to achieve our goals for change. In order to achieve this change, we will adhere to our decentralization strategy\* and maximize DX value by utilizing information and technology obtained from IT and DT while adjusting the balance between top-down and bottom-up strategies.

Stories of our success in the area of DX will not be confined to the SWCC Group but will be shared externally. Expanding into other industries will lead to new businesses for the Group.

\* Decentralization strategy: A strategy that decentralizes authority and decision-making within an organization from a centralized form.



## Policies, Plans, and Future Actions of the Digital Innovation Promotion Office

### IT promotion

#### Policy (Strategy)

Aiming to eliminate the digital divide and increase literacy, we contribute to the discovery and education of human resources while promoting the transition to next-generation IT tools.

#### Plan/Future Action

We will shift from a theme-driven promotion method to a people-driven promotion method, aiming to continuously increase the number of IT promotion collaborators, and implement measures to promote the spread of the method with the goal of increasing the number of collaborators by 1.5 times from the current level to 180 by March 2024.

### DT promotion

#### Policy (Strategy)

We will expand the application of digital technology by visualizing management that incorporates data analysis, and improve the value created by digital innovation.

#### Plan/Future Action

By performing advanced analysis of data accumulated by various digital tools and presenting the necessary information to the people who need it when they need it, we will promote the optimization of the behavior of companies, organizations, and individuals.

### DX promotion

#### Policy (Strategy)

We will clarify the definition of DX and use specific examples to transform business styles, organizational work styles, and individual career styles through the power of digital innovation.

#### Plan/Future Action

We will demonstrate both internally and externally successful examples of how we can do things that we previously considered to be impossible and raise the level of DX promotion from point to line, line to plane, and plane to body.

### Progress by DX promotion theme

Theme	Department	Description	State of progress
1 Forecast of shipments and inventories of general-purpose wires	Production management departments	Analysis of the shipment and inventory volume trends for general-purpose electric wires and utilization of results data to automate manufacturing process planning and visualize production and inventory planning by using AI	Currently being implemented
2 Analysis of Kaeruya e-commerce (EC) site access information	Sales departments	Analysis of access information for Kaeruya, an online commerce site for cables, for marketing research purposes	Currently being implemented
3 Internal ChatGPT (chatbot)	All departments	Introduction of internal ChatGPT for work	Currently being implemented
4 Medium term forecast for health and safety risks	Manufacturing departments	Utilizing past occupational accident data, machine learning and text mining methods are used to predict accidents and prevent them from occurring	Currently being implemented
5 Logistics-related digitalization	Logistics departments	Central management and visualization of data required for logistics-related departments	Currently being implemented
6 Material price forecasts	Material departments	Visualization of information on price trends and trends in materials such as copper, PVC, and PE	Currently being implemented
7 Engagement analysis	Human resources departments	Utilization of AI to analyze employee satisfaction surveys	Currently being implemented
8 Quality assurance digitalization	Quality assurance departments	Visualization of information such as external complaint information	Currently being implemented
9 Building of a digital ROIC tree	Accounting departments	Utilization of AI to collect and analyze data for building a digital ROIC tree	In planning
10 Process informatics development	Technology departments	Utilization of AI to support and optimize development processes	In planning

## Cloud ID Management Service to Help Promote DX

### DX Promotion/Axio Corporation

The Information-technology Promotion Agency, Japan (IPA) regularly publishes the DX Whitepaper<sup>1</sup>, which summarizes the efforts of Japanese companies that are promoting DX. According to "DX Whitepaper 2023", the latest version of the publication, promoting DX requires the development of IT systems that can quickly respond to changes in the business environment, strengthening competitive domains by linking internal and external systems, and data utilization and analysis that meet business needs. The development of IT systems required for the promotion of DX, especially cloud services, also referred to as SaaS<sup>2</sup>, are now being introduced for various applications in many companies due to the advantages they provide such as immediate availability and low initial cost. At the same time, system administration departments within companies are faced with increasingly complicated maintenance tasks such as the creation, addition, modification, and deletion of user ID accounts, resulting in a marked increase in operation-related burdens. In addition, from the perspective of information security, we must ensure the confidentiality, integrity, and availability of data, implement rules

and reviews of account and authority management, and consider cybersecurity measures. Automating ID management and fundamentally reviewing operational management for the ever-increasing number of cloud services is an urgent issue for the relevant departments to promote DX.

To help solve these issues, Axio Corporation offers Keyspider, a cloud ID management service. Axio Corporation, which has long had a division specializing in ID management and developing systems for integrated authentication platforms, is shifting its business model from contract development to a service business that provides cloud services. In order to share the challenges of using cloud services and to let people know about the various services we offer, we will actively participate in real-world exhibitions this year. Believing that the shift from products to services, experience, understanding, and empathy are important, we will raise awareness of our services and communicate the benefits of introducing the services by communicating with visitors at exhibition venues.

<sup>1</sup> Information-technology Promotion Agency, Japan DX White Paper <https://www.ipa.go.jp/publish/wp-dx/index.html> (in Japanese only)

<sup>2</sup> SaaS: Abbreviation for Software as a Service. A service that allows software in the cloud to be used over the Internet

### Axio Corporation Exhibit at Japan IT Week Spring 2023



At the Axio booth, staff provided visitors with information on various ID management services, primarily on Keyspider

Please visit the web address below for details about the exhibition.  
<https://www.axio.co.jp/colum/2023/230424.html>

### VTuber Activities Serve as a New Means of Information Transmission—Expectations for young talent

Axio Corporation has established several in-house project activities. One of these initiatives, the Corporate Value Improvement Project, is promoting initiatives that are useful for corporate branding and product promotion activities while fostering a culture of taking on challenges and sharing what is fun. As part of these activities, we started VTuber<sup>3</sup> activities in February 2023, mainly among young employees. VTubers use a technology called motion capture, allowing them to move animated characters in real time with rich expressions by linking them to human facial expressions. We have adopted "Shiori Akutagawa" as the official VTuber character of Axio and utilize this character for product PR activities at exhibitions. We aim to create PR activities through the use of VTuber videos and information dissemination via social networking services that people find easy-to-understand and are familiar with.



Axio Official VTuber

### Product Introduction Video Featuring VTuber "Shiori Akutagawa"

<https://youtu.be/cnpwedPN2ys>

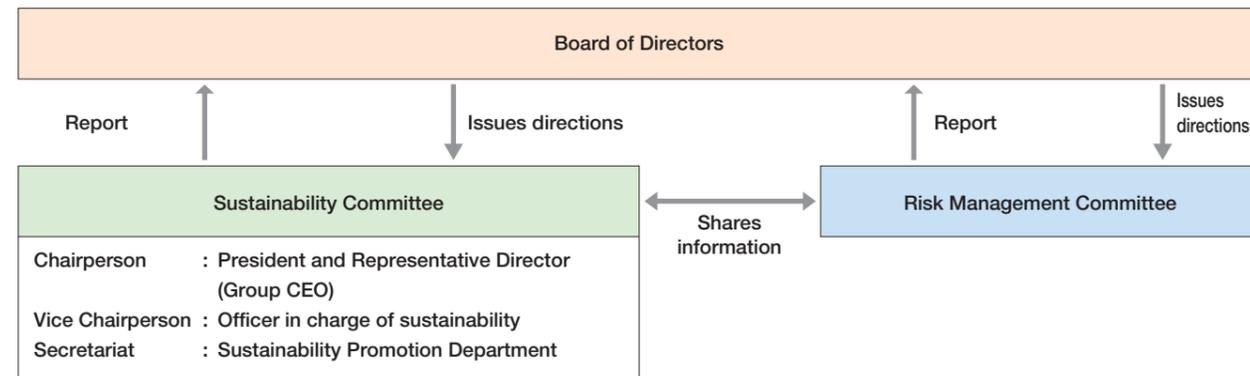
<sup>3</sup> VTuber (Virtual YouTuber): A person who posts videos or live streams in the form of an animated character.

# Sustainability Promotion

## Organizational Structure

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

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



## Sustainability Basic Policy

In addition to strengthening our sustainability structure, we have formulated a Sustainability Basic Policy that serves as the basis for

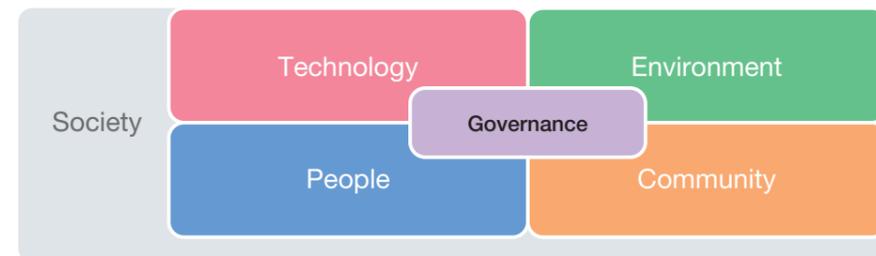
our activities. Based on this policy, we will practice corporate behavior that responds to various social issues.

### Basic Policy

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

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

## Five elements of social issues



# Materiality (Key Issues)

## Formulation Process

In anticipation of the reorganization of the management structure in April 2023, we reviewed the priorities based on the existing CSR Basic Policy and set materiality as new key issues in August 2022. In setting materiality, we take four steps to select social issues that have a significant impact on both the Company and stakeholders,

identify priority issues, and formulates specific action indicators and KPIs for each theme. We will continue to review our key issues on a regular basis, for instance, in parallel with the formulation of the mid-term management plan.

**STEP 1** Understanding, integrating, and consolidating social issues

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

**STEP 2** Verifying stakeholder expectations

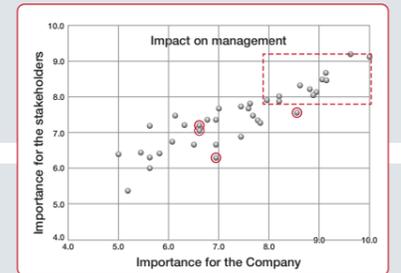
**STEP 1** Regarding the social issues selected in STEP 1, we conducted a questionnaire survey for investors, business partners (suppliers and customers), local communities, and employees about their expectations of the Company, and recognized them as being important for the stakeholders.

**STEP 3** Selecting high-priority social issues

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

**STEP 4** Formulating materiality, indicators, and KPIs

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



High-scoring social issue items (red dashed box) Complementary social issue items (red circle)

High-priority social issues	Field	Measures for solving issues
1 Spread of sustainable clean energy	Environment and Society (Technology)	We will work on the following measures in order to prevent global warming. • Promote development, manufacture, and sale of products that contribute to the spread of sustainable clean energy
2 Greenhouse gas emissions	Environment	• Conduct thorough energy conservation and introduce renewable energy sources to reduce CO <sub>2</sub> emissions generated by the Group
3 Sustainable consumption and production	Environment	Although water is essential for manufacturing, we will work to reduce water usage as we recognize that it is a sustainable resource.
4 Reduction of chemical substances and waste	Environment	Promote resource recycling through the 3Rs for waste to reduce the final disposal (landfill) volume.
5 Creation of resilient infrastructure and promotion of innovation	Society (Technology)	We recognize that we are expected to contribute to the environment-friendly electric power infrastructure and the xEV field, and will work to solve these issues through the development, manufacture, and sale of related products.
6 Realization of resilient and sustainable cities	Society (Technology)	
7 Gender equality	Society (People)	Based on the recognition that these are issues that should be prioritized as social issues, we will implement the following measures.
8 Rewarding work	Society (People)	• In view of the current situation where there is room for improvement in the ratio of female employees and female managers in the Group, we aim to create a comfortable working environment for all employees through diversity and inclusion initiatives.
9 Human resources development	Society (People)	• Aim to create safe and rewarding work and workplaces by improving engagement and preventing occupational accidents • Review and enhance training systems and promote human resource development
10 Engagement with local communities	Society (Community)	• Promote activities that contribute to the local community in order to build a good relationship with the local community. • In order to resolve social issues, it is important to strengthen communication and relationships with partner companies. We will work to resolve issues through our basic approach to social responsibility that we should fulfill together with our suppliers, and through questionnaires on the Supply Chain Sustainability Promotion Guidelines, guidelines which ask for their understanding and support.
11 Significant impact on business	Governance	The Company considers the enhancement and strengthening of its corporate governance system to be an important management issue and is working to further strengthen its auditing and supervisory functions, centered on the Audit and Supervisory Committee. The involvement of independent outside directors with the Board of Directors and committees shall be used as an indicator for monitoring corporate management.
12 Product and service safety	Governance	In order to gain the trust of stakeholders, we recognize that it is essential to provide high-quality and safe products and services. Therefore, we will focus on carrying out the following measures.
13 Information and labeling for products and services	Governance	• Reduce failure costs in order to improve quality • Collect and analyze customer opinions through customer satisfaction surveys, and improve the problems identified

# Materiality

We grouped high-priority social issues into five items by similar field.

By contributing to the resolution of these social issues pursued by the international community, we will strive to enhance our corporate value and realize a sustainable society.

[Category] Theme	Specific reason	Action policy	Indicator and KPI	FY2022 performance	Target (year of achievement)	Impact on society	Impact on business
[Technology] <b>Our future</b>  	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.	Spread sustainable clean energy through superior technology and innovation	Sales ratio of products related to xEV (electric vehicles)	13%	20% or over (FY2026)	The development of key technologies to solve social problems will lead to a more affluent society and improve people's lives.	With its competitive advantages, the Company is able to develop new markets and seize new business opportunities.
			In-house introduction rate of renewable energy	6%	30% or over (FY2025)		
		Create resilient infrastructure for the future society	CAGR (compound annual growth rate) of SICONEX® products	18% compared to FY2021	12% or over (FY2022 to FY2026)		
			Number of patent applications	70	100 or more (FY2026)		
[Environment] <b>Our earth</b>  	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.	Reduce greenhouse gases through relentless efforts and responses	Greenhouse gas (CO <sub>2</sub> ) emissions (Scope 1 + Scope 2)	37% reduction compared to FY2013	45% reduction compared to FY2013 (FY2025)	Contribute to the mitigation of global climate change by contributing to the environmental response of our own company and that of our customers and business partners.	<ul style="list-style-type: none"> <li>We will be able to develop businesses that respond to transition risks related to climate change.</li> <li>We can gain social credibility as a company that is proactive in environmental measures.</li> </ul>
		Promote the recycling of all resources with the collective strength of the Group	Final waste disposal volume	75% reduction compared to FY2018	80% reduction compared to FY2018 (FY2025)		
		Use limited water resources effectively	Water usage	9% increase compared to FY2018	20% reduction compared to FY2018 (FY2025)		
[Community] <b>Our partnership</b>  	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.	Value connections and develop alongside local communities	Number of fund/material aids for non-profit organizations, etc. and community contribution activities (other than volunteering)	20 donations/activities	Higher than the previous year 5% increase	Contributing to the realization of sustainable communities will lead to the revitalization of local communities.	A strong local presence will increase awareness of the SWCC brand and earn additional trust.
		Cooperate with the value chain in the spirit of empathy, coexistence and co-prosperity	Supply Chain Sustainability Promotion Guidelines questionnaire score	3.8 points	4.5 or higher (FY2026)		
[People] <b>Our people</b>  	Recognizing that these are issues that should be prioritized as social issues, increasing diversity and inclusion initiatives and increasing engagement will lead to securing talented human resources and improving productivity, which in turn will lead to the promotion of transformation and growth of the Company, and will lead to the realization of an unprecedented growth stage.	Promote the utilization of diverse human resources (Diversity & Inclusion)	Ratio of female managers (section managers)	6% (2.8%)	8% (10%) (FY2026)	Provide continuous and equal employment opportunities to many individuals and increase their willingness to work.	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.
		Human resources development for the future	Average hours of training per year per employee	1.4 times compared to FY2021	4 times higher compared to FY2021 (FY2026)		
		Improve engagement (create rewarding work and workplaces)	Engagement score	46	55 or higher (FY2026)		
			Lost time injury frequency rate	0.68	0.23 or less (every year)		
[Governance] <b>Our governance</b> 	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.	Monitor corporate management	Attendance rate of independent outside directors at Board of Directors meetings and committee meetings	100%	75% or over (each year)	We will continue to provide value to society as a good corporate citizen through sound management.	By strengthening governance and ensuring sound management, we will be able to increase corporate value in a stable and sustainable manner.
		Provide good-quality and safe products and services	Failure costs due to quality	10% reduction compared to FY2021	50% reduction compared to FY2021 (FY2026)		
			Customer satisfaction	4.2	Score higher than the previous year		

# Our future



We are thoroughly committed to the efforts that SWCC can take for helping realize a sustainable society. We will pursue the creation of unique value that contributes to solving social issues such as decarbonization and the declining birthrate and aging population issue by combining our core and new technologies with the needs of the market.

[Category] Theme	Action policy	Indicator and KPI	Target (year of achievement)
[Technology] Our future  	Spread sustainable clean energy through superior technology and innovation	Sales ratio of products related to xEV (electric vehicles)	20% or over (FY2026)
		In-house introduction rate of renewable energy	30% or over (FY2025)
	Create resilient infrastructure for the future society	CAGR (compound annual growth rate) of SICONEX® products	12% or over (FY2022 to FY2026)
		Number of patent applications	100 or more (FY2026)

## New Technologies × Existing Markets

### Energy Saving Technologies and a Superconducting Cable System for a Sustainable Society

SWCC completed the world's first proof of concept of a tri-axial superconducting cable system installed in an actual system at a private-sector plant. In this proof of concept, the power transmission loss was significantly reduced by taking advantage of zero electrical resistance, which is a feature of superconducting cables, and the energy required for cooling the superconducting cables was

significantly reduced by using the cool temperature of the plant, confirming a high energy saving effect. These results were highly evaluated by various customers, and the company received the Excellent Business Award, one of the NEDO Energy Conservation Technology Development Awards. In the future, we will aim for early deployment of the technology in social infrastructure.



Tri-axial superconducting cable system proof of concept



Receives the Excellent Business Award at the NEDO Energy Conservation Technology Development Awards

## Existing Technologies × New Markets

### Information Utilization-Based Intellectual Property Strategy

We utilize various types of information to create a patent portfolio in line with our business portfolio. We plan to file patent applications in a strategic manner and create a patent portfolio by visualizing fields

in which other companies have not developed technologies as well as fields where they highly focus on technologies.

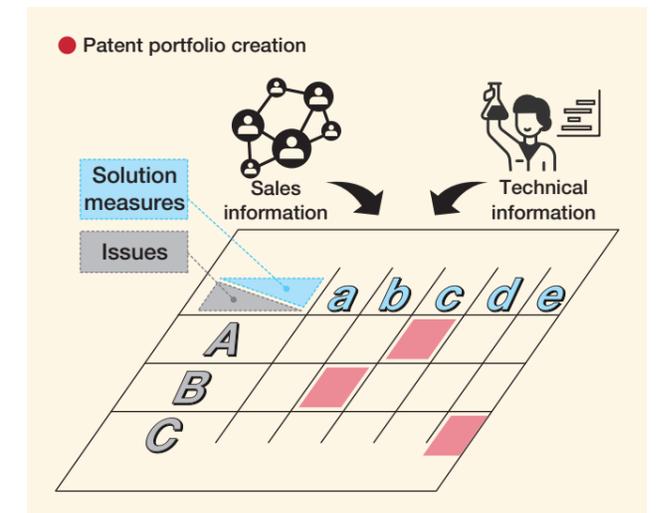
#### Patent Portfolio Creation

We identify market trends and market players to serve as sales information and identify the strengths and weaknesses of our Company and other companies to serve as technical information. As patent information, we distribute the patents of other companies with technical problems and their solutions (invention points) serving as axes.

We plan to create a patent portfolio by combining this information and exploring areas where the Company can gain an advantage in business.

#### Promotion of Innovation

Utilizing IP landscapes leads to the creation of new business proposals. Innovation is also promoted through the normalization of producing new business ideas in abundance.



## New Technologies × New Markets

### Efforts for Developing Metal Materials

As social change accelerates, there is a need to accelerate the speed of metal material development in order to improve metal performance and create new materials.

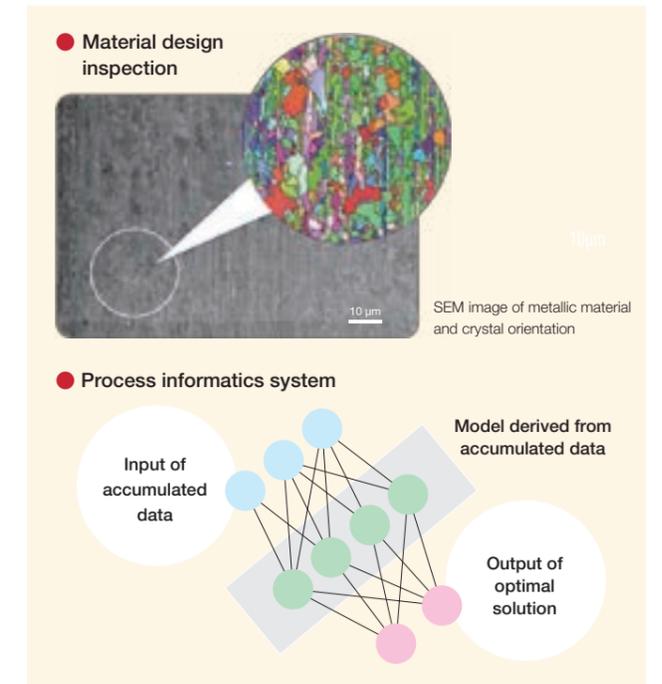
#### Utilization of Computational Science

By applying computational science (first-principles calculation) to materials design, it becomes possible to optimize alloy compositions and heat treatment conditions in a short time, which required many experiments in the past. We will utilize these efforts to promote rapid development.

#### Utilization of Information Science

In order to optimize manufacturing conditions for metallic materials in a short period of time, we are working on the development of process informatics, a method that optimizes the prediction of manufacturing conditions through the use of AI. This initiative shortens the development period that previously required a long amount of time by reviewing and reusing the data accumulated by the Company. We are promoting the early completion of this technology.

Its development is being conducted jointly with the National Institute of Advanced Industrial Science and Technology (AIST). We are strengthening our technological advancements and development capabilities to realize more efficient and sustainable products by maximizing the use of computational and information science so that we can respond quickly to customer needs.



# Our earth



SWCC recognizes that identifying and addressing climate change-related risks and opportunities is an important management issue. The entire Group is advancing initiatives with the goal of achieving carbon neutrality by 2050.

[Category] Theme	Action policy	Indicator and KPI	Target (year of achievement)
[Environment] Our earth  	Reduce greenhouse gases through relentless efforts and responses	Greenhouse gas (CO <sub>2</sub> ) emissions (Scope 1 + Scope 2)	45% reduction compared to FY2013 (FY2025)
	Promote the recycling of all resources with the collective strength of the Group	Final waste disposal volume	80% reduction compared to FY2018 (FY2025)
	Use limited water resources effectively	Water usage	20% reduction compared to FY2018 (FY2025)

## Efforts to Conserve the Environment (Environmental Management)

Through trust and innovation, the SWCC Group aims to solve social issues and improve corporate value to create a sustainable and prosperous future society. Based on this basic policy, we have established an annual environmental policy and are working as a

Group to protect the environment. The Environmental Philosophy, Basic Policy, FY2023 Priority Topics for Environmental Activities, and organization structure are posted on our website.

<https://www.swcc.co.jp/jpn/sustainability/esg/environment/management.html>

### Declaration of Support for the TCFD Recommendations and Information Disclosure

In May 2022, we announced our support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures). While climate change poses a risk to business activities, it also leads to revenue opportunities. Based on the recognition that identifying and addressing these climate change-related risks and opportunities is an

important management issue, we will proactively disclose information on the four items of "governance," "strategy," "risk management," and "metrics and targets" that relate to climate change-related risks and opportunities in line with the TCFD recommendations. Details are available on our website.

[https://www.swcc.co.jp/jpn/news/detail/2022/news\\_4023.html](https://www.swcc.co.jp/jpn/news/detail/2022/news_4023.html)

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

We are working to solve social issues through business and environmental activities that give higher consideration to ESG and Sustainable Development Goals (SDGs). In FY2020, we formulated

the Medium- and Long-term Environmental Plan "Green Plan 2050" based on the concept of achieving carbon neutrality by 2050, established a long-term vision, and set 2030 targets.

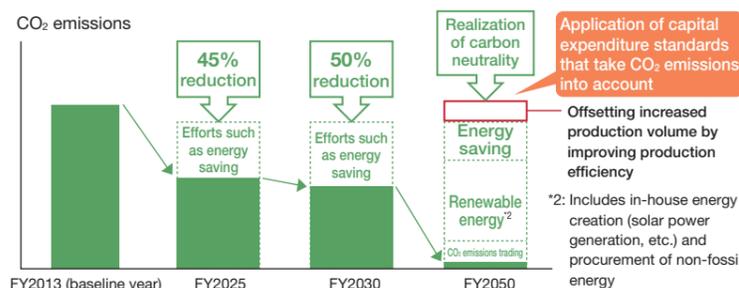
#### Medium- and Long-Term Environmental Plan "Green Plan 2050"

Environmental goal	Target for FY2030	Long-term vision (2050)
Global warming prevention	Reduce CO <sub>2</sub> emissions by 50% compared to the baseline year (FY2013) results (Scope 1 + Scope 2)	<ul style="list-style-type: none"> <li>Realize products that do not emit CO<sub>2</sub>/carbon neutral products</li> <li>Create products that resolve environmental issues</li> </ul>
Effective use of resources	Reduce final waste disposal volume by 85% <sup>*1</sup> compared to the baseline year (FY2018) results	<ul style="list-style-type: none"> <li>Promotion of sustainable use of resources</li> <li>Achievement of zero final disposal (landfill) volume</li> </ul>
Effective use of water resources	Reduce water consumption by 50% compared to the baseline year (FY2018) results	<ul style="list-style-type: none"> <li>Promotion of sustainable use of water resources</li> </ul>

\*1: The target has been raised as the initial target of 50% has already been achieved

#### Specific measures to achieve CO<sub>2</sub> emission reduction targets and carbon neutrality

- Further promotion of energy-saving (upgrading equipment, reviewing manufacturing methods through technology conversion, and applying capital expenditure standards that take CO<sub>2</sub> emissions into account)
- In-house energy creation (introduction of solar power generation)
- Procurement of non-fossil energy (gas and electricity)
- CO<sub>2</sub> emissions trading (compensating for shortages)



### 7th Voluntary Environmental Action Plan (FY2021 to FY2025)

We are promoting the 7th Voluntary Environmental Action Plan as a long-term vision set forth in the Medium- and Long-Term Environmental Plan "Green Plan 2050" and to serve as short-term targets for achieving 2030 targets. The 7th Voluntary Environmental

Action Plan, which applies to all of the Group's business locations in Japan, sets global warming prevention, effective use of resources, and effective use of water resources, as Group materiality issues.

#### 7th Voluntary Environmental Action Plan

Environmental goal	Category	Target	FY2022 performance
Global warming prevention	Energy saving (CO <sub>2</sub> reduction)	Reduce CO <sub>2</sub> emissions (Scope 1 + Scope 2) by 45% by FY2025, using FY2013 results as a reference.	37% reduction compared to FY2013 results
	Reduction of waste discharged	Reduce the amount of waste discharged at all sites by 20% <sup>*3</sup> by FY2025, using FY2018 results as a reference.	18% reduction compared to FY2018 results
Effective use of resources	Promotion of recycling of resources	Reduce the final waste disposal (landfill) volume at major production sites by 80% <sup>*4</sup> by FY2025, using FY2018 results as a reference.	75% reduction compared to FY2018 results
	Reduction of water usage	Reduce the amount of water usage by 20% by FY2025, using FY2018 results as a reference.	9% increase compared to FY2018 results

\*3: The target has been raised as the initial target of 5% has already been achieved

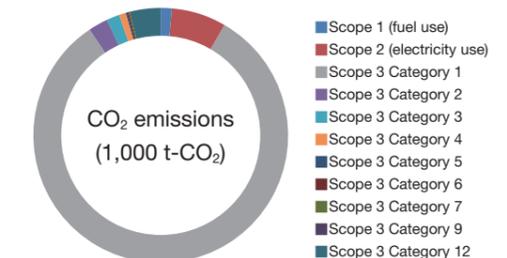
## Reduce greenhouse gases through relentless efforts and responses

### FY2022 CO<sub>2</sub> Emissions (Scope 1 + Scope 2)

The amount of CO<sub>2</sub> emissions at our main manufacturing bases in Japan decreased by 37% compared to FY2013 results. Energy consumption per unit decreased due to business restructuring, renewable energy adoption, and the deepening of energy conservation, but emissions were on par with FY2021 due to an increase in production volume. Since the same production volume increase factor is also expected in FY2023, we have set a reduction target of 37%, the same as the FY2022 target. We will work to further introduce high-efficiency equipment and renewable energy as measures to achieve our targets.

GHG Protocol Scopes for Calculation		CO <sub>2</sub> emissions (1,000 t-CO <sub>2</sub> )
Scope 1 (fuel use) <sup>*5</sup>		8.8
Scope 2 (electricity use) <sup>*5</sup>		40.5
Scope 3	Category 1 Purchased goods and services	478.3
	Category 2 Capital goods	15.4
	Category 3 Fuel and energy-related activities not included in Scope 1 and Scope 2	9.7
	Category 4 Upstream transportation and distribution	4.1
	Category 5 Waste generated in operations	1.8
	Category 6 Business travel	0.8
	Category 7 Employer commuting	0.9
	Category 9 Downstream transportation and distribution	0.1
	Category 12 End-of-life treatment of sold products	21.8

\*5: All bases in Japan



### In-house introduction rate of renewable energy

In FY2022, the renewable energy introduction rate of renewable energy was 6% partly due to solar power generation at the Aichi Factory. In FY2023, we will continue to plan the introduction of solar power at other sites and consider the procurement of non-fossil energy.

### FY2022 CO<sub>2</sub> Emissions (Scope 3)

CO<sub>2</sub> emissions in the supply chain in FY2022 are as follows. Since the largest amount of emissions are associated with the purchase of materials, we are working to reduce material-derived emissions with the understanding and cooperation of our suppliers.

## Promote the recycling of all resources with the collective strength of the Group

The final waste disposal (landfill) volume in FY2022 was reduced by 75% compared to the FY2018 results, achieving the FY2025 target (50% reduction). In FY2022, although business restructuring and the increase in activity volume had an impact, the thermal recycling and material recycling of waste plastic progressed significantly, which were factors in the significant progress in resource recycling.

In FY2023, production volume is expected to increase further, creating a concern about increased waste volume. However, since we achieved the target for FY2025, we set a new target for FY2023 for an 80% reduction compared to FY2018.

## Use limited water resources effectively

The amount of water used in fiscal 2022 increased by 9% compared to FY2018 results. The increase was caused by higher production volumes and increased use of cooling water during manufacturing due to the extremely hot summer. In contrast, the improved accuracy of the water consumption survey that has been conducted since FY2021 has enabled us to identify areas of leakage

and unnecessary water use, which has led to the study of effective measures to reduce water consumption. Although production volume is expected to increase further in FY2023, we will reduce the amount of water used by promoting the circulation of factory cooling water.

# Our partnership



SWCC believes that partnerships with stakeholders are the foundation for sustainable growth. Each employee engages in business with a high awareness of the importance of building good relationships with stakeholders and contributing to local communities.

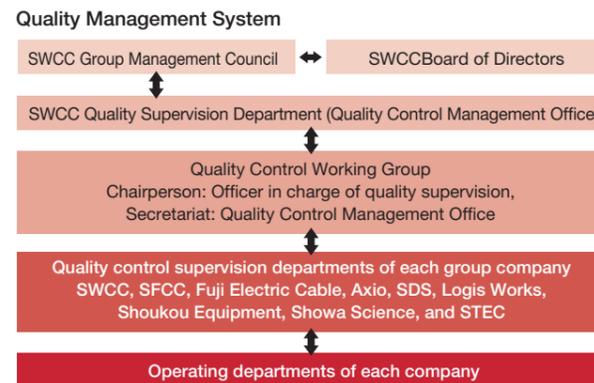
[Category] Theme	Action policy	Indicator and KPI	Target (year of achievement)
[Community] <b>Our partnership</b>	Value connections and develop alongside local communities	Number of fund/material aids for non-profit organizations, etc. and community contribution activities (other than volunteering)	Higher than the previous year 5% increase
 	Cooperate with the value chain in the spirit of empathy, coexistence and co-prosperity	Supply Chain Sustainability Promotion Guidelines questionnaire score	4.5 or higher (FY2026)

## Customer Relations (Quality Management)

### Basic Policy

The SWCC Group values trust, prioritizes compliance above all else, and responds to society and the times by continuing to evolve into a better company. Based on this basic policy, we have established an annual quality policy as well as priority topics, and are working as a Group to protect the environment. The FY2023 quality policy and Priority Topics in Quality Assurance Activities are provided on our website.

<https://www.swcc.co.jp/jpn/sustainability/esg/society/customer.html>



## Relations with Local Communities

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

Sendai Plant	Sagamihara Plant	Mie Plant
In order for junior high school students to think about the meaning of working and their future, we conducted workplace-based experiential learning.	Sagamihara Plant employees participated in environmental conservation awareness activities at a birdwatching event sponsored by the Society for the Environmental Improvement in Sagami (SWCC serves as an administrative company for the organization).	The local youth baseball tournament was held for the 15th time with a total of 500 players and their families participating in the heated matches. A portion of the plant's stockpiles (60 food rations) was donated to the Inabe City Council of Social Welfare to help the local community. In support of the INABESDGs4T project run by Inabe City, a workshop to make clip motors was held for 20 elementary school students and their parents to experience the 4Ts (Touch, Think, To make, and, Tell).

## Shareholder and Investor Relations

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

The Group discloses information in accordance with the Financial Instruments and Exchange Act, as well as the Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities (hereinafter referred to as the "Timely Disclosure Rules") established by the Tokyo Stock Exchange. However, information that affects investment decisions is actively disclosed on a constant basis in accordance with the Group's "SWCC Group Rules on Information Disclosure," even if the information is not subject to the Timely Disclosure Rules. Also, we have also established a "quiet period" before each financial results announcement to prevent the leakage of financial results information and ensure fairness. We refrain from

commenting or answering questions on our financial results during the quiet period.

Dialogues with shareholders and investors includes the General Meeting of Shareholders, financial results briefings for institutional investors and analysts, dialogue with institutional investors in Japan and overseas, and factory tours. We hold events to deepen understanding of our Company and strive to communicate with more investors through our management team. In particular, theme-based briefings are attended by the President, business segment managers, and outside directors, and are held on selected themes that are of greater interest to investors.

Various event reports as well as opinions and questions received from investors are posted on our website as content to deepen understanding of our Company.

## Supplier Relations (Supply Chain)

### Basic Policy

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

### Conducting Sustainability Questionnaire Surveys

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

The SWCC Group conducts a questionnaire survey on major suppliers regarding the status of their Sustainability initiatives. As of FY2022, we adopted the Self-Assessment Questionnaire (SAQ) prepared by Global Compact Network Japan (GCNJ) for the survey. The status of all 114 items, including CSR, human rights, labor, the environment, fair corporate activities, quality and safety, information security, supply chain, and coexistence with local communities, is evaluated on a 3-point scale of 1 point, 3 points, and 5 points. When analyzing results by category, "Quality and safety" scored highest, with many suppliers receiving perfect scores. However, just as in last year's survey, challenges remain in "Corporate governance related to CSR," "Human rights," and "Coexistence with local communities." Next, we will examine the results of the survey in more detail, and then give feedbacks to suppliers on the results and conduct interviews with them to gain a more precise understanding of their circumstances. Especially with those suppliers with B and C grades, we will provide support for improvement, and have them establish a PDCA cycle, and thereby instill our sustainability procurement policy and improve their level in cooperation with such suppliers. The SWCC Group will continue conducting the sustainability survey and engaging in efforts to build a sustainable supply chain, which includes addressing the above mentioned challenges.

### Actions According to Assessment Category

Assessment Category	Number of suppliers	Actions for improvement
S (average of 4 points or more)	77	Provide feedback along with averages of all suppliers and charts for score rates by major category
A (average of 3 points or more)	35	
B (average of 2 points or more)	13	Provide feedback on scores and requests for improvement by the next time
C (average of less than 2 points)	5	Exchange opinions and implement support for improvement after a meeting

### Green procurement

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

\* Refer to our website for details

<https://www.swcc.co.jp/jpn/sustainability/esg/society/client.html>

### SWCC Group Procurement Policy

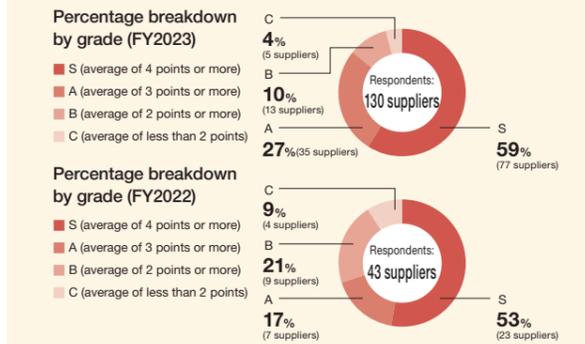
1. Comply with all applicable laws and regulations along with appropriate social practices, as well as engage in fair and equitable transactions.
2. Give top priority to mutual trust with its suppliers and establish a relationship where each is the best partner for the other.
3. Appreciate stable quality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

### Sustainability Questionnaire Survey Results

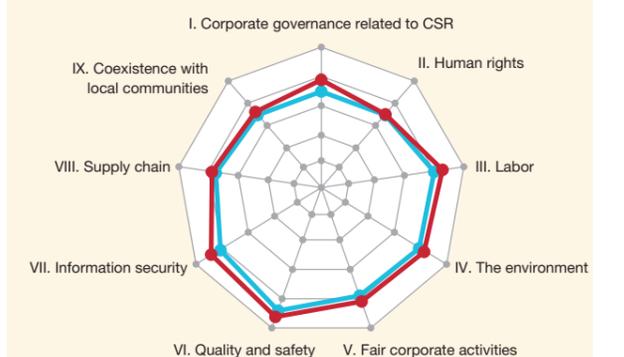
Duration of survey	June 2023	June 2022
Number of suppliers surveyed	130 suppliers	43 suppliers
No. of survey questions	114	114
Average score (on a 5-point scale)	4.0 pts	3.8 pts

Starting in FY2022, we will increase the number of surveys where the survey will be conducted so that we can conduct surveys and followups on a wider scope. Analysis of the FY2023 questionnaire revealed that 86% of suppliers are of the level sought by the SWCC Group (i.e., have a grade of A or higher) in the overall evaluation. It was 70% in FY2022, reflecting a significant improvement.

### Percentage breakdown by grade



### Average scores by category



### 1 Products and packaging that consider the following throughout the entire product lifecycle (from resource extraction to disposal).

- Reduction of environmental pollutants
- Conservation of resources and energy
- Reusability
- Recyclability
- Use of recycled materials
- Ease of disposal

### 2 Dissemination of information

- New environmental technologies
- Presentation of specific efforts

# Our people



Viewing human resources as human capital, SWCC seeks to maximize their value to enhance corporate value over the medium to long term. We are actively promoting measures to create a rewarding workplace, such as promoting the use of diverse human resources and internal systems to support challenges and growth.

[Category] Theme	Action policy	Indicator and KPI	Target (year of achievement)
[People] Our people  	Promote the utilization of diverse human resources (Diversity & Inclusion)	Ratio of female managers (section managers)	8% (10%) (FY2026)
	Human resources development for the future	Average hours of training per year per employee	4 times higher compared to FY2021 (FY2026)
	Improve engagement (create rewarding work and workplaces)	Engagement score	55 or higher (FY2026)
Lost time injury frequency rate		0.23 or less (every year)	

## Promote the utilization of diverse human resources (Diversity & Inclusion)

### Diversity Promotion Project

We launched the Female Empowerment Project “SWCCarat” in April 2021. Directly under the control of the President, the purpose of the project is to drive initiatives to enable female employees to fully demonstrate their individuality and capabilities, and participate even more actively in the workplace. We aim to increase the ratio of female managers to 8% and female section managers to 10% by FY2026. In FY2022, we held age-specific training, exchange meetings across generations and divisions, and awareness-raising events for female employees. It was a new initiative, but one of the employees who participated said, “Although I felt uncomfortable and anxious about the initiative being focused only on women, I was able to understand its significance since there are few female managers as a social situation and reality, and was glad that I participated because I could interact with people I do not normally interact with. It made me feel positive.” As a result, a gradual change in consciousness is occurring. In April 2023, we created a system for employees to transfer from operational positions to career-track

positions, moving toward a system that allows motivated employees to aim for career advancement. As of FY2022, the ratio of female managers was 6%, and 2.8% of section managers and above were female. We will continue to implement initiatives targeting female employees with the aim of steadily achieving our FY2026 target. In April 2023, the project was renamed the Diversity Promotion Project as male participants were added. With the addition of new perspectives, we will strengthen our efforts to promote male childcare leave in addition to existing initiatives.



## Human resources development for the future

We consider human resources to be one of our most important management resources. In order to solve various social issues in the world, we actively provide educational and training opportunities that encourage individuals to voluntarily improve their abilities. Currently, we have set the KPI for human resource development for “Human resources development for the future” as “Average hours of training per year per employee,” and set a specific numerical target, quadrupling the average annual training hours for FY2026 compared to FY2021. Efforts are being made to achieve this target through quarterly fixed-point observation of performance. The average annual training hours in FY2022 was 16.3 hours, an increase of 1.42 times from 11.5 hours in FY2021. The increase in FY2022 was due to the improvement of the content (increase in the number of training days) of job-specific training for young employees, such as training for new employees and training for third-year employees. For FY2023, we will work to provide further education and training opportunities by establishing the three points on the right as concrete measures.

- 1** Renewal of training content for line section managers (enrichment of content by utilizing 360-degree feedback survey results)
- 2** Providing opportunities to improve work skills and self-learning by providing e-learning accounts for use
- 3** Promote visualization of training hours related to individual education activities (study sessions, safety education, etc.) conducted within the department, grasp the status of training activities in the department, and promote the implementation plan of study sessions

## Improve engagement (create rewarding work and workplaces)

The SWCC Group aims to improve engagement so that each and every employee can perform their jobs well. We believe that engagement is not a natural occurrence but rather a result of the relationship between the Company and the individual.

In addition to the stress checks and employee satisfaction surveys that have been conducted for many years, we began measuring engagement scores through the engagement survey in FY2021 and are implementing measures to improve engagement by reflecting employee feedback.



### 1 Health and Productivity Management and Workstyle Reform

#### ● Improving health literacy (improvement of work environments and self-care)

The Companies has the “duty of care” to create a safe workplace whereas employees have the “duty of self-care” so that they can work healthily. The SWCC Group promotes health and productivity management aiming to create workplaces where employees can work in good physical and mental health.

- Ensuring implementation of occupational health activities: Expanding interviews with occupational physicians, and promoting health guidance in cooperation with public health nurses and health insurance associations
- Hygiene subcommittee activities: Health promotion activities with participation of Group employees (health seminars, sporting events, etc.)

#### ● Achieving work-life balance (creation of comfortable workplaces)

By creating a work-life balance, we are implementing the following measures to create opportunities for personal fulfillment and self-growth.

- Promotion of annual paid leave acquisition, reduction of overtime work (implementation of no overtime day), and promotion of telework flextime
- Enhanced benefits: Discount services for leisure, sports, childcare, and nursing care support, introduction of health promotion application, introduction of Thanks Points, various group insurances (comprehensive welfare insurance, GLTD (group long-term disability income insurance)), etc.

#### ● Stimulating communication (diversity promotion)

In today’s diverse society, many different people are work together. By creating a workplace environment that facilitates internal communication, we will increase psychological safety and establish an organizational culture that makes it easy for employees to express their opinions and proposals.

- Switching conventional offices to free-address system offices, increasing the Company’s number of mobile PCs, in-house Wi-Fi expansion, and utilization of satellite offices
- Promotion of communication using T-tools (M365, web meetings, chat tools, use of smartphones with the functionality of conventional business phones, etc.)

### 2 Personnel System Reform (Evaluation and Growth)

#### ● Placing the right people in the right jobs

We promote the creation of a workplace where employees can play an active role by encouraging motivation through assignments that match their abilities and human qualities.

- Utilization of a human resource information database
- In-house recruitment system, job challenge system, in-house venture system

#### ● Evaluation system review

We are reviewing the evaluation system so that the Company and employees can mutually recognize each other’s needs and values.

- Competency evaluations and 360-degree evaluations
- Restructuring of the evaluation system so that it is appropriate and designed for changes in society, various industries, and occupations

#### ● Human resources development (strengthening organizational capabilities)

We aim to be a company where each individual works voluntarily with a sense of responsibility and a sense of mission and where anyone can grow personally.

- Department heads and employees share goals and follow-ups are performed regularly
- Education and training in line with career plan (succession plan, line manager training, mid-level employee training, etc.)
- In-house award system, improvement activities, and results presentations
- Encouragement of personal development (qualification acquisition, seminar participation, e-learning programming of choice, etc.)

### 3 Common Will of the Company and Our Employees

The common will and empathy between the Company and employees leads to a reaffirmation of the value of work for each individual. The SWCC Group will change its organization with a sense of unity in the face of even more intense changes in social conditions in the future.

#### ● Sharing our management philosophy, purpose, and company policies

- The President presents briefings on financial results and policies at each Group site and hold dialogues with employees
- Information sharing is promoted through in-house publicity, such as SWCC videos made available via the Company intranet and workplace signage
- System IDs are assigned to all employees to promote IT environment improvement so that it is easy to carry out work tasks

## Lost time injury frequency rate

In accordance with the Sustainability Basic Policy, the SWCC Group aims to create rewarding jobs and workplaces as a materiality theme. In order to create rewarding jobs and workplaces, it is

fundamental to ensure security and safety, and necessary to eliminate occupational accidents.

#### ● Initiatives and results

- We have established the Safety Management Office, which is under the direct control of the President and oversees the safety and health management of the Group.
- The Manufacturing Training Center was established and opened in April 2023 to provide training for new employees, follow-up education, and step-up education. The first activity conducted by the center was safety and health education for new employees in FY2023.
- Management began health and safety inspections, with top management personally visiting sites to confirm actual conditions and to provide opportunities for exchanging opinions with employees.
- FY2022 performance Target: Lost time injury frequency rate of 0.23 or less (1 case) Result: Lost time injury frequency rate of 0.68 (3 cases)

#### ● Future issues and outlook

- We will expand the health and safety activity diagnoses started at each of our business sites to each of our Group companies to visualize safety activities and improve them.
- The Manufacturing Training Center serves as a venue for a wide range of education in areas such as health and safety, quality, and improvement.

# Our governance



In order for SWCC to be a Group that promotes sound business activities and creates trusted corporate value, we continue to work on the establishment and further strengthening of a corporate governance system that ensures transparency and fairness in corporate management.

[Category] Theme	Action policy	Indicator and KPI	Target (year of achievement)
[Governance] Our governance	Monitor corporate management	Attendance rate of independent outside directors at Board of Directors meetings and committee meetings	75% or over (each year)
	Provide good-quality and safe products and services	Failure costs due to quality	50% reduction compared to FY2021 (FY2026)
		Customer satisfaction	Score higher than the previous year (every year)

## Provide good-quality and safe products and services

### Failure costs due to quality

#### Reason for initiative

Since FY2018, the SWCC Group has been working to improve quality by introducing the concept of failure costs. In order to promote our management philosophy "The SWCC Group strives to be trusted", we will plan, develop, and design products and build a quality assurance system for all processes from product planning and development, design, manufacturing, inspection, and delivery to enhance customer trust.

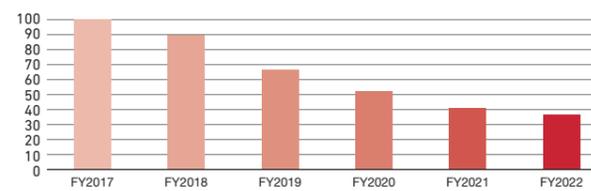
#### Initiatives and results

Since FY2018, we have been working to reduce failure costs due to quality. Since that time, failure costs have steadily decreased each year. Currently, we are working to achieve the target of reducing quality-related failure costs by 50% in FY2026 compared to FY2021. In FY2022, we decreased quality-related failure costs by 10% compared to FY2021 with the figure continuing to decrease. We will further strengthen our efforts to achieve this target.

#### Future issues and outlook

In the future, we will work on four key themes: 1. Deepen knowledge and reform our culture related to quality, 2. Promote the digitalization of inspection results and pass/fail judgment operation, 3. Reduce failure costs due to quality issues, and 4. Pass on high-quality manufacturing through standardization and human resource development. In addition, in cooperation with the Manufacturing Training Center, which was established in FY2023, we will implement co-education to improve the quality of operations and realize the provision of high-quality, safe products and services.

Failure costs (with FY2017 as 100%)



### Customer satisfaction

The SWCC Group conducts customer satisfaction surveys to provide high-quality, safe products and services and to improve customer satisfaction. Through the survey, we asked respondents to answer questions regarding product quality, price, and delivery time, as well as sales and technical support systems and sustainability using a 5-point scale. As a result of FY2022, we received many requests for price

improvements. We assume that this is because the period during which the survey was conducted coincided with the period during which price pass-through was implemented in response to soaring raw material and energy prices. In FY2023, we will strive to improve customer satisfaction by providing even more detailed explanations and gaining the understanding of our customers while making even greater corporate efforts.

## Measures for Dealing with Inappropriate Quality Control of Group Products

Overview and background	Root cause analysis	Measures to prevent recurrence	Response going forward
In response to the fact that some of the Group products manufactured and sold in the past had been tested using a test method different from the test method established with customers, a special investigation committee was established on July 21, 2021, and an investigation was carried out. The results of the investigation and measures to prevent recurrence were announced on October 29, 2021. Subsequently, the investigation was continued and the results were announced on January 20, 2023.	<ul style="list-style-type: none"> <li>Organizational and systemic factors such as inadequate establishment of systems to prevent tampering and long-term employee retention</li> <li>Environmental factors related to quality control operations, such as a shortage of personnel in the quality assurance department and an increase in workload</li> <li>Subjective and individual-based factors related to managers and employees that caused a lack of compliance awareness</li> <li>Internal control factors that did not allow inadequate quality to be quickly ascertained</li> </ul>	We have introduced a risk reporting system that establishes reporting routes to top management such as introduction of a management system for measurement data, enhancement of the independence and supervisory function of the quality assurance department, implementation of personnel rotation and optimization of personnel, establishment of awareness of quality compliance, and formulation and dissemination of basic compliance policies.	The internal investigation team has completed its investigation into inadequate quality control. Moving forward, we will work to restore confidence in our Group and its products by strengthening our quality control system and thorough quality audits through enhanced governance to ensure that the aforementioned preventive measures are implemented and that such an incident does not occur again.

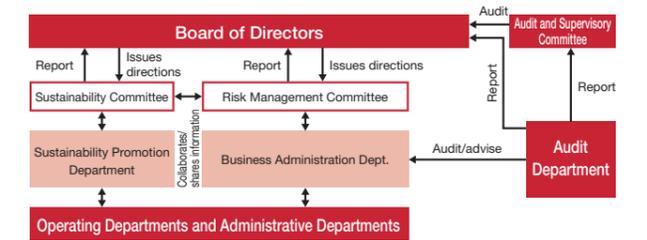
## Monitoring Corporate Management—Risk Management

### Risk Management

The SWCC Group carries out group-wide risk management based on three lines of defense: operating departments (first line), administration departments (second line), and audit departments (third line). Specifically, the Risk Management Committee, which is chaired by the Group CEO and composed of the Company's executive officers and fellows, evaluates risks and discusses countermeasures implemented by the operating departments, manages the progress of risk management plans and risk measures, and reports to the Board of Directors. Furthermore, we are striving to strengthen our group-wide risk management system, which is essential for the continued development of our businesses. We established the Risk Management Office within the Business Administration Department as a risk control department. The office supervises risk management of the entire Group, which includes handling administrative operations of the Risk Management Committee, formulating rules and guidelines, providing training, and monitoring risks. Furthermore, in order to swiftly respond to risks that occur on a regular basis in business divisions and administrative divisions, we have introduced the Risk Report System, which provides risk information to the Risk Management Division promptly when a risk event occurs. In the event of an emergency or serious event, we share information

with the Risk Management Committee and full-time Audit and Supervisory Committee members, and discuss and consider responses.

Regarding risks related to the environment, society, and governance, we collaborate and share information with the Sustainability Promotion Department, which is the secretariat of the Sustainability Committee. The Sustainability Committee examines how to respond to Company-wide risks and opportunities, and reports the details of deliberations to the Board of Directors on a regular basis (at least twice a year).



### Major Identified Risks

Whether or not any risk falls under a major risk that could have significant impact on investors' decisions is determined by the Risk Management Committee through identification, analysis, and evaluation of risks. Specifically, we quantitatively analyze the risks listed by each group company by quantifying them. Based on this, we identify risks that could have a significant impact on the Group as major risks. In addition, since we have defined materiality based on the Sustainability Basic Policy, we are taking measures to address major risks Company-wide by adding correlations to them and risks recognized by the Head Office.

Risk category	Materiality	Details of identified risks	Major initiatives	Remaining risks
Changes in raw material and energy prices	• Our future • Our earth	<ul style="list-style-type: none"> <li>Changes in prices of copper, which is the key raw material</li> <li>Changes in prices of petrochemical products such as polyethylene</li> <li>Fluctuations in electricity procurement prices</li> <li>Fluctuations in city gas procurement prices</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced management by the Group Procurement Division</li> <li>Reduced inventory through planned, stable procurement</li> <li>Shifted costs to product prices</li> <li>Hedged risk of copper price fluctuation by utilizing futures trading, etc.</li> <li>Utilization of fixed-price contracts for city gas</li> <li>Introduction of photovoltaic power generation facilities using the PPA model</li> </ul>	<ul style="list-style-type: none"> <li>Significant impact on our performance if shifting costs to product prices is difficult or loss occurs due to a dramatic drop in market prices</li> </ul>
Natural disasters	• Our earth	<ul style="list-style-type: none"> <li>Suspension of operations, shutdown of logistics functions, and other problems at manufacturing sites caused by the following disasters:                             <ul style="list-style-type: none"> <li>Natural disasters such as massive earthquake, typhoon, and flooding</li> <li>Accidents such as fire</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Formulated Business Continuity Plan (BCP) to ensure smooth initial response against anticipated risks</li> <li>Made systematic investments to strengthen infrastructure equipment at manufacturing sites</li> <li>Purchased fire and other insurance</li> </ul>	<ul style="list-style-type: none"> <li>Huge impact on performance due to substantial restrictions in planned production activities caused by prolonged deterioration of social infrastructure functions due to power shortages, logistics delays, and other problems</li> </ul>
Pandemic	—	<ul style="list-style-type: none"> <li>Impact of COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>Actions taken by the COVID-19 Emergency Response Center (confirm safety of employees, prevent infection within and outside the company, etc.)</li> <li>Built a business continuity system that uses online tools, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Shrinkage of the market caused by prolonged pandemic and constraints in business activities caused by significant impact on our financial position and results of operations</li> </ul>
Supply chain disruptions and breakdowns	• Our partnership	<ul style="list-style-type: none"> <li>Stoppages and delays in the supply of raw materials due to supply chain disruptions and breakdowns</li> </ul>	<ul style="list-style-type: none"> <li>Mitigated risks by diversifying procurement sources and engaging in multiple purchasing</li> <li>Thoroughly managed individual procurement sources (manage risks of closure and business discontinuation)</li> </ul>	<ul style="list-style-type: none"> <li>Impact of stoppages and delays in the procurement of raw materials on business activities and operating results</li> <li>Rise in procurement costs resulting from procurement difficulties</li> </ul>
Quality issues	• Our governance	<ul style="list-style-type: none"> <li>The emergence of quality issues (faults and defective products)</li> <li>Manufacturing and selling products that violate product standards, laws, regulations, or agreements with customers</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring by the Quality Control Management Office and audits by the Audit Department</li> <li>Ensured thorough quality control and prevent violations through the promotion of the digitalization of quality assurance</li> <li>Rolled out a group-wide education program</li> <li>Purchased liability insurance</li> </ul>	<ul style="list-style-type: none"> <li>Compensation for damages and product liability claims arising from quality issues</li> <li>Damage to trust and reputation from quality issues</li> </ul>
Compliance	• Our governance	<ul style="list-style-type: none"> <li>Risk of violating laws, regulations, and rules concerning the tax system</li> <li>Risk of violating obligations under contracts or transactions with business partners or others</li> <li>Loss of trust due to behavior by officers or employees that is unacceptable based on social norms</li> </ul>	<ul style="list-style-type: none"> <li>Fostered group-wide compliance awareness and strengthened the system of checks by the Legal Department</li> <li>Implemented training and workshops concerning compliance</li> <li>Worked to detect any violations through the use of the internal reporting system</li> </ul>	<ul style="list-style-type: none"> <li>Disciplinary measures, sanctions, or other penalties imposed by regulatory authorities</li> <li>Possibility of claims for damages or demands for the cessation of transactions from business partners and other relevant parties</li> <li>Damage to trust or reputation due to being considered lacking in compliance awareness</li> </ul>
Environment and climate change	• Our earth • Our partnership	<ul style="list-style-type: none"> <li>Impact on business from delays and other problems in responding to environmental and climate change issues</li> <li>Growing cost of reducing CO<sub>2</sub> emissions</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened our response to environmental and climate change issues and actively disclosed related information</li> <li>Rolled out group-wide environmental projects</li> <li>Considered capital expenditure standards taking environmental response into account</li> </ul>	<ul style="list-style-type: none"> <li>Loss of trust and negative impact on recruitment or business results from delays in responding to environmental and climate change issues</li> <li>Decline in profitability due to ballooning manufacturing costs in the medium and long term</li> </ul>
Securing and developing human resources	• Our people	<ul style="list-style-type: none"> <li>Impact on business continuity due to difficulties in passing on manufacturing skills</li> <li>Impact of missed growth opportunities on achievement of performance targets</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of diversity management through the Diversity Promotion Project</li> <li>Extension of retirement age and introduction of the elective retirement age system</li> <li>Enhance the practice of hiring by job type targeting human resources that can be immediately effective since they possess required specialized skills, and highly specialized human resources, etc.</li> <li>Job challenge system and in-house recruitment system for placing the right people in the right jobs</li> <li>Next-generation business leader candidate training</li> <li>Various seminars and rank-based job training</li> <li>Expansion of training to include safety training at the Manufacturing Training Center</li> </ul>	<ul style="list-style-type: none"> <li>Significant impact on business performance due to organizational constraints and loss of business opportunities</li> </ul>

### Information Security

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

policy is provided on the SWCC Corporation website as Information Security Policy.

URL: <https://www.swcc.co.jp/jpn/security/index.html>

#### FY2022 Initiative Results

We provided training on information security to all employees in the Group, including officers, from December 2022 to February 2023. In FY2022, we created a CSIRT system, and from FY2023, we will respond to risks with a new system.

#### FY2023 Initiative Plan

In the past, e-mail training has been conducted to reduce the number of e-mails that are opened. In FY2023, we plan to conduct e-learning training on how to deal with attack-type e-mails, how to respond when an e-mail is opened, and how to report. In addition, we plan to diagnose devices connected to the Internet to strengthen security.

### BCM (Business Continuity Management)

The SWCC Group must fulfill its social responsibilities, including the responsibility to continue supplying in emergencies by overcoming unexpected situations such as disasters that may occur during business activities. We must similarly restore operations in a quick and planned manner to continue business. For that reason, during non-emergency times, we steadily work on BCM (Business Continuity Management), which is intended to maintain and improve capacity to continue organizational business. The Group reviews the disaster prevention system at each site, selects priority business operations within the Group in time of emergency, and examines strategies and measures to continue business and restore it quickly. In FY2022, we promoted the strengthening of business sites in the BCM system that has been established at each of our sites in Japan, conducted facility inspections, implemented preliminary measures based on the plan, and verified the effectiveness of the system through periodic drills. We are also reviewing the BCP manual in conjunction with changes related to group organizational changes and personnel transfers. We also expanded deliberations on applicable natural disasters to include typhoons and torrential rains in addition to earthquakes and tsunamis while referring to local hazard maps, and carried out activities to enable each site to operate more independently in line with its location. Recent years have seen the frequent occurrence of weather-related disasters. For flooding, in particular, unheard-of amounts of rainfall are being recorded across Japan due not only to typhoons growing

in scale and intensity, but also to localized torrential rain, lengthy periods of rain, etc. due to training. To prepare for disasters such as these, we have prepared a flood response timeline determining “what action to take and when to take it, in the event that heavy rain is forecast.” We are also reviewing other responses necessary for business continuity, including updating information on disaster forecasts such as the flooding of factory buildings and equipment and transport network disruptions due to landslides and mudflows, and reflecting this information in our countermeasures in advance of the disaster occurring. Furthermore, during the COVID-19 pandemic, we have centralized the Group’s communication system in order to combat its spread. In addition, as a company involved in infrastructure, we facilitated teleworking and staggered working hours at sales locations and offices, while our manufacturing and business sites continued business activities by carrying out exhaustive infection prevention measures. To date, we have continued to improve the remote work environment and actively promoted its operation through the introduction of extension smart phones, converting to a non-territorial office system at the Head Office headquarters office, expansion of mobile PCs and office Wi-Fi, promotion of web conferencing systems, use of satellite offices, introduction of workflow, and adoption of Company-wide chat tools. In FY2023, we will continue to prepare for business continuity in the event of an emergency and aim to improve operational efficiency by promoting diverse work styles as a sustainable company.

### Compliance

As the SWCC Group considers compliance as an important facet of our management foundation, our Legal Department plays a central role in implementing various initiatives within the Group to ensure compliance with laws and regulations and to establish corporate ethics. In FY2022, we formulated a new basic compliance policy to coincide with the establishment of the Company in its new form. It serves as a roadmap for us to act as officers and employees of the SWCC Group so that we can be trusted by society in general. Compliance awareness is fostered by disseminating and thoroughly implementing this policy.

In addition, we are working to raise awareness of compliance education at training sessions on laws and regulations that are closely related to our business, such as the Antitrust Act, the Subcontract Act, and the Construction Business Act, and at rank-based training sessions. In addition, we operate a Group-wide internal reporting system (Compliance Hotline) by establishing contact offices internally and externally (an attorney’s office). We prepare a system to prevent compliance violations and detect any that occur. The SWCC Group is committed to enhancing and ensuring compliance through continuation of these initiatives.

## Corporate Governance

### Basic Approach

Based on our Purpose “Innovating new ideas today. Becoming the norms of tomorrow” and Management Philosophy, in which the keyword is “trust,” our basic policy for corporate governance is to conduct activities with the recognition that speeding up and streamlining management as well as enhancing relevant monitoring

functions are universal challenges for all companies. The SWCC Group is committed to actively developing a system required to ensure appropriate operations of the Group while fulfilling its corporate social responsibility (CSR).

### Changes in Governance

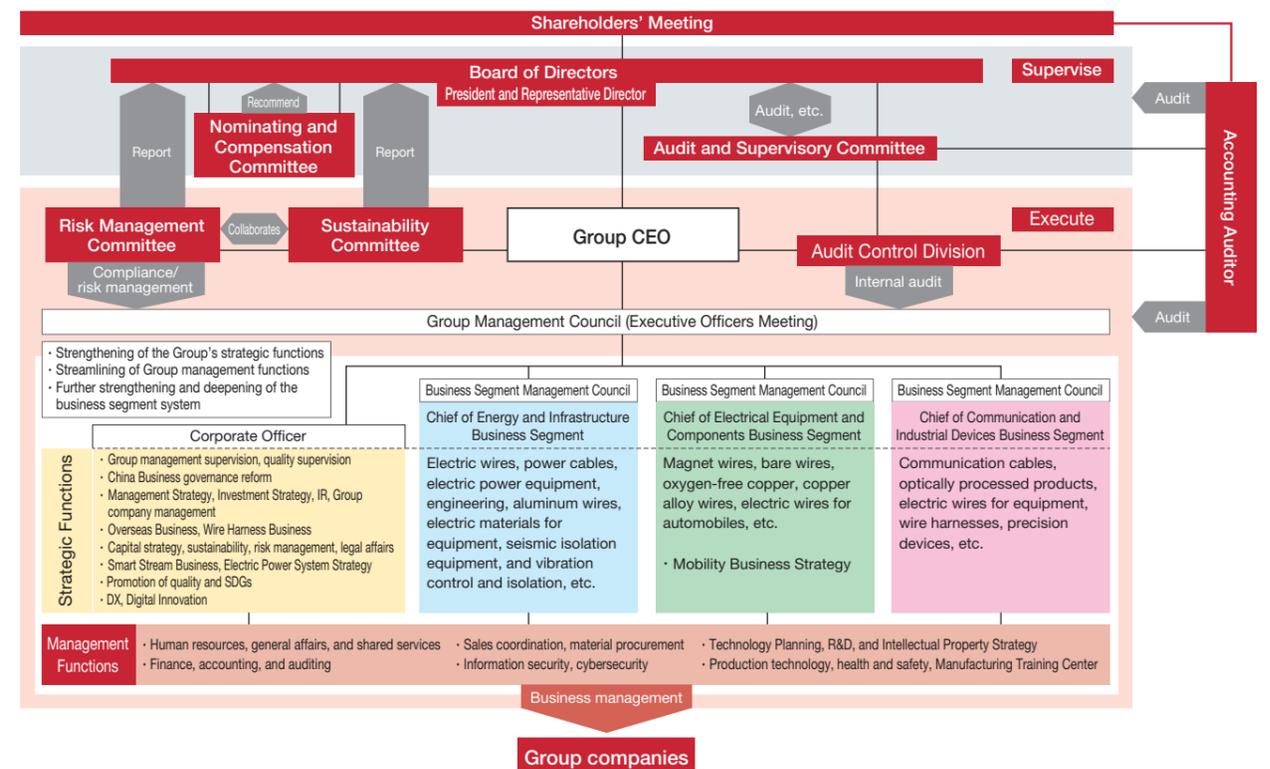
Year	2006	2016	2018	2019	2020	2022	2023
Organizational design	Company with a board of statutory auditors (to June 2019)			Company with a Audit and Supervisory Committee (from June 2019)			
Total number of officers	13	14	10	7	7	7	7
Directors	9	10	7	7	7	7	7
Outside directors	0	2	2	3	3	3	4
Auditors	4	4	3	—	—	—	—
Outside auditors	3	3	2	—	—	—	—
Topics	<ul style="list-style-type: none"> <li>Changes to holding company</li> </ul>	<ul style="list-style-type: none"> <li>Appoints outside directors (from June 2015)</li> </ul>	<ul style="list-style-type: none"> <li>Establishes Nominating Committee (from December 2018)</li> <li>Establishes Compensation Committee (from December 2018)</li> <li>Starts evaluating effectiveness of the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Strengthens authority of executive officers (April 2019)</li> <li>Establishes Group CEO (June 2019)</li> <li>Abolishes position of director</li> <li>Abolishes advisor system</li> </ul>	<ul style="list-style-type: none"> <li>Establishes Chairman of the Board of Directors (April 2020)</li> <li>Establishes restricted share-based remuneration plan</li> </ul>		<ul style="list-style-type: none"> <li>Changes to operating company (April 2023)</li> <li>The Nominating Committee and the Compensation Committee were merged to establish the Nominating and Compensation Committee (June 2023)</li> </ul>

### Current System

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

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

### Corporate Governance System Diagram



Initiatives by the Board of Directors and Each Committee

President Inside Outside

Board of Directors FY2022 Held 21 times

Purpose and authority	Composition (FY2022)	Composition (FY2023)
<p>To deliberate and decide on matters regarding the management policies and business execution of the company and its Group companies, and supervise to ensure that the execution of directors' duties is duly and efficiently conducted.</p> <p><b>Meeting Activities</b></p> <ul style="list-style-type: none"> <li>Reported and deliberated on the progress of the mid-term management plan and the status of business execution during the fiscal year under review</li> <li>Reported and deliberated on M&amp;A to strengthen the business portfolio in light of the business environment and competition</li> <li>Reported and deliberated on the status of dialogues with shareholders (investors) through IR activities, etc.</li> <li>Reported and deliberated on compliance and risk management issues for the entire Group</li> <li>Reported and deliberated on initiatives to address sustainability issues, including environmental initiatives</li> <li>Reported and deliberated on the evaluation of the effectiveness of the Board of Directors (questionnaire survey based on advice from external organizations)</li> </ul>	<p>3 directors</p>  <p>4 directors who are Audit and Supervisory Committee members</p> 	<p>2 directors</p>  <p>5 directors who are Audit and Supervisory Committee members</p> 

Audit and Supervisory Committee FY2022 Held 18 times

Purpose and authority	Composition (FY2022)	Composition (FY2023)
<p>To audit and supervise the execution of directors' duties through monitoring and verification of the internal control system and effective cooperation with an accounting auditor, the internal audit department, and other departments, in accordance with the audit policy and plans set forth by the Audit and Supervisory Committee.</p> <p><b>Meeting Activities</b></p> <ul style="list-style-type: none"> <li>Formulation of audit policies, audit plans, etc.</li> <li>Evaluation of accounting auditors and determination of appropriateness of reappointment</li> <li>Preparation of audit reports</li> </ul>	<p>4 directors</p> 	<p>5 directors</p> 

Nominating Committee FY2022 Held 6 times Note: Abolished in June 2023

Purpose and authority	Composition (FY2022)	Composition (FY2023)
<p>To deliberate the nomination of candidates for directors, executive officers, and others, and succession planning and other plans, and return a report based on consultation with the Board of Directors.</p> <p><b>Meeting Activities</b></p> <ul style="list-style-type: none"> <li>Follow-ups on the next-generation management executive candidate development plan</li> <li>Deliberations on how to proceed with the performance review and the results of the evaluation</li> </ul>	<p>3 directors</p> 	—

Compensation Committee FY2022 Held 6 times Note: Abolished in June 2023

Purpose and authority	Composition (FY2022)	Composition (FY2023)
<p>To deliberate the determination of the remuneration system and program and individual remuneration amounts for directors, executive officers, and others, and return a report based on consultation with the Board of Directors.</p> <p><b>Meeting Activities</b></p> <ul style="list-style-type: none"> <li>Reviewed officer remuneration system, deliberated on the amount of remuneration for the next fiscal year, and reported to the Board of Directors about those activities.</li> </ul>	<p>5 directors</p> 	—

Establishes Nominating and Compensation Committee (June 2023)

Purpose and authority	Composition (FY2022)	Composition (FY2023)
<p>The Nominating and Compensation Committee deliberates and report on such matters upon consultation with the Board of Directors on matters related to nominations, such as the nomination of candidates for directors and executive officers, and succession planning, and on matters related to compensation, such as the determination of the structure and systems for directors and senior management and the amount of individual compensation.</p>	—	<p>4 directors</p> 

Risk Management Committee FY2022 Held 2 times

Purpose and authority	Composition (FY2022)	Composition (FY2023)
<p>To further enhance the SWCC Group's corporate governance system by supervising compliance and risk management of the entire Group and continuing to identify and correct issues thereof.</p>	<p>1 chairperson 17 committee members</p> 	<p>1 chairperson 14 committee members</p> 

Sustainability Committee FY2022 Held 2 times

Purpose and authority	Composition (FY2022)	Composition (FY2023)
<p>To strengthen the sustainability structure with the aim of conducting sustainable corporate operations from the perspectives of the environment, society, and the economy, based on the SWCC Group's management philosophy.</p>	<p>1 chairperson, 14 members</p> 	<p>1 chairperson, 11 members</p> 

Policy on the Structure of the Board of Directors

Our basic approach to corporate governance is based on the SWCC Purpose, which is to guide the SWCC Group's raison d'être and management and employees in their efforts to move forward together, and on the recognition that the speed and efficiency of management and the accompanying enhancement of monitoring functions are universal corporate challenges. In accordance with this policy, we appoint people as directors who exhibit excellent character and insight, and can supervise and manage the Company. It is also our policy to have members with diverse backgrounds to cover a wide range of knowledge and expertise that we consider important to our Company.

Based on the above policy, the Board of Directors, in addition to experience in corporate management, is required to acquire knowledge and knowledge related to sustainability in order to further promote initiatives to resolve social issues, the Company selects persons with abundant knowledge and experience in fields such as international, accounting, finance, and technology in a well-balanced manner.

The skills required for the Board of Directors will continue to be reviewed in accordance with changes in management policies and strategies.

Directors' Skill Matrix

Name	Takayo Hasegawa	Dongcheng Zhang	Yuji Sakakura	Seiichiro Ichikawa	Takashi Mukuno	Minako Nishimura	Takashi Togawa
Corporate management	●	●	●	●	●	●	●
Sustainability	●	●	●	●	●	●	●
Sales		●			●		
Overseas business		●	●		●		
Accounting and finance			●				●
Technology	●			●		●	

Reasons for Selection (by skill)

Skills	Reasons for selection
 <p>Corporate management</p>	<p>Directors possessing robust knowledge and experience in corporate management, who can promote the sustainable growth of the SWCC Group's corporate value, are essential to achieve the goals of the mid-term management plan "Change &amp; Growth SWCC 2026."</p>
 <p>Sustainability</p>	<p>Directors possessing robust knowledge and experience in issues such as the environment, society, and strengthening corporate governance are essential for us to aim to promote a social problem-solving business, realize a sustainable society and improve corporate value based on our accumulated technologies and experience in the business, based on the SWCC Purpose.</p>
 <p>Sales</p>	<p>Directors possessing robust knowledge and experience in grasping and analyzing market trends and formulating sales strategies are essential to provide high value-added products.</p>
 <p>Overseas business</p>	<p>Directors possessing experience in overseas business management and robust knowledge and experience in overseas business environments are essential to sustainably grow overseas businesses.</p>
 <p>Accounting and finance</p>	<p>Accounting &amp; Finance Directors possessing robust knowledge and experience related to accounting and finance are essential to implement growth investment aimed at sustainably enhancing corporate value, as well as promoting management that will improve capital efficiency based on the key management indicator of ROIC (return on invested capital).</p>
 <p>Technology</p>	<p>Directors with solid knowledge and experience in technology are required to create products of appropriate quality, conduct a wide range of research and development including basic research, create new business models, and promote DX.</p>

### Evaluation of the Effectiveness of the Board of Directors

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

Analysis and evaluation during the current fiscal year were conducted in the following manner with the advice of an external institution. First, we conducted a survey targeting all directors who are members of the Board of Directors. Anonymity was ensured by responding directly to an external institution. The questionnaire was administered from several perspectives, including the operation, composition, and deliberations of the Board of Directors.

The results of the evaluation showed that the frequency of Board of Directors meetings was appropriate, that discussions were not formal but open, lively, and constructive, and that sufficient discussions were held to determine management strategies and plans with an awareness of profitability and capital efficiency. In addition, evaluation results were obtained, such as the fact that sufficient discussion was conducted as a matter for deliberation by

the Board of Directors after appropriate feedback was provided to the Board of Directors on the status of dialog with shareholders (investors) through IR activities and other means. In addition, we also received evaluation results such as sufficient communication between inside directors and outside directors. Therefore, as the results for each evaluation item were mostly favorable, it was determined that, on the whole, the Board of Directors is functioning appropriately and that its effectiveness is ensured.

On the other hand, issues related to the efficient operation of the Board of Directors in order to improve the effectiveness of the Board of Directors, issues related to the mechanism for the internal audit department to properly report directly to the Board of Directors and the Audit and Supervisory Committee in order for the Board of Directors and the Audit and Supervisory Committee to function, and issues related to deepening discussions on investment in human capital and intellectual property, etc.

In the future, the Company's Board of Directors will take prompt action on such issues after due consideration based on this effectiveness evaluation, and will continue to make efforts to enhance the functions of the Board of Directors.

### Officers' Remuneration

The Board of Directors has resolved on the decision-making policy regarding matters such as directors' individual remuneration. To ensure independence and objectivity, this resolution was based on deliberation and reporting by the voluntary compensation committee that includes independent outside directors. Furthermore, the Board of Directors determined that directors' individual remuneration for the current fiscal year was in line with the decision-making policy because

it was confirmed that the method for determining remuneration details and the decided remuneration details were consistent with said decision-making policy and recognizing the report from the compensation committee. The level of directors' remuneration, etc. is set with reference to other companies' standards based on surveys conducted by an external professional organizations. In addition, the compensation structure for directors (excluding Directors who are

### Efforts to Build a Business Foundation—Corporate Governance

Type	Percentage <sup>1</sup>	Description																				
Fixed remuneration	100	This consists of a basic remuneration and additional job-based remuneration that is dependent on the director's duties and responsibilities. Basic remuneration shall be based on the position, importance, and difficulty of the position.																				
Performance-linked remuneration	35	<p>The monetary amount of annual performance-linked remuneration, which is a short-term incentive remuneration, is determined from the Company performance indicators and ESG-related indicators according to the degree of achievement of operating income and ROIC forecasts announced at the beginning of the fiscal year, specifically, the degree of achievement of the internal adoption rate of renewable energy, greenhouse gas (CO<sub>2</sub>) emissions, and lost-time injury frequency rate. The remuneration indicators, formulas, and annual performance-linked mechanisms, etc. are as follows.</p> <ol style="list-style-type: none"> <li>Company performance indicators                     <ul style="list-style-type: none"> <li>Paid based on the operating income achievement ratio (A) and ROIC achievement ratio (B). The details are as follows.                             <ul style="list-style-type: none"> <li>Operating income achievement ratio (A) = (current operating income outlook ÷ current operating income target) × 100%</li> <li>ROIC achievement ratio (B) = (current ROIC outlook ÷ current ROIC target) × 100%</li> </ul> </li> </ul> </li> <li>ESG-related indicators                     <ul style="list-style-type: none"> <li>Paid based on the number of items achieved among internal adoption rate of renewable energy (C), greenhouse gas (CO<sub>2</sub>) emissions (D), and lost-time injury frequency rate (E).</li> </ul> </li> <li>Reasons for selecting indicators                     <ul style="list-style-type: none"> <li>The operating income achievement ratio, a company performance indicator, has been set as an indicator of profitability, and the ROIC achievement ratio has been set as an indicator of capital efficiency. With regard to ESG-related indicators, we identify social issues that have a significant impact as materiality, identify priority issues, and formulate specific action policies, indicators and KPIs for each theme. Among these themes, we have set the internal adoption rate of renewable energy, greenhouse gas (CO<sub>2</sub>) emissions, and lost-time injury frequency rate as ESG-related indicators that we consider particularly important. It has been determined that achieving these targets will lead to improving mid- to long-term corporate value.</li> </ul> </li> <li>Formula                     <ul style="list-style-type: none"> <li>Annual performance-linked remuneration = fixed remuneration × (degree of achievement of annual targets in company performance (A × 50% + B × 50%) + degree of achievement of ESG-related annual targets (degree of achievement according to the number of items achieved among C, D, and E))</li> </ul> </li> </ol> <table border="1"> <thead> <tr> <th colspan="4">5. Annual targets in company performance (percentage and mechanisms)</th> </tr> <tr> <th>Annual target indicator</th> <th>Percentage<sup>2</sup></th> <th>Payment rate</th> <th></th> </tr> </thead> <tbody> <tr> <td>Company performance · Operating income</td> <td>15%</td> <td>0-150%</td> <td></td> </tr> <tr> <td>Company performance · ROIC</td> <td>15%</td> <td>0-150%</td> <td></td> </tr> <tr> <td>ESG-related · Internal adoption rate of renewable energy · Greenhouse gas (CO<sub>2</sub>) emissions · Lost-time injury frequency rate</td> <td>5%</td> <td>0-110%</td> <td></td> </tr> </tbody> </table>	5. Annual targets in company performance (percentage and mechanisms)				Annual target indicator	Percentage <sup>2</sup>	Payment rate		Company performance · Operating income	15%	0-150%		Company performance · ROIC	15%	0-150%		ESG-related · Internal adoption rate of renewable energy · Greenhouse gas (CO <sub>2</sub> ) emissions · Lost-time injury frequency rate	5%	0-110%	
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Company performance · ROIC	15%	0-150%																				
ESG-related · Internal adoption rate of renewable energy · Greenhouse gas (CO <sub>2</sub> ) emissions · Lost-time injury frequency rate	5%	0-110%																				
Restricted share-based remuneration (long-term incentive compensation)	17.5	A certain percentage of the fixed remuneration is uniformly paid in the form of remuneration to grant restricted shares. Directors who do not perform executive duties (including directors who are Audit and Supervisory Committee members) are not paid the remuneration to grant restricted shares.																				

Note 1 The percentage of annual performance-linked remuneration is based on the assumption that the payment rate is 100%.

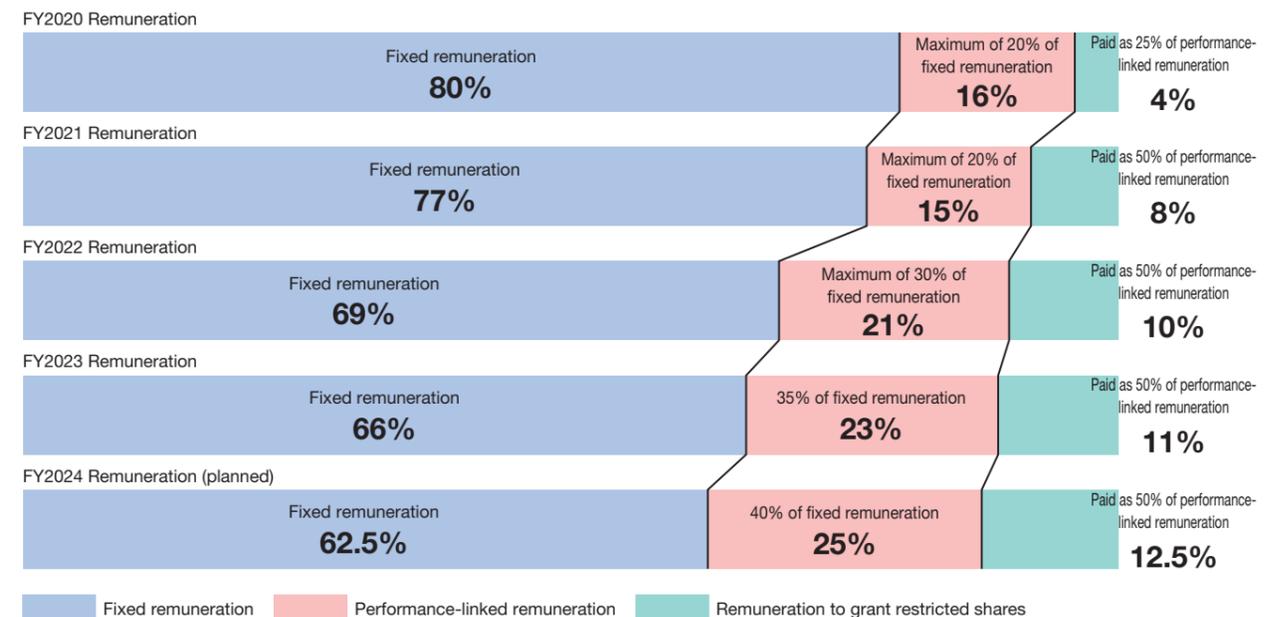
Note 2 The annual target indicators, company performance and ESG-related percentages, are based on the assumption that the payment rate is 100%.

Audit and Supervisory Committee members) consists of three types of compensation: Fixed compensation; annual performance-linked compensation as short-term incentive compensation, which is variable compensation; and restricted stock compensation as long-term incentive compensation, which is intended to provide an incentive to continuously increase the Company's corporate value and to realize further value sharing between directors and

shareholders for as long as possible. The remuneration structure encourages management initiatives from both short-term and long-term perspectives to appropriately reward results. Since directors who are Audit and Supervisory Committee members are responsible for the supervisory function of management and are not in a position to be responsible for business execution, only fixed remuneration excluding incentive remuneration is paid.

### Percentage Breakdown of Remuneration

The percentage of fixed remuneration, performance-linked remuneration, and remuneration to grant restricted shares that make up total remuneration are reevaluated by the Compensation Committee each time. Furthermore, the total amount of remuneration for directors (excluding directors who are Audit and Supervisory Committee members) shall not exceed ¥300 million per year.



### Payment Schedule

Monetary remuneration combining fixed and performance-linked remuneration in FY2023 shall be paid in equal amounts each month starting the first month of FY2023. Remuneration to grant restricted shares shall be paid by the month following the 127th Ordinary General Meeting of Shareholders, under the condition that the director has been appointed or reappointed at said meeting.

Monetary remuneration for fixed remuneration in FY2024 shall be paid evenly on a monthly basis starting from the beginning month of FY2024. Monetary remuneration for performance-linked remuneration, which is consideration for business execution in FY2023, shall be paid at the end of June 2024, when the 128th Ordinary General Meeting of Shareholders will be held.

### Process to Decide Remuneration

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

Objectivity and transparency in the process to decide the remuneration is ensured by consideration of perspectives such as the reports issued by the voluntary compensation committee that includes independent outside directors, compliance with the policy on deciding remuneration of directors and others established by the company, and assessment results based on the performance reviews of directors conducted by the voluntary nominating committee, majority of which comprises independent outside directors. Measures are in place to ensure that decisions are not made arbitrarily and that authority is properly exercised.

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

The remuneration for directors who are Audit and Supervisory Committee members is decided based on discussion among directors who are Audit and Supervisory Committee members, within the maximum amount established at the General Meeting of Shareholders, in accordance with Paragraph 3, Article 361 of the Companies Act of Japan. **Matters concerning the determination of remuneration, etc. for individual directors in FY2024**

Unlike in FY2023, individual remuneration for individual directors (excluding directors who are Audit and Supervisory Committee members) in FY2024 will be determined by the Board of Directors after deliberation by the Nominating and Compensation Committee within the total amount of remuneration for directors determined at the General Meeting of Shareholders.

## Round-table Discussion among Outside Directors

The four outside directors and Audit & Supervisory Committee members who support SWCC's corporate transformation and growth strategy from a management monitoring standpoint spoke from their own perspectives about their assessment of the current situation and the challenges they face in further increasing value.



Minako Nishimura  
Outside Director, Audit and Supervisory Committee Member

Seichiro Ichikawa  
Outside Director, Audit and Supervisory Committee Member

Yuji Sakakura  
Outside Director, Audit and Supervisory Committee Member

Takashi Mukuno  
Outside Director, Audit and Supervisory Committee Member

## Contributing to the promotion of Change & Growth from a neutral standpoint and by utilizing professional expertise

### What is expected of an Outside Director

**Sakakura** The roles required of outside directors are to monitor and supervise management execution from the perspective of corporate governance, and to contribute to medium- to long-term enhancement of corporate value by utilizing their experience and knowledge. From my career as CFO in the finance department of a general trading company and at an independent M&A advisory company, I believe that I am expected to make proposals on financial strategies, capital policies, and M&A strategies for growth.

**Ichikawa** I have gained experience working mainly in the production department of a beer manufacturer. In addition to production, I have been involved in research and development, quality control, engineering and product

development. I use this knowledge to monitor and supervise management operations in a wide range of areas and to offer our opinions and recommendations. I am also involved in dealing with quality issues and support appropriate improvement efforts.

**Mukuno** I have worked for a long time at a material manufacturer that focused on B2B where I was involved in management planning, intellectual property/legal affairs, and marketing operations. For a total of 16 years, I have been responsible for the management of overseas subsidiaries in Europe, the U.S., and China. Based on these experiences, I would like to make recommendations in terms of pursuing a business model utilizing SWCC's elemental technologies based on an analysis of domestic and international business conditions and trends of other companies in the industry, and creating mechanisms to establish such a model.

**Nishimura** I am expected to make proposals that make use of my experience in human resource development and career development, my insight as a corporate manager, and my IT field-based knowledge. Although this is my first time working in the wire and cable industry, I would like to use my experience in human capital to support SWCC reforms that are being strongly promoted under President Hasegawa.



### New corporate structure

**Sakakura** In April 2023, we changed our corporate structure from SWCC Showa Holdings to an operating company structure (SWCC), which was a very straightforward and good measure from a governance perspective. The significance of the holding structure had diminished as structural reforms to strengthen the financial structure have progressed, so I believe it was time to reassess the situation. In addition, along with the change in the corporate structure, I think that it is also significant that in conjunction with the change in corporate structure SWCC has begun to move toward becoming a Company with approximately 4,000 employees of the entire group that have a common awareness in line with the SWCC Purpose.

**Ichikawa** What is valuable about the SWCC Purpose is that it was created in-house and not adopted from an external source. Next, it is important to consider how to carry out the process of instilling purpose, including instilling purpose in employees at production sites. This is something that I advised when I was briefed on the SWCC Purpose and I see that it is proceeding well. The key to sustainable growth is whether the SWCC Purpose creates a Company where there is a sense of unity at each production site. There is still room for improvement in that area, and I think it will be an issue for the future.

### Effectiveness of the Audit and Supervisory Committee and Board of Directors

**Sakakura** SWCC adopted the system of a company with an audit and supervisory committee as part of our organizational design. As an Audit and Supervisory Committee member, I play both the role of Director and Auditor but feel that I am able to work in an organic manner thanks to the work of full-time Audit and Supervisory Committee members and secretariat staff. In the past, domestic businesses were the main subject of audits, but since the COVID-19 pandemic has subsided, we will enhance audit activities also targeting overseas businesses, including businesses in China and Vietnam, in the future.

**Ichikawa** I have the impression SWCC's Audit and Supervisory Committee is very straightforward in how it operates. Committee members are able to have substantive discussions because we can provide information openly within the Company. I very much appreciate the fact that the discussions held by the committee with outside directors are not formal.

**Sakakura** SWCC is a company that listens to the opinions of outside directors in various situations and tries to incorporate them. Although the Executive Management Council is the decision-making body on the executive side, outside directors also attend meetings and actively provide opinions and advice rather than mere observers in an effort to support decision-making. In addition, the Company also holds management retreats\* where all executive officers and those with higher ranks discuss important management

\* Management retreats: Retreats where all directors (including outside directors), executive officers, and fellows participate in intensive and constructive discussions on various management issues of the SWCC Group



issues without distraction, helping to improve the effectiveness of the Board of Directors by providing a timely grasp of the Company's important issues.

### Nominating and Compensation Committee activities

**Sakakura** In regard to officer nomination and remuneration, SWCC is also undertaking reforms aimed at creating an effective system under the Nominating and Remuneration Committee. A performance-linked remuneration system, such as the granting of restricted shares, was introduced from the perspective of shareholders and management. In addition, with the emphasis placed on sustainable corporate growth, we are also implementing measures to reflect ESG-related indicators in executive compensation.

**Ichikawa** We are just getting started with the use of ESG-related indicators and officers' remuneration. Currently, the indicators are the rate of in-house adoption of renewable energy, greenhouse gas emissions, and lost time injury frequency rate, but the weight and content of these indicators will change in accordance with the demands of society. With SWCC's unique ESG perspective, for example, the business growth of SICONEX® and SICOPLUS®, which address the needs of the electricity market for a decarbonized society, could be considered as indicators.

**Sakakura** With regard to the appointment of directors, discussions have been held on topics such as the term of office of the President and the qualifications required, and the SWCC's basic approach to the succession plan has been finalized. The appointment of a manager needs to be considered from a variety of perspectives, including not only business performance but also leadership, foresight, and execution abilities. With regard to the CEO in particular, it is necessary to think about what succession should be like to grow the Company sustainably and increase shareholder value.

**Ichikawa** I feel that SWCC's succession plan is wonderful. This is because it is meticulously planned and steadily implemented from the development plan. Since candidates are narrowed down through a clearly defined process, I believe that it is possible for shareholders to select successors that are clear and without anxiety.

## For increasing the corporate value of SWCC and achieving sustainable growth

### Results of management reform and future transformation

**Sakakura** Four years have passed since the full-scale start of our management reforms in FY2019. During this period, EBITDA, which is the basis for calculating corporate value, increased by approximately 1.5 times from the 9 billion yen level at the end of March 2019 to the 14 billion yen level at the end of March 2023. Shareholders' equity ratio improved significantly from 28.7% to 43.7% and the debt-to-equity ratio improved significantly from 1.34 to 0.61. As a result of these management reforms, the Company was able to increase shareholder return, which was a major achievement. However, in the VUCA era, which is rapidly changing and difficult to predict, we must continue to reform in order to increase our growth potential. For example, I believe that improving productivity and operational efficiency through the promotion of DX is an important issue.

**Mukuno** Since SWCC is now in the midst of a period of change in its group management structure, this is an even better time than usual to pursue operational standardization and efficiency by making full use of DX. The success or failure of DX depends on each employee. There are also great expectations for digital talent placed in each workplace, but it is necessary to change the mindset so that all employees feel that DX promotion is their own work rather than the work of others.

**Nishimura** There are two aspects to corporate DX. One aspect is the use of digital technology to improve and streamline operations, and the other is to create new value through digital technology. As Mr. Mukuno stated, the key to accelerating these efforts and achieving success is to have a strong awareness of the importance of promoting DX among all Group employees. I would like to have as much contact as possible with the employees on the front lines and keep a close eye on how awareness of DX is spreading to each and every one of them.



**Ichikawa** DX is needed in the field, especially at production sites. Labor shortages are predicted, especially due to the aging of skilled workers, making it difficult to acquire human resources and pass on know-how. This is absolutely unavoidable, so I think it is necessary to immediately start DX at production sites.

### SWCC's sustainability management

**Sakakura** SWCC is a company that manufactures products that support the foundation of social infrastructure. Therefore, sustainability is required as a company to continue to provide innovative and high-quality products that contribute to solving social issues. In order to achieve this, we must become a creative technology group with creativity and a challenge spirit that anticipate needs. In order for this to happen, I would like employees to actively interact with the outside world and make serious efforts to increase their own market value.

**Ichikawa** I completely agree. I believe that value creation for the future cannot be achieved only within SWCC. Although we have already started doing this in various ways, there are also ways to actively interact with outside parties, promote open innovation, and enhance our development capabilities through value creation.

**Nishimura** As you both have said, the source of sustainable growth is the power of SWCC's human resources. At SWCC, institutional reforms and investments in human capital are being made in human resource development and environmental improvement respectively. However, we would like to contribute to improvements from various perspectives, including system design and measures to increase employee motivation so that the job challenge system and evaluation and treatment system incorporating a performance-based approach that allow employees to take the jobs they want become more effective.

**Ichikawa** Investment in human capital is extremely important. Once human resource development has ceased, the repercussions will be felt five to ten years later. Based on past reflections, I feel it is a good thing that the Board of Directors is talking about how investment in education should not be cut even if business conditions worsen.

### Challenges to achieving Change & Growth

**Sakakura** In order for SWCC to achieve continuous growth, I believe it is necessary to review the business portfolio through further penetration of ROIC management and a shift to high-profit businesses. Although SWCC offers highly competitive products such as high-performance magnet wires, I think it is necessary to increase the profit margins of these products. As part of future business investments, I think it is necessary to consider M&A that increase added value, such as expanding the scope of business downstream, not only in Japan but also in Southeast Asia and other regions overseas.

**Mukuno** In terms of overseas businesses, I believe I can share a more practical way of thinking in light of my own experience. In many cases, the key to business in China, Vietnam, and Southeast Asian countries is to build relationships with central and local governments and major local companies. In addition, it may be necessary to utilize third-party products and services, such as being required to propose solutions as technology packages. I believe that we can expect significant growth if we can develop strategies and tactics tailored to local conditions by considering alliances with other companies and M&A, as well as strengthening human resources and organizations at overseas bases.

**Ichikawa** I would like to touch upon the quality management system as a foundation for further growth. Over the past two years, SWCC has been improving its quality management system which was initiated due to quality problems at Group companies. Inappropriate behavior is said to occur when three things come together: opportunity, motivation, and justification. At SWCC, efforts to reduce opportunities for inappropriate behavior through digitalization of operations, to increase flexibility in personnel allocation, and to prevent motivation and justification from being created through the project to instill quality awareness, are progressing smoothly. As an Outside Director, I have seen improvement activities, and I think things are changing in a positive direction. Although it may be difficult to establish a quality system overnight, I would like to help so that reforms can be made as quickly as possible.

**Nishimura** I would now like to talk about human capital. SWCC has expanded the scope of initiatives for diversity in human resources from promotion of women's participation to promotion of diversity and is making steady progress. In order to increase human resource diversity in the future, although it is important to recruit human resources, SWCC must be an entity that applicants want to work for. I would like to actively make proposals for the creation of a company where employees can be active and shine in their own ways so that SWCC will be perceived as a company that takes on new challenges.

**Sakakura** In order for SWCC to take a leap to the next stage, it will be a great strength to create a growth vision and story that anticipates the needs of society, and continue to realize that vision, thereby increasing the number of shareholders who can be called fans of the Company over the long term. I look forward to working with the Directors, Executive Officers, and many other employees to further enhance the corporate value of SWCC, which is developing businesses necessary for the society of the future, and to help as many people as possible understand the importance of SWCC.



## Management Team (Introduction of Officers)

### Director, Audit and Supervisory Committee Member (as of June 27, 2023)



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

### Takayo Hasegawa

Supervising Group Management  
In charge of quality supervision

#### Career summary

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



Director  
Senior Executive Officer

### Dongcheng Zhang

Assistant to President  
In charge of China Business Governance Reform

#### Career summary

Apr. 1993 Joined SHOWA ELECTRIC WIRE AND CABLE CO., LTD.  
June 2015 Director of the Company  
June 2017 Executive Managing Director of the Company  
Apr. 2019 Director, Senior Executive Officer of the Company  
Apr. 2021 Representative Director, Senior Executive Officer of the Company  
June 2023 Director, Senior Executive Officer of the Company (to present)



Outside Director  
Audit and Supervisory Committee Member

### Takashi Mukuno

#### Career summary

Apr. 1981 Joined Asahi Kasei Kogyo Co., Ltd. (currently Asahi Kasei Corporation)  
Aug. 2008 President, Asahi Kasei America, Inc.  
Apr. 2021 Senior Executive Officer, Asahi Kasei Corporation and General Representative for China  
Apr. 2022 Advisor, Asahi Kasei Corporation (to present)  
June 2023 Outside Director (Audit and Supervisory Committee Member) of the Company (to present)



Outside Director  
Audit and Supervisory Committee Member

### Minako Nishimura

#### Career summary

April 1983 Joined Fujitsu Limited  
December 2018 Representative Director, Next Story Co., Ltd. (to present)  
June 2023 Outside Director (Audit and Supervisory Committee Member) of the Company (to present)



Outside Director  
Audit and Supervisory Committee Member

### Yuji Sakakura

#### Career summary

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



Outside Director  
Audit and Supervisory Committee Member

### Seiichiro Ichikawa

#### Career summary

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



Director  
Full-time Audit and Supervisory Committee Member

### Takashi Togawa

#### Career summary

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

Note: In each career summary, "the Company" refers to SWCC Corporation

### Executive Officer (as of April 1, 2023)

Managing Executive Officer

### Futoshi Yamaguchi

In charge of human resources, general affairs, and shared services

Managing Executive Officer

### Tetsuo Komata

In charge of Management Strategy, Investment Strategy, IR, and Group company management

Managing Executive Officer

### Yukio Kawase

Chief of Energy and Infrastructure Business Segment  
President and Representative Director of Showa Furukawa Cable Co., Ltd.

Executive Officer

### Kiyoshi Otake

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

Executive Officer

### Nobutaka Imai

In charge of finance, accounting, and auditing

Executive Officer

### Toshiharu Kamijo

In charge of capital strategy, sustainability, risk management, and legal affairs

Managing Executive Officer

### Yoshinao Kodama

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

Managing Executive Officer

### Takashi Yamamura

Chief of Electrical Equipment and Components Business Segment  
In charge of Mobility Business Strategy

Executive Officer

### Kazuhiko Inoue

In charge of sales coordination and material procurement

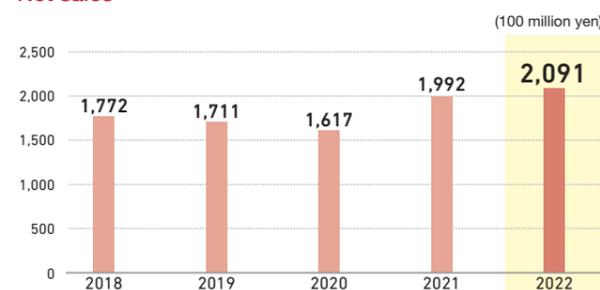
Executive Officer

### Nobuyuki Sema

In charge of Smart Stream Business and Electric Power System Strategy

## Financial Highlights

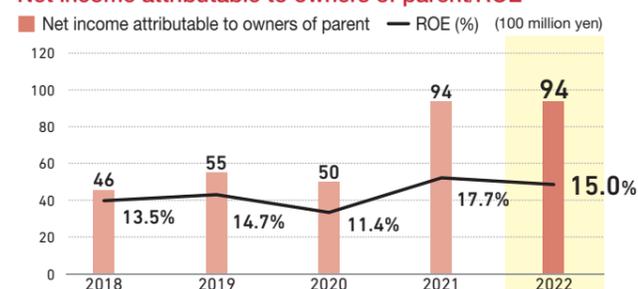
### Net sales



There were increases in shipments due to stable demand from the domestic electric power infrastructure and stable demand from the construction-related sector (Energy and Infrastructure Business) in Japan. Although there was a decrease in shipments due to the impact of automobile production cutbacks, partly due to the impact of rising copper prices, net sales increased 5.0% year on year.

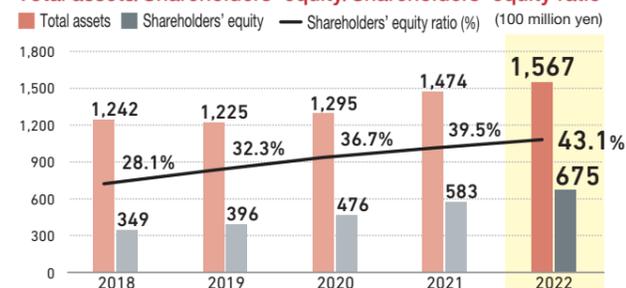
Scope of data: The former SWCC Showa Holdings Co., Ltd. and its consolidated subsidiaries

### Net income attributable to owners of parent/ROE



In the current consolidated fiscal year, net income attributable to owners of the parent increased slightly from FY2021 as a result of the aforementioned increase in operating income as well as a gain on the return from the retirement benefit trust despite the recording of a settlement payment and R-PJ based business structure improvement expenses.

### Total assets/Shareholders' equity/Shareholders' equity ratio



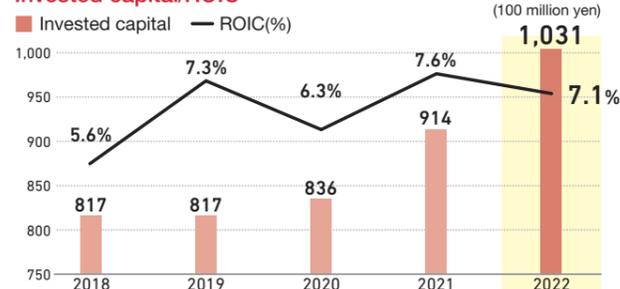
Total assets increased mainly due to an increase in inventories caused by the impact of soaring copper prices, and an increase in fixed assets due to the return from the retirement benefit trust. Although we paid dividends to our shareholders, we recorded a net income of 9.4 billion yen, resulting in an increase in shareholders' equity and a shareholders' equity ratio of 43.1%.

### Operating income/Operating income margin



In addition to stable demand for domestic power infrastructure, the domestic construction-related industry (Energy and Infrastructure Business) saw improved earnings and stable demand due to the integration of manufacturing and sales of joint ventures, and operating income increased 4.3% over FY2021, despite the impact of reduced automobile production on earnings (Electrical Equipment and Components Business) and other factors.

### Invested capital/ROIC



As previously noted, despite an increase in operating income, ROIC decreased by 0.6 points from FY2021 due to a large increase in invested capital, including an increase in working capital due to soaring copper prices and investments such as expansion of domestic manufacturing facilities.

### Research and development expenses/Capital expenditure

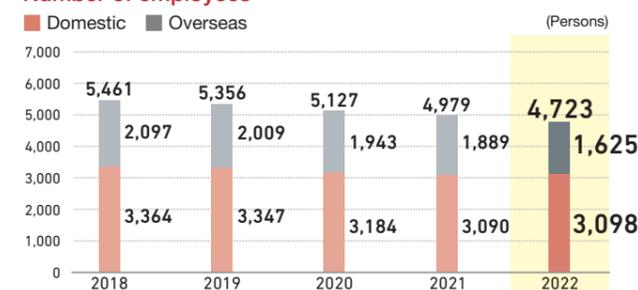


Research and development expenses decreased slightly compared to FY2021. Capital expenditure decreased significantly compared to FY2021, due in part to the stabilization of domestic and overseas manufacturing capital expenditure despite the continued strengthening of the manufacturing infrastructure through the restructuring of domestic business sites.

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

## Non-financial Highlights

### Number of employees



Compared with the previous fiscal year, the number of employees of the Group remained flat in Japan and decreased overseas due to a combination of factors, such as improved productivity at some manufacturing sites and a decrease in orders received. We will continue to strive to maintain an appropriate number of employees for the sustainable growth of the Group.

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

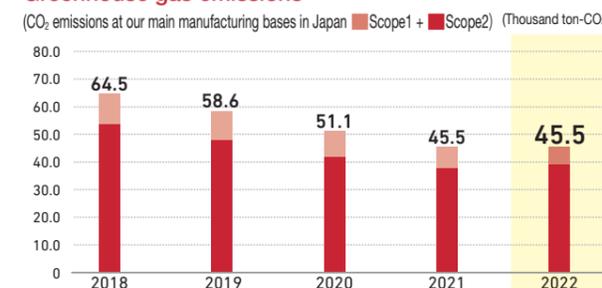
### Number of non-Japanese employees (domestic)



We are actively recruiting foreign employees to incorporate diverse perspectives and values such as culture, religion, and language into our Company. In order to further strengthen the Group's new overseas business development, which is set forth in the medium-term management plan, we will make every effort to recruit excellent foreign talent.

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

### Greenhouse gas emissions



In FY2022, energy consumption per unit of energy decreased due to business restructuring, renewable energy adoption, and the deepening of energy conservation, but emissions were equal to FY2021 levels due to an increase in production volume.

Scope of data: Major production sites of domestic Group companies

### Number of female employees



We are steadily recruiting female career-track positions every year, both as new graduates and as career hires, and working to retain them, and through the career development support and awareness-raising activities for female employees conducted by SWCCarat, we are striving to create an environment that enables diverse work styles and to further recruit and retain female employees.

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

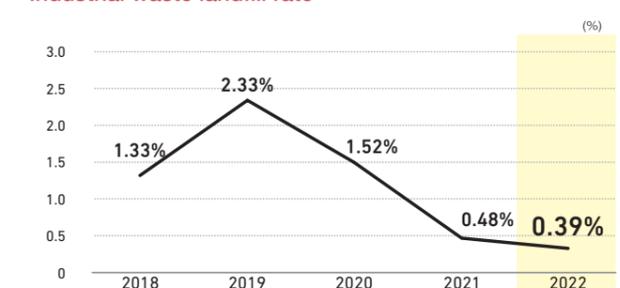
### Percentage of annual paid leave taken



The percentage of employees taking paid leave, which decreased due to the COVID-19 pandemic, improved as the COVID-19 pandemic subsided, and in FY2022, the percentage of employees taking paid leave recovered to a level higher than the pre-COVID-19 level. In the future, we will set a target of 75% or higher as one of our health KPIs and aim to further increase the rate of acquisition through regular monitoring.

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

### Industrial waste landfill rate



The industrial waste landfill rate for FY2022 improved 0.39% over FY2021 due to the promotion of waste plastic recycling. The amount of landfill waste will be reduced by 75% from the FY2018 level, achieving the target for FY2025. Although an increase in waste is expected in FY2023 due to increased production and restructuring, we set a new target for FY2023 for an 80% reduction compared to FY2018.

Scope of data: Major production sites of domestic Group companies

## Financial Overview



## FY2022 Financial Results—Key Points

The Group's net sales for the current fiscal year were 209.111 billion yen (up 5.0% compared with FY2021). Although there were decreases in shipments due to the impact of reduced automobile production, there were increases in shipments due to stable demand from the domestic electric power infrastructure and stable demand from the construction-related sector in Japan. Operating income was 10.474 billion yen (up 4.3% compared with FY2021) and net income attributable to owners of parent was 9.41 billion yen (up 0.6% compared with FY2021) partly due to the effect of improving earnings from the integration of manufacturing and sales of joint ventures.

Total net assets on a consolidated basis were 156.65 billion yen, an increase of 9.293 billion yen from the end of the previous fiscal year. Current assets increased 3.338 billion yen mainly due to an increase in inventories, and fixed assets increased 5.955 billion yen mainly due to an increase in investment securities. Total liabilities decreased 163 million yen from the end of the previous fiscal year to 88.26 billion yen. Current

liabilities decreased 1.299 billion yen mainly due to a decrease in notes and accounts payable-trade, while non-current liabilities increased 1.135 billion yen mainly due to an increase in deferred tax liabilities. Total net assets were 68.39 billion yen, an increase of 9.457 billion yen from the end of the previous fiscal year. This was mainly due to recording net income attributable to owners of parent of 9.41 billion yen.

Cash and cash equivalents on a consolidated basis increased 679 million yen from the end of the previous fiscal year to 3.958 billion yen at the end of the current fiscal year. As in the previous fiscal year, loans payable increased due to an increase in working capital due to a surge in raw material prices. However, cash flows generated from operating activities (4.163 billion yen) and proceeds from sales of property, plant and equipment were allocated to investments for the future maintenance and growth of the business scope (4.931 billion yen for the acquisition of fixed assets) and dividends to shareholders (1.492 billion yen).

## Key Financial Data for the Past 11 Years

Fiscal Year	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Consolidated Results of Operations (millions of yen)</b>											
Net sales	169,798	183,289	181,693	169,712	155,232	168,186	177,174	171,142	161,697	199,194	<b>209,111</b>
Gross profit	18,503	19,561	18,161	17,728	20,099	21,646	21,718	23,733	21,759	25,357	<b>25,804</b>
Selling, general and administrative expenses	(17,376)	(17,009)	(16,925)	(16,778)	(15,865)	(15,370)	(15,077)	(15,123)	(14,168)	(15,318)	<b>(15,329)</b>
Operating income	1,126	2,552	1,236	949	4,234	6,276	6,640	8,609	7,590	10,039	<b>10,474</b>
Interest expense	(1,042)	(1,090)	(1,060)	(965)	(852)	(841)	(805)	(669)	(398)	(363)	<b>(520)</b>
Equity in earnings (loss) on equity-method	(184)	(271)	(208)	(644)	(83)	(415)	(476)	(2)	248	484	<b>263</b>
Foreign exchange gain (loss)	44	11	260	(304)	(202)	36	(75)	(36)	19	37	<b>(138)</b>
Ordinary income	(847)	1,236	384	(1,461)	2,446	4,892	5,603	7,864	7,765	9,882	<b>10,393</b>
Net income attributable to owners of parent	(6,365)	195	228	(9,151)	1,976	3,737	4,569	5,465	4,966	9,353	<b>9,410</b>
Comprehensive Income	(5,866)	1,600	3,213	(11,195)	2,938	5,722	2,314	4,584	8,628	11,332	<b>10,782</b>
Depreciation	3,169	2,947	3,489	3,699	2,928	2,877	3,011	3,099	3,183	3,345	<b>3,497</b>
Capital expenditure	3,812	4,460	4,998	3,983	3,244	3,391	2,944	4,186	3,969	6,303	<b>4,282</b>
Research and development expenses	1,247	1,097	1,238	1,045	927	1,046	1,119	1,255	1,276	1,414	<b>1,378</b>
<b>Information on Consolidated Cash Flows (millions of yen)</b>											
Cash flows from operating activities	5,385	(1,208)	5,624	4,545	7,842	6,804	6,901	8,696	8,882	428	<b>4,163</b>
Cash flows from investing activities	(3,913)	(4,567)	(2,027)	(3,846)	(2,218)	(4,051)	(3,552)	(4,144)	(3,358)	(1,519)	<b>(3,547)</b>
Cash flows from financing activities	(718)	4,734	(3,493)	(2,289)	(6,506)	(3,295)	(2,970)	(4,879)	(5,661)	64	<b>(85)</b>
Cash and cash equivalents at end of year	8,223	7,604	7,968	6,282	5,192	4,603	4,721	4,225	4,086	3,279	<b>3,958</b>
<b>Consolidated Financial Position (millions of yen)</b>											
Total assets	136,890	140,371	138,023	123,069	119,528	123,518	124,165	122,521	129,460	147,356	<b>156,650</b>
Total net assets	35,349	33,578	36,921	25,724	28,655	33,477	35,628	39,981	48,169	58,932	<b>68,390</b>
Interest-bearing debt	57,177	62,105	58,963	57,482	51,419	48,994	46,657	42,303	37,689	39,171	<b>41,177</b>
Shareholders' equity	35,057	33,281	36,616	25,371	28,150	32,857	34,943	39,576	47,568	58,273	<b>67,505</b>
<b>Per Share Information (consolidated basis) (yen)</b>											
Net income	(206.55)	6.33	7.43	(296.98)	64.14	123.93	153.22	183.27	166.49	313.43	<b>315.01</b>
Total net assets	1,137.62	1,080.04	1,188.29	823.37	913.60	1,101.71	1,171.66	1,327.04	1,594.63	1,952.73	<b>2,259.11</b>
Dividend	0.00	0.00	0.00	0.00	0.00	5.00	7.00	15.00	20.00	50.00	<b>60.00</b>
Dividend payout ratio (consolidated basis)	—	—	—	—	—	4.0%	4.6%	8.2%	12.0%	16.0%	<b>19.1%</b>
<b>Key Financial Indicators (consolidated basis)</b>											
Operating income margin	0.7%	1.4%	0.7%	0.6%	2.7%	3.7%	3.8%	5.0%	4.7%	5.0%	<b>5.0%</b>
ROA (Return on assets)	-0.6%	0.9%	0.3%	-1.1%	2.0%	4.0%	4.5%	6.4%	6.2%	7.1%	<b>6.8%</b>
ROE (Return on Equity)	-16.8%	0.6%	0.7%	-29.5%	7.4%	12.3%	13.5%	14.7%	11.4%	17.7%	<b>15.0%</b>
Shareholders' equity ratio	25.6%	23.7%	26.5%	20.6%	23.6%	26.6%	28.1%	32.3%	36.7%	39.5%	<b>43.1%</b>
DE ratio	163%	187%	161%	227%	183%	149%	134%	107%	79%	67%	<b>61%</b>
Overseas sales ratio	12.2%	13.2%	13.4%	11.2%	11.5%	11.8%	9.7%	8.2%	9.2%	9.2%	<b>9.9%</b>

Notes:

1. Effective October 1, 2017, the company carried out a 10-to-1 share consolidation of its common stock. Accordingly, net income per share and net assets per share are calculated assuming that the share consolidation was carried out at the beginning of FY2012.

2. The company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) since the beginning of FY2018. Figures for fiscal 2017 are ones after this accounting standard has been applied retrospectively.

## Consolidated Financial Statements

## Consolidated Balance Sheet

(Millions of yen)

	FY2021	FY2022
<b>ASSETS</b>		
Current assets:		
Cash and time deposits	3,357	<b>4,037</b>
Notes receivable - trade	11,790	<b>10,361</b>
Accounts receivable - trade	39,696	<b>41,524</b>
Contract assets	1,245	<b>800</b>
Merchandise and finished goods	11,665	<b>13,139</b>
Work in process	8,360	<b>8,645</b>
Raw materials and supplies	6,021	<b>6,377</b>
Other	6,569	<b>7,158</b>
Allowance for doubtful accounts	(12)	<b>(12)</b>
Total current assets	88,693	<b>92,032</b>
Fixed assets:		
Property, plant and equipment		
Buildings and structures (net)	9,272	<b>9,422</b>
Machinery, equipment and tools (net)	7,237	<b>7,900</b>
Tools, furniture and fixtures (net)	1,090	<b>1,228</b>
Land	22,382	<b>22,155</b>
Other	1,445	<b>1,026</b>
Total property, plant and equipment	41,428	<b>41,733</b>
Intangible assets	1,340	<b>1,488</b>
Investments and other assets:		
Investment securities	7,790	<b>16,297</b>
Deferred tax assets	740	<b>529</b>
Net defined benefit asset	6,193	<b>3,441</b>
Other	2,032	<b>2,049</b>
Allowance for doubtful accounts	(863)	<b>(922)</b>
Total investments and other assets:	15,893	<b>21,395</b>
Total fixed assets	58,662	<b>64,618</b>
Total assets	147,356	<b>156,650</b>

## Consolidated Balance Sheet

(Millions of yen)

	FY2021	FY2022
<b>LIABILITIES</b>		
Current liabilities:		
Trade notes and accounts payable	26,674	<b>24,858</b>
Current portion of bonds payable	60	<b>60</b>
Short-term debt	26,189	<b>28,549</b>
Other accounts payable	10,187	<b>9,337</b>
Accrued income taxes	1,929	<b>913</b>
Provision for loss on construction contracts	68	<b>110</b>
Contract liabilities	1	<b>33</b>
Provision for business structure improvement expenses	232	<b>10</b>
Provision for product repair costs	190	<b>—</b>
Other	4,805	<b>5,166</b>
Total current liabilities	70,339	<b>69,040</b>
Long-term liabilities:		
Bonds payable	90	<b>30</b>
Long-term debt	12,011	<b>11,885</b>
Deferred tax liabilities	59	<b>1,495</b>
Deferred tax liabilities related to land revaluation	4,155	<b>4,161</b>
Net defined benefit liability	791	<b>940</b>
Other	976	<b>706</b>
Total long-term liabilities	18,084	<b>19,220</b>
Total liabilities	88,424	<b>88,260</b>
<b>NET ASSETS</b>		
Shareholders' equity:		
Common stock	24,221	<b>24,221</b>
Capital surplus	5,704	<b>5,887</b>
Retained earnings	18,321	<b>26,239</b>
Treasury stock	(900)	<b>(865)</b>
Total shareholders' equity	47,347	<b>55,483</b>
Accumulated other comprehensive income:		
Unrealized holding gains on other securities	735	<b>1,518</b>
Variance of land revaluation	6,850	<b>6,845</b>
Foreign currency translation adjustments	2,226	<b>3,077</b>
Remeasurements of defined benefit plans	1,114	<b>580</b>
Total accumulated other comprehensive income	10,926	<b>12,021</b>
Non-controlling interests	658	<b>885</b>
Total net assets	58,932	<b>68,390</b>
Total liabilities and net assets	147,356	<b>156,650</b>

## Consolidated Statement of Operations

(Millions of yen)

	FY2021	FY2022
Net sales	199,194	<b>209,111</b>
Cost of sales	173,837	<b>183,307</b>
Gross profit	25,357	<b>25,804</b>
Selling, general and administrative expenses	15,318	<b>15,329</b>
Operating income	10,039	<b>10,474</b>
Other income:		
Interest income	98	<b>122</b>
Dividend income	77	<b>173</b>
Equity in gain of affiliates	484	<b>263</b>
Foreign exchange gain	37	<b>—</b>
Other	269	<b>454</b>
Total other income	967	<b>1,014</b>
Other expenses:		
Interest expense	363	<b>520</b>
Foreign exchange loss	—	<b>138</b>
Loss on disposal of fixed assets	162	<b>131</b>
Loss on settlement of derivatives	179	<b>49</b>
Other	418	<b>256</b>
Total other expenses	1,123	<b>1,094</b>
Ordinary income	9,882	<b>10,393</b>
Extraordinary income:		
Gain on return of retirement benefit trust	—	<b>2,644</b>
Gain on sales of fixed assets	2,266	<b>782</b>
Gain on sales of investment securities	41	<b>211</b>
Total extraordinary income	2,308	<b>3,638</b>
Extraordinary losses:		
Settlement payments	—	<b>485</b>
Business structure improvement expenses	879	<b>374</b>
Loss on impairment of fixed assets	—	<b>244</b>
Loss on termination of retirement benefit plans	—	<b>67</b>
Loss on evaluation of investment securities	—	<b>67</b>
Merger related expenses	—	<b>36</b>
Total extraordinary losses	879	<b>1,275</b>
Income before income taxes and non-controlling interests	11,312	<b>12,756</b>
Income taxes - current	2,707	<b>1,559</b>
Income taxes - deferred	(857)	<b>1,513</b>
Total income taxes	1,850	<b>3,072</b>
Net income	9,461	<b>9,684</b>
Net income attributable to non-controlling interests	108	<b>273</b>
Net income attributable to owners of parent	9,353	<b>9,410</b>

## Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2021	FY2022
Net income	9,461	<b>9,684</b>
Other comprehensive income:		
Unrealized holding gains on other securities	93	<b>783</b>
Variance of land revaluation	1	<b>(5)</b>
Foreign currency translation adjustments	725	<b>613</b>
Remeasurements of defined benefit plans	566	<b>(534)</b>
Share of other comprehensive income of affiliates in equity method	484	<b>240</b>
Total other comprehensive income	1,871	<b>1,098</b>
Comprehensive income	11,332	<b>10,782</b>
Comprehensive income attributable to		
Owners of parent	11,221	<b>10,505</b>
Non-controlling interests	111	<b>276</b>

## Consolidated Statement of Cash Flows

(Millions of yen)

	FY2021	FY2022
Cash flows from operating activities		
Income before income taxes and non-controlling interests	11,312	<b>12,756</b>
Depreciation and amortization	3,345	<b>3,497</b>
Loss on impairment of fixed assets	—	<b>244</b>
Loss (gain) on sales of investment securities	(41)	<b>(211)</b>
Increase (decrease) in allowance for doubtful accounts	728	<b>58</b>
Increase (decrease) in reserve for construction loss	(0)	<b>41</b>
Increase (decrease) in provision for product repair costs	(99)	<b>(190)</b>
Increase (decrease) in provision for net defined benefit liability	59	<b>102</b>
Interest and dividend income	(175)	<b>(295)</b>
Interest expense	363	<b>520</b>
Foreign exchange (gain) loss	278	<b>171</b>
Business structure improvement expenses	879	<b>374</b>
Settlement payments	—	<b>485</b>
Loss on termination of retirement benefit plans	—	<b>67</b>
Loss (gain) on sales of investment securities	—	<b>67</b>
Gain on return of retirement benefit trust	—	<b>(2,644)</b>
Loss (gain) on sales of fixed assets	(2,266)	<b>(782)</b>
Equity in loss (earnings) on equity-method	(484)	<b>(263)</b>
Decrease (increase) in trade receivables	(8,853)	<b>45</b>
Decrease (increase) in inventories	(4,899)	<b>(1,905)</b>
Increase (decrease) in trade payables	3,860	<b>(1,340)</b>
Decrease (increase) in other current assets	(731)	<b>80</b>
Increase (decrease) in other current liabilities	(459)	<b>(637)</b>
Other	(496)	<b>(1,398)</b>
Sub-total	2,315	<b>8,846</b>
Interest and dividends received	239	<b>497</b>
Interest paid	(366)	<b>(522)</b>
Business structure improvement expenses paid	(453)	<b>(728)</b>
Settlement payments	—	<b>(485)</b>
Income taxes paid	(1,306)	<b>(3,443)</b>
Cash flows from operating activities	428	<b>4,163</b>
Cash flows from investing activities		
Payments for purchase of investment securities	(254)	<b>(111)</b>
Proceeds from sales of investment securities	118	<b>222</b>
Payments for purchase of property, plant and equipment	(4,565)	<b>(4,487)</b>
Proceeds from sales of property, plant and equipment	3,495	<b>1,284</b>
Payments for purchase of intangible assets	(302)	<b>(443)</b>
(Increase) decrease in short-term loans receivable	(12)	<b>(32)</b>
Other	1	<b>20</b>
Cash flows from investing activities	(1,519)	<b>(3,547)</b>
Cash flows from financing activities		
Increase (decrease) in short-term bank borrowings	1,375	<b>1,721</b>
Proceeds from long-term debt	6,523	<b>6,550</b>
Repayment of long-term debt	(6,805)	<b>(6,619)</b>
Redemption of bonds	(60)	<b>(60)</b>
Purchase of treasury stocks	(1)	<b>(3)</b>
Income from payments from non-controlling interests	—	<b>128</b>
Cash dividends paid	(596)	<b>(1,492)</b>
Other	(370)	<b>(309)</b>
Cash flows from financing activities	64	<b>(85)</b>
Effect of exchange rate changes on cash and cash equivalents	219	<b>149</b>
Net increase (decrease) in cash and cash equivalents	(807)	<b>679</b>
Cash and cash equivalents at beginning of year	4,086	<b>3,279</b>
Cash and cash equivalents at end of year	3,279	<b>3,958</b>

## Share and Investor Information (as of March 31, 2023)

### Status of Stock

Total Number of Authorized Shares  
70,000,000 shares

Total Number of Issued Shares  
30,826,861 shares

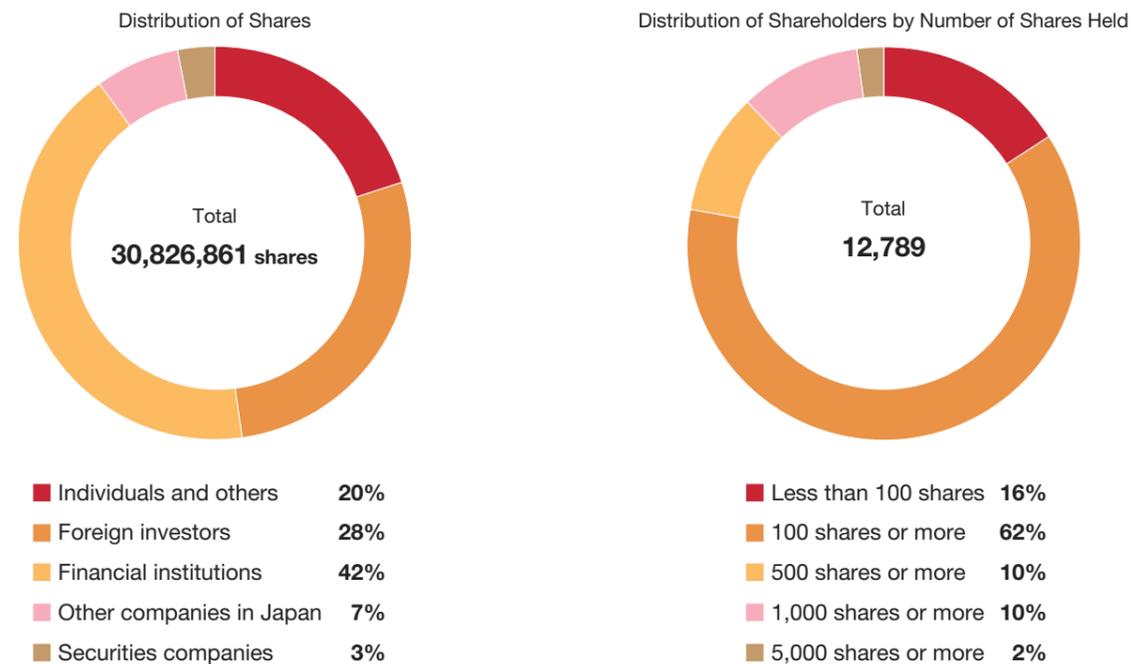
Number of Shareholders 12,789

### Principal Shareholders (Top 10)

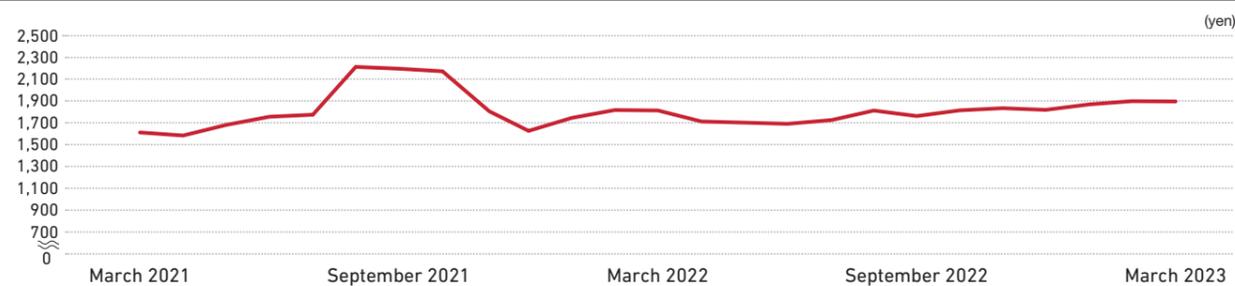
Name of shareholders	Number of shares held (Thousand shares)	Percentage of shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,680	22.3
Custody Bank of Japan, Ltd. (Trust Account)	4,065	13.6
BNP PARIBAS LUXEMBOURG/2S/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS	1,230	4.1
JX Nippon Mining & Metals Corporation	979	3.2
Fukoku Mutual Life Insurance Company	892	2.9
JPMorgan Securities Japan Co., Ltd.	608	2.0
GOLDMAN SACHS INTERNATIONAL	519	1.7
THE BANK OF NEW YORK MELLON 140044	510	1.7
Custody Bank of Japan, Ltd. (Trust Account B)	401	1.3
JP MORGAN CHASE BANK 380646	315	1.0

\* Besides the above, there are 945,577 shares of treasury stock held by the Company.  
\* The percentage of shareholding is calculated after deducting the number of treasury stock from the total number of issued shares.

### Distribution of Shares by Type of Ownership



### Stock Price Movements



## Company Profile (as of April 1, 2023)

### Company Profile

Corporate Name SWCC Corporation

Date of Establishment May 26, 1936

Common stock 24,221 million yen

Head Office JMF-Bldg. Kawasaki 01, 1-14, Nissin-cho, Kawasaki-ku, Kawasaki-City, Kanagawa 210-0024, Japan

Number of Employees 4,201

Stock Exchange Listing Tokyo Stock Exchange, Inc. (TSE Prime Market) "SWCC (5805.T)"

Lines of Business Manufacture and sale of Wires and cables, power equipment components, flat magnet wires, optical fiber cables, rollers for information equipment, seismic isolation and vibration damping materials, vibration damping rubber, etc.

End of Fiscal Year March 31, every year

### Principal Group Companies (as of April 1, 2023)

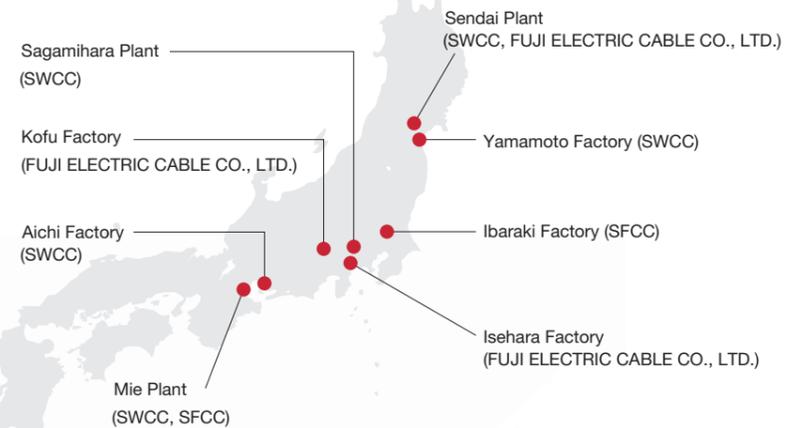
#### Domestic

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

#### Overseas

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

#### Production Sites in Japan



#### Overseas Production Sites

